



Icelandic Salmon

SUSTAINABLE SALMON FROM ARNARLAX

CONSOLIDATED ANNUAL REPORT 2023

Icelandic Salmon AS

Consolidated Annual Report 2023

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Icelandic Salmon AS owns all shares and is the Parent company of Arnarlax ehf., the largest producer of Atlantic salmon in Iceland. The Parent company's shares are listed on Euronext Growth Oslo and NASDAQ First North in Reykjavik Stock Exchange. In this report, the Parent company and Arnarlax ehf., with subsidiaries are collectively referred to as „the Group“ or „Icelandic Salmon“. „Arnarlax“ also refers to the brand under which the Group's operations and productions are marketed.

While the Parent company is registered in Norway, Arnarlax ehf. has its headquarters in the Icelandic village Bíldudalur. It has been engaged in fish farming since 2010. The Group's farming facilities are strategically located in the beautiful West Fjords of Iceland, a region that is well sheltered with stable and moderate sea temperatures and good tidal currents, creating favourable conditions for salmon farming.

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





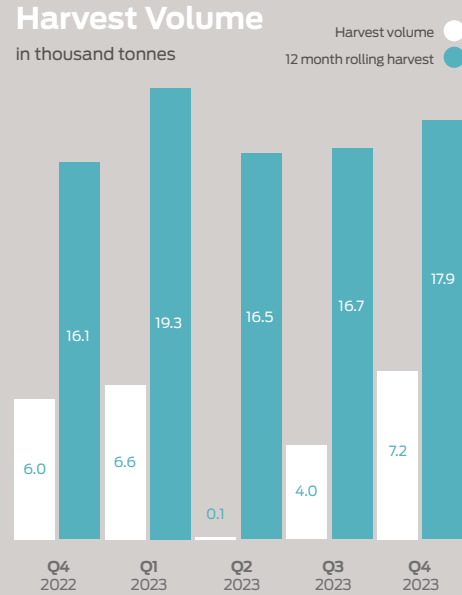
THIS IS ICELANDIC SALMON



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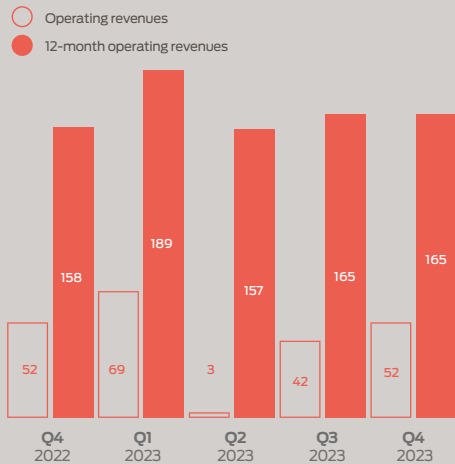
Key Figures for Icelandic Salmon

EUR million	FY 2023	FY 2022
Operating revenue	164.82	157.59
Operational EBIT	20.28	36.15
Production tax	2.20	1.33
Fair value adjustments	-4.38	-0.21
Profit (loss) before tax	10.20	41.82
Net interest bearing debts	45.81	56.03
Equity ratio	64%	61%
Harvested volume from own production (tonnes)	17.919	16.138
Operational EBIT EUR/kg.	1.13	2.24



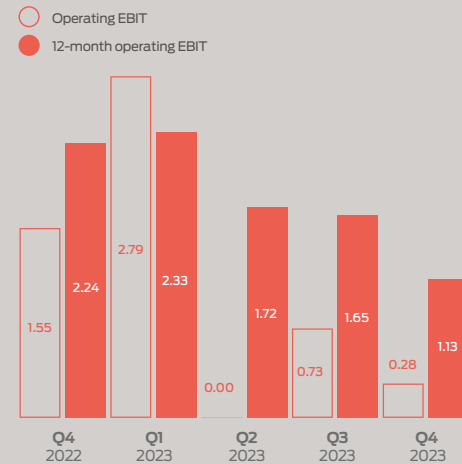
Operating Revenues

EUR million



Operating EBIT

EUR/kg

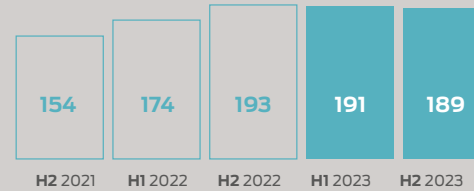


Smolt facilities

4 Smolt facilities | **7-8** Million smolt in operational capacity

Number of Employees

Average over year



Sickness absence

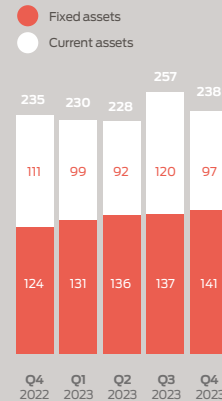
4.7% Target <4.5%

H-factor

3.0 Target <6

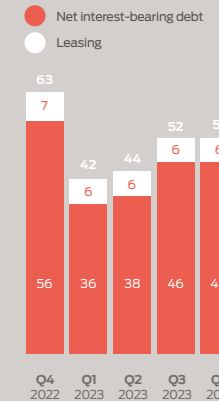
Assets

EUR million



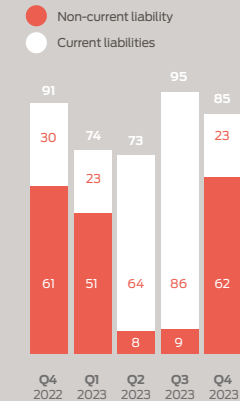
NIBD

EUR million

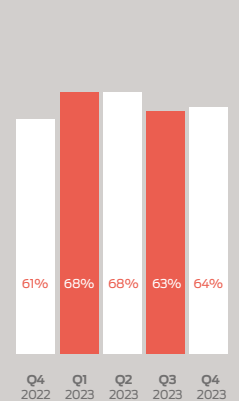


Liabilities

EUR million

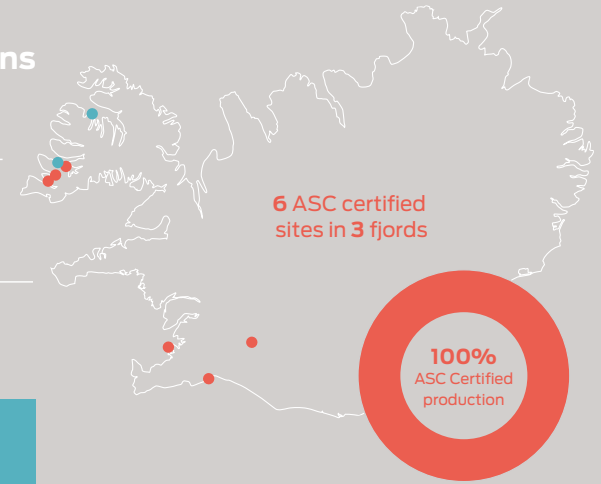


Equity Ratio



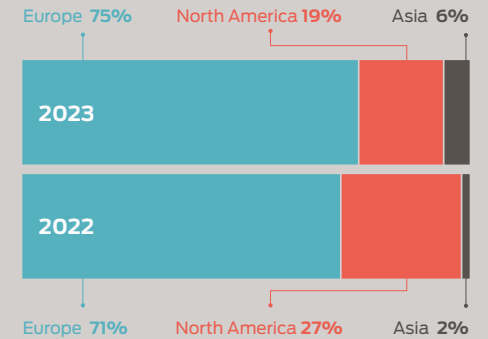
Our Locations

Current operations
License application



Geographical distribution

of revenues from sales of fish



MESSAGE FROM CEO

In 2023, Icelandic Salmon supplied the world markets with a record-breaking 17,919 tonnes of salmon. This marks an all-time high volume for our company and our employees have done a tremendous effort to make this happen. This also underscores the essential of our close cooperation with our excellent suppliers, service partners and customers, which all played a vital role to make this happen.

Growth

The harvest volume of 17,919 tonnes represents an increase of 11% from 2022, which showcases our ability to grow and supports our ambition for further growth. To continue this growth trajectory, we have invested in smolt production, and are now in a position where we have sufficient smolt for our existing licenses (23,700 tonnes MAB). As a part of our smolt strategy, we have increased the average weight of the smolts by 48%, from 147 grams to 218 grams. Our largest smolt groups, approximately at a size of 700 grams, were released into the sea in early summer, marking a strong improvement in MAB utilisation.

Significant investments have been done in our seawater operations to prepare for further growth. In 2023, two new barges with a feed storage capacity of 900 tonnes each were delivered to the Westfjords of Iceland. In addition, new vessels, cages, nets and moorings have been acquired.

When it comes to harvest capacity, Icelandic Salmon have sufficient capacity for harvesting from existing licenses in the harvest plant in Bíldudalur.

Market

Despite the various uncertainties in 2023, including macro-economic fluctuations, geopolitical tensions, and regulatory changes, the salmon industry has seen a strong market overall. Especially during the first half of the year, we witnessed a very strong demand, resulting in high salmon prices. The main market for Icelandic Salmon is Europe, but the American market is also of high importance for us. Additionally, we have sales to the Far East, with China being an important market.

For the American market, we have a strong competitive advantage in our ability to deliver fresh salmon by sea to the East Coast US. This gives a significant reduction of CO2 emissions, with a 95% reduction compared to airfreight.

Results

I am proud of the record-high volume achieved this year and the dedicated work of our employees. However, despite strong underlying operations, the economic results have been affected by the biological challenges. More details on this can be found under the [financial section](#) of the annual report.

During the summer and autumn, the success of the smolt strategy became clear, and strong results were observed in the smolts that were put into sea.

The harvest plant maintained a stable and good performance throughout the year and received a AA+ grade (the highest grade) during the BRC certification audit. This shows that hard work on food safety yields results, and even safer food for our customers.

Another milestone I would like to highlight is our successful closing of a refinancing process during the year. The total amount for the financing package is EUR 100 million, and this will secure financing for operations and growth going forward.



People

In Icelandic Salmon, our commitment to self-development is key. The most important tool we have for this is our Arnarlax Academy. In 2023, all employees participated in shaping the Academy's strategy and to develop the content of the course further.

The contribution from the company in the rural areas we are operating is significant, and to document the contribution a community footprint report is published yearly, also in 2023. As the main private employer in a community the responsibility is huge, and to make things work a strong cooperation with the community is important.



Dual listing

In September, Icelandic Salmon hosted its first capital market day in the Westfjords of Iceland, and the interest and attendance was very good. The capital market day was coordinated with our dual listing on NASDAQ First North list at the Reykjavik stock exchange. The formal ceremony took place at the harbour in Bíldudalur, attracting a large audience, including investors, banks, municipalities, NASDAQ, employees and locals from the community. The listing on the NASDAQ First North list marked another important milestone for our company, increasing the accessibility to Icelandic investors.

Outlook

In 2024, we see a preliminary stagnation in the growth of harvest volumes, due to the biological challenges we witnessed in the second

half of 2023. This was unfortunately due to circumstances related to lice, causing threat to the welfare of our fish. The health and wellbeing of our fish is our top priority, and mitigating measures has been initiated to avoid this from happening again.

Looking further ahead, the demand for salmon is expected to be strong, presenting an opportunity for Iceland to expand its market share. In Icelandic Salmon, we will continue to work hard and proactive for this to happen, with our aim to be able to contribute to the worlds increasing food demand. Salmon is a healthy alternative that is good for people today, tomorrow and for years to come.

Salmon farming also holds great promise for the Icelandic economy, in terms of future oriented valuable jobs and economic growth. During the past few years, we have seen significant increases in overall tax levels for aquaculture, and a new law proposal is now in Althingi for final sanctioning.

As a leading producer of salmon, we are concerned that the uncertainty that these processes have introduced could be making it more difficult for Iceland to build this new pillar of our economy where competitiveness is of key importance in the global markets. We remain committed, however, to work with policy makers and other stakeholders to establish a balanced, competitive and predictable legal and fiscal framework going forward.

Björn Hembre //CEO Arnarlax

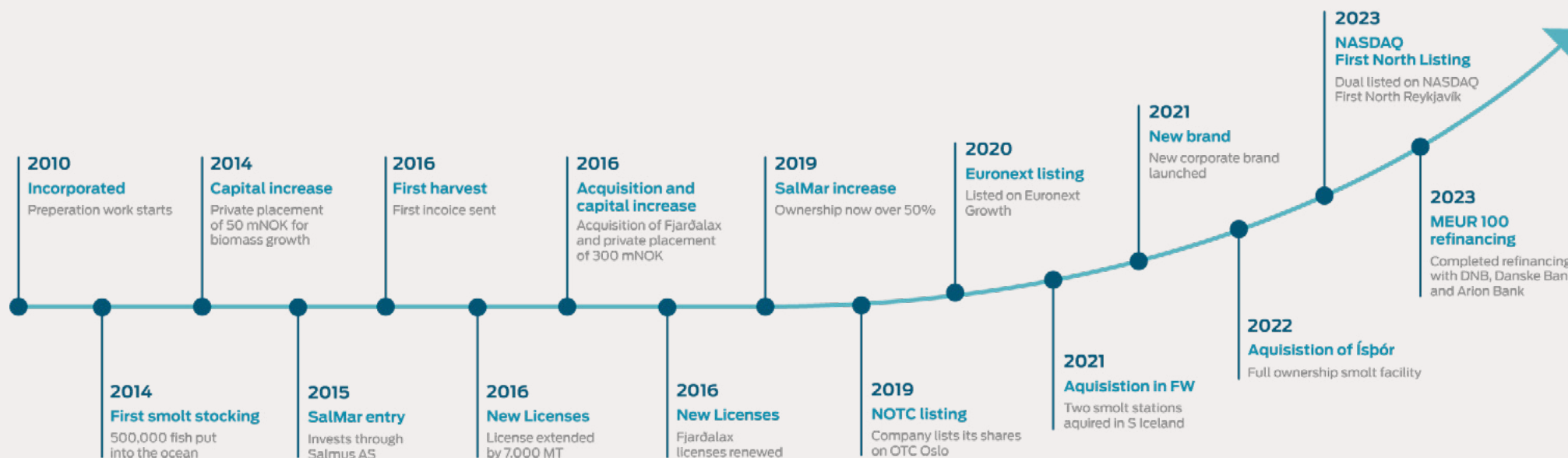
THE HISTORY OF ICELANDIC SALMON

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

The Group successfully completed a private placement in the autumn of 2020 followed by a listing on Euronext Growth. The Group also successfully completed a dual listing on NASDAQ First North Reykjavík in the fall of 2023. At the end of 2023, SalMar owned 52 per cent of the shares in the Group. The Group is fully integrated with its own hatcheries, sea farms, harvesting plant and sales department. The natural conditions, with good quality seawater and temperatures on a par with northern Norway, provide a sound basis for engaging its sustainable aquaculture in Iceland.

The Group has its headquarters and harvesting plant in Bíldudalur in Iceland's West Fjords region, close to the sea farms located in surrounding fjords. In addition, the company has an office facility in Reykjavík and four smolt facilities, whereby one is located in the West Fjords, and three on the south coast of Iceland.

The Group strongly believes in sustainable aquaculture production in Iceland.



HIGHLIGHTS IN 2023

- » Harvest volume of 17,919 tonnes in 2023, increase of 11 per cent from 2022.
- » Delivered five million smolts to sea in 2023.
- » Harvest plant received highest BRC score, AA+, in an unannounced audit.
- » Arnarlax received certificate of company Excellent in Iceland from Viðskiptablaðið and Keldan.
- » Continued development of sales to North America returning 19 per cent of the groups total revenues.
- » Dual listing on NASDAQ First North in Reykjavik
- » Finalised refinancing of EUR 100 million with DNB, Danske bank and Arion Bank.
- » Company experienced high mortality of it's biological assets, mainly driven by lice situation.
- » All production in sea ASC certified.

SIGNIFICANT ACHIEVEMENTS IN 2023

ASC Certification

All production within the Group was ASC certified in 2023. This is important documentation for the Group and the sustainability profile. With the ASC certification, it is documented that the environmental and social responsibility impact of the Group is acceptable and under good governance. This also states that the Group complies with laws and regulations and that employees are treated in fair way.



BRC Certification AA+

Supporting the Group's focus on Food Safety, the Groups harvest plant is BRC certified. This certification assures customers that they can eat the Group's excellent salmon without concerns related to food safety.

The Group received the BRC certificate in 2021 and in 2023 the overall score was upgraded to AA+ after first unannounced BRC audit. Companies who participate in the unannounced BRC audit choose to be challenged at the highest level, confirmed by the plus sign at the end of the score. The auditor may arrive at the company any time after a certain date, so everyone needs to be ready at all times.

The Groups BRC AA+ rating is a huge compliment to all the hardworking and dedicated employees who are focused on achieving excellence every single day.



Certified as "Excellent in Iceland"

In 2023, Arnarlax achieved certificate as "Excellent in Iceland" from Viðskiptablaðið and Keldan. With this certification, Arnarlax place itself as role model companies in Iceland. The exclusive list of role model companies is an acknowledgement of excellent business performance.

In 2023, only 2.8 per cent of Icelandic companies were awarded the certification. To qualify, companies of various sizes, categorised as large, medium and small, must meet strong criteria related to profit, equity ratio, revenue and properties.

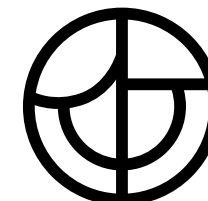
To achieve the designation of "Excellent", the jury considers the operational years 2020, 2021 and 2022, where key criteria must be met.



Equal pay certificate

Having received its initial equal pay certificate in 2021, the company has maintained this certification. The current certificate remains valid until January 2025, subject to an annual audit to ensure ongoing compliance with equal pay standards.

The primary objective of obtaining equal pay certification is to address the gender pay gap and maintain gender equality within the workforce. By incorporating the equal pay certification process, businesses and institutions can establish a management system that guarantees pay-related procedures and decisions are grounded in objective considerations, free from any form of gender-based discrimination. The equal pay standard ÍST 85, available through the Icelandic Standards Council, serves as a benchmark for organizations pursuing this certification.



EQUAL PAY
CERTIFICATE
2022 - 2025

Capital market day

In September 2023, Icelandic Salmon AS had its first ever capital market day, in the Westfjords of Iceland. Numerous visitors attended the small community from where the Group has its main operations. The guests got the opportunity to visit the Group's operational sites as well as the smolt facility.

Among with presenters in the capital marked day, was Chairman Leif Inge Nordhammer who went over the history of the Group as well as potential future of aquaculture in Iceland. Kolbeinn Árnason, Director General from the ministry of Food, Agriculture and Fisheries, went over future outlook for Iceland as a farming region. Runar Sivertsen, Chief Strategy Officer with SalMar ASA went over building and industry, potentials in Iceland and the value chain. Sigríður Kristjánsdóttir, General Director, along with Guðrún Anna Finnbogadóttir, Teamleader, from Westfjord Regional Development Office discussed the impacts of the fish farming industry in the Westfjords. And finally, Björn Hembre, CEO of Arnarlax presented the company and it's operations.





Two new 900 mt. feed barges delivered in 2023

As part of Icelandic Salmon's strategy for sustainable growth, it has invested in two additional feed barges named Svanborg and Steinborg. Both were delivered in June 2023. Svanborg, boasts a substantial capacity of twelve silos, enabling it to hold up to 900 tonnes of feed. Steinborg, a concrete barge, features eight silos with a capacity of 900 tonnes of feed. Both barges operate on hybrid technology and offer the convenience and environmental benefits of battery power in periods with low usage of energy.

With these additions, the Group's fleet now comprises a total of seven feed barges, collectively capable of accommodating 4.2 thousand tonnes of feed.

New Sustainable linked facility agreement

In November, the Group successfully signed a Sustainable linked facility agreement aimed at refinancing existing loan facilities. The new facility will support the company's growth strategy and enhance operational flexibility.

The Group secured a EUR 100 million Sustainable linked facility, with a three-year tenor, through collaborative effort with DNB bank, Danske bank, and Arion Bank. The terms are competitive and supports the Group's vision and ambition to be a Sustainable fish farmer. The Group has had a good collaboration with DNB and Arion Bank in the past years, and Danske bank comes in as a strong addition.

The facility encompasses a term loan facility, a revolving facility, and an overdraft facility, complete with the added flexibility of two-one-year extension options.

Community footprint

Each year, Arnarlax issues a community footprint report and have done so since 2018 in collaboration with PWC in Iceland.

Community footprint is a summary for Icelandic companies to show in a simple way their contribution to the community, including the payment of taxes and governmental fees. This short of summary provides information regarding what taxes and fees the company is paying. Furthermore, other information is present at that is considered to increase the understanding of the value of the company creates with its operations.

The company issued a community footprint report for 2023 in March 2024. The community footprints can be found on the company's webpage www.arnarlax.is.



Proud sponsor of handball national team

Icelandic Handball Federation (HSÍ) and Arnarlax signed a sponsorship agreement for three years. Arnarlax brand featured at the back of all competition jerseys worn by the Icelandic national handball team, starting with the Women's World Cup in November and then the men's team in the European Cup in January 2024.

The company recognizes the significance of handball in Icelandic sports culture and expresses pride in contributing to HSÍ journey. Arnarlax is committed to long term partnership. „Go Iceland!“.

Arnarlax Academy

The Group has continued to focus on developing its organization and education. The Arnarlax academy took place in 2023, and all employees were involved in the process of fostering company culture, and coordinate work streams to reach the Group's operational goals. Efforts to encourage employees to gain a formal education continued in 2023 and two employees received their diploma for vocational aquaculture school. In addition, the Group has supported several of its employees to complete higher education.



THE ABC OF SALMON FARMING

Broodstock

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

Eyed salmon eggs

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

Fry

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

Initial feeding

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

Smoltification

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

On-growing

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

Harvesting and processing

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

Sales

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

The lifecycle of Atlantic Salmon



EGGS/FRY



SMOLT



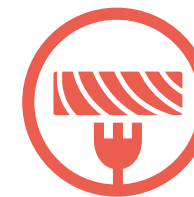
GROWTH



HARVESTING
& PROCESSING



SALES



MARKET

ARNARLAX'S VISIONS, AMBITION AND VALUES



Vision

**Sustainability
it's in our nature**

- Be in compliance with Arnarlax standard.
- Keep everything in order.
- Walk the talk. Follow rules and regulations.
- Contribute to both local and broader societal needs.



Ambition

**Premium salmon - Crafted
with passion, by nature**

- Be a frontrunner in the industry in all aspects to deliver a premium product to the customers. This includes sustainability, health and safety, education, fish welfare, technology and biology.
- Strive for profitability to secure our employees jobs and contribution to society, within a sustainable framework so high quality salmon can be produced for generations to come.



Quality

In everything we do

- Focus on quality in everything we do.
- Follow the Arnarlax standard, that guides us in the everyday work to perform at high quality level.



We Care

**For our colleagues, for the
salmon, for the customer and
for the environment.**

- Demonstrate respect for customers, colleagues, community, nature, and salmon.
- Encourage and embrace what is being done well.
- Focus on open communication, through talking and listening to each other.



Team Work

Makes us stronger

- We are driven by working together as a team.
- Together we accomplish more.



SUSTAINABILITY AND SOCIAL RESPONSIBILITY

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SUSTAINABILITY AND CORPORATE RESPONSIBILITY

Icelandic Salmon's business is based on sustainable operations. Sustainable operations are essential for the Group for ensuring the longevity and profitability while promoting environmental and social balance. By minimizing environmental impacts and preserving natural resources, we maintain healthy ecosystems and promote greater fish welfare. This, in turn, can lead to a reliable and consistent supply of high-quality salmon for our consumers, as well as the long-term viability of the industry. Furthermore, practicing sustainability can also build consumer trust and ensure long-term success in an increasingly eco-conscious market.

Today, the world's population is consuming resources at a rate that surpasses the planet's ability to generate them. Notably, food production is accountable for a significant fraction of the ecological and climate burden on the planet. As the world's population outpaces the planet's ability to regenerate resources, innovative approaches to food production are essential. Salmon farming emerges as a sustainable solution, characterized by minimal land use, freshwater consumption, and greenhouse gas emissions. Aquaculture holds great potential to provide the world's growing population with healthy, protein-rich food in the foreseeable future.

Icelandic Salmon's core pillars of sustainability



Fish

Good fish welfare is the foundation of Icelandic Salmon's business. We work systematically to create an environment in which the salmon thrives and remains healthy.



Environment and technology

Icelandic Salmon believes in preserving the seas for future generations. We minimize our footprint with measures and routines throughout the entire value chain.



People and society

Icelandic Salmon acts as a responsible corporate citizen. We believe in creating local value and safe workplaces and support the local communities where we operate.

Sustainability - it's in our nature

"Sustainability – it's in our nature" is Icelandic Salmon's vision. The Group goes beyond the boundaries of its operations, considering its influence in surrounding areas and the broader impact along the entire value chain. Icelandic Salmon is dedicated to preserving the seas, prioritizing the well-being of its employees and salmon, and advancing sustainable development. This commitment includes actively contributing to the development of new technologies to reduce the biological footprint of production and promote environmental preservation.

The Group acknowledges the multifaceted nature of its corporate social responsibility, holding different roles, as an employer, producer, supplier of healthy food, custodian of the natural environment, and steward of financial and intellectual capital. Social responsibility is woven into Icelandic Salmon's values, and the Group is steadfast in conducting its operations transparently and with accountability, with a focus on minimizing environmental impact.

In 2023, the Group released its fourth consecutive sustainability report, verified by Ernst and Young. Our sustainability report for 2023 is an integrated part of the annual report and adheres to the principles mandated by the Global Reporting Initiative (GRI). Our GRI Index provides further information about the alignment and about the audit performed.

The report is structured around Icelandic Salmon's three core pillars of sustainability across the entire value chain, with Key Performance Indicators (KPIs) reported under each section of the document.



Our Material Topics

The strategic positioning of Icelandic Salmon's facilities in the pristine coastal areas of the Westfjords of Iceland is a testament to our commitment to producing robust and healthy salmon. Nestled in rural locales with clean water and optimal natural conditions, these facilities serve as vital pillars for local coastal communities, generating employment opportunities and bolstering regional economies. Icelandic Salmon recognises the significance of these communities and their surrounding environments, and highly values the benefits derived from them.

Management of material sustainability topics

The Board exercises oversight of strategic, operational and financial matters, including climate and nature risks. The ultimate responsibility for Icelandic Salmon's environmental impact and sustainability efforts rests with the CEO of the Group. Oversight and evaluation of progress in this area are conducted by the quality department, in collaboration with the management team. The management teams in Fish Farming, Harvesting, Sales and Administration, with the support of qualified professionals, actively coordinate these sustainability efforts.

To ensure a cautious and effective approach across all aspects of Icelandic Salmon, systematic risk and opportunity assessments are conducted at the highest level and in all departments, including those related to climate risks. This commitment extends to Icelandic Salmon's subsidiaries, where the Group's presence on the board of directors ensures due consideration for these matters.

Departmental management is held accountable for conducting and reporting monitoring activities. The quality manager plays a pivotal role in following up and assisting in this regard, offering support to departmental and operational leaders. Active participation of the quality manager, along with other quality assurance staff, in regular management meetings at all levels of the organization addresses concerns related to quality, food safety, health and safety, the working environment, fish welfare, and environmental/climate issues.

Acknowledging our diverse stakeholder groups

Recognizing the diversity within our stakeholder community, Icelandic Salmon is steadfast in its commitment to foster an open and constructive communication with each constituent. This dynamic dialogue is facilitated through a range of channels, including face-to-face meetings, media engagement, the issuance of interim and annual reports, stock market notifications, GRI reports, advertisements, and our official website, www.arnarlax.is. These dialogues are not confined to a specific locale; rather, they transpire both locally and at the corporate echelon.

When considering stakeholders for inclusion in our future sustainability reporting initiatives, we evaluate the degree of influence each holds over our organization. Our objective is to engage stakeholders meaningfully and effectively, ensuring that their interactions with Icelandic Salmon are mutually beneficial.

Icelandic Salmon undertakes a comprehensive process to pinpoint stakeholders with whom dialogue will be initiated. The selection includes:

- » **Public Authorities:** Given their role in overseeing public interests and granting operational licenses, public authorities naturally become integral participants in stakeholder dialogue.
- » **Supplier Selection and Approval:** Management teams across different segments of the Group are responsible for selecting and approving suppliers, as well as engaging with local stakeholders.
- » **NGO Engagement:** The identification of NGOs ((Non-governmental organization's) with which Icelandic Salmon directly interacts is determined by the Group Management.

The table shows the various stakeholder groups that are included in Icelandic Salmon's analyses.

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

Enhancing trust through transparent reporting

Icelandic Salmon places a premium on open and transparent reporting as a cornerstone for building trust with our stakeholders. In 2023, Icelandic Salmon prioritised expanding its reporting initiatives and continued out third-party verification for sustainability Key Performance Indicators (KPIs) and reporting, aligning with the standards set by the Global Reporting Initiative (GRI).

Recognizing the importance of understanding our position within the industry, Icelandic Salmon actively participates in benchmarking against sustainability and innovation trends. This strategic evaluation is undertaken through various channels, allowing us to gain valuable insights into our position in the market. The table to the right outlines the various ways Icelandic Salmon communicates its sustainability information.

ASC reports	Audit reports from our ASC-certified sites are available on www.asc-aqua.org . Weekly ASC updates on lice numbers, treatments and lethal incidents are available on our website under Sustainability/Quality.
Icelandic Salmon's Policies	At the end of year 2023, 18 ESG related policies were ready for publishing on the Group's website . These are public statements from Icelandic Salmon that give insight into how Icelandic Salmon conducts its endeavours while always considering sustainability in all parts of our operations.
Green books	A report detailing green information and is submitted to the Icelandic Environment Agency before May 1st each year.
Emission Accounting	A report detailing emissions and is submitted to the Icelandic Environment Agency before May 1st each year.
Monthly Production Reports to MAST	Report submitted monthly to the Icelandic Food and Veterinary Authority detailing lice numbers and information on fish growth and welfare for the Aquaculture dashboard .
Benthic monitoring	On the website www.botndyr.is a dashboard can be found with results from benthic monitoring on farm sites.
Authorities	On the site of the Environment Agency of Iceland www.ust.is operation licenses, audit reports and benthic monitoring reports can be found. On the site of the Icelandic Food and Veterinary Authority www.mast.is operation licenses and audit reports can be found.



