Arnarlax hf.

Consolidated Financial Statements
for the year 2017

Index

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

Board of Directors' Report

Main operation

The company´s purpose is production, processing and sale of seafood and seafood based products.

The consolidated financial statements for 2017 include the parent company, Arnarlax hf. and its subsidiaries, Bæjarvík ehf and Fjarðalax hf.

Operating results

The company was founded in 2010.

Net loss of Arnarlax and subsidiary was EUR 586.977 in the year 2017 but was EUR 633.506 in the year 2016. Total assets according to the consolidated balance sheet for 2017 is EUR 110,5 millions compared to EUR 105,1 millions in year end 2016. Shareholders equity was EUR 53,7 millions at year end 2017 but was EUR 54,6 millions at year end 2016. Average number of full-time employees in year 2017 was 92.

Arnarlax hf. acquired the company Fjarðalax hf. at 1/7 2016. The acquisition has significantly increased the group's share in Icelandic salmon farming and complements the group's existing operation.

It is the opinion of the Board of Directors that the financial statements presents fairly the financial position of the company at the end of the year, the results of its operations during the year and the changes in the financial position of the company.

Appropriation of net profit / (loss)

The Board of Directors refers to the financial statements regarding the appropriation of the year's net loss.

Ownership

At the year end there were one owner of all shares in the company, Arnarlax AS in Norway.

The Board of Directors has seven members, all men.

Future outlook

The Company has in general developed according to plan. During December 2017 formal farming licences of 10.700 MT were awarded will bring the total license capacity to 22.200 MT. 2017 was a milestone year for the Comapny as it was the first full year with 12 months recorded revenues, but also further enhanced operations both at sea and on land. Integration and focus on process improvement is an ongoing project together with license application processes and adjusting hatchery capacity to license potential. In order to further strengthen the company and prepare for future growth strong focus on capital structure and liquidity is needed. Projects are already initiated in order to secure satisfactory liquidity going forward. In light of this development, the Board of Directors are of the opinion that there is basis for going concern.

The Board of Directors of Arnarlax hf. and the Managing Director hereby ratify the annual report for the year 2017 with their signatures.

Bíldudalur 9 May 2018

Board of Directors: Managing Director:

Independent auditors report

To the Shareholders of Arnarlax hf.

Opinion
We have audited the consolidated financial statements of Arnarlax hf. and its subsidiaries (the Group), which comprise the Directors Report, consolidated balance sheet as at December 31, 2017, 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, 2017, 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

To the Shareholders of Arnarlax hf.

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 9 May 2018

PricewaterhouseCoopers ehf.

Consolidated Income Statement for the year 2017

	Notes	2017	2016
Operating income			
Operating revenues		66.647.294	26.617.279
Other revenue		0	14.504
		66.647.294	26.631.783
Operating expenses			
Cost of good sold		35.838.459	12.393.739
Salaries and related expenses	3	9.784.826	6.769.960
Other operating expenses		10.822.256	6.650.040
		56.445.541	25.813.739
EBITDA		**10.201.753**	**818.044**
Depreciation	5	(6.021.401)	(3.192.936)
EBIT		**4.180.352**	**(2.374.892)**
Financial (expenses) income			
Other financial income and expenses	4	(4.776.912)	2.010.276
Effect of results of associated companies	6	0	(139.001)
Loss from continuing operation before taxes		**(596.560)**	**(503.617)**
Income tax	7	9.583	(129.889)
Net loss		(586.977)	(633.506)

Consolidated Balance Sheet as of 31 December 2017

Assets	Notes	31.12.2017	31.12.2016
Fixed assets			
Intangible assets:			
Goodwill	5	19.476.065	21.784.988
Tangible fixed assets:			
Property, plant and equipment		15.592.452	12.158.096
Floating marine pen and aquaculture tanks		19.598.868	19.986.857
Investment in progress		1.308.560	0
	5	36.499.880	32.144.953
Long-term financial assets:			
Investment in associates	6	2.439.363	2.439.363
Deferred tax assets	7	3.122.106	3.229.703
		5.561.469	5.669.066
Total fixed assets		61.537.414	59.599.007
Current assets			
Biological assets valued at cost	8	36.475.442	35.299.813
Trade receivables	9	7.763.693	7.198.332
Receivables - related parties	12	293.609	0
Other receivables and prepayments		3.657.086	1.833.725
Cash and cash equivalents		799.278	1.179.278
		48.989.108	45.511.148
Total assets		110.526.523	105.110.155

