



Extending the ocean potential
Annual Report 2022

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
- 7,900 tonnes HOG Indre Harøy Phase 1 facility in operation – annual harvesting capacity of 31,500 tonnes HOG fully developed
- Joint venture with Dongwon Industries for a 16,800 tonnes HOG production facility in South Korea
- Launched North America expansion plan and established team of dedicated resources
- Clear roadmap for 100,000 tonnes HOG by 2032
- Listed on Oslo Stock Exchange main list from July 2021

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

Salmon Evolution in a nutshell

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

Key figures

NOK 2,860m	Market Capitalization YE	60	#Employees YE
NOK 1,702m	Total committed debt ¹⁾	340 tonnes HOG	2022 Harvest volume
733 tonnes	Biomass YE	96%	Superior share 2022
5	# of generations at Indre Harøy ²⁾	100,000 tonnes HOG	Target production capacity by 2032



Indre Harøy drone picture February 2023

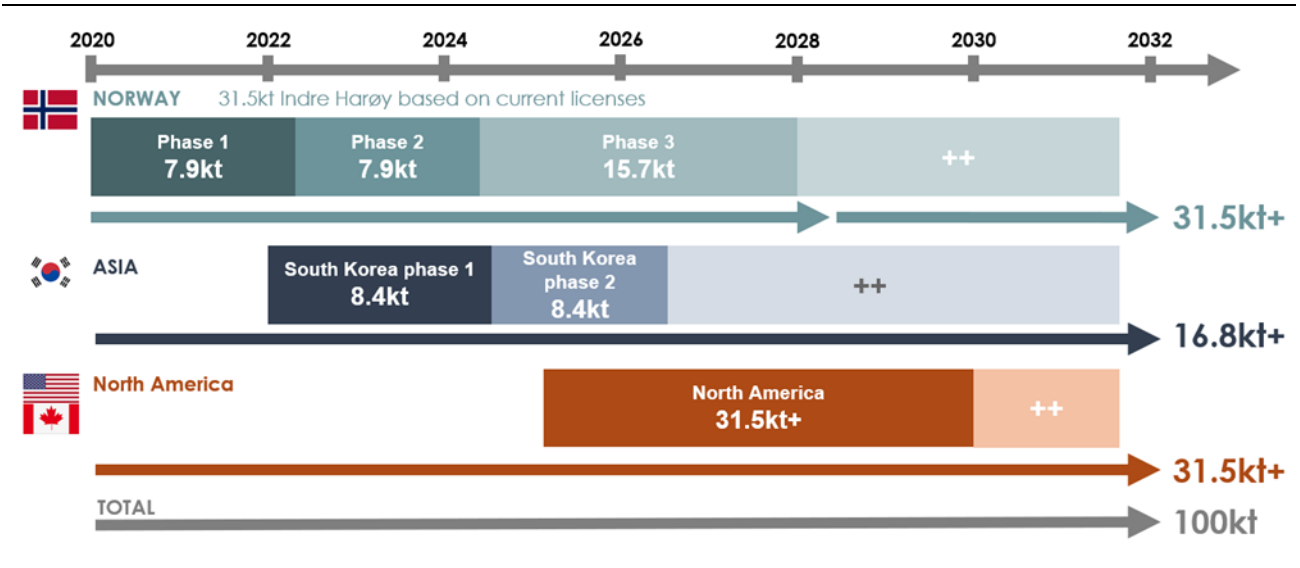
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1. Including NOK 1,550 green debt financing package announced March 2023
 2. Including smolt release completed in February 2023

Roadmap to 100,000 tonnes in 2032

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

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

Roadmap towards +70kt HOG annual harvest



Indre Harøy Phase 1

Letter from the CEO

2022 was a highly eventful year for Salmon Evolution where the Company transitioned from being a large construction project into a fully operational salmon farmer.

It has taken us almost 6 years to get to where we are today which says a lot about the lead times in the land-based salmon farming industry. At the same time, this puts Salmon Evolution in a unique position to accelerate growth in the coming years simultaneously with amplifying our global frontrunner position in developing this industry.

Salmon Evolution has now been successfully farming salmon on land for more than a year and is already on the fifth generation. We have fully harvested our first batch with very strong biological results, clearly demonstrating that it is possible to produce salmon on land, in a very short period of time, on an industrial scale and with the end result being a premium quality product with strong harvest weights.

Although we are very satisfied with the operational development over the last year, we are still in an early stage with much more to learn. At the same time, we are now more convinced than ever that our approach to land-based salmon farming represents an ideal balancing of output, risk and cost.

Over the last years we have spent a lot of resources in building an organization ensuring that we are well equipped for the tasks we have taken on. As CEO I have to say that I am truly impressed by the way our team has performed. Taking into operation a facility of this scale is a highly complex process, and in that context the operational performance is even more impressive. Furthermore, I am also very pleased to see all the learning and accumulation of competence and experiences that are taking

place on a daily basis, which long term should only contribute to better and better operational results as we finetune our systems.



Throughout 2023 we expect a significant ramp-up in harvest volumes alongside with increasing production. Given the strong salmon prices seen so far this year we should be very well positioned to capitalize on this.

We continue to have a positive view on the long-term demand for salmon and think that 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 biological and regulatory perspective. Thus, the opportunity to sustainably produce salmon on land at an industrial scale is greater than ever and Salmon Evolution aims to be the driving force globally for this in the coming years.

With phase 1 of our Indre Harøy project now completed and with production steadily

increasing, its time to look ahead to phase 2 in Norway and also our projects in South Korea and North America. We have always had global ambitions, but we remain humble about the complexity of building and operating large scale facilities in overseas markets where you don't have the same infrastructure and access to competence as you have in Norway. Hence, we are convinced that having a large successful operation at Indre Harøy in Norway will be our most important enabler to succeed in overseas markets.

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

Seeing our beautiful salmon thriving and growing at our ground-breaking facility at Indre Harøy make us truly grateful for all the support

demonstrated over the last years. We have come a long way since our foundation back in 2017 and are convinced that this is only the beginning. The industry has a fantastic potential and we very much look forward to actively take part in defining the future of salmon farming.



Trond Håkon Schaug-Pettersen
CEO, Salmon Evolution

Our Vision

Extending the ocean potential

Responsible, competent and innovative

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.

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.

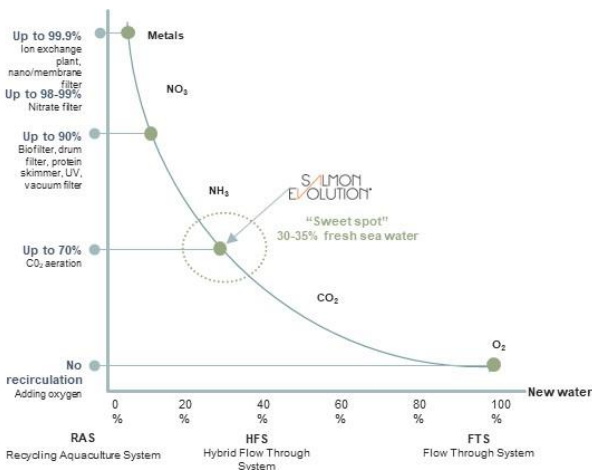


Treating wastewater and reusing fish sludge to produce for example biogas and short-travelled fertiliser are among our contributions to a circular economy.

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



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

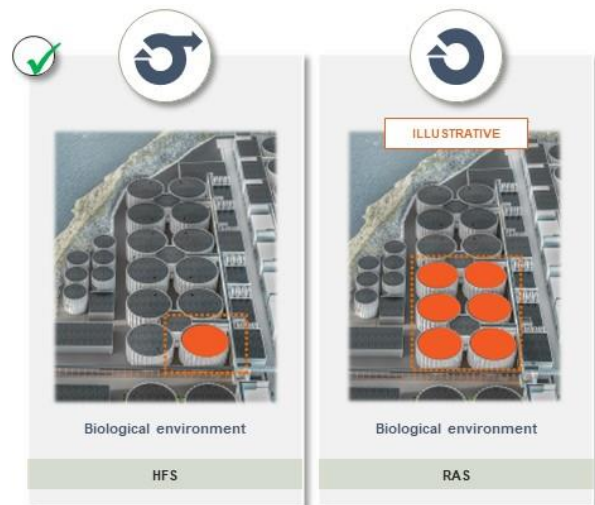
At Indre Harøy the seawater intake is based on two intake pipes at 25 meters and 95 meters, respectively, enabling the company to tap into ideally tempered water and hence reducing

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 CO₂ levels are constantly monitored and adjusted.

Each of Salmon Evolution fish tanks represents an individual biological zone, meaning that water in one tank never mixes with water in 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.

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 2022. This represents almost a doubling over the last decade and a yearly growth of 5.9% 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.

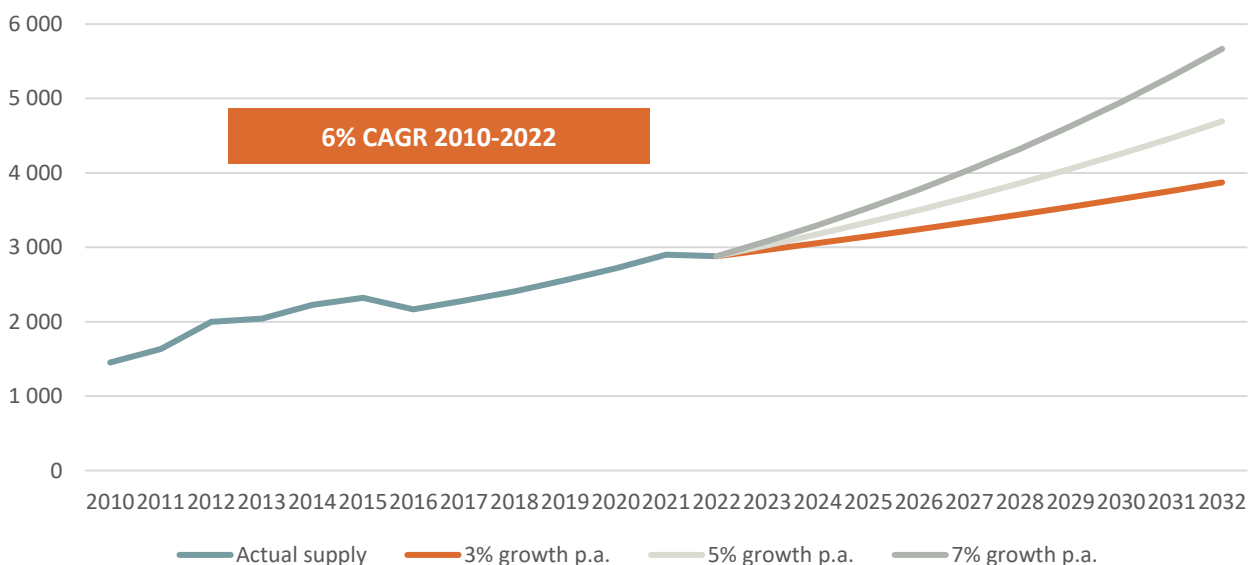
Global supply of Atlantic salmon has seen an impressive increase over the last decades, but in recent years the growth has come significantly down. The reason for this is that the industry has

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 3.9-5.7 million tonnes by 2032 which represents an increase of around 1.0-2.8 million tonnes LW compared to current production.

This strong demand outlook combined with the challenges the conventional farming industry has 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 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. 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.



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 chosen 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

The Group targets a production capacity of 100,000 tonnes (HOG) by 2032 and although this is an ambitious target, Salmon Evolution already has a tangible pipeline of projects, including Indre Harøy in Norway, K Smart in South Korea and our North America expansion plan.

While further growth is important, the company's core near term focus is to seek operational excellence for our production ramp up at Indre Harøy. This should again enable us to succeed in overseas projects. Over the past years significant resources have been devoted to growing the organization, establishing quality and control systems as well as establishing a digital infrastructure. 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, all of which have been confirmed in connection with our first harvest in 2022.

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.

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.

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 has 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



Trond Håkon Schaug-Pettersen, CEO & CFO

Trond Håkon Schaug-Pettersen took over as our CEO in October 2022, after being our CFO since 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 2,600,000 options in Salmon Evolution (directly or indirectly through Troha Invest AS).



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.



Henriette Nordstrand, Technical Director

Henriette Nordstrand joined Salmon Evolution in August 2022. She holds valuable management experience from the fish farming industry, including planning for, construction and running a new large-scale hatchery plant.

Prior to joining Salmon Evolution she served five years as Hatchery Plant Manager in Hofseth Aqua AS.

Nordstrand has an MSc in Aquamedicine from the University of Bergen and holds the title Aqua Medicine Biologist. She has also studied recirculating aquaculture systems (RAS) at the Norwegian University of Science and Technology (NTNU).

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:

“EXTENDING THE
OCEAN POTENTIAL”

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.

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 third annual report published and the second annual report with explicit Environmental, Social, and Governance (ESG) factors included. Our report is created with reference to the Global Reporting Initiative (GRI) Standards.

We have committed to establish plans for ESG monitoring to allow for comprehensive ESG reporting. 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 2022 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

The Company started the process by conducting a materiality assessment to map and determine our sustainability priority areas. We began by identifying our most important stakeholders (see page 38) 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 ¹				
Carbon footprint (kg CO ₂ /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 CO₂ 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 CO₂ 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 more filtration and water treatment which again implies higher complexity and 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 further reduction of environmental impact. The CEO of Salmon Evolution, Mr. Trond Håkon Schaug-Pettersen, sees this as a very positive step forward:

"As our company now have started 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."

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 32) 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-CO₂ alternative to long-haul transport and distribution.

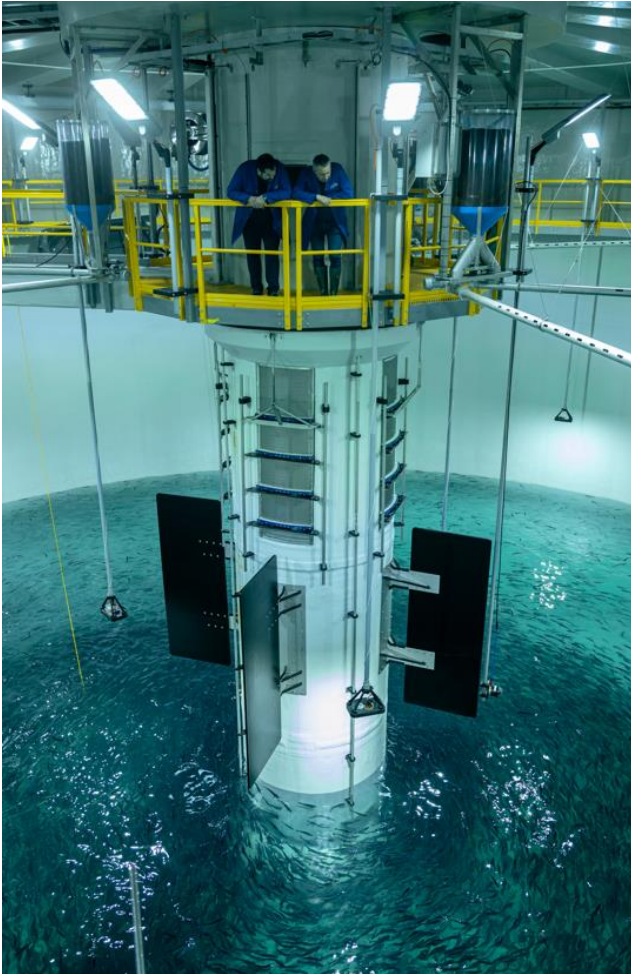


Photo: Salmon Evolution

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 CO₂ 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 reuse the fish sludge as input for biogas or natural fertilizers. We are also conducting research for future usage areas.

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 a close to zero risk of the salmon escaping from the farm.

We are committed to minimize negative impact 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 CO₂ levels are constantly monitored and adjusted. The HFS technology engages in CO₂ 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/m³:
 - Minimum: 7 kg/m³
 - Maximum: 85 kg/m³
- 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), with a strong focus on optimising 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, the CEO of Salmon Evolution stated:

"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."

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 CO₂ eq. excluding land use change (GW_E_LUC) and 18,100 tons CO₂ eq. including land use change (GW_I_LUC).

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

One of the major advantages with Salmon Evolution Dale is its excellent freshwater supply. Salmon Evolution Dale has access to clean

freshwater from the surrounding mountains and is guaranteed a consistent supply of freshwater from the local power station.

This freshwater access enables Salmon Evolution Dale to utilize a similar production technology as Salmon Evolution uses at its grow-out facility, a hybrid flow-through system (HFS) with reuse of water, CO₂ stripping and oxygenation- making it a perfect fit for Salmon Evolution.

Having a fully inhouse smolt production 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, which is supplied by Nippon Gases. 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

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.

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.

In 2022, 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, there were zero cases of sick leave under 16 days, and two case over 16 days. Two male employees took their entitled parental leave and returned. In addition, one male and one female started their entitled parental leave, and have not returned by the end the year.

Amongst contract workers, there were 5 LTI, 9 TRI, and zero fatal accidents. There were zero fatal accidents amongst third parties.

In 2022 the workload at the construction site at Indre Harøy has been high, and naturally it has been many workers at site. Along with high activity and many workers, the complexity is also at a level that requires a lot from both the contractors and the workers. 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 safety routines. 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.

In 2021, we established a process for our employees to receive regular performance and career development reviews which have been extended and improved throughout 2022.

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 has high ambitions for employee development in the company. Target and development interviews are 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 implemented throughout 2022 and the first talks will be conducted in 2023.

