

THE BEST OF TWO WORLDS

ANNUAL REPORT 2020



Andfjord Salmon™ brings salmon farming into the future. With the combined experiences from two worlds, Andfjord Salmon™ brings the benefits of both ocean net-pens and land-based aquaculture. The result is optimal salmon welfare and sustainable production in Arctic waters at 69 degrees north.

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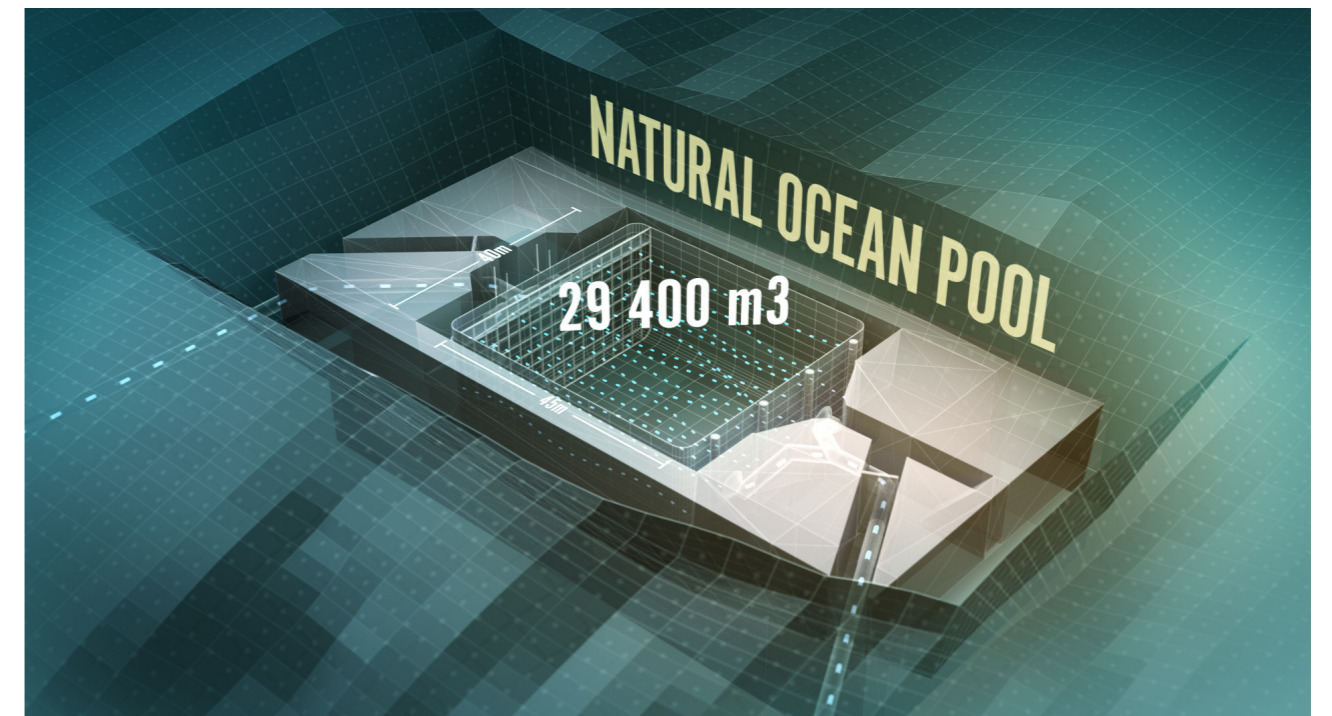


4 Introduction to Andfjord Salmon



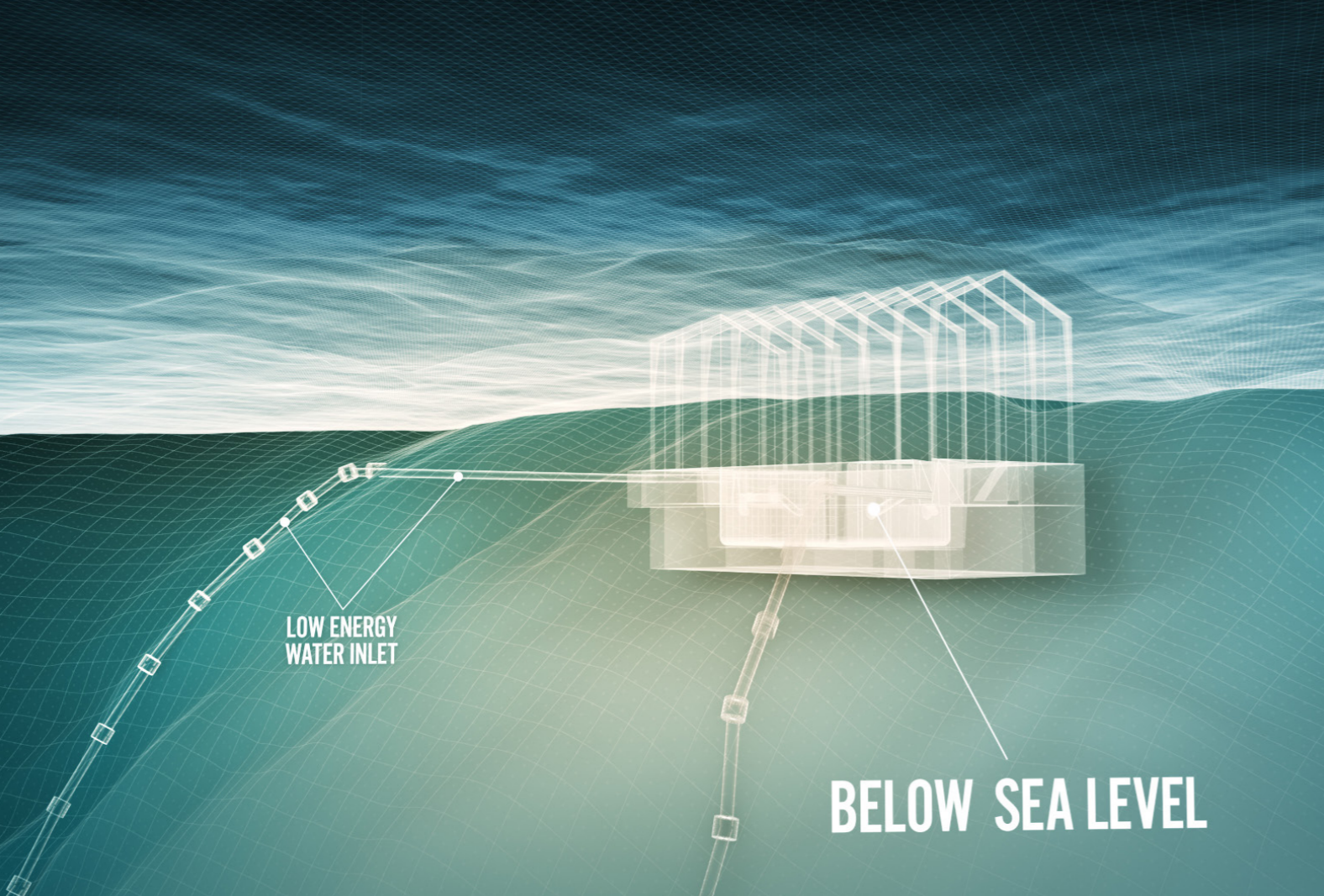
KEY FACTS ABOUT ANDFJORD SALMON

1 Andfjord Salmon has developed a patented, innovative and sustainable aquaculture concept for shore-based farming of Atlantic salmon. The company's concept represents the best of traditional sea-based salmon farming, combined with the advantages of being land-based. Andfjord Salmon's ambition is therefore to build the world's most sustainable aquaculture facility of its kind. Its location at Andøya is key to this ambition.

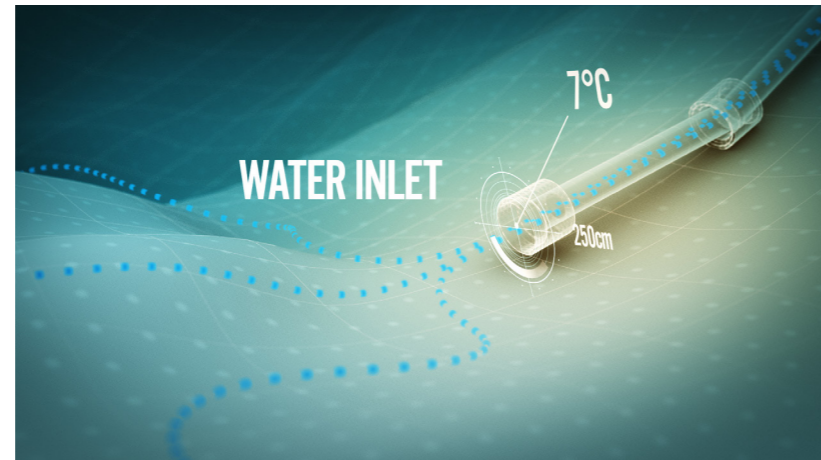


2 Andøya is an island located in Vesterålen, which is the area in Norway that benefits the most from the Gulf Stream. The Gulf Stream provides oxygen-rich water at a higher temperature, unaffected by other salmon farms. This contributes towards a lower risk of infectious diseases.

3 Further, Andfjord Salmon will not face problems with sea lice or algae in its pools, because the company sources seawater below the level where lice and algae live. The pools are also escape-proof and an innovative cleaning system ensures that biological waste is utilised as a resource, while simultaneously avoid polluting marine life.



The most central building-blocks of Andfjord Salmon's flow-through system is connected to the surrounding ocean at Andøya. The water inlet pipeline, which is the main artery to the first pool, was connected to the pool in mid-January 2021.



4 At the centre of this concept is a genius, yet simple, flow-through system that provides excellent biological conditions and energy efficient operations through continuous supply of fresh, oxygen-rich water. The water has two key functions: transporting oxygen into the pool and transporting CO₂ and other metabolism products out of the pool.

5 Because of its continuous supply of fresh seawater, Andfjord Salmon does not have to spend large sums of money to lift, heat, cool or clean the water. Instead, the company utilizes the natural advantage of unlimited nearby seawater to keep both capital investments and operational expenditure, including energy costs, to a minimum.

6 Located at Kvalnes on the island of Andøya on the Arctic Archipelago of Vesterålen, Norway, the company's first facility is currently under construction. The company currently holds a license to produce 10,000 tonnes, equivalent to a production capacity of approximately 12,600 tonnes (HOG), for land-based farming of Atlantic salmon. First smolt will be released at Kvalnes in 2021.

