CONSOLIDATED INTERIM STATEMENT

(P

First half 2021 results





Icelandic Salmon AS Industriveien 51 7266 Kverva - Norway

Icelandic Salmon AS

Consolidated Interim Statement first half 2021 results

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THIS IS ICELANDIC SALMON

Icelandic Salmon AS owns all shares and is the parent company of Arnarlax ehf., the largest fish farmer and producer of Atlantic salmon in Iceland. The parent company's shares are listed on Euronext Growth Oslo. In this report, the parent company and Arnarlax ehf. with subsidiaries are collectively referred to as "the Group" or "Icelandic Salmon". "Arnarlax" also refers to the brand under which the Group's operations and products are marketed.

While the parent company is registered in Norway, Arnarlax ehf. has its headquarters in the Icelandic village Bíldudalur. It has been engaged in fish farming since 2010. The Group's farming facilities are strategically located in the beautiful Icelandic West Fjords of Iceland, a region that is well sheltered with stable and moderate sea temperatures and good tidal currents, creating favourable conditions for salmon farming.

The Group is considered a leading salmon farmer in Iceland, controlling the entire value chain from hatchery to sales. The vertically integrated value chain is illustrated below:

Smolt Facilities	Seawater	Harvesting	Sales
Four smolt facilities with a combined capacity of 4.5 million smolt	Farming license of MAB 25,200 tonnes in six ASC certified sites in three fjords	Harvesting plant in Bíldudalur with yearly harvesting capacity of 30,000 tonnes	Sales are conducted by the Group's internal sales organization to both domestic and global markets

From the early days, the foundation of Arnarlax's operations has been **"sustainability in harmony with nature"**.

> This implies being focused on three main values: **Fish welfare, the environment, and people:**



Fish welfare

Good fish welfare is the foundation of Arnarlax' operations. Arnarlax works systematically to create an environment in which the salmon thrives and remains healthy



Environment

Arnarlax believes in preserving the seas for future generations. The company minimizes its footprint with measures and routines throughout the entire value chain



Community

Arnarlax believes in creating local value and safe workplaces and support the communities where they operate. Teamwork makes us stronger.



A GLOBAL BRAND - SUSTAINABILITY IS IN OUR NATURE

"Arnarlax – Sustainable Icelandic Salmon" is the global trademark of the Group's operations and all its products.

Quality conscious customers around the world want food that is good not only for them, but also for the planet, attributes which sit well with the Arnarlax brand.

In remote and untouched Icelandic fjords, the Group farms the most sustainable salmon possible with a great authentic taste and superior texture.

Arnarlax salmon has developed strength, stamina and fitness, thriving in demanding natural conditions of clean arctic water and is farmed with energy from renewable sources in Iceland.

Icelandic fish farming regulations are among the strictest in the world. Above and beyond industry standards, the Group constantly strives to improve fish health, reduce environmental impact, and add value to the community in Iceland.

GROUP MANAGEMENT

The Group's senior management team consists of seven individuals which collectively possess unique industry competence and first-hand knowledge of fish farming in Iceland. The management works closely with Icelandic Salmon's largest owner, SalMar, one of the leading and most efficient producers of farmed salmon in the world. Arnarlax participates actively in developing local educational programs within aquaculture as well as running its own Arnarlax Academi developing leadership and company culture.

The Group management consist of the following members:



Bjørn Hembre CEO



Rolf Ørjan Nordli COO of Biology



Silja Baldvinsdóttir Quality Manager



Jónas Heiðar Birgisson CFO



Hannibal Hafberg COO of Harvest Plant



Jón Garðar Jörundsson COO of Business Development



Kjersti Haugen COO of Sales

HIGHLIGHTS IN THE FIRST HALF OF 2021

- » Icelandic Salmon had operating revenues of EUR 35.42 million and an operational EBIT of EUR 3.43 million with an EBIT/kg harvest of EUR 0.71 in the first six months of 2021. Continued attention to cost efficiency and increased market prices have contributed to the good financial result.
- » Total own harvest in the period was 4,848 tonnes, and biological performance improved especially on mortality and growth rate. Low lice levels recorded and no delicing required.
- » Two arctic char facilities were acquired in the period. Conversion to smolt production is underway and will increase the Group's total smolt capacity with approximately 800,000 smolt in 2022 and 1,500,000 smolt in 2023. A new barge and a service boat were delivered, further extending the Group's production capabilities.
- » A new three-year loan agreement with DNB and Arion Bank was entered into, replacing a previous

long-term loan which matured in December 2021. The refinancing is securing the Group better financial flexibility.

- » Icelandic Salmon has invested in and prepared for launch of the brand Arnarlax – Sustainable Icelandic Salmon. Launched in Q3 2021, the new brand will be instrumental in the Group's efforts to differentiate its products and break into new markets.
- » With Icelandic super chill technology, Icelandic Salmon has continued to expand a new export route by boat to the US, with lower carbon footprint and less cost than airfreight. The Group also signed a contract with a local partner for production of pre-rigor filet, which is a new product for Icelandic Salmon.
- » Icelandic Salmon expects to harvest 14,000 tonnes of salmon in 2021.

