

Arnarlax ehf.

**Consolidated Financial Statements
for the year 2018**

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Arnarlax ehf.
ID number 580310-0600
Strandgata 1
465 Bíldudal

Board of Directors' Report

Main operation

The group's main purpose is production, processing and sale of seafood and seafood based products.

These Financial Statements for the year 2018 comprise Arnarlax ehf. and its subsidiaries (the Group). Subsidiaries of Arnarlax ehf. are Fjarðalax ehf. and Bæjarvík ehf., a limited liability companies domiciled in Iceland.

Operating results

The company was founded in 2010.

According to the income statement the group's net loss for the year 2018 amounted to EUR 16,0 million compared to a loss of EUR 0,6 million for the year 2017. Total assets, according to the balance sheet for the year 2018, amounted to EUR 100,5 million compared to EUR 91,6 million at year end 2017. Shareholders equity was EUR 58,4 million at year end 2018 compared to EUR 53,7 million at year end 2017. Average number of full-time employees in year 2018 was 100.

It is the opinion of the Board of Directors that these Financial Statements present fairly the financial position of the group for the year ended 31 December 2018, the results of its operations for the year 2018 and changes in the financial position of the group for the year 2018.

At the year end there was one owner of all shares in the parent company, Arnarlax AS in Norway. Ownership has not changed during the year.

The Board of Directors has three members, one woman and two men.

Future outlook

The year 2018 was an eventful year for Arnarlax. In spite of a loss of a significant amount of biomass in the first quarter of the year and having licenses revoked in the third quarter of the year the completion of capital increase and refinancing were important milestones in 2018. Logistic contracts and co-operation regarding harvesting and production have also strengthened operations and the cost structure of the group. The Management team has also been strengthened with the recruiting of a new Managing Director that will be leading further organizational development. The Board continues to keep a strong focus on bio security at sea and in fresh water. Capital expenditure has been directed towards an expansion of hatchery capacity both in Tálknafjörður and in Þorlákshöfn aligning quality smolt production with the group's production license and applications. The political framework around salmon farming in Iceland has become more stable as export of farmed salmon becomes increasingly important for the Icelandic economy and our local community in the west fjords of Iceland. However uncertainty relating to preliminary licenses of Fjarðarlax and the process for new operating licenses has become increasingly important for Arnarlax and the development of salmon farming in Iceland. Therefore the political risk for the industry continues to threaten the competitiveness of salmon farming in Iceland.

Given the current status of biomass and overall operations it is the Board of Directors' opinion that the group is a going concern.

Board of Directors' Report, continued

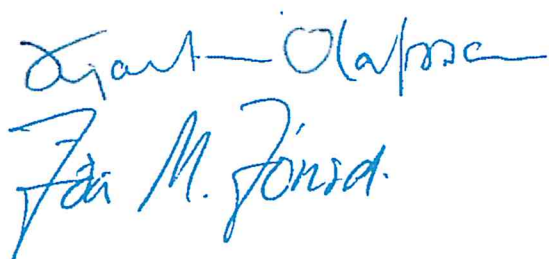
Non-financial information in accordance with article 66 d) of the Financial Statement Act no. 3/2006

As stated in article 66 d), of the Financial Statement Act no. 3/2006, the group is obligated to give information on matters relating to environmental-, social- and employment within the company. The Board of Directors is currently working on a policy for those matters but refers to the company's website for further information.

The Board of Directors of Arnarlax ehf. and the Managing Director hereby confirm these Consolidated Financial Statements for the year 2018 with their signatures.

Bíldudalur 7 May 2019

Board of Directors:



Ólafur Ólafsson
Jón M. Jónsdóttir

Managing Director:



Björn Þórhallur

Independent auditors report

To the Shareholders of Arnarlax ehf.