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 the employee well-being outside of working hours. That is why we have established a corporate sports team for promoting activities and health after hours. In 2023, 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 2022, 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 89 % (99% in 2021), excluding management and apprentices. The average base salary in 2022 was NOK 710,000 for our female employees compared to NOK 799,900 for our male employees.

The ratio for management was 62 % (89% in 2021) and the average base salary was NOK 1,735,800.

First harvest successfully completed (November 2022)



Photo: Salmon Evolution

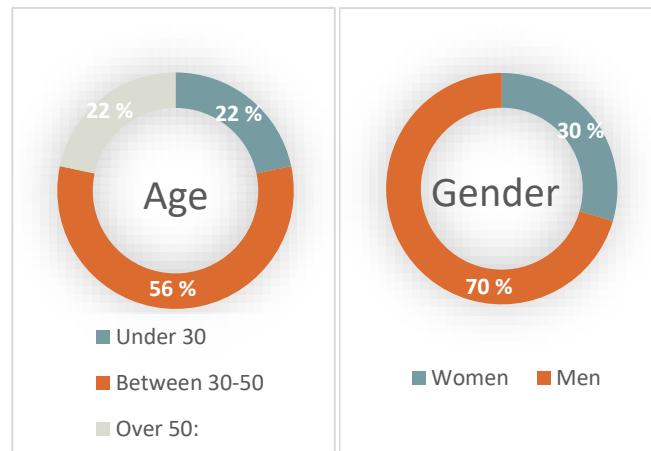
Our Employees

At the end of 2022, Salmon Evolution had 60 employees, all 100% employed. We had a turnover rate of 8%.

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 2022, all employees of Salmon Evolution were Norwegian. We had 13 employees over 50 years old, 34 employees between the ages of 30-49, and 13 employees under 30 years old. There were 18 women and 42 men employed in 2022. Our Executive Management group consisted of three men and two women.

We are continuously focusing on diversity and gender balance. The gender balance in Salmon Evolution as of 31.12.2022 was better than the average in the Industry Sector in Norway, which in 2021 was 79% men and 21% women according to Directorate of Fisheries.



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.

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.

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, our total investment on Indre Harøy will be approx. NOK 1.6 billion. From this, we have seen a major ripple effect for both the Møre og Romsdal region and Hustadvika 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

Throughout 2022 we have been 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 have a continued focus on 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.

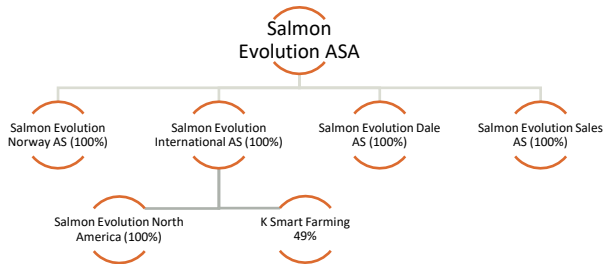
Our governance documents and practices are subject to regular review by the Board to ensure compliance and effectiveness.

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 four 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 International AS is the holding company for our interests in North America and our South Korean joint venture and K Smart Farming is the joint venture between Salmon Evolution and the South Korean seafood firm Dongwon Industries. Salmon Evolution Dale AS is producing smolt and will be the main supplier of smolt to our facility at Indre Harøy. Salmon Evolution Sales AS is our sales company.

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 15-32).

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 Canscient 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.



Eunhong Min, Board Member

Eunhong Min is the CEO of Dongwon Industries, one of Korea's leading seafood companies. He is bringing a broad international experience to the Board.

Prior to joining Dongwon, Mr. Min worked 27 years for Proctor & Gamble and held

various leading positions within the fields of strategy, business development and sales.



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.



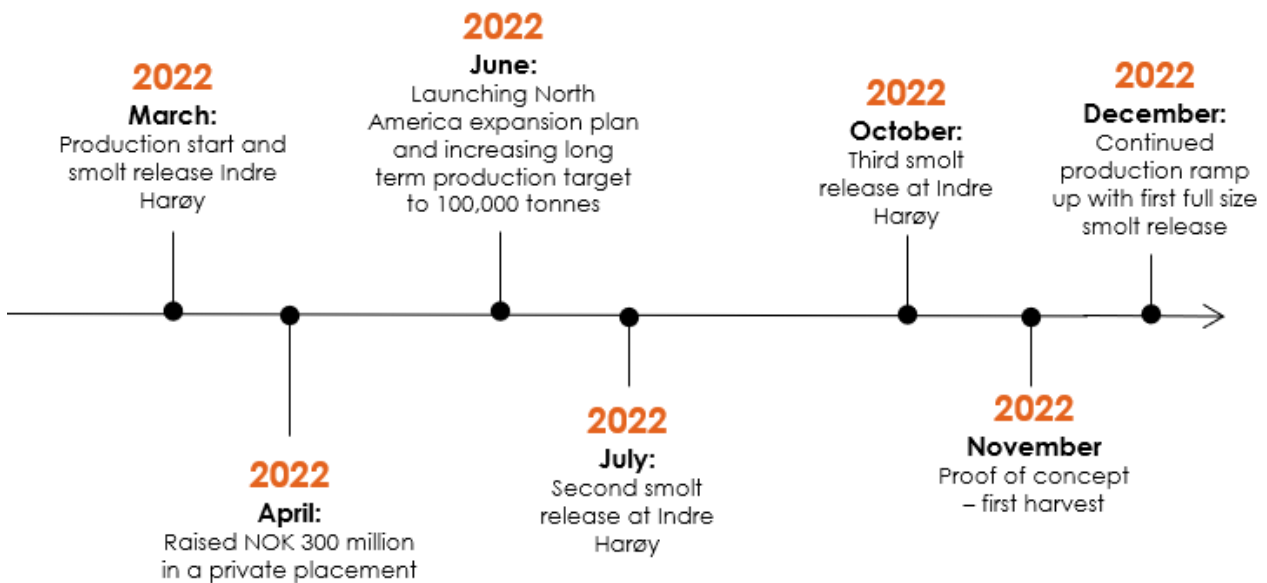
Håkon André Berg, Board Member

Håkon André Berg has a solid background in management of strategy and business development. He has a MSc in finance from the Norwegian School of Economics and served as CEO and CFO in Salmon Evolution from 2019 till 2022.

Berg has 15 years of extensive industrial and financial experience

from various private-equity-related companies. Prior to Salmon Evolution he held positions as partner in the private equity companies Broodstock Capital Partners and Midvestor Management. He has also served as associate at Argentum Private Equity and analyst at Bridgehead Corporate Finance.

Important events in 2022



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. For further information about our corporate social responsibility activities, please see the ESG section of this report.

In addition, the Group will release a report covering the requirements of the Transparency act (Åpenhetsloven) by the end of June 2023. The report will be made available on the company web page.

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 reusage 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 2022.

Total sick leave for the company in 2022 was 0.8%.

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 2022.

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

At the end of 2022, Salmon Evolution had 60 employees, of whom 18 women. This is better

than 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 2 women. 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 2022.

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 focus on two programs to be certified within.

First, we are certified according to the Global G.A.P. Aquaculture standard. The standard covers the entire production chain from brood stock, seedlings and feed suppliers to farming, harvesting and processing. The program ensures Good Agricultural Practices.

Second, the Company is now working to towards the Aquaculture Stewardship Council (ASC), an organisation that establishes strict protocols for labelling farmed seafood through sustainable aquaculture, to get the certifications.

Our aim is to have;

A sustainable food chain with traceability from roe to plate

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.

The Board has also adopted a Code of Conduct including guidelines for anti-corruption, conflicts 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 company's governance documents and practices will be subject to annual reviews and discussions by the board of directors.

Risk management and internal control are given high priority by the board of directors ensuring that adequate systems for risk management and internal control are in place. The control system consists of independent areas which include risk management, control environment, control activities, information and communication and monitoring. The board of directors shall conduct an annual organisational risk review in order to identify real and potential risk that have and/or can occurred.

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.

In April 2022, 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.

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

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:

The Company 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 2022 purchased legal services from Adviso Advokatfirma AS in the amount of NOK 206,000 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.

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.

partner at Adviso Advokatfirma AS but has not had any role in the services rendered to Salmon Evolution.

In Addition, the Company have purchased well boat services from Rostein AS in the amount of NOK 1.7 million. Rofisk AS owns Rostein AS (100%), and board member Glen Allan Bradley is the chair of the Board in Rofisk AS.

There were no other material transactions with related parties during 2022.

For information on transaction with close associates, see Note 23 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. As of 31 December 2022, the following directors were represented on the Board:

Name	Role	Elected until	Independent of management and material business associates? (yes/no)	Independent of major shareholder? (yes/no)	Board meeting attendance 2022	Comment
Tore Tønseth	Chair	2024	Yes	Yes	15/15	Associated with Ronja Capital II AS
Anne Breiby	Director	2023	Yes	Yes	15/15	
Glen Allan Bradley	Director	2023	Yes	Yes	15/15	Associated with Rofisk AS, Salmoserve AS and Ocean Industries AS
Peder Stette	Director	2023	Yes	Yes	14/15	Associated with Stette Invest AS
Håkon Andre Berg*	Director	2024	Yes	Yes	1/1	Associated with Carried Away AS
Janne-Grethe Strand Aasnæs	Director	2024	Yes	Yes	15/15	Associated with Nikaro AS
Ingvild Vartal	Director	2024	Yes	Yes	15/15	
Eunhong Min**	Director	2024	No	Yes	2/4	Associated with Dongwon Industries

*Elected from October 2022

**Elected from June 2022

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 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

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 100 million.

commitment and the complexity of Salmon Evolution's activities. Note 9 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 9 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 Practice recommends the adoption of such guidelines.

In addition, the Group has focus on risk management and internal control systems and have implemented routines to track which risks the organization is exposed to and what consequences this could have.

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

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 and our website at: <https://salmonevolution.no/investor/reports/>.

Inside a fish tank during smolt release (December 2022)

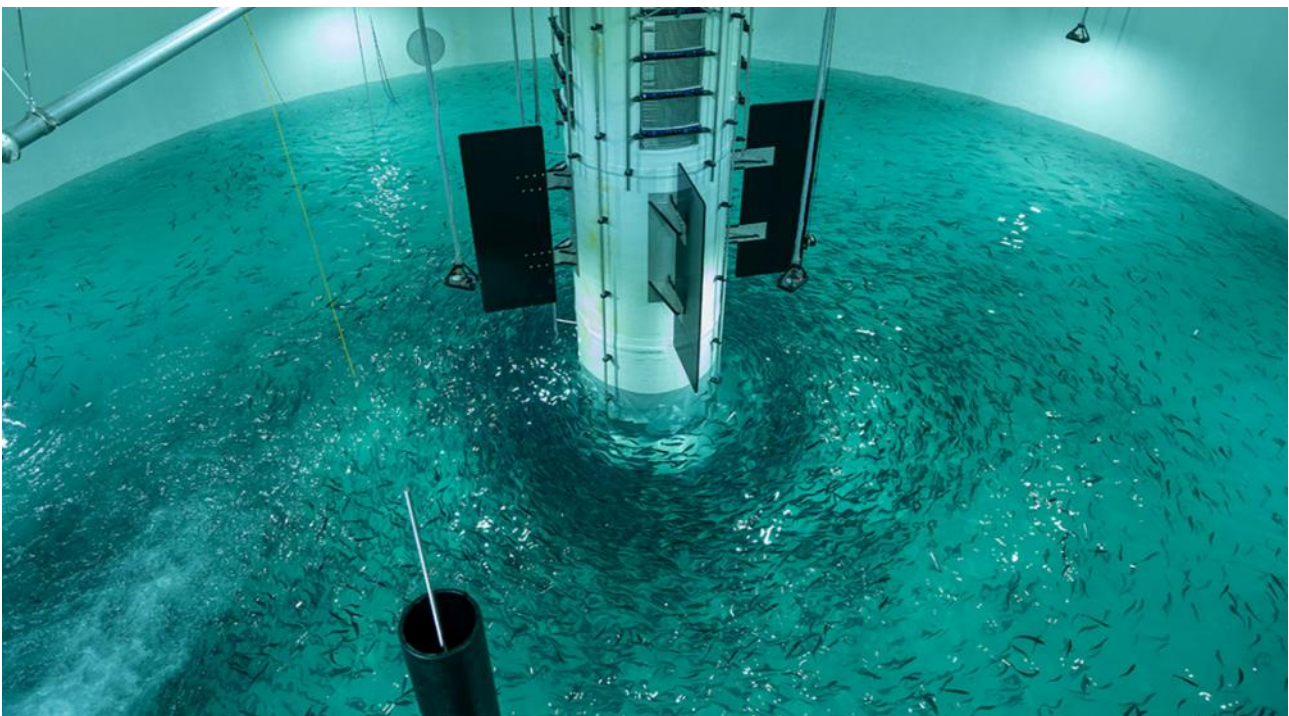


Photo: Salmon Evolution

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 2022 Ronja Capital II AS was the Company's largest shareholder with 27,393,242 shares, corresponding to 7.9% of the total number of shares outstanding. The 20 largest shareholders held 56.9% of the shares in the Company.

The closing price for the Company's share was NOK 8.27 per share as per 31 December, which corresponded to a market capitalization of NOK ~2.9 billion.

20 largest shareholders 31 December 2022

Shareholder	# of shares	% share
Ronja Capital II AS	27 393 242	7,9 %
The Bank of New York Mellon SA/NV	22 310 787	6,5 %
Farvatn Private Equity AS	17 649 433	5,1 %
Dongwon Industries Co. Ltd	16 044 572	4,6 %
Rofisk AS	14 537 897	4,2 %
Stette Invest AS	11 569 338	3,3 %
Kjøllås Stansekniver AS	11 207 738	3,2 %
J.P. Morgan SE	8 141 141	2,4 %
Mevold Invest AS	7 994 252	2,3 %
Lynghem Invest AS	7 810 734	2,3 %
Jakob Hatteland Holding AS	7 441 374	2,2 %
Ewos AS	7 418 309	2,1 %
Bortebakken AS	7 301 134	2,1 %
Verdipapirfondet Dnb Norge	5 717 376	1,7 %
Nordnet Livsforsikring AS	5 278 862	1,5 %
Verdipapirfondet DNB SMB	4 685 346	1,4 %
VPF DNB Norge Selektiv	4 518 643	1,3 %
Salmoserve AS	3 782 921	1,1 %
CACEIS Bank	3 033 333	0,9 %
Småge Eiendom AS	2 788 245	0,8 %
Total 20 largest shareholders	196 624 677	56,9 %
Other shareholders	149 130 145	43,1 %
Total number of shares	345 754 822	100,0 %

Source: VPS, Company

Operational development

The Company has now been operating the Indre Harøy facility for more than a year, stocked five batches of smolt and fully harvested out batch 1 with very strong results, the latter being a major milestone for the Company.

Total batch 1 harvest volume ended at ~340 tonnes HOG with an average weight of ~3.75 kg HOG (~4.5 kg LW). The harvest was spread over ~1 month in 3 rounds from early November to early December which gave an effective production cycle of around 7-8 months since stocking. The harvest also showed a very homogeneous weight profile across the batch with a very tight spread in weights, despite batch 1 not being graded on size since stocking. This is a clear indication of good feed distribution within the fish tanks.

Furthermore, the last harvesting round saw strong harvest weights with around 80% being above 4 kg HOG and less than 2% below 3 kg HOG. Total mortality for batch 1 ended at 5.8% and 4.0% if excluding customary first 30 days in grow out facility.

The harvest also confirmed strong product quality, demonstrated by an industry leading

superior share of 96%. This contributed to an average realized price for batch 1 of NOK 75/kg and NOK 78/kg for Superior 3+ kg HOG, representing a NOK ~3/kg premium to corresponding Nasdaq prices.

The first harvest was sold to a selected mix of customers, both in Norway and abroad and across different segments and channels. Our salmon has proven to be well suited for both conventional cooking, raw consumption and smoked and the feedback from customers has been very positive. Over the coming months the Company will continue to build on these experiences and relationships ahead of the planned increase in harvest volumes for the remainder of 2023.

During the fourth quarter another important milestone was reached when batch 2 was split in two and simultaneously graded on size using our highly automated fish logistics and distribution system. This operation went according to plan with minimal registered mortality. In Q1 2023 batch 2 has been split and graded one more time and now consists of four fish groups with an average weight of around 3.5 kg with the largest group being around 3.7 kg as per 31 March 2023.

Group biomass development							
Batch	31 December 2022			31 March 2023			Comments
	Units (#)	Weight (g)	Biomass (tonnes)	Units (#)	Weight (g)	Biomass (tonnes)	
Batch #2	~228,000	~1,875	428	~225,000	~3,450	777	Stocked mid July
Batch #3	~200,000	~555	112	~198,000	~1,385	275	Stocked late October
Batch #4	~265,000	~360	96	~264,000	~970	256	Stocked early December
Batch #5				~257,000	~370	96	Stocked late February
Total Indre Harøy	~695,000	~915	637	~945,000	~1,485	1,403	
Smolt	~2,305,000	~42	96	~2,610,000	~26	69	
Total Group	~3,000,000		733	~3,555,000		1,472	

During the fourth quarter the Company also released its third and fourth batch of smolt at Indre Harøy. Batch 3 was stocked in late October and comprised 200,000 smolt with an average weight of around 220 grams. As per 31 March 2023 the fish had reached ~1,385 grams.