Key figures for Icelandic Salmon

EUR million	H1 2021	H1 2020	FY 2020
Operating revenue	35.42	35.37	61.84
Operational EBITDA	6.20	2.58	2.75
Operational EBIT	3.43	-0.49	-4.71
Production tax*	0.42	0.33	0.65
Fair value adjustments	0.76	-4.34	7.66
Profit/loss before tax	2.95	-6.88	-1.40
NIBD	23.42	45.28	17.41
Equity ratio	73%	51%	75%
Harvested volume from own production (tonnes)	4,848	5,954	11,228
Operational EBITDA/kg	1.28	0.43	0.24
Operational EBIT/kg	0.71	-0.08	-0.36

* Production tax comprises fees paid to the Icelandic Food and Veterinary Authority's environmental fund and resource tax paid to Directorate of Fisheries.



REPORT FOR THE FIRST HALF OF 2021

The Directors present their comments on the Group's financial performance for the first half of 2021.

Group overview

Icelandic Salmon AS, in this report referred to as the "Company", is the sole owner and parent company of Arnarlax ehf., a company incorporated in Iceland. The Company and its various subsidiaries are collectively referred to as the "Group" or "Icelandic Salmon". All operational activities in the Group are performed in Arnarlax ehf. and its subsidiaries. One of the smolt facilities are owned 50/50 with another Icelandic fish farmer.

This organizational structure enables the Group to operate a well-developed and fully integrated value chain, controlling all steps from hatchery to sales, from smolt production, through salmon farming, harvesting, and distribution to the end customer.

The business

The Company's shares are listed on the Euronext Growth under the ticker ISLAX. The Group has licenses covering 25,200 tonnes of maximum allowed biomass. They are all located in the southern part of the Icelandic Westfjords region.

The Group is vertically integrated along the value chain from hatchery to sales. The Group operates the only salmon harvesting facility in the Westfjords region, a key operational asset in the Group's value chain, with a total harvesting capacity of 30,000 tonnes per year. In addition, the Group operates four smolt facilities.

Revenues and results

Icelandic Salmon experienced positive development in biology in the first half of 2021, mainly related to reduced mortality and a better growth rate. A change of harvest strategy with lower biomass into the winter season and lower density in the cages, contributed to the improved results.

Icelandic Salmon generated gross operating revenues of EUR 35.42 million in the first six months of 2021, compared to EUR 35.37 million in the first half of 2020.

The Group harvested 4,848 tonnes own fish in the first half of the year. In comparison, the Group harvested 5,954 tonnes in the first half of 2020. In addition, Icelandic Salmon harvested 5,620 tonnes for third-party, compared to 1,665 tonnes in the first half of 2020.

The price of salmon (NASDAQ Salmon Index) in the first half of 2021 averaged EUR 5.71, compared with EUR 5.95 last year. The price developed positively starting at EUR 4.39 per kilo at the beginning of the period and ending at EUR 5.75 per kilo at the end. The majority of the fish was harvested towards the end of the period leading to a favourable price achievement.

Operational EBIT for the first six months of 2021 totalled EUR 3.43 million, up from a negative operational EBIT of EUR 0.49 million in the first half of 2020. This gives an Operational EBIT per kilo of EUR 0.71. In the first half of 2020, the Group had a negative EBIT per kilo of EUR 0.08.

Operating profit for the first six months of 2021 was EUR 3.77 million, including a positive EUR 0.76 million fair value adjustment (see note 3 to the Financial Statement on page 23 for details). The Operating profit for the first six months of 2020 was negative by EUR 5.16 million, including negative EUR 4.34 million in fair value adjustment.

Net interest expenses totalled EUR 0.86 million in the period, compared with EUR 1.04 million in the first half of 2020. Net other financial expenses was EUR 0.35 million in the period, bringing the total profit before tax to EUR 2.96 million. The corresponding loss for the same period in 2020 was EUR 6.88 million.

Cash flow

In the first six months of 2021, net cash flow from operating activities was EUR 2,033 million compared with EUR 11.4 millions in the same period last year.

In the first half of 2021, the Group acquired two new smolt facilities, one at Hallkelshólar and one in Þorlákshöfn, with cash flow affect of EUR 1.32 million in the period. Total investments in the first half of 2021 were EUR 6.8 million

On June 30, Arnarlax signed a new EUR 56.0 million three-year loan agreement with DNB and Arion Bank. This loan replaced the previous long-term credit arrangement which would have expired in December 2021, and which therefore had been reclassified as short-term debt.

Financial position

At the close of the first half of 2021, the balance sheet totalled EUR 152.69 million, an increase of EUR 8.62 million from the end of 2020.

The increase is mainly related to increased fixed and right of use assets of EUR 6.38 million mostly due to arrival of new barge and service boat, an increase value of biological assets of 3.90 million, and an increase in other intangible assets of EUR 0.98 million.

Total cash and cash equivalents were reduced from EUR 3.05 million at the end of 2020 to EUR 2.45 million at the end of the first half of 2021.

