

**First Water hf.**  
Financial Statements  
2024

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

# First Water hf.

## Financial Statements

### 2024

#### **Table of Contents**

Independent Auditor's Report	2-3
Endorsement by the Board of Directors and the CEO	4
Income Statement	5
Balance Sheet	6
Cash Flow Statement	7
Notes	8-15

# Independent Auditor's Report

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

### Opinion

We have audited the financial statements of First Water hf. for the year ended 2024 which comprise the report of the board of directors and the CEO, the income statement, the statement of financial position, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of First Water hf. as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with the Icelandic Financial Statement Act.

### 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 First Water hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The Board of Directors and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the CEO.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Except from the confirmation regarding report of the Board of Directors and the CEO as stated in the opinion paragraph below.

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying report of the board of directors includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the financial statements.

### Responsibilities of the Board of Directors and the CEO for the Financial Statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the financial statements in accordance with the Icelandic Financial Statement Act, and for such internal control as the Board of Directors and the CEO 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, the Board of Directors and the CEO are responsible for assessing First Water hf.'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 the Board of Directors and the CEO either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors shall supervise the preparation and presentation of the financial statements.

# Independent Auditor's Report

## 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 judgement 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 First
- 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 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 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.

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.

Kópavogur, 2. April 2025

### 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 financial statements of First Water hf. for the year 2024 are prepared in accordance with the Icelandic Financial Statements Act no. 3/2006.

The principal activities of First Water hf. relates to land based fish farming, wholesale of fish and fish products.

### Operations during the year and future outlook

	2024	2023
Operating revenue during the year (in thousands ISK).....	1.241.273	332.078
Loss during the year (in thousands ISK).....	(1.474.519)	(1.136.852)
Average number of full time employees during the year was .....	65	45
	<b>31.12.2024</b>	<b>31.12.2023</b>
Book value of assets (in thousands ISK).....	21.757.804	18.536.852
Book value of equity (in thousands ISK).....	14.821.877	16.276.271
Equity ratio.....	68,12%	87,80%

First Water is building a salmon farm on land at Laxabraut in Þorlákshöfn, and the existing plans assume that production will be around 50.000 tons by 2031 and an estimated investment of around 120 billion ISK or around €830 million. When the development is complete, there will be a hatchery, a farm, a fish processing house, a power station and other infrastructure necessary to operate high-quality production of salmon for export and the estimated revenue will be around €500 million or 74 billion ISK.

The company's financing is mainly through equity, but during the year the company secured financing for €80 million or ISK 12 billion from Landsbanki and Arion banki.

The Board of Directors and CEO refer to Note 18 for events after the reporting period.

The registered share capital of the company is 322,9 million shares at the end of the year. The share capital is all in one class and all shares enjoy the same rights.

### Shareholders

At year-end, shareholders in First Water hf. numbered 155, compared to 118 at the beginning of the year.

	Ownership	Shares
Stoðir hf.....	34,77%	112.291.280
FW Horn slhf.....	19,41%	62.662.337
Framherji ehf.....	7,25%	23.400.044
Lífeyrissjóður verzlunarmanna.....	6,03%	19.480.519
Fylla ehf.....	3,71%	11.987.433
Líra ehf.....	3,44%	11.099.985
Brú lífeyrissjóður starfsmanna sveitarfélaga.....	3,02%	9.740.260
21. júní ehf.....	2,35%	7.600.000
Investco ehf.....	1,33%	4.296.130
Konkrít ehf.....	1,27%	4.106.952
Others.....	17,42%	56.244.476
Total.....	100,00%	322.909.416

### Proposal for the Annual General Meeting

The Board of Directors has proposed that no dividend will be paid in the year 2025, and reference is made to the financial statements regarding carry forward of loss for the year and changes in shareholders' equity.

### Statement of the Board of Directors and the 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 at year-end, the operating results for the year and the financial developments during the year 2024.

The Board of Directors and the CEO of First Water hf. hereby confirm the financial statements for the year 2024 with their signatures.

