# ADMISSION DOCUMENT

SALMON EVOLUTION
extending the ocean potential

## Salmon Evolution Holding AS

*(a private limited liability company incorporated under the laws of Norway)*

The information contained in this admission document (the "**Admission Document**") relates to listing and admission to trading of common shares (the "**Listing**"), each with a nominal value of NOK 0.05 (the "**Shares**"), in Salmon Evolution Holding AS (the "**Company**", and taken together with its consolidated subsidiaries, the "**Group**") on Merkur Market ("**Merkur Market**").

Merkur Market is a multilateral trading facility operated by Oslo Børs ASA. Merkur Market is subject to the rules in the Securities Trading Act and the Securities Trading Regulations that apply to such marketplaces. These rules apply to companies admitted to trading on Merkur Market, as do the marketplace's own rules, which are less comprehensive than the rules and regulations that apply to companies listed on Oslo Børs and Oslo Axess. Merkur Market is not a regulated market, and is therefore not subject to the Stock Exchange Act or to the Stock Exchange Regulations. Investors should take this into account when making investment decisions.

All of the Shares are registered with the Norwegian Central Securities Depository (Nw. Verdipapirsentralen) (the "**VPS**") in book-entry form. All the Shares rank in parity with one another and carry one vote per Share. Trading in the Shares on Merkur Market is expected to commence on or about 18 September 2020 under the trading symbol "SALME".

**THIS ADMISSION DOCUMENT SERVES AS AN ADMISSION DOCUMENT ONLY, AS REQUIRED BY THE MERKUR MARKET ADMISSION RULES. THIS ADMISSION DOCUMENT DOES NOT CONSTITUTE AN OFFER TO BUY, SUBSCRIBE OR SELL ANY OF THE SECURITIES DESCRIBED HEREIN, AND NO SECURITIES ARE BEING OFFERED OR SOLD PURSUANT THERETO.**

For the definitions of capitalised terms used throughout this Admission Document, see Section 12 "Definitions". **Investing in the Shares involves risks; see Section 1 "Risk Factors" beginning on page 4.**

***Managers:***

**DNB Markets, a part of DNB Bank ASA** **Pareto Securities AS**

**The date of this Admission Document is 17 September 2020**

## IMPORTANT INFORMATION

This Admission Document has been prepared in order to provide information about the Company and its business in relation to the Admission to trading of the Shares on Merkur Market. This Admission Document has been prepared solely in the English language. This Admission Document does not constitute a prospectus and has not been reviewed or approved by any governmental authority.

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The Company has engaged DNB Markets, a part of DNB Bank ASA and Pareto Securities AS as its advisors in connection with its Admission to Merkur Market (the "**Merkur Advisors**"). This Admission Document has been prepared to comply with the Admission to Trading Rules for Merkur Market (the "**Merkur Market Admission Rules**") and the Content Requirements for Admission Documents for Merkur Market (the "**Merkur Market Content Requirements**"). Oslo Børs ASA has not approved this Admission Document or verified its content.

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The Admission Document does not constitute a prospectus under the Norwegian Securities Trading Act and related secondary legislation, including Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market and has not been reviewed or approved by any governmental authority.

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All inquiries relating to this Admission Document should be directed to the Company or the Merkur Advisors. No other person has been authorized to give any information, or make any representation, on behalf of the Company and/or the Merkur Advisors in connection with the Admission, if given or made, such other information or representation must not be relied upon as having been authorized by the Company and/or the Merkur Advisors.

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The information contained herein is current as of the date hereof and subject to change, completion and amendment without notice. Neither the publication nor distribution of this Admission Document shall under any circumstances create any implication that there has been no change in the Company's affairs or that the information herein is correct as of any date subsequent to the date of this Admission Document. The Company will publicly disclose any material new information, errors or changes to the information provided in this Admission Document that are identified or take place after the date of this Admission Document but before admission to trading of the Shares on Merkur Market.

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No person is authorized to give any information or to make any representation in connection with the Admission other than as contained in this Admission Document. If any such information is given or made, it must not be relied upon as having been authorized by the Company or the Merkur Advisors or by any of the affiliates, advisors or selling agents of any of the foregoing.

The contents of this Admission Document shall not be construed as legal, business or tax advice. Each reader of this Admission Document should consult with its own legal, business or tax advisor as to legal, business or tax advice. If you are in any doubt about the contents of this Admission Document, you should consult with your stockbroker, bank manager, lawyer, accountant or other professional advisor.

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The distribution of this Admission Document in certain jurisdictions may be restricted by law. Persons in possession of this Admission Document are required to inform themselves about, and to observe, any such restrictions. No action has been taken or will be taken in any jurisdiction by the Company that would permit the possession or distribution of this Admission Document in any country or jurisdiction where specific action for that purpose is required.

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The Shares may be subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

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THE SHARES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES, AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS.

THIS ADMISSION DOCUMENT HAS NOT BEEN APPROVED NOR REVIEWED BY THE US SECURITIES AND EXCHANGE COMMISSION AND IS NOT FOR GENERAL DISTRIBUTION IN THE UNITED STATES.

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This Admission Document shall be governed by and construed in accordance with Norwegian law. The courts of Norway, with Oslo as legal venue, shall have exclusive jurisdiction to settle any dispute which may arise out of or in connection with this Admission Document.

## INFORMATION TO DISTRIBUTORS

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Shares have been subject to a product approval process, which has determined that they each are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II (the "**Positive Target Market**"); and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Appropriate Channels for Distribution**"). Notwithstanding the Target Market Assessment, distributors should note that: the price of the Shares may decline and investors could lose all or part of their investment; the Shares offer no guaranteed income and no capital protection; and an investment in the Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Conversely, an investment in the Shares is not compatible with investors looking for full capital protection or full repayment of the amount invested or having no risk tolerance, or investors requiring a fully guaranteed income or fully predictable return profile (the "**Negative Target Market**", and, together with the Positive Target Market, the "**Target Market Assessment**").

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Shares and determining appropriate distribution channels.

## ENFORCEMENT OF CIVIL LIABILITIES

The Company is a private limited liability company incorporated under the laws of Norway. As a result, the rights of holders of the Shares will be governed by Norwegian law and the Company's articles of association (the "**Articles of Association**"). The rights of shareholders under Norwegian law may differ from the rights of shareholders of companies incorporated in other jurisdictions.

The members of the Company's board of directors (each a "**Board Member**" and jointly the "**Board of Directors**") and the members of the Group's senior management (the "**Executive Management**") are not residents of the United States of America (the "**United States**"), and all of the Company's assets are located outside the United States. As a result, it may be very difficult for investors in the United States to effect service of process on the Company, the Board Members and members of Executive Management in the United States or to enforce judgments obtained in U.S. courts against the Company or those persons, whether predicated upon civil liability provisions of federal securities laws or other laws of the United Stated (including any State or territory within the United States).

The United States and Norway do not currently have a treaty providing for reciprocal recognition and enforcement of judgements (other than arbitral awards) in civil and commercial matters. Uncertainty exists as to whether courts in Norway will enforce judgments obtained in other jurisdictions, including the United States, against the Company or its Board Members or members of Management under the securities laws of those jurisdictions or entertain actions in Norway against the Company or its Board Members or members of Management under the securities laws of other jurisdictions. In addition, awards of punitive damages in actions brought in the United States or elsewhere may not be enforceable in Norway.

Similar restrictions may apply in other jurisdictions.

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## 1. RISK FACTORS

*An investment in the Shares involves inherent risks. An investor should consider carefully all information set forth in this Admission Document and, in particular, the specific risk factors set out below. An investment in the Shares is suitable only for investors who understand the risks associated with this type of investment and who can afford a loss of the entire investment. If any of the risks described below materialise, individually or together with other circumstances, they may have a material adverse effect on the Group's business, financial condition, results of operations and cash flow, which may affect the ability of the Group to pay dividends and cause a decline in the value and trading price of the Shares that could result in a loss of all or part of any investment in the Shares. The order in which the risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance. The information in this Section is as of the date of this Admission Document.*

### 1.1 Risks Relating to the Group and the Industry in which the Group Operates

***The First Phase of the Facility is not fully financed and is dependent on further equity injections and debt financing arrangements in order to be completed, and there is no assurance that the Group is able to raise sufficient financing to construct and finalize the First Phase nor any of the Construction Phases***

Currently, the estimated completion cost for the First Phase is approximately NOK 1.8 billion, and is expected to be completed during Q4 2022, subject to delays and/or the Group securing sufficient financing. The financing obtained thus far is expected to only enable the Group to complete the first 4 grow out tanks (of 12) for the First Phase, as well as financing for the building of the required foundation, water pumps and hatchery supporting all the Constructing Phases. The First Phase of the Facility is therefore not fully financed and is dependent on further equity injections and debt financing arrangements in order to be completed. There is no assurance that the Company will raise sufficient financing that will allow the Company to construct and finalize the First Phase or any of the Construction Phases which is required to achieve any operating cash flow or the planned economies of scale for the Company needed for a commercial and competitive production.

It is therefore a significant risk that realisation of the Company's strategy and planned operations may not attract sufficient financing, and hence never be realised.

In this context, investors are cautioned that the Group is exposed to risks invariably tied with being dependent on adequate sources of capital funding. The Group's business and future plans are capital intensive and, to the extent the Group does not generate sufficient cash from operations in the long term, the Group may also need to raise additional funds through public or private debt or equity financing to execute the Group's growth strategy and to fund capital expenditures. The same applies for *inter alia* any delays or cost overruns for its construction projects. In this context, reference is further made to the risk factor "*The Group is subject to the risk of cost overruns due to the size and technical complexity of the Facility*".

Adequate sources of capital funding may furthermore not be available when needed or may not be available on favorable terms – or may not be available at all. If the Group raises additional funds by issuing additional equity securities, holdings and voting interests of existing shareholders could be diluted. If funding is insufficient at any time in the future, the Group may be unable to fund maintenance requirements and acquisitions, take advantage of business opportunities or respond to competitive pressures, any of which could adversely impact the Group's financial condition and results of operations. The Group's existing or future debt arrangements could also limit the Group's liquidity and flexibility in obtaining additional financing and/or in pursuing other business opportunities. Further, the Group's future ability to obtain bank financing or to access the capital markets for any future debt or equity offerings may be limited by the Group's financial condition at the time of such financing or offering, as well as by adverse market conditions resulting from, among other things, general economic conditions and contingencies and uncertainties that are beyond the Group's control. The Group's failure to obtain funds for future capital expenditures could impact the Group's results of operations, financial condition and prospects.

If the Group is not able to obtain the required financing needed to construct and finalize the First Phase or any of the Construction Phases, including any future capital expenditures, through equity injections or debt financing arrangements, this would have an adverse effect on the Group's business, financial condition and prospects. No assurance can therefore be given that the Company will achieve its objectives. To the extent that lack of adequate funding adversely affects the Group, it may also have the effect of heightening the other risks described in this "Risk Factor" section.

***As the Group is in the First Phase of constructing the Facility, the Group is subject to risks that are inherent to significant construction projects until the completion of the Facility***

The Group's planned and future construction projects are decisive for the Company's business as well as significant and complex. Such projects will be subject to numerous risks, including delays, cost overruns, shortages or delays in

equipment, materials or skilled labour; failure of the equipment to meet quality and/or performance standards, inability to obtain required permits and approvals, unanticipated cost increases, design or engineering changes, labour disputes or any events of force majeure, all of which individually or in the aggregate may cause delays or cost overruns. Significant cost overruns or delays could have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and/or prospects.

Therefore, the Company's current budget and planed costs for completing the First Phase of the Facility (as well as other parts of the construction project) may prove not to be sufficient with the corresponding risks of inter alia disputes, delays and/or cost overruns.

Further, the chosen entrepreneur for the projects, Artec Aqua, has pursuant to the Construction Contract limited liability for cost overruns and delays compared to the market standard. The Construction Contract also deviates from the market standard by, *inter alia*, not imposing any obligation for the Company and Artec Aqua to sign warranties as a security for the fulfilment of their contract obligations. Some of the Construction Contract's deviations from the market standard are not beneficial to the Company and could hinder or slow down the construction of the Group's Facility and thus have a material adverse effect on the Group's business, prospects and financial condition, including its ability to comply with the financial covenants pursuant to the Mortgage Loan and future debt financing arrangements.

Investors are also cautioned that the Group has relied primarily on its own experience and competence for the specification, projecting and process plan for the construction projects, as opposed to obtaining third party validation.

It is therefore a risk that the Company's construction project, including the First Phase of the Facility, may be subject to significant delays and/or cost overruns.

***The Group is subject to the risk of cost overruns due to the size and technical complexity of the Facility***

While smaller, comparable land based production facilities have been built in the past, no similar facilities have been built of the size the Group plans to construct. As such, this adds to the complexity and risk of cost-overruns and delays in all of the Construction Phases. Generally, experience has also shown that larger and/or complex construction projects have been subject to significant cost overruns and/or delays. Such risk is therefore inherent in the construction of the Facility. Any cost-overruns and/or delays could thus have an adverse impact on the Group's business, financial condition and prospects.

***The Company may not have sufficient insurance coverage to cover any damage to the Facility, during and after the construction has completed***

The Facility is subject to risk for damage during the construction work, and even after completion of the construction the Facility may be damaged and/or subject to downtime which may limit or slow down the construction and/or the production (as the case may be), and be costly to repair. The Company may not have sufficient insurance coverage for such damages and/or downtime, which could subject the Company to significant costs which in turn could have a material adverse effect on the Company's financial position and results.

Should the Company fail to secure sufficient financing during any of the Construction Phases, there is a risk that parts of the Facility may not be finalized due to lack of financing. If so, measures may be taken by the Company to protect and secure any unfinished parts of the Facility (to the extent built) from the harsh environment. There is, however, no assurance that any unfinished parts of the Facility will not be damaged by forces of nature and the hostile environment.

While the Company has obtained project insurance, there is no guarantee that the insurance will sufficiently cover any damage to the Facility brought about by the forces of nature, especially if unfinished parts of the Facility have been lying dormant for a longer period of time while awaiting further financing.

***As the Group will be operating in the newly established land-based salmon industry, the Group is exposed to risks that are inherent to new industries***

Land-based salmon farming is a new industry and, as a consequence, experience with land-based salmon farming has been developing rapidly due to practical implementation of research taking place in several different companies. The Group seeks to benefit from the fish farming knowledge built up from traditional salmon farming, even though realizing that land-based fish farming has its own challenges such as limited numbers of independent water systems, management of gas injection (such as oxygen) and gas stripping (such as carbon dioxide) and dependency on constant, uninterrupted electrical power. As such, there are still major biological challenges to overcome prior to establishing a fully predictable production cycle. This will impact the success of the Group.

In addition to the inherent risks involved by being in a development phase in a new industry, such as faults in production, operations, maintenance, etc., there is also a risk that the Group's commercialization strategy proves unsatisfactory, and

that other players in the same industry are able to commercialize in a more rapid pace than the Group, which may in turn have material adverse effects on the Group's results, financial condition, including its ability to be compliant with the financial covenants pursuant to the Mortgage Loan and future debt financing arrangements.

***The Group may not be able to effectively compete with existing salmon farming methodologies which could cause an adverse effect on the Group's financial position and business***

Another risk invariably tied with operating in the land-based salmon industry, is that the Group will face substantial competition from existing, entrenched and low-cost alternatives within sea-based net pen salmon farming. Also, the Group expects to face competition from new market entrants given that the technology surrounding land-based salmon farming, as well as offshore net pen solutions, is rapidly evolving. In this regard, there is a risk that consumers of regularly farmed raised salmon may be reluctant to switch to the Group's products. Further, while the Group works to complete the Facility competitors may be able to capitalize on the Group's work to compete more effectively with sea-based net pen farming. As the industry evolves, the Group expects to become subject to additional competition. In addition, the Group's competitors may adopt certain of the Group's technology and innovations in a more cost-effective manner. The Group's inability to effectively compete with existing farming methods and increased competition from other land-based farming could cause a significant impact on the Group's financial position, business and its ability to complete the Facility, including any of the Construction Phases.

***The exclusivity rights Artec Aqua has under the Exclusivity Agreement could have a material effect on the Group's ability to effectively compete in the land-based salmon industry***

The Exclusivity Agreement (as further described in section 4.8) between the Company and Artec Aqua constitutes an obligation for the Company to, inter alia, use Artec Aqua as complete supplier in all of the Construction Phases of the Facility, including the smolt installation. As the Company could be prohibited pursuant to the Exclusivity Agreement from taking advantage of commercial opportunities that could come up, the Company could i.e. risk its competitors getting a competitive edge by having access to a supplier or suppliers that have more beneficial market terms than the Company has under the Exclusivity Agreement. Under the Exclusivity Agreement, the Company is also prohibited against directly or indirectly owning shares in a company operating in the smolt- and fish production segment that uses other suppliers than Artec Aqua subject to certain conditions. The Company could therefore risk losing out on lucrative investment opportunities into other companies within the same industry. These highlighted downsides of the Exclusivity Agreement have the potential to impact the Group's ability to effectively compete in the land-based salmon industry and thus have a significant impact on the Group's financial position, business and prospects should they materialize.

***The Group is heavily dependent on technology and technology related errors could have an adverse effect on its business and financial position***

The Group is vulnerable to errors in technology, production equipment and maintenance routines. Such errors could cause damage to the Group's production and biomass, which is the Group's most valuable asset. Therefore, it is of high importance that the Group holds the ability to implement routines and safety measures to protect its production line and develop its biomass. The Group is partly reliant on third-party suppliers of technical production equipment, as well as sufficient maintenance routines for its production facilities. Despite the security and maintenance measures in place, the Group's facilities and systems, and those of its third-party service providers, may be vulnerable to technical errors, limits in capacity, breaches in routines, lack of surveillance, acts of vandalism, human errors or other similar events.

***Fluctuations in the global economy, including currency fluctuations, have the potential to adversely impact the Group's financial position and its business***

The Group is exposed to fluctuations in the global economy in general, as well as end consumers' spending which could result in a higher demand for low-cost alternatives and thus difficulties for the Group in selling its product, which could in turn have a material adverse effect on the Group's business, results of operations, cash flows, financial condition and/or prospects, including its ability to complete the Facility.

Furthermore, while the Company has its operations in Norway and its operational currency for the most part is the Norwegian krone (NOK), the Company is exposed to currency fluctuations, mainly related to the EURO in relation to the construction of the Facility. As a result, the Group's results of operations and financial position may be heavily impacted by the value of the Norwegian kroner relative to the EUR which in the past have shown to be volatile and which in the most recent past have been extraordinary volatile due to the outbreak of the coronavirus (COVID-19). Failure by the Group to effectively anticipate and plan for currency fluctuations may affect its capital expenditures related to its planned constructions and its financial results, which could have a material adverse effect on the Group's business, results of operations and financial condition. As the Group will not have any revenues generated from the Facility until the completion of the First Phase, the Group is disproportionality more exposed to market – and currency fluctuations compared to its peers in the land-based salmon industry that have several sources of revenue through well-established

facilities. Please also see the risk factor «*Substantial fluctuations in salmon prices could have an adverse impact on the Group's business and its financial position*».

***Risk relating to estimates, targets, forecasts, assumptions and forward-looking information contained herein***

This Admission Document includes forward-looking information, including estimates, targets, forecasts, plans or similar projected information. Such information is based on various assumptions made by the Group and/or third parties that are subject to inherent risks and may prove to be inaccurate or unachievable. Such assumptions are not verified. Forward-looking information included is based on current information, estimates and plans that may be changed within short without notice. Investors are cautioned to place undue reliance on such forward-looking information.

***There are inherent risks with the Group not having any operating history or past performance***

The Group is in an ongoing developing and commercialization process where the Group's key strategy is to develop and build a land-based flow through aquaculture system for farming of Atlantic salmon, in Norway. The Group has no operating history and implementing its strategy requires management to make complex judgments. Hence, no assurance can be given that the Group will achieve its objectives or other anticipated benefits. Further, risks relating to the successful implementation of the Group's strategies may increase by a number of external factors, such as downturn in salmon prices, increased competition, unexpected changes in regulation or the materialization of any of the risk factors mentioned herein, which may require the management's focus and resources, and which could in turn imply failure or delay in the successful adoption of the Group's business strategy. Failure to implement the Group's business strategy could have a material adverse effect on the Company's results, financial condition, cash flow and prospects.

***If the Group is not able to attract and retain customers and commercial partners, this could adversely impact the Group's business and financial position***

Salmon Evolution's commercialization strategy involves entering into customer, distribution, marketing, sales and other agreements with third parties. If the Group is to be successful, the Group will require such agreements to be entered into with professional third parties on commercially favourable terms. If the Group does not succeed in continuing to attract and retain new customers, it could have a material adverse effect on its results of operations, financial condition, cash flows and prospects and its ability to complete the Facility.

The Group's business depends on client goodwill, reputation and on maintaining good relationships with clients, partners, suppliers and employees. Any circumstances that publicly damage the Group's goodwill, injure the Group's reputation or damage the Group's business relationships, may lead to a broader adverse effect than solely the monetary liability arising directly from the damaging events by way of loss of business, goodwill, clients, partners and employees. The Group is thus considerably more exposed to not being able to attract and retain customers compared to its peers in the land-based salmon industry that have operational and revenue generating facilities and/or that have a different commercialization strategy which is not as dependent on attracting and retaining new customers and commercial partners.

***Substantial fluctuations in salmon prices could have an adverse impact on the Group's business and its financial position***

The Group's financial position and future prospect depend on the price of farmed salmon, which has historically been subject to substantial fluctuations. Farmed salmon is a commodity, and the Group therefore assumes that the market price will continue to follow a cyclical pattern based on the balance between total supply and demand. No assurance can be given that the demand for farmed salmon will not decrease in the future.

Farmed salmon is furthermore generally sold as a fresh commodity with limitation on the time available between harvesting and consumption. Short-term overproduction may therefore result in very low spot prices obtained in the market. The entrants of new producing nations or the issuance of new production licenses could result in a general overproduction in the industry. Short-term or long-term decreases in the price of farmed salmon may have a material adverse effect on Group's business, financial condition, results of operations or cash flow and its ability to finalize the construction of the Facility. The Group's lack of operating history could make it challenging to come up with strategies that would mitigate fluctuations in salmon prices. Arguably, the Group is materially more exposed to fluctuations in salmon prices compared to its peers in the land-based salmon industry that have stable sources of revenue, a proven track record and thereby having better preconditions to mitigate substantial fluctuations in salmon prices. In this context, reference is further made to the risk factor "*Fluctuations in the global economy, including currency fluctuations, have the potential to adversely impact the Group's financial position and its business*".

***Poor quality or small smolts could significantly impact the Group's business and financial position***

The Group's operations depend on the quality and availability of salmon smolt. The quality of smolts impacts the volume and quality of the harvested fish. Poor quality or small smolts may cause slow growth, reduced health, increased mortality, deformities, or inferior end products. Further, as the aquaculture industry has intensified production, the biological limits for how fast fish can grow have also been challenged. As with all other forms of intensive food production, a number of production-related disorders arise, i.e. disorders caused by intensive farming methods. As a rule, such disorders appear infrequently, are multifactorial, and with variable severity. The most important production-related disorders relate to physical deformities and cataracts, which may lead to financial loss in the form of reduced growth and health, reduced quality on harvesting, and damage the industry's reputation, which may in turn have a material adverse effect on the Group's results, financial condition, cash flow and prospects and its ability to finalize the construction of the Facility.

***Lack of ability to attract or to retain qualified and experienced personnel could adversely impact the Group's performance***

The Group's senior management and key employees are important to the development and prospects of the Company. Further, the Group's performance is to a large extent dependent on highly qualified personnel and management, and the continued ability of the Group to compete effectively and implement its strategy depends on its ability to attract new and well qualified employees and retain and motivate existing employees. Any loss of the services of key employees, particularly to competitors, or the inability to attract and retain highly skilled personnel could have a material adverse effect on the Group's business, results of operation, financial condition and/or prospects. Since the Group has no sources of revenue, except proceeds from share capital raises and the Mortgage Loan, and no previous track record by not having any operational history, the Group is materially more exposed to not being able to attract or retain qualified and experienced personnel compared to its peers in the land-based salmon industry that have a proven track-record and stable sources of revenue through one or more operational facilities.

