

First Water hf.
Annual Report
2025

First Water hf.
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Independent Auditor's Report

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

Opinion

We have audited the financial statements of First Water hf. for the year ended December 31, 2025 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, 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 December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 20 of the financial statements, which describes the company's financing.

Other information

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 CEO for the annual financial statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in 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 annual 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 Water hf.'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 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, 9 April 2026.

Deloitte ehf.

Guðmundur Ingólfsson
State Authorized Public Accountant

Report of the Board of Directors and CEO

The annual financial statements of First Water hf. for the year 2025 are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the additional requirements of the Icelandic Annual Accounts Act. The annual financial statements have been audited by the Company's auditors.

During the year, the Company adopted EUR as the reporting currency in its financial statements, and comparative figures have been restated. The Company is now reporting for the first time in accordance with International Financial Reporting Standards, IFRS. On the transition date, the effects were that a right of use asset and a lease liability were recognised in the financial statements, as required under the standards. The income statement changes in that, instead of recognising lease payments for premises and operating leases of vehicles as operating expenses, the right of use asset is depreciated and interest on the lease liability is recognised as an expense. This change results in EBITDA being higher than before. Note 3 to the annual financial statements describes the effects this has on the Company's financial reporting.

The Company is developing an aquaculture facility at Laxabraut in Thorlakshofn, and current plans provide for production of approximately 60,000 tonnes, with the development expected to take around five years. The estimated total cost of the project is approximately EUR 1 billion. The project is divided into six phases, each with production capacity of approximately 10,000 tonnes. Completion of Phase 1 is expected in 2027. The Company's current production capacity is approximately 5,000 tonnes HOG and will double once Phase 1 has been completed. Total investment in the project amounted to approximately EUR 230 million at year-end 2025, of which nearly EUR 80 million related to later phases and shared infrastructure that will be utilised beyond Phase 1. During the year, share capital was increased on two occasions by a total of EUR 63 million. The Company has secured project financing of EUR 80 million and also has access to a working capital facility for biomass build-up of up to EUR 20 million. Work is ongoing on refinancing the Company's loans, and financing for the continued development of Phase 1 is also being secured. Commitments are in place from lenders and shareholders, and a final outcome is expected in April. Further information on financing is provided in Note 20.

Since the turn of the year 2025/2026, the Company has harvested salmon every week at its new facility in Thorlakshofn. It is expected to harvest just over 3,000 tonnes HOG in 2026, which is almost a fivefold increase from 2025. It will not be possible to fully utilise production capacity in 2026, as biomass build-up takes time after the construction of tanks and infrastructure has been completed.

On 27 March 2026, an award was rendered in an arbitration case before the Arbitration Institute of the Stockholm Chamber of Commerce. See further Notes 6, 8 and 24.

Financial risk management

The Company operates in markets where prices, currencies and operating conditions may fluctuate significantly. Financial risk management is aimed at minimising the effects of these factors on the Company's operations and cash flows. The principal risk factors are market risk, including salmon prices and input costs, foreign exchange risk, interest rate risk and liquidity risk. The Company applies targeted measures to reduce risk, including fixed-price agreements for key inputs, the use of currency hedging where appropriate, and by maintaining sufficient liquidity and access to financing. Risk management is integrated into day-to-day operations through regular monitoring of key metrics and scenario analyses.

Operations during the year

Loss for the year according to the income statement amounted to.....	(18.745.699)
Book value of assets at year-end according to the balance sheet amounted to.....	255.096.299
Book value of equity at year-end according to the balance sheet amounted to.....	147.648.658
The Company's equity ratio at year-end according to the balance sheet.....	58%
Average number of full-time employees during the year was.....	78

The Company's registered share capital comprised 410.7 million shares at year-end. The share capital is all of one class and all shares carry equal rights.

Report of the Board of Directors and CEO

Shareholders

At year-end, the Company had 164 shareholders, compared with 155 at the beginning of the year.

	Ownership	Shares
Stoðir hf.....	33,1%	135.847.620
FW Horn slhf.....	22,7%	93.141.694
Lífeyrissjóður Verzlunarmanna.....	7,1%	29.004.328
Framherji ehf.....	5,7%	23.400.044
Líra ehf.....	4,1%	16.814.285
Brú Lífeyrissjóður	3,6%	14.641.831
Fylla ehf.....	3,0%	12.273.147
21. júní ehf.....	1,9%	7.670.000
Festa - lífeyrissjóður.....	1,2%	4.761.904
Konkít ehf.....	1,1%	4.596.130
Others.....	16,7%	68.542.442
Total.....	100,0%	410.693.425

Proposal to the Annual General Meeting

The Board of Directors proposes that the Company's loss be carried forward to next year. The Board does not propose a dividend and refers to the annual financial statements regarding changes in the Company's equity.

Statement by the Board of Directors and CEO

To the best of the knowledge of the Board of Directors and the CEO, the Company's annual financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and the additional requirements of the Icelandic Annual Accounts Act. In the opinion of the Board of Directors and the CEO, the annual financial statements give a true and fair view of the Company's operating results for the year 2025, its assets, liabilities and financial position as at 31 December 2025 and the change in cash and cash equivalents during the period from 1 January to 31 December 2025. Furthermore, in the opinion of the Board of Directors and the CEO, the annual financial statements and the report of the Board of Directors and CEO provide a clear overview of the Company's development and performance, its position, and describe the principal risk factors and uncertainties faced by the Company.

The Board of Directors and the CEO of First Water hf. have today discussed the Company's annual financial statements for the year 2025 and confirm them with their signatures.

