

First Water hf.
Interim Financial Statements
1.1-30.6.2023

First Water hf.
Urðarhvarfi 8
203 Kópavogur
Reg. no. 650417-1510

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Review Report on Interim Financial Information

To the Board of Directors and Shareholders of First Water hf.

We have reviewed the Interim financial statements of First Water hf. for the period 1.1-30.6.2023 which comprise the Endorsement by the board of directors and managing director, the statement of financial position, and the Interim Statement of cash flows for the six-month period then ended, and other explanatory notes.

Management's and the Board of directors Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Interim financial statements in accordance with generally accepted accounting principles in Iceland.

Auditor's Responsibility

Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements, ISRE 2410. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information does not give a true and fair view of the financial position of the First Water hf. 30 June 2023, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU and additional requirements in the Icelandic Financial Statement Act.

Kópavogi, 11.12.2023

Deloitte ehf.

Þorsteinn Pétur Guðjónsson
State Authorised Public Accountant

Guðmundur Ingólfsson
State Authorised Public Accountant

Endorsement by the Board of Directors and the CEO

The Interim financial statements of First Water hf. for the year 1.1-30.6.2023 are prepared in accordance with the Icelandic Financial Statements Act no. 3/2006.

The company is in the process of building a fish farm site on Laxabraut in Þorlákshöfn, the existing plans expect that production will be around 50,000 tons and that development will take 5 years. The estimated cost is around ISK 100 billion. The company's financing is mostly in the form of paid in capital, in addition the company completed financing after the end of the reporting date to the amount of 14 billion. Post capital increase, the number of shareholders increased from 64 to 117.

Operations during the period

Loss during the period recognised in the income statement amounted to.....	(641.030.543)
Book value of assets at end of the period according to the balance sheet amounted to.....	9.479.662.418
Book value of equity at end of the period according to the balance sheet amounted to	3.258.892.080
Equity ratio at end of the period according to the balance sheet amounted to.....	34%
Average number of full time employees during the period was	42

Shareholders

At the end of the period shareholders were 64, same as in the beginning of the year.

	Ownership %	Shares
Stoðir hf.....	40,0%	58.000.000
Framherji ehf.....	16,1%	23.345.000
Fylla ehf.....	8,3%	12.035.000
21. júní ehf.....	5,2%	7.540.000
Líra ehf.....	5,0%	7.250.000
Investco ehf.....	4,3%	6.235.000
Konkrít ehf.....	3,0%	4.350.000
Reykjavík Retail ehf.....	2,5%	3.625.000
Sleðabrjótur ehf.....	1,6%	2.320.000
Laugarfell ehf.....	1,3%	1.885.000
Aðrir.....	12,7%	18.415.000
Total.....	100%	145.000.000

Statement of the Board of Directors and the CEO

The company's interim financial statements are prepared in accordance with the Icelandic Financial Statements Act no. 3/2006, to the best of the knowledge of the board of directors and CEO. It is the opinion of the Board of Directors and the CEO of First Water hf. that these financial statements present all the information necessary to show the position of the Company the period 1.1-30.6.2023, its assets, liabilities and financial position on 30.6.2023 and the change in cash and cash equivalents in the period 1.1-30.6.2023

Furthermore, it is the opinion of the board of directors and the CEO that the interim financial statements and the report of the board of directors and the CEO provide a clear overview of the development and success of the company's operations and its position, and describe the main risk factors and uncertainties that the company is experiencing.

The Board of Directors and the CEO of First Water hf. hereby confirm the financial statements for the year 1.1-30.6.2023 with their signatures.

Reykjavík, 11.12.2023

Board of Directors

CEO

Income Statement for the period 1.1-30.6.2023

	Notes	1.1-30.6.2023	2022
Operating revenue		113.883.503	4.575.550
Other revenue		<u>551.462</u>	<u>31.520.000</u>
Total Revenue		114.434.965 0	36.095.550
Cost of sales		(141.697.350)	(70.794.603)
Salaries and other employee expenses	3	(181.828.836)	(182.922.550)
Other operating expenses		<u>(270.886.780)</u>	<u>(149.494.232)</u>
Operating cost		(594.412.966)	(403.211.385)
Loss before Depreciation (EBITDA)		(479.978.001)	(367.115.835)
Depreciation	4	<u>(140.720.414)</u>	<u>(187.388.038)</u>
Operating loss (EBIT)		(620.698.415)	(554.503.873)
Change in valuation of biomass		<u>(82.532.652)</u>	<u>0</u>
Loss from operations (EBIT)		(703.231.067)	(554.503.873)
Financial Income		47.753.135	10.110.952
Financial expenses		<u>(146.035.970)</u>	<u>(46.094.496)</u>
		(98.282.835)	(35.983.544)
Loss before tax		(801.513.902)	(590.487.417)
Income tax		<u>160.483.359</u>	<u>158.740.964</u>
Loss for the period		<u><u>(641.030.543)</u></u>	<u><u>(431.746.453)</u></u>

