Condensed Consolidated Financial Statements for the year 2020 EUR

*These consolidated financial statements are translated from the original which is in Icelandic. Should there be discrepancies between the two versions, the Icelandic version will take priority over the translated version.

Brim hf.
Norðurgarði 1
101 Reykjavík

Reg. no. 541185-0389

Contents

Endorsement and Statement by the Board of Directors and the CEO

Brim hf. is a fisheries company with an emphasis on responsible value creation from seafood. The Company and its subsidiaries operate nine fishing vessels and process fish products at sea, in Reykjavík, Hafnarfjörður, Akranes and Vopnafjörður. The Company holds the largest share in fishing quotas of all Icelandic fishing companies and sells its products throughout the world. The Company has taken an active part in the development of a sustainable fishing industry in recent decades and intends to continue to pursue that policy.

The Company's Consolidated Financial Statements are composed of the statements of the Company and its subsidiaries, together referred to as the "Group". At year-end, the Group consists of fourteen companies. The Group is divided into four business segments, which are divided according to the fishing industry and the nature of the business. The segments are Ground Fish, Pelagic Fish, Sales Companies in Asia and Other, that is subsidiaries other than sales companies in Asia.

Operations and financial position for the year 2020

Consolidated Income Statement

According to the Consolidated Income Statement, the revenues for the year amounted to EUR 292.4 million (2019: EUR 261.3 million). The increase in revenues is largely explained by the fact that the operations of sales companies in Asia are included in the Group for the entire year in 2020 but only three months in the year 2019. Revenues for Ground and Pelagic Fish decreased between years both because of COVID-19 and also because the main fish factory in Reykjavík was closed for three months while the factory was renovated. Profit from operations for the year amounted to EUR 42.4 million (2019: EUR 49.2 million). Net financial expenses amounted to EUR 6.8 million (2019: EUR 4.6 million), with the main difference being due to negative exchange currency exchange loss amounting to EUR 1.1 million, but the positive exchange gain for the year 2019 amounted to EUR 1.3 million. According to the income statements, the Group's profit for the year amounted to EUR 29.4 million (2019: EUR 34.0 million).

Consolidated Statement of Financial Position

According to the Consolidated Statement of Financial Position, the Group's assets at year-end amounted to EUR 765.0 million (2019: EUR 700.7 million), total liabilities of the Group amounted to EUR 427.5 million (2019: 383.3 million) and equity at year-end amounted to EUR 337.5 million (2019: EUR 317.4 million). The Group's equity ratio was 44% at year-end (2019: 45%). The expansion of the Consolidated Statement of Financial Position can largely be attributed to investments in the subsidiaries Fiskvinnslan Kambur ehf. and Grunnur ehf. The Company also sold a newly built freezer trawler to APF, and the same company was granted a loan during the year.

Consolidated Statement of Cash Flows

Cash from operations amounted to EUR 43.1 million (2019: EUR 56.7 million). Investment activities amounted to EUR 83.0 million (2019: EUR 27.1 million). Investments in fixed assets amounted to EUR 36.3 million (2019: EUR 18.8 million). The largest investments of the year involved renovation of the fish processing plant in Nordurgardur. Financing activities amounted to EUR 8.0 million (2019: EUR 68.6 million). Cash therefore decreased by EUR 31.9 million in the year 2020 (2019: increased by EUR 15.2 million).

Effect of COVID-19 on operations of the Group

The impact of the COVID-19 virus epidemic on the Group's operations has been significant during the year. The Company's management and employees have worked systematically to ensure the safety of employees, and a concerted effort has been made to prevent disruption to operations. Various preventive measures were taken against infection, and great emphasis was placed on increased hygiene, staff segregation, restrictions on access to workplaces and other things related to disease control measures.

There have been changes in markets around the world, with changing food consumption patterns and various economic effects. For example, restaurants and canteens in the Group's key markets have either been closed or with reduced operations, and sales channels are therefore different from before. On the other hand, there has been increased sales of seafood in other markets, e.g. in retail stores. Transport routes, not least by air but also by sea, have been disrupted and costs increased, and composition of production has also changed due to the above factors.

The impact of the virus epidemic on Brim's operations in the coming months will naturally be determined by the development of the pandemic, and there will remain uncertainty. The Group's management closely monitors developments in the main markets, but the Group is well placed to deal with changing circumstances; however, it is not possible to say how much the epidemic will affect the Group's operations and finances in the future. The Group is financially strong and has sufficient access to credit lines.

Endorsement and Statement by the Board of Directors and the CEO, continued

Share of capital and Articles of Association

Registered share capital amounted to ISK 1,956 million at year-end, thereof Brim holds own shares in the nominal amount of ISK 35 million. During the year, the Company sold own shares of nominal value ISK 22.1 million in connection with the purchase of Fiskvinnslan Kambur ehf. The shares are all in one class, which is listed on Nasdaq OMX Iceland.

The number of shareholders at year-end 2020 was 880, but shareholders in the beginning of the year were 854, an increase of 26. All shares have the same rights. The ten largest shareholders at year-end were:

Shareholder	Number of shares ISK millions	Ownership percentage
Útgerðarfélag Reykjavíkur hf.	663,4	34,53%
Lífeyrissjóður starfsmanna ríkisins A-department	255,8	13,31%
Lífeyrissjóður verslunarmanna	209,0	10,88%
RE-13 ehf. *	196,5	10,23%
KG Fiskverkun ehf.	134,5	7,00%
Lífeyrissjóður starfsmanna ríkisins B-department	69,6	3,62%
Birta lífeyrissjóður	53,1	2,77%
Stefnir ÍS 15	46,4	2,42%
Eignarhaldsfélagið VGJ ehf.	32,2	1,68%
Söfnunarsjóður lífeyrisréttinda	31,0	1,61%
Ten largest shareholders in total	1.691,5	88,05%
Other shareholders	229,5	11,95%
Total outstanding shares	1.921,0	100,00%

* RE-13 ehf. is a subsidiary of Útgerðarfélag Reykjavíkur hf.

The Board of Directors proposes a dividend payment in 2021 amounting to ISK 1.2 per outstanding share for the operational year 2020, corresponding to ISK 2,305 million (about EUR 14.8 million at year-end exchange rate). The dividend payment is equivalent to 2.4% of market value of equity at year-end 2020. Reference is made to the Financial Statements regarding appropriation of the profit for the year and changes in shareholders' equity.

Corporate Governance

The Board of Directors of Brim hf. has adopted Rules of Procedures in accordance with the provisions of the Limited Liability Companies Act, where the scope of authority of the Board of Directors is defined, as is their demarcation of the CEO. These procedures include rules regarding procedure, rules on the eligibility of Board members to participate in decision making, rules on confidentiality and the disclosure obligation of the CEO to the Board of Directors and more. The Rules of Procedures and Corporate Governance Statement are available on the Company's website. The Board of Directors has appointed an Audit Committee, which meets with the external auditors on a regular basis. The Board of Directors has appointed a Remuneration Committee, which proposes a remuneration policy to the Board and monitors its implementation. The Board of Directors determines the remuneration of the CEO. The rules adopted by the Audit and Remuneration Committees are available on the Company's website.

The Board of Directors of Brim hf. endeavours to follow the Guidelines on Corporate Governance issued by the Iceland Chamber of Commerce, Nasdaq OMX Iceland hf. and SA-Business Iceland (last issued in February 2021). The Company follows the abovementioned guidelines in most ways, with the following exceptions: the Company has not established a nomination committee, but the Board has been tasked with proposing members for such a committee before the Annual General Meeting. The Company is member of Festa, a Group that works on social responsibility, and the Company works after their codes of ethics and social responsibility. For further information on governance, please refer to the annex to the Financial Statements, the *Statement of Corporate Governance.*

At year end, the Company's Board of Directors of Brim hf. was composed of the following individuals: Kristján Þ. Davíðsson, Chairman of the Board; Anna G. Sverrisdóttir, Vice Chairman of the Board; Guðmundur Kristjánsson; Kristrún Heimisdóttir; and Magnús Gústafsson. The proportion of men on the board is 60%, and the proportion of women is 40%. The Company complies with Article 63 of Act No 2/1995 on Public Limited Companies, which stipulates the ratio of each gender shall be no less than 40%.

Those who wish to be candidates for the Board of Directors must notify in writing five days before the Annual General Meeting.

The average number of employees in the Group during the year converted to full-time employment was 769 (2019: 798). The Company's Executive Board now consists of four members, two men and two women.

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Endorsement and Statement by the Board of Directors and the CEO, continued

Non-financial information

In accordance with the Icelandic Act No. 3/2006, the Group publishes a special section on non-financial disclosure as an annex to the Financial Statements. It discusses the Company's social responsibility, responsible fishing, the environment, security, human resources and ethics. The fishing industry is an integral part of Icelandic society, and Brim's emphasis on working in harmony with the environment and society is a guiding light in the Company's emphasis on sustainability. Further discussion on non-financial disclosure can be found in Brim's Annual and Social Report for the year 2020.

Statement by the Board of Directors and the CEO

The Group's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional disclosure requirements in the consolidated financial statements of companies whose securities are listed on a regulated market.

According to the best knowledge of the Board of Directors and the CEO, the Consolidated Financial Statements are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. It is the opinion of the Board and CEO that these annual Consolidated Financial Statements give a true and fair view of the consolidated financial performance of the Group for the year 2020, its assets, liabilities and consolidated financial position as at 31 December 2020 and its consolidated cash flows for the year 2020. Further in the opinion of the Board and CEO, the Consolidated Financial Statements and the Endorsement by the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describe the principal risks and uncertainties faced by Brim.

The Board of Directors and the CEO of Brim hf. have today discussed the Consolidated Financial Statements of the Company for the year 2020 and confirm them by means of their signatures. The Board of Directors and the CEO recommend that the Consolidated Financial Statements be approved at the Annual General Meeting of Brim hf.

Reykjavík, 25 February 2021.

Board:

Kristján Þ. Davíðsson
Anna G. Sverrisdóttir
Guðmundur Kristjánsson
Kristrún Heimisdóttir
Magnús Gústafsson

CEO:
Guðmundur Kristjánsson

Independent Auditor's Report

To the Board of Directors and Shareholders of Brim hf.