***Risk relating to the use of proceeds from the Private Placement and other equity and debt injections***

On 16 September 2020, the Company completed a raise of NOK 500 million in gross proceeds in a private placement directed towards certain new industrial owners and existing shareholders in conjunction with the Company's admission to trading on Merkur Market at a subscription price of NOK 5 per Share (the "**Private Placement**"). The net proceeds are expected to be used to partially fund the First Phase of the construction of the Facility and general corporate purposes. There is however no guarantee that the proceeds from the Private Placement, previous and future equity raises and debt financing arrangements, will be sufficient to complete the expected purpose. It is therefore a significant risk that realisation of the Company's strategy and planned operations may not attract sufficient financing, and hence never be realised. Such risk is increasing as a result of the global effects of the COVID-19 pandemic. In this context, please see the risk factor *The First Phase of the Facility is not fully financed and is dependent on further equity injections and debt financing arrangement in order to be completed, and there is no assurance that the Group is able to raise sufficient financing to construct and finalize the First Phase nor any of the Construction Phases.* There is also a risk that the Company may use the net proceeds from the Private Placement and any future equity and debt injection for purposes which its shareholders may not agree with.

***Restrictive covenants and financing agreements***

The Group is currently a borrower under million Mortgage Loan , and is expected from time to time to enter into and adhere to certain financing agreements and arrangements with various lenders, including as further set out in Section 4.4. Such agreements and arrangements contain many terms, conditions and covenants that may be challenging to comply with, restrict the Groups' freedom to obtain new debt or other financing and/or restrict the Group's freedom to operate. Any non-compliance with such agreements and arrangements may thus have an adverse effect on the Group. For example, the Group's Mortgage Loan contains financial covenants, such as an equity ratio covenant and a minimum available free liquidity covenant which are measured on a monthly basis. Should the Group breach any of the financial covenants pursuant to the Mortgage Loan, this could have an adverse effect on the Group's business, financial condition and prospects. Furthermore, pursuant to the Mortgage Loan, the Group will be required to repay this loan in full should the Company raise addition equity (excluding the Private Placement) of NOK 300 million or more.

The Group's indebtedness could furthermore affect the Group's future operations, since a portion of the Group's cash flow from operations will be dedicated to the payment of interest and principal on such debt, like the Mortgage Loan, and will not be available for other purposes. The financial covenants in the Mortgage Loan, as well as other covenants in future arrangements, will require the Group to meet certain financial tests and non-financial tests, which may affect the Group's flexibility in planning for, and reacting to, changes in its business or economic conditions, may limit the Group's ability to dispose of assets or place restrictions on the use of proceeds from such dispositions, withstand current or future economic or industry downturns, and compete with others in the Group's industry for strategic opportunities, and may

limit the Group's ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate and other purposes on beneficial terms to the Group or at all.

***The Group's business is inherently exposed to regulatory risk and regulatory amendment could potentially have an adverse effect on the Group's business and financial position***

The Group's activities are subject to extensive international and national regulations, in particular relating to environmental protection, food safety, hygiene and animal welfare. The Group's sale of its products is also subject to restrictions on international trade. Further, salmon farming is strictly regulated by licenses and permits granted by the authorities. Future changes in the domestic and international laws and regulations applicable to the Group can be unpredictable and are beyond the control of the Group, and such changes could imply the need to materially alter the Group's operations and set-up and may prompt the need to apply for further permits, which could in turn have a material adverse effect on the business, financial condition, results of operations or cash flow of the Group and its ability to complete the construction of the Facility. Since the Group does not have any stable sources of revenue until the completion of the First Phase, the Group is disproportionality more exposed to regulatory risks compared to its peers in the land-based salmon industry with operational and revenue generating facilities.

***The outbreak of the corona virus (COVID-19) could have a material adverse effect on the Company***

The outbreak of COVID-19 has resulted in a global pandemic and has severely impacted companies and markets globally. It is currently not possible to predict the consequences for the Group, its business partners, Norway, the seafood industry or global business and markets – other than the expectations of adverse negative effects that may be long-term. Such consequences will also impact the Group and its current and planned operations and project – as well as its suppliers of goods and services, contractors and constructors, including the Group's ability to raise further capital or secure financing, future customers ability to buy the Group's products at attractive prices or at all, and its contractors ability to provide goods and services at agreed/schedules terms for the Group's construction project. The future of the Group and its business, including the ability for the Group to realise its current plans is therefore uncertain and subject to a material risk which may in the near term in particular have a material adverse effect on the Group's ability to construct the Facility.

The occurrence of an epidemic or pandemic is beyond the Group's control and there is no assurance that any future outbreak of COVID-19 or other contagious diseases occurring in areas in which the Group or its suppliers, partners or customers operate, or even in areas in which the Group do not operate, will not seriously interrupt the Group's business, including planned constructions or those of the Group's suppliers or customers. Such event could have a material adverse effect on the Group's business, results of operations or financial condition, and may in the near term in particular have a material adverse effect on the construction of the Facility. Due to the Group not having any income prior to the completion of the First Phase and thus, inter alia, being dependent on proceeds from share capital raises and debt financing arrangements, such as the Mortgage Loan, the Group is exceedingly more exposed to the potential impact of COVID-19 on its business and financial position compared to other players in the land-based salmon industry that have stable sources of revenue.

***The Group's operations are expected to be subject to several biological risks which could have a negative impact on the Group's future profitability and cash flows***

Upon commencement of operations of the Facility (in part or in whole), the Group will be exposed to biological risks such as instance oxygen depletion, diseases, viruses, bacteria, parasites, algae blooms, jelly fish and other contaminants, which may have adverse effects on fish survival, health, growth and welfare and result in reduced harvest weight and volume, downgrading of products and claims from customers. An outbreak of a significant or severe disease represents a cost for the Group through e.g. direct loss of fish, loss of biomass growth, accelerated harvesting and poorer quality on the harvested fish and may also be followed by a subsequent period of reduced production capacity and loss of income. The most severe diseases may require culling and disposal of the entire stock, disinfection of the farm and a long subsequent fallow period as preventative measures to stop the disease from spreading. Market access could be impeded by strict border controls, not only for salmon from the infected farm, but also for products originating from a wider geographical area surrounding the site of an outbreak. Continued disease problems may also attract negative media attention and public concerns. Salmon farming has historically experienced several episodes with extensive disease problems and no assurance can be given that this will not also happen in the future. Epidemic outbreaks of diseases may have a material adverse effect on the business, financial condition, results of operations or cash flow of the Group. As the Group will not have any stable income until the completion of the First Phase, the Group is disproportionality more exposed to biological risks compared to its peers in the land-based salmon industry that have more sources of revenue and thus better financial prerequisites of dealing with a biological risk materializing.

## 1.2 Risks Relating to the Listing and the Shares

***The Company will incur increased costs as a result of being a publicly traded company***

As a publicly traded company with its Shares listed on Merkur Market, the Company will be required to comply with Merkur Market's reporting and disclosure requirements and with corporate governance requirements. The Company will incur additional legal, accounting and other expenses to comply with these and other applicable rules and regulations, including hiring additional personnel. The Company anticipates that its incremental general and administrative expenses as a publicly traded company will include, among other things, costs associated with annual and interim reports to shareholders, shareholders' meetings, investor relations, incremental director and officer liability insurance costs and officer and director compensation. Any such increased costs, individually or in the aggregate, could have a material adverse effect on the Group's business, operating income and overall financial condition.

***The price of the Shares may fluctuate significantly***

The trading price of the Shares could fluctuate significantly in response to a number of factors beyond the Company's control, including quarterly variations in operating results, adverse business developments, changes in financial estimates and investment recommendations or ratings by securities analysts, significant contracts, acquisitions or strategic relationships, publicity about the Company, its products and services or its competitors, lawsuits against the Company, unforeseen liabilities, changes to the regulatory environment in which it operates or general market conditions.

In recent years, the stock market has experienced extreme price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of these companies. The price of the Shares may therefore fluctuate based upon factors that have little or nothing to do with the Company, and these fluctuations may materially affect the price of its Shares.

***There is no existing market for the Shares, and a trading market that provides adequate liquidity may not develop***

Prior to the Listing there is no public market for the Shares, and there can be no assurance that an active trading market will develop or be sustained. The market value of the Shares could be substantially affected by the extent to which a secondary market develops for the Shares following the completion of the Listing.

***Future issuances of shares or other securities in the Company may dilute the holdings of shareholders and could materially affect the price of the Shares***

It is possible that the Company may decide to offer new shares or other securities in order to finance new capital-intensive investments in the future in connection with unanticipated liabilities or expenses, or for any other purposes. Any such offering could reduce the proportionate ownership and voting interests of holders of Shares as well as the earnings per Share and the net asset value per Share of the Company, and any offering by the Company could have a material adverse effect on the market price of the Shares. Additionally, the Company may deviate from its shareholders' pre-emptive right to subscribe for shares and other securities. Securities laws in certain jurisdictions may moreover prevent the Company's shareholders belonging to such jurisdictions from participating in the issuance of share offerings and any other securities offerings in the Company. In this context, reference is further made to the risk factor "*The transfer of the Shares is subject to restrictions under the securities laws of the United States and other jurisdictions*".

***Investors may not be able to exercise their voting rights for Shares registered in a nominee account***

Beneficial owners of the Shares that are registered in a nominee account (such as through brokers, dealers or other third parties) may not be able to vote for such Shares unless their ownership is (a) re-registered in their names with the VPS prior to the Company's general meetings or (b) the registered nominee holder grants a proxy to such beneficial owner in the manner provided in the Articles of Association in force at that time and pursuant to the contractual relationship, if any, between the nominee and the beneficial owner, to vote for such Shares. The Company cannot guarantee that beneficial owners of the Shares will receive the notice of a general meeting of shareholders of the Company in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote for their Shares in the manner desired by such beneficial owners. Any persons that hold their Shares through a nominee arrangement should consult the nominee to ensure that any Shares beneficially held are voted for in the manner desired by such beneficial owner.

***Investors may have difficulty enforcing any judgment obtained in the United States against the Company or its directors or officers in Norway***

The Company is incorporated under the laws of Norway and all of its current directors and executive officers reside outside the United States. Furthermore, most of the Company's assets and most of the assets of the Company's directors and executive officers are located outside the United States. As a result, investors may be unable to effect service of process on the Company or its directors and executive officers or enforce judgments obtained in the United States courts against the Company or such persons in the United States, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States. The United States and Norway do currently not have a

treaty providing for reciprocal recognition and enforcement of judgments (other than arbitral awards) in civil and commercial matters.

***The transfer of the Shares is subject to restrictions under the securities laws of the United States and other jurisdictions***

The Shares have not been registered under the U.S. Securities Act or any U.S. state securities laws or any other jurisdiction outside of Norway and are not expected to be registered in the future. As such, the Shares may not be offered or sold except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable securities laws. In addition, there can be no assurances that shareholders residing or domiciled in the United States will be able to participate in future capital increases or rights offerings.

***The Group is exposed to risks invariable tied with having larger shareholders***

A concentration of ownership may have the effect of delaying, deterring or preventing a change of control of the Company that could be commercially beneficial to other shareholders. The interests of shareholders may moreover exert a material influence on the Company which may from time to time not be aligned with the interests of the Company and its shareholders. The Company's top five shareholders currently control approximately 45% of the Company's Shares.

***Shareholders outside Norway are subject to exchange risk***

The Shares listed are priced in NOK, and any future payments of dividends on the Shares listed on Merkur Market will be paid in NOK. Accordingly, any investor outside Norway is subject to adverse movements in NOK against their local currency as the foreign currency equivalent of any dividends paid on the Shares listed on Merkur Market or price received in connection with sale of such Shares could be materially adversely affected.

***The Company does not expect to pay dividends in the near future***

Due to its early phase, the Company does not expect to pay dividends in the near future. Norwegian law provides that any declaration of dividends must be adopted by the Company's shareholders at the Company's general meeting of shareholders. Dividends may only be declared to the extent that the Company has distributable funds and the Company's Board of Directors finds such a declaration to be prudent in consideration of the size, nature, scope and risks associated with the Company's operations and the need to strengthen its liquidity and financial position. As the Company's ability to pay dividends is dependent on the availability of distributable reserves, it is *inter alia* dependent upon receipt of dividends and other distributions of value from its subsidiaries and companies in which the Company may invest. Further, financing agreements may limit the Company's ability to pay dividends.

## 2. RESPONSIBILITY STATEMENT

The Board of Directors of Salmon Evolution Holding AS accepts responsibility for the information contained in this Admission Document. The members of the Board of Directors confirm that, having taken all reasonable care to ensure that such is the case, the information contained in this Admission Document is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its import.

Where information in this Admission Document has been sourced from a third party, this information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17 September 2020

**The Board of Directors of Salmon Evolution Holding AS**

Tore A. Tønseth (Chairman)
Kristofer Reiten
Peder Stette
Frode Kjølås
Glen Bradley
Anne Breiby
Kiyun Yun

## 3. GENERAL INFORMATION

*This Section provides general information on the presentation of financial and other information, as well as the use of forward-looking statements, in this Admission Document. You should read this information carefully before continuing.*

### 3.1 Other Important Investor Information

The Company has furnished the information in this Admission Document. No representation or warranty, express or implied, is made by the Merkur Advisors as to the accuracy, completeness or verification of the information set forth herein, and nothing contained in this Admission Document is, or shall be relied upon as a promise or representation in this respect, whether as to the past or the future. The Merkur Advisors assume no responsibility for the accuracy or completeness or the verification of this Admission Document and accordingly disclaim, to the fullest extent permitted by applicable law, any and all liability whether arising in tort, contract or otherwise which they might otherwise be found to have in respect of this Admission Document or any such statement.

Neither the Company nor the Merkur Advisors, or any of their respective affiliates, representatives, advisors or selling agents, is making any representation to any purchaser of the Shares regarding the legality of an investment in the Shares. Each investor should consult with his or her own advisors as to the legal, tax, business, financial and related aspects of a purchase of the Shares.

### 3.2 Cautionary Note Regarding Forward-Looking Statements

This Admission Document includes forward-looking statements that reflect the Company's current views with respect to future events and financial and operational performance; including, but not limited to, statements relating to the risks specific to the Company's business, future earnings, the ability to distribute dividends, the solution to contractual disagreements with counterparties, the implementation of strategic initiatives as well as other statements relating to the Company's future business development and economic performance. These Forward-looking Statements can be identified by the use of forward-looking terminology; including the terms "assumes", "projects", "forecasts", "estimates", "expects", "anticipates", "believes", "plans", "intends", "may", "might", "will", "would", "can", "could", "should" or, in each case, their negative or other variations or comparable terminology. These Forward-looking Statements are not historical facts. They appear in a number of places throughout this Admission Document, including; Section 4 "Business Overview" and Section 8 "Dividend and Dividend Policy", and include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, goals, objectives, financial condition and results of operations, liquidity, outlook and prospects, growth, strategies, impact of regulatory initiatives, capital resources and capital expenditure and dividend targets, and the industry trends and developments in the markets in which the Group operates.

Prospective investors in the Shares are cautioned that forward-looking statements are not guarantees of future performance and that the Company's actual financial position, operating results and liquidity, and the development of the industry in which the Company operates may differ materially from those contained in or suggested by the forward-looking statements contained in this Admission Document. The Company cannot guarantee that the intentions, beliefs or current expectations that these forward-looking statements are based will occur.

By their nature, forward-looking statements involve and are subject to known and unknown risks, uncertainties and assumptions as they relate to events and depend on circumstances that may or may not occur in the future. Because of these known and unknown risks, uncertainties and assumptions, the outcome may differ materially from those set out in the forward-looking statements. Should one or more of these risks and uncertainties materialize, or should any underlying assumption prove to be incorrect, the Company's business, actual financial condition, cash flows or results of operations could differ materially from that described herein as anticipated, believed, estimated or expected.

The information contained in this Admission Document, including the information set out under Section 1 "Risk Factors", identifies additional factors that could affect the Company's financial position, operating results, liquidity and performance. Prospective investors in the Shares are urged to read all sections of this Admission Document and, in particular, Section 1 "Risk Factors", for a more complete discussion of the factors that could affect the Company's future performance and the industry in which the Company operates when considering an investment in the Shares.

The Company undertakes no obligation to publicly update or publicly revise any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to the Company or to persons acting on the behalf of the Company are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Admission Document.

## 3.3 Presentation of Industry Data and Other Information

**Sources of Industry and Market Data**

To the extent not otherwise indicated, the information contained in this Admission Document on the market environment, market developments, growth rates, market trends, market positions, industry trends, competition in the industry in which the Company operates and similar information are estimates based on data compiled by professional organisations, consultants and analysts; in addition to market data from other external and publicly available sources as well as the Company's knowledge of the markets.

While the Company has compiled, extracted and reproduced such market and other industry data from external sources, the Company has not independently verified the correctness of such data. Thus, the Company takes no responsibility for the correctness of such data. The Company cautions prospective investors not to place undue reliance on the above mentioned data.

Although the industry and market data is inherently imprecise, the Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified.

In addition, although the Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and the Company cannot assure prospective investors as to their accuracy or that a third party using different methods to assemble, analyse or compute market data would obtain the same results. The Company does not intend to or assume any obligations to update industry or market data set forth in this Admission Document. Finally, behaviour, preferences and trends in the marketplace tend to change. As a result, prospective investors should be aware that data in this Admission Document and estimates based on those data may not be reliable indicators of future results.

**Financial Information – Alternative Performance Measures**

## 3.4 Non-IFRS Financial Information

The Company will make use of certain non-IFRS measures (referred to as Alternative Performance Measures "APMs") in its communication with investors. Some of these APMs are applied in this Admission Document; please see section 5.5. The Company defines the relevant APMs as follows:

- EBITDA is defined as operating result after adjustments for depreciation, amortisation and impairment losses, items related to network technical updates, share-based compensation expenses and other items. Effects from business combinations are also not included. EBITDA is a common measure in the industry in which the Company operates, however it may be calculated differently by other companies and may not be comparable. The Company believes that EBITDA is a measure relevant to investors who wants to understand the generation of earnings before investment in fixed assets and our ability to serve debt.
- EBIT is defined as earnings before interest and taxes. It is a measure of a firm's profit that includes all incomes and expenses (operating and non-operating) except interest expenses and income tax expenses. EBIT is a common measure in the industry in which the Company operates, however it may be calculated differently by other companies and may not be comparable.
- CAPEX is defined as net cash used in investing activities.
- Net Working Capital is defined as current assets, less cash and cash equivalents and current liabilities, less short term portion of lease liabilities.
- NIBD (Net Interest Bearing Debt/(Net Cash) is defined as the sum of long-term interest bearing debt and lease liabilities, less cash and cash equivalents. NIBD is used to measure gearing ratio (NIBD-to-EBITDA) which is a relevant covenant for the Company on a consolidated basis in the bank loan facilities and a measurement of financial leverage for the Group.
- Capital employed is defined as total equity plus net interest bearing debt/(net cash).

These APMs are not required by, or presented in accordance with, IFRS or the accounting standards of any other jurisdiction. Such measures are not measurements of financial performance or liquidity under IFRS, are not audited, and should not replace measures of liquidity or operating profit that are derived in accordance with IFRS.

**Other Information**

In this Admission Document, all references to "NOK" are to the lawful currency of Norway, all references to "EUR" are to the lawful currency of the EU and all references to "U.S. dollar", "US$", "USD", or "$" are to the lawful currency of the United States of America.

In this Admission Document all references to "EU" are to the European Union and its Member States as of the date of this Admission Document; all references to "EEA" are to the European Economic Area and its member states as of the date of this Admission Document; and all references to "US", "U.S." or "United States" are to the United States of America.

Certain figures included in this Admission Document have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly.

## 4. BUSINESS OVERVIEW

*This Section provides an overview of the business of the Group as of the date of this Admission Document. The following discussion contains Forward-looking Statements that reflect the Company's plans and estimates; see Section 3.1 "General Information—Cautionary Note Regarding Forward-Looking Statements". You should read this Section in conjunction with the other parts of this Admission Document, in particular Section 1 "Risk Factors".*

### 4.1 Principal Activities

**Introduction**

Salmon Evolution is a land-based salmon farming company with its first production facility (the **"Facility"**) under construction on Indre Harøy, Norway, and a global expansion plan targeting total production of approximately 70,000 tons annually in the medium- to long-term horizon. The Company utilize a hybrid flow-through system (**"HFS"**) supplied by Artec Aqua with 65 per cent reuse and 35 per cent supply of filtered fresh seawater securing controlled and optimal growth conditions, no risk of parasites and limited risk of diseases. The controlled production environment combined with minimal fish handling enables improved growth rate and fish health. In addition, production will provide minimal environmental impact through wastewater treatment and the reuse of marine resources.

**Facility at Indre Harøy, Norway**

The Company has secured a license for 13,300 tons of maximum allowed biomass (**"MAB"**) on Indre Harøy in Hustadvika municipality, Norway, expected to be produces at the Facility upon completion of the Facility. The Facility's location is strategically located on the Norwegian west coast with access to an educated and experienced work force, established infrastructure for salmon farming, renewable energy and unlimited fresh seawater. Salmon Evolution intends to combine water intake from 25 – 90 meters to utilize seasonal variations and reducing the need to heat or cool the water before entering the fish tanks.

The Company's current plan comprise that the construction of the Facility shall consist of three phases. The first phase of the facility started in Q2 2020 and, upon its completion, expected to consist of 12 grow out tanks, each with a capacity of approximately 5,000 m3 of water, from which the Company plans to harvest approximately 7,900 metric tons of salmon per year (the **"First Phase"**). The First Phase is scheduled to be completed in Q4 2022 and cost of completion is estimated to approximately NOK 1.8. billion.

The second phase is planned to begin in 2022 and consists of building out an additional 12 grow out tanks and 2 holding tanks and also constructing its own smolt facility with a planned capacity of approximately 7.5 million smolt annually giving the Company logistical, operational and biological control (the **"Second Phase")**. Upon completion of the Second phase, scheduled to be in 2024, the Company plans to harvest approximately 15,700 metric tons of salmon per year. The Second Phase is expected to require additional investments of approximately NOK 1.2 billion excluding investments related to the smolt facility.

Lastly, the third phase of the construction is scheduled to begin in 2024 and completed in 2028 (the "**Third Phase**" and together with the First Phase and Second Phase, the "**Construction Phases**"). The Third Phase consists of constructing additional 24 grow-out tanks and 4 holding tanks. Following the completion of the Third Phase, the Company intends to harvest approximately 31,400 metric tons of salmon each year. The Third Phase is expected to require additional investments of approximately NOK 2.1 billion.

The Company is in the process of signing an option agreement with landowners to secure land to expand the Indre Harøy facility with approximately additional 20,000 tons production per year. The Company has already started the application process for a required new or extended license for land-based salmon farming to support the expansion on Indre Harøy.

**Global expansion plan**

Salmon Evolution has an ambition to construct facilities internationally with a production of approximately 20,000 tons annually in the medium- to long-term horizon. The Company will focus on geographical locations with water conditions favouring the use of HFS technology in addition to locations with limited access to local salmon farming production volumes.

The first step in the international growth plan is to construct a land-based salmon farming facility utilizing the HFS technology in South Korea in partnership with Dongwon Industries. Dongwon Industries is a global leading seafood company with considerable fishing operations as well as being the largest salmon trader in South Korea.

