



Extending the ocean potential

**Q4 2020**

SALMON  
EVOLUTION®

## Salmon Evolution – Extending the Ocean Potential

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

- First production facility under construction at Indre Harøy in Norway, with annual harvesting capacity of 31,500 tonnes HOG fully developed
- Signed joint venture term sheet with Dongwon Industries for a 20,000 tonnes production facility in South Korea – first grow-out production targeted in 2024
- Utilizing hybrid flow-through (“HFS”) system with 30%-35% fresh seawater intake, reducing complexity and biological risk and securing optimal growth at low cost
- Targeting a position as a global leading land-based farmer, enabled by a strong ESG profile
- On track for ~25,000 tonnes by 2024, clear roadmap for 70,000 by 2030
- Preparations for listing at Oslo Stock Exchange (main list) has started, and is expected to be materialized in Q2/Q3 2021

### Salmon Evolution – Indre Harøy, Norway

State of the art hybrid flow-through production facility under construction

Strategically located on the Norwegian west coast, with access to an educated and experienced work force, established salmon farming infrastructure, renewable energy, and unlimited fresh seawater

International expansion ambitions, with planned first step in South Korea together with Dongwon Industries. Potential for additional opportunities in both Asia, North America and Europe



Photo: Salmon Evolution

## Highlights in the quarter

- Construction of Phase 1 at Indre Harøy progressing according to plan – on time and on budget
- Critical infrastructure completed including wastewater tunnel – project execution risk significantly reduced
- Received a NOK 96.8 million funding commitment from Enova and granted NOK 14 million in funding from the Norwegian Skattefunn tax incentive scheme
- Available cash of NOK 648 million (NOK 2.95 per share) at 31 December

## Subsequent events

- Signed Joint Venture term sheet with Dongwon Industries for the establishment of a 49/51 joint venture for construction and operation of a 20,000 tonnes LWE land-based salmon farming facility in South Korea
- Constructive discussions with banks for long term debt financing of phase 1 at Indre Harøy – committed term sheet expected finalized Q1/Q2 2021

## Key figures

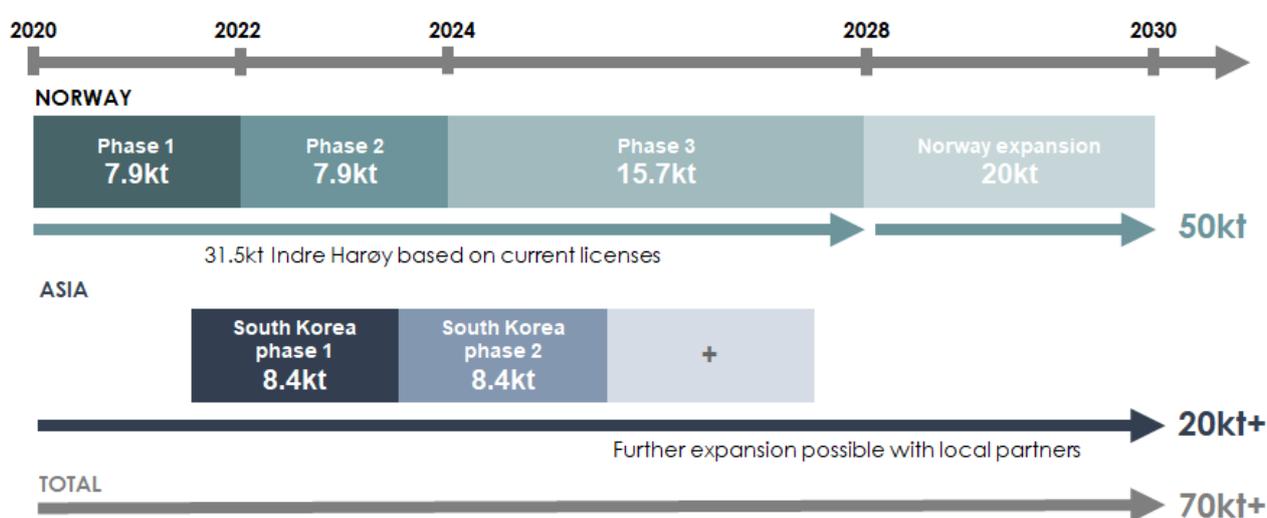
| (figures in NOK 1000)                | Q4 2020  | Q4 2019 | YTD 2020 | YTD 2019 |
|--------------------------------------|----------|---------|----------|----------|
| <b>IFRS main figures</b>             |          |         |          |          |
| Operating Revenues                   | 0        | 0       | 704      | -175     |
| EBITDA                               | -1,821   | -3,835  | -17,126  | -11,681  |
| EBIT                                 | -2,158   | -3,926  | -17,676  | -11,862  |
| Profit / (loss) before taxes         | -1,192   | -3,313  | -16,826  | -11,269  |
| Cash flow from investment activities | -58,755  | -14,732 | -146,092 | -25,021  |
| Cash flow from financing activities  | 6,094    | -1,479  | 802,664  | 48,328   |
| Net cash flow                        | -60,972  | -11,464 | 626,682  | 20,753   |
| Available cash                       | 647,806  | 21,124  |          |          |
| Available cash per share             | 2.95     | 0.70    |          |          |
| Net Interest-bearing liabilities     | -646,873 | -19,396 |          |          |
| Total assets                         | 892,810  | 50,483  |          |          |
| Equity                               | 788,442  | 38,198  |          |          |
| Equity ratio                         | 88%      | 76%     |          |          |

## Roadmap to 70,000 tonnes in 2030

Salmon Evolution targets a leading position in the production of sustainable high-quality salmon from land-based facilities. In addition to its 31,500 tonnes project Norway, the company has international ambitions. Through utilisation of technology, competence and experience from

domestic projects, Salmon Evolution aim to develop projects in targeted growth markets in collaboration with local partners. The company has a clear road map towards +70,000 tonnes production capacity by 2030 and is already on track for ~25,000 tonnes by 2024.