Kópavogur, 2. April 2025

**Board of Directors**

**CEO**

## Income Statement for the year 2024

	Notes	2024	2023
Operating revenue .....		1.241.273	332.078
Other revenue .....		6.736	20.382
<b>Total revenue</b>		<u>1.248.009</u>	<u>352.461</u>
Cost of sales .....		(2.127.529)	(671.592)
Salaries and other employee expenses .....	4	(402.897)	(272.039)
Other operating expenses .....		(377.312)	(491.888)
<b>Operating cost</b>		<u>(2.907.738)</u>	<u>(1.435.519)</u>
<b>Operating loss before depreciation (EBITDA)</b>		(1.659.729)	(1.083.058)
Depreciation .....		(377.728)	(304.102)
<b>Operating loss before change in valuation of biomass</b>		<u>(2.037.457)</u>	<u>(1.387.160)</u>
Fair value adjustment of biomass .....		(4.050)	(91.066)
<b>Operating loss (EBIT)</b>		<u>(2.041.508)</u>	<u>(1.478.226)</u>
Finance income .....		226.360	268.460
Finance cost .....		(174.970)	(236.556)
Exchange rate difference .....		144.812	61.123
		<u>196.201</u>	<u>93.028</u>
Share in loss of associates and profit from sale .....	8	(384)	(11.606)
<b>Loss before taxes</b>		<u>(1.845.691)</u>	<u>(1.396.804)</u>
Income tax expense .....	5	371.171	259.953
<b>Loss for the year</b>		<u><u>(1.474.519)</u></u>	<u><u>(1.136.852)</u></u>

## Balance sheet at 31 December 2024

Assets	Notes	31.12.2024	31.12.2023
<b>Non-current assets</b>			
Property, plant and equipment .....	6	6.505.916	6.192.695
Operating assets under construction .....	7	11.034.856	3.467.598
Shares in other companies .....	8	2.100	94.244
Restricted bank deposits .....	9	495.000	0
Deferred tax assets .....	14	789.865	418.694
		18.827.737	10.173.230
<b>Current assets</b>			
Biomass and feed inventory .....	10	966.091	1.061.414
Trade receivables .....		109.518	202.432
Receivables from related parties .....	15	0	162.415
Other current receivables .....		1.430.882	682.537
Cash and cash equivalents .....	11	423.576	6.254.823
		2.930.067	8.363.622
<b>Assets</b>		21.757.804	18.536.852
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
	12		
Share capital .....		322.909	322.909
Share premium .....		17.680.125	17.680.125
Other reserves .....		60.568	46.045
Accumulated deficit .....		(3.241.725)	(1.772.808)
<b>Equity</b>		14.821.877	16.276.271
<b>Non-current liabilities</b>			
Liabilities to financial institutions .....	13	0	121.346
		0	121.346
<b>Current liabilities</b>			
Trade payables .....		1.471.316	718.818
Liabilities to financial institutions .....		3.357.267	0
Current maturities of non-current liabilities .....	13	1.415.017	955.517
Other current liabilities .....		692.327	464.899
		6.935.927	2.139.234
<b>Liabilities</b>		6.935.927	2.260.581
<b>Total equity and liabilities</b>		21.757.804	18.536.852

## Statement of Cash Flows for the year 2024

	Notes	2024	2023
<b>Operating activities</b>			
Operating loss .....		(2.041.508)	(1.478.226)
Depreciation .....	6	377.728	304.102
Expense recognized in respect of share based payments .....		20.125	41.222
Loss on sale of assets .....		0	67
Fair value adjustment of biomass .....		4.050	91.066
Operating cash flow before movem. in working capital .....		(1.639.604)	(1.041.769)
Inventories, decrease, (increase) .....		91.273	(750.967)
Operating assets, (increase) .....		(517.372)	(509.446)
Operating liabilities, increase .....		799.295	423.171
Cash provided to operating activities .....		(1.266.409)	(1.879.012)
Interest earned .....		175.227	262.126
Interest paid .....		(141.783)	(226.758)
Earned exchange rate difference .....		19.713	55.123
<b>Net cash to operating activities</b>		<b>(1.213.252)</b>	<b>(1.788.521)</b>
<b>Investing activities</b>			
Purchases/sales of property, plant and equipment .....		(669.875)	(2.461.603)
Purchases of assets under construction .....	6	(7.440.888)	(2.854.716)
Decrease (increase) in receivables from related parties .....		168.750	(156.080)
Transferred to restricted bank deposits .....		(495.000)	0
Acquisition of investments in other companies .....		(1.500)	(105.850)
		<b>(8.438.513)</b>	<b>(5.578.249)</b>
<b>Financing activities</b>			
Paid in capital .....		0	13.485.828
Proceeds from borrowings .....		1.493.000	7.877
Repayments of borrowings .....		(1.029.748)	(60.765)
Increase in short term loan from bank .....		3.357.267	0
		<b>3.820.518</b>	<b>13.432.940</b>
Net (decrease), increase in cash and cash equivalents .....		(5.831.246)	6.066.170
Cash and cash equivalents at beginning of year .....		6.254.823	188.652
Cash and cash equivalents at year-end .....		<b>423.576</b>	<b>6.254.823</b>

# Notes

## 1. General information

First Water hf. (the Company) is a limited liability company and complies with the Icelandic limited companies law nr. 2/1995.

