Lumarine

# 2021 Annual Report

*[Note: This is a translated version of the Annual Report 2021]*

## Annual Accounts

## - Annual Review

## - Income Statement

## - Balance Sheet

## - Cash Flow Statement

## - Notes

## Audit Report

# 2021 Annual Review of Lumarine Group and Lumarine AS

## Nature of the business

Lumarine operates land-based farming of marine species such as ballan wrasse, post smolt, cod and lumpfish. The Group has specialised in on-growing of fish from roe and juveniles to brood stock ready for the sea phase. The Group's customers are to a large extent leading fish farming companies in Norway. The Group aims to continue growing and achieving a leading position as an independent on-growing specialist with a special focus on ballan wrasse and cod.

The Group has modern facilities located at Tømmervåg and Tjeldbergodden in Aure municipality and at Sleneset in Lurøy municipality.

## Financial performance and position

Lumarine presents revenue in 2021 of NOK 135 million, up NOK 22 million from the comparative figures from 2020. Increased turnover comes as a result of increased revenue related to ballan wrasse and cod in 2021 as well as increased deliveries of lumpfish from the Tømmervåg facility. The operating profit improved to NOK -22 million for 2021 against NOK -35 million in the comparative figures for 2020 due to improved margin from sales.

In 2021, the company's production has been increasingly focused on the production of ballan wrasse, production that requires a long production period at the company's facilities. As a consequence of this, from 2021 the company has recorded a portion of the operating expenses as a cost of goods. This is expensed upon delivery of the volumes.

In 2021, the company changed the accounting of the long-term lease contract at Tjeldbergodden. The contract relates to the lease of facilities and property at Tjeldbergodden and is now treated as a financial lease and recognised as asset and long-term debt in the company's balance sheet. In the income statement, the costs related to the lease obligation are recorded as amortisation and interest expenses. The 2020 accounting figures have been modified accordingly for comparative purposes.

In 2021, the company had the largest share of revenue linked to lumpfish. NOK 63 million of the company's revenue in the year was linked to lumpfish and to a large extent volumes supplied under the contract with SalMar. The SalMar contract was concluded at the end of the year and the company will not deliver any lumpfish from its facilities in 2022.

Ballan wrasse accounts for a growing share of the company's revenue and is mainly linked to the contract with Mowi where first deliveries, under the contract signed in 2020, were made in 2021. In 2021 ballan wrasse represented NOK 38 million of the company's revenues. Revenues from ballan wrasse are expected to increase in 2022 and 2023 mainly driven by deliveries under the Mowi contract, but also as a result of the company's own production of ballan wrasse at Sleneset.

In 2021, the company had revenue linked to post smolt deliveries at the beginning of the year. Post smolt capacity will be used for cod in 2022.

In July 2021, the company began a contract with Gadus, for on-growing of cod, at the Tjeldbergodden facility. This contract will have a full impact on the company's results in 2022.

Cod is expected to be an important business area for the company in the years to come and the focus on cod will, among other things, mean that the Tømmervåg facility will be converted in 1H 2022 from lumpfish production to cod juvenile production. Production of cod juveniles is expected to start in summer 2022.

Net cash flow from operating activities has improved from NOK - 29 million in 2020 to NOK 13 million in 2021. In 2021, the Group made major investments in the Tjeldbergodden facility and converted the Sleneset facility to ballan wrasse juvenile production. In total, the company has invested NOK 90 million in production facilities in 2021. The company also granted a convertible loan to Tysfjord Marine Farms in 2021 linked to a strategic option on future sea capacity. The NOK 4.5 million loan is convertible to 33.5% of the shares in Tysfjord Marine Farms AS and matures on 1 December 2022. Total net cash flow from financing activities was negative NOK 95 million in 2021 compared to NOK -27 million in 2020.

The Board expects an improvement of the company's results in 2022 mainly due to a higher share of revenues from fixed contracts on ballan wrasse and cod.

### Going concern

In June 2021, the company carried out a capital increase, through the issue and conversion of shares, with a subsequent registration of the shares at NOTC. The capital increase involved the conversion of NOK 19.5 million in debt to the main shareholder Holding Akvaservice AS to share capital, as well as an offering with subscriptions for NOK 55.5 million. As a result, the Group has increased total contributed equity by NOK 75 million. After expenses related to the capital increase, total contributed equity increased by NOK 72.2 from NOK 187.2 million to NOK 259.4 million.

In 2022, the company has planned a conversion of the Tømmervåg facility to juvenile production of cod, which will be done in 1H 2022, as well as minor further upgrades of the Tjeldbergodden and Sleneset facilities. The company also wants to purchase the property at Tjeldbergodden. The company's strategic ambitions linked to the development of the company into a fully integrated supplier of cod will entail the need for investments in facilities and new sea capacity. Further investments and the possible purchase of property at Tjeldbergodden will require the injection of new capital into the company.

The company's main shareholder has given the Board and the company positive indications for continued support for the company's plans for 2022 and beyond.

The company has a waiver on the covenant for bank financing with SR Bank stating that net interest-bearing debt/EBITDA, on a 12-month rolling basis, at all times should be lower than 4.0, through Q3 2022. Results in 2021 as well as the company's 2022 budget indicate that the company will be in breach of this covenant throughout 2022. The company thus expects that a further deferral of this key performance indicator will have to be in place in 2022.

The long-term consequences of the ongoing Covid-19 crisis are uncertain and may affect both the demand side in terms of reduced market growth and the execution ability of the Group's suppliers. Lumarine will make necessary adjustments in future cost and investment levels to manage the risk level of the Group against the current macroeconomic situation. As of today, the Group's risk related to the Corona epidemic is assessed as limited.

The Board believes that the annual accounts presented give a true and fair view of the results of the business and the financial position. Furthermore, no circumstances have arisen since the end of the year which would affect the assessment of the accounts. On this basis, the Board is of the opinion that the going concern assumption is present and the annual accounts for 2021 have been prepared under this assumption.

### Work environment

The company has a good work environment, where management in cooperation with the Work Environment Committee puts special emphasis on HSE, skills development and general welfare.

In February 2021, an employee survey was conducted in the Group with results showing that the Group's employees rank it at the average for comparable companies both nationally and internationally. The employee surveys are conducted every two years with simpler "pulse surveys" in the intervening years. The company works actively with local management and employee representatives to follow up on the findings of the employee surveys.

HSE incidents are measured and followed up, and preventive measures and lessons learned are shared between the company's units. No serious HSE incidents were reported in 2021 at Lumarine or subcontractors linked to the company's production.

The company had an overall rate of absence due to illness of 7.41% for 2021, broken down by 7.63% for women and 7.30% for men. The relatively high absence due to illness is caused by some long-term sick leave after surgery and illnesses that are not work-related. In 2021, absence due to sick children was 0.45%, broken down by 0.71% for women and 0.32% for men.

## Equality and anti-discrimination

The company aims for full equality at all times and for all employees to have equal rights and opportunities regardless of gender, ethnic background, sexual orientation or religion.

The industry continues to be male-dominated, especially at the operational level, but the company is experiencing positive trends and is generally seeing increased interest from female applicants for positions advertised. As of 31.12.2021, the company had 51 employees, of which 33 were men and 18 women. The Lumarine AS’ Board of Directors consists of 4 men and 1 woman. The company has 3 employees who work in reduced positions by their own choice. No one works part time involuntarily.

The company seeks to use, among other things, regular monitoring of any gender pay differences as a tool for identifying and highlighting any risks associated with equality and anti-discrimination. No pay analysis was carried out in 2021.

Salaries are determined without regard to gender. The company is bound to central collective agreements between the United Federation of Trade Unions and the NHO [Confederation of Norwegian Enterprise] through the industry "The Aquaculture Agreement". The company has also concluded local collective agreements which are subject to renegotiation. These agreements ensure a further focus on equality.

