COMPANY DESCRIPTION | SEPTEMBER 2023

Listing of shares on Nasdaq First North Iceland

Icelandic Salmon

SUSTAINABLE SALMON FROM ARNARLAX

Nasdaq First North Growth Market Disclaimer

Nasdaq First North Growth Market is a registered SME growth market, in accordance with the Directive on Markets in Financial Instruments (EU 2014/65) as implemented in the national legislation of Denmark, Finland, Iceland and Sweden, operated by an exchange within the Nasdaq group. Issuers on Nasdaq First North Growth Market are not subject to all the same rules as issuers on a regulated main market, as defined in EU legislation (as implemented in national law). Instead, they are subject to a less extensive set of rules and regulations adjusted to small growth companies. The risk in investing in an issuer on Nasdaq First North Growth Market may therefore be higher than investing in an issuer on the main market. All issuers with Shares admitted to trading on Nasdaq First North Growth Market have a Certified Adviser who monitors that the rules are followed. The respective Nasdaq exchange approves the application for admission to trading.

This company description (hereafter referred to as the “Company Description”) has been prepared by Icelandic Salmon AS, Registration number 983 621 112, address at Industriveien 51, 7266 Kverva, Norway, a Norwegian public limited company that owns all shares and is the parent company of Arnarlax ehf., the largest producer of Atlantic salmon in Iceland. Icelandic Salmon AS shares are listed on Euronext Growth Oslo under the ticker ISLAX and ISIN NO0010724701. In this Company Description, Icelandic Salmon AS and Arnarlax ehf., with subsidiaries are collectively referred to as the “Company“. “Arnarlax“ also refers to the brand under which the Company’s operations and products are marketed.

This Company Description is made in relation to a proposed listing of Icelandic Salmon’s Affiliated Shares (hereafter referred to as the “Affiliated Shares”) on Nasdaq First North Iceland (hereafter referred to as “First North” or “First North Iceland”).

The Company Description has been prepared under the responsibility of the Issuer, Icelandic Salmon AS, and has been reviewed by Nasdaq Iceland.

This Company Description does not constitute a prospectus under the Act on Prospectus for Securities When Offered to the Public Offering or Admitted to Trading on a Regulated Market no. 14/2020 or Regulation (EU) 2017/1129 of the European Parliament and of the Council.

Arion Bank

Arion banki hf.

Certified Adviser to Icelandic Salmon AS in relation to its listing on First North Iceland

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1 GENERAL INFORMATION

1.1 The Company

This Company Description (hereafter referred to as the “Company Description”) has been prepared by Icelandic Salmon AS, Registration number 983 621 112, address at Industriveien 51, 7266 Kverva, Norway, (hereafter referred to as the “Company”, “Icelandic Salmon” or the “Issuer”) a Norwegian public limited company that owns all shares and is the parent company of Arnarlax ehf., an Icelandic private limited liability company with registration number 580310-060, having its address at Strandgata 1, 465 Bíldudalur, Iceland (“Arnarlax”), the largest producer of Atlantic salmon in Iceland in relation to a proposed listing of Icelandic Salmon AS Affiliated Shares (hereafter referred to as the “Affiliated Shares”) on the Nasdaq First North Iceland market (hereafter referred to as “First North” or “First North Iceland”). Icelandic Salmon, as issuer of the Affiliated Shares, is a holding company of Arnarlax where the main operations of the group are performed.

1.2 Reasons for Trading on First North

The Company considers that a listing of the Company's Affiliated Shares is an important milestone for the Company and its operations. The aim of the listing is to support the operational ambitions of the Company by enabling new local investors to participate in the Company’s growth story and value creation. A First North listing is expected to contribute to an increased interest in the Affiliated Shares and the Company among investors, as well as among suppliers, media and other stakeholders.

Additionally, a First North listing provides increased liquidity in the trading of the Affiliated Shares, which is advantageous for existing shareholders. Overall, the Company assesses that a First North listing of the Company's Affiliated Shares will benefit the Company's future development and it is on those grounds that the Company has applied for admission of trading of the Company's Affiliated Shares on First North Iceland.

1.3 Important Information for Investors

Prospective investors in the Company should carefully consider all information provided in the Company Description, particularly the *Risk Factors* in Chapter 2, describing certain risks associated with an investment in Icelandic Salmon. The Company Description shall not in any way be viewed as a recommendation or solicitation to buy, hold or sell any security, including but not limited to the Company’s Affiliated Shares, or to take any investment decision. Prospective investors are solely responsible for any investment decision taken based on the information in the Company Description.

This Company Description is prepared solely in connection with the listing of the Company’s Affiliated Shares on First North Iceland and may not be used for any other purpose. Copyright of this Company Description and its contents is the property of the Company. No part of this Company Description may be reproduced, distributed or copied in any manner without the prior written approval of the Company. The prohibition to reproduce, distribute or copy applies regardless of the nature of the information at issue and the purpose of the reproduction, distribution or copy. Despite the aforementioned, the information in the Company Description may be copied for private and non-commercial purpose. Copies of this Company Description may not be distributed or sent, directly or indirectly, into the United States, the United Kingdom, Canada, Australia, South Africa, Japan or any jurisdiction where its distribution or publication would be unlawful.

1.3.1 Approximation of numbers

Quantitative values in this Company Description (e.g. monetary values, percentages etc.) are presented with such precision that is deemed by the Company to be sufficient to convey adequate and appropriate information on the relevant matter. Some quantitative values have been rounded up to the nearest reasonable decimal or integer value to avoid excessive detail. As a result, certain values presented as percentages do not necessarily add up to 100% because of approximation.

1.3.2 Information from third parties

The Company Description contains historical and future oriented information. In cases where the information has been obtained from third parties, the Company is responsible for ensuring that such information has been reproduced correctly. To the best of the Company's knowledge, no information has been omitted in such a way that could make the information incorrect or misleading in relation to the original sources. However, the Company has not verified the figures, or other information that has been obtained from third parties. As a result, the Company's Board of Directors does not accept any responsibility for the completeness or accuracy of such information that is presented in the Company Description. This should be taken into consideration when reading such information.

1.3.3 Completeness of information

When it comes to evaluating the Company as an investment opportunity, the risk factors listed in this Company Description are the most important ones, in the opinion of the Board of Directors and management of the Company. However, other risk factors might influence the operations and financial results of the issuer. This should be taken into consideration when evaluating the Company as an investment opportunity.

1.4 Dating of Information and Updates

This Company Description is based on information available at 27 September 2023 unless otherwise stated. Financial information is based on information available in the Company's financial statements for the period 1 January 2022 to 31 December 2022 and interim statements for the six months ended 30 June 2023. Any relevant and significant changes from this time will be addressed and indicated where applicable.

All statements other than statements of historical fact included in this Company Description, including without limitation statements regarding the future plans and objectives of the Company, are forward-looking statements that involve various risks and uncertainties. These forward-looking statements include, but are not limited to, statements with respect to pursuing successful production and exploration programs, and other information that is based on forecasts of future operational or financial results, estimates of amounts not yet determinable and assumptions of management. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends" or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be "forward-looking statements". Forward-looking statements are subject to a variety of risks and uncertainties that could cause actual events or results to differ from those reflected in the forward-looking statements. There can be no assurance that forward-looking statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company will update the information contained in this Company Description only to such extent, at such intervals and by such means as required by the applicable law or the Nasdaq First North Growth Market Rulebook for Issuers of Shares, dated 21 March 2023 (hereafter referred to as the "First North Rulebook") or considered necessary and appropriate in the Company's sole discretion.

1.5 First North Iceland and Certified Adviser

First North Iceland is an EU Growth Market operated by Nasdaq Iceland hf. It does not have the same legal status as a regulated market. Companies on First North Iceland are regulated by First North Growth Market's rules and relevant laws on securities transaction, but not by the same legal requirements set for companies admitted to trading on a regulated market. An investment in a company traded on First North Iceland generally involves more risk than an investment in a company on a regulated market. Nasdaq Iceland hf. approves applications regarding admission to trading. Nasdaq Iceland hf. is responsible for checking that both companies and Certified Advisers comply with First North Iceland's rules as well as monitoring the trading on First North Iceland.

Arion Bank hf., reg. no. 581008-0150, Borgartún 19, 105 Reykjavík (hereafter referred to as the "Certified Adviser" or "Arion Bank"), which is a member of and has an agreement with Nasdaq Iceland hf., is the Certified

Adviser for the Company in its application and listing process on the First North market. Arion Bank holds a full banking license under the Act on Financial Undertakings, no. 161/2002 and is regulated by the Icelandic Financial Supervisory Authority. Arion Bank and the group of companies which Arion Bank is part of do not hold over 10 percent or more of the Shares or voting rights in the Issuer. The Issuer has chosen to be fully Exchange-monitored after the Affiliated Shares have been admitted to trading.

1.6 Taxation Issues in Iceland

The Company's Icelandic Affiliated Shares might be subject to taxation in Iceland in accordance with effective tax legislation at any given time. Capital gains arising from the sale or disposal of the Company's Affiliated Shares are generally subject to tax in Iceland. Furthermore, in the event that dividends are paid in respect of the Affiliated Shares, the Company is obligated to withhold taxes on such payments.

Foreign parties should establish whether a double taxation treaty is in force between their country of residency and Iceland or Norway in order to determine their tax liability in Iceland. In addition, limited liability companies residing within the European Economic Area, EFTA and the Faroe Islands can apply to have withholding tax on dividends reimbursed by filing an Icelandic tax return for the year in which the withholding tax is incurred. Prospective investors are strongly advised to seek independent legal and tax advice regarding sale or purchase of Affiliated Shares in the Company.

1.7 **Market Making**

The Company has entered into a market making agreement with Arion banki hf., reg. no. 581008-0150, Borgartúni 19, 105 Reykjavík, who will, according to the agreements, place bids and offers for certain amounts or number of Affiliated Shares with a defined spread between the bid and offer prices.

Arion Bank will, at any given time, have bids and offers for a designated minimum number of Affiliated Shares amounting to 1,500 Affiliated Shares on each side. The maximum volume per day amounts to ISK 20 million market value. The maximum spread between bid and ask offers shall be as close to 2,50% as possible but no less than 2.45%, however if the intraday price change of the Affiliated Shares is more than 5.0%, the spread may be doubled, and if the intraday price change of the Affiliated Shares is more than 10,0%, the spread may be tripled.

1.8 **Liability Statement of the Board of Directors**

We declare that, to the best of our knowledge, the information provided in the Company Description is accurate and that, to the best of our knowledge, the Company Description is not subject to any omissions that may serve to distort the picture the Company Description is to provide, and that all relevant information in the minutes of Board meetings, auditors' records and other internal documents is included in the Company Description.

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Leif Inge Nordhammer

Chairman

____________________________	____________________________
Ulrik Steinvik	Espen Weyergang Marcussen
Board member	Board member
____________________________	____________________________
Kjartan Ólafsson	Gustav Witzöe
Board member	Board member

1.9 **Liability Statement of Arion Bank**

Arion Bank as the Certified Adviser to Icelandic Salmon AS, expressly disclaims any liability based on the information contained in this Company Description or individual parts thereof and will not accept any responsibility for the correctness, completeness or import of such information. No information contained in this Company Description or disseminated by the Company may be construed to constitute a warranty or representation, whether express or implied, made to any third parties by any person other than the Company.

1.10 **Potential Conflicts of Interest**

For the purposes of preparing and issuing this Company Description, the Board of Directors has relied on the advice and expertise of the Company´s management team and independent counsels.

Icelandic Salmon AS board members and members of the management team own shares, Affiliated Shares and/or stock options, as can be seen in Chapter 4 *Corporate Governance*. Several of these individuals have contributed to the preparation of this Company Description and the admission of the Company's Affiliated Shares to trading on the First North market.

Arion Bank, the Certified Adviser in the process of seeking the admission of the Company's Affiliated Shares to trading on the First North market.

It could be argued that conflicts of interest may arise in such situations, but, in accordance with the statement made by the Board of Directors in Chapter 1.8 *Liability Statement of the Board of Directors*, the information in this Company Description is, to the best of the Board of Directors' knowledge, factual and contains no omission likely to affect its import.

The Board of Directors is not aware of any other potential conflicts of interest between the duties of the members of the Board of Directors or members of the Issuer's management team to the Issuer and their private interests or other duties.

1.11 **Investor Examination and Analysis**

By acquiring any Affiliated Shares or otherwise engaging in transactions depending on the value of such Affiliated Shares, investors agree that they are relying on their own examination and analysis of this Company Description (including the financial information that forms an indispensable part of this Company Description) and any information on the Company that is available in the public domain. They also acknowledge the risk factors that may affect the outcome of such transaction (as presented under "Risk Factors" below).

In the case of a dispute related to this Company Description, under certain circumstances, courts other than the Icelandic courts may have jurisdiction, and consequently a need may arise for the plaintiff to bear relevant state fees and translation costs in respect of this Company Description or other relevant documents.

1.12 **Third-party information**

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

2 RISK FACTORS

Investing in the Affiliated Shares involves inherent risks. Before making an investment decision, investors should carefully consider the risk factors and all information contained in this Company Description, including the Financial Information and related notes. The risks and uncertainties described in this Chapter 2 *Risk factors* are the principal known risks and uncertainties faced by the Company as of the date hereof that the Company believes are the material risks relevant to an investment in the Affiliated Shares. An investment in the Affiliated Shares is suitable only for investors who understand the risks associated with this type of investment and who can afford a loss of all or part of their investment. The absence of a negative past experience associated with a given risk factor does not mean that the risks and uncertainties described herein should not be considered prior to making an investment decision.

If any of the risks were to materialize, individually or together with other circumstances, it could have a material and adverse effect on the Company and/or its business, financial condition, results of operations, cash flow and/or prospects, which may cause a decline in the value of the Shares that could result in a loss of all or part of any investment in the Affiliated Shares. The risks and uncertainties described below are not the only risks the Company may face. Additional risks and uncertainties that the Company currently believes are immaterial, or that are currently not known to the Company, may also have a material adverse effect on the Company's business, financial condition, results of operations and cash flow. The order in which the risks are presented below is not intended to provide an indication of the likelihood of their occurrence nor of their severity or significance.

The risk factors described in this Chapter 2 *Risk factors* are sorted into a limited number of categories, where the Company has sought to place each individual risk factor in the most appropriate category based on the nature of the risk it represents. The risks that are assumed to be of the greatest significance are described first. This does not mean that the remaining risk factors are ranked in order of their materiality or comprehensibility, and the fact that a risk factor is not mentioned first in its category does not in any way suggest that the risk factor is less important when taking an informed investment decision. The risks mentioned herein could materialise individually or cumulatively.

The information in this Chapter 2 *Risk factors* is as of the date of this Company Description.

2.1 Risks related to the industry in which the Company operates

2.1.1 The Company's revenue and future development are dependent on market prices for the Company's products

The Company's revenue, and thereby its financial position and ability for future development, is correlated with the prices obtained for farmed Atlantic salmon. There is generally a high demand for farmed salmon as it is considered to be an attractive commodity among consumers. Prices can nevertheless vary significantly over time, and the demand for the Company's products is affected by a number of different factors, such as changes in customer preferences, seasonality, changes in prices and volumes of substitute products and general economic conditions. Because the driving factors behind the price development for farmed salmon primarily are external, the Company has limited flexibility to manage and adjust the prices for its own products. The Company sells most of its products in the spot market and not by long term fixed price agreements. This may increase the exposure to price volatility. The Company is therefore exposed to the risk of having high production volumes, and corresponding production costs, without securing favorable prices for its products due to an imbalance between global supply and demand.

The extent to which the Company is exposed to price volatility depends among other on the relevant export markets.

The Company primarily exports to the EU, UK, the US and China. The multiple market exposure for the Company's products makes it less dependent on demand in single markets. However, between 94-98% of the Company's export value goes to the EU and the US, and is hence more sensitive to price volatility in these areas, and a decline in prices for the Company's products in these areas would have particularly negative effects on the Company's profitability. Short-term or long-term decline in the price for the Company's products could have a material adverse effect on its revenue, and thereby affect its overall results of operations, financial position and ability for future development.

2.1.2 The industry in which the Company operates is global and highly competitive, exposing the Company and its operations to competition from domestic and foreign salmon farmers

The Company's business is reliant on continued global demand for farmed Atlantic salmon. In order to continue to achieve good results, it is dependent on breeding, processing, marketing and selling salmon that suits customer demand at satisfactory price levels for both the customer and the Company. The seafood industry is a global industry and considered highly competitive, with many producers ensuring supply of a broad range of various fish and other aquatic products worldwide. By securing longstanding customer relationships, the Company can somewhat mitigate its competition risk. Nevertheless, many of the Company's competitors produce similar products as the Company and offer these to the same customer base and use the same suppliers as the Company, which can drive prices for products sold down while prices for raw material, labour cost and energy remain high. Certain costs, such as costs related to feed, transport and well boats, are, and may continue to be, higher in Iceland compared to other countries. Increased prices for raw material and supplies in combination with lower prices for products sold, will result in lower operating profit for the Company and could, in the event of a material gap, have adverse effects on the Company's results of operations and future prospects.

2.1.3 The industry in which the Company operates in is highly politically influenced

The aquaculture industry is highly politically influenced. For instance, the aquaculture farmers are highly dependent on access to suitable farming sites along the coast-line. The industry also has an environmental footprint which is often debated politically in terms of sustainable harvest. The fast growth of the fish farming business in Iceland has also resulted in political issues and certain law suits from neighbours, fishermen, environmental organisations etc. On the otherhand, the importance of the salmon industry as a relatively large and important export industry in Iceland also has to be taken into account in a political perspective. Thus, political changes in Iceland, as well as influence from other countries such as for example Norway and the European Union, may influence the regulation of the industry and consequently the Company's operations and profitability.

Approximately 8% to 12% of the Company's revenues for the six months ended 30 June 2023 were generated from sales and services within domestic markets. As a consequence of the Company exporting a significant portion of its production volumes, access to export markets is critical for the Company to operate its current scale of operations and to generate revenue. The Company has in the past experienced, and may in the future continue to experience, difficulties with exporting to certain jurisdictions such as, but not limited to, Asia and North America. As example, the Company has experienced such difficulties during the Covid-19 pandemic. If any sudden changes are imposed, the Company could be prohibited from trading with certain jurisdictions and it may not be able to replace its activities with trade to a new market on a timely basis or at all. In the Company's experience, markets in China and North America are more vulnerable and exposed to geopolitical risks..

2.1.4 The Company's operations involves inherent risk relating to weather, the outbreak of diseases or accidental release

The operation of fish farming facilities involves inherent biological risks, such as outbreak of diseases caused by viruses, bacteria, parasites, algae blooms, jelly fishand other contaminants. If there is a disease outbreak, the Company may, in addition to the direct loss of fish, incur substantial costs in the form of lost growth on biomass, accelerated harvesting, loss of quality of harvested fish and a subsequent period of reduced production capacity and loss of income. The Company's operation of Atlantic salmon farming, as any other intensive animal husbandry, has historically experienced several periods with extensive disease problems. Common to all of these is that a solution to decrease extensive disease problems have been found through selective breeding, better operating routines, increased expertise regarding the fish's biological requirements, and the development of effective vaccines.

The Company does not use any antibiotics and all salmon is vaccinated at smolt stages to make it more resistant to infections and diseases. The Company also works closely with veterinarians to optimize fish health and welfare. New diseases might nevertheless arise and lead to substantial losses for the Company as well as other salmon farmers. Accordingly, there can be no assurance that the Company's operations will be disease free in the future. Epidemic outbreaks of diseases may have a material adverse effect on the Company's business, results of operations, financial condition and/or prospects.

In February/ March 2020, the Company experienced a mortality incident due to winter wounds which caused an economic loss for the Company at approximately EUR 4 million. Increasing mortality due to winter wounds is an inherent biological risk in the operation of fish farming. The main factors for this incident was cold temperatures, density and winter storm. The Company has implemented measures to reduce the risk of such incidents in the future, inter alia by increasing the harvesting capacity to be able to harvest fish quicker if such situation occurs again.

High harvest volumes in the first quarter of 2023 were driven by biological challenges at one of the Company's sites, and it was decided to harvest it earlier than planned, due to an unwanted development of winter wounds. The group experienced some extraordinary mortality at one of the Company's site, with an estimated impact of EUR 1.8 million on operational performance. The final effect on the Company's profit and loss statement depends on the final settlement of insurance.

Furthermore, in the case of accidental escape of salmon, such as if breaches in fish-pens occur due to i.a. weather, improper handling, or other causes, the Company may become liable for damages caused by the accidental escape, resulting in potential fines, lawsuits or other negative effects on the Company's reputation or finances.

2.1.5 The Company's products may be subject to increased food safety issues and perceived health concerns by customers, governmental authorities and non-governmental organisations

Food safety issues and perceived health concerns may have a negative impact on the reputation of, and the demand for, the Company's products. As the Company's products are for human consumption, it is of critical importance that the customer awareness with respect to food safety and product quality, information and traceability. A failure by the Company to meet new and exacting customer requirements may reduce the demand for its products. Non-governmental organisations, such as environmental organisations and animal rights groups, campaigning groups, research communities or others may direct negative publicity towards the fish farming industry. Negative media attention could raise consumer scares in relation to farmed salmon, which may result in declined demand for the Company's products. Various perceived health concerns, inter alia, in relation to the level of organic contaminants, cancer-causing PCB (polychlorinated biphenyls) and dioxins in, inter alia, farmed salmon, have attracted negative attention in the media in the past. The Company has an active internal control and works closely with the Food and Veterinary Authorities and other food and safety officials to evolve and improve quality and safety. New perceived health concerns or food safety issues relating to products offered by the Company may nevertheless arise in the future and affect the Company's ability to market and distribute its products. Perceived health concerns and increased quality demands from customers may have a material adverse effect on the Company's business, financial condition, results of operations, cash flow and/or prospects. Occasionally, environmental organisations, campaigning groups, animal rights groups or others may direct negative publicity towards the fish farming industry. Such publicity may negatively impact the reputation of farmed salmon, even if there is no direct risk to human health, and may consequently have a negative impact on the demand for the Company's products. Further, guidelines and legislation with tougher requirements, which may imply higher costs for the food industry (e.g. enhanced traceability, level of documentation, testing variables, etc.) might impact the Company's activities, and have material adverse effect on the price of the Company's Shares.

2.1.6 The Company's operations are subject to production related disorders which may have a negative impact on the quality of the Company's products

As the aquaculture industry has evolved and developed, the biological limits for how fast fish can grow have also been challenged. As with all other forms of intensive food productions, a number of production-related disorders may arise, i.e. disorders caused by intensive farming methods. Such disorders can severely affect certain populations.

Well-known production-related disorders include physical deformities and cataracts, which have the ability to cause loss by way of reduced growth and inferior health, reduced quality on harvesting and damage the Company's reputation. Research has shown that deformities can be caused by, but not limited to, the following; (i) excessively high temperatures during the fish's early life; (ii) not enough phosphorus in the fish's diet; (iii) acidic water as well as too much carbon dioxide in the water during the freshwater production phase; and (iv) growth that is not sufficiently monitored and steadily, resulting in a too rapid growth. The aforementioned production related disorder may have a material adverse effect on the Company's business, financial condition, results of operations, cash flow and/or prospects.

2.1.7 Risk relating to the loss of the Company's farming licences, including risks regarding the ongoing administrative appeal related to the Ísafjarðardjup project

The Company's activities are dependent upon licenses and permits from the Icelandic regulators, which may be revoked or not renewed, including if the Company breaches the applicable laws and regulations governing the licenses and permits (including any special terms and conditions of any such licenses or permit). The Company's existing licenses in Arnarfjörður, Patreksfjörður, Tálknafjörður and Fossfjörður must be renewed in 2032, 2035, 2035 and 2038, respectively. Any renewal of current licenses can be challenged by third parties with a legitimate interest in the matter, such as neighbours or environmental groups. Furthermore, should the Company not be able to obtain additional licences, it may not be able to fulfil its expansion plans, which in turn may negatively impact the financial prospects of the Company.

Reference is also made to Chapters 2.3.6 and 3.11 *Legal and arbitration proceedings* below for information on an ongoing administrative appeal for the application related to the Ísafjarðardjup Project (as defined below). On 26 June 2020, the Federation of Islandic River Owners ("LV") appealed the decision from the National Planning Agency from 15 November 2019 and claimed that the decision regarding Icelandic Salmon's application for an operation license of 10,000 tons of maximum allowed biomass should be considered void. Further, reference is made to Chapter 2.3.6 and Chapter 3.11 *Legal and arbitration proceedings* with respect to the current lawsuit against the Company regarding a claim for withdrawal of two licenses covering 12,000 tons of maximum allowed biomass. A negative outcome of these proceedings may have significant adverse effects on the Company's business, financial condition, results of operations, cash flow and/or prospects.

2.1.8 Risk relating to dependency on contracts, inter alia supply and well boats

In order for the Company to fulfil its expansion plans, the Company is reliant upon a steady and increased supply of ova/eyed eggs, feed, well boat capacity and other important supplies. The only broodstock company in Iceland is Benchmark Genetics, which the Company has an existing contract with until 2025. According to the Company, Benchmark Genetics has the required capacity to deliver ova/eyed eggs to the Company in accordance with the increasing demand due to the Company's expansion plans. Reliance on only one supplier nevertheless involves some inherent risks, and there may be national import restrictions for importing ova/eyed eggs from e.g. Norway and Scotland. Further, to increase the production up to 30,500 tons in 2024, the Company will need a yearly supply of 8 million smolt. Further increase of the smolt production, both in the companies within the Company are reliant upon expansion of existing smolt facilities or construction of new smolt facilities.

The Company has lease agreements (time charter) for two well boats during summer periods, one for harvesting and one for smolt transport. If these well boats are needed due to emergency situations at other farms, the Company may not have available capacity for necessary operations at its farms, if needed. The Company's production is also dependent on being able to secure sufficient well boat capacity in the future, meaning that the Company may be required to enter into new time charter agreements for well boat services and/or acquire/build its own vessels.

2.1.9 The Company derives a significant portion of its revenues from its top five customers and the loss of any of these as a customer, or default by any of these customers, could result in a significant loss of revenues and cash flows

For the six months ended 30 June 2023, the Company's top five customers, Suempol Sp.z o.o., Seaborn AS, Severn and Wye Smokery, Premium of Iceland ehf and SAS MERICQ, represented 28% of the Company's total revenues. Given the top five customers importance for the Company, any events that affect the top five customer's financial position and thereby reducing their demand for salmon products, is likely to also have a negative effect on the Company's revenues, and could, in the event of a material reductions, have adverse effects on the Company's business, financial condition, results of operations, cash flow and/or prospects. However, the majority of the Company's products are sold in the spot market, and hence it is considered likely that the Company will be able to sell all or parts of its products to other customers in the event of reduced demand from its top five customers.

2.2 Risks related to the business of the Company

2.2.1 Nearly all of the Company's products are sold outside Iceland, making the Company reliant on continued export to current or new export markets

Although the Company has domestic sales, a significant portion of its products are exported directly by the Company. Sales in export markets represented approximately 88% to 92% of the Company's total revenue for the six months ended 30 June 2023. As such, the Company's revenue is reliant on continued export to its current and/or new markets. See the risk factor "Fluctuations in exchange rates could significantly affect the Company's profitability" in Chapter 2.4 *Risks related to financing* for more information on the Company's exchange rate exposure in this regard. Export activities also subject the Company to additional regulatory risks in its current and new export markets, including in relation to trade barriers. Additional restrictions in the Company's main export markets, or increased toll or other taxes, could affect the Company's ability to supply such markets with its products on favourable terms, if at all. As a significant part of the Company's products are exported, limitation in its ability to sell its products to certain countries or increased tolls or other taxes could adversely affect its results of operations and future prospects. See the risk factor "The Icelandic aquaculture industry is subject to trade tariffs, custom barriers and free trade agreements, whereas changes in such arrangements could affect the Company's access to export markets and ultimately its profitability." in Chapter 2.3 *Risks related to laws and regulation* for information on the Company's exposure to additional export risks.

2.2.2 The Company is dependent on retaining and attracting qualified people for its operations, and failure of such could harm its business going forward

The Company is dependent on the expertise of its key personnel, especially within biological production, sales and finance, as well as attracting new talents that know the Company's business and the aquaculture industry. Loss of experienced personnel could have a material adverse effect on the Company's operations, especially in seasons where the production levels are high, and as replacements with sufficient experience from the industry may not be easily accessible at any given time.

2.2.3 Use of technology is becoming increasingly important for the Company to minimize costs and stay competitive, and there can be no guarantees that the Company will be positioned to utilize new technology

The Company operates within an industry where use of technology is becoming increasingly important for the Company in order to limit its operating expenses and stay competitive. Technology is already an integral part of the Company's operations, and is utilized primarily in connection with processing. The Company's operations are however far from automated, and there is unutilized potential for technological development within the industry, especially in relation to harvesting and fish feeding systems. If the Company fails to adjust its operations in accordance with technological changes, it could become less competitive compared to its peers.

Moreover, lower costs and efficiency are important factors for the Company to stay competitive, especially when competing with industry players in low-cost and -labour countries. Technology is not only an important asset in order to produce products of higher quality at lower costs, but also to be able to meet rapid changes in customer preferences for products and product packaging. There can be no guarantee that the Company will be able to keep up with technological changes within the industry, nor that it will have sufficient financial resources to invest in new and relevant technology going forward. If the Company is unable to implement new technology, its operations, as well as competitiveness, could be adversely affected.

2.2.4 Disruptions in the Company's facilities could result in loss in production, delays in delivery to customers, or even non-delivery

A significant part of the Company's activities (and value creation) is created in the pens at sea. As such, the Company is reliant on the functionality of its seawater facilities, and thereby to generate the majority of its revenue. Like all salmon farmers, the Company's farming operations, especially at sea, can be affected by disruptions such as unexpected extreme weather conditions, with the possibility of it disrupting normal business operations or causing damage to assets. Such disruptions normally have short durations, but if the Company experiences more frequent or longer business disruptions at one or more of its seawater facilities, including in the event of machinery and equipment breakdowns, fire or natural disasters, such could result in severe disruptions in the Company's supply chain.

Further, the Company processes fresh fish at its harvesting plant, and prolonged disruptions in its processing activities, regardless of cause, could result in contamination of the fish and thereby production losses, liability claims from customers, or simply logistical transportation challenges and delays in delivery of products to customers reducing the shelf time of the products. Ultimately, any such disruptions could result in inter alia high repair costs for the Company's equipment, liability under customer contracts or loss in reputation if the Company fails to ensure timely delivery to customers over time.

2.2.5 The Company's business is concentrated in one industry

As all the Company's business is limited to salmon farming, and hence a single industry, the Company may be more vulnerable to particular economic, political, regulatory, environmental or other developments than would a company holding a more diversified portfolio of assets, and the aggregate return of the Company will be substantially adversely affected by the unfavourable performance of a single facility.

2.3 Risks related to laws and regulation

2.3.1 The Company could be subject to industry specific taxes and fees imposed by the Icelandic government which could have an adverse effect to the Company's profitability

Aquaculture and salmon farming is a young and fast-growing industry in Iceland. As such, it may be expected that new legislation may be introduced over time as the industry develops. In 2019, the Icelandic Parliament adopted act No. 89/2019 which introduces a fee or levy for fish farming. The fee is a variable percentage based on both kilograms of slaughtered salmon and the market price for such salmon. The levy is being implemented incrementally from 2020, and the development of this levy, and other industry specific taxes and fees that may be imposed by the Icelandic government, may be amended or increased by the Icelandic Parliament and have an adverse effect on the Company's profitability.

2.3.2 The Company's operations are subject to extensive industry regulation, including license requirements

The Company's activities are subject to extensive international and national regulations, in particular relating to environmental, animal welfare and food safety regulations. Furthermore, the Company's activities within the aquaculture industry is also extensively regulated by time limited licenses and permissions granted by Icelandic authorities. Changes in the requirements for such licenses and/or breach of the existing conditions and regulatory requirements set by the Icelandic government will have an adverse material effect on the Company's operations and profitability. No assurance can be given that licenses will continue to be in place. Furthermore, if licenses are renewed by regulators, then any such renewal can be challenged by third parties with a legitimate interest such as neighbours or environmental groups.

The Company is a supplier of commodities for human consumption through its salmon processing activities whereas the finished products are made directly for human consumption. This subjects the Company to numerous food safety regulations typically setting the standards for the Company's processing facilities and its handling of the products with respect to food safety, where its activities in this regard is dependent on certifications from Icelandic authorities. Changes of the food safety requirements domestically and internationally may adversely affect the Company's current scale of operations, as well as its access to certain markets. If the Icelandic and/or international authorities impose additional regulations, the Company may be required to change the way it currently carries out its processing activities, which could require significant investments or other changes to ensure compliance with applicable new laws and regulations.

In general, changes in laws and regulations may have a material adverse effect on the business' operations and profitability. The Company cannot predict the extent to which its future operations and earnings may be affected by mandatory compliance with new or amended legislation or regulation.

The relevant authorities may also introduce further regulations for the operations of the Company, such as enhanced standards for harvesting or processing, environmental requirements or animal welfare requirements. Investments necessary to meet new regulatory requirements could be significant and expensive for the Company. Legislation and guidelines with stricter requirements are expected and may imply higher costs for the food industry. In particular the ability to trace products through all stages of the value chain, certifications and documentation are becoming major components in food safety requirements. Further, increased quality demands from authorities in the future relating to the food safety may also have a material adverse effect on the business, financial conditions, results of operations or cash flow of the Company.

2.3.3 The Icelandic aquaculture industry is subject to trade tariffs, custom barriers and free trade agreements, whereas changes in such arrangements could affect the Company's access to export markets and ultimately its profitability

The Company's products are sold worldwide, whereas approximately 88% to 92% of its revenue for the six months' period ended 30 June 2023 were generated from its export markets, and it is thereby competing with other suppliers in countries across the globe to obtain market shares. Trade tariffs and free trade agreements affect which markets that are considered by the Company as more convenient export markets, whereas countries enter into different tariffs and trade agreements with the different jurisdictions and some might be more favorable than other and could thereby make certain industry players more competitive than players from other jurisdictions. In this regard, such competitiveness is often visible through such players' being able to offer products for a lower price to the end-customer compared to those having to pay tariffs. As a large exporter, changes in various free trade agreements and customer barriers, and especially with the Company's main markets, could affect the Company's ability to export to such market and/or its profitability when exporting to such markets compared to industry players with a higher percentage of domestic sales or competitors from other jurisdictions competing in the same markets as the Company.

2.3.4 The Company could be subject to product liability claims, which, if successful, could have adverse reputational as well as financial consequences

As a supplier of products made directly for human consumption, it is critical that the Company's products are perceived as safe and healthy in all relevant markets. The food industry in general has experienced increased customer awareness with respect to food safety and product quality, information and traceability. A failure by the Company to meet new and existing customer requirements may lower the demand for its products. Moreover, this also exposes the Company to the risk of product liability claims from its customers as well as end-consumers. All of the Company's products are sold directly for human consumption. Should any contamination or other food safety issues related to the Company's products occur, such would not only have financial consequences due to product recalls and liability claims, but also reputational consequences as it could result in consumers being deterred from consuming the Company's products. In the past, the Company has had no significant incidents of product recalls due to branding errors, resulting in increased cost to remedy such errors. However, the lack of past contamination and other food safety situations related to the Company's products does not guarantee that such will not occur in the future.

2.3.5 The Company is subject to laws and regulations in several jurisdictions, whereas failure to properly comply with such may adversely affect its operations

The industry of fish farming is heavily regulated by numerous national, international and supra-national regulations which directly affects the Company's operations and consequently its profitability. Furthermore, laws and regulations are subject to continual changes, whereas some legislative changes may be either disadvantageous to the Company's business or could oblige the Company to change its course of business or amend its business strategy to a less profitable strategy. The Company has in the past not experienced any significant issues related to non-compliance, but may in the future be subject to controls of its compliance with relevant laws and regulations. Any failure to comply with applicable national and/or international laws and regulations could lead to costly litigations, penalties or other sanctions, and thus adversely affect the overall performance of the Company.

2.3.6 Risk relating to ongoing legal and governmental proceedings, including risks regarding the ongoing administrative appeal related to the Ísafjarðardjup Project

The Company's has an application for increased biomass for 10,000 tons maximum allowed biomass (the "Ísafjarðardjup Project"), which is currently being processed by the authorities. However, some procedural decisions by the authorities in the process are subject to an administrative appeal by interested parties. It cannot be ruled out that that the Company will become involved in further disputes or legal proceedings in the future.

2.4 Risks related to financing

2.4.1 Fluctuations in exchange rates could significantly affect the Company's profitability

The Company's operations are carried out in Iceland, with close to 40% of its annual operating expenses (such as cost of goods sold, freight, maintenance, electricity, water, salary expenses, etc.) being denominated in Icelandic krona (ISK). However, approximately 88% to 92% of the Company's total revenue is generated from its export markets, whereas EUR, USD and GBP are its main export currencies. Factors affecting the exchange rate between ISK and EUR, USD and GBP, such as volatility in oil prices and other economic conditions, could have adverse effects on the prices for the Company's products, and ultimately result in lower profitability for the Company. Moreover, the Company also has loans in denominated in EUR. The Company does not hedge risk for in exchange rate fluctuations on its cost, and may therefore bear the costs of unfavourable exchange rate fluctuations. The Company however has open hedging agreements on its sales in other currencies than EUR to mitigate the risk of currency fluctuation on its forward contract revenues.

2.4.2 Customers' failure to pay for the Company's products may result in non-payment, loss on receivables, increased costs (e.g. due to re-sale efforts) and loss of revenue

Approximately 88% to 92% of the Company's total revenue for the six months period ended 30 June 2023 were generated from the Company's export markets. Through its export activities, the Company's products are sent to customers across the globe on various payment terms, and which often require the Company to ship the products before the customer pays. Consequently, the Company is reliant on the credit worthiness of its customers in such sales arrangements.

The Company experiences from time to time that customers are unable to pay for the goods when they arrive, which may result in non-payment and loss on receivables, and the Company may have to re-sell all or parts of the shipment from the arrival destination. Such additional sales efforts result in increased costs for the Company, and could also result in the Company having to sell its products at lower prices. To limit its exposure to the risk of no payments, the Company has established limits for exposure against single-customers by selling to larger groups of various customers, as well as insuring most sales. Although the Company has implemented measures to limit its credit risk exposure, it has in the past, and may in the future experience non-payment, loss on receivables and loss of sales due to non-payments from its customers, which may also lead to additional expenses in order to successfully redistribute its goods or be required to sell its products at lower prices to ensure that any such unpaid products are sold.

2.4.3 Borrowing by the Company and interest risk

The Company has incurred, and may further incur, financial indebtedness to finance its business operations. Interest-bearing and non-interest-bearing liabilities are present both in the Company and in the Company's subsidiaries. Counterparties are both Icelandic and Norwegian commercial banks and customers. Based on current loan agreements, the Company is e.g. prohibited to make any dividends or distributions to shareholders unless the Company is in compliance with all financial conditions and covenants of the loan agreements.

Interest-bearing debts may generate interest costs which may be higher than the gains produced by the investments made by the Company. Borrowing money to make investments will increase the Company's exposure to the loss of capital and higher interest expenses. Interest on the Company's borrowings from time to time is subject to fluctuations in the applicable interest rates. Changes in interest rates may lead to changes in actual value, changes in cash flows and fluctuations in the Company's result, and if interest rate risks would materialize, it could have a material negative impact on the Company's operations, earnings and financial position.

2.4.4 Ability to service debt

The Company's ability to service its outstanding debts will depend upon, among other things, the Company's future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, some of which are beyond the Company's control. If the Company's operating income is not sufficient to service its current or future indebtedness, the Company will be forced to take actions such as reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets, restructuring or refinancing its debt or seeking additional equity capital. The Company may not be able to affect any of these remedies on satisfactory terms, or at all. If any of these risks would materialize, it could have a material negative impact on the Company's operations, earnings and financial position.

2.4.5 Financing risk

The Company's business is to a large extent financed through bank loans and interest rates are not an insignificant cost item for the Company. If the Company is not able to obtain financing with respect to acquisitions or development, extension or increase of existing financing or refinancing of previously received financing or is only able to obtain such financing on terms that are disadvantageous, it could have a material negative impact on the Company's operations, earnings and financial position.

2.4.6 Insurance risk

If the Company is unable to maintain its insurance cover on terms acceptable to it or if future business requirements exceed or fall outside the Company's insurance cover or if the Company's provisions for uninsured costs are insufficient to cover the final costs it could have a material negative impact on the Company's operations, earnings and financial position.

2.5 Risks related to the Admission and the Shares and Affiliated Shares

2.5.1 There can be no assurance that an active and liquid market for the Company's

Affiliated Shares will develop and the price of the Affiliated Shares may be volatile

Prior to the Admission, the Company's Shares have been traded on Euronext Growth Oslo. There can be no assurance that an active trading market for the Affiliated Shares will develop on First North Iceland, nor sustain if an active market is developed. Investors may not be in a position to sell their Affiliated Shares quickly or even at all if there is no active trading in the Affiliated Shares. However, the Affiliated Shares can at any point be converted to Shares which are traded on Euronext Growth Oslo. There is however no guarantee that an active market will persist in the Shares.

The market value of the Shares and Affiliated Shares may be subject to considerable fluctuation. In particular, the price of the Shares and Affiliated Shares may be affected by supply and demand for the Shares and Affiliated Shares, fluctuations in actual or projected results, changes in earnings forecasts, failure to meet stock analysts' earnings expectations, dividend earnings on the Shares and Affiliated Shares, changes in general economic conditions and yield on alternative investments, changes in regulatory conditions and other factors. Moreover, the general volatility of share prices may create pressure on the share price even if there might be no reason for this in the Company's operations or earnings potential.

2.5.2 SalMar ASA is the largest shareholder of the Company and has a significant voting power and the ability to influence matters requiring shareholder approval

Approximately 51.02% of the Shares are held by SalMar ASA ("SalMar"), a Norwegian public limited company listed on Oslo Børs. Through its shareholding, SalMar will have the ability to, to a significant extent, control the outcome of matters submitted for the vote at General Meetings, including the election of directors to the Board of Directors. The commercial interest of SalMar, and those of the Company, may not always be aligned, and this concentration of ownership may not always be in the best interest of the Company's other shareholders. This could have a material adverse effect on the market value of the Shares.

2.5.3 The Company will incur increased costs as a result of having its Affiliated Shares admitted to trading on First North Iceland

As a company with its Affiliated Shares listed on First North Iceland, the Company will be required to comply with First North Growth Market rules and regulations. The Company will incur additional legal, accounting and other expenses in order to ensure compliance with these and other applicable rules and regulations. The Company anticipates that its incremental general and administrative expenses as a company with its Affiliated Shares listed on First North Iceland will include, among other things, Affiliated Share issuance and maintenance costs, costs associated with annual and interim reports to shareholders, shareholders' meetings, investor relations, incremental director and officer liability insurance costs and officer and director compensation. In addition, the board of directors and management may be required to devote significant time and effort to ensure compliance with applicable rules and regulations for companies with its Affiliated Shares listed on First North Iceland, which may entail that less time and effort can be devoted to other aspects of the business. Any such increased costs, individually or in the aggregate, could have an adverse effect on the Company's business, financial condition, results of operations, cash flows and/or prospects.

2.5.4 The price of the Shares and Affiliated Shares may fluctuate significantly, and could result in investors' losing a significant part of their investment

An investment in the Shares and Affiliated Shares involves risk of loss of capital, and securities markets in general have been volatile in the past. The trading volume and price of the Shares and Affiliated Shares may fluctuate significantly in response to a number of factors beyond the Company's control, including adverse business developments and prospects, variations in revenue and operating results, changes in financial estimates, announcements by the Company or its competitors of new development or new circumstances within the industry, legal actions against the Company, unforeseen events and liabilities, changes in management, changes to the regulatory environment in which the Company operates or general market conditions. Negative publicity or announcements, including those relating to any of the Company's substantial shareholders or key personnel, may adversely affect the market price of the Shares and Affiliated Shares, whether or not this is justifiable. Such negative publicity or announcement may include involvement in insolvency proceedings, failed attempts in takeovers or joint ventures etc.

2.5.5 There is no current Icelandic market for the Affiliated Shares, notwithstanding the Company's

intention to be admitted to trading on Nasdaq Iceland First North

There is no current Icelandic market for the Affiliated Shares. Although the Company's current intention is that its securities will continue to trade on First North in Iceland, this may not always be the intention. If an active public market for the Affiliated Shares does not develop, or is not maintained, investors may not be able to sell their Affiliated Shares. However, a market making agreement with Arion bank is in place see chapter 1.7 Market Making.

2.5.6 The Company will be listed in both Norway and Iceland

The Shares will continue to be listed on Euronext Growth in Norway and Affiliated Shares will be listed on First North Iceland market, and as such investors seeking to take advantage of price differences between such markets may create unexpected volatility in the share price. While the Shares are traded on one market and Affiliated Shares on one market, price and volume levels could fluctuate significantly on each market, independent of the share price or trading volume on the other market. Investors could seek to sell or buy Shares or Affiliated Shares to take advantage of any price differences between the two markets through a practice referred to as arbitrage. Any arbitrage activity could create unexpected volatility in both Share and Affiliated Shares prices on each exchange and in the volumes of Shares and Affiliated Shares available for trading on each market. In addition, holders of Shares and Affiliated Shares in each jurisdiction will not immediately be able to transfer such shares for trading on the other market without effecting necessary procedures with the Company's transfer agents/registrars. This could result in time delays and additional cost for Affiliated Shares.

2.5.7 The Affiliated Shares may be subject to various factors which may affect price and volatility

The market price of publicly traded Affiliated Shares is affected by many variables not directly related to the success of the Company. These variables include global macroeconomic development, market perceptions of the attractiveness of particular industries, changes in financial estimates by securities analysts, changes in commodity prices, currency exchange fluctuation, the extent of analytical coverage available to investors concerning the business of the Company, the issuance of Affiliated Shares in connection with acquisitions made by the Company or otherwise, and other factors.

Securities markets may experience a high level of price and volume volatility, and the market price of securities may experience wide fluctuations which are not necessarily related to operating performance, underlying asset values or prospects. There can be no assurance that such fluctuations will not affect the price of the Company's Affiliated Shares.

2.5.8 The Company has no current dividend payment policy and does not intend to pay any cash dividends in the foreseeable future

Whilst the Company intends to make distributions to Shareholders at the appropriate time in its development, it does not currently have a policy on the payment of dividends. For the foreseeable future, the Company anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The payment of any future dividends will depend upon earnings and the Company's financial condition, current and anticipated cash needs and such other factors as the directors of the Company consider appropriate.

2.5.9 The shareholding of the Shareholders may be diluted

The Company has 30,961,868 Shares issued and outstanding and has no authorization to issue further Shares based on the prevailing Articles of Association. However, any issuance of additional Shares in the future may result in the then existing Shareholders sustaining dilution to their relative proportion of the equity in the Company. There may be other issues of shares, such as to key employees or personnel, which may further dilute the shareholding of existing Shareholders.

3 BUSINESS OVERVIEW

This chapter provides an overview of the Company's business as of the date of this Company Description. The following discussion contains forward-looking statements that reflect the Company's plans and estimates, see Chapter 1.4 *Dating of Information and Updates* above, and should be read in conjunction with other parts of this Company Description, in particular Chapter 2 *Risk factors*.

3.1 Introduction

Arnarlax ehf, the subsidiary of Icelandic Salmon AS, was founded in 2010 in Bíldudalur, a small Icelandic village inside a long fjord called Arnarfjörður. Bíldudalur is the hometown of the Arnarlax‘s founder, Matthías Garðarsson, who knew that the area had excellent conditions for farming salmon. Today, Arnarlax is Iceland’s biggest aquaculture company. Modern salmon farming is relatively new in Iceland compared to our neighbours in the Faroe Islands, Scotland and Norway. The Company‘s vision is „Sustainability – it‘s in our nature“, so to be sustainable in every aspect of its operations and lead the way in terms of cost efficiency, biology and the development of the whole value chain for salmon farming in Iceland.

Iceland offers some key factors when it comes to salmon farming. The temperature is in the lower end of optimal conditions for the salmon, long fjords create shelter, while the wind, waves and tidal current ensure that movement of water is sufficient to give the salmon access to oxygen-rich seawater. Icelandic waters are free of several harmful viruses affecting other farming nations. Iceland´s access to clean geothermal water additionally provides very favourable conditions to raising smolt.

The Company's farming facilities are strategically located in the west fjords of Iceland (the "West Fjords"), a region that is well sheltered with stable and moderate temperatures in the sea with good tidal currents, thereby creating favourable conditions for salmon farming.

The Norwegian salmon farming company SalMar, which is listed on the Oslo Stock Exchange, holds approximately 51.02% of the shares in the Company.

Iceland has seen a significant surge in the export value of farmed fish recently, recording a 35 per cent increase from 2021 to 2022. Export from fish farming accounted for 4.9 per cent of the total export value from Iceland in 2022. Fish farming has become a pillar of the Icelandic economy. The export value from farmed fish in Iceland boosted by 400 percent since 2016 and projections indicate a further rise in the upcoming years.

The Company is a leading company in this growing industry in Iceland, with North America and Europe as its main markets. The Company takes pride in offering sustainably sourced and high-quality Icelandic salmon. Its unwavering commitment to quality has earned recognition, with prestigious retailers and restaurants opting to include Arnarlax salmon as part of their exceptional offerings.

3.2 The ABC’s of salmon farming

The salmon farming process begins with a premium salmon egg from Iceland. Eggs become fry’s, which are grown into smolts, nurtured, and vaccinated in the Company’s hatcheries. The time in the hatcheries is usually around 12 months. When the smolts reach 50-100g, they go through smoltification, which is a physiological process that prepares them for leaving the freshwater of the tanks and entering seawater, the same natural process undergone by wild salmon. Since the sea temperature in Iceland falls below 2°C during the coldest winter months, smolts are put out in sea cages in the summer/autumn months when the temperature is optimal. The low winter temperatures result in slower growth, and low levels of lice.

The Company has a comprehensive quality system, monitoring every aspect of operations. Meaning that improvements and adjustments to improve safety and quality are regularly implemented. Harvesting is one of the most important factors when it comes to product quality of the salmon. Super-chill cooling technique is used after harvest to optimise freshness and the quality of the salmon. This allows the Company to deliver fresh salmon to customers in Europe, North America or Asia without compromising quality.

Salmon farming and the business model of Icelandic Salmon can be explained by eight stages:

- **Broodstock**: The broodstock are the parent fish which provide the eggs and sperm (milt) required to produce new generations. The fertilised eggs take 60 days to hatch when placed in an incubator kept at 8°C
- **Eyed salmon eggs**: After 25–30 days in the incubator, the eggs have developed to the stage where the eyes of the salmon are clearly visible as two black dots inside the egg.
- **Fry**: The egg hatches when the eggshell cracks open, liberating the baby fish (fry) inside. When it hatches, the fry is attached to a yolk sac, which provides it with the sustenance it needs during its first few weeks of life. From now on, the fish’s growth and development will depend entirely on temperature.
- **Initial feeding**: When most of the yolk sac has been absorbed, the fry can be moved from the incubator into a fish tank. They are now ready for initial feeding. The water temperature is kept at

10-14 °C, and the fry are exposed to dim lighting 24 hours a day. The initial feeding period lasts for six weeks. As they grow, the fry is sorted and moved to larger tanks. Well ahead of their 'smoltification', all the fish are vaccinated before being shipped by wellboat to the fish farm's marine net-pens.

- **Smoltification**: The process whereby juvenile fish transition from a life in fresh-water to a sea-going existence is called smoltification. During this process, the fish develop a silver sheen to their bellies, while their backs turn a blue-green colour. The gills of juvenile fish also change when they become a smolt, to be able to control the balance of body salt when it goes from freshwater to seawater.
- **On-growing**: The farming of fish for human consumption takes place in net-pens – large, enclosed nets suspended in the sea by flotation devices. In addition to a solid anchorage, net-pens require regular cleaning and adequate measures to prevent the farmed fish from escaping. Growth in net-pens is affected by feeding, light, temperature, and water quality.
- **Harvesting and processing**: After approximately 12-24 months after transfer to the farm sites, the first fish are ready for harvesting, depending on the size of the smolt at output to sea. The fish are transported live by wellboat to the harbour next to processing plant. They are then carefully transferred to the plant itself. The fish are killed and bled out using high-tech equipment and always in accordance with the applicable public regulations. After harvesting, the final product is head-on-gutted salmon.
- **Sales**: The salmon is sold by a sales team, as fresh whole-gutted or pre-rigor fillets, and distributed to markets domestically and around the world. The pre-rigor fillets are produced by a third party as a contractor to Arnarlax.

3.3 History and important events

The table below shows the Company's key milestones from its incorporation and to the date of this Company Description:

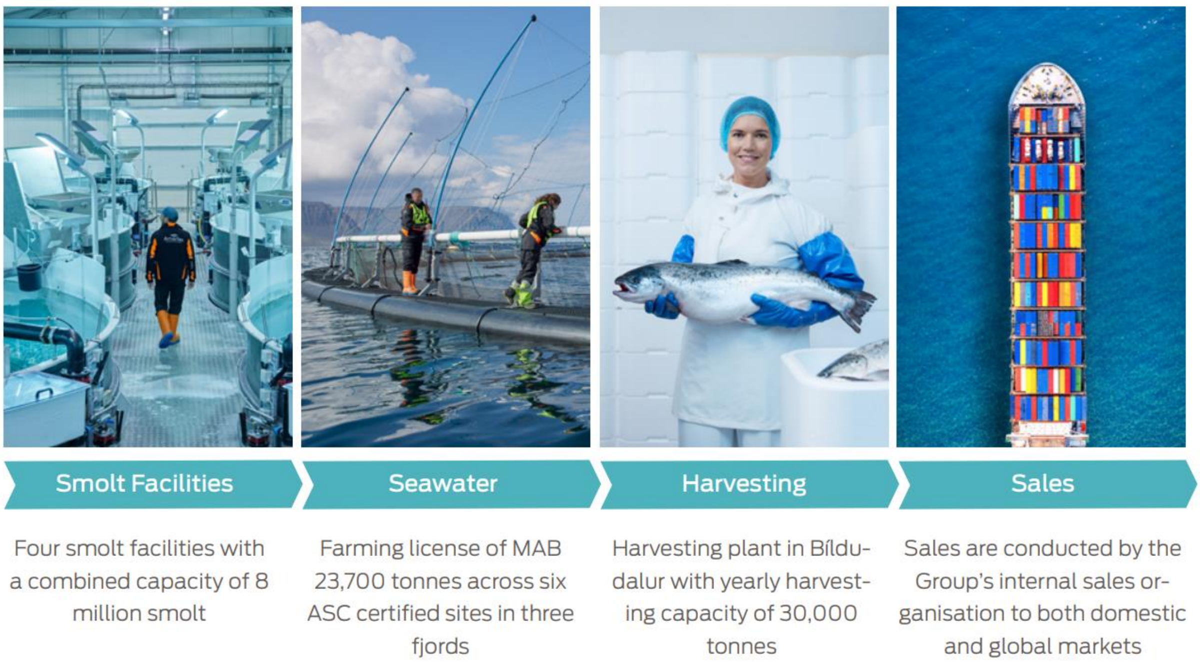
Year	Event
2010	Arnarlax was incorporated in Arnarfjörður in the West Fjords of Iceland
2014	First smolt stocking. Raised NOK 50 million in a private placement to fund biomass growth.
2015	SalMar invested into the Company through Salmus AS.
2016	First harvest. New licenses for additional 10,000 metric tonnes ("MT") obtained. Fjardalax acquired and NOK 300 million raised in a private placement.
2017	New licenses for additional 10,700 MT obtained.

2018	NOK 200 million raised in a private placement.
2019	SalMar increased its ownership stake above 50% of the shareholding. The Company's shares where listed on N-OTC.
2020	Expected harvest of 12,000 MT. The Company raised approximately NOK 500 million in gross proceeds in a private placement completed in October 2020, following which its shares were admitted to trading on Euronext Growth Oslo
2021	Signed agreement for two smolt facilities at Hallkelshólar and in Þorlákshöfn Launch of new brand, “Arnarlax – Sustainable Iceland Salmon”
2022	The Company acquires all remaining shares in Eldisstöðin Ísþór ehf., acquiring full ownership of the smolt facility The Company acquires all shares in Fjallalax ehf., a small smolt facility in Hallkellshólar, Grímsnes, Iceland.
2023	Proposed dual listing on First North Iceland

3.4 Company overview

3.4.1 Fully integrated value-chain

The Company has an integrated value chain from hatchery to sales, applying best-practice and investment in state-of-the-art equipment, as illustrated in the following:



• Freshwater (smolt): The Company currently has four smolt facilities, Gileyri , Ísþór, Fjallalax and Laxabraut 5 (The facilities Isþor, Fjallalax and Laxabraut 5 is owned by Ísþór, which is 100% owned by Arnarlax ehf). Gileyri is strategically located in Tálknafjörður, close to the Company's seawater facilities and headquarters. At Gileyri the Company can produce 2 million smolt between 70 and 150 grams a year. At Ísþór, Fjallalax and Laxabraut 5, it could be produced up to 6 million smolt between 70 and 700 grams every year. Due to its location on the South Coast of Iceland, Ísþór, Fjallalax and Laxabraut 5 has access to significant fresh groundwater, and has been upgraded considerably over the past years.

• Seawater: The Company currently has eight farming locations in three separate fjords, enabling the use of "all-in-all-out" alternating farming model. By allowing each farming site to fallow for a few months after each generation has been fully harvested, every new farming cycle starts its growth in a clear and naturally replenished sites. This technique reduces risk of biological hazards such as diseases and sealice. The Company currently holds licenses for production capacity of 23,700 tonnes maximum allowed biomass ("MAB") (five locations in Arnarfjörður (including Fossfjörður) with a production capacity of 11,500 tonnes MAB and three locations in both Patreksfjörður and Tálknafjörður with a combined production capacity of 12,200 tonnes MAB).

To ensure growth and further operational improvements there are two applications for additional production licenses that are currently being considered by the authorities. The first application is for 10 thousand tonnes MAB in Ísafjarðardjúp is anticipated to be approved during the second half of 2023. For the second application, covering 4.500 tonnes capacity in Arnarfjörður on the existing sites and further two new sites, no specific timeline for approval has been provided at this time.

• Processing: The salmon is harvested and transported by well boats for slaughtering, before the Company performs all primary processing in its own facilities in the port of Bildudalur next to the Company's headquarters, with production capabilities of 30,000 tonnes per year. The salmon is further transported along the west coast to Reykjavik or sold locally in the area.

• Sales: All sales are conducted by the Company's internal sales organisation, and the salmon is marketed as a natural and sustainable product. Most volumes have historically been shipped and processed in the EU before being transported to the US.

3.4.2 The Company's licenses

The Company currently holds licenses for production capacity of 23,700 tonnes MAB in three separate fjords and nine farming locations, of which all licenses are for fertile fish. The Company also has pending applications for additional 14,500 tonnes in total, both with a new application in Ísafjarðardjúp and an expansion of an existing license in Arnarfjörður.

A summary of all licenses held by Icelandic Salmon are included in the table below.

Location	Status	Metric tonnes (MT)	Comments
Tálknafjörður / Patreksfjörður	Valid	12,200	Valid until 2029 / 2035 (Food authorities / Environmental agency)
Arnarfjörður	Valid	10,000	Valid until 2026 / 2032 (Food authorities / Environmental agency)
Fossfjörður	Valid	1,500	Valid until 2038 / 2028 (Food authorities / Environmental agency)
Ísafjörður	Application pending	10,000	10,000 MT has been confirmed and is currently being processed by the Icelandic National Planning Agency.
Arnarfjörður	Expansion of existing license	4,500	An application for an increase of 4,500 MT biomass in existing farming sites in Arnarfjörður is being pursued and has been presented to the Icelandic National Planning Agency. A draft bill has, however, been introduced by the Ministry which could allow for a public auction of additional biomass in existing farming sites. If needed Icelandic Salmon may participate in such an auction.
Volume		38,200[1]	

[1]Including additional applications 14,500 tonnes. The capacity is based on new legislation that puts the focus on maximum biomass instead of harvesting to determine site capacity.

Under the previous license regime, the Government in Iceland gave permission to produce specific species in a specific quantity at specific sites. Licence and harvesting volumes were limited by carrying capacity and farming areas were not defined. Under the new license regime, the Icelandic license regime is changed towards the Norwegian model, where production is only limited by the MAB allowed to keep in the sea per license. Further, under the new license regime there are defined farming areas, a legalized legislation and risk assessment.

3.4.3 Favourable conditions in the West Fjords

In Icelandic Salmon's opinion, the West Fjords of Iceland have a number of favourable conditions. The hydrographic conditions on the West Fjords provide stable and moderate temperatures in the sea, resulting in reduced risk of sea lice and diseases and thus high yield on the biomass. The temperatures typically fluctuates between 2 and 12 degrees °C, but rarely goes below 2 degrees °C. Further, there are currently only two other salmon farming company with licences to produce salmon in the West Fjords, which enables good biological control.

The direct costs associated with prevention and treatment of sea lice are increasing in the salmon farming industry.

Due to the moderate temperatures, lower farming density in Iceland, Icelandic Salmon is able to mitigate such health treatment costs. Despite marginally lower growth rates in cold waters, this is expected to be offset by the cost benefit of lower health treatment costs than other areas.

In addition to the above, the West Fjords have the following key characteristics:

- Low population of wild Atlantic salmon with natural habitat or spawning in the area, translating into low risk of interbreeding with wild salmon, in case salmon escape from the Company's salmon farming facilities.
- Low populations of wild salmonids resulting in a low natural infection ratio of lice from salmonids to farmed salmon stocks.

3.5 Prospects

The Company’s harvesting totalled up to 16.1 thousand tonnes in 2022, an increase from 11.5 thousand tonnes in 2021. Continuing investments in the Company’s growth projects, including investments in smolt facilities, are expected to bring the Company higher harvesting and revenues in nearby future. The Company expects to harvest 16.0 thousand tonnes in 2023.

The legal framework for Iceland as a farming region has been evolving over the past few years, offering significant potential for improvements and increased predictability. Strategic planning is essential to shape the future structure of Iceland as a new farming region. This development is of great importance to all communities and stakeholders, both economically and environmentally.

The Company considers further opportunities for salmon farming to exist in Iceland. Under the current Risk Assessment issued by The Marine Research Institute, 106,500 tonnes MAB of fertile salmon is allowed in Iceland. Of the 106,500 tonnes, licenses have been issued for 86,800 tonnes. The assessment is re-evaluated every three years. The next evaluation is this year (2023). In addition, a total of 10 fjords have a calculated carrying capacity biomass of 144.500 tonnes, making Iceland, potentially, one of the largest Atlantic salmon producers in the world. Production in Iceland for 2022 was around 45,000 tonnes (LW) in total, with close to 42% of that produced by Icelandic Salmon.

The Group’s smolt production is currently in three smolt facilities; Gileyri in the Westfjords, and Ísþór and Fjallalax on the south coast of Iceland. The fourth facility, Laxabraut 5, is still undergoing rebuilding. These strategic investments have resulted in increased capacity, which the Group is starting to see effect of in 2023. Both the number and size of the smolts will exceed previous years’ figures. So far in 2023, there are a historical high survival rate after output in sea, which shows improvement in smolt quality. Forecast indicate a projected increase of 28 per cent and the size of the smolts with 35 per cent, for 2023 compared to 2022. This increase in biomass released into the sea in 2023 makes the fundament for expected growth in harvest volumes for 2024 and going forward.

The Company now holds licenses of 23,700 tonnes MAB in the Icelandic Westfjords (Arnarfjörður, Patreksfjörður and Tálknafjörður), with further license applications in process which will enhance the Company’s operations if materialized. The Company’s application for a farming license in Ísafjarðardjúp is still in process, with the Company being in a position to receive a license for 10,000 tonnes in Ísafjarðardjúp despite uncertainty on the share of fertile fish. The licensing process has experienced significant delays and is still in process.

The Company also has an application for increased biomass in Arnarfjörður of 4,500 tonnes has not been processed and the application process has been delayed. Work on an updated application is in progress according to new Aquaculture law. Environmental assessment work relating to the expansion will be done alongside the assessment for expansion of our sites in Arnarfjörður. The exact timeline of the application process is still undetermined.

In addition, the Company is in the process of establishing more sites for better MAB utilisation. First site has been issued in Patreksfjörður. Expansion of current sites in Arnarfjörður in application progress and will need to go through an Environmental Assessment.

At end of June 2023, the Company signed an engagement letter with DNB and Danske bank concerning a new three year loan agreement, with option of two year extension, aiming for a term loan facility and a revolving facility for a total of EUR 95.0 million and an additional EUR 5.0 million overdraft facility with Arion bank, bringing the total amount of the refinancing agreement to EUR 100.0 million.

The facility will replace the current loan facility, which was set to mature in June 2024. This new financing arrangement creates a strong financial foundation for the Group as it continues to pursue its growth projects, with a primary focus on investing in seawater equipment to enhance production capacity in the upcoming periods.

3.6 Principal Markets and competitive situations

Over the past few decades, there has been a considerable increase in total and per capita fish supply. As the fastest growing animal-based food producing sector, aquaculture is a major contributor to this. FAO expects a production growth of 11% during 2021–2031 and the projected world population growth of 9% over the same period. According to FAO, per capita consumption is expected to increase by 4% in the period 2021–2031 where the more developed economies are expected to have the highest per capita consumption. [1]

Demand and supply

The Atlantic salmon is a healthy, resource-efficient and climate-friendly product produced in the sea as well as being a good fit with the global macro trends. There is a rising demand for more sustainable food and a willingness to pay for it. The sustainable properties of salmon therefore make the product attractive to consumers.

The total supply of all farmed salmonids exceeded 2.81 million tonnes (GWT) in 2022 where Atlantic salmon is by far the largest product, amounting to more than 2.5 million tonnes (GWT). Norway is the largest producer with around 1.4 million tonnes (GWT) and Chile being the second largest with around 680 thousand tonnes (GWT). These countries benefit from access to a large coastline, ideal water conditions and a developed infrastructure for fish farming.[2] Farmed salmon in Iceland amounted to 42,994 tonnes (GWT) in 2022.[3]

There are some key conditions needed when farming Atlantic salmon at sea, such as a certain temperature range and a certain amount of current to allow a flow of water through the farm. These conditions are typically found in waters protected by archipelagos and fjords which rules out many coastlines. Iceland fulfils these certain conditions along the coast, such as mild currents and fjords that provide shelter. Sea temperatures is however not ideal for growth. The optimal growth conditions for the salmonoid species are temperatures ranging from 8-14°C, with higher temperatures increasing the risk of diseases and temperatures below 0°C increasing likelihood of mass mortality.

Political willingness to permit salmon farming and to regulate the industry is highly important. Other ways to farm salmon are being developed and carried out to some extent such as offshore farming and land-based farming. Offshore farms are positioned deeper and in less sheltered waters and therefore require more robust cages. Land based salmon farming has attracted increased investments in the past years and in Iceland there are four companies in early stages for seeking capital and/or producing land-based farmed salmon.

Main markets:

Main markets vary from location of the producer and transportations to the market. Atlantic salmon is mainly marketed as a fresh product and thus, time and cost of transportation play a big role on market focus from each producing region.

The largest market for Atlantic salmon is the US, with a consumption volume of over 600kT, accounting for 44% of global consumption. The US is followed by five European nations (France, Germany, UK, Italy, and Spain), with consumption volumes of 130-270kT each. Emerging markets such as Brazil and Asia have been growing at higher rates than traditional markets. While consumption per capita is between 6-8 kg WFE in Norway, Sweden and Finland, it is only 0.07 kg WFE in China/Hong Kong. This means that there is significant growth potential among the largest markets.

The global price of Atlantic salmon has grown during the past two decades. Fluctuations in price can be attributed to multiple factors, including production cycles and shocks to the supply side or to demand shocks. This upward

[1] FAO (2022) The state of the world fisheries and aquaculture.

[2] MOWI Salmon Farming Industry Handbook 2023

[3] Mælaborð fiskeldis | Matvælastofnun (mast.is)

price trend is expected to continue along with other animal protein sources. Expected relative long-term price stability contributes to the appeal of growing the aquaculture sector in Iceland.

Local market:

Since 2010, aquaculture's share of total seafood production in Iceland has increased from insignificant to currently being around 4%. Salmonoids are furthermore a high-value species, which has resulted in the export value of aquaculture production reaching 11% in 2021.

The local market of traditional salmon farmers mainly consists of three major companies; Icelandic Salmon and Arctic Fish are both located in the Westfjords with around 51kT of maximum allowed biomass ("MAB") and Ice Fish Farm is located in the Eastfjords with around 44kT of MAB. These three companies are the largest license holders in Iceland holding around 94% of MAB. The remaining licenses are held by three companies in the Westfjords, Hábrún, ÍS 47 and Háafell.[4]

The industry in Iceland has been consolidating. In 2021, Ice Fish Farm (Fiskeldi Austfjarða) and Laxar Fiskeldi, who both operate in the Eastfjords, merged. Arctic Fish and Icelandic Salmon (Arnarlax), who operate in the Westfjords, were also expected to merge because merger plans between the companies' majority owners, Norwegian Royal Salmon (NRS) and SalMar. In October 2022, MOWI however acquired a 51.28% stake in Arctic Fish from NRS. The three largest salmon farmers in Iceland are thus all in majority ownership from Norwegian industry players. MOWI is by far the largest salmon farmer in the world, producing around 480kT in 2022. SalMar is the second largest with annual production of close to 200kT in 2022. SalMar currently owns 51,02% in Icelandic Salmon. Måsoval is the largest shareholder in Ice Fish Farm. They produced around 22kT last year.

Icelandic Salmon operates its own sales department and sells high quality salmon directly to customers in both the industrial and retail markets. The majority of Icelandic Salmon's salmon is sold on spot price basis, but Icelandic Salmon aims to have up to 30% of its sales based on contracted pricing. The Company primarily exports to the EU, UK, the US and China. The multiple market exposure for the Company's products makes it less dependent on demand in single markets. However, the Company's exports between 94-98% of its products to the EU and the US, and is hence more sensitive to price volatility in these areas.

3.7 Material Contracts

3.7.1 The Company's largest customers

Set out below is an overview of the Company's five largest customers based on purchase volumes in the period from 1 January 2022 to 30 June 2023:

No.	Customer
1	Seaborn AS
2	Suempol Sp.z.o.o.
3	Severn and Wye Smokery
4	SAS MERICQ
5	Premium of Iceland ehf.

3.7.2 The Company's largest suppliers

Set out below is an overview of the Company's five largest suppliers based on purchase volumes in the period from 1 January 2022 to 30 June 2023:

No.	Supplier	Provides supply of
1	Skretting AS	Feed products
2	Seaborn	Purchase fish for trading
3	Solvtrans	Lease of WellBoat

[4] The State and Future of Aquaculture in Iceland (1).pdf (stjornarradid.is)

4	A og K ehf	Domestic logistics
5	Smyril line cargo	Export logistics

3.7.3 Other material contracts

In addition to the above, the Company has entered into contracts with the following companies which are considered material to the Company's business:

Supplier	Provides supply of
Benchmark Genetics hf.	Broodstock (Eyed Atlantic salmon ovas)
Solvtrans AS	Well-boat with crew
N1	Oil and gas for boats
Tempra	Box supplier for packaging
Eimskip	Logistics

All of the abovementioned contracts have been entered into as part of ordinary business, and are considered material to the Company's business because of their importance to the core business and operation of the Company (and not because of their monetary value). Smolt supply is a key factor for future growth, and well- and service boats provide crucial services of the biomass at sea.

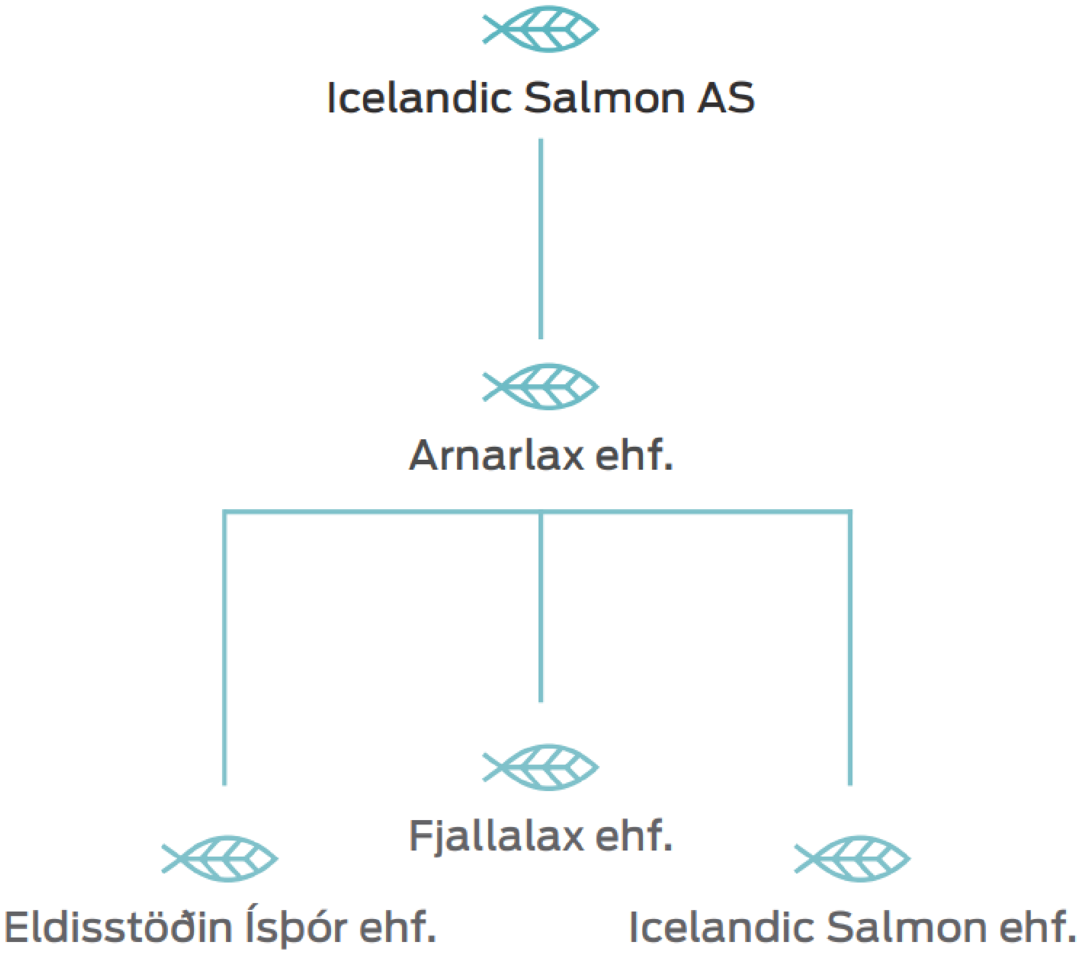
The Company has not entered into any material contracts outside the ordinary course of business for the two years prior to the date of this Company Description. Further, the Company has not entered into any other contract outside the ordinary course of business that contains any provision under which any member of the Company has any obligation or entitlement that is material to the Company as of the date of this Company Description.