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

## 2. Basis of preparation

The 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.

## 3. 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.

Revisions to accounting estimates are recognised in the period in which the estimate is revised.

## 4. Salaries and other employee expenses

	2024	2023
Salaries .....	1.022.739	816.753
Pension fund contribution .....	128.294	93.070
Other salary-related expenses .....	88.519	62.513
Other employee expenses .....	84.395	105.938
Capitalized salaries cost .....	(921.050)	(806.236)
	<u>402.897</u>	<u>272.039</u>
Salaries and other employee expenses .....	1.323.947	1.078.275
Average number of full time employees .....	65	45

Total salaries and benefits for the Company's CEO amounted to ISK 65 million for the year 2024 (2023: 44 million) and total salaries and benefits for board members amounted to 20 million (2023: 13,7 million).

## 5. Income tax

The income tax base is negative and tax losses have been carried forward in previous years. A deferred tax asset has been recognised in the financial statements, as it is the management's opinion that the tax asset will be fully utilised.

No income tax will be paid in the year 2025 because of negative taxable income.

Active income tax is analysed as follows:	2024		2023	
	Amount	%	Amount	%
Loss before taxes .....	(1.845.691)		(1.396.804)	
Tax rate .....	369.138	20,0%	279.361	20,0%
Share of loss in associate .....	(77)	0,0%	(2.321)	0,2%
Other items .....	2.110	(0,1%)	(17.087)	1,2%
Income tax according to income statement ....	<u>371.171</u>	(20,1%)	<u>259.953</u>	(18,6%)

## Notes

### 6. Property, plant and equipment and depreciation

	Þorlákshöfn Fish farm site	Öxnalækur hatchery	Machinery and equipment	Total
<b>Cost</b>				
Balance at 1.1.2023 .....	1.905.659	345.130	748.491	2.999.280
Reclassification of PP&E .....	1.211.266	12.304		1.223.570
Additions .....	2.353.127	15.551	94.025	2.462.703
Disposals .....			(1.750)	(1.750)
Balance at 1.1.2024 .....	5.470.051	372.986	840.765	6.683.803
Additions .....	509.558	127.906	53.486	690.949
Balance at 31.12.2024 .....	5.979.609	500.892	894.251	7.374.752
<b>Depreciation</b>				
Balance at 1.1.2023 .....	72.185	11.755	103.649	187.589
Depreciation for the year .....	206.992	10.824	86.286	304.102
Disposals .....			(583)	(583)
Balance at 1.1.2024 .....	279.177	22.579	189.352	491.108
Depreciation for the year .....	268.990	23.534	85.204	377.728
Balance at 31.12.2024 .....	548.167	46.113	274.556	868.836
<b>Book value</b>				
Balance at 1.1.2023 .....	1.833.474	333.376	644.841	2.811.691
Balance at 1.1.2024 .....	5.190.874	350.407	651.413	6.192.695
Balance at 31.12.2024 .....	5.431.442	454.779	619.695	6.505.916
Depreciation rates .....	3-15%	3-15%	10-25%	

The assessment- and insurance value for the Company's assets is analysed as follows:

	Assessment value	Insurance value
Buildings and sites .....	989.026	6.854.861
Machinery and equipment, asset insurances .....		11.684.681

### 7. Operating assets under construction

	Þorlákshöfn Fish farm site	Öxnalækur hatchery	Total
<b>Cost</b>			
Balance at 1.1.2023 .....	1.824.148	12.304	1.836.452
Reclassified to PP&E .....	(1.211.266)	(12.304)	(1.223.570)
Additions .....	2.854.716		2.854.716
Balance at 1.1.2024 .....	3.467.598	0	3.467.598
Additions .....	7.567.258		7.567.258
Balance at 31.12.2024 .....	11.034.856	0	11.034.856
<b>Book value</b>			
Balance at 1.1.2023 .....	1.824.148	12.304	1.836.452
Balance at 1.1.2024 .....	3.467.598	0	3.467.598
Balance at 31.12.2024 .....	11.034.856	0	11.034.856

