# Annual Report

# 2021

SalMar
Passion for Salmon

SalMar Annual report 2021

### This is SalMar



### Sustainability and Corporate Responsibility

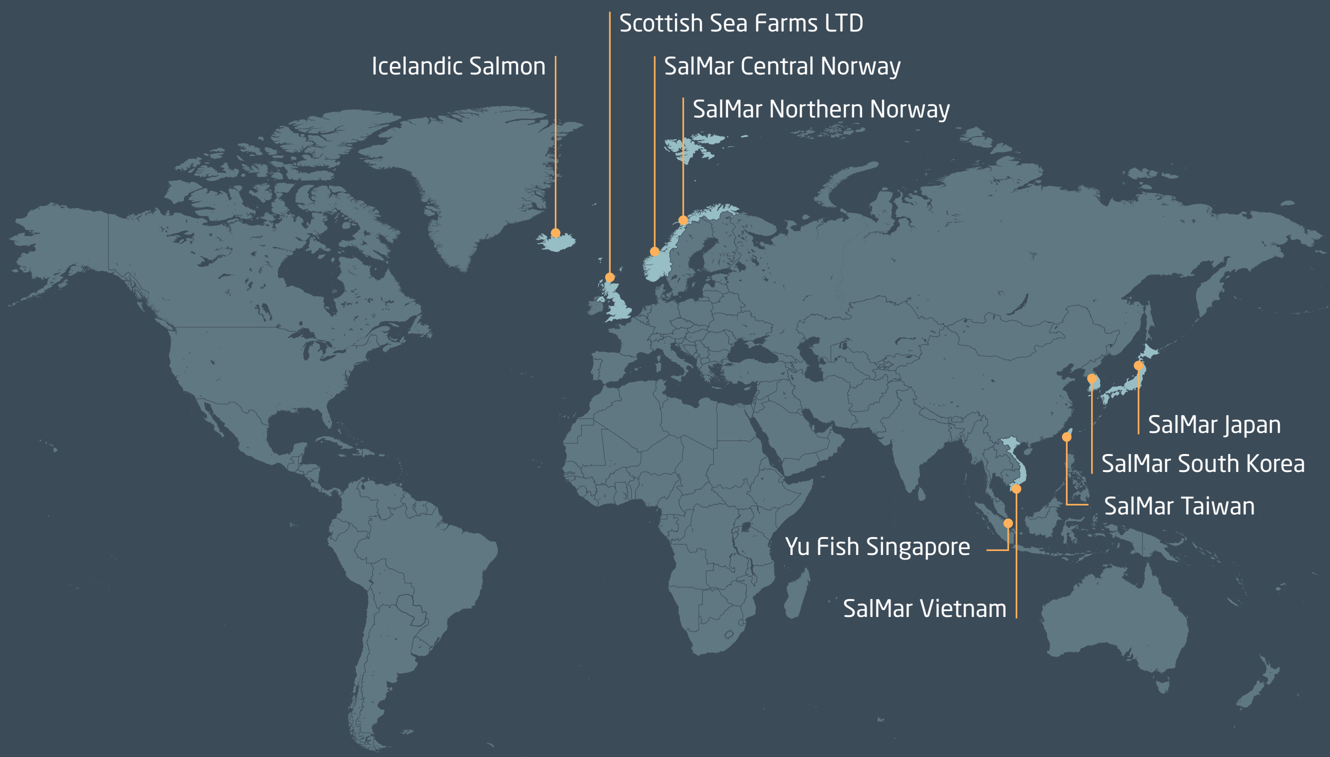


### Corporate Governance

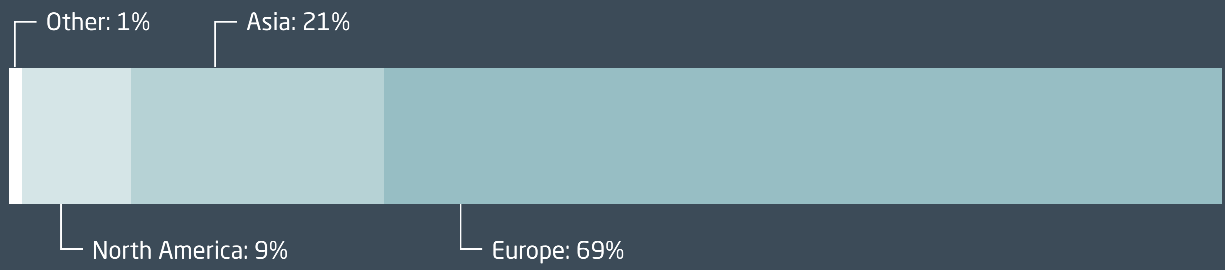


### Financial Statements and Results

# *Our Locations*

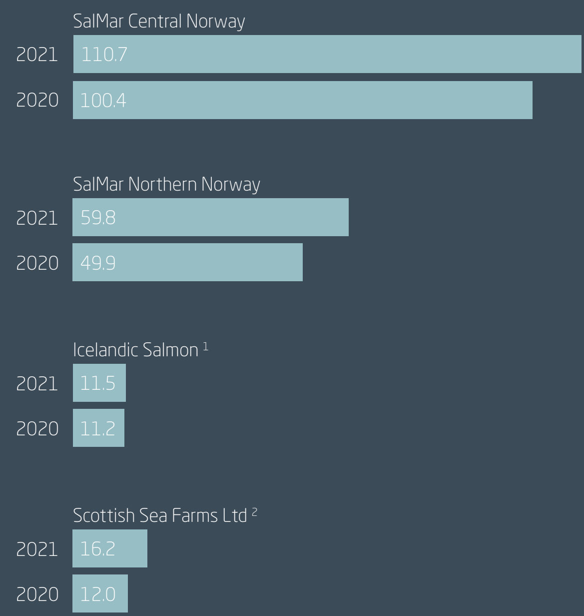



## Geographical Distribution of Sales Volume




# *Harvest Volume by Geography*

1,000 tonnes gutted weight




[1] 100% share
[2] 50% share

## Financial Key Figures

NOK 1,000

| | 2021 | 2020 |
|---|---|---|
| Revenue | 15,044 | 12,912 |
| Operational EBIT | 2,927 | 3,007 |
| Earnings per share | 22.61 | 17.52 |
| Dividend share of EPS | 88% | 114% |
| Equity Ratio | 55% | 50% |
| NIBD incl. Leasing/EBITDA | 1.48 | 1.53 |

## Sickness Absence

SalMar
6.1%
Target <4.5%

Icelandic Salmon
4.1%
Target <4.5%

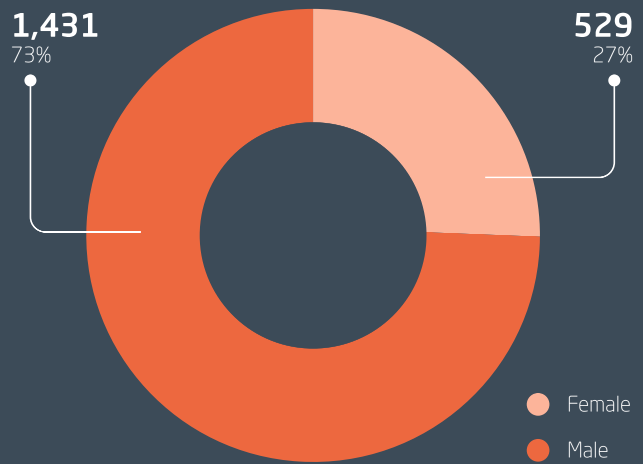
## Economic Feed Conversion Ratio

SalMar
1.19
Target <1.13

Icelandic Salmon
1.30
Target <1.13

## Number of FTEs

| | 2021 | Female | Male |
|---|---|---|---|
| SalMar | 1,828 | 28% | 72% |
| Icelandic Salmon | 133 | 23% | 77% |
| **SalMar Group** | **1,960** | **27%** | **73%** |




## H-Factor

SalMar
5.9
Target <6

Icelandic Salmon
5.5
Target <6

## Survival Rate

SalMar
95.0%
Target >97%

Icelandic Salmon
93.3%
Target >95%

## Share of Secondary Processing

SalMar
44.7%
Target >42.5%

## Greenhouse Gas Emission Intensity (kg$CO_2$e per tonne produced)

SalMar
Icelandic Salmon

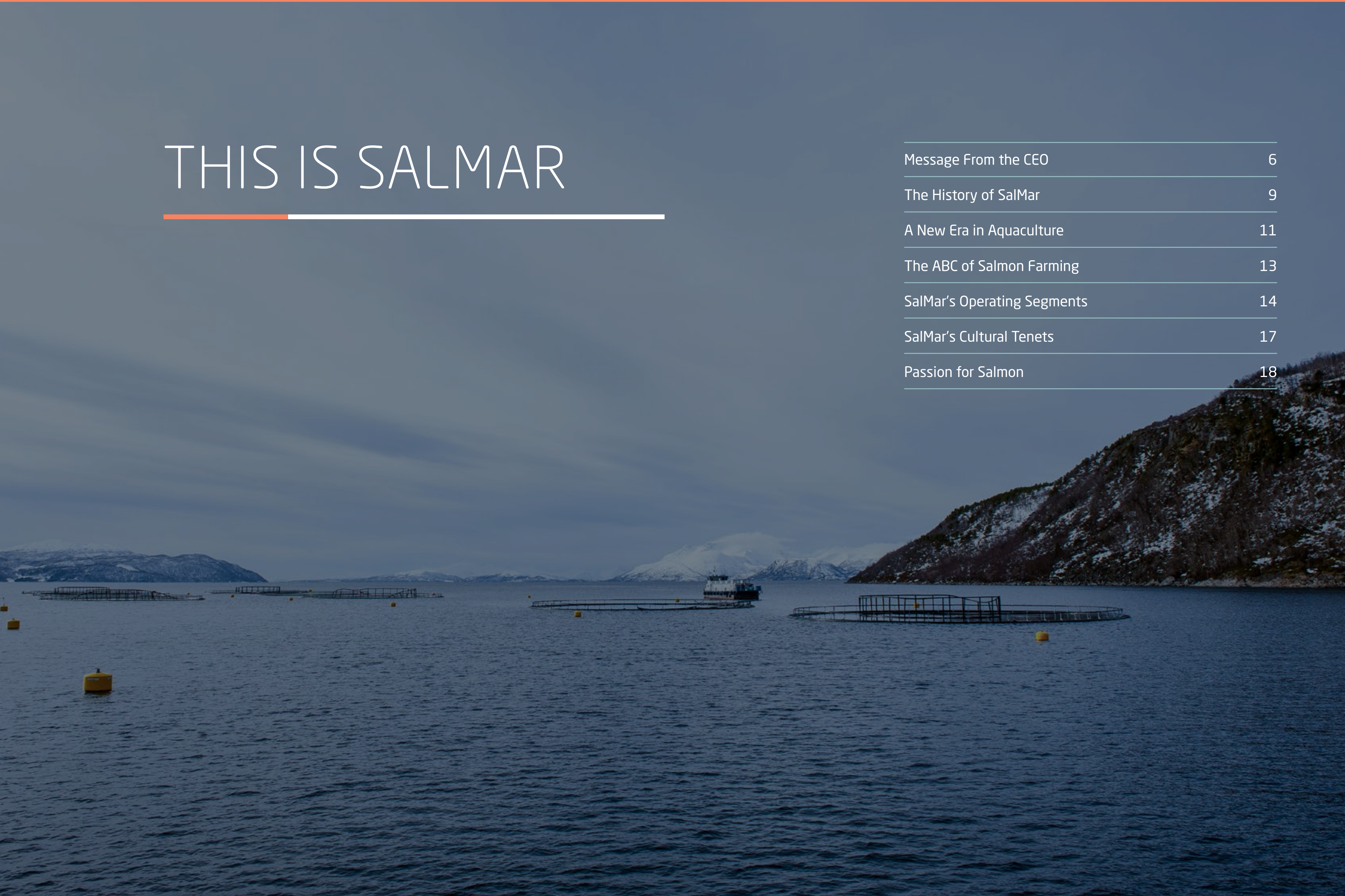
Scope 1+2:
**81** (-9%)
**179** (59%)
Target: 46% reduction from 2019 to 2030*

Scope 3:
**3,051** (-7%)
**2,621** (-22%)
Target: 42% reduction from 2020 to 2030*

**All targets subject to final approval by the Science Based Targets Initiative.*

# THIS IS SALMAR





*Message From the CEO*

# *THE GLOBAL FOOD SUPPLY - OUR SHARED RESPONSIBILITY*

SalMar has continued to supply critical food products through two challenging years, despite a deadly pandemic that put large parts of the world in lockdown. This is due to an impressive effort on the part of our 1,800 employees, partners and customers across the globe, who time and again found solutions when problems mounted up. In 2021, almost a billion portions of salmon on plates in more than 50 countries worldwide came from SalMar, largely produced on the Norwegian coast. We are all naturally concerned with food security within our own borders. At the same time, SalMar is proud to be able to contribute to secure food supplies in the rest of the world too. Food security is the most important of all society's important functions.

Unfortunately, we did not get far into the new year that was supposed to bring us out of the pandemic before the light at the end of the tunnel proved to be fixed to an oncoming train rather than a world illuminated by optimism. The attack on Ukraine shocked the world, with a war that neither healthcare personnel nor vaccine manufacturers can resolve. We are each fairly helpless when ruthless forces like this are unleashed. But collectively we can make a difference, by showing our solidarity with the people of Ukraine. In this way, hopefully, the forces for good will gradually prevail, and we can all help to alleviate acute deprivation. Together with its employees, SalMar has provided humanitarian assistance through aid organisations. We are also grateful that good partners made it possible to send a lorry containing 20 tonnes of salmon – 160,000 portions – to be donated and distributed to the suffering people of Ukraine.

## An eventful year – challenges and opportunities

We can safely say that 2021 was – all told – an eventful year for SalMar. We took steps which strengthen us in all parts of the value chain and in all regions. SalMar has a 30-year history of sustainable growth, based on two fundamental operating principles: a minimal footprint in the areas we operate while maximizing value creation in the coastal areas in which we produce salmon. Through the year, we have made significant investments which, both individually and collectively, to reinforce SalMar's endeavours along the entire value chain, from genetics and smolt to processing and sales.

Environmental sustainability is fundamental to everything we do. We are now making investments that will substantially strengthen our processing capacity, and our position as 'the processing company'. Secondary processing generates 3–4 times as many jobs as the export of round salmon, strengthens Norway's supply industry even more and results in lower greenhouse gas emissions. We therefore welcome the consultation report *Green value creation and increased processing in the seafood industry* published by the Norwegian Ministry of Trade, Industry and Fisheries. The report has been compiled by an expert committee with in-depth knowledge of the seafood industry, and is a long-awaited document for everyone who wants processing in Norway to be higher on the government's agenda. In its Hurdal policy platform, the government states that increased seafood processing in Norway is an important objective for the government. Even more important is that the government converts words into action, and draws up a programme to stimulate seafood processing in Norway as quickly as possible. This will have a decisive impact on value creation, employment and population retention along the Norwegian coast.

Harvesting and secondary processing at various places along the coast are an important part of SalMar's sustainable growth strategy. This is demonstrated, in part, through the startup of Vikenco's new processing facility in the second quarter of 2021, while InnovaNor is due to go into operation in the fourth quarter of 2021. Both facilities

*President & CEO Gustav Witzøe*

are efficient and technically advanced 'flagships', well adapted to SalMar's position as a technologically leading seafood producer. They will also make us even better equipped to offer the right product to the right customer – while ensuring greater local value creation. Vikenco has a capacity of around 40,000 tonnes per year at both its harvesting and secondary processing departments. InnovaNor will initially have a harvesting capacity of 75,000 tonnes per shift per year and a secondary processing capacity of 30,000 tonnes per year. However, it has a significant potential to increase capacity in both departments within the existing facility

Financially sustainable processing in Norway requires a steady and substantial inflow of salmon. This makes it even more important for SalMar to make strategic investments across the value chain. The construction of two large new hatcheries is currently underway in both Northern Norway and Central Norway. The facilities in Senja, Troms, and Tjuin in the municipality of Steinkjer constitute a combined investment of approx. NOK 2 billion. The new facilities will increase the company's annual production capacity by 40 million smolt. We have also put our first closed net pen into operation.

In addition, we have increased our production capacity through investments in Nekton Havbruk and Refsnes Laks. This forms the basis for increased volume growth in some of the best areas for salmon production in Norway.

The business in Iceland has made clear improvements in 2021 compared with previous years. Through Icelandic Salmon, we have strengthened our operational performance and become more cost effective. The volume harvested has remained fairly constant at around 11,000 tonnes. In 2022, we have indicated an expected volume of 16,000 tonnes. The profit margin per kg in 2021 was a substantial NOK 10.91 higher than in 2020. This is the result of better biological control combined with good marketing of Icelandic salmon. We have, moreover, strengthened our foundation for further growth in Iceland through the acquisition of two hatcheries and have launched a new brand which will strengthen the position of Icelandic salmon in the market.

In Scotland, SalMar owns Scottish Sea Farms in partnership with Lerøy Seafood. We have taken an important step to strengthen our position and presence in this region through the acquisition of Grieg Seafood Shetland. This will provide a basis for better adjustment of production and more cost-effective operations in the region. For 2022, the acquisition is expected to result in a 13,000 tonne increase in production, to 46,000 in total.

Important initiatives on the financing side reflect our ambition to take a leading environment-based growth position. We now have green financing in place, with clear environmental KPIs. In total, we entered into new green financing agreements worth NOK 7.5 billion in 2021 by refinancing existing credit facilities and the issue of a new green bond.

### SalMar Aker Ocean – aquaculture moves offshore

SalMar has devoted substantial resources to fish farming in areas that are too exposed to harsh weather conditions, with high winds and waves, for traditional coastal aquaculture equipment to be used. For SalMar, there is no contradiction between coastal and offshore aquaculture. On the contrary, today's fish farming has given us the competence and financial strength to invest in our first Ocean Farm. Going forward, however, it will be necessary to start using the vast areas of ocean encompassed by the Norwegian economic zone to ensure that Norway can retain its position as the leading producer of Atlantic salmon. Atlantic salmon belong in the North Atlantic waters along the coast of Norway, and nowhere else in the world has such good conditions for environmentally sustainable production of Atlantic salmon – on the salmon's own biological terms.

Apart from the suitable areas along its coastline, Norway has the world's strongest competence environments for both aquaculture and offshore equipment technology. It is therefore extremely gratifying that SalMar and Aker – both world leaders in each of these sectors – agreed in August 2021 to enter into a partnership to further develop offshore fish farming. Both enterprises will channel their efforts in the area through the company SalMar Aker Ocean, in which Aker will eventually hold a 33.34 per cent stake. The company has recruited some of the best people around to realise this important task.

SalMar and Aker have great plans for SalMar Aker Ocean, but are also dependent on the authorities establishing a competitive framework for offshore aquaculture. The government has drawn up a proposed framework for the allocation of sites and production licences in the open ocean, which is currently the subject of a consultation process. For the Norwegian aquaculture industry, it is important that the government, as announced, ensure this work makes rapid progress. The establishment of a dedicated licensing scheme for offshore aquaculture is also a clear obligation in the government's Hurdal policy platform. It is vital that the government prioritises this work, so that Norway can retain an important competitive advantage over major competitor countries, where significant effort is being put into both onshore and offshore fish farming.

### NTS + SalMar – the perfect match

SalMar has made a voluntary offer to purchase all outstanding shares in NTS ASA. The two companies are among the most important contributors to value creation and employment along the Norwegian coast, from Møre to the Russian border. Combined, the two companies will be in an even stronger position to create value and jobs along the coast. It is a journey into the future that SalMar wishes to take together with NTS's owners.

The offer falls naturally into line with the strategy SalMar has pursued since it started up with a single salmon production licence and a few employees in a workman's hut on Nordskaget in 1991. This strategy has been to expand gradually and steadily. Our ambition has been to develop the world's best and most cost-effective aquaculture company, with the aim of bringing health-promoting seafood to the entire world. And that is what we have, to a large extent, succeeded in doing – partly through our own efforts, so-called organic growth, but also through the acquisition of production licences and mergers with other companies. We are now going all in to succeed in our acquisition of NTS. If we are successful, it will be the largest single expansion in the company's history.

SalMar and NTS have a number of overlapping industrial activities, in Central and Northern Norway, the West Fjords of Iceland and offshore. This provides a good foundation for effective coordination and continued sustainable growth in some of the world's best locations for the production of salmon. In addition, the two companies are a good fit culturally. All in all, this represents an excellent starting point for building something even stronger together, so that one plus one makes more than two. The merger will increase the power and value-creating potential of all the steps in the value chain, from hatchery and production in sea to processing and sales in the international market. It is precisely these aspects that have led SalMar to make the above-mentioned offer.

## Results

SalMar harvested a record-high volume in all regions in 2021 and generated record-high revenues. We have never processed a higher percentage of our output either: 44.7 per cent of our total volume was processed in Norway in 2021. The annual results are as follows: SalMar harvested a total volume of 170,500 tonnes in Norway (+13 per cent) and 11,500 tonnes in Iceland (+3 per cent), while the Group generated gross operating revenues of NOK 15.0 billion (+17 per cent). Operational EBIT came to NOK 2.9 billion, a scant 3 per cent down on the year before. Our relative position has therefore never been stronger. This result reflects a solid biological and operational performance, enabled by an intense strategic and operational focus in all parts of the Group. Overall, the volume harvested rose by 20,000 tonnes compared with 2020. At the same time, we maintained the strong margins from the fish farming segments, with particularly impressive cost reductions in Northern Norway through the year.

The margins for the Sales and Industry segment were lower in 2021 than the year before, due to somewhat lower price achievement. This is attributable primarily to the timing of our fixed-price contracts. Put simply, we misjudged how strong the salmon market would be through the year. We are naturally not satisfied that we ended up in this position. However, it does show how strong a position salmon has in markets worldwide. This, in turn, makes us confident that demand will remain strong in the time ahead.

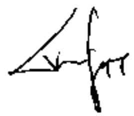
All in all, we are satisfied with the results across the value chain, though there is still room for improvement in all our segments and regions. As we say at SalMar: what we do today we do better than yesterday.

## Outlook – social responsibility

With the strong global demand for Atlantic salmon, it is difficult not to take a positive view of the outlook for the aquaculture industry going forward. But everything that goes up must come down eventually. New forms of production and technological solutions could form the basis for increased growth and a more even balance in the market. History has taught us that aquaculture can encounter major challenges both in terms of markets and biology. This requires us to have a financially robust industry that can withstand setbacks and has the capital necessary to invest for the future, as SalMar is doing. Our most important contribution to society is the jobs we create, the products we supply to the downstream business community and the huge export revenues we generate for our country. At the same time, SalMar and its workforce are among the major taxpayers along the Norwegian coast. Together, the company and its employees are estimated to have paid over NOK 1 billion in tax. Our accounts show that in 2021, SalMar alone has NOK 544 million in tax payables. In addition, the company paid around NOK 70 million in production tax to central government and our host municipalities for the use of coastal areas for food production, as well as several millions in property tax on our production equipment.

## Passing the baton into new hands

This will be the last time I express myself through the *Message from the CEO* in SalMar's annual report. Next year, our newly appointed CEO Linda Litlekalsøy Aase, will speak on behalf of our fantastic company. She knows SalMar well, not least from her time on the company's Board of Directors. She also has important industrial experience from a variety of executive positions at Aker Solutions and Rolls-Royce Marine. It is with great pleasure that I leave the role of team captain in Linda Aase's capable hands. I wish her every success in one of the most inspiring and rewarding jobs in the global seafood industry. Together with SalMar's 1,800 employees, she has the best starting point for bringing the most exciting company in the world's most exciting industry to even greater heights.



Gustav Witzøe

# The History of SalMar

### 1991

SalMar is founded in Frøya in Sør-Trøndelag following the acquisition of one licence for the production of farmed salmon and a harvesting/processing plant from a company that had gone into liquidation. The company's primary business was the processing of frozen salmon. This was the start of a major restructuring of the Norwegian aquaculture sector, which gradually led to a substantial increase in its level of industrialisation.

### 1992

Acquisition of two licences for the production of farmed salmon in Central Norway.

### 1995

Acquisition of Follasmolt AS in Verran, Nord-Trøndelag. Start of smolt production. Lease of Kjørsvik Settefisk's hatchery in Aure, Møre & Romsdal.

### 1997

Extension of the plant at Nordskaget in Frøya to increase processing capacity.

Kverva Holding AS becomes sole owner of SalMar.

### 2000

Total volume harvested: 11,000 tonnes gutted weight. Establishment of operations outside of Central Norway through the acquisition of 49% of the shares in Senja Sjøfarm AS in Troms. At that time Senja Sjøfarm had nine production licences and its own hatchery.

### 2001

Total volume harvested: 15,000 tonnes gutted weight. Establishment of operations outside Norway through Norskott Havbruk AS, a 50/50 joint venture with Lerøy Seafood Group. Norskott Havbruk AS is sole owner of Scottish Sea Farms Ltd, the UK's second -largest salmon producer.

### 2005

Total volume harvested: 35,000 tonnes gutted weight. Divestment of operations SalMar does not consider to be core businesses, including t he production of herring, herring oil and fish meal.

Greater focus on core business activities, farming, harvesting and processing of salmon.

### 2006

Total volume harvested: 44,000 tonnes gutted weight. Kverva Holding AS sells 42.5% of the company's shares to a limited number of Norwegian and international investors.

Acquisition of three new licenses in Nordmøre.

Acquisition of the remaining 51% of the shares in Senja Sjøfarm AS, making SalMar sole owner of the company.

### 2007

Total volume harvested: 64,000 tonnes gutted weight. SalMar shares floated on the Oslo Stock Exchange on 8 May 2007.

Acquisition of Halsa Fiskeoppdrett AS (two licences) and Henden Fiskeoppdrett AS (two licences) in Møre & Romsdal.

Acquisition of Arctic Salmon AS (four licences) in Nordreisa, Troms.

### 2008

Total volume harvested: 65,000 tonnes gutted weight. Acquisition of one licence in Central Norway (Møre & Romsdal) and one in Northern Norway (Troms).

Senja Sjøfarm AS is renamed SalMar Nord AS. The Company now includes all SalMar's operations in Troms.

Acquisition of 34% of the shares in Volstad Seafood AS.

### 2009

Total volume harvested: 77,000 tonnes gutted weight. Acquisition of the remaining 66% of the shares in Volstad Seafood AS, making SalMar sole owner of the company.

### 2010

Total volume harvested: 79,000 tonnes gutted weight. Acquisition of 75.54% of Rauma Gruppen AS. Broodfish, two hatcheries and eight fish farming licenses in Central Norway (Møre & Romsdal).

Acquisition of 23.29% of the shares in the listed Faeroe Islands company Bakkafrost P/f.

Acquisition of Settefisk AS.

## 2011

Total volume harvested: 104,000 tonnes gutted weight. Completion of the world's most innovative and efficient salmon harvesting and processing plant – InnovaMar.

Acquisition of Bringsvor Laks AS with two licences in Central Norway (Møre & Romsdal).

Acquisition of Krifo Havbruk AS with one licence in Central Norway (Trøndelag).

Leif Inge Nordhammer steps down as CEO and is replaced by Yngve Myhre on 6 June.

Acquisition of Villa Miljølaks AS with four licenses in Central Norway (Møre & Romsdal).

Acquisition of a further 1.5% of the shares in Bakkafrost P/f, bringing SalMar's total shareholding to 24.8%.

## 2012

Total volume harvested: 116,100 tonnes gutted weight. Acquisition of 10 licenses in Northern Norway (Finnmark) from Villa Artic AS.

Acquisition of additional shares in Bakkafrost P/f, bringing SalMar's total shareholding to 25.21%.

## 2013

Total volume harvested: 128,000 tonnes -gutted weight. Acquisition of minority shares in SalMar Rauma AS.

Acquisition of 50.4% of the shares in Villa Organic AS.

Divestment in Bakkafrost P/f. New share holding approximately 14.9%.

Divestment of remaining 14.9% of shares in Bakkafrost P/f.

Following the transaction SalMar has no shares in Bakkafrost P/f.

## 2014

Total volume harvested: 154,800 tonnes gutted weight. Yngve Myhre steps down as CEO and is replaced by Leif Inge Nordhammer on 20 January. Nordhammer previously served as SalMar's CEO for a period of 15 years until he stepped down in 2011.

Acquisition of 8 green licenses.

## 2015

Total volume harvested: 150,000 tonnes gutted weight. Principle approval of the ocean farming pilot.

Completion of acquisition that ensures an indirect stake of 22.91% of the shares in the Icelandic farming company Arnarlax Ehf.

## 2016

Total volume harvested: 129,600 tonnes gutted weight. On 28 February 2016, SalMar was awarded the first eight aquaculture development licences for Ocean Farming AS.

SalMar increased its indirect shareholding in the Icelandic aquaculture company Arnarlax Ehf to 34 per cent through a series of acquisitions.

On 11 May 2016, the board announced that Trond Williksen would be taking over as CEO from Leif Inge Nordhammer. Mr. Nordhammer had himself requested leave to step down, having held the position for more than 17 years, spread over two periods.

Mr. Williksen took up the position on 14 November 2016.

## 2017

Total volume harvested: 151,000 tonnes gutted weight. On 5 September 2017, Ocean Farm 1 arrived at its destination in Frohavet, off the Trøndelag coast

The new smolt production facility in Senja was completed – capacity 20 million smolt.

## 2018

Total volume harvested 159,000 tonnes gutted weight including share from Scotland and Iceland.

Harvesting from Ocean Farm 1 – the worlds first offshore fish farm – started in September 2018.

Olav-Andreas Ervik took over as new CEO in April 2018 after Trond Williksen's voluntary resignation.

## 2019

Harvest volume 166,200 tonnes gutted weight including contribution from Scotland. Increased ownership of Arnarlax, Iceland largest salmon farmer, to 59%. Gustav Witzøe new CEO from October 2019 following Olav-Andreas Ervik appointment as new CEO in the newly founded company SalMar Ocean which strengthens the focus on offshore fish farming.

Started construcion of InnovaNor, the new harvesting and processing plant on Senja in Northern Norway.

## 2020

Total volume harvested: 173,500 tonnes gutted weight.

Continuing construction of InnovaNor, the new harvesting and processing plant on Senja in Northern Norway

Started construction of the expansion of the smolt facility on Senja

Successful private placement and listing of Icelandic Salmon on Euronext Growth, SalMar's ownership reduced to 51 per cent.

## 2021

Total volume harvested: 198,200 tonnes gutted weight. InnovaNor in operation from Q4 2021, the new harvesting and processing plant on Senja in Northern Norway. Upgraded Vikenco in operation from Q2 2021, our harvesting and processing plant in southern parts of Central Norway. Started construction of a new smolt facility in Central Norway, Tjuin, and continuing expansion of the smolt facility on Senja

Secured green financing through new sustainability linked RCF and issue of the first green bond. Successful private placement in SalMar ASA completed in June 2021. Entered strategic partnership with Aker through SalMar Aker Ocean to establish a global offshore aquaculture company. Increasing our production capacity in Central Norway through acquisition of ownershare in Refsnes Laks AS and Nekton Havbruk AS

Scottish Sea Farms Ltd. acquired Grieg Seafood Hjaltland UK Ltd. strengthening our value chain and increasing our presence in the Shetland region

# *A New Era in Aquaculture*

The establishment of salmon farming in the open ocean is an important part of SalMar's strategy for sustainable growth and production of salmon. Salmon farming is a climate-friendly and effective method of food production. In the open ocean, it could allow for both increased output and value creation, as well as encourage innovation and the development of new technology in the salmon's natural habitat.

## SalMar leads the way for salmon farming in the open ocean

In 2016 the first eight aquaculture development licences were granted to Ocean Farming AS, converted to permanent production licenses in 2020, and early in 2019 Mariculture AS was granted eight licences for the development of an open-ocean aquaculture facility. Both companies are subsidiaries of SalMar Aker Ocean AS, a subsidiary of SalMar ASA.

The purpose of these licences is to promote increased investment in sustainability, desired changes in production methods, innovation and increased overall value creation in salmon farming. The threshold for being granted a development licence is high. The fact that SalMar has received such licences is an important testament to the Group's research and development efforts. The development licences have been granted for a period of seven years. However, they may be converted into ordinary production licences if the Norwegian Directorate of Fisheries' target criteria are met.

To strengthen and concentrate its efforts in the area of offshore aquaculture, SalMar created the subsidiary SalMar Ocean AS, later changed to SalMar Aker Ocean AS. Late 2021 SalMar and Aker through Aker Capital entered into a partnership whereas Aker Capital control 33.34% of SalMar Aker Ocean and SalMar ASA control the remaining 66.66%, with the purpose of creating the world leading offshore farming company. SalMar Aker Ocean aims for a production capacity of 150,000 tonnes of salmon per year at fish farms located in the open ocean within 2030.

Roy Reite was appointed as CEO in SalMar Aker Ocean February 1, 2022. Reite has valuable experience of international industrial entrepreneurship and the Norwegian finance sector, and he has in-depth knowledge of the coastal culture. This provides the insight that is important and necessary to realise SalMar Aker Ocean's ambitions.

The Group's ambition is to retain its leadership in this field, with respect to both technological advancements and biological salmon production. In this way it aims to contribute to the environmentally sustainable development of the Norwegian aquaculture sector. There will be close cooperation and interaction between the Group's offshore and traditional coastal fish farming operations, to ensure that mutual transfer of knowledge and experience benefits both parts of the business to produce sustainable salmon.


*The world's first offshore fish farm Ocean Farm 1 from its location in Frohavet outside Frøya*

## Ocean Farm 1's good biological performance strengthens confidence in offshore fish farming

Ocean Farm 1, which is situated in an area of sea called Frohavet, off the coast of Frøya, has been a pilot project focusing particularly on biological conditions and fish welfare. It is a large and challenging project, which has involved the testing and development of new and innovative equipment technology that will be of benefit to the whole industry. After 15 months at sea, the first production cycle was concluded early in 2019. The fish achieved good growth and a uniform high quality. Few salmon lice were observed, and it was not necessary to apply any delousing treatments. At the same time, costs were in line with the Group's best-performing traditional sea farms.

A second generation of fish was transferred to Ocean Farm 1 in August 2019, after several measures were implemented based on lessons learned during the previous production cycle. In August 2020 the fish was harvested – also this a generation with good growth, low mortality and production costs as expected. The promising biological results from the first and second production cycles reinforce our confidence that farming salmon further out in the ocean is the right direction.

## Next step – production in the open ocean

The award of eight development licences for the Smart Fish Farm project marks a substantial step towards the establishment of aquaculture in the open ocean. The objective is to locate the fish farm in open water, 20–30 nautical miles off the coast. Nothing similar has ever been attempted before. An important aspect will be to test the way technology and biology interact in such exposed surroundings.

In its licence-award letter, the Norwegian Directorate of Fisheries describes in detail how the concept differs materially from SalMar's existing offshore installation, Ocean Farm 1. It will withstand considerably more exposed conditions and have twice the capacity. However, the biggest difference is that it will have a sealed central column for the treatment of fish, the control and management of the unit, as well as an advanced system for the transportation of fish linked to the eight surrounding production chambers.

This new equipment technology could help to realise the Norwegian government and parliament's ambition to make Norway the world's leading seafood nation. The unit will combine important environmental aspects of open-net fish farms with closed-containment technology. The Smart Fish Farm will be largely immune from environmental impact caused by other fish farms because it can be situated in any exposed area along the whole Norwegian coast where the outer ocean currents flow. At the same time, its design allows fish to receive necessary treatments in a closed environment, from which there are no emissions.

## Contributing to sustainable growth and equipped for R&D

SalMar considers that a precondition for sustainable growth in the aquaculture sector is the ability to operate in new locations, where sea temperatures and ocean currents provide optimal biological conditions for the farming of fish. The purpose of these projects is to develop the technology that will make this possible, on the salmon's terms. They will also be of great significance for the Norwegian aquaculture industry's long-term competitiveness and will strengthen Norway's position as a global leader in offshore fish farming.

Both these projects are equipped to undertake a variety of R&D tasks relating to biological conditions and fish welfare. As such, they will help promote further development in the aquaculture sector and the applied R&D relating to it. It is important that the operational experience provided by the pilot facilities leads to the industrial-scale construction of this type of ocean-going fish farms.

# *The ABC of Salmon Farming*


## Broodstock

The broodstock are the parent fish which provide the eggs and sperm (milt) required to produce new generations. The fertilised eggs take 60 days to hatch when placed in an incubator kept at eight degrees Celsius.

## Eyed salmon eggs

After 25–30 days in the incubator the eggs have developed to the stage where the eyes of the salmon are clearly visible as two black dots inside the egg.

## Fry

The egg hatches when the eggshell cracks open, liberating the baby fish (fry) inside. When it hatches the fry is attached to a yolk sac, which provides it with the sustenance it needs during its first few weeks of life. From now on the fish's growth and development will all depend on temperature.

## Initial feeding

When most of the yolk sac has been absorbed, the fry can be moved from the incubator into a fish tank. They are now ready for initial feeding. The water temperature is kept at 10-14 degrees Celsius, and the fry are exposed to dim lighting 24 hours a day. The initial feeding period lasts for six weeks. As they grow the fry are sorted and moved to larger tanks. Well ahead of their "smoltification" all the fish are vaccinated before being shipped by wellboat to the fish farm's marine net pens.

## Smoltification

The process whereby the juvenile fish transition from a life in freshwater to a sea-going existence is called smoltification. During this process the fish develop a silver sheen to their bellies, while their backs turn a blue-green colour. Their gills also change when the juvenile fish turns into a smolt.

## On-growing

The farming of fish for human consumption takes place in net pens, large enclosed nets suspended in the sea by flotation devices. In addition to a solid anchorage, net pens require regular cleaning and adequate measures to prevent the farmed fish from escaping. Growth in the net pens is affected by feeding, light and water quality. Here too the fish are sorted as they develop and grow.

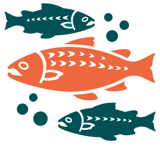
## Harvesting & processing

A year after transfer to the marine net pens, the first fish are ready for harvesting. The fish are transported live by wellboat to the processing plant. There the fish are kept in holding pens, before being carefully transferred to the plant itself. The fish are killed and bled out using high tech equipment, and always in accordance with applicable public regulations. After harvesting the salmon is subject to various degrees of processing.

## Sales

The fish is sold either as whole gutted salmon (fresh or frozen), fillets, in individual portions or a wide range of other products, which are distributed to markets around the world.

# *SalMar's Operating Segments*



## FISH FARMING CENTRAL NORWAY
(Møre og Romsdal & Trøndelag)

**Sea-farm production**

No. of licences:
69,538 tonnes MAB[1]

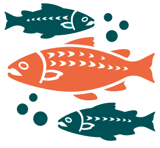
Harvest volume 2021:
110,700 tonnes gutted weight

**Smolt and cleaner fish production**

No. of facilities:
2 smolt facilities in operation
1 smolt facility under construction
1 cleaner fish facility in operation

Production in 2021:
Approx. 27.5 million smolt
and 1.1 million lumpfish

1 Includes 2 time-limited licenses



## FISH FARMING NORTHERN NORWAY
(Troms og Finnmark)

**Sea-farm production**

No. of licences:
38,251 tonnes MAB[1]

Harvest volume 2021:
59,800 tonnes gutted weight

**Smolt production**

No. of facilities:
1 smolt facility

Production in 2021:
Approx. 14.6 million smolt

1 Includes 1 time-limited licence

## SALES & INDUSTRY

Volume sold:
Approx. 186,000 tonnes product weight

Share of secondary processing:
44.7%

No. of harvesting and processing plants:
3 in operation

## ICELANDIC SALMON

**Sea-farm production**

No. of licences:
25,200 tonnes MAB

Harvest volume 2021:
11,500 tonnes gutted weight

**Smolt production**

No. of facilities:
2 smolt facilities in operation
2 smolt facilities in preparation for operation

Production in 2021:
Approx. 4.0 million smolt

## Fish Farming Central Norway (Møre og Romsdal & Trøndelag)

Fish Farming Central Norway is the region in which the SalMar Group first established its business. Initially this was based on assets acquired from a company which had gone into liquidation, and which had one licence for the production of farmed salmon and a harvesting and processing plant in Frøya that was designed to handle white fish. Since then, both the Group as a whole and the segment has experienced a fantastic growth journey.

Central Norway has today 69,538 tonnes MAB, and also operates several R&D licences in collaboration with other companies. In 2021 SalMar acquired ownership in both Nekton Havbruk AS and Refsnes Laks AS increasing the production capacity in the region. The segment has 2 smolt facilities and 1 facility for the production of cleaner fish.

The fish farming operations are located in Central Norway, stretching from Sunnmøre in the south to the Namdal coast in the north. Fish Farming Central Norway is divided into three regions, south (Møre & Romsdal), central (Frøya and Hitra) and north (Fosen and Namdalen). The environmental conditions for salmon farming in this region are very good, with favourable sea temperatures all year round thanks to the Gulf Stream, a high water replacement rate and several suitable locations.

SalMar's fish farms focus on cost-effective operation and maintain a high ethical standard with respect to animal husbandry. In order to contribute to SalMar reaching its goal of being the most cost-effective producer of farmed salmon, there is a continuous focus on sub-goals, such as achieving optimal growth with the lowest feed factor. The company was quick to introduce its own standards and 'best practices' in order to secure increased efficiency. This involves, among other things, concentrating marine-phase production at large, sustainable facilities stocked with the correct biomass volume and with a good environmental carrying capacity. SalMar is also working strategically to secure locations so that we can take our share of future production growth. In 2021 the first closed net pen for the company was taken into operation.

The segment has 2 smolt facilities and 1 cleaner fish facility in Møre & Romsdal and Trøndelag counties. These units have a high level of expertise with respect to day-to-day operations as well as development/project management. The production of smolt is currently transitioning to the use of recirculating aquaculture systems (RAS) technology. The segment currently employs RAS technology at its largest smolt facility, Follafoss, located at the head of Trondheimsfjorden and in May 2021 construction started of a new RAS smolt facility at Tjuin, not far from Follafoss. In 2021 several of the smaller smolt facilities was sold.

## Fish Farming Northern Norway (Troms og Finnmark)

The segment has 38,251 MAB tonnes for the production of farmed salmon, of which 1 is a demonstration licence. In addition, SalMar co-operates several R&D licences. The segment has 1 smolt facility in Senja.

SalMar has the largest aquaculture operation in Troms og Finnmark County, with activities stretching from Harstad in southern Troms to Sør-Varanger in Finnmark. The business is divided into two regions: Region South and Region North, which are each led by a regional manager. The segment's head office and administration are located at InnovaNor, our harvesting and processing facility on Senja.

Over many years, the segment has focused systematically on enhancing the expertise of its workforce and employs several apprentices. This is an important aspect of SalMar's recruitment and competence-building strategy. Remote feeding has been an important focus area for the segment since 2012. This means joint surveillance and control of all SalMar's sea sites from South Troms to East Finnmark. The sea farms are monitored even when there is no one physically on site. Data collection is more structured in the remote feeding centre, which provides a better foundation for decision making forward in time.

The segment has 1 smolt facility in Senja, which is based on recirculating aquaculture systems (RAS) technology. Robust, high-quality smolt is a decisive factor for the success of the whole value chain and in May 2020 construction for the expansion of the facility started with expected completion in 2022 and expected first smolt delivery in 2023. The expansion will result not only in the capacity to produce a larger number of smolt, but also the flexibility to produce larger sized smolt.

It is possible to produce more salmon in Norway, and Northern Norway has a considerable potential for further growth. This region has excellent environmental conditions for sustainable production, which we nurture through expertise and systematic improvement efforts. The expansion of SalMar's smolt production, as well as a new local harvesting plant going into operation in 2021, InnovaNor, underpin the importance to the Group of both Fish Farming Northern Norway and the region as a whole.

## Sales & Industry

Sales & Industry handles the Group's sales activities and harvesting and processing activities in Norway. The segment sold approx. 186,000 tonnes of salmon and other fish-based products in 2021. Sales activities concentrate on the markets of Europe, Asia and America. In all, the segment distributes salmon to around 56 different countries. Because SalMar attaches particular importance to market proximity, the segment has sales offices in Japan, South Korea, Vietnam, Taiwan and Singapore.

InnovaMar is SalMar's main industrial processing facility. It is located at Nordskaget in Frøya, in close proximity to Fish Farming Central Norway's sea farms. InnovaMar is a modern building covering 17,500m2. It has an advanced equipment park for harvesting, fileting and portioning. It has the capacity to harvest 75,000 tonnes of salmon annually using a single shift. A significant portion of the volume harvested goes on to secondary processing before being sent to customers and consumers around the world. Innovative use of production technology increases the quality of the final product, reduces costs and improves the employees' working environment.

Through SalMar's co-ownership of Vikenco AS, SalMar facilitates the harvesting of fish from the southern part of Central Norway and Møre & Romsdal County. In Q2 2021 upgraded Vikenco came into operation increasing both harvesting, processing, storage and freezing capacity of the facility.

At the end of 2021 the new harvesting and processing facility in Northern Norway, InnovaNor, came into operation. This is an important move to strengthen the region as an important industrial engine in the Group's development and will contribute to local value creation and new employment opportunities. At the same time, InnovaNor will provide the same flexibility and immediate capacity, as the Group has at its InnovaMar facility in Central Norway, to harvest fish on the terms of the biology and contributing to optimising logistics. InnovaNor is the largest and most modern processing facility in Northern Norway covering 20,000 square meters. It has a capacity to harvest 75,000 tonnes of salmon annually using a single shift. The building incorporates landing, harvesting, processing, packaging, freezing and storage capabilities including an office wing, which is the new headquarter for all our activities in Northern Norway. The facility is rigged with the latest in technology for value added processing built with scalability in mind with both post and pre-rigor capacity, thereby strengthening our product portfolio and offering to customers in all markets.

## Icelandic Salmon

The company successfully completed a private placement in the autumn of 2020 with the following listing on Euronext Growth. At the same time the segment changed name from Arnarlax to Icelandic Salmon. At the end of 2021 SalMar owned 51% of the shares in the company.

Icelandic Salmon is Iceland's largest producer of farmed salmon. The company is fully integrated, with its own hatcheries, sea farms, harvesting plant and sales force. The natural conditions, with good quality seawater and temperatures on a par with Northern Norway, provide a sound basis for engaging in sustainable aquaculture in Iceland. The company has its headquarters and harvesting plant in Bildudalur in Iceland's Westfjords region, in close proximity to the sea farms located in the surrounding fjord systems. In addition, the company has 2 smolt facilities in operation, and two more in preparation for operation, as well as a sales office in Reykjavik.

2021 has been a year with significantly improved biological performance of the fish in sea compared to 2020. This has led to improved biological and financial results in 2021.

Farming in Iceland is still in an early phase, and during 2021 important measures have been implemented in the company that will provide better biological and economic results in the long term. Some highlights in 2021 include acquisition of two smolt facilities increasing the smolt production capacity, launch of a new brand for Arnarlax-sustainable Icelandic salmon in August 2021 where positive effects are already staring to materialize, production of filets for sale to the market expanding the product portfolio and use of a new boat transportation route to the east coast of US reducing carbon footprint for transportation.

SalMar together with Icelandic Salmon has a strong belief in sustainable aquaculture production in Iceland.

# *SalMar's Cultural Tenets*

SalMar's corporate culture is constantly evolving, and builds on the success factors that have been cultivated within the company since its inception in 1991. Although the company's culture is affected by both external and internal framework conditions, it remains firmly anchored in a few overarching principles, in particular a strong focus on good husbandry, operational efficiency and safe food production.

### What we do today we do better than yesterday

To be the most cost-effective salmon producer demands continuous improvement at all stages of the production process. This tenet is about daring to step into the unknown and develop a culture of winning, where performance is both measured and celebrated.

### The job we do today is vital to the success of us all

Although SalMar as a whole numbers more than 1,800 people, it is vital to develop personal attitudes and an understanding that what happens is up to me and my function. It is therefore vital that everyone is familiar with our vision, objectives and values, and that we support each other for our common passion for salmon, and on our way to being at all times the lowest-cost supplier of farmed salmon.

### The job is not done until the person you are doing it for is satisfied

This means that we will meet the expectations of others and demand high standards of each other, in accordance with our own SalMar standards. There are many 'suppliers' and 'customers' in the production chain, and it is only by treating each other with mutual respect that we will succeed.

### We care

To succeed as a team we must also develop the right attitudes towards, as well as respect and care for salmon, co-workers, customers, business associates and the environment. We must think for ourselves but act with loyalty, and always bear in mind that we are engaged in food production.

### Focus on the solution

Everyone who works for SalMar, regardless of position or place, has a duty to help come up with solutions and contribute to improvement processes. We will challenge existing practices and systems, we will jointly implement solutions, and we will talk to, not about, each other.

### Sustainability in everything we do

High ethical and moral standards form the basis for developing an even stronger focus on safeguarding the environment that we work in day to day, and that we are the temporary custodians of. We shall not deplete the environment, but ensure that we pass it on unimpaired to the next generation. This is our shared social responsibility, and everything we do must stand up to public scrutiny both today and in the future.

# *Passion for Salmon*

The aquaculture industry is developing rapidly, and the potential for further growth is enormous. However, at SalMar we are in no doubt that any growth must be sustainable: environmentally, socially and financially.

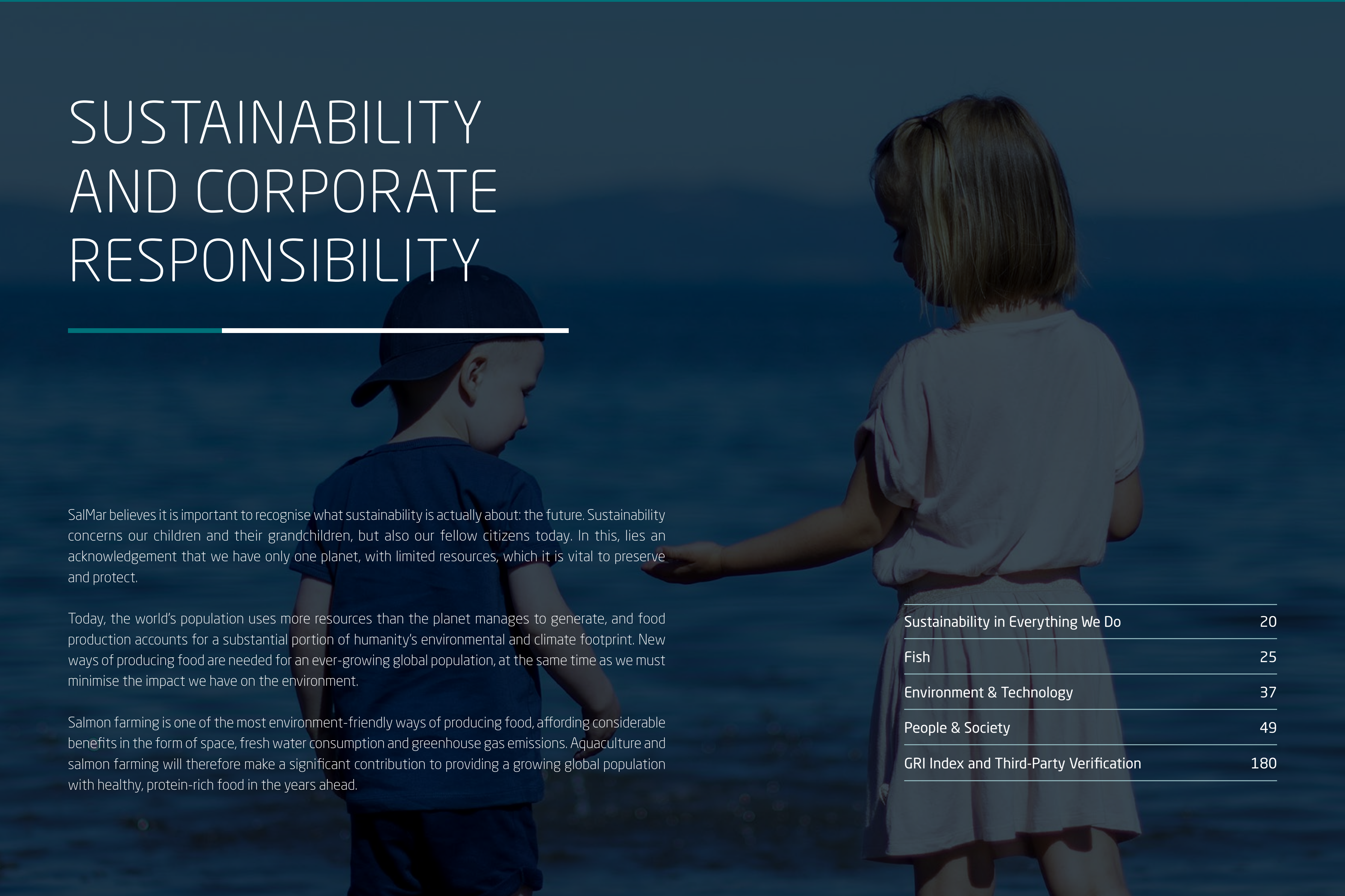
In 2014, to reinforce our focus on the elements that have made SalMar the company it is today, we adopted a new vision that will henceforth guide our steps:

## "Passion for Salmon"

Although SalMar continues to pursue its stated aim of cost leadership, it is moving from a focus on outcomes to a focus on performance. We aim for excellence at all levels and in all aspects of our operation.

The new vision will underpin all activities and all actions within SalMar. All decisions relating to production will be made on the basis of our passion for salmon. The fish will be farmed in conditions most conducive to their well-being. We believe that the best biological results will pave the way for the best financial results, and thus safeguard our position as the most cost-effective producer of farmed salmon in the world.

This new vision and ambition depend on the existence of a winning culture throughout the organisation. The source of SalMar's corporate culture and the company's cultural tenets is our shared passion for salmon. These tenets underpin our vision and describe the attitudes and conduct expected of all employees.



# SUSTAINABILITY AND CORPORATE RESPONSIBILITY

SalMar believes it is important to recognise what sustainability is actually about: the future. Sustainability concerns our children and their grandchildren, but also our fellow citizens today. In this, lies an acknowledgement that we have only one planet, with limited resources, which it is vital to preserve and protect.

Today, the world's population uses more resources than the planet manages to generate, and food production accounts for a substantial portion of humanity's environmental and climate footprint. New ways of producing food are needed for an ever-growing global population, at the same time as we must minimise the impact we have on the environment.

Salmon farming is one of the most environment-friendly ways of producing food, affording considerable benefits in the form of space, fresh water consumption and greenhouse gas emissions. Aquaculture and salmon farming will therefore make a significant contribution to providing a growing global population with healthy, protein-rich food in the years ahead.

# *Sustainability in Everything We Do*

Sustainability in everything we do is one of SalMar's key tenets. For us, sustainability is about the way we operate as a company and how we behave in the areas surrounding our operations. This includes taking care of our employees, the salmon and the environment, while developing the industry and moving society in a more sustainable direction.

SalMar aims to safeguard the seas, while maximising our production at the terms of the salmon. This includes contributing to the development of new technology, so that we can continue to reduce the biological footprint of our production.

The Group recognises the diversity of its corporate social responsibility, as an employer, producer, supplier of healthy food, user of the natural environment and administrator of financial and intellectual capital. Social responsibility is important for us, and we want everything we do to stand the light of day. At the same time, we aim to minimise the impact our operations have on the natural environment.

Our holistic approach rests on awareness of there being the link between caring for people, economy and the environment, which determines whether something is sustainable. This is the core reason for why we think sustainability in everything we do.

In 2021, SalMar continued its efforts to report on sustainability, and this is the eighth report in succession. As in 2020, the report for 2021 has undergone third-party verification from Ernst and Young, see appendix for verification report. The report encompasses those businesses in which SalMar held more than 50 per cent of the shares and/or had operating control in 2021, and as such is included in the consolidated accounts. Scottish Sea Farms which is an associated company of SalMar through the company Norskott Havbruk, is not included in the sustainability reporting.

The report has been prepared on the basis of the principles required by the Global Reporting Initiative (GRI). The final chapter contains an overview of our reporting in relation to the GRI Index.

The bulk of this report is divided into the three central pillars on which SalMar rests its focus about sustainability throughout the value chain.

Please address any queries about the report to SalMar's Head of IR Håkon Husby, or Head of Sustainability Mats Wærøe Langseth.

## Fish

Good fish welfare is the foundation of SalMar's business. We work systematically to create an environment in which the salmon thrives and remains healthy.

## Environment and Technology

SalMar believes in preserving the seas for future generations. We minimise our footprint with measures and routines throughout the entire value chain.

## People and Society

SalMar acts as a responsible corporate citizen. We believe in creating local value and safe workplaces, and support the local communities where we operate.

## Our Principles

SalMar's facilities are situated in rural areas along the coast of Norway and Iceland, with clean water and good natural conditions for the salmon. Large and small coastal communities are important bases for SalMar's workforce and operations. The Group is conscious of the benefits it derives from the communities and environment along the coast. This recognition underpins SalMar's systematic efforts to fulfil its responsibilities as an employer, producer, supplier of healthy food, user of the natural environment and administrator of financial and intellectual capital.

Producing salmon under optimal environmental conditions is crucial for the fish's health and welfare. To protect the environment and facilitate long-term operations, extensive monitoring and R&D activities are undertaken. Every part of the operation is risk assessed in terms of sustainability, and appropriate measures are set out in procedures and instructions. To monitor compliance with the guidelines that have been drawn up for sound operations, measurements are taken and internal audits performed.

### Leadership of SalMar's sustainability endeavours

The Group's CEO is ultimately responsible for SalMar's environmental footprint and for its efforts to increase its sustainability. SalMar has dedicated quality departments, which monitor and assess the work being done within this area. However, the activity is coordinated by management teams within the segments Fish Farming, and Sales and Industry with the support of qualified professionals. Systematic risk and opportunity assessments are carried out at the overarching level and in all departments to ensure that SalMar as a group takes a precautionary approach and is able to implement necessary measures. This also includes climate-related risk. The same applies to the Group's subsidiaries where SalMar's presence on the board of directors ensures that this is taken into account.

Management of each department is responsible for ensuring that monitoring activities are performed and reported, and the quality managers at the various companies follow up and support departmental and operative leaders in this area. Quality managers and other quality assurance staff take an active part in regular management meetings at all levels in these companies. Quality, safety, working environment, fish welfare and the environment/climate are regular issues discussed at these meetings.

## Dialogue with stakeholders

SalMar has a number of different stakeholders and is keen to maintain a good dialogue with all of them, for example, through face-to-face meetings, the media, interim and annual reports, stock market notices, GRI reports, adverts, R&D projects and our website www.salmar.no. Dialogue with stakeholders takes place both locally and at the corporate level. Understanding that we can only succeed if we work together and treat each other with candour and respect is an explicit part of SalMar's principles for all dialogue.

The stakeholders to be included in SalMar's future sustainability reporting efforts are determined by the extent of their influence over the organisation. We aim to engage our stakeholders in an effective manner, while ensuring that they experience their contact with SalMar as providing added value. Important steps in the process include winning acceptance for the issues selected, illuminating different perspectives with regard to impact, identifying challenges, accumulating external impressions and sharing knowledge.

The identification of stakeholders with whom SalMar will engage in dialogue results from several processes:

- Public authorities which administer the public interest in the area and grant licences to operate.
- Selection and approval of suppliers and engagement with local stakeholders and in R&D activities is determined by management teams in the various parts of the company.
- Identification of the NGOs with which SalMar will have direct contact is determined by Group Management.