3.8 Company organisation

3.8.1 Introduction

The Company (Icelandic Salmon AS) is the parent company of Arnarlax. The commercial, sales and distribution activities, and a majority of the salmon farming activities are performed by Arnarlax, a wholly owned subsidiary of the Company incorporated under the laws of Iceland. The remaining salmon farming activities, such as operation of smolt facilities and harvesting activities, are performed by other companies within the group, such as Ísþór, which enables the Company to operate a well-developed and fully integrated value chain, controlling all steps from hatchery to sales, from smolt production, through salmon farming, processing and distribution to the end customer.

The following chart sets out the Company's legal structure as of the date of this Company Description.



3.8.2 Icelandic Salmon AS

Icelandic Salmon AS is the parent company of Arnarlax, holding 100% of the shares in Arnarlax. Icelandic Salmon AS shares are admitted to trading on Euronext Growth Oslo Market. Icelandic Salmon AS does not perform any operational activities.

3.8.3 Arnarlax ehf.

Arnarlax' primary activities are salmon farming, commercial, sales and distribution activities. Arnarlax is furthermore the sole shareholder in Eldisstöðin Ísþór hf. (100%), Fjallalax ehf. (100%) and Icelandic Salmon ehf (100%). Arnarlax currently holds licenses for production capacity of 23,700 tonnes MAB in three separate fjords and nine farming locations, of which all licenses are for fertile fish. The Company also has pending applications for additional 14,500 tonnes in total, both with a new application in Ísafjarðardjúp and an expansion of an existing license in Arnarfjörður. As of the date of this Company Description, Arnarlax is the largest salmon farmer in Iceland.

3.8.4 Icelandic Salmon ehf.

Icelandic Salmon ehf., which is a wholly owned subsidiary of Arnarlax, currently has limited operations, but may in the future be used for marketing purposes.

3.8.5 Eldisstöðin Ísþór hf.

Ísþór, which is a wholly owned subsidiary of Arnarlax, was previously jointly controlled with Ice Fish Farm (through Fiskeldi Austfjarða hf). Ísþór's primary business activities are smolt- and fish farming in Þorlákshöfn, Iceland. In 2022, Arnarlax acquired the remaining shares in Ísþór from Fiskeldi Austfjarða.

3.8.6 Fjallalax ehf.

Arnarlax acquired Fjallalax ehf. in 2022. Fjallalax's primary business activities are smolt- and fish farming in Hallkellshólar, Iceland.

3.9 Dependency on contracts, patents, licenses, trademarks, etc.

3.9.1 Dependency on contracts

It is the Company's opinion that the Company's existing business and profitability are not dependent upon any contracts.

However, the agreements described in Chapter 3.7 *Material contracts*, are considered to be of material importance to the Company.

3.9.2 Dependency on patents, licenses, trademarks, etc

Other than the licenses described in Chapter 3.4.2 *The Company's licenses*, the Company's existing business and profitability is not dependent on any patents, licenses or other intellectual property.

3.10 Related party transactions

Below is a summary of the Company's not immaterial related party transactions for the periods covered by the historical financial information included in this Company Description and up to the date of this Company Description.

- Ísþór: Eldisstöðin Ísþór ehf., a 100% owned subsidiary of the Company provides smolt to Arnarlax.
- Scale Aquaculture AS: Scale Aquaculture AS, which is wholly owned by Kverva Industrier AS, which in turn owns approximately 41.27% of the shares in SalMar, supplies cages, nets mooring systems, camera systems, feeding barges, feeding equipment and other equipment for the harvesting operations of Arnarlax.
- SalMar: SalMar, which holds approximately 51.02% of the shares in the Company, consults and advises on operational aspects, building on significant experience in the salmon industry.
- Arctic Protein: Arctic Protein ehf. is partly owned by Kjartan Ólafsson, the chairman of the Board of Directors of Arnarlax, and partly owned by Kverva Industrier AS (which owns approximately 41.27% of the shares in SalMar). Arctic Protein handles biological waste material for Arnarlax and converts to silage in co-operation with Hordafjor AS in Norway. Arnarlax and Arctic Protein have entered into an agreement on the storage of the material pursuant to which Arnarlax provides area and foundation of storage tanks.
- Markó Partners: Markó Partners ehf., a consultancy firm owned and operated by Kjartan Ólafsson, the chairman of the Board of Directors of Arnarlax, provides consultancy services to the Company from time to time.

For further information on related party transactions of the Company, please refer to the Annual Financial Statements, included in this Company Description as Appendix II.

3.11 Legal and arbitration proceedings

From time to time, the Company may become involved in litigation, disputes and other legal proceedings arising in the course of its business.

The Company has an application for increased biomass for 10,000 tons maximum allowed biomass (the Ísafjarðardjup Project), which is currently being processed by the authorities. However, some procedural decisions by the authorities in the process are subject to an administrative appeal by interested parties. Reference is also made to Chapter 2.3.6 for further description of these legal proceedings.

In November 2022, MAST fined the Company ISK 120,000,000 for a breach of obligation to report fish escapes and make sufficient efforts to catch escaped fish after a breach developed in one of the Company's fish pens. The fine has been paid, with reservation, but the Company has appealed the decision to the Ministry of Food, Agriculture and Fisheries, which is currently reviewing the dispute with MAST.

Other than the above, neither the Company nor any of its subsidiaries, is, nor has been, during the course of the preceding 12 months involved in any legal, governmental or arbitration proceedings which may have, or have had in the recent past, significant effects on the Company's and/or the Company's financial position or profitability, and the Company is not aware of any such proceedings which are pending or threatened.

4 CORPORATE GOVERNANCE

4.1 Introduction

The General Meeting is the highest decision-making authority of the Company. All shareholders of the Company are entitled to attend and vote at General Meetings and to table draft resolutions for items to be included on the agenda for a General Meeting.

The overall management of the Company is vested with its Board of Directors and the Management. In accordance with Norwegian law, the Board of Directors is responsible for, among other things, supervising the general and day-to-day management of the Company's business ensuring proper organization, preparing plans and budgets for its activities ensuring that the Company's activities, accounts and assets management are subject to adequate controls and undertaking investigations necessary to perform its duties.

The Management is responsible for the day-to-day management of the Company's operations in accordance with Norwegian law and instructions set out by the Board of Directors. Among other responsibilities, the Company's Chief Executive Officer (the "CEO"), is responsible for keeping the Company's accounts in accordance with existing Norwegian legislation and regulations and for managing the Company's assets in a responsible manner. In addition, the CEO must, according to Norwegian law, brief the Board of Directors about the Company's activities, financial position and operating results at a minimum of one time per month.

4.2 The Board of Directors

4.2.1 General

The Articles of Association provide that the Board of Directors shall comprise between three and seven board members, as elected by the Company's shareholders at an ordinary or extraordinary general meeting (as applicable). The Company's registered business address, Industriveien 51, 7266 Kverva, Norway, serves as business address for the members of the Board of Directors in relation to their directorship in the Company.

4.2.2 The composition of the Board of Directors

The names and positions of the members of the Board of Directors are set out in the table below.

Name	Function	Served since	Term expires	Shareholding
Leif Inge Nordhammer[1]	Chairman	2020	2025	-
Gustav Witzöe[1]	Board member	2023	2025	-
Ulrik Steinvik[1]	Board member	2023	2025	-

Espen Weyergang Marcussen[2]	Board member	2017	2025	-
Kjartan Ólafsson[3]	Board member	2014	2025	1,000,000

[1] Leif Inge Nordhammer, Ulrik Steinvik and Gustav Witzöe are also board members or employees of SalMar. They all own indirect stakes in the Company through minority stakes in SalMar. Gustav Witzøe indirectly owns 93.0 per cent of Kverva AS, which in turn through Kverva Industries AS owns 41.3 per cent of the shares in SalMar.

[2] Espen Marcussen indirectly owns Shares through a minority stake in Pactum Vekst AS.

[3] Kjartan Olafsson holds the Shares through Gyða ehf. of which he holds 50% of the shares, with his wife holding the other 50%. Gyða ehf. has its shares within a custody account within J.P. Morgan SE.

4.2.3 Brief biographies of the Board Members

Set out below are brief biographies of members of the Board of Directors, including their managerial expertise and experience, in addition to an indication of any significant principal activities performed by them outside of the Company.

Leif Inge Nordhammer, Chairman

Current position: Own investments through his company LIN AS

Independence: Based on the classification included in the Corporate Governance Guidelines, Mr. Nordhammer is independent of the Issuer and senior management but not independent of major shareholders due to his position on the board of directors of SalMar.

Mr. Nordhammer served as CEO of SalMar from 1996 to 2016, with a hiatus from 2011 to 2014. He is a member of the board of Kverva AS and Scale Aquaculture (a subsidiary of Kverva AS). He has extensive experience from leadership positions from several companies within aquaculture, having been a part of the industry since 1985. Former companies include Sparebank 1 Midt-Norge, E. Boneng & Sønn, Frøya Holding AS/ and Hydro Seafood AS. Nordhammer has educational background for the Norwegian Armed Forces, Trondheim Business School and University in Trondheim. Nordhammer also served on the board of directors of Icelandic Salmon from 2016-2019.

Gustav Witzöe, Board member

Current position: Own investments through majority owned company Kvarv AS

Independence: Based on the classification included in the Corporate Governance Guidelines, Mr. Witzöe is independent of the Issuer and senior management but not independent of major shareholders due to his position on the board of directors of SalMar and related holdings in SalMar.

Mr. Witzöe is the co-founder of SalMar. He holds a degree in engineering. After several years as an engineer he co-founded BEWI AS, a company producing styrofoam boxes for the fish farming industry. Mr. Witzöe held the position as managing director of BEWI AS until 1990. Since Mr. Witzøe founded SalMar in 1991 he has gained extensive experience in fish farming and processing. Mr Witzøe indirectly owns 93,02% of Kverva AS, which in turn through Kverva Industrier AS owns 41.3% of the shares in SalMar, which in turn holds 51,02% of shares in Icelandic Salmon. Mr Witzøe is also a director of Kverva AS.

Ulrik Steinvik, Board member

Current position: CFO of SalMar

Independence: Based on the classification included in the Corporate Governance Guidelines, Mr. Steinvik is independent of the Issuer and senior management but not independent of major shareholders due to his position as CFO of SalMar.

Mr. Steinvik has served as CFO of SalMar since October 2021, prior to which he held several leading positions in the executive management of SalMar. Mr. Steinvik holds the title as Norwegian state authorized public accountant. Berfore Steinvik joined SalMar in 2006 he served with Arthur Andersen Norway and Ernst & Young AS from 1998 to 2006. He graduated from the Norwegian School of Economics and Business Administration in 2002.

Espen Weyergang Marcussen, Board member

Current position: CEO Pactum AS

Independence: Based on the classification included in the Corporate Governance Guidelines, Mr. Marcussen is independent of the Issuer and senior management, as well as major shareholders.

Mr. Marcussen has been the CEO of Pactum AS since 2017. Prior to this, he served as the deputy CEO of the shipping company Bergshav. He has also long experience from investment banking, with combined 17 years at Handelsbanken and Nordea. Marcussen holds a degree in civil economy from the Norwegian school of economics (NHH).

Kjartan Olafsson, Board member

Current position: Managing Director of Markó Partners

Independence: Based on the classification included in the Corporate Governance Guidelines, Mr. Olafsson is independent of the Issuer and senior management, as well as major shareholders.

Mr. Olafsson has served on the board of directors of Icelandic Salmon and Arnarlax since 2014. He has a M.Sc. in Fishery Science from the University of Tromsø with emphasis on economy and finance. Further, he is founder and managing director of Markó Partners, an Icelandic Seafood advisory boutique.

4.3 Management

4.3.1 General

As of the date of this Company Description, the Company's senior management team consists of six individuals. The management team, except for Bjorn Hembre, is employed locally by Arnarlax, and not the Company. Bjorn Hembre is employed as CEO of both Icelandic Salmon AS and Arnarlax ehf. The names of the members of the management and their respective positions are presented in the table below.

Name	Function	Served since	Shares held
Bjørn Hembre	Chief Executive Officer[1]	2019	32,900[2]
Jónas Heiðar Birgisson	Chief Financial Officer	2017	0
Rolf Ørjan Nordli	Chief Operating Officer Biology	2018	0
Kjersti Haugen	Chief Sales Officer	2021	0
Hannibal Hafberg	Chief Operating Officer Harvest Plant	2020	0
Silja Baldvinsdóttir	Quality Manager	2019	0

[1]Bjorn Hembre is also employed as CEO by Arnarlax. Mr. Hembre has been employed by Arnarlax since 2019.
[2]Mr. Hembre holds the Shares through IVMA AS, of which he holds 100% of the shares.

The Company's registered business address is Industriveien 51, 7266 Kverva, Norway. However, it is the address of its wholly-owned subsidiary Arnarlax at Strandgata 1, 465 Bíldudalur, Iceland, which serves as business address for the members of the Company's senior management team in relation to their employment with the Company.

4.3.2 Brief biographies of the management

Bjorn Hembre, Chief Executive Officer

Mr. Hembre holds a M.Sc. in Biology, and has experience as production director freshwater of SalMar, CEO of SalMar Nord, COO Seawater Fjord Seafood Norway, Regional Manager of SalMar and CEO of Frosta Laksefarm AS. Mr. Hembre has been the CEO of the Company since January 2019.

Jónas Heiðar Birgisson, Chief Financial Officer

Mr. Birgisson hold a B.Sc. in Business from Bifröst University. He was a consultant with Deloitte during 2015 – 2016, and a finance specialist and project controller at Century Aluminium Group from 2004 - 2015. Mr. Birgisson has been with the company since 2017 and acting as the CFO of Arnarlax and Icelandic Salmon AS since 2019.

Rolf Ørjan Nordli, Chief Operating Officer Biology

Mr. Nordli is a former site manager for SalMar Nord with 16 years of experience. He started as COO Biology of Arnarlax in August 2018.

Kjersti Haugen, Chief Sales Officer

Mrs. Haugen joined Arnarlax in 2021 as CSO. She has significant experience in the sale of fish products and has worked internationally in the field since 1987. Prior to joining Arnarlax, Mrs. Haugen served as COO of Seaborn.

Hannibal Hafberg, Chief Operating Officer Harvest Plant

Mr. Hafberg holds a B.Sc. in Fisheries Science. He has experience throughout the value chain of the Icelandic white fish industry and spent the last three years before joining Arnarlax as Operations Manager at Arctic Prime Fisheries, in Greenland. Mr. Hafberg joined Arnarlax as COO Harvest Plant in 2020.

Silja Baldvinsdóttir, Quality Manager

Mrs. Baldvinsdóttir holds a M.Sc. in international business & quality management. She has experience from Landsbankinn and Iskalk and has held the position as Quality Manager at Arnarlax since April 2019.

4.4 Share incentive schemes

The Company operates an equity-settled, share-based compensation scheme, under which the Company receives services from Arnarlax's employees as consideration for equity instruments (stock options) of the Company. Equity-settled share based options are measured at the fair value of the equity instruments at the grant date using Black-Scholes valuation model, excluding the effect of non-market-based vesting conditions. The fair value determined at the grant date is expensed and recognized in employee benefits on a straight-line basis over the vesting period of the options with a corresponding increase in equity. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions and recognizes any impact in the Statement of Comprehensive Income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

On 19 February 2021, the Company granted 205,850 share options with an exercise price of NOK 115.00 per Share, respectively, to the CEO and certain key employees. The Company's intention is that the options will be equity-settled. The option holders must stay in the employment of the Company over a vesting period of three years from the grant date until 19 February 2024. As at 31 December 2022, the fair value of the agreements was determined to be EUR 504 thousand and pro rata accrual in the amount of EUR 158 thousand was expensed as other employee benefits, with a corresponding entry to other paid-in equity.

Date of grant	Expiry date	Key employees	Exercise price	Number outstanding 31/12/2022
2021	2024	CEO Björn Hembre	115	100,000
2021	2024	Company Directors	115	51,600
2021	2024	Other key employees	115	32,305

Apart from the above, the Company has not implemented any share incentive schemes, but some of the Company's key employees participate in share based incentive schemes in SalMar.

4.5 Employees and other consultants

As of the date of this Company Description, the Company has had 193 employees on average over the year.

4.6 Benefits upon termination

No employee, including any member of the Company's senior management team, has entered into employment agreements which provide for any special benefits upon termination. None of the members of the Board of Directors has service contracts with the Company and none will be entitled to any benefits upon termination of office.

4.7 Corporate governance

The Company is not subject to the Norwegian Code of Practice for Corporate Governance of 14 October 2021, as amended. The Company will comply with the Euronext Growth Oslo Rule Book – Part II dated March 2021. Following admission to trading on Nasdaq First North Iceland, the Company will not become subject to the Guidelines on Corporate Governance are published by the Iceland Chamber of Commerce, Nasdaq Iceland and SA Confederation of Icelandic Enterprise dated February 2021, but will become subject to the Nasdaq First North Growth Market Rulebook for Issuers of Shares dated 21 March 2023.

4.8 Conflicts of interests etc.

No member of the Board of Directors or Management has, or have had, as applicable, during the last five years preceding the date of the Company Description:

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

To the Company's knowledge, there are currently no actual or potential conflicts of interest between the Company and the private interests or other duties of any of the Board Members and members of the Management, including any family relationships between such persons.

5 SHARE CAPITAL AND SHAREHOLDER MATTERS

5.1 Corporate information

The Company's legal name is Icelandic Salmon AS (changed from Arnarlax AS in October 2020) and the Company's commercial name is Icelandic Salmon. The Company is a private limited liability company (Nw.: aksjeselskap), validly incorporated and existing under the laws of Norway and in accordance with the Norwegian Private Companies Act.

The Company is registered in the Norwegian Register of Business Enterprises with company registration number 983 621 112. The Company was incorporated on 21 August 2001.

The Company's registered business address is Industriveien 51, 7266 Kverva, Norway. The Company's principal place of business is at the registered address of Arnarlax, Strandgata 1, 465 Bíldudalur, Iceland. The telephone number to the Company's principal offices is +354 456 0100 and its website is "https://www.arnarlax.is".

The Shares are registered in book-entry form with Euronext Securities Oslo under ISIN NO0010724701. The Company's register of shareholders in Euronext Securities Oslo is administrated by the Euronext Securities Oslo Registrar (DNB Verdipapirservice), Dronning Eufemias gate 30, Oslo, Norway. The Company's LEI-code is 213800VMVZVHCK6MW184.

5.2 Legal structure

The Company is the parent company of Arnarlax. See Chapter 3.8 *Company organisation* for more information on Arnarlax. Through its subsidiary, Arnarlax, the Company also holds ownership interests in Fjallalax ehf (100%), Icelandic Salmon ehf. (100%) and Eldisstöðin Ísþór ehf. (100%).

The main activity of the Company is salmon farming.

The following table sets out brief information about the Company's subsidiaries and other ownership interests at the date of this Company Description.

Company name	Registered office	Activity	Ownership	Shareholder

Arnarlax ehf.	Strandgata 1, 465 Bíldudalur	Operating company (salmon farming, commercial, sales and distribution activities)	100%	Icelandic Salmon AS
Fjallalax ehf.	Strandgata 1, 465 Bíldudalur	Operating company (smolt- and fish farming)	100%	Arnarlax ehf.
Eldisstöðin Ísþór ehf.	Nesbraut 25, 815 Þorlákshöfn	Operating company (smolt- and fish farming)	100%	Arnarlax ehf.
Icelandic Salmon ehf.	Strandgata 1, 465 Bíldudalur	Limited operations	100%	Arnarlax ehf.

5.3 Share capital and share capital history

5.3.1 Overview

As of the date of this Company Description, the Company's registered share capital is NOK 309,618,680, divided into 30,961,868 shares, each with a par value of NOK 10. All of the Company's shares have been issued under the Norwegian Private Companies Act, and are validly issued and fully paid.

The Company has one class of shares, and accordingly there are no differences in the voting rights among the Shares.

The Company's shares are freely transferable, meaning that a transfer of Shares is not subject to the consent of the Board of Directors or rights of first refusal. Pursuant to the Articles of Association, the Company's shares shall be registered in Euronext Securities Oslo.

5.3.2 Share capital history

The table below shows the development in the Company's share capital in recent years. There have not been any other capital increases in the Company other than as set out in the table below, neither by way of contribution in cash or in kind for the period covered by the Annual Financial Statements until the date of this Company Description.

Date of registration	Type of change	Change in share capital (NOK)	New share capital (NOK)	Nominal value (NOK)	New number of total issued shares	Subscription price per share (NOK)
24 July 2018	Share capital increase	33,333,330	266,140,420	10	26,614,042	60
21 October 2020	Share capital increase	43,478,260	309,618,680	10	30,961,868	115

5.4 Ownership structure

The Company's ten largest shareholders as of 30 June 2023 are as set out in the table below.

	Shareholder	Number of shares	%
1	SalMar ASA	15,798,152	51,02%
2	J.P. Morgan SE	4,118,623	13,30%
3	Íslandsbanki hf.	2,296,210	7,42%

4	Holta Invest AS	938,314	3,03%
5	Pactum Vekst AS	825,862	2,67%
6	MP Pensjon PK	619,706	2,00%
7	Roth	599,661	1,94%
8	Clearstream Banking S.A.	578,651	1,87%
9	Nima Invest AS	563,088	1,82%
10	State Street Bank and Trust Comp	515,000	1,66%
	Others (246 shareholders)	4,108,601	13,27%
	Total	**30,961,868**	**100%**

As of the date of this Company Description, no shareholder other than SalMar (approximately 51.02%), J.P. Morgan SE (13,30%, nominee account) and Íslandsbanki hf. (7,90%, nominee account) hold more than 5% of the issued Shares.

As of the date of this Company Description, the Company does not hold any treasury shares.

There are no arrangements known to the Company that may lead to a change of control in the Company.

5.5 Authorisations

5.5.1 Authorisation to increase share capital

As at the date of this Company Description, the Board of Directors does not hold any authorisations to increase share capital.

5.5.2 Authorisation to acquire treasury shares

As at the date of this Company Description, the Board of Directors does not hold any authorisations to acquire Shares in the Company.

5.6 Other financial instruments

Other than the options granted to CEO Björn Hembre, other members of the executive committee and key employees, the Company nor any of the Company's subsidiaries has issued any options, warrants, convertible loans or other instruments that would entitle a holder of any such instrument to subscribe for any shares in the Company or its subsidiaries.

5.7 Shareholder rights

The Company has one class of shares in issue and all Shares provide equal rights in the Company, including the rights to any dividends. Each of the Company's shares carries one vote. The rights attached to the Shares are further described in Chapter 5.8 *The Articles of Association* and Chapter 5.9 *Certain aspects of Norwegian corporate law*.

5.8 The Articles of Association

The Articles of Association are enclosed in Appendix I to the Company Description. Below is a summary of the provisions of the Articles of Association.

5.8.1 Objective of the Company

Pursuant to section 3, the objective of the Company is production, processing and sale of seafood and seafood based products, as well as conducting other business in connection with these purposes, including through investments and ownership in other companies with same objective.

5.8.2 Share capital and par value

Pursuant to section 4, the Company's share capital is NOK 309,618,680 divided into 30,961,868 shares, each with a nominal value of NOK 10. The Shares are registered with a central securities depository (the Norwegian Central Securities Depository (Euronext Securities Oslo)).

5.8.3 The board of directors

Pursuant to section 5, the Company shall have a CEO and the Board of Directors shall consist of between three and seven members, according to the shareholders' decision in a general meeting of the Company. Board members may be re-elected.

5.8.4 Restrictions on transfer of Shares

Pursuant to section 7, the Shares are freely transferable.

5.8.5 Signatory right

Pursuant to section 6, the signatory right lies with the Chairman of the Board and one board member jointly.

5.8.6 General meetings

Pursuant to section 9, documents relating to matters to be dealt with by the Company's general meeting, including documents which pursuant to law shall be included in or attached to the notice of the general meeting, do not need to be sent to the shareholders if such documents have been made available on the Company's website. A shareholder may nevertheless request that documents which relate to matters to be dealt with at the general meeting are sent to him/her.

Pursuant to section 8, an annual general meeting shall be held each year by the end of June. The notice shall be in writing and shall state the matters to be considered. At the annual general meeting, the following matters shall be dealt with and decided:

1. approval of the annual accounts and the annual report, including distribution of dividend, and

2. other issues, which according to the Norwegian Private Limited Liability Companies Act or the articles of association shall be dealt with by the general meeting.

5.9 Shareholders' agreement

As at the date of this Company Description, there is no shareholders’ agreement in force.

5.10 Certain aspects of Norwegian corporate law

5.10.1 General meetings

Through the general meeting, shareholders exercise supreme authority in a Norwegian company. In accordance with Norwegian law, the annual general meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that a written notice of annual general meetings setting forth the time of, the venue for and the agenda of the meeting is sent to all shareholders with a known address no later than seven days before the annual general meeting of a Norwegian private limited liability company shall be held, unless the articles of association stipulate a longer deadline, which is not currently the case for the Company.

A shareholder may vote at the general meeting either in person or by proxy (the proxy holder is appointed at their own discretion). Although Norwegian law does not require the Company to send proxy forms to its shareholders for general meetings, the Company plans to include a proxy form with notices of general meetings. All of the Company's shareholders who are registered in the shareholders' register kept and maintained with Euronext Securities Oslo as of the date of the general meeting, or who otherwise have reported and documented ownership of shares in the Company, are entitled to participate at general meetings, without any requirement of pre-registration.

Apart from the annual general meeting, extraordinary general meetings of shareholders may be held if the Board of Directors considers it necessary. An extraordinary general meeting of shareholders shall also be convened if, in order to discuss a specified matter, the auditor or shareholders representing at least 10% of the share capital demands such in writing. The requirements for notice and admission to the annual general meeting also apply to extraordinary general meetings.

5.10.2 Voting rights – amendments to the articles of association

Each Share carries one vote. In general, decisions shareholders are entitled to make under Norwegian law or the articles of association may be made by a simple majority of the votes cast. In the case of elections or appointments (e.g. to the board of directors), the person(s) who receive(s) the greatest number of votes cast is elected. However, as required under Norwegian law, certain decisions, including resolutions to waive preferential rights to subscribe for shares in connection with any share issue in the Company, to approve a merger or demerger of the Company, to amend the articles of association, to authorize an increase or reduction of the share capital, to authorize an issuance of convertible loans or warrants by the Company or to authorize the Board of Directors to purchase Shares and hold them as treasury shares or to dissolve the Company, must receive the approval of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at the general meeting in question. Moreover, Norwegian law requires that certain decisions, i.e. decisions that have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval by the holders of such shares or class of shares as well as the majority required for amending the articles of association.

Decisions that (i) would reduce the rights of some or all of the Company's shareholders in respect of dividend payments or other rights to assets or (ii) restrict the transferability of the Shares, require that at least 90% of the share capital represented at the general meeting in question vote in favour of the resolution, as well as the majority required for amending the articles of association.

In general, only a shareholder registered in Euronext Securities Oslo is entitled to vote for such Shares. Beneficial owners of the Shares that are registered in the name of a nominee are generally not entitled to vote under Norwegian law, nor is any person who is designated in the Euronext Securities Oslo register as the holder of such Shares as nominees. There are no quorum requirements that apply to the general meetings.

5.10.3 Additional issuances and preferential rights

If the Company issues any new Shares, including bonus share issues, the Company's Articles of Association must be amended, which requires the same vote as other amendments to the articles of association. In addition, under Norwegian law, the Company's shareholders have a preferential right to subscribe for new Shares issued by the Company. The preferential rights may be deviated from by a resolution in the general meeting passed with the same vote required to amend the articles of association. A deviation of the shareholders' preferential rights in respect of bonus issues requires the approval of all outstanding Shares.

The general meeting may, by the same vote as is required for amending the articles of association, authorize the board of directors to issue new Shares, and to deviate from the preferential rights of shareholders in connection with such issuances. Such authorisation may be effective for a maximum of two years, and the nominal value of the Shares to be issued may not exceed 50% of the registered par share capital when the authorisation is registered with the Norwegian Register of Business Enterprises.

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

Issuance of new Shares to shareholders who are citizens or residents of the United States and other jurisdictions upon the exercise of preferential rights may require the Company to file a registration statement or prospectus in the United States under United States securities laws or in such other jurisdictions under the laws of such jurisdictions. Should the Company in such a situation decide not to file a registration statement or prospectus, the Company's U.S. shareholders and shareholders in such other jurisdictions may not be able to exercise their preferential rights. To the extent that shareholders are not able to exercise their rights to subscribe for new shares, the value of their subscription rights will be lost and such shareholders' proportional ownership interests in the Company will be reduced.

5.10.4 Minority rights

Norwegian law sets forth a number of protections for minority shareholders of the Company, including, but not limited to, those described in this paragraph and the description of general meetings as set out above. Any of the

Company's shareholders may petition Norwegian courts to have a decision of the board of directors or the Company's shareholders made at the general meeting declared invalid on the grounds that it unreasonably favours certain shareholders or third parties to the detriment of other shareholders or the Company itself. The Company's shareholders may also petition the courts to dissolve the Company as a result of such decisions to the extent particularly strong reasons are considered by the court to make necessary dissolution of the Company.

Minority shareholders holding 10% or more of the Company's share capital have a right to demand in writing that the Board of Directors convenes an extraordinary general meeting to discuss or resolve specific matters. In addition, any of the Company's shareholders may in writing demand that the Company place an item on the agenda for any general meeting as long as the Company is notified in time for such item to be included in the notice of the meeting. If the notice has been issued when such a written demand is presented, a renewed notice must be issued if the deadline for issuing notice of the general meeting has not expired.

5.10.5 Rights of redemption and repurchase of shares

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

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

5.10.6 Shareholder vote on certain reorganizations

A decision of the Company's shareholders to merge with another company or to demerge requires a resolution by the general meeting passed by at least two-thirds of the aggregate votes cast and at least two-thirds of the share capital represented at the general meeting. A merger plan, or demerger plan signed by the Board of Directors along with certain other required documentation, would have to be sent to all the Company's shareholders, or if the articles of association stipulate that, made available to the shareholders on the Company's website, at least two weeks prior to the general meeting to pass upon the matter.

5.10.7 Liability of board members

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

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

5.10.8 Indemnification of board members

Neither Norwegian law nor the Articles of Association contains any provision concerning indemnification by the Company of the Board of Directors. The Company is permitted to purchase insurance for the Board Members against certain liabilities that they may incur in their capacity as such.

5.10.9 Distribution of assets on liquidation

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

5.11 Dividend policy

Pursuant to the Norwegian Private Companies Act, dividends may only be declared to the extent that the Company has distributable funds and the Board of Directors finds such a declaration to be prudent in consideration of the size, nature, scope and risks associated with the Company's operations and the need to strengthen its liquidity and financial position. Apart from this, there are no formal restrictions on the distribution of dividends. However, as the Company's ability to pay dividends is dependent on the availability of distributable reserves, it is, among other things, dependent upon receipt of dividends and other distributions of value from its subsidiaries and companies in which the Company may invest. The Company has no dividend policy and has so far not paid any dividends.

5.12 Takeover bids and forced transfers of shares

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

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

6 FINANCIAL OVERVIEW

This chapter contains information on the Company’s income statement and balance sheet covering the financial years 2021 and 2022 as well as H1 2023. The Financial Statements of Icelandic Salmon AS are prepared in accordance with International Financial Reporting standards (IFRS).

The Company‘s Financial Statements for 2021 and 2022 have been audited by Ernst & Young AS and signed with unmodified opinion. The Condensed Consolidated Interim Financial Statements for H1 2023 are unaudited.

Following are the dates on which the Issuer intends to release its quarterly and annual reports following admission to trading on First North Iceland. As per the First North Rulebook, going forward the Issuer will publish a financial calendar prior to the start of each financial year. If any date specified in the calendar changes, the Issuer will publish a notice of the new date as soon as possible.

Quarterly Summary – Q3 2023	9 November 2023
Quarterly Summary – Q4 2023	22 February 2024 (Unconfirmed)
Annual Financial Statements 2023	29 April 2024 (Unconfirmed)
Annual General Meeting 2024	24 May 2024 (Unconfirmed)

It is recommended that investors review Icelandic Salmon‘ annual accounts in their entirety, including all notes. The chapter below shows numbers from annual accounts in extract format. The annual accounts for the last two financial years and the interim financial statement for H1 2023 are attached in Appendix II and the interim financial statement for H1 2023 is attached in Appendix III.

6.1 Significant developments after 30 June 2023

In August 2023, Icelandic Salmon signed a commitment letter for its first sustainability-linked loan agreement, totaling EUR 100 million, with DNB and Danske Bank. In addition, Arion Bank will step in with an overdraft facility and also act as a security agent for the loan agreement. The loan agreement contains a term loan facility and a revolving facility, with sustainability linked financial goals. The terms achieved are competitive, reflecting the company's performance, and the credit market's strong support of Icelandic Salmon's sustainable operations.

6.2 Working capital statement

It is the assessment of the management and Board of Directors, for and on behalf of the Company, that at the date of this Company Description the Company demonstrates, as a profitable entity for the period covered by the financial information included in this Company Description, sufficient working capital for its planned business for at least 12 months from first day of trading.

6.3 Capitalisation and Indebtedness

The table below shows the capitalisation and indebtedness of the Company as of 30 June 2023, included in the Company's latest published financial statements:

LIABILITIES AND EQUITY ON 30 June 2023 (EUR thousands)

LIABILITIES	
Current liabilities	
Interest-bearing borrowings	40,253
Lease liabilities	959
Trade payables	10,269
Tax payables	4,431
Provisions for onerous contracts	0
Other payables	8,182
Total current liabilities	**64,094**
Non-current liabilities	
Interest-bearing borrowings	0
Lease liabilities	5,026
Deferred tax liabilities	3,416
Total non-current liabilities	8,441
Total liabilities	**72,535**
EQUITY	
Share capital	29,571
Share premium	88,600
Other paid in equity	(880)
Other equity	38,266
Total equity	**155,557**
Total liability and equity	**228,092**

6.4 Summary of financial development and general financial trend

This chapter contains information on Icelandic Salmon's income statement, balance sheet and cash flow statement covering the financial years 2021 and 2022 as well as H1 2023.

For a complete overview of Icelandic Salmon's financial position, it is recommended that investors review Icelandic Salmon's Annual Financial Statements, including all notes. The chapter below summarizes figures from them most recent Annual Financial Statements.

6.4.1 Consolidated Income Statement for 2021 and 2022

Icelandic Salmon AS

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2022 and 2021

(In EUR 1000)

	2022	2021
	€	**€**
Revenue		
Revenue from contracts with customers	157,593	90,806
Total operating revenue	**157,593**	**90,806**
Cost of goods sold	78,406	52,753
Salaries and personnel expenses	17,349	12,180
Other operating expenses	18,230	12,644
Depreciation	7,456	5,915
Total operating expenses	121,440	83,492
Operational EBIT	36,153	7,314
Production tax	(1,329)	(307)
Onerous Contracts	(122)	0
Fair value adjustments of biomass	(215)	(2,937)
Operating profit	**34,487**	**4,070**
Income from investment in joint venture	**180**	**3**
Financial items		
Financial income	9,256	144
Financial expense	(1,915)	(1,969)
Net currency gain	(189)	351
Net financial items	**7,151**	**(1,474)**
Profit before tax	**41,817**	**2,600**
Income tax	6,901	232
Net profit for the year	**34,917**	**2,367**
Other comprehensive income		
Translation differences related to joint venture	96	88
Translation differences related to subsidiaries	(314)	(1)
Other comprehensive income (loss) for the year	**(217)**	**87**
Total comprehensive income for the year	**34,699**	**2,454**

According to the Company's financial statements, revenues stem from sales contracts entered into with customers. Cost of goods sold, i.e. the production cost of salmon is the Company's largest expense, amounting to EUR 78,406,000 in 2022 (2021: EUR 52,753,000). Other expenses were mostly due to Salaries and personnel expenses, amounting to EUR 17,349,000 in 2022 (2021: EUR 12,180,000) and Other operating expenses, amounting to EUR

18,230,000 in 2022 (2021: EUR 12,644,000). Total comprehensive income for the year amounted to EUR 34,699,000 in 2022 (2021: EUR 2,454,000).

6.4.2 Consolidated Balance Sheet for 2021 and 2022

Icelandic Salmon AS
Consolidated Statements of Financial Position

For the years ended December 31, 2022 and 2021

(In EUR 1000)

	As at December 31, 2022	**As at December 31, 2021**
	€	**€**
Assets		
Non-current assets		
Goodwill	34,740	19,332
Licenses	1,626	431
Other intangible assets	0	547
Property, plant & equipment	81,149	52,225
Lease assets	6,975	5,827
Investment in joint venture	0	1,647
Other long-term receivables	0	4,964
Deferred tax assets	0	3,407
Total non-current assets	**124,490**	**88,380**
Current assets		
Biological assets	84,146	66,899
Inventories	5,043	2,538
Trade receivables	15,026	7,323
Other receivables	4,748	2,126
Cash and cash equivalents	1,854	3,744
Total current assets	110,816	82,630
Total assets	**235,306**	**171,010**
Equity and liabilities		
Equity		
Share capital	29,571	29,571
Share premium	88,600	90,622
Other paid-in equity	(930)	(1,089)
Other equity	26,976	(9,795)
Total equity	**144,216**	**109,309**
Liabilities		

Non-current liabilities		
Interest-bearing borrowings	51,649	38,465
Lease liabilities	5,756	4,803
Deferred tax liabilities	3,576	0
Total non-current liabilities	**60,981**	**43,268**
Current liabilities		
Interest-bearing liabilities	6,230	2,084
Lease liabilities	1,186	1,086
Trade payables	11,702	9,699
Tax payables	1,341	0
Provisions for onerous contracts	122	0
Other payables	9,528	5,564
Total current liabilities	**30,109**	**18,433**
Total liabilities	**91,090**	**61,701**
Total equity and liabilities	**235,306**	**171,010**

The Company's total assets amounted to EUR 235,306,000 in 2022 (2021: EUR 171,010,000). Total assets in 2022 and 2021 consisted mostly of Biological assets, Property, plant & equipment and Goodwill.

Total liabilities amounted to EUR 91,090,000 in 2022 (2021: EUR 61,701,000), consisting mostly of interest-bearing borrowings.

Total equity amounted to EUR 144,216,000 in 2022 (2021: EUR 109,309,000). As such, the Company's equity ratio was 61.2% in 2022 and 63.9% in 2021.

6.4.3 Consolidated Statement of Cash Flows 2021 to 2022

Icelandic Salmon AS
Consolidated Statements of Cash Flow

For the years ended December 31, 2022 and 2021

(In EUR 1000)

	2022	**2021**
	€	**€**
Cash flow from operating activities		
Profit before tax	41,817	2,600
Adjustments to reconcile profit for tax to net cash flows		
Depreciation	7,456	5,915
Share based payment expense	158	209
Net foreign exchange differences and other items	(1,054)	136
Financial expenses (debt/borrowings and leases)	1,915	1,969
Financial revenue (interest income)	(288)	(144)
Share of (loss) profit from joint ventures	(180)	(3)
Fair value gain related to remeasured shares in joint venture	(8,968)	0
Change in fair value of biomass	215	2,937

Working Capital changes		
Change in inventories and biomass recognized at cost	(19,967)	(13,470)
Change in payables and receivables	(9,486)	(392)
Net cash flow to from operating activities	11,619	(244)

Cash flow from investing activities		
Proceeds from sale of property, plant & equipment	178	12
Purchase of property, plant & equipment	(16,617)	(12,886)
Acquisition of a subsidiary, net of cash received	(10,537)	0
Other investments	(267)	(1,905)
Proceeds of interest income	68	8
Net cash flow to investing activities	**(27,176)**	**(14,771)**

Cash flow from financing activities		
Proceeds from new interest-bearing debt	22,630	25,171
Repayment of interest-bearing debt	(5,828)	(4,826)
Payment of principal portion of lease liabilities	(1,192)	(785)
Paid interest (debt/borrowings and leases)	(1,943)	(2,233)
Share based payments	0	(1,618)
Net cash flow from financing activities	**13,667**	**15,709**

Net change in cash and cash equivalents	(1,890)	694
Cash and cash equivalents at 1 Jan	3,744	3,050
Cash and cash equivalents as at 31 Dec	**1,854**	**3,744**

Net cash flow from operating activities amounted to EUR 11,619,000 in 2022 (2021: EUR (244,000)). The change between years can mainly be attributed to increased revenue between years. Financing activities were similar in both years.

Net cash at the beginning of the year 2022 amounted to EUR 3,744,000 and decreased to EUR 1,854,000 at year end 2022.

6.4.4 Income Statement for H1 2023

Icelandic Salmon AS

Consolidated Statements of Comprehensive Income

For the period ended June 30, 2023 and 2022

(In EUR 1000)

	H1 2023	H1 2022
	€	**€**
Revenue		
Revenue from contracts with customers	71,583	72,085
Total operating revenue	**71,583**	**72,085**
Cost of goods sold	33,263	28,986
Salaries and personnel expenses	9,773	8,291

Other operating expenses	8,904	8,369
Depreciation	4,339	3,395
Total operating expenses	**56,278**	**49,042**
Operational EBIT	**15,305**	23,044
Production tax	(800)	(549)
Onerous Contracts	122	(337)
Fair value adjustments of biomass	219	3,885
Operating profit	**14,846**	**26,042**
Income from investment in joint venture	**0**	**(214)**
Financial items		
Financial income	29	60
Financial expense	(1,124)	(1,031)
Net currency gain	409	649
Net financial items	**(686)**	**(321)**
Profit before tax	**14,160**	**25,507**
Income tax	2,917	5,209
Net profit for the year	**11,242**	**20,298**
Other comprehensive income		
Translation differences related to joint venture	0	92
Translation differences related to subsidiaries	48	0
Other comprehensive income (loss) for the period	**48**	**92**
Total comprehensive income for the period	**11,291**	**20,390**

For the first half of 2023, revenue from contracts with customers amounted to EUR 71,583,000, in line with EUR 72,085,000 in the first half of 2022. Expenses were mostly due to Cost of goods sold expanded up to EUR 33,263,000 in the first half of 2023 (First half of 2022: EUR 28,986,000), due to the Company having to harvest earlier than anticipated due to complications mentioned in Chapter 2.1.4 *The Company's operations involves inherent risk relating to weather, the outbreak of diseases or accidental release*. Due to the earlier harvest, and lower fair value adjustments of biomass (H1 2023: EUR 219,000, H1 2022: EUR 3,885,000) total comprehensive income for the first half of 2023 amounted to EUR 11,291,000 (First half of 2022: EUR 20,390,000).

6.4.5 Consolidated Balance Sheet for H1 2023

Icelandic Salmon AS
Consolidated Statements of Financial Position

For the period ended June 30, 2023 and 2022

(In EUR 1000)

	H1 2023	H1 2022
	€	**€**
Assets		
Non-current assets		
Goodwill	34,740	19,332
Licenses	1,626	1,359
Property, plant & equipment	93,814	56,492
Lease assets	6,206	7,205

Investment in joint venture	0	1,525
Other long-term receivables	0	6,125
Deferred tax assets	1	0
Total non-current assets	**136,384**	**92,038**
Current assets		
Biological assets	80,638	73,310
Inventories	2,630	4,026
Trade receivables	1,025	7,022
Other receivables	5,319	2,590
Cash and cash equivalents	2,095	18,731
Total current assets	**91,707**	**105,679**
Total assets	**228,092**	**197,717**
Equity and liabilities		
Equity		
Share capital	29,571	29,571
Share premium	88,600	90,622
Other paid-in equity	(880)	(1,006)
Other equity	38,266	10.595
Total equity	**155,557**	**129,782**
Liabilities		
Non-current liabilities		
Interest-bearing borrowings	0	37,378
Lease liabilities	5,026	6,166
Deferred tax liabilities	3,416	1,987
Total non-current liabilities	**8,441**	**45,531**
Current liabilities		
Interest-bearing liabilities	40,253	2,294
Lease liabilities	959	1,218
Trade payables	10,269	10,229
Provisions for onerous contracts	0	337
Other payables	8,182	8,326
Total current liabilities	**64,094**	**22,404**
Total liabilities	**72,535**	**67,935**
Total equity and liabilities	**228,092**	**197,717**

The Company’s total assets amounted to EUR 228,092,000 at 30 June 2023 (30 June 2022: EUR 197,717,000). Total assets at 30 June 2023 consisted mostly of Biological assets, Property, plant & equipment, Goodwill and Cash and cash equivalents. Increase in Goodwill between years may be attributed to the acquisition of all shares in Eldisstöðin Ísþór ehf., to which a part of the increase in Property, plant & equipment can also be attributed, in addition to the acquisition of other Property, plant & equipment, such as the Svanborg feeding pram.

Total liabilities amounted to EUR 72,535,000 at 30 June 2023 (30 June 2022: EUR 67,935,000). The Company’s liabilities consist mainly of Interest-bearing debt and Trade payables. The change in mix of non-current and current liabilities between years can be attributed to the Company's current financing becoming due in the next 12 months. At end of June 2023, the Company signed an engagement letter with DNB and Danske bank concerning a new three year loan agreement, with option of two year extension, aiming for a term loan facility and a revolving facility for a total of EUR 95.0 million and an additional EUR 5.0 million overdraft facility with Arion bank, bringing the total amount of the refinancing agreement to EUR 100.0 million. The facility will replace the current loan facility, which was set to mature in June 2024.

Total equity amounted to EUR 155,557,000 at 30 June 2023 (30 June 2022: EUR 129,782,000). As such, the Company's equity ratio was 68.2% on 30 June 2023 (30 June 2022: 65.6%).

6.4.6 Consolidated Statement of Cash Flows H1 2023

Icelandic Salmon AS
Consolidated Statements of Cash Flow

For the period ended June 30, 2023 and 2022

(In EUR 1000)

	H1 2023	H1 2022
	€	**€**
Cash flow from operating activities		
Profit before tax	14,160	25,507
Depreciation	4,339	3,395
Share based payment expense	50	83
Net foreign exchange differences and other items	(207)	(40)
Financial expenses (debt/borrowings and leases)	1,124	1,031
Financial revenue (interest income)	(29)	(60)
Share of (loss) profit from joint ventures	0	214
Fair value gain related to remeasured shares in joint venture	0	0
Change in fair value of biomass	(219)	(3,885)
Working Capital changes:		
Change in inventories and biomass recognized at cost	6,139	(4,015)
Change in payables and receivables	10,511	3,400
Net cash flow to from operating activities	**35,867**	**25,630**
Cash flow from investing activities		
Proceeds from sale of property, plant & equipment	6	121
Purchase of property, plant & equipment	(16,138)	(6,965)
Acquisition of a subsidiary, net of cash received	0	(194)
Other investments	0	(1,105)
Proceeds of interest income	29	4
Net cash flow to investing activities	**(16,104)**	**(8,138)**
Cash flow from financing activities		
New interest-bearing debt	4,000	3,222
Repayment of interest-bearing debt	(21,732)	(4,125)
Payment of principal portion of lease liabilities	(509)	(590)

Paid interest (debt/borrowings and leases)	(1,281)	(1,011)
Net cash flow from financing activities	**(19,522)**	**(2,505)**
Net change in cash and cash equivalents	242	14,987
Cash and cash equivalents at 1 Jan	1,854	3,744
Cash and cash equivalents as at period end	**2,095**	**18,731**

Net profit from operating activities for the first half of 2023 amounted to EUR 14,160,000 (First half of 2022: EUR 25,630,000). In relation to the Company's new loan facility, repayment of interest-bearing debt occurred in the period (H1 2023: EUR 21,732,000, H1 2022: EUR 4,125,000). The Company also acquired Property, plant & equipment in the period, amounting to EUR 16,138,000 (H1 2022: EUR 6,965,000).

Net cash at the beginning of the year 2023 amounted to EUR 1,854,000 and decreased to EUR 2,095,000 at 30 June 2023.

7 DUAL LISTING AND SETTLEMENT OF THE SHARES BETWEEN EXCHANGES

Trading in Iceland will be made on the basis of Affiliated Shares issued by Nasdaq CSD SE, útibú á Íslandi, ID no. 510119-0370, domiciled at Laugavegur 182, 105 Reykjavík, Iceland ("Nasdaq CSD"). Based on an agreement with the Company, upon receipt of Shares, Nasdaq CSD will issue Affiliated Shares to be utilized for trading on First North Iceland. The Affiliated Shares are issued in dematerialized form by Nasdaq CSD in accordance with Act No. 7/2020 on Securities Markets, Settlement and Electronic Registration of Securities. Each Affiliated Share shall be listed, traded and settled in ISK and shall represent one Share.

An application has been submitted for all the entire existing share capital, in the form of Affiliated Shares, to be admitted to trading on Nasdaq First North Iceland. The Affiliated Shares are freely transferable. All Affiliated Shares represent underlying Shares in the Company which are held by Nasdaq CSD.

The Shares are admitted to trading on Euronext Growth Oslo and will therefore be dual listed on Euronext Growth Oslo as Shares and First North Iceland as Affiliated Shares. Trading of Shares and Affiliated Shares will take place in different currencies (Norwegian krone on Euronext Growth Oslo and Icelandic krona on First North Iceland), at different times (different time zones, trading days and public holidays in Norway and Iceland) and with different settlement mechanics. The trading prices of the Shares and the Affiliated Shares may as such differ due to these and other factors. Any decrease in the price of the Shares can cause a decrease in the trading price of the Affiliated Shares and vice versa.

Subject to the admission of the Affiliated Shares to trading on the Nasdaq First North Iceland, the Company will not become subject to the rules on public takeover bids to holders of Shares (including Affiliated Shares) as per Icelandic act no. 108/2007 on Takeovers. The Shares in the Company or Affiliated Shares are not subject to any offer made pursuant to any mandatory bid, right of redemption or obligation to redeem, nor have any public offers been made for the shares during the current or previous financial year.

7.1 Settlement between exchanges

What follows is a description of the operations and procedures of the transfer of Shares, admitted to trading on Euronext Growth Oslo to Affiliated Shares, admitted to trading on First North Iceland and vice versa, provided for convenience for investors wanting to transfer Shares to Affiliated Shares or vice versa. These operations and procedures are solely within the control of the respective settlement systems, as well as other securities' intermediaries such as brokers and depositary institutions and are subject to changes by them from time to time. The Company does not take any responsibility for these operations and procedures and urges investors to contact their respective bank or financial institution directly to discuss these matters.

7.1.1 General information on the Shares and Affiliated Shares

The Shares are issued in accordance with Norwegian regulations and are denominated in NOK, having a nominal value of NOK 10 each. All issued Shares have been fully paid for and are freely transferable. The Company has one share class where each share carries equal rights. The ISIN code of the Shares is NO0010724701. The Shares are traded on Euronext Growth Oslo under the ticker ISLAX. For further information regarding the Shares and rights of holders of the Shares, reference is made to Appendix I which contains the Company's Articles of Association. Affiliated Shares are subject to the same rights of holders as the Shares.

The Affiliated Shares are registered in book-entry form under the name and Icelandic ID No. of the relevant shareholder or nominee pursuant to Article 42 of the Act on Markets in Financial Instruments. In accordance with the articles of association of the Company, registration of the ownership of Affiliated Shares in Iceland in an electronic form with Nasdaq CSD, after Nasdaq CSD's final entry, formally gives a registered owner the right to exercise the rights conferred by such Affiliated Shares. Dividends and announcements shall at any given time be sent to registered owners or nominees of the respective Shares in the Company's share registry. The Affiliated Shares are denominated in ISK. The ISIN number for the Affiliated Shares, which will be traded on First North Iceland is NO0010724701 and the ticker is ISLAX.

As per the Norwegian Public Limited Liability Companies Act No 45 as of 13 June 1997, a bank or other nominee approved by the King (delegated to the Ministry of Finance and further to Finanstilsynet) may be entered in the shareholder register instead of a foreign shareholder when the shares are admitted to trading on a Norwegian regulated market. A foreign shareholder is a company domiciled abroad, unless the company's head office is located in Norway, or a foreign national not domiciled in Norway. Based on this, and the rules of Clearstream, Clearstream may not hold any equity instruments through its Norwegian domestic link, if such instruments are beneficially owned by Norwegian individual residents or by legal entities that are incorporated in Norway. In these circumstances, customers are not allowed to hold such financial instruments in Clearstream.

7.1.2 Transfer of Shares and Affiliated Shares between markets

Transfer of Shares from Euronext Growth Oslo to First North Iceland

1. The Shareholder of Shares on Euronext Growth Oslo must contact their respective bank or financial institution and request a transfer and delivery of Shares to Nasdaq CSD.
2. The respective bank or financial institution sends instructions to Euronext Securities Oslo in Norway (or, in some cases, an intermediary who sends the final instructions) regarding the transfer and delivery of the Shares to Nasdaq CSD.
3. Nasdaq CSD sends instructions on the receiving of the Shares to Clearstream.
4. The Shareholder instructs his Icelandic custodian to receive the Affiliated Shares.
5. Once the delivery and receiving instructions have matched and the settlement has taken place the Affiliated Shares will be accessible with the respective counterparty in Iceland.

Transfer of Affiliated Shares from First North Iceland to Euronext Growth Oslo

1. The Shareholder of Affiliated Shares on First North Iceland must contact their respective bank or financial institution and request a transfer and delivery to Euronext Securities Oslo.
2. The respective bank or financial institution sends instructions to Nasdaq CSD in Iceland (or, in some cases, an intermediary who sends the final instructions) regarding the transfer and delivery of the Affiliated Shares to Euronext Securities Oslo.
3. Nasdaq CSD sends instructions on the transfer and delivery to Clearstream.
4. The Shareholder must give instructions to the respective counterparty in Norway on the transfer and receiving of the Shares.
5. Once the delivery and receiving instructions have matched and the settlement has taken place the Shares will be accessible with the respective counterparty in Norway.

8 GLOSSARY

Admission	The admission to trading of Affiliated Shares on First North Iceland
Affiliated Shares	The Shares, as made transferrable under Icelandic legislation by Nasdaq CSD and admitted to trading on First North Iceland
Company Description	This Company Description, dated 27 September 2023
Annual Financial Statements	The audited consolidated financial statements of the Company for the year ended 31 December 2022
Arnarlax	Arnarlax ehf.
Articles of Association	Articles of Association of the Company
Board of Directors	The board of directors of Icelandic Salmon AS
Board Members	The members of the Board of Directors
Bæjarvík	Bæjarvík ehf.
Company	Icelandic Salmon AS and subsidiaries
EEA	European Economic Area
EUR	Euro, the currency of the European Union
West Fjords	The west fjords of Iceland

EU Prospectus Regulation	Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC
Euronext Growth Oslo	The multilateral trading facility for equity instruments operated by Oslo Børs
Euronext Securities Oslo	Verdipapirsentralen ASA, the only Central Securities Depository in Norway
Financial Information	The Annual Financial Statements and the Interim Financial Statements
FSMA	The Financial Services and Markets Act 2000, Norway
Fjarðalax	Fjarðalax ehf.
IAS34	International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union
IFRS	International Financial Reporting Standards as adopted by the European Union
Interim Financial Statement	The unaudited consolidated financial statements for the Company for the six months ended 30 June 2023
Ísafjarðardjúp Project	The Company's application for increased biomass for 10,000 tons maximum allowed biomass.
ISK	Icelandic krónur, the currency of Iceland
Ísþór	Eldisstöðin Ísþór hf.
LV	The Federation of Icelandic River Owners
MAB	Maximum allowed biomass
Manager	Arion banki hf.
MAST	The Icelandic Food and Veterinary Authority
MT	Metric tonnes
NOK	Norwegian kroner, the currency of Norway
Non-Resident Shareholders	Shareholders who are not resident in Norway for tax purposes
Norwegian Shareholders	Shareholders who are resident in Norway for tax purposes
N-OTC	The Norwegian OTC list
Oslo Børs	Oslo Børs ASA
SalMar	SalMar ASA
Shares (or Share)	Means the shares of the Company, each with a nominal value of NOK 10, or any one of them.
UST	The Environment Agency of Iceland, (Is.: *Umhverfisstofnun)*

10 APPENDIX I – ARTICLES OF ASSOCIATION

The following document constitutes the Icelandic Salmon AS Articles of Association, reviewed and approved by the Company.

(*Office translation*)

VEDTEKTER ICELANDIC SALMON AS vedtatt 14. oktober 2020	ARTICLES OF ASSOCIATION ICELANDIC SALMON AS adopted 14 October 2020
§ 1 Selskapets navn er Icelandic Salmon AS.	§ 1 The company's name is Icelandic Salmon AS.
§ 2 Selskapets forretningskontor er i Frøya kommune.	§ 2 The company's business address is in Frøya municipality.
§ 3 Selskapets formål er å drive produksjon, foredling og salg av sjømat og sjømatbaserte produkter samt å drive annen virksomhet i forbindelse med disse formål herunder gjennom investeringer og eierskap i andre selskaper med samme formål.	§ 3 The objective of the company is production, processing and sale of seafood and seafood based products, as well as conducting other business in connection with these purposes, including through investments and ownership in other companies with same purpose.
§ 4 Selskapets aksjekapital er NOK 309 618 680, fordelt på 30 961 868 aksjer pålydende NOK 10. Selskapets aksjer skal være registrert i et verdipapirregister.	§ 4 The company's share capital is NOK 309,618,680 divided into 30,961,868 shares, each with a nominal value of NOK 10. The Company's shares shall be registered in a securities register.
§ 5 Selskapet skal ha en daglig leder. Selskapets styre skal ha 3-7 medlemmer. Generalforsamlingen velger styret for to år ad gangen. Sittende styremedlemmer kan ta gjenvalg.	§ 5 The company shall have a CEO. The company's board of directors shall consist of 3-7 board members. The general meeting elects board members for a period of two years at a time. Board members may be re-elected.
§ 6 Selskapets firma tegnes av styrets leder og ett styremedlem i fellesskap. Styret kan meddele prokura.	§ 6 The chairman of the board of directors and one board member when acting jointly may sign on behalf of the company. The board of directors may grant power of procuration.
§ 7	§ 7

Selskapets aksjer kan fritt overdras. Erverv av aksjer og overdragelse av aksjer i Selskapet er ikke betinget av styrets samtykke, ei heller skal de øvrige aksjonærene ha forkjøpsrett ved overdragelse av aksjer i Selskapet.	The company's shares are freely transferrable. Acquisition and transfer of shares in the company is not subject to the board of directors approval, and other shareholders do not hold a right of first refusal in connection with share transfers in the company.
§ 8 Ordinær generalforsamling skal holdes hvert år innen utgangen av juni måned. Innkallelse skjer skriftlig og skal angi de saker som skal behandles. På ordinær generalforsamling skal minst følgende saker behandles og avgjøres: 1. godkjennelse av årsregnskapet og årsberetningen, herunder utdeling av utbytte, og 2. andre saker som etter aksjeloven eller vedtektene hører under generalforsamlingen.	§ 8 Annual general meeting shall be held each year by the end of June. The notice shall be in writing and shall state the matters to be considered. At the annual general meeting, the following matters shall be dealt with and decided: 1. approval of the annual accounts and the annual report, including distribution of dividend, and 2. other issues, which according to the Norwegian Private Limited Liability Companies Act or the articles of association shall be dealt with by the general meeting.
§ 9 Dokumenter som gjelder saker som skal behandles på generalforsamlingen og som er gjort tilgjengelige for aksjeeierne på selskapets internettsider, trenger ikke å sendes til aksjeeierne. Dette gjelder også dokumenter som etter lov skal inntas i eller vedlegges innkallingen til generalforsamlingen. En aksjeeier kan likevel kreve å kostnadsfritt få tilsendt dokumenter som gjelder saker som skal behandles på generalforsamlingen.	§ 9 Documents regarding matters to be considered at the general meeting which are made available to the shareholder at the company's website, does not need to be sent to the shareholders. This also applies to documents which pursuant to law shall be included in or attached to the notice of the general meeting. A shareholder may still, free of charge, request a copy of documents regarding matters to be considered at the general meeting.
§ 10 Utover det som fremgår av bestemmelser nedfelt i disse vedtekter, vises det til reglene i den til enhver tid gjeldende aksjelovgivning.	§ 10 In addition to what is stated in the provisions in these articles of association, reference is made to the Norwegian Private Limited Liability Companies Act, as amended from time to time.
***	***

11 APPENDIX II - CONSOLIDATED ANNUAL REPORTS FOR 2022 AND 2021

The following documents constitute Icelandic Salmon AS Financial Statements as prepared by its accountants and reviewed and approved by the Company.

CONSOLIDATED ANNUAL REPORT

2021

Icelandic Salmon

SUSTAINABLE SALMON FROM ARNARLAX

Icelandic Salmon AS
Industriveien 51
7266 Kverva - Norway

Icelandic Salmon AS
Consolidated Annual Report 2021

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 productions 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 favorable conditions for salmon farming.

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

1 THIS IS ICELANDIC SALMON

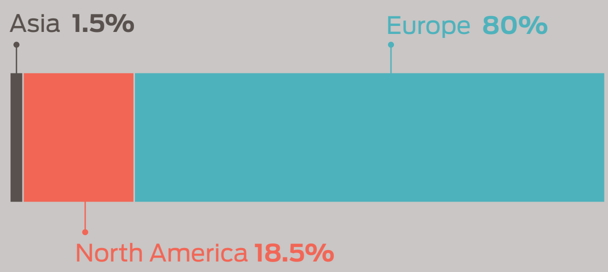
Key Figures for Icelandic Salmon

EUR million	2021	2020
Operating revenue	90.81	61.84
Operational EBIT	7,31	(4.58)
Production tax	0.31	0.13
Fair value adjustments	(2.94)	7,66
Profit (loss) before tax	2.60	(1.40)
Net interest bearing debts	36.80	17.41
Equity ratio	64%	75%
Harvested volume from own production (tonnes)	11,537	11,228
Operational EBIT/kg.	0.63	(0.41)

Harvest

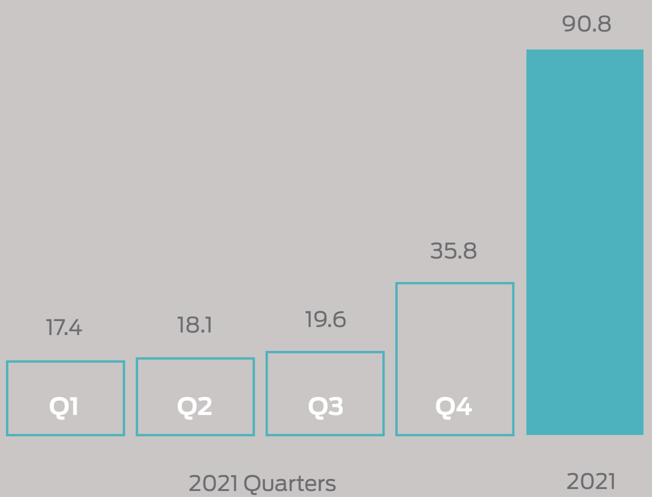
Thousand tonnes

Geographical distribution of sales volume



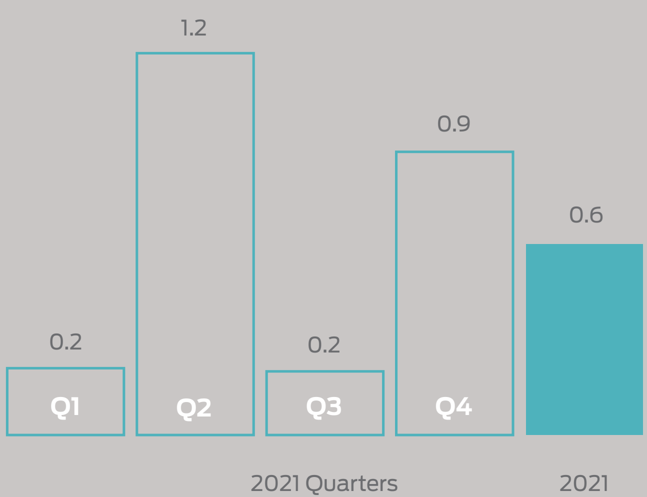
Operating Revenue

EUR million



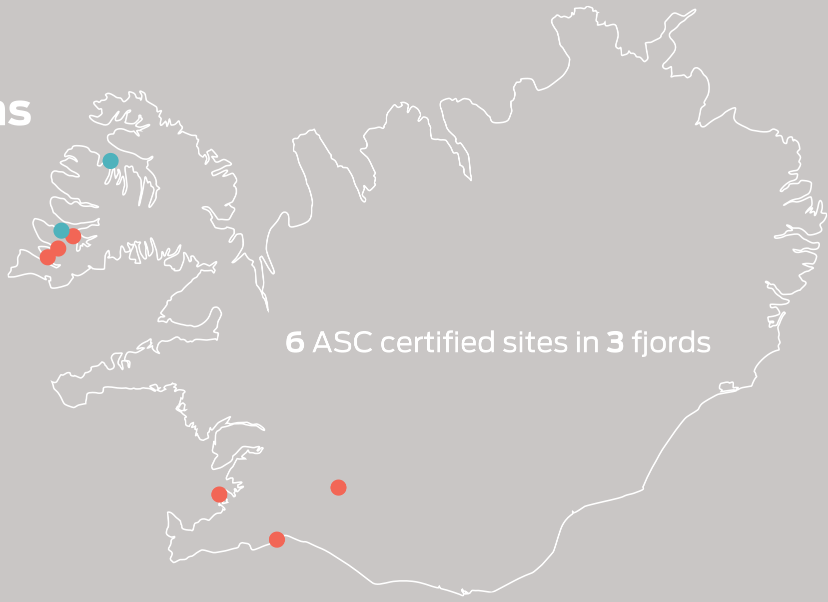
Operating EBIT

Euros per kilogram gwe



Our Locations

Current operations
Licence application



Sickness Absence

4.1%
Target <4.5%

H-factor

5.5
Target <6

Economic feed conversion ratio

1.3
Target <1.13%

Smolt facilities

4 Smolt facilities

4.5 Million smolt in operational capacity

Community footprint

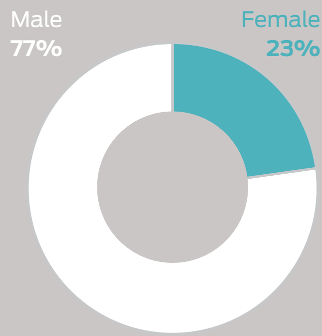
6.63 Million Euros in taxes and fees

Investments

77.1 Million Euros in fixed assets

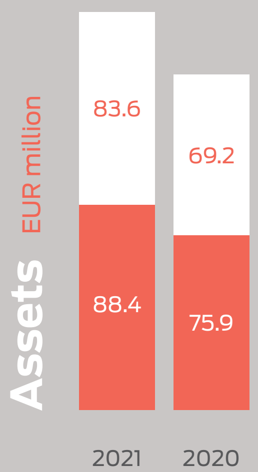
Number of Employees

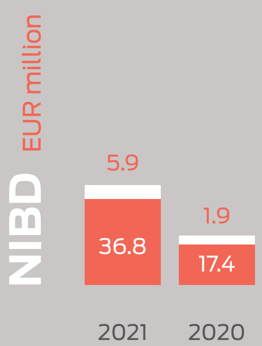
Average over year

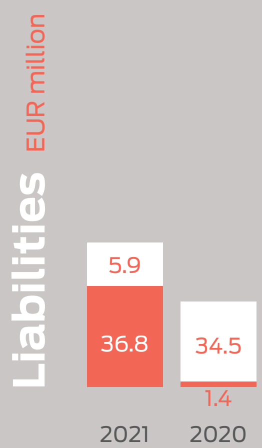


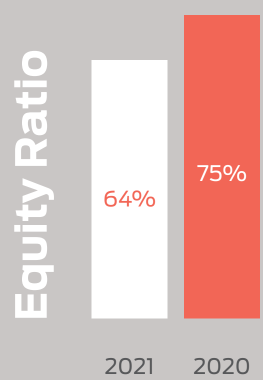
ASC Certified production

Gender Ratio









MESSAGE FROM CEO

Despite continued challenges presented by COVID-19 worldwide, Arnarlax has made significant progress during 2021. The company delivered on its core mission throughout the year: to produce sustainable and excellent quality Icelandic salmon. This has led to an exciting 2021 with plenty of activity in the Westfjords of Iceland.

Representing our first full year on the Oslo Stock Exchange, we also reported record-high operating profits. This is the result of several positive events during the year, including enhanced company branding leading to increased sales to the US and strengthened operations.

Arnarlax brand

In September 2021, we launched our new brand, "Arnarlax – Sustainable Iceland Salmon", an important milestone demonstrating our commitment to sustainability and a green business. Supporting this, efficient logistics and exemplary employee effort led to better biological results for our salmon, especially when looking at our seawater operations. Overall, we have seen a reduction in biomass mortality by 65 percent from 2,064 tonnes to 740 tonnes, and the economic Feed Conversion ratio decrease by 3 percent. This positive development has led to Arnarlax harvesting 11,563 tonnes of salmon, representing a 2.6 percent increase from the previous year. We are now expecting to harvest a total of 16,000 tonnes in 2022.

US markets and low carbon footprint

Icelandic Salmon has continued its emphasis on sea transport of products to the US market, with a significant share of the production now serving the North American market. These efforts have proven to be a success, with high-quality ASC certified salmon reaching new clients even further into the US.

Icelandic logistics routes offer a new choice for a low carbon footprint salmon in the US market, with good shelf life due to super chilling technology. At the same time as air freight is getting quite expensive and less attractive due to higher carbon footprint, we believe that seaborn Icelandic salmon to the east coast USA will have a competitive advantage over airborne products in the years to come. We have seen our customer base expand, as buyers realise the benefits of our fresh and sustainably farmed salmon.

Strategic decisions

Through 2021 we have seen our strategic decisions deliver positive outcomes. Among the most significant milestones was the acquisition of two smolt/post-smolt facilities at Hallkelshólar and in Þorlákshöfn, Iceland, in May 2021. Allowing for significantly higher production levels of smolt, we anticipate production of up to 400,000 smolts in 2022 and 1.5 million smolt across this newly acquired facilities from 2023. Overall, this means that we can utilise our current licensing capacity better and that we are better prepared for potential future growth.

Further growth

Operationally, we also strengthened the team with several key hires. As part of our growth plans, we appointed Kjersti Haugen as Chief Sales Officer, which supported the development of the department's strategy and increased sales to the US. Alongside this, we moved the sales, part of the finance and business development team, to new offices in downtown Reykjavik. The new location, in the business center of Iceland, is more effective and convenient.

In parallel, we added a product to our offering and began selling pre-rigor filets produced by a third party. Though this product initially saw low, but growing sales volumes, we are confident that the increased interest in the product and positive product feedback will translate to increased sales volumes across Europe and the US in 2022.

To enable future growth, Arnarlax has been working on applications for increased licenses both in Arnarfjörður and in Ísafjörður.

In Arnarfjörður Arnarlax will need to restart the application process for 4,500 tonnes. As for now, we do not know when the environmental assessment report will be processed or the exact timeline of the application process.

Additionally, Arnarlax has a 10,000 tonnes verdict in place from the Planning Agency, including prime site locations in Ísafjörður. Arnarlax now expects this license to be issued for sterile salmon and the application is now awaiting approval and advertisement from Food and Veterinary Authorities (MAST and the Environmental Agency). Timeline of the process is currently unclear

As our business grows, we remain focused on being a responsible toward our local community and our aquaculture business. With all of our sites being Aquaculture Stewardship Council (ASC) certified, our customers can be assured that they are buying salmon from a responsible farmer. In addition to this, our harvest plant in Bildudalur was awarded the British Retail Consortium (BRC) Food Safety certification in July 2021. This means that our plant is meeting the highest international standards for hygiene, quality, and safety.

Team Arnarlax

Lastly, I wish to thank all our employees who have worked tirelessly through another eventful year. Human resources, our employees are our main resource and what make us a strong and resilient business capable of growing whilst meeting the many challenges of a global pandemic. As we look to involve and engage our employees further, we were excited to see the Arnarlax Academy restart for all employees. In addition, we were able to restart our vocational aquaculture school, which saw 10 employees receive their hard-earned diplomas at the beginning of 2021, with another 8 employees enrolling in the year.

Looking ahead and with many activities and priorities on the agenda, we are keeping focused on our mission: to produce even more sustainable Icelandic salmon in the years to come.

Björn Hembre / CEO

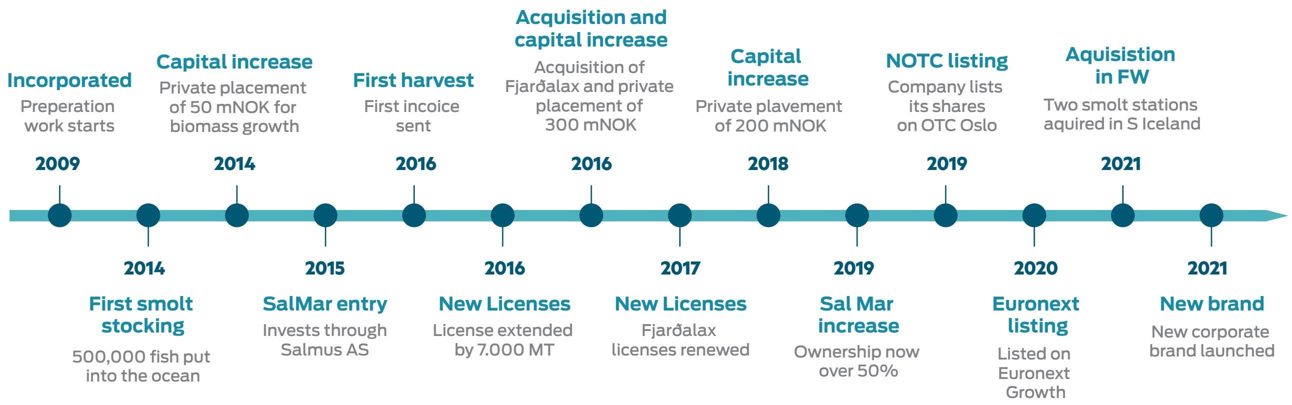
THE HISTORY

Arnarlax, subsitiary of Icelandic Salmon AS, was founded in the year 2009 in Bíldudalur, a small Icelandic village inside a long fjord called Arnarfjörður. Bíldudalur is the hometown of the company‘s founders who knew that the area had excellent conditions for farming salmon. Today, the company is the Icelandic biggest aquaculture company. Modern salmon farming is relatively new in Iceland compared to our neighbours in the Faroe Islands, Scotland and Norway. The company‘s vision is “Sustainability – it‘s in our nature”, so to be sustainable in every aspect of its operations and lead the way in terms of cost efficiency, biology and the development of the whole value chain for salmon farming in Iceland.

