

ICELANDIC SALMON AS

CONSOLIDATED FINANCIAL STATEMENTS 2020

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ICELANDIC SALMON

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 Company was founded in 2001 and holds the sole ownership of Arnarlax ehf. Arnarlax ehf and its subsidiary's main purpose is production, processing and sale of high-quality seafood.

Directors

Kjartan Ólafsson (Chairman) Trine Sæther Romuld Olav Andreas Ervik Espen Marcussen Leif-Inge Nordhammer

Registered Office

Industriveien 51, 7266 Kverva, Norway.

Registered Corporation Number

983 621 112

Website

www.lcelandicSalmon.no www.Arnarlax.is



MESSAGE FROM CEO

2020 was a strange year for everyone, with COVID-19 hitting the world. The pandemic didn't exclude us here in the West-Fjords of Iceland either, even though the area as whole did well to avoid major outbreaks. For many of our employees it meant that traveling to see family became impossible and market prices went to low levels. But luckily our dedicated employees have kept focus on the job at hand, and taken the company one step further. Good teamwork during these tough times, makes the team stronger and we are very grateful for our employees' contribution during 2020.

In October 2020 Icelandic Salmon was listed on Euronext growth. An important step for the company, to finance further growth and with it opening a new chapter in the company's exciting future. The growth plans are now being developed further and executed and will be published as soon as each part of it is finalized.

Salmon became the second largest seafood export article from Iceland in 2020. Only the traditional cod fisheries create more export value. That means that our young industry is growing up and are becoming an important contributor to Icelandic economy. Not only are the export revenues important, but also all the activity that are created locally in the communities we are operating in through third-party suppliers of services and goods, etc. Icelandic Salmon has been an important player in building the salmon industry in Iceland by being a front runner from the start and we are very proud of the position the company have to day as the largest salmon farmer in Iceland.

That position also gives us a responsibility in many ways; for the nature we are operating in, for the local societies where we have a key role as the biggest employer, and for our employees. We take this responsibility seriously and strive to do our best to build a sustainable new industry for the years to come.

We have chosen to use ASC as our certification of the sustainability of our operations and in 2020 achieved certification on three new locations, ending the year with all current sites certified. With this we show our emphasis on quality and sustainability knowing that the standards we are operating after are stricter than laws and regulations on Iceland. For us it is the only option to operate in harmony with nature, so we can keep on producing sustainable Icelandic Salmon in the years to come.

For the local societies our operations are important. Of the adult working population in the southern part of the Westfjords of Iceland, about 15% works in our company, and almost every business that is run in the area are more or less dependent on our activity. And we also see that companies are building new business based on raw materials they purchase from us. This means we need to cooperate with the municipalities and other private businesses in the area, to make sure we all help to develop and get the framework conditions we need to successfully operate under and grow.

To run our operations, we need good, talented, and well-educated employees. Mostly we recruit locally, but also quite a few take the step to move to the Westfjords of Iceland to be a part of the adventure we are building there. To strengthen the competence within the company, and the industry, we have been a front runner in establishing vocational education for aquaculture in Iceland. And The first 10 candidates recently got their diploma. We also run a trainee program for young, clever people with higher education, so they can get to know our company and the industry. Both strategic moves will make us stronger for the years to come.

Because of this the future is bright we see that there is a potential to grow within our existing licenses, and we remain optimistic on further growth with new licenses in the future. With our talented team, room to grow and continued emphasis on high quality sustainable Icelandic Salmon we our journey as the front runner in the Icelandic salmon industry and look forward to take part in building a new fundamental part of the Icelandic economy.

Björn Hembre / CEO

Sproff

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 2014. 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: CEO SalMar Ocean AS.

Mr. Ervik has more than 20 years of experience from the aquaculture industry and has

been employed in SalMar since 2012. Before he started his current position as CEO in the new company SalMar Ocean AS, he held several management positions in SalMar including the position as CEO of SalMar. 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 & COO of SalMar

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.

BOARD REPORT OF THE YEAR 2020

The Directors present their Annual Report and Financial Statements of the Group for the year of 2020.

Icelandic Salmon and its subsidiaries are collectively the "Group" or "Icelandic Salmon". Icelandic Salmon is the owner of the company Arnarlax ehf located in Iceland. The main purpose for the Group is production, processing and sale of farmed salmon and salmon-based products.

In 2020, Icelandic Salmon harvested a total of 11,2 thousand metric tons in Iceland of Atlantic salmon, generating a total gross operating revenue out of sales of fish for EUR 55 million.

The Business

Icelandic Salmon is a Norwegian company whose shares are quoted on the Euronext Growth under the ticket ISLAX. The Group is vertically integrated along the value chain from hatchery to sales channel with a dedicated management team backed by seafood experts. The Group has strong relationship with SalMar ASA, a Norwegian public limited company and one of the world's largest and most efficient producers of Atlantic salmon. SalMar entered the company's shareholder registry in 2015, and in 2019 they increased their ownership stake over 50%.

The Group has licenses of 25,2 thousand metric tons of maximum allowed biomass and they are all in the southern part of the Icelandic Westfjords. The Group is in the process of applying for 10 thousand metric tons of license in Ísafjarðardjúp and 4,5 thousand metric tons of expansion of an existing license.

Harvesting facility is one of the main operational factors in the Groups value chain. The Group operates the only salmon harvesting facility in the Westfjords and in 2020 a record harvesting quantity of 18,6 thousand metric tons went through that facility. The processing capacity is expected to grow up to 30 thousand metric tons in nearby future. The Group also operates two freshwater facilities with combined capacity over 4,5 million smolts. One facility fully owned and operated by the Group and one facility operated in joint venture with another fish farmer in Iceland.

Focus on the sustainability.

Icelandic Salmon is considered to be the "front-runner" within Iceland salmon farming with a clear focus on controlling and developing the entire value chain, from smolt to seawater, processing and finally sales, in terms of size, operational history and integration.

The Group has a strong focus on sustainability and focus on operating in harmony with the environment. All the Groups farming sites are ASC certified and the focus is on the fish welfare. Icelandic Salmon's vision is to produce sustainable icelandic salmon.

Groups values are followed throughout the Group;

- Teamwork makes us stronger
- Sustainability in harmony with nature
- Quality in everything we do
- We care

The year 2020

The year 2020 was a year of continued improvements of its biology, farming strategy and cost improvements and at the same time securing its operational foundation.

Listing on Euronext Growth

On October 27th, 2020, Icelandic Salmon AS was listed to the Euronext Growth. Following the listing a capital increase was issued raising EUR 50 million for further growth and development of the company. The Group was in particular pleased to see that Icelandic pension funds and Icelandic private investors participated in the private placement and as such increased Icelandic ownership. Reference is made to note 4.7 for more information regarding the share capital and shareholders.

Further growth

One of the main goals of the Group's listing was to secure funding for further growth. It is scheduled to increase investments throughout the value chain to continue gain operational efficiency and increase capacity for further growth. The Group spent EUR 9 million in investment during the year of 2020 and expect to increase that to EUR 14 million in the year 2021. Most of the investments are directly related to growth projects but along with that is EUR 2,8 million expected on environmental and maintenance projects.

The operation

For the year 2020 Arnarlax ehf went through several setbacks that had its impact on the operation. At the beginning of the financial year there was a high mortality at one of the Group's site. The high mortality was mainly due to bad weather, low temperature and winter wounds. Actions were taken to save as much of the stock value as possible and harvesting was set to maximum.

The Group learned from that experience and acted by implementing policy on fish welfare. Mitigating measures were implemented to decrease the density of the fish in cages to maximum 13 kg/m3 during winter period and the Group uses less exposed sites for big fish for their second winter. The Group has already begun seeing positive results out of those actions.

The cost development for the Group between years has been improving since end of 2019. Cost of harvesting has lowered with more quantity taken through the harvesting facility. Improved feed conversion ratio and higher survival rate of the fish leads to lower production cost. Second half of 2020 showed a reduced cost of EUR/kg 0,35 out of stock compared to second half prior year.

COVID-19 situation had a negative impact on the Icelandic krona that resulted in currency gain for the Group towards the operational cost. The currency gain is mainly on domestic items such as salaries, taxes, purchased services and goods on domestic market. The Group generated consolidated operating revenues of EUR 62 million in 2020 compared with EUR 67 million in 2019, a 7% decrease, despite increased harvesting activities due to lower sales prices. The harvested quantity in 2020 was 11,2 thousand metric tons compared with 9,9 thousand metric tons in the year 2019, a increase of 13% between the years.

According to the income statement the Group's net loss for the year 2020 amounted to EUR 2,0 million compared to a profit of EUR 1,6 million for the year 2019. Total assets, according to the Group's balance sheet at year-end 2020, amounted to EUR 144,1 million compared to EUR 129,2 million at year-end 2019. Shareholder's equity was EUR 108,2 million at year-end 2020 compared to EUR 66,1 million at year-end 2019.

Fair value adjustments increased profit by EUR 7,7 million and raising biological stock value of same amount. Fair value adjustments comprise changes in value of the biomass as described in note 2.5.

Cash flow

Icelandic Salmon achieved a positive cash flow from operational activities of EUR 1,0 million compared with EUR 7,6 million in 2019. The lower salmon prices had the biggest impact on cashflow for the Group. Small proportion of accounts receivables were written off. See further note 2.6.

Net cash flow to investing activities of EUR 9,9 million 2020 compared to EUR 12,4 million for the prior year. Main investment activities for the year were in increased number of cages, mooring and other farm site related equipment.

Net cash flow from financing activities was EUR 10,2 million compared to EUR 6,0 million for the year before. Main reason for that is the private placement of the listing on Euronext Growth market and new interest-bearing debts providing EUR 57,1 million EUR into the Group. Most of that financing were used to pay down interest bearing debts of EUR 42,6 million as descripted in note 4,2.

Ending cash and cash equivalent as for December 31st, 2020 were at EUR 3,1 million compared to EUR 1,7 million at end of 2019.

Balance sheet

The Group's balance sheet at December 31st, 2020 was at EUR 144,1 million compared to EUR 129,2 million for the prior year, an increase of EUR 14,9 million. Fixed assets increased by EUR 4,4 million including lease assets. Biological values increased by EUR 8,3 million between years as described in note 2.5. The equity in the year increased by EUR 41,2 million, following the private placement in October 2020. The Group has a high equity ratio of 75% compared to 51% for the prior year.

Interests bearing debts lowered significantly by EUR 29,6 million after the private placement where loans were paid down to minimize cost of debts.