7 Further, Andfjord Salmon has secured rights to land for a planned expansion of an additional 77,400 tonnes (HOG) production capacity. Further expansion is subject to the zoning of the land and granting of licenses. Andfjord Salmon AS is listed on Euronext Growth under the ticker ANDF.

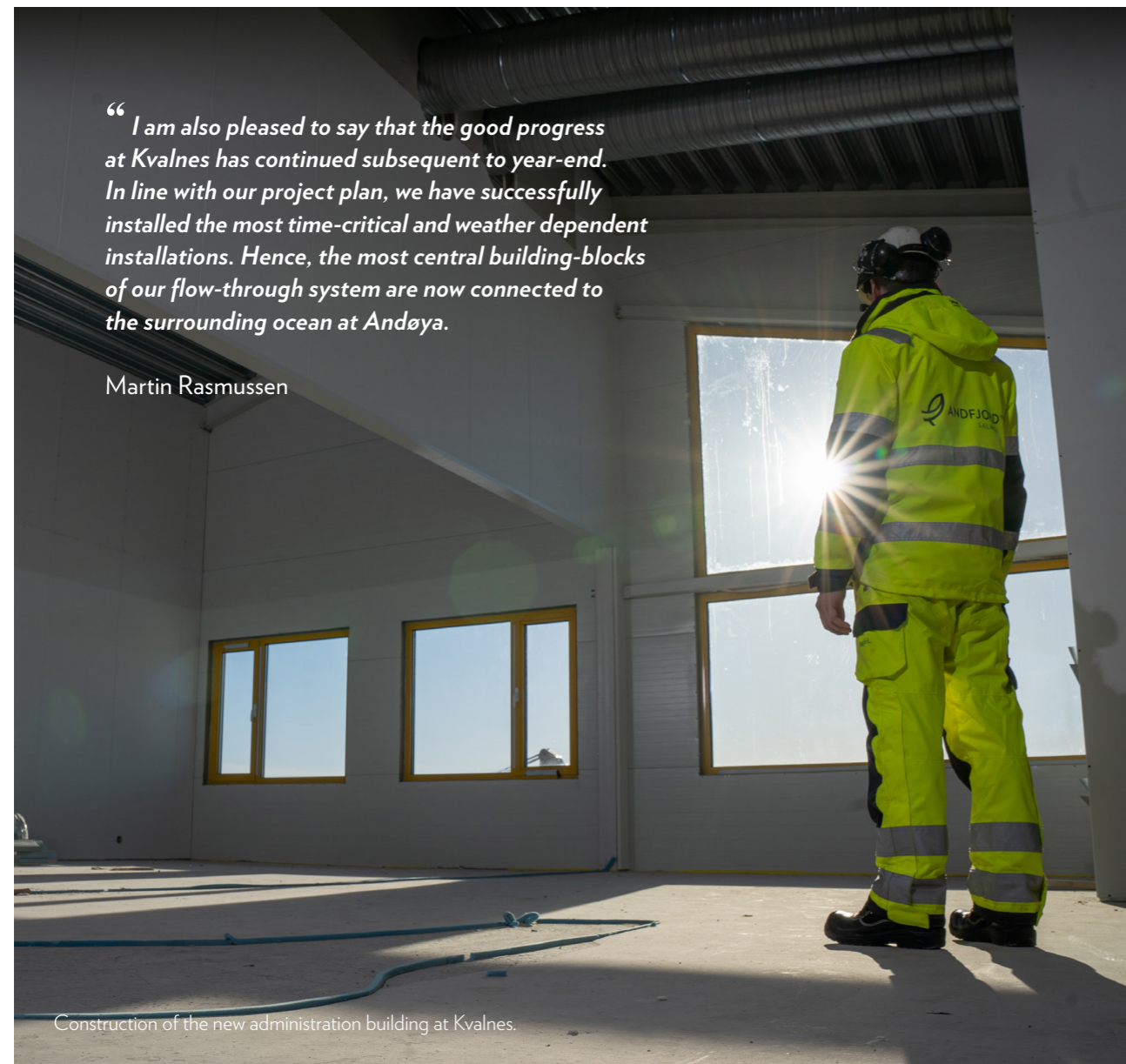
CEO SUMMARY

Welcome to Andfjord Salmon's first annual report as a listed company. The listing on Euronext Growth in 2020 was a key strategic building block for the build-up of Andfjord Salmon, both from a financing and growth perspective.



“ I am also pleased to say that the good progress at Kvalnes has continued subsequent to year-end. In line with our project plan, we have successfully installed the most time-critical and weather dependent installations. Hence, the most central building-blocks of our flow-through system are now connected to the surrounding ocean at Andøya.

Martin Rasmussen



Construction of the new administration building at Kvalnes.

2020 was an extraordinary year. Not only for Andfjord Salmon, but for the entire world. The Covid-19 pandemic introduced numerous challenges to all of us. I am pleased with how we as a company has managed this situation. Along with the rest of the Norwegian business community, we have implemented several measures to safeguard our employees, suppliers and our local community. While adapting our operations to Covid-19 restrictions and regulations has become the “new normal”, we hope to return to normality during 2021.

Despite the challenges posed by Covid-19, Andfjord Salmon has made significant progress throughout 2020. The work on the first pool progressed according to plan throughout the year. We also strengthened our organisation with key personnel to prepare the company from moving from a build-up to an operational phase.

I am particularly proud of the key specialist personnel we have managed to attract to Andfjord Salmon. They have all joined for the same reason: they genuinely believe in our technical concept and our ambition of building the world's most sustainable and fish-friendly salmon farm of its kind. Not only did we progress in line with our plans in 2020, we have also improved our plans considerably during the year.

I joined Andfjord Salmon in the spring of 2020 and inherited an exciting and ambitious plan to build the world's most fish-friendly and sustainable salmon farming facility. The message from the board of directors was very clear, however: they expected the company's management to continuously look for opportunities to improve the project and identify solutions to de-risk the build-out at Kvalnes.

NEW AND IMPROVED PLANS

As a result, we made several adjustments throughout 2020, but two major decisions during the second half of the year were of particular importance to the future growth of Andfjord Salmon. First, we made the decision to release first batch of smolt in 2021 to secure optimal biological growth conditions for the smolt and reduce overall project risk. While this decision had minimal financial impact, it opened up another very interesting option – the opportunity to fast-track the development the next phase of our facility at Kvalnes, Andøya. Put simply, our proposal was to move from a sequential development at

Kvalnes, with sole focus on the first 1,000 tonnes MAB pool, to a parallel development of the full Kvalnes area, where we have a license for 10,000 tonnes MAB, equivalent to a target production volume of approximately 12,600 tonnes HOG. The proposal also meant that we could fast-track the blasting and excavation work for the full Kvalnes development by six months. In total, this reduced overall project risk, both when it comes to project execution, operations and biology. The management was delighted that shareholders supported this plan through a private placement which raised NOK 88.2 million in gross proceeds to the company. This comes in addition to the NOK 150 million raised prior to Andfjord Salmon's listing on Euronext Growth in June 2020.

I am also pleased to say that the good progress at Kvalnes has continued subsequent to year-end. In line with our project plan, we have successfully installed the most time-critical and weather dependent installations. Hence, the most central building-blocks of our flow-through system are now connected to the surrounding ocean at Andøya.

2021 will be another exciting year for Andfjord Salmon, with completion of the first pool, water testing and release of first smolt as some of the key highlights. What I have witnessed in 2020 has made me even more confident in my colleagues' ability to deliver on our plans for 2021, bringing us a major step towards realising our ambition of building the world's most sustainable and fish-friendly salmon farm of its kind.

SUSTAINABILITY REPORT

Finally, underlining our sustainability ambition, I would like to point you in the direction of Andfjord Salmon's first sustainability report, which can be found on page 23 of this annual report. Reporting on how we realise our ambitions, including managing the main social, societal and environmental challenges that Andfjord Salmon faced, is part of our commitment to both our shareholders and surroundings. I hope you will spend some time finding out how we utilise ESG as topic to generate long-term value creation for society and shareholders.

Yours sincerely,
Martin Rasmussen
CEO of Andfjord Salmon

BOARD OF DIRECTORS' REPORT 2020

NATURE OF THE ENTERPRISE

Andfjord Salmon is developing the aquaculture industry of the future. The benefits of both sea and land-based salmon farming are combined to make the best of both worlds. The result is a high level of salmon welfare and sustainable production in Arctic waters. Andfjord Salmon is a Norwegian company that was established in Andøy municipality in 2014. The company is developing production facilities and operating premises on Andøya.

The company has a license to farm 10,000 tonnes of maximum permitted biomass (MAB) and is in the first phase of development on fish farms at Kvalnes on Andøya to exploit the licence. Rights have also been secured for coastal properties at Fiskenes and Breivik on Andøya for further expansion. In total, the company plans future production of 70,000 tonnes of MAB (approximately 90,000 tonnes production capacity HOG), depending on the regulation of the properties and licenses.

OVERVIEW OF THE ANNUAL FINANCIAL STATEMENTS

The ordinary pre-tax profit/loss in 2020 showed a loss of NOK 19.2 million, compared with a loss of NOK 6.4 million in 2019. In 2020, the company employed 10 full-time equivalents and labour costs amounted to NOK 10.3 million. Other operating expenses totalled NOK 9.1 million. The loss is in line with the board's expectations for the current phase of the company. The company's activities consist of the development and construction of land-based fish farms and the business is expected to generate its first sales revenue in 2022.

Total cash flow from operations was -NOK 6.2 million, while operating loss totalled -NOK 19.6 million. The difference is mainly due to changes in accounts payable and ordinary depreciation. The company's cash flow tied to investments was -NOK 165.3 million, mainly related to the development and construction of land-based facilities for fish farming. Paid-in capital totalled NOK 226.5 million in 2020.

FINANCIAL RISK

Liquidity risk

The company has financed the construction of the first pool and related infrastructure, in addition to planning and groundwork related to the next phase of construction. The company's operations are also financed until the next phase of construction. At the end of the year, the company had a cash balance of NOK 148.8 million and unused credit facilities totalling NOK 50 million, which the company is considering to utilise in 2021. In addition, government funding scheme grants totalling almost NOK 20 million have been approved.

The company's growth strategy and future plans are capital-intensive and dependent on future financing. The emphasis is on building the first pool in order to test and document the concept, which will provide a good position for financing further expansion on Andøya.

Currency risk

The company is currently exposed to currency risk to a small extent. Although some components for the development

have been purchased in EUR, both costs and investments are primarily in NOK. The company will be increasingly exposed to currency risk once it starts operating the fish farming facility and in the case of future fish sales. Safeguards will be considered to reduce such exposure.