With multiple geographical locations and different environments, it is important to ensure common values and attitudes with regard to the work environment and equality. The company takes an active approach to this and has, through e.g. a common HR department, electronic personnel manual, and the establishment of a Work Environment Committee, ensured a holistic approach to these issues as well as common procedures for such things as warnings and other personnel matters.

## External Environment

Lumarine seeks to minimise negative impacts on the external environment in all areas of its production and operations. In addition to following the laws and guidelines that govern the company's operations, the company takes addition active measures. For example, in 2021 Lumarine focused on optimal energy use in the production of fish and received support for this project from Innovation Norway’s environmental technology scheme.

## Board liability insurance

The company has liability insurance which covers tortious breaches caused by management and the Board which result in financial loss to the injured party. The insurance does not cover personal injury or damage to property.

## Financial risk

The Group is exposed to financial risk related to interest rates, liquidity risk and prices of raw materials. The interest rate risk relates mainly to bank loans, while the raw material risk is largely linked to the market price of the raw materials used in production.

In addition to liquidity linked to investments in the company's facilities, the future liquidity risk is linked to operating results, ongoing renewals of the company's overdraft facility and compliance with key long-term loan and lease obligations.

Historical losses on trade receivables have been very low and the company does not expect material increased risk on trade receivables in 2022. The company's customers are largely large Norwegian companies with good credit ratings. Customers with unpaid overdue invoices are followed up on an ongoing basis

The Board assesses the Group's liquidity as satisfactory.

## Profit for the year and appropriation

The profit for the year in Lumarine Group was negative NOK 28 million. No dividend will be paid in 2021 and the result will be recorded in equity, as a loss. The company will then have equity of NOK 166.5 million as of 31.12.2021, corresponding to 38% of the total balance sheet.

Oslo, 16 March 2022
The Board of Lumarine AS

| | |
|---|---|
| Hallvard Muri | Erik Borgen |
| Board Chair | Vice Chair |
| Rita Granlund | Kristian Fredrik Kværner Huseby |
| Board Member | Board Member |
| Tore Valderhaug | Karl Christian Baumann |
| Board Member | CEO |

Lumarine

| Lumarine AS 2021 | Lumarine AS 2020 | INCOME STATEMENT | NOTE | Consolidated accounts 2021 | Consolidated accounts 2020 |
|---|---|---|---|---|---|
| | | **Operating income** | | | |
| 60 083 878 | 55 661 863 | Sales revenue | 15 | 133 633 650 | 113 062 961 |
| 11 891 931 | 0 | Other revenue | 15 | 1 053 415 | 0 |
| **71 975 809** | **55 661 863** | **Total operating income** | | **134 687 065** | **113 062 961** |
| | | **Operating expenses** | | | |
| 41 650 295 | 21 933 541 | Cost of goods | | 73 108 938 | 48 567 079 |
| 15 575 292 | 17 298 835 | Personnel expenses | 16 | 22 179 506 | 32 459 128 |
| 13 088 021 | 12 839 492 | Ordinary depreciation and impairment | 2, 3 | 28 907 705 | 25 322 408 |
| 215 340 | 127 735 | Amortisation of intangible assets | 3, 18 | 7 826 965 | 8 227 006 |
| 9 459 252 | 12 598 422 | Other operating expenses | 16 | 25 053 994 | 33 744 130 |
| **79 988 200** | **64 798 024** | **Total operating expenses** | | **157 077 109** | **148 319 751** |
| **-8 012 392** | **-9 136 162** | **Operating profit** | | **-22 390 044** | **-35 256 790** |
| | | **Financial income and financial expenses** | | | |
| 1 985 351 | 0 | Income from investment in subsidiaries | | | |
| 5 427 155 | 2 174 920 | Interest income from Group companies | 17 | 0 | 0 |
| 142 191 | 63 627 | Financial income | 17 | 176 133 | 43 979 |
| 5 337 718 | 5 683 634 | Other interest expenses | 17 | 5 564 092 | 9 491 314 |
| 1 566 984 | 444 204 | Interest expenses from Group companies | 17 | 1 566 984 | 444 204 |
| 918 378 | 889 188 | Financial expenses | 17 | 5 629 771 | 899 009 |
| **-268 382** | **-4 778 479** | **Net financial items** | | **-12 584 715** | **-10 790 548** |
| **-8 280 774** | **-13 914 641** | **Ordinary profit before taxes** | | **-34 974 759** | **-46 047 338** |
| -2 180 185 | -3 024 919 | Tax expense | 11 | -6 996 190 | -9 693 396 |
| **-6 100 588** | **-10 889 722** | **Profit for the year** | | **-27 978 569** | **-36 359 294** |
| | | Provision for dividends | | | |
| -6 100 588 | -10 889 722 | **Transfer from other equity** | 10 | -27 978 569 | -36 359 294 |

| Lumarine AS | | ASSETS | Note | Consolidated accounts | |
|---|---|---|---|---|---|
| **31.12.2021** | **31.12.2020** | | | **31.12.2021** | **31.12.2020** |
| | | **FIXED ASSETS** | | | |
| | | **Intangible assets** | | | |
| 302 955 | 518 295 | Other intangible assets | 3 | 28 105 357 | 32 623 815 |
| 12 003 013 | 9 822 828 | Deferred tax benefit | 11 | 46 341 355 | 39 345 167 |
| 0 | 0 | Goodwill | 3, 18 | 12 033 933 | 15 342 440 |
| **12 305 968** | **10 341 123** | **Total intangible assets** | | **86 480 646** | **87 311 422** |
| | | **Tangible fixed assets** | | | |
| 29 778 504 | 32 711 641 | Buildings and other real estate | 3 | 146 378 603 | 101 216 628 |
| 40 949 018 | 62 422 324 | Machinery and equipment | 3 | 131 235 049 | 102 120 706 |
| **70 727 522** | **95 133 964** | **Total tangible fixed assets** | | **277 613 651** | **203 337 334** |
| | | **Fixed financial assets** | | | |
| 109 592 476 | 109 592 476 | Investments in subsidiaries | 4, 18 | 0 | 0 |
| 4 866 917 | 17 000 | Other long-term receivables | | 4 866 693 | 17 000 |
| **114 459 393** | **109 609 476** | **Total fixed financial assets** | | **4 866 693** | **17 000** |
| **197 492 883** | **215 084 563** | **Total fixed assets** | | **368 960 990** | **290 665 756** |
| | | **Current assets** | | | |
| 134 286 | 7 672 347 | Inventories | 5 | 41 613 406 | 30 044 576 |
| **134 286** | **7 672 347** | **Total inventories** | | **41 613 406** | **30 044 576** |
| | | **Receivables** | | | |
| 14 767 857 | 23 303 106 | Accounts receivables | 6 | 17 900 101 | 26 400 777 |
| 2 394 525 | 10 851 604 | Other receivables | 7 | 4 637 348 | 3 697 324 |
| 184 073 027 | 49 987 280 | Other receivables Group companies | 7 | 0 | 0 |
| **201 235 409** | **84 141 990** | **Total receivables** | | **22 537 449** | **30 098 101** |
| 1 732 799 | 863 749 | Cash and deposits | 8 | 4 913 997 | 5 254 073 |
| **203 102 494** | **92 678 086** | **Total current assets** | | **69 064 852** | **65 396 746** |
| **400 595 376** | **307 762 649** | **TOTAL ASSETS** | | **438 025 842** | **356 062 502** |

