



Extending the ocean potential  
**Annual Report 2021**

SALMON  
EVOLUTION®

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## This is Salmon Evolution

*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
- First grow out production facility under construction at Indre Harøy in Norway, with 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 – planned construction start in 2022 and first grow-out production targeted in 2024
- Defined pipeline for ~24,000 tonnes capacity by 2024, clear roadmap for 70,000 by 2030
- Listed on Oslo Stock Exchange main list from July 2021

### Salmon Evolution – Extending the ocean potential

*A Norwegian land-based salmon farming company with a goal to become a global supplier of high-quality and sustainable salmon*



First production facility under construction in Norway – annual harvesting capacity of 31,500 tonnes head-on-gutted ("HOG") fully developed



Joint venture with Dongwon Industries for a 16,800 tonnes HOG production facility in South Korea – first grow-out production targeted in 2024



Utilizing hybrid flow-through system ("HFS") with 30%-35% fresh seawater intake, reducing complexity and biological risk and securing optimal growth at low cost



Targeting a position as a global leading land-based farmer, enabled by a strong ESG profile

Indre Harøy illustration – fully developed



South Korea project illustration (Source: Dongwon)



## Key figures

NOK 1,420m	Total raised equity	47	# Employees <sup>1)</sup>
NOK 677m	Total committed debt	March 2022	First smolt release
NOK 983m	Available liquidity <sup>2)</sup>	Q4 2022	First harvest
NOK 920m	Accumulated capex <sup>3)</sup>	70,000 tonnes HOG	Target production capacity by 2030



Indre Harøy drone picture January 2022

1. As per April 2022
2. Cash at hand plus committed undrawn credit facilities as per 31 December 2021
3. As per 31 December 2021

## Conservative approach in a “disruptive industry”

1

**Biology is the most important consideration**  
→ Shown through our choice of technology

2

**There is much to learn, even though we have decades of experience**  
→ That's why we start in Norway

3

**International expansion can be accelerated with strong local partners**  
→ That's why we don't go solo on our first project overseas



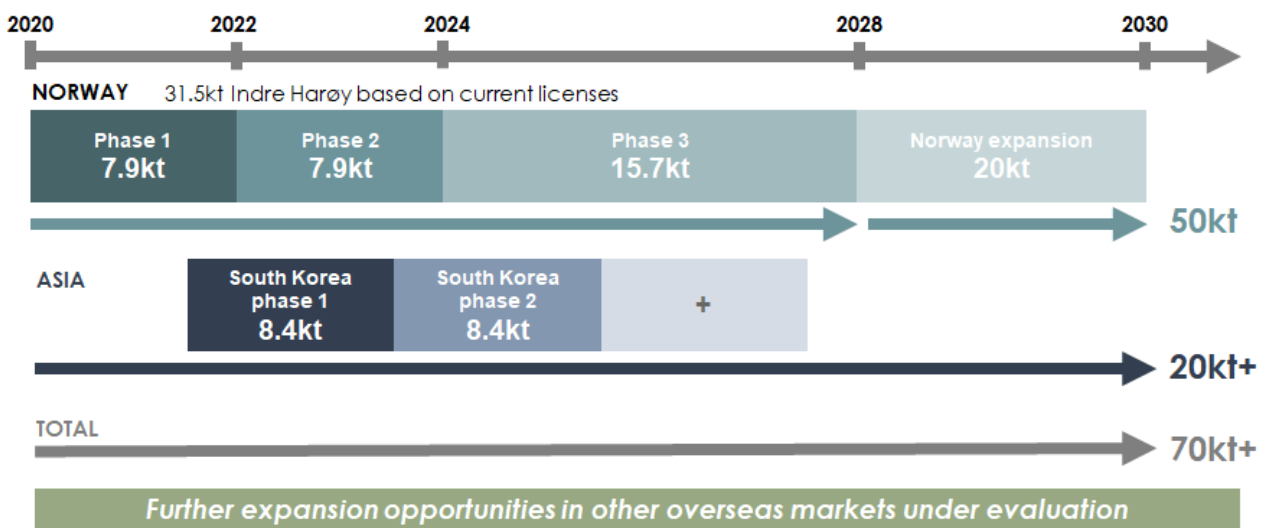
South Korea project illustration (Source: Dongwon)

## Roadmap to 70,000 tonnes in 2030

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 Norway, the company has international ambitions. 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 +70,000 tonnes production capacity by 2030 and is already on track for ~24,000 tonnes by 2024.

### Roadmap towards +70kt HOG annual harvest



Indre Harøy fully developed

## Letter from the CEO

2021 was indeed a ground-breaking year for Salmon Evolution. Going into the year the organization totalled 12 employees, the construction work at the building site had just started to become visible and a significant amount of financing was needed to successfully complete phase 1 at Indre Harøy.

The contrast to today could not have been larger. As we speak, we have about 100,000 fish swimming in our first fish tank, being carefully fed and monitored by our highly capable organization now totalling 47 people for the group. Over the coming months we will gradually ramp up production with 4 additional smolt releases planned throughout 2022 and with the first salmon planned harvested in Q4 2022.

During 2021 we raised over NOK 1.2 billion in equity and debt ensuring a fully funded platform for our committed projects. We further initiated our international expansion through the formalization of a joint venture with Dongwon Industries for a 16,800 tonnes HOG land-based salmon farming facility in South Korea. Another major milestone was the acquisition of Kraft Laks, securing in-house smolt supply from a producer with several decades of operational track record.

Throughout 2021 we also spent a lot of resources in building an organization to ensure that we are well prepared and trained as we enter the operational phase. I am very pleased to see that Salmon Evolution is regarded as an attractive employer in our region, demonstrated by our ability to recruit tier 1 personnel across all areas of our operation. In this process we have clearly seen the benefit of being located where we are, with solid access to a highly competent workforce both within traditional aquaculture

industries as well as advanced processing industries.



When now entering the operational phase, we remain committed to our strategy of putting biology first. This means that fish biology and fish welfare will be the overriding principle in all we do as we strive for operational excellence throughout the value chain. We are confident that this strategy will yield solid long term returns and pave the way for a new age in the salmon farming industry as we demonstrate proof of concept.

Salmon Evolution remains positive to the long-term demand for salmon and even though the current global geopolitical situation creates some uncertainties, we think the need for resource efficient production of animal proteins will only increase in the years to come. This should ultimately benefit the salmon relative to many other protein sources, given its low feed conversion ratio, high nutrition content, short production cycle and low environmental footprint.

Additionally, there are significant challenges growing the supply side using conventional methods, from both a biologically, sustainability and regulatory perspective. Thus, the opportunity to produce salmon on land at an

industrial scale is greater than ever and Salmon Evolution aims to be the driving force for this globally in the years to come.

This year we are also proud to include an integrated ESG section in our annual report. This is an area which is highly important to Salmon Evolution and as we move forward and start getting operational data, we will continuously work to further improve and expand our ESG reporting.

It has been a rewarding long journey since the company first was founded back in 2017 and we are very grateful for all the support shown by our stakeholders. Seeing our beautiful salmon thriving and growing at our ground-breaking

facility at Indre Harøy is truly inspiring for the whole organization and strengthening our belief that we are actively taking part in defining the future of salmon farming.



**Håkon André Berg**  
CEO, Salmon Evolution



*Filling of seawater in first fish tank, Indre Harøy January 2022*



## Company description

### Our story

Salmon Evolution was established in 2017 to pursue salmon farming on land. As a member of the Norwegian aquaculture cluster, the company has unmatched access to fresh seawater, expertise, renewable energy, and an established infrastructure. We emphasise efficient and low risk operations, fish welfare and minimal environmental impact. Using clean water from the coast the company creates optimal farming and environmental conditions, better growth and shorter production time. Treating wastewater and reusing marine resources will help minimise our environmental footprint.

In July 2018, Møre og Romsdal county council awarded the company with a licence for the planned facility at Indre Harøy. This permits a maximum standing biomass of 13,300 tonnes of

salmon and an annual output of 31,500 tonnes HOG, which corresponds to about 150 million salmon meals per year.

In January 2019 the company raised and secured NOK 50 million through a private placement with strong local industrial ownership. Further, in March 2020 the company raised NOK 258 million through another private placement where new and existing industrial owners made a continued commitment.

The company raised a further NOK 50 million in July 2020 through a private placement directed towards Dongwon Industries. Another NOK 500 million in equity was raised in September 2020 ahead of the company's listing on Euronext Growth.



In March 2021 Salmon Evolution entered into a joint venture with the South Korean seafood giant Dongwon Industries called K Smart Farming. The joint venture company will build and operate a 16,800 tonnes HOG land-based salmon farming facility on the east coast of South Korea.

Also in March 2021, the company raised another NOK 500 million in equity and announced that it would apply for a listing on the main list at Oslo Stock Exchange.

In June 2021 Salmon Evolution raised further capital through the signing of a NOK 625 million debt financing package with Nordea, Sparebanken Vest, Eksfin and Innovation Norway and in July another major milestone was reached when the Company's shares were listed on the Oslo Stock Exchange main list.

As part of the preparations for production start at Indre Harøy, in August 2021 Salmon Evolution acquired Kraft Laks AS, a family owned smolt producer, and thereby securing inhouse supply of smolt. The purchase price was paid partly in cash, new shares in Salmon Evolution ASA and via a sellers credit.



The company also entered a strategic feed partnership with Cargill in October 2021 where

Salmon Evolution will be their global flagship customer for land-based full grow out production. Under the agreement, Cargill will supply 100% of Salmon Evolution's feed volumes for the Indre Harøy facility.

Cargill further committed to allocate significant resources and R&D capacity with the ambition of developing sustainable feed solutions tailored to Salmon Evolution's operational targets, securing high biological performance and premium product quality.

As part of the agreement Salmon Evolution carried out a USD 5 million private placement towards Cargill.



*Cargill Florø (Photo Cargill)*

In March 2022 the company commenced production with the release of its first smolt at the Indre Harøy facility. Over the coming months and quarters the company will gradually ramp up production and first harvest is expected late 2022. Phase 1 will have a production capacity of 7,900 tonnes HOG and fully developed, Indre Harøy will have a production capacity of 31,500 tonnes HOG. The facility's location ensures that it can adopt the most suitable technology for farming fish on land using a hybrid flow-through system (HFS).

## Kraft Laks

On 16 August 2021 Salmon Evolution announced that the company had entered into an agreement to acquire Kraft Laks AS ("Kraft Laks"), a family-owned smolt producer located in Dalsfjorden in Volda municipality. Kraft Laks currently has an annual production of around 1.8 million smolt p.a. but has a license to produce 5 million smolt p.a. subject to certain conditions.

Kraft Laks has a documented track record as a high quality smolt producer and the facility has been producing smolt since 1995 under the ownership of the selling family. Over the last years the majority of the smolt produced has been sold to one of the major salmon farmers.

One of the main advantages with Kraft Laks is the company's excellent freshwater supply. From 3 inlet stations (2 rivers) Kraft Laks has rich access to clean freshwater from the surrounding

mountains. In addition, a royal resolution secures minimum freshwater supply from the local hydro power plant at all times.

The good freshwater access has enabled Kraft Laks to utilize a production technology similar to Salmon Evolution's hybrid flow-through system (HFS) with reuse of water, CO<sub>2</sub> stripping and oxygenation, making Kraft Laks an ideal fit for Salmon Evolution.

The acquisition of Kraft Laks gives Salmon Evolution full operational control over the crucial parts of the value chain and secures in-house supply of smolt for phase 1 at Indre Harøy. In the evaluation leading up to the acquisition, Salmon Evolution also identified significant expansion opportunities for Kraft Laks which, if realized, is expected to cover Salmon Evolution's smolt needs for at least phase 2 at Indre Harøy.

### Kraft Laks smolt facility



Photo: Salmon Evolution

High quality smolt is a critical foundation for any successful salmon farming operation, and Salmon Evolution sees a strong strategic rationale in acquiring a well-established smolt producer in close proximity to the site at Indre Harøy, dedicated in providing the company with the best possible smolt.

The acquisition of Kraft Laks was the result of a thorough process where Salmon Evolution has evaluated a number of alternatives for sourcing of smolt. The company is confident that acquiring an existing operation with documented track record has a significant risk mitigating effect. It also provides flexibility with respect to the production plan at Indre Harøy and it does so in a cost and capex effective manner.

Kraft Laks has for many years had a stable and strong financial performance. The purchase price for the shares in Kraft Laks was NOK 76.5 million, based on an enterprise value of NOK 70

million on a cash and debt free basis. This equals an EV/EBITDA multiple of 7x based on average EBITDA for the last 3 years.

The purchase price of NOK 76.5 million was agreed settled as follows as follows:

- NOK 16.6 million in the form of new Salmon Evolution ASA shares at a subscription price of NOK 7.5775 per share which equalled the volume weighted average price the last 20 days prior to the transaction. As a result, Salmon Evolution issued 2,190,694 new shares to the previous Kraft Laks owners. These shares are subject to a 12-month lock-in.
- NOK 35 million was paid in cash at closing
- NOK 24.9 million as a sellers credit with maturity after 12-18 months

## K-Smart Farming

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

The joint venture will be 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. Total project cost for phase 1 including capex, project management, contingencies and working capital build up, is estimated to NOK 1.6 billion.

Under the terms of the Joint Venture agreement, Dongwon Industries will facilitate debt financing for K-Smart and Salmon Evolution's total equity

contribution for 49% ownership is estimated to about NOK 200 million on a fully funded basis. Phase 2 of the project is planned financed through a combination of bank debt and retained earnings.

Salmon Evolution's equity contribution will be split in milestone driven tranches, reflecting the overall progress of the project. Salmon Evolution executed its first tranche of close to NOK 30 million in April 2021. Together with Dongwon's initial equity investment into K Smart, the proceeds will be used to finance: (i) design and engineering, (ii) site evaluation and permitting, (iii) acquisition of an existing and operating smolt facility in Jeongseon of which closing has already taken place and (iv) general corporate purposes.



Salmon Evolution and Dongwon target construction start during 2022, with commencement of grow out production in 2024. 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.

As part of the collaborations, the parties will cooperate to establish branding and marketing of premium, land-based Atlantic salmon from K-Smart and Salmon Evolution in the Korean market. K Smart will be responsible for all

development-costs and investments related to the project.

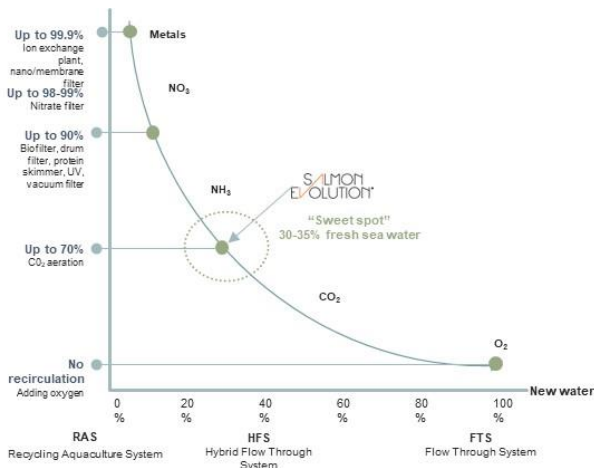
The Joint Venture agreement also contains a comprehensive set of corporate governance principles, aimed at serving as a solid foundation for a long-term partnership between Salmon Evolution and Dongwon.

The two parties will further jointly consider future opportunities for scaling similar projects in other attractive markets in the region.

## Our Technology

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 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 hand, a lower level of reuse will lead to significantly higher energy costs in connection with pumping and heating of water.

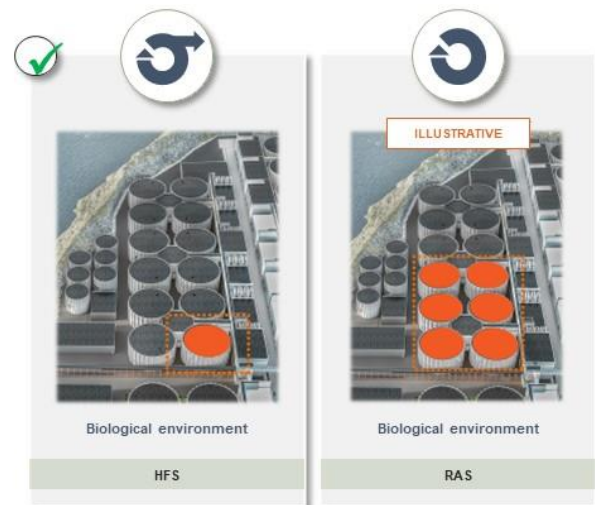
At Indre Harøy the seawater intake is based on two intake pipes at 25 meters and 95 meters, respectively, enabling the company to tap into ideally tempered water and hence reducing

energy costs in connection with the heating of seawater.

The water intake 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 CO<sub>2</sub> 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 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.

## Our Vision

*Extending the ocean potential*

### Responsible, competent and innovative

Our concept is based on preserving and reusing marine resources and minimising our environmental footprint.

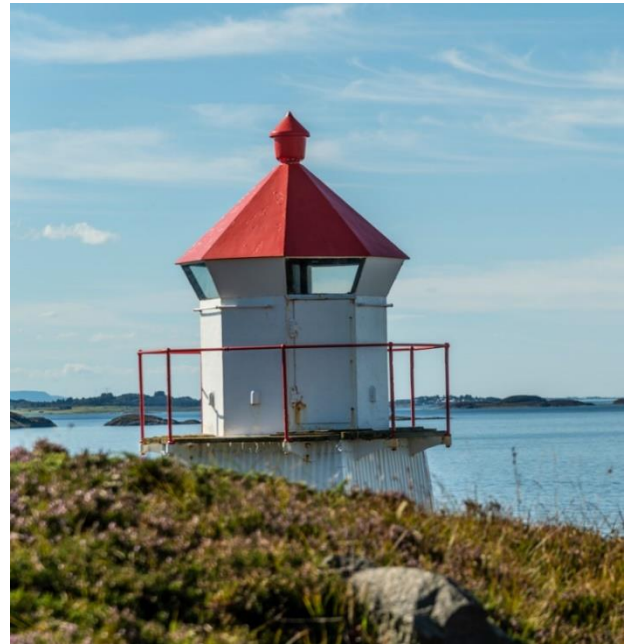
Farming fish on land, with each tank as a defined and isolated biological zone, gives us full control of water parameters and the production environment in order to eliminate lice and other parasites as well as minimising infection risk.

A closed system also means that there is minimal risk of escapes.

The use of clean and fresh seawater as the primary water treatment element, combined with reuse of water to facilitate stable and ideal temperatures in a highly energy efficient manner, reduce operating risk and maximise output from the farm. That contributes to competitive operating costs, even compared with conventional farming.

Our energy plant has a very high output in relation to the energy used. It ensures an optimal

and stable temperature which contributes to better fish health and increased growth.



Treating wastewater and reusing fish sludge to produce for example biogas and short-travelled fertiliser are among our contributions to a circular economy.

## Markets

### Overall description

Salmon Evolution targets to play a significant role in the global salmon industry, and to be a driving force in the development of land-based salmon farming. Global production of Atlantic salmon reached about 2.9 million tonnes LW in 2021. This represents almost a doubling over the last decade and a yearly growth of 6.4% since 2010.

The salmon industry has for many years benefitted from several major global macro trends that have led to a significant demand growth, hereunder increased global population and a growing middle class, increased focus on eating healthy food, and resource efficient and climate friendly food production.

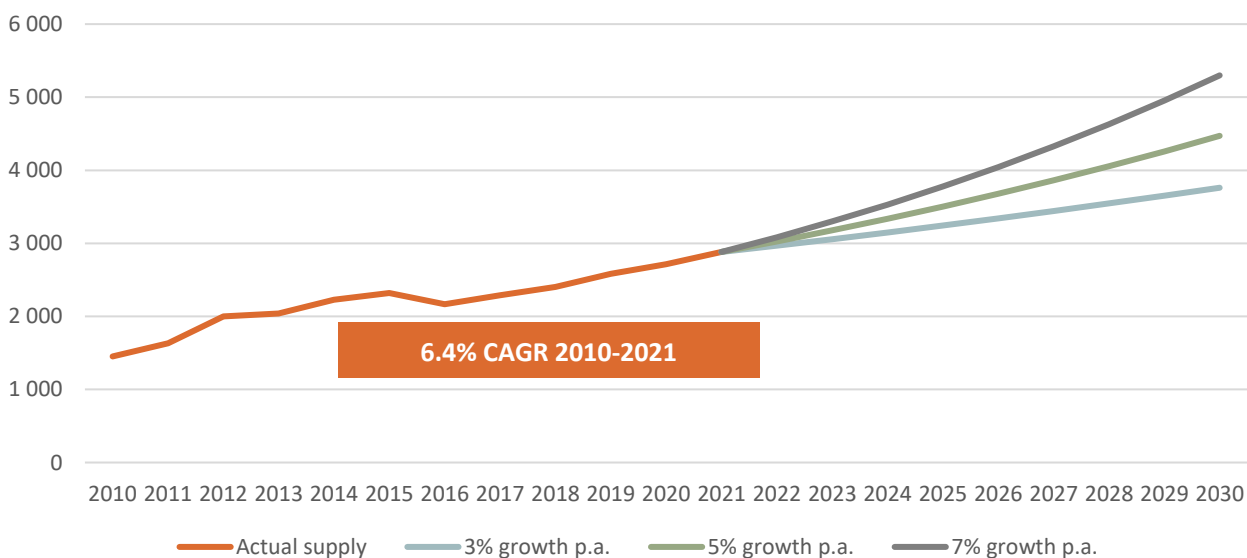
Global supply of Atlantic salmon has seen an impressive increase over the last decades, but in recent years the growth has come significantly down. The reason for this is that the industry has

reached a production level where biological constraints put limit to further growth.

Looking ahead for the next decade, a 3–7% yearly growth in salmon demand implies a total demand of around 3.8-5.3 million tonnes by 2030 which represents an increase of around 0.9-2.4 million tonnes LW compared to current production.

This strong demand outlook combined with the challenges conventional farming has had growing the supply side, have led to the development of new production methods such as land-based, offshore and ocean based closed systems. Conventional farming will play a key role in the salmon farming industry for many years to come, but other production methods such as for example land-based farming will likely be necessary to serve the steadily increasing demand for Atlantic salmon.

World production of Atlantic Salmon (LW, '000 tonnes)



Source: Pareto Securities, Salmon Evolution



## Competitive landscape and market opportunities

Norway is by far the largest producer of Atlantic salmon today with a market share of about 50% followed by Chile at around 25%. Common for both is that most of their production is exported, with a significant portion of the volume being sold fresh to overseas markets requiring airfreight.

Transportation of salmon via airfreight is expensive and the rise of land-based salmon farming enables production in end-markets and thereby eliminating the need for airfreight. This creates a foundation for additional margins as pricing for in-market produced fish will likely be benchmarked with imported fish.

Salmon Evolution has significant international ambitions and the joint venture with Dongwon Industries is a strong demonstration of this.

However, Salmon Evolution acknowledges the challenges of producing fish on land, which is reflected in the company's choice of technology, hereunder our hybrid flow-through system (HFS).

Salmon Evolution also acknowledges that building a land-based salmon farming facility is a complex process which is why our first facility is being built in Norway in the middle of the aquaculture cluster to serve as a best practice facility when expanding abroad. Finally, when expanding internationally, Salmon Evolution is confident that project execution can both be fast-tracked and significantly de-risked by teaming up with strong local partners, such as Dongwon Industries.



*Dongwon Industries processing plant in Busan, South Korea*

## Business plan and strategy

### Goals and ambitions

Salmon Evolution's goal is to become a globally leading producer of land-based Atlantic salmon. The company is focused on extending the ocean's potential by transferring the best preconditions offered by the sea to farm fish on

land through its hybrid flow-through system (HFS) technology. This secures a truly sustainable production process with controlled and optimal growth conditions and limiting operational and biological risk.

### Strategic priorities and opportunities

Salmon Evolution already has a tangible pipeline of close to 50,000 tonnes HOG through its projects at Indre Harøy (31,500 tonnes) and K Smart (16,800 tonnes). Through further expansions the company targets a production capacity of 70,000 tonnes by 2030.

While further growth is important, the company's core near term focus is to secure optimal project execution of the projects at Indre Harøy and in Korea as well as a successful production ramp-up at Indre Harøy. Over the past year significant resources have been devoted to growing the organization, establishing quality and control systems as well as establishing a digital infrastructure ahead of our first smolt release which took place in March 2022. Salmon

Evolution also has strong ambitions as to the commercial aspect of fish farming, hereunder sale and distribution. The high degree of fresh seawater usage in our production combined with optimal growth conditions in our tanks are expected to result in a healthy and tasty fish with a firm texture which provides a solid foundation for establishing a good reputation in the market.

The environmental aspect of our production with a closed system production method, collection and recirculation of waste, no sea lice and minimal risk of escapes also have some very attractive attributes that warrants a price premium in the market. During 2022 Salmon Evolution will further intensify its commercial efforts in preparation for first harvest late 2022

### Capital strategy/priorities and funding

The company will in the coming years actively seek to optimize its capital structure and have a balanced mix of equity and debt. Although land-based salmon farming to a large extent have had to mainly rely on equity financing in the past, the company sees increasing appetite amongst banks for more traditional bank debt financing structures. Nevertheless, banks appear conservative and selective which is reflected in moderate loan to values.

Going forward and along with land-based salmon farming facilities commencing

operations and obtaining proof of concept, the company believes this positive trend will continue and eventually also facilitate higher loan to values which again will facilitate further growth.

Salmon Evolution also sees interesting opportunities for alternative financing structures, for example through partnerships such as K Smart. This and similar structures represent a capital efficient way of growing production while at the same time scaling and leveraging the organization's competence and knowhow.

## Management

### General comments on experience and competence

The company have a dedicated management team with extensive experience from the aquaculture industry, and a well-developed organisation with the necessary competence and execution capabilities.

### Roles and CV's



#### Håkon André Berg, CEO

Håkon André Berg became our CEO in the spring of 2020 after serving as CFO from November 2019.

With a background in management of strategy and business development, he has extensive industrial and financial experience and expertise from various private-equity related companies.

That includes ~15 years of experience in finance, including as a partner in the private equity companies Broodstock Capital Partners and Midvestor Management. He has been an associate at Argentum Private Equity and an

analyst at Bridgehead Corporate Finance. In addition, he has held board appointments at a number of companies in the aquaculture sector.

Berg has a BSc in business economics from the BI Norwegian Business School, and MSc studies specialising in finance at the Norwegian School of Economics (NHH).

Berg owns 450,000 shares and holds 3,000,000 share options in Salmon Evolution (directly or indirectly through Carried Away AS).



#### Trond Håkon Schaug-Pettersen, CFO

Trond Håkon Schaug-Pettersen took over as our CFO on 1 January 2021.

He brings extensive experience from both the salmon industry and the capital market. Prior to joining Salmon Evolution he served over 4 years as Senior Vice President Finance and Business Development at Hofseth International.