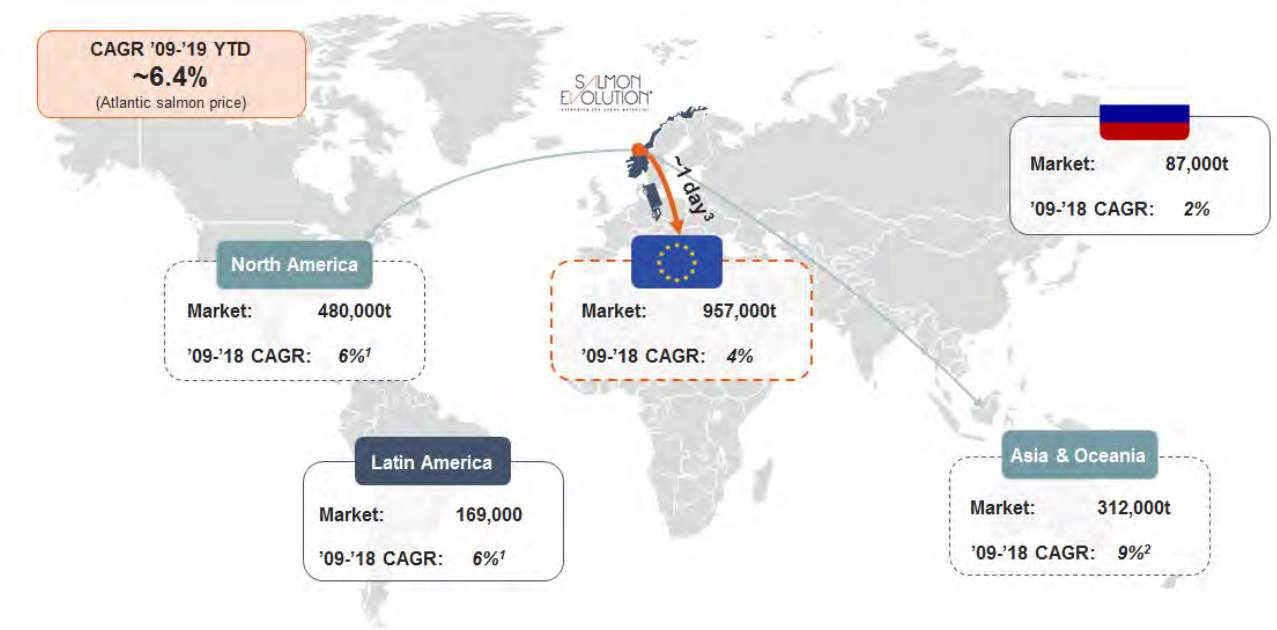
**The internal reorganization**

On 4 August 2020, the Group completed an internal reorganization whereby the Company became the parent of the Group and the owner of 100% of the shares in Salmon Evolution AS (the "**Reorganization**"). The new holding structure was established through a share exchange, whereby each share in Salmon Evolution AS was exchanged with one share in the Company. The share exchange was carried out as a contribution-in-kind whereby each of the shareholders in Salmon Evolution AS contributed their shares to the Company as settlement for subscribing for a corresponding number of Shares in the Company.

## 4.2 Principal Markets

As of the date of submission of this Admission Document, the Company has not entered into any sales agreements. Salmon Evolution intends to mainly target the European salmon market initially, with aim to also establish relationships with customers in the US and Asia. However, it should be stated that the Company has not made any conclusions that distributing globally will not become relevant in the future.

Figure 1: Intended target market overview




Source: Company

Salmon Evolution intends to utilize its position as a unique salmon farmer with a focus on minimizing environmental impact to target sustainability oriented processors/distributors and retailers. Moreover, the Company's ambition is to reach consumers that are willing to pay a premium for sustainably farmed salmon, by focusing on business-to-business sales through ESG-driven retailers. In the long-term, Salmon Evolution's strategy is to build a competent sales and marketing organization and create the necessary communication towards the end markets.

## 4.3 History and Development

The table below presents an overview of the key events in the history of the Group:

| Date | Event |
|---|---|
| July 2017 | Salmon Evolution AS was established |
| January 2019 | Salmon Evolution AS raised NOK 50 million in a private placement |
| March 2020 | Salmon Evolution AS raised NOK 258 million in a private placement |
| May 2020 | Salmon Evolution AS initiated the first phase of the construction of the Group's land-based salmon facility |
| June 2020 | Håkon Andre Berg was appointed CEO |
| July 2020 | The Company was incorporated and a group structure was established |
| July 2020 | Salmon Evolution AS announced that it had entered into an investment agreement with Dongwon Industries and completed a NOK 50 million private placement towards Dongwon Industries |
| August 2020 | The completion of the Reorganization, resulting in Salmon Evolution AS becoming a wholly owned subsidiary of the Company |
| September 2020 | Completion of the Private Placement raising gross proceeds of NOK 500 million, and admission to trading of the Company's shares on Merkur Market. |

## 4.4 Disclosure About Dependency on Contracts, Patents and Licenses

**The Construction Contract with Artec Aqua**

The Company has entered into a partnering construction contract with Artec Aqua for the design and construction of the Facility (the "**Construction Contract**"). The Construction Contract is based on the Norwegian Standard contract for design and build contracts, NS 8407, with several deviations.

The Construction Contract includes the design and construction of the First Phase. Upon completion of the First Phase, the Company aims to obtain a production capacity of 7,900 metric tons of salmon per year. The Construction Contract is divided into two phases: the planning and the execution phase. During both phases, the Construction Contract is based on a principle of wide collaboration between the parties.

The pricing in the Construction Contract is on a cost-plus basis with a target price of approximately NOK 1.3 billion. Artec Aqua can claim compensation for the work in accordance with the agreed price per hour and mark-up in both the planning and execution phase. During the execution phase, if the agreed target price is exceeded, Artec Aqua will not be compensated for mark-up. The target price may be adjusted due to variations to the work or the materialization of client-side risks.

The time schedule for the execution and completion of the Construction Contract is to be agreed upon in the transition between the planning phase and the execution phase. The time schedule has been agreed upon and consists of three milestones with daily penalties. All three milestones have grace periods of one to two weeks. Complete handover is set to 29 November 2022. Artec Aqua is on certain terms liable for any overruns of the milestones, with a daily penalty of ½ ‰ of the contract sum and a maximum penalty of NOK 10 million of the contract sum. According to a claw-back clause, Artec Aqua can recover already accrued penalty by early delivery of subsequent milestones.

The Construction Contract deviates from market practice on several points, inter alia, the parties are not obliged to sign warranties as a security for the fulfilment of their contract obligations. However, Artec Aqua is to sign a warranty on 3 % of the contract sum as security for their obligation to rectify deviations after handover.

Currently, the estimated completion cost for the First Phase is approximately NOK 1.8 billion, and is expected to be completed during Q4 2022, subject any delays and to the Group securing sufficient financing. As such, the completion of First Phase is dependent on additional funding currently amounting to an estimated NOK 950 million. The Company plans to obtain the required financing for the completion of First Phase through additional equity raise(s) in H1 2021 and with additional debt financing (see further information about the Group's debt financing in section 5.8 below). Lack of financing as the First Phase is being developed, as well as delays and/or cost overruns, may slow down or stop the planned progress of construction of the First Phase and the Facility, and/or involve downscaling or postponing the Company's business plan and plan of operations.

Reference is also made to the Mortgage Loan as described in Section 5.8 and the terms and conditions applying thereto.

Please see relevant risk factors included in Section 1 and the working capital statement included in Section 5.7 for more details on the financing of the construction of the Facility and the Company's liquidity.

## 4.5 Material Contracts

Except as set out below, the Group has not entered into any material contracts outside of its ordinary course of business.

**The Exclusivity Agreement with Artec Aqua**

The Company has entered into an exclusivity agreement with Artec Aqua (the "**Exclusivity Agreement**"). The Exclusivity Agreement is applicable in two years from signing the Construction Contract, i.e. two years from 15 October 2019, with an agreed intention to negotiate a two year extension up to four times. According to the Exclusivity Agreement, the Company has an exclusive right to use Aqua Artec as complete supplier of landbased edible fish facilities for production of salmon, where the facilities are based on re-use technology. The Company is correspondingly obliged to use Artec Aqua as complete supplier on all later building steps of the Facility. Further, Artec Aqua has the same exclusive right and obligation to be the complete supplier of all seafood facilities with associated smolt installations that the Company constructs, or that is constructed by a company where the Company directly or indirectly controls more than 50 % of the shares. The right is applicable both in Norway and abroad. The Exclusivity agreement is not applicable on facilities that are based on recycling technology.

As long as the Exclusivity Agreement is applicable, the Company cannot directly or indirectly hold shares in a company for smolt or edible fish production that uses other suppliers than Artec Aqua to construct landbased edible fish or smolt facilities based on re-use technology or flow through technology.

## 4.6 Legal and Arbitration Proceedings

As of the date of this Admission Document, the Company is not aware of any governmental, legal or arbitration proceedings during the course of the preceding twelve months, including any such proceedings which are pending or threatened, of such importance that they have had in the recent past, or may have, a significant effect on the Company or the Group's financial position or profitability.

## 5. SELECTED FINANCIAL INFORMATION AND OTHER INFORMATION

*The following selected financial information has been extracted from the Company's audited financial statements for the period commencing on the date of incorporation of the Company on 3 July 2020, and ended 31 July 2020 and Salmon Evolution AS' audited financial statements for the year ended 31 December 2019 and the unaudited financial statements for the six months period ended 30 June 2020, all of which are included in Appendix A — Financial Statements to this Admission Document. The financial statements for the Company have been prepared in accordance with NGAAP while the financial statements for Salmon Evolution AS have been prepared in accordance with IFRS. The Group will subsequent to listing on Merkur Market report its consolidated financial statements in accordance with IFRS.*

*As the Company is a holding company incorporated on 3 July 2020 without operations and limited historical financial information, Salmon Evolution AS' historical financial information have also been included in the selected financial information section below.*

### 5.1 Selected Income Statement Information

The table below sets out a summary of the Company's audited income statement information for the period commencing on the date of incorporation of the Company on 3 July 2020, and ending 31 July 2020.

| *Amounts in NOK* | **3 July – 31 July 2020** (NGAAP) (audited) |
|---|---|
| **Total operating income** | **0** |
| **Total operating expenses** | **0** |
| **Operating profit** | **0** |
| **Net financial items** | **0** |
| **Result before tax** | **0** |
| **Tax expense** | **0** |

The table below sets out a summary of Salmon Evolution AS' audited statement of profit or loss information for the twelve months ended 31 December 2019 and 2018, and the six months ended 30 June 2020 and 2019.

| *In NOK thousands* | **For the Six Months Ended 30 June (IFRS) (unaudited)** | | **For the Year Ended 31 December (IFRS) (audited)** | |
|---|---|---|---|---|
| | **2020** | **2019** | **2019** | **2018** |
| Other income | 30 | 0 | (175) | 1,150 |
| **Total operating income** | **30** | **0** | **(175)** | **1,150** |
| Personnel expenses | **(2,478)** | **(534)** | **(3,754)** | **(1,182)** |
| Depreciation, amortisation and impairment loss | (148) | (27) | (181) | 0 |
| Other operating expenses | (3,775) | (3,905) | (7,752) | (1,933) |
| **Operating profit (EBIT)** | **(6,371)** | **(4,466)** | **(11,862)** | **(1,965)** |
| Financial income | 1 | 0 | 622 | 0 |
| Financial expenses | (16) | (11) | (30) | (9) |
| **Financial expense** | **(15)** | **(11)** | **593** | **(9)** |
| **Profit/(loss) before tax** | **(6,385)** | **(4,476)** | **(11,269)** | **(1,974)** |
| Income tax expense | 0 | 0 | 0 | 0 |

The table below sets out a summary of Salmon Evolution AS' audited statement of comprehensive income for the years ended 31 December 2019 and 2018, and unaudited statement of comprehensive income for the six months ended 30 June 2020 and 2019.

| *In NOK thousands* | For the Six Months Ended 30 June (IFRS) (unaudited) | | For the Year Ended 31 December (IFRS) (audited) | |
|---|---|---|---|---|
| | **2020** | **2019** | **2019** | **2018** |
| **Profit/ (loss) for the period** | **(6,385)** | **(4,476)** | **(11,269)** | **(1,974)** |
| **Total comprehensive income for the period, net of tax** | **(6,385)** | **(4,476)** | **(11,269)** | **(1,974)** |

## 5.2 Selected Balance Sheet Information

The table below sets out a summary of the Company's audited balance sheet information as at the date of incorporation of the Company on 3 July 2020 and 31 July 2020.

| *In NOK thousands* | As of 31 July (NGAAP) (unaudited) | As of 3 July 2020 (NGAAP) (audited) |
|---|---|---|
| | **2020** | **2020** |
| **Assets** | | |
| **Financial fixed assets** | | |
| Investments in subsidiaries | 276,516,390 | 0 |
| **Total financial fixed assets** | **276,516,390** | **0** |
| **Current assets** | | |
| Bank deposits, cash and cash equivalents | 50,029,996 | 30,000 |
| **Total current assets** | **50,029,996** | **30,000** |
| **Total assets** | **326,546,386** | **30,000** |
| **Equity and liabilities** | | |
| **Equity** | | |
| Share capital | 5,986,554 | 30,000 |
| Share premium reserve | 320,520,261 | 0 |
| Other paid-up equity | 0 | (9,570) |
| **Total paid-up equity** | **326,506,816** | **20,430** |
| **Current liabilities** | | |
| Trade payables | 5,570 | 0 |
| Liabilities to group companies | 30,000 | 0 |
| Other current liabilities | 4,000 | 9,570 |
| **Total current liabilities** | **39,570** | **9,570** |
| **Total liabilities** | **39,570** | **9,570** |
| **Total equity and liabilities** | **326,546,386** | **30,000** |

The table below sets out a summary of Salmon Evolution AS' audited balance sheet information as of 31 December 2019 and 2018, and unaudited balance sheet information as of 30 June 2020 and 2019.

| *In NOK thousands* | As of 30 June (IFRS) (unaudited) | | As of 31 December (IFRS) (audited) | |
|---|---|---|---|---|
| | **2020** | **2019** | **2019** | **2018** |
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Assets under construction | 102,167 | 5,622 | 25,546 | 975 |
| Property, plant and equipment | 342 | 427 | 352 | 0 |
| Right-of-use assets | 495 | 929 | 712 | 0 |
| **Total non-current assets** | **103,004** | **6,978** | **26,610** | **975** |
| **Current assets** | | | | |
| Other current receivables | 4,024 | 1,537 | 2,749 | 700 |
| Cash and cash equivalents | 190,131 | 40,834 | 21,124 | 370 |
| **Total current assets** | **194,155** | **42,371** | **23,873** | **1,070** |
| **Total assets** | **297,159** | **49,349** | **50,483** | **2,046** |
| **Equity and liabilities** | | | | |
| **Equity** | | | | |
| Share capital | 5,375 | 1,500 | 1,500 | 1,000 |
| Share premium | 290,238 | 49,500 | 49,500 | 0 |
| Other paid-in capital | 780 | 0 | 780 | 0 |
| Uncovered losses | (19,967) | (6,788) | (13,581) | (2,312) |
| **Total equity** | **276,516** | **44,212** | **38,198** | **(1,312)** |
| **Non-current liabilities** | | | | |
| Long-term interest bearing debt | 1,500 | 1,500 | 1,500 | 1,500 |
| Lease liabilities – long term | 99 | 427 | 227 | 0 |
| **Total non-current liabilities** | **1,599** | **1,927** | **1,727** | **1,500** |
| **Current liabilities** | | | | |
| Trade payables | 17,082 | 2,273 | 8,401 | 167 |
| Social security and other taxes | 668 | 450 | 799 | 69 |
| Lease liabilities – short term | 328 | 385 | 394 | 0 |
| Other current liabilities | 966 | 103 | 963 | 1,622 |
| **Total current liabilities** | **19,044** | **3,210** | **10,557** | **1,858** |
| **Total liabilities** | **20,643** | **5,137** | **12,285** | **3,358** |
| **Total equity and liabilities** | **297,159** | **49,349** | **50,483** | **2,046** |

## 5.3 Selected Cash Flow Information

The table below sets out a summary of the Company's audited cash flow statement information for the period commencing on the date of incorporation of the Company on 3 July 2020, and ending 31 July 2020.

| *In NOK* | **3 July – 31 July** (NGAAP) (audited) **2020** |
|---|---|
| **Cash flow from operating activities** | **0** |
| **Cash flow from investment activities** | **0** |
| **Cash flow from financing activities** | |
| Shareholder contribution | 49,999,996 |
| **Net cash flow from financing activities** | **49,999,996** |
| **Net change in cash and cash equivalents** | **49,999,996** |
| Cash and cash equivalents at the start of the period | 30,000 |
| **Cash and cash equivalents at the end of the period** | **50,029,996** |

The table below sets out a summary of Salmon Evolution AS' audited statement of cash flows information for twelve month ended 31 December 2019 and 2018, and the unaudited statement of cash flows information for the six months ended 30 June 2020 and 2019.

| *In NOK thousands* | **As of 30 June (IFRS) (unaudited)** | | **As of 31 December (IFRS) (audited)** | |
|---|---|---|---|---|
| | **2020** | **2019** | **2019** | **2018** |
| Profit before income taxes | (6,385) | (4,476) | (11,269) | (1,974) |
| *Adjustments for:* | | | | |
| Depreciation | 148 | 27 | 181 | 0 |
| Net interest | 15 | 11 | (593) | 9 |
| Share based payment expenses | 0 | 0 | 780 | 0 |
| Changes in working capital: | | | | |
| Change in trade receivables | 0 | 0 | 0 | 0 |
| Change in other current receivables | (1,274) | (837) | (2,049) | (243) |
| Change in trade payables | 283 | 2,107 | 8,235 | 36 |
| Change in other provisions | (127) | (1,139) | 1,570 | 1,446 |
| **Cash generated from operations** | **(7,341)** | **(4,308)** | **(3,146)** | **(725)** |
| Interest paid | (16) | (11) | (30) | (9) |
| Interest received | 1 | 1 | 622 | 0 |
| Income taxes paid | 0 | 0 | 0 | 0 |
| **Net cash flow from operations** | (7,356) | (4,318) | (2,553) | (734) |
| **Cash flow from investments** | | | | |
| Purchase of fixed assets and other capitalizations | (68,245) | (5,074) | (25,021) | (506) |

| *In NOK thousands* | As of 30 June (IFRS) (unaudited) | | As of 31 December (IFRS) (audited) | |
|---|---|---|---|---|
| | 2020 | 2019 | 2019 | 2018 |
| **Net cash flow from investments** | **(68,245)** | **(5,074)** | **(25,021)** | **(506)** |
| **Cash flow from financing** | | | | |
| Repayment of lease liabilities | (95) | (145) | (172) | 0 |
| Proceeds from issuance of equity | 244,703 | 50,000 | 50,000 | 0 |
| Proceeds from borrowings | 0 | 0 | 0 | 1,500 |
| Repayment of loans | 0 | 0 | (1,500) | 0 |
| **Net cash flow from financing** | **244,609** | **49,855** | **48,328** | **1,500** |
| **Net change in cash and cash equivalents** | **169,008** | **40,463** | **20,753** | **259** |
| Cash and cash equivalents at the beginning of the period | 21,124 | 370 | 370 | 111 |
| Cash and cash equivalents at the end of the period | **190,131** | **40,834** | **21,124** | **370** |

## 5.4 Selected Changes in Equity Information

The table below sets out a summary of Salmon Evolution AS' audited statement of changes in equity for the twelve months ended 31 December 2018 and 2019, and the unaudited statement if changes in equity for the six months ended 30 June 2020.

*In NOK thousands*

| | Share capital | Share premium | Other paid-in share capital | Uncovered losses | **Total** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| **Balance at 1 January 2018** | **1,000** | **0** | **0** | **(339)** | **661** |
| Profit/(loss) for the period | 0 | 0 | 0 | (1,974) | (1,974) |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 |
| **Total comprehensive income for the period** | **0** | **0** | **0** | **(1,974)** | **(1,974)** |
| Capital increase | 0 | 0 | 0 | 0 | 0 |
| **Transactions with owners** | **0** | **0** | **0** | **0** | **0** |
| **Balance at 31 December 2018** | **1,000** | **0** | **0** | **(2,312)** | **(1,312)** |
| **Balance at 1 January 2019** | **1,000** | **0** | **0** | **(2,312)** | **(1,312)** |
| Profit/(loss) for the period | 0 | 0 | 0 | (11,269) | (11,269) |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 |
| **Total comprehensive income for the period** | **0** | **0** | **0** | **(11,269)** | **(11,269)** |
| Capital increase | 500 | 49,500 | 0 | 0 | 50,000 |
| Share options issued | 0 | 0 | 780 | 0 | 780 |
| **Transactions with owners** | **500** | **49,500** | **780** | **0** | **50,780** |
| **Balance at 31 December 2019** | **1,500** | **49,500** | **780** | **(13,581)** | **38,198** |
| **Balance at 1 January 2020** | **1,500** | **49,500** | **780** | **(13,581)** | **38,198** |

*In NOK thousands*

| | Share capital | Share premium | Other paid-in share capital | Uncovered losses | **Total** |
|---|---|---|---|---|---|
| Profit/(loss) for the period | 0 | 0 | 0 | (6,385) | (6,385) |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 |
| **Total comprehensive income for the period** | **0** | **0** | **0** | **(6,385)** | **(6,385)** |
| Capital increase | 3,875 | 240,828 | 0 | 0 | 244,703 |
| **Transactions with owners** | **3,875** | **240,828** | **0** | **0** | **244,703** |
| **Balance at 30 June 2020** | **5,375** | **290,328** | **780** | **(19,967)** | **276,516** |

## 5.5 Other Selected Financial and Operating Information

The table below sets out certain other unaudited key financial and operating information (APMs) for the Subsidiary.

| *In NOK thousands, except for percentages* | **H1 2020** (IFRS) | **H1 2019** (IFRS) | **2019** (IFRS) | **2018** (IFRS) |
|---|---|---|---|---|
| Capital expenditure(CAPEX)[1] | 68,245 | 5,074 | 25,021 | 506 |
| Net Interest Bearing Debt/(Net Cash) (NIBD)[2] | (188,204) | (38,522) | (19,002) | 1,130 |
| Net Working Capital (NWC)[3] | (14,692) | (1,289) | (7,414) | (1,158) |
| Capital Employed (CE)[4] | 88,312 | 5,689 | 19,196 | (183) |

(1) Capital expenditure represents net cash used in investing activities.

(2) Net Interest Bearing Debt/(Net Cash) represents the sum of long-term interest bearing debt and lease liabilities, less cash and cash equivalents.

(3) Net Working Capital represents current assets, less cash and cash equivalents and current liabilities, less short term portion of lease liabilities.

(4) Capital employed represents total equity plus net interest bearing debt/(net cash).

(5) EBIT divided by net interest expense.

## 5.6 Additional information for large transactions

**Private Placement**

On 16 September 2020, the Company completed the Private Placement of 100,000,000 new Shares in the Company, each at a subscription price of NOK 5.00 directed to certain new investors and existing shareholders raising gross proceeds of NOK 500 million The net proceeds are expected to be partly used to partly fund the First Phase, to further develop the Facility as a project and for general corporate purposes.

**The internal reorganization**

Please see the description of the Reorganization in section 4.1.

## 5.7 Working Capital Statement

The Company's Facility is still under construction and its primary sources of liquidity have thus far been net proceeds from equity capital issues and debt financings arrangements. The Company has to date no operating cash flows. As of the date of this Admission Document, the Company is of the opinion that the Group's working capital is sufficient for its present requirements. The Company is however of the opinion that it will not have sufficient working capital to fund its planned scale of operations for the next 12 months, as further set out below.

**Completion of First Phase and staggered subcontracts**

The Company has initiated the construction of the First Phase of the Facility which is currently expected to be completed in Q4 2022 with currently estimated completion cost of approximately NOK 1.8 billion. This project is based on a number of subcontracts, subcontracts where the Company has the option (by confirmation in writing) to start each subcontract only if available financing is in place for each of the subcontracts. If the Company – as the project unfolds – ascertains that it has not sufficient financing to finance further subcontracts, the Company can on certain terms and conditions stop building of the Facility, cover up unfinished installations in place and await further financing. Lack of financing as the First Phase is being developed may therefore slow down or stop the planned progress of construction of the First Phase and the overall Facility, and/or involve downscaling or postponing the Company's business plan and plan of operations.