Batch 4 was stocked in early December and comprised 265,000 smolt with an average weight of around 260 grams, marking the Company first "full size" smolt release. As per 31 March 2023 the group had reached an average weight of ~970 grams.

In February 2023 another "full size" smolt release was completed marking the Company's fifth smolt release. Going forward the Company plans to stock "full size" batches of smolt at Indre Harøy every second month.

The Company continues to increase biomass production and the positive trend has continued into 2023. As per 31 March the Group

had a total standing biomass of 1,472 tonnes of which 69 tonnes at our smolt facility. This represents a doubling compared to 31 December 2022.

The Company continues to see low mortality levels, even as the density levels are increasing. For batch 2 the accumulated mortality stood at 2.2% per 31 March 2023, clearly outperforming the levels seen for batch 1. Mortality levels also remain low for both batch 3, 4 and 5, demonstrating the benefits of having a controlled environment with minimal manual handling of the salmon.

The Company highlights that operations are still in an early stage and there is a continuous focus on tuning the systems to optimize the biological performance while at the same time reducing risk to a minimum. Such modification work will from time to time require pauses in feeding which also should be taken into consideration when evaluating the biological performance.

Salmon from first harvest (November 2022)



Photo: Salmon Evolution

Indre Harøy phase 1

The first two fish tanks together with the connecting technical room 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.

Furthermore in 2022, the construction work has progressed according to plan, with new tanks being taken over and put into operations throughout the year. The last two tanks and its

connecting technical rooms was taken over medio April. Hence, Indre Harøy phase 1 is now fully completed.

Being fully completed allows for streamlining of the production process with two "production lines", each consisting of 6 tanks and where fish groups are regularly split and transferred to the next departments allowing for stocking of new batches in emptied tanks.

Indre Harøy Phase 1 (December 2022)



Photo: Salmon Evolution

Indre Harøy phase 2

During 2022, and especially during the second half of 2022, the preparatory activities for phase 2 have continued with focus on implementing learning effects from phase 1, identifying savings and scaling effects from phase 1, defining a cooperation model designed at further optimizing the project management and develop a cost budget for phase 2.

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

Salmon Evolution has made no contractual commitments as to phase 2, although the plan

is to commence phase 2 in continuation to the completion of phase 1.

The Company has also completed the blasting works for the water intake station for both phase 2 and phase 3. The process went according to plan and gave valuable experience as to conducting heavy construction works while at the same time operating the phase 1 facility. The Company has also completed some blasting and excavation works for the fish tanks for phase 2 to verify that this would not negatively affect

the ongoing farming operations. This also went according to plan with no negative biological effects observed.

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

Indre Harøy phase 2 illustration

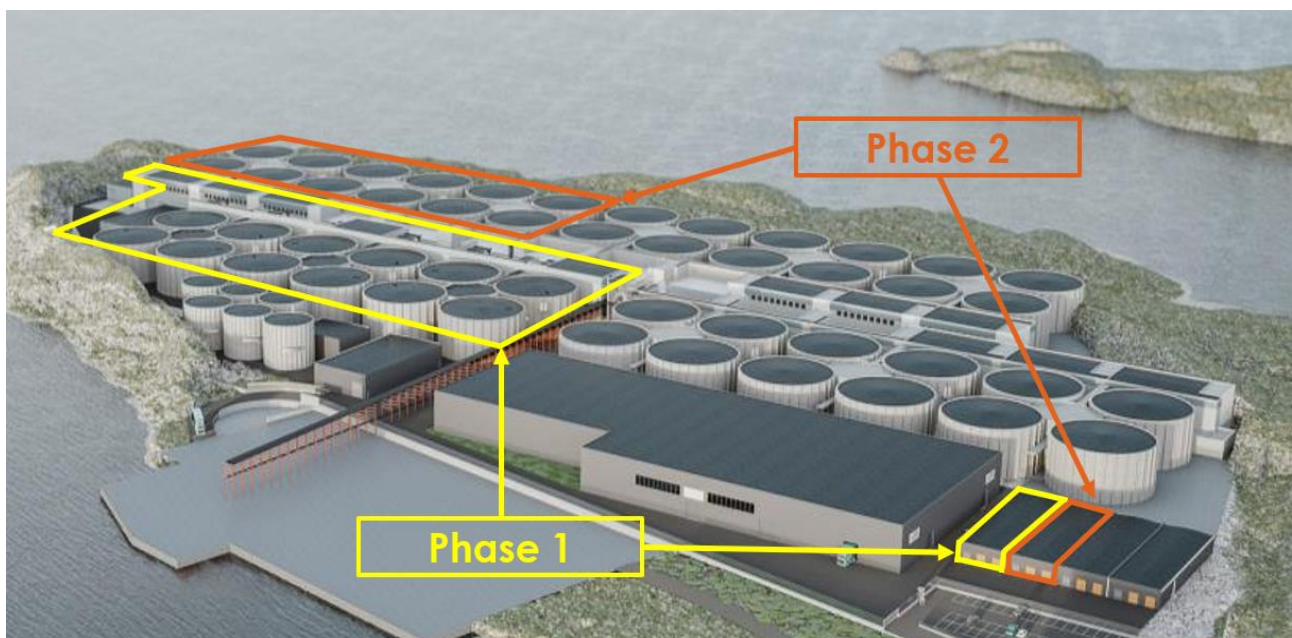


Illustration: Salmon Evolution

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

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

Phase 2 preparations – blasting work has started



Photo: Salmon Evolution

K-Smart Farming

Introduction to K Smart

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

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

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

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

Project status

During the second half of 2022 focus continued to be centred around design and engineering activities in cooperation with Billund Aquaculture as design partner.

Salmon Evolution now have 4 FTEs based in Korea and K Smart has established an organization located in the Dongwon head office in Seoul.

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

Design work for the grow-out facility in Yangyang was intensified during the fourth quarter with focus on implementing learning effects from Indre Harøy alongside incorporating required site-specific changes. This design work will continue over the coming quarters.

K Smart is also working actively with the permitting processes and significant resources have been devoted to document the environmental effect of the project. Contrary to



Yangyang on-growing site



Jeongseon smolt site

Norway, land-based salmon farming is a new industry in South Korea and regulatory processes takes time, but the company is continuing to experience strong support from both local, regional and national stakeholders and expect clarification on several key permits over the coming months, allowing for construction start of grow-out facility during 2023.

Illustration grow-out facility Yangyang



Illustration: Salmon Evolution

North America

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

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

It is expected that site verification and relevant regulatory approval processes will take around

three years, allowing for construction start in 2025 or 2026, upon which the plan is to build a full scale 31.5 tonnes HOG "Indre Harøy" facility drawing on the experiences learned in both Norway and Korea.

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

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

Events after balance sheet date

Signed agreement for new NOK 1,550 million green debt financing package

The Company has entered into a binding loan agreement with DNB and Nordea for a new green debt financing package totalling NOK 1,550 million relating to phase 1 and 2 at Indre Harøy.

The new debt financing package consists of the following facilities:

- NOK 525 million non-amortizing Term Loan Facility which will refinance the Company's

existing NOK 525 million construction loan relating to phase 1 (the "Term Loan")

- NOK 250 million RCF Capex Facility available for general corporate purposes including Indre Harøy phase 2 capex (the "RCF Facility")

- NOK 775 million Construction Facility available for financing of capex relating to phase 2 at Indre Harøy (the "Construction Facility")

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

Total revenues for 2022 accumulates to NOK 47.7 million for the Group. The revenues are directly related to both the sale of smolt from Salmon Evolution Dale to an external client and sale of salmon from Indre Harøy.

Personnel expenses as per 31 December 2022 sums up to NOK 50.0 million. For 2022 approximately 32% of the total personnel expenses are capitalized and allocated to the building project at Indre Harøy.

Other operating expenses totalled NOK 65.5 million, which is NOK 39.6 million higher than for the same period last year. The increase reflects the higher activity level in the Company, continued operating expenses at Indre Harøy

and South Korea, the establishment in North America and other administration expenses.

For 2022 the Company has made fair value adjustments of the biomass of NOK 11.7 million leaving an operating profit for the full year at NOK -62.9 million.

Total depreciations were NOK 6.2 million and net financials was positive with NOK 30.2 million, including unrealized changes in value of both interest rate swaps and the power supply contract, in total NOK 25.5 million.

Loss before tax was NOK 32.7 million as per 31 December 2022.

Assets under construction are not depreciated.

Cash flow

Consolidated net cash flow from operating activities was NOK -76.1 million in 2022 compared to NOK -66.7 million for the same period last year.

Net cash flow from investment activities was NOK -796.1 million in 2022, which is approx. at the same level as in 2021 (NOK -754.6 million).

Cash flow from financing activities in 2022 was NOK 645.5 million, which mainly consist of a

successful private placement in April in addition to several drawdowns on the Construction facility and overdraft facilities.

Total net cash flow for 2022 was NOK -226.8 million. The liquidity position at the end of the period was strong, with cash and cash equivalents of NOK 278.8 million and total available liquidity of NOK 400 million including committed undrawn credit facilities.

Financial position

The carrying amount of Salmon Evolution's total fixed assets as of 31 December 2022 was NOK 1,851 million, compared to NOK 1,079 million 31 December 2021. Fixed assets are mainly related to the construction work at Indre Harøy, comprising capitalized costs related to both personnel expenses and construction cost, land acquisition and Dale smolt facility as well other smaller items.

Total equity amounted to NOK 1,564 million. With total assets of NOK 2,306 million, this corresponds to an equity ratio of 68%. Consolidated interest-bearing liabilities totalled NOK 582 million.

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

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

Both grants are recognized in the financial accounts as a reduction of fixed assets. As of Q4 2022 the Company has recognized NOK 14.3 million in Skattefunn grants and NOK 96.8 million in Enova grants of which NOK 9.5 million and NOK 77.1 million have been received by 31 December 2022, respectively.

As per 31 December 2022 the Company had bank debt of NOK 556 million, mainly relating to the Construction Facility for Indre Harøy.

Risk exposure and risk management

Interest Rate

The Group's interest rate risk relates primarily to borrowings from financial institutions with variable interest rates. Currently, the Group has entered into hedging programs to reduce this risk for only parts of its planned borrowings, thus the Group is exposed to changes in the interest rate. As of 31 December 2022, outstanding loans from credit institutions amounted to NOK 556 million (excluding financial leasing). The

Construction Facility which represents the vast majority of the Group's loan with financial institutions has an interest rate of NIBOR 3M plus an agreed margin of 3.75%. In order to reduce exposure to fluctuations in the interest rate the Group has entered interest rate swap contracts with Nordea and Sparebanken Vest, of respectively NOK 150 million and NOK 50 million. For further information see note 20.

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 per 31 December 2022 the Group had some currency forward contracts made to hedge the effect of

fluctuations in currency relating to outstanding invoices from sales contracts. Value changes in forward contracts affect profit and loss.

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. The Group has procedures to ensure that products are only sold to customers with satisfactory creditworthiness,

where credit insurance is used when deemed necessary. This risk is, per 31.12.2022, not considered to be material.

In 2022 all produced fish was sold to Salmon Evolution Sales AS, which in turn sold it to external customers. The sales company secures the bulk of its sales through credit insurance.

Liquidity risk

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

Summary and outlook

2022 was a highly eventful year for Salmon Evolution, starting with the batch 1 smolt release in March as per the original timeline and rounded off by fully harvesting out our first batch with excellent results. Through this great achievement the Company has demonstrated that it is possible to produce salmon on land, all the way to full harvest weight, at an industrial scale, with strong biological performance and with the end result being an excellent quality product.

The Company has over the last year been gradually ramping up production and a total of five batches have been stocked at Indre Harøy of which both the batch stocked in December last year and February this year being "full size" batches. Going forward the Company plans to release smolt every second month ensuring that the regularity in harvest volumes will gradually increase over the coming quarters.

Batch 2 is planned harvested during the second quarter and from late Q3 2023 the Company expects to reach steady state production levels, yielding an annualized production of 7,900 tons HOG from Indre Harøy phase 1.

The Company is very satisfied with the biological results seen in 2022 and see the achieved results as a clear proof of concept to our approach to land-based salmon farming. Although taking a facility like this into operation is a huge task that involve a lot of learning and tuning in the beginning, the biological performance has exceeded expectations. Furthermore, the Company is satisfied to see that the mortality levels have been very low, with batch 2 well on track to outperform the already strong result seen for the first batch.

Batch 1 was harvested in three rounds from early November to early December, after only 7-8 months of production. The salmon was distributed worldwide to selected customers and partners in different segments and channels. The Company has received strong feedback as to the product quality which was also confirmed by an industry leading superior share of 96% for batch 1 as a whole. Furthermore, the harvest demonstrated that our salmon is well suited for both conventional cooking, raw consumption and smoked production. This creates a lot of flexibility for our downstream operations as we gradually increase harvest volumes over the coming quarters.

Total Norwegian exports of salmon during 2022 was about 1.44 mill. tons compared to 1.48 mill. tons in 2021, a decrease of ~2.5%. Average Fishpool salmon price in 2022 was NOK 83.2/kg compared to NOK 58.3/kg in 2021, an increase of 43% year on year. Such significant price increase clearly demonstrates the strong underlying demand for salmon. Going into 2023 prices have remained record strong and forward prices for 2023 point to high prices also this year.

For 2023 most analysts expect low single digit global supply growth which should support a scenario with strong salmon prices. With Salmon Evolution now in the process of ramping up production and gradually increasing harvest volumes, the Company should be in a good position to benefit from this over the course of 2023.

Looking further ahead, the Company continues to see a significant demand growth potential for salmon and the Company remains firm in its belief that land-based farming will need to play an important role alongside conventional farming for the

industry to be able utilize the demand potential.

After more than one year of successful farming operations and with phase 1 at Indre Harøy now completed, the Company is in a unique

position to execute on its growth plan and solidifying its position as the global leader within land-based salmon farming.

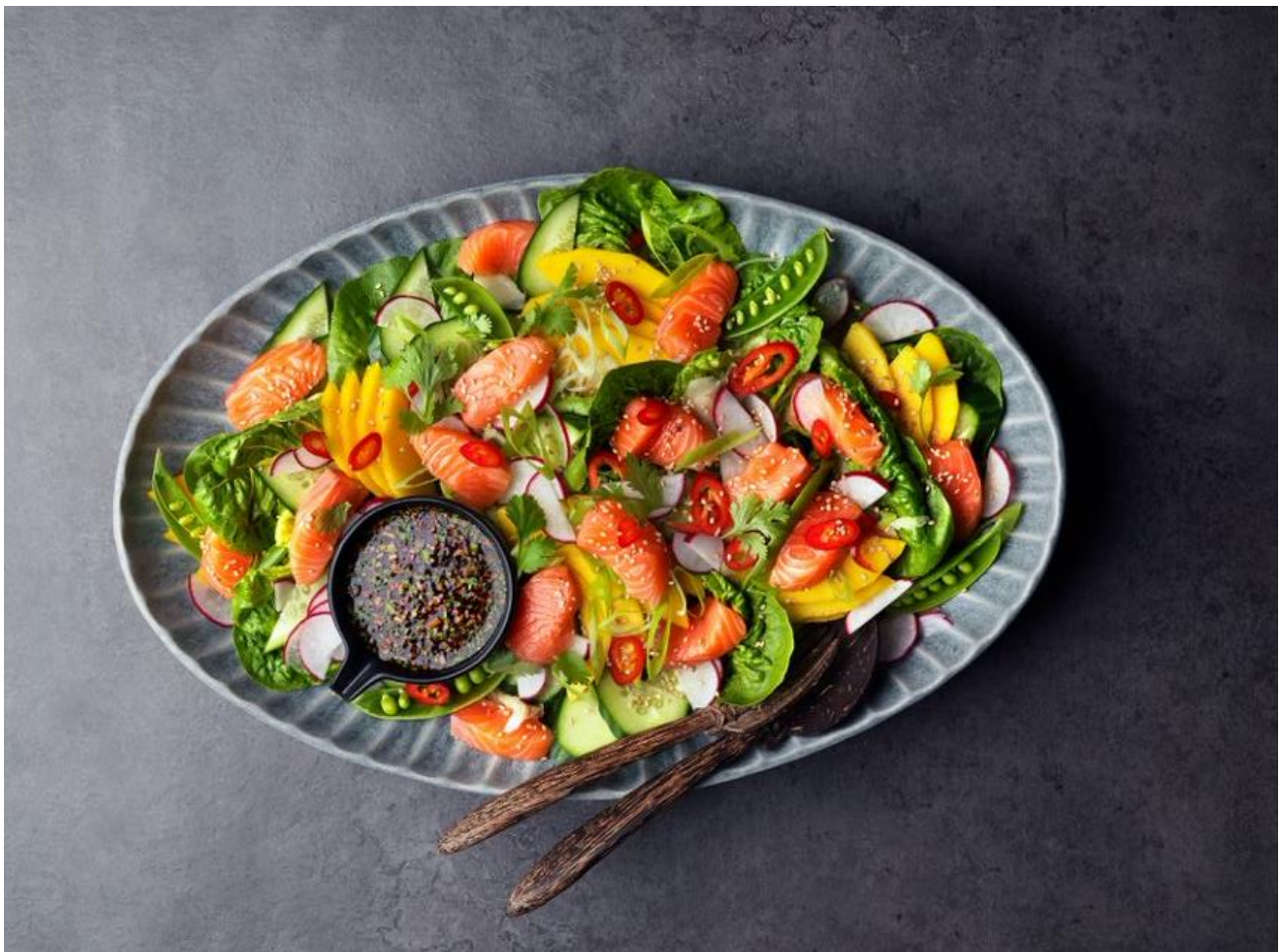


Photo: Salmon Evolution

The Board of Directors of Salmon Evolution ASA
Elnesvågen/Ålesund 17 April 2023



Tore Tønseth
Chair



Janne-Grethe Strand Aasnæs
Director



Anne Breiby
Director



Peder Stette
Director



Glen Allan Bradley
Director



Eunhong Min
Director



Ingvild Vartdal
Director



Håkon André Berg
Director



Trond Håkon Schaug-Pettersen
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 2022.

