

SALMON EVOLUTION

Salmon Evolution ASA: Results for the fourth quarter 2022

Highlights in the quarter

- Batch 1 fully harvested out with very strong results – harvest volume of ~340 tonnes HOG at avg. weight of ~3.75 kg HOG (~4.5 kg LW) – excellent product quality confirmed by industry leading superior share of 96%
- On track for profitable farming operations in Q2 2023 and steady state production from late Q3 2023
- Production ramp-up proceeding according to plan with batch 3 and 4 stocked in October and December, respectively
- Continued strong biological performance with minimal mortality – batch 2 scheduled for harvest in Q2 2023
- Increasing focus on international expansion plan, both in South Korea and North America
- Indre Harøy phase 2 preparations continuing – clear signs of normalization in construction markets
- Available liquidity of NOK 400 million per 31 December 2022 including committed undrawn credit facilities

Subsequent events

- Strengthening of the executive management team – Trond Håkon Schaug-Pettersen appointed as CEO and Trond Vadset Veibust as CFO

Batch 1 was fully harvested out during the fourth quarter with very strong results. Total 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 gives an effective production cycle of around 7-8 months since stocking. The harvest showed a strong product quality, confirmed through an industry leading superior share of 96% for batch 1 as a whole. The average realized price for batch 1 ended at NOK 75/kg and NOK 78/kg for Superior 3+ kg HOG, representing a NOK ~3/kg premium to corresponding Nasdaq prices.

During the fourth quarter an 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. The good growth for batch 2 has continued and as per 31 January batch 2 had an average weight of around 2,375 grams consisting of one large group at ~2.6 kg and one smaller group at ~2.15 kg.

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. Average weight now stands at ~870 grams following a good pickup in growth lately. 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 January 2023 the group had reached an average weight of ~550 grams. Going forward the Company plans to stock “full size” batches of smolt at Indre Harøy every second month.

The Company continues to see very low mortality levels, even as the density levels are increasing. For batch 2 the accumulated mortality stood at 1.2% per 31 January 2023, clearly outperforming the levels seen for batch 1. For batch 3 and 4, mortality levels are even lower, demonstrating the benefits of having a controlled environment with minimal manual handling of the salmon.

Indre Harøy phase 1 is expected to be completed during Q1 2023. All buildings and structural facilities are now completed and the construction work during the fourth quarter was centred around installation of equipment, piping, system integration and commissioning. Currently, 8 out of 12 tanks have been handed over to the Company with the remaining 4 tanks to be handed over during February and March. This will allow 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.

The accumulated phase 1 capex to date of NOK 1,578m compares to previous guiding of phase 1 completion capex of NOK 1,560-1,590m. With the project now being almost completed, the remaining phase 1 capex 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.

Similar to the third quarter, the preparatory activities for phase 2 have continued during the fourth quarter 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. The Company has made no contractual commitments as to phase 2 and maintains full flexibility as to timing and capex.

The Company is currently in advanced discussions with banks for debt financing of phase 2. The feedback from banks has been very positive and the Company expects both significantly higher leverage for phase 2 compared to phase 1 as well as improved overall terms and cost.

For our K Smart project in South Korea activities has during the fourth quarter continued to be centred around design and engineering activities in cooperation with Billund Aquaculture as design partner. Significant progress has been made on the design for the smolt facility which is now set for 90% design review during Q1 2023. This review is expected to be followed by commencement of early construction works.

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. K Smart is also working actively with the permitting processes and significant resources have been devoted to document the environmental effect of the project. Contrary to Norway, land-based salmon farming is a new industry in South Korea and regulatory processes takes time, but the company is continuing to experience strong support from both local, regional and national stakeholders and expect clarification on several key permits over the coming months, allowing for construction start of grow-out facility during 2023.

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 the 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.

Summary and outlook

2022 was a step change 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.

Throughout 2022 the Company has been gradually ramping up production and a total of four batches have been stocked at Indre Harøy of which the last one in December being a “full size” batch. The next smolt release is scheduled for February and throughout 2023 the Company will 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 results achieved as a clear proof of concept as to the assumptions in our production plan. 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 the latest batches even outperforming both batch 1 and 2.

Going into 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, 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 almost one year of successful farming operations and with phase 1 expected to be completed during the first quarter, 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.

Results presentation

CEO & CFO Trond Håkon Schaug-Pettersen will present the results at Hotel Continental in Oslo, Wednesday 8 February at 08:00 a.m. CET.

Participants may also follow the presentation and submit questions through a live webcast available on www.salmonrevolution.no, or with the following link: <https://www.direktesending.com/salmeq4>

The presentation and subsequent Q&A will be held in English.

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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 on Oslo Børs under the ticker SALME.

To learn more, please visit www.salmevolution.no

This information is subject to the disclosure requirements pursuant to section 5-12 of the Norwegian Securities Trading Act.

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