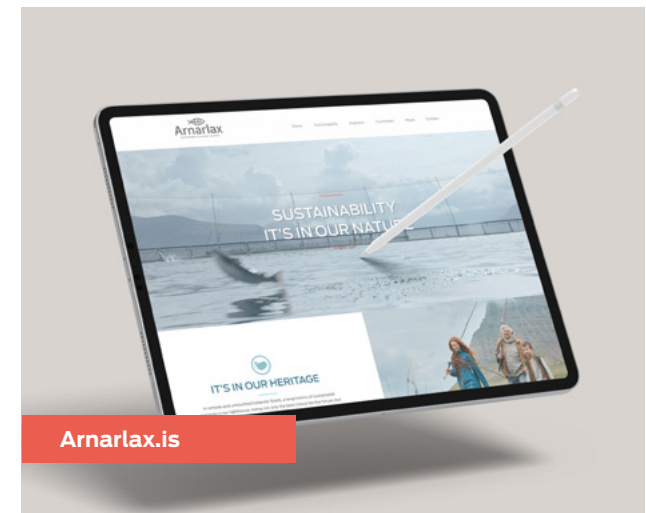
Annual Report

Integrated report combining sustainability reporting with financial reporting.



Quarterly Reports

Quarterly update of financial and operational results.



Arnarlax.is

Our [website](#) is updated regularly. Here you will find relevant information about Icelandic Salmon.

Ensuring sustainability across the value chain

Icelandic Salmon is committed to robust supply chain management, conducting thorough due diligence assessments not only of its internal operations but also throughout its entire value chain. These assessments focus on evaluating the risks associated with human rights breaches, whether influenced by the Group or impacting it in any way.

The due diligence process initiates with a self-assessment questionnaire, where suppliers respond to inquiries covering human rights practices, worker's rights, health and safety, governance, tax, and their own supply chain management processes. Deviations from Icelandic Salmon's expectations prompt closer follow-ups. While no significant human rights breach risks or incidents have been identified to date, Icelandic Salmon remains committed to continuous assessment and improvement in this regard.

In late 2023, Icelandic Salmon took a significant step by publishing its [Human Rights Policy](#) and [Whistleblowing Policy](#) on its website. These policies provide transparency into Icelandic Salmon's practices and stance on human rights, emphasizing the protection of both its employees and those throughout the value chain.



Significance for stakeholders	Material	<ul style="list-style-type: none"> ● Interaction with wildlife ● Climate Risk ● Waste and nutrient management ● Water risk & scarcity 	<ul style="list-style-type: none"> ● Fish escapes ● Fish welfare ● Safe and healthy food ● Salmon lice ● Sustainable feed ● Biodiversity ● GHG emissions ● Human rights ● Regulatory compliance ● Safe and secure workplaces
	Important	<ul style="list-style-type: none"> ● Collaboration with others 	<ul style="list-style-type: none"> ● Site environment status ● Equality ● Local value creation
		Important	Material
Significant for Icelandic Salmon			

Materiality assessment

At Icelandic Salmon, we place a significant focus on directing our efforts towards areas where our operations wield the most significant influence on fish, the environment, and communities. Our materiality assessment goes beyond internal considerations, extending to what holds importance for our stakeholders and is fundamental to our reporting. The identified material aspects serve as the bedrock for the content presented in this report, with colors designating the sections where each aspect receives a more detailed examination. The topics under important in the table below is identified as important in the 2023 assesment to our organization and our stakeholders, and is covered by group policies. The highlighted topics represents the list of material topics reported in line with the GRI standards.

Review of material topics 2023

The annual materiality review process is based on a revision of existing material topics from the prior year, in addition to an assessment of the likely material topics proposed by the new sector standard, GRI 13: Agriculture, aquaculture and fishing sectors.

In 2023, the Group completed a detailed review process, where identified and assessed sustainability topics were reviewed in light of our impact on the environment, economy and people and the new GRI standard.

Icelandic Salmon's Commitment to the UN's Sustainable Development Goals

Icelandic Salmon stands firmly committed to advancing the United Nations' 17 Sustainable Development Goals (SDGs) through deliberate actions and initiatives. While we recognize the significance of all SDGs, certain goals hold particular relevance for us, offering specific areas where our contributions can be most impactful. These prioritized SDGs serve as focal points guiding our Group's dedicated efforts.



3 Good health and well being

Targets in focus: 3.4

Salmon is a healthy source of protein, an important source of omega-3 and a good source of vitamins and minerals. Moreover, it is well documented that eating salmon contributes to protect against cardiovascular disease.



9 Industry, innovation and infrastructure

Targets in focus: 9.4

Icelandic Salmon has committed to a long-term plan in cooperation with authorities and fellow companies within the aquaculture industry to make improvements and adoption of environmentally sound technologies: [Aquaculture Climate Roadmap](#)



13 Climate action

Targets in focus: 13.1, 13.2

Icelandic Salmon has committed to a long-term plan to reduce its fossil fuel usage and adopt to more sustainable technology: [Aquaculture Climate Roadmap](#)



5 Gender Equality

Targets in focus: 5.1, 5.5, 5.c

Icelandic Salmon is Equal Pay certified where full gender pay gap and equality is certified. Icelandic Salmon also published its first public policy on [Non-discrimination and Equal Opportunities](#), which can be found at our website. Moreover, Icelandic Salmon's female ratio has increased three years in a row.



11 Sustainable cities and economies

Targets in focus: 11.3

Icelandic Salmon is dedicated to its employees and to the local communities of where we operate. Icelandic Salmon is conscious that operating in remote areas requires contributing to the local communities so that they also see the value of Icelandic Salmon's presence.



14 Life below water

Targets in focus: 14.1, 14.2

Icelandic Salmon has responsibilities concerning surrounding ecosystems to our operations. Icelandic Salmon is leading projects to gain more insight into our impacts on surrounding bodies and how to mitigate the adverse impacts.



8 Decent work and economic growth

Targets in focus: 8.5, 8.8

Icelandic Salmon is dedicated towards ensuring that all our employees are valued, safe and respected in the workplace. This includes our supply chain. Icelandic Salmon has an anonymous whistleblowing channel available for all public and public policies on Non-discrimination and Equal Opportunities, and Human Rights. For economic impact see Community Footprint 2023 [here](#).



12 Responsible consumption and production

Targets in focus: 12.2, 12.3, 12.4, 12.5, 12.6, 12.8

Borrowing natural resources to carry out our operations brings responsibilities that Icelandic Salmon takes very seriously. This involves responsible and sustainable operations in all parts of the value chain. Icelandic Salmon is dedicated to reducing waste, food waste and increasing recycling rates and the procurement of products or services with circular designs.



17 Partnership for the goals

Targets in focus: 17.14, 17.17

Stakeholder engagement and establishing common goals and pathways toward sustainable development is one of Icelandic Salmon's most important contributions to the industry, to local communities and to our other stakeholders. We believe that partnership is integral to our shared success of reaching our goal.

FISH

At Icelandic Salmon, our commitment revolves around the notion that the salmon takes the lead, guiding every action we take. Our objective is to provide sustainable, wholesome, and nourishing food to meet the needs of a steadily growing global population, all while keeping the well-being of the salmon at the forefront of our efforts.

Central to successful fish farming is prioritizing fish welfare. Icelandic Salmon actively pursues the development and implementation of initiatives and procedures aimed at enhancing the welfare of our salmon. We recognize that each decision we make concerning the health of the fish resonates throughout the financial, social, and environmental dimensions of the entire value chain.

Fish welfare serves as a testament to Icelandic Salmon's holistic approach, underscoring the significance of sustainable aquaculture. Our commitment to the well-being of the salmon is not just an aspect but a core principle in our pursuit of responsible and sustainable practices.

Icelandic Salmon also wants to cooperate in a social responsible manner with wild salmon stocks improving escape prevention and monitoring lice on wild stocks.



Icelandic Salmon's KPI's		Target	2023	2022	2021
Survival	12-month rolling survival rate ¹	>95%	85.6%	89.7%	93,3%
Antibiotics	Grams of active pharmaceutical ingredients (API) per tonne produced	0	0	0	0
Interaction with wildlife	Birds – Accidental mortality	0	0.43	0.43	0.17
	Birds – Euthanised	0	0	0	0
	Marine mammals – Accidental mortality	0	0	0	0
	Marine mammals – Euthanised	0	0	0	0
Fish escapes	No. of incidents	0	0	0	1
	No. of escaped fish	0	0	0	81,564
Feed	Certification of marine ingredients in fish feed ²	100%	96.4%	100%	98.2%
	Certification of soya ingredients in fish feed ³	100%	100%	100%	100%
	FFDR (fishmeal)	<1.2 ⁴	0.46	0.34	0.32
	FFDR (fish oil)	<2.52 ⁵	1.91	1.38	1.56
	Biological feed conversion ratio	<1.19	1.19	1.26	1.30
Certification	Share of active sites certified ⁶	100%	83%	100%	83%

1 12-month rolling mortality measured in accordance with the Global Salmon Initiative methodology.

2 Marine ingredients to make fish meal and fish oil, certified in accordance with Marintrust, MSC or equivalent.

3 Certified in accordance with ProTerra RS or equivalent.

4 Target in accordance with ASC certification requirements.

5 Target in accordance with ASC certification requirements.

6 Active sites 2023 certified according to ASC standard. All harvested production in 2023 was 100% ASC certified.

Fish welfare

Icelandic Salmon is dedicated to advancing fish welfare based on the principles encapsulated in the “Five Freedoms of Animal Welfare.” Ensuring good fish welfare involves systematic initiatives aimed at safeguarding the well-being of the fish throughout their lifecycle. In 2023, Icelandic Salmon published a [Fish Health and Fish Welfare policy](#) on its website. This policy outlines Icelandic Salmon’s commitment to upholding the highest standards for fish health and welfare, extending even to the well-being of our cleaner fish. Additionally, Icelandic Salmon has introduced the [Humane/Ethical Killing Policy](#), detailing responsible slaughtering practices for our salmon.

The assessment of fish welfare at Icelandic Salmon incorporates various metrics. These include monitoring indicators such as lice, appetite, growth rate, skin health, and wound status during operations, as well as observing oxygen uptake during transport. Altogether, fish welfare stands as a fundamental prerequisite for Icelandic Salmon’s operations, treated with the utmost importance throughout all aspects of our business.

Enhancing fish survival and well-being

Our continuous effort at Icelandic Salmon is directed towards increasing the survival rate of our fish, a metric we consider to be the most reliable indicator of fish welfare. We gauge this survival rate through a 12-month rolling measurement, presented in absolute numbers, adhering to the methodology endorsed by the Global Salmon Initiative.

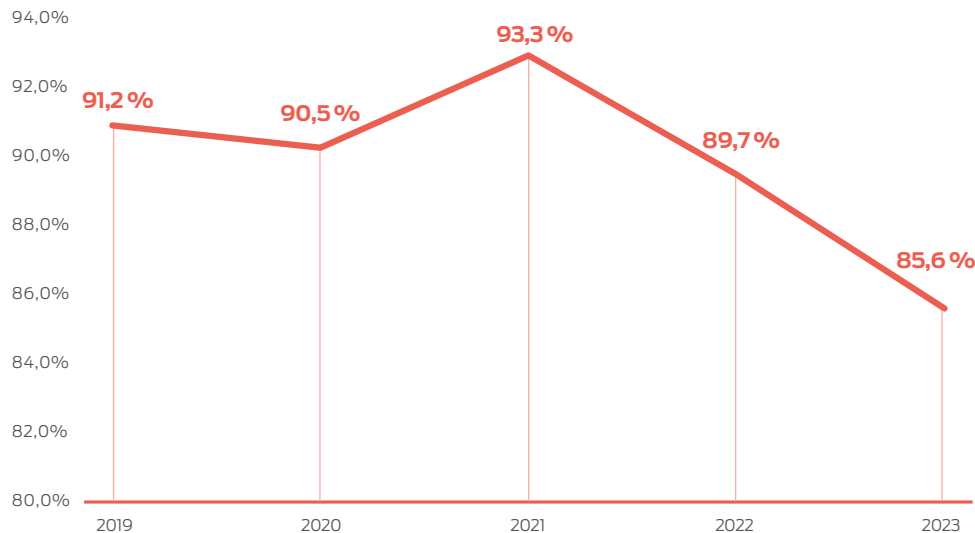
While we have observed a decline in the survival rate over past two years, our unwavering goal remains to achieve a 95 per cent survival rate by the year 2025. Identifying smolt quality, infectious diseases, and fish handling as primary factors influencing mortality. However, we recognize the need for further enhancements in managing diseases like HSMI and POX¹, as well as prioritizing gill health.

Over one thousand samples were sent for histology and bacteriological analysis

Unfortunately, Icelandic Salmon experienced biological challenges in the second half of 2023. This was due to circumstances related to lice, causing threat to the welfare of our fish. The health and wellbeing of our fish is our top priority, and mitigating measures was initiated to avoid this from happening again. Lice management will be top priority in year 2024.

In 2023, monthly health visits to each farm site and each hatchery were made by designated veterinarian and fish welfare coordinator.

Trend survival rate



¹ HSMI: Heart and skeletal muscle inflammation disease, not notifiable. POX: Salmon gill pox virus, cause of an acute respiratory disease that can lead to high mortality. Not notifiable.

Promoting Cleaner fish welfare

As a preventive measure against salmon lice during the salmon sea phase, Icelandic Salmon employs cleaner fish. Demonstrating our commitment to fish welfare, we strive to maximize the survival rates of cleaner fish by ensuring healthy living conditions within the net pens.

Dedicated feed designed for cleaner fish supports their growth and well-being while fulfilling their primary function. We go a step further by incorporating artificial kelp inside the net pens, providing cleaner fish with a familiar environment for eating, hiding, resting, and sleeping when not actively engaged. Cleaner fish are integral to our Fish Health and Fish Welfare policy, underscoring our commitment to their well-being.

Zero antibiotics

In 2023, Icelandic Salmon maintained its antibiotic-free approach. The Icelandic Food and Veterinary Authority conducts annual screenings for antibiotics and other substances in our salmon for verification of this.



Ensuring adequate space for fish welfare

Adhering to the prevailing legislation in Iceland, the Group operates within a maximum density limit of 25 kg/m³. We consistently meet this regulatory requirement across all our operational areas, with the average density within each individual net pen consistently surpassing the stipulated minimum. This deliberate adherence to lower-than-required stocking densities ensures that our salmon always have ample space to move freely, a crucial element for maintaining optimal fish welfare. In 2023, the average stocking density at Icelandic Salmon was 3.74 kg/m³.

Average density 2023 | 3.74 kg/m³

Proactive Measures Against Salmon Lice

Salmon lice, a naturally occurring seawater parasite, pose a potential threat to the quality and well-being of farmed salmon. As responsible fish farmers, it is our duty to coexist with these lice while minimizing their impact on our salmon. The negative consequences of salmon lice, ranging from compromised flesh quality to severe diseases and mortality, underscore the importance of preventive measures that prioritize both fish and environmental well-being.

According to article 49 in regulation 540/2020 it's stated that if the average number of female lice within the area concerned exceeds 0.5 per fish, Parasites contingency plan shall be activated and Arnarlax must report it to the Icelandic Food and Veterinary Authority (MAST) which in consultation with Arnarlax, Arnarlax veterinarians and the Fish Diseases Committee decide on next steps. Arnarlax must also notify MAST when the average number of female lice in the area concerned exceeds 1, 1.5 and 2 per fish. Regular reporting of lice numbers to the authorities is mandatory, and all our farm sites provide updated status reports within seven days of lice counting, accessible to the public on Icelandic Salmon's website. Weekly lice counting is mandated during the sensitive period from week 14 to 22, with a minimum bi-weekly frequency outside this period when sea temperatures exceed 4°C.

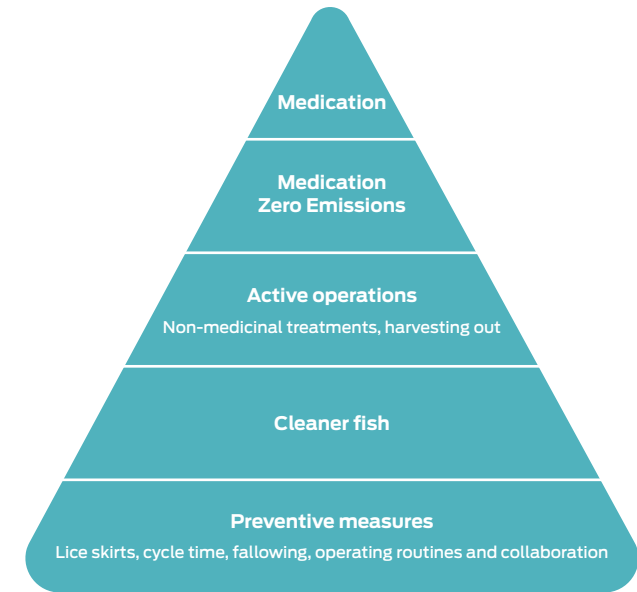
Introducing new technology in 2023, the OptoScale under water camerasystem enables daily lice counting in cages while monitoring fish welfare indicators and weight. This innovative initiative, continuing into 2024, reflects Icelandic Salmon's commitment to exploring advancements in lice management.

Despite efforts to adhere to regulatory limits, an unfortunate lice infestation occurred in early October 2023, necessitating intensive delousing and significantly impacting fish welfare and operations. Icelandic Salmon promptly collaborated with authorities and fellow salmon farmers to prevent such situations in the future.

Secured capacity of non-medicinal delousing in 2024

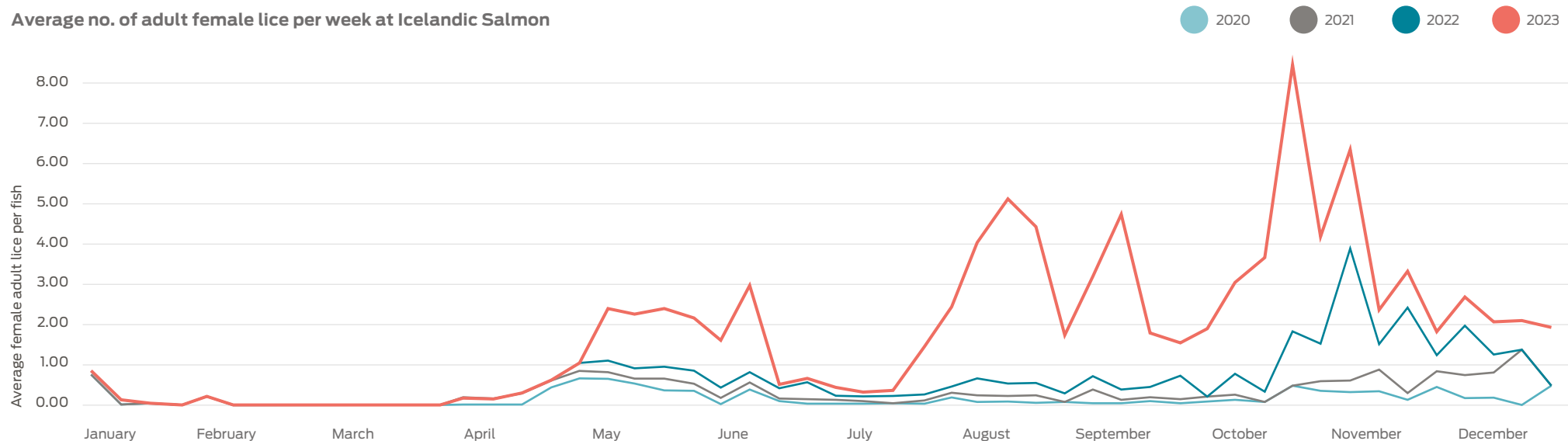
For 2024, Icelandic Salmon has secured ample capacity for non-medicinal delousing, a sustainable treatment method requiring no additional approval. The goal for 2024 is to implement measures ensuring lice numbers remain within acceptable thresholds.

Maintaining a steadfast focus on fish welfare, Icelandic Salmon continues to develop new tools and processes to enhance its practices and safeguard the well-being of its salmon.



Visualization of Icelandic Salmon's preventive measures.

Average no. of adult female lice per week at Icelandic Salmon



Preventing and managing fish escapes

Icelandic Salmon maintains a zero-tolerance policy regarding fish escapes, considering such incidents with the utmost seriousness. In 2023, there were no reported escape incidents, and our commitment to preventing fish escapes remains unwavering. Daily routines involve vigilant monitoring, regular checks of technical equipment, and stringent procedures for fish-handling operations.



To improve transparency and accountability, Icelandic Salmon conduct monthly monitoring of all cages across our farm sites. Recognizing that damage to net pens is a common cause of fish escapes in the industry. We maintain an open dialogue with authorities on all diving activities on the sites.

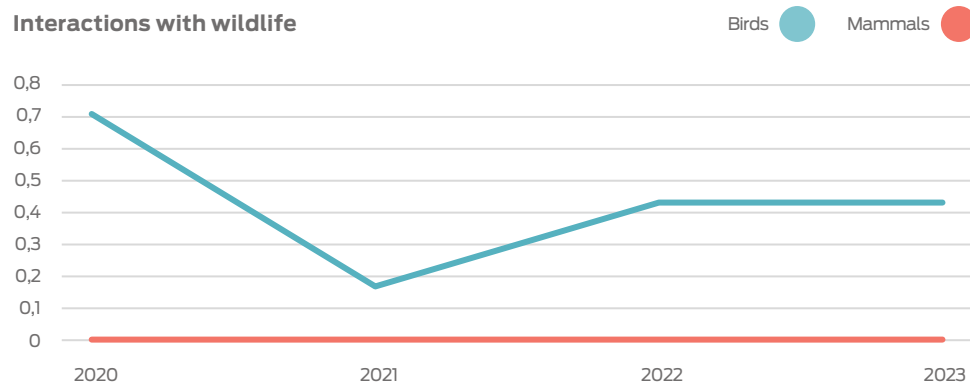
Partnership for wild salmon conservation

While the Westfjords lack a major waterway with wild salmon, Icelandic Salmon is committed to preserving wild salmon populations. We acknowledge the importance of aquaculture coexisting with stakeholders within the wild salmon fishing industry. Our involvement in various biodiversity initiatives includes monitoring lice on wild salmon populations. Icelandic Salmon has committed itself to a project with a third party to monitor sea lice infestation on wild salmonids in its operating areas for the next three years from year 2024-2026.

Minimizing impact on wildlife

Icelandic Salmon places a high priority on minimizing its impact on wildlife and actively works towards this goal. Although our presence may at times affect other animals, we experienced a very low number of incidents in 2023. We strive to utilize equipment at our sites that minimizes the risk of harm to wildlife. Our ongoing efforts in 2024 are directed at further reducing incidents to achieve our target of no interactions with wildlife.

Interactions with wildlife



Sustainable feed

For Icelandic Salmon, fish feed isn't just about nutritional quality; it's equally vital that the feed aligns with our commitment to environmental sustainability. We hold our feed suppliers to high standards, insisting on certified ingredients that guarantee the production of a sustainably sourced product. This involves ensuring that the feed ingredients are sourced from regions free from deforestation threats, and independent of endangered fish stocks. Detailed information about our stance on deforestation can be found in Icelandic Salmon's [Deforestation Policy](#).

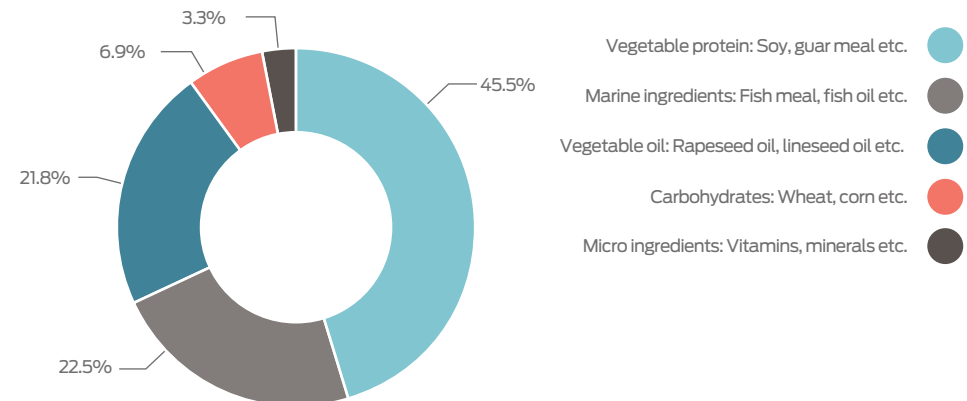
The feed employed by Icelandic Salmon is an all-encompassing blend designed to optimize production and foster excellent fish health. In essence, it's a high-value salmon feed that supports robust growth, maintains a low feed conversion ratio, and fulfills the nutritional requirements of our salmon. In 2023, approximately 19,872 tonnes of dry feed pellets were used in our salmon farming operations.

The accompanying pie chart illustrates a typical pellet's ingredients, highlighting the composition that contributes to a healthy feed promoting fish health, welfare, and growth.

Looking ahead to 2024, Icelandic Salmon has set a target to increase the use of trimmings and by-products in the feed, aligning with our commitment to circular economies. In 2023, 27 per cent of our marine ingredients derived from trimmings.

Beyond monitoring ingredients, Icelandic Salmon ensures the nutritional value of the feed used in hatcheries and sea farms. Rigorous assessments of fat, protein, phosphorus, and fiber content are conducted to verify quality. Additionally, thorough inspections of the physical quality of received feeds help identify and address any non-conformances.

Typical pellet ingredients



How we safeguard our fish feed

- » All fish feed used by Icelandic Salmon is required to be certified.
- » All fish feed used is deforestation-free.
- » Icelandic Salmon has dedicated personnel who work with fish feed and its nutritional content.
- » At Icelandic Salmon we have chosen to maintain a strategic partnership with our main feed suppliers, with whom we work to include sustainable ingredients in the feed we use, improve agricultural practices and nutrient management.
- » Icelandic Salmon recognizes that soil health and nutrient management is a global challenge in agriculture and expects our feed suppliers to manage soil health and perform nutrient management in a responsible and sustainable manner.

Commitment to Certified Ingredients

Approximately 23 per cent of Icelandic Salmon's fish feed comprises marine ingredients, and we hold a stringent standard for the sourcing of these elements. All feed suppliers are mandated to procure marine ingredients certified by the Marine Trust, MSC, or an equivalent standard, ensuring sustainability in the fish stocks they are derived from. In 2023, 96.4 per cent of the marine ingredients used by our feed suppliers originated from certified fish stocks. While this marks a decrease from 2022, it is primarily attributed to a market-wide shortage of marine ingredients. Icelandic Salmon is actively collaborating with suppliers to enhance the certified share in 2024.

Vegetable raw materials play a significant role in our fish feed, constituting approximately 46 per cent of proteins and 22 per cent of vegetable oil. We mandate our feed suppliers to source soy from sustainable origins, certified according to ProTerra, Europesoya, or an equivalent environmental standard. In 2023, all our feed suppliers



Deforestation and conversion-free feed

100%

exclusively used 100 per cent certified soy, ensuring it is not cultivated in areas threatened by deforestation. An independent external report conducted by Brazilian auditors in early 2022 affirmed that all Brazilian soy suppliers have achieved a deforestation and conversion-free supply chain.

Icelandic Salmon prioritizes full traceability of the origin of all feed ingredients, scrutinizing both direct and indirect suppliers. To uphold sustainability across our value chain, we conduct audits on feed suppliers and verify that all ingredients used in our fish feed originate from sustainably sourced producers. Our commitment extends beyond mere compliance to actively promoting responsible sourcing practices throughout the production process.

We ensure low dependence on wild fish stocks

To gauge the sustainability of our feed, Icelandic Salmon employs the Fish Forage Dependency Ratio (FFDR). This metric quantifies our reliance on wild fish stocks as raw materials in our feed production. The FFDR assesses the volume of live fish required to produce the fish meal or fish oil needed for one unit of farmed salmon. A lower FFDR indicates reduced dependence on the limited global supply of marine raw materials, allowing for more efficient salmon production.

In alignment with the ASC standard, sustainability in feed is recognized if its FFDR_m (fish meal) is less than 1.2 and its FFDR_o (fish oil) is less than 2.52. In 2023, Icelandic Salmon achieved FFDR values well below these benchmarks, underscoring our commitment to sustainable feed practices.

The primary sources of marine ingredients in the feed produced by our main suppliers, including herring, mackerel, capelin, white-fish offcuts, blue whiting, bony fish, and anchovy, are detailed in the suppliers' own sustainability reports. For further information, refer to these reports for a comprehensive understanding of the origins and sustainability practices associated with the marine ingredients used in our feed.¹

¹ Skretting: <https://www.skretting.com/en/sustainability/sustainability-reporting/>

Promoting Efficient Feed Utilization

At Icelandic Salmon, we acknowledge that the nutritional quality, consistency, and taste of fish feed are crucial factors, but equally important is the precise dosing to enhance feed utilization and uphold fish health.

Our vigilant monitoring of key performance indicators, with a focus on effective feed utilization, yields numerous advantages, including optimal growth, reduced environmental emissions, enhanced fish welfare, heightened disease resistance, minimized mortality, size uniformity, increased harvest yield, and superior fish quality.