The Group successfully completed a private placement in the autumn of 2020 with the following listing on Euronext Growth. At the end of 2021, SalMar owned 51 per cent of the shares in the company. The company is fully intergrated with its own hatcheries, sea farms, harvesting plant and sales force. The natural conditions, with good quality seawater and temperatures on a pair with northern Norway, provide a sound basis for engaging is sustainable aquaculture in Iceland.

The company has its headquarters and harvesting plant in Bíldudalur in Iceland‘s West Fjords region, close to the sea farms located in the surrounding fjords. In addition, the company has four smolt facilities, one in the West Fjords, two in Þorlákshöfn just south of Reykjavík and one in Grímsnes. The company also has an operating office in Reykjavík.

The company strongly beleves in sustainable aquaculture production 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 Academy developing leadership and company culture.

The Group management consist of the following members:

Bjørn Hembre
CEO

Jónas Heiðar Birgisson
CFO

Rolf Ørjan Nordli
COO of Biology

Hannibal Hafberg
COO of Harvest Plant

Kjersti Haugen
CSO of Sales

Silja Baldvinsdóttir
Quality Manager

Jón Garðar Jörundsson
CBDO of Business Development

BOARD OF DIRECTORS

Brief biographies of the Board Members

Set out below are brief biographies of members of the Board of Directors, including their managerial expertise and experience, in addition to an indication of any significant principal activities performed by them outside of the Company.

Kjartan Olafsson, Chairman

Current position: Managing Director of Markó Partners.

Mr. Olafsson has served as the chairman of the board of directors since 2013. He has a MSc in Fishery Science from the University of Tromsø with emphasis on economy and finance. Further, he is founder and managing director of Markó Partners, an Icelandic Seafood advisory boutique.

Espen Weyergang Marcussen, Board member

Current position: CEO of Pactum AS.

Mr. Marcussen has been the CEO of Pactum AS since 2017. Prior to this, he served as the deputy CEO of the shipping company Bergshav. He has also long experience from investment banking, with combined 17 years at Handelsbanken and Nordea. Marcussen holds a siviløkonom degree from the Norwegian school of economics (NHH).

Olav Andreas Ervik, Board member

Current position: Self employed consultant (Buviknakken AS).

Mr. Ervik has more than 25 years of experience from the aquaculture industry and has been employed in SalMar from 2012 - 2022. In this period he held several management positions in SalMar including the position as CEO in SalMar ASA and as CEO in SalMar Aker Ocean. He has also experience from management positions in Lerøy Midnor, Scottish Seafarms and Lerøy Hydrotech, as well as experience from practical fish farming.

Trine Sæther Romuld, Board member

Current position: CFO of SalMarAkerOcean

Ms. Romuld has extensive experience from a broad range of management positions within seafood, consulting and auditing, from both Norwegian and international companies. Romuld has more than 10 years' experience as a board member and head of / member of audit committees for listed companies, including Bakkafrost, DnB and Kværner. Romuld is currently a board member and member of the audit committee in Sparebank 1 SR-Bank ASA. Romuld is state authorized public accountant from the Norwegian school of economics (NHH).

Leif-Inge Nordhammer, Board member

Current position: Works in his investment company LIN AS.

Mr. Nordhammer was the CEO in SalMar from 1996 to 2016, with a hiatus from 2011 to 2014. He is board member of Kverva AS and Scale Aquaculture (a subsidiary of Kverva AS). He has extensive experience from leadership positions from several companies within aquaculture and has been a part of the industry since 1985. Former companies include Sparebank 1 Midt-Norge, E. Boneng & Sønn, Frøya Holding AS/ and Hydro Seafood AS. Nordhammer has educational background for the Norwegian Armed Forces, Trondheim Business School and University in Trondheim. Nordhammer also served on the board of directors of Icelandic Salmon from 2016-2019.

STRONG BUILDING BLOCKS IN PLACE FOR FUTURE GROWTH

It has been an eventful period for the Group as it continues to establish itself as a leader within sustainable fish farming. In 2021, Icelandic Salmon harvested a total of 11,500 tonnes of Atlantic salmon in Iceland, generating a total gross operating revenue out of sales of fish for EUR 90.8 million.

The Business

Icelandic Salmon AS is a Norwegian company listed on the Euronext Growth Exchange in Oslo, Norway. It is the parent company of Arnarlax ehf., the largest producer of Atlantic salmon in Iceland.

In this report, Icelandic Salmon AS and Arnarlax ehf. with subsidiaries will be 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. Arnarlax ehf. is headquartered in Bíldudalur, Iceland, and has been engaged in fish farming since 2010.

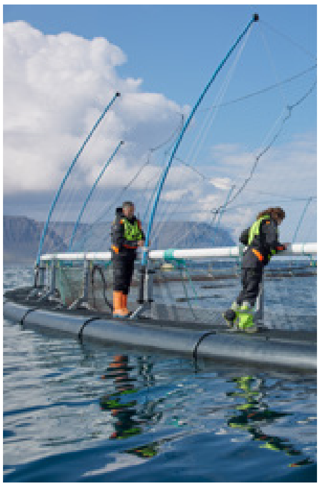
Since its founding year, Icelandic Salmon has had a clear mission: to produce the most sustainable Atlantic salmon by working in harmony with nature.

Its values are defined as follows;

- **Teamwork makes us stronger**
- **We care**
- **Quality in everything we do**

Smolt Facilities

Four smolt facilities with a combined capacity of 4.5 million smolt

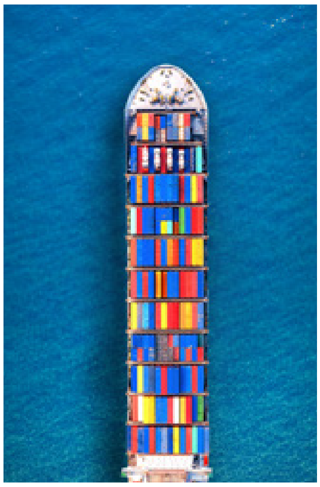


Seawater

Farming license of MAB 25,200 tonnes in six ASC certified sites in three fjords

Harvesting

Harvesting plant in Bíldudalur with yearly harvesting capacity of 30,000 tonnes



Sales

Sales are conducted by the Group's internal sales organization to both domestic and global markets

The Group is considered a leading salmon farmer in Iceland, controlling the entire value chain from smolt facilities to sales. This is an important aspect of the Group's operations as it continues to build the business with a sustainable focus across three central pillars: Fish welfare, the environment, and community.

Across the southern part of the Icelandic Westfjords, the Group holds several licenses amounting to MAB 25,200 tonnes. Operating the only Atlantic salmon processing facility in the Westfjords of Iceland, the facility is a key operational asset in the Group's value chain with a total capacity of 30,000 tonnes per year. In addition to the harvesting and processing facility, the Group operates four smolt facilities with a combined capacity of 4.5 million smolts.

Global sales of salmon produce are steadily increasing, and the Group is well placed to capitalise on this demand through its pioneering and sustainable approach to salmon production. The Group continues to invest in its future and has done so through biological development, diversifying its range of products and expanding its delivery routes.

In 2021, the Group had 137 full-time equivalents employed in Iceland. The employees' individual and collective competence and capacity are essential to the Group's success. Therefore, continuous development of the organisation through learning and development activities remains a strategic focus area, and the Group supports and encourages employees to participate in internal and external education programmes. The Group's own Arnarlax Academy is an important contributor in this respect.

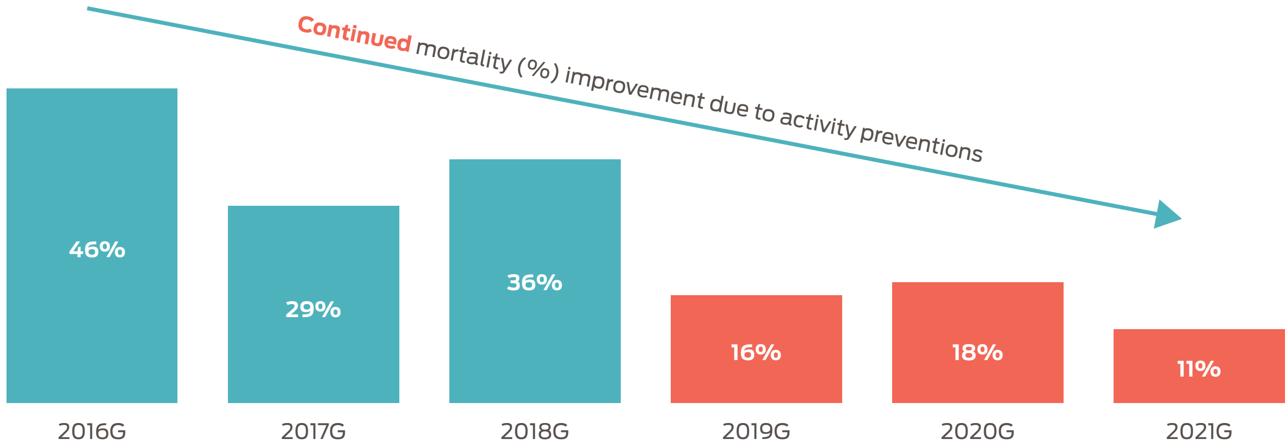
Icelandic Salmon has a strong relationship with SalMar ASA, one of the world's largest and most efficient producers of Atlantic salmon. SalMar is the ultimate parent company of the Group, with over 50 per cent of the Group's shares.

HIGHLIGHTS IN 2021

Improved biological development and performance

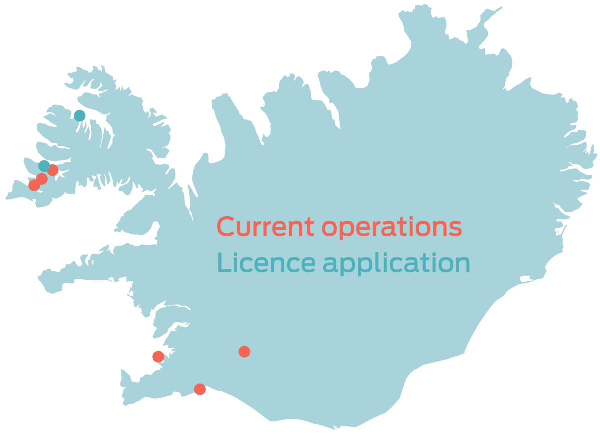
Alongside the focus on producing the most sustainable Atlantic salmon is the focus on the fish's welfare and surrounding conditions. In 2021, the Group experienced positive and improved biological developments with lower levels of lice and fish mortality and improved growth rates. A contributing factor to these results was a change of harvest strategy with lower biomass into the season and improved density amongst enclosed/confined fish.

Total mortality of number (%)



Launched the Arnarlax brand

Icelandic Salmon launched the brand Arnarlax – Sustainable Icelandic Salmon in August 2021. The new brand has already proven instrumental in the Group's efforts to differentiate its products and break into new markets.



Additional smolt capacity

Two arctic char facilities were acquired in 2021. Conversion to smolt production is underway and will increase the Group's total smolt capacity with approximately 400,000 smolts in 2022 and 1,500,000 smolts in 2023. The two expansion initiatives will provide both increased number of smolt and size for approximately 7,000 tonnes additional harvested volume.

Environmental certification

In July 2021, the Group's Bildudalur site was awarded the British Retail Consortium (BRC) Food Safety certification in July 2021. This means that the Group's site meets the highest international standards for hygiene and quality. In addition, all of the Group's farming sites are Aquaculture Stewardship Council (ASC) certified. These certifications mean that customers can trust that the product they purchase comes from sites that apply the highest possible quality standards.

FARMED RESPONSIBLY asc CERTIFIED ASC-AQUA.ORG TM

BRCGS Food Safety CERTIFICATED

Expanded international reach

Part of the Group's growth strategy includes reaching additional coastlines. In 2021, Icelandic Salmon increased the volume of Arnarlax salmon reaching the US coast by 6 per cent. This positive development has improved sales numbers, but importantly also contributes to lowering Icelandic Salmon's CO2 footprint. Today, Arnarlax salmon reaches countries across Europe, North America, and Asia.

Application for additional licenses

Demand for Atlantic salmon is on the rise, and to meet the expected future demand of the Group's products, Icelandic Salmon has submitted two applications for an additional 14,500 tonnes for its Isafjordur and Arnarfjordur sites. Though the Group has not received a final decision with regards to its application for additional total allowable biomass, the planned expansion of current and new smolt facilities is proceeding as planned.

Improved financial flexibility

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.

FINANCIALS

Going concern

The annual financial statements for 2021 have been prepared on the assumption that Icelandic Salmon is a going concern under section 3-3a of the Norwegian Accounting Act. Regarding the Group's results, financial position, backlog, and forecasts for the years ahead, the conditions required for continuation as a going concern are hereby acknowledged. In the Board's opinion, the Group's financial position is satisfactory.

Revenues and profit

The Group generated consolidated operating revenues of EUR 90.8 million in 2021 compared with EUR 61.8 million in 2020, a 47 per cent increase, despite increased harvesting activities due to lower sales prices. The harvested quantity in 2020 was 11,500 tonnes compared with 11,200 tonnes in the year 2020, an increase of 2.7 per cent between the years.

The operational EBIT as defined in the Consolidated Financial Statements was EUR 7,314 million compared with negative EUR 4,582 million the year before. For 2021, this corresponds to an Operational EBIT 0.63 EUR per kg harvested fish. Operational achievements and improved market conditions have contributed to the profit increase.

The Group finished harvesting the 2019 generation with stable cost development. The biological performance improved significantly compared to previous generations. The harvest of the 2020 generation has begun and is showing similar positive biological performance.

Strategic sales and marketing efforts, including the launch of the Arnarlax brand and successful marketing and sales of salmon to the US, have yielded promising results.

In 2021, the production tax paid to the state was EUR 0.3 million, up from EUR 0.1 million the year before. Fair value adjustments of the biomass was negative EUR 2,937 million, reflecting changes in the biological stock value, as further described in note 3.7 in section 3.

Net financial items was negative EUR 1,474 million compared with negative EUR 3,715 million the year before. Financial expenses was reduced from EUR 2,451 million in 2020 to EUR 1,969 million in 2021, and a net currency loss in 2020 of EUR 1,411 million changed to a currency gain of EUR 0.351 million in 2021.

The Group's net profit for the year 2021 amounted to EUR 2,367 million compared to a loss of EUR 1,952 million for the year 2020.

Cash flow

In 2021, net cash flow from operational activities was negative EUR 0,244 million compared with EUR 0,970 million in 2020. The change in inventory and biomass at cost was the main reason for the shift. See further note 3.7 in section 3.

Net cash flow to investing activities was EUR 14,771 million in 2021, compared with EUR 9,876 million the year before. The main investment activities for the year were in an increased number of cages, mooring and other farm site related equipment, and purchase and conversion of additional smolt facilities.

Net cash flow from financing activities was EUR 15,709 million compared to EUR 10,224 million for the year before. A new three-year loan agreement was signed with DNB and Arion Banki in 2021. New interest-bearing debt amounted to EUR 25,171 million.

Cash and cash equivalents at 31 December 2021 was EUR 3,744 million, an increase from EUR 3,050 million one year earlier.

Balance sheet

The Group's balance sheet at 31 December 2021 was at EUR 171.0 million, up from EUR 144.1 million one year before. Total equity was nearly unchanged through the year and ended at EUR 109.3 million. The equity ratio was reduced from 75 per cent to 64 per cent as a result of the increase in total assets.

Non-current assets increased from EUR 74.9 million to 88.4 million in the period. Current assets increased from EUR 69.2 million to EUR 82.6 million, an increase of EUR 13.5 million, with an increase in the value of biological assets of EUR 13.1 million as the main reason. See note 3.7 in section 3.

Non-current liabilities increased from EUR 1.4 million to EUR 43.3 million, reflecting the new loan with DNB and Arion Banki. With the new loan agreement in place, debt previously classified as short term at the end of 2020 was rapid, reducing current interest-bearing debt from EUR 20.5 million to EUR 2.1 million during 2021.

Risk management

The Group has incorporated rigorous risk management systems and routines as part of its daily operation. These systems and practices monitor important risk factors across the Group's entire operation. They are also regularly assessed to ensure the Group operates in accordance with the highest quality and certification standards.

The Group's Chief Executive Officer is responsible for ensuring that the Group operates in compliance with all relevant legislation and that it operates within the guidelines of each entity. In addition, each line organisation is responsible for the follow-up and control of risk factors and compliance with the Group's values and code of conduct.

Operational risk

The most significant risk to the Group is the development of its fish stock, both at hatcheries and sea farms and in freshwater and seawater. Icelandic Salmon continues developing and implementing risk-reducing measures to protect its fish stock, but there remains a biological risk that could compromise the Group's overall output.

Part of the biological risks is mortality, sea lice and winter wounds. As part of the Group's risk assessment, it has identified mortality due to winter wounds as one of the main risk factors. This risk was mitigated by decreasing the density of enclosed fish.

The Group has identified hatchery mortality as a risk factor and is continuously optimising hatchery production to lessen mortality.

To protect the wellbeing of its salmon, the Group has implemented further procedures to minimise the risk and spread of disease. Several salmon diseases remain foreign to the Icelandic waters, a supporting factor to keep costs down.

As part of the Group's Icelandic heritage, ensuring that the region remains low on disease and supporting its overall health is considered a priority. Therefore, the Group promotes fish welfare through several initiatives such as having dedicated fish health personnel, vaccinating smolt before being transferred to seawater farms, and zero antibiotics.

Read more about the Group's commitment to fish welfare in the Group's Annual Sustainability Report, which is included in this annual report in section 2.

Icelandic Salmon's unique position in the Westfjords allows the Group to operate in close to diseases free waters, supporting low medical treatment costs. As such, the Group refrains from antibiotics throughout the entire production cycle. With the potentially negative impact of frequent antibiotic use on both human health and the environment, this is an important part of the Group's daily operation. Icelandic Salmon has also implemented standards to minimise the risk of unknown diseases entering the Icelandic environment to preserve the region's status.

Additional operational risks and measures are laid out in the Group's Annual Sustainability Report, which is included in this annual report in section 2.

Financial risks

The Group's internal control process ensures that it achieves its strategic objectives and provides reliable and transparent financial reporting. It also ensures that the Group operates efficiently whilst complying with laws and regulations. Monitoring financial risk is part of the Board's ongoing risk management, the effectiveness of which is reviewed annually.

The Group finalised its internal protocol in 2020 and has developed additional policies designed to minimise the risk of incorrect financial reporting. The Group's agreed policies are monitored by its management, ensuring that the procedures are carried out as intended by all employees.

A further overview of financial risks, interest rate risk, foreign exchange risk, credit risk and liquidity risk is included in note 4.1 in section 3.

Market price risk

The salmon market price is a risk to the Group as its operations are based on the production and sale of salmon. The Group's profitability and cash flow are strongly correlated with fluctuating movements in the price of salmon.

To mitigate its potential impact, the Group regularly considers cost reductions while increasing operational savings. The Group has also identified a possible solution by selling a proportion of its stock with contract prices. This would minimise the risk of fluctuating prices but also reduce the gain on high spot market prices. In addition, the Group is also considering competitive pricing as a tool to improve costs.

Sustainability and social responsibility

Icelandic Salmon has a sustainable approach to salmon farming. As part of the Atlantic ocean surrounding Iceland, the Group adheres to strict quality standards whilst also aiming to be a low-cost producer. The Group can achieve this goal only through sustainable biological production and commits to farming fish conducive to their wellbeing.

Combining the best biological results with cost focus and optimal processes, the Group believes this enables Icelandic Salmon to be a cost-effective producer of farmed salmon in Iceland.

The Group recognises the diversity and importance of its corporate social responsibility as an employer, producer, supplier of healthy food, a user of the natural environment and administrator of financial and intellectual capital. Social responsibility is essential to the Group and incorporated in daily tasks. At the same time, the Group aims to minimise its operations' impact on the natural environment.

The Group is required to report on its corporate responsibility and selected related issues under §3-3a and §3-3c of the Norwegian Accounting Act. Some key priorities are described below. A detailed report on all relevant topics can be found in the Group's Annual Sustainability Report, which is included in this annual report in section 2.

Environmental policy

Salmon farming is considered one of the most environment-friendly ways of producing food and benefits from natural space, freshwater consumption and low greenhouse gas emissions.

Seeking to work in harmony with nature, Icelandic Salmon has a strict environmental policy aiming to make the Group sustainable across its entire operation. The policy includes but is not limited to complying with laws local to Iceland and internationally, adherence to ASC regulation and standards, preventing escapes, optimal feed ratio of the fish, reduction of organic load, using environmentally friendly products and recycling of business materials and waste.

The Group also cooperates with companies operating in the same industry as Icelandic Salmon. This cooperation is named Area Based Management (ABM) and aim to share information about 1) diseases and handling of fish, 2) output plans, 3) fallowing periods, 4) monitoring in relation to diseases, and 5) lice monitoring.

The main objectives of the environmental policy are:

» Full compliance with regulations and standards
» Zero escapes
» Optimal feed ratios, reducing organic load on the bottom
» Full openness to using alternative products that may be more environmentally friendly
» Increasing the share of waste that goes to recycling

In addition, all farming activity has been through an environmental assessment process. That process includes stakeholder participation and involvement of the Environmental Agency of Iceland, the Food and Veterinary Authority (MAST), the Planning Agency and the Marine and Freshwater Research Institute, among other specialists. The outcome is an extensive environmental report describing the impact of the farming activity, mitigating measurements, and how the environment should be monitored.

Further details of the Group's environmental policy, including its commitment to sustainable fish farming, can be found in section 2, sustainability and social responsibility.

Social and work environment policy

The Group is committed to providing a safe and healthy work environment for all its employees and has an active health and safety committee. All work-related incidents and sickness are monitored and reported by the quality department to the Directors of the Group.

Incidents recorded in the financial year of 2021 were as follow:

		Target	2021	2020
Employees	No. of full-time equivalents (FTE)		132.6	110
	No. of women		23%	24%
Safety & sickness absence	No. of fatalities	0	0	0
	LTI's	0	7	9
	H-factor	<6	5.5	7.8
	Sickness absence	<4.5%	4.1%	4.3%
Regulatory compliance	No. of violations	0	0	0
	Fines in ISK	0	0	0

People and society

The Group supports and encourages employees to participate in education and courses provided by the Group or external education that will benefit both the employee and the Group. The Group strongly believes in building up a Fish Farm educational program to build a stronger foundation for the industry in Iceland.

Ensuring that the Group operates in line with this value, it actively works to implement a collaborative culture. It does so by offering employees to join the Arnarlax Academy, an educational program introducing employees to the Group's operating structure, governance, and roles of each operating segment. As a result, the Arnarlax Academy supports increased workforce competency.

The program also encourages moral and awareness of the Group's position in the environment, staying true to our values; "We care" and "Teamwork makes us stronger". In addition to this program, the Group provides vocational aquaculture training, which saw ten employees receive diplomas in 2021 and another eight employees enrol in the program.

As a strong supporter of cultural happenings in local communities, the Group actively supports local initiatives, focusing on youth and sports activities.

Equal opportunities – workforce diversity and inclusion

The Group is committed to building an inclusive business where all forms of diversity are encouraged. The Group also ensures that the necessary internal processes and culture are in place to promote equal opportunity for all. In 2021, the Group obtained equal pay certification.

The Board and senior management are fully committed to providing equal opportunities for all employees, irrespective of race, gender, religion, national origin, disability, or other personal characteristics.

The Group is subject to report annually about its efforts to secure equal opportunities under the "Equality and Anti-discrimination Act of Norway". Detailed information can be found in the Sustainability report in section 2.

The Group has a gender ratio of 23 per cent female and 77 per cent male and actively encourages more female employees to join the business.

The Board of Directors of Icelandic Salmon has five members, of which one is female. The Executive Management team comprises seven people, of which two are female.

Human rights and anti-slavery

The Group fully respects the human rights of all individuals and groups that might be affected by its operations. The Group has a zero-tolerance policy toward human rights violations and illegal conditions and is guided by internationally recognised human rights and labour standards. This is clearly communicated to the Group's suppliers, and Icelandic Salmon will act on any known violation of human rights.

Anti-corruption and bribery

The Group is committed to conducting its business ethically and with integrity. Icelandic Salmon will not allow corruption or bribery to occur across any part of its operations. Accordingly, the Group has issued a statement concerning the acceptance of improper or excessive gifts, which can be a form of bribery or corruption, as it is prohibited under the Group's policies and by law. All employees are obligated to report all gifts and offers made to them and reject improper or excessive gifts and offers.

Safe reporting and whistleblowing

The Group is dedicated to creating a safe work environment where employees can safely report wrongdoings in the workplace. All employees are provided whistleblowing training and are protected from reprisal should they file a report.

CORPORATE GOVERNANCE

Icelandic Salmon aims to uphold and maintain the highest standards of corporate governance and operates according to law and legislation.

The Board of Directors recognises that good corporate governance contributes to ensuring the protection of all shareholders' interests and ensuring that the Group complies with high ethical and social standards.

The Board of Directors

The Group has an active Board of Directors with a prescheduled meeting agenda throughout the year. At a shareholder meeting that took place on 21 May 2021, all members of the current Board of Directors were re-elected for a period of two years.

Risk management and internal control

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

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

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

The company has purchased and maintains a Directors and Officers Liability Insurance on behalf of the members of the Board of Directors [and the CEO. The insurance also covers any employee acting in a managerial capacity]. The insurance policy is issued by a reputable insurer with an appropriate rating [and has a limit of liability of NOK 100 million].

SUBSEQUENT EVENTS

In January 2022, the Icelandic Food and Veterinary Authority (MAST) granted a 100-tonnes operating license for salmon and arctic char production at Hallkellshólar facility.

In March the Icelandic Environmental and Natural Resource Board of Appeal denied company's appeal in the case that the Company had called for the annulment of the Food Administration's decision of from June to grant other operating licenses before the company.

Further disclosure and remarks on the company's subsequent events can be found in note 4.7 within section 3 of the annual report.

OUTLOOK

During 2021, the negative effects of the COVID-19 pandemic on the salmon market gradually declined, and from the second quarter, the Group achieved good prices for the remainder of the year. The effect of the pandemic is now at a minimum and is expected to remain low throughout 2022.

The Group's efforts to differentiate and expand its offering have further contributed to improved prices. Important steps to this effect were taken in 2021 with the launch of the new brand Arnarlax – Sustainable Icelandic Salmon, and with the opening of a climate friendly seaway transportation route for salmon to the US. In cooperation with a third party technology provider, the Group also expanded its product range to include pre-rigour filets.

The Russian invasion of Ukraine and sanctions imposed have disrupted many supply chains and impacted the price of raw materials such as fish feed, operations and logistics. Meanwhile, the market price for Atlantic salmon has also increased, balancing the effect of the higher production and transportation costs. All in all, the dramatic geopolitical situation has so far had no significant negative impact on Icelandic Salmon's markets and opportunities. Management will continue to monitor the situation closely. See note 4.7 in section 3, (Subsequent events).

Total production of Icelandic salmon has more than ten folded from 3,500 tonnes in 2010, gaining significant market share, and growth is expected to continue. As a result, investments in the infrastructure which the Icelandic salmon industry relies on is expected to continue, providing further opportunity for Icelandic Salmon.

Icelandic Salmon is built upon a foundation of unparalleled aquaculture expertise in Iceland. The Group plans to continue capitalising on this expertise and invest in its future growth through licensing applications and workforce. The Group today holds a license of 25,200 tonnes maximum allowed biomass in the southern part of the Icelandic Westfjords, Arnarfjörður, Patreksfjörður and Talknafjörður. The Group expects to harvest a total of 16,000 tonnes in 2022.

The legal framework for Iceland as a new farming region has been developing for the last few years, but still has a considerable potential for improvement and increased predictability. Strategic planning for the future structure of Iceland as a new farming region is an ongoing process. It is of great importance for all our communities and all stakeholders, both from economical and environmental point of view, that the companies will have the opportunity to focus on being internationally competitive. A key success factor will be to further develop all parts of the value chain and utilize economies of scale when competing in the global markets, serving a demanding buyers universe and fast growing retailers with fresh Icelandic salmon every week, within the framework of a environmental sustainable production.

The Group's responsibility is to ensure that it conducts itself in the best possible way to provide value to all of the Group's stakeholders, including shareholders, employees, customers, and the local community and waters in which it operates. With a strong balance sheet, the Group has the needed building blocks to further develop and grow without compromising its core mission: to produce sustainable and good quality Icelandic salmon.

The employees continue to be the Group's most essential key to success. Therefore, continuous development of the organisation through learning and development activities remains a strategic focus area for the Group.

The Board would like to take this opportunity to thank all employees for their hard work and dedication throughout 2021 and the shareholders for their continued investment in the Group's vision.

STATEMENT BY THE BOARD OF DIRECTORS

According to the best knowledge of the Board of Directors and the CEO, the consolidated financial statements are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Norwegian Financial Statement Act. It is the opinion of the Board of Directors and the CEO that the financial statements give a fair view of the Group's assets, liabilities and financial position as at 31 December 2021 and the Group's results and changes in cash in the year 2021.

Furthermore, it is the opinion of the Board of Directors and the CEO that the financial statements and the Endorsement by the Board of Directors for the year 2021 give a fair view of the Group's results, financial position and development and describe the main risk factors faced by the Group.

The Board of Directors and the Chief Executive Officer hereby confirm these consolidated financial statements with their signature.

Bíldudalur April 22 2022

Kjartan Olafsson,
Chairman of the Board

Espen Weyergang Marcussen,
Member of the Board

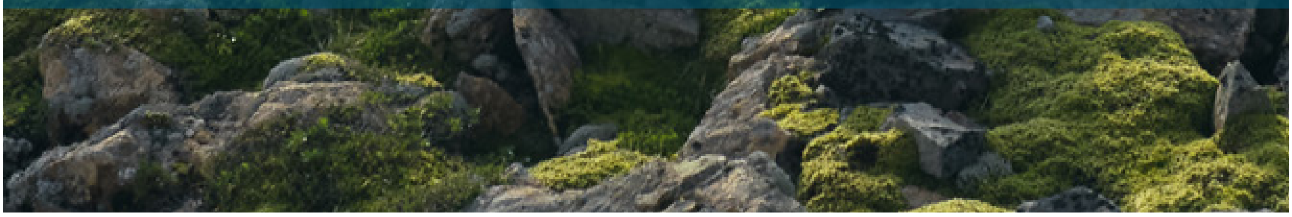
Olav Andreas Ervik,
Member of the Board

Trine Sæther Romuld,
Member of the Board

Leif-Inge Nordhammer,
Member of the Board

Bjørn Hembre,
CEO

2 SUSTAINABILITY AND SOCIAL RESPONSIBILITY



THE LEADER IN ICELANDIC SEA FARMING

Icelandic Salmon has been at the forefront of the industry in Iceland for several years. The company is working with neighbouring farmers, local governments, and regulators on improving operations and reducing environmental footprint.

Innovative aquaculture

The company was the first farming company in Iceland to use lumpfish to reduce lice levels. It will also be the first farming company to use 200m cages in Iceland. Along with these innovations the company started early to use Aqualine Midgard system in cages on farm sites.

The feeding station (OPC), located in the main office building in Bildudalur, has a modern set-up for good control of feeding the fish and uses system called Spill-free which is a system which helps to utilize feed better during meals. Another innovative part is our educational arena, Arnarlax Academy, which is an educational field for all employees of the company, held once a year.

Internal control system

The company has a strict internal control system. Departments of freshwater, seawater, harvest plant and sales have dedicated teams which monitors daily quality registrations. Financials are monitored, reviewed and signed upon in monthly processes. As follow-up to these daily registrations, the company conducts an internal audit plan throughout the year for these departments. In addition to all daily checks and internal audits, external authorities inspect the operations by scheduled audit plan throughout the year. In addition, risk assessments are carried out in departments of Freshwater, Seawater and Harvest plant to ensure that Arnarlax takes a precautionary approach and can implement necessary measures. Board of Directors follow up on

Certified value chain

83 per cent of sea farms in the year 2021 were ASC (Aquaculture Stewardship Council) certified with the total harvest in 2021 being 100 per cent ASC certified. The last remaining farm to be certified will go through certification process in 2022. By choosing ASC-certified salmon, consumers can be assured that they are buying salmon from a responsible farmer.

FARMED RESPONSIBLY asc CERTIFIED ASC-AQUA.ORG TM

BRCGS Food Safety CERTIFICATED

ASC is one of the best-known environmental certifications in the world of aquaculture and certified producers must satisfy comprehensive environmental and social standards, involving over 400 auditing criteria within eight categories. The ASC Standard is difficult to achieve and to retain. It demands substantial resources in respect of documentation and reporting, before, during and after certification. Furthermore, the company is certified in accordance with the ASC's Chain of Custody scheme.

In year 2021 the company's harvest plant got BRCGS certified. BRCGS certification is approved by the Global Food Safety Initiative (GFSI), which means that all processes in the harvest plant meet quality and food safety requirements internationally. Customers can rest assured that here the salmon is processed in the best way possible with quality and food safety at the forefront from the time salmon enters processing until it arrives to the customer. The certification enhances image and confidence in us as a manufacturer.

Education programmes

The company recognises the importance and value of education and has been among pioneers in educational programmes related to fish farming in Iceland. Together with several educational institutions, the company has participated in developing education programme in co-operation with Fisktækniskólinn (Icelandic College of Fisheries) and is also one of the members of University Centre of the Westfjords (Háskólasetur Vestfjarða). The company runs a trainee programme to recruit young, well-educated people to the company and the industry. In addition, employees who wish to undertake further education, are supported economically by the company.

Contributing to science and research

The Group is the biggest contributor to a State-controlled Environmental Fund, through a fee paid for each kg harvested. The fund aims to reduce the potential impact of salmon farming on nature. The fund has granted millions of Euros to various projects in recent years.

Working with agencies and government

The company is in active discussions with government agencies and authorities on how to lessen the environmental impact of its farming operations, improve fish health, and improve other aspects of the industry.

Dialogue with stakeholders in transparent way

Transparency is a key element to build trust and inspire an honest dialog between all stakeholders. Lice count numbers are publicly available on the website of the company within a week from lice counting. Monthly production reports are sent for all active farm sites to the Icelandic Food and Veterinary Authority (MAST) with information regarding harvesting, culling, feeding, biomass, mortality, lice numbers and treatments among other. The company has meetings with local officials to strengthen the relationship and understanding. By being transparent, open about the challenges and respectful towards critics, the company can come across solutions that might be beneficial for all stakeholders.

Open and transparent reporting of our performance increases our stakeholders' trust in us. In 2021, we continued our efforts to report through a greater variety of channels. In furtherance of this, the company has also chosen to commission third-party verification of its sustainability KPIs. The table below shows the many ways the company reports on sustainability-related matters.

The company stakeholders

Icelandic Salmon Stakeholders			
Internal influence	**Business associates**	**Customer groups**	**External influence**
Employees	Partners	External customers	Government / regulatory authorities
Shareholders/investors	Suppliers	New customers	Industry associations
Board and Group Management	Service providers	International customers	Discussion partners
	R&D partners	National customers	NGOs
			Research establishments
			Local communities
			Media

Reporting in Icelandic Salmon

Reporting method	Comment
Annual report	Integrated report, combining sustainability reporting now for the 2nd time for 2021, with financial reporting.
Quarterly reports	Quarterly update of financial and operational results.
Emission accounting	A separate annual information of emissions from the operations submitted to the Environment Agency of Iceland (UST)
Green accounting	A separate annual report submitted to the Environment Agency of Iceland (UST)
ASC reports	Audit reports from our ASC-certified sites are available at www.asc-aqua.org Additionally a yearly data report is sent to ASC for certified farms.
MAST & UST reports	Audit reports from the Food and Veterinary Authority (MAST) www.mast.is and the Environment Agency of Iceland www.ust.is
www.arnarlax.is	The company website is updated regularly. Here you will find relevant information.

THE ABC OF SALMON FARMING

Broodstock

The broodstock are the parent fish which provide the eggs and sperm (milt) required to produce new generations. The fertilised eggs take 60 days to hatch when placed in an incubator kept at 8°C.

Eyed salmon eggs

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

Fry

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

Initial feeding

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

Smoltification

The process whereby juvenile fish transition from a life in fresh-water to a sea-going existence is called smoltification. During this process, the fish develop a silver sheen to their bellies, while their backs turn a blue-green colour. The gills of juvenile fish also change when they become a smolt, to be able to control the balance of body salt when it goes from freshwater to seawater.

On-growing

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

Harvesting and processing

After approximately 12-24 months after transfer to the farm sites, the first fish are ready for harvesting, depending on the season of the fish. The fish are transported live by wellboat to the harbour next to processing plant. They are then carefully transferred to the plant itself. The fish are slaughtered with stun and bleed method using high-tech equipment and always in accordance with the applicable public regulations. After harvesting, the final product is head-on-gutted salmon.

Sales

The salmon is sold by our strong sales team, as fresh whole-gutted or pre-rigor fillets, and distributed to markets domestically and around the world.

The lifecycle of Atlantic Salmon

VISION, AMBITION AND VALUES

Vision

Sustainability it's in our nature

Be in compliance with Icelandic Salmon standard
Keep everything in order
Walk the talk – Follow rules and regulations
Continue to give of us to society at large
and local communities

Ambition

Iceland's leading salmon farmer

Lead by example

Quality

In everything we do

We strive to have quality in everything
we do – our Icelandic Salmon standard
guides us to quality

We Care

For our collegaues, for the salmon, for the customer and for the environment

Show respect for colleagues,
community, nature and salmon
Be ready to encourage and embrace
what's being done well
Talking and listening to each other

Team Work

Makes us stronger

We are driven by working together as a Team
Together everyone accomplish more

THE SECRET OF FARMING NUTRITIOUS ICELANDIC SALMON

Iceland offers some key factors when it comes to salmon farming. The temperature is in the lower end of optimal conditions for the salmon, long fjords create shelter, while the wind, waves and current ensure that movement of water is sufficient to give salmon access to oxygen-rich seawater. Icelandic waters are free of most of the harmful viruses affecting other farming nations. Iceland´s access to clean geothermal water additionally provides very favorable conditions to raising smolt.

It all starts with a premium egg that comes from Benchmark Genetics Iceland; an Icelandic company well known for its SAGA salmon stock. All fry are grown into smolts, nurtured, and vaccinated in the hatcheries of the company. The time in the hatcheries is usually around 12 months. When smolts reach 100-500g, they go through smoltification, which prepares them for leaving the freshwater of the tanks and entering seawater, the same natural process undergone by wild salmon.

Since the sea temperature in Iceland falls below 2ºC during the coldest winter months, smolts are put out in sea cages in the summer/autumn months when the temperature is optimal. The low winter temperatures result in slower growth, and low levels of lice.

The company has a comprehensive quality system, monitoring every aspect of operations. Meaning that improvements and adjustments to improve safety and quality are regularly implemented. Harvesting is one of the most important factors when it comes to product quality of the salmon. The company uses super-chill cooling techniques to optimise freshness and the quality of the salmon. This allows the company to deliver fresh salmon to customers in Europe, North America or Asia without compromising quality.

THE GROUP'S MAIN EVENTS 2021

January

- Implementation of new biological strategy for better survival rate during winter
- Evaluation on lice season 2020 with MAST, AkerBlå and ArcticFish

February

- Continuous agreement with Fisktækniskólinn (Iceland College of Fisheries) for further education for employees.
  - 10 employees graduated from Icelandic College of Fisheries. Arnarlax has an educational program in co-operation with the college
  - 8 more employees registered into the education program graduating in May 2022

March

- ASC surveillance for Haganes, Hringsdalur and Steinanes
- MAST[1] audit for licenses in Fossfjörður, Arnarfjörður, Patreks- and Tálknafjörður
- MAST audit for harvest plant license
- MOM-B benthic survey in Laugardalur (max biomass)

April

- UST[2] audit for Arnarfjörður license

May

- Launched the first sustainability report
- Green books submitted to UST
- MOM-B and C benthic surveys at Eyri (fallow period)
- ASC CoC (Chain-of-Custody) re-audit for harvest plant
- Icelandic course for employees with foreign background

June

- New feeding barge, Ásborg, arrived
- Contract signed for purchasing new hatchery and smolt station at Hallkelsholar and Thorlakshofn on the South Coast of Iceland
- Occupational Health and Safety (Vinnueftirlit) audit in harvest plant
- UST audit for license at Gileyri smolt station
- MOM-B and C benthic surveys at Tjaldanes (fallow period)
- MOM-C and ASC benthic survey at Laugardalur (max biomass)
- Refinancing loan agreement with DND and Arion

July

- Renovations of headquarters office in Bildudalur with new feeding centre completed
  - * One of the benefits of these renovations is that all managers, located in Bíldudalur, are now together under the same roof.

1 MAST: Matvælastofnun, the Icelandic Food and Veterinary Authority in Iceland inspect each license 1x a year. Monthly production reports are submitted to MAST
2 UST: Umhverfisstofnun (the Environment agency of Iceland

August

- Our new company brand was launched
- First official half year presentation for Icelandic Salmon
- Clean-up on shores in Arnarfjordur by site managers in Seawater department
- New service boat, Grímsi, arrived
- Ethical portal for whistle blowing implemented for all employees
- UST audit for Patreks- and Tálknafjörður license
- MAST audit for harvest plant license

September

- Fresh pre-rigor fillets added to product portfolio
- ASC surveillance audit for Eyri, Laugardalur and Tjaldanes
- Community meetings in Vesturbyggð, Tálknafjörður and Ísafjörður, in cooperation with local authorities
- Equality Plan for 2021-2024 approved by Board of Dierctors of Arnarlax

October

- Arnarlax Academy held for all employees. An educational field within the company where staff gather to build company culture, learn about the operations and the future ahead
- Annual party was possible to held in between Covid outbreaks!
- Pink October in Iceland – All female employees got the 2021 necklace where female cancer association was funded
- Analysis of Arnarlax's waste streams by PureNorth introduced
- MAST audit in Sales Department
- MOM-B and ASC-C benthic surveys in Steinanes (max biomass)

November

- Free influenza vaccination and health check for all employees
- Moved into new office in Reykjavik for Sales, Business Development and Finance.
- Sales department had a trip to US to promote Arnarlax's new brand and meet with customers
- ASC re-certification audit for Haganes and Steinanes. As Hringsdalur is in fallow it will go through the certification process at next 75% biomass
- MAST audit for licenses in Arnarfjörður, Patreks- and Tálknafjörður
- MAST audit for license at Gileyri smolt station in Tálknafjörður

December

- Equal Pay certified
- The harvest plant was BRC re-certified with upgrade to B
- Arnarlax had 100% ASC certification on harvested fish in 2021
- Operations now in five municipalities in Iceland; Vesturbyggð (Bildudalur and Patreksfjörður), Tálknafjörður, Þorlákshöfn, Grímsnes and Reykjavík

IMPORTANCE OF REGULATORY BODIES

MAST - Matvælastofnun - the Icelandic Food and Veterinary Authority

Surveillance

The authorities audit each issued license at least once a year for freshwater stations, seawater farm sites and harvest plant. The authorities audit farming equipment, fish welfare, food safety and biomass in cages. All audit reports and licenses can be seen on the website of MAST www.mast.is

Sample taking

At least once a year the authorities take samples from salmon on sea farms to analyse following:

- Antibiotics
- Avermectins
- Benzimidazoles
- Chloramphenicol
- Heavy metals
- Malachite green, crystal violet
- Mycotoxins
- Nitrofurans
- Pesticides
- Steroids, Stilbenes, resorcylic acid lactones

In fall 2021 MAST began to take feed samples from the feed used out on our farms.

Monthly reports

Monthly production reports are submitted to MAST where production info from all sites and all cages is revealed. This info is used for aquaculture dashboard, implemented in 2021, presented on their website.

Delicing treatments

MAST oversees approving applications for delicing treatments. In fall 2021 the authorities set limits for mature female lice.

Escapes

In case of an escape or a suspicion of an escape a contingency plan is activated at the company and is MAST informed immediately along with Fiskistofa (the Directorate of Fisheries). Inspectors from the authorities arrive to the farm soon after being informed.

UST – Umhverfisstofnun – the Environment Agency of Iceland

Surveillance

The authorities audit each license at least once a year. Licenses for freshwater stations and seawater farm sites. All audit reports and licenses can be found on the website www.ust.is. The authorities have surveillance with all wildlife near and around farm sites, go through benthic monitoring reports for sites, waste handling, chemical usage and allowed biomass at each site. The authorities also handle external complaints of our operations on the environment. Green books and emission accounting are submitted to UST before May 1st each year.

Benthic monitoring and site certificates

Benthic monitoring

After a site has been fallowed and then at max biomass a benthic monitoring is conducted by a third-party. The monitoring is done according to guidelines of the Norwegian standard NS9410:2016 which includes evaluation of sediment, faunal investigation, and bottom topography. Two types of surveys are conducted MOM-B and MOM-C. The primary objective of a B-survey is to fulfil the requirements regarding bottom survey in the local impact zone at fallow period as they are defined in NS9410:2016. The primary objective of a C-survey carried out at max biomass is to fulfil requirements by ASC standard and in accordance with chapter 5.0 in the Norwegian standard NS9410:2016 which outlines the methodology for a C-study. The survey includes pH/redox measurements, hydrography, and geochemical and bottom fauna analyses adjacent to the fish farming site.

Site certificates

A site certificate is issued for each farm site where inspection of farm equipment installation has been inspected according to requirements of Norwegian standard 9415:2019 – Marine fish farms – Requirements for site survey, risk analyses, design, dimensioning, production, installation and operation. On the issued site certificate, the installation configuration can be seen for the site. Each certificate is valid for 5 years if no changes are made on the equipment.

SUSTAINABILITY – IT'S IN OUR NATURE

'Sustainability - it´s in our nature' is the foundation of all group's operations. It is the way we operate as a company and how we behave in the areas surrounding our operations. This includes taking care of our employees, the salmon, and the environment, while developing the industry and moving society in a more sustainable direction.

In year 2013 Bíldudalur started in the project Fragile communities under the name Bíldudalur - a conversation about the future with the Icelandic Regional Development Institute (Byggðastofnun).

The project was formally completed at the end of 2016, and it was a joint decision by residents, municipalities and the Regional Development Institute that it was no longer needed due to positive developments in the area, not least because of the boom in the economy[3].

This year, the company presents its sustainability report for the second time. The numbers stated in this report have undergone third-party verification.

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

Icelandic Salmon sustainability focus summarized

Fish

Good fish welfare is the foundation of the Groups business.

We work systematically to create an environment in which the salmon thrives and remains healthy.

Environment and technology

The Group believes in preserving the seas for future generations.

We minimise our footprint with measures and routines throughout the entire value chain.

People and society

The Group acts as a responsible corporate citizen.

We believe in creating local value and safe workplaces and support the local communities where we operate.

3 https://www.byggdastofnun.is/is/verkefni/brothaettar-byggdir/bildudalur

FISH

Our goal is to produce sustainable and healthy protein for a growing global population. Sustainable salmon farming therefore takes place on the fish's terms where we do not exceed 13kg/m3 during winter and 19kg/m3 during summer to make sure that our fish has enough space to swim around in the cages. This means that the salmon must come first in all aspects of our work.

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

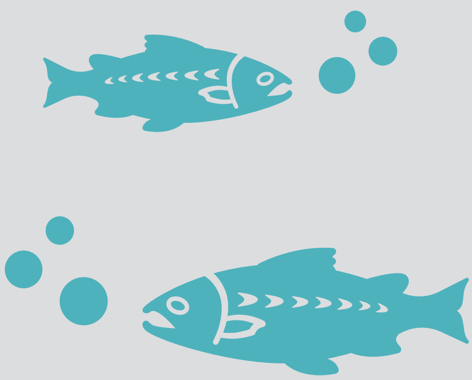
Biological KPI's

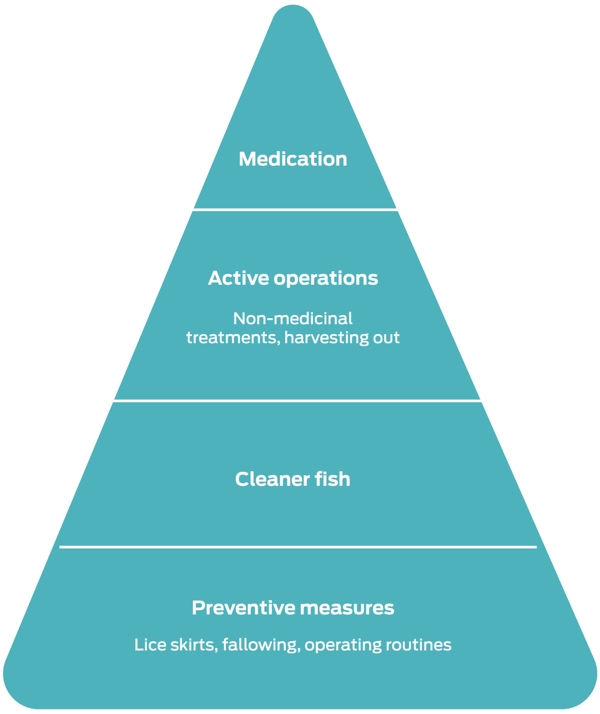
The Group's KPIs		Target	2021	2020
Survival	12-month rolling survival rate[4]	>95%	93,3%	90.5%
Antibiotics	Grams of active pharmaceutical ingredients (API) per tonne produced	0	0	0
Lice treatments	Total number of treatments. In 2021, 3 sites were treated, one time each.	<3 per cycle[5]	3	2
Interaction with wildlife	Birds – Accidental mortality	0	0.17	0.71
	Birds – Euthanised	0	0	0.29
	Marine mammals – Accidental mortality	0	0	0
	Marine mammals – Euthanised	0	0	0
Fish escapes	No of incidents	0	0	1
	No of escaped fish	0	0	0
Feed	Certification of marine ingredients in fish feed[6]	100%	98.2%	99%
	Certification of soya ingredients in fish feed[7]	100%	100%	100%
	FFDR (fishmeal)	<1.2[8]	0.32	0.63
	FFDR (fish oil)	<2.52[9]	1.56	1.98
	Economic feed conversion ratio	<1.13	1.3	1.43
Certification	Share of active certified sites[10]	100%	83%	86%

4 12-month rolling mortality measured in accordance with the Global Salmon Initiative methodology.
5 Target in accordance with ASC certification requirements.
6 Fish meal, certified in accordance with Marintrust, MSC or equivalent.
7 Certified in accordance with ProTerra RS or equivalent.
8 Target in accordance with ASC certification requirements.
9 Target in accordance with ASC certification requirements.
10 Active sites in 2021 certified in accordance with ASC.

How the company promotes fish welfare

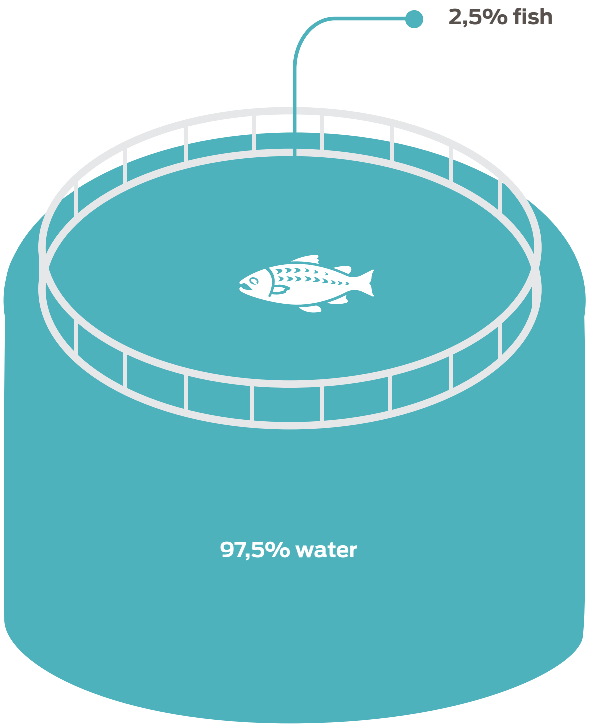
- Dedicated fish health personnel; visits by biological controller and veterinarians
- Close follow-up and monitoring of fish welfare indicators
- Use of sites affording optimal biological conditions
- All smolt vaccinated before transfer to seawater farms
- Systematic efforts as regards smolt quality at our hatcheries, by focusing on stable supplies of good quality water, a good tank environment for the fish, optimal oxygenation, good grading and vaccination procedures, temperature control and general fish health
- All delousing treatments carried out by our crew members with a risk assessment performed before each operation
- Strict routines for transport between different sites to prevent the spread of disease
- Keeping numbers of sea lice down
- Density in our cages below requirement from the government to secure good fish welfare
- Zero use of antibiotics
- Non-GMO





Fish welfare

Good fish welfare requires systematic efforts to ensure that fish welfare is safeguarded by providing them with optimal conditions throughout their lifecycle.



Keeping numbers of sea lice down

Salmon lice are a natural seawater parasite. As fish farmers, it is our task to make sure that the salmon can coexist with the lice. Salmon lice can impair the quality of the salmon's flesh and can, in the worst cases, lead to disease and death. Arnarlax therefore works preventively to keep lice numbers down.

Lice numbers were lower in 2021 than in 2020 in all categories and even in the category of adult females.

The company follows the maximum permitted number of the ASC standard, which is 0.1 adult female lice per fish, in the sensitive period for wild smolts entering the sea (April to June). All lice numbers are reported to the Food and Veterinary Authority in Iceland (MAST) and published on the company's website within a week from the lice count. In fall 2021 MAST set a national limit for lice in Iceland at 0.5.

As regards delousing treatments, the company follows the global level given in the ASC standard, which allows three lice treatments per each production cycle on a site. This has never been fully utilised. In 2021 total 3 out of 6 active sites were deliced one time each. The main strategy for reducing the number of chemical treatments is to take preventive measures, such as lice skirts, fallowing and use of lumpfish.

Average level of different stages of lice in 2020 and 2021 on all active sites

Year	Juveniles	Movables	Adult females	Caligus
2020	0.35	0.39	0.19	3.09
2021	0.19	0.19	0.19	1.61

Number of treatments allowed per cycle in different countries according to the ASC standard

Region	Entry Level (WNMT)	Global Level (WNMT)
Canada (BC)	1	3*
Chile	9	
Faeroes	6	
Ireland	3	
Norway	5	
Scotland	9	

Lumpfish

Icelandic Salmon was the first farming company in Iceland to begin the use of lumpfish to reduce lice levels on sea farms. This friend of our's is Icelandic and is born at Benchmark Genetics Iceland where he lives before he arrives to our farms. At Benchmark Genetics each fish is manually inspected and vaccinated before arriving to ensure their quality and welfare in the sea cages.

We take good care of the lumpfish when they are out in sea; they are fed special feed and they have kelp out on the cages where they can go for rest.

In year 2021 total of 533,500 lumpfish were put out in our cages on 5 sites.

Sustainable feed

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

The company uses an all-round feed that optimises production and promotes good fish health – in other words, a high-value salmon feed that ensures good growth and meets the fishes' nutritional needs. In 2021, approx. 22.140 tonnes of feed were used in our operations.

In addition to monitor the feed ingredients, the company also checks the nutritional value of the ingredients used at its hatcheries and sea farms and performs routine controls on the feed's physical quality upon receipt to identify any non-conformance.

How we safeguard our fish feed

- All fish feed used by the company is certified.
- All fish feed used is deforestation-free, not genetically modified and not dependent on endangered fish stocks.
- The company has dedicated personnel who work with feeding the fish.
- The company has chosen to maintain a strategic partnership with it's feed suppliers, with whom it works to include sustainable ingredients in the feed used.

We use certified ingredients

- All feed is Marine Trust certified.
- Over 99% of the marine ingredients comes from certified fish stocks.
- We use ProTerra certified soya, which is the strictest certification scheme used to promote the sustainable farming of soya.

Safe and healthy food

It is our responsibility to ensure our customers feel safe when they eat salmon from the company and know that it has a healthy nutritional content and has been processed after good food safety measures. For this reason, we are certified in accordance with the strictest requirements and guidelines for sustainable aquaculture, including the Aquaculture Stewardship Council (ASC) and BRCGS which emphasizes on food safety.

How we provide safe and healthy food to all our customers

- Local harvesting makes it possible for the company to offer fresh super-chilled products right after harvest.
- We ensure good fish welfare and the correct nutritional content in the fish feed we use, which provides healthy food for human consumption.
- Our value chain is certified.
- Training in routines and procedures within all departments is important to maintain the high quality of the salmon.
- We perform regular sample taking from our harvested fish for fatty acid analysis to check the nutrition of our salmon. We also perform internal audits and welcome audits and inspections by regulatory authorities, certification agencies and customers.

Arnarlax salmon is good nutrition

In 2021 our harvested fish[11] had:

- Omega 3 level on average of 3.2 g/100g product
- Omega 6 level on average of 2.95g/100g product
- EPA/DHA level of 1.05g/100g product
- Protein on average of 19.4g/100g product
- Total fat of 18.9% on average

11 Fish harvested from our farm sites Laugardalur and Steinanes analysed in accredited laboratory.

ENVIRONMENT – SUSTAINABILITY IT´S IN OUR NATURE

Growing salmon is one of the most sustainable ways of producing protein, in terms of carbon emissions, water, land use, etc. However, production comes with several challenges, as for all commercial food production. The company is aware of those challenges and is constantly working on minimising their impact, using innovative solutions, environmental certifications, and strategic monitoring.

Environmental policy

The company has an active environmental policy. There is good cooperation between companies within the same industry and farm sites in joint fjords. This cooperation is known as ABM (Area Based Management) and aims to share information regarding: 1) diseases and handling of fish, 2) output plans, 3) fallowing periods, 4) monitoring in relation to diseases, and 5) lice monitoring.

The main objectives of the environmental policy are:

- Full compliance with regulations and standards
- Zero escapes
- Optimal feed ratios, reducing organic load on the bottom
- Full openness to using alternative products that may be more environmentally friendly
- Increasing the share of waste that goes to recycling

Risk assessment

Iceland has taken a somewhat unique approach to genetic mixing between farmed and wild salmon. Iceland has legally enacted the use of a unique genetic risk assessment that estimates the potential risk of genetic mixing between farmed and wild salmon and limited the permitted production of farmed salmon based on the outcome of that model.
A large portion of the coastline is also closed off for fish farming. The result is that all of Iceland's major salmon rivers are far away from fish-farming activities.

It is safe to say that the Icelandic authorities are taking a conservative approach when it comes to fish farming and the possible effect on the wild salmon stock. The risk assessment is up for evaluation every third year.

Carrying capacity

Before fish farming is allowed in Iceland, the Icelandic Marine and Freshwater Research Institute conducts a carrying-capacity assessment estimating how much biomass there may be in each farming fjord. This is done to minimise the risk of organic waste accumulating at the bottom of the fjords to affect the total situation in each fjord. The Institute is monitoring the fjords to ensure that production does not exceed the carrying capacity.

Environmental assessment

All Group's farming activity has been through an environmental assessment process. That process includes stakeholders participation and involvement of the Environment Agency of Iceland, the Food and Veterinary Authority (MAST), the Planning Agency and the Marine and Freshwater Research Institute, among other specialists. The outcome is an extensive environment report describing the impact of the farming activity, mitigating measurements, and how the environment should be monitored.

Certifications

As mentioned above, The Group's production of salmon was 83 per cent ASC (Aquaculture Stewardship Council) certified in year 2021 or total of 5 out of 6 active sites. The fish harvested in 2021 was 100 per cent ASC certified. In total 6 sites are certified out of 7 sites and will the last remaining site undergo an initial ASC audit in year 2022.

Green accounting

Each year, Icelandic Salmon submits a green accounting report to the Environment Agency of Iceland, including information on power usage and usage of oil, water and seawater. The report also covers all chemicals, waste sorting, medicine usage and emissions involved in the company's operations.

Monitoring of the farm sites

After the farming has started, all sites are monitored from the bottom and up. Oxygen levels are monitored daily, and a third-party conducts research in our threshold fjord Arnarfjordur up to three times a year. Benthic monitoring is conducted by a third-party from the bottom under the cages twice for each generation to see if organic materials are accumulating under the cages. The Food and Veterinary Authority (MAST) also takes fish and feed samples twice a year from the farm sites to search for heavy metals and dioxins, parasiticide residues, antibiotics, etc. MAST also conducts audits once a year for each farming license and so does UST.

Greenhouse gas emissions

Below is an overview of the Group's greenhouse gas (GHG) emissions. Carbon accounting is a fundamental tool in identifying tangible measures to reduce GHG emissions. The annual carbon accounting report enables the organisation to benchmark performance indicators and evaluate progress over time.

The input data is based on consumption data from internal and external sources, which are converted into tonnes CO2-equivalents (tCO2e). The carbon footprint analysis is based on the international standard; A Corporate Accounting and Reporting Standard, developed by the Greenhouse Gas Protocol Initiative (GHG Protocol). The GHG Protocol is the most widely used and recognised international standard for measuring greenhouse gas emissions and is the basis for the ISO standard 14064-I.

The carbon inventory is divided into three main scopes of direct and indirect emissions:

Scope 1 includes all direct emission sources. This includes all use of fossil fuels for stationary combustion or transportation, in owned and, depending on the consolidation approach selected, leased, or rented assets. It also includes any process emissions, from e.g. chemical processes, industrial gases, direct methane emissions etc.

Scope 2 includes indirect emissions related to purchased energy; electricity and heating/cooling where the organisation has operational control.

Scope 3 includes indirect emissions resulting from value chain activities. The scope 3 emissions are a result of the company's upstream and downstream activities, which are not controlled by the company, i.e. they are indirect. Examples are business travel, goods transportation, waste handling, consumption of products like feed etc.

	Target	Status vs. Target	2021	2020	2019
Energy consumption (TJ)					
Direct (Scope 1) - fossil fuels			44	21	23
Indirect (Scope 2) - electricity			22	18	14
Scope 1+2			**66**	**39**	**37**
Greenhouse gas emissions (GHG tCo2e)					
Direct (Scope 1) - fossil fuels		+97%	3,050	1,403	1,549
Indirect (Scope 2) - electricity[12]			0	0	0
Scope 1+2	**46% reduction from 2019-2030**	+97%	3,050	1,403	1,549
Scope 3[13]	**42% reduction from 2020-2030**	-3%	44,633	45,916	958
Total - Scope 1+2+3			**47,683**	**47,319**	**2,507**
Intensity[14]					
Energy intensity (GJ/tons produced)			3.9	2.8	2.7
Intensity - Scope 1+2	**46% reduction from 2019-2030**	+59%	179	103	113
Intensity - Scope 3	**42% reduction from 2020-2030**	-22%	2,621	3,379	70
Intensity - Scope 1+2+3			**2,800**	**3,483**	**182**

Arnarlax operations consumed 1.159.225ltr of fossil fuel (44 TJ) and 6.094 MWh of electricity (22 TJ) in 2021. All electricity used by our operations is from renewable sources.

12 All electricity is renewable and location based equals market based, 0 tonnes CO2e.
13 Before 2020, only wellboat transport and business-related travel were reported under Scope 3. With effect from 2020, fish feed, downstream transport, waste and packaging are also included.
14 All intensities are calculated with tonnes produced biomass, gross growth in sea. GHG intensities are in kgCO2e/ton produced.

Freshwater consumption

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

We use freshwater only from low-risk areas

In large parts of the world, access to freshwater is a challenge. The company uses freshwater only from areas where the risk of water shortages, or the risk of poor water quality, is low. The water risk map produced by the World Resource Institute[15] provides a good overview of the water risk in various areas. All the areas in which the company operates are defined as low risk.

Waste management

Waste is a resource which we must take care of, and which can be reused to make new products. In 2021 the company submitted a request to PureNorth to analyse waste streams within the operations. PureNorth recycles plastic, among other waste, locally in Iceland into valuable raw material for domestic and international plastic production.

We help to reduce marine pollution

- » We ensure that obsolete plastic equipment is recycled by delivering it to established return schemes and collecting other waste for delivery to municipal waste handling systems.
- » We contribute to beach cleaning/collection of plastic waste through funding, as well as participating ourselves.

We exploit every part of the salmon

By-products are exploited to the full. All offcuts from the harvest plant are sent for further processing, resulting in 100 per cent of the raw materials being utilised. All material is sent to third party production site through closed pipeline from our harvesting plant. That means that there is no need for input factors relating to its transport and handling.

All mortality from production in sea is processed on site by the company and delivered to a company that use them as ingredients in the fur-feed industry, biogas-, compost-, or soil industry.

Water treatment

All water from the harvest plant is cleaned and disinfected in our water treatment system before being released into the ocean to ensure biosecurity.

Consumption of freshwater	2021	2020
Consumption (1.000 m3)	5,535	5,505
Intensity (litres per kg produced biomass)	325	405

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

PEOPLE AND SOCIETY

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

With total of 148 employees at end of 2021, in five communities, Icelandic Salmon, is a major employer and an important member of society. This position gives rise to multiple responsibilities to people, society, and industry. Ethical business practice is a key value for the company. We aim to operate in an honest, proper, and trustworthy manner, and take pride in showing off what we do.

Working with local communities

The group recognises the importance of a good and meaningful relationship with the local community and understands its role and responsibility as one of the biggest companies in the region. The company participates in various community projects and is for example a proud sponsor of public transport, volunteering activities, schools, local sports teams, and clubs.

Society at large

When buying items, it is looked at whether you can buy items that are being contributed to good causes along the way. In this case we can for example mention items bought where the proceeds went to a good cause. The company is always seeking ways to give something back with its purchases.

Workforce

The company has been blessed with skilled and capable people from all over the world working on the common goal of delivering good quality salmon in harmony with nature. Employees’ ideas and innovative thinking are a crucial driver of the company’s performance, and the company welcomes forward-thinking and honest dialogue. The safety of our people is a top priority and active measures are taken to reduce accidents by using our quality system and functioning Health & Safety committee.

Human rights

Icelandic Salmon workers are free and can bargain collectively for their rights. The workers have access to trade unions and union representative chosen by themselves without managerial interference.

People and society - KPI’s

		Target	2021	2020
Employees	No. of full-time equivalents (FTE)		132.6	110
	No. of women		23%	24%
Safety & sickness absence	No. of fatalities	0	0	0
	LTI’s	0	7	9
	H-factor	<6	5.5	7.8
	Sickness absence	<4.5%	4.1%	4.3%
Regulatory compli-ance	No. of violations	0	0	0
	Fines in ISK	0	0	0

The Group does not accept child labour, forced, bonded or compulsory labour and does not hire any persons under the age of 16. Persons between the age of 16 and 18 years of age will not be exposed to hazardous health and safety conditions and are under strict supervision during their work.

Discrimination

The Group has an anti-discrimination policy, ethical guidelines, and ethics gateway.

Anti-discrimination policy

The policy of the group is that bullying, sexual harassment, gender-based harassment, violence and any form of inappropriate conduct is not tolerated. Every measure should be taken to prevent this from occurring and to resolve any cases as successfully as possible.

A workplace should emphasise boosting employees' awareness of the importance of positive communications and make them a highlight of the workplace, such as with education on equal rights.

Ethical guidelines

Ethical Guidelines were first issued in year 2020 within the company. The purpose of the guidelines is to ensure a healthy corporate culture and safeguard the Company's integrity by helping employees to comply with standards for good business practice. Furthermore, the guidelines are intended to act as a tool for self-assessment and for the further development of the Company's corporate identity.

Ethics Gateway

A professional and safe venue, implemented in 2021, for employees to whistle blow or report undesirable conduct in the workplace or emotional distress at work. The Ethics Gateway team has specialists in human resources and accredited service providers in health and safety in workplaces. The consultancy company Hagvangur ehf. operates Ethics Gateway.

Equal Pay certification

In December 2021 the company completed its Equal Pay certification process in accordance with standard ÍST85 equal pay standard. The company's equal wage policy is an inseparable part of the wage policy and is valid for all the organizations employees. The Group policy is that all employees shall be receiving equal pay and enjoy equal terms of employment and rights for the same jobs or jobs of equal value, so that there is no gender-based pay gap within the company.

All workers at the company receive payment above basic needs wage.

Education and training

The company has an education policy where the company emphasize on education for its workforce. The education is in all forms, university studies, courses, diploma, and smaller courses etc.

The company has an ongoing agreement with Iceland College of Fisheries with educational program in Aquaculture. In February 2021 total of 10 workers graduated from the college with 8 more students registered into the program graduating in May 2022. Once a year the Arnarlax Academy is held where employees gather together to learn about the company's structure, governance, and roles of each other operating segment.

THE UN GOALS FOR SUSTAINABILITY

The United Nation Sustainable Development Goals are a collection of 17 global goals designed to serve as guidance towards a more sustainable future for all. Farming salmon in a sustainable way contributes to many of these goals and nine of them are closely linked to the company's operations.

2. Zero hunger
The company contributes to improving the world's food production.

3. Good health and wellbeing
Salmon is a nutritious food, packed with quality protein and essential fatty acids such as Omega 3.

4. Quality education
The company has an education policy and encourages its staff to seek education.

5. Gender equality
The company has a gender equality policy and is Equal Pay certified.

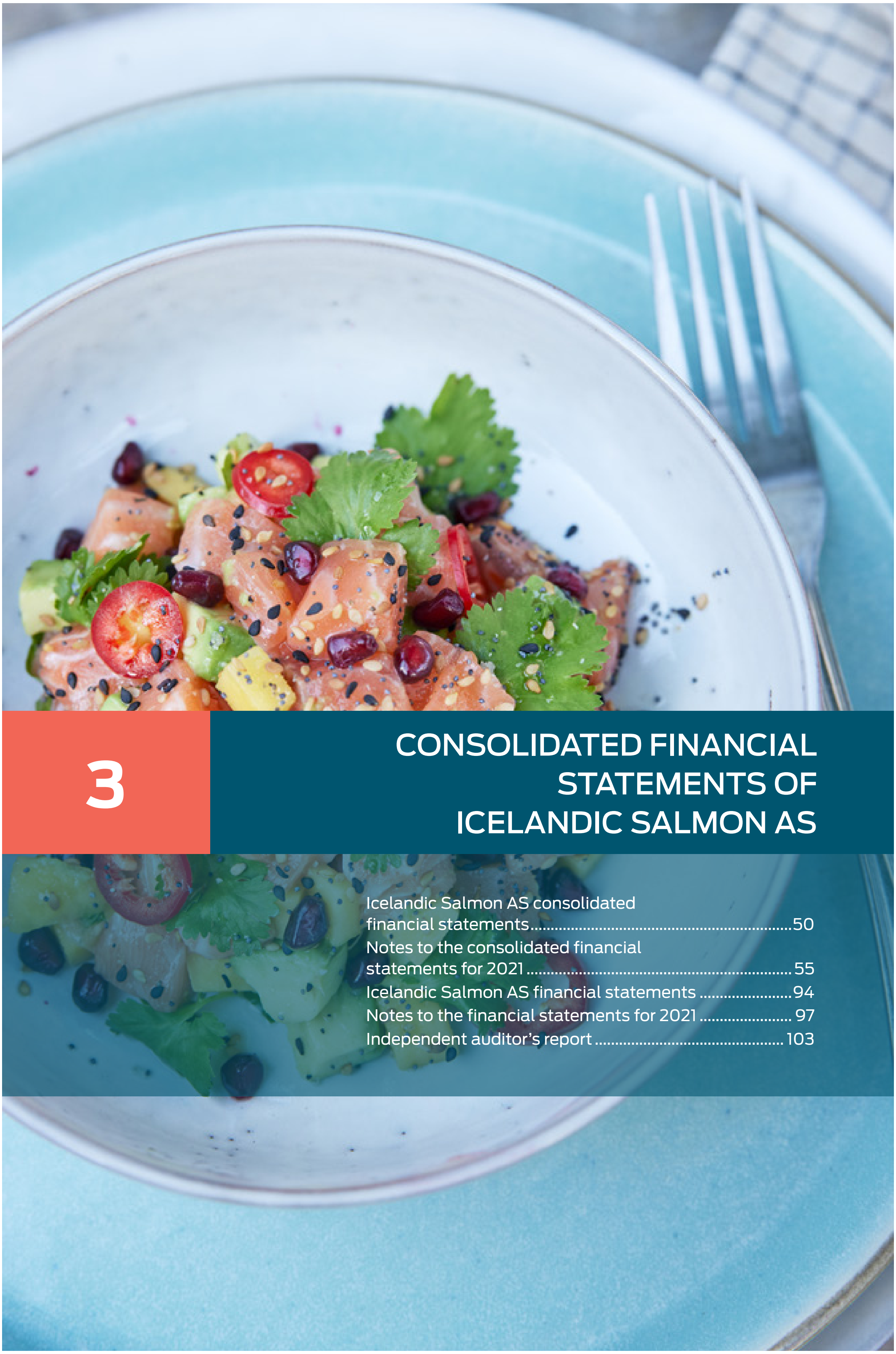
8. Decent work and economic growth
The company is growing economically and has increased its number of staff between years.

11. Sustainable cities and communities
The company is one of the major sponsor of public transport within the area and sponsors various community projects. Bildudalur was once categorized as a fragile community. With good economic growth Bildudalur was out of the project in 2016.

12. Responsible consumption and production
Farming salmon in sea cages is one of the most sustainable ways of producing animal protein for human consumption, in terms of feed and water usage. ASC and BRCGS certified.