The table shows the various stakeholder groups that are included in SalMar's analyses.

| SalMar's stakeholders | | | |
|---|---|---|---|
| Internal influence | Business associates | Customer groups | External influence |
| Employees | Partners | External customers | Government / regulatory authorities |
| Shareholders/investors | Suppliers | New customers | Industry associations |
| Board and Group Management | Service providers | International customers | Discussion partners |
| | R&D partners | National customers | NGOs |
| | | | Research establishments |
| | | | Local communities |
| | | | Media |

## Open and transparent reporting

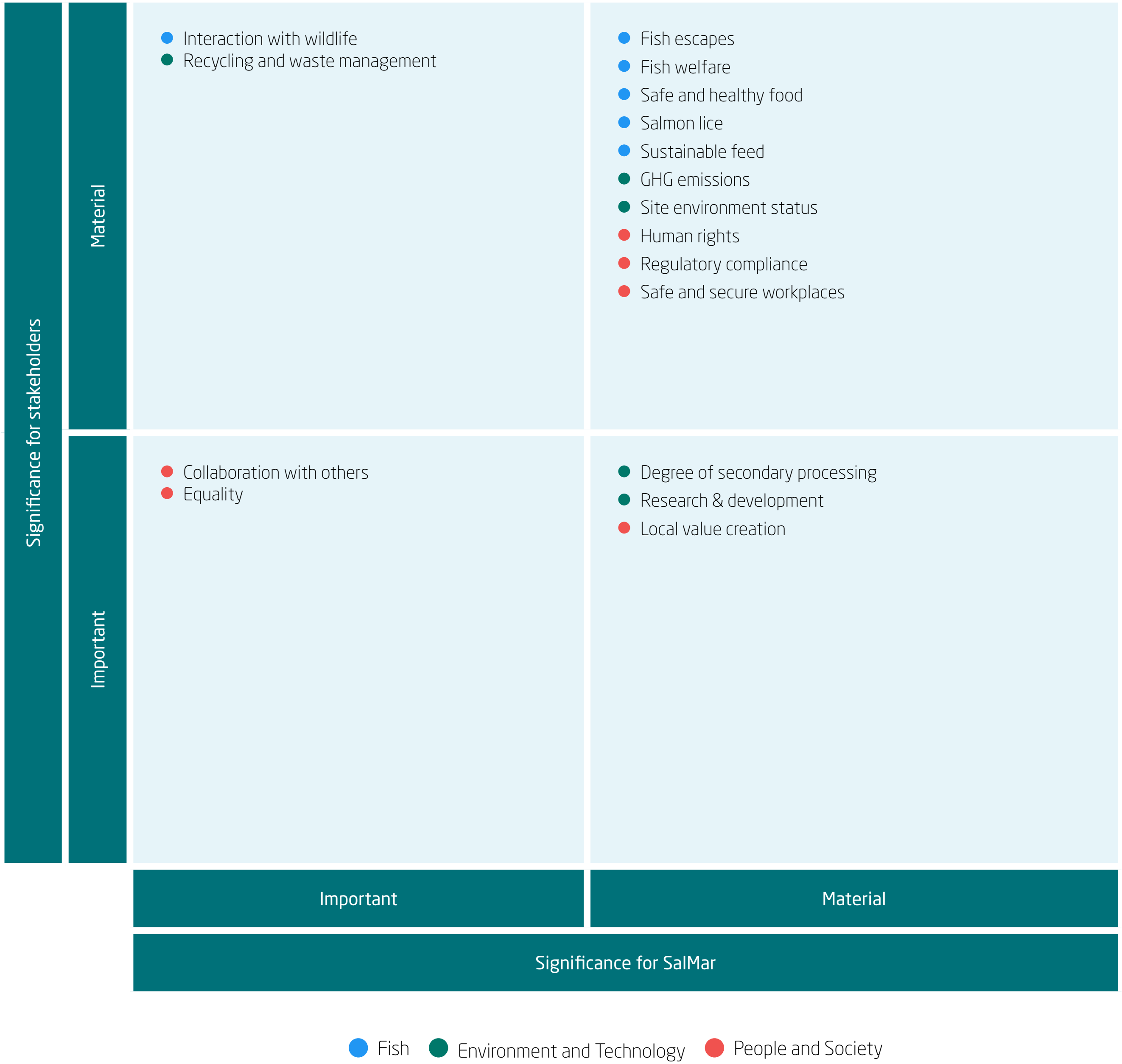
Open and transparent reporting of our performance increases our stakeholders' trust in us. In 2021, we continued our efforts to report through a greater variety of channels. In furtherance of this, SalMar has also chosen to continue commission third-party verification of its sustainability KPIs and reporting in accordance with the Global Reporting Initiative (GRI). The table below shows the various ways SalMar reports on sustainability-related matters.

| Reporting method | Comment |
|---|---|
| Annual report | Integrated report combining sustainability reporting with financial reporting. |
| Quarterly reports | Quarterly update of financial and operational results. |
| Green bond report | For the use of proceeds from the green bond SalMar will issue a report outlining how the proceeds have been used in accordance with the green bond framework. |
| CDP report | Reporting of strategy, climate and energy accounts, with associated initiatives and improvements. SalMar reported to the CDP Climate Change in 2021 and will do so again for 2022. In 2021 SalMar received a score of B for its CDP Climate Change 2021 response and an A- score for the CDP Supplier engagement report 2021. SalMar are also considering reporting to the CDP Forests and Water Security. |
| ASC reports | Audit reports from our ASC-certified sites are available on our website or at www.asc-aqua.org. |
| Green licences | A separate annual report is published on SalMar's experience and evaluation of its operations under green licences. This is available on our website. |
| www.salmar.no | Our website is updated regularly. Here you will find relevant information. |

## Materiality assessment

For SalMar, it is important to continue focusing on those areas where our operations have the greatest potential to affect fish, the environment or people. In connection to our 2021 report, we use the same materiality assessment as in the 2020 reporting. SalMar is considering to update the assessment for next year's reporting.

The aspects identified as material underpin what we cover in this report. The colours indicate the part of the report in which the aspect is described in more detail.



## SalMar supports the UN's 17 Sustainable Development Goals

In everything we do, our actions and initiatives support one or more of the UN's 17 Sustainable Development Goals (SDG). Nevertheless, we wish to focus on the entirety of our operations, since we believe that this explains our efforts better than individual SDGs seen in isolation. Some SDGs are nevertheless clearly more relevant than others as focus areas where the Group can make the greatest contribution.


### 2 Zero hunger and 3 Good health and well-being

SalMar shall contribute with sustainable food. Salmon is a healthy source of protein, an important source of omega-3 and a good source of vitamins and minerals. By exploiting the potential of the sea, we also contribute to security of food supply.

### 12 Responsible consumption and production

Sustainable and efficient exploitation of our natural resources is a precondition for our operations. We will contribute to responsible production by reducing our consumption of resources and minimising food waste.

### 13 Climate action

Food production accounts for a large part of the world's greenhouse gas emissions. Salmon has a low carbon and water footprint compared with other sources of protein. We will contribute to further reductions in our supply chain's carbon footprint. SalMar will take its share of the responsibility by ensuring that climate considerations is an integral part of our strategy and planning processes.

### 14 Life below water

We will utilize the sea areas we operate in a sustainable manner. We will contribute to the reduction of marine garbage and discharges, both by reducing and handling our own waste properly, but also through our engagement in all the local coastal communities of which we are a part of.

# *Fish*

"Passion for Salmon" is the foundation of SalMar's entire business. Our goal is to produce sustainable and healthy protein for a steadily growing global population. And we will do so with the salmon in focus.

Sustainable salmon farming therefore takes place on the fish's terms. This means that the salmon must come first in all aspects of our work.

SalMar is working systematically on initiatives and procedures relating to fish welfare. At the same time, we know that every single decision we make relating to the fish's health also has a financial, social and environmental impact throughout the value chain. Fish welfare is a good example of SalMar's holistic approach and shows why sustainable aquaculture must always begin with the salmon.

## Our KPIs

| | | | SalMar | | | Icelandic Salmon | | |
|---|---|---|---|---|---|---|---|---|
| | | Target | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Survival | 12-month rolling survival rate[1] | >97% | 95.0% | 95.6% | 95.3% | 93.3% | 90.5% | 91.2% |
| Antibiotics | Grams of active pharmaceutical ingredient (API) / tonne produced | 0 | 0 | 0 | 0.07 | 0 | 0 | 0 |
| Lice | No. observations over the lice limit | 0% | 2.2% | 2.2% | 3.3% | 12.8% | NA | NA |
| Interaction with wildlife[2] | Birds – Accidental mortality | 0 | 0.47 | 0.51 | 0.65 | 0.17 | 0.71 | 0.67 |
| | Birds – Euthanised | 0 | 0.16 | 0.07 | 0 | 0 | 0.29 | 0 |
| | Marine mammals – Accidental mortality | 0 | 0 | 0.01 | 0 | 0 | 0 | 0 |
| | Marine mammals – Euthanised | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Fish escapes | No. of incidents | 0 | 3 | 10 | 6 | 0 | 0 | 1 |
| | No. of escaped fish | 0 | 224 | 20,645 | 5,907 | 0 | 0 | 185,885[3] |
| Feed | Certification of marine ingredients in fish feed[4] | 100% | 99% | 99% | 99% | 98% | 99% | |
| | Certification of soya ingredients in fish feed[5] | 100% | 100% | 100% | 100% | 100% | 100% | |
| | FFDR (Fish meal)[6] | <1.2 | 0.36 | 0.49 | 0.41 | 0.32 | 0.63 | |
| | FFDR (Fish oil)[6] | <2.52 | 1.64 | 1.68 | 2.24 | 1.56 | 1.98 | |
| | Economic feed conversion ratio | < 1.13 | 1.19 | 1.16 | 1.19 | 1.30 | 1.43 | |
| Certification | Share of active sites certified[7] | 100% | 100% | 100% | 100% | 83% | 86% | 100% |

1 12-month rolling mortality measured in accordance with the Global Salmon Initiative's methodology.
2 Total number of interactions per fish farm
3 The incident occurred at the hatchery in Bæjarvik, where fry weighing approx. 2 g escaped.
4 Fish meal, certified in accordance with Marintrust, MSC or equivalent.
5 Certified in accordance with Proterra RS, European Soy or equivalent.
6 Target in accordance with ASC certification requirements.
7 Farming sites certified in accordance with GlobalGap, Debio or ASC.

## Fish Welfare

SalMar's endeavours in the area of fish welfare build on the "Five Freedoms of Animal Welfare". Good fish welfare requires systematic efforts to ensure that the fish's welfare is safeguarded by providing them with optimal conditions throughout their lifecycle.

### How we promote fish welfare

- SalMar has dedicated fish health personnel, who work locally, regionally and at the corporate level.
- Systematic efforts at the generational level and down to each individual group of fish, with specifically tailored actions taken.
- Close follow-up and monitoring of fish welfare indicators.
- Use of sites with optimal biological conditions.
- All smolt are vaccinated before being transferred to sea farms.
- Systematic efforts with regard to smolt quality at our hatcheries, through a focus on stable supplies of good quality water, a good tank environment for the fish, optimal oxygenation, good sorting and vaccination procedures, temperature control and general fish health.
- All delousing treatments are carried out by a dedicated team, with a risk assessment performed before each operation.
- Strict routines for handling of fish and transport between different zones and sites to prevent the spread of disease.
- Access to large harvesting capacity at plants located near our sea farms, with associated wellboat capacity.
- Humane slaughter by percussive stunning.
- Continuous improvement through employee training and R&D.

## We strive to increase our fish's survival rate

In our opinion, the best indicator of fish welfare is their rate of survival from the time they are transferred to our sea farms until they are harvested. In this sustainability report, we use a 12-month rolling survival rate, measured in absolute numbers, in accordance with the Global Salmon Initiative's methodology.

Over the last years SalMar has achieved over 95 per cent survival rate in Norway, therefore our target for survival rate was raised to 97 per cent in Norway in 2021. Our target in Iceland is still at 95 per cent. Both targets are time-bound with an aim of reaching both levels within 2025.

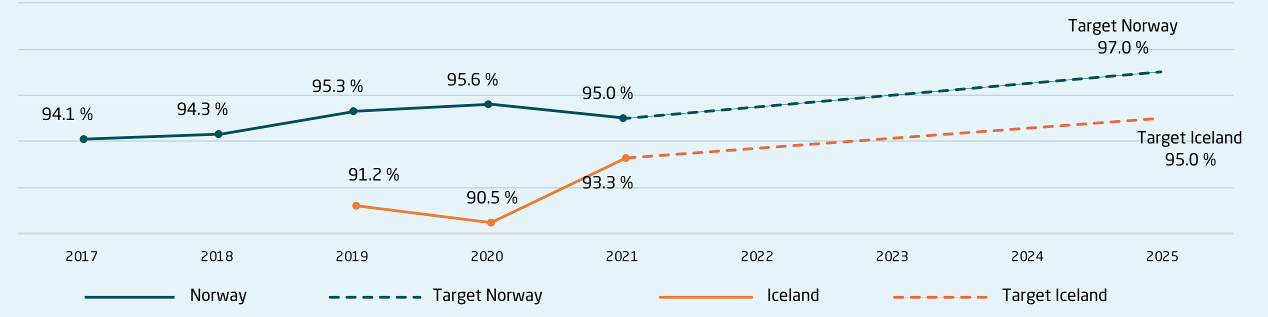
SalMar achieved a slightly lower survival rate in Norway in 2021, but a significantly higher rate in Iceland. Over the last years the survival rate trend is positive in Norway with a continuously increasing 3-year moving average.

We know that smolt quality, infectious diseases and fish handling are the primary causes of mortality. In 2021, we continued made progress in our efforts to improve smolt quality and fish handling in connection with delousing treatments. We recognise that we still need to work on our management of diseases such as PD, HSMI and CMS, as well as gill health, but we see positive effects of vaccination against PD.

## We promote cleaner fish welfare

SalMar produce in-house cleaner fish for risk-based use to combat salmon lice in the salmon sea phase. The amount of cleaner fish used has been reduced over the last years. SalMar finds it only natural to promote fish welfare also when it comes to cleaner fish. We aim to maximize cleaner fish survival rates by farming robust cleaner fish and giving them healthy living conditions inside the net pens. SalMar has dedicated feed for cleaner fish which helps them grow and stay healthy while carrying out their main function. Furthermore, we use artificial kelp inside the net pens to give the cleaner fish a familiar

**Survival rate** (trend and target)




environment where it can eat, hide out, rest and sleep when not eager at work. SalMar is continuously involved in R&D projects regarding cleaner fish husbandry, relating to cleaner fish species, size, feed, living conditions, etc.

## We prevent antibiotic resistance

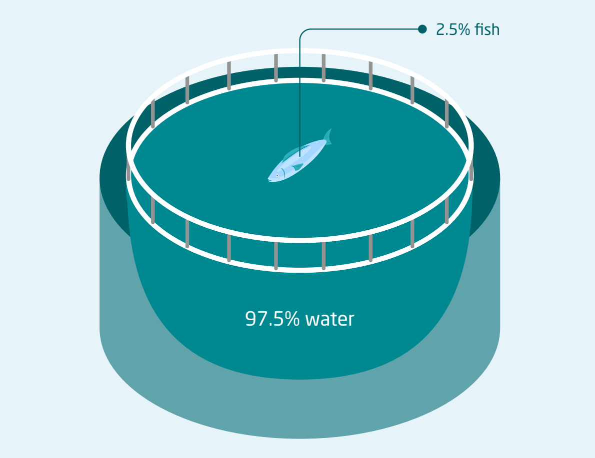
In 2021, no antibiotics were used at SalMar's fish farms in Norway or Iceland. This demonstrates that the use of no antibiotics is continuing. SalMar has a clear policy to not use any form of antibiotics to promote growth.

Important steps to keep down the use of antibiotics include the vaccination of fish, ensuring good day-to-day fish welfare and upholding the zoning boundaries between generations of fish to minimise the spread of bacterial infection.

Resistance to antibiotics is a growing problem worldwide. To prevent the development of resistance it is important that all food producers do what they can to keep the use of antibiotics as low as possible. The Norwegian monitoring programme for antibiotic resistance (NORM-VET ) concludes once again that the use of antibiotics in the production of Norwegian salmon is extremely low compared to all other animal protein sources.

## The fish have plenty of space

As regulated by the current legislation in both Norway and Iceland, maximum density is 25 kg /m3 (2.5%) for conventional salmon and 10 kg/m3 (1%) for organic salmon. SalMar complies with this in all geographies, and on average the density in each individual net pen is lower than the requirement. This means that the salmon always has more than enough space to freely move, which is an important prerequisite for good fish welfare.



## We keep the number of salmon lice down

Salmon lice are natural seawater parasites. As a fish farmer, it is our task to make sure that the salmon can coexist with the lice. Salmon lice can impair the quality of the salmon's flesh and can, in the worst cases, lead to disease and death. We therefore work preventively to keep lice numbers down and implement treatment regimes that are gentle on the fish and the wider environment.

Our goal of keeping within the thresholds laid down in the regulations remains unchanged. In 2021, SalMar has worked systematically to keep control of salmon lice at our sites. On average, salmon lice numbers were slightly higher in 2021 than in 2020.

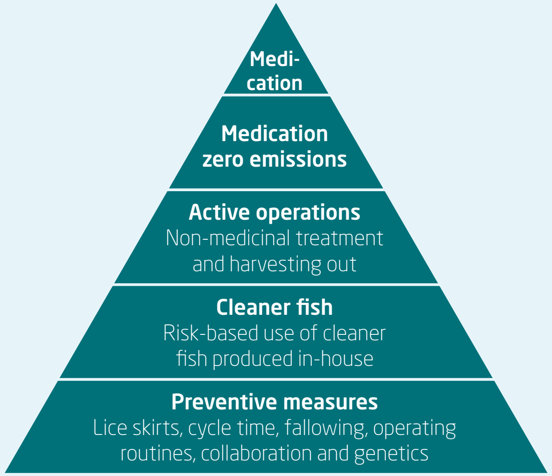
In Norway the current regulation stipulates a maximum permitted number of lice. As a rule, the number is capped at 0.5 adult female lice per fish. However, for certain types of licence and in certain areas, the lice threshold is 0.2. All fish farmers report lice numbers to the authorities weekly using the government's online portal Altinn. The updated status from all our farming sites is freely available at www.barentswatch.no. In 2021, 2.2 per cent of SalMar's observations showed numbers exceeded the lice threshold. This is the same level as in 2020, but lower than in previous years.

In the fall of 2021, a similar regulation for maximum permitted number of lice were imposed in Iceland. The number is capped at 0.5 adult female lice per fish and counting shall be done at least weekly in the sensitive period from week 14 to 22 and at least bi-weekly outside of this period when sea temperatures are higher than 4°C. Therefore, for the first time the KPI is included from 2021. In 2021, 12.8 per cent of the observations exceeded the sea lice limit.

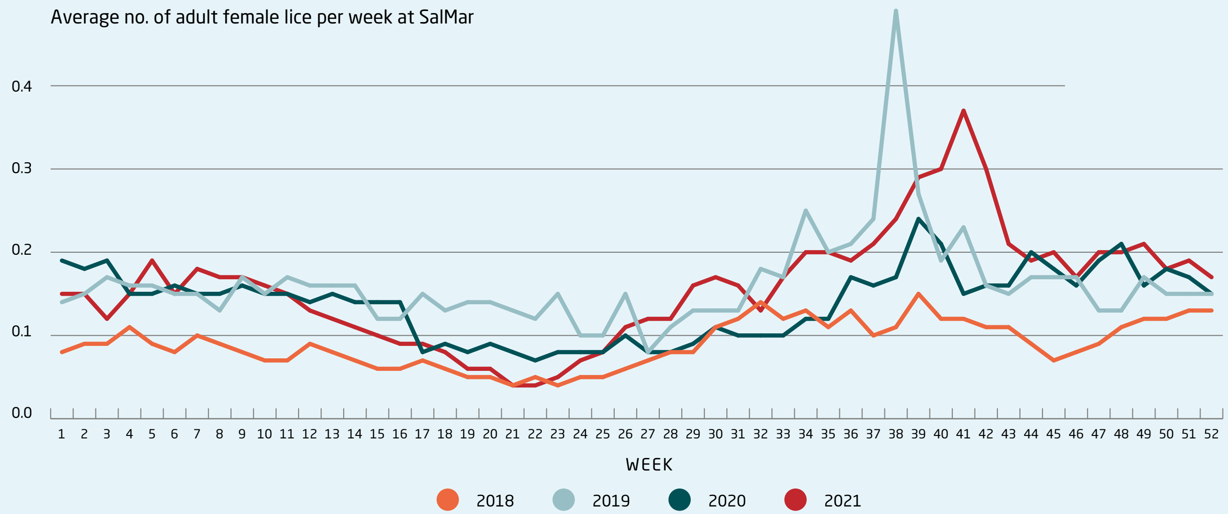
The main strategy for reducing the number of treatments is through preventive measures, such as lice skirts, reduced cycle time and fallowing, as well as risk-based use of cleaner fish produced in-house. The use of cleaner fish has been reduced the last years. In addition, SalMar has established its own internal capacity for non-medicinal delousing. We are working systematically to reduce the mortality rate. This includes tightening up our risk assessments before and during treatment and performing evaluations after treatment has been completed. Fish welfare is our main focus, and new tools are being developed to improve these work processes.

Efforts to improve our technical equipment to make it gentler and to develop effective tools (indicators) that can help us better predict the status of the fish's welfare, were ongoing in 2021, and will continue in 2022. In 2022 we also took into use treatment methods such as CleanTreat and continued our investment in increased treatment capacity.

Visualisation of SalMar's anti-lice strategy




Average no. of adult female lice per week at SalMar



## We prevent and limit fish escapes

SalMar has a zero-vision with respect to fish escapes for all operating years and takes all such incidents seriously. In 2021, SalMar had 3 reported incidents in Norway and none in Iceland. A total of 224 fish escaped from our facilities in Norway, which corresponds to less than 0.0004 per cent of all the fish SalMar had at its sea farms.

The authorities were informed of the incidents at an early stage and non-conformance analyses were performed accordingly. Relevant remedial measures were then implemented. SalMar continues to strive every day to prevent fish from escaping. This means focusing on day-to-day routines for monitoring and checking the technical equipment, as well as procedures for operations involving the handling of fish. In addition, we continue to collaborate with suppliers and research environments on the development of more secure equipment.

SalMar notes that damage to net pens was the root to several escape incidents especially in 2020. For the last years, we have therefore been working with our net pen supplier to test several different types of pens. The objective is to find a type that provides better protection against fish escapes. We believe that we have found a pen type that gives even better protection against escapes, while also providing additional environmental benefits. SalMar has therefore embarked on an aggressive programme of investment to reduce the number of incidents relating to its net pens, despite the fact that our current pens are certified and subject to strict control routines. Over NOK 75 million has and will be spent on the purchase of new net pens.

Together with the aquaculture sector, the supply industry, the Norwegian Directorate of Fisheries and Standards Norway, SalMar has revised the technical standard for floating aquaculture facilities. Once in force, it will help make the facilities even more capable of preventing fish escapes.

### Partnership for wild salmon

SalMar cares about wild salmon, too. And we are keen to ensure that aquaculture can coexist with those who make their living from wild salmon fishing in those areas in which we operate. SalMar is engaged in numerous projects whose objective is to monitor the situation for wild salmon, and record and trace any escaped farmed salmon.

Over several years, SalMar has been a partner in the Rivers around Trondheimsfjord (ERT) project.[1] Scale samples from all fish caught in the rivers are sent for analysis to the Norwegian Veterinary Institute, to determine whether there are farmed salmon in the wild breeding population. The project results show that a low level of farmed fish (0.8 per cent in 2021) has been found in the rivers examined.

In Troms, we are participating in the Wild Salmon Industry Collaboration Project. The project covers the following rivers and watercourses: Brøstadelva, Tennelva, Ånderelva, Grasmyrvassdraget and Salangsvassdraget. The purpose of the project is to monitor the status of the rivers and implement measures to increase the number of wild salmon in them. In addition, we work closely with Laukhelle Lakselv in Senja with respect to monitoring and emergency preparedness. The same applies to Målselv.

With regard to advice and practical initiatives relating to wild salmon, we also work closely with NINA, Ferskvannsbiologen and Skandinavisk Miljøundersøkelser AS.

Along with the Norwegian Seafood Federation and other industry players, SalMar is also running a project relating to the tracing of escaped farmed salmon. This will be achieved through a combination of geoelement markers (traces in fish scales) and DNA (tracing of the parent fish's DNA). This will make it possible to trace escaped farmed fish back to their owner. Efforts to achieve this capability have been underway for several years.

1 The project: "Elvene Rundt Trondheimsfjorden og SalMar ASA". www.vetinst.no

OURO[2] is a joint industry initiative which was set up in 2015 in response to statutory regulations requiring action to reduce the genetic impact of farmed salmon on wild fish stocks by culling all escaped farmed salmon in rivers where their numbers are unacceptably high. The OURO initiative's activities are funded by the aquaculture industry.

## We impact wildlife as little as possible

For SalMar, it is very important to have as little impact on wildlife as possible, and we are working actively to prevent this. However, our presence will sometimes affect other animals. In 2021, we experienced a small number of incidents both in Norway and Iceland.

We seek to use equipment at our sites that minimises the risk of harm to wildlife. We will continue working to reduce the number of such incidents in 2022.

2 http://utfisking.no

## Sustainable Feed

Fish feed must have the correct nutritional content, consistency and taste. But for SalMar, it is equally important that the feed is gentle on the environment. We require our feed suppliers to ensure that the ingredients they use are certified, so we can confidently sell a product that has been sustainably produced. This means that the feed ingredients are not genetically modified, have not been produced in areas threatened by deforestation and do not depend on endangered fish stocks.

SalMar uses an all-round feed that optimises production and promotes good fish health. In other words, a high-value salmon feed that ensures good growth, a low feed factor and meets the fishes' nutritional needs. In 2021, around 250,000 tonnes of dry feed pellets were used in SalMar's salmon farming operations in Norway, and 22,000 tonnes in Iceland.

In addition to monitoring their ingredients, SalMar also checks the nutritional value of the feed used at its hatcheries and sea farms. This is verified through their fat, protein, phosphorous and fibre content. SalMar performs routine controls on the feed's physical quality on receipt to identify non-conformances.

### How we safeguard our fish feed

- SalMar demands that all fish feed is certified. In 2021, 99% was certified.
- All the fish feed used is deforestation-free, not genetically modified and not dependant on endangered fish stocks.
- SalMar has dedicated personnel who work with fish feed and its nutritional content.
- Continuous improvement through employee training and R&D.
- SalMar has chosen to maintain a strategic partnership with our main feed suppliers (Cargill Aqua Nutrition Norge and Skretting), with whom we work to include sustainable ingredients in the feed we use.
- SalMar is involved in several R&D projects investigating the use of novel feed ingredients, such as algae, insect meal, kelp, salmon oil, seafood trimmings and excess raw material from processing.

## We use certified ingredients

Marine ingredients currently make up approx. 20–30 per cent of the fish feed. SalMar requires all its feed suppliers to purchase marine ingredients that are certified in accordance with the Marine Trust, MSC, or equivalent. This is to ensure that the fish stocks from which they are drawn are sustainable. In 2021, 99 per cent of the marine ingredients used by our main fish feed suppliers came from certified fish stocks.

Vegetable raw materials have become an important ingredient in fish feed. Vegetable-based proteins currently make up 35–45 per cent of the feed. At SalMar, we require our feed suppliers to purchase soy from sustainable sources that are certified in accordance with ProTerra, Europe Soya or an equivalent environmental standard. In 2021, all our feed suppliers used only certified soy in their feed basket. This means that the soy is not farmed in areas threatened with deforestation and has not been genetically modified. In addition, early in 2022 an independent external report conducted by Brazilian auditors concluded that all Brazilian suppliers of soy to the Norwegian salmon farming industry have accomplished their goal for a deforestation and conversion free supply chain.

Through our engagement with our feed suppliers, we have full traceability of the origin of all feed ingredients used in the feed both direct suppliers and indirect suppliers of feed ingredients. Internally in SalMar we perform audits towards our feed suppliers making sure that all the ingredients used in the fish feed originates from sustainably sourced producers in the value chain. SalMar are also regularly conducting risk assessments identifying how the availability of marine, soy and other ingredients going forward may impact production.

## We actively research and test novel feed ingredients

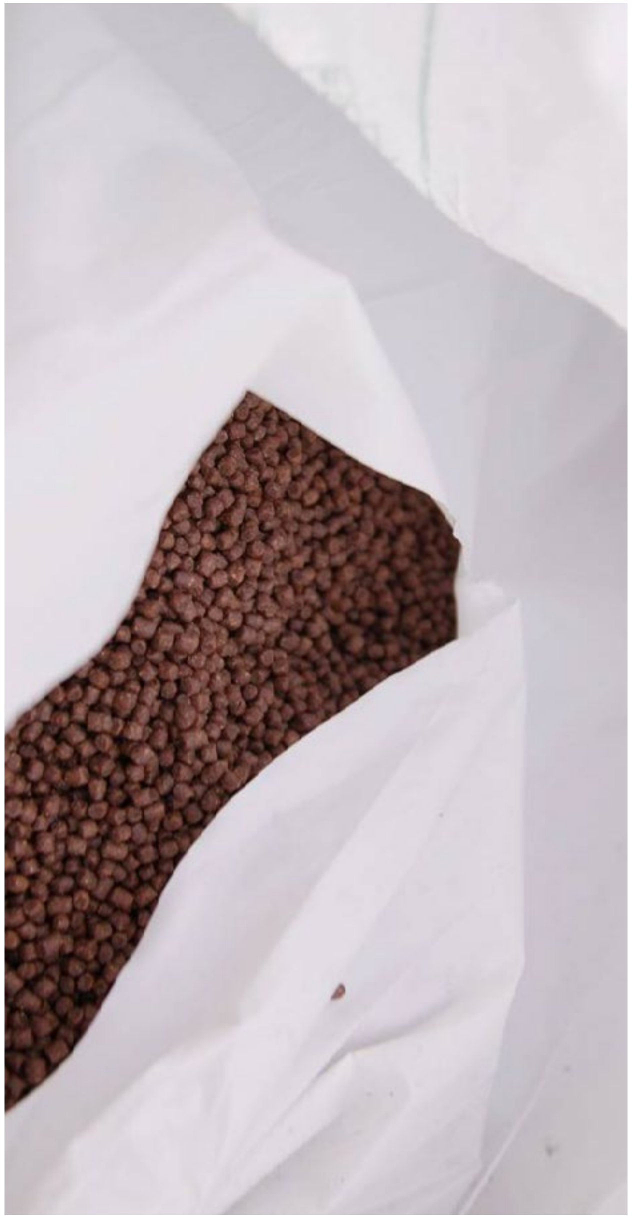
SalMar actively seeks and participates in projects concerning novel feed ingredients. In order to minimize footprint of feed ingredients (e.g., soy), SalMar continuously test and evaluate novel and local feed ingredients such as algae, insect meal, kelp, salmon oil, seafood trimmings and excess raw material from processing.

## We ensure low dependence on wild fish stocks

As a measure of feed sustainability, we use the Fish Forage Dependency Ratio (FFDR). This quantifies our dependence on wild fish stocks as raw materials in our feed. This is done by assessing the volume of live fish from small pelagic fisheries that is required to make the amount of fish meal or fish oil needed to produce one unit of farmed salmon. The lower the FFDR we can achieve, the more salmon we can produce on the basis of a globally limited supply of marine raw materials.

According to the ASC standard, feed is deemed to be sustainable if its FFDR (fish meal) is <1.2 and its FFDR (fish oil) is <2.52. In 2021, SalMar's Norwegian and Icelandic operations both achieved values well below these levels.

By volume, the largest sources of marine ingredients in the feed produced by our main suppliers were herring and whitefish offcuts, blue whiting, bony fish and anchovy. See the feed suppliers' own sustainability reports for further details.[1]



[1]Skretting: https://www.skretting.com/en/sustainability/sustainability-reporting/

Cargill Aqua Nutrition: https://www.cargill.com/sustainability/aquaculture/aquaculture-sustainability-reporting

## We ensure efficient feed utilisation

The nutritional value, consistency and taste of the feed are important. Equally important, however, is correct dosing to ensure that the feed is utilised as effectively as possible and keeps the fish healthy.

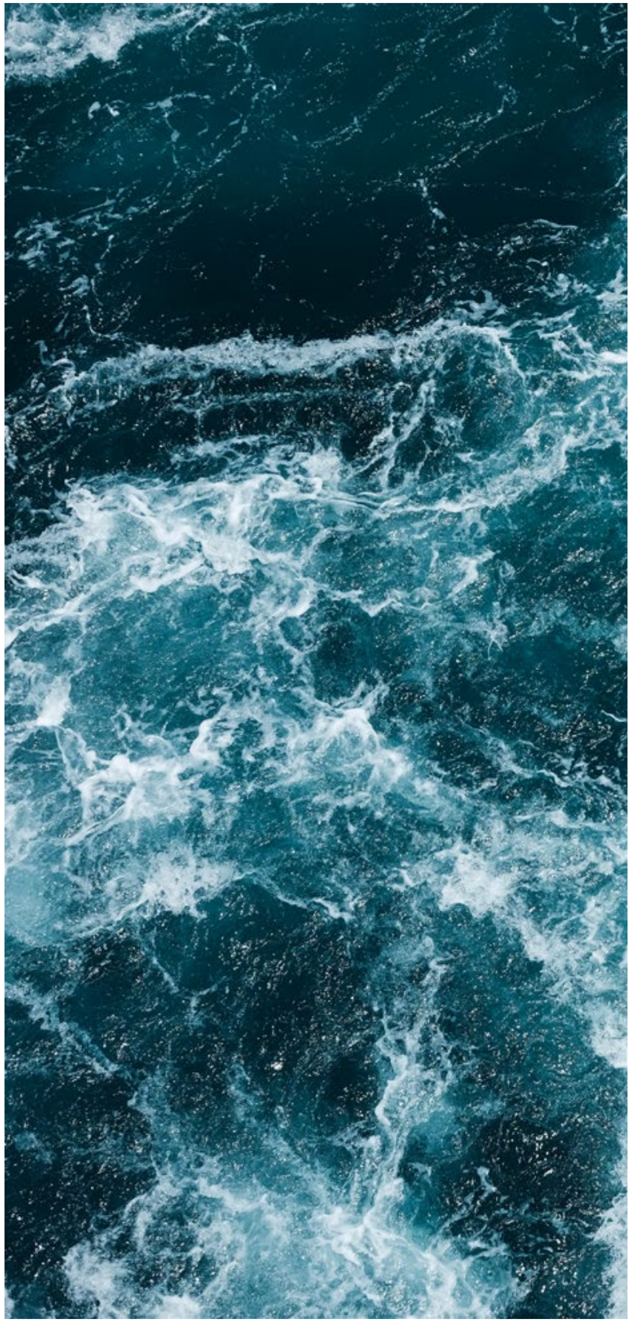
Effective feed utilisation is one of the key performance indicators that we follow up all the time. The benefits achieved through correct feeding include optimal growth, a low feed conversion ratio, reduced emissions to the environment, good fish welfare, increased resistance to disease, low mortality, less size variations, increased yield at harvest, less excess spill to the sea, and better fish quality.

For this reason, the feed conversion ratio is one of the most important KPIs in our sustainability efforts. In 2021, SalMar performed slightly better than in previous years on Iceland, but slightly worse compared to 2020 in Norway.

Feeding is tailored to the fish's appetite in each individual net pen. It is monitored using underwater CCTV cameras, state of the art technology that shows where in the water column the fish are located, and weight checks. In this way, optimal feeding is achieved. In 2021, we worked to optimise feeding at our production sites. We have continued to focus on optimising feeding during the fish's first 12 weeks at sea and providing the greatest amount of feed availability during this period. This is important to raise healthy and robust fish.

In 2021, we continued to focus on the developing of feeding centres that remotely control the feeding of our fish stocks. By bringing skilled staff together in one place, we are further developing the "control room" and facilitating the implementation of new routines and continuous learning. By the close of the year, we had four such feeding centres each remotely feeding several sites from their control rooms. Our feeding centres are located at Finnsnes, Fosen and Smøla in Norway, with an additional one in Iceland.

The remote feeding scheme has increased our focus on feeding and is considered a good environmental measure in terms of providing strong growth, a fast turnover and effective MAB and site utilisation. It also provides opportunities for increased focus on the competence of those employees who perform one of the most important tasks at SalMar. Facilitating their access to real-time data and customising optimal reporting and support tools are areas the company is continuing to work on. In partnership with Telenor, we boosted our data transfer capacity through the installation of 5G at several of our sites in 2020.



## Safe and Healthy Food

SalMar produces healthy food, which is easy to prepare and tastes delicious. SalMar's products are based on first-class, sustainable raw materials, and their quality is maintained through the whole value chain until the salmon reaches the customer.

It is our responsibility to ensure our customers feel safe when they eat salmon from SalMar and know that it has a healthy nutritional content. For this reason, we are certified in accordance with the strictest requirements and guidelines for sustainable aquaculture, including the Aquaculture Stewardship Council (ASC) and Debio.

### How we provide safe and healthy food to all our customers

- Local processing makes it possible for SalMar to offer a wide range of first-class, fresh, frozen and organic salmon products.
- We ensure good fish welfare and the correct nutritional content in the fish feed we use, which provides healthy food for human consumption.
- Our value chain is certified from roe to plate.
- Thorough training at all levels and training in routines and procedures are important to maintain the high quality of SalMar's products.
- We perform regular internal audits, and welcome audits and inspections by the regulatory authorities, certification agencies and customers.

### SalMar's whole value chain is certified from roe to plate

We aim to operate in an honest, proper and trustworthy manner, and take pride in showing off what we do. We have therefore certified our operations in accordance with the strictest requirements and guidelines. Compliance with such third-party standards, as well as those set by our customers, is verified through the follow-up of our operations. This is in addition to the follow-up undertaken by government and regulatory authorities.

| Global G.A.P. | Debio | ASC | Kosher | BRC | IFS | MSC |
|---|---|---|---|---|---|---|
| Whole value chain | | | Harvesting/processing | | | Sales |

All our sea farms in Norway are certified in accordance with Global G.A.P.[1] In addition, several of our sea farms are certified in accordance with ASC or Debio[2]. SalMar's goal is for all its sea farms to be either ASC or Debio-certified by 2025. In 2021, 59 per cent of our sites in Norway and 83 per cent of our sites in Iceland were ASC-certified.

The Aquaculture Stewardship Council (ASC) is an independent, international non-profit organisation, which established the world's most stringent sustainability standard in June 2012. The mission of the ASC Standard is to bring aquaculture one step closer to the sustainable, environmentally and socially responsible production of salmon. This is achieved through effective market mechanisms that create value along the entire value chain. By choosing ASC-certified salmon, consumers can be assured that they are buying salmon from a responsible farmer.

With more than 400 auditing criteria within seven main categories, the ASC Standard is difficult to reach and to retain. It demands substantial resources with respect to documentation and reporting, before, during and after certification. Furthermore, SalMar has been certified in accordance with the ASC's Chain of Custody scheme.

Openness regarding our performance is a key aspect of the standard. Further details can be found on our website www.salmar.no, and the ASC's website www.asc-aqua.org.

1 https://www.globalgap.org/

2 https://debio.no/english/

## Salmon is a healthy and delicious food

Salmon contains a number of nutrients which make it an important part of a balanced diet. Salmon is a healthy and delicious food. It is one of the most rigorously investigated foodstuffs and is perfectly safe to eat.

The World Health Organisation (WHO) has published a detailed report on both the risks and benefits of eating salmon. The report concludes that eating oily fish, like salmon, reduces the risk of cardiovascular disease. It is the products' fat composition, with a high content of the omega-3 fatty acids EPA and DHA, but also vitamin D, Selenium and easily digestible proteins, which contribute to this health benefit. The report warns of higher mortality rates if too little seafood is eaten. The biggest challenge with respect to seafood consumption remains the fact that people in general eat too little of the important nutrients provided by fish. One salmon meal a week (150g) has proved sufficient to cover the body's recommended intake of the healthy fatty acids EPA/DHA.

The Norwegian Scientific Committee for Food Safety (VKM) makes recommendations to the Norwegian Food Safety Authority. The VKM has concluded that it is well documented that oily fish protects against cardiovascular disease and has a positive impact on the neural development of babies, both before and after birth. Furthermore, they conclude that the positive effects of eating seafood far outweigh any potentially negative impact.

### When you buy salmon from SalMar, you can be sure it is safe to eat

SalMar's production is subject to Norwegian and Icelandic regulations for food production, and our facilities are regularly inspected by the Norwegian Food Safety Authority (NFSA) and the Icelandic Food and Veterinary Authority (MAST). In addition, the Group has its own sampling programme, under which feed and finished products are analysed and tested for a number of factors. The NFSA's monitoring, performed by the National Institute of Nutrition and Seafood Research (NIFES), shows very little foreign matter in farmed fish, and no samples were found to exceed threshold values in the most recently published reports. For further details regarding the nutritional content and status with respect to contaminants, etc., in Norwegian seafood, please visit the Seafood Data section on NIFES's website[1] or search the Food Composition Table[2] .

SalMar produces healthy and tasty foods that are easy to prepare. SalMar's products are based on first-class raw materials, and the quality is maintained right through the value chain until the salmon reaches the consumer. Thorough training at all levels with regard to procedures is important to maintain the high quality of SalMar's products. Production is organised such that the demands of different standards and customers are met. We perform regular internal audits, and welcome the public authorities, certification agencies and customers to carry out external audits and inspections.

In 2021 SalMar performed 242 internal audits and safety inspections, this is 85 more than in 2020. In addition, 203 audits from external parties were conducted, which is 46 more than in 2020.

Food safety and the regulations relating thereto are taken very seriously. In 2021, there was 1 incident of product recall where 107 kg of products were recalled from the customers. There were no violations of the regulations governing food safety.

[1] www.matvaretabellen.no
[2] https://sjomatdata.nifes.no/#search/

SalMar has defined routines for the follow-up of customer complaints, and the Group has informed its customers of how they should proceed if a product they have bought does not meet their expectations. All products can be traced back through the whole value chain, and a well-trained team is on hand to deal with any complaints from consumers. The complaints handling process is documented in a dedicated module in our quality system and provides managers with an overview of the current status.

### Pre-rigor filet

SalMar supplies both fresh and frozen pre-rigor fillets. SalMar's focus on pre-rigor filleting is an important strategy with respect to energy consumption, transport-related emissions, 100 per cent exploitation of the raw material and the creation of local jobs.

Pre-rigor filleting means that the fish is harvested and filleted the same day, before the fish goes into rigor mortis. This processing enables delivery to the market 2–6 days earlier than what has been the norm. This way of handling fish has a number of advantages:

- Fresher fish to the customer
- Firmer muscle texture, better colour and lower drip loss
- Longer shelf-life in the market
- No need to store and mature the fish before filleting and boning

### Organic salmon

SalMar is one of the world's largest producers of organically farmed salmon. Organic salmon is supplied all year round, and production is vertically integrated from the broodfish and roe down to the finished processed products. To be defined as organic, it must have been produced in compliance with the EU's directives and be approved by Debio. Local processing means that we can deliver a wide variety of first-class fresh and frozen organic salmon products. SalMar supplies both pre- and post-rigor organic salmon. A high content of marine oils means that this salmon is an exceptionally good source of EPA and DHA.

### Sashimi quality

Since 2011, SalMar has produced finely sliced, sashimi-quality fish. Every single salmon is handpicked, and only the best boneless pieces of salmon are used. After slicing, the fillets are packed within 1–4 hours to ensure maximum freshness and taste.

The objective is to offer a salmon product that maintains the same quality and taste as it had on the day it was caught right up until its use-by date. To maintain this level of quality, a unique packing, transport and refrigeration process is used. Our sashimi-quality products are transported in recycled cardboard boxes that are chilled using dry ice, which ensures optimal temperature control.

# *Environment & Technology*

SalMar's fundamental principle is to have a minimal footprint in the areas we operate. Although food production in general accounts for a large proportion of global greenhouse gas emissions, the farming of salmon is one of the most environment-friendly ways of producing food.

It is SalMar's intention to be at the forefront in the development of a more sustainable aquaculture industry. This means protecting the seas, reducing energy consumption and minimising greenhouse gas emissions from our operations. By using new technologies and innovations, we are constantly striving to minimise our biological footprint, in a way that allows us to produce as much salmon as possible on the salmon's terms.

Salmon is one of the most sustainable sources of animal protein. This is due to low carbon emissions, low water consumption and a small space requirement. Nevertheless, there is a lot we do not know today, which we may know tomorrow. New knowledge is the key to protecting natural resources for future generations, while still producing enough food for a growing global population. SalMar is working systematically to drive this development forward.

## Our KPIs

| | | | SalMar | | | Icelandic Salmon | | |
|---|---|---|---|---|---|---|---|---|
| | | Target | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Greenhouse gas (GHG) emissions | Scope 1 + 2 ($tCO_2e$) | 46% reduction from 2019 to 2030[1] | 16,884 | 16,306 | 15,141 | 3,050 | 1,403 | 1,549 |
| | Intensity Scope 1+2 ($kgCO_2e$/tonne produced) | | 81 | 87 | 90 | 179 | 103 | 113 |
| | Scope 3 ($tCO_2e$)[2] | 42% reduction from 2020 to 2030[1] | 632,469 | 619,805 | 11,919 | 44,633 | 45,916 | 958 |
| | Intensity Scope 3 ($kgCO_2e$/tonne produced) | | 3,051 | 3,296 | 71 | 2,621 | 3,379 | 70 |
| Onshore electrical power | Farming sites supplied by onshore electrical power | 100% | 41% | 47% | 44% | 0% | 0% | 0% |
| Secondary processing | Share of secondary processing | >42.5% | 44.7% | 42.0% | 39.3% | NA | NA | NA |
| Site environment | MOM-B score ≤ 2 | 100% | 88% | 93% | 97% | 50% | 100% | NA |
| Consumption of fresh water | Consumption (1,000 $m^3$) | | 36,878 | 50,470 | 50,533 | 5,535 | 5,505 | 5,456 |
| | Intensity (litres per kg produced biomass) | | 178 | 268 | 300 | 325 | 405 | 397 |
| Smolt | Share of smolt from RAS facilities | 100% | 89% | 86% | 82% | NA | NA | NA |

1 Subject to approval by the Science Based Targets Initiative
2 Before 2020, only wellboat transport and business-related travel were reported under Scope 3, since these are areas over which SalMar had operational control. With effect from 2020, fish feed, downstream transport, waste and packaging are also included.

## Greenhouse Gas Emissions

A lifecycle study carried out by Sintef Fisheries and Aquaculture and the Institutet för Livsmedel och Bioteknik i Sverige (SIK), has shown that salmon production is materially more climate-friendly than the production of pork or beef. The study showed that the production of 1 kg of farmed salmon contributes half as much carbon equivalents ($CO_2e$) as production of 1 kg of pork, and one-seventh the amount as 1 kg of beef.[1]

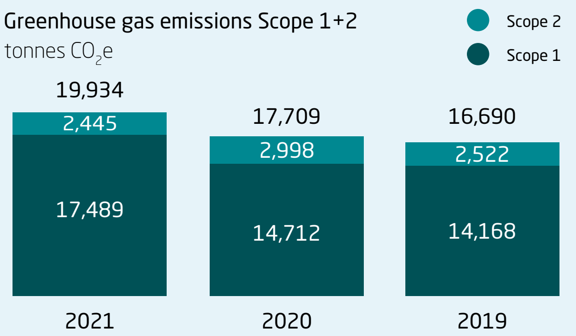
The graphs give a general view of the company's greenhouse gas emissions converted into $CO_2e$ which includes the following greenhouse gases: $CO_2$, $CH_4$, $N_2O$, $SF_6$, HFC and PFC gases. For the first time, SalMar is also reporting fully on Scope 3. Previously only those elements over which SalMar had operational control were reported here.[2] This is important because it shows SalMar's overall greenhouse gas emissions; both those over which SalMar has operational control and those lying outside our own value chain.

Scopes 1 and 2, areas over which SalMar has full operational control, account for a small proportion of overall emissions, just 2.9 per cent in 2021. The bulk of the emissions come from Scope 3, with feed and downstream transport representing the largest individual factors.

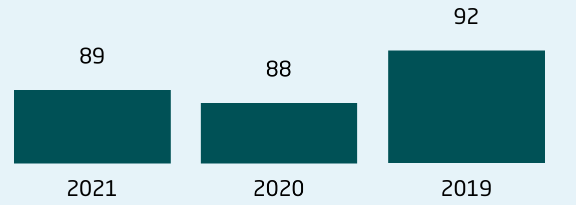
The following pages show examples of how SalMar is working along its entire value chain to reduce its greenhouse gas emissions.

1 Source: *Carbon footprint and energy use of Norwegian seafood products*
2 Before 2020, only wellboat transport and business-related travel were reported under Scope 3, since these are areas over which SalMar had operational control. With effect from 2020, fish feed, downstream transport, waste and packaging are also included.

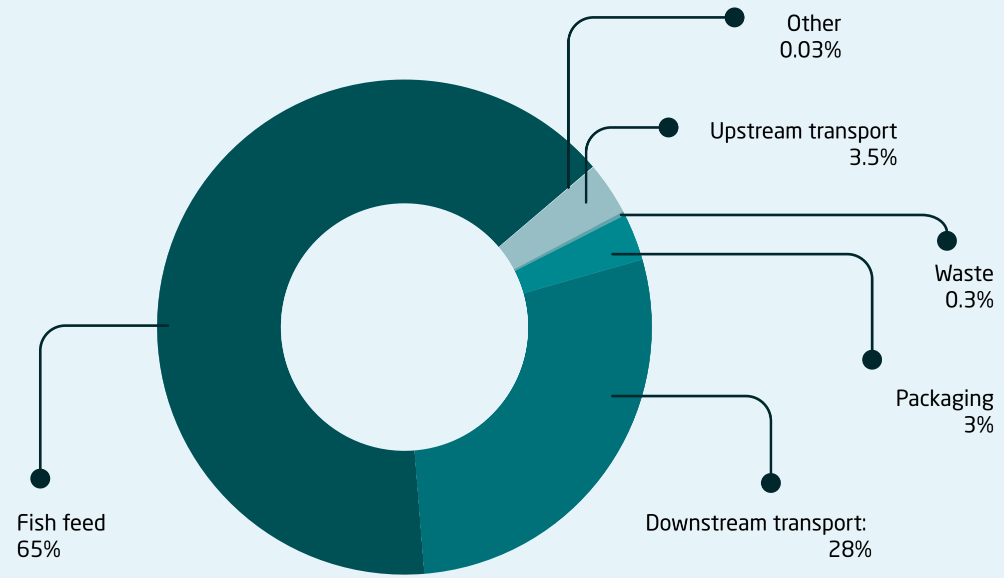
Greenhouse gas emissions Scope 1+2
tonnes $CO_2e$




Greenhouse gas emission intensity Scope 1+2
kg $CO_2e$ per tonne produced biomass




Scope 3 greenhouse gas emissions 2021
% of total



## SalMar has pledged to reduce its greenhouse gas emissions

At the start of 2021, SalMar pledged to reduce its greenhouse gas emissions in accordance with the Science Based Targets Initiative. In this way, we ensure our emissions are reduced in accordance with global climate targets and at least within the "Below 1.5°C" scenario.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

- Scope 1 and 2: at least 46 per cent reduction in our greenhouse gas emissions from 2019 to 2030
- Scope 3: at least 42 per cent reduction from 2020 to 2030

An application was sent to the Science Based Targets Initiative in December 2021 and a meeting has been set up for final approval at the earliest date possible from Science Based Targets Initiative, 2nd of August 2022.

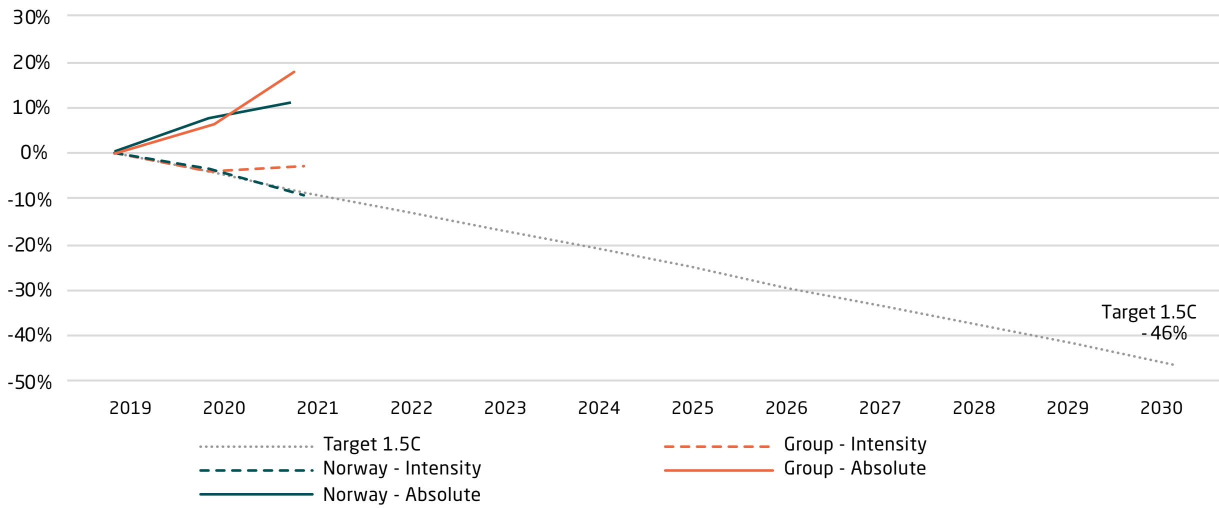
Since 2019, our climate intensity from Scope 1 and 2 in Norway has decreased by 9.4 per cent, while absolute emissions increased by 11.5 per cent. At the same time our production has increased with 23.0 per cent, showcasing that we have become more efficient.

Since 2020 our climate intensity from Scope 3 in Norway has decreased with 7.4 per cent, while absolute emissions increased by 2.0 per cent. At the same time our production has increased with 10.2 per cent, showcasing that we have become more efficient.

The following pages show examples of how SalMar is working along its entire value chain to reduce its greenhouse gas emissions.

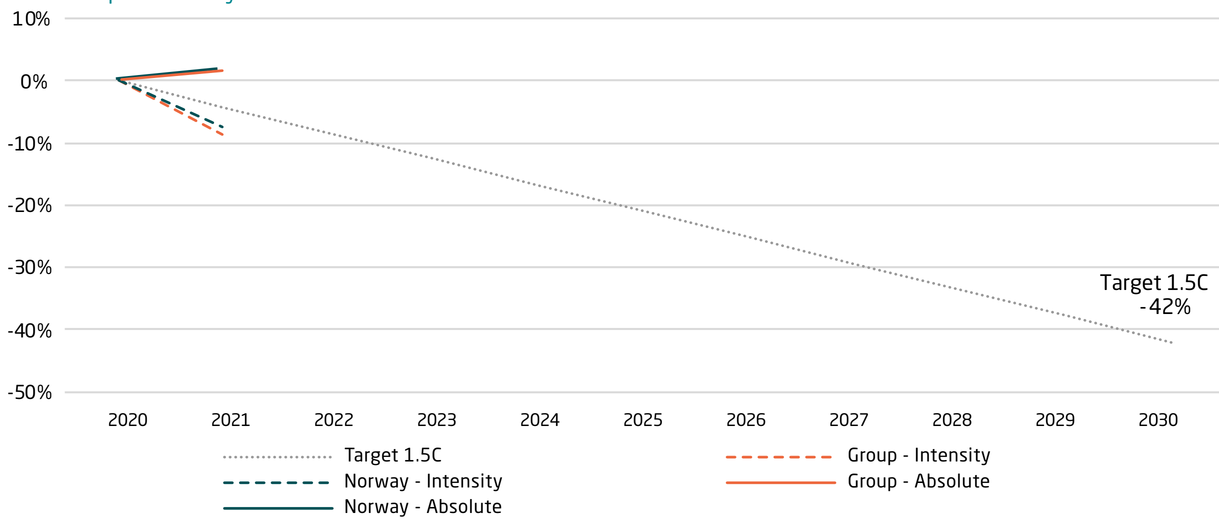
Reduction of greenhouse gas emissions scope 1+2 vs. target

Group and Norway




Reduction of greenhouse gas emissions scope 3 vs. target

Group and Norway



## Overview of energy and greenhouse gas emissions

SalMar's energy and climate balance sheet has been prepared by CEMAsys with assistance from BDO, and the analysis is based on the recognised GHG protocol[1] . Data is based on data reported from internal and external systems, where one uses different emission factors[2] for calculation of the greenhouse gas emissions.

SalMar consumed a total of 5,617,125 litres of fossil fuel (214 TJ) and 78,860 MWh of electricity (284 TJ) in Norway in 2021. In Norway, SalMar has agreements with its primary electricity provider, which guarantee that the power supplied comes from 100 per cent renewable sources, representing 73 MWh of the electricity consumed. In addition, waste heat and local power sources are used by several of our facilities in 2021 this accounted for 87,507 MWh of energy (315 TJ).

SalMar's operations in Iceland consumed 1,159,225 litres of fossil fuel (44 TJ) and 6,094 MWh of electricity (22 TJ) in 2021. All electricity in Iceland derives from geothermal sources. All the electricity used by SalMar's Icelandic operations is therefore from renewable sources. In addition, district heating from renewable energy sources was also used, this accounted for 96 MWh of energy (0.3 TJ) for 2021.

1 The analysis is based on the international standard "A Corporate Accounting and Reporting Standard", which is developed by "the Greenhouse Gas Protocol Initiative" - GHG protocol.

2 Sources emission factors: DEFRA, IEA, IMO, Ecoinvent and information from suppliers in the value chain. The reference list is not complete, but contains the most important references to factors used by CEMAsys. In addition a range of local/national sources is relevant, depending on which type of emission factor is used.

## Overview of Energy and Greenhouse Gas Emissions

| | | Group | | | | SalMar | | | | | | | | | Icelandic Salmon | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Target | Status vs. Target | 2021 | 2020 | 2019 | Status vs. Target | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | Status vs. Target | 2021 | 2020 | 2019 |
| **Energy consumption (TJ)** | | | | | | | | | | | | | | | | | | |
| Direct (scope 1) - Fossil fuels | | | 259 | 218 | 211 | | 214 | 198 | 188 | 198 | 182 | 195 | 173 | 161 | | 44 | 21 | 23 |
| Indirect (scope 2) - Electricity | | | 621 | 526 | 491 | | 599 | 508 | 478 | 477 | 454 | 154 | 159 | 164 | | 22 | 18 | 14 |
| Scope 1 + 2 | | | 880 | 744 | 703 | | 813 | 706 | 666 | 674 | 636 | 349 | 333 | 325 | | 67 | 39 | 37 |
| **Greenhouse gas emissions (GHG $tCO_2e$)** | | | | | | | | | | | | | | | | | | |
| Direct (scope 1) - Fossil fuels | 46% reduction from 2019 to 2030 | +23% | 17,489 | 14,712 | 14,168 | +14% | 14,440 | 13,309 | 12,619 | 13,276 | 12,158 | 13,621 | 12,350 | 11,471 | +97% | 3,050 | 1,403 | 1,549 |
| Indirect (scope 2) - Electricity[1] | | -3% | 2,445 | 2,998 | 2,522 | -3% | 2,445 | 2,998 | 2,522 | 2,897 | 3,019 | 2,399 | 2,835 | 4,137 | | 0 | 0 | 0 |
| Scope 1 + 2 | | +19% | 19,934 | 17,709 | 16,690 | +12% | 16,884 | 16,306 | 15,141 | 16,173 | 15,177 | 16,020 | 15,184 | 15,608 | +97% | 3,050 | 1,403 | 1,549 |
| Scope 3[2] | 42% reduction from 2020 to 2030 | +2% | 677,102 | 665,721 | 12,877 | +2% | 632,469 | 619,805 | 11,919 | 17,159 | 21,173 | 12,310 | 11,149 | 9,821 | -3% | 44,633 | 45,916 | 958 |
| Total (Scope 1+2+3) | | | 697,036 | 683,430 | 29,567 | | 649,353 | 636,111 | 27,060 | 33,332 | 36,350 | 28,330 | 26,333 | 25,429 | | 47,683 | 47,319 | 2,507 |
| **Intensity[3]** | | | | | | | | | | | | | | | | | | |
| Energy intensity (GJ/tonn produced) | | | 3.9 | 3.7 | 3.9 | | 3.9 | 3.8 | 4.0 | 4.0 | 3.9 | 2.7 | 2.1 | 2.0 | | 3.9 | 2.8 | 2.7 |
| Intensity – Scope 1+2 | 46% reduction from 2019 to 2030 | -3% | 89 | 88 | 92 | -9% | 81 | 87 | 90 | 96 | 92 | 122 | 98 | 97 | +59% | 179 | 103 | 113 |
| Intensity - Scope 3 | 42% reduction from 2020 to 2030 | -9% | 3,018 | 3,301 | 71 | -7% | 3,051 | 3,296 | 71 | 102 | 128 | 93 | 72 | 61 | -22% | 2,621 | 3,379 | 70 |
| Intensity - Scope 1+2+3 | | | 3,107 | 3,389 | 162 | | 3,132 | 3,382 | 161 | 197 | 220 | 215 | 169 | 158 | | 2,800 | 3,483 | 182 |

1 Location based for Norway, market based GHG emissions are 1,365 tonnes $CO_2e$ in 2021.
All electricity in Iceland is renewable and location based equals market based, 0 tonnes $CO_2e$.
2 Before 2020, only wellboat transport and business-related travel were reported under Scope 3, since these are areas over which SalMar had operational control.
With effect from 2020, fish feed, downstream transport, waste and packaging are also included.
3 All intensities are calculated with tonnes produced biomass, gross growth in sea. Per tonnes produced biomass from 2017. Before 2017 per tonne live weight.
GHG intensities are in $kgCO_2e$/tonn produced.

## We are electrifying the value chain

As part of our efforts to make the aquaculture sector more environment friendly, SalMar aims to be more energy efficient. Using electricity from onshore to power our sea farms and the electrification of the boats we use are among the areas we are actively working on. Electrifying our value chain will be the biggest contributor to a reduction in Scope 1 emissions.

In recent years, SalMar has been engaged in a project to lay power cables from onshore to several of our sea farms. A total of 31 sea farms have now been electrified in this way. In 2021, this represented 41 per cent of our active sea farms. Not only does electrification result in a significant reduction in diesel consumption, as well as fewer emissions to the environment, it also has an important occupational health impact through reduced noise from diesel generators.

Going forward, we will continue to connect additional barges to onshore electricity sources. At the same time, we will start using hybrid technology at sites located too far away from areas where this is feasible.

In 2016, SalMar started using the world's first fully electric aquaculture work boat. Named the Elfrida, the work boat is currently used at one of our sites in Møre & Romsdal County. In 2020, SalMar started using the world's first battery-hybrid wellboat, the RoVision.

While we will continue to put more electric and hybrid-propulsion boats into operation, we will also investigate alternative energy sources which can help to reduce our greenhouse gas emissions, e.g., hydrogen.

## We use local energy and water resources

As part of its energy-efficiency efforts, the Group prefers to use local water-borne energy resources. We always seek to exploit such resources at our facilities.

Follafoss, our largest hatchery, uses heat exchangers to exploit the energy from the wastewater produced by the cellulose plant located next door. Energy corresponding to around 20 million kWh is extracted in this way, which reduces SalMar's energy consumption. The hatchery's production water is obtained from the Follafoss Power Plant. A turbine has been installed in the supply pipe to the hatchery. As a result, up to 1.5 MW of electrical power is derived from the water supply before the water is used for fish production.

Our Kjørsvikbugen hatchery in Aure makes use of the water used to cool a methanol plant at Tjeldbergodden. Surplus heat from methanol production is used to heat SalMar's facility. This provides around 48 million kWH of energy per year.

Iceland has certain natural advantages deriving from geothermal energy sources. This is exploited by the hatcheries, which use geothermal heat exchangers to warm their intake water, thereby cutting their energy requirement.

## We make effective use of our fish feed

Fish feed accounts for 65 per cent of our Scope 3 emissions. To reduce our overall greenhouse gas emissions, it is therefore crucial to increase the efficiency of our feed consumption, use novel feed ingredients in our feed and reduce carbon footprint of the feed ingredients.

In 2021, SalMar reduced its carbon footprint from feed with 2 per cent compared with 2020. This is despite an increase in feed use and due to a lower carbon footprint of the feed used of almost 14 per cent. This showcases that focus on feed ingredients and their origin is vital to reduce the carbon footprint from feed.