Total non-current interest-bearing liabilities increased by EUR 25.33 million in the period, from EUR 1.44 million at the end of 2020 to EUR 26.77 million six months into 2021. The increase is mainly related to the new three-year loan agreement with DNB and Arion Bank of EUR 56 million, for refinancing of current interest-bearing liabilities which had maturity in December 2021. Consequently, total current liabilities declined to EUR 15.18 million at the end of June 2021, compared to EUR 34.45 million at the end of 2020. Lease liabilities increased to EUR 3.78 million with the arrival of new barge and land rental for one of the smolt facilities.

Total equity at 30 June 2021 was EUR 110.74 million, up from EUR 58.14 million one year earlier and EUR 108.18 million at the end of 2020.

OPERATIONS, MARKET AND STRATEGY

Operational performance

In the first half of 2021, the total harvest in Arnarlax facilities were 10,468 tonnes. Icelandic Salmon harvested 4,848 tonnes, while 5,620 tonnes were harvested for third parties.

The Group's operational EBIT per kilo was EUR 0.71, compared to negative EUR 0.08 per kilo in the same period in 2020.

The positive development in EBIT per kilo is partly a result of lower costs due to improved biological performance with lower lice levels, lower mortality, and improved growth rates, and partly a result of a positive development in the spot market for Atlantic salmon and higher achieved price.

The price for Atlantic salmon (NASDAQ Salmon Index) started at EUR 4.39 per kilo at the beginning of the year and ended at EUR 5.75 per kilo at the end of June. A relatively high portion of the Groups volume was harvested at the end of the period resulting in a solid price achievement.

During the first half of 2021 the Group released 1,600,000 smolt to sea with an average weight of 252 gram, compared with 867,000 smolt with an average 150 gram weight in the 2020. The 2021 generation of smolt, which is expected to be harvested in 2022 and 2023, have shown a positive development so far.

Icelandic Salmon expects to start harvest of the 2020 generation in November 2021 and to harvest a total of 14,000 tonnes of own Icelandic salmon in 2021.

Market and strategy

Total production of Icelandic salmon has close to ten folded from 3,500 tonnes in 2010 to approximately 33,000 tonnes in 2020. The expected production in 2021 is close to 40,000 tonnes or over 20 percent growth year on year. Of this total production, Icelandic Salmon will account for approximately 36 percent, making it the largest farmer and producer of Atlantic salmon in Iceland. In this positive market environment, the Group is determined to strengthen its position and grow its business further.

The Group's decision to invest in and launch the new brand Arnarlax – Sustainable Icelandic Salmon should be seen in this context. The new brand will be instrumental in the Group's efforts to differentiate its products and break into new markets with potentially higher market share and margins.

During the first six months of the year, the Group further strengthened its management team by appointment of two new senior officers who will play key roles in the further operational and strategic development of the Group. The management team presented on page 5 in this report features broad experience from the seafood industry in Iceland and abroad.

Focus on sustainability

Icelandic Salmon has a natural and sustainable concept of salmon farming in pristine Arctic waters, which will be promoted with the new brand. The Group has established strict quality standards and aims to be an efficient producer of first-class product. This goal can only be achieved through sustainable biological production and with a strong commitment to farming salmon in conditions most conducive to their wellbeing.

In the first half of 2021, Icelandic Salmon continued to expand a new transport route to the US Market by boat. With super chill technology at Icelandic Salmon's harvesting facility, the salmon has improved shelf life, compensating for the relatively longer transport time. Transport by boat has significantly lower cost and less emissions than airfreight.

In May 2021, Icelandic Salmon presented its first sustainability report. The numbers stated in this report has undergone third-party verification. The bulk of this report is divided into the three central pillars on which the Group rests its thinking about sustainability throughout the value chain: Fish welfare, the environment, and community. For more information about Icelandic Salmon's sustainability efforts please find the 2020 sustainability report at the Group's website <u>arnarlax.is</u>.

Further Growth

The Group today holds licenses of 25,200 tonnes maximum allowed biomass in the southern part of the Icelandic Westfjords: Arnarfjörður, Patreksfjörður and Tálknafjörður.

The Group is in the process of applying for a 10,000 tonnes license in Ísafjarðardjúp and a 4,500 tonnes expansion of an existing license in Arnarfjörður. The license application in Arnarfjörður is in an appeal process from which results are anticipated by the end of 2022, either through a licence process or new implemented auction process. The group expects to have license in Ísafjörður issued before year end 2021.

In May, Arnarlax announced that it had acquired two smolt/post-smolt facilitates in Hallkelshólar and in Þorlákshöfn respectively. The acquisition of the two facilities is an important strategic milestone for the Group, allowing for an increase in production of up to 800,000 smolts in 2022 and 1.5 million smolts from 2023 onwards. Following the expected license conversion to salmon smolt production, the estimated increase in total harvest volume should be about 7,000 tonnes, based on the output from the two acquired facilities.

In May, Icelandic Salmon signed a contract for production of pre-rigor filet with a local partner in the West Fjords. This is a new product under the Arnarlax brand.

Price and exchange rates achieved

Atlantic salmon was traded at EUR 4.39 pr kilo at the start of the year (NASDAQ Salmon Index). Prices then increased steadily to a high of 7.43 in the middle of May before falling back to 5.75 in the end of June.