## Notes

### 8. Shares in other companies

Changes in investments in other companies is as follows:	<u>2024</u>	<u>2023</u>
Balance at beginning of year .....	94.244	0
Additions during the year .....	1.500	105.850
Share in profit (loss) and profit on sale .....	(384)	(11.606)
Disposals during the year .....	<u>(93.260)</u>	<u>0</u>
Balance at year-end .....	<u>2.100</u>	<u>94.244</u>

In December 2024, a 33,33% stake in the company Icelandic Lava Pure Salmon ehf. was sold.

The Company does not prepare consolidated financial statements for the Group, as it applies an exemption available for Groups defined as small under the Icelandic Financial Statements Act no. 3/2006, as noted in article 68 of the act.

### 9. Restricted bank deposits

Restricted bank deposits arises from a collateral to one of the company's suppliers. The deposits will be released during the period 1. April 2027 - 1. April 2031.

### 10. Biomass and feed inventory

	<u>31.12.2024</u>	<u>31.12.2023</u>
Biomass .....	909.552	990.231
Feed inventory .....	56.539	71.183
	<u>966.091</u>	<u>1.061.414</u>
Insurance value of biomass and feed inventory .....	<u>676.181</u>	<u>847.531</u>

### 11. Cash and cash equivalents

The Company's cash and cash equivalent consist of restricted and on-demand bank balances.

	<u>31.12.2024</u>	<u>31.12.2023</u>
On-demand deposits in ISK .....	145.748	1.193.644
On-demand deposits in foreign currencies .....	277.828	548.552
Restricted bank deposits in ISK .....	<u>0</u>	<u>4.512.627</u>
	<u>423.576</u>	<u>6.254.823</u>

Included in cash and cash equivalents are money market deposits that were redeemed during the first half of 2024.

## Notes

### 12. Equity

Share capital is specified as follows:

	Shares	Ratio	Amount
Total share capital at year-end .....	322.909	100,0%	322.909
	<u>322.909</u>	<u>100,0%</u>	<u>322.909</u>

The number of issued and fully paid shares at year-end is 322.909 thousand. The nominal value of each share is ISK 1 and each share carries one vote.

Equity specifies as follows:	Share capital	Share premium	Stock option reserves	Accumulated deficit	Total equity
Equity at 1.1.2023 .....	145.000	4.362.423	14.606	(635.956)	3.886.073
Paid in capital .....	177.392	13.308.436			13.485.828
Equity settled options .....	518	9.266	(9.784)		0
Expensed stock options .....			41.222		41.222
Loss for the year .....				(1.136.852)	(1.136.852)
Equity at 1.1.2024 .....	322.909	17.680.125	46.045	(1.772.808)	16.276.271
Expensed stock options .....			20.125		20.125
Expired stock options .....			(5.602)	5.602	0
Loss for the year .....				(1.474.519)	(1.474.519)
Equity at 31.12.2024 .....	<u>322.909</u>	<u>17.680.125</u>	<u>60.568</u>	<u>(3.241.725)</u>	<u>14.821.877</u>

### 13. Borrowings

	Liabilities to financial institutions	
	31.12.2024	31.12.2023
Liabilities in EUR .....	1.415.017	903.000
Liabilities in ISK .....	0	173.864
	<u>1.415.017</u>	<u>1.076.864</u>
Current maturities .....	(1.415.017)	(955.517)
Non-current liabilities .....	<u>0</u>	<u>121.346</u>

Repayments of borrowings are specified as follows:

	Liabilities to financial institutions	
	31.12.2024	31.12.2023
Current maturities .....	1.415.017	955.517
Repayments 2026/2025 .....	0	38.156
Repayments 2027/2026 .....	0	5.393
Repayments 2028/2027 .....	0	77.274
Repayments 2029/2028 .....	0	524
	<u>1.415.017</u>	<u>1.076.864</u>

The Company's loan agreements have covenants that require fulfillment of certain conditions. At year-end 2024, the company did not meet all of the covenants. As a result, ISK 1.4 billion of long-term liabilities are now classified as short-term liabilities. The company has been granted an exemption from the terms of the loan agreement by the lender after the end of the reporting period.