| Lumarine AS | | EQUITY AND LIABILITIES | | Consolidated accounts | |
|---|---|---|---|---|---|
| **31.12.2021** | **31.12.2020** | | | **31.12.2021** | **31.12.2020** |
| | | **EQUITY** | | | |
| | | **Paid-up equity** | | | |
| 148 132 417 | 118 168 860 | Share capital | 9, 10 | 148 132 417 | 118 168 860 |
| 111 284 693 | 69 042 787 | Share premium reserve | 9 | 111 284 693 | 69 042 787 |
| 323 994 | 0 | Other paid-up equity | | 323 994 | 0 |
| **259 741 104** | **187 211 647** | **Total paid-up equity** | | **259 741 104** | **187 211 647** |
| | | **Retained earnings** | | | |
| -34 675 535 | -28 589 948 | Uncovered loss | 9 | -93 625 597 | -65 661 804 |
| **-34 675 535** | **-28 589 948** | **Total retained earnings** | | **-93 625 597** | **-65 661 804** |
| **225 065 569** | **158 621 699** | **Total equity** | | **166 115 508** | **121 549 844** |
| | | **LIABILITIES** | | | |
| | | **Other long-term liabilities** | | | |
| 96 879 883 | 85 294 617 | Debt to financial institutions | 12 | 96 879 883 | 85 294 617 |
| 33 228 158 | 22 345 369 | Lease obligation | 12, 13 | 89 806 546 | 82 217 090 |
| 500 000 | 500 000 | Other long-term debt | 12 | 500 000 | 500 000 |
| **130 608 041** | **108 139 986** | **Total other long-term liabilities** | | **187 186 429** | **168 011 707** |
| | | **Short-term debt** | | | |
| 3 843 920 | 7 108 545 | Trade creditors | | 13 140 115 | 17 931 883 |
| 4 837 447 | 3 300 910 | Value added taxes | | 6 266 032 | 1 077 699 |
| 17 788 993 | 15 114 706 | Trade creditors Group companies | 14, 9 | 17 650 153 | 15 012 329 |
| 15 468 797 | 12 711 249 | Overdraft facility | 14, 12 | 15 468 797 | 12 711 247 |
| 2 982 607 | 2 765 554 | Other current debt | 14 | 32 198 809 | 19 767 794 |
| **44 921 765** | **41 000 963** | **Total current debt** | | **84 723 906** | **66 500 952** |
| **175 529 806** | **149 140 949** | **Total liabilities** | | **271 910 335** | **234 512 659** |
| **400 595 376** | **307 762 649** | **TOTAL EQUITY AND LIABILITIES** | | **438 025 842** | **356 062 502** |

16.03.2022

| | | |
|---|---|---|
| Tore Valderhaug<br>Board Member | Karl Christian Baumann<br>CEO | Kristian Fredrik Kværner Huseby<br>Board Member |
| Rita Katrine Løkken Granlund<br>Board Member | Hallvard Peter Bogh Muri<br>Board Chair | Erik Borgen<br>Vice Chair |

# 2021 Cash Flow Statement

| Lumarine AS | | | Group | |
|---|---|---|---|---|
| **2021** | **2020** | **Cash flow from operating activities** | **2021** | **2020** |
| -8 280 774 | -13 914 641 | Profit before tax | -34 974 759 | -46 047 338 |
| | | Tax paid for the period | | |
| 13 303 361 | 12 967 227 | Ordinary depreciation and impairment | 36 734 670 | 33 549 414 |
| 5 307 088 | -16 526 830 | Change in trade receivables and trade creditors | 3 708 908 | -9 356 885 |
| 7 538 061 | -2 128 770 | Change in inventories | -11 568 830 | -22 591 689 |
| -92 306 918 | -6 290 013 | Change in other accruals | 18 702 924 | 15 804 703 |
| **-74 439 182** | **-25 893 026** | **Net cash flow from operating activities** | **12 602 913** | **-28 641 795** |
| | | **Cash flow from investing activities** | | |
| | -6 500 000 | Investment subsidiaries | | |
| | -617 399 | Payment on purchase of intangible assets | | -617 399 |
| -2 123 966 | -8 945 122 | Payment on purchase of tangible fixed assets | -90 372 187 | -26 006 958 |
| -4 500 000 | | Payments on other long-term receivables | -4 500 000 | |
| | | Dividend received | | |
| 3 000 | | Proceeds from sale of operating assets | | |
| **-6 620 966** | **-16 062 521** | Net cash flow from investing activities | **-94 872 187** | **-26 624 357** |
| | | **Cash flow from financing activities** | | |
| 72 205 463 | 11 272 490 | Capital increase | 72 205 463 | 11 272 490 |
| | | Repayment of other long-term liabilities | | |
| | | Other long-term debt drawn | | |
| | 22 784 082 | Loans from Group companies | | 37 432 354 |
| 28 500 000 | | Borrowing from credit institutions | 28 500 000 | |
| -21 533 814 | -8 583 951 | Repayment of debt to credit institutions | -21 533 814 | -8 583 951 |
| 2 757 549 | 12 711 249 | Credit facility from credit institutions | 2 757 549 | 12 711 248 |
| **81 929 198** | **38 183 869** | **Net liquidity change from financing** | **81 929 198** | **52 832 141** |
| 869 050 | -3 771 678 | Net change in cash and cash equivalents | -340 076 | -2 434 011 |
| 863 749 | 4 635 428 | Cash and bank deposits at 01.01 | 5 254 073 | 7 688 084 |
| **1 732 799** | **863 749** | **Cash and bank deposits at 31.12** | **4 913 997** | **5 254 073** |

# Notes to the Accounts 2021

Lumarine

## Note 1 Accounting principles

The annual accounts have been prepared in accordance with the provisions of the Accounting Act and generally accepted accounting principles.

**Consolidation principles**
Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date).
The consolidated accounts are prepared as if the Group were a single financial entity, and the item shares in subsidiaries is replaced by subsidiary assets and liabilities. Transactions and balances between the Group companies have been eliminated. The consolidated accounts have been prepared according to uniform principles, in that the subsidiary follows the same accounting principles as the parent company. Subsidiaries acquired are accounted for in the consolidated accounts based on the parent company's acquisition cost. Acquisition costs are allocated to identifiable assets and liabilities of the subsidiary, which are recorded in the consolidated accounts at fair value at the date of acquisition. Any gain or loss in excess of that which can be attributed to identifiable assets and liabilities is recognised as goodwill in the balance sheet. Goodwill in the consolidated accounts is amortised on a straight-line basis over the estimated useful life of the acquired assets.

**Shares in subsidiaries**
Subsidiaries are companies in which the parent company has control, and hence controlling influence, over the financial and operating strategy of the entity, normally by owning more than half of the voting capital.

The subsidiary is valued using the cost method in the company accounts. The investment is measured at the acquisition cost of the assets unless impairment has been necessary. Impairment to fair value is made when the loss is due to reasons that are not assumed to be temporary, and it is considered necessary under generally accepted accounting principles. Impairments are reversed when the basis for the impairment is no longer present.

Dividends and other distributions are recognised as income if applicable the same year as it is allocated in the subsidiary. If dividends exceed the share of retained earnings after acquisition, the excess represents a return on invested capital, and dividends are deducted from the value of the investment in the balance sheet.

The following companies are included in the Group at 31.12:
Parent and subsidiary companies:
Lumarine AS - parent company
Lumarine Teknologi AS 100%
Lumarine Tjeldbergodden AS 100%
Lumarine Sleneset AS 100%

**Sales revenue**
The Group' s activities are mainly related to the sale of fish to the aquaculture industry. The Group supplies brood stock such as lumpfish, ballan wrasse, post smolt (salmon) and cod. Lumpfish and ballan wrasse are classified as cleaner fish and are used in the control of salmon lice in net pens. Lumpfish and ballan wrasse are a gentle method of delousing salmon while avoiding the environmental challenges associated with medicinal delousing. The Group also supplies post smolt, which are salmon brood stock at a higher weight than ordinary smolt. Post smolt has many advantages relative to production using ordinary smolt, including a shorter production period at sea of slaughter-ready salmon. In 2021, the company has revenue in all the fish groups mentioned above. For 2022, the company will primarily supply fish and services related to the production of ballan wrasse and cod.