Interest rate risk

The company is exposed to fluctuations in interest rate levels to a small extent. The company had no interest-bearing debt at the end of the year. Although the liquidity reserve is deposited on a high-interest bank account and is thus exposed to interest rate fluctuations, this has limited effect in terms of its sum.

Credit risk

The company is currently exposed to credit risk through the placement of surplus liquidity in Norwegian regulated banks. Customer receivables are limited in the current phase.

GOING CONCERN

The accounts have been prepared under the assumption that the company is a going concern. In accordance with Section 3-3a of the Norwegian Accounting Act, the board of directors confirms that the company fulfills the requirements necessary for it to continue to operate as a going concern. The board bases this on the company's financial position, which is very good.

WORKING ENVIRONMENT

The board of directors considers the company's working environment to be good. No special measures have been implemented to improve the working environment. Sickness absence in 2020 was 0.4%, while no sickness absence was registered in the preceeding year.

FUTURE OUTLOOK

The company holds a fish farming licence for the production of 10,000 tonnes MAB, equivalent to approximately 12,600 production volume (HOG), and has secured rights to coastal properties at Fiskenes and Breivik on Andøya, enabling future production of nearly 90,000 tonnes HOG.

The company's fish farming licence for production of 10,000 tonnes MAB (12,600 tonnes HOG) of salmon will be used in its entirety at the company's first production facility at Kvalnes. The first pool, which will have a capacity of 1,260 tonnes HOG, is currently under construction and is expected to be ready in time to release salmon smolt by the summer of 2021. Blasting and excavation work in connection with the remaining 11,340 tonnes HOG at Kvalnes has also begun. The board considers the future prospects to be good. The most complicated operations related to the construction of the first pool have now been completed, which means that the risk associated with the project itself is significantly reduced. Successful release of smolt in 2021 will strengthen the company's position significantly.

At the same time as the company is working on developing the first plant at Kvalnes, it is also working on regulation of the Fiskenes and Breivik sites and will apply for a license for 20,000 tonnes MAB (25,000 tonnes HOG) for each of the locations. There are also plans to further develop the Kvalnes site to add a further 25,000 tonnes HOG.

Andfjord Salmon benefits from the well-developed salmon farming industry in the Andøya area, where the necessary infrastructure with sufficient capacity and expertise has already been established. This makes it possible to have a fully integrated value chain, from smolt production and salmon farming to sales and distribution to end customers. The company's financial position and outlook is primarily dependent on the price of farmed salmon and the level of production costs. Historically, the market price of farmed salmon has been subject to market fluctuations. Andfjord Salmon's sea water flow-through concept yields low energy costs. Due to our unique location directly adjacent to the Gulf Stream,

we have access to water at very favourable temperatures year-round. The energy required for water flow-through will also be very low. The facilities are also very well located in terms of logistics and infrastructure and are situated close to each other on Andøya, enabling cost-effective operations. The company is largely dependent on maintaining its current license and being awarded new licenses in order to develop the business in the future.

CORPORATE GOVERNANCE

Andfjord Salmon has prepared a report on corporate governance that is included in the annual report, which is available on the company's website. Although the company is not subject to the Norwegian Code of Practice for Corporate Governance, it aims to comply with the principles of the recommendations as the business transitions into an operational phase. The report on corporate governance sets out the company's status in relation to the recommendations.

GENDER EQUALITY AND DISCRIMINATION

In 2020, 10 full-time equivalents were performed by employees of the company. At the end of the year, the board consisted of five members, one of which is female. In addition, the deputy board member is female. It has been very important to secure the right expertise during the company's initial development phase and many of the employees have been recruited from the aquaculture industry. The proportion of women among the employees is lower than desired, which is a concern for the company and something it focuses on when hiring. Based on an assessment of the size of the company, the number of employees and job categories, the board has not found it necessary to take further action with respect to gender equality at this time. However, the company is keen to increase the share of female employees, both in senior positions and in the company in general. The company shall be a workplace where there is full gender equality between women and men, and shall ensure that there is no discrimination based on gender. More information on the status of gender equality in the company can be found in the ESG report, which is part of the annual report available on the company's website.

THE NATURAL ENVIRONMENT

The company does not pollute the natural environment to any significant extent in its current phase and has implemented environmental measures in connection with the development at Kvalnes. Andfjord Salmon will focus on environmentally friendly production at every level when the fish farm starts operating in 2021. It is a clear goal that the business shall have the smallest possible environmental footprint. Bioresidues from the facility are captured and refined as a commercial resource, limiting emissions from the facility. This year, the company prepared a separate sustainability report as part of the annual report, which contains a detailed account of how it works towards achieving sustainability goals.

OTHER MATTERS

The ongoing pandemic presents daily challenges to the company's activities in developing Kvalnes. Many different suppliers are involved at the site in connection with activities relating to pools, pipes, groundworks, operational buildings and technical equipment, which means that a large number of people visit the construction site. This makes it necessary to have strict infection protection requirements. Some suppliers rely on the use of personnel from abroad, which has also led to practical challenges during the past year. Strict rules relating to entry into the country and quarantine on arrival incur additional costs.

It is very important for the company to maintain its planned progress and prevent the spread of infection by subcontractors or its own personnel is a prerequisite to that. The company has succeeded in this during the past year, despite having been put to the test. This shows that the procedures are working.

The board of directors does not know of any other matters of importance to consider the company's position and profit/loss, other than those presented in the annual financial statements and notes to the annual financial statements.

Moreover, in the board's view, no matters have arisen since the end of the financial year that have an impact on its assessment of the annual financial statements.

DECLARATION BY THE BOARD OF DIRECTORS AND CEO OF ANDFJORD SALMON AS

We hereby confirm that it is our sincere conviction that the financial statements for the period 1 January to 31 December 2020 have been prepared in accordance with the provisions and good accounting practices set out in the Norwegian Accounting Act, and that the information in the financial statements provides an accurate picture of the company's and the group's assets, liabilities, financial position, and profit/loss as a whole. We hereby confirm that the annual report provides an accurate overview of the development, annual profit/loss and position of the company and the group, together with a description of the most important risks and uncertainties the enterprise is facing.

Sortland, April 22, 2021

Sign.	Sign.	Sign.
<hr/> Roger Mosand Chair of the board	<hr/> Tore Traaseth Board member	<hr/> Knut Roald Holmøy Board member
Sign.	Sign.	Sign.
<hr/> Bettina Flatland Board member	<hr/> Kim Strandenæs Board member	<hr/> Roy Bernt Pettersen Board member
Sign.		
<hr/> Martin Rasmussen CEO		



THE BEST OF TWO WORLDS

Andfjord Salmon™ brings salmon farming into the future. With the combined experiences from two worlds, Andfjord Salmon™ brings the benefits of both ocean net-pens and land-based aquaculture. The result is optimal salmon welfare and sustainable production in Arctic waters at 69 degrees north.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“the Board”) is responsible for ensuring that the company is organised, managed and controlled in an appropriate and satisfactory manner in full compliance with applicable laws and regulations.

The Board considers compliance with generally accepted corporate governance guidelines as an important prerequisite for long-term value creation. The company strives to ensure that its internal control mechanisms, organisation and management structures comply with good corporate governance principles.

The Norwegian Code of Practice for Corporate Governance (the “Code”) does not apply on Euronext Growth – Oslo. However, Andfjord Salmon AS (“Andfjord Salmon” or the “company”) has started to establish corporate governance systems and will seek to comply with the Code over time.

The principal purpose of the Corporate Governance Code is to ensure (i) that listed companies implement corporate governance that clarifies the respective roles of shareholders, the board of directors and executive management more comprehensively than what is required by legislation and (ii) effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other parties concerned.

The following statement explains how Andfjord Salmon has addressed the 15 governance issues covered by the Code.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

The Board is aware of its responsibility for implementation of internal procedures and regulations to ensure that the company complies with applicable principles for good corporate governance in line with Norwegian and applicable international standards.

The Board of the company is actively involved in good corporate governance and will seek to ensure that the company complies with the requirements of section 3-3b of the Norwegian Accounting Act, which is available at www.lovdata.no, and The Norwegian Code of Practice for Corporate Governance (“NUES”), last revised 17 October 2018, is available at www.nues.no. If the company deviates from NUES recommendation, Andfjord Salmon will adhere to the “comply or explain” principle for each and every clause in the recommendation.

According to Andfjord Salmon’s own evaluation, the company deviates from the Corporate Governance Code on the following points:

- Point 3 – Equity and dividends: The Board of the company has been, and is expected to be, provided with authorisations to acquire own shares and issue new shares. Not all of such authorisations have separate and specific purposes for each authorisation as the purposes of the authorisations shall be explained in the notices to the general meetings adopting the authorisations.

- Point 6 – General Meetings: The Public Companies Act stipulates that at least 21 days’ notice must be given to call a general meeting of a listed company. As Andfjord Salmon is not a public limited liability company, but a private limited liability company, the company adheres to the Companies Act which stipulates that at least 7 days’ notice must be given to call a general meeting.
- Point 6 – General Meetings: The Code of Practice stipulates that the board of directors should establish routines for appointment of an independent person to chair the General Meeting. Andfjord Salmon deviates from this recommendation as this is not a requirement under the Companies Act plus the company’s current chairman is considered independent of Andfjord Salmon’s major shareholders.
- Point 6 – Nomination committee: The Code stipulates that the majority of the committee should be independent of the board of directors. Andfjord Salmon currently deviates from this point as only one of the three members is currently considered independent of the Board of the company. The composition of the nomination committee reflects that it was elected prior to Andfjord Salmon’s listing on Euronext Growth. It is the nomination committee’s objective that the committee will gradually become more independent of the Board.
- Point 9 – The work of the Board of Directors: Andfjord Salmon currently does not have established rules and procedures for the Board of Directors, but aims to develop and adopt this during 2021.
- Point 9 – The work of the Board of Directors: Andfjord Salmon does not have an audit committee as the company is not considered a large company or regulated by the Public Companies Act.
- Point 10 – Risk management and internal control: As Andfjord Salmon is still in a build-up phase, all systems and policies for internal control are not yet in place, but the company aims to create and adopt necessary systems and routines during 2021.
- Point 12 – Remuneration of executive personnel: Andfjord Salmon has not established guidelines for the remuneration of executive personnel as the company is not a public company governed by the Public Companies Act.
- Point 14 – Take-overs: Due to the unpredictable nature of a takeover situation, the company has decided not to implement detailed guidelines on take-over situations. In the event a takeover were to occur, the Board will act in accordance with applicable regulations as well as the general principles of the stock market if such a situation should occur.