13. Climate Action
A large part of the world's greenhouse gas emissions is caused by food production. Farming salmon stands out from other animal protein production for its low level of carbon emissions and usage of water.

14. Life below water
The company aims to utilise the sea areas in which it operates in a sustainable manner and to contribute to reducing marine debris and discharges, by reducing and handling its waste properly and by engaging in all the local coastal communities of which it is a part of.



3 CONSOLIDATED FINANCIAL STATEMENTS OF ICELANDIC SALMON AS

ICELANDIC SALMON AS CONSOLIDATED FINANCIAL STATEMENTS

Amounts in 1000 EUR

Consolidated statement of comprehensive income

	Note	2021	2020
Revenue from contracts with customers	2.2, 4.6	90,806	61,842
Total operating revenue		**90,806**	**61,842**
Cost of goods sold	4.6	52,753	38,711
Salary and personnel expenses	2.3, 2.4	12,180	9,866
Other operating expenses	2,5	12,644	11,034
Depreciation and amortization	3.4, 3.5	5,915	6,813
Operational EBIT	4.6	**7,314**	**(4,582)**
Production tax	2.5, 4.9	(307)	(133)
Fair value adjustments of biomass	3.7	(2,937)	7,657
Operating profit		**4,070**	**2,943**
Income from investment in joint venture	3.7	**3**	**(626)**
Financial items			
Financial income	2.6	144	147
Financial expense	2.6	(1,969)	(2,451)
Net currency gains (losses)		351	(1,411)
Net financial items		**(1,474)**	**(3,715)**
Profit (loss) before tax		**2,600**	**(1,398)**
Income tax	2.7	232	554
Net profit (loss) for the year		**2,367**	**(1,952)**
Net profit (loss) attributable to:			
Equity holders of the parent company		2,367	(1,952)
Other comprehensive income			
Items which may subsequently be reclassified to profit or loss			
Translation differences related to joint venture		88	316
Translation differences related to subsidiaries		(1)	(759)
Other comprehensive income (loss) for the year		**87**	**(1,076)**
Total comprehensive income (loss) for the year		**2,454**	**(3,027)**
Total comprehensive income (loss) attributable to:			
Equity holders of the parent company		2,454	(3,027)
Earnings per share ("EPS"):			
Basic and diluted (EUR per share)	4.3	0,08	(0,07)

Consolidated statement of financial position

Amounts in 1000 EUR

	Note	31/12/2021	31/12/2020
Assets			
Non-current assets			
Goodwill	3.1, 3.2	19,332	19,320
Other intangible assets	3.2, 3.3, 4.5	978	0
Property, plant & equipment	3.4	52,225	44,382
Right-of-use assets	3,5	5,827	1,995
Investment in joint venture	3.6, 4.4	1,646	1,567
Other investments		1	0
Other long-term receivables	3.8, 4.6	4,964	3,971
Deferred tax assets	2,7	3,407	3,677
Total non-current assets		**88,380**	**74,912**
Current assets			
Biological assets	3.7	66,899	53,754
Inventories	3.7	2,538	5,150
Trade receivables	3.8	7,323	6,130
Other receivables	3.8, 4.1, 4.6	2,126	1,069
Cash and cash equivalents	3.9, 3.10	3,744	3,050
Total current assets		**82,630**	**69,152**
Total assets		**171,010**	**144,065**

Consolidated statement of financial position

Amounts in 1000 EUR

Equity and liabilities	Note	31/12/2021	31/12/2020
Equity			
Share capital	4.7	29,571	29,571
Share premium		90,622	90,622
Other paid-in equity		(1,089)	288
Other equity	2.4	(9,795)	(12,303)
Total equity		**109,309**	**108,178**
Liabilities			
Non-current liabilities			
Interest-bearing debt	3.9, 3.11	38.465	0
Lease liabilities	3,5	4.803	1,442
Total non-current liabilities		**43.268**	**1,442**
Current liabilities			
Interest-bearing debt	3.9, 3.11	2,084	20,462
Lease liabilities	3.5, 3.11	1,086	460
Trade payables	3.12	9,699	9,744
Other payables	3.9, 3.12, 4.5	5,564	3,779
Total current liabilities		**18,433**	**34,445**
Total liabilities		**61,701**	**35,887**
Total equity and liabilities		**171,010**	**144,065**

Bíldudalur, April 22 2022

Kjartan Olafsson,
Chairman of the Board

Espen Weyergang Marcussen,
Member of the Board

Olav Andreas Ervik,
Member of the Board

Trine Sæther Romuld,
Member of the Board

Leif-Inge Nordhammer,
Member of the Board

Bjørn Hembre,
CEO

Consolidated statement of cash flow

Amounts in 1000 EUR

Statement of cash flow	Note	2021	2020
Cash flow from operating activities:			
Profit (loss) before tax		2,600	(1,398)
Deprecation	3.4, 3.5	5,915	6,813
Share of (loss) profit from joint venture	3.6	(3)	626
Share-based options adjustment	2.4	209	158
Currency exchange and other items		(8)	875
Financial expenses (debt/borrowings and leases)	2.6	1,969	2,451
Change in fair value of biomass	3.7	2,937	(7,657)
Change in inventories and biomass recognised at cost	3.7	(13,470)	(3,386)
Change in payables and receivables	3.6, 3.8	(392)	2,489
Net cash flow (to) from operating activities		**(244)**	**970**
Cash flow from investing activities:			
Proceeds from from sale of property, plant & equipment		12	0
Purchase of property, plant & equipment	3.4	(12,886)	(9,876)
Purchase of shares and other investments, net of cash received		(1,897)	0
Net cash flow (to) from investing activities		**(14,771)**	**(9,876)**
Cash flow from financing activities:			
New interest-bearing debt	3.11	25,171	12,935
Repayment of interest-bearing debt	3.11	(4,826)	(42,752)
Payment of principal portion of lease liabilities	3.5	(785)	(1,750)
Paid interest (debt/borrowings and leases)	2.6	(2,233)	(2,377)
Share based payments		(1,618)	0
Issue of new Shares	4.7	0	44,168
Net cash flow from financing activities		**15,709**	**10,224**
Net change in cash and cash equivalents		695	1,319
Cash and cash equivalents as at 1 Jan	3.10	3,050	1,731
Cash and cash equivalents as at 31 Dec		**3,744**	**3,050**

Consolidated statement of changes in Equity

Amounts in 1000 EUR

2020	Note	Share capital	Share premium	Other paid-in equity	Other equity: Translation differences	Other equity: Retained earnings	Total equity
Equity as at 1 Jan 2020		26,982	52,039	9	(143)	(12,811)	**66,076**
Net (loss) for the year		0	0	0	0	(1,952)	**(1,952)**
Other comprehensive income							
Translation differences in subsidiaries and joint venture		0	0	0	(1,076)	0	**(1,076)**
Total comprehensive income 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**
Share-based payments	2.4	0	0	157	0	(36)	**122**
Other changes		0	0	121	0	718	**840**
Other transactions		**2,589**	**38,584**	**279**	**0**	**3,678**	**45,129**
Equity as at 31 Dec 2020		**29,571**	**90,622**	**288**	**(1,219)**	**(11,085)**	**108,178**

2021	Note	Share capital	Share premium	Other paid-in equity	Other equity: Translation differences	Other equity: Retained earnings	Total equity
Equity as at 1 Jan 2021		29,571	90,622	288	(1,219)	(11,084)	**108,178**
Net profit for the year		0	0	0	0	2,367	**2,367**
Other comprehensive income							
Translation differences in subsidiaries and joint venture		0	0	0	87	0	**87**
Total comprehensive income for the year		**0**	**0**	**0**	**87**	**2,367**	**2,454**
Share-based payment, expensed	2.4	0	0	209	0	0	**209**
Share-based payment, settlement	2.4	0	0	(1,585)	0	(33)	**(1,618)**
Other changes		0	0	0	(178)	265	**87**
Other transactions		**0**	**0**	**(1,376)**	**(178)**	**232**	**(1,322)**
Equity as at 31 Dec 2021		**29,571**	**90,622**	**(1,089)**	**(1,310)**	**8,485**	**109,309**

Amounts in 1000 EUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2021

1. General information, significant accounting policies, judgements, estimates and assumptions

1.1 Corporate information

Icelandic Salmon AS (and its subsidiaries collectively the "Group", or "Icelandic Salmon") is a limited liability company, incorporated in Norway and headquartered in Kverva. The address of its registered office is Industriveien 51, 7266 Kverva, NORWAY. The Company changed its name from Arnarlax AS to Icelandic Salmon AS in 2020. The ultimate parent company is Kvarv AS.

Icelandic Salmon is the leading salmon farmer in Iceland and the main operation of the Group is production, processing and sale of seafood and seafood-based products.

The consolidated financial statements of the Group for the year ended December 2021 were approved by the Board of Directors on 22 April 2022.

1.2 Basis for preparation

The consolidated financial statements of the Company for the year ended on 31 December 2021 incorporates the financial statements of the Company and its subsidiaries which are collectly referred to as "the Group". The consolidated financial statements of the Group comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of cash flow and consolidated statement of changes in equity and related notes. The consolidated financial statements of the Group for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by The European Union ("EU"), as well as additional disclosure requirements pursuant to the Norwegian Accounting Act.

The consolidated financial statements have been prepared on a historical cost basis, except for biological assets that have been measured at fair value. Further, the consolidated financial statements are prepared based on the going concern assumption. All figures are presented in EUR thousands (000), except when otherwise noted.

The consolidated financial statements of the Group are prepared in accordance with the same accounting principles as the consolidated financial statements for 2020.

Amounts in 1000 EUR

1.3 Significant accounting policies

The Company has selected a presentation in which the description of accounting policies as well as estimates, assumptions and judgmental considerations are disclosed in the notes to which the they relate. A summary of significant and other accounting policies not disclosed in the notes, are therefore summarized below.

Presentation currency and functional currency
The consolidated financial statements are presented in EUR, which is also the functional currency of Arnarlax ehf (subsidiary) where the Groups main operation is.

The functional currency is determined in each company within the Group based on the currency within the primary economic environment of that company. Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. Monetary items in foreign currency are at the end of the reporting period translated to functional currency using the closing rate. Differences arising on settlement or translation of monetary items are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

For presentation purposes, items in the statement of financial position are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within the statement of comprehensive income are translated from functional currency to presentation currency by applying monthly average exchange rates. If currency rates are fluctuating significantly, transaction date exchange rates are applied for significant transactions. Translation differences are recognised in other comprehensive income.

Basis of consolidation
The Group's consolidated financial statements comprise the parent company and its subsidiaries as of 31 December 2021. Consolidated companies have been assessed as being controlled by the Group during the reporting period.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee).
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect its returns.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Intercompany transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Amounts in 1000 EUR

Business combinations are accounted for by using the acquisition method. The consideration transferred is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of exchange. All acquisition-related costs are recognised in statement of comprehensive income except for costs to issue debt or equity, which are recognised in accordance with IFRS 9 and IAS 32. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Group Companies:		**Ownership**		**Parent**	
Subsidiary	**Registered office**	**2021**	**2020**	**Company**	**Country**
Arnarlax ehf.	Strandgata 1, 465 Bíldudalur	100%	100%	Icelandic Salmon AS	Iceland
Fjallalax ehf.	Strandgata 1, 465 Bíldudalur	100%	0%	Arnarlax ehf.	Iceland

Current versus non-current classification

An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

The Group classifies all other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Cash and short-term deposits

Cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows includes cash and restricted cash with a restriction less then three months from end of the reporting period.

Equity and share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction from the proceeds received.

Equity is defined as any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Amounts in 1000 EUR

Statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method.

New and revised IFRSs in issue but not yet effective

The Group has not early adopted new standards or amendments to IFRSs that have been issued and are permitted for early adoption. The following amendments are effective from 1 January 2022:

- IAS 16 Property, Plant and equipment	Proceeds before intended use
- IAS 37 Provisions, contingent liabilities and contingent assets	Onerous Contracts, cost of fullfilling a contract
- IFRS 3 Business Combinations	Reference to Conceptual Framework
- 2018-2020 Annual Improvements cycle	Minor amendments to four IFRSs

The Management of the Company do not expect that the adoption of the amended standards listed above or other issued new standards and amendments scheduled that become effective in subsequent periods will have a material impact on the consolidated financial statements of the Group in future periods.

1.4 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS and applying accounting policies requires management to make judgments, estimates and assumptions about the reported amounts of assets, liabilities, revenues and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on information available when the consolidated financial statements are prepared, historical experience and other factors that are considered to be relevant. Existing circumstances and assumptions may change due to events arising that are beyond the Group's control. Therefore, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates:

- Fair value measurement of biological assets (see note 3.7 for relevant disclosures)
- Impairment considerations of goodwill (see note 3.2 for relevant disclosures)
- Measurement of deferred tax assets (see note 2.7 for relevant disclosures)

During the year 2021, the Group started analysing the effects of climate risks. The Group intends to analyse how its operations may impact the climate and how the climate change may impact the Group's value chain and business. The ongoing study analyses both threats and opportunities and addresses both physical and transitional risks with related financial impact from each of the risks and opportunities identified. At reporting date the analysis has not identified climate-related matters that will substantially affect our assets, allowances for bad debt or future cash-flow. For further information related to the climate-risk assessments see the sustainability reporting in section 2.

Amounts in 1000 EUR

2. Financial results

2.1 Operating Segments

Accounting principles

An operating segment is a component of an entity:

a. That engages in business activities from which it may earn revenues and incur expenses,
b. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about
c. for which discrete financial information is available.

The operating segments represents the business units for which the chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The Group owns and operates fish farming in the Icelandic fjords and the main purpose of the Group is production, processing and the sale of high-quality Icelandic salmon mainly internationally, exporting to 23 countries in 2021. 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 report.

Amounts in 1000 EUR

2.2 Revenue from contracts with customers

Accounting principles

The Group recognises revenue from the sale of salmon at the point in time when control of the goods is transferred to the customer. The transfer of control to the customer depends on shipping terms, but will normally occur when the goods are delivered to the customer. Other revenues from the sale of services relate primarily to the sale of harvesting services. Revenue from contracts with customers is recognised when control of the goods and the service has been transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and/or service.

Revenues from contracts with customers are recognised in the statement of comprehensive income or loss net of discounts. Transaction prices are fixed upfront without any variable consideration. There is no right of return and refunds are only given if delivered goods are damaged or if there is a discrepancy in delivered goods compared to agreements. The normal credit term is 21 days upon delivery to the customers. Refunded amounts have historically been immaterial.

Revenue recognised at point in time (sale of goods) and revenue recognized over time (other revenue) is as follows:

Specifications of revenue	**2021**	**2020**
Sales of goods	81,628	55,297
Other revenue	9,177	6,545
Revenue from contracts with customers	**90,806**	**61,842**

Disaggregated revenue from contracts with customers

Revenue from customers based on the geographic market in which the revenue is earned are presented below:

Group revenues by geographical market:	**2021**	**%**	**2020**	**%**
Europe, excl. Norway	57,597	63.4%	52,569	85.0%
USA	12,464	13.7%	2,900	4.7%
Norway	16,110	17.7%	3,870	6.3%
Other	4,635	5.1%	2,502	4.0%
Revenue from contracts with customers	**90,806**	**100.0%**	**61,842**	**100.0%**

Amounts in 1000 EUR

2.3 Salary and personnel expenses

Salary and personnel expenses	**2021**	**2020**
Salaries, incl. holiday pay and bonuses	8,843	7,351
Social security expenses	697	524
Pension expenses	1,101	922
Other benefits	1,539	1,069
Total salary and personnel expenses	**11,079**	**9,866**
Average number of employees during the financial year.	135	119

Pension expenses related to defined contribution which consists of expense incurred by the Group for employees that are required by local laws to participate in pension schemes. These pension schemes are not sponsored or administered by the Group. Pursuant to the requirements of the schemes, the Group is required to contribute a certain percentage of its payroll costs to the pension schemes. Such contributions are charged to the consolidated statements of comprehensive income in the period they incurred in accordance with the rules of the pension schemes. The Group has no further payment obligations once these contributions have been paid.

Remuneration to directors of the Group:	**2021**	**2020**
Bjørn Hembre, CEO	342	477
Hannibal Hafberg, COO of Harvest Plant	103	0
Jón Garðar Jörundsson, CBDO	96	0
Jónas Heiðar Birgisson, CFO	132	0
Kjersti Haugen, CSO from June 2021	122	0
Ómar Grétarsson, CSO until June 2021	41	0
Rolf Ørjan Nordli, COO of Biology	228	0
Silja Baldvinsdóttir, QM	77	0
Other directors of the Group	0	541
Total remuneration to directors of the Group	**1140**	**1018**

Fee to BOD	21	19
Payments to Marko Partners*	0	53
	21	72

* Chairman, Kjartan Ólafsson, is also a chairman of Markó partners ehf. Payments were made to Markó partners for consulting services and expenses.

The Group's directors includes the CEO and six other directors. All fixed salary employees, including the directors of the Group, have performance-related bonus scheme. Performance-related bonus is based on shared goals and individual valuation. The amount of the bonus is set by the Board of Directors at the beginning of each bonus period as fixed percentage of the EBIT for the Group and is decided on by the valuation of the management and the CEO. The total bonus amount for the year 2021 was set by the Board of Directors as two per cent of the operational EBIT for the Group and was paid out to all employees under the scheme in January 2022. The CEO and part of the senior executive team were granted performance-related bonuses in addition to the fixed salary bonus scheme.

Amounts in 1000 EUR

Note 2.4 Share-based incentive schemes

Accounting principles

The Company operates an equity-settled, share-based compensation scheme, under which the Company receives services from Arnarlax's employees as consideration for equity instruments (stock options) of the Company. Equity-settled share-based options are measured at the fair value of the equity instruments at the grant date using Black-Scholes valuation model, excluding the effect of non-market-based vesting conditions. The fair value determined at the grant date is expensed and recognised in employee benefits on a straight-line basis over the vesting period of the options with a corresponding increase in equity. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions and recognises any impact in the statement of comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

At the beginning of the year the Company had equity-settled share-based incentive scheme with the CEO. A total of 165,000 options had been granted at an exercise price of NOK 60.00 per share. The grant date was 28 September 2018 and the options vested over period of three years. The terms of the arrangement provided the Company with the choice of cash settlement or issuing equity instruments. The options were settled in 2021 in cash with reference to the closing share price of NOK 155.00 on 17 November 2021. Total amount expensed during 2021 was EUR 54 thousand as other employee benefits, with a corresponding entry to other paid-in equity.

On 19 February 2021, the Company granted 205,850 share options with an exercise price of NOK 115.00, respectively, to the CEO and certain key employees. The Company's intention is that the options will be equity-settled. The option holders must stay in the employment of the Group over a vesting period of three years from the grant date until 19 February 2024. As at 31 December 2021, the fair value of the agreements was determined to be EUR 533 thousand and pro rata accrual in the amount of EUR 155 thousand was expensed as other employee benefits, with a corresponding entry to other paid-in equity.

	2021		2020	
	Number of shares '000	Weighted avg exercise price	Number of shares '000	Weighted avg exercise price
Outstanding at the beginning of period	165	212	165	212
Granted during the period	206	564	0	0
Forfeited during the period	(12)	(31)	0	0
Exercised during the period	(165)	(212)	0	0
Outstanding at the end of period	194	533	165	212
Average remaining contractual life at year-end		2.2		0.8

Amounts in 1000 EUR

Estimate the year's award was based on the following assumptions:

	2021	2020
Date of award	19.2.2021	28.9.2018
Plan	2021	2018
Volatility	34.88%	32.21%
Risk free rate	0.54%	1.29%
Share price at date of award	115	60
Weighted average fair value on date of award	28.01	14.10
Option's lifespan	2.2	0.8
Model employed	Black-Scholes	Black-Scholes

Directors' and key employees's interests in the Share-based incentive scheme

				Number outstanding	
Date of grant	**Expiry date**	**Key employees**	**Exercise price**	**31/12/2021**	**31/12/2020**
2021	2023	CEO Björn Hembre	115	100,000	165,000
2021	2023	Company's Chief Officers	115	51,600	
2021	2023	Other key employees	115	42,800	
				194,400	**165,000**

During the year 2021 the Group recognised total expenses of EUR 209 thousand (2020: EUR 167 thousand) related to share-based payment transactions, which are included in Salary and personnel expenses in the statement of other comprehensive income.

SalMar ASA RSU program:

The parent of the Company, SalMar ASA, operates a restricted share scheme in which the companies within its control receive services from employees in return for equity instruments in the Parent. During the year EUR 33 thousand was paid to SalMar ASA by Arnarlax ehf with a contra entry against other equity. As of December 2021 no Arnarlax employee are part of SalMar ASA RSU program.

Amounts in 1000 EUR

Note 2.5 Other operating expenses

Specification of other operating expenses:	2021	2020
Services, marketing and travel expenses	4,593	4,057
Fee expenses	294	498
Freight & delivery expenses	310	260
Insurance expenses	293	464
Maintenance expenses	2,833	2,130
Operating equipment & consumables expenses	2,544	1,532
Other expenses	1,777	2,094
Total	**12,644**	**11,034**

The Company pays fees based on the Company's licenses and production.

Environmental fees

The Company pays fees to Icelandic environmental fund. Environmental fund of fish farming operates based on law no. 71/2008, on fish farming, and is an independent fund owned by the state and is administrated by the Ministry of Fisheries and Agriculture and collected by the Icelandic Food and Veterinary Authority. The fund's objective is to limit the environmental effects caused by fish farming. Holders of operational permits of fish farming pay a yearly fee to the fund and as such the Company paid a total of EUR 0.5 million in 2021 compared to EUR 0.5 million in 2020. The fee is based on fixed price of 20 SDR for each tonnes of the Company's production license. Environmental fees are are included in the cost of goods sold.

Production tax (Resource fee)

The Company pays fees to aquaculture fund categorized as production tax. Fees to aquaculture is based on law no. 89/2019 on fees for fish farming in the sea. The Directorate of Fisheries shall assess and charge the fee amount in accordance with guidelines laid down in the 2nd article of the same law. According to a temporary provision of the law, the amount of the fee was 2/7th of the calculated fee in 2021 and will be 3/7 th in 2022. From 2026 the fee charged will be full fee in accordance with the law. Resource fee imposed on the Company was calculated to EUR 0.3 million for the year 2021 compared to EUR 0.1 million in 2020. The calculation is based on average NASDAQ prices from the period of August to October from the year before. Tax percentage is also based on same price table. For taxation in 2021, the NASDAQ price was between 4.30 EUR/kg. and 4.80 EUR/kg. in 2020 that set the tax percentage to 2 percent of harvested volume of gutted weight. To highlight the performance of underlying operations before deduction of the production tax, the Company has chosen to report it on a separate line in the statement of comprehensive income below Operational EBIT.

Auditor:

The remuneration (excl. VAT) paid to the Group's auditor breaks down as follows:

2021	EY	PWC	Total
Statutory auditing services	53	214	267
Other services	0	25	0
Total	**53**	**239**	**267**

2020	EY	PWC	Total
Statutory auditing services	0	273	273
Other services	139	107	245
Total	**139**	**379**	**518**

Part of the fee paid in 2021 and 2020 relates to auditing of the 2020 and 2019 consolidated financial statements.

Amounts in 1000 EUR

Note 2.6 Financial income and expenses

Financial income	**2021**	**2020**
Interest income	144	147
Total financial income	**144**	**147**

Financial expense	**2021**	**2020**
Interest expenses on debts and borrowings	1,827	2,383
Interest expenses on lease liabilities	142	68
Total financial expenses	**1,969**	**2,451**

Note 2.7 Tax expense

Accounting principles

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities.

Deferred tax assets are recognised when it is probable that the relevant tax entities will have a sufficient profit for tax purposes in subsequent periods to utilise the tax asset or when there are taxable temporary differences that will reverse in future periods. The companies recognise previously unrecognised deferred tax assets to the extent it has become probable that the company can utilise the deferred tax asset. Similarly, the Company will reduce a deferred tax asset to the extent that the Group no longer regards it as probable that it can utilise the deferred tax asset.

Deferred tax and deferred tax assets are measured based on the expected future tax rates applicable to the companies in the Group where temporary differences have arisen.

Deferred tax assets and deferred tax are recognised at their nominal value and classified as non-current assets and long-term liabilities in the statement of financial position.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Significant estimates

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Amounts in 1000 EUR

Current income tax expense:	**2021**	**2020**
Change deferred tax/deferred tax assets (ex. OCI effects)	232	554
Total income tax expense	**232**	**554**

Reconciliation deferred tax assets	**2021**	**2020**
Deferred tax assets recognised in the consolidated statement of financial position	3,677	4231
Tax recognised in the concolidated statement of comprehensive income	(232)	(554)
Tax recognised through equity	(37)	0
Deferred tax assets recognised in consolidated statement of financial position 31.12.2021	**3,407**	**3,677**

Deferred tax assets is split as follows:	**2021**	**2020**
Property, plant and equipment	469	(428)
Biological assets	(5,795)	(8,732)
Other current assets	(4,724)	(1,512)
Liabilities	5,200	1,901
Losses carried forward (including tax credit)	25.407	30,028
Exchange rate difference	296	866
Basis for deferred tax assets:	**20.854**	**22,124**

Calculated deferred tax assets	**4,171**	**4,425**
- Deferred tax assets not recognised	763	748
Net deferred tax assets recognised in consolidated statement of financial position	**3,407**	**3,677**

Reconciliation of income tax expense	**2021**	**2020**
Profit (loss) before taxes	2,600	(1,398)
Income tax expense at corporate income tax rate in Norway (22%)	572	(308)
Effect of tax rates outside Norway	(52)	28
Non-taxable and non-deductible items	(281)	557
Deferred tax assets not recognised current year	(7)	277
Recognised in consolidated statement of comprehensive income	**232**	**554**

Carry forward loss	**Arnarlax ehf**	**Icelandic Salmon**	**Sum**
Loss for 2014, expires end of 2024	2,760		2,760
Loss for 2015, expires end of 2025	1,487		1,487
Loss for 2016, expires end of 2026	3,513		3,513
Loss for 2018, expires end of 2028	7,456		7,456
Loss for 2020, expires end of 2030	6,376		6,376
No expiry (tax loss Norway)		3,816	3,816
	21,591	**3,816**	**25,407**

For losses carried forward in Norway (Icelandic Salmon AS), no deferred tax asset is recorded.

Amounts in 1000 EUR

3. Assets and liabilities

3.1 Goodwill

Accounting principles

Goodwill represents the excess of the purchase price of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities, contingent liabilities, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment at least annually, and whenever there is an indication that the asset may be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The value in use calculation is performed using discounted expected future cash flows. The discount rate applied to these cash flows is based on the weighted average cost of capital and reflects current market assessments of the time value of money.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating unit (CGU) that is expected to benefit from the business combinations, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill (EUR 1000)	31.12.2021	31.12.2020
Carrying amount at year end	19,332	19,332

Amounts in 1000 EUR

3.2 Impairment

Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill and indefinite lifetime licenses relates. If the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group comprise of one CGU for goodwill being the Icelandic fish farming operations of Arnarlax ehf.

The table below outlines the carrying amounts of goodwill:

	2020	**2021**
Arnarlax ehf.	19,332	19,332
Total Goodwill	**19,332**	**19,332**

Basis for determining the recoverable amount

Impairment is tested by calculating the recoverable amount of the CGU. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on the financial forecast for the period 2022-2025 that has been approved by management and the Board of Directors. Cash flows beyond 2025 have been extrapolated using a 2.5 per cent terminal growth rate. An impairment loss is recorded if the carrying amount of the CGU exceeds the estimated value in use.

The Group has determined that the following assumptions are the key assumptions used in determining the current estimate of value in use:

- Forcasted harvested volume
- Forcasted market price for harvested products
- Discount rate (WACC)
- Investment (CAPEX) forcast
- EBIT

Forecast of harvested volume are estimated based on current production and future harvesting plans, adjusted for expected increases in future output given current licenses. Forecast market prices for the harvested products are based on market data from Fish pool. A detailed CAPEX forecast is used which includes CAPEX needed for the forecast increase in production. Investment after 2025 have been estimate with simplified approach to estimate the maintenance investment of assets required to maintain the production volume.

The discount rate used reflects management's estimate of the risk specified for the CGU. The discount rate is estimated post - tax 7.8 per cent.

The recoverable amount of the cash-generating unit was in reasonable excess of its carrying amount as of 31 December 2021 and 2020, management believes that any reasonably possible change in the key assumptions on which the recoverable amount of the cash-generating unit is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

Amounts in 1000 EUR

Note 3.3 Other intangible assets

Accounting principles

Intangible assets that are purchased individually are capitalised at acquisition cost. Intangible assets acquired in connection with the purchase of a business entity are capitalised at acquisition cost when the criteria for separate posting are met.

	Licenses	Other intangibles	Total
Carrying amount at 1 January 2021	**0**	**0**	**0**
Additions	431	547	978
Carrying amount at 31 December 2021	**431**	**547**	**978**

Licenses

Licenses that the Group owns and has purchased are capitalised at their cost. In Iceland, licenses are granted for a period of 16 years and must then be renewed. Licenses will be renewed if the applicant meets the prevailing statutory and regulatory requirements at the time the license comes up for renewal. A small charge must be paid for the license's renewal. As licenses have a contractual 16 year lifetime, with the possibility of renewal, the Group has elected to presume that these licenses have indefinite useful lifetime. They are therefore not amortised, but tested annually for impairment.

Two arctic char facilities were acquired in the year 2021. Along with the acquired facilities were licenses capitalised at acquisition date at fair value (EUR 0.4 million) in the Groups consolidated statement of financial position. The expansion initiative will provide smolt capacity for approximately 7,000 tonnes additional harvest volume and support further growth and development plans, both in terms of better utilization of current licenses and preparation for new areas and licenses.

The Group currently holds license of 25.200 tonnes maximum allowed biomass in the southern part of the Icelandic Westfjords, Arnarfjörður, Patreksfjörður and Talknafjörður. The application for 10.000 tonnes in Isafjardardjup has been processed by the National Planning Agency and will be transferred to the Icelandic Food and Veterinary Authority and the Environmental Agency that will decide if a license will be issued, when the license will be issued is currently unclear. The 4.500 tonnes increase in Arnarfjordur has not been processed and the application process has been delayed. Currently there is 3.000 tonnes left of the bearing capacity in Arnarfjörður and the application will likely be updated to account for the difference. As for now, management does not know when the environmental assessment report will be processed or the exact timeline of the application process. The licenses are granted for a period of 16 years before they must be renewed. The licenses will be renewed if the applicant meets the requirements set pursuant to statute and regulation at the time the license comes up for renewal. A small charge must be paid for the license renewal. The Group has been granted the license without consideration.

In addition to EUR 0.4 million licenses the Group has recognised other intangible assets at year end for EUR 0.5 million (see note 3.3 for further information).

Amounts in 1000 EUR

3.4 Fixed assets - Property, plant & equipment

Accounting principles

Property, plant and equipment ("PP&E") is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the PP&E and borrowing costs if the asset qualifies recognition criteria. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset. When significant parts of PP&E are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The residual values, useful lives and methods of depreciation of PP&E are reviewed at each financial year end and adjusted prospectively, if appropriate.

Right-of-use assets are recognised separately from property, plant and equipment and presented in note 3.5

	Property, plant, equipment	Land, buildings & other property	Assets under construction	Total
Acquistion cost at 1 Jan 2020	**39,286**	**8,446**	**9,567**	**57,299**
Additions	7,695	813	1,299	9,807
Sold and disposed	(3,312)	(161)	0	(3,473)
Acquisition cost at 31 Dec 2020	**43,669**	**9,098**	**10,866**	**63,633**
Additions	8,664	10,912	(6,667)	12,909
Sold and disposed	(65)	0	0	(65)
Acquisition cost at 31 Dec 2021	**52,268**	**20,010**	**4,199**	**76,477**
Acc. dep. & impairment at 1 Jan 2020	**(16,264)**	**(1,087)**	**0**	**(17,352)**
Depreciation	(4,408)	(457)	(198)	(5,063)
Sold and disposed	3,340	147	(324)	3,164
Acc. dep. & impairment at 31 Dec 2020	**(17,332)**	**(1,397)**	**(522)**	**(19,251)**
Depreciation	(4,578)	(983)	522	(5,039)
Sold and disposed	38	0	0	38
Acc. dep. & impairment at 31 Dec 2021	**(21,873)**	**(2,380)**	**0**	**(24,253)**
Carrying amount at 31 Dec 2021	**30,395**	**17,630**	**4,199**	**52,225**
Carrying amount at 31 Dec 2020	**26,337**	**7,701**	**10,344**	**44,382**

Useful lives	3-30 years	30-40 years	3-33 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	
Gains/losses on sale of non-current assets	(15)	0	0	

Amounts in 1000 EUR

As of 31 December 2021, the Group had PP&E at total of EUR 52,2 million compared to 44.4 million as of 31 December 2020. The PP&E consist of property, plant and equipment, land, buildings and other property, and assets under construction. Property, plant and equipment mainly consist of operational equipment's, floating pens boats and aquaculture tanks. Land building & other property mainly consist of Real Estate, land and other non-removable assets. The useful life of these PP&E differs from three years, up to forty years. Assets under construction relates to ongoing investment projects later to be moved to the relevant nature of PP&E when taken to usage.
No impairments of property, plant, and equipment were incurred in 2021 or 2020.

3.5 Leases

Accounting principles
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee applies a single recognition and measurement approach for all leases, with exception for leases with a term of less than 12 months and for leases relating to assets with a low underlying value.

Non-lease components in a lease arrangement are not capitalized as a part of the lease. This applies to the Group´s lease arrangements of wellboat, where crew costs and other service elements included in lease amount are excluded from the value of the right-of-use asset and lease liability. If not stated in the contract, non-lease components are estimated based on markets price on the service element.

A lease liability is initially recognised as the present value of lease payments that are not paid on the commencement date of the lease contract. The lease payments are discounted by using the by using the Group's incremental borrowing rate as a discount rate. The Group assesses it's incremental borrowing rate based on it´s current rating, adjusted for nature of the underlying asset and duration of the lease agreement.

A lease liability is subsequentially measured by using effective interest rate. The lease liability is revalued when there is a change in future payments due to a change in index or interest rate. The lease liability is also revalued if there is a change in the Group's estimation on residual payments in relation to the lease contract, if there is a change in estimation on utilisation of an option to buy the underlying asset, or if there is a change in the expected lease term.

Amounts in 1000 EUR

Right-of-use assets	
Balance at 1 January 2020	**2,072**
Addition and changes of right-of-use assets in the period	1,672
Depreciation	(1,749)
Balance at 31 December 2020	**1,995**
Addition and changes of right-of-use assets in the period	4,708
Depreciation	(876)
Balance at 31 December 2021	**5,827**

Lease liabilities	
Balance at 1 January 2020	**2,291**
Additions and changes of leases in the year	1,359
Payments	(1,818)
Accretion of interest	68
Closing balance at 31 December 2020	**1,901**
Additions and changes of leases in the year	4,772
Payments	(927)
Accretion of interest	142
Closing balance at 31 December 2021	**5,889**

	2021	**2020**
Current lease liabilities	1,086	460
Non-current lease liabilities	4,803	1,442
Total Lease liabilities	**5,889**	**1,901**

Summary of amounts recognised in the consolidated statement of comprehensive income:	**2021**	**2020**
Depreciation expense of leased assets	876	1,749
Interest expense on lease liabilities (included in finance expenses)	142	68
Total amount recognised in profit or loss	**1,018**	**1,818**

The Group had total cash outflows for leases of EUR 1.0 million in 2021 compared with EUR 1,8 million in 2020.

Amounts in 1000 EUR

3.6 Investment in joint venture

Accounting principles

To the extent the Group concludes that it does not control, and thus consolidate, a joint venture, the Group accounts for its interest in joint ventures using the equity method of accounting. As such, investments in a joint venture are initially recognised at cost and the carrying amount is subsequently adjusted for the Group's share of the profit or loss of the joint venture, as well as any distributions received from the joint venture. The Group carries its ownership interest in a joint venture as "Investment in joint venture" on the consolidated statement of financial position. The Group's profit or loss includes its share of the profit or loss of the joint venture and, to the extent applicable, other comprehensive income or loss for the Group includes its share of other comprehensive income or loss of the joint venture. The Group's share of a joint venture's profit or loss in a particular year is presented as "Share of net profit or loss of joint venture" in the consolidated statements comprehensive income. The carrying amount of equity-accounted investments is assessed for impairment as a single asset. Impairment losses are incurred only if there is objective evidence of impairment as a result of loss events that have an impact on estimated future cash flows and that can be reliably estimated. Losses expected as a result of future events are not recognised.

The Group has the following joint venture investment:

			Equity interest	
Name of entity	**Registered office**	**Sector**	**31/12/2021**	**31/12/2020**
Eldisstöðin Ísþór hf.	Þorlákshöfn, Iceland	Fish farming	50%	50%

Reconciliation of carrying amount of joint venture	2021	2020
Balance at beginning of the year	1,567	2,496
Share of result of joint venture	3	(626)
Translation difference	76	(304)
Balance at the end of the year	**1,646**	**1,567**

Carrying amount at year end 2021 includes EUR 144 thousand of goodwill.

Amounts in 1000 EUR

3.7 Biological assets and inventory

Accounting principles

Biological assets
Live fish are accounted for in accordance with IAS 41 Agriculture. The main principle is that such assets are measured at fair value less cost of sale. Fair value is measured in accordance with IFRS 13 within level 3 which is based on factors that are not drawn from observable markets assumptions. Changes in value are recognised and classified under fair value adjustments in the consolidated statement of comprehensive income.

Roe, fry, smolt and artic char are valued at historic cost. Historic cost is deemed to be the best estimate of fair value for these assets, due to little biological conversion.

The fair value of biological assets held at the Group's sea farms is calculated using a model based on future cash flow. The present value is calculated based on estimated revenues, less estimated remaining production costs until the fish is harvestable at the individual site. A fish is harvestable when it has reached the estimated weight required for harvesting specified in the Company's budgets and plans. The estimated value is discounted to present value in the consolidated statement of financial position. Present value is estimated for the biomass at each site.

Incoming cash flows are calculated as the estimated biomass at harvest multiplied by the price expected to be achieved at the same time. The estimated biomass (volume) at harvest is calculated based on the number of individual fish held in sea farms on the balance sheet date, adjusted for expected mortality until harvest and multiplied by the estimated weight of the fish at harvest.

The price is calculated using the Fish Pool forward price for the estimated harvesting date that was in effect at the end of the reporting period. Forward prices are adjusted for an exporter supplement, as well as harvesting, sales and carriage costs. In addition, an adjustment is made to take account of expected differences in fish quality. Price adjustments are made at the site level.

Management estimates the remaining production costs based on experience and current market conditions for the farming of fish up until they reach a harvestable weight. In the model, instead of being a separate cost element in the calculation, compensation for license fees and site leasing costs is included in the discount factor, and thereby reduces the fair value of the biomass.

The fair value of the biomass is calculated using a monthly discounting of the cash flow based on the second last harvesting month in the harvesting plan. The discount factor is intended to reflect three main components:

1. The risk of incidents that affect the cash flow.
2. Synthetic license fees and site leasing costs.
3. The time value of money.

The discount factor is set based on an average for all the Group's sites and which, in the Group's assessment, provides a sensible growth curve for the fish – from smolt to harvestable fish.

Amounts in 1000 EUR

The risk adjustment must take account of the risk involved in investing in live fish. A fish spends from 16 up to 24 months at a sea farm, and the risk will be higher the longer the time until harvest. Biological risk, the risk of increased costs and price risk will be the most important elements to be recognised. The present value model includes a theoretical compensation for license fees and site leasing costs as a surplus to the discount factor in the model, instead of being a cost-reducing factor in the calculation.

Inventories

Inventories is comprised of feed, packaging materials and finished goods. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the expected sales price less completion costs and costs to be incurred in marketing, selling, and distributing the inventory. Cost is determined using the first-in, first-out method.

Finished products includes direct material cost, direct personnel expenses, and indirect processing cost (full production cost). Interest costs are not included in the inventory value. If cost value of Finished product is estimated higher than realised sales value, based on judgement of the management, the finished products is revaluated based on best estimate on product valuation. Finished product is never valued over cost value. Value is based on the principle of first-in-first-out.

Book value of biological assets and inventory	**31/12/2021**	**31/12/2020**
Raw materials	2,470	2,700
Boxes	67	39
Finished Products	0	2,411
Inventory	2,538	5,150
Biological assets	66,899	53,754
Total biological assets and inventory	**69,437**	**58,903**

Write-downs

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

	2021	**2020**
Write downs within period	95	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:

	2021	**2020**
Change in fair value of the biomass	(2,937)	7,657

Book value of biological assets recognised at fair value	**31/12/2021**	**31.12.2020**
Biological assets held at sea farms at cost	57,127	40,479
Fair value adjustment of biological assets	5,795	8,732
Total biological assets held at sea by fair value	62,922	49,211
Roe, fry, smolt and arctic char fish at cost	3,977	4,543
Total biological assets	**66,899**	**53,754**

Amounts in 1000 EUR

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.

Change in the book value of biological assets held at sea farm carried at fair value	**31/12/2021**	**31/12/2020**
Biological assets held at sea farm 1 Jan	49,211	42,539
Increase resulting from production/purchase	61,648	44,954
Reduction resulting from sale/harvesting	(44,959)	(41,118)
Reduction resulting from incident-based mortality	(42)	(4,807)
Net fair value adjustment	(2,937)	7,657
Translation differences	0	(15)
Biological assets held at sea farm 31 Dec	**62,922**	**49,211**

Incident-based mortality

In the event of incidents exceeding three per cent mortality in a period based on a single incident, or if the mortality exceeds five per cent over several periods based on one and the same incident, an assessment is made as to whether there is a basis for write-down. The assessment relates to the number of fish and is carried out at site level. Incident-based mortality is recognised under cost of goods sold in the consolidated statement of comprehensive income.

The assessment relates to the number of fish and is carried out at site level. The Group had one incident in the year 2021 that resulted in incident-based mortality as defined above. The total effect on the Group's operating profit at cost was EUR 41 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 31 Dec 2021:	**Cost**	**Fair value adjustment**	**Carrying amount**
< 1 kg (LW)	7,254	722	7,975
1-4 kg	29,563	2,941	32,503
> 4 kg (GW)	20,310	2,133	22,443
Biological assets held at sea farms	57,127	5,795	62,922
Roe, fry, smolt and arctic char fish at cost	3,977		3,977
Biological assets total:	**61,104**	**5,795**	**66,899**

Biological assets held at sea farms 31 Dec 2020:	**Cost**	**Fair value adjustment**	**Carrying amount**
< 1 kg (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 fish at cost	4,543		4,543
Biological assets total:	**45,022**	**8,732**	**53,754**

Amounts in 1000 EUR

The discount rate for 2021 was 4 per cent per month, which reflects the biomass capital cost, risk and synthetic license 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 industry.

The fair value calculation is based on following forward prices:

Expected harvesting period:	Forward price 31/12/2021	Expected harvesting period:	Forward price 31/12/2020
Q1-2022	6,80	Q1-2021	4,73
Q2-2022	6,73	Q2-2021	5,34
Q3-2022	5,53	Q3-2021	5,03
Q4-2022	6,08	Q4-2021	5,22
Q1-2023	6,32	Q1-2022	5,64
Q2-2023	6,34	Q2-2022	5,92
Q3-2023	5,29	Q3-2022	4,91
Q4-2023	5,41	Q4-2022	5,15

Sensitivity assessment

The estimated fair value of biological assets has been calculated using different parameters. The effect on the estimated fair value of biological assets is summarised below:

2021	Increase	Effect on estimated fair value 31/12/2021	Decrease	Effect on estimated fair value 31/12/20
Change in forward price	0,5 EUR per kg.	5,526	0,5 EUR per kg.	(5,526)
Change in discount factor	1%	(1,436)	1%	3,394
Change in harvesting time	1 month earlier	(1,396)	1 month later	1,809
Change in biomass	1%	555	1%	(555)

2020	Increase	Effect on estimated fair value 31/12/2020	Decrease	Effect on estimated fair value 31/12/2020
Change in forward price	0,5 EUR per kg.	8,894	0,5 EUR per kg.	(8,894)
Change in discount factor	1%	(4,544)	1%	5,207
Change in harvesting time	1 month earlier	1,616	1 month later	(1,637)
Change in biomass	1%	749	1%	(749)

Amounts in 1000 EUR

3.8 Trade and other receivables and allowance for expected credit losses

Accounting principles

The Group's trade receivables consist solely of amounts receivable from revenue from contracts with customers. Trade receivables are generally on payment terms of 21 days.

Trade and other receivables are financial assets which are initially recognized at transaction price determined under IFRS 15. The Group always recognises an allowance for trade receivables and other receivables that are in scope of the expected credit loss model. The expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience and based on individual estimate of each trade receivable.

The Group recognises an allowance for expected credit losses (ECLs) for its financial assets. ECLs are based on the cash flows that the Group expects to receive. For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group bases the allowance of its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

	31/12/2021	31/12/2020
Trade receivables	7,723	6,555
Allowance for expected credit losses	(400)	(425)
Total trade receivables	**7,323**	**6,130**
Other receivables	2,002	935
Bonds	309	382
Allowance for expected credit losses (Bonds)	(185)	(248)
Total other receivables	**2,126**	**1,069**
Total receivables	**9,449**	**7,199**

Allowance for expected credit losses are classified as other operating expenses in the statement of comprehensive income. Changes in allowance for expected credit losses are charged to expenses during the period are presented below:

Amounts in 1000 EUR

Allowance for expected credit losses	2021	2020
Total allowance for expected credit losses 1 Jan.	673	810
Total allowance for expected credit losses 31 Dec	585	673
Change in allowance for expected credit losses during the year	**(87)**	**(137)**
Actual loss incurred	(101)	77
Change in allowance for expected credit losses	(1)	(185)
Exchange rate difference	15	(29)
Allowance credited to expenses during the year	**(87)**	**(137)**

See Note 4.1 for further details of the credit risk and foreign exchange risk associated with trade receivables and other receivables.

As at 31 December, the Group's outstanding net trade and other receivables had the following payment profile:

EUR 1000	Total	Not due	<30 d	31-60d	60-90d	>90d
31.12.2021	7,323	4,685	1,970	90	13	565
31.12.2020	6,130	4,570	1,362	3	7	189

3.9 Financial instruments and Capital structure - Overview of financial instruments and fair value measurement

Accounting principles

Classification of financial instruments

The Groups' financial instruments are grouped in the following categories:

Trade, other receivables and other long-term receivables are part of the Group's business model with the sole objective to collect contractual cash flows. Additionally, if the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, thereby passing the "SPPI test", constituting debt instruments measured at amortised cost.

Financial Liabilities at amortised cost

Financial liabilities at amortised cost includes the Group's interest bearing and non-interest bearing debts.

Write-off policy (expected loss)

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the consolidated statements of comprehensive income.

Amounts in 1000 EUR

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument in IAS 32.

Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements, the Group has used the following assumption to measure fair value:

Financial assets

Management assessed that the carrying amount of cash and cash equivalents, trade receivables, other receivables and other long-term receivables is a reasonable approximate of their fair value.

Financial liabilities

Management assessed that the carrying amounts of trade and other payables is a reasonable approximate of their fair value. The fair values of the Group's interest-bearing debts are similar to the carrying amount, as the interest rates are floating.

Financial instruments	**31.12.2021**	**31.12.2020**
Assets		
Other long-term receivables	4,964	3,971
Trade receivables	7,323	6,130
Other receivables	2,126	1,069
Cash and cash equivalents	3,744	3,050
Total financial assets	**18,157**	**14,220**

Liabilities	**31.12.2021**	**31.12.2020**
Non-current interest-bearing liabilities	38,465	0
Current interest-bearing liabilities*	2,084	20,462
Trade payables	9,699	9,744
Other current payables	5,564	3,779
Total financial liabilities	**55,811**	**33,985**

Non-current and current interest-bearing liabilities are recognised at amortised cost.

Amounts in 1000 EUR

3.10 Cash and cash equivalents

Cash and cash equivalents	31.12.2021	31.12.2020
Bank deposits, unrestricted	3,744	2,590
Bank deposits, restricted	0	460
Cash and cash equivalents in the statement of financial position	**3,744**	**3,050**

At 31 December 2021, the Group has not used a overdraft facility of EUR 5 million.

3.11 Interest-bearing borrowings

Non-current interest-bearing borrowings	2021	2020
Debt to credit institutions (in EUR)	40,549	17,636
Next year's instalment on non-current debt	(2,084)	(17,636)
Total non-current interest-bearing borrowings to credit institutions	**38,465**	**0**

Current interest-bearing borrowings		
Debt to credit institutions (in EUR)	0	2,826
Next year's instalment on non-current debt	2,084	17,636
Total current interest-bearing borrowings to credit institutions	**2,084**	**20,462**

Debt facilities are entered into by Arnarlax ehf. Debt to credit institutions consist of a combined EUR 56,000.000 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 twelve months from reporting date, the loan is presented as short term debt to credit institutions in the consolidated statement of financial position. At that time the Group had initiated a re-financing process with current debt holder and had received positive feedback. The current loan agreement is valid until June 2024 and there for presented as long-term debt in the Group's consolidated statement of financial position. The interest rate is the aggregate of a margin of two to four per cent and EURIBOR.

For maturity structure of interest-bearing debt, references are made to note 4.6. Lease liabilities are presented separately from interest-bearing debt to credit institutions and disclosed in note 3.5.

Financial covenants

The Company has a solvency requirement which means that the book equity ratio must be above 35 per cent and profit requirement that requires that the Company's interest coverage ratio must not be lower than 3.5. In addition, the Company's NIBD / 12-month rolling EBITDA should not exceed 6.5. The Company was in compliance with these covenants as at 31 December 2021.

Amounts in 1000 EUR

Reconciliation of changes in liabilities to credit instutions incurred as a result of financing activities

2021	1 January 2021	New borrowings	Repayment of borrowings	Refinancing	Current portion of long-term liabilities	Other changes	31 December 2021
Non-current interest-bearing debt to credit institutions	0	18,171	(1,000)	23.875	(2.250)	(331)	38,465
Current interest-bearing debt to credit institutions	20,462	7,000	(3,826)	(23.875)	2.250	73	2,084
Total liabilities from financing	**20,462**	**25,171**	**(4,826)**	**0**	**0**	**(258)**	**40,549**

2020	1 January 2020	New borrowings	Repayment of borrowings	Refinancing	Current portion of long-term liabilities	Other changes	31 December 2020
Non-current interest-bearing debt to credit institutions	44.013	12.935	(41.018)	0	(15.930)	0	0
Current interest-bearing debt to credit institutions	6.093	0	(1.561)	0	15.930	0	20.462
Total liabilities from financing	**50.105**	**12.935**	**(42.578)**	**0**	**0**	**0**	**20.462**

Reconciliation of changes in lease liabilities incurred as a result of financing activities:

2021	1 January 2021	New leases recognised	Cash flows	Current portion of long-term leases	31 December 2021
Non-current lease liabilities (Note 3.5)	1.442	4.772	(325)	(1.086)	4.803
Current lease liabilities (Note 3.5)	460	0	(460)	1.086	1.086
Total liabilities from financing	**1.901**	**4.772**	**(785)**	**0**	**5.889**

2020	1 January 2020	New leases recognised	Cash flows	Current portion of long-term leases	31 December 2020
Non-current lease liabilities (Note 3.5)	2.054	1.359	(1.512)	(460)	1.442
Current lease liabilities (Note 3.5)	237	0	(237)	460	460
Total liabilities from financing	**2.291**	**1.359**	**(1.749)**	**0**	**1.901**

Amounts in 1000 EUR

3.12 Other current payables

Other current payables comprise:	31.12.2021	31.12.2020
Withheld taxes	2	1,028
Unpaid payroll expenses	1,085	846
Accured interest expense	2,401	148
Other accrued expenses *	2,076	1,757
Total other current payables	**5,564**	**3,779**

*Other accrued expenses consist of accruals for operational expense and accrued accumulated clean up expenses for sites.

Amounts in 1000 EUR

4. Financial risk management and other notes

4.1 Capital & Risk Management

Accounting principle

Financial risk

Through its activities, the Group is exposed to various kinds of financial risk: market risk, credit risk and liquidity risk. The Company's management assesses these risks on an ongoing basis and draws up guidelines for dealing with them. The Group has bank loans raised for the purpose of providing capital for investment in the Company's business. In addition, the Company has financial instruments such as trade receivables, trade payables, etc, which are ascribable directly to day-to-day business operations.

Interest rate risk

The Groups operating results and cash flow from operations are largely independent of changes in market interest rates. The Group has an insignificant part of its assets which are interest-bearing. The Groups long-term loans have variable interest rates based on EURIBOR. The Group has not entered into any swaps or other derivatives in relation to interest rate risk.

Foreign exchange risk

The Group operates in a global environment which exposes it to foreign currency fluctuations mainly related to any trade receivables or trade payables denominated in foreign currency. Interest bearing debt is denominated in EUR which is the functional currency of the borrowing entity Arnarlax ehf. The Directors of the Group monitor the risk related to currency fluctuation in relation to day to day operations. The Group has not entered into any forward contracts or other derivatives in relation to currency risk.

Credit risk

The risk that counterparties do not have the financial strength to meet their obligations is considered low, since, historically, losses due to bad debts have been small. The Group has no material credit risk relating to individual counterparties or counterparties which may be considered a group due to similarities in the credit risk. The Group has guidelines to ensure that sales are made only to customers that have not previously had material payment problems, and that outstanding balances do not exceed fixed credit limits. Part of the total trade receivable is insured. The gross credit risk on the balance sheet date corresponds to the Group's trade receivables portfolio on the balance sheet date. See note 3.8.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash flow forecasts are drawn up on a regular basis and the Accounting department monitors rolling forecasts of the Group's liquidity requirements to ensure that the Group has sufficient cash equivalents to meet operational liabilities, as well as at all times having adequate flexibility in the form of unused credit facilities (see consolidated statement of cash flows), such that the Group does not infringe borrowing limits or specific borrowing conditions. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its payment obligations in the short term.

The table below details the Group's non-derivative financial liabilities classified by maturity structure. The figures presented in the table are undiscounted contractual cash flows.

Amounts in 1000 EUR

Maturity structure for financial liabilities as at 31 Dec 2021	Less than 1 year	1-2 years	2-3 years	3-4 years	5 years and more	Total
Non-current interest-bearing bank loans	2,084	2,084	36,380	0	0	40,549
Trade payables and other short-term payables	9,699	0	0	0	0	9,699
Lease liabilities	1,098	1,088	1,011	753	1,939	5,889
Other current liabilities	5,564	0	0	0	0	5,564
Total liabilities	**18,444**	**3,172**	**37,391**	**753**	**1,939**	**61,701**

Maturity structure for financial liabilities as at 31 Dec 2020	Less than 1 year	1-2 years	2-3 years	3-4 years	5 years and more	Total
Non-current interest-bearing bank loans	17,636	0	0	0	0	17,636
Current interest-bearing bank loans	2,826	0	0	0	0	2,826
Trade payables and other short-term payables	9,744	0	0	0	0	9,744
Lease liabilities	460	381	348	328	384	1,902
Other current liabilities	3,779	0	0	0	0	3,779
Total liabilities	**34,445**	**381**	**348**	**328**	**384**	**35,887**

Interest rate risk sensitivity

The sensitivity to a possible change in interest rates, with all other variables held constant, on the Group's profit before tax, is illustrated below.

Interest rate sensitivity*	Increase / decrease in basis points	Effect on profit before tax	Effect on equity
31.12.2021	+/- 100	405	324
31.12.2020	+/- 100	205	164

*The figures given above are absolute figures

Due to limited foreign exchange risk for the Group no sensitivity is presented.

Capital structure and equity

The objective of the Group's capital management is to safeguard the Group's continued operations in order to secure a return on investment for shareholders and other stakeholders, and maintain an optimal capital structure for reducing capital costs. By ensuring a good debt-to-equity ratio the Group will support its business operations, and thereby maximise the value of the Group's shares.

The Group manages and makes changes to its capital structure in response to an ongoing assessment of the financial conditions under which the business operates, and its short and medium-term outlook. No changes were made in the guidelines covering this area in 2021.

As of 31 December 2021, the Group had an equity ratio of 64 per cent (75 per cent as at 31 December 2020). See Note 3.11 for further details of the Group's net interest-bearing debt.

Amounts in 1000 EUR

4.2 Share capital and shareholders

As at 31 December 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 31 December 2021 were:

	No.	Shareholding
SalMar ASA	15,798,152	51.02%
Íslandsbanki hf.	2,274,443	7.35%
J.P. Morgan bank luxembourg S.A.	1,823,889	5.89%
Gyda ehf.	1,000,000	3.23%
Holta Invest AS	938,314	3.03%
Pactum Vekst AS	825,862	2.67%
MP Pensjon PK	645,706	2.09%
Canomaro Shipping AS	599,661	1.94%
Nima Invest AS	563,198	1.82%
State Street Bank and Trust comp	512,626	1.66%
Kristians and AS	470,000	1.52%
Skandinaviska Enskilda Banken AB	460,719	1.49%
Verdipapirfondet Pareto Investment	328,883	1.06%
Haganes AS	319,646	1.03%
Clearstream Banking S.A.	285,289	0.92%
DNB Nor Bank ASA	273,094	0.88%
Verdipapirfondet Norge Selektiv	268,917	0.87%
Lithinon AS	251,881	0.81%
Borgano AS	235,000	0.76%
Brekke Holding AS	226,550	0.73%
Total 20 largest shareholders	**28,101,830**	**90.76%**
Total other shareholders	2,860,038	9.24%
Total no. of shares	**30,961,868**	**100.00%**

Amounts in 1000 EUR

Shares owned by members of the board and directors.

Name	Title	shares	Shareholding
Kjartan Olafsson *	Chairman of the board	1,000,000	3.23%
Trine Sæther Romuld ***	Boardmember	***	
Olav Andreas Ervik ***	Boardmember	***	
Leif Inge Nordhammer ***	Boardmember	***	
Espen Marcussen ****	Boardmember	****	
Bjørn Hembre **	CEO	32,900	0.11%
Rolf Ørjan Nordli ***	COO SeaWater	***	***

* Kjartan Ólafsson owns indirectly through Gyda ehf. Kjartan Olafsson owns 100 per cent of the shares in Berg Fjárfesting ehf, which own 100 per cent of the shares in Gyda ehf.
** Björn Hembre owns indirectly through IVMA AS which is one of minority stakeholders in Icelandic Salmon AS. Björn owns 100 per cent of the shares in IVMA AS.
*** Trine Sæther Romuld, Olav Andreas Ervik, Leif Inge Nordhammer and Rolf Ørjan Nordli: all indirectly own shares through minority stakes in SalMar ASA.
**** Espen Marcussen indirectly owns shares through a minority stake in Pactum AS.

See further information regarding share options in note 2.4

4.3 Earnings per share

Earnings per share	2021	2020
Net profit for the year	2,367	(1,952)
No. of shares outstanding as at 1 Jan	30,962	26,614
Share issue during the year	0	4,348
No. of shares outstanding as at 31 Dec	30,962	30,962
Average no. of shares outstanding through the year (basic and diluted)	**30,962**	**27,400**
Earnings per share (EUR)		
Basic and diluted	0,076	(0,071)

Amounts in 1000 EUR

4.4 Group companies

Ownership and voting interest :

Subsidiary	31/12/2021	31/12/2020	Company	Registered office	Principal activity
Arnarlax ehf.	100%	100%	Icelandic Salmon AS	Strandgata 1, 465 Bíldudalur, Iceland	Fish farming
Fjallalax ehf.	100%	0%	Arnarlax ehf.	Strandgata 1, 465 Bíldudalur, Iceland	Fish farming
Icelandic Salmon ehf.	100%	100%	Arnarlax ehf.	Tálknafjörður, Iceland	Dormant*

* Share capital of Icelandic Salmon ehf. consists solely of ordinary shares, which are held directly by the Group. The company is dormant and not consolidated in these consolidated financial statements as its effects would be immaterial in the opinion of management.

Amounts in 1000 EUR

4.5 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. Acquisition-related costs are recognised in profit or loss as incurred.

Business acquisitions 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 purchase price is a contingent upon change in the arctic chart licenses owned by Fjallalax ehf. to salmon licenses. If certain conditions will be fulfilled the purchase price could increase by ISK 31 million (EUR 0.2 million). The fair value of the contingent consideration has not been recognised as of 31.12.2021. The below estimate of fair value of assets and liabilities is based on provisional purchase price allocation. The purchase price allocation will be finalized within 12 months from acquisition date in line with the requirements of IFRS 3.

Assets and liabilities of Fjallalax ehf. have been consolidated as of 31 December 2021.

Fjallalax ehf's assets acquired and liabilities recognised at the date of acquisition:	**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	547	547
Equipment 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)**	**547**	**473**
Cash consideration			**473**

The Group recognised EUR 11 thousand as an expense in the statement of comprehensive income under the line item other operating expenses relating to the acquisition. Fjallalax contributed EUR 137 thousand revenue and EUR 13 thousand loss to the Group's profit for the period between the date of acquisition and the reporting date. If the acquisition of Fjallalax had been completed on the first day of the financial year, Group revenues for the year would have been EUR 91 million and Group profit would have been EUR 2.36 million.

The Group did not acquire any businesses in the year 2020.

Amounts in 1000 EUR

4.6 Related party transactions

Accounting principles

Balances and transactions between Icelandic Salmon AS and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are disclosed below.

Transactions with related parties in 2021:	Sales	Purchases	Receivables	Liabilities
Eldisstöðin Ísþór ehf., joint venture		3,719	4,964	
SalMar ASA, parent company		34		34
Entities related to SalMar ASA, parent company	3,426		166	
Entities related to Kverva AS, ultimate parent		6,482		532

Transactions with related parties in 2020:	Sales	Purchases	Receivables	Liabilities
Eldisstöðin Ísþór ehf., joint venture	2	2,828	3,971	
Salmar ASA, shareholder in Icelandic Salmon AS		47		
Entities related to SalMar ASA parent company	1,749	98	257	112
Entities related to Kverva AS, ultimate parent	49	6,284		1,552
Entities related to shareholder of Icelandic Salmon AS		53		

Transactions between the Group and related parties are undertaken at market terms and conditions.
See note 2.3 for remuneration to group management and board of directors.

Icelandic Salmon AS is part of the SalMar Group. The Group's parent company is SalMar ASA. The ultimate parent company of Salmar AS is Kverva AS, which owns 52.46 per cent of the shares in SalMar ASA. The ultimate parent company is Kvarv AS, which prepares its own consolidated accounts in accordance with NGAAP.

4.7 Subsequent events

On 26 January 2022, the Icelandic Food and Veterinary Authority (MAST) granted a 100-tonnes operating license for salmon and artic char production at the Hallkellshólar facility. Operation has already begun with about 500,000 eggs in place. At the same time, Fjallalax ehf. entered a non-cancellable lease agreement for the land. The lease term is 27 years, resulting in an increase of lease liability of EUR 1.9 million with corresponding entry to right-of-use assets.

On 24 February 2022 the Russian army invaded Ukraine. The market effect for the Company is minimal as sales to Russia and Ukraine has been very low prior to the invasion. Ukraine has been a major raw material producer for salmon feed, and a prolonged war may result in increased feed prices. As for sanctions imposed by the EU, UK and USA on Russia and higher fuel prices, the Company expects that the cost of transportation of feed as well as fish will increase. For the Company, this may be an opportunity and an advantage in terms of freight costs, given Iceland's favourable location in relation to the markets in North America.

Amounts in 1000 EUR

On 15 March 2022, the Icelandic Environmental and Natural Resource Board of Appeal (Úrskurðarnefnd umhverfis- og auðlindamála) ruled in the case that the Company had called for the annulment of the Food Administration's decision from the 25 June 2021 to grant other operator operating license before the company. According to the disputed decision, licenses for fertile salmon were limited to 12,000 tonnes in Ísafjarðardjúp while carrying capacity is 30,000 tonnes. The Company's appeal was denied, meaning that the order of the issued licenses will not be changed or processed in the order the environmental reports were finalised. The Group has 10,000 tonnes ruling in place from the Planning Agency, including prime site locations in Ísafjörður. The ruling means that the Company now expects this license to be issued for sterile salmon (the risk assessment will be re-evaluated in 2023). The application is now awaiting approval from MAST and the Environmental Agency.

In March 2022 an extraordinary mortality was recorded on one of the company site. The extraordinary mortality was 8.22 per cent and is valuated to have an effect on first quarter of 2022 of 1.4 million EUR. It is management valuation that this is an incident based mortality that will not prolong in to the second quarter.

4.8 Covid - 19

In early 2020, the Company recorded lower price achievements due to the COVID-19 pandemic. In the second quarter of 2021, the Company experienced a turnaround in the market situations and improving prices for the remainder of the year. It is the management opinion that the effect of the COVID-19 pandemic is now at minimum and will be minimal throughout 2022. The Covid-19 had no material impact on the Company's financial results in the period or the book value of assets as of 31 December 2021.

4.9 Alternative performance measures

The Group prepares its financial statements in accordance with International Financial Reporting Standards (IFRS). In addition, management has established alternative performance parameters (APMs) to provide useful and relevant information to users of its financial statements. Alternative performance parameters have been established to provide greater understanding of the Company's underlying performance, and do not replace the consolidated financial statements prepared in accordance with international accounting standards (IFRS): The performance parameters have been reviewed and approved by the Group's management and Board of Directors. Alternative performance parameters may be defined and used in other ways by other companies.

Operational EBIT

Operational EBIT is an APM used by the Group and the most important measure of its performance under IFRS, since it shows the results of underlying operations during the period. The difference between Operational EBIT and operating profit/loss relates to items which are classified in the financial statements on the line for fair value adjustments. These items are market value and fair value assessments linked to assumptions about the future. Operational EBIT shows the underlying operation and the results of transactions undertaken in the period.

Amounts in 1000 EUR

Operational EBIT is the Groups's most important measure of its performance under IFRS, since it shows the results of underlying operations during the period. Specific items not associated with underlying operations are presented on separate lines in the consolidated financial statements.

	2021	2020
Operating profit (loss)	**4,070**	**2,943**
Change in fair value of biomass	2,937	(7,657)
Production tax	307	133
Operational EBIT	7,314	(4,582)

Production tax

The production tax represents resource tax as described in note 2.5. Production tax reduces profit by EUR 0.3 million in 2021 compared to EUR 0.1 million in 2020.

Operational EBIT per kg gutted weight

Operational EBIT per kg gutted weight (GW) is defined as a key APMs for the Group. The performance parameter is used to assess the profitability of the goods sold and the Group's operations. The performance parameter is expressed per kg of harvested volume.

	2021	2020
Operational EBIT	7,314	(4,582)
Harvested volume (tonnes)	11,537	11,228
Operational EBIT per kg gutted weight	**0,63**	**(0,41)**

Net interest bearing debt (NIBD)

Net interest bearing debt is an alternative performance measure used by the Group. The performance measure is used to express the Groups's working capital, and is an important performance measure for investors and other users, because it shows net borrowed capital used to finance the Group. Net interest-bearing debt is defined as long-term and short-term debt to credit institutions, less cash and cash equivalents. Lease liabilities under IFRS 16 are not included in the calculation of interest-bearing debt.

	2021	2020
Non-current interest-bearing debt	38.465	0
Current interest bearing debt	2.084	20.462
Cash and cash equivalents	(3.744)	(3.050)
Net interest bearing debt (NIBD)	**36.805**	**17.412**

Amounts in EUR

ICELANDIC SALMON AS FINANCIAL STATEMENTS

Income Statement

Operating revenues and expenses	**Note**	**2021**	**2020**
Payroll expenes	2	21,204	19,626
Other operating expenses	2	145,716	604,443
Total operating expenses		**166,920**	**624,069**
Operating profit (loss)		**(166,920)**	**(624,069)**
Financial items			
Other interest income		77	19
Other interest expenses		(315)	(175)
Foreign currency gain (loss)	3	89,554	(759,209)
Net financial items		**89,317**	**(759,365)**
Profit (loss) before tax		**(77,603)**	**(1,383,434)**

Balance Sheet as at 31 December

Amounts in EUR

Balance Sheet as at 31 December	Note	2021	2020
Assets			
Non-Current assets			
Investments in subsidiaries	4, 10	115,570,614	116,946,728
Total non-current assets		**115,570,614**	**116,946,728**
Current assets			
Bank deposits, cash & cash equivalents	5	1,891,176	2,169,765
Total current assets		**1,891,176**	**2,169,765**
TOTAL ASSETS		**117,461,790**	**119,116,493**
Equity and liabilities			
Equity			
Share capital	6,7	29,571,137	29,571,137
Share premium	6	90,622,402	90,622,402
Other paid-in equity	6	(1,088,575)	287,539
Total paid-in equity		**119,104,964**	**120,481,078**
Retained earnings			
Uncovered loss	6	(1,667,302)	(1,589,699)
Total retained earnings		(1,667,302)	(1,589,699)
Total equity		117,437,662	118,891,379
Liabilities			
Current liabilities			
Trade payables		1,025	224,029
Current payables to group companies	8	501	1,086
Other current liabilities		22,602	0
Total current liabilities		**24,128**	**225,115**
Total liabilities		**24,128**	**225,115**
TOTAL EQUITY AND LIABILITIES		**117,461,790**	**119,116,493**

Bíldudalur, April 22 2022

Kjartan Ólafsson

Kjartan Olafsson,
Chairman of the Board

Espen Weyergang Marcussen,
Member of the Board

Olav Andreas Ervik,
Member of the Board

Trine S. Romuld

Trine Sæther Romuld,
Member of the Board

Leif-Inge Nordhammer,
Member of the Board

Bjørn Hembre,
CEO

Statement of cash flow

Amounts in EUR

Statement of cash flow	Note	2020	2019
Cash flow from operating activities:			
Profit/loss before tax		(77,603)	(1,383,434)
Change in trade payables and other current liabilities		(200,401)	223,867
Change in other time-limited items		0	665,549
Net cash flow from operating activities		**(278,004)**	**(494,019)**
Cash flow from investing activities:			
Payment of capital contributions in subsidiaries	3	0	(41,364,000)
Net cash flow from investing activities		**0**	**(41,364,000)**
Cash flow from financing activities:			
Net change in debt to group companies	8	(585)	(153,457)
Receipt of equity		0	46,126,311
Transaction costs relating to receipt of equity		0	(1,958,496)
Net cash flow from financing activities		**(585)**	**44,014,358**
Net change in bank deposits, cash & cash equivalents		(278,589)	2,156,340
Bank deposits, cash & cash equivalents 1 Jan		2,169,766	13,426
Cash & cash equivalents as at 31 Dec		**1,891,176**	**2,169,766**

NOTES TO THE FINANCIAL STATEMENTS FOR 2021

Amounts in EUR

1 Accounting principles

The annual financial statements have been prepared pursuant to the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway (NGAAP). The financial statements are denominated in EUR, which is the company's functional currency.

Use of estimates

Preparation of annual financial statements in accordance with generally accepted accounting principles requires management to make assessments, estimates and assumptions that affect the application of the accounting principles and the recognised value of assets and liabilities in the balance sheet, revenues and expenses for the financial year, as well as disclosures about uncertain assets and liabilities on the reporting date. Estimates and their underlying assumptions are based on historic experience and other factors considered to be relevant and obable at the time the assessment is made. These estimates affect the book value of assets and liabilities when their value is not based on other sources. Estimates are assessed continuously and final values and results may deviate therefrom. Changes in accounting estimates are recognised in the period in which the change takes place.

Shares in subsidiaries and associates

Subsidiaries classified as non-current assets are recognised in accordance with the cost method. Subsidiaries are companies in which Icelandic Salmon AS has a controlling influence as a result of legal or de facto control. A controlling interest is, in principle, deemed to exist when more than 50 per cent of the voting capital is owned either directly or indirectly.

Dividend and other distributions are recognised as other financial income. If dividends exceed the share of profit and loss withheld after acquisition, the surplus amount represents a repayment of invested capital, and the distributions are deducted from the value of the investment in the balance sheet.

Classification and valuation of balance sheet items

Means of payment comprise cash, bank deposits and other short-term investments that can be converted into cash in no more than three months.

Assets intended for permanent ownership or use are classified as non-current assets. Other assets are classified as current assets and normally include items falling due for payment in less than a year, as well as items relating to the production cycle. For the classification of current and non-current liabilities, similar criteria are applied.

Non-current assets are recognised at acquisition cost. If the recoverable value of a non-current asset is lower than its book value, and the impairment in value is not expected to be temporary, the asset is written down to the recoverable amount. Non-current assets with a limited economic lifespan are depreciated systematically.

Current assets are recognised at the lower of acquisition cost and fair value. Other non-current liabilities and current liabilities are recognised at their nominal value.

Receivables

Trade receivables and other receivables are recognised at their nominal value, less a provision for bad debts. Provisions for bad debts are made on the basis of an individual assessment of the receivable concerned.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and the statement of cash flows includes cash and restricted cash with a restriction less then three months from end of the reporting period.

Amounts in EUR

Presentation currency and functional currency

As of January 1st 2021 the functional currency of Icelandic Salmon is EUR and the financial statements are presented in EUR, which is also the functional currency of Arnarlax ehf (subsidiary) where the Groups main operation is. Comparative figures have been recalculate.

Transactions in foreign currencies are recognised in the balance sheet at the exchange rate in effect when the transaction took place. Monetary items denominated in foreign currencies are translated into EUR at the exchange rate in effect on the reporting date. Non-monetary items valued at historic cost expressed in foreign currencies are translated into EUR using the exchange rate in effect when the transaction took place. Changes in exchange rates are recognised in the income statement under other financial items in the accounting period in which they occur.

Tax

The tax expense is matched against the profit/loss before tax. The tax expense comprises tax payable (tax on the year's direct taxable income) and change in net deferred tax. To the extent it is probable that they may come to be used, deferred tax assets and liabilities are presented net in the balance sheet.

Statement of cash flow

The company's Statement of Cash Flow shows a breakdown of total cash flow generated by operating, investing and financing activities. The statement shows the individual activity's effect on cash and cash equivalents. The Statement of Cash Flow has been prepared in accordance with the indirect method.

Change in accounting principle and comparable figures

The figures for the previous year's annual financial statements are comparable.

