



# Q2 2021 PRESENTATION

19 August 2021

SALMON  
EVOLUTION<sup>®</sup>  
extending the ocean potential

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# Agenda

- Introduction and highlights
- Extending the ocean potential™
- Operations
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# SALMON EVOLUTION – EXTENDING THE OCEAN POTENTIAL

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



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



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



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



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

*Indre Hargy illustration – fully developed*



*South Korea project illustration (Source: Dongwon)*





# Q2 2021 HIGHLIGHTS

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## Q2 2021

- Construction of Phase 1 at Indre Harøy progressing according to plan – on time and on budget
- Closing of first equity tranche of NOK 27.4 million in Korean JV company K Smart and signed agreement for extended feasibility study for both the smolt and grow out facility in South Korea
- Secured and formalized a NOK 625 million debt financing package ensuring a fully funded platform for Indre Harøy phase 1 and equity commitment for K Smart
- Available cash of NOK 868 million (NOK 2.86 per share) on 30 June 2021



*Indre Harøy, August 2021*

## Post quarter events

- Listing of the company's shares at the main list on Oslo Stock Exchange
- Acquisition of renowned smolt company Kraft Laks AS securing in-house sourcing of high quality smolt for Indre Harøy phase 1, with identified growth potential to cover smolt needs for at least Phase 2

# ACQUISITION OF KRAFT LAKS

## Background

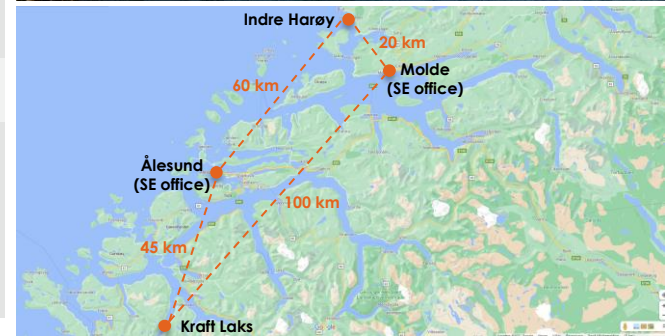
- Kraft Laks has been a family owned smolt producer located in Dalsfjorden in Volda municipality
- Current production of around 1.8 million smolt p.a. but license to produce 5 million smolt p.a. subject to certain conditions
- Documented track record as a high quality smolt producer - smolt production at the site since 1995 under the selling family's ownership
- Over the last years the majority of the smolt produced has been sold to one of the major salmon farmers
- Production technology is based on HFS; reuse of water, CO2 stripping and oxygenation
- Excellent freshwater supply form 3 inlet stations (2 rivers). The company also has a royal resolution securing minimum freshwater supply from the local power station
- The acquisition of Kraft Laks gives Salmon Evolution full operational control over the critical value chain and secures that SE is fully with smolt for phase 1 at Indre Harøy
- Reduced risk and increased flexibility for Salmon Evolution in a cost and capex effective manner
- Identified growth potential to cover SE's smolt needs for at least phase 2 at Indre Harøy

## Kraft Laks AS – Key financials

NOKm	2020	2019	2018
<b>Revenues</b>	27.6	30.9	26.9
<b>EBITDA</b>	8.7	11.1	10.2
<b>EBITDA %</b>	31%	36%	38%
<b>Book equity</b>	19.8	23.9	16.0
<b>Total assets</b>	27.6	32.6	28.5

## Transaction highlights

<b>Enterprise value</b>	NOK 70m 7x last 3 years average EBITDA
<b>Share purchase price</b>	NOK 76.5m
<b>Share settlement</b>	NOK 16.6m in new Salmon Evolution ASA shares @ NOK 7.5775 per share (WVAP last 20 days). 12 month lock-in
<b>Cash settlement</b>	NOK 35.0m at closing and the remaining as a deferred cash payment



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# CONSERVATIVE APPROACH IN A “DISRUPTIVE INDUSTRY”

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1

**Biology is the most important consideration**

→ *Shown through our choice of technology*

2

**There is much to learn, even though we have decades of experience**

→ *That's why we start in Norway*

3

**International expansion can be accelerated with strong local partners**

→ *That's why we don't go solo on our first project overseas*



# OPTIMIZED BIOLOGY WITH HFS TECHNOLOGY

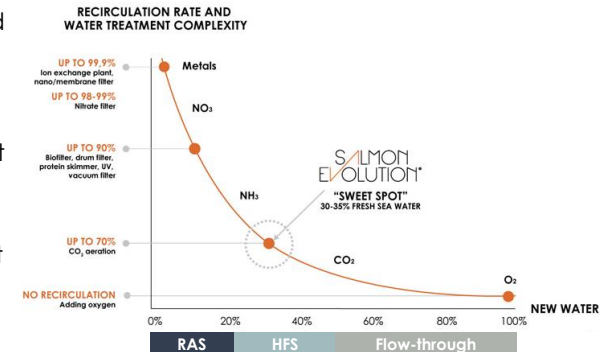
## HYBRID FLOWTHROUGH ADVANTAGES

- No biofilters – less complexity
- Each tank functions as one independent biozone
- Maintenance flexibility, separate cleaning and disinfecting between biomass transfers
- Easy to operate and reduced risk of technical accidents
- Area efficient