### Roadmap towards +70kt HOG annual harvest



### Signed JV agreement for South Korean expansion

On 26 February 2021 Salmon Evolution signed a Joint Venture term sheet with Dongwon Industries for the establishment of a 49/51 owned joint venture to develop, construct and operate a land-based salmon farming facility in South Korea using Salmon Evolution's HFS technology.

The joint venture will be named K Smart Farming ("K-Smart"). The project will be completed in two phases, with each phase aiming to achieve an annual capacity of 10,000 tonnes LWE, 20,000 tonnes combined.

Total project cost for phase 1 including capex, project management and working capital build up, is estimated to NOK 1.6 billion.

Under the terms of the Joint Venture term sheet, Dongwon Industries will facilitate debt financing for K-Smart and Salmon Evolution's total equity contribution for 49% ownership is estimated to approximately NOK 200 million on a fully funded basis. Phase 2 of the project is planned financed through a combination of bank debt and retained earnings.

Salmon Evolution's equity contribution will be split in tranches, reflecting the overall progress of

the project. Initially the parties expect to make a moderate capital contribution which will be used to fund (i) design and engineering, (ii) site evaluation and permitting and (iii) general corporate purposes.

The parties' subsequent equity contributions will be paid in tranches subject to certain milestones being met, including final technical, operational and financial review of the project and K Smart receiving the necessary permits.

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

The parties have identified a production site in Yangyang on the north east coastline of South Korea with solid data points on water quality and temperatures. Preliminary estimates indicate an EBITDA cost of NOK 39-41/kg (HOG) and an EBIT cost of NOK 44-46/kg (HOG).

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

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

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

The Joint Venture term sheet is expected formalized into definitive agreements during Q2 2021.

## Project review

### Status - Indre Harøy

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

The main contractor, Artec Aqua, has entered into agreements with subcontractors who are currently working on site.

Blasting work for the fish-tanks and buildings is completed, and the masses have been transported out or crushed for reuse. Concrete works, including foundations for buildings and tanks, started in September and will continue in the coming quarters. Tunnel for wastewater was successfully finished in December.

Construction work through the first quarter 2021 will mainly be on production facilities, where the company is to start the assembly of fish-tanks.

The company remains on track for the first smolt release which is scheduled to be in March 2022.

Currently some 80 workers are working on site. As workload increase the number of workers on site will increase going forward and is expected to peak at around 200 people during summer 2021.

Along with the higher activity work complexity increase. To reduce risk for accidents, Salmon Evolution aims for a close dialogue with contractors and workers to secure controlled and safe project progression.

### Completion of wastewater tunnel (December 2020)



Photo: Salmon Evolution

## Milestones

Following the ongoing groundworks, Phase 1 includes a stepwise construction of 12 grow-out tanks with an annual combined capacity of 7,900 tonnes HOG.

Handover of the first four tanks is scheduled for late Q1 2022, followed by completion of the remaining eight tanks consecutively throughout Q2 2022 to Q4 2022.

Production of the first batches is expected to commence in Q1 2022, with first harvest expected in Q4 2022 and steady state annualized harvest volumes of 7,900 tons HOG from Q3 2023.

### Indre Harøy facility to be built in three Phases with a total annual harvest volume of 31.5kt HOG

| Phase        | Description                                    | Capacity            | Capex est.        | EBIT Cost/kg    |
|--------------|--|---------------------|-------------------|-----------------|
| Phase 1      | - Land acquisition                             | ~7,900t HOG         | NOK 1.2 bn*       | NOK 40.8        |
|              | - Building of foundations                      |                     |                   |                 |
|              | - Construction of 12 grow-out tanks            |                     |                   |                 |
| Phase 2      | - Construction of additional 12 grow-out tanks | ~7,900t HOG         | NOK 1.2 bn**      | NOK 38.6        |
| Phase 3      | - Construction of additional 24 grow-out tanks | ~15,700t HOG        | NOK 2.1 bn        | NOK 36.1        |
|              | - Construction of 4 holding tanks              |                     |                   |                 |
|              | - Construction of intake station               |                     |                   |                 |
| <b>Total</b> |  | <b>~31,500t HOG</b> | <b>NOK 4.5 bn</b> | <b>NOK 36.1</b> |

\*Capex exclusively related to phase 1

\*\* Smolt facility not included

## Project financials

When comparing cost estimates for Phase 1 and a fully built out facility, efficiency gains in both capex and opex are expected. Capex efficiencies are related to synergies between Phases (groundwork, reduced mobilization costs, etc.), increased efficiency in assembly, and increased efficiency in planning and executing together with suppliers. As of 31 December, total capital expenditure amounts to NOK 197 million<sup>1</sup>, representing some 15% of total capital expenditure of about NOK 1.3 billion.

### Capex overview Indre Harøy Phase 1

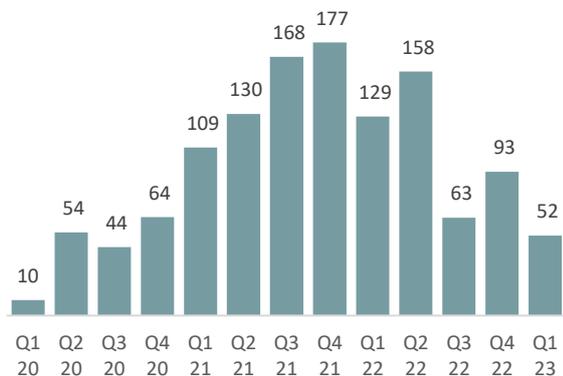
|                          | NOKm         | %           |
|--------------------------|--------------|-------------|
| <b>Paid per 31.12.20</b> | <b>197</b>   | <b>15 %</b> |
| <i>Distribution</i>      |              |             |
| 2019                     | 19           | 1 %         |
| 2020                     | 177          | 13 %        |
| <b>Remaining payment</b> | <b>1 079</b> | <b>85 %</b> |
| <i>Distribution</i>      |              |             |
| 2021                     | 687          | 52 %        |
| 2022                     | 468          | 35 %        |
| 2023                     | 24           | 2 %         |

Source: Company data

According to the company's capex plan, payments will peak in Q4 2021 and gradually decrease towards completion.

<sup>1</sup> Net of grants directly tied to capital expenditure and exclusive of internal capitalized G&A costs.