Opinion

We have audited the Consolidated Financial Statements of Brim hf. for the year ended 31 December 2020, which is composed of the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows for the year then ended and the notes to the Consolidated Financial Statements, including a summary of significant accounting

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the Consolidated Financial Position of Brim hf. as at 31 December 2020, as well as its Consolidated Financial Performance and its Consolidated 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 Act in Financial Statements.

Our opinion in this report on the Consolidated Financial Statements is consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Article 11 of the EU Audit Regulation 537/2014.

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 Consolidated Financial Statements section of our report. We are independent of Brim hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in Article 5.1 of the EU Audit Regulation 537/2014 have been provided to the audited company or, where applicable, its parent company or its controlled companies with the EU. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of our audit of the Consolidated Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	Audit of Key Audit Matters
Product inventories Product inventories amounted to EUR 51.6 million at year-end.	We assessed management's valuation methods.
The Company's product inventories are valued at the lower of average production cost, which includes direct and indirect production expenses, or sales value less cost to sell. Since the item relies on the judgement of management, it is considered as a key audit matter.	Inventory valuation is estimated with reference to gross profit from sales in each category of products, and the estimate was compared to actual gross profit from operations for each product category. We took samples from invoices at the reporting date, to see if sales price exceeded the cost of inventory.
We refer to note 20 for inventories and note 3 for significant accounting policies.	Volume and existence of inventories was verified by sample testing, as was the sales price used for valuation of inventory.

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Key Audit Matters	Audit of Key Audit Matters
Fishing quotas Book value of fishing quotas amounted to EUR 309 million, or 40% of total assets.	We confirmed the existence of the consolidation's fishing quotas.
Fishing quotas are capitalised at cost in the statement of financial position, as an intangible asset with indefinite useful life. Management performs impairment testing on an annual basis, determining if the recoverable amount of quotas exceeds their book value at the reporting date. Taking into account the size of the item in the statement of financial position, it is considered a key audit matter.	Management presented an impairment test for the fishing quotas performed at year-end 2020. We, along with our valuation experts, reviewed management's methodology and if any changes had been applied from the prior year. We have, in our audit of the impairment test, among other things, reviewed the key assumptions applied by management, such as: ● Management budgets used in the calculations. ● Formulas and assumptions used in calculations of weighted average cost of capital (WACC).
We refer to note 16 for intangible assets and note 3 for significant accounting policies.	We also reviewed the calculations of the impairment test and its results, in addition to verifying their compliance with International Reporting Standard 36 (IAS 36). We also reviewed the compliance of notes to IAS 36.

Other information

The Board of Directors and the CEO are responsible for the other information. The other information is composed of the Endorsement and Statement by the Board of Directors and the CEO, quarterly statements, Statement of Corporate Governance, non-financial information and the annual report except the Consolidated Financial Statements and our opinion of them. We received the Endorsement and Statement by the Board of Directors and the CEO along with the Statement of Corporate Governance and non-financial information before the audit report date, but we assume that the annual report will not be available to us until after the audit report date.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon, except the confirmation regarding Report of the Board of Directors as stated below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

If it becomes known to us upon reading the annual report after the audit report date that it contains material errors, we are obligated to disclose such errors.

In accordance with Paragraph 2 of Article 104 of the Icelandic Financial Statement Act No. 3/2006, we confirm to the best of our knowledge that the accompanying Endorsement and Statement by the Board of Directors and the CEO includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the financial statements.

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

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the Consolidated 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 Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board of Directors and the CEO are responsible for assessing Brim 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 have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated 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 it 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 Consolidated 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 Consolidated 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 Brim 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 Consolidated 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 Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors and the Audit Committee 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.

Independent Auditor's Report, continued

We also provide the Board of Directors and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

In addition to our work as the auditors of Brim hf., Deloitte has provided the Company with permitted additional services such as review of interim financial statements, other assurance engagements and consultation on tax matters. Deloitte has in place internal procedures in order to ensure its independence before acceptance of additional services. The Audit Committee also evaluates the independence of the Company's auditors on yearly basis in order to ensure their independence and objectivity.

From the matters communicated with the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte was appointed auditor of Brim hf. by the Annual General Meeting of shareholders on 31 March 2020. Deloitte has been elected since the Annual General Meeting 2015.

Kópavogur, 25 February 2021.

Deloitte ehf.

Ingvi Björn Bergmann
State-Authorised Public Accountant

Consolidated Income Statement for the year 2020

	Note	2020	2019
Sales	4	292.438	261.322
Cost of sales		(233.023)	(188.969)
Gross profit		59.415	72.353
Other income	6	0	214
Export expenses		(7.071)	(10.420)
Other expenses	10	(9.975)	(12.964)
Profit from operations		42.369	49.183
Finance income		1.967	448
Finance expense		(7.611)	(6.372)
Net foreign exchange difference		(1.135)	1.306
Net finance expenses	12	(6.779)	(4.618)
Share of profit of associated companies	17	819	(1.552)
Profit before income tax		36.409	43.013
Income tax	13	(7.516)	(9.283)
Profit from ongoing operations		28.893	33.730
Discontinued operations	5	472	228
Profit for the year		29.365	33.958
EBITDA		57.401	63.333
Earnings per share:			
Basic and diluted earnings per share (ISK)	23	0,015	0,019

Notes on pages 15 to 38 are an integral part of the Consolidated Financial Statements

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Consolidated Statement of Comprehensive Income for the year ended 31 December 2020

	Note	2020	2019
Net earnings for the year		29.365	33.958
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Translation difference		(2.699)	466
Hedges for long-term liabilities	22	89	(335)
Total comprehensive income for the year		26.755	34.089

Notes on pages 15 to 38 are an integral part of the Consolidated Financial Statements

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Consolidated Statement of Financial Position
for the year ended 31 December 2020

	Note	2020	2019
Assets			
Operating assets	14	188.475	169.224
Operating assets under construction	15	0	51.045
Intangible assets	16	329.689	297.997
Investments in equity-accounted investees	17	36.322	28.839
Long-term receivables from related parties	18	91.883	0
Other investments	19	1.493	2.399
Total non-current assets		647.862	549.504
Inventories	20	56.898	59.768
Trade and other receivables	21	28.059	37.931
Receivables from related parties	33	10.573	0
Cash and cash equivalents		21.596	53.497
Total current assets		117.126	151.196
Total assets		764.988	700.700
Equity			
Share capital		20.052	19.913
Statutory reserve and share premium		59.431	54.298
Translation reserve		118	2.817
Other restricted earnings		49.019	36.230
Retained earnings		208.850	204.106
Total equity	22	337.470	317.364
Liabilities			
Loans and borrowings	24	256.469	249.780
Deferred tax liability	25	69.383	71.465
Total non-current liabilities		325.852	321.245
Loans and borrowings	24	63.715	28.504
Trade and other payables	26	21.373	22.688
Payables to related parties	33	5.973	2.232
Current tax liabilities	25	10.605	8.667
Total current liabilities		101.666	62.091
Total liabilities		427.518	383.336
Total equity and liabilities		764.988	700.700

Notes on pages 15 to 38 are an integral part of the Consolidated Financial Statements

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Consolidated Statement of Changes in Equity for the year ended 31 December 2020

	Share capital	Statutory reserve and share premium	Translation reserve	Other restricted earnings	Retained earnings	Total equity
Year 2019						
Equity at 1 January 2019	19.325	37.743	2.351	27.899	192.167	279.485
Increase in share capital	943	30.162				31.105
Purchase of own shares	(355)	(13.607)				(13.962)
Profit for the year					33.958	33.958
Net foreign exchange difference			466			466
Hedges for long-term liabilities				(335)		(335)
Transferred to restricted equity				8.666	(8.666)	0
Dividend paid (ISK 1.0 per share)					(13.353)	(13.353)
Equity at 31 December 2019	19.913	54.298	2.817	36.230	204.106	317.364
Year 2020						
Equity at 1 January 2020	19.913	54.298	2.817	36.230	204.106	317.364
Sale of own shares	139	5.133				5.272
Profit for the year					29.365	29.365
Net foreign exchange difference			(2.699)			(2.699)
Hedges for long-term liabilities				89		89
Transferred to restricted equity				12.700	(12.700)	0
Dividend paid (ISK 1.0 per share)					(11.921)	(11.921)
Equity at 31 December 2020	20.052	59.431	118	49.019	208.850	337.470

Notes on pages 15 to 38 are an integral part of the Consolidated Financial Statements

Consolidated Financial Statements of Brim hf. 2020 13 All amounts are in thousands of euros

Consolidated Statement of Cash Flows
for the year ended 31 December 2020

	Note	2020	2019
Cash flows from operating activities			
Profit from operations		42.369	49.183
Adjustments for:			
Depreciation and amortisation		15.046	14.364
Profit from sale of operational assets		(14)	(214)
		57.401	63.333
Changes in current assets		(11.499)	2.450
Changes in current liabilities		11.572	(2.353)
Changes in current assets and liabilities		73	97
Interest received		951	466
Interest paid		(7.610)	(6.459)
Paid taxes		(7.666)	(717)
		43.149	56.720
Cash flows used in investing activities			
Acquisition of operating assets	14	(23.963)	(7.080)
Acquisition of operating assets under construction	15	(12.401)	(11.702)
Proceeds from sale of operating assets		1.840	21.993
Proceeds from sale of intangible assets		0	12.329
Investment in subsidiaries less received cash		(17.286)	11.631
Sale of subsidiaries less cash		138	0
Long-term receivables from related parties		(29.763)	0
Proceeds from long-term receivables		304	0
Other investments, change		(1.917)	(35)
Net cash (used in) from investing activities		(83.048)	27.136
Cash flows from financing activities			
Dividends paid		(11.921)	(13.353)
Purchase of own shares		0	(13.963)
Proceeds from current loans and borrowings		37.035	(101.582)
Proceeds from non-current loans		5.375	103.345
Repayment of non-current loans and borrowings		(22.491)	(43.085)
Net cash (used in) from financing activities		7.998	(68.638)
Changes in cash and cash equivalents		(31.901)	15.218
Cash and cash equivalents at the beginning of the year		53.497	38.279
Cash and cash equivalents at year-end		21.596	53.497
Investing and financing activities not affecting cash flows			
Proceeds from sale of operating assets under construction		64.155	0
Long-term receivables from related parties		(64.155)	0
Investment in subsidiaries		(5.272)	0
Sale of own shares		5.272	0
Proceeds from sale of subsidiaries		562	0
Long-term receivables		(562)	0
Investment in subsidiaries		0	(31.105)
Proceeds from increase in share capital		0	31.105

Notes on pages 15 to 38 are an integral part of the Consolidated Financial Statements

Consolidated Financial Statements of Brim hf. 2020 14 All amounts are in thousands of euros

1. Reporting entity

Brim hf. ("the Company") is a public limited liability company incorporated and domiciled in Iceland. The address of its registered office is Norðurgardur 1, Örfirisey Reykjavík. The Consolidated Financial Statements of the Company for the year ended 31 December 2020 apply to the Company and its subsidiaries (together referred to as the "the Group") and individually as "Group entities" and the Group's interests in associates.