Before joining Hofseth International, Schaug-Pettersen worked for nine years as an investment banker at

Swedbank/First Securities advising Norwegian and international companies on IPOs, equity and debt capital raisings, M&A, strategy and restructurings.

Schaug-Pettersen has a BSc in Economics and Business Administration from the NHH Norwegian School of Economics.

Schaug-Pettersen owns 400,000 shares and holds 2,400,000 options in Salmon Evolution.



**Ingjarl Skarvøy, COO**

Ingjarl Skarvøy is one of our founders and served as our first CEO. He has more than 30 years of experience from the aquaculture sector, including regional manager for Salmar Farming, CEO of Salmar Rauma and regional manager for Pan Fish Norway.

Skarvøy owns 1,800,150 shares and holds 750,000 share options in Salmon Evolution (directly or indirectly through Terra Mare AS).



**Kamilla Mordal Holo, Chief Project Officer**

Kamilla Mordal Holo has 16 years of experience from the construction sector, including the post of project manager at the Norwegian Public Roads Administration responsible for the highway network in Møre og Romsdal county. She has also been project and construction manager at engineering and consultancy company 3S Project.

Mordal Holo has an MSc in civil and environmental engineering from the Norwegian University of Science and Technology (NTNU).

Mordal Holo owns 160,060 shares and holds 750,000 share options in Salmon Evolution (directly or indirectly through C10 Holding AS).



**Odd Frode Roaldsnes, CCO & Head of Asia**

Odd Frode Roaldsnes joined Salmon Evolution in 2021 and brings extensive experience from the salmon industry.

Prior to joining Salmon Evolution he held the position as sales director and partner at Ocean Supreme, a salmon exporter based in Ålesund.

His background is within the areas of management, business development and downstream operations where he has primarily been focusing on the Asian markets the last 15 years.

Roaldsnes holds 750,000 share options in Salmon Evolution.

## ESG IN SALMON EVOLUTION

Salmon Evolution is a salmon farming company focused on transferring the best preconditions offered by the sea to farm fish on land. Our hybrid flow-through system (HFS) technology secures a truly sustainable process with controlled and optimal growth conditions while limiting operational and biological risk.

We are committed to ensure that we are a responsible business and that we are sustainable in our operations and in everything we do. This is enshrined in our vision:

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“EXTENDING THE  
OCEAN POTENTIAL”

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We build sustainability and social responsibility into the core of our business. Our commitment is integrated into every part of Salmon Evolution’s business model and implemented through our ethical guidelines. It is our firm belief that responsible and sustainable business behaviour contributes to better environmental, social, organisational, and financial results.

In our view, Salmon Evolution has a high potential to produce what the market demands: a fresh, healthy, and sustainable premium product. With the use of the HFS technology, we farm our salmon in a closed system with minimal impact on the environment, whilst providing the best conditions for optimal fish welfare.

We have created a truly sustainable approach to producing the world’s best and healthiest protein.

## ESG Reporting

This is our second annual report published and the first annual report with explicit Environmental, Social, and Governance (ESG) factors included. Our report is created with reference to the Global Reporting Initiative (GRI) Standards. Although we are not yet operational and therefore not able to comply fully with the GRI, we have had great ambitions in this area from the very beginning.

We have committed to establish plans for ESG monitoring to allow for comprehensive ESG reporting even before our first year of operations. We are consistently striving to gather and transparently present our information at the highest level of quality possible, with principles of:

- Accuracy
- Balance
- Comprehension
- Timing
- Reliability

For our 2021 report, we are not able to include any comparative information from previous years or reporting periods due to our limited operations.

Going forward, we will present our information in a manner that is comparative on a year-by-year basis for our operations, to track our progress and ensure accountability to our goals.

## Stakeholders and Material Topics

In the second half of 2021, we conducted a materiality assessment to map and determine our sustainability priority areas. We began by identifying our most important stakeholders (see page 36) as well as their primary areas of interest related to environmental, social, and governance factors.

We then examined these areas to learn where our potential impacts were. From this process, we established benchmarks for how we should identify and manage our sustainability risks and opportunities. It also gave us clarity on how we should provide our stakeholders with material disclosures through our ESG reporting.

The materiality assessment was conducted through discussions with internal employees who are in regular contact with our key stakeholders. It was carried out in accordance with GRI Standards and the Guidelines to Issuers for ESG Reporting by Oslo Stock Exchange (Euronext).

To ensure the necessary independence and integrity of the process, this assessment was conducted by a third-party organisation.

Our materiality assessment resulted in the following material topics being defined as priority areas:

### ENVIRONMENT AND TECHNOLOGY

- Greenhouse gas (GHG) emissions
- Energy usage
- Circular economy
- Biodiversity and nature

### FISH AND WATER

- Fish health and welfare
- Sustainable food production
- Product certification and traceability\*

\*addressed in the Governance chapter

### PEOPLE AND SOCIETY

- Employee health and safety
- Local jobs, cooperation, and value creation
- Regulatory compliance
- Responsible supply chain



## Governance and ESG

Corporate responsibility is an integrated part of Salmon Evolution's business practices. We strongly believe that we have a responsibility for the people, communities, and environment affected by our business. This is woven into our core values as a company, which are to be responsible, competent, and innovative.

It is the duty of the CEO to ensure that Salmon Evolution always operates according to these core values. The CEO must also ensure compliance with legislation and follow up on Salmon Evolution's governing documents.

### OUR CORE VALUES: RESPONSIBLE, COMPETENT, INNOVATIVE

The Board of Directors shall ensure that Salmon Evolution has sound internal control and systems for risk management. They shall also supervise Salmon Evolution's management and general activities. This includes ensuring compliance to company core values, ethical guidelines, and guidelines for corporate social responsibility.

Our governing codes, policies, and procedures ensure that all our employees carry out their activities in an ethical manner, in accordance with current legislation and Salmon Evolution standards.

An overview of ESG topics covered by our governance system is presented here:

- Fish health and fish welfare policy\*
- Waste management policy\*
- HSEQ policy
- Supplier code of conduct\*
- Code of conduct
- Corporate governance policy
- Corporate social responsibility policy
- Anti-corruption compliance procedure

\*work in progress

## Environment

There is a growing need for sustainably farmed salmon. The Food and Agriculture Organization (FAO) of the UN predicts that the world population will reach 9.7 billion by 2050. The demand for food is set to increase by 50% and meeting this demand will require a significant increase in protein production.

Seafood is quickly becoming an important contributor to meeting this demand. However, a growing demand for seafood will increase the





Protein production facts <sup>1</sup>				
Carbon footprint (kg CO <sub>2</sub> /40g edible meat)	0.60	0.88	1.30	5.92
Feed conversion ratio	1.2-1.5	1.7-2.0	2.7-5.0	6.0-10.0
Edible yield	68 %	46 %	52 %	No data
Water consumption (litres/kg)	2,000	4,300	6,000	15,400

Table 1 (Source 1: Global Salmon Initiative Organisation, <https://globalsalmoninitiative.org/en/sustainability-report/protein-production-facts>)

pressure on already over-exploited wild fish stocks and ocean resources. To alleviate this pressure, aquaculture, including salmon farming, is required to efficiently manage and maintain both wild fish stocks and the ocean's natural biodiversity.

Salmon are amongst the most efficient protein sources to produce. The feed conversion ratio (FCR) for salmon, or the amount of feed an animal needs to gain one kilogram of body weight, is well below other common protein sources.

Salmon has a high harvest yield in percentage (after inedible parts are removed) compared to

other farmed animals. This is shown in Table 1. In the future when more data is available, Salmon Evolution intends to measure the efficiency on the production and believe that land-based salmon should be competitive.

The global increase in food demand, combined with stronger preferences for healthy and sustainably produced proteins, has led to a high growth in demand for salmon over the last few decades.

This increase has mainly been met by a continuous expansion within conventional aquaculture. However, numerous challenges inhibit sustainable future growth for fish farming:

- **CLIMATE CHANGE:** DUE TO THE LONG-HAUL TRANSPORT AND DISTRIBUTION OF FISH, THE CO<sub>2</sub> FOOTPRINT FOR SEA-BASED SALMON FARMING IS HIGH.  
OUR RESPONSE: EXPANDING OPERATIONS CLOSER TO MARKETS, STARTING WITH OUR FACILITY IN SOUTH KOREA
- **POLLUTION AND WASTE:** THE NATURE OF CONVENTIONAL SALMON NET PENS CREATES ISSUES WITH THE DISCHARGE OF UNTREATED WASTE AND POLLUTION, AS WELL AS DISEASES AND PARASITES INTO COASTAL WATERS.  
OUR RESPONSE: MINIMIZING POLLUTION AND TREATING WATER AND WASTE
- **BIODIVERSITY AND NATURE:** ESCAPES IN SEA-BASED SALMON FARMING ARE EXPENSIVE AND POTENTIALLY DAMAGING TO LOCAL WILDLIFE.  
OUR RESPONSE: ELIMINATING THE RISK OF ESCAPE AND PROTECTING OCEAN BIODIVERSITY
- **FISH HEALTH:** DISEASES, PARASITES, AND SEA LICE ARE WIDESPREAD IN CONVENTIONAL SALMON FARMING, CAUSING CONSIDERABLE DAMAGE COMMERCIALY. IN ADDITION, MORTALITY AND LOSSES IN PRODUCTION ARE A CHALLENGE FOR SEA-BASED SALMON FARMERS.  
OUR RESPONSE: THROUGH OUR TECHNOLOGY, WATER INTAKE IS FILTERED AND UV-TREATED, AND SEPARATED BIOLOGICAL ZONES REDUCE OPPORTUNITY FOR CROSS-CONTAMINATION
- **FISH WELFARE:** CLIMATE VARIABILITY AND INCREASING WATER TEMPERATURES CAN CAUSE STRESS AND REDUCE FISH HEALTH AND WELFARE.  
OUR RESPONSE: BY CONTROLLING WATER TEMPERATURE AND BY CONTINUOUS MONITORING, WE ENSURE GREATER FISH WELFARE

New methods and technologies for addressing biological and environmental challenges are continually being developed, including a shift to more land-based farming practices. Land-based farming addresses a broad range of

these industry challenges and represents a viable solution for sustainably expanding the ocean's essential resources.



Research and development are thus central to our value chain and help create efficient operations, drive innovation, and create improvements that ensure future sustainability.

Our research is based on co-operation with several research communities and promotes knowledge transfer between internal and external stakeholders.

## Our Commitment

Our vision is to become a globally leading producer of land-based Atlantic salmon by ensuring sustainability and extending the ocean potential. We aim to encourage the inclusive and prosperous development of the aquaculture industry, within a stable and resilient earth system.

To achieve this, we commit to promoting a culture where sustainability and profitability reinforce each other. We build sustainability into our core operations and through the use of the HFS technology, we transfer the best preconditions offered by the sea to the farming of fish on land.

Through our business strategy, we are committed to the external environment and to setting a high standard for fish health and fish welfare. Our objective is to monitor and reduce the environmental impact of our business, to ensure we produce a premium salmon product with a low environmental footprint.

We therefore place an emphasis on three key environmental areas:

- 
- 1) climate change impacts
  - 2) circular economy, pollution, and waste
  - 3) biodiversity and nature
- 

By reusing water, we optimise energy consumption related to pumping and heating, which reduces our CO<sub>2</sub> footprint. By filtering and treating wastewater, we reuse more marine resources. Fish sludge is also collected and

recycled, contributing to a circular economy. By having a closed farming system, we also minimize the risk of escapes and thus the potential harm to local biodiversity and nature.



Photo: Salmon Evolution

Our environmental efforts should never compromise the health of our fish or our product quality. We therefore also focus on:

- 
- 1) fish health and welfare
  - 2) sustainable inputs and outputs
  - 3) product certification and traceability\*
- 

\*addressed in the Governance chapter

By using fresh seawater from the coast, we create optimal farming and environmental conditions for our fish, which result in better growth and a shorter production time. This enables a sustainable production process, with controlled and optimal growth conditions while limiting operational and biological risk.

Each of our choices is weighed against alternatives to ensure that we carry out our operations responsibly. Sustainability and fish welfare are at the core of our vision as well as our actions as a firm. They are essential to the

identity of Salmon Evolution and we commit to carry this forward as our operations grow and as we expand globally.

## Environment and Technology

### Climate Change Impact

Salmon Evolution's hybrid flow-through system (HFS) technology ensures rich access to fresh filtered seawater. At Indre Harøy, the seawater intake is based on two intake pipes at 25 meters and 95 meters, respectively, enabling us to tap into water at ideal temperatures.

By combining supplies of clean and fresh seawater with reuse, we minimise overall energy consumption for pumping and heating of seawater in the facility.

Our energy plant has a very high output in relation to the energy used.

#### Estimated data for Phase 1- full run rate:

- Electricity usage (mWh): 53,000
- Electricity usage (kWh/kg biomass (LW)): 5.8
- 100 % renewable energy

The HFS technology reuses 65% of the water, while the remaining 35% is fresh seawater. This ratio is our "sweet spot", balancing cost and operational risk while ensuring maximum production output.

Higher reuse levels require the introduction of more filtration and water treatment that will lead to an exponential increase in risk. On the other hand, a lower level of reuse will lead to significantly higher energy costs in connection with pumping and heating of water.

In 2021, we entered into a 100% green power supply agreement with Statkraft, Europe's largest generator of renewable energy. Statkraft is fully owned by the Norwegian government and is Norway's largest supplier of electricity to power-intensive industries.

The agreement ensures the further reduction of environmental impact. The CEO of Salmon Evolution, Mr. Håkon André Berg, sees this as a very positive step forward:

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*"As our company now approaches commercial operations, our customers can be 100% certain that our salmon is produced with the lowest possible environmental footprint, setting a new benchmark for sustainably produced salmon."*

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Through the agreement with Statkraft, Salmon Evolution will be guaranteed 100% renewable energy for our land-based salmon farming facility at Indre Harøy. It secures the vast majority of our electricity needs through 2023 at an attractive and fixed price. Furthermore, the electricity will be sourced nearby, from Statkraft's hydropower plant at Grytten in Rauma Municipality, only ~60 km from Indre Harøy.

In addition to this agreement, we have pursued other partnerships (see page 31) and ventures. In particular, we have begun a joint venture in South Korea, called K-Smart Farming. This land-based salmon farming facility places the HFS technology and Salmon Evolution's unique competence closer to markets, serving as a lower-CO<sub>2</sub> alternative to long-haul transport and distribution.

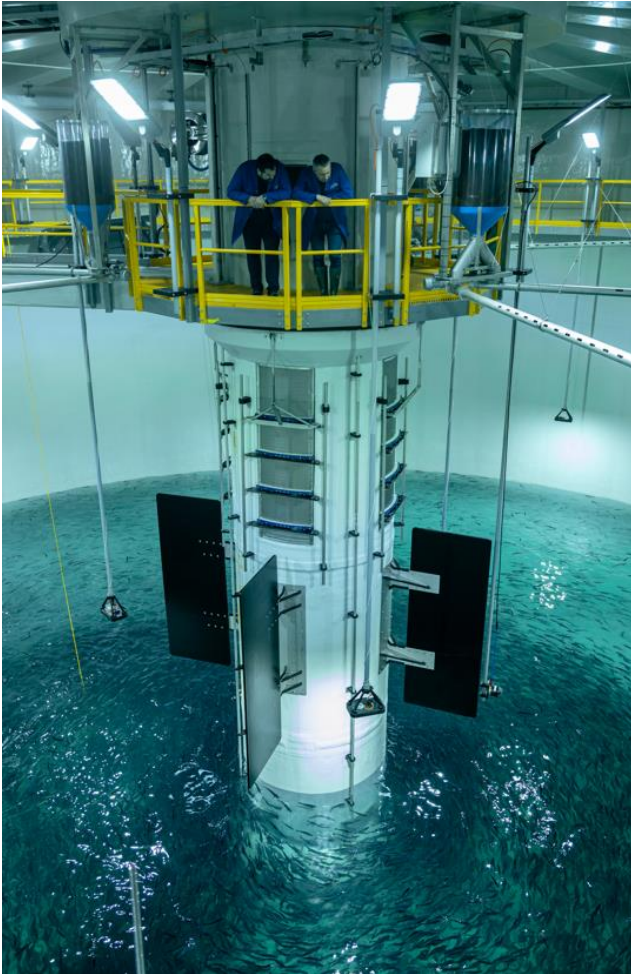


Photo: Salmon Evolution

### Circular Economy, Pollution, and Waste

The HFS technology is built to take in and reuse large quantities of clean and fresh seawater from the ocean. We are able to create an ideal balance, where we use water with the same high quality as traditional Norwegian cage-based farming, but where we also have sufficient space and access to the necessary resources for large-scale production on land.

### Key Points – Climate Change Impacts

- Salmon is already a lower environmental impact protein, but through the HFS technology, we further reduce our climate impacts.
- We have a high performance and high output in relation to our energy consumption.
- Through our agreement with Statkraft, Salmon Evolution will be guaranteed 100% renewable energy through 2023.
- The South Korea land-based facility places operations much closer to the market, allowing us to reduce our CO<sub>2</sub> footprint for long-haul transport and distribution.

The energy efficient system at Indre Harøy has also secured Salmon Evolution a grant of up to NOK 96.8 million from Enova. Enova is owned by the Norwegian Ministry of Climate and Environment and functions to promote the environmentally friendly production and consumption of energy. This grant will allow us to use even more resources to reduce greenhouse gas emissions, to develop energy-saving and climate-friendly technology, and to strengthen the security of the Norwegian food supply.

This provides us the opportunity to commit to a truly sustainable production as well as to promote a circular economy.

We plan to achieve this through collecting, treating, and filtering feed residue and wastewater. These are then transported to a recirculation plant where they are converted into short-travelled fertilizer, biogas, or similar.

In addition to the 65% of water being reused through the HFS technology, we also plan to reuse fish sludge. We are currently researching the optimal approach, and have discovered several possible uses for the sludge, including input for biogas or natural fertilizers.

For the handling of waste from Phase 1 at Indre Harøy, we are currently working with Blue Ocean Technology. Through this partnership, we aim to continue our efforts to make the reuse of these resources into viable alternatives.

### Key Points - Circular Economy, Pollution, & Waste

- 
- 65% of water is reused.
  - Wastewater and feed residue are collected, treated, and filtered.
  - We are continuing research and development to ensure the responsible reuse and recirculation of wastewater, residues, and sludge.
- 

By reusing and treating wastewater, and reusing water and sludge, we minimise our environmental footprint. Through our research,

we aim to contribute to a circular economy by making these reuse solutions into feasible practices in the future.

### Biodiversity and Nature

Our core business is about preserving and reusing marine resources and minimizing our environmental impact. The HFS technology operates in a land-based and enclosed system, which means that through greater production control, there is minimal risk of the salmon escaping from the farm.

As we get closer to operationalisation, we are committed to doing no harm to the local environment. In the coming year, we therefore commit to developing a plan for monitoring local biodiversity and nature to ensure we achieve this important goal.

### Key Points – Biodiversity & Nature

- 
- Our closed system ensures minimal escape risk.
  - Over the next year we will develop plans for monitoring local biodiversity and nature.
-

## Fish and Water

### Fish Health and Welfare

At Salmon Evolution, we believe that biology is key to ensure responsible practices in the aquaculture industry and ensuring fish health and welfare. We understand fish welfare as:

- freedom from hunger, thirst, and malnutrition
- freedom from extreme cold and heat
- freedom from injuries and illnesses
- freedom from anxiety, stress, and fear
- freedom to practice normal behaviour

To ensure fish welfare, we focus on the following:

- access to fresh seawater and good nutrition
- access to optimal conditions, including space for protection and rest
- preventing and/or quickly diagnosing and treating injuries and illnesses
- providing sufficient area and excellent facilities aimed at recreating a living space for fish that is similar to their natural environment
- ensuring good conditions and treatment so that fish avoid mental or physical suffering

The HFS technology and the arrangement of our facility enable us to define each tank as an isolated biological zone. This means that water in one tank never mixes with water in another tank. Such an arrangement gives us full control of water parameters and the production environment and allows us to ensure biosecurity. Any potential biological outbreaks in one tank will never impact or contaminate the fish swimming in another tank.

To ensure excellent biosecurity in our operations, we have implemented a quality assurance system with dedicated personnel responsible for compliance and the training of staff. Our training program includes promoting general

biosecurity knowledge and awareness, including the development of skills and the use of measures specifically relevant for Salmon Evolution's facility.

To ensure optimal biological and growth conditions in the fish tanks, oxygen and CO<sub>2</sub> levels are constantly monitored and adjusted. The HFS technology engages in CO<sub>2</sub> stripping and oxygenation to guarantee ideal environmental conditions for our fish.

#### Estimated data for Phase 1- full run rate:

- Mortality 3-5 %
- Density as measured in kg/m<sup>3</sup>:
  - Minimum: 7 kg/m<sup>3</sup>
  - Maximum: 85 kg/m<sup>3</sup>
- Oxygen consumption (kg / tonnes biomass growth (LW)): 0,55

By drawing seawater from depths of 25 and 95 meters, the HFS water intake is further filtered and treated with ultraviolet (UV) rays to eliminate parasites, sea lice, viruses, infection, and additional particles. Filtering and disinfecting intake water creates an infection-free environment, reducing the risk of illness, and ensuring a rich flow of fresh and clean seawater into the tanks.

By optimizing water quality parameters with ideal and stable temperatures, we can reduce the time to harvesting for each generation from approximately 16 to 11 months. This increased growth creates the basis for greater production efficiency and optimal utilization of our licensed volume.

Finally, our operations reduce the handling of fish, which create better growth conditions. It provides better opportunities for optimal

feeding and reduces loss and stress during the production cycle.

### Key Points – Fish Health & Welfare

- The HFS technology allows us to create a stable climate, which is less stressful for our fish.
- We ensure biosecurity through separate tanks and distinct biological zones.
- Filtered seawater further minimises the risk of bacterial and viral pathogens; minimises risk of parasites; and limits threats of infection.
- We engage in minimal handling of our fish.



Photo: Salmon Evolution

By maintaining control over the production environment and stable water parameters, we generate conditions for increased growth and a

shorter time to harvest. Our approach ensures better fish health and well-being, including reduced mortality and losses in production.

## Sustainable Inputs and Outputs

At full run rate in phase 1, we estimate a harvest volume of approximately 7,900 tonnes (HOG, or head on gutted). Thus, as we prepare to commence operations, we are working hard to optimise our sustainable inputs while reducing negative impacts for our outputs for this volume. Our most dominating inputs consist of seawater, power, feed, smolt, and oxygen.

In 2021, Salmon Evolution entered into a strategic feed partnership with Cargill. Salmon Evolution will serve as their global flagship customer for land-based full grow out production. Under the agreement, Cargill will supply 100% of Salmon Evolution's feed volumes for the Indre Harøy facility.

Cargill has further committed to allocate significant resources and R&D capacity with the ambition to develop sustainable feed solutions tailored to our operational targets: securing high biological performance and premium product quality.

As part of the agreement Salmon Evolution carried out a private placement towards Cargill of USD 5 million.

When asked about the importance of the partnership with Cargill, Mr. Håkon André Berg, CEO of Salmon Evolution stated:

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*"Having the best possible feed is essential for every salmon farmer. Particularly, in our HFS system where we create optimal and stable living conditions for the salmon, we see a strong and untapped potential in tailoring a feed focused on maximizing biological performance and product quality."*

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### Estimated data for Phase 1- full run rate:

- 100 % local seawater intake
- 9,300 tonnes of feed, corresponding to GHG emissions of 14,500 tons CO<sub>2</sub> eq. excluding land use change (GW\_E\_LUC) and 18,100 tons CO<sub>2</sub> eq. including land use change (GW\_I\_LUC).
- 218 tonnes of Smolt produced by Kraft Laks AS with 100% renewable energy

Another important input is smolt. In August 2021, Salmon Evolution acquired 100% of the shares in Kraft Laks AS, a family-owned smolt producer located in Dalsfjorden in Volda municipality, Norway. Kraft Laks has a documented track record as a high quality smolt producer and has been producing smolt since 1995.

One of the major advantages with Kraft Laks is its excellent freshwater supply. Kraft Laks has access to clean freshwater from the surrounding mountains. They are guaranteed a consistent supply of freshwater from the local power station.

This freshwater access enables Kraft Laks to utilize a similar production technology as Salmon Evolution's hybrid flow-through system (HFS) with reuse of water, CO<sub>2</sub> stripping and oxygenation-making Kraft Laks a perfect fit for Salmon Evolution.

The acquisition of Kraft Laks gives Salmon Evolution full operational control over a critical part of the value chain. It secures that Salmon Evolution is fully supplied with smolt for Phase 1 at Indre Harøy.

In addition to feed and smolt, another essential input is oxygen. Nippon Gases will be our main

supplier of oxygen. We share many of the same values, making this an ideal partnership. During our selection process, one of the most important factors was the focus Nippon Gases has on sustainability. Their efforts have led EcoVadis to awarding them a Gold Medal, and they are ranked in the top 5% for their sector.

## Social

Salmon Evolution is committed to responsible business practices. We take seriously our duty to promote human rights and ensure labour standards, equality, and non-discrimination in our workforce.

We are determined to be a safe and stimulating place to work. We also aim to limit any negative impacts our operations may have on society as much as possible. Through our concentrated investments, we have seen an important ripple

### Employee Well-Being, Health & Safety

#### Safe and Secure Workplaces

We strive for the highest levels of safety in working conditions. Our suppliers and partners must all operate according to responsible labour standards. Going forward, we encourage contractors and other partners with operational activities to be certified according to the ISO 45001, the standard for a safe and healthy working environment.

Our main contractor, Artec Aqua, has entered into agreements with subcontractors who are currently working on site. As of April 2022, Salmon Evolution had around 200 total contract workers on site.

In 2021, there were zero lost time injuries (LTI), zero total recordable injuries (TRI), zero accidents, and zero fatal accidents reported amongst Salmon Evolution employees. In total,

By prioritizing responsible suppliers, we are able to ensure that we use sustainable inputs, leading us to create a truly healthy and sustainable final product.

effect that has led to positive impacts in local communities.

To ensure we track our efforts and impacts, and act responsibly, we have several policies and plans in place regarding health and safety, working environment, stakeholder engagement, and the respectful use of local areas. As we move forward, we will continue to monitor and improve these efforts in a holistic way.

there were two cases of sick leave under 16 days, and zero cases over 16 days. Two male employees took their entitled parental leave and returned.

Amongst contract workers, there were 8 LTI, 16 TRI, and zero fatal accidents. There were zero fatal accidents amongst third parties.

As workload has increased, the number of workers on site has also increased. Along with increased activity and personnel, task complexity is also increasing. To ensure safe working conditions and reduce the risk of accidents, we have established a close dialogue with contractors and workers, as well as developed a new safety routine. We maintain a strong focus on security and sense of responsibility for our employees. We strive to



consistently provide a controlled and safe project progression regardless of the complexity or difficulty of the task.

To ensure this, we have a Health, Safety & Environment (HSE) manager on site to train our workers, conduct preventive HSE tasks, and to investigate any instances of potential violations or incidents. An introduction to HSE and training are provided to everyone new to the workplace and Salmon Evolution offers HSE and first aid courses to all its employees.