Opinion

We have audited the consolidated financial statements of Arnarlax ehf. and its subsidiaries (the Group), which comprise the Directors Report, consolidated balance sheet as at December 31, 2018, and the consolidated income statement and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Icelandic law on annual accounts and adopted accounting rules and that the directors report includes applicable information in accordance with Icelandic law on annual accounts if not presented elsewhere in the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of financial statements in Iceland, 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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Icelandic law on annual accounts and adopted accounting rules, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

Independent auditors report, continued

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the consolidated 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 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 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 consolidated 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 Group to cease to continue as a going concern.

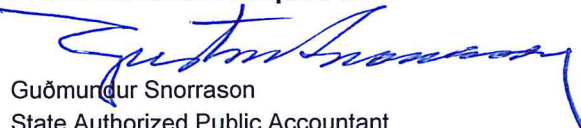
Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Reykjavík 7 May 2019

PricewaterhouseCoopers ehf.


Guðmundur Snorrason
State Authorized Public Accountant


Arna G. Tryggvadóttir
State Authorized Public Accountant

Consolidated Income Statement for the year ended December 31, 2018

	Notes	2018	2017
Operating income			
Operating revenues		42.013.257	66.647.294
Other revenue		3.140	0
		<u>42.016.397</u>	<u>66.647.294</u>
Operating expenses			
Cost of good sold		24.852.807	35.838.459
Salaries and related expenses	3	8.388.447	9.784.826
Other operating expenses		11.864.929	10.822.256
		<u>45.106.183</u>	<u>56.445.541</u>
EBITDA		(3.089.786)	10.201.753
Depreciation	5	(11.051.057)	(6.021.401)
Operational EBIT		(14.140.843)	4.180.352
Financial income (expenses)			
Other financial income and expenses	4	(4.908.071)	(4.776.912)
Effect of results of associated companies	6	0	0
Loss before taxes		(19.048.914)	(596.560)
Income tax	7	3.097.312	9.583
Net loss		<u>(15.951.602)</u>	<u>(586.977)</u>

Consolidated Balance Sheet as of December 31, 2018

Assets	Notes	31.12.2018	31.12.2017
Fixed assets			
Intangible assets:			
Goodwill	5	17.168.977	19.476.065
Property, plant and equipment:			
Property, plant and equipment		16.257.787	15.592.452
Floating marine pen and aquaculture tanks		13.280.543	19.598.868
Investment in progress		4.212.709	1.308.560
	5	<u>33.751.039</u>	<u>36.499.880</u>
Long-term financial assets:			
Investment in associates	6	2.317.444	2.439.363
Deferred tax assets	7	5.940.695	3.122.106
		<u>8.258.139</u>	<u>5.561.469</u>
Total fixed assets		59.178.155	61.537.414
Current assets			
Biological assets valued at cost and other inventories	8	37.481.198	36.475.442
Trade receivables	9	5.539.113	7.763.693
Receivables - related parties	12	257.167	293.609
Other receivables and prepayments		2.825.575	3.657.088
Cash and cash equivalents		394.193	799.278
		<u>46.497.246</u>	<u>48.989.110</u>
Total assets		<u>105.675.402</u>	<u>110.526.524</u>

Consolidated Balance Sheet as of December 31, 2018

Equity and liabilities	Notes	31.12.2018	31.12.2017
Shareholders equity			
Share capital		43.104.455	32.664.060
Share premium		33.960.552	23.520.157
Statutory reserve		887	887
Translation difference		48.551	293.100
Accumulated loss		(18.704.816)	(2.753.214)
	10	<u>58.409.629</u>	<u>53.724.990</u>
Liabilities			
Long-term liabilities:			
Loans and liabilities		10.549.056	13.927.114
Current portion of long-term liabilities		(2.178.663)	(3.510.952)
	11	<u>8.370.393</u>	<u>10.416.162</u>
Current liabilities:			
Short-term liabilities to financial institutions	11	28.969.693	31.368.354
Trade payables		5.770.091	8.594.284
Liabilities to related parties	12	175.495	698.748
Current portion of long-term liabilities	11	2.178.663	3.510.952
Other current liabilities		1.801.438	2.213.033
		<u>38.895.380</u>	<u>46.385.371</u>
Total liabilities		47.265.773	56.801.533
Total equity and liabilities		<u>105.675.402</u>	<u>110.526.524</u>
Other information	13, 14		