2. BUSINESS

Andfjord Salmon (ANDF) has developed an innovative and sustainable aquaculture concept for shore-based farming of Atlantic salmon. The company’s ambition is to build the world’s most sustainable aquaculture facility of its kind. The facility is escape-proof, lice-free and its highly filtered effluent avoids polluting marine life.

Andfjord Salmon is a limited liability company organized under the laws of Norway and subject to the provisions of the Norwegian Limited Liability Companies Act.

Andfjord Salmon’s purpose is currently defined in the Articles of Association as follows:

The company’s business is to conduct land-based farming of fish and other matters that naturally coincide with this, including participating in other companies with similar activities, acquiring and divesting shares, or otherwise becoming interested in other businesses including provision

To discuss and evaluate goals, strategy and risk profile, the Board conducts an annual strategy meeting, where the main purpose is to set the long-term direction for the company.

A further description of the company's operations, goals, strategy, and risk profile is provided in the group's annual report, which shows how the company's operations and strategies are aligned with objectives defined in the Articles of Association.

3. EQUITY AND DIVIDENDS

The company's solidity is continuously assessed based on the company's goals, strategies and risk profile. Total assets at the end of 2020 were NOK 391.7 million, and the company's equity was NOK 354.1 million and hence the equity-to-assets ratio was 90 percent.

Andfjord Salmon aims to give shareholders a competitive long-term return. Based on Andfjord Salmon's capital requirements for its ongoing development projects, it is unlikely that the company will pay dividend on a regular basis in the near future. Shareholders' return should therefore primarily be realised through an increase in the value of their shares. However, dividends will be relevant in the future, when the circumstances permit it.

The General Meeting has given the Board authorisation to increase the company's share capital in order to raise capital to provide the company with necessary flexibility to execute its current investment plans or through a share issue aimed at the company's employees. The mandate is valid until the next Annual General Meeting and no longer than 30 June 2021.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Equal treatment of all shareholders is a core governance principle. Andfjord Salmon has one class of shares and is listed on Euronext Growth Oslo under the ticker ANDF. Each share carries one vote at the General Meeting.

In situations where normal preferential rights shall be deviated from, the company's Board is proposed to prepare grounds for such a decision in accordance with the Norwegian Code of Practice for Corporate Governance and shall present these to the General Meeting.

The company's Board and group management are considered close associates of Andfjord Salmon. According to these regulations, transactions between associates shall comply with the Code.

5. SHARE AND NEGOTIABILITY

All Andfjord Salmon shares carry equal rights and are freely negotiable. The company's articles of association do not contain any form of restriction on negotiability.

6. GENERAL MEETINGS

The interest of the company's shareholders is exercised at the General Meetings (GM). The Annual General Meeting is usually held end of May or beginning of June. The meeting for 2021 is scheduled on 6 May 2021.

The General Meetings deal with and decide on the following matters:

- Adoption of income statement and balance sheet.
- Application of profit or coverage of deficit pursuant to the adopted income statement and balance sheet as well as distribution of dividends.

- Election of board of directors. The general meeting shall elect the chairman of the board.
- Other issues that pursuant to the provisions of the Norwegian laws and Articles of association are to be treated by the General Meeting.

All shareholders with known address registered in the Norwegian Central Securities Depository (VPS) will receive an invitation to the GM. The invitation is sent at least one week prior to the meeting. Other documents will be made available at Andfjord Salmon's website. A shareholder may request a print of documents relating to matters to be dealt with at the GM.

The deadline for shareholders to give notice of their intention to attend the meeting is one day prior to the meeting. Shareholders who are unable to attend the GM may vote by proxy. The proxy form is designed in such a way that voting instructions may be given for each item on the agenda.

The chairperson of the Board, the chairperson of the nomination committee, the auditor, and the CEO are present at the GM, in addition to other Board members when appropriate. The chairperson of the Board opens the GM and is normally elected to chair the meeting.

Andfjord Salmon has not deemed it necessary to require the presence of all members of the Board at the GM. Andfjord Salmon deviates from the recommendation to establish routines for appointment of an independent person to chair the GM as this is not a requirement under the Companies Act. In case of particular items on the agenda requiring such measures, the Board will consider appointing an independent chairperson.

All shares carry an equal right to vote at General Meetings. Resolutions at GMs are normally passed by simple majority unless otherwise is required by Norwegian law.

The minutes of the GM are made available on Andfjord Salmon's website.

7. NOMINATION COMMITTEE

Pursuant to Andfjord Salmon's Articles of Association, the company shall have a nomination committee, which is elected by the general meeting.

The committee nominates candidates to chairperson, board members, any deputy members to the Board, and members of the nomination committee.

Further, the nomination committee submits proposals to the general meeting regarding remuneration to the board and the nomination committee.

Andfjord Salmon's nomination committee currently consists of the following members, who have been elected for the period 2019 - 2021: Edd Martin Traaseth (chair), Berit Pettersen and Odd Roger Enoksen.

The Code stipulates that the majority of the committee should be independent of the board of directors. Andfjord Salmon currently deviates from this point as only one of the three members (Odd Roger Enoksen) is currently considered independent of the Board of the company. The composition of the nomination committee reflects that it was elected prior to Andfjord Salmon's listing on Euronext Growth. It is the nomination committee's objective that the committee will gradually become more independent of the Board.

Information regarding the committee members and its procedures is available on the company's website. Information about how input and proposals may be submitted to the committee will be published on the company's website during the first half of 2021.

8. BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

Pursuant to Andfjord Salmon's Articles of Association, the company's Board shall consist of three to eight members. The current Board consists of six members elected by the GM.

At an Extraordinary General Meeting on 19 March 2021, the shareholders elected the following members to the Board:

Roger Brynjulf Mosand	Chairperson
Roy Bernt Pettersen	Director
Tore Traaseth	Director
Knut Roald Holmøy	Director
Bettina Flatland	Director
Kim Marius Strandenæs	Director
Berit Emelie Pettersen	Deputy

Andfjord Salmon strive to ensure that the Board has a composition necessary to safeguard the interest of the shareholders. The Board consider its composition to be diverse and competent with respect to expertise and capacity related to the company's objectives, main challenges and the common interest of all shareholders. The board consists of six men and one woman.

Roy Bernt Pettersen and Tore Traaseth are large shareholders in the company. Kim Marius Strandenæs is employed by UFI AS, which is a large shareholder in Andfjord Salmon. Roger Brynjulf Mosand, Knut Roald Holmøy and Bettina Flatland are independent of the major shareholders and executive management. The Board does not include executive management.

Information about each board member is available on the company's website.

All board members apart from Roger Brynjulf Mosand and Kim Marius Strandenæs own shares in the company. None of the board members hold share options.

9. THE WORK OF THE BOARD OF DIRECTORS

The Board has the overall responsibility to oversee the organisation, operation and management of Andfjord Salmon, whilst the CEO is responsible for day-to-day management. This means that the Board is responsible for how to organize the company's activities and establishing systems in order to ensure that Andfjord Salmon operates in compliance with laws and regulations.

The Board is also responsible for ensuring that the interests of shareholders and other interested parties are safeguarded in a satisfactory manner.

The Board aims to conduct its work through established procedures and there has an objective to prepare and adopt rules and procedures for the Board of Directors during 2021. Such rules and procedures will outline its responsibilities for the work and administrative procedures. . During 2021, the Board also aims to adopt an annual plan for its work to ensure that all important issues and business areas are covered, emphasizing objectives, strategy, and implementation

of the company's business plan in particular.

Andfjord Salmon does not have an audit committee as the company is not considered a large company or regulated by the Public Companies Act.

Andfjord Salmon does not have a remuneration committee. From 2021 onwards, the Board will evaluate its own performance and expertise on an annual basis. The evaluation will be submitted to the nomination committee.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board ensures that the company has good internal control and appropriate systems for risk management in relation to the nature and extent of the company's activities.

As Andfjord Salmon is in a build-out phase, all systems and policies for internal control are not yet in place, but the company aims to create and adopt necessary systems and routines during 2021.

From 2021 onwards, the Board will on an annual basis discuss and assess the group's risk exposures, systems, routines, and internal control to mitigate these risks. Internal control procedures, limiting authorisations, organisational changes and increased reporting are part of the improvements.

Procedures have been established for the regular reporting of financial statements. Furthermore, management regularly reports to the Board on the progress of the company's development and other operational processes.

As part of ongoing risk management efforts, the Board and management carry out specific risk reviews of major investments and contracts.

As part of the annual budget and strategy process, the Board and executive management conduct an annual review to discuss and identify external and internal opportunities and threats for the group.

In addition, the Board carries out a thorough review of the company's financial status in the annual Directors' Report.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration of the Board is determined by the GM, based on recommendation from the nomination committee. The recommendation is normally linked to the Board members responsibilities, competence and time commitment, taking the company's size and complexity into consideration.

The remuneration is not linked to the company's performance. There is no share option programme for the Board of Directors.

Members of the Board, including companies with whom they are associated, are usually not given separate assignments by Andfjord Salmon in addition to their function as directors. Such assignments will be based on approval from the Board. The stipulation that members of the board of directors should not undertake additional assignments for the company is based on the need for members of the board to be independent of the company's executive personnel. Currently, board member Roy Bernt Pettersen is employed by Andfjord Salmon to work on certain development projects. However, Roy Bernt Pettersen is not a member of Andfjord Salmon's management team and is therefore considered independent of the company's executive personnel. Further, as Pettersen is the co-founder of Andfjord Salmon, the Board considers is of value to all the company's shareholders that he is actively engaged in the development of the company.

12. REMUNERATION OF EXECUTIVE MANAGEMENT

The Board determines the principles applicable to the group's policy for compensation of executive management. The Board is directly responsible for determining the CEO's salary and other benefits. The CEO is, in consultation with the chairperson of the Board, responsible for determining the salary and other benefits for the group's other senior executives.

As Andfjord Salmon is not public company governed by the Public Companies Act, the company is not required to prepare guidelines for the remuneration of executive personnel.

The Board's view on management compensation is that it should be competitive and motivating, but not above observed market levels.

13. INFORMATION AND COMMUNICATION

Andfjord Salmon's reporting and communication policy takes into account the requirement for equal treatment of all stakeholders in the financial markets.

The company has established guidelines for reporting of financial and other information. The purpose of these guidelines is to ensure that timely and correct information is made available to shareholders and other stakeholders. A financial calendar and other shareholder information is available on the company's website.

All information distributed to the company's shareholders is published simultaneously to the company's website and at Newsweb.no (Oslo Børs' distribution channel).