A central sustainability Key Performance Indicator (KPI) for us is the biological feed conversion ratio (bFCR). In 2023, Icelandic Salmon's bFCR showed a decrease from 1.26 in 2022 to 1.19 in 2023. This KPI is pivotal in gauging our commitment to sustainable practices.

To achieve precision in feeding, we tailor the feed to match the appetite of salmon in each net pen. Leveraging advanced technologies like underwater CCTV cameras, we monitor fish locations in the water column and gauge their appetite. Our strategic focus on optimizing feeding during the initial 12 weeks at sea, with maximum feed availability, contributes to the development of healthy and resilient fish.

Throughout 2023, Icelandic Salmon continued the development of its feeding center, responsible for remotely controlling fish stock feeding. This initiative consolidates highly skilled staff into a centralized "control room," facilitating the implementation of new routines and continuous learning. The remote feeding scheme not only enhances our focus on feeding but also serves as an environmental measure, promoting robust growth, swift turnover, and efficient MAB and site utilization. It also emphasizes the importance of our employees who perform this critical task. Ongoing efforts include providing real-time data access, customizing optimal reporting, and developing support tools for our dedicated team.

bFCR 2023 1.19

Safe and healthy food

Icelandic Salmon takes pride in delivering not just delicious, but also safe and healthy food. Our salmon, sourced as first-class, sustainable raw material, maintains its quality throughout the entire value chain until it reaches our customers.

Our commitment to providing a sense of safety to our customers is evident through certifications aligning with the most rigorous standards for sustainable aquaculture and food safety, including the Aquaculture Stewardship Council (ASC) and BRCGS.

How we provide safe and healthy food to all our customers

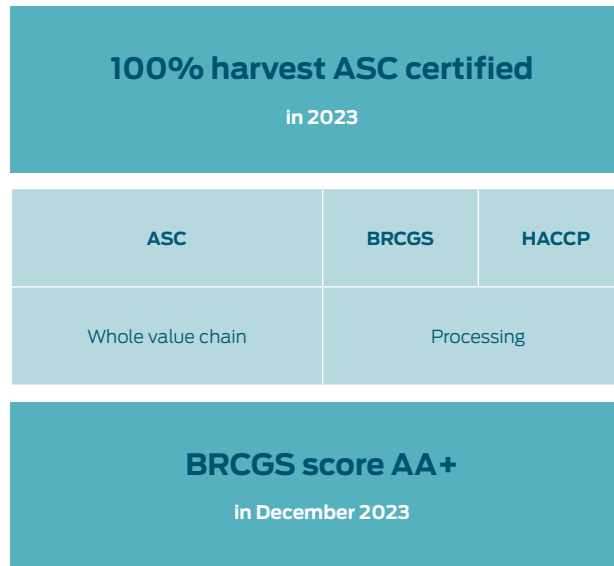
- » We prioritize good fish welfare and maintain the correct nutritional content in the fish feed we use, ensuring the production of healthy food for human consumption.
- » Our entire value chain, spanning from roe to plate, is certified to guarantee the highest standards of safety and quality.
- » Thorough training is imparted at all levels, encompassing routines and procedures, to uphold the exceptional quality of our salmon.
- » Regular internal audits are conducted, and we openly welcome audits and inspections from regulatory authorities, certification agencies, and customers.

For detailed insights into how Icelandic Salmon ensures the complete safety and healthiness of its food for customers, refer to our [Food Safety Policy and traceability](#) on our webpage.

Certification Across the Entire Value Chain

Icelandic Salmon upholds a commitment to honesty, propriety, and trustworthiness, embracing transparency in our operations.

Our adherence to third-party standards and those specified by our customers is rigorously verified through meticulous monitoring of our operations. Moreover, our operations undergo scrutiny from government and regulatory authorities, providing an additional layer of oversight to ensure the integrity and quality of our processes.



All our production at Icelandic Salmon adheres to the rigorous standards set by the Aquaculture Stewardship Council (ASC). The ASC Standard is designed to propel aquaculture towards environmentally and socially responsible salmon production, utilizing effective market mechanisms that create value across the entire value chain.

Choosing ASC-certified salmon ensures that consumers are selecting fish from a responsible farmer. The ASC Standard, with over 400 auditing criteria spanning seven main categories, sets a challenging benchmark that demands significant resources for documentation and reporting, both before, during, and after certification. Icelandic Salmon goes even further by obtaining certification in accordance with ASC's Chain of Custody scheme, emphasizing transparency in our performance.

BRCGS certification, a component of the GFSI standard, underscoring our dedication to maintaining the highest standards in food safety. In December 2023 Icelandic Salmon received the score of AA+ after an unannounced auditor's visit to our processing facility. BRCGS audit is conducted yearly.

Salmon is a healthy and delicious food

Salmon, a delectable and nutritious food, is enriched with essential nutrients, making it an integral part of a well-rounded diet. Its safety has been extensively researched, and it is deemed perfectly safe for consumption.

The World Health Organization (WHO) has compiled a comprehensive report on the risks and benefits associated with consuming salmon. According to the findings, incorporating oily fish, such as salmon, into one's diet reduces the risk of cardiovascular disease. This health benefit is attributed to the product's fat composition, featuring high levels of omega-3 fatty acids (EPA and DHA), along with vitamin D, selenium, and easily digestible proteins.

While underscoring the importance of seafood consumption, the report highlights a challenge: Many people consume insufficient amounts of the crucial nutrients offered by fish. A weekly serving of salmon (150g) has proven sufficient to meet the recommended intake of healthy fatty acids EPA/DHA, contributing to overall well-being.

Nutrition of our harvest in 2023 consisted of:

- » Omega 3 level on average of 2.5g/100g product
- » Omega 6 level on average of 2.4g/100g product
- » EPA/DHA level of 0.9g/100g of product
- » Total fat of 18 per cent on average
- » Total protein of 19.6 per cent on average

Assurance of Safe Salmon from Icelandic Salmon

When you choose salmon from Icelandic Salmon, rest assured it is not only delicious but also safe for consumption. Our production strictly adheres to Icelandic regulations for food production, and our facilities undergo regular inspections by the Icelandic Food and Veterinary Authority (MAST). Additionally, we implement our own sampling program, analyzing and testing feed and finished products for various factors.

The results of MAST's monitoring of samples from our salmon indicate under limit foreign matter in farmed fish. Icelandic Salmon received over 40 analysis reports from MAST on residues in harvested salmon, analysed at external accredited laboratories. Residues analysed were pesticides, medicinal residues, antibiotics, avermectins, steroids, stilbenes, resorcylic acid lactones, nitrofuraner, anti-parasites medicines, PFNA, PFHxS, PFOA, PFOS, PCB's and high toxicity dye colourings such as malachite green.

Our production processes are designed to meet the diverse standards and expectations of different customers. Over 1.000 product and environment samples were sent to accredited laboratories for shelf-life and bacteriology analysis from harvest plant in year 2023. In 2023, Icelandic Salmon performed 4.520 registrations related to hygiene, food safety, quality of fish and daily product control.

Emphasizing our commitment to food safety, there were no incidents of product recalls in 2023. Icelandic Salmon has well-defined routines for handling customer complaints, ensuring transparency and informing customers of the steps to take if a purchased product does not meet their expectations. Every product can be traced back through the entire value chain to its origin, providing complete transparency.

4.520

food safety & quality registrations in 2023

Over 1.000

product and environment samples sent to laboratory
for bacteriology in 2023



ENVIRONMENT

Operating under the core principle of minimal environmental impact, Icelandic Salmon is dedicated to cultivating salmon in an environmentally friendly manner. While food production significantly contributes to global greenhouse gas emissions, salmon farming stands out as one of the most eco-conscious methods of food production. Our mission at Icelandic Salmon is to spearhead the development of a sustainable aquaculture industry, prioritizing ocean protection, energy efficiency, and the reduction of greenhouse gas emissions.

In our relentless pursuit of sustainability, we actively explore new technologies and innovations to diminish our biological footprint, concurrently maximizing salmon production. Salmon, known for its low carbon emissions, minimal water consumption, and small area requirements, is recognized as a highly sustainable source of animal protein. However, acknowledging the ongoing need for advancements in sustainable practices, Icelandic Salmon remains committed to acquiring new knowledge and innovation.

In June 2023, Icelandic Salmon took a significant step by signing a sustainability-linked financing agreement and setting sustainability linked goals, underscoring our commitment to driving sustainable development. As a participant in [the Climate Roadmap of Aquaculture project](#), in collaboration with Fisheries Iceland (SFS) and other aquaculture companies, Icelandic Salmon is committed to a gradual reduction of greenhouse gas emissions. This strategic commitment aligns with our ongoing efforts to contribute meaningfully to environmental sustainability within the aquaculture industry.

At year end 2023, Icelandic Salmon unveiled its [Environmental Practices Policy](#), offering a comprehensive view of our proactive initiatives to uphold environmentally responsible practices. This policy, accompanied by 17 additional ESG-related policies, is readily accessible on our website. We invite stakeholders and the public to explore these documents, underscoring our commitment to transparency and adherence to sustainable practices across various environmental, social, and governance aspects.



KPI		Target	2023	2022	2021
Greenhouse gas emissions	Scope 1 + 2 (1000 tCO ₂ e)	42% reduction from 2020 to 2030 ¹	2.2	2.1	2.2
	Intensity Scope 1+2 (kgCO ₂ e/kg produced)		0.13	0.10	0.13
	Scope 3 (1000 tCO ₂ e)		60	72	68
	Intensity Scope 3 (kgCO ₂ e/kg produced)		3.6	3.4	4
	Scope 1+2+3 (1000 tCO ₂ e)		62	74	70
	Intensity Scope 1+2+3(kgCO ₂ e/kg produced)		3.7	3.5	4.1
Site environment	MOM-B-Score ≤ 2	100%	100%	100%	50%
Fresh water withdrawal²	Withdrawal (million m ³)	20% reduction within 2030	20	16	6
	Intensity (liters per kg produced)		1183	779	325
Water risk & scarcity³	Share of operational areas with a low overall water risk	100%	100%	100%	100%
Onshore electrical power or hybrid technology	Farming sites supplied by onshore electrical power or hybrid solutions	100%	33%	0%	0

1 Targets verified by the Science Based Targets Initiative and aligned with the 1.5°C target set by the United Nations.

2 Icelandic Salmon's freshwater withdrawal equals freshwater consumption and discharge. No water is withdrawn and stored of significant quantities.

3 <https://www.wri.org/aqueduct>

Greenhouse Gas Emissions

The reduction of global greenhouse gas emissions is a critical challenge, and Icelandic Salmon aims to set a notable example for other companies, especially within the domestic context. Salmon farming is positioned as a low-carbon alternative for food production. A recent study conducted by SINTEF Fisheries and Aquaculture and the Institutet för Livsmedel och Bioteknik i Sverige (SIK) has substantiated that salmon production is significantly more environmentally friendly compared to pork or beef production. The study revealed that the carbon equivalent contribution of 1 kg of farmed salmon is only half that of 1 kg of pork and merely one-seventh of that of 1 kg of beef.

However, Icelandic Salmon acknowledges that simply highlighting the climate benefits of salmon farming is insufficient. The Group is committed to ongoing efforts to develop and implement sustainable practices, ensuring that its operations remain environmentally responsible. This reflects a dedication to not only leverage the inherent advantages of salmon farming but also to actively contribute to environmental sustainability through continuous improvement and innovation.

Icelandic Salmon has pledged to reduce its greenhouse gas emissions

To underscore our sincere commitment to reducing greenhouse gas emissions, Icelandic Salmon acknowledges the significance of developing a high-quality Greenhouse Gas (GHG) inventory. In this pursuit, the Group has undertaken a thorough process to reassess and refine its existing GHG reduction targets. The revised targets are designed to align with science-based criteria that are in harmony with the United Nations' 1.5 °C target. This strategic alignment ensures that Icelandic Salmon's efforts to reduce GHG emissions are consistent with the global scientific consensus on the measures needed to limit global warming to a manageable level. This commitment reflects a proactive approach to environmental responsibility and adherence to established scientific guidelines for sustainable practices.

Scope 1 and 2 absolute emissions:
At least 42% reduction from 2020 to 2030

Scope 3 absolute emissions:
At least 42% reduction from 2020 to 2030

The objective pertaining to Scope 1 and 2 emissions signifies Icelandic Salmon's committed efforts to actively diminish greenhouse gas emissions originating from its internal operations. This involves a concerted focus on reducing reliance on fossil fuels and guaranteeing that all electricity utilized is sourced from renewable energy. By doing so, Icelandic Salmon aims to minimize the carbon footprint directly associated with its facilities and activities.

As for the Scope 3 target, Icelandic Salmon recognizes the imperative of fostering collaboration throughout its value chain to ensure that all operations, both preceding and following its own, adhere to carbon-efficient practices. This entails aligning climate goals with those of suppliers and establishing clear expectations to collectively promote carbon efficiency throughout the entire value chain. This holistic approach reflects Icelandic Salmon's dedication to addressing emissions beyond its immediate operations and promoting sustainability across its broader network.

Icelandic Salmon pledges to align its climate targets with the Science Based Targets initiative, with a commitment to update them in line with forthcoming recommendations from the Forest, Land and Agriculture (FLAG). The categorization of Scope 3 emissions follows the Greenhouse Gas Protocol, encompassing specific categories considered most pertinent to Icelandic Salmon's activities. The selected categories (2, 7, 9, 10, 12, and 15) have been integrated into the GHG inventory, while others (8, 11, 13, and 14) were deemed either negligible, too inaccurately estimated, or irrelevant to be included in Icelandic Salmon's Scope 3 targets, as determined by the internal team. This strategic approach reflects Icelandic Salmon's commitment to a comprehensive and accurate assessment of its emissions footprint.



Scope 3	Description	
Cat 1	Purchased goods and services	41,129
Cat 3	Fuel and energy related activities	673
Cat 4	Upstream transportation and distribution	18,157
Cat 5	Waste generated in operations	23
Cat 6	Business travel	32
Total	All emissions in Scope 3 target	60,014

Emission reduction performance 2023

In 2023 Icelandic Salmon continued its strong efforts to reduce GHG emissions. The Group's Scope 1 and 2 emissions increased by 6 per cent from 2022. The main reason for the increase from 2022 to 2023 was the addition of freshwater operations in Iceland. The focus going forward will now be to share best practice between companies and decide on the most effective emission reducing actions.

Icelandic Salmon has been very successful in reducing Scope 3 emissions, resulting from strong collaboration and commitment to our suppliers. The Group's Scope 3 emissions have been reduced by 17 per cent between 2022 and 2023, and 10 per cent since base year. Since Scope 3 emissions are dominating, this also means that the Group's total emissions have been reduced by 17 per cent in the last year, and 8 per cent since 2020, a reduction of more than 6.000 tons of CO₂-equivalents.

GHG emission reduction 2020-2023
6.718 tons CO₂ equivalents 10%
Scope 3

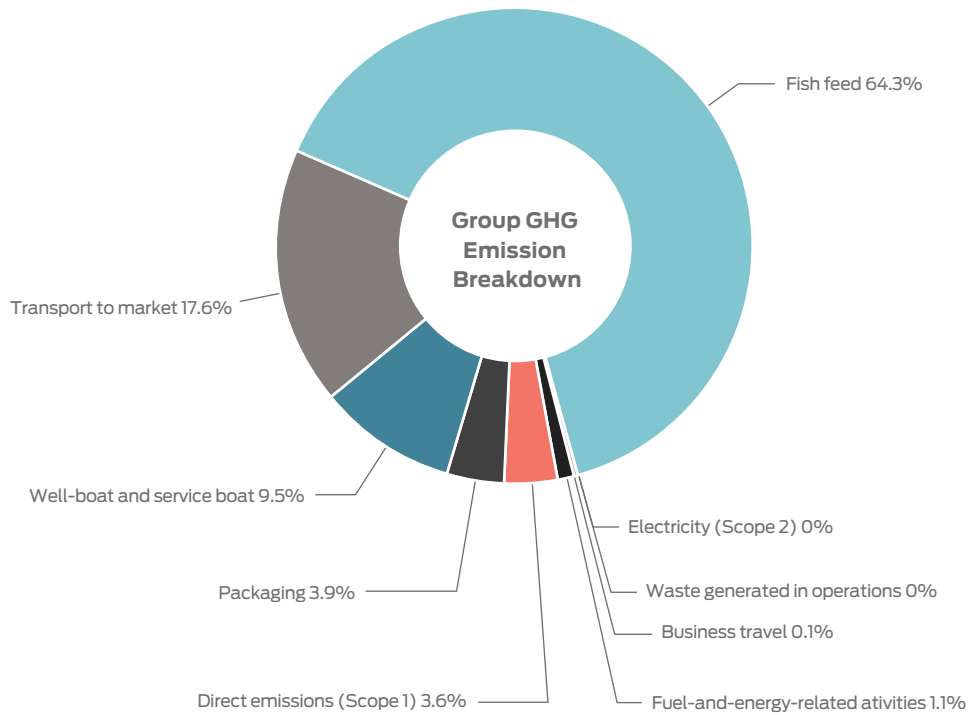
Overview of energy and greenhouse gas emissions

Icelandic Salmon's energy and climate balance sheet has been meticulously prepared in collaboration with CEMAsys, utilizing the well-established GHG Protocol. The values are derived from a combination of internal and external systems, incorporating diverse emission factors to ensure the accuracy of greenhouse gas emission calculations.

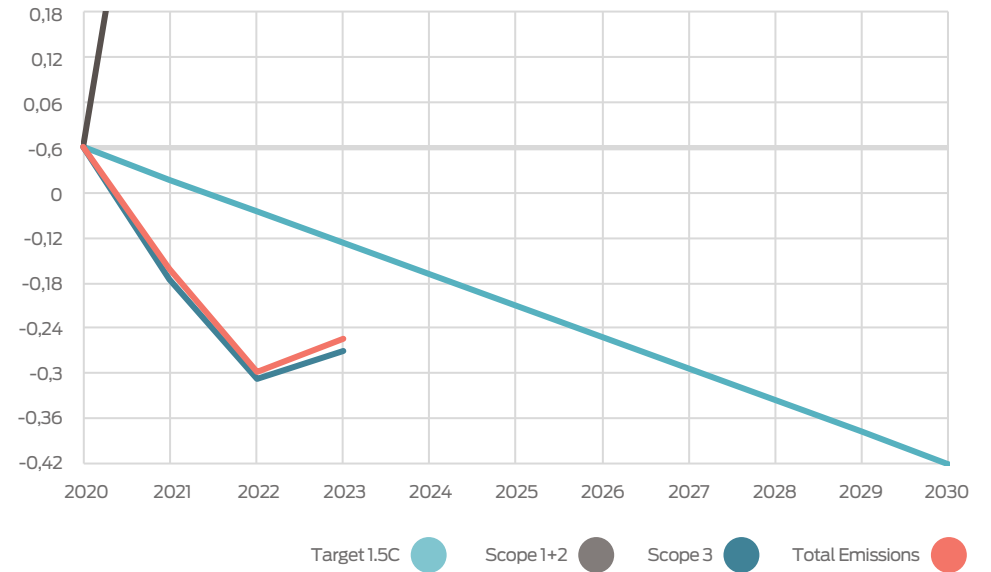
In 2023, Icelandic Salmon's energy consumption comprised 858,822 liters of fossil fuel (31 TJ) and 10,604 MWh of electricity (38 TJ), with 140 MWh dedicated to geothermal heating from renewable sources. Notably, there was a reduction of 931 MWh compared to the previous year (2022). It's noteworthy that all electricity in Iceland is sourced from geothermal and local hydro power, reinforcing Icelandic Salmon's commitment to renewable and sustainable energy practices.



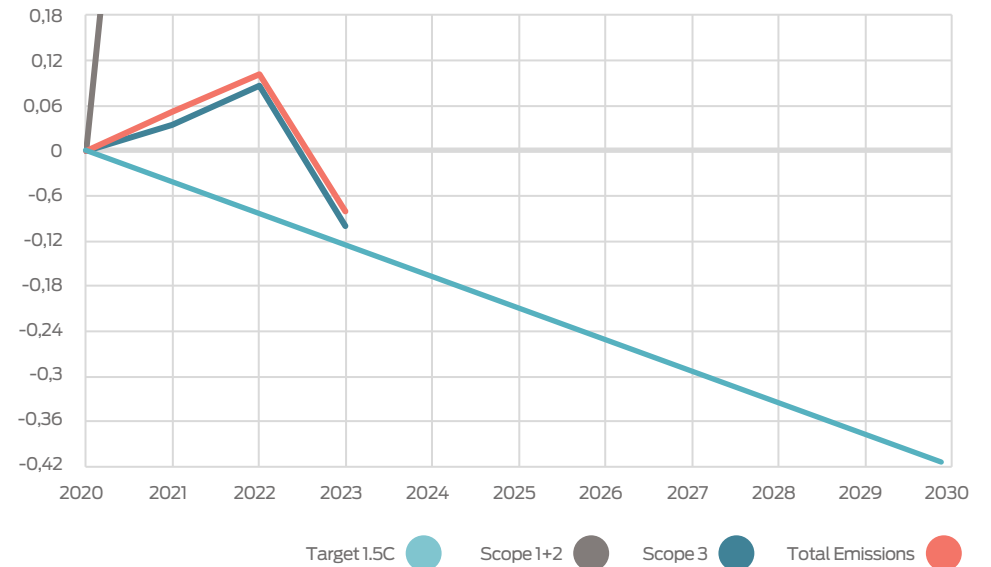
Reduction of MWh
931 MWh
2022-2023



GHG Emissions - Intensity



GHG Emissions - Absolute



Overview of energy and greenhouse gas emissions

	Iceland					
	Target	Status vs. target	2023	2022	2021	Base Year 2020
Energy consumption (TJ)						
Scope 1			31	30	32	15
Scope 2			39	42	22	18
Scope 1+2			69	73	55	33
Greenhouse gas emissions (1000 tCO₂e)						
Scope 1		+110%	2.2	2.1	2.2	1.0
Scope 2			0.0	0.0	0.0	0.0
Scope 1+2	42% reduction from 2020-2030	+110%	2.2	2.1	2.2	1.0
Scope 3		-9%	60	72	68	66
Total (Scope 1+2+3)		-7%	62	74	70	67
GHG Intensity - Biological¹						
Energy intensity (GJ/tonne produced)	42% reduction from 2020-2030		4.1	3.5	3.2	2.4
Scope 1+2 emission intensity (kgCO ₂ e/tonne produced)		+71%	130	99	128	76
Scope 3 emission intensity (kgCO ₂ e/tonne produced)		-26%	3,586	3,440	3,980	4,841
Scope 1+2+3 emission intensity (kgCO ₂ e/tonne produced)		-24%	3,716	3,539	4,108	4,917

¹ All intensities are calculated with tonnes produced biomass, gross growth in sea.

We are electrifying the value chain

In our commitment to advancing environmental sustainability in aquaculture, Icelandic Salmon is actively pursuing increased energy efficiency across its operations. Multiple strategies are being explored to achieve this objective, including the supply of onshore electricity to power sea farms and the electrification of vessels, with a focus on reducing Scope 1 emissions.

Notably, in 2023, Icelandic Salmon introduced two new hybrid feed barges to its operations. Since their deployment in July 2023, these barges have collectively saved a total of 31.781 liters of fossil fuel, equivalent to 85 tons of CO2 emissions. In 2024, the Group plans to further advance its electrification efforts by establishing landpower connections at the first farm site and introducing its first hybrid technology boat in year 2025. Additionally, a hybrid service vessel from a subcontractor, aimed at installing farming equipment at farm sites, was added to the fleet in 2023.

Beyond the evident benefits of reducing diesel consumption and minimizing emissions, electrification positively impacts occupational health by decreasing noise pollution from diesel generators. Looking ahead, Icelandic Salmon remains committed to expanding electrification efforts, connecting more barges to onshore electricity sources, implementing hybrid technology at sites beyond feasible onshore areas, and exploring alternative energy sources to further mitigate greenhouse gas emissions.

We use local energy and water resources

In our continuous commitment to advancing energy efficiency, Icelandic Salmon places a strong emphasis on harnessing local water-based energy sources, consistently seeking opportunities to leverage these resources across our facilities.

Within our hatcheries, we capitalize on the abundant natural geothermal energy sources present in the regions we are operating. By employing geothermal heat exchangers, we effectively utilize this sustainable energy to warm the intake water. This innovative approach significantly reduces our overall energy requirements, showcasing our dedication to environmentally responsible practices.

Furthermore, our harvesting plant situated in the Westfjords optimizes efficiency by tapping into the power of local hydroelectricity. This strategic utilization of nearby hydro power contributes to the overall sustainability of our operations.

In essence, Icelandic Salmon's proactive use of local water-based energy resources underscores our commitment to environmental stewardship and the continuous pursuit of energy-efficient solutions.

We make effective use of our fish feed

Fish feed represents a significant portion of our Scope 3 emissions, accounting for nearly 64% of the total. Recognizing the pivotal role of feed in our overall greenhouse gas emissions, Icelandic Salmon is committed to enhancing the efficiency of feed consumption and integrating novel, low-carbon feed ingredients into our fish feed formulations.

In our concerted efforts to address this environmental impact, Icelandic Salmon engages in ongoing dialogues with feed suppliers. These discussions focus on incorporating more climate-friendly feed ingredients and improving agricultural practices associated with feed production. Through collaborative initiatives, we aim to not only reduce the overall carbon footprint of our feed but also contribute to sustainable and environmentally responsible feed practices.

This accomplishment is attributed to a combination of factors, including a decrease in feed usage through improved feed factors and successful collaborations with feed suppliers to lower the unit carbon footprint of our feed compositions. Between years 2022-2023 the bFCR decreased from 1.26 to 1.19.



Sites supplied by onshore electrical power (hybrid/el)

33%



Fossil fuel savings with hybrid barges

31.781 liters

Decrease in bFCR

between 2022-2023

from 1.26 to 1.19

Biodiversity and Site Environment

The well-being of salmon is intricately tied to their natural habitat, where they thrive and develop optimally. Icelandic Salmon recognizes the importance of this natural balance and the shared assets of the local community that are utilized in the production process. With a deep sense of responsibility, the Group acknowledges the need to preserve the sea and its living creatures for future generations. Icelandic Salmon is committed to employing technology that not only caters to the well-being of the fish but also treats the environment with the utmost care and consideration. This commitment reflects a dedication to sustainable practices that harmonize aquaculture with the delicate ecosystems of the sea.

We protect the seas

Icelandic Salmon places a high priority on the environmental impact of its operations, conducting regular inspections of the seabed beneath all sites to assess the extent of any influence from the aquaculture activities. The Group is committed to identifying optimal farm locations, aiming for a “very good” or “good” condition designation (MOM-B score of ≤ 2 ¹), and in 2023, 100 per cent of operational sites achieved this goal. Rigorous risk assessments are continuously carried out, taking into account pollution sensitivity and avoiding locations highly sensitive to nutrient pollution.

Icelandic Salmon is actively working to reduce the use of copper impregnation in the coating of its net-pens, aiming to minimize benthic impacts associated with its aquaculture operations.

Furthermore, the Group ensures that its processing facilities and onshore hatcheries comply with discharge permits for excess wastewater. The discharged water undergoes treatment before being released into the sea. Continuous monitoring of water quality is a standard practice, and all Icelandic Salmon facilities are strategically located in areas with low risk across all main categories of the WRI Aqueduct map².

In 2023, Icelandic Salmon reported no incidents of non-compliance with water quality or discharge permits, underscoring the Group's commitment to responsible environmental practices. The wastewater volume target is aligned with the water withdrawal target, emphasizing a sustainable approach where all withdrawn water receives appropriate treatment before discharge. This reflects Icelandic Salmon's dedication to maintaining environmentally conscious and sustainable aquaculture operations.



3 YEARS IN A ROW
MOM-B Score ≤ 2 100%

¹ The MOM-B study complies with Norwegian Standard NS9410. The condition is graded on a scale of 1 to 4.

² Aqueduct | World Resources Institute: <https://www.wri.org/aqueduct>

Water Management

Compared to other food production types, salmon farming requires less freshwater since the fish spend much of their lives in the sea. The primary source of Icelandic Salmon's freshwater consumption is attributed to its onshore hatcheries, constituting 97 per cent of the total in 2023. The residual consumption is primarily associated with harvesting and processing operations. Icelandic Salmon's total water withdrawal is presented in the table below.

Freshwater source	Water withdrawal (1000m3)
Surface water	7,125
Municipal water	238
Ground water	12,064
Total water withdrawal	19,427

We use fresh water only from low-risk areas

Icelandic Salmon acknowledges the global challenges related to water scarcity and emphasizes responsible water management in its operations. The Group ensures that all withdrawn freshwater comes from areas with low risks of water shortages or poor water quality. The World Resource Institute's water risk map is used as a tool to assess and understand water risks in different regions.

Additionally, Icelandic Salmon is actively engaging with its suppliers, particularly feed suppliers operating in areas with higher water risk. The expectation is for these suppliers to responsibly and sustainably manage water resources, with a clear strategy aimed at reducing freshwater use.

Water treatment

All water from processing facility is rinsed and sanitized before it's released to the effluent. Effluent water from two of our smolt stations enters an open body of water, Gileyri and Íspór. In Tálknafjörður, where Gileyri station is located, benthic sampling is carried out near the station to assess condition. At Íspór the recipient is open water and hard benthic bottom. In Fjallalax, where the recipient is river water, the effluent is treated with drum filters and sludge removed.

Circularity and Nutrient Management

Icelandic Salmon is committed to transitioning from linear to circular economies, influencing material flow patterns, procurement strategy, and strategic partnerships in operational areas with high potential for resource reuse.

At the Fjallalax hatchery, a drying facility has been implemented to utilize the produced sludge as a valuable resource. All sludge generated by the facility undergoes a drying process. Subsequently, a third party collects the dried sludge for use as fertilizer on its own territory.