The company's income is mainly based on longer fixed contracts and contracts linked to a specific round of production. Sales revenue linked to production will normally be based either on a price per fish delivered, as a fixed fee linked to the production of a batch of fish or a combination of these. The company will also produce spot sales of pre-processed fish in some product areas. Revenue from sales is measured at the fair value of the consideration, net of value added tax and discounts. Sales are recognised when an entity of the Group has delivered its services to the customer and there are no unfulfilled obligations that could affect the customer's acceptance of the delivery.

**Classification and valuation of balance sheet items**
Current assets and short-term liabilities comprise items falling due for payment within one year of the date of acquisition. Other items are classified as fixed assets/long-term liabilities. Current assets are measured at the lower of acquisition cost and fair value. Short-term liabilities are recognised in the balance sheet at their nominal amount at the date of acquisition. Fixed assets are measured at acquisition cost but are impaired to fair value in the event of a fall in value that is not expected to be temporary.

Long-term liabilities are recognised in the balance sheet at nominal value at the date of establishment.

**Trade and other receivables**
Trade and other receivables are recorded in the balance sheet at nominal value less provision for expected losses. Provision for losses is made on the basis of individual assessments of each receivable.

**Tangible fixed assets**
Tangible fixed assets are capitalised and depreciated over the estimated useful life of the asset. Direct maintenance of fixed assets is expensed as incurred under operating expenses, while increased costs or improvements are added to the cost of the asset and amortised over the useful life of the asset. If the recoverable amount of the asset is lower than its carrying amount, it is impaired to its recoverable amount. Recoverable amount is the higher of net realisable value and value-in-use. Value-in-use is the net present value of the future cash flows the asset will generate.

**Leases**
A distinction is made between financial and operating leases. Leases in which the Group assumes the major part of the risk and return associated with ownership of the property are financial leases. Operating assets financed by financial leasing are classified under tangible fixed assets for accounting purposes. The counter-entry is included as long-term debt. Lease amounts are divided between interest expenses and instalments on the debt.

**Foreign currency**

Assets and liabilities in foreign currency are measured at the year-end exchange rate. Exchange gains and losses are recorded as financial income and financial expenses. Profit and loss items in foreign currencies are consolidated using the average exchange rate for the year. The company has limited exposure to foreign currency.

**Cost of goods**

Biomass of live fish is recognised at cost as inventory in the company's balance sheet and expensed on delivery. Included in the biomass cost is the acquisition cost of feed, vaccines, fishmeal, biomass such as roe and juveniles as well as the direct production costs associated with the production of fish at the Group's facilities. Other costs that cannot be directly linked to the production of fish at the facilities are expensed as operating costs as incurred. Costs of goods are allocated to fish at batch level (groups of fish) and the share of cost of goods is recognised on delivery of fish from a group of fish based on the expected mortality of the group as a whole.

As a result of variations in mortality between different batches of fish and different holding times at the company's facilities, the reported cost per delivery will vary. In case of special events and abnormally high mortality in the production as a whole, recognition will occur when such events occur.

**Pensions**

The parent company is obliged to have occupational pension schemes under the Act on Mandatory Occupational Pensions. The companies' pension schemes meet the requirements of this Act and only contribution schemes have been established. The annual pension cost is therefore equal to the paid-up contribution.

**Tax**

Taxes in the income statement includes both the tax payable for the period and the change in deferred tax. The deferred tax/ deferred tax benefit is calculated at the current tax rate based on the temporary differences between the accounting and tax values, as well as the tax loss carry-forward at the end of the financial year. Tax-increasing and tax-reducing temporary differences that reverse or can reverse in the same period have been offset. Net deferred tax benefits are capitalised to the extent that it is probable that they can be utilised. Deferred tax benefits have been stated in the balance sheet at full value. The Board believes that the expected performance of the company makes it probable that the Group will be able to utilise the tax benefit.
The Board's budgets and forecasts indicate that the Group will generate taxable profits in future years. The Board therefore believes that it is appropriate and justifiable to capitalise the tax benefit.

**Cash flow statement**

The cash flow statement has been prepared using the indirect method. Cash and cash equivalents comprise cash, bank deposits and other short-term liquid investments.

**Use of estimates**

The preparation of accounts in conformity with the Accounting Act requires the use of estimates. Furthermore, the application of company accounting principles requires management to exercise judgement. Areas involving a significant degree of judgement, a high degree of complexity, or areas where assumptions and estimates are significant to the financial statements are described in the notes.

**Goodwill**

Goodwill is stated in the balance sheet and amortised over estimated useful life. Goodwill is calculated as the difference between the total acquisition cost and the identifiable assets and obligations of the acquired business. Goodwill is continuously adjusted for changes in foreign exchange rates where the item relates to an investment in a foreign currency and is amortised over estimated useful life.

**Change in accounting principle**

In 2021, the company reclassified its lease obligation at Tjeldbergodden to a financial lease. The lease started in 2008, with a 20-year fixed term, until 2028. Lumarine has the right to extend the lease "for five years at a time". The agreement contains no restrictions as to how many times or how long the extension can be made. The right of extension must be exercised at least 12 months before the expiry of each lease period. The property is depreciated in the balance sheet to 0 over 30 years until 2039. Comparative figures for 2020 have been updated in the consolidated accounts to reflect the change.

## Note 2 Intangible assets

**Parent Company**

| | Other rights | Total |
|---|---|---|
| Acquisition cost 01.01. | 674 659 | **674 659** |
| Additions of acquired fixed assets | - | - |
| Acquisition cost 31.12. | 674 659 | **674 659** |
| | | |
| Accumulated depreciation 31.12. | -343 074 | **-343 074** |
| Accumulated impairment 31.12. | -28 630 | **-28 630** |
| | | |
| **Book value 31.12.** | **302 955** | **302 955** |
| | | |
| Ordinary depreciation for the year | 215 340 | **215 340** |
| | | |
| Depreciation schedule | Straight line | |
| | | |
| Expected economic life | 3 years | |

| Group | Other rights | Coolwater (Tjeldbergodden) | Goodwill (Sleneset) | Goodwill (Tjeldbergodden) | Total |
|---|---|---|---|---|---|
| Acquisition cost 01.01. | 811 659 | 38 481 500 | 11 839 200 | 8 466 000 | **59 598 359** |
| Additions of acquired fixed assets | - | | | | |
| Currency adjustments | | | | | |
| Acquisition cost 31.12. | 811 659 | 38 481 500 | 11 839 200 | 8 466 000 | **59 598 359** |
| | | | | | |
| Accumulated depreciation 31.12. | -469 866 | -10 689 306 | -5 919 600 | -2 351 667 | **-19 430 439** |
| Accumulated impairment 31.12. | -28 630 | | | | |
| | | | | | |
| **Book value 31.12.** | **313 163** | **27 792 194** | **5 919 600** | **6 114 333** | **40 139 290** |
| | | | | | |
| Ordinary depreciation for the year | 242 736 | 4 275 722 | 2 367 840 | 940 667 | **7 826 965** |
| | | | | | |
| Depreciation schedule | Straight line | Straight line | Straight line | Straight line | |
| Expected economic life | 3-5 years | 9 years | 5 years | 9 years | |

**Goodwill**

Goodwill originates from the acquisition of Lumarine Tjeldbergodden and Lumarine Sleneset.
See also note 18 Acquisition of companies.

