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

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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

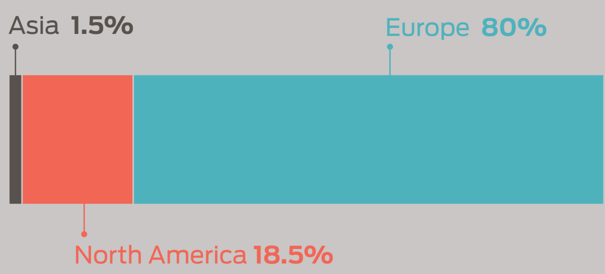
Key Figures for Icelandic Salmon

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

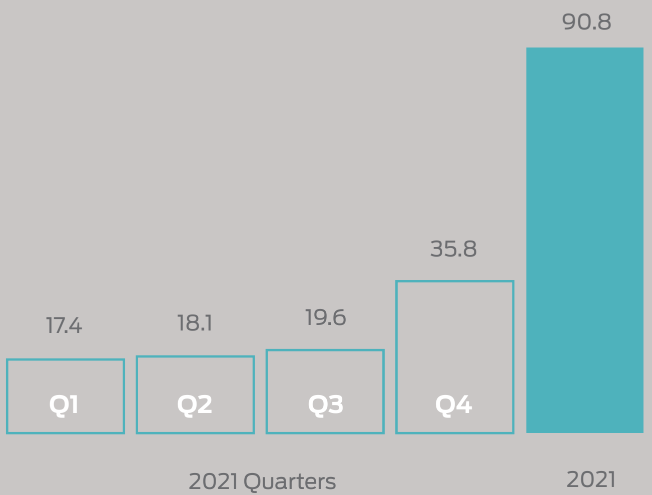
Thousand tonnes

Geographical distribution of sales volume



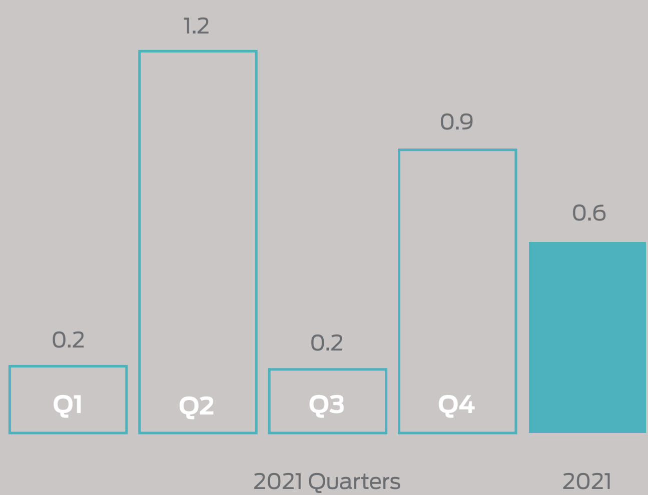
Operating Revenue

EUR million



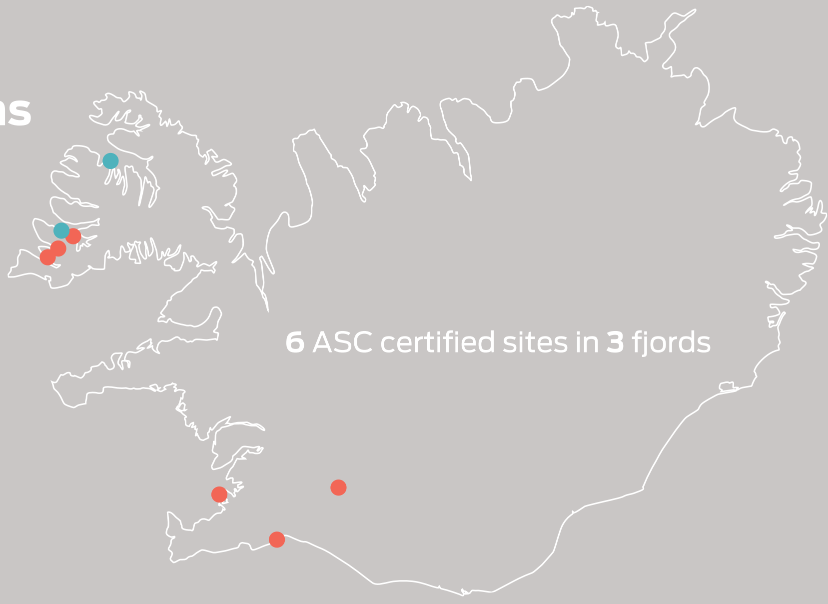
Operating EBIT