Balance sheet at 30.6.2023

Assets	Notes	30.06.2023	31.12.2022
Non-current assets			
Property, plant and equipment	4	3.721.043.812	2.811.691.166
Operating assets under construction	5	3.401.268.528	1.836.451.833
Investments in associates		105.350.000	0
Deferred tax assets		319.224.323	158.740.964
		<u>7.546.886.663</u>	<u>4.806.883.963</u>
Current assets			
Biomass and feed supplies	6	682.304.794	401.513.477
Trade receivables		114.491.868	316.538
Other current receivables		549.671.433	378.186.146
Cash		586.307.660	188.652.258
		<u>1.932.775.755</u>	<u>968.668.419</u>
Assets		<u>9.479.662.418</u>	<u>5.775.552.382</u>
Equity and liabilities			
Capital and reserves			
Share capital	7	145.000.000	145.000.000
Share premium		4.362.423.164	4.362.423.164
Other reserves		28.455.808	14.606.137
Retained earnings		(1.276.986.892)	(635.956.349)
Equity		<u>3.258.892.080</u>	<u>3.886.072.952</u>
Non-current liabilities			
Liabilities to financial institutions	8	152.691.534	1.064.956.958
		<u>152.691.534</u>	<u>1.064.956.958</u>
Current liabilities			
Trade payables		1.321.960.856	624.608.042
Current maturities of non-current liabilities	8	2.668.009.402	66.503.873
Payables to related parties	9	1.500.000.000	0
Other current liabilities		578.108.546	133.410.557
		<u>6.068.078.804</u>	<u>824.522.472</u>
Liabilities		<u>6.220.770.338</u>	<u>1.889.479.430</u>
Total equity and liabilities		<u>9.479.662.418</u>	<u>5.775.552.382</u>

Statement of Cash Flows for the period 1.1-30.6.2023

	Notes	1.1-30.6.2023	2022
Operating activities			
Operating loss		(620.698.415)	(554.503.873)
Depreciation		140.720.414	187.388.038
Expense recognized in respect of share based payments		13.849.671	14.606.137
Operating cash flow before movem. in working capital		(466.128.330)	(352.509.698)
Inventories, (increase)		(363.323.969)	(277.705.708)
Operating assets, (increase)		(285.660.616)	(161.730.738)
Operating liabilities, increase		1.054.161.846	515.132.947
Cash generated to operating activities		(60.951.069)	(276.813.197)
Interest earned and exchange rate difference		30.953.135	16.936.687
Interest paid and exchange rate difference		(55.067.348)	(34.438.195)
Net cash used in operating activities		(85.065.282)	(294.314.705)
Investing activities			
Purchases of property, plant and equipment	4	(1.050.073.060)	(2.209.165.274)
Purchases of assets under construction		(1.564.816.695)	(1.476.201.112)
Acquisition of investments in associates		(105.350.000)	0
		(2.720.239.755)	(3.685.366.386)
Financing activities			
Paid in capital		0	2.227.299.480
Proceeds from borrowings		1.707.877.415	928.033.200
Repayments of long term debt		(4.916.975)	(187.805.297)
Increase in liabilities to related parties		1.500.000.000	0
		3.202.960.440	2.967.527.383
Net increase (decrease) in cash and cash equivalents		397.655.403	(1.012.153.709)
Cash at beginning of the year		188.652.258	1.200.805.967
Cash at year-end		586.307.660	188.652.258

Notes

1. General information

First Water hf. (the Company) is a private limited company in accordance with the Icelandic private limited companies act nr. 138/1994.

First Water hf. is domiciled in Iceland and its legal residence is Urðarhvarfi 8, 203 Kópavogur.

2. Basis of preparation

The Interim financial statements have been prepared in accordance with Icelandic Financial Statements Act no. 3/2006. The financial statements have been prepared on the historical cost basis, with the exception that biomass is recognized at fair value. The financial statements are presented in Icelandic krona (ISK) which is the Company's functional currency.

The Interim financial statements do not contain all the information required in the full financial statements and should be read in the context of the company's financial statements for 2022.