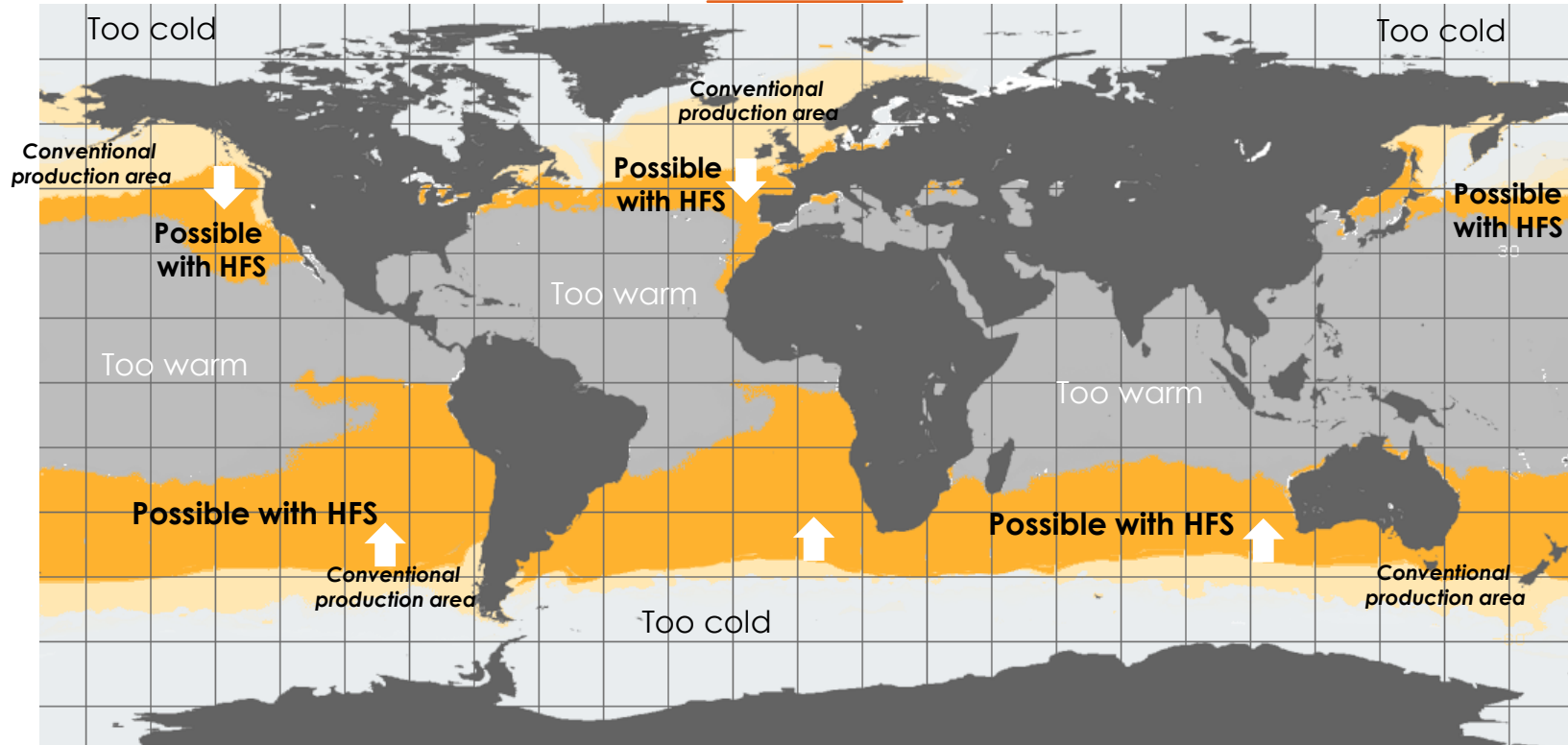
## INCREASED COMPLEXITY ABOVE 65% RECIRCULATION

- Proven technology used in smolt production for decades
- Fresh seawater as primary water treatment source
- Optimal and stable production environment
- Minimal handling of the fish