The Group operates nine fishing vessels and processes fish at sea, in processing plants in Reykjavík, Hafnarfjörður, Akranes and Vopnafjordur. The Group holds the largest share in the Icelandic fishing quota. The Group operates its own marketing and sales channels that sell fish all over the world. With experienced employees, emphasis is on responsible fisheries at sea and land and on quality of the products.

2. Basis of accounting

a. Statement of compliance

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The Consolidated Financial Statements were approved and authorised for issue by the Company's Board of Directors on 25 February 2021.

b. Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except that derivative contracts are measured at fair value through profit and loss.

c. Functional and presentation currency

These Consolidated Financial Statements are presented in EUR, which is the Company's functional currency. All financial information presented in EUR has been rounded to the nearest thousand unless otherwise indicated.

d. Use of estimates and judgments

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in note 16 about recoverable amounts of intangible assets.

e. Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

To the extent possible, the Group uses market information in determining fair values, but if such information is not available, management's evaluation is used. If information from a third party, such as prices from brokers or valuation services, are used in the determination of the fair value, then management uses the information to support the conclusion that the assessment meets the requirements of International Financial Reporting Standards (IFRS), including the level of such valuation would fall under.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unchanged) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data.

Further information about the assumptions made in measuring fair values is included in note 16 about intangible assets.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements of all companies in the Group.

a. *Basis of consolidation*

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group (see a.(iii)). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred except if related to the issue of debt or equity securities.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

(iii) Non-controlling interest

Non-controlling interest, i.e. those who do not have control, is evaluated based on their share of the identifiable assets of the appropriated units at the acquisition date.

Changes in the Group's interest in a subsidiary that does not result in a loss of control are accounted for as transactions in equity.

(iv) Loss of control

On the loss of control of subsidiaries, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(v) Investment in associated companies

Investment in associated companies is accounted for using the equity method. Associates are those entities in which the Group has significant influence, but not control, over financial and operating policies. They are initially recognised at cost. Subsequent to recognition, the Consolidated Financial Statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(vi) Transactions eliminated on consolidation

Intercompany transactions, balances and unrealised gains arising from intra-group transactions are eliminated in preparing the Consolidated Financial Statements. Unrealised profit from transactions with associates are eliminated against the investment to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b. *Revenue*

Revenue is measured based on the consideration to which the Group expects to be entitled in change for goods or services provided.

Revenue from contracts with customers (IFRS 15) consists of sale of seafood. Revenue is recognised at a point in time when control over the product has transferred to the customer. Transfer of control depends on shipping terms and is determined to be when the product has been delivered to either the customer or the shipper.

The Group does not recognise a provision for expected sales returns, as historically amounts have been immaterial.

c. *Expenses*

(i) Cost of sales

Cost of sales sold consists of the cost of vessels' operations and production cost, including salaries, fishing tax expense and depreciation.

3. Significant accounting polices, continued

c. Expenses, continued

(ii) Other expenses

Other expenses consist of selling and marketing costs, customer service, administrative expenses and other costs, including salaries and depreciation of non-revenue-generating units of the Group.

d. Finance income and finance expense

Finance income comprises interest income on funds invested, dividend income and gains on hedging instruments that are recognised in the income statement. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group´s right to receive payment is established.

Finance expenses are composed of interest expense on borrowings, unwinding of the discount on provisions, losses on hedging instruments that are recognised in profit or loss and impairment of financial assets. Borrowing costs are recognised in profit or loss using the effective interest method.

Borrowing costs arising directly from the purchase or construction of assets that meet the criteria for capitalisation are capitalised as part of the assets until the time when the asset is ready for use. A qualifying asset is one that takes a considerable time to bring to a working condition.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost.

e. Income tax

Income tax expense is composed of current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to an item recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities subject to joint taxation.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

f. Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for ordinary shares in the Company. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period. Diluted EPS is determined by adjusting the profit attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential shares. Since the Company has not issued stock options to its employees or convertible bonds, there is no dilution, and basic earnings per share and diluted earnings per share are therefore the same.

g. Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The determination of the CEO regardubg the allocation of resources to the segments and to assess performance is based on available financial information which is regularly reviewed.

3. Significant accounting polices, continued

g. *Operating segments, continued*

Operating segments – assets and liabilities consist of items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items are composed of mainly income from assets and the cost of interest bearing liabilities.

Segment capital expenditure is the total cost of the purchase of operating assets and intangible assets other than goodwill.

Inter-segment prices of goods and services are determined on an arm's-length basis.

h. *Foreign currency*

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. The foreign currency gain or loss on transactions in foreign currencies are recognised in the income statement.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to EUR at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated to EUR at the average exchange rate for the year. When a foreign operation is disposed of, in part or in full, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the profit or loss on disposal.

i. *Financial instruments*

(i) Non-derivative financial instruments

The Group has the following non-derivative financial instruments: investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. When financial instruments are not recognised at fair value through profit and loss, any directly attributable transaction cost increases their value upon initial recognition. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Financial assets at amortised cost

Financial assets that are held within a business model whose objective is to collect the contractual cash flows and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at amortised cost unless the instrument is designated at fair value through profit or loss in accordance with the fair value option. Such assets are initially recorded at fair value plus transaction costs. After initial recognition, the assets are measured at amortised cost according to the effective interest method. The Group's financial assets measured at amortised cost are long-term receivables, trade and other receivables, receivables from related parties and cash and cash equivalents.

Financial assets at fair value through profit or loss

The Group's financial assets measured at fair value through profit or loss are investments in equity instruments.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances.

(ii) Share capital

Share capital is classified as equity. Incremental cost directly attributable to issue of share capital is recognised as a deduction from equity, net of any tax effects.

Purchase of own shares

When share capital is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. When treasury shares are sold, the amount received is recognised as an increase in equity.

3. Significant accounting polices, continued

j. *Operating assets*

(i) Recognition and measurement

Operating assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets.

When parts of operating assets have different useful lives, they are accounted for as separate items (major components) of operating assets and depreciated over their useful lives.

Gains and losses on disposal of an item of operating assets are determined by comparing the proceeds from disposal with their carrying amount of operating assets. Gains are recognised net within "other revenue" in the income statement, and losses are recognised net within "other expenses" in the income statement.

Finance expense is capitalised over the construction period for operating assets in construction based on average interests of the entire loan capital.

(ii) Subsequent costs

The cost of replacing part of an item of operating assets is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is calculated for the depreciable amount, which is the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of operating assets. The estimated useful lives of operating assets are as follows:

Buildings	15–25 years
Vessels and equipment	15–20 years
Machinery and equipment	5–8 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if

k. *Intangible assets*

(i) Catch quota

Purchased catch quota is recognised in the balance sheet at cost as intangible assets with indefinite useful lives. Impairment tests are performed at least annually.

(ii) Goodwill

Goodwill arises on the acquisition of subsidiaries. Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquisition. When the excess is negative, it is recognised immediately in profit or loss.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses.

(iii) Other intangible assets

Other intangible assets with finite useful lives that are purchased directly or acquired by the Group through business combinations are measured at cost less accumulated amortisation and impairment losses.

(iv) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including goodwill and brand name that has incurred within the Group, is recognised in profit or loss when incurred.

(v) Amortisation

Amortisation on assets other than catch quota and goodwill is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The amortisation period begins when the assets are ready for operations. The estimated useful lives are as follows:

Customer relationships	10 years

3. Significant accounting polices, continued

l. *Leases*

(i) Determining if a contract contains a lease

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

(ii) Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease payments included in the measurement of the lease liability are composed of fixed payments less any incentives, variable lease payments that depend on an index or rate, expected residual guarantees and the excercise price of purchase options if the Group expects to exercise the option.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability if the lease term has changed, when lease payments change in an index or rate or when a lease contract is modified and the modification is not accounted for as a seperate lease.

(iii) Right-of-use assets

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

m. *Inventories*

Inventories of seafood are measured at the lower of estimated average production cost, which consists of direct and indirect production cost, or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated cost of completion and selling expenses. Other inventories are valued at purchase price.

n. *Impairment*

(i) Financial assets

The impairment model introduced in IFRS 9 requires a recognition of expected credit losses of financial assets, whereas previously under IAS 39, impairment was recognised at a later stage, when a credit loss event occurred. Financial assets of the Group that fall within the scope of the impairment model are long-term receivables, trade and other receivables (excluding prepayments and withholding taxes), receivables from related parties and cash and cash equivalents.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group applies this assessment for individual customers or groups of customers if historical evidence indicates that such itemisation will provide more accurate results. In some instances, such an assessment can lead to different results of expected credit losses for individual customers or groups of customers than an expected historical loss rate would provide. The Group's estimate for trade receivables expected credit losses is described in detail in note 20.

At each reporting date, the Group considers if financial assets are credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. The Group recognises a specific allowance for credit-impaired financial assets.

Impairment is recognised in the Consolidated Income Statement.

Impairment is reversed if the reversal can be objectively identified as a result of events that have occurred after the impairment was initially recognised.

3. Significant accounting polices, continued

(ii) Other assets

The carrying amounts of other assets of the Group, except inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. Impairment tests are conducted at least annually for goodwill, quotas and intangible assets that have indefinite useful lives.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of their time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Cash-generating unit is the smallest identifiable group of assets that generates cash flows that are largely independent from other assets or groups of assets. Impairment of cash-generating units are first deducted from the related goodwill and then to a relative decrease in the carrying amount of the other assets that belongs to the unit. Impairment is recognised in profit or loss.