Consolidated Cash Flow Statement for the year 2018

	Notes	2018	2017
Cash flows (to) from operating activities			
Cash generated (to) from operations:			
Net loss for the year		(15.951.602)	(586.977)
Items not affecting cash:			
Depreciation	5	11.051.057	6.021.401
Profit from sale of fixed assets		146.971	0
Deferred tax assets (increase)		(3.097.312)	(81.173)
Currency exchange and other items		1.095.697	(432.362)
		<u>(6.755.189)</u>	<u>4.920.889</u>
Decrease (increase) in operating assets:			
Short term receivables		(4.373.204)	1.635.141
Biological assets and inventories		(1.005.756)	(1.175.629)
Increase (decrease) in operating liabilities:			
Current liabilities		3.706.695	(10.316.386)
		<u>(1.672.265)</u>	<u>(9.856.874)</u>
Net cash (to) from operating activities		(8.427.454)	(4.935.985)
Cash flows (to) from investing activities			
Investments in fixed assets	5	(7.203.446)	(9.324.229)
Proceeds from the sale of fixed assets		248.902	338.381
		<u>(6.954.544)</u>	<u>(8.985.848)</u>
Cash flows (to) from financing activities			
Share capital increase	10	20.091.374	0
Proceeds from borrowings		0	9.988.376
Repayments of borrowings		(3.138.949)	(5.164.073)
Short-term borrowings, change		(1.975.511)	8.717.581
		<u>14.976.914</u>	<u>13.541.884</u>
Decrease in cash and cash equivalents		(405.084)	(379.949)
Cash and cash equivalents at the beginning of the year		799.278	1.179.227
Cash and cash equivalents at the end of the year		<u>394.193</u>	<u>799.278</u>

Notes

1. The company

Arnarlax ehf. was founded in 2010. The main purpose of Arnarlax ehf. and its subsidiaries Fjarðalax ehf. and Bæjarvík ehf, together the Group, is salmon farming.

Arnarlax ehf. is based in Iceland. The registered address of the company is Strandgata 1, 465 Bíldudal.

2. Summary of significant accounting policies

2.1 Basis of preparation

These Consolidated Financial Statements are prepared in accordance with the Icelandic Financial Statement act (no. 3/2006). The significant accounting policies are essentially the same as the previous year, except as noted below.

The preparation of these Consolidated Financial Statements requires management to make judgements, estimates and assumptions, which affect the application of accounting policies and the reported amounts of assets and liabilities as well as income and expenses. These estimates are based on information available to management at the time and actual results may differ from these estimates.

2.2 Comparative figures

Comparative figures have been adjusted to conform with changes in current year presentation, where applicable.

2.3 Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the 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 income statement.

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

2.4 Revenue recognition

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer and the amount can be reliably measured. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, net of VAT and discounts.

Notes

2.5 Financial income (and expenses)

Interest income recognition is based on an effective yield basis for bond receivables and based on accrued interest income of bank deposits and trade receivables, unless there is a doubt about their collectability.

Transactions in foreign currencies are translated at the spot exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

2.6 Fixed assets

Fixed assets are stated at cost less depreciation.

Depreciation is calculated using the straight-line method to expense the difference between the amortized cost / revalued cost and residual value over their estimated useful lives as follows:

Ships	10 - 20 years
Building	33 - 40 years
Initial capital investment	3 - 5 years
Machinery and equipment	3 - 10 years
Goodwill	10 years

When the carrying amount of an asset exceeds its recoverable amount the asset is written down to the recoverable amount.

Gains and losses on disposals are determined by the sale price and the book value of assets on the date of sale and are included in operating profit. When assets are sold that have been revalued separately, the amounts in revaluation of equity belonging to the assets is transferred to retained earnings.

Repairs and maintenance costs are expensed when incurred. Costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and that the cost of the item can be measured reliably. Major renovations are depreciated over the estimated life of the related assets.