# OUR TECHNOLOGY EXTENDS THE OCEAN POTENTIAL

## NEW AREAS POSSIBLE FOR LOW RISK PRODUCTION THROUGH USE OF HFS



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# INDRE HARØY CONSTRUCTION PROGRESS ACCORDING TO PLAN

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- Seven out of twelve fish tanks assembled, remaining fish tanks expected to be completed in Q4
- Solid progress on construction of buildings and structures
- Concrete work on water intake station almost completed and water inlet pipes arrived at site and awaiting installation
- First process equipment and pipes arrived at site and installation work commenced in August
- Peak in workload during Q3/Q4 with an estimated 250 workers on site
- The company remains on track for the first smolt release which is scheduled to be in March 2022 with first harvest in Q4 2022



Concrete work on water intake station almost completed



- Seven out of twelve fish tanks assembled
- Phase 1 at Indre Harøy will consist of 12 fish tanks each with a diameter of 28 meter and a height of 13 meter
- Fully developed, Indre Harøy will consist of 48 fish tanks with a combined cubic capacity of 240,000m<sup>3</sup>





Photo taken 16<sup>th</sup> April 2021

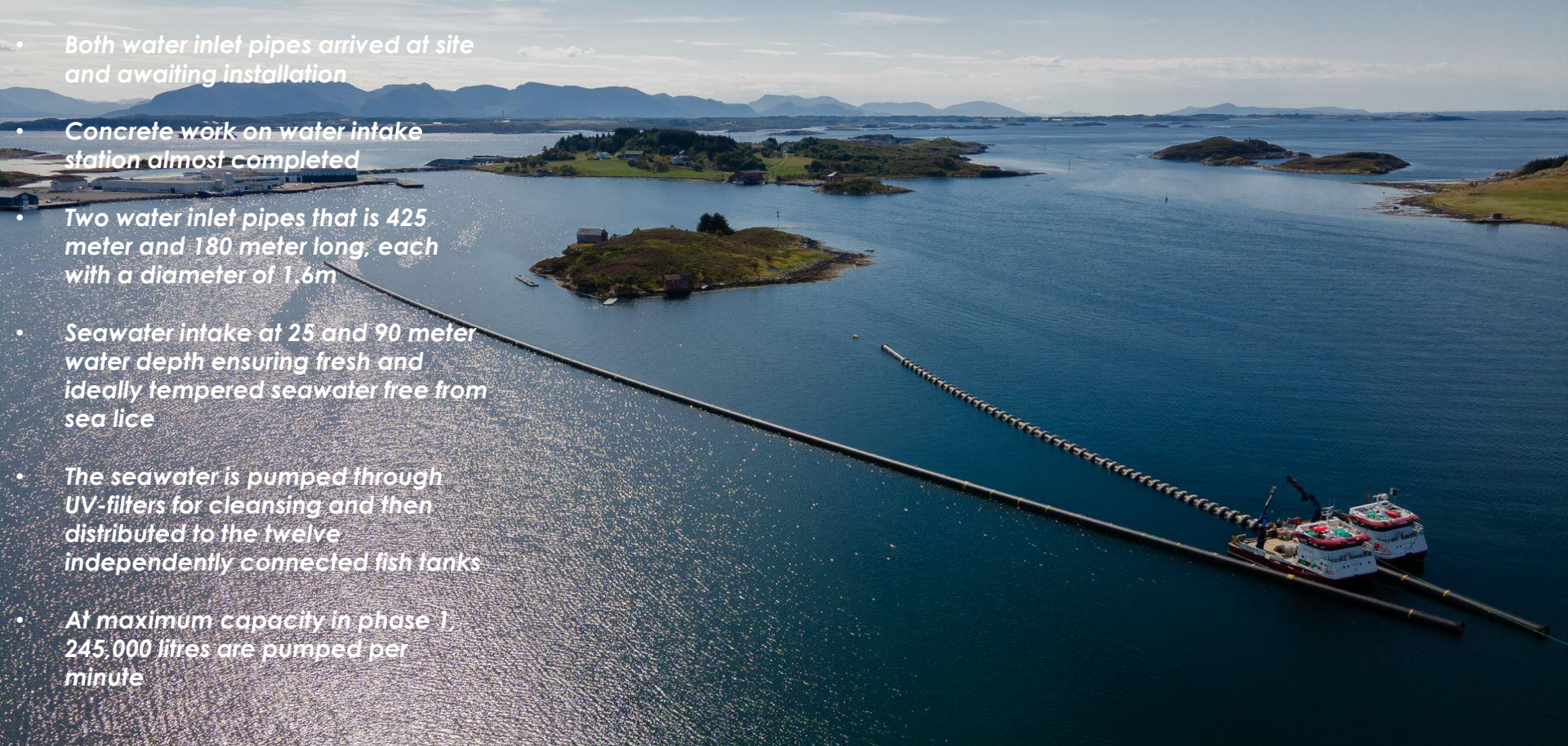


Photo taken 8<sup>th</sup> August 2021





- Both water inlet pipes arrived at site and awaiting installation