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 2022 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 2022 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 Elnesvågen/Ålesund 17 April 2023



Tore Tønseth
Chair



Janne-Grethe Strand Aasnæs
Director



Anne Breiby
Director



Peder Stette
Director



Glen Allan Bradley
Director



Eunhong Min
Director



Ingvild Vartdal
Director



Håkon André Berg
Director



Trond Håkon Schaug-Pettersen
CEO

Group consolidated financial statements (IFRS)

Consolidated statement of income

(NOK thousands)	Note	2022 Consolidated	2021 Consolidated
Sales revenues	5,7	46 107	12 047
Other income	5,7	1 574	209
Total operating revenue		47 681	12 257
Change in inventory	6,8	34 077	2 803
Cost of materials	8	(34 706)	(3 710)
Personnel expenses	4,9	(49 996)	(21 067)
Other operating expenses	9,10	(65 538)	(25 894)
Operational EBITDA		(68 481)	(35 613)
Depreciations	4	(6 190)	(2 229)
Operational EBIT		(74 671)	(37 841)
Fair value adjustment of biomass	6	11 740	0
Operating Profit (EBIT)		(62 931)	(37 841)
Financial income	11	35 322	12 852
Financial expense	11	(4 170)	(7 335)
Share of net income from associated companies	12	(947)	(634)
Net financial		30 205	4 884
Profit/loss before tax		(32 726)	(32 957)
Income tax expense	13	-	6 513
Profit/loss for the period		(32 726)	(26 445)
Basic earnings per share (NOK)	14	(0,10)	(0,09)
Diluted earnings per share (NOK)	14	(0,10)	(0,09)

Consolidated statement of comprehensive income

NOK thousands	Note	2022 Consolidated	2021 Consolidated
Profit/loss for the period		(32 726)	(26 445)
Items that are or may be reclassified to profit or loss:			
Currency translation differences	12	1 363	(560)
Total comprehensive income for the period, net of tax		(31 362)	(27 005)

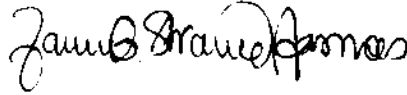
Consolidated statement of financial position

(NOK thousands)	Note	31 Dec 2022 Consolidated	31 Dec 2021 Consolidated
Assets			
Intangible assets	4	65 149	62 586
Deferred tax asset	13	2 077	1 026
Assets under construction	4,9,15	1 713 490	971 122
Property, plant & equipment	4	30 541	15 601
Right-of-use assets	4,16	13 001	2 112
Investments in associated companies	12	26 635	26 219
Total non-current assets		1 850 894	1 078 664
Inventory	6	1 941	112
Biological assets	6	58 927	14 939
Trade receivables	3	23 080	382
Other current receivables	15,17	66 951	104 724
Financial derivatives	3,18	25 622	1 538
Cash and cash equivalents	3,11,19	278 759	505 545
Total current assets		455 281	627 239
Total assets		2 306 174	1 705 903
Equity and liabilities			
Share capital	20	17 288	15 540
Share premium	20	1 627 073	1 334 283
Other reserves	9,21	8 320	5 118
Other equity		-	-
Uncovered losses		(88 774)	(57 411)
Total equity		1 563 906	1 297 530
Long-term interest-bearing debt	3,11	513 169	212 352
Lease liabilities - long term	3,11,16	9 676	892
Other long-term liabilities		8 549	7 976
Total non-current liabilities		531 393	221 221
Short-term interest-bearing debt	3	55 353	13 086
Trade payables	3,23,24	135 098	162 071
Social security and other taxes	23	7 086	4 946
Lease liabilities - short term	4,11,16	3 553	1 236
Other short-term liabilities	23	9 783	5 812
Total current liabilities		210 873	187 152
Total liabilities		742 267	408 373
Total equity and liabilities		2 306 174	1 705 903

The Board of Directors of Salmon Evolution ASA
Elnesvågen/Ålesund 17 April 2023



Tore Tønseth
Chair



Janne-Grethe Strand Aasnæs
Director



Anne Breiby
Director



Peder Stette
Director



Glen Allan Bradley
Director



Eunhong Min
Director



Ingvild Vartdal
Director



Håkon André Berg
Director



Trond Håkon Schaug-Pettersen
CEO

Consolidated statement of cash flow

(NOK thousands)	Note	2022 Consolidated	2021 Consolidated
Cash flows from operating activities			
Profit/loss for the period		(32 726)	(26 445)
Adjustments for:			
Depreciation	4	6 190	2 229
Net financials	11	(30 205)	(4 884)
Share based payment expenses	21	3 201	1 624
Gain on lease modification	16	-	66
Changes in working capital:			
Change in trade receivables	23	(22 698)	(382)
Change in other current receivables	17	37 774	(29 217)
Change in inventory and biological assets	6	(45 817)	(1 702)
Change in trade payables		2 047	(684)
Change in social security and other taxes		2 139	(4 387)
Change in other current liabilities		3 971	(2 929)
Net cash (outflow) from operating activities		(76 124)	(66 710)
Cash flow from investment activities			
Payments for fixed assets net of government grants	4,15	(763 498)	(797 959)
Payments for intangible assets	4	(3 614)	(881)
Acquisitions		0	(27 249)
Change in trade payables investments	23	(29 020)	98 315
Investment in associated companies	12,24	0	(26 779)
Net cash (outflow) from investment activities		(796 132)	(754 553)
Cash flow from financing activities			
Proceeds from issue of equity, net of paid transaction costs	20	294 538	517 868
Proceeds from new borrowings	3,11	356 253	202 600
Repayment of borrowings	3,11	(13 337)	(40 800)
Net change in right of use assets and liabilities	16	210	-
Financial expenses paid		(15 079)	(11 980)
Financial income received		22 886	11 315
Net cash (outflow) from financing activities		645 471	679 002
Net change in cash and cash equivalents		(226 785)	(142 261)
Cash and cash equivalents at the beginning of the period	19	505 545	647 806
Cash and cash equivalents at the end of the period	19	278 759	505 545

Consolidated statement of changes in equity

(NOK thousands)	Share capital	Share premium	Other reserves	Other equity	Uncovered losses	Total equity
Balance at 1 January 2021	10 987	804 368	2 974	520	(30 407)	788 442
Profit/loss for the period	-	-	-	-	(26 445)	(26 445)
Currency translation differences	-	-	-	-	(560)	(560)
Total comprehensive income	-	-	-	-	(27 005)	(27 005)
Capital increase 18 March 2021	4 167	495 833	-	-	-	500 000
Capital increase 18 March 2021, transaction costs	-	(24 850)	-	-	-	(24 850)
Company registration expenses	-	(6)	-	-	-	(6)
Private placement, 18 August 2021	110	16 490	-	-	-	16 600
Private placement, 22 October 2021	277	42 447	-	-	-	42 724
Share options issued	-	-	1 624	-	-	1 624
Share options exercised	-	-	520	(520)	-	-
Transactions with owners	4 553	529 914	2 144	(520)	-	536 092
Balance at 31 December 2021	20 15 540	1 334 283	5 118	-	(57 411)	1 297 530
Profit/loss for the period	-	-	-	-	(32 726)	(32 726)
Currency translation differences	-	-	-	-	1 363	1 363
Total comprehensive income	-	-	-	-	(31 362)	(31 362)
Private placement, 5 April 2022	1 129	202 041	-	-	-	203 170
Private placement, 2 May 2022	538	96 293	-	-	-	96 831
Private placement, transaction cost	-	(13 267)	-	-	-	(13 267)
Share options issued	-	-	3 201	-	-	3 201
Share options exercised	81	7 724	-	-	-	7 805
Transactions with owners	20 1 748	292 790	3 201	-	-	297 739
Balance at 31 December 2022	20 17 288	1 627 073	8 320	-	(88 774)	1 563 906

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Note 1 Summary of significant accounting principles

General information

Salmon Evolution ASA and its subsidiaries, Salmon Evolution Norway AS, Salmon Evolution International AS, Salmon Evolution Dale AS and Salmon Evolution Sales AS (the "Company", "SE" or "the Group") is a Norwegian business headquartered in Hustadvika municipality in Møre og Romsdal. SE is building a land-based salmon farming facility at Indre Harøy, with a planned annual production of 31,500 tons HOG fully developed of which phase 1 has a planned annual production of 7,900 tons HOG.

The build-out consists of three phases, with the first phase consisting of 12 large grow out tanks with corresponding infrastructure. SE will operate a hybrid flow-through (HFS) system, utilizing fresh seawater from the Norwegian coast. Construction start of phase 1 was in Q2 2020 and was completed mid April 2023. The first smolt batch was released at Indre Harøy late March 2022 as per original timeline, and the Group completed its first harvest in November 2022.

Consolidation

These consolidated statements for the period ended 31 December 2022 include Salmon Evolution ASA together with its subsidiaries Salmon Evolution Norway AS, Salmon Evolution International AS, Salmon Evolution Sales AS and Salmon Evolution Dale AS. Please note that the comparable previous financial statement periods only include Salmon Evolution Dale AS from August 2021 and do not include Salmon Evolution Sales AS.

In 2022 the Group established two new companies – Salmon Evolution North America Holdings LLC and Salmon Evolution North America LLC. Both companies are wholly owned by Salmon Evolution, but the legal entities had no activity during 2022.

Consolidation principles

Subsidiaries are all entities over which the Group has control. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. 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 2022 comply with IFRS as endorsed by EU. The consolidated financial statements ended 31 December 2022 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 prepared the consolidated financial statement on a going concern basis. When assessing this assumption, management has assessed all available information about the future. After making such assessments, management has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

Accounting policies

Adoption of new and revised standards

The following standards and amendments was mandatory application for the first time for the reporting period commencing 01.01.2022

- Annual Improvements to IFRS: 2018-2020 Cycle amendments to IFRS 1, IFRS 9, IAS 41 and the Illustrative Examples accompanying IFRS 16
- Conceptual Framework for Financial Reporting (Amendments to IFRS 3)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)
- IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)

Except for the amendment to IAS 16, none of the amendments listed above have had any impact on the financial statements. As a result of the amendment to IAS 16 NOK 26.8 million is recognised as revenue from production facilities under construction.

Standards and amendments issued but not yet effective

The following standards and amendments was mandatory application for the first time for the reporting period commencing after 01.01.2022:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendment to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)

None of the amendments listed above is expected to have any material any impact on financial statements.

Basis of measurement

The financial statements have been prepared under the historical cost basis, except for the following items:

- Financial derivatives, measured at fair value through profit or loss.

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 Parent company, and substantial subsidiaries, 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. 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 both from the sale of smolt from contract with customer and sale of whole and processed salmon in the spot market. It has not been made any sales contracts. The Group recognised revenue at the point in time when control of the goods is transferred to the customer at an amount that reflects the expected amount that the group is entitled to have for the goods. The sales price is determined upon the settlement and is based on available market price where the price will vary with both quality and size.

Payment is settled upon delivery, and normal credit term of the sales transactions is 30 days. If the delivered products has discrepancies compared to the agreed sales contract, cash refunds are given to the customer. Up until now, refunds are not material.

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 equity settled share based payments, 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.

Share based payments

Information relating to the Company's employee option scheme is set out in note 21. 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 (eg 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 (eg the requirement for employees to save or holdings shares for a specific period of time).

Total fair value is expensed over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Current and change in deferred tax for the year

Income Tax

The tax expense represents the sum of the tax currently payable and change in 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 not been recognized in the balance sheet as the Group 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.

Leases

All leasing agreements with a duration exceeding 12 months are capitalized. 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 incremental interest rate of the lease. The contractual minimum lease payments consist of fixed payments based on contractual amount at the time of conclusion of the agreement. 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 basis over the lease term.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity.

Interest rate swap

The Group has entered into interest rate swap to hedge its risk exposure to interest-bearing debt. Changes in fair value of those derivatives is recognized as unrealized profit/loss under financial income/loss and allocated to, an unrealized profit/loss as other current receivables in the balance sheet.

Currency hedging

Salmon Evolution Sales AS make use of forward currency contracts to hedge against fluctuations in exchange rates that arises during the period between when Salmon Evolution Sales enters into a sales contract and when the product is paid for. Changes in fair value of those contracts is recognized as unrealized profit/loss under financial income/loss and to other current receivables in the balance sheet.

Power hedging contracts

The Group has entered into power supply contract with Statkraft in order to hedge its exposure to fluctuations in the power prices. Due to changes in the construction and production plan, a significant part of this energy contract has not been used for internal purposes. Hence, the contract is no longer considered as own use, and therefore measured at fair value. Changes in fair value in these derivatives is recognized as unrealized profit/loss under financial income/loss and allocated to, an unrealized profit/loss as other current receivables in the balance sheet.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand.

Trade receivables, loans and other receivables

Trade receivables, loans and other receivables are recognized at invoiced amount and subsequently measured at amortized cost using the effective interest method, less provision for impairment. See note 3, 16, 20 and 22 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 measured at 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. 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 intended use. As per 31.12.2022 the Company is still in a test- and verification phase for its Indre Harøy facility and the facility is therefore not deemed ready for intended use. As such, assets under construction are not depreciated. On the same note, all operating income is associated to the fact that the Company is still in a test-phase for its only operating facility. However, operating income is recognised in the P&L.

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. When such assets are identified, with certain indicators, an impairment test will be carried out.

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 its carrying value. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Biological assets

Biological assets are, in accordance with IAS 41, measured at fair value unless the fair value cannot be measured reliably. For salmon in the grow-out facility, a present value model is applied to estimate the fair value. For roe, fry and smolt, historical cost is deemed to provide the best estimate of fair value, and hence applied. For further information, please refer to note 6.

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 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.

In the relevant period The Group have not had activities related to acquisition activities.

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.

The Group has procedures to ensure that products are only sold to customers with satisfactory creditworthiness, where credit insurance is used when deemed necessary. This risk is, per 31.12.2022, not considered to be material.

In 2022 all produced fish was sold to Salmon Evolution Sales AS, which in turn sold it to external customers. The sales company secures the bulk of its sales through credit insurance.

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 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.

Borrowings cost

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

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

2) Biological assets

The Group's biological assets comprise smolt and salmon in a grow-out facility on land. Biological assets are, in accordance with IAS 41, measured at fair value unless the fair value cannot be measured reliably. For salmon in the grow-out facility, a present value model is applied to estimate the fair value. For roe, fry and smolt, historical cost is deemed to provide the best estimate of fair value, and hence applied. The fair value of fish in the grow-out facility is calculated by multiplying the estimated biomass at the time of harvest with the estimated sales price at the same time and deducted for estimated costs to sell. For fish not ready for harvest, remaining production costs to grow the fish to harvest weight are deducted. The cash flow is further discounted by a discount rate taking into account both risk adjustment and time value.

The premises for valuating the biomass are divided into following categories, volume, sales price and discount rate. The estimated biomass volume is based on the actual number of individuals in the grow-out departments on the balance sheet date, adjusted for projected mortality up to harvest time and multiplied with the estimated harvest weight per individual at harvest time. The Group considers that fish greater than 4.6 kg is ready for harvest (about 3.8 kg gutted weight), and such fish is thus classified as harvestable fish. Fish that have not achieved this weight are classified as non-harvestable.

Salmon prices are volatile. Sales price for the fish in the grow-out facility is based on forward prices from Fish Pool with relevant adjustments. The net sales value is adjusted for expected quality differences and harvesting, logistic and sales expenses. For Q2 2023 a discount of NOK 10/kg is applied due to high uncertainty in the contract market following the Norwegian Government's proposed resource tax.

Before the fish reaches a live weight of 4.60 kg, the fish is assumed non harvestable (immature fish). The fair value of immature fish is adjusted by the estimated remaining cost necessary to grow the fish to mentioned optimal harvest weight. Using estimated feed, electricity and oxygen prices, as well as other costs a forecast of remaining cost is made. One also have to adjust for expected mortality rates.

For further information, please refer to note 6.

Because of the volatility in the price of Atlantic salmon or changes in factor relating to production or harvesting schedules the estimated fair value varies. The Group considers sales price, volume and applied discount rate as the key parameters for valuation. To have a better view of the risk in the event of changes in these parameters a sensitivity analysis is done in the following table (showing the change in fair value, and hence the Group profit before tax);

Sensitivity analysis of biomass

(NOK thousands)	2022	2021
Change in sales price +1 NOK/kg	2 717	-
Change in sales price -1 NOK/kg	-2 717	-
Changes in biomass volume -1% kg	-1 914	-
Changes in biomass volume +1% kg	1 914	-
Change in discount rate +1%	-550	-
Change in discount rate -1%	560	-

3) Financial derivatives

The purpose of the Group's risk management activities is to establish an overview of financial risks that exists at any given time. As of this date the Group has chosen to employ both interest rate swap agreements to create interest rate stability and power hedging contracts to create stable power supply prices.