SalMar is always ready to adopt innovative solutions across operations if deemed fit. We are currently involved in several innovative projects, for instance regarding use of local feed ingredients as an initiative to reduce the carbon footprint. In addition, we are working actively to continuously improve our feed conversion ratio. This contributes towards lowering farming emissions. See the section on sustainable feed earlier in this report for further details.

## We are cutting emissions by investing in local processing and new methods of transport

Local harvesting and processing is an important focus area for SalMar. The processing of salmon reduces both the weight and volume of the products to be transported, which cuts transport-related carbon emissions. By locating both harvesting and secondary processing in Norway, we are also contributing to local value creation and providing more employment opportunities.

In 2021, 44.7 per cent of our harvested volume was processed locally in Norway. This has reduced emissions by 52,000 tonnes $CO_2$e or 22 per cent, compared with the entire volume sent to markets as whole fish. The level of processing is greatest with respect to overseas markets, which is also where the greatest emission reductions are obtained.

Reduction in GHG emissions due to local processing

**52,000**
tonnes $CO_2$e

This clearly demonstrates that our focus on local secondary processing is an important factor in reducing greenhouse gas emissions. And we have expanded our local processing capacity in 2021. InnovaMar, our main harvesting and processing plant, is fully operational in Central Norway. The upgrading of our secondary processing plant Vikenco, in Møre & Romsdal County, was completed at the start of 2021, and InnovaNor, our new harvesting and processing plant in Northern Norway, came into operation at the end of 2021.

SalMar is also testing new methods of transport to the market. We are working on several new transport projects that combine various methods of transport. New partnerships are being developed, and in the next few years the company expects to realise projects involving a combination of sea, rail and road transport. We already have a dedicated cargo ship service from Central Norway to the continent, and we also started transporting our products by rail from Northern Norway.

In 2021 a new boat transportation route from Iceland to the east coast of the US started, reducing the carbon footprint of our products as they previously have been sent with air freight.

### We have conducted a study analysing the footprint of different farming technologies

At the end of 2021 SalMar together with experts from the R&D company Asplan Viak has conducted a life cycle assessment for the carbon footprint and energy requirement for different farming technologies. The study analysed:

- Open net pen production (Coastal)
- Offshore net pen production
- Closed net pen production (Coastal)
- Landbased production in recirculating aquaculture systems (RAS)

The study clearly demonstrates that open net pen and offshore production has lower carbon footprint compared to closed net pen and landbased production, before transportation to the end consumer. The reason for this is mainly due to the significantly lower energy requirement for open and offshore production technologies as these technologies do not need any form of energy required to pump water and produce oxygen.

In addition, the study has analysed the carbon footprint from production all the way to the end-consumer in markets reached by air freight, boat and trucks. The study clearly showcases that local processing and transportation is the key to reduce the carbon footprint if delivered with air freight. Transported as filets to the US market, fish produced in open or offshore net pen in Norway has a similar carbon footprint as fish produced locally in the US at a landbased facility run on American electricity mix, even though the fish from Norway has been sent with air transportation. In addition, the study clearly also demonstrates that salmon produced in open or offshore net pen has a lower carbon footprint delivered to the end consumer, when it is possible to deliver with either boat or trucks, regardless of if the closed or landbased production technology is operated only on green electricity.

SalMar is now analysing results from the study and will further evaluate any need for further research.

The study gives us further confidence to SalMar's strategic endeavours both coastal and offshore as salmon raised in its natural habitat in the ocean in open or offshore net pen technologies have a low carbon footprint and low energy requirement compared to other technologies. Both of these are important aspects for SalMar's strategic ambitions going forward.

### We are conducting a climate risk analysis and aim to include it in our reporting

In the end of 2021 and start of 2022 SalMar is conducting a climate risk analysis of all its operations across the value chain from roe to plate and accompanying suppliers to the value chain. Analysing how our operations may impact the climate and how the climate may impact our value chain and business.

The study analyses both threats and opportunities and addresses both physical and transitional risks with related financial impact from each of the risks and opportunities identified. So far the analysis has not identified climate-related matters that will substantially affect our assets, provisions or future cash-flow.

Work with the climate risk analysis is continuing in 2022 and SalMar aim to include results from the analysis in sustainability reporting going forward and align the reporting according to the Task Force on Climate-related Financial Disclosure (TCFD).

As part of our CDP reporting for climate change conducted in 2021, the report also addressed climate risks and our plans to address such risks. Please see the CDP report available from their website. SalMar also plans to submit their CDP response for climate change in 2022.

## Site Environment

Salmon thrive and grow best in their own natural habitat. At the same time, we have great respect for the fact that we use the local community's shared assets in our production. Coming generations must have the same opportunities as us to draw benefits from the sea, and SalMar has a duty to keep the sea in good condition. Our technology is therefore tailored to treat both the fish and the environment in a gentle fashion.

### We protect the seas

**88%**

88% of our operational sites in Norway achieved the score "very good" or "good"

The seabed beneath all our sites is inspected regularly to see whether/to what extent the surroundings have been affected by our operations. We are working continuously to find the optimal locations for our farms, so that we can realise our objective of having all our operational sites with a condition designated as "very good" or "good" (MOM-B score of < 2[1] ). In 2021, 88 per cent of our operational sites in Norway achieved this score, while 50 per cent of our sites in Iceland did so. All sites had a satisfactory MOM-B score prior to the transfer of new fish stocks.

In 2021, we have engaged in the relocation of certain sea farms, and we have established new ones. At the same time, we have continued working to develop methods to enable us to assess how to use our sites optimally.

Together with the Norwegian Seafood Federation (Sjømat Norge), other fish farmers and research institutions, SalMar monitors large areas to see whether fish farming operations are having a regional impact. The latest Risk Assessment of Norwegian Aquaculture published by the Institute of Marine Research[2] states that the risk of eutrophication deriving from emissions of nutrient salts is considered low in all production areas in Norway. The risk of environmental impact on the seabed as a result of particulate organic emissions from fish farms is considered low at sites with a soft seabed and moderate at sites with a mixed or hard seabed.

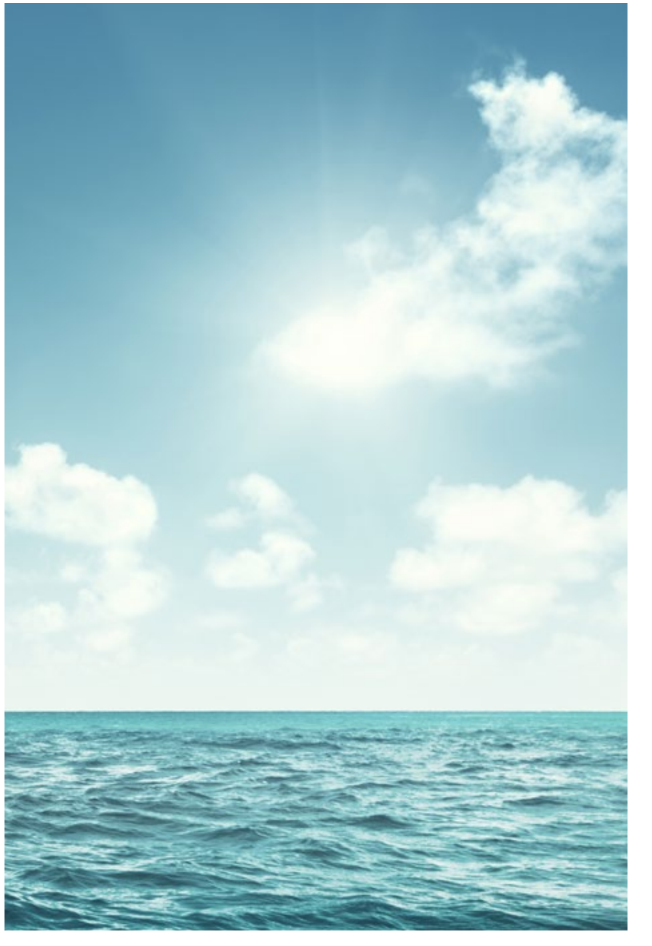
SalMar has also decided not to use copper impregnation on our net pens. The majority of net pens are already not impregnated with copper, and all new net pens will be copper-free.

In addition, all of our harvesting and processing facilities and onshore hatcheries comply with their discharge permits on excess wastewater which is treated before it is discharged to sea.

### We make use of new areas and new technologies

SalMar wishes to make use of the open ocean for food production. For this reason, we have developed the world's first offshore fish farm, in collaboration with partners in the aquaculture, offshore oil & gas industry, and relevant research establishments. In connection with our pilot project Ocean Farm 1, new and innovative equipment technology has been developed, which will benefit the entire aquaculture sector. Offshore fish farming moves the salmon out to its natural habitat, which lets us operate on the salmon's terms to a greater extent than today. See the separate section in the annual report for further details.

At the start of 2021, our first closed-containment production unit went into operation in Møre & Romsdal County. This is a new closed-containment unit, where water is pumped up from beneath the unit and is purified before being discharged back into the sea. This increases biosecurity and helps keep control of lice numbers inside the unit. The unit will be used for post-smolt production. The fish will grow from a standard smolt size to around 800–1,000g before being transferred to conventional open net pens. SalMar aims to obtain operating experience from this first unit, with the emphasis on both fish welfare and the environment, before deciding whether to build any more.



1 The MOM-B study complies with Norwegian Standard NS9410. We use active sites in 2020, where samples at peak production were taken. The condition is graded on a scale of 1 to 4.

2 Source: Risk Assessment of Norwegian Aquaculture, www.hi.no

## Fresh Water Consumption

Aquaculture generally has a low freshwater requirement compared with other types of food production. The fish live a large part of their lives in the sea and do not depend on supplies of fresh water. SalMar's freshwater consumption derives largely from its onshore hatcheries and its harvesting and processing plants.

### We use fresh water only from low-risk areas

In large parts of the world, access to fresh water is a challenge. SalMar uses fresh water only from areas where the risk of water shortages, or the risk of poor water quality, is low. The water risk map produced by the World Resource Institute[1] provides a good overview of the water risk in various areas. All the areas in which SalMar operates are defined as low risk, both in Norway and Iceland.

### We use new technology to reduce water consumption

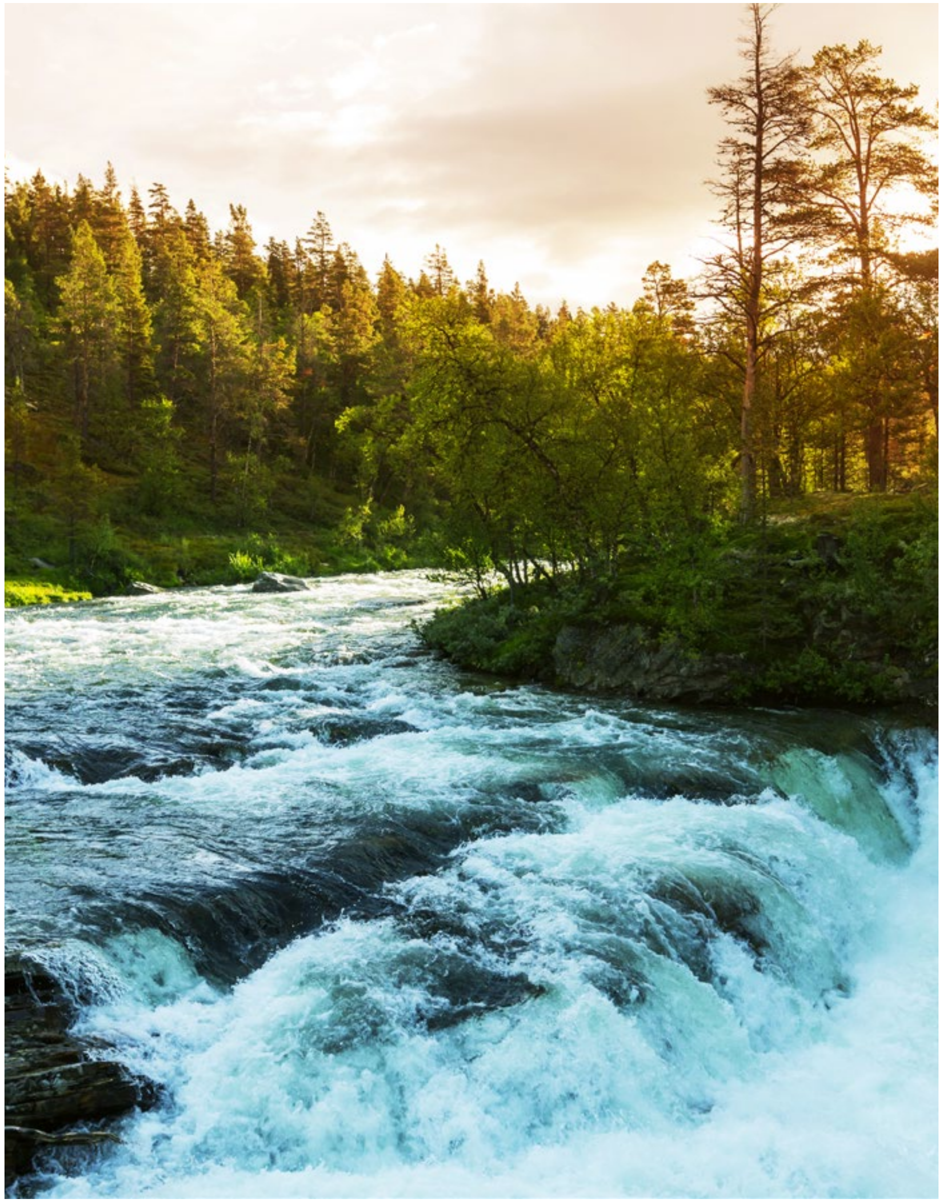
SalMar's consumption of fresh water relates largely to its onshore hatcheries. These facilities accounted for 97 per cent of freshwater consumption in 2021. The remaining consumption comes from our harvesting and processing activities.

In 2021 SalMar reduced its water consumption with 27% compared to 2020 in Norway and increased with only 1% on Iceland. The reduction in Norway is due to transition from use of flow through technology to recirculating aquaculture systems (RAS) technology in our onshore hatcheries.

The transition from flow through technology to facilities based on recirculating aquaculture systems (RAS) technology is an important part of our strategy to reduce the freshwater consumption used at our hatcheries. All our more recent hatcheries have been built using RAS technology, with 97 per cent of the production water being purified and reused. This means that an RAS facility with the capacity to produce around 15 million smolt uses as little water as a standard throughput facility capable of producing approx. 1 million smolt. Water consumption is 20 times less than it was previously. In 2021, around 89 per cent of the biomass transferred to sea farms in Norway had been raised in RAS facilities. Since all new capacity is built with this technology, water consumption per unit produced will continue to fall in the future.

**89%**

89% of the biomass transferred to sea farms in Norway were raised in RAS facilities in 2021



1 https://www.wri.org/aqueduct

## Waste Management

Waste is a resource which we must take care of, and which can be reused to make new products. All SalMar departments have a waste-management plan, which stipulates the receiving facilities approved for various types of waste. Packaging and used fish farming equipment, such as collars, nets and mooring devices are delivered to undertakings that reuse the materials.

### We help to reduce marine pollution

Pollution of the seas, and plastic pollution in particular, is a major environmental problem. SalMar recognises this and wishes to help reduce the amount of plastic waste polluting the oceans. We are therefore striving for further improvements in our own waste handling and reductions in any microplastic emissions from our operations, and are engaging in general clean-up efforts along the coast. SalMar is working on several initiatives to reduce the volume of its plastic waste:

- We ensure that obsolete plastic equipment is recycled by delivering it to established return schemes and collecting other waste for delivery to municipal waste handling systems.
- We contribute to more reuse and recycling, particularly of plastic materials. This is achieved by improving the material surrounding our end products and increasing our use of reusable boxes.
- We support measures that help to increase our knowledge of the presence and consequences of microplastics and nanoplastics in the sea.
- We contribute to beach cleaning/collection of plastic waste through funding, lending boats for use during clean-up operations, as well as participating ourselves.
- We work with the Norwegian Seafood Federation and other initiatives to reduce pollution of the seas, in particular by plastic waste.

### We exploit every part of the salmon

By-products (head, spine, offcuts) are exploited to the full. All offcuts from the production of fillets at SalMar's harvesting and processing facilities are sent for further processing, resulting in 100 per cent of the raw materials being utilised. From InnovaMar, the raw materials go directly to Nutrimar via a system of conveyor belts/pipes, which ensures a high degree of freshness and usable volume when processing this raw material. It also means that there is practically no need for input factors relating to its transport and handling. For more information about Nutrimar and its products, see www.nutrimar.no.

All fish that die during production are sent to companies that use them as ingredients in the feed industry.

### Utilisation of sludge as a resource

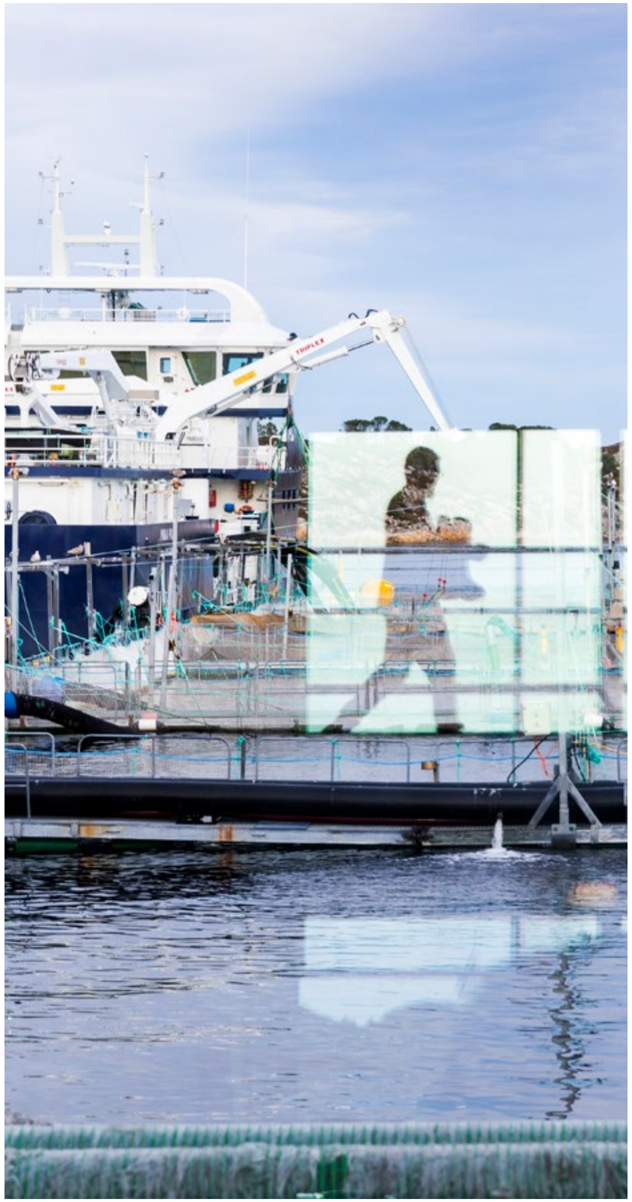
SalMar's hatcheries are required to treat their wastewater before its discharge and have established a variety of processes to utilise the resultant sludge as a resource.

At the Senja hatchery, an ultramodern drying facility has been installed. As a result, all the sludge produced by the facility is dried to a 95 per cent solid, which is then delivered to a third party for use in the production of soil improvement agents that can be found on sale in the retail sector.

At the Follafoss hatchery, the sludge is sedimented out to form an 18 per cent solid. The bulk of the sludge is used for biogas production. Some is still also delivered to a third party, which sanitises it by adding it to livestock manure. The resulting product is spread on fields as a soil improvement agent/fertiliser.

Early in 2022 a project has been initiated with SalMar and NIBIO[1] to explore possibilities to further utilize the potential of the nutrients in the discharge water and sludge from our smolt facilities, e.g., biogas production, fertilizer, salad production (aquaponics), etc.

1 www.nibio.no



## Research and Development

Norway's aquaculture industry has experienced fantastic growth and development. SalMar is an important contributor to the development of the industry and gives high priority to the advancement of knowledge within its areas of operation.

The company does this through close cooperation with the public authorities, educational and research establishments, and industry bodies. The extent of SalMar's R&D activities was substantial in 2021, within a wide range of fields. Through the year, SalMar continued to focus on fish welfare and lice control. Major R&D projects have been undertaken at our processing plant, while considerable emphasis has been placed on the optimisation of feeding and the control of feeding at our sea farms. As always, we remain committed to helping the industry gain as much sector-specific knowledge as possible and ensuring that it benefits the sector as a whole.

### We support research establishments and academia

SalMar's contacts with the NTNU have been growing in scope in recent years, which the company considers to be only natural. The NTNU's Taskforce Salmon Lice research programme was set up in 2020 partly at the initiative of SalMar. The taskforce is a collaborative effort between the NTNU and many aquaculture industry organisations. The objective is to take a broad look at the problems caused by salmon lice. The programme is well underway, and SalMar is participating actively in several of its sub-projects. The NTNU has created five doctoral research positions, with postgraduate and undergraduate students attached to each one.

SalMar is also in close contact with the University of Tromsø (UIT) and has signed a cooperation agreement involving the sharing of experience and the initiation of joint projects. One example is the work being done to establish an endowment professorship in the field of recirculating aquaculture systems (RAS) at the UIT. This is a cooperative venture involving several industry players. We are extremely keen to support the education of tomorrow's researchers and ensure that students gain a good insight into the aquaculture sector, so they can contribute to its further development.

In collaboration with the NTNU, SalMar ASA has endowed a professorship within the field of aquaculture cybernetics. The professorship is intended to promote cross-functional research linking the areas technical cybernetics, biology and aquaculture. It will act as a knowledge base for and link between the aquaculture industry and the academic world. In addition to SalMar, Kongsberg Maritime is an important partner in this effort. The professorship will also contribute to the recruitment of more students to the field of aquaculture, thus securing the industry's access to highly qualified technological expertise. This professorship will strengthen the NTNU's position as one of the world's leading universities for aquaculture and aquaculture technology.

### We actively use R&D licenses and have several green licenses

SalMar has been actively engaged in partnerships with R&D establishments for many years. This also includes collaboration on the operation of R&D licences. The scale and professionalism relating to important development tasks has increased and continues to increase. SalMar sees itself as a professional, but demanding partner, whose aim is to ensure that the results of all trials are as relevant as possible, and that plans and protocols take into account the practical realities of fish farming. SalMar has dedicated personnel who organise and assist research establishments in their efforts, at the same time as operational staff gain more and more experience in how best to safeguard research results under busy day-to-day operating conditions. Proximity to the research, with opportunities to influence both its planning and areas of focus are important sources of motivation for SalMar. The development of vaccines, optimisation of medication, feeding and nutrition, and technological issues relating to large-scale operations are examples of important areas for further research.

Following the Norwegian authorities' 2013/2014 round of licence allocations, SalMar has a total of 16 "green" licences. Eight of these are purchased "Green-B" licences and eight are "Green Converted" licences. The terms of the green licences set stricter limitations on the number of salmon lice and the number of medicinal delousing treatments, as well as a stronger focus on escape prevention. In connection with its green licences, SalMar has focused particularly on the use of cleaner fish, in the form of farmed lumpfish, to control sea lice levels, and the use of a more secure net pen construction. We have also emphasised participation in a salmon surveillance project in Trøndelag's salmon rivers, in order to assist in the development of methods and expertise related to the tracking and mapping of escaped farmed salmon in rivers. So far, experience from the operation of these sites has been good. A separate annual report is published detailing SalMar's experience and evaluating the operation of its green licences. This report is available on our website.

### We are working long-term to develop a more genetically robust strain of salmon

Genetics and the development of a more robust salmon is one important preventive measure to reduce biological risk. SalMar has its own breeding programme based on the Rauma Broodstock. We use no form of genetic engineering in our breeding programme.

SalMar's focus on breeding and genetics includes a collaboration with Benchmark Holding PLC's entity SalmoBreed through our co-ownership of SalMar Genetics. SalMar is pleased to see that this model has provided a solid foundation for the further development of the Rauma Broodstock in the years ahead. In this effort, we will be focusing intensely on the development of robust qualities, in addition to general resistance to disease and good growth. The change in focus and intensity of our efforts in this area is a natural consequence of the Group's desire to control the value chain and safeguard the continued development of our products and the long-term future of our business.

## We use new packaging solutions and reduce food waste

SalMar leads the way by focusing intently on reducing food waste through the development of better packing and packaging solutions. We participate in national and international projects to develop and implement new solutions for effective, quality-preserving production, packaging and distribution. This is all part of our efforts to boost sustainability by reducing environmental impacts caused by food waste, materials consumption and transport through the value chain.

We are focusing on the further development of packaging solutions, including a switch to new more environment-friendly materials, the reuse of materials and the addition of other desirable properties.

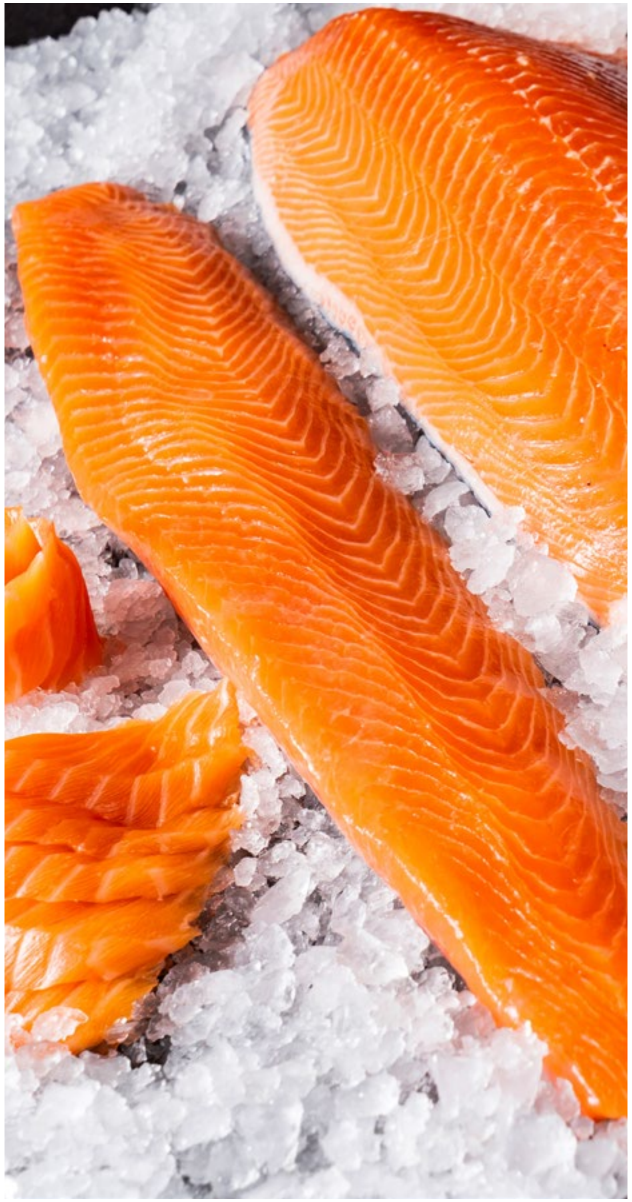
SalMar is working hard to increase the percentage of its products that are transported in reusable boxes. A large proportion of SalMar's pre-rigor finished products are already packed in such boxes. This affords savings in the form of a reduced need for ice and avoids having to discard polystyrene boxes. Boxes do not have lids and are part of a circular system that sees them returned from the customer, washed/disinfected and brought back to the plant ready for reuse.

With respect to a large part of our fillet production, we have stopped using ordinary ice and have switched to dry ice made from gas deriving from fertiliser production. Dispensing with water ice reduces the consignments' weight and volume, and thereby the emissions generated in connection with their transport.

We have started using plastic packaging for some of our finished products. By using a thinner plastic film, we have reduced our consumption of plastic by over 30 tonnes. We continue to work on the development of new and better packaging materials and technologies. We are focusing particularly on reusable boxes, ice-free shipments and packaging technology that provides complete bacteriological security.

We have initiated several projects to extend the shelf-life of our salmon products, through the use of new freezing technology, new packaging solutions, etc. This is important if we are to make use of new methods of transport to the markets, while maintaining the high quality of the product.

In 2021, we continued to increase our use of the Keep-It® shelf-life indicator on our products. This is an indicator that shows the temperature and the product's remaining shelf-life. This is a device that really focuses the attention of all links in the value chain (from the factory to the customer), thereby helping to increase the shelf-life of the product and reduce food waste. We are currently working on new projects that aim to visualise the quality of the product in the package, using new technological solutions. The objective is to be able to document additional quality attributes through simple technological solutions.



# *People & Society*

We who work at SalMar care about our colleagues, our partners and the local communities in which we operate. For us, it is important to behave as a responsible corporate citizen because we believe that this has a positive impact on our own operations and society at large.

With over 1,800 employees, SalMar is a major employer and an important member of society. This position gives rise to multiple responsibilities to people, society and industry. We take these social obligations extremely seriously. Ethical business practice is a key value for SalMar. We aim to operate in an honest, proper and trustworthy manner, and take pride in showing off what we do.

Sustainable development is about local value creation, knowledge development and the ability of people to live a good life. These aspects are fundamental to SalMar, as an employer, producer, supplier of healthy food, user of nature and the environment and manager of intellectual and financial capital.

Our position makes it important for us to affect our surroundings in a positive and sustainable way, while giving back where we can.

## Our KPIs

| | | | SalMar | | | Icelandic Salmon | | |
|---|---|---|---|---|---|---|---|---|
| | | Target | 2021 | 2020 | 2019 | 2021 | 2020 | 2019 |
| Employees | No. of full-time equivalents (FTE) | | 1,828 | 1 653 | 1 593 | 133 | 110 | 110 |
| | ASA | | 36 | 35 | 34 | | | |
| | Hatcheries | | 82 | 96 | 92 | | | |
| | Fish Farming | | 668 | 630 | 605 | | | |
| | Sales & Industry | | 1,041 | 893 | 862 | | | |
| | Female ratio | | 28% | 26% | 26% | 23% | 24% | 22% |
| | ASA | | 44% | 44% | 45% | | | |
| | Hatcheries | | 19% | 18% | 19% | | | |
| | Fish Farming | | 10% | 9% | 9% | | | |
| | Sales & Industry | | 39% | 38% | 38% | | | |
| Safety & sickness absence | No. of fatalities | 0 | 0 | 0 | 0 | 0 | 0 | |
| | LTI – own employees | 0 | 17 | 24 | 20 | 7 | 9 | |
| | LTI – subcontractors | 0 | 4 | | | 0 | | |
| | H-factor – own employees[1] | <6 | 5.9 | 9.1 | 7.7 | 5.5 | 7.8 | |
| | Sickness absence | < 4.5% | 6.1% | 5.3% | 5.3% | 4.1% | 4.3% | 4.1% |
| Regulatory compliance | No. of violations | 0 | 0 | 0 | 1[2] | 0 | 0 | 0 |
| | Fines (NOK million) | 0 | 0 | 0 | 1.2 | 0 | 0 | 0 |

1 SalMar in Norway reports H-factor as LTIs per million working hours, Icelandic Salmon reports H-factor as LTIs per 200,000 working hours
2 The violation related to a fish escape incident.

## The Workforce

Good employees, irrespective of gender, age or background, are crucial if we are to succeed in reaching our strategic goals. At the same time, it is important that we provide an attractive and safe working environment which makes it possible to attract and retain the most talented people.

### We have a diverse workforce

In 2021, SalMar employed a total of 1,960 full-time equivalents from 43 different countries. This is 197 full-time equivalents more than in 2020. The workforce was made up of 535 women and 1,425 men. The female ratio of the Executive Management is 20%.

SalMar works actively towards recruitment of women in what has traditionally been a male dominated industry. Our goal is to exhibit the vast opportunities for women in all parts of the industry. This is done by actively targeting potential future employees (in school, universities etc.) and having female representatives speak about SalMar as a workplace.

The female ratio of employees increased in all parts of our value chain as categorized in the table above. This shows that SalMar's continued efforts to increase the female ratio of its workforce is effective. The percentage of women is considerably higher at the Group's harvesting and processing facilities than at its hatcheries and fish farms. Therefore, the latter areas will be of particular focus in SalMar's future efforts.

In accordance with the activity duty set forth in Norwegian regulations to promote more equality and prevent discrimination SalMar for the first time in 2021 have disclosed its KPIs in relation to this reporting for employees in Norway. New KPIs include part-time employees, temporary employees, average number of weeks parental leave and average cash benefits, where all KPIs are divided between female and male.

Temporary and part-time employees constitute a smaller proportion of the total workforce in SalMar. Despite this, it is important to see if there are any involuntary part-time work for its employees. Together with labour union representatives SalMar regularly assess if there are employees who involuntary work part-time and in dialogue with the employees try to adapt the working situation.

Results for 2021 shows that average cash benefits in Norway are lower for females than for males. This is mostly due to the higher proportion of women within sales and industry and since the industry historically have had a higher ratio of men working in the industry. Therefore male representatives are overrepresented in managerial positions and for employees with longer seniority and together with the higher proportion of females in groups with lower seniority this explains the difference in average cash benefits. The remuneration policy in SalMar do not accept any form of discrimination of cash benefits provided to employees on the basis of gender and equality. See also our ethical guidelines later in the report.

Icelandic Salmon has been certified from BSI on that their remuneration policy promote equality and on average females earn 0.5% more than males in Icelandic Salmon.

Details of benefits to executive management and compensation according to the remuneration policy for 2021 will be presented in a separate remuneration report which will be presented at the annual general meeting in June 2022.

### Overview of employees, parental leave and average cash benefits in Norway

| | Female | Male | Female ratio | Total |
|---|---|---|---|---|
| Employees (FTE) | 505 | 1,323 | 28% | 1,828 |
| Part-time employees (FTE) | 11 | 12 | 49% | 23 |
| Temporary employees (FTE) | 34 | 82 | 30% | 116 |

| | Female | Male | Difference | Total |
|---|---|---|---|---|
| Average number of weeks parental leave | 16 | 9 | 7 | 12 |
| Average cash benefits[1] (KNOK) | 526 | 717 | -192 | 668 |

1 Cash benefits include all cash benefits paid to employees e.g. base salary, overtime, bonus and other cash remuneration. Any bonus from share based incentive programs are excluded.

## We have clear ethical guidelines

In its Code of Conduct, the Group makes its policy plain with respect to the promotion of diversity and equality. SalMar accepts no discrimination, abuse or harassment of our workers or partners, and we treat everyone with courtesy and respect no matter what their ethnicity, gender, national or social background, age, functional capacity, sexual orientation, religious faith, political convictions or other status. Respect for the individual is the cornerstone of the company's policy. Everyone shall be treated with dignity and respect and shall not be unfairly prevented from carrying out their duties and responsibilities. This attitude springs from acknowledgement that diversity contributes to a better working environment, greater adaptability and better results in the long term.

SalMar's Code of Conduct is available on our website.

## All employees can safely report wrongdoing

SalMar has a dedicated whistleblowing channel for both Norway and Iceland, through which all employees can report wrongdoing in the workplace. The whistleblowing channel is accessible via SalMar's intranet in both local language and English. The service is operated by the investigatory unit at BDO AS, and all employees are free to use it either anonymously or under their full names. The whistleblowing channel aims to be a contributor towards keeping all people accountable for their actions. It is encouraged for usage not only for matters regarding oneself, but also if we see others treated unfairly.

All employees are given training in the whistleblowing procedure and know that they are protected from reprisal if they do make a report. The whistleblowing procedure is also described in the management system that is available to all employees. All cases are handled in close collaboration with internal safety representatives and local unions.

In 2021, one whistleblowing report was recorded. This report, as well as all previous reports, was dealt with and closed in accordance with internal guidelines (Chap. 12.4 in the Code of Conduct).

## We empower our employees and encourage their active participation

If SalMar is going to develop and constantly forge ahead, it is vital that all employees contribute their views and suggestions for new ways of doing things. To facilitate this, the various departments hold regular planning and review meetings. Large parts of the Group make use of a scheduled meeting scheme, which focuses on individual action plans and close follow-up of the individual employee.

New recruits to SalMar receive HSE training through induction courses, operational seminars, the SalMar School and the Arnarlax Academy. Annual refresher courses are also held on important HSE topics and our Code of Conduct.

The SalMar School and Arnarlax Academy are our arenas for developing individual competence and our corporate culture. In addition to operational issues, these arenas also address matters relating to corporate culture and leadership and involve both managers and employees in the process of creating the world's best aquaculture company. Underpinning all our activities in this area, are our shared management principles and tenets – which enable us to develop even more SalMarians.

The level of risk associated with the work being performed every single day at SalMar means that training and having the right competence is vital. Training is provided internally and in the form of external courses. Day-to-day follow-up and on-the-job learning are, nevertheless, the most important sources for individual competence improvement.

SalMar is conscious of its role in helping to train skilled workers and employs numerous apprentices. We collaborate with "blue" courses of study at both upper secondary and university college level. In Norway, these include schemes such as Ungt Entreprenørskap, Blått Kompetansesenter and the Norwegian University of Science and Technology (NTNU), while in Iceland we collaborate with the Fisktekniskolí.

Furthermore, SalMar conducts periodic development discussions (at least once a year) with its employees. This is common practice in most businesses, and SalMar considers this to be vital both in developing happy, high-performing employees and in giving the employees a familiar arena where open and honest dialogue with senior management is encouraged.

## Incentive schemes for senior executives are linked to our sustainability KPIs

SalMar has a performance-based bonus scheme for its senior executives, based largely on the achievement of the Group's sustainability KPIs. Different individuals are measured against different KPIs, depending on where in the organisation they work and what their responsibilities are. This applies from members of Group Management down to fish farm technicians.

For example, each individual sea farm has clear KPIs linked to fish welfare, with both survival rate and feed factor being included in the assessment of the performance-based bonus.

## We provide a safe and secure workplace

Working at SalMar shall be safe. We work systematically with risk management and training to protect our workforce.

In 2021, a total of 17 Lost Time Injuries (LTI) were recorded in Norway and 7 in Iceland. This is an improvement from 2020 and showcase that the systematic efforts and focus provides results. As a result of the lower number of incidents, the H-factor has also decreased[1], and is below our target at 6. SalMar will in 2022 evaluate to reduce the target for H-factor at a lower level.

For the first time, SalMar is this year reporting LTIs for subcontractors as a step towards full transparency and accountability throughout the value chain. There were 4 LTIs at SalMar's subcontractors in Norway in 2021, and they originate to a incident at a service vessel and 3 incidents at the construction site of our new smolt facility in Northern Norway. In Iceland there were no incidents.

SalMar continuously strives for best practice to limit work-related injuries. Continued focus on our internal industrial safety capability is important to further reduce the number of personal injuries in 2022. All parts of the Group have an industrial safety representative, and two industrial safety inspections are carried out in each department every year. In 2021, these inspections uncovered important areas for improvement to further reinforce workplace safety.

All serious personnel injuries are investigated to prevent similar incidents occurring in the future. In collaboration with DNV GL, our central technical staff department have developed company-specific tools to enable it to investigate such incidents. Nevertheless, prevention remains the most important factor. At SalMar, we place great emphasis on ensuring that hazardous operations are well planned. Operational plans are drawn up before any work commences and associated safe work analyses (SWA) are performed for those taking part. The mapping of our overall risk picture is the most effective measure we can implement to reduce the probability of injuries occurring. Day to day, internal procedures, instructions and checklists are all drawn up on the basis the risk analyses performed.

1 SalMar in Norway reports H-factor as LTIs per million working hours, Icelandic Salmon reports H-factor as LTIs per 200,000 working hours

HSE performance is followed up systematically through targets and action plans. Based on overarching targets, each individual division and department has defined its own local sub-targets. Management has an obligation to monitor performance and evaluate progress, as well as the need for new measures and focus areas. Safety is followed up through systematic weekly and monthly reviews by SalMar's management teams. Lessons learned and improvements are shared across all departments by means of quality-assured reports. All employees are covered by a company health service in the vicinity of their workplace. The Group ensures that everyone receives the training necessary to perform their tasks.

The Working Environment Committee also plays a key role in our HSE activities. The committee comprises selected management representatives along with nominated employees. The committee reports to the Group's governing bodies and the employees' union organisations.

SalMar complies with national regulations also with regards to working hours and sufficient rest. This is paramount to maintain SalMar's strict demands for safe operations.

### We are working actively to reduce the sickness absence rate

The sickness absence rate continued to be an area of intense focus in 2021, a year when Covid-19 still created a great deal of uncertainty about how it might develop. We are very pleased to note that the sickness absence rate in 2021 improved for Icelandic Salmon and that they reached the company goal of below 4.5 per cent. SalMar, however, saw an increase in the sickness absent rate and ended at 6.1 per cent. This was largely Covid-related as strict quarantine rules and a high infection number in our Group brought many sickness-related absence days in early 2021. Bringing the overall sickness absence rate down towards our company goal will be a focus area for 2022. Short-term absence in Norway came to 2.6 per cent in 2021, up from 2.2 per cent in 2020.

The sickness absence rate is slightly higher in SalMar's harvesting and processing operations. For this reason, the Group is working systematically to reduce sickness absence in this part of the value chain.

## Society

SalMar has a global supply chain both upstream and downstream, and therefore have a responsibility to ensure and promote human rights in all our activities, both direct and indirect. SalMar endorses wholeheartedly the principles set out in the Universal Declaration of Human Rights. All aspects are considered closely, and the most relevant for our operations (direct and indirect), e.g., protection against discrimination and the right to form a labour union, are included in the Group's Code of Conduct and several other governing documents.

SalMar intends to comply fully with the Transparency Act put forth by the Norwegian Government that is planned to go into effect from Q3 2022. This is a strong initiative regarding business transparency and work on human rights aspects.

To continuously ensure that human rights standards are upheld throughout the value chain, SalMar also conducts systematic and random audits of subcontractors.

SalMar has a presence in local communities along the Norwegian coast and is attentive to developments in villages and local districts. At the close of 2021, we had operations along the entire coast of Central Norway, Northern Norway and the Westfjords region of Iceland. It is important for our employees that the local communities in which they live have the necessary infrastructures and opportunities for leisure activities. For SalMar, it is crucial that the Group is able to operate at locations offering good growing conditions for our fish stocks. It is also important for SalMar to participate in local arenas for the exchange of views and information, and to take part in planning processes.

Salmon farming is still considered a "young" industry, and it is important to ensure that local decision-makers and other local residents are informed about our operations and plans for development. Through active participation in business associations and the public debate, SalMar contributes to important sustainable development processes in Norway and Iceland.

### We support and sponsor the local communities in which we operate

To give something tangible back to the local communities in which the Group operates, SalMar supports several local sports teams and voluntary associations through the SalMar Fund. Overall, the fund gives priority to sporting and cultural initiatives, particularly those involving children and young people.

SalMar also supports several national charities and campaigns, such as the Norwegian Cancer Society and WWF's efforts to combat ocean plastic.

In 2021, SalMar continued its collaboration with the Norwegian Labour and Welfare Administration (NAV) to recruit people with shorter résumés to jobs at the InnovaMar harvesting and secondary processing plant in Frøya.

In 2013, SalMar became a sponsor of the football club Rosenborg Ballklubb (RBK). This partnership continued in 2021 and will remain in effect in 2022. In addition to profiling SalMar, the partnership includes a separate programme for children and teenagers, and the development of grassroots football clubs in Trøndelag. RBK has highlighted the partnership through the SalMar Sports Ground and the SalMar Academy. The objective is to help transfer competence from Rosenborg to grassroots clubs in Trøndelag County in the form of engaging training sessions to promote player and trainer development.

In collaboration with the NTNU, SalMar ASA has endowed a professorship within the field of aquaculture cybernetics. The professorship is intended to promote cross-functional research linking the areas technical cybernetics, biology and aquaculture. It will act as a knowledge base for and link between the aquaculture industry and the academic world. The professorship will also contribute to the recruitment of more students to the field of aquaculture, thus securing the industry's access to highly qualified technological expertise. This professorship will strengthen the NTNU's position as one of the world's leading universities for aquaculture and aquaculture technology.

## We operate visitor centres so our stakeholders can learn more about aquaculture

In the autumn of 2017, a new aquaculture visitor centre, the SalMar Salmon Centre, opened in Finnsnes/Lysnes in Northern Norway. SalMar wishes to increase the public knowledge about the aquaculture industry and the target audience includes local people, tourists, schoolchildren and members of the business community. Through exciting experiences on shore and at sea, the public will gain greater insight into a modern and sustainable industry. A visit to the SalMar Salmon Centre includes an interactive exhibition about fish farming in Norway, and visitors can see the high-tech solutions used to remotely feed the salmon. In addition, the centre features an ultra-modern kitchen where visitors can learn how easy it is to prepare delicious salmon meals. Visitors also have the opportunity to take a trip out to a sea farm, to see with their own eyes how and where the salmon live.

Through the acquisition of controlling ownershare in Refsnes Laks AS and Nekton Havbruk AS in 2021, two additional aquaculture visitor centers have been included in the SalMar group. The visitor centre from Refsnes Laks is located in Trondheim and the visitor centre from Nekton is located on the Smøla archipelago.

In addition, at the end of 2021 SalMar was awarded approval for a new visitor center in Molde in Møre and Romsdal county. The visitor centre will be located in the city centre of Molde and in 2022 work will commence to put the centre into operation.

## We ensure safe road transport

At certain times every winter in Norway and Iceland, the weather makes the roads impassable, and we experience hazardous situations due to heavy goods vehicles without the proper tyres/chains. SalMar cares deeply that the products we make and deliver from our facilities should be safe for the consumer. This applies not only to food safety but also to transport. We have therefore introduced control measures and routines.

As a buyer of transport services, SalMar demands that its suppliers meet certain standards. To haul salmon from our production facilities and harvesting plants, or from the facilities we work with, the transport services provider must sign a declaration stating that they know and comply with the Norwegian Public Roads Administration's technical requirements for vehicles in Norway. They also undertake to familiarise themselves with the prevailing driving conditions on the roads they will be using.

Together with the Norwegian Public Roads Administration, transport buyers and other partners, SalMar is a participant in the "Safe Trailer" project. This project is intended to help equip heavy vehicles to cope better with winter driving conditions in Norway and will lead to increased safety for everyone who uses our road network. Specifically, the project involves Norwegian Public Roads Administration staff teaching our employees how to check that tyres and chains are in order, as well as providing useful information material to the company's employees and drivers.

In addition, our staff assess whether a trailer seems to be in a technically acceptable condition and whether the driver is "competent" to drive it. In the event of any non-conformance, necessary measures are implemented. All this to ensure safer transport.

## Our financing is linked to our sustainability endeavours

At the start of 2021, SalMar refinanced its credit facilities. This includes a sustainability linked credit facility, with four sustainability KPIs included in the determination of interest margin. SalMar gets a lower margin if we succeed and a higher margin if we fail to achieve the targets for the KPIs. The four KPIs included are all ones which move the Group in an even more sustainable direction.

- Survival rate
- Economic feed factor
- Secondary processing rate
- Greenhouse gas emission intensity in Scopes 1+2

In addition, SalMar issued a green bond at the start of 2021, with the funds raised being used in accordance with the published green framework. The green bond's funds will be invested solely in areas that will contribute to the more sustainable development of the company and the industry at large. See SalMar's website for further details.

## We comply with the regulations

The aquaculture industry is strictly regulated, and companies must comply with applicable laws and regulations. Here we report the number of regulatory violations that have resulted in fines. This includes all violations relating to products and food safety, environmental and social regulations that resulted in monetary fines.

In 2021, SalMar remained fully in compliance with statutory regulations, both in Norway and Iceland.

Please see Note 4.8 to the annual financial statements for information concerning allegations of price fixing.

# CORPORATE GOVERNANCE

# *Corporate Governance at SalMar ASA*

SalMar ASA aims to maintain a high standard of corporate governance. Good corporate governance strengthens public confidence in the company and contributes to long-term value creation by regulating the reciprocal roles and responsibilities of shareholders, the Board of Directors and the company's management, over and above that which is provided in laws and other regulations.

Corporate governance at SalMar shall be based on the following main principles:

- All shareholders shall be treated equally.
- SalMar shall maintain open, relevant and reliable communications with its stakeholders, including shareholders, public authorities and the general public, on matters relating to its business.
- SalMar's Board of Directors shall be autonomous and independent of company management.
- A majority of board members shall be independent of the company's majority shareholder.
- SalMar shall have a clear allocation of roles and responsibilities between shareholders, the Board and management.

## 1. Corporate Governance

### Compliance and regulations

SalMar's Board of Directors have overall responsibility for ensuring that the company has adequate corporate governance. The company's Board and management perform a thorough annual assessment of its principles for corporate governance.

SalMar is a Norwegian public limited company listed on the Oslo Stock Exchange. The company is subject to section 3-3b of the Norwegian Accounting Act, pursuant to which the company must annually disclose its principles and practices with respect to corporate governance. In addition, the company is subject to the Oslo Stock Exchange's requirements for an annual statement of its principles and practices with respect to corporate governance. This disclosure shall cover each chapter in the prevailing Norwegian Code of Practice for Corporate Governance (code of practice) issued by the Norwegian Corporate Governance Board (NUES). The Oslo Stock Exchange's Continuing Obligations provide an overview of the information that must be included in the disclosure. The Norwegian Accounting Act is available from www.lovdata.no, while the Continuing Obligations are available from www.oslobors.no.

SalMar complies with the current Code of Practice for Corporate Governance, published 14 October 2021. The code of practice may be found at www.nues.no.

Application of the code of practice is based on the 'comply or explain' principle, which means that the company must provide an explanation if it elects an approach different to that recommended in the code of practice.

SalMar issues a comprehensive statement of its principles for corporate governance in its annual report, and this information is also available from www.salmar.no. This present statement describes how SalMar has conducted itself with respect to the code of practice in 2021.

*Deviations from the code of practice:* Reference is made to item 6 and 8.

## 2. Business and Purpose

SalMar is one of the world's largest producers of farmed salmon. As at 31 December 2021, the company owned licences for marine production of 107,789 tonnes MAB Atlantic salmon in Norway. This includes 3 time-limited demonstration licences covering 780 tonnes MAB each. In addition, the company has 8 development licences. SalMar has substantial secondary processing and sales activities in Frøya at InnovaMar, Senja at InnovaNor and Aukra at Vikenco, as well as five sales offices in Asia.

In 2021 SalMar entered into a strategic partnership with Aker, establishing SalMar Aker Ocean. The company has ambition to become a global offshore aquaculture company with an ambition of 150,000 tonnes within 2030.

At the end of 2021, SalMar owned 51.02 per cent of the Icelandic aquaculture company Icelandic Salmon, which harvested around 11,500 tonnes of salmon in 2021.

SalMar owns 50 per cent of Norskott Havbruk AS, which in turn owns 100 per cent of Scottish Sea Farms Ltd, the UK's second largest producer of salmon, with an annual capacity of around 50,000 tonnes of harvested fish following the acquisition of Grieg Seafood Hjaltland UK Ltd. in 2021.

SalMar ASA's objectives are defined in Article 2 of its articles of association:

> *"The objective of the company is fish farming, the processing and trading of all types of fish and shellfish, and other financial activities related thereto. The company may, in accordance with directives from the relevant authorities, undertake general investment activities, including participation in other companies with similar or related objectives."*

SalMar's Board of Directors has drawn up clear objectives and strategies for the Group to secure optimal value creation for its shareholders and other stakeholders. Each business area has developed its own goals in line with these, and strategic priorities have been defined. Within the framework of the above article, SalMar is currently engaged in broodstock and smolt production, marine-phase farming, harvesting, processing and sale of farmed salmon. The Board also defines risk and sustainability profiles for the Group and ensures that these support value creation for its shareholders, and the board evaluates the risk profile annually.

The company's objectives and main strategies are further discussed in the annual report and can be found on the company's website www.salmar.no.

## Corporate values, code of conduct and social responsibility

SalMar's corporate culture is based on the success factors that have underpinned its development since its establishment in 1991. Although this culture is affected by both internal and external framework conditions, it is firmly embedded in certain overarching principles, such as sustainability, equality, quality, care for the environment, focus on work tasks and continuous improvement.

Underpinning all of SalMar's actions and business operations is its vision: "Passion for Salmon". This means that all choices relating to the company's production shall be made on the basis of our passion for salmon. Salmon shall be produced on its own terms. SalMar considers that the best biological results will provide the basis for the best financial results, and will safeguard SalMar's position as the world's most cost-effective salmon producer.

SalMar has two main principles: minimizing our environmental impact in the areas we operate, and to maximize value creation from the fish we produce. One of our most important tenets is "sustainability in everything we do". Sustainable food production is an issue that has gained increased significance and focus. SalMar is engaged in a number of initiatives which will help make our already sustainable food production even more sustainable. See our latest sustainability report for further details.

SalMar has a set of tenets that describe desired behaviours and a shared understanding of how employees should behave. Through the SalMar School and day-to-day exposure to SalMar's corporate and performance culture, all employees are given encouragement and opportunities for development. For more information on the SalMar culture, please see the annual report and the company's website www.salmar.no.

SalMar has drawn up a code of conduct and social responsibility, whose purpose is to safeguard and develop the company's values, create a healthy corporate culture and uphold the company's integrity. The code of conduct is also meant to be a tool for self-assessment and for the further development of the company's identity. All employees of the company are bound to comply with the ethical guidelines laid down in the code of conduct. The reporting of any wrongdoing or other causes for concern is covered by specific procedures, which also allow employees to report anonymously through an external channel. The code of conduct is available from the company's website www.salmar.no.

SalMar has a presence in many local communities. The Group is therefore extremely aware of the diverse nature of its social responsibilities: as an employer, an industrial processor, a producer of healthy food, as a custodian of financial and intellectual capital, and – not least- as a user of the natural environment. Increased biological control is one of the company's most important focus areas, and is a material prerequisite for long-term success. The company is, among other things, working actively to safeguard fish welfare and prevent salmon from escaping.

One of the company's most important tenets is 'We care'. This permeates the SalMar culture, and ensures a high degree of awareness among employees, both internally and externally, in the areas in which the company operates.

*Deviations from the code of practice:* None

## 3. Equity and Dividend

### Equity

As of 31 December 2021, the company's equity totalled NOK 15,483 million, which corresponds to an equity ratio of 55.1 per cent. The Board considers SalMar's capital structure to be adequate in relation to the company's objectives, strategy and risk profile.

### Dividend policy

SalMar intends to provide shareholders with a competitive return on invested capital by creating value for shareholders in the form of dividends and share price appreciation over time.

SalMar's dividend policy takes as its starting point that the company shall at all times have a robust balance sheet and a liquidity reserve that is sufficient to meet future obligations.

The company has established long-term financial targets linked to gearing: NIBD[1] in relation to EBITDA in the interval 1.0–2.5. Provided that the company is within these limits, and taking account of future investments, the intention is to pay out surplus liquidity in the form of a dividend or the buyback of treasury shares. Provided the Annual General Meeting (AGM) approves, the aim is to make annual payments of dividend. The company will also consider the buyback of treasury shares within the authorisation limits granted to the Board by the AGM.

For the 2021 financial year, the Board proposes payment of a dividend corresponding to NOK 20.00 per share. This proposal is based on the company's established dividend policy, as well as the Board's assessment, which emphasises that SalMar in 2021 has demonstrated its capacity to adapt to changing market conditions, delivering strong operational and biological results and maintaining a solid and robust financial position.

1 NIBD includes liabilities in accordance with IFRS 16 and EBITDA is without fair value adjustment

### Board authorisations

Authorisations granted to the Board are normally time limited, and are valid only up until the next AGM and no later than 30 June the following year.

The AGM of 8 June 2021 granted the Board four authorisations: to increase SalMar's share capital, to issue convertible loans, to buy back SalMar's own (treasury) shares and to acquire own shares in the market with subsequent cancellation. These were extensions of authorisations granted by the AGM in 2020 and EGM 2020. In line with the Norwegian Code of Practice for Corporate Governance, each of the authorisations was considered separately.

The authorisation for the Board to increase the company's share capital was limited to NOK 2,832,000, through the issue of up to 11,328,000 shares to finance investments and the acquisition of businesses through cash issues and contributions in kind. At the date of the offer document, 4,500,000 new shares have been issued upon completion of a private placement of shares on 8 June 2021.

The second authorisation allows the Board to issue convertible loans for up to NOK 2,000,000,000 for the purpose of enabling SalMar, at short notice, to use such financial instruments as part of its overall financing requirement. In connection with the conversion of loans raised pursuant to this authorisation, SalMar's share capital may be increased by up to NOK 2,832,000, though with account taken of any capital increases undertaken pursuant to the authorisation to increase SalMar's share capital, such that the total capital increase for both authorisations combined may not exceed 10 per cent of the share capital. It follows from the purpose of the authorisations that the Board may need to waive existing shareholders' preference rights.

The third authorisation allows the Board to acquire up to 11,095,929 treasury shares with an aggregate par value of up to an aggregate of NOK 2,773,982.25 at a price per share of no less than NOK 1 and no more than NOK 900.

Finally, the Board was granted an authorisation to acquire own shares for subsequent cancellation, cf. the Public Limited Liability Companies Act Section 9 4, for up to 5,154,315 shares with an aggregate par value of NOK 1,288,578.75. The rationale for the Board's proposal was that such arrangement would amongst other things give the Board an extended possibility to utilise mechanisms for distribution of capital to SalMar's shareholders and to facilitate an adequate capital structure of SalMar. The amount payable per share could be in the range between NOK 1 and NOK 900 per SalMar Share. Exercise of such authorisation was made subject to principles of equal treatment of shareholders. To ensure that SalMar's majority owner's, Kverva Industrier AS, proportionate shareholding remained equal it was set in place an arrangement whereby any shares acquired in the market would be cancelled through a subsequent share capital decrease and that a corresponding part of Kverva Industrier AS' shares would be redeemed.

All board authorisations are valid up until the next AGM, which will be held on 8 June 2022.

In an extraordinary meeting on 14 March 2022, the general meeting granted the Board an additional authorisation to increase the Company's share capital up to NOK 4,501,968.25, through the issue of up to 18,007,873 shares in connection with the completion of the voluntary offer to acquire all outstanding shares in NTS ASA. The authorisation is valid until the Annual General Meeting in 2023, however no longer than until 30 June 2023.

*Deviations from the code of practice:* None

## 4. Non-Discrimination of Shareholders and Transactions With Closely Related Parties

As of 31 December 2021, SalMar ASA owned 102,361 treasury shares, which accounts for 0.09 per cent of the company's registered share capital. Transactions involving treasury shares are undertaken on the stock exchange or otherwise at the listed price.

In the event of not immaterial transactions with related parties, the company shall make use of valuations and assessments provided by an independent third party.

In the event of capital increases based on an authorisation issued by a general meeting of shareholders, where the existing shareholders' rights are waived, the reason for this will be provided in a public announcement in connection with the capital increase as it was done on the successful private placement that took place 8 June 2021.

SalMar's code of conduct and regulations regarding insider trading set out what is required of employees with respect to loyalty, conflicts of interest, confidentiality and guidelines for trading in the company's shares. The code of conduct states that all employees must notify the Board if they, directly or indirectly, have a material interest in any agreement entered into by the company. Board members also have a duty to comply with the company's code of conduct.

SalMar's CEO Gustav Witzøe is the company's founder. He indirectly owns 93.02 per cent of Kverva AS, which, through Kverva Industrier AS, owns 50.88 per cent of the shares in SalMar ASA. Witzøe is a member of the board of Kverva AS. The instructions regulating the Audit and Risk Committee contain a point relating to monitoring of the company's routines and follow-up of transactions between related parties.

Transactions with related parties are discussed in Note 4.7 to the 2021 consolidated financial statements.

*Deviations from the code of practice:* None

## 5. Free Transferability

SalMar has only one class of shares and all shares have equal rights. Each share has a face value of NOK 0.25 and carries one vote.

The company's shares are freely transferable on the Oslo Stock Exchange, and its articles of association do not contain any restrictions on the right to own, trade or vote for shares in the company, as long as the regulations governing insider trading are complied with.

*Deviations from the code of practice:* None

## 6. General Meeting of Shareholders

The company's highest decision-making body is the General Meeting of Shareholders.

General meetings are open to participation by all shareholders. Pursuant to Article 7 of the company's articles of association, the Annual General Meeting must be held by the end of June each year in Oslo, Trondheim or Kverva in the municipality of Frøya.

The 2022 AGM will be held on 8 June 2022 at the company's head office in Frøya.

An invitation to attend the AGM or an EGM will be issued no later than 21 days prior to the date of the meeting.

In accordance with the company's articles of association, documents relating to matters to be addressed at a general meeting of shareholders may be made available on SalMar ASA's website. The same applies to documents which by law must be included in or attached to the invitation to attend the general meeting. If the documents are made available in this way, the statutory requirement with respect to distribution to shareholders is not applicable. A shareholder may nevertheless ask to be sent documents relating to matters to be discussed at a general meeting by post. Case documents must contain all the documentation necessary to enable shareholders to take a standpoint on all matters to be addressed. Pursuant to section 5-11 of the Public Limited Companies Act, shareholders are also entitled to table their own items for consideration by the general meeting.

The deadline for notification of shareholders' intention to attend a general meeting is stipulated by the Board of Directors in the invitation thereto, no less than five days prior to the date of the meeting. Shareholders may send notification of their attendance, using the form provided, by post or email to the company's account manager Nordea Bank Norge AS, or via the company's website www.salmar.no.

Shareholders are entitled to make proposals and cast their votes either in person or through a proxy, including a proxy appointed by the company. The proxy form also enables shareholders to grant a proxy vote for each individual agenda item and in connection with the election of each board member.

Shareholders are entitled to cast their votes on each individual item on the agenda, including each individual Director nominated to the Board or members for the Nomination Committee.

The Board determines the agenda for the meeting, and the main issues to be dealt with by the AGM are regulated by Article 9 of the company's articles of association and section 5-6 of the Public Limited Companies Act.