## Note 3 Tangible fixed assets

**Parent Company**

| | Ongoing projects | Vehicles | Production equipment | Construction and structural improvements |
|---|---|---|---|---|
| Acquisition cost 01.01. | 618 875 | 501 955 | 92 116 159 | 28 752 089 |
| Additions of acquired fixed assets | 820 791 | | 11 520 819 | 111 715 |
| Disposal of fixed assets sold | | -12 000 | | |
| Transfer | | - | - | - |
| Acquisition cost 31.12. | 1 439 666 | 489 955 | 103 636 978 | 28 863 804 |
| | | | | |
| Accumulated depreciation 31.12. | | -289 359 | -64 973 271 | -9 604 675 |
| Accumulated impairment 31.12. | - | | | |
| | | | | |
| **Book value 31.12.** | **1 439 666** | **200 596** | **38 663 707** | **19 259 129** |
| | | | | |
| Ordinary depreciation for the year | - | 100 392 | 9 806 676 | 3 044 872 |
| | | | | |
| Depreciation schedule | Not depreciated | Straight line | Straight line | Straight line |
| Expected economic life | | 5 years | 2-20 years | 2-20 years |

| | Land | Furniture and office machinery | Total |
|---|---|---|---|
| Acquisition cost 01.01. | 10 519 375 | 229 110 | 132 737 563 |
| Additions of acquired fixed assets | - | 596 663 | 13 049 988 |
| Disposal of fixed assets sold | - | | - |
| Acquisition cost 31.12. | 10 519 375 | 825 773 | **145 775 551** |
| | | | |
| Accumulated depreciation 31.12. | | -180 725 | -75 048 030 |
| Accumulated impairment 31.12. | - | | |

| | | | |
|---|---|---|---|
| **Book value 31.12.** | **10 519 375** | **645 048** | **70 727 521** |
| Ordinary depreciation for the year | - | 136 081 | **13 088 021** |
| Depreciation schedule | Not depreciated | Straight line | |
| Expected economic life | Durable | 3 | |

Capitalised leases are depreciated over the lease term.

**Group**

-

| | Ongoing projects | Vehicles | Production equipment | Construction and structural Improvements* |
|---|---|---|---|---|
| Acquisition cost 01.01. | 5 948 961 | 501 955 | 170 908 664 | 108 831 196 |
| Additions of acquired fixed assets | 1 113 425 | - | 72 816 570 | 53 365 663 |
| Transfer | -3 086 669 | - | 3 086 669 | - |
| Disposal of fixed assets sold | | -12 000 | | - |
| Acquisition cost 31.12. | 3 975 717 | 489 955 | 246 811 903 | 162 196 859 |
| Accumulated depreciation 31.12. | - | -289 359 | -122 308 115 | -25 828 432 |
| Accumulated impairment 31.12. | - | | | - |
| | | | | - |
| **Book value 31.12.** | **3 975 717** | **200 596** | **124 503 788** | **136 368 427** |
| Ordinary depreciation for the year | - | 102 219 | 20 278 225 | 8 203 707 |
| Depreciation schedule | Not depreciated | Straight line | Straight line | Straight line |
| Expected economic life | | 5 years | 2-20 years | 2-20 years |

| | Land | Furniture and office machinery | Total |
|---|---|---|---|
| Acquisition cost 01.01. | 10 519 375 | 554 484 | 297 264 635 |
| Additions of acquired fixed assets | - | 2 051 617 | 129 347 275 |
| Transfer | | - | - |
| Disposal of fixed assets sold | | - | -12 000 |
| Acquisition cost 31.12. | 10 519 375 | 2 606 101 | **426 599 909** |
| Accumulated depreciation 31.12. | - | -560 353 | -148 986 259 |
| Accumulated impairment 31.12. | - | | - |
| **Book value 31.12.** | **10 519 375** | **2 045 748** | **277 613 650** |
| Ordinary depreciation for the year | - | 323 554 | **28 907 705** |
| Depreciation schedule | Not depreciated | Straight line | |
| Expected economic life | Durable | 3 years | |

The book value of leased assets are categorized under balance for production equipment of NOK 33 076 538. The acquisition cost of the leased assets is NOK 42,121,586. The book value of Tjeldbergodden lease agreement are categorized under balance for construction and structural improvements of NOK 55 788 489. The acquisition cost of the lease is NOK 64 488 311.

* The figures for 2020 have been restated to include the capitalised Tjeldbergodden lease agreement, which entails a profit effect of NOK 416,828 before tax.
The change entails an increase of NOK 59,268,419 in the book value under the balance for construction and structural improvements.
Rental costs for 2020 have been reduced corresponding to the rental payments of NOK 6,726,819. Amortisation and interest expenses have been increased by NOK 3,479,928 and NOK 3,663,719 respectively.

## Note 4 Subsidiaries

**Parent Company**

The investment in subsidiaries is assessed according to the cost method in the company accounts.

| Subsidiary | Registered office | Ownership | Voting share | Equity 31.12.21 | Book value |
|---|---|---|---|---|---|
| Lumarine Sleneset AS | Sleneset, Norway | 100 % | 100 % | -10 266 019 | 21 737 182 |
| Lumarine Tjeldbergodden AS | Kjørsvikbugen, Norway | 100 % | 100 % | 32 830 162 | 86 805 295 |
| Lumarine Teknologi AS | Aure, Norway | 100 % | 100 % | 666 109 | 1 050 000 |
| **Total** | | | | **23 230 252** | **109 592 476** |

The Board's assessment is that there is no need for impairment of the book value of any of the subsidiaries. The Board will inject equity and liquidity into the subsidiaries as necessary.
The Board believes that there are significant added values in Sleneset. The facility was acquired in 2019 and was converted in 2021 to production of ballan wrasse juveniles.
The facility is expected to deliver stable production of ballan wrasse juveniles for external and internal sales in the years to come.

## Note 5 Inventories

| | Parent Company | | Group | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Raw materials | 134 286 | 1 424 495 | 2 410 888 | 7 544 772 |
| Standing biomass | - | 6 247 852 | 39 202 518 | 22 499 804 |
| | 134 286 | 7 672 347 | 41 613 406 | 30 044 576 |

Inventories are valued at acquisition cost.

Salaries and operating expenses are closely linked to the cost of goods. In 2021, personnel expenses of NOK 17,007,446 and operating expenses of NOK 23,855,195 were allocated to inventories.
During the year, NOK 28,277,826 of the inventory related to salaries and operating expenses was expensed from inventory, resulting in a net increase in inventory, related to salary and operating cost, equalling NOK 12,584,815.
Other costs that cannot be directly linked to the production of fish at the facilities are expensed as incurred as operating expenses. Costs of goods are allocated to fish at batch level (groups of fish) and the share of cost of goods is recognised on the delivery of fish from a group of fish based on the expected mortality of the group as a whole.

## Note 6 Receivables and debt

| | Parent Company | | Group | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Trade receivables at nominal value | 14 767 857 | 23 303 106 | 17 900 101 | 26 400 777 |
| **Total** | **14 767 857** | **23 303 106** | **17 900 101** | **26 400 777** |

## Note 7 Receivables and debt with Group companies

| Parent Company | Trade receivables | | Other receivables | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Lumarine Sleneset AS | - | - | 51 172 091 | 25 492 938 |
| Lumarine Tjeldbergodden AS | - | - | 121 507 039 | 22 343 400 |
| Lumarine Teknologi AS | - | - | 11 393 897 | 2 150 942 |
| Tysfjord Marine farm AS* | | | 4 622 917 | |
| **Total** | **-** | **-** | **188 695 944** | **49 987 280** |

| | Trade creditors | | Other current debt | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Lumarine Sleneset AS | - | - | - | - |
| Lumarine Tjeldbergodden AS | - | - | - | - |
| Lumarine Teknologi AS | 138 840 | 102 377 | - | - |
| Holding Akvaservice AS | - | - | 16 579 315 | 15 012 329 |
| Kistefos AS | | | 1 070 838 | |
| **Total** | **138 840** | **102 377** | **17 650 153** | **15 012 329** |

* The receivable from Tysfjord Marine farm AS is a convertible loan maturing 01.12.2022, unless the provision for conversion to shares is used.