Debt facilities by the Group to credit institutions consist out of combined EUR 55 million facility entered December 21st, 2018 and paid out in January 2019. This combined facility includes a EUR 35 million revolving facility that was not utilized at year end of 2020. The current loan agreement is valid until December 2021. Since the due date is less than 12 months from reporting date, the loan is reclassified to short-term debt. The Group has started the process of refinancing the facility and is expected to finalize this during third quarter 2021.

Risks and management

The Group has a risk management as a function within the daily operation. The group has been implementing and developing systems and routines to monitor important factors in the Group's operation. Risk management is in development and continuing improvements.

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

Operational risk

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

The Group has identified mortality due to winter wounds to be one of the main risk factors in relation to the biological assets. The Group has addressed that by implementing a mitigating measure as to decrease the density of the fish in cages, not to exceed 13 kg/m3, to have no more than 160 thousand individuals in each cage throughout winter and use less exposed sites for big fish for their second winter in sea. All this is done to reduce the risk of winter wounds and increase the survival rate of the fish.

Another risk factor that the Group has identified is the mortality in the Group's hatcheries. The Group will continue to work on daily basis to optimize the hatcheries production to lower mortality.

Health risk is always a risk for the salmon industry and the Group has implemented procedures to minimize the risk of diseases to spread between areas. This is very important to the Group as for the unique position of Iceland when it comes to infectious diseases where the nature is good, and the region is low on disease. Many of the known salmon diseases are unknown in Iceland when other countries are struggling with them resulting in high costs.

The unique position of Iceland has provided the Group to operate in relatively "disease" free area with pristine nature and low health-treatment cost. This allows the Group to use no antibiotics during the production cycle which is important as such use may have negative environmental impact if used too frequently. To preserve that status, the

Group has implemented standards as to minimize the risk of those diseases to attend to the Icelandic environment.

Further operational risk and measures are identified in the Group's Sustainability report that can be found on the Group's homepage when issued, expected in May 2021.

Financial risks

The Groups internal control process is a part of the Group's control environment and designed to support the Group to achieve its strategic objectives, to provide reliable financial reporting and to support that the Group's business is operated efficiently, effectively and in compliance with laws and regulations. The Group finalised the registration of internal control processes in the fall of 2020 and is developing controls designed to minimise the risk of incorrect financial reporting. The Group's Financial Controller monitors the controls and makes sure that the controls are carried out by appropriate employee.

The operational currency of the Group is in EUR to reduce the foreign currency risks, whereas 85% of the revenue come from Europe. As such the currency risk mainly applies to the operational cost as domestic purchases, such as domestic transport, box consumption and contractors related items are purchased in Icelandic krona. Further, salaries are all paid in Icelandic krona as well as taxes, environmental fees and other domestic items.

Icelandic krona is a fluctuant currency that is hard to depend on and can increase the cost of the operation significantly. The Group has identified this as a known risk factor and have been addressing this by implementing a currency quota when purchasing Icelandic krona. In the year 2020 the Icelandic krona exchange rate lowered significantly providing the company with a gain on domestic cost from what was expected. This can have the opposite effect when the Icelandic krona strengthen again against the EUR. See further on financial risks in note 4.6

Credit risk

Historically, the credit risk is considered low. The Group has addressed that risk by insuring part of the receivables and implementing a guideline to ensure that the sales are made only to customers that have not previously had material payment problems and that the outstanding balance does not exceed the customer fixed credit limit. See further note 4.6.

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 by the finance department. Account department monitors rolling forecasts of the Group's liquidity requirements to ensure that the Group has sufficient cash equivalents to meet operational liabilities. See further note 4.6.

Market price risk

The Group has identified a risk that the market prices may change with little or no notice. Market prices are non-controllable by the Group, but the Group can work further on cost reduction and operational savings to decrease the impact. The Group has also identified a possibility to get proportion of the sales on contract prices that would minimize the risk, but at the same time minimize the gain on high spot market prices. Cost efficiency where the cost is reduced to have more competitive operation is also a tool to address the risk of potential low market prices.

Sustainability and social responsibility

Icelandic Salmon has a natural and sustainable concept of salmon farming in the clear Arctic ocean around Iceland has been established with strict quality standards, and the company aims to be a low-cost producer. This goal can be achieved only through sustainable biological production and we commit to farming our fish in conditions most conducive to their wellbeing. We believe that the best biological results combined with cost focus and optimal processes will pave the way for the best financial results, and thus enable us to be a cost-effective producer of farmed salmon in Iceland. The Group recognizes the diversity of its corporate social responsibility, as an employer, producer, supplier of healthy food, user of the natural environment and administrator of financial and intellectual capital. Social responsibility is important for us and incorporated in our daily tasks. At the same time, we aim to minimize the impact our operations have on the natural environment.

Some of our monitoring aspects can be found in the sustainability report:

MATERIAL ASPECTS	INDICATORS		
	Production Certifications		
	Interaction with wildlife		
Environmental	Environmental monitoring		
	Feed consumptions and quality		
	FreshWater usage		
	Greenhouse gas emissions		
	Energy type and consumption		
	Waste monitoring		
	Health and safe working environment		
	Lost Time Injuries measurement (LTI)		
Social and working environment	Sickness and other absent		
	Equal rights		
	Education		
	Arnarlax academy		
Corruptions	No discount on human rights		
	Ethical guidelines		

Environmental policy

Icelandic Salmon has an active environmental policy with the tenet of being sustainable in every aspect of the operation. The main objects of the environmental policy are; comply with laws, regulations and ASC standard, zero escapes, optimal feed ratio, reduction of organic load, using environmental friendly products and recycling. Further details of the environmental policy can be found in the Sustainability report that will be issued in May 2021 on the Group's website. The sustainability report addresses the sustainability of fish farming, risk assessments and environmental assessments. Furthermore, the report provides a clear picture of our environmental policy.

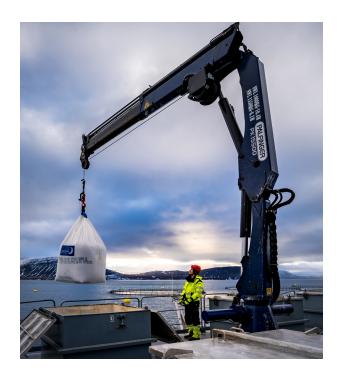
Social and working environmental policy

The Group is committed to provide a safe and healthy working environment and have an active health and safety committee. All incidents are monitored and reported by the quality department to the Directors of the Group. Incidents recorded in the financial year of 2020 were as follow:

Health and Safety monitoring

Workplace fatalities	0
Lost time injury (LTI)	8 incidents
H-injuries	39 incidents
Sickness absence	8.994 hours

The Group monitors absence for sickness and acts accordingly to changes in the environment that may cause sickness or absence of the employees.



Department	Sickness absence (hrs.)	Sickness child absence (hrs.)	Total Sickness absence (hrs.)	Total Sickness absence (%)
Overhead	646	210	856	3%
Farming	2.429	477	2.465	3%
Industry	4.293	33	4.326	6%
Smolt	867	39	906	7%
Total	8.235	759	8.994	4%

The Group also have an active equal right policy where stated that each of the employees should be evaluated by their own merits and building up a good working environment. The Group is currently in the process of obtaining an equal pay certification, which will be completed before year-end 2021. The group has gender ratio of 23% female and 77% male and are encouraging more females to join the current workforce.

The Group supports and encourages employees to participate in education and/or courses, both provided by the Group, or education that is in the shared interest of the Group and their employees. The Group strongly believes in building up a Fish Farm educational program to build a stronger foundation for the industry in Iceland.

"Sustainability in harmony with nature", is one of the key values for the Group. To preserve that the Group has since 2019 worked on implementing a cooperative culture with Arnarlax academy, a program where roles, structure and governance are introduced to our employees to ensure a better biological competence. This means a higher moral standard as to contribute to the awareness

to the environment. "We care" for the environment and "Teamwork makes us stronger".

The Group continued its work on the educational programs for its employees. In February 2021, a group of ten people graduated from the fishery school that was supported and developed with the Group.

The Group actively supports local communities with the focus on youth and sport activities. The Group is also a strong supporter for cultural happenings in nearby community.

Human rights policy

The Group has a zero-tolerance policy toward human rights violations and illegal conditions. The Group communicate that policy towards their suppliers and act on any known issues relating to human rights.

Corruption and bribery

The Company has issued a statement of acceptance or providence of gifts from and to the Company or its employees. The Company does not and will not anticipate



in any corruption or bribery. Employees of the Company are obligated to report all gifts and offers made to them in the order to increase customer relationship and directed to reject such offers if seem unreasonable. Neither the Company or its employees may participate in any gifts or offers outside of what seems reasonable for a given occasion.

In addition, the Company is currently working on ethical guidelines and "whistle blower" procedure and plans to finalize these policies in the year 2021.

Corporate governance

Icelandic Salmon act on good corporate governance and follows rules and regulations accordingly.

The Group has an active board of directors and has a prescheduled meeting agenda throughout the year.

Changes in the board

Icelandic Salmon Annual General Meeting (AGM) was held on May 28th, 2020. Gustav Witzøe did not stand for election to the company's board but other members were re-elected. On the extraordinary general meeting (EGM) held on October 8th, 2020, Leif Inge Nordhammer was elected as a board member. All members of the board were elected for two-year period. One of the board members is female and four are male.

Outlook

The year 2020 was a year of continuous improvements. Mainly biological improvement but also implementation of sea-site farming strategy, buildup of smolt facilities securing access to increased number of smolts and cost improvement.

In the fall of 2020, Icelandic Salmon, sole shareholder of Arnarlax ehf, was listed at the Euronext Growth Market raising EUR 50,0 million for continued development of the company. The proceeds reduced the revolving credit lines but are destined to finance further growth projects within expansion of freshwater facilities, seawater operations as well as sales & marketing strategy that management has been working on. At end of year 2020 the access to cash through the loan line was EUR 35,0 million creating a strong financial position for the Group, as well as having a strong equity ratio of 75%.

Development of farming licenses

The Group today holds licenses of 25,2 thousand metric ton maximum allowed biomass in the southern part of the Icelandic Westfjords; Arnarfjörður, Patreksfjörður and Tálknafjörður. The license process has been un-predictable and partly exposed to political uncertainty regarding future strategy and planning of the industry. The Group is in the process of applying for 10 thousand metric ton license in Ísafjarðardjúp and 4,5 thousand metric ton expansion of an existing license in Arnarfjörður. The license application in Ísafjarðardjúp received a verdict from the Planning Agency in February 2021 and is therefore directed to the Environmental Agency and Food Authorities as the final step in the license process. The Group has confirmed their intention to stock salmon in Ísafjörður already 2021 should licenses be issued prior to the stocking window summer and autumn 2021.