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

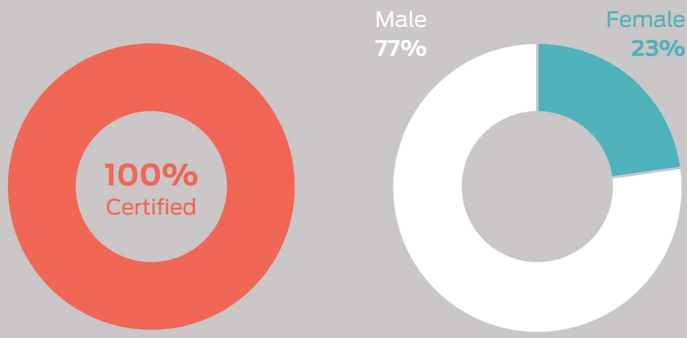
6.63 Million Euros in taxes and fees

Investments

77.1 Million Euros in fixed assets

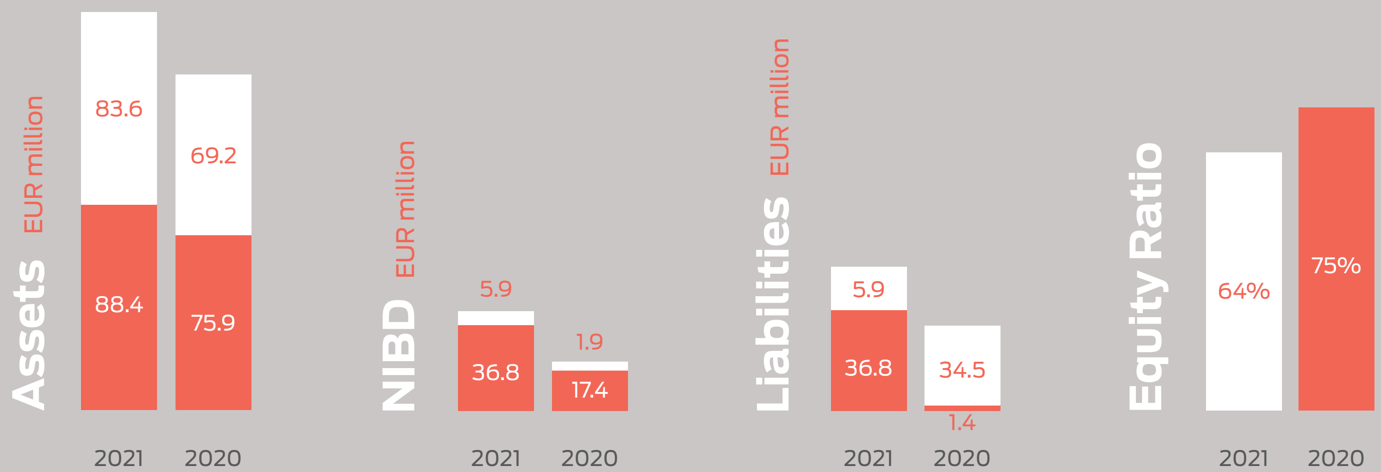
Number of Employees

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

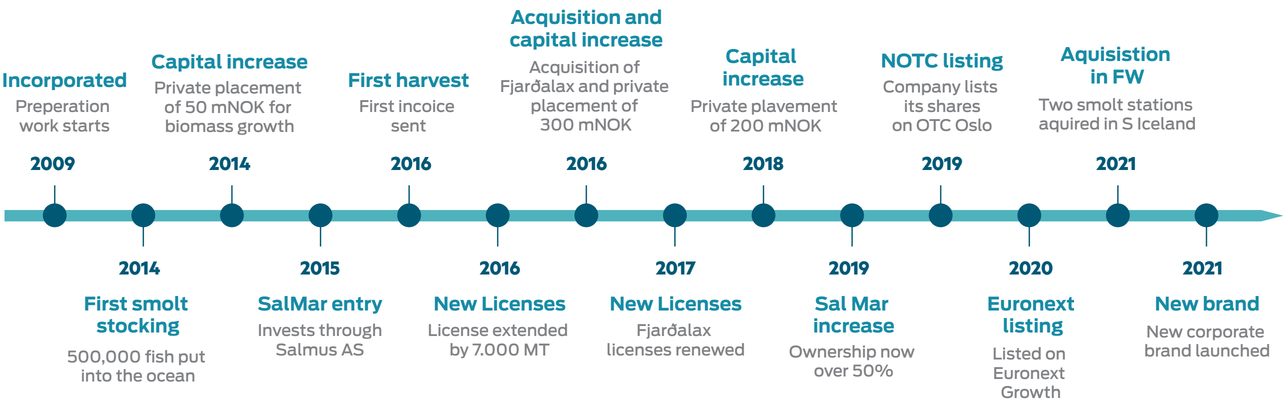
THE HISTORY

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.

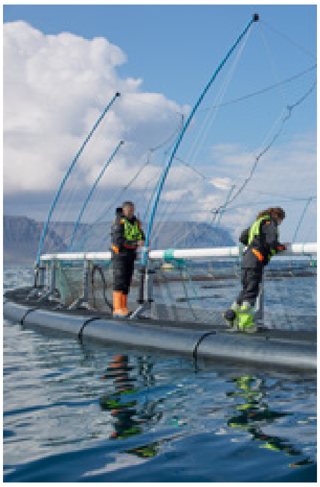