Consolidated Balance Sheet as of 31 December 2017

Equity and liabilities

	Notes	31.12.2017	31.12.2016
Shareholders equity			
Share capital		32.664.060	32.664.060
Share premium		23.520.157	23.520.157
Statutory reserve		887	887
Translation difference		293.100	619.766
Restricted profit of subsidiaries		0	192.726
Accumulated loss		(2.753.214)	(2.358.963)
	10	53.724.990	54.638.633
Liabilities			
Long-term liabilities:			
Loans		13.927.114	32.839.069
Current portion of long-term liabilities		(3.510.952)	(21.833.932)
	11	10.416.162	11.005.137
Current liabilities:			
Short-term liabilities to financial institutions	11	34.879.306	21.833.932
Trade payables		8.594.284	14.891.571
Liabilities to related parties		698.748	810.941
Other current liabilities		2.213.033	1.929.940
		46.385.371	39.466.384
Total liabilities		56.801.533	50.471.521
Total equity and liabilities		110.526.523	105.110.155

Cash Flow Statement for the year 2017

	Notes	2017	2016
Cash flows from operating activities			
Cash generated from operations:			
Net loss for the year		(586.977)	(633.506)
Items not affecting cash:			
Depreciation	5	6.021.401	3.192.936
Deferred tax assets (increase)		(81.173)	129.914
Effect of results of associates	6	0	139.001
Currency exchange and other items		(432.362)	(2.244.608)
		4.920.889	583.737
Decrease (increase) in operating assets:			
Short term receivables		1.635.141	(8.846.222)
Biological assets and inventories		(1.175.629)	(5.666.509)
Current liabilities		(10.316.386)	2.904.176
		(9.856.874)	(11.608.555)
Net cash from operating activities		(4.935.985)	(11.024.818)
Cash flows from investing activities			
Investments in fixed assets	5	(9.324.229)	(10.286.073)
Proceeds from the sale of fixed assets		338.331	0
Purchase of shares		0	(26.648.521)
		(8.985.898)	(36.934.594)
Cash flows from financing activities			
Share capital increase		0	44.324.518
Proceeds from borrowings		9.988.376	8.832.632
Repayments of borrowings		(5.164.073)	(4.056.773)
Short-term borrowings, change		8.717.581	0
		13.541.884	49.100.377
Increase (decrease) in cash and cash equivalents		(379.999)	1.140.965
Cash and cash equivalents at beginning of year		1.179.277	38.313
Cash and cash equivalents at end of year		799.278	1.179.278

Notes

1. The company

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

Arnarlax hf. 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

The consolidated financial statements are prepared in accordance with the Icelandic Act on Annual Accounts (act no. 3/2006). The significant accounting policies are essentially the same as the previous year, except as noted below.

The preparation of the 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.

Dividend income is recognized on the date of the shareholders decision to pay a dividend.

Money items in foreign currency are converted at the rate applicable on the balance sheet date.

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
Accounts payable 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 liabiliies 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		
	2017	**2016**	Change	**2017**	**2016**	Change
Evra (EUR)	120,53	133,59	(9,8%)	125,05	119,13	5,0%
Price index for loans				446	438,4	1,7%

Notes

3. Salaries and related expenses

	2017	2016
Salaries and related expenses for the period are as follows:		
Salaries	7.577.201	5.339.057
Related expenses	2.207.625	1.430.903
	9.784.826	6.769.960
Average number of employees	98	118

Salaries and fee to management was EUR 398 thousands in the year 2017 and EUR 208 thousand in 2016.

4. Financial income (and expenses)

	2017	2016
Financial income (expenses) are as follows:		
Interest income and indexation	260.598	50.233
Interest expense and indexation	(3.593.011)	(2.342.971)
Currency rate exchange	(1.444.499)	4.303.014
	(4.776.912)	2.010.276