The average salmon price per kilo in the period came to EUR 5.71, compares to an average price per kilo of EUR 5.95 in the first half of 2020.

The ISK strengthened against the most important trading currencies in the first half of 2021, increasing the domestic operational cost. ISK strengthened 6.25 percent against EUR and 2.53 percent against USD compared to the end of 2020. Icelandic banks predict that ISK will continue to strengthen going into the second half of 2021.



Price development H1 EUR/kg.



Shares and shareholders

At the close of the first half of 2021 Icelandic Salmon AS had a total of 30,961,868 shares outstanding divided between 272 shareholders.

The Company's major shareholder, SalMar ASA owned 51.02 percent of the shares. Approximately 18 percent of the outstanding shares were controlled by Icelandic citizens. Gildi, one of the largest pension funds in Iceland and Stefnir, a leading Icelandic Asset Management group owned by Arion banki, came in as cornerstone investors in Icelandic Salmon during Merkur listing 4Q 2020. The 20 largest shareholders owned a total of 91.73 percent of the shares. See note 8.

The Company's share price fluctuated between NOK 112 and NOK 125 in the first half of 2021. The closing price at the end of the period was NOK 123, compared with 116 in the beginning. This corresponds to an increase of six percent.

Risk factors

The Group has risk management as a function within the daily operation. The group has been developing and implementing systems and routines to monitor important factors in the Group's operation and is constantly working to improve this further.

Each Group's officer is responsible to ensure that the Group is operating accordingly to the legislation standards and own operational guidance. The CEO has the responsibility of providing the officers with reasonable resources and follow-up of the implementation and/or monitoring those factors.

Operational risk

The risk that the Group sees as the most important for the operation are the risks related to the biological assets of the company. Biological risk will always be a big risk factor for the Group in relation to mortality, stemming from health risks, sea lice, winter wounds and or any other mortality risk factors that the Group might face.

The Group has identified mortality due to winter wounds to be one of the main risk factors in relation to the biological assets. Another risk factor is the mortality in the Group's hatcheries. The Group will continue to work daily to optimize the hatcheries production to lower mortality.

Fish health is always a risk for the salmon industry and the Group has implemented procedures to minimize the risk of diseases to be spread between areas. This is very important to the Group, not least because it seeks to safeguard the unique position when it comes to infectious diseases in Iceland, where the natural environment is sound, and the region is low on disease.

Many of the salmon diseases known elsewhere are unknown in Iceland. This unique feature of Iceland means that Arnarlax can operate in near diseasefree areas with pristine nature and low healthtreatment cost. To preserve that status, the Group has implemented standards which minimize the risk of disease so spread to Iceland. The Group uses no antibiotics during the production cycle.

Market price risk and Covid-19

In recent years, market volatility has resulted in substantial fluctuations in the salmon price on relatively short notice. The Group is directly exposed to such fluctuations since most of the Group's sales are through spot prices.

The continued presence of the Coronavirus and the many public health measures implemented worldwide have added to the market uncertainty and may also bring setbacks in the market and uncertainty about the fair value of biological assets in the future. The company is taking every possible measure to be able to respond quickly and mitigate negative impact of such situations.

Outlook

In the first half of 2021, the salmon market has demonstrated resilience to the uncertainty created by Covid-19. The roll-out of vaccines around the world gives further considerable grounds for optimism about the future. As of 6 August 2021, Fish Pool forward prices indicate an average price for Atlantic salmon of EUR 5.74 per kilo for the second half of 2021 and EUR 6.23 per kilo for the first half of 2022.

The launch of the new brand and the recent opening of a new shipping route to the US will create new opportunities for Icelandic Salmon in the market, and the shift towards bigger smolt is expected to further improve the overall biological performance. Cost levels in the second half of 2021 is expected to remain at the same level as in the first half of the year.

Icelandic Salmon maintains its estimate of total production for 2021 of 14,000 tonnes of Icelandic salmon

STATEMENT OF THE BOARD OF DIRECTORS

We declare that, to the best of our knowledge, the half-year financial statements for the period 1 January to 30 June 2021 have been prepared in accordance with IAS 34 – Interim Reporting, and that the information contained therein provides a true and fair view of the Group's assets, liabilities, financial position, and overall results.

We further declare that, to the best of our knowledge, the half-year report provides a true and fair view of important events that have taken place during the accounting period and their impact on the half-year financial statements, as well as the most important risks and uncertainties facing the business in the forthcoming accounting period