To ensure responsible waste disposal, we conduct measurements according to operational licenses for total organic carbon (TOC), total nitrogen, and total phosphorus in the wastewater, which is then sent to local authorities.

In cases where resources cannot be effectively reused, Icelandic Salmon follows a waste management plan applicable to all departments. This plan specifies approved receiving facilities for various types of waste. Major waste categories, such as packaging and fish farming equipment (e.g., feed pipes, collars, nets, and mooring devices), are directed to enterprises that specialize in reusing these materials. Icelandic Salmon remains committed to responsible resource management, aiming to minimize waste generation.



Addressing Ocean Pollution, with a Focus on Plastic Waste

Recognizing the significant environmental challenge posed by sea pollution, particularly plastic pollution, Icelandic Salmon is dedicated to contributing to the reduction of plastic waste in the oceans. We aim for continual improvement in waste handling practices and strive to minimize microplastic emissions from our operations. Our commitment extends to engaging in broader coastal cleanup initiatives.

To reduce the volume of plastic waste generated by our operations, we are implementing several initiatives:

1. Recycling Obsolete Plastic Equipment:

We ensure that obsolete plastic equipment is recycled by participating in established return schemes. Additionally, we collect other waste materials for delivery to municipal waste handling systems.

2. Promoting Reuse and Recycling:

We actively contribute to more reuse and recycling, especially of plastic materials. This involves enhancing the materials surrounding our end products.

3. Supporting Research on Microplastics:

We support measures aimed at enhancing our understanding of the presence and consequences of microplastics and nanoplastics in the sea. This commitment aligns with our dedication to addressing the broader issue of plastic pollution.

4. Participating in Beach Cleanup Initiatives:

Icelandic Salmon contributes to beach cleaning and plastic waste collection through various means, including financial support, lending boats for cleanup operations, and active participation.

Addressing Sea Pollution in Fish Farming

Recognizing the challenges associated with sea pollution caused by uneaten feed and faecal matter in the fish farming industry, Icelandic Salmon takes its responsibilities seriously. We actively engage in projects to increase knowledge on this matter and leverage new optic technology to optimize feed conversion ratios. This approach aims to limit the amount of feed spilled into the sea, contributing to sustainable and responsible fish farming practices.

Comprehensive Utilization of Salmon By-Products

Icelandic Salmon is committed to maximizing the use of every part of the salmon, ensuring a sustainable and environmentally friendly approach. Our by-products are fully exploited through a streamlined process:

Closed System to By-Product Site:

All by-products from processing are efficiently directed through a closed system to our land-based by-product site. This closed-loop system minimizes the need for additional input factors related to transport and handling.

Efficient Resource Utilization:

The approach ensures that every part of the salmon, including those that may not meet production standards, is utilized efficiently. This includes fish that may not survive during production in hatcheries or sea water.

Eco-Friendly Disposal:

The product from this production is sent to specialized company which utilize the by-products as ingredients in various industries, including fish meal and fish oil production along with feed manufacturing.

This comprehensive utilization of salmon by-products not only aligns with our commitment to sustainability but also contributes to minimizing waste and promoting circular economy practices in our operations.



We support research and education

Iceland's aquaculture industry has experienced significant growth, with Icelandic Salmon playing a pivotal role in its continuous development. The Group is dedicated to advancing knowledge in various operational areas through extensive collaboration with key stakeholders:

Partnerships with Public Authorities and Educational Institutions:

Icelandic Salmon collaborates closely with public authorities, educational institutions, and industry associations. This collaborative approach contributes to the growth and development of the aquaculture industry in Iceland.

Support for Academic Programs:

The Group actively supports academic programs related to aquaculture. Notably, Icelandic Salmon's engagement with the Westfjords University has expanded, leading to the establishment of a new aquaculture study line at the college level in the fall of 2023.

Collaboration with Fisheries and Aquaculture Education Institutions:

Icelandic Salmon maintains fruitful collaborations with institutions such as the Icelandic College of Fisheries and is engaged in discussions with Hólar University, which offers formal education in the field of aquaculture.

Researcher Support:

Icelandic Salmon welcomes researchers working on projects relevant to the aquaculture industry. The Group provides support in the form of information, equipment, and data to contribute to the success of research initiatives.

This commitment to knowledge advancement and collaborative research underscores Icelandic Salmon's dedication to fostering a sustainable and thriving aquaculture sector in Iceland.

PEOPLE & SOCIETY

At Icelandic Salmon, we prioritize the well-being of our colleagues, partners, and the communities where we operate. As responsible corporate citizens, we believe that our conduct should contribute positively to both our business operations and society as a whole. With a workforce exceeding 190 employees, we play a significant role as an employer, making us a vital contributor to society. This role entails multiple responsibilities to individuals, communities, and the industry. We take these social obligations seriously, embracing ethical business practices as a fundamental value. Our commitment is unwavering – to operate with integrity, propriety, and trustworthiness, showcasing transparency in our operations.

Our dedication to sustainable development revolves around generating local value, fostering knowledge development, and enhancing the quality of life for individuals. Recognizing our roles as an employer, producer, supplier of nutritious food, custodian of nature and the environment, and manager of intellectual and financial capital, we acknowledge the importance of integrating these aspects into our business. Given our influential position, we understand the significance of making positive and sustainable contributions to our surroundings, while also actively participating in community initiatives whenever possible.



KPI's

		Target	2023	2022	2021
Employees	No. of full-time equivalents (FTE):		168	154	133
	Admin		18	17	15
	Hatcheries		25	24	13
	Fish Farming		64	58	52
	Sales & Industry		60	55	53
	Ratio of women:		28%	26%	23%
	Admin		49%	51%	49%
	Hatcheries		18%	20%	39%
	Fish Farming		12%	12%	9%
	Sales & Industry		39%	33%	25%
Safety & sickness absence	No. of fatalities	0	0	0	0
	LTI's	0	5	9	7
	H-factor	< 6	3.0	5.8	5.5
	Sickness absence	< 4.5%	4.7%	4.1%	4.1%
Regulatory compliance	No. of violations	0	0	1	0
	Fines (ISK millions)	0	0	120 ¹	0

1 Fine is disputed and final decision has not been received.

The Workforce

To achieve our strategic objectives, it is crucial that we attract and retain top-notch employees, regardless of gender, age, or background. This can only be accomplished by providing an appealing and secure working environment, allowing us to attract and retain highly skilled individuals who contribute to our overall success.

Our commitment to diversity is evident in our workforce. In 2023, Icelandic Salmon employed 167.5 full-time equivalents from at least 15 different nationalities, an increase of 13.5 full-time equivalents from 2022. The workforce comprised 53 women and 137 men, with the female ratio in the Executive Management at 33 per cent.



**Increase YoY
in FTE 13.5**

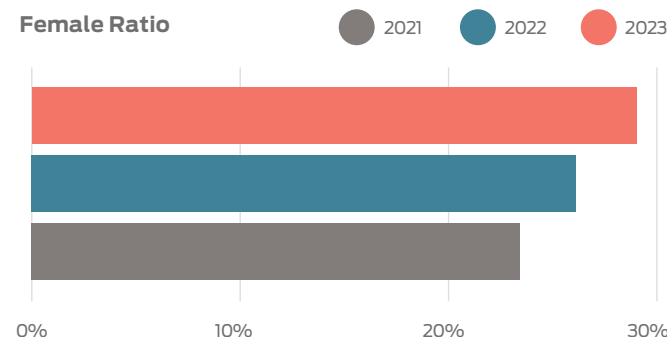
Icelandic Salmon actively promotes the recruitment of women in what has traditionally been a male-dominated industry. Our goal is to showcase the vast opportunities for women in all industry sectors, targeting potential future employees in schools, universities, etc., and having female representatives speak about Icelandic Salmon as a workplace.

The female ratio of employees increased in most parts of our value chain, indicating the effectiveness of Icelandic Salmon's ongoing efforts to enhance gender diversity. While the percentage of women is higher at the Group's admin, sales, and processing facilities compared to hatcheries and fish farms, we are focusing on increasing the female ratio in the Fish Farming segment in the coming years.

Since 2021, Icelandic Salmon has been certified by BSI according to the equal pay standard ÍST 85, ensuring professional practices that prevent direct and indirect gender-based discrimination, demonstrating that our remuneration policy promotes equality. In the maintenance audit conducted in November 2023, the gender pay gap was 1.8% in favor of men, and the report highlighted the exemplary and well-managed nature of the Group's equal pay system.

Details of benefits to executive management and compensation according to the remuneration policy for 2023 is presented in the Financial Statements and results in [section 4](#).

Female Ratio

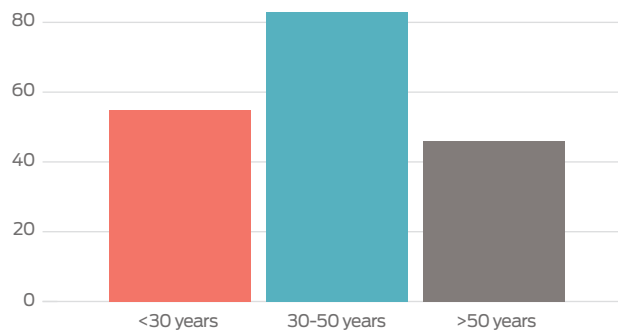



**Increase in
female ratio
3 years
in a row**

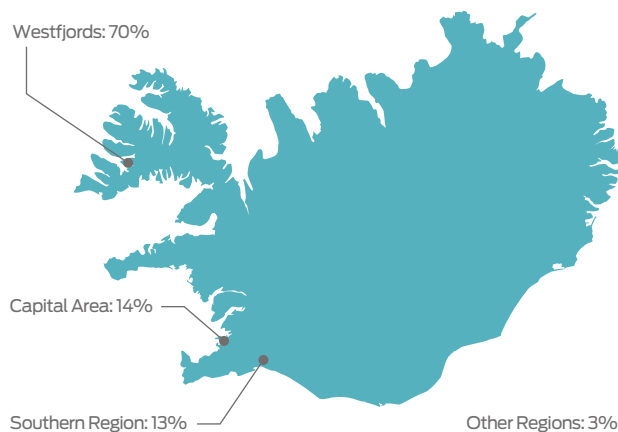
We have clear ethical guidelines

In our [Ethical Guidelines](#), we explicitly outline our commitment to promoting diversity and equality. Icelandic Salmon unequivocally rejects discrimination, abuse, or harassment of our workers or partners. We are dedicated to treating everyone with courtesy and respect, regardless of their ethnicity, gender, national or social background, age, functional capacity, sexual orientation, religious faith, political convictions, or other status.

Age distribution of Icelandic Salmon



Breakdown by residence



Respect for the individual is a fundamental principle embedded in one of our company's core values, "We care." Our policy emphasizes that everyone should be treated with dignity and respect, and no one should be unfairly hindered from carrying out their duties and responsibilities. This approach is rooted in the understanding that diversity contributes to a better working environment, enhances adaptability, and yields better results in the long term.

Encouraging Accountability: Whistleblowing at Icelandic Salmon

At Icelandic Salmon, we prioritize transparency and accountability in our workplace. To ensure a safe space for reporting wrongdoing or expressing grievances, we have established the Ethics Gateway, a dedicated whistleblowing channel operated by the consulting company Hagvangur ehf. This platform enables all employees to report concerns, either anonymously or using their full names, promoting accountability and fairness.

The Ethics Gateway is easily accessible on www.sidferdisgattin.is in both Icelandic and English languages. It operates independently, fostering an environment where individuals can report not only issues related to themselves but also instances of unfair treatment toward others. Our commitment to this channel is a testament to our values and our dedication to maintaining a workplace built on integrity.

To ensure that employees feel confident in using the whistleblowing channel, we provide comprehensive training on the procedure. Importantly, all employees are assured protection from reprisals when reporting any wrongdoing. Detailed information on the [whistleblowing procedure](#) is available in our management system accessible to all employees and is handled in collaboration with the HR department.

In the year 2023, zero whistleblowing reports were recorded, encompassing all grievances for the full year.

Promoting Equality and Non-Discrimination at Icelandic Salmon

In 2023, Icelandic Salmon emphasized its commitment to creating an inclusive workplace through various initiatives. We introduced the [Non-Discrimination and Equal Opportunities policy](#), ensuring our dedication to fairness and equality is well-documented. Additionally, a significant portion of our workforce participated in a non-discrimination practices course facilitated by the Equality Office in Iceland. These measures underscore our ongoing efforts to cultivate a workplace where everyone is treated with respect and fairness. Icelandic Salmon is steadfast in upholding these values across all aspects of our operations.

Empowering and Engaging Our Team

At Icelandic Salmon, we believe in harnessing the collective strength of our workforce for continuous growth. Regular planning and review meetings are conducted across various departments, ensuring a structured platform for employees to contribute ideas and insights.

Our commitment to employee development begins with comprehensive training in the e-learning system Blue Planet Academy where employees learn about salmon farming, fish welfare, preventive measures for escapes, courses on HSE, chemical handling, biosecurity, hygiene etc.

The Arnarlax Academy, which is held twice a year, stands as Icelandic Salmon's dedicated platform for cultivating individual competence and shaping our corporate culture. Addressing not only operational matters but also delving into corporate culture and leadership, this initiative engages both managers and employees in the collective pursuit of creating a leader amongst the aquaculture companies. The bedrock of our activities in this domain is grounded in shared management principles and tenets.

Icelandic Salmon acknowledges its responsibility in training skilled workers and actively fosters talent through numerous apprenticeships. Collaborating with esteemed institutions like the Icelandic College of Fisheries and Westfjords University and Holar University, we contribute to the development of the next generation



of industry professionals. Additionally, Icelandic Salmon conducts regular development discussions with employees, occurring at least annually. This best practice not only plays a crucial role in nurturing content and high-performing employees but also provides a familiar space for open and honest dialogue with senior management, fostering a culture of continual improvement and collaboration.

Icelandic Salmon is committed to upholding the rights of our employees, actively promoting freedom of association and supporting collective bargaining. 100% of Icelandic Salmon's employees are covered by the collective bargaining agreements. In Iceland there is a legal provision stipulating that it is not allowed to pay wages lower than those specified in the relevant collective bargaining agreements.

Incentive schemes for senior executives are linked to our sustainability KPIs

Icelandic Salmon employs a performance-based bonus scheme for senior executives, aligning closely with the achievement of the Group's sustainability Key Performance Indicators (KPIs). Tailored to specific roles and responsibilities, individuals across the organization, from Group Management to site managers, have distinct KPIs that guide the assessment of their performance-based bonuses. For instance, sea farm site managers are evaluated based on clear KPIs related to fish welfare, encompassing factors like survival rate and feed conversion ratio.

Notably, in 2023, it was decided to include all general employees in the bonus system.

Health and Safety in the workplace

At Icelandic Salmon, our commitment is to provide a secure working environment. We work systematically with risk management and training to protect our workforce.

In 2023, we recorded a total of 5 Lost Time Injuries (LTI), achieving an H-factor of 3.0, the lowest reported value since the inception of these registrations in 2020 when H-factor was 7.8. This significant improvement reflects our unwavering focus on safety practices.

In the pursuit of transparency and accountability across the blue chain,

Icelandic Salmon now reports LTIs for subcontractors. In 2023, there were no LTIs reported for subcontractors, reinforcing our commitment to safety at all levels.



H-factor 2023

3.0

Serious personal injuries are promptly reported to relevant authorities and thoroughly investigated to prevent similar incidents in the future, with prevention remaining our top priority. Hazardous operations are meticulously planned, supported by operational plans and safe work analyses (SWA) before any work commences. Compliance with national regulations regarding working hours and adequate rest is prioritized to uphold Icelandic Salmon's stringent standards for safe operations.

Our continuous efforts for best practices in limiting work-related injuries include a dedicated Safety Committee within Icelandic Salmon. Comprising selected management representatives and nominated employee representatives from various departments, the committee meets at least quarterly to discuss safety matters and organize training initiatives in collaboration with other managers. Management also monitors safety performance during weekly and monthly meetings. Semi-annual safety inspections in each department uncovered crucial areas for improvement in 2023, reinforcing our ongoing commitment to workplace safety.

In line with our holistic approach to safety and security, Icelandic Salmon places a strong emphasis on supporting the well-being of our employees. An annual health check and flu vaccination are provided on-site for all employees, ensuring proactive health measures.

However, we acknowledge that the sickness absence rate slightly exceeded the set target for the first time in five years, reaching 4.7% against the 4.5% goal. As we move forward, our dedicated focus in 2024 will be on bringing the overall sickness absence rate back in line with our company goal, reinforcing our commitment to the health and well-being of our workforce.



Society

At Icelandic Salmon, we are deeply committed to upholding and promoting human rights in all facets of our operations, both direct and indirect. Key aspects, such as safeguarding against discrimination and supporting the right to form labor unions, are integral parts of the Group's Code of Conduct and other governing documents.

To systematically ensure the adherence to human rights standards across our entire value chain, Icelandic Salmon initiated comprehensive audits of subcontractors in 2023.

Our presence extends to local communities in the Southern Westfjords region, the South Coast of Iceland and Reykjavík. We recognize the importance of these communities having essential infrastructures and recreational opportunities for our employees. Operating in locations conducive to optimal fish growth is critical for Icelandic Salmon. Actively engaging in local forums, information exchange, and participation in planning processes are essential aspects of our commitment to these regions.

As a relatively young industry, salmon farming necessitates transparent communication with local decision-makers and residents. By actively participating in business associations and public debates, Icelandic Salmon contributes to crucial sustainable development processes in Iceland. We prioritize keeping stakeholders informed about our operations and future development plans, fostering a sense of collaboration and understanding in the communities we serve.

Community Support and Sponsorship

Icelandic Salmon is dedicated to making meaningful contributions to the communities in which we operate. Through our sponsorship committee, we actively support local culture, community projects, educational events, sports teams, and voluntary associations. The committee places a special emphasis on backing initiatives that promote sports and culture, with a focus on children and young people.

In year 2023 over 22.000.000ISK was spent on sponsorships. In late 2023, Icelandic Salmon proudly assumed a prominent sponsorship role for the Icelandic national handball team, further solidifying our commitment to fostering community development and engagement. This sponsorship was addition to what was funded within the year. We believe that by investing in local culture, education, and sports, we contribute to the well-being and growth of the communities that form an integral part of our operations.

In addition to our broader community support initiatives, Icelandic Salmon proudly serves as a major sponsor of public transport in the Southern Westfjords. By investing in sustainable mobility solutions, we aim to contribute to the accessibility and connectivity of the region, promoting environmentally friendly transportation options. This sponsorship aligns with our commitment to fostering a positive impact on local communities and the environment in which we operate.

Sustainable Financing for Responsible Practices

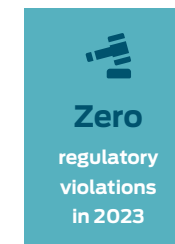
In mid-2023, Icelandic Salmon took a significant step in aligning its financing with sustainability goals by securing a sustainability-linked credit facility. This innovative approach incorporates four key sustainability Key Performance Indicators (KPIs) that directly influence the determination of the interest margin. Success in meeting these targets results in a lower margin, while failure leads to a higher margin, emphasizing the Group's commitment to sustainable practices. The three KPIs focus on crucial aspects contributing to enhanced sustainability:

- » Survival Rate in Seawater
- » Biological Feed Conversion Ratio
- » Usage of Fossil Fuel, Scope 1 (liters per kilo harvested)

This strategic financing model reinforces Icelandic Salmon's dedication to responsible and sustainable operations in the aquaculture industry.

We comply with the regulations

The aquaculture industry is strictly regulated, and companies must comply with their operational licenses, applicable laws and regulations. Icelandic Salmon reports the number of regulatory violations that have resulted in fines. This includes all violations relating to products and food safety, environmental and social regulations that resulted in monetary fines. In 2023, Icelandic Salmon had no regulatory violations.



GRI INDEX AND THIRD-PARTY VERIFICATION

Now for the second time, Icelandic Salmon reports on its activities in the field of corporate social responsibility and sustainability on the basis of the guidelines issued by the international organization, the Global Reporting Initiative (GRI). Reporting takes place via this report, Icelandic Salmon's consolidated annual report and sustainability and other information published on our website.

The sustainability reporting for 2023 includes data for a number of disclosures drawn from GRI's guidelines. An overview of which indicators the report covers is presented in a separate publication on our webpage.

EY has carried out a limited third-party verification of the 2023 report. The KPIs in the report that have been verified, along with accompanying comments, are presented below.

Third-party verification

The following shows the KPIs that have been the subject of third-party verification by EY.

Fish			Environment & Technology			People & Society		
KPI		Indicator	KPI		Indicator	KPI		Indicator
Survival rate	12-month rolling survival rate	GSI	Greenhouse gas (GHG) emissions	Scopes 1+2 (GHG tCO ₂ e)	305-1+2	Safety and sickness absence	LTI-Own employees	403-9
Antibiotics	Grams of active pharmaceutical ingredient (API/tonne produced)	GSI		Intensity Scopes 1+2 (kgCO ₂ e/tonne produced)	305-4		LTI-Subtractors	403-9
Interaction with wild life	Birds - Accidental mortality	GSI		Scope 3 (GHG tCO ₂ e)	305-3		H-factor	403-9
	Birds - Euthanised	GSI		Intensity Scope 3 (kgCO ₂ e/tonne produced)	305-4		Sickness absence	403-10
	Marine mammals - Accidental mortality	GSI		Intensity Scopes 1+2+3 (kgCO ₂ e/tonne produced)	305-4			
Fish escapes	No. of incidents	GSI	Site environment	MOM-B-Score ≤ 2	Own KPI			
	No. of escaped fish	GSI	Operational areas with low water risk	Share of operational areas with a low overall water risk	303-5			
Fish feed	Certification of marine ingredients in fish feed	Own KPI	Withdrawal of fresh water	Withdrawal (1,000 m ³)	303-5			
	Certification of soya ingredients in fish feed	Own KPI		Intensity (liter per kg produced)	Own KPI			
	FFDR (Fish meal)	Own KPI						
	FFDR (Fish oil)	Own KPI						
	Biological feed conversions ratio	Own KPI						
Certification	Share of active sites certified	GSI						

INDEPENDENT ACCOUNTANT'S ASSURANCE REPORT



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Ernst & Young AS

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INDEPENDENT ACCOUNTANT'S ASSURANCE REPORT

To the board of directors in Icelandic Salmon AS

Scope

We have been engaged by Icelandic Salmon AS to perform a limited assurance engagement, as defined by International Standards on Assurance Engagements, here after referred to as the engagement, to report on Icelandic Salmon's sustainability reporting as defined and specified in the Icelandic Salmon's GRI Index (see the document GRI content index 2023 on page 44 in Icelandic Salmon AS's Consolidated Annual Report (the "Subject Matter") as for the year then ended.

Other than as described in the preceding paragraph, which sets out the scope of our engagement, we did not perform assurance procedures on the remaining information included in the Consolidated Annual Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by Icelandic Salmon AS

In preparing the Subject Matter, Icelandic Salmon AS applied the relevant criteria from the Global Reporting Initiative (GRI) sustainability reporting standards as well as its own defined published criteria (the "Criteria"). The Criteria can be accessed at globalreporting.org and are available to the public. Icelandic Salmon AS has also applied relevant criteria from the reporting standards of the Global Salmon Initiative (GSI). Such Criteria were specifically designed for companies and other organizations that want to report their sustainability impacts in a consistent and credible way. As a result, the Subject Matter information may not be suitable for another purpose.

Icelandic Salmon AS's responsibilities

The Board of Directors and Group Chief Executive Officer (management) are responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the Subject Matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.



We conducted our engagement in accordance with the International Standard for Assurance *Engagements Other Than Audits or Reviews of Historical Financial Information* ('ISAE 3000'). This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Control

We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

EY also applies International Standard on Quality Management 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements*, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained if a reasonable assurance engagement had been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information and applying analytical and other appropriate procedures.

Our procedures included:

- Interviews with key personnel to understand the business and the reporting process
- Interviews with key personnel to understand the process for collecting, collating and reporting the Subject Matter during the reporting period
- Test on a sample basis the calculation Criteria against the methodologies outlined in the Criteria

Independent accountant's assurance report – Icelandic Salmon AS 2023

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- Analytical review procedures of the data
- Comparison, on a sample basis, of data with the underlying source information
- Comparison of the presentation of the Subject Matter with the presentation requirements outlined in the Criteria.

We believe that our procedures provide us with an adequate basis for our conclusion. We also performed such other procedures as we considered necessary in the circumstances.

We have performed these procedures on the following indicators that also form the scope of our conclusion:

GRI / GSI	Custom
GRI 303-5	Certification of marine ingredients in fish feed
GRI 305-1	Certification of soya ingredients in fish feed
GRI 305-2	Forage fish dependency ratio (FFDR) for fish meal
GRI 305-3	Forage fish dependency ratio (FFDR) for fish oil
GRI 305-4	Biological feed conversion ratio
GRI 403-9	B-analysis benthic score ≤ 2
GRI 403-10	Fresh water intensity (liter per kg produced)
GSI Fish Mortality	
GSI Antibiotic Use	
GSI Wildlife interactions	
GSI Fish Escapes	
GSI Certifications	



Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter as for the year then ended in order for it to be in accordance with the Criteria.

Trondheim, 17 April 2024
ERNST & YOUNG AS

The assurance report is signed electronically

Christian Ronæss
State Authorised Public Accountant



CORPORATE GOVERNANCE

3

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CORPORATE GOVERNANCE AT ICELANDIC SALMON

Icelandic Salmon AS (“Icelandic Salmon” or “the Group”) is dedicated to maintain a high standard of corporate governance. The Board of Directors acknowledges the crucial role of corporate governance in safeguarding the interests of all stakeholders. The Board is responsible for ensuring that Icelandic Salmon is organized, managed and operates in strict accordance with applicable laws and regulations, and that Icelandic Salmon upholds high standards of corporate governance.

Corporate governance at Icelandic Salmon and subsidiaries are based on the following principles:

- » All shareholders shall be treated equally.
- » Icelandic Salmon shall maintain open, relevant and reliable communications with its stakeholders, including shareholders, public authorities and the general public, on matters relating to its business.
- » Icelandic Salmon Board of Directors shall have good knowledge about the company industry, values and day to day activities within the company operation.
- » Icelandic Salmon shall have a clear allocation of roles and responsibilities between the Board and management.

Icelandic Salmon shares are listed on the Euronext Growth in Oslo and Nasdaq First North in Reykjavík. The Norwegian Code of Practice for Corporate Governance (“the Code”) does not apply on Euronext Growth Oslo. However, with the Group’s ambition to uphold high standards in terms of corporate governance, the code is used as a framework for this report. The Group is also required to report on corporate responsibility and select related issues in accordance with §3-3a and §3-3c of the Norwegian Accounting Act.

Corporate social responsibility

The Group places significant emphasis on acknowledging the importance of its corporate social responsibility. The Group recognizes its important role as an employer, producer, supplier of nutritious food, user of the environment, and administrator of financial and intellectual capital. Social responsibility is integrated in the daily operations of the Group.

Business and purpose

Icelandic Salmon is the parent company of Arnarlax ehf., Iceland’s largest producer of farmed salmon. At end of 2023, the Group held licenses for 23.7 thousand tonnes MAB in Iceland, and harvested 17.9 thousand tonnes of salmon.

The Group has followed a long-term growth strategy since 2020, following a successful capital increase. Central to this growth strategy was increased smolt production. By the end of 2023, the Group owned four smolt facilities, where three of them were in operation, while the fourth are being prepared for smolt production, planned to start production in 2024. One of these facilities, Tálknafjörður, received a license increase from 200 tonnes to 1,000 tonnes (MAB). In 2023, it produced over 2.3 million smolts

The growth strategy is to maximize utilization of MAB within current licenses and expand license capacity in order to obtain critical mass to secure competitiveness in the global market.

Icelandic Salmon objective has been defined as follows:

“The objective of the Group is production, processing and sale of seafood and seafood-based products, as well as conducting other business in connection with these purposes, including through investments and ownership in other companies with same purpose.”

Code of conduct, values and social responsibility

The Board approved ethical guidelines in August 2020, which are reviewed and updated annually, most recently in January 2024. The ethical guidelines applies for all Icelandic Salmon Group, including employees, the Board of Directors, and representatives acting on behalf of the Group.

The purpose of the ethical guidelines is to ensure healthy corporate culture and safeguard the Groups integrity by helping employees to comply with standards for good business practice. The guidelines also serve as a tool for self-assessment and further development of the Group’s corporate identity.



The Group's ambition is:

"Premium Salmon – Crafted with Passion, by nature."

This ambition drives the Group to focus on farming salmon on the salmon's terms and work tirelessly to be outstanding at all levels and in all aspects of production.

The operative business has two clear strategic goals, which form the core of the Groups strategic foundation:

*"(1) Sales shall secure the best possible price, and
(2) fish farming shall be unbeatable on cost
– best for operational efficiency."*

Overarching all business operations and actions is the Group's vision, which is the following:

"Sustainability – it's in our nature",

This vision implies that all decisions related to production will be made based on the Group's vision. The fish will be farmed in conditions most conducive to their wellbeing. The Group believe that the best biological results will pave the way for the best financial results, premium product quality and thus safeguard the Groups position as a sustainable salmon producer.

The Group has a set of tenets that describe desired behaviors and a shared understanding of how employees should behave to build a good corporate culture. Through Arnarlax Academy, all employees are encouraged and opportunities for development as well as introduction and guidelines on the Groups tenets and ethical guidelines. The tenets are:

1. "Quality in everything we do":

meaning that the Groups processes must be continuously developed and improved to enable the Group to fulfil its vision of delivering sustainable Icelandic Salmon from the Westfjords. The Group does that by keeping high-quality standards and making sure that all processes are implemented that secures the quality of the jobs, and through that securing a good quality in the product.