Assuming that the Company executes on an ongoing basis all the planned subcontracts as the First Phase develops, the Company is expected by approximately mid 2021 to be in a position where subcontracts it has the option to exercise will be unfunded. As such, the completion of First Phase is dependent on additional funding amounting currently estimated to be in the range NOK 950 million. The Company plans to obtain the required financing for the completion of First Phase through additional equity raise(s) in H1 2021 and with additional debt financing, see further information about debt financing in section 5.8 below.

There is no guarantee that the Group will be successful in obtaining such additional financing, including both the contemplated debt financing and the additional equity required. If the Group is not successful in obtaining the necessary financing for its planned scale of operations for the next twelve months, it will consider slowing down or stopping the progress of construction of the Facility and/or downscale or postpone the Company's business plan.

## 5.8 Borrowings and financial commitments

**Loan from Innovasjon Norge**

Salmon Evolution AS has entered into a NOK 1.5 million loan agreement with Innovasjon Norge with a maturity date on 10 January 2022. Until the loan matures in full on the maturity date, the Company shall make quarterly interest payments of an amount of NOK 15 thousand.

**The MNOK 40 Mortgage Loan**

On 1 September 2020, the Group, through its operating company and wholly-owned subsidiary, Salmon Evolution AS, entered into certain senior secured term loan facilities with DNB Bank ASA, Sparebank 1 SMN and Sparebanken Møre in the aggregate amount of NOK 40 million, for the purpose of financing the acquisition of the land where the Company's Facility shall be constructed (jointly the "**Mortgage Loan**"). The Mortgage Loan has a 12 month tenor, and is secured by a pledge in the land plot. It includes financial covenants such as a minimum equity ratio covenant of 50% and a minimum free liquidity covenant which requires NOK 10 million free liquidity at all times. Should the liquidity of the Company fall below NOK 40 million, the Company will be required to raise new equity Pursuant to the Mortgage Loan facility, the Group will be required to repay this loan in full should the Company raise addition equity (excluding the Private Placement) of NOK 300 million or more.

**Additional uncommitted debt financing**

As described elsewhere in this Admission Document, the Company plans to obtain further debt from commercial lenders in order to finance the First Phase and other parts of the project. The Company has received non-binding term sheets from DNB Bank ASA comprising:

(a) a revolving credit facility in the amount of approximately NOK 150 million; and

(b) a term loan in the amount of approximately NOK 246 million (together the "**Term Sheets**").

Proceeds from these debt financing arrangements are intended to be used for funding the Company's operations and construction, as well as for general corporate purposes. The Terms Sheets are non-binding for all parties and indicative only. It is expected that any funding under these two indicative facilities will in any way (even if loan agreements are entered into) not be made available to the Company until the First Phase of the Facility is fully funded, which will imply additional equity issues in the range currently expected to be of NOK 450 – 550 million given that the construction of First Phase progresses without delays and/or significant cost overruns. No assurance can be made that the Term Sheets will develop into loan facility agreements, nor that any other debt financing will be obtained at attractive terms or at all. Additionally, the Company is in the process of negotiating an additional revolving credit facility in the amount of NOK 55 million with commercial lenders, but no firm commitments have been made.

## 6. THE BOARD OF DIRECTORS, EXECUTIVE MANAGEMENT AND EMPLOYEES

*This Section provides summary information about the Board of Directors and the Executive Management of the Company and disclosures about their employment arrangements with the Company and other relations with the Company.*

### 6.1 Overview

The Board of Directors is responsible for the overall management of the Company and may exercise all the powers of the Company. In accordance with Norwegian law, the Board of Directors is responsible for, among other things, supervising the general and day-to-day management of the Company's business; ensuring proper organisation, preparing plans and budgets for its activities; ensuring that the Company's activities, accounts and asset management are subject to adequate controls and to undertake investigations necessary to ensure compliance with its duties. The Board of Directors may delegate such matters as it seems fit to the executive management of the Company (the "**Executive Management**").

The Company's Executive Management is responsible for the day-to-day management of the Company's operations in accordance with instructions set out by the board of directors. Among other responsibilities, the Company's CEO is responsible for keeping the Company's accounts in accordance with existing Norwegian legislation and regulations and for managing the Company's assets in a responsible manner. In addition, at least every four month the Company's CEO must brief the Board of Directors about the Company's activities, financial position and operating results.

### 6.2 Board of Directors and Executive Management

**Board of Directors**

The Company's Articles of Association provide that the Board of Directors shall have between 5 and 9 members. In accordance with the Norwegian Private Limited Liabilities Act, the CEO and at least half of the members of the Board of Directors must either be resident in Norway, or be citizens of and resident in an EU/EEA country.

The Company's Board of Directors currently consists of the following members:

| Name | Position | Served Since | Expiry of Term |
|---|---|---|---|
| Tore A. Tønseth | Chairman | 2020 | 2022 |
| Kristofer Reiten | Director | 2020 | 2022 |
| Peder Stette | Director | 2020 | 2022 |
| Frode Kjølås | Director | 2020 | 2022 |
| Glen Bradley | Director | 2020 | 2022 |
| Anne Breiby | Director | 2020 | 2022 |
| Kiyun Yun | Director | 2020 | 2022 |

The Company's registered business address, Eikremsvingen 4, 6422 Molde, Norway, serves as c/o address for the members of the Board of Directors in relation to their directorship of the Company.

Set out below are brief biographies of the directors of the Company, along with disclosures about the companies and partnerships of which each director has been member of the administrative, management and supervisory bodies in the previous five years, not including directorships and executive management positions in the Company or any of its subsidiaries.

*Tore A. Tønseth, Chairman*

Mr. Tønseth is vice president investment at Ronja Capital, and has worked in the financial market for more than 15 years. He was previously a share analyst in both SpareBank 1 Markets and Pareto Securities, with a concentration on seafood, technology and industry. In 2013-19, he had principal responsibility for seafood analyses at SpareBank 1 Markets while also being a frequent speaker in Norway on the subjects of seafood, finance and sustainability. Mr. Tønseth also has a background from various start-ups, where he has been both product manager and system developer. He holds an MSc in economics and business administration from the Norwegian School of Economics (NHH), specialising in finance and econometrics. Ronja Capital is the largest shareholder in Salmon Evolution today, with just under 20 per cent of the shares.

*Kristoffer Reiten, Director*

Mr Reiten has been CEO of Vikomar AS since 1995. This company is a modern fish processing enterprise specialising in the production, freezing and distribution of pelagic fish. With his experience and knowledge, Mr. Reiten wants to help realise a paradigm shift in Norwegian aquaculture by farming and creating a sustainable salmon on land – a salmon which has

swum in clear water from the Norwegian coast, a salmon which has been unaffected by lice and had minimal handling during its life cycle.

*Peder Stette, Director*

Mr.Stette was 24 years old when he took over the family company Peter Stette AS. He also worked for a time as an engineer at Midsund Bruk and for the Langsten group. Mr. Stette was the CEO of Peter Stette, which has been a supplier to the fishing industry since the 1970s, until the merger with Optimar. He is now CTO of the latter. From an early stage, Mr. Stette believed that fishing would become one of Norway's most automated industries within a few years. He therefore increased his company's involvement in research and development, in collaboration with customers. As a director of Salmon Evolution he wants to continue this thinking.

Mr. Stette holds several directorship positions, which include being the chairman of Pir 1 Invest, Stette Eiendom AS, Stette Invest AS, Stette Holding AS, Nortwestcoast AS. He his furthermore a board member of North South Partnership Aid, Biaton AS, Stette Friskule SA, Ably Medical AS, Blue Ocean Lease Partner AS and Invisible Connections AS. In addition to being the CTO of Optimar AS, Mr. Stette is also the CEO of PP Stette and Stette holding.

*Frode Kjølås, Director*

Mr. Kjølås is the founder of SeaSide AS, which delivers solutions developed in-house to the aquaculture industry. This company merged in 2016 with Optimar AS, where Mr. Kjølås currently has principal responsibility for research and development. He is also co-founder of and a shareholder in Vital Seafood AS, which owns and operates two factories producing oil and meal based on dayfresh raw materials from salmon harvesting. As a director of Salmon Evolution he wants an even stronger exposure to an industry he knows well and has great faith in.

*Glen Bradley, Director*

Mr. Bradley is chair of Rofisk AS, which owns Rostein AS – one of the world's leading wellboat companies. Rofisk also owns 13.3 per cent of Salmon Evolution. Mr. Bradley has an MA in economics, strategy and international marketing and more than 20 years of experience from the salmon industry. He is currently a vice president at Rostein. As a director and shareholder, Mr. Bradley wants to use his experience and great commitment to the salmon industry to help ensure that Salmon Evolution becomes an important company both for the region and for its owners.

*Anne Breiby, Director*

Mrs. Breiby has a master degree in fishery biology from the Arctic University of Norway, Tromsø. Mrs. Breiby has been an aquaculture advisor in Nordland county and deputy minister in the Norwegian ministry of Industry. For the last 20 years, she has held board positions in several companies, such as Sparebanken Møre, Ulstein Group ASA, Rem Offshore ASA, Håg ASA and Folketrygfondet. She is currently chairperson of the board in Tafjord Kraft AS and St. Olavs hospital and vice chair of the board in Akva Group ASA.

*Kiyun Yun, Director*

Mr. Yun is the CFO of Dongwon Industries and joined the Dongwon group in 2017, leading its M&A team for three years especially focusing on warehouse logistics and the aquaculture industry. In 2020, he started working for Dongwon Industries as its CFO. Mr. Yun has more than 20 years of experience in M&A and finance, expanding his area of expertise to the aquaculture industry following his employment at the Dongwon group. Mr. Yun started his career at the CJ group, whereby he obtained experience from various fields, including the media industry and M&A, abiding the CJ group's media territory from a mere contents provider to a contents distributor in the cable TV segment. Mr. Yun has also worked for Colling Stewart's Singapore office, working with the derivatives sale office. Mr. Yun holds a B.A from Yonsei Univerisity and a Master in Finance from the London Business School.

**Executive Management**

The Company's Executive Management comprises of the following members:

| Name | Position | Employed From |
|---|---|---|
| Håkon Andre Berg | CEO | 2020 |
| Ingjarl Skarvøy | COO | 2020 |
| Kamilla Mordal Holo | Project Director | 2020 |
| Trond Valderhaug | CCO | 2020 |

The Company is also in the process of hiring a CFO. Until such CFO is engaged, the Company's finance function will be maintained by the other members of the Executive Management and hired-in personnel.

Set out below are brief biographies of the members of the Executive Management, along with disclosures about the companies and partnerships of which each member of the Executive Management has been member of the administrative, management and supervisory bodies in the previous five years, not including directorships and Executive Management positions in the Company or its subsidiaries.

*Håkon Andre Berg, CEO*

Mr. Berg has almost 15 years of experience in finance, which includes being a partner at the private equity companies Broodstock Capital Partners and Midvestor Management for a period of approximately eight years, an associate at Argentum Private Equity, an analyst at Bridgehead Corporate Finance and being the Company's CFO for one year before stepping into the role as its CEO. Mr. Berg has also held board positions in several companies within the aquaculture industry, and is currently the chairman of Pure Norwegian Seafood. Mr. Berg holds a bachelor degree in business administration from the Norwegian Business School and master studies in business from Norwegian School of Economics, specializing in financial economy.

*Ingjarl Skarvøy, COO*

Mr. Skarvøy is one of the founders of Salmon Evolution AS' andhas almost 30 years of leadership experience within the aquaculture industry, which includes being a regional manager at Salmar Farming, the CEO of Salmar Rauma, and a regional manager at Pan Fish Norway. Mr. Skarvøy has previously been the CEO and a board member of Salmon Evolution AS.

*Kamilla Mordal Holo, Project Director*

Mrs. Mordal Holo has approximately 16 years in the construction industry, holding a number of position such as being a project manager at Statens Vegvesen responsible for the maintenance of Møre og Romsdals County's road network, and a project and construction manager at the engineer – consultant firm 3S Project AS. Mrs. Mordal Hols holds a master's degree from the Norwegian University of Science and Technology, specializing in construction engineering. Mrs. Mordal Holo is currently the chairman of C10 Holding AS.

*Trond Valderhaug, COO*

Mr. Valderhaug has more than 20 years of experience in the sea food industry, which includes executive positions within the PanFish Group whereby he started his career holding executive positions such as sales manager and key account manager, especially focusing on the Asia markets. Mr. Valderhaug thereafter moved into the sea food industry's sales and marketing segment, and eventually moved to the US focusing on sales of several species and sourcing from the EU to the US/North America. Mr.Valdherhaug has moreover worked outside the Mowi/Panfish group. In 2003-2004, Mr. Valderhaug worked with sales for Volstad Seafood. Also, in 2010-2011 he worked sales of maritime safety equipment for Brude Safety (later Survitec). Before joining the Company's executive management, Mr. Valderhaug had a three year spell as the Regional Sales Director Asia for the Mowi Group.

**Relationships**

There are no family relationship between any of the persons on the board and in the management.

## 6.3 Benefits upon termination of employment

There are no agreements between the Company and members of the management or the Board of Directors providing for benefits upon termination of employment, except for the CEO who has a contractual right to six months' severance pay following the notice period.

## 6.4 Shares and Options held by Members of the Board of Directors and Executive Management

The table below sets forth the number of Shares beneficially owned by each of the Company's members of the Board of Directors and Executive Management as of the day of this Admission Document.

| | Position | Shareholding | Options etc. |
|---|---|---|---|
| Tore A. Tønseth | Chairman | 0 | 0 |
| Kristofer Reiten | Director | 20,256,006[1] | 0 |
| Peder Stette | Director | 10,206,006[2] | 0 |
| Frode Kjølås | Director | 9,306,006[3] | 0 |
| Glen Bradley | Director | 16,178,259[4] | 0 |
| Anne Breiby | Director | 0 | 0 |

| | Position | Shareholding | Options etc. |
|---|---|---|---|
| Kiyun Yun | Director | 0 | 0 |
| Håkon André Berg | CEO | 75.075[5] | 450,000 |
| Ingjarl Skarvøy | COO | 1,800,150[6] | 100,000 |
| Kamilla Mordal Holo | Project Director | 60,060[7] | 100,000 |
| Trond Valderhaug | CCO | 0 | 150,000 |

[1] Indirectly held through his wholly-owned subsidiary Romsdalsfisk AS
[2] Indirectly held through his wholly-owned subsidiary Stette Invest AS
[3] Indirectly held through his wholly-owned subsidiary Kjølås Stansekniver AS
[4] Indirectly held through his wholly-owned subsidiaries Rofisk AS, Salmoserve AS and Ocean Industries AS
[5] Indirectly held through his wholly-owned subsidiary Carried Away AS
[6] Indirectly held through his wholly-owned subsidiary Terra Mare AS
[7] Indirectly held through her wholly-owned subsidiary C10 Holding AS

As part of the Private Placement, all members of the Board of Directors and Executive Management have agreed to a lock-up period of 12 months, starting from the first day of trading of the Company's Shares on Merkur Market. The lock-up undertaking covers all existing and future Shares acquired during the lock-up period and is subject to certain customary exemptions, such as upon the Merkur Advisors' prior approval (not to be unreasonably withheld).

## 6.5 Disclosure of Conflicts of Interests

The Group has entered into a slaughter agreement with Vikenco AS, a company owned 49% by Romsdalsfisk AS which is wholly-owned by the Company's board member Kristofer Reiten. Such ownership interest may therefore cause actual or potential conflicts of interest with the Company.

Except for the above, there are to the Company's knowledge no actual or potential conflicts of interest between the Company and members of the Board of Directors of the Executive Management.

## 6.6 Disclosure About Convictions in Relation to Fraudulent Offences

During the last five years preceding the date of this Admission Document, no member of the Board of Directors or the Executive Management has:

- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his capacity as a founder, director or senior manager of a company.

## 6.7 Corporate Governance

The Company is not subject to the Corporate Governance Code, but will consider implementing the recommendations of the Corporate Governance Code over time.

## 6.8 Employees

**Employees**

As of 31 July 2020, the Group had 9 employees.

**Share Incentive Program for Employees**

The Company has implemented a share option program that was approved by the Board of Directors 24 August 2020. The option program applies to management and key personnel and a total of 1,250,000 options have currently been issued, of which 1,100,000 options have a strike price of NOK 4.30 and 150,000 options shall have the same strike price as the subscription price in the Private Placement. The options may be exercised no earlier than 12 months after allocation, and shares acquired upon such exercise will be subject to a lock-up period of 12 months.

Other than as set out above, the Company has not issued any options, warrants, convertible loans, or any subordinated debt or transferable securities.

## 7. RELATED PARTY TRANSACTIONS

*This Section provides information on certain transactions which the Group is, or has been, subject to with its related parties since its incorporation and up to the date of this Admission Document. For the purposes of the following disclosures of related party transactions, "related parties" are those that are considered as related parties of the Company pursuant to IAS 24 "Related Party Disclosures".*

During the ordinary course of business, the Company engages in certain transactions with related parties. The following is a summary of related party transactions carried out in the period from its incorporation and up to the date of this Admission Document:

Pursuant to the Construction Contract entered into with Artec Aqua AS in 2019, the Company has had a significant volume of transactions with Artec Aqua AS in first half 2020 related to the ongoing construction of the land-based salmon production facilities. There were no other significant transactions with related parties during first half 2020.

Below is an overview of the material contracts that the Group has entered into with close associated during the last two years:

**The Construction Contract with Artec Aqua**

Please see Section 4.4 for a description of the Construction Contract.

**The Exclusivity Agreement with Artec Aqua**

The Company has entered into an exclusivity agreement with Artec Aqua (the **"Exclusivity Agreement"**). The Exclusivity Agreement is applicable in two years from signing the Construction Contract, i.e. two years from 15 October 2019, with an agreed intention to negotiate a two year extension up to four times. According to the Exclusivity Agreement, the Company has an exclusive right to use Aqua Artec as complete supplier of landbased edible fish facilities for production of salmon, where the facilities are based on re-use technology. The Company is correspondingly obliged to use Artec Aqua as complete supplier on all later building steps of the Facility. Further, Artec Aqua has the same exclusive right and obligation to be the complete supplier of all seafood facilities with associated smolt installations that the Company constructs, or that is constructed by a company where the Company directly or indirectly controls more than 50 % of the shares. The right is applicable both in Norway and abroad. The Exclusivity agreement is not applicable on facilities that are based on recycling technology. As long as the Exclusivity Agreement is applicable, the Company cannot directly or indirectly hold shares in a company for smolt or edible fish production that uses other suppliers than Artec Aqua to construct landbased edible fish or smolt facilities based on re-use technology or flow through technology.

**The internal Reorganization**

Please see Section 4.1 for a description of the internal Reorganization that was completed on 4 August 2020.

**Investment Agreement**

The Company has also entered into an investment agreement with Dongwon Industries and some of the Company's largest shareholders. The investment agreement governs the agreed long-term industrial cooperation, between the Company and Dongwon Industries, including Dongwon Industries sending two competent employees to the Company for a secondment/employment. The investment agreement does not induce any significant financial commitment on the Company and is not considered business critical..

**Consulting fee to Glen Bradley**

In connection with the private placement that was completed by Salmon Evolution AS in March 2020, the Group paid NOK 260,000 to board member Glen Bradley for certain assistance provided.

**Slaughter agreement with Vikenco AS**

The Group has entered into a slaughter agreement with Vikenco AS, a company owned 49% by Romsdalsfisk AS, who is one of the larger shareholders in the Company. The agreement has been entered into on market terms.

## 8. DIVIDEND AND DIVIDEND POLICY

*This Section provides information about the dividend policy and dividend history of the Company, as well as certain legal constraints on the distribution of dividends under the Norwegian Private Limited Liability Companies Act (Nw. aksjeloven). Any future dividends declared by the Company will be paid in NOK as this is the currency that currently is supported by the VPS. The following discussion contains Forward-looking Statements that reflect the Company's plans and estimates; see Section 3.1 "General Information—Cautionary Note Regarding Forward-Looking Statements".*

### 8.1 Dividend Policy

As of the date of this Admission Document, the Company is in a growth phase and is not in a position to pay any dividends. Beyond the growth phase, it is the Company's ambition to pay dividends to shareholders as soon as it considers itself to be in a position to do so. There can be no assurances that in any given period will be proposed or declared, or if proposed or declared, that the dividend will be as contemplated by the above. In deciding whether to propose a dividend and in determining the dividend amount, the Company's Board of Directors will take into account legal restrictions, as set out in Section 8.2 "—Legal Constraints on the Distribution of Dividends", the Company's capital requirements, including capital expenditure requirements, its financial condition, general business conditions and any restrictions that its borrowing arrangements or other contractual arrangements in place at the time of the dividend may place on its ability to pay dividends and the maintaining of appropriate financial flexibility.

### 8.2 Legal Constraints on the Distribution of Dividends

Dividends may be paid in cash or, in some instances, in kind. The Norwegian Private Limited Liability Companies Act provides several constraints on the distribution of dividends:

- Section 8-1 of the Norwegian Private Limited Liability Companies Act provides that a company may only distribute dividends to the extent that the company following the distribution still has net assets which provide coverage for the company's share capital and other non-distributable reserves.

- The Company cannot distribute dividends which would result in the Company not having an equity which is adequate in terms of the risk and scope of the Company's business.

- The calculation of dividends shall be on the basis of the balance sheet in the Company's last approved annual financial statements, but the Company's registered share capital at the time of the resolution shall still apply. Following the approval of the annual accounts for the last financial year, the General Meeting may also authorise the Board of Directors to declare dividends on the basis of the Company's annual accounts. It is also possible to distribute extraordinary dividends on the basis of an interim balance sheet which is prepared and audited in accordance with the rules for annual financial statements and approved by the General Meeting of the Company. The interim balance sheet date cannot be dated more than six months prior to the resolution by the General Meeting of payment of such extraordinary dividend.

- The amount of distributable dividends is calculated on the basis of the Company's separate financial statements and not on the basis of the consolidated financial statements of the Company and its consolidated subsidiaries.

- Distribution of dividends is resolved by a majority vote at the general meeting of the shareholders of the Company and on the basis of a proposal from the Board of Directors. The general meeting cannot distribute a larger amount than what is proposed or accepted by the Board of Directors.

The Norwegian Private Limited Liability Companies Act does not provide for any time limit after which entitlement to dividends lapses. Subject to various exceptions, Norwegian law provides a limitation period of three years from the date on which an obligation is due. There are no dividend restrictions or specific procedures for non-Norwegian resident shareholders to claim dividends. There are no dividend restrictions or specific procedures for non-Norwegian resident shareholders to claim dividends. For a description of withholding tax on dividends applicable to non-Norwegian residents, see Section 10.1 "Norwegian Taxation— Non-Resident Shareholders".

## 9. CORPORATE INFORMATION; SHARES AND SHARE CAPITAL

*The following is a summary of certain corporate information and other information relating to the Company, the Shares and share capital of Company, summaries of certain provisions of the Company's Articles of Association and applicable Norwegian law in effect as of the date of this Admission Document, including the Norwegian Limited Liability Companies Act (Nw. aksjeloven). This summary does not purport to be complete and is qualified in its entirety by Company's Articles of Association and applicable Norwegian law.*

### 9.1 Incorporation; Registration Number; Registered Office and Other Company Information

The Company is a Norwegian private limited liability company (Nw. *aksjeselskap* or *AS*), incorporated under the laws of Norway and in accordance with the Norwegian Private Limited Liability Companies Act. The Company's business registration number is 925 344 877 and its LEI number is 549300P2OB7L255PF765 The Company was incorporated on 3 July 2020.

The head office and registered address of the Company is Eikremsvingen4, 6422 Molde, Norway and its website is www.salmonevolution.no.

### 9.2 Legal Structure

As of the date of this Admission Document, the Group consists of the Company and its wholly-owned subsidiary, Salmon Evolution AS.