Bíldudalur, August 26th 2021

Fan an

Kjartan Olafsson, Chairman of the Board

Three S. Romulal

Trine Sæther Romuld, Member of the Board

Espen Weyergang Marcussen, Member of the Board

Leif-Inge Nordhammer, Member of the Board

Olav Andreas Ervik, Member of the Board

Bjørn Hembre, CEO



CONSOLIDATED INTERIM FINANCIAL STATEMENTS ICELANDIC SALMON AS



Statement of comprehensive income

Amounts in 1000 EUR

For the periods ending	Note	H1 2021	H1 2020	FY 2020
Revenue from contracts with customers	2	35,420	35,375	61,842
Total operating revenue		35,420	35,375	61,842
Cost of smolt, feed and other direct cost		18,386	22,702	38,195
Salary and personnel expenses		5 ,745	4,574	9,866
Other operating expenses		5,089	5,518	11,034
Depreciation and amortization		2 ,775	3,068	6,813
Operational EBIT*		3,426	-487	-4,066
Production tax		-416	-326	-648
Fair value adjustments of biomass	3	755	-4,344	7,657
Operating profit (loss)		3,766	-5,157	2,943
Income from investments in joint ventures		-301	0	-626
Financial items				
Finance income		78	70	147
Finance expense		-939	-1,110	-2,451
Currency gains (losses)		351	-679	-1,411
Net financial items		-510	-1,719	-3,715
Profit (loss) before tax		2,955	-6,876	-1,398
Tax		640	-1,370	554
Net profit (loss) for the year		2,315	-5,506	-1,952
Net profit (loss) for the period attributable to:				
Equity holders of the parent company		2,315	-5,506	-1,952
Other comprehensive income				
Items which may subsequently be reclassified to prof	fit or loss			
Translation differences in associates		77	0	-316
Translation differences in subsidiaries		0	-2,361	-759
Other comprehensive income for the year		77	-2,361	-1,076
Total comprehensive income for the year		2,393	-7,867	-3,027
Total comprehensive income attributable to:				
Equity holders of the parent company		2,393	-7,867	-3,027
Earnings per share ("EPS"):				
Basic and diluted (EUR Per share)		0.07	-0.21	-0.07

*Operational EBIT = Profit (loss) before fair value adjustment and production tax.

Statement of financial position

For the periods ending	Note	30/06/2021	30/06/2020	31/12/2020
Assets				
Non-current assets				
Property, plant & equipment		47,109	42,897	44,382
Right-of-use assets	4	5,646	1,007	1,995
Goodwill		19,332	19,321	19,320
Other intangible assets	5,6	979	0	0
Investments in joint ventures		1,343	2,201	1,567
Other long-term receivables		4,850	3,779	3,971
Deferred tax assets		3,000	4,991	3,677
Total non-current assets		82,259	74,196	74,912
Current assets				
Biological assets	3	57,657	30,529	53,754
Other inventory	3	3,532	3,825	5,150
Trade receivables		4,361	2,963	6,130
Other receivables		2,427	1,700	1,069
Cash and cash equivalents		2,453	1,199	3,050
Total current assets		70,429	40,216	69,152
Total assets		152,688	114,412	144,065



Statement of financial position

For the periods ending	the periods ending Note 30/0		30/06/2020	31/12/2020
Equity and liabilities				
Equity				
Paid-in equity				
Share capital	8	29,571	24,390	29,571
Share premium fund		90,622	47,040	90,622
Other paid-in equity		130	9	130
Other equity		-9,586	-13,295	-12,146
Total equity		110,738	58,144	108,178
Liabilities				
Non-current liabilities				
Non-current interest-bearing debt	7	22,100	41,977	0
Lease liabilities	4	4,670	164	1,442
Total non-current liabilities		26,769	42,141	1,442
Current liabilities				
Current interest-bearing debt	7	3,778	4,497	20,462
Current lease liabilities	7	929	1,011	460
Trade payables		5,708	5,892	9,744
Other current payables		4,767	2,728	3,779
Total current liabilities		15,181	14,128	34,445
Total liabilities		41,950	56,268	35,887
Total equity and liabilities		152,688	114,412	144,065

Statement of cash flow

Statement of cash flow	H1 2021	H1 2020	FY 2020
Cash flow from operating activities:			
Profit (loss) before tax	2,955	-6,876	-1,398
Depreciation and amortization	2,775	3,068	6,813
Share of profit (loss) from joint ventures	301	0	626
Currency exchange and other items	255	0	875
Interest expenses (debt/borrowings and leases)	939	964	2,451
Change in fair value adjustments biomass	-755	4,344	-7,657
Change in inventory, payables, receivables and biomass at cost	-4,437	9,885	-739
Net cash flow from operating activities	2,033	11,385	970
Net cash flow from investing activities	- 6,761	-6,017	-9,876
Cash flow from financing activities:			
New interest-bearing debt	7,000	0	12,935
Repayment of interest-bearing debt	- 1,692	-3,631	-42,752
Payment of principal portion of lease liabilities	-307	-1,117	-1,818
Interest paid (debt/borrowings and leases)	- 870	-964	-2,309
Issue of new Shares	0	0	44,168
Net cash flow from financing activities	4,131	-5,712	10,224
	507	277	1 210
Net change in cash and cash equivalents	-597	-344	1,319
Foreign exchange effects	0	-189	0
Cash and cash equivalents as at 1 Jan	3,050	1,731	1,731
Cash & cash equivalents as at period end	2,453	1,199	3,050