Impairment of goodwill is not reversed. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

o. *Employee benefits*

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

p. *Provisions*

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

q. *New IFRS standards, interpretations and amendments to standards*

Amendments to IFRSs that are mandatory effective for the current year

The Group has adopted all International Financial Reporting Standards, interpretations and amendments to standards that the EU has adopted and which have become effective for annual periods beginning before 1 January 2020 and are relevant for the Group. The Group has not adopted standards, amendments to standards and interpretations in issue that become effective later but may be implemented earlier. The impact of standards and interpretations in issue is immaterial. The impact of new standards and interpretations adopted in the current year is immaterial, except as described below.

- IFRS 3 – improvements that further clarify the definition of operations.
- IAS 1 & IAS 8 – definition of the concept of importance updated and harmonised in the standards.
- IFRS 9 & IFRS 7 – improvements due to the changed interest rate benchmark (IBOR reform Phase I).
- Accounting Framework – the entire framework has been updated.
- IFRS 16 – concessions on rent payments due to the effects of COVID-19 (effective 1 June 1 2020).

It is the opinion of the management that the implementation of the above-mentioned amendments to the standards has not had a significant effect on the annual accounts.

New and revised IFRS in issue but not yet effective

The Group has not early adopted new standards or amendments to IFRSs that have been issued and are permitted for early adoption. On 1 January 2021, improvements will take effect on Standards IFRS 7 and IFRS 16 relating to the effects of proposed changes in interest rate benchmarks on accounting (IBOR reform Phase II). The management of the Group does not expect that the adoption of the amended standards or other issued new standards and amendments scheduled that become effective in subsequent periods will have a material impact on the Consolidated Financial Statements of the Group in future periods.

Notes, continued

4. Segment reporting

Operating segments

The segment reporting is disclosed by the nature of operations and based on the organisation and internal reporting of the Group. The Group is divided into four business segments, which are divided according to the fishing industry and the nature of the business. The segments are Ground Fish, Pelagic Fish, Sales Companies in Asia and Other, that is subsidiaries other than sales companies in Asia.

	Ground fish	Pelagic fish	Sales Companies in Asia	Other	Eliminations	Consolidated
2020						
Sales	126.172	61.597	107.547	15.286	(18.164)	292.438
Cost of sales	(95.701)	(38.054)	(103.288)	(14.144)	18.164	(233.023)
Gross profit	30.471	23.543	4.259	1.142	0	59.415
Exporting expenses	(4.854)	(1.763)		(454)		(7.071)
Other expenses	(3.953)	(3.838)	(806)	(1.378)		(9.975)
Profit from operations	21.664	17.942	3.453	(690)	0	42.369
Finance income and expenses						(6.779)
Effects of associates						819
Profit before income tax						36.409
Income tax						(7.516)
Profit from ongoing operations						28.893
Discontinued operations						472
Profit for the year						29.365
Operating assets	106.725	63.806	44	17.900		188.475
Intangible assets	271.065	37.924	16.135	4.565		329.689
Unallocated assets						246.824
Total assets						764.988
Unallocated liabilities						427.518
Depreciation and amortisation	7.735	6.163	45	1.103		15.046
Acquisition of operating assets	34.878	881	166	439		36.364
2019						
Sales	140.780	75.903	34.746	19.964	(10.071)	261.322
Cost of sales	(98.729)	(49.404)	(33.073)	(16.063)	8.300	(188.969)
Gross profit	42.051	26.499	1.673	3.901	(1.771)	72.353
Other income				214		214
Exporting expenses	(5.832)	(3.792)		(796)		(10.420)
Other expenses	(4.992)	(5.073)	(715)	(2.184)		(12.964)
Profit from operations	31.227	17.634	958	1.135	(1.771)	49.183
Finance income and expenses						(4.618)
Effects of associates						(1.552)
Profit before income tax						43.013
Income tax						(9.283)
Profit from ongoing operations						33.730
Discontinued operations						228
Profit for the year						33.958
Operating assets	85.314	69.498	44	14.368		169.224
Operating assets under constr.	51.045					51.045
Intangible assets	238.542	37.924	16.005	5.526		297.997
Unallocated assets						182.434
Total assets						700.700
Unallocated liabilities						383.336
Depreciation and amortisation	6.577	6.260	8	1.519		14.364
Acquisition of operating assets	15.275	2.967	0	540		18.782

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4. Segment reporting, continued

Geographical segments

	Europe	Asia	America	Total
2020				
Sales	172.299	97.808	22.331	292.438
2019				
Sales	198.405	42.567	20.350	261.322

Revenue from sales noted above are from contracts with customers. Accounting policies for revenue recognition are described in note 3b.

5. Changes in the Group

Acquisition of fisheries companies

In October 2019, the Company entered into an agreement to purchase all shares in the fisheries companies Fiskvinnslan Kambur ehf., Grunnur ehf. and Grábrók. The transaction was approved at a shareholders meeting in December 2019. The Competition Authority examined the transaction until the end of April 2020. Fiskvinnslan Kambur ehf. is part of the Consolidated Financial Statements from 30 April 2020. In November, an agreement was reached with Þórsberg ehf. on the sale of all shares in Grábrók ehf. The selling price was paid with a 24.1% share in Þórsberg ehf. The purchase price of Fiskvinnslan Kambur ehf. amounted to EUR 14,300 thousand. Part of the selling price was paid with shares in Brim. The acquisition of Fiskvinnslan Kambur ehf. had the following effect on the Consolidated Balance Sheet:

Intangible assets	32.164
Operating assets	8.250
Current assets	3.123
Liabilities	(25.936)
Net assets	17.601
Deferred tax liability	(3.301)
Purchase price	14.300

The fair value measurement of acquired assets and liabilities stated above is in accordance with a provisional purchase price allocation. The purchase price allocation will be finalised within 12 months from the acquisition dates in accordance with IFRS 3 requirements.

Sales of Norðanfiskur ehf.

In July 2020, the shares in the subsidiary Norðanfiskur ehf. were sold. The Company's operations and the profit from the sale are entered under discontinued operations, and the comparative amounts for the year 2019 have been changed accordingly. The operations of the Company had insignificant effect on the operations and the financial position of the Group.

6. Other income

Other income is specified as follows:

	2020	2019
Sales gain of operating assets	0	214
Other income total	0	214

7. Salaries and related expenses

Salaries and related expenses are specified as follows:

	2020	2019
Salaries	55.953	63.640
Defined contribution plan	6.141	7.270
Other related expenses	4.821	5.687
Salaries and related expenses	66.915	76.597

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7. Salaries and related expenses, continued

Salaries classified by operating items:

	2020	2019
Cost of sales	63.125	70.943
Other expenses	3.790	5.654
Salaries and related expenses	66.915	76.597
Average number of full-time equivalents during the year	769	798

8. Fishing tax expense

The Company pays fishing tax expense under Act No. 145/2018 on Fishing Tax Expense. In 2020, the fishing tax expense amounted to EUR 2,901 thousand (2019: EUR 5,334 thousand). The fishing tax expense is recognised among cost of goods sales in the income statement.

9. Depreciation and amortisation

Depreciation and amortisation is specified as follows:

	2020	2019
Depreciation of operating assets, see note 14	14.662	14.171
Amortisation and impairment of intangible assets, see note 16	384	372
Depreciation and amortisation recognised in profit or loss	15.046	14.543

Depreciation and amortisation classified by operating items:

	2020	2019
Cost of sales	14.443	14.065
Other expenses	603	478
Depreciation and amortisation recognised in profit or loss	15.046	14.543

10. Other expenses

Other expenses are specified as follows:

	2020	2019
Salaries and related expenses	3.790	5.654
Other administrative expenses	4.725	5.038
Marketing expenses	296	501
Impairment of trade receivables	(57)	501
Other expenses	1.221	1.270
Other expenses total	9.975	12.964

11. Fees to auditors

Fees to auditors are specified as follows:

	2020	2019
Audit of Financial Statements	212	98
Review of Interim Financial Statements	34	32
Other services	33	9
	279	130

12. Finance income and expense

Finance income and expense is specified as follows:

	2020	2019
Interest income	222	448
Interest income of long-term receivables	1.722	0
Changes in fair value of equity investments	23	0
Finance income total	1.967	448
Interest expense and indexation	(7.611)	(6.372)
Finance expense total	(7.611)	(6.372)
Net foreign exchange rate difference	(1.135)	1.306
Finance income and expense total	(6.779)	(4.618)

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13. Income tax

Effective tax rate of the Group for the year was 20.4% (2019: 21.4%). Income tax recognised in the income statement is specified as follows:

	2020	2019
Current tax		
Current tax liabilities	10.605	8.667
Deferred tax		
Origination and reversal of temporary differences	(3.089)	616
Income tax recognised in income statement	7.516	9.283

Reconciliation of effective tax rate:

		2020		2019
Profit for the year		29.365		33.958
Income tax		7.516		9.451
Profit before income tax		36.881		43.409
Income tax using the current tax rate	20,0%	7.376	20,0%	8.682
Effect of exchange rate differences	(1,0%)	(357)	1,9%	816
Effect of tax rates in foreign jurisdictions	0,7%	265	(0,3%)	(131)
Other items, not deductible	0,6%	232	(0,2%)	(84)
Effective tax	20,4%	7.516	21,4%	9.283

14. Operating assets

Operating assets are specified as follows:

	Buildings	Vessels and equipment	Machinery and equipm.	Total
Cost				
Cost at 1.1.2019	65.053	183.328	117.209	365.590
Additions	178	225	6.612	7.015
Acquisitions of subsidiaries	1.682	0	634	2.316
Disposals	0	(34.433)	(808)	(35.241)
Cost at 31.12.2019	66.913	149.120	123.647	339.680
Translation difference	52	43	(1)	94
Additions	6.727	3.355	16.451	26.533
Acquisitions of subsidiaries	4.510	2.429	4.121	11.060
Disposals	0	0	(4.335)	(4.335)
Cost at 31.12.2020	78.202	154.947	139.883	373.032
Depreciation				
Accumulated depreciation at 1.1.2019	32.470	58.089	78.833	169.392
Depreciation for the year	2.338	6.254	5.579	14.171
Acquisitions of subsidiaries	0	0	350	350
Disposals	(262)	(12.947)	(248)	(13.457)
Accumulated depreciation at 31.12.2019	34.546	51.396	84.514	170.456
Translation difference	8	6	(33)	(19)
Acquisitions of subsidiaries	459	493	1.856	2.808
Depreciation for the year	2.713	5.816	6.133	14.662
Disposals	0	0	(3.350)	(3.350)
Accumulated depreciation at 31.12.2020	37.726	57.711	89.120	184.557
Book value				
1.1.2019	32.583	125.239	38.376	196.198
31.12.2019	32.367	97.724	39.133	169.224
31.12.2020	40.476	97.236	50.763	188.475
Depreciation rates	4–6%	6–10%	12–33%	