Company's development

Arnarlax sales developed more in direction of a fewer but larger processor in Eastern Europe as the hotel and restaurants almost disappeared during COVID-19 lockdowns. COVID-19 has put a significant pressure on different parts of the business model where logistic out of Iceland have performed remarkably well despite major changes especially in air freight.

Total Production of Icelandic salmon has close to ten folded from 3,5 thousand metric ton in 2010 to approximately 33 thousand metric ton in 2020. Expected production of Icelandic salmon in 2021 is close to 40 thousand metric ton or over 20% growth year over year. Similar growth and gain of market share seems to be expected next three years or so. Icelandic salmon has

therefore gained significant market share from a total world market of 2,7 million metric ton that is expected to grow on average no less than 6% next three years. Increased market share of Icelandic salmon the next few years should help infrastructure with much needed scale efficiency and therefore improved competitiveness of the Icelandic salmon industry. Increased awareness in the market also creates opportunities related to sales and marketing as Icelandic salmon has not been available in all main markets on a weekly basis up until last year or so. Positioning in the market will be increasingly importantly task in the years to come.

All the Group's farming sites are ASC certified. Continuous focus on biological improvement and sustainable production should lay the ground for positioning Icelandic salmon as a premium product for the global market. The regulatory framework is built on Marine Research Institute managing the carrying capacity of the fjords and the special risk assessment model for the potential impact on wild salmon furthermore underlines the strong focus on sustainable development of the industry.

COVID-19

In beginning of March 2020, the effect of COVID-19 began to show impact on market situations. Cost of transportation increased, transportation routes were limited, and market prices fell and has for parts of the year been lower than production cost.

The Group monitors the situation closely and follows all instructions and recommendations from the health authorities. At the same time, we are in close dialogue with customers and distribution companies worldwide so that the Group's fantastic product can be delivered on time.

The Group accepts that the effect and after-effects of COVID-19 will last for a long time. The Group expects moderate to low supply growth in 2021, but is well positioned to handle a demanding market.

The Group has great operational and financial flexibility, and a fundamentally optimistic view of future developments, thanks to the extensive vaccine programs that are now being rolled out.

The board assessment

Icelandic Salmon has built a strong foundation for aquaculture in Iceland. It is on the Group's responsibility to ensure that resources used for fish farming are being handled by care in the best possible way for the Group's shareholders, employees, customers and affected local communities. Following the private placement in second part of 2020, the Group has ensured the foundation to further develop the company focusing on sustainable production of salmon as the leading Icelandic salmon production company.

Even with an extraordinary difficult year with operational setbacks and COVID-19 effects on the markets, the Group sees many opportunities and has a positive view on the future. From cost point of view, the Group has managed to reduce the operational cost on their farming, but at the same time increasing the fish welfare and quality.

Icelandic Salmon has a strong balance sheet, with high equity ratio and a low debt ratio and as such a solid foundation for further growth.

The employees are the most important resource for further success. Continuous development of the organization is therefore a strategic focus area for the Group. The board thanks all employees in the entire value chain for the fantastic and dedicated effort that is put in every single day. It is this effort that forms the basis for further success in the years ahead.

Bíldudalur April 20th 2021

Tyantom Olaysan Kjartan Ólafsson (Chairman)

Tine S. Romuld

Trine Sæther Romuld

Olav Andreas Ervik

Espen Marcussen

Leif-Inge Nordhammer



INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Icelandic Salmon AS, which comprise:

- The financial statements of the parent company Icelandic Salmon AS (the Company), which comprise the balance sheet as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Icelandic Salmon AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2020, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

 The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 as required by laws and regulations, 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 information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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 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, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and true and fair view 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. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisionsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, April 20th, 2021 PricewaterhouseCoopers AS

Rune Kenneth S. Lædre

State Authorised Public Accountant





Statement of comprehensive income

Amounts in 1000 EUR

For the periods ending 31 December	Note	2020	2019
Revenue from contracts with customers	2.2, 6.2	61.842	66.671
Total operating revenue		61.842	66.671
Cost of smolt, feed and other direct cost	6.2	38.844	32.440
Salary and personnel expenses	2.3	9.866	9.811
Other operating expenses	2.4	11.034	7.913
Depreciation and amortization	3.1, 3.2	6.813	7.808
Total operating expenses		66.556	57.972
Operating (loss) profit before fair value adjustment of	biomass	-4.714	8.699
Fair value adjustments biomass	2.5	7.657	-3.883
Operating profit		2.943	4.816
Income from investments in joint ventures	2.7	-626	210
Financial items			
Finance income	4.4	147	28
Finance expense	4.4	-2.451	-3.066
Currency (losses) gains		-1.411	223
Net financial items		-3.715	-2.816
(Loss) Profit before tax		-1.398	2.210
Tax	5.1	554	637
Net (loss) profit for the year		-1.952	1.574
Net (loss) profit for the year attributable to:			
Equity holders of the parent company		-1.952	1.574
Other comprehensive income			
Items which may subsequently be reclassified to profit or	loss		
Translation differences in associates		-316	-39
Translation differences in subsidiaries		-759	116
Other comprehensive income for the year		-1.076	77
Total comprehensive income for the year		-3.027	1.651
Total comprehensive income attributable to:			
Equity holders of the parent company		-3.027	1.651

Statement of financial position

Amounts in 1000 EUR

For the periods ending 31 December	Note	31/12/2020	31/12/2019
Assets			
Non-current assets			
Property, plant & equipment	3.1	44.382	39.948
Right-of-use assets	3.2	1.995	2.072
Goodwill	3.3, 3.4	19.320	19.332
Investments in joint ventures	2.7	1.567	2.496
Other long-term receivables	6.2, 4.1	3.971	3.692
Deferred tax assets	5.1	3.677	4.231
Total non-current assets		74.912	71.772
Current assets			
Biological assets	2.5	53.754	45.439
Other inventory	2.5	5.150	2.422
Trade receivables	2.6, 4.1	6.130	5.887
Other receivables	2.6, 4.1, 6.2	1.069	1.908
Cash and cash equivalents	4.1, 4.3	3.050	1.731
Total current assets		69.152	57.387
Total assets		144.065	129.158
Equity and liabilities Equity			
Paid-in equity			
Share capital	4.7	29.571	26.982
Share premium fund		90.622	52.039
Other paid-in equity		130	9
Other equity		-12.146	-12.953
Total equity		108.178	66.076
Liabilities			
Non-current liabilities			
Non-current interest-bearing debt	4.1, 4.2	0	44.013
Lease liabilities	3.2	1.442	237
Total non-current liabilities		1.442	44.250
Current liabilities			
Current interest-bearing debt	4.1, 4.2	20.462	6.093
Current lease liabilities	3.2	460	2.054
Trade payables	4.1	9.744	7.509
Other current payables	4.1, 4.5, 6.2	3.779	3.177
Total current liabilities		34.445	18.833
Total liabilities		35.887	63.082
Total equity and liabilities		144.065	129.158

Statement of cash flow

Amounts in 1000 EUR

Statement of cash flow	Note	2020	2019
Cash flow from operating activities:			
Profit before tax		-1.398	2.210
Depreciation and amortization	3.1, 3.2	6.813	7.808
Share of profit/loss from joint ventures	2.7	626	-210
Currency exchange and other items		875	286
Interest expenses (debt/borrowings and leases)	4.4	2.451	3.066
Change in fair value adjustments biomass	2.5	-7.657	3.883
Change in inventory, payables, receivables and biomass at cost	2.5, 2.6, 2.7	-739	-9.396
Net cash flow from operating activities		970	7.648
Cash flow from investing activities:			
Payments for property, plant & equipment	3.1	-9.876	-12.352
Net cash flow from investing activities		-9.876	-12.352
Cash flow from financing activities:			
New interest-bearing debt	4.2	12.935	51.035
Repayment of interest-bearing debt	4.2	-42.752	-40.391
Payment of principal portion of lease liabilities	3.2	-1.818	-1.609
Interest paid (debt/borrowings and leases)	4.4	-2.309	-3.008
Issue of new Shares	4.7	44.168	0
Net cash flow from financing activities		10.224	6.028
Net cash flow from financing activities		10.224	6.028
Net cash flow from financing activities Net change in cash and cash equivalents		10.224 1.319	6.028 1.324
		<u> </u>	

Statement of changes in Equity

Amounts in 1000 EUR

					Other	equity	
2019	Note	Share capital	Share premium fund	Other paid-in equity	Translation differences	Retained earnings	Total equity
Equity as at 1 Jan 2019		26.752	51.597	9	-220	-13.696	64.444
Net profit/loss for the year		0	0	0	0	1.574	1.574
Other comprehensive income		0	0	0	77	0	77
Total comprehensive for the year		0	0	0	77	1.574	1.651
Retranslation of paid in capital		230	442	0	0	-671	0
Share-based payments	2.3	0	0	0	0	-19	-19
Equity as at 31 Dec 2019		26.982	52.039	9	-143	-12.811	66.076

	Share p Note capital		Other				
2020			Share premium paid-i	Other paid-in equity	Translation differences	Retained earnings	Total equity
Equity as at 1 Jan 2020		26.982	52.039	9	-143	-12.811	66.076
Net profit/loss for the year		0	0	0	0	-1.952	-1.952
Other comprehensive income		0	0	0	-1.076	0	-1.076
Total comprehensive for the year		0	0	0	-1.076	-1.952	-3.027
Issued new shares		4.011	40.157	0	0	0	44.168
Retranslation of paid in capital		-1.422	-1.573	0	0	2.995	0
Other changes		0	0	119	0	718	837
Translation difference		0	0	2	0	0	2
Share-based payments	2.3	0	0	0	0	122	122
Other transations		2.589	38.584	121	0	3.835	45.129
Equity as at 31 Dec 2020		29.571	90.622	130	-1.219	-10.927	108.178

Pursuant to the resolution passed by the extraordinary general meeting of shareholders on 8 October 2020, 4,347,826 new shares were issued, each with a nominal value of NOK 10.00, at a price of NOK 115 per share. At the same time, the company was listed on the Euronext Growth equity trading market, with 27 October 2020 as the first day of trading.