Kópavogur, 9 April 2026

Board of Directors

Orri Hauksson, Chairman of the Board
Baldvin Valdimarsson
Björk Þórarinsdóttir
Eva Bryndís Helgadóttir
Helen Neely
Steinar Helgason
Örvar Kærnested

CEO

Eggert Þór Kristófersson

Income statement

	Note	2025	2024
Operating revenue	4	3.929.030	8.313.397
Other revenue	4	73.456	45.114
Total revenue		<u>4.002.487</u>	<u>8.358.511</u>
Cost of goods sold		(7.462.144)	(14.249.075)
Salaries and other personnel expenses	5	(4.279.185)	(2.698.391)
Other operating expenses	6	(6.419.278)	(2.319.979)
Operating expenses		<u>(18.160.607)</u>	<u>(19.267.445)</u>
Operating loss before fair value adjustment and depreciation (EBITDA)		(14.158.121)	(10.908.934)
Depreciation	7	(5.476.468)	(2.929.944)
Operating loss before fair value adjustment		<u>(19.634.589)</u>	<u>(13.838.878)</u>
Fair value adjustment of biomass	14	(1.798.664)	(27.127)
Loss from operations (EBIT)		<u>(21.433.253)</u>	<u>(13.866.005)</u>
Financial income		407.372	1.516.041
Financial expenses		(1.956.334)	(1.243.298)
Exchange rate difference		(302.544)	867.855
	8	<u>(1.851.506)</u>	<u>1.140.598</u>
Share in loss of associates		0	(2.572)
Loss before tax		(23.284.759)	(12.727.979)
Income tax	9	4.539.060	2.485.911
Loss for the year		<u><u>(18.745.699)</u></u>	<u><u>(10.242.068)</u></u>

Balance Sheet

Assets	Note	31.12.2025	31.12.2024	1.1.2024
Non-current assets				
Property, plant and equipment	10	149.395.238	45.154.814	41.147.474
Operating assets under construction	11	71.839.208	76.684.196	23.040.517
Shares in other companies		14.266	14.596	626.206
Right of use assets	12	1.555.138	1.762.192	818.549
Restricted bank deposits	13	3.362.772	3.439.889	0
Deferred tax asset	21	10.028.046	5.488.986	2.782.018
		<u>236.194.667</u>	<u>132.544.673</u>	<u>68.414.764</u>
Current assets				
Biomass and feed inventories	14	14.042.325	6.497.577	7.052.587
Trade receivables		625.808	761.068	1.345.065
Receivables from related parties		0	0	1.079.171
Other current receivables	15	2.823.276	9.943.587	4.535.131
Cash and cash equivalents		1.410.223	2.943.546	41.560.283
		<u>18.901.632</u>	<u>20.145.779</u>	<u>55.572.237</u>
Assets		<u><u>255.096.299</u></u>	<u><u>152.690.452</u></u>	<u><u>123.987.001</u></u>
Equity and liabilities				
Equity				
Share capital	16	2.814.048	2.205.616	2.205.616
Share premium		183.614.096	120.857.584	120.857.584
Other reserves		1.648.905	1.555.526	(3.135.762)
Accumulated deficit		(40.428.391)	(21.984.006)	(11.779.456)
Equity		<u>147.648.658</u>	<u>102.634.720</u>	<u>108.147.982</u>
Non-current liabilities and provisions				
Interest-bearing liabilities to credit institutions	17	0	0	806.288
Lease liabilities	18	685.114	962.152	426.478
		<u>685.114</u>	<u>962.152</u>	<u>1.232.766</u>
Current liabilities				
Trade payables		12.208.540	10.224.575	4.776.200
Interest-bearing liabilities to credit institutions	17	86.771.808	33.163.887	6.348.951
Current maturities of lease liabilities	18	895.751	893.948	392.071
Other current liabilities	19	6.886.428	4.811.170	3.089.031
		<u>106.762.527</u>	<u>49.093.580</u>	<u>14.606.253</u>
Liabilities		<u>107.447.641</u>	<u>50.055.732</u>	<u>15.839.019</u>
Equity and liabilities		<u><u>255.096.299</u></u>	<u><u>152.690.452</u></u>	<u><u>123.987.001</u></u>

Statement of changes in equity

	Share capital	Share premium	Translation reserve	Share option reserve	Accumulated deficit	Total
Balance at 1 January 2024	2.205.616	120.857.584	(3.441.707)	305.945	(11.779.456)	108.147.982
Loss for the year					(10.242.068)	(10.242.068)
Expired stock options				(37.518)	37.518	0
Expensed stock options				134.787		134.787
Translation reserve			4.594.019			4.594.019
Balance at 1 January 2025	2.205.616	120.857.584	1.152.312	403.214	(21.984.006)	102.634.720
Loss for the year					(18.745.699)	(18.745.699)
New share capital	608.432	62.756.512				63.364.944
Expired stock options				(301.314)	301.314	0
Expensed stock options				394.693		394.693
Equity at 31 December 2025	2.814.048	183.614.096	1.152.312	496.593	(40.428.391)	147.648.658

Statement of Cash Flow

	Note	2025	2024
Operating activities			
Operating loss		(21.433.253)	(13.866.005)
Depreciation	7	5.476.468	2.929.944
Expense recognized in respect of share based payments		394.693	134.787
Gain on sale of fixed assets		(55.586)	0
Fair value adjustment of biomass		1.798.664	27.127
Operating cash flow before movement in working capital		(13.819.013)	(10.774.147)
Inventories, (increase) / decrease		(9.343.412)	812.465
Other operating assets, decrease / (increase)		6.697.683	(3.465.089)
Operating liabilities, increase		539.256	5.353.260
Cash generated from operations		(15.925.486)	(8.073.511)
Interest and exchange rate differences earned		322.019	1.173.580
Interest and exchange differences paid		(573.890)	(817.563)
Net Cash generated from operating activities		(16.177.357)	(7.717.494)
Investing activities			
Purchases/sales of property, plant and equipment	10	(63.647.674)	(4.486.472)
Purchase of assets under construction	11	(35.662.156)	(49.835.158)
Capitalised interest	11	(2.320.209)	0
Sold shares in associate		641.428	0
Decrease in receivables from related parties		0	1.130.200
Transferred to restricted bank deposits		0	(3.315.250)
Acquisition of investment in other companies		0	(10.046)
		(100.988.611)	(56.516.726)
Financing activities			
Paid-in capital		63.364.944	0
Interest-bearing liabilities to credit institutions		53.941.254	32.484.540
Repayments of borrowings		(333.333)	(6.896.714)
Payments of lease liabilities		(849.889)	(408.228)
		116.122.976	25.179.598
Net decrease in cash		(1.042.992)	(39.054.622)
Exchange and translation differences on cash		(490.331)	437.885
Cash at beginning of year		2.943.546	41.560.283
Cash at year-end		1.410.223	2.943.546

Notes

1. General information

First Water hf. is a limited liability company and complies with the Icelandic limited companies law under Act No. 2/1995.