2 Payroll expenses and other operating expenses

Included in payroll expenses are benefits paid to Directors of the company as follows:

Payroll expenses	2021	2020
Directors' fees	21,204	19,626
Total payroll expenses	**21,204**	**19,626**

The company has no employees of its own. Remuneration of Board of directors for the year 2021 comprise of EUR 21 thousand compared to EUR20 thousand in 2020.

The company's CEO is employed by and receives a salary from the subsidiary Arnarlax ehf. For further information see note 2.3 of consolidated Financial statements of Icelandic Salmon AS.

Icelandic Salmon AS has no employees of its own and is therefor not obliged to provide an occupational pension scheme pursuant to the Norwegain Mandatory Occupational Pensions Act because it has no employees of its own.

Amounts in EUR

At the beginning of the year the Company had equity-settled share-based incentive scheme with the CEO. A total of 165,000 options had been granted at an exercise price of NOK 60.00 per share. The grant date was 28 September 2018 and the options vested over period of three years. The terms of the arrangement provided the Company with the choice of cash settlement or issuing equity instruments. The options were settled in 2021 in cash with reference to the closing share price of NOK 155.00 on 17 November 2021. Total amount recognised during 2021 as an investment in subisidiaries was EUR 54 thousand, with a corresponding entry to other paid-in equity.

On 19 February 2021, the Icelandic Salmon AS granted 205,850 share options with an exercise price of NOK 115.00, respectively, to the CEO and certain key employees at Arnarlax ehf. The Company's intention is that the options will be equity-settled. The option holders must stay in the employment of the Group over vesting period of three years from the grant date until 19 February 2024. As at 31 December 2021, the fair value of the agreements was determined to be EUR 533 thousand and pro rata accrual in the amount of EUR 155 thousand was recognised as an investment in subsidiaries, with a corresponding entry to other paid-in equity.

A corresponding amounts have been recognised as salary by Arnarlax ehf. For further details, see note 2.4 the consolidated financial statements of Icelandic Salmon AS.

Included in operating expenses are remuneration paid to statitutory auditors as follows:

	EY	PWC	Total
Statutory auditing services	18,885	19,201	38,087
Other services	316	0	316
Total remuneration to auditors in 2021:	19,201	19,201	38,402
Statutory auditing services	0	66,445	66,445
Other services	138,604	9,692	148,296
Total remuneration to auditors in 2020:	138,604	76,137	214,741

Fees are presented inclusive of VAT. Part of the fee paid in 2020 related to autiding of the 2019 annual financial statements.

3 Currency gains (losses)

The effect of currency gains or losses are recognised under other financial expenses in the income statement. For the year 2021 the currency gain related to bank balances in NOK. The currency loss of 2020 was related to a EUR 41,364,000 loan to Arnarlax ehf paid up in November 2021 by share capital increase.

4 Shares in group companies

Company	Shareholding	Registered office	Book value	Net profit/ (loss) 2021	Book value of equity at 31 Dec 2021
Arnarlax ehf	100%	Bildudal - Iceland	115,570,614	2,444,815	107,461,550

Amounts in EUR

5 Cash and cash equivalents

The Company´s cash and cash equivalent consist of bank balances and withholding tax.

	31.12.2021	31.12.2020
Bank balances	1,882,806	2,169,765
Bank balances, withholding tax	8,369	0
Total cash and cash equivalent	**1,891,176**	**2,169,765**

6 Share capital and shareholders

Share capital as at 31 December 2021 comprised:

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

The company has only one class of shares.

The company's 20 largest shareholders as at 31 December 2021 were:

	No. of shares	Shareholding
SalMar ASA	15,798,152	51.02%
Íslandsbanki hf.	2,274,443	7.35%
J.P. Morgan bank luxembourg S.A.	1,823,889	5.89%
Gyda ehf.	1,000,000	3.23%
Holta Invest AS	938,314	3.03%
Pactum Vekst AS	825,862	2.67%
MP Pensjon PK	645,706	2.09%
Canomaro Shipping AS	599,661	1.94%
Nima Invest AS	563,198	1.82%
State Street Bank and Trust comp	512,626	1.66%
Kristians and AS	470,000	1.52%
Skandinaviska Enskilda Banken AB	460,719	1.49%
Verdipapirfondet Pareto Investment	328,883	1.06%
Haganes AS	319,646	1.03%
Clearstream Banking S.A.	285,289	0.92%
DNB Nor Bank ASA	273,094	0.88%
Verdipapirfondet Norge Selektiv	268,917	0.87%
Lithinon AS	251,881	0.81%
Borgano AS	235,000	0.76%
Brekke Holding AS	226,550	0.73%
Total	28,101,830	90.76%
Other shareholders	2,860,038	9.24%
Total no. of shares	**30,961,868**	**100.00%**

Amounts in EUR

Shares owned by members of the board and senior executives:

Name		No. of shares	Share-holding
Kjartan Olafsson *	Chairman of the board	1,000,000	3.23%
Trine Sæther Romuld ***	Boardmember	***	
Olav Andreas Ervik ***	Boardmember	***	
Leif Inge Nordhammer ***	Boardmember	***	
Espen Marcussen ****	Boardmember	****	
Bjørn Hembre **	CEO	32,900	0.11%
Rolf Ørjan Nordli ***	COO SeaWater	***	

* Kjartan Ólafsson owns indirectly through Gyda ehf. Kjartan Olafsson owns 100 per cent of the shares in Berg Fjárfesting ehf, which own 100 per cent of the shares in Gyda ehf.
** Björn Hembre owns indirectly through IVMA AS which is one of minority stakeholders in Icelandic Salmon AS. Björn owns 100 per cent of the shares in IVMA AS.
*** Trine Sæther Romuld, Olav Andreas Ervik, Leif Inge Nordhammer and Rolf Ørjan Nordli: all indirectly owns share through minority stakes in SalMar ASA.
**** Espen Marcussen indirectly owns shares through a minority stake in Pactum AS."

7 Equity

	Share capital	Share premium	Other paid-in equity	Uncovered loss	Total equity
Equity 1 Jan 2020	**26,981,530**	**52,038,554**	**8,949**	**(185,301)**	**78,843,732**
Year's change in equity:					
Net profit (loss) for the year	0			(1,383,434)	(1,383,434)
Capital contribution	2,589,607	40,542,344			43,131,951
Transacton costs on capital contribution		(1,958,496)			(1,958,496)
Share-based payment, expensed			157,373		157,373
Other changes			121,217	(20,964)	100,253
Equity 31 Dec 2020	29,571,137	90,622,402	287,539	(1,589,699)	118,891,379
Equity 1 Jan 2021	**29,571,137**	**90,622,402**	**287,539**	**1,589,699**	**118,891,379**
Year's change in equity:					
Net profit (loss) for the year				(77,603)	(77,603)
Share-based payment, expensed			208,761		208,761
Share-based payment, settlement			(1,584,875)		1,584,875
Equity 31 Dec 2021	**29,571,137**	**90,622,401**	**(1,088,575)**	**(1,667,302)**	**117,437,662**

For further information on share-based payments see note 2.4 in consolidated financial statements of Icelandic Salmon AS.

Amounts in EUR

8 Intra-group balances, etc.

Other short-term payables	2021	2020
Group Companies	501	1,086
Total	501	1,086

Related parties transactions in the years 2021 and 2020 were insignificant.

9 Tax

Breakdown of the year's taxable income	2021	2020
Profit/loss before tax	(77,603)	(1,383,434)
Permanent differences	0	(1,839,488)
Year's taxable income	(77,603)	(3,222,922)

Breakdown of temporary differences	2021	2020
Accumulated tax-loss carryforwards	(3,816,110)	(3,738,507)
Not included in the calculation of deferred tax	3,816,110	3,738,507
Deferred tax liability (+) / tax asset (-)	0	0
Tax rate used to calculate deferred tax	22%	22%

Because the company has elected not to capitalise the net deferred tax asset, proft and loss was unaffected by any change in deferred tax.

Reconciliation of nominal to actual tax rate	2021	2020
Profit/loss before tax	(77,603)	(1,383,434)
Expected tax on income at nominal tax rate	(17,073)	(304,355)
Permanent differences (22%)		(404,687)
Uncapitalised deferred tax asset	17,073	709,043
Estimated tax expense	0	0
Effective tax rate	0.0%	0.0%

10 Loans and guarantees

Icelandic Salmon AS has pledged shares it holds in Arnarlax Ehf. as security for its subsidiary's liabilities. Icelandic Salmon AS owns 100 per cent of the shares in Arnarlax ehf, the book value of which was EUR 107,5 million as at 31 December 2021

Amounts in EUR

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Icelandic Salmon AS

Opinion

We have audited the financial statements of Icelandic Salmon AS (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2021 and the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the balance sheet as at 31 December 2021, the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

» the financial statements comply with applicable legal requirements,

» the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,

» the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those statements on 22 April 2021.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the chief executive officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by applicable legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contain the information required by applicable legal requirements.

Amounts in EUR

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

» Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

» Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

» Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

» Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

» Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

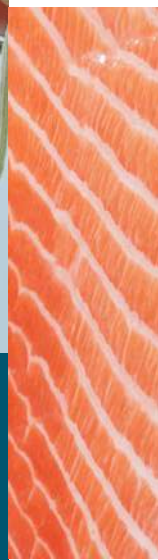
» Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Trondheim, 22 April 2022
ERNST & YOUNG AS

Christian Ronæss
State Authorised Public Accountant (Norway)

2022



CONSOLIDATED ANNUAL REPORT

2022

Icelandic Salmon

SUSTAINABLE SALMON FROM ARNARLAX

Icelandic Salmon AS
Industriveien 51
7266 Kverva - Norway

Icelandic Salmon AS
Consolidated Annual Report 2022

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 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.

1 THIS IS ICELANDIC SALMON

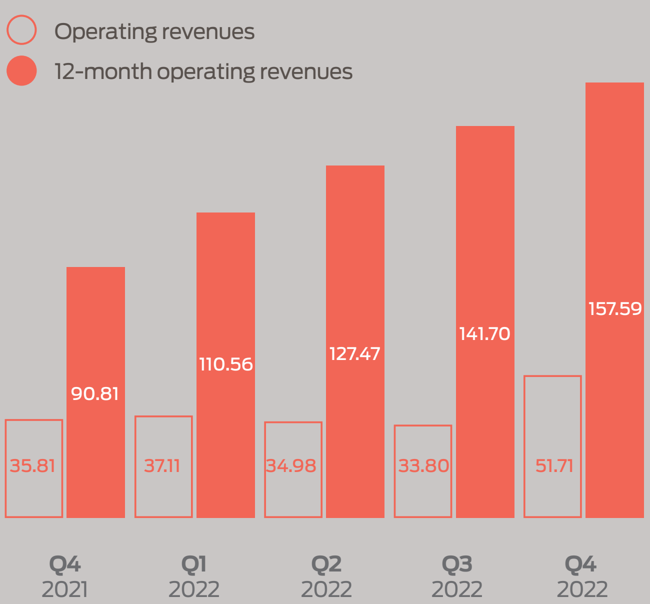
Key Figures for Icelandic Salmon

EUR million	FY 2022	FY 2021
Operating revenue	157.59	90.81
Operational EBIT	**36.15**	**7.31**
Production tax	1.33	0.31
Fair value adjustments	-0.21	-2.94
Profit (loss) before tax	**41.82**	**2.60**
Net interest bearing debts	56.03	36.80
Equity ratio	61%	64%
Harvested volume from own production (tonnes)	16.138	11.537
Operational EBIT EUR/kg.	**2.24**	**0.63**

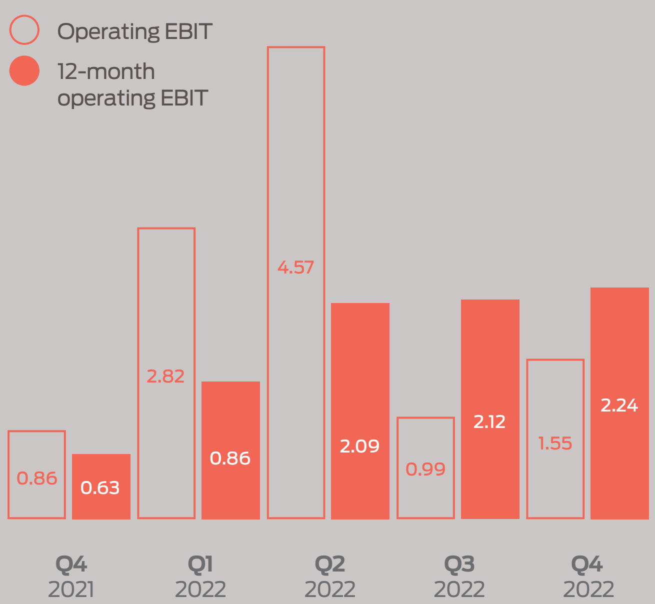
Harvest

Thousand tonnes

Operating Revenues EUR millions

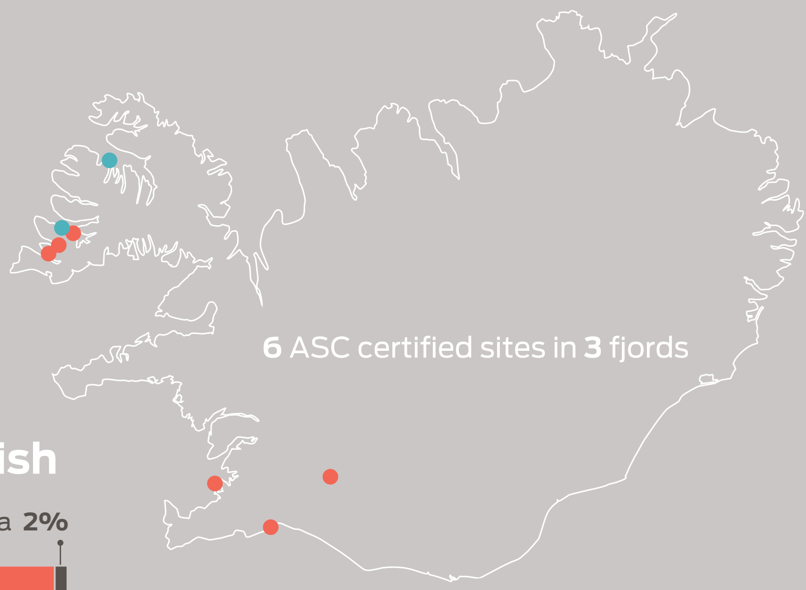


Operating EBIT EUR/kg

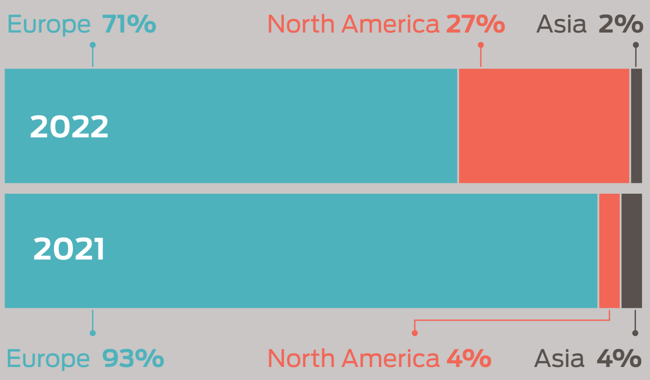


Our Locations

Current operations
License application



Geographical distribution of revenues from sales of fish



Sickness Absence

4.1%

Target <4.5%

H-factor

5.8

Target <6

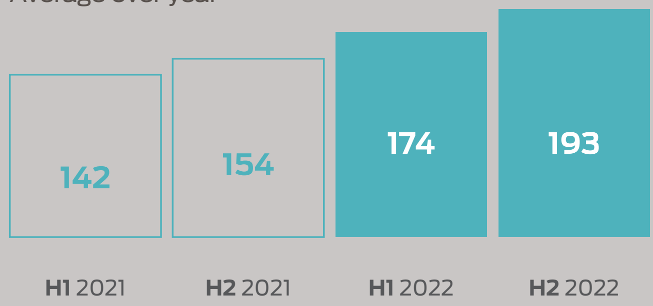
Smolt facilities

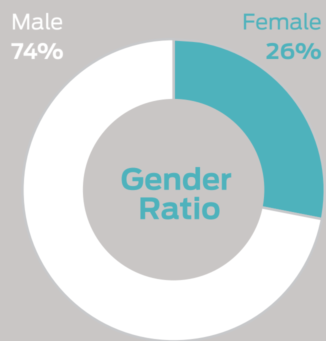
4 Smolt facilities

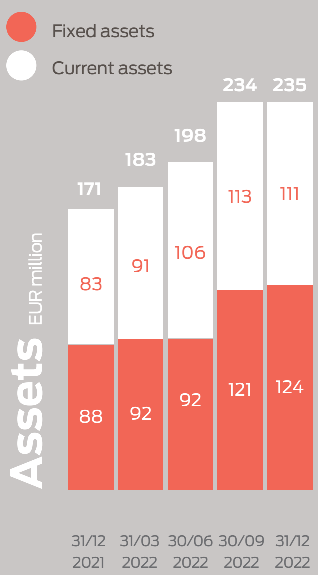
7-8 Million smolt in operational capacity

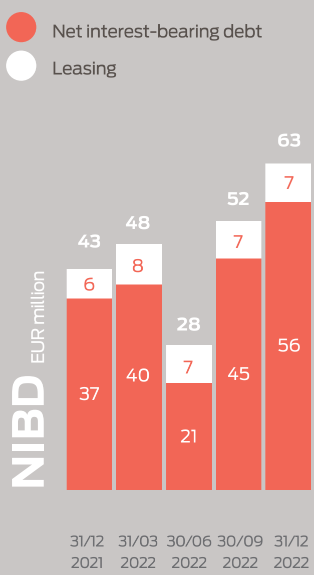
Number of Employees

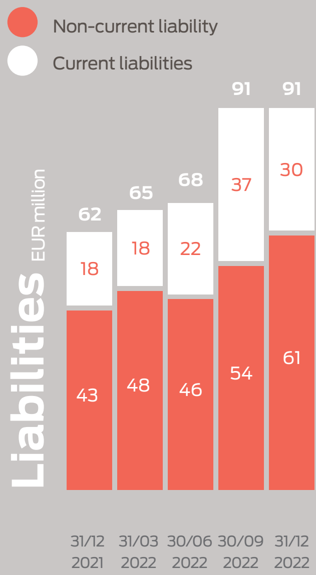
Average over year

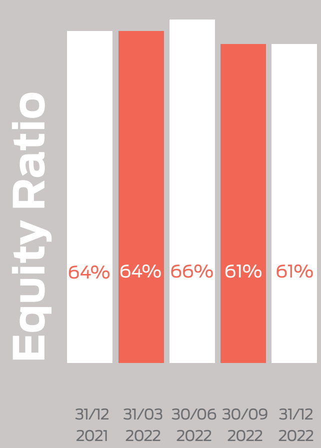












MESSAGE FROM CEO

We are proud to be part of the world's global food supply market, and in 2022 we supplied more than 16,000 tonnes of sustainable salmon to consumers worldwide. This was made possible with the dedication of our 177 employees, suppliers and customers.

Looking back at what has been a successful year for the Group, it has also been a year of uncertainty as a consequence of the Russian invasion of Ukraine. We want to express our deepest sympathy for the people of Ukraine and those impacted by the war.

The war has significantly impacted our market, and we have seen the price of raw materials increase. The cost of transportation has also seen a rise, especially airfreight, which has harmed our sales and ability to access specific markets. Nevertheless, the market price of salmon has also increased, which has and will benefit the Group in the short term. In the long term, we believe that the prices will stabilise at a level that makes salmon accessible for the many and encourages market development in new geographies.

Continuous growth

In 2022, Icelandic Salmon increased its harvested volume by 40 per cent to 16,138 tonnes from 11,521 tonnes in 2021. This is the result of long-term planning and execution of our growth strategy, which includes access to smolt. As part of the strategy, the Group acquired the remaining shares of the Ísþór smolt plant. This move enabled Icelandic Salmon to access sufficient smolts to fully utilize the existing seawater licenses over the next few years. As of 2023, we will see this effect in smolt outputs, which will impact the harvest volumes in 2024. We also expect to see a significant improvement in MAB utilization by increasing the average weight of the smolt, which in turn will reduce the production time at sea. The 2021 acquisition of the smolt plants, Laxabraut 5 and Fjallalax, will also positively affect the overall smolt output in 2023 by increasing the number and average weight of the smolt.

Additionally, the Group received another site approval as part of its 12,200 tonnes license in Patreksfjörður and Tálknafjörður. The new site, Vatneyri, demonstrates promising environmental conditions for salmon production and will be used for smolt output in 2024. Icelandic salmon also invested in additional sea equipment in 2022, which will support the Group's efforts to increase smolt output in the years to come.

Operating in a dynamic and maturing market

Throughout 2022, the Group has continued to experience a high demand for its products. Our strong sales team has worked and collaborated with markets globally, focusing on the European market, the US and Canada. Europe is our main market and will continue to be our main market in the coming years. However, we expect that the US and Canadian markets will take up a more prominent position over the next few years. This trend is mainly driven by a need for more suppliers that can reach the US and Canada by boat. This form of transportation carries a significant upside when it comes to CO2 emissions, in addition to favourable logistics costs. Our customers also have responded positively to the quality of our product when transported by boat.

Part of what enables us to ship our products by boat is that we superchill the salmon to minus one degree in the harvesting plant before packaging. This method significantly extends the shelf life of the salmon and compensates for the extended transportation time of five to six days when transported by boat.

As mentioned, the past year has seen high market prices for salmon, but it has also seen the Group achieve good market prices. This is due to our excellent sales team and the Group's low share of fixed-price contracts. This has made it possible for the Group to benefit from high spot market prices.

Product mix

2022 marked the first full year with Icelandic Salmon's pre-rigor fillets on the market, which has been a steadily growing part of our sales. We are confident that the market will continue to enjoy this product. In 2022, 10 per cent of our HOG salmon was used as raw material for our fillet production, representing a strong increase from the year before. This is another trend benefiting the Group's CO2 footprint and improving our logistic costs. The filleting process is done by a contracting partner.

We are also excited about our cooperation with one of our US-based customers. Together, we have created a new brand – Icefjord, Premium Icelandic Salmon. This brand is currently being presented as part of restaurant menus and is available in stores in the US market. We are proud to be now able to reach end consumers through another strong brand.

Sustainability and social responsibility

We are proud of our role in the Icelandic and European markets when it comes to producing sustainable and high-quality salmon. Founded on the principles of operating as sustainable as possible, our entire production has been ASC certified. This is a significant milestone for the Group, and we will continue to work under the highest standards with the aim of continuously improving how we operate.

The Group's position as a leading aquaculture business in Iceland has been made possible by the dedication of our people and the close relationship with the communities where we operate. Throughout the year, we have worked with all of our employees to ensure support for internal learning and development takes place. Our main approach to this is through our Arnarlax Academy program, where we involve and encourage all employees to actively develop company culture while working on improving operations. We support all employees who seek further education, both at a vocational and higher level. As a result of this program, five employees received a diploma for having completed a vocational aquaculture training course. Through the acquisitions of smolt facilities, we have also increased the number of employees working with freshwater production, we also see an increase in employees working with seawater and at the harvest plant, as a result of increased production.

We have also strengthened our sales team and finance department and are excited by the developments we saw in 2022.

Strong performance

In 2022, the Group performed well from an operational perspective. We expanded the number of smolt facilities that we operate and succeeded in bringing on board new talents to develop and strengthen the Group. Icelandic Salmon is now entering 2023 in a strong Financial Position and as a proud contributor to the Icelandic economy and society. Moving forward, we will continue to deliver on our growth strategy and deliver sustainable Icelandic salmon across the world.

The management of Icelandic Salmon and our dedicated and talented employees look forward to another exciting year in 2023.

Björn Hembre //CEO Arnarlax

THE HISTORY OF ICELANDIC SALMON

Arnarlax ehf, a subsidiary of Icelandic Salmon AS, was founded in 2009 in Bíldudalur, a small Icelandic village inside a long fjord called Arnarfjörður. Bíldudalur is the hometown of the company's founder, Matthías Garðarsson, who knew that the area had excellent conditions for farming salmon. Today, the company is Iceland's biggest aquaculture company. Modern salmon farming is relatively new in Iceland compared to our neighbours in the Faroe Islands, Scotland and Norway. The company's vision is „Sustainability – it's in our nature", so to be sustainable in every aspect of its operations and lead the way in terms of cost efficiency, biology and the development of the whole value chain for salmon farming in Iceland.

The Group successfully completed a private placement in the autumn of 2020 followed by a listing on Euronext Growth. At the end of 2022, SalMar owned 51 per cent of the shares in the company. The company is fully integrated with its own hatcheries, sea farms, harvesting plant and sales department. The natural conditions, with good quality seawater and temperatures on a pair with northern Norway, provide a sound basis for engaging its sustainable aquaculture in Iceland.

The company has its headquarters and harvesting plant in Bíldudalur in Iceland's West Fjords region, close to the sea farms located in surrounding fjords. In addition, the company has an office facility in Reykjavík and four smolt facilities, whereby one is located in the West Fjords, and three on the south coast of Iceland.

The company strongly believes in sustainable aquaculture production in Iceland.

2009
Incorporated
Preperation work starts

2014
First Smolt Stocking
500.000 fish put into the ocean

2014
Capital Increase
Private placement of 50 mNOK for biomass growth

2015
SalMar Entry
Invests through Salmus AS

2016
First Harvest
First invoice sent

2016
New Licenses
License extended by 7.000 MT

2016
Acquisition and Capital Increase
Acquisition of Fjarðalax and private placement of 300 mNOK

2016
New Licenses
Fjarðalax licenses renewed

2018
Capital Increase
Private placement of 200 mNOK

2019
SalMar Increase
Ownership now over 50 per cent

2019
NOTC Listing
Company lists its shares on OTC Oslo

2020
Euronext Listing
Listed on Euronext Growth

2021
Acquisition in FreshWater
Two smolt facilities acquired in South Iceland

2021
New Brand
New corporate brand lunched

2022
Acquisition of Ísþór
Full ownership of smolt facility

SUMMARY HIGHLIGHTS IN 2022

- Strong organic growth of 40 per cent in harvest volumes from 11,521 tonnes in 2021 to 16,138 tonnes in 2022.
- Strong improvements in EBIT from EUR 0.63 per kg in 2021 to EUR 2.24 per kg in 2022 after high market price and strong price achievements compared to market prices.
- Company reached end consumers with the brand “IceFjord - Premium Icelandic Salmon”.
- Stable development of biological performance with increased cost due to general price increase.
- Further growth underway with smolt production capacity expected to increase by 2 million smolt in 2023, following completion of conversion of two facilities acquired in 2021, and the purchase finalised in August 2022 of the remaining shares in Eldisstöðin Ísþór smolt facility.
- New site approved within existing license in Patreksfjörður and Tálknafjörður.
- Increased demand for sustainable Icelandic salmon in North America. 27 per cent of Groups revenues from North America, up from 4 per cent in 2021.
- All production in sea are ASC certified and the harvest plant is BRC certified. The BRC certificate was upgraded from grade B to grade A in 2022.
- The company estimates total own harvest in 2023 at 16.0 thousand tonnes of sustainable Icelandic Salmon.

THE ABC OF SALMON FARMING

Broodstock

The broodstock are the parent fish which provide the eggs and sperm (milt) required to produce new generations. The fertilised eggs take 60 days to hatch when placed in an incubator kept at 8 ºC.

Eyed salmon eggs

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

Fry

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

Initial feeding

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

Smoltification

The process whereby juvenile fish transition from a life in fresh-water to a sea-going existence is called smoltification. During this process, the fish develop a silver sheen to their bellies, while their backs turn a blue-green colour. The gills of juvenile fish also change when they become a smolt, to be able to control the balance of body salt when it goes from freshwater to seawater.

On-growing

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

Harvesting and processing

After approximately 12-24 months after transfer to the farm sites, the first fish are ready for harvesting, depending on the size of the smolt at output to sea. The fish are transported live by wellboat to the harbour next to processing plant. They are then carefully transferred to the plant itself. The fish are killed and bled out using high-tech equipment and always in accordance with the applicable public regulations. After harvesting, the final product is head-on-gutted salmon.

Sales

The salmon is sold by our strong sales team, as fresh whole-gutted or pre-rigor fillets, and distributed to markets domestically and around the world. The pre-rigor fillets are produced by a third party as a contractor to Arnarlax.

Figure 3. The lifecycle of Atlantic Salmon

ARNARLAX'S VISIONS, AMBITION AND VALUES

Vision

Sustainability it's in our nature

Be in compliance with Icelandic Salmon standard

Keep everything in order

Walk the talk – Follow rules and regulations

Continue to give of us to society at large
and local communities

Ambition

Iceland's leading salmon farmer

Lead by example

Quality

In everything we do

We strive to have quality in everything we do,
our Arnarlax standard guides us to quality

We Care

For our collegaues, for the salmon, for the customer and for the environment

Show respect for colleagues,
community, nature and salmon

Be ready to encourage and embrace
what's being done well

Talking and listening to each other

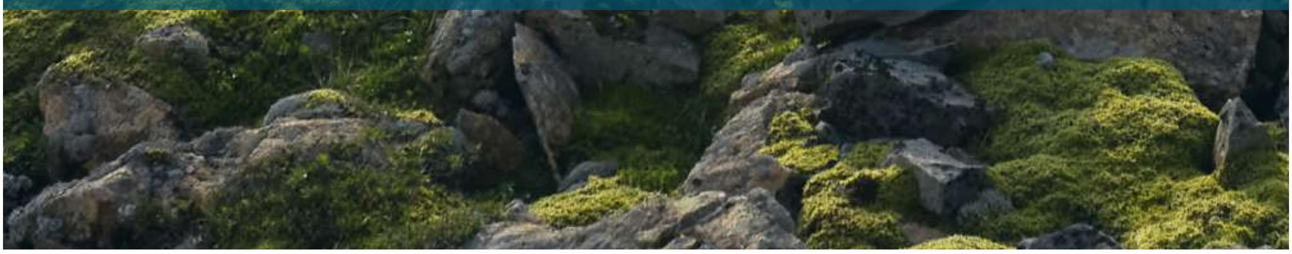
Team Work

Makes us stronger

We are driven by working together as a Team

Together everyone accomplish more

2 SUSTAINABILITY AND SOCIAL RESPONSIBILITY



THE LEADER IN ICELANDIC AQUACULTURE

Icelandic Salmon has been at the forefront of the industry for several years. The company is working with neighbouring farmers, local governments, and regulators on improving operations and reducing environmental footprint.

Innovative aquaculture

Icelandic Salmon was the first farming company in Iceland to use lumpfish to reduce lice levels. It was also the first farming company to use 200m cages in Iceland in year 2022. Along with these innovations the company started early to use Aqualine Midgard system in cages on farm sites. The feeding station (OPC), located in the main office building in Bildudalur, has a modern set-up for good control of feeding the fish and cooperate with a company named Spill-free which has a system which helps to optimize the feeding process.

In early year 2022 the Group signed up for 2 hybrid feedbarges that will arrive into operations in year 2023. This technology will decrease oil consumption up to 80.000-100.000 litres a year. In the year 2022 the Group also received a grant from the Energy Fund of Iceland on electricity supply from land and hybrid technology for the feed barges, which will be paid out when the project is completed.

Another project is hybrid technology of the work boats, a project has started with Blámi which is a collaborative project between Landsvirkjun, Orkubúið and Vestfjarðarstofa. The main objective of Blámi is to support and promote innovation and development of energy exchange projects by increasing the share of environmentally friendly fuels, hydrogen and electric fuels in transport and industry.

Innovative part within education is our educational arena, Arnarlax Academy, which is for all employees, held once a year. The company was also the first salmon farming company to offer vocational training for its employees.

Internal control system

Departments of Freshwater, Seawater, Harvest plant and Sales have dedicated teams which monitors daily quality registrations. As follow-up to these daily registrations, the company conducts an internal audit plan throughout the year for these departments. In addition to all daily checks and internal audits, external authorities inspect the operations by scheduled audit plan throughout the year. In addition, risk assessments towards environment, health and safety, and fish welfare are carried out in departments of Freshwater, Seawater and Harvest plant to ensure that the company takes a precautionary approach.

Certified value chain

The total harvested volume in 2022 was ASC (Aquaculture Stewardship Council) certified. By choosing ASC-certified salmon, consumers can be assured that they are buying salmon from a responsible farmer.

ASC is one of the best-known environmental and social responsible certifications in the world of aquaculture and certified producers must satisfy comprehensive environmental and social standards, involving over 400 auditing criteria within eight categories. The ASC Standard is difficult to achieve and to retain. It demands substantial resources in respect of documentation and reporting, before, during and after certification. Furthermore, the company is certified in accordance with the ASC's Chain of Custody scheme.

In the year 2021 the company's harvest plant got BRCGS certified. BRCGS certification is approved by the Global Food Safety Initiative (GFSI), which means that processes in the harvest plant meet quality and food safety requirements internationally. Customers can rest assured that here the salmon is processed in the best way possible with quality and food safety at the forefront from the time salmon enters processing until it arrives to the customer. The certification enhances image and confidence in us as a manufacturer. In December 2022 the company was re-audited and went up from grade B to grade A.

Education programmes

The Group recognizes the importance and value of education and has been among pioneers in educational programmes related to fish farming in Iceland. Together with several educational institutions, the company has participated in developing education program in co-operation with Icelandic College of Fisheries (Fisktækniskólinn) and is also one of the members of University Centre of the Westfjords (Háskólasetur Vestfjarða). The company runs a trainee programme to recruit young, well-educated people to the company and the industry. In addition, employees who wish to undertake further education, are supported economically by the company .

Contributing to science and research

The Group is the biggest contributor to a State-controlled Environmental Fund, through a fee paid for each kg harvested. The fund aims to reduce the potential impact of salmon farming on nature. The fund has contributed to various projects in recent years.

Working with agencies and government

The company is in active discussions with government agencies and authorities on how to lessen the environmental impact of its farming operations, improve fish health, and improve other aspects of the industry. Latest project is working with authorities and aquaculture companies on how the industry in Iceland can achieve 55 per cent reduction in GHG emissions by year 2030 where the goal will be to set phased emission targets.

Dialogue with stakeholders in transparent way

Transparency is a key element to build trust and inspire an honest dialog between all stakeholders. Lice count numbers are publicly available on the Group's website within a week from lice counting. Monthly production reports are submitted for all active farm sites to the Icelandic Food and Veterinary Authority (MAST) with information regarding harvesting, culling, feeding, biomass, mortality, lice numbers and treatments among other. The company has meetings with local officials to strengthen the relationship and understanding. By being transparent, open about the challenges and respectful towards critics, the company can come across solutions that might be beneficial for all stakeholders.

Open and transparent reporting of our performance increases our stakeholders' trust in us. In 2022, the Group continued its efforts to report through a greater variety of channels. In furtherance of this, The Group has also chosen to commission third-party verification of its sustainability KPIs. The table below shows the many ways the company reports on sustainability-related matters.

Table 1. Stakeholders of the Group.

The company stakeholders

Icelandic Salmon Stakeholders			
Internal influence	**Business associates**	**Customer groups**	**External influence**
Employees	Partners	External customers	Government / regulatory authorities
Shareholders/investors	Suppliers	New customers	Industry associations
Board and Group Management	Service providers	International customers	Discussion partners
		National customers	NGOs
			Research establishments
			Local communities
			Media

Table 2. Reporting within the Group

Reporting in Icelandic Salmon

Reporting method	Comment
Annual report	Integrated report, combining sustainability and financial reporting.
Quarterly reports	Quarterly update of financial and operational results.
Half year reporting	Half year financial operational results
Emission accounting	A separate annual information of emissions from the operations submitted to the Environmental Agency of Iceland (UST)
Green accounting	A separate annual report submitted to the Environmental Agency of Iceland (UST).
ASC reports	Audit reports from our ASC-certified sites are available at www.asc-aqua.org
MAST & UST reports	Audit reports from the Food and Veterinary Authority (MAST) www.mast.is and the Environment Agency of Iceland www.ust.is
www.arnarlax.is	The website is updated regularly. Here you will find relevant information.

SECRET OF SALMON FARMING

Iceland offers some key factors when it comes to salmon farming. The temperature is in the lower end of optimal conditions for the salmon, long fjords create shelter, while the wind, waves and tidal current ensure that movement of water is sufficient to give the salmon access to oxygen-rich seawater. Icelandic waters are free of several harmful viruses affecting other farming nations. Iceland´s access to clean geothermal water additionally provides very favourable conditions to raising smolt.

It all starts with a premium egg that comes from Iceland. All fry's are grown into smolts, nurtured, and vaccinated in the Group's hatcheries. The time in the hatcheries is usually around 12 months. When the smolts reach 50-100g, they go through smoltification, which is a physiological process that prepares them for leaving the freshwater of the tanks and entering seawater, the same natural process undergone by wild salmon.

Since the sea temperature in Iceland falls below 2ºC during the coldest winter months, smolts are put out in sea cages in the summer/autumn months when the temperature is optimal. The low winter temperatures result in slower growth, and low levels of lice.

The Group has a comprehensive quality system, monitoring every aspect of operations. Meaning that improvements and adjustments to improve safety and quality are regularly implemented. Harvesting is one of the most important factors when it comes to product quality of the salmon. Super-chill cooling technique is used after harvest to optimise freshness and the quality of the salmon. This allows the Group to deliver fresh salmon to customers in Europe, North America or Asia without compromising quality.

ICELANDIC SALMON MAIN EVENTS 2022

January

- MAST surveillance audit in Fjallalax smoltstation.

February

- Approved 900 tons license for maximum allowed biomass of salmon in smolt facility at Laxabraut 5

March

- The Group signed new contract for 2 new hybrid barges, one steel 900 tons barge and one concrete barge 900 tons for delivery in 2023.
- Awareness month of men cancer – socks given to all male employees to support the awareness month.

April

- First-aid course was held for all employees in all departments.
- HACCP1 food safery course for all employees in harvest plant.
- Icelandic Food and Veterinary Authority (MAST) surveillance audit in harvest plant.
- MOM-B sampling was done at the site Hringsdalur after ending fallowing period.

May

- The Group gives children's life vests to all harbours in Vesturbyggð and Tálknafjörður.
- Green books and emission accounting submitted to UST (Environment agency of Iceland)
- Acquisition of the smolt plant Ísþór in Þorlákshöfn.
- Started to use 200m cages on Hringsdalur farm site.
- Approval of the site Vatneyri in the 12,200 tons license for Patreksfjörður and Tálknafjörður.
- Signed contract for building 4 new apartments in Bíldudalur in cooperation with Vesturbyggð and Hrafnshóll. In total 10 apartments will be built in the project.
- Graduation of 5 candidates for vocational course in Aquaculture from the Icelandic College of Fisheries.
- Summit 25 - Arnarlax academy for the management team of the Group.
- Total 8 employees taking license for operating 15m boats.
- Icelandic Food and Veterinary Authority (MAST) surveillance audit in Gileyri smoltstation.
- Icelandic Food and Veterinary Authority (MAST) surveillance audit for all three licenses in sea.

June

- Participation in North Atlantic Seafood Forum in Bergen, Norway, where Icelandic Salmon was presenting.
- Arnarlax golf tournament in Bíldudalur.
- Haganes and Fossfjörður MOM-B max biomass benthic monitoring.
- ASC surveillance audit for farm sites Eyri, Laugardalur, Tjaldanes and Foss.

July

» Laugardalur MOM-B post fallow benthic monitoring.

August

» Environment Agency (UST) surveillance audit in Gileyri smoltstation.

» Approved renewal of the Fossfjordur license for 1,500 tons MAB.

» Golf school funded for nearby community.

» Arnarlax youth soccer tournament arranged.

» Launch of IceFjord brand in the US in cooperation with one of the Group's good customer.

September

» Icelandic Food and Veterinary Authority (MAST) surveillance audit in Fjallalax smoltstation and Arnarfjörður license.

» Environment Agency (UST) surveillance audit in Fjallalax smoltstation and all licenses in seawater.

October

» Arnarlax Academy held for all employees of the Group. An educational field within the company where staff gather to build company culture, learn about the operations and the future ahead.

» Pink October in Iceland – All employees got the 2022 pink ribbon pin where female cancer association was funded.

» Annual party held for all employees and their spouses.

» Implementation of BluePlantAcademy an e-learning field tailor-made for the aquaculture industry.

» Environment Agency (UST) surveillance audit in Ísþór smoltstation.

» Icelandic Food and Veterinary Authority (MAST) surveillance audit for license in Patreks- and Tálknafjörður.

» Participation in Lagarlíf aquaculture conference in Iceland where the Group's operations were presented.

November

» Free influenza vaccination and health check for all employees.

» Eyri MOM-B max biomass benthic monitoring.

December

» Equal Pay re-certified.

» The harvest plant was BRC re-certified with upgrade to grade A.

» The Group had 100 per cent ASC certification on harvested fish in 2022.

» New hybrid service boat, Fosnafjord, preparing its travel from Norway to Bildudalur from contractor Abyss. The role of the vessel will be installing farm equipment on farm sites.

IMPORTANCE OF REGULATORY BODIES

MAST - Matvælastofnun - the Icelandic Food and Veterinary Authority

Surveillance

The authority audits each issued license at least once a year for freshwater stations, seawater farm sites and harvest plant. Farming equipment, fish welfare, biomass in cages and food safety is audited. All audit reports and licenses can be seen on the website of MAST www.mast.is

Sample taking

At least once a year the authority takes samples from salmon and feed to analyse following:

- Antibiotics
- Avermectins
- Benzimidazoles
- Chloramphenicol
- Heavy metals
- Malachite green, crystal violet
- Mycotoxins
- Nitrofurans
- Pesticides
- Steroids, Stilbenes, resorcylic acid lactones

Monthly production reports are submitted to MAST where production info from all sites and all cages is reported. This info is used for aquaculture dashboard presented on MAST website.

Delousing treatments

MAST oversees approving applications for delousing treatments. In fall 2021 the authorities set limits for mature female lice.

Escapes

In case of an escape or a suspicion of an escape a contingency plan is activated within the Group and MAST is informed immediately along with the Directorate of Fisheries (Fiskistofa). Inspectors from the authorities arrive to the farm soon after being informed.

Escape episode 2021

On 29th August 2021 a hole on cage 11 at farm site Haganes was discovered. Contingency plan of the Group was activated. Fiskistofa and MAST were informed the same day. Inspectors arrived the day after. At this moment it was not known how many fishes had escaped. After harvest from the cage in October 2022 it was discovered that 81,564 fishes were missing. After this event the Group took a decision to withdraw the site from ASC certification. It will then be an evaluation of the CAB (e. certification body) when Haganes site can undergo ASC re-certification again.

UST – Umhverfisstofnun – the Environment Agency of Iceland

Surveillance

The authority audit each license at least once a year for freshwater stations and seawater farm sites. All audit reports and licenses can be found on the website www.ust.is. The authority have surveillance with all wildlife near and around farm sites, go through benthic monitoring reports for sites, waste handling, chemical usage and allowed biomass at each site. The authority also handle external complaints of our operations. Green books and emission accounting are submitted to UST before May 1st each year.

BENTHIC MONITORING AND SITE CERTIFICATES

Benthic monitoring

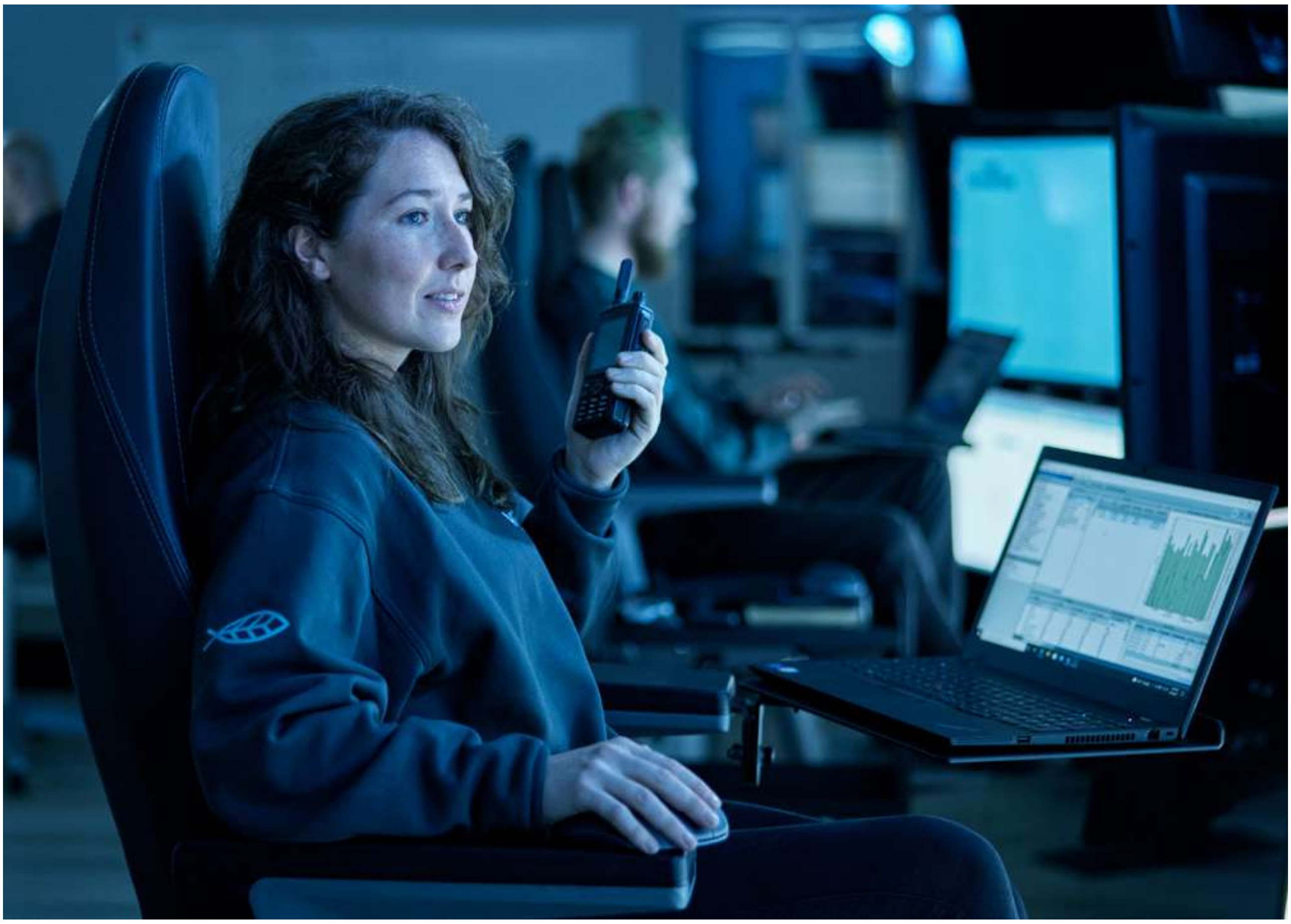
After a site has been fallowed and then at max biomass a benthic monitoring is conducted by a third-party. The monitoring is done according to guidelines of the Norwegian standard NS9410:2016 which includes evaluation of sediment, faunal investigation, and bottom topography. Two types of surveys are conducted MOM-B and MOM-C. The primary objective of a B-survey is to fulfil the requirements regarding bottom survey in the local impact zone at fallow period as they are defined in NS9410:2016. The primary objective of a C-survey carried out at max biomass is to fulfil requirements by ASC standard and in accordance with chapter 5.0 in the Norwegian standard NS9410:2016 which outlines the methodology for a C-study. The survey includes pH/redox measurements, hydrography, and geochemical and bottom fauna analyses adjacent to the fish farming site.

In year 2022 both sites, Laugardalur and Hringsdalur, that had a new output of fish generations were restored to best conditions for both MOM-B and MOM-C after fallowing, with score of 1 = Very good.

Site certificates

A site certificate is issued for each farm site where inspection of farm equipment installation has been inspected according to requirements of Norwegian standard 9415:2019 – *Marine fish farms – Requirements for site survey, risk analyses, design, dimensioning, production, installation and operation.* On the issued site certificate, the installation configuration can be seen for the site. Each certificate is valid for 5 years if no changes are made on the equipment

MOM-B and **MOM-C** with **score of 1 = Very good**



SUSTAINABILITY – IT´S IN OUR NATURE

'Sustainability - it´s in our nature' is our vision and the foundation of all the Group's operations. It is the way it operates as a company and how it behave in the areas surrounding its operations. This includes taking care of its customers, employees, the salmon, and the environment, while developing the industry and moving society in a more sustainable direction.

In year 2013 Bíldudalur started in the project *Fragile communities* in 2013 under the name *Bíldudalur - a conversation about the future* with the Icelandic Regional Development Institute (Byggðastofnun).

The project was formally completed at the end of 2016, and it was a joint decision by residents, municipalities and the Regional Development Institute that it was no longer needed due to positive developments in the area, not least because of the boom in the economy.[1]

This year, the Group presents its sustainability section for the third time. The numbers stated in this section have undergone third-party verification.

The bulk of this section is divided into the three central pillars on which the Group rests its thinking about sustainability throughout the value chain.

Table 3. Icelandic Salmon sustainability focus summarized.

Fish

Good fish welfare is the foundation of the Group's business.

We work systematically to create an environment in which the salmon thrives and remains healthy.

Environment and technology

The Group believes in preserving the seas for future generations.

We minimize our footprint with measures and routines throughout the entire value chain.

People and society

The Group acts as a responsible corporate citizen.

We believe in creating local value and safe workplaces and support the local communities where we operate.

1 https://www.byggdastofnun.is/is/verkefni/brothaettar-byggdir/bildudalur

FISH

The Group's goal is to produce sustainable and healthy protein for a growing global population. Sustainable salmon farming therefore takes place on the fish's terms where its tried to not exceed 13kg/m^3 during winter and 19kg/m^3 during summer to make sure that the fish has enough space. This means that the salmon must come first in all aspects of the Group's work.

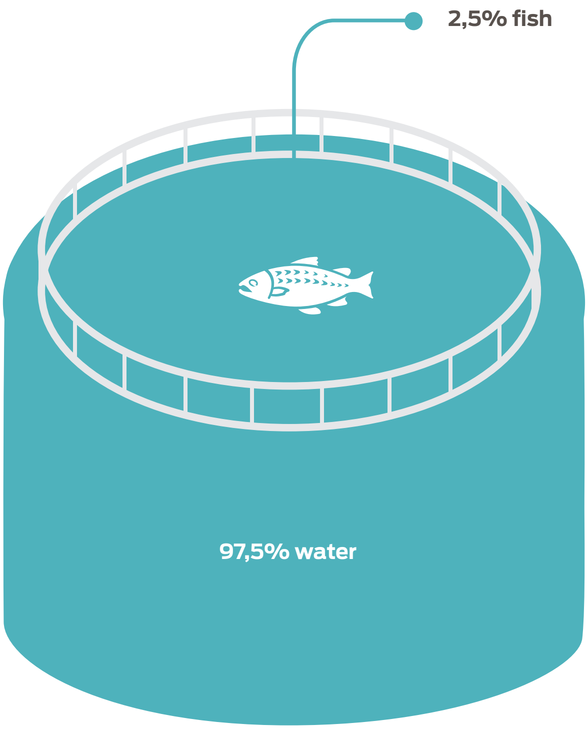
The Group is working systematically on initiatives and procedures relating to fish welfare. At the same time, its known that every single decision made relating to fish health also has a financial, social- and environmental impact throughout the value chain.

Fish - KPI's

Table 4. Biological KPI´s

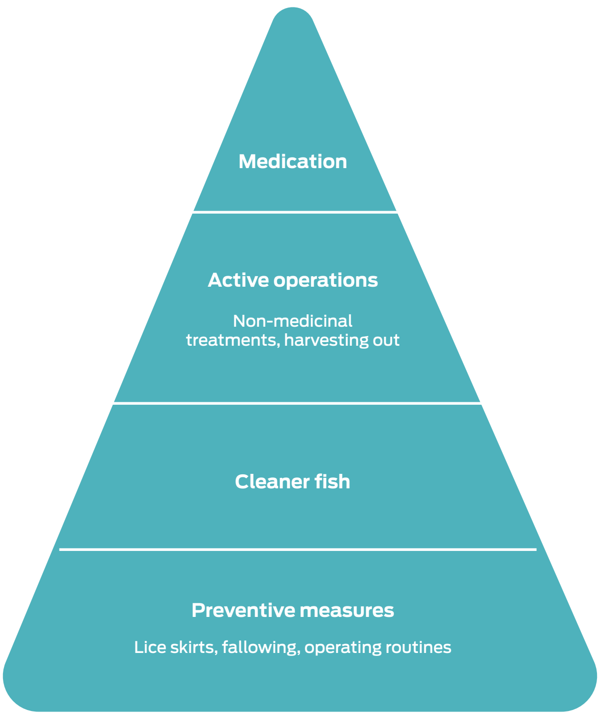
The Group's KPIs		Target	2022	2021	2020
Survival	12-month rolling survival rate[2]	>95%	89.7%	93,3%	90.5%
Antibiotics	Grams of active pharmaceutical ingredients (API) per tonne produced	0	0	0	0
Lice treatments	Total number of treatments. In 2022, 4 sites were treated, 1x treatment on each site	# of treatments in year:	4	3	2
		<3 per cycle[3]	Compliant	Compliant	Compliant
Interaction with wildlife[4]	Birds – Accidental mortality	0	0.43	0.17	0.71
	Birds – Euthanised	0	0	0	0.29
	Marine mammals – Accidental mortality	0	0	0	0
	Marine mammals – Euthanised	0	0	0	0
Fish escapes	No of incidents	0	0	1	0
	No of escaped fish	0	0	81,564[5]	0
Feed	Certification of marine ingredients in fish feed[6]	100%	100%	98.2%	99%
	Certification of soya ingredients in fish feed[7]	100%	100%	100%	100%
	FFDR (fishmeal)	<1.2[8]	0.56	0.32	0.63
	FFDR (fish oil)	<2.52[9]	1.29	1.56	1.98
	Economic feed conversion ratio	<1.19	1.34	1.30	1.43
Certification	Share of active certified sites[10]	100%	100%	83%	86%

2 12-month rolling mortality measured in accordance with the Global Salmon Initiative methodology.
3 Target in accordance with ASC certification requirements.
4 Number of wildlife incidents distributed over number of active sites.
5 Confirmed in October 2022.
6 Fish meal, certified in accordance with Marintrust, MSC or equivalent.
7 Certified in accordance with ProTerra RS or equivalent.
8 Target in accordance with ASC certification requirements.
9 Target in accordance with ASC certification requirements.
10 Active sites in 2022 certified in accordance with ASC.



Fish welfare

Good fish welfare requires systematic efforts to ensure that fish welfare is safeguarded by providing the fish with optimal conditions throughout their lifecycle.



How Icelandic Salmon promotes fish welfare

- Dedicated fish health personnel; visits by Fish health coordinator on monthly basis and by veterinarians according to visiting schedule
- Close follow-up and monitoring of fish welfare indicators
- Use of sites affording optimal biological conditions
- All smolt vaccinated before transfer to seawater farms
- Systematic efforts as regards smolt quality at the hatcheries, by focusing on stable supplies of good quality water, a good tank environment for the fish, optimal oxygenation, good grading and vaccination procedures, temperature control and general fish health
- All delousing treatments carried out, by the Group's crew members, with a risk assessment performed before each operation
- Strict routines for transport between different sites to ensure bio-security
- Keeping numbers of sea lice down
- Density in the cages is below requirement from the government to secure good fish welfare
- Zero use of antibiotics
- Non-GMO

Keeping numbers of salmon lice down

Salmon lice are a natural seawater parasite. As fish farmers, the task is to make sure that the salmon can coexist with the lice. Salmon lice can impair the quality of the salmon's flesh and can, in the worst cases, lead to disease and death. The Group therefore works preventively to keep lice numbers down.

Lice numbers increased between years 2021 and 2022 in all categories but were on average within the national limit set at 0.5. (Table 5).

The Group received an approval from ASC after applying for Variance Request from clause 3.1.7 within the ASC standard v1.3 as a national limit at 0.5 has been set by the Icelandic Food and Veterinary Authorities (MAST) during the sensitive period when wild smolts migrate to sea (April to June). All lice numbers are reported to the Food and Veterinary Authorities in Iceland (MAST) and published on the Group's website within a week from lice counting.

As regards delousing treatments, the Group follows the Global Level set in the ASC standard, which allows three lice treatments per each production cycle on a site (Table 6). This has never been fully utilized. In 2022, 4 sites in operation were deliced one time each. The main strategy for reducing the number of chemical treatments is to take preventive measures, such as lice skirts, fallowing and use of lumpfish.

Table 5. Average level of different stages of lice in years 2020 - 2022 on all active sites

Year	Juveniles	Movables	Adult females	Caligus
2022	0.33	0.33	0.41	2.17
2021	0.19	0.19	0.19	1.61
2020	0.35	0.39	0.19	3.09

Table 6. Number of treatments allowed per cycle in different countries according to the ASC standard.

Number of treatments allowed per cycle in different countries according to the ASC standard

Region	Entry Level (WNMT)	Global Level (WNMT)
Canada (BC)	1	3*
Chile	9	
Faeroes	6	
Ireland	3	
Norway	5	
Scotland	9	

Lumpfish

The Group was the first farming company in Iceland to begin the use of lumpfish to reduce lice levels on sea farms. The lumpfish is born at supplying company in Iceland where it lives before arrival to the farms. Each fish is manually inspected and vaccinated before arrival to ensure their quality and welfare in the sea cages.

Good care is taken of the lumpfish when they are out in sea; they are fed special feed and they have artificial kelp out on the cages where they can go for a rest.

In year 2022 total of 425,000 lumpfish were put out in our cages on 4 sites.

Sustainable feed

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

The lower the FFDR we can achieve, the more salmon we can produce on the basis of a globally limited supply of marine raw materials.

According to the ASC standard, feed is deemed to be sustainable if its FFDR (fish meal) is <1.2 and its FFDR (fish oil) is <2.52. In 2022, the company achieved values well below this level.

The company uses an all-round feed that optimises production and promotes good fish health – in other words, a high-value salmon feed that ensures good growth and meets the fishes' nutritional needs. In 2022, approx. 26,200 tonnes of feed were used in the operations.

Feed facts

- All fish feed used is certified.
- All fish feed used is deforestation-free, not genetically modified, and not dependent on endangered fish stocks.
- Dedicated personnel who work with feeding the fish.
- Strategic partnership maintained with the Group's feed suppliers, with whom it work to include sustainable ingredients in the feed it uses.

Certified ingredients used

- All feed is Marine Trust certified.
- 100 per cent of the marine ingredients comes from certified fish stocks.
- ProTerra certified soya is used, which is the strictest certification scheme used to promote the sustainable farming of soya.

Safe and healthy food

It is the Group's responsibility to ensure its customers safety when they eat its salmon and know that it has a healthy nutritional content and has been processed after good food safety measures. For this reason, the Group is certified in accordance with the strictest requirements and guidelines for sustainable aquaculture, including the Aquaculture Stewardship Council (ASC) and BRCGS which emphasizes on food safety.

Icelandic salmon is good nutrition

In 2022 our harvested fish[11] had:

» Omega 3 level on average of 2.45 g/100g product

» Omega 6 level on average of 2.6g/100g product

» EPA/DHA level of 0.9g/100g product

» Protein on average of 20.8g/100g product

» Total fat of 18.3 per cent on average

11 Fish harvested from our farm sites Steinanes, Haganes, Foss and Eyri analysed in accredited laboratory.

How we provide safe and healthy food to all our customers

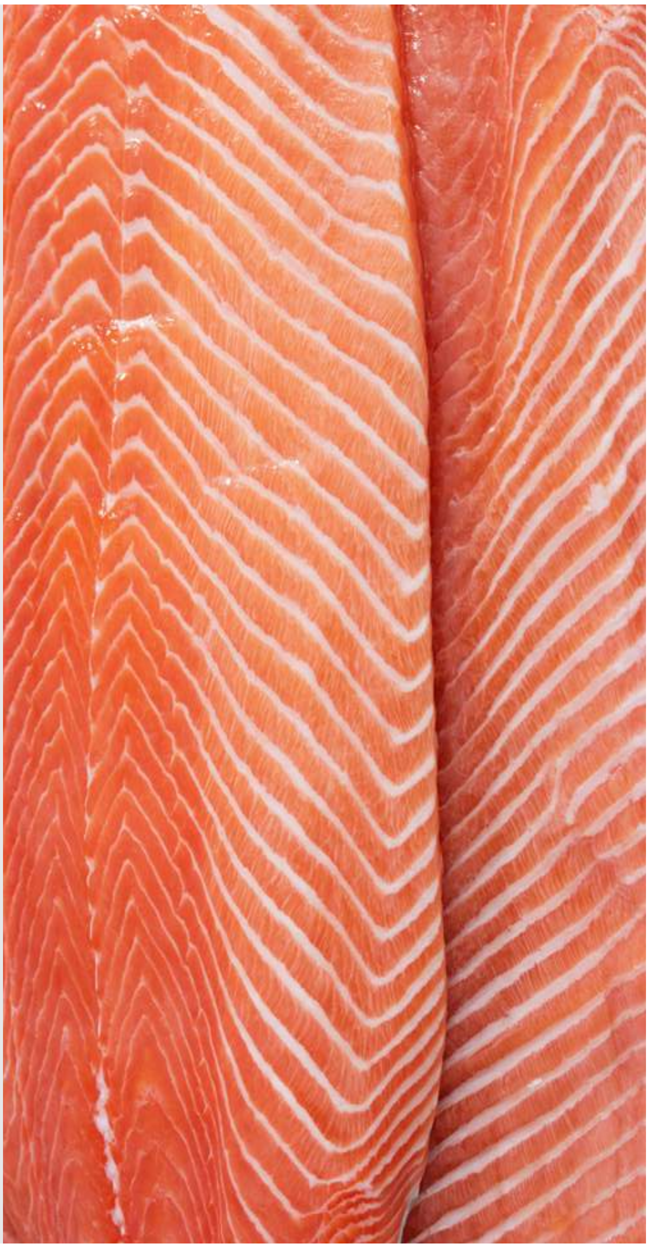
» Local harvesting makes it possible for the Group to offer first-class, fresh super-chilled products right after harvest.

» Good fish welfare is ensured and the correct nutritional content in the fish feed used, which provides healthy food for human consumption.

» The value chain is certified.

» Training in routines and procedures within all departments is important to maintain the high quality of the Group's salmon.

» Regular sample takings are performed from the harvested fish for fatty acid analysis to check the nutrition of the salmon. Internal audits are also performed along with audits and inspections by regulatory authorities, certification agencies and customers.



ENVIRONMENT – SUSTAINABILITY - IT´S IN OUR NATURE

Growing salmon is one of the most sustainable ways of producing protein, in terms of carbon emissions, water, land use, etc. However, production comes with several challenges, as for all commercial food production. Icelandic Salmon is aware of those challenges and is constantly working on minimising the impacts, using innovative solutions, environmental certifications, and strategic monitoring.

Environmental policy

The Group has an active environmental policy. There is good cooperation between companies within the same industry and farm sites in joint fjords. This cooperation is known as ABM (Area Based Management) and aims to share information regarding: 1) diseases and handling of fish, 2) output plans, 3) fallowing periods, 4) monitoring in relation to diseases, and 5) lice monitoring.

The main objectives of the environmental policy are:

» Full compliance with regulations and standards
» Zero escapes
» Optimal feed ratios, reducing organic load on the seabed
» Full openness to using alternative products that may be more environmentally friendly
» Increasing the share of waste that goes to recycling

Genetic risk assessment

Iceland has taken a somewhat unique approach to genetic mixing between farmed and wild salmon. Iceland has legally enacted the use of a unique genetic risk assessment that estimates the potential risk of genetic mixing between farmed and wild salmon and limited the permitted production of farmed salmon based on the outcome of that model.

A large portion of the coastline is also closed off for fish farming. The result is that all of Iceland's major salmon rivers are far away from fish-farming activities.

It is safe to say that the Icelandic authorities are taking a conservative approach when it comes to fish farming and the possible effect on the wild salmon stock. The risk assessment is up for evaluation every third year. Next evaluation is in 2023.

Carrying capacity

Before fish farming is allowed in Iceland, the Icelandic Marine and Freshwater Research Institute conducts a carrying-capacity assessment estimating how much biomass there may be in each farming fjord. This is done to minimize the risk of organic waste accumulating at the bottom of the fjords to affect the total situation in each fjord. The Institute is monitoring the fjords to ensure that production does not excess the carrying capacity.

Environmental assessment

All of the company's farming activity has been through an environmental assessment process. That process includes stakeholder participation and involvement of the Environment Agency of Iceland (UST), the Food and Veterinary Authority (MAST), the Planning Agency and the Marine and Freshwater Research Institute, among other agencies. The outcome is an extensive environment report describing the impact of the farming activity, mitigating measurements, and how the environment should be monitored.

Certifications

As mentioned above, the Group's production of salmon was 100 per cent ASC (Aquaculture Stewardship Council) certified in year 2022. The Group also holds BRC food safety certification and went through re-auditing in December 2022 where the grade went up from B to A.

Green disclosure requirements

Each year, the company submits a green accounting report and emission report to the Environment Agency of Iceland (UST), including information on power usage and usage of oil, water and seawater. The report also covers all chemicals, recycling of waste categories, medicine usage and emissions involved in the company's operations.

Monitoring of the farm sites

After the farming has started, all sites are monitored from the bottom and up. Oxygen levels are monitored daily, and a third-party monitors oxygen in the threshold fjord Arnarfjordur up to three times a year. Benthic samples are conducted by a third-party from the seabed under the cages twice for each generation to see if organic materials are accumulating under the cages. The Food and Veterinary Authority (MAST) also takes fish and feed samples twice a year from the farm sites to sample for heavy metals and dioxins, pesticide residues, antibiotics, etc. MAST also conducts audits once a year for each farming license and so does Environment Agency of Iceland (UST).

GREENHOUSE GAS EMISSIONS

Below is an overview of the Group's greenhouse gas (GHG) emissions. Carbon accounting is a fundamental tool in identifying tangible measures to reduce GHG emissions. The annual carbon accounting report enables the organisation to benchmark performance indicators and evaluate progress over time.

The input data is based on consumption data from internal and external sources, which are converted into tonnes CO2-equivalents (tCO2e). The carbon footprint analysis is based on the international standard; A Corporate Accounting and Reporting Standard, developed by the Greenhouse Gas Protocol Initiative (GHG Protocol). The GHG Protocol is the most widely used and recognized international standard for measuring greenhouse gas emissions and is the basis for the ISO standard 14064-I.

The carbon inventory is divided into three main scopes of direct and indirect emissions:

Scope 1 includes all direct emission sources. This includes all use of fossil fuels for stationary combustion or transportation, in owned and, depending on the consolidation approach selected, leased, or rented assets. It also includes any process emissions, from e.g. chemical processes, industrial gases, direct methane emissions etc.

Scope 2 includes indirect emissions related to purchased energy; electricity and heating/cooling where the organisation has operational control.

Scope 3 includes indirect emissions resulting from value chain activities. The scope 3 emissions are a result of the company's upstream and downstream activities, which are not controlled by the company, i.e. they are indirect. Examples are business travel, goods transportation, waste handling, consumption of products like feed etc.

Table 7. Greenhouse gas emissions

	Target	Status vs. target	2022	2021	2020
Energy consumption (TJ)					
Scope 1 - Fossil fuels			30	32	15
Scope 2 - Electricity			42	22	18
Scope 1+2 (GHG tCO_2e)			**72**	**55**	**33**
Greenhouse gas emissions (GHG tCO_2e)					
Scope 1 - Fossil fuels	42% reduction from 2020-2030	+99 %	2,054	2,185	1,033
Scope 2 - Electricity			0	0	0
Scope 3		+6 %	68,729	66,824	64,637
Total (Scope 1+2+3)		**+8%**	**70,783**	**69,010**	**65,670**
Intensity[12]					
Energy intensity (GJ/tons produced)	42% reduction from 2020-2030		3.5	3.2	2.4
Intensity of GHG emissions ($kgCO_2e$/tons produced) - Scopes 1+2		+30%	99	128	76
Intensity of GHG emissions ($kgCO_2e$/tons produced) – Scope 3		-31%	3,297	3,923	4,757
Intensity of GHG emissions ($kgCO_2e$/tons produced) - Scopes 1+2+3		-30%	3,396	4,052	4,833

The operations consumed 800,037 liters of fossil fuel (30 TJ) and 11,551 MWh of electricity (42 TJ) in 2022. All electricity used by our operations is from renewable sources.

12 All intensities are calculated with tons produced biomass, gross growth in sea.

Freshwater consumption

Aquaculture generally has a low freshwater requirement compared with other types of food production. The fish live a large part of their lives in the sea and do not depend on supplies of freshwater. Freshwater consumption of the company derives largely from its onshore hatcheries and its harvesting plant.

Freshwater consumption for hatcheries is based on calculations from each site manager. Other freshwater usage is community water used in processing plant for cleaning and for consumption on feed barges. No community freshwater is used in hatcheries.

Fresh water useage only from low-risk areas

In large parts of the world, access to fresh water is a challenge. Icelandic Salmon uses fresh water only from areas where the risk of water shortages, or the risk of poor water quality, is low. The water risk map produced by the World Resource Institute[13] provides a good overview of the water risk in various areas. All the areas in which the company operates are defined as low risk.

Waste management

Waste is a resource which we must take care of, and which can be reused to make new products.
We help to reduce marine pollution

» We ensure that obsolete plastic equipment is recycled by delivering it to established return schemes and collecting other waste for delivery to municipal waste handling systems.
» We contribute to beach cleaning/collection of plastic waste through funding, as well as participating ourselves.

We exploit every part of the salmon

By-products are exploited to the full. All by-products from the harvest plant are sent for further processing, resulting in 100 per cent of the raw materials being utilized. All material is sent to third party production site through closed pipeline from our harvesting plant.

All mortality from seawater production and smolt plants is processed on site by the Group and delivered to a company that use them as ingredients for the biogas-, compost and soil industry.

Project for the sludge from hatcheries is in process where open discussion with the farmers union in the areas of hatcheries is ongoing for how to utilize the sludge as a fertilizer on fields. The overall, long term goal, for the project is to exchange all import of artificial fertilizer to Iceland with reuse of by-products from several industries, including aquaculture.

Treatment of outlet water from harvest plant

All water from the harvest plant is rinsed and disinfected in the water treatment system before being released into the ocean to ensure biosecurity.

Table 8. Fresh water usage.

Consumption of freshwater	2022	2021	2020
Consumption (megalitres)	16.2[14]	5.5	5.5
Intensity (litres per kg gross growth in sea)	779	325	405

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

14 With one new hatchery in year 2022 the water consumption increased.

PEOPLE AND SOCIETY

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

With total of 177 employees, in 2022, in five communities the Group is a major employer and an important member of society. This position gives rise to multiple responsibilities to people, society, and industry. Ethical business practice is a key value for the Group. We aim to operate in an honest, proper, and trustworthy manner, and take pride in showing off what we do.

Table 9. People and society

		Target	2022	2021	2020
Employees	No. of full-time equivalents (FTE)		154.4	132.6	110
	Ratio of women		26%	23%	24%
Safety & sickness absence	No. of fatalities	0	0	0	0
	LTI's[15]	0	9	7	9
	H-factor[16]	<6	5.8	5.5	7.8
	Sickness absence	<4.5%	4.1%	4.1%	4.3%
Regulatory compliance	No. of violations	0	1[17]	0	0
	Fines in ISK	0	0	0	0

Working with local communities

The Group recognizes the importance of a good and meaningful relationship with the local community and understands its role and responsibility as one of the biggest companies in the region. The company participates in various community projects and is for example a proud sponsor of public transport, culture events, volunteering activities, schools, local sports teams, and clubs.

When buying items, it is looked at whether items can be bought that are being contributed to good causes along the way. In this case we can for example mention items bought where the proceeds went to a good cause. The company is always seeking ways to give something back with its purchases.

Workforce

The company has been blessed with skilled and capable people from all over the world working on the common goal of delivering world-class salmon in harmony with nature. Employees' ideas and innovative thinking are a crucial driver of the company's performance, and the company welcomes forward-thinking and honest dialogue. The safety of our people is a top priority and active measures are taken to reduce accidents by using a dynamic quality system and functioning Health & Safety committee.

Freedom of Association and Collective Bargaining

All employees of the company are free and can bargain collectively for their rights. The workers have access to trade unions and choose a union representative by themselves without managerial interference.

Child labour is not accepted, forced, bonded or compulsory labour and the company does not hire any persons under the age of 16. Persons between the age of 16 and 18 years of age will not be exposed to hazardous health and safety conditions and are under strict supervision during their work.