Estimates and decisions

In applying the Company's accounting policies, management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

3. Salaries and other employee expenses

	<u>1.1-30.6.2023</u>	<u>2022</u>
Salaries	349.160.109	346.869.713
Pension fund	43.780.077	44.431.491
Other salary-related expenses	29.266.682	73.419.742
Other employee expenses	36.094.275	29.562.856
Capitalized salaries cost	(276.472.307)	(311.361.252)
	<u>181.828.836</u>	<u>182.922.550</u>
Salaries and other employee expenses	458.301.143	494.283.802
Average number of full time employees	42	26

Notes

4. Property, plant and equipment and depreciation

	Fish farm site Þorlákshöfn	Fish farm site Öxnalækur	Machinery and equipment	Total
Cost				
Balance at 1.1.2022	0	283.924.263	50.940.631	334.864.894
Reclassification of PP&E	385.874.399	0	73.200.385	459.074.784
Additions	1.519.784.501	61.206.078	628.174.695	2.209.165.274
Disposals	0	0	(3.825.000)	(3.825.000)
Balance at 1.1.2023	1.905.658.900	345.130.341	748.490.711	2.999.279.952
Capitalized cost	429.687.823	83.556.523	536.828.714	1.050.073.060
Balance at 30.06.2023	<u>2.335.346.723</u>	<u>428.686.864</u>	<u>1.285.319.425</u>	<u>4.049.353.012</u>
Depreciation				
Balance at 1.1.2022		3.371.287	654.501	4.025.788
Depreciation for the year	72.184.623	8.383.403	106.819.972	187.387.998
Disposals			(3.825.000)	(3.825.000)
Balance at 1.1.2023	72.184.623	11.754.690	103.649.473	187.588.786
Depreciation for the year	65.268.990	5.786.482	69.664.942	140.720.414
Balance at 30.06.2023	<u>137.453.613</u>	<u>17.541.172</u>	<u>173.314.415</u>	<u>328.309.200</u>
Book value				
Balance at 1.1.2022	<u>1.833.474.277</u>	<u>333.375.651</u>	<u>644.841.238</u>	<u>2.811.691.166</u>
Balance at 30.06.2023	<u>2.197.893.110</u>	<u>411.145.692</u>	<u>1.112.005.010</u>	<u>3.721.043.812</u>
Depreciation rates	3%	3%	15-20%	

5. Operating assets under construction

	Fish farm site Þorlákshöfn	Fish farm site Öxnalækur	Total
Cost			
Balance at 1.1.2023	1.824.147.537	12.304.296	1.836.451.833
Additions	1.457.329.573	107.487.122	1.564.816.695
Balance at 30.06.2023	<u>3.281.477.110</u>	<u>119.791.418</u>	<u>3.401.268.528</u>
Book value			
Balance at 1.1.2023	<u>1.824.147.537</u>	<u>12.304.296</u>	<u>1.836.451.833</u>
Balance at 30.06.2023	<u>3.281.477.110</u>	<u>119.791.418</u>	<u>3.401.268.528</u>

6. Biomass and feed supplies

	30.06.2023	31.12.2022
Biomass	619.582.345	369.741.141
Feed supplies	62.722.449	31.772.336
	<u>682.304.794</u>	<u>401.513.477</u>

Notes

7. Equity

Share capital is specified as follows:

	Shares	Ratio	Amount
Issued capital	145.000.000	100%	145.000.000

The number of issued shares is ISK 145.000.000. The nominal value of each share is ISK 1 and each share carries one vote.

Equity specifies as follows:	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Equity at 1.1.2022	113.845.100	2.166.278.584		(204.209.896)	2.075.913.788
Paid in capital	31.154.900	2.196.144.580			2.227.299.480
Loss for the year				(431.746.453)	(431.746.453)
Equity settled reserves			14.606.137		14.606.137
Equity at 1.1.2023	145.000.000	4.362.423.164	14.606.137	(635.956.349)	3.886.072.952
Loss for the period				(641.030.543)	(641.030.543)
Equity settled reserves			13.849.671		13.849.671
Equity at 30.06.2023	145.000.000	4.362.423.164	28.455.808	(1.276.986.892)	3.258.892.080

8. Borrowings

	Liabilities to financial institutions 30.06.2023	31.12.2022
Liabilities in EUR	892.200.000	909.000.000
Liabilities in ISK	1.928.500.936	222.460.831
	2.820.700.936	1.131.460.831
Current maturities of non- current liabilities	(2.668.009.402)	(66.503.873)
	152.691.534	1.064.956.958

Repayments of borrowings are specified as follows:

	Liabilities to financial institutions 30.06.2023
Repayments 01.07.23-30.06.24	2.668.009.402
Repayments 01.07.24-30.06.25	71.194.327
Repayments 01.07.25-30.06.26	57.416.654
Repayments 01.07.26-30.06.27	22.793.519
Repayments 01.07.27-30.06.28	1.287.034
	2.820.700.936

9. Related parties

Liabilities to related parties are interest-bearing liabilities to one of the company's shareholders. The loan was repaid after the end of the accounting period.

10. Assets pledged as security

All of the company's fixed assets, biological assets and trade receivables have been pledged to secure borrowings of the Company.