Since its founding year, Icelandic Salmon has had a clear mission: to produce the most sustainable Atlantic salmon by working in harmony with nature.

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

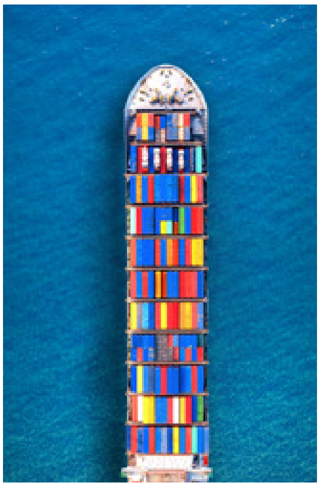


Seawater

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.

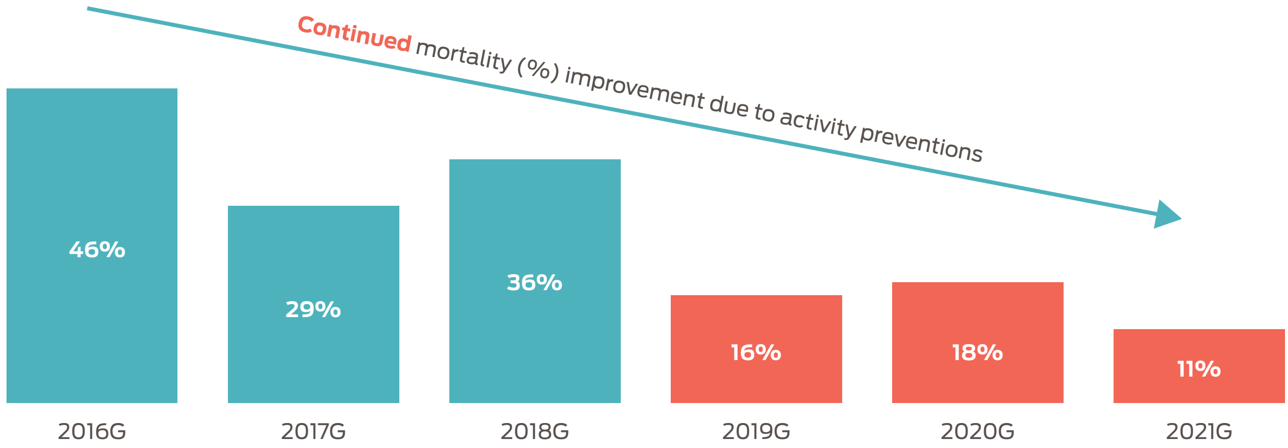
Icelandic Salmon has a strong relationship with SalMar ASA, one of the world's largest and most efficient producers of Atlantic salmon. SalMar is the ultimate parent company of the Group, with over 50 per cent of the Group's shares.