### Capex plan Indre Harøy Phase 1 (NOK million)

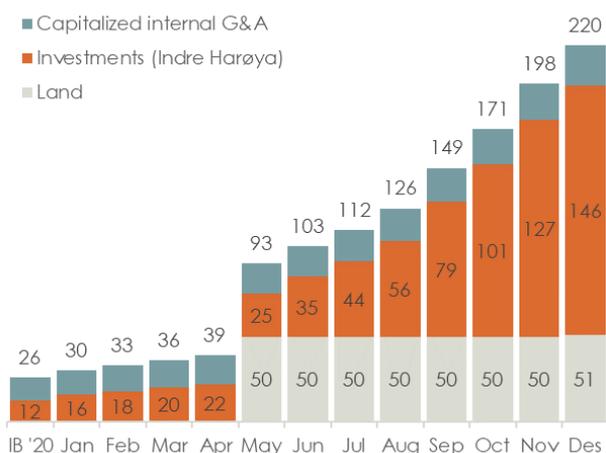


Source: Company data

### Capital Expenditures

Total capital expenditures during the fourth quarter amounted to NOK 71.8 million, of which NOK 68.3 million were investments related to the turnkey project with Artec Aqua and NOK 3.2 million was capitalized personnel and shared cost.

### Accumulated CAPEX 2020 (NOK million)



Source: Company data

As per 31 December 2020, accumulated capex from project initiation in 2019 amounts to NOK 220.0 million.

In May 2020, Salmon Evolution acquired necessary land for development and

construction of the operations at Indre Harøy. Capex related to land investments accounts for approximately 1/4 of the total capex year to date.

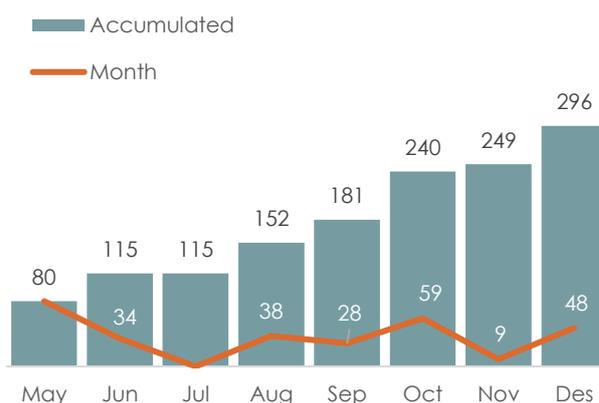
The groundwork also started in May and the investments on Indre Harøy are gradually increasing along with higher workload on site and increased complexity.

### Financial obligations

The turnkey project agreement with Artec Aqua includes a clause for financing reservations until further financing is secured. This means that Artec Aqua as main contractor cannot enter agreements with subcontractors until the financial reservation for the specific contract is related.

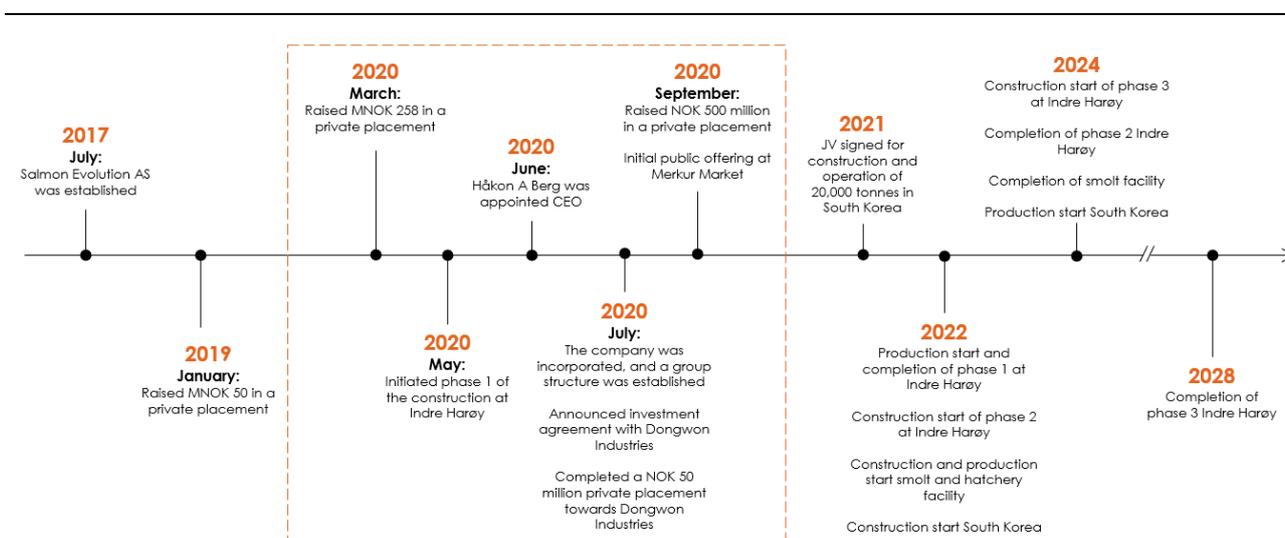
In fourth quarter the company committed contracts with subcontractors of approximately NOK 116 million. These commitments consist of contracts and deliveries including concrete elements, energy installation- and plant and fish-feeding system.

### Financial capex commitments (NOK million)



Source: Company data

## Project timeline



Source: Salmon Evolution

## Funding

During 2020 the company secured both equity and debt financing and is continuously seeking to optimize the capital structure.

In March 2020, Salmon Evolution issued 77,503,182 new shares in a Private Placement, increasing equity by NOK 258 million.

In July, the company entered into a partnership agreement with South Korean Dongwon Industries, where Dongwon invested NOK 50 million for a minority stake in the company, and in September the Salmon Evolution completed a private placement raising NOK 500 million in connection with the listing on Euronext Growth.

The issuance of shares, related to the company's incentive program, has raised an additional NOK 2.0 million. As of 31 December 2020, the accumulated equity increases amounted to NOK 860 million.