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 to a swap fixed interest of 1.79 %. Changes in Market Value is registered as unrealized profit/loss under financial income and allocated to, an unrealized profit/loss as other current receivables in the balance sheet.

Salmon Evolution Norway AS has a power supply contract with Statkraft. Due to changes in the construction timeline and production plan, resulting in secured volume under the contract not being used for own use and hence sold in the spot market, the contract is no longer considered as for own use, and therefore measured at fair value. The power hedging contract with Statkraft is valued to NOK 13.9 million at end of 2022. The fair value is calculated by using contracted volumes to until 31.12.2023, and calculating net present value of these volumes by using relevant forward prices in the energy market (adjusted for EURNOK forward prices).

See note for 18 for more information on classes of financial instruments measured at fair value.

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

Market risk is linked to both Interest Rate- and Currency fluctuations.

Interest Rate

The Group's interest rate risk relates primarily to borrowings from financial institutions with variable interest rates. Currently, the Group has entered into hedging programs to reduce this risk for only parts of its planned borrowings, thus the Group is exposed to changes in the interest rate. As of 31 December 2022, outstanding loans from credit institutions amounted to NOK 556 million (excluding financial leasing). The Construction Facility which represents the vast majority of the Group's loan with financial institutions has an interest rate of NIBOR 3M plus an agreed margin of 3.75%. In order to reduce exposure to fluctuations in the interest rate the Group has entered interest rate swap contracts with Nordea and Sparebanken Vest, of respectively NOK 150 million and NOK 50 million. For further information see note 22.

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)	2022	2021
Interest expense effect of a 1% increase on floating interest rate	5 560	2 000

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 31 December 2022 the Group had made some currency forward

contracts to hedge the effect of fluctuations in currency from the sales contracts. Value changes in forward contracts affect profit and loss.

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. The Group has procedures to ensure that products are only sold to customers with satisfactory creditworthiness, where credit insurance is used when deemed necessary. This risk is, per 31.12.2022, not considered to be material.

In 2022 all produced fish was sold to Salmon Evolution Sales AS, which in turn sold it to external customers. The sales company secures the bulk of its sales through credit insurance.

Liquidity risk

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

31 December 2022

(NOK thousands)	Less than 3 months	3-12 months	1-5 years
Borrowings	0	55 353	513 169
Interest	10 451	26 351	147 208
Lease liabilities	935	2 618	9 676
Trade payables	135 098	0	0
Total financial liabilities	146 483	84 323	670 053

31 December 2021

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

Financial instruments – assessment of fair value

The table below shows financial instruments at fair value according to valuation method. The different levels are defined as follows:

Level 1: Price listed in an active market for identical assets or liabilities.

Level 2: Valuation is based on other observable inputs either directly or indirectly than listed price (used in level 1) for the asset or liability.

Level 3: Valuation based on inputs not derived from observable markets (non-observable assumptions)

31 December 2022 (NOK thousands)	FVPL*			Amortized cost	Fair value	Carrying amount
	Level 1	Level 2	Level 3			
Financial assets:						
Trade receivables	-	-	-	23 080	23 080	23 080
Financial derivatives	-	11 719	-	-	11 719	11 719
Profit on power hedging contract	-	13 903	-	-	13 903	13 903
Other current receivables	-	-	-	66 951	66 951	66 951
Cash and cash equivalents	-	-	-	278 759	278 759	278 759
Total financial assets	-	25 622	-	368 790	394 412	394 412
Financial liabilities:						
Deferred tax	-	-	-	-	-	-
Long-term interests bearing debt	-	-	-	513 169	513 169	513 169
Other long term liabilities	-	-	-	8 549	8 549	8 549
Short-term interest bearing debt	-	-	-	55 353	55 353	55 353
Trade payables	-	-	-	135 098	135 098	135 098
Social security and other taxes	-	-	-	7 086	7 086	7 086
Other current liabilities	-	-	-	9 783	9 783	9 783
Total financial liabilities	-	-	-	729 038	729 038	729 038

*FVPL: Fair value through profit or loss

31 December 2021 (NOK thousands)	FVPL*			Amortized cost	Fair Value	Carrying amount
	Level 1	Level 2	Level 3			
Financial assets:						
Cash and cash equivalents	-	-	-	505 545	505 545	505 545
Other current receivables	-	-	-	106 644	106 644	106 644
Total financial assets	-	-	-	612 189	612 189	612 189
Financial liabilities:						
Deferred tax	-	-	-	0	0	0
Long-term interests bearing debt	-	-	-	212 352	212 352	212 352
Other long term liabilities	-	-	-	7 976	7 976	7 976
Short-term interest bearing debt	-	-	-	13 086	13 086	13 086
Trade payables	-	-	-	162 071	162 071	162 071
Social security and other taxes	-	-	-	4 946	4 946	4 946
Other current liabilities	-	-	-	5 812	5 812	5 812
Total financial liabilities	-	-	-	406 243	406 243	406 243

*FVPL: Fair value through profit or loss

Note 4 Property, plant and equipment and intangible assets

(figures in NOK 1000)	Intangible assets	Assets under construction	Buildings	Fixtures and fittings	Right-of-use assets	Total
Cost 1 January 2021	432	219 926	0	739	1 918	223 015
Additions	62 154	751 196	7 607	8 227	2 079	831 263
Disposals						
Cost 31 December 2021	62 586	971 122	7 607	8 966	3 997	1 054 278
Accumulated depreciation 1 January 2021	0	0	0	-107	-521	-628
Depreciation for the period	0	0	-302	-563	-1 364	-2 229
Net book value 31 December 2021	62 586	971 122	7 305	8 296	2 112	1 051 420

(figures in NOK 1000)	Intangible assets	Assets under construction	Buildings	Fixtures and fittings	Right-of-use assets	Total
Cost 1 January 2022	62 586	971 122	7 607	8 966	3 997	1 054 277
Additions	2 564	742 368	0	17 453	14 566	776 951
Disposals						
Cost 31 December 2022	65 149	1 713 490	7 607	26 419	18 562	1 831 228
Accumulated depreciation 1 January 2022	0	0	-302	-670	-1 885	-2 857
Depreciation for the period	0	0	-649	-1 864	-3 676	-6 189
Net book value 31 December 2022	65 149	1 713 490	6 656	23 885	13 001	1 822 182

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

As per 31.12.2022 the Company is still in a test- and verification phase for its Indre Harøy facility and the facility is therefore not deemed ready for intended use. As such, assets under construction are not depreciated.

Assets under construction per 31 December 2022 consisted mainly of capitalised costs related to the turnkey project with Artec Aqua for building a land-based salmon farming facility at Indre Harøy, Møre og Romsdal.

Capitalization of costs as asset under construction:

Costs incurred recognised as part of personnel- and other operating expenses in the "Consolidated Statement of Profit or Loss" during 2022 has been capitalized as at 31 December 2022 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 personnel and operating cost in 2022 reflects the incurred costs during this period, net of such capitalized costs related to the entire 12 months period ending 31 December 2022 which amounted to approximately NOK 21.7 million, salaries included. Capitalized interest amounts to NOK 24 million.

Capitalized internal cost	01.01.2022	Additions	31.12.2022
Salary	32 631	18 496	51 127
Rental/equipment	4 454	3 164	7 618
Interest	6 526	24 035	30 561
Total	43 611	45 695	89 306

Contractual and financial commitments

Construction of phase 1 of the Group's land-based salmon farming facility at Indre Harøy was planned completed medio April 2023 and remaining capital expenditures for phase 1 as per 31 December 2022 is expected to be moderate. The exact amount will depend on several factors, including finalization of contract settlements with suppliers, chosen de- and remobilization strategy between phase 1 and phase 2 and overall productivity during the remaining commissioning work.

As to phase 2 at Indre Harøy, the Group has not taken any material investment decision or entered into any definitive construction agreement and maintains full flexibility both as to timing and spending.

Impairment testing of goodwill

Goodwill with indefinite economic lives is subject to an annual impairment test. The Group did not recognize any impairment of goodwill in 2022. In 2021 the group did not perform an impairment test since the goodwill were acquired in august 2021 through the acquisition of the subsidiary Salmon Evolution Dale AS (previously Kraft Laks AS). As of 2022 the Group has one asset that need to be impairment tested.

The impairment is done using the Groups rolling projections which is based on financial budgets where cash generating activities forms the basis of the valuation. This is done over a five-year period. Budgeted EBITDA margin is set to be stable in the future as well as production of smolt. Further, the annual reinvestment is assumed to be equal to annual depreciations. Cash flow forecasts are estimated after tax, and weighted average cost of capital is set to be 9%.

Note 5 Segment

Operating segments are reported in a manner consistent with internal reporting to the chief operating decision-maker, which is responsible for allocating resources and assessing performance. The chief operating decision-maker has been identified as the Group management. The Group has from Q4 2022 implemented segment reporting which consists of production of farmed salmon in Norway (Farming Norway), other activities, and Eliminations. The segment performance is monitored in order to assess performance and profitability at a strategic level. As a result of starting farming production at Indre Harøy in March 2022, there is no comparative numbers for 2021.

The same accounting principles as described in Note 1 have been applied for the segment reporting, where internal transactions are entered into under normal commercial terms and conditions.

Sales revenue from contracts with customers comes from both Continental Europe, UK, USA, Asia and other markets.

(In thousand NOK)	Farming Norway	Other	Eliminations	Group
FY 2022				
Operating revenue	46 054	15 292	-13 665	47 681
Operational EBITDA	-34 135	-34 346	0	-68 481
Operational EBIT	-38 387	-36 284	0	-74 671
Harvested volum (tonnes, HOG)	340			
Operational EBITDA/kg (NOK)	N/A			
Operational EBIT/kg (NOK)	N/A			
FY 2021				
Operating revenue				12 257
Operational EBITDA				-35 613
Operational EBIT				-37 841
Harvested volum (tonnes, HOG)				
Operational EBITDA/kg (NOK)				
Operational EBIT/kg (NOK)				

Note 6 Biological assets and inventory

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

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

The Group considers that fish greater than 4.6 kg is ready for harvest (about 3.8 kg gutted weight), and such fish is thus classified as harvestable fish. Fish that have not achieved this weight are classified as non-harvestable.

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

Sales price for the fish in the grow-out facility is based on forward prices from Fish Pool with relevant adjustments. The Group have used a forward price of NOK 96,- in Q2 2023, 75,- in Q3 2023 and NOK 76,- in Q3 and Q4 2023 before adjustments for expected quality downgrades. For Q2 2023 a discount of NOK 10/kg is applied due to high uncertainty in the contract market following the Norwegian Government's proposed resource tax. The net sales value is adjusted for expected quality differences and harvesting, logistic and sales expenses. The estimated fair value is discounted by a monthly rate, which reflects a combination of the cost of capital for the biomass. The Group have used a discount rate of 8% in the model.

BOOK VALUE OF INVENTORY	NOK 1000	
	FY 2022	FY 2021
Raw materials	1 941	112
Biological assets	58 927	14 939
Finished goods	-	-
Total	60 867	15 050

BIOLOGICAL ASSETS	TONNES	
	FY 2022	FY 2021
Biological assets beginning of period	182	101
Increase due to production	1 131	173
Reduction due to harvest/sale	-580	-93
Reduction due to incident based mortality	-	-
Fair value adjustment beginning of period	N/A	N/A
Fair value adjustment end of period	N/A	N/A
Biological assets end of period	733	182

BIOLOGICAL ASSETS	NOK 1000	
	FY 2022	FY 2021
Biological assets beginning of period	14 939	12 044
Increase due to production	70 238	10 150
Reduction due to harvest/sale	-37 990	-7 255
Reduction due to incident based mortality	0	0
Fair value adjustment beginning of period	0	0
Fair value adjustment end of period	11 740	0
Biological assets end of period	58 927	14 939

Specification of biological assets

	Number of fish (1000)	Biomass (tonnes)	Cost of production (NOK 1000)	Fair value adjustment (NOK 1000)	Carrying amount (NOK 1000)
Biological assets per 31.12.2022					
Smolt	2 305	96	12 681	-	12 681
Non-harvestable fish (<4.6 kg)	695	637	34 506	11 740	46 246
Harvestable fish (>4.6 kg)	-	-	-	-	-
Total	3 000	733	47 187	11 740	58 927

	Number of fish (1000)	Biomass (tonnes)	Cost of production (NOK 1000)	Fair value adjustment (NOK 1000)	Carrying amount (NOK 1000)
Biological assets per 31.12.2021					
Smolt	2 275	182	14 939	-	14 939
Non-harvestable fish (<4.6 kg)	-	-	-	-	-
Harvestable fish (>4.6 kg)	-	-	-	-	-
Total	2 275	182	14 939	-	14 939

The Company is in an early stage of the production ramp-up at the grow-out facility at Indre Harøy, and hence the facility's production capacity is not fully utilized. Cost of production is therefore adjusted for unutilized production capacity. As per 31.12.2022 this adjustment amounted to NOK 13.6 million which has been expensed directly in the profit and loss statement.

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

Note 7 Operating income

(NOK thousands)	2022	2021
Sales revenues	46 107	12 047
Smolt	19 293	12 047
Atlantic Salmon (hog)	26 073	
Atlantic Salmon (trimmed)	741	
Other income	1 574	209
Total operating revenue	47 681	12 256

Operating income in the Group for 2022 derives both from the sale of smolt from Salmon Evolution Dale AS to another Norwegian salmon producer and sale of farmed salmon from Salmon Evolution Sales AS (who bought the salmon from Salmon Evolution Norway AS). Salmon Evolution Sales AS has in 2022 sold 340 tonnes Atlantic Salmon, and the distribution is as illustrated below.

Other income in 2022 was related services to K Smart Farming Co., Ltd. in South Korea.

Operating income in 2021 was mainly related to sale of smolt from Kraft Laks AS (now Salmon Evolution Dale 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.

Destination	Sales quantity (tonnes)	%
Norway	220	65 %
EU ex. Norway	115	34 %
Asia	6	2 %
Total	340	100 %

Sales revenue atlantic salmon	2022	2021
Norway	16 538	0
EU ex. Norway	9 527	0
Asia	749	0
Total	26 814	0

The land-based salmon have been distributed through Salmon Evolution Sales to a vast number of customers, across different segments and channels. The initial batch has been launched locally, nationally in Norway and internationally, in close collaboration with our partners, and has proven to be meet the highest standards, for both raw, heated and smoked products.

Note 8 Cost of Goods Sold

(numbers in thousand NOK)	2022	2021
Composition COGS:		
Raw material cost	-34 706	-5 282
Inventory change	34 077	4 374
Sum	-629	-908

Composition inventory change:		
Change due to production	70 238	10 150
Change due to harvest/sale	-37 990	-7 255
Change due to incident based mortality	0	0
Change inventory raw material	1 829	1 479
Sum	34 077	4 374

Composition - change due to production:		
Raw material cost	32 877	3 319
Salaries	10 260	2 509
Other operating expenses	27 101	4 322
Sum	70 238	10 150

Note 9 Personnel expenses, remuneration to the board and auditor's fee

(NOK thousands)	2022	2021
Salaries	50 969	31 879
Social security	8 682	5 409
Pensions	2 529	1 029
Other benefits	9 363	2 018
Share-based payments	3 328	0
Gross personnel expenses	74 871	40 335
- Capitalized costs	(18 496)	(19 269)
Total personnel expenses recognized in P&L	56 375	21 067
Number of full-time employment equivalents	49	19

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)	2022	2021
Tore Tønseth (Chairman of the Board)	500	500
Kristofer Reiten (Member of the Board)	250	250
Glen Bradley (Member of the Board)	375	250
Peder Stette (Member of the Board)	250	250
Anne Breiby (Member of the Board)	250	250
Yun Ki Yun (Member of the board) - From september 2020	250	208
Janne-Grethe A. Strand (Member of the board) - From March 2021	500	42
Ingvild Vartdal (Member of the Board) - from March 2021	250	42
Frode Kjøllås (Member of the Board) - Until March 2021	0	208
Total board of Directors	2 625	2 000

Remuneration and compensation to executive management 2022

(NOK thousands)	Salary	Bonus	Options	Pension	Other	Total
Håkon André Berg (CEO until oct 2022)	2 722	-	20	67	208	3 017
Trond Håkon Schaug-Pettersen (CEO from oct 2022, CFO)	2 228	-	1 399	67	246	3 940
Ingjarl Skarvøy (COO)	1 844	-	600	67	162	2 673
Kamilla Holo Mordal (CPO)	1 482	100	567	67	8	2 224
Odd Frode Roaldsnes (CCO)	1 533	-	615	67	17	2 232
Henriette Nordstrand (Technical Director from sept-22)	380	-	-	29	22	431
Total executive management	10 189	100	3 201	364	663	14 517

Håkon André Berg (former CEO) resigned from his position in Oct 2022, and is subsequently entitled to 6-months' severance pay.

Remuneration and compensation to executive management 2021

(NOK thousands)	Salary	Bonus	Options	Pension	Other	Total
Håkon André Berg (CEO)	2 329	2 200	609	56	13	5 207
Trond Håkon Schaug-Pettersen (CFO)	2 114	800	526	56	285	3 781
Ingjarl Skarvøy (COO)	1 674	250	224	57	165	2 370
Kamilla Holo Mordal (Project Director)	1 207	250	212	52	23	1 745
Trond Valderhaug (CCO until sept-21)	1 328	-	-	56	26	1 410
Odd Frode Roaldsnes (CCO from sept -21)	513	-	53	18	5	588
Total executive management	9 164	3 500	1 624	296	518	15 101

Trond Håkon Schaug-Pettersen (CEO) is entitled to 6-months' severance pay if the employment agreement is terminated by the Company. Selected key employees also have a non-compete clause in their employment agreement giving them right to 3-6 months' pay if such clause is triggered by the Company.