## Notes

### 14. Deferred tax assets

	2024	2023
Balance at beginning of year .....	418.694	158.741
Income tax for the year .....	371.171	259.953
Balance at year-end .....	<u>789.865</u>	<u>418.694</u>

Deferred tax assets/(-liabilities) is specified as follows by individual items at year-end:

	31.12.2024	31.12.2023
Property, plant and equipment .....	(138.923)	(104.868)
Other items .....	(23.383)	(16.028)
Effects of tax losses carried forward .....	952.171	539.590
	<u>789.865</u>	<u>418.694</u>

Unused tax losses can be utilised at the latest as follows:

	31.12.2024	31.12.2023
From profits of the year 2027 / 2026 .....	131	0
From profits of the year 2028 / 2027 .....	1.842	131
From profits of the year 2029 / 2028 .....	2.029	1.842
From profits of the year 2030 / 2029 .....	16.769	2.029
From profits of the year 2031 / 2030 .....	187.433	16.769
From profits of the year 2032 / 2031 .....	883.450	187.433
From profits of the year 2033 / 2032 .....	1.606.297	883.450
From profits of the year 2034 / 2033 .....	2.062.906	1.606.297
	<u>4.760.856</u>	<u>2.697.951</u>

### 15. Related parties

Related parties are those parties which have considerable influence over the Company, directly or indirectly, including large investors, key employees and their families and parties that are controlled or dependent on the Company, i.e. affiliates and joint ventures. Business with related parties has been done on a similar basis as business with unrelated parties.

Transactions with related parties are as follows:

Transactions with related entities 2024:	Purch. goods and services	Interest income	Receivables	Payables
Icelandic Lava Pure Salmon ehf. ....	374.917	0	0	0
	<u>374.917</u>	<u>0</u>	<u>0</u>	<u>0</u>

First Water's stake in the company Icelandic Lava Pure Salmon ehf. was sold in 2024 and the company is therefore no longer a related party.

Transactions with related entities 2023:	Purch. goods and services	Interest income	Receivables	Payables
Icelandic Lava Pure Salmon ehf. ....	45.416	6.335	162.415	
	<u>45.416</u>	<u>6.335</u>	<u>162.415</u>	<u>0</u>

Related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

## Notes

### 16. Leases

The Company has entered into operating lease agreements for buildings, vehicles and equipment that are not recognised in the balance sheet. The contractual lease period for real estate is from 17 months up to 3 years, and for vehicles and equipment 4 months to 3 years. Lease payments amounted to ISK 125,4 million during the year (2023: ISK 62,1 million). The single largest lease is for offices, and expires 3 years from the reporting date, after which the Company has the right to extend. The lease is non-cancellable during the lease period, unless otherwise agreed upon by both parties.

The table below shows the analysis of minimum lease payments according to contracts where the Company is the lessee. Amounts are not discounted.

	31.12.2024			31.12.2023
	Real estate	Equipment	Total	Total
Due within one year .....	135.143	82.361	217.504.394	94.099
Due in 1-2 years .....	113.308	23.432	136.740.055	65.110
Due in 2-3 years .....	31.181	10.412	41.593.119	18.297
Due in 3-4 years .....	0	145	145.183	0
	<u>279.632</u>	<u>116.350</u>	<u>395.983</u>	<u>177.507</u>

### 17. Guarantees, pledges and other matters

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

### 18. Events after the reporting period

Following a shareholders' meeting at the end of February 2025, the company has been working to complete a share capital increase among the company's shareholders. That process has now been completed, with shareholders subscribing for a total of 54 million shares at a price of 105 or for approximately ISK 5.700 million (€39m). Participation in the offering was very good, with Stoðir hf., FW Horn slhf., Líra ehf., Lífeyrissjóður verslanarmanna, Lífeyrissjóður starfsmanna ríkisins and Brú lífeyrissjóður being the largest participants in the offering. This is a very important milestone that allows the company to continue investing in the development of our operations in Þorlákshöfn and complete the first phase of six in the ongoing production of 8.300 tons of gutted salmon per year, with the company aiming for 50.000 tons of production by 2030.

The Norwegian companies Nordic Clean Pumps AS (NCP) and KER Consultancy AS (KER) have initiated arbitration before the Stockholm Chamber of Commerce Arbitration Institute against First Water and claim damages for allegedly wrongful termination of their contracts related to sale of equipment. NCP and KER's total claim is €42 m EUR. First Water is of the opinion that the claim has no legal basis, and will be rejected outright on a number of grounds, in particular that the termination was lawful due to technical deficiencies in NCP's solutions.