2.7 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. Trade receivables are carried at original invoice amount less allowance for doubtful accounts. An allowance against trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables.

2.8 Cash and cash equivalents

Cash and cash equivalents in the Balance sheet and the Cash Flow Statements includes cash, call deposits, short-term securities for less than 3 months less overdrafts on bank accounts.

2.9 Equity

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

Notes

2.10 Dividends

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.11 Deferred income tax liability (asset)

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date. Current income tax is based on estimated income tax expected to be paid next year to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

2.12 Borrowings

Borrowings are recognized initially at their fair value net of transaction costs incurred. Borrowings are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement, taking into account the amortization of discounts / premium.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.13 Trade payables

Trade payables are stated at their nominal value plus accrued interest.

2.14 Price index and foreign exchange rates

(a) Balances at year end

Foreign currency assets and liabilities at year end are translated into the euros using the exchange rates prevailing at year end. Price index at year end is used for applicable assets and liabilities. Foreign exchange gains and losses and price index changes are recognised in the income statement.

(b) Group companies

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet, and income and expenses for each income statement are translated at average exchange rates. All resulting exchange differences are recognised as a separate component of equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

	Average rate of the year			Rate at the end of year		
	2018	2017	Change	2018	2017	Change
Euro (EUR)	127,37	120,53	5,7%	132,8	125,05	6,2%
Consumer price index				460,5	446,000	3,3%

Notes

3. Salaries and related expenses

	2018	2017
Salaries and related expenses for the period are as follows:		
Salaries	6.525.337	7.577.201
Related expenses	1.863.109	2.207.625
	<u>8.388.447</u>	<u>9.784.826</u>
Average number of employees	100	98

The Company employed an average of 100 employees during the year. Salaries and fees to management was EUR 447 thousand in the year 2018 (2017: 398 thousand EUR).

4. Financial income (and expenses)

	2018	2017
Financial income (expenses) are as follows:		
Interest income and indexation	73.874	260.598
Interest expense and indexation	(2.397.738)	(3.593.011)
Currency rate exchange	(2.584.206)	(1.444.499)
	<u>(4.908.071)</u>	<u>(4.776.912)</u>

Interest paid for the year 2018 was 2,44 m EUR.

5. Fixed assets

	Goodwill	Property, plant and equipment	Floating pen aquaculture tanks	Work in Progress	Total
Year end 2017:					
Book value beginning of year	21.784.988	12.158.096	19.986.857	0	53.929.941
Additions	0	5.993.374	2.022.295	1.308.560	9.324.229
Book value of sold assets	0	(351.019)	0	0	(351.019)
Depreciation	(2.300.988)	(1.985.790)	(1.734.623)	0	(6.021.401)
Translation difference	(7.935)	(222.210)	(675.661)	0	(905.806)
Book value end of year	<u>19.476.065</u>	<u>15.592.452</u>	<u>19.598.868</u>	<u>1.308.560</u>	<u>55.975.945</u>

Book value at year end 2017 is as follows:

Cost	23.000.881	22.188.481	23.944.751	1.308.560	70.442.673
Accumulated depreciation	(3.524.816)	(6.596.029)	(4.345.883)	0	(14.466.728)
Book value at year end	<u>19.476.065</u>	<u>15.592.452</u>	<u>19.598.868</u>	<u>1.308.560</u>	<u>55.975.945</u>

Year end 2018:

Book value beginning of year	19.476.065	15.592.452	19.598.868	1.308.560	55.975.945
Additions	0	4.226.695	23.605	2.953.146	7.203.446
Book value of sold assets	0	(395.873)	0	0	(395.873)
Depreciation	(2.299.651)	(2.980.172)	(5.771.234)	0	(11.051.057)
Translation difference	(7.437)	(185.315)	(570.696)	(48.997)	(812.445)
Book value end of year	<u>17.168.977</u>	<u>16.257.787</u>	<u>13.280.543</u>	<u>4.212.709</u>	<u>50.920.016</u>

Book value at year end 2018 is as follows:

Cost	22.986.881	25.679.985	23.010.246	4.212.709	75.889.822
Accumulated depreciation	(5.817.904)	(9.422.199)	(9.729.704)	0	(24.969.806)
Book value at year end	<u>17.168.977</u>	<u>16.257.787</u>	<u>13.280.543</u>	<u>4.212.709</u>	<u>50.920.016</u>

Book value for the year ended 31 Dec. 2018 is as follows:

Goodwill, property, plant, equipment and floating aquaculture tanks	46.707.307
Investment in progress	4.212.709
	<u>50.920.016</u>

Notes

5. Fixed assets, continued

Other information:	Official value	Insurance value	Book value
Strandgata 1, Bíldudal.....	378.940	3.064.733	2.395.796
Strandgata 13, Bíldudal.....	44.005	297.059	215.326
Strandgata 16, Bíldudal.....	129.742	436.876	426.060
Hafnarbraut 2 Vesturbyggð.....	108.357	761.132	682.044
Gileyri og Eysteinseyrar, Vesturbyggð.....	44.397	178.250	4.185.142
Strandgata 43 Tálknafjarðarhreppur.....	91.113	1.088.642	110.623
Við Patrekshöfn Vesturbyggð.....	110.315	1.430.549	263.576
Floating marine pen and aquaculture tanks.....		10.837.463	13.327.456
Ships.....		6.850.912	3.229.269
Other fixed assets, equipment etc.....		11.047.527	4.506.105
Eysteinseyri land.....			196.933
Goodwill.....			17.168.977
Work in progress.....			4.212.709
	<u>906.868</u>	<u>35.993.142</u>	<u>50.920.016</u>

Goodwill:

Goodwill in owned companies is as follows:

	2018	2017
Bæjarvík ehf	205.906	235.321
Fjarðalax ehf	16.850.119	19.096.802
Eldisstöðin Íspór hf	112.952	143.942
	<u>17.168.977</u>	<u>19.476.065</u>

6. Shares in associated companies

The groups investment in Eldisstöðin Íspór hf. is accounted for in accordance with the equity method. In accordance to the equity method the share of profits and loss of the associate is included in the Income Statement. Cumulative effects are included in the carrying amount of the shares in the associate. Associates are entities in which the Company generally holds between 20 and 50% of the shares or has significant influence without having direct control over the entity. Other associated companies are designated at cost.

Shares in associates are specified as follows:

	Share	Nominal value	2018	2017
Eldisstöðin Íspór hf.				
Þorlákshöfn (equity method)	50%	4.209	2.309.026	2.430.946
Flax 3 ehf, Tálknarfirði (cost)	100%	4.209	4.209	4.209
Norðanlax ehf, Tálknarfirði (cost)	100%	4.209	4.209	4.209
			<u>2.317.444</u>	<u>2.439.363</u>

Share in profit / (loss) of associates are specified as follows:

	Share	2018	2017
Eldisstöðin Íspór hf. Þorlákshöfn.....	50%	0	0

Notes

7. Deferred income tax asset

Change in deferred income tax asset during the year is as follows:

Deferred income tax asset beginning of year	3.122.106
Income tax from continuing operations	3.097.312
Exchange rate difference	(278.723)
Income tax payable in 2019	0
	<u>5.940.695</u>

Deferred income tax assets (liabilities) are broken down into the following items:

	Balance 1.1.	Balance 31.12.
Fixed assets	24.965	(33.893)
Trade receivables	167.915	456.603
Inventories	(213.774)	0
Carry forward losses	3.272.255	5.100.108
Exchange rate difference	(129.255)	417.875
Income tax asset at year end	<u>3.122.106</u>	<u>5.940.695</u>

Income taxes will not be charged in 2019 due to carry forward losses from previous years. Calculated 20% income tax of the carry forward losses and how it can be used are as follows:

Loss for 2009, expires end of 2019	3.611
Loss for 2011, expires end of 2021	188.650
Loss for 2012, expires end of 2022	115.839
Loss for 2013, expires end of 2023	152.767
Loss for 2014, expires end of 2024	1.509.292
Loss for 2015, expires end of 2025	330.267
Loss for 2016, expires end of 2026	780.865
Loss for 2018, expires end of 2028	2.018.818
	<u>5.100.108</u>