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

2. Basis of preparation

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the additional requirements of the Icelandic Annual Accounts Act No. 3/2006. The financial statements are prepared on the historical cost basis, except that biomass is measured at fair value less costs to sell in accordance with IAS 41 Agriculture, and have been prepared using the same accounting policies as in the previous year. The financial statements are presented in EUR, which is the functional currency of the Company. This is a change from the previous year, when the financial statements were presented in Icelandic krona. The adoption of EUR is considered to provide a better presentation of the Company's financial position, as the majority of the Company's revenues and liabilities are denominated in EUR.

Estimates and decisions

In preparing the financial statements, management is required, in accordance with International Financial Reporting Standards (IFRS) and the additional requirements of the Icelandic Annual Accounts Act No. 3/2006, to make judgements, estimates and assumptions that affect the assets and liabilities at the reporting date, the disclosures in the notes, and the recognised income and expenses. The estimates and conclusions are based on experience and various other factors considered appropriate and form the basis for the judgements made regarding the carrying amounts of assets and liabilities that are not readily apparent from other sources. The Company's accounting policies are set out in Note 25.

3. Adoption of International Financial Reporting Standards (IFRS)

The Company has adopted International Financial Reporting Standards (IFRS), amendments thereto and interpretations endorsed by the European Union that were effective for reporting periods beginning on or after 1 January 2024 and applicable to the Company's operations. The Company has not adopted issued standards, amendments or interpretations that were not yet effective at the beginning of the reporting period, although earlier adoption was permitted under EU endorsement. The effect of standards issued but not yet effective on the Company's financial statements has not been fully assessed, but is considered to be immaterial.

This is the first financial year in which the annual financial statements have been prepared in accordance with International Financial Reporting Standards. The Company's previous financial statements were prepared in accordance with the Icelandic Annual Accounts Act No. 3/2006. The 2025 financial statements and comparative figures have been restated in connection with the transition. The accounting effects of the transition are described below.

Changes in accounting estimates are recognised in the period in which they arise.

3. Adoption of International Financial Reporting Standards (IFRS) (continued)

Effect of IFRS adoption on the statement of financial position at 1 January 2024

	Previous financial statement 1.1.2024	IFRS adjustment	International financial report- ing standards 1.1.2024
Assets			
Non-current assets			
Property, plant and equipment	41.147.474		41.147.474
Assets under construction	23.040.517		23.040.517
Investments in other companies	626.206		626.206
Right-of-use assets	0	818.549	818.549
Deferred tax asset	2.782.018		2.782.018
	<u>67.596.215</u>	<u>818.549</u>	<u>68.414.764</u>
Current assets			
Biomass and feed inventories	7.052.587		7.052.587
Trade receivables	1.345.065		1.345.065
Receivables from related parties	1.079.171		1.079.171
Other receivables	4.535.131		4.535.131
Cash and cash equivalents	41.560.283		41.560.283
	<u>55.572.237</u>	<u>0</u>	<u>55.572.237</u>
Assets	<u>123.168.452</u>	<u>818.549</u>	<u>123.987.001</u>
Equity and liabilities			
Equity			
Share capital	2.145.578		2.145.578
Share premium	117.475.915		117.475.915
Other reserves	305.945		305.945
Retained earnings	(11.779.456)		(11.779.456)
Equity	<u>108.147.982</u>	<u>0</u>	<u>108.147.982</u>
Non-current liabilities	806.288		806.288
Lease liabilities	0	426.478	426.478
	<u>806.288</u>	<u>426.478</u>	<u>1.232.766</u>
Current liabilities			
Trade payables	4.776.200		4.776.200
Current maturities of long-term debt	6.348.951		6.348.951
Current maturities of lease liabilities	0	392.071	392.071
Other current liabilities	3.089.031		3.089.031
	<u>14.214.182</u>	<u>392.071</u>	<u>14.606.253</u>
Liabilities	<u>15.020.470</u>	<u>818.549</u>	<u>15.839.019</u>
Equity and liabilities	<u>123.168.452</u>	<u>818.549</u>	<u>123.987.001</u>

Notes

3. Adoption of International Financial Reporting Standards (IFRS) (continued)

Effect of IFRS adoption on the income statement for 2024

	Previous financial statement 2024	IFRS adjustment	International financial reporting standar
Operating revenue	8.313.397		8.313.397
Other revenue	45.114		45.114
Total income	8.358.511	0	8.358.511
Cost of goods sold	(14.249.075)		(14.249.075)
Salaries and other personnel expenses	(2.698.391)		(2.698.391)
Other operating expenses	(2.527.040)	207.061	(2.319.979)
Operating expenses	(19.474.506)	207.061	(19.267.445)
Operating loss before fair value adjustment and depreciation	(11.115.995)	207.061	(10.908.934)
Depreciation	(2.529.824)	(400.120)	(2.929.944)
Operating loss before fair value adjustment	(13.645.819)	(193.059)	(13.838.878)
Fair value adjustment of biomass	(27.127)		(27.127)
Loss from operations (EBIT)	(13.672.946)	(193.059)	(13.866.005)
Financial income	1.516.041		1.516.041
Financial expenses	(1.171.860)	(71.438)	(1.243.298)
Exchange rate difference	969.872	(102.017)	867.855
	1.314.053	(173.455)	1.140.598
Share in loss of associates	(2.572)		(2.572)
Loss before tax	(12.361.465)	(366.514)	(12.727.979)
Income tax	2.485.911		2.485.911
Loss for the year	(9.875.554)	(366.514)	(10.242.068)

4. Revenue

The Company's revenue is specified by market as follows:

	2025	%	2024	%
Europe	3.873.882	96,8%	8.219.677	98,3%
North America	128.605	3,2%	138.834	1,7%
	4.002.487	100,0%	8.358.511	100,0%

The Company's revenue is analysed as follows:

	2025	2024
Product sales	3.929.030	8.313.397
Other income	73.456	45.114
	4.002.487	8.358.511

Notes

5. Salaries and other personnel expenses

Salaries and personnel expenses are specified as follows:

	<u>2025</u>	<u>2024</u>
Salaries	9.699.715	6.849.770
Pension fund	1.103.863	859.246
Other salary related expenses	748.432	592.854
Other personnel expenses	313.123	565.232
Capitalized salaries cost	(7.585.947)	(6.168.711)
	<u>4.279.185</u>	<u>2.698.391</u>
Total salaries and other personnel expenses	11.865.132	8.867.102
Average number of full-time employees	78	65

Information on remuneration and benefits of the Board and management is provided in Note 22.