In addition to the HSE manager, Salmon Evolution has appointed a safety representative and chief safety representative. All HSE work is documented in our third-party system, Interaxo, through the filing of non-conformance reports, the documentation of investigations, and any additional follow-ups necessary.

The quality manager prepares procedures for work tasks that everyone is obliged to familiarize themselves with. Procedures for operations are assessed for risk and hazards prior to initiation. Salmon Evolution has an Occupation Safety Agreement with Medi3 (Kraft Laks AS) and Astero (Salmon Evolution ASA & Salmon Evolution Norway AS).

Salmon Evolution has an established and detailed a Covid-19 prevention and preparedness plan. We have operated in compliance with all national and regional rules and recommendations regarding the ongoing pandemic.

Salmon Evolution is also managing the Covid-19 situation by continually assessing the situation and taking necessary measures at all locations to limit the impacts. Our highest priority is to protect and safeguard the well-being of our

employees, suppliers, and partners, whilst also ensuring uninterrupted and efficient operations.

In 2021, we established a process for our employees to receive regular performance and career development reviews which will extend to all employees in 2022.

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*Salmon Evolution has high ambitions for employee development in the company. Target and development interviews will be conducted annually in Q1 and Q4, respectively. We have invested in a separate module in the HRM system, which simplifies the implementation and follow-up of the interviews. The module is being implemented and the first talks will be conducted in 2022.*

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We are in the process of taking the "pulse" of the organisation through flexible surveys through Simployer, our HRM system. These are user-friendly surveys stored in Simployer which will be used as a basis for strategic decisions in connection with organisational change.

Salmon Evolution aims to be an excellent and stimulating place to work, where employees are given the opportunity to use their skills and abilities to contribute both to the company's and their own progress. Employees receive systematic training focusing on developing skills tailored to individual needs and capabilities.

We are also committed to worker well-being outside of working hours. That is why we have established a corporate sports team for promoting activities and health after hours. In 2022, we will look for new initiatives to promote worker health and well-being both during and after work hours.

## Diversity and Equal Opportunity

Salmon Evolution shall be an inclusive working environment. We have zero-tolerance for harassment or discrimination, both of which are addressed in our Code of Conduct and Personnel Handbook.

Discrimination based on ethnic background, nationality, language, gender, sexual identity, or religious faith shall not occur. In 2021, there were zero cases of discrimination or harassment

reported. We are committed to promoting equal opportunities and fair treatment of all employees. We have a wage gender ratio of 99%, excluding management.

The average salary in 2021 was NOK 729,000 for our female employees compared to NOK 737,000 for our male employees. The ratio for management was 89% and the average salary was NOK 1,516,500.



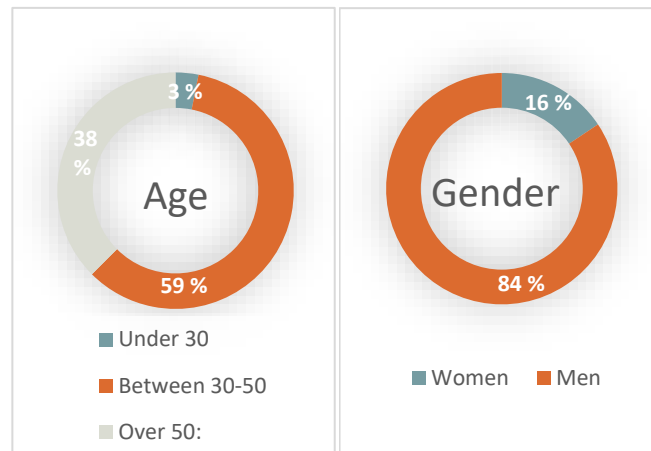
Photo: Salmon Evolution

## Our Employees

At the end of 2021, Salmon Evolution had 32 employees, all 100% employed. We had a turnover rate of 2,7%.

We support the principles of freedom of association and collective bargaining agreements. All employees at Salmon Evolution may freely join any labour union of their choice and we strive to sustain a good relationship with employees and unions.

In 2021, all employees of Salmon Evolution were Norwegian. We had 12 employees over 50 years old, 19 employees between the ages of 30-49, and one employee under 30 years old. There were five women and 27 men employed in 2021. Our Executive Management group consisted of four men and one woman.



The gender balance in Salmon Evolution as of 31.12.2021 was below the average in the Industry Sector in Norway, which in 2021 was 79% men and 21% women according to Directorate of Fisheries.

In early 2022, we hired 18 new employees. By May 2022, we expect to grow to 50 employees. We are continuously focusing on diversity and gender balance, and as of March 2022, our gender balance was 76 % men and 24 % women.

## Responsible Supply Chain

Our suppliers are important contributors to the success of our business. We believe that transparent and frequent communication with both our customers and suppliers is vital for our success. We work closely with our suppliers and customers to minimise negative impact from our supply chain and we will continue to develop partnerships focusing on sustainability.

Suppliers that are in breach of our basic standards for ethics and corporate social responsibilities can be disqualified for new tenders. However, if they do not comply with our standards, we first aim to work with the supplier to bring about improvements. If the supplier still does not comply, the supplier relationship can be terminated.

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*Salmon Evolution suppliers shall have standards for ethics and corporate social responsibility that follow the UN Global Compact principles. This shall apply to all suppliers as well as partnerships and employees.*

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## Stakeholder and Local Engagement

### Local Value Creation

Given that our land-based facility is located on Indre Harøy in Hustadvika municipality, Norway, we decided in 2019 to move our head office from Molde municipality to Elnesvågen, Hustadvika. The physical relocation was done during the first two months of 2022.

For the first phase of construction, we anticipate that our total investment on Indre Harøy will be NOK 1.4 billion. From this, we have seen a major ripple effect for both the Møre og Romsdal region and Hustavika municipality, in the form of large contracts to local suppliers. This has led to comprehensive investments in their own companies.

For example, food services are provided by local companies, many of whom have seen record growth, which has led to further investments in the municipality. Other investments our local suppliers have made include office premises and associated infrastructure, which have directly contributed to further local contracts and increased employment opportunities.

In total, Indre Harøy has employed around 200 workers daily through these contracts. Many of the contractors are also temporarily housed at local hotels while working at the construction site. The communities we impact, from the municipality to local inhabitants, have reacted positively to these developments.

### Stakeholder Engagement

Dialogue and engagement with our stakeholders help us understand what is expected of us, what is most important to our stakeholders, how they are impacted by our operations, and how we can work together in solving common challenges.

In 2021, we reviewed our stakeholders and identified seven groups that we have the possibility to impact or be impacted by. These are listed below:

 Shareholders, investors, assets managers and analysts	
 Employees and potential employees	 Local communities and municipalities
 Customers	 National authorities and regulators
 Financial institutions	 Suppliers and service providers

We are in regular contact with our employees, the local community and municipality, our customers, and our suppliers and service providers as part of our daily operations. Quarterly reports and presentations, and the latest relevant news from our company, are presented on our [website](#).

Over the next year, we commit to creating arenas for systematic and open dialogue with these groups to understand our impacts. We are committed to being a responsible business through interacting with our stakeholders in both an ethical and transparent manner.

## Respectful Use of Land

The site of our land-based facility was originally a disused quarry. After over 30 years of operation, the quarry was emptied, and has remained vacant since. Because the land was left in this state, there was a very limited need for intrusive activities in the nature to complete the construction of our facility for farming salmon.

## Going Forward

Salmon Evolution will continue to prioritise local suppliers for our contracts. We will develop good relationships with local communities through creating an open dialogue and expanding our

Converting the disused quarry has provided an opportunity for us to engage in value-creating activities in an area where there were limited opportunities for this. We made great efforts to create an optimal balance between generating value for local people and communities, while severely limiting land-conversion and our impact on the environment.

engagement efforts. We believe that our operations should have as little negative impact as possible, and as we grow, we will develop new ways to monitor and assess our efforts.

## Governance

At Salmon Evolution, we believe that the foundation of good governance is built through strong and transparent relationships with our internal and external stakeholders. Our current governing principles and procedures help establish the basis of these relationships.

Our principles include rules of procedure for the Board of Directors (the Board), instructions for the chief executive officer, regulations on the division of roles and responsibilities between the Board and the CEO, our investor relations policy, and manuals for the handling and disclosure of insider information.

As a Norwegian public limited liability company listed on Oslo Stock Exchange, Salmon Evolution bases its corporate governance structure on Norwegian legislation and recommended guidelines.

Our [Code of Conduct](#) includes the main principles for ethical business conduct at Salmon Evolution, and detailed guidelines for anti-corruption, conflicts of interests, and whistleblowing routines. Our Code of Conduct applies to all employees, contract workers, Board members, and all other persons acting on behalf of the company.

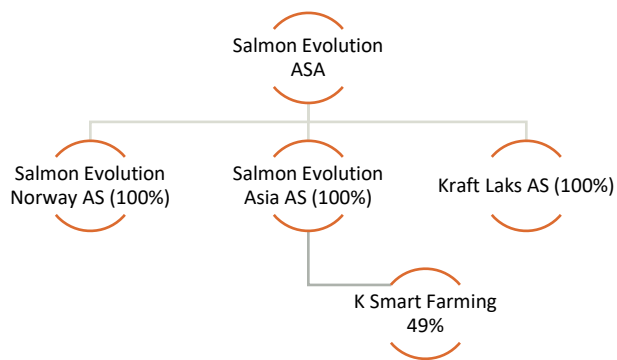
Our governance documents and practices are subject to regular review by the Board to ensure compliance and effectiveness.

Our approach to corporate governance places a high priority on building and maintaining trust and confidence in the company to ensure long-term value creation in the best interest of both our shareholders and stakeholders.

## Organisation and Governing Systems

### Organisation and Ownership

Salmon Evolution ASA is a Norwegian public limited liability company and has three subsidiaries.



Salmon Evolution Norway AS is the owner and operator of our facility at Indre Harøy and where most of our employees are employed. Salmon Evolution Asia AS is the holding company for our interests in our South Korean joint venture and K Smart Farming is the joint venture between Salmon Evolution and the South Korean seafood firm Dongwon Industries. Kraft Laks AS is producing smolt and will be the main supplier of smolt to our facility at Indre Harøy.

## Board of Directors report

### Introduction/summary

The Board of Directors is responsible for the overall management of Salmon Evolution and may exercise all the powers on our behalf. In accordance with Norwegian law (Norwegian Public Limited Liability Act), the Board of Directors is responsible for, among other things, supervising the general and day-to-day management of our business; ensuring proper organisation, preparing plans and budgets for our activities; ensuring that our activities, accounts, and asset management are subject to adequate controls. They also undertake investigations necessary to ensure compliance with these duties.

The Board of Directors may delegate such matters to the Executive Management of Salmon Evolution. The Executive Management is responsible for ensuring that day-to-day

operations are in accordance with instructions set out by the Board of Directors.

Among other responsibilities, our CEO is responsible for keeping the accounts at Salmon Evolution in accordance with existing Norwegian legislation and regulations, and for managing the Salmon Evolution's assets in a responsible manner.

At least once a month, our CEO must brief the Board of Directors about Salmon Evolution's activities, financial position, and financial results.

This board of directors report outlines the main framework regarding the Group's corporate social responsibility and corporate governance. For further information please refer to the ESG section of this report (page 21-38).

## Board of directors – roles and CV's

Regional and international entrenchment and industry-based expertise characterise our directors. Their common denominator and driving force are a belief in farming salmon sustainably on land, based on the board's overall expertise and the choice of the right technology.



### Tore Tønseth, Chairman of the board

Investment vice president at Ronja Capital and has worked in the financial market for more than 15 years. Earlier appointments include share analyst in both Sparebank 1 Markets and Pareto Securities, with seafood, technology and industry as special fields.

He was responsible for seafood analyses at SpareBank 1 Markets

from 2013 to 2019. At the same time, he was in frequent demand as a speaker in Norway on seafood, finance and sustainability. Tønseth also has a

background from various technology start-ups, where he has been both product manager and system developer.

Tønseth has an MSc in economics and administration from the Norwegian School of Economics (NHH), specialising in finance and econometrics. Ronja Capital is our largest shareholder.



### Peder Stette, Board Member

Peder Stette has been in the fishing and aquaculture industry for the last 25 years. From 1994 he developed Peter Stette AS to be an important supplier of technical solutions to the industry before merging with Optimar in 2014. Optimar was later sold to Haniel in 2017, and Peder had the position as CTO and later CCO in Optimar until 2021. He is now the CEO of

Stette Holding, a family investment company.

Peder Stette holds the position as director of Aply Medical, Invisible Connections, Biaton, NSP Aid and others. For the coming years he will use his knowledge and experience to build values in the companies the Stette family is invested in.



### Anne Breiby, Board Member

Anne Breiby holds a Cans scient degree in fisheries biology from the University of Tromsø and experience as aquaculture coordinator for the director of fisheries in Nordland county, organisation secretary for the Norwegian Fish Farmers Association, political adviser in the Ministry of Fisheries and state secretary (junior minister) in the Ministry of Trade and Industry.

Over the past 20 years, Breiby has been self-employed with boardroom work as her main activity.

She has board experience from inter alia Ulstein Group ASA, Rem Offshore ASA, Folketrygdfondet, Norges Sjømatråd AS and Sparebanken Møre. She is currently chair of Tafjord Kraft As and Åkerblå.



### **Ingvild Vartdal, Board Member**

Ingvild Vartdal has a law degree and long experience as a corporate lawyer, and is currently a lawyer and partner in Adviso Advokatfirma AS. She specializes in corporate and international tax and has extensive experience from these areas in industries like fishing, shipping and finance.

She has previously worked as a lawyer and partner in Advokatfirmaet Schjødt AS, in

KPMG Law, and as a legal consultant at Bærum tax office. Vartdal has also been a member of the law committee for tax law.

Vartdal holds several directorships and has experience from business management in both private and listed companies.



### **Glen Allan Bradley, Board Member**

Glen Bradley is chair of Rofisk AS, which owns Rostein AS. The latter is one of the world's leading well boat owners and ranks among our substantial shareholders.

He has the equivalent of a BSc in economics, strategy and international marketing, and more than 20 years of

experience in the salmon industry. He is currently deputy CEO of Rostein AS.

As a director and shareholder, Bradley wants to use his experience and big commitment to the salmon industry to help us become an important company, both for the region and for our owners.



### **Yun Ki Yun, Board Member**

Yun Ki Yun was until February 2022 CFO of Dongwon Industries, one of Korea's leading seafood companies. He has more than 20 years of experience in mergers and acquisitions (M&A) and finance, concentrating on M&As in warehouse logistics and aquaculture since joining the Dongwon group in 2017.

He began his career with CJ Group, specialising in media-related M&A. He

followed CJ Group's media involvement from a pure content provider to distributing content in the cable TV segment. He also worked earlier on derivative sales for Colling Stewart in Singapore.

Yun has a BSc from Yonsei University and an MSc in finance from London Business School.





**Janne-Grethe Strand Aasnæs, Board Member**

Janne-Grethe Strand Aasnæs is the CEO and majority owner of Strand Havfiske AS, an Ålesund based fishing vessel company mainly engaged in whitefish and pelagic business.

She has prior to that been engaged in the financial industry as a financial analyst/portfolio manager and manager of

client relations within asset management. She holds an MBA and is a Certified financial analyst (CFA).

Janne-Grethe holds several directorships in both the private and public sector and has a long experience in managing and developing companies.

**Kristofer Reiten, Board Member**



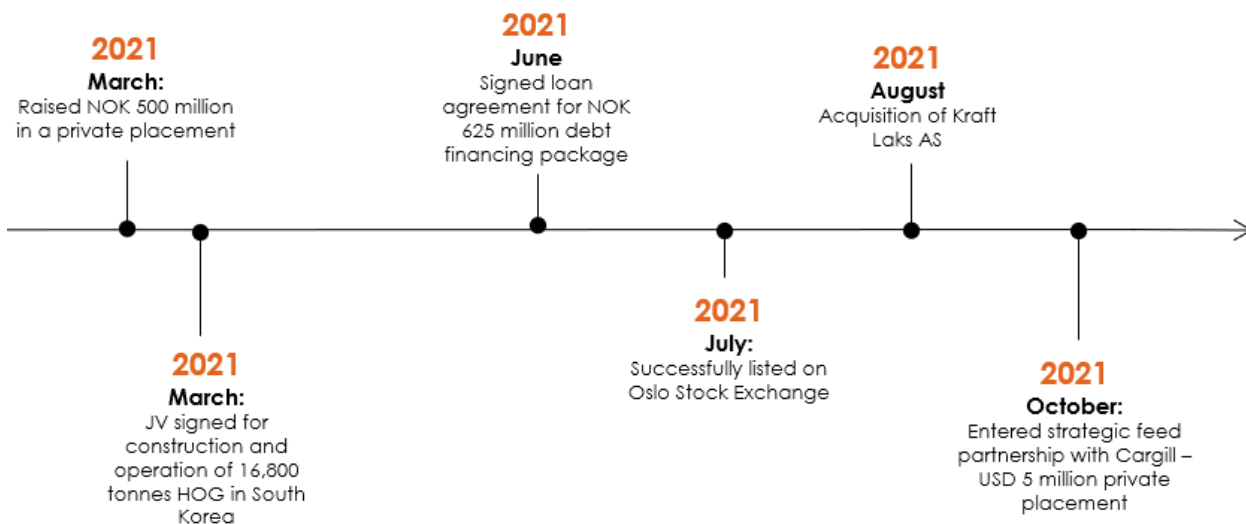
Kristofer Reiten has been CEO of Vikomar AS since 1995. This modern fish processing company specialises in the production, freezing and distribution of pelagic species.

With his experience and knowledge, Reiten wants to participate in realising a paradigm shift in Norwegian aquaculture by farming and creating a sustainable salmon on land

– a fish which has swum in clean seawater from the Norwegian coast, which has not been exposed to lice problems and which has experienced minimum handling during its life cycle.

Reiten is one of our original owners and remains a significant shareholder in Salmon Evolution.

**Important events in 2021**



## Corporate social responsibility

Salmon Evolution is committed to responsible business practices with respect to human rights, labour standards, equality and non-discrimination, social matters, the external environment, and anti-corruption. The Group shall comply with the UN Global Compact principles and OECD guidelines for multinational companies.

The Group has developed a Code of Conduct including guidelines for ethical behaviour, anti-

corruption, integrity and conflicts of interest, corporate responsibility and whistleblowing. The Code of Conduct applies to all employees, contract workers, board members and other persons acting on behalf of the company. The Code of Conduct is available from the company's website [www.salmonevolution.no](http://www.salmonevolution.no). For further information about our corporate social responsibility activities, please see the ESG section of this report.

### Environment

Salmon Evolution's ambition and aim are an inclusive and prosperous development of the aquaculture industry within a stable and resilient earth system. The company's business strategy and objective are to be a leader in producing and selling salmon with lower environmental footprint.

Salmon Evolution strives to reduce the environmental impact of its business. By having a closed system, the company eliminates the risk

of escapes. Further, energy consumption relating to pumping and heating of water is reduced through reuse of water while at the same time not compromising on fish welfare. Also, the wastewater is filtered, sludge collected and recycled and hence contributing to a circular economy.

The company's sustainability strategy is further described in separate section under Company description.

### Working environment

Salmon Evolution aims to be a good, stimulating place to work, where employees are given the opportunity to use their skills and abilities to contribute both the company's and their own progress. Employees shall receive systematic training and Salmon Evolution can contribute to develop skills on individual basis.

All employees in Salmon Evolution shall enjoy a high level of safety in their work. Salmon Evolution aim for all suppliers and partners to operate to responsible labour standards, and the company encourage contractors and other

partners with operational activities to be certified according to the ISO standard for the working environment and safety. The company continuously collaborate with suppliers to make improvements.

There were no injuries or accidents reported or investigated amongst Salmon Evolution employees in 2021.

Total sick leave for the company in 2021 was 0,3%.

### Covid-19 prevention and preparedness

Salmon Evolution established in 2020 a detailed Covid-19 prevention and preparedness plan to protect employees, business partners and the workplace, while safeguarding uninterrupted

and efficient operations. The company has operated in compliance with all national and regional rules and recommendations regarding the pandemic.

### Diversity and equal opportunity

Salmon Evolution shall have an inclusive working environment. Discrimination or harassment based on ethnic background, nationality, language, gender, sexual identity or religious faith shall not occur. No cases of discrimination or harassment were reported or investigated in 2021.

The company shall promote equal opportunities and fair treatment of all employees.

At the end of 2021, Salmon Evolution had 32 employees, of whom 5 women. This is below the

gender balance in The Industry Sector in Norway, which in 2021 was 79% men and 21% women according to the Directorate of Fisheries. The executive management group consists of 4 men and 1 woman. Following the election of the new board of directors on 18 March 2021, the board consists of 5 men and 3 women.

Employees of Salmon Evolution may freely join any labour union of their choice. Salmon Evolution shall work to sustain a good relationship with employees and unions.

### Anti-corruption and anti-bribery

Salmon Evolution's anti-corruption policy and anti-bribery policy are developed in compliance with the U.S. Foreign Corrupt Practices Act, the U.K Bribery Act and other applicable anti-corruption laws, and states that

Salmon Evolution will not engage in, or otherwise tolerate, any form of bribery or corruption in the business dealings of any member of the Salmon Evolution group. No corruption or bribery cases were reported or investigated in 2021.

### Whistleblowing

Salmon Evolution wishes to sustain open communication about responsible and ethical conduct at Salmon Evolution. We have set out guidelines for giving notice of breaches of the

law, rules, ethical guidelines, and other unacceptable circumstances. Employees are encouraged to follow the procedures contained in the whistle-blowing guidelines.

### Product Certifications and Traceability

With stable growth conditions and high biological input from roe to harvest-ready fish, we meet the highest quality standards- as well as the market's requirements for high and uniform harvest weight. We aim to always have full control of the biomass. Modern monitoring systems track the fish and their welfare indicators at individual level, which allows us to sort and register the fish effectively.

A land-based farm is protected from many of the challenges faced in the sea. This is combined with the best possible fish health, optimal water quality, and high-quality sustainable feed to give our customers first-class salmon. To make sure we deliver on our promises, we are working on being certified in accordance with two programs.

First, the Aquaculture Stewardship Council (ASC), an organisation that establishes strict protocols for labelling farmed seafood through

sustainable aquaculture. Second, the Global G.A.P., a farm assurance program ensuring Good Agricultural Practices.

Our aim is to have;

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### *A sustainable food chain with traceability from roe to plate*

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These programs set strict requirements for responsible farming, which encourage seafood producers to track and minimise the environmental and social impacts of their business. The standards addressed in these

schemes cover the production process from roe stage to fish slaughter.

Through these two certifications, we commit ourselves to transparency in our operations and to safeguarding and documenting traceability and food safety.

## Corporate governance

Salmon Evolution depends upon good relations with its stakeholders to succeed. Good corporate governance is important to build and

maintain trust and confidence in the company and to ensure long-term value creation in the best interest of the Company's shareholders.

### Corporate governance principles and practices

Current principles and procedures include rules of procedure for the board of directors, instruction for the chief executive officer, regulating the division of roles and responsibilities between the board and the CEO, investor relations policy and manuals for handling and disclosing insider information.

of interests and whistleblowing routines, stipulating the main principles for ethical business conduct applying to all employees, contract workers, board members and other persons acting on behalf of the company.

The Board has also adopted a Code of Conduct including guidelines for anti-corruption, conflicts

The company's governance documents and practices will be subject to regular review by the Board.

### Shares and Negotiability, Equal Treatment of Shareholders, and Transactions with Close Associates

Salmon Evolution has one class of shares, carrying equal voting rights. There are no restrictions on owning, trading, or voting for shares in Salmon Evolution's [Articles of Association](#).

On 11 March 2021, Salmon Evolution made a private placement where the pre-emptive rights of shareholders were set aside. The reason for this action was provided in the stock exchange release in connection the placement.

In connection with the purchase of Kraft Laks, NOK 16.6 million of the purchase price was settled by way of issuing new shares in Salmon Evolution. The Company also completed a private placement towards Cargill of NOK 42.7 million in October in connection with entering a strategic feed partnership. In both transactions the pre-emptive rights of existing shareholders were set aside, but the board of directors are of the opinion that both transactions were of interest to the company. Also, the subscription price applied in both transactions was based on the traded value of the Salmon Evolution share.

### Transactions with Related Parties

During the ordinary course of business, the Group engages in certain transactions with related parties. The following is a summary of related party transactions carried out in the period:

In 2019 the Company entered into an agreement with Artec Aqua AS, a subsidiary of Artec Holding AS, for the design and construction of a land-based salmon farming facility at the Company's site at Indre Harøy. Pursuant to the agreement entered into with Artec Aqua AS, Salmon Evolution has had a significant volume of transactions during 2021 related to the ongoing construction of the production facilities at Indre Harøy. Artec Aqua AS was until mid-March 2021 a 100%-owned subsidiary of Artec Holding AS, which per 31.12.2021 held 3.6% of the total shares outstanding in Salmon Evolution ASA.

Due to the acquisition of Artec Aqua by Endur ASA in Q1 2021, Artec Aqua is no longer

Any transactions in own shares will be carried out either through Oslo Stock Exchange or otherwise at prevailing market prices. If there is limited liquidity in our shares, we will consider other ways to ensure equal treatment of all shareholders.

For major transactions between Salmon Evolution, our shareholders, subsidiaries, members of the board, leading employees or other close related parties, an evaluation will be performed by an independent third party and treated by the general meeting.

considered to be a related party to Salmon Evolution ASA.

The Company further has a consultancy agreement with Peder Stette (board member) and Frode Kjølås (chair nomination committee) relating to assistance in certain projects on an ad-hoc basis.

The Group has during 2021 purchased legal services from Adviso Advokatfirma AS in the amount of NOK 325,000 in its ordinary course of business. Board member Ingvild Vartdal is a partner at Adviso Advokatfirma AS but has not had any role in the services rendered to Salmon Evolution.

There were no other material transactions with related parties during 2021.

For information on transaction with close associates, see Note 22 in the annual accounts.

### Board of Directors, Nominations and Committee, and Board Authorisations

On 18 March 2021, Salmon Evolution held an extraordinary general meeting (EGM). The purpose was to approve the conversion into a public limited liability company, appoint new board members, establish a nomination

committee, and grant an authorization to the Board of Directors to issue the shares in the 11 March 2021 private placement and the issuance of shares in connection with a subsequent offering.