Calculated income tax of the Company's profit before tax (effective income tax rate) differs from the theoretical amount that would arise using the income tax rate used for the calculation as follows:

	2018	2017
Loss before tax	(19.048.914)	(596.560)
Calculated income tax with 20% income tax rate	3.809.783	119.312
Non-deductible expenses - depreciated goodwill	(455.220)	(455.220)
Other non-deductible expenses and foreign exchange variance	(257.251)	345.491
	<u>3.097.312</u>	<u>9.583</u>

Notes

8. Biological assets valued at cost and other inventories

Biological assets valued at cost and other inventories are as follows:	2018	2017
Biological assets.....	35.889.609	32.237.442
Raw materials (feed for the farming business).....	1.515.446	3.510.298
Boxes.....	36.143	0
Finished products.....	40.000	727.703
	<u>37.481.198</u>	<u>36.475.442</u>

Biological assets are valued at cost or net realizable value. Cost value is comprised of direct labour, other direct costs and indirect production costs but excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business less costs of completion and selling expenses, including all direct operating expenses except depreciation and financial expenses. At year end loans included in interest bearing loans are secured against a pledge on biological assets and Inventories.

9. Trade receivables

Trade receivables are as follows:	2018	2017
Trade receivables	6.318.097	8.199.699
Trade receivables, bonds	430.338	460.714
Allowance for doubtful receivables	(1.209.322)	(896.720)
Trade receivables, net	<u>5.539.113</u>	<u>7.763.693</u>

Trade receivables are written down in year end 2018 of 1,2 m EUR and the allowance for doubtful receivables is as follows:

Allowance for doubtful receivables 01.01	896.720	228.406
Written off in the year	(1.109.642)	(143.871)
Allowance for doubtful receivables change in the year	1.443.217	836.028
Exchange rate difference	(20.973)	(23.843)
Allowance for doubtful receivables 31.12	<u>1.209.322</u>	<u>896.720</u>

Receivables are written down to meet the risks of these assets. This is not a final write-off but is an allowance account for possible losses and is deducted from capitalized receivables in the Balance Sheet.

10. Equity

Shares

The nominal value of Share Capital of the Company was ISK 4.609.855.405 as of 31/12/2017. The cost of the issue of new shares in the year 2014 of ISK 51.984.603 has been deducted from the nominal value. During 2018 the company conducted a private placement with a share issue in Arnarlax AS and raised 200m NOK in share capital. 195m NOK of the proceeds were transferred to Arnarlax ehf and converted to share capital and premium capital. Outstanding debt to the parent company, Arnarlax AS, was also converted to capital. After the Share capital increase the nominal value of share capital is 5.984.855.405 ISK.

Each ISK 1 - one Icelandic krona - of share capital in the Company carries 1 - one - vote.

Restricted reserve due to unrealised profit of subsidiaries and associates

According to the Icelandic Financial Statements act, no. 3/2006 companies can not pay dividends on profit from subsidiaries and associates in excess of the amount that has been paid as dividends to the parent company. The parent company's share in profit from associated companies, in excess of dividends received, is therefore designated as a restricted equity.

Notes

10. Equity, continued

Statement of changes in equity

	Share capital	Premium capital	Other items	Accumulated loss	Total equity
Changes in 2017					
Balance beginning of year	32.664.060	23.520.157	813.379	(2.358.963)	54.638.633
Translation difference			(326.666)		(326.666)
Profit of subsidiaries			(192.726)	192.726	0
Loss for the year				(586.977)	(586.977)
Balance end of year	<u>32.664.060</u>	<u>23.520.157</u>	<u>293.987</u>	<u>(2.753.214)</u>	<u>53.724.990</u>