Statement of changes in Equity

		C 1		Other e	quity	
2020	Share capital	Share premium fund	Other paid-in equity	Translation differences	Retained earnings	Total equity
Equity as at 1 Jan 2020	26.982	52.039	9	-143	-12.811	66.076
Net profit (loss) for the year	0	0	0	0	-1.952	-1.952
Other comprehensive income	0	0	0	-1.076	0	-1.076
Total comprehensive for the year	0	0	0	-1.076	-1.952	-3.027
Issued new shares	4.011	40.157	0	0	0	44.168
Retranslation of paid in capital	-1.422	-1.573	0	0	2.995	0
Other changes	0	0	119	0	718	837
Translation difference	0	0	2	0	0	2
Share-based payments	0	0	0	0	122	122
Other transactions	2.589	38.584	121	0	3.835	45.129
Equity as at 31 Dec 2020	29.571	90.622	130	-1.219	-10.927	108.178

		Other equity				
2021	Share capital	Share premium fund	Other paid-in equity	Translation differences	Retained earnings	Total equity
Equity as at 1 Jan 2021	29,571	90,622	130	-1,219	-10,927	108,178
Net profit (loss) for the period	0	0	0	0	2,315	2,315
Other comprehensive income	0	0	0	77	0	77
Total comprehensive for the period	0	0	0	77	2,315	2,393
Other changes	0	0	0	-188	274	86
Translation difference	0	0	0	-2	12	9
Share-based payments	0	0	0	0	72	72
Other transactions	0	0	0	-190	357	167
Equity as at 30 June 2021	29,571	90,622	130	-1,331	-8,255	110,738



NOTES TO THE FINANCIAL STATEMENTS

1 Accounting principles

These consolidated financial statements have been prepared in accordance with International Accounting Standards 34 Interim Financial Reporting. The consolidated statements have been prepared on the historical cost bases excepted for biological assets, which is measured at fair value with gain and losses recognized in profit or loss.

The same accounting policies and classification have been followed in these financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020. A full description of all material accounting principles used in the most recent annual consolidated financial statements is given in the Group's 2020 annual report, which is available on <u>www.arnarlax.is</u>. The Group has not early adopted any standards, interpretation or amendment with effective date after 1 January 2021. There are no new standards or amendments in short term perspective which have been issued, but are not yet effective, that are considered to have an impact on the Group. The interim financial statements are unaudited.

To increase the value of information disclosed in the notes to the consolidated financial statements, information disclosed in the notes are relevant and material. That means that information that are neither relevant nor material for the reader are not disclosed.

2 Operating revenue and segmentation

The Group owns and operates fish farming in the Icelandic fjords. The Group operates and manages its business as one operating segment based on the manner in which the Chief Executive Officer, the Group's chief operating decision maker, assesses performance and allocates resources across the Group. The segment reporting is therefore identical to the Group consolidated financial statements presented in this interim report.

Revenue recognized at point in time (sales of goods) and revenue recognized over time (other revenue) is specified in table below.

Specifications of revenue:	H1 2021	H1 2020	FY 2020
Sales of goods	31,106	32,954	55,297
Other revenues	4,314	2,421	6,545
Revenue from contracts with customers	35,420	35,375	61,842

Sales of goods:

Sales of goods consist of revenue from sales of salmon, either on spot sales or from fixed price contracts. Revenue from sales of salmon is recognised at the point in time when control of the goods is transferred to the customer.

Other revenue:

Other revenue is mostly from harvesting services for third party but also contain reimbursed cost, charges and sales of other items than fish.

Disaggregated revenue from contracts with customers

The Group's revenue from contracts with customers has been disaggregated and presented in the table below:

Group revenues by geographic market:	H1 2021	%	H1 2020	%	FY 2020	%
Europe, excl. Norway	29,183	82.4%	32,613	92.2%	52,286	84.5%
USA	3,105	8.8%	1,131	3.2%	2,900	4.7%
Norway	1,052	3.0%	0	0.0%	4,154	6.7%
Other	2,080	5.9%	1,631	4.6%	2,502	4.0%
Revenue from contracts with customers	35,420	100.0%	35,375	100.0%	61,842	100.0%

3 Biological assets and other inventory

Amounts in 1000 EUR

Book value of biological assets and other inventory	30/06/2021	30/06/2020	31/12/2020
Raw materials	3,341	1,804	2,700
Boxes	20	11	39
Finished Products	171	2,010	2,411
Total other inventory	3,532	3,825	5,150
Biological assets	57,657	30,529	53,754
Total biological assets and other inventory	61,189	34,354	58,903

Write-downs

Cost of finished products recognized as an expense in respect of write-downs of inventory to net realisable value.

Write-downs	H1 2021	H1 2020	FY 2020
Write downs within period	95	0	85

Fair value

Fair value adjustments are part of the Group's operating profit/loss, but changes in fair value are presented on a separate line to provide a greater understanding of the Group's profit/loss on sold goods. The item comprises:

Fair Value	H1 2021	H1 2020	FY 2020
Change in fair value of the biomass	755	-4,344	7,657
Recognized fair value adjustments	755	-4,344	7,657

Book value of biological assets recognized at fair value	30/06/2021	30/06/2020	31/12/2020
Biological assets held at sea farms at cost	44,147	28,971	40,479
Fair value adjustment of biological assets	9,487	-3,270	8,732
Total biological assets held at sea by fair value	53,634	25,701	49,211
Roe, fry, smolt and arctic char at cost	4,023	4,828	4,543
Total biological assets	57,657	30,529	53,754

Raw materials comprise mainly feed for smolt and marine-phase fish production. It also includes raw materials for use in processing, as well as packaging. Stocks of biological assets are associated with farming activities on land and at sea, and comprise roe, fry, smolt, arctic char and fish held at sea farm. Finished goods comprises whole salmon, fresh and frozen, as well as processed salmon products.