The Board Chair and the company's auditor will be represented at general meetings, which will normally be chaired by the Board Chair. Other members of the Board of Directors and members of the Nomination Committee may in addition be represented at general meetings. The present Board Chair, Leif Inge Nordhammer, is a member of the board of Kverva AS, SalMar's majority shareholder through its ownership in Kverva Industrier AS. Nevertheless, SalMar considers its Board Chair to be best suited to chair general meetings. In the event of any disagreement on individual agenda items where the Board Chair belongs to one of the factions, or for some other reason is not deemed to be impartial, a different person will be selected to chair the meeting in order to ensure independence with respect to the matters concerned.

The company will publish the minutes of general meetings of shareholders in accordance with stock exchange regulations.

*Deviations from the code of practice:* It is considered from time to time whether the entire Board of Directors and the Chair of the Nomination Committee will be present at the general meetings.

## 7. Nomination Committee

Article 8 of the company's articles of association stipulates that the Nomination Committee shall comprise a total of three people, who shall be shareholders or shareholders' representatives. The Nomination Committee's composition shall be such that the interests of shareholders as a community are upheld, and the majority of committee members shall be independent of management and the Board. The members of the Nomination Committee, including its chair, are elected by the AGM for a term of two years. Members may be re-elected. To ensure continuity, members' terms of office shall not coincide. The remuneration payable to members of the Nomination Committee is determined by the AGM. A set of regulations governing the work of the Nomination Committee was adopted at the board meeting of 21. March 2007 and updated at the AGM in 2014.

As of 31 December 2021, the Nomination Committee comprise of the following:

- Bjørn Wiggen, Chair (up for election in 2021)
- Endre Kolbjørnsen (up for election in 2022)
- Karianne O. Tung

The Nomination Committee shall make a recommendation to the AGM with respect to candidates for election to the Board of Directors and Nomination Committee, as well as propose the remuneration payable to the members of the Board and the Nomination Committee. In its work, the Nomination Committee shall take into consideration relevant statutory requirements with respect to the composition of the company's governing bodies, as well as principles for corporate governance laid down in the Norwegian Code of Practice for Corporate Governance drawn up by NUES. Proposals for members of the Board and Nomination Committee should safeguard the shareholder community's interests and the company's need for competence, capacity and diversity. The Nomination Committee has a dialogue with each of the board members yearly.

The Nomination Committee draws up criteria for the selection of candidates for the Board and Nomination Committee, in which both genders should be represented. The Nomination Committee should, over time, balance the requirements for continuity and renewal in the individual governing body. Relevant candidates must be asked whether they are willing to undertake the office of director or deputy director.

The committee should base its recommendations with respect to the remuneration payable on (a) information about the size of the remuneration paid to elected officers in other comparable companies, and (b) on the scope of work and the amount of effort the elected officers are expected to devote to the task on behalf of the company.

The Nomination Committee's recommendation to the AGM must be published in good time, so that it can be communicated to the shareholders before the meeting takes place. The recommendation shall accompany the invitation to attend the AGM, no later than 21 days before the meeting takes place. The committee's recommendation shall contain information about the candidates' independence and competence, including age, education and work experience. If relevant, notice shall also be given about how long the candidate has been an elected officer of the company, any assignments for the company, as well as material assignments for other group companies that may be of significance.

### Proposals to the Nomination Committee

All shareholders are entitled to propose candidates for the Board or other elected offices to the Nomination Committee. Such proposals must be submitted to the Nomination Committee no less than six weeks prior to the company's AGM. All proposals shall be sent by email to the Nomination Committee's chair. Contact details are available from the company's website www.salmar.no.

*Deviations from the code of practice:* None

## 8. Board of Directors, Composition and Independence

Pursuant to Article 5 of SalMar's articles of association, the Board of Directors shall comprise five to nine members, to be elected by the AGM. The Board Chair is elected by the AGM. The company's current board is made up of six members, including two employee representatives. Three of the company's directors are women, including one female employee representative. Women therefore represent 50 per cent of the Board's membership. In November 2021 the independent Board Member Tonje Foss notified the chair of SalMar's Nomination Committee that she resigned her seat on SalMar ASA's Board of Directors, a new board member will be elected at the latest at the company's next AGM in June 2022. Prior to this the majority of Board of directors was considered independent, after this two out of four shareholder elected board members are considered independent. In the upcoming election for new board members in June 2022 the Nomination Committee will take into account that the majority of the members of the Board should be considered independent.

The regulations governing the work of the Nomination Committee state that emphasis shall be placed on ensuring that board members have the necessary competence to carry out an independent assessment of the matters presented to it by management and of the company's business activities. Emphasis shall also be placed on ensuring that there is a reasonable gender balance and that directors are independent with respect to the company. The Nomination Committee's recommendation shall meet the requirements relating to board composition stipulated by applicable legislation and the regulations of the Oslo Stock Exchange. Board members are elected for a term of two years and may be re-elected. An overview of the individual directors' competence and background is available from the company's website www.salmar.no.

As of 31 December 2021, one shareholder elected board member, Leif Inge Nordhammer, owned shares in SalMar. And one of the employee-elected board members, Tone Ingebrigtsen, owned shares in SalMar. See company's website www.salmar.no and Note 4.2 for further details.

### Independence of the Board

SalMar's Board of Directors is composed such that it is able to act independently of any special interests. Board Chair Leif Inge Nordhammer is also a member of the board of Kverva AS, the company's majority shareholder through its ownershare in Kverva Industrier. Further, Magnus Dybvad is working as investment director in Kverva AS. These two are therefore not deemed to be independent. The remaining directors are deemed to be independent of senior executives, material business associates and the company's largest shareholders. In matters of material importance in which the Board Chair is, or has been, actively engaged, another director is appointed to chair the Board's deliberations. No such matters have been addressed in 2021.

*Deviations from the code of practice:* After Tonje Foss resigned as a board member 11 November 2021, two of four external board members are deemed to be independent.

## 9. The Board of Directors

The Board of Directors has overall responsibility for the management of the Group and the supervision of its day-to-day management and business activities. Furthermore, the Board determines the Group's overall objectives and strategy, including the overall composition of the Group's portfolio and the business strategies of the individual business unit. The work of the Board is governed by a set of regulations which describe the Board's responsibilities, tasks and administrative procedures. The Board has also prepared a set of instructions for the group management team that clarifies its duties, lines of authority and responsibilities.

The regulations governing the Board's working practices provide guidelines for how individual directors and the CEO should conduct themselves with respect to matters in which they may have a personal interest. Among them is the stipulation that each director must make a conscious assessment of his/her own impartiality, and inform the Board of any possible conflict of interest.

The Board shall approve the Group's plans and budgets. Proposals relating to targets, strategies and budgets are drawn up and presented by management. Strategy is normally discussed during the autumn, ahead of the Group's budget process. Within the area of strategy, the Board shall play an active role in setting management's course, particularly with regard to organisational restructuring and/or operational changes.

The Board meets as often as necessary to perform its duties. In 2021, the Board held 16 meetings, of which 14 were held digitally. The overall attendance rate at board meetings was 95 per cent.

The Board makes an annual assessment of its own work and competence.

### Audit and Risk Committee

Pursuant to the Public Limited Companies Act, SalMar has a board-appointed Audit and Risk Committee (previously called the Audit Committee). The committee's main tasks are to prepare the Board's follow-up of the financial reporting process, monitor the Group's internal control and risk management systems; monitor its routines and follow-up of transactions with related parties; and maintain an ongoing dialogue with the auditor. The committee held 5 meetings in 2021, with an overall attendance rate of 100 per cent.

With effect from 1 January 2021, the committee has been given broader responsibilities. This has been prompted by changes in the Norwegian Auditing Act and implementation of EU directives. The Board has updated the committee's instructions accordingly.

The Audit and Risk Committee also monitors the routines and follow-up procedures of transactions towards related parties.

At least one committee member must be independent of the business. If the committee has more than two members, a majority must be independent of the business.

As of 31 December 2021, the Audit and Risk Committee comprised the following:

- Margrethe Hauge (independent), chair
- Magnus Dybvad (not independent)

*Deviations from the code of practice:* None

## 10. Risk Management and Internal Control

The Board is responsible for ensuring that the company's risk management and internal control systems are adequate in relation to the regulations governing the business. The company's systems and procedures for risk management and internal control are intended to ensure efficient operations, timely and correct financial reporting, as well as compliance with the legislation and regulations to which the company is subject. The Board performs an annual review of the company's risk management/corporate governance.

The most important risk factors for the company are biological risk associated with the biological situation in its hatcheries and sea farms, as well as the risk of fish escaping therefrom, and financial risk (fluctuations in salmon prices, foreign exchange, credit and interest rate risk). In addition, greater emphasis has been placed on IT security and the development of technologies and solutions to secure continued sustainable growth in the field of sustainable food production. These risk factors are monitored and addressed by managers at all levels in the organisation. For further information, please see the Annual Report for 2021. It is the CEO's responsibility to ensure that the company operates in accordance with all relevant statutes and guidelines.

Internal control of financial reporting is achieved through day-to-day follow-up by management and process owners, and supervision by the Audit and Risk Committee. Non-conformances and improvement opportunities are followed up and corrective measures implemented. Financial risk is managed by a central unit at head office, and, where appropriate, consideration is given to the use of financial hedging instruments.

Follow-up and control of compliance with the company's values and code of conduct takes place in the line as part of day-to-day operations.

The largest risk facing SalMar relates to the biological development of its smolt and marine-phase fish stocks. The company has internal controls which encompass systematic planning, organisation, performance and evaluation of the Group's activities in accordance with both public regulations and its own ambitions for continuous improvement. The Group has, for example, drawn up shared objectives for its internal control activities relating to the working environment and personal safety, escape prevention, fish welfare, pollution, food safety and water resources. Please see the annual report for further details.

*Deviations from the code of practice*: None

## 11. Directors' Fees

The Nomination Committee's proposal for the remuneration payable to the Board of Directors is approved or rejected by the company's AGM. Directors' fees shall reflect the Board's responsibilities, competence, time spent and the complexity of the business.

Directors' fees are not performance-related and contain no share option element. Additional information relating to directors' fees can be found in the notes to the financial statements included in the Annual Report for 2021.

Starting from 2021, in accordance with Section 6-16b of the Public Limited Companies Act, a separate report describing remuneration to management and directors in 2021 will be presented to the AGM for approval.

*Deviations from the code of practice:* None

## 12. Remuneration to Senior Executives

Pursuant to Section 6-16a of the Public Limited Companies Act, the Board of Directors has prepared a statement relating to the determination of salaries and other benefits payable to senior executives. This statement will, in line with the said statutory provision, be laid before the company's AGM in accordance with the existing regulations.

The company's senior executive remuneration policy is based primarily on the principle that executive pay should be competitive and motivating, in order to attract and retain key personnel with the necessary competence. The statement refers to the fact that the Board of Directors shall determine the salary and other benefits payable to the CEO. The salary and benefits payable to other senior executives are determined by the CEO in accordance with the guidelines laid down in the statement. The existing compensation scheme is divided into three and comprises a fixed salary, a performance-related bonus and a share-based incentive scheme in line with the Board's authorisation.

At the 2021 AGM, the statement on executive remuneration was set forth as a separate case document, which is available from the company's website www.salmar.no. The AGM voted to approve the establishment of a new share-based incentive scheme for senior executives. In addition, the AGM held an advisory vote on the Board's proposed guidelines for the determination of salary and other benefits to senior executives for the 2021 financial year. The AGM approved separately the item relating to the remuneration of senior executives linked to shares or developments in the price of shares in SalMar or other group companies.

Starting from 2021, in accordance with Section 6-16b of the Public Limited Companies Act, a separate report describing remuneration to management and directors in 2021 will be issued and presented to the AGM for approval.

*Deviations from the code of practice:* None

## 13. Information and Communication

### Investor relations

Communication with shareholders, investors and analysts is a high priority for SalMar. The objective is to ensure that the financial markets and shareholders receive correct and timely information, thus providing the soundest possible foundation for a valuation of the company. All market players shall have access to the same information, and all information is published in both Norwegian and English. All notices sent to the stock exchange are made available on the company's website and at *www.newsweb.no.*

SalMar seeks to comply with the Oslo Stock Exchange's investor relations recommendations, which includes a recommendation to publish information to investors on companies' websites, last updated on 1 July 2019. The company has, in line with the Norwegian Code of Practice for Corporate Governance, also adopted an 'IR Policy', which is available from the company's website. The CEO, CFO and Investor Relations Manager are responsible for communications with shareholders in the period between general meetings.

### Financial information

The company holds open investor presentations in association with the publication of its year-end and interim results. These presentations are open to all, and provide an overview of the Group's operational and financial performance in the previous quarter, as well as an overview of the general market outlook and company's own future prospects. These presentations are also made available on the company's website.

The company will continue to publish interim reports in line with the Oslo Stock Exchange's recommendation. Such interim results will be published no more than 60 days after the close of each quarter.

### Quiet period

SalMar will minimise its contacts with analysts, investors and journalists in the final three weeks before publication of its results. During this period, the company will hold no meetings with investors or analysts, and will give no comments to the media or other parties about the Group's results and future outlook. This is to ensure that all interested parties in the market are treated equally.

### Financial calendar

Each year SalMar publishes a financial calendar indicating the dates of publication of the Group's interim reports and annual report, as well as the date of its AGM. The calendar is available from the Group's website *www.salmar.no.* It is also distributed as a stock market notice and updated on the Oslo Stock Exchange's website *www.*newsweb.no. The calendar is published before 31 December each year.

### Icelandic Salmon AS

The subsidiary Icelandic Salmon AS (previously named Arnarlax AS) was listed on the Euronext Growth trading system in 2020. Guidelines have been drawn up with respect to the disclosure of information to ensure that all shareholders in SalMar receive the same information (materiality) as shareholders in Icelandic Salmon.

*Deviations from the code of practice:* None

## 14. Acquisition

The Board of Directors has drawn up guidelines with respect to takeover bids, in line with the Norwegian Code of Practice for Corporate Governance. The guidelines were adopted by the Board at a meeting on 29 March 2011, and the Board undertakes to act in a professional manner and in accordance with applicable legislation and regulations.

The guidelines shall ensure that the interests of shareholders are safeguarded, and that all shareholders are treated equally. Furthermore, the guidelines shall help ensure that company operations are not unnecessarily disturbed. The Board will strive to provide shareholders with sufficient information to enable them to make up their minds with respect to the specific bid.

If a takeover bid has been made, the Board will make a statement and at the same time assess whether to obtain a valuation from an independent expert. The Board will obtain an independent valuation if a major shareholder, board member, member of the management team, related party or any collaborator of such a related party, or anyone who has recently held one or more of the above-mentioned positions, is either the bidder or has a particular interest in the takeover bid.

The Board will not seek to prevent any takeover bid, unless the Board is of the opinion that such action is justified out of consideration for the company and the company's shareholders. The Board will not exercise any authorisations or adopt other measures for the purpose of preventing the takeover bid. This stipulation may be waived only with the approval of a general meeting of shareholders after a bid has been announced.

Transactions which, in reality, involve the sale of the company's business shall be laid before a general meeting of shareholders for approval.

Deviations from the code of practice: None

## 15. Auditor

The company's auditor is appointed by the AGM. Each year, the Board of Directors shall receive written confirmation from the auditor that the requirements with respect to independence and objectivity have been met.

Each year, the auditor shall draw up a plan for the execution of their auditing activities, and the plan shall be laid before and discussed by the Audit and Risk Committee. The auditor shall meet with the Audit and Risk Committee annually to review and evaluate the company's internal control activities.

The auditor shall hold at least one meeting each year with the Board of Directors at which no representatives of the company's management are present. The auditor attends the board meeting at which the year-end financial statements are considered. The auditor attends the company's AGM.

The Board shall inform the AGM of the remuneration payable to the auditor, broken down into an auditing and other services component. The AGM shall approve the auditor's fees.

The company has drawn up guidelines to regulate the extent to which it is permitted to use the auditor to perform services other than audit-related services.

*Deviations from the code of practice:* None

# *Executive Management*

## Gustav Witzøe

*President & CEO*

Mr. Witzøe is the co-founder of SalMar ASA. He holds a degree in engineering. After several years as an engineer he co-founded BEWI AS, a company producing styrofoam boxes for the fish farming industry. Mr. Witzøe held the position as managing director of BEWI AS until 1990. Since Mr. Witzøe founded SalMar ASA in 1991 he has gained extensive experience in fish farming and processing.

Born: 1953

Shares: Mr. Witzøe indirectly owns 93.02% of Kverva AS, which in turn through Kverva Industrier AS owns 50.88% of the shares in SalMar ASA. Mr Witzøe is also a director of Kverva AS.

RSU-Rights: None

## Trine Sæther Romuld

*CFO & COO*

Trine Sæther Romuld took over as CFO & COO on 1 July 2019. Romuld has extensive experience from a broad range of management positions within seafood, consulting and auditing, from both Norwegian and international companies. In addition, Romuld has significant experience as board member and leader of audit committee for listed companies. Romuld is a state authorized public accountant from Norwegian school of economics (NHH).

Born: 1968

Shares: 6,323

RSU-Rights: 5,654

## Roger Bekken

*COO Farming*

Roger Bekken took over as COO Farming on 4 June 2018. Mr. Bekken has worked in the seafood sector since 1991. He has held a variety of executive positions in the industry. Before joining SalMar is 2014, he was COO of Farming at Norway Royal Salmon (NRS). From 2014 until June 2018, Mr. Bekken was managing director at SalMar Farming AS.

Born: 1967

Shares: 16,766

RSU-Rights: 4,322

## Frode Arntsen

*COO Industry and Sales*

Frode Arntsen took the position as COO, Industry and Sales on 1 December 2017. He has a background from the Norwegian Military, and is educated as a lecturer within management. He has worked in the seafood industry since 2000, and has previously held senior/director positions at Lerøy Midnor, HitraMat and Lerøy Midt.

Born: 1970

Shares: 4,706

RSUs: 4,221

Photo: Hitra-Frøya

## Ulrik Steinvik

*Director Business Improvement*

Steinvik started in the position as Director Business Improvement in August 2017. Mr. Steinvik holds the title as Norwegian state authorized public accountant. Before Steinvik joined SalMar in 2006 he served with Arthur Andersen Norway and Ernst & Young AS from 1998 to 2006. He graduated from the Norwegian School of Economics and Business Administration in 2002.

Born: 1974

Shares: 139,335. Owns 18,266 shares directly and indirectly through personal related parties. Also owns 100 per cent of the shares in Nordpilan AS. Nordpilan AS owns 0.2 per cent of the shares in Kverva AS, which in turn through Kverva Industrier AS owns 50.88 per cent of the shares in SalMar ASA.

RSU-Rights: 3,714

# *Board of Directors*

## Leif Inge Nordhammer

*Chairman of the Board*

Nordhammer was previously CEO in SalMar from 1996 to 2016, with a hiatus from 2011 to 2014. Today he works in his investment company LIN AS and is board member of Kverva AS. He has extensive experience from leadership positions from several companies within aquaculture and has been a part of the industry since 1985. Former companies include Sparebank 1 Midt-Norge, E. Boneng & Sønn, Frøya Holding AS/ and Hydro Seafood AS. Nordhammer has educational background for Norwegian Armed Forces, Trondheim Business School and University in Trondheim. Nordhammer joined the board of SalMar in June 2020

Nordhammer owns indirectly 1,61% of the shares in SalMar ASA. He owns 99,1% of LIN AS which directly owns 1,10% of the shares in SalMar ASA and indirectly LIN AS owns 0,51% of the shares in SalMar ASA through its 1% ownershare in Kverva AS, which through through Kverva Industrier AS owns 50,88% of the shares in SalMar ASA.

**Nationality**: Norwegian citizen, and resident in Norway

**Independent**: No

## Margrethe Hauge

*Member of the Board and Leader of the Audit and Risk Committee*

Margrethe Hauge is CEO of Goodtech ASA and has held management positions within production, supply chain, service and sales in aqua, agriculture, maritime and oil & gas industries. She has held positions as CEO at Teknisk Bureau AS, Regional Managing Director – Nordic & Germany at MRC Global Inc. and Executive Vice President Services at TTS Group ASA. She has also held several management positions at Kverneland Group. Ms Hauge started her career as trainee at Norsk Hydro ASA. She is member of the board of Borregaard ASA and GIEK. She holds a Master's degree in Economics & Business Administration, University of Mannheim, Germany.

**Nationality**: Norwegian citizen, and resident in Norway

**Independent**: Yes

## Linda Litlekalsøy Aase

*Member of the Board*

Linda Litlekalsøy Aase is EVP Brownfield projects in Aker Solutions. The Norwegian joined Aker Solutions in April 2014 and has almost 20 years of industry experience, from technical management to a variety of leadership positions, including head of Aker Solutions' maintenance, modifications and operations business in Norway. She holds a MSc in material technology from NTNU, and has studied business economics and management accounting at NHH. Linda L. Aase joined the board of SalMar June 2020.

Owns 85 shares indirectly in SalMar ASA through personal related parties.

**Nationality**: Norwegian citizen, and resident in Norway

**Independent**: Yes

## Magnus Dybvad

*Member of the Board and member of the Audit and Risk Commitee*

Magnus Dybvad has worked in Kverva for 10 years, and is today investment director in the company. In Kverva he has been working with transactions, existing investments and market research with a specific focus on salmon. The engagement related to the portfolio companies has been related to business development, M&A and strategy. Magnus Dybvad started his career with equity research in First Securities in 2008. He holds a MSc from NTNU (Norwegian University of Science and Technology) within industrial economics and technology management with an exchange in Canada.

Dybvad owns indirectly 0.02% of the shares in SalMar ASA. He owns 100% of Acertar AS which indirectly owns 0.02% of the shares in SalMar ASA through its 0.04% ownershare in Kverva AS, which through through Kverva Industrier AS owns 50,88% of the shares in SalMar ASA.

Nationality: Norwegian citizen, and resident in Norway

Independent: No

## Tone Ingebrigtsen

*Employee representative*

Tone Ingebrigtsen works as a fish health manager for the northern region of SalMar Farming. She has a master degree in aquamedicine, and an MBA from Nord University Business School. Tone started working within the aquaculture industry in 2006, and has been part of the SalMar-team since 2014.

Nationality: Norwegian citizen, and resident in Norway

Independent: Yes

Shares: 304

RSU-rights: 1592

## Simon Søbstad

*Employee representative*

Simon Søbstad started his career in SalMar in February 2007. Since then, he has held a number of different roles within sales and industry.

Nationality: Norwegian citizen, and resident in Norway

Shares: 0

RSU-rights: 2367

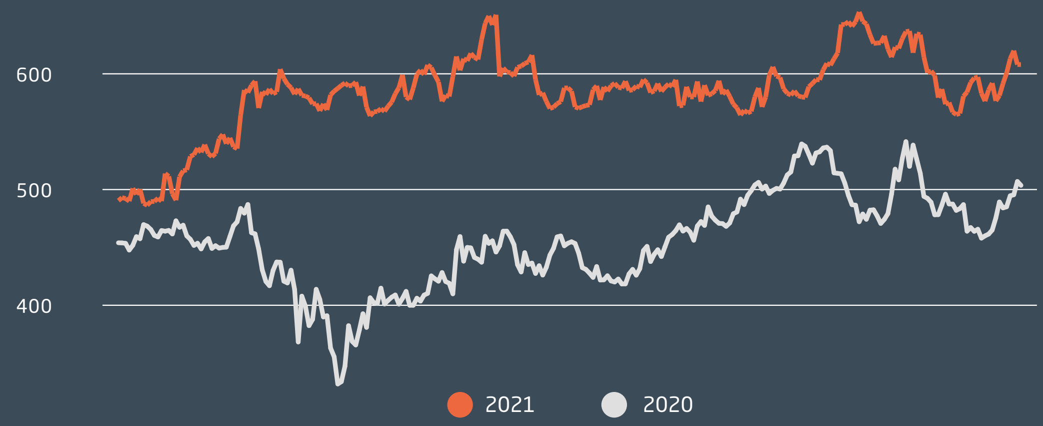
# *Shareholder Information*

## SalMar's 20 largest shareholders

| Name | Shareholding 31.12.2021 | Shareholding (%) |
|---|---|---|
| KVERVA INDUSTRIER AS | 59,934,476 | 50.88% |
| FOLKETRYGDFONDET | 6,555,356 | 5.56% |
| CACEIS Bank | 2,236,647 | 1.90% |
| State Street Bank and Trust Comp | 1,598,036 | 1.36% |
| BNP Paribas Securities Services | 1,569,002 | 1.33% |
| State Street Bank and Trust Comp | 1,518,495 | 1.29% |
| LIN AS | 1,299,685 | 1.10% |
| JPMorgan Chase Bank, N.A., London | 1,170,203 | 0.99% |
| CLEARSTREAM BANKING S.A. | 1,066,044 | 0.90% |
| The Northern Trust Comp, London Br | 1,022,490 | 0.87% |
| JPMorgan Chase Bank, N.A., London | 992,543 | 0.84% |
| SIX SIS AG | 927,477 | 0.79% |
| CACEIS Bank | 774,110 | 0.66% |
| Brown Brothers Harriman (Lux.) SCA | 723,542 | 0.61% |
| State Street Bank and Trust Comp | 718,345 | 0.61% |
| VERDIPAPIRFONDET ALFRED BERG GAMBA | 688,759 | 0.58% |
| VERDIPAPIRFONDET KLP AKSJENORGE IN | 617,440 | 0.52% |
| The Bank of New York Mellon | 595,832 | 0.51% |
| VPF DNB AM NORSKE AKSJER | 573,595 | 0.49% |
| Pictet & Cie (Europe) S.A. | 527,788 | 0.45% |
| **Sum top 20** | **85,109,865** | **72.25%** |
| Others | 32,690,134 | 27.75% |
| **Total** | **117,799,999** | **100.00%** |

| | |
|---|---|
| Shareholders | 13,731 |

## Share price



## Share price development

Share price at the start of 2021 was NOK 503.60 per share, valuing SalMar at NOK 57,058 million. At year-end the share price was NOK 608.00 valuing SalMar at NOK 71,622 million

## Technical information

As of 31 December 2021 SalMar ASA had 117,799,999 shares, with each share having a face value of NOK 0.25. As of 31 December 2021 the company had 13,731 shareholders. The company's VPS number is ISIN NO 001-0310956. Account operator is Nordea Bank. The company's ticker on the Oslo Stock Exchange is SALM.

The green bond SalMar issued in April 2021 was listed on Oslo Stock Exchange 21 July 2022 under the name SALM01 ESG.

## IR contact in SalMar

Communication with shareholders, investors and analysts is a high priority for SalMar. The objective is to ensure that the financial market and shareholders receive correct and timely information, thus providing the soundest possible foundation for a valuation of the company. All notices sent to the stock exchange are made available on both the company's website, the Oslo Stock Exchange's www.newsweb.no site and through news agencies.

If you would like to subscribe to news from SalMar, please send an e-mail to ir@salmar.no so that we can include your e-mail in our news distribution list

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## Financial calendar 2022

Results 4th quarter 2021: 18 February 2022
Annual report 2021: 22 April 2022
Results 1st quarter 2022: 12 May 2022
Annual general meeting: 8 June 2022
Results 2nd quarter 2022: 25 August 2022
Results 3rd quarter 2022: 10 November 2022

SalMar holds quarterly presentations open to the public. The presentations will take place at 08:00 am CET at Hotel Continental in Stortingsgaten 24/26 in Oslo, Norway. The annual general meeting will be held at Frøya.

Annual report will be published through the company's homepage, www.salmar.no, Oslo Børs news site, www.newsweb.no and other newswires. Please note that the dates can be changed. Any changes will be communicated.

# *Report of the Board of Directors*

SalMar can look back on more than three decades of strong operational performance and growth. The company has grown into one of the world's largest aquaculture enterprises.

Despite a challenging market, characterised by global uncertainty and volatile salmon prices, the company once again posted strong annual results and made significant steps to position itself for further growth on the salmon's terms. The establishment of SalMar Aker Ocean, a joint venture between SalMar and Aker, which aims to establish a global offshore aquaculture company was a key milestone in this respect.

In 2021, SalMar harvested a total of 170,500 tonnes of salmon in Norway, 11,500 tonnes in Iceland and 32,400 in Scotland[1]. The group generated gross operating revenues of NOK 15,044 million. Operational EBIT totalled NOK 2,927 million in 2021.

The Group expects to harvest 175,000 tonnes in Norway, 16,000 tonnes in Iceland and 46,000 tonnes in Scotland[1] in 2022.

1 Associated company Scottish Sea Farms LTD through 50% ownership in Norskott Havbruk

## Business and strategy

SalMar ASA is a Norwegian public limited company, whose shares are quoted on the Oslo Stock Exchange under the ticker SALM.

The Group is one of the world's largest and most cost-efficient producers of Atlantic salmon. It is vertically integrated along the entire value chain from broodstock, roe and smolt to harvesting, processing and sales. Through wholly owned businesses, subsidiaries and associates, SalMar has operations in Norway, Iceland and Scotland. The company sells its products to customers worldwide, with particular focus on markets in Europe, North America and Asia.

At the close of 2021, SalMar had licences to hold a maximum allowable biomass (MAB) of 107,789 tonnes of Atlantic salmon in Norway, this includes 3 time-limited demonstration licenses, and a MAB of 25,200 tonnes in Iceland. In addition, SalMar operates several R&D licences in collaboration with other companies in Norway.

SalMar has a substantial harvesting and processing capacity at InnovaMar in Frøya and Vikenco in Aukra in Central Norway. In addition, the construction of SalMar's new harvesting and processing plant in Northern Norway, InnovaNor, was completed in 2021. The facility was operational with effect from the fourth quarter of 2021 and is Northern Norway's largest and most up-to-date salmon processing facility.

Icelandic Salmon, which was listed on the Euronext Growth in 2020 is partially owned by SalMar which holds 51.02 percent of the company's shares.

In addition, SalMar owns 50 percent of Scottish Sea Farms Ltd (through Norskott Havbruk AS), the UK's second largest producer of farmed salmon. In 2021 the company took an important step to strengthen the position and presence in UK, by acquiring Grieg Seafood Hjaltland UK LTD. For 2022, the acquisition is expected to result in 13,000 tonnes increased production, to 46,000 in total.

SalMar has for many years explored and developed opportunities to expand its fish farming activities in exposed areas and far out at the open ocean. In 2021, SalMar took one important step further, by entering a strategic partnership with the industrial investment company Aker. Together, the two companies aim to create the world's leading offshore aquaculture company. The efforts are being channelled through the company SalMar Aker Ocean, in which SalMar will retain a majority interest.

SalMar is headquartered on Frøya, in Trøndelag County. The Group's registered address is 7266 Kverva..

## Ambition and strategic position

It is SalMar's clearly expressed ambition to be the world's best aquaculture company, driven by our vision: "Passion for Salmon".

SalMar wants to be a driving force for sustainable growth in the global aquaculture industry and is convinced that the establishment of salmon farming in the open ocean is an important and correct step towards this goal. For SalMar, offshore fish farming represents an important part of the solution to the industry's challenges relating to both production area limitations and biological performance. Not least because conditions offshore largely reflect the natural habitat of the Atlantic salmon. In this way, salmon can be farmed on the fish's own terms, rather than on the limitations of the equipment.

SalMar will therefore pursue two separate growth strategies going forward: one for coastal fish farming and one for offshore fish farming, the latter through SalMar Aker Ocean.

### Coastal fish farming:

The core of SalMar's strategic position in coastal fish farming will continue to be cost leadership and operational efficiency. This will be achieved by operating a focused value chain, with significant emphasis on upstream activities. Furthermore, activities reported in the Sales and Industry segment will secure optimal utilisation of the harvested salmon in order to maximize value creation. In addition to cost leadership, the company focuses on performance with the aim of achieving excellence at all levels and in all aspects of production.

SalMar's coastal fish farming will represent the core of the Group's production and earnings capacity for many years to come. The company seeks to maintain a leading role in further industrial development. It will also actively pursue attractive M&A opportunities and take part in the opportunities for growth that come along, provided they are on commercially acceptable terms.

### Offshore fish farming:

With SalMar as the majority owner, SalMar Aker Ocean is a pioneer and leader in the development of offshore salmon farming.

SalMar Aker Ocean engages in offshore fish farming, both in coastal waters exposed to severe weather conditions and far out in the open ocean. By combining Aker and SalMar's knowledge and leading expertise in the fields of salmon farming, focusing on fish welfare and optimal terms for the salmon, industrial software and environmental technologies, the company will create the world's most reliable and intelligent offshore aquaculture business, meeting the highest standards for fish welfare and with the aim of zero emissions along the entire value chain.

SalMar will own 66.66 percent of SalMar Aker Ocean, while Aker will own 33.34 percent. In three tranches, Aker will make NOK 1.65 billion in cash contributions, whereof the first tranche was paid in Q4 2021.

## Important events in 2021

### InnovaNor and Vikenco completed and operational:

Construction of SalMar's new harvesting and processing plant in Northern Norway, InnovaNor, was completed and the facility was operational at the end of 2021. The facility strengthens the company's position in Northern Norway and paves the way for increased value creation and employment in the region. In 2022 SalMar will gradually ramp up both harvesting and processing activity.

In the beginning of 2021 upgrade of Vikenco, the harvesting and processing facility on Aukra in Møre og Romsdal was completed.

### Established SalMar Aker Ocean:

SalMar entered a strategic partnership with the industrial investment company Aker in August 2021, creating SalMar Aker Ocean, the world's leading offshore aquaculture company. A first share issue was carried out in SalMar Aker Ocean, whereby Aker Capital AS (owned by Aker ASA) contributed a net capital increase of 639.1 million in exchange for 15.0 percent of the shares in the company.

### Green financing, rating, and private placement:

SalMar secured NOK 7.5 billion in green financing in the beginning of 2021, through a NOK 4 billion credit facility and the issue of a green bond worth NOK 3.5 billion.

In April 2021, Nordic Credit Rating awarded SalMar a long-term initial corporate credit rating of A-, for the latest update to their credit rating, please see Nordic Credit Ratings webpage.

In June 2021, SalMar announced that the company had completed a successful private placement of shares, which raised gross proceeds of NOK 2.7 billion. This gives the company financial flexibility to support the company's ambitious growth plans.

### Increase of smolt capacity:

In May 2021, a final decision was taken to build a new smolt facility in Tjuin, Trøndelag, where construction started in May 2021 with expected first smolt delivery in 2024. At the same time construction of Senja 2, expansion of the smolt facility on Senja continued, with expected completion in 2022. SalMar has also constructed a new closed net pen which was put into operation in the beginning of 2021.

### Acquisition of Nekton Havbruk AS and Refsnes Laks AS:

In July 2021 and August 2021, SalMar announced it had acquired ownership interest in Nekton Havbruk AS and Refsnes Laks AS respectively, giving SalMar 5,500 tonnes of increased MAB for salmon production in Central Norway.

### Strengthening the position and presence in UK:

In June 2021, Scottish Sea Farms Ltd, signed an agreement to purchase 100 percent of the shares in Grieg Seafood Hjaltland UK Ltd (GSHU) from Grieg Seafood ASA. The transaction was approved and completed 15th of December 2021 and work for integrating the company is ongoing. For 2022, the acquisition is expected to result in 13,000 tonnes increased production, to 46,000 in total.

### Organization:

In February 2021 SalMar announced that CFO & COO Trine Sæther Romuld will move to a new role as CFO of SalMar Aker Ocean. Gunnar Nielsen will be CFO in SalMar ASA, effective 1 April 2022.

## Events after the reporting date

### SalMar ASA launched a voluntary offer for all outstanding shares in NTS ASA (NTS):

In February 2022, SalMar announced that it would launch a voluntary offer to acquire all outstanding shares in NTS at NOK 120 per share, valuing the equity capital of NTS at approximately NOK 15.1 billion. Shareholders representing a total of 50.1 percent of the outstanding shares in NTS had pre-accepted the offer.

NTS has as long track-record in salmon farming, both in Central and Northern Norway as well as the Western fjords of Iceland. The combination will strengthen the competence base and production capacity and be a catalyst for further sustainable growth in the local communities where the companies operate.

The voluntary offer will be settled in a combination of cash and shares. An extraordinary general meeting in SalMar ASA on 14 March 2022 authorised the board to increase the company's share capital accordingly. Completion of the offer is subject to, among other things, regulatory approvals and a satisfactory confirmatory due diligence.

### New CEO in SalMar:

In March 2022, Linda Litlekalsøy Aase was appointed new CEO in SalMar, effective 1 June 2022 at the latest. She takes over the position after Gustav Witzøe, who has said he is willing to be nominated to the company's board. Ms. Aase has over 20 years of experience from industry, most recently in Rolls-Royce Marine and Aker Solutions. She currently serves as member of the board of SalMar ASA, a seat from which she will resign upon becoming CEO. The Board wants to thank Mr. Witzøe for his enormous, unique, and tireless efforts for SalMar through 31 years, and notes that he will continue to contribute with experience and expertise to the company.

## Market conditions

### Supply, exports and price of Atlantic salmon

The global supply of Atlantic salmon increased for the fifth year in succession, ending 6.7 percent up in 2021, according to data from Kontali Analyse.

| Supply of Atlantic salmon in 1,000 tonnes WFE | 2020 | 2021 | Change |
|---|---|---|---|
| Norway | 1,369 | 1,532 | 11.9% |
| Chile | 779 | 720 | -7.5% |
| UK | 178 | 199 | 11.6% |
| North America | 157 | 158 | 0.6% |
| Faeroes | 81 | 106 | 30.9% |
| Other countries | 148 | 178 | 20.2% |
| Total, global supply | 2,712 | 2,893 | 6.7% |

2021 was the best year on record for Norwegian exports of seafood. Total exports of Atlantic Salmon was around 1,480 tonnes round weight, up 13 percent on 2020. The value of Norway's salmon exports rose by 16 percent, reflecting that the average price of Atlantic salmon was higher in 2021 than the year before.

Norway exported 73 percent of its volume to the EU in 2021. Overall, the EU increased its imports of salmon from Norway by 9 percent, with the two largest markets (Poland and France) increasing their imports by 7 percent and 14 percent, respectively.

SalMar sold directly to 56 different countries in 2021. Europe was the most important destination, with Poland, Sweden and Lithuania as the largest single markets. The second most important destination was Asia, with South Korea, Japan and Taiwan as the most prominent. Since sales to Russia were discontinued in 2014, North America has been the third largest export destination.

The price of Atlantic Salmon (NASDAQ) was higher in 2021 than in 2020. The year's lowest price was recorded in week 2 at NOK 42.67 per kg, while the highest price came in week 50 at NOK 74.72 per kg. The average price of salmon (NASDAQ Salmon Index) for 2021 was NOK 57.92 per kg, compared to NOK 54.34 per kg the year before.

From the close of 2020 until the close of 2021, the Norwegian currency (NOK) weakened by three percent against the USD and 2 percent against GBP. At the same time, it strengthened five percent against the EUR. A weakening of the NOK against the respective trading currencies could lead to an increase in salmon prices measured in NOK and vice versa.

## Framework conditions

### Norway

SalMar's licences are in the regions Central Norway and Northern Norway.

In 2017, the Norwegian government introduced a new system for regulating the growth of the aquaculture industry to safeguard its environmental sustainability and stability. Under this system, growth is controlled by means of a variable growth cap, relating to environmental indicators, divided into production areas. The system is called the "traffic light system", since production areas are designated as being green, yellow or red. Growth is permitted in green areas, growth is put on hold in yellow zones, while production in red zones must be halted or reduced in scale. Growth is assessed every other year, and capacity adjusted by six percent. In Norway, there are currently 13 production areas.

In 2020, the Norwegian parliament (Stortinget) introduced a new production tax on the production of salmon and trout in Norway. The production tax amounts to NOK 0.40 per kg harvested weight. The new production levy came into effect on 1 January 2021, with the first payment required from 2022. The production tax is distributed to local councils and county councils hosting aquaculture operations through the Aquaculture Fund. The production tax comes on top of other taxes and charges and constitutes a competitive disadvantage for the Norwegian aquaculture industry. Given the greater competition from a growing number of salmon-producing countries, it is even more important that the Norwegian government ensures Norway's aquaculture sector has stable and predictable framework conditions, and that the economic rent tax has been permanently shelved. From 1 January 2022 the production tax in Norway amounts to NOK 0.405 per kg harvest volume.

SalMar is pleased to be able to contribute to society as a major taxpayer. Together, the company and its employees are estimated to have paid over NOK 1 billion in taxes and other charges to central and local governments. Our accounts show that in 2021, SalMar alone has NOK 543 million in tax payables.

### Iceland

Framework conditions for salmon farming in Iceland have improved, after being rather unpredictable for many years, and Icelandic Salmon continues its active and constructive dialogue with the authorities with respect to these issues. The company believes there is a tailwind with respect to giving sustainable salmon production on Iceland room to grow. Growth in production and market share is expected to increase going forward. Increased market share of Icelandic salmon the next few years should help infrastructure with much needed scale and therefore improved competitiveness of the Icelandic salmon industry. Increased awareness in the market also creates opportunities related to sales and marketing as Icelandic salmon has not been available in all main markets on a weekly basis up until recently.

Icelandic Salmon today holds licenses of 25,200 tonnes maximum allowed biomass in the southern part of the Icelandic Westfjords. The company is in the process of applying for additional 14,500 tonnes licenses in Ísafjarðardjúp and Arnarfjörður respectively.

### Scotland

Framework conditions for salmon farming in Scotland have remained relatively constant over several years. The growing influence of special interests (NGOs, organised anglers, etc) has led to more challenging regulations than in Norway, which has in turn contributed to a higher level of costs (lower efficiency, less economies of scale). The Scottish authorities have expressed an ambition to grow the aquaculture industry from its present output level of around 170,000 tonnes.

### Access to markets

China still accounts for only a small portion of the market for Norwegian salmon. This is largely due to the introduction of restrictions in 2015 on Norwegian salmon from selected regions. Efforts have been made to improve access to the Chinese market. In May 2019, China lifted its restrictions on the Norwegian counties to which they had applied. This move also included SalMar's harvesting plant InnovaMar on Frøya.

Russia was previously an important market for SalMar and Norwegian salmon in general. However, trade restrictions introduced in the wake of the Crimean conflict in 2014, and more recently the Russian invasion of Ukraine in 2022, mean that the Russian market will remain closed to Norwegian fish farmers in the foreseeable future.

## Financial performance

### Going concern

The annual financial statements for 2021 have been prepared on the assumption that SalMar is a going concern pursuant to section 3-3a of the Norwegian Accounting Act. With reference to the Group's results and financial position, as well as forecasts for the years ahead, the conditions required for continuation as a going concern are hereby confirmed to exist. In the opinion of the Board of Directors, the Group's financial position is good.

### Consolidated Income Statement

The Group generated consolidated operating revenues of NOK 15,044 million in 2021, compared with NOK 12,912 million in 2020. This represents an increase of 16.5 percent.

In 2021, consolidated harvest volume was 182,100 tonnes overall: 170,500 tonnes in Norway and 11,200 tonnes in Iceland. In addition, Norskott Havbruk harvested 32,400 tonnes, of which SalMar's share was 16,200 tonnes (50 percent).

The average price of salmon (NASDAQ) in 2021 came to NOK 57.92 per kg, up 6.6 percent from the average in 2020, which came to NOK 54.34 per kg. The price of salmon was lower in 2020 mainly due to the Covid-19 pandemic. This year's highest price was NOK 74,72 per kg in week 50, while the lowest recorded price, NOK 42.67 per kg, was recorded in week 2. The price closed the year at NOK 64.12 per kg.

Around 25 percent of SalMar's total volume harvested in 2021 was sold under fixed-price contracts. The terms of these contracts vary, but do not normally last for more than 12 months. Overall, the price achieved under these fixed-price contracts was lower than the spot price (NASDAQ) for the year as a whole.

The fish farming segments in Norway performed well both operationally and biologically throughout the year, especially in Northern Norway.

The SalMar Group had payroll costs of NOK 1,540 million in 2021, compared with NOK 1,320 million in 2020. The number of full-time equivalents (FTEs) in the Group rose by 11.2 percent in 2021, from 1,763 FTEs at the close of 2020 to 1,960 FTEs at the close of 2021. The main reason for the increase is the commencement of operations at our harvesting and processing facilities Vikenco and InnovaNor.

Operational EBIT is SalMar's most important measure of performance, this is an alternative performance measure used by the Group, since it shows the results of underlying operations during the period. Specific items not associated with underlying operations are presented on separate lines in the consolidated financial statements. See note 4.11 for further details.

The SalMar Group made an operational EBIT of NOK 2,927 million in 2021, compared with NOK 3,008 million in 2020.

Production tax reduced profits with NOK 72 million, onerous contracts reduced profits with NOK 181 million and fair value adjustments increased profits by NOK 777 million in 2021. The corresponding adjustments in 2020 reduced profits by NOK 16 million for onerous contracts and NOK 164 million for fair value adjustments. Fair value adjustments comprise changes in the fair value of the biological assets, unrealised effects of forward currency contracts and unrealised value of Fish Pool contracts. See note 2.8, 3.6 and 3.13 for further details.

SalMar made an operating profit of NOK 3,451 million in 2021, up from NOK 2,828 million in 2020.

Income from investments in associates contributed more to the 2021 results than the year before. This is largely attributable to improved results by Norskott Havbruk. SalMar's share of the profit from these investments totalled NOK 95 million in 2021, compared with NOK 42 million in 2020.

Net financial items in 2021 totalled NOK -159 million, compared with NOK -299 million in 2020. The change is largely due to less currency fluctuations. SalMar's net interest income and expenses for 2021 totalled NOK 169 million, an increase from NOK 140 million in 2020. Financial income totalled NOK 21 million in 2021, an increase from NOK 1 million in 2020. Financial expenses totalled NOK 11 million, a decrease from NOK 160 million in 2020. See Note 2.9 for further details.

SalMar's profit before tax in 2021 totalled NOK 3,387 million, up from NOK 2,572 million in 2020. A tax expense of NOK 719 million has been calculated for 2021, up from NOK 563 million in 2020.

SalMar's net profit for the year totalled NOK 2,668 million in 2021, compared with NOK 2,008 million in 2020.

## Consolidated Statement of Cash Flows

SalMar achieved a positive cash flow from operating activities of NOK 2,908 million in 2021, compared with NOK 3,179 million in 2020. Through 2021, SalMar's working capital[1] increased by NOK 259 million, compared with an decrease of NOK 55 million in 2020. In addition, SalMar paid NOK 549 million in corporate tax in 2021, compared with NOK 588 million the year before.

Net cash flow from investing activities totalled NOK 2,827 million in 2021, compared with net NOK 3,747 million in 2020. The decrease in investing activities relates largely to that the figures for 2020 was influenced by purchase of MAB capacity at the traffic light auction held in August 2020. See Notes 3.1 and 3.3 for further details.

Net cash flow from financing activities totalled NOK 602 million in 2021, compared with NOK 554 million in 2020. Cash flow from interest-bearing debt and overdraft came to NOK -82 million in 2021, while repayments relating to leasing liabilities totalled NOK 198 million. Net interest paid came to NOK 151 million. A dividend payment of NOK 2,271 million was made in 2021. Net proceeds from issuance of shares in SalMar Aker Ocean totalled NOK 639 million, while net proceeds from issuance of shares in SalMar ASA totalled NOK 2,682 million. In addition, a release of share based payment to employees amounted to NOK 16 million.

In total, this gave SalMar a cash flow for 2021 of NOK 678 million, including currency translation of cash and cash equivalents this increased the Group's cash and cash equivalents to NOK 902 million at the close of the year.

## Consolidated Statement of Financial Position

As of 31 December 2021, SalMar had a total balance of NOK 28,085 million, an increase of NOK 6,087 million since the end of 2020.

The book value of the Group's intangible assets rose by NOK 1,704 million in 2021. At the end of the year, the value of the Group capitalised intangible assets stood at NOK 8,530 million.

The book value of property, plant and equipment totalled NOK 8,010 million at the end of 2021, an increase of NOK 1,607 million during the year. This includes right-to-use assets of NOK 877 million, compared with NOK 849 million in 2020.

The Group's financial assets totalled NOK 1,300 million at the end of 2021, up from NOK 851 million at the end of 2020. The main reason for the increase is the capital contribution to Norskott Havbruk due to acquisition of Grieg Seafood Hjaltland UK Ltd.

The Group's biological assets were valued at 7,281 million at the end of the year. This is NOK 1,292 million higher than at the end of 2020. Measured in tonnes, the biomass is 6.5 percent larger at the close of 2021 than at the start of the year. See Note 3.6 for further details. The value of the Group's other inventory at the end of 2021 stood at NOK 647 million.

Trade receivables totalled NOK 935 million in 2021, up from NOK 589 million at the end of 2020. Other receivables increased by NOK 44 million during the period to NOK 480 million. At the end of the year, SalMar had cash and cash equivalents totalling NOK 902 million.

At the end of 2021, the Group's equity totalled NOK 15,483 million, up from NOK 10,987 million at the end of 2020. The equity ratio has increased from 49.9 percent the end of 2020 to 55.1 percent at the end of 2021.

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents) totalled NOK 4,576 million at the end of the year, down from NOK 4,893 million at the end of 2020. See Note 3.11 for further details.

Based on its taxable profit for 2021, the Group expects to pay NOK 543 million in corporate tax.

The NOK 6,087 million increase in the Group's total capital in 2021 can be attributed to an increase in interest-bearing debt of NOK 362 million, an increase in leasing liabilities of NOK 33 million, an increase in other liabilities of NOK 1,196 million, as well as an increase in equity of NOK 4,496 million. The Group's solvency and financial position remain strong at the end of 2021.

1 Change in inventory / biological assets at cost, trade receivables, trade payables and other accruals.

## Reporting segments

### Fish Farming Central Norway

| NOK million | 2021 | 2020 |
|---|---|---|
| Operating revenue | 6,542 | 5,895 |
| Operational EBIT | 2,118 | 2,218 |
| | | |
| Volume harvested (tonnes gutted weight) | 110,671 | 100,394 |
| Operational EBIT/kg (NOK/kg gw) | 19.14 | 22.01 |

Fish Farming Central Norway, the Group's largest fish farming segment, posted good financial results in 2021 on the back of a continued strong biological and operational performance. The segment's operating revenues increased by NOK 647 million from 2020, to NOK 6,542 million in 2021. Operational EBIT fell by NOK 100 million to NOK 2,118 million in the same period.

Operational EBIT per kg gutted weight fell by NOK 2.95 compared to 2020. The decrease is attributable to a slightly higher production cost, compared to the strong performing generations harvested in 2020. All the salmon produced by SalMar is sold internally at spot market prices. On average, the segment experienced an increase in the price achieved for its harvested salmon of NOK 0.39 per kg. The production cost of the harvested biomass has, on average, increased with NOK 3.34 per kg compared with 2020.

Fish Farming Central Norway harvested a total of 110,700 tonnes in 2021, compared with 100,400 tonnes in 2020. This represents an increase of 10.2 percent. SalMar expects harvesting in this segment will amount to 117,000 tonnes in 2022, up 5.7 percent on the volume harvested in 2021. The increase compared with 2021 is due primarily to a strong utilization of MAB capacity in the region and increased production capacity from the acquisition of Refsnes Laks AS and Nekton Havbruk AS.

### Fish Farming Northern Norway

| NOK million | 2021 | 2020 |
|---|---|---|
| Operating revenue | 3,343 | 2,613 |
| Operational EBIT | 1,243 | 848 |
| | | |
| Volume harvested (tonnes gutted weight) | 59,847 | 49,903 |
| Operational EBIT/kg (NOK/kg gw) | 20.76 | 16.99 |

Fish Farming Northern Norway had a solid year, where strong biological and operational performance, has resulted in significantly increased volume, lower cost level and improved price achievement.

The segment's operating revenues increased by NOK 730 million from 2020, to NOK 3,343 million in 2021. Operational EBIT rose by NOK 395 million to NOK 1,243 million in the same period.

Operational EBIT per kg gutted weight came to NOK 20.76 in 2021, compared with NOK 16.99 in 2020. The increase of NOK 3.77 per kg was caused by a NOK 3.49 per kg increase in average price achievement and lower production cost at NOK 0.28 per kg.

Harvest volume in Fish Farming Northern Norway was 59,800 tonnes in 2021, compared with 49,900 tonnes in 2020. This represents an increase of 19.9 percent. SalMar expects a harvest volume of 58,000 tonnes in 2022 with continued good capacity utilization. Further improvement is expected in 2023 due to improved site and zone structure and smolt stocking plans.

### Icelandic Salmon

| NOK million | 2021 | 2020 |
|---|---|---|
| Operating revenue | 919 | 662 |
| Operational EBIT | 74 | -50 |
| | | |
| Volume harvested (tonnes gutted weight) | 11,537 | 11,239 |
| Operational EBIT/kg (NOK/kg gw) | 6.41 | -4.49 |

Icelandic Salmon is Iceland's largest producer and processor of farmed salmon. The company is fully vertically integrated, with its own hatchery, sea farms, harvesting plant and sales force. SalMar controlled 51 percent of the company's shares at the end of 2021.

The segment's operating revenues increased by NOK 257 million from 2020, to NOK 919 million in 2021. Operational EBIT rose by NOK 124 million to NOK 74 million in the same period.

Operational EBIT per kg gutted weight came to NOK 6.41 in 2021, compared with NOK -4.49 in 2020. EBIT per kg in 2021 was significantly higher than in 2020. This is the result of better biological control combined with good marketing of Icelandic salmon. We have, moreover, strengthened our foundation for further growth on Iceland through the acquisition of two hatcheries and have launched a new brand which will strengthen the position of Icelandic salmon in the market.

The company harvested a total of 11,500 tonnes in 2021, an increase of 300 tonnes compared with the year before. Icelandic Salmon expects to harvest 16,000 tonnes in 2022.

## Sales and Industry

| NOK million | 2021 | 2020 |
|---|---|---|
| Operating revenues | 14,406 | 12,393 |
| Operational EBIT | -152 | 282 |

This segment places and sells the entire harvested volume of the Group in Norway. The fish is bought from SalMar's farming segments at spot market prices.

The segment's revenues increased to NOK 14,406 million in 2021 from NOK 12,393 million in 2020. Operational EBIT came to NOK -152 million in 2021, a decrease of NOK 434 million compared with the year before.

The margins for the Sales and Industry segment were lower in 2021 than the year before, due to somewhat lower price achievement. This is attributable primarily to the timing and price point of our fixed-price contracts. In 2021, around 25 percent of the volume harvested was sold under fixed-price contracts. These fixed-price contracts have resulted in a lower price achievement than the spot price (NASDAQ) for the year as a whole.

Around 136,800 tonnes of fish were harvested at InnovaMar in 2021, compared with 124,800 tonnes in 2020. Operations at our harvesting and processing facilities depend on the biological production cycle, and substantial fluctuations in the volume harvested from one period to the next can make it difficult to achieve cost-optimal output from an industrial perspective. However, the flexibility of the plants has created added value for SalMar as a whole since it enables production at the sea farms to be optimised.

From a strategic point of view, SalMar believes it is correct to process a relatively large portion of the raw material in Norway. It increases the quality of the product that is sold to the customer, enables by-products to be dealt with efficiently, saves freight charges, reduces CO2 emissions and boosts local value creation. The Covid-19 pandemic have further reinforced our strategic focus on local secondary processing.

In 2021, the construction of a new harvesting and processing plant at Senja, Northern Norway – InnovaNor, continued and was completed in the fourth quarter. The plant, which was operative from the same quarter, is Northern Norway's most modern and efficient harvesting and processing plant. SalMar expects a gradual ramp up of both harvesting and VAP activity in 2022.

An upgrade of the Vikenco harvesting and processing plant in Aukra, Central Norway, was completed at the start of 2021.

## Associates

*Norskott Havbruk*

| NOK million | 2021 | 2020 |
|---|---|---|
| Operating revenue | 2,307 | 1,699 |
| Operational EBIT | 244 | 308 |
| | | |
| Volume harvested (tonnes gutted weight) | 32,400 | 24,000 |
| Operational EBIT/kg (NOK/kg gw) | 7.55 | 12.87 |

Through its wholly owned subsidiary Scottish Sea Farms, Norskott Havbruk engages in the farming of salmon in mainland Scotland, Orkney and Shetland. SalMar controls 50 percent of the business.

The company generated revenues of NOK 2,307 million in 2021, compared with NOK 1,699 million in 2020. The increase in revenues derives primarily from a higher volume harvested in 2021 than in 2020.

Operational EBIT for the year as a whole came to NOK 244 million, down from NOK 308 million in 2020. Operational EBIT per kg gutted weight came to NOK 7.55 in 2021, compared with NOK 12.87 in 2020.

Biological challenges, particularly those linked to gill health, have had a negative impact on the period's result in the second half of 2021. It has led to harvesting of fish with a lower average weight, which has affected both cost and price achieved.

The company harvested a total of 32,400 tonnes in 2021, up from 24,000 tonnes in 2020.

On 29 June 2021, Scottish Sea Farms Ltd, signed an agreement to purchase 100 percent of the shares in Grieg Seafood Hjaltland UK Ltd (GSHU) from Grieg Seafood ASA. The transaction was approved and completed 15th of December 2021 and work for integrating the company is ongoing.

A significant increase in the volume harvested is expected in 2022 as a result of the GSHU acquisition. The company expects to harvest 46,000 tonnes in 2022.

Norskott Havbruk is recognised as an associate, with SalMar's share of profit/loss after tax and fair value adjustment of the biomass (50 percent) recognised as financial income. SalMar's share of the company's net profit in 2021 came to NOK 94 million, compared with NOK 49 million in 2020.

### The parent company's financial statements and allocation of the profit for the year

The parent company, SalMar ASA, is a shareholding and administrative entity. Group management and administrative resources are employed by this company. In 2021, it employed a total of 36 full-time equivalents.

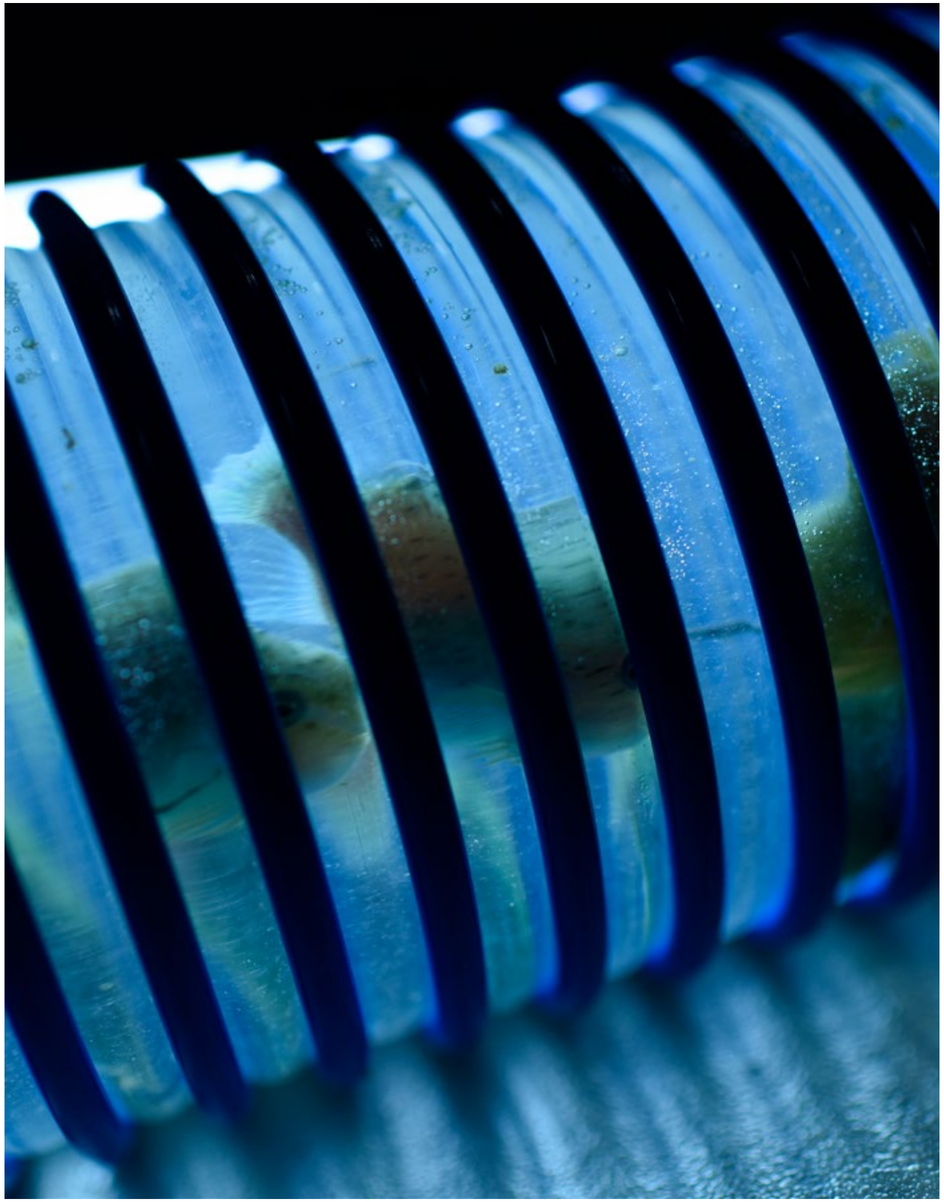
SalMar ASA made a net profit for the year of NOK 1,792 million in 2021, compared with NOK 2,160 million in 2020. The bulk of its revenues derive from investments in subsidiaries and associates. 2021 was a good year for the company's subsidiaries, and a total of NOK 2,361 million in dividends/group contributions was recognised. In addition, SalMar ASA manages the Group's primary financing arrangements and recognised NOK 99 million in interest income on loans to group companies and other interest income. Interest expenses amounting to NOK 114 million were incurred mostly in association with the Group's financing arrangements.

SalMar ASA had recognised total assets of NOK 13,665 million at the close of 2021. Of this amount, non-current assets accounted for NOK 11,034 million, of which NOK 7,018 million comprised of intercompany non-current receivables. Intercompany current receivables totalled NOK 2,569 million and largely comprise receivables of dividend/group contributions from subsidiaries. The company had holdings of cash and cash equivalents of NOK 11 million at the close of 2021. Equity as of 31 December 2021 totalled NOK 5,498 million, which corresponds to an equity ratio of 40.2 percent. Non-current liabilities totalled NOK 4,369 million and mainly comprised interest-bearing debt. Current liabilities totalled NOK 3,799 million, of which current interest bearing debt accounted for NOK 356 million, tax payable NOK 494 million while dividend provisions came to NOK 2,354 million.