In connection with these changes, new Articles of Association were adopted. The Articles of Association stipulate that the Board of Directors shall include five to nine directors. The Board of Directors and the chair are elected by the

general meeting pursuant to the general meeting's further decision. On 18 March 2021, the following directors were elected to the Board:

Name	Role	Elected until	Independent of management and material business associates? (yes/no)	Independent of major shareholder? (yes/no)	Board meeting attendance 2021	Comment
Tore Tønseth	Chair	2022	Yes	Yes	19/19	Associated with Ronja Capital II AS
Anne Breiby	Director	2022	Yes	Yes	19/19	
Glen Allan Bradley	Director	2022	Yes	Yes	19/19	Associated with Rofisk AS, Salmoserve AS and Ocean Industries AS
Peder Stette	Director	2022	Yes	Yes	19/19	Associated with Stette Invest AS
Kristofer Reiten	Director	2022	No	Yes	19/19	Associated with Bortebakken AS
Janne-Grethe Strand Aasnæs*	Director	2022	Yes	Yes	15/15	
Ingvild Vartal*	Director	2022	Yes	Yes	15/15	
Yun Ki Yun	Director	2022	No	Yes	16/19	Associated with Dongwon Industries

\*Elected from 18 March 2021

The composition of the Board is based on representation of Salmon Evolution's shareholders, as well as the company's need for competence, experience, capacity, and ability to form balanced decisions.

It was further resolved at the EGM that Salmon Evolution shall have a nomination committee. The Nomination Committee will be responsible for proposing candidates to the Board and the Nomination Committee, and remuneration to the members of these bodies.

### Compensation approach

Salmon Evolution does not currently have a remuneration committee as this is not

The Nomination Committee was elected at the ordinary general meeting in 2021. This was also when the Instruction for the Nomination Committee entered into force.

The Company has entered into a board of directors and officers liability insurance policy. The insurance covers defence costs, legal representation expenses and losses arising from claims for the company's board of directors and officers. The insurance policy has an aggregate limit of liability of NOK 25 million.

considered necessary in the light of the composition of the Board of Directors.

Remuneration of the board is decided by Salmon Evolution's general meeting, and reflects the board's responsibility, expertise, time commitment and the complexity of Salmon Evolution's activities. Note 10 of the financial statement provides details of all elements of the remuneration and benefits for each member of the board. The remuneration is not linked to the Company's performance.

Remuneration of the Executive Management is decided by the board in accordance with the Norwegian Public Limited Liability Companies Act. The board has the responsibility to ensure

convergence of the financial interest of the Executive Management and the stakeholders.

The board aims to ensure that performance-related remuneration of the Executive Management in the form of share options, annual bonus programs or the like, if used, are linked to value creation for shareholders or Salmon Evolution's earnings performance over time. Note 10 of the financial statement provide details of all elements of the remuneration and benefits for each member of the Executive Management.

## Compliance

As a Norwegian public limited liability company listed on Oslo Stock exchange, Salmon Evolution bases its corporate governance structure on Norwegian legislation and recommended guidelines.

The Company is subject to The Norwegian Corporate Governance Board's (NUES) recommendation on corporate governance. Salmon Evolution complies with the current Code of Practice for Corporate Governance, published 14 October 2021, with the following exceptions:

### General Meeting:

- The general meeting is chaired by the chairman of the board of directors or an individual appointed by the chairman of the board of directors. Having the chairman of the board of directors or a person appointed by him chairing the general meetings simplifies the preparations for the general meetings significantly. In the Company's experience, its procedures for the chairmanship and execution of general meetings have proven satisfactory.
- The shareholders are invited to vote on the composition of the board of directors proposed by the nomination committee as a

group, and not on each board member separately, as it is important to the Group that the board of directors of the Company works in the best possible manner as a team and that the background and competence of the board members complement each other.

- The Company encourages shareholders to attend the general meeting. It is also the intention to have representatives of the board of directors and the chairman of the nomination committee to attend the general meeting. The Company will, however, normally not have the entire board attend the meeting as this is considered unnecessary. This represents a deviation from the Code of Practice which states that arrangements shall be made to ensure participation by all directors.

### The work of the Board of Directors:

- The Company does not currently have a remuneration committee as this is not considered necessary in the light of the composition of the board of directors. The Company will however consider establishing a remuneration committee going forward.

### Takeovers:

- The Company does not have separate guidelines on how to respond in the event of a takeover bid. The Norwegian Code of

In addition, the Group has focus on risk management and internal control systems and have implemented routines to track which risks

### Investor Relations Policy

Salmon Evolution's Investor Relations Policy sets the basic principles for our communication and dialogue with capital markets participants, including guidelines for contact with shareholders outside general meetings. We are committed to providing our shareholders with accurate, clear, relevant, and complete information on our performance and market position.

Communication with stakeholders shall be based on the principles of equal treatment and transparency, and we aim to continually ensure trust and stakeholder confidence. The responsibility for Salmon Evolution's investor

Practice recommends the adoption of such guidelines.

the organization is exposed to and what consequences this could have.

relations activities lies with our CFO. Salmon Evolution provides quarterly reports in line with Oslo Stock Exchange's recommendations.

Presentations are given in connection with the disclosure of the interim results to provide an overview of operational and financial developments. The presentations are open to the public and made available through a webcast. All information is provided in English and distributed to our shareholders through Oslo Stock Exchange's news channel [www.newsweb.no](http://www.newsweb.no) and our website at: <https://salmevolution.no/investor/reports/>.





## Shareholder Information

Salmon Evolution was successfully listed on Merkur Market (now Euronext Growth) on 18 September 2020. Further, the Company was listed on Oslo Stock Exchange (Oslo Børs) 9 July 2021, the last day of trading of the shares on Euronext Growth (Oslo) was 8 July 2021.

As per 31 December 2021, Salmon Evolution ASA had 310.8 million issued shares, divided between 8,681 shareholders.

Ronja Capital II AS is the Company's largest shareholder with 26,687,687 shares, corresponding to 8.6% of the total number of shares outstanding. The 20 largest shareholders own 64.9% of the shares in the Company.

The closing price for the Company's share was NOK 8.60 per share as per 31 December 2021, which corresponds to a market capitalization of NOK 2.67 billion.

During the last quarter of 2021, the average daily traded volume was about 680,000 shares

and the average daily traded value was about NOK 5.5 million

### 20 largest shareholders at 31 December 2021

Shareholder	# of shares	% share
Ronja Capital II AS	26 687 687	8,6 %
The Bank of New York Mellon SA/NV	20 889 534	6,7 %
Farvatn Private Equity AS	17 093 878	5,5 %
Dongwon Industries Co. Ltd	16 044 572	5,2 %
Rofisk AS	13 274 174	4,3 %
Stette Invest AS	11 236 005	3,6 %
Artec Holding AS	11 139 339	3,6 %
Kjøllås Stansekniver AS	10 774 405	3,5 %
Verdipapirfondet Dnb Norge	10 544 140	3,4 %
Jakob Hatteland Holding AS	8 706 006	2,8 %
Mevold Invest AS	8 141 141	2,6 %
Lyndheim Invest AS	7 891 141	2,5 %
Bortebakken AS	7 471 090	2,4 %
EWOS AS	5 541 374	1,8 %
Verdipapirfondet DNB SMB	5 529 606	1,8 %
Nordnet Livsforsikring AS	5 196 371	1,7 %
Verdipapirfondet Norge Selektiv	5 132 518	1,7 %
Salmoserve AS	3 727 366	1,2 %
Vpf Dnb Am Norske Aksjer	3 457 555	1,1 %
Danske Invest Norge Vekst	3 150 000	1,0 %
<b>Total 20 largest shareholders</b>	<b>201 627 902</b>	<b>64,9 %</b>
Other shareholders	109 168 587	35,1 %
<b>Total number of shares</b>	<b>310 796 489</b>	<b>100,0 %</b>

## Operational development

### Status Indre Harøy

Since the groundwork started in May 2020, the Phase 1 project at Indre Harøy has developed according to the overall plan.



*Construction start ceremony*

During 2020 the blasting work for the fish-tanks and buildings was completed, and the masses was transported out or crushed for reuse. Concrete works, including foundations for buildings and tanks, started in September 2020 and continued throughout 2021. Tunnel for wastewater was successfully finished in December 2020.



*Wastewater pipe before putted into ground*

Construction work through the first half of 2021 was mainly focused on the production facilities, where the company started the assembly of fish-tanks.

In the second half of 2021 the Company successfully installed the two water inlet pipes, one 425-meter-long pipe going down to 95 meters water depth and one 180-meter-long pipe going down to 25 meters water depth. The water intake station was technically ready for operation year end 2021.



*Installation of water inlet pipes (October 2021)*

Installation of process equipment and pipes also intensified during the second half of 2021, hereunder installation of heat pumps, heat exchangers, O<sub>2</sub> equipment and CO<sub>2</sub> and nitrogen strippers.

Additionally, solid progress was made on the administrative part of the facility including the control room centre. Towards the end of the year significant focus was also allocated to electrical and IT and OT infrastructure works.

All 12 fish tanks in phase 1 are now assembled and the first two fish tanks together connecting technical rooms as well as the water intake station and other linked parts of the facility was taken over by Salmon Evolution in March 2022 upon which the first smolt was released into the facility in late March 2022.



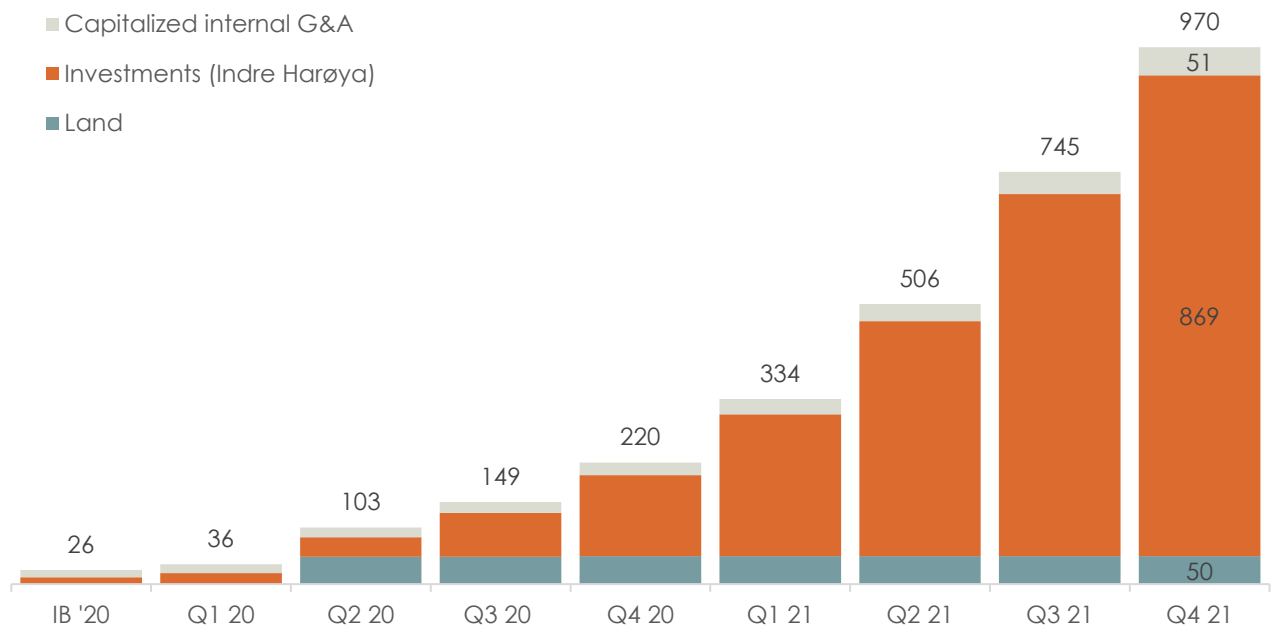
First fish tank filled with fresh seawater (January 2022)

Throughout the second half of 2021 around 200 workers have been working on site. The high activity also means high work-complexity. To reduce risk for accidents, Salmon Evolution aims

for a close dialogue with contractors and workers to secure controlled and safe project progression.

As per 31 December 2021, accumulated capex from project initiation in 2019 amounts to NOK 920.0 million excluding internal capitalized G&A.

### Accumulated CAPEX 2021 (NOK million)



## Status Korea

Following the establishment of the joint venture in March 2021, Salmon Evolution and Dongwon have continued to develop the project which includes a smolt facility in Jeongseon where K Smart has acquired an existing smolt farm. Additionally, a full grow out facility is planned in Yangyang on the northeast coast of South Korea with a planned production capacity of 16,800 tonnes HOG.



Jeongseon smolt site

During the fourth quarter of 2021 the company completed a feasibility study after which time has been spent on tuning facility layouts and production plans. Focus over the coming

months will be on early engineering works and optimization of facility layouts.

K Smart has further established a project organization consisting of dedicated members from both Salmon Evolution and Dongwon Industries in addition to hired in specialist resources.



Yangyang grow out site

Good progress have also been made on the permitting process. The discussions with the respective authorities are going well and K Smart remains confident about receiving approvals needed to carry out the project. K Smart targets construction start during 2022.

## Events after balance sheet date

### Heads of Terms with Artec Aqua for the Phase 2 build-out

On 7 February 2022 Salmon Evolution announced that it had entered into a Heads of Terms with Artec Aqua for the phase 2 build-out at Indre Harøy. Phase 2 is expected to in principle be identical to phase 1 and add a further 7,900 tonnes HOG of annual production, bringing the total planned production volume to 15,800 tonnes HOG per annum.

The purpose of the Heads of Terms is to enable Salmon Evolution to be in a position to swiftly commence construction of phase 2 following the completion of phase 1. Such timeline requires significant preparatory activities,

including but not limited to, planning, concept and detailed engineering and structuring of subcontractor tender processes.

The Heads of Terms further sets out the main commercial terms to be reflected in a final design and construction agreement between the parties.

The final design and construction agreement is expected to be effectuated during first half of 2022 and will include financing reservations

### Successful Private Placement

On 5 April 2022 the Company completed a private placement raising gross proceeds of approximately NOK 300 million in new equity at a subscription price of NOK 9.00 per share. The private placement attracted strong interest from Norwegian, Nordic and international high-quality investors and was significantly oversubscribed.

The net proceeds from the private placement will be used to (i) to partly fund the second phase of the salmon farming facility at Indre Harøy; (ii) to expand the capacity at the smolt facility Kraft Laks AS; and (iii) for general corporate purposes. The offer shares were allocated in two tranches as follows: one tranche with 22,574,374 offer shares ("Tranche 1") and a second tranche with 10,758,959 offer shares ("Tranche 2"). Both Tranche 1 and Tranche 2 were settled with existing and unencumbered shares in the Company, that are already listed on Oslo Børs, pursuant to a share lending agreement (the "Share Loan") between the Company, the managers, Stette Invest AS, Rofisk AS and Ronja Capital II AS.

The board has accordingly resolved to increase the Company's share capital by NOK

providing Salmon Evolution with the necessary flexibility to align the phase 2 build out with the Company's overall financing plan

1,128,718.70, by issuing 22,574,374 new shares pertaining to the Offer Shares allocated in Tranche 1, pursuant to the authorisation (the "Board Authorisation") granted to the board by the Company's annual general meeting held on 19 May 2021. The issue of new shares pertaining to the offer shares allocated in Tranche 2 is subject to approval of the Company's extraordinary general meeting expected to be held on or about 2 May 2022 (the "EGM").

If the EGM does not approve the issuance of the offer shares in Tranche 2, the Company will not receive any proceeds from the sale of offer shares in Tranche 2. The effective reduction in proceeds to the Company will in such event be allocated both to the Indre Harøy phase 2 funding and the Kraft Laks expansion. For the latter, the Company will seek to portion out the smolt build-out and potentially partly rely upon external sourcing of smolt for a period of time. It is emphasised that no decision for commencing the Phase 2 project has been made, and reference is made to the Company announcement dated 7 February 2022 and 10 February 2022 for further information.

## Financial performance

### Going concern

The consolidated financial statement is prepared in accordance with International Financial Reporting Standards (IFRS). The Board confirms that it is appropriate to prepare the Annual Report based on a going concern assumption. The Group believes it is adequately funded and has access to additional capital if required.

### Income statement

Full year 2021 sales amounted to NOK 12.3 million.

Personnel expenses summed up to NOK 21.1 million. For the whole year approximately 46% of the total personnel expenses were capitalized.

Other operating expenses totalled NOK 25.9 million. The increases from last year reflect the higher activity level in the Company and the

continued progress at Indre Harøy and South Korea and incorporation of newly added Kraft Laks into the accounts. The operating loss was NOK 37.8 million.

Total depreciations were NOK 2.2 million and net financials was positive at NOK 4.9 million, resulting in a loss before tax of NOK 33.0 million.

Assets under construction is not depreciated.

### Cash flow

Net cash flow from operations ended at NOK -67,4 million in 2021 compared to NOK -10,0 million in 2020. The negative increase is directly related to increased activity level in the Company, both in terms of a bigger organisation, continued progress at Indre Harøy and in South Korea and incorporation of Kraft Laks.

Net cash flow from investment activities amounted to NOK -754.5 million, compared to NOK -166.0 million in 2020. The change in cash flow from investments are directly related to investments at Indre Harøy and gives a good picture of the increased activity level. During 2021 the Company also purchased Kraft Laks AS.

In terms of financial activities, 2021 was an eventful year for Salmon Evolution. Following the raising of NOK 500 million in March, the company further raised NOK 16.6 million in new equity in August as part consideration for the acquisition of Kraft Laks. Finally, in October the

Company also carried out a private placement of USD 5 million (NOK ~43 million) towards Cargill which brings the total raised equity to date to over NOK 1.4 billion.

On 29 June 2021, the Company announced the signing of legally binding loan documentation for a senior secured debt financing package of up to NOK 625 million related to the Phase 1 build out at Indre Harøy. As per 31 December 2021 the Company had bank debt of NOK 200 million which relates to this debt financing package.

Net cash flow from financing activities ended at NOK 679,7 million.

Cash and cash equivalents decreased by NOK 142.3 million during the year, and available cash totalled NOK 505.5 million with a total available liquidity of NOK 983 million including committed undrawn credit facilities as of 31 December 2021.

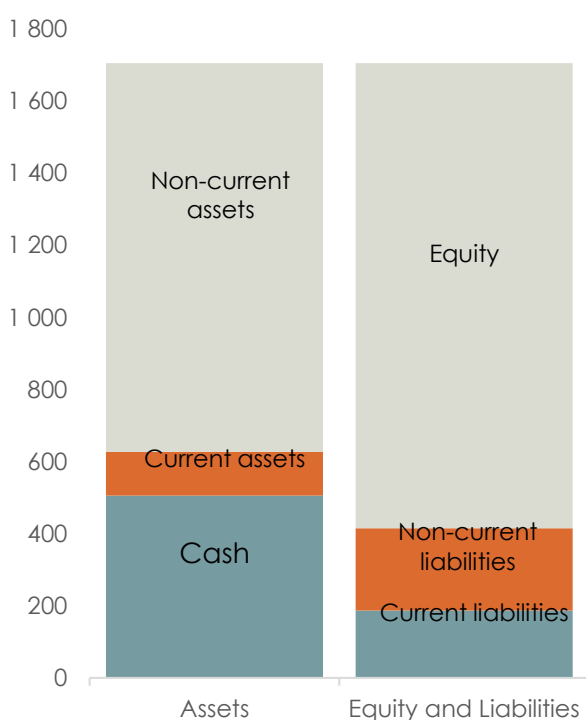
## Financial position

The carrying amount of Salmon Evolution's total fixed assets as of 31 December 2021 was NOK 1,078.7 million, compared to NOK 222.4 million 31 December 2020. 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 as well as Kraft Laks and other smaller items.

Total equity amounted to NOK 1,297.5 million. With total assets of NOK 1,705.9 million, this corresponds to an equity ratio of 76%. Consolidated interest-bearing liabilities totalled NOK 235.5 million.

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

### Balance sheet as per 31.12.2021 (NOK million)



Source: Company data



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 31 December 2021 the Company has recognized NOK 9.5 million in Skattefunn grants and NOK 60 million in Enova grants of which NOK 4.8 million and NOK 16.9 million have been received by 31 December 2021, respectively.

As per 31 December 2021 the Company had bank debt of NOK 200 million which relates to the Construction Facility for Indre Harøy.

**Inside fish tank (March 2022)**

Photo: Salmon Evolution

## Risk exposure and risk management

### Interest Rate

The Group's interest rate risk relates primarily to borrowings from financial institutions with variable interest rates. As of 31 December 2021, outstanding loans from credit institutions amounted to NOK 200,000,000 and is subject to an interest rate of NIBOR 3M plus an agreed

margin of 3.75%, thus the Group is exposed to changes in the interest rate. In order to reduce the exposure to fluctuations in the interest rate, the Group has entered into interest rate swap contracts. For further information see note 14.

### Foreign Currency

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. As of 31 December 2021, the Group held approx. 2.7 MEUR in cash balance. 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. This risk is not considered to be material.

### Liquidity risk

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 long-term plans.

### Covid-19

Salmon Evolution is managing the COVID-19 situation with its highest priority to safeguard its employees, suppliers, and partners.

The Group has taken necessary measures in all sites and locations to be able to limit the spread of the virus. Management has identified the following risk factors that may impact the Group going-forward:

- Currency exchange risks which may impact the construction costs of the land-based salmon facility, measured in NOK.
- Long-term effects on salmon prices which may impact the financial results when the Group starts to generate revenue from the sale of salmon
- Delays in the construction of the Group's land-based farming facility as a result of any impacts on the Company's subcontractors

## Summary and outlook

2021 included a number of major milestones and the year can be summarized as a year with high activity level on all fronts; project execution, business development, financing and capital markets and organizational development.

During the first quarter Salmon Evolution entered into a joint venture agreement with Korean seafood giant Dongwon Industries for the construction of a 16,800 tons HOG land-based salmon farming facility in South Korea, marking the start of Salmon Evolution's international growth ambitions. Additionally, the Company raised NOK 500 million in equity through a significantly oversubscribed private placement.

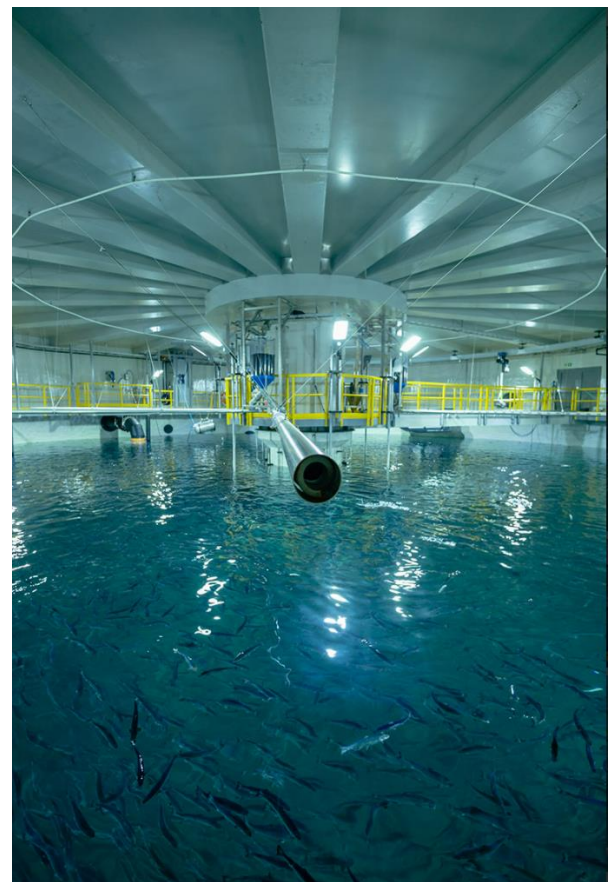
In the second quarter the Company entered into a NOK 625 million debt financing package with Nordea, Sparebanken Vest, Eksfin and Innovation Norway, establishing a solid financial platform for the completion of our building project.

The third quarter was kicked off with the listing of the Company's shares on the Oslo Børs main list, delivering on the commitment from the 2020 Euronext Growth IPO. In August Salmon Evolution also acquired Kraft Laks, a well renowned family owned smolt producer with decades of sound operating and financial track record. Through this acquisition Salmon Evolution secured in-house control of smolt, a critical input factor in any successful salmon farming operation.

Further, in the fourth quarter the Company entered into a strategic feed partnership agreement with Cargill where Cargill simultaneously invested USD 5 million in Salmon Evolution. In December Salmon Evolution also entered into a green power purchase agreement with Statkraft, Europe's leading renewable energy producer, covering the

vast majority of the Salmon Evolution's energy needs through 2023.

Throughout the year there was significant progress at the construction site and Company started the commissioning phase during December and in January the first tank was filled with water from 95 meters water depth, a major milestone confirming that the company has now taken the ocean onshore.



The next major milestone came late March 2022 when the first sections of the facility were completed and taken over by Salmon Evolution after which the company released smolt into the first fish tank and commenced farming operations at Indre Harøy. The board is very pleased with the fact that the company has been able to maintain progress throughout a challenging pandemic period,

delivering on the timeline previously communicated.

Simultaneously with the high activity and progress at the building site, Salmon Evolution has during 2021 recruited a large number of highly skilled employees to ensure that the company is ready when entering the operational phase. A lot of resources are being put into training of the work force and the Company has established "Salmon Evolution Academy" with the purpose of establishing a framework for developing a strive for a "best practice" culture across the group.

Over the coming months the company will gradually ramp up production. The first smolt release consisted of around 100,000 fish and the company plans to reach steady state smolt release volumes of 280,000 smolts in Q4 2022, around the same time that the first salmon is expected to be harvested.

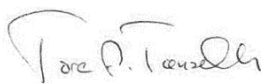
The salmon market has been exceptional strong so far in 2022 and although the

geopolitical situation creates some uncertainty, the board expects to see a continued strong salmon market going forward. This is driven by continued demand growth and limited global supply growth.

The board also note the ongoing inflation pressure across several sectors and raw materials. This may impact both operating costs and capital expenditures for the industry over the coming years. However, salmon with its highly efficient feed conversion ratio and attractiveness as a protein carrier, should perform well relative to other proteins.

2022 will be an eventful and very important year for Salmon Evolution as the company both will gain valuable experience from the first production batches and complete phase 1 at Indre Harøy, setting the stage for significant growth in the years to come. This in turn will enable Salmon Evolution to take a global frontrunner position in the future development of land-based salmon farming.

**The Board of Directors of Salmon Evolution ASA  
Molde/Ålesund 8 April 2022**



Tore Tønseth  
Chair



Kristofer Reiten  
Director



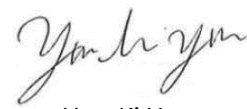
Anne Breiby  
Director



Peder Stette  
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Glen Allan Bradley  
Director



Yun Ki Yun  
Director



Ingvild Vartdal  
Director



Janne-Grethe Strand Aasnæs  
Director



Håkon André Berg  
CEO

## Statement from the Board of Directors and the CEO

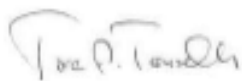
Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Director's report and the consolidated financial statements for Salmon Evolution ASA, for the year ended 31 December 2021.

The financial statements have been prepared in accordance with IFRSs and IFRICs as adopted by the EU and applicable additional disclosure requirements in the Norwegian Accounting Act.