2. "Teamwork makes us stronger together":

meaning that the Group has a open culture where everyone can express their opinion and through that, improve work processes within the Group. This enables improvements and good working environment.

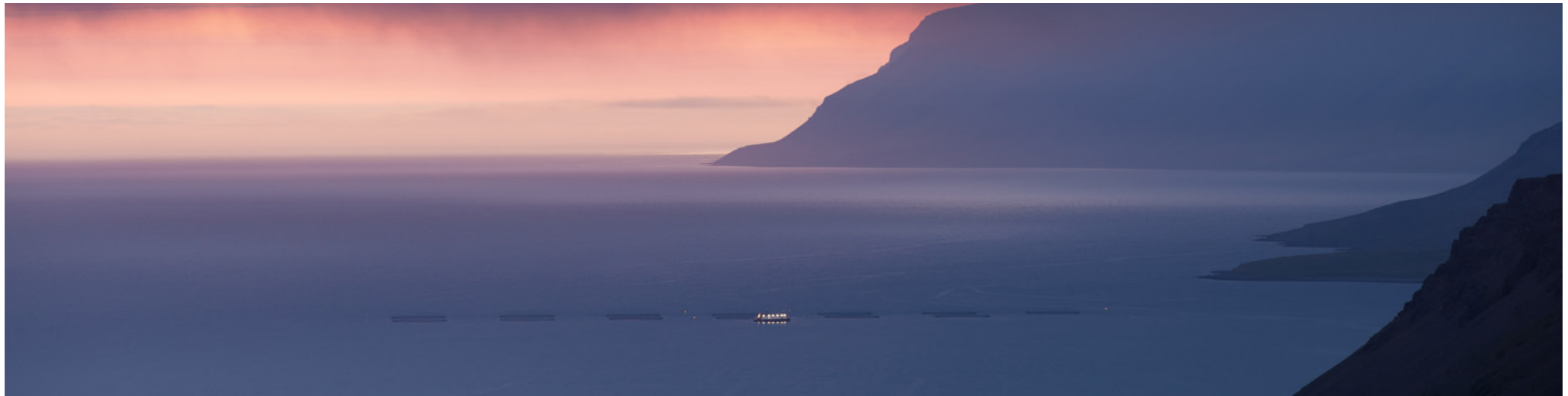
3. "We care":

meaning that all employees must care about the people around them and the job they do. Employees must live by values rooted in a sense of responsibility, consideration and ambition. This will have a positive impact on the Group biological, financial, Health safety and environment performance as well as relation with the society at large. The Group has a presence in five local communities and its employees are multicultural from all over the world. The Group is therefore aware of the diverse nature of its social responsibilities as an employer, producer and a user of the natural environment.

Equity and Dividend

As of 31st December 2023, the Group's equity totaled EUR 152.9 million which corresponds to an equity ratio of 64 per cent. The Board considers Icelandic Salmon capital structure to be adequate in relation to the Groups objectives, strategy and risk profile.

Icelandic Salmon intends to provide shareholders with a competitive return on invested capital by creating value for the shareholders in the form of share price appreciation over time. The Group has not paid out any dividends to its shareholders and no decisions nor dividend policy have been made on dividend payments while the Group is following its growth strategy.



The Group is committed to maintaining strong financial position, ensuring a consistently strong balance sheet and adequate liquidity reserve to meet upcoming obligations. The Group follows three primary long-term financial targets linked to its Net Interest Bearing Debts (NIBD), EBITDA and equity.

The Group has not issued any increased share capital and no approval of from the AGM has been issued for any share issues.



The Board of Directors

The Group has an active Board of Directors with a prescheduled meeting agenda throughout the year. According to the article of association, the board shall consist of 3-7 board members and shall election of board members take place on a general meeting for a two year period.

Current Board of Directors are comprised of five members elected by the AGM for a two year period. All members of the Board of Directors are representatives of the Groups shareholders.

At an annual general meeting (AGM) that took place on May 25, 2023, changes were made to the Board of Directors where Leif-Inge Nordhammer took over the position of Chairman from Kjartan Ólafsson, that remained in the Board as a Deputy Chairman. Trine Sæther Romuld stepped out as a board member and Ulrik Steinvik and Gustav Witzøe stepped in as a board members. Re-election for Board Membership at Icelandic Salmon will take place in 2025. Two of the board members are deemed to be independent.

Authorizations granted to the Board of Directors are normally time limited and are valid only up until the next AGM and no later than June the following year. At the AGM on May 25, 2023 no authorization was granted for increase of the company's share capital. Next AGM will be held on May 21, 2024.

Shareholder equality and transactions with closely related parties

As of December 31, 2023, Icelandic Salmon did not possess any treasury shares. Transactions involving treasury shares must be executed on the stock exchange or through other means at the listed price on the transaction date. In instances of significant transactions involving closely related parties, the Group is obligated to make use of valuations and assessments provided by an independent third party. Should a capital increase occur based on an authorization by a general meeting of shareholders, where the existing rights of shareholders are waived, the reason for this action will be disclosed in a public announcement coinciding with the capital increase.

Icelandic Salmon's ethical guidelines refer to insider trading, outlining the expectations for employees regarding loyalty, conflicts of interest, confidentiality, and guidelines for trading on the Group's shares. No

employee is permitted to directly or indirectly subscribe to, purchase, sell or exchange shares in the Group if they possess information likely to impact the share price, whether positively or negatively, before it becomes public knowledge. Any subscription, purchase, sale, or exchange carried out by board members, executive management, members of controlling committees, or Auditors must be duly reported.

The ethical guidelines explicitly state that all employees are required to notify their line manager or the Compliance Officer if they find themselves in a situation where they hold a material direct or indirect interest in a transaction or other matter involving the Group.

Employees of the Group are strictly prohibited from giving or accepting personal benefits or gifts that could influence any action or decision. It is the employee's duty to disclose any benefits received from business partners or third parties in connection with their employment.

Unrestricted transferability

All shares in Icelandic Salmon has equal rights. Each share has a face value of EUR 0.96 and holds the entitlement to one vote. The shares of Icelandic Salmon can be freely traded on both the Euronext Growth Stock Exchange and NASDAQ First North stock Exchange Reykjavík. The Groups articles of association contain no restrictions on the ownership, trading, or voting rights of shares, provided that compliance with insider trading regulations is maintained.

General meeting of shareholders

The Group's highest decision-making body is the General Meeting of Shareholders. According to the Group's [articles of association](#), the General meetings are open to participation by all shareholders and the Annual General Meeting must be held by the end of June each year. The 2024 Annual General Meeting will be held on May 21st, 2024.

In accordance with the Group's articles of association, documents relating to topics addressed in a general meeting of shareholders may be accessible to all shareholders on the Group's website www.Arnarlax.is. Shareholders may still, free of charge, request a copy of documents concerning matters to be considered at the general meeting.

The Board determines the agenda for the meeting, and the main issues to be dealt with by the AGM are regulated by the company's articles of association.

Risk management and internal control

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

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

Follow-up and control of compliance with the Group's values and code of conduct take place in the line as part of day-to-day operations. The company maintains a Directors and Officers Liability insurance on behalf of the members of the Board of Directors and the CEO. The insurance also covers any employee acting in a managerial capacity. The insurance policy is issued by a reputable insurer with an appropriate rating and has a limit of liability of NOK 100 million.

Audit committee

Icelandic Salmon's subsidiary, Arnarlax ehf, is recognized as a public interest company in Iceland. Therefore the Group had to establish an audit committee for Arnarlax ehf. operations. Committee's responsibilities are in relation to Arnarlax ehf. both publicly and according to the committee's mandates. However, as in the nature of the Group's structure, the committee also take upon assignments set to the committee in relations to Icelandic Salmon.

The committee main tasks are to prepare the Board's follow-up of the financial reporting process, monitor the Group's internal controls and routines, as well as to maintain an ongoing dialogue with the Group's auditors.

According to the committee mandate, the committee is required to be comprised of a minimum of three persons elected by the Board of Directors annually. All members of the committee shall be independent from the Groups auditors and majority of the committee shall be independent from the Company or the Group.

As of 31st December 2023, the Audit Committee (AC) comprise the following members:

- » Ulrik Steinvik (AC Chairman)
- » Tonette Bjørgård (AC member)
- » Erik Bjarnason (AC member)

The Audit committee is required to hold five meetings each year and in 2023 the committee held five meetings. Majority of the audit committee members are considered to be independent from the Group.

Information and communication

Communication with shareholders, investors and nearby community is a priority for the Group. The objective is to ensure that the financial markets and shareholders receive correct and timely information. All shareholders have access to the same financial information of the Groups operations and all public information are published on the Group's webpage. All notices sent to the stock exchange are also made available on the Groups website www.arnarlax.is.

The Group holds an open investor presentation in association with the publications issued of the year-end and interim results each quarter. The presentations are open to all and provide an overview of the Group's operational and financial performance as well as an overview of the Groups operations. These presentations are also made available on the [Group's website](#). The Group publish a financial calendar that indicates the dates of publication of the Group's interim reporting and presentations both on stock exchange news web as on the Group's homepage.

The Group keep good communications to the nearby community with regular information and updates as requested by the municipality in the area where the Group operates. The Group has active dialog as well with the authorities as a part of day-to-day activities.

Auditor

The Group's auditor is appointed by the AGM. The auditor shall draw up a plan for the execution of their auditing activities and the plan shall be discussed by the Audit Committee. Auditors shall hold at least one meeting each year with the Board of Directors at which no representatives of the company's management are present. The auditor attends the board meeting at which the year-end financial statements are considered. Auditors are also invited to Audit Committee meetings and shall there inform the committee of remuneration payable to auditor, divided between auditing and other services component.



GROUP MANAGEMENT

The Group benefits from a highly competent senior management team, comprising six individuals with extensive first-hand experience in fish farming in Iceland. Working closely with SalMar, one of the world's top producers of farmed salmon, the management team leverages its industry knowledge to drive the Group's success in addition to their core operations. The Group also plays an active role in developing local educational programs within the aquaculture industry and runs its own Arnarlax Academy to foster the growth of leadership skills and positive company culture.

On 31 December 2023, the Group's management team consist of the following members:



Bjørn Hembre
CEO



Jónas Heiðar Birgisson
CFO



Rolf Ørjan Nordli
COO of Biology



Hannibal Hafberg
COO of Harvest Plant



Linda Gunnlaugsdóttir
CSO of Sales



Silja Baldvinsdóttir
Quality Manager

BOARD OF DIRECTORS



Leif-Inge Nordhammer
Chairman of the board

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, SalMar ASA and Chairman of Scottish Sea Farms Ltd. 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.

Citizenship: Norwegian
Independent: No



Espen Weyergang Marcussen
Member of the Board

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).

Citizenship: Norwegian
Independent: Yes



Gustav Witzøe
Member of the Board

Gustav Witzøe joined the board of directors in June 2023. Mr. Witzøe is the co-founder of SalMar ASA. He holds a degree in engineering. After several years as an engineer he co-founded BEWI AS, a company producing styrofoam boxes for the fish farming industry. Mr. Witzøe held the position as managing director of BEWI AS until 1990. Since Mr. Witzøe founded SalMar ASA in 1991 he has gained extensive experience in fish farming and processing.

Citizenship: Norwegian
Independent: No



Kjartan Ólafsson
Member of the Board

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

Citizenship: Icelandic
Independent: Yes



Ulrik Steinvik
Member of the board and chairman of Arnarlax Audit committee

Steinvik started in the position as Director Business Improvement in August 2017 with SalMar ASA. Mr. Steinvik holds the title as Norwegian state authorized public accountant. Ulrik Steinvik graduated from the Norwegian School of Economics and Business Administration in 2002.

Citizenship: Norwegian
Independent: No

REPORT FROM BOARD OF DIRECTORS 2023

Going concern

The annual Financial Statements for 2023 have been prepared on the assumption that Icelandic Salmon AS is a going concern under §3-3a of the Norwegian Accounting Act. Regarding the Group's results, financial position, backlog and forecast for the years ahead, the conditions required for continuation as a going concern are hereby acknowledged. In the Board's opinion, the Group's financial position is satisfactory.

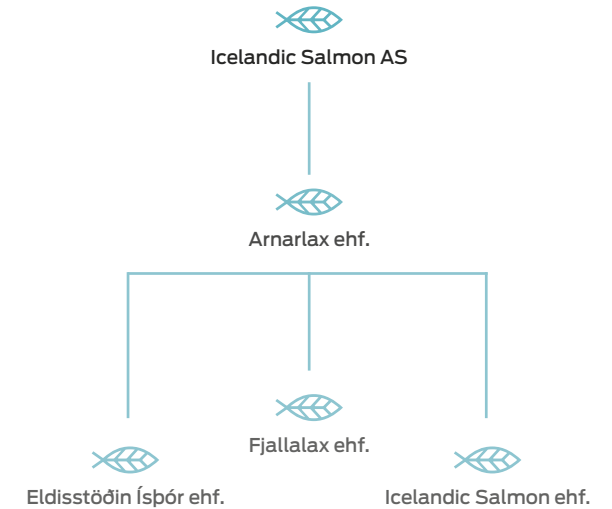
Group overview

Icelandic Salmon AS is the sole owner and parent company of Arnarlax ehf., a company incorporated in Iceland. Icelandic Salmon AS and its subsidiaries are referred to as the "Group" or "Icelandic Salmon" throughout the report. All operational activities in the Group are performed through Arnarlax ehf. and its subsidiaries.

Icelandic Salmon's shares are listed on Euronext Growth in Oslo and NASDAQ First North in Reykjavík, traded under the ticker symbol ISLAX. The Group holds licenses for a maximum allowed biomass (MAB) of 23.7 thousand tonnes, all situated in the southern region of the Icelandic Westfjords.

This organizational structure ensures a well-established and fully integrated value chain for the Group, where it maintains control over every step of the process. The Group procures eggs for its hatcheries, produces its own smolt, has seawater net pen production, operates a harvesting plant, and sells and distributes sustainable Icelandic salmon in Europe, North America, and the Far East.

The Group's salmon harvesting facility in the Westfjords region is a key operational asset in the Group's value chain, with a total harvesting capacity of 30.0 thousand tonnes per year. In addition, the Group operates four smolt facilities and a sales department.



Smolt Facilities



Four smolt facilities with a combined capacity of 8 million smolt.

Seawater



Farming license of MAB 23,700 tonnes across six ASC certified sites in three fjords.

Harvesting



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

Sales



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

Financial results

The Group's consolidated operating revenues of EUR 164.8 million in 2023 compared with EUR 157.6 million in 2022, representing a 4.6 per cent increase. Harvesting increased with 11 per cent from 16.1 thousand tonnes in 2022 to 17.9 thousand tonnes in 2023. Icelandic Salmon harvested an additional 2.9 thousand tonnes for third parties compared, to 8.6 thousand tonnes the year before. For 2024, the Group's volume guidance is at 15.0 thousand tonnes.

Icelandic Salmon harvest volume reached an all-time high in the first quarter of 2023. This was partly driven by biological challenges at one of the Group sites. As a result, it was decided to harvest out significant volume earlier than planned, leading to lower harvest volumes in the second quarter. A strong market and high salmon prices was present in the first quarter, resulting in a positive impact on the Group's revenues and operational results at the beginning of the year.

Following a summer of limited harvest, the group ramped up harvest volumes in the second half of the year and reached levels above the corresponding period last year. Biological challenges related to high lice levels was present at the end of the year, and as a risk measure it was decided to take out and harvest significant volumes in the last quarter. This resulted in high harvest of volumes in the last quarter.

The operational EBIT, as defined in the consolidated financial statements, was EUR 20.3 million in 2023, compared with EUR 36.2 million the year before. For 2023, this corresponds to an operational EBIT of 1.13 per kg harvested fish, compared to an operational EBIT 2.24 per kg harvested fish the year before. The EBIT/kg harvested fish was down due to higher cost levels and reported biological challenges, leading to higher mortality levels in 2023 than previous years.

The price of salmon (NASDAQ Salmon Index) has largely held steady since last year been on the same level since, with a slight year-over-year increase. The price of salmon was unusually high throughout the first quarter of the year, which the Group benefitted from through its strategic sales and marketing efforts.

In 2023, the production tax was EUR 2.2 million, up from EUR 1.9 million the year before. The main reason for increased paid tax was due to high prices year before, that is used as tax foundation, along with higher volume harvest. In addition, the tax discount, implemented over a seven year period was lowered in 2023 representing a 33 per

cent increase on calculation of the tax between years.

Net financial items amounted EUR 3.0 million in 2023 but was positive EUR 7.2 million in the year before. Financial expenses amounted EUR 3.6 million in 2023 compared to EUR 1.9 million in 2022. During the year there was a currency gain amounting EUR 0.3 million compared to currency loss of EUR 0.2 million in 2022.

The Group's net profit for the year 2023 was EUR 8.6 million compared to a net profit of EUR 34.9 million for the year 2022.

Cash flow

In 2023, net cash flow from operational activities was positive of EUR 40.1 million compared with positive cash flow EUR 11.6 million in 2022. Operational results were impacted by mortality at one of the Group's site, but other than that the operation continued strong.

The Group continued working on building up its biological assets within the year. The group had an all time high harvesting during the fourth quarter harvesting out 7.2 thousand tonnes, total of 17.9 thousand tonnes within the year. In addition, the group had a high mortality rate during the fourth quarter affecting the biological values at cost. Change in inventories and biological assets at cost value was a decrease of EUR 14.9 million, compared to increase of EUR 20 million year before.

Net cash flow from investing activities was EUR 25.1 million in 2023, compared with EUR 27.2 million the year before. The primary investment activities for the year 2023 were mainly in seawater equipment with the purchase of two new barges, moorings, net and cages to support further increased production at sea.

Cash flow to financing activities amounted to negative EUR 6.7 million in 2023 mainly in repayment of towards the Group facility agreement, compared to positive EUR 13.7 million in the year before.

Balance sheet

The Group's balance sheet on 31st December 2023 was at EUR 238.3 million, representing an increase of EUR 3.0 million from the end of year 2022. Total equity was EUR 152.9 million with an equity ratio of 64 per cent at the end of the year, compared to total equity of EUR

144.2 million and with an equity ratio of 61 per cent at the end of the prior year.

Non-current assets increased from EUR 124.5 million to EUR 141.2 million in the year and current assets decreased from EUR 110.8 million to EUR 97.1 million. The main reason for changes in assets in the year are due to investment activities and changes on biological assets at fair value. Please see [note 3.4](#) for changes in fixed assets, and [note 3.6](#) for information regarding changes in Biological assets.

Non-current liabilities increased from EUR 61.0 million from the end of year 2022, to EUR 62.4 million at the end of year 2023. The increase was mainly due to changes in interest-bearing debts. Current liabilities decreased from EUR 30.1 million from end of 2022, to EUR 23.0 million at end of year 2023, mainly due to changes in current interest-bearing debts and trade payable balance. Please refer to [note 3.10](#) on Interest-bearing debts for further information.

As of end of 2023, the Group's trade receivables total EUR 13.2 million and its cash and cash equivalents amounted to EUR 10.2 million, considered sufficient for the Group's operations.

At the end of June 2023, the Group signed an engagement letter with DNB and Danske bank concerning a new three-year loan agreement. In November 2023, the Group signed the agreement, with the option of two one-year extensions with a term loan facility and revolving facility with DNB and Danske bank. The signed loan agreement totaled an amount of EUR 95.0 million, and an additional EUR 5.0 million overdraft facility with Arion bank. The new facilities replace the old facilities which were set to mature in June 2024. This new financing arrangement creates a strong financial foundation for the Group as it continues to pursue its growth projects, with a primary focus on investing in seawater equipment's to enhance production capacity in the upcoming periods.

Risk management

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

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



Operational risk

The most significant risk to the Group is the development of its fish stock, both in smolt production and at sea farms. The Group is constantly developing and implementing risk-reduction measures to protect its fish stock, but there remains a biological risk that could compromise the Group's overall output.

Part of the biological risks is mortality, sea lice and winter wounds. As part of the Group's risk assessment, it has identified mortality due to winter wounds as one of the main risk factors. This risk was mitigated by decreasing the density of enclosed fish, and larger sea pens for exposed areas. As from 2023, all fish are vaccinated against winter wounds using a new vaccine to achieve better immunity. Additionally, the group vaccinates against the viral disease ISA, which has recently emerged in Iceland.

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

Several salmon diseases remain foreign to the Icelandic waters. To protect the wellbeing of its salmon, the Group has implemented additional procedures to minimize the risk and spread of disease. For Icelandic Salmon, this is important because it keeps costs down and improves financials.

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

Icelandic Salmon's unique position in the Westfjords allows the Group to operate in good conditions, supporting low medical treatment cost. As such, the Group refrains from antibiotics throughout the entire production cycle. This is an important part of the Group's daily operations. Icelandic Salmon has also implemented standards to minimize the risk of unknown diseases entering the Icelandic environment to preserve the region's status.

Additional operational risks and measures, including the Groups commitments to fish welfare are laid out in the sustainability part of this report in [section 2](#).

Climate risk

The group has assessed climate risks associated with extreme weather, including high winds, heavy rainfall, and prolonged dry spells, and potential rising sea temperatures. To address and mitigate the risk of extreme winds and waves, all sea installations have been certified to withstand the most severe conditions. When it comes to the risk of increased rainfall, the risk is considered minimal as all freshwater activities are supplied by groundwater from wells. As for the risk of high temperatures, the group operates in fjords with a temperature range that can tolerate a temperature increase of up to 7 degrees Celsius before reaching critical levels, making the risk negligible for the group.

Further assessment about the Group climate risks can be found in [note 1.4](#) in section 4 of this report.

Financial risks

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

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

The Group has implemented several procedures and controls to prevent and detect any fraud risk which extends to financial misreporting or risk of any other financial fraud. The primary responsibility for prevention and detection of fraud rests with the Senior management and Audit Committee.

A further overview of financial risks, interest rate risk, foreign exchange risk, credit risk and liquidity risk are included in [note 4.1](#) in section 4.



Market price risk

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

To mitigate its potential impact, the Group constantly considers with cost reductions. The Group also regularly considers ways in which to sell a proportion of its stock at a fixed price. This would minimize the risk of fluctuating prices but also poses the risk of the Group not benefitting from high spot market prices.

Volatility in exchange rate can affect the profitability for sales of salmon. Strong local currency can make exports more expensive, while a weaker currency can increase the cost of imported goods, such as feed. To reduce risk of currency fluctuations the Group has implemented process of hedging all fixed price contracts in other currencies than the operational currency. The group has also emphasized on having as much as possible of purchasing contracts in EUR, the Groups operational currency.

Potential changes in governments regulations and tariffs can impact the price of salmon. Trade disputes and tariffs can disrupt the supply

chain and lead to higher prices for customers. This is not considered a significant threat to direct sales, but it may have an effect on supply chain. Management maintains ongoing discussions with authorities to stay informed and be able to act on any regulatory changes. The group has a good and open dialogue with authorities in Iceland, and share the same ambition to grow a sustainable aquaculture industry in Iceland. Therefore, the risk of sudden regulatory and tariff changes is deemed low.

Credit risk

The likelihood of a counterparty lacking the financial means to fulfil its obligations has been deemed minimal, and The Group incurred losses from defaulting debtors have been low. The Group has established strict guidelines aimed to ensure that all transactions are conducted solely with customers who have a good payment track record and outstanding balances remains within specified credit limits. The Group has implemented routine that secures credit insurances as a precautionary measure for all its customers.

The Group has no material credit risk associated with individual counterparties or groups of counterparties sharing similar credit risk profiles.

Liquidity risk

Liquidity risk can be a concern for Icelandic salmon farmers, particularly because they are heavily dependent on the export market. The salmon farming industry is capital-intensive, with significant investments required to establish and maintain hatcheries, sea farms, and processing facilities. The revenues generated by salmon sales can be affected by market fluctuations, which can have a significant impact on cash flow and liquidity.

Additionally, the industry's dependence on international markets for the sale of its products makes it vulnerable to factors such as changes in foreign exchange rates, geopolitical tensions, and global economic conditions. These factors can impact the demand and prices of salmon, leading to reduced revenues and increased risk of illiquidity.

To address liquidity risk, the Group has implemented various mitigating measures. One such measure involves optimizing the cash conversion cycle, while another involves purchasing credit insurance for all customers. The Group regularly updates its liquidity forecasts, which are shared with both management and the Board of Icelandic Salmon. By closely monitoring these forecasts, the Group is better equipped to identify and address any potential threats to its liquidity position in a timely manner.



Sustainability and corporate social responsibility

Icelandic Salmon's vision "Sustainability it's in our nature" demonstrates the Group's commitment to corporate responsibility through profitable and sustainable operations that uphold high standards for individuals, society, and the environment. Sustainable operations are essential for the Group's license to operate in the Atlantic Ocean surrounding Iceland, and hence underpins the Group's strategy and adherence to strict quality standards.

Icelandic Salmon's strategic focus areas in terms of sustainability is built on the material topics and the three pillars: Fish, Environment and People & Society. These three pillars are founded on external and internal assessments. The three pillars are covered in [section 2](#) of this report and aligned with topics assessed as material according to GRI standards.

The Group recognizes the importance of its corporate social responsibility as an employer, producer, supplier of healthy food, a user of the natural environment and administrator of financial and intellectual capital. Social responsibility is essential to the Group

and incorporated in daily tasks. At the same time, the Group aims to minimize its operations' impact on the natural environment.

The Group is required to report on its corporate responsibility and selected related issues under §3-3a and §3-3c of the Norwegian Accounting Act. Some key priorities are described below. For more detailed information on key sustainability topics, see [section 2](#) of this report.

Environmental policies

Salmon farming is among the most environmentally friendly ways of producing animal protein, with minimal land use, low freshwater consumption, and lower greenhouse gas emissions compared to other animal proteins. However, the industry must still take responsibility for its impact and strive to minimize its effects on the climate and environment. Icelandic Salmon has therefore implemented strict [environmental practices](#) and policies to ensure sustainability across its entire operation.

These practices and policies includes compliance with local and

international laws, adherence to ASC regulations, escape prevention, optimizing feed ratios, reducing organic waste, using eco-friendly products, and recycling of business materials and waste.

All farming activity in Icelandic Salmon undergo through an environmental assessments. This process includes various agencies such as the Environmental Agency of Iceland, the Food and Veterinary Authority (MAST), the Planning Agency, and the Marine and Freshwater Research Institute. The result is an extensive environmental report describing the farming activity's impact, mitigating measures, and proposed mitigation and monitoring initiatives. This report is used by the group in its annual updates of environmental policies and practices further details of the Groups environmental policies, including its commitment to sustainable fish farming, can be found in the Environment chapter of this annual report under [section 2](#).

Employees, work safety and local support

The Group works systematically to safeguard its employees' health, safety and working environment. The aim is to prevent work-related injuries, illness and accidents. All such incidents are registered and reviewed by the board frequently. Read more about how the Group is committed to safeguarding its employees and the results of this work in the People & society in [section 2](#) in this report.

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

To strengthen the culture and encourage employees to develop, Icelandic Salmon supports participation in education and courses provided by the Group or external education. The Group strongly believes in building up a Fish Farm educational program to build a stronger foundation for the industry in Iceland. Read more about this under Empowering and Engaging our Team in [section 2](#) in this report.

The Group is grateful to local communities' permission to farm salmon in their fjords. In return, the Group prioritizes safeguarding local biodiversity, applying sustainable farming methods, and supporting local communities in the rural areas in which it operates. Icelandic Salmon actively contributes to cultural, youth, and sport activities. Read more about our commitment in [section 2](#) of this report under Society.

Equal opportunities – diversity and inclusion

The Group is committed to obtaining an inclusive business where all forms of diversity are encouraged. To reach its goals, the group firmly believes it needs the best people and is fully committed to provide equal opportunities for all employees, irrespective of race, gender, religion, national origin, disability, or other personal characteristics.

In 2023, Icelandic Salmon employed 167.5 full-time equivalents from at least 15 different nationalities, an increase of 13.5 full-time equivalents from 2022. The workforce comprised 53 women and 137 men, implying a gender ratio of 27 per cent female and 73 per cent male across its operations. At executive management level, the female ratio was 33 per cent in 2023. The Group is committed to increase female representation across its operations and in management roles in the coming years and is actively pursuing the recruitment of more women. Read more about our commitment to diversity in The workforce in [section 2](#) of this report.

Human rights and anti-slavery

The Group upholds human rights and anti-slavery principles with a zero-tolerance policy for violations, following international standards. This commitment extends to the Group's suppliers.

In late 2023, Icelandic Salmon took a significant step on transparency by publishing its [Human Rights Policy](#) and [Whistleblowing Policy](#) on its website, emphasizing its dedication to protect all individuals in the value chain. Read more about the subject in the Material Assessment and the Society parts in [section 2](#) of this report.

Transparency act

In response to the Norwegian Transparency Act and anticipated EU regulations, the Group is actively ensuring sustainable practices throughout its supply chain and seeks to uphold the highest standards on guidelines for human rights due diligence. With support from its parent company, SalMar, the Group has conducted comprehensive evaluations of its suppliers to meet the requirements of the Norwegian Transparency Act. Icelandic Salmon stands committed to upholding responsible and sustainable practices, and a statement of the 2023 assessment will be available on the [Group's website](#).

Outlook

Since the Group's foundation in 2010, it has established a significant presence in Iceland's aquaculture industry. The industry is currently in its early stages but experiencing rapid growth, contributing significantly to the country's export revenues. In recent years, the Group has actively pursued growth initiatives and positioned itself as Iceland's leading salmon farming company and the largest salmon producer in the country.

Capitalizing on the optimal conditions for salmon farming in the fjords of the Westfjords, the Group commits to responsible resource management for the benefit of its shareholders, employees, customers, local communities, and the environment. With sustainability at the forefront, the Group aims to uphold its leading position in Iceland's leading salmon farming producer. The Board of Directors is confident in the Group's capacity to achieve these objectives.