- Concrete work on water intake station almost completed
- Two water inlet pipes that is 425 meter and 180 meter long, each with a diameter of 1.6m
- Seawater intake at 25 and 90 meter water depth ensuring fresh and ideally tempered seawater free from sea lice
- The seawater is pumped through UV-filters for cleansing and then distributed to the twelve independently connected fish tanks
- At maximum capacity in phase 1, 245.000 litres are pumped per minute



# Agenda

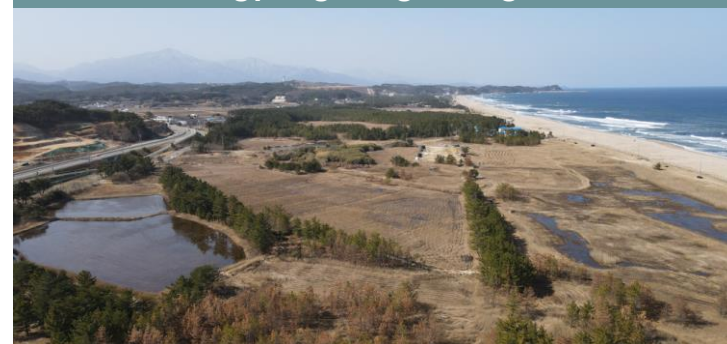
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## K SMART FARMING – SOUTH KOREA EXPANSION STARTED

- K Smart JV with Dongwon Industries formalized end of March and first tranche of equity investment (NOK 27.4m) completed in May
- Ownership split 49/51% for SE and Dongwon, respectively
- Target construction start for phase 1 during 2022 and first grow out production in 2024
- Commenced extended feasibility study for both the smolt site and grow out site – expected completion October 2021
- In process of retaining Korean civil engineering and project management company
- Most relevant permits filed and pending approval from respective authorities – expect starting to receive approvals during 2H 2021
- Continued focus on recruitment
  - Head of Asia Odd Frode Roaldsnes will commence work in September
  - Retained separate project manager
- Established joint SE / Dongwon project team