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

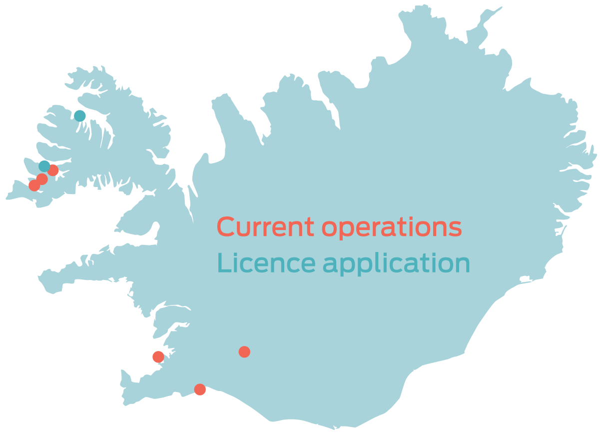
In July 2021, the Group's Bildudalur site was awarded the British Retail Consortium (BRC) Food Safety certification in July 2021. This means that the Group's site meets the highest international standards for hygiene and quality. In addition, all of the Group's farming sites are Aquaculture Stewardship 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

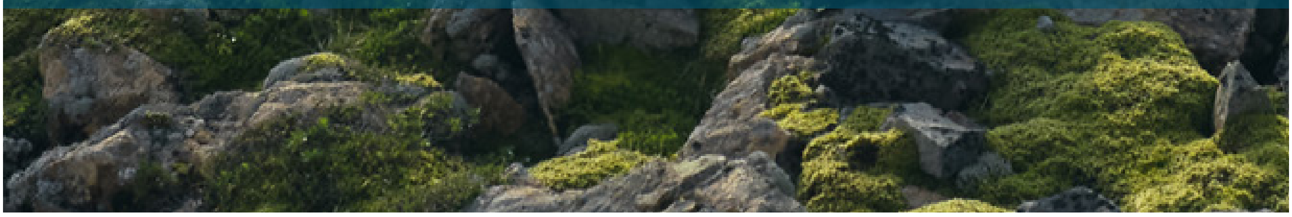
Olav Andreas Ervik,
Member of the Board

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.

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.