Other items are as follows:	Statutory reserve	Translation difference	Profit of subsidiaries	Other items total
Balance beginning of year	887	619.766	192.726	813.379
Translation difference		(326.666)		(326.666)
Profit of subsidiaries			(192.726)	(192.726)
Balance end of year	<u>887</u>	<u>293.100</u>	<u>0</u>	<u>293.987</u>

	Share capital	Premium capital	Other items	Accumulated loss	Total equity
Changes in 2018					
Balance beginning of year	32.664.060	23.520.157	293.987	(2.753.214)	53.724.990
Capital increase	10.440.395	10.440.395			20.880.790
Translation difference			(244.549)		(244.549)
Loss for the year				(15.951.602)	(15.951.602)
Balance end of year	<u>43.104.455</u>	<u>33.960.552</u>	<u>49.438</u>	<u>(18.704.816)</u>	<u>58.409.629</u>

Other items are as follows:	Statutory reserve	Translation difference	Profit of subsidiaries	Other items total
Balance beginning of year	887	293.100	0	293.987
Translation difference		(244.549)	0	(244.549)
Balance end of year	<u>887</u>	<u>48.551</u>	<u>0</u>	<u>49.438</u>

11. Liabilities

Bank loans are as follows:	2018	2017
Liabilities in EUR	7.976.271	10.458.462
Liabilities in ISK	2.572.785	3.468.652
	<u>10.549.056</u>	<u>13.927.114</u>

Payments of long term liabilities as at the end of year 2018 are as follows:	2018	2017
2018	0	3.510.952
2019	2.178.663	3.088.880
2020	2.452.082	4.059.150
2021	2.241.232	1.602.243
2022	1.287.969	889.469
2023	386.955	340.044
Later	2.002.154	436.376
	<u>10.549.056</u>	<u>13.927.114</u>

Notes

11. Liabilities, continued

The long-term loan payment plan in this note is based on current loan agreements. Several loan agreements contain provisions that the company is entitled to extend the loan subject to certain conditions. An extension of the loans with an extension clause in the long-term payment plan above is not included. All outstanding loans were refinanced in February 2019, see note 13.

Total long-term liabilities are shown on the Balance Sheet as follows:

Maturities after one year and later, recognized as long term liabilities	8.370.393	10.416.162
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Short-term liabilities are shown on the Balance Sheet as follows:

Maturities in next year, recognized as current liabilities	2.178.663	3.510.952
Short term bank loans in EUR, recognized as current liabilities	27.724.148	29.651.291
Short term bank loans in ISK, recognized as current liabilities	1.245.545	1.717.063
	<u>31.148.356</u>	<u>34.879.306</u>

At year end all Interest bearing loans of 39,5 million EUR are secured against a pledge on all assets of the Group.

12. Related parties

Related parties are individuals and companies that have interest in the company. Parent company, owners, key employees and others. Business between related parties and other are comparable.

Business with related parties in the year 2018:	Assets	Liability
Eldisstöðin Ísþór hf, associated company	201.040	
Arnarlax AS, shareholder	56.127	
Haganes AS, shareholder in Arnarlax AS		87.748
Edinborg AS, shareholder in Arnarlax AS		87.747
	<u>257.167</u>	<u>175.495</u>
Fjarðalax ehf, subsidiary	7.000.532	
Bæjarvík ehf, subsidiary	8.465.496	

Business with related parties in the year 2018:	Sale	Cost
Eldisstöðin Ísþór hf, associated company		2.254.713
Bæjarvík ehf, subsidiary		947.025
Fjarðalax ehf, subsidiary		8.219.086

13. Subsequent events

On December 21st 2018 the company signed a 3 year loan agreement with Arion Bank hf and DNB Bank ASA for a facilities agreement of 55.000.000 EUR. The funding was closed on February 22nd of 2019. The financing is split in 5.000.000 EUR overdraft, 35.000.000 EUR revolving credit facility and a 15.000.000 EUR term loan.

14. Off Balance Sheet items

In March 2017 the company entered into a wellboat rental agreement that runs until the end of 2020. The yearly rental fee is 2m EUR and is expensed monthly. No liability or asset is recorded because of this agreement in the Balance Sheet.