6. Other operating expenses

Other operating expenses are specified as follows:

	<u>2025</u>	<u>2024</u>
Sales and marketing expenses	206.323	199.984
Premises and vehicle expenses	187.845	179.870
IT and software expenses	502.033	519.221
Legal and consulting expenses	1.384.375	913.830
Office and administrative expenses	3.953.369	430.613
Other expenses	185.333	76.461
	<u>6.419.278</u>	<u>2.319.979</u>

Total expenses recognised in relation to the arbitration case amount to EUR 3.7 million. They are recognised under office and administrative expenses. Further details are provided in Note 24.

7. Depreciation

Depreciation is specified as follows:

	<u>2025</u>	<u>2024</u>
Depreciation of property, plant and equipment, see Note 10	4.610.399	2.529.824
Depreciation of right-of-use assets, see Note 12	866.069	400.120
	<u>5.476.468</u>	<u>2.929.944</u>

8. Financial income and financial expenses

Financial income and financial expenses are specified as follows:

	<u>2025</u>	<u>2024</u>
Interest income calculated using the effective interest method	407.372	1.516.041
	407.372	1.516.041
Interest expense on interest-bearing liabilities	(1.350.944)	(1.025.166)
Interest expense on lease liabilities	(175.032)	(71.438)
Other interest expense	(888.331)	(146.694)
	<u>(2.414.308)</u>	<u>(1.243.298)</u>
Exchange rate differences	(302.544)	867.855
	<u>(2.309.480)</u>	<u>1.140.598</u>

Default interest arising from the outcome of the arbitration case amounts to EUR 0.46 million and is recognised under other interest expense.

Notes

9. Income tax

Income tax recognised in the income statement amounts to EUR 4.5 million. A deferred tax asset has been recognised in the statement of financial statement as it is the management's opinion that the tax asset will be fully utilised.

No income tax will be paid in 2026 as the Company's taxable base is negative.

Effective income tax is as follows:	2025		2024	
	Amount	%	Amount	%
Loss before tax	(23.284.759)		(12.727.979)	
Tax rate	4.656.952	20,0%	2.545.596	20,0%
Share of profit and gain on sale	0	0,0%	(514)	0,0%
Other items	(78.969)	0,3%	(32.411)	0,3%
Translation differences	(38.923)	0,2%	(26.759)	0,2%
Income tax according to income statement	<u>4.539.060</u>	(19,5%)	<u>2.485.911</u>	(19,5%)

10. Property, plant and equipment

	Thorlakshofn Fish farm site	Oxnalakur hatchery	Machinery and equipment	Total
Cost				
Balance at 1 January 2024	36.289.299	2.498.246	5.586.481	44.374.027
Additions during the year	3.412.752	856.644	358.219	4.627.615
Exchange rate differences	1.820.130	125.941	269.692	2.215.763
Balance at 1 January 2025	41.522.180	3.480.831	6.214.393	51.217.404
Reclassification of PP&E	45.147.561			45.147.561
Disposals	(423.990)			(423.990)
Additions during the year	63.386.860	596.632	119.273	64.102.765
Balance at 31 December 2025	<u>149.632.612</u>	<u>4.077.463</u>	<u>6.333.666</u>	<u>160.043.741</u>
Depreciation				
Balance at 1 January 2024	1.854.996	150.025	1.258.153	3.263.174
Depreciation for the year	1.801.557	157.616	570.651	2.529.824
Exchange rate differences	177.626	12.807	79.159	269.592
Balance at 1 January 2025	3.834.179	320.448	1.907.963	6.062.590
Disposals	(24.485)	0	0	(24.485)
Depreciation for the year	3.977.252	227.456	405.691	4.610.399
Balance at 31 December 2025	<u>7.786.945</u>	<u>547.904</u>	<u>2.313.654</u>	<u>10.648.503</u>
Book value				
Balance at 1 January 2025	<u>37.688.001</u>	<u>3.160.383</u>	<u>4.306.430</u>	<u>45.154.814</u>
Balance at 31 December 2025	<u>141.845.667</u>	<u>3.529.559</u>	<u>4.020.012</u>	<u>149.395.238</u>
Depreciation rates	2,5-20%	2,5-10%	10-25%	
Official property and insurance valuation of the Company's assets at year-end:			Property valuation	Insurance valuation
Buildings and land			12.904.389	88.593.865
Fixtures and equipment				52.422.188

Notes

11. Operating assets under construction

	Thorlakshofn Fish farm site	Total
Cost		
Balance at 1 January 2024	23.040.517	23.040.517
Additions during the year	50.681.521	50.681.521
Exchange rate differences	2.962.157	2.962.157
	<u>76.684.196</u>	<u>76.684.196</u>
Balance at 1 January 2025	76.684.196	76.684.196
Reclassified to PP&E	(45.147.561)	(45.147.561)
Additions during the year	40.302.574	40.302.574
	<u>71.839.208</u>	<u>71.839.208</u>
Book value		
Balance at 1 January 2025	76.684.196	76.684.196
Balance at 31 December 2025	71.839.208	71.839.208

12. Right of use assets

The Company's right of use assets are as follows:

	Buildings	Land	Vehicles	Total
Balance at 1 January 2024	577.573	207.624	33.352	818.549
Additions and renewals	916.422	106.013	226.427	1.248.862
Indexation of lease contracts	69.375	57.171	5.394	131.940
Termination of lease contracts	0	(37.039)	0	(37.039)
Depreciation	(350.081)	0	(50.039)	(400.120)
	<u>1.213.289</u>	<u>333.769</u>	<u>215.134</u>	<u>1.762.192</u>
Balance at 1 January 2025	1.213.289	333.769	215.134	1.762.192
Additions and renewals	704.922	0	78.202	783.124
Indexation of lease contracts	52.154	88.275	9.396	149.825
Termination of lease contracts	(264.393)	(8.866)	(675)	(273.934)
Depreciation	(746.080)	0	(119.989)	(866.069)
	<u>959.892</u>	<u>413.178</u>	<u>182.068</u>	<u>1.555.138</u>
Balance at 31 December 2025	959.892	413.178	182.068	1.555.138

13. Restricted bank deposits

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

Notes

14. Biomass and other inventories

	31.12.2025	31.12.2024
Biomass	12.930.855	6.104.671
Feed and other inventories	1.111.470	392.907
	<u>14.042.325</u>	<u>6.497.577</u>
Biomass in tonnes	1.914,9	615,7
Insurance value of biomass and feed inventory	20.344.063	13.116.558
	<u>31.12.2025</u>	<u>31.12.2024</u>
Biomass at beginning of year	6.104.670	6.579.609
Increase due to production/purchases	14.571.753	10.634.234
Reduction due to sales/harvest	(5.946.905)	(11.082.046)
Fair value adjustment	(1.798.664)	(27.127)
	<u>12.930.855</u>	<u>6.104.670</u>

15. Other receivables

	31.12.2025	31.12.2024
Other receivables are specified as follows:		
VAT receivable	2.594.791	4.719.132
Prepaid expenses	36.907	3.993.319
Other receivables	191.579	1.231.136
	<u>2.823.276</u>	<u>9.943.587</u>

16. Equity

Share capital

The Company's share capital in accordance with its Articles of Association amounted to 410.7 million at year-end. Each share carries a nominal value of one Icelandic krona and one vote. The share capital has been paid in full.