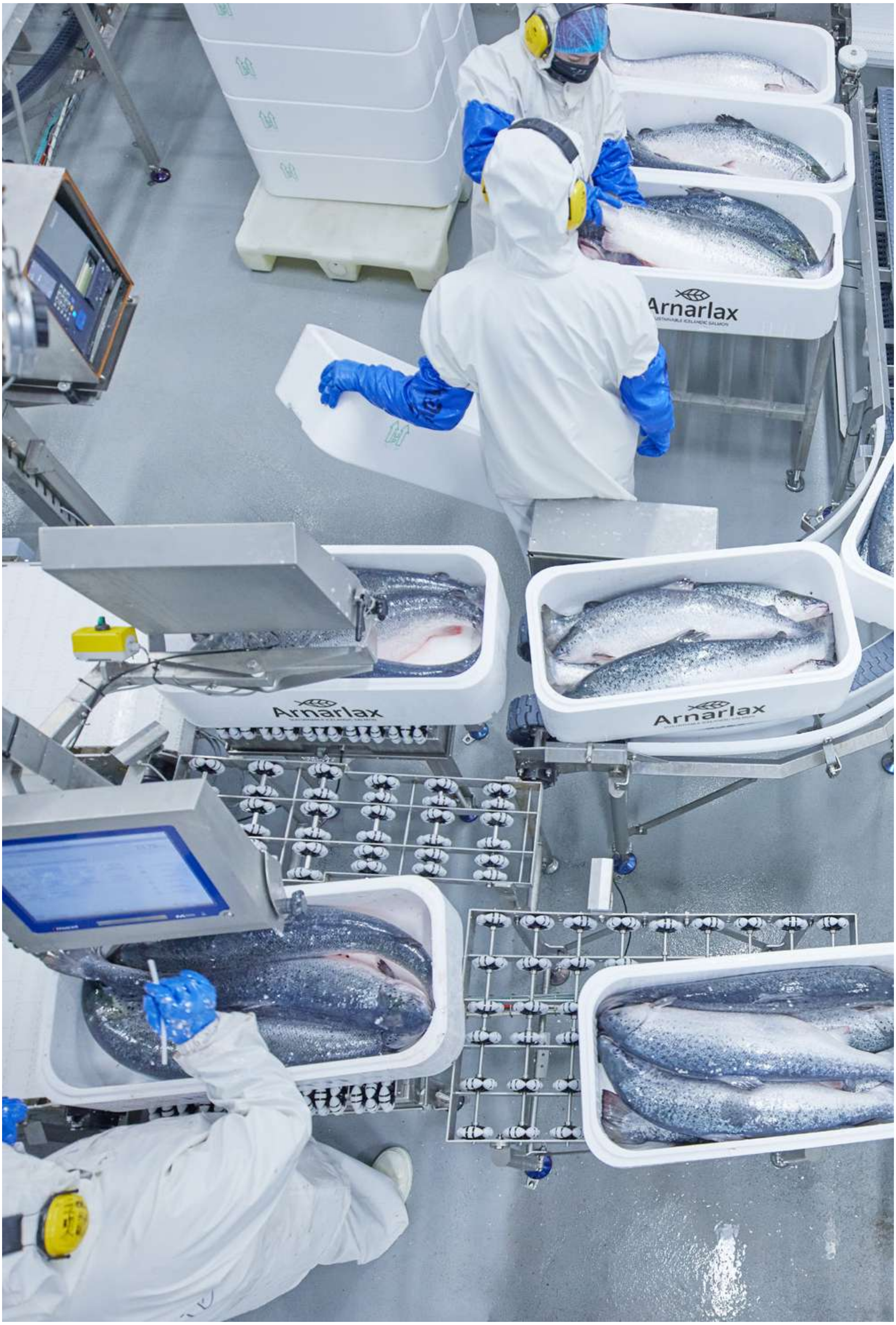
Discrimination

The company has an anti-discrimination policy, ethical guidelines, and ethics gateway.

Anti-discrimination policy

The policy of the company and its subsidiaries is that bullying, sexual harassment, gender-based harassment, violence and any form of inappropriate conduct is not tolerated. Every measure should be taken to prevent this from occurring and to resolve any case as successfully as possible.

15 LTI: Lost time injury. If a worker does not show up at work the day after an incident, it is counted as an LTI.
16 H-factor: Total LTI's over the year * 200,000 work hours / accumulated work hrs over the year.
17 This case has been appealed and final decision is not made.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A workplace should emphasise boosting employees' awareness of the importance of positive communications and make them a highlight of the workplace, such as with education on equal rights.

Ethical guidelines
Ethical Guidelines were first issued in year 2020 within the company. The purpose of the guidelines is to ensure a healthy corporate culture and safeguard the Company's integrity by helping employees to comply with standards for good business practice. Furthermore, the guidelines are intended to act as a tool for self-assessment and for the further development of the Company's corporate identity.

Ethics Gateway - Whistleblowing
A professional and safe venue, implemented in 2021, for employees to whistle blow or report undesirable conduct in the workplace or emotional distress at work. The Ethics Gateway team has specialists in human resources and accredited service providers in health and safety in workplaces. The consultancy company Hagvangur ehf. operates Ethics Gateway.

Equal Pay certification
In December 2021 the company completed its Equal Pay certification process in accordance with standard ÍST85 equal pay standard. The equal wage policy is an inseparable part of the wage policy and is valid for all the organizations employees. The policy is that all employees shall be receiving equal pay and enjoy equal terms of employment and rights for the same jobs or jobs of equal value, so that there is no gender-based pay gap within the company. The Group was re-certified for the equal pay certification at end of year 2022.

All employees of the company receive payment above basic needs wage.

Education and training
The company has an education policy where the company emphasize on education for its work force. The education is in all forms, university studies, courses, diploma, and smaller courses etc.

An ongoing agreement is in place with the Iceland College of Fisheries with educational program in Aquaculture. In May 2022 total of 5 employees graduated from the college. Furthermore, more employees are studying alongside work withing the company in different educational institutions in Iceland where the company supports their study.

18 Electronic Quality System

Occupational Health and Safety

Health and safety committee
Within the company an health and safety committee is present. On board the committee there are two members from the management group and 4 general employees from different departments. The committee meets at least 4 times a year according to Icelandic law. The committee oversees the health and safety matters within the company along with work environment conditions of the employees. On board the committee there are highly trained employees with various skills and education.

Employees can report issues regarding health and safety in general, food safety or other matters anonymously to the committee. Monitoring is also done via the EQS[18] system where incidents are registered. If the incident is an LTI (e. lost time injury) it is reported to appropriate authority. All documents are kept on file for each case.

Food safety

Sample taking
Quality monitoring is present within the harvest plant where samples are taken and sent regularly to accredited laboratory for analysing bacteria dangerous for the consumer health. An HACCP plan is also followed parallel to the process flow chart where critical points are monitored.

As stated under the chapter of *Importance of regulatory bodies* the Icelandic Food and Veterinary authority conducts sample taking at least once a year from raw material and feed for various analysis.

Non-compliance
Any deviation regarding food safety impacts of the product itself within the hatcheries, seawater farm sites and harvest plant is registered into EQS and acted on.

Emergency recall team
An emergency recall team is present in the company consisting of 5 members from management, In emergency cases the team meets up where case is evaluated, and actions taken. The company has never recalled a product batch.

THE UN GOALS FOR SUSTAINABILITY

The United Nation Sustainable Development Goals are a collection of 17 global goals designed to serve as guidance towards a more sustainable future for all. Farming salmon in a sustainable way contributes to many of these goals and eight of them are closely linked to the company's operations.

3. Good health and wellbeing
Salmon is a nutritious food, packed with quality protein and essential fatty acids such as Omega 3.

4. Quality education
The company has an education policy and encourages its staff to seek education.

5. Gender equality
The company has a gender equality policy and is Equal Pay certified.

8. Decent work and economic growth
The company is growing economically and has increased its number of staff between years.

11. Sustainable cities and communities
The company is one of the major sponsor of public transport within the area and sponsors various community projects. Bildudalur was once categorized as a fragile community. With good economic growth Bildudalur was out of the project in 2016.

12. Responsible consumption and production
Farming salmon in sea cages is one of the most sustainable ways of producing animal protein for human consumption, in terms of feed and water usage. ASC and BRCGS certified.

13. Climate Action
A large part of the world's greenhouse gas emissions is caused by food production. Farming salmon stands out from other animal protein production for its low level of carbon emissions and usage of water.

14. Life below water
The company aims to utilize the sea areas in which it operates in a sustainable manner and to contribute to reducing marine debris and discharges, by reducing and handling its waste properly and by engaging in all the local coastal communities of which it is a part of.

3 CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AT ICELANDIC SALMON

Icelandic Salmon aims to uphold and maintain the highest standards of corporate governance and operates according to law and legislation.

The Board of Directors recognizes that good corporate governance contributes to ensuring the protection of all shareholders' interests and ensuring that the Group complies with high ethical and social standards.

Icelandic Salmon has a sustainable approach to salmon farming. As part of the Atlantic Ocean surrounding Iceland, the Group adheres to strict quality standards whilst also aiming to be a low-cost producer. The Group can achieve this goal only through sustainable biological production and commits to farming fish conducive to their wellbeing. Combining the best biological results with cost focus and optimal processes, the Group believes this enables Icelandic Salmon to be a cost-effective producer of farmed salmon in Iceland.

The Group recognizes the diversity and importance of its corporate social responsibility as an employer, producer, supplier of healthy food, a user of the natural environment and administrator of financial and intellectual capital. Social responsibility is essential to the Group and incorporated in daily tasks. At the same time, the Group aims to minimize it operations' impact on the natural environment.

Icelandic Salmon AS is listed on the EURONEX Growth stock exchange in Oslo. The Group is required to report on its corporate responsibility and selected related issues under §3-3a and §3-3c of the Norwegian Accounting Act. Some key priorities are described below. A detailed report on all relevant topics can be found in sustainability part of this report in section 2.

Business and Purpose

Arnarlax ehf., subsidiary of Icelandic Salmon, is the Iceland's largest producer of farmed salmon. At end of year 2022, the Group's licenses totalled up to 23,700 tonnes MAB in sea in Iceland and in addition hold licenses of 3,000 tonnes in land-based facilities used for smolt production.

In 2022 Arnarlax acquired remaining share of Eldisstöðin Ísþór smolt facility and with that secured further production on smolt as part of the valuation chain. The acquisition came as a following process of the Groups long term growth strategy, but the Group had acquired two smolt facilities in 2021.

The Groups growth strategy is to maximize utilization of MAB within its licenses and increase license volume in order to obtain critical mass to secure competitiveness in the global market.

Icelandic Salmon AS objectives have been defined as following:

> *"The objective of the company is production, processing and sale of seafood and seafood-based products, as well as conducting other business in connection with these purposes, including through investments and ownership in other companies with same purpose".*

Code of conduct, values and social responsibility

Board of Icelandic Salmon AS approved ethical guidelines in August 2020 that applies for all Icelandic Salmon Group, its employees, Board of Directors and any other who act on behalf of the Group. The purpose of the ethical guidelines are to ensure healthy corporate culture and safeguard the Groups integrity by helping employees to comply with standards for good business practice. Furthermore, the guidelines are intended to act as a tool for self-assessment and for further development on the Group's corporate identity.

It is the Group's ambition to be Iceland's leading salmon farmer. The Group focuses on farming salmon on the salmon's terms and work tirelessly to be outstanding at all levels and in all aspects of production. The operative business has two clear strategic goals, which form the core of the Groups strategic foundation.

> *"Sales shall secure the best possible price and fish farming shall be unbeatable on cost – best for operational efficiency."*

Overarching all business operations and actions is the Group's vision, "*Sustainability – it's in our nature*", meaning all decision relating to production will be made based on the Group's vision. The fish will be farmed in conditions most conductive to their wellbeing. The Group believe that the best biological results will pave the way for the best financial results, and thus safeguard the Groups position as a sustainable salmon producer.

The Group has a set of tenets that describe desired behaviours and a shared understanding of how employees should behave. Through Arnarlax Academy, all employees are given encouragement and opportunities for development as well as introduction and guidelines on the Groups tenets and ethical guidelines.

The Group has a presence in five local communities and its employees are multicultural from all over the world. The Group is therefore aware of the diverse nature of its social responsibilities as an employer, producer and a user of the natural environment. Further description of the social responsibility can be found in sustainability part of the report.

Equity and Dividend

As of 31st December 2022, the company's equity totalled EUR 144.2 million which corresponds to an equity ratio of 61 per cent. The Board considers Icelandic Salmon AS capital structure to be adequate in relation to the Groups objectives, strategy and risk profile.

Icelandic Salmon intends to provide shareholders with a competitive return on invested capital by creating value for the shareholders in the form of share price appreciation over time. The Group has not paid out any dividends to its shareholder and no decisions nor dividend policy have been made on dividend payments while the Group is following its growth strategy.

The Group follows three main long term financial targets linked to its Net Interest Bearing Debts (NIBD), EBITDA and equity.

- Equity Ratio shall be equal to or exceed 35 per cent.
- Interest Cover measured on a rolling 12-month basis, shall not be measured less than 4.0.
- Leverage (NIBD/EBITDA) measured on a rolling 12-month basis, shall not be measured higher than 5.0.

The Group has not issued any increased share capital and no approval of from the AGM has been issued for any share issues.

The Board of Directors

The Group has an active Board of Directors with a prescheduled meeting agenda throughout the year. At an annual general meeting that took place on 21 May 2021, all members of the current Board of Directors were re-elected for a period of two years.

Board of Directors are comprised of five members elected by the AGM, one female and four males. The board Chairman is elected by AGM. All members of the Board of Directors are representatives of the Groups shareholders and all of them have minority stake in the Group ownership, directly or indirectly through a minority stake in other entities.

10th October 2022, one of the board members, Olav Andreas Eirvik, notified the stock exchange and the Board of Directors that he resigns his seat on Icelandic Salmon AS Board of Directors. A new board member will be elected at the latest at the Groups next AGM in 2023. In his absence until new board member will be elected, Ulrik Steinvik, CFO of SalMar ASA, will take his seat as an observer.

One of the board members is deemed to be independent.

Risk management and internal control

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

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

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

The company has purchased and maintains a Directors and Officers Liability insurance on behalf of the members of the Board of Directors and the CEO. The insurance also covers any employee acting in a managerial capacity. The insurance policy is issued by a reputable insurer with an appropriate rating and has a limit of liability of NOK 100 million.

Audit committee

Arnarlax ehf, the Icelandic Salmon AS subsidiary, is recognized as a public interest company in Iceland. Therefor the Company had to establish an audit committee for Arnarlax ehf. operations. Committee's responsibilities are in relation to Arnarlax ehf. both publicly and according to the committee's mandates. However, as in the nature of the Group's structure, the committee also take upon assignments set to the committee in relations to Icelandic Salmon AS.

The committee main tasks are to prepare the Board's follow-up of the financial reporting process, monitor the Groups internal controls and routines, as well as to maintain an ongoing dialogue with the Group's auditors.

According to the committee mandate, the committee is required to be comprised of a minimum of three persons elected by the Board of Directors annually. All members of the committee shall be independent from the Groups auditors and majority of the committee shall be independent from the Company or the Group.

As of 31st December 2022, the Audit Committee (AC) comprise the following members:

» Trine Sæther Romuld (AC Chairman)
» Tonette Bjørgård (AC member)
» Erik Bjarnason (AC member)

The Audit committee is required to hold five meetings each year and in 2022 the committee held nine meetings. Majority of the audit committee members are considered to be independent from the Group.

Information and Communication

Communication with shareholders, investors and nearby community is a priority for the Group. The objective is to ensure that the financial markets and shareholders receive correct and timely information. All shareholders have access to the same financial information of the Groups operations and all public information are published on the Group's webpage. All notices sent to the EURONEXT stock exchange are also made available on the Groups website www.arnarlax.is.

The Group holds an open investor presentation in association with the publications issued of the year-end and interim results. The presentations are open to all and provide an overview of the Group's operational and financial performance as well as an overview of the Groups operations. These presentations are also made available on the Groups website. The Group publish a financial calendar that indicates the dates of publication of the Groups interim reporting and presentations both on EURONEXT stock exchange news web as on the Groups homepage.

The Group keep good communications to the nearby community with regular information and updates as requested by the municipality in the area where the Group operates. The group has active dialog as well with the authorities as a part of day-to-day activities.

Auditor

The Groups auditor is appointed by the AGM. The auditor shall draw up a plan for the execution of their auditing activities and the plan shall be discussed by the Audit Committee. Auditors shall hold at least one meeting each year with the Board of Directors at which no representatives of the company's management are present. The auditor attends the board meeting at which the year-end Financial Statements are considered. Auditors are also invited to Audit Committee meetings and shall there inform the committee of remuneration payable to auditor, divided between auditing and other services component.

GROUP MANAGEMENT

The Group benefits from a highly competent senior management team, comprising six individuals with extensive first-hand experience in fish farming in Iceland. Working closely with SalMar, one of the world's top producers of farmed salmon, the management team leverages its industry knowledge to drive the Group's success. In addition to their core operations, the Group also plays an active role in developing local educational programs within the aquaculture industry and runs its own Arnarlax Academy to foster the growth of leadership skills and positive company culture.

The Group's management team consist of the following members:

Bjørn Hembre
CEO

Jónas Heiðar Birgisson
CFO

Rolf Ørjan Nordli
COO of Biology

Hannibal Hafberg
COO of Harvest Plant

Kjersti Haugen
CSO of Sales

Silja Baldvinsdóttir
Quality Manager

BOARD OF DIRECTORS

Kjartan Ólafsson, Chairman

Current position: Managing Director of Markó Partners

Mr. Ólafsson has served as the chairman of the board of directors since 2013. He has a MSc in Fishery Science from the University of Tromsø with emphasis on economy and finance. Further, he is founder and managing director of Markó Parnters, an Icelandic Seafood advisory boutique.

Espen Weyergang Marcussen, Board member

Current position: CEO of Pactum AS.

Mr. Marcussen has been the CEO of Pactum AS since 2017. Prior to this, he served as the deputy CEO of the shipping company Bergshav. He has also long experience from investment banking with combined 17 years at Handelsbanken and Nordea. Marcussen holds a siviløkonom degree from the Norwegian school of economics (NHH)

Trine Sæther Romuld, Board member

Current position: CFO of SalMar AkerOcean

Ms. Romuld has extensive experience from a broad range of management positions within seafood, consulting, and auditing, from both Norwegian and international companies. Romuld has more than 10 years' experience as a board member and head of / member of audit committees for listed companies, including Bakkafrost, DNB and Kærner. Romuld is currently a board member and member of the audit committee in Sparebank 1 SR-Bank ASA. Romuld is state authorized public accountant form the Norwegian school of economics (NHH).

Leif-Inge Nordhammer, Board member

Current position: Works in his investment company LIN AS.

Mr. Nordhammer was the CEO in SalMar from 1996 to 2016, with a hiatus from 2011 to 2014. He is a board member of Kverva AS and SalMar ASA as well as chairman of Scottish Sea Farms L.td. He has extensive experience from leadership positions from several companies within aquaculture and has been a part of the industry since 1985. Former companies include Sparebank 1 Midt-Norge, E Boneng & Sønn, Frøya Holding AS and Hydro Seafood AS. Nordhammer has educational background for the Norwegian Armed Forces, Trondheim Business School and University in Trondheim. Nordhammer also seved on the board of directors of Icelandic Salmon from 2016-2019.

Ulrik Steinvik, observant to BOD

Current position: CFO of SalMar ASA

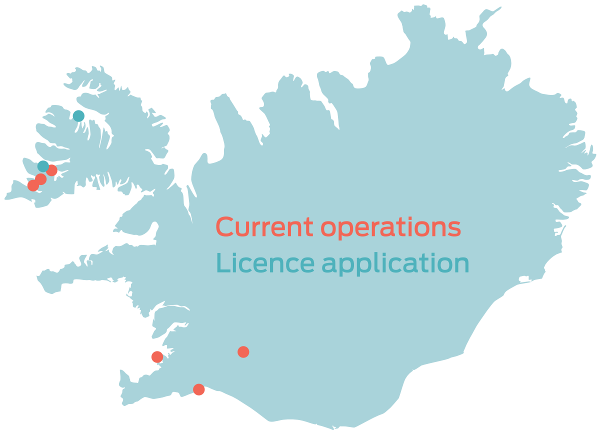
Steinvik started in the position as Director Business Improvement in August 2017 with SalMar ASA. Mr. Steinsvik holds the title as Norwegian state authorized public accountant. Ulrik Steinvik graduated from the Norwegian School of Economics and Business Administration in 2002.

HIGHLIGHTS FOR 2022

Strong organic Growth

Icelandic Salmon has experienced strong organic growth of 40 per cent in harvest volumes from 11,521 tonnes in 2021 to 16,138 tonnes in 2022.

Icelandic Salmon has seen a stable development of its biological performance, but also an Increase in cost levels due to general price increase and inflation. Feed prices in 2022 have increased significantly and represent a high proportion of the Group's cost.



Positive market reception and with higher EBIT

The Group also see a strong improvement in EBIT from EUR 0.63 per kg in 2021 to EUR 2.24 per kg in 2022. This is explained by high market prices, but also strong price achievement compared to market price. The reception of the Group's brand, which was launched in 2021, has been positive. In 2022, the Group achieved a milestone by reaching the end consumer with the brand IceFjord, -premium Icelandic Salmon. In 2022, the Group had a low share of sold volume on contracts at 19 per cent. This was beneficial in periods during 2022 with high spot prices on salmon and is reflected in the financial results.

Continuing investments in smolt production

In 2022, Icelandic Salmon has invested significantly in smolt production by purchasing the remaining 50 per cent of the shares in Eldisstöðin Ísþór. Further investments were made to improve the Group's additional three smolt production facilities; Gileyri, Fjallalax and Laxabraut 5.

The Group now has a smolt capacity of up to eight million smolts, depending on the size of the smolts. This smolt strategy will give the Group larger smolts, which are expected to increase from 154 grams to 250 grams in 2023. This will reduce production time at sea, which again reduce risk and improve biological performance. The smolt strategy is expected to improve the Group's Maximum allowed biomass (MAB) utilization in the upcoming years.

New site approved

The Group received approval for one new site within the 12,200 tonnes license in Patreksfjörður and Tálknafjörður. This will make it possible to increase the output of smolts on that license, supporting improved MAB utilization on this license. The first output from the new site, Vatneyri, is expected to take place in 2024. Additional applications for two new sites within the 10,000 tonnes Arnarfjörður License are expected to be approved in 2023. These new sites will improve the MAB utilization on the Arnarfjörður license.

Enabling further growth, another two applications are being processed by the authorities. The first application of 10,000 tonnes in Ísafjarðardjúp, is expected to be approved in the third quarter 2023. The second application concerns 4,500 tonnes in Arnarfjörður, and there is no expected timing for approval on that one.

Certification

All production within the Group was ASC certified in 2022. This is important documentation for the Group, and the sustainability profile. With the ASC certification, it is documented that the environmental and social responsibility impact of the Group is acceptable and under good governance. This also states that the Group complies with laws and regulations and that employees are treated in a fair way.

FARMED RESPONSIBLY asc CERTIFIED ASC-AQUA.ORG TM

BRCGS Food Safety CERTIFICATED

Supporting the Group's focus on Food Safety, the Group's harvest plant is BRC certified. This certification assures customers that they can eat the Group's excellent salmon, without concerns related to food safety. The Group received the BRC certificate in 2021 and the overall score was upgraded from B to A during the audit in November 2022.

North America

The Group's sales team has worked diligently to utilize the Group's well-established shipping route to the US and Canada to deliver fresh salmon. This transportation method represents a 95 per cent reduction in the Group's CO_2 footprint when compared to airfreight. It also significantly reduces logistic cost. The utilizing of this transportation method will also be prioritised moving forward. The Group's super chill technology in the Harvest Plant makes this transport route possible, due to the increased shelf-life provided by super chill.

Further development of production

In 2022, the Group continued to develop its pre-rigor filet production, together with a third-party fileting contractor. The volumes of filet increased from 123 tonnes in 2021 to 1,100 tonnes in 2022. The strong market interest for the product remains, and volumes are expected to increase in the upcoming years.

Arnarlax Academy

The Group has continued to focus on developing its organization and education. The Arnarlax Academy took place in 2022, and all employees were involved in the process of fostering company culture, and coordinate work streams to reach the Group's operational goals. Efforts to encourage employees to gain a formal education continued in 2022 and 5 employees received their diploma for vocational aquaculture school. In addition, the Group has supported several of its employees to complete higher education.

BOD REPORT FOR 2022

Going concern

The annual Financial Statements for 2022 have been prepared on the assumption that Icelandic Salmon is a going concern under §3-3a of the Norwegian Accounting Act. Regarding the Group's results, Financial Position, backlog and forecasts for the years ahead, the conditions required for continuation as a going concern are hereby acknowledged. In the Board's opinion, the Group's Financial Position is satisfactory.

Groups overview

Icelandic Salmon AS (the "Company") is the sole owner and parent company of Arnarlax ehf., a company incorporated in Iceland. The Company and its subsidiaries are referred to as the "Group" or "Icelandic Salmon". All operational activities in the Group are performed through Arnarlax ehf., and its subsidiaries. The Company acquired remaining shares of one of the smolt facilities previously owned 50/50 with another Icelandic fish farmer. It is now a subsidiary of Arnarlax and consolidated as from that time. The Group is considered a leading salmon farmer in Iceland, controlling the entire value chain from smolt facilities to sales. This organisational structure enables the Group to operate a well-developed and fully integrated value chain, controlling all steps. The Group purchases eggs for its hatcheries, produces its own smolt, has seawater net pen production, operates a harvesting plant and sells sustainable salmon in Europe, North America and the far East.

Global sales of salmon produce are steadily increasing, and the Group is well placed to capitalise on this demand through its pioneering and sustainable approach to salmon production. The Group continues to invest in its future and has done so through biological development, diversifying its range of products and expanding its delivery routes.

The Company's shares are listed on Euronext Growth under the ticker ISLAX. The Group has licenses covering 23.7 thousand tonnes of maximum allowed biomass (MAB). They are all located in the southern part of the Icelandic West fjord region.

The Group currently operates the only salmon harvesting facility in the West fjord region, a key operational asset in the Group's value chain with a total harvesting capacity of 30.0 thousand tonnes per year. The Group also sells harvesting services to third parties to fill up the harvesting capacity. In addition, the Group operates four smolt facilities and sales department.

Smolt Facilities

Four smolt facilities with a combined capacity of 8 million smolt

Seawater

Farming license of MAB 23,700 tonnes across six ASC certified sites in three fjords

Harvesting

Harvesting plant in Bíldudalur with yearly harvesting capacity of 30,000 tonnes

Sales

Sales are conducted by the Group's internal sales organisation to both domestic and global markets

Financial results

The Group generated consolidated operating revenues of EUR 158.6 million in 2022 compared with EUR 90.8 million in 2021, representing a 78 per cent increase. Harvesting increased with 40 per cent from 11.5 thousand tonnes in 2021 to 16.1 thousand tonnes in 2022. Icelandic Salmon harvested an addition 8.6 thousand tonnes for third parties compared to 10.9 thousand tonnes year before.

The operational EBIT as defined in the Consolidated Financial Statements was EUR 36.2 million compared with EUR 7.3 million the year before. For 2022 this corresponds to an Operational EBIT 2.24 per kg harvested fish. Improved market conditions have been the main driver for profit increase along with strong price achievements compared to the market from the Groups sales team.

The price of salmon (NASDAQ Salmon Index) has developed positively when compared with previous years. The price of salmon remained unusually high throughout the first half of the year and the Group benefitted from this and its strategic sales and marketing efforts along with the new brand which lunched in 2021, and relatively low contract shares.

In 2022, the production tax paid to the state was EUR 1.3 million, up from EUR 0.3 million the year before. Fair value adjustments of the biomass were negative EUR 0.2 million, reflecting changes in the biological stock value, as further described in note 3.6 in section 4.

Net financial items amounted EUR 7.2 million in 2022 but was negative by EUR 1,5 million in 2021. Which is mainly explained by the effect of fair value gain of previously owned equity interest in Eldisstöðin Ísþór that amounted EUR 9.0 million for the year 2022. Financial expenses amounted EUR 1.9 million in 2022 compared to EUR 2.0 million in 2021, During the year 2022 there was a currency loss amounting EUR 0.2 million compared to currency gain amounting EUR 0.4 million 2021.

The Group's net profit for the year 2022 increased sharply and amounted to EUR 34.9 million compared to a net profit of EUR 2.4 million for the year 2021.

Cash flow

In 2022, net cash flow from operational activities was positive by EUR 11.6 million compared with negative cash flow of EUR 0.24 million in 2021. Strong operational results is the main reason for the shift between years but at the same time the Group built up its' biological assets at cost by EUR 20.0 million.

Net cash flow from investing activities was EUR 27.2 million in 2022, compared with EUR 14.8 million in the year before. The main investment activities for the year were mainly in acquisition of remaining shares of smolt facility Eldisstöðin Ísþór, which now is within the Group as consolidated entity. In addition, the Group followed its expansion projects with continuing investments in the Groups smolt facilities along with investments in cages, mooring and other farm site related equipment. For next year, the Group foresees continuing investments in farm site related equipment among with purchase of new barges and service boats.

Net cash flow from financing activities amounted EUR 13.7 million in 2022 compared to EUR 15.7 million the year before. The Group has a loan agreement with DNB and Arion Bank which was signed in June 2021 and is valid until June 2024. New interest-bearing debt amounted to EUR 22.6 million.

Cash and cash equivalents at 31st December 2022 was EUR 1.9 million, compared to EUR 3.7 million at end of year 2021.

Balance sheet

The Group's balance sheet on 31st December 2022 was at EUR 235.3 million, up with an increase of EUR 64.3 million from the end of the year 2021. Total equity was EUR 144.2 million with equity ratio of 61 per cent at end of year compared to total equity at EUR 109.3 million and with equity ratio at 64 per cent at the end of prior year.

Non-current assets increased from EUR 88.4 million to EUR 124.5 million in the year and current assets increased from EUR 82.6 million to EUR 110.8 million. The main reasons for increased assets in the year are due to increase in the value of biological assets of EUR 17.2 million as described in note 3.6 in section 4 and an increase of fixed assets due to investment activities.

Non-current liabilities increased from EUR 43.3 million from the end of the year 2021 to EUR 61.0 million as of the end of year 2022. Current liabilities increased from EUR 18.4 million from end of 2021 to EUR 30.1 million at end of year 2022.

As of end of 2022, the Group's trade receivables total EUR 15.0 million and its cash and cash equivalents amount to EUR 1.9 million. This indicates that the Group's liquidity position is robust for the upcoming months.

Risk management

The Group has incorporated rigorous risk management systems and routines as part of its daily operations. These systems and practices monitor important risk factors across the Group's entire operation. They are also regularly assessed to ensure the Group operates in accordance with the highest quality and certification standards.

The Group's Chief Executive Officer is responsible for ensuring that the Group operates in compliance with all relevant legislation and that it operates within the guidelines of each entity. In addition, each line organisation is responsible for the follow-up and control of risk factors and compliance with the Group's values and code of conduct.

Operational risk

The most significant risk to the Group is the development of its fish stock, both in smolt production and at sea farms. The Group is constantly developing and implementing risk-reduction measures to protect its fish stock, but there remains a biological risk that could compromise the Group's overall output.

Part of the biological risks is mortality, sea lice and winter wounds. As part of the Group's risk assessment, it has identified mortality due to winter wounds as one of the main risk factors. This risk was mitigated by decreasing the density of enclosed fish, and larger sea pens for exposed areas.

The Group has identified hatchery mortality as a risk factor and is continuously optimising hatchery production to reduce mortality.

Several salmon diseases remain foreign to the Icelandic waters. To protect the wellbeing of its salmon, the Group has implemented additional procedures to minimize the risk and spread of disease. For Icelandic Salmon, this is important because it keeps costs down and improves financials.

As part of the Group's Icelandic heritage, ensuring that the region remains low on disease and supporting its overall health is considered a priority. Therefore, the Group promotes fish welfare through several initiatives such as having dedicated fish health personnel, vaccination of smolt before being transferred to seawater farms, which has led to zero use of antibiotics.

Icelandic Salmon's unique position in the Westfjords allows the Group to operate in close to disease free waters, supporting low medical treatment cost. As such, the Group refrains from antibiotics throughout the entire production cycle. This is an important part of the Group's daily operations. Icelandic Salmon has also implemented standards to minimize the risk of unknown diseases entering the Icelandic environment to preserve the region's status.

Additional operational risks and measures, including the Groups commitments to fish welfare are laid out in the sustainability part of this report in section 2.

Financial risks

The Group's internal control process ensures that it achieves its strategic objectives and provides reliable and transparent financial reporting. It also ensures that the Group operates efficiently whilst complying with laws and regulations. Monitoring financial risk is part of the Board's ongoing risk management, the effectiveness of which is reviewed annually.

The Group finalised its internal protocol in 2020 and has developed additional policies designed to minimise the risk of incorrect financial reporting. The Group's agreed policies and monitored by its management, ensuring that the procedures are carried out as intended by all employees.

The Group has implemented several procedures and controls to prevent and detect any fraud risk which extends to financial misreporting or risk of any other financial fraud. The primary responsibility for prevention and detection of fraud rest with the Senior management and Audit Committee.

A further overview of financial risks, interest rate risk, foreign exchange risk, credit risk and liquidity risk is included in note 4.1 in section 4.

Market price risk

The salmon market price is a risk to the Group as its operations are based on the production and sale of salmon. The Group's profitability and cash flow are strongly correlated with fluctuating movements in the price of salmon.

To mitigate its potential impact, the Group constantly considers with cost reductions. The Group also regularly considers ways in which to sell a proportion of its stock at a fixed price. This would minimise the risk of fluctuating prices but also poses the risk of the Group not benefitting from high spot market prices.

Volatility in exchange rate can affect the profitability for sales of salmon. Strong local currency can make exports more expensive, while a weaker currency can increase the cost of imported goods, such as feed. To reduce risk of currency fluctuations the Group has implemented process of hedging all fixed price contracts in other currencies than the operational currency. The group has also emphasized on having as much as possible of purchasing contracts in EUR, the Groups operational currency.

Governments can impose regulations and tariffs that affect the price of salmon. Trade disputes and tariffs can disrupt the supply chain and lead to higher prices for customers. This is not considered a major threat when selling to a customer but may have an effect on supply chain.

Climate risk

The climate risks associated with extreme weather, such as high winds, heavy rainfall, and prolonged dry spells, as well as the possibility of rising sea temperatures, have been assessed by the group. To address the risk of extreme winds and waves, all sea installations have been certified to withstand the most severe conditions. The risk of increased rainfall is not deemed to be exceptional as all freshwater activities are supplied by groundwater from wells. Regarding the risk of high temperatures, the group operates in fjords with a temperature range that can tolerate a temperature increase of up to 7 degrees Celsius before reaching critical levels, making the risk negligible.

Liquidity risk

Liquidity risk can be a concern for Icelandic salmon farmers, particularly because they are heavily dependent on the export market. The salmon farming industry is capital-intensive, with significant investments required to establish and maintain hatcheries, sea farms, and processing facilities. The revenues generated by salmon sales can be affected by market fluctuations, which can have a significant impact on cash flow and liquidity.

Additionally, the industry's dependence on international markets for the sale of its products makes it vulnerable to factors such as changes in foreign exchange rates, geopolitical tensions, and global economic conditions. These factors can impact the demand and prices of salmon, leading to reduced revenues and increased risk of illiquidity.

To address liquidity risk, the Group has implemented various mitigating measures. One such measure involves optimizing the cash conversion cycle, while another involves purchasing credit insurance for all customers. The Group regularly updates its liquidity forecasts, which are shared with both management and the Board of Icelandic Salmon. By closely monitoring these forecasts, the Group is better equipped to identify and address any potential threats to its liquidity position in a timely manner.

Sustainability and social responsibility

Icelandic Salmon has a sustainable approach to salmon farming. As part of the Atlantic Ocean surrounding Iceland, the Group adheres to strict quality standards whilst also aiming to be a low-cost producer. The Group can achieve this goal only through sustainable biological production and commits to farming fish conducive to their wellbeing. Combining the best biological results with cost focus and optimal processes, the Group believes this enables Icelandic Salmon to be a cost-effective producer of farmed salmon in Iceland.

The Group recognizes the diversity and importance of its corporate social responsibility as an employer, producer, supplier of healthy food, a user of the natural environment and administrator of financial and intellectual capital. Social responsibility is essential to the Group and incorporated in daily tasks. At the same time, the Group aims to minimise it operations' impact on the natural environment.

The Group is required to report on its corporate responsibility and selected related issues under §3-3a and §3-3c of the Norwegian Accounting Act. Some key priorities are described below. A detailed chapter on all relevant sustainability topics can be found in this report under section 2.

Environmental policy

Salmon farming is considered one of the most environment-friendly ways of producing food and benefits from natural space, freshwater consumption and low greenhouse gas emissions.

Seeking to work in harmony with nature, Icelandic Salmon has a strict environmental policy aiming to make the Group sustainable across its entire operation. The policy includes but is not limited to complying with laws local to Iceland and internationally, adherence to ASC regulation and standards, preventing escapes, optimal feed ratio of the fish, reduction of organic load, using environmentally friendly products and recycling of business materials and waste.

In addition, all farming activity has been through an environmental assessment process. That process includes stakeholder participation and involvement of the Environmental Agency of Iceland, the Food and Veterinary Authority (MAST), the Planning Agency and the Marine and Freshwater Research Institute, among other agencies. The outcome is an extensive environmental report describing the impact of the farming activity, mitigating measurements, and how the environment should be monitored.

Further details of the Groups environmental policy, including its commitment to sustainable fish farming, can be found in Sustainability part of this report under Section 2.

Social and work environment policy

The Group is committed to providing a safe and healthy work environment for all its employees and has an active health and safety committee. All work-related incidents and sickness are monitored and reported by the quality department to the Directors of the Group and reported as such in the Sustainability part of this report under Section 2.

People and society

The Group supports and encourages employees to participate in education and courses provided by the Group or external education that will benefit both employee and the Group. The Group strongly believes in building up a Fish Farm educational program to build a stronger foundation for the industry in Iceland.

Ensuring that the Group operates in line with this value, it actively works to implement a collaborative culture. It does so by offering employees to join the Arnarlax Academy, an educational program introducing employees to the Group's operating structure, governance, and roles of each operating segment. As a result, the Arnarlax Academy supports increased workforce competency.

The program also encourages moral and awareness of the Group's position in the environment, staying true to our values, „We care" and „Teamwork makes us stronger". In addition to this program, the Group provides vocational aquaculture training, which saw 5 employees receive diplomas in 2022 and ten employees in 2021.

As a strong supporter of cultural happenings in local communities, the Group actively supports local initiatives focusing on youth, cultural and sport activities.

Equal opportunities – workforce diversity and inclusion

The Group is committed to build an inclusive business where all forms of diversity are encouraged. The Group also ensures that the necessary internal processes and culture are in place to promote equal opportunity for all. In 2021, the Group obtained equal pay certification and continues to maintain it in 2022.

The Board and senior management are fully committed to providing equal opportunities for all employees, irrespective of race, gender, religion, national origin, disability, or other personal characteristics.

The Group is subject to report annually about its efforts to secure equal opportunities under the „Equality and Anti-discrimination Act of Norway".

The Group has a gender ratio of 26 per cent female and 74 per cent male and actively encourages more female employees to join the business. The Group has as well a multinational workforce whereas in the year 2022 more than 15 nationalities worked for the Group, emphasises the diversity of the Group's workforce.

The Board of Directors of Icelandic Salmon has five members, of which one is female. At year end 2022, the Executive Management team comprised seven people, of which two are female.

Human rights and anti-slavery

The Group fully respects the human rights of all individuals and groups that might be affected by its operations. The Group has a zero-tolerance policy toward human rights violations and illegal conditions and is guided by internationally recognized human rights and labour standards. This is clearly communicated to the Group's suppliers, and Icelandic Salmon will act on any known violation of human rights.

Transparency act

The Group acknowledge the implementation of the Norwegian Transparency Act in July 2022, which is one of the initial measures in the development of guidelines for human rights due diligence. It is anticipated that the EU will also introduce similar regulations soon. The Group is committed to uphold responsible and sustainable practices not only within its own operations but also across our supply chain, prioritizing human rights. The Groups parent company, SalMar, has conducted evaluations to meet the requirements of the Norwegian Transparency Act, evaluating various suppliers that pose a higher risk of violating human rights. Icelandic Salmon AS support these evaluations and stand by them.

Anti-corruption and bribery

The Group is committed to conducting its business ethically and with integrity. Icelandic Salmon will not allow corruption or bribery to occur across any part of its operations. Accordingly, the Group has issued a statement concerning the acceptance of improper or excessive gifts, which can be a form of bribery or corruption, as it is prohibited under the Group's policies and by law. All employees are obligated to report all gifts and offers made to them and reject improper or excessive gifts and offers.

Safe reporting and whistleblowing

The Group is dedicated to creating a safe work environment where employees can safely report wrongdoings in the workplace. All employees are provided whistleblowing training and are protected from reprisal should they file a report.

Outlook

The effects of the pandemic on the salmon market gradually declined in 2021 and from the second quarter 2022 the Group has achieved good market prices. The effect of the pandemic is at a minimum and is expected to remain low throughout 2023. Effects from the pandemic are no longer considered a main risk factor in the Group's operations.

The Group's effort to differentiate and expand its offering have further contributed to improved prices. Important steps to this effect were taken in 2021 with the launch of a new brand *"Arnarlax – Sustainable Icelandic Salmon"*, and with the opening of a climate friendly seaway transportation route for salmon to North America. This has contributed an increased sales to North America and contributed larger market scale into the new year.

The Russian invasion of Ukraine and imposed sanctions have disrupted many supply chains and impacted the price of raw materials such as fish feed, operations, and logistics. At the same time the market has shown a positive price development and increased demand for Atlantic Salmon, balancing the effect of higher cost. The current geopolitical situation has so far had no significant negative impact on the Icelandic Salmon markets. Management will continue to monitor the situation closely.

Acquisition of the remaining shares in smolt facility Eldisstöðin Ísþór, in addition to further investments in the Groups smolt facilities, has secured the Groups smolt need along with better utilization of the MAB license (Maximum allowed biomass). First effect of the Group's investments will be shown in the smolt output in 2023 and further in 2024, and in the Group's operational results in 2024 and 2025.

The Group's harvesting totalled up to 16.1 thousand tonnes in 2022, an increase from 11.5 thousand tonnes in 2021. Continuing investments in the Group's growth projects, including investments in smolt facilities, are expected to bring the Group higher harvesting and revenues in nearby future. The Group expects to harvest 16.0 thousand tonnes in 2023.

The legal framework for Iceland as a new farming region has been developing for the last few years, but still has a considerable potential for improvement and increased predictability. Strategic planning for the future structure of Iceland as a new farming region is an ongoing process. It is of great importance for all our communities and all stakeholders, both from economic and environmental point of view, that the companies will have the opportunity to focus on being internationally competitive. A key success factor will be to further develop all parts of the value chain and utilize economies of scale when competing in the global markets, serving a demanding buyer's universe and fast-growing retailers with fresh Icelandic salmon every week, within the framework of environmentally sustainable production.

The Group's responsibility is to ensure that it conducts itself in the best possible way to provide value to all of the Group's stakeholders, including shareholders, employees, customers, and the local community and waters in which it operates. With a strong balance sheet, the Group has the needed building blocks to further develop and grow without compromising its core mission: to produce sustainable and good quality Icelandic salmon.

The employees continue to be the Group's most essential key to success. Therefore, continuous development of the organisation through learning and development activities remains a strategic focus area for the Group.
The Board would like to take this opportunity to thank all employees for their hard work and dedication throughout 2022 and the shareholders for their continued investment in the Group's vision.

Subsequent events

In the first quarter of 2023, the smolt facility Ísþór, owned by the Group, experienced a high mortality rate due to POX disease. This event was considered extraordinary and was expensed as operational cost in January 2023. The cost incurred amounted to EUR 81 thousand, which was deemed immaterial.

4 FINANCIAL STATEMENTS AND RESULTS

ICELANDIC SALMON AS CONSOLIDATED FINANCIAL STATEMENTS

Statement of Comprehensive Income

In EUR 1000	**Note**	**2022**	**2021**
Revenue from contracts with customers	2.2, 4.6	157,593	90,806
Total operating revenue		**157,593**	**90,806**
Cost of goods sold	4.6	78,406	52,753
Salaries and personnel expenses	2.3, 2.4	17,349	12,180
Other operating expenses	2.5	18,230	12,644
Depreciation	3.4, 3.5	7,456	5,915
Total operating expenses		**121,440**	**83,492**
Operational EBIT	4.6	**36,153**	**7,314**
Production tax		(1,329)	(307)
Onerous Contracts		(122)	0
Fair value adjustments of biomass	3.6	(215)	(2,937)
Operating profit		**34,487**	**4,070**
Income from investment in joint venture		**180**	**3**
Financial items			
Financial income	2.6, 4.5	9,256	144
Financial expense	2.6	(1,915)	(1,969)
Net currency gain		(189)	351
Net financial items		**7,151**	**(1,474)**
Profit before tax		**41,817**	**2,600**
Income tax	2.7	6,901	232
Net profit for the year		**34,917**	**2,367**
Net profit (loss) attributable to:			
Equity holders of the parent company		34,917	2,367
Other comprehensive income			
Items which may subsequently be reclassified to profit or loss			
Translation differences related to joint venture		96	88
Translation differences related to subsidiaries		(314)	(1)
Other comprehensive income (loss) for the year		**(217)**	**87**
Total comprehensive income for the year		**34,699**	**2,454**
Total comprehensive income attributable to:			
Equity holders of the parent company		34,699	2,454
Earnings per share ("EPS"):			
Basic and diluted (EUR per share)	4.3	1.13	0.08

Statement of Financial Position

In EUR 1000	Note	31/12/2022	31/12/2021
Assets			
Non-current assets			
Goodwill	3.1, 3.2	34,740	19,332
Licenses	3.2, 3.3, 4.5	1,626	431
Other intangible assets	3.2, 3.3, 4.5	0	547
Property, plant & equipment	3.4	81,149	52,225
Lease assets	3.5	6,975	5,827
Investment in joint venture	4.4	0	1647
Other long-term receivables	4.5	0	4,964
Deferred tax assets	2.7	0	3,407
Total non-current assets		**124,490**	**88,380**
Current assets			
Biological assets	3.6	84,146	66,899
Inventories	3.6	5,043	2,538
Trade receivables	3.7	15,026	7,323
Other receivables	3.7, 4.1, 4.5	4,748	2,126
Cash and cash equivalents	3.8, 3.9	1,854	3,744
Total current assets		**110,816**	**82,630**
Total assets		**235,306**	**171,010**

Statement of Financial Position

In EUR 1000	**Note**	**31/12/2022**	**31/12/2021**
Equity and liabilities			
Equity			
Share capital	4.2	29,571	29,571
Share premium		88,600	90,622
Other paid-in equity	2.4	(930)	(1,089)
Other equity	2.4	26,976	(9,795)
Total equity		**144,216**	**109,309**
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	3.8, 3.10	51,649	38.465
Lease liabilities	3.5	5,756	4,803
Deferred tax liabilities	2.7	3,576	0
Total non-current liabilities		**60,981**	**43,268**
Current liabilities			
Interest-bearing borrowings	3.8, 3.10	6,230	2,084
Lease liabilities	3.5, 3.10	1,186	1,086
Trade payables		11,702	9,699
Tax payables	2.7	1,341	0
Provision for onerous contracts	3.11	122	0
Other payables	3.8, 3.11, 4.5	9,528	5,564
Total current liabilities		**30,109**	**18,433**
Total liabilities		**91,090**	**61,701**
Total equity and liabilities		**235,306**	**171,010**

Bíldudalur, 21 April 2023

Kjartan Olafsson,
Chairman of the Board

Trine Sæther Romuld
Member of the Board

Espen Weyergang Marcussen,
Member of the Board

Leif-Inge Nordhammer,
Member of the Board

Bjørn Hembre,
CEO

Consolidated statement of cash flow

In EUR 1000	Note	2022	2021
Cash flow from operating activities:			
Profit before tax		41,817	2,600
Adjustments to reconsile profit for tax to net cash flows:			
Deprecation	3.4, 3.5	7,456	5,915
Share based payment expense	2.4	158	209
Net foreign exchange diffrences and other items		(1,054)	136
Financial expenses (debt/borrowings and leases)	2.6	1,915	1,969
Financial revenue (interest income)	2.6	(288)	(144)
Share of (loss) profit from joint ventures		(180)	(3)
Fair value gain related to remeasured shares in joint venture	4.5	(8,968)	0
Change in fair value of biomass	3.6	215	2,937
Working Capital changes:			
Change in inventories and biomass recognized at cost	3.6	(19,967)	(13,470)
Change in payables and receivables	3.6, 3.7	(9,486)	(392)
Net cash flow to from operating activities		**11,619**	**(244)**
Cash flow from investing activities:			
Proceeds from from sale of property, plant & equipment		178	12
Purchase of property, plant & equipment	3.4	(16,617)	(12,886)
Acquisition of a subsidiary, net of cash received	4.5	(10,537)	0
Other investments		(267)	(1,905)
Proceeds of interest income	2.6	68	8
Net cash flow to investing activities		**(27,176)**	**(14,771)**
Cash flow from financing activities:			
Proceeds from new interest-bearing debt	3.10	22,630	25,171
Repayment of interest-bearing debt	3.10	(5,828)	(4,826)
Payment of principal portion of lease liabilities	3.5	(1,192)	(785)
Paid interest (debt/borrowings and leases)	2.6	(1,943)	(2,233)
Share based payments		0	(1,618)
Net cash flow from financing activities		**13,667**	**15,709**
Net change in cash and cash equivalents		(1.890)	694
Cash and cash equivalents as at 1 Jan		3,744	3,050
Cash and cash equivalents as at 31 Dec		**1,854**	**3,744**

Consolidated Statment of changes in Equity

Amounts in 1000 EUR

					Other equity				
2021	Note	Share capital	Share premi-um	Other paid-in equity	Restricted reserve	Statutory reserve	Translation differences	Retained earnings	Total equity
Equity as at 1 Jan 2021		29,571	90,622	288			(1,219)	(11,084)	**108,178**
Net profit for the year		0	0	0	0	0	0	2,367	**2,367**
Other comprehensive income									
Translation difference of foreign interest		0	0	0	0	0	87	0	**87**
Total comprehensive income for the year		**0**	**0**	**0**	**0**	**0**	**87**	**2,367**	**2,454**
Share-based payment, expensed	2.4	0	0	209	0	0	0	0	**209**
Share-based payment, settlement	2.4	0	0	(1,585)	0	0	0	(33)	**(1,618)**
Other changes		0	0	0	0	0	(178)	265	**87**
Other transactions		**0**	**0**	**(1,376)**	**0**	**0**	**(178)**	**232**	**(1,322)**
Equity as at 31 Dec 2021		**29,571**	**90,622**	**(1,089)**	**0**	**0**	**(1,310)**	**8,485**	**109,309**

					Other equity				
2022	Note	Share capital	Share premi-um	Other paid-in equity	Restricted reserve	Statutory reserve	Translation differences	Retained earnings	Total equity
Equity as at 1 Jan 2022		29,571	90,622	(1,089)	0	0	(1,310)	(8,485)	**109,309**
Net profit for the year		0	0	0			0	34,917	**34,917**
Uncovered loss moved against Share premium		0	(2,023)	0	0	0	0	2,023	**0**
Share in subsidiaries- restrictive reserve		0	0	0	8,971	0	0	(8,971)	**0**
Statutory reserve		0	0	0	0	3,527	0	(3,527)	**0**
Other comprehensive income									
Translation difference of foreign interest		0	0	0	0	0	(217)	49	**(168)**
Total comprehensive income for the year		**0**	**(2,023)**	**0**	**8,971**	**3,527**	**(218)**	**24,491**	**34,749**
Share-based payment, expensed	2.4	0	0	158	0	0	0	0	**158**
Other transactions		**0**	**0**	**158**	**0**	**0**	**0**	**0**	**158**
Equity as at 31 Dec 2022		**29,571**	**88,600**	**(930)**	**8,971**	**3,527**	**(1,528)**	**16,006**	**144,216**

Restricted reserve

Restricted reserves refers to restricted equity in Arnarlax (subsidiary of Icelandic Salmon). The equity is restricted until the subsidiaries of Arnarlax distribute dividend in excess of accumulated profits, which is the restricted amount, to Arnarlax.

Statutory reserve

According to the Icelandic private limited companies law nr. 138/1994 at least 10 per cent of the profit of the Group which is not devoted against losses from previous years and is not contributed to other legal reserves must be contributed to the statutory reserve until it amounts to 10 per cent of the share capital. When that limit has been reached the contribution must be at least 5 per cent of the profit until the statutory reserve amounts to 25 per cent of the share capital of relevant Company of the Group.

Amounts in 1000 EUR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2022

1. General information, significant accounting policies, judgements, estimates and assumptions

1.1 Corporate information

Icelandic Salmon AS (the "Company" or "Icelandic Salmon" is a limited liability company, incorporated in Norway and headquartered in Kverva. The address of its registered office is Industriveien 51, 7266 Kverva, NORWAY. The Ultimate Parent Company is Kvarv AS.

Icelandic Salmon is the leading salmon farmer in Iceland and the main operation of the Group is production, processing and sale of seafood and seafood-based products.

The Consolidated Financial Statements of the Group for the year ended December 2022 were approved by the Board of Directors on 21 April 2023.

1.2 Basis for preparation

The Consolidated Financial Statements of the Company for the year ended on 31 December 2022 incorporates the Financial Statements of the Company and its subsidiaries which are collectly referred to as "the Group". The Consolidated Financial Statements of the Group comprise the Consolidated Statements of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of cash flow and Consolidated Statement of changes in equity and related notes. The Consolidated Financial Statements of the Group for the year ended 31 December 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by The European Union ("EU"), as well as additional disclosure requirements pursuant to the Norwegian Accounting Act.

The Consolidated Financial Statements have been prepared on a historical cost basis, except for biological assets that have been measured at fair value. Further, the Consolidated Financial Statements are prepared based on the going concern assumption. All figures are presented in EUR thousands (000), except when otherwise noted.

The Consolidated Financial Statements of the Group are prepared in accordance with the same accounting principles as the Consolidated Financial Statements for 2021.

Amounts in 1000 EUR

1.3 Significant accounting policies

The Company has selected a presentation in which the description of accounting policies as well as estimates, assumptions and judgmental considerations are disclosed in the notes to which the they relate. A summary of significant and other accounting policies not disclosed in the notes, are summarized below:

Presentation currency and functional currency
The Consolidated Financial Statements are presented in EUR, which is also the functional currency of the Company and Arnarlax ehf. (subsidiary) where the Groups main operation is.

The functional currency is determined in each company within the Group based on the currency within the primary economic environment of that company. Transactions in foreign currency are translated to functional currency using the exchange rate at the date of the transaction. Monetary items in foreign currency are at the end of the reporting period translated to functional currency using the closing rate. Differences arising on settlement or translation of monetary items are recognized in the Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

For presentation purposes, items in the Statement of Financial Position are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within the Statement of Comprehensive Income are translated from functional currency to presentation currency by applying monthly average exchange rates. If currency rates are fluctuating significantly, transaction date exchange rates are applied for significant transactions. Translation differences are recognized in other comprehensive income.

Basis of consolidation
The Group's Consolidated Financial Statements comprise the Parent Company and its subsidiaries as of 31 December 2022. Consolidated companies have been assessed as being controlled by the Group during the reporting period.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Intercompany transactions, balances and unrealized gains or losses on transactions between Group companies are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Amounts in 1000 EUR

Business combinations are accounted for by using the acquisition method. The consideration transferred is measured as the fair value of the assets transferred, equity instruments issued, and liabilities incurred or assumed at the date of exchange. All acquisition-related costs are recognized in Statement of Comprehensive Income except for costs to issue debt or equity, which are recognized in accordance with IFRS 9 and IAS 32. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognized directly in the Statement of Comprehensive Income.

Company's within the Group:		**Ownership**			
Subsidiary	**Registered office**	**2022**	**2021**	**Parent Company**	**Country**
Arnarlax ehf.	Strandgata 1, 465 Bíldudalur	100%	100%	Icelandic Salmon AS	Iceland
Fjallalax ehf.	Strandgata 1, 465 Bíldudalur	100%	100%	Arnarlax ehf.	Iceland
Eldisstöðin Ísþór ehf.	Nesbraut 25, 815 Þorlákshöfn	100%	50%	Arnarlax ehf.	Iceland

Current versus non-current classification

An asset is current when it is:
- Expected to be realized or intended to be sold or consumed in the normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle,
- It is held primarily for the purpose of trading,
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Cash and short-term deposits

Cash and cash equivalents in the Statement of Financial Position and the Statement of Cash Flows includes cash and restricted cash with a restriction less then three months from end of the reporting period.

Equity and share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction from the proceeds received.

Equity is defined as any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Statement of cash flows

The Consolidated Statement of cash flows is prepared using the indirect method.

Amounts in 1000 EUR

New accounting standards

New standards and interpretations adopted and effective during the periods

The following new IFRS standards have been adopted by the Group effective 1 January 2022:

IAS 16 (Amendments) – Property, Plant and Equipment – Proceeds before Intended Use	The IASB issued amendments to IAS 16, which prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use; that is, proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The adoption of the amendments did not have a material impact on the Consolidated Financial Statements of the Group.
IAS 37 (Amendment) – Onerous Contracts – Cost of Fulfilling a Contract	The IASB issued amendments to IAS 37 to specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. The adoption of the amendments did not have a material impact on the Consolidated Financial Statements of the Group.
Annual Improvements to IFRS Standards 2018-2020 Cycle IFRS 9 Financial Instruments	The IASB issues amendments on IFRS 9, which clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. The adoption of the amendments did not have a material impact on the Consolidated Financial Statements of the Group.

New and revised IFRSs in issue but not yet effective

The Group has not early adopted new standards or amendments to IFRSs that have been issued and are permitted for early adoption. The following amendments are effective from 1 January 2023:

IFRS 10 and IAS 28 (Amendments) – Sale or Contribution of Assets between Investor and its Associate or Joint Venture	The IASB issues amendments to IFRS 10 and IAS 28, which relate to situations where there is a sale or contribution of assets between an investor and its associate or joint venture. The amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The Group anticipates that the application of these amendments may have an impact on the Consolidated Financial Statements in future periods should such transactions arise.

Amounts in 1000 EUR

IAS 1 (Amendments) – Classification of Liabilities as Current or Non-Current	The IASB issues amendments to IAS 1, which affect the presentation of liabilities as current or noncurrent in the statement of Financial Position. The amendment does not impact the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or noncurrent is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The Group anticipates that the application of these amendments may have an impact on the Consolidated Financial Statements in future periods.

Annual Improvements to IFRS Standards 2018-2020 Cycle

The Annual Improvements include amendments to the following Standards that are relevant to the Company:

IFRS 16 Leases	The IASB issues amendments on IFRS 16, which removes the illustration of the reimbursement of leasehold improvements. As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.
AS 1 Presentation of Financial Statements, Practice statement 2 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	The IASB issues amendments to IAS 1, which affect the presentation of liabilities as current or noncurrent in the statement of Financial Position. The amendment does not impact the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or noncurrent is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The Group anticipates that the application of these amendments may have an impact on the Consolidated Financial Statements in future periods.
IAS 12 Income Taxes	The aim to improve accounting policy disclosures and to help users of the inancial Statements to distinguish between changes in accounting estimates and changes in accounting policies. The amendment is effective for annual periods beginning on or after 1 January 2023.

The Management of the Company do not expect that the adoption of the amended standards listed above or other issued new standards and amendments scheduled that become effective in subsequent periods will have a material impact on the Consolidated Financial Statements of the Group in future periods.

Amounts in 1000 EUR

1.4 Significant accounting judgements, estimates and assumptions

The preparation of the Consolidated Financial Statements in accordance with IFRS and applying accounting policies requires management to make judgments, estimates and assumptions about the reported amounts of assets, liabilities, revenues and expenses that are not readily apparent from other sources. The estimates and associated assumptions are based on information available when the Consolidated Financial Statements are prepared, historical experience and other factors that are considered to be relevant. Existing circumstances and assumptions may change due to events arising that are beyond the Group's control. Therefore, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates:

- Fair value measurement of biological assets (see note 3.7 for relevant disclosures)
- Impairment considerations of goodwill (see note 3.2 for relevant disclosures)
- Fair value measurement of assets and liabilities acquired in business combinations (see note 4.5 for relevant disclosure)

The Group has conducted an analysis of the impact of climate risk on its operations, as detailed in Section three of the Board's report on risk assessment. As of the reporting date, the Group has deemed the risk to be negligible.

Amounts in 1000 EUR

2. Financial results

2.1 Operating Segments

Accounting principles

An operating segment is a component of an entity:

a. That engages in business activities from which it may earn revenues and incur expenses
b. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and
c. for which discrete financial information is available.

The operating segments represents the business units for which the chief operating decision maker monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The Group owns and operates fish farming in the Icelandic fjords and the main purpose of the Group is production, processing and sale of seafood and seafood-based products, as well as conducting other business in connection with the purposes, including through investments and ownership in other companies with same purpose. 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 report.

Amounts in 1000 EUR

2.2 Revenue from contracts with customers

Accounting principles

The Group recognizes revenue from the sale of salmon at the point in time when control of the goods is transferred to the customer. The transfer of control to the customer depends on shipping terms, but will normally occur when the goods are delivered to the customer. Other revenues from the sale of services relate primarily to the sale of harvesting services. Revenue from contracts with customers is recognized when control of the goods and the service has been transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and/or service.

Revenues from contracts with customers are recognized in the Statement of Comprehensive Income or loss net of discounts. Transaction prices are fixed upfront without any variable consideration. There is no right of return and refunds are only given if delivered goods are damaged or if there is a discrepancy in delivered goods compared to agreements. The normal credit term is 21 days upon delivery to the customers. Refunded amounts have historically been immaterial.

Revenue recognized at point in time (sale of goods) and revenue recognized over time (other revenue) is as follows:

Specifications of revenue	2022	2021
Sales of goods	148,657	81,628
Other revenue	8,936	9,177
Revenue from contracts with customers	**157,593**	**90,806**

Disaggregated revenue from contracts with customers

The Group's revenue based on geographical markets from contracts with customers in which the revenue is earned are presented below:

Group revenues by geographical market:	2022	%	2021	%
Europe, excl. Norway	88,710	56.3%	57,597	63.4%
USA	34,335	21.8%	12,464	13.7%
Norway	26,255	16.7%	16,110	17.7%
Other	8,293	5.3%	4,635	5.1%
Revenue from contracts with customers	**157,593**	**100.0%**	**90,806**	**100.0%**

The primary operational income for the Group is denominated in EUR. In 2022, 61 per cent of the Group's operational income was generated in EUR, while other operational income was mostly in USD. Since exchange rate volatility can impact the profitability of salmon sales, the Group has taken steps to mitigate currency risk by hedging all fixed price contracts denominated in currencies other than the operational currency.

Amounts in 1000 EUR

2.3 Salaries and personnel expenses

Salaries and personnel expenses	**2022**	**2021**
Salaries, incl. holiday allowance and bonuses	12,998	8,843
Social security and employers national insurance expenses	1,049	697
Pension expenses	1,504	1,101
Other benefits	1,798	1,539
Total salaries and personnel expenses	**17,349**	**12,180**
Number of full-time equivalents employed during the financial year:	177	135

Pension expenses related to defined contribution which consists of expense incurred by the Group for employees that are required by local laws to participate in pension schemes. These pension schemes are not sponsored or administered by the Group. Pursuant to the requirements of the schemes, the Group is required to contribute a certain percentage of its payroll costs to the pension schemes. Such contributions are charged to the consolidated statements of comprehensive income in the period they incurred in accordance with the rules of the pension schemes. The Group has no further payment obligations once these contributions have been paid.

Remuneration to Group management:	**2022**	**2021**
Bjørn Hembre, CEO	428	342
Management group Arnarlax, consist of three COO's, QM, CBDO and CFO	902	798
Total remuneration to Group's management	**1,330**	**1,140**

Remuneration to BOD:		
Fee to members of the BOD	103	21
Total remuneration to Group's BOD	**103**	**21**

All fixed salary employees, including the management of the Group, have performance-related bonus scheme. Performancerelated bonus is based on shared goals and individual valuation. The amount of the bonus is set by the Board of Directors at the beginning of each bonus period as fixed percentage of the EBIT for the Group and is decided on by the valuation of the management and the CEO. The total bonus amount for the year 2021 was set by the Board of Directors as two per cent of the operational EBIT for the Group and was paid out to all employees under the scheme in January 2022. The CEO and part of the senior executive team were granted performance-related bonuses in addition to the fixed salary bonus scheme. BOD approved similar bonus scheme for the year 2022 that was expensed during the operational year but paid out in January 2023.

In the reporting period the Group's management consisted of seven personells from which six of them living in the local community near the company's headquarters. The management, as well as other personells, that live near the company headquarters all pay taxes and obligations to the local municipalicy as laws and regulations apply. Further breakdown and information on taxes and obligations to the authorities can be found in the community footprint issued on the Group's website.

Amounts in 1000 EUR

Note 2.4 Share-based incentive schemes

Accounting principles

The Company operates an equity-settled, share-based compensation scheme, under which the Company receives services from Arnarlax's employees as consideration for equity instruments (stock options) of the Company. Equity-settled share based options are measured at the fair value of the equity instruments at the grant date using Black-Scholes valuation model, excluding the effect of non-market-based vesting conditions. The fair value determined at the grant date is expensed and recognized in employee benefits on a straight-line basis over the vesting period of the options with a corresponding increase in equity. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-marketbased vesting conditions and recognizes any impact in the Statement of Comprehensive Income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

On 19 February 2021, the Company granted 205,850 share options with an exercise price of NOK 115.00, respectively, to the CEO and certain key employees. The Company's intention is that the options will be equity-settled. The option holders must stay in the employment of the Group over a vesting period of three years from the grant date until 19 February 2024. As at 31 December 2022, the fair value of the agreements was determined to be EUR 504 thousand and pro rata accrual in the amount of EUR 158 thousand was expensed as other employee benefits, with a corresponding entry to other paid-in equity.

	2022		2021	
	Number of shares '000	Weighted avg exercise price	Number of shares '000	Weighted avg exercise price
Outstanding at the beginning of period	194	533	165	212
Granted during the period	0	0	206	564
Forfeited during the period	(10)	(29)	(12)	(31)
Exercised during the period	0	0	(165)	(212)
Outstanding at the end of period	184	504	194	533
Average remaining contractual life at year-end		1.2		2.2

Amounts in 1000 EUR

Estimate of the year's award was based on the following assumptions:

	2022
Date of award	19.2.2021
Plan	2021
Volatility	34.88%
Risk free rate	0.54%
Share price at date of award	115
Weighted average fair value on date of award	28.01
Option's lifespan	1.2
Model employed	Black-Scholes

Directors' and key employees's interests in the Share-based incentive scheme

				Number outstanding	
Date of grant	Expiry date	Key employees	Exercise price	31/12/2022	31/12/2021
2021	2024	CEO Björn Hembre	115	100,000	100,000
2021	2024	Company's Directors	115	51,600	51,600
2021	2024	Other key employees	115	32,305	42,800
				183,905	**194,400**

During the year 2022 the Group recognized total expenses of EUR 158 thousand (2021: EUR 209 thousand) related to share-based payment transactions, which are included in Salaries and personnel expenses in the statement of other comprehensive income.

Salmar ASA RSU program (2021 and earlier):
The parent of the Company, SalMar ASA, operates a restricted share scheme in which the companies within its control receive services from employees in return for equity instruments in the Parent. In 2021 EUR 33 thousand was paid to SalMar ASA by Arnarlax ehf with a contra entry against other equity. By the end of year 2021 Arnarlax employees are no longer part of the SalMar ASA RSU program and no payments were made during the year 2022.

Amounts in 1000 EUR

Note 2.5 Other operating expenses

Specification of other operating expenses:	2022	2021
Services, marketing and travel expenses	6,325	4,593
Maintenance expenses	4,125	2,544
Operating equipment & consumables expenses	3,599	1,777
Other expenses	2,923	2,833
Freight & delivery expenses	503	310
Fee expenses	426	294
Insurance expenses	329	293
Total	**18,230**	**12,644**

The Company pays fees based on the Company's licenses and production

During one of the Group's regular safety inspections at the end of August 2021, a hole was discovered in one pen at the Haganes location in Arnarfjörður. Immediately after, employees initiated appropriate measures in accordance with the Group's well-established response plan and informed relevant authorities. No employee was harmed. Following the incident, the Group has adapted its routines to prevent future potential incidents of this kind.

In October 2022, following the final harvest from the pens, the Icelandic Food Authority (MAST) initiated its own investigation of the incident. The MAST investigation concluded by administrating the Group with a EUR 819 thousand fine for not having reported the incident at an earlier stage. Arnarlax is confident that the Group reported the incident within an appropriate timeframe after discovery. The Group has appealed the MAST's decision on the grounds of having responded appropriately when the incident was discovered and in line with laws and regulations. The fine is included in other expenses.

Environmental fees

The Company pays fees to Icelandic environmental fund. Environmental fund of fish farming operates based on law no. 71/2008, on fish farming, and is an independent fund owned by the state and is administrated by the Ministry of Fisheries and Agriculture and collected by the Icelandic Food and Veterinary Authority. The fund's objective is to limit the environmental effects caused by fish farming. Holders of operational permits of fish farming pay a yearly fee to the fund and as such the Company paid a total of EUR 0.6 million in 2022 compared to EUR 0.5 million in 2021. The fee is based on fixed price of 20 SDR for each tonnes of the Company's production license. Environmental fees are included in the cost of goods sold.

Amounts in 1000 EUR

Production tax (Resource fee)

The Company pays fees to aquaculture fund categorized as production tax. Fees to aquaculture is based on law no. 89/2019 on fees for fish farming in the sea. The Directorate of Fisheries shall assess and charge the fee amount in accordance with guidelines laid down in the 2nd article of the same law. According to a temporary provision of the law, the amount of the fee was 3/7th of the calculated fee in 2022 and will be 4/7th in 2023. From 2026 the fee charged will be full fee in accordance with the law. Resource fee imposed on the Company was calculated to EUR 1.3 million for the year 2022 compared to EUR 0.3 million in 2021. The calculation is based on average NASDAQ prices from the period of August to October from the year before. Tax percentage is also based on same price table. For taxation in 2022, the NASDAQ median value price was 5.31 EUR/kg. in 2021 that set the tax percentage to 3.5 per cent of harvested volume of gutted weight. For taxation in 2021, the median value price was 4.31 EUR/kg. setting the tax percent to 2.0 per cent. This shows that production tax has more than four folded between years. To highlight the performance of underlying operations before deduction of the production tax, the Company has chosen to report it on a separate line in the Statement of Comprehensive Income below Operational EBIT.

Auditor:

The remuneration (excl. VAT) paid to the Group's auditor breaks down as follows:

2022	**Others**	**EY**	**Total**
Statutory auditing services	31	258	289
Other services	0	18	18
Total	**31**	**275**	**306**

2021	**Others**	**EY**	**Total**
Statutory auditing services	176	111	286
Other services	25	0	25
Total	**200**	**111**	**311**

Remuneration paid to the Group's auditors are included in other operating expenses in the Statement of Comprehensive Income.

Amounts in 1000 EUR

Note 2.6 Financial income and expenses

Financial income	**2022**	**2021**
Interest income	288	144
Fair value gain of previously owned equity interest*	8,968	0
Total financial income	**9,256**	**144**

*See further note 4.5

Financial expenses	**2022**	**2021**
Interest expenses on debts and borrowings	1,643	1,827
Interest expenses on lease liabilities	272	142
Total financial expenses	**1,915**	**1,969**

Note 2.7 Tax expense

Accounting principles

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all differences between the book value and tax value of assets and liabilities.

Deferred tax assets are recognized when it is probable that the relevant tax entities will have a sufficient profit for tax purposes in subsequent periods to utilize the tax asset or when there are taxable temporary differences that will reverse in future periods. The companies recognize previously unrecognized deferred tax assets to the extent it has become probable that the company can utilize the deferred tax asset. Similarly, the Company will reduce a deferred tax asset to the extent that the Group no longer regards it as probable that it can utilize the deferred tax asset.

Deferred tax and deferred tax assets are measured based on the expected future tax rates applicable to the companies in the Group where temporary differences have arisen.

Deferred tax assets and deferred tax are recognized at their nominal value and classified as non-current assets and long-term liabilities in the Statement of Financial Position.

Taxes payable and deferred taxes are recognized directly in equity to the extent that they relate to equity transactions.

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Amounts in 1000 EUR

Current income tax expense:	**2022**	**2021**
Change deferred tax/deferred tax assets (ex. OCI effects)	6,901	232
Total income tax expense	**6,901**	**232**

Reconciliation deferred tax (liablities)/assets	**2022**	**2021**
Deferred tax assets recognized in the Consolidated Statement of Financial Position at 1 January	3,407	3,677
Tax recognized in the Concolidated Statement of Comprehensive Income	(6,901)	(232)
Tax recognized trough equity	0	(37)
Deferred tax associated with acquisitions	(1,216)	0
Tax payable	1,341	0
Translation differences	(207)	0
Deferred tax (liabilities)/assets recognized in Consolidated Statement of Financial Position 31.12.2022	**(3,576)**	**3,407**

Deferred tax (liabilities)/assets are split as follows:	**2022**	**2021**
Property, plant and equipment	(11,172)	469
Biological assets	(5,832)	(5,795)
Other current assets	(152)	(4,724)
Liabilities	60	5,200
Losses carried forward (including tax credit)	4,945	25.407
Exchange rate difference	(783)	296
Basis for deferred tax (liablities)/assets:	**(12,935)**	**20.854**

Calculated deferred tax (liabilities)/assets	**(2,587)**	**4,171**
- Deferred tax assets not recognized	989	763
Net deferred tax (liabiliites)/assets recognized in Consolidated Statement of Financial Position	**(3,576)**	**3,407**

Reconciliation of income tax expense	**2022**	**2021**
Profit before taxes	**41,817**	**2,600**
Income tax expense at corporate income tax rate in Norway (22%)	9,200	572
Effect of tax rates outside Norway	(836)	(52)
Non-taxable and non-deductible items	(1,463)	(281)
Deferred tax assets not recognized current year	(0)	(7)
Recognized in Consolidated Statement of Comprehensive Income	**6,901**	**232**

Carry forward loss	**Fjallalax ehf.**	**Eldisstöðin Ísþór ehf.**	**Icelandic Salmon AS**	
Loss for 2020, expires end of 2030	313	0	0	313
Loss for 2021, expires end of 2031	91	392	0	483
Loss for 2022, expires end of 2032	21	0	0	21
No expiry (tax loss Norway)	0	0	4,127	4,127
Total carry forward loss	**426**	**392**	**4,127**	**4,945**

For losses carried forward in Norway (Icelandic Salmon AS) and for Fjallalax ehf in Iceland, no deferred tax asset is recorded.

Amounts in 1000 EUR

3. Assets and liabilities

3.1 Goodwill

Accounting principles

Goodwill represents the excess of the purchase price of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities, contingent liabilities, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment at least annually, and whenever there is an indication that the asset may be impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The value in use calculation is performed using discounted expected future cash flows. The discount rate applied to these cash flows is based on the weighted average cost of capital and reflects current market assessments of the time value of money.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating unit (CGU) that is expected to benefit from the business combinations, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill	**31/12/2022**	**31/12/2021**
Carrying amount at beginning of the year	19,332	19,332
Addition business combination*	15.407	0
Carrying amount at year end	34,740	19,332

*See further note 4.5.

Amounts in 1000 EUR

3.2 Impairment

Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill and indefinite lifetime liceneses relates. If the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group comprise of one CGU for goodwill being the icelandic fish farming operations of Arnarlax ehf.