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14. Operating assets, continued

Depreciation classified by operating items:

	2020	2019
Cost of sales	14.059	13.693
Other expenses	603	478
Depreciation recognised in income statement	14.662	14.171

Insurance value and real estate valuation

The insurance value and official valuation of operating assets at year end is specified as follows:

	2020	2019
Official value of land and buildings	49.864	49.060
Insurance value of land and buildings	85.021	82.851
Insurance value of vessels and equipment	194.616	194.616
Insurance value of machinery and equipment	140.983	136.965
Insurance value of inventories	59.203	61.841

Pledges

Operating assets of the Group have been pledged as security for loans. The value of the pledges is as follows:

	2020	2019
Vessels and equipment	400.185	380.971
Machinery and equipment	8.472	1.698
Total	408.657	382.669

15. Operating assets under construction

Operating assets under construction are specified as follows:

Cost

	2020	2019
Cost 1.1	51.045	39.343
Additions	12.401	11.702
Transferred to operating assets	(63.446)	0
Cost 31.12	0	51.045

In 2020, the Company sold a freezer trawler that was under construction in Spain. The sales price was paid with a loan agreement, see note 18.

16. Intangible assets

Intangible assets are specified as follows:

	2020	2019
Customer relationships	767	1.696
Goodwill	19.933	19.835
Quotas	308.989	276.466
Intangible assets at 31.12	329.689	297.997

Customer relationships

Customer relationships are specified as follows:

	2020	2019
Customer relationships at 1.1	1.696	2.068
Disposals in the year related to sale of Norðanfiskur ehf.	(545)	0
Amortised during the year	(384)	(372)
Customer relationships at 31.12	767	1.696
Amortisation rates	10%	10%

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16. Intangible assets, continued

Goodwill

Goodwill is specified as follows:

	2020	2019
Goodwill at 1.1	19.835	3.798
Acquired during the year	0	16.514
Translation difference	98	(477)
Goodwill at 31.12	19.933	19.835

Goodwill is specified into the following cash-generating units:

	2020	2019
Goodwill relating to Vignir G. Jónsson ehf.	3.798	3.798
Goodwill relating to sales entities in Asia	16.135	16.037
Goodwill total	19.933	19.835

At year-end 2020, an impairment test was performed on the Group's goodwill allocated to Vignir G. Jónsson ehf. and sales companies in Asia. The recoverable amounts are determined by discounting the estimated future cash flows. Estimated future cash flows are based on operating budgets from the Company for the next five years, and expectations of profit and growth and required rate of return on the investment were the main variables used. Operating budgets are based on actual figures and management expectations. A required rate of return after tax was used in discounting future cash flow, as required rate of return takes into account the inherent risk in the operation. Results of the impairment test for Vignir G. Jónsson ehf. and sales companies in Asia were that the recoverable amount of the investment was higher than its carrying amount, and therefore no impairment was recognised.

	Vignir G. Jónsson ehf.	
Key assumptions in the impairment tests were as follows:	2020	2019
Average revenue growth over five years	6,8%	(1,1%)
Future growth	2,5%	2,5%
Required return	9,5%	10,4%

	Sales companies in Asia
Key assumptions in the impairment tests were as follows:	2020
Average revenue growth over five years	10,9%
Future growth	2,5%
Required return	8,4%

Changes in the following key assumptions would have the following effect on the book value of goodwill at year end.

Increase in required return by 1%	
Decrease in goodwill and impairment	(908)
Decrease in EBITDA by 10%	
Future growth	0

Catch quota

Purchased catch quota is specified as follows:	2020	2019
Catch quota at 1.1.	276.466	276.466
Acquisitions of subsidiaries	32.164	0
Translation difference	359	0
Catch quota at 31.12.	308.989	276.466
Catch quota in ground fish	271.064	238.541
Catch quota in pelagic fish	37.925	37.925
Catch quota at 31.12.	308.989	276.466

Purchased catch quota is capitalised in the balance sheet at cost as intangible assets with indefinite useful lives. The carrying amount of quota is tested for impairment at least annually. Impairment testing on quota is allocated to the operating segments of the Company which are Ground Fish and Pelagic Fish. The operating segments are separate cash-generating units.

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16. Intangible assets, continued
Catch quota, continued

The recoverable amount of the pelagic quota is substantially in excess of the carrying amount. Management believes that reasonable changes in key assumptions would not cause the recoverable amount of quota to be lower than their carrying amount.

When assessing potential impairment of quota, the recoverable amount of each cash generating unit was assessed by discounting the expected future cash flows based on the continuing use of the units. Estimated cash flows were based on the operating budget of the segments for the next five years.
Key assumptions in assessing the recoverable amount:

	Ground fish		Pelagic fish	
	2020	2019	2020	2019
Nominal revenue growth 2019/2020 / 2018/2019	(11,0%)	30,6%	(7,4%)	(4,3%)
Weighted average				
Growth of revenues 2021 to 2025 / 2020 to 2024	5,0%	0,7%	2,1%	(0,8%)
Future growth rate considering price changes	2,5%	2,5%	2,5%	2,5%
Required return, WACC	7,4%	8,1%	7,9%	8,1%

When evaluating the operating income over the next five years, fishing fee tax is estimated. It is difficult for management to predict future changes in fishing fee tax. The impairment test is based on the budgets of the Company, which assume fishing fee tax by a calculation basis in law on fishing fee tax that was approved by the legislative assembly in December 2018.

The Company's quota is specified as follows:	Share in total quota 2020–2021	Allowed catch tonnes	Uncaught tonnes 31.12.2020	Uncaught tonnes 31.12.2019
Species				
Cod	7,9%	16.055	12.289	10.770
Cod in Norwegian jurisdiction	22,4%	727	727	573
Cod in Russian jurisdiction	28,5%	-	-	958
Haddock	9,0%	3.172	1.525	1.619
Saithe	20,2%	12.595	12.801	10.222
Golden redfish	28,4%	9.259	6.647	5.888
Deep sea redfish	28,8%	3.382	2.285	1.752
Greenland halibut	12,6%	1.452	1.760	1.779
Silver smelt	28,8%	2.381	2.749	2.408
Icelandic herring	11,1%	3.729	1.710	2.905
Norwegian-Icelandic herring	14,1%	15.722	14.902	8.320
Capelin	18,0%	11.904	11.904	0
Blue whiting	20,9%	38.448	38.536	40.286
Mackerel	14,6%	0	3.404	2.939
Other species subject to quotas		1.080	787	650
Total quota in cod equivalents		48.806	41.793	36.407

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16. Intangible assets, continued

Catch quota, continued

Distribution of catch quota in the Icelandic exclusive fishing zone takes place on an annual basis and is based on provisions of the law on fishery governance. The Minister of Fisheries determines by regulation the total allowable catch in single exploitable marine stock, which is considered to be the necessary fishing benchmark.

Quota in ground fish is generally based on distribution in September 2020. Cod quota in Norwegian jurisdiction is based on distribution in January 2021. Cod quota in Russian jurisdictions has not been distributed.

Quota in capelin is based on distribution in January and February 2021. Quota in Icelandic herring is based on distribution in July and September 2020. Quota in blue whiting is based on distribution in January 2021. Quota in Norwegian-Icelandic herring is based on distribution in February 2020.

Calculations of cod equivalents are based on multiple factors issued by the Ministry of Fisheries.

The Minister of Fisheries has not allocated the total Icelandic mackerel quota for the year 2021. The Company's distribution amounted to 20,157 tonnes.

17. Associates

Investments in associates are specified as follows:

	2020			2019		
	Ownership	Share in profit	Book value	Ownership	Share in profit	Book value
Deris S.A., Síle	20,0%	(233)	21.261	20,0%	(1.911)	23.731
Guðrún Þorkelsdottir ehf.	50,0%	0	1			
Iceland Pelagic ehf.	33,0%	518	2.560			
Laugafiskur ehf.	33,0%	229	3.982	33,0%	359	4.071
Marine Collagen ehf.	25,0%	0	1.037	25,0%	0	1.037
Þórsberg ehf.	41,0%	305	7.481			
		819	36.322		(1.552)	28.839

In May 2020, the Company signed an agreement for the purchase of a share in Þórsberg ehf., both as a direct purchase and with part of the purchase price paid for with all shares in Grábrók ehf.

18. Long-term receivables from related companies

Long-term receivables from related companies specifies as follows:	2020	2019
Loan agreements	92.096	0
Accrued interest	684	0
Current maturities	(897)	0
Long-term receivables from related companies	91.883	0

Brim hf. granted the company Arctic Prime Fisheries ApS a loan during the year amounting to EUR 63 thousand in connection with the sale of the Company's newly built freezer trawler. In addition, Brim provided the company with a loan in the amount of EUR 22 thousand. APF is a related party, as a shareholder (ÚR) has a significant influence related to the Company. Part of the loans are secured by fishing vessels. The final maturity date of the loans is in the year 2038. The Company has also granted one subsidiary of Þórsberg ehf. a loan amounting to EUR 7.175 thousand. The final maturity date of this loan is in the year 2035.

19. Other investments

Other investments are specified as follows:

Shares in other companies	171	66
Long-term receivables	1.322	2.333
Other investments total	1.493	2.399

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20. Inventories

Inventories are specified as follows:

	2020	2019
Inventories for sale	51.646	54.501
Supplies	5.252	5.267
Total inventories	56.898	59.768

21. Trade and other receivables

Trade and other receivables are specified as follows:

	2020	2019
Gross amount of trade receivables	25.143	35.032
Allowance for doubtful accounts	(802)	(1.320)
Other receivables	3.021	2.692
Pre-payments	697	1.527
Trade and other receivables total	28.059	37.931

Allowance has been established for receivables that may be impaired. The allowance is based on management's estimates, past experience and market conditions at the reporting date. It is the opinion of the management that the carrying amount of receivables reflects their fair value. Credit risk, foreign exchange risk and impairment (write-down) is further discussed in notes 27–29.