Yangyang on-growing site



Jeongseon smolt site

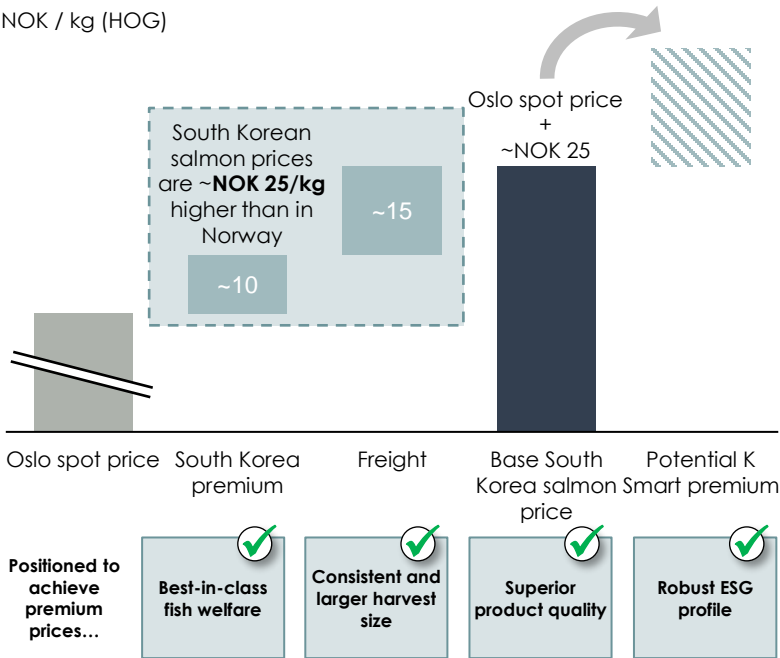




# FIRST MOVER ADVANTAGE IN SOUTH KOREA – A FAST GROWING AND HIGH PAYING MARKET FOR SALMON WITH SOLID PRICE POTENTIAL

## Positioned to achieve a premium on South Korean prices

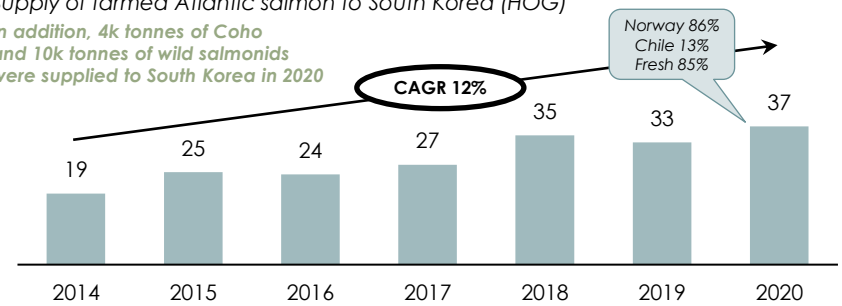
NOK / kg (HOG)



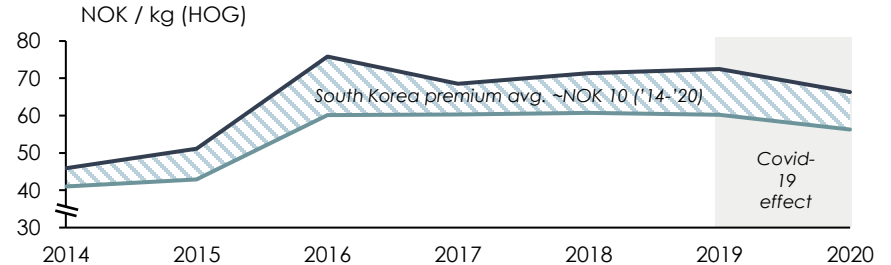
## Salmon demand in South Korea is growing rapidly

Supply of farmed Atlantic salmon to South Korea (HOG)

In addition, 4k tonnes of Coho and 10k tonnes of wild salmonids were supplied to South Korea in 2020



## Consistent premium pricing of salmon to South Korea



# K SMART – KEY FIGURES

## Summary of estimated KPIs for the South Korean JV facility<sup>1)</sup>

Item	Phase 1	Phase 2	Total
Capex	NOK 1,400m	NOK 1,300m	NOK 2,700m
Total project cost	NOK 1,600m	NOK 1,500m	NOK 3,100m
<b>SE equity requirement</b>	<b>NOK 200m</b>	<b>NOK 0m</b>	<b>NOK 200m</b>
Annual volume (HOG)	8,400t	8,400t	16,800t
Capex / kg (HOG)	NOK ~165	NOK ~155	NOK ~160
EBITDA cost / kg (HOG)	NOK 39-41	NOK 39-41	NOK 39-41
EBIT cost / kg (HOG)	NOK 44-46	NOK 44-46	NOK 44-46

**Expected strong relative price achievement combined with cost efficient operations enable solid operating margins and high return on invested equity**

Dongwon to facilitate debt financing of K Smart at 75% loan to cost

Salmon Evolution's capital contribution of ~**NOK 200m** is expected to be **sufficient to finance both phases**. First tranche of NOK 27.4m paid in May 2021