The Board of Directors is proposing a dividend of NOK 20.00 per share for the 2021 financial year. The Board proposes the following allocation of the year's profit:

| | |
|---|---|
| Dividend provision | NOK 2,354 million |
| Transferred from other equity | NOK -561 million |
| **Total** | **NOK 1,792 million** |

At the close of the year, the company had a distributable reserve of NOK 5,468 million.



## Risks and Risk Management

Risk management is a key function of the management team. The Group has systems and routines in place to monitor important risk factors in all business areas, and places particular emphasis on the control and follow up of production facilities in accordance with quality and certification standards.

It is the CEO's responsibility to ensure that the Group operates in compliance with all relevant legislation and operating guidelines for group entities. Follow-up and control of risk factors, as well as compliance with the Group's values and code of conduct, is carried out in the line organisation as part of day-to-day operations.

See the section "Outlook" for comments on the update on the Covid-19 pandemic and potential implications of the war in Ukraine and Note 4.8 for details with respect to allegations of price fixing.

SalMar has board liability insurance which covers both the Board of Directors and also the CEO and executive management.

### Operational risk

SalMar's most important operational risk relates to the biological development of its fish stocks, at both its hatcheries and sea farms. Even though SalMar develops and implements risk-reducing measures, the nature of the industry is such that the inherent biological risk will always be present. In recent years, the aquaculture industry has faced challenges associated with the increasingly widespread presence of sea lice and greater prevalence of medicinally resistant lice. This has forced SalMar, along with the rest of the industry, to change the methods used and intensify its efforts to deal with the lice situation.

SalMar takes a holistic, strategic approach to biological risk, including sea lice, which encompasses preventive measures and activities designed to limit damage to its stocks and further increase the fish welfare. SalMar continuously makes operational assessments to protect the welfare of its fish.

Access to suitable production areas is a crucial preventive measure. For SalMar, it is important that production take place in areas that have the capacity needed to sustainably produce the volumes involved. SalMar Aker Ocean could lead to new and better locations being used. Selective breeding and the genetic development of a more robust salmon is another important preventive measure to reduce biological risk.

SalMar's operating procedures are designed to reduce biological risk. Vaccination against various fish diseases is a key element in the company's operating procedures. It will always be necessary to use medication in connection with any form of biological production. However, such medication must be applied prudently to prevent the development of resistance. The company takes a risk-based approach to the sea lice situation, which involves both preventive and corrective measures. SalMar has teams of employees working specifically in this area. In the past couple of years, a substantial delousing capacity has been built up in the form of mechanical delousing equipment that also collects the lice to prevent reproduction, and SalMar are continuously evaluating and expanding its toolbox to handle the sea lice. For further details of SalMar's lice management and procedures related to fish welfare, please see the Sustainability Report.

Over time, SalMar has built up an effective response capability to deal with biological challenges. Our harvesting capacity at InnovaMar and InnovaNor enables us to respond effectively. Furthermore, SalMar has good access to wellboat capacity.

### Financial risk

The follow-up of internal controls associated with financial reporting is carried out through management's day-to-day supervision, the process owners' follow-up and monitoring by the Board's Audit and Risk Committee. Non-conformances and improvement areas are followed up and remedial measures implemented. Financial risk is managed by a central unit at the head office, and financial hedging instruments are employed where they are considered appropriate.

Through its activities, the Group is exposed to various kinds of financial risk: market risk, credit risk and liquidity risk. The Group management oversees the management of these risks and draws up guidelines for dealing with them. The Group makes use of financial derivatives to hedge against certain risks. The Board of Directors has defined a financial risk appetite that sets overarching limits.

The Group has drawing facilities on a syndicate of banks, which ensure it has sufficient flexibility both operationally and with respect to the financing of investments in SalMar's operations. In 2021 the Group issued a green bond to secure further sustainable growth. In addition, the company has financial instruments, such as trade receivables, trade payables, etc, which are directly related to day-to-day business operations.

It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

### Foreign exchange risk

The bulk of the Group's output is sold internationally, with accounts settled largely in EUR, USD, GBP and JPY. Changes in exchange rates therefore represent both a direct and indirect financial risk for the Group. Foreign exchange exposure linked to the Group's costs is, however, more limited, since input factors and salaries are paid largely in NOK. The Group enters into forward currency contracts to reduce the risk associated with sales revenues denominated in foreign currencies that derive from contracts with customers. NOK 1,000 million of the green bond has been swapped to EUR with a fixed interest rate, this is a hedging of the currency exposure in Icelandic Salmon. For further details and description of use of forward currency contracts see Note 3.9 and 4.10.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The risk is partly reduced by the opposite effect on cash equivalents which earn floating interest. In 2021 the Group has entered into a cross-currency interest swap and an interest swap to manage the interest rate. At 31 December 2021, after taking into account the effect of interest rate swaps, approximately 24% of the Group's borrowings are at a fixed rate of interest (2020: 0%). For more details regarding the swaps and the new interest swap contracts entered into early in 2022, see Note 3.9 and 4.10.

### Price risk

SalMar's entire business is related to salmon and is therefore directly affected by developments in salmon prices. The Group's profitability and cash flows are strongly correlated with movements in the price of salmon. Historically, salmon prices have been highly volatile seen in an annual, quarterly and monthly perspective. In 2021, the spot price of Atlantic salmon fluctuated between NOK 74.72 and NOK 42.67 per kg, measured weekly.

The global salmon market is largely a fresh-fish market, where most of the fish harvested is sold immediately to processing companies or directly to the consumer. For several years, growth in demand has been relatively stable, while growth in supply has varied more substantially from year to year. In addition to planned output volumes defined by the number of smolt transferred to sea farms, supply is also affected by a number of external factors. Fluctuations in sea temperatures, the spread of sea lice and outbreaks of disease are all factors which, directly or indirectly, affect fish growth and thus supply. As a consequence, relatively substantial variations in supply may occur within short periods of time. With relatively stable demand, this can result in considerable price volatility.

SalMar sells a portion of its output through fixed-price contracts. The Group has drawn up guidelines for such contracts to limit exposure to salmon price volatility. It is the Sales and Industry segment which sells the entire Group's harvested volume in Norway, the impact of the fixed-price contracts is therefore recognised in this segment's financial statements. Approximately 25 percent of the Group's volume was sold under fixed-price contracts in 2021.

### Credit risk

The risk of a counterparty not having the financial resources to meet its obligations has, historically, been considered low, and SalMar's losses resulting from bad debts have been small. The Group has guidelines to ensure that sales are made only to customers who have not previously had material payment issues, and that outstanding totals do not exceed defined credit limits. Credit insurance is taken out as a general rule.

The Group does not have any material credit risk associated with an individual counterparty or counterparties which may be considered a group due to similarities in the credit risk they represent, see Note 4.1 for further details.

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

SalMar's objective is to have sufficient cash, cash equivalents or short and medium-term credit facilities to meet its day-to-day funding requirement. The Group prepares regular cash-flow forecasts to ensure that it has sufficient liquidity at all times. Furthermore, a flexible financing structure is maintained through established credit facilities. Unused credit facilities are described in the notes to the financial statements.

The Group's equity ratio, its prospects for future profits and current credit facilities mean that the Group's liquidity risk is considered to be low.

In 2021 SalMar received initial A- credit rating from Nordic Credit Rating, please visit their website for their latest assessment of the credit rating.

## R&D

For many years, SalMar has engaged with various R&D environments, including partnerships relating to the operation of R&D licences. The scale and professionalism of important development activities has increased and continues to do so. For SalMar it is important to be a professional, but demanding partner, such that the outcomes of ongoing trials are as relevant as possible. SalMar has allocated personnel specifically to organising and assisting R&D environments involved in such collaborative efforts, while production staff are becoming increasingly experienced with regard to the best way to safeguard research results in a busy working day. Proximity to the research, and the opportunity to influence both its planning and its area of focus are important sources of motivation for SalMar.

The scale of SalMar's R&D activities in a wide range of fields was substantial in 2021. During the year, SalMar continued to focus on fish welfare and sea lice control. Development projects were conducted at the secondary processing plant and great emphasis has been placed on feed optimisation. In addition, SalMar continuously assesses its own work processes and aims to establish more long-term projects and a closer cooperation with the supply industry and research institutions.

SalMar's efforts in the field of breeding and genetics include a collaboration with Benchmark Holding PLC's subsidiary SalmoBreed, through the joint venture, SalMar Genetics. SalMar is pleased to see that this model has created a solid foundation for the further development of the Rauma strain in the years ahead, and that this work may also offer synergies in other areas that SalMar is focusing on.

In 2021, SalMar expanded its R&D activities in the area of feed and feeding in collaboration with its main feed provider. SalMar sees a substantial need for greater focus on basic knowledge of how the fish are fed and how we can ensure that the entire population enjoys optimal conditions throughout the production cycle. It is SalMar's clearly expressed goal to initiate better and more comprehensive research into these issues under large-scale conditions. To contribute to this, SalMar provides funds for a professorship in the field of aquaculture at the Norwegian University of Science and Technology (NTNU).

For many years, fish farming in the open ocean has been an important part of SalMar's strategy to ensure sustainable growth. In 2016, the company's Ocean Farm project was the first to be awarded special development licences. Since then, the company has completed two successful production cycles at this pioneering facility, located in a weather-beaten and exposed area of sea off the Trøndelag coast. Experience gained is being incorporated into a new version, Ocean Farm 2 for which concept and engineering phase work is well underway. A third development project is also underway, this time for the world's first fully offshore fish farm, the Smart Fish Farm. This installation is being designed with more than twice the capacity of the Group's Ocean Farm 1. SalMar has been granted eight development licences for this novel deep-water project.

In 2021 and as mentioned above, the company further strengthened its efforts in this field by transferring its activities and channelling all further R&D efforts and investments in offshore fish farming into SalMar Aker Ocean, jointly owned with Aker. The owners aim to make SalMar Aker Ocean the world's largest salmon producer.

## Organisation, Sustainability and Social Responsibility

It is SalMar's goal to secure long-term profitability and growth through sustainable aquaculture and processing activities, and by acting as a responsible corporate citizen. For SalMar, the important thing is what sustainability is actually about: the future. It concerns not only the future of our children and grandchildren, but the protection of our fellow citizens today. In this, lies an acknowledgement that we have only one planet, with limited resources, which it is vital to preserve and protect.

Today, the world's population uses more resources than the planet manages to generate, and food production accounts for a substantial portion of humanity's environmental and climate footprint. New ways of producing food are needed for an ever-growing global population, at the same time as we must minimise the impact we have on the environment.

Salmon farming is one of the most environment-friendly ways of producing food, affording considerable benefits in the form of space, freshwater consumption and greenhouse gas emissions. Aquaculture and salmon farming will therefore make a significant contribution to providing a growing global population with healthy, protein-rich food in the years ahead.

Sustainability in everything we do is one of SalMar's key tenets. For us, sustainability is about the way we operate as a company and how we behave in the areas surrounding our operations. This includes taking care of our employees, the salmon and the environment while developing the industry and moving society in a more sustainable direction.

SalMar aims to safeguard the seas, while maximising our production at the terms of the salmon. This includes contributing to the development of new technology, so that we can continue to reduce the biological footprint of our production.

The Group recognises the diversity of its corporate social responsibility, as an employer, producer, supplier of healthy food, user of the natural environment and administrator of financial and intellectual capital. Social responsibility is important for us, and we want everything we do to stand the light of day. At the same time, we aim to minimise the impact our operations have on the natural environment.

Our holistic approach rests on awareness of the link between caring for people, economy, and the environment, which determines whether something is sustainable. This is the core reason for why we think sustainability in everything we do.

As an employer, SalMar aims to provide a safe and developing workplace. The Group works continuously to enhance measures and processes associated with health, safety, and the environment (HSE), as well as provide professional development opportunities for managers and employees. Good employees, irrespective of gender, age, or background, are crucial if we are to succeed in reaching our strategic goals. At the same time, it is important that we provide an attractive and safe working environment which makes it possible to attract and retain the most talented people.

In 2021, SalMar employed a total of 1,960 full-time equivalents from 43 different countries. This is 197 full-time equivalents more than in 2020. The workforce was made up of 535 women and 1,425 men. The female ratio of the Senior Management is 20%. SalMar works actively towards recruitment of women in what has traditionally been a male dominated industry. Our goal is to exhibit the vast opportunities for women in all parts of the industry. This is done by actively targeting potential future employees (in school, universities etc.) and having female representatives speak about SalMar as a workplace. The female ratio of employees increased in all parts of our value chain in 2021. This shows that SalMar's continuous efforts to increase the female ratio of its workforce is effective. The percentage of women is considerably higher at the Group's harvesting and processing facilities than at its hatcheries and fish farms. Therefore, these areas will be of particular focus in SalMar's future efforts.

In its Code of Conduct, the Group makes its policy plain with respect to the promotion of diversity and equality. SalMar accepts no discrimination, abuse or harassment of our workers or partners, and we treat everyone with courtesy and respect no matter what their ethnicity, gender, national or social background, age, functional capacity, sexual orientation, religious faith, political convictions or other status. Respect for the individual is the cornerstone of the company's policy. Everyone shall be treated with dignity and respect and shall not be unfairly prevented from carrying out their duties and responsibilities. This attitude springs from the acknowledgement that diversity contributes to a better working environment, greater adaptability and better results in the long term.

SalMar complies with national regulations also with regards to working hours and sufficient rest. This is paramount to maintain SalMar's strict demands for safe operations.

Pursuant to section 3-3c of the Norwegian Accounting Act, the Board of Directors has drawn up guidelines covering business ethics and corporate social responsibility. These are available from the Group's website www.salmar.no. SalMar's activities in sustainability and corporate social responsibility, including human rights, labour rights, the working environment, equality, discrimination, anti-corruption, activity duty and the external environment, are described in further detail in the sustainability report.

## Shares and Shareholders

In 2021 the share price increased 20.7 percent from the closing price of NOK 503.60 at the end of 2020. The price on 30 December, the last day of trading in 2021, was NOK 608.00 per share.

SalMar held its AGM on 8 June 2021. The AGM voted to pay a dividend of NOK 20 per share. The shares were traded ex. dividend from 9 June, with payment taking place on 22 June 2021.

On 8 June 2021, SalMar announced that it had successfully completed a private placement of new shares, which raised gross proceeds of NOK 2,709 million. A total of 4.5 million new shares were issued. The net proceeds of the private placement will be used for SalMar's growth ambitions through strategic acquisitions along the entire value chain. This includes the purchase of salmon production licences, the acquisition of companies, and investments in the organic expansion of smolt production and coastal fish farming, as well as harvesting and processing activities.

As of 31 December 2021, SalMar had a total of 117,799,999 shares outstanding, divided between 13,731 shareholders. The company's major shareholder, Kverva Industrier AS, owns 50.88 percent of the shares.

The 20 largest shareholders own a total of 72.25 percent of the shares. SalMar ASA is the 109th largest shareholder with 102,361 shares, corresponding to 0.1 percent of the total number of shares outstanding as of 31 December 2021.

The company's Articles of Association contain no stipulations limiting the transferability of the company's shares. Furthermore, the company is not aware of any agreements between shareholders that limit the possibility of trading in or exercising voting rights with respect to shares.

## Corporate Governance

SalMar complies with the legislation, regulations, and recommendations to which a public limited company is subject, including Section 3-3b of the Norwegian Accounting Act on corporate governance, day-to-day obligations of a company listed on the Oslo Stock Exchange and the current version of the Norwegian Code of Practice for Corporate Governance. These principles are discussed in detail in a separate chapter of the annual report and are available from the company's website.

The Group's Board of Directors comprises four members elected by the shareholders and two employee representatives. Three of the board members are women, including one employee representative.

## Changes in the Board's Composition

Former board chair Atle Eide notified the nomination committee that he would not seek re-election at the annual general meeting (AGM) on 8 June 2021. Consequently, and as recommended by the nomination committee, the AGM voted to elect Leif Inge Nordhammer as Board Chair and Magnus Dybvad as a new member of the Board, and re-elect Margrethe Hauge as member of the Board, all for terms of two years.

In November 2021, Tonje Foss resigned her seat on SalMar ASA's Board of Directors. The decision followed her appointment to a new position in the aquaculture industry outside SalMar.

Information relating to the competence and background of the various board members is available from SalMar's website www.salmar.no.

## Outlook

### Market outlook

In 2022 figures from Kontali, a leading provider of aquaculture data and research, estimate a global harvest volume at the same level as in 2021. The global volume of salmon harvested is expected to decrease by 3,000 tonnes or 0.1% percent.

The harvested volume is expected to be more or less at the same level in Norway, Chile and UK. Increase in other markets with 7.5 per cent. And it is expected to decrease with 9.4 per cent in North America and 7.1 per cent in Faroes.

The limited growth in supply while at the same time public health measures due to Covid-19 are lifted in markets across the globe, gives an optimistic market outlook for 2022.

| Supply of Atlantic salmon in 1,000 tonnes WFE | 2022E | Change |
|---|---|---|
| Norway | 1,541 | 0.6% |
| Chile | 717 | -0.5% |
| UK | 200 | 0.8% |
| North America | 143 | -9.4% |
| Faeroes | 98 | -7.1% |
| Other countries | 192 | 7.5% |
| Total, global supply | 2,890 | -0.1% |

### Outlook for SalMar and its associates

SalMar expects to harvest a higher volume in 2022 than in 2021. SalMar expects to harvest 175,000 tonnes in Norway and 16,000 tonnes in Iceland in 2022. In addition, SalMar expects its share of the volume harvested by Norskott Havbruk (50 percent) to come to 23,000 tonnes in 2022. This totals a harvest volume of 214,000 tonnes or an increase of 8% from 2021.

It is expected that around 40 percent of the volume will be harvested in the first half of the year, with the remaining 60 percent in the second half. In 2022, SalMar expects a contract share of around 30 percent for the full year of the expected volume harvested. The contracts portfolio average price and volume is relatively stable through the whole of 2021, where the prices on contracts are higher than the contract prices in 2021.

Over time, SalMar has invested heavily to increase its competence and capacity to handle biological challenges in the best possible way. These efforts have paid off, and the biological situation for Fish Farming Central Norway and Fish Farming Northern Norway is good. The situation in Iceland has improved considerably compared with 2020, and the outlook for 2022 is good.

SalMar has a high level of preparedness at its harvesting facility, to ensure that extraordinary events can be handled in compliance with the regulations. The completion of InnovaNor, Northern Norway's largest and most modern harvesting plant in 2021, will further improve capacity and operational flexibility in this region. In addition, efforts are continuously being made to develop the most sustainable and best production sites. In this context, SalMar's offshore farming strategy is crucial.

SalMar will with SalMar Aker Ocean reinforce its position as a leader with respect to aquaculture technology, and thereby make an important contribution to the sustainable development of salmon farming, both coastal and offshore.

In addition SalMar expects lower cost in the value chain due to gradual ramp up of both harvesting and processing activity at InnovaNor in Northern Norway in 2022. This reduces the need for purchase of external harvesting and processing services and improves both inbound and outbound logistics in the value chain.

Feed is the most important cost factor in salmon farming, accounting for around 50 percent of total production costs and SalMar expect slightly higher feed prices in 2022 compared 2021, due to inflationary pressure of raw materials. For comment on impact from war in Ukraine see outlook.

In total, SalMar expects the cost price of its harvested biomass in 2022 to be on a par with that achieved in 2021.

### Investments

SalMar is continuing its ongoing investment programmes. In 2022, it expects to invest around NOK 1.7 billion in its Norwegian operations to further develop its already strong platform for growth. The construction of the smolt facilities Senja 2 and Tjuin make up the largest individual investments.

NOK 0.2 billion is expected to be invested in Iceland, where investments in increased farming capacity constitutes the largest proportion.

SalMar Aker Ocean expects to invest NOK 0.2 billion for the upgrade of Ocean Farm 1 and finalizing design of new units Smart Fish Farm and Ocean Farm 2.

### Covid-19 and impact from war in Ukraine

The many public health measures implemented worldwide during the pandemic increased market uncertainty. Throughout the Covid-19 period, SalMar has nevertheless demonstrated that it is well equipped to handle challenging situations. The effective rollout of vaccination programmes worldwide and the outlook for an end to the pandemic means that SalMar takes an optimistic view on the future and reinforces its confidence in the prospects of the aquaculture sector.

The attack on Ukraine early in 2022 shocked the global community. For SalMar it is important to show our solidarity with the people of Ukraine. Together with its employees, SalMar has provided humanitarian assistance through aid organisations. SalMar is also grateful that good partners made it possible to send a truck containing 20 tonnes of salmon – 160,000 portions – to be donated and distributed to the suffering people of Ukraine.

SalMar have no assets in neither Russia, Belarus nor Ukraine and as SalMar has not sold volume to Russia nor Belarus for the last years, Ukraine as market however has accounted for a marginal proportion of the volume sold. Nevertheless, with the sanctions imposed following the war in Ukraine some volume will need to be reallocated from other salmon farmers which may impact supply into certain markets.

Ukraine is also a large supplier in certain agriculture markets, as a consequence the war creates increased uncertainty and inflationary pressure on raw material for certain ingredients in the fish feed. SalMar is well equipped to handle this situation as the company has a strong partnership with its feed suppliers and is one of the most efficient salmon producers with a low feed conversion ratio and best results on key fish welfare indicators. In addition salmon as a protein source is of the most resource efficient animal protein sources and an increase in feed cost has a lower impact on salmon producers, compared to other producers of animal protein.

The ban of the air space over Russia reduces the air freight capacity to the Asian markets creating logistical challenges. In addition, the recent increase in energy prices may indirectly impact other cost elements in our value chain such as transportation and packaging.

The past few years have been challenging and characterised by great uncertainty not only for the aquaculture sector but for the global community. With the war in Ukraine uncertainty is likely to remain a constant for a long time. Through the collective efforts and hard work of the entire organisation, SalMar has proved its resilience and ability to navigate in uncertain times and adapt to changing market conditions. The company has strong financial flexibility, good local secondary processing capacity and, not least, a corporate culture of working even harder when the going gets tough.

## The Board's assessment

By means of hard work and dedication over many years, SalMar has built a strong position in a growing aquaculture industry. Both Norway and Iceland benefit from excellent natural conditions for the farming of salmon. SalMar will continue to manage these resources in the best possible way for its shareholders, employees, customers and affected local communities.

Based on its strong competitive and financial position, the SalMar Group aims to retain its standing as one of the world's leading aquaculture companies, with continued good profitability going forward. The Board's assessment is that SalMar is well positioned to realise this ambition. SalMar produces healthy food in a sustainable way, and the world's population needs more food. Salmon farming is one of the most environment-friendly ways of producing food, affording considerable benefits in the form of space, freshwater consumption, and greenhouse gas emissions. Aquaculture and salmon farming will therefore make a significant contribution to providing a growing global population with healthy, protein-rich food in the years ahead. This is something SalMar will build on in its ongoing efforts to achieve sustainable growth on the salmon's terms.

In 2021, SalMar has demonstrated its capacity to adapt to changing market conditions, delivering strong operational and biological results and maintaining a robust financial position. On this basis, SalMar's board of directors is recommending that a dividend of NOK 20 per share is paid for the 2021 financial year. The board of directors considers that the company has the financial capacity needed to achieve further growth, both within traditional coastal and offshore-based aquaculture.

The SalMar culture, expressed through our corporate tenets, is fundamental to the entire business, and our vision, "Passion for Salmon", is the vision that guides us on our way towards realising our ambition of being the world's best aquaculture company. SalMar's employees are our most important resource in our quest for further success. Continuous development of the organisation is therefore a key focus area for the Group. The Board of Directors would like to thank all the company's employees for the amazing and dedicated efforts they put in every single day. It is these efforts which have created the SalMar Group's excellent results year after year, and which will underpin our continued success in the years ahead.

Frøya, 31. March 2022
The Board of Directors of SalMar ASA

Leif Inge Nordhammer
*Chair of the Board*

Margrethe Hauge
*Vice-Chair of the Board*

Linda L. Aase
*Board member*

Gustav Witzøe
*CEO*

Tone Ingebrigtsen
*Employee representative*

Magnus Dybvad
*Board member*

Simon Andre Søbstad
*Employee representative*

# FINANCIAL STATEMENTS AND RESULTS

# *Consolidated Financial Statements*

*2021*

*SalMar Group*

## Consolidated Statement of Profit or Loss

| NOK 1,000 | Note | 2021 | 2020 |
|---|---|---|---|
| Revenues from contracts with customers | 2.2 | 14,971,988 | 12,856,778 |
| Other operating revenues | 2.2 | 71,957 | 55,563 |
| **Total operating revenues** | | **15,043,945** | **12,912,342** |
| | | | |
| Cost of goods sold | | 7,327,973 | 5,870,577 |
| Salary and personnel expenses | 2.3, 2.4, 2.5 | 1,539,686 | 1,319,961 |
| Other operating expenses | 2.6, 3.4 | 2,442,610 | 1,902,210 |
| Depreciation and amortisation | 3.1, 3.3, 3.4 | 803,136 | 780,972 |
| Write-downs | 3.1, 3.3 | 3,544 | 31,121 |
| **Total operating expenses** | | **12,116,948** | **9,904,842** |
| **Operational EBIT** | | **2,926,996** | **3,007,500** |
| | | | |
| Production tax | 2.6 | -71,601 | 0 |
| Onerous contracts | 3.13 | -180,970 | -16,030 |
| Fair value adjustments | 2.8 | 776,543 | -163,502 |
| **Operating profit** | | **3,450,968** | **2,827,968** |
| | | | |
| **Income from investments in associates** | 3.5 | **94,879** | **42,208** |
| | | | |
| **Financial items** | | | |
| Interest income | 2.9 | 15,192 | 10,264 |
| Financial income | 2.9 | 21,453 | 1,321 |
| Interest expenses | 2.9 | 184,646 | 149,854 |
| Financial expenses | 2.9 | 10,904 | 160,261 |
| **Net financial items** | | **-158,905** | **-298,531** |
| **Profit before tax** | | **3,386,942** | **2,571,645** |
| Income tax expense | 2.10 | 718,822 | 563,355 |
| **Profit for the year** | | **2,668,120** | **2,008,290** |
| | | | |
| **Profit for the year attributable to:** | | | |
| Non-controlling interests | 4.6 | 51,404 | 29,272 |
| Shareholders in SalMar ASA | | 2,616,716 | 1,979,018 |
| | | | |
| Earnings per share | 4.3 | 22.61 | 17.52 |
| Earnings per share – diluted | 4.3 | 22.57 | 17.49 |

## Consolidated Statement of Other Comprehensive Income

| NOK 1,000 | Note | 2021 | 2020 |
|---|---|---|---|
| **Profit for the year** | | **2,668,120** | **2,008,290** |
| | | | |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified to profit or loss in subsequent periods:* | | | |
| Translation differences in associated companies | 3.5 | 13,824 | -3,762 |
| Translation differences in group companies | | -97,485 | 87,902 |
| Translation differences in group companies classified as net investments | | 0 | -8,131 |
| Gain/loss on hedge of net investment | 3.8 | 17,776 | 0 |
| Gain/loss on cash flow hedges | 3.9 | -100,618 | 174,455 |
| Net change in costs of hedging | 3.9 | -12,747 | 0 |
| Tax related to other comprehensive income | 2.10 | 21,030 | -38,380 |
| **Total other comprehensive income** | | **-158,221** | **212,083** |
| **Total comprehensive income** | | **2,509,899** | **2,220,373** |
| | | | |
| **Comprehensive income for the year attributable to** | | | |
| Non-controlling interests | 4.6 | 5,535 | 56,234 |
| Shareholders in SalMar ASA | | 2,504,364 | 2,164,139 |

## Consolidated Balance Sheet

NOK 1,000

| Assets | Note | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| **Non-current assets** | | | |
| **Intangible assets** | | | |
| Licenses | 3.1, 3.12 | 7,487,421 | 6,172,183 |
| Goodwill | 3.1 | 752,063 | 441,130 |
| Other intangible assets | 3.1 | 290,986 | 212,918 |
| **Total intangible assets** | | **8,530,470** | **6,826,230** |
| | | | |
| **Property, plant and equipment** | | | |
| Property, plant and equipment | 3.3, 3.12 | 7,133,246 | 5,554,028 |
| Right-to-use assets | 3.4, 3.12 | 876,803 | 848,767 |
| **Total property, plant and equipment** | | **8,010,049** | **6,402,795** |
| | | | |
| **Non-current financial assets** | | | |
| Investments in associates | 3.5 | 1,174,428 | 752,562 |
| Investments in shares and other securities | | 7,512 | 472 |
| Pension fund assets | 2.5 | 8,655 | 7,217 |
| Other receivables | 3.7 | 109,898 | 90,747 |
| **Total non-current financial assets** | | **1,300,493** | **850,998** |
| **Total non-current assets** | | **17,841,013** | **14,080,022** |
| | | | |
| **Current assets** | | | |
| Biological assets | 3.6, 3.12 | 7,280,824 | 5,988,790 |
| Other inventory | 3.6, 3.12 | 647,220 | 680,999 |
| **Total inventory** | | **7,928,044** | **6,669,789** |
| | | | |
| **Receivables** | | | |
| Trade receivables | 3.7, 3.12 | 934,934 | 588,989 |
| Other current receivables | 3.7, 3.9 | 479,617 | 435,947 |
| **Total receivables** | | **1,414,551** | **1,024,936** |
| | | | |
| Cash and cash equivalents | 3.10, 3.11 | 901,644 | 223,447 |
| **Total current assets** | | **10,244,238** | **7,918,172** |
| **Total assets** | | **28,085,251** | **21,998,194** |

Consolidated Balance Sheet, continued

| Equity and liabilities | Note | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| **Equity** | | | |
| **Paid-in equity** | | | |
| Share capital | 4.2 | 29,450 | 28,325 |
| Treasury shares | | -26 | -58 |
| Share premium | | 3,101,961 | 415,286 |
| Other paid-in equity | | 295,105 | 248,394 |
| **Total paid-in equity** | | **3,426,490** | **691,947** |
| | | | |
| **Retained earnings** | | | |
| Retained earnings | | 9,803,859 | 9,159,069 |
| **Total equity attributable to shareholders of the parent** | | **13,230,349** | **9,851,016** |
| | | | |
| Non-controlling interests | 4.6 | 2,252,827 | 1,135,886 |
| **Total equity** | | **15,483,176** | **10,986,902** |
| | | | |
| **Liabilities** | | | |
| Non-current liabilities | | | |
| Deferred tax liability | 2.10 | 2,258,689 | 1,828,109 |
| Non-current interest-bearing debts | 3.11, 3.12 | 4,906,560 | 3,677,627 |
| Long-term lease liabilities | 3.4, 3.11, 3.12 | 750,747 | 769,128 |
| **Total non-current liabilities** | | **7,915,996** | **6,274,865** |
| | | | |
| **Current liabilities** | | | |
| Current interest-bearing debts | 3.11, 3.12 | 571,274 | 1,438,435 |
| Short-term lease liabilities | 3.4, 3.11, 3.12 | 216,419 | 164,567 |
| Trade payables | 3.11 | 2,317,308 | 2,056,323 |
| Tax payable | 2.10 | 543,307 | 537,833 |
| Public duties payable | | 263,887 | 110,839 |
| Other current liabilities | 3.9, 3.13 | 773,884 | 428,430 |
| **Total current liabilities** | | **4,686,079** | **4,736,427** |
| **Total liabilities** | | **12,602,075** | **11,011,292** |
| **Total Equity and Liabilities** | | **28,085,251** | **21,998,194** |

Frøya, 31 March 2022

Leif Inge Nordhammer
*Chair of the Board*

Margrethe Hauge
*Vice-Chair of the Board*

Linda L. Aase
*Board member*

Magnus Dybvad
*Board member*

Tone Ingebrigtsen
*Employees representative*

Simon Andre Søbstad
*Employees representative*

Gustav Witzøe
*CEO*

## Consolidated Statement of Changes in Equity

| NOK 1,000 | Note | Share capital | Treasury shares | Share premium | Other paid-in equity | Other equity | Foreign currency translation differences | Cash flow hedges | Hedge of net invest-ments | Cost of hedging reserve | Attributable to share-holders of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| As of 1 January 2020 | | 28,325 | -94 | 415,286 | 201,508 | 8,289,417 | 73,267 | 0 | 0 | 0 | 9,007,710 | 732,391 | 9,740,100 |
| Net profit for the year | | 0 | 0 | 0 | 0 | 1,979,018 | 0 | 0 | 0 | 0 | 1,979,018 | 29,272 | 2,008,290 |
| *Other comprehensive income* | | | | | | | | | | | | | |
| Translation differences in associates | 3.5 | 0 | 0 | 0 | 0 | 0 | -3,762 | 0 | 0 | 0 | -3,762 | 0 | -3,762 |
| Translation differences in subsidiaries | | 0 | 0 | 0 | 0 | 0 | 60,939 | 0 | 0 | 0 | 60,939 | 26,962 | 87,902 |
| Other comprehensive income, net after tax | 3.9 | 0 | 0 | 0 | 0 | 0 | 0 | 136,075 | -8,131 | 0 | 127,943 | 0 | 127,943 |
| Total other comprehensive income | | 0 | 0 | 0 | 0 | 0 | 57,178 | 136,075 | -8,131 | 0 | 185,121 | 26,962 | 212,083 |
| Total comprehensive income | | 0 | 0 | 0 | 0 | 1,979,018 | 57,178 | 136,075 | -8,131 | 0 | 2,164,139 | 56,234 | 2,220,373 |
| *Transactions with shareholders* | | | | | | | | | | | | | |
| Share-based payment, expensed | 2.4 | 0 | 0 | 0 | 46,885 | 0 | 0 | 0 | 0 | 0 | 46,885 | 0 | 46,885 |
| Share-based payment, tax effect | 2.10 | 0 | 0 | 0 | 0 | -1,707 | 0 | 0 | 0 | 0 | -1,707 | 0 | -1,707 |
| Share-based payment, release | 2.4 | 0 | 36 | 0 | 0 | -36 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Dividend | 4.2 | 0 | 0 | 0 | 0 | -1,469,874 | 0 | 0 | 0 | 0 | -1,469,874 | -23,128 | -1,493,002 |
| Contribution of equity | 4.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 500,931 | 500,931 |
| Transaction costs related to capital contribution, net of tax | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -20,976 | -20,976 |
| Change in non-controlling interests | 4.6 | 0 | 0 | 0 | 0 | 109,778 | 0 | 0 | 0 | 0 | 109,778 | -109,778 | 0 |
| Other changes | | 0 | 0 | 0 | 0 | -5,914 | 0 | 0 | 0 | 0 | -5,914 | 212 | -5,702 |
| Total transactions with shareholders | | 0 | 36 | 0 | 46,885 | -1,367,754 | 0 | 0 | 0 | 0 | -1,320,832 | 347,261 | -973,571 |
| At 31 December 2020 | | 28,325 | -58 | 415,286 | 248,394 | 8,900,681 | 130,445 | 136,075 | -8,131 | 0 | 9,851,016 | 1,135,886 | 10,986,902 |

Consolidated statement of changes in Equity, continued

| NOK 1,000 | Note | Share capital | Treasury shares | Share premium | Other paid-in equity | Other equity | Foreign currency translation differences | Cash flow hedges | Hedge of net invest-ments | Cost of hedging reserve | Attributable to share-holders of the parent | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| As of 1 January 2021 | | 28,325 | -58 | 415,286 | 248,394 | 8,900,681 | 130,445 | 136,075 | -8,131 | 0 | **9,851,016** | 1,135,886 | **10,986,902** |
| | | | | | | | | | | | | | |
| Net profit for the year | | 0 | 0 | 0 | 0 | 2,616,716 | 0 | 0 | 0 | 0 | **2,616,716** | 51,404 | **2,668,120** |
| *Other comprehensive income* | | | | | | | | | | | | | |
| Translation differences in associates | 3.5 | 0 | 0 | 0 | 0 | 0 | 13,824 | 0 | 0 | 0 | **13,824** | 0 | **13,824** |
| Translation differences in subsidiaries | | 0 | 0 | 0 | 0 | 0 | -51,616 | 0 | 0 | 0 | **-51,616** | -45,869 | **-97,485** |
| Other comprehensive income, net after tax | 3.9 | 0 | 0 | 0 | 0 | 0 | 0 | -78,482 | 13,865 | -9,943 | **-74,560** | 0 | **-74,560** |
| Total other comprehensive income | | 0 | 0 | 0 | 0 | 0 | -37,792 | -78,482 | 13,865 | -9,943 | **-112,352** | -45,869 | **-158,221** |
| Total comprehensive income | | 0 | 0 | 0 | 0 | 2,616,716 | -37,792 | -78,482 | 13,865 | -9,943 | **2,504,364** | 5,535 | **2,509,899** |
| | | | | | | | | | | | | | |
| *Transactions with shareholders* | | | | | | | | | | | | | |
| Share-based payment, expensed | 2.4 | 0 | 0 | 0 | 54,185 | 0 | 0 | 0 | 0 | 0 | **54,185** | 1,349 | **55,534** |
| Share-based payment, tax effect | 2.10 | 0 | 0 | 0 | 0 | 1,137 | 0 | 0 | 0 | 0 | **1,137** | -1 | **1,136** |
| Share-based payment, release | 2.4 | 0 | 32 | 0 | -7,474 | -32 | 0 | 0 | 0 | 0 | **-7,474** | -8,567 | **-16,041** |
| Dividend | 4.2 | 0 | 0 | 0 | 0 | -2,261,359 | 0 | 0 | 0 | 0 | **-2,261,359** | -9,800 | **-2,271,159** |
| Contribution of equity | 4.6 | 1,125 | 0 | 2,707,875 | 0 | 0 | 0 | 0 | 0 | 0 | **2,709,000** | 639,093 | **3,348,093** |
| Transaction costs related to capital contribution, net of tax | | 0 | 0 | -21,201 | 0 | 0 | 0 | 0 | 0 | 0 | **-21,201** | 0 | **-21,201** |
| Change in non-controlling interests | 4.6 | 0 | 0 | 0 | 0 | 400,167 | 0 | 0 | 0 | 0 | **400,167** | -400,167 | **0** |
| Acquisition of non-controlling interests | 4.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** | 889,640 | **889,640** |
| Other changes | | 0 | 0 | 0 | 0 | 512 | 0 | 0 | 0 | 0 | **512** | -141 | **372** |
| Total transactions with shareholders | | 1,125 | 32 | 2,686,674 | 46,711 | -1,859,574 | 0 | 0 | 0 | 0 | **874,969** | 1,111,405 | **1,986,374** |
| **At 31 December 2021** | | **29,450** | **-26** | **3,101,961** | **295,105** | **9,657,823** | **92,653** | **57,593** | **5,734** | **-9,943** | **13,230,349** | **2,252,827** | **15,483,176** |

## Consolidated Statement of Cash Flows

| NOK 1,000 | Note | 2021 | 2020 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before tax | | 3,386,942 | 2,571,645 |
| Tax paid in the period | 2.10 | -548,952 | -588,455 |
| Depreciation, amortisation and write-downs | 3.1, 3.3, 3.4 | 806,680 | 812,093 |
| Employee share schemes charged to expenses | 2.4 | 55,534 | 46,885 |
| Income from associated companies | 3.5 | -94,879 | -42,208 |
| Gains on disposal of shares in group companies | | -12,913 | 0 |
| Gains/losses on sale of non-current assets | 3.3 | 1,118 | -1,904 |
| Net interest expenses | 2.9 | 169,455 | 146,643 |
| Onerous contracts | | 180,970 | 16,030 |
| Fair value adjustments | 2.8 | -776,543 | 163,502 |
| Change in inventory / biological assets at cost | | -225,517 | -639,855 |
| Change in trade receivables | | -334,089 | 153,952 |
| Change in trade payables | | 203,901 | 547,940 |
| Change in other accruals | | 96,646 | -7,378 |
| **Net cash flow from operating activities** | | **2,908,352** | **3,178,890** |
| | | | |
| **Cash flow from investing activities** | | | |
| Cash-flow from sale of property, plant and equipment | 3.3 | 7,082 | 6,206 |
| Purchase of property, plant and equipment | 3.1, 3.3 | -2,126,190 | -1,729,500 |
| Purchase of intangible assets | | -98,028 | -2,025,885 |
| Receipts from disposal of group companies and other investments | | 47,575 | 0 |
| Payments on business combinations, net of cash | | -326,802 | 0 |
| Payments related to capital contribution associated company | | -307,750 | 0 |
| Purchase of shares and other securities | 4.5 | -5,000 | -13,929 |
| Dividends from associated companies | 3.5 | 2,177 | 2,144 |
| Loan to third parties | | -21,268 | 13,469 |
| Interest received | 2.9 | 1,364 | 0 |
| **Net cash flow from investing activities** | | **-2,826,840** | **-3,747,495** |

Consolidated Statement of Cash Flows, continued

| NOK 1,000 | Note | 2021 | 2020 |
|---|---|---|---|
| **Cash flow from financing activities** | | | |
| Proceeds from interest-bearing debts | 3.11 | 3,760,202 | 1,638,685 |
| Repayment of interest-bearing debts | 3.11 | -3,138,284 | -574,850 |
| Net change in overdraft | 3.11 | -703,959 | 837,761 |
| Payment of instalments on lease liabilities | 3.4, 3.11 | -198,437 | -184,285 |
| Payment of interest on lease liabilities | 3.4, 3.11 | -57,311 | -55,217 |
| Interest received | 2.9 | 10,873 | 3,211 |
| Interest paid | 2.9 | -104,481 | -94,637 |
| Dividend | 4.2 | -2,271,159 | -1,493,002 |
| Net proceeds from issuance of shares in group companies | | 639,093 | 479,955 |
| Net proceeds from issuance of shares | | 2,681,822 | 0 |
| Share-based payment, release | 2.4 | -16,041 | 0 |
| Acquisition of non-controlling interests | 4.6 | 0 | -3,990 |
| **Net cash flow from financing activities** | | **602,320** | **553,631** |
| | | | |
| Net change in cash and cash equivalents | | 683,832 | -14,973 |
| Currency translation of cash and cash equivalents | | -5,634 | 7,429 |
| Cash and cash equivalents as at 01.01 | | 223,447 | 230,990 |
| **Cash and cash equivalents as at 31.12** | **3.10** | **901,644** | **223,447** |
| | | | |
| Unused drawing rights | | 4,680,361 | 1,571,739 |

# Notes to the Financial Statements for 2021

Part 1 **General Information and Accounting Policies**

## NOTE 1.1 General Information

SalMar ASA is a listed public limited liability company, registered and domiciled in Norway. The company's shares are listed on the Oslo Stock Exchange. The company's head office is located at Industriveien 51, 7266 Kverva, in the municipality of Frøya.

SalMar's consolidated financial statements of 31 December 2021 and for the year as a whole is comprised of SalMar ASA and its subsidiaries, as well as the Group's share of associates. The Group operates in Norway, Iceland and Asia, and has operations in Scotland through an associate.

The annual financial statements were formally approved by the Board of Directors on 31 March 2022.

## NOTE 1.2 Basis of Preparation

SalMar's consolidated financial statements is comprised of the statement of profit or loss, statement of other comprehensive income, balance sheet, statement of changes in equity and statement of cash flows. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS as adopted by EU. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB) at 31 December 2021, as well as disclosure requirements pursuant to the Norwegian Accounting Act at at 31 December 2021.

The consolidated financial statements are presented in Norwegian kroner (NOK). The financial statements have been prepared on a historical cost basis, except for the following:

- Biological assets – measured at fair value (Note 3.6)
- Financial derivatives – measured at fair value (Note 3.8)

### New and amended standards adopted by the group

No new or amended standards with mandatory effect from 1 January 2021 have had a material impact on the Group's financial reporting for 2021.

### New standards and interpretations not yet adopted

At the end of 2021, there are some amendments to existing standards that are not yet effective, but will be relevant for the Group at implementation. The Group intends to adopt these standards, if applicable, when they become effective. There are no amendments that is expected to have a significant impact on the Group's financial statements.

## NOTE 1.3 Principles of Consolidation

SalMar's consolidated financial statements encompass SalMar ASA and its subsidiaries as at 31 December 2021.

Subsidiaries are all entities over which the group has control. The group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. If the Group has a majority of the voting rights in an entity, the entity is presumed to be a subsidiary of the Group. To substantiate this presumption, and where the Group does not hold a majority of the voting rights, the Group considers all relevant facts and circumstances to determine whether the Group has control over the entity in which it has invested. This includes assessing the size of its shareholding, its voting share, the shareholder structure and its relative strength therein, as well as options controlled by the Group, shareholder agreements or other agreements. This assessment is performed for each investment. A reassessment is performed when facts and circumstances indicate that changes have taken place in one or more of the factors determining control.

The acquisition method of accounting is used to account for business combinations by the group. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The entity perspective is applied in connection with acquisitions where control is established. The exception is goodwill, where for each acquisition it is optional whether to recognise the controlling owner's share or 100%. In the cases where the fair value of the acquired assets exceeds the amount paid, the difference is treated as income in profit and loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of SalMar ASA.

When the Group no longer has control, any remaining shareholding is measured at fair value, with changes in value recognised through profit and loss. In connection with its future recognition as an investment, associate, jointly controlled entity or financial asset, fair value is deemed to equal acquisition cost. Amounts which were previously recognised in OCI with respect to this company are treated as if the Group had divested the underlying assets and liabilities. This may mean that amounts which have previously been recognised in OCI are reclassified to profit and loss.

## NOTE 1.4 Principles of Classification

Other assets which is part of the ordinary production cycle, assets held primarily for sale or are due within 12 months are classified as current assets. Other assets are classified as non-current assets. Correspondingly, liabilities which form part of the ordinary production cycle or are due within 12 months are classified as current liabilities. Other liabilities are classified as non-current.

The next year's instalment on long-term debt is classified as a current liability.

Changes in the fair value of biological assets are presented as fair value adjustments and are included in the Group's operating profit/loss. Fair value adjustments also includes changes in provisions for losses on physical sales contracts, changes in the unrealised value of Fish Pool contracts and changes in the unrealised value of forward currency contracts that have been entered into to hedge future deliveries. The unrealised value of forward currency contracts classified on this line are forward contracts which do not qualify for hedge accounting. Operating profit/loss is reported before fair value adjustment of the biomass in order to show the Group's underlying sales performance during the period.

Dividends from investments are recognised when SalMar has an unqualified right to receive the dividend. Proposed dividends are recognised as a liability from the date on which the General Meeting of Shareholders approves payment thereof.

## NOTE 1.5 Functional Currency and Translation of Foreign Currencies

The consolidated financial statements are presented in Norwegian kroner (NOK), which is both the parent company's functional currency and the Group's presentation currency.

Foreign currency transactions 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 recognised in profit or loss. They are deferred in other comprehensive income if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

a. Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
b. Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates
c. All resulting exchange differences are recognised in other comprehensive income.

## NOTE 1.6 Statement of Cash Flows

The Group's Statement of Cash Flows shows a breakdown of the Group's overall cash flow into operating, investing and financing activities. The statement shows the individual activity's impact on liquid assets. Cash flow deriving from the acquisition and sale of businesses is presented under investing activities.

## NOTE 1.7 Use of Estimates

Preparation of the financial statements in accordance with IFRS requires management to make evaluations, estimates and assumptions which affect the application of accounting principles and the value of assets and liabilities recognised in the Consolidated balance sheet as well as income and expenses in the Statement of profit or loss for the financial year. Estimates and their underlying assumptions are based on past experience and other factors deemed relevant and probable at the time the evaluations are made. These evaluations affect the book value of the assets and liabilities whose valuation is not based on other sources. Estimates are reviewed continuously and final values and results may differ from these estimates. Changes in accounting estimates are included in the period in which the changes occur.

The following evaluations and estimates are considered to be significant for the Group:

### Fair value of the biomass

Biological assets held at the Group's sea farms are measured in accordance with IAS 41. The principles for calculating fair value are described in Note 3.6 "Biological assets and other inventory".

The valuation is based on a number of assumptions that require considerable discretionary judgement. The key assumptions relate to volume, costs, price and the discount rate.

The estimated volume at harvest is based on the number of fish held at sea farms, adjusted for estimated growth and mortality from the time the fish were transferred to the sea until they have actually been harvested. The actual volume harvested may deviate from the estimated volume as a result of biological developments. Uncertainty with regard to biological developments may affect the date of harvest and therefore the discounting period in the model.

Expected market prices underpin the measurement of fish at fair value. The industry considers the Fish Pool forward price to be the best estimate of market prices. Historically, the market price for fish has proved susceptible to relatively large fluctuations from period to period and between seasons. The price achieved will moreover, differ depending on the size and quality of the fish at harvest. At the same time, the date of harvest will depend on the fish's biological development.

There is considerable uncertainty to the estimated remaining production costs to harvest. Biological challenges, such as disease and sea lice infestations, will affect fish-related costs. In addition, there is uncertainty related to the price of other important input factors, such as fish feed.

Expected future cash flows for the individual sites are discounted by a monthly discount factor. The discount factor is comprised of several elements (see Note 3.6 "Inventory and biological assets" for further details). As described in Note 3.6, a synthetic licence fee and site leasing cost is added to the discount factor in the model, instead of these elements being taken as a cost reducing factor in the calculation. In order to engage in the farming of salmon and trout, it is necessary to have access to infrastructure in the form of production licences and sites. The market price for a production licence in today's market is high, and it is reasonable to assume that in a hypothetical market there would be a considerable cost attached to use of the infrastructure and licences necessary to operate an aquaculture business. This cost is reflected as an element of the discount rate and will be subject to considerable discretionary judgement.

## Fair value at acquisition

In connection with an acquisition, the cost price of the acquired entity must be allocated such that the opening balance in the Group's accounts reflects the estimated fair value of the acquired assets and liabilities. To determine the fair value at acquisition, alternative methods are used to determine the fair value of assets for which there is no active market. Value excess identifiable assets and liabilities is recognised in the Consolidated balance sheet as goodwill. If the fair value of equity in the acquired entity exceeds the consideration paid, the excess amount is immediately recognised as income. The allocation of cost price in connection with business combinations is updated if, no later than 12 months after the acquisition took place, new information is obtained with respect to fair value on the date of takeover and assumption of control.

## Climate risk

SalMar's work with climate risk analyses was started in 2021 and will continuing in 2022, this includes analyses how the group operations may impact the climate and how the climate may impact our value chain and business. The study analyses both threats and opportunities and addresses both physical and transitional risks with related financial impact from each of the risks and opportunities identified. So far the analysis has not identified climate-related matters that will substantially affect our assets, provisions or future cash-flow. For further information related to the climate-risk assessments, see the sustainability reporting for SalMar Group.

Part 2 **Financial Results**

## NOTE 2.1 Business Segments

### Accounting policies

Operating segments are reported in a manner consistent with internal reporting to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group management.

The Group's business areas comprise of Fish Farming and Sales & Industry. In addition, the Group's operations in Iceland are reported as a separate unit and are defined as a separate segment.

Fish farming in Norway is divided into two regions, Fish Farming Central Norway and Fish Farming Northern Norway, which are defined as separate segments, and are reported and administered as such internally. The Group's hatchery operations are also included in these segments. The operating unit Icelandic Salmon, located in Iceland, is a fully integrated aquaculture company, with its own hatchery, sea farms, harvesting plant and sales force. This segment's combined results are reported through the business segment Icelandic Salmon.

Group management evaluates the segments' performance on the basis of Operational EBIT.

The column *Other/Eliminations* includes costs relating to share-based employee cost, R&D costs relating to jointly operated licences and other overheads not allocated to segments. In addition, a portion of the depreciation linked to the Ocean Farm 1 installation has been transferred from Fish Farming Central Norway to this column. Depreciation corresponding to normal depreciation of an installation with the same capacity is recognised in the fish farming segment's accounts. Depreciation and write-downs other than this is transferred to Other/Eliminations.

Sales between segments are carried out in accordance with the arm's length principle. When revenues from external parties are reported to group management, they are measured at the same amount recognised in profit and loss. Assets and liabilities are not reported to group management at segment level.

| 2021 (NOK 1,000) | Fish Farming Central Norway | Fish Farming Northern Norway | Sales & Industry | Icelandic Salmon | Other/ Eliminations | SalMar Group |
|---|---|---|---|---|---|---|
| External operating revenue - sale of goods and services | 18,590 | 74,096 | 13,996,658 | 882,644 | 0 | 14,971,988 |
| Internal operating revenue – sale of goods and services | 6,489,897 | 3,265,327 | 377,178 | 34,665 | -10,167,067 | 0 |
| **Total revenues from contracts with customers** | **6,508,487** | **3,339,423** | **14,373,836** | **917,310** | **-10,167,067** | **14,971,988** |
| Compensation | 7,636 | 0 | 0 | 0 | 0 | 7,636 |
| Rental income | 390 | 2,535 | 0 | 0 | 0 | 2,925 |
| Other operating revenues | 25,410 | 675 | 32,591 | 1,539 | 1,180 | 61,395 |
| **Total operating revenues** | **6,541,923** | **3,342,633** | **14,406,427** | **918,848** | **-10,165,887** | **15,043,945** |
| Depreciation and amortisation | 427,431 | 148,288 | 85,095 | 59,853 | 82,468 | 803,136 |
| Write-downs | 3,013 | 0 | 0 | 0 | 531 | 3,544 |
| Other operating expenses | 3,992,979 | 1,951,839 | 14,473,395 | 784,989 | -9,892,934 | 11,310,268 |
| **Operational EBIT** | **2,118,499** | **1,242,506** | **-152,063** | **74,007** | **-355,953** | **2,926,996** |
| Production tax | | | | | | -71,601 |
| Onerous contracts | | | | | | -180,970 |
| Fair value adjustments | | | | | | 776,543 |
| **Operating profit/loss** | | | | | | **3,450,968** |
| Income from investments in associates | | | | | | 94,879 |
| Net financial items | | | | | | -158,905 |
| **Profit before tax** | | | | | | **3,386,942** |
| Tax | | | | | | 718,822 |
| **Net profit for the year** | | | | | | **2,668,120** |
| | | | | | | |
| Investments in PP&E | 806,668 | 568,685 | 611,178 | 135,540 | 4,119 | 2,126,190 |
| Investments in right-to-use assets | 145,475 | 0 | 0 | 39,143 | 0 | 184,618 |
| Investments in licences | 0 | 0 | 0 | 4,392 | 0 | 4,392 |
| Investments – business combinations | 322,529 | 0 | 0 | 4,273 | 0 | 326,802 |

| 2020 (NOK 1,000) | Fish Farming Central Norway | Fish Farming Northern Norway | Sales & Industry | Icelandic Salmon | Other/ Eliminations | SalMar Group |
|---|---|---|---|---|---|---|
| External operating revenue – sale of goods and services | 15,746 | 164,471 | 12,031,915 | 644,646 | 0 | 12,856,778 |
| Internal operating revenue – sale of goods and services | 5,854,366 | 2,432,669 | 340,232 | 17,691 | -8,644,957 | 0 |
| **Total revenues from contracts with customers** | **5,870,111** | **2,597,139** | **12,372,147** | **662,337** | **-8,644,957** | **12,856,778** |
| Compensation | 0 | 10,900 | 0 | 0 | 0 | 10,900 |
| Rental income | 270 | 2,835 | 0 | 0 | 0 | 3,105 |
| Other operating revenues | 24,937 | 1,979 | 20,708 | 0 | -6,063 | 41,559 |
| **Total operating revenues** | **5,895,318** | **2,612,852** | **12,392,855** | **662,337** | **-8,651,020** | **12,912,342** |
| Depreciation and amortisation | 403,142 | 149,952 | 65,940 | 65,393 | 96,545 | 780,972 |
| Write-downs | 8,542 | 0 | 1,986 | 7,574 | 13,018 | 31,121 |
| Other operating expenses | 3,265,243 | 1,615,147 | 12,042,580 | 639,860 | -8,470,080 | 9,092,750 |
| **Operational EBIT** | **2,218,390** | **847,754** | **282,349** | **-50,490** | **-290,503** | **3,007,500** |
| Onerous contracts | | | | | | -16,030 |
| Fair value adjustments | | | | | | -163,502 |
| **Operating profit/loss** | | | | | | **2,827,968** |
| Income from investments in associates | | | | | | 42,208 |
| Net financial items | | | | | | -298,532 |
| **Profit before tax** | | | | | | **2,571,645** |
| Tax | | | | | | 563,355 |
| **Net profit for the year** | | | | | | **2,008,290** |
| | | | | | | |
| Investments in PP&E | 313,337 | 459,670 | 848,535 | 105,041 | 2,903 | 1,729,487 |
| Investments in right-to-use assets | 349,763 | 19,995 | 23,116 | 22,278 | 0 | 415,151 |
| Investments in licences | 1,166,876 | 798,148 | 0 | 0 | 0 | 1,965,024 |

## NOTE 2.2 Revenues From Contracts With Customers and Material Customers

### Accounting policies

Revenue from sale of goods derives mainly from sale of fresh whole Atlantic salmon and a wide variety of fresh and frozen salmon products, either on spot sales or from contracts. Revenues from the sale of services relate primarily to the sale of harvesting services. Revenues are recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the group expects to be entitled in exchange for those goods. Revenue is recognised at the point in time when control of the goods is transferred to the customer. That is typically when the goods are picked up by the carrier or at delivery to a terminal or the customer. This depends on the delivery terms and varies from customer to customer. The normal credit period is 30 days net.

For further details, see Note 2.1 for operating revenues relating to the Group's business segments.

| Specification of revenues (NOK 1,000): | 2021 | 2020 |
|---|---|---|
| Sale of goods | 14,775,608 | 12,674,010 |
| Sale of services | 196,380 | 182,768 |
| Total revenues from contracts with customers | 14,971,988 | 12,856,778 |

No individual customers have accounted for more than 10 per cent of the Group's revenue in the past two years.

| Specification of the Group's revenues by geographic market (NOK 1,000): | 2021 | % | 2020 | % |
|---|---|---|---|---|
| Asia | 3,633,758 | 24.3% | 2,792,997 | 21.7% |
| USA/ Canada | 3,043,322 | 20.3% | 2,439,418 | 19.0% |
| Europe, ex. Norway | 5,660,564 | 37.8% | 5,269,216 | 41.0% |
| Norway | 2,436,668 | 16.3% | 2,218,055 | 17.3% |
| Other | 197,676 | 1.3% | 137,092 | 1.1% |
| Total Revenues from contracts with customers | 14,971,988 | 100.0% | 12,856,778 | 100.0% |

| Specification of the Group's revenues by currency (NOK 1,000): | 2021 | % | 2020 | % |
|---|---|---|---|---|
| NOK | 3,886,962 | 26.0% | 3,642,098 | 28.3% |
| JPY | 835,185 | 5.6% | 682,301 | 5.3% |
| GBP | 122,535 | 0.8% | 119,117 | 0.9% |
| USD | 5,256,281 | 35.1% | 4,043,816 | 31.5% |
| EUR | 4,238,755 | 28.3% | 3,852,666 | 30.0% |
| SEK | 261,451 | 1.7% | 240,164 | 1.9% |
| KRW | 61,158 | 0.4% | 77,943 | 0.6% |
| CAD | 310,149 | 2.1% | 189,947 | 1.5% |
| ISK | -488 | 0.0% | 8,728 | 0.1% |
| Total Revenues from contracts with customers | 14,971,988 | 100.0% | 12,856,778 | 100.0% |

## NOTE 2.3 Salary and Personnel Expenses

### Salary and personnel expenses:

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Salaries and other short-term employee benefits | 1,268,190 | 1,097,051 |
| Social security expenses | 92,055 | 72,056 |
| Pension expenses | 68,307 | 59,555 |
| Employee share schemes charged to expenses | 55,534 | 46,885 |
| Other benefits | 55,600 | 44,415 |
| Total | 1,539,686 | 1,319,961 |

| | | |
|---|---|---|
| Average number of full-time employee equivalent in the Group | 1960 | 1763 |

### Auditor:

Breakdown of total auditor's fee:

| 2021 - NOK 1,000 | EY | Others[1] |
|---|---|---|
| Audit services | 2,269 | 2,192 |
| Other certification services | 562 | 0 |
| Tax advisory services | 490 | 0 |
| Other services | 244 | 250 |
| Total 2021 | 3,565 | 2,442 |

| 2020 - NOK 1,000 | EY | Others[1] |
|---|---|---|
| Audit services | 1,695 | 3,442 |
| Other certification services | 40 | 0 |
| Tax advisory services | 580 | 17 |
| Other services | 1,687 | 604 |
| Total 2020 | 4,001 | 4,064 |

### Loans and guarantees granted to employees:

| NOK 1,000 | Loans | Guarantees |
|---|---|---|
| Employees | 1,119 | 0 |

No loans have been granted to any of the Group's senior executives.

