

First Water hf.
Interim Financial Statements
1.1-30.6.2024

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 1.1-30.6.2024 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 2024, 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, 5.9.2024

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 1.1-30.6.2024 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 115 billion.

Operations during the period

Loss during the period recognised in the income statement amounted to.....	(711.791.997)
Book value of assets at end of the period according to the balance sheet amounted to.....	18.119.271.402
Book value of equity at end of the period according to the balance sheet amounted to	15.574.852.580
Equity ratio at end of the period according to the balance sheet amounted to.....	86%
Average number of full time employees during the period was	58

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 Interim financial statements present all the information necessary to show the position of the Company the period 1.1-30.6.2024, its assets, liabilities and financial position on 30.6.2024 and the change in cash and cash equivalents in the period 1.1-30.6.2024

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 period 1.1-30.6.2024 with their signatures.

Kópavogur, 5.9.2024

Board of Directors

CEO

Income Statement for the period 1.1-30.6.2024

	Notes	1.1-30.6.2024	1.1-30.6.2023
Operating revenue		777.597.490	113.883.503
Other revenue		12.272.825	551.462
Total Revenue		<u>789.870.315</u>	<u>114.434.965</u>
Cost of sales		(1.090.765.997)	(167.784.043)
Salaries and other employee expenses	3	(178.741.747)	(181.828.836)
Other operating expenses		(289.592.909)	(244.800.087)
Operating cost		<u>(1.559.100.653)</u>	<u>(594.412.966)</u>
Loss before Depreciation (EBITDA)		(769.230.338)	(479.978.001)
Depreciation	4	<u>(211.529.295)</u>	<u>(140.720.414)</u>
Operating loss (EBIT)		(980.759.633)	(620.698.415)
Fair value adjustment of biomass		<u>(30.360.518)</u>	<u>(82.532.652)</u>
Loss from operations (EBIT)		(1.011.120.151)	(703.231.067)
Financial Income		145.313.877	2.067.900
Financial expenses		(56.122.334)	(148.074.778)
Exchange rate difference		9.577.286	47.724.043
		<u>98.768.829</u>	<u>(98.282.835)</u>
Earnings from subsidiaries and affiliates		<u>(8.276.491)</u>	<u>0</u>
Loss before tax		(920.627.813)	(801.513.902)
Income tax		208.835.816	160.483.359
Loss for the period		<u><u>(711.791.997)</u></u>	<u><u>(641.030.543)</u></u>

Balance sheet at 30.6.2024

Assets	Notes	30.06.2024	31.12.2023
Non-current assets			
Property, plant and equipment	4	6.267.927.848	6.192.694.841
Operating assets under construction	5	6.535.330.391	3.467.597.773
Investments in associates		86.967.544	94.244.035
Restricted cash	6	409.500.000	0
Deferred tax assets		627.529.504	418.693.688
		<u>13.927.255.287</u>	<u>10.173.230.337</u>
Current assets			
Biomass and feed inventory	7	825.212.299	1.061.414.273
Trade receivables		311.941.012	202.432.248
Receivables from related parties		171.189.007	162.415.263
Other current receivables		514.589.863	685.516.739
Cash		2.369.083.934	6.254.822.550
		<u>4.192.016.115</u>	<u>8.366.601.073</u>
Assets		<u>18.119.271.402</u>	<u>18.539.831.410</u>
Equity and liabilities			
Capital and reserves			
	8		
Share capital		322.909.417	322.909.417
Share premium		17.680.125.193	17.680.125.193
Other reserves		50.816.240	46.044.728
Retained earnings		(2.478.998.270)	(1.772.808.117)
Equity		<u>15.574.852.580</u>	<u>16.276.271.221</u>
Non-current liabilities			
Liabilities to financial institutions	9	97.743.329	121.346.355
		<u>97.743.329</u>	<u>121.346.355</u>
Current liabilities			
Trade payables		1.087.464.919	721.797.641
Current maturities of non-current liabilities	9	962.585.948	955.517.195
Other current liabilities		396.624.626	464.898.998
		<u>2.446.675.493</u>	<u>2.142.213.834</u>
Liabilities		<u>2.544.418.822</u>	<u>2.263.560.189</u>
Total equity and liabilities		<u>18.119.271.402</u>	<u>18.539.831.410</u>

Statement of Cash Flows for the period 1.1-30.6.2024

	Notes	1.1-30.6.2024	1.1-30.6.2023
Operating activities			
Operating loss		(980.759.633)	(620.698.415)
Depreciation		211.529.295	140.720.414
Expense recognized in respect of share based payments		10.373.356	13.849.671
Operating cash flow before movem. in working capital		(758.856.982)	(466.128.330)
Biomass and feed inventory, decrease, (increase)		205.841.456	(363.323.969)
Operating assets, decrease, (increase)		62.498.546	(285.660.616)
Operating liabilities, increase		298.006.842	1.054.161.846
Cash generated to operating activities		(192.510.138)	(60.951.069)
Interest earned and exchange rate difference		135.459.699	30.953.135
Interest paid and exchange rate difference		(54.871.412)	(55.067.348)
Net cash used in operating activities		(111.921.851)	(85.065.282)
Investing activities			
Purchases of property, plant and equipment	4	(286.762.302)	(1.050.073.060)
Purchases of assets under construction		(3.067.732.618)	(1.564.816.695)
Change in restricted cash		(409.500.000)	0
Acquisition of investments in associates		(1.000.000)	(105.350.000)
		(3.764.994.920)	(2.720.239.755)
Financing activities			
Proceeds from borrowings		0	1.707.877.415
Repayments of long term debt		(8.821.845)	(4.916.975)
Increase in liabilities to related parties		0	1.500.000.000
		(8.821.845)	3.202.960.440
Net (decrease), increase in cash and cash equivalents		(3.885.738.616)	397.655.402
Cash at beginning of the year		6.254.822.550	188.652.258
Cash at period-end		2.369.083.934	586.307.660

Notes

1. General information

First Water hf. (the Company) is a limited company in accordance with the Icelandic limited companies act nr. 2/1995.