14. TAKE-OVERS

The company's Articles of Association do not include defence mechanisms aimed towards take-over bids, nor are any other obstacles implemented with the objective of reducing the trade and/or transferability of the company's shares.

The shares are freely negotiable. Transparency and equal treatment of the shareholders are fundamental principles the company adheres to. No additional principles have been established for how Andfjord Salmon will or should act with respect to takeover bids, but the Board will act in accordance with applicable regulations as well as the general principles of the stock market if such a situation should occur.

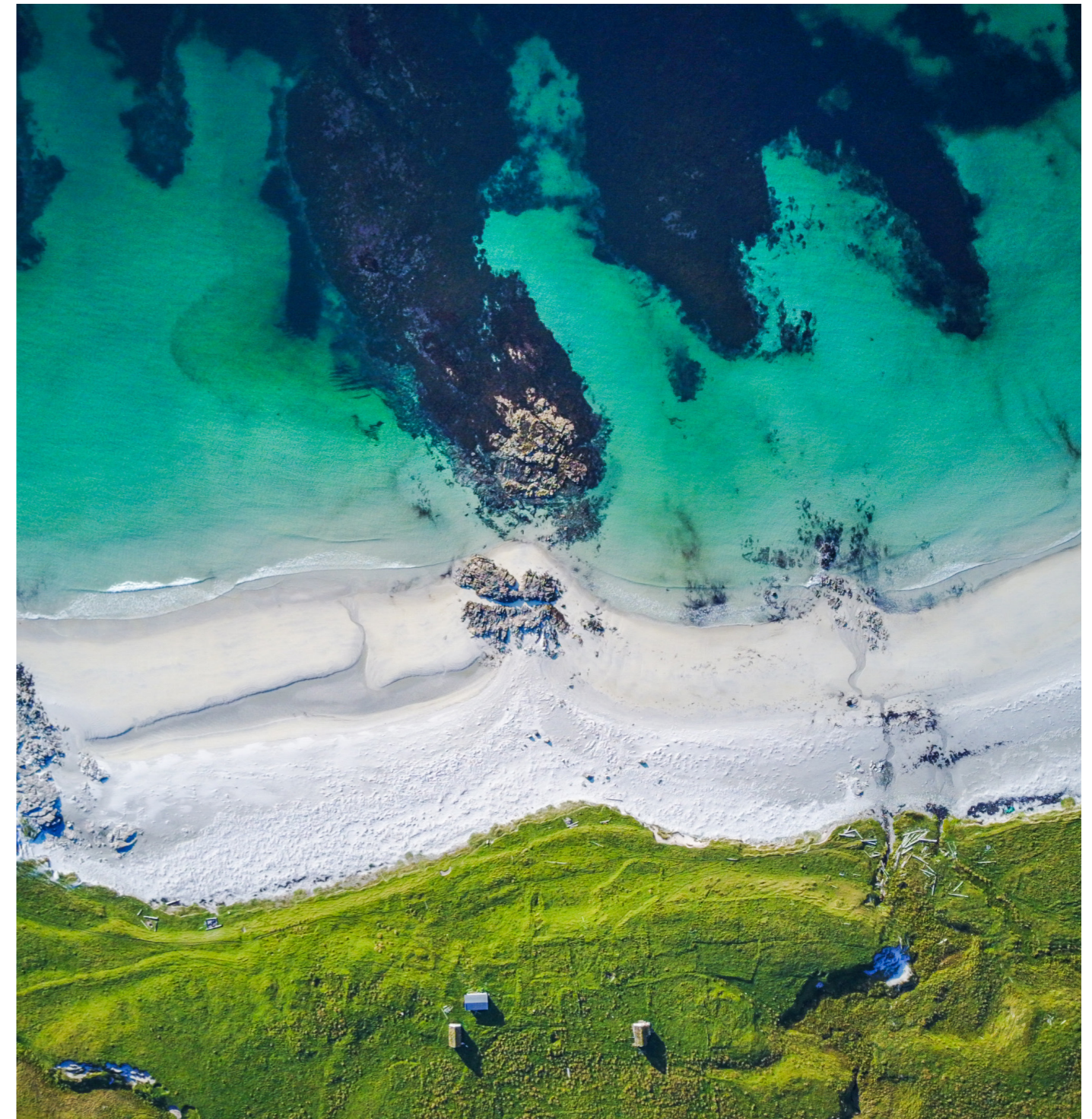
15. AUDITOR

The external auditor is independent in relation to Andfjord Salmon and elected by the Annual General Meeting. The auditor's fee is approved by the General Meeting.

The auditor conducts a yearly meeting with the Board in connection with the review of the annual accounts. It is the board's intention to have a second meeting with the purpose to review the company's internal control systems and routines, which the company aims to develop and adopt during 2021. The Board reviews the yearly audit plan with the auditor together with identified weaknesses and suggestions for improving the company's internal control.

It has not been deemed necessary by the Board to implement additional guidelines regarding the use of the auditor for services other than auditing.

ESG REPORT 2020



ANDFJORD SALMON

– ESG REPORT FOR 2020

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HAPPY FISH

= HAPPY SHAREHOLDERS

Andfjord Salmon's ambition is to build the most fish-friendly and sustainable salmon farming facility of its kind. Such an ambition creates expectations to us as a company, and it is a responsibility we embrace.

The foundation of this ambition is to build a salmon farming facility on the salmon's terms. To achieve this, we utilise a technology adapted to our natural advantage of being located close to the Gulf Stream: a flow-through technology.

The Gulf Stream provides water with higher temperature, high oxygen content and unaffected by other salmon farming facilities, which reduces risks of infectious diseases. Our laminar water flow in combination with seawater from the Gulf Stream provide optimal growth conditions for our fish.

Further, we do not have to invest in costly equipment to lift, clean or regulate the temperature of the water. We will not have problems with lice or algae in the pools, because we source seawater from below where they live. Our fish cannot escape, and we control our biological waste. The latter is not a problem, but a resource.

The combination of low energy cost, biological control and a compact infrastructure provides us with an operating expenditure (NOK 34 per kilogram) that is significantly lower than what other salmon farms can achieve. Plus an equally low environmental footprint and biological risk. This is why we believe strongly in the correlation between fish welfare and profit. Because a happy salmon means better fish quality, which means a higher sales price for the salmon, which in turn means better financial performance for Andfjord Salmon.

This is also why we genuinely believe it is possible to build something unique and sustainable at Andøya that is positive for our local surroundings, the fish in our pools,

and our shareholders. However, spelling out ambitions is easy. Delivering on them is more challenging. The latter is therefore our sole focus.

Reporting on how we realise these ambitions, including managing the main social, societal and environmental challenges that Andfjord Salmon face, is part of our commitment to both our shareholders and surroundings. That is why we have developed Andfjord Salmon's first ever sustainability report.

For 2020, Andfjord Salmon reports on the following four sustainability topics:

- Environment, including fish health and welfare, effluents and energy use
- Occupational health and safety
- Supply chain transparency
- Local value creation

For the 2021 reporting cycle, Andfjord Salmon is planning to undertake systematic stakeholder dialogue and a materiality assessment according to the Global Reporting Initiative and/or the Euronext guidelines to ensure systematic and relevant reporting on material topics going forward.

To find out more about how Andfjord Salmon utilises ESG as topic to generate long-term value creation for society and shareholders, please have a look at the following pages.

Martin Rasmussen
CEO of Andfjord Salmon

ABOUT THIS REPORT

For information about this report and its content, please contact Andfjord Salmon and Chief Commercial Officer Helge Krøgenes.

This is Andfjord Salmon's first sustainability report and applies to the reporting period 1 January 2020 to 31 December 2020.

The report has been reviewed and approved by Andfjord Salmon's Board of Directors. It has not been audited by a third party.

ABOUT ANDEFJORD SALMON

Andfjord Salmon AS (Andfjord Salmon) is a Norwegian company established in 2014 by founders with extensive salmon farming, financial and business development experience. The company is built on a foundation of innovation and a sustainable aquaculture concept for land-based farming of Atlantic salmon. Andfjord Salmon's farming facility is patented, consumes a minimal amount of energy and with low operating costs. The farming facility is designed to avoid problems with lice and poisonous algae, with robust barriers to prevent escapes and minimise pollution of the marine environment. The flow through farming method is very similar to a flow through net pen in the ocean, which gives a healthy robust environment for the salmon.



Figure 1: Value chain of traditional and land-based salmon farming

Andfjord Salmon is headquartered at Kvalnes on the northern part of Andøya, in the Arctic Archipelago of Vest-erålen. The company's first farming facility is currently under construction and will, according to plan, be in operation from the second half of 2021.

Andfjord Salmon has 17 employees, of which 88% are men and 12% are women. The company is listed on Euronext Growth under the ticker ANDF.

STAKEHOLDERS

EMPLOYEES:

Direct impact on Andfjord Salmon. The company is dependent on their expertise. Employees can also directly impact the company. Andfjord Salmon has a direct impact on and is also directly impacted by its employees as well as the access to competent labour.

SHAREHOLDERS:

Key stakeholder group driving the company's priorities and strategy, including the company's ESG approach.

CIVIL SOCIETY:

The company has both a social and environmental impact on the community it operates within, and on local value creation.

GOVERNMENTS:

Government and local authorities have a direct impact on Andfjord Salmon through legislation and regulations.

CUSTOMERS:

Driving the company's priorities and strategy, also when it comes to ESG topics. The company can also indirectly impact customers through providing information about fish health and sustainable fish farming.

SUPPLIERS:

The company is dependent on its suppliers for distribution and can also directly and indirectly impact suppliers through transport requirements and Health, Safety and Environment recommendations.



Figure 2: Andfjord Salmon's shareholders

CORPORATE GOVERNANCE AND SUSTAINABILITY APPROACH

The annual general meeting ("AGM") is Andfjord Salmon's highest governing body, in which shareholders can influence the company's strategic development. Andfjord Salmon's Board of Directors (the Board) is responsible for ensuring satisfactory corporate governance and bears the ultimate responsibility for the company's sustainability approach.

Corporate Executive Management are responsible for Andfjord Salmon's strategy and operations as well as making sure that the company adheres to relevant laws, regulations and industry specific standards. The company's Chief Commercial Officer (CCO) and Director of Fish Health are responsible for how sustainability is practiced on a daily basis.

REPORTING THEMES AND TOPICS FOR 2020

Based on an internal materiality assessment conducted in spring 2021, Andfjord Salmon reports on the following four sustainability topics:

- Environment, including fish health and welfare, effluents and energy use
- Occupational health and safety
- Supply chain transparency
- Local value creation

For the 2021 reporting cycle, Andfjord Salmon plans to undertake systematic stakeholder dialogue and a materiality assessment according to the Global Reporting Initiative and/or the Euronext guidelines to ensure systematic and relevant reporting on material topics going forward.