## Note 8 Restricted funds

| | 2021 | 2020 |
|---|---|---|
| Of which restricted bank deposits | 2 650 217 | 2 376 245 |

Restricted bank deposits relate to tax withholding funds as well as security for the lease agreement at Lumarine Sleneset AS and office at Lumarine AS.

## Note 9 Share capital and shareholder information

**Parent Company**

**The share capital consists of:**

| | Number | Nominal value | Capitalised |
|---|---|---|---|
| Ordinary shares | 148 132 417 | 1,00 | 148 132 417 |
| **Total** | **148 132 417** | **1,00** | **148 132 417** |

**Ownership structure**
The largest shareholders in Lumarine AS as of 31.12. were:

| | Number of shares | Ownership | Voting share |
|---|---|---|---|
| Holding Akvaservice AS | 121 562 450 | 82,1 % | 82,1 % |
| The Bank of New York Mellon SA/NV | 7 014 624 | 4,7 % | 4,7 % |
| Skandinaviska Enskilda Banken AB | 4 128 211 | 2,8 % | 2,8 % |
| Other | 15 427 132 | 10,4 % | 10,4 % |
| **Total external shareholders** | **148 132 417** | **100 %** | **100 %** |

Majority shareholder Holding Akvaservice AS is wholly owned by Kistefos AS, which is the leading company in the Group.

As of 31.12.2021, option agreements had been issued under the programme corresponding to 6.9 million shares. The exercise price, given certain conditions, is set at a minimum of NOK 2.53 and a maximum of NOK 3.37.

The options have a duration until June 2026. In 2021 a total of NOK 323,994 has been expensed as operating expense in the income statement.

## Note 10 Equity

**Parent Company**

| | Share capital | Share premium | Other paid-up equity | Uncovered loss | Total EQ |
|---|---|---|---|---|---|
| Equity as of 01.01 | 118 168 860 | 69 042 787 | | -28 589 948 | 158 621 699 |
| Profit for the year | | | | -6 100 588 | -6 100 588 |
| Capital contribution | 29 963 557 | 42 241 906 | | | 72 205 463 |
| Option cost | | | 323 994 | | 323 994 |
| Other changes* | | | | 15 000 | 15 000 |
| **Equity as of 31.12** | **148 132 417** | **111 284 693** | **323 994** | **-34 675 536** | **225 065 569** |

**Group**

| | Share capital | Share premium | Other paid-up equity | Uncovered loss ** | Total EQ |
|---|---|---|---|---|---|
| Equity as of 01.01. | 118 168 860 | 69 042 787 | | -65 661 804 | 121 549 844 |
| Profit for the year | | | | -27 978 792 | -27 978 792 |
| Capital contribution | 29 963 557 | 42 241 906 | | | 72 205 463 |
| Option cost | | - | 323 994 | | 323 994 |
| Other changes * | | | | 15 000 | 15 000 |
| **Equity as of 31.12** | **148 132 417** | **111 284 693** | **323 994** | **-93 625 596** | **166 115 508** |

* In 2020, a provision of NOK 15,000 was made for non-cash contributions in the balance sheet against uncovered loss which has been reversed in 2021
**The figures for 2020 have been restated to include the equity effect of the capitalised Tjeldbergodden lease under NRS 14

## Note 11 Tax

| Tax payable in the tax expense for the year: | Parent Company 2021 | Parent Company 2020 | Group 2021 | Group 2020 |
|---|---|---|---|---|
| Tax payable | - | - | - | - |
| Change in deferred tax | -2 180 185 | -3 024 919 | -6 996 190 | -9 693 397 |
| Tax expense outside the ownership period (22% of nominal result) | - | - | | |
| **Total tax for the year** | **-2 180 185** | **-3 024 919** | **-6 996 190** | **-9 693 397** |

| Basis for tax, change in deferred tax and tax payable: | Parent Company 2021 | Parent Company 2020 | Group 2021 | Group 2020 |
|---|---|---|---|---|
| Ordinary profit before tax expense | -8 280 773 | -13 914 642 | -34 974 758 | -46 047 341 |
| Permanent differences | 718 517 | 165 009 | 3 879 175 | 2 172 920 |
| Basis for the tax on profit for the year | -7 562 256 | -13 749 633 | -31 095 584 | -43 874 421 |
| Use of tax loss carryforwards | - | - | -513 081 | |
| Change in temporary differences | 3 892 749 | 5 384 164 | 3 097 346 | 17 064 947 |
| Group contribution received | | | | |
| **Tax basis for the year** | **-3 669 507** | **-8 365 469** | **-28 511 319** | **-26 809 474** |
| Group contribution received / given | 1 985 351 | - | 1 985 351 | |
| **Tax basis payable** | **-1 684 156** | **-8 365 469** | **-26 525 968** | **-26 809 474** |
| | | | | |
| **Payable tax** | **-** | **-** | **-** | **-** |
| *Tax rates* | **22 %** | **22 %** | **22 %** | **22 %** |

Specification of deferred tax

| *Differences to be offset:* | Parent Company 2021 | Parent Company 2020 | Group 2021 | Group 2020 |
|---|---|---|---|---|
| Fixed assets | -7 660 612 | -2 212 298 | 30 988 231 | 97 750 537 |
| Capitalised leases | 28 813 | -1 702 840 | 73 747 | -1 702 840 |
| Receivables | - | | - | -62 024 839 |
| Profit and loss account | - | - | -211 744 | -251 366 |
| Inventory | -176 087 | | -176 087 | |
| **Net temporary differences** | **-7 807 886** | **-3 915 138** | **30 674 147** | **33 771 492** |
| Deficit to be carried forward | -46 751 261 | -40 734 080 | -241 316 671 | -212 613 157 |
| **Basis for deferred tax/deferred tax benefit** | **-54 559 147** | **-44 649 218** | **-210 642 524** | **-178 841 665** |
| Net deferred tax/deferred tax benefit | -12 003 012 | -9 822 828 | -46 341 355 | -39 345 166 |
| Of which non-capitalised deferred tax benefit | - | | - | - |
| **Deferred tax in the balance sheet** | **-12 003 012** | **-9 822 828** | **-46 341 355** | **-39 345 166** |

Deferred tax is calculated at 22% in Norway.

| *Explanation of why the tax for the year is not 22% of the profit for the year* | Parent Company 2021 | Parent Company 2020 | Group 2021 | Group 2020 |
|---|---|---|---|---|
| 22% of profit before tax | -1 821 770 | -3 061 221 | -7 257 670 | -10 130 415 |
| 22 % of permanent differences | 158 074 | 36 302 | 853 418 | 478 042 |
| Differences related to tax outside ownership period | | | | |
| Non-capitalised deferred tax benefit | - | | | |
| Deferred tax benefit, correction of prior year | -516 489 | - | -591 939 | -41 024 |
| **Total** | **-2 180 185** | **-3 024 919** | **-6 996 190** | **-9 693 396** |
| | - | | - | |

Deferred tax benefit is stated in the balance sheet at full value. The Board believes that the expected performance of the company makes it likely that the company will be able to utilise the deferred tax benefit. The Board's budgets and forecasts indicated that the Group will generate taxable profits in future years. The Board therefore considers it appropriate and justifiable to capitalise the tax benefit.