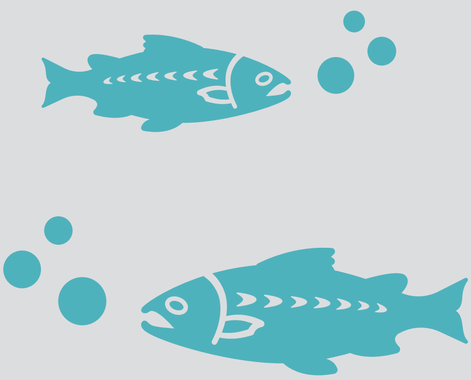
Biological KPI's

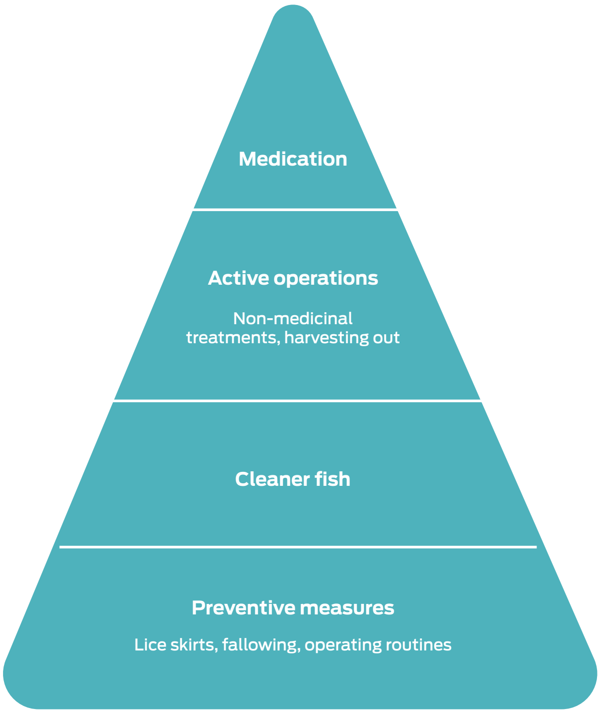
The Group's KPIs		Target	2021	2020
Survival	12-month rolling survival rate[4]	>95%	93,3%	90.5%
Antibiotics	Grams of active pharmaceutical ingredients (API) per tonne produced	0	0	0
Lice treatments	Total number of treatments. In 2021, 3 sites were treated, one time each.	<3 per cycle[5]	3	2
Interaction 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

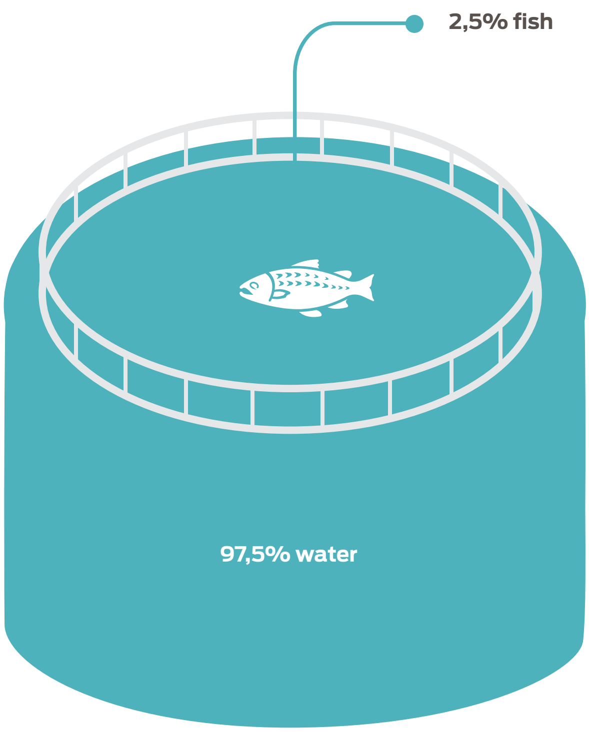
- Dedicated fish health personnel; visits by biological controller and veterinarians
- Close follow-up and monitoring of fish welfare indicators
- Use of sites affording optimal biological conditions
- All smolt vaccinated before transfer to seawater farms
- Systematic efforts as regards smolt quality 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.