### To the best of our knowledge:

1. The annual financial statements for 2021 have been prepared in accordance with applicable financial reporting standards
2. The annual financial statements give a true and fair view of the assets, liabilities, financial position and profit as a whole as of 31 December 2021 for the Group
3. The Board of Directors' report for the Group includes a fair review of:
  - a. the development and performance of the business and the position of the Group, and
  - b. the principal risks and uncertainties the Group face

### The Board of Directors of Salmon Evolution ASA Molde/Ålesund 8 April 2022



Tore Tønseth  
Chair



Kristofer Reiten  
Director



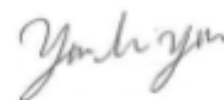
Anne Breiby  
Director



Peder Stette  
Director



Glen Allan Bradley  
Director



Yun Ki Yun  
Director



Ingvild Vartdal  
Director



Janne-Grethe Strand Aasnæs  
Director



Håkon André Berg  
CEO

## Group consolidated financial statements (IFRS)

### Consolidated statement of income

(NOK thousands)	Note	2021 Consolidated	2020 Consolidated
Revenue from contracts with customers	9	12 047	-
Other income	9, 22	209	704
<b>Total operating income</b>		<b>12 257</b>	<b>704</b>
Cost of sold goods	13	(908)	
Personnel expenses	10,23	(21 067)	(8 877)
Depreciation, amortisation and impairment loss	5,2	(2 229)	(550)
Other operating expenses	10,11	(25 894)	(8 954)
<b>Operating profit (EBIT)</b>		<b>-37 841</b>	<b>(17 676)</b>
Financial income	12,14	12 852	1 114
Financial expenses	12	(7 335)	(263)
Share of net income from associated companies	12,24	(634)	0
<b>Net financials</b>		<b>4 884</b>	<b>850</b>
<b>Profit/(loss) before tax</b>		<b>(32 957)</b>	<b>(16 826)</b>
Income tax expense	6	(1 026)	-
Change in deferred tax	6	7 539	-
<b>Profit/(loss) for the period</b>		<b>(26 444)</b>	<b>(16 826)</b>
Basic earnings per share (NOK)	7	(0.11)	(0.13)
Diluted earnings per share (NOK)	7	(0.11)	(0.13)

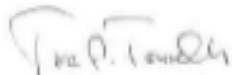
### Consolidated statement of comprehensive income

NOK thousands	Note	2021 Consolidated	2020 Consolidated
<b>Profit/(loss) for the period</b>		<b>(26 444)</b>	<b>(16 826)</b>
<b>Items that are or may be reclassified to profit or loss:</b>			
Currency translation differences	24	(560)	
<b>Total comprehensive income for the period, net of tax</b>		<b>(27 004)</b>	<b>(16 826)</b>

## Consolidated statement of financial position

(NOK thousands)	Note	31 Dec 2021 Consolidated	31 Dec 2020 Consolidated
<b>Assets</b>			
Intangible assets	5,21	62 586	432
Deferred tax asset	6	1 026	0
Assets under construction	5,8	971 122	219 926
Property, plant & equipment	5	15 601	331
Right-of-use assets	20	2 112	1 678
Investments in associated companies	24	26 219	0
<b>Total non-current assets</b>		<b>1 078 664</b>	<b>222 367</b>
Inventory	13	15 050	
Other current receivables	8,14,16	106 644	22 638
Cash and cash equivalents	4,15	505 545	647 806
<b>Total current assets</b>		<b>627 239</b>	<b>670 444</b>
<b>Total assets</b>		<b>1 705 903</b>	<b>892 810</b>
<b>Equity and liabilities</b>			
Share capital	18	15 540	10 987
Share premium	18	1 334 283	804 369
Other reserves		5 118	2 974
Other equity		0	520
Uncovered losses		(57 411)	(30 407)
<b>Total equity</b>		<b>1 297 530</b>	<b>788 442</b>
Deferred tax	6	0	0
Long-term interest bearing debt	3,4,19	212 352	0
Lease liabilities - long term	3,4,19,20	892	933
Other long term liabilities	4	7 976	0
<b>Total non-current liabilities</b>		<b>221 221</b>	<b>933</b>
Short-term interest bearing debt	3,4	13 086	40 000
Trade payables	3,4,16,22	162 071	60 104
Social security and other taxes	4,17	4 946	1 144
Lease liabilities - short term	3,4,19,20	1 236	696
Other current liabilities	4,17	5 812	1 491
<b>Total current liabilities</b>		<b>187 152</b>	<b>103 435</b>
<b>Total liabilities</b>		<b>408 373</b>	<b>104 368</b>
<b>Total equity and liabilities</b>		<b>1 705 903</b>	<b>892 810</b>

**The Board of Directors of Salmon Evolution ASA  
Molde/Ålesund 8 April 2022**



Tore Tønseth  
Chair



Kristofer Reiten  
Director



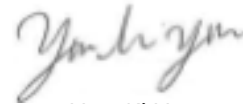
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Glen Allan Bradley  
Director



Yun Ki Yun  
Director



Ingvild Vartdal  
Director



Janne-Grethe Strand Aasnæs  
Director



Håkon André Berg  
CEO

## Consolidated statement of cash flow

(NOK thousands)	Note	2021 Consolidated	2020 Consolidated
<b>Cash flows from operating activities</b>			
Profit/(loss) for the period		(32 957)	(16 826)
<b>Adjustments for:</b>			
Depreciation, amortisation and impairment loss	5	2 229	550
Net financials	12	(4 884)	(850)
Share based payment expenses	23	1 624	2 714
Gain on lease modification	20	66	(7)
<b>Changes in working capital:</b>			
Change in trade receivables		(382)	
Change in other current receivables		(29 217)	(20)
Change in inventory		(1 702)	
Change in trade payables		(684)	2 695
Change in social security and other taxes		(4 387)	345
Change in other current liabilities		3 584	528
Cash (outflow) from operating activities		-66 710	-10 871
Financial expenses paid		(11 980)	(263)
Financial income received		11 315	1 114
Income taxes paid			
Net cash (outflow) from operating activities		-67 376	-10 021
<b>Cash flow from investment activities</b>			
Payments for fixed assets net of government grants	5,8	(797 959)	(165 529)
Payments for intangible assets	5	(881)	(432)
Acquisition of Kraft Laks	21	(27 249)	
Change in trade payables investments		98 315	0
Investment in associated companies	24	(26 779)	0
Net cash (outflow) from investment activities		-754 553	-165 961
<b>Cash flow from financing activities</b>			
Proceeds from issue of equity, net of paid transaction costs		517 868	764 355
Proceeds from new borrowings	4,19	202 600	40 000
Repayment of borrowings	4,19	(40 800)	(1 500)
Repayment of lease liabilities	20	0	(191)
Net cash (outflow) from financing activities		679 668	802 664
Net change in cash and cash equivalents		(142 261)	626 682
Cash and cash equivalents at the beginning of the period	15	647 806	21 124
<b>Cash and cash equivalents at the end of the period</b>	<b>15</b>	<b>505 545</b>	<b>647 806</b>



## Consolidated statement of changes in equity

(NOK thousands)	Note	Share capital	Share premium	Other reserves	Other equity	Uncovered losses	Total equity
<b>Balance at 1 January 2020</b>	<b>18</b>	1 500	49 500	780	0	(13 581)	38 198
Profit/loss for the period		0	0	0	0	(16 826)	(16 826)
Other comprehensive income		0	0	0	0	0	0
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(16 826)</b>	<b>(16 826)</b>
Capital increase, net of transaction costs		9 457	752 901	0	0	0	762 357
Share options issued		0	0	2 714	0	0	2 714
Share options exercised		30	1 968	(520)	520	0	1 998
Transactions with owners		9 487	754 869	2 194	520	0	767 069
<b>Balance at 31 December 2020</b>	<b>18</b>	<b>10 987</b>	<b>804 369</b>	<b>2 974</b>	<b>520</b>	<b>(30 407)</b>	<b>788 442</b>
<b>Balance at 1 January 2021</b>	<b>18</b>	<b>10 987</b>	<b>804 369</b>	<b>2 974</b>	<b>520</b>	<b>(30 407)</b>	<b>788 442</b>
Profit/loss for the period		0	0	0	0	(26 444)	(26 444)
Other comprehensive income		0	0	0	0	(560)	(560)
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(27 004)</b>	<b>(27 004)</b>
Capital increase 18 March 2021		4 167	495 833	0	0	0	500 000
Capital increase 18 March 2021, transaction costs		0	(24 850)	0	0	0	(24 850)
Company registration expenses		0	(6)	0	0	0	(6)
Private placement, 18 August 2021		110	16 490	0	0	0	16 600
Private placement, 22 October 2021		277	42 447	0	0	0	42 724
Share options issued		0	0	1 624	0	0	1 624
Share options exercised		0	0	520	(520)	0	0
Transactions with owners	18	4 553	529 914	2 144	(520)	0	536 092
<b>Balance at 31 December 2021</b>	<b>18</b>	<b>15 540</b>	<b>1 334 283</b>	<b>5 118</b>	<b>(0)</b>	<b>(57 411)</b>	<b>1 297 530</b>

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## Note 1 Summary of significant accounting principles

### General information

Salmon Evolution ASA (the "Company") and its subsidiaries, Salmon Evolution Norway AS, Salmon Evolution Asia AS and Kraft Laks AS, (together Salmon Evolution, "SE" or the "Group") is a Norwegian business headquartered in Hustadvika municipality in Møre og Romsdal. SE is in the process of constructing a land-based salmon farming facility with a planned annual harvesting capacity of 31,500 tonnes HOG fully developed. The build-out is expected to be in three phases, of which phase 1 which is currently under construction has a planned annual production of 7,900 tons HOG. Phase 1 consists of 12 large grow out tanks with corresponding infrastructure and is expected to be completed during Q4 2022. Initial production started in March 2022 and first harvest is expected in Q4 2022. SE will operate a hybrid flowthrough system ("HFS"), replacing the water every four hours with clear and fresh water from the Norwegian coast. Phase II is expected to consist of an additional 12 grow out tanks which is expected to generate an additional 7,900 tons HOG of production. The last construction phase, phase 3, consists of an additional 24 grow out tanks bringing the total expected production volume to 31,500 tons HOG per annum.

### Consolidation

Salmon Evolution ASA was incorporated on 23 July 2020 prior to the planned listing on Euronext Growth (previously Merkur Market) which was completed on 18 September 2020. In March 2021 the company completed a conversion to being a public limited liability company, and further in July 2021 the company shares were listed at Oslo Stock Exchange. These consolidated statements for the period ended 31 December 2021 include Salmon Evolution ASA together with its subsidiaries Salmon Evolution Norway AS, Salmon Evolution Asia AS and Kraft Laks AS. Please note that the comparable financial statement periods (i.e. for the period ended 31 December 2020) only reflects Salmon Evolution Norway AS.

### Consolidation principles

Subsidiaries are all entities over which the Group has control. The Group considers control over an entity to exist when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and can affect those returns through its ability to direct the operations of the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The accompanying consolidated financial statements include the accounts of the subsidiaries mentioned above. When necessary, adjustments are made to the local financial statements of the Group subsidiaries to conform with the consolidated Group's accounting policies presented under IFRS. All intercompany balances, transactions, and unrealized gains from intercompany transactions are eliminated upon consolidation. Unrealized losses from intercompany transactions are also eliminated upon consolidation unless the transaction provides evidence of an impairment of the transferred asset. The assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date in which the Group gains control until the date in which the Group ceases to control the subsidiary.

**Basis of preparation**

The consolidated financial statements of the Group for the year ended 31 December 2021 comply with IFRS as endorsed by EU. The consolidated financial statements ended 31 December 2021 comprise the income statement, statement of comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and note disclosures.

**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.

**Basis of measurement**

The financial statements have been prepared under the historical cost convention.

**Use of estimates**

Critical accounting judgments and estimates are disclosed in note 2.

**Functional and presentation currency**

Items included in the financial statements are presented in the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Norwegian kroner (NOK), which is the Groups' functional and presentation currency.

**Transactions and balances**

Transactions in currencies other than the entity's functional currency (foreign currency) are translated into the functional currency using the exchange rates at the dates of the transactions.

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. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other financial items.

Non-monetary items that are measured at fair value in a foreign currency are converted to NOK using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not subsequently revaluated.

## Revenue

Revenue from contracts with customers as defined in IFRS 15 is recognised when control of the goods are transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods.

Revenue for the Group derives mainly from the sale of smolt from contract with customer. The Group recognizes revenue from the sale of goods at the point in time when control of the goods is transferred to the customer.

## Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and when the Company is compliant with all conditions attached. When the grant relates to an expense item, it is recognized as income over the period that the costs it is intended to compensate are expensed. When the grant relates to an asset, it is deducted from the carrying amount of the asset - the grant is then recognized in profit or loss over the useful life of a depreciable asset by way of a reduced depreciation charge. Government grants are presented in the accompanying statements of profit and loss as other income.

## Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Information relating to the Company's employee option scheme is set out in note 23. The fair value of options granted under the scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (eg profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

## Taxes

### Income Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Current tax and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Deferred tax benefit has historically not been recognized 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. As of 31.12.2021 there is a basis for payable tax in the subsidiary Kraft Laks AS. This will be offset with a group contribution from Salmon Evolution ASA. The tax effect of the group contribution is recognized as a deferred tax asset.

### **Leases**

All leasing agreements with a duration exceeding 12 months are capitalized as financial leases. The Group assesses whether a legally enforceable contract is or contains a lease at the inception date of the contract. The assessment includes several criteria to be determined based on judgment that includes whether there is an identifiable asset in connection to the lease, whether the Group has the right to control the use of the identifiable asset, and whether the Group can obtain substantially all economic benefits from the identifiable asset.

The Group recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The lease liability is calculated based on the present value of the contractual minimum lease payments using the implicit interest rate of the lease. The Group uses the incremental borrowing rate in the case the implicit rate cannot be readily determined from the lease contract. The contractual minimum lease payments consist of fixed or variable payments, including those resulting from options in which management is reasonably certain it will exercise during the lease term. The lease liability is subsequently measured at amortized cost under the effective interest rate during the lease term and may also be adjusted to management's reassessment of future lease payments based on options exercised, renegotiations, or changes of an index rate.

The ROU asset is calculated based on the lease liability, plus initial direct costs towards the lease, and less any incentives granted by the lessor. The ROU asset is subsequently amortized under the straight-line method under the shorter of the lease term or the useful life of the underlying asset and is included as part of depreciation and amortization in the accompanying statements of other comprehensive income.

Leases that fall under the IFRS 16 short-term exception are recognized on a straight-line method over the lease term.

### **Cash and cash equivalents**

For the purpose of 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.

### **Trade receivables, loans and other receivables**

Trade receivables, loans and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See note 4 and 16 for further information about the Group's accounting for trade receivables, loans, other receivables and credit risk.

### **Property, plant & equipment**

Property, plant, and equipment is capitalized at acquisition cost, which includes capitalized borrowing costs, less accumulated depreciation and costs include expenditures that are directly attributable to the acquisition and placement of fixed assets in service. Costs of major replacements and renewals that substantially extend the economic life and functionality of fixed asset are capitalized. Costs associated with normal maintenance and repairs are expensed as incurred.

Assets are normally considered property, plant, and equipment if the useful economic life exceeds one year. 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. If a substantial part of an asset has an individual and different useful life, that portion is depreciated separately. The asset's residual value and useful life are evaluated annually. Gains or losses arising from the disposal or retirement of an asset are determined as the difference between the sales proceeds and the carrying amount of the asset and recognized as part of other income in the accompanying statements of other comprehensive income.

Depreciation is charged to expense when the property, plant or equipment is ready for use or placed in service. As such, assets under construction are not depreciated.

### **Intangible assets**

Expenses related to research activities are expensed as incurred. Expenses related to development activities are capitalized if the product or process is technically and commercially feasible, and the Group has adequate resources to complete the development.

Patents are capitalized and measured at cost less accumulated amortization and any accumulated impairment losses, if any.

### **Impairment**

Management reviews long-lived assets for impairment annually, or more frequently, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying value to determine if an adjustment for impairment to such asset is necessary. The effect of any impairment would be to expense the difference between the fair value of such asset and it's carrying value. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. As of 31 December 2021, and 2020, management did not consider an allowance for impairment necessary for long-lived assets.

### **Classification of current and non-current items**

Assets are classified as current when it expected to be realized or sold, or to be used in the Group's normal operating cycle or falls due or is expected to be realized within 12 months after the end of the reporting date. Assets that do not fall under this definition is classified as non-current. Liabilities are classified as current when they are expected to be settled in the normal operating cycle of the Group or are expected to be settled within 12 months after the reporting date, or if the Group does not have an unconditional right to postpone settlement for at least



12 months after the reporting date. Liabilities that do not fall under this definition are classified as non-current.

### **Acquisitions**

In the relevant period The Group have had activities related to acquisition activities.

In accordance with IFRS, goodwill is allocated to each of the acquirer's cash generating units, or group of cash generating units, that are expected to benefit from the business combination. This can include existing CGU's of the acquirer irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

In identifying a CGU, an entity considers cash flows from the parties outside of the entity. If an active market exists for the output produced by an asset or group of assets, these assets or group of assets shall be identified as a CGU, even if some or all of the output is used internally.

In identifying whether cash inflows from an asset (or groups of assets) is largely independent of the cash inflows from other assets (or groups of assets). An entity considers various factors including:

- How management monitors the entity's operations (such as by product lines, businesses, individual locations, districts, or regional areas); or
- How management makes the decisions about continuing or disposing of the entity's assets and operations

According to IFRS 3 transactions costs are not recognized in the balance sheet but taken to profit and loss.

### **Trade and Other Receivables**

Trade receivables are initially recognized at amortized cost, less a provision for expected credit losses. Credit loss provisions are based on individual customer assessments over each reporting period and not on a 12-month period.

### **Borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognized when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in consolidated statement of profit or loss within the line other financial items, net.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

The Group has entered into loan agreements during 2021, of which the following principles related to borrowing costs have been applied, in accordance with IAS 23:

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

### **Trade and Other Payables**

Trade and other payables represent unpaid liabilities for goods and services provided to the Group prior to the end of the financial year and are presented as current liabilities unless payment is not due within 12-months after the reporting period. Trade and other payables are recognized initially at their fair value and are subsequently measured at amortized cost using the effective interest method.

### **Pensions**

The Group offers a defined contribution plan to its employees and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual, or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions are recognized as employee benefit expense when they are due and are included as part of salary and personnel costs in the statement of profit and loss. Prepaid contributions are recognized as an asset to the extent in which a cash refund or a reduction in the future payments is available.

### **Statement of cash flows**

The accompanying statements of cash flows are prepared in accordance with the indirect method.

## **Note 2 Critical estimates and judgments**

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the Group's financial statements:

### **1) Capitalized costs as assets under construction**

As part of the construction of the Group's production facilities, the Group has capitalized certain costs (such as personnel expenses, rent of premises and equipment and other project related costs), as "assets under construction" in accordance with IAS 16 based on an allocation key. The allocation key is employee-based and has been calculated based on the employees that are directly involved in the assets under construction's share of the total salary in the Group. Reference is made to note 5 for details of additions to "assets under construction".

## Note 3 Financial risk and capital management

The Group's financial assets and liabilities include trade and other receivables, trade and other payables, cash, and borrowings necessary for its operations. The Group's risk management is carried out by the Group's finance department. The Group is exposed to market risk, credit risk, and liquidity risk.

### Market risk

#### Interest Rate

The Group's interest rate risk relates primarily to borrowings from financial institutions with variable interest rates. As of 31 December 2021, outstanding loans from credit institutions amounted to NOK 200,000,000 (Construction Facility) and is subject to an interest rate of NIBOR 3M plus an agreed margin of 3.75%, thus the Group is exposed to changes in the interest rate. In order to reduce exposure to fluctuations in the interest rate the Group has entered into interest rate swap contracts with Nordea and Sparebanken Vest, of NOK 150 million and NOK 50 million, respectively. For further information see note 14.

This loan is part of a financing package consisting of the following:

Facility A: NOK 525 million senior secured credit facility with Nordea and Sparebanken Vest which will be used to finance construction capex for Indre Harøy Phase 1 (the "Construction Facility")

Facility B: NOK 525 million in long-term debt which will refinance the Construction Facility upon completion of Indre Harøy Phase 1 and consisting of the following:

- NOK 385 million senior secured term loan facility with Nordea and Sparebanken Vest (the "Term Loan Facility")
- NOK 140 million in a separate long-term loan facility with Innovation Norway (the "IN Facility")

NOK 100 million senior secured overdraft facility with Nordea (the "Overdraft Facility") which will be used for working capital purposes, hereunder financing of biomass and receivables

The Construction Facility and the Term Loan Facility are partly guaranteed by Eksfin.

#### Interest rate sensitivity

(NOK thousands)	2021	2020
Interest expense effect of a 1% increase on floating interest rate	2 000	111

#### Foreign Currency

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. As of 31 December 2021, the Group held approx. 2.7 MEUR in cash balance. 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 counterparty, with a maximum exposure equal to the carrying amount of these instruments. This risk is not considered to be material.

**Liquidity risk**

Management monitors rolling forecasts of the Group's liquidity reserve (comprising cash and cash equivalents) on the basis of 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 long-term plans.

The table below presents the maturities on the Group's financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

<b>31 December 2021</b>	<b>Less than 3</b>		
<b>(NOK thousands)</b>	<b>months</b>	<b>3-12 months</b>	<b>1-5 years</b>
Borrowings	200	12 886	212 352
Lease liabilities	252	1 975	6 660
Trade payables	162 071	0	0
<b>Total financial liabilities</b>	<b>162 523</b>	<b>14 861</b>	<b>219 012</b>

<b>31 December 2020</b>	<b>Less than 3</b>		
<b>(NOK thousands)</b>	<b>months</b>	<b>3-12 months</b>	<b>1-5 years</b>
Borrowings	0	40 000	0
Lease liabilities	171	526	933
Trade payables	60 104	0	0
<b>Total financial liabilities</b>	<b>60 275</b>	<b>40 526</b>	<b>933</b>

**Covid-19**

Salmon Evolution is managing the COVID-19 situation with its highest priority to safeguard its employees, suppliers, and partners.

The company has taken necessary measures in all sites and locations to be able to limit the spread of the virus. At the same time, the company works to ensure that the construction work progress on time and budget.

Management has identified the following risk factors that may impact the Group going-forward:

- Currency exchange risks which may impact the construction costs of the land-based salmon facility, measured in NOK.
- Long-term effects on salmon prices which may impact the financial results when the Group starts to generate revenue from the sale of salmon
- Delays in the construction of the Group's land-based farming facility as a result of any impacts on the Group's subcontractors

## Note 4 Financial assets and financial liabilities

<b>Financial assets</b> (NOK thousands)	<b>31 dec 2021</b>	<b>31 Dec 2020</b>
Financial assets at amortised cost:		
Cash and cash equivalents	505 545	647 806
Other current receivables	106 644	22 638
Inventory	15 050	0
<b>Total financial assets</b>	<b>627 239</b>	<b>670 444</b>

<b>Financial liabilities</b> (NOK thousands)	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Financial liabilities at amortised cost:		
Long-term interests bearing debt	212 352	0
Short-term interest bearing debt	13 086	40 000
Lease liabilities	2 129	1 630
Trade payables	162 071	60 104
Social security and other taxes	4 946	1 144
Other long term liabilities	7 976	0
Other current liabilities	5 812	1 491
<b>Total financial liabilities</b>	<b>408 373</b>	<b>104 368</b>

<b>Interest bearing debt</b> NOK thousands	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Long-term interest bearing debt	212 352	0
Short-term interest bearing debt	13 086	40 000
Lease liabilities	2 129	1 630
Other long term liabilities	7 976	0
<b>Total interest bearing debt</b>	<b>235 543</b>	<b>41 630</b>

Current portion	14 322	40 696
Non-current portion	213 245	933
<b>Total interest bearing debt</b>	<b>227 567</b>	<b>41 630</b>

Financial assets and financial liabilities are recognized at amortised cost with the exception of derivative instruments, hereunder interest rate swaps and currency exposure under power hedging contracts.

Interest rate swaps are valued at marked value which as per 31 December 2021 was NOK 1 263 thousands. Changes in market value is registered as unrealized profit under financial income and allocated to other current receivables in the balance sheet.

The Group has entered into a fixed price power purchase contract in EUR. The net present value effect resulting from changes in EUR/NOK forward rates per 31 December 2021 compared to the transaction date is registered as unrealized profit under financial income and allocated to other current receivables in the balance sheet. As per 31 December 2021 NOK 274 thousands were recognized.

## Note 5 Property, plant and equipment and intangible assets

(NOK thousands)	Goodwill	Intangible assets	Assets under construction	Property, plant & equipment	Total
Cost 1 January 2021	0	432	219 926	739	221 097
Additions	44 235	17 919	751 196	15 834	829 184
Disposals	0	0	0	0	0
Cost 31 December 2021	44 235	18 351	971 122	16 573	1 050 281
Accumulated depreciation 1 January 2021	0	0	0	(409)	(409)
Depreciation for the period	0	0	0	(563)	(563)
<b>Net book value 31 December 2021</b>	<b>44 235</b>	<b>18 351</b>	<b>971 122</b>	<b>15 601</b>	<b>1 049 309</b>

(NOK thousands)	Intangible assets	Assets under construction	Fixtures and fittings	Total
Cost 1 January 2020	0	25 546	450	25 997
Additions	432	194 379	289	195 100
Disposals	0	0	0	0
Cost 31 December 2020	432	219 926	739	221 097
Accumulated depreciation 1 January 2020	0	0	(99)	(99)
Depreciation for the period	0	0	(310)	(310)
<b>Net book value 31 December 2020</b>	<b>432</b>	<b>219 926</b>	<b>331</b>	<b>220 688</b>

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 such, assets under construction are not depreciated. Assets under construction as of 31 December 2021 consisted mainly of capitalized costs related to the turnkey project with Artec Aqua for building a land-based salmon farming facility at Indre Harøy, Møre.

On August 16 2021, the Group entered into a share purchase agreement to purchase 100% of the shares in Kraft Laks AS. In relation to this acquisition excess values were allocated to both tangible and intangible assets. The tangible assets that were used was property, buildings, facility, and machinery & equipment. The identified intangible assets are split into two categories, value of license and assembled workforce of the acquired company. The value of the license is calculated using both market value for smolt production licenses and available financial statements for the acquired company, resulting in a value of NOK 13.5 million. In addition to this it was allocated NOK 44.2 million in goodwill in this transaction. The main factor that leads to this recognition is synergies that gives the company the ability to be self-supplied with smolt for Phase 1, and potentially Phase 2, at Indre Harøy. In addition, there is a technical goodwill created by deferred tax.

Because of the short period of time since the acquisition of Kraft Laks AS, goodwill is still not tested for impairment. Such testing will be done at least yearly, or when there are indications that impairment evaluation is needed.

The main factor that leads to this recognition is synergies that gives the company the ability to be self-supplied with smolt for Phase 1, and potentially Phase 2, at Indre Harøy. In addition, there is a technical goodwill created by deferred tax.

As part of additions of intangible assets, NOK 3.1 million is calculated as water rights, and buildings and land are calculated with a value of NOK 4.7 million. Both are based on agreed payments from Kraft Laks AS to landowners.