Auditor's remuneration

(NOK thousands)	2022	2021
Statutory audit	943	536
Service in relation to tax return	36	0
Tax advise	0	0
Service in relation to annual accounts	27	97
Other services	6	199
Total	1 011	832

Note 10 Other operating expenses

(NOK thousands)	2022	2021
Cost of premises (not defined as RoU)	2 647	419
Hired equipment	633	86
Insurance	1 775	398
Consultancy fees	21 012	14 859
Other operating and administrative expenses	39 472	10 131
Total other operating expenses	65 538	25 894

Note 11 Finance income & finance cost

(figures in NOK 1000)

	2022	2021
Finance income		
Interest income	8 730	4 057
Net change in value of financial derivatives	25 547	1 537
Foreign exchange gains	1 035	7 062
Other finance income	10	196
Financial income	35 322	12 852
Share of net income from associated companies	-947	-634
Total financial income	34 375	12 218
Finance expenses		
Interest on debts and borrowings	3 012	1 007
Foreign exchange losses	554	6 287
Other finance expenses	604	40
Total financial expenses	4 170	7 335
Net financial income/- expenses	30 204	4 884

Fair value adjustments - financial assets

(NOK thousand)	2022	2021
Unrealised changes in the value of interest rate swap	10 455	1 263
Unrealised changes in the value of contract related to power	13 629	274
Realised profit (loss) related to power supply contract	1 463	-
Fair value adjustments recognised in profit and loss	25 547	1 537

Interest income is mainly related to interest on cash deposits held with Norwegian financial institutions. 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 a loss at K Smart Farming.

The Group did not have any fair value adjustments of financial liabilities in 2022.

Note 12 Investments in associated companies

The group has the following investments in associated companies:

(figures in NOK 1000)	Location and place of business	Ownership	Voting share
K Smart Farming Co., Ltd	Gangwangnak-ro, South Korea	49 %	49 %
Investment cost 31.05.21	27 413		
Share of net income 2021	-634		
Foreign currency translation gain/(loss) 2021	-560		
Net book value 31 December 2021	26 219		
Share of net income YTD 2022	-947		
Foreign currency translation gain/(loss) YTD 2022	1 363		
Net book value 31 December 2022	26 635		

Investments in associated companies are recognized using the equity method.

Note 13 Tax

Calculation of current and deferred tax/deferred tax benefit

(NOK thousands)	2022	2021
Intangible assets	13 487	13 487
Fixed assets	19 712	(1 297)
Inventories	58 927	14 939
Right-of-use assets	20 803	9 913
Lease liabilities	(21 777)	(10 105)
Other current liabilities	14	18
Net temporary differences	91 165	26 954
Tax losses carried forward	(281 632)	(143 703)
Change due to unrealized financial instruments	25 623	1 538
Basis for deferred tax	(164 845)	(115 211)
Deferred tax (22%)	(36 266)	(25 346)
Deferred tax benefit not recognized in the balance sheet*	34 189	24 320
Deferred tax in the balance sheet	(2 077)	(1 026)

*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

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

(NOK thousands)	2022	2021
Result before taxes	(32 727)	(32 957)
Permanent differences in relation to equity transactions	0	(24 622)
Permanent differences in relation to skattefunn	(4 750)	(4 750)
Other permanent differences	(7 383)	831
Basis for the tax expense in the current year	(44 860)	(61 498)
Change in temporary differences	(64 211)	(31 788)
Change in temporary differences due to acquisition	0	27 697
Result Kraft Laks AS to payable tax	0	(5 306)
Result Kraft Laks AS before acquisition	0	2 087
Change in tax losses carried forward	(109 071)	(68 808)
Basis for payable taxes in the income statement	9 439	4 663

Components of the tax expense

(NOK thousands)	2022	2021
Payable tax on this year's result	2 077	1 026
Total payable tax	2 077	1 026,0
Change in deferred tax	(10 920)	(7 806)
Deferred tax in relation to acquisition of Kraft Laks AS	0	(6 513)
Change in deferred tax due to previous year group contribution	(1 026)	0
Change in deferred tax not shown in the balance sheet	9 869	6 780
Tax expense	0	(6 513)

Reconciliation of the tax expense with the nominal tax rate

(NOK thousands)	2022	2021
Result before taxes	(32 727)	(32 957)
Calculated tax (22%)	(7 200)	(7 251)
Tax expense	0	(6 513)
Difference	7 200	738

The difference consists of:

Tax on permanent differences	(2 669)	(6 043)
Change in tax rate	-	-
Change in deferred tax	-	-
Change in deferred tax due to change in tax rate	-	-
Change in deferred tax not shown in the balance sheet	9 869	6 780
Change in deferred tax due to acquisition	-	-
Change due to unrealized financial instruments	-	-
Sum explained differences	7 200	738

Note 14 Earnings per share

(NOK thousands)	2022	2021
	Consolidated	Consolidated
Loss attributable to the equity owners of the Parent company	(32 726)	(26 445)
Loss for calculation of diluted earnings per share	(32 726)	(26 445)
Weighted average number of shares outstanding	337 015 239	291 291 107
Dilutive options	-	-
Average number of shares and options used in calculation for diluted EPS	337 015 239	291 291 107
Basic earnings per share (NOK)	(0,10)	(0,09)
Diluted earnings per share (NOK)	(0,10)	(0,09)

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

2022: The Company started the year with 310,796,489 shares. In the end of March shares options to the employees were exercised increasing the total number of shares with 1,625,000, followed by an issue of 33,333,333 new shares in a capital raise in April. Therefore the weighted average number of shares outstanding YTD 2022 has been calculated by applying a weight of 1/4 of the number of shares before the capital raise in Q1 2022 (310,796,489 shares), and 3/4 of the total number of shares after the capital raise (345,754,822 shares).

2021: The Company issued 83,333,333 new shares in a capital raise in March 2021, and another 2,190,694 in August 2021, and another 5,541,374 in November 2021. 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 2021 (219,731,088 shares), 6/12 of the number of shares after the capital raise (303,064,421 shares), and 1/12 of the shares of the shares 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 November 2021 (310,796,489).

Note 15 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 2022 amounted to NOK 4,750,000.

(NOK thousands)	2022	2021	2020
Systems for water treatment in large-scale land based salmon farming	8 116	11 825	13 542
Logistics systems in large-scale land-based salmon farming	9 722	6 392	8 775
Washing and disinfection in land-based salmon farming	10 026	7 827	9 576
Total "SkatteFUNN" project costs	27 864	26 044	31 893

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. In the financial accounts, the receivable related to the grant is netted against the related asset's acquisition cost. Grants for 2022 amounted to NOK 36.5 million, of which NOK 17.1 million was paid during 2022, and the rest received in Q1 2023.

(NOK thousands)	2022	2021	2020
Energy-efficient land-based food fish plant for salmon	84 117	119 684	861
Total "Enova" project costs	84 117	119 684	861

Note 16 Leases

Amounts recognised in the balance sheet

(NOK thousands)	31 Dec 2022	31 Dec 2021
Right-of-use assets		
Rent of premises	8 211	748
Car	1 079	600
Office supply	3 711	763
Total right-of-use assets	13 001	2 112
Lease liabilities		
Current	3 552	1 236
Non-current	9 675	892
Total lease liabilities	13 227	2 129

Amounts recognised in the statement of profit or loss

(NOK thousands)	31 Dec 2022	31 Dec 2021
Depreciation right-of-use assets		
Rent of premises	2 082	716
Car	619	361
Office supply	975	287
Gross depreciation	3 676	1 364
- Capitalized as assets under construction	0	0
Net depreciation	3 676	1 364
Interest expense lease liability	577	97

The total cash outflow for leases in 2022 was NOK 3,321 thousand.

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 recognised on a straight-line basis as an expense in profit or loss. 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 17 Other current receivables

(NOK thousands)	31 Dec 2022	31 Dec 2021
Prepaid expenses	9 022	6 630
VAT receivable	17 475	49 829
Other receivables	16 332	1 939
Government grant ("Enova")	19 373	43 497
Tax incentive scheme ("Skattefunn")	4 750	4 750
Total other current receivables	66 951	106 644

Current receivables pr 31.12.22	0-3 months	4-12 months	Total
Prepaid expenses	2 256	6 767	9 022
VAT receivable	17 475		17 475
Other receivables	4 083	12 249	16 332
Government grant ("Enova")	19 373		19 373
Tax incentive scheme ("Skattefunn")		4 750	4 750
Total other current receivables	43 186	23 766	66 951

As of 31 December 2022 and 2021, 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 2022 and 2021, the Group's other current receivables, specified by currencies, consisted of the following:

(NOK thousands)	31 Dec 2022	31 Dec 2021
NOK	66 951	106 644
Other	0	0
Total other current receivables	66 951	106 644

Note 18 Derivative financial instruments

(NOK thousands)	31 Dec 2022	31 Dec 2021
Derivative financial assets		
Derivatives not designated as hedging instruments		
Interest rate swaps	11 719	1 263
Forward foreign exchange contracts	-	-
	11 719	1 263
Derivatives designated as hedging instruments		
Power hedging contract	13 903	274
Total derivatives not designated as hedging instruments	13 903	274
Total derivative financial assets	25 622	1 537

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 to a swap fixed interest of 1.79 %. Changes in Market Value is registered as unrealized profit/loss under financial income and allocated to, an unrealized profit/loss as other current receivables in the balance sheet.

Due to changes in the construction and production plan, a significant part of this energy contract has not been used for internal purposes. Hence, the contract is no longer considered as own use, and therefore measured at fair value. The power hedging contract with Statkraft is valued to NOK 13.9 million at end of 2022. The fair value is calculated by using contracted volumes until 31.12.2023, and calculating the net present value of these volumes by using relevant forward prices in the energy market (adjusted for EURNOK forward prices).

See note 3 for further description and more details on valuation method.

Note 19 Cash and restricted cash

(NOK thousands)	31 Dec 2022	31 Dec 2021
Cash in bank	275 944	503 759
Restricted bank deposits	2 815	1 785
Total cash and cash equivalents	278 759	505 545

Restricted cash are related to tax withholding for employees (NOK 2.815m).

Note 20 Share Capital & Capital history

	Nominal value	31 Dec 2022	31 Dec 2021
Ordinary shares	0,05	345 754 822	310 796 489
Average number of shares	0,05	337 015 239	291 291 107

(NOK thousands)	31 Dec 2022	31 Dec 2021
Share capital	17 288	15 540
Share premium	1 627 073	1 334 283
Total	1 644 361	1 349 823

The number of shares issued in the company at 31 December 2021 was 345,754,822 with a nominal value of NOK 0.05 each. All shares carry equal voting rights.

20 largest shareholders as of 31.12.22	No of shares	Percentage share
Ronja Capital II AS	27 393 242	7,9 %
The Bank of New York Mellon SA/NV	22 310 787	6,5 %
Farvatn Private Equity AS	17 649 433	5,1 %
Dongwon Industries Co. Ltd	16 044 572	4,6 %
Rofisk AS	14 537 897	4,2 %
Stette Invest AS	11 569 338	3,3 %
Kjøllås Stansekniver AS	11 207 738	3,2 %
J.P. Morgan SE	8 141 141	2,4 %
Mevold Invest AS	7 994 252	2,3 %
Lynghheim Invest AS	7 810 734	2,3 %
Jakob Hatteland Holding AS	7 441 374	2,2 %
Ewos AS	7 418 309	2,1 %
Bortebakken AS	7 301 134	2,1 %
Verdipapirfondet Dnb Norge	5 717 376	1,7 %
Nordnet Livsforsikring AS	5 278 862	1,5 %
Verdipapirfondet DNB SMB	4 685 346	1,4 %
VPF DNB Norge Selektiv	4 518 643	1,3 %
Salmoserve AS	3 782 921	1,1 %
CACEIS Bank	3 033 333	0,9 %
Småge Eiendom AS	2 788 245	0,8 %
Total 20 largest shareholders	196 624 677	56,9 %
Other shareholders	149 130 145	43,1 %
Total number of shares	345 754 822	100,0 %

As of 31 December 2022, shares directly held by members of the Board of Directors, Chief Executive officer, and Executive Management consisted of the following:

	No of shares	Percentage share
Peder Stette, Member of the board - Stette Invest AS	11 569 338	3,3 %
Glen Allan Bradley, Member of the Board *	5 364 032	1,6 %
Ingjarl Skarvøy, COO - Terra Mare AS and private	1 800 150	0,5 %
Janne-Grethe Stand Aasnæs, Member of the board - Nikaro AS	480 000	0,1 %
Håkon Andre Berg, Member of the board - Carried Away AS	450 000	0,1 %
Trond Håkon Schaug-Pettersen, CEO & CFO - Troha Invest AS	400 000	0,1 %
Kamilla Mordal Holo, Project Director - C10 Holding AS & private	160 060	0,0 %
Anne Breiby, Member of the board	104 000	0,0 %
Total	20 327 580	5,9 %

*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%.

Capital history

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

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

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

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

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

Note 21 Share based payments

From 2020 The Group had 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 5.25. The options were granted on 25 August 2020 and 28 September 2020 and has a 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 1,625,000 options were exercised during 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 6,900,000 share options (adjusted to 7,650,000 22 November) have been granted. The options will be issued on an annual basis with 1/3 each year, with issue dates being 31 August 2021, 1 June 2022 and 1 June 2023. Issued options vest 50% after year one and 50% after year two. A total of 2,300,000 (2,550,000) share options were granted at a strike price of NOK 9.00 per share, and a total of 4,600,000 (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 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)	2022	2021
Outstanding options 1 January	9 275	1 625
Options granted	0	7 650
Options exercised	1 625	0
Options forfeited	2 500	0
Outstanding options at end of period	5 150	9 275

(NOK thousands)	2022	2021
Håkon André Berg (CEO)	20	609
Trond Håkon Schaug-Pettersen (CFO)	1 399	526
Ingjarl Skarvøy (COO)	600	224
Kamilla Mordal Holo (Project Director)	567	212
Odd Frode Roaldsnes (CCO)	615	53
Total charges	3 201	1 624
Charges to income statement	2259	599
Charges to Asset under Construction	942	1 025

Key assumptions	2022	2021
Average fair value (NOK)	1,47	1,36
Average exercise price (NOK)	10,35	10,35
Weighted expected average life (in years)	2,33	2,33
Estimated dividend per share (NOK)	0,00	0,00
Expected average volatility	29,2 %	29,2 %
Risk-free rate	0,86 %	0,86 %

Group management have the following holdings	Holding 01.01	Awarded	Exercised	Forfeitet	Holding 31.12
Håkon André Berg (CEO until oct 22)	3 450	-	450	2 500	500
Trond Håkon Schaug-Pettersen (CEO from oct 22 & CFO)	2 775	-	375	-	2 400
Ingjarl Skarvøy (COO)	850	-	100	-	750
Kamilla Mordal Holo (Project Director)	850	-	100	-	750
Odd Frode Roaldsnes (CCO)	750	-	-	-	750
Total	8 675	-	1 025	2 500	5 150

*Numbers in thousand

Note 22 Interest bearing debt

Long-term interest bearing debt

(NOK thousand)	31.12.2022	31.12.2021
Debt to credit institutions	513 169	200 000
Other long-term interest bearing debt	-	12 352
Other long-term liabilities (land and water rights)	8 549	7 976
Leasing liabilities	9 676	892
Total long-term interest-bearing debt	531 393	221 221

Short-term interest bearing debt

(NOK thousand)	31.12.2022	31.12.2021
Debt to credit institutions	42 512	733
Other short-term interest bearing debt	12 841	12 352
Leasing liabilities	3 553	1 236
Total short-term interest-bearing debt	58 906	14 322
Total interest-bearing debt	590 299	235 543
Cash & cash equivalents	278 759	505 545
Net interest-bearing debt	311 540	-270 002

The Group has entered into a senior secured NOK 625 million debt financing package relating to its phase 1 build out at Indre Harøy with Nordea, Sparebanken Vest and Innovation Norway. This package consists of a NOK 525 million senior secured credit facility that are to finance the construction CAPEX at Indre Harøy (Construction Facility) as well as a NOK 100 million overdraft facility. Per 31.12.22 the Group had made drawdowns of NOK 495 million under the Construction Facility. The Construction Facility has no repayments during the construction period and will be converted into a long-term debt facility at completion of Phase 1. In addition, the Company has drawn NOK 30 million on the Overdraft Facility.

The Group has also entered into loan agreements for a total of NOK 52 million relating to Salmon Evolution Dale AS of which around NOK 30 million was drawn as per 31 December 2022. This

financing is intended to finance working capital and investments in Salmon Evolution Dale as well as refinancing of the seller's credit.

Per 31.12.2022 the Company has NOK 12.8 million of short-term interest-bearing debt (seller's credit) relating to the acquisition of Salmon Evolution Dale AS.

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

Financial covenants

The most important financial covenants for the long-term financing of the Group are, respectively, a solvency requirement that the borrower's (Salmon Evolution Norway AS) book equity ratio (including intra-group loans) shall exceed 50%. Further, there is a profitability requirement linked to the borrower's EBITDA which 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 lenders also have a pledge over 100% of the shares in the Group's two operating subsidiaries, Salmon Evolution Norway AS and Salmon Evolution Dale AS. Furthermore, the respective lenders have a pledge over all material operating assets of the Group, hereunder inter alia, land, plant and machinery, operating licenses, inventory and receivables.