### 9.3 Information on Holdings

The following table sets out information about the entities in which the Company, as of the date of this Admission Document, holds (directly or indirectly) more than 10% of the outstanding capital and votes (dormant companies are not included).

| Name | Country of Incorporation | Registered Office | Holding | Field of Activity |
|---|---|---|---|---|
| Salmon Evolution AS | Norway | Eikremsvingen 4 , 6422 Molde | 100% | Land-based salmon farming |

### 9.4 Share Capital and Share Capital History

As of the date of this Admission Document, the Company's share capital is NOK 10 986 554.40 divided into 219,731,088 Shares, fully paid and each Share having a par value of NOK 0.05. The Shares have been issued under Norwegian law and are registered on the Company's ISIN NO0010892094 with the VPS in book-entry form.

The table below shows the development in the share capital of the Company since its incorporation and up to the date of this Admission Document.

| Type of change | Date | Capital Increase (NOK) | Share Capital After Change (NOK) | Par Value of Shares (NOK) | Subscription Price per Share (NOK) | New Shares | Total Number of Outstanding Shares |
|---|---|---|---|---|---|---|---|
| Incorporation | 3 July 2020 | 30,000 | 30,000 | 0.05 | 0.05 | 600,000 | 600,000 |
| Capital reduction | 23 July 2020 | - 30,000 | 0 | 0.05 | 0 | 0 | 0 |
| Contribution in kind | 23 July 2020 | 5,405,159.10 | 5,405,159.10 | 0.05 | 3.33 | 108,103,182 | 108,103,182 |
| Private placement | 23 July 2020 | 581,395.30 | 5,986,554.40 | 0.05 | 4.30 | 11,627,906 | 119,731,088 |
| Private placement | 11 September 2020 | 5,000,000 | 10,986,554.40 | 0.05 | 5.00 | 100,000,000 | 219,731,088 |

## 9.5 Authorisation to Increase the Share Capital and to Issue Shares and Other Financial Instruments

On 23 July 2020, the Company's extraordinary general meeting granted its board of directors an authorization to issue up to two million new shares in the Company, each at a par value of NOK 0.05 and at a minimum subscription price of NOK 3.33. The authorization is valid for a period of two years and can inter alia be used in conjunction with the Company's Share Option Program as described in Section 6.8.

## 9.6 Share Classes; Rights Conferred by the Shares

The Company has a single share class and all shares carry the same rights. At the Company's General Meetings, each share carries one vote.

## 9.7 Major Shareholders

As of the date of this Admission Document, and insofar as known to the Company, the following persons had, directly and/or indirectly, interest in 5% or more of the issued share capital of the Company:

| | % |
|---|---|
| Ronja Capital AS | 10.80 |
| DNB Asset Management AS | 10.01 |
| Romsdalsfisk AS | 9.22 |
| Farvatn Private Equity AS. | 7.65 |
| Arctic Asset Management AS | 7.01 |
| Rofisk AS | 5.51 |
| Dongwon Industries | 5.29 |

## 9.8 Articles of Association

The Company's Articles of Association are appended as Appendix B—Articles of Association to this Admission Document. Below is a summary of certain provisions of the Articles of Association.

**Objective**

Pursuant to Section 3 of the Articles of Association, the Company's objective is to conduct business of land-based salmon production domestically and internationally and to invest in companies that have ties to the aquaculture industry.

**Board of Directors**

Pursuant to Section 5 of the Articles of Association, the Company's Board of Directors shall consist of minimum 5 and maximum of 9 members.

**No Restrictions on Transfer of Shares**

The Articles of Association do not provide for any restrictions, or a right of first refusal, on transfer of Shares. Share transfers are not subject to approval by the Board of Directors.

**General Meetings**

Pursuant to Section 8 of the Articles of Association, documents which deal with matters that are to be considered by the shareholders at General Meetings are not required to be sent to the shareholders, provided that such documents have been made available on the Company's website. A shareholder may in any case request such documents to be sent to him.

## 9.9 Certain Aspects of Norwegian Company Law

**General Meetings**

In accordance with Norwegian law, the Annual General Meeting of the Company's shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that written notice of General Meetings setting forth the time, venue and agenda of the meeting be sent to all shareholders whose addresses are known at least seven days prior to the date of the meeting. A shareholder may vote at the General Meeting either in person or by proxy. Although Norwegian law does not require the Company to send proxy forms to its shareholders for General Meetings, the Company plans to include a proxy form with notices of General Meetings. All of the Company's shareholders who are registered in the register of shareholders maintained with the VPS as of the date of the General Meeting, or who have otherwise reported and documented ownership to Shares, are entitled to participate at General Meetings, without any requirement of pre-registration.

Apart from the Annual General Meeting, Extraordinary General Meetings of shareholders may be held if the Board of Directors considers it necessary. An Extraordinary General Meeting of shareholders must also be convened for the consideration of specific matters at the written request of the Company's auditor or of shareholders representing a total of at least 10 per cent of the Company's share capital. The requirements for notice and admission to the Annual General Meeting of the Company's shareholders also apply for Extraordinary General Meetings of shareholders.

**Voting Rights; Amendments to the Articles of Association**

Each of the Company's Shares carries one vote. In general, decisions that shareholders are entitled to make under Norwegian law or the Company's Articles of Association may be made by a simple majority of the votes cast. In the case of elections, the persons who obtain the greatest number of votes cast are elected. However, as required under Norwegian law, certain decisions, including resolutions to derogate from the shareholders preferential rights to subscribe in connection with any share issue in the Company, to approve a merger or demerger of the Company, to amend the Articles of Association, to authorise an increase or reduction in the share capital, to authorise an issuance of convertible loans or warrants by the Company or to authorise the board of directors to purchase the Shares and hold them as treasury shares or to dissolve the Company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting. Norwegian law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval by the holders of such shares or class of shares as well as the majority required for amending the Articles of Association.

Decisions that (i) would reduce the rights of some or all of the Company’s shareholders in respect of dividend payments or other rights to assets or (ii) restrict the transferability of the Shares, require that at least 90 per cent of the share capital represented at the general meeting of the Company’s shareholders in question vote in favour of the resolution, as well as the majority required for amending the Articles of Association. Certain types of changes in the rights of shareholders require the consent of all shareholders affected thereby as well as the majority required for amending the Articles of Association.

In general, only shareholders registered in the VPS are entitled to vote on Shares. Neither beneficial owners of Shares that are registered in the name of a nominee are generally not entitled to vote on Shares under Norwegian law, nor are persons who are designated in the VPS register as the holder of such Shares as nominees.

There are no quorum requirements that apply to the general meetings of the shareholders of the Company.

**Additional Issuances and Preferential Rights**

If the Company issues any new Shares, including bonus share issues, the Company's Articles of Association must be amended, which requires the same vote as other amendments to its Articles of Association. In addition, under Norwegian law, the Company's shareholders have a preferential right to subscribe for new Shares issued by the Company. Preferential rights may be derogated from by resolution in a General Meeting of the Company's shareholders passed by the same vote required to approve amending the Articles of Association. A derogation of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding Shares.

At a General Meeting the Company's shareholders may, by the same vote as is required for amending the Articles of Association, authorise the Board of Directors to issue new Shares, and to derogate from the preferential rights of shareholders in connection with such issuances. Such authorisation may be effective for a maximum of two years, and the par value of the Shares to be issued may not exceed 50 per cent of the registered nominal share capital when the authorisation is registered with the Norwegian Register of Business Enterprises.

Under Norwegian law, the Company may increase its share capital by a bonus share issue, subject to approval by the Company's shareholders, by transfer from the Company's distributable equity or from the Company's share premium reserve, and thus the share capital increase does not require any payment of a subscription price by the shareholders. Any bonus issues may be affected either by issuing new shares to the Company's existing shareholders or by increasing the par value of the Company's outstanding Shares.

Issuance of new Shares to shareholders who are citizens or residents of the United States upon the exercise of preferential rights may require the Company to file a registration statement in the United States under United States securities laws. Should the Company in such a situation decide not to file a registration statement, the Company's US shareholders may not be able to exercise their preferential rights. If a US shareholder is ineligible to participate in a rights offering, such shareholder would not receive the rights at all and the rights would be sold on the shareholder's behalf by the Company if deemed appropriate by the Company.

**Minority Rights**

Norwegian law sets forth a number of protections for minority shareholders of the Company, including but not limited to those described in this paragraph and the description of General Meetings as set out above. Any of the Company's shareholders may petition Norwegian courts to have a decision of the Board of Directors or the Company's shareholders made at the General Meeting declared invalid on the grounds that it unreasonably favours certain shareholders or third parties to the detriment of other shareholders or the Company itself. The Company's shareholders may require the courts to dissolve the Company as a result of such decisions. Minority shareholders holding 10 per cent or more of the Company's share capital have a right to demand in writing that the Company's Board of Directors convene an Extraordinary General Meeting of the Company's shareholders to discuss or resolve specific matters. In addition, any of the Company's shareholders may in writing demand that the Company place an item on the agenda for any General Meeting as long as the Company is notified in time for such item to be included in the notice of the meeting. If the notice has been issued when such a written demand is presented, a renewed notice must be issued if the deadline for issuing notice of the general meeting has not expired.

**Rights of Redemption and Repurchase of Shares**

The share capital of the Company may be reduced by reducing the par value of the Shares or by cancelling Shares. Such a decision requires the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at a General Meeting of the Company's shareholders. Redemption of individual Shares requires the consent of the holders of the Shares to be redeemed.

The Company may purchase its own Shares provided that the Board of Directors has been granted an authorisation to do so by a General Meeting of the Company's shareholders with the approval of at least two-thirds of the aggregate number of votes cast and at least two-thirds of the share capital represented at the meeting. The aggregate nominal value of treasury shares so acquired, and held by the Company must not lead to the share capital with deduction of the aggregate nominal of the holding of own shares is less than the minimum allowed share capital of NOK 30,000, and treasury shares may only be acquired if the Company's distributable equity, according to the latest adopted balance sheet, exceeds the consideration to be paid for the shares. The authorisation by the general meeting of the Company's shareholders cannot be granted for a period exceeding two years.

**Shareholder Vote on Certain Reorganisations**

A decision of the Company's shareholders to merge with another company or to demerge requires a resolution by the General Meeting of the shareholders passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the General Meeting. A merger plan, or demerger plan signed by the Board of Directors along with certain other required documentation, would have to be sent to all the Company's shareholders at least one month prior to the General Meeting of the Company's shareholders to pass upon the matter.

**Liability of Directors**

Members of the Board of Directors owe a fiduciary duty to the Company and its shareholders. Such fiduciary duty requires that the directors act in the best interests of the Company when exercising their functions and exercise a general duty of loyalty and care towards the Company. Their principal task is to safeguard the interests of the Company.

Members of the Board of Directors may each be held liable for any damage they negligently or wilfully cause the Company. Norwegian law permits the General Meeting of the Company's shareholders to discharge any such person from liability, but such discharge is not binding on the Company if substantially correct and complete information was not provided at the General Meeting of the Company's shareholders passing upon the matter. If a resolution to discharge the Company's directors from liability or not to pursue claims against such a person has been passed by a General Meeting of the Company's shareholders with a smaller majority than that required to amend the Company's Articles of Association, shareholders representing more than 10 per cent of the share capital or, if there are more than 100 shareholders, more than 10 per cent of the shareholders may pursue the claim on the Company's behalf and in its name. The cost of any such action is not the Company's responsibility but can be recovered from any proceeds the Company receives as a result of the action. If the decision to discharge any of the Company's directors from liability or not to pursue claims against the Company's directors is made by such a majority as is necessary to amend the Articles of Association, the minority shareholders of the Company cannot pursue such claim in the Company's name.

**Indemnification of Directors**

Neither Norwegian law nor the Articles of Association contain any provision concerning indemnification by the Company of the members of the Board of Directors. The Company is permitted to purchase, and has purchased, insurance to cover the Company's directors against certain liabilities they may incur in their capacity as such.

**Distribution of Assets on Liquidation**

Under Norwegian law, the Company may be wound-up by a resolution of the Company's shareholders at the General Meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the meeting. In the event of liquidation, the Shares rank equally in the event of a return on capital by the Company, if any.

## 9.10 Takeover bids and Compulsory Acquisition

Company is not subject to the takeover regulations set out in the Norwegian Securities Trading Act.

The Shares are, however, subject to the provisions on compulsory transfer of shares as set out in the Norwegian Private Companies Act. If a private limited liability company alone, or through subsidiaries, owns 9/10 or more of the shares in the subsidiary, and may exercise a corresponding part of the votes that may be cast in the general meeting, the board of directors of the parent company may resolve that the parent company shall take over the remaining shares in the company. Each of the other shareholders in the subsidiary have the right to require the parent company to take over the shares. The parent company shall give the shareholders a redemption offer pursuant to the provisions of the Norwegian Private Companies Act. The redemption amount will in the absence of agreement or acceptance of the offer be fixed by a discretionary valuation.

## 10. NORWEGIAN TAXATION

*This Section describes certain tax rules in Norway applicable to shareholders who are resident in Norway for tax purposes ("**Norwegian Shareholders**") and to shareholders who are not resident in Norway for tax purposes ("**Foreign Shareholders**"). The statements herein regarding taxation are based on the laws in force in Norway as of the date of this Admission Document and are subject to any changes in law occurring after such date. Such changes could be made on a retrospective basis. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Shares. Investors are advised to consult their own tax advisors concerning the overall tax consequences of their ownership of Shares. The statements only apply to shareholders who are beneficial owners of Shares. Please note that for the purpose of the summary below, references to Norwegian Shareholders or Foreign Shareholders refers to the tax residency rather than the nationality of the shareholder.*

### 10.1 Norwegian Shareholders

**Taxation of Dividends**

Norwegian corporate shareholders (i.e. limited liability companies and similar entities) ("**Norwegian Corporate Shareholders**") are comprised by the Norwegian tax exemption method. Under the exemption, only 3% of the dividend income on shares in Norwegian limited liability companies shall be taxed as ordinary income (22% flat rate), implying that such dividends are effectively taxed at a rate of 0.66%.

Dividends distributed to Norwegian individual shareholders (i.e. other shareholders than Norwegian Corporate Shareholders) ("**Norwegian Individual Shareholders**") is grossed up with a factor of 1.44 before taken to taxation as ordinary income (22% flat rate, resulting in an effective tax rate of 31.68%) to the extent the dividend exceeds a basic tax-free allowance. The tax-free allowance shall be computed for each individual shareholder on the basis of the cost price of each of the shares multiplied by a risk-free interest rate. The risk-free interest rate will be calculated every income year and is allocated to the shareholder owing the share on 31 December of the relevant income year. Any part of the calculated tax-free allowance one year exceeding the dividend distributed on the share ("unused allowance") may be carried forward and set off against future dividends received on (or gains upon realisation of, see below) the same share. Any unused allowance will also be added to the basis of computation of the tax-free allowance on the same share the following year.

**Taxation of Capital Gains**

Sale, redemption or other disposal of shares is considered as a realisation for Norwegian tax purposes.

Capital gains generated by Norwegian Corporate Shareholders through a realisation of shares in Norwegian limited liability companies are comprised by the Norwegian tax exemption method and therefore tax exempt. Net losses from realisation of shares and costs incurred in connection with the purchase and realisation of such shares are not tax deductible for Norwegian Corporate Shareholders.

Norwegian Individual Shareholders are taxable in Norway for capital gains derived from realisation of shares, and have a corresponding right to deduct losses. This applies irrespective of how long the shares have been owned by the individual shareholder and irrespective of how many shares that are realised. Gains are taxable as ordinary income in the year of realisation, and losses can be deducted from ordinary income in the year of realisation. Any gain or loss is grossed up with a factor of 1.44 before taken to taxation at a rate of 22 % (resulting in an effective tax rate of 31.68%). Under current tax rules, gain or loss is calculated per share, as the difference between the consideration received and the tax value of the share. The tax value of each share is based on the individual shareholder's purchase price for the share. Costs incurred in connection with the acquisition or realisation of the shares will be deductible in the year of sale. Any unused tax-free allowance connected to a share may be deducted from a capital gain on the same share, but may not lead to or increase a deductible loss. Further, unused tax-free allowance related to a share cannot be set off against gains from realisation of other shares.

If a Norwegian shareholder realises shares acquired at different points in time, the shares that were first acquired will be deemed as first sold (the "first in first out"-principle) upon calculating taxable gain or loss. Costs incurred in connection with the purchase and sale of shares may be deducted in the year of sale.

A shareholder who ceases to be tax resident in Norway due to domestic law or tax treaty provisions may become subject to Norwegian exit taxation of capital gains related to shares in certain circumstances.

**Taxation of Subscription Rights**

A Norwegian Shareholder's subscription for shares pursuant to a subscription right is not subject to taxation in Norway. Costs related to the subscription for the shares will be added to the cost price of the shares.

Sale and other transfer of subscription rights are considered a realisation for Norwegian tax purposes. Norwegian Corporate Shareholders are exempt from tax on capital gains derived from the realisation of subscription rights qualifying for the Norwegian tax exemption method. Losses upon the realisation and costs incurred in connection with the purchase and realisation of such subscription rights are not deductible for tax purposes.

For Norwegian Individual Shareholders, a capital gain or loss generated by a realisation of subscription rights is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for the computation of ordinary income in the year of disposal. The ordinary income is taxable at a flat rate of 22%.

**Net Wealth Tax**

The value of shares is considered as capital for wealth tax purposes in Norway at 65% of the shares portion of the total tax value of the company as of 1 January the year before the tax assessment year. Net wealth exceeding NOK 1,500,000 is taxed at rates currently up to 0.85%. Norwegian limited liability companies and similar entities are exempted from net wealth tax.

## 10.2 Non-Resident Shareholders

**Taxation of Dividends**

Dividends paid from a Norwegian limited liability company to Foreign Shareholders are subject to Norwegian withholding tax at a rate of 25% unless the recipient qualifies for a reduced rate according to an applicable tax treaty or other specific regulations. Norway has entered into tax treaties with a number of countries and withholding tax is normally set at 15% under these treaties. The shareholder's home country may give credit for the Norwegian withholding tax imposed on the dividend.

Foreign corporate shareholders (i.e. limited liability companies and similar entities) (**"Foreign Corporate Shareholders"**) which are genuinely established and carry out genuine economic activities within the EEA are not subject to Norwegian withholding tax.

Dividends paid to foreign individual shareholders (i.e. other shareholders than Foreign Corporate Shareholders) (**"Foreign Individual Shareholders"**) are as the main rule subject to Norwegian withholding tax at a rate of 25%, unless a lower rate has been agreed in an applicable tax treaty. If the individual shareholder is resident within the EEA, the shareholder may apply to the tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual share, see Section 10.1"Norwegian Shareholders—Taxation of Dividends". However, the deduction for the tax-free allowance does not apply in the event that the withholding tax rate, pursuant to an applicable tax treaty, leads to a lower taxation on the dividends than the withholding tax rate of 25% less the tax-free allowance.

In accordance with the present administrative system in Norway, a distributing company will generally deduct withholding tax at the applicable rate when dividends are paid directly to an eligible Foreign Shareholder, based on information registered with the VPS. Dividends paid to Foreign Shareholders in respect of nominee registered shares are not eligible for reduced treaty withholding tax rate at the time of payment unless the nominee, by agreeing to provide certain information regarding beneficial owner, has obtained approval for reduced treaty withholding tax rate from the Central Office for Foreign Tax Affairs. The withholding obligation lies with the company distributing the dividends and the Company assumes this obligation.

Foreign Shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments.

**Taxation of Capital Gains**

Gains from realisation of shares by Foreign Shareholders will not be subject to tax in Norway unless the Foreign Shareholders are holding the shares in connection with business activities carried out or managed from Norway. Such taxation may be limited according to an applicable tax treaty or other specific regulations.

**Taxation of Subscription Rights**

A Foreign Shareholder's subscription for shares pursuant to a subscription right is not subject to taxation in Norway.

Capital gains derived by the sale or other transfer of subscription rights by Foreign Shareholders are not subject to taxation in Norway unless the Foreign Shareholder are holding the subscription rights in connection with business activities carried out or managed from Norway. Such taxation may be limited according to an applicable tax treaty or other specific regulations.

**Net Wealth Tax**

Foreign Shareholders are not subject to Norwegian net wealth tax with respect to the Shares, unless the shareholder is an individual, and the shareholding is effectively connected with a business which the shareholder takes part in or carries out in Norway. Such taxation may be limited according to an applicable tax treaty.

## 10.3 Transfer Taxes etc.; VAT

No transfer taxes, stamp duty or similar taxes are currently imposed in Norway on purchase, issuance, disposal or redemption of shares. Further, there is no VAT on transfer of shares.

## 11. ADDITIONAL INFORMATION

### 11.1 Admission to Merkur Market

On 4 September 2020, the Company applied for Admission to Merkur Market. The first day of trading on Merkur Market is expected to be on or about 18 September 2020.

Neither the Company nor any other entity of the Group have securities listed on any stock exchange or regulated market place.

### 11.2 Information sources from third parties and expert opinions

In this Admission Document, certain information has been sourced from third parties. The Company confirms that where information has been sourced from a third party, such information has been accurately reproduced and that as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading. Where information sourced from third parties has been presented, the source of such information has been identified.

The Company confirms that no statement or report attributed to a person as an expert is included in this Admission Document.

### 11.3 Independent Auditors

Since its incorporation, the Company's independent auditors has been BDO AS (business registration number 993 606 650) which has its registered address at Munkedamsveien 45 A, 0250 Oslo, Norway.

Except for the Company's financial statements covering the period starting on the date of the Company's incorporation on 3 July 2020 and ending 31 July 2020, BDO, has not audited, reviewed or produced any report on any other information in this Admission Document regarding the Company. BDO's audit report for the Company's financial statements expressed an unqualified opinion.

Additionally, Salmon Evolution AS' (i) audited financial statements for the financial year ended 31 December 2019, with comparable figures for 2018, prepared in accordance with IRFS, and (ii) unaudited interim financial statements for the first half of 2020, prepared in accordance with IAS 34, are included in this Admission Document. Salmon Evolution AS' 2019 financial statements have also been audited by BDO.

### 11.4 Advisors

The Group has engaged DNB Markets, a part of DNB Bank ASA (business registration number 984 851 006, and registered address at Dronning Eufemias gate 30, 0191 Oslo, Norway), and Pareto Securities AS (business registration number 956 632 374, and registered address at Dronning Mauds gate 3, 0250 Oslo, Norway) as advisors in conjunction with the Listing.

### 11.5 Legal Advisor

Advokatfirmaet BAHR AS (business registration number 919 513 063, and registered business address at Tjuvholmen allé 16, 0252 Oslo, Norway) is acting as legal counsel to the Company.

### 11.6 VPS Registrar

The Company's VPS registrar is DNB Bank ASA (business registration number 984 851 006) which has their registered address at Dronning Eufemias gate 30, 0191 Oslo, Norway.