22. Equity

(i) Share capital

The Company's share capital amounts to ISK 1,956 million at year end according to its Articles of Association. In the year, the Company sold own shares of ISK 22 million in relation to the purchase of the subsidiary Fiskvinnslan Kambur ehf. The Company holds own shares of a nominal value ISK 35 million which are deducted from share capital. Outstanding shares at year end amount to ISK 1,921 million, and they are all paid. One vote is attached to each share of one ISK in the parent company. Holders of shares in the Company are entitled to receive dividends in proportion to their holdings at dividend

(ii) Share premium

Share premium represents the amount by which the amount received by the Company for stock issued exceeds its nominal value.

(iii) Statutory reserve

The Company has the obligation to allocate at least 10% of its profit, which is not used to meet possible losses of previous years and is not allocated into other statutory reserves, into a legal reserve until reaching 10% of share capital. When that target has been reached, contributions must be at least 5% until the reserve amounts to 25% of share capital. The Company has received payments exceeding the nominal value for shares when the share capital was increased, and the paid amount in excess of the nominal value has been allocated to the premium account. The Company may use the legal reserve to settle against a loss that can not be settled with other reserves. When the reserve amounts to more than 25% of share capital, the amount in excess may be used to increase share capital or, in accordance with provisions of Article 53 of the Act on Limited Companies, No. 2/1995, for other concerns.

(iv) Translation reserve

The translation reserve is composed of all foreign currency difference arising from the translation of the financial statements of foreign operations.

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(v) Other restricted earnings

In accordance with Article 41 of the Icelandic Financial Statements Act, the Company is required to account for any share in profits of subsidiaries and associates in excess of dividends received, as restricted earnings.

Other restricted earnings also include cash flow hedges for interest rate risk related to borrowings. Other restricted earnings are specified as follows:

	Cash flow hedges	Unrealised share in profit	Total
Balance at 1.1.2020	(1.063)	37.293	36.230
Change during the year	89	12.700	12.789
Balance at 31.12.2020	(974)	49.993	49.019

(vi) Dividend

The Annual General Meeting approved the Board's motion of dividend payment of ISK 1.0 per share of outstanding share capital in the year 2020 due to the operating year 2019. Dividend payment of ISK 1,899 million was paid to shareholders in April 2020.

The Company's Board of Directors proposes that in 2021, due to the operating year 2020, an ISK 1.2 dividend be paid on each share of outstanding share capital, i.e. a dividend payment in the amount of ISK 2,305 million (around EUR 14.8 million based on the 2020 year-end exchange rate). The dividend payment corresponds to 2.4% of the market value of share capital at year-end 2020. A motion to pay dividend must be approved by the Annual General Meeting.

Dividend per share is specified as follows:	2020	2019
Dividend per share (ISK)	1,00	1,00

23. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders of the parent company by the weighted average of active shares during the period and shows the profites per ISK. Diluted earnings per share is the same as basic earnings per share, as the Company has not entered into any share options or released any convertible bonds.

Basic earnings and diluted earnings per share		
Profit for the year attributable to equity holders of the Company	29.365	33.958
Weighted average number of outstanding shares		
Weighted average of outstanding shares in the last 12 months (ISK thousand)	1.912.779	1.835.488
Earnings per outstanding share	0,015	0,019

24. Loans and borrowings

This note includes information on contractual terms of the Company's interest bearing liabilities, recognised at amortised cost. Information on liquidity risk, interest rate risk and market risk is provided in notes 29–30.

Non-current liabilities		
Secured loans	272.399	266.819
Lease liabilities	1.315	1.617
Current maturities of non-current liabilities	(17.245)	(18.656)
Non-current portion of loans and borrowings total	256.469	249.780
Current liabilities		
Current maturities of non-current liabilities	17.245	18.656
Short-term loans	46.470	9.848
Current portion of loans and borrowings total	63.715	28.504
Loans and borrowings total	320.184	278.284

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24. Loans and borrowings, continued

Terms of loans and borrowings

	Maturity	2020 Interest at year end	2020 Balance	2019 Interest at year end	2019 Balance
Liabilities in EUR	2012–2027	2,14%	273.714	2,13%	268.436
Current maturities			(17.245)		(18.656)
			256.469		249.780

Contractual repayments of loans and borrowings are specified as follows:

	2020	2019
Year 2020	-	18.656
Year 2021	17.245	15.964
Year 2022	30.456	15.461
Year 2023	208.249	205.525
Year 2024	1.988	1.025
Year 2025	3.321	11.805
Later	12.455	-
Total loans and borrowings, including current maturities	273.714	268.436

Loans and borrowings reconcile as follows:

	2020	2019
Loans and borrowing at beginning of year	268.436	198.034
Acquired in business combinations, see note 5	24.193	10.142
Proceeds from loans	5.289	103.345
Repayments of loans	(22.232)	(43.085)
Foreign exchange difference	(1.972)	0
Loans and borrowing at year end	273.714	268.436

25. Deferred income tax liability

Deferred income tax liability is specified as follows:

	2020	2019
Deferred income tax liability at 1.1	71.465	70.593
Translation difference	(335)	88
Acquired in business combinations	1.533	0
Income tax recognised in the income statement	7.325	9.451
Income tax payable	(10.605)	(8.667)
Deferred tax income liability at 31.12.	69.383	71.465

Deferred income tax liability at year end is attributable to the following:

	2020	2019
Operating assets	19.074	17.247
Intangible assets	48.988	47.379
Foreign associates	5.600	7.581
Inventories	80	281
Trade and other receivables	249	128
Loans and borrowings	(4.522)	(1.151)
Loss carry forward	(86)	0
Deferred income tax liability at 31.12	69.383	71.465

26. Trade and other payables

Trade and other payables is specified as follows:

	2020	2019
Trade payables	16.428	14.584
Other payables	4.945	8.104
Total trade and other payables total	21.373	22.688

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Financial risk management

27. Overview

The Group has exposure to the following risks from its use of financial instruments.

Credit risk
Liquidity risk
Market risk
Operating risk

This note presents information about the Group's exposure to each of the above risks; the Group's objectives, policies, and processes for measuring and managing risk; and the Group's management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls and to monitor risk and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has allocated responsibility of daily risk management to the CEO of the parent company.

28. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and it arises principally from the Group receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. About 36% (2019: 38%) of the Group's revenue comes from sale of products to the five biggest customers of the Group.

Management systematically monitors collecting of accounts receivable. Management evaluates collectability of receivables, and receivables are written down if it is considered likely that they will not be collected.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade, other receivables and investments. Aged balance of receivables is reviewed and allowance established for estimated impairment. The allowance is calculated proportionally based on the age of the receivables. Management evaluates the collectability of the receivables, and if necessary, a specific allowance is established. Accounting policies for impairment of financial assets are described in note 3n(i). Measurement of impairment for trade receivables is further described below. The Group does not recognise any impairment for long-term receivables, as amounts are deemed immaterial, or for receivables from related parties which are considered to have low credit risk and any impairment recognised would be immaterial.

Guarantees

The Company has entered into guarantees for two of its subsidiaries. The guarantees are for Icelandic Japan KK in the amount of EUR 8,696 thousand and Vignir G. Jónsson ehf. for a loan of the remaining amount of EUR 2,925 thousand. The parent company has also entered into guarantee assignment for its associated company Marine Collagen ehf. for up to

Maximum exposure to credit risk

The Group's maximum exposure to credit risk is the carrying amount of its financial assets at year end:

	2020	2019
Long-term receivables from related parties	91.883	0
Other investments	1.493	2.399
Trade and other receivables	28.059	37.931
Receivables from related parties	10.573	0
Cash and cash equivalents	21.596	53.497
	153.604	93.827

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28. Credit risk, continued

The Group's maximum exposure to credit risk for trade and other receivables is itemised as follows by geographies:

	2020	2019
Europe	14.717	25.360
Asia	9.593	8.422
America	833	1.250
	25.143	35.032

Impairment of trade receivables

The Group measures expected credit losses for trade receivables based on the probability of default occurring in the lifetime of the receivable. Trade receivables are split into groups from their past-due status, and an impairment is estimated for each group based on historical collections, management estimates and future economic conditions as appropriate for the customers. It is management's opinion that the carrying amount of trade and other receivables approximates their fair value.

The Group considers that a receivable is credit impaired if information within the Group or provided by external parties suggests that the debtor is experiencing financial difficulties or if a receivable is more than 90 days past due.

Impairment of trade receivables

Age analysis of trade receivables at year end:	Gross amount		Impairment	
	2020	2019	2020	2019
Not past due	22.177	25.736		
Past due 1–30 days	2.675	7.020		
Past due 31–120 days	868	1.204	214	248
Past due > 120 days	832	1.072	588	1.072
	26.552	35.032	802	1.320

Movement in allowance for doubtful accounts is as follows:

	2020	2019
Balance at 1.1	1.320	929
Change in impairment	(298)	396
Disposal during the year	(59)	0
Exchange rate difference	(161)	(5)
Balance at 31.12	802	1.320

29. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group has access to credit lines with three local commercial banks. Surplus credit lines amounted to EUR 38,738 thousand at year end. Despite the negative effects of COVID-19, it is management's opinion that the Group is well positioned to meet its obligations.

The following are the contractual payments of financial liabilities, excluding derivatives, including estimated interest payments:

	Carrying amount	Contractual cash flow	Less than 1 year	1–2 years	2–5 years	More than 5 years
2020						
Secured loans	272.399	286.777	23.103	242.877	10.537	10.280
Current liabilities	46.470	46.470	46.470			
	318.869	333.247	69.573	242.877	10.537	10.280

	Bókfært verð	Umsamið sjóðstreymi	Innan 1 árs	1–2 árs	2–5 ár	Meira en 5 ár
2019						
Secured loans	266.819	286.777	23.812	20.946	229.593	12.426
Current liabilities	9.848	9.848	9.848			
	276.667	296.625	33.660	20.946	229.593	12.426

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30. Market risk

Currency risk is the risk that changes in market prices of foreign currencies, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of managing currency risk exposures is to manage and control risk exposures within acceptable parameters, while optimising the return.