Information supporting the cash flows (NOK thousand)	Interest bearing debt	
	Short term	Long term
Balance at January 1, 2022	14 322	221 221
Repayment of loans and borrowings	-13 086	-
Proceeds from new bank loan	42 512	313 169
Seller credit Kraft Laks	12 841	-12 352
Obligations due to land and water rights	-	573
Change in obligations under leases	2 316	8 784
Balance at Dec 31, 2022	58 906	531 393
Transaction cost related to loans and borrowings	-	-
Capitalised borrowing cost	24 115	-
Interest expense	3 012	-
Change accrued interest	-2 412	-
Interest paid	24 714	-

Information supporting the cash flows (NOK thousand)	Interest bearing debt	
	Short term	Long term
Balance at January 1, 2021	40 696	933
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
Balance at December 21, 2021	14 322	221 221
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	

Note 23 Trade and other current liabilities

(NOK thousands)	31 Dec 2022	31 Dec 2021
Trade payables operation	21 483	19 435
Trade payable investments	113 616	142 636
Total trade payables	135 098	162 071

(NOK thousands)	31 Dec 2022	31 Dec 2021
Tax payable	2 077	1 026
Payroll withholding tax	2 810	1 785
Employer's national insurance contributions	2 199	2 135
Total social security and other taxes	7 086	4 946

(NOK thousands)	31 Dec 2022	31 Dec 2021
Accrued employer's social security contribution	0	0
Shareholder loan	0	0
Accrued salaries, holiday pay and bonus provisions	6 869	4 821
Severance pay accrual	0	0
Accrued interest expense	2 915	991
Other current liabilities	0	0
Total other current liabilities	9 783	5 812

Note 24 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:

The Company 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 2022 purchased legal services from Adviso Advokatfirma AS in the amount of NOK 206,000 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.

In Addition, the Company have purchased well boat services from Rostein AS in the amount of NOK 1.7 million. Rofisk AS owns Rostein AS (100%), and board member Glen Allan Bradley is the chair of the Board in Rofisk AS.

Income from related parties:

(NOK thousands)	2022	2021
K Smart Co Ltd	1 560	264
Total income from related parties (incl.VAT)	1 560	264

Expenses to related parties:

(NOK thousands)	2022	2021
Artec Aqua AS*	N/A	107 990
Rofisk AS (100% owner of Rostein AS)	1 686	-
Adviso Advokatfirma AS	206	325
Kjølås Stansekniver AS	936	464
Stette Eiendom AS	479	147
Total expenses to related parties (Incl. VAT)	3 308	108 927

Current liabilities to related parties

(NOK thousands)	2022	2021
Artec Aqua AS*	N/A	35 201
Rofisk AS (100% owner of Rostein AS)	150	-
Kjølås Stansekniver AS	93	-
Total current liabilities to related parties	243	35 201

Current receivables from related parties

(NOK thousands)	2022	2021
K Smart Farming Co., Ltd	1 560	32
Total current liabilities to related parties	1 560	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 31.12.2022.

Note 25 Events after the reporting date

Signed agreement for new NOK 1,550 million green debt financing package

The Company has entered into a binding loan agreement with DNB and Nordea for a new green debt financing package totalling NOK 1,550 million relating to phase 1 and 2 at Indre Harøy.

The new debt financing package consists of the following facilities:

- NOK 525 million non-amortizing Term Loan Facility which will refinance the Company's existing NOK 525 million construction loan relating to phase 1 (the "Term Loan")
- NOK 250 million RCF Capex Facility available for general corporate purposes including Indre Harøy phase 2 capex (the "RCF Facility")
- NOK 775 million Construction Facility available for financing of capex relating to phase 2 at Indre Harøy (the "Construction Facility")

Parent company Financial Statement

Income Statement

(NOK thousands)	Note	2022	2021
Other income	3	15 215	9 874
Total operating income		15 215	9 874
Personnel expenses	4,5	(21 973)	(14 551)
Depreciation	6,7	(1 938)	(13)
Other operating expenses	4,8	(27 603)	(10 878)
Operating profit (EBIT)		(36 300)	(15 568)
Financial income	3	58 436	19 135
Financial expenses	3,9	(4 332)	(624)
Net financials		54 104	18 511
Profit/loss before tax		17 804	2 943
Income tax expense	10	486	4 719
Profit/loss for the period		18 290	7 662

Statement of Comprehensive Income

(NOK thousands)	Note	2022	2021
Profit/loss for the period		18 290	7 662

Statement of Financial Position

(NOK thousands)	Note	31 Dec 2022	31 Dec 2021
Assets			
Intangible assets	6	2 564	0
Deferred tax asset	10	5 205	4 719
Property, plant & equipment	6	1 091	0
Right-of-use assets	6,7	9 841	216
Group non-current receivables	3	1 057 808	649 976
Investment in subsidiaries	11	359 197	356 778
Total non-current assets		1 435 705	1 011 689
Other current receivables	3	43 711	2 381
Cash and cash equivalents	12	254 610	355 403
Total current assets		298 321	357 783
Total assets		1 734 026	1 369 472
Equity and liabilities			
Share capital	13	17 288	15 540
Share premium	13	1 605 894	1 313 104
Other reserves	5	7 540	4 338
Other equity		0	0
Retained earnings		26 202	7 912
Total equity		1 656 923	1 340 894
Long-term interest-bearing debt	9	12 500	12 352
Lease liabilities - long term	7	7 602	144
Total non-current liabilities		20 102	12 496
Short-term interest-bearing debt	9	43 174	12 352
Trade payables	14	5 415	569
Current liabilities to Group Companies	3	37	0
Lease liabilities - short term	7	2 390	73
Other current liabilities	14	5 984	3 087
Total current liabilities		57 001	16 082
Total liabilities		77 103	28 578
Total equity and liabilities		1 734 026	1 369 472

The Board of Directors of Salmon Evolution ASA
Elnesvågen/Ålesund 17 April 2023



Tore Tønseth
Chair



Janne-Grethe Strand Aasnæs
Director



Anne Breiby
Director



Peder Stette
Director



Glen Allan Bradley
Director



Eunhong Min
Director



Ingvild Vartdal
Director



Håkon André Berg
Director



Trond Håkon Schaug-Pettersen
CEO

Statement of Cash Flow

(NOK thousands)	Note	2022	2021
Cash flow from operations			
Profit before income taxes		17 804	2 943
Adjustments for:			
Depreciation	6	1 938	0
Net financials	3	(53 078)	(18 511)
Share based payment expenses	4	3 201	1 135
Gain on lease modification	7	0	1
Changes in working capital:			
		0	0
Change in trade receivables		(2 797)	(2 304)
Change in other current receivables		(38 533)	112
Change in trade payables		4 846	(30)
Change in current liabilities to Group companies (exl. Group contribution)	3	37	(1 930)
Change in other current liabilities		3 602	3 087
Cash generated from operations		(62 980)	(15 497)
Cash flow from investment activities			
Investment in Group Companies	11	(2 419)	(35 949)
Payments for intangible assets	6	(2 564)	0
Payments for fixed assets and other capitalizations	6	(1 193)	0
Dividend income from group companies		12 000	0
Net cash flow from investment activities		5 823	(35 949)
Cash flow from financing activities			
Proceeds from issue of equity, net of paid transaction costs	6	294 538	517 874
Change in intercompany borrowings	3	(409 968)	(637 874)
Proceeds from new borrowings	9	42 833	0
Repayment of borrowings	9	(12 841)	0
Net change in right of use assets and liabilities		(1 685)	0
Interest paid		(1 924)	(429)
Interest received		45 410	7 033
Net cash flow from financing activities		(41 888)	(120 001)
Net change in cash and cash equivalents		(100 792)	(164 842)
Cash and cash equivalents at the beginning of the period		355 403	520 245
Cash and cash equivalents at the end of the period		254 610	355 403

Statement of Changes in Equity

(NOK thousands)	Note	Share capital	Share premium	Retained Earnings	Other Reserves	Total equity
Balance at 1 January 2021		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
Total comprehensive income		0	0	7 662	0	7 662
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
Transactions with owners		4 553	529 920	0	1 624	536 098
Balance at 31 December 2021	13	15 540	1 313 104	7 912	4 338	1 340 894
Profit/loss for the period		0	0	18 290	0	18 290
Other comprehensive income		0	0	0	0	0
Total comprehensive income		0	0	18 290	0	18 290
Share options exercised		81	7 724	0	0	7 805
Private placement 5. April 2022		1 129	202 041	0	0	203 169
Private placement, 2. May 2022		538	96 293	0	0	96 831
Private placements, transaction costs		0	(13 267)	0	0	(13 267)
Share options issued		0	0	0	3 201	3 201
Transactions with owners	13	1 748	292 790	0	3 201	297 740
Balance at 31 December 2022	13	17 288	1 605 894	26 202	7 540	1 656 923

Note 1 Summary of significant accounting policies

General information

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

- Salmon Evolution Norway AS, headquartered and located in Molde, Norway
- Salmon Evolution International AS,
- Salmon Evolution Dale AS
- Salmon Evolution Sales AS

SE is building a land-based salmon farming facility at Indre Harøy, with a planned annual production of 31,500 tons HOG fully developed of which phase 1 has a planned annual production of 7,900 tons HOG.

The build-out consists of three phases, with the first phase consisting of 12 large grow out tanks with corresponding infrastructure. SE will operate a hybrid flow-through (HFS) system, utilizing fresh seawater from the Norwegian coast. Construction start of phase 1 was in Q2 2020 and was completed mid April 2023. The first smolt batch was released at Indre Harøy late March 2022 as per original timeline, and the Group completed its first harvest in November 2022.

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 2022.

Going concern

The Company has adopted the going concern basis in preparing its 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 basis, except for the following items:

- Financial derivatives – measured at fair value through profit or loss.

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 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.

Dividends and group contributions

The Company has applied simplifications in regard to 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 is 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.

Share based payments

Information relating to the Company's employee option scheme is set out in note 5. 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 (eg 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 (eg 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. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and

service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

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.

Current and change in deferred tax for the year

Income Tax

The tax expense represents the sum of the tax currently payable and change in 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.

Leases

All leasing agreements with a duration exceeding 12 months are capitalized. 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 Company 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 incremental interest rate of the lease. The contractual minimum lease payments consist of fixed payments based on contractual amount at the time of conclusion of the agreement. 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 basis 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 and deposits held at call with financial institutions.

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 Financial risk and capital management

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

Market risk

Market risk is linked to both Interest Rate- and Currency fluctuations.

Interest Rate

The Company's interest rate risk relates primarily to borrowings from financial institutions with variable interest rates. As of 31 December 2022 Salmon Evolution Norway AS, a subsidiary of Salmon Evolution ASA, has outstanding loans from credit institutions amounted to NOK 556 million (excluding financial leasing). The Construction Facility which represents the vast majority of the Company's loan with financial institutions has an interest rate of NIBOR 3M plus an agreed margin of 3.75%. In order to reduce exposure to fluctuations in the interest rate Salmon Evolution Norway AS has entered interest rate swap contracts with Nordea and Sparebanken Vest, of respectively NOK 150 million and NOK 50 million. Salmon Evolution ASA is guarantor for the loan.

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

Foreign Currency

The Company's foreign currency risk relates to the Company's operating, investing, and financing activities denominated in a foreign currency. This includes the Company's revenues, expenses and capital expenditures. As 31 December 2022 the Company had not made any contracts.

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

Credit risk

With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents, and other receivables, the Company'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

A lack of liquidity will entail a risk that the Company will not be able to pay its obligations on maturity. Management monitors rolling forecasts of the Company's liquidity reserve (comprising cash and cash equivalents) on the basis of expected cash flows. The Company's business plan and growth strategy is capital intensive and the Company may be dependent upon future equity issues and/or debt financing in order to finance its current long-term plans.

Note 3 Intercompany balances and intercompany transactions

(NOK thousands)	Non-current receivables	Current receivables	Non-current liabilities	Current liabilities
Salmon Evolution Norway AS	1 026 851	34 567	-	37
Salmon Evolution International AS	29 957	-	-	-
Salmon Evolution Dale AS	-	-	-	-
Salmon Evolution Sales AS	1 000	-	-	-
K Smart Farming Co., Ltd	-	-	-	-
Total intercompany balances	1 057 808	34 567	-	37

Intercompany and related party transactions:

(NOK thousands)	Revenue	Interest
Salmon Evolution Norway AS	13 800	33 228
Salmon Evolution International AS	-	1 185
Salmon Evolution Dale AS	-	-
Salmon Evolution Sales AS	-	-
K Smart Farming Co., Ltd	1 415	-
Total intercompany balances	15 215	34 412

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

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.

Carrying value of the investment property pledged as security is NOK 1,771 million.

Salmon Evolution ASA received 12MNOK as dividend from Salmon Evolution Dale in 2022.

Salmon Evolution ASA also requires an administration fee from Salmon Evolution Norway AS. This fee covers administration, advice and development of the company, and is invoiced based on time spent by the employees of the parent company in the various areas. Total amount in 2022 was 13.8 MNOK.

There were no other transactions with group companies and related parties in 2022.

Note 4 Personnel expenses, remuneration to the board and auditor's fee

Personnel expenses, remuneration to executives and accrued liabilities to be paid in 2023

(NOK thousands)	2022	2021
Salaries	12 880	7 807
Social security	2 184	1 425
Pensions	512	83
Other benefits	1 894	16
Share-based payments	1 782	1 535
Director's fee (both paid in 2022 and liabilities to be paid 2023)	2 721	3 685
Gross personnel expenses	21 973	14 551

Number of full-time employment equivalents 9 2

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)	2022	2021
Tore Tønseth (Chairman of the Board)	500	500
Kristofer Reiten (Member of the Board)	250	250
Glen Bradley (Member of the Board and audit committee)	375	250
Peder Stette (Member of the Board)	250	250
Anne Breiby (Member of the Board)	250	250
Yun Ki Yun (Member of the board)	250	208
Janne-Grethe A. Strand (Member of the board and leader of audit committee)	500	42
Ingvild Vartdal (Member of the Board)	250	42
Frode Kjøllås (Nomination committee)	75	208
Berit Rogne (Nomination committee)	50	
Total board of Directors	2 750	2 000

Remuneration and compensation to executive management 2022

(NOK thousands)	Salary	Bonus	Options	Pension	Other	Total
Trond Håkon Schaug-Pettersen (CFO/CEO/Chairman)	2 228	-	1 399	67	246	3 940
Håkon André Berg (CEO/Chairman until nov.2022)	2 722	-	20	67	208	3 017
Total executive management	4 950	-	1 419	134	454	6 957

Auditor's remuneration expensed in 2022

(NOK thousands)	2022	2021
Statutory audit	440	255
Service in relation to tax return	8	0
Tax advise	0	0
Interim audit	0	97
Other services	0	116
Total	448	468

Note 5 Share based payments

From 2020 The Company had granted 1,625,000 options to Group 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 ASA at an average agreed exercise price of NOK 5.25. The options were granted on 25 August 2020 and 28 September 2020 and has a 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.

In addition, the Board of the directors on 26 August 2021 established a share option program for members of the Group's executive management where total of 6,900,000 share options (adjusted to 7,650,000 22 November) have been granted. The options will be issued on an annual basis with 1/3 each year, with issue dates being 31 August 2021, 1 June 2022 and 1 June 2023. Issued options vest 50% after year one and 50% after year two. A total of 2,300,000 (2,550,000) share options were granted at a strike price of NOK 9.00 per share, and a total of 4,600,000 (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 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)	2022	2021
Outstanding options 1 January	9 275	1 625
Options granted	0	7 650
Options exercised	1 625	0
Options forfeited	2 500	0
Outstanding options at end of period	5 150	9 275
(NOK thousands)	2022	2021
Håkon André Berg (CEO until october 2022)	20	609
Trond Håkon Schaug-Pettersen (CEO from oktober 2022 & CFO)	1 399	526
Ingjarl Skarvøy (COO)	600	224
Kamilla Mordal Holo (Project Director)	567	212
Odd Frode Roaldsnes (CCO)	615	53
Total	3 201	1 624
Charges to income statement, Salmon Evolution ASA	1 782	1 135
Charges to the shares in Salmon Evolution Norway AS	1 419	489

Key assumptions	2022	2021
Average fair value (NOK)	1,47	1,36
Average exercise price (NOK)	10,35	10,35
Weighted expected average life (in years)	2,33	2,33
Estimated dividend per share (NOK)	0	0
Expected average volatility	29,2 %	29,2 %
Risk-free rate	0,86 %	0,86 %

Group management have the following holdings	Holding 01.01	Awarded	Exercised	Forfeitet	Holding 31.12
Håkon André Berg (CEO)	3 450	-	450	2 500	500
Trond Håkon Schaug-Pettersen (CFO)	2 775	-	375	-	2 400
Ingjarl Skarvøy (COO)	850	-	100	-	750
Kamilla Mordal Holo (Project Director)	850	-	100	-	750
Odd Frode Roaldsnes (CCO)	750	-	-	-	750
Total	8 675	-	1 025	2 500	5 150

*Numbers in thousand

Note 6 Property, plant and equipment

(figures in NOK 1000)	Intangible assets	Fixtures and fittings	Right-of-use assets	Total
Cost 1 January 2022	0	0	216	216
Additions	2 564	1 193	11 466	15 223
Disposals				
Cost 31 December 2022	2 564	1 193	11 682	15 439
Accumulated depreciation 1 January 2022	0	0	5	5
Depreciation for the period	0	103	1 836	1 938
Net book value 31 December 2022	2 564	1 091	9 841	13 495

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.