The table below outlines the carrying amounts of goodwill at year ended:

	2022	2021
Arnarlax ehf.	19,332	19,332
Eldisstöðin Ísþór ehf.	15,407	0
Total Goodwill	**34,740**	**19,332**

Basis for determining the recoverable amount
Impairment is tested by calculating the recoverable amount of the CGU. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on the financial forecast for the period 2023-2026 that has been approved by management and the Board of Directors. Cash flows beyond 2027 have been extrapolated using a 2.5 per cent terminal growth rate. An impairment loss is recorded if the carrying amount of the CGU exceeds the estimated value in use.

The Group has determined that the following assumptions are the key assumptions used in determining the current estimate of value in use:

- Forcasted harvested volume
- EBIT/kg
- Forcasted market price for harvested products
- Investment (CAPEX) forcast
- Discount rate (WACC)

Harvest volume
Forecast of harvested volume are estimated based on current production and future harvesting plans, adjusted for expected increases in future output given current licenses.

EBIT/kg
EBIT per kg is volitile to fluctuations in the price of salmon. Forecast market prices for the harvested products are based on market data from Fishpool (fishpool.eu). Estimates for production cost are based on historical figures and expectations.

Investment (CAPEX) forcast
A detailed CAPEX forecast is used which includes CAPEX needed for the forecast increase in production. Investment after 2026 have been estimated with simplified approach to estimate the maintenance investment of assets required to maintain the production volume.

Amounts in 1000 EUR

Discount rate (WAAC)

The discount rate used reflects management's estimate of the risk specified for the CGU. The discount rates are based on the Weighted Average Cost of Capital (WACC) methodology. In the model a ten-year risk-free rate has been used. Calculation of the final discount rates also takes into account market risk premium, debt risk premium, gearing and beta value. In the calculations, the Group has applied estimated cash flows after tax. The discount rate for the year 2022 is estimated post - tax 10.2 per cent compared to 7.8 per cent previous year.

Sensitivity

In connection with the impairment testing of intangible assets, a sensitivity analysis has been performed. With the assumptions used, the recoverable amount of the cash-generating unit was in reasonable excess of its carrying amount as of 31 December 2022 and 2021. There is sufficient headroom in place and that there are no triggers indicating that impairment is necessary. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount of the cash-generating unit is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

Based on the above assessments, there were no impairment indicators identified related to the fish farming licenses or goodwill as of 31 December 2022.

Amounts in 1000 EUR

Note 3.3 Other intangible assets

Accounting principles
Intangible assets that are purchased individually are capitalized at acquisition cost. Intangible assets acquired in connection with the purchase of a business entity are capitalized at acquisition cost when the criteria for separate posting are met.

	Licenses	Other intangibles	Total
Carrying amount at 1 January 2021	**0**	**0**	**0**
Additions	431	547	978
Carrying amount at 31 December 2021	**431**	**547**	**978**
Business combination moved to licenses	547	(547)	0
Additions new licenses	267	0	267
Additions business combinations	381	0	381
Carrying amount at 31 December 2022	**1,626**	**0**	**1,626**

Licenses
Licenses that the Group owns and has purchased are capitalized at their cost. In Iceland, licenses are granted for a period of 16 years and must then be renewed. Licenses will be renewed if the applicant meets the prevailing statutory and regulatory requirements at the time the license comes up for renewal. A small charge must be paid for the license's renewal. As licenses have a contractual 16 year lifetime, with the possibility of renewal, the Group has elected to presume that these licenses have indefinite useful lifetime. They are therefore not amortized, but tested annually for impairment.

In 2022, the Group invested significantly in smolt production by purchasing the remaining 50 per cent of the shares in Eldisstöðin Ísþór. The Group now has a smolt capacity of up to eight million smolts, depending on the size of the smolts. This smolt strategy will give the Group larger smolts, which are expected to increase from 150 grams to 200 grams in 2023. This will reduce production time at sea, which again reduce risk and improve biological performance. The smolt strategy is expected to improve the Group's Maximum allowed biomass (MAB) utilization in the upcoming years.

The Group currently holds license of 23,700 tonnes maximum allowed biomass in the southern part of the Icelandic Westfjords, Arnarfjörður, Patreksfjörður and Tálknafjörður. In 2022 the company got revisions on two current licenses. In Patreksfjörður a site was moved further out the fjord to a more optimal farming location. The new site will be used for the first time in 2024. In Arnarfjörður, the company got an updated licenses where the size of three of companies' sites was increased. The Group also got a renewal on a license in Fossfjörður for 1,500 tonnes MAB.

Application for 10,000 tonnes MAB in Ísafjarðardjúp is still being processed at the Icelandic Food and Veterinary Authority and the Environmental Agency who give out the licenses. Coastal planning was taken in to affect in 2023 and issues regarding farming sites inside white beams from lighthouses were raised resulting in delays of license process. The timeline is unclear when those issues will be resolved, but the Company expects application in Ísafjarðardjúp to be resolved in the third quarter 2023.

The application for 4,500 tonnes increase in Arnarfjörður has been updated and will now focus on 16,000 tonnes total MAB for the Group in Arnarfjörður, the maximum the carrying capacity allows. The work on environmental impact report for the increase in biomass and change of sites is currently underway and will be submitted to the Planning agency when finalized. As for now, management does not know the exact timeline of the application process.

At year end the Group had recognized licenses amounting EUR 1.6 million (Compared to 31.12.2021: 1.0 million). For further information see business combination note 4.5.

Amounts in 1000 EUR

3.4 Fixed assets - Property, plant & equipment

Accounting principles

Property, plant and equipment ("PP&E") is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the PP&E and borrowing costs if the asset qualifies recognition criteria. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset. When significant parts of PP&E are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in Statement of Comprehenive Income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The residual values, useful lives and methods of depreciation of PP&E are reviewed at each financial year end and adjusted prospectively, if appropriate. Right-of-use assets are recognized separately from property, plant and equipment and presented in note 3.5.

	Plant and equipment	Land, buildings & other property	Assets under construction	Total
Acquisition cost at 1 Jan 2021	**43,669**	**9,098**	**10,866**	**63,633**
Additions	8,664	10,912	(6,667)	12,909
Sold and disposed	(65)	0	0	(65)
Acquisition cost at 31 Dec 2021	**52,268**	**20,010**	**4,199**	**76,477**
Additions	10,984	1,828	4,205	17,018
Addition business combination	3,847	15,450	0	19,298
Sold and disposed	(200)	0	(13)	(213)
Foreign exchange effect	(24)	(984)	(13)	(1,021)
Acquisition cost at 31 Dec 2022	**66,875**	**36,305**	**8,378**	**111,559**
Acc. dep. & impairment at 1 Jan 2021	**(17,332)**	**(1,397)**	**(522)**	**(19,251)**
Depreciation	(4,578)	(983)	522	(5,039)
Sold and disposed	38	0	0	38
Acc. dep. & impairment at 31 Dec 2021	**(21,873)**	**(2,380)**	**0**	**(24,253)**
Depreciation	(5,069)	(1,112)	0	(6,181)
Sold and disposed	22	0	0	22
Foreign exchange effect	(11)	13	0	3
Acc. dep. & impairment at 31 Dec 2022	**(26,931)**	**(3,478)**	**0**	**(30,409)**
Carrying amount at 31 Dec 2022	**39,944**	**32,827**	**8,378**	**81,149**
Carrying amount at 31 Dec 2021	**30,395**	**17,630**	**4,199**	**52,225**

Useful lives	3-30 years	30-40 years
Depreciation plan	Straight-line	Straight-line
Gains/losses on sale of non-current assets	(6)	0

Amounts in 1000 EUR

As of 31 December 2022, the Group had PP&E at total of EUR 81.1 million compared to EUR 52.2 million as of 31 December 2021. The PP&E consist of property, plant and equipment, land, buildings and other property, and assets under construction. Plant and equipment mainly consist of operational equipment's, floating pens boats and aquaculture tanks. Land building & other property mainly consist of Real Estate, land and other non-removable assets. The useful life of these PP&E differs from three years, up to forty years. Assets under construction relates to ongoing investment projects later to be moved to the relevant nature of PP&E when taken to usage.

See further note 4.5 regarding addition of the year arising from business combination.
No impairments of property, plant and equipment were incurred in 2022 or 2021.

3.5 Leases

Accounting principles
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee applies a single recognition and measurement approach for all leases, with exception for leases with a term of less than 12 months and for leases relating to assets with a low underlying value.

Non-lease components in a lease arrangement are not capitalized as a part of the lease. This applies to the Group´s lease arrangements of wellboat, where crew costs and other service elements included in lease amount are excluded from the value of the right-of-use asset and lease liability. If not stated in the contract, non-lease components are estimated based on markets price on the service element.

A lease liability is initially recognized as the present value of lease payments that are not paid on the commencement date of the lease contract. The lease payments are discounted by using the Group's incremental borrowing rate as a discount rate. The Group assesses it's incremental borrowing rate based on it´s current rating, adjusted for nature of the underlying asset and duration of the lease agreement.

A lease liability is subsequentially measured by using effective interest rate. The lease liability is revalued when there is a change in future payments due to a change in index or interest rate. The lease liability is also revalued if there is a change in the Group's estimation on residual payments in relation to the lease contract, if there is a change in estimation on utilization of an option to buy the underlying asset, or if there is a change in the expected lease term.

The right of use asset is depreciated on a straight-line basis from the commencement date until the final date of the contract, except when the Group becomes an owner of the asset at the end of the lease period or has an option to purchase the asset at the end of the lease period, and intends to do so. In those cases the asset is depreciated over the expected useful life of the asset, which is the same method as used for depreciation of other operating assets of the Group. The right of use asset is adjusted for any impairment or revaluation of the lease liability if that occur.

Amounts in 1000 EUR

Lease assets	
Balance at 1 January 2021	**1,995**
Additions and changes of leases in the year	4,708
Depreciation	(876)
Balance at 1 January 2022	**5,827**
Additions and changes of leases in the year	2,292
Addition business combination *	131
Depreciation	(1,275)
Balance at 31 December 2022	**6,975**

Lease liabilities	
Balance at 1 January 2021	**1,901**
Additions and changes of leases in the year	4,772
Payments	(927)
Accretion of interest	142
Balance at 1 January 2022	**5,889**
Additions and changes of leases in the year	2,112
Addition business combination*	134
Payments	(1,465)
Accretion of interest	272
Balance at 31 December 2022	**6,942**

*See note 4.5

	2022	**2021**
Current lease liabilities	1,186	1,086
Non-current lease liabilities	5,756	4,803
Total Lease liabilities	**6,942**	**5,889**

Summary of amounts recognized in the Consolidated Statments of Comprehensive Income:	**2022**	**2021**
Depreciation expense of leased assets	1,275	876
Interest expense on lease liabilities (included in finance expenses)	272	142
Total amount recognized in profit or loss	**1,547**	**1,018**

The Group had total cash outflows for leases of EUR 1.5 million in 2022 compared with EUR 0.9 million in 2021.

Amounts in 1000 EUR

3.6 Biological assets and inventory

Accounting principles

Biological assets
Live fish are accounted for in accordance with IAS 41 Agriculture. The main principle is that such assets are measured at fair value less cost of sale. Fair value is measured in accordance with IFRS 13 within level 3 which is based on factors that are not drawn from observable markets assumptions. Changes in value are recognized and classified under fair value adjustments in the Consolidated Statement of Comprehensive Income.

Roe, fry, smolt and artic char are valued at historic cost. Historic cost is deemed to be the best estimate of fair value for these assets, due to little biological conversion.

The fair value of biological assets held at the Group's sea farms is calculated using a model based on future cash flow. The present value is calculated based on estimated revenues, less estimated remaining production costs until the fish is harvestable at the individual site. A fish is harvestable when it has reached the estimated weight required for harvesting specified in the Company's budgets and plans. The estimated value is discounted to present value in the Consolidated Statement of Financial Position. Present value is estimated for the biomass at each site.

Incoming cash flows are calculated as the estimated biomass at harvest multiplied by the price expected to be achieved at the same time. The estimated biomass (volume) at harvest is calculated based on the number of individual fish held in sea farms on the balance sheet date, adjusted for expected mortality until harvest and multiplied by the estimated weight of the fish at harvest.

The price is calculated using the Fish Pool forward price for the estimated harvesting date that was in effect at the end of the reporting period. Forward prices are adjusted for an exporter supplement, as well as harvesting, sales and carriage costs. In addition, an adjustment is made to take account of expected differences in fish quality. Price adjustments are made at the site level.

Management estimates the remaining production costs based on experience and current market conditions for the farming of fish up until they reach a harvestable weight. In the model, instead of being a separate cost element in the calculation, compensation for license fees and site leasing costs is included in the discount factor, and thereby reduces the fair value of the biomass.

The fair value of the biomass is calculated using a monthly discounting of the cash flow based on the second last harvesting month in the harvesting plan. The discount factor is intended to reflect three main components:

1. The risk of incidents that affect the cash flow.
2. Synthetic license fees and site leasing costs.
3. The time value of money.

The discount factor is set based on an average for all the Group's sites and which, in the Group's assessment, provides a sensible growth curve for the fish – from smolt to harvestable fish.

Amounts in 1000 EUR

The risk adjustment must take account of the risk involved in investing in live fish. A fish spends from 16 up to 24 months at a sea farm, and the risk will be higher the longer the time until harvest. Biological risk, the risk of increased costs and price risk will be the most important elements to be recognized. The present value model includes a theoretical compensation for license fees and site leasing costs as a surplus to the discount factor in the model, instead of being a cost-reducing factor in the calculation.

Inventories

Inventories is comprised of feed, packaging materials and finished goods. Inventories are stated at the lower of cost or net realizable value. Net realizable value is the expected sales price less completion costs and costs to be incurred in marketing, selling, and distributing the inventory. Cost is determined using the first-in, first-out method.

Finished products includes direct material cost, direct personnel expenses, and indirect processing cost (full production cost). Interest costs are not included in the inventory value. If cost value of finished product is estimated higher than realised sales value, based on judgement of the management, the finished products is revaluated based on best estimate on product valuation. Finished product is never valued over cost value. Value is based on the principle of first-in-first-out.

Book value of biological assets and inventories	31/12/2022	31/12/2021
Raw materials	4,112	2,470
Boxes	67	67
Finished Products	864	0
Inventories	5,043	2,538
Biological assets	84,146	66,899
Total biological assets and inventories	**89,189**	**69,437**

Write-downs

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

	2022	2021
Write downs within period	2,101	95

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:

	2022	2021
Change in fair value of the biomass	(215)	(2,937)
Recognized fair value adjustments	**(215)**	**(2,937)**

Book value of biological assets recognized at fair value	31/12/2022	31/12/2021
Biological assets held at sea farms at cost	68,094	57,127
Fair value adjustment of biological assets	5,580	5,795
Total biological assets held at sea by fair value	73,674	62,922
Roe, fry, smolt and arctic char fish at cost	10,473	3,977
Total biological assets	**84,146**	**66,899**

Amounts in 1000 EUR

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.

Change in the book value of biological assets held at sea farm carried at fair value	**31/12/2022**	**31/12/2021**
Biological assets held at sea farm 1 Jan	62,922	49,211
Increase resulting from production/purchase	80,674	61,648
Reduction resulting from sale/harvesting	(68,155)	(44,959)
Reduction resulting from incident-based mortality	(1,552)	(42)
Net fair value adjustment	(215)	(2,937)
Translation differences	(0)	(0)
Biological assets held at sea farm 31 Dec	**73,674**	**62,922**

Incident-based mortality

In the event of incidents exceeding three per cent mortality in a period based on a single incident, or if the mortality exceeds five per cent over several periods based on one and the same incident, an assessment is made as to whether there is a basis for write-down. The assessment relates to the number of fish and is carried out at site level. Incident-based mortality is recognized under cost of goods sold in the Consolidated Statement of Comprehensive Income.

The easement relates to the number of fish and is carried out at site level. The Group had one incident in it's sea farm in the year 2022 that resulted in incident-based mortality as defined above. The total effect on the Group's operational profit at cost was EUR 1.3 million but the Group has in place insurance of it's biological assets that covered part of the mortality. The corresponding numbers for 2021 was one incident and effect on Group operating profit at cost of EUR 42 thousand where the mortality was unclaimable to the insurance. The Group also had one incident in it's land based smolt facilities with total effect on the Groups operating profit at cost EUR 0.5 million but no incident affected the Groups operating profit in year 2021 on land based facilities.

Biological assets held at sea farms 31 Dec 2022:	**Cost**	**Fair value adjustment**	**Carrying amount**
< 1 kg (LW)	7,455	623	8,077
1-4 kg	39,835	3,268	43,103
> 4 kg (GW)	20,804	1,689	22,494
Biological assets held at sea farms	68,094	5,580	73,674
Roe, fry, smolt and arctic char fish at cost	10,473	0	10,473
Biological assets total:	**78,566**	**5,580**	**84,146**

Biological assets held at sea farms 31 Dec 2021:	**Cost**	**Fair value adjustment**	**Carrying amount**
< 1 kg (LW)	7,254	722	7,975
1-4 kg	29,563	2,941	32,503
> 4 kg (GW)	20,310	2,133	22,443
Biological assets held at sea farms	57,127	5,795	62,922
Roe, fry, smolt and arctic char fish at cost	3,977	0	3,977
Biological assets total:	**61,104**	**5,795**	**66,899**

Amounts in 1000 EUR

The discount rate at end of year 2022 was 5.0 per cent per month, which reflects the biomass capital cost, risk and synthetic license fees and site rental charges. The discount rate was changed from end of year 2021 from 4,0 per cent and is based on increased margin that should give a higher contribution to the owner of the licenses and higher expectations of profitability in the industry.

The fair value calculation is based on following forward prices:

Expected harvesting period:	Forward price 31/12/2022	Expected harvesting period:	Forward price 31/12/2021
Q1-2023	8.60	Q1-2022	6.80
Q2-2023	8.94	Q2-2022	6.73
Q3-2023	7.12	Q3-2022	5.53
Q4-2023	7.28	Q4-2022	6.08
Q1-2024	7.84	Q1-2023	6.32
Q2-2024	8.12	Q2-2023	6.34
Q3-2024	6.81	Q3-2023	5.29
Q4-2024	7.07	Q4-2023	5.41

Sensitivity assessment

The estimated fair value of biological assets has been calculated using different parameters. The effect on the estimated fair value of biological assets is summarised below:

2022	Increase	Effect on estimated fair value 31/12/2022	Decrease	Effect on estimated fair value 31/12/2022
Change in forward price	0.5 EUR per kg.	2,486	0.5 EUR per kg.	(2,486)
Change in discount factor	1%	(733)	1%	762
Change in harvesting time	1 month earlier	(1,318)	1 month later	1,388
Change in biomass	1%	293	1%	(293)

2021	Increase	Effect on estimated fair value 31/12/2021	Decrease	Effect on estimated fair value 31/12/2021
Change in forward price	0.5 EUR per kg.	5,526	0.5 EUR per kg.	(5,526)
Change in discount factor	1%	(1,436)	1%	3,394
Change in harvesting time	1 month earlier	(1,396)	1 month later	1,809
Change in biomass	1%	555	1%	(555)

Amounts in 1000 EUR

3.7 Trade and other receivables and allowance for expected credit losses

Accounting principles
The Group's trade receivables consist solely of amounts receivable from revenue from contracts with customers. Trade receivables are generally on payment terms of 21 days.

Trade and other receivables are financial assets which are initially recognized at transaction price determined under IFRS 15. The Group always recognizes an allowance for trade receivables and other receivables that are in scope of the expected credit loss model. The expected credit losses are estimated using a provision matrix based on the Group's historical credit loss experience and based on individual estimate of each trade receivable.

The Group recognizes an allowance for expected credit losses (ECLs) for its financial assets. ECLs are based on the cash flows that the Group expects to receive. For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Group bases the allowance of its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

	31/12/2022	31/12/2021
Trade receivables	15,502	7,723
Allowance for expected credit losses	(476)	(400)
Total trade receivables	**15,026**	**7,323**
Other receivables	4,624	2,002
Bonds	309	309
Allowance for expected credit losses (Bonds)	(185)	(185)
Total other receivables	**4,748**	**2,126**
Total receivables	**19,774**	**9,449**

Allowance for expected credit losses are classified as other operating expenses in the Statement of Comprehensive Income. Changes in allowance for expected credit losses are charged to expenses during the period are presented below:

Amounts in 1000 EUR

Allowance for expected credit losses	2022	2021
Total allowance for expected credit losses 1 Jan.	585	673
Total allowance for expected credit losses 31 Dec	661	585
Change in allowance for expected credit losses during the year	**76**	**(87)**

	2022	2021
Actual loss incurred	(199)	(101)
Change in allowance for expected credit losses	284	(1)
Exchange rate difference	(9)	15
Allowance recognized in Statments of Comprehensive Income	**76**	**(87)**

See Note 4.1 for further details of the credit risk and foreign exchange risk associated with trade receivables and other receivables.

As at 31 December, the Group's outstanding net trade and other receivables had the following payment profile:

EUR 1000	Total	Not due	<30 d	31-60d	60-90d	>90d
31/12/2022	15,026	12,925	2,082	0	9	10
31/12/2021	7,323	4,685	1,970	90	13	565

3.8 Financial instruments and Capital structure - Overview of financial instruments and fair value measurement

Accounting principles

Classification of financial instruments
The Groups' financial instruments are grouped in the following categories:

Financial assets at amortized cost
Trade, other receivables and other long-term receivables are part of the Group's business model with the sole objective to collect contractual cash flows. Additionally, if the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, thereby passing the "SPPI test", constituting debt instruments measured at amortized cost.

Financial Liabilities at amortized cost
Financial liabilities at amortized cost includes the Group's interest bearing and non-interest bearing debts.

Write-off policy (expected loss)
The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in the consolidated statements of comprehensive income.

Amounts in 1000 EUR

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralised borrowing for the proceeds received.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument in IAS 32.

Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements, the Group has used the following assumption to measure fair value:

Financial assets

Management assessed that the carrying amount of cash and cash equivalents, trade receivables, other receivables and other long-term receivables is a reasonable approximate of their fair value.

Financial liabilities

Management assessed that the carrying amounts of trade and other payables is a reasonable approximate of their fair value. The fair values of the Group's interest-bearing debts are similar to the carrying amount, as the interest rates are floating.

Financial instruments

Assets	31/12/2022	31/12/2021
Other long-term receivables	0	4,964
Trade receivables	15,026	7,323
Other receivables	4,748	2,126
Cash and cash equivalents	1,854	3,744
Total financial assets	**21,627**	**18,157**

Liabilities	31/12/2022	31/12/2021
Non-current interest-bearing liabilities	51,649	38,465
Current interest-bearing liabilities*	6,230	2,084
Trade payables	11,702	9,699
Tax payables	1,341	0
Provision for onerous contracts	122	0
Other current payables	9,528	5,564
Total financial liabilities	**80,572**	**55,811**

Non-current and current interest-bearing liabilities are recognized at amortized cost.

Amounts in 1000 EUR

3.9 Cash and cash equivalents

Cash and cash equivalents	31/12/2022	31/12/2021
Bank deposits, unrestricted	1,854	3,744
Cash and cash equivalents in the statement of Financial Position	**1,854**	**3,744**

At 31 December 2022, the Group has used a overdraft facility of EUR 4.1 million (see note 3.10).

3.10 Interest-bearing loans and borrowings

Non-current interest-bearing borrowings	2022	2021
Interest-bearing borrowing to credit institutions (in EUR)	53,749	40,549
Next year's installment on non-current interest-bearing borrowings (in EUR)	(2,099)	(2,084)
Total non-current interest-bearing borrowings to credit institutions	**51,649**	**38,465**

Current interest-bearing borrowings	2022	2021
Bank overdraft (in EUR)	4,130	0
Next year's installment on non-current interest-bearing borrowings (in EUR)	2,099	2,084
Total current interest-bearing borrowings to credit institutions	**6,230**	**2,084**

Debt facilities are entered into by Arnarlax ehf. Interest-bearing borrowings to credit institutions consist of a combined EUR 56.0 million facilities entered in to 30 June 2021, and amendment to that facility in addition of EUR 5.0 million facility entered in October 2022. Debt facilities are split into revolving facility, term facility and overdraft facility. The current loan agreement is valid until June 2024 and there for presented as a long-term interest-bearing borrowings in the Group's Consolidated Statements of Financial Position. The interest rate is the aggregate of a margin of two to four per cent in addition to EURIBOR rate.

For maturity structure of interest-bearing borrowings, references are made to note 4.1. Lease liabilities are presented separately from interest-bearing borrowings to credit institutions and disclosed in note 3.5.

Financial covenants

The Company has a solvency requirement which means that the book equity ratio must be above 35 per cent and profit requirement that requires that the Company's 12-month rolling interest coverage ratio must not be lower than 4.0:1. In addition, the Company's NIBD / 12-month rolling EBITDA should not exceed 5.0:1. The Company was in compliance with these covenants as at 31 December 2022.

Amounts in 1000 EUR

Reconciliation of changes in liabilities to credit instutions incurred as a result of financing activities

2022	1 January 2022	New interestbearing borrowings	Repayment of interestbearing borrowings	Refinancing of borrowings	Current portion of longterm borrowings	Other changes	31 December 2022
Non-current interest-bearing borrowings to credit institutions	38,465	18,875*	(3,578)	0	(2,313)	201	51,649
Current interest-bearing borrowings to credit institutions	2,084	4,130	(2,250)	0	2,313	(48)	6,230
Total liabilities from financing	**40,549**	**23,005**	**(5,828)**	**0**	**0**	**153**	**57,879**

*Included in new borrowings of the year are loans arising from business combination see further note 4.5

2021	1 January 2021	New interestbearing borrowings	Repayment of interestbearing borrowings	Refinancing of borrowings	Current portion of longterm borrowings	Other changes	31 December 2021
Non-current interest-bearing borrowings to credit institutions	0	18,171	(1,000)	23.875	(2.250)	(331)	38,465
Current interest-bearing borrowings to credit institutions	20,462	7,000	(3,826)	(23.875)	2.250	73	2,084
Total liabilities from financing	**20,462**	**25,171**	**(4,826)**	**0**	**0**	**(258)**	**40,549**

Reconciliation of changes in lease liabilities incurred as a result of financing activities:

2022	1 January 2022	New leases recognized	Cash flows	Current portion of long-term leases	31 December 2022
Non-current lease liabilities (Note 3.5)	4,803	2,184*	(148)	(1,083)	5,756
Current lease liabilities (Note 3.5)	1,086	0	(1,044)	1,145	1,186
Total liabilities from financing	**5,889**	**2,184**	**(1,192)**	**62**	**6,942**

*Included in new lease recognized are lease arising from business combination see further note 4.5

2021	1 January 2021	New leases recognized	Cash flows	Current portion of long-term leases	31 December 2021
Non-current lease liabilities (Note 3.5)	1.442	4.772*	(325)	(1.086)	4.803
Current lease liabilities (Note 3.5)	460	0	(460)	1.086	1.086
Total liabilities from financing	**1.901**	**4.772**	**(785)**	**0**	**5.889**

*Included in new leases recognized are lease arising from business combination see further note 4.5

Amounts in 1000 EUR

3.11 Onerous Contracts

Accounting principle

Provision
A provision is recognized when, and only when, the Group has a constructive obligation (legal or self-imposed) deriving from an event which has occurred, and it is probable (more likely than not) that a financial settlement will take place as a result of that liability, and the amount in question may be reliably quantified Provisions are reviewed on each reporting date, and the level reflects a best estimate of the liability concerned.

Onerous contracts
IAS 37 defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under the contract. Unavoidable costs are the lower of the costs of fulfilling the contract and any compensation or penalties from the failure to fulfill it. If a contract can be terminated without incurring a penalty, then it is not onerous.

The definition of onerous contract focuses on the costs of fulfilling the obligations compared to the expected benefits. Similarly, a contract not performing as well as anticipated, or as well as possible, is not onerous unless the costs of meeting the obligations under the contract exceed the expected benefits.

The recognition and measurement of onerous contract provisions are (as discussed in IFRS 15:BC296) subject to the general requirements of IAS 37 and, as such, are based on the entity's 'best estimate' of the (net) expenditure required to settle an obligation (IAS 37:36).

Physical fixed-price sales contracts whose price is less than the price used as the basis for adjusting the fair value of the biomass are recognized as liabilities in the Consolidated Statement of Financial Position. The amount recognized as a liability is the difference between the market price at the end of the reporting period plus costs to sell and the contract price. Changes in provisions are recognized in a separate line in the Consolidated Statement of Comprehensive Income and are included in the operational profit.

Provision related to onerous contracts was EUR 0.1 million for the year 2022. The effect is recognized as separte line in the Consolidated Statement of Comprehensive Income with with contra entry to current liabilities. No provision of onerous contracts was recognized in the year 2021.

3.12 Other current payables

Other current payables comprise:	**31/12/2022**	**31/12/2021**
Withheld taxes	6	2
Unpaid payroll expenses	1,404	1,085
Accured interest expense	356	170
Other accrued expenses *	7,761	4,307
Total other current payables	**9,528**	**5,564**

* Other accrued expenses consist of accruals for operational expense and accrued accumulated clean up expenses for sites.

Amounts in 1000 EUR

4. Financial risk management and other notes

4.1 Capital & Risk Management

Accounting principle

Financial risk
Through its activities, the Group is exposed to various kinds of financial risk: market risk, credit risk and liquidity risk. The Company's management assesses these risks on an ongoing basis and draws up guidelines for dealing with them. The Group has bank loans raised for the purpose of providing capital for investment in the Company's business. In addition, the Company has financial instruments such as trade receivables, trade payables, etc, which are ascribable directly to day-to-day business operations.

Interest rate risk
The Groups operating results and cash flow from operations are largely independent of changes in market interest rates. The Group has an insignificant part of its assets which are interest-bearing. The Groups long-term loans have variable interest rates based on EURIBOR. The Group has not entered into any swaps or other derivatives in relation to interest rate risk.

Foreign exchange risk
The Group operates in a global environment which exposes it to foreign currency fluctuations mainly related to any trade receivables or trade payables denominated in foreign currency. Interest bearing debt is denominated in EUR which is the functional currency of the borrowing entity Arnarlax ehf. The Directors of the Group monitor the risk related to currency fluctuation in relation to day to day operations. The Group has not entered into any forward contracts or other derivatives in relation to currency risk.

Credit risk
The risk that counterparties do not have the financial strength to meet their obligations is considered low, since, historically, losses due to bad debts have been small. The Group has no material credit risk relating to individual counterparties or counterparties which may be considered a group due to similarities in the credit risk. The Group has guidelines to ensure that sales are made only to customers that have not previously had material payment problems, and that outstanding balances do not exceed fixed credit limits. Part of the total trade receivable is insured. The gross credit risk on the balance sheet date corresponds to the Group's trade receivables portfolio on the balance sheet date. See note 3.8.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash flow forecasts are drawn up on a regular basis and the Accounting department monitors rolling forecasts of the Group's liquidity requirements to ensure that the Group has sufficient cash equivalents to meet operational liabilities, as well as at all times having adequate flexibility in the form of unused credit facilities (see consolidated statement of cash flows), such that the Group does not infringe borrowing limits or specific borrowing conditions. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its payment obligations in the short term.

Amounts in 1000 EUR

The table below details the Group's non-derivative financial liabilities classified by maturity structure. The figures presented in the table are undiscounted contractual cash flows.

Maturity structure for financial liabilities as at 31 Dec 2022	Less than 1 year	1-2 years	2-3 years	3-4 years	5 years and more	Total
Non-current interest-bearing bank loans	2,099	51,649	0	0	0	53,749
Current interest-bearing bank loans	4,130	0	0	0	0	4,130
Trade payables and other short-term payables	11,702	0	0	0	0	11,702
Lease liabilities	1,180	1,068	762	620	3,312	6,942
Tax payable	1,341	0	0	0	0	1,341
Other current liabilities	9,650	0	0	0	0	9,650
Total liabilities	**30,101**	**52,718**	**762**	**620**	**3,312**	**87,514**

Maturity structure for financial liabilities as at 31 Dec 2021	Less than 1 year	1-2 years	2-3 years	3-4 years	5 years and more	Total
Non-current interest-bearing bank loans	2,084	2,084	36,380	0	0	40,549
Trade payables and other short-term payables	9,699	0	0	0	0	9,699
Lease liabilities	1,098	1,088	1,011	753	1,939	5,889
Other current liabilities	5,564	0	0	0	0	5,564
Total liabilities	**18,444**	**3,172**	**37,391**	**753**	**1,939**	**61,701**

Interest rate risk sensitivity

The sensitivity to a possible change in interest rates, with all other variables held constant, on the Group's profit before tax, is illustrated below.

Interest rate sensitivity*	Increase / decrease in basis points	Effect on profit before tax	Effect on equity
31/12/2022	+/- 100	579	463
31/12/2021	+/- 100	405	324

*The figures given above are absolute figures

The primary operational income for the Group is denominated in EUR. In 2022, 61 per cent of the Group's operational income was generated in EUR, while other operational income was mostly in USD. Since exchange rate volatility can impact the profitability of salmon sales, the Group has taken steps to mitigate currency risk by hedging all fixed price contracts denominated in currencies other than the operational currency.

The Group's operational costs are primarily denominated in EUR and significant purchases are also contracted in EUR. However, around 40 per cent of the operational costs are in Icelandic Krona (ISK), which is a currency that is highly vulnerable to fluctuations in the global market. While the group acknowledges the impact of currency fluctuations on its operational cost, there has been no hedging against ISK to EUR. The main components of the operational costs in ISK are salaries, domestic contractor and supplier purchases, and taxes.

Amounts in 1000 EUR

Capital structure and equity

The objective of the Group's capital management is to safeguard the Group's continued operations in order to secure a return on investment for shareholders and other stakeholders, and maintain an optimal capital structure for reducing capital costs. By ensuring a good debt-to-equity ratio the Group will support its business operations, and thereby maximise the value of the Group's shares.

The Group manages and makes changes to its capital structure in response to an ongoing assessment of the financial conditions under which the business operates, and its short and medium-term outlook. No changes were made in the guidelines covering this area in 2022.

As of 31 December 2022, the Group had an equity ratio of 61.3 per cent (64 per cent as at 31 December 2021). See Note 3.11 for further details of the Group's net interest-bearing debt.

Amounts in 1000 EUR

4.2 Share capital and shareholders

As at 31 December 2022, 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 31 December 2022 were:

	No.	Shareholding
SalMar ASA	15,798,152	51.02%
J.P. Morgan bank luxembourg S.A.	2,882,986	9.31%
Íslandsbanki hf.	2,444,463	7.90%
Gyda ehf.	1,000,000	3.23%
Holta Invest AS	938,314	3.03%
Pactum Vekst AS	825,862	2.67%
MP Pensjon PK	619,706	2.00%
Roth	599,661	1.94%
Clearstream Banking S.A.	569,526	1.84%
Nima Invest AS	563,088	1.82%
State Street Bank and Trust comp	515,000	1.66%
Kristians and AS	470,000	1.52%
Haganes AS	270,705	0.87%
VPF DNB Norge Selektiv	257,374	0.83%
Verdipapirfondet DNB SMB	231,249	0.75%
Alden AS	217,776	0.70%
Lithinon AS	186,881	0.60%
Verdipapirfondet Eika Spar	185,492	0.60%
Verdipapirfondet Pareto Investment	185,000	0.60%
DNB Bank ASA	170,537	0.55%
Total 20 largest shareholders	**28,931,772**	**93.44%**
Total other shareholders	2,030,096	6.56%
Total no. of shares	**30,961,868**	**100.00%**

Amounts in 1000 EUR

Shares owned by members of the board and directors.

Name	Title	shares	Shareholding
Kjartan Olafsson *	Chairman of the board	1,000,000	3.23%
Trine Sæther Romuld ***	Boardmember	***	
Olav Andreas Ervik ***	Boardmember	***	
Leif Inge Nordhammer ***	Boardmember	***	
Espen Marcussen ****	Boardmember	****	
Bjørn Hembre **	CEO	32,900	0.11%
Rolf Ørjan Nordli ***	COO SeaWater	***	***

* Kjartan Ólafsson owns indirectly through Gyda ehf. Kjartan Olafsson owns 100 per cent of the shares in Berg Fjárfesting ehf, which own 100 per cent of the shares in Gyda ehf.
** Björn Hembre owns indirectly through IVMA AS which is one of minority stakeholders in Icelandic Salmon AS. Björn owns 100 per cent of the shares in IVMA AS.
*** Trine Sæther Romuld, Olav Andreas Ervik, Leif Inge Nordhammer and Rolf Ørjan Nordli: all indirectly owns share through minority stakes in SalMar ASA.
**** Espen Marcussen indirectly owns shares through a minority stake in Pactum AS

See further information regarding share options in note 2.4

4.3 Earnings per share

Earnings per share	2022	2021
Net profit for the year	34,917	2,367
No. of shares outstanding as at 1 Jan	30,962	30,962
Share issue during the year	0	0
No. of shares outstanding as at 31 Dec	30,962	30,962
Average no. of shares outstanding through the year (basic and diluted)	**30,962**	**30,962**

Earnings per share (EUR)		
Basic and diluted	1.13	0.08

Amounts in 1000 EUR

4.4 Group companies

Ownership and voting interest :

Subsidiary	31/12/2022	31/12/2021	Company	Registered office	Principal activity
Arnarlax ehf.	100%	100%	Icelandic Salmon AS	Strandgata 1, 465 Bíldudalur, Iceland	Fish farming
Fjallalax ehf.	100%	100%	Arnarlax ehf.	Strandgata 1, 465 Bíldudalur, Iceland	Fish farming
Eldisstöðin Ísþór ehf.	100%	50%	Arnarlax ehf.	Þorlákshöfn, Iceland	Fish farming
Icelandic Salmon ehf.	100%	100%	Arnarlax ehf.	Tálknafjörður, Iceland	Dormant*

* Share capital of Icelandic Salmon ehf. consists solely of ordinary shares, which are held directly by the Group. The company is dormant and not consolidated in these cConsolidated Financial Statements as its effects would be immaterial in the opinion of management.

**See not 4.5 business combination

4.5 Business Combination

Accounting principle

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. Acquisition-related costs are recognized in profit or loss as incurred.

Business acquisitions in 2022

Acquisition of Eldisstöðin Ísþór ehf.

The Company's fully owned subsidiary, Arnarlax ehf., signed a Share Purchase Agreement (SPA) on 25th of May for the remaining 50 per cent of shares in its joint venture, Eldisstöðin Ísþór ehf. ("Ísþór"). The transaction was subject to approval from the Icelandic Competition Authorities (ICA) and certain other closing conditions. The ICA approved the acquistion on 2nd of August and all other closing condision was closed on 17 of August, which is the acquisition date.

With this acquisition the Group has gained full control over its joint venture and therefore in accordance with IFRS the Group has remeasured its 50 per cent equity interest held before the acquistion to fair value. The remeasurement resulted in a fair value gain of EUR 9.0 million recognized as other financial items in the Consolidated Statement of Comprehensive Income.

After the transaction the Group owns 100 per cent of the shares in Ísþór. The purpose of the transaction is to increase the flexibility in size of smolt and increased number of smolt supporting the company's growth plans. For accounting purposes, the transaction will be treated as a business combination with effect from the acquisition date. With this acquisition the Group takes another important step in its strategy of increasing smolt weight, allowing increased MAB license utilization while reducing production time in sea and thereby biological risk. No material external transaction costs were incurred in the connection with the acquisition.

Amounts in 1000 EUR

As part of the acquistion, Ísþór repaid to the former owners a liability amounting to EUR 4.3 million founded by a loan from Arnarlax.

Eldisstöðin Ísþór ehf's assets acquired and liabilities recognized at the date of acquisition:	**Carrying amount**	**Adjustment to fair value**	**Fair value**
Property, plant and equipments	12,970	6,328	19,298
Investment in associates	1	0	1
Lease assets	131	0	131
Cash	51	0	51
Long term debt	(375)	0	(375)
Deferred tax liability	50	(1,266)	(1,216)
Trade payables	(1,304)	0	(1,304)
Lease liability	(134)	0	(134)
Liabilities - former owners	(4,290)	0	(4,290)
Other current liabilities	(89)	0	(89)
Net identifiable assets and liabilities	**7,010**	**5,062**	**12,073**
Cash consideration			**10,588**

Total consideration and recognized goodwill	
Cash consideration	10,588
Fair value of previously held equity interest*	16,892
Minus net idendifiable assets and liabilities	(12,073)
Goodwill	**15,407**

Net cash outflow arising on acquisition	
Cash consideration	10,588
Less cash and cash equivalent balances acquired	(51)
Net cash outflow arising on acquisition	**10,537**

*Fair value of previously held equity interest include intercompany long-term liability of EUR 6.3 million and Equity of EUR 10.6 million have been consolidated as of 31 December 2022.

Business acquisitions in 2021

Arnarlax signed a contract on 11 May 2021 for the acquisition of all shares in Fjallalax ehf, for a cash consideration of EUR 0.67 million. Of that amount, EUR 0.47 million was paid on 11 June 2021 which is defined as the acquisition date and EUR 0.2 million in end of January 2022. Below is the fair value of assets and liabilities acquired based on final purchase price allocation according to IFRS 3.

After the transaction the Group owns 100 per cent of the shares in Fjallalax ehf. The purpose of the transaction is to increase the flexibility in size of smolt and increased number of smolt supporting the company's growth plans. For accounting purposes, the transaction will be treated as a business combination with effect from the acquisition date.

Amounts in 1000 EUR

With this acquisition the Group takes important step in its strategy of increasing smolt weight, allowing increased MAB license utilization while reducing production time in sea and thereby biological risk. No material external transaction costs were incurred in the connection with the acquisition.

Fjallalax ehf's assets acquired and liabilities recognized at the date of acquisition:	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
License	0	928	928
Equipment and machinery	18	0	18
Deferred tax liability	0	(186)	(186)
Lease liabilities	(338)	0	(338)
Trade and other payables	(159)	0	(159)
Current portion of leasing	(27)	0	(28)
Net identifiable assets and liabilities	**(75)**	**743**	**667**
Cash consideration			**667**

Assets and liabilities of Fjallalax ehf. have been consolidated as of 31 December 2021.

4.6 Related party transactions

Accounting principles

Balances and transactions between Icelandic Salmon AS and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are disclosed below.

Transactions with related parties in 2022:	Sales	Purchases	Receivables	Liabilities
Eldisstöðin Ísþór ehf., subsidiary	252	2,861	0	0
Entities related to Salmar ASA, parent company	731	53	0	0
Entities related to Kvarv AS, ultimate parent	189	9,119	27	1,354
Entities related to chairman of Icelandic Salmon AS	49	448	4	37

Transactions with related parties in 2021:	Sales	Purchases	Receivables	Liabilities
Eldisstöðin Ísþór ehf., joint venture	0	3,719	4,964	0
Salmar ASA, shareholder in Icelandic Salmon AS	0	34	0	34
Entities related to SalMar ASA parent company	3,426	0	166	0
Entities related to Kvarv AS, ultimate parent	0	6,482	0	532
Entities related to shareholder of Icelandic Salmon AS	0	492	11	41

Amounts in 1000 EUR

Transactions between the Group and related parties are undertaken at market terms and conditions.
See note 2.3 for remuneration to group management and board of directors.

Icelandic Salmon AS is part of the SalMar Group. The Group's Parent Company is Salmar ASA. SalMar's Parent Company is Kverva Industrier AS, which owns 41.27 per cent of the shares in SalMar ASA. The Ultimate Parent Company is Kvarv AS, which prepares its own consolidated accounts in accordance with NGAAP.

4.7 Subsequent events

The Group has evaluated subsequent events. The Group has determined that there were no significant events or transactions that occurred subsequent to year-end that would require adjustment to or disclosure in the financial statements. Therefore, the financial statements present farily, in all material respects, the financial position of the Group as date of the issue and the results of its operations and its cash flows for the year then ended.

4.8 Effect of the War in Ukraine

On 24 February 2022 the Russian army invaded Ukrain. The market effect for the Company is minimal as sales to Russia and Ukraine has been very low prior to the invasion. The Russian invasion and imposed sanctions have disrupted many supply chains and impacted the price of raw materials such as fish feed, operations, and logistics. At the same time the market has shown a positive price development and increased demand for Atlantic Salmon, balancing the effect of higher cost. The current geopolitical situation has so far had no significant negative impact on the Icelandic Salmon markets. Management will continue to monitor the situation closely.

Amounts in 1000 EUR

4.9 Alternative performance measures

The Group prepares its Financial Statements in accordance with International Financial Reporting Standards (IFRS). In addition, management has established alternative performance parameters (APMs) to provide useful and relevant information to users of its Financial Statements. Alternative performance parameters have been established to provide greater understanding of the Company's underlying performance, and do not replace the Consolidated Financial Statements prepared in accordance with international accounting standards (IFRS): The performance parameters have been reviewed and approved by the Group's management and Board of Directors. Alternative performance parameters may be defined and used in other ways by other companies.

Operational EBIT

Operational EBIT is an APM used by the Group and the most important measure of its performance under IFRS, since it shows the results of underlying operations during the period. The difference between Operational EBIT and operating profit/loss relates to items which are classified in the Financial Statements on the line for fair value adjustments. These items are market value and fair value assessments linked to assumptions about the future. Operational EBIT shows the underlying operation and the results of transactions undertaken in the period.

Operational EBIT is the Groups's most important measure of its performance under IFRS, since it shows the results of underlying operations during the period. Specific items not associated with underlying operations are presented on separate lines in the Consolidated Financial Statements.

	2022	**2021**
Operating profit	**34,487**	**4,070**
Production tax	1,329	307
Onerous contracts	122	0
Fair value adjustments of biomass	215	2,937
Operational EBIT	**36,153**	**7,314**

Production tax

The production tax represents resource tax as described in note 2.5. Production tax reduces profit by EUR 1.3 million in 2022 compared to EUR 0.3 million in 2021.

Operational EBIT per kg gutted weight

Operational EBIT per kg gutted weight (GW) is defined as a key APMs for the Group. The performance parameter is used to assess the profitability of the goods sold and the Group's operations. The performance parameter is expressed per kg of harvested volume.

	2022	**2021**
Operational EBIT	36,153	7,314
Harvested volume (tonnes)	16,138	11,537
Operational EBIT per kg gutted weight	**2.24**	**0.63**

Amounts in 1000 EUR

Net interest bearing debt (NIBD)

Net interest bearing debt is an alternative performance measure used by the Group. The performance measure is used to express the Groups's working capital, and is an important performance measure for investors and other users, because it shows net borrowed capital used to finance the Group. Net interest-bearing debt is defined as long-term and short-term debt to credit institutions, less cash and cash equivalents. Lease liabilities under IFRS 16 are not included in the calculation of Net interest-bearing debt.

	2022	2021
Non-current interest-bearing borrowings	51,649	38,465
Current interest bearing borrowings	6,230	2,084
Cash and cash equivalents	(1,854)	(3,744)
Net interest bearing debt (NIBD)	**56,025**	**36,805**

Amounts in 1000 EUR

ICELANDIC SALMON AS FINANCIAL STATEMENTS

Income Statement

In EUR 1000	Note	2022	2021
Operating revenues and expenses			
Payroll expenes	2	103	21
Other operating expenses	2	176	146
Total operating expenses		**280**	**167**
Operating loss		**(280)**	**(167)**
Financial items			
Other interest income		15	0
Other interest expenses		(1)	0
Foreign currency (loss) gain	3	(90)	90
Net financial items		**(76**	**89**
Loss for the year		**(355)**	**(78)**

Statement of Financial Position at 31 December

In EUR 1000	Note	2022	2021
Assets			
Non-Current assets			
Investments in subsidiaries	4, 10	115,729	115,571
Total non-current assets		**115,729**	**115,571**
Current assets			
Other current receivables		10	0
Bank deposits, cash & cash equivalents	5	1,527	1,891
Total current assets		**1,537**	**1,891**
TOTAL ASSETS		**117,266**	**117,462**
Equity and liabilities			
Equity			
Share capital	6,7	29,571	29,571
Share premium	6	88,600	90,622
Other paid-in equity	6	(930)	(1,089)
Other equity	6	0	(1,667)
Total equity		**117,241**	**117,438**
Liabilities			
Current liabilities			
Trade payables		26	1
Current payables to group companies	8	0	1
Other current liabilities		0	23
Total liabilities		**26**	**24**
TOTAL EQUITY AND LIABILITIES		**117,266**	**117,462**

Kverva, 21 April 2023

Kjartan Olafsson,
Chairman of the Board

Trine Sæther Romuld
Member of the Board

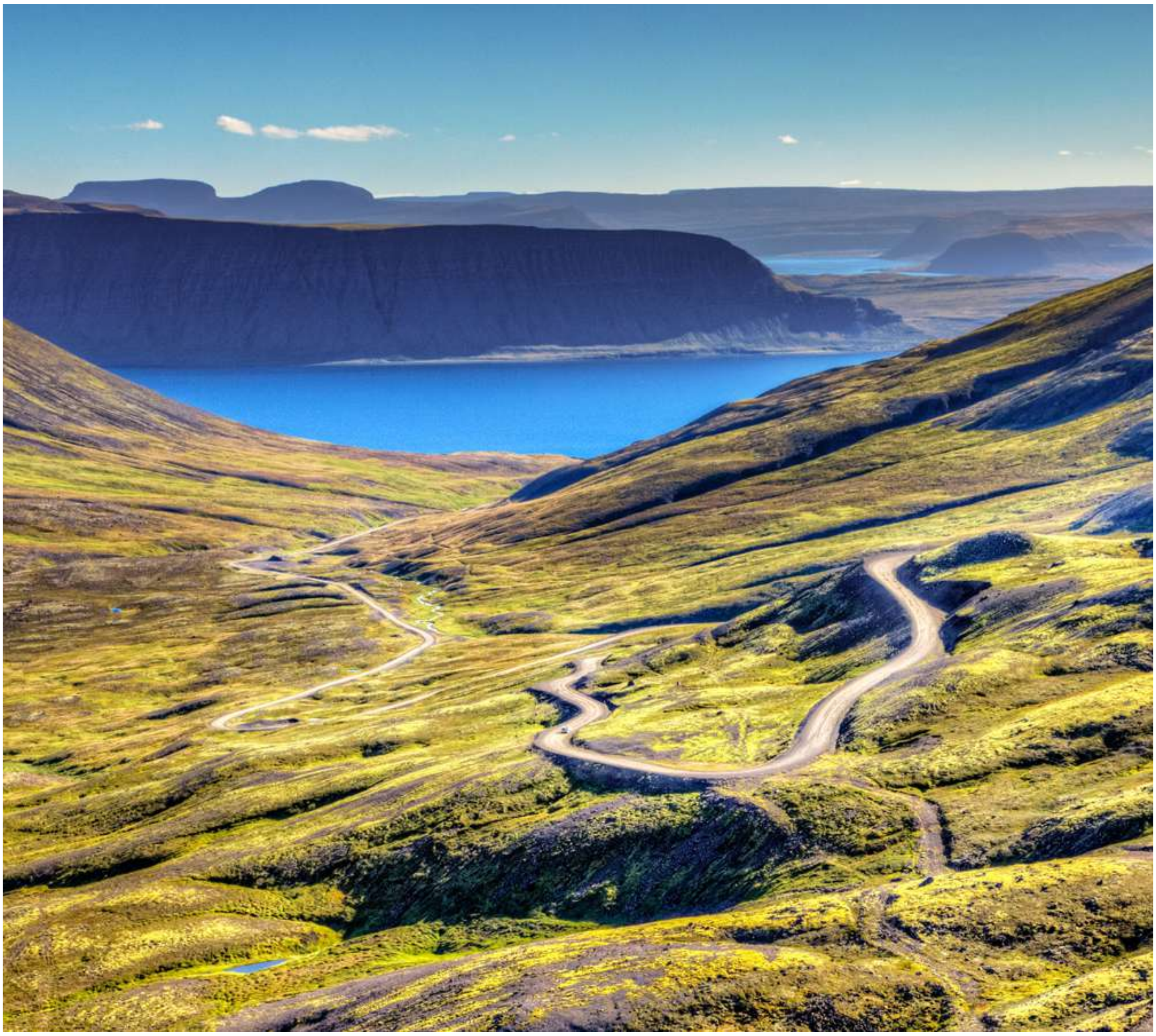
Espen Weyergang Marcussen,
Member of the Board

Leif-Inge Nordhammer,
Member of the Board

Bjørn Hembre,
CEO

Statement of Cash Flow

In EUR 1000	Note	2022	2021
Cash flow from Operating Activities			
Loss before tax		(355)	(78)
Change in trade payables and other current liabilities		(8)	(200)
Net cash flow from Operating Activities		**(363)**	**(278)**
Cash flow from Financing Activities			
Net change in debt to group companies	8	(1)	(1)
Net cash flow from financing activities		**(1)**	**(1)**
Net change in bank deposits, cash & cash equivalents		(364)	(279)
Bank deposits, cash & cash equivalents 1 Jan		1,891	2,170
Cash & cash equivalents as at 31 Dec		**1,527**	**1,891**



Amounts in 1000 EUR

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR 2022

1 Accounting principles

The Annual Financial Statements have been prepared pursuant to the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway (NGAAP). The Financial Statements are denominated in EUR, which is the company's functional currency.

Use of estimates

Preparation of Annual Financial Statements in accordance with generally accepted accounting principles requires management to make assessments, estimates and assumptions that affect the application of the accounting principles and the recognized value of assets and liabilities in the Statement of Financial Position, revenues and expenses for the financial year, as well as disclosures about uncertain assets and liabilities on the reporting date. Estimates and their underlying assumptions are based on historic experience and other factors considered to be relevant and obable at the time the assessment is made. These estimates affect the book value of assets and liabilities when their value is not based on other sources. Estimates are assessed continuously and final values and results may deviate therefrom. Changes in accounting estimates are recognized in the period in which the change takes place.

Shares in subsidiaries

Subsidiaries classified as non-current assets are recognized in accordance with the cost method. Subsidiaries are companies in which Icelandic Salmon AS has a controlling influence as a result of legal or de facto control. A controlling interest is, in principle, deemed to exist when more than 50 per cent of the voting capital is owned either directly or indirectly.

Dividend and other distributions are recognized as other financial income. If dividends exceed the share of profit and loss withheld after acquisition, the surplus amount represents a repayment of invested capital, and the distributions are deducted from the value of the investment in the Statment of Financial Position.

Classification and valuation of Financial Position items

Means of payment comprise cash, bank deposits and other short-term investments that can be converted into cash in no more than three months.

Assets intended for permanent ownership or use are classified as non-current assets. Other assets are classified as current assets and normally include items due for payment in less than a year, as well as items relating to the production cycle. For the classification of current and non-current liabilities, similar criteria applies.

Non-current assets are recognized at acquisition cost. If the recoverable value of a non-current asset is lower than its book value, and the impairment is not expected to be temporary, the carrying amount of the asset is reduced to its recoverable amount. Non-current assets with a limited economic lifespan are depreciated systematically.

Current assets are recognized at the lower of acquisition cost and fair value. Other non-current liabilities and current liabilities are recognized at their nominal value.

Amounts in 1000 EUR

Receivables

Trade receivables and other receivables are recognized at their nominal value, less a provision for bad debts. Provisions for bad debts are made on the basis of an individual assessment of the receivable concerned.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and the Statement of Cash Flows includes cash and restricted cash with a restriction less then three months from end of the reporting period.

Presentation currency and functional currency

As of January 1st 2021 the functional currency of Icelandic Salmon was changed to EUR and the Financial Statements are presented in EUR, which is also the functional currency of Arnarlax ehf (subsidiary) where the Groups main operation is.

Transactions in foreign currencies are recognized in the Statement of Financial Position at the exchange rate in effect when the transaction took place. Monetary items denominated in foreign currencies are translated into EUR at the exchange rate in effect on the reporting date. Non-monetary items valued at historic cost expressed in foreign currencies are translated into EUR using the exchange rate in effect when the transaction took place. Changes in exchange rates are recognized in the Income Statement under other financial items in the accounting period in which they occur.

Tax

The tax expense is matched against the profit/loss before tax. The tax expense comprises tax payable (tax on the year's direct taxable income) and change in net deferred tax. To the extent it is probable that they may come to be used, deferred tax assets and liabilities are presented net in the Statment of Financial Position.

Statement of cash flow

The Company's Statement of Cash Flow shows a breakdown of total cash flow generated by operating, investing and financing activities. The statement shows the individual activity's effect on cash and cash equivalents. The Statement of Cash Flow has been prepared in accordance with the indirect method.

Change in accounting principle and comparable figures

The figures for the previous year's annual Financial Statements are comparable.

Amounts in 1000 EUR

2 Payroll expenses and other operating expenses

Included in payroll expenses are benefits paid to Directors of the company as follows:

Payroll expenses	**2022**	**2021**
Directors' fees	103	21
Total payroll expenses	**103**	**21**

Remuneration of Board of directors for the year 2022 comprise of EUR 103 thousand compared to EUR 21 thousand in 2021.

The company's CEO is employed by and receives a salary from the subsidiary Arnarlax ehf. For further information see note 2.3 of Consolidated Financial Statements of Icelandic Salmon AS. As Icelandic Salmon AS has no employees of its own and is therefor not obliged to provide an occupational pension scheme pursuant to the Norwegain Mandatory Occupational Pensions Act.

On 19 February 2021, the Company granted 205,850 share options with an exercise price of NOK 115.00, respectively, to the CEO and certain key employees. The Company's intention is that the options will be equity-settled. The option holders must stay in the employment of the Group over a vesting period of three years from the grant date until 19 February 2024. As at 31 December 2022, the fair value of the agreements was determined to be EUR 504 thousand (2021: EUR 533 thousand) and pro rata accrual in the amount of EUR 158 thousand (2021: EUR 155 thousand) was recognized as an investment in subsidiaries, with a corresponding entry to other paid in equity.

Corresponding amounts have been recognized as salary by Arnarlax ehf. For further details, see note 2.4 the Consolidated Financial Statements of Icelandic Salmon AS.

Included in operating expenses are remuneration paid to statitutory auditors as follows:

	Others	**EY**	**Total**
Statutory auditing services	0	53	53
Total remuneration to auditors in 2022:	**0**	**53**	**53**
Statutory auditing services	19	19	38
Total remuneration to auditors in 2021:	**19**	**19**	**38**

Fees are presented inclusive of VAT.

Amounts in 1000 EUR

3 Currency gains (losses)

The effect of currency gains or losses are recognized under other financial expenses in the Income Statement. The currency gain/(loss) are related to bank balances in NOK.

4 Shares in group companies

Company	Shareholding	Registered office	Book value	Net profit/ (loss) 2022	Book value of equity at 31 Dec 2022
Arnarlax ehf	100%	Bildudal - Iceland	115,729	35,272	142,684

5 Cash and cash equivalents

The Company´s cash and cash equivalent consist of bank balances and withholding tax.

	31.12.2022	31.12.2021
Bank balances	1,527	1,883
Bank balances, withholding tax	0	8
Total cash and cash equivalent	**1,527**	**1,891**

Amounts in 1000 EUR

6 Share capital and shareholders

Share capital as at 31 December 2022 comprised:

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

The company has only one class of shares.

The company's 20 largest shareholders as at 31 December 2022 were:

	No. of shares	Shareholding
SalMar ASA	15,798,152	51.02%
J.P. Morgan bank luxembourg S.A.	2,882,986	9.31%
Íslandsbanki hf.	2,444,463	7.90%
Gyda ehf.	1,000,000	3.23%
Holta Invest AS	938,314	3.03%
Pactum Vekst AS	825,862	2.67%
MP Pensjon PK	619,706	2.00%
Roth	599,661	1.94%
Clearstream Banking S.A.	569,526	1.84%
Nima Invest AS	563,088	1.82%
State Street Bank and Trust comp	515,000	1.66%
Kristians and AS	470,000	1.52%
Haganes AS	270,705	0.87%
VPF DNB Norge Selektiv	257,374	0.83%
Verdipapirfondet DNB SMB	231,249	0.75%
Alden AS	217,776	0.70%
Lithinon AS	186,881	0.60%
Verdipapirfondet Eika Spar	185,492	0.60%
Verdipapirfondet Pareto Investment	185,000	0.60%
DNB Bank ASA	170,537	0.55%
Total 20 largest shareholders	**28,931,772**	**93.44%**
Total other shareholders	2,030,096	6.56%
Total no. of shares	**30,961,868**	**100.00%**

Amounts in 1000 EUR

Shares owned by members of the board and senior executives:

Name		No. of shares	Share-holding
Kjartan Olafsson *	Chairman of the board	1,000,000	3.23%
Trine Sæther Romuld ***	Boardmember	***	
Olav Andreas Ervik ***	Boardmember	***	
Leif Inge Nordhammer ***	Boardmember	***	
Espen Marcussen ****	Boardmember	****	
Bjørn Hembre **	CEO	32,900	0.11%
Rolf Ørjan Nordli ***	COO SeaWater	***	

* Kjartan Ólafsson owns indirectly through Gyda ehf. Kjartan Olafsson owns 100 per cent of the shares in Berg Fjárfesting ehf, which own 100 per cent of the shares in Gyda ehf.
** Björn Hembre owns indirectly through IVMA AS which is one of minority stakeholders in Icelandic Salmon AS. Björn owns 100 per cent of the shares in IVMA AS.
*** Trine Sæther Romuld, Olav Andreas Ervik, Leif Inge Nordhammer and Rolf Ørjan Nordli: all indirectly owns share through minority stakes in SalMar ASA.
**** Espen Marcussen indirectly owns shares through a minority stake in Pactum AS

7 Equity

	Share capital	Share premium	Other paid-in equity	Uncovered loss	Total equity
Equity 1 Jan 2021	**29,571**	**90,622**	**288**	**(1,590)**	**118,891**
Year's change in equity:					
Net loss for the year	0	0	0	(78)	(78)
Share-based payment, expensed	0	0	209	0	209
Share-based payment, settlement	0	0	(1,585)	0	(1,585)
Equity 31 Dec 2021	**29,571**	**90,622**	**(1,089)**	**(1,667)**	**117,438**
Equity 1 Jan 2022	**29,571**	**90,622**	**(1,089)**	**(1,667)**	**117,438**
Year's change in equity:					
Net profit loss for the year	0	0	0	(355)	(355)
Uncovered loss moved against Share Premium	0	(2,023)	0	2,023	0
Share-based payment, expensed	0	0	158	0	158
Equity 31 Dec 2022	**29,571**	**88,600**	**(930)**	**0**	**117,241**

For further information on share-based payments see note 2.4 in Consolidated Financial Statements of Icelandic Salmon AS.

Amounts in 1000 EUR

8 Intra-group balances, etc.

Other short-term payables	2022	2021
Group Companies	0	1
Total	0	1

Related parties transactions in the years 2022 and 2021 were insignificant.

9 Tax

Breakdown of the year's taxable income	2022	2021
Profit/loss before tax	(355)	(78)
Year's taxable income	(355)	(78)

Breakdown of temporary differences	2022	2021
Accumulated tax-loss carryforwards 1 January	(4,172)	(3,816)
Loss of the year	(355)	(78)
Foreign currency differences	229	(184)
Accumulated tax-loss carryforwards 31 December	(4,127)	(4,001)
Not included in the calculation of deferred tax	4,127	4,001
Deferred tax liability (+) / tax asset (-)	0	0
Tax rate used to calculate deferred tax	22%	22%

Deferred tax assets are calculated at 22 per cent on all temporary differences between the book value and tax value of assets and liabilities, and loss carried forward at the end of the reporting period. Taxable and deductible temporary differences that reverse or may reverse in the same period are offset. Deferred tax assets are recognized when it is probable that the Company will have adequate profit for tax purposes in subsequent periods to utilize the tax asset.

Reconciliation of nominal to actual tax rate	2022	2021
Profit/loss before tax	(355)	(78)
Expected tax on income at nominal tax rate	(78)	(17)
Carry forward loss not recognized in Income Statement as tax asset*	78	17
Estimated tax expense	0	0
Effective tax rate	0.0%	0.0%

*The Company's Carry forward loss of EUR 4.2 million does not expire according to Norwegian laws. The Company will recognize and record tax asset when there is an dequate profit for tax purposes to utilize the existing carry forward loss.

10 Loans and guarantees

Icelandic Salmon AS has pledged shares it holds in Arnarlax Ehf. as security for its subsidiary's liabilities. Icelandic Salmon AS owns 100 per cent of the shares in Arnarlax ehf, the book value of which was EUR 115,7 million as at 31 December 2022.

STATEMENT BY THE BOARD OF DIRECTORS AND CEO

According to the best knowledge of the Board of Directors and the CEO, the Consolidated Financial Statements are in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional requirements in the Norwegian Financial Statement Act. It is the opinion of the Board of Directors and the CEO that the Consolidated Financial Statments give a fair view of the Group's assets, liabilities and Financial Position as at 31 December 2022 and the Group's results and changes in cash in the year 2022.

Furthermore, it is the opinion of the Board of Directors and the CEO that the Financial Statements and the Endorsement by the Board of Directors for the year 2022 give a fair view of the Group's results, Financial Position and development and describe the main risk factors faced by the Group.

The Board of Directors and the Chief Executive Officer hereby confirm these Consolidated Financial Statements with their signature.

Bíldudalur 21 April 2023

Kjartan Olafsson,
Chairman of the Board

Trine S. Romuld

Trine Sæther Romuld
Member of the Board

Espen Weyergang Marcussen,
Member of the Board

Leif-Inge Nordhammer,
Member of the Board

Bjørn Hembre,
CEO

INDEPENDENT ACCOUNTANT'S ASSURANCE REPORT

To the board of directors in Icelandic Salmon AS

Scope

We have been engaged by Icelandic Salmon AS to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Icelandic Salmon AS's sustainability reporting as defined in the Icelandic Salmon AS's GRI Index (see the document GRI content index 2022 on p. xx) (the "Subject Matter") as of 31 December 2022 and for the period from 1 January to 31 December 2022.
Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Annual report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Icelandic Salmon AS

In preparing the Subject Matter, Icelandic Salmon AS applied the relevant criteria from the Global Reporting Initiative (GRI) sustainability reporting standards as well as own defined criteria (the "Criteria"). The Criteria can be accessed at globalreporting.org and are available to the public. Icelandic Salmon AS has also applied relevant criteria from the reporting standards of the Global Salmon Initiative (GSI). Such Criteria were specifically designed for companies and other organizations that want to report their sustainability impacts in a consistent and credible way. As a result, the Subject Matter information may not be suitable for another purpose.

Icelandic Salmon AS's responsibilities

The Board of Directors and Group Chief Executive Officer (management) are responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records, and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000'). This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Our Independence and Quality Control

We are independent of the company in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. Our firm applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Conducted interviews with key personnel to understand the business and the reporting process
- Conducted interviews with key personnel to understand the process for collecting, collating and reporting the Subject Matter during the reporting period
- Checked on a sample basis the calculation Criteria against the methodologies outlined in the Criteria
- Performed analytical review procedures of the data
- Identified and tested the assumptions supporting the calculations
- Tested, on a sample basis, the underlying source information
- Checked the presentation requirements outlined in the Criteria

We believe that our procedures provide us with an adequate basis for our conclusion. We also performed such other procedures as we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as of 31 December 2022 and for the period from 1 January 2022 to 31 December 2022 in order for it to be in accordance with the Criteria.

Trondheim, 21 April 2022
ERNST & YOUNG AS

The assurance report is signed electronically

Christian Ronæss
State Authorised Public Accountant

GRI INDEX AND THIRD-PARTY VERIFICATION

Built on the basis of the guidelines issued by the Global Reporting Initiative (GRI), Icelandic Salmon AS reports on its activities in the field of corporate social responsibility and sustainability within Annual report, sustainability report and other information published on the Groups website.

Statement of use	**Icelandic Salmon AS has reported in accordance with the GRI Standards for the preiod 1 January 2022 - 31 December 2022**
GRI 1 used	**GRI 1 used**
Applicable GRI Sector Standard(s)	**N/A**

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION
General disclosures		
GRI 2: General Disclosures 2021	2-1 Organizational details	Icelandic Salmon AS
	2-2 Entities included in the organization's sustainability reporting	Arnarlax ehf.
	2-3 Reporting period, frequency and contact point	1st January 2022 - 31 st December 2022.
	2-4 Restatements of information	N/A First reporting
	2-5 External assurance	This report - Page 116-117
	2-6 Activities, value chain and other business relationships	This report ABC of salmong farming
	2-7 Employees	This report - People and society
	2-8 Workers who are not employees	This report - People and society
	2-9 Governance structure and composition	This report - Corporate governance at Icelandic Salmon
	2-10 Nomination and selection of the highest governance body	This report - Corporate governance at Icelandic Salmon
	2-11 Chair of the highest governance body	This report - Corporate governance at Icelandic Salmon
	2-12 Role of the highest governance body in overseeing the management of impacts	This report - Corporate governance at Icelandic Salmon
	2-13 Delegation of responsibility for managing impacts	This report - Corporate governance at Icelandic Salmon and Group management
	2-14 Role of the highest governance body in sustainability reporting	This report - Corporate governance at Icelandic Salmon and Group management
	2-15 Conflicts of interest	This report - Corporate governance at Icelandic Salmon and Group management
	2-16 Communication of critical concerns	This report - BOD Report for 2022
	2-17 Collective knowledge of the highest governance body	This report - Corporate governance at Icelandic Salmon and Group management
	2-18 Evaluation of the performance of the highest governance body	This report - Corporate governance at Icelandic Salmon and Group management
	2-19 Remuneration policies	This report - Corporate governance at Icelandic Salmon
	2-20 Process to determine remuneration	This report - Equity and Dividend
	2-21 Annual total compensation ratio	Page 68
	2-22 Statement on sustainable development strategy	This report - Message from CEO
	2-23 Policy commitments	Ethical-Guidelines-Arnarlax-2020_EN.pdf
	2-24 Embedding policy commitments	Ethical-Guidelines-Arnarlax-2020_EN.pdf
	2-25 Processes to remediate negative impacts	This report - Corporate governance at Icelandic Salmon
	2-26 Mechanisms for seeking advice and raising concerns	Page 33-35
	2-27 Compliance with laws and regulations	This report - Corporate governance at Icelandic Salmon
	2-28 Membership associations	SFS, SA, University center in Isafjordur
	2-29 Approach to stakeholder engagement	Page 15
	2-30 Collective bargaining agreements	This report - People and society

OMISSION			GRI SECTOR STANDARD REF. NO.
REQUIREMENT(S) OMITTED	REASON	EXPLANATION	

A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION
Material topics		
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Page 22
	3-2 List of material topics	Page 22
Economic performance		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Section 4
	201-2 Financial implications and other risks and opportunities due to climate change	This report, Section 3, Climate risk, page 50
	201-3 Defined benefit plan obligations and other retirement plans	This report, Note 2.3 Salary and personnel expenses, page 67, and Note 2.4 Share-based incentive schemes, page 68
	201-4 Financial assistance received from government	
Market presence		
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	
	202-2 Proportion of senior management hired from the local community	This report, Note 2.3 Salary and personnel expenses, page 67
Indirect economic impacts		
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	
	203-2 Significant indirect economic impacts	Disclosed in annual social footprint report on www.arnarlax.is
Procurement practices		
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Disclosed in annual social footprint report on www.arnarlax.is
Anti-corruption		
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	This report, Section 3, Anti-corruption and bribery, page 51
	205-2 Communication and training about anti-corruption policies and procedures	This report, Section 3, Anti-corruption and bribery, page 51
	205-3 Confirmed incidents of corruption and actions taken	No such incidents, not disclosed in report
Anti-competitive behavior		
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	
Tax		
GRI 207: Tax 2019	207-1 Approach to tax	This report, Note 2.5 Other operating expenses page 70 and Note 2.7 Tax expense page 72.
	207-2 Tax governance, control, and risk management	This report, Note 2.7 Tax expense page 72.
	207-3 Stakeholder engagement and management of concerns related to tax	
	207-4 Country-by-country reporting	
Materials		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Page 26
	301-2 Recycled input materials used	Page 31
	301-3 Reclaimed products and their packaging materials	
Energy		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Page 30
	302-2 Energy consumption outside of the organization	Page 30
	302-3 Energy intensity	Page 30
	302-4 Reduction of energy consumption	Page 30
	302-5 Reductions in energy requirements of products and services	Page 30

OMISSION			GRI SECTOR STANDARD REF. NO.
REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
A gray cell indicates that reasons for omission are not permitted for the disclosure or that a GRI Sector Standard reference number is not available.			
	Information unavailable/incomplete	Goal to report on this for year 2023	
	Information unavailable/incomplete	Goal to report on this for year 2023	
	Information unavailable/incomplete		
	Not applicable	Goal to report on this for year 2023	
	Information unavailable/incomplete	Goal to report on this for year 2023	
	Information unavailable/incomplete	Goal to report on this for year 2023	
	Not applicable		
	Not applicable		

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION
Water and effluents		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Page 31
	303-2 Management of water discharge-related impacts	Page 31
	303-3 Water withdrawal	Page 31
	303-4 Water discharge	Page 31
	303-5 Water consumption	Page 31
Biodiversity		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
	304-2 Significant impacts of activities, products and services on biodiversity	Page 21
	304-3 Habitats protected or restored	Page 21
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Válisti fugla | Icelandic Institute of Natural History (ni.is)
Emissions		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Page 30
	305-2 Energy indirect (Scope 2) GHG emissions	Page 30
	305-3 Other indirect (Scope 3) GHG emissions	Page 30
	305-4 GHG emissions intensity	Page 30
	305-5 Reduction of GHG emissions	Page 30
	305-6 Emissions of ozone-depleting substances (ODS)	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	
Waste		
GRI 3: Material Topics 2021	3-3 Management of material topics	Environment
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Page 31
	306-2 Management of significant waste-related impacts	Page 31 / Green books 2022
	306-3 Waste generated	Page 31 / Green books 2022
	306-4 Waste diverted from disposal	Page 31 / Green books 2022
	306-5 Waste directed to disposal	Page 31 / Green books 2022
	307-1 Non-compliance with environmental laws and regulations	
Supplier environmental assessment		
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	
	308-2 Negative environmental impacts in the supply chain and actions taken	
Employment		
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	401-3 Parental leave	

OMISSION			GRI SECTOR STANDARD REF. NO.
REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
304-1	Not applicable	Arnarlax does not operate in any protected areas.	
305-6	Not applicable	No emissions of ozone-depleting substances within the operations.	
305-7	Not applicable	No nitrogen oxides, sulfur oxides and other significant emissions within the operations.	
	Not applicable	We are in compliance.	
308-1	Information unavailable/incomplete	The aim is to report on this for year 2023.	
308-2	Information unavailable/incomplete	The aim is to report on this for year 2023.	
401-1	Information unavailable/incomplete	First report. The aim is to report on this for year 2023.	
401-2	Information unavailable/incomplete	First report. The aim is to report on this for year 2023.	
401-3	Information unavailable/incomplete	First report. The aim is to report on this for year 2023.	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION
Labor/management relations		
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	
Occupational health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	People and society
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	This report - People and society
	403-2 Hazard identification, risk assessment, and incident investigation	This report - People and society
	403-3 Occupational health services	This report - People and society
	403-4 Worker participation, consultation, and communication on occupational health and safety	This report - People and society
	403-5 Worker training on occupational health and safety	This report - People and society
	403-6 Promotion of worker health	This report - People and society
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	
	403-8 Workers covered by an occupational health and safety management system	This report - People and society
	403-9 Work-related injuries	This report - People and society
	403-10 Work-related ill health	This report - People and society
Training and education		
GRI 3: Material Topics 2021	3-3 Management of material topics	People and society
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	
	404-2 Programs for upgrading employee skills and transition assistance programs	This report - Education programmes on p9 and Ecuation and training on p41.
	404-3 Percentage of employees receiving regular performance and career development reviews	
Diversity and equal opportunity		
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	This report - Corporate governance at Icelandic Salmon and Group management
	405-2 Ratio of basic salary and remuneration of women to men	This report – Pages 35 and 51
Non-discrimination		
GRI 3: Material Topics 2021	3-3 Management of material topics	People and society
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	
Freedom of association and collective bargaining		
GRI 3: Material Topics 2021	3-3 Management of material topics	People and society
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	
Child labor		
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	
Forced or compulsory labor		
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	
Security practices		
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	

OMISSION			GRI SECTOR STANDARD REF. NO.
REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
402-1	Information unavailable/incomplete	First report. The aim is to report on this for year 2023.	
403-7	Not applicable		
404-1	Information unavailable/incomplete	Data gathering around all training is incomplete.	
	Information unavailable/incomplete	First report. The aim is to report on this for year 2023.	
406-1	Confidentiality constraints	All incidents received through Ethical portal are taken care of. High confidentiality is regarding these incidents within the company.	
407-1	Not applicable	Collective bargaining and the right to choose or form a union is bonded in Icelandic laws no. 80/1938.	
408-1	Not applicable	No child labor or incidents regarding the topic are present within the operations.	
409-1	Not applicable	No forced or compulsory labor or incidents regarding the topic are present within the operations.	
410-1	Not applicable	No force, inhuman or degrading treatment of employees.	