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales and borrowings are denominated and the respective functional currencies of Group entities, primarily the Icelandic Krona (ISK), Pound Sterling (GBP), Japanese Yen (JPY) and US Dollar (USD).

The Board of Directors has established a policy that has the objective to limit currency and interest risk and endeavours to avoid negative currency fluctuations and to promote stable operating environment.

The Group's borrowing in foreign currency gives rise to foreign exchange risk which is in part hedged with the Group's cash flow.

Currency swaps are used to hedge part of currency risk. Open currency swap agreements at year end amounted to EUR 1,587 thousand.

The Group's currency risk is specified as follows:

	USD	JPY	GBP	ISK	Other currencies
2020					
Trade receivables	8.011	5.989	4.132	934	2.042
Cash and cash equivalents	8.358	3.808	263	871	1.663
Trade and other payables	(7.217)	(5.704)	(54)	(11.058)	(167)
Net balance sheet exposure	9.152	4.093	4.341	(9.253)	3.538
2019					
Trade receivables	7.888	43	2.967	4.925	2.647
Cash and cash equivalents	18.150	502	1.208	2.860	1.239
Trade and other payables	(4.804)			(21.622)	(121)
Net balance sheet exposure	21.234	545	4.175	(13.837)	3.765

Sensitivity analysis

A 10% strengthening of the EUR against the following currencies at 31 December would have effected the Group's profit or loss before income tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2020	2019
USD	(832)	(1.930)
JPY	(372)	(50)
GBP	(395)	(380)
ISK	841	1.258
Other currencies	(322)	(342)
	(1.079)	(1.444)

Exchange rates of the main currencies against the Euro are specified as follows:

	Average rate		Year-end rate	
	2020	2019	2020	2019
USD	0,875	0,894	0,815	0,892
JPY	0,008	0,008	0,008	0,008
GBP	1,123	1,140	1,112	1,174
ISK	0,006	0,007	0,006	0,007

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30. Market risk, continued

Interest rate risk

The Group's borrowings are all with floating interest rates. Interest rate swaps are used to hedge a part of interest rate risk.

Interest bearing financial instruments at year end are as follows:	**2020**	**2019**
Variable interest bearing liabilities	265.184	223.284
Fixed interest bearing liabilities	55.000	55.000
	320.184	278.284

A change of 100 basis points in interest rates at the reporting date would increase (decrease) profit by EUR 2,652 thousand (2019: EUR 2,233 thousand) before income tax. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis was performed on the same basis for the year 2019.

Other market risk

Other market risk is limited, as investments in bonds and shares are an insignificant part of the overall operations of the Group.

Fair value

Difference between book value and fair value of financial assets and liabilities is immaterial.

Hedge accounting

The Group designates interest rate swaps as hedging instruments in respect of interest rate risk in cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in cash flows of the hedged item attributable to the hedged risk, as required by IFRS 9.

If a hedging relationship ceases to meet the hedge effectiveness requirements, the Group discontinues hedge accounting from that time. Accumulated balance for hedging instruments in equity is reclassified to profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of other restricted earnings. Any ineffectiveness is recognised immediately in profit or loss.

31. Operating risk

Operating risk is the risk of direct or indirect loss due to various factors in the Group's operations. Among the main risk factors are work of the Group's employees, technology and organisation applied and external factors other than loan, market and liquidity risks. Operational risks arise from all of the Group's operations.

A part of the operating risk of Icelandic fishing companies is the risk that the government amends the laws concerning the fishing industries, leading to the Group's operation becoming less advantageous.

The Group is exposed to risk due to changes in natural conditions. Catching and processing of fish is, among others, subject to interest changes and growth of fish stock around Iceland. Changes in natural conditions in the ocean can cause a reduction in fish stocks or change in their composition, reducing the Group's catch and thus having a direct effect on its financial return.

The Group endeavours to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation.

In order to reduce operating risk, the Group has established management of fishing and processing of catch, as well as appropriate segregation of duties, monitoring of transactions and compliance with the law. Employees are trained, work procedures planned and recorded and insurances purchased where appropriate.

32. Capital management

The Board's policy is to maintain a strong capital base so as to maintain stability in future operations. The long-term objective of the Board is to pay half of the profit as dividend to shareholders.

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33. Related parties

Definition of related parties

The Group's related parties consist of its associated companies (note 17), shareholders with significant influence, companies owned by them, Board members, management and their spouses and dependent children. Intra-group transactions are eliminated upon consolidation.

Transactions with management

Salaries and benefits of management of the Company paid for their work for the Group entities, and their shares in the Company, are specified as follows:

	2020		2019	
	Salaries and benefits	Defined benefit contribution	Salaries and benefits	Defined benefit contribution
Kristján Þ. Davíðsson, Chairman*	240	32	45	6
Anna G. Sverrisdóttir, Board member	43	3	44	5
Eggert B. Guðmundsson, former Board member	10	1	43	6
Kristrún Heimisdóttir, Board member	37	5	34	4
Magnús Gústafsson, Board member	44	0	55	0
Daniella P. Neben, former Board member	0	0	12	1
Gunnar Þór Ásgeirsson, Committee member	14	2	9	1
Guðmundur Kristjánsson, Board member and CEO	248	46	330	61
Key management**	1.035	141	1.044	136

* The Chairman was appointed to specific engagements.

** Two key management personnel of the parent as well as managing directors of the subsidiaries.

CEO Guðmundur Kristjánsson is the owner of all shares in Útgerðarfélag Reykjavíkur hf. Board member Magnús Gústafsson owned shares at the nominal value of 20 thousand at year end.

Transactions with related parties

A shareholder with a significant influence at year-end 2020 is Útgerðarfélag Reykjavíkur hf. (ÚR). Brim hf. entered into a loan agreement with one company related to ÚR, Arctic Prime Fisheries, see note 18. In addition, the Group entered into the following transactions with related companies in the year:

Transaction with shareholder-related parties	**2020**	**2019**
Sales from Brim to ÚR and related companies	1.053	10.395
Sales from ÚR and related companies to Brim	37.417	12.981
Interest income from related companies	1.524	0
Transaction with other related parties		
Sales from Brim to other related parties	21.302	464
Purchase from other related parties	272	0

Transactions of the Group with shareholders were on an arm's-length basis. Sales from Brim to other related parties is mostly to the equity-accounted company Iceland Pelagic ehf., but Brim purchased a 33% share in the company in May 2020.

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34. Structure of the Group

The Company owned thirteen subsidiaries at year end. Subsidiaries are listed below.

	Country	Operations	Ownership
Blámar ehf.	Iceland	No operations	100%
Brim Shipping ApS	Greenland	Holding company	100%
Fiskvinnslan Kambur ehf.	Iceland	Production and sales	100%
Gjörvi ehf.	Iceland	Service company	100%
Grandi Limitada	Chile	Holding company	100%
Grunnur ehf.	Iceland	Fishery	100%
Icelandic Japan KK	Japan	Sale of seafood	100%
Icelandic Hong Kong Ltd.	Hong Kong	Sale of seafood	100%
Icelandic China Trading Co. Ltd.	China	Sale of seafood	100%
Seafood Services ehf.	Iceland	Service company	100%
Stapavík ehf.	Iceland	Fishery	100%
Vignir G. Jónsson ehf.	Iceland	Production and sales	100%
Ögurvík ehf.	Iceland	Fishery	100%

35. Ratios

The Group's financial ratios are specified as follows:

	2020	2019
Current ratio – current assets / current liabilities	1,15	2,44
Liquidity ratio – quick current assets / current liabilities	0,59	1,47
Equity ratio – equity / capital employed	0,44	0,45
Return on equity	9,3%	12,3%

36. Statement of cash flows

Cash from operations is specified as follows:

	2020	2019
Profit for the year	29.365	33.958
Adjustments for:		
Depreciation and amortisation	15.046	14.543
Net foreign exchange difference	(1.859)	0
Sales gain from assets and fair value changes of investment	(419)	(214)
Effects of associates	(819)	1.552
Income tax	7.516	9.451
Working capital from operations	48.830	59.290

37. Other matters

The Company has purchased a downtime insurance intended to cover loss for up to eighteen months from operational halt resulting from fire.

38. Acquisition of sales entities in Asia

A shareholders' meeting of Brim hf. approved on 15 August 2019 the Board's proposal to purchase all shares in sales companies in Asia along with Seafood Services ehf. from Útgerðarfélag Reykjavíkur hf. The purchase price of the companies amounted to EUR 31,105 thousand and was paid by issuing new shares in Brim. The companies became part of the Group in October 2019.

According to the shareholders' meeting, the final purchase price was dependent on the operating results for the years 2019 and 2020. If the combined operating results of the years 2019 and 2020, measured in EBITDA, were below the presented operating budget at the shareholders meeting, the seller would repay part of the purchase price. The combined EBITDA of the companies in the years 2019 and 2020 would be excluded, with the exception of transactions with Brim hf. and subsidiaries below USD 8.3 million; deviation below that amount would be multiplied by a coefficient of 7.6 and that amount would reduce the purchase price. The reduction in the purchase price could only, however, be a maximum of 35% of the purchase price.

The combined EBITDA of the companies in the years 2019 and 2020 converted into USD excluding transactions with Brim hf. and subsidiaries amounted to USD 8.4 million. According to the shareholders' meeting, the purchase price would be adjusted if the total EBITDA was below USD 8.3 million. The Company's Board of Directors has hired an independent party to review the calculations, but it is not expected that a correction will take place according to the above.