Share capital is as follows:

	Shares	Effective percentage	Amount in EUR
Total share capital at beginning of 2025	322.909.417	100%	2.205.616
Share capital issued during 2025	87.784.008	100%	608.432
Total share capital at end of 2025	<u>410.693.425</u>	<u>100%</u>	<u>2.814.048</u>

Share premium

The share premium account represents amounts paid by the Company's shareholders in excess of the nominal value of share capital issued by the Company.

Restricted equity

The restricted equity reserve includes accrued expense recognised in respect of share option agreements and a translation reserve arising from the translation of the Company's financial statements from Icelandic krona to euro. The translation reserve is not reclassified until the operation is sold.

Retained earnings

Retained earnings comprise the Company's accumulated retained profits and accumulated losses since incorporation, less transfers to and from other equity accounts.

Notes

16. Equity (continued)

Share options

First Water has implemented a share option plan under which certain key employees receive options over shares in the Company. The options are measured at fair value at the grant date using the Black-Scholes valuation model. The fair value determined at the grant date is recognised in salaries and related expenses over the vesting period of the options, with a corresponding entry to a reserve within equity. At each reporting date, the Company revises its estimate of the number of equity instruments expected to vest, disregarding market conditions, and recognises the cumulative expense in the statement of comprehensive income so that the reserve reflects the revised estimate.

During the years 2022-2025, the Company granted the CEO and key management a total of ISK 8,531,000 share options with exercise prices of 65.2-105. Option holders are required to remain employed by the Company throughout the vesting period, which ranges from 3.33 to 3.83 years from the grant date.

	2025		2024	
	Number of shares '000 (ISK)	Weighted average exercise price (ISK)	Number of shares '000 (ISK)	Weighted average exercise price (ISK)
Outstanding at beginning of year	6.346	79,75	4.606	73,94
Granted during the year	1.000	105,00	2.100	90,00
Lapsed during the year	(2.271)	72,66	(360)	65,20
Outstanding at year-end	<u>5.075</u>	<u>87,90</u>	<u>6.346</u>	<u>79,75</u>
Weighted average remaining contractual life of outstanding options at year-end		<u>1,88</u>		<u>2,11</u>

The following assumptions were used in measuring share option agreements:

	2025	2024
Grant date	1.9.2025	1.9.2024
Volatility	32,13%	33,52%
Risk-free interest rate	7,49%	8,05%
Share price at grant date (ISK)	105,00	90,00
Weighted average fair value at grant date (ISK)	35,00	31,42
Term	3,33	3,33
Valuation model	Black-Scholes	Black-Scholes

During 2025, the Company recognised expense of EUR 395 thousand (2024: EUR 135 thousand) in respect of share option agreements. The expense is classified among salaries and related payroll expenses in the statement of comprehensive income.

17. Interest-bearing liabilities

	Weighted average interest rate		Liabilities to credit institutions	
	2025	2024	31.12.2025	31.12.2024
Interest-bearing liabilities in EUR	7,7%	6,7%	86.771.808	33.163.887
Current maturities of long-term debt			86.771.808	33.163.887
Liabilities to credit institutions due within one year			(10.000.000)	(9.833.333)
			<u>(76.771.808)</u>	<u>(23.330.554)</u>
Total interest-bearing long-term liabilities			<u>0</u>	<u>0</u>

Notes

17. Interest-bearing liabilities (continued)

Changes in interest-bearing liabilities are as follows:

	<u>31.12.2025</u>	<u>31.12.2024</u>
Interest-bearing liabilities at beginning of year	33.163.887	7.155.239
New borrowings	118.458.880	33.300.000
Repayments	(64.831.131)	(7.210.223)
Exchange rate difference	<u>(19.828)</u>	<u>(81.129)</u>
	86.771.808	33.163.887

The Company's loan agreements contain various financial covenants that the Company is required to meet. At the end of December 2025, the Company did not meet all covenants under the loan agreements. Accordingly, EUR 9.75 million of long-term liabilities are now classified as current liabilities. The Company obtained a waiver from the lender after the reporting date, and therefore these EUR 9.75 million do not fall due in 2026.

The Company's property, plant and equipment, assets under construction, biomass and other movable assets have been pledged as security for the Company's borrowings. Under the terms of the loan agreements, the Company may not pledge these assets as security for other borrowings or sell a significant portion of them to third parties without the consent of the lender.

18. Lease liabilities

The Company leases premises, land and vehicles for its operations. The agreements are with various counterparties and are either indexed or non-indexed in Icelandic krona. The agreements are of varying duration, while the land lease agreements are of indefinite duration.

	<u>31.12.2025</u>	<u>31.12.2024</u>
Lease liabilities at beginning of year	1.856.100	818.549
New leases	783.124	1.248.862
Indexation	157.312	122.417
Exchange rate differences	(42.719)	111.539
Termination of lease contracts	(323.063)	(37.039)
Lease payments made during the year	<u>(849.889)</u>	<u>(408.228)</u>
	1.580.865	1.856.100
Current maturities of lease liabilities	809.946	927.156
Non-current portion of lease liabilities	<u>770.919</u>	<u>928.944</u>
Total lease liabilities	<u><u>1.580.865</u></u>	<u><u>1.856.100</u></u>

Lease liabilities at year-end are due as follows:

Instalments 2026 / 2025	809.946	927.156
Instalments 2027 / 2026	371.817	621.581
Instalments 2028 / 2027	109.256	89.026
Instalments 2029 / 2028	289.846	41.112
Instalments 2030 / 2029	0	177.225
	<u>1.580.865</u>	<u>1.856.100</u>