Salmon farming is recognised as one of the most sustainable animal protein production methods, offering advantages including efficient space use, minimal freshwater consumption, and reduced greenhouse gas emissions. Given the increasing global demand for nutritious, protein-rich food, aquaculture play a crucial role. The Group remains dedicated to pursuing sustainable growth in alignment with the salmon's natural environment.

The proposed tax regime in Iceland holds significant implications for innovation and investment in the local aquaculture industry, potentially limiting the industry's growth potential. Therefore, it is important to pursue efficiency and economies of scale to remain competitive globally. Additionally, stable and predictable regulatory conditions are essential for the sustained growth of the aquaculture sector.

The Group anticipates a limited increase in the global supply of harvested salmon, while at the same time expecting continuing strong demand. This outlook leads the Group to maintain a positive market outlook for 2024

The Group has incorporated an exceptional corporate culture defined by values that include a strong commitment to leadership in salmon farming, dedication to high quality, focus on teamwork to enhance collective strength, and demonstrating care for colleagues,

customers, and the environment. These values serve as guiding principles driving the Group toward continued success.

Continuing organizational and cultural development remains a primary focus for the Group. The Board of Directors extends gratitude to all employees for their commitment and dedication, which has fueled the Group's remarkable journey year after year, and will sustain its success in the years to come.

Subsequent events

In the first quarter of 2024, both the smolt facility Ísbór, owned by the Group, and one of the Groups sea site experienced a high mortality rate due to a biological challenge incidents. Those events were considered extraordinary and non-recurring. More details regarding that can be found in [note 4.7](#) in section 4 of this report

The Icelandic Food and Veterinary Authority (MAST) and Environment Agency of Iceland (UST) have announced the advertisement of a salmon farming license to be issued to Arnarlax in Ísafjarðardjúp. The license will be for 10,000 tonnes MAB of sterile salmon. The license process was open for consultation until April 2nd, 2024, accessible on MAST and UTS' homepage. During this period, comments and feedback were encouraged, and may result in modifications or withdrawal of the license. With this new 10,000 tonnes license, Arnarlax will have a total licensed capacity of 33,700 tonnes.

After an improvement in framework conditions for salmon farming in Iceland in 2022, conditions have become more unpredictable at the end of 2023 and in to 2024. In December 2023, a bill was presented by the Icelandic government which could lead to changes in the regulatory framework for the country's aquaculture sector. The aim of the proposed changes is to increase the value of Iceland's aquaculture sector, while do it in a sustainable way. The bill is expected to be finalised and implemented during the first half of 2024.



FINANCIAL STATEMENTS AND RESULTS

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Icelandic Salmon AS

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

In EUR 1000	Note	2023	2022
Revenue from contracts with customers	2.2, 4.6	164,816	157,593
Total operating revenue		164,816	157,593
Cost of goods sold	4.6	95,979	78,406
Salaries and personnel expenses	2.3, 2.4	19,800	17,349
Other operating expenses	2.5	19,675	18,230
Depreciation	3.4,3.5	9,086	7,456
Total operating expenses		144,541	121,440
Operational EBIT		20,275	36,153
Production tax	2.5,4.8	(2,195)	(1,329)
Onerous Contracts	3.11,4.8	(531)	(122)
Fair value adjustments of biomass	3.6	(4,378)	(215)
Operating profit		13,171	34,487
Income from investment in joint ventures		0	180
Financial items			
Financial income	2.6	255	9,256
Financial expense	2.6	(3,568)	(1,915)
Net currency gain (loss)		337	(189)
Net financial items		(2,975)	7,151
Profit before tax		10,196	41,817
Income tax	2.7	1,628	6,901
Net profit for the year		8,568	34,917
Net profit (loss) attributable to:			
Equity holders of the parent company		8,568	34,917
Other comprehensive income			
<i>Items which may subsequently be reclassified to profit or loss</i>			
Translation differences related to joint venture		0	96
Translation differences related to subsidiaries		(21)	(314)
Other comprehensive income (loss) for the year		(21)	(217)
Total comprehensive income for the year		8,547	34,699
Total comprehensive income attributable to:			
Equity holders of the parent company		8,547	34,699
Earnings per share ("EPS"):			
Basic and diluted (EUR per share)	4.3	0.28	1.13

Statement of Financial Position

In EUR 1000	Note	31/12/2023	31/12/2022
Assets			
Non-current assets			
Goodwill	3.1, 3.2	34,740	34,740
Licenses	3.3	1,626	1,626
Property, plant & equipment	3.4	99,028	81,149
Lease assets	3.5	5,783	6,975
Total non-current assets		141,178	124,490
Current assets			
Biological assets	3.6	65,963	84,146
Inventories	3.6	3,992	5,043
Trade receivables	3.7	13,172	15,026
Other receivables	3.8, 4.1	3,800	4,748
Cash and cash equivalents	3.9	10,189	1,854
Total current assets		97,116	110,816
Total assets		238,294	235,306

Statement of Financial Position

Continued

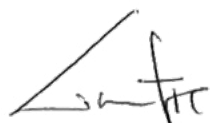
Bíldudalur, 16 April 2024



Leif-Inge Nordhammer,
Chairman of the Board



Espen Weyergang Marcussen,
Member of the Board



Gustav Witzøe
Member of the Board



Kjartan Olafsson,
Member of the Board



Ulrik Steinvik,
Member of the Board



Bjørn Hembre,
CEO

In EUR 1000	Note	31/12/2023	31/12/2022
Equity and liabilities			
Equity			
Share capital	4.2	29,571	29,571
Share premium		88,231	88,600
Other paid-in equity	2.4	(805)	(930)
Other equity	2.4	35,887	26,976
Total equity		152,884	144,216
Liabilities			
Non-current liabilities			
Interest-bearing borrowings	3.10	54,500	51,649
Lease liabilities	3.5	4,772	5,756
Deferred tax liabilities	2.7	3,130	3,576
Total non-current liabilities		62,402	60,981
Current liabilities			
Interest-bearing borrowings	3.10	1,500	6,230
Lease liabilities	3.5, 3.10	894	1,186
Trade payables		8,679	11,702
Tax payables	2.7	2,385	1,341
Provision for onerous contracts	3.11	653	122
Other payables	3.12	8,897	9,528
Total current liabilities		23,008	30,109
Total liabilities		85,409	91,090
Total equity and liabilities		238,294	235,306

Consolidated Statement of Cash Flow

In EUR 1000	Note	2023	2022
Cash Flow from operating activities:			
Profit before tax		10,196	41,817
Tax paid in the period	2.7	(1,055)	0
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation	3.4,3.5	9,086	7,456
Share based payment expense	2.4	125	158
Net foreign exchange differences and other items		106	(1,060)
Gain or loss of sale of assets	3.4	(391)	6
Financial expenses (debt/borrowings and leases)	2.6	3,568	1,915
Financial revenue (interest income)	2.6	(255)	(288)
Share of (loss) profit from joint ventures		0	(180)
Fair value gain related to remeasured shares in joint venture	2.6, 4.5	0	(8,968)
Onerous contracts	3.11	531	122
Change in fair value of biomass	2.6	4,378	215
Working Capital changes:			
Change in inventories and biomass recognized at cost		14,856	(19,967)
Change in trade receivables and other receivables		2,830	(4,559)
Change in payables and other current payables		(3,843)	(5,049)
Net cash flow to from operating activities		40,133	11,619
Cash flow from investing activities:			
Proceeds from sale of property, plant & equipment		495	178
Purchase of property, plant & equipment	3.4	(25,839)	(16,617)
Acquisition of a subsidiary, net of cash received	4.5	0	(10,537)
Other investments		0	(267)
Proceeds of interest income		227	68
Net cash flow to investing activities		(25,117)	(27,176)
Cash flow from financing activities:			
Proceeds from new interest-bearing debt	3.10	23,500	22,630
Repayment of interest-bearing debt	3.10	(25,699)	(5,828)
Payment of principal portion of lease liabilities	3.5	(981)	(1,192)
Paid interest (debt/borrowings and leases)	2.6	(3,501)	(1,943)
Net cash flow from financing activities		(6,680)	13,667
Net change in cash and cash equivalents		8,335	(1,891)
Cash and cash equivalents as at 1 Jan	3.9	1,854	3,744
Cash and cash equivalents as at 31 Dec		10,189	1,854

Consolidated Statement of Changes in Equity

In EUR 1000		Other equity							
2022	Note	Share capital	Share premium	Other paid-in equity	Restricted reserve*	Statutory reserve**	Translation differences	Retained earnings	Total equity
Equity as at 1 Jan 2022		29,571	90,622	(1,089)	0	0	(1,310)	(8,485)	109,309
Net profit for the year		0	0	0	0	0	0	34,917	34,917
Uncovered loss moved against Share premium		0	(2,023)	0	0	0	0	2,023	0
Share in subsidiaries- restrictive reserve		0	0	0	8,971	0	0	(8,971)	0
Statutory reserve		0	0	0	0	3,527	(1)	(3,526)	0
Other comprehensive income									
Translation difference of foreign interest		0	0	0	0	0	(217)	49	(168)
Total comprehensive income for the year		0	(2,023)	0	8,971	3,527	(218)	24,491	34,749
Share-based payment, expensed	2.4	0	0	158	0	0	0	0	158
Other transactions		0	0	158	0	0	0	0	158
Equity as at 31 Dec 2022		29,571	88,600	(930)	8,971	3,527	(1,528)	16,006	144,216
In EUR 1000									
2023	Note	Share capital	Share premium	Other paid-in equity	Restricted reserve*	Statutory reserve**	Translation differences	Retained earnings	Total equity
Equity as at 1 Jan 2023		29,571	88,600	(930)	8,971	3,527	(1,528)	16,005	144,216
Net profit for the year		0	0	0	0	0	0	8,568	8,568
Uncovered loss moved against Share premium		0	(368)	0	0	0	0	368	0
Share in subsidiaries- restrictive reserve		0	0	0	(3)	0	84	(81)	0
Statutory reserve		0	0	0	0	894	0	(894)	0
Other comprehensive income									
Translation difference of foreign interest		0	0	0	0	0	13	(35)	(21)
Total comprehensive income for the year		0	(368)	0	(3)	894	97	7,928	8,547
Share-based payment, expensed	2.4	0	0	125	0	0	0	0	125
Other changes		0	0	0	0	0	0	(4)	(4)
Other transactions		0	0	125	0	0	0	(4)	121
Equity as at 31 Dec 2022		29,571	88,231	(805)	8,968	4,421	(1,431)	23,929	152,884

Restricted reserve*

Restricted reserves refers to restricted equity in Arnarlax (subsidiary of Icelandic Salmon). The equity is restricted until the subsidiaries of Arnarlax distribute dividend in excess of accumulated profits, which is the restricted amount, to Arnarlax.

Statutory reserve**

According to the Icelandic private limited companies law nr. 138/1994 at least 10 per cent of the profit of the Group which is not devoted against losses from previous years and is not contributed to other legal reserves must be contributed to the statutory reserve until it amounts to 10 per cent of the share capital. When that limit has been reached the contribution must be at least 5 per cent of the profit until the statutory reserve amounts to 25 per cent of the share capital of relevant Company of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Judgements, estimates and assumptions

1.1 Corporate information

Icelandic Salmon AS (the “Company” or “Icelandic Salmon”) is a limited liability company, incorporated in Norway and headquartered in Kverva. The address of its registered office is Industriveien 51, 7266 Kverva, NORWAY. The Ultimate Parent Company is Kvarv AS. The Company’s shares are listed on Euronext Growth in Norway and Nasdaq First North on Iceland. Majority of the Company’s shares are held by SalMar ASA which is listed on Oslo Stock Exchange.

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

The Consolidated Financial Statements of the Group for the year ended December 2023 were approved by the Board of Directors on 16 April 2024.

1.2 Basis for preparation

The Consolidated Financial Statements of the Company for the year ended on 31 December 2023 incorporates the Financial Statements of the Company and its subsidiaries which are collectively referred to as “the Group”. The Consolidated Financial Statements of the Group comprise the Consolidated Statements of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flow and Consolidated Statement of Changes in Equity and related notes. The Consolidated Financial Statements of the Group for the year ended 31 December 2023 have been prepared in accordance with IFRS® Accounting Standards as adopted by The European Union (“EU”), as well as additional disclosure requirements pursuant to the Norwegian Accounting Act.

The Consolidated Financial Statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair values and biological assets that are measured at fair value. All figures are presented in EUR thousands (000), except when otherwise noted.

Going concern

Management have, at the time of approving the Consolidated Financial Statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the Consolidated Financial Statements.

The Consolidated Financial Statements of the Group are prepared in accordance with the same accounting principles as the Consolidated Financial Statements for 2022.

1.3 Significant accounting policies

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

Presentation currency and functional currency

The Consolidated Financial Statements are presented in EUR, which is also the functional currency of the Company and Arnarlax ehf. (subsidiary) where the Group’s main operation is.

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

For presentation purposes, items in the Statement of Financial Position are translated from functional currency to presentation currency by using exchange rates at the reporting date. Items within the Statement of Comprehensive Income are translated from functional currency to presentation currency by applying monthly average exchange rates. If currency rates are fluctuating significantly, transaction date exchange rates are applied for significant transactions. Translation differences are recognized in Other Comprehensive Income.

Basis of consolidation

The Group’s Consolidated Financial Statements comprise the Parent Company and its subsidiaries as of 31 December 2023. Consolidated companies have been assessed as being controlled by the Group during the reporting period.

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

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

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

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

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

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

For information on the Companies with in the Group see [note 4.4](#)

Current versus non-current classification

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Cash and short-term deposits

Cash and cash equivalents in the Statement of Financial Position and the Statement of Cash Flows includes cash and short-term highly liquid deposits with a maturity of three months or less, that are held for the purpose of meeting short-term cash commitments and are readily convertible to a known amount of cash and subject to insignificant risk of changes in value.

Equity and share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown as a deduction from the proceeds received. Equity is defined as any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Statement of Cash Flows

The Consolidated Statement of Cash Flows is prepared using the indirect method.

New and amended IFRSs

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these Consolidated Financial Statements.

IAS 1	Presentation of Financial Statements	Disclosure of Accounting Policies*
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	Definition of Accounting Estimates
IAS 12	Income tax	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

*Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2:

The amendments to IAS 1 and IFRS Practice Statement 2 Making Material judgement provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments have had an impact on the Group's disclosures of accounting policies, but not on measurement, recognition or presentation of any items in the Group's Consolidated Financial Statements see further [note 1.4](#).

The adoption of the amendments stated above has not had any material impact on the disclosures or on the amounts reported in these Consolidated Financial Statements.

The Group has not early adopted new standards or amendments to IFRSs that have been issued and are permitted for early adoption. The following amendments are effective from 1 January 2024:

IAS 1	Presentation of Financial Statements	Classification of Liabilities as Current or Non-current
IAS 1	Presentation of Financial Statements	Non-current Liabilities with Covenants
IFRS 16	Leases	Lease Liability in a Sale and Leaseback

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



1.4 Critical accounting judgements and key sources of estimation uncertainty

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

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

Critical judgements and estimates in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the Consolidated Financial Statements:

- Fair value measurement of biological assets (see [note 3.6](#) for relevant disclosures)
- Impairment considerations of goodwill (see [note 3.2](#) for relevant disclosures)
- Licenses (see [note 3.3](#) for relevant disclosures)
- Right of use assets (see [note 3.5](#) for relevant disclosures)

The Group has conducted an analysis of the impact of climate risk on its operations, as detailed in Section three of the Board's report on risk assessment. As of the reporting date, the Group has deemed the risk to be negligible.

The Group evaluates its climate risk through collaboration with SalMar, its majority owner and parent company of Icelandic Salmon. This comprehensive evaluation covers risks across the entire value chain, from the initial roe to the final plate, including risks to suppliers linked to the value chain. Key insights from the assessment reveal:

- The Group's reliance on fossil fuels for its assets, such as work boats and company vehicles, is at odds with its climate goals and faces external pressures to switch to zero-emission alternatives rapidly.
- The potential introduction of carbon taxes on imports and/or exports could significantly impact the Group financially.
- The likelihood of increased occurrences of extreme weather events, such as heatwaves and floods, may disrupt the cultivation of certain ingredients for feed production for the Group. This disruption could lead to higher costs, impacting the Group's most significant operational expense.
- Compared to other protein sources, the minimal carbon footprint of salmon farming positions it favorably against CO₂-efficiency regulations and makes it an appealing choice for environmentally conscious consumers.
- Currently, there is no evidence to suggest that climate risks will significantly affect the valuation of Icelandic Salmon's assets or materially impact its operations and anticipated future cash flows. Nonetheless, monitoring and assessing this issue remains a priority in the years ahead.

2. Financial results

2.1 Operating Segments

Accounting principles

An operating segment is a component of an entity:

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

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

The Group owns and operates fish farming in the Icelandic fjords and the main purpose of the Group is production, processing and sale of seafood and seafood-based products, as well as conducting other business in connection with the purposes, including through investments and ownership in other companies with same purpose. The Group operates and manages its business as one operating segment based on the manner in which the Chief Executive Officer, the Group's chief operating decision maker, assesses performance and allocates resources across the Group. The segment reporting is therefore identical to the Group Consolidated Financial Statements presented in this report.

2.2 Revenue from contracts with customers

Accounting principles

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

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

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

Specifications of revenue	2023	2022
Sales of goods	160,640	148,657
Other revenue	4,176	8,936
Revenue from contracts with customers	164,816	157,593

Disaggregated revenue from contracts with customers

The Group's revenue based on geographical markets from contracts with customers in which the revenue is earned are presented below:

Group revenues by geographical market:	2023	%	2022	%
Europe	124,833	75,7%	114,195	72,5%
North America	30,381	18,4%	40,631	25,8%
Asia	9,602	5,8%	2,767	1,8%
Revenue from contracts with customers	164,816	100,0%	157,593	100,0%

The primary operational income for the Group is denominated in EUR. In 2023, 64 per cent of the Group's operational income was generated in EUR, while other operational income was mostly in USD. Since exchange rate volatility can impact the profitability of salmon sales, the Group has taken steps to mitigate currency risk by hedging all fixed price contracts denominated in currencies other than the operational currency.

2.3 Salaries and personnel expenses

Salaries and personnel expenses	2023	2022
Salaries, incl. vacation allowance and bonuses	14,784	12,998
Social security and employers national insurance expenses	1,248	1,049
Pension expenses	1,801	1,504
Other benefits	1,967	1,798
Total salaries and personnel expenses	19,800	17,349
Number of full-time equivalents employed during the financial year:	193	177

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

Remuneration to Group management:	2023	2022
Bjørn Hembre, CEO	557	428
Other members of the management team	972	902
Total remuneration to Group's management	1,530	1,330

Remuneration to Board of Directors (BOD) :	2023	2022
Fee to members of the BOD	62	103
Total remuneration to Group's Board of Directors	62	103

All fixed salary employees, including the management of the Group, have performance-related bonus scheme. Performance related bonus is based on shared goals and individual valuation. The amount of the bonus is set by the BOD at the beginning of each bonus period as fixed percentage of the EBIT for the Group. The total bonus amount for the year 2023 was set by the Board of Directors as 2% of the operational EBIT for the Group (2022: 2%). As previous year the bonus amount was accrued during the operational year but paid out in January 2024 (2022: January 2023) .

In 2023, the CEO and senior executives received a performance-based bonus of EUR 392.4 thousand and a fixed salary bonus of EUR 171.3 thousand based on the 2022 performance. The Board approved a similar bonus scheme for the year 2023, which was paid out in 2024. The senior executive team received a total of EUR 372.6 thousand for their performance in 2023, along with a fixed salary bonus of EUR 67.0 thousand.

In the reporting period the Group's management consisted of seven personnel from which six of them living in the local community near the company's headquarters. The management, as well as other personnel, that live near the company headquarters all pay taxes and obligations to the local municipality as laws and regulations apply. Further breakdown and information on taxes and obligations to the authorities can be found in the community footprint issued on the Group's website: arnarlax.is.

2.4 Share-based incentive schemes

Accounting principles

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

On 19 February 2021 (grant date), the Company granted 205,850 share options with an exercise price of NOK 115.00, to the CEO and certain key employees. The Company's intention is that the options will be equity-settled. The option holders must stay in the employment of the Group over a vesting period of three years from the grant date until 19 February 2024. As at 31 December 2023, the fair value calculated at grant date, adjusted for forfeiture in the period was EUR 460 thousand. In 2023, EUR 125 thousand (2022: EUR 158 thousand) was expensed as other employee benefits, with a corresponding entry to other paid-in equity.

	2023		2022	
	Number of shares '000	Weighted avg exercise price (NOK)	Number of shares '000	Weighted avg exercise price (NOK)
Outstanding at the beginning of period	184	115	194	115
Granted during the period	0	115	0	115
Forfeited during the period	(16)	115	(10)	115
Exercised during the period	0	115	0	115
Outstanding at the end of period	168	115	184	115
Average remaining contractual life at year-end		0.2		1.2

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

	2023
Date of award	19.2.2021
Plan	2021
Volatility	34.88%
Risk free rate	0.54%
Share price at date of award (NOK)	115
Weighted average fair value on date of award (NOK)	28.01
Option's lifespan	0.2
Model employed	Black-Scholes

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

Date of grant	Expiry date	Key employees	Exercise price in NOK	Number outstanding	
				31/12/2023	31/12/2022
2021	2024	CEO Björn Hembre	115	100,000	100,000
2021	2024	Company's Management	115	35,800	51,600
2021	2024	Other key employees	115	31,850	32,350
				167,650	183,950

During the year 2023 the Group recognized total expenses of EUR 125 thousand (2022: EUR 158 thousand) related to share based payment transactions, which are included in Salaries and personnel expenses in the Statement of Comprehensive Income.

2.5 Other operating expenses, production tax and environmental fees

Specification of other operating expenses:	2023	2022
Services, marketing and travel expenses	9,052	6,325
Operating equipment & consumables expenses	4,107	3,599
Maintenance expenses	2,632	4,125
Freight & delivery expenses	722	503
Fee expenses	461	426
Insurance expenses	296	329
Other expenses	2,406	2,923
Total Other operating expenses	19,675	18,230

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

During a routine safety check at the end of August 2021, employees at the Haganes site in Arnarfjörður found a hole in one of the pens. Immediate action was taken following the Group's established emergency procedures, and the necessary authorities were notified, with no employee injuries reported. Post-incident, the Group revised its protocols to enhance future safety measures.

In October 2022, after the pens were fully harvested, the Icelandic Food Authority (MAST) launched an investigation into the matter. The investigation resulted in a EUR 819 thousand fine against the Group for allegedly delaying the incident's report. Arnarlax, having settled the fine, maintains that the incident was reported timely and has challenged MAST's ruling, arguing compliance with all relevant regulations at the time of the incident. This fine has been recorded under other expenses for the fiscal year 2022. As of the close of 2023, the appeal's outcome remains pending.

Environmental fees

The Group pays fees to Icelandic environmental fund. Environmental fund of fish farming operates based on law no. 71/2008, on fish farming. This state-owned fund, overseen by the Ministry of Fisheries and Agriculture in Iceland and collected by the Icelandic Food and Veterinary Authority, aims to mitigate the environmental impacts of fish farming activities. As part of its commitment, the Group, like all operational permit holders for fish farming in Iceland, paid a total of EUR 0.6 million to the fund in 2023, mirroring its fees in 2022. The fee calculation is standardized at 20 SDR per ton of the Group's license, applicable even if the utilization of the license remains untapped. Environmental fees are included in the cost of goods sold.

Production tax (Resource fee)

The Group pays fees to aquaculture fund categorized as production tax. Fees to aquaculture is based on law no. 89/2019 on fees for fish farming in the sea. The Directorate of Fisheries shall assess and charge the fee amount in accordance with guidelines laid down in the 2nd article of the same law. According to a temporary provisions of the law, the amount of the fee was 3/7th of the calculated fee in 2022 and 4/7th in 2023. The fee is calculated out from the preceding year's average NASDAQ prices, as directed by the Directorate of Fisheries. The tax rate, tied to NASDAQ averages, remained at 3.5 per cent in 2023 as in 2022, calculated against the harvested volume of head-on-gutted fish (HOG) weight.

For the year 2023, the Group's resource tax was calculated to EUR 2.2 million compared to EUR 1.3 million in 2022. To highlight the performance of underlying operations before deduction of the production tax, the Group has chosen to report it on a separate line in the Statement of Comprehensive Income below Operational EBIT.

Auditor:

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

2023	Deloitte	EY	Total
Statutory audit service	3	247	250
Other services	0	108	108
Total	3	355	358

2022	Grant Thornton*	EY	Total
Statutory audit service	31	258	289
Other services	0	18	18
Total	31	275	306

Remuneration paid to the Group's auditors are included in other operating expenses in the Statement of Comprehensive Income.

*Statutory audit fees for the Group's subsidiary Ispór ehf., for the year 2021, expensed in 2022.

Deloitte's acquisition of Ernst & Young's assets and operations in Iceland

As of 13 December 2023, Ernst & Young Iceland ceased all operations in Iceland and merged fully under Deloitte Iceland. At the same time Deloitte Iceland became statutory auditor of the Group's subsidiaries in Iceland. The statutory auditor of the Group remained Ernst & Young in Norway.



2.6 Financial income and expenses

Financial income	2023	2022
Interest income	255	288
Fair value gain of previously owned equity interest*	0	8,968
Total financial income	255	9,256

*See further [note 4.5](#)

Financial expenses	2023	2022
Interest expenses on debts and borrowings*	3,342	1,643
Interest expenses on lease liabilities	226	272
Total financial expenses	3,568	1,915

*The Group refinanced its borrowing in the year 2023, which resulted in 0.9 million recognized within interest expense on debt and borrowing, see further in [note 3.10](#)

2.7 Tax expense

Accounting principles

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

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

Deferred tax assets and deferred tax are recognized at their nominal value and classified as non-current assets and long-term liabilities in the Statement of Financial Position.

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

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

Tax expense Consolidated Comprehensive Income	2023	2022
Tax payable	2,385	1,341
Change in deferred tax	(580)	5,426
Effect of change of tax rate in Iceland from 20%-21%	109	0
Adjustment for tax of prior periods	(287)	134
Tax on ordinary profit	1,628	6,901

Effective from 2024, the corporate tax rate in Iceland has been temporarily increased from 20% to 21% for one year. This change had immaterial effect on deferred taxes of the Group.

Reconciliation deferred tax (liabilities)/assets	2023	2022
Deferred tax assets recognized in the Consolidated Statement of Financial Position at 1 January	(3,576)	3,407
Tax recognized in the Consolidated Statement of Comprehensive Income	(1,628)	(6,901)
Deferred tax associated with acquisitions	0	(1,216)
Tax payable	2,385	1,341
Translation differences and other changes	(312)	(207)
Deferred tax (liabilities) recognized in Consolidated Statement of Financial Position 31 December	(3,130)	(3,576)

Deferred tax (liabilities)/assets are split as follows:	2023	2022
Non-current assets	(20,199)	(11,172)
Biological assets and inventories	(1,375)	(5,832)
Receivables	(298)	(152)
Liabilities	(83)	60
Onerous contracts	653	122
Other	466	2
Losses carried forward (including tax credit)	10,308	4,945
Exchange rate difference	(45)	(907)
Basis for deferred tax (liabilities)/assets:	(10,572)	(12,935)
Calculated deferred tax (liabilities)/assets	(2,178)	(2,587)
- Deferred tax assets not recognized	952	989
Net deferred tax (liabilities)/assets recognized in Consolidated Statement of Financial Position	(3,130)	(3,576)

Reconciliation of income tax expense	2023	2022
Profit before taxes	10,196	41,817
Income tax expense at corporate income tax rate in Norway (22%)	2,243	9,200
Effect of tax rates outside Norway	(102)	(836)
Non-taxable and non-deductible items	(514)	(1,463)
Recognized in Consolidated Statement of Comprehensive Income	1,628	6,901

Carry forward loss	Fjallalax ehf.	Ísbór ehf.	Icelandic Salmon AS	Total Sum
Loss for 2020, expires end of 2030	196	426		622
Loss for 2021, expires end of 2031	92	0		92
Loss for 2022, expires end of 2032	127	0		127
Loss for 2023, expires end of 2033	0	5,342		5,342
No expiry (tax loss Norway)	0	0	4,125	4,125
	415	5,768	4,125	10,308

For losses carried forward in Norway (Icelandic Salmon AS) and for Fjallalax ehf. in Iceland, no deferred tax asset is recorded.

Arnarlax ehf. is currently applying for group tax relief with its Subsidiary, Eldisstöðin Ísbór ehf. If group relief is granted it will be effective for fiscal year 2023. Potential utilization amounts EUR 5.3 million of carry forward loss that could be utilized against the Group's future profit. The effect on tax payable would be decrease of EUR 1.1 million with corresponding amount effecting deferred tax liability that would increase by same amount.

3. Assets and liabilities

3.1 Goodwill

Accounting principles

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

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

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

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

Goodwill	31.12.2023	31.12.2022
Carrying amount at beginning of the year	34,740	34,740
Carrying amount at year end	34,740	34,740

*See further [note 4.5](#).

3.2 Impairment

Impairment is determined by assessing the recoverable amount of the CGU to which the goodwill and indefinite lifetime licenses relates. If the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized.

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

The table below outlines the carrying amounts of goodwill and licenses:

Arnarlax ehf.	2023	2022
Goodwill	34,740	34,740
Licenses	1,626	1,626
Total Goodwill and licenses	36,366	36,366

Basis for determining the recoverable amount

Impairment is tested by calculating the recoverable amount of the CGU. The recoverable amount of the cash-generating unit is determined based on a value in use calculation which uses cash flow projections based on the financial forecast for the period 2024-2027 that has been approved by management and the Board of Directors. Cash flows beyond 2028 have been extrapolated using a 2.5 per cent terminal growth rate. An impairment loss is recorded if the carrying amount of the CGU exceeds the estimated value in use.