5. Property, plant and equipment

	Goodwill	Property, plant and equipment	Floating pen aquaculture tanks	Total
The year 2016				
Book value beginning of year	294.151	3.604.429	7.183.718	11.082.298
Fjarðalax 1.7.2016 - addition with acquisation	22.631.962	4.580.601	6.224.588	33.437.151
Additions	0	3.819.192	6.466.881	10.286.073
Book value of sold assets	0	(21.287)	0	(21.287)
Depreciation	(1.123.485)	(648.280)	(1.421.171)	(3.192.936)
Translation difference	(17.640)	823.441	1.532.841	2.338.642
Book value end of year	21.784.988	12.158.096	19.986.857	53.929.941
Book value at period end 31.12.2016 is as follows:				
Cost	22.908.474	13.857.608	24.525.382	61.291.464
Accumulated depreciation	(1.123.486)	(1.699.512)	(4.538.525)	(7.361.523)
Book value at year end	21.784.988	12.158.096	19.986.857	53.929.941
The year 2017				
Book value beginning of year	21.784.988	12.158.096	19.986.857	53.929.941
Additions	0	5.993.375	2.022.295	8.015.670
Book value of sold assets	0	(351.019)	0	(351.019)
Depreciation	(2.300.988)	(1.985.790)	(1.734.623)	(6.021.401)
Translation difference	(7.935)	(222.210)	(675.661)	(905.806)
Book value end of year	19.476.065	15.592.452	19.598.868	54.667.385
Book value at period end 31.12.2017 is as follows:				
Cost	23.000.881	22.188.481	23.944.751	69.134.113
Accumulated depreciation	(3.524.816)	(6.596.029)	(4.345.883)	(14.466.728)
Book value at year end	19.476.065	15.592.452	19.598.868	54.667.385

Book value at period end 31.12.2017 is as follows:	
Goodwill, property, plant, equipmentand floating aquaculture tanks	54.667.385
Investment in progress	1.308.560
	55.975.945

Notes

5. Property, plant and equipment, continued

Other information:	Official value	Insurance value	Book value
Strandgata 1, Bíldudal	342.183	2.965.214	2.604.958
Strandgata 13, Bíldudal	43.431	308.277	153.345
Strandgata 16, Bíldudal	50.140	209.916	282.342
Gileyri og Eysteinseyrar, Vesturbyggð	43.039	175.050	4.585.836
Hafnarbraut 2 Vesturbyggð	106.357	790.084	703.812
Strandgata 43 Tálknafjarðarhreppur	92.363	564.974	129.848
Aðalstræti 8 Vesturbyggð	185.526	660.936	102.159
Við Patrekshöfn Vesturbyggð	111.555	742.503	291.217
Floating marine pen and aquaculture tanks		8.220.712	15.013.030
Ships		9.784.690	6.205.013
Other fixed assets, equipment etc		12.402.764	5.119.760
Goodwill			19.476.065
Investment in progress			1.308.560
	974.594	36.825.120	55.975.945

Goodwill:

Goodwill in owned companies is as follows:	2017	2016
Bæjarvík ehf	235.321	264.736
Fjarðalax hf	19.096.802	21.343.485
Eldisstöðin Ísþór ehf	143.942	176.767
	19.476.065	21.784.988

6. Shares in associated companies

The equity method is used for accounting of the associated company Ísþór ehf, the cost method is used for other associated companies. The equity method is an accounting technique to assess the profits/losses earned by their investments in other companies. The Group reports the income earned on the investment in its income statement, and the reported value in the balance sheet is based on the firm's share of the associated company net equity.

Shares in associates are specified as follows:	Share	Nominal	2017	2016
Ísþór hf. Þorlákshöfn (equity method)	50%	4.209	2.430.946	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
			2.439.363	2.439.363

Shares in profit / (loss) of associates are specified as follows:	Share	2017	2016
Ísþór hf. Þorlákshöfn	50%	0	(139.001)

7. Deferred income tax asset

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

Deferred income tax liability beginning of year	3.229.703
Income tax from continuing operations	9.583
Exchange rate difference	(117.180)
	3.122.106

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

	Balance 1.1.	Balance 31.12.
Fixed assets	(253.137)	24.965
Trade receivables	45.808	167.915
Inventories	0	(213.774)
Carry forward losses	(643.816)	3.272.253
Exchange rate difference	4.080.848	(129.255)
Income tax asset (-liability) at year end	3.229.703	3.122.106

Notes

7. Deferred income tax asset, continued

Income taxes will not be charged in 2018 due to carry forward losses from previous years which are as follows:

Loss for 2009, expires end of 2019	3.835
Loss for 2011, expires end of 2021	200.342
Loss for 2012, expires end of 2022	123.018
Loss for 2013, expires end of 2023	162.234
Loss for 2014, expires end of 2024	1.602.831
Loss for 2015, expires end of 2025	350.735
Loss for 2016, expires end of 2026	829.259
	3.272.253