#### Capitalization of costs as asset under construction:

Costs incurred recognized as part of "Other operating expenses" in the "Consolidated Statement of Profit or Loss" during 2021 has been capitalized as of 31 December 2021 as these costs are deemed to be part of the ongoing assets under construction and qualify for capitalization in accordance with IAS 16. As a result, the reported "Other operating expenses" in 2021 reflects the incurred costs during this period, net of such capitalized costs related to the entire 12-months period ending 31 December 2021 which amounted to approximately NOK 21.0 million, including salaries. Capitalized interest amounts to NOK 6.1 million.

Capitalized internal cost	01.01.2021	Additions	31.12.2021
Salary	14 446	18 185	32 631
Rental/equipment	1 630	2 825	4 454
Interest	447	6 079	6 526
<b>Total</b>	<b>16 522</b>	<b>27 089</b>	<b>43 611</b>

#### Contractual and financial commitments

Construction of phase 1 of the Group's land-based salmon farming facility at Indre Harøy is planned completed during the fourth quarter of 2021. As per 31 December 2021 the remaining capital expenditure is estimated to NOK 480 million and split as follows:

(NOK thousands)	31 Dec 2021
Engineering and project management	71 000
Buildings	124 000
Equipment and process installation	261 000
Other	24 000
<b>Total financial commitments</b>	<b>480 000</b>

## Note 6 Tax

### Calculation of deferred tax/deferred tax benefit

(NOK thousands)	2021	2020
Intangible assets	13 487	0
Fixed assets	(1 297)	(4 757)
Inventories	14 939	
Right-of-use assets	9 913	1 678
Lease liabilities	(10 105)	(1 755)
Other current liabilities	18	0
Net temporary differences	26 954	(4 833)
Tax losses carried forward	(143 703)	(74 895)
Change due to unrealized financial instruments	1 538	
Basis for deferred tax	(115 211)	(79 728)
Deferred tax (22%)	(25 346)	(17 540)
Deferred tax benefit not recognized in the balance sheet*	24 320	17 540
<b>Deferred tax in the balance sheet</b>	<b>(1 026)</b>	<b>0</b>

\*Deferred tax benefit has historically not been recognized 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. As of 31.12.2021 there is a basis for payable tax in the subsidiary Kraft Laks AS. This will be offset with a group contribution from Salmon Evolution ASA. The tax effect of the group contribution is recognized as a deferred tax asset.

### Basis for income tax expense, changes in deferred tax and tax payable

(NOK thousands)	2021	2020
Result before taxes	(32 957)	(16 826)
Permanent differences in relation to equity transactions	(24 622)	(45 728)
Permanent differences in relation to skattefunn	(4 750)	(4 750)
Other permanent differences	831	2 730
Basis for the tax expense in the current year	(61 498)	(64 574)
Change in temporary differences	(31 788)	4 594
Change in temporary differences due to acquisition	27 697	
Result Kraft Laks AS to payable tax	(5 306)	
Result Kraft Laks AS before acquisition	2 087	
Change in tax losses carried forward	(68 808)	(59 980)
<b>Basis for payable taxes in the income statement</b>	<b>4 663</b>	<b>0</b>

### Components of the tax expense

(NOK thousands)	2021	2020
Payable tax on this year's result	1 026	-
Total payable tax	1 026	-
Change in deferred tax	(7 806)	(14 206)
Deferred tax in relation to acquisition of Kraft Laks AS	(6 513)	
Change in deferred tax not shown in the balance sheet	6 780	14 206
Tax expense	(6 513)	0



**Reconciliation of the tax expense with the nominal tax rate**

(NOK thousands)	2021	2020
Result before taxes	(32 957)	(16 826)
Calculated tax (22%)	(7 251)	(3 702)
Tax expense	(6 513)	-
Difference	738	3 702

**The difference consists of:**

Tax on permanent differences	(6 043)	(10 505)
Change in deferred tax not shown in the balance sheet	6 780	14 206
Sum explained differences	738	3 702

**Note 7 EPS**

(NOK thousands)	2021 Consolidated	2020 Consolidated
Loss attributable to the equity owners of the Parent company	(32 957)	(16 826)
<b>Loss for calculation of diluted earnings per share</b>	<b>(32 957)</b>	<b>(16 826)</b>
Weighted average number of shares outstanding	291 291 107	126 555 681
Dilutive options	-	-
<b>Average number of shares and options used in calculation for diluted EPS</b>	<b>291 291 107</b>	<b>126 555 681</b>
<b>Basic earnings per share (NOK)</b>	<b>(0,11)</b>	<b>(0,13)</b>
<b>Diluted earnings per share (NOK)</b>	<b>(0,11)</b>	<b>(0,13)</b>

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

Diluted earnings per share calculations are performed using the weighted average number of common shares and dilutive common shares equivalents outstanding during each period. Options are dilutive when they result in the issue of ordinary shares for less than the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price in the period is treated as an issue of ordinary shares for no consideration.

1) 2021: The Company issued 83,333,333 new shares in a capital raise in March 2021. Further on 16 August the company carried out a private placement in connection with the acquisition of Kraft Laks AS where the company as part of the settlement issued 2,190,694 new shares. In addition, in October the company carried out a new private placement with Cargill where it was issued 5,541,374 new shares. As such, the weighted average number of shares outstanding in 2021 has been calculated by applying a weight of 2/12 of the number of shares before the capital raise in March (219,731,088), 6/12 of the number of shares after the capital raise (303,064,421), 1/12 share after the acquisition of Kraft Laks (305,255,115), and 3/12 after the private placement with Cargill of the total number after the final adjustment in October 2021 (310,796,489).

2020: Salmon Evolution AS issued 77,503,182 new shares in a capital raise in March 2020. On July 3rd 2020, Salmon Evolution Holding AS was incorporated by issuing 600,000 shares. Further, the Company carried out a private placement including contribution in kind issuing 119,131,088

new shares on 23. July 2020. Lastly, the Company issued 100,000,000 new shares in connection with the initial public offering of its shares in connection with the listing on Merkur Market. The weighted average number of shares outstanding as of 31 December 2020 has been calculated by applying a weight of 3/12 to the number of shares before the capital raise in March 2020 (30,000,000 shares), 4/12 to the total number of shares after the capital raise (107,503,182 shares), 1/12 to the the total number of shares after the private placement (119,731,088 shares) and 4/12 to the total number of shares after the initial public offering (219,731,088 shares)

## Note 8 Government grants

The Group has received a commitment from The Norwegian Research Council (Norsk Forskningsråd) for three projects. The total grant is NOK 14,250,000 over three years (2020-2022) and is related to the tax incentive scheme "SkatteFUNN" which is a government program designed to stimulate research and development (R&D) in Norwegian trade and industry. The receivable is accounted for as a short-term receivable from the tax authorities. In the financial accounts, the receivable related to the grant is netted against the related asset's acquisition cost. Grants for 2021 amounted to NOK 4,750,000, the same as for 2020.

(NOK thousands)	2021	2020
Systems for water treatment in large-scale land based salmon farming	11 825	13 542
Logistics systems in large-scale land-based salmon farming	6 392	8 775
Washing and disinfection in land-based salmon farming	7 827	9 576
<b>Total "SkatteFUNN" project costs</b>	<b>26 044</b>	<b>31 893</b>

Further, the Group has received a commitment from Enova SF, an entity owned by the Ministry of Climate and Environment which contributes to reduced greenhouse gas emissions, development of energy and climate technology and a strengthened security of energy supply. The total commitment from Enova is up to NOK 96.8 million and the grant is given over a period of three years. The receivable is accounted for as a short-term receivable from the tax authorities. In the financial accounts, the receivable related to the grant is netted against the related asset's acquisition cost. Grants for 2021 amounted to NOK 59.9 million.

(NOK thousands)	2021	2020
Energy-efficient land-based food fish plant for salmon	119 860	876
<b>Total "Enova" project costs</b>	<b>119 860</b>	<b>876</b>

## Note 9 Operating income

(NOK thousands)	2021	2020
Revenue from contracts with customers	12 047	0
Other income	209	704
<b>Total other operating expenses</b>	<b>12 257</b>	<b>704</b>

Operating income in 2021 was mainly related to sale of smolt from Kraft Laks AS to another Norwegian salmon producer. Other income in 2021 was related to sale of some equipment to K Smart Farming Co., Ltd. in South Korea.

Other income in 2020 was mainly related to the following two transactions. NOK 667 thousand related to the sale of surplus material from the development area, while NOK 30 thousand related to sale of consulting hours. The remaining part of other income related to gains resulting from leasing modification, further described in note 20.

## Note 10 Personnel expenses, remuneration to the board and auditor's fee

(NOK thousands)	2021	2020
Salaries	31 879	8 479
Social security	5 409	1 312
Pensions	1 029	500
Other benefits	2 018	797
Share-based payments		2 714
Gross personnel expenses	40 335	13 802
- Capitalized costs	(19 269)	(4 925)
<b>Total personnel expenses recognized in P&amp;L</b>	<b>21 067</b>	<b>8 877</b>

<b>Number of full-time employment equivalents</b>	<b>19</b>	<b>8</b>
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During the ordinary course of business, the Group capitalizes portions of total salary and personnel costs towards assets under construction.

Norwegian entities are obligated to establish a mandatory company pension. This obligation is fulfilled under the current pension plan. No loans or guarantees have been given to the members of the board of directors or executive management.

### Remuneration and compensation to members of the board

(NOK thousands)	2021	2020
Tore Tønseth (Chairman of the Board)	500	80
Kristofer Reiten (Member of the Board)	250	240
Glen Bradley (Member of the Board)	250	140
Peder Stette (Member of the Board)	250	140
Anne Breiby (Member of the Board)	250	0
Yun Ki Yun (Member of the board) - From september 2020	208	0

Janne-Grethe A. Strand (Member of the board) - From March 2021	42	0
Ingvild Vartdal (Member of the Board) - from March 2021	42	0
Frode Kjølås (Member of the Board) - Until March 2021	208	140
Ingjarl Skarvøy (Member of the Board) – Until March 2020	0	100
Per Olav Mevold (Member of the Board) – Until March 2020	0	100
Anders Sandøy (Member of the Board) – Until March 2020	0	100
Frank Småge (Member of the Board) – Until March 2020	0	100
Jonny Småge (Member of the Board) – Until March 2020	0	na.
<b>Total board of Directors</b>	<b>2 000</b>	<b>1 140</b>

#### Remuneration and compensation to executive management 2021

(NOK thousands)	Salary	Bonus	Pension	Other	Total
Håkon André Berg (CEO)	2 329	2 200	56	13	4 598
Trond Håkon Schaug-Pettersen (CFO)	2 114	800	56	285	3 255
Ingjarl Skarvøy (COO)	1 674	250	57	165	2 146
Kamilla Holo Mordal (Project Director)	1 207	250	52	23	1 533
Trond Valderhaug (CCO until sept-21)	1 328	-	56	26	1 410
Odd Frode Roaldsnes (CCO from sept -21)	513	-	18	5	535
<b>Total executive management</b>	<b>9 164</b>	<b>3 500</b>	<b>296</b>	<b>518</b>	<b>13 477</b>

Ingjarl Skarvøy (COO), Håkon André Berg (CEO) and Trond Håkon Schaug-Pettersen (CFO) have all non-compete clauses in their employment agreements which entitle them to a compensation corresponding to 6 months' severance pay.

See note 23 for share based payments

#### Remuneration and compensation to executive management 2020

(NOK thousands)	Salary	Bonus	Pension	Other	Total
Håkon André Berg (CEO/CFO)	1 819	-	60	22	1 901
Ingjarl Skarvøy (COO)	1 366	-	63	155	1 584
Trond Valderhaug (CCO from Oct 2020)	381	-	18		400
Kamilla Holo Mordal (Project Director)	1 008	-	48	11	1 066
Odd Tore Finnøy (CEO)	1 553	-	-	7	1 560
<b>Total executive management</b>	<b>6 127</b>	<b>-</b>	<b>189</b>	<b>195</b>	<b>6 511</b>

#### Auditor's remuneration

(NOK thousands)	2021	2020
Statutory audit	536	205
Interim audit	97	0
Other services	199	117
<b>Total</b>	<b>832</b>	<b>322</b>

## Note 11 Other opex

(NOK thousands)	2021	2020
Cost of premises	419	156
Hired equipment	86	23
Other operating and administrative expenses	10 131	2 110
Insurance	398	173
Consultancy fees	14 859	6 493
<b>Total other operating expenses</b>	<b>25 894</b>	<b>8 954</b>

## Note 12 Financial income and expenses

(NOK thousands)	2021	2020
Interest income	5 594	1 114
Other financial income	7 258	0
<b>Financial income</b>	<b>12 852</b>	<b>1 114</b>
Interest expense	(910)	(29)
Interest expense lease liability	(97)	(28)
Other financial expenses	(6 328)	(206)
<b>Financial expense</b>	<b>(7 335)</b>	<b>(263)</b>
Share of net income from associated companies	(634)	0
<b>Net financial income (expense)</b>	<b>4 884</b>	<b>851</b>

Interest income is mainly related to interest on cash deposits held with Norwegian financial institutions. Other financial income- and expense are mainly related to hedging activities in relation to underlying EUR exposure for the Company's construction contract at Indre Harøy.

Incurred interest expenses and establishing fees are capitalized as part of assets under construction in accordance with IAS 23.

The negative impact from share of net income from associated companies are related to the joint venture in South Korea, K Smart Farming.

## Note 13 Inventory

Inventory comprises feed, roe, fry and smolt, and are recognized at cost price.

The general industry rule is that live fish are to be accounted for in accordance with IFRS 13 and that such assets are measured at fair value less sales cost to sale. Roe, fry and smolt (up to 1 kg) are valued at historic cost where historical cost is deemed to be the best estimate of fair value for these assets, as there are limited alternative use of the assets prior to the smolt being ready for full grow out production. The use of acquisition cost as a valuation method for biomass below 1 kg is chosen since this is deemed the most reliable way to measure fair value.

Total biomass at 31.12.21 was 2,276,666 smolt with an average weight of 79.9 grams

(NOK thousands)	2021	2020
Inventory feed	112	-
Inventory smolt	14 939	-
<b>Sum</b>	<b>15 050</b>	<b>-</b>

## Note 14 Derivative

(NOK thousands)	31 Dec 2021	31 Dec 2020
<b>Derivative financial assets</b>		
Derivatives not designated as hedging instruments		
Interest rate swaps	1 263	-
Forward foreign exchange contracts	-	-
	<b>1 263</b>	<b>-</b>
Derivatives designated as hedging instruments		
Power hedging contract	274	-
<b>Total derivatives not designated as hedging instruments</b>	<b>274</b>	<b>-</b>
<b>Total derivative financial assets</b>	<b>1 537</b>	<b>-</b>

The derivative financial assets relate to hedging contracts for the Company's interest rate exposure and consist of an interest rate swap contract of NOK 50 million in Sparebanken Vest and a similar contract of NOK 150 million in Nordea. Both contracts are due January 2028 and has a fixed interest of 1.79 %. Changes in market value of these contracts is registered as unrealized profit under financial income and allocated to other current receivables in the balance sheet.

The power hedging contract with Statkraft relates to a fixed price power purchase contract in EUR. The net present value effect resulting from changes in EUR/NOK forward rates per 31. December 2021 compared to the transaction date is registered as unrealized profit under financial income and allocated to other current receivables in the balance sheet.

## Note 15 Cash and restricted cash

(NOK thousands)	31 Dec 2021	31 Dec 2020
Cash in bank	503 759	647 009
Restricted bank deposits	1 785	796
<b>Total cash and cash equivalents</b>	<b>505 545</b>	<b>647 806</b>

Restricted cash are related to tax withholdings for employees (NOK 1,785 million).

## Note 16 Other current receivables

(NOK thousands)	31 Dec 2021	31 Dec 2020
Prepaid expenses	6 630	58
VAT receivable	49 829	16 860
Other receivables	1 939	539
Government grant ("Enova")	43 497	431
Tax incentive scheme ("Skattefunn")	4 750	4 750
<b>Total other current receivables</b>	<b>106 644</b>	<b>22 638</b>

As of 31 December 2021, and 2020, the Group's other current receivables were due within one year and considered fully collectible. Accordingly, the fair value of the Group's other current receivables was equal to nominal value, no bad debt was recognized for the years then ended, and management did not consider a provision for uncollectible accounts necessary.

Receivables denominated in foreign currencies are valued at the daily rate. Due to the short-term nature of current receivables, their carrying amount is considered equal to their fair value. As of 31 December 2021, and 2020, the Group's other current receivables, specified by currencies, consisted of the following:

(NOK thousands)	31 Dec 2021	31 Dec 2020
NOK	106 644	22 638
Other	0	0
<b>Total other current receivables</b>	<b>106 644</b>	<b>22 638</b>

## Note 17 Trade and other current liabilities

(NOK thousands)	31 Dec 2021	31 Dec 2020
Trade payables	162 071	60 104
<b>Total trade payables</b>	<b>162 071</b>	<b>60 104</b>

(NOK thousands)	31 Dec 2021	31 Dec 2020
Payroll withholding tax	1 785	796
Employer's national insurance contributions	2 135	347
<b>Total social security and other taxes</b>	<b>3 920</b>	<b>1 144</b>

(NOK thousands)	31 Dec 2021	31 Dec 2020
Accrued employer's social security contribution	0	121
Accrued salaries, holiday pay and bonus provisions	4 821	1 024
Severance pay accrual	0	0
Accrued interest expense	991	277
Other current liabilities	0	69
<b>Total other current liabilities</b>	<b>5 812</b>	<b>1 491</b>

## Note 18 Share capital

	Nominal value	31 Dec 2021	31 Dec 2020
Ordinary shares	0,05	310 796 489	219 731 088
Average number of shares	0,05	291 291 107	125 605 681
(NOK thousands)		31 Dec 2021	31 Dec 2020
Share capital		15 540	10 987
Share premium		1 334 283	804 369
<b>Total</b>		<b>1 349 823</b>	<b>815 355</b>

The number of shares issued in the company on 31 December 2021 was 310,796,489 with a nominal value of NOK 0.05 each. All shares carry equal voting rights.

The Company issued 83,333,333 new shares in a capital raise in March 2021. Further on 16 August the company carried out a private placement in connection with the acquisition of Kraft Laks AS where the company as part of the settlement issued 2,190,694 new shares. In addition, in October the company carried out a new private placement with Cargill where it was issued 5,541,374 new shares. As such, the weighted average number of shares outstanding in 2021 has been calculated by applying a weight of 2/12 of the number of shares before the capital raise in March (219,731,088), 6/12 of the number of shares after the capital raise (303,064,421), 1/12 share after the acquisition of Kraft Laks (305,255,115), and 3/12 after the private placement with Cargill of the total number after the final adjustment in October 2021 (310,796,489).



<b>20 largest shareholders as of 31.12.21</b>	<b>No of shares</b>	<b>Percentage share</b>
Ronja Capital II AS	26 687 687	8,6 %
The Bank of New York Mellon SANV	20 889 534	6,7 %
Farvatn Private Equity AS	17 093 878	5,5 %
Dongwon Industries Co. Ltd	16 044 572	5,2 %
Rofisk AS	13 274 174	4,3 %
Stette Invest AS	11 236 005	3,6 %
Artec Holding AS	11 139 339	3,6 %
Kjølås Stansekniver AS	10 774 405	3,5 %
Verdipapirfondet DNB SMB	10 544 140	3,4 %
Jakob Hatteland Holding AS	8 706 006	2,8 %
Mevold Invest AS	8 141 141	2,6 %
Lynghheim Invest AS	7 891 141	2,5 %
Bortebakken AS	7 471 090	2,4 %
Ewos AS	5 541 374	1,8 %
Verdipapirfondet DNB SMB	5 529 606	1,8 %
Nordnet Livsforsikring AS	5 196 371	1,7 %
VPF Norge Selektiv	5 132 518	1,7 %
Salmoserve AS	3 727 366	1,2 %
VPF DNB AM Norske Akjser	3 457 555	1,1 %
Danske Invest Norge Vekst	3 150 000	1,0 %
<b>Total 20 largest shareholders</b>	<b>201 627 902</b>	<b>64,9 %</b>
Other shareholders	109 168 587	35,1 %
<b>Total number of shares</b>	<b>310 796 489</b>	<b>100,0 %</b>

As of 31 December 2021, shares directly or indirectly owned by members of the Board of Directors, Chief Executive officer, and Executive Management were as follows:

	<b>No of shares</b>	<b>Percentage share</b>
Peder Stette, Member of the board - Stette Invest AS	11 236 005	3,6 %
Kristoffer Reiten, Member of the Board - Bortebakken AS	7 471 090	2,4 %
Glen Allan Bradley, Member of the Board *	5 297 366	1,7 %
Ingjarl Skarvøy, COO - Terra Mare AS	1 800 150	0,6 %
Trond Håkon Schaug-Pettersen, CFO	190 000	0,1 %
Hakon Andre Berg, CEO - Carried Away AS	185 000	0,1 %
Anne Breiby, Member of the board	89 000	0,0 %
Kamilla Mordal Holo, Project Director - C10 Holding AS	60 060	0,0 %
<b>Total</b>	<b>26 328 671</b>	<b>8,5 %</b>

\*1,500,000 shares owned through Ocean Industries AS and 70,000 shares owned privately. Also, including 3,727,366 shares owned through Salmoserve AS where Glen Allan Bradley has an ownership of 25%.

## Note 19 Interest-bearing debt

### Long-term interest bearing debt

(NOK thousand)	2021	2020
Debt to credit institutions	200 000	0
Other long-term interest bearing debt	12 352	0
Other long-term liabilities	7 976	0
Leasing liabilities	892	933
<b>Total long-term interest-bearing debt 31.12</b>	<b>221 221</b>	<b>933</b>

### Short-term interest bearing debt

(NOK thousand)	2021	2020
Debt to credit institutions	733	40 000
Other short-term interest bearing debt	12 352	-
Leasing liabilities	1 236	696
<b>Total short-term interest-bearing debt 31.12</b>	<b>14 322</b>	<b>40 696</b>

<b>Total interest-bearing debt</b>	<b>235 543</b>	<b>41 630</b>
Cash & cash equivalents	505 545	647 806
<b>Net interest-bearing debt</b>	<b>-270 001</b>	<b>-606 176</b>

The Group has entered into a senior secured NOK 625 million debt financing relating to its phase one build out at Indre Harøy with Nordea, Sparebanken Vest and Innovation Norway. The facility consist of;

- a NOK 525 million senior secured credit facility to finance the construction CAPEX of which NOK 200 million was utilized as per 31 December 2021
- two long term facilities in the aggregate amount of NOK 525 million which shall be used to refinance the construction facility
  - a NOK 385 million senior secured long-term facility with Nordea and Sparebanken Vest as Lender and
  - a 140 NOK million senior secured long-term facility with Innovation Norway as Lender.
- a NOK 100 million senior secured overdraft facility with Nordea as Lender.

In addition, the Group has also entered into binding agreements with Nordea for bank debt financing of up to NOK 52 million in relation to the newly acquired smolt producer Kraft Laks AS.

The loans are floating interest rate loans denominated in NOK with an interest charge based on NIBOR 3M plus an agreed margin. Incurred interest expenses and establishing fees are capitalized as part of assets under construction in accordance with IAS 23.

In addition, the Group has a sellers credit of NOK 24.7 million relating to the acquisition of Kraft Laks, where 50% of this is classified as long-term debt and 50% are classified as short-term debt.

Other current liabilities of 7,976 NOK thousand is related to valuation of ground lease and water rights in relation to Kraft Laks.

## Financial covenants

The most important financial covenants for the long-term financing of the Group are, respectively, a solvency requirement that the borrower's (Salmon Evolution Norway AS) equity ratio (including intra-group loans) shall exceed 50%. Further, there is a profitability requirement linked to minimum EBITDA shall be greater than NOK 100 million on a last 12 month basis from Q2 2024. Quarterly EBITDA figures shall be measured from Q3 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 cash balance shall be greater than NOK 100 million during construction, and greater than NOK 50 million after completion of the construction work.

## Security

The Group's bank debt facilities are fully guaranteed by Salmon Evolution ASA. The respective borrowers also have a pledge over 100% of the shares in the Group's two operating subsidiaries, Salmon Evolution Norway AS and Kraft Laks AS. Further, the respective borrowers 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
<b>Balance at January 1, 2021</b>	<b>40 696</b>	<b>933</b>
Repayment of loans and borrowings	-40 000	-
Proceeds from new bank loan	733	200 000
Seller credit Kraft Laks	12 352	12 352
Obligations due to land and water rights	-	7 976
Change in obligations under leases	540	-41
<b>Balance at December 21, 2021</b>	<b>14 322</b>	<b>221 221</b>
Transaction cost related to loans and borrowings	5 380	
Capitalised borrowing cost	6 079	
Interest expense	1 007	
Interest paid	-11 477	
Total liability-related other changes	989	

Cash movements in financing activities (NOK thousand)	Interest bearing debt	
	Short term	Long term
<b>Balance at January 1, 2020</b>	<b>1 500</b>	-
Repayment of loans and borrowings	-1 500	-
Proceeds from new bank loan	40 000	-
Obligations under leases	696	933
Transaction cost related to loans and borrowings	-	-
<b>Balance at December 31, 2020</b>	<b>40 696</b>	<b>933</b>
Capitalised borrowing cost	447	
Interest expense	29	
Interest paid	-198	
Total liability-related other changes	277	

## Note 20 Leases

### Amounts recognised in the balance sheet

(NOK thousands)	31 Dec 2021	31 Dec 2020
<b>Right-of-use assets</b>		
Rent of premises	748	919
Car	600	205
Office supply	763	554
<b>Total right-of-use assets</b>	<b>2 112</b>	<b>1 678</b>
<b>Lease liabilities</b>		
Current	1 236	696
Non-current	892	933
<b>Total lease liabilities</b>	<b>2 129</b>	<b>1 630</b>

Additions to right-of-use assets in 2021 were NOK 0.6 million and related to new office supply and a new car.

### Amounts recognised in the statement of profit or loss

(NOK thousands)	31 Dec 2021	31 Dec 2020
<b>Depreciation right-of-use assets</b>		
Rent of premises	716	145
Car	361	145
Office supply	287	50
Gross depreciation	1 364	340
- Capitalized as assets under construction	0	(100)
<b>Net depreciation</b>	<b>1 364</b>	<b>240</b>
Interest expense lease liability	97	28

The total cash outflow for leases in 2021 was NOK 1.6 million.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When

adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentive received
- any initial direct costs, and - restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Group has entered into several lease agreements that are considered to qualify as short-term and/or low value in accordance with IFRS 16. Payments associated with such short-term and low-value leases are recognized on a straight-line basis as an expense in the profit and loss statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

## Note 21 Acquisition of Kraft Laks

Salmon Evolution ASA announced the acquisition of 100% of the shares in Kraft Laks AS on the 16th of August 2021 for a consideration of NOK 76.5 million on an equity value basis. The purchase price implies an enterprise value of NOK 69.6 million. The payment was structured as cash payment of NOK 35 million, a seller credit of NOK 24.9 million, and an amount of NOK 16.6 million which the sellers committed to re-invest through a capital raise in Salmon Evolution.