ENVIRONMENT AND CLIMATE IMPACT

Careful management of the ocean is a key feature of a sustainable future. As a seafood company, dependent on a healthy environment for its business operation, it is important for Andfjord Salmon to minimise its environmental footprint. Andfjord Salmon has in 2020 started the processes of carrying out an Environmental Risk Assessment (ERA) and an Environmental Impact Assessment (EIA), as required by Norwegian law and to comply with the requirement set out by Global G.A.P Aquaculture Standards. The EIA provides the basis for further risk assessment on the various environmental impacts of the company's future business operations. Andfjord Salmon will continue its work with the EIA and ERA in 2021.

Andfjord Salmon's business operations have the potential to impact the environment through emissions to air and sea, through waste generation stemming from production, as well as energy use from farming facilities and office buildings. The company's business activities have the potential to impact wildlife, specifically birds and fish species, the seabed, flora and fauna. Andfjord Salmon is continuously working to mitigate and minimise such risks.

As marine biodiversity is critical to the health of people and the planet, the ocean needs to be effectively managed. Andfjord Salmon should at all times abide by relevant laws and regulations in the areas in which it operates, including the Regulation on the Establishment and Expansion of Aquaculture Facilities, the Aquaculture Operations Regulations, the Aquaculture Act, the Nature Diversity Act, the Water Regulation Act, the Pollution Control Act, and Internal Control Regulations and municipal zoning plans. Additionally, the aquaculture legislation (IK-Akva) sets out requirements for environmental sustainability, animal health and welfare.

The company is committed to both ethical and statutory obligations governed by Norwegian legislation. All fish farming facilities operating in Norway have effluent permits distributed by the Norwegian environmental authorities, which control the amount of nutrients and organic materials that can be discharged from the facilities. This also applies to Andfjord Salmon. Samples from the seabed are taken regularly below and near the farms in order to monitor the environmental conditions, according to the Norwegian standard for environmental monitoring of benthic impact from marine fish farms (NS 9410). Environmental surveys carried out by the Norwegian Directorate of Fisheries shows that effluents of nutrients and organic materials from aquaculture are minor environmental problems in Norway.

Together with the Norwegian Institute of Bioeconomic Research (NIBIO), Andfjord Salmon has assessed possibilities for utilising fish sludge from the company's future production as a component in sustainable and high-quality products (including plant growth media, soil improvers and fertilisers) for use in agriculture, gardening and other related applications. The assessment concluded that the drying of fish sludge from Andfjord Salmon is the most pertinent treatment method.

An important tool in the company's environmental efforts is to obtain certification according to international standards. Andfjord Salmon will purposefully work with sustainability certification bodies in both Europe and the Americas such as Aquaculture Stewardship Council (ASC), which certifies farmed salmon according to strict and clearly defined environmental criteria. Additionally, the company aims to be certified according to Global G.A.P, which sets out standards for food safety.

PRODUCT INNOVATION

Fish health and welfare, such as protecting the fish from unnecessary stress and impact, are at the core of the company's innovation. Although Andfjord Salmon's farming facilities are not yet in operation, the company has in 2020 carried out extensive planning and testing to ensure optimal fish health and welfare for future production. Andfjord Salmon's fish welfare measures are comprehensive and focus on all aspects of the farming value chain, including feed and nutrition, respiration, thermal regulation, water quality, hygiene, disease management, behaviour control and social contact and rest, and the company's overall aim is to mimic the salmon's living conditions in the sea as much as possible.

Andfjord Salmon's technology provides robust barriers to limit escapes, and continuous water flow from deep waters will ensure that the salmon live in an environment where the presence of salmon lice and poisonous algae is close to non-existent. Also, reducing the amount of discharged biological waste and subsequently the risk of exposure to marine life from pollutants and other undesirable substances is important, as well as ensuring that the salmon have

access to nutritious and healthy food optimal for growth and with benefits for the immune system, heart, intestines and gills.

To ensure continuous and optimal fish welfare, Andfjord Salmon will monitor the water quality, including monitoring the presence of pathogens. An external supplier will conduct monthly sampling and screening for a range of fish pathogens. Andfjord Salmon is by law required to carry out such sampling six times a year but will do so every month to ensure the best possible living conditions for the salmon. In addition, once we start operations and we experience situations with increased mortality or suspected disease, we will carry out additional health check-ups, autopsies and analysis.

ENERGY USE

Efficient energy use is a top priority for Andfjord Salmon and is an important step in terms of lowering the company's environmental footprint. Energy consumption occurs throughout the value chain and is primarily linked to the use of office buildings and the providing energy to the fish pools. Andfjord Salmon relies on a waterborne heating system and a heat exchanger. The company's total energy use in 2020 was 43,59 MWh. This number is relatively low as the company is not yet in full operation.

ENERGY USE	MWH
Main Office Sortland	9,19
Testing Lab Sortland	25,57
Kvalnes, house (rental)	8,83
Total energy consumption	43,59

Table 1: Energy use in 2020

Many of the current land-based facilities for fish farming rely on water recycling as the standard technology (Recirculating Aquaculture Systems – RAS). Such systems require significant amounts of energy in order to remove ammonia, particulate matter and CO₂. Andfjord Salmon's technology is based on flow-through technology, which does not require energy to lift, clean, cool or heat up the water, and thus, there is no need for an energy intensive water treatment plant. As a result, the fish farming facility has low energy consumption and subsequently low emissions.

In 2020, a review of the energy consumption at Andfjord Salmon's facilities was carried out by SINTEF (a Norwegian independent research company focused on technology and innovation). The analysis shows that energy consumption for the company's start-up pool is estimated to be 1962.81 MWh/year. The start-up pool has a production capacity of 1000 tonnes biomass per year and a water flow of 18,300 m³/hr.

The table below gives an overview of the estimated energy use for our start-up pool with annual production capacity of 1,000 tonnes. Energy consumption associated with feeding systems is not included as it usually makes up a small part of energy consumption (<1%). In the future, Andfjord Salmon aims to generate its own energy at its facilities using wind power with an operating power of 30%, which will give an annual energy production of around 2102.4 MWh. In 2020, the company ordered an 800kW wind turbine, but this is not likely to be in operation until Q2 2022.

	MWH/YEAR	'TRADITIONAL' RAS TECHNOLOGY SYSTEM
Start-up pool pump	1 138.8	
Start-up pool lights	306.6	
O2 production	155.93	
Bandfilter secondary 0.2-20%	70.08	
Drying of fish waste	253.44	
Project office energy	30.66	
Cleaning robots	7.3	
Total energy use	1962.81	approx. 7 500
800 kW wind turbine	-2 102.4	

Table 2: Estimated energy use for Andfjord Salmon's start-up pool with annual production capacity of 1000t

GOALS AND TARGETS FOR 2021

- Start reporting on fish escape, survival rate, incidence of disease and observations of sea lice
- Start climate accounting on direct and indirect emissions
- Develop a biodiversity plan as a summary document of Andfjord Salmon positive and negative impact on the external environment

OCCUPATIONAL HEALTH AND SAFETY

Andfjord Salmon's employees are at the core of our value creation and essential to the company's operations and business success. Decent and safe working conditions are crucial for all employees to thrive at Andfjord Salmon, and it is therefore a key priority area for both the company and its stakeholders. Andfjord Salmon can directly and indirectly affect occupational health and safety through its policies, agreements and employee dialogue and engagement.

As a company headquartered in Norway, Andfjord Salmon operates according to the Norwegian Working Environment Act. The company has implemented a quality system for internal control regarding health and safety which is done through a web-based Environmental Quality System (EQS), developed by Extend. Due to the company being founded in 2020, Andfjord Salmon is currently in the process of establishing relevant health and safety documents, such as an Employee Handbook and safety brochures.

Andfjord Salmon's CEO and Operations Manager bear the ultimate responsibility for health and safety at the company. Due to the company's size and number of employees, Andfjord Salmon has not yet established a Working Environment Committee (WEC) but has appointed one safety representative who safeguards the interests of employees in matters relating to the working environment. Employees are also involved in the design and development of their own working environment and regularly participates in conversations with the Management Group.

Employees' health and safety is the company's highest priority in all its activities. Andfjord Salmon's goal is to have zero work-related injuries, and to achieve this goal, the company works systematically to promote an open safety culture and informing employees of possible risks relating to their tasks. Andfjord Salmon has established training procedures for employees, which aim to ensure the safety of employees and that all employees have the necessary up-to-date knowledge of the tasks that they will perform. The Operations Manager is responsible for assessing competence, training in the facility's operating routines and ensuring that internal communications regarding health and safety is functioning well.

Andfjord Salmon carries out training through external course providers and internal courses and gatherings. Both internal and external training is documented in the quality system and any course certificates are also uploaded here. All company procedures regarding HSE are available in the EQS. The software has a 'read and understood' function for any procedures and instructions, and if necessary, control questions can be asked before the Operations Manager can approve the training for the operators. The trainings cover a wide range of topics in line with the requirements set out in the Norwegian Working Environment Act, regulations and requirements from the Norwegian Food Safety Authority and requirements in the Global G.A.P standard.

As for any production environment, working at Andfjord Salmon could involve health and safety risks to employees, primarily related to the production facilities. Andfjord Salmon has carried out risk assessment to determine possible hazards related to the company's business operations, and risk assessments are documented through the EQS. Main risks include fall injuries, fall into pool or moat, drowning, and pinch points hazards. To mitigate such risks, the company has established preventive HSE measures, such as walkways around the entire pool and solid fencing of embankments. Protective equipment, safety equipment and rescue equipment are being planned and purchased and will be ready for when the company is in operation. Andfjord Salmon has also established strict working procedures together with the operators, which are described in the EQS.

Health and safety are and will always be important to Andfjord Salmon but has received increased attention in 2020 due to the on-going Covid-19 pandemic. The company is continuously monitoring to the latest development and follows all relevant laws, regulations and advise from national and local authorities regarding infection control and risk mitigation. To minimise the risk of infection, most of our employees have been working from home throughout the year.

To ensure a healthy and safe working environment, it is important to have a full overview of any work-related incident or injuries that may arise. Although the company did not have any production in 2020, Andfjord Salmon has developed a system for employees to report irregularities or incidents, which will be implemented when the facilities are up and running. Reporting can be done through the EQS system, or to the employee's nearest line manager.