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:

	2017	2016
Loss before tax	(596.560)	(503.617)
Calculated income tax with 20% income tax rate	119.312	100.723
Non-deductible expenses - depreciated goodwill	(455.220)	(224.697)
Other non-deductible expenses and foreing exchange variance	345.491	(5.915)
	9.583	(129.889)

8. Inventories

Inventories are as follows:	2017	2016
Biological assets	32.237.442	33.437.304
Raw materials (feed for the farming business)	3.510.298	1.512.509
Finished products	727.703	350.000
	36.475.442	35.299.813

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:	2017	2016
Trade receivables	8.199.699	7.426.738
Trade receivables, bonds	460.714	0
Allowance for doubtful receivables	(896.721)	(228.406)
Trade receivables, net	7.763.693	7.198.332

Trade receivables are written down in year end 2017 of EUR 897 thousand and the allowance for doubtful doubtful receivables is as follows:

Allowance for doubtful receivables 01.01	228.406	0
Written off in the year	(143.871)	0
Allowance for doubtful receivables change in the year	836.028	228.406
Exchange rate difference	(23.842)	0
Allowance for doubtful receivables 31.12	896.721	228.406

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.

Notes

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.

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

With changes in law 3/2006 on financial statements companies can not pay dividents on profit from subisdiaries until the subsidiaries have actually paid the profit dividents to the mother company. If share of profit of a subsidiary or an associated company is in excess of dividend received or which can be claimed, the Group transfers the difference to a restricted reserve in equity.

Statement of changes in equity	Share capital	Premium capital	Stat. res.	Translation difference	Restricted profit of subsidiaries	Accumulated loss	Total equity
2016							
Balance beginning of year	11.859.699		887			(1.532.731)	10.327.855
Paid in capital	20.804.361	23.520.157					44.324.518
Translaction difference				619.766			619.766
Profit of subsidiaries					192.726	(192.726)	0
Loss for the year						(633.506)	(633.506)
Balance end of year	32.664.060	23.520.157	887	619.766	192.726	(2.358.963)	54.638.633
2017							
Balance beginning of year	32.664.060	23.520.157	887	619.766	192.726	(2.358.963)	54.638.633
Translaction difference				(326.666)			(326.666)
Loss of subsidiaries					(192.726)	192.726	0
Loss for the year						(586.977)	(586.977)
Balance end of year	32.664.060	23.520.157	887	293.100	0	(2.753.214)	53.724.990

11. Bank loans

	2017	**2016**
Liabilities in EUR	10.458.462	13.644.687
Liabilities in USD	0	16.019.454
Liabilities in ISK	3.468.652	3.174.927
	13.927.114	32.839.069

Payments of long term liabilities at the end of 2017 are as follows:	**2017**	**2016**
2017		21.833.932
2018	3.510.952	4.552.279
2019	3.088.880	1.332.960
2020	4.059.150	1.169.367
2021	1.602.243	1.169.367
Later	1.665.889	2.781.164
	13.927.114	32.839.069

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.

Notes

Total long term liabilities are shown on the balance sheet as follows:

Maturities after one year, recognized as long term liabilities	10.416.162	11.005.137
Maturities in next year, recognized as current liabilities	3.510.952	21.833.932
Short term bank loans in EUR, recognized as current liabilities	29.651.291	0
Short term bank loans in ISK, recognized as current liabilities	1.717.063	0
	34.879.306	21.833.932

At year end all Interest bearing loans of 45.295 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 2017:	**Assets**	**Liability**
Eldisstöðin Ísþór ehf, associated company	293.609	
Arnarlax AS, shareholder		521.667
Salmus AS		177.081
	293.609	698.748
Fjarðalax ehf, subsidiary	3.509.351	
Bæjarvík ehf, subsidiary	5.591.295	

Business with related parties in the year 2017:	**Sale**	**Cost**
Eldisstöðin Ísþór ehf, associated company		3.754.442
Bæjarvík ehf, subsidiary		1.144.554
Fjarðalax ehf, subsidiary		7.977.846

13. Subsequent events

During cold sea temperatures of February and March 2018 the Company experienced high mortality mainly related to equipment failure of older models of cages belonging to Fjarðarlax. During spring and summer 2018 all existing older cages will be replaced with new cages of the highest quality. Total biomass lost was about 1.100 MT. The Company believes these incidents will not severely impact results and operations going forward.