A capital increase was carried out in Arnarlax ehf. The amount was first given as a EUR 41,364,000 loan to the company from the parent company, before being converted into a share capital contribution. The currency effect from the date of lending until the date of conversion represented a loss on foreign exchange of EUR 759 thousand in the in financial statements of the parent company. In the group the effect is recognised as translation difference over other comprehensive income.

Amongst other changes within equity is an extinguishment of debt from a company within the Salmar - Group, of EUR 119 thousand. An amount of EUR 718 thousand is also recognised amongst other changes in equity. This amount relates to a retranslation of paid in capital in the financial year and is therefore not designated as other comprehensive income in the Group's financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2020

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 Kverna. 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 AS is the leading salmon farmer in Iceland and the main purpose for 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 2020 were approved by the Board of Directors on 20/04/2021.

1.2 Basis for preparation

The consolidation financial statements of the Company for the year ended on December 31st 2020 incorporates the Financial statements of the Company and its subsidiaries which are referred to combined as "the Group". The consolidated financial statements of the Group comprise of the consolidated statement of comprehensive income, financial position, cash flow and changes in equity and related notes. The consolidated financial statements of the Group for the year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by The European Union ("EU").

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 financial statements are prepared based on the going concern assumption. All figures are presented in EUR thousands (000), except when otherwise indicated.

Change in accounting priciple and comparable figures

The Consolidated Financial Statements of the Group are prepared in accordance with the same accounting principles as the Financial Statements for 2019.

1.3 Significant accounting policies

Icelandic Salmon 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 policies 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 Euro (EUR), which is also the functional currency in Arnarlax ehf (subsidiary) where the Groups main operation is. Debt financing is as at end of year 2020 held by Arnarlax ehf in EUR. The subsidiaries of Arnarlax ehf have Icelandic krona as their functional currency. The functional currency in the parent company Icelandic Salmon AS is in NOK.

The functional currency is determined in each entity in the Group based on the currency within the entity's primary economic environment. 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 profit or loss. 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, balance sheet items are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within 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 ("OCI"). Paid in capital of Icelandic Salmon AS in NOK is translated at the EUR rate at the balance sheet date. Effect of retranslation is taken to retained earnings.

Basis of consolidation

The Group's consolidated financial statements comprise the parent company and its subsidiaries as of 31 December 2020. Consolidated entities have been assessed as being controlled by the Group during the reporting period.

Control is achieved when the Group 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 Group controls an investee if, and only if, the Group 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 Group 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.

Business combinations are accounted for by using the acquisition method. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Income Statement.

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

Group Companies	s:	Ownership		Parent	
Subsidiary	Registered office	2020	2019	Company	Country
Arnarlax ehf.	Strandgata 1, 465 Bíldudalur	100%	100%	Icelandic Salmon AS	Iceland
Fjarðalax ehf.	Strandgata 43, 460 Tálknafjörður		100%	Arnarlax ehf.	Iceland
Bæjarvik ehf.	Strandgata 1, 465 Bíldudalur		100%	Arnarlax ehf.	Iceland

On the 1st of January 2020 Fjarðalax ehf. and Bæjarvík ehf. fully merged with Arnarlax ehf.

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 Balance sheet and the Consolidated Cash Flow Statements includes cash, call deposits, short-term securities for less than three months to maturity.

Equity

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

Statement of cash flows

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

New standards in 2020

New and amended accounting standards and interpretations issued by the IASB may affect the Group's future financial reporting. The Group has not early adopted any standards, interpretations or amendments that have been issued, but are not yet effective.



1.4 Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRS and applying the chosen accounting policies requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are listed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Significant estimates;

- Fair value measurement of biological assets (see note 2.5 for relevant disclosures)
- Impairment considerations of goodwill (see note 3.4 for relevant disclosures)
- Measurement of deferred tax assets (see note 5.1 for relevant disclosures)

2. Operational

2.1 Operating Segments

Accounting principles

An operating segment is a component of an entity:

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

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

The Group owns and operates fish farms in the Icelandic Fjords and the main purpose for the Group is production, processing and the sale of high-quality Icelandic salmon mainly internationally, exporting to 20 countries in 2020.

The farms and processing and sale activities are run and monitored as one operation and therefore no operating segments have been aggregated and segment reporting is therefore identical to the Group financial statements presented.

2.2 Revenue from contracts with customers

Accounting principles

Revenue from contracts with customers as defined in IFRS 15 is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

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 will normally occur when the goods is delivered to the customer. The date of delivery depends on the terms agreed with each individual customer. Revenue from transportation of salmon is recognised over time as the service are performed for the customer.

Contracts for sale of salmon may provide customers with a discount. Discounts given to the customer are fixed up front and revenue is recorded at transaction price being net of discounts. The Group has considered that there are no material variable elements in the contracts that needs to be considered when estimating the transaction price. Refund is only given if delivered goods are damaged or delivered with discrepancy compared to agreement, such is immaterial. The normal credit term is 21 days upon delivery to the customers. Advance payments from the customers are not normal.

Revenue recognized at point in time (sale of goods) and revenue recognized over time (other revenue) is specified in table under specification of revenue.

Specifications of revenue from contracts with customers is presented in the table below:

Specifications of revenue	2020	2019
Sales of goods	55.297	62.415
Other revenue	6.545	4.256
Revenue from contracts with customers	61.842	66.671

Sales of goods:

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

Sales of goods also consist of reimbursed cost from transporting the fish to the customer. Revenue from transportation is recognised over time as the service are performed to the customer. Normally between 3 to 5 days.

Other revenue

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

Disaggregated revenue from contracts with customers

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

Group revenues by geographical market:	2020	%	2019	%
Europe, excl. Norway	52.286	84,5 %	53.800	80,7 %
USA	2.900	4,7 %	7.283	10,9 %
Norway	4.154	6,7 %	2.514	3,8 %
Other	2.502	4,0 %	3.074	4,6 %
Revenue from contracts with customers	61.842	100%	66.671	100%

2.3 Salary and personnel expenses

2020	2019
7.351	7.442
524	558
922	943
1.069	868
9.866	9.811
	7.351 524 922 1.069

Number of full-time equivalents employed during the financial year. 119

The parent company, Salmar ASA, operates a share-based incentive scheme, dated 3 December 2014, in which the companies within the Parent Company's Group receive services from employees in return for equity instruments in the Group. in the year EUR 45 thousand was paid to Salmar ASA by Arnarlax ehf with a contra entry against other paid-in equity.

Icelandic Salmon AS has a share-based incentive scheme with the CEO. A total of 165,000 options have been granted at an exercise price of NOK 60.00 per share. Accrual takes place in the period 28 September 2018 until 28 September 2021. As at 31 December 2020, the fair value of the agreement is put at EUR 210 thousand and pro rata accrual in the amount of EUR 167 thousand was expensed as other employee benefits, with a contra entry against other paid-in equity.

Both share-based incentive schemes amount net EUR 122 thousand and is recorded as an increase to retained earnings in 2020.

Auditor:

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

	2020	2019
Statutory auditing services	273	218
Other services	178	44
Total 2020	450	261

Part of the fee paid in 2020 is related to auditing of the 2019 annual financial statements.

Specification of Management and board remuneration

Remuneration to management	2020	2019
CEO Björn Hembre (and Kristian Matthiasson in 2019)	477	352
Directors group Arnarlax consist of three COO's and one CFO**	541	1.293
Total remuneration to management	1.018	1.645
Fee to BOD	19	37
Payments to Marko partners*	53	87

^{*} Kjartan Ólafsson, chairman of Arnarlax efh. is also a chairman of Markó partners ehf. Payments were made to Markó partners for consulting services and expenses.

Note 2.4 Other operating expenses

Specification of other operating expenses	2020	2019
Services, marketing and travel	4.057	2.745
Fees	498	427
Freight & delivery costs	260	245
Insurance	464	259
Maintenance	2.130	1.952
Operating equipment & consumables	1.532	1.415
Other	2.094	870
Total	11.034	7.913

^{**} Part of directors group payments is in a form of contract payments, not direct salaries.

Note 2.5 Biological assets

Accounting principles

A biological asset is measured on initial recognition and at the end of each reporting period at its fair value less costs to sell, in accordance with IAS 41 Agriculture and Fair Value IFRS 13. Fair value of biological assets is calculated based on a present value model which does not rely on historical cost. The inputs to measure fair value is categorised as level 3 in the valuation hierarchy in IFRS 13 as the most important assumptions in the calculations are not observable in a market. The difference between the fair value of fish and the cost price is included in the fair value adjustment in the consolidated statement of comprehensive income.

Roe, fry, smolt and cleaner fish 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 cash-based present value model. The present value is calculated on the basis of 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 on the balance sheet date. 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 on the basis of 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 on the balance sheet date. 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.

Estimated remaining production costs are estimated costs that a rational person would presume necessary 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 licence 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 licence fees and site leasing costs.
- 3. The time value of money.

The discount factor is set on the basis of 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.

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 licence 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.

Book value of biological assets and other inventory	31/12/2020	31/12/2019	01/01/2019
Raw materials	2.700	2.023	1.515
Boxes	39	9	36
Finished Products	2.411	389	40
Total other inventory	5.150	2.422	1.592
Biological assets	53.754	45.439	40.847
Total biological assets and other inventory	58.903	47.860	42.439

Write-downs

Cost of finished products recognised as an expense includes EUR 84.845 in respect of write-downs of inventory to net realisable value. No write-downs in prior year.

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:

Recognised fair value adjustments	2020	2019	2018
Change in fair value of the biomass	7.657	-3.883	6.004
Total recognised fair value adjustments	7.657	-3.883	6.004

Book value of biological assets			
recognised at fair value	31/12/2020	31/12/2019	1/1/2019
Biological assets held at sea farms at cost	40.479	41.465	33.643
Fair value adjustment of biological assets	8.732	1.074	4.958
Total biological assets by fair value	49.211	42.539	38.601
Roe, fry, smolt and cleaner fish at cost	4.543	2.900	2.246
Total biological assets	53.754	45.439	40.847

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, cleaner fish 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 2020 2019 Biological assets held at sea farm 1 Jan 42.539 38.601 44.954 42.082 Increase resulting from production/purchase Reduction resulting from sale/harvesting -41.118 -33.205 Reduction resulting from incident-based mortality -4.807 -961 Net fair value adjustment 7.657 -3.883 Translation differences -94 -15 Biological assets held at sea farm 31 Dec 49.211 42.539

Incident-based mortality

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

The assessment relates to the number of fish and is carried out at site level. The Group had four incidents in 2020 that resulted in incident-based mortality as defined above. The total effect on the Group's operating profit at cost was EUR 4.062.244. The corresponding numbers for 2019 was one incident and effect on Group's operating profit at cost of EUR 131.237.