Equally important to provide a healthy and safe working environment for employees is it to make sure that the health and safety of Andfjord Salmon's suppliers are considered when working on assignments for the company. Andfjord Salmon has an indirect opportunity to affect suppliers' working environment through our working descriptions and requirements outlined in our contracts with business partners. Suppliers that are currently involved in construction at the Kvalnes site have implemented a system for reporting incidents to the company.

No work-related incidents or injuries were reported in 2020.

GOALS AND TARGETS FOR 2021

- Complete Employee Handbook and relevant safety documents
- Distribute relevant safety documents to all employees
(KPI: percentage of employees who have read and signed the documents)
- Conduct safety trainings / safety drills with all employees
- Conduct quarterly workplace safety inspections once operations have started

SUPPLY CHAIN TRANSPARENCY AND CONTROL

Andfjord Salmon relies on third-party suppliers for production and distribution and is thereby directly and indirectly exposed to risks and opportunities in its supply chain. Delays, interruptions, quality issues, improper transport, handling and/or delivery, in addition to corruption or other unethical business conduct may have serious implications on the quality and perception of Andfjord Salmon and the company's products.

Andfjord Salmon has its own process for risk assessment, which draws upon the Norwegian Standard NS 5814 – Requirements for Risk Assessment, and regularly carry out meetings with all operators to identify potential risks in operations. All suppliers and business partners receive information on the company's policies and guidelines related to environmental, social and governance issues and all suppliers and business partners are screened for potential risks related to environmental, social and governance issues. Screening is based on the NS 9416, Global G.A.P and Aquaculture Stewardship Council (ASC). Andfjord Salmon relies upon similar guidelines and regulations from Norwegian Standards and Global G.A.P in all contracts with suppliers. NS 9416, a Norwegian Standard for fish escape prevention, is used for the farming facilities, as required by Norwegian law.

Headquartered in Norway, the company adheres to the Norwegian Working Environment Act as well as the Norwegian Penal Code. Norway is usually perceived as a low-risk country in terms of corruption, however, it is vital for Andfjord Salmon to have overview of any potential ethical breaches that may arise in its supply chain. According to the latest risk assessment that was carried out in December 2020, the biggest risks in Andfjord Salmon's supply chain are mainly related to transportation, including improper transport of the company's products or delays. To reduce such risks to an acceptable level, the company has established detailed guidelines for this which are outlined in contracts with suppliers and business partners.

Andfjord Salmon has not experienced any breaches of its policies or guidelines related to environmental, social or governance for suppliers in 2020, and the company has not terminated or discontinued any contracts with suppliers or business partners due to sustainability breaches in the reporting period.

GOALS AND TARGETS FOR 2021

- Annually measure and analyse potential risks in the supply chain
- Perform risk assessments of new suppliers or business partners
- Develop a company Code of Conduct describing our ethical guidelines and responsible business practice which is to be shared with employees and other stakeholders

LOCAL VALUE CREATION

Andfjord Salmon seeks to have a positive impact on the environment that the company operates within, both directly and indirectly. The company seeks to employ local labour when possible, and to contribute to local value creation through paying taxes to local authorities and by buying local goods and services.

In 2020, 16 of Andfjord Salmon's 17 employees were located at Vesterålen. Six employees were located at the head office in Sortland, twelve at the Kvalnes building site. One employee was commuting to Vesterålen from another region.

In the surrounding areas of Andøya, there is a well-developed industry for salmon farming with an already established infrastructure. Andfjord Salmon plans to benefit from excess capacity and competence through local partnerships throughout the value chain, which allows for a fully integrated business structure ranging from smolt production to end-customer. Andfjord Salmon has entered into an agreement to source smolt from Fjordsmolt AS, whereas external processing facilities nearby will perform the slaughtering and processing.

The company bought goods and services from local suppliers, such as LNS, Andøytorg and KK. Services includes construction, auditing and accounting, amounting to NOK 95 million in 2020.

The company is still in the investment phase and, therefore, had no payable tax in 2020, except from VAT and employer's tax.

GOALS AND TARGETS FOR 2021

- Further explore potential partnerships with local suppliers
- Continue to attract and retain local talent

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS


The Sustainable Development Goals described below are those that are considered most material to Andfjord Salmon.

GOAL	OUR CONTRIBUTION
	<p>In Andfjord Salmon, health and safety of our employees and suppliers, is the highest priority, everywhere and in all our activities. The goal is zero work-related injuries. To achieve this goal, we work systematically to establish an open safety culture.</p>
	<p>Andfjord Salmon aim to create great values for the region we are a part of. We will contribute strongly to innovation, research and competence enhancement in a broad perspective. Research and development is a key part of Andfjord Salmon's innovative power and will have the highest priority.</p>
	<p>Our employees are required to conduct business in accordance with the company's ethical guidelines. These ethical guidelines describe expectations for our employees, but also for our business partners.</p> <p>Andfjord will practise an open and trustworthy corporate governance. We will establish professional systems of accountability, oversight and control within the company. The shareholder is a very important stakeholder for us, to succeed with our great ambitions.</p>
	<p>We produce premium food and are committed to ensuring high quality in all parts of the company's production. The company therefore prefers to trade with suppliers that have established known quality management systems.</p>
	<p>Andfjord Salmon aims to avoid all the diseases related to sea lice. The Andfjord farming process also prevents the effect of toxic algae. The low density in the tanks, provides the very best fish welfare. Andfjord provides the cleanest seawater in the Arctic. The water is kept crystal clear in the farming facility, due to our innovative farming solution. All of these benefits produce salmon that thrive.</p>
	<p>The farming facility is tightly secured, to prevent any harm to the local stocks of salmon in the rivers. There are several salmon rivers on Andøya, and our farming facility will not have any negative impact on the wild stocks.</p>
	<p>Our vision is to write aquaculture history in the field of sustainable production. Our suppliers are required to document that they are actively working to reduce the effects of their operations on the external environment.</p>



Andfjord Salmon

www.andfjord.no / www.andfjordsalmon.com

A night-time photograph of a coastal town in a snowy, mountainous region. The sky is dark and filled with stars, with a vibrant green aurora borealis (Northern Lights) visible in the upper half of the frame. The aurora's light reflects on the water in the foreground. The town consists of several small, brightly lit houses with white walls and dark roofs, situated on a sandy beach. In the background, there are large, rugged mountains covered in snow. The overall scene is serene and picturesque.

Andfjord Salmon's location benefits from a deep-water vein of the warm Gulf Stream on the east coast of Andøya. This temperate vein provides oxygen-rich Arctic seawater.

FINANCIAL STATEMENTS

ANDFJORD SALMON AS
Org.nr.: 913 379 403

INCOME STATEMENT

ANDFJORD SALMON AS

OPERATING INCOME AND OPERATING EXPENSES

	Note	2020	2019
Other income		180 863	1 650 000
Total operating income		180 863	1 650 000
Salary and personnel expenses	1	10 342 618	3 977 066
Depreciation of tangible and intangible fixed assets	4	370 704	305 177
Other operating expenses	1	9 085 586	5 683 407
Total operating expenses		19 798 909	9 965 650
Operating profit/loss		-19 618 046	-8 315 650

FINANCIAL INCOME AND EXPENSES

Other financial income		838 273	1 934 894
Other financial expenses		409 703	13 778
Net financial income/expenses		428 570	1 921 116
Profit/loss before tax	5	-19 189 476	-6 394 534
Profit/loss after tax		-19 189 476	-6 394 534
Result for the year		-19 189 476	-6 394 534

BROUGHT FORWARD

Transferred from other equity		19 189 476	6 394 534
Net brought forward		-19 189 476	-6 394 534

BALANCE SHEET		ANDFJORD SALMON AS	
ASSETS	Note	2020	2019
FIXED ASSETS			
INTANGIBLE ASSETS			
Research and development	4	1 219 832	528 631
Total intangible assets		1 219 832	528 631
PROPERTY, PLANT & EQUIPMENT			
Land facilities for farming	4, 6	218 810 019	51 004 230
Machinery and plant	4	670 477	-
Plots and other land	4	3 822 693	3 823 708
Operating movable property, furniture, tools, other	4	538 366	30 063
Total property, plant & equipment	4	223 841 555	54 858 001
LONG-TERM FINANCIAL ASSETS			
Other receivables		159 390	0
Total long-term fixed assets		159 390	0
Total fixed assets		225 220 777	55 386 633
CURRENT ASSETS			
RECEIVABLES			
Accounts receivables		226 078	0
Other receivables	6	17 383 243	2 512 596
Total receivables		17 609 321	2 512 596
Cash and deposits	3	148 846 067	93 780 337
Total current assets		166 455 388	96 292 932
Total assets		391 676 165	151 679 565

BALANCE SHEET		ANDFJORD SALMON AS	
EQUITY AND LIABILITIES	Note	2020	2019
PAID-IN CAPITAL			
Share capital	2	35 791 900	29 874 400
Share premium reserve		318 345 305	116 935 784
Total paid-in capital		354 137 205	146 810 184
Total equity		354 137 205	146 810 184
NON-CURRENT LIABILITIES			
Other non-current liabilities	6	4 078 176	0
Total non-current liabilities		4 078 176	0
CURRENT LIABILITIES			
Trade creditors		29 788 856	4 145 138
Current tax liabilities		723 106	251 653
Other current liabilities		2 948 823	472 589
Total current liabilities		33 460 785	4 869 381
Total liabilities		37 538 961	4 869 381
Total equity and liabilities		391 676 165	151 679 565

Sortland, 22.04.2021
The board of Andfjord Salmon AS

Sign.	Sign.	Sign.
_____ Roger Mosand Chair of the board	_____ Tore Traaseth Board member	_____ Knut Roald Holmøy Board member
Sign.	Sign.	Sign.
_____ Bettina Flatland Board member	_____ Kim Strandenæs Board member	_____ Roy Bernt Pettersen Board member
Sign.		
_____ Martin Rasmussen CEO		

CASH FLOW STATEMENT		ANDFJORD SALMON AS	
	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ loss before income taxes		-19 189 476	-6 394 534
Depreciation	4	370 704	305 177
Change in accounts receivable		-226 078	167 055
Change in trade creditors		25 643 718	3 781 021
Changes in other accruals		-12 773 552	87 744
Net cash flows from operating activities		-6 174 685	-2 053 538
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment	4	-165 276 082	-51 361 868
Net cash flows from investment activities		-165 276 082	-51 361 868
CASH FLOWS FROM FINANCING ACTIVITIES			
Paid in capital		226 516 497	144 095 716
Net cash flows from financing activities		226 516 497	144 095 716
Net change in cash and cash equivalents		55 065 730	90 680 310
Cash and cash equivalents at the beginning of the period		93 780 337	3 100 026
Cash and cash equivalents at the end of the period	3	148 846 067	93 780 336

Equity capital

	Share capital	Share premium	Other equity capital	Total equity capital
As at 31.12.2019	29 874 400	116 935 784	0	146 810 184
As at 01.01.2020	29 874 400	116 935 784	0	146 810 184
Capital increase	5 917 500	220 598 997		226 516 497
Result for the year			-19 189 476	-19 189 476
Loss coverage		-19 189 476	19 189 476	0
As at 31.12.2020	35 791 900	318 345 305	0	354 137 205

ANDFJORD SALMON AS NOTES TO THE FINANCIAL STATEMENTS

Accounting principles

The annual accounts have been prepared in conformity with the provisions of the Accounting Act and good accounting practice.