## 12. DEFINITIONS

*Capitalised terms used throughout this Admission Document shall have the meaning ascribed to such terms as set out below, unless the context require otherwise.*

| | |
|---|---|
| Admission Document | This Admission Document dated 17 September 2020. |
| Appropriate Channels for Distribution | Shares which are eligible for distribution through all distribution channels as are permitted by MiFID II. |
| Board Member | The members of the Company's board of directors. |
| Board or Board of Directors | The board of directors of the Company. |
| Company | Salmon Evolution Holding ASA. |
| Construction Contract | The partnering construction contract between Artec Aqua and the Company for the design and construction of the Group's land-based salmon facility. |
| Construction Loan Facility | A revolving credit facility in the amount of NOK 150 million. |
| Construction Phases | The First Phase, Second Phase and the Third Phase |
| Continuing Obligations | Merkur Market document containing rules on the continuing obligations of companies admitted to trading on Merkur Market. |
| COVID-19 | The 2019 Wuhan coronavirus. |
| EEA | The European Economic Area |
| EU | The European Union |
| Executive Management | The members of the Company's Executive Management. |
| Exclusivity Agreement | An exclusivity agreement between the Company and Artec Aqua |
| Facility | The Company's land-based salmon farming premises and equipment, constituted by the First Phase, Second Phase and Third Phase which are yet to be completed, for the Company's production in due time of up to 13,300 tons of maximum allowed biomass on Indre Harøy in Hustadvika municipality |
| First Phase | The first construction phase of the Facility, with a budgeted completion cost of NOK 1,8 billion |
| Foreign Corporate Shareholders | Foreign corporate shareholders (i.e. limited liability companies and similar). |
| Foreign Individual Shareholders | Foreign individual shareholders (i.e. other foreign shareholders than Foreign Corporate Shareholders). |
| Forward-looking Statements | Has the meaning ascribed to it in Section 3.1 |
| FSMA | The Financial Services and Markets Act 2000. |
| Group | The Company together with its subsidiary, Salmon Evolution. AS |
| HFS | Hybrid flow-through system |
| IAS | International Accounting Standards. |
| IFRS | International Financial Reporting Standards as adopted by the EU. |
| ISIN | Securities number in the Norwegian Central Securities Depository (VPS). |
| Listing | The listing and admission to trading of the Company's Shares on Merkur Market. |
| Managers | Pareto Securities AS AS and DNB Markets, a part of DNB Bank ASA. |
| MAB | Maximum allowed biomass |
| Merkur Advisors | Pareto Securities AS and DNB Markets, a part of DNB Bank ASA. |
| Merkur Market | A multilateral trading facility operated by Oslo Børs ASA. |
| MiFID II | EU Directive 2014/65/EU on markets in financial instruments. |
| MiDIF II Product Governance Requirements | MiFID II, Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II and local implementing measures. |
| Mortgage Loan | The land purchase loan facilities with DNB Bank ASA, Sparebank 1 SMN and Sparebanken Møre in the amounts of NOK 40 million |
| Negative Target Market | Investment in the Shares which is not compatible with investors looking for full capital protection or full repayment of the amount invested or having no risk tolerance, or investors requiring a fully guaranteed income or fully predictable return profile. |
| NOK | Norwegian kroner, the lawful currency of Norway. |
| Non-Norwegian Shareholders | Shareholders who are not resident in Norway for tax purposes. |
| Norwegian Code of Practice | The Norwegian Corporate Governance Code of 17 October 2018. |
| Norwegian Corporate Shareholders | Norwegian corporate shareholders (i.e. limited liability companies and similar). |
| Norwegian Individual Shareholders | Norwegian individual shareholders (i.e. other Norwegian shareholders than |

| | |
|---|---|
| | Norwegian corporate shareholders). |
| Norwegian Securities Trading Act | The Norwegian Securities Trading Act of 29 2007 no. 75, as amended. |
| Norwegian Shareholders | Norwegian Corporate Shareholders taken together with Norwegian Individual Shareholders. |
| p.a. | per annum. |
| Positive Target Market | Shares that have been subject to product approval process, which has determined that they are : (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II. |
| Private Placement | A private placement raising gross proceeds of approximately NOK 500 million. |
| QIB | Qualified Institutional Buyer, as defined in the U.S. Securities Act. |
| Regulation S | Regulation S of the U.S. Securities Act. |
| Reorganization | The Group's completion of an internal reorganization whereby Salmon Evolution AS became the fully owned subsidiary of the newly incorporated Company. |
| Rule 144A | Rule 144A of the U.S. Securities Act. |
| Second Phase | The second construction phase of the Facility |
| Shares | The shares of the Company, each with a nominal value of 0.05. |
| Target Market Assessment | The Negative Target Market together with Positive Target Market. |
| Term Loan | A term loan in the amount of NOK 246 million. |
| Third Phase | The third construction phase of the Facility |
| U.S. Securities Act | The United States Securities Act of 1933, as amended. |
| United States of America | The United States |
| VPS | The Norwegian Central Securities Depository (Nw. *Verdipapirsentralen*). |

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## APPENDIX A – FINANCIAL STATEMENTS

# Salmon Evolution Holding AS

Profit and loss statement
Balance sheet
Cash flow
Notes to the Accounts

Org.no.: 925 344 877

# Income statement

## Salmon Evolution Holding AS

| | Note | July 3 - 31, 2020 |
|---|---|---|
| **Total operating income** | | 0 |
| **Total operating expenses** | | 0 |
| **Operating profit/loss** | | 0 |
| **Net financial items** | | 0 |
| **Result before tax** | | 0 |
| Tax expense | | 0 |
| **Ordinary result after tax** | | 0 |

# Balance sheet

## Salmon Evolution Holding AS

| Assets | Note | As of July 31, 2020 | Opening balance |
|---|---|---|---|
| **Fixed assets** | | | |
| **Financial fixed assets** | | | |
| Investments in subsidiaries | 1 | 276 516 390 | 0 |
| **Total financial fixed assets** | | **276 516 390** | **0** |
| **Total fixed assets** | | **276 516 390** | **0** |
| **Current assets** | | | |
| **Bank deposits, cash and cash equivalents** | | | |
| Bank deposits, cash and cash equivalents | | 50 029 996 | 30 000 |
| **Total bank deposits, cash and cash equivalents** | | **50 029 996** | **30 000** |
| **Total current assets** | | **50 029 996** | **30 000** |
| **Total assets** | | **326 546 386** | **30 000** |

# Balance sheet

## Salmon Evolution Holding AS

| Equity and liabilities | Note | As of July 31, 2020 | Opening balance |
|---|---|---|---|
| **Equity** | | | |
| **Paid in equity** | | | |
| Share capital | 2, 3 | 5 986 554 | 30 000 |
| Share premium reserve | 3 | 320 520 261 | 0 |
| Other paid-up equity | 3 | 0 | -9 570 |
| **Total paid-up equity** | | 326 506 816 | 20 430 |
| **Total equity** | | 326 506 816 | 20 430 |
| **Liabilities** | | | |
| **Current debt** | | | |
| Trade payables | | 5 570 | 0 |
| Liabilities to group companies | | 30 000 | 0 |
| Other current debt | | 4 000 | 9 570 |
| **Total current debt** | | 39 570 | 9 570 |
| **Total liabilities** | | 39 570 | 9 570 |
| **Total equity and liabilities** | | 326 546 386 | 30 000 |

Molde, 25/8 - 2020

The board of Salmon Evolution Holding AS

Tore Andreas Tønseth
Chairman of the board

Glen Allan Bradley
Member of the board

Frode Håkon Kjølås
Member of the board

Peder Stette
Member of the board

Kristofer Reiten
Member of the board

Anne Breiby
Member of the board

Ki Yun Yun
Member of the board

Håkon André Berg
CEO

# Balance sheet

## Salmon Evolution Holding AS

| Equity and liabilities | Note | As of July 31, 2020 | Opening balance |
|---|---|---|---|
| **Equity** | | | |
| **Paid in equity** | | | |
| Share capital | 2, 3 | 5 986 554 | 30 000 |
| Share premium reserve | 3 | 320 520 261 | 0 |
| Other paid-up equity | 3 | 0 | -9 570 |
| **Total paid-up equity** | | **326 506 816** | **20 430** |
| **Total equity** | | **326 506 816** | **20 430** |
| **Liabilities** | | | |
| **Current debt** | | | |
| Trade payables | | 5 570 | 0 |
| Liabilities to group companies | | 30 000 | 0 |
| Other current debt | | 4 000 | 9 570 |
| **Total current debt** | | **39 570** | **9 570** |
| **Total liabilities** | | **39 570** | **9 570** |
| **Total equity and liabilities** | | **326 546 386** | **30 000** |

Molde, 25/8-2020

The board of Salmon Evolution Holding AS

Tore André Tønseth
Chairman of the board

Glen Allan Bradley
Member of the board

Frode Håkon Kjølås
Member of the board

Peder Stette
Member of the board

Kristofer Reiten
Member of the board

Anne Breiby
Member of the board

Ki Yun Yun
Member of the board

Håkon André Berg
CEO

# Balance sheet

## Salmon Evolution Holding AS

| Equity and liabilities | Note | As of July 31, 2020 | Opening balance |
|---|---|---|---|
| **Equity** | | | |
| **Paid in equity** | | | |
| Share capital | 2, 3 | 5 986 554 | 30 000 |
| Share premium reserve | 3 | 320 520 261 | 0 |
| Other paid-up equity | 3 | 0 | -9 570 |
| **Total paid-up equity** | | **326 506 816** | **20 430** |
| **Total equity** | | **326 506 816** | **20 430** |
| **Liabilities** | | | |
| **Current debt** | | | |
| Trade payables | | 5 570 | 0 |
| Liabilities to group companies | | 30 000 | 0 |
| Other current debt | | 4 000 | 9 570 |
| **Total current debt** | | **39 570** | **9 570** |
| **Total liabilities** | | **39 570** | **9 570** |
| **Total equity and liabilities** | | **326 546 386** | **30 000** |

Molde, 25/5-2020

The board of Salmon Evolution Holding AS

Tore André Tønseth
Chairman of the board

Glen Allan Bradley
Member of the board

Frode Håkon Kjølås
Member of the board

Peder Stette
Member of the board

Kristofer Reiten
Member of the board

Anne Breiby
Member of the board

Ki Yun Yun
Member of the board

Håkon André Berg
CEO

# Balance sheet

## Salmon Evolution Holding AS

| Equity and liabilities | Note | As of July 31, 2020 | Opening balance |
|---|---|---|---|
| **Equity** | | | |
| **Paid in equity** | | | |
| Share capital | 2, 3 | 5 986 554 | 30 000 |
| Share premium reserve | 3 | 320 520 261 | 0 |
| Other paid-up equity | 3 | 0 | -9 570 |
| **Total paid-up equity** | | **326 506 816** | **20 430** |
| **Total equity** | | **326 506 816** | **20 430** |
| **Liabilities** | | | |
| **Current debt** | | | |
| Trade payables | | 5 570 | 0 |
| Liabilities to group companies | | 30 000 | 0 |
| Other current debt | | 4 000 | 9 570 |
| **Total current debt** | | **39 570** | **9 570** |
| **Total liabilities** | | **39 570** | **9 570** |
| **Total equity and liabilities** | | **326 546 386** | **30 000** |

Molde, 25/8 - 2020

The board of Salmon Evolution Holding AS

Tore Andreas Tønseth
Chairman of the board

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Member of the board

Peder Stette
Member of the board

Kristofer Reiten
Member of the board

Anne Breiby
Member of the board

Ki Yun Yun
Member of the board

Håkon André Berg
CEO

# Balance sheet

## Salmon Evolution Holding AS

| Equity and liabilities | Note | As of July 31, 2020 | Opening balance |
|---|---|---|---|
| **Equity** | | | |
| **Paid in equity** | | | |
| Share capital | 2, 3 | 5 986 554 | 30 000 |
| Share premium reserve | 3 | 320 520 261 | 0 |
| Other paid-up equity | 3 | 0 | -9 570 |
| **Total paid-up equity** | | **326 506 816** | **20 430** |
| **Total equity** | | **326 506 816** | **20 430** |
| **Liabilities** | | | |
| **Current debt** | | | |
| Trade payables | | 5 570 | 0 |
| Liabilities to group companies | | 30 000 | 0 |
| Other current debt | | 4 000 | 9 570 |
| **Total current debt** | | **39 570** | **9 570** |
| **Total liabilities** | | **39 570** | **9 570** |
| **Total equity and liabilities** | | **326 546 386** | **30 000** |

Molde, 25/8 - 2020

The board of Salmon Evolution Holding AS

Tore Andreas Tønseth
Chairman of the board

Glen Allan Bradley
Member of the board

Frode Håkon Kjølås
Member of the board

Peder Stette
Member of the board

Kristofer Reiten
Member of the board

Anne Breiby
Member of the board

Ki Yun Yun
Member of the board

Håkon André Berg
CEO

# Cash flow

## Salmon Evolution Holding AS

| | July 31, 2020 |
|---|---|
| **Cash flow from operating activities** | 0 |
| **Cash flow from investment activities** | 0 |
| **Cash flow from financing activities** | |
| Shareholder contribution | 49 999 996 |
| **Net cash flow from financing activities** | **49 999 996** |
| **Net change in cash and cash equivalents** | **49 999 996** |
| Cash and cash equivalents at the start of the period | 30 000 |
| **Cash and cash equivalents at the end of the period** | **50 029 996** |

# Notes to the financial statement 2019

## Accounting principles

The accounts have been prepared in accordance with the Accounting Act and generally accepted accounting principles. Group accounts have however not been prepared.

Balance sheet is prepared as of July 31, 2020. Profit and loss and cash flow statements are prepared for the period starting July 3, 2020 and ending July 31, 2020.

**Use of estimates**
The preparation of accounts in accordance with the Accounting Act requires the use of estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies. The areas where significant judgments and
estimates have been made in preparing the financial statements and their effect are disclosed in the notes.

**Classification and assessment of balance sheet items**
Assets intended for long term ownership or use are classified as fixed assets. Assets relating to the operating cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

**Investments in other companies**
The cost method is applied to investments in other companies. The carrying amount is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are generally recognised as income. Dividends/group contribution from subsidiaries are booked in the same year as the subsidiary makes the provision for the amount. Dividends from other companies are reflected as financial income when the dividends are approved. Investments are written down to fair value if the fair value is lower than the carrying amount.

**Cash Flow statement**
The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits, and other short term investments which immediately and with minimal exchange risk can be converted into known cash amounts, with due date less than three months from purchase date.

## Note 1 Investments in subsidiaries, associates and joint ventures

Investments in subsidiaries, associated companies and joint ventures are booked according to the cost method.

| Company | Location | Ownership/ voting rights | Equity on January 1, 2020 | Net loss | Equity on June 30, 2020 |
|---|---|---|---|---|---|
| Salmon Evolution AS | Molde | 100 % | 38 198 338 | -6 385 272 | 276 516 390 |

Salmon Evolution AS' financial statements have been prepared accordance with International Financial Reporting Standards (IFRS).

# Notes to the financial statement 2019

## Note 2 Share capital and shareholder information

| Share capital | Number | Nominal value | Book value |
|---|---|---|---|
| Ordinary shares | 119 731 088 | 0,05 | 5 986 554 |

The share capital is owned by the following shareholders:

| Shareholders: | Number of shares | Ownership |
|---|---|---|
| Ronja Capital AS | 21 021 021 | 17,6 % |
| Romsdalsfisk AS | 20 256 006 | 16,9 % |
| Farvatn | 15 015 015 | 12,5 % |
| Rofisk | 13 507 508 | 11,3 % |
| Dongwon Industries Co. Ltd. | 11 627 906 | 9,7 % |
| Artec Holding AS | 7 806 006 | 6,5 % |
| Kjølås Stansekniver | 7 506 006 | 6,3 % |
| Stette Invest AS | 7 506 006 | 6,3 % |
| Jakob Hatteland AS | 6 003 006 | 5,0 % |
| Terra Mare AS | 2 400 150 | 2,0 % |
| Salmoserve | 1 950 751 | 1,6 % |
| Ocean Supreme | 1 501 501 | 1,3 % |
| Småge Eiendom | 1 500 000 | 1,3 % |
| Flataker Eiendom | 750 750 | 0,6 % |
| Hallgeir Øyen | 320 000 | 0,3 % |
| Stum AS | 300 000 | 0,3 % |
| 4Hjerter AS | 300 000 | 0,3 % |
| AKSA Holding AS | 150 150 | 0,1 % |
| Repstad-Vike Holding AS | 96 096 | 0,1 % |
| Carried Away AS | 75 075 | 0,1 % |
| Olav Johan Lyngstad | 75 075 | 0,1 % |
| C10 Holding AS | 60 060 | 0,1 % |
| **Sum** | **119 728 088** | **100 %** |

The company has on class of shares and all shares come with full voting rights.

### Shares owned by members of the board and the CEO

| | | |
|---|---|---|
| Frode Håkon Kjølås | Chairman of the board | 6,3 % |
| Kristofer Reiten | Board member | 5,1 % |
| Peder Stette | Board member | 3,8 % |
| Glen Allan Bradley | Board member | 0,4 % |
| Håkon André Berg | CEO | 0,1 % |

# Notes to the financial statement 2019

## Note 3 Equity

| | Share capital | Share premium reserve | Other paid-in equity | Total equity |
|---|---|---|---|---|
| Equity on July 3, 2020 | 30 000 | 0 | -9 570 | 20 430 |
| Share capital reduction | -30 000 | | | -30 000 |
| Shareholders contribution | 5 986 554 | 320 529 831 | | 326 516 386 |
| Closing entries | | -9 570 | 9 570 | 0 |
| **Equity on July 31, 2020** | **5 986 554** | **320 520 261** | **0** | **326 506 816** |

Nøisomhed
Serviceboks 15
6405 Molde
www.bdo.no

# Independent Auditor's Report

## To Salmon Evolution Holding AS

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Salmon Evolution Holding AS.

| The financial statements comprise: | In our opinion: |
|---|---|
| • The balance sheet as at 31 July 2020<br>• The income statement for the period from the establishment 3 July 2020 until period end 31 July 2020<br>• Statement of cash flows for the period from the establishment 3 July 2020 until period end 31 July 2020<br>• Notes to the financial statements, including a summary of significant accounting policies | • The accompanying financial give a true and fair view of the financial position of the Company as at 31 July 2020, and its financial performance and its cash flows for from the establishment 3 July 2020 until period end 31 July 2020 in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway. |

### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 as required by laws and regulations, 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.

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, 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 ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

### 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

Molde, 31 August 2020
BDO AS

Roald Viken
State Authorised Public Accountant

SALMON EVOLUTION®

extending the ocean potential

# Salmon Evolution AS

Condensed Interim Financial Statements

## First half 2020

## Condensed Statement of Profit or Loss

| NOK thousands | Note | H1 2020 | H1 2019 |
|---|---|---|---|
| Other income | | 30 | 0 |
| Total operating income | | 30 | 0 |
| Personnel expenses | | (2 478) | (534) |
| Depreciation, amortisation and impairment loss | 2 | (148) | (27) |
| Other operating expenses | | (3 775) | (3 905) |
| Operating profit (EBIT) | | (6 371) | (4 466) |
| Financial income | | 1 | 0 |
| Financial expenses | | (16) | (11) |
| Financial expense - net | | (15) | (11) |
| Profit/(loss) before tax | | (6 385) | (4 476) |
| Income tax expense | 3 | 0 | 0 |
| Profit/(loss) for the period | | (6 385) | (4 476) |
| Basic earnings per share (NOK) | 4 | (0,09) | (0,16) |
| Diluted earnings per share (NOK) | 4 | (0,09) | (0,16) |

## Condensed Statement of Comprehensive Income

| NOK thousands | Note | H1 2020 | H1 2019 |
|---|---|---|---|
| Profit/(loss) for the period | | (6 385) | (4 476) |
| Total comprehensive income for the period, net of tax | | (6 385) | (4 476) |

## Condensed Statement of Financial Position

| NOK thousands | Note | 30 June 2020 | 30 June 2019 | 31 December 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| Assets under construction | 2 | 102 167 | 5 622 | 25 546 |
| Property, plant & equipment | 2 | 342 | 427 | 352 |
| Right-of-use assets | | 495 | 929 | 712 |
| Total non-current assets | | 103 004 | 6 978 | 26 610 |
| Other current receivables | | 4 024 | 1 537 | 2 749 |
| Cash and cash equivalents | | 190 131 | 40 834 | 21 124 |
| Total current assets | | 194 155 | 42 371 | 23 873 |
| Total assets | | 297 159 | 49 349 | 50 483 |
| **Equity and liabilities** | | | | |
| Share capital | 5 | 5 375 | 1 500 | 1 500 |
| Share premium | 5 | 290 328 | 49 500 | 49 500 |
| Other paid-in capital | 5 | 780 | 0 | 780 |
| Uncovered losses | | (19 967) | (6 788) | (13 581) |
| Total equity | | 276 516 | 44 212 | 38 198 |
| Long-term interest bearing debt | | 1 500 | 1 500 | 1 500 |
| Lease liabilities - long term | | 99 | 427 | 227 |
| Total non-current liabilities | | 1 599 | 1 927 | 1 727 |
| Trade payables | | 17 082 | 2 273 | 8 401 |
| Social security and other taxes | | 668 | 450 | 799 |
| Lease liabilities - short term | | 328 | 385 | 394 |
| Other current liabilities | | 966 | 103 | 963 |
| Total current liabilities | | 19 044 | 3 210 | 10 557 |
| Total liabilities | | 20 643 | 5 137 | 12 285 |
| Total equity and liabilities | | 297 159 | 49 349 | 50 483 |

## Condensed Statement of cash flows

| NOK thousands | Note | H1 2020 | H1 2019 |
|---|---|---|---|
| **Cash flow from operations** | | | |
| Profit before income taxes | | (6 385) | (4 476) |
| ***Adjustments for:*** | | | |
| Depreciation | 2 | 148 | 27 |
| Net interest | | 15 | 11 |
| ***Changes in working capital:*** | | | |
| Change in other current recievables | | (1 274) | (837) |
| Change in trade payables | | 283 | 2 107 |
| Change in other provisions | | (127) | (1 139) |
| Cash generated from operations | | (7 341) | (4 308) |
| Interest paid | | (16) | (11) |
| Interest received | | 1 | 0 |
| Net cash flow from operations | | (7 356) | (4 318) |
| **Cash flow from investments** | | | |
| Purchase of fixed assets and other capitalizations | 2 | (68 245) | (5 074) |
| Net cash flow from investments | | (68 245) | (5 074) |
| **Cash flow from financing** | | | |
| Repayment of lease liabilities | | (95) | (145) |
| Proceeds from issuance of equity | 5 | 244 703 | 50 000 |
| Net cash flow from investments | | 244 609 | 49 855 |
| Net change in cash and cash equivalents | | 169 008 | 40 463 |
| Cash and cash equivalents at the beginning of the period | | 21 124 | 370 |
| Cash and cash equivalents at the end of the period | | 190 131 | 40 834 |

## Consensed Statement of Changes in Equity

| NOK thousands | Share capital | Share premium | Other paid-in capital | Uncovered losses | Total equity |
|---|---|---|---|---|---|
| **Balance at 1 January 2019** | 1 000 | 0 | 0 | (2 312) | (1 312) |
| Profit/loss for the period | 0 | 0 | 0 | (4 476) | (4 476) |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | 0 | 0 | 0 | (4 476) | (4 476) |
| Capital increase | 500 | 49 500 | 0 | 0 | 50 000 |
| Transactions with owners | 500 | 49 500 | 0 | 0 | 50 000 |
| Balance at 30 June 2019 | 1 500 | 49 500 | 0 | (6 788) | 44 212 |
| **Balance at 1 January 2020** | 1 500 | 49 500 | 780 | (13 581) | 38 198 |
| Profit/loss for the period | 0 | 0 | 0 | (6 385) | (6 385) |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | 0 | 0 | 0 | (6 385) | (6 385) |
| Capital increase | 3 875 | 240 828 | 0 | 0 | 244 703 |
| Transactions with owners | 3 875 | 240 828 | 0 | 0 | 244 703 |
| Balance at 30 June 2020 | 5 375 | 290 328 | 780 | (19 967) | 276 516 |

## Note 1 - Summary of significant accounting policies

**General information**
Salmon Evolution AS (SE) is a Norwegian company headquartered at Indre Harøy in Møre og Romsdal. SE is building a land-based salmon farming facility with a planned annual production of 30.775t 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 flowthrough system ("FTS-R"), replacing the water every four hours with clear and fresh water from the Norwegian coast. Constuction start of phase I is expected in Q1 2020 with expected completion Q3 2022. Production is expected to start during Q4 2021 when the first smolt is expected to enter the holding tanks with expected harvest in Q2 2023. Phase II consists of build out of an additional 12 grow out tanks and 2 holding tanks with first smolt entered in Q3 2023, further a build-out of smolt & hatchery facility will occur during this phase. The last construction phase, phase III, consists of build-out of an additional 24 grow out tanks and 4 holding tanks. Expected completion of phase III is during Q3 28.

These interim financial statements were approved by the Board of Directors for issue on xx July 2020.

These interim financial statements have not been audited.

**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 statment 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 recognised 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.