1 Some of the fees disclosed are inclusive of VAT.

## Remuneration Paid to Executive Managment and Board of Directors:

Reference is made to the Board's guidelines for remuneration and other benefits for SalMar ASA's senior executives adopted by the ordinary general meeting on 8 June 2021.

| | Fixed remuneration | | | | Variable remuneration | | | |
|---|---|---|---|---|---|---|---|---|
| Executive Management 2021 - NOK 1,000 | Base salary | Pension | Benefits | Total fixed remuneration | Bonus | Shares | Total variable remuneration | Total remuneration |
| Gustav Witzøe, CEO | 2,011 | 70 | 10 | 2,090 | 0 | 0 | 0 | 2,090 |
| Trine Sæther Romuld, CFO & COO | 2,939 | 126 | 10 | 3,075 | 650 | 1,336 | 1,986 | 5,061 |
| Frode Arntsen, COO Industry & Sales | 2,194 | 78 | 10 | 2,282 | 650 | 1,562 | 2,212 | 4,494 |
| Ulrik Steinvik, Director Business Improvement | 1,931 | 74 | 10 | 2,014 | 650 | 1,374 | 2,024 | 4,039 |
| Roger Bekken, COO Farming | 2,247 | 85 | 47 | 2,379 | 650 | 1,601 | 2,251 | 4,629 |
| Total earned 2021 | 11,321 | 433 | 85 | 11,840 | 2,600 | 5,873 | 8,473 | 20,313 |

| | Fixed remuneration | | | | Variable remuneration | | | |
|---|---|---|---|---|---|---|---|---|
| Executive Management 2020 - NOK 1,000 | Base salary | Pension | Benefits | Total fixed remuneration | Bonus | Shares | Total variable remuneration | Total remuneration |
| Gustav Witzøe, CEO | 2,048 | 54 | 10 | 2,112 | 0 | 0 | 0 | 2,112 |
| Trine Sæther Romuld, CFO & COO | 2,729 | 126 | 10 | 2,866 | 650 | 348 | 998 | 3,863 |
| Frode Arntsen, COO Industry & Sales | 2,142 | 78 | 10 | 2,230 | 650 | 1,466 | 2,116 | 4,346 |
| Ulrik Steinvik, Director Business Improvement | 1,883 | 73 | 10 | 1,967 | 575 | 1,348 | 1,923 | 3,889 |
| Roger Bekken, COO Farming | 2,192 | 85 | 146 | 2,423 | 650 | 1,329 | 1,979 | 4,402 |
| Total earned 2020 | 10,994 | 415 | 188 | 11,597 | 2,525 | 4,490 | 7,015 | 18,613 |

| Board of Directors 2021 - NOK 1,000 | Annual base fee | Audit and Risk Committee | Nomination Committee | Salary and benefits | Total remuneration |
|---|---|---|---|---|---|
| Leif Inge Nordhammer, Chair of the Board (Chair of the Board from 8 June 2021) | 375 | 0 | 0 | 0 | 375 |
| Margrethe Hauge, Vice-Chair of the Board | 263 | 110 | 0 | 0 | 373 |
| Linda Litlekalsøy Aase, Board Member | 263 | 0 | 0 | 0 | 263 |
| Magnus Dybvad, Board Member (from 8 June 2021) | 138 | 0 | 0 | 0 | 138 |
| **Employee representatives** | | | | | |
| Simon Andre Søbstad, Board Member | 69 | 0 | 0 | 2,492 | 2,561 |
| Tone Ingebrigtsen, Board Member | 69 | 0 | 0 | 959 | 1,028 |
| **Nomination Committee** | | | | | |
| Bjørn M. Wiggen, Chair of the Nomination Committee | 0 | 0 | 40 | 0 | 40 |
| Endre Kolbjørnsen | 0 | 0 | 25 | 0 | 25 |
| Karianne O. Tung (from 8 June 2021) | 0 | 0 | 13 | 0 | 13 |
| **Former members of the Board of Directors and the Nomination Committee** | | | | | |
| Tonje E. Foss, Board Member (former representative until 11 November 2021) | 263 | 75 | 0 | 0 | 338 |
| Atle Eide, Chair of the board (former representative until 8 June 2021) | 225 | 0 | 0 | 0 | 225 |
| Brit Elin Soleng, Employee representative (former representive until 8 June 2021) | 63 | 0 | 0 | 766 | 828 |
| Jon Erik Rosvoll, Employee representative (former representive until 8 June 2021) | 63 | 0 | 0 | 786 | 849 |
| Anne Kathrine Slungård, Nomination Committee (former representative until 8 June 2021) | 13 | 0 | 0 | 0 | 13 |
| **Total remuneration 2021** | **1,800** | **185** | **78** | **5,003** | **7,066** |

| Board of Directors 2020 - NOK 1,000 | Annual base fee | Audit and Risk Committee | Nomination Committee | Salary and benefits | Total remuneration |
|---|---|---|---|---|---|
| Atle Eide, Chair of the Board | 435 | 0 | 0 | 0 | 435 |
| Margrethe Hauge, Vice-Chair of the Board | 238 | 50 | 0 | 0 | 288 |
| Leif Inge Nordhammer, Board Member (from 3 June 2020) | 125 | 0 | 0 | 0 | 125 |
| Linda Litlekalsøy Aase, Board Member (from 3 June 2020) | 125 | 0 | 0 | 0 | 125 |
| Tonje E. Foss, Board Member (from 3 June 2020) | 125 | 35 | 0 | 0 | 160 |
| **Employee representatives** | | | | | |
| Brit Elin Soleng, Board Member | 119 | 0 | 0 | 750 | 868 |
| Jon Erik Rosvoll, Board Member | 119 | 0 | 0 | 725 | 843 |
| **Nomination Committee** | | | | | |
| Bjørn M. Wiggen, Chair of the Nomination Committee | 0 | 0 | 40 | 0 | 40 |
| Endre Kolbjørnsen (from 3 June 2020) | 0 | 0 | 13 | 0 | 13 |
| Anne Kathrine Slungård | 0 | 0 | 25 | 0 | 25 |
| **Former members of the Board of Directors and the Nomination Committee** | | | | | |
| Kjell A. Storeide, Board Member (former representative until 3 June 2020) | 113 | 45 | 0 | 0 | 158 |
| Helge Moen, Board Member (former representative until 3 June 2020) | 113 | 30 | 0 | 0 | 143 |
| Trine Danielsen, Board Member (former representative until 7 February 2020) | 113 | 0 | 0 | 0 | 113 |
| **Total remuneration 2020** | **1,624** | **160** | **78** | **1,474** | **3,336** |

# NOTE 2.4 Share-Based Incentive Scheme

## Accounting policies

The Group has a share-based incentive scheme, whereby the companies receive services from the employees in return for Restricted Share Units (RSUs) in the Group. The fair value of the services received by the business units from the employees in return for the RSU entitlements awarded is recognised as an expense.

The fair value of RSU entitlements is established when they are awarded. The fair value of RSU entitlements that are not at market terms are valued at the share price in effect when the RSUs are awarded. The probability of the performance criteria being met is considered when assessing how many RSU entitlements will be redeemed. The fair value of RSU entitlements that are not at market terms is calculated using a Monte-Carlo simulation. The most important input data when calculating the value of RSU entitlements are the share price on the date they are awarded, volatility, risk-free interest, expected yield and accrual period.

The value is established when they are awarded and charged in profit and loss over the RSU's vesting period, with a corresponding increase in paid-in equity. Employers' national insurance contributions are recognised over the expected accrual period.

## Restricted Share Unit Plan (RSU):

In accordance with the authorisation granted by the company's Annual General Meeting, SalMar ASA's Board of Directors has implemented a share-based incentive scheme (Restricted Share Unit Plan) for senior executives and key personnel employed by the company and its subsidiaries. As of 31 December 2021, the scheme encompassed up to 234,954 shares and has a term of three years. The company's board members do not receive RSUs, with the exception of those elected by the employees, who may take part in the programme in their capacity as employees. The company's obligations under the scheme will be covered by its existing holding of treasury shares.

Participants of the plan are granted Restricted Share Units (RSUs) free of charge. These will be released and transferred as shares to participants after an vesting period subject to predefined performance criteria. The shares are then transferred to the employee free of charge. The plan comprises three vesting periods of, respectively, one, two and three calendar years. Each vesting period covers 1/3 of the total annual RSUs in the plan. One RSU affords a contingent entitlement to one share. The award of RSUs in each of the three vesting periods rests on the following performance criteria:

- ⅓ of the RSUs will vest irrespective of the performance criteria.
- ⅓ of the RSUs will vest provided that SalMar achieves a better EBIT/kg ratio than other aquaculture enterprises listed on the Oslo Stock Exchange during the vesting period.
- ⅓ of the RSUs will vest provided that SalMar's shares deliver a higher total shareholder return (TSR) than a defined group of comparable companies during the vesting period.

The plan stipulates that RSUs will vest only if the participant is still an employee of the Group. The total gains from released RSUs during the course of one calendar year may not exceed 100% of the participant's basic salary.

The fair value of the RSU entitlements is calculated on the date they are awarded. The total fair value of the entitlements as of 31 December 2021 is calculated to be NOK 142.9 millions (2020: NOK 134.0 millions). The cost is expensed over the vesting period, and a total of NOK 53.0 millions was charged to expenses in connection with the scheme in 2021 (2020: NOK 45.2 millions). Provisions for employers' national insurance contributions in respect of the scheme have also been made. The expense is recognised to the extent that the performance criteria are met.

The fair value of RSU entitlements that are not at market condition is set as the share price on the date the award was made. The probability of the performance criteria being met is taken into account when assessing how many RSU entitlements will be redeemed. When the 2021 award was formally made on 20 December 2021, the share price was NOK 576.60. (2020: NOK 475.00).

The fair value of the RSU entitlements that are at market terms is calculated using a Monte-Carlo simulation. The most important input data when calculating the value of these RSU entitlements is the share price on the date the award was made, volatility, risk-free interest, expected yield and the accrual period. Based on the Monte-Carlo simulation, each RSU entitlement is worth NOK 544.46 for those awarded on 21 December 2021, NOK 456.03 for those awarded on 17 December 2020 and NOK 352.72 for those awarded on 30 January 2020.

In 2021, 129,710 RSUs were exercised. The market price per share at the time the RSUs were exercised was NOK 634.93. Correspondingly, 145,070 RSUs were exercised in 2020. The market price per share on the date these RSUs were exercised was NOK 519.89. The value of the RSUs exercised is treated as a salary payment to the individual employee.

*Movements in the no. of outstanding RSUs:*

| | 2021 | 2020 |
|---|---|---|
| 1 January | 265,311 | 166,572 |
| Granted during the year * | 107,845 | 267,336 |
| Released during the year | -129,710 | -145,070 |
| Forfeited | -17,106 | -12,779 |
| Performance adjustment | - | -14,152 |
| Dividend adjustment | 8,614 | 3,404 |
| **31 December** | **234,954** | **265,311** |

* The award for 2019 was formally made on 30 January 2020, when a total of 132,281 RSUs were granted. The award for 2020 was formally made on 17 December 2020, when a total of 135,055 RSUs were granted.

*Calculation of the year's award was based on the following parameters:*

| | 2021 | 2020 | 2020 |
|---|---|---|---|
| Date of award | 20.12.2021 | 17.12.2020 | 30.01.2020 |
| Plan | 2021 | 2020 | 2019 |
| Share price on date of issue | 576.60 | 475.00 | 457.00 |
| Weighted average fair values at the measurement date | 544.46 | 456.03 | 352.72 |
| Dividend yield (%) | 0% | 0% | 0% |
| Expected volatility (%) | 29.61% | 36.15% | 31.42% |
| Risk-free interest rate (%) | 1.08% | 0.23% | 1.32% |
| Expected lifetime | 1.92 | 1.92 | 1.78 |
| Model used | Monte Carlo & Black-Scholes | Monte Carlo & Black-Scholes | Monte Carlo & Black-Scholes |

*Vesting period for the outstanding RSUs at year end:*

| Date granted | Vesting period | 2021 | 2020 |
|---|---|---|---|
| 21.1.2019 | 2018-21 | 0 | 43,561 |
| 30.1.2020 | 2019-21 | 0 | 43,310 |
| 30.1.2020 | 2019-22 | 41,347 | 43,385 |
| 17.12.2020 | 2020-21 | 0 | 44,958 |
| 17.12.2020 | 2020-22 | 43,103 | 45,038 |
| 17.12.2020 | 2020-23 | 43,124 | 45,059 |
| 20.12.2021 | 2021-22 | 35,729 | 0 |
| 20.12.2021 | 2021-23 | 35,804 | 0 |
| 20.12.2021 | 2021-24 | 35,847 | 0 |
| **Outstanding RSUs as at 31 December** | | **234,954** | **265,311** |

*Outstanding RSUs – group management:*

| | Outstanding per 01.01 | Granted | Released | Dividend adjustment | Performance adjustments | Outstanding per 31.12 |
|---|---|---|---|---|---|---|
| Trine Sæther Romuld, CFO & COO | 5,086 | 2,507 | -2,104 | 165 | 0 | 5,654 |
| Ulrik Steinvik, Director Business Improvement | 4,107 | 1,647 | -2,169 | 129 | 0 | 3,714 |
| Frode Arntsen, COO Industry & Sales | 4,668 | 1,872 | -2,466 | 147 | 0 | 4,221 |
| Roger Bekken, COO Farming | 4,778 | 1,918 | -2,521 | 147 | 0 | 4,322 |

## Share option agreement - Icelandic Salmon AS:

At the beginning of the year Icelandic Salmon AS had a share-based incentive scheme with the CEO. A total of 165,000 options had been granted at an exercise price of NOK 60.00 per share, and the Company had choice of settling either in shares or cash. The grant date was 28 September 2018 and the options vested over a three year period. The terms of the arrangement provided Icelandic Salmon with the choice of cash settlement or issuing equity instruments. The options were settled in 2021 in cash with reference to the closing share price of NOK 155.00 on 17 November 2021. Total amount expensed during 2021 was NOK 548,644.

On 19 February 2021, Icelandic Salmon AS granted 205,850 share options with an exercise price of NOK 115.00, respectively, to CEO and key employees. The company's intention is that the options will be equity-settled. The option holders must stay in the employment of the group over a three year vesting period from the grant date 19 February 2021 until 19 February 2024. As at 31 December 2021. Total amount of NOK 1,563,776 was expensed as other employee benefits, with a corresponding entry to other paid in equity.

# NOTE 2.5 Pensions Plans

## Accounting policies

The Group has a defined-contribution pension scheme for its employees. The company pays contributions to a privately held insurance plan and has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Social security costs are charged based on the contribution paid.

SalMar has a defined contribution plan that is in accordance with the legal requirements in Norway.

## Specification of the pension cost for the Group:

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Defined-contribution scheme | 48,001 | 41,750 |
| Defined-benefits plan (Early Retirement Pension) | 20,187 | 17,641 |
| Employers' national insurance contributions | 4,192 | 3,755 |
| **Total pension cost** | **72,380** | **63,146** |

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Prepaid pension contributions | 8,655 | 7,217 |

Liabilities associated with the Early Retirement Pension are not included in the Group's pension calculations. For accounting purposes, the scheme is deemed to be a multi-employer occupational pension plan. The Group is unable to identify its share of the scheme's underlying financial position and results with sufficient reliability, and therefore recognises it as a defined-contribution scheme. This means that liabilities in respect of the Early Retirement Pension are not capitalised. Contribution paid into the scheme are charged to expenses as they accrue.

## NOTE 2.6 Other Operating Expenses

| Specification of other operating expenses (NOK 1,000): | 2021 | 2020 |
|---|---|---|
| Maintenance | 236,811 | 257,741 |
| Energy | 204,235 | 139,297 |
| Third-party services | 141,163 | 145,855 |
| Freight | 1,275,835 | 1,054,179 |
| Insurance | 44,703 | 39,510 |
| Travel cost | 13,743 | 10,621 |
| Other operating expenses | 526,120 | 255,008 |
| Total other operating expenses: | 2,442,610 | 1,902,210 |

### Production tax

A production tax amounting to NOK 0.40 per kg gutted weight was introduced on the Norwegian business with effect from 1 January 2021. Similarly, a resource tax was introduced in Iceland with effect from 1 January 2020. The latter of this amount will increase gradually over a seven-year period. Of the total cost of NOK 71.6 million, NOK 68.5 million is related to the activity in Norway and NOK 3.1 million is related to the activity in Iceland. To highlight the performance of underlying operations before deduction of the production tax, SalMar has chosen to report it on a separate line in the income statement below Operational EBIT. To ensure consistent treatment of the equivalent tax in Iceland, the resource tax in Iceland has been classified similarly in the financial statement. In Iceland, the resource tax was introduced with effect from 1 January 2020. Due to the gradual application of Iceland's new resource tax, the effect in 2020 was immaterial. Its impact has therefore not been reclassified in the comparable figures.

## NOTE 2.7 Government Grants

### Accounting policies

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of capitalised operating assets reduce the carrying amount of the assets. The grant is then recognised in profit or loss over the useful life of the depreciable asset by way of reduced depreciation charge.

In 2021, Group companies recognised NOK 8.3 million in tax incentives under the SkatteFUNN scheme and de-recognised NOK 7.5 million in SkatteFUNN-related amounts in respect of capitalised operating assets. (2020: NOK 4.1 million recognised in income, and de-recognised NOK 4.7 million in Skatte-FUNN-related amounts in respect of capitalised operating assets).

In 2021, Group companies received NOK 1.3 million in government grants to cover extra costs related to Covid-19. The grants are recognised in other operating revenues.

## NOTE 2.8 Fair Value Adjustments

Fair value adjustments are part of the Group's operating profit. Changes in fair value are presented on a separate line to provide a better understanding of the Group's profit and loss with respect to goods sold.

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Change in the fair value of the biological assets | 835,155 | -186,136 |
| Change in unrealised value of Fish Pool contracts | -14,368 | -8,560 |
| Change in the unrealised value of forward currency contracts | -44,245 | 31,194 |
| Total fair value adjustments | 776,543 | -163,502 |

See Note 3.6 for details regarding change in fair value of biological assets and Note 3.9 for details regarding change in fair value of Fish Pool contracts and change in unrealised value of forward currency contracts.

## NOTE 2.9 Net Financial Items

| Financial items (NOK 1,000): | 2021 | 2020 |
|---|---|---|
| Interest income | 15,192 | 10,264 |
| | | |
| Other exchange differences | 2,662 | 0 |
| Change in fair value of derivatives | 18,373 | 0 |
| Other financial income | 418 | 1,321 |
| Total financial income | 21,453 | 1,321 |
| | | |
| Interest expenses | 184,646 | 149,854 |
| | | |
| Other exchange differences | 0 | 139,491 |
| Change in fair value of derivatives | 0 | 13,418 |
| Other financial expenses | 10,904 | 7,352 |
| Total financial expenses | 10,904 | 160,261 |
| | | |
| Net financial items | -158,905 | -298,531 |

Included in interest income an amount of total NOK 12.5 million relates to interest from the cross-currency interest swap.

Changes in fair value of derivatives through profit or loss relates to inefficiency in forward currency contracts which do qualify for hedge accounting. For more details see note 3.9.

## NOTE 2.10 Income Tax Expense

### Accounting policies

Income taxes is comprised of taxes on the taxable profit for the year, changes in deferred taxes and any adjustments in prior years' taxes. Income tax relating to items recognised in other comprehensive income or in equity are recognised in other comprehensive income or directly in equity.

Tax payable is calculated using the nominal tax rate for the relevant tax jurisdiction at the end of the reporting period.

Deferred tax is calculated on the basis of temporary differences between accounting and taxation values at the close of the accounting year. Deferred tax assets arise from temporary differences that give rise to future tax deductions. Deferred tax assets are recognised to the extent that it is probable that a taxable profit will arise, against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilised.

Tax increasing and tax decreasing temporary differences are offset against each other to the extent that the taxes can be net settled within one tax regime.

NOK 1,000

| Tax expense in the profit or loss: | 2021 | 2020 |
|---|---|---|
| Tax payable | 531,569 | 537,833 |
| Change in deferred tax | 167,023 | 15,594 |
| Tax paid abroad | 21,322 | 9,888 |
| Adjustment for tax of prior periods | -1,092 | 40 |
| **Tax on ordinary profit** | **718,822** | **563,355** |

| Tax payable in the balance sheet | 2021 | 2020 |
|---|---|---|
| Tax payable for the year – Norway | 530,623 | 534,818 |
| Tax payable for the year – abroad | 12,685 | 3,015 |
| **Tax payable in the balance sheet** | **543,307** | **537,833** |

| Breakdown of temporary differences | 2021 | 2020 |
|---|---|---|
| Non-current assets | 4,673,632 | 3,237,423 |
| Inventory | 6,612,365 | 5,462,957 |
| Receivables | -9,024 | -7,600 |
| Derivatives | 38,453 | 233,129 |
| Provision onerous contracts | -203,040 | -22,070 |
| Other | -153,099 | -229,905 |
| Tax losses carried forward | -596,577 | -265,247 |
| **Total temporary differences** | **10,362,709** | **8,408,688** |
| | | |
| Total temporary differences in Norway | 9,307,368 | 7,318,590 |
| Total temporary differences abroad | 1,055,341 | 1,090,099 |
| **Total temporary differences** | **10,362,709** | **8,408,688** |
| | | |
| Deferred tax liabilities (+) / tax assets (-) | 2,258,689 | 1,828,109 |
| Tax rate used to calculate deferred tax in Norway | 22% | 22% |
| Tax rate used to calculate deferred tax abroad | 20% | 20% |

Tax losses carried forward are mainly related to the companies in the subgroup SalMar Aker Ocean and Arnarlax Ehf. in Iceland, and are expected to be deducted from taxable income in the future. In assessing the recoverability of tax assets the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports.

NOK 1,000

| Change in carrying amount of net deferred tax: | 2021 | 2020 |
|---|---|---|
| Deferred tax liability at 1 January | 1,828,109 | 1,757,557 |
| Deferred tax liability associated with acquisitions | 305,755 | 3,341 |
| Change in deferred tax liability | 167,023 | 15,594 |
| Deferred tax liability associated with equity transactions | -7,113 | 1,707 |
| Deferred tax liability on items recognised in OCI | -21,030 | 38,380 |
| Deferred tax related to disposal of group companies | -3,105 | 0 |
| Translation differences | -10,950 | 11,530 |
| **Deferred tax liability at 31 December** | **2,258,689** | **1,828,109** |

| Tax reconciliation: | 2021 | 2020 |
|---|---|---|
| Profit before tax | 3,386,942 | 2,571,645 |
| | | |
| Tax calculated at nominal tax rate (22%) | 745,127 | 565,762 |
| Difference in overseas tax rates | -6,014 | 211 |
| Permanent differences (22%) | -39,674 | -12,546 |
| Tax paid abroad | 21,322 | 9,888 |
| Withholding tax | -847 | 0 |
| Adjustment of income tax from previous years | -1,092 | 40 |
| **Calculated tax expense** | **718,822** | **563,355** |
| Effective tax rate | 21.2% | 21.9% |

| Permanent differences apply to the following: | 2021 | 2020 |
|---|---|---|
| Share-based payment, expensed | 12,156 | 10,185 |
| Share-based payment, released | -17,918 | -16,495 |
| Government grants | -3,470 | -899 |
| Share of profit/loss from associates | -20,853 | -9,420 |
| Gain from disposal of group companies and other investments | -4,423 | 0 |
| Non-taxable income from branch office | -6,163 | -5,143 |
| Other | 997 | 9,226 |
| **Total** | **-39,674** | **-12,546** |

Part 3 **Assets and Liabilities**

## NOTE 3.1 Intangible Assets

### Accounting policies

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is measured at the fair value at the date of acquisition.

Intangible assets with a limited economic life are amortised over the economic useful life. Impairments of intangible assets are recognised in the extend of which the carrying amount of the asset exceeds its recoverable amount.

Costs relating to research are charged to expenses as they accrue. Development costs are capitalised when specific criteria relating to future benefits are met. Capitalised development costs are recognised at acquisition cost, less accumulated amortisation and write-downs. With respect to major development projects, a specific assessment is made to determine when the project has changed from being a development project to being a construction project. Capitalised development costs are amortised in a straight line over the asset's estimated useful life. Depreciation commences when the asset is put into operation.

*Fish-farming licences*

Licenses acquired by the Group are capitalised at cost. Fish-farming licences are deemed to have an indefinite useful life and are not amortised, but are tested annually for impairment or more frequently if there is indication of impairment, see Note 3.2 for further information.

Norway

Licences that the Group owns are capitalised at cost. Licences granted in Norway are deemed to have an indefinite usable life and are therefore not amortisated, but tested annnually for impairment. The group has three time-limited demonstration licenses. It is considered that a renewal of these licenses is probable, and therefore, they are considered to have an indefinite useful life. Any value identified in connection with the acquisition of licences is capitalised as an intangible asset.

Iceland

The sea farming licenses in Iceland are issued, in accordance with the current regulations, with a nominal lifespan of 16 years. The licenses will be renewed if the applicant meets the requirements set pursuant to statute and regulation at the time the license comes up for renewal. A small fee must be paid for the license renewal. This means that sea farming licenses are operated in a 16-year rolling lifespan system, where the licenses are renewed every 16th year. The Groups judgment is that the fish-farming licences on Iceland, which are capitalized, will not be amortised, but tested annually for impairment.

*Goodwill*

When the company assumes control over a separate business entity for a consideration that exceeds the fair value of the individual assets and liabilities assumed, the difference is entered as goodwill in the statement of financial position. Goodwill deriving from purchases of subsidiaries is presented under intangible assets. Goodwill is not depreciated but is tested for impairment annually if there are indications that its value is lower than the carrying amount. When assessing the need to write-down goodwill, this is assigned to relevant cash flow generating units or groups, which are expected to benefit from the acquisition. See Note 3.2 for further information.

| NOK 1,000 | Licences | Goodwill | Other intangible assets | Total |
|---|---|---|---|---|
| Acquisition cost at 1 January 2021 | 6,193,183 | 464,855 | 287,142 | 6,945,180 |
| Additions through business combinations | 1,375,580 | 324,933 | 0 | 1,700,513 |
| Additions | 4,392 | 0 | 93,636 | 98,028 |
| Disposal group companies | 0 | -14,000 | 0 | -14,000 |
| Currency translation differences | -64,734 | 0 | 0 | -64,734 |
| **Acquisition cost at 31 December 2021** | **7,508,421** | **775,788** | **380,778** | **8,664,987** |
| Accumulated depreciation & write-downs at 1 January 2021 | 21,000 | 23,725 | 74,223 | 118,948 |
| Depreciation | 0 | 0 | 15,568 | 15,568 |
| **Accumulated depreciation & write-downs at 31 December 2021** | **21,000** | **23,725** | **89,791** | **134,517** |
| **Carrying amount at 31 December 2021** | **7,487,421** | **752,063** | **290,986** | **8,530,470** |
| Estimated lifetime | Indefinite | Indefinite | 5-50 years | |
| Depreciation method | | | Linear | |

| NOK 1,000 | Licenses | Goodwill | Other intangible assets | Total |
|---|---|---|---|---|
| Acquisition cost at 1 January 2020 | 4,148,803 | 464,855 | 226,280 | 4,839,939 |
| Additions | 1,965,024 | 0 | 60,861 | 2,025,885 |
| Currency translation differences | 79,356 | 0 | 0 | 79,356 |
| **Acquisition cost at 31 December 2020** | **6,193,183** | **464,855** | **287,142** | **6,945,180** |
| Accumulated depreciation & write-downs at 1 January 2020 | 21,000 | 18,390 | 58,615 | 98,005 |
| Depreciation | 0 | 0 | 15,608 | 15,608 |
| Write-downs | 0 | 5,335 | 0 | 5,335 |
| **Accumulated depreciation & write-downs at 31 December 2020** | **21,000** | **23,725** | **74,223** | **118,948** |
| **Carrying amount at 31 December 2020** | **6,172,183** | **441,130** | **212,918** | **6,826,230** |
| Estimated lifetime | Indefinite | Indefinite | 5-50 years | |
| Depreciation method | | | Linear | |

The majority of other intangible assets totalling NOK 291.0 million are made up of capitalised development costs. NOK 10.5 million of this is comprised of capitalised development costs relating to the development of the Ocean Farm 1 installation. These costs are amortisated over 5 years. A further NOK 228.2 million relates to the development of the Group's new Smart Fish Farm concept. This project is still in the development phase and amortisation has not yet commmenced. In addition, other intangible assets includes excess value relating to the purchase of breeding nuclei. Breeding nuclei are depreciated over 50 years, and their residual value as of 31 December 2021 was NOK 23.2 million.

| Specification of fish farming licences 2021 (NOK 1,000) | MAB tonnes | Acquisition cost | Carrying amount 31.12.2021 |
|---|---|---|---|
| Fish Farming Northern Norway | 38,251 | 2,011,062 | 2,006,062 |
| Fish Farming Central Norway | 69,538 | 4,180,149 | 4,164,148 |
| **Norway** | **107,789** | **6,191,211** | **6,170,210** |
| Icelandic Salmon | 25,200 | 1,271,890 | 1,317,211 |
| **Group** | **132,989** | **7,463,101** | **7,487,421** |

| Specification of fish farming licences 2020 (NOK 1,000) | MAB tonnes | Acquisition cost | Carrying amount 31.12.2020 |
|---|---|---|---|
| Fish Farming Northern Norway | 38,251 | 2,011,062 | 2,006,062 |
| Fish Farming Central Norway | 64,038 | 2,810,149 | 2,794,149 |
| **Norway** | **102,289** | **4,821,211** | **4,800,211** |
| Icelandic Salmon | 25,200 | 1,267,498 | 1,371,972 |
| **Group** | **127,489** | **6,088,710** | **6,172,183** |

| Specification of goodwill 2021 (NOK 1,000) | Acquisition year | Acquisition cost | Carrying amount 31.12.2021 |
|---|---|---|---|
| Fish Farming Northern Norway | 2006 | 95,114 | 95,114 |
| Fish Farming Central Norway | 1999-2021 | 680,674 | 656,949 |
| | | **775,788** | **752,063** |

| Specification of goodwill 2020 (NOK 1,000) | Acquisition year | Acquisition cost | Carrying amount 31.12.2020 |
|---|---|---|---|
| Fish Farming Northern Norway | 2006 | 95,114 | 95,114 |
| Fish Farming Central Norway | 1999-2014 | 369,741 | 346,016 |
| | | **464,855** | **441,130** |

In 2021, SalMar increased its production capacity through the aquisitions of Nekton Havbruk AS and Refsnes Laks AS for a consideration of NOK 1,370.0 million. This led to a net increase in MAB of 5,500 tonnes in Central Norway. See Note 4.5 for further information.

In 2021, the groups operations on Iceland aquired two smolt facilities of which NOK 10.0 million of the consideration was recognised as licenses.

In 2020, SalMar increased its production capacity through the purchase of volumes that were available at the traffic light auction at fixed price and the public traffic light auction held during the year. The total consideration paid was NOK 1,876.7 million. This has led to a net increase in MAB of 8,239 tonnes.

In 2020, the Group converted 8 aquaculture development licences to ordinary production licences for a consideration of NOK 88.4 million. The development licences were granted in 2016 for use in connection with the Group's Ocean Farm 1 installation. Ocean Farm 1 went into operation in the autumn of 2017, and the first generation of fish farmed there were fully harvested in January 2019.

Icelandic Salmon holds license of 25,200 tonnes MAB in the Icelandic Westfjords. Of the total MAB, 3,000 tonnes must be renewed by the end of 2022, 10,000 tonnes by the end of 2026 and 12,200 tonnes by the end of 2029.

Included in the specification of fish farming licenses above there is 2 time-limited demonstration licenses in Central Norway, and 1 time-limited demonstration license in Northern Norway. In addition SalMar operates several R&D licences in collaboration with other companies.

## NOTE 3.2 Impairment of Non-Financial Assets

### Accounting policies

Annually or upon indication, each cash generating unit, is tested for impairment. If the recoverable amount of a cash generating unit is estimated to be less than the carrying amount of the net assets of the cash generating unit, impairment to the recoverable amount is recognised. The Group has substantial assets with indefinite lives in the form of licenses and goodwill. The licenses are subject to impairment testing in combination with goodwill in the annual test. Assets that are subject to amortization are reviewed for impairment whenever there are indications that future earnings do not justify the carrying value.

SalMar has identified the Group's business segments as cash generating units. In connection with acquisitions, goodwill and intangible assets are allocated to each of the Group's cash generating units that are expected to benefit from the combination. The cash generating units are the lowest level in which independent cash flows can be identified, and no higher than the Group's business segments based on the geographic distribution of its sea farming operations in Norway, the segments Fish Farming Central Norway and Fish Farming Northern Norway, Sales & Industry and Icelandic Salmon.

Impairment testing is carried out by calculating the net present value of estimated future cash flows (value in use) for the cash-generating unit and comparing the net present value of the cash flow towards the carrying amount of net assets held by the cash-generating unit. The cash flow used in the calculations represents the management's best estimate at the time of reporting. If the carrying amount is higher than the calculated value in use, the assets are considered impaired. The estimated cash flow is based on the assumption of continued operation. Value in use is calculated by estimating future cash flows in the next five years, based on approved budgets and forecasts. Cash flows growth after five years are assumed to equal the expected rate of inflation. Cash flows are discounted by a rate of interest before tax which takes account of relevant market risk. If the calculated value in use is less than the carrying amount of the cash flow-generating entity, goodwill is impaired first and then other assets as required.

The groups analyses of climate risk have so far not identified climate-related matters with substantially affect on the value of the groups assets or future cash-flow. For further information see Note 1.7.

### Carrying amount of licences and goodwill allocated to cash generating units as at 31 December 2021:

| NOK 1,000 | Goodwill | Licenses | Total 31.12.2021 |
|---|---|---|---|
| Fish Farming Northern Norway | 95,114 | 2,006,062 | 2,101,177 |
| Fish Farming Central Norway | 656,949 | 4,164,149 | 4,821,098 |
| Icelandic Salmon | 0 | 1,317,209 | 1,317,209 |
| | 752,063 | 7,487,420 | 8,239,484 |

### Carrying amount of licences and goodwill allocated to cash generating units as at 31 December 2020:

| NOK 1,000 | Goodwill | Licenses | Total 31.12.2020 |
|---|---|---|---|
| Fish Farming Northern Norway | 95,114 | 2,006,062 | 2,101,177 |
| Fish Farming Central Norway | 346,016 | 2,794,149 | 3,140,165 |
| Icelandic Salmon | 0 | 1,371,972 | 1,371,972 |
| | 441,130 | 6,172,183 | 6,613,313 |

At 31 December 2021, the market value of the Group's equity was significantly higher than the carrying amount of equity, which is an indication that the market considers the value of the Group's assets to exceed the carrying amount.

### Key assumptions

The key assumptions used in the calculation of value in use are harvested volume, EBIT/ kg, capital expenditure, discount rates and the terminal growth rates.

*Discount rate*

The discount rates are based on the Weighted Average Cost of Capital (WACC) methodology. In the model a ten-year risk-free rate has been used. Calculation of the final discount rates also takes into account market risk premium, debt risk premium, gearing and beta value. In the calculations, the Group has applied estimated cash flows after tax and the corresponding discount rates after tax. The discount rate after tax is calculated at 6.16% for the Group's Norwegian entities. For the operations in Iceland, the discount rate after tax is 6.19%.

*Terminal growth rate*

The growth rate is set at 2%. The same growth rate has been used for all cash-generating units.

*EBIT/ kg*

EBIT margin per kg is highly volatile with respect to changes in salmon prices. Forward prices are based on the Fish Pool Index at the reporting day. Estimates for production cost are based on historic figures and expectations.

*Harvested volume*

Harvested volume is based on the current stocking plans for each unit, and forecasted figures for growth, assumed harvest weight and mortality, based on historical figures.

Based on the above assessments, there were no impairment indicators identified related to the fish farming licences or goodwill as of 31 December 2021. All segments have a material positive difference between the calculated recoverable value and book value. However, based on a specific assessment, goodwill in the Fish Farming Central Norway segment related to a minor smolt facility was written down by NOK 5.3 million in 2020. The smolt facility was sold in 2021.

### Sensitivity

In connection with the impairment testing of intangible assets, a sensitivity analysis has been carried out. Sensitivity analysis has been performed for each of the defined cash generating units.

Value in use is sensitive to changes in the assumptions made, the most important of which are the discount rate and EBIT/kg. The table below shows the extent of which the input factors must be changed for the value in use to be equal to the carrying amount of net assets held by the cash-generating unit.

| Cash generating units | Discount rate after tax | EBIT/kg (NOK) |
|---|---:|---:|
| Fish Farming Northern Norway | 7.60% | -13.14 |
| Fish Farming Central Norway | 6.88% | -12.30 |
| Icelandic Salmon | 0.75% | -2.00 |

## NOTE 3.3 Property, Plant and Equipment

### Accounting policies

Property, plant and equipment (PPE) is measured at acquisition cost, less a deduction for accumulated depreciation and write-downs. Borrowing cost that are directly attributable to the construction of a qualifying asset form part of the cost of the asset. 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, this part is depreciated separately. The asset's residual value and useful life are evaluated annually. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

PPE under construction is not depreciated. Depreciation is charged to expenses when the asset is ready for use.

Impairment tests for PPE are performed when there are indications of impairment. If the recoverable amount is estimated to be less than the carrying amount of the net asset, impairment to the recoverable amount is recognised. The recoverable amount is the higher of net sales value and value in use. Value in use is the present value of future cash flows which the asset will generate.

| NOK 1,000 | Land & buildings | Machinery & equipment | Boats & barges | Other operating assets | Assets under construction | Total |
|---|---|---|---|---|---|---|
| Acquisition cost at 1 January 2021 | 1,363,991 | 3,639,375 | 1,637,602 | 254,501 | 1,792,059 | 8,687,527 |
| Additions through business combinations | 44,375 | 4,894 | 13,395 | 7,299 | 0 | 69,963 |
| Disposal group companies | -14,682 | -32,816 | -48 | -874 | 0 | -48,421 |
| Additions | 1,095,941 | 697,503 | 63,691 | 20,877 | 248,177 | 2,126,190 |
| Reclassification assets under construction | 24,579 | 49,359 | 116,456 | 2,270 | -192,665 | 0 |
| Disposals | -3,416 | -40,591 | -7,907 | -7,643 | -4,285 | -63,841 |
| Reclassification | 0 | 0 | 0 | 0 | 0 | 0 |
| Currency translation differences | -7,202 | -5,706 | -16,312 | -103 | -4,536 | -33,859 |
| **Acquisition cost at 31 December 2021** | **2,503,586** | **4,312,018** | **1,806,879** | **276,327** | **1,838,751** | **10,737,560** |
| | | | | | | |
| Accumulated depreciation & write-downs at 1 January 2021 | 240,193 | 2,050,246 | 639,354 | 203,241 | 466 | 3,133,499 |
| Disposal group companies | -9,797 | -26,757 | -48 | -667 | 0 | -37,269 |
| Depreciation | 82,184 | 365,601 | 106,579 | 15,762 | 0 | 570,125 |
| Write-downs | 196 | 2,495 | 0 | 322 | 531 | 3,544 |
| Disposal depreciation and write-downs | -3,174 | -39,776 | -4,881 | -7,312 | -500 | -55,642 |
| Other reclassification | 0 | 0 | 0 | 0 | 0 | 0 |
| Currency translation differences | -796 | -2,130 | -6,692 | -95 | -230 | -9,944 |
| **Accumulated depreciation & write-downs at 31 December 2021** | **308,805** | **2,349,679** | **734,312** | **211,251** | **267** | **3,604,314** |
| | | | | | | |
| **Carrying amount at 31 December 2021** | **2,194,781** | **1,962,338** | **1,072,567** | **65,075** | **1,838,484** | **7,133,246** |
| | | | | | | |
| Estimated lifetime | 5-33 years | 5-25 years | 3-15 years | 3-20 years | N/A | |
| Depreciation method | Linear | Linear | Linear | Linear | N/A | |
| Gains/losses on the sale of PP&E | 0 | 2,151 | 1,174 | 0 | 0 | 3,325 |

As of 31 December 2021, the company had capitalised a total of NOK 1,838.5 million in connection with assets under construction, the costs relates primarily to the expansion of smolt capacity. The amount was divided into NOK 1,519.3 million on real estate, NOK 216.4 million on plant and equipment. and NOK 102.8 million on vessels and other operating assets. As of 31 December 2020, the company had capitalised a total of NOK 1,791.6 million in work on investment projects that had not been completed and put into operation and for which depreciation had not commenced. Of this was NOK 1,558 million related to real estate, NOK 229.6 million to plant and equipment, and NOK 88.2 million to vessels and other operating assets.

Write-downs in 2020 derive primarily from a NOK 7.6 million impairment in the value of obsolete equipment relating to Icelandic Salmon and equipment relating to the Ocean Farm 1 installation, worth NOK 12.8 million, which is no longer in use. Some other entities also performed minor write-downs on equipment no longer in use. For 2021 there has been an minor impairment related to equipment no longer in use.

| NOK 1,000 | Land & buildings | Machinery & equipment | Boats & barges | Other operating assets | Assets under construction | Total |
|---|---|---|---|---|---|---|
| Acquisition cost at 1 January 2020 | 1,207,279 | 3,665,394 | 1,185,230 | 260,647 | 596,236 | 6,914,786 |
| Additions through business combinations | 17,453 | 0 | 0 | 0 | 0 | 17,453 |
| Additions | 28,112 | 221,660 | 40,208 | 3,477 | 1,436,042 | 1,729,500 |
| Reclassification assets under construction | 97,359 | 65,129 | 82,377 | 692 | -245,557 | 0 |
| Disposals | -846 | -1,005,452 | -4,028 | -468 | -91,619 | -6,439 |
| Other reclassification | 9,786 | -17,681 | 20,816 | -12,920 | 0 | 0 |
| Translation differences | 4,847 | -294,121 | 312,999 | 3,072 | 5,430 | 32,227 |
| **Acquisition cost at 31 December 2020** | **1,363,991** | **3,639,375** | **1,637,602** | **254,501** | **1,792,059** | **8,687,527** |
| | | | | | | |
| Accumulated depreciation & write-downs at 1 January 2020 | 164,883 | 1,671,149 | 512,835 | 195,406 | 592 | 2,544,865 |
| Depreciation | 70,309 | 373,669 | 92,314 | 17,437 | 0 | 553,729 |
| Write-downs | 106 | 15,371 | 7,574 | 2,735 | 0 | 25,786 |
| Reclassification | 4,433 | -11,662 | 19,673 | -12,444 | 0 | 0 |
| Currency translation differences | 461 | 1,719 | 6,957 | 107 | -125 | 9,120 |
| **Accumulated depreciation & write-downs at 31 December 2020** | **240,193** | **2,050,246** | **639,354** | **203,241** | **466** | **3,133,499** |
| | | | | | | |
| **Carrying amount at 31 December 2020** | **1,123,798** | **1,589,129** | **998,248** | **51,260** | **1,791,593** | **5,554,028** |
| | | | | | | |
| Estimated lifetime | 5–33 years | 5–25 years | 3–15 years | 3–20 years | N/A | |
| Depreciation method | Linear | Linear | Linear | Linear | N/A | |
| Gains/losses on the sale of PP&E | -2,450 | 188 | 429 | -70 | 0 | -1,904 |

## NOTE 3.4 Right-of-Use Assets and Lease Liabilities

### Accounting policies

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the asset. When a purchase option has been included in the cost at recognition, the right-of-use asset is depreciated over the estimated useful life of the asset.

Short term leases (lease term less than 12 months) and leases of low-value assets are not recognised as right-of-use assets and lease liabilities, as the recognition exemptions for these leases is applied. Lease payments of such leases are recognised as expense over the lease term.

Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. This applies to some of the groups lease arrangements of wellboats and service boats, where crew and other service elements are included in the contract. The cost related to service elements not defined as lease, are expensed in the period they occur.

The lease liabilities at commencement date are measured at the present value of the lease payments. The lease payments are discounted using the Group's incremental borrowing rate as the interest rate implicit in the lease is not readily determinable.

For leasing contracts with optional renewal period, and where we are reasonably certain to exercise this option, the renewal periods are included in the calculation of the lease liability and asset.

Right-of-use assets and lease liabilities includes offices and production facilities, including the InnovaMar facility in Frøya. There are also significant leasing agreements in place for wellboats, service boats, plant and equipment.

### Right-of-Use Assets

| NOK 1,000 | Land & buildings | Machinery & equipment | Boats & barges | Total |
|---|---|---|---|---|
| Acquisition cost at 1 January 2021 | 363,096 | 295,931 | 844,601 | 1,503,628 |
| Additions through business combinations | 9,064 | 42,019 | 10,398 | 61,482 |
| Adjustments of existing agreements | -4,118 | -10,939 | 12,949 | -2,107 |
| Additions | 12,159 | 63,381 | 109,078 | 184,618 |
| Currency translation differences | 0 | 0 | 0 | 0 |
| **Acquisition cost at 31 December 2021** | **380,201** | **390,392** | **977,027** | **1,747,619** |
| | | | | |
| Accumulated depreciation & write-downs at 1 January 2021 | 109,916 | 177,917 | 367,027 | 654,860 |
| Depreciation | 23,288 | 35,667 | 158,487 | 217,442 |
| Currency translation differences | -358 | 0 | -1,129 | -1,487 |
| **Accumulated depreciation & write-downs at 31 December 2021** | **132,846** | **213,584** | **524,385** | **870,816** |
| | | | | |
| **Carrying amount at 31 December 2021** | **247,355** | **176,808** | **452,641** | **876,803** |
| | | | | |
| Estimated lifetime | 2 – 30 years | 1 – 5 years | 1 – 9 years | |
| Depreciation method | Linear | Linear | Linear | |

| NOK 1,000 | Land & buildings | Machinery & equipment | Boats & barges | Total |
|---|---|---|---|---|
| Acquisition cost at 1 January 2020 | 338,671 | 220,314 | 453,861 | 1,012,847 |
| Adjustments of existing agreements | 543 | 73,364 | 446 | 74,353 |
| Additions | 23,818 | 2,252 | 389,081 | 415,151 |
| Currency translation differences | 64 | 0 | 1,212 | 1,276 |
| **Acquisition cost at 31 December 2020** | **363,096** | **295,931** | **844,601** | **1,503,628** |
| | | | | |
| Accumulated depreciation & write-downs at 1 January 2020 | 91,072 | 124,738 | 227,337 | 443,147 |
| Depreciation | 18,840 | 53,179 | 139,615 | 211,635 |
| Currency translation differences | 4 | 0 | 75 | 78 |
| **Accumulated depreciation & write-downs at 31 December 2020** | **109,916** | **177,917** | **367,027** | **654,860** |
| | | | | |
| **Carrying amount at 31 December 2020** | **253,180** | **118,014** | **477,574** | **848,767** |
| | | | | |
| Estimated lifetime | 2 – 30 years | 1 – 5 years | 1 – 9 years | |
| Depreciation method | Linear | Linear | Linear | |

| Other leasing costs recognised in profit and loss (NOK 1,000) | 2021 | 2020 |
|---|---|---|
| Costs relating to short-term leases (less than 12 months duration) | 116,098 | 90,393 |
| Costs relating to the lease of low-value assets | 25,330 | 31,913 |
| **Total leasing costs included in other operating expenses** | **141,428** | **122,306** |

Leases of low value are recognised in other operating expenses. Costs relating to short-term leases mainly relates to ad hoc leasing of service boats.

## Lease liabilities

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Lease liability 1 January | 933,695 | 629,604 |
| Additions through business combinations | 47,395 | 0 |
| Adjustment of lease liabilities | -2,582 | 74,316 |
| New contracts | 186,689 | 414,037 |
| Interest on lease liability (profit and loss) | 57,311 | 55,217 |
| Instalments on lease liabilities paid (cash flow) | -198,437 | -184,285 |
| Interest on lease liabilities paid (cash flow) | -57,311 | -55,217 |
| Currency translation differences | 408 | 23 |
| Total lease liabilities at 31 December | 967,166 | 933,695 |
| | | |
| Short-term lease liabilities | 216,419 | 164,567 |
| Long-term lease liabilities | 750,747 | 769,128 |
| Total lease liabilities at 31 December | 967,166 | 933,695 |

## Cash flow relating to lease liabilities

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Instalments on lease liabilities paid (cash flow) | 198,437 | 184,285 |
| Interest on lease liabilities paid (cash flow) | 57,311 | 55,217 |
| Lease liabilities recognised in profit or loss | 141,428 | 122,306 |
| Total cash flow relating to lease liabilities | 397,176 | 361,808 |

*See Note 4.1 for further details of the leasing liabilities' maturity profile.*

## NOTE 3.5 Investments in Associated Companies

### Accounting policies

Associates are all entities over which the group has significant influence but not control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the investee in profit or loss, and the group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The carrying amount of equity-accounted investments is tested for impairment in accordance with principles described in Note 3.2.

Investments in associated companies at 31 December 2021:

| Company | Head office | Sector | Ownership 01.01 | Ownership 31.01 |
|---|---|---|---|---|
| Norskott Havbruk AS | Bergen | Fish farming | 50.00% | 50.00% |
| SalMar Genetics AS | Rauma | Genetics | 50.00% | 50.00% |
| Kirkenes Processing AS | Kirkenes | Harvesting | 50.00% | 50.00% |
| Romsdal Processing AS | Molde | Harvesting & processing | 44.45% | 44.45% |
| Yu Fish Ltd | Singapore | Sales | 45.30% | 45.30% |
| Eldisstødin Isthor EHF | Iceland | Smolt production | 25.51% | 25.51% |

All associates are accounted for using the equity method. Since none of the Group's associates are listed on a stock exchange, no observable market values are available.

### Companies recognised in accordance with the equity method

| NOK 1,000 | Norskott Havbruk AS | Others | Total |
|---|---|---|---|
| Opening balance at 1 January 2021 | 682,305 | 70,260 | 752,562 |
| - excess value not amortised | 0 | 1,114 | 1,114 |
| - goodwill | 0 | 3,051 | 3,051 |
| Addition recognised through business acquisition | 0 | 6,068 | 6,068 |
| Capital contribution | 305,500 | 2,250 | 307,750 |
| Income from associated companies | 93,577 | 1,302 | 94,879 |
| Items recognised in other comprehensive income | 13,304 | 520 | 13,824 |
| Dividend received | 0 | -2,177 | -2,177 |
| Other changes | 0 | 1,522 | 1,522 |
| **Carrying amount at 31 December 2021** | **1,094,686** | **79,745** | **1,174,428** |

With effect from 15 December 2021 a capital contribution was carried out in Norskott Havbruk AS. SalMar's contribution was NOK 305.5 million. For further details related to the transaction, see information below.

### Companies recognised in accordance with the equity method

| NOK 1,000 | Norskott Havbruk AS | Others | Total |
|---|---|---|---|
| Opening balance at 1 January 2020 | 636,612 | 81,210 | 717,819 |
| – excess value not amortised | 0 | 2,099 | 2,099 |
| – goodwill | 0 | 3,010 | 3,010 |
| Income/ loss from associated companies | 48,985 | -6,777 | 42,208 |
| Items recognised in other comprehensive income | -3,292 | -471 | -3,762 |
| Dividend received | 0 | -2,144 | -2,144 |
| Other changes | 0 | -1,559 | -1,559 |
| **Carrying amount at 31 December 2020** | **682,305** | **70,260** | **752,562** |

## Material associates

Based on an overall assessment, in which size and complexity have been taken into account, Norskott Havbruk AS is considered to be a material associate. Further details relating to Norskott Havbruk AS are presented below.

*Norskott Havbruk AS*

Located in Bergen, Norskott Havbruk AS is a holding company that owns 100% of Scottish Sea Farms Ltd, which has operations in mainland Scotland and Shetland.

Norskott Havbruk is 50/50 owned by SalMar ASA and Lerøy Seafood AS. The board of directors has 4 members, with each shareholder represented by 2 directors. The shareholders alternate in having the board's chair. Since neither of the company's owners has overall control, it is considered to be an associate.

The following table shows a summary of financial information relating to material associates, based on 100% figures:

| | Norskott Havbruk AS | |
|---|---|---|
| NOK 1,000 | 2021 | 2020 |
| Operating revenues | 2,306,955 | 1,698,652 |
| Operating expenses | 2,062,654 | 1,390,241 |
| Fair value adjustments | 15,443 | -142,735 |
| **Net profit/loss** | **187,154** | **97,970** |
| Non-current assets | 3,275,822 | 1,664,679 |
| Current assets | 2,127,087 | 1,283,686 |
| Non-current liabilities | 2,414,833 | 902,069 |
| Current liabilities | 798,309 | 681,291 |
| **Equity** | **2,189,767** | **1,365,005** |
| The Group's share of equity | 1,094,884 | 682,503 |
| **Carrying amount at 31 December 2021** | **1,094,686** | **682,305** |

With effect from 15 December 2021, Scottish Sea Farms Ltd acquired 100% of the shares in Grieg Seafood Hjaltland UK Ltd. Scottish Sea Farms Ltd are 100% owned by Norskott Havbruk AS, a company owned 50/50 by SalMar ASA and Lerøy Seafood Group ASA. As part of financing the transaction, a share issue was carried out in Norskott Havbruk AS, and subsequently in Scottish Sea Farms Ltd. The total capital contribution in Norskott Havbruk AS was NOK 611.0 million, where SalMar's contribution was NOK 305.5 million.

The capital contribution and subsequent acquisitions explain the material increase in carrying amounts in Norskott Havbruk AS from 31 December 2020 till 31 December 2021. Assets and liabilities are recognised to fair value at the time of acquisition. The added value of non-current debt applies to agreed termination of loans that the acquired company had to the parent company. The termination of the loan is part of the acquisition transaction. The purchase price allocation is preliminary and changes can be made within a 12 month period after the acquisition.

*The effect on the balance sheet from the acquisition of Grieg Seafood Hjaltland UK Ltd:*

| NOK 1,000 | Carrying amount in acquired entity 15th December 2021 | Adjustment to fair value | Fair value at time for acquisition | Goodwill | Acquisition balance sheet 15th of December |
|---|---|---|---|---|---|
| Non-current assets | 791,680 | 267,240 | 1,058,920 | 582,362 | **1,641,282** |
| Current assets | 758,141 | -46,639 | 711,502 | 0 | **711,502** |
| **Total assets** | **1,549,821** | **220,601** | **1,770,422** | **582,362** | **2,352,784** |
| Equity | -183,922 | 1,661,240 | 1,477,318 | 582,362 | **2,059,680** |
| Non-current debt | 1,573,010 | -1,420,518 | 152,492 | 0 | **152,492** |
| Current debt | 160,733 | -20,121 | 140,612 | 0 | **140,612** |
| **Total Equity and debt** | **1,549,821** | **220,601** | **1,770,422** | **582,362** | **2,352,784** |
| **NIBD** | **1,428,050** | **-1,420,518** | **7,532** | **0** | **7,532** |

| | |
|---|---|
| **Acquisition analysis:** | **100.00%** |
| Recognised equity in acquired company | -183,922 |
| Net identified added value in the acquired company | 1,661,240 |
| Net identified assets and liabilities | 1,477,318 |
| Goodwill | 582,362 |
| **Contribution to seller** | **2,059,680** |

## NOTE 3.6 Biological Assets and Other Inventories

### Accounting policies

*Inventory and biological assets*
Live fish are recognised at fair value less sales costs.

Other inventory is comprised of feed, packaging materials, roe, fry, smolt, cleaner fish and finished goods. Inventories of goods are measured at the lower of cost and net realisable value.

The cost of finished goods includes direct material costs, direct personnel expenses and indirect processing costs (full production cost). Interest costs are not included in the inventory value. The cost is based on the principle of first-in first-out.

*Biological assets*
Live fish are accounted for in accordance with IAS 41 Agriculture. The general rule is that such assets are measured at fair value less sales costs. Fair value is measured in accordance with IFRS 13 within level 3, based on factors not drawn from observable markets. Changes in value are recognised and classified under fair value adjustments in Consolidated statement of profit and loss.

Roe, fry, smolt and cleaner fish are valued at historic cost. Historic cost is deemed to be the best estimate of fair value for these assets, due to little biological conversion.

The fair value of biological assets held at the Group's sea farms is calculated using a model based on future cash flow. The present value is calculated on the basis of estimated revenues, less estimated remaining production costs until the fish is harvestable at the individual site. A fish is harvestable when it has reached the estimated weight required for harvesting specified in the company's budgets and plans. The estimated value is discounted to present value on the reporting date. Present value is estimated for the biomass at each site.

Incoming cash flows are calculated as the estimated biomass at harvest multiplied by the price expected to be achieved at the same time. The estimated biomass (volume) at harvest is calculated on the basis of the number of individual fish held at sea farms on the reporting date, adjusted for expected mortality until harvest and multiplied by the estimated weight of the fish at harvest

The price is calculated using the Fish Pool forward price for the estimated harvesting date that was in effect on the reporting date. Forward prices are adjusted for an exporter supplement, as well as harvesting, sales and well-boat costs. In addition, an adjustment is made to take account of expected differences in fish quality. Price adjustments are made at the site level.

Estimated remaining production costs are estimated costs that a rational person would presume necessary for the farming of fish up until they reach a harvestable weight. In the model, instead of being a separate cost element in the calculation, compensation for licence fees and site rent is included in the discount factor, and thereby reduces the fair value of the biomass.

The fair value of the biomass is calculated using a monthly discounting of the cash flow based on the second last harvesting month in the harvesting plan. The discount factor is intended to reflect three main components:

1. Risk of incidents that affect cash flow
2. Hypothetical licence fees and site rental cost
3. Time value of money

The discount factor is set on the basis of an average for all the Group's sites, which, in the Group's assessment, provides a sensible growth curve for the fish – from smolt to harvestable size.

The risk adjustment must take into account the biological risks of farming, including the average time in sea for the fish. The number of months left until harvesting will affect the risk. Biological risk, the risk of increased costs and price risk will be the most important elements to be recognised. The present value model includes a theoretical compensation for licence fees and site rent as an addition to the discount factor in the model, instead of being a cost-reducing factor in the calculation.

*Incident-based mortality*
In the event of incidents exceeding 3% mortality in a period based on a single incident, or if the mortality exceeds 5% over several periods based on one and the same incident, an assessment is made as to whether there is a basis for write-down. The assessment relates to the number of fish and is carried out at site level. Incident-based mortality is recognised under cost of goods sold in the Consolidated Statement of Profit or Loss.

## Carrying amount of inventory

| NOK 1,000 | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Raw materials | 223,244 | 246,943 |
| Finished goods | 423,976 | 434,056 |
| Total other inventory | 647,220 | 680,999 |
| Biological assets | 7,280,824 | 5,988,790 |
| Total value of biological assets and other inventory | 7,928,044 | 6,669,788 |

## Book value of biological assets

| NOK 1,000 | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Biological assets held at sea farms at cost | 4,350,201 | 3,924,036 |
| Fair value adjustment of biological assets | 2,645,574 | 1,766,852 |
| Total biological assets held at sea farms at fair value | 6,995,775 | 5,690,888 |
| Roe, fry, smolt and cleaner fish at cost | 285,049 | 297,901 |
| Total biological assets | 7,280,824 | 5,988,790 |

Raw materials is mainly comprised of feed for smolt and fish at sea farms. In addition, raw materials are used in connection with processing and packaging.

Stocks of biological assets relate to SalMar's fish farming operations on land and at sea, and comprise roe, fry, smolt, cleaner fish and fish at sea farms. Finished goods comprise whole fish (fresh and frozen), as well as processed salmon products.

## Change in biological assets

| | Tonnes | | Carrying amount (NOK 1,000) | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Biological assets at 1 January | 117,278 | 106,598 | 5,988,790 | 5,720,810 |
| Increase from business combination | 4,852 | 0 | 187,027 | 0 |
| Increase due to production | 215,131 | 201,330 | 6,433,541 | 5,692,874 |
| Decrease due to sales | -211,807 | -189,020 | -6,161,041 | -5,202,331 |
| Decrease due to incident-based mortality | -570 | -1,631 | -21,059 | -59,676 |
| Fair value adjustment at 01.01 | | | -1,766,852 | -1,954,023 |
| Fair value adjustment at 31.12 | | | 2,645,574 | 1,766,852 |
| Currency translation differences | | | -25,063 | 24,284 |
| Biological assets at 31 December | 124,884 | 117,278 | 7,280,917 | 5,988,790 |

## Biological assets held at sea farms 31 December 2021

| NOK 1,000 | Biomass (tonnes) | Acquisition cost | Fair value adjustment | Carrying amount |
|---|---|---|---|---|
| < 1 kg (LW) | 11,628 | 813,412 | 660,795 | 1,474,207 |
| 1-4 kg | 62,822 | 2,166,105 | 870,258 | 3,036,363 |
| > 4 kg (GW) | 50,433 | 1,370,684 | 1,114,521 | 2,485,205 |
| Biological assets held at sea farms | 124,883 | 4,350,201 | 2,645,574 | 6,995,775 |
| Other biological assets | | 285,049 | 0 | 285,049 |
| Biological assets | | 4,635,250 | 2,645,574 | 7,280,824 |

## Biological assets held at sea farms 31 December 2020

| NOK 1,000 | Biomass (tonnes) | Acquisition cost | Fair value adjustment | Carrying amount |
|---|---|---|---|---|
| < 1 kg (LW) | 11,910 | 674,310 | 492,009 | 1,166,319 |
| 1-4 kg | 66,378 | 2,126,211 | 808,804 | 2,935,015 |
| > 4 kg (GW) | 38,990 | 1,123,516 | 466,039 | 1,589,555 |
| Biological assets held at sea farms | 117,278 | 3,924,037 | 1,766,852 | 5,690,888 |
| Other biological assets | | 297,901 | 0 | 297,901 |
| Biological assets | | 4,221,939 | 1,766,852 | 5,988,790 |

### Valuation of biological assets:

The accounting for live fish is regulated by IAS 41 Agriculture. Biological assets must be recognised at fair value in accordance with IFRS 13 within level 3, based on factors not drawn from observable markets.

Roe, fry, smolt and cleaner fish are recognised at historic cost, since this is considered the best estimate of fair value.

The company's stocks of live fish held at sea farms are, in accordance with IAS 41, recognised at fair value

Present value is calculated on the basis of estimated revenues less production costs remaining until the fish is harvestable at the individual site. A fish is harvestable when it has reached the estimated weight required for harvesting specified in the company's budgets and plans. The estimated value is discounted to present value on the reporting date.

The expected biomass at harvest is calculated on the basis of the number of fish held at sea farms on the reporting date, adjusted for expected mortality up until the harvesting date and multiplied by the fish's estimated weight at harvest.

Fair value is calculated on the basis of Fish Pool forward prices for the estimated harvesting date that were in effect on the balance sheet date. The forward prices are adjusted for an exporter supplement, as well as harvesting, sales and carriage costs. In addition, an adjustment is made to take account of expected differences in fish quality.

A discount rate of 5% per month has been used to calculate the fair value of biological assets for the Group's Norwegian operations. Correspondingly, a discount rate of 6% per month was used in 2020. For the Group's operations in Iceland, a discount rate of 4% per month was used in 2021, while the corresponding rate in 2020 was 3% per month. The discount rate reflects the biomass's capital cost, risk and synthetic licence fees and site rental charges. The reduction in the discount rate in 2021 for the Norwegian operation is based on an expectation of higher future cost and thereby lower margins.