TAX

The tax charge in the profit and loss account consists of tax payable for the period and the change in deferred tax. Deferred tax is calculated at the tax rate at 22 % on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values, and the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net. The net deferred tax receivable is entered on the balance sheet to the extent that it is likely that it can be utilised.

CLASSIFICATION AND VALUATION OF FIXED ASSETS

Fixed assets consist of assets intended for long-term ownership and use. Fixed assets are valued at acquisition cost less depreciation and write-downs. Long-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

Plant and equipment is capitalised and appreciated over the economic lifetime of the asset. Significant items of plant and equipment that consist of several material components with different lifetimes are broken down in order to establish different depreciation periods for the different components. Direct maintenance of plant and equipment is expensed on an ongoing basis under operating costs, while additions or improvements are added to the asset's cost price and depreciated in line with the asset. Plant and equipment is written down to the recoverable amount in the event of a fall in value that is not expected to be temporary. The recoverable amount is the higher of the net sales value and the value in use. Value in use is the present value of future cash flows related to the asset. The write-down is reversed when the basis for the write-down is no longer present.

CLASSIFICATION AND VALUATION OF CURRENT ASSETS

Current assets and short-term liabilities consist normally of items that fall due for payment within one year of the balance sheet date, as well as items related to the stock cycle. Current assets are valued at the lower of acquisition cost and fair value. Short-term liabilities are entered on the balance sheet at the nominal amount at the time of the transaction.

RESEARCH AND DEVELOPMENT

Expenses on research and development are capitalised to the extent one cannot identify a future economic benefit related to the development of an identifiable intangible asset and where the acquisition cost can be measured reliably. In the opposite case such costs are expensed as incurred. Capitalised research and development is depreciated on a straight line basis over its economic lifetime.

RECEIVABLES

Receivables from customers and other receivables are entered at par value after deducting a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the respective receivables. In addition an unspecified provision is made to cover expected losses on claims in respect of customer receivables.

CASH FLOW STATEMENT

The cash flow statement has been prepared using the indirect method. Cash and cash equivalents consist of cash, bank deposits and other short-term, liquid investments.

ANDFJORD SALMON AS

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Salary costs and benefits, remuneration to the chief executive, board and auditor**SALARY COSTS**

	2020	2019
Salaries	8 619 054	3 440 166
Employment tax	452 260	191 527
Pension costs	1 164 438	295 424
Other benefits	106 867	49 949
Total	10 342 618	3 977 066

Average number of man-years	10	5
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PENSION LIABILITIES

The company is liable to maintain an occupational pension scheme under the Mandatory Occupational Pension Act. The company's pension schemes satisfy the requirements of this Act.

REMUNERATION TO LEADING PERSONNEL

	2020					Total
	Salary remuneration	Board remuneration	Bonus	Pension costs	Other remuneration	
Martin Rasmussen, CEO	944 009	30 000	0	147 755	12 809	1 134 573
Roy Bernt Pettersen, Chairman	1 233 855	40 000	0	256 198	31 703	1 561 755
Knut Roald Holmøy, Board member	0	30 000	0	0	0	30 000
Tore Traaseth, Board member	0	30 000	0	0	0	30 000
Bettina Flatland, Board member	0	30 000	0	0	0	30 000

The chairman of the board during 2020 was also the CEO until 31 March 2020 and is still employed by the company, but is not part of the management team. Roger Mosand was appointed as the new Chairman of the Board 19 March 2021. Martin Rasmussen was appointed new CEO from 1 April 2020 and he was a board member until then.

AUDITOR

Remuneration to the auditor is distributed as follows:

	2020
Statutory audit	70 000
Other attestation services	29 890
Tax advice	50 910
Other non-audit services	222 962
Total	373 762

ANDFJORD SALMON AS

NOTES TO THE FINANCIAL STATEMENTS

Note 2 Shareholders**THE SHARE CAPITAL IN ANDFJORD SALMON AS AS OF 31.12 CONSISTS OF:**

	Total	Face value	Entered
Ordinary shares	29 874 400	1,00	29 874 400
Total		29 874 400	29 874 400

OWNERSHIP STRUCTURE

The largest shareholders in % at year end:

	Ordinary	Owner interest	Share of votes
Andfjord Holding AS	7 376 000	20,61	20,61
Middelborg Invest AS	2 832 036	7,91	7,91
KG Investment Comp AS	2 733 209	7,64	7,64
Skagerak Vekst AS	2 304 999	6,44	6,44
Karstein Gjersvik	1 657 100	4,63	4,63
UFI AS	1 642 097	4,59	4,59
OG Invest AS	1 123 800	3,14	3,14
EMT Invest AS	1 106 967	3,09	3,09
Verdipapirfondet DNB SMB	1 031 255	2,88	2,88
Pershing LLC	819 992	2,29	2,29
Blue Marine Invest AS	783 023	2,19	2,19
Euro TV AS	760 000	2,12	2,12
Sirius AS	740 000	2,07	2,07
Blinksmark AS	596 800	1,67	1,67
Okeanos Blue AS	555 393	1,55	1,55
Omniverse AS	465 850	1,3	1,3
Hermia AS	380 039	1,06	1,06
Total >1% ownership share	26 908 560	75,2	75,2
Total other	8 883 340	24,8	24,8
Total number of shares	35 791 900	100,0	100,0

SHARES OWNED BY THE DIRECTORS OF THE BOARD AND THE GENERAL MANAGER:

Name	Position	Ordinary
Martin Rasmussen, Mer Marin AS	CEO	125 000
Roy Bernt Pettersen, Andfjord Holding AS	chairman of the board	7 376 000
Tore Traaseth, Skagerak Vekst AS	member of the board	2 304 999
Knut Roald Holmøy, Eidsfjord Sjøfarm AS	member of the board	66 400
Bettina Flatland	member of the board	56 700

ANDFJORD SALMON AS

NOTES TO THE FINANCIAL STATEMENTS

Note 3 Bank deposits

	2020	2019
Funds standing on the tax deduction account (restricted funds)	537 720	192 190
Other cash and bank deposits	148 308 347	93 588 147
Cash and bank deposits	148 846 067	93 780 337
Other interest income	834 478	1 927 945

Note 4 Fixed assets

	Buildings and land	Plant and machinery	Fixtures and fittings
Purchase cost as of 01.01.20	3 543 617		57 945
+ Inflow purchased fixed assets	279 077	670 477	579 732
= Acquisition cost 31.12.20	3 822 694	670 477	637 677
Accumulated depreciation 31.12.20			99 310
= Book value 31.12.20	3 822 694	670 477	538 366
This year's ordinary depreciations			71 429
Economic life		10 years	3-10 years

	Land based fishfarm facility	Research and development	Total
Purchase cost as of 01.01.20	51 301 526	528 631	55 431 719
+ Inflow purchased fixed assets	168 105 064	691 201	170 325 550
= Acquisition cost 31.12.20	219 406 590	1 219 832	225 757 269
Accumulated depreciation 31.12.20	596 571		695 881
= Book value 31.12.20	218 810 019	1 219 832	225 061 388
This year's ordinary depreciations	299 275		370 704

Note 5 Tax

This year's tax expense	2020	2019
Entered tax on ordinary profit/loss:		
Payable tax	0	0
Changes in deferred tax assets	0	0
Tax expense on ordinary profit/loss	0	0

Taxable income:		
Ordinary result before tax	-19 189 476	-6 394 534
Permanent differences	-19 067 635	-6 394 534
Changes in temporary differences	4 678 514	120 111
Taxable income	-33 578 597	-12 621 880

ANDFJORD SALMON AS

NOTES TO THE FINANCIAL STATEMENTS

Note 5 Tax continued

Payable tax in the balance:		
Payable tax on this year's result	0	0
Total payable tax in the balance	0	0

The tax effect of temporary differences and loss for to be carried forward that has formed the basis for deferred tax and deferred tax advantages, specified on type of temporary differences

	2020	2019	Difference
Tangible assets			
Allocations and more	50 423	-21 063	-71 486
Total	-5 000 000	-250 000	4 750 000
Accumulated loss to be brought forward			
Not included in the deferred tax calculation	-54 909 284	-21 330 687	33 578 597
	59 858 861	21 601 750	-38 257 111
Deferred tax assets (22 %)			
Deferred tax not included in the balance sheet.	0	0	0

Note 6 Government grants

Andfjord Salmon AS will receive NOK 4 750 000 in grants from Skattefunn in connection with the tax settlement for 2020. The amount is included in other receivables at year end 2020. Of this, NOK 4 078 176 is classified as other noncurrent liabilities, at this amount relates to a Skattefunn project where the conditions are such that the grant must be repaid if the project becomes commercially profitable. The company expects the fish farm to be commercially profitable in the future. The remaining grants from Skattefunn are accounted for as a reduction of property, plant and equipment in the balance sheet and will affect profit and loss in line with depreciation of the assets.

In 2019 the company received NOK 0 in grants.



Andfjord Salmon's facility is located on beautiful Andøy, the northernmost island of the Arctic Archipelago of Lofoten, Vesterålen.

Bleiksøya Island towers 160 metres (525 feet) out of the sea about a kilometre (0.6 miles) offshore from the fishing village of Bleik and is almost perfectly cone-shaped. Safe from predators on land, several hundred thousand sea birds breed here every summer. Safari services are provided to the island during the breeding season in the summer.

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Andfjord Salmon AS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Andfjord Salmon AS, which comprise the balance sheet as at 31 December 2020, the income statement, statements of cash flows and 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 have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2020 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.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) is responsible for the other information. Our opinion on the audit of 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 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, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (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 law, regulations and generally accepted auditing principles in Norway, including 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 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 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 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.

We communicate with those charged with governance 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.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Tromsø, 22 April 2021
ERNST & YOUNG AS

Kai Astor Frøseth
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Andfjord Salmon

www.andfjord.no / www.andfjordsalmon.com