The effects of lease agreements in the income statement are as follows:

Interest expense and exchange differences on lease liabilities	231.615	173.455
Depreciation of right of use assets	866.069	400.120
	<u>1.097.684</u>	<u>573.575</u>

Notes

19. Other current liabilities

Other current liabilities are specified as follows:

	2025	2024
Unpaid salaries and related expenses	1.463.459	1.121.804
Accrued expenses	2.525.204	1.377.414
Public charges	296.877	798.490
Other expenses	2.600.888	1.513.462
	<u>6.886.428</u>	<u>4.811.170</u>

20. Other matters

Over recent months, the Company has been working to finalise financing for the continued development of its land-based aquaculture operations in Thorlakshofn. The Company has obtained a financing commitment from existing shareholders in the amount of EUR 40 million, which will be paid to the Company in April. The Company has also signed a term sheet for new project financing in the amount of EUR 35 million. The term sheet is also conditional upon the refinancing of existing loans. Documentation is being prepared. The Company's ability to continue as a going concern is dependent on a positive outcome of the financing process.

21. Deferred tax asset/(liability)

	Asset / (liability)	
	2025	2024
Balance at beginning of year	5.488.986	2.782.018
Translation differences	0	221.057
Calculated income tax for the year	4.539.060	2.485.911
Balance at year-end	<u>10.028.046</u>	<u>5.488.986</u>

Deferred tax asset/(liability) is attributable to the following balance sheet items:

	31.12.2025	31.12.2024
Property, plant and equipment	(1.378.703)	(965.413)
Other items	(26.750)	(162.495)
Unused tax losses	11.433.499	6.616.895
	<u>10.028.046</u>	<u>5.488.986</u>

Tax losses carried forward may be utilised against taxable profits no later than as follows:

	31.12.2025
Expires in 2027	889
Expires in 2028	12.512
Expires in 2029	13.783
Expires in 2030	113.920
Expires in 2031	1.273.319
Expires in 2032	6.001.702
Expires in 2033	10.912.345
Expires in 2034	14.561.394
Expires in 2035	24.277.631
	<u>57.167.495</u>

Notes

22. Related parties

Related parties are those parties that have significant influence over the Company, directly or indirectly, including major investors, key employees and their families, as well as entities that are controlled by or substantially dependent on the Company, such as associates. Transactions with related parties have been entered into on terms comparable to those applicable to unrelated parties.

Information regarding related parties is as follows:

Remuneration and benefits of board members and management and their entitlements in 2025:

	Remuneration and benefits EUR	Share option agreements ISK	Number of shares at year-end ISK
Board members	275.271	0	7.996.130
Management	1.605.463	6.146.000	1.612.956
	<u>1.880.734</u>	<u>6.146.000</u>	<u>9.609.086</u>

Remuneration and benefits of board members and management and their entitlements in 2024:

	Remuneration and benefits EUR	Share option agreements ISK	Number of shares at year-end ISK
Board members	149.488	0	7.413.014
Management	1.538.130	3.346.000	1.612.956
	<u>1.687.618</u>	<u>3.346.000</u>	<u>9.025.970</u>

There were no related party transactions during 2025.

Transactions with related parties in 2024:

	Purchased services and goods	Sold services and goods	Receivables	Liabilities
Icelandic Lava Pure Salmon	2.605.400			
	<u>2.605.400</u>	<u>0</u>	<u>0</u>	<u>0</u>

23. Financial risk management

The Company manages its capital so as to safeguard its ability to continue as a going concern while maximising returns to stakeholders through an appropriate balance between debt and equity. The Company is not subject to externally imposed capital requirements.

Management monitors and analyses financial risks in the Company's operations. Risk management methods are reviewed regularly to identify changes in the market and the Company's activities. The following risks have been identified in relation to financial instruments.

Market risk

The Company's principal market risks are changes in foreign exchange rates and interest rates. The objective of market risk management is to manage and limit risk within defined parameters while optimising returns.

Notes

23. Financial risk management (continued)

Currency risk

A portion of the Company's financial assets and financial liabilities is denominated in foreign currencies, and the Company is exposed to the risk of changes in the exchange rates of those currencies against EUR. The Company seeks to minimise currency risk through monitoring exchange rate developments and by maintaining an appropriate composition of financial assets and financial liabilities in its principal trading currencies.

The currencies below are those that have the greatest effect on the Company's operations. Their exchange rates and positions are based on the closing rates at the reporting date.

31 December 2025:	<u>Exchange rate</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net position</u>
ISK	147,20	8.184.622	13.898.897	(5.714.275)
GBP	0,87	295.947	0	295.947
USD	1,18	135.075	371.546	(236.471)
NOK	11,83	288	120.872	(120.584)
DKK	7,47		109.637	(109.637)
PLN	4,23		130.917	(130.917)
		<u>8.615.933</u>	<u>14.631.869</u>	<u>(6.015.936)</u>
31 December 2024:	<u>Exchange rate</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net position</u>
ISK	143,90	10.883.995	14.304.444	(3.420.449)
GBP	0,83	318.899	0	318.899
USD	1,04	86.142	460.496	(374.355)
NOK	11,78	10.309	643.530	(633.221)
DKK	7,46	0	376.119	(376.119)
PLN	4,27		709.071	(709.071)
		<u>11.299.345</u>	<u>16.493.660</u>	<u>(5.194.315)</u>
31 December 2023:	<u>Exchange rate</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net position</u>
ISK	150,50	45.035.179	5.584.753	39.450.426
GBP	0,83	846.070	0	846.070
USD	1,06	3.113	87.391	(84.278)
NOK	11,24	2.859	991.853	(988.994)
DKK	7,45	0	29.392	(29.392)
		<u>45.887.221</u>	<u>6.693.389</u>	<u>39.193.833</u>

The table below shows the effect that a 5% weakening of EUR against the respective currencies would have had on profit and equity based on the positions of assets and liabilities denominated in those currencies at the reporting date. The sensitivity analysis assumes that all variables other than those being considered remain constant. The sensitivity analysis covers the currencies involving the greatest foreign exchange risk. The analysis does not take tax effects into account and was prepared on the same basis for the comparative period. The effects on profit and equity are the same, as fair value changes of the underlying foreign currency financial instruments are not recognised directly in equity in any case. A positive amount indicates an increase in profit and equity. An appreciation of EUR against the currencies listed below would have had an equal but opposite effect.