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Quarterly statements – unaudited

Quarterly statements	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**	**Total**
Sales	78.668	80.679	60.341	72.750	292.438
Cost of sales	(66.321)	(53.154)	(50.500)	(63.048)	(233.023)
Gross profit	12.347	27.525	9.841	9.702	59.415
Export expenses	(1.856)	(1.632)	(1.328)	(2.255)	(7.071)
Other expenses	(1.061)	(2.962)	(2.848)	(3.104)	(9.975)
Operating profit	9.430	22.931	5.665	4.343	42.369
Finance income and expenses	(344)	(1.999)	(1.291)	(3.145)	(6.779)
Effects of associates	747	(152)	570	(346)	819
Profit before income tax	9.833	20.780	4.944	852	36.409
Income tax	(1.963)	(4.633)	(562)	(358)	(7.516)
Profit of onging operations	7.870	16.147	4.382	494	28.893
Discontinued operations	0	(100)	624	(52)	472
Profit for the year	7.870	16.047	5.006	442	29.365
EBITDA	13.703	26.593	9.396	7.709	57.401

	Q4 2019	**Q3 2019**	**Q2 2019**	**Q1 2019**	**Total**
Sales	90.819	65.040	49.562	55.901	261.322
Cost of sales	(75.569)	(34.142)	(34.146)	(45.112)	(188.969)
Gross profit	15.250	30.898	15.416	10.789	72.353
Other income	1	0	213	0	214
Export expenses	(2.776)	(3.085)	(2.273)	(2.286)	(10.420)
Other expenses	(3.575)	(3.228)	(3.400)	(2.761)	(12.964)
Operating profit	8.900	24.585	9.956	5.742	49.183
Finance income and expenses	(1.459)	(761)	(1.679)	(719)	(4.618)
Effects of associates	(1.404)	(468)	267	53	(1.552)
Profit before income tax	6.037	23.356	8.544	5.076	43.013
Income tax	(639)	(5.781)	(1.803)	(1.060)	(9.283)
Profit of onging operations	5.398	17.575	6.741	4.016	33.730
Discontinued operations	72	227	28	(99)	228
Profit for the year	5.470	17.802	6.769	3.917	33.958
EBITDA	12.348	27.901	13.333	9.751	63.333

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Statement of Corporate Governance

Corporate governance

The Company

The Board of Directors and other management of Brim hf. place emphasis on upholding good corporate governance, thereby ensuring that the work of the Board and operations of the Company as a whole conform to standards applicable to good business practices.

The Company's governance primarily takes note of Act No. 2/1995 on Limited Liability Companies[1], the Company's Articles of Association, the Board's rules of procedures and the 6th edition of guidelines set by the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Enterprise (SA), on corporate governance[2].

It is the opinion of the management of Brim hf. that the Company follows these guidelines in all material aspects, with the following exceptions:

1. The Company has not appointed a nomination committee.
2. The Company has not presented a comprehensive policy on social responsibility, but it is estimated that such a policy will be presented by the Board in the year 2021. Despite the fact that no policy has been set, the Company has placed great emphasis on social responsibility and is, for example, to publish its fourth Sustainability Report.

The Company respects basic human rights, the right of association and collective agreements. Brim hf. has set written procedures regarding human rights, ethics, corruption and bribery in the year 2020.

Operations of Brim hf.

Brim hf. is one of the largest fishing companies in Iceland and is among one of the leading companies of its field. The role of Brim hf. is to increase value creation in the fisheries sector in harmony with society and the environment. In that way, Brim creates value for employees, customers, shareholders and society as a whole.

The Company's operations are subject to extensive regulations and public supervision about operating its fleet, production process and quality matters. The Company places great emphasis on upholding and following clear processes and monitoring systems, thereby ensuring that its operations fulfill the requirements of laws and regulations at any given time.

The Company's management upholds an active monitoring system for the risk factors that affect the operations and earnings of the Company. This supervision is intertwined with the Company's daily operations. The Board, along with management, reviews the risks and risk management on a regular basis and sets the Company's risk management policies. The key risks identified are foreign currency, interest rate and cash flow risks. Management is permitted to make forward contracts to limit foreign currency and interest rate risks due to inventories, current receivables, cash and cash equivalents and liabilities.

Board of Directors of Brim hf.

The Annual General Meeting votes for five directors to serve on the Company's Board. The CEO, COO, CFO and Secretary of the Board attend Board meetings. In accordance with Company resolutions, the Board and CEO are the highest authority of the Company between shareholders meetings. The primary objective of the Board is to monitor the business and ensure that operations comply with laws and regulations that apply at any given time. The Board also has an objective of promoting the development of the Company and ensuring that goals for the long term are reached, by setting Company policy in collaboration with management. To that aim, the Board sets an agenda for objectives in line with the purpose of the Company, thereby marking the direction for reaching the goals.

The Board of Directors has implemented rules of procedures in accordance with Act No. 2/1995 on Limited Liability Companies and strives to operate in accordance with the guidelines set by the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Enterprise (SA), on corporate governance. The rules of procedure define the Board's authority and terms of reference concerning the CEO. The rules include, among other things, clauses for order of meetings, competence of Board members for voting for specific issues, professional confidentiality and disclosure requirements for CEO to the Board.

See: https://www.stjornarradid.is/lisalib/getfile.aspx?itemid=78249169-2de3-11e9-9430-005056bc530c
See: https://www.vi.is/files/2012.12.12-cogo-enska_485526334.pdf

The Board of Directors meets on a monthly basis, except for July. In 2020, 16 Board meetings were held. Subcommittees of the Board are the Remuneration Committee and the Audit Committee, which meets with the Company's external auditor on a regular basis. The rules of procedure for the Board of Directors and its subcommittees, along with the Company's Articles of Association, can be accessed on the Company's website.

Annually, the Board assesses its work, composition, procedures and practices, the work of its subcommittees and the performance of the CEO and other managers for daily operations. The Board also assesses the development of the Company and ensures that it is in accordance with objectives.

Five directors serve on the Board, and a majority of them are considered independent of the Company.

Detailed information about the directors is provided on the Company website.

The CEO handles daily operations and represents the Company in matters that involve its ordinary course of business. The role of the CEO is defined in the Company's Articles of Association and the Board of Directors' rules of procedures, as well as in his employment contract.

Shareholders of Brim hf.

The Company is listed on the main market of Nasdaq Iceland, and the shareholders numbered 880 at 31 December 2020. The shareholder registry is electronically logged at the Nasdaq stock exchange. On average, there is one shareholders' meeting each year, and information regarding the resolutions of shareholders' meetings and other information regarding shareholders of the Company are presented on the Company website.

Every quarter, the Company presents its quarterly financial statements in a promotional meeting, where the shareholders can, as in shareholders' meetings, voice their comments and ideas.

Non-financial information

Brim hf. and its subsidiaries operate nine fishing vessels and process fish products at sea, in Reykjavík, Hafnarfjörður, Akranes and Vopnafjörður. The Company holds the largest share in fishing quotas of all Icelandic fishing companies and runs its own marketing and sales business that sells products throughout the world. With highly experienced and qualified employees, the Company places emphasis on responsible conduct both at sea and onshore as well as product quality.

Social responsibility

The fishing industry is an integral part of Icelandic society and one of its pillars of society. Brim hf. takes its role seriously and aims to ensure solid employment and settlement in Iceland. The Company plays a leading role when it comes to social responsibility and places great emphasis on environmental issues and innovation. In addition, the Company is involved in numerous community projects in various fields.

The Company now issues its fourth Sustainability Report alongside the 2020 Annual Report, which describes in further detail social responsibility of the Company, ongoing projects and key performance indicators for non-financial information.

Responsible fisheries

Brim hf. participates in a co-operation that contributes to the sustainable use of natural resources, quality and responsibility for environment and society. The objective is to promote involvement of the Company and the industry, increase co-operation and ensure access to markets. Emphasis is placed on collaboration with Iceland Responsible Fisheries, which stands for traceability markings for Icelandic seafood products and certification of Icelanders' responsible fishing practices. In December 2016, the Company became a sponsor for the Global Sustainable Seafood Initiative (GSSI). The objective of GSSI is to increase transparency in certifications for sustainable fisheries and fish farming. Companies that are members of GSSI have committed to acknowledge all certifications verified by GSSI when it comes to sale of seafood.

In addition to the above, the Company has certification for the following quality control systems: IFS (International Seafood Standard), FEMAS (Feed Material Assurance Scheme) and HACCP (Hazard Analysis and Critical Control Points). With experienced and capable employees, the Company places great emphasis on the quality of products and responsible operations, both at sea and on land.

Environment

Environmental awareness has long been a large part of the business, and respect for the environment and the marine environment is the basis of all operations of Brim hf. Emphasis is placed on good management of the resource and sustainable utilisation so that future generations can continue to enjoy and use it. The company is constantly looking for ways to minimise the impact of its operations on the environment, whether at sea or on land. Brim hf. has systematically reviewed the activities to collect data on the impact of the activities on the environment. This provides a better overview of the environmental impact, and new ways are constantly being sought to reduce the carbon footprint of operations.

Brim hf. operates three waste classification facilities in Reykjavík, Akranes and Vopnafjörður. Everything that falls from the operations is classified with the aim of finding ways to reuse and thus promote the cycle of the raw material.

Other projects related to environmental issues are e.g. electrification of fishmeal factories, electrical connection of vessels to port, innovation of fishing gear and encouragement of employees to take advantage of environmentally friendly transport to and from work.

Brim hf. has implemented an environmental management system, which has been developed as a part of the Company's Cleaner Value Chain in Fisheries (CVHF) project for the purpose of environmental and resource management. All environmental information relating to the operation of the Company is digitally streamed from its place of origin, whether at sea or on land, into an environmental database. The database makes the information accessible to the Company’s responsible parties for the purpose of using the information systematically for actions that have the purpose of reducing the environmental impact. The Company now issues environmental information in its Sustainability Report for the second time. In 2017, the Company decided to stop the use of heavy oil.

Non-financial information, continued

Safety

Management is responsible for safety matters, and operates committees in all of the Company's divisions. The Company's human resource department oversees and monitors safety matters.

Employees

The average number of the Group's full-time equivalents during the year 2020 was 769, compared to 798 at year-end 2019.

By far the greatest proportion of work at sea is carried out by men, while most jobs in fish plants, particularly on processing lines, are carried out by women. The Company seeks to employ both men and women equally in the diverse working groups within the Company. Brim employees may not be discriminated against on the basis of gender, sexual orientation or ethnicity.

The Company received a certification for equal pay in April 2020, having undergone a wage equality review. The main goals of equal pay certification are to eliminate gender-based wage bias and to support equality between the genders in the labour market.

Ethics, corruption, bribery and human rights

The Company respects basic human rights, the right of association and collective agreements. Emphasis is placed on the law abidance of both contractors and subcontractors and of their employees regardless if they are wage earners or their own subcontractors.

The Company has set written standards for morality, corruption, human rights and bribery in the year 2020.