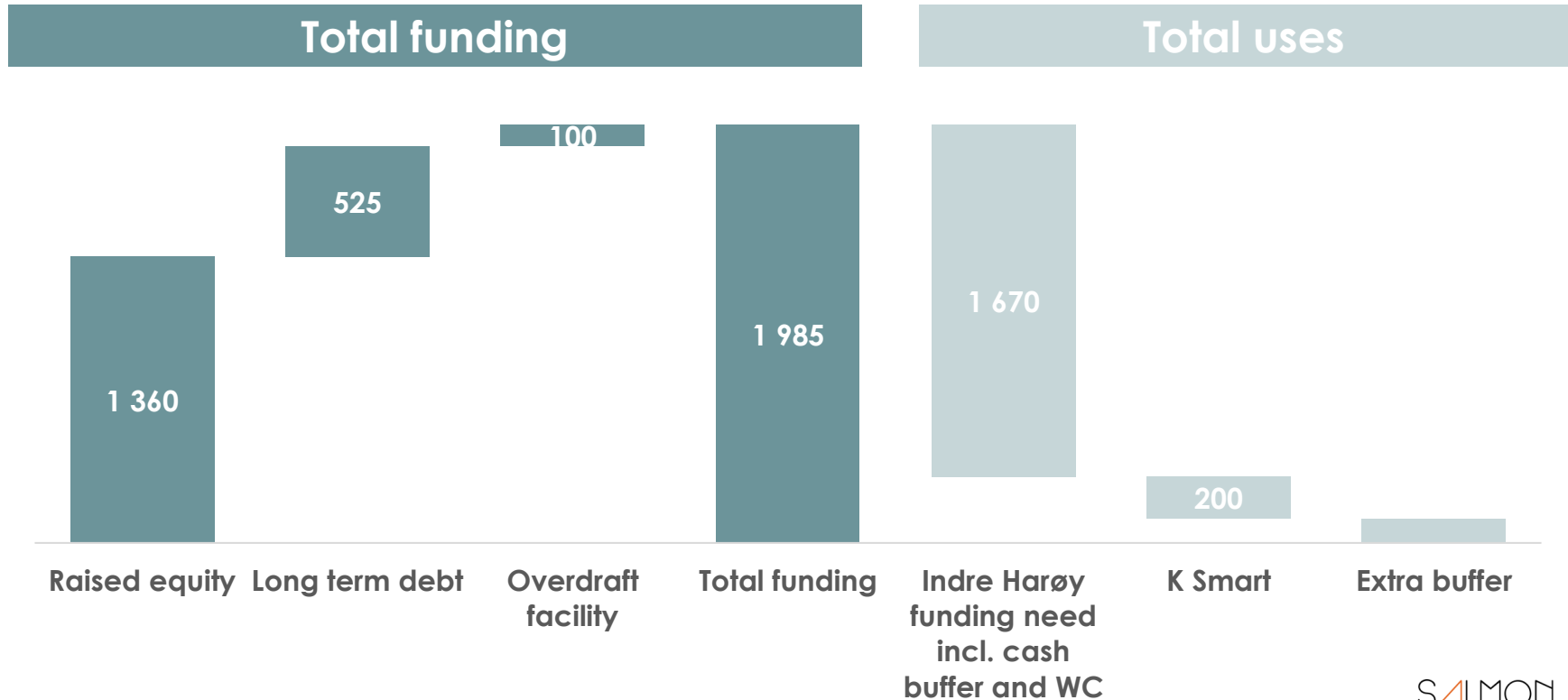
**Phase 2** is expected to be financed with issuance of **local debt financing** and **retained earnings** from K Smart

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# FULLY FUNDED FOR COMMITTED PROJECTS



# PROFIT & LOSS

## Summary of result

(figures in NOK 1000)

	Q2 2021	Q2 2020	YTD 2021	YTD 2020	2020
<b>Total operating income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>704</b>
Personnel expenses	-6 001	-1 370	-8 726	-2 478	-8 877
Depreciations	-404	-81	-767	-148	-550
Other operating expenses	-7 567	-2 021	-11 260	-3 775	-8 954
<b>Operating profit (EBIT)</b>	<b>-13 971</b>	<b>-3 472</b>	<b>-20 752</b>	<b>-6 371</b>	<b>-17 676</b>
Financial income	4 017	0	5 250	1	1 114
Financial expense	-41	-8	-74	-16	-263
Share of net income from associated companies	3	0	3	0	0
<b>Financial expense - net</b>	<b>3 979</b>	<b>-7</b>	<b>5 178</b>	<b>-15</b>	<b>850</b>
Profit/loss before tax	-9 993	-3 479	-15 574	-6 385	-16 826
Income tax expense	0	0	0	0	0
<b>Profit/loss for the period</b>	<b>-9 993</b>	<b>-3 479</b>	<b>-15 574</b>	<b>-6 385</b>	<b>-16 826</b>

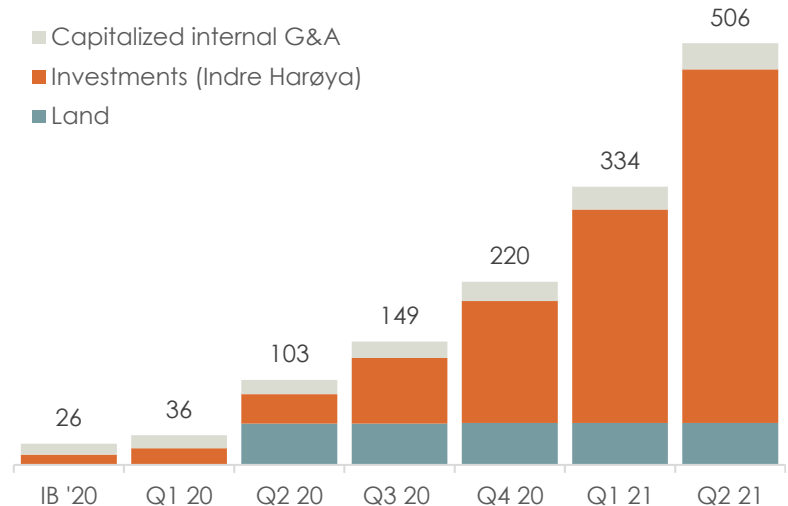
- Board remuneration expensed in 2q under personnel expenses
- One-off costs relating to OSE listing, debt financing package and Korean JV of NOK ~3.2 million in 2q
- Unrealized agio of NOK 3.5m in Q2 relating to hedging of underlying Euro exposure
- Key management positions in place
- Increasing focus on implementation of quality systems, certifications, digital infrastructure and preparations for commercial activities
- Gradual build-up of organization during 2021 ahead of first smolt release in March 2022
- Feed tender expected to close in Q3