**Use of estimates**
The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019.

## Note 2 - Property, plant and equipment

| NOK thousands | Assets under construction | Fixtures and fittings | Total |
|---|---|---|---|
| Cost 1 January 2020 | 25 546 | 450 | 25 997 |
| Additions | 76 621 | 22 | 76 643 |
| Disposals | 0 | 0 | 0 |
| Cost 30 June 2020 | 102 167 | 472 | 102 639 |
| Accumulated depreciation 1 January 2020 | 0 | (99) | (99) |
| Depreciation for the period | 0 | (31) | (31) |
| Net book value 30 June 2020 | 102 167 | 342 | 102 510 |

| NOK thousands | Assets under construction | Fixtures and fittings | Total |
|---|---|---|---|
| Cost 1 January 2019 | 975 | 0 | 975 |
| Additions | 4 647 | 427 | 5 074 |
| Disposals | 0 | 0 | 0 |
| Cost 30 June 2019 | 5 622 | 427 | 6 049 |
| Accumulated depreciation 1 January 2019 | 0 | 0 | 0 |
| Depreciation for the period | 0 | 0 | 0 |
| Net book value 30 June 2019 | 5 622 | 427 | 6 049 |

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 30 June 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 comittments

The Company is in the process of building a land-based salmon farming facility at Indre Harøy, Møre. As of 30 June 2020 Salmon Evolution had no material financial comittments towards the turnkey project agreement as the agreement included a clause that Salmon Evolution is not financially comitted until further financing of the Company is secured through either a private placement or new debt financing.

## Note 3 - Taxes

| NOK thousands | H1 2020 | H1 2019 |
|---|---|---|
| Profit/(loss) before tax | (6 385) | (4 476) |
| Calculated tax (22%) | (1 405) | (985) |
| | | |
| Tax payable | - | - |
| Change in deferred tax (asset) | (1 405) | (985) |
| Change in deferred tax not shown in the balance sheet | 1 405 | 985 |
| Tax expense | 0 | 0 |

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the period ended 30 June 2020 is 22%, compared to 22% for the period ended 30 June 2019.

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

## Note 4 - Earnings per share

| NOK thousands | H1 2020 | H1 2019 |
|---|---|---|
| Loss atributable to the equity owners of the Company | (6 385) | (4 476) |
| Loss for calculation of diluted earnings per share | (6 385) | (4 476) |
| | | |
| Weighted average number of shares outstanding [1)] | 68 751 591 | 28 333 333 |
| Dilutive options | - | - |
| Average number of shares and options used in calculation for diluted EPS | 68 751 591 | 28 333 333 |
| | | |
| **Basic earnings per share (NOK)** | **(0,09)** | **(0,16)** |
| **Diluted earnings per share (NOK)** | **(0,09)** | **(0,16)** |

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

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

1)
H1 2020: The Company issued 77,503,182 new shares in a capital raise in March 2020. The weighted average number of shares outstanding in H1 2020 has been calculated by applying a weight of 3/6 to the number of shares before the capital raise in March 2020 (30,000,000 shares), and 3/6 to the total number of shares after the capital raise (107,503,182 shares).

H1 2019: The Company issued 500 new shares in a capital raise in January 2019. Further there was a share split conducted in June 2019 that increased the number of shares to 30,000,000. In accordance with IAS 33.64, a retrospective adjustment of the weighted average number of shares has been made due to the share split. As such, the weighted average number of shares outstanding in H1 2019 has been calculated by applying a weight of 1/6 to the number of shares after the share split held by the shareholders prior to the capital raise in January 2019 (20,000,000 shares), and 5/6 to the total number of shares after the share split held by the shareholders after the capital raise (30,000,000 shares).

## Note 5 - Share issue

| Number of shares | H1 2020 | H1 2019 |
|---|---|---|
| Shares issued during the half-year | 77 503 182 | 500 |

| NOK thousands | H1 2020 | H1 2019 |
|---|---|---|
| Equity raised from share issue* | 244 703 | 50 000 |

* Note that the amounts recognised as equity as part of the share issue in H1 2020 reflects the net amount raised (after deducting for incurred transactions costs).

## Note 6 - Related party transactions

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

Pursuant to the agreement entered into with Artec Aqua AS in 2019, the Company has had a significant volume of transactions with Artec Aqua AS in first half 2020 related to the ongoing construction of the land-based salmon production facilities. There were no other significant transcations with related parties during first half 2020.

There were no transactions with related parties during first half 2019.

## Note 7 - Events after the reporting date

**Covid-19**

At the time of the release of these financial statements, the world is facing a severe global pandemic (Covid-19). The consequences of the pandemic for the Company is still uncertain, however management has identified the following risk factors that may impact the Company going-forward:

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

## Directors responsibilty statement

We hereby confirm that the half-yearly financial statements for the Company for the period 1 January through 30 June 2020 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

To the best of our knowledge, the half-yearly report gives a true and fair:
- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the Company over the next accounting period
- description of major transactions with related parties.

Ålesund, 25th of August 2020

| | | |
|---|---|---|
| Tore Andreas Tønseth<br>Chairman | Kristoffer Reiten<br>Board member | Glen Allan Bradley<br>Board member |
| Peder Stette<br>Board member | Frode Håkon Kjølås<br>Board member | |
| Håkon Andre Berg<br>CEO | | |

## Directors responsibilty statement

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To the best of our knowledge, the half-yearly report gives a true and fair:
- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the Company over the next accounting period
- description of major transactions with related parties.

Ålesund, 25th of August 2020

Tore Andreas Tønseth
Chairman

Kristoffer Reiten
Board member

Glen Allan Bradley
Board member

Peder Stette
Board member

Frode Håkon Kjølås
Board member

Håkon Andre Berg
CEO

## Directors responsibility statement

We hereby confirm that the half-yearly financial statements for the Company for the period 1 January through 30 June 2020 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

To the best of our knowledge, the half-yearly report gives a true and fair:
- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the Company over the next accounting period
- description of major transactions with related parties.

Ålesund, 25th of August 2020

Tore Andreas Tønseth
Chairman

Kristoffer Reiten
Board member

Glen Allan Bradley
Board member

Peder Stette
Board member

Frode Håkon Kjølås
Board member

Håkon Andre Berg
CEO

## Directors responsibilty statement

We hereby confirm that the half-yearly financial statements for the Company for the period 1 January through 30 June 2020 to the best of our knowledge have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the European Union, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company.

To the best of our knowledge, the half-yearly report gives a true and fair:
- overview of important events that occurred during the accounting period and their impact on the half-yearly financial statements
- description of the principal risks and uncertainties facing the Company over the next accounting period
- description of major transactions with related parties.

Ålesund, 24th of August 2020

Tore Andreas Tønseth
Chairman

Kristoffer Reiten
Board member

Glen Allan Bradley
Board member

Peder Stette
Board member

Frode Håkon Kjølås
Board member

Håkon Andre Berg
CEO

BDO AS
Munkedamsveien 45
P.O. Box1704 Vika
0121 Oslo

# Report on Review of Interim Financial Information

## To Salmon Evolution AS

### Introduction

We have reviewed the accompanying balance sheet of Salmon Evolution AS AS as of June 30, 2020 and the related statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Board of Directors and Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

We conducted conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the entity as at June 30 2020, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 "Interim Financial Reporting".

### Other matter

The corresponding figures for the six-months period ending June 30, 2019 have not been subjected to review.

Molde, 31th of August 2020
BDO AS

Roald Viken
State Authorized Public Accountant, Norway

SALMON EVOLUTION®

extending the ocean potential

# Salmon Evolution AS

Financial Statements

2019

## Statement of Profit or Loss

| NOK thousands | Note | 2019 | 2018 |
|---|---|---|---|
| Other income | 9 | (175) | 1 150 |
| Total operating income | | (175) | 1 150 |
| Personnel expenses | 10,19 | (3 754) | (1 182) |
| Depreciation, amortisation and impairment loss | 6,17 | (181) | 0 |
| Other operating expenses | 10,11 | (7 752) | (1 933) |
| Operating profit (EBIT) | | (11 862) | (1 965) |
| Financial income | 12 | 622 | 0 |
| Financial expenses | 12,17 | (30) | (9) |
| Financial expense - net | | 593 | (9) |
| Profit/(loss) before tax | | (11 269) | (1 974) |
| Income tax expense | 7 | 0 | 0 |
| Profit/(loss) for the period | | (11 269) | (1 974) |

## Statement of Comprehensive Income

| NOK thousands | Note | 2019 | 2018 |
|---|---|---|---|
| Profit/(loss) for the period | | (11 269) | (1 974) |
| **Items that are or may be reclassified to profit or loss:** | | | |
| Currency translation differences | | 0 | 0 |
| Total comprehensive income for the period, net of tax | | (11 269) | (1 974) |

## Statement of Financial Position

| NOK thousands | Note | 31 December 2019 | 31 December 2018 | 1 January 2019 |
|---|---|---|---|---|
| **Assets** | | | | |
| Assets under construction | 6 | 25 546 | 975 | 469 |
| Property, plant & equipment | 6 | 352 | 0 | 0 |
| Right-of-use assets | 17 | 712 | 0 | 0 |
| Total non-current assets | | 26 610 | 975 | 469 |
| Other current receivables | 14 | 2 749 | 700 | 457 |
| Cash and cash equivalents | 13 | 21 124 | 370 | 111 |
| Total current assets | | 23 873 | 1 070 | 568 |
| Total assets | | 50 483 | 2 046 | 1 037 |
| **Equity and liabilities** | | | | |
| Share capital | 16 | 1 500 | 1 000 | 1 000 |
| Share premium | 16 | 49 500 | 0 | 0 |
| Other paid-in capital | 19 | 780 | 0 | 0 |
| Uncovered losses | | (13 581) | (2 312) | (339) |
| Total equity | | 38 198 | (1 312) | 661 |
| Long-term interest bearing debt | 4,5 | 1 500 | 1 500 | 0 |
| Lease liabilities - long term | 17 | 227 | 0 | 0 |
| Total non-current liabilities | | 1 727 | 1 500 | 0 |
| Trade payables | 15 | 8 401 | 167 | 130 |
| Social security and other taxes | 15 | 799 | 69 | 67 |
| Lease liabilities - short term | 17 | 394 | 0 | 0 |
| Other current liabilities | 15 | 963 | 1 622 | 178 |
| Total current liabilities | | 10 557 | 1 858 | 375 |
| Total liabilities | | 12 285 | 3 358 | 375 |
| Total equity and liabilities | | 50 483 | 2 046 | 1 037 |

## Statement of cash flows

| NOK thousands | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flow from operations** | | | |
| Profit before income taxes | | (11 269) | (1 974) |
| ***Adjustments for:*** | | | |
| Depreciation | 6,17 | 181 | 0 |
| Net interest | 12,17 | (593) | 9 |
| Share based payment expenses | 19 | 780 | 0 |
| ***Changes in working capital:*** | | | |
| Change in trade receivables | 14 | 0 | 0 |
| Change in other current recievables | 14 | (2 049) | (243) |
| Change in trade payables | 15 | 8 235 | 36 |
| Change in other provisions | 15 | 1 570 | 1 446 |
| Cash generated from operations | | (3 146) | (725) |
| Interest paid | 12,17 | (30) | (9) |
| Interest received | 12 | 622 | 0 |
| Income taxes paid | 7 | 0 | 0 |
| Net cash flow from operations | | (2 553) | (734) |
| **Cash flow from investments** | | | |
| Purchase of fixed assets and other capitalizations | 6 | (25 021) | (506) |
| Net cash flow from investments | | (25 021) | (506) |
| **Cash flow from financing** | | | |
| Repayment of lease liabilities | 17 | (172) | 0 |
| Proceeds from issuance of equity | 16 | 50 000 | 0 |
| Proceeds from borrowings | 5 | 0 | 1 500 |
| Repayment of loans | 5 | (1 500) | 0 |
| Net cash flow from investments | | 48 328 | 1 500 |
| Net change in cash and cash equivalents | | 20 753 | 259 |
| Cash and cash equivalents at the beginning of the period | | 370 | 111 |
| Cash and cash equivalents at the end of the period | | 21 124 | 370 |

## Statement of Changes in Equity

| NOK thousands | Share capital | Share premium | Other paid-in capital | Uncovered losses | Total equity |
|---|---|---|---|---|---|
| **Balance at 1 January 2018** | 1 000 | 0 | 0 | (339) | 661 |
| Profit/loss for the period | 0 | 0 | 0 | (1 974) | (1 974) |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | 0 | 0 | 0 | (1 974) | (1 974) |
| Capital increase | 0 | 0 | 0 | 0 | 0 |
| Transactions with owners | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 December 2018 | 1 000 | 0 | 0 | (2 312) | (1 312) |
| Profit/loss for the period | 0 | 0 | 0 | (11 269) | (11 269) |
| Other comprehensive income | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | 0 | 0 | 0 | (11 269) | (11 269) |
| Capital increase | 500 | 49 500 | 0 | 0 | 50 000 |
| Share options issued | 0 | 0 | 780 | 0 | 780 |
| Transactions with owners | 500 | 49 500 | 780 | 0 | 50 780 |
| Balance at 31 December 2019 | 1 500 | 49 500 | 780 | (13 581) | 38 198 |

## Note 1 - Summary of significant accounting policies

**General information**
Salmon Evolution AS (SE) is a Norwegian company headquartered at Indre Harøy in Møre og Romsdal. SE is building a land-based salmon farming facility with a planned annual production of 30.775t 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 flowthrough system ("FTS-R"), replacing the water every four hours with clear and fresh water from the Norwegian coast. Constuction start of phase I is expected in Q1 2020 with expected completion Q3 2022. Production is expected to start during Q4 2021 when the first smolt is expected to enter the holding tanks with expected harvest in Q2 2023. Phase II consists of build out of an additional 12 grow out tanks and 2 holding tanks with first smolt entered in Q3 2023, further a build-out of smolt & hatchery facility will occur during this phase. The last construction phase, phase III, consists of build-out of an additional 24 grow out tanks and 4 holding tanks. Expected completion of phase III is during Q3 28.

**Basis for Preparation of the Annual Accounts**
For all periods up to and including the year ended 31 December 2019, the Company prepared its financial statements in accordance with generally accepted accounting principles in Norway (NGAAP). These restated financial statements for the year ended 31 December 2019, including restated comparable figures as of 31 December 2018, will be the first annual financial statements that comply with IFRS. In these financial statements, the term "Norwegian GAAP" or "NGAAP" refers to Norwegian GAAP in use before the adoption of IFRS.
Subject to certain transition elections and exceptions disclosed in note 2, the Company has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at 1 January 2018 throughout all periods presented, as if these policies had always been in effect. Note 2 discloses the impact of the transition to IFRS on the Company's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended 31 December, 2019 prepared under Norwegian GAAP.

**Going concern**
The Company's financial statements is prepared on a going concern basis. When assessing this assumption, management has assessed all available information about the future. This comprises information about net cash flows, debt service and obligations. After making such assessments, management has a reasonable expectation that the Company has adequate resources to continue its operational existence for the foreseeable future.

**Basis of measurement**
The financial statements have been prepared under the historical cost convention.

**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 Salmon Evolution AS' functional and presentation currency.

*Transactions and balances*
Transactions in currencies other than the entity's functional currency (foreign currency) are translated into the functional currency using the exchange rates at the dates of the transactions.
Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other financial items.
Non-monetary items that are measured at fair value in a foreign currency are converted to NOK using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not subsequently revaluated.

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

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

Information relating to the Company's employee option scheme is set out in note X. 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 recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

**Taxes**

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

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

*Deferred tax*
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

### Leases

All leasing agreements with a duration exceeding 12 months are capitalized as financial leases. The Company 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 Company has the right to control the use of the identifiable asset, and whether the Company 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 implicit interest rate of the lease. The Company uses the incremental borrowing rate in the case the implicit rate cannot be readily determined from the lease contract. The contractual minimum lease payments consist of fixed or variable payments, including those resulting from options in which management is reasonably certain it will exercise during the lease term. The lease liability is subsequently measured at amortized cost under the effective interest rate during the lease term and may also be adjusted to management's reassessment of future lease payments based on options exercised, renegotiations, or changes of an index rate.
The ROU asset is calculated based on the lease liability, plus initial direct costs towards the lease, and less any incentives granted by the lessor. The ROU asset is subsequently amortized under the straight-line method under the shorter of the lease term or the useful life of the underlying asset and is included as part of depreciation and amortization in the accompanying statements of other comprehensive income.
Leases that fall under the IFRS 16 short-term exception are recognized on a straight-line method over the lease term.

### Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade receivables, loans and other receivables

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

### Property, plant & equipment

Property, plant, and equipment is capitalized at acquisition cost, which includes capitalized borrowing costs, less accumulated depreciation and impairment losses, if any. Acquisition costs include expenditures that are directly attributable to the acquisition and placement of fixed assets in service. Costs of major replacements and renewals that substantially extend the economic life and functionality of fixed asset are capitalized. Costs associated with normal maintenance and repairs are expensed as incurred.
Assets are normally considered property, plant, and equipment if the useful economic life exceeds one year. Straight-line depreciation is applied over the useful life of property, plant, and equipment based on the asset's historical cost and estimated residual value at disposal. If a substantial part of an asset has an individual and different useful life, that portion is depreciated separately. The asset's residual value and useful life are evaluated annually. Gains or losses arising from the disposal or retirement of an asset are determined as the difference between the sales proceeds and the carrying amount of the asset and recognized as part of other income in the accompanying statements of other comprehensive income.
Depreciation is charged to expense when the property, plant or equipment is ready for use or
placed in service. As such, assets under construction are not depreciated.

### Intangible assets

Expenses related to research activities are expensed as incurred. Expenses related to development activities are capitalized if the product or process is technically and commercially feasible, and the Company has adequate resources to complete the development.
Patents are capitalized and measured at cost less accumulated amortization and any accumulated impairment losses, if any.

### Impairment

Management reviews long-lived assets for impairment annually, or more frequently, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.
If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying value to determine if an adjustment for impairment to such asset is necessary. The effect of any impairment would be to expense the difference between the fair value of such asset and it's carrying value. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. As of 31 December 2019, and 2018, management did not consider an allowance for impairment necessary for long-lived assets.

**Classification of current and non-current items**
Assets are classified as current when it it expected to be realized or sold, or to be used in the Company's normal operating cycle, or falls due or is expected to be realized within 12 months after the end of the reporting date. Assets that do not fall under this definition is classified as non-current. Liabilities are classified as current when they are expected to be settled in the normal operating cyvcle 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.

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

**Borrowings**
Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Borrowings 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 Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting 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.

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

**Statements of cash flow**
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 Company'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 Company's financial statements:

**1) Capitalised costs as assets under construction**
As part of the construction of the Company's production facilities, the Company has capitalised 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. Management's assessment of the appropriate allocation key requires the use of estimates and jugment that could result in outcomes that require a material adjustment to the carrying amount of these assets in future periods. Reference is made to note 6 for details of additions to "assets under construction".

## Note 3 - First time adoption of IFRS

As stated in note 1, these are the Company's first financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies set out in note 1 have been applied in preparing the financial statements for the period ended 31 December 2019, the comparative information presented in these financial statements for the year ended 31 December 2018 and in the preparation of an opening IFRS statement of financial position at 1 January 2018 (the Company's date of transition).

In preparing its opening IFRS statement of financial position, the Company has adjusted the amounts reported previously in the financial statements prepared in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP). An explanation of how the transition from NGAAP to IFRS has affected the Group's financial position and financial performance and cash flows is set out in the tables below and the notes that accompany these tables.

**Estimates**
The various types of estimates in accordance with the NGAAP financial statements as at 1 January 2018, 31 December 2018 and 31 December 2019, are equally applicable under IFRS.

The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at 1 January 2018, the date of transition to IFRS at 31 December 2018 and at 31 December 2019. In accordance with IFRS 1, any information received subsequent to the date of transition to IFRSs about estimates made under previous GAAP has been treated in the same way as non-adjusting events after the reporting period in accordance with IAS 10 Events after the Reporting Period.

**Reconciliation of statement of financial position as at 1 January 2018**

| NOK thousands | | 1 January 2018 | | |
|---|---|---|---|---|
| | Note | NGAAP | Adjustments | IFRS |
| **Assets** | | | | |
| Assets under construction | | 469 | 0 | 469 |
| Property, plant & equipment | | 0 | 0 | 0 |
| Deferred tax asset | A | 176 | (176) | 0 |
| Total non-current assets | | 644 | (176) | 469 |
| Other current receivables | | 457 | 0 | 457 |
| Cash and cash equivalents | | 111 | 0 | 111 |
| Total current assets | | 568 | 0 | 568 |
| Total assets | | 1 212 | (176) | 1 037 |
| **Equity and liabilities** | | | | |
| Share capital | | 1 000 | 0 | 1 000 |
| Share premium | | 0 | 0 | 0 |
| Uncovered losses | A | (163) | (176) | (339) |
| Total equity | | 837 | (176) | 661 |
| Long-term interest bearing debt | | 0 | 0 | 0 |
| Total non-current liabilities | | 0 | 0 | 1 500 |
| Trade payables | | 130 | 0 | 130 |
| Social security and other taxes | | 67 | 0 | 67 |
| Other current liabilities | | 178 | 0 | 178 |
| Total current liabilities | | 375 | 0 | 375 |
| Total liabilities | | 375 | 0 | 375 |
| Total equity and liabilities | | 1 212 | (176) | 1 037 |

## Reconciliation of statement of financial position as at 31 December 2018

| NOK thousands | | 31 December 2018 | | |
|---|---|---|---|---|
| | Note | NGAAP | Adjustments | IFRS |
| **Assets** | | | | |
| Assets under construction | | 975 | 0 | 975 |
| Property, plant & equipment | | 0 | 0 | 0 |
| Total non-current assets | | 975 | 0 | 975 |
| Other current recievables | | 700 | 0 | 700 |
| Cash and cash equivalents | | 370 | 0 | 370 |
| Total current assets | | 1 070 | 0 | 1 070 |
| Total assets | | 2 046 | 0 | 2 046 |
| **Equity and liabilities** | | | | |
| Share capital | | 1 000 | 0 | 1 000 |
| Share premium | | 0 | 0 | 0 |
| Uncovered losses | | (2 312) | 0 | (2 312) |
| Total equity | | (1 312) | 0 | (1 312) |
| Long-term interest bearing debt | | 1 500 | 0 | 1 500 |
| Total non-current liabilities | | 1 500 | 0 | 1 500 |
| Trade payables | | 167 | 0 | 167 |
| Social security and other taxes | | 69 | 0 | 69 |
| Other current liabilities | | 1 622 | 0 | 1 622 |
| Total current liabilities | | 1 858 | 0 | 1 858 |
| Total liabilities | | 3 358 | 0 | 3 358 |
| Total equity and liabilities | | 2 046 | 0 | 2 046 |

## Reconciliation of statement of financial position as at 31 December 2019

| NOK thousands | | 31 December 2019 | | |
|---|---|---|---|---|
| | Note | NGAAP | Adjustments | IFRS |
| **Assets** | | | | |
| Assets under construction | | 25 546 | 0 | 25 546 |
| Property, plant & equipment | | 352 | 0 | 352 |
| Right-of-use assets | B | 0 | 712 | 712 |
| Total non-current assets | | 25 898 | 712 | 26 610 |
| Other current recievables | B | 2 874 | (125) | 2 749 |
| Cash and cash equivalents | | 21 124 | 0 | 21 124 |
| Total current assets | | 23 998 | (125) | 23 873 |
| Total assets | | 49 896 | 587 | 50 483 |
| **Equity and liabilities** | | | | |
| Share capital | | 1 500 | 0 | 1 500 |
| Share premium | | 49 500 | 0 | 49 500 |
| Other paid-in capital | C | 0 | 780 | 780 |
| Uncovered losses | B,C,D | (12 551) | (1 030) | (13 581) |
| Total equity | | 38 449 | (251) | 38 198 |
| Long-term interest bearing debt | | 1 500 | 0 | 1 500 |
| Lease liabilities - long term | B | 0 | 227 | 227 |
| Total non-current liabilities | | 1 500 | 227 | 1 727 |
| Trade payables | | 8 401 | 0 | 8 401 |
| Social security and other taxes | | 799 | 0 | 799 |
| Lease liabilities - short term | B | 0 | 394 | 394 |
| Other current liabilities | D | 747 | 216 | 963 |
| Total current liabilities | | 9 947 | 610 | 10 557 |
| Total liabilities | | 11 447 | 838 | 12 285 |
| Total equity and liabilities | | 49 896 | 587 | 50 483 |

**Reconciliation of total comprehensive income for the year ended 31 December 2018**

| NOK thousands | | 2018 | | |
|---|---|---|---|---|
| | | NGAAP | Adjustments | IFRS |
| Revenue from contracts with customers | | 0 | 0 | 0 |
| Other income | | 1 150 | 0 | 1 150 |
| Total operating income | | 1 150 | 0 | 1 150 |
| Personnel expenses | | (1 182) | 0 | (1 182) |
| Depreciation, amortisation and impairment loss | | 0 | 0 | 0 |
| Other operating expenses | | (1 933) | 0 | (1 933) |
| Operating profit (EBIT) | | (1 965) | 0 | (1 965) |
| Financial income | | 0 | 0 | 0 |
| Financial expenses | | (9) | 0 | (9) |
| Financial expense - net | | (9) | 0 | (9) |
| Profit/(loss) before tax | | (1 974) | 0 | (1 974) |
| Income tax expense | A | (176) | 176 | 0 |
| Profit/(loss) for the period | | (2 149) | 176 | (1 974) |

| NOK thousands | 2018 | | |
|---|---|---|---|
| | NGAAP | Adjustments | IFRS |
| Profit/(loss) for the period | (2 149) | 176 | (1 974) |
| **Items that are or may be reclassified to profit or loss:** | | | |
| Currency translation differences | 0 | 0 | 0 |
| Total comprehensive income for the period, net of tax | (2 149) | 176 | (1 974) |

**Reconciliation of total comprehensive income for the year ended 31 December 2019**

| NOK thousands | | 2019 | | |
|---|---|---|---|---|
| | | NGAAP | Adjustments | IFRS |
| Revenue from contracts with customers | | 0 | 0 | 0 |
| Other income | | (175) | 0 | (175) |
| Total operating income | | (175) | 0 | (175) |
| Personnel expenses | C,D | (2 759) | (996) | (3 754) |
| Depreciation, amortisation and impairment loss | B | (99) | (82) | (181) |
| Other operating expenses | B | (7 826) | 74 | (7 752) |
| Operating profit (EBIT) | | (10 858) | (1 004) | (11 862) |
| Financial income | | 622 | 0 | 622 |
| Financial expenses | B | (3) | (27) | (30) |
| Financial expense - net | | 619 | (27) | 593 |
| Profit/(loss) before tax | | (10 239) | (1 030) | (11 269) |
| Income tax expense | | 0 | 0 | 0 |
| Profit/(loss) for the period | | (10 239) | (1 030) | (11 269) |

| NOK thousands | 2019 | | |
|---|---|---|---|
| | NGAAP | Adjustments | IFRS |
| Profit/(loss) for the period | (10 239) | (1 030) | (11 269) |
| **Items that are or may be reclassified to profit or loss:** | | | |
| Currency translation differences | 0 | 0 | 0 |
| Total comprehensive income for the period, net of tax | (10 239) | (1 030) | (11 269) |

**Adjustment A:**
The deferred tax assets recognised in the NGAAP financial statements as at 1 January 2018 are not considered to meet the recognition requirements under IFRS.