Kraft Laks is a smolt producer located in Dalsfjorden, Volda, with an annual production of around 1.8 million smolt. The company holds licenses to produce up to 5 million smolt per year subject to certain conditions. The acquisition gives Salmon Evolution operational control over critical parts of the value chain and ensures that the company is self-supplied with smolt for Phase 1 at Indre Harøy, and potentially for Phase 2 if an expansion of Kraft Laks is undertaken.

Acquired balance sheet (NOK thousands)	Book Value 31.07.2021	Fair Value 31.07.2021	Fair Value adjustment	Classification
Goodwill	-	44.7	44.7	FA
Identified intangible assets	-	13.5	13.5	FA
Buildings and land	7.7	7.7	-	FA
Machinery and equipment	1.6	1.6	-	FA
Equipment, fixtures and fittings	0.1	0.1	-	FA
Other investments	0.1	0.1	-	FA
Inventory	13.3	13.3	-	NWC
Other current receivables	0.1	0.1	-	NWC
Cash and cash equivalents	8.0	8.0	-	ND
<b>Total assets</b>	<b>30.9</b>	<b>89.1</b>	<b>58.2</b>	
Total shareholders' equity	21.3	76.5	55.2	EQ
Deferred tax	3.1	3.1	-	NWC
Deferred tax created by value adjustments	-	3.0	3.0	NWC
Debt to credit institutions	1.1	1.1	-	ND
Tax payable	0.4	0.4	-	NWC
Accounts payable	4.3	4.3	-	NWC
Public duties payable	0.5	0.5	-	NWC
Other current liabilities	0.2	0.2	-	NWC
<b>Total shareholders' equity and liabilities</b>	<b>30.9</b>	<b>89.1</b>	<b>58.2</b>	

The main factors leading to the recognition of goodwill are:

- The value of the license for an additional 3 million smolt produced per year
- The presence of certain intangible assets, such as assembled workforce of the acquired company
- Technical goodwill created by deferred tax.
- Synergies, which includes the ability for Salmon Evolution to be self-supplied with smolt for Phase 1, and potentially Phase 2, at Indre Harøy.

Since the acquisition date, Kraft Laks has contributed NOK 12 million to group revenues and NOK 5.5 million to group profit. If the acquisition had occurred on 1 January 2021, group revenue would have been NOK 25.6 million and group profit for the period would have been NOK 7.4 million.

## Note 22 Related party balances and transactions

During the ordinary course of business, the Group engages in certain transactions with related parties. The following is a summary of related party transactions carried out in the period:

In 2019 the Company entered into an agreement with Artec Aqua AS, a subsidiary of Artec Holding AS, for the design and construction of a land-based salmon farming facility at the Company's site at Indre Harøy.

Pursuant to the agreement entered into with Artec Aqua AS, Salmon Evolution has had a significant volume of transactions during 2021 related to the ongoing construction of the

production facilities at Indre Harøy. Artec Aqua AS was until mid-March 2021 a 100%-owned subsidiary of Artec Holding AS, which per 31.12.2021 held 3.6% of the total shares outstanding in Salmon Evolution ASA.

Due to the acquisition of Artec Aqua by Endur ASA in Q1 2021, Artec Aqua is no longer considered to be a related party to Salmon Evolution ASA.

The Group further has a consultancy agreement with Peder Stette (board member) and Frode Kjølås (chair nomination committee) relating to assistance in certain projects on an ad-hoc basis.

The Group has during 2021 purchased legal services from Adviso Advokatfirma AS in the amount of NOK 325,000 in its ordinary course of business. Board member Ingvild Vartdal is a partner at Adviso Advokatfirma AS but has not had any role in the services rendered to Salmon Evolution.

#### Income from related parties:

(NOK thousands)	2021	2020
Vikomar AS	-	5 046
K Smart Co Ltd	264	-
Total income from related parties (incl.VAT)	264	5 046

#### Expenses to related parties:

(NOK thousands)	2021	2020
Artec Aqua AS*	902 197	169 762
Carried Away AS	-	15
Kjølås Stansekniver AS	464	-
Stette Eiendom AS	147	-
Total expenses to related parties (Incl. VAT)	902 809	169 777

#### Current liabilities to related parties

(NOK thousands)	2021	2020
Artec Aqua AS*	132 453	56 293
Total current liabilities to related parties	132 453	56 293

#### Current receivables from related parties

(NOK thousands)	2021	2020
K Smart Farming Co., Ltd	32	-
Total current liabilities to related parties	32	-

\*Due to the acquisition of Artec Aqua AS by Endur ASA in Q1 2021, Artec Aqua is no longer considered a related party to Salmon Evolution ASA.

There were no non-current liabilities to related parties as of 31.12.21

## Note 23 Share based payments

In 2020 the Group granted 1,625,000 options to employees. These options have been granted at different points in time during the year, and key assumptions listed below are as such averages of the different grants. Each option gives the holder the right to subscribe or purchase shares in Salmon Evolution at an average agreed exercise price of NOK 4.80. The options were granted on 25 August 2020 and 28 September 2020 and has an 18-month maturity. The options

can be exercised at earliest, 12 months after the grant date. To account for this, an adjusted Black & Scholes option-pricing model is used by applying a weighted expected average life of 15 months. All options were exercised in January 2022 with the new shares being issued in March 2022.

In addition, the Board of the directors on 26 August 2021 established a share option program for members of the Company's executive management where total of 7,650,000 share options have been granted. The options will be issued on an annual basis with 1/3 each year, with issue dates being 31 August 2021 (of which 250,000 share options was issued 22 November 2021), 1 June 2022 and 1 June 2023. Issued options vest 50% after year one and 50% after year two. A total of 2,550,000 share options were issued with a strike price of NOK 9.00 per share, and a total of 5,100,000 options were granted at a strike price equal to the closing price of the Company's shares on Oslo Børs on the last trading day prior to the respective future issue dates + 15%.

The share option agreements contain clauses customary for such agreement, hereunder cancellation of unvested options in case the employee's employment with the Company is terminated, option for the Company to settle exercised option with shares or cash and a cap on maximum profit from each annual allotment of options.

Further, in case of certain corporate changes, hereunder M&A situations, all granted but yet not issued options under the program, immediately become exercisable at a strike price equal to the strike price for the last option grant plus a premium of 15%, without any limitation as to maximum profit under the program.

The fair value of the options is set on the grant date and is expensed over its lifetime. The fair value of the options has been calculated using the adjusted Black & Scholes option-pricing model, which takes into account the exercise price, the term of the option, the share price at the grant date, expected price volatility of the underlying share, expected dividend and risk-free rates. Given the recent listing and lack of historical price and volatility data, the expected volatility is based on historical volatility for a selection of comparable companies listed on Oslo Stock Exchange ("Oslo Børs"). The risk-free interest rate is set to equal the interest on Norwegian government bonds with the same maturity as the option. Average key assumptions are listed below.

<b>Outstanding options (in thousands)</b>	<b>2021</b>	<b>2020</b>
Outstanding options 1 January	1625	900
Options granted	7650	1 625
Options exercised	0	600
Options forfeited	0	300
<b>Outstanding options at end of period</b>	<b>9 275</b>	<b>1 625</b>

<b>NOK thousands</b>	<b>2021</b>	<b>2020</b>
Håkon André Berg (CEO)	609	0
Trond Håkon Schaug-Pettersen (CFO)	526	0
Ingjarl Skarvøy (COO)	224	0
Kamilla Mordal Holo (Project Director)	212	0
Odd Frode Roaldsnes (CCO)	53	0
Other/IPO	0	2714
<b>Total</b>	<b>1624</b>	<b>2714</b>
Charges to income statement	599	2 714
Charges to Asset under Construction	1025	0



Key assumptions	2021	2020
Average fair value (NOK)	1,36	5,25
Average exercise price (NOK)	10,35	5,25
Weighted expected average life (in years)	2,33	1,25
Estimated dividend per share (NOK)	0,00	0,00
Expected average volatility	29,2 %	71,3 %
Risk-free rate	0,86 %	0,21 %

Group management have the following holdings	Holding 01.01	Awarded	Exercised	Forfeitet	Holding 31.12
Håkon André Berg (CEO)	450	3 000	-	-	3 450
Trond Håkon Schaug-Pettersen (CFO)	375	2 400	-	-	2 775
Ingjarl Skarvøy (COO)	100	750	-	-	850
Kamilla Mordal Holo (Project Director)	100	750	-	-	850
Odd Frode Roaldsnes (CCO)	-	750	-	-	750
<b>Total</b>	<b>1 025</b>	<b>7 650</b>	<b>-</b>	<b>-</b>	<b>8 675</b>

\*Numbers in the usand

## Note 24 Investments in associated companies

(NOK thousands)	Location and place of business	Ownership/ voting right	Equity 31.12.21 (100%)	Result 2021 (100%)	Balance sheet value
K Smart Farming Co., Ltd*	Gangwangnak-ro, South Korea	49 %	48 656	(1 294)	26 219
Balance sheet value as of 31 December 2021					

\*K Smart Farming Co., Ltd is owned through Salmon Evolution Asia AS

Investments in subsidiaries are valued at cost in the company accounts. The investment is valued at cost of acquiring the shares, providing they are not impaired. An impairment loss is recognised for the amount by which the carrying amount of the subsidiary exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. The recoverable amount of an investment in a subsidiary would normally be based on the present value of the subsidiary's future cash flow. As of 31.12.2021 no impairment indicators were assessed to be present for the Company's investments.

**Movement in investment in associated companies during 2021 is analysed in the following way:**

(NOK thousands)	
Opening balance 01 January 2021	-
Investment K Smart Farming Co., Ltd, May 2021	27 413
Share of net income from associated companies	(634)
Currency translation differences	(560)
<b>Closing balance 31 December 2021</b>	<b>26 219</b>

## Note 25 Events after the reporting date

### Phase Two build-out - Indre Harøy

On 7 February 2022 Salmon Evolution announced that had entered into a Heads of Terms with Artec Aqua for the phase 2 build-out at Indre Harøy. Phase 2 is expected to in principle be identical to phase 1 and add a further 7,900 tons HOG of annual production, bringing the total planned production volume to 15,800 tons HOG per annum.

The purpose of the Heads of Terms is to enable Salmon Evolution to be in a position to swiftly commence construction of phase 2 following the completion of phase 1. Such timeline requires significant preparatory activities, including but not limited to, planning, concept and detailed engineering and structuring of subcontractor tender processes.

The Heads of Terms further sets out the main commercial terms to be reflected in a final design and construction agreement between the parties.

The final design and construction agreement is expected to be effectuated during first half of 2022 and will include financing reservations providing Salmon Evolution with the necessary flexibility to align the phase 2 build out with the Company's overall financing plan.

### Successful Private Placement

On 5 April 2022 the Company completed a private placement raising gross proceeds of approximately NOK 300 million in new equity at a subscription price of NOK 9.00 per share. The private placement attracted strong interest from Norwegian, Nordic and international high-quality investors and was significantly oversubscribed.

The net proceeds from the private placement will be used to (i) to partly fund the second phase of the salmon farming facility at Indre Harøy; (ii) to expand the capacity at the smolt facility Kraft Laks AS; and (iii) for general corporate purposes. The offer shares were allocated in two tranches as follows: one tranche with 22,574,374 offer shares ("Tranche 1") and a second tranche with 10,758,959 offer shares ("Tranche 2"). Both Tranche 1 and Tranche 2 were settled with existing and unencumbered shares in the Company, that are already listed on Oslo Børs, pursuant to a share lending agreement (the "Share Loan") between the Company, the managers, Stette Invest AS, Rofisk AS and Ronja Capital II AS.

The board has accordingly resolved to increase the Company's share capital by NOK 1,128,718.70, by issuing 22,574,374 new shares pertaining to the Offer Shares allocated in Tranche 1, pursuant to the authorisation (the "Board Authorisation") granted to the board by the Company's annual general meeting held on 19 May 2021. The issue of new shares pertaining to the offer shares allocated in Tranche 2 is subject to approval of the Company's extraordinary general meeting expected to be held on or about 2 May 2022 (the "EGM").

If the EGM does not approve the issuance of the offer shares in Tranche 2, the Company will not receive any proceeds from the sale of offer shares in Tranche 2. The effective reduction in proceeds to the Company will in such event be allocated both to the Indre Harøy phase 2 funding and the Kraft Laks expansion. For the latter, the Company will seek to portion out the smolt build-out and potentially partly rely upon external sourcing of smolt for a period of time. It is emphasised that no decision for commencing the Phase 2 project has been made, and reference is made to the Company announcement dated 7 February 2022 and 10 February 2022 for further information.

# Parent company Financial Statement

## Income Statement

(NOK thousands)	Note	2021	2020
Revenue from contracts with customers		-	-
Other income	3	9 874	0
<b>Total operating income</b>		<b>9 874</b>	<b>0</b>
Personnel expenses	5,11	(14 551)	0
Depreciation, amortisation and impairment loss	9	(13)	0
Other operating expenses	6	(10 878)	(20)
<b>Operating profit (EBIT)</b>		<b>(15 568)</b>	<b>(20)</b>
Financial income	3	19 135	394
Financial expenses	9	(624)	(124)
<b>Net financials</b>		<b>18 511</b>	<b>270</b>
<b>Profit/(loss) before tax</b>		<b>2 943</b>	<b>251</b>
Change in deferred tax	4	4 719	-
<b>Profit/(loss) for the period</b>		<b>7 662</b>	<b>251</b>

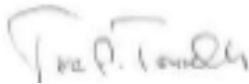
## Statement of Comprehensive Income

(NOK thousands)	Note	2021	2020
<b>Profit/(loss) for the period</b>		<b>7 662</b>	<b>251</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>7 662</b>	<b>251</b>

## Statement of Financial Position

(NOK thousands)	Note	31 Dec 2021	31 Dec 2020
<b>Assets</b>			
Deferred tax asset	4	4 719	0
Right-of-use assets	9	216	0
Group non-current receivables	3	649 976	0
Investment in subsidiaries	2,11	356 778	279 230
<b>Total non-current assets</b>		<b>1 011 689</b>	<b>279 230</b>
Other current receivables	3	2 381	189
Cash and cash equivalents	10	355 403	520 245
<b>Total current assets</b>		<b>357 783</b>	<b>520 434</b>
<b>Total assets</b>		<b>1 369 472</b>	<b>799 663</b>
<b>Equity and liabilities</b>			
Share capital	7	15 540	10 987
Share premium	7	1 313 104	783 183
Other reserves	11	4 338	2 714
Other equity		0	0
Retained earnings		7 912	251
<b>Total equity</b>		<b>1 340 894</b>	<b>797 134</b>
Long-term interest bearing debt		12 352	0
Lease liabilities - long term	9	144	0
<b>Total non-current liabilities</b>		<b>12 496</b>	<b>0</b>
Short-term interest bearing debt		12 352	0
Trade payables	8	569	599
Current liabilities to Group Companies	3	0	1 930
Lease liabilities - short term	9	73	0
Other current liabilities	8	3 087	0
<b>Total current liabilities</b>		<b>16 082</b>	<b>2 529</b>
<b>Total liabilities</b>		<b>28 578</b>	<b>2 529</b>
<b>Total equity and liabilities</b>		<b>1 369 472</b>	<b>799 663</b>

**The Board of Directors of Salmon Evolution ASA  
Molde/Ålesund 8 April 2022**



Tore Tønseth  
Chair



Kristofer Reiten  
Director



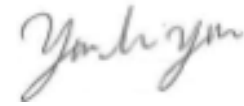
Anne Breiby  
Director



Peder Stette  
Director



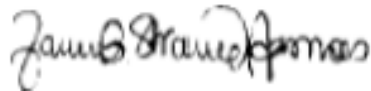
Glen Allan Bradley  
Director



Yun Ki Yun  
Director



Ingvild Vartdal  
Director



Janne-Grethe Strand Aasnæs  
Director



Håkon André Berg  
CEO

## Statement of Cash Flow

(NOK thousands)	Note	2021	2020
<b>Cash flow from operations</b>			
Profit before income taxes		2 943	251
<b>Adjustments for:</b>			
Depreciation		0	0
Net interest	3	(18 511)	(270)
Share based payment expenses		1 135	0
Gain on lease modification		1	0
		0	
<b>Changes in working capital:</b>			
Change in trade receivables		(2 304)	0
Change in other current receivables		112	(189)
Change in trade payables		(30)	599
Change in current liabilities to Group companies (exl. Group contribution)	3	(1 930)	1 930
Change in other current liabilities		3 087	0
Cash generated from operations		(15 497)	2 321
Interest paid		(429)	(124)
Interest received	3	7 033	394
Net cash flow from operations		(8 892)	2 591
<b>Cash flow from investment activities</b>			
Investment in Group Companies	2	(35 949)	(276 516)
Payments for intangible assets		0	0
Payments for fixed assets and other capitalizations		0	0
Net cash flow from investment activities		(35 949)	(276 516)
<b>Cash flow from financing activities</b>			
Founding capital	7	4 444	30
Proceeds from issue of equity, net of paid transaction costs	7	513 430	794 140
Change in intercompany borrowings	3	(637 874)	0
Proceeds from new borrowings		0	0
Change in lease liabilities		0	0
Net cash flow from financing activities		(120 001)	794 170
Net change in cash and cash equivalents		(164 842)	520 245
Cash and cash equivalents at the beginning of the period		520 245	0
<b>Cash and cash equivalents at the end of the period</b>		<b>355 403</b>	<b>520 245</b>

## Statement of Changes in Equity

(NOK thousands)	Share capital	Share premium	Retained Earnings	Other Reserves	Total equity
<b>Balance at 1 January 2020</b>	0	0	0	0	0
Profit/loss for the period	0	0	251	0	251
Other comprehensive income	0	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>251</b>	<b>0</b>	<b>251</b>
Incorporation, 3 July 2020	30	0	0	0	30
Capital increase, net of transaction costs	10 957	783 183	0	0	794 140
Share options issued	0	0	0	2 714	2 714
<b>Transactions with owners</b>	<b>10 987</b>	<b>783 183</b>	<b>0</b>	<b>2 714</b>	<b>796 884</b>
<b>Balance at 31 December 2020</b>	<b>10 987</b>	<b>783 183</b>	<b>251</b>	<b>2 714</b>	<b>797 134</b>

(NOK thousands)	Share capital	Share premium	Retained Earnings	Other Reserves	Total equity
<b>Balance at 1 January 2021</b>	10 987	783 183	251	2 714	797 134
Profit/loss for the period	0	0	7 662	0	7 662
Other comprehensive income	0	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>7 662</b>	<b>0</b>	<b>7 662</b>
Capital increase 18 March 2021	4 167	495 833	0	0	500 000
Capital increase 18 March 2021, transaction costs	0	(24 850)	0	0	(24 850)
Private placement, 18 August 2021	110	16 490	0	0	16 600
Private placement, 22 October 2021	277	42 447	0	0	42 724
Share options issued	0	0	0	1 624	1 624
<b>Transactions with owners</b>	<b>4 553</b>	<b>529 920</b>	<b>0</b>	<b>1 624</b>	<b>536 098</b>
Profit/loss for the period					
<b>Balance at 31 December 2021</b>	<b>15 540</b>	<b>1 313 104</b>	<b>7 912</b>	<b>4 338</b>	<b>1 340 894</b>

## Note 1 Summary of significant accounting policies

### General information

Salmon Evolution ASA (the "Company") is a Norwegian business headquartered in Hustadvika municipality in Møre og Romsdal and listed on the Oslo Børs with the ticker symbol "SALME". Salmon Evolution ASA owns the following subsidiaries (collectively "Salmon Evolution", the "Group" or "SE");

- Salmon Evolution Norway AS, headquartered and located in Molde, Norway ("SENAS")
- Salmon Evolution Asia AS ("SEA"),
- Kraft Laks AS ("Kraft Laks")

SE is in the process of constructing a land-based salmon farming facility with a planned annual harvesting capacity of 31,500 tonnes HOG fully developed. The build-out is expected to be in three phases, of which phase 1 which is currently under construction has a planned annual production of 7,900 tons HOG. Phase 1 consists of 12 large grow out tanks with corresponding infrastructure and is expected to be completed during Q4 2022. Initial production started in March 2022 and first harvest is expected in Q4 2022. SE will operate a hybrid flowthrough system ("HFS"), replacing the water every four hours with clear and fresh water from the Norwegian coast. Phase II is expected to consist of an additional 12 grow out tanks which is expected to generate an additional 7,900 tons HOG of production. The last construction phase, phase 3, consists of an additional 24 grow out tanks bringing the total expected production volume to 31,500 tons HOG per annum.

### Basis of preparation and accounting principles

The financial statements of the Company have been prepared in accordance with the Norwegian Accounting Act § 3-9 and Finance Ministry's prescribed regulations from 21 January 2008 on simplified IFRS. Principally this means that recognition and measurement comply with the International Accounting Standards (IFRS) and presentation and note disclosures are in accordance with the Norwegian Accounting Act and generally accepted accounting principles. Any exceptions from measurement and recognition according to IFRS is disclosed below.

### Accounting period

The company was incorporated on 3 July 2020. The accounting period for the financial statements are 1 January 2021 - 31 December 2021.

### Going concern

The Company 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 Company has adequate resources to continue its operational existence for the foreseeable future.

### Basis of measurement

The financial statements have been prepared under the historical cost convention.

### Investments in subsidiaries

Investments in subsidiaries are valued at cost in the company accounts. The investment is valued as cost of acquiring shares, providing they are not impaired. An impairment loss is recognized for the



amount by which the carrying amount of the subsidiary exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. The recoverable amount of an investment in a subsidiary would normally be based on the present value of the subsidiary's future cash flow.

### **Dividends and group contributions**

The Company has applied simplifications regarding the Directives specified by the Norwegian Ministry of Finance on 21. of January 2008, related to accounting treatment of dividends and group contributions: Dividends and group contributions will be treated in accordance with the Norwegian Accounting Act and deviates from IAS 10 no. 12 and 13.

### **Classification of current and non-current items**

Assets are classified as current when it expected to be realized or sold, or to be used in the Company's normal operating cycle or falls due or is expected to be realized within 12 months after the end of the reporting date. Assets that do not fall under this definition is classified as non-current. Liabilities are classified as current when they are expected to be settled in the normal operating cycle of the Company or are expected to be settled within 12 months after the reporting date, or if the Company does not have an unconditional right to postpone settlement for at least 12 months after the reporting date. Liabilities that do not fall under this definition are classified as non-current.

### **Employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Information relating to the Company's employee option scheme is set out in note 11. The fair value of options granted under the scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific period of time).

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

### **Pensions**

The Company offers a defined contribution plan to its employees and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual, or voluntary basis. The Company has no further payment obligations once the contributions have been paid.

Contributions are recognized as employee benefit expense when they are due and are included as part of salary and personnel costs in the statement of profit and loss. Prepaid contributions are recognized as an asset to the extent in which a cash refund or a reduction in the future payments is available.

## **Taxes**

### Income Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

#### Current tax and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

#### **Cash and cash equivalents**

For the purpose of 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.

#### **Trade and Other Receivables**

Trade receivables are initially recognized at amortized cost, less a provision for expected credit losses. Credit loss provisions are based on individual customer assessments over each reporting period and not on a 12-month period.

#### **Trade and Other Payables**

Trade and other payables represent unpaid liabilities for goods and services provided to the Company prior to the end of the financial year and are presented as current liabilities unless payment is not due within 12 months after the reporting period. Trade and other payables are recognized initially at their fair value and are subsequently measured at amortized cost using the effective interest method.

#### **Statement of cash flows**

The accompanying statements of cash flows are prepared in accordance with the indirect method.

## Note 2 Investments in subsidiaries and other related companies

(NOK thousands)	Location and place of business	Ownership/ voting right	Equity 31.12.21 (100%)	Result 2021 (100%)	Balance sheet value
Salmon Evolution Norway AS	Molde, Norway	100 %	242 052	(28 974)	279 719
Salmon Evolution Asia AS	Molde, Norway	100 %	980	(1 974)	1 000
Kraft Laks AS	Folkestad, Norway	100 %	25 582	5 766	76 059
K Smart Farming Co., Ltd*	Gangwangnak-ro, South Korea	49 %	48 656	(1 294)	
<b>Balance sheet value as of 31 December 2021</b>					<b>356 778</b>

\*K Smart Farming Co., Ltd is owned through Salmon Evolution Asia AS

Investments in subsidiaries are valued at cost in the company accounts. The investment is valued as cost of acquiring shares, providing they are not impaired. An impairment loss is recognized for the amount by which the carrying amount of the subsidiary exceeds its recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use. The recoverable amount of an investment in a subsidiary would normally be based on the present value of the subsidiary's future cash flow. As of 31.12.2021 no impairment indicators were assessed to be present for the Company's investments.

Movement in investment in subsidiaries during 2021 is analyzed in the following way:

(NOK thousands)	
Opening balance 01 January 2021	279 230
Share options issued (Salmon Evolution Norway)	489
Salmon Evolution Asia AS, established April 2021	1 000
Acquisition of Kraft Laks AS, August 2021	76 059
<b>Closing balance 31 December 2021</b>	<b>356 778</b>

## Note 3 Intercompany balances and intercompany transactions

(NOK thousands)	Non-current receivables	Current receivables	Non-current liabilities	Current liabilities
Salmon Evolution Norway AS	621 204	2 165	-	-
Salmon Evolution Asia AS	28 772	-	-	-
Kraft Laks AS	-	-	-	-
K Smart Farming Co., Ltd	-	-	-	-
<b>Total intercompany balances</b>	<b>649 976</b>	<b>2 165</b>	<b>-</b>	<b>-</b>

### Intercompany and related party transactions:

(NOK thousands)	Revenue	Interest
Salmon Evolution Norway AS	9 868	11 324
Salmon Evolution Asia AS	-	778
Kraft Laks AS	-	-
K Smart Farming Co., Ltd	-	-
<b>Total intercompany balances</b>	<b>9 868</b>	<b>12 102</b>

Investments in Salmon Evolution Norway AS and Salmon Evolution Asia AS are partly financed with loans from Salmon Evolution ASA. The interest rate on these loans is set at a market interest rate of 4 % p.a..

Intercompany receivables to Salmon Evolution Norway AS are unsecured. The bank loans have security in all material assets of Salmon Evolution Norway AS, including but not limited to land and plant and machinery. Salmon Evolution ASA as parent company of the Group has also fully guaranteed the Group's bank loans.

Salmon Evolution ASA also requires an administration fee from Salmon Evolution Norway AS.

There were no other transactions with group companies and related parties in 2021.