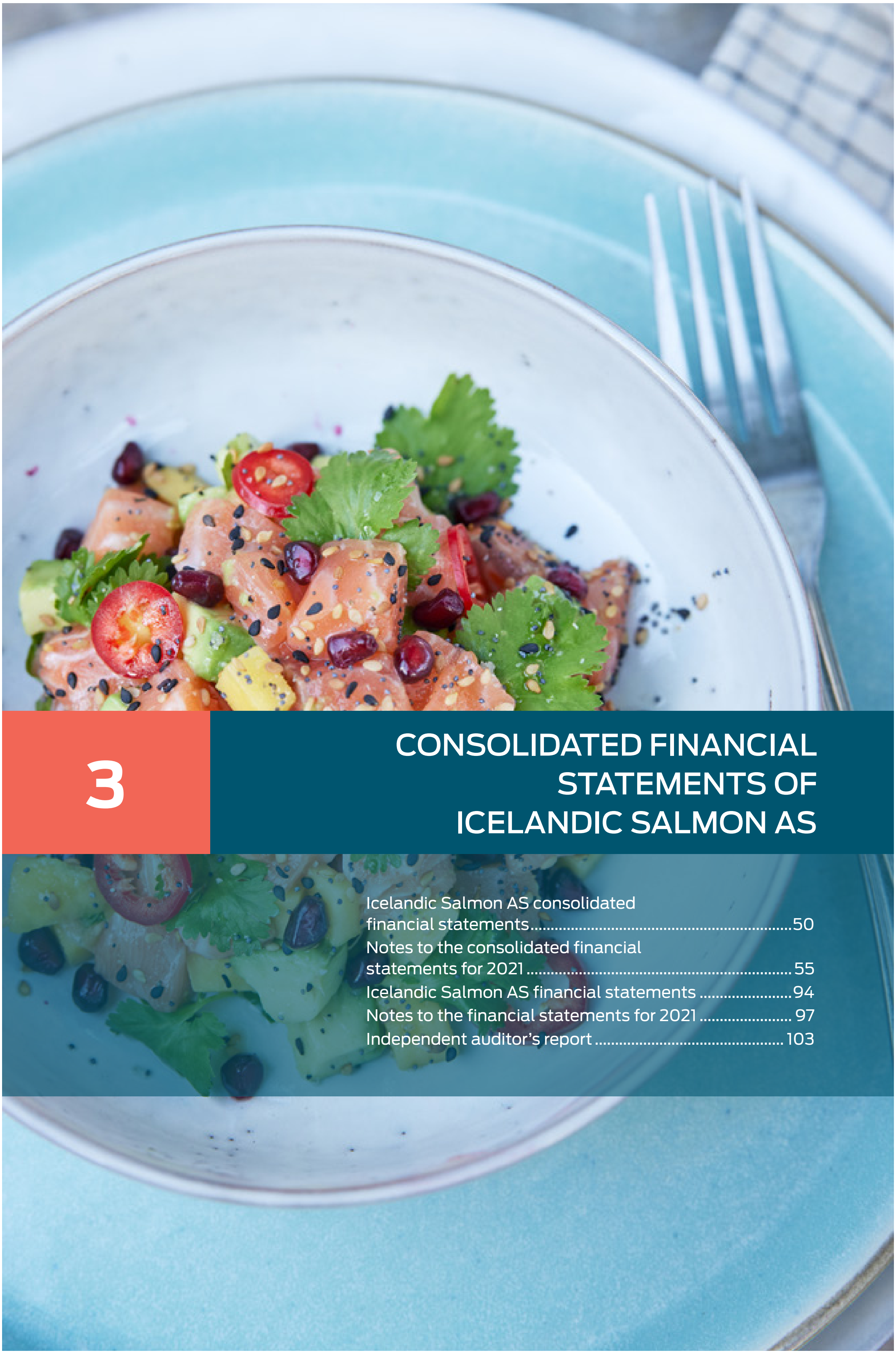
8. Decent work and economic growth
The company is growing economically and has increased its number of staff between years.

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.



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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

					Other equity		
2020	**Note**	**Share capital**	**Share premium**	**Other paid-in equity**	**Translation differences**	**Retained earnings**	**Total equity**
Equity as at 1 Jan 2020		26,982	52,039	9	(143)	(12,811)	**66,076**
Net (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**

					Other equity		
2021	**Note**	**Share capital**	**Share premium**	**Other paid-in equity**	**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	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 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

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%
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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