30/06/2021	30/06/2020	31/12/2020
49,211	42,539	42,539
22,239	14,048	44,954
-18,529	-22,237	-41,118
-42	-4,290	-4,807
755	-4,344	7,657
0	-15	-15
53,634	25,701	49,211
	49,211 22,239 -18,529 -42 755 0	49,211 42,539 22,239 14,048 -18,529 -22,237 -42 -4,290 755 -4,344 0 -15

Incident-based mortality

Incident-based mortality is recognized at sites where a single incident leads to a 3 per cent mortality rate in one period, or a mortality rate over several periods in excess of 5 per cent.

The assessment relates to the number of fish and is carried out at site level. The Group had one incident in H1 2021 that resulted in incident-based mortality as defined above. The total effect on the Group's operating profit at cost was EUR 42 thousand. The corresponding numbers for 2020 was four incidents and effect on Group's operating profit at cost of EUR 4.1 million.

Biological assets held at sea farms 30 June 2021	Cost	Fair value adjustment	Carrying amount
<1kg (LW)	14,835	3,392	18,226
1-4 kg	14,101	4,580	18,682
> 4 kg (GW)	15,211	1,515	16,726
Biological assets held at sea farms	44,148	9,487	53,634
Roe, fry, smolt and arctic char at cost	4,023	0	4,023
Biological assets	48,170	9,487	57,657

Biological assets held at sea farms 31 Dec 2020	Cost	Fair value adjustment	Carrying amount
<1kg (LW)	14,306	7,210	21,516
1-4 kg	19,513	2,555	22,068
> 4 kg (GW)	6,660	-1,033	5,627
Biological assets held at sea farms	40,479	8,732	49,211
Roe, fry, smolt and arctic char at cost	4,543	0	5,697
Biological assets	45,022	8,732	53,754

Biological assets held at sea farms 30 June 2020	Cost	Fair value adjustment	Carrying amount
<1kg (LW)	12,030	-1,135	10,894
1-4 kg	10,244	74	10,317
> 4 kg (GW)	6,698	-2,208	4,489
Biological assets held at sea farms	28,971	-3,270	25,701
Roe, fry, smolt and arctic char at cost	4,828	0	4,828
Biological assets	33,799	-3,270	30,529

The discount rate for H12021 was 4 per cent per month, which reflects the biomass capital cost, risk and synthetic licence fees and site rental charges. The discount rate was changed from 2020 from 3 per cent and is based on higher expectations of profitability in the indurstry.

Amounts in 1000 EUR

The calculation is based on following forward prices:

Expected harvesting period:	Forward price 30/06/2021	Forward price 30/06/2020	Forward price 31/12/2020
Q3-2020		4,49	
Q4-2020		4,79	
Q1-2021		5,70	6,62
Q2-2021		5,75	6,67
Q3-2021	5,41	4,99	5,43
Q4-2021	5,90	5,14	5,54
Q1-2022	6,14	5,48	5,64
Q2-2023	6,27	5,55	5,92
Q3-2023	5,23	5,19	4,91
Q4-2024	5,60		5,15



4 Leases

Right-of-use assets*	
Balance at 1 January 2020	2,072
Addition and changes in the period	25
Depreciation	-1,090
Carrying amount of right-of-use assets 30 June 2020	1,007
Balance at 1 January 2020	2,072
Addition and changes in the year	1,672
Depreciation	-1,749
Carrying amount of right-of-use assets 31 December 2020	1,995
Balance at 1 January 2021	1,995
Addition and changes in the period	3,958
Depreciation	-307
Carrying amount of right-of-use assets 30 June 2021	5,646

Lease liabilities

Balance at January 2020	2.291
Payments	-1.152
Accretion of interest	35
Closing balance 30 June 2020	1.174
Balance at January 2020	2.291
Additions and changes in the year	1.359
Payments	-1.818
Accretion of interest	68
Closing balance at 31 December 2020	1.901
Balance at 1 January 2021	1.901
Additions and changes in the period	3.594
Addition related to acquisition	365
Payments	-307
Accretion of interest	45
Closing balance 30 June 2021	5.599

*Addition of lease assets in H1 2021 relate to the end of the period.