### Development in paid-in equity (NOK million)



Source: Company data

During the third quarter the company also secured debt financing of NOK 40 million for the land acquisition on Indre Harøy. The loan was fully drawn in fourth quarter.

As of 31 December 2020, Salmon Evolution had available cash and cash equivalents amounting to NOK 648 million.

## Financial review

### Summary of result

(figures in NOK 1000)

|                                   | Q4 2020       | Q4 2019       | YTD 2020       | YTD 2019       |
|-----------------------------------|---------------|---------------|----------------|----------------|
| <b>Total operating income</b>     | <b>0</b>      | <b>0</b>      | <b>704</b>     | <b>-175</b>    |
| Personnel expenses                | -2,034        | -2,265        | -8,877         | -3,754         |
| Depreciations                     | -337          | -91           | -550           | -181           |
| Other operating expenses          | 214           | -1,570        | -8,954         | -7,752         |
| <b>Operating profit (EBIT)</b>    | <b>-2,158</b> | <b>-3,926</b> | <b>-17,676</b> | <b>-11,862</b> |
| Financial income                  | 1,113         | 622           | 1,114          | 622            |
| Financial expenses                | -147          | -9            | -263           | -30            |
| <b>Financial expense - net</b>    | <b>966</b>    | <b>614</b>    | <b>850</b>     | <b>593</b>     |
| Profit/loss before tax            | -1,192        | -3,313        | -16,826        | -11,269        |
| Income tax expense                | 0             | 0             | 0              | 0              |
| <b>Profit/loss for the period</b> | <b>-1,192</b> | <b>-3,313</b> | <b>-16,826</b> | <b>-11,269</b> |

### Q4 2020 results

Personnel expenses for the quarter totalled NOK 2.0 million. During the quarter approx. 60% of the total personnel expenses were capitalized.

Other operating expenses totalled to NOK -0.2 million during the quarter. Costs deemed to be part of the ongoing assets under construction are capitalized consecutively throughout the year. Following a review of other operating expenses for the full year of 2020, about NOK 2.0 million has been reclassified into a direct reduction in equity as they were costs directly associated with the equity issues carried out in 2020.

The loss for the period was NOK 1.2 million in the fourth quarter.

### FY 2020 results

Full year 2020 sales amounted to NOK 0.7 million.

Personnel expenses summed up to NOK 8.9 million, which includes NOK 2.5 million in provisions for the company's incentive program. Other operating expenses totalled NOK 9.0 million. The increases from last year reflect the higher activity level in the company and continued progress at Indre Harøy. Operating loss was NOK 17.7 million.

Total depreciations were NOK 0.6 million and net financials was positive at NOK 0.9 million, resulting in a loss before tax of NOK 16.8 million.

Assets under construction are not depreciated.

## Cash flow

Consolidated net cash flow from operating activities was NOK -8.3 million in the fourth quarter.

Net cash flow from investing activities was NOK -58.8 million during the quarter. Investments are related to the increasing activity at the facility at Indre Harøy, and will gradually increase as the extent of the project increases going forward.

Cash flow from financing activities during the quarter was positive by NOK 6.1 million. This includes proceeds from new borrowings at NOK 40.0 million, less transaction cost relating to

the NOK 500 private placement in September 2020.

Total net cash flow during quarter was NOK -61.0 million. The level of free liquidity at the end of the period was strong, with available cash and cash equivalents totalling NOK 647.8 million.

Year-to-date the company had a positive cash flow of NOK 626.7 million, where the negative cash flow from operating- and investments activities of NOK 176.0 million, was offset by the cash flow from financing activities of NOK 802.7 million.

### Cash flow summary

(figures in NOK 1000)

|   | Q4 2020        | Q4 2019        | YTD 2020        | YTD 2019 |
|---|----------------|----------------|-----------------|----------|
| <b>Net cash flow from operating activities</b>      | <b>-8,311</b>  | <b>4,746</b>   | <b>-29,890</b>  | -2,553   |
| <b>Net cash flow from investments activities</b>    | <b>-58,755</b> | <b>-14,732</b> | <b>-146,092</b> | -25,021  |
| <b>Net cash flow from financing activities</b>      | <b>6,094</b>   | <b>-1,479</b>  | <b>802,664</b>  | 48,328   |
| Net change in cash and cash equivalents             | -60,972        | -11,464        | 626,682         | 20,753   |
| <b>Cash and cash equivalents at start of period</b> | <b>708,778</b> | <b>32,588</b>  | <b>21,124</b>   | 370      |
| <b>Cash and cash equivalents at end of period</b>   | <b>647,806</b> | <b>21,124</b>  | <b>647,806</b>  | 21,124   |

## Financial position

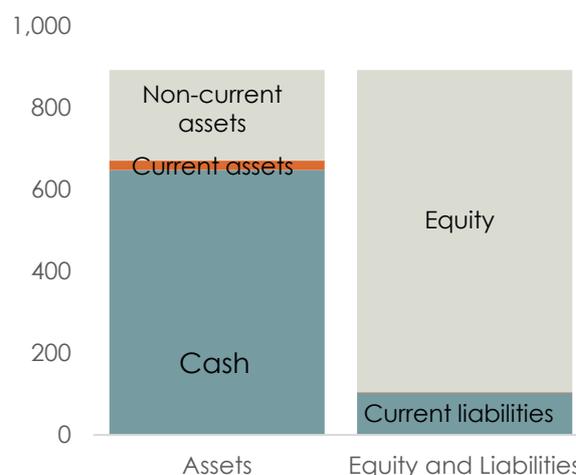
The carrying amount of Salmon Evolution's total fixed assets at 31 December was NOK 222.4 million, compared to NOK 26.6 million at 31 December 2019. The increase is mainly related to the purchase of the land and construction work at Indre Harøy, comprising capitalized costs related to both personnel expenses and construction cost, land acquisition, in addition to some minor amounts in inventory and receivables.

Total equity amounted to NOK 788.4 million. With total assets of NOK 892.8 million, this corresponds to an equity ratio of 88%. Consolidated non-interest-bearing liabilities totalled NOK 62.7 million

On 31 December the consolidated interest-bearing debt was NOK 41.6 million of which NOK 1.6 million was related to financial leases. The remaining NOK 40 million relates to the purchase of the land at Indre Harøy.