Capitalized development costs are related to building strategy and purchase of rights for sale and development of own branding.

Note 7 Leases

Amounts recognised in the balance sheet

(NOK thousands)	31 Dec 2022	31 Dec 2021
Right-of-use assets		
Rent of premises	8 101	0
Car	427	216
Office supply	1 313	0
Total right-of-use assets	9 841	216
Lease liabilities		
Current	2 390	73
Non-current	7 602	144
Total lease liabilities	9 993	217

Amounts recognised in the statement of profit or loss

(NOK thousands)	31 Dec 2022	31 Dec 2021
Depreciation right-of-use assets		
Rent of premises	(1 417)	0
Car	(187)	(13)
Office supply	(231)	0
Gross depreciation	(1 836)	(13)
- Capitalized as assets under construction		
Net depreciation	(1 836)	(13)
Interest expense lease liability	409	2

The total cash outflow for leases in 2022 was NOK 2,059 thousand.

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, eg 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 recognised on a straight-line basis as an expense in profit or loss. 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 8 Other operating expenses

(NOK thousands)	2022	2021
Cost of premises (not defined as RoU)	568	63
Other operating and administrative expenses	7 723	973
Insurance	151	53
Consultancy fees	17 991	6 927
Other fees (Oslo Børs, VPS)	1 170	2 863
Total other operating expenses	27 603	10 878

Note 9 Interest bearing debt

Long-term interest bearing debt		
(NOK thousand)	31.12.2022	31.12.2021
Debt to credit institutions	12 500	-
Other long-term interest bearing debt	-	12 352
Leasing liabilities	7 602	144
Total long-term interest-bearing debt	20 102	12 496
Short-term interest bearing debt		
(NOK thousand)	31.12.2022	31.12.2021
Debt to credit institutions	30 333	-
Other short-term interest bearing debt	12 841	12 352
Leasing liabilities	2 390	73
Total short-term interest-bearing debt	45 565	12 425
Total interest-bearing debt	65 667	24 921
Cash & cash equivalents	254 610	355 403
Net interest-bearing debt	-188 943	-330 482

The Group has entered into a senior secured NOK 625 million debt financing package relating to its phase 1 build out at Indre Harøy with Nordea, Sparebanken Vest and Innovation Norway. This package consists of a NOK 525 million senior secured credit facility that are to finance the construction CAPEX at Indre Harøy (Construction Facility) as well as a NOK 100 million overdraft facility. Per 31.12.22 the Group had made drawdowns of NOK 495 million under the Construction Facility. The Construction Facility has no repayments during the construction period and will be converted into a long-term debt facility at completion of Phase 1.

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) book equity ratio (including intra-group loans) shall exceed 50%. Further, there is a profitability requirement linked to the borrower's EBITDA which 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 lenders also have a pledge over 100% of the shares in the Group's two operating subsidiaries, Salmon Evolution Norway AS and Salmon Evolution Dale AS. Furthermore, the respective lenders have a pledge over all material operating assets of the Group, hereunder inter alia, land, plant and machinery, operating licenses, inventory and receivables.

Note 10 Taxes

Calculation of deferred tax/deferred tax benefit

(NOK thousands)	2022	2021
Fixed assets	206	
Right-of-use assets	9 841	216
Lease liabilities	-9 993	-217
Other current liabilities		
Net temporary differences	54	-1
Tax losses carried forward	53 995	52 798
Basis for deferred tax	53 941	52 799
Deferred tax (22%)	11 867	11 616
Deferred tax benefit not recognised in the balance sheet*	-6 662	-6 896
Deferred tax in the balance sheet	5 205	4 719

*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 Salmon Evolution Dale AS. The group assumes to utilize tax losses carried forward against tax positions in Salmon Evolution Dale AS.

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

(NOK thousands)	2022	2021
Result before taxes	17 804	2 943
Permanent differences*	-23 610	-23 646
Basis for the tax expense in the current year	-5 806	-20 703
Change in temporary differences	-55	-1
Basis for payable taxes in the income statement	-5 861	-20 704

Components of the tax expense

(NOK thousands)	2022	2021
Payable tax on this year's result	-	-
Change in deferred tax	-251	-4 554
Change in deferred tax not shown in the balance sheet	-234	-165
Tax expense	-486	-4 719

Reconciliation of the tax expense with the nominal tax rate

(NOK thousands)	2022	2021
Result before taxes	17 804	2 943
Calculated tax (22%)	3 917	647
Tax expense	-	-
Difference	-3 917	-647

The difference consists of:

Tax on permanent differences	-5 194	-5 201
Change in tax rate	-	-
Change in deferred tax	486	4 719
Change in deferred tax due to change in tax rate	-	-
Change in deferred tax not shown in the balance sheet	-234	-165
Change due to group contribution from previous year (tax wise)	1 026	
Sum explained differences	-3 917	-647

Note 11 Investments in subsidiaries

(NOK thousands)	Location and place of business	Ownership/ voting right	Equity 31.12.22 (100%)	Result 2022 (100%)	Balance sheet value
Salmon Evolution Norway AS	Molde, Norway	100 %	236 326	(7 474)	281 138
Salmon Evolution International AS	Molde, Norway	100 %	-1 770	(790)	1 000
Salmon Evolution Dale AS	Folkestad, Norway	100 %	18 878	5 263	76 059
Salmon Evolution Sales AS	Ålesund, Norway	100 %	1 000	122	1 000
K Smart Farming Co., Ltd*	Gangwangnak-ro, South Korea	49 %	49 242	416	-
Balance sheet value as of 31 December 2022					359 197

*K Smart Farming Co., Ltd is owned through Salmon Evolution International 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 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 31.12.2022 no impairment indicators was assessed to be present for the Company's investments.

Movement in investment in subsidiaries during 2022 is analysed in the following way:

(NOK thousands)	
Opening balance 01 January 2022	356 778
Share options issued (Salmon Evolution Norway)	1 419
Salmon Evolution Sales AS, established July 2022	1 000
Closing balance 31 December 2022	359 197

Note 12 Cash and restricted cash

(NOK thousands)	31 Dec 2021	31 Dec 2021
Cash in bank	252 956	355 126
Restricted bank deposits	1 655	276
Total cash and cash equivalents	254 610	355 403

Restricted cash are related to tax withholdings for employees (TNOK 1 655).

Note 13 Share capital

	Nominal value	31 Dec 2022	31 Dec 2021
Ordinary shares	0,05	345 754 822	310 796 489
Average number of shares	0,05	337 015 239	291 291 107
(NOK thousands)			
Share capital		17 288	15 540
Share premium		1 605 894	1 334 283
Total		1 623 182	1 349 823

The number of shares issued in the company at 31 December 2022 was 345,754,822 with a nominal value of NOK 0.05 each. All shares carry equal voting rights.

20 largest shareholders as of 31.12.22	No of shares	Percentage share
Ronja Capital II AS	27 393 242	7,9 %
The Bank of New York Mellon SA/NV	22 310 787	6,5 %
Farvatn Private Equity AS	17 649 433	5,1 %
Dongwon Industries Co. Ltd	16 044 572	4,6 %
Rofisk AS	14 537 897	4,2 %
Stette Invest AS	11 569 338	3,3 %
Kjøllås Stansekniver AS	11 207 738	3,2 %
J.P. Morgan SE	8 141 141	2,4 %
Mevold Invest AS	7 994 252	2,3 %
Lyngheim Invest AS	7 810 734	2,3 %
Jakob Hatteland Holding AS	7 441 374	2,2 %
Ewos AS	7 418 309	2,1 %
Bortebakken AS	7 301 134	2,1 %
Verdipapirfondet Dnb Norge	5 717 376	1,7 %
Nordnet Livsforsikring AS	5 278 862	1,5 %
Verdipapirfondet DNB SMB	4 685 346	1,4 %
VPF DNB Norge Selektiv	4 518 643	1,3 %
Salmoserve AS	3 782 921	1,1 %
CACEIS Bank	3 033 333	0,9 %
Småge Eiendom AS	2 788 245	0,8 %
Total 20 largest shareholders	196 624 677	56,9 %
Other shareholders	149 130 145	43,1 %
Total number of shares	345 754 822	100,0 %

As of 31 December 2022, shares directly held by members of the Board of Directors, Chief Executive officer, and Executive Management consisted of the following:

	No of shares	Percentage share
Peder Stette, Member of the board - Stette Invest AS	11 569 338	3,3 %
Glen Allan Bradley, Member of the Board *	5 364 032	1,6 %
Ingjarl Skarvøy, COO - Terra Mare AS and private	1 800 150	0,5 %
Janne-Grethe Stand Aasnæs, Member of the board - Nikaro AS	480 000	0,1 %
Håkon Andre Berg, Member of the board - Carried Away AS	450 000	0,1 %
Trond Håkon Schaug-Pettersen, CEO & CFO - Troha Invest AS	400 000	0,1 %
Kamilla Mordal Holo, Project Director - C10 Holding AS & private	160 060	0,0 %
Anne Breiby, Member of the board	104 000	0,0 %
Total	20 327 580	5,9 %

*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%.

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

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

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

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

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

Note 14 Trade and other current liabilities

(NOK thousands)	31 Dec 2022	31 Dec 2021
Trade payables	5 415	569
Total trade payables	5 415	569

(NOK thousands)	31 Dec 2022	31 Dec 2021
Payroll withholding tax, VAT and other taxes	1 655	109
Employer's national insurance contributions	980	605
Accrued salaries, holiday pay and bonus provisions	3 349	2 373
Total other current liabilities	5 984	3 087

Note 15 Events after the reporting date

Signed agreement for new NOK 1,550 million green debt financing package

Salmon Evolution Norway AS has entered into a binding loan agreement with DNB and Nordea for a new green debt financing package totalling NOK 1,550 million relating to phase 1 and 2 at Indre Harøy. Salmon Evolution ASA is guarantor for the loan.

The new debt financing package consists of the following facilities:

- NOK 525 million non-amortizing Term Loan Facility which will refinance the Company's existing NOK 525 million construction loan relating to phase 1 (the "Term Loan")
- NOK 250 million RCF Capex Facility available for general corporate purposes including Indre Harøy phase 2 capex (the "RCF Facility")
- NOK 775 million Construction Facility available for financing of capex relating to phase 2 at Indre Harøy (the "Construction Facility").

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 2022.

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 2022 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 2022 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.

Elesvågen/Ålesund 17 April 2023



Tore Tønseth
Chair



Janne-Grethe Strand Aasnæs
Director



Anne Breiby
Director



Peder Stette
Director



Glen Allan Bradley
Director



Eunhong Min
Director



Ingvild Vartdal
Director



Håkon André Berg
Director



Trond Håkon Schaug-Pettersen
CEO

Independent Auditor's Report

To the Annual Shareholders meeting of Salmon Evolution ASA

Report on the Audit of the Financial Statements

Opinion

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 2022, 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 2022, 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 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and 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.

During 2022 we provided services in connection with the preparation of the financial statements for 2021 for Salmon Evolution Dale AS and Salmon Evolution International AS, subsidiaries of Salmon Evolution ASA, for a total fee of NOK 23 100. These services fall within the definition of prohibited non-assurance services in the Audit Regulation (537/2014) Article 5.1. Having discussed the matter

with the Audit Committee, we believe that these service deliveries have not compromised our objectivity and independence. To the best of our knowledge and belief, no other prohibited non-assurance services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided. In our opinion we are independent of Salmon Evolution ASA.

We have been the auditor of Salmon Evolution ASA for 3 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 14 June 2022).

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.

Description of the key audit matter	How the key audit matter was addressed in the audit
<p>Capitalised expenditure on asset under construction</p> <p>Asset under construction makes up 74% of the total assets of the group (1 713 MNOK). If we exclude cash and cash equivalents, assets under constructions makes up 85% of total assets. A total cost of 742 MNOK has been capitalized in 2022 (751 MNOK in 2021). Phase 1 of the construction was finalized and ready for intended use medio April 2023.</p> <p>A part of the additions is related to indirect cost. Accumulated indirect cost to asset under construction amounts to 89,3 MNOK, of which 30,6 MNOK is related to interest. The additions in 2022 equals 34% of the total indirect cost in the subsidiary Salmon Evolution Norway versus 67% in 2021. The percentage allocated 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 due to its financial significance and the various judgments involved.</p>	<p>We have agreed the opening balance with prior year and tested the basis for additions on a sample basis. The selected direct cost samples were verified against supporting documentation from suppliers to confirm 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 confirmed and reconciled accounts payable for the main supplier Artec Aqua AS.</p> <p>In relation to indirect cost allocated to asset under construction we have assessed the policies applied for allocation and reviewed the applied allocation percentages based on the defined tasks for the relevant 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 statutory requirements.

Our opinion on the Board of Director's report applies correspondingly for the statements on Corporate Governance, Corporate Social Responsibility and for the report on payments to governments.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

Management is 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

As part of the audit of the financial statements of Salmon Evolution ASA we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name "549300P2OB7L255PF765-2022-12-31-en.zip", have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Molde, 17 April 2023

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 in 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 2022 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. 3-5, 8-14
	2-2 Entities included in the organization's sustainability reporting	Salmon Evolution ASA with subsidiaries, p. 107
	2-3 Reporting period, frequency and contact point	01.01.2022-31.12.2022 Annual reports from 2022 Contact point: CFO
	2-4 Restatements of information	p. 15
	2-5 External assurance	N/A – no external assurance of ESG reporting for the 2022 report
	2-6 Activities, value chain and other business relationships	p. 3-4, 24, 25
	2-7 Employees	p. 26-29
	2-8 Workers who are not employees	N/A – only employees or subcontractors
	2-9 Governance structure and composition	p. 32
	2-10 Nomination and selection of the highest governance body	p. 40-41
	2-11 Chair of the highest governance body	p. 41
	2-12 Role of the highest governance body in overseeing the management of impacts	p. 41
	2-13 Delegation of responsibility for managing impacts	p. 30
	2-15 Conflicts of interest	p. 29, 39
	2-16 Communication of critical concerns	p. 39
	2-17 Collective knowledge of the highest governance body	p. 33-36
	2-19 Remuneration policies	p. 41-42
	2-20 Process to determine remuneration	p. 41-42
	2-22 Statement on sustainable development strategy	p. 19-20

	2-23 Policy commitments	p. 30-31
	2-24 Embedding policy commitments	p. 30-31
	2-27 Compliance with laws and regulations	p. 31
	2-28 Membership associations	p. 41
	2-29 Approach to stakeholder engagement	p. 30
	2-30 Collective bargaining agreements	p. 26-27
GRI 3: Material Topics		
	3-1 Process to determine material topics	p. 16
	3-2 List of material topics	p. 16
	3-3 Management of material topics	p. 16
GRI 201: Economic Performance		
	201-1 Direct economic value generated and distributed	See financial statements and notes p. 59-101
	201-2 Financial implications and other risks and opportunities due to climate change	p. 21, 54
	201-3 Defined benefit plan obligations and other retirement plans	See financial statements and notes p. 59-101
	201-4 Financial assistance received from government	See financial statements and notes p. 59-101
GRI 205: Anti-corruption		
	205-2 Communication and training about anti-corruption policies and procedures	p. 38
	205-3 Confirmed incidents of corruption and actions taken	Zero (0) incidents
GRI 301: Materials		
	301-1 Materials used by weight or volume	p. 25
	301-2 Recycled input materials used	p. 20
GRI 302: Energy		
	302-1 Energy consumption within the organization	pp. 20, 23
	302-2 Energy consumption outside of the organization	pp. 20, 23
GRI 303: Water and Effluents		
	303-1 Interactions with water as a shared resource	pp. 19-24
	303-2 Management of water discharge-related impacts	pp. 19-24

	303-3 Water withdrawal	pp. 19-24
	303-4 Water discharge	pp. 19-24
	303-5 Water consumption	pp. 19-24
GRI 304: Biodiversity		
	304-2 Significant impacts of activities, products and services on biodiversity	p. 22
GRI 305: Emissions		
	305-1 Direct (Scope 1) GHG emissions	p. 25
	305-2 Energy indirect (Scope 2) GHG emissions	p. 20 – 100% renewable energy
	305-5 Reduction of GHG emissions	p. 25
GRI 306: Waste		
	306-1 Waste generation and significant waste-related impacts	pp. 21-22
GRI 401: Employment		
	401-1 New employee hires and employee turnover	p. 29
	401-3 Parental leave	p. 26
GRI 403: Occupational Health and Safety		
	403-1 Occupational health and safety management system	pp. 26-27
	403-2 Hazard identification, risk assessment, and incident investigation	pp. 26-27
	403-3 Occupational health services	pp. 26-27
	403-4 Worker participation, consultation, and communication on occupational health and safety	pp. 26-27
	403-5 Worker training on occupational health and safety	Health and safety training for all employees
	403-6 Promotion of worker health	pp. 26-27
	403-9 Work-related injuries	pp. 26-27
	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. 27
	404-2 Programs for upgrading employee skills and transition assistance programs	p. 27
	404-3 Percentage of employees receiving regular performance and career development reviews	p. 27

GRI 405: Diversity and Equal Opportunity		
	405-1 Diversity of governance bodies and employees	pp. 13-14, 28, 33-36 (BoD)
	405-2 Ratio of basic salary and remuneration of women to men	p. 28
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. 30

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

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

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

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

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

**SALMON
EVOLUTION**

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