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 (LW)	6.660	-1.033	5.627
Biological assets held at sea farms	40.479	8.732	49.211
Roe, fry, smolt and cleaner fish at cost	4.543	0	4.543
Biological assets	45.022	8.732	53.754

Biological assets held at sea farms 31 Dec 2019	Cost	Fair value adjustment	Carrying amount
< 1 kg (LW)	14.061	364	14.425
1-4 kg	0	0	0
> 4 kg (LW)	27.404	710	28.114
Biological assets held at sea farms	41.465	1.074	42.539
Roe, fry, smolt and cleaner fish at cost	2.900	0	2.900
Biological assets	44.364	1.074	45.439
Biological assets held at sea farms 01 Jan 2019	Cost	Fair value adjustment	Carrying amount
< 1 kg (LW)	4.835	435	5.270
1-4 kg	6.015	1.504	7.520
> 4 kg (LW)	22.793	3.018	25.811
Biological assets held at sea farms	33.643	4.958	38.601
Biological assets held at sea farms Roe, fry, smolt and cleaner fish at cost	33.643 2.246	4.958 0	38.601 2.246

The discount rate for 2020 was three per cent per month, which reflects the biomass's capital cost, risk and synthetic licence fees and site rental charges. The discount rate was changed from 2019 from five percent and is based on reduses expectations of profitability in the industry. The discount rate reflects the capital cost of the biomass, risk and synthetic licence and site leasing.

The calculation is based on following forward prices:

Expected harvesting period:	Forward price 31.12.2020	Expected harvesting period:	Forward price 31.12.2019
Q1-2021	4,73	Q1-2020	6,62
Q2-2021	5,34	Q2-2020	6,67
Q3-2021	5,03	Q3-2020	5,43
Q4-2021	5,22	Q4-2020	5,54
1st half 2022	5,78	1st half 2021	5,80
2nd half 2022	5,03	2nd half 2021	5,66

Sensitivity assessment

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

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.	8.894,09	-0,5 EUR per kg.	-8.894,09
Change in discount factor	1%	-4.544,47	-1%	5.206,56
Change in harvesting time	1 month earlier	1.616,37	1 month later	-1.637,12
Change in biomass	1%	748,98	-1%	-748,98

2019	Increase	Effect on estimated fair value 31.12.2019	Decrease	Effect on estimated fair value 31.12.2019
Change in forward price	0,5 EUR per kg.	6.720,93	-0,5 EUR per kg.	-6.720,93
Change in discount factor	1%	-3.174,16	-1%	3.624,76
Change in harvesting time	1 month earlier	1.969,01	1 month later	-1.996,97
Change in biomass	1%	415,30	-1%	-415,30

2.6 Receivables, provisions 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 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 allowance for expected credit losses for trade receivables and other receivables. 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 receivable.

The Group recognises an allowance for expected credit losses (ECLs) for it's 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.

	31/12/2020	31/12/2019
Trade receivables	6.555	6.269
Trade receivables, bonds	0	428
Allowance for expected credit losses	-425	-810
Total trade receivables	6.130	5.887
Other receivables	935	1.908
Bonds	382	0
Allowance for expected credit losses (Bonds)	-248	0
Total other receivables	1.069	1.908
Total receivables	7.199	7.795

Bad debts are classified as other operating expenses in profit and loss. Changes in provisions for bad debts and bad debts charged to expenses during the period are presented below.

Provision	2020	2019
Total provisions for expected credit losses 1 Jan.	810	1.209
Total Provisions for expected credit losses 31 Dec	673	810
Change in provisions for expected credit losses during the period	-137	-399
Actual loss incurred	77	81
Change in provisions for expected credit losses	-185	-399
Exchange rate difference	-29	5
Bad debts charged to expenses during the period	-137	-313

See Note 4.6 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 receivables and other receivables had the following payment profile:

EUR 1000	Total	Not due	<30 d	31-60d	60-90d	>90d
31/12/2020	6.130	4.570	1.362	3	7	189
31/12/2019	5.887	3.187	1.900	424	-5	381





2.7 Joint venture and investment in subsidiaries

Joint venture - Accounting principles

The Group has an investment in one joint venture. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The joint venture is accounted for using the equity method from the date when the Group obtains joint control over the entity.

The investment in the joint venture was initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. If there are indication of that the investment in the joint venture is impaired, the Group will perform an impairment test of the carrying amount of the investment. Any impairment losses are recognised as share of profit of a joint venture in the statement of profit or loss.

The group has the following joint venture investment:

			Shareholding		
Name of entity	Registered office	Sector	31 Dec 2019	31 Dec 2020	
Eldisstöðin Ísþór hf.	Þorlákshöfn, Iceland	Fish farming	50%	50%	

Ísþór is jointly controlled with Ice Fish Farm and is accounted for in accordance with the equity method. Ísþór produces smolt and the joint venturer have the right to buy their 50 % share of the smolt production. Since Ísþór is not listed on a stock exchange, no observable market value is available.

The group has the following joint venture share of income/(loss):

Name of entity	Share of loss in 2020	Share of profit in 2019
Eldisstöðin Ísþór hf.	-626	210

Set out below are the joint ventures and subsidiaries of the group as at 31 December 2020 that, in the opinion of the directors, are not material to the group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. There is no operation in subsidiaries Flax 3 ehf, Icelandic Salmon ehf and Norðanlax ehf. Because of no operation and their smallness in comparison to the group they are not recognized as a group consolidated financial statement. Flax 3 ehf and Norðanlax ehf will be dissolved in the year 2021.

Name of entity	Registered office	Sector	Shareholding 01-Jan	Shareholding 31-Dec
Icelandic Salmon ehf.	Tálknafjörður, Iceland	Other financial service	100%	100%
Flax 3 ehf.	Tálknafjörður, Iceland	Fish Farming	100%	100%
Norðanlax ehf.	Tálknafjörður, Iceland	Fish Farming	100%	100%

Name of entity	Nature of relationship	Measurement Method	Ownership interest	Nominal value (ISK 1.000)	Book Value (EUR 1.000)
Eldisstöðin Ísþór hf.	Joint Venture	Equity method	50%	2.000	1.564
Icelandic Salmon ehf.	Subsidiaries	Valued at cost	100%	500	3
Flax 3 ehf.	Subsidiaries	Valued at cost	100%	500	0
Norðanlax ehf.	Subsidiaries	Valued at cost	100%	500	0
Total investment in joint ventures and subsidiaries				3.500	1.567

Reconciliation of carrying amounts of joint ventures and subsidiaries	2020	2019
Balance at beginning of the year	2.496	2.461
Share of result of associates	-626	210
Translation difference	-304	-175
Balance at the end of the year	1.567	2.496

Carrying amount as per 31 December 2020 includes EUR 144 thousand of undepreciated goodwill.

3. Fixed assets

3.1 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.

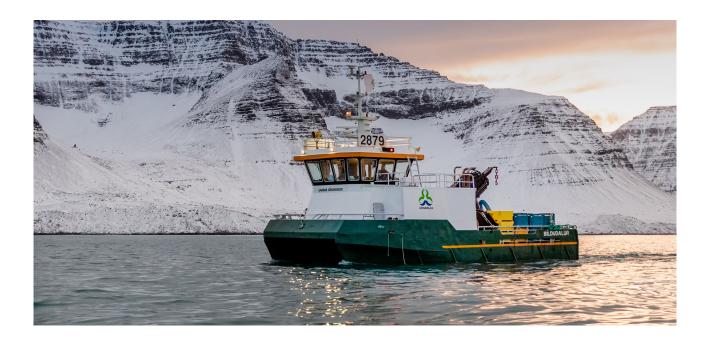
Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The residual values, useful lives and methods of depreciation of PP&E are reviewed at each financial year end and adjusted prospectively, if appropriate.

Right-of-use assets are recognised separately from property, plant and equipment and presented in note 3.2.



	Property, plant, equipment	Land, buildings & other property	Work in progress	TOTAL
Acquisition cost 1 Jan 2019	25.680	23.010	4.213	52.903
Reclassification between acquisition cost and accumulated depreciation	9.165	-11.491	0	-2.325
Additions	5.958	1.160	5.377	12.495
Sold and disposed	-1.226	-4.132	0	-5.358
Currency exchange differences	-292	-101	-22	-416
Acquisition cost 31 Dec 2019	39.286	8.446	9.567	57.299
Additions	7.695	813	1.300	9.808
Sold and disposed	-3.312	-161	0	-3.473
Acquisition cost 31 Dec 2020	43.669	9.098	10.867	63.633
Acc. dep. & write-downs 1 Jan 2019	-9.422	-9.730	0	-19.152
Reclassification between acquisition cost and accumulated depreciation	-4.418	6.686	0	2.267
Year's depreciation	-3.872	-2.183	0	-6.056
Sold and disposed	1.226	4.132	0	5.358
Currency exchange differences	223	7	0	230
Acc. dep. & write-downs 31 Dec 2019	-16.264	-1.087	0	-17.352
Year's depreciation	-4.408	-457	-198	-5.063
Sold and disposed	3.340	147	-324	3.164
Acc. dep. & write-downs 31 Dec 2020	-17.332	-1.397	-522	-19.251
Carrying amount 31 Dec 2020	26.337	7.701	10.345	44.382
Carrying amount 31 Dec 2019	23.022	7.358	9.567	39.948
Carrying amount 1 Jan 2019	16.258	13.281	4.213	33.751
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	-14	-10	0	

As of December 31st 2020, the Group has fixed assets at total of 44.382 thousands in carrying amount compared to 39.948 thousands as of December 31st, 2019, and EUR 33.751 thousands as of December 31st 2018. The fixed assets consist of property, plant and equipment, land, buildings and other property, and work in progress. Property, plant and equipment mainly consist of operational equipment's, software, 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 fixed assets differs from three years, up to forty years. Property, plant and equipment's useful lives differs from three years as for software, up to thirty years as of boats and or other bigger flowing devices. Land, buildings & other property economic useful lives differ from thirty up to forty years depending on asset. Work in progress relates to ongoing investment projects later to be capitalized when taken to usage. No impairments of property, plant and equipment were recorded in 2020 or 2019.



3.2 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 is 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. 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.

The right of use asset is depreciated on a straight-line basis from the commencement date until the final date of the contract, except when the Group becomes an owner of the asset at the end of the lease period or has an option to purchase the asset at the end of the lease period, and intends to do so. In those cases the asset is depreciated over the expected useful life of the asset, which is the same method as used for depreciation of other operating assets of the Group. The right of use asset is adjusted for any impairment or revaluation of the lease liability if that occur.