In November, Salmon Evolution was granted a funding commitment of NOK 96.8 million from the state-owned enterprise Enova SF. The funding support is related to the ongoing construction of Salmon Evolution's fish farm at Indre Harøy. 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.

### Balance sheet as per 31.12.2020 (NOK million)



Source: Company data

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

As per the Admission Document prepared in connection with the listing on Euronext Growth in September 2020, the company estimated a remaining equity funding requirement for Indre Harøy phase 1 of NOK 450 to 550 million. Following strong project execution and cost control at Indre Harøy, combined with Salmon Evolution's demonstrated ability to attract non-equity funding, the company expects to finance its estimated NOK 200 million equity contribution in K Smart within the already communicated equity funding plan for Indre Harøy phase 1.

The company is also in process of obtaining long term bank financing for Indre Harøy phase 1 and expects to conclude a committed bank term sheet during Q1/Q2 2021.

## COVID-19

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

Salmon Evolution strives to follow and implement the local and national advice and recommendations regarding COVID-19. The company has taken necessary measures in all sites and locations to be able to limit the spread of the virus. The company has not registered any infection among the company's employees or contracted workers.

At the same time, the company works to ensure that the construction work progresses on time and budget.

The construction work currently involves 8 partners and suppliers with more than 50 workers on site. Artec Aqua as contractor, is responsible for project coordination of all activities, and Salmon Evolution is in continuous close dialogue with the contractor on the status, progress and actions taken to address and handle the challenges.

To minimize the risk of contamination among workers, the work force is organized in teams, each operating separately.

Further, the company has developed extensive contingency plans to address possible outbreaks, including transport and logistics, isolation and quarantine routines.

## Transactions with related parties

During the ordinary course of business, the company engages in certain arm's length transactions with related parties.

Pursuant to the agreement entered with Artec Aqua, Salmon Evolution has had a significant volume of transactions in the third quarter related to the ongoing construction of the production facilities at Indre Harøy. Artec Aqua

is a 100%-owned subsidiary of Artec Holding AS, which per 31.12.2020 holds 3.6% of total shares outstanding in Salmon Evolution.

Salmon Evolution has also sold leftover rock to Vikomar AS at market terms during the quarter. CEO Kristofer Reiten in Vikomar is also represented as board member in Salmon Evolution.

## Share information

Salmon Evolution was successfully listed on Merkur Market (now Euronext Growth) 19 September 2020. Per 31 December 2020, Salmon Evolution Holding AS had 219.73 million issued shares, divided between 2,255 shareholders.

Ronja Capital is the company's largest shareholder with 25,021,021 shares, corresponding to 11.4% of total number of share outstanding. The 20 largest shareholders own 76.4% of the shares in the company.

The closing price for the company's share was NOK 6.85 per share as per 30 December, which corresponds to a market capitalization of NOK 1.5 billion.

During the quarter the average daily, traded volume was about 728,000 shares and the average daily traded value was about NOK 4.1 million.

### 20 largest shareholders 31 December 2020

| Shareholder                          | # of shares        | % share        |
|--------------------------------------|--------------------|----------------|
| Ronja Capital AS                     | 25 021 021         | 11,4 %         |
| Romsdalsfisk AS                      | 20 256 006         | 9,2 %          |
| Farvatn Private Equity AS            | 15 427 212         | 7,0 %          |
| The Bank of New York Mellon SA/NV    | 14 451 124         | 6,6 %          |
| Rofisk AS                            | 12 107 508         | 5,5 %          |
| Hongkong And Shanghai Banking Corp   | 11 627 906         | 5,3 %          |
| Stette Invest AS                     | 10 402 672         | 4,7 %          |
| Kjølsås Stansekniver AS              | 9 706 006          | 4,4 %          |
| Jakob Hatteland Holding AS           | 8 706 006          | 4,0 %          |
| Artec Holding AS                     | 7 806 006          | 3,6 %          |
| Verdipapirfondet Dnb Norge           | 5 736 528          | 2,6 %          |
| Verdipapirfondet Norge Selektiv      | 5 686 575          | 2,6 %          |
| Salmoserve AS                        | 3 459 546          | 1,6 %          |
| Vpf Dnb Am Norske Aksjer             | 3 286 106          | 1,5 %          |
| SEB Prime Solutions CARN             | 3 213 759          | 1,5 %          |
| Klaveness Marine Finance AS          | 2 526 308          | 1,1 %          |
| Småge Eiendom AS                     | 2 200 000          | 1,0 %          |
| Verdipapirfondet DNB Miljøinvest     | 2 097 324          | 1,0 %          |
| Verdipapirfondet Delphi Norge        | 2 066 611          | 0,9 %          |
| Ocean Supreme Holding AS             | 2 041 501          | 0,9 %          |
| <b>Total 20 largest shareholders</b> | <b>167 825 725</b> | <b>76,4 %</b>  |
| Other shareholders                   | 51 905 363         | 23,6 %         |
| <b>Total number of shares</b>        | <b>219 731 088</b> | <b>100,0 %</b> |

## Market and Outlook

The COVID-19 pandemic has had severe impact on both the economy as a whole and the salmon industry. In particular, the food service segment which traditionally accounts for a substantial share of global salmon demand, has been hardly hit with major parts of the world under very strong regulations and restrictions. In addition, due to general travel restrictions, global airfreight has dropped dramatically, impacting the salmon industry in a combination of reduced airfreight capacity and increased freight costs.

During these challenging times, Salmon Evolution's highest priority is to safeguard its employees, suppliers, and other partners, where focus is to follow and implement the local and national advice regarding COVID-19. Looking ahead, the global roll out of vaccines gives reason for optimism and a belief that the world gradually starts reverting to normality over the next quarters.

Global supply of Atlantic salmon in 2021 is expected to increase some 2%. Historically, due to stable growth in demand, supply growth below the 4% mark normally initiated higher prices. However, with the COVID-19 situation still inconclusive, the market situation and price expectations remain uncertain.