### The calculation is based on following forward prices:

| Expected harvesting period: | Forward price 31.12.2021 |
|---|---|
| Q1-2022 | 68.66 |
| Q2-2022 | 68.23 |
| Q3-2022 | 56.43 |
| Q4-2022 | 62.27 |
| 1st half 2023 | 65.25 |
| 2nd half 2023 | 55.75 |

| Expected harvesting period: | Forward price 31.12.2020 |
|---|---|
| Q1-2021 | 50.33 |
| Q2-2021 | 56.77 |
| Q3-2021 | 53.67 |
| Q4-2021 | 55.83 |
| 1st half 2022 | 61.85 |
| 2nd half 2022 | 54.15 |

### Sensitivity:

The change in the estimated fair value of biologial assets has been calculated by changing individual parameters in the calculation. The effect on the carrying amount of biological assets is summarised below:

| 2021 (NOK 1,000) | Increase | Effect on estimated fair value at 31.12.2021 | Decrease | Effect on estimated fair value at 31.12.2021 |
|---|---|---|---|---|
| Change in forward price | + NOK 5.00 per kg | 754,610 | NOK 5.00 per kg | -754,610 |
| Change in discount factor | 1% | -431,796 | -1% | 499,865 |
| Change in harvesting date | 1 month earlier | 66,879 | 1 month later | -399,744 |
| Change in number of fish held at sea farms | 1% | 91,771 | -1% | -91,771 |

| 2020 (NOK 1,000) | Increase | Effect on estimated fair value at 31.12.2020 | Decrease | Effect on estimated fair value at 31.12.2020 |
|---|---|---|---|---|
| Change in forward price | + NOK 5.00 per kg | 736,883 | NOK 5.00 per kg | -736,883 |
| Change in discount factor | 1% | -385,580 | -1% | 428,624 |
| Change in harvesting date | 1 month earlier | 62,706 | 1 month later | -299,608 |
| Change in number of fish held at sea farms | 1% | 76,256 | -1% | -76,256 |

# NOTE 3.7 Trade and Other Receivables

## Accounting principles

The Group's receivables are recognised at amortised cost. Receivables in foreign currencies are translated using the exchange rate at the time of the transaction. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The Group uses a simplified method for calculating loss allowance on trade receivables. In principle, the Group credit insures its trade receivables and makes an allowance for expected bad debts on that portion which is not insured. The Group measures its allowance for bad debts on the basis of for credit losses expected over the remaining life of the exposure, and not based on a 12-month expected loss.

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Trade receivables | 943,880 | 598,699 |
| Allowance for credit losses | -8,946 | -9,710 |
| **Total trade receivables at 31 December** | **934,934** | **588,989** |
| | | |
| Other current receivables | 479,617 | 435,947 |
| Other non-current receivables | 109,898 | 90,747 |
| **Total receivables at 31 December** | **1,524,449** | **1,115,683** |
| | | |
| Prepaid expenses included in other current receivables | 35,625 | 66,132 |
| Derivatives included in other current receivables | 62,426 | 210,326 |
| VAT refunds included in other current receivables | 190,637 | 84,818 |

Other non-current receivables includes a loan to Gyda EHF with a carrying amount of NOK 31.8 million at 31 December 2021. The loan is a seller's credit arise from sale of a tranche of shares in Icelandic Salmon AS in 2019 with the total amount of NOK 35.7 million. The loan, including interest accrued, will be repaid in full no later than 31 December 2025. Earlier settlement may take place if specific conditions set out in the credit agreement are met. Gyda EHF is controlled by Kjartan Olafsson, who is the Chair of the Board of Icelandic Salmon AS.

Credit losses are classified as other operating expenses in profit and loss. Changes in allowance for credit losses and credit losses charged to expenses during the period are presented below.

For further information related to credit risk and foreign exchange risk, see Note 4.1

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Provisions for bad debt 1 Jan | 9,710 | 21,094 |
| Provisions for bad debts 31 Dec | 8,946 | 9,710 |
| **Change in provisions for bad debts during the period** | **-763** | **-11,384** |
| | | |
| Actual bad debts | 106 | 14,625 |
| Change in provisions for bad debts | -763 | -11,384 |
| **Bad debts charged to expenses during the period** | **-658** | **3,241** |

## Trade receivables had the following maturity profile

| NOK 1,000 | Not due | <30 d | 30-45d | 45-90d | >90d | Total |
|---|---|---|---|---|---|---|
| 31.12.2021 | 738,812 | 131,505 | 31,921 | 12,467 | 29,175 | 943,880 |
| 31.12.2020 | 501,489 | 64,034 | 318 | 1,657 | 31,201 | 598,699 |

## Transferred receivables

SalMar has entered into an agreement with a credit institution for the purchase of trade receivables that meet certain specified criteria. SalMar transfers trade receivables that meet these criteria as and when they arise and receives immediate settlement thereof. Normal maturity of trade receivables is 30-45 days. The material part of the credit risk is transferred when the trade receivables is transferred to the credit institution. The receivables are derecognised in the balance on the date the transfer takes place. As at 31 December 2021, a total of NOK 595.3 million in outstanding receivables has been transferred and derecognised (31 December 2020, a total of NOK 391.9 million). The change in trade receivables deriving from this derecognition is included under operating activities in the statement of cash flow.

## NOTE 3.8 Financial Assets and Financial Liabilities

### Accounting policies

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

*Financial assets*

The Group's financial assets is comprised of derivatives, unlisted equity investments, other receivables and cash & cash equivalents.

The classification of financial assets at initial recognition depends on the nature of the asset's contractually determined cash flows and which business model the Group applies to the management of its financial assets. At initial recognition, financial assets are recognised at fair value. Transaction costs may be added if financial assets are measured at amortised cost.

The Group classifies its financial assets in three categories:

- Financial assets measured at amortised cost
- Financial assets measured at fair value with changes in value through profit and loss
- Financial assets measured at fair value in other comprehensive income (OCI)

*Financial assets measured at amortised cost*

The Group measures financial assets at amortised cost if the following conditions are met: the financial asset is being kept in a business model whose purpose is to receive contractually determined cash flows and the contractual terms and conditions for the financial asset give rise to cash flows solely comprising payments of interest and principal on certain dates.

The Group's financial assets at amortised cost comprise trade receivables, other receivables, cash & cash equivalents. Trade receivables which do not have a substantial financing element are measured at the transaction price in accordance with IFRS 15 Revenue from Contracts with Customers.

*Financial instruments measured at fair value with changes in value through profit and loss*

The Group makes use of forward currency contracts to hedge against fluctuations in exchange rates that arise during its operational activities. The contracts are initially recognised at fair value. Changes in fair related to contracts which does not qualify for hedge accounting are recognised in profit and loss.

The Group enters into contracts on Fish Pool to manage the salmon price risk. Fish Pool contracts are also used to hedge margins in certain cases relating to salmon purchase agreements. The derivatives are recognised at fair value at the date of inquisition. Any subsequent changes in value are classified on the line for fair value adjustments in profit and loss.

This category includes the Group's unlisted equity instrument. Such instruments are recognised at fair value on the date the contract is entered into and are also subsequently measured at fair value.

*Financial instruments measured at fair value in other comprehensive income (OCI)*

The Group uses derivatives to hedge against fluctuations in foreign exchange rates that arise during its operational activities. When forward currency contracts meet the requirements for hedge accounting, changes in fair value are recognised in OCI.

The Group has entered in to a cross-currency interest swap and a interest rate swap to hedge risk exposed to interest-bearing debt and the operations on Iceland. Changes in fair value of those derivatives are recognised in OCI.

*Derecognition of financial assets*

A financial asset or, if relevant, a portion of a financial asset or portion of a group of identical financial assets, is derecognised if:

- the contractual entitlement to receive cash flows from the financial asset expires, or
- the Group has transferred the contractual entitlement to receive cash flows from the financial asset or retains the right to receive the cash flows from a financial asset but at the same time pledges to transfer these to a counterparty, and either:
    a. The Group has transferred the bulk of the risk and benefits associated with the asset, or
    b. The Group has neither transferred nor retained the bulk of the risk and benefits associated with the asset, but has transferred control over the asset.

*Provisions for losses on financial assets*
The Group has made a provision for expected losses on all debt instruments that are not classified at fair value through profit and loss. The Group recognises expected credit losses on the basis of a specific assessment of each individual customer. The Group recognises its loss provision on the basis of for credit losses expected over the remaining life of the exposure, and not based on a 12-month expected loss.

*Financial liabilities*
Financial liabilities are, after initial recognition, classified as loans and liabilities, or derivatives designated as hedging instruments in an effective hedging arrangement. Derivatives are initially recognised at fair value. Loans and liabilities are recognised at fair value adjusted for directly attributable transaction costs. Derivatives are financial liabilities when the effective interest method fair value is negative, and are treated for accounting purposes in the same way as derivatives that are assets.

*Loans and liabilities*
After initial recognition, interest-bearing loans will be measured at amortised cost. Gains and losses are recognised in profit and loss when the liability is derecognised

## Financial instruments by category

### Financial instruments at December 2021

| NOK 1,000 | At amortised cost | At fair value through profit or loss | At fair value in OCI | Total |
|---|---|---|---|---|
| Assets | | | | |
| *Derivatives* | | | | |
| Forward currency contracts | 0 | -13,702 | 51,093 | 37,390 |
| Interest and currency rate swaps | 0 | 0 | 25,036 | 25,036 |
| *Equity instruments* | | | | |
| Unlisted equity instruments | 0 | 7,512 | 0 | 7,512 |
| *Debt instruments* | | | | |
| Other non-current receivables | 109,898 | 0 | 0 | 109,898 |
| Trade receivables | 934,934 | 0 | 0 | 934,934 |
| Other current receivables | 358,419 | 23,146 | 0 | 381,566 |
| Cash and cash equivalents | 901,644 | 0 | 0 | 901,644 |
| **Total financial assets** | **2,304,894** | **16,956** | **76,129** | **2,397,979** |
| Liabilities | | | | |
| *Interest-bearing debt* | | | | |
| Debts to credit institutions | 2,018,733 | *0* | *0* | 2,018,733 |
| Green bond | 3,459,102 | 0 | 0 | 3,459,102 |
| *Derivatives* | | | | |
| Forward currency contracts | 0 | 3,285 | -2,709 | 577 |
| Financial contracts Fish Pool | 0 | 23,398 | 0 | 23,398 |
| *Other financial liabilities* | | | | |
| Trade payables | 2,317,308 | 0 | 0 | 2,317,308 |
| **Total financial liabilities** | **7,795,142** | **26,683** | **-2,709** | **7,819,117** |

### Financial instruments at December 2020

| NOK 1,000 | At amortised cost | At fair value through profit or loss | At fair value in OCI | Total |
|---|---|---|---|---|
| Assets | | | | |
| *Derivatives* | | | | |
| Forward currency contracts | 0 | 30,957 | 173,936 | 204,893 |
| Financial contracts Fish Pool | 0 | 6,607 | 0 | 6,607 |
| *Equity instruments* | | | | |
| Other shares and securities | 0 | 472 | 0 | 472 |
| *Debt instruments* | | | | |
| Other non-current receivables | 90,747 | 0 | 0 | 90,747 |
| Trade receivables | 588,989 | 0 | 0 | 588,989 |
| Other current receivables | 134,537 | 23,778 | 0 | 158,315 |
| Cash and cash equivalents | 223,447 | 0 | 0 | 223,447 |
| **Total financial assets** | **1,037,720** | **61,814** | **173,936** | **1,273,470** |
| Liabilities | | | | |
| *Interest-bearing debt* | | | | |
| Debts to credit institutions | 5,116,062 | 0 | 0 | 5,116,062 |
| *Derivatives* | | | | |
| Forward currency contracts | 0 | 0 | 0 | 0 |
| *Other financial liabilities* | | | | |
| Trade payables | 2,056,323 | 0 | 0 | 2,056,323 |
| **Total financial liabilities** | **7,172,385** | **0** | **0** | **7,172,385** |

## Financial instruments – assessment of fair value

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

- Level 1 – Price listed in an active market for identical assets or liabilities
- Level 2 – Valuation based on other observable inputs either directly (price) or indirectly (deduced from prices) than listed price (used in level 1) for the asset or liability
- Level 3 - Valuation based on inputs not derived from observable markets (non-observable assumptions)

The following table presents the Group's assets and liabilities measured at fair value. See Note 3.9 for details of derivatives measured at fair value under Level 2. See also Note 3.6 for details of biological assets measured at fair value under Level 3.

| 31 December 2021 (NOK 1,000) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| *Derivatives* | | | | |
| Forward currency contracts | 0 | 37,390 | 0 | 37,390 |
| Interest and currency derivatives | 0 | 25,036 | 0 | 25,036 |
| *Equity instruments* | | | | |
| Other shares and securities | 0 | 0 | 7,512 | 7,512 |
| *Debt instruments* | | | | |
| Other receivables | 0 | 0 | 23,146 | 23,146 |
| Total assets | 0 | 62,426 | 30,658 | 93,085 |
| | | | | |
| Liabilities | | | | |
| *Derivatives* | | | | |
| Forward currency contracts | 0 | 577 | 0 | 577 |
| Financial contracts Fish Pool | 0 | 23,398 | 0 | 23,398 |
| Total liabilities | 0 | 23,974 | 0 | 23,974 |

| 31 December 2020 (NOK 1,000) | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets | | | | |
| *Derivatives* | | | | |
| Forward currency contracts | 0 | 204,893 | 0 | 204,893 |
| Financial contracts Fish Pool | 0 | 6,607 | 0 | 6,607 |
| *Equity instruments* | | | | |
| Other shares and securities | 0 | 0 | 472 | 472 |
| *Debt instruments* | | | | |
| Other receivables | 0 | 0 | 23,778 | 23,778 |
| Total assets | 0 | 211,500 | 24,250 | 235,750 |

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest method amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. The effective interest method amortisation is included as finance costs in the statement of profit or loss. See Note 3.11 for further details.

## NOTE 3.9 Hedging Activities and Derivatives

### Accounting policies

*Forward currency contracts*

The Group enters into forward currency contracts to reduce the foreign exchange risk relating to future sales revenues deriving from customer contracts denominated in foreign currencies for the physical delivery of salmon. The Group's forward currency contracts fall due for payment between January 2022 and December 2023, and hedge trade receivables and cash flows from all sales contracts entered into in foreign currencies during this period.

Forward currency contracts are recognised at fair value in the balance sheet. The fair value of forward currency contracts are valued using valuation techniques, which employ the use of market observable inputs such as forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies. Recognition of gains and losses relating to the forward currency contracts depends on whether they qualify for hedge accounting.

For forward currency contracts that qualify for hedge accounting, the fair value of the effective portion is recognised in other comprehensive income. When time differences arise between receipts from sales contracts and the settlement of forward hedges, the currency account replaces the forward hedges as the hedging instrument. Drawdowns on the currency account, when this is deemed to be the hedging instrument, are recognised at the exchange rate in effect on the reporting date and the revaluation effect is recognised in OCI. Gains and losses recognised in OCI and accumulated equity are recycled to profit and loss in the same period as the hedged expected future cash flows affect profit and loss. Inefficiency in hedging factors arises when the hedged volume deviates from the delivered volume. The inefficiency is recognised as a financial item in profit and loss.

The Group complies with the criteria set out in IFRS 9 when assessing whether a forward currency contract meets the requirements for hedge accounting. This means that satisfactory documentation of the matter to be hedged must exist when the hedge is entered into, and there must be a high level of efficiency, in that the hedge reflects the expected cash flow from the underlying sales contract. There must also be a high degree of probability that the future cash flow will materialise and the efficiency of the hedge must be measurable. The efficiency of hedges is monitored continuously.

For forward currency contracts which do not qualify for hedge accounting, any change in the fair value is recognised as a change in fair value through profit and loss.

The hedging rate is the spot rate adjusted for a forward element. The forward element is the difference between the spot rate and the forward rate, and reflects the difference in the rate of interest between NOK and the currency traded. When several forward hedges are linked to a sales contract, the hedging rate is calculated as the volume-weighted forward rate for the underlying hedges.

*Interest and currency swaps*

The group has entered into a interest swap and cross-currency interest rate swap with the purpose of hedging interest rate risk for a share of the group's loans with floating interest rates and hedging of currency risk related to the operations in Iceland. The hedging of interest rate risk is a cash flow hedging, and the hedging of the business in Iceland is a net investment hedging, both hedging conditions are considered to satisfy the requirements for hedge accounting. The fair value of the swaps are valued using valuation techniques, which employ the use of market observable inputs such as forward pricing and swap models using present value calculations.

The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and interest rate curves. Recognition of gains and losses relating to the forward currency contracts depends on whether they qualify for hedge accounting. The fair value changes of the swaps qualifying for hedge accounting are recognised in other comprehensive income, and the swap costs are amortized as interest costs over the term of the agreement. The effectiveness of hedging is measured at the end of each period, any ineffective portion will be recognised as a financial item in the profit and loss.

*Financial contracts Fish Pool*

The Group enters into financial contracts on Fish Pool to hedge prices relating to purchase and sales contracts for the physical delivery of salmon. The contracts fall due for settlement within one year. Realised gains or losses on these contracts are recognised in operating profit/loss. The contracts are measured at fair value. Unrealised gains and losses are included in fair value adjustments in profit and loss. The fair value of Fish Pool contracts is calculated on the basis of the contract's agreed settlement price, the market value of the fish on the reporting date, the contract's term and observable market prices for contracts with an equivalent term.

## Derivatives

| Recognised at fair value at 31 Dec (1,000 NOK) | 2021 Other receivables | 2021 Other current liabilities | 2020 Other receivables | 2020 Other current liabilities |
|---|---|---|---|---|
| Forward currency contracts | 37,390 | 577 | 204,893 | 0 |
| Interest and currency swaps | 25,036 | 0 | 0 | 0 |
| Financial contracts Fish Pool | 0 | 23,398 | 6,607 | 0 |
| **Total** | **62,426** | **23,974** | **211,500** | **0** |

## Forward currency contracts at 31 December 2021

| | 2022 | | 2023 | | |
|---|---|---|---|---|---|
| Forward currency contracts with changes in value through profit or loss (NOK 1,000): | Currency amount (1,000) | Average volume-weighted hedging rate | Currency amount (1,000) | Average volume-weighted hedging rate | Carrying amount |
| Forward Sale CAD | 4,600 | 6.98 | 0 | 0 | -147 |
| Forward Sale EUR | 13,780 | 10.13 | 0 | 0 | 1,226 |
| Forward Sale JPY | 514,393 | 0.080 | 0 | 0 | 1,879 |
| Forward Sale SEK | 2,900 | 0.97 | 0 | 0 | -4 |
| Forward Sale USD | 45,031 | 8.81 | 0 | 0 | -19,941 |
| Total | | | | | -16,988 |
| Forward currency contracts with changes in value through OCI (NOK 1,000): | | | | | |
| Forward Sale CAD | 38,400 | 6.93 | 45,000 | 6.97 | -21 |
| Forward Sale EUR | 95,046 | 10.24 | 2,548 | 10.41 | 14,571 |
| Forward Sale JPY | 5,905,882 | 0.080 | 318,017 | 0.080 | 15,905 |
| Forward Sale USD | 360,880 | 8.92 | 7,349 | 8.98 | 23,346 |
| Total | | | | | 53,801 |
| Carrying amount at 31 December 2021 | | | | | 36,813 |

## Forward currency contracts at 31 December 2020

| | 2021 | | 2022 | | |
|---|---|---|---|---|---|
| Forward currency contracts with changes in value through profit or loss (NOK 1,000): | Currency amount (1,000) | Average volume-weighted hedging rate | Currency amount (1,000) | Average volume-weighted hedging rate | Carrying amount |
| Forward Sale CAD | 25,600 | 6.97 | 0 | 0 | 6,683 |
| Forward Sale EUR | 10,235 | 10.63 | 0 | 0 | 2,627 |
| Forward Sale GBP | 95 | 11.66 | 0 | 0 | 0 |
| Forward Sale JPY | 743,308 | 0,084 | 0 | 0 | 1,646 |
| Forward Sale SEK | 2,810 | 1.05 | 0 | 0 | 11 |
| Forward Sale USD | 90,838 | 9.13 | 2,250 | 9.14 | 19,991 |
| Total | | | | | 30,957 |
| Forward currency contracts with changes in value through OCI (NOK 1,000): | | | | | |
| Forward Sale EUR | 45,749 | 11.26 | 0 | 0 | 32,888 |
| Forward Sale JPY | 1,022,872 | 0,088 | 87,502 | 0,086 | 5,766 |
| Forward Sale USD | 77,423 | 9.60 | 32,460 | 9.05 | 135,282 |
| Total | | | | | 173,936 |
| Carrying amount at 31 December 2020 | | | | | 204,893 |

| Specification of cash flow hedging through OCI: | As at 1 January | As at 31 December | Change in value of drawdowns on currency account | Change in fair value through OCI |
|---|---|---|---|---|
| 2021 | 173,454 | 53,801 | -282 | -119,935 |
| 2020 | 0 | 173,454 | 519 | 173,973 |

In 2020, hedge accounting was established for a material portion of the Group's sales contracts with customers. Changes in the value of the derivatives up until the date of establishment were recognised through profit and loss. The hedging rate for existing contracts was re-established at the daily rate in effect on the date of transition. Changes in value after the implementation of hedge accounting were recognised through OCI. The fair value of the derivatives on the date hedge accounting was established was NOK 76.1 million

For forward currency contracts which qualify for hedge accounting, an inefficiency of NOK -0.8 has been recognised in 2021 (NOK -1.3 million in 2020). The effect is classified as a financial expense in profit and loss.

## Interest and currency derivatives regarding debt

### Interest and currency derivatives with changes in value through OCI

| NOK 1,000 | Nominal value hedge instruments (1000 NOK | Carrying value hedge object (1,000 NOK) | Nominal value hedge instruments (1,000 EUR) | Carrying value of net investment (1,000 EUR) | Hedging efficiency | Carrying amount |
|---|---|---|---|---|---|---|
| Cash flow hedge reserve | 1,192,667 | -1,192,667 | | | 100% | 19,317 |
| Net investment reserve | | | -98,335 | 100,177 | 100% | 17,776 |
| Cost of hedging reserve | | | | | | -12,747 |
| Total | | | | | | 24,346 |
| **Changes through profit and loss** | | | | | | |
| Accrued value of net interest | | | | | | 691 |
| **Carrying amount at 31 December 2021** | | | | | | **25,036** |

### Specification of hedging effects in OCI in 2021:

| NOK 1,000 | As of 01.01 | As of 31.12 | Changes over OCI |
|---|---|---|---|
| Changes in Cash flow hedge reserve | 0 | 19,317 | 19,317 |
| Changes in Net investment reserve | 0 | 17,776 | 17,776 |
| Changes in Cost of hedging reserve | 0 | -12,747 | -12,747 |
| **Total** | **0** | **24,346** | **24,346** |

### Specification of hedging effects through profit or loss in 2021

| NOK 1,000 | As of 01.01 | As of 31.12 | Profit or loss |
|---|---|---|---|
| Changes in net accrued interest | 0 | 691 | 691 |
| Amortization of swap cost reclassified from hedging reserve to interest cost | 0 | -1,279 | -814 |
| Total | | | -123 |

In 2021, an interest rate currency swap agreement was entered into in which NOK 1,000 million of the group's bond loan (note 3.11) with floating interest rates was swapped to EUR 98,335 million with fixed interest rates (the agreement is divided between three banks). The agreement matures in January 2027. The change from floating interest rates to fixed interest rates in NOK in the agreement is defined as cash flow hedging of interest costs. Interest rate conditions and maturity structure on the bond loan and swap are identical and there is therefore an effective financial connection between the hedging instrument and the hedged item. The conversion of loan amounts from NOK to EUR debt through the swap contract is defined as Net Investment Hedging. This is a hedging of the currency value of investing in Icelandic Salmon. The hedging of the exposure in EUR in Iceland will be effective as long as the nominal value of the net investment is greater than the nominal value of the hedging instrument. There has been no inefficiency in hedging conditions in the past year.

In 2021 an interest rate swap was entered into in which NOK 192.7 million of the groups bank loan (note 3.11) with floating interest rates was swapped to a fixed rate. The agreement matures in January 2032.

## Financial contracts Fish Pool

| (NOK 1,000) | Type | 2022<br>Volume (1,000) | 2022<br>Average volume-weighted price per kg | Market value |
|---|---|---|---|---|
| Fish Pool contracts | Sale | 10,150 | 63.4 | -23,398 |
| **Carrying amount at 31 December 2021** | | | | **-23,398** |

| (NOK 1,000) | Type | 2021<br>Volume (1,000) | 2021<br>Average volume-weighted price per kg | 2022<br>Volume (1,000) | 2022<br>Average volume-weighted price per kg | Market value |
|---|---|---|---|---|---|---|
| Fish Pool contracts | Purchase | 7,950 | 59.8 | 0 | 0 | -46,958 |
| Fish Pool contracts | Sale | 10,291 | 58.1 | 240 | 58.4 | 39,190 |
| **Carrying amount at 31 December 2020** | | | | | | **-7,768** |

In 2021, there was a net realised loss on Fish Pool contracts of NOK 13.3 million (NOK 40.2 million in 2020). The loss is included in operating profit/loss. Unrealised changes in the value of Fish Pool contracts in 2021 amounted to a net loss of NOK 15.6 million (net loss of NOK 8.6 million in 2020), and is classified as a fair value adjustment in profit and loss.

## NOTE 3.10 Cash & Cash Equivalents

| (NOK 1,000) | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Cash & cash equivalents, unrestricted funds | 780,846 | 79,909 |
| Cash & cash equivalents, restricted funds | 120,798 | 143,538 |
| Total cash and cash equivalents at 31 December | 901,644 | 223,447 |

A total of NOK 113.8 million (2020: NOK 101.8 million) in restricted tax withholdings is included in the item cash and cash equivalents. This item also includes restricted funds relating to security pledges with respect to Nasdaq, which derive from the Group's trading in salmon derivatives on Fish Pool. As at 31 December 2021, such security pledges amounted to NOK 6.9 million (2020: NOK 41.7 million).

## NOTE 3.11 Interest-Bearing Debts

| Non-current interest-bearing debt (NOK 1,000) | 2021 | 2020 |
|---|---|---|
| Debts to credit institutions | 1,609,475 | 3,999,980 |
| Green bond | 3,500,000 | 0 |
| Amortized cost | -40,898 | 0 |
| **Total** | **5,068,577** | **3,999,980** |
| Next year's instalment on non-current interest bearing debts | -162,017 | -322,353 |
| **Total** | **4,906,560** | **3,677,627** |
| | | |
| Lease liabilities | 967,166 | 933,695 |
| Next year's instalment on lease liabilities | -216,419 | -164,567 |
| **Total** | **750,747** | **769,128** |
| | | |
| **Total carrying amount at 31 December** | **5,657,307** | **4,446,755** |

| Current interest bearing debt (NOK 1,000) | 2021 | 2020 |
|---|---|---|
| Debts to credit institutions | 409,257 | 1,116,082 |
| Next year's instalment on debts to credit institutions | 162,017 | 322,353 |
| **Total** | **571,274** | **1,438,435** |
| Next year's instalment on lease liabilities | 216,419 | 164,567 |
| **Total carrying amount at 31 December** | **787,693** | **1,603,002** |
| | | |
| **Total interest-bearing debt** | **6,445,000** | **6,049,757** |
| Cash and cash equivalents | 901,644 | 223,447 |
| Lease liabilities | 967,166 | 933,695 |
| **Net interest-bearing debt** | **4,576,190** | **4,892,615** |

The fair value of borrowings are not materially different from their carrying amounts since the interest payable on the borrowings is either close the current market rates or the borrowings are of short-term nature. Next year's instalments on bank loans and lease agreements are classified as current liabilities in the balance sheet. See Note 4.1 for details of the maturity profile of the Group's liabilities. In 2021 the Group has entered into a cross-currency interest swap and a interest swap to reduce the risk related to floating interest rate. See note 3.9 "Hedging activities and derivatives" and note 4.1 "Financial risk management" for further details regarding the swaps.

### As at 31 December 2021 per currency

| NOK 1,000 | NOK | EUR | JPY | USD | GBP | Other | Total |
|---|---|---|---|---|---|---|---|
| Non-current debts | 4,663,541 | 405,036 | 0 | 0 | 0 | 0 | 5,068,577 |
| Lease liabilities | 942,033 | 9,895 | 0 | 0 | 0 | 15,239 | 967,166 |
| Current debts to credit institutions | 414,033 | -77,483 | 41,352 | 30,408 | 945 | 0 | 409,257 |
| Total interest-bearing debts | 6,019,607 | 337,448 | 41,352 | 30,408 | 945 | 15,239 | 6,445,000 |
| Cash and cash equivalents | 776,542 | 4,402 | 20,825 | 31,932 | 3,118 | 64,823 | 901,644 |
| Lease liabilities | 942,033 | 9,895 | 0 | 0 | 0 | 15,239 | 967,166 |
| **Net interest-bearing debts** | **4,301,032** | **323,152** | **20,527** | **-1,524** | **-2,173** | **-64,823** | **4,576,190** |

### As at 31 December 2020 per currency

| NOK 1,000 | NOK | EUR | JPY | USD | GBP | Other | Total |
|---|---|---|---|---|---|---|---|
| Non-current debts | 3,999,980 | 0 | 0 | 0 | 0 | 0 | 3,999,980 |
| Lease liabilities | 913,786 | 19,909 | 0 | 0 | 0 | 0 | 933,695 |
| Current debts to credit institutions | 736,745 | 458,418 | -20,283 | -26,661 | -31,952 | -186 | 1,116,082 |
| Total interest-bearing debts | 5,650,512 | 478,327 | -20,283 | -26,661 | -31,952 | -186 | 6,049,757 |
| Cash and cash equivalents | 182,568 | 0 | 11,336 | 8,732 | 60 | 20,751 | 223,447 |
| Lease liabilities | 913,773 | 12,472 | 0 | 0 | 0 | 7,451 | 933,695 |
| **Net interest-bearing debts** | **4,554,171** | **465,855** | **-31,619** | **-35,393** | **-32,012** | **-28,388** | **4,892,615** |

### Financing activities - changes in liability at 31 Dec 2021:

| | 31.12.2020 | Cash flow from financing activities | Change subsidiaries | Non-cash generating effects: Currency effects | Non-cash generating effects: Change in next year's instalments on long-term debts | Other effects | 31.12.2021 |
|---|---|---|---|---|---|---|---|
| Non-current debts | 3,677,627 | 621,918 | 451,087 | -11,555 | 160,336 | 7,146 | 4,906,560 |
| Current debts to credit institutions | 1,438,435 | -703,959 | -1,873 | -993 | -160,336 | 0 | 571,274 |
| Total debts to credit institutions | 5,116,062 | -82,040 | 449,214 | -12,549 | 0 | 7,146 | 5,477,834 |
| Non-current and current lease liabilities | 933,695 | -198,437 | 47,515 | -330 | 0 | 184,723 | 967,166 |
| **Total interest-bearing debts** | **6,049,757** | **-280,478** | **496,729** | **-12,878** | **0** | **191,869** | **6,445,000** |

For details regarding change in subsidiaries see Note 4.5.

### Financing activities - changes in liability at 31 Dec 2020:

| | 31.12.2019 | Cash flow from financing activities | Change subsidiaries | Non-cash generating effects: Currency effects | Non-cash generating effects: Change in next year's instalments on long-term debts | Other effects | 31.12.2020 |
|---|---|---|---|---|---|---|---|
| Long-term debts to credit institutions | 2,751,570 | 1,063,835 | 0 | 34,584 | -172,361 | 0 | 3,677,627 |
| Short-term debts to credit institutions | 381,539 | 837,761 | 0 | 46,774 | 172,361 | 0 | 1,438,435 |
| Total debts to credit institutions | 3,133,108 | 1,901,595 | 0 | 81,357 | 0 | 0 | 5,116,062 |
| Long and short-term lease liabilities | 629,604 | -184,285 | 0 | 23 | 0 | 488,353 | 933,695 |
| **Total interest-bearing debts** | **3,762,714** | **1,717,310** | **0** | **81,379** | **0** | **488,353** | **6,049,757** |

## Interest-bearing debt in more detail

In 2019, SalMar renewed its installment loan agreement. The loan comprises two tranches of NOK 500 million each: a commercial tranche, where the banks assume the credit risk; and an export credit agency (ECA) tranche, where the banks lend the money but are fully guaranteed by Eksportfinansiering Norge. Both tranches have an 8.5-year instalment profile and a term of 3+1+1 years.

With effect from 24 February 2021, SalMar ASA has entered into a new sustainability linked credit facility in the amount of NOK 4,000 million, and at the same time increased its overdraft cap from NOK 500 million to NOK 1,000 million. The new sustainability linked credit facility is a five-year agreement, with four sustainability KPIs included in the assessment of margin.

SalMar has an annually renewable multicurrency cash pooling arrangement limited to NOK 1,000 million. As of 31 December 2021, the Group had a net drawdown of NOK 356.2 million on this arrangement. Deposits and drawdowns in various currencies relating to the group account scheme are recognised net in the Group's financial statements. These facilities cover the Group's Norwegian companies with the exception of the subgroup SalMar Aker Ocean AS and the subsidiaries Refsnes Laks AS and Vikenco AS.

With effect from 22 April 2021, SalMar ASA has issued an unsecured green bond totalling NOK 3,500 million. No installments on the loan are payable during the period of the agreement, which matures on 22 January 2027. The bond carries a interest rate at 3-months NIBOR + 1.35% per annum, falling due quarterly. The loan is capitalised at amortised cost using the effective interest rate method. The loan's net carrying amount at 31 December 2021 is NOK 3,459 million. The bond loan is listed on the Oslo Stock Exchange under the ticker SALM01 ESG.

Vikenco AS has an overdraft facility capped at NOK 50 million. In 2021 the construction loan was converted to two instalment loans of NOK 200 million and NOK 80 million.

In 2021 Arnarlax Ehf, the groups subsidiary in Iceland, signed a new financing agreement lasting until June 2024 with the amount of EUR 56 million. The agreement and comprises an instalment loan with the amount of EUR 22.5 million, a revolving credit facility of EUR 28.5 million and an overdraft of EUR 5.0 million.

Refsnes Laks AS, group company from 2021, has a overdraft facility limited to NOK 60, renewed annually.

## Financial covenants

The most important financial covenants for the long-term financing of SalMar ASA are, respectively, a solvency requirement, which stipulates that the Group's recognised equity ratio shall exceed 30%, and a profitability requirement, which stipulates that the Group's interest coverage rate (EBITDA/net financial expenses) shall not fall below 4.0. The Group was in compliance with these covenants as at 31 December 2021.

The green bond has a financial covenant requiring an equity ratio of 30% in the agreement period.

Correspondingly, the Group's Icelandic segment has a solvency requirement, which stipulates that the company's recognised equity ratio shall exceed 35%. There is also a profitability requirement which stipulates that its interest coverage rate shall not fall below 3.5 and in addition, the company's NIBD/12-month rolling EBITDA shall not exceed 6.5.

## Supply Chain Financing

The Group has entered into a supply chain financing agreement (SCF), meaning that some vendors will indirectly offer extended credit terms to the company through a separate agreement with the Group's bank. The vendors sell their trade receivables to the bank in order to receive payment immediately. Payment terms under the SCF agreement are in line with industry practice. The transaction is still between the company and its suppliers, and are therefore classified as trade payables, and changes in trade payables related to the SCF agreement is classified as cash flow from operating activities in the statement of cash flow. At 31 December 2021 the carrying amount of the financed amount was NOK 1,196.6 million. (31 December 2020: NOK 1,074.1 million).

## Transferred receivables

SalMar has entered into an agreement with a financial institution for transferred receivables that meet certain predefined criteria. See Note 3.7 for further details of this arrangement.

## Lease liabilities

See Note 3.4 for further details of the Group's capitalised lease liabilities.

## NOTE 3.12 Mortgage and Guarantees

| Liabilities secured by mortgage (NOK 1,000): | 2021 | 2020 |
|---|---|---|
| Non-current interest bearing debt | 1,447,458 | 3,677,627 |
| Current interest bearing debt | 571,274 | 1,438,435 |
| Lease liabilities | 967,166 | 933,695 |
| Total debt secured by mortgages and pledges at 31 December 2021 | 1,538,440 | 2,372,130 |

| Assets pledged as security for debt (NOK 1,000): | 2021 | 2020 |
|---|---|---|
| Licences | 7,487,421 | 6,172,183 |
| Property, plant and equipment and right-to-use assets | 8,010,049 | 6,402,795 |
| Biological assets and other inventory | 7,928,044 | 6,669,789 |
| Trade receivables | 934,934 | 588,989 |
| Total assets pledged as security at 31 December 2021 | 24,360,448 | 19,833,756 |

The Group had not issued guarantees with respect to third parties as at 31 December 2021.

## NOTE 3.13 Current Liabilities

### Accounting policies

*Onerous contracts*

Physical fixed-price sales contracts whose price is less than the price used as the basis for adjusting the fair value of the biomass are recognised as liabilities in the financial statements. The amount recognised as a liability is the difference between the market price at the balance sheet date plus costs to sell and the contract price. Changes in provisions are recognised in a separate line in the statement of profit and loss and are included in the operational profit.

*Provisions*

A provision is recognised when, and only when, the company has a constructive obligation (legal or self-imposed) deriving from an event which has occurred, and it is probable (more likely than not) that a financial settlement will take place as a result of that liability, and the amount in question may be reliably quantified Provisions are reviewed on each reporting date, and the level reflects a best estimate of the liability concerned.

| Other current liabilities (NOK 1,000): | 31.12.2021 | 31.12.2020 |
|---|---|---|
| Salaries and vacation pay due | 117,793 | 112,579 |
| Derivatives | 23,974 | 0 |
| Accruals for clean-up cost | 136,588 | 119,336 |
| Other accrued expenses | 292,489 | 174,445 |
| Provisions for onerous contracts | 203,040 | 22,070 |
| Total carrying amount at 31 December 2021 | 773,884 | 406,360 |

Provisions related to onerous contracts is increased by NOK 181.0 million in 2021 and are recognised in operating profit (2020: increased provision by NOK 16.0 million).

## NOTE 4.1 Financial Risk Management

### Financial risk

Through its activities, the Group is exposed to various kinds of financial risk: market risk, credit risk and liquidity risk. The Group management oversees the management of these risks and draws up guidelines for dealing with them. The Group makes use of financial derivatives to hedge against certain risks. The Board of Directors has defined a financial risk appetite that sets overarching limits.

The Group has drawing facilities on a syndicate of banks, which ensure it has sufficient flexibility both operationally and with respect to the financing of investments in SalMar's operations. In 2021 the Group issued a green bond to secure further sustainable growth. In addition, the company has financial instruments, such as trade receivables, trade payables, etc, which are directly related to day-to-day business operations.

It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

### Market risk

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The risk is partly reduced by the opposite effect on cash equivalents which earn floating interest. In 2021 the Group has entered into a to cross-currency interest swap and a interest swap to manage the interest rate. At 31 December 2021, after taking into account the effect of interest rate swaps, approximately 24% of the Group's borrowings are at a fixed rate of interest (2020: 0%). For more details regarding the swaps see note 3.9 "Hedging activities and derivatives", and 4.10 "Events occurring after the reporting period".

*Interest rate sensitivity*

Given the financial instruments in effect on 31 December 2021, after the impact of hedge accounting, a 0.5 per cent rise in the rate of interest would reduce the Group's profit by NOK 26.3 million (2020: NOK 30.2 million), all other variables remaining constant. See note 3.11 for more information regarding interest-bearing debt.

*Foreign exchange risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investments in the operations on Iceland. The Group operates internationally, and is exposed to foreign exchange risk in several currencies. This risk is particularly relevant with respect to the USD, EUR, GBP, CAD and JPY.

The foreign exchange risk associated with revenues and assets denominated in foreign currencies is partly hedged through the use of forward contracts and currency accounts. The use of forward currency contracts is described in Note 3.9.

The foreign exchange risk associated with the operations at Iceland is hedged by the cross-currency interest swap described in section "Interest rate risk". The swap hedges the full carrying value of the net investment.

*Foreign currency sensitivity*

Given the financial instruments in effect on 31 December 2021, a weakening of 10 per cent of the NOK would increase the Group's profit before tax by NOK 513.4 million (2020: NOK 284.8 million).

*The following table demonstrate the impact on the Group's profit before tax related to a reduction in the exchange rate of 10 per cent:*

| NOK 1,000 | 31.12.2021 | 31.12.2020 |
|---|---|---|
| EUR | 8,241 | 16,644 |
| JPY | -15,552 | -7,712 |
| GBP | -1,772 | -2,453 |
| CAD | -4,021 | -1,965 |
| USD | -40,944 | -33,880 |

The Group's exposure to foreign currency changes for all other currencies is not material.

## Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities, primarily from trade receivables. The Group's policy is to credit insure material trade receivables, and losses due to bad debts have historically been low. The Group has guidelines to ensure that sales are made only to customers that have not previously had material payment problems, and where outstanding balances do not exceed fixed credit limits. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. Credit risk relating to the Group's cash holding is deemed low.

Gross credit risk on the reporting date equals the Group's total receivables on the same date. See Note 3.7.

## Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they are due. Cash flow forecasts are prepared on a regular basis and the Finance Dept monitors rolling forecasts for the Group's liquidity requirements to ensure that the Group has sufficient cash equivalents to meet operational liabilities, as well as at all times having adequate flexibility in the form of unused credit facilities (see Statement of Cash Flows), such that the Group does not infringe borrowing limits or specific borrowing conditions. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirements in the short term. See Note 3.11 for details of the Group's available credit facilities.

The table below details the Group's non-derivative financial liabilities classified by maturity structure. The figures presented in the table are undiscounted contractual cash flows.

### Maturity structure for financial liabilities at 31 December 2021

| Maturity | Total | 2022 | 2023 | 2024 | 2025 | 2026 | After 2026 |
|---|---|---|---|---|---|---|---|
| Long-term debt | 5,068,577 | 153,971 | 153,971 | 849,488 | 15,504 | 209,646 | 3,685,996 |
| Interest on long-term debt | 516,855 | 112,487 | 108,363 | 99,442 | 92,086 | 89,544 | 14,934 |
| Leasing liabilities | 967,166 | 195,743 | 146,613 | 110,524 | 101,990 | 79,038 | 333,258 |
| Interest on leasing liabilities | 379,964 | 54,031 | 49,673 | 45,912 | 43,405 | 39,972 | 146,971 |
| Short-term credit facilities | 409,257 | 409,257 | 0 | 0 | 0 | 0 | 0 |
| Interest on short-term debt | 3,376 | 3,376 | 0 | 0 | 0 | 0 | 0 |
| Trade payables | 2,317,308 | 2,317,308 | 0 | 0 | 0 | 0 | 0 |
| Total liabilities | 9,662,503 | 3,246,174 | 458,619 | 1,105,365 | 252,986 | 418,199 | 4,181,160 |

### Maturity structure for financial liabilities at 31 December 2020

| Maturity | Total | 2021 | 2022 | 2023 | 2024 | 2025 | After 2025 |
|---|---|---|---|---|---|---|---|
| Long-term debt | 3,999,980 | 522,208 | 135,197 | 135,197 | 3,128,138 | 17,550 | 61,691 |
| Interest on long-term debt | 182,320 | 60,984 | 49,085 | 47,139 | 23,653 | 1,014 | 444 |
| Leasing liabilities | 933,695 | 167,160 | 133,318 | 106,289 | 83,424 | 81,123 | 362,380 |
| Interest on leasing liabilities | 422,853 | 53,055 | 50,195 | 47,253 | 44,235 | 42,359 | 185,755 |
| Short-term credit facilities | 1,116,082 | 1,116,082 | 0 | 0 | 0 | 0 | 0 |
| Interest on short-term debt | 5,525 | 5,525 | 0 | 0 | 0 | 0 | 0 |
| Trade payables | 2,056,323 | 2,056,323 | 0 | 0 | 0 | 0 | 0 |
| Total liabilities | 8,716,778 | 3,981,337 | 367,796 | 335,878 | 3,279,451 | 142,046 | 610,271 |

## Maturity

The Group's trade payables are normally at net 30 payment terms, except for payables related to the purchase of feed, which has a longer credit time.

For a description of the maturity structure for the Group's long-term debt, see Note 3.11.

## Capital structure and equity

The objective of the Group's capital management is to safeguard the Group's continued operations in order to secure a return on investment for shareholders and other stakeholders, and maintain an optimal capital structure for reducing capital costs. By ensuring a good debt-to-equity ratio the Group will support its business operations, and thereby maximise the value of the Group's shares.

The Group manages and makes changes to its capital structure in response to an ongoing assessment of the financial conditions under which the business operates, and its short and medium-term outlook, including any adjustment in dividend pay-outs, buyback of treasury shares, capital reduction or issue of new shares. No changes were made in the guidelines covering this area in 2021.

The company monitors its capital management on the basis of the covenants stipulated. These are based on equity ratio and the ratio of net interest-bearing debt to EBITDA. See Note 3.11 for further details.

As at 31 December 2021, the Group had an equity ratio of 55.1 per cent (31 December 2020: 49.9 per cent). At the close of 2021, the Group's net interest-bearing debt stood at NOK 4,576.2 million (2020: NOK 4,892.6 million) See Note 3.11 for further details of the Group's net interest-bearing debt.

## NOTE 4.2 Share Capital and Shareholders

At 31 December 2021, the parent company's share capital comprised:

| NOK 1,000 | No. | Face value | Book value |
|---|---|---|---|
| Ordinary shares | 117,799,999 | 0.25 | 29,450,000 |

There are no current limitations on voting rights or trade limitations related to the SalMar share.

On 8 June 2021, SalMar ASA' share capital was increased by 4,500,000 shares (nominal value of NOK 0.25 per share), from 113,299,999 shares to 117,799,999 shares. The share capital was thus increased by NOK 1,125 million, from NOK 28,325 million to NOK 29,450. The total amount of the capital contribution was NOK 2,709.0 million.

As at 31 December 2021, SalMar ASA owned 102,361 treasury shares.

### Shareholders

| Overview of the largest shareholders 31.12.2021: | Number of shares | Shareholding | Voting share |
|---|---|---|---|
| KVERVA INDUSTRIER AS | 59,934,476 | 50.88% | 50.92% |
| FOLKETRYGDFONDET | 6,555,356 | 5.56% | 5.57% |
| CACEIS Bank | 2,236,647 | 1.90% | 1.90% |
| State Street Bank and Trust Comp | 1,598,036 | 1.36% | 1.36% |
| BNP Paribas Securities Services | 1,569,002 | 1.33% | 1.33% |
| State Street Bank and Trust Comp | 1,518,495 | 1.29% | 1.29% |
| LIN AS | 1,299,685 | 1.10% | 1.10% |
| JPMorgan Chase Bank, N.A., London | 1,170,203 | 0.99% | 0.99% |
| CLEARSTREAM BANKING S.A. | 1,066,044 | 0.90% | 0.91% |
| The Northern Trust Comp, London Br | 1,022,490 | 0.87% | 0.87% |
| JPMorgan Chase Bank, N.A., London | 992,543 | 0.84% | 0.84% |
| SIX SIS AG | 927,477 | 0.79% | 0.79% |
| CACEIS Bank | 774,110 | 0.66% | 0.66% |
| Brown Brothers Harriman (Lux.) SCA | 723,542 | 0.61% | 0.61% |
| State Street Bank and Trust Comp | 718,345 | 0.61% | 0.61% |
| VERDIPAPIRFONDET ALFRED BERG GAMBA | 688,759 | 0.58% | 0.59% |
| VERDIPAPIRFONDET KLP AKSJENORGE IN | 617,440 | 0.52% | 0.52% |
| The Bank of New York Mellon | 595,832 | 0.51% | 0.51% |
| VPF DNB AM NORSKE AKSJER | 573,595 | 0.49% | 0.49% |
| Pictet & Cie (Europe) S.A. | 527,788 | 0.45% | 0.45% |
| Total 20 largest shareholders | 85,109,865 | 72.25% | 72.31% |
| Total other shareholders | 32,690,134 | 27.75% | 27.69% |
| | | | |
| Total number of shares 31.12.2021 | 117,799,999 | 100.00% | 100.00% |

### Shares owned by Board Members and Senior Executives:

| Name | | Number of shares | Shareholding |
|---|---|---|---|
| Leif Inge Nordhammer | Chair of the Board | * | |
| Magnus Dybvad | Board Member | ** | |
| Tone Ingebrigtsen | Board Member - Employees representative | 604 | 0.00% |
| Gustav Witzøe | CEO | *** | |
| Ulrik Steinvik | Director Business Improvement | **** | |
| Trine Sæther Romuld | CFO & COO | 6,323 | 0.01% |
| Frode Arntsen | COO Industry & Sales | 4,706 | 0.00% |
| Roger Bekken | COO Farming | 16,766 | 0.01% |

* Owns, directly and indirectly, 1.61 per cent of the shares in SalMar ASA. Leif Inge Nordhammer owns 99.1 per cent of the shares in LIN AS. LIN AS directly owns 1.10 per cent of the shares in SalMar ASA. In addition, LIN AS owns 0.51 per cent of the shares in the company though a 1 per cent shareholding in Kverva AS, which, through Kverva Industrier AS, owns 50.88 per cent of the shares in SalMar ASA and has a corresponding 50.92 per cent voting share.

** Owns indirectly 0.02 per cent of the shares in SalMar ASA. Magnus Dybvad owns 100.0 per cent of the shares in Acertas AS, which owns 100 per cent of the shares in Acertar AS. Acertar AS owns 0.04 per cent of the shares in Kverva AS, which, through Kverva Industrier AS, owns 50.88 per cent of the shares in SalMar ASA and has a corresponding 50.92 per cent voting share.

*** Owns shares indirectly through Kvarv AS, the parent company in the Kverva Group. Kvarv AS owns 93.02 per cent of the shares in Kverva AS, which owns 100 per cent of the shares in Kverva Industrier AS. Kverva Industrier AS owns 50.88 per cent of the shares in SalMar ASA and a voting share of 50.92 per cent. Gustav Witzøe has a voting share of 80 per cent and has a 1 per cent shareholding in Kvarv AS through his ownership of A-shares in the company.

**** Owns directly and indirectly 0.12 per cent of the shares in SalMar ASA. Ulrik Steinvik owns 18,266 shares directly and indirectly through personal related parties, he also owns 100 per cent of the shares in Nordpilan AS. Nordpilan AS owns 0.2 per cent of the shares in Kverva AS, which owns 100 per cent of the shares in Kverva Industrier AS. Kverva Industrier AS owns 50.88 per cent of the shares in SalMar ASA and has a corresponding 50.92 per cent voting share.

## Board authorisations

Authorisations granted to the Board are normally time limited, and are valid only up until the next AGM in 2022 and no later than 30 June 2022.

*The Board of Directors has been granted the following authorisations which may impact the share capital at 31 December 2021:*
To increase the company's share capital limited to NOK 2,832,000, through the issue of up to 11,328,000 shares to finance investments and the acquisition of businesses through cash issues and contributions in kind.

To acquire up to 11,095,929 treasury shares with an aggregate par value of up to an aggregate of NOK 2,773,982.25 at a price per share of no less than NOK 1 and no more than NOK 900.

To issue convertible loans for up to NOK 2,000,000,000 for the purpose of enabling SalMar, at short notice, to use such financial instruments as part of its overall financing requirement. In connection with the conversion of loans raised pursuant to this authorisation, SalMar's share capital may be increased by up to NOK 2,832,000, though with account taken of any capital increases undertaken pursuant to the authorisation to increase SalMar's share capital, such that the total capital increase for both authorisations combined may not exceed 10 per cent of the share capital. It follows from the purpose of the authorisations that the Board may need to waive existing shareholders' preference rights.

An authorisation to acquire own shares for subsequent cancellation, cf. the Public Limited Liability Companies Act Section 9 4, for up to 5,154,315 shares with an aggregate par value of NOK 1,288,578.75. The rationale for the Board's proposal was that such arrangement would amongst other things give the Board an extended possibility to utilise mechanisms for distribution of capital to SalMar's shareholders and to facilitate an adequate capital structure of SalMar. The amount payable per share could be in the range between NOK 1 and NOK 900 per SalMar Share. Exercise of such authorisation was made subject to principles of equal treatment of shareholders. To ensure that SalMar's majority owner's, Kverva Industrier AS, proportionate shareholding remained equal it was set in place an arrangement whereby any shares acquired in the market would be cancelled through a subsequent share capital decrease and that a corresponding part of Kverva Industrier AS' shares would be redeemed.

*Authorisation granted after the reporting period:*
In an extraordinary meeting on 14 March 2022, the general meeting granted the Board an additional authorisation to increase the Company's share capital up to NOK 4,501,968.25, through the issue of up to 18,007,873 shares in connection with the completion of the voluntary offer to acquire all outstanding shares in NTS ASA. The authorisation is valid until the Annual General Meeting in 2023, however no longer than until 30 June 2023.

## Dividend

The Board is proposing payment of a dividend of NOK 20 per share, totalling NOK 2,354.0 million, as at 31 December 2021. No dividend is paid on the company's treasury shares.

For the 2020 financial year, a dividend of NOK 20 per share, totalling NOK 2,261.4 million, was paid out by SalMar ASA.

## NOTE 4.3 Earnings per Share

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Profit for the year attributable to owners of SalMar ASA | 2,616,716 | 1,979,018 |
| Ordinary shares as at 01.01 | 113,299,999 | 112,922,858 |
| Contributions of equity – increase in number of shares | 4,500,000 | 0 |
| Effect of treasury shares awarded to employees (see Note 2.4) | 129,710 | 145,070 |
| **Weighted average number of ordinary shares for basic EPS** | **115,714,546** | **112,947,036** |
| Effects of dilution from share options | 207,323 | 216,665 |
| **Weighted average number of ordinary shares adjusted for the effect of dilution** | **115,921,869** | **113,163,701** |
| Earnings per share | | |
| Basic | 22.61 | 17.52 |
| Diluted | 22.57 | 17.49 |

## NOTE 4.4 Group Companies

The consolidated financial statements for 2021 includes the following subsidiaries:

| Company | Owner | Country | Registered office | Shareholding 31.12.2021 |
|---|---|---|---|---|
| SalMar Settefisk AS | SalMar ASA | Norway | Kverva | 100.00% |
| SalMar Smolt AS | SalMar Settefisk AS | Norway | Kverva | 100.00% |
| SalMar Farming AS | SalMar ASA | Norway | Kverva | 100.00% |
| Hitramat Farming AS | SalMar ASA | Norway | Kverva | 51.00% |
| Nekton Havbruk AS | SalMar Farming AS | Norway | Kverva | 51.00% |
| Refsnes Laks AS[1] | SalMar Farming AS | Norway | Kverva | 45.00% |
| SalMar Aker Ocean AS | SalMar ASA | Norway | Kverva | 85.00% |
| Ocean Farming AS | SalMar Aker Ocean AS | Norway | Kverva | 85.00% |
| Mariculture AS[2] | SalMar Aker Ocean AS | Norway | Kverva | 43.35% |
| Icelandic Salmon AS | SalMar ASA | Norway | Kverva | 51.02% |
| Arnarlax Ehf | Icelandic Salmon AS | Iceland | Bildudalur | 51.02% |
| Icelandic Salmon Ehf | Arnarlax Ehf | Iceland | Bildudalur | 51.02% |
| Fjallalax Ehf | Arnarlax Ehf | Iceland | Bildudalur | 51.02% |
| SalMar AS | SalMar ASA | Norway | Kverva | 100.00% |
| Vikenco AS | SalMar AS | Norway | Aukra | 51.00% |
| SalMar Japan KK | SalMar AS | Japan | Japan | 100.00% |
| SalMar Singapore PTE Ltd. | SalMar AS | Singapore | Singapore | 100.00% |
| SalMar Vietnam Co., Ltd | SalMar AS | Vietnam | Ho Chi Minh City | 100.00% |
| SalMar-Tunet AS | SalMar ASA | Norway | Kverva | 100.00% |

1 Through shareholders agreement, SalMar has established control and has the power to affect the return from the involvement in Refsnes Laks AS. For further information, see Note 4.5
2 SalMar Aker Ocean AS is owned by 85% of SalMar ASA. SalMar Aker Ocean AS owns 51% of the shares in Mariculture AS.

## NOTE 4.5 Business Combinations

*Nekton Havbruk AS*

With effect from 1 July 2021, the Group agreed to acquire 51 per cent of the shares in Nekton Havbruk AS. The purpose of the transaction is to expand the Group's production of harvestable fish. Nekton Havbruk AS currently has two licenses for production of Atlantic salmon, including a time limited demonstration license in Central Norway, in total 1,568 tonnes MAB. For accounting purposes, the transaction will be treated as a business combination, with the non-controlling interest assessed at fair value. No material external transaction costs were incurred in connection with the acquisition. Assets and liablities recognised as a result of the acquisition are as follows. The purchase price allocation is considered to be final.

| Acquisition's effect on the balance sheet (NOK 1,000): | Carrying amount | Adjustment to fair value | Fair value |
|---|---|---|---|
| Intangible assets | 11,248 | 108,752 | 120,000 |
| Property, plant & equipment | 16,117 | -1,824 | 14,292 |
| Inventory and biological assets | 75,237 | -22,757 | 52,480 |
| Current assets | 95,036 | 0 | 95,036 |
| Deferred tax assets/liabilities | 18,656 | -17,470 | 1,186 |
| Non-current liabilities | -2,303 | 0 | -2,303 |
| Current liabilities | -156,776 | -4,762 | -161,538 |
| Net identifiable assets and liabilities | 57,215 | 61,939 | 119,154 |
| Goodwill | | | 37,709 |
| Non-controlling interests | | | -76,863 |
| Cash consideration | | | 80,000 |

*Refsnes laks AS*

With effect from 25 August 2021 the Group agreed to acquire 45% of the shares in Refsnes Laks AS through a combination of share purchase and private placement. The transaction has been approved by the Norwegian Competition Authorities. The purpose of the transaction is to expand the Group's production of harvestable fish. Refsnes Laks AS currently has five licenses for production of Atlantic salmon, including a time limited demonstration license in Central Norway, in total 3,932 tonnes MAB. Through shareholder agreements, SalMar has established control and has the power to affect the return from the involvement in Refsnes Laks AS. Based on this, the company is consolidated into the SalMar Group from the time of acquisition, which is defined as the Competition Authority's time for approval of the transaction. For accounting purposes, the transaction will be treated as a business combination, with the non-controlling interest assessed at fair value. Assets and liabilities recognised as a result of the acquisition are as follows. The purchase price allocation is considered to be final.

| Acquisition's effect on the balance sheet (NOK 1,000): | Carrying amount | Adjustment to fair value | Fair value |
|---|---|---|---|
| Intangible assets | 25,992 | 1,224,008 | 1,250,000 |
| Property, plant & equipment | 111,661 | 0 | 111,661 |
| Other non-current assets | 11,138 | 0 | 11,138 |
| Inventory and biological assets | 187,789 | 0 | 187,789 |
| Other current assets | 345,078 | 0 | 345,078 |
| Deferred tax assets/liabilities | -38,011 | -268,930 | -306,942 |
| Non-current liabilities | -344,970 | 0 | -344,970 |
| Current liabilities | -61,602 | -1,598 | -63,201 |
| Net identifiable assets and liabilities | 237,074 | 953,479 | 1,190,554 |
| Goodwill | | | 287,224 |
| Non-controlling interests | | | -812,778 |
| Cash consideration | | | 665,000 |

### 2020 – business combinations

SalMar had no material business combinations in 2020.

## NOTE 4.6 Non-Controlling Interests

### Non-controlling interests relating to subsidiaries

| 31 December 2021 | Non-controlling interests shareholding | Non-controlling interests accumulated share of equity 1 Jan | Non-controlling interests from business combination | Share of profit allocated to non-controlling interests | OCI allocated to non-controlling interests | Equity transactions allocated to non-controlling interests | Other changes in non-controlling interests | Non-controlling interests accumulated share of equity 31 Dec |
|---|---|---|---|---|---|---|---|---|
| Refsnes Laks AS | 55.00% | 0 | 812,778 | 10,459 | 0 | 0 | 0 | 823,237 |
| Nekton Havbruk AS | 49.00% | 0 | 76,863 | 7,252 | 0 | 0 | 0 | 84,115 |
| SalMar Aker Ocean AS | 15.00% | 0 | 0 | -2,409 | 0 | 638,432 | -397,194 | 238,830 |
| Mariculture AS | 7.35% | 2,972 | 0 | 0 | 0 | 0 | -2,972 | 0 |
| Icelandic Salmon AS | 48.98% | 1,000,190 | 0 | 13,058 | -45,869 | -6,702 | 0 | 960,678 |
| Hitramat Farming AS | 49.00% | 38,715 | 0 | 9,828 | 0 | 0 | 0 | 48,543 |
| Vikenco AS | 49.00% | 94,009 | 0 | 13,216 | 0 | -9,800 | 0 | 97,425 |
| | | **1,135,886** | **889,640** | **51,404** | **-45,869** | **621,931** | **-400,167** | **2,252,827** |

*Nekton Havbruk AS*
With effect from 1 July 2021, the Group agreed to acquire 51 per cent of the shares in Nekton Havbruk AS. For accounting purposes, the transaction is treated as a business combination, with the non-controlling interest assessed at fair value. or further information regarding the transaction – see Note 4.5 Business Combinations.

*Refsnes laks AS*
With effect from 25 August 2021 the Group agreed to acquire 45 per cent of the shares in Refsnes Laks AS. Through shareholder agreements, SalMar has established control and the company is consolidated into the SalMar Group from the time of acquisition. For accounting purposes, the transaction is treated as a business combination, with the non-controlling interest assessed at fair value. For further information regarding the transaction – see Note 4.5 Business Combinations.