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

- Forecasted harvested volume
- EBIT/kg
- Forecasted market price for harvested products
- Investment (CAPEX) forecast
- Discount rate (WACC)

Harvest volume

Forecast of harvested volume are estimated based on current production and future harvesting plans, adjusted for expected increases in future output given current licenses.

EBIT/kg

EBIT per kg is sensitive to fluctuations in the price of salmon. Forecast market prices for the harvested products are based on estimated prices from industry analysis. Estimates for production cost are based on historical figures and future expectations.

Investment (CAPEX) forecast

A detailed CAPEX forecast is used which includes CAPEX needed for the forecast increase in production. Investment after 2028 have been estimated with simplified approach to estimate the maintenance investment of assets required to maintain the production volume.

Discount rate (WAAC)

The discount rate used reflects management's estimate of the risk specified for the CGU. The discount rates are based on the Weighted Average Cost of Capital (WACC) methodology. In the model a ten-year risk-free rate has been used. Calculation of the final discount rates also takes into account market risk premium, debt risk premium, gearing and beta value. In the calculations, the Group has applied estimated cash flows after tax. The discount rate for the year 2023 is estimated post - tax 10.2 per cent compared to 10.1 per cent previous year.

Sensitivity

In connection with the impairment testing of intangible assets, a sensitivity analysis has been performed. With the assumptions used, the recoverable amount of the cash-generating unit was in reasonable excess of its carrying amount as of 31 December 2023 and 2022. There is sufficient headroom in place and that there are no triggers indicating that impairment is necessary. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount of the cash-generating unit is based would not cause the carrying amount of the cash-generating unit to exceed its recoverable amount.

Based on the above assessments, there were no impairment identified based on the impairment test related to the fish farming licenses or goodwill as of 31 December 2023.

3.3 Other intangible assets

Accounting principles

Intangible assets that are purchased individually are capitalized at acquisition cost. Intangible asset acquired in business combination are recognize at fair value at the date of the acquisition.

Other intangibles consist of licenses and are following:

Licenses	2023	2022
Carrying amount of licenses at 1 January	1,626	978
Acquired in business combination see note 4.5	0	381
Additions new licenses	0	267
Carrying amount at 31 December	1,626	1,626

Licenses

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

Over the recent years the Group has invested significantly in smolt production capacity. The Group now has a smolt capacity of up to eight million smolts, depending on the size of the smolts. This smolt strategy has started to provide the Group larger smolts and there for reduce production time at sea. That reduces risk and improve biological performance. The smolt strategy is expected to improve the Group's Maximum allowed biomass (MAB) utilization in the upcoming years.

The Group currently holds license of 23,700 tonnes maximum allowed biomass in the southern part of the Icelandic Westfjords, Arnarfjörður, Patreksfjörður and Tálknafjörður. No new sites or changes on the existing sites took place in the year 2023.

The Icelandic Food and Veterinary Authority (MAST) and Environment Agency of Iceland (UST) have announced the advertisement of a salmon farming license to be issued to Arnarlax in Ísafjörðardjúp. The license will be for 10,000 tonnes MAB of sterile salmon and include three new sites. The license process is open for consultation until 2 April 2024, accessible on MAST and UST homepage. During this period, comments and Feedback are encouraged, and may result in modifications or withdrawal of the license. When this new 10,000 tonnes license, Arnarlax will have a total licensed capacity of 33,700 tonnes.

The group has two more application ongoing in Arnarfjörður, one being combining of 1,500 tonnes license in Fossfjörður with the 10,000 tonnes license in Arnarfjörður. The second application is in the stage of an environmental assessment on expanding four sites and potentially increase the biomass capacity to 16,000 tonnes in Arnarfjordur, and the total maximum allowed biomass up to potentially 38,200 tonnes. This is an ongoing process and the timeline of the licenses being given out are still unclear.

At the year end the Group recognized licenses amounting EUR 1.6 million (Same as year end 2022). For further information see business combination [note 4.5](#).

3.4 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 for the recognition criteria of borrowing cost. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset. When significant parts of PP&E are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognized in Statement of Comprehensive Income as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The residual values, useful lives and methods of depreciation of PP&E are reviewed at each financial year end and adjusted prospectively, if appropriate. Right-of-use assets are recognized separately from property, plant and equipment and presented in [note 3.5](#).

	Plant, machinery and equipment	Land, buildings & other property	Assets under construction	Total
Acquisition cost at 1 Jan 2022	52,268	20,010	4,199	76,477
Additions	10,984	1,828	4,205	17,018
Additions due to business combination (see note 4.5)	3,847	15,450	0	19,298
Sold and disposed	(200)	0	(13)	(213)
Foreign exchange effect	(24)	(984)	(13)	(1,021)
Acquisition cost at 31 Dec 2022	66,875	36,305	8,378	111,559
Additions	0	0	26,107	26,107
Assets under construction taken in use	26,385	375	(26,761)	0
Sold and disposed	(591)	(97)	0	(689)
Acquisition cost at 31 Dec 2023	92,669	36,583	7,724	136,977
Acc. dep. & Impairment at 1 Jan 2022	(21,873)	(2,380)	0	(24,253)
Depreciation	(5,069)	(1,112)	0	(6,182)
Sold and disposed	22	0	0	22
Foreign exchange effect	(11)	13	0	3
Acc. dep. & Impairment at 31 Dec 2022	(26,931)	(3,478)	0	(30,410)
Depreciation	(6,251)	(1,702)	0	(7,954)
Reclassification	239	(239)	0	0
Sold and disposed	414	0	0	414
Acc. dep. & Impairment at 31 Dec 2023	(32,529)	(5,419)	0	(37,949)
Carrying amount at 31 Dec 2023	60,140	31,164	7,724	99,028
Carrying amount at 31 Dec 2022	39,944	32,827	8,378	81,149
Useful lives	3-30 years	10-40 years		
Depreciation plan	Straight-line	Straight-line		
Gains on sale of non-current assets	391	0		

As of 31 December 2023, the Group had PP&E at total of EUR 99.0 million compared to EUR 81.1 million as of 31 December 2022.

The PP&E consist of plant, equipment and machinery, land, buildings and other property, and assets under construction. Plant, equipment and machinery mainly consist of operational equipment, floating pens boats and aquaculture tanks. Land building & other property mainly consist of Real Estate, land and other non-removable assets.

The useful life of these PP&E differs from three years, up to forty years. Assets under construction relates to ongoing investment projects later to be moved to the relevant nature of PP&E when taken to usage.

Further information regarding addition of the previous year arising from business combination see [note 4.5](#).

No impairments of property, plant and equipment were incurred in 2023 or 2022.

3.5 Leases

Accounting principles

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

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

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

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

A lease liability is sub-sequentially 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 estimate of residual payments in relation to the lease contract, if there is a change in estimate of utilization of an option to buy the underlying asset, or if there is a change in the expected lease term.

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

Lease assets	Land and Buildings	Machinery and Equipment	Boats and Vessels	Total
Balance at 1 January 2022	1,297	457	4,073	5,827
Addition related to business combination, see note 4.5	131	0	0	131
Adjustments and indexation of existing agreements	242	0	0	242
Additions	2,524	127	0	2,650
Termination of leases	(552)	(48)	0	(600)
Depreciation	(287)	(235)	(753)	(1,275)
Balance at 1 January 2023	3,355	300	3,320	6,975
Adjustments and indexation of existing agreements	165	0	78	243
Additions	145	417	0	561
Termination of leases	(89)	(123)	(653)	(865)
Depreciation	(410)	(175)	(547)	(1,132)
Balance at 31 December 2023	3,166	418	2,199	5,783
Estimated lifetime	3-38 years	1-3 years	5-7 years	
Deprecation method	Linear	Linear	Linear	
Lease liabilities	2023	2022		
Balance at 1 January	6,942	5,889		
Addition related to business combination, see note 4.5	0	134		
Adjustments and indexation of existing agreements	243	260		
Additions (New leases)	561	2,650		
Accretion of interest	226	272		
Installments on lease liabilities paid (cash flow)	(981)	(1,192)		
Interest on lease liabilities paid (cash flow)	(226)	(272)		
Termination of leases	(862)	(601)		
Currency translation differences	(239)	(197)		
Balance at 31 December	5,665	6,942		
	2023	2022		
Current lease liabilities	894	1,186		
Non-current lease liabilities	4,772	5,756		
Total Lease liabilities	5,665	6,942		

Summary of amounts recognized in the Consolidated Statement of Comprehensive Income:	2023	2022
Depreciation expense of leased assets	1,132	1,275
Interest expense on lease liabilities (included in finance expenses)	226	272
Total amount recognized in profit or loss	1,358	1,547

At the beginning of the year 2024 the Company entered in to 3 year well-boat lease with extension-option of two years. This new contract will increase the lease liabilities of the Company by EUR 7.9 million.

The Group had total cash outflows for leases of EUR 1.2 million in 2023 compared with EUR 1.5 million in 2022.

3.6 Biological assets and inventory

Accounting principles

Biological assets

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

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

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

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

The price is calculated using the Fishpool forward price for the estimated harvesting date that was in effect at the end of the reporting period. Forward prices are adjusted for an exporter supplement, as well as harvesting, sales and carriage costs. In addition, an adjustment is made to take account of expected differences in fish quality. Price adjustments are made at the site level. In the absence of price quotation on Fishpool, forward prices for 2025 have been calculated on the basis of price expectations obtained from industry analysis. Management estimates the remaining production costs based on experience and current market conditions

for the farming of fish up until they reach a harvestable weight. In the model, instead of being a separate cost element in the calculation, compensation for license fees and site leasing costs is included in the discount factor, and thereby reduces the fair value of the biomass.

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

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

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

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

Inventories

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

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

Book value of biological assets and inventories	31/12/2023	31/12/2022
Finished Products	2,279	864
Raw materials	1,432	4,112
Other inventories	219	0
Boxes	62	67
Inventories	3,992	5,043
Biological assets	65,963	84,146
Total biological assets and inventories	69,955	89,189

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:

	2023	2022
Change in fair value of the biomass	(4,378)	(215)
Recognized fair value adjustments	(4,378)	(215)

Book value of biological assets recognized at fair value

	31/12/2023	31/12/2022
Biological assets held at sea farms at cost	55,927	68,094
Fair value adjustment of biological assets	1,202	5,580
Total biological assets held at sea by fair value	57,128	73,674
Roe, fry, smolt at cost	8,835	10,473
Total biological assets	65,963	84,146

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 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

	2023	2022
Biological assets held at sea farm 1 Jan	73,674	62,922
Increase resulting from production/purchase	82,870	80,674
Reduction resulting from sale/harvesting	(86,452)	(68,155)
Reduction resulting from incident-based mortality	(8,584)	(1,552)
Net fair value adjustment	(4,378)	(215)
Biological assets held at sea farm 31 Dec	57,128	73,674

Incident-based mortality

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

The estimate relates to the number of fish and is carried out at site level. The Group had three incidents in its sea farm in the year 2023 that resulted in incident-based mortality as defined above. The total effect on the Group's operational profit at cost was EUR 7.0 million but the Group has in place insurance of its biological assets that covered part of the mortality. The corresponding numbers for 2022 was one incident and effect on Group operating profit at cost of EUR 1.3 million where mortality was partially covered by the insurance. The Group also had one incident in its land based smolt facilities within the year, with total effect on the Groups operating profit at cost EUR 0.6 million. One incident affected the Groups operating profit in year 2022 on land-based facilities with total effect on the Groups operating profit at cost of EUR 0.5 million.

Biological assets held at sea farms 31 Dec 2023:	Cost	Fair value adjustment	Carrying amount
< 1 kg (LW)	20,749	1,202	21,951
1-4 kg	18,694	0	18,694
> 4 kg (GW)	16,483	0	16,483
Biological assets held at sea farms	55,927	1,202	57,128
Roe, fry and smolt at cost	8,835	0	8,835
Biological assets total:	64,761	1,202	65,963

Biological assets held at sea farms 31 Dec 2022:	Cost	Fair value adjustment	Carrying amount
< 1 kg (LW)	7,455	623	8,077
1-4 kg	39,835	3,268	43,103
> 4 kg (GW)	20,804	1,689	22,494
Biological assets held at sea farms	68,094	5,580	73,674
Roe, fry, smolt and arctic char fish at cost	10,473	0	10,473
Biological assets total:	78,566	5,580	84,146

The discount rate at end of year 2023 was 5.0 per cent per month, which reflects the biomass capital cost, risk and synthetic license fees and site rental charges. The discount rate remained unchanged from end of year 2022.

The fair value calculation is based on following forward prices:

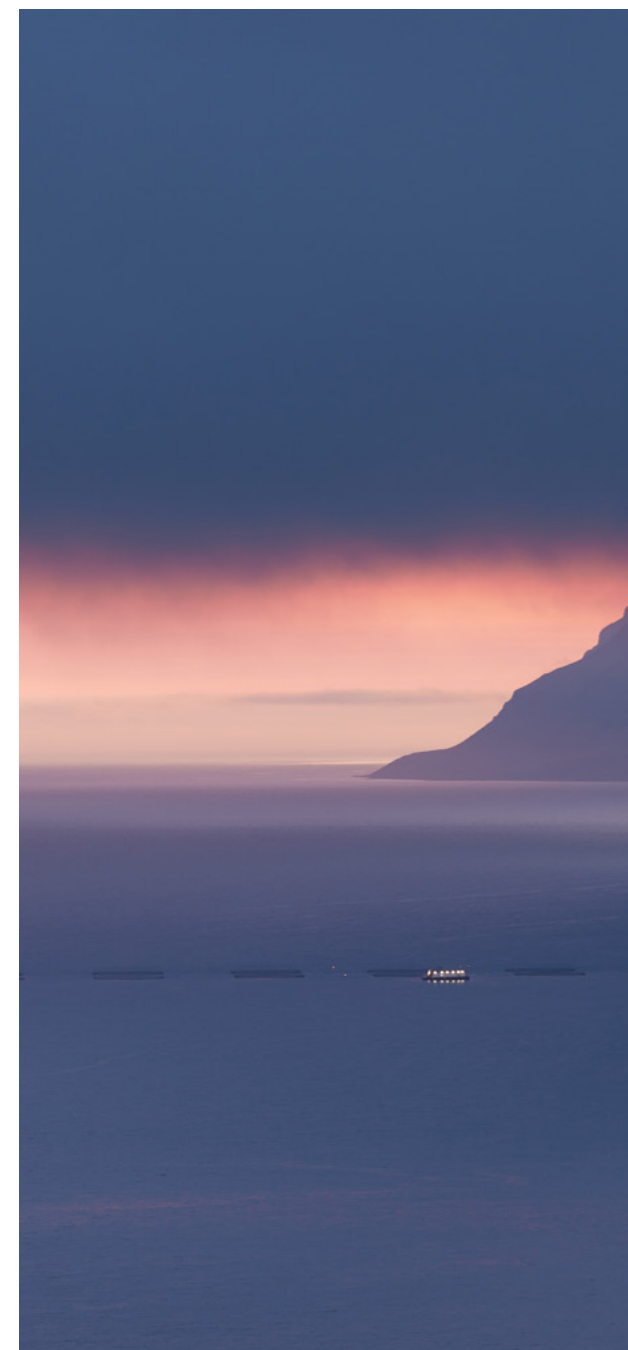
Expected harvesting period:	Estimated Forward price 31/12/2023	Expected harvesting period:	Estimated Forward price 31/12/2022
Q1-2024	9.58	Q1-2023	8.60
Q2-2024	10.02	Q2-2023	8.94
Q3-2024	7.40	Q3-2023	7.12
Q4-2024	7.62	Q4-2023	7.28
Q1-2025	9.13	Q1-2024	7.84
Q2-2025	9.09	Q2-2024	8.12
Q3-2025	6.67	Q3-2024	6.81
Q4-2025	6.85	Q4-2024	7.07

Sensitivity assessment

The estimated fair value of biological assets has been calculated using different parameters. The effect on the estimated fair value of biological assets is summarized below. Consideration has been given to fish groups valued at cost in the sensitivity assessment:

2023	Increase	Effect on estimated fair value 31/12/2023	Decrease	Effect on estimated fair value 31/12/2023
Change in estimated forward price	0.5 EUR per kg.	1,439	-0.5 EUR per kg.	(1,439)
Change in discount factor	1%	(1,202)	-1%	1,613
Change in harvesting time	1 month earlier	(636)	1 month later	674
Change in biomass	1%	215	-1%	(215)

2022	Increase	Effect on estimated fair value 31/12/2022	Decrease	Effect on estimated fair value 31/12/2022
Change in estimated forward price	0.5 EUR per kg.	2,486	-0.5 EUR per kg.	(2,486)
Change in discount factor	1%	(733)	-1%	762
Change in harvesting time	1 month earlier	(1,318)	1 month later	1,388
Change in biomass	1%	293	-1%	(293)



3.7 Trade and other receivables and allowance for expected credit losses

Accounting principles

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

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

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

	31/12/2023	31/12/2022
Trade receivables	13,225	15,502
Allowance for expected credit losses	(53)	(476)
Total trade receivables	13,172	15,026
Other receivables	3,800	4,624
Bonds	309	309
Allowance for expected credit losses (Bonds)	(309)	(185)
Total other receivables	3,800	4,748
Total receivables	16,972	19,774

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

Allowance for expected credit losses	2023	2022
Total allowance for expected credit losses 1 Jan.	661	585
Total allowance for expected credit losses 31 Dec	362	661
Change in allowance for expected credit losses during the year	(300)	76
	2023	2022
Actual loss incurred	500	199
Change in allowance for expected credit losses	(300)	76
Exchange rate difference	4	16
Bad debts charged to expenses during the year	204	291

See [note 4.1](#) for further details of the credit risk and foreign exchange risk associated with trade receivables and other receivables.

As at 31 December, the Group's outstanding trade receivables had the following aging:

EUR 1000	Total	Not due	<30 d	31-60d	60-90d	>90d
31/12/2023	13,225	7,645	5,190	217	86	86
31/12/2022	15,502	12,925	2,082	0	9	486

3.8 Financial instruments and Capital structure

- Overview of financial instruments and fair value measurement

Accounting principles

Classification of financial instruments

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

Financial assets at amortized cost

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

Financial Liabilities at amortized cost

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

Hedging

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk in cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again. The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts. The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognized in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortization. Those reclassified amounts

are recognized in profit or loss in the same line as the hedged item.

No hedge was in place at end of the year.

Expected credit loss

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

Derecognition of financial assets

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

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss. When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between:

- (1) the carrying amount of the liability before the modification; and
- (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

Classification as debt or equity

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

Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the Consolidated Financial Statements, the Group has used the following assumption to measure fair value:

Financial assets

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

Financial liabilities

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

Financial instruments

Assets	31/12/2023	31/12/2022
Trade receivables	13,172	15,026
Other receivables	2,265	2,286
Cash and cash equivalents	10,189	1,854
Total financial assets	25,626	19,165
Liabilities	31/12/2023	31/12/2022
Non-current interest-bearing liabilities	54,500	51,649
Non-current lease liabilities	4,772	5,756
Current interest-bearing liabilities	1,500	6,230
Current lease liabilities	894	1,186
Trade payables	8,679	11,702
Other current payables	5,688	5,131
Total financial liabilities	76,032	81,655

Non-current and current interest-bearing liabilities are recognized at amortized cost.

3.9 Cash and cash equivalents

Cash and cash equivalents	31/12/2023	31/12/2022
Bank deposits, unrestricted	10,189	1,854
Cash and cash equivalents in the Statements of Financial Position	10,189	1,854

At 31 December 2023 the Group has unused overdraft facility amounting to EUR 5 million, the overdraft facility was drawn down for the amount of EUR 4.1 million at 31 December 2022 (see [note 3.10](#)).

3.10 Interest-bearing loans and borrowings

Non-current interest-bearing borrowings	2023	2022
Interest-bearing borrowing to credit institutions	56,000	53,749
Next year's installment on non-current interest-bearing borrowings	(1,500)	(2,099)
Total non-current interest-bearing borrowings to credit institutions	54,500	51,649

Current interest-bearing borrowings	2023	2022
Bank overdraft	0	4,130
Next year's installment on non-current interest-bearing borrowings	1,500	2,099
Total current interest-bearing borrowings to credit institutions	1,500	6,230

Debt facilities are entered into by Arnarlax ehf. Interest-bearing borrowings to credit institutions consist of a combined EUR 100.0 million facilities entered in to 1 November 2023, which was a refinance of EUR 56 million term and revolving facilities agreement originally dated 30 June 2021. Debt facilities are split into revolving facility, term facility and overdraft facility. The current loan agreement is valid until November 2026 with a possibility of two one year extensions and there for presented as a long-term interest-bearing borrowings in the Group's Consolidated Statements of Financial Position.

Financial Position

The refinancing was accounted for a extinguishment under IFRS and resulted in EUR 0,9 million recognized through profit and loss, classified within finance expense.

For maturity structure of interest-bearing borrowings, references are made to [note 4.1](#). Lease liabilities are presented separately from interest-bearing borrowings to credit institutions and disclosed in [note 3.5](#).

Financial covenants

The Company has a solvency requirement which means that the book equity ratio must be above 35 per cent and profit requirement that requires that the Company's interest coverage ratio must not be lower than 4.0. In addition, the Company's NIBD / 12-month rolling EBITDA should not exceed 6.0.

As of 31 December 2023, the Company was compliant with all these covenants, ensuring its financial stability and meeting its required financial metrics. The Company is also subjected to certain sustainability linked covenants along with its sustainability linked loan agreement signed in 1 November 2023. Sustainability measures will take place for the first time at end of year 2024 and are there for not applicable at year end 2023.

Reconciliation of changes in liabilities to credit institutions incurred as a result of financing activities

2023	1 January 2023	New interest-bearing borrowings	Repayment of interest-bearing borrowings	Current portion of long-term borrowings	Other changes	31 December 2023
Non-current interest-bearing borrowings to credit institutions	51,649	23,500	(21,506)	750	107	54,500
Current interest-bearing borrowings to credit institutions	6,230	0	(4,193)	(750)	213	1,500
Total liabilities from financing	57,879	23,500	(25,699)	0	320	56,000

2022	1 January 2022	New interest-bearing borrowings	Repayment of interest-bearing borrowings	Current portion of long-term borrowings	Other changes	31 December 2022
Non-current interest-bearing borrowings to credit institutions	38,465	18,875	(3,578)	(2,313)	201	51,649
Current interest-bearing borrowings to credit institutions	2,084	4,130	(2,250)	2,313	(48)	6,230
Total liabilities from financing	40,549	23,005	(5,828)	0	153	57,879

*Included in new borrowings of the year are loans arising from business combination see further [note 4.5](#)

Reconciliation of changes in lease liabilities incurred as a result of financing activities:

2023	1 January 2023	New leases recognized	Adjustments of the year	Cash flows	Current portion of long-term leases	31 December 2023
Non-current lease liabilities (note 3.5)	5,756	561	(858)	(36)	(653)	4,772
Current lease liabilities (note 3.5)	1,186	0	0	(945)	653	894
Total liabilities from lease financing	6,942	561	(858)	(981)	0	5,665

2022	1 January 2022	New leases recognized	Adjustment of the year	Cash flows	Current portion of long-term leases	31 December 2022
Non-current lease liabilities (note 3.5)	4,803	2,784	(538)	(148)	(1,145)	5,756
Current lease liabilities (note 3.5)	1,086	0	0	(1,044)	1,145	1,186
Total liabilities from lease financing	5,889	2,784	(538)	(1,192)	0	6,942

*Included in new leases recognized are lease arising from business combination see further [note 4.5](#)

3.11 Onerous Contracts

Accounting principle

Provision

A provision is recognized when, and only when, the Group has a constructive obligation (legal or self-imposed) deriving from an event which has occurred, and it is probable (more likely than not) that a financial settlement will take place as a result of that liability, and the amount in question may be reliably quantified. Provisions are reviewed on each reporting date, and the level reflects a best estimate of the liability concerned.

Onerous contracts

IAS 37 defines an onerous contract as a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under the contract. Unavoidable costs are the lower of the costs of fulfilling the contract and any compensation or penalties from the failure to fulfill it. If a contract can be terminated without incurring a penalty, then it is not onerous.

The definition of onerous contract focuses on the costs of fulfilling the obligations compared to the expected benefits. Similarly, a contract not performing as well as anticipated, or as well as possible, is not onerous unless the costs of meeting the obligations under the contract exceed the expected benefits.

The recognition and measurement of onerous contract provisions are (as discussed in IFRS 15:BC296) subject to the general requirements of IAS 37 and, as such, are based on the entity's 'best estimate' of the (net) expenditure required to settle an obligation (IAS 37:36).

Physical fixed-price sales contracts whose price is less than the price used as the basis for adjusting the fair value of the biomass are recognized as liabilities in the Consolidated Statement of Financial Position. The amount recognized as a liability is the difference between the market price at the end of the reporting period plus costs to sell and the contract price. Changes in provisions are recognized in a separate line in the Consolidated Statement of Comprehensive Income and are included in the operational profit.

Provision related to onerous contracts was EUR 0.5 million for the year 2023 compared to EUR 0.1 million for the year 2022. The effect is recognized as separate line in the Consolidated Statement of Comprehensive Income with contra entry to current liabilities.

3.12 Other current payables

Other current payables comprise:	31/12/2023	31/12/2022
Withheld taxes	3	6
Unpaid payroll expenses	1,482	1,404
Accrued interest expense	543	356
Other accrued expenses *	6,868	7,761
Total other current payables	8,897	9,528

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





4. Financial risk management and other notes

4.1 Capital & Risk Management

Accounting principle

Financial risk

The Group faces several financial risks through its operations, including market risk, credit risk, and liquidity risk. Company management continuously evaluates these risks and establishes policies for their management. The Group secures bank loans to fund investments for its operations and to secure liquidity for daily operations. Furthermore, the Company deals with financial instruments like trade receivables and payables, which are directly linked to its daily business activities.

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 likelihood of a counterparty lacking the financial means to fulfill its obligations has been deemed minimal, and The Group incurred losses from defaulting debtors have been low. The Group has established strict guidelines aimed to ensure that all transactions are conducted solely with customers who have a good payment track record and outstanding balances remains within specified credit limits. The Group has implemented routine that secures credit insurances as a precautionary measure for all its customers. The gross credit risk on the balance sheet date corresponds to the Group's trade receivables portfolio on the balance sheet date. See [note 3.8](#).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash flow forecasts are drawn up on a regular basis and the Accounting department monitors rolling forecasts of the Group's liquidity requirements to ensure that the Group has sufficient cash equivalents to meet operational liabilities, as well as at all times having adequate flexibility in the form of unused credit facilities (see consolidated statement of cash flows), such that the Group does not infringe borrowing limits or specific borrowing conditions. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its payment obligations in the short term.

The table below details the Group's non-derivative financial liabilities classified by maturity structure. The figures presented in the table are undiscounted contractual cash flows.

Maturity structure for financial liabilities as at 31 Dec 2023	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	3,000	51,500	0	0	56,000
Current interest-bearing bank loans	0	0	0	0	0	0
Trade payables and other short-term payables	8,679	0	0	0	0	8,679
Lease liabilities	1,095	879	768	707	3,953	7,401
Other current payables	5,688	0	0	0	0	5,688
Total liabilities	16,960	3,879	52,268	707	3,953	77,768

Maturity structure for financial liabilities as at 31 Dec 2022	Less than 1 year	1-2 years	2-3 years	3-4 years	5 years and more	Total
Non-current interest-bearing bank loans	2,099	51,649	0	0	0	53,749
Current interest-bearing bank loans	4,130	0	0	0	0	4,130
Trade payables and other short-term payables	11,702	0	0	0	0	11,702
Lease liabilities	1,405	1,259	919	752	4,461	8,795
Other current payables	5,131	0	0	0	0	5,131
Total liabilities	24,468	52,908	919	752	4,461	83,507

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
31.12.2023	+/- 100	+/- 560	+/- 448
31.12.2022	+/- 100	+/- 579	+/- 463

Currency risk sensitivity

The primary operational income for the Group is denominated in EUR. In 2023, 64 per cent of the Group's operational income was generated in EUR, while other operational income was mostly in USD. Since exchange rate volatility can impact the profitability of salmon sales, the Group has taken steps to mitigate currency risk by hedging all fixed price contracts denominated in currencies other than the operational currency.

The Group's operational costs are primarily denominated in EUR and significant purchases are also contracted in EUR. However, around 40 per cent of the operational costs are in Icelandic Krona (ISK), which is a currency that is highly vulnerable to fluctuations in the global market. While the group acknowledges the impact of currency fluctuations on its operational cost, there has been no hedging against ISK to EUR. The main components of the operational costs in ISK are salaries, domestic contractor and supplier purchases, and taxes.

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 maximize 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 2023.

As of 31 December 2023, the Group had an equity ratio of 64.2 per cent (61.3 per cent as at 31 December 2022). See [note 3.10](#) for further details of the Group's net interest-bearing debt.