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION
Rights of indigenous peoples		
GRI 411: Rights of Indigenous Peoples 2016	411-1 Incidents of violations involving rights of indigenous peoples	
Local communities		
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	
	413-2 Operations with significant actual and potential negative impacts on local communities	
Supplier social assessment		
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	
	414-2 Negative social impacts in the supply chain and actions taken	
Public policy		
GRI 415: Public Policy 2016	415-1 Political contributions	
Customer health and safety		
GRI 3: Material Topics 2021	3-3 Management of material topics	People and society
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Page 35
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	
Marketing and labeling		
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	
	417-2 Incidents of non-compliance concerning product and service information and labeling	
	417-3 Incidents of non-compliance concerning marketing communications	
417-		
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	

OMISSION			GRI SECTOR STANDARD REF. NO.
REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
411-1	Not applicable	No indigenous people are in Iceland.	
413-1	Not applicable	No vulnerable groups.	
413-2	Not applicable	No actual or significant negative impacts on local communties.	
414-1	Information unavailable/incomplete	We aim to report on this indicator for our 2023 report.	
414-2	Information unavailable/incomplete	We aim to report on this indicator for our 2023 report.	
415-1	Not applicable		
416-1			
416-2	Not applicable	No incidents of non-compliance concerning the health and safety impact of products.	
417-1	Not applicable	We are a manufacturer and distributor of our products to primary producers.	
417-2	Not applicable	No incidents	
417-3	Not applicable	No incidents	
418-1	Not applicable	No substantiated complaints concerning breaches of customer privacy and losses of customer data.	

2023

12 APPENDIX III – CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR H1 2022

The following documents constitute Icelandic Salmon AS Interim Financial Statements as prepared by its accountants and reviewed and approved by the Company.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

First half 2023 results

Icelandic Salmon

SUSTAINABLE SALMON FROM ARNARLAX

Icelandic Salmon AS
Industriveien 51
7266 Kverva - Norway

Icelandic Salmon AS

Condensed Consolidated Interim Financial Statements

Icelandic Salmon AS owns all shares in and is the parent company of Arnarlax ehf., the largest 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 productions 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 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.

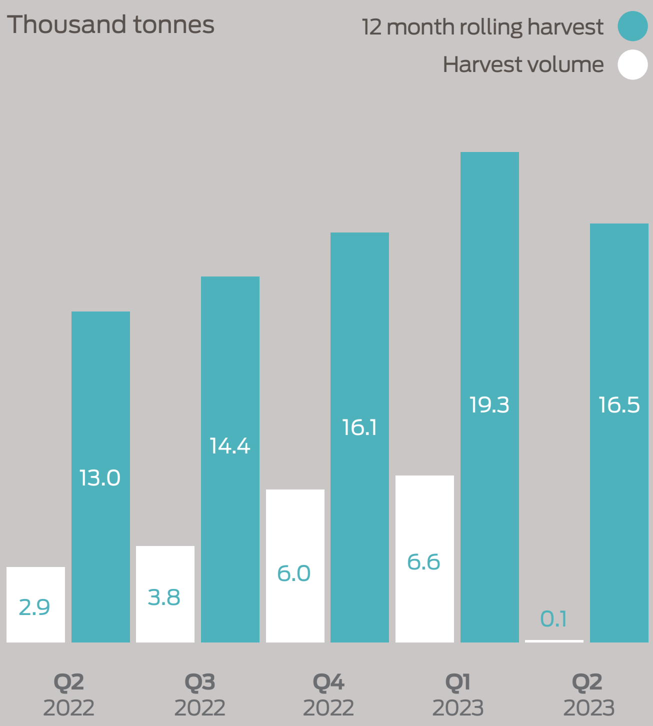
1 THIS IS ICELANDIC SALMON

Key Figures for Icelandic Salmon

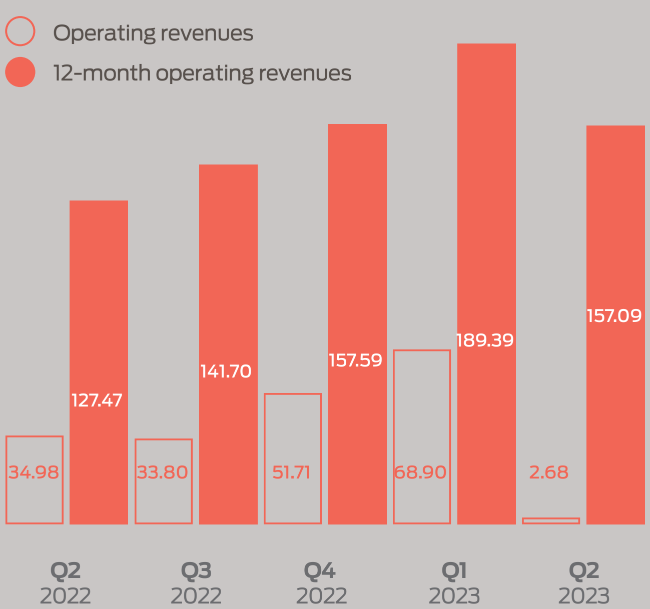
EUR million	H1 2023	H1 2022	FY 2022
Operating revenue	71.58	72.09	157.59
Operational EBIT	**15.31**	**23.04**	**36.15**
Production tax	(0.80)	(0.55)	(1.33)
Fair value adjustments	0.22	3.89	(0.21)
Profit (loss) before tax	**14.16**	**25.51**	**41.82**
Net interest bearing debts	38.16	20.94	56.03
Equity ratio	68%	66%	61%
Harvested volume from own production (tonnes)	6.661	6.326	16.138
Operational EBIT/kg.	**2.30**	**3.64**	**2.24**

Harvest

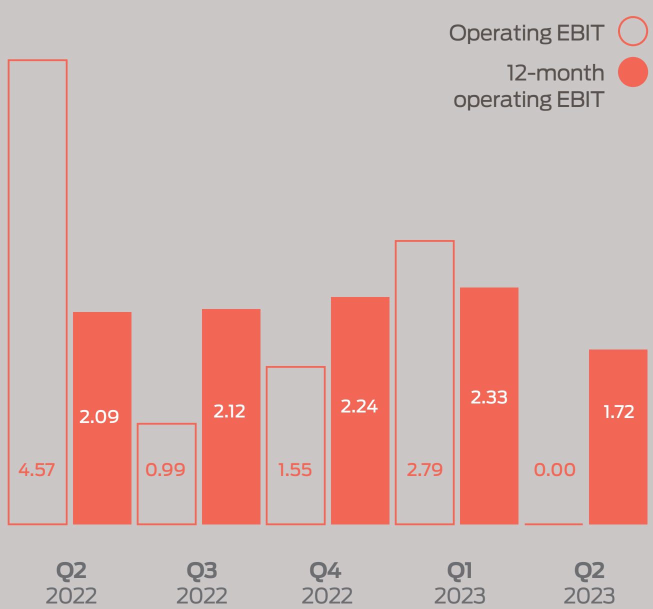
Thousand tonnes



Operating Revenues EUR millions

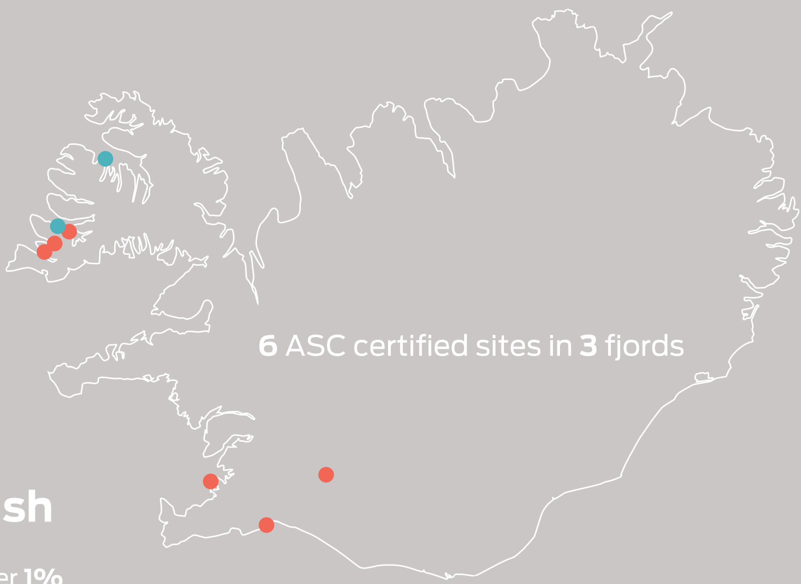


Operating EBIT EUR/kg

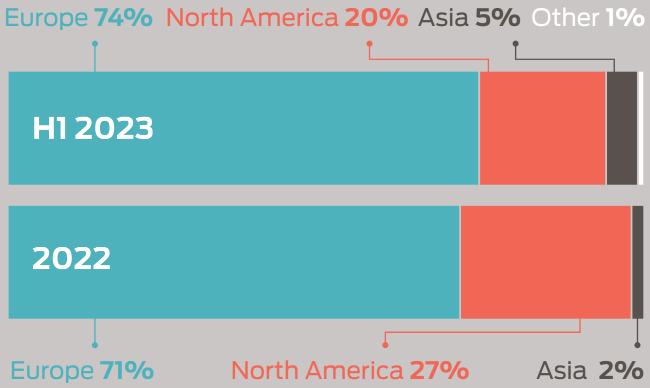


Our Locations

Current operations
Licence application

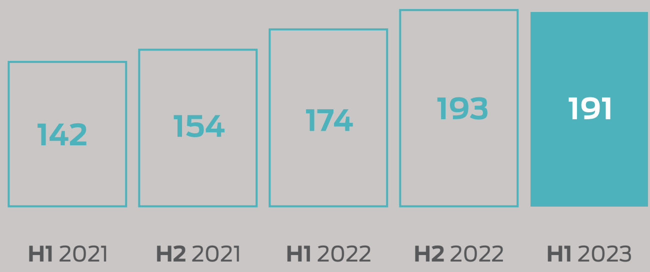


Geographical distribution of revenues from sales of fish



Number of Employees

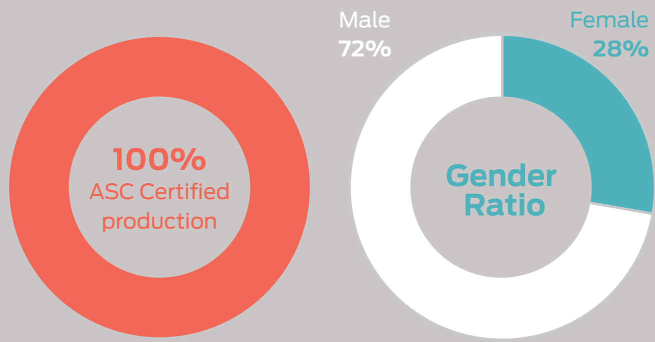
Average over year

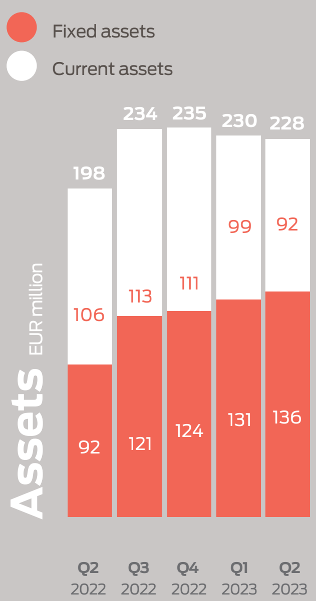


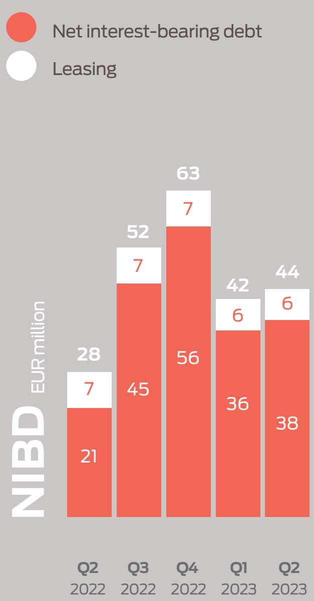
Smolt facilities

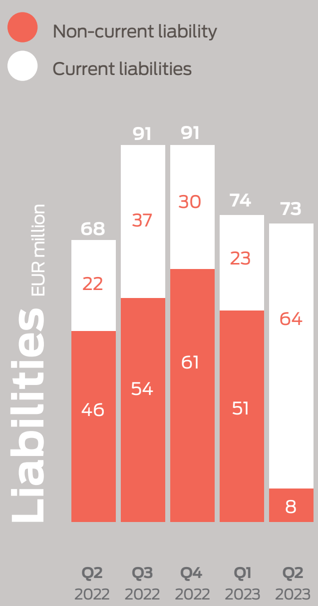
4 Smolt facilities

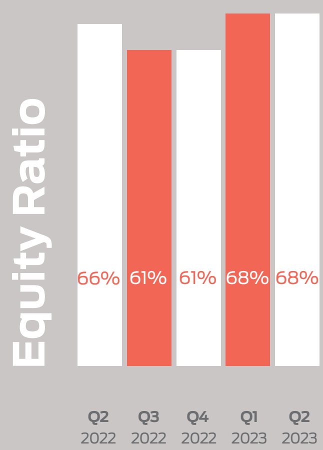
7-8 Million smolt in operational capacity











THE HISTORY

Arnarlax ehf, a subsidiary of Icelandic Salmon AS, was founded in 2010 in Bíldudalur, a small Icelandic village inside a long fjord called Arnarfjörður. Bíldudalur is the hometown of the Company's founder, Matthías Garðarsson, who knew that the area had excellent conditions for farming salmon. Today, the Company is Iceland's biggest aquaculture company.

Modern salmon farming is relatively new in Iceland compared to our neighbours in the Faroe Islands, Scotland and Norway. The Company's vision is „Sustainability – it's in our nature", so to be sustainable in every aspect of its operations and lead the way in terms of cost efficiency, biology and the development of the whole value chain for salmon farming in Iceland.

The Group successfully listed on Euronext Growth Oslo in the autumn of 2020. At the end of June 2023, SalMar owned 51 per cent of the shares in the Company. The Company is fully integrated with its own hatcheries, sea farms, harvesting plant and sales department. The natural conditions, with good quality seawater and temperatures are like those found in northern Norway, and provide a sound basis sustainable aquaculture in Iceland.

The Company has its headquarter and harvesting plant in Bíldudalur in Iceland's West Fjords region, close to the sea farms located in surrounding fjords. In addition, the Company has an office facility in Reykjavík and four smolt facilities, with one located in the West Fjords and three on the south coast of Iceland.

The Company strongly believes in sustainable aquaculture production in Iceland.

2009
Incorporated
Preperation work starts

2014
First Smolt Stocking
500.000 fish put into the ocean

2014
Capital Increase
Private placement of 50 mNOK for biomass growth

2015
SalMar Entry
Invests through Salmus AS

2016
First Harvest
First invoice sent

2016
New Licenses
License extended by 7.000 MT

2016
Acquisition and Capital Increase
Acquisition of Fjarðalax and private placement of 300 mNOK

2016
New Licenses
Fjarðalax licenses renewed

2018
Capital Increase
Private placement of 200 mNOK

2019
SalMar Increase
Ownership now over 50 per cent

2019
NOTC Listing
Company lists its shares on OTC Oslo

2020
Euronext Listing
Listed on Euronext Growth

2021
Acquisition in FreshWater
Two smolt facilities acquired in South Iceland

2021
New Brand
New corporate brand lunched

2022
Acquisition of Ísþór
Full ownership of smolt facility

GROUP MANAGEMENT

The Group benefits from a highly competent senior management team, comprising six individuals with extensive first-hand experience in fish farming in Iceland. Working closely with SalMar, one of the world's top producers of farmed salmon, the management team leverages its industry knowledge to drive the Group's success. In addition to their core operations, the Group also plays an active role in developing local educational programs within the aquaculture industry and runs its own Arnarlax Academy to foster the growth of leadership skills and positive company culture.

The Group's management team consist of the following members:

Bjørn Hembre
CEO

Jónas Heiðar Birgisson
CFO

Rolf Ørjan Nordli
COO of Biology

Hannibal Hafberg
COO of Harvest Plant

Kjersti Haugen
CSO of Sales

Silja Baldvinsdóttir
Quality Manager

HIGHLIGHTS IN THE FIRST HALF OF 2023

- The total own harvest volume in the first half year of 2023 was 6.7 thousand tonnes.
- The harvest volume in the first quarter reached an all-time high, driven by biological challenges at one of the Group sites. As a result, it was decided to harvest out earlier than planned due to an unwanted development of winter wounds, leading to lower harvest volumes in the second quarter.
- The EBIT for the period was EUR 15.3 million, with an EBIT/kg harvest of EUR 2.3 in the first six months of 2023.
- The group experienced some extraordinary mortality with an estimated impact of EUR 1.8 million on operational performance
- The group received two new hybrid feed barges delivered, each with a capacity of storing 900 tonnes of feed. This important step improves feed logistics to the sea sites and reduces CO_2 emissions from operations.
- Ongoing investments in optimizing smolt production shows positive effects in 2023, resulting in higher number of smolts, larger smolts and higher survival rates after output to seawater.
- Engagement letter was signed with DNB and Danske bank, where Arion act as a security agent in a re-financing process, replacing the current loan agreement.
- The Group engaged in advisory services with Arion Bank to prepare for a dual listing with depository notes on First North on the Icelandic Stock exchange.
- Continued focus on deliveries to the North American market, which accounted for 20 per cent of the Group's revenues in the first half of 2023.
- The Group maintains the guidance of 16.0 thousand tonnes of sustainable Icelandic Salmon as the total own harvest volume for 2023.

Operational summary

Icelandic Salmon AS reported operating revenues of EUR 71.6 million in the first half of 2023, nearly the same as in the same period in 2022. Operational EBIT amounted to EUR 15.3 million, a decrease from EUR 23.0 million in the corresponding period in the previous year. The main reason for the weaker EBIT compared to the previous year is due to an increased cost level on input factors such as feed, a mortality expense of EUR 1.8 million at one of the sites, and an impact on cost levels due to exceptionally related to very low harvest volumes in the second quarter.

During the first half of 2023, the Group harvested a total of 6.7 thousand tonnes of its own fish. Most of the harvesting took place in the first quarter of the year. In the second quarter, the Company prioritized building up its biological assets and conducting maintenance work on its harvesting facility. The biological development at most of the Group's sites remained stable, with exception of one site which recorded higher than normal mortality rates at the beginning of the year.

Throughout the first half of the year, sea lice levels remained low, reducing the need for delousing measures. The Group conducted only one delousing treatment during the period. Additionally, the Group harvested 1.3 thousand tonnes for a third party in the period.

Icelandic Salmon AS maintains its guidance of 16.0 thousand tonnes harvest of sustainable Icelandic Salmon for 2023.

Two new feed barges

As part of its strategy for sustainable growth, the Group has invested in two additional feed barges named Svanborg and Steinborg. Both were delivered in June 2023. Svanborg, boasts a substantial capacity of twelve silos, enabling it to hold up to 900 tonnes of feed. Steinborg, a concrete barge, features eight silos with a capacity of 900 tonnes of feed. Both barges operate on hybrid technology and offer the convenience and environmental benefits of battery power in periods with low usage of energy.

With these additions, the Group's fleet now comprises a total of seven feed barges, collectively capable of accommodating 4.2 thousand tonnes of feed.

Smolt facilities

During the first half of 2023, the Group has continued investing to enhance and improve its four smolt facilities. This strategic focus on bigger smolt, better smolt quality and increasing smolt production capacity within these facilities, enables the Group to achieve greater flexibility in its overall production process. By introducing larger smolts into the sea, the Group can expand its production within its existing licenses, with better utilization of its maximum allowed biomass (MAB).

The average size of the delivered smolt during the first half of 2023 ranged from 122 to 737 gram.

Licenses

The group has a MAB of 23.7 thousand tonnes.

To ensure growth and further operational improvements there are two applications for additional production licenses that are currently being considered by the authorities. The first application is for 10 thousand tonnes MAB in Ísafjarðardjúp is anticipated to be approved during the second half of 2023. For the second application, covering 4.5 thousand tonnes capacity in Arnarfjörður on the existing sites and further two new sites, no specific timeline for approval has been provided at this time.

New sustainable linked loan agreement

In June 2023, the Group reached a milestone as its wholly owned subsidiary, Arnarlax ehf., signed an engagement letter for refinancing of its existing bank facilities and to support further growth. This financing comprises a EUR 100 million three-year senior secured term loan, and revolving facility with an option of two year extension, and an overdraft facility. The financing package will be provided by DNB, Danske Bank, and Arion Bank acting as a security agent. The loan agreement is expected to be finalised in the third quarter of 2023.

The loan facility is sustainability-linked, offering the Group more favourable terms if it successfully meets the defined sustainable goals. The Group holds a commitment to sustainable salmon farming and by entering a sustainability-linked loan agreement, the Group is reaching out further in its sustainable reach.

Dual listing First North

Icelandic Salmon AS engaged in an advisory service agreement with Arion Bank, with the objective of preparing for the listing of the Group's shares on the First North stock exchange in Iceland, within the second half 2023. This listing will leverage the opportunity to issue depository receipts through Arion Bank and/or Nasdaq CSD, where Arion Bank will serve as the depository.

With a listing on First North, Icelandic Salmon shares will be more easily accessible for Icelandic investors. The Company anticipates that this will strengthen the Group's presence and engagement with the local Icelandic investor community.

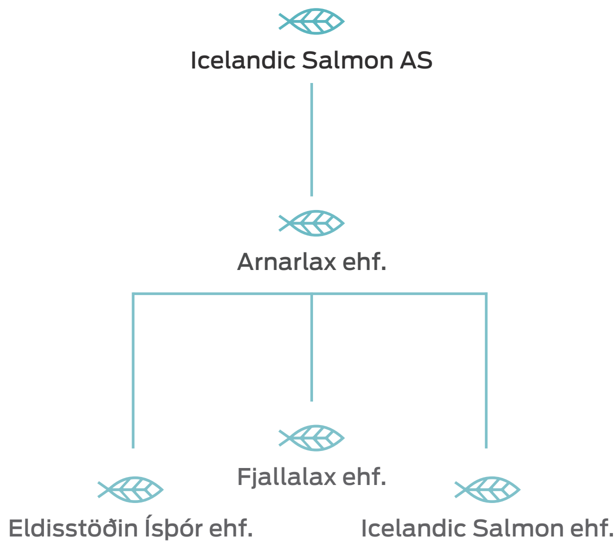
REPORT FOR THE FIRST HALF OF 2023

Group overview

Icelandic Salmon AS (the “Company”) is the sole owner and parent company of Arnarlax ehf., a company incorporated in Iceland. The Company and its subsidiaries are referred to as the “Group” or “Icelandic Salmon”. All operational activities in the Group are performed through Arnarlax ehf. and its subsidiaries.

The Company’s shares are listed on Euronext Growth, traded under the ticker symbol ISLAX. The Group holds licenses for a maximum allowed biomass (MAB) of 23.7 thousand tonnes, all situated in the southern region of the Icelandic Westfjords.

This organizational structure ensures a well-established and fully integrated value chain for the Group, where it maintains control over every step of the process. The Group procures eggs for its hatcheries, produces its own smolt, has seawater net pen production, operates a harvesting plant, and sells and distributes sustainable salmon in Europe, North America, and the Far East.



The Group’s salmon harvesting facility in the Westfjords region is a key operational asset in the Group’s value chain, with a total harvesting capacity of 30.0 thousand tonnes per year. In addition, the Group operates four smolt facilities and a sales department.

Smolt Facilities

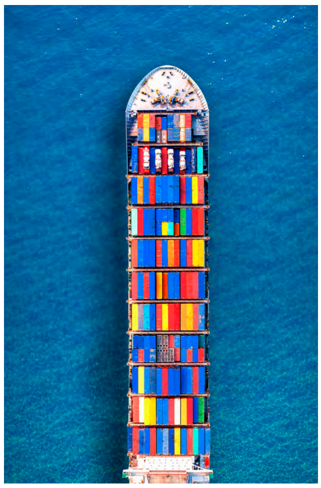
Four smolt facilities with a combined capacity of 8 million smolt

Seawater

Farming license of MAB 23,700 tonnes across six ASC certified sites in three fjords

Harvesting

Harvesting plant in Bíldudalur with yearly harvesting capacity of 30,000 tonnes



Sales

Sales are conducted by the Group’s internal sales organisation to both domestic and global markets

Financial results

The Group's consolidated operating revenues in the first half of 2023 was EUR 71.6 million compared with EUR 72.1 million for the same period last year.

Harvesting increased from 6.3 thousand tonnes in the first half of 2022 to 6.7 thousand tonnes in the first half of 2023. In addition, Icelandic Salmon harvested 1.3 thousand tonnes in the first half of 2023 for a third-party, compared with 5.2 thousand tonnes in the first half of 2022. The Group expects to harvest 16.0 thousand tonnes of its own fish in 2023.

Icelandic Salmon AS paused harvesting in the second quarter 2023. A strong market and high salmon prices in the first quarter had a positive impact on the Group's revenues and operational results at the beginning of the year. However, in the second quarter, the price of salmon declined.

Operational EBIT for the first six months of 2023 was EUR 15.3 million, down from EUR 23.0 million in the first half of 2022. This gives an operational EBIT per kilo of EUR 2.30. In the first six months of 2022 the Group had an operational EBIT per kilo of EUR 3.64.

Operational profit for the first six months of 2023 was EUR 14.8 million, which includes a positive EUR 0.2 million fair value adjustment (see Note 3 in financial statement for details). In comparison, the operating profit for the first six months of 2022 was EUR 26.0 million, with a positive EUR 3.9 million in fair value adjustment.

Net financial items for the first six months were negative EUR 0.7 million, compared with negative EUR 0.3 million for same period in 2022. Financial expenses changed from EUR 1.0 million in the first half of 2022 to EUR 1.1 million in 2023, and a net currency gain in the first six months of 2022 of EUR 0.6 million, whereas for the same period in 2023, there was a currency gain of EUR 0.4 million.

Cash Flow

In the first six months of 2023, net cash flow from operating activities was positive EUR 35.9 million compared with positive cash flow EUR 25.6 million in the same period in 2022. Good operational results for the first quarter and high harvest volume at end of year 2022, paid in 2023, are the main reason for the positive cash flow during the first half.

Net cash flow from investing activities was 16.1 million in the first half of 2023, compared with EUR 8.1 million in the year before. The primary investment activities for the first six months of 2023 were mainly in seawater equipment with the purchase of two new barges, moorings, net and cages. These investments are part of the Group's strategy for growth and results from improvements in its smolt facilities.

Net cash flow to financing activities was negative of EUR 19.5 million, compared with negative of EUR 2.5 million in the same period in the year before, mainly due to repayment of the Groups debts. New interest-bearing debt amounted to EUR 4.0 million and repayment of the Group loan facilities were EUR 21.7 million. Cash and cash equivalents on 30 June 2023 were EUR 2.1 million, a EUR 0.2 million increase from EUR 1.9 million at the end of year 2022.

Balance sheet

The Group's balance sheet on 30 June 2023 was at EUR 228.1 million, with a decrease of EUR 7.2 million from end of the year 2022. Total equity was EUR 155.6 million at the end of the period. The equity ratio increased from 61 per cent at the end of 2022 to 68 per cent.

Non-current assets increased from EUR 124.5 million to EUR 136.4 million in the period, mainly due to investments. Current assets decreased from 110.8 million to EUR 91.7 million with main affect in trade receivables due to low harvesting numbers and decrease of biological values.

Non-current liabilities decreased from EUR 61.0 million at the end of the year 2022 to EUR 8.4 million as of the end of June 2023. At the same time, current liabilities changed from EUR 30.1 million from end of year 2022 to EUR 64.1 million at end of June 2023. The main cause of this change was the reclassification of interests-bearing liability due in June 2024.

At end of June 2023, the Group signed an engagement letter with DNB and Danske bank concerning a new three year loan agreement, with option of two year extension, aiming for a term loan facility and a revolving facility for a total of EUR 95.0 million and an additional EUR 5.0 million overdraft facility with Arion bank, bringing the total amount of the refinancing agreement to EUR 100.0 million.

The facility will replace the current loan facility, which was set to mature in June 2024. This new financing arrangement creates a strong financial foundation for the Group as it continues to pursue its growth projects, with a primary focus on investing in seawater equipment to enhance production capacity in the upcoming periods.

DNB and Arion Bank have maintained a good relationship with the Group over the years, actively supporting its operations and growth initiatives. The agreement entails a shared lending responsibility, with DNB and Danske Bank contributing to the term facility and revolving facility, while Arion Bank assumes the role of both providing the overdraft facility and serving as the security agent within the loan agreement.

OPERATIONS, MARKETS AND STRATEGY

Operational performance

In the first half of 2023, the total harvest in Arnarlax facilities were 8.0 thousand tonnes. Icelandic Salmon harvested 6.7 thousand tonnes, while 1.3 thousand tonnes were harvested for third parties. The Group's operational EBIT per kilo was EUR 2.30, compared with EUR 3.64 per kilo for its own harvest in the same period of 2022.

The first-quarter EBIT for the Group reached a record high, due to the combination of high sales prices and stable production costs. There was very low harvesting in the second quarter (88 tonnes), resulting in an operational EBIT of EUR 15.3 million for the first half of 2023.

The high harvest volume in the first quarter was driven by biological challenges at one of the Group's sites, and it was decided to harvest it earlier than planned, due to an unwanted development of winter wounds.

The group experienced some extraordinary mortality at one of the Group's site, with an estimated impact of EUR 1.8 million on operational performance. The final effect on the Group's profit and loss statement depends on the final settlement of insurance.

During first half of 2023, the group started the smolt release, and the results of recent years' smolt investments are evident. The smolts' size from 122 grams to 737 grams. The larger size is a direct outcome of increased tank capacity in the group's smolt facilities. Harvesting on the spring 2023 generation is expected to commence in the third quarter 2024. The development of the smolts put to sea has been favourable, with historical low mortality, indicating that the measures taken in smolt production have been effective.

Due to temperatures below normal during winter and spring, which have resulted in unusual low sea temperatures, the growth of the fish in the sea has been slower than expected in first half of 2023. It is expected that through compensatory growth of the fish and adjustments to the harvest plan, the production for the full year will not be affected.

Market and strategy

Iceland has seen a significant surge in the export value of farmed fish recently, recording a 35 per cent increase from 2021 to 2022. Export from fish farming accounted for 4.9 per cent of the total export value from Iceland in 2022.

Fish farming has become a pillar of the Icelandic economy. The export value from farmed fish in Iceland boosted by 400 percent since 2016 and projections indicate a further rise in the upcoming years.

Icelandic Salmon AS is a leading company in this growing industry in Iceland, with North America and Europe as its main markets. The Group takes pride in offering sustainably sourced and high-quality Icelandic salmon. Its unwavering commitment to quality has earned recognition, with prestigious retailers and restaurants opting to include Arnarlax salmon as part of their exceptional offerings.

In the first months of 2023, the market price of Atlantic salmon varied from EUR 8.44 per kilo to EUR 11.35 per kilo at its peak in week 11 (according to the Nasdaq salmon index size 3-6). The Group acknowledges that the salmon price poses a known risk to its operations, as the profitability and cash flow are closely linked to the price of the salmon.

Smolt production

The Group's smolt production is currently in three smolt facilities; Gileyri in the Westfjords, and Ísþór and Fjallalax on the south coast of Iceland. The fourth facility, Laxabraut 5, is still undergoing rebuilding. These strategic investments have resulted in increased capacity, which the Group is starting to see effect of in 2023. Both the number and size of the smolts will exceed previous years' figures. So far in 2023, there are a historical high survival rate after output in sea, which shows improvement in smolt quality. Forecast indicate a projected increase of 28 per cent and the size of the smolts with 35 per cent, for 2023 compared to 2022. This increase in biomass released into the sea in 2023 makes the fundament for expected growth in harvest volumes for 2024 and going forward.

Sustainability and social responsibility

Icelandic Salmon AS takes pride in its natural and sustainable approach to salmon farming in the pristine Arctic waters, which has been reinforced by the brand introduced in 2021. With a firm commitment to strict quality standards, the Group also strives to be a low-cost producer, achieved through sustainable biological production that prioritises the well-being of the fish.

By combining the best biological practices with a focus on cost efficiency and optimal processes, the Group has become a successful and cost-effective producer of farmed salmon in Iceland. Emphasising diversity and corporate social responsibility, the Group recognises its roles as an employer, producer, supplier of healthy food, user of the natural environment, and steward of financial and intellectual capital. Social responsibility is deeply ingrained in the Group's daily operations, while continuous efforts are made to minimise environmental impact and create local value with the smallest possible footprint.

Environmental issues are monitored and reported annually in the Group's Sustainable report, available on their homepage www.arnarlax.is. This transparent approach reflects the Group's dedication to environmental stewardship and sustainable practices.

Furthermore, Icelandic Salmon AS acknowledges the importance of social responsibility, particularly in the nearby communities where the Group operates. Collaborating with PWC Iceland, Arnarlax and its subsidiaries have been issuing a community footprint report in recent years. This report clearly demonstrates the positive impact the Group has had on the Icelandic economy, contributing significantly to the local community. In 2022 alone, the Group's community footprint amounted to ISK 1.3 billion, marking a 32 per cent increase from the previous year. The Group remains committed to further enhancing its positive impact in the community, with the expectation of continued growth. Full details of Arnarlax community footprint report can be accessed on their Companies' homepage at www.arnarlax.is.

To document sustainability and social responsibility, the Group have chosen to be ASC certified. All production in first half 2023 was ASC certified.

CORPORATE MATTERS - FIRST HALF OF 2023 UPDATE

Shares and shareholders

As of the end of the first half of 2023, Icelandic Salmon AS has a total of 31,532,891 shares outstanding, held by 264 shareholders. The major shareholder, SalMar ASA, maintains ownership of 51.0 per cent of the shares. The list of larger shareholders continues to include prominent Icelandic citizens and companies. Gildi, one of Iceland's largest pension funds, and Stefnir, a leading Icelandic Asset Management group owned by Arion bank, remain cornerstone investors. The 20 largest shareholders now collectively hold 94.2 per cent of the shares. For further details, refer to note 4 in financial statement.

During the first half of 2023, the Company's shares have seen fluctuations in price, ranging from NOK 142 to NOK 166. At the end of the period, the closing price stands at NOK 155, compared to NOK 150 at the beginning of the year, reflecting an increase of three per cent.

During the first half of 2023, Icelandic Salmon AS experienced changes in its Board of Directors. Ulrik Steinvik transitioned from an observant role to become a full-fledged member of the Board, while Gustav Witzøe returned as a Board member. Leif-Inge Nordhammer took over the Chairman position from Kjartan Ólafsson, who remains a Board member. Meanwhile, Trine Sæther Romuld chose to leave the Board. These changes reflect the Company's commitment to a diverse and capable leadership team guiding its strategic direction and overseeing its operations for continued growth and success.

Risks and uncertainties

The Group remains exposed to various market, operational, and financial risks, including credit risk and liquidity risk. Management continues to assess and address these risks through established guidelines. Bank loans continue to support the Group's capital for business investments, and the Group manages financial instruments related to day-to-day operations, such as trade receivables and trade payables. Moreover, in a strategic move to bolster its financial position, the Group is in the process of obtaining a EUR 100 million in a new credit facility, which provides the Group with financial strength and flexibility, allowing it to pursue its business investments and strengthen overall financial stability.

OUTLOOK

The Russian invasion of Ukraine and imposed sanctions have disrupted many supply chains and impacted the price of raw material such as fish feed, operations, and logistics. The current geopolitical situation has however so far had no significant negative impact on the Group's markets, but management continue to monitor the situation closely.

The effects of the Covid-19 pandemic on the salmon market have gradually declined to a minimum and are expected to remain low throughout 2023. The pandemic has had no direct effect on the Group's business so far in 2023, and it is no longer considered a main risk factor.

In the first half of 2023, the Group harvested 6.7 thousand tonnes. Total harvest for 2023 is estimated at 16.0 thousand tonnes. Recent and ongoing investments in growth projects, including barges, moorings, nets, cages and smolt facilities, are expected to result in higher harvesting and increased revenues in near future.

The legal framework for Iceland as a farming region has been evolving over the past few years, offering significant potential for improvements and increased predictability. Strategic planning is essential to shape the future structure of Iceland as a new farming region. This development is of great importance to all communities and stakeholders, both economically and environmentally.

To ensure international competitiveness, companies in Iceland should further develop all aspects of the value chain and leveraging economies of scale to effectively compete in global markets. Meeting the demands of discerning buyers and rapidly growing retailers with a regular supply of fresh Icelandic salmon each week while adhering to environmentally sustainable production practices will be key to continued growth.

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 2023 have been prepared in accordance with ISA 34 – Interim Reporting and that the information contained therein provides an accurate 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 risk and uncertainties facing the business in the forthcoming accounting period.

Bíldudalur, August 24th 2023

Leif-Inge Nordhammer,
Chairman of the Board

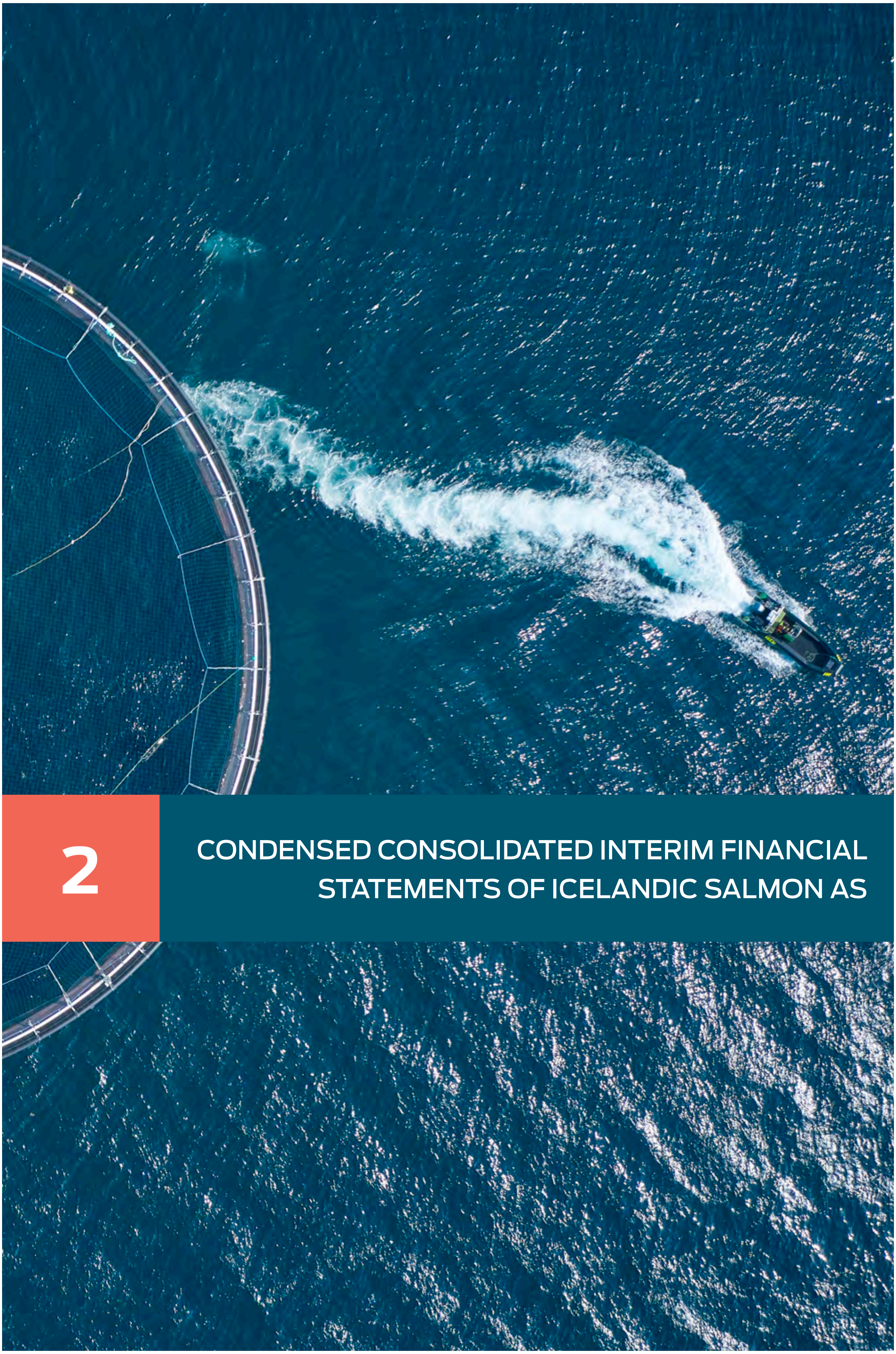
Espen Weyergang Marcussen,
Member of the Board

Gustav Witzøe,
Member of the Board

Ulrik Steinvik,
Member of the Board

Kjartan Olafsson,
Member of the Board

Bjørn Hembre,
CEO



2 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS OF ICELANDIC SALMON AS

Statement of Comprehensive Income

	Note	H1 2023	H1 2022	2022
Revenue from contracts with customers	2	71,583	72,085	157,593
Total operating revenue		**71,583**	**72,085**	**157,593**
Cost of goods sold		33,263	28,986	78,406
Salaries and personnel expenses		9,773	8,291	17,349
Other operating expenses		8,904	8,369	18,230
Depreciation		4,339	3,395	7,456
Total operating expenses		**56,278**	**49,042**	**121,440**
Operational EBIT	7	**15,305**	**23,044**	**36,153**
Production tax	7	(800)	(549)	(1,329)
Onerous Contracts		122	(337)	(122)
Fair value adjustments of biomass	3, 7	219	3,885	(215)
Operating profit		**14,846**	**26,042**	**34,487**
Income from investments in joint ventures		**0**	**(214)**	**180**
Financial items				
Financial income		29	60	9,256
Financial expense		(1,124)	(1,031)	(1,915)
Net currency gain, (loss)		409	649	(189)
Net financial items		**(686)**	**(321)**	**7,151**
Profit before tax		**14,160**	**25,507**	**41,817**
Income Tax		2,917	5,209	6,901
Net profit for the period		**11,242**	**20,298**	**34,917**
Net profit for the period attributable to:				
Equity holders of the parent company		11,242	20,298	34,917
Other comprehensive income				
Items which may subsequently be reclassified to profit or loss				
Translation differences related to joint venture		0	92	96
Translation differences related to subsidiaries		48	0	(314)
Other comprehensive income for the period		**48**	**92**	**(217)**
Total comprehensive income for the period		**11,291**	**20,390**	**34,699**
Total comprehensive income attributable to:				
Equity holders of the Parent company		11,291	20,390	34,699
Earnings per share ("EPS"):				
Basic and diluted (EUR Per share)		0.36	0.66	1.13

Amounts in 1000 EUR

Statement of Financial Position

Assets	**Note**	**30/6/2023**	**30/6/2022**	**31/12/2022**
Non-current assets				
Goodwill		34,740	19,332	34,740
Licenses		1,626	1,359	1,626
Property, plant & equipment		93,814	56,492	81,149
Lease assets		6,203	7,205	6,975
Investment in joint venture	6	0	1,525	0
Other long-term receivables		0	6,125	0
Other investments		1	0	0
Total non-current assets		**136,384**	**92,039**	**124,490**
Current assets				
Biological assets	3	80,638	73,310	84,146
Inventories	3	2,630	4,026	5,043
Trade receivables		1,025	7,022	15,026
Other receivables		5,319	2,590	4,748
Cash and cash equivalents		2,095	18,731	1,854
Total current assets		**91,707**	**105,679**	**110,816**
Total assets		**228,092**	**197,718**	**235,306**

Amounts in 1000 EUR

Statement of Financial Position

Equity and liabilities	Note	30/6/2023	30/6/2022	31/12/2022
Equity				
Share capital	4	29,571	29,571	29,571
Share premium		88,600	90,622	88,600
Other paid-in equity		(880)	(1,006)	(930)
Other equity		38,266	10,595	26,976
Total equity		**155,557**	**129,782**	**144,216**
Liabilities				
Non-current liabilities				
Interest-bearing borrowings	5	0	37,378	51,649
Lease liabilities	5	5,026	6,166	5,756
Deferred tax liabilities		3,416	1,987	3,576
Total non-current liabilities		**8,441**	**45,531**	**60,981**
Current liabilities				
Interest-bearing borrowings	5	40,253	2,294	6,230
Lease liabilities	5	959	1,218	1,186
Trade payables		10,269	10,229	11,702
Tax payable		4,431	0	1,341
Provision for onerous contracts		0	337	122
Other payables		8,182	8,326	9,528
Total current liabilities		**64,094**	**22,404**	**30,109**
Total liabilities		**72,535**	**67,936**	**91,090**
Total equity and liabilities		**228,092**	**197,718**	**235,306**

Bíldudalur, August 24th 2023

Leif-Inge Nordhammer,
Chairman of the Board

Espen Weyergang Marcussen,
Member of the Board

Gustav Witzøe,
Member of the Board

Ulrik Steinvik,
Member of the Board

Kjartan Olafsson,
Member of the Board

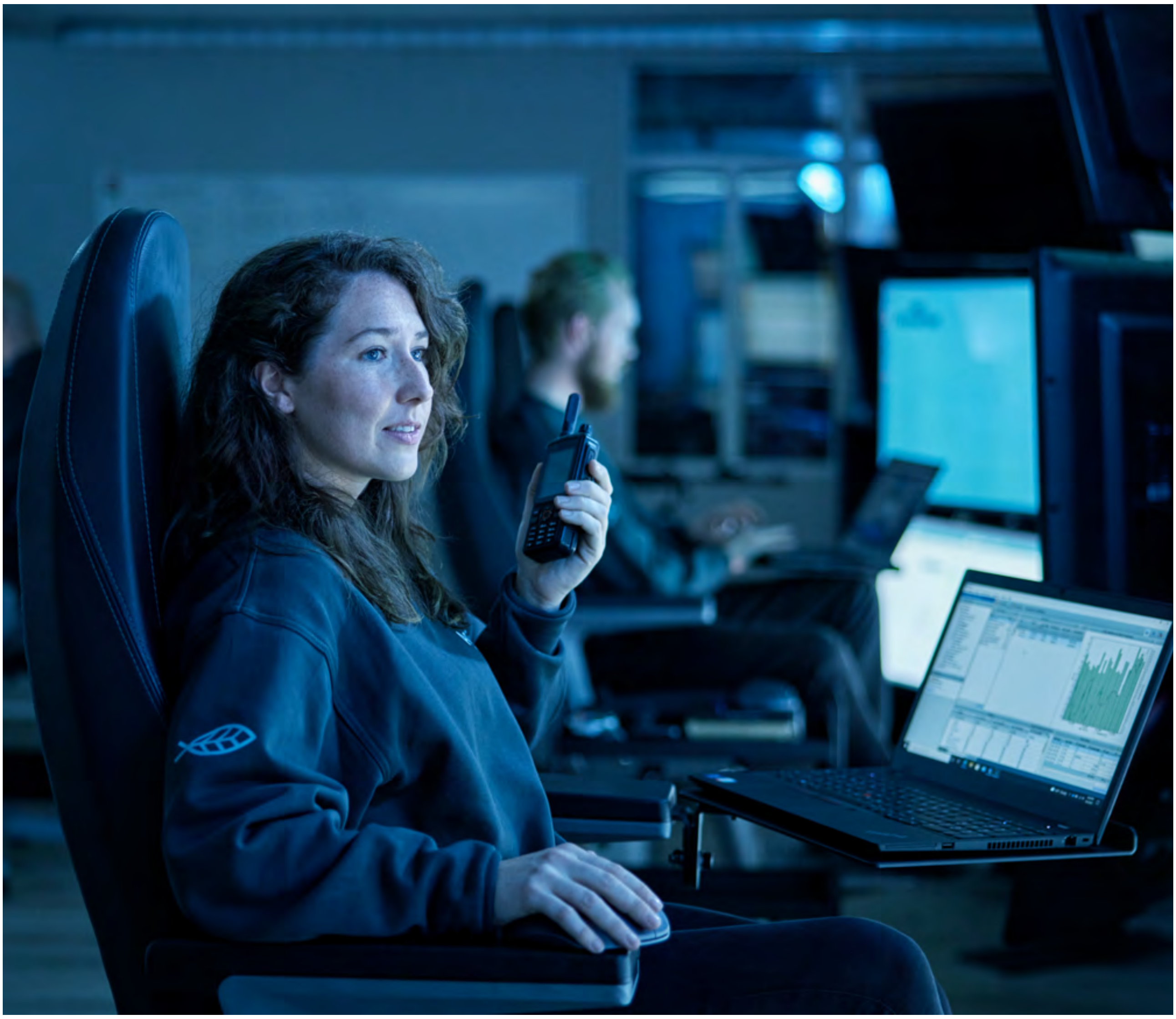
Bjørn Hembre,
CEO

Statement of Cash flow

Statement of Cash flow	**Notes**	**H1 2023**	**H1 2022**	**FY 2022**
Cash flow from operating activities:				
Profit before tax		14,160	25,507	41,817
Adjustments to reconzile profit for tax to net cash flows:				
Deprecation		4,339	3,395	7,456
Share based payment expense		50	83	158
Net foreign exchange diffrences and other items		(207)	(40)	(1,054)
Financial expenses (debt/borrowings and leases)		1,124	1,031	1,915
Financial revenue (interest income)		(29)	(60)	(288)
Share of (loss) profit from joint ventures		0	214	(180)
Fair value gain related to remeasured shares in joint venture	6	0	0	(8,968)
Change in fair value of biomass	3	(219)	(3,885)	215
Working Capital changes:				
Change in inventories and biomass recognized at cost	3	6,139	(4,015)	(19,967)
Change in payables and receivables		10,511	3,400	(9,486)
Net cash flow from operating activities		**35,867**	**25,630**	**11,619**
Cash flow (to) from investing activities:				
Proceeds from sale of property, plant & equipment		6	121	178
Purchase of property, plant & equipment		(16,138)	(6,965)	(16,617)
Acquisition of a subsidiary, net of cash received	6	0	(194)	(10,537)
Other investments		0	(1,105)	(267)
Proceeds of interest income		29	4	68
Net cash flow (to) from investing activities		**(16,104)**	**(8,138)**	**(27,176)**
Cash flow (to) from financing activities:				
Proceeds from new interest-bearing debt	5	4,000	3,222	22,630
Repayment of interest-bearing debt	5	(21,732)	(4,125)	(5,828)
Payment of principal portion of lease liabilities		(509)	(590)	(1,192)
Paid interest (debt/borrowings and leases)		(1,281)	(1,011)	(1,943)
Net cash flow (to) from financing activities		**(19,522)**	**(2,505)**	**13,667**
Net change in cash and cash equivalents		242	14,987	(1,891)
Cash and cash equivalents as at 1 Jan		1,854	3,744	3,744
Cash and cash equivalents as at period end		**2,095**	**18,731**	**1,854**

Statement of changes in Equity

					Other equity				
2023	**Note**	**Share capital**	**Share premium**	**Other paid-in equity**	**Restricted reserve**	**Statutory reserve**	**Translation differences**	**Retained earnings**	**Total equity**
Equity as at 1 Jan 2023		29,571	88,600	(930)	8,971	3,527	(1,528)	16,006	**144,216**
Net profit for the period		0	0	0	0	0	0	11,242	**11,242**
Statutory reserve		0	0	0	0	1,124	0	(1,124)	**0**
Other comprehensive income									
Translation difference of foreign interest		0	0	0	0	0	81	(32)	**48**
Total comprehensive income for the period		**0**	**0**	**0**	**0**	**1,124**	**81**	**10,086**	**11,291**
Share-based payment, expensed		0	0	50	0	0	0	0	**50**
Other transactions		**0**	**0**	**50**	**0**	**0**	**0**	**0**	**50**
Equity as at 30 June 2023		**29,571**	**88,600**	**(880)**	**8,971**	**4,651**	**(1,447)**	**26,091**	**155,557**



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 Corporate information and basis for preparation

Corporate information

Icelandic Salmon AS (The "Company" or the "Parent") is a limited liability company, incorporated in Norway and headquartered in Kverva. The address of its registered office is Industriveien 51, 7266 Kverva, Norway. The ultimate parent company is Kvarv AS. The Condensed Consolidated Interim Financial Statements incorporate the Financial Statements of the Company and its subsidiaries collectively the "Group" or "Icelandic Salmon".

Icelandic Salmon is the leading salmon farmer in Iceland and the main operation of the Group is production, processing and sale of seafood and seafood-based products.

Subsidiaries

Subsidiaries are entities ultimately controlled by the Group. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Subsidiary	Office	30/6/2023	30/6/2022	31/12/2022	Company	Country
Arnarlax ehf.	Strandgata 1, 465 Bíldudalur	100%	100%	100%	Icelandic Salmon AS	Iceland
Fjallalax ehf.	Strandgata 1, 465 Bíldudalur	100%	100%	100%	Arnarlax ehf.	Iceland
Eldisstöðin Ísþór ehf.	Nesbraut 25, 815 Þorlákshöfn	100%	*	100%	Arnarlax ehf.	Iceland

*Joint venture until 17 August 2022 see further note six.

Accounting principles

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standards, IAS 34 Interim Financial Reporting. The Condensed Consolidated Interim Financial 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 the Statement of Comprehensive Income.

The same accounting policies and classification have been followed in these Condensed Consolidated Interim Financial Statements as were applied in the preparation of the Group´s Consolidated Financial Statements for the year ended 31 December 2022. A full description of all material accounting principles used in the most recent Consolidated Financial Statements is given in the Group's 2022 annual report, which is available on the Company's website www.arnarlax.is. The Group has not early adopted any standards, interpretation or amendment with effective date after 1 January 2023. 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 Condensed Consolidated Interim Financial Statements are unaudited.

To increase the value of information disclosed in the notes to the Condensed Consolidated Interim Financial Statements, information disclosed 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 and the main purpose of the Group is production, processing and sale of seafood and seafood-based products, as well as conducting other business in connection with the purposes, including through investments and ownership in other companies with same purpose. 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 the Group's Consolidated Annual Report of 2022.

The Group recognizes revenue from the sale of salmon at the point in time when control of the goods is transferred to the customer. The transfer of control to the customer depends on shipping terms, but will normally occur when the goods are delivered to the customer. Other revenues from the sale of services relate primarily to the sale of harvesting services. Revenue from contracts with customers is recognized when control of the goods and the service has been transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and/or service.

Revenues from contracts with customers are recognized in the Interim Statement of Comprehensive income or loss net of discounts. Transaction prices are fixed upfront without any variable consideration. There is no right of return and refunds are only given if delivered goods are damaged or if there is a discrepancy in delivered goods compared to agreements. The normal credit term is 21 days upon delivery to the customers. Refunded amounts have historically been immaterial.

Revenue recognized at point in time (sale of goods) and revenue recognized over time (other revenue) is as follows:

Specifications of revenue:	**H1 2023**	**H1 2022**	**FY 2022**
Sales of goods	69,329	66,581	148,657
Other revenues	2,254	5,504	8,936
Revenue from contracts with customers	**71,583**	**72,085**	**157,593**

Disaggregated revenue from contracts with customers
The Group's revenue based on geographical markets from contracts with customers in which the revenue is earned are presented below:

Group revenues by geographic market:	**H1 2023**	**%**	**H1 2022**	**%**	**FY 2022**	**%**
Europe, excl. Norway	45,134	63.1%	42,350	58.7%	88,710	56.3%
USA	14,378	20.1%	16,438	22.8%	34,335	21.8%
Norway	8,023	11.2%	5,394	7.5%	26,255	16.7%
Other	4,048	5.7%	7,903	11.0%	8,293	5.3%
Revenue from contracts with customers	**71,583**	**100.0%**	**72,085**	**100.0%**	**157,593**	**100.0%**

The primary operational income for the Group is demonstrated in EUR. In first half 2023, 63 per cent of the Group's operational income was generated in EUR, while other operational income was mostly in USD, compared to 61 per cent of the Group's operational income was generated in EUR in financial year 2022. Since exchange rate volatility can impact the profitability of salmon sales, the Group has taken steps to mitigate currency risk by hedging all fixed price contracts denominated in currencies other than the operational currency.

3 Biological assets and inventories

Book value of biological assets and inventories	**30/06/2023**	**30/06/2022**	**31/12/2022**
Raw materials	2,595	3,967	4,112
Boxes	35	60	67
Finished Products	0	0	864
Total inventories	**2,630**	**4,026**	**5,043**
Biological assets	80,638	73,310	84,146
Total biological assets and inventories	**83,268**	**77,336**	**89,189**

Raw materials is mainly consistent of feed for both smolt and marine-phase fish production. Boxes are packaging material required for processing and packaging. Finished Products primarily consist of harvested fish, which are either in transit to customers or stored as frozen fish in stock. At end of H1 2023, no finished goods were in transit to customer.

Stock of biological assets are associated with farming activities conducted both on land and at sea, and comprises roe, fry, smolt and fish held at sea farms.

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

	H1 2023	**H1 2022**	**FY 2022**
Write downs within period	0	0	95

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 2023**	**H1 2022**	**FY 2022**
Change in fair value of the biomass	219	3,885	(215)
Recognized fair value adjustments	**219**	**3,885**	**(215)**

Book value of biological assets recognized at fair value	**30/06/2023**	**30/06/2022**	**31/12/2022**
Biological assets held at sea farms at cost	63,284	58,045	68,094
Fair value adjustment of biological assets	5,799	9,680	5,580
Total biological assets held at sea by fair value	**69,083**	**67,725**	**73,674**
Roe, fry, smolt and arctic char fish at cost	11,555	5,585	10,473
Total biological assets	**80,638**	**73,310**	**84,146**

Change in the book value of biological assets held at sea farm carried at fair value	30/06/2023	30/06/2022	31/12/2022
Biological assets held at sea farm 1 Jan	**73,674**	**62,922**	**62,922**
Increase resulting from production/purchase	29,338	26,191	80,674
Reduction resulting from sale/harvesting	(32,298)	(23,720)	(68,155)
Reduction resulting from incident-based mortality	(1,849)	(1,552)	(1,552)
Net fair value adjustment	219	3,885	(215)
Biological assets held at sea farm at end of period	**69,083**	**67,725**	**73,674**

Incident-based mortality

If an incident results in a mortality rate exceeding three per cent within a specific period or exceed five per cent over multiple periods due to the same event, a through assessment is conducted to determine whether there is a basis for write-down of biological assets value. This evaluation focuses on the number of fish affected and is carried out at the site level. The mortality resulting from such incidents are accounted for under the cost of goods sold in the Condensed Consolidated Statement of Comprehensive Income.

During H1 2023, the Group experienced an incident at its sea farm that led to incident-based mortality. Estimated impact on Group's operational profit is valued at EUR 1.8 million. The corresponding number for the same period in 2022 was EUR 1.4 million, but adjusted in second half of 2022 to EUR 1.3 million.

The Group encountered an incident at its land-based facilities in 2022 and the insurance settlement for that event was received in the first half of 2023. The settlement affected the Groups operational profit by EUR 0.1 million in the first half of 2023. No incident-based mortality was recorded in the first half of 2023 at the Group's land-based smolt facilities.

The Fair Value calculations is based on following forward prices:

Expected harvesting period:	Forward price 30/6/2023	Forward price 30/06/2022	Forward price 31/12/2022
Q3-2022		7.84	
Q4-2022		7.52	
Q1-2023		8.14	8.60
Q2-2023		8.14	8.94
Q3-2023	6.82	6.84	7.12
Q4-2023	6.90	7.04	7.28
Q1-2024	8.34	6.88	7.84
Q2-2024	8.55		8.12
Q3-2024	6.97		6.81
Q4-2024	7.14		7.07
Q1-2025	7.29		
Q2-2025	7.29		

4 Share capital and sharholders

As at 30 June 2023, 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 2022 were:

	No,	Shareholding
SalMar ASA	15,798,152	51.02%
J.P. Morgan SE	4,118,623	13.30%
Íslandsbanki hf.	2,296,210	7.42%
Holta Invest AS	938,314	3.03%
Pactum Vekst AS	825,862	2.67%
MP Pensjon PK	619,706	2.00%
Roth	599,661	1.94%
Clearstream Banking S.A.	578,651	1.87%
Nima Invest AS	563,088	1.82%
State Street Bank and Trust comp	515,000	1.66%
Kristians and AS	470,000	1.52%
Haganes AS	265,911	0.86%
VPF DNB Norge Selektiv	257,374	0.83%
Verdipapirfondet DNB SMB	241,798	0.78%
Alden AS	217,776	0.70%
Lithinon AS	186,881	0.60%
Verdipapirfondet Eika Spar	185,492	0.60%
DNB Bank ASA	185,218	0.60%
Tigerstaden Marine AS	150,000	0.48%
Verdipapirfondet Pareto Investment	143,000	0.46%
Total 20 largest shareholders	**29,156,717**	**94.17%**
Total other shareholders	1,805,151	5.83%
Total no, of shares	**30,961,868**	**100.00%**

Shares owned by members of the board and directors.

Name	Title	Shares	Shareholding
Leif Inge Nordhammer (1)	Chairman of the board		
Kjartan Ólafsson (2)	Boardmember	1,000,000	3.23%
Gustav Witzøe (3)	Boardmember		
Espen Marcussen (4)	Boardmember		
Ulrik Steinvik (1)	Boardmember		
Bjørn Hembre (5)	CEO	32,900	0.11%
Rolf Ørjan Nordli (1)	COO SeaWater		

(1) Leif Inge Nordhammer, Ulrik Steinvik and Rolf Ørjan Nordli, all indirectly owns shares through minority stake in SalMar ASA.
(2) Kjartan Ólafsson owns 100 per cent of the shares in Berg Fjárfesting ehf, which own 100 per cent of the shares in Gyða ehf. Gyða ehf. has it's shares within custody account within J.P. Morgan SE.
(3) Gustav Witzøe indirectly owns 93.0 per cent of Kverva AS, which in turn through Kverva Industries AS owns 41.3 per cent of the shares in SalMar ASA.
(4) Espen Marcussen indirectly owns shares through a minority stake in Pactum Vekst AS
(5) Björn Hembre owns indirectly through IVMA AS which is one of minority stakeholders in Icelandic Salmon AS. Björn owns 100 per cent of the shares in IVMA AS.

5 Interest-bearing liabilities

Long-term interest-bearing borrowings	30/06/2023	30/06/2022	31/12/2022
Interest-bearing borrowings to credit institutions (in EUR)	37,381	39,481	53,749
Next year's installment on non-current interest-bearing borrowings (in EUR)	(37,381)	(2,104)	(2,099)
Total non-current interest-bearing borrowings	**0**	**37,378**	**51,649**
Leasing liabilities	5,985	7,384	6,942
Next year's installment on leasing liabilities	(959)	(1,218)	(1,186)
Total non-current leasing liabilities	**5,026**	**6,166**	**5,756**
Total non-current interest-bearing liabilities	**5,026**	**43,544**	**57,405**
Current interest-bearing liabilities			
Bank overdraft (in EUR)	2,871	190	4,130
Next year's installment on non-current interest-bearing borrowings (in EUR)	37,381	2,104	2,099
Total debt to credit institutions	**40,253**	**2,294**	**6,230**
Next year's installment on leasing liabilities	959	1,218	1,186
Total current interest-bearing liabilities	**41,212**	**3,513**	**7,416**

Financial covenants

The Company has a solvency requirement which means that the book equity ratio must be above 35 per cent and profit requirement that requires that the Company's 12-month rolling interest coverage ratio must not be lower than 4.0:1. In addition, the Company's NIBD / 12-month rolling EBITDA should not exceed 5.0:1. The Company was in compliance with these covenants as at 30 June 2023.

Arnarlax ehf., Icelandic Salmon AS subsidiary, holds a loan facility that is mature in June 2024 and there for classified as a current liability as of 30th June 2023.

At end of June 2023, the Group signed an engagement letter with DNB and Danske bank concerning a new three year loan agreement, with option of two year extension, aiming for a term loan facility and a revolving facility for total of EUR 95.0 million and an additional EUR 5.0 million overdraft facility, bringing the total amount of the refinancing agreement to EUR 100.0 million.

Reconciliation of changes in liabilities to credit institutions incurred as a result of financing activities the period January to June 2023

			Non cash-generating effects			
	Carrying amount at 01/01/2023	Cash from Financing activities	Currency effects	Current portion of long-term	Other effects	Carrying amount at 30/06/2023
Non-current borrowings	51,649	(16,410)	0	(35,375)	136	(0)
Current borrowings to credit institutions	6,230	(1,322)	0	35,375	(30)	40,253
Total debts to credit institutions	**57,879**	**(17,732)**	**0**	**0**	**106**	**40,253**
Non-current and current lease liabilities	6,942	(625)	(279)	0	(54)	5,985
Total interest-bearing liabilities	**64,821**	**(18,357)**	**(279)**	**0**	**52**	**46,238**

Reconciliation of changes in lease liabilities incurred as a result of financing activities the period January to June 2023

	2023	2022
Lease liability 1 January	**6,942**	**5,889**
Adjustments to lease liabilities	(614)	(391)
New contracts	445	2,401
Interest on lease liability (profit and loss)	115	137
Instalments on lease liabilities paid (cash flow)	(509)	(590)
Interest on lease liabilities paid (cash flow)	(115)	(137)
Currency translation differences	(279)	77
Total lease liabilities at 30 June	**5,985**	**7,384**

Summary of amounts recognized in the Condensed Consolidated Interim Statement of Comprehensive Income:

	H1 2023	2022
Depreciation expense of leased assets	651	590
Interest expense on lease liabilities (included in finance expenses)	115	137
Total amount recognized in profit or loss during H1	**766**	**727**

Cash flow relating to lease liabilities

Instalments on lease liabilities paid (cash flow)	(509)	(590)
Interest on lease liabilities paid (cash flow)	(115)	(137)
Total cash flow relating to lease liabilities	**(625)**	**(727)**

Adjustments to lease liabilities comprise effect of terminated contracts during the period. Majority is related to purchase of service boat Lilja which is now part of the Group's PPE.

Breakdown of net interest-bearing debt by currency (all figures are in EUR):

	NOK	ISK	EUR	Other	Total
Lease liabilities	2,127	3,847	11	0	5,985
Current debt to credit institutions	0	0	40,253	0	40,253
Total interest bearing liabilities	**2,127**	**3,847**	**40,264**	**0**	**46,238**
Lease liabilities	(2,127)	(3,847)	(11)	0	(5,985)
Cash and cash equivalents	(1,274)	(389)	(293)	(140)	(2,095)
Net interest-bearing debts (NIBD)	**(1,274)**	**(389)**	**39,960**	**(140)**	**38,157**

6 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. Acquisition-related costs are recognized in profit or loss as incurred.

Business acquisitons in 2023

There were no acquisitions in 2023

Business acquisitons in 2022 - Acquisition of Eldisstöðin Ísþór ehf.

The Company's fully owned subsidiary, Arnarlax ehf., signed a Share Purchase Agreement (SPA) on 25 May 2022 for the remaining 50 per cent of shares in its joint venture, Eldisstöðin Ísþór ehf. ("Ísþór"). The transaction was subject to approval from the Icelandic Competition Authorities (ICA) and certain other closing conditions. The ICA approved the acquisition on 2 August 2022 and all other closing condition was closed on 17 August 2022, which is the acquisition date.

With this acquisition the Group has gained full control over its joint venture and therefore in accordance with IFRS the Group has remeasured its 50 per cent equity interest held before the acquisition to fair value. The remeasurement resulted in a fair value gain of EUR 9.0 million recognized as other financial items in the Consolidated Statement of Comprehensive Income.

After the transaction the Group owns 100 per cent of the shares in Ísþór. The purpose of the transaction is to increase the flexibility in size of smolt and increased number of smolt supporting the Company's growth plans. For accounting purposes, the transaction will be treated as a business combination with effect from the acquisition date. With this acquisition the Group takes another important step in its strategy of increasing smolt weight, allowing increased MAB license utilization while reducing production time in sea and thereby biological risk. No material external transaction costs were incurred in the connection with the acquisition.

As part of the acquisition, Ísþór repaid to the former owners a liability amounting to EUR 4.3 million founded by a loan from Arnarlax.

Eldisstöðin Ísþór ehf assets acquired and liabilities recognized at the date of acquisition:	Carrying amount	Adjustment to fair value	Fair value
Property, plant and equipment	12,970	6,328	19,298
Investment in associates	1		1
Lease asset	131		131
Cash	51		51
Long term debt	(375)		(375)
Deferred tax liability	50	(1,266)	(1,216)
Trade payables	(1,304)		(1,304)
Lease liability	(134)		(134)
Liabilities - former owners	(4,290)		(4,290)
Other current liabilities	(89)	0	(89)
Net identifiable assets and liabilities	**7,010**	**5,062**	**12,073**
Cash consideration			**10,588**

Total consideration and recognized goodwill	
Cash consideration	10,588
Fair value of previously held equity interest*	16,892
Minus net identifiable assets and liabilities	(12,073)
Goodwill	**15,407**

Net cash outflow arising on acquisition	
Cash consideration	10,588
Less cash and cash equivalent balances acquired	(51)
Net cash outflow arising on acquisition	**10,537**

*Fair value of previously held equity interest include intercompany long-term liability of EUR 6.3 million and Equity of EUR 10.6 million were consolidated as of 31 December 2022.

7 Alternative performance measures

The Group prepares its Financial Statements in accordance with International Financial Reporting Standards (IFRS). In addition, management has established alternative performance parameters (APMs) to provide useful and relevant information to users of its Financial Statements. Alternative performance parameters have been established to provide greater understanding of the Company's underlying performance, and do not replace the Consolidated Financial Statements prepared in accordance with international accounting standards (IFRS): The performance parameters have been reviewed and approved by the Group's management and Board of Directors. Alternative performance parameters may be defined and used in other ways by other companies.

Operational EBIT

Operational EBIT is an APM used by the Group and the most important measure of its performance under IFRS, since it shows the results of underlying operations during the period. The difference between Operational EBIT and operating profit/loss relates to items which are classified in the Financial Statements on the line for fair value adjustments. These items are market value and fair value assessments linked to assumptions about the future. Operational EBIT shows the underlying operation and the results of transactions undertaken in the period.

	H1 2023	H1 2022	FY 2022
Operating profit	**14,846**	**26,042**	**34,487**
Production tax	800	549	1,329
Onerous Contracts	(122)	337	122
Fair value adjustments of biomass	(219)	(3,885)	215
Operational EBIT	**15,305**	**23,044**	**36,153**

Operational EBIT per kg gutted weight

Operational EBIT per kg gutted weight (GW) is defined as a key APMs for the Group. The performance parameter is used to assess the profitability of the goods sold and the Group's operations. The performance parameter is expressed per kg of harvested volume.

	H1 2023	H1 2022	FY 2022
Operational EBIT	15,305	23,044	36,153
Harvested volume (tonnes)	6,661	6,326	16,138
Operational EBIT per kg gutted weight	**2.30**	**3.64**	**2.24**

Net interest bearing debt (NIBD)

Net interest bearing debt is an alternative performance measure used by the Group. The performance measure is used to express the Group's working capital, and is an important performance measure for investors and other users, because it shows net borrowed capital used to finance the Group. Net interest-bearing debt is defined as long-term and short-term debt to credit institutions, less cash and cash equivalents. Lease liabilities under IFRS 16 are not included in the calculation of Net interest-bearing debt.

	30/06/2023	**30/06/2022**	**31.12.2022**
Non-current interest-bearing debt	0	37,378	51,649
Current interest bearing debt	40,253	2,294	6,230
Cash and cash equivalents	(2,095)	(18,731)	(1,854)
Net interest bearing debt (NIBD)	**38,157**	**20,942**	**56,025**

2023