*SalMar Aker Ocean AS*
With effect from 15 November 2021, Aker ASA entered into a strategic partnership with SalMar establishing SalMar Aker Ocean AS. As a part of the transaction a share issue was carried out in SalMar Aker Ocean, where Aker ASA contributed a net capital increase of 639.1 million. The transaction led to a reduction in SalMar's holding of shares in the company from 100.0 per cent to 85.0 per cent. The reduction is recognised as a change in non-controlling interests, and an effect within equity of NOK 400.2 million is recognised in the period.

| 31 Dec 2020 | Non-controlling interests shareholding | Non-controlling interests accumulated share of equity 1 Jan | Non-controlling interests from business combination | Share of profit allocated to non-controlling interests | OCI allocated to non-controlling interests | Equity transactions allocated to non-controlling interests | Other changes in non-controlling interests | Non-controlling interests accumulated share of equity 31 Dec |
|---|---|---|---|---|---|---|---|---|
| Icelandic Salmon AS | 48.98% | 614,183 | 0 | -10,415 | 26,962 | 479,024 | -109,564 | 1,000,190 |
| Hitramat Farming AS | 49.00% | 39,300 | 0 | 10,294 | 0 | -10,878 | 0 | 38,715 |
| Vikenco AS | 49.00% | 76,866 | 0 | 29,393 | 0 | -12,250 | 0 | 94,009 |
| Mariculture AS | 49.00% | 2,042 | 0 | 0 | 0 | 931 | 0 | 2,972 |
| | | 732,391 | 0 | 29,272 | 26,962 | 456,827 | -109,564 | 1,135,886 |

*Icelandic Salmon AS*

In October 2020, 4,347,826 new shares, priced at NOK 115 per share, were issued in Icelandic Salmon AS. The share issue raised net proceeds of NOK 500 million. Costs relating to the transaction have been recognised as a reduction in equity amounting to NOK 21 million. Through the transaction SalMar reduced its shareholding in the company from 59.36 per cent to 51.02 per cent. For accounting purposes, the reduction has been recognised as a change in non-controlling interests, with the NOK 109.8 million effect posted directly to equity in the period.

## Subsidiaries with material non-controlling interests:

The Group considers non-controlling interests in Icelandic Salmon AS, Refsnes Laks AS and SalMar Aker Ocean AS to be material. Further details relating to this companies are disclosed below.

| NOK 1,000 | SalMar Aker Ocean AS 2021 | Refsnes Laks AS 2021 | Icelandic Salmon AS 2021 |
|---|---|---|---|
| **Income statement** | | | |
| Operating revenues | 0 | 159,364 | 918,848 |
| Net profit/loss | -14,420 | 19,017 | 26,658 |
| OCI | 0 | 0 | -93,327 |
| Total comprehensive income | -14,420 | 19,017 | -66,669 |
| Total comprehensive income allocated to non-controlling interests | -2,409 | 10,459 | -32,811 |
| Dividend paid to non-controlling interests | 0 | 0 | 0 |
| **Statement of financial position as at 31 December** | | | |
| Non-current assets | 1,004,418 | 993,278 | 1,310,522 |
| Current assets | 652,239 | 306,996 | 825,570 |
| Equity | 1,584,094 | 831,795 | 1,303,676 |
| Non-current liabilities | 44,012 | 331,590 | 648,293 |
| Current liabilities | 28,551 | 136,889 | 184,121 |
| Recognised excess value of licences – net after tax | 0 | 954,726 | 864,400 |
| Share of equity allocated to shareholders of SalMar ASA | 1,345,264 | 963,284 | 1,207,399 |
| Share of equity allocated to non-controlling interests | 238,830 | 823,237 | 960,678 |
| **Cash flows** | | | |
| From operating activities | -18,789 | -64,724 | -31,405 |
| From investing activities | -4,100 | 2,579 | -153,633 |
| From financing activities | 18,506 | -278,582 | 191,971 |
| **Net increase/decrease in cash and cash equivalents** | **-4,383** | **-340,728** | **6,933** |

| NOK 1,000 | Icelandic Salmon AS 2020 |
|---|---|
| **Income statement** | |
| Operating revenues | 662,337 |
| Net profit/loss | -20,740 |
| OCI | 73,029 |
| Total comprehensive income | 52,288 |
| Total comprehensive income allocated to non-controlling interests | 16,547 |
| Dividend paid to non-controlling interests | 0 |
| **Statement of financial position as at 31 December** | |
| Non-current assets | 789,108 |
| Current assets | 725,394 |
| Equity | 1,136,154 |
| Non-current liabilities | 15,188 |
| Current liabilities | 363,160 |
| Recognised excess value of licences – net after tax | 906,068 |
| Share of equity allocated to shareholders of SalMar ASA | 1,042,031 |
| Share of equity allocated to non-controlling interests | 1,000,190 |
| **Cash flows** | |
| From operating activities | -12,202 |
| From investing activities | -112,409 |
| From financing activities | 138,559 |
| **Net increase/decrease in cash and cash equivalents** | **13,948** |

## NOTE 4.7 Related Party Transactions

The Group's parent company is SalMar ASA. The parent company is Kverva Industrier AS, which owns 50.88% of the shares in SalMar ASA. The ultimate parent company is Kvarv AS, which prepares its own consolidated accounts in accordance with NGAAP. See Note 4.2 for further details.

| Transactions with related parties in 2021 (NOK 1,000): | Sales | Purchases | Receivables | Liabilities |
|---|---|---|---|---|
| Associates of the SalMar Group | 211,107 | 70,285 | 36,534 | 0 |
| Companies controlled by the parent company Kverva AS | 1,693,721 | 354,038 | 205,806 | 20,705 |
| Associates of the parent company Kverva AS | 0 | 31,059 | 0 | 0 |

| Transactions with related parties in 2020 (NOK 1,000): | Sales | Purchases | Receivables | Liabilities |
|---|---|---|---|---|
| Associates of the SalMar Group | 190,096 | 115,075 | 15,938 | 9,059 |
| Companies controlled by the parent company Kverva AS | 1,802,574 | 294,577 | 120,834 | 6,916 |
| Associates of the parent company Kverva AS | 1,965 | 54,632 | 0 | 0 |

Transactions between the Group and related parties are undertaken at market terms and conditions. In addition, dividends have been received from associates (see Note 3.5), while benefits have been paid to members of the Board and senior executives (see Note 2.3).

## NOTE 4.8 Allegations of Price Collusion

On 6 February 2019, the European Commission launched an investigation of the SalMar ASA and several other producers of farmed Norwegian Atlantic salmon, concerning alleged anti-competitive conduct.

Following the European Commission's investigation, multiple lawsuits were launched against SalMar ASA and several other salmon producers in the United States. Complaints were filed on 23 April, 25 April (subsequently dropped), 29 April, 9 May, 15 May, 17 May, 20 May, 28 May and 11 June 2019 (subsequently dropped). After consolidation of the cases, there are now two ongoing class actions pending before the District Court in Florida, filed by direct and indirect purchasers respectively. Both cases concern the same allegation of anti-competitive conduct as the European Commission's investigation.

In November 2019, the U.S. Department of Justice Competition Division launched an investigation concerning the same allegation. As of now, it remains uncertain whether the Department of Justice will prosecute the case.

In addition, complaints were filed against SalMar ASA, as one of several Norwegian producers of salmon, before a Federal Court in Toronto on 11 October 2019 and 3 January 2020. These cases were consolidated, and currently one case is pending before the Federal Court. Lawsuits have also been filed before a local court in Vancouver and in Quebec, but these cases are currently on hold pending a decision in the Federal Court. These cases all concern the same allegation of anti-competitive conduct as the European Commissions investigation.

SalMar is not aware of circumstances substantiating the allegation of anti-competitive conduct and is of the opinion that the company has not participated in any form of illegal price fixing. The cases are still in an early stage and the outcome is highly uncertain. SalMar is fully cooperating in with all relevant authorities in these matters. The outcome of the case is highly uncertain, and no provisions have been made in respect of these matters as at 31 December 2021.

## NOTE 4.9 Covid-19

The many public health measures implemented worldwide during the pandemic have increased market uncertainty. Throughout the Covid-19 period, SalMar has nevertheless demonstrated that it is well equipped to handle challenging situations. The Covid-19 had no material impact on the company's financial results in the period or the book value of assets as of 31 December 2021.

## NOTE 4.10 Events Occurring After the Reporting Period

New information concerning the company's financial position on the reporting date is disclosed in the annual financial statements. Events occurring after the reporting period that do not affect the company's financial position on the reporting date, but which will affect it in the future, are disclosed where material.

### Interest swap contracts

With effect from 4 February 2022, SalMar ASA entered into fixed rate interest swap contracts with a total principal of NOK 2,250 million. 750 million has a duration of 7 years starting 22 April 2022, 750 million has a duration of 7 years starting 22 January 2025, and 750 million has a duration of 10 years starting 22 January 2024. The interest swap contracts are established with the purpose to reduce the interest rate risk related to long-term loan.

### Impact from war in Ukraine

SalMar have no assets in neither Russia, Belarus nor Ukraine and as a market SalMar have not sold volume to Russia nor Belarus for the last years. Ukraine as market however has accounted for a marginal proportion of the volume sold. Nevertheless, with the sanctions imposed following the war in Ukraine some volume will need to be reallocated from other salmon farmers which may impact supply into certain markets.

Ukraine is also a large agricultural country and therefore the war creates heightened uncertainty and increased inflationary pressure regarding raw material for certain ingredients in the fish feed. SalMar is well equipped to handle this situation as the company has a strong partnership with its feed suppliers and are one of the most efficient salmon producers with low feed conversion ratio and best results on key fish welfare indicators. In addition salmon as a protein source is of the most resource efficient animal protein sources and an increase in feed cost has a lower impact on salmon producers, compared to other producers of animal protein sources.

The ban of the air space over Russia reduces the air freight capacity to the Asian markets creating logistical challenges. In addition the recent increase in energy prices may indirectly impact other cost elements in our value chain such as transportation and packaging.

### SalMar ASA launched a voluntary offer for all outstanding shares in NTS ASA (NTS):

In February 2022, SalMar announced that it would launch a voluntary offer to acquire all outstanding shares in NTS at NOK 120 per share, valuing the equity capital of the NTS at approximately NOK 15.1 billion. Shareholders representing a total of 50.1 percent of the outstanding shares in NTS had then pre-accepted the offer.

NTS has as long track-record in salmon farming, both in Central and Northern Norway as well as the Western fjords of Iceland. The combination will strengthen the competence base and production capacity and be a catalyst for further sustainable growth in the local communities where the companies operate.

The voluntary offer will be settled in a combination of cash and shares. An extraordinary general meeting in SalMar ASA on 14 March 2022 authorised the board to increase the company's share capital accordingly. Completion of the offer is subject to, among other things, regulatory approvals and a satisfactory confirmatory due diligence.

## NOTE 4.11 Alternative Performance Measures

The SalMar Group prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). In addition, management has established alternative performance measures (APMs) to provide useful and relevant information to users of the financial statements. APMs have been established to provide greater understanding of the company's underlying performance, and do not replace the consolidated financial statement prepared in accordance with IFRS. The performance parameters have been reviewed and approved by the Group's management and Board of Directors. APMs may be defined and used in other ways by other companies.

The APMs are deduced from the performance measures defined in IFRS. The figures are defined below and calculated in a consistent manner. They are presented in addition to other performance measures, in keeping with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA).

### Operational EBIT

Operational EBIT is an APM used by the Group. The relationship between Operational EBIT and operating profit/loss is presented in the table below. The difference between Operational EBIT and operating profit/loss relates to provisions for production tax and onerous contracts, and items which are classified in the financial statements on the line for fair value adjustments. These items are market value and fair value assessments linked to assumptions about the future. Operational EBIT shows the underlying operation and the results of transactions undertaken in the period.

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Operating profit/loss | 3,450,968 | 2,827,968 |
| Production tax | 71,601 | - |
| Onerous contracts | 180,970 | 16,030 |
| *Fair value adjustment:* | | |
| Change in fair value of the biological assets | -835,155 | 186,136 |
| Change in unrealised Fish Pool contracts | 14,368 | 8,560 |
| Change in unrealised value of forward currency contracts | 44,245 | -31,194 |
| Operational EBIT | 2,926,996 | 3,007,500 |

### EBIT/kg gw

EBIT per kg gutted weight is defined as a key performance parameter for SalMar. The performance parameter is used to assess the profitability of the goods sold and the Group's operations.
The performance parameter is expressed per kg of harvested volume.

| 2021 | Fish Farming Central Norway | Fish Farming Northern Norway | Icelandic Salmon | SalMar Group |
|---|---|---|---|---|
| Operational EBIT (NOK 1,000) | 2,118,499 | 1,242,506 | 74,007 | 2,926,996 |
| Volume harvested (tonnes) | 110,671 | 59,847 | 11,537 | 182,056 |
| EBIT/kg gw (NOK) | 19.14 | 20.76 | 6.41 | 16.08 |

| 2020 | Fish Farming Central Norway | Fish Farming Northern Norway | Icelandic Salmon | SalMar Group |
|---|---|---|---|---|
| Operational EBIT (NOK 1,000) | 2,218,390 | 847,754 | -50,490 | 3,007,500 |
| Volume harvested (tonnes) | 100,394 | 49,903 | 11,239 | 161,535 |
| EBIT/kg gw (NOK) | 22.10 | 16.99 | -4.49 | 18.62 |

## Net interest-bearing debt (NIBD) and net interest-bearing debt including leasing liabilities

Net interest-bearing debt is an alternative performance measure used by the Group. The performance measure is used to express the Group's working capital, and is an important performance measure for investors and other users, because it shows net borrowed capital used to finance the Group. Net interest-bearing debt is defined as long-term and short-term debt to credit institutions, less cash & cash equivalents. Leasing liabilities under IFRS 16 are not included in the calculation of net interest-bearing debt. To highlight total interest bearing debt including leasing liabilities, this is presented as a separate measure.

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Long-term debt to credit institutions | 4,906,560 | 3,677,627 |
| Short-term debt to credit institutions | 571,274 | 1,438,435 |
| Cash & cash equivalents | -901,644 | -223,447 |
| **Net interest-bearing debt (NIBD)** | **4,576,190** | **4,892,615** |
| Lease liabilities | 967,166 | 933,695 |
| **NIBD incl. lease liabilities** | **5,543,356** | **5,826,310** |

# Annual Financial Statements SalMar ASA 2021

# *Annual Financial Statements*

*SalMar ASA*

*2021*

## Statement of Profit or Loss

NOK 1,000

| Operating revenue and expenses | Note | 2021 | 2020 |
|---|---|---|---|
| Operating revenue | 2, 6 | 84,321 | 87,228 |
| **Total operating revenue** | | **84,321** | **87,228** |
| | | | |
| Salary and personnel expenses | 3 | -65,882 | -57,180 |
| Depreciation and amortisation | 8 | -2,904 | -3,150 |
| Other operating expenses | 3 | -88,313 | -61,382 |
| **Total operating expenses** | | **-157,099** | **-121,712** |
| **Operating loss** | | **-72,778** | **-34,484** |
| | | | |
| Financial items | | | |
| Income from investments in group companies | 5 | 2,361,115 | 2,182,644 |
| Interest income | 5 | 99,031 | 89,008 |
| Interest expenses | 5 | -114,032 | -77,550 |
| Other financial items | | 23,991 | 340 |
| **Net financial items** | | **2,370,106** | **2,194,443** |
| **Profit before tax** | | **2,297,328** | **2,159,959** |
| Income tax expense | 14 | -504,830 | 57 |
| **Profit for the year** | | **1,792,497** | **2,160,017** |
| | | | |
| **Allocated to:** | | | |
| Dividend | 13 | 2,353,953 | 2,261,359 |
| Transferred from other equity | | -561,456 | -101,342 |
| **Total allocated** | | **1,792,497** | **2,160,017** |

## Balance Sheet

NOK 1,000

| Assets | Note | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| *Non-current assets* | | | |
| Deferred tax assets | 14 | 0 | 1,372 |
| Other intangible assets | 7 | 7,160 | 0 |
| Property, plant and equipment | 8, 16 | 9,545 | 8,370 |
| Investments in subsidiaries | 9, 16 | 3,498,366 | 2,699,784 |
| Investments in associates | 10 | 468,287 | 162,787 |
| Intercompany non-current receivables | 6, 16 | 7,018,201 | 3,209,088 |
| Other non-current receivables | 12 | 31,842 | 30,168 |
| Other non-current financial assets | | 154 | 123 |
| Total non-current assets | | 11,033,555 | 6,111,692 |
| | | | |
| *Current assets* | | | |
| Trade receivables | 16 | 1,523 | 1,565 |
| Intercompany current receivables | 6, 16 | 2,568,959 | 4,085,647 |
| Other current receivables | | 25,730 | 14,158 |
| Other financial instruments | 15 | 24,887 | 0 |
| Cash and cash equivalents | 11 | 10,814 | 11,614 |
| Total current assets | | 2,631,913 | 4,112,984 |
| Total assets | | 13,665,468 | 10,224,676 |

## Balance Sheet

NOK 1,000

| Equity & liabilities | Note | 31.12.2021 | 31.12.2020 |
|---|---|---|---|
| *Equity* | | | |
| Share capital | 13 | 29,450 | 28,325 |
| Treasury shares | | -26 | -58 |
| Share premium | | 3,101,968 | 415,285 |
| Other paid-in equity | | 292,552 | 239,392 |
| Total paid-in equity | | 3,423,944 | 682,944 |
| | | | |
| Retained Earnings | | 2,073,679 | 2,635,135 |
| Total retained earnings | | 2,073,679 | 2,635,135 |
| Total equity | | 5,497,624 | 3,318,079 |
| | | | |
| *Non-current liabilities* | | | |
| Deferred tax liabilities | 14 | 3,771 | 0 |
| Non-current interest bearing debt | 15, 16 | 4,364,984 | 3,463,529 |
| Total non-current liabilities | | 4,368,755 | 3,463,529 |
| | | | |
| *Current liabilities* | | | |
| Current interest bearing debt | 15, 16 | 356,240 | 1,046,134 |
| Trade payables | | 7,651 | 2,656 |
| Tax payable | 15 | 493,505 | 0 |
| Dividend | 13 | 2,353,953 | 2,261,359 |
| Public duties payable | | 143,121 | 77,638 |
| Intercompany current liabilities | 6 | 399,519 | 39,347 |
| Other current liabilities | | 45,101 | 15,933 |
| Total current liabilities | | 3,799,090 | 3,443,067 |
| Total liabilities | | 8,167,845 | 6,906,597 |
| Total Equity and Liabilities | | 13,665,468 | 10,224,676 |

Frøya, 31 March 2022

Leif Inge Nordhammer
*Chair of the Board*

Margrethe Hauge
*Vice-Chair of the Board*

Linda L. Aase
*Board member*

Magnus Dybvad
*Board member*

Tone Ingebrigtsen
*Employees representative*

Simon Andre Søbstad
*Employees representative*

Gustav Witzøe
*CEO*

## Statement of Changes in Equity

NOK 1,000

| NOK 1,000 | Share capital | Treasury shares | Share premium | Other paid-in equity | Retained Earnings | Total equity |
|---|---|---|---|---|---|---|
| Equity 31.12.2020 | 28,325 | -58 | 415,285 | 239,392 | 2,635,135 | 3,318,079 |
| | | | | | | |
| Profit for the year | 0 | 0 | 0 | 0 | 1,792,497 | 1,792,497 |
| Dividend | 0 | 0 | 0 | 0 | -2,353,953 | -2,353,953 |
| Contribution of equity | 1,125 | 0 | 2,707,875 | 0 | 0 | 2,709,000 |
| Transaction costs related to capital contribution, net of tax | 0 | 0 | -21,192 | 0 | 0 | -21,192 |
| Share-based payment, release | 0 | 32 | 0 | -32 | 0 | 0 |
| Share-based payment, expensed | 0 | 0 | 0 | 52,987 | 0 | 52,987 |
| Share-based payment, tax effect | 0 | 0 | 0 | 205 | 0 | 205 |
| | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity 31.12.2021 | 29,450 | -26 | 3,101,968 | 292,552 | 2,073,679 | 5,497,624 |

A share-based remuneration scheme has been established for senior executives and other key personnel. See Note 3 for further details.

See Note 13 for information regarding private placement and dividend in the year.

## Statement of Cash Flows

NOK 1,000

| NOK 1,000 | Note | 2021 | 2020 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit before tax | | 2,297,328 | 2,159,959 |
| Tax paid in the period | 14 | 0 | -558,790 |
| Income from investments in group companies | 6 | -2,361,115 | -2,182,644 |
| Net other financial items and interests | | -8,990 | -11,799 |
| Depreciation and amortisation | 8 | 2,904 | 3,150 |
| Share-based payment, expensed | 3 | 8,136 | 6,276 |
| Change in trade receivables | | -19,344 | 66,291 |
| Change in trade payables | | 22,778 | 10,565 |
| Change in other accruals | | 67,800 | -67,856 |
| **Net cash flow from operating activities** | | **9,496** | **-574,847** |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant & equipment | 7, 8 | -4,080 | -2,795 |
| Purchase of intangible assets | | -7,160 | 0 |
| Net payments/ proceeds, loans to/ from group companies | 6 | -1,670,372 | -2,568,429 |
| Receipts of group contributions and dividends from subsidiaries | 6 | 2,171,322 | 2,558,161 |
| Increase of share capital in group companies | 9 | -824,216 | 0 |
| Increase of share capital in associates | 10 | -305,500 | 0 |
| Payments for other investments in subsidiaries and associates | | 0 | -15,759 |
| Receipts on loans to third parties | | 0 | 8,416 |
| Other financial income related to investment activities | | 87,627 | 68,860 |
| **Net cash flow from investing activities** | | **-552,379** | **48,454** |
| **Net cash flow from financing activities** | | | |
| Repayments on long-term debt | | -2,557,647 | -117,647 |
| Net proceeds from long-term borrowings | | 3,453,743 | 1,300,000 |
| Change in overdraft facility | | -689,894 | 874,836 |
| Contributions of equity net of transaction cost | 8 | 2,681,831 | 0 |
| Dividend paid | | -2,261,359 | -1,469,874 |
| Net interest paid | | -84,591 | -59,079 |
| **Net cash flow from financing activities** | | **542,083** | **528,235** |
| | | | |
| Net change in cash and cash equivalents | | -800 | 1,842 |
| Cash and cash equivalents 01.01 | | 11,614 | 9,772 |
| **Cash and cash equivalents 31.12** | **10** | **10,814** | **11,614** |
| | | | |
| Unused drawing rights | 15 | 4,443,760 | 1,113,866 |

# Notes to the Financial Statements for 2021, SalMar ASA

# NOTE 1 General Information and Accounting Policies

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and Generally Accepted Accounting Principles in Norway (NGAAP). The accounting policies described below are applied only to the parent company SalMar ASA. The financial statement for SalMar Group have been prepared in accordance to International Financial Reporting Standards (IFRS).

## Use of estimates

Preparation of the financial statements in accordance with NGAAP requires management to make estimates and assumptions which affect the value of assets and liabilities recognised in the Balance Sheet as well as income and expenses in the Statement of profit and loss for the financial year. Estimates and their underlying assumptions are based on past experience and other factors deemed relevant and probable at the time they are made. Estimates are reviewed continuously and final values and results may differ from these estimates. Changes in accounting estimates are accounted for in the period in which the changes occur.

## Classification and valuation of balance sheet items

Assets intended for long-term ownership or use are classified as non-current assets. Assets related to the normal operating cycle are classified as current assets. Receivables are classified as current assets if they are expected to be repaid within 12 months of the transaction date. Similar criteria are applied to liabilities.

Current assets are valued at the lower of cost and fair value. Current liabilities are recognised in the balance sheet at nominal value. Non-current assets are valued at historical cost. Property, plant and equipment whose value will deteriorate is depreciated on a straight-line basis over the asset's estimated useful life. Non-current assets are written down to fair value where this is required by accounting rules.

## Revenues

Services are recognised in revenue as they are delivered.

## Receivables

Trade and other receivables are recognised at their nominal value, less a provision for expected bad debts. Provisions for bad debts are made on the basis of an individual assessment of the receivable concerned.

## Property, plant and equipment

Property plant & equipment are capitalised at historic cost and depreciated over the asset's expected economic life. Direct maintenance costs are recognised in operating expenses as they arise, while upgrades or improvements are added to the asset's cost price and depreciated in line with the asset concerned. If the recoverable value of an operating asset is lower than its book value, it is written down to the recoverable amount. The recoverable amount is the higher of net sales value and value in use. Value in use is the present value of the future cash flows the asset will generate.

## Subsidiaries and associated company

Subsidiaries and associates are measured at cost in the statutory accounts. The investment is evaluated at acquisition cost less any impairment. An impairment loss is recognised if the impairment is not considered to be temporary and is required pursuant to generally accepted accounting principles. Impairments are reversed when the basis for the impairment no longer applies.

Dividends and Group contributions are recognised in the same year as they are proposed in the subsidiary's financial statements. If dividends/ Group contributions materially exceed retained earnings after acquisition, the excess amount is regarded as a reimbursement of invested capital and is deducted from the recorded cost in the balance sheet. Dividends and group contributions received are recognised as other financial income.

## Pensions

The company's pension schemes are according to the requirements of the Mandatory Occupational Pensions Act. The company operates a defined contribution pensions scheme for its employees. The company pays contributions to a privately held insurance plan and has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Social security costs are charged based on the contribution paid.

## Share-based payment - Restricted Share Unit Plan (RSU)

The company has a share-based incentive scheme, under which the company receives services from employees in return for Restricted Share Units (RSUs). The fair value of the services received by the company from the employees in return for the RSU granted is recognised as an expense, with a corresponding increase in paid-in equity. The total amount expensed over the vesting period is determined on the basis of fair value on the date the RSUs are granted and the number of RSUs that are expected to vest.

Fair value includes the effect of any vesting conditions, but does not take account of any vesting conditions which are not market conditions. However, vesting conditions which are not market conditions affect the number of RSUs expected to accrue.

The total cost is recognised over the vesting period. On the reporting date, the company revises its estimate of the number of RSUs that are expected to vest. The effect of the change from the original estimate is recognised by means of a corresponding adjustment in equity. The value of the RSUs relating to employees in subsidiaries is recognised as an investment in subsidiaries.

### Tax

Income tax expense in the financial statements includes tax payable and the change in deferred tax for the period. Tax relating to equity transactions is recognised directly in equity. Deferred tax/tax assets are calculated at 22 per cent on all temporary differences between the book value and tax value of assets and liabilities, and loss carried forward at the end of the reporting period. Taxable and deductible temporary differences that reverse or may reverse in the same period are offset. Deferred tax assets are recognised when it is probable that the company will have adequate profit for tax purposes in subsequent periods to utilise the tax asset.

### Statement of Cash Flows

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term highly liquid investments which entail no appreciable exchange rate risk, and which mature within three months of the purchase date.

## NOTE 2 Operating Revenue

The parent company SalMar ASA is a holding company, which primarily provides administrative services to group companies. SalMar ASA's sales revenues therefore derive from only one business area. Revenue from intra-group services and other revenues are specified below.

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Revenues - intercompany services | 83,771 | 86,533 |
| Other revenues | 551 | 695 |
| Total | 84,321 | 87,228 |

## NOTE 3 Salary and Personnel Expenses

| Salary and personnel expenses (NOK 1,000): | 2021 | 2020 |
|---|---|---|
| Salaries and other short-term employee benefits | 45,507 | 42,910 |
| Social security expenses | 6,749 | 5,324 |
| Pension expenses | 1,647 | 1,457 |
| Share-based payment | 8,136 | 6,276 |
| Other benefits | 3,843 | 1,213 |
| Total | 65,882 | 57,180 |
| | | |
| Average number of full-time equivalents employed during the financial year | 39 | 34 |

*Benefits paid to senior executives and the board of directors*
See Note 2.3 to the consolidated financial statements for details of the remuneration paid to senior executives and the board of directors.

*Share-based payment - Restricted Share Unit Plan (RSU)*
The share-based payment scheme (RSU) comprises annual allocations by the Board of Directors to the senior executives and other key personnel. The award for 2021 was made on 21 December 2021. In connection with this, 20 employees were granted 20,138 RSUs with respect to company shares. In the corresponding award in 2020, 13 employees was granted a total of 19,030 RSUs. The RSUs accrue over a period of three years, with 1/3 vesting annually. The fair value of the cost to SalMar ASA is calculated on the date the award is made and recognised over the vesting period. The cost in 2021 was NOK 8.1 million (2020: NOK 6.3 million). A provision for social security tax has been made with respect to this cost.

See Note 2.4 to the consolidated financial statements for further details of SalMar's share-based incentive scheme.

*Pension plans*
SalMar ASA has a defined contribution plan in accordance with the legal requirements in Norway.

Premiums paid with respect to the defined-contribution scheme are expensed as incurred. In 2021, NOK 1.6 million in pension contributions were recognised in expenses. The scheme includes 39 people.

## NOTE 4 Auditors Fees

| Breakdown of auditor's fee: (NOK 1,000): | 2021 | 2020 |
|---|---|---|
| Audit services | 495 | 727 |
| Other certification services | 385 | 0 |
| Tax advisory services | 490 | 456 |
| Other non-audit fees | 130 | 194 |
| Total | 1,500 | 1,377 |

**The fees are ex. VAT*

## NOTE 5 Financial Items

| Financial income and expenses (NOK 1,000) | 2021 | 2020 |
|---|---|---|
| Group contributions | 2,361,115 | 21,322 |
| Dividends from group companies | 0 | 2,161,322 |
| Income from investments in group companies | 2,361,115 | 2,182,644 |
| | | |
| Interest income group companies | 88,923 | 86,420 |
| Other interest income | 10,109 | 2,589 |
| Total interest income | 99,031 | 89,008 |
| | | |
| Interest expense group companies | -1,305 | -17,560 |
| Other interest expense | -112,727 | -59,990 |
| Total interest expense | -114,032 | -77,550 |
| | | |
| Change in fair value - other financial instruments | 24,887 | 0 |
| Other financial items | -896 | 340 |
| Total other financial items | 23,991 | 340 |
| | | |
| Net financial items | 2,370,106 | 2,194,443 |

## NOTE 6 Intercompany Transactions

| Group internal receivables and liabilities (NOK 1,000) | 2021 | 2020 |
|---|---|---|
| Intercompany non-current receivables | 7,018,201 | 3,209,088 |
| | | |
| Trade receivables | 207,844 | 117,972 |
| Group financing receivables | 0 | 1,796,352 |
| Group contributions | 2,361,115 | 21,322 |
| Dividends from group companies | 0 | 2,150,000 |
| Intercompany current receivables | 2,568,959 | 4,085,647 |
| | | |
| Trade payables | 57,130 | 39,347 |
| Group financing payables | 342,389 | 0 |
| Intercompany current liabilities | 399,519 | 39,347 |

| Group internal revenue and cost (NOK 1,000) | 2021 | 2020 |
|---|---|---|
| Revenue - intercompany services | 83,771 | 86,533 |
| | | |
| Group contributions | 2,361,115 | 21,322 |
| Dividends from group companies | 0 | 2,161,322 |
| Income from investments in group companies | 2,361,115 | 2,182,644 |
| | | |
| Interest income group companies | 88,923 | 86,420 |
| Interest expense group companies | -1,305 | -17,560 |
| Net interest income group companies | 87,618 | 68,860 |

## NOTE 7 Intangible Assets

| 2021 - NOK 1,000 | Other intangible assets | Total |
|---|---|---|
| Acquisition cost at 1 January 2021 | 0 | 0 |
| Additions | 7,160 | 7,160 |
| Disposals | 0 | 0 |
| Acquisition cost at 31 December 2021 | 7,160 | 7,160 |
| | | |
| Accumulated depreciation & write-downs at 1 January 2021 | 0 | 0 |
| Depreciation in the year | 0 | 0 |
| Accumulated depreciation & write-downs at 31 December 2021 | 0 | 0 |
| | | |
| Carrying amount at 31 December 2021 | 7,160 | 7,160 |
| | | |
| Economic lifetime | 3-5 years | |
| Depreciation method | Linear | |

Capitalised other intangible assets are implementation cost related to cloud based ERP arrangements. The implementation is not finalized and no amortisation is recognised in 2021.

## NOTE 8 Property, Plant and Equipment

| 2021 - NOK 1,000 | Land and buildings | Equipment and fixtures | Total |
|---|---|---|---|
| Acquisition cost at 1 January 2021 | 2,885 | 34,508 | 37,393 |
| Additions | 673 | 3,406 | 4,080 |
| Disposals | 0 | 0 | 0 |
| Acquisition cost at 31 December 2021 | 3,558 | 37,914 | 41,472 |
| | | | |
| Accumulated depreciation & write-downs at 1 January 2021 | 171 | 28,852 | 29,023 |
| Depreciation in the year | 0 | 2,904 | 2,904 |
| Accumulated depreciation & write-downs at 31 December 2021 | 171 | 31,756 | 31,927 |
| | | | |
| **Carrying amount at 31 December 2021** | **3,387** | **6,159** | **9,545** |
| | | | |
| Economic lifetime | zero.depr. / 3 years | 5-10 years | |
| Depreciation method | Linear | Linear | |
| Annual lease of uncapitalised operating assets | 3,305 | 0 | 3,305 |

| 2020 - NOK 1,000 | Land and buildings | Equipment and fixtures | Total |
|---|---|---|---|
| Acquisition cost at 1 January 2020 | 2,823 | 31,775 | 35 |
| Additions | 61 | 2,733 | 3 |
| Disposals | 0 | 0 | 0 |
| Acquisition cost at 31 December 2020 | 2,885 | 34,508 | 37,393 |
| | | | |
| Accumulated depreciation & write-downs at 1 January 2020 | 171 | 25,702 | 25,873 |
| Depreciation in the year | 0 | 3,150 | 3,150 |
| Accumulated depreciation & write-downs at 31 December 2020 | 171 | 28,852 | 29,023 |
| | | | |
| **Carrying amount at 31 December 2020** | **2,713** | **5,657** | **8,370** |
| | | | |
| Economic lifetime | zero.depr. / 3 years | 5-10 years | |
| Depreciation method | Linear | Linear | |
| Annual lease of uncapitalised operating assets | 3,423 | 0 | 3,423 |

## NOTE 9 Subsidiaries

| Company (NOK 1,000) | Registered office | % of ownership interest | Carrying amount 2021 | % of ownership interest | Carrying amount 2020 |
|---|---|---|---|---|---|
| SalMar Settefisk AS | Kverva | 100.0% | 223,256 | 100.0% | 224,680 |
| SalMar Farming AS | Kverva | 100.0% | 483,020 | 100.0% | 488,672 |
| SalMar AS | Kverva | 100.0% | 1,197,833 | 100.0% | 1,201,822 |
| SalMar Tunet AS | Kverva | 100.0% | 7,400 | 100.0% | 7,400 |
| Hitramat Farming AS | Hitra | 51.0% | 28,785 | 51.0% | 28,785 |
| SalMar Aker Ocean AS | Kverva | 85.0% | 898,023 | 100.0% | 12,044 |
| Ocean Farming AS | Kverva | 0.0% | 0 | 100.0% | 73,031 |
| Mariculture AS | Stavanger | 0.0% | 0 | 51.0% | 2,969 |
| Icelandic Salmon AS | Kverva | 51.0% | 660,049 | 51.0% | 660,381 |
| **Total** | | | **3,498,366** | **0** | **2,699,784** |

Investments in subsidiaries are recognised according to the cost method and yearly tested for impairment. The ownership share listed above are equal to the voting rights for each company.

As a part of an internal reorganization, SalMar ASA completed a capital contribution in SalMar Aker Ocean in 2021. The capital contribution was partly made by cash, and partly with SalMars shares in Ocean Farming AS and Mariculture AS. The internal reorganization was made to prepare the strategic partnership between Aker and SalMar, establishing SalMar Aker Ocean. A share issue was carried out in SalMar Aker Ocean as a part of the transaction, where Aker contributed a net capital increase of NOK 639.1 million. The transaction led to a reduction in SalMar's holding of shares in the company from 100.0% to 85.0% in 2021.

## NOTE 10 Associates

Investments in associates are recognised in accordance with the cost method.

| Company (NOK 1,000): | Registered office | % of ownership interest | Carrying amount 2021 | Carrying amount 2020 |
|---|---|---|---|---|
| Norskott Havbruk AS | Bergen | 50% | 468,287 | 162,787 |
| **Total** | | | **468,287** | **162,787** |

In 2021 there has been a capital contribution in Norskott Havbruk AS with a total amount of NOK 611.0 million, SalMars contribution was NOK 305.5 million. For further description of the transaction, see Note 3.5 in the group financial statement.

| Company (NOK 1,000): | Recognised dividend | Equity in latest annual financial statements | Year's net profit in latest annual financial statements |
|---|---|---|---|
| Norskott Havbruk AS | 0 | 2,114,946 | 163,380 |

## NOTE 11 Cash and Cash Equivalents

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Cash at bank | 377 | 1,343 |
| Restricted cash - withholding tax | 9,222 | 9,056 |
| Other restricted cash | 1,215 | 1,215 |
| **Cash and cash equivalents** | **10,814** | **11,614** |

## NOTE 12 Other Non-Current Receivables

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Other non-current receivables | 31,842 | 30,168 |

In connection with the sale of a tranche of shares in Icelandic Salmon AS to Gyda EHF in 2019, a seller's credit was granted to the purchaser with the total amount of NOK 35.7 million. As at 31 December 2021, a total of NOK 31.8 million remained outstanding. For further information, see Note 3.7 in the group financial statement.

## NOTE 13 Share Capital and Shareholders Information

### Share capital and number of shares 31.12.2021

| | Total number of shares | Nominal value | Total share capital |
|---|---|---|---|
| Ordinary shares | 117,799,999 | 0.25 | 29,450 |

As of 31 December 2021, SalMar ASA has 117,799,999 shares with a nominal value of NOK 0.25 per share. All shares issued by the Company are fully paid. There is one class of shares and all shares have the same rights.

See Note 4.2 to the consolidated financial statements for a list of the company's largest shareholders and the shareholdings of senior executives.

*Private placement*

On June 8, 2021, SalMar ASA' share capital was increased by 4,500,000 shares (nominal value of NOK 0.25 per share), from 113,299,999 shares to 117,799,999 shares. The share capital was thus increased by NOK 1,125 million, from NOK 28,325 million to NOK 29,450. The total amount of the capital contribution was NOK 2,709.0 million.

*Dividend*

Provision has been made for a dividend payment of NOK 20.00 per share, totalling NOK 2,354.0 million, as at 31 December 2021. No provision is made with respect to treasury shares.

## NOTE 14 Tax

NOK 1,000

| Specification of this years tax expense | 2021 | 2020 |
|---|---|---|
| Tax payable | 493,505 | 0 |
| Change in deferred tax | 11,325 | -57 |
| Adjustment of earlier year's taxes | 0 | 0 |
| **Total income tax expense in the statement of profit and loss** | **504,830** | **-57** |

| Basis for tax payable | 2021 | 2020 |
|---|---|---|
| Profit before tax | 2,297,328 | 2,159,959 |
| Dividends recognised in profit and loss | 0 | -2,161,322 |
| Other permanent differences | -2,647 | 1,102 |
| Other permanent differences with tax effect against equity | -27,169 | 0 |
| Change in temporary differences | -24,306 | 260 |
| **Taxable profit** | **2,243,206** | **0** |

| Tax payable in the Balance sheet | 2021 | 2020 |
|---|---|---|
| Tax payable on this year's profit | 493,505 | 0 |
| **Tax payable** | **493,505** | **0** |

| Specification of temporary differences | 2021 | 2020 |
|---|---|---|
| Non-current assets | -1,415 | -1,614 |
| Current assets | -6,333 | 0 |
| Other differences | 24,887 | -4,621 |
| **Total basis for deferred tax** | **17,139** | **-6,235** |
| | | |
| **Deferred tax liabilities (+) / tax assets (-)** | **3,771** | **-1,372** |
| Deferred tax recognised directly in equity | 6,182 | -260 |

| Reconciliation between nominal and effective tax rates | 2021 | 2020 |
|---|---|---|
| **Profit before tax** | **2,297,328** | **2,159,959** |
| Tax calculated with nominal tax rate | 505,412 | 475,191 |
| Dividends | 0 | -475,491 |
| Other permanent differences | -582 | 243 |
| **Total income tax expense in the statement of profit and loss** | **504,830** | **-57** |
| Effective tax rate | 22.0% | 0.0% |

# NOTE 15 Non-Current Interest Bearing Debt

## Non-current interest bearing debt

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Green bond | 3,500,000 | 0 |
| Non-current loan | 705,882 | 823,529 |
| Non-current revolver credit facility | 200,000 | 1,500,000 |
| Non-current revolver capex facility | 0 | 1,140,000 |
| Amortized cost | -40,898 | 0 |
| Total non-current interest bearing debt | 4,364,984 | 3,463,529 |

## Maturity profile - non-current interest bearing debt

| NOK 1,000 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | Total |
|---|---|---|---|---|---|---|---|
| Green bond | 0 | 0 | 0 | 0 | 0 | 3,500,000 | 3,500,000 |
| Non-current loan | 117,647 | 117,647 | 470,588 | 0 | 0 | 0 | 705,882 |
| Non-current revolver credit facility | 0 | 0 | 0 | 0 | 200,000 | 0 | 200,000 |
| Amortized cost | -8,046 | -8,046 | -8,046 | -8,046 | -8,046 | -670 | -40,898 |
| Total | 109,602 | 109,602 | 462,543 | -8,046 | 191,954 | 3,499,330 | 4,364,984 |

With effect from 24 February 2021, SalMar ASA has entered into a new sustainability linked credit facility in the amount of NOK 4,000 million, and, at the same time, increased its overdraft cap from NOK 500 million to NOK 1,000 million. The new sustainability linked credit facility is a five-year agreement, with four sustainability KPIs included in the assessment of margin.

With effect from 22 April 2021, SalMar ASA has issued an unsecured green bond totalling NOK 3,500 million. No installments on the loan are payable during the period of the agreement, which matures on 22 January 2027. The bond carries an interest rate at 3-months NIBOR + 1.35% per annum, due quarterly. The loan is capitalised at amortised cost using the effective interest rate method. The loan's net book value as at 31 December 2021 is NOK 3,459 million. The bond loan is listed on the Oslo Stock Exchange under the ticker SALM01 ESG.

At the same time as the bond loan was entered into, a currency swap was agreed for EUR 98.3 million at a fixed rate of interest. The currency swap has the same term as the bond loan. The purpose of the currency swap is to reduce the group's foreign exchange risk relating to net investments in international operations denominated in EUR. In addition, the currency swap provides a fixed rate of interest on that portion corresponding to NOK 1,000 million. The market value of the swap contract is recognised at fair value in the balance sheet. Changes in value are recognised in profit and loss as a financial item. As at 31 December 2021, the currency swap had a market value of NOK 24.9 million.

### Financial covenants

The most important financial covenants for the long-term financing of SalMar ASA are, respectively, a solvency requirement, which stipulates that the Group's recognised equity ratio shall exceed 35%, and a profitability requirements which stipulates that the interest coverage rate (EBITDA/net financial expenses) shall not exceed 4.0.

The green bond has a financial covenant requiring an equity ratio of 30% in the agreement period.

See Note 17 for further details of the company's financing.

## NOTE 16 Security Pledges and Contingent Liabilities

### Carrying amount of interest bearing debt secured by mortgages and pledges

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Non-current interest bearing debt | 905,882 | 3,463,529 |
| Current interest bearing debt | 356,240 | 1,046,134 |
| Total | 1,262,122 | 4,509,664 |

### Carrying amount of assets pledged as security for recognised debt

| NOK 1,000 | 2021 | 2020 |
|---|---|---|
| Property, plant and equipment | 9,545 | 8,370 |
| Investments in subsidiaries | 3,498,366 | 2,699,784 |
| Trade receivables | 1,523 | 1,565 |
| Current and non-current receivables | 9,619,002 | 7,324,903 |
| Total | 13,128,437 | 10,034,622 |

Through the group cash pooling arrangement, SalMar ASA has joint liabilities limited to NOK 1,000 million.

SalMar ASA has issued a guarantee in the amount of NOK 95 million with respect to a long-term loan to SalMar AS. The loan has been granted by Innovasjon Norge.

SalMar ASA has issued a guarantee to NTE in the amount of NOK 5 million on behalf of SalMar Settefisk AS. The guarantee was issued on 1 January 2004, and is reduced stepwise by NOK 250,000 per year. As of 31 December 2021, the outstanding amount guaranteed totalled NOK 500,000.

SalMar ASA has issued a guarantee to Frøya Industrieiendom AS with respect to any and all amounts which SalMar AS has an obligation to pay Frøya Industrieiendom AS under the terms of a lease, with supplementary agreement, between SalMar AS and Frøya Industrieiendom AS. The guarantee is valid during the leasing period, as specified in the lease, plus three months.

SalMar ASA has issued a guarantee to HENT AS in the amount of NOK 544.1 million. The guarantee has been issued as security for SalMar AS's liabilities to the creditor in respect to an engineering, procurement and construction contract for a new harvesting and processing plant - InnovaNor.

SalMar ASA has issued a guarantee to Bjørn Bygg AS in the amount of NOK 96.1 million. The guarantee has been issued as security for SalMar Settefisk AS's liabilities to the creditor in respect of a contract to project design and construct new smolt facilities on Senja.

## NOTE 17 Financial Risk

See Note 4.1 to the consolidated financial statements for further details concerning the management of the company and the Group's financial market risk.

## NOTE 18 Covid-19

The many public health measures implemented worldwide during the pandemic has increased market uncertainty. Throughout the Covid-19 period, SalMar has nevertheless demonstrated that it is well equipped to handle challenging situations. Covid-19 had no material impact on the company's financial results in the period or the book value of assets as of 31 December 2021. See the Group's annual report for further details.

## NOTE 19 Events Occuring After the Reporting Period

### Interest swap contracts

With effect from 4 February 2022, SalMar ASA entered into interest swap contracts with a fixed rate totalling NOK 2,250 million. 750 million has a duration of 7 years starting 22 April 2022, 750 million has a duration of 7 years starting 22 January 2025, and 750 million has a duration of 10 years starting 22 January 2024. The interest swap contracts are established to reduce the interest rate risk related to long-term loan.

### Impact from war in Ukraine

The war in Ukraine will not have material direct impact on the company's financial results or the book value of assets as of 31 December 2021. For further information, see Note 4.10 in the Group Financial Statement.

### SalMar ASA launched a voluntary offer for all outstanding shares in NTS ASA (NTS):

In February 2022, SalMar announced that it would launch a voluntary offer to acquire all outstanding shares in NTS at NOK 120 per share, valuing the equity capital of the NTS at approximately NOK 15.1 billion. Shareholders representing a total of 50.1 percent of the outstanding shares in NTS had then pre-accepted the offer. For further information, see Note 4.10 in the Group Financial Statement.

# *Statement by the Board of Directors and CEO*

We confirm, to the best of our knowledge, that:

The Group financial statements for the period from 1 January to 31 December 2021 have been prepared in accordance with IFRS, as adopted by the EU.

The financial statements of SalMar ASA for the period from 1 January to 31 December 2021 have been prepared in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

The financial statements give a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations.

The Report of Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company, together with a description of the key risks and uncertainty factors that the Group and the Company is facing.

Frøya, 31 March 2022

Leif Inge Nordhammer
*Chair of the Board*

Margrethe Hauge
*Vice-Chair of the Board*

Linda L. Aase
*Board member*

Magnus Dybvad
Board member

Linda L. Aase
*Board member*

Simon Andre Søbstad
*Employees representative*

Gustav Witzøe
*CEO*

# *Independent Auditor's Report*

To the Annual Shareholders' Meeting of SalMar ASA

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of SalMar ASA (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021 and the statement of profit and loss, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the balance sheet as at 31 December 2021, statement of profit and loss, statement of other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 9 years from the election by the general meeting of the shareholders on 5 June 2013 for the accounting year 2013.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

### Fair value of biological assets

*Basis for the key audit matter*

The Group measures biological assets at fair value less costs to sell in accordance with IAS 41 and IFRS 13. At 31 December 2021 the biological assets amounted to NOK 7,280.9 million. The difference between the fair value of the biological assets and the related cost is recognized as a fair value adjustment. In 2021, the recognized fair value adjustment amounted to NOK 835.2 million. The fair value adjustment included in the carrying amount was NOK 2,645.6 million. For fish in sea the fair value less costs to sell was calculated using a model based on a net present value methodology. This is calculated based on assumptions of biomass volumes, quality, market prices at the harvest dates, remaining expenses to produce, harvest and sell the biomass and time in sea until harvest mature. The market prices are based on observable forward prices for the period when harvesting is expected. The fair value of biological assets was a key audit matter due to the significant amount, the level of judgements involved in the valuation and the assumptions used in the calculation.

*Our audit response*

We evaluated the valuation and the model against the requirements in IAS 41, IFRS 13 and industry practice. We observed the routines and tested controls related to the calculation of the fair value adjustment of the biomass. We compared the prices applied against observable market prices at the expected harvesting dates. In addition, we evaluated the estimated remaining expenses to produce the harvest mature fish, including assumptions on size distribution of the biomass, time in sea until harvest mature, mortality and quality of the live fish in sea. Furthermore, we evaluated the historical accuracy in prior periods' estimates and the sensitivity analysis of changes in expected prices, biomass and discount rate. We recalculated the model used to calculate fair value for the relevant weight classes. We refer to note 1.7, note 2.8 and note 3.6 to the consolidated financial statements.

### Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the chief executive officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report, the statement on corporate governance and the statement on sustainability and corporate responsibility contain the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirement

### Report on compliance with regulation on European Single Electronic Format (ESEF)

*Opinion*

As part of our audit of the financial statements of SalMar ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name salmarasa-2021-12-31-en.zip, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

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

*Management's responsibilities*

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

*Auditor's responsibilities*

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EY
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Trondheim, 31 March 2022
Ernst & Young AS

Christian Ronæss
State Authorised Public Accountant

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# GRI Index and Third-Party Verification

Each year, SalMar reports on its activities in the field of corporate social responsibility and sustainability on the basis of the guidelines issued by the international organisation, the Global Reporting Initiative (GRI). Reporting takes place via this report, SalMar's annual report and other information published on our website.

The sustainability reporting for 2021 includes data for a number of disclosures drawn from GRI's guidelines. An overview of which indicators the report covers is presented in the table below. In 2021 SalMar is reporting according to the consolidated set of GRI sustainability reporting standards from 2020.

EY has carried out a limited third-party verification of the 2021 report. The KPIs in the report that have been verified, along with accompanying comments, are presented below.

## GRI Index

General Disclosures (GRI 102)

| Organizational profile | | |
|---|---|---|
| 102-1 | Name of the organization | Salmar ASA |
| 102-2 | Activities, brands, products and services | Farming of Atlantic salmon, conventional and organic, as well as rainbow trout. |
| 102-3 | Location of headquarters | Industriveien 51, 7266 Kverva, Norway |
| 102-4 | Locations of operations | Eight countries, the most important of which for sustainability reporting purposes are Norway and Iceland |
| 102-5 | Ownership and legal form | Salmar ASA is a public limited company that is listed on the Oslo Stock Exchange. |
| 102-6 | Markets served | Page 70-84 |
| 102-7 | Scale of the organization | Page 70-84 |
| 102-8 | Information on employees and other workers | Page 50 |
| 102-9 | Supply chain | Page 70-84 and 13 |
| 102-10 | Significant changes to the organization and its supply chain | See note 4.5 and 4.6 to the group financial statements |
| 102-11 | Precautionary principle or approach | Page 21 |
| 102-12 | External initiatives | Page 34 and 53–54 |
| 102-13 | Membership of associations | Norwegian Seafood Federation, Confederation of Norwegian Enterprise (NHO), OrAqua - Organic Aquaculture, Federation of European Aquaculture Producers (FEAP) |

| Strategy | | |
|---|---|---|
| 102-14 | Statement from senior decision-maker | Page 6–8 and 70–84 |
| 102-15 | Key impacts, risks and opportunities | Page 70–84 |

| Ethics and integrity | | |
|---|---|---|
| 102-16 | Values, principles, standards and norms of behaviour | Page 17 and www.salmar.no |
| 102-17 | Mechanisms for advice and concerns about ethics | Page 51 |

| Governance | | |
|---|---|---|
| 102-18 | Governance structure | Page 21 |
| 102-19 | Delegating authority | Page 21 |
| 102-20 | Executive-level responsibility for economic, environmental and social topics | Page 21 |
| 102-21 | Consulting stakeholders on economic, environmental and social topics | Page 22–23 |
| 102-22 | Composition of the highest governance body and its committees | Page 55–67 |
| 102-23 | Chair of the highest governance body | Page 55–67 |
| 102-24 | Nominating and selecting the highest governance body | Page 55–67 |
| 102-25 | Conflicts of interest | Page 55–67 |
| 102-26 | Role of highest governance body in setting purpose, values and strategy | Page 55–67 |

| | | |
|---|---|---|
| 102-27 | Collective knowledge of highest governance body | Page 55-67 |
| 102-28 | Evaluating the highest governance body's performance | Page 55-67 |
| 102-29 | Identifying and managing economic, environmental and social impacts | Page 20 and 55-67 |
| 102-30 | Effectiveness of risk management processes | Page 55-67 |
| 102-31 | Review of economic, environmental and social topics | Page 55-67 |
| 102-32 | Highest governance body's role in sustainability reporting | Page 20, 55-67 and 70-84 |
| 102-33 | Communicating critical concerns | Page 55-67 |
| 102-34 | Nature and total number of critical concerns | Page 51 and 55-67 |
| 102-35 | Renumeration policies | Page 51 and see notice to AGM 2021 where the guidelines where approved |
| 102-36 | Process for determining remuneration | See notice to AGM 2021 where the guidelines where approved |
| 102-37 | Stakeholders involvement in remuneration | See notice to AGM 2021 where the guidelines where approved |

### Stakeholder engagement

| | | |
|---|---|---|
| 102-40 | List of stakeholder groups | Page 22 |
| 102-41 | Collective bargaining agreements | 86.1% of the workforce |
| 102-42 | Identifying and selecting stakeholders | Page 22 |
| 102-43 | Approach to stakeholder engagement | Page 22 |
| 102-44 | Key topics and concerns raised | Page 22-23 |

### Reporting practice

| | | |
|---|---|---|
| 102-45 | Entities included in the consolidated financial statements | Page 70-84 and note 4.4 |
| 102-46 | Defining report content and topic boundaries | Page 20–23 |
| 102-47 | List of material topics | Page 23 |
| 102-48 | Restatement of information | N/A |
| 102-49 | Changes in reporting | No material changes |
| 102-50 | Reporting period | 2021 |
| 102-51 | Date of most recent report | 22 April 2022 |
| 102-52 | Reporting cycle | Annual |
| 102-53 | Contact point for questions regarding the report | Head of IR Håkon and Head of sustainability Mats Wærøe Langseth |
| 102-54 | Claims of reporting in accordance with the GRI standards | Page 180 |
| 102-55 | GRI content index | Page 180–182 |
| 102-56 | External assurance | Page 183–185 |

### Management approach (GRI 103)

| | | |
|---|---|---|
| 103-1 | Explanation of the material topics and its boundary | Page 20–23 |
| 103-2 | The management approach and its components | Page 20–23 |
| 103-3 | Evaluation of the management approach | Page 20–23 and 55-67 |

### Economic topics (GRI 200)

| | | |
|---|---|---|
| 201-1 | Direct economic value generated and distributed | Page 70–84 |
| 201-3 | Defined benefit plan obligations and other retirement plans | See note 2.5 |
| 205-2 | Communication and training about anti-corruption policies and procedures | Page 55–67 |
| 205-3 | Confirmed incidents of corruption and actions taken | Page 54 |
| 206-1 | Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices | Page 54 |

### Environmental topics (GRI 300)

| | | |
|---|---|---|
| 301 | Materials used by weight or volume | Page 30 |
| 302-1 | Energy consumption within the organization | Page 38–43 |
| 302-3 | Energy intensity | Page 38–43 |
| 302-4 | Reduction of energy consumption | Page 38–43 |
| 303-1 | Interactions with water as a shared resource | Page 45 |
| 303-3 | Water withdrawal | Page 45 |

| | | |
|---|---|---|
| 305-1 | Direct (Scope 1) GHG emissions | Page 38–43 |
| 305-2 | Energy indirect (Scope 2) GHG emissions | Page 38–43 |
| 305-3 | Other indirect (Scope 3) GHG emissions | Page 38–43 |
| 305-4 | GHG emission intensity | Page 38–43 |
| 305-5 | Reduction of GHG emissions | Page 38–43 |
| 306-1 | Waste generation and significant waste-related impacts | Page 29 and 46 |
| 306-2 | Management of significant waste-related impacts | Page 29 and 46 |
| 307-1 | Non-compliance with environmental laws and regulations | Page 54 |

| Social topics (GRI 400) | | |
|---|---|---|
| 403-1 | Occupational health and safety management system | Page 49–54 |
| 403-2 | Hazard identification, risk assessment, and incident investigation | Page 49–54 |
| 403-3 | Occupational health services | Page 49–54 |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | Page 49–54 |
| 403-5 | Worker training on occupational health and safety | Page 49–54 |
| 403-6 | Promotion of worker health | Page 49–54 |
| 403-8 | Workers covered by an occupational health and safety management system | Page 49–54 |
| 403-9 | Work-related injuries | Page 49–54 |
| 403-10 | Work-related ill health | Page 49–54 |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | Page 49–54 |
| 405-1 | Diversity of governance bodies and employees | 49–54 and 55–64 |
| 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | Page 33–36 |

## Third-party verification

The following shows the KPIs that have been the subject of third-party verification by EY.

**Fish**

| KPI | | Indicator |
|---|---|---|
| Survival rate | 12-month rolling survival rate | GSI |
| Antibiotics | Grams of active pharmaceutical ingredient (API/tonne produced) | GSI |
| Interaction with wildlife | Birds – Accidental mortality | GSI |
| | Birds – Euthanised | GSI |
| | Marine mammals – Accidental mortality | GSI |
| | Marine mammals – Euthanised | GSI |
| Fish escapes | No. of incidents | GSI |
| | No. of escaped fish | GSI |
| Fish feed | Certification of marine ingredients in fish feed | Own KPI |
| | Certification of soya ingredients in fish feed | Own KPI |
| | FFDR (Fish meal) | Own KPI |
| | FFDR (Fish oil) | Own KPI |
| | Economic feed conversion ratio | Own KPI |
| Certification | Share of active sites certified | GSI |

**Environment & Technology**

| KPI | | Indicator |
|---|---|---|
| Greenhouse gas (GHG) emissions | Scopes 1 + 2 (GHG $tCO_2e$) | 305-1+2 |
| | Intensity Scopes 1+2 ($kgCO_2e$/tonne produced) | 305-4 |
| | Scope 3 (GHG $tCO_2e$) | 305-3 |
| | Intensity Scope 3 (kgCO2e/tonn produced) | 305-4 |
| | Intensity Scopes 1+2+3 ($kgCO_2e$/tonne produced) | 305-4 |
| Secondary processing | Share of secondary processing | Own KPI |
| Site environment | MOM-B-Score ≤ 2 | Own KPI |
| Consumption of fresh water | Consumption (1,000 $m^3$) | Own KPI |
| | Intensity (liter per kg produced) | Own KPI |

**People & Society**

| KPI | | Indicator |
|---|---|---|
| Safety & sickness absence | LTI – Own employees | 403-9 |
| | LTI – Subcontractors | 403-9 |
| | H-factor | 403-9 |
| | Sickness absence | 403-10 |

To the Board of Directors of SalMar ASA

## Independent accountant's assurance report – selected indicators in SalMar ASA's sustainability reporting 2021

### Scope

We have been engaged by SalMar ASA to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on selected indicators of SalMar ASA 's sustainability reporting. The indicators assessed by us are indicated on p. 183 of SalMar ASA's annual report (the "Subject Matter") as of 31 December 2021 for the period from 1 January 2021 to 31 December 2021.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the sustainability reporting, and accordingly, we do not express a conclusion on this information.

### Criteria applied by SalMar ASA

In preparing the Subject Matter, SalMar ASA applied the relevant criteria from the Global Reporting Initiative (GRI) sustainability reporting standards, "Core" option (the "Criteria"). The Criteria can be accessed at globalreporting.org and are available to the public. SalMar ASA has also applied relevant criteria from the reporting standards of the Global Salmon Initiative (GSI). These Criteria are publicly available at globalsalmoninitiative.org. Such Criteria were specifically designed for companies and other organizations that want to report their sustainability impacts in a consistent and credible way. As a result, the Subject Matter information may not be suitable for another purpose. We consider these reporting criteria to be relevant and appropriate to review the sustainability reporting.

### SalMar ASA's responsibilities

The Board of Directors and Group Chief Executive Officer (management) are responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

### EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International *Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000')*. This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

### Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. EY also applies *International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Reviewed SalMar ASA's process for preparation and presentation of the sustainability report to develop an understanding of how the reporting is conducted within the business
- Interviewed those in charge of sustainability reporting to develop an understanding of the process for the preparation of the sustainability reporting
- Verified on a sample basis the information in the sustainability reporting against source data and other information prepared those in charge
- Assessed the overall presentation of sustainability reporting against the criteria in the GRI, GSI and SalMar ASA's customized Standards including a review of the consistency of information against the GRI index.

We have performed these procedures on the following indicators, that also form the scope of our conclusion:

GRI 305-1
GRI 305-2
GRI 305-3
GRI 305-4
GRI 403-9
GRI 403-10
GSI Fish Mortality
GSI Antibiotic Use
GSI Wildlife Interactions
GSI Fish Escapes
GSI Certifications

SalMar ASA's customized indicators for feed (FFDR and use of marine raw materials), degree of processing, site-specific environment, and freshwater consumption and intensity. Freshwater consumption and intensity are not to be confounded with GSI's indicator named water consumption. The one applied by SalMar ASA is liter per kg biomass produced, as opposed to GSI applying liter per kg edible meat.

We believe that our procedures provide us with an adequate basis for our conclusion. We also performed such other procedures as we considered necessary in the circumstances.

## Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as of 31 December 2021 and for the period from 1 January 2021 to 31 December 2021 in order for it to be in accordance with the Criteria.

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Trondheim, 31 March 2022
Ernst & Young AS

Christian Ronæss
State Authorised Public Accountant

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