No liability has been recognised in the accounts for the claim.

# Notes

## 19. Accounting policies

### Foreign currencies

Foreign currency transactions are entered at the prevailing exchange rate on the day of the transaction. Monetary assets and liabilities in foreign currencies are recognised at the exchange rate at the end of the reporting date. The resulting exchange rate difference is recognised in the income statement within financial income and expense.

### Revenue recognition

Revenue from sales of goods and services is recognised when earned. Sale of goods are recognised when the Company has transferred the significant risks and rewards of ownership of the goods to the buyer, which is generally when the goods are delivered. Service revenue is recognised as appropriate when the service has been provided or in parallel with the service being provided. Sales are shown in the income statement net of discounts. Revenue collected during the fiscal year but relating to subsequent fiscal years is recognised in the balance sheet as deferred income. Revenue relating to fiscal year but collected after the end of it is recognised in the balance sheet as an asset.

### Expense recognition

Expenses incurred to earn revenue during the period are recognised as operating expenses. Expenses incurred during the fiscal year but relating to subsequent fiscal years are recognised in the balance sheet as prepaid expenses. Expenses relating to the fiscal year but payable later are recognised as liabilities as accrued expenses in the balance sheet.

### Financial income and expenses

Interest income is recognised for the period in accordance with the relevant principal and interest rate.

Financial expenses are recognised in the income statement during the period in which they accrue. Borrowing costs are capitalised and amortised on a straight-line basis over the duration of the loan.

### Taxation

Income tax is calculated and recognised in the financial statements. The calculation is based on earnings before taxes, adjusted for the permanent difference between taxable results and results according to the income statement. The income tax rate is 20%.

Income tax payable is an income tax that is estimated to be paid next year due to taxable profits for the year as well as adjustments to income tax payable for previous years.

Deferred tax is due to the difference between the carrying amounts of balance sheet items in the tax settlement and the financial statements. The difference is because the Company's income tax base is based on other assumptions than its financial statements.

Deferred tax assets are evaluated on the reporting date and only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

### Property, plant and equipment

Assets are recognised as property, plant and equipment when it is probable that the future economic benefits associated with the asset will flow to the entity and the cost of the assets can be measured reliably. Property, plant and equipment are initially measured at cost. The cost of property, plant and equipment consists of the purchase price and all direct costs of bringing the property into a revenue-generating state.

Property, plant and equipment are amortised on a straight-line basis over their estimated useful lives, taking into account their expected residual value.

Assets that are subject to ownership by others under a financing lease agreement are depreciated over their estimated useful lives on the same basis as assets with full ownership rights.

Gains or losses on the sale of property, plant and equipment is the difference between the sales price and the carrying amount of the asset on the date of the sale, and is recognised in the income statement on sale.

# Notes

## 19. Accounting policies (continued)

### **Investments in associates**

Associates include entities in which the investor has a significant influence on operational and financial policies. A company is considered to have significant influence in another company if it holds 20% or more of the voting rights, without being considered to have control. According to the equity method, investments in associates are recognised at cost, taking into account their share in the operations, other changes in equity and impairment of individual investments. Loss of associates in excess of the original investment is only recognised if the Company provided a guarantee or incurred obligations on the associate's behalf.

### **Biomass and feed inventory**

Biological assets that have reached slaughter size are valued at fair value in accordance with the authorization in the Icelandic Financial Statements Act. Fair value is estimated as the expected selling price minus selling costs. If the expected sales price is below the estimated cost price, it will result in a negative price adjustment of biological assets. Smaller fish are valued at cost price, as such an estimate is considered to better reflect fair value when it has not reached slaughter size.

Other inventories are valued at cost. Other inventories consist of feed inventory.

### **Trade receivables**

Trade receivables are recognised at nominal value, taking into account an allowance for doubtful accounts. The allowance is not a final write-off, but only a reserve for estimated future losses.

### **Cash and cash equivalents**

The Company's cash and cash equivalents consist of on-demand bank balances and money market deposits.

### **Borrowings**

Borrowings are initially recognised at fair value and subsequently at amortised cost.

### **Trade payable**

Trade payables are recognised at nominal value, taking into account any accrued costs.