## Note 12 Other long-term debt

The Group has absorbed all long-term liabilities of the parent company. The breakdown of these liabilities is as follows:

**Group**

| | 2021 | 2020 | Repayment period | Nominal interest rate |
|---|---|---|---|---|
| Debt to Sparebank 1 SR - Bank - Loan 1 | 14 353 103 | 16 403 549 | 6 years | 3,75 % |
| Debt to Sparebank 1 SR - Bank - Loan 2 | 3 214 280 | 3 928 568 | 5 years | 3,50 % |
| Debt to Sparebank 1 SR - Bank - Loan 3 | 29 562 500 | 40 312 500 | 5 years | 5,00 % |
| Debt to Sparebank 1 SR - Bank - Loan 4 | 21 250 000 | 24 650 000 | 5 years | 3,95 % |
| Debt to Sparebank 1 SR - Bank - Loan 5 | 28 500 000 | | 7 years | 4,10 % |
| Loan from Gunnar Vikeså * | 500 000 | 500 000 | - | 0,00 % |
| Obligation related to capitalised leases | 33 228 158 | 22 345 369 | 5 - 7 years | - |
| Obligation related to the capitalised lease agreement for construction and conveyance of cooling water | 56 578 388 | 59 871 721 | 30 years | - |
| | **187 186 429** | **168 011 707** | | |

* Interest-free loan given certain criteria, the loan will have to be repaid in full or in part at the time Kistefos AS sells all of its shares in the borrower.

The lender has the following liens as security for the loan:

| Object | Company | Nominal value |
|---|---|---|
| Inventory | Lumarine AS | 45 000 000 |
| Real estate | Lumarine AS | 45 000 000 |
| Plant and machinery | Lumarine AS | 45 000 000 |
| Agricultural movable property | Lumarine AS | 45 000 000 |
| Factoring agreement | Lumarine AS | 45 000 000 |
| Shares in subsidiary Lumarine Sleneset AS | Lumarine AS | 110 000 000 |
| Shares in subsidiary Lumarine Tjeldbergodden AS | Lumarine AS | 110 000 000 |
| Ongoing fund activities | Lumarine AS | 110 000 000 |
| Inventory | Lumarine Tjeldbergodden AS | 20 000 000 |
| Plant and machinery | Lumarine Tjeldbergodden AS | 20 000 000 |
| Factoring agreement | Lumarine Tjeldbergodden AS | 20 000 000 |
| Agricultural movable property | Lumarine Tjeldbergodden AS | 20 000 000 |
| Inventory | Lumarine Tjeldbergodden AS | 100 000 000 |
| Plant and machinery | Lumarine Tjeldbergodden AS | 100 000 000 |
| Factoring agreement | Lumarine Tjeldbergodden AS | 100 000 000 |
| Agricultural movable property | Lumarine Tjeldbergodden AS | 100 000 000 |
| Inventory | Lumarine Sleneset AS | 20 000 000 |
| Factoring agreement | Lumarine Sleneset AS | 20 000 000 |
| Agricultural movable property | Lumarine Sleneset AS | 20 000 000 |
| Plant and machinery | Lumarine Sleneset AS | 20 000 000 |

There are covenants on the company's bank loans. These are specified as follows:

Book equity must at all times represent at least 35 % of the total balance sheet.

Net interest-bearing debt / EBITDA on a 12-month rolling basis must at all times be lower than 4.0 per Q4 2021. This requirement has been waived until Q3 2022.

The company has an overdraft facility with Sparebank 1 SR-Bank of NOK 55 million. The drawn facility has a nominal interest rate of 4.72 % p.a. If the amount of credit granted exceeds 60 %, a utilisation fee of 0.75 % will apply. At 100 % utilisation of the overdraft facility, the interest rate will increase to 9.546 %. Use of the rolling credit facility shall not exceed 65% of the total value of the Group inventory and receivables.

At 31.12.2021, the company has utilised 15,468,797 of this credit, which corresponds to a utilisation rate of 28 %.

## Note 13 Leases

The company's lease agreement for the Tjeldbergodden facility is classified as a financial lease agreement and stated in the balance sheet. This is a change in principle carried out in 2021. The company's comparative figures for 2020 have been updated to reflect the change.

Lumarine also has lease agreements linked to the lease of production equipment and machinery with a remaining useful life of 3 to 5 years. These lease agreements are classified as financial and stated in the balance sheet. In the case of financial leases, a net present value of the lease payments is calculated and capitalised with the lease obligation counter-entry.

The capitalisation is amortised over the useful life, while the lease obligation is reduced by the lease payments and increased by the time value of money (amortisation). Amortisation is entered against other financial expenses. See also note 2.

.

| | Parent Company | Group |
|---|---|---|
| **Opening balance 01.01** | **82 217 090** | **142 088 811** |
| New lease obligations in the period | 15 501 870 | 15 501 870 |
| Payment of instalments | -2 941 316 | -9 720 050 |
| Interest expenses related to the lease obligation | -1 677 764 | 1 807 639 |
| **Book value 31.12.** | **93 099 880** | **149 678 270** |

The company also has lease agreements classified as operating. These relate to the lease of vehicles, furniture, office machinery, other equipment and operating assets. The Group expenses operating leases on an ongoing basis.

| **Lease of non-capitalised operating assets for the year** | |
|---|---|
| Lease of premises | 2 893 830 |
| Lease of office machinery and furniture | 5 565 |
| Lease of vehicles | 86 728 |
| Lease of other operating assets | 1 023 893 |
| **Total** | **4 010 016** |

## Note 14 Specification of short-term liabilities

| | Parent Company | | Group | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Holiday pay due | 1 653 071 | 1 569 669 | 3 730 646 | 3 146 995 |
| Accrued interest | 681 536 | 774 366 | 681 536 | 774 366 |
| Other accrued expenses | 648 000 | 421 519 | 6 786 626 | 9 246 575 |
| Other short-term debt | 138 840 | 102 377 | 21 000 000 | 6 599 858 |
| Overdraft facility | 15 468 797 | 12 711 249 | 15 468 797 | 12 711 247 |
| Debt to Holding Akvaservice AS | 16 579 315 | 15 012 329 | 16 579 315 | 15 012 329 |
| Debt to Kistefos AS | 1 070 838 | | 1 070 838 | |
| | **36 240 398** | **30 591 509** | **65 317 759** | **47 491 370** |

The settlement of the short-term debt to Holding Akvaservice AS is in 2022. The loan will be settled either by conversion into equity or repayment, depending on the company's capital requirements at the time. The settlement of the short-term debt to Kistefos AS is in 2022 and will be repaid in full. Both loans have been issued on market terms.

## Note 15 Operating income

| | Parent Company | | Group | |
|---|---|---|---|---|
| *Breakdown by business area:* | | | | |
| | **2021** | **2020** | **2021** | **2020** |
| Sales and production of cleaning fish, post smolt and cod | 60 083 878 | 44 705 176 | 133 633 650 | 108 910 743 |
| Other income | 11 891 931 | 10 956 687 | 1 053 415 | 4 152 218 |
| **Total** | **71 975 809** | **55 661 863** | **134 687 065** | **113 062 961** |

The Group has no income outside Norway.
Other income in the Group relates to the sale of services and equipment from Lumarine Teknologi AS.
In 2021, the company received a grant from Innovation Norway of NOK 364,000 for a feasibility study for an environmental technology project at Tjeldbergodden.

## Note 16 Personnel expenses, number of employees, compensation, loans to employees, etc.

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Personnel expenses** | **2021** | **2020** | **2021** | **2020** |
| Salaries | 17 679 502 | 14 947 886 | 33 369 498 | 31 098 481 |
| Employer's contribution | 1 866 107 | 1 460 403 | 3 092 235 | 2 318 973 |
| Pension costs | 634 385 | 550 716 | 1 166 849 | 949 247 |
| Other remuneration | 2 456 296 | 401 268 | 2 822 642 | 942 926 |
| Capitalised personnel expenses | -7 060 998 | -61 438 | -18 271 714 | -2 850 498 |
| **Total** | **15 575 292** | **17 298 835** | **22 179 506** | **32 459 128** |
| | | | | |
| Average number of FTE's | 19 | 21 | 48 | 48 |

The Group’s pension scheme satisfies the requirements of the Act on Mandatory Occupational Pensions. The company's contribution pension scheme covers all employees. No loans or collateral, etc. have been granted or provided to senior executives, etc.
The company has a bonus scheme for individual executives. The bonus scheme is discretionary and granted by the Board.
The 2021 accounts provide for a total of NOK 500,000 in bonus payments.
The company has no obligations in case of termination or change of the CEO or the board chair.