The average fish pool salmon price for 2020 ended at NOK 55.4/kg. The forward price for 2020 when entering the year was NOK 61.1/kg. The forward price is currently NOK 54.4/kg for the full year of 2021 and NOK 57.9/kg for 2022.

According to the Norwegian Seafood Council, total export volumes of Atlantic salmon out of Norway in 2020 ended at 1.31 million tonnes WFE compared to 1.28 million tonnes WFE in 2019, corresponding to an increase of 2.4%

Interestingly, the export volumes out of Norway for January 2021 are up 10.7% compared to January 2020.

Salmon Evolution sees this as a clear demonstration of continued strong underlying demand for sustainably raised Atlantic salmon and the market's ability to quickly adapt to changing market conditions.

As demand from the food service market has been significantly reduced, retail demand has increased substantially during the same period and although retail demand is likely to normalize once food service demand picks up again, the high retail consumption over the last 9 months is expected to have attracted new customers that will continue consuming salmon post COVID-19.

Currently, there are some 80+ land-based salmon farming projects being planned globally, with a combined capacity of some 1.9 million tonnes. Many of these may from various reason not be realized, whether that is financial constraints, limited access technology and competence or lack of necessary licences and regulatory approvals. Either way, with limited growth potential within conventional farming, Salmon Evolution is confident that land-based salmon farming will play an important role when addressing the increasing demand for healthy, sustainably produced proteins in the coming years

In Salmon Evolution we acknowledge the complexity of building land-based salmon mega farms, while we at the same time embrace the challenge. That is why we have taken a conservative approach along three dimensions: (i) we have chosen a proven and low risk technology (HFS), (ii) we build our first production facility in Norway where access to the right competence is no bottleneck and (iii)

when expanding overseas we do so with first class partners.

Over the next months, the magnitude of the project at Indre Harøy will be visualized as we start the installation of fish tanks and construction of buildings. Salmon Evolution has also initiated the preparations of the company's first smolt release scheduled for March 2022 and will over the course of 2021 start the recruitment of relevant personnel ensuring a smooth transition when entering the operating phase some 12 months from now.

The company is also pleased to have formalized the Joint Venture term sheet with Dongwon Industries for our next project which will be in South Korea. Firstly, South Korea is a highly attractive and fast-growing market for fresh Atlantic Salmon and secondly, landing such a landmark project with a first-class partner like Dongwon Industries, is a solid testament to all stakeholders of Salmon Evolution.

While we will continue to evaluate other opportunities in the market where we see strong financial differentiators where we can create value, the combination of a fully developed Indre Harøy and South Korea, represents a production volume of close to 50,000 tons HOG, which will place Salmon Evolution as a major salmon farmer, even in a global context.



Dongwon joint venture signing ceremony

The Board of Directors of Salmon Evolution Holding AS  
Aalesund/Molde 1 March 2021

Tore Tønseth  
Chair

Kristofer Reiten  
Director

Anne Breiby  
Director

Frode Kjølås  
Director

Peder Stette  
Director

Kiyun Yun  
Director

Glen Allan Bradley  
Director

Håkon Andre Berg  
CEO

## Interim financial statements (IFRS)

### Statement of Profit and Loss

| Summary of result<br>(figures in NOK 1000) | Q4 2020       | Q4 2019       | YTD 2020       | YTD 2019       |
|--|---------------|---------------|----------------|----------------|
| <b>Total operating income</b>              | <b>0</b>      | <b>0</b>      | <b>704</b>     | <b>-175</b>    |
| Personnel expenses                         | -2,034        | -2,265        | -8,877         | -3,754         |
| Depreciations                              | -337          | -91           | -550           | -181           |
| Other operating expenses                   | 214           | -1,570        | -8,954         | -7,752         |
| <b>Operating profit (EBIT)</b>             | <b>-2,158</b> | <b>-3,926</b> | <b>-17,676</b> | <b>-11,862</b> |
| Financial income                           | 1,113         | 622           | 1,114          | 622            |
| Financial expenses                         | -147          | -9            | -263           | -30            |
| <b>Financial expense - net</b>             | <b>966</b>    | <b>614</b>    | <b>850</b>     | <b>593</b>     |
| Profit/loss before tax                     | -1,192        | -3,313        | -16,826        | -11,269        |
| Income tax expense                         | 0             | 0             | 0              | 0              |
| <b>Profit/loss for the period</b>          | <b>-1,192</b> | <b>-3,313</b> | <b>-16,826</b> | <b>-11,269</b> |

## Statements of financial position

| (figures in NOK 1000)                | 31 Dec 2020    | 31 Dec 2019   |
|--------------------------------------|----------------|---------------|
| <b>Assets</b>                        |                |               |
| Intangible assets                    | 432            | 0             |
| Assets under construction            | 219,926        | 25,546        |
| Property, plant & equipment          | 331            | 352           |
| Right-of-use assets                  | 1,678          | 712           |
| <b>Total non-current assets</b>      | <b>222,367</b> | <b>26,610</b> |
| Other current receivables            | 22,638         | 2,749         |
| Cash and cash equivalents            | 647,806        | 21,124        |
| <b>Total current assets</b>          | <b>670,444</b> | <b>23,873</b> |
| <b>Total assets</b>                  | <b>892,810</b> | <b>50,483</b> |
| <b>Equity and liabilities</b>        |                |               |
| Share capital                        | 10,987         | 1,500         |
| Share premium                        | 850,097        | 49,500        |
| Other reserves                       | 2,974          | 780           |
| Other equity                         | -45,209        | 0             |
| Uncovered losses                     | -30,407        | -13,581       |
| <b>Total equity</b>                  | <b>788,442</b> | <b>38,198</b> |
| Long-term interest-bearing debt      | 0              | 1,500         |
| Lease liabilities - long term        | 933            | 227           |
| <b>Total non-current liabilities</b> | <b>933</b>     | <b>1,727</b>  |
| Short-term interest-bearing debt     | 40,000         | 0             |
| Trade payables                       | 60,104         | 8,401         |
| Social security and other taxes      | 1,144          | 799           |
| Lease liabilities - short term       | 696            | 394           |
| Other current liabilities            | 1,491          | 963           |
| <b>Total current liabilities</b>     | <b>103,435</b> | <b>10,557</b> |
| <b>Total liabilities</b>             | <b>104,368</b> | <b>12,285</b> |
| <b>Total equity and liabilities</b>  | <b>892,810</b> | <b>50,483</b> |