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 2023.

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>1.1-30.6.2024</u>	<u>1.1-30.6.2023</u>
Salaries	453.058.835	349.160.109
Pension fund	59.492.616	43.780.077
Other salary-related expenses	40.960.254	29.266.682
Other employee expenses	50.511.633	36.094.275
Capitalized salaries cost	(425.281.591)	(276.472.307)
	<u>178.741.747</u>	<u>181.828.836</u>
Salaries and other employee expenses	604.023.338	458.301.143
Average number of full time employees	58	42

Notes

4. Property, plant and equipment and depreciation

	Fish farm site Þorlákshöfn	Öxnalækur hatchery	Machinery and equipment	Total
Cost				
Balance at 1.1.2023	1.905.658.900	345.130.341	748.490.711	2.999.279.952
Reclassification of PP&E	1.211.265.556	12.304.296	0	1.223.569.852
Additions	2.353.126.599	15.551.395	94.024.720	2.462.702.714
Disposals	0	0	(1.750.000)	(1.750.000)
Balance at 1.1.2024	5.470.051.055	372.986.032	840.765.431	6.683.802.518
Capitalized cost	199.987.460	32.347.240	54.427.602	286.762.302
Balance at 30.06.2024	5.670.038.515	405.333.272	895.193.033	6.970.564.820
Depreciation				
Balance at 1.1.2023	72.184.623	11.754.690	103.649.473	187.588.786
Depreciation for the year	206.992.248	10.824.123	86.285.853	304.102.224
Disposals	0	0	(583.333)	(583.333)
Balance at 1.1.2024	279.176.871	22.578.813	189.351.993	491.107.677
Depreciation for the year	138.362.155	5.748.178	67.418.962	211.529.295
Balance at 30.06.2024	417.539.026	28.326.991	256.770.955	702.636.972
Book value				
Balance at 1.1.2024	5.190.874.184	350.407.219	651.413.438	6.192.694.841
Balance at 30.06.2024	5.252.499.489	377.006.281	638.422.078	6.267.927.848
Depreciation rates	2,5-20%	2,5-10%	10-25%	

5. Operating assets under construction

	Fish farm site Þorlákshöfn	Total
Cost		
Balance at 1.1.2024	3.467.597.773	3.467.597.773
Additions	3.067.732.618	3.067.732.618
Balance at 30.06.2024	6.535.330.391	6.535.330.391
Book value		
Balance at 1.1.2024	3.467.597.773	3.467.597.773
Balance at 30.06.2024	6.535.330.391	6.535.330.391

6. Restricted cash

Restricted cash is due to a liability towards one of the company's suppliers. Deposits will be released in the period 1.4.2026-1.4.2029

Notes

7. Biomass and feed inventory

	30.06.2024	31.12.2023
Biomass	709.933.096	990.231.151
Feed and other inventory	115.279.203	71.183.122
	<u>825.212.299</u>	<u>1.061.414.273</u>

8. Equity

Share capital is specified as follows:

	Shares	Ratio	Amount
Issued capital	322.909.417	100%	322.909.417

The number of issued shares is ISK 322.909.417. 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 1.1.2023	145.000.000	4.362.423.164	14.606.137	(635.956.349)	3.886.072.952
Paid in capital	177.391.667	13.308.436.185			13.485.827.852
Loss for the year				(1.136.851.768)	(1.136.851.768)
Exercised options	517.750	9.265.844	(9.783.594)		0
Equity settled reserves			41.222.185		41.222.185
Equity at 1.1.2024	322.909.417	17.680.125.193	46.044.728	(1.772.808.117)	16.276.271.221
Equity settled reserves			10.373.356		10.373.356
Lapsed options			(5.601.844)	5.601.844	0
Loss for the period				(711.791.997)	(711.791.997)
Equity at 30.06.2024	<u>322.909.417</u>	<u>17.680.125.193</u>	<u>50.816.240</u>	<u>(2.478.998.270)</u>	<u>15.574.852.580</u>

9. Borrowings

	Liabilities to financial institutions 30.06.2024	31.12.2023
Liabilities in EUR	893.400.000	903.000.000
Liabilities in ISK	166.929.277	173.863.550
	<u>1.060.329.277</u>	<u>1.076.863.550</u>
Current maturities of non- current liabilities	(962.585.948)	(955.517.195)
	<u>97.743.329</u>	<u>121.346.355</u>

Repayments of borrowings are specified as follows:

	Liabilities to financial institutions 30.06.2024
Repayments 01.07.24-30.06.25	962.585.948
Repayments 01.07.25-30.06.26	20.560.829
Repayments 01.07.26-30.06.27	77.182.500
	<u>1.060.329.277</u>

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.