	H1 2021	H1 2020	FY 2020
Current lease liabilities	929	1,011	460
Non-current lease liabilities	4,670	164	1,442
Total Lease liabilities	5,599	1,174	1,901
Summary of amounts recognized in profit or loss:	H1 2021	H1 2020	FY 2020
Depreciation expense of leased assets	307	1,090	1,749
Interest expense on lease liabilities (included in finance expenses)	45	35	68
Total amount recognized in profit or loss	352	1.125	1.818

5 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

Business acquistions to date in 2021

Arnarlax signed a contract on 11 May 2021 for the acquisition of all shares in Fjallalax ehf. for a cash consideration of ISK 69.7 million (EUR 0.5 million). The purchase price was paid on 11. June 2021 which is defined as the acquisition date. Part of the agreement is a contingent part upon change in the current arctic chart licenses owned by Fjallalax ehf. to salmon licenses. The fair value of the contingent part of the purchase price has not been recognized as of 30.06.2021. It is management expectation that a change in the fair value of contingent consideration as a result of additional information about facts and circumstances that existed at the acquisition date will be clear in the second half of the year.

Assets and liabilities of Fjallalax ehf. have been consolidated as of 30.06.2021 but the operating result is not recognized in H1 2021 as it's deemed immaterial. The below estimate of fair value of assets and liabilities is based on provisional purchase price allocation. The final purchase price allocation will be finalized within 12 months from acquisition date in line with the requirements of IFRS 3.

	Book value	Adjustment to fair value	Fair value
Biomass - Arctic Char	41	0	41
Lease Assets	365	0	365
Trade and other receivables	26	0	26
Other intangibles	0	548	548
Equipments and Machinery	18	0	18
Trade and other payables	-159	0	-159
Current portion of leasing	-27	0	-27
Lease liabilities	-338	0	-338
Net identifiable assets and liabilities	-75	548	473
Cash consideration			473

Fjallalax ehf's assets acquired and liabilities recognised at the date of acquisition:

No goodwill has been recoginzed related to the acquisition.

6 Other intangible assets

Amounts in 1000 EUR

Other intangibles consist of following:

Carrying amounts of:	30/06/2021	30/06/2020	31/12/2020
Licenses	431	0	0
Other intangibles see note 5	548	0	0
Total intangibles assets	979	0	0

Two arctic char facilities were acquired in the period. Along with the acquired facilities were licenses capitalized at acquisition cost (EUR 0.4 million) in the Group's balance. Conversion to smolt production is underway and will increase the Group's total smolt capacity with approximately 800,000 smolts in 2022 and 1,500,000 smolts in 2023.



7 Interest-bearing liabilities

Amounts in 1000 EUR

Long-term interest-bearing debt	30/06/2021	30/06/2020	31/12/2020
Debt to credit institutions	23,743	43,477	17,636
Next year's instalment on non-current debt	-1,644	-1,500	-17,636
Total non-current interest-bearing debt	22,100	41,977	0
Leasing liabilities	5,599	1,174	1,901
Next year's instalment on leasing liabilities	-929	-1,011	-460
Non-current leasing liabilities	4,670	164	1,442
Total non-current interest-bearing debt	26,769	42,141	1,442
Current interest-bearing debt			
Debt to credit institutions	2,134	2,997	2,826
Next year's instalment on non-current debt	1,644	1,500	17,636
Total debt to credit institutions	3,778	4,497	20,462
Next year's instalment on leasing liabilities	929	1,011	460
Total current interest-bearing debt	4,707	5,508	20,922

Debt facilities are entered into by Arnarlax ehf. Debt to credit institutions consist of a combined 56.0 million facilities entered into 30 June 2021. Debt facilities are split into revolving facility, term facility and overdraft facility. As stated in Annual Report of 2020, the current loan agreement at the time was valid until December 2021. When due date is less than 12 months from reporting date, the loan is reclassified to short term debt to credit institutions. At that time the Group had initiated a re-financing process with current debt holder and had received positive feedback. The re-financing process was expected to be finalized during Q3 2021 but the Group managed to finalize the process in Q2 2021. The current loan agreement is valid until June 2024 and therefor classified as a long-term debt in the Group's balance.

8 Share capital and shareholders

As at 30 June 2021, the parent company's share capital comprised:

	No.	Face value	Share capital in EUR
Ordinary shares	30,961,868	0.96	29,571,137

Shareholders

The company's 20 largest shareholders as at 30 June 2021 were:

	No.	Shareholding
SalMar ASA	15,798,152	51.02%
Íslandsbanki hf.	2,257,693	7.29%
J.P. Morgan bank luxembourg S.A.	1,802,543	5.82%
Gyda ehf.	1,000,000	3.23%
Holta Invest AS	938,314	3.03%
Skandinaviska Enskilda Banken AB	829,335	2.68%
Pactum AS	825,862	2.67%
MP Pensjon PK	677,706	2.19%
Canomaro Shipping AS	599,661	1.94%
Nima Invest AS	565,088	1.83%
State Street Bank and Trust comp	515,000	1.66%
Kristians and AS	470,000	1.52%
Haganes AS	346,907	1.12%
Verdipapirfondet Pareto Investment	295,133	0.95%
DNB Nor Bank ASA	293,553	0.95%
Verdipapirfondet Norge Selektiv	275,895	0.89%
Lithinon AS	251,881	0.81%
Brekke Holding AS	245,490	0.79%
Alden AS	217,776	0.70%
Edinborg AS	195,000	0.63%
Total 20 largest shareholders	28,400,989	91.73%
Total other shareholders	2,560,879	8.27%
Total no. of shares	30,961,868	100.00%