## Statement of cash flow

| (figures in NOK 1000)                               | Q4 2020        | Q4 2019        | YTD 2020        | YTD 2019       |
|---|----------------|----------------|-----------------|----------------|
| <b>Cash flow from operations</b>                    |                |                |                 |                |
| Profit before income taxes                          | -1,192         | -3,313         | -16,826         | -11,269        |
| <b>Adjustments for:</b>                             |                |                |                 |                |
| Depreciation  | 337            | 91             | 550             | 181            |
| Net interest  | -966           | -614           | -850            | -593           |
| Share based payment expenses                        | 447            | 780            | 2,714           | 780            |
| Gain on lease modification                          | 0              | 0              | -7              | 0              |
| <b>Changes in working capital:</b>                  |                |                |                 |                |
| Change in other current receivables                 | -10,205        | 978            | -19,889         | 0              |
| Change in trade payables                            | 1,101          | -4,456         | 2,695           | -2,049         |
| Change in social security and other taxes           | 599            | 7,898          | 345             | 8,235          |
| Change in other current liabilities                 | 602            | 2,768          | 528             | 1,570          |
| <b>Cash generated from operations</b>               | <b>-9,277</b>  | <b>4,133</b>   | <b>-30,740</b>  | <b>-3,146</b>  |
| Interest paid                                       | -147           | -9             | -263            | -30            |
| Interest received                                   | 1,113          | 622            | 1,114           | 622            |
| <b>Net cash flow from operations</b>                | <b>-8,311</b>  | <b>4,746</b>   | <b>-29,890</b>  | <b>-2,553</b>  |
| <b>Cash flow from investment activities</b>         |                |                |                 |                |
| Payments for fixed assets and other capitalizations | -58,323        | -14,732        | -145,660        | -25,021        |
| Payments for intangible assets                      | -432           | 0              | -432            | 0              |
| <b>Net cash flow from investment activities</b>     | <b>-58,755</b> | <b>-14,732</b> | <b>-146,092</b> | <b>-25,021</b> |
| <b>Cash flow from financing activities</b>          |                |                |                 |                |
| Proceeds from issue of equity                       | -32,346        | 0              | 764,355         | 50,000         |
| Proceeds from new borrowings                        | 40,000         | 0              | 40,000          | 0              |
| Repayment of borrowings                             | -1,500         | -1,500         | -1,500          | -1,500         |
| Repayment of lease liabilities                      | -60            | 21             | -191            | -172           |
| <b>Net cash flow from financing activities</b>      | <b>6,094</b>   | <b>-1,479</b>  | <b>802,664</b>  | <b>48,328</b>  |
| Net change in cash and cash equivalents             | -60,972        | -11,464        | 626,682         | 20,753         |
| Cash and cash equ. at the beginning of the period   | 708,778        | 32,588         | 21,124          | 370            |
| <b>Cash and cash equ. at the end of the period</b>  | <b>647,806</b> | <b>21,124</b>  | <b>647,806</b>  | <b>21,124</b>  |

## Statement of Changes in Equity

| (figures in NOK 1000)                      | Share capital | Share premium  | Other reserves | Other equity   | Uncovered losses | Total equity   |
|--|---------------|----------------|----------------|----------------|------------------|----------------|
| <b>Balance at 1 January 2019</b>           | <b>1 000</b>  | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>-2 312</b>    | <b>-1 312</b>  |
| Profit/loss for the period                 | 0             | 0              | 0              | 0              | -11 269          | -11 269        |
| Other comprehensive income                 | 0             | 0              | 0              | 0              | 0                | 0              |
| <b>Total comprehensive income</b>          | <b>0</b>      | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>-11 269</b>   | <b>-11 269</b> |
| Capital increase, net of transaction costs | 500           | 49 500         | 0              | 0              | 0                | 50 000         |
| Share options issued                       | 0             | 0              | 780            | 0              | 0                | 780            |
| <b>Transactions with owners</b>            | <b>500</b>    | <b>49 500</b>  | <b>780</b>     | <b>0</b>       | <b>0</b>         | <b>50 780</b>  |
| Balance at 31 December 2019                | 1 500         | 49 500         | 780            | 0              | -13 581          | 38 198         |
| <b>Balance at 1 January 2020</b>           | <b>1 500</b>  | <b>49 500</b>  | <b>780</b>     | <b>0</b>       | <b>-13 581</b>   | <b>38 198</b>  |
| Profit/loss for the period                 | 0             | 0              | 0              | 0              | -16 826          | -16 826        |
| Other comprehensive income                 | 0             | 0              | 0              | 0              | 0                | 0              |
| <b>Total comprehensive income</b>          | <b>0</b>      | <b>0</b>       | <b>0</b>       | <b>0</b>       | <b>-16 826</b>   | <b>-16 826</b> |
| Capital increase, net of transaction costs | 9 457         | 798 629        | 0              | -45 728        | 0                | 762 357        |
| Share options issued                       | 0             | 0              | 2 714          | 0              | 0                | 2 714          |
| Share options exercised                    | 30            | 1 968          | -520           | 520            | 0                | 1 998          |
| <b>Transactions with owners</b>            | <b>9 487</b>  | <b>800 597</b> | <b>2 194</b>   | <b>-45 209</b> | <b>0</b>         | <b>767 069</b> |
| <b>Balance at 31 December 2020</b>         | <b>10 987</b> | <b>850 097</b> | <b>2 974</b>   | <b>-45 209</b> | <b>-30 407</b>   | <b>788 442</b> |

## Selected notes to the quarterly financial statements

### Note 1 – Summary of significant accounting policies

#### General information

Salmon Evolution Holding AS and its subsidiary, Salmon Evolution AS, (together "SE" or "the Group") is a Norwegian business headquartered at Indre Harøy in Møre og Romsdal. SE is building a land-based salmon farming facility with a planned annual production of 31,500t HOG. The build-out is expected to be in three phases, with the first phase expected to consist of build out of land acquisition, building of foundation, water pumps supporting all three phases and build out of 12 grow out tanks and hatchery. SE will operate a hybrid flow-through (HFS) system, replacing the water every four hours with clear

and fresh water from the Norwegian coast. Construction start of phase I was in Q2 2020 with expected completion in Q4 2022. Production is expected to start during Q1 2022 when the first smolt is expected to enter the holding tanks with expected harvest in Q4 2022.