Effect on profit and equity:	<u>31.12.2025</u>	<u>31.12.2024</u>	<u>1.1.2024</u>
ISK	285.714	171.022	(1.972.521)
GBP	(14.797)	(15.945)	(42.304)
USD	11.824	18.718	4.214
DKK	6.029	31.661	49.450
Other currencies	6.546	35.454	0
	<u>295.315</u>	<u>240.910</u>	<u>(1.961.161)</u>

23. Financial risk management (continued)Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. Interest rate risk arises because the Company's long-term liabilities bear variable interest rates. The risk is managed through monitoring of interest rate developments.

The terms of the Company's borrowings are disclosed in Note 17 on long-term liabilities. All of the Company's interest-bearing liabilities bear variable interest rates, amounting in total to EUR 86.8 million at year-end 2025 (31 December 2024: EUR 33.2 million; 1 January 2024: EUR 0.8 million).

Effect on profit and equity:	<u>31.12.2025</u>	<u>31.12.2024</u>	<u>1.1.2024</u>
Bank deposits bearing variable interest rates	4.772.994	6.383.435	41.560.283
Liabilities bearing variable interest rates	<u>(86.771.808)</u>	<u>(33.163.887)</u>	<u>(7.155.239)</u>
Net position	<u>(81.998.814)</u>	<u>(26.780.452)</u>	<u>34.405.044</u>

The table below shows the effect that a 5% increase in interest rates would have had on profit and equity at the reporting date. A decrease in interest rates would have had an equal but opposite effect. The sensitivity analysis covers interest-bearing assets and liabilities that bear variable interest rates and assumes that all variables other than those being considered remain constant. The sensitivity analysis reflects the effects recognised in profit or loss and equity before tax effects.

	<u>31.12.2025</u>	<u>31.12.2024</u>	<u>1.1.2024</u>
Effect on profit and equity of a 5% increase	(4.099.941)	(1.339.023)	1.720.252

Credit risk

Credit risk is the risk that the Company's counterparties will be unable to fulfil their obligations, causing the Company to incur losses on its financial instruments. The Company regularly monitors the development of the assets exposed to credit risk and has established credit policies regarding approval and payment terms for new customers. Those credit policies are reviewed regularly to reflect changes in counterparties' circumstances. Underlying collateral is not taken into account in assessing maximum credit risk exposure.

Maximum credit risk exposure is the carrying amount broken down below:

	<u>31.12.2025</u>	<u>31.12.2024</u>	<u>1.1.2024</u>
Restricted cash	3.362.772	3.439.889	0
Receivables from related parties	0	0	1.079.171
Trade receivables	625.808	761.068	1.345.065
Other short-term receivables (excluding prepayments)	191.579	1.231.136	444.258
Cash and cash equivalents	1.410.223	2.943.546	41.560.283
	<u>5.590.381</u>	<u>8.375.639</u>	<u>44.428.777</u>

The Company assesses expected credit losses on trade receivables on an individual customer basis, as the number of debtors is relatively low, the risk is assessed as immaterial and therefore no impairment is recognised in respect of them. No impairment is recognised for cash and cash equivalents, as credit risk is considered immaterial, as these consist of bank deposits with reputable financial institutions. Credit risk relating to other short-term receivables is considered immaterial and therefore no impairment is recognised in respect of them.

23. Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk of loss that the Company may incur if it is unable to meet its obligations as they fall due. Management monitors the liquidity position through analysis of the maturity of financial assets and liabilities to ensure that the Company can settle all liabilities when due. Liquidity is monitored regularly, together with developments that have occurred and the effects that market conditions and future prospects may have on the Company. The maturity analysis below shows the contractual cash flows of the Company's liabilities and includes repayments of principal and estimated interest payments over the repayment period based on loan interest rates at the reporting date.

Liabilities at 31 December 2025:

	Contractual cash flows	Within one year	2027	2028	2029 or later
Non-int.-bearing liabilities	17.628.415	17.628.415			
Interest-bearing liabilities ...	88.238.361	88.238.361			
Lease liabilities	1.580.865	809.946	371.817	109.256	289.846
	<u>107.447.641</u>	<u>106.676.722</u>	<u>371.817</u>	<u>109.256</u>	<u>289.846</u>

Liabilities at 31 December 2024:

	Contractual cash flows	Within one year	2026	2027	2028 or later
Interest-bearing liabilities ...	15.035.745	15.035.745			
Interest-bearing liabilities ...	33.163.887	33.163.887			
Lease liabilities	1.856.100	927.156	621.581	89.026	218.337
	<u>50.055.732</u>	<u>49.126.788</u>	<u>621.581</u>	<u>89.026</u>	<u>218.337</u>

24. Events after the reporting date

On 27 March 2026, an award was rendered in an arbitration case before the Arbitration Institute of the Stockholm Chamber of Commerce. The case concerned a claim by the Norwegian companies Nordic Clean Pumps (NCP) and KER Consultancy (KER) for EUR 42 million for alleged breach of contract. The claim by NCP and KER for breach of contract was dismissed, but the remainder of the award is confidential. The award is final and neither party may pursue further claims in respect of the matter. Total costs relating to the case amount to EUR 4.18 million and are recognised as an expense in the 2025 financial statements in accordance with IAS 10 Events after the Reporting Period.

25. Accounting policies

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rates prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates at the reporting date. Exchange differences arising are recognised in the income statement.

Revenue recognition

Revenue from the sale of goods is recognised when it is earned. Sales of goods are recognised when control over the goods sold is transferred to the customer, which is generally on delivery of the goods. Sales are presented in the income statement net of discounts. Revenue collected during the financial year but relating to subsequent financial years is recognised in the statement of financial position as deferred income. Revenue relating to the financial year but collected after year-end is recognised as an asset in the statement of financial position.

25. Accounting policies (continued)

Expense recognition

Expenses incurred in generating revenue during the period are recognised as operating expenses. Expenses incurred during the financial year but relating to subsequent financial years are recognised as assets in the statement of financial position as prepaid expenses. Expenses relating to the financial year but payable later are recognised as liabilities in the statement of financial position as accrued expenses.

Finance income and finance costs

Interest income is recognised for the relevant period based on the applicable principal amount and interest rate.

Borrowing costs on loans obtained to finance the Company's development projects in Thorlákshöfn are capitalised as part of the cost of the related assets in the period in which they are incurred in accordance with IAS 23 Borrowing Costs. Other finance costs are recognised in the income statement in the period in which they arise. Loan origination costs are capitalised and amortised on a straight-line basis over the term of the loan.