Balance at January 2019		2.794	
Addition and changes of right-of-use assets in the year		1.030	
Depreciation		-1.752	
Carrying amount of right-of-use assets 31 December 2019		2.072	
Addition and changes of right-of-use assets in the year		1.672	
Depreciation Carrying amount of right-of-use assets 31 December 2020			
Balance at January 2019		2.869	
Additions and changes of leases in the year		1.030	
Payments		-1.796	
Accretion of interest		187	
Closing balance 31 December 2019		2.291	
Additions and changes of leases in the year		1.355	
Payments		-1.814	
Accretion of interest		68	
Closing balance 31 December 2020		1.901	
	2020	2019	
Current lease liabilities	460	2.054	
Non-current lease liabilities	1.442	237	
Total Lease liabilities	1.901	2.291	

*Over 60% of the Group's right-of-use assets is a rental of wellboat with a lease term of 5 years. Lease term of other assets are from 1 to 20 years

References are made to note 4.6 for maturity structure of lease liabilities.

Total amount recognised in profit or loss	1.818	1.940
Interest expense on lease liabilities (included in finance expenses)	68	187
Depreciation expense of leased assets	1.749	1.752
Summary of amounts recognised in profit or loss:	2020	2019

The Group had total cash outflows for leases of EUR 1.818 thousands in 2020 (EUR 1.609 thousands in 2019).

3.3 Goodwill

Accounting principles

The value of goodwill is primarily related to synergies, assembled workforce and their competency as well as high growth expectations.

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. 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)

Carrying amount 31 Dec 2020	19.320
Carrying amount 31 Dec 2019	19.332

Recognised goodwill in the Group is derived from the business combinations of Bæjarvik ehf and Fjardalax ehf. On the 1.1.2020 Fjardalax ehf. og Bæjarvik merged with Arnarlax ehf.

	Acquisition year	Acquisition cost
Arnarlax - previously Bæjarvik ehf.	2015	358
Arnarlax - previously Fjardalax ehf.	2016	26.648

Annual testing for impairment of goodwill.

Goodwill is not depreciated, but is tested annually for impairment.

The Group comprises of one CGU for goodwill being the Icelandic fish farming operations of Arnarlax ehf. For accounting policies related to CGU's and impairment testing of goodwill, reference is made to note 3.4. The key assumptions used to determine the recoverable amount of the CGU, including a sensitivity analysis is also disclosed in note 3.4

3.4 Impairment

Accounting principles

The Group has goodwill (see note 3.3) which is subject to annual impairment testing. The testing is performed annually as of 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill 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.

Arnarlax has identified one CGU to which goodwill is allocated to.

The table below outlines the carrying amounts of goodwill allocated to the CGU:

	2019	2020
Arnarlax ehf.	19.332	19.320
Total Goodwill	19.332	19.320

Basis for determining the recoverable amount

Impairment is tested by calculating the net present value of future cash flows of the CGU in its current condition (estimated value in use of the entity) and comparing it with the carrying amount of capital employed. An impairment loss is recorded if the carrying amount exceeds estimated value in use.

Future net cash flows are estimated one the basis of the Group's budget and forecasts for the next three years. No real growth is assumed when calculating the terminal value, i.e. growth is stipulated at the expected rate of inflation. Value in use is calculated on the basis of a 5,9 per cent return on investment after tax. As with all estimates, cash flow forecasts are sensitive to changes in underlying assumptions.

Estimated value in use will be affected by the following key assumptions:

- Discount rate
- EBIT margin per kg
 - Salmon price
 - Production costs
- Estimated future harvested volume
- Level of investment

Discount rate: the discount rate used reflects management's estimate of the risk specified for each cash-flow generating entity. The discount rate is set using the 10-year government bond rate in effect at the time of the assessment. The discount rate after tax is calculated at 5.9 per cent. This corresponds to a pre-tax requirement of 7.3 per cent.

EBIT margin per kg: EBIT per kg is highly volatile with respect to changes in salmon prices. Salmon price estimates are based on the actual long-term price level in the market in which the fish is sold. Estimates for production cost are based on historic figures, adjusted for known changes. Since the long-term net margin used in the assessment is deemed to be lower than last year's EBIT per kg, a normalised long-term EBIT per kg has been used.

Future harvested volume: future harvested volumes are estimated on the basis of current production and harvesting plans, adjusted for expected increases in future output given current licences.

Based on the above assessments, there were no grounds for any write-down of the book values of goodwill as at 31 December 2020 or 31 December 2019.

Sensitivity analysis

The assessment is based on a comparison of the estimated useful life and carrying amount of the CGU to which the goodwill relate. Sensitivity analyses are also carried out to assess estimated present values by looking at the change in salmon prices, production costs and, thereby, net margins and discount rates.

Below shows how much the assumptions underpinning the calculation must change for the calculations to result in breakeven.

EBIT margin pr kg (EUR): -0,71

3.5 Licenses

Accounting principles

The Group today holds license of 25.200 MT maximum allowed biomass in the southern part of the Icelandic Westfjords, Arnarfjörður, Patreksfjörður and Talknafjörður. The company's (group) application for 10.000 ton 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. The 4.500 ton increase in Arnarfjordur is awaiting a decision at the National Planning Agency. The licences are granted for a period of 10 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.

License are recognised at a nominal amount plus any expenditure that is directly attributable to preparing the asset for its intended use. Carrying amount as of 31 December 2020 is 0 (2019; 0)



4. Financial instruments and Capital structure

4.1 Overview of financial instruments

Accounting principles

Classification of financial instruments

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

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Trade and other 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 debts.

Write-off policy

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 profit or loss.

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.

Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the 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 and other 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	31/12/2020	31/12/2019
Assets		
Other long-term receivables	3.971	3.692
Trade receivables	6.130	5.887
Other receivables	1.069	1.908
Cash and cash equivalents	3.050	1.731
Total financial assets	14.220	13.218
Liabilities		
Non-current interest-bearing liabilities	0	44.013
Current interest-bearing liabilities	20.462	6.093
Trade payables	9.744	7.509
Other current payables	3.779	3.177
Total financial liabilities	33.985	60.791

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

4.2 Interest-bearing borrowings

Non-current interest-bearing borrowings	2020	2019
Debt to credit institutions (in EUR)	17.636	45.513
Next year's instalment on non-current debt	-17.636	-1.500
Total non-current interest-bearing borrowings to credit institutions 31 Dec.	0	44.013
Current interest-bearing borrowings		
Debt to credit institutions (in EUR)	2.826	4.593
Next year's instalment on non-current debt	17.636	1.500
Total current interest-bearing borrowings to credit institutions 31 Dec.	20.462	6.093

Debt facilities are entered into by Arnarlax ehf. Debt to credit institutions consist of a combined EUR 55,000,00 facility entered into 21 December 2018 and paid out January 2019, split into a EUR 35,000,000 revolving facility, a EUR 15,000,000 term facility and a EUR 5,000,00 overdraft facility. In April 2020 a EUR 5.000.000 was utilized in addition from the term-loan facility. The interest rate is the aggregate of a margin of 2.75%-3.75% and EURIBOR.

Debt facilities are pledged over the following of each of Arnarlax ehf. assets to secure the liabilities under the entered facility's; real estate, accounts receivables, inventory, stock, all shares in Arnarlax ehf., operational items and products, movable assets and Insurance proceeds.

The current loan agreement is valid until December 2021, when due date is less than 12 months, from reporting date, the loan is reclassified to short-term debt to credit institutions per. 31.12.2020. The Group has initiated a refinancing process with current debt holders and received positive feedback. The refinancing process is expected to be finalized during Q3 2021.

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 3.2.

Financial covenants

The Company has a solvency requirement which means that the book equity ratio must be above 35% and a 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 4.0. As of 31 December 2020, a waiver has been obtained for the loan condition related to the interest coverage ratio. For the loan condition related to NIBD / EBITDA, a waiver was granted after 31.12.2020. No waiver was needed for related to Equity ratio. The company's long-term financing matures in December 2021 and as a consequence the debt has already been reclassified to short-term debt.

Reconciliation of changes in liabilities incurred as a result of financing activities in 2020	1 January 2020	New borrowings	Repayment of borrowings	Current portion of long-term liabilities	Foreign exchange rate effect	December 2020
Non-current interest-bearing debt to credit institutions	44.013	12.935	-41.018	-15.930	0	0
Current interest-bearing debt to credit institutions	6.093	0	-1.561	15.930	0	20.462
Total liabilities from financing	50.105	12.935	-42.578	0	0	20.462

Reconciliation of changes in lease liabilities incurred as a result of financing activities in 2020	1 January 2020	Cash flows	Foreign exchange movement	New leases recognised	Other changes	December 2020
Non-current lease liabilities (Note 3.2)	237	0	0	0	0	1.442
Current lease liabilities (Note 3.2)	2.054	0	0	0	0	460
Total liabilities from financing	2.291	-1.749	0	1.359	0	1.901

Reconciliation of changes in liabilities incurred as a result of financing activities in 2019	1 January 2019	New borrowings	Repayment of borrowings	Current portion of long-term liabilities	Foreign exchange rate effect	December 2019
Non-current interest-bearing debt to credit institutions	8.370	51.035	-13.921	-1.500	28	44.013
Current interest-bearing debt to credit institutions	31.148	0	-26.332	1.500	-224	6.093
Total liabilities from financing	39.519	51.035	-40.253	0	-195	50.105

Reconciliation of changes in lease liabilities incurred as a result of financing activities in 2019	1 January 2019	Cash flows	Foreign exchange movement	New leases recognised	Other changes	December 2019
Non-current lease liabilities (Note 3.2)	1.473	0	0	0	0	237
Current lease liabilities (Note 3.2)	1.396	0	0	0	0	2.054
Total liabilities from financing	2.869	-1.609	0	1.030	0	2.291

4.3 Cash and cash equivalents

Cash and cash equivalents	31/12/2020	31/12/2019
Bank deposits, unrestricted	2.590	1.731
Bank deposits, restricted	460	0
Cash and cash equivalents in the balance sheet	3.050	1.731

As of 2020, the Group has used EUR 2,8 million of the overdraft facility of EUR 5.0 million.

Cash and cash equivalents comprises bank balances and restricted cash. Restricted cash amounting EUR 460 thousand at the year end comprises demand deposit pledged to the companies insurance company (TM) and was refunded to the company in February 2021.