## Note 4 Taxes

### Calculation of deferred tax/deferred tax benefit

(NOK thousands)	2021	2020
Fixed assets		-
Right-of-use assets	216	-
Lease liabilities	-217	-
Other current liabilities		-
Net temporary differences	-1	-
Tax losses carried forward	52 798	32 096
<b>Basis for deferred tax</b>	<b>52 797</b>	<b>32 096</b>
Deferred tax (22%)	11 615	7 061
Deferred tax benefit not recognised in the balance sheet*	-6 896	-7 061
<b>Deferred tax in the balance sheet</b>	<b>4 719</b>	<b>-</b>

\*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. However, there is payable tax and deferred tax in the subsidiary Kraft Laks. The group assumes to utilize tax losses carried forward against tax positions in Kraft Laks AS.

### Basis for income tax expense, changes in deferred tax and tax payable

(NOK thousands)	2021	2020
Result before taxes	2 943	251
Permanent differences*	-23 646	-32 346
Basis for the tax expense in the current year	-20 703	-32 096
Change in temporary differences	-1	-
<b>Basis for payable taxes in the income statement</b>	<b>-20 704</b>	<b>-32 096</b>

\*The Permanent differences in 2021 mainly relates to costs in connection with the Company's listing in Oslo Børs.

### Components of the tax expense

(NOK thousands)	2021	2020
Payable tax on this year's result	-	-
Change in deferred tax	-4 554	-7 061
Change in deferred tax not shown in the balance sheet	-165	7 061
<b>Tax expense</b>	<b>-4 719</b>	<b>-</b>

**Reconciliation of the tax expense with the nominal tax rate**

(NOK thousands)	2021	2020
Result before taxes	2 943	251
Calculated tax (22%)	647	55
Tax expense	-	-
<b>Difference</b>	<b>-647</b>	<b>-55</b>

**The difference consists of:**

Tax on permanent differences	-5 201	-7 116
Change in tax rate	-	-
Change in deferred tax	4 719	-
Change in deferred tax due to change in tax rate	-	-
Change in deferred tax not shown in the balance sheet	-165	7 061
Sum explained differences	-647	-55

**Note 5 Personnel expenses, remuneration to the board and auditor's fee****Personnel expenses, remuneration to executives and accrued liabilities to be paid in 2022**

(NOK thousands)	2021	2020
Salaries	7 807	0
Social security	1 425	0
Pensions	83	0
Other benefits	16	0
Share-based payments	1 535	0
Director's fee (both paid in 2021 and liabilities to be paid 2022)	3 685	0
Gross personnel expenses	14 551	0

**Number of full-time employment equivalents** **2** **0**

Norwegian entities are obligated to establish a mandatory company pension. This obligation is fulfilled under the current pension plan. No loans or guarantees have been given to the members of the board of directors or executive management.

**Remuneration and compensation to members of the board**

(NOK thousands)	2021	2020
Tore Tønseth (Chairman of the Board)	500	80
Kristofer Reiten (Member of the Board)	250	240
Glen Bradley (Member of the Board)	250	140
Peder Stette (Member of the Board)	250	140
Anne Breiby (Member of the Board)	250	0
Yun Ki Yun (Member of the board) - From september 2020	208	0
Janne-Grethe A. Strand (Member of the board) - From March 2021	42	0
Ingvild Vartdal (Member of the Board) - from March 2021	42	0
Frode Kjøllås (Member of the Board) - Until March 2021	208	140
Ingjarl Skarvøy (Member of the Board) – Until March 2020	0	100
Per Olav Møvold (Member of the Board) – Until March 2020	0	100
Anders Sandøy (Member of the Board) – Until March 2020	0	100
Frank Småge (Member of the Board) – Until March 2020	0	100
Jonny Småge (Member of the Board) – Until March 2020	0	na.
<b>Total board of Directors</b>	<b>2 000</b>	<b>1 140</b>

*The compensation paid to the board of Salmon Evolution ASA was in 2020 expensed through Salmon Evolution Norway AS*

**Remuneration and compensation to executive management 2021**

(NOK thousands)	Salary	Bonus	Pension	Other	Total
Håkon André Berg (CEO)	2 329	2 200	56	13	4 598
Trond Håkon Schaug-Pettersen (CFO)	2 114	800	56	285	3 255
<b>Total executive management</b>	<b>4 443</b>	<b>3 000</b>	<b>112</b>	<b>299</b>	<b>7 853</b>

**Auditor's remuneration expensed in 2021**

(NOK thousands)	2021	2020
Statutory audit	255	-
Interim audit	97	-
Other services	116	40
<b>Total</b>	<b>468</b>	<b>40</b>

**Note 6 Other operating expenses**

NOK thousands	2021	2020
Cost of premises	63	0
Other operating and administrative expenses	973	2
Insurance	53	0
Consultancy fees	6 927	18
Other fees (Oslo Børs, VPS)	2 863	0
<b>Total other operating expenses</b>	<b>10 878</b>	<b>20</b>

**Note 7 Share capital**

	Nominal value	Outstanding	Nominal value
Ordinary shares	0,05	310 796 489	219 731 088
Average number of shares	0,05	291 291 107	125 605 681

(NOK thousands)	31 Dec 2021	31 Dec 2020
Share capital	15 540	10 987
Share premium	1 334 283	804 369
<b>Total</b>	<b>1 349 823</b>	<b>815 355</b>

The number of shares issued in the Company on 31 December 2021 was 310,796,489 with a nominal value of NOK 0.05 each. All shares carry equal voting rights.

The Company issued 83,333,333 new shares in a capital raise in March 2021. Further on 16 August the company carried out a private placement in connection with the acquisition of Kraft Laks AS where the company as part of the settlement issued 2,190,694 new shares. In addition, in October the company carried out a new private placement with Cargill where it was issued 5,541,374 new shares. As such, the weighted average number of shares outstanding in 2021 has been calculated by applying a weight of 2/12 of the number of shares before the capital raise in March (219,731,088), 6/12 of the number of shares after the capital raise (303,064,421), 1/12 share after the acquisition of Kraft Laks (305,255,115), and 3/12 after the private placement with Cargill of the total number after the final adjustment in October 2021 (310,796,489).

<b>20 largest shareholders as of 31.12.21</b>	<b>No of shares</b>	<b>Percentage share</b>
Ronja Capital II AS	26 687 687	8,6 %
The Bank of New York Mellon SANV	20 889 534	6,7 %
Farvatn Private Equity AS	17 093 878	5,5 %
Dongwon Industries Co. Ltd	16 044 572	5,2 %
Rofisk AS	13 274 174	4,3 %
Stette Invest AS	11 236 005	3,6 %
Artec Holding AS	11 139 339	3,6 %
Kjølås Stansekniver AS	10 774 405	3,5 %
Verdipapirfondet DNB SMB	10 544 140	3,4 %
Jakob Hatteland Holding AS	8 706 006	2,8 %
Mevold Invest AS	8 141 141	2,6 %
Lyingheim Invest AS	7 891 141	2,5 %
Bortebakken AS	7 471 090	2,4 %
Ewos AS	5 541 374	1,8 %
Verdipapirfondet DNB SMB	5 529 606	1,8 %
Nordnet Livsforsikring AS	5 196 371	1,7 %
VPF Norge Selektiv	5 132 518	1,7 %
Salmoserve AS	3 727 366	1,2 %
VPF DNB AM Norske Akjser	3 457 555	1,1 %
Danske Invest Norge Vekst	3 150 000	1,0 %
<b>Total 20 largest shareholders</b>	<b>201 627 902</b>	<b>64,9 %</b>
Other shareholders	109 168 587	35,1 %
<b>Total number of shares</b>	<b>310 796 489</b>	<b>100,0 %</b>

As of 31 December 2021, shares directly or indirectly owned by members of the Board of Directors, Chief Executive officer, and Executive Management were as follows:

	<b>No of shares</b>	<b>Percentage share</b>
Peder Stette, Member of the board - Stette Invest AS	11 236 005	3,6 %
Kristoffer Reiten, Member of the Board - Bortebakken AS	7 471 090	2,4 %
Glen Allan Bradley, Member of the Board - Salmoserve AS	5 297 366	1,7 %
Trond Håkon Schaug-Pettersen, CFO	190 000	0,1 %
Hakon Andre Berg, CEO - Carried Away AS	185 000	0,1 %
Anne Breiby, Member of the board	89 000	0,0 %
<b>Total</b>	<b>24 468 461</b>	<b>7,9 %</b>

\*1,500,000 shares owned through Ocean Industries AS and 70,000 shares owned privately. Also, including 3,727,366 shares owned through Salmoserve AS where Glen Allan Bradley has an ownership of 25%.

## Note 8 Trade and other current liabilities

<b>(NOK thousands)</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Trade payables	569	599
<b>Total trade payables</b>	<b>569</b>	<b>599</b>

<b>(NOK thousands)</b>	<b>31 Dec 2021</b>	<b>31 Dec 2020</b>
Payroll withholding tax, VAT and other taxes	109	0
Employer's national insurance contributions	605	0
Accrued salaries, holiday pay and bonus provisions	2 373	0
<b>Total other current liabilities</b>	<b>3 087</b>	<b>0</b>



## Note 9 Leases

### Amounts recognised in the balance sheet

(NOK thousands)	31 Dec 2021	31 Dec 2020
<b>Right-of-use assets</b>		
Rent of premises	0	0
Car	216	0
Office supply	0	0
<b>Total right-of-use assets</b>	<b>216</b>	<b>0</b>
<b>Lease liabilities</b>		
Current	73	0
Non-current	144	0
<b>Total lease liabilities</b>	<b>217</b>	<b>0</b>

### Amounts recognised in the statement of profit or loss

(NOK thousands)	31 Dec 2021	31 Dec 2020
<b>Depreciation right-of-use assets</b>		
Rent of premises	0	0
Car	(13)	0
Office supply	0	0
Gross depreciation	(13)	0
- Capitalized as assets under construction		0
<b>Net depreciation</b>	<b>(13)</b>	<b>0</b>
Interest expense lease liability	2	0

The total cash outflow for leases in 2021 was NOK 0.1 million.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security, and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over

the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentive received
- any initial direct costs, and - restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Company has entered into several lease agreements that are considered to qualify as short-term and/or low value in accordance with IFRS 16. Payments associated with such short-term and low-value leases are recognized on a straight-line basis as an expense in the profit and loss statement. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

## Note 10 - Cash and restricted cash

(NOK thousands)	31 Dec 2021	31 Dec 2020
Cash in bank	355 126	520 245
Restricted bank deposits	276	0
<b>Total cash and cash equivalents</b>	<b>355 403</b>	<b>520 245</b>

Restricted cash are related to tax withholding for employees (TNOK 276).

## Note 11 Share based payments

In 2020 the Company granted 1,625,000 options to employees. These options have been granted at different points in time during the year, and key assumptions listed below are as such averages of the different grants. Each option gives the holder the right to subscribe or purchase shares in Salmon Evolution at an average agreed exercise price of NOK 4.80. The options were granted on 25 August 2020 and 28 September 2020 and has an 18-month maturity. The options can be exercised at earliest, 12 months after the grant date. To account for this, an adjusted Black & Scholes option-pricing model is used by applying a weighted expected average life of 15 months. All options were exercised in January 2022 with the new shares being issued in March 2022.

In addition, the Board of the directors on 26 August 2021 established a share option program for members of the Company's executive management where total of 7,650,000 share options have been granted. The options will be issued on an annual basis with 1/3 each year, with issue dates being 31 August 2021 (of which 250,000 share options was issued 22 November 2021), 1 June 2022 and 1 June 2023. Issued options vest 50% after year one and 50% after year two. A total of 2,550,000

share options were issued with a strike price of NOK 9.00 per share, and a total of 5,100,000 options were granted at a strike price equal to the closing price of the Company's shares on Oslo Børs on the last trading day prior to the respective future issue dates + 15%.

The share option agreements contains clauses customary for such agreement, hereunder cancellation of unvested options in case the employee's employment with the Company is terminated, option for the Company to settle exercised option with shares or cash and a cap on maximum profit from each annual allotment of options.

Further, in case of certain corporate changes, hereunder M&A situations, all granted but yet not issued options under the program, immediately become exercisable at a strike price equal to the strike price for the last option grant plus a premium of 15%, without any limitation as to maximum profit under the program.

The fair value of the options is set on the grant date and is expensed over its lifetime. The fair value of the options has been calculated using the adjusted Black & Scholes option-pricing model, which takes into account the exercise price, the term of the option, the share price at the grant date, expected price volatility of the underlying share, expected dividend and risk-free rates. Given the recent listing and lack of historical price and volatility data, the expected volatility is based on historical volatility for a selection of comparable companies listed on Oslo Stock Exchange ("Oslo Børs"). The risk-free interest rate is set to equal the interest on Norwegian government bonds with the same maturity as the option. Average key assumptions are listed below.

Outstanding options (in thousands)	2021	2020
Outstanding options 1 January	1625	900
Options granted	7650	1 625
Options exercised	0	600
Options forfeited	0	300
<b>Outstanding options at end of period</b>	<b>9 275</b>	<b>1 625</b>

NOK thousands	2021	2020
Håkon André Berg (CEO)	609	0
Trond Håkon Schaug-Pettersen (CFO)	526	0
<b>Total</b>	<b>1 135</b>	<b>0</b>

Charges to income statement, Salmon Evolution ASA	1 135	2 714
Charges to the shares in Salmon Evolution Norway AS	489	0

Key assumptions	2021	2020
Average fair value (NOK)	1,36	5,25
Average exercise price (NOK)	10,35	5,25
Weighted expected average life (in years)	2,33	1,25
Estimated dividend per share (NOK)	0	0,00
Expected average volatility	29,2 %	71,3 %
Risk-free rate	0,86 %	0,21 %

Group management have the following holdings	Holding 01.01	Awarded	Exercised	Forfeitet	Holding 31.12
Håkon André Berg (CEO)	450	3 000	-	-	3 450
Trond Håkon Schaug-Pettersen (CFO)	375	2 400	-	-	2 775
Ingjarl Skarvøy (COO Salmon Evolution Norway AS)	100	750	-	-	850
Kamilla Mordal Holo (Project Director, Salmon Evolution Norway AS)	100	750	-	-	850
Odd Frode Roaldsnes (CCO, Salmon Evolution Norway AS)	-	750	-	-	750
<b>Total</b>	<b>1 025</b>	<b>7 650</b>	<b>-</b>	<b>-</b>	<b>8 675</b>

\*Numbers in thousand

## Note 12 Subsequent events

### Phase Two build-out - Indre Harøy

On 7 February 2022 Salmon Evolution announced that had entered into a Heads of Terms with Artec Aqua for the phase 2 build-out at Indre Harøy. Phase 2 is expected to in principle be identical to phase 1 and add a further 7,900 tons HOG of annual production, bringing the total planned production volume to 15,800 tons HOG per annum.

The purpose of the Heads of Terms is to enable Salmon Evolution to be in a position to swiftly commence construction of phase 2 following the completion of phase 1. Such timeline requires significant preparatory activities, including but not limited to, planning, concept and detailed engineering and structuring of subcontractor tender processes.

The Heads of Terms further sets out the main commercial terms to be reflected in a final design and construction agreement between the parties.

The final design and construction agreement is expected to be effectuated during first half of 2022 and will include financing reservations providing Salmon Evolution with the necessary flexibility to align the phase 2 build out with the Company's overall financing plan.

### Successful Private Placement

On 5 April 2022 the Company completed a private placement raising gross proceeds of approximately NOK 300 million in new equity at a subscription price of NOK 9.00 per share. The private placement attracted strong interest from Norwegian, Nordic and international high-quality investors and was significantly oversubscribed.

The net proceeds from the private placement will be used to (i) to partly fund the second phase of the salmon farming facility at Indre Harøy; (ii) to expand the capacity at the smolt facility Kraft Laks AS; and (iii) for general corporate purposes. The offer shares were allocated in two tranches as follows: one tranche with 22,574,374 offer shares ("Tranche 1") and a second tranche with 10,758,959 offer shares ("Tranche 2"). Both Tranche 1 and Tranche 2 were settled with existing and unencumbered shares in the Company, that are already listed on Oslo Børs, pursuant to a share lending agreement (the "Share Loan") between the Company, the managers, Stette Invest AS, Rofisk AS and Ronja Capital II AS.

The board has accordingly resolved to increase the Company's share capital by NOK 1,128,718.70, by issuing 22,574,374 new shares pertaining to the Offer Shares allocated in Tranche 1, pursuant to the authorisation (the "Board Authorisation") granted to the board by the Company's annual general meeting held on 19 May 2021. The issue of new shares pertaining to the offer shares allocated in Tranche 2 is subject to approval of the Company's extraordinary general meeting expected to be held on or about 2 May 2022 (the "EGM").

If the EGM does not approve the issuance of the offer shares in Tranche 2, the Company will not receive any proceeds from the sale of offer shares in Tranche 2. The effective reduction in proceeds to the Company will in such event be allocated both to the Indre Harøy phase 2 funding and the Kraft Laks expansion. For the latter, the Company will seek to portion out the smolt build-out and potentially partly rely upon external sourcing of smolt for a period of time. It is emphasised that no decision for commencing the Phase 2 project has been made, and reference is made to the Company announcement dated 7 February 2022 and 10 February 2022 for further information.

## Directors responsibility statement

Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Director's report and the consolidated financial statements for Salmon Evolution ASA, for the year ended 31 December 2021.

The financial statements have been prepared in accordance with IFRSs and IFRICs as adopted by the EU and applicable additional disclosure requirements in the Norwegian Accounting Act.

### To the best of our knowledge:

- The annual financial statements for 2021 have been prepared in accordance with applicable financial reporting standards
- The annual financial statements give a true and fair view of the assets, liabilities, financial position and profit as a whole as of 31 December 2021 for the Company.
- The Board of Directors' report for the Company includes a fair review of:
  - i) the development and performance of the business and the position of the Company, and
  - ii) the principal risks and uncertainties the Company face.

Molde/Ålesund 8 April 2022



**Tore Andreas Tønseth**  
Chairman



**Kristoffer Reiten**  
Board member



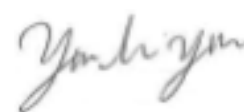
**Glen Allan Bradley**  
Board member



**Peder Stette**  
Board member




**Ingvild Vartdal**  
Board member



**Kiyun Yun**  
Board member



**Anne Breiby**  
Board member



**Janne-Grethe Strand Aasnæs**  
Board member



**Håkon Andre Berg**  
CEO

# Independent Auditor's Report

To the General Meeting in Salmon Evolution ASA

Report on the Audit of the Financial Statements

## Opinion

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We have audited the financial statements of Salmon Evolution ASA.

### The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2021, income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2021, and income statement, statement of comprehensive income, statement of changes in equity and 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 accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2021, 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.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2021, 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.

Our opinion is consistent with our additional report to the Audit Committee.

## Basis for Opinion

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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 laws and regulations and 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of Salmon Evolution ASA for 2 years from the election by the general meeting of the shareholders on 3 July 2020 for the accounting year 2020 (with at renewed election on the General Asembly 19 May 20221).

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Accounting treatment of asset under construction

Description of the key audit matter	How the key audit matter was addressed in the audit
<p><b>Capitalised expenditure on asset under construction</b></p> <p>Asset under construction makes up 57% of the total assets of the group (976 MNOK). If we exclude cash and cash equivalents, assets under constructions makes up 81% of total assets. Cost of 751 MNOK has been capitalized in 2021 (194 MNOK in 2020). Phase 1 of the construction will be finalized late 2022. Part of the construction is taken into use in Q1 2022.</p> <p>Part of the additions is related to indirect cost. Accumulated the indirect cost to asset under construction is 43 MNOK. The additions in 2021 equals 67% of the total indirect cost in the subsidiary Salmon Evolution Norway. The percentage to asset under construction is based on time estimates for relevant employees.</p> <p>The accounting treatment of expenditure in relation to asset under construction has been identified as a key matter in connection with the audit of the consolidated financial statement.</p>	<p>We have agreed the opening balance with prior year. We have tested the basis for additions through sampling. The selected direct cost samples were verified against supporting documentation from suppliers and assessed that the transactions had incurred, that the costs qualified for capitalisation and that the transactions were recorded in the proper period. In addition we have reconciled accounts payable for the main supplier Artec Aqua AS.</p> <p>In relation to indirect cost to asset under construction we have assessed the principles used for allocation and reviewed the allocation keys based on the working tasks for the different employees.</p>

### Other information

The Board of Directors and the Managing Director (management) is responsible for the other information. The other information comprises the Board of Directors' report and other 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 other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Opinion on the Board of Director's report**

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

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

Our opinion on the Board of Director's report applies correspondingly for the statements on Corporate Governance and Corporate Social Responsibility.

### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

Board of Directors and the Managing Director (management) are responsible for the preparation of financial statements that give a true and fair view 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 and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 the 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>

### **Report on compliance with Regulation on European Single Electronic Format (ESEF)**

#### Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name "549300P20B7L255PF765-2021-12-31-en.zip" have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).



In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

#### Management's Responsibilities

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Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

#### Auditor's Responsibilities

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For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Molde, 8 April 2022

BDO AS



Roald Viken

State Authorised Public Accountant

## Sustainability Indicators and GRI Index

Being transparent in our reporting and operation have been important factors for us from the start. Therefore, we have chosen to report on our environmental, social, and governance factors already from 2021, even though we will not be producing any fish before 2022. Due to the fact that we are still growing and there is still a lot of uncertainty on actual impact, we have chosen to report *with reference to* the Global Reporting Initiative (GRI) Standards (2021) in the 2021 reporting. We have ambitions for reporting *in accordance with* from next year and have plans in place to extend and enhance our reporting process going forward.

	GRI DISCLOSURE	LOCATION
GRI 2: General Disclosures 2021		
	2-1 Organizational details	p. 9-13, 15,18
	2-2 Entities included in the organization's sustainability reporting	Salmon Evolution ASA
	2-3 Reporting period, frequency and contact point	01.01.2021-31.12.2021 Annual reports from 2021 Contact point: CFO
	2-4 Restatements of information	N/A – 2021 is first year of GRI reporting
	2-5 External assurance	N/A – no external assurance of ESG reporting for the 2021 report
	2-6 Activities, value chain and other business relationships	p. 9-13, 31, 36
	2-7 Employees	p. 32-35
	2-8 Workers who are not employees	N/A – only employees or subcontractors
	2-9 Governance structure and composition	p. 38
	2-10 Nomination and selection of the highest governance body	p. 45-46
	2-11 Chair of the highest governance body	p. 46
	2-12 Role of the highest governance body in overseeing the management of impacts	p. 46
	2-13 Delegation of responsibility for managing impacts	p. 36
	2-15 Conflicts of interest	p. 35 44
	2-16 Communication of critical concerns	p. 44
	2-17 Collective knowledge of the highest governance body	p. 39-41
	2-19 Remuneration policies	p. 46-47
	2-20 Process to determine remuneration	p. 46-47

	2-22 Statement on sustainable development strategy	p. 25-26
	2-23 Policy commitments	p. 36
	2-24 Embedding policy commitments	p. 36
	2-27 Compliance with laws and regulations	p. 37
	2-28 Membership associations	p. 46
	2-29 Approach to stakeholder engagement	p. 36
	2-30 Collective bargaining agreements	p. 32-33
GRI 3: Material Topics		
	3-1 Process to determine material topics	p. 22
	3-2 List of material topics	p. 22
	3-3 Management of material topics	p. 22
GRI 201: Economic Performance		
	201-1 Direct economic value generated and distributed	See financial statements and notes p. 61-98
	201-2 Financial implications and other risks and opportunities due to climate change	p. 27, 56-57
	201-3 Defined benefit plan obligations and other retirement plans	See financial statements and notes p. 61-98
	201-4 Financial assistance received from government	See financial statements and notes p. 61-98
GRI 205: Anti-corruption		
	205-2 Communication and training about anti-corruption policies and procedures	p. 43
	205-3 Confirmed incidents of corruption and actions taken	Zero (0) incidents
GRI 301: Materials		
	301-1 Materials used by weight or volume	p. 31
	301-2 Recycled input materials used	p. 26
GRI 302: Energy		
	302-1 Energy consumption within the organization	pp. 26, 29
	302-2 Energy consumption outside of the organization	pp. 26, 29
GRI 303: Water and Effluents		
	303-1 Interactions with water as a shared resource	pp. 25-30

	303-2 Management of water discharge-related impacts	pp. 25-30
	303-3 Water withdrawal	pp. 25-30
	303-4 Water discharge	pp. 25-30
	303-5 Water consumption	pp. 25-30
GRI 304: Biodiversity		
	304-2 Significant impacts of activities, products and services on biodiversity	p. 28
GRI 305: Emissions		
	305-1 Direct (Scope 1) GHG emissions	p. 31
	305-2 Energy indirect (Scope 2) GHG emissions	p. 26 – 100% renewable energy
	305-5 Reduction of GHG emissions	p. 31
GRI 306: Waste		
	306-1 Waste generation and significant waste-related impacts	pp. 27-28
GRI 401: Employment		
	401-1 New employee hires and employee turnover	p. 35
	401-3 Parental leave	p. 32
GRI 403: Occupational Health and Safety		
	403-1 Occupational health and safety management system	pp. 32-33
	403-2 Hazard identification, risk assessment, and incident investigation	pp. 32-33
	403-3 Occupational health services	pp. 32-33
	403-4 Worker participation, consultation, and communication on occupational health and safety	pp. 32-33
	403-5 Worker training on occupational health and safety	Health and safety training for all employees
	403-6 Promotion of worker health	pp. 32-33
	403-9 Work-related injuries	pp. 32-33
	403-10 Work-related ill health	Zero (0) incidents
GRI 404: Training and Education		
	404-1 Average hours of training per year per employee	p. 33
	404-2 Programs for upgrading employee skills and transition assistance programs	p. 33

	404-3 Percentage of employees receiving regular performance and career development reviews	p. 33
GRI 405: Diversity and Equal Opportunity		
	405-1 Diversity of governance bodies and employees	pp. 19-20, 34, 39-41 (BoD)
	405-2 Ratio of basic salary and remuneration of women to men	p. 34
GRI 406: Non-discrimination		
	406-1 Incidents of discrimination and corrective actions taken	Zero (0) incidents reported
GRI 413: Local Communities		
	413-1 Operations with local community engagement, impact assessments, and development programs	pp. 36

### Important of abbreviations used in this report

LW: Live weight  
HOG: Head on gutted  
HFS: Hybrid flow-through system  
ESG: Environmental, Social and Governance  
CAGR: Compounded Annual Growth Rate

#### ABOUT SALMON EVOLUTION

Salmon Evolution is a Norwegian land-based salmon farming company focused 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 under construction at Indre Harøy, strategically located on the Norwegian west coast with unlimited access to fresh seawater, renewable energy, established infrastructure for salmon farming, and an educated and experienced work force. The entire project is designed for an annual capacity of approx. 31,500 tonnes HOG.

The Company has also entered 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.

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



**OFFICE ADDRESS**  
Torget 5,  
6440 Elnesvågen, Norway

**PRODUCTION SITE**  
Indre Harøyvegen 88,  
6430 Bud, Norway

**BUSINESS REGISTRATION NUMBER**  
NO 925 344 877 MVA

E-mail: [post@salmone.no](mailto:post@salmone.no)  
Web: [salmonevolution.no](http://salmonevolution.no)