# CAPEX INDRE HARØY

- On time and on budget
- Increased capex over the last quarters on back of solid progress on site
- Total CAPEX of NOK 171.8 million in Q2
  - NOK 168.0 million related to turnkey project with Artec Aqua
  - NOK 3.8 million capitalized personnel and shared cost
- Accumulated capex of NOK 506 million from project initiation in 2019

## Accumulated CAPEX Q2 2021<sup>1</sup>

(NOK million)



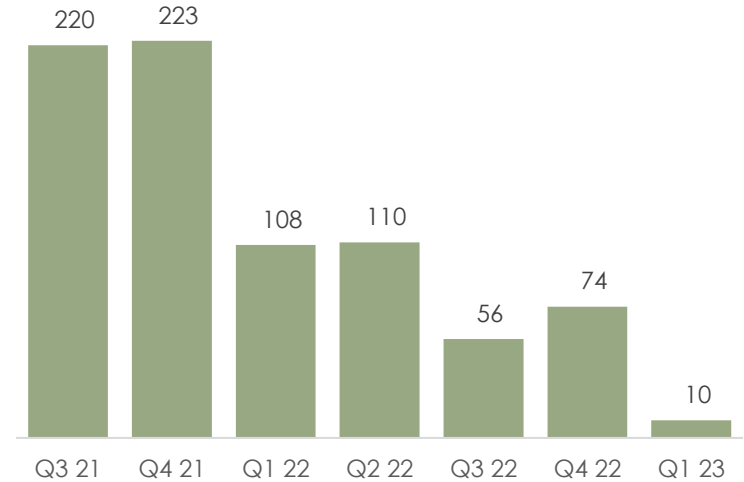
<sup>1</sup>) Net of grants directly tied to capital expenditure and exclusive of internal capitalized G&A costs.

# HIGH ACTIVITY LEVEL ON SITE

- High activity level at Indre Harøy for the remaining of the year
- Completion of concrete works for buildings, structures and fish tanks
- Installation of process equipment and above-ground piping
- Capex expected to peak around NOK 225m in Q3 and 4Q 2021 prior to first smolt release in Q1 2022

## Capex plan for Phase 1<sup>1</sup>

(NOK million)



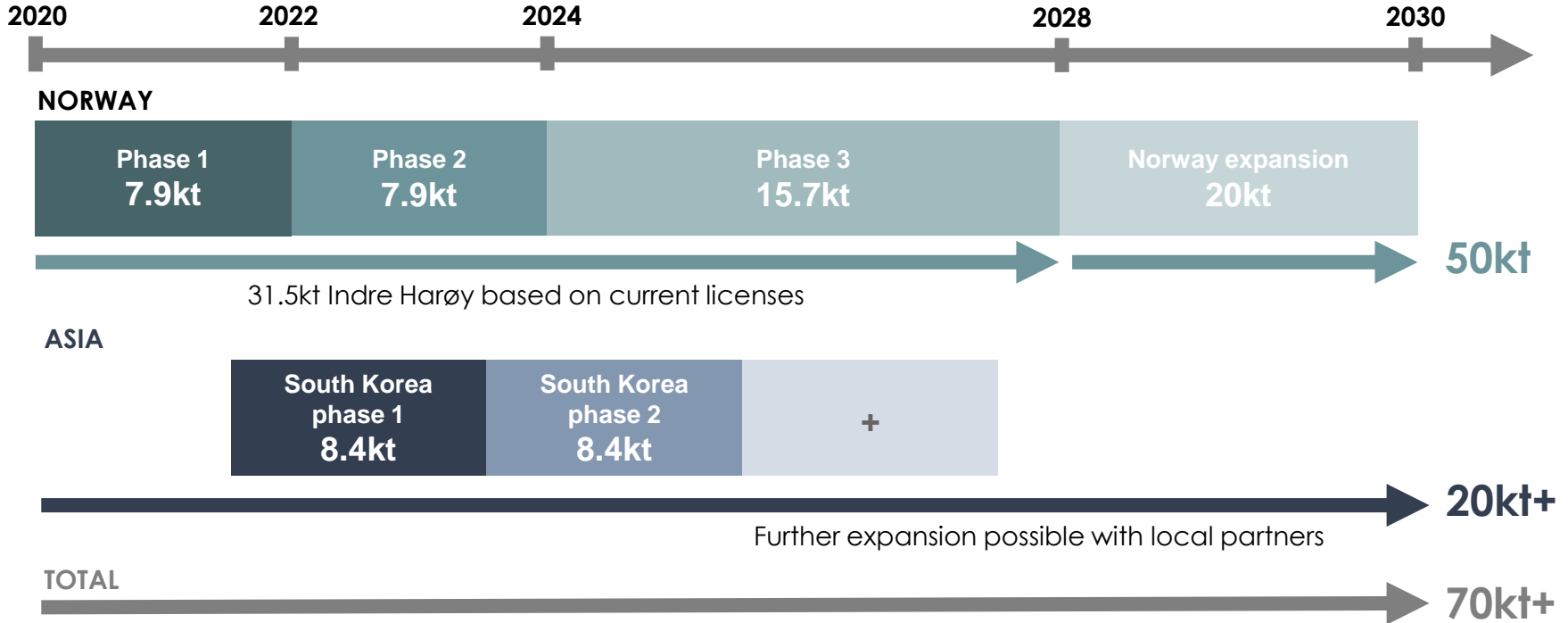
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# ROADMAP TO 70,000 TONNES HOG