4.4 Financial income and expenses

Finance income	2020	2019
Interest income	147	28
Total financial income	147	28
Finance expenses	2020	2019
Interest expenses on debts and borrowings	2.383	2.879
Interest expenses on lease liabilities	68	187
Total financial expenses	2.451	3.066

4.5 Other current payables

Other current liabilities comprise	31/12/2020	31/12/2019
Withheld taxes	1.028	758
Unpaid payroll related items	846	740
Accrued interest expense	148	248
Other accrued expenses *	1.757	1.425
Total other current payables	3.779	3.171

^{*} Other accrued expenses consist of accruals for operational expense and accrued accumulated clean up cost for sites.

4.6 Capital & Risk Management

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 accounts receivable is insured. The gross credit risk on the balance sheet date corresponds to the Group's receivables portfolio on the balance sheet date. See note 2.6.

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 Accounts Dept 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 Statement of Cash Flow), 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 borrowing requirements 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.

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
Leasing 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

Maturity structure for financial liabilities as at 31 Dec 2019	Less than 1 year	1-2 years	2-3 years	3-4 years	5 years and more	Total
Non-current interest-bearing bank loans	1.500	1.500	42.925	0	0	45.925
Current interest-bearing bank loans	4.593	0	0	0	0	4.593
Trade payables and other short-term payables	7.509	0	0	0	0	7.509
Leasing liabilities	2.054	97	85	10	45	2.291
Other current liabilities	3.177	0	0	0	0	3.177
Total liabilities	18.832	1.597	43.010	10	45	63.495

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
31/12/2020	+/- 100	205	164
31/12/2019	+/- 100	505	404

^{*}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 2020.

As of 31 December 2020, the Group had an equity ratio of 75 per cent (51 per cent as at 31 December 2019). See Note 4.2 for further details of the Group's net interest-bearing debt.

4.7 Share capital and shareholders

As at 31 December 2020, the parent company's share capital comprised:

	No.	Face value	Share capital in NOK	Share capital in EUR
Ordinary shares	30.961.868	10	309.618.680	29.571.137

Arnarlax AS changed the name in to Icelandic Salmon AS in 2020 and at the same time issued 4.347.826 shares raising share capital of NOK 43.478.260 following listing at Merkur Market. No changes were in share capital during 2019. The capital raised was recorded as group equity at the prevailing EUR/NOK rate at the transaction date.

Shareholders

The company's 20 largest shareholders as at 31 December 2020 were:

	No.	Shareholding
SalMar ASA	15.798.152	51,02%
J.P. Morgan Bank Luxembourg S.A.	2.244.801	7,25%
Íslandsbanki hf.	1.864.833	6,02%
Gyda ehf.	1.000.000	3,23%
Holta Invest AS	938.314	3,03%
Pactum AS	825.862	2,67%
Norron Sicav - Target	801.430	2,59%
MP Pensjon PK	677.706	2,19%
Hortulan AS	600.000	1,94%
Nima Invest AS	565.088	1,83%
Kristians and AS	470.000	1,52%
Haganes AS	350.270	1,13%
Alden AS	350.000	1,13%
Verdipapirfondet Pareto Investment	321.000	1,04%
Verdipapirfondet Norge Selektiv	284.693	0,92%
Tigerstaden AS	250.000	0,81%
Brekke Holding AS	245.490	0,79%
Lithinon AS	236.881	0,77%
Altitude Capital AS	225.000	0,73%
Sandnes Investering AS	200.000	0,65%
Total 20 largest shareholders	28.249.520	91,24%
Total other shareholders	2.712.348	8,76%
Total no. of shares	30.961.868	100,00%

Shares owned by members of the board and senior executives:

Name	Title	shares	Shareholding
Kjartan Olafsson *	Chairman of the board	1.000.000	3,230%
Trine Sæther Romuld ***	Boardmember	***	***
Olav Andreas Ervik ***	Boardmember	***	***
Leif Inge Nordhammer ***	Boardmember	***	***
Espen Marcussen ****	Boardmember	***	***
Bjørn Hembre **	CEO	2.900	0,009%
Rolf Ørjan Nordli ***	COO SeaWater	***	***

^{*} Kjartan Ólafsson owns indirectly through Gyda ehf. Kjartan Olafsson owns 100% of the shares in Berg Fjárfesting ehf, which own 100% of the shares in Gyda ehf.

5. Tax

5.1 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 balance sheet.

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.

^{**} Björn Hembre owns indirectly through IVMA AS which is one of minority stakeholders in Icelandic Salmon AS. Björn owns 100% 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 does not have any shares directly nor indirectly.

Current income tax expense:	2020	2019
Change deferred tax/deferred tax assets (ex. OCI effects)	554	637
Total income tax expense	554	637
Reconciliation Deferred tax assets	2020	2019
Deferred tax assets recognised in balance sheet 01.01.2020	4.231	4.964
Tax recognized in the income statement	-554	-637
Translation differences	0	-96
Deferred tax assets recognised in balance sheet 31.12.2020	3.677	4.231
Deferred tax assets:	2020	2019
Property, plant and equipment	-428	-2.284
Biological assets	-8.732	-1.074
Other current assets	-1.512	-621
Liabilities	1.901	1.439
Losses carried forward (including tax credit)	30.028	23.503
Exchange rate difference	866	660
Basis for deferred tax assets:	22.124	21.622
Calculated deferred tax assets	4.425	4.324
Deferred tax assets not recognised	748	94
Net deferred tax assets recognised in balance sheet	3.677	4.231
Reconciliation of income tax expense	2020	2019
(Loss) profit before taxes	-1.398	2.210
Income tax expense at corporate income tax rate in Norway (22%)	-308	531
Effect of tax rates outside Norway	28	-91
Non-taxable and non-deductible items	557	0
Subsidiaries carry forward losses expired	0	166
Deferred tax assets not recognised current year	277	4
Currency effects	0	26
Recognised income tax expense	554	637



Loss (EUR)	Arnarlax ehf	Icelandic Salmon	Sum
Loss for 2011, expires end of 2021	805		805
Loss for 2012, expires end of 2022	494		494
Loss for 2013, expires end of 2023	652		652
Loss for 2014, expires end of 2024	6.443		6.443
Loss for 2015, expires end of 2025	1.410		1.410
Loss for 2016, expires end of 2026	3.333		3.333
Loss for 2018, expires end of 2028	7.075		7.075
Loss for 2020, expires end of 2030	6.077		6.077
No expiry (tax loss Norway)		3.739	3.739
	26.290	3.739	30.028

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

6. Group and related parties

6.1 Group companies

The consolidated financial statements include the following subsidiaries:

	Ownership interest	Parent	Registered	
Subsidiary	per 31.12.2020	company	office	Country
Arnarlax ehf.	100%	Icelandic Salmon AS	Strandgata 1, 465 Bíldudalur	Iceland

From 1st of January 2020, Fjarðalax ehf. and Bæjarvík ehf. merged to Arnarlax ehf. and became one identity. Previously Fjarðalax ehf and Bæjarvík ehf. were fully owned by Arnarlax ehf.

6.2 Related parties / individual transactions

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, overall parent	49	6.284		1.552
Entities related to shareholder of Icelandic Salmon AS		53		
Transactions with related parties in 2019:	Sales	Purchases	Receivables	Liabilities
Eldisstöðin Ísþór ehf., joint venture	11	1.960	3.793	
Salmar ASA, shareholder in Icelandic Salmon AS	1.666	179		115
Entities related to Salmar ASA parent company	64	274		

Entities related to Kverva AS, overall parent

0 3.317

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 overall parent company of Salmar AS is Kverva AS, which owns 52.46% of the shares in SalMar ASA. The ultimate parent company is Kvarv AS, which prepares its own consolidated accounts in accordance with NGAAP.

7. Other

7.1 Earnings per share

Earnings per share	2020	2019
Net profit for the year (controlling interest's share)	-1.952	1.574
No. of shares outstanding as at 1 Jan	26.614	26.614
Share issue during the year	4.348	0
Average no. of shares outstanding through the year (basic and diluted)	27.400	26.614
Earnings per share (EUR)		
Basic and diluted	-0,071	0,059

7.2 Subsequent events

Subsequent events

In the year beginning of 2021 the Company continue to see some changes to the market situation. First weeks there was continuing decline of market prices that was under the cost value of the produced Salmon. In the last weeks of February and beginning of March 2021 there was a change on the market prices that may indicate better prices going forward expecting to give a positive result for the first quarter of 2021.

No other material or significant events have had an impact on the Company after year-end of 2021 until issued statement.

Access to cash

In the fall of 2020, Icelandic Salmon, sole owner of Arnarlax ehf, entered the Merkur Market creating a 41m EUR equity in to Arnarlax ehf. At end of year 2020 the access to cash through loan line was 35m EUR. That access is thought of financing further growth of the company in the coming months. It is expected that the company continues to have a strong cash access throughout the year.

Arnarlax ehf. has a loan agreement with Norwegian and Icelandic bank. That loan agreement is combined of Term Ioan facility, Overdraft facility and a Revolving Facility. The Ioan agreement is valid until December 2021 but after the listing of Icelandic Salmon AS a discussion came up for refinancing the facilities. That work is still ongoing and will be finalized on the first half of 2021.