**Adjustment B:**
Lease agreements recognised as operational lease under NGAAP has been recognised in accorance with IFRS 16 Leases. Under IFRS 16, almost all leases (except for short-term and low-value leases) are required to be recognised in the balance sheet by lessees, as the distinction between operating and financial leases is removed. Please refer to note 1 and note 17 for recognition principlese and details on the recognised amounts.

**Adjustment C:**
The effect of issued stock options has not been recognised in the NGAAP financial statemetns. Under IFRS, the services received in a share-based payment transaction are recognised when the services are received. Please refer to note 19 for further details of the recognised amounts.

**Adjustment D:**
In accordance with IFRS, remanining severance pay for dismissed personnel has been recognised as an accrual at the time that the employee has left the company.

## Note 4 - 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, credit risk, and liquidity risk.

### Market risk

#### Interest Rate

The Company's interest rate risk relates primarily to borrowings from financial institutions with variable interest rates. Currently, the Company does not have any fixed-interest loans nor hedge programs to reduce this risk, thus the Company is exposed to changes in the interest rate. As at 31 December 2019, outstanding loans from credit instituions amounted to NOK 1 500 000 and interest-rate risk is thus currently assesed to be limited.

#### Interest rate sensitivity

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Interest expense effect of a 1% increase on floating interest rate | 3 | 0 |

#### 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 at 31 December 2019 the Company did not hold any cash balances, pay any expense, nor recieve any revnue in currencies other than its presentation and functional currency. The Company's presentation currency is Norwegian Kroner ("NOK").

#### Foreign currency sensitivity

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Effect of a 10% reduction in the value of NOK to USD | - | - |
| Effect of a 10% reduction in the value of NOK to EUR | - | - |

### 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

Management monitors rolling forecasts of the Company's liquidity reserve (comprising cash and cash equivalents) on the basis of expected cash flows. The Company has no material external borrowings. In 2020 the group completed a private placement of approximately NOK 258 million, further details of this is disclosed in note 20. The company's business plan and growth strategy is capital intensive and the Company is dependant upon future equity issues and/or debt financing in order to finance its current long-term plans.

## Note 5 - Borrowings

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Borrowings | 1 500 | 1 500 |
| Total borrowings | 1 500 | 1 500 |
| | | |
| Current portion | 0 | 0 |
| Non-current portion | 1 500 | 1 500 |
| Total borrowings | 1 500 | 1 500 |

As of 31 December 2019 Borrowings related to a loan from Innovasjon Norge. The loan is guaranteed by the Company's shareholders for an amount of NOK 300 000. The loan does not involve any covenants. The loan was issued in December 2017 and has a four year maturity. Interest is capitalized arrears at an effective rate of 2.7%. The loan is subject to its first repayment 2 years after the issuance of the loan.

## Note 6 - Property, plant and equipment

| NOK thousands | Assets under construction | Fixtures and fittings | Total |
|---|---|---|---|
| Cost price 1 January 2019 | 975 | 0 | 975 |
| Additions | 24 571 | 450 | 25 021 |
| Disposals | 0 | 0 | 0 |
| Cost price 31 January 2019 | 25 546 | 450 | 25 997 |
| Accumulated depreciation 1 January 2019 | 0 | 0 | 0 |
| Depreciation for the year | 0 | (99) | (99) |
| Net book value 31 December 2019 | 25 546 | 352 | 25 898 |

| NOK thousands | Assets under construction | Fixtures and fittings | Total |
|---|---|---|---|
| Cost price 1 January 2018 | 469 | 0 | 469 |
| Additions | 506 | 0 | 506 |
| Disposals | 0 | 0 | 0 |
| Cost price 31 January 2018 | 975 | 0 | 975 |
| Accumulated depreciation 1 January 2018 | 0 | 0 | 0 |
| Depreciation for the year | 0 | 0 | 0 |
| Net book value 31 December 2018 | 975 | 0 | 975 |

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 2019 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 comittments

The Company is in the process of building a land-based salmon farming facility at Indre Harøy, Møre. As of 31 December 2019 Salmon Evolution had no material financial comittments towards the turnkey project agreement as the agreement included a clause that Salmon Evolution is not financially comitted until further financing of the Company is secured through either a private placement or new debt financing.

## Note 7 - Taxes

**Calculation of deffered tax/deferred tax benefit**

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Fixed assets | 12 | 0 |
| Right-of-use assets | 712 | 0 |
| Lease liabilities | (747) | 0 |
| Other current liabilities | (216) | 0 |
| Net temporary differences | (239) | 0 |
| Tax losses carried forward | (13 861) | (3 885) |
| Basis for deferred tax | (14 100) | (3 885) |
| | | |
| Deferred tax (22%) | (3 102) | (855) |
| Deferred tax benefit not recognized in the balance sheet* | 3 102 | 855 |
| Deferred tax in the balance sheet | - | - |

**The reason deferred tax benefit are not reflected in the balance sheet is that historical results create doubt that future taxable profits will be sufficient to utilize the tax benefit*

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

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Result before taxes | (11 269) | (1 974) |
| Permanent differences | 1 054 | (1 148) |
| Basis for the tax expense in the current year | (10 215) | (3 122) |
| Change in temporary differences | 239 | - |
| Basis for payable taxes in the income statement | (9 976) | (3 122) |

**Components of the tax expense**

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Payable tax on this year's result | - | - |
| Total payable tax | - | - |
| Change in deferred tax on original tax rate | (10 215) | (3 122) |
| Change in deferred tax not shown in the balance sheet | 10 215 | 3 122 |
| Tax expense | - | - |

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

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Result before taxes | (11 269) | (1 974) |
| Calculated tax (22%) | (2 479) | (434) |
| Tax expense | - | - |
| Difference | 2 479 | 434 |
| | | |
| ***The difference consists of:*** | | |
| Tax on permanent differences | 232 | (253) |
| Change in tax rate | - | 9 |
| Change in deferred tax | - | (175) |
| Change in deferred tax due to change in tax rate | - | (2) |
| Change in deferred tax not shown in the balance sheet | 2 247 | 855 # |
| Sum explained differences | 2 479 | 434 |

## Note 8 - Earnings per share

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Loss atributable to the equity owners of the Company | (11 269) | (1 974) |
| Loss for calculation of diluted earnings per share | (11 269) | (1 974) |
| | | |
| Weighted average number of shares outstanding | 27 500 083 | 1 000 |
| Dilutive options* | - | - |
| Average number of shares and options used in calculation for diluted EPS | 27 500 083 | 1 000 |
| | | |
| **Basic earnings per share (NOK)** | **(0,41)** | **(1 973,5)** |
| **Diluted earnings per share (NOK)** | **(0,41)** | **(1 973,5)** |

Basic earnings per share calculations are based on the weighted average number of common shares outstanding during the period. The Company issued 29,900,000 new shares in a capital raise in January 2019. As such, the weighted average number of shares outstanding in 2019 has been calculated by applying a weight of 11/12 to the number of shares after this capital raise (total 30,000,000 shares).

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

*The outstanding options that would result in a potential issue of 900,000 ordinary shares in 2019 (0 ordinary shares in 2018) are not included in the calculation of diluted earnings per share as they are anti-dilutive and would decrease loss per share.

## Note 9 - Government grants

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Government grants | (175) | 1 150 |
| Total other income | (175) | 1 150 |

The Company has been granted "RDA" funds to compensate for being located in a municipality with higher rates for employer's national insurance contribution. The grant is considered a subsidy and part of the government's efforts to support the aquaculture industry and the industry in the region itself.

The negative amount in 2019 is due to an estimate deviation related to the amounts recognised in 2018.

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

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Salaries | 7 835 | 922 |
| Social security | 265 | 114 |
| Pensions | 266 | 0 |
| Other benefits | 385 | 146 |
| Share-based payments | 780 | 0 |
| Gross personnel expenses | 9 531 | 1 182 |
| - Capitalized R&D costs | (5 777) | 0 |
| Total personnel expenses recognized in P&L | 3 754 | 1 182 |
| **Number of full-time employment equivalents** | **6** | **1** |

During the ordinary course of business, the Company 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.

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

| NOK thousands | 2019 |
|---|---|
| Kristofer Reiten (Chairman of the Board) | 140 |
| Ingjarl Skarvøy (Member of the Board) | 41 |
| Per Olav Mevold (Member of the Board) | 70 |
| Glen Bradley (Member of the Board) | 29 |
| Anders Sandøy (Member of the Board) | 29 |
| Frode Kjølås (Member of the Board) | 29 |
| Peder Stette (Member of the Board) | 29 |
| Frank Småge (Member of the Board) | 29 |
| Jonny Småge (Member of the Board) | 41 |
| Total board of Directors | 438 |

No remuneration was paid to the Board of Directors during 2018.

**Remuneration and compensation to executive management**

| NOK thousands | Salary | Pension | Other | Total |
|---|---|---|---|---|
| Ingvar Skarvøy (CEO/COO) [1] | 1282 | 64 | 97 | 1444 |
| Odd Tore Finnøy (CEO) [2] | 844 | 42 | 8 | 895 |
| Håkon Andrè Berg (CFO) 3) | 233 | 12 | 500 | 745 |
| Total executive management | 2360 | 118 | 606 | 3084 |

*1) Ingvar Skarvøy resigned from his position as CEO in the Company in June 2019 and continued in the Company as COO. As such, his compensation relates to a combination of his period as CEO and COO.*

*2) Odd Tore Finnøy was employed in the Company as CEO from 1 June 2019. As such, the salary relates to 7 months of employment.*

*3) Håkon Andrè Berg was employed in the Company as CFO from 1 November 2019. As such, the salary relates to 2 months of employment. The NOK 500 000 "Other" related to Håkon Andre Berg is related to a sign-on fee.*

**Auditor's remuneration**

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Statutory audit | 20 | 29 |
| Other services | 11 | 12 |
| Total | 31 | 41 |

## Note 11 - Other operating expenses

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Cost of premises | 90 | - |
| Hired equipment | 99 | 14 |
| Project costs | - | 226 |
| Other operating and administrative expenses | 2 026 | 515 |
| Insurance | 92 | 4 |
| Consultancy fees | 5 445 | 1 174 |
| Total other operating expenses | 7 752 | 1 933 |

## Note 12 - Financial income and expenses

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Interest income | 622 | 0 |
| Financial income | 622 | 0 |
| | | |
| Interest expense | (3) | (1) |
| Interest expense lease liability | (27) | 0 |
| Other financial expenses | 0 | (8) |
| Financial expense | (30) | (9) |
| | | |
| Net financial income (expense) | 593 | (9) |

Interest income is mainly related to interest on cash deposits held with Norwegian financial institutions.

## Note 13 - Cash and restricted cash

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Cash in bank | 20 578 | 321 |
| Restricted bank deposits | 546 | 49 |
| Total cash and cash equivalents | 21 124 | 370 |

Restricted cash are related to tax witholdings for employees (NOK 0.546m). The Company has no undrawn credit facilities as of 31 December 2019.

## Note 14 - Other current receivables

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Prepaid expenses | 227 | 6 |
| VAT receivable | 2 172 | 169 |
| Other receivables | 350 | 525 |
| Total other current receivables | 2 749 | 700 |

As of 31 December 2019 and 2018, the Company'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 2019 and 2018, the Company's other current receivables, specified by currencies, consisted of the following:

| NOK thousands | 2019 | 2018 |
|---|---|---|
| NOK | 2 749 | 700 |
| Other | 0 | 0 |
| Total other current receivables | 2 749 | 700 |

## Note 15 - Trade and other current liabilities

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Trade payables | 8 401 | 167 |
| Total trade payables | 8 401 | 167 |

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Payroll withholding tax | 546 | 49 |
| Employer's national insurance contributions | 253 | 20 |
| Total social security and other taxes | 799 | 69 |

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Accrued employer's social security contribution | 72 | 12 |
| Shareholder loan | 0 | 1 500 |
| Accrued salaries, holiday pay and bonus provisions | 675 | 111 |
| Severance pay accrual | 216 | 0 |
| Total other current liabilities | 963 | 1 622 |

## Note 16 - Share capital

| | Outstanding | Nominal value |
|---|---|---|
| Ordinary shares | 30 000 000 | 0,05 |

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Share capital | 1 500 | 1 000 |
| Share premium | 49 500 | 0 |
| Total | 51 000 | 1 000 |

The number of shares issued in the company at 31 December 2019 was 30 000 000 with a nominal value of NOK 0.05 each. All shares carry equal voting rights.

| | No of shares | Percentage share |
|---|---|---|
| Romsdalsfisk AS | 14 250 000 | 48 % |
| Rofisk AS | 6 000 000 | 20 % |
| Terra Mare AS | 2 250 000 | 8 % |
| Artec Holding AS | 1 800 000 | 6 % |
| Kjølas Stansekniver AS | 1 500 000 | 5 % |
| Småge Eiendom AS | 1 500 000 | 5 % |
| Stette Invest AS | 1 500 000 | 5 % |
| Salmoserve AS | 1 200 000 | 4 % |
| Total shareholders | 30 000 000 | 100 % |

As of 31 December 2019, 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 |
|---|---|---|
| Ingjar Skarvøy (COO) (Terra Mare AS) | 2 250 000 | 8 % |
| Kristofer Reiten (Chairman of the Board) (Romsdalsfisk AS) | 4 316 325 | 14 % |
| Per Olav Mevold (Member of the board) (Romsdalsfisk AS) | 4 966 125 | 17 % |
| Glen Allan Bradley (Member of the Board) (Salmoserve AS) | 300 000 | 1 % |
| Frode Håkon Kjølås (Member of the Board) (Kjølås Stansekniver AS) | 1 500 000 | 5 % |
| Peder Stette (Member of the board) (Stette Invest AS) | 900 000 | 3 % |
| Total | 14 232 450 | 47 % |

## Note 17 - Leases

**Amounts recognised in the balance sheet**

| NOK thousands | 2019 | 2018 |
|---|---|---|
| **Right-of-use assets** | | |
| Rent of premises | 363 | 0 |
| Car | 349 | 0 |
| Total right-of-use assets | 712 | 0 |
| **Lease liabilities** | | |
| Current | 394 | 0 |
| Non-current | 227 | 0 |
| Total lease liabilities | 622 | 0 |

Additions to right-of-use assets in 2019 were NOK 1,013 thousand.

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

| NOK thousands | 2019 | 2018 |
|---|---|---|
| **Depreciation right-of-use assets** | | |
| Rent of premises | 218 | 0 |
| Car | 84 | 0 |
| Gross depreciation | 302 | 0 |
| - Capitalized as assets under construction | (220) | 0 |
| Net depreciation | 82 | 0 |
| Interest expense lease liability | 27 | 0 |

The total cash outflow for leases in 2019 was NOK 294 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.

Payments associated with short-term leases of equipment and all leases of low-value assets 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 18 - Related party transactions

During the ordinary course of business, the Company engages in certain arm's length transactions with related parties. The following is a summary of related party transactions carried out during 2019:

During the year 2019, the Company has entered into an agreement with Artec Aqua AS, a subsidiary of Artec Holding AS, where the Company will have an exclusive right to purchase technology and supply capacity from Artec Aqua and which gives Artec Aqua the exclusive right to deliver land-based salmon production facilities to the Company. The were no transactions that affected the financial statements in 2019 as a result of this agreement.

There were no transactions with related parties during 2018.

## Note 19 - Share based payments

The Company has granted options to a total of 3 employees as of 31 December 2019. Each option gives the holder the right to subscribe or purchase shares in Salmon Evolution at an agreed exercise price of NOK 3.33. The options expire on 1 June 2020.

The fair value of the options is set on the grant date and is expensed over it's lifetime. The fair value of the options has been calculated using the 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. 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. Key assumptions is listed below.

| Outstanding options (in thousands) | 2019 | 2018 |
|---|---|---|
| Outstanding options 1 January | 0 | 0 |
| Options granted | 900 | 0 |
| Options forfeited | 0 | 0 |
| Outstanding options 31 December | 900 | 0 |

| NOK thousands | 2019 | 2018 |
|---|---|---|
| Charges to income statement | 780 | 0 |

| Key assumptions | 2019 | 2018 |
|---|---|---|
| Average fair value (NOK) | 3,33 | na. |
| Average exercise price (NOK) | 3,33 | na. |
| Expected average life (in years) | 0,53 | na. |
| Estimated dividend per share (NOK) | 0,00 | na. |
| Expected average volatility | 90,8 % | na. |
| Average risk-free rate | 1,13 % | na. |

## Note 20 - Events after the reporting date

1) Private placement of NOK 258 000 000 at NOK 3.33 per share in March 2020

2) Change of CEO

3) Change of board

## Directors responsibilty statement

Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Director's report and the annual financial statements for Salmon Evolution AS, for the year ended 31 December, 2019 (Annual report 2019).

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 2019 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, 2019 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.

Ålesund, 25th of August 2020

| | | |
|---|---|---|
| Tore Andreas Tønseth<br>Chairman | Kristoffer Reiten<br>Board member | Glen Allan Bradley<br>Board member |
| Peder Stette<br>Board member | Frode Håkon Kjølås<br>Board member | Håkon A Berg<br>CEO |

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Ålesund, 25th of August 2020

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|---|---|---|
| Tore Andreas Tønseth<br>Chairman | Kristoffer Reiten<br>**Board member** | Glen Allan Bradley<br>Board member |
| Peder Stette<br>Board member | **Frode Håkon Kjølås**<br>Board member | Håkon A Berg<br>CEO |

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| Peder Stette<br>Board member | Frode Håkon Kjølås<br>Board member | Håkon A Berg<br>CEO |

Nøisomhed
Serviceboks 15
6405 Molde
www.bdo.no

# Independent Auditor's Report

## To Salmon Evolution AS

### Opinion

We have audited the financial statements of Salmon Evolution AS.

| The financial statements comprise: | In our opinion: |
|---|---|
| • The balance sheet as at 31 December 2019<br>• The income statement, statement of comprehensive income for 2019<br>• Statement of changes in equity<br>• Statement of cash flows for the year that ended 31 December 2019<br>• Notes to the financial statements, including a summary of significant accounting policies | The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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. |

### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 as required by laws and regulations, 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.

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements 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 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 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

Molde, 31th of August 2020
BDO AS

Roald Viken
State Authorized Public Accountant

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## APPENDIX B—ARTICLES OF ASSOCIATION

VEDTEKTER

FOR

SALMON EVOLUTION HOLDING AS

(per. 11. september 2020)

**§ 1 Foretaksnavn**

Selskapets foretaksnavn er Salmon Evolution Holding AS. Selskapet er et aksjeselskap.

**§ 2 Forretningskontor**

Selskapets forretningskontor er i Møre og Romsdal fylke.

**§ 3 Virksomhet**

Selskapets virksomhet er investeringer og drift av landbasert produksjon av laksefisk nasjonalt og internasjonalt og investeringer i selskaper som har tilknytning til havbruksnæringen.

**§ 4 Aksjekapital**

Selskapets aksjekapital er NOK 10 986 554,40 fordelt på 219 731 088 aksjer, hver pålydende NOK 0.05. Selskapets aksjer skal være registrert i et verdipapirregister (VPS).

**§ 5 Ledelse**

Selskapets styre består av 5 til 9 styremedlemmer etter generalforsamlingens nærmere beslutning. Selskapets firma tegnes av styrets leder og ett styremedlem i fellesskap. Styret kan meddele prokura.

**§ 6 Generalforsamling**

Den ordinære generalforsamling skal behandle:

1. Godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte
2. Andre saker som etter loven eller vedtektene hører under generalforsamlingen.

**§ 7 Overdragelse av aksjer**

Overdragelse av aksjer i selskapet utløser ikke forkjøpsrett. Overdragelse av aksjer er ikke betinget av styrets samtykke.

**§ 8 Elektronisk kommunikasjon**

Selskapet kan benytte e-post når det skal gi meldinger, varsler, informasjon, dokumenter, underretninger og lignende etter aksjeloven til aksjeeiere. Dokumenter som gjelder saker som skal behandles på generalforsamlingen og som er gjort tilgjengelig for aksjeeierne på selskapets internettside, vil ikke bli tilsendt aksjeeierne.

**§ 9 Forholdet til aksjeloven**

For øvrig henvises til den til enhver tid gjeldende aksjelovgivning

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## REGISTERED OFFICE AND ADVISORS

**Salmon Evolution Holding AS**
Eikremsvingen 4, 6422 Molde
www.salmonevolution.no

**Merkur Advisors to the Company**

**DNB Markets, a part of DNB Bank ASA**
Dronning Eufemias gate 30
0191 Oslo
Norway

**Pareto Securities AS**
Dronning Mauds gate 3
0250 Oslo
Norway

**Legal Advisor to the Company**
*(as to Norwegian law)*
**Advokatfirmaet BAHR AS**
Tjuvholmen allé 16
N-0252 Oslo
Norway

**Auditor**

**BDO AS**
Munkedamsveien 45A
0250 OSLO