Transactions in currencies other than EUR are translated into EUR at the exchange rates on the transaction dates. Exchange differences arising on settlement of liabilities and collection of receivables are recognised in the income statement. Monetary assets and liabilities in foreign currencies are translated at the year-end exchange rates, and the resulting exchange differences are recognised in the income statement within finance items.

Income tax

Income tax is calculated and recognised in the annual financial statements. The calculation is based on profit before tax adjusted for permanent differences between taxable profit and accounting profit. The income tax rate is 20%.

Current income tax is the income tax expected to be payable in the following year in respect of the taxable profit for the year, together with adjustments to current income tax payable in respect of prior years.

Deferred tax arises from differences between the tax bases of assets and liabilities on the one hand and their carrying amounts in the financial statements on the other. The differences arise because the Company's taxable income is determined on a basis different from that used in its financial reporting.

A deferred tax asset is measured at the reporting date and recognised only to the extent that it is probable that it will be utilised against taxable profits in the future.

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 Company and the cost of the asset can be measured reliably. Property, plant and equipment are initially recognised at cost. The cost of property, plant and equipment comprises the purchase price and all directly attributable costs of bringing the asset into working condition for its intended use.

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

Gain or loss on disposal of assets is the difference between the sales proceeds and the carrying amount of the assets at the date of disposal and is recognised in the income statement on sale.

25. Accounting policies (continued)

Assets under construction

The Company is developing a land-based aquaculture facility in Thorlakshofn and has already commenced production in the first phase. All direct costs relating to assets under construction are capitalised; such costs include, among other things, the purchase price of land and building rights, design, material and labour costs, borrowing costs and payroll costs of the Company's employees working on the project. When the assets are completed and brought into use, the carrying amount is transferred from assets under construction to the appropriate class of property, plant and equipment (aquaculture facility or machinery and equipment). From that time, the asset is depreciated over its estimated useful life.

Impairment of assets other than financial assets

At the reporting date, the carrying amount of assets is assessed for impairment. If any indication of impairment exists, the recoverable amount of the asset is estimated in order to determine the amount of impairment loss, if any.

Recoverable amount is the higher of an asset's net selling price and its value in use. In assessing value in use, expected cash flows are discounted to present value using a discount rate appropriate to the financing of such asset, taking tax into account.

Biomass and feed inventories

Live fish, juveniles and roe are classified as biomass. Live fish are recognised in accordance with IAS 41 Agriculture. The fundamental principle of the standard is that such assets are measured at fair value less costs to sell. Roe and juveniles are measured at cost until the fish enter the Company's on-growing operations. Historical cost is considered the best estimate of fair value for these assets due to limited biological transformation.

Fair value is determined in accordance with IFRS 13 at Level 3, as market inputs are not available to measure fair value under Level 1 or Level 2. Fair value changes are recognised under the line item 'fair value changes in biomass' in the statement of comprehensive income.

The fair value of the Company's biological assets in land-based aquaculture is calculated using a model based on future cash flows. Present value is calculated from estimated revenue less estimated production costs to be incurred until the fish are ready for harvest, based on the Company's plans. Fish are considered ready for harvest when they have reached the weight specified in the Company's plans. The Company's estimated gross margin is discounted to present value. The discount factor used for 2025 was 9.2%, reflecting the Company's weighted average cost of capital.

The Company's biomass at the reporting date forms the basis for the fair value calculation, adjusted for estimated mortality until harvest and multiplied by the estimated weight of the fish at harvest. Expected cash flows are calculated as estimated biomass at harvest multiplied by the forward price of salmon according to Fish Pool.

The sales price is adjusted for the expected quality of the final product at harvest based on the Company's experience. Processing, packing and selling costs are deducted from the expected sales price when calculating expected selling price.

Remaining production costs are estimated based on the Company's experience and allocated on a straight-line basis over the production period with reference to biomass growth in each month until the estimated harvest date. Production costs include total production costs, including depreciation and employee salaries relating to fish farming operations.

Harvesting is estimated to occur 1-17 months after the end of the reporting period. The measurement of the fair value of biomass is subject to accounting estimates, and actual market prices may differ from the carrying amount at year-end.

Notes

25. Accounting policies (continued)

Feed inventories are measured at cost at year-end in accordance with IAS 2 Inventories.

Trade receivables

Trade receivables are carried at nominal value less impairment. The impairment is not a final write-off; rather, an allowance account is established to cover potential future losses.

Cash and cash equivalents

The Company's cash and cash equivalents comprise unrestricted bank deposits.

Leases

At initial recognition, the Company assesses whether an agreement contains a lease based on the substance of the contract. The Company recognises a right-of-use asset and a corresponding lease liability for all leases, except for short-term leases (for a period of less than 12 months) and leases of low-value assets, where lease payments are recognised on a straight-line basis as operating expenses over the lease term.

The lease liability and the right-of-use asset are initially measured at the present value of future lease payments. Lease payments are discounted using the interest rate implicit in the lease, or, if that rate is not readily determinable, the incremental borrowing rate. The lease liability comprises fixed payments, variable payments linked to an index, expected residual value payments and purchase options in respect of leased assets if those are considered likely to be exercised, less any lease incentives. Lease payments are allocated between interest expense and repayment of principal, which reduces the lease liability. The Company remeasures the lease liability if the lease term changes, if lease payments change due to indexation, or when modifications are made to the lease that do not result in a new lease being recognised.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the leased asset. If a lease results in a transfer of ownership or if the carrying amount of the right-of-use asset includes a purchase option in respect of the leased asset, the right-of-use asset is depreciated over the useful life of the leased asset. The right-of-use asset is depreciated from the commencement date of the lease. Variable lease payments that are not linked to an index are not part of the lease liability or the right-of-use asset, but are recognised as an expense in the period in which they arise.

Non-current liabilities

Long-term liabilities are carried at nominal value less principal repayments, and the remaining nominal amount is remeasured using the applicable exchange rate or index at the end of the period, as appropriate.

Provisions

Provisions are recognised in the statement of financial position when it is probable that the Company will incur future economic outflows as a result of a specific event or transaction and the amount can be measured reliably.

Provisions for product warranties are recognised when the related goods are sold and are measured by management based on the estimated future cash outflows that the warranties may give rise to.

Trade payables

Trade payables are carried at nominal value, taking accrued expenses into account.