Income Statement

Amounts in NOK

OPERATING REVENUES AND EXPENSES	Note	2020	2019
Payroll costs	2, 5	210.200	384.480
Other operating expenses	2	6.473.706	785.923
Total operating expenses		6.683.906	1.170.403
Operating profit/loss		-6.683.906	-1.170.403
FINANCIAL ITEMS			
Other interest income		200	660
Other interest expenses		1.873	7.361
Other financial expenses	4	8.131.276	5.249
Net financial items		-8.132.951	-11.951
Profit/loss before tax		-14.816.856	-1.182.354
Tax	7	0	0
NET PROFIT/LOSS FOR THE YEAR		-14.816.856	-1.182.354
TRANSFERS			
Transferred to/from uncovered loss	5	1.182.354	-1.182.354
Transferred from share premium fund	5	-15.999.210	0
TOTAL transfers		-14.816.856	-1.182.354

Balance Sheet as at 31 December

Amounts in NOK

ASSETS	Note	2020	2019
Non-Current assets			
Non-current financial assets			
Investments in subsidiaries	4, 8	1.224.467.327	780.654.968
Total non-current financial assets		1.224.467.327	780.654.968
Total non-current assets		1.224.467.327	780.654.968
Current assets			
Bank deposits, cash & cash equivalents		22.718.095	132.433
Total current assets		22.718.095	132.433
TOTAL ASSETS		1.247.185.421	780.787.401
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	3, 5	309.618.680	266.140.420
Share premium fund	5	932.199.108	513.297.887
Other paid-in equity	5	3.010.615	88.271
Total paid-in equity		1.244.828.403	779.526.578
Retained earnings			
Uncovered loss	5	0	-1.827.771
Total retained earnings	3, 5	0	-1.827.771
Total equity	5	1.244.828.403	777.698.807
Liabilities			
Current liabilities			
Trade payables		2.345.652	1.699
Current payables to group companies	6	11.366	2.929.525
Public charges payable		0	58.620
Other current liabilities		0	98.750
Total current liabilities		2.357.018	3.088.594
Total liabilities		2.357.018	3.088.594
TOTAL EQUITY AND LIABILITIES		1.247.185.421	780.787.401

Kverva, April 20th 2021

Kjartan Olafsson, Chairman of the Board Trine Sæther Romuld, Member of the Board Espen Weyergang Marcussen, Member of the Board Leif-Inge Nordhammer, Member of the Board Bjørn Hembre, CEO Olav Andreas Ervik, Member of the Board

Statement of cash flow

Amounts in NOK

CASH FLOW FROM OPERATING ACTIVITIES:	Note	2020	2019
Profit/loss before tax		-14.816.856	-1.182.354
Tax paid in the period	8	0	0
Change in trade payables		2.343.953	1.699
Change in other time-limited items		-157.370	77.370
Net cash flow from operating activities		-12.630.273	-1.103.285
CASH FLOW FROM INVESTING ACTIVITIES:			
Payment of capital contributions in subsidiaries	4	-442.164.614	0
Net cash flow from investing activities		-442.164.614	0
CASH FLOW FROM FINANCING ACTIVITIES:			
Net change in debt to group companies	6	-1.643.559	1.105.188
Receipt of equity	5	499.999.990	0
Transaction costs relating to receipt of equity	5	-20.975.881	0
Net cash flow from financing activities		477.380.550	1.105.188
Net change in bank deposits, cash & cash equivalents		22.585.663	1.903
Bank deposits, cash & cash equivalents 1 Jan		132.433	130.530
Bank deposits, cash & cash equivalents 31 Dec		22.718.095	132.433



NOTES TO THE FINANCIAL STATEMENTS FOR 2020

1. Accounting principles

The company changed its name from Arnarlax AS to Icelandic Salmon AS in 2020.

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 NOK, 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 probable 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.

Consolidated financial statements - 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.

60 | Notes All amounts in NOK

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.

Shares in subsidiaries

Investments in subsidiaries are recognised at cost price.

Currency

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 NOK at the exchange rate in effect on the reporting date. Non-monetary items valued at historic cost expressed in foreign currencies are translated into NOK 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.

All amounts in NOK Notes | 61

2. Payroll costs, no. of employees, remuneration, employee loans, etc

The company has no employees of its own.

Benefits paid to senior company officers and the auditor

Payroll costs	2020	2019
Directors' fees	200.000	360.000
Total	200.000	360.000
No. of full-time equivalents	0	0

Benefits paid to senior company officers	CEO	Board of Directors
Salary	0	200.000
Total	0	200.000

The company's CEO is employed by and receives a salary from the subsidiary Arnarlax ehf.

Icelandic Salmon AS has a share option agreement with the CEO. A total of 165,000 options have been granted at an exercise price of NOK 60.00 per share. Accrual takes place in the period 28 September 2018 until 28 September 2021. The fair value of the agreement is put at NOK 2,196,992. As at 31 December 2020, pro rata accrual in the amount of NOK 1,647,744 was recognised as an investment in subsidiaries, with a contra entry against other paid-in equity.

A corresponding amount has been recognised as salary by Arnarlax ehf. For further details, see the consolidated financial statements.

Auditor

The remuneration paid to the auditor breaks down as follows:

Total	815.444	0
Other services	103.800	0
Statutory auditing services	711.644	0
	2020	2019

NOK 46,375 of the amount recognised under statutory auditing services in 2020 relates to auditing of the 2019 annual financial statements.

Fees are presented inclusive of VAT. Part of the fee paid in 2020 related to autiding of the 2019 annual financial statements.

The company is not obliged to provide an occupational pension scheme pursuant to the Norwegain Mandatory Occupational Pensions Act because it has no employees of its own.

62 | Notes All amounts in NOK

3. Share capital and shareholders

Share capital as at 31 December 2020 comprised:

	No.	Nominal value	Book value
Ordinary shares	30.961.868	10	309.618.680

The company has only one class of shares.

The company's 20 largest shareholders are:	No. of shares	Shareholding
SalMar ASA	15.798.152	51,02%
J.P.Morgan Bank Luxembourg S.A.	2.244.801	7,25%
Íslandsbanki hf.	1.864.833	6,02%
Gyda ehf.	1.000.000	3,23%
Holta Invest as	938.314	3,03%
Pactum AS	825.862	2,67%
Norron sicav - target	801.430	2,59%
MP pensjon pk	677.706	2,19%
Hortulan AS	600.000	1,94%
Nima Invest AS	565.088	1,83%
Kristians and AS	470.000	1,52%
Haganes AS	350.270	1,13%
Alden AS	350.000	1,13%
Verdipapirfondet Pareto Investment	321.000	1,04%
Verdipapirfondet Norge Selektiv	284.693	0,92%
Tigerstaden AS	250.000	0,81%
Brekke Holding AS	245.490	0,79%
Lithinon AS	236.881	0,77%
Altitude Capital AS	225.000	0,73%
Sandnes Investering AS	200.000	0,65%
Total	28.249.520	91,24%
Other shareholders	2.712.348	8,76%
Total no. of shares	30.961.868	100,00%

All amounts in NOK Notes | 63

Shares owned by members of the board and senior company officers:

Name		No. of shares	Share-holding
Kjartan Olafsson	Chairman of the Board	*	*
Leif Inge Nordhammer	Member of the Board	**	**
Trine Sæther Romuld	Member of the Board	***	***
Olav Andreas Ervik	Member of the Board	***	***
Bjørn Hembre	CEO	***	***

^{*} Owned indirectly through Gyda ehf. Kjartan Olafsson owns 100% of the shares in Berg Fjarfesting ehf., which owns 100% of the shares in Gyda ehf.

4. Shares in group companies

Company	Shareholding	Registered office	Book value	Net profit/loss 2020	Book value of equity at 31 Dec 2020
Arnarlax ehf.	100%	Bildudal - Iceland	1.224.467.327	-102.918.906	964.831.507

The Group's reporting currency is EUR. The figures above are presented in NOK. Arnarlax ehf. owns 100% of Icelandic Salmon ehf. Fjardarlax ehf. and Bæjarvik ehf. were merged into Arnarlax ehf. in 2020. A capital increase was carried out in Arnarlax ehf. to the value of NOK 442,164,614. The capital increase derived from a share issue in Icelandic Salmon AS (see Note 5 for further details). The amount was first given as a EUR 41,364,000 loan to the company, before being converted into a share capital contribution. The currency effect from the date of lending until the date of conversion represented a loss on foreign exchange of NOK 8,131,276. The effect is recognised under other financial expenses in the income statement.

64 | Notes All amounts in NOK

^{**} Owned indirectly through LIN AS. Leif Inge Nordhammer owns 99.1% of the shares in LIN AS, which directly and indirectly owns 1.64% of the shares in SalMar ASA. LIN AS directly owns 1.12% of the shares in SalMar ASA and indirectly owns 0.52% of the shares in SalMar ASA through a 1% shareholding in Kverva AS, which - through Kverva Industrier AS - owns 52.46% of the shares in SalMar ASA.

^{***} Trine Sæther Romuld and Olav Andreas Ervik's ownership is indirect and derives from small shareholdings in SalMar ASA.

^{****} Owned indirectly through IVMA AS. Bjørn Hembre owns 100% of the shares in IVMA AS, which owns 0.056% of the shares in Icelandic Salmon AS. In addition, he has indirect ownership through a small shareholding in SalMar ASA.

5. Equity

	Share capital	Share premium fund	Paid-in other equity	Uncovered loss	Total equity
Equity 1 Jan 2020	266.140.420	513.297.887	88.271	-1.827.771	777.698.807
Year's change in equity:					
Net profit/loss for the year	0	-16.644.627		1.827.771	-14.816.856
Capital contribution	43.478.260	456.521.730			499.999.990
Transacton costs on capital contribution		-20.975.881			-20.975.881
Share-based remuneration - capital contribution			1.647.744		1.647.744
Other changes			1.274.600		1.274.600
Equity 31 Dec 2020	309.618.680	932.199.108	3.010.615	0	1.244.828.403

Pursuant to the resolution passed by the extraordinary general meeting of shareholders on 8 October 2020, 4,347,826 new shares were issued, each with a nominal value of NOK 10.00, at a price of NOK 115 per share. At the same time, the company was listed on the Euronext Growth equity trading market, with 27 October 2020 as the first day of trading.

6. Intra-group balances, etc.

Group companies

Total

	Non-current receivables 2020		Other short-term receivables	
	2020	2019	2020	2019
Group companies	0	0	0	0
Total	0	0	0	0
	Non-cu	Non-current payables		term payables
	2020	2019	2020	2019

0

11.366

11.366

2.929.525

2.929.525

0

0

All amounts in NOK Notes | 65

7. Tax

Breakdown of the year's taxable income	2020	2019
Profit/loss before tax	-14.816.855	-1.182.354
Permanent differences	-19.701.281	0
Change in temporary differences	0	-13.585
Year's taxable income	-34.518.136	-1.195.939
Breakdown of temporary differences	2020	2019
Accumulated tax-loss carryforwards	-39.143.285	-4.625.149
Not included in the calculation of deferred tax	39.143.285	4.625.149
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	2020	2019	
Profit/loss before tax	-14.816.855	-1.182.354	
Expected tax on income at nominal tax rate	-3.259.708	-260.118	
Permanent differences (22%)	-4.334.282	0	
Uncapitalised deferred tax asset	7.593.990	260.118	
Estimated tax expense	0	0	
Effective tax rate	0,0 %	0,0%	

8. Liens and guarantees, etc.

Icelandic Salmon AS has pledged shares it holds in Arnarlax ehf. as security for its subsidiary's liabilities. Icelandic Salmon AS owns 100% of the shares in Arnarlax ehf., the book value of which was NOK 1,224,467,327 as at 31 December 2020.



66 | Notes All amounts in NOK