These interim financial statements were approved by the Board of Directors for issue on 01 March 2021.

These interim financial statements have not been audited.

#### Consolidation

Salmon Evolution Holding AS was incorporated on 23 July 2020 prior to the planned listing on Merkur Market (now Euronext Growth) which was completed on 18 September 2020. These condensed consolidated statements for the period ended 31 December 2020 include

Salmon Evolution Holding together with its subsidiary Salmon Evolution AS (together "SE" or "the Group"). Please note that the comparable previous periods financial statement periods (2019 and Q4 2019) only reflect Salmon Evolution AS.

#### Consolidation principles

Subsidiaries are all entities over which the Group has control. The Group considers control over an entity to exist when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and can affect those returns through its ability to direct the operations of the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. The accompanying consolidated financial statements include the accounts of Salmon Evolution AS. 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**

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

as the annual financial statement and should therefore be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS.

**Going concern**

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

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

**Accounting principles**

The accounting policies adopted are consistent with those of the previous financial year except that income tax expense is recognized in each interim period using the expected weighted average annual income

tax rate for the full financial year. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

**Borrowing costs**

The Group has entered into loan agreements during Q4 2020, of which the following principles related to borrowing costs have been applied, in accordance with IAS 23:

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.

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

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

## Note 2 – Property, plant and equipment

| (figures in NOK 1000)                   | Assets under construction | Fixtures and fittings | Total          |
|---|---------------------------|-----------------------|----------------|
| Cost 1 January 2020                     | 25 546                    | 450                   | 25 997         |
| Additions                               | 194 379                   | 289                   | 194 668        |
| Disposals                               | 0                         | 0                     | 0              |
| <b>Cost 31 December 2020</b>            | <b>219 926</b>            | <b>739</b>            | <b>220 665</b> |
| Accumulated depreciation 1 January 2020 | 0                         | -99                   | -99            |
| Depreciation for the period             | 0                         | -310                  | -310           |
| <b>Net book value 31 December 2020</b>  | <b>219 926</b>            | <b>331</b>            | <b>220 256</b> |

| (figures in NOK 1000)                   | Assets under construction | Fixtures and fittings | Total         |
|---|---------------------------|-----------------------|---------------|
| Cost 1 January 2019                     | 975                       | 0                     | 975           |
| Additions                               | 24 571                    | 450                   | 25 021        |
| Disposals                               | 0                         | 0                     | 0             |
| <b>Cost 31 December 2019</b>            | <b>25 546</b>             | <b>450</b>            | <b>25 997</b> |
| Accumulated depreciation 1 January 2019 | 0                         | 0                     | 0             |
| Depreciation for the period             | 0                         | -99                   | -99           |
| <b>Net book value 31 December 2019</b>  | <b>25 546</b>             | <b>352</b>            | <b>25 898</b> |

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

construction are not depreciated. Assets under construction as at 31 December 2020 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.

### Contractual and financial commitments

The company is in the process of building a land-based salmon farming facility at Indre Harøy. The turnkey project agreement includes a clause for financing reservations until further financing is secured, limiting the

Group's financial commitments to the following items where the financing reservation has been lifted as of 31 December 2020:

| (figures in NOK 1000)              | 31 Dec 2020    |
|------------------------------------|----------------|
| Ground enterprise contract         | 153 458        |
| Engineering                        | 55 981         |
| Technical equipment                | 33 960         |
| Fishing tanks                      | 26 274         |
| Concrete element                   | 21 167         |
| Fish handling and transport        | 5 503          |
| <b>Total financial commitments</b> | <b>296 343</b> |

### Note 3 – Share capital and capital history

| (figures in NOK 1000)              | Date              | Capital Increase | Share Capital After Change | Par Value   | Subscription price per share | New shares  | Total no. of outstanding shares |
|------------------------------------|-------------------|------------------|----------------------------|-------------|------------------------------|-------------|---------------------------------|
| <b>Opening balance 1 July 2020</b> |                   |                  |                            | <b>0,05</b> |                              |             | <b>107 503 182</b>              |
| Share options exercised            | 10 July 2020      | 5 405 159        | 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                     |

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.

### ABOUT SALMON EVOLUTION

A Norwegian land-based salmon farming company with a goal to be a global supplier of high quality and sustainable salmon from land-based facilities.

The company is using hybrid flow-through system with 30%-35% freshwater intake, reducing the complexity and biological risk, and securing optimal growth at low cost.

Targeting a position as a global leading land-based farmer, enable by a unique ESG profile.

SALMON  
EVOLUTION®

#### OFFICE ADDRESS

Eikremsvingen 4,  
6422 Molde, Norway

#### PRODUCTION SITE

Indre Hårøyvegen 88,  
6430 Bud, Norway

#### ORG NUMBER

NO 919 384 603 MVA

E-mail: [post@salmone.no](mailto:post@salmone.no)

Web: [salmonevolution.no](http://salmonevolution.no)

### BOARD OF DIRECTORS

**Tore Tønseth**  
Chairman of the Board

**Kristofer Reiten**  
Board Member

**Anne Breiby**  
Board Member

**Frode Kjølås**  
Board Member

**Peder Stette**  
Board Member

**Glen Allan Bradley**  
Board Member

**Kiyun Yun**  
Board Member

### MANAGEMENT

**Håkon Andre Berg**  
CEO

**Trond Håkon Schaug-Pettersen**  
CFO

**Ingjarl Skarvøy**  
COO

**Trond Valderhaug**  
CCO

**Kamilla Mordal Holo**  
Project Director

**Hans Petter Mortveit**  
Finance Manager