On 07.06.2021, the extraordinary general meeting of the company approved the establishment of a share option programme for employees in the Group corresponding to up to 5% of the company's outstanding shares. As of 31.12.2021, 6.9 million shares had been issued under the programme. The exercise price, given individual terms, is set at a minimum of NOK 2.53 and a maximum of NOK 3.37. The options have a duration until June 2026, in 2021 NOK 323 994 was expensed.

| **Remuneration to senior executives** | **CEO** | **Board** |
|---|---|---|
| Salary/board fees | 1 744 508 | 625 000 |
| Other compensation | 14 747 | - |
| **Total** | **1 759 255** | **625 000** |

The number of options issued to the CEO is 2,776,798.

**Auditor**

| | Parent Company | | Group | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Auditing services | 399 648 | 213 172 | 738 766 | 459 085 |
| Assistance preparation of annual accounts and tax assessments | | | - | |
| Other service beyond auditing | 83 146 | | 118 926 | |
| **Total** | **482 794** | **213 172** | **857 692** | **459 085** |

All amounts are exclusive of VAT.

## Note 17 Specification of financial income and financial expenses

| | Parent Company | | Group | |
|---|---|---|---|---|
| **Another financial income** | **2021** | **2020** | **2021** | **2020** |
| Currency gain (agio) | 19 275 | 51 | 23 737 | 7 548 |
| Interest income from companies in the same Group | 5 427 155 | 2 174 920 | - | - |
| Another financial income | 1 985 351 | 61 651 | 27 207 | 25 671 |
| Other interest income | 122 917 | 1 925 | 125 189 | 10 760 |
| **Total** | **7 554 698** | **2 238 547** | **176 133** | **43 979** |

| | Parent Company | | Group | |
|---|---|---|---|---|
| Other financial expenses | **2021** | **2020** | **2021** | **2020** |
| Currency loss (discount) | 3 769 | 3 276 | 3 769 | 8 219 |
| Other financial expenses | 914 609 | 885 912 | 2 140 601 | 890 790 |
| Interest expense to companies in the same Group | 1 566 984 | 444 204 | 1 566 984 | 444 204 |
| Other interest expenses | 5 337 718 | 5 683 634 | 9 049 494 | 5 827 595 |
| **Total** | **7 823 080** | **7 017 026** | **12 760 848** | **7 170 808** |

## Note 18 Acquisition of companies

**Acquisition of Atlantic Lumpus AS (Lumarine Sleneset AS)**

Lumarine AS acquired 99.28% of the shares in Atlantic Lumpus AS on 12 July 2019. The company acquisition is accounted for using the acquisition method in accordance with IAS 39. NRS 17 where identifiable assets and liabilities are measured at fair value at the acquisition date. The difference between the acquisition cost and the book value of net assets is allocated in its entirety to goodwill which is amortised over 5 years from the date of acquisition. Goodwill at the date of acquisition amounts to NOK 11.8 million (100%).

**Acquisition of Njord Salmon AS (Lumarine Tjeldbergodden AS)**

On 12 July 2019, Lumarine AS acquired 100% of the shares in Njord Salmon AS. The company acquisition is accounted for using the acquisition method in accordance with IAS 39. NRS 17 where identifiable assets and liabilities are measured at fair value at the acquisition date. The added values relate to the value of the company's waste heat water from Equinor through the Tjeldbergodden lease and is valued at gross NOK 38.5 million. NOK 8.4 million is allocated to goodwill. The useful life is set at 20 years from 2008, equal to the length of the lease contract, and is thus depreciated over the remaining useful life (9 years from 2019). Goodwill follows the same depreciation schedule.

In 2021, a change of accounting policy has been made related to the lease of the property and facilities at Tjeldbergodden. The agreement is now classified as a financial lease in the company's accounts. Both the 2020 and 2021 figures presented in the company's annual accounts have been adjusted for this change. The lease has a term of 20 years from 2008 and can be extended 5 years at a time by the company without any limitation on the number of extensions.

## Note 19 Market and liquidity

**Market**

The company has primarily revenues from long-term contracts and has limited exposure to the spot market for the sale of its products. The markets for the company's main products in recent years are perceived to be in a positive trend and the company takes active measures to expand and adapt production capacity for continued growth. Reduced market growth as a result of the Corona pandemic and other factors could affect the company's earnings and forecasts.

**Liquidity**

In 2022, the company will undertake investments related to the conversion of the Tømmervåg facility and some further upgrades to the Tømmervåg and Tjeldbergodden facilities in 2022.The company has further strategic ambitions to expand its focus on cod and develop the company into a fully integrated producer of edible cod.
Several strategic initiatives are underway to take new steps in this plan in 2022.
Further investments will require financing through equity, outside funds or a combination of these.

In addition to liquidity linked to investments in the company's facilities, future liquidity risk is linked to operating results as well as compliance with covenant requirements on long-term loans and lease obligations (see note 14). The company has received a waiver of the covenant for bank financing with SR-bank which states that net interest-bearing debt/EBITDA on a 12-month rolling basis must at all times be lower than 4.0, until Q3 2022. Results in 2021 as well as the company's budget for 2022 indicate that the company will be in breach of this key performance indicator throughout 2022.

The company has negotiated deferral on the company's loan repayments for 1H'2022 with SR-bank
The Board has assessed the liquidity of the Group as satisfactory given the assumptions underlying the Group's 2022 budget.

The company's capitalised liabilities fall due as follows:

| | Parent Company | | Group | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Obligation maturing within one year | 49 262 446 | 50 403 950 | 88 485 467 | 82 682 674 |
| Obligation maturing within one to five years | 97 497 373 | 83 291 826 | 127 419 453 | 107 865 939 |
| Obligation maturing in more than five years | 13 301 190 | 2 733 925 | 40 536 618 | 31 252 799 |
| | **160 061 009** | **136 429 701** | **256 441 538** | **221 801 411** |

Obligations presented in the notes maturing within one year include capitalised obligations, including loans, leases, contractual obligations, trade creditors and government charges.

The company also has non-capitalised obligations in the form of operating leases on Sleneset.

| | **Scope** |
|---|---|
| Rental agreement Sleneset | < NOK 2 million per year |

There are several operating leases, but these are not considered significant.

## Note 20 Transactions with related parties

Lumarine AS and subsidiaries have some business relationships with persons considered to be related parties. Related parties are defined as board members and senior executives, as well as their personal family members. Lumarine has the following transactions with related parties of not insignificant size:

| Related party | Position | Description | Scope |
|---|---|---|---|
| Holding Akvaservice AS | Main shareholder | Loan agreement | ~ NOK 15 million |
| Dan Kristian Larsen | Employed by Lumarine Sleneset AS | Rental of property | ~ NOK 1 million |
| Kistefos AS | Leading company in the Group | Short-term loans | ~ NOK 1 million |

## Note 21 Events after the balance sheet date

The storm Gyda hit Møre og Romsdal in January 2022 and caused damage to the Tjeldbergodden facility. The extent of the damage is mainly related to the tent over the outdoor area of the facility where the total extent of damage is estimated at ~1.5 NOK million.

The long-term consequences of the ongoing conflict in Ukraine are uncertain.
The company is aware that the conflict may have consequences for the company's access to raw materials and the price of input factors such as feed and electricity.
As of today, the Group's risk is assessed as limited.

There have been no events since the balance sheet date of material significance for the submitted accounts.