4.2 Share capital and shareholders

As at 31 December 2023, the parent company's share capital comprised:

	No.	Face value	Share capital in EUR
Ordinary shares	30,961,868	0.96	29,571,137

Shareholders

The Company's 20 largest shareholders as at 31 December 2023 were:

	No.	Shareholding
SalMar ASA	16,248,152	52.48%
J.P. Morgan SE	2,966,425	9.58%
Íslandsbanki hf.	2,335,463	7.54%
Clearstream Banking S.A.	1,944,606	6.28%
Holta Invest AS	938,314	3.03%
Pactum Vekst AS	825,862	2.67%
MP Pensjon PK	619,706	2.00%
Roth	599,661	1.94%
Nima Invest AS	565,088	1.83%
State Street Bank and Trust comp	515,000	1.66%
Kristians and AS	450,000	1.45%
Hortulan AS	290,900	0.94%
VPF DNB Norge Selektiv	257,374	0.83%
Verdipapirfondet DNB SMB	241,798	0.78%
Alden AS	217,776	0.70%
Haganes AS	200,451	0.65%
Lithinon AS	186,881	0.60%
DNB Bank ASA	153,770	0.50%
Verdipapirfondet KLP Aksjenorge	135,666	0.44%
Edinborg AS	127,000	0.41%
Total 20 largest shareholders	29,819,893	96.31%
Total other shareholders	1,141,975	3.69%
Total no. of shares	30,961,868	100.00%

Shares owned by members of the board and directors.

Name	Title	Shares	Shareholding
Leif Inge Nordhammer (1)	Chairman of the board	-	0.00%
Kjartan Ólafsson (2)	Board member	550,000	1.78%
Gustav Witzøe (3)	Board member	-	0.00%
Espen Marcussen (4)	Board member	-	0.00%
Ulrik Steinvik (1)	Board member	-	0.00%
Bjørn Hembre (5)	CEO	32,900	0.11%
Rolf Ørjan Nordli (1)	COO SeaWater	-	0.00%

(1) Leif Inge Nordhammer, Ulrik Steinvik and Rolf Ørjan Nordli, all indirectly owns shares through minority stake in SalMar ASA.

(2) Kjartan Ólafsson owns 100% of the shares in Berg Fjárfesting ehf, which own 100% of the shares in Gyða ehf. Gyða ehf. has it's shares within custody account within J.P. Morgan SE.

(3) Gustav Witzøe indirectly controls a majority shareholding in Kverva AS, which, through Kverva Industries AS, owns shares in SalMar ASA and holds a majority voting right in SalMar ASA.

(4) Espen Marcussen indirectly owns shares through a minority stake in Pactum Vekst AS.

(5) Bjørn Hembre owns indirectly through IVMA AS which is one of minority stakeholders in Icelandic Salmon AS. Bjørn owns 100% of the shares in IVMA AS.

See further information regarding share options in [note 2.4](#)

4.3 Earnings per share

Earnings per share	2023	2022
Net profit for the year	8,568	34,917
No. of shares outstanding as at 1 Jan	30,962	30,962
Share issue during the year	0	0
No. of shares outstanding as at 31 Dec	30,962	30,962
Average no. of shares outstanding through the year (basic and diluted)	30,962	30,962

Earnings per share (EUR)

Basic and diluted	0.28	1.13
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4.4 Group companies

Ownership and voting interest :

Subsidiary	31/12/2023	31/12/2022	Company	Registered office	Principal activity
Arnarlax ehf.	100%	100%	Icelandic Salmon AS	Strandgata 1, 465 Bıldudalur, Iceland	Fish farming
Fjallalax ehf.	100%	100%	Arnarlax ehf.	Strandgata 1, 465 Bıldudalur, Iceland	Fish farming
Eldisstöðin Ísbór ehf.	100%	100%	Arnarlax ehf.	Nesbraut 25, 815 Þorlákshöfn, Iceland	Fish farming
Icelandic Salmon ehf.	100%	100%	Arnarlax ehf.	Strandgata 1, 465 Bıldudalur, Iceland	Dormant*

* Share capital of Icelandic Salmon ehf. consists solely of ordinary shares, which are held directly by the Group. The company is dormant and not consolidated in these Consolidated Financial Statements as its effects would be immaterial in the opinion of management.

4.5 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

Business acquisitions in 2023

No business acquisitions in 2023

Business acquisitions in 2022

Acquisition of Eldisstöðin Ísbór ehf.

The Company's fully owned subsidiary, Arnarlax ehf., signed a Share Purchase Agreement (SPA) on 25th of May for the remaining 50 per cent of shares in its joint venture, Eldisstöðin Ísbór ehf. ("Ísbór"). The transaction was subject to approval from the Icelandic Competition Authorities (ICA) and certain other closing conditions. The ICA approved the acquisition on 2nd of August and all other closing condition was closed on 17 of August, which is the acquisition date.

With this acquisition the Group has gained full control over its joint venture and therefore in accordance with IFRS the Group has remeasured its 50 per cent equity interest held before the acquisition to fair value. The remeasurement resulted in a fair value gain of EUR 9.0 million recognized as other financial items in the Consolidated Statement of Comprehensive Income.

After the transaction the Group owns 100 per cent of the shares in Ísbór. The purpose of the transaction was to increase the flexibility in size of smolt and increased number of smolt supporting the company's growth plans. For accounting purposes, the transaction has been treated as a business combination with effect from the acquisition date. With this acquisition the Group took another important step in its strategy of increasing smolt weight, allowing increased MAB license utilization while reducing production time in sea and thereby biological risk. No material external transaction costs were incurred in the connection with the acquisition.

As part of the acquisition, Ísbór repaid to the former owners a liability amounting to EUR 4.3 million funded by a loan from Arnarlax.

Eldisstöðin Ísbór ehf's assets acquired and liabilities recognized at the date of acquisition:	Carrying amount	Adjustment to fair value	Fair value
Property, plant and equipment	12,970	6,328	19,298
Investment in associates	1	0	1
Lease asset	131	0	131
Cash	51	0	51
Long term debt	(375)	0	(375)
Deferred tax liability	50	(1,266)	(1,216)
Trade payables	(1,304)	0	(1,304)
Lease liability	(134)	0	(134)
Liabilities - former owners	(4,290)	0	(4,290)
Other current liabilities	(89)	0	(89)
Net identifiable assets and liabilities	7,010	5,062	12,073
Cash consideration			10,588

Total consideration and recognized goodwill

Cash consideration	10,588
Fair value of previously held equity interest*	16,892
Minus net identifiable assets and liabilities	(12,073)
Goodwill	15,407

Net cash outflow arising on acquisition

Cash consideration	10,588
Less cash and cash equivalent balances acquired	(51)
Net cash outflow arising on acquisition	10,537

*Fair value of previously held equity interest include intercompany long-term liability of EUR 6.3 million and Equity of EUR 10.6 million were consolidated as of 31 December 2022.

4.6 Related party transactions

Accounting principles

Balances and transactions between Icelandic Salmon AS and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its joint ventures are disclosed below.

Transactions with related parties in 2023:	Sales	Purchases	Receivables	Liabilities
Entities related to chairman of Icelandic Salmon AS	279	535	95	86
Entities related to Kvarv AS, ultimate parent	218	10,569	0	1,901
Salmar ASA, parent company	113	0	0	0
Entities related to Salmar ASA, parent company	0	8	0	0
Transactions with related parties in 2022:	Sales	Purchases	Receivables	Liabilities
Eldisstöðin Ísbór ehf.*	252	2,861	0	0
Entities related to Salmar ASA, parent company	731	53	0	0
Entities related to Kvarv AS, ultimate parent	189	9,119	27	1,354
Entities related to chairman of Icelandic Salmon AS	49	448	4	37

*Amounts are pre Acquisition of Ísbór ehf. see further [note 4.5](#)

Transactions between the Group and related parties are undertaken at market terms and conditions.

See [note 2.3](#) for remuneration to Group management and Board of Directors.

Icelandic Salmon AS is part of the SalMar Group. The Group's Parent Company is Salmar ASA. SalMar's Parent Company is Kverva Industrier AS, which owns 45.39 per cent of the shares in SalMar ASA. The Ultimate Parent Company is Kvarv AS.

4.7 Subsequent events

The Group has evaluated subsequent events. The Group has determined that there were no significant events or transactions that occurred subsequent to year-end that would require adjustment to or disclosure in the financial statements. Therefore, the financial statements present fairly, in all material respects, the financial position of the Group as date of the issue and the results of its operations and its cash flows for the year then ended.

In the first quarter of 2024, the smolt facility Ísbór, owned by the Group, experienced a high mortality rate due to a biological challenge incidents. This event was considered extraordinary and non-recurring cost of EUR 1.1 million was booked in first quarter 2024.

In the first quarter of 2024, the Group experienced a high mortality rate due to a biological challenges at one of their sea site, Steinanes. This event is considered extraordinary and non-recurring event. The Group has made cost estimation on loss due to the event for the amount of EUR 2.5 million in the first quarter of 2024.

On the 1 January 2024 the Group entered in to 3 year well-boat lease agreement with extension-option of two years. This new contract will increase lease liabilities of the Group by EUR 11.4 million.

The Icelandic Food and Veterinary Authority (MAST) and Environment Agency of Iceland (UST) have announced the advertisement of a salmon farming license to be issued to Arnarlax in Ísafjarðardjúp. The license will be for 10,000 tonnes MAB of sterile salmon and include three new sites. The license process was open for consultation until 2 April 2024, accessible on MAST and UST homepage. During this period, comments and feedback were encouraged, and may result in modifications or withdrawal of the license. When this new 10,000 tonnes license, Arnarlax will have a total licensed capacity of 33,700 tonnes.

After an improvement in framework conditions for salmon farming in Iceland in 2022, conditions have become more unpredictable at the end of 2023 and in to 2024. In December 2023, a bill was presented by the Icelandic government which could lead to changes in the regulatory framework for the country's aquaculture sector. The aim of the proposed changes is to increase the value of Iceland's aquaculture sector, while do it in a sustainable way. The bill is expected to be finalised and implemented during the first half of 2024.

4.8 Alternative performance measures

The Group prepares its Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS). In addition, management has established alternative performance parameters (APMs) to provide useful and relevant information to users of its Financial Statements. Alternative performance parameters have been established to provide greater understanding of the Company's underlying performance, and do not replace the Consolidated Financial Statements prepared in accordance with international accounting standards (IFRS): The performance parameters have been reviewed and approved by the Group's management and Board of Directors. Alternative performance parameters may be defined and used in other ways by other companies.

Operational EBIT

Operational EBIT is an APM used by the Group and the most important measure of its performance under IFRS, since it shows the results of underlying operations during the period. The difference between Operational EBIT and operating profit/loss relates to items which are classified in the Financial Statements on the line for fair value adjustments. These items are market value and fair value assessments linked to assumptions about the future. Operational EBIT shows the underlying operation and the results of transactions undertaken in the period.

Operational EBIT is the Group's most important measure of its performance under IFRS, since it shows the results of underlying operations during the period. Specific items not associated with underlying operations are presented on separate lines in the Consolidated Financial Statements.

	2023	2022
Operating profit	13,171	34,487
Production tax	2,195	1,329
Onerous Contracts	531	122
Fair value adjustments of biomass	4,378	215
Operational EBIT	20,275	36,153

Operational EBIT per kg gutted weight

Operational EBIT per kg gutted weight (GW) is defined as a key APMs for the Group. The performance parameter is used to assess the profitability of the goods sold and the Group's operations. The performance parameter is expressed per kg of harvested volume.

	2023	2022
Operational EBIT	20,275	36,153
Harvested volume (tonnes)	17,919	16,138
Operational EBIT per kg gutted weight	1.13	2.24

Adjusted Earnings per share

The Group uses adjusted earnings per share to reflect earnings excluding net fair value adjustments. The key figure is calculated by dividing the profit for the period adjusted for onerous contracts, fair value adjustments and changes in deferred taxes by the average number of shares outstanding (diluted) in the period.

	2023	2022
Profit for the period attributable to shareholders of Icelandic Salmon AS	8,568	34,917
Onerous contracts	531	122
Fair value adjustment of biomass	4,378	215
Calculated tax effect*	(1,031)	(67)
Adjusted profit for the period attributable for Shareholders in Icelandic Salmon AS	12,447	35,186
Average no. of shares outstanding	30,962	30,962
Adjusted earnings per share	0.40	1.14

* For the year 2023 the calculated tax rate for onerous contracts and fair value adjustment for the is 21%, based on tax-rate for year 2024 in Iceland (2022: Tax-rate 20%).

Net interest bearing debt (NIBD)

Net interest bearing debt is an alternative performance measure used by the Group. The performance measure is used to express the Group's working capital, and is an important performance measure for investors and other users, because it shows net borrowed capital used to finance the Group. Net interest-bearing debt is defined as long-term and short-term debt to credit institutions, less cash and cash equivalents. Lease liabilities under IFRS 16 are not included in the calculation of Net interest-bearing debt.

	2023	2022
Non-current interest-bearing borrowings	54,500	51,649
Current interest bearing borrowings	1,500	6,230
Cash and cash equivalents	(10,189)	(1,854)
Net interest bearing debt (NIBD)	45,811	56,025



ICELANDIC SALMON AS FINANCIAL STATEMENTS

ICELANDIC SALMON AS FINANCIAL STATEMENTS

Income Statement

In EUR 1000	Note	2023	2022
Operating revenues			
Service revenues	1	219	0
Total revenue		219	0
Operating expenses			
Salaries and personnel expenses	2	281	103
Other operating expenses	3	253	176
Total operating expenses		534	280
Operating loss		(315)	(280)
Financial items			
Other interest income		37	15
Other interest expenses		(1)	(1)
Foreign currency loss	4	(90)	(90)
Net financial items		(54)	(76)
Net loss for the year		(368)	(355)
Allocation of loss:			
Uncovered loss allocated to Share Premium		368	355
Total allocation of the year		368	355

Statement of Financial Position at 31 December

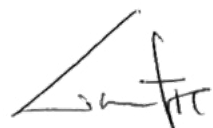
Kverva, 16 April 2024



Leif-Inge Nordhammer,
Chairman of the Board



Espen Weyergang Marcussen,
Member of the Board



Gustav Witzøe
Member of the Board



Kjartan Olafsson,
Member of the Board



Ulrik Steinvik,
Member of the Board



Bjørn Hembre,
CEO

In EUR 1000	Note	2023	2022
Assets			
Non-Current assets			
Investments in subsidiaries	5, 11	115,854	115,729
Total non-current assets		115,854	115,729
Current assets			
Other current receivables		9	10
Current receivables related parties		1	0
Cash & cash equivalents	6	1,177	1,527
Total current assets		1,187	1,537
TOTAL ASSETS		117,041	117,266
Equity and liabilities			
Equity			
Share capital	7,8	29,571	29,571
Share premium	7	88,231	88,600
Other paid-in equity	7	(805)	(930)
Total equity		116,998	117,241
Liabilities			
Current liabilities			
Trade payables		27	26
Other current liabilities		17	0
Total current liabilities		43	26
Total liabilities		43	26
TOTAL EQUITY AND LIABILITIES		117,041	117,266

Statement of Cash Flow

In EUR 1000	Note	2023	2022
Cash flow from Operating Activities			
Loss of the year		(368)	(355)
Change in trade payables and other current liabilities		18	(8)
Net Cash Flow to Operating Activities		(351)	(363)
Cash flow from Financing Activities			
Net change in debt to group companies		0	(1)
Net cash flow from financing activities		0	(1)
Net change in bank deposits, cash & cash equivalents		(351)	(364)
Bank deposits, cash & cash equivalents 1 Jan		1,527	1,891
Bank deposits, cash & cash equivalents 31 Dec		1,177	1,527

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1 Accounting principles

Icelandic Salmon AS (the "Company" or "Icelandic Salmon" is a limited liability company, incorporated in Norway and headquartered in Kverva. The address of its registered office is Industriveien 51, 7266 Kverva, NORWAY. The Ultimate Parent Company is Kvarv AS. The Company's shares are listed on Euronext Growth in Norway and Nasdaq First North on Iceland. Majority of the Company's shares are held by SalMar AS which is listed on Oslo Stock Exchange.

Basis for preparation

The Financial Statements of the Company for the year ended on 31 December 2023 comprise the Income Statement, Statement of Financial Position, Statement of Cash Flow and Statement of changes in equity in related notes. The Financial Statements of the Company for the year ended 31 December 2023 have been prepared pursuant to the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway (NGAAP).

Use of estimates

Preparation of Annual Financial Statements in accordance with generally accepted accounting principles requires management to make assessments, estimates and assumptions that affect the application of the accounting principles and the recognized value of assets and liabilities in the Statement of Financial Position, revenues and expenses for the financial year, as well as disclosures about uncertain assets and liabilities on the reporting date. Estimates and their underlying assumptions are based on historic experience and other factors considered to be relevant and 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 recognized in the period in which the change takes place.

Shares in subsidiaries

Subsidiaries classified as non-current assets are recognized in accordance with the cost method. Subsidiaries are companies in which Icelandic Salmon AS has a controlling influence as a result of legal or de facto control. A controlling interest is, in principle, deemed to exist when more than 50 per cent of the voting capital is owned either directly or indirectly.

Dividend and other distributions are recognized as other financial income. If dividends exceed the share of profit and loss withheld after acquisition, the surplus amount represents a repayment of invested capital, and the distributions are deducted from the value of the investment in the Statement of Financial Position.

Classification and valuation of Financial Position items

Means of payment comprise cash, bank deposits and other short-term investments that can be converted into cash in no more than three months.

Assets intended for permanent ownership or use are classified as non-current assets. Other assets are classified as current assets and normally include items due for payment in less than a year, as well as items relating to the production cycle. For the classification of current and non-current liabilities, similar criteria applies.

Non-current assets are recognized at acquisition cost. If the recoverable value of a non-current asset is lower than its book value, and the impairment is not expected to be temporary, the carrying amount of the asset is reduced to its recoverable amount. Non-current assets with a limited economic lifespan are depreciated systematically.

Current assets are recognized at the lower of acquisition cost and fair value. Other non-current liabilities and current liabilities are recognized at their nominal value.

**Receivables**

Trade receivables and other receivables are recognized at their nominal value, less a provision for bad debts. Provisions for bad debts are made on the basis of an individual assessment of the receivable concerned.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position and the Statement of Cash Flows includes cash and restricted cash with a restriction less than three months from end of the reporting period.

Presentation currency and functional currency

The Financial Statements are presented in EUR, which is the functional currency of the Company and its subsidiaries where the Icelandic Salmon Group main operation is.

Transactions in foreign currencies are recognized in the Statement of Financial Position at the exchange rate in effect when the transaction took place. Monetary items denominated in foreign currencies are translated into EUR at the exchange rate in effect on the reporting date. Non-monetary items valued at historic cost expressed in foreign currencies are translated into EUR using the exchange rate in effect when the transaction took place. Changes in exchange rates are recognized in the Income Statement under other financial items in the accounting period in which they occur.

Revenue recognition

Revenue from rendering of services are recognized when earned as required by generally accepted accounting principles. Revenue from rendering of services is recognized when the service is provided. Revenue are shown in the income statement net of discount.

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 that it is probable that deferred tax assets and liabilities will be used, they are presented net in the Statement of Financial Position.

Statement of Cash Flow

The Company's Statement of Cash Flow shows a breakdown of total cash flow generated by operating, investing and financing activities. The Statement shows the individual activity's effect on cash and cash equivalents. The Statement of Cash Flow has been prepared in accordance with the indirect method.

Change in accounting principle and comparable figures

The Financial Statements of the Company are prepared in accordance with the same accounting principles as the Financial Statements for 2022.

2 Salaries and personnel expenses

Included in payroll expenses are benefits paid to Directors of the company as follows:

Salaries and personnel expenses	2023	2022
Salaries expense	177	103
Employers' national insurance contributions	35	0
Pension expense	6	0
Fees to members of the BOD*	62	103
Total Salaries and personnel expenses	281	207
No. of full-time equivalents employed during the financial year	1	0
Remuneration to the Company's BOD*	2023	2022
Fees to members of the BOD	62	103
Total remuneration to the Company's BOD	62	103

Pension expenses related to defined contribution which consists of expense incurred by the Company for employees that are required by local laws to participate in pension schemes. These pension schemes are not sponsored or administered by the Company. Pursuant to the requirements of the schemes, the Company is required to contribute a certain percentage of its payroll costs to the pension schemes. Such contributions are charged to the Income Statement in the period they incurred in accordance with the rules of the pension schemes. The Company has no further payment obligations once these contributions have been paid. Premium paid with respect to the defined-contribution scheme are expensed and incurred in 2023 (No employee in 2022). During the year 2023 the Company recognized expense of EUR 6 thousand in pension contribution. The scheme includes one person.

Premium paid with respect to the defined-contribution scheme are expensed and incurred in 2023 (No employee in 2022). During the year 2023 the Company recognized expense of EUR 6 thousand in pension contribution. The scheme includes one person.

The Company's CEO is employed by and receives salaries from the subsidiary, Arnarlax ehf. For further information, see [note 2.3](#) of the Consolidated Financial Statements of Icelandic Salmon AS.

On 19 February 2021 (grant date), the Company granted 205,850 share options with an exercise price of NOK 115.00, to the CEO and certain key employees. The Company's intention is that the options will be equity-settled. The option holders must stay in the employment of the Group over a vesting period of three years from the grant date until 19 February 2024. As at 31 December 2023, the fair value calculated at grant date, adjusted for forfeitures in the period, was EUR 460 thousand. In 2023, EUR 125 thousand (2022: EUR 158 thousand) was recognized as an investment in subsidiaries, with a corresponding entry to other paid in equity.

Corresponding amounts have been recognized as salary by Arnarlax ehf. For further details, see [note 2.4](#) the Consolidated Financial Statements of Icelandic Salmon AS.

3 Other operating expenses

Included in operating expenses are remuneration paid to statutory auditors as follows:

	EY	Total
Statutory audit service	72	72
Total remuneration to auditors in 2023:	72	72
Statutory audit service	53	53
Total remuneration to auditors in 2022:	53	53

Fees are presented inclusive of VAT.

4 Currency gains (losses)

The effect of currency gains or losses are recognized under other financial expenses in the Income Statement. In 2023 currency loss amounted EUR 90 thousand (2022: EUR 90 thousand). As prior year the currency loss mainly related to bank balances in NOK (2022: EUR 90 thousand).

5 Investments in Subsidiaries

Company	Shareholding	Registered office	Book value of Investment at 1 Jan 2023	Book value of Investment at 31 Dec 2023	Net profit 2023	Book value of equity at 31 Dec 2023
Arnarlax ehf	100%	Bildudal - Iceland	115,729	115,854	8,937	151,476

In 2023, EUR 125 thousand (2022: EUR 158 thousand) was recognized as an investment in subsidiaries, with a corresponding entry to other paid in equity. See further [note 2](#) (Share-options).

6 Cash and cash equivalents

The Company's cash and cash equivalent consist of bank balances in NOK.

Cash and cash equivalent at year end	2023	2022
Bank balances	1,177	1,527
Total cash and cash equivalent at year end	1,177	1,527

7 Share capital and shareholders

Share capital as at 31 December 2023:

	No.	Face value	Share capital in EUR
Ordinary shares	30,961,868	0.96	29,571,137

The company has only one class of shares.

The company's 20 largest shareholders as at 31 December 2023 were:

	No. of shares	Shareholding
SalMar ASA	16,248,152	52.48%
J.P. Morgan SE	2,966,425	9.58%
Íslandsbanki hf.	2,335,463	7.54%
Clearstream Banking S.A.	1,944,606	6.28%
Holta Invest AS	938,314	3.03%
Pactum Vekst AS	825,862	2.67%
MP Pensjon PK	619,706	2.00%
Roth	599,661	1.94%
Nima Invest AS	565,088	1.83%
State Street Bank and Trust comp	515,000	1.66%
Kristians and AS	450,000	1.45%
Hortulan AS	290,900	0.94%
VPF DNB Norge Selektiv	257,374	0.83%
Verdipapirfondet DNB SMB	241,798	0.78%
Alden AS	217,776	0.70%
Haganes AS	200,451	0.65%
Lithinon AS	186,881	0.60%
DNB Bank ASA	153,770	0.50%
Verdipapirfondet KLP Aksjenorge	135,666	0.44%
Edinborg AS	127,000	0.41%
Total 20 largest shareholders	29,819,893	96.31%
Total other shareholders	1,141,975	3.69%
Total no. of shares	30,961,868	100.00%

Shares owned by members of the board and senior executives:

Name		No. of shares	Share-holding
Leif Inge Nordhammer (1)	Chairman of the Board	-	0.00%
Kjartan Ólafsson (2)	Board member	550.000	1.78%
Gustav Witzøe (3)	Board member	-	0.00%
Espen Marcussen (4)	Board member	-	0.00%
Ulrik Steinvik (1)	Board member	-	0.00%
Björn Hembre (5)	CEO	32.900	0.11%
Rolf Ørjan Nordli (1)	COO SeaWater	-	0.00%

(1) Leif Inge Nordhammer, Ulrik Steinvik and Rolf Ørjan Nordli, all indirectly owns shares through minority stake in SalMar ASA.

(2) Kjartan Ólafsson owns 100% of the shares in Berg Fjárfesting ehf, which own 100% of the shares in Gyða ehf. Gyða ehf. has it's shares within custody account within J.P. Morgan SE.

(3) Gustav Witzøe indirectly controls a majority shareholding in Kverva AS, which, through Kverva Industries AS, owns shares in SalMar ASA and holds a majority voting right in SalMar ASA.

(4) Espen Marcussen indirectly owns shares through a minority stake in Pactum Vekst AS

(5) Björn Hembre owns indirectly through IVMA AS which is one of minority stakeholders in Icelandic Salmon AS. Björn owns 100% of the shares in IVMA AS.

8 Equity

	Share capital	Share premium	Other paid-in equity	Uncovered loss	Total equity
Equity 1 Jan 2022	29,571	90,622	(1,089)	(1,667)	117,438
Year's change in equity:					
Net loss for the year	0	0	0	(355)	(355)
Uncovered loss moved against Share Premium	0	(2,023)	0	2,023	0
Share-based payment, expensed	0	0	158	0	158
Equity 31 Dec 2022	29,571	88,600	(930)	0	117,241
Equity 1 Jan 2023	29,571	88,600	(930)	0	117,241
Year's change in equity:					
Net profit loss for the year	0	0	0	(368)	(368)
Uncovered loss moved against Share Premium	0	(368)		368	0
Share-based payment, expensed	0	0	125	0	125
Equity 31 Dec 2023	29,571	88,231	(805)	0	116,998

For further information on share-based payments see [note 2.4](#) in Consolidated Financial Statements of Icelandic Salmon AS.

9 Related parties transactions

Icelandic Salmon's service revenue includes revenues for service provided to its subsidiary Arnarlax ehf. Sales to related parties are carried out at arm's length.

Revenues - intercompany services	2023	2022
Intercompany consulting services - Arnarlax ehf.	219	0
Total revenues - intercompany services	219	0
Current receivables related parties	2023	2022
Group Companies	1	0
Total current receivables to related parties	1	0

Related parties transactions in the years 2023 and 2022 were insignificant.

10 Tax

Breakdown of the year's taxable income	2023	2022
Loss before tax	(368)	(355)
Year's taxable income	(368)	(355)
Breakdown of temporary differences	2023	2022
Accumulated tax-loss carry forward 1 January	(4,127)	(4,001)
Loss of the year	(368)	(355)
Foreign currency differences	370	229
Accumulated tax-loss carry forward 31 December	(4,125)	(4,127)
Not included in the calculation of deferred tax	4,125	4,127
Deferred tax liability (+) / tax asset (-)	0	0
Tax rate used to calculate deferred tax	22%	22%

Deferred tax assets are calculated at 22 per cent on all temporary differences between the book value and tax value of assets and liabilities, and loss carried forward at the end of the reporting period. Taxable and deductible temporary differences that reverse or may reverse in the same period are offset. Deferred tax assets are recognized when it is probable that the Company will have adequate profit for tax purposes in subsequent periods to utilize the tax asset.

Reconciliation of nominal to actual tax rate	2023	2022
Loss before tax	(368)	(355)
Expected tax on income at nominal tax rate	(81)	(78)
Carry forward loss not recognized in Income Statement as tax asset*	81	78
Estimated tax expense	-	-
Effective tax rate	0.0%	0.0%

*The Company's carry forward loss of EUR 4.1 million does not expire according to Norwegian laws. The Company will recognize and record tax asset when there is an adequate profit for tax purposes to utilize the existing carry forward loss.

11 Loans and guarantees

All shares in Arnarlax ehf are pledged as security for the Group's bank loans. Icelandic Salmon AS owns 100% of the shares in Arnarlax ehf, the book value of which was EUR 115.9 million as at 31 December 2023 (EUR 115.7 million 31 December 2022).

STATEMENT BY THE BOARD OF DIRECTORS AND CEO

We confirm, to the best of our knowledge, that:

The Group financial statements for the period from 1 January to 31 December 2023 have been prepared in accordance with IFRS, as adopted by the EU.

The financial statements of Icelandic Salmon AS for the period from 1 January to 31 December 2023 have been prepared in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

The financial statements give a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations.

The Report of Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company, together with a description of the key risks and uncertainty factors that the Group and the Company is facing.

The Board of Directors and the Chief Executive Officer hereby confirm these Consolidated Financial Statements with their signature.

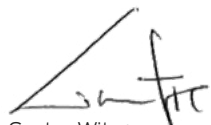
Bíldudalur 16 April 2024



Leif-Inge Nordhammer,
Chairman of the Board



Espen Weyergang Marcussen,
Member of the Board



Gustav Witzøe
Member of the Board



Kjartan Olafsson,
Member of the Board



Ulrik Steinvik,
Member of the Board



Bjørn Hembre,
CEO



INDEPENDENT AUDITOR'S REPORT



Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Icelandic Salmon AS

Opinion

We have audited the financial statements of Icelandic Salmon AS (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the balance sheet as at 31 December 2023, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the balance sheet as at 31 December 2023, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway,
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023 and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the Board of Directors and the Chief Executive Officer) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Trondheim, 17 April 2024
ERNST & YOUNG AS

The auditor's report is signed electronically

Christian Ronæss
State Authorized Public Accountant (Norway)

Independent auditor's report - Icelandic Salmon AS 2023

A member firm of Ernst & Young Global Limited



Icelandic Salmon

SUSTAINABLE SALMON FROM ARNARLAX

2024