# SUMMARY & OUTLOOK

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- Construction of facility at Indre Harøy progressing according to plan – on time and on budget
- International ambitions – JV with Dongwon formalized, with target construction start during 2022
- Global demand growth for salmon expected to continue
- Salmon Evolution's HFS technology addressing industry growth and ESG challenges
- Secured in-house smolt production
- Fully funded for committed projects



*Kraft Laks smolt facility*



NEXT EVENT  
Q3 2021  
16 NOVEMBER 2021

# Q&A

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



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# DEBT FINANCING PACKAGE AT HIGHLY COMPETITIVE TERMS

## Summary of bank debt term sheet

Lenders	<ul style="list-style-type: none"><li>Nordea and Sparebanken Vest (the "Lenders")</li><li>Innovation Norway</li></ul>
Credit Facilities	<ul style="list-style-type: none"><li>NOK 525 million senior secured credit facility which will be used to finance construction capex for Indre Harøy phase 1 (the "Construction Facility")</li><li>NOK 525 million in long term debt which will refinance the Construction Facility upon completion of Indre Harøy phase 1 and consisting of the following:<ul style="list-style-type: none"><li>NOK 385 million senior secured term loan facility with the Lenders (the "Term Loan Facility")</li><li>NOK 140 million in a separate long term loan facility with Innovation Norway (the "IN Facility").</li></ul></li><li>NOK 100 million senior secured overdraft facility with Nordea (the "Overdraft Facility") which will be used for working capital purposes, hereunder financing of biomass and receivables</li></ul>
Term and profile	<ul style="list-style-type: none"><li>The Term Loan Facility will be repaid over a 15 year profile and have a 3 year term from completion of Indre Harøy phase 1 with 2x1 year extension options</li><li>The IN Facility has a 15 year term and profile</li></ul>
Other commercial terms	<ul style="list-style-type: none"><li>Cost and covenant structure aligned with "traditional bank financing"</li></ul>
Status	<ul style="list-style-type: none"><li>Closed in June 2021, with first drawing of NOK 50m under the Construction Facility in July which was used to refinance existing NOK 40m bank loan</li></ul>

# CASH FLOW

## Cash flow summary

(figures in NOK 1000)

	Q2 2021	Q2 2020	YTD 2021	YTD 2020	2020
<b>Net cash flow from operating activities</b>	<b>-23 548</b>	<b>-3 226</b>	<b>-35 363</b>	<b>-7 356</b>	<b>-10 021</b>
<b>Net cash flow from investments activities</b>	<b>-119 484</b>	<b>-57 980</b>	<b>-219 580</b>	<b>-68 245</b>	<b>-165 961</b>
<b>Net cash flow from financing activities</b>	<b>-4 213</b>	<b>244 609</b>	<b>474 990</b>	<b>244 609</b>	<b>802 664</b>
Net change in cash and cash equivalents	-147 245	183 403	220 048	169 008	626 682
<b>Cash and cash equivalents at start of period</b>	<b>1 015 098</b>	<b>6 729</b>	<b>647 806</b>	<b>21 124</b>	<b>21 124</b>
<b>Cash and cash equivalents at end of period</b>	<b>867 853</b>	<b>190 131</b>	<b>867 853</b>	<b>190 131</b>	<b>647 806</b>

- NOK 500m private placement completed March 2021
- Solid cash position of NOK 868 million per Q2 2021