FIFAX

Better fish for the world.

BOARD OF DIRECTORS REPORT AND FINANCIAL STATEMENTS
1.1.2021 – 31.12.2021

FIFAX Plc

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22270 Eckerö
Domicile Eckerö
Company registration number: 2453290-9

These financial statements are to be retained until 31.12.2031

Table of Contents

CEO's Review ... 3
Board of Directors Report 1 Jan – 31 Dec 2021 ... 4
Operational Review ... 4
Key Figures ... 5
Revenue and Results ... 6
Balance sheet, Financing, and Investments ... 6
Research and Development ... 8
Sustainability and Environment ... 8
Future Outlook ... 8
Risks and Uncertainties ... 10
Annual General Meetings ... 10
Shares and Shareholders ... 12
Board, Management and Auditor ... 14
Significant events after the period ... 15
The Board's Proposal for the Use of Distributable Funds ... 15
Annual General Meeting ... 15
Publication of Financial Information during 2022 ... 15
Certified Advisor ... 15
Income Statement ... 16
Balance Sheet ... 17
Cash Flow Statement ... 19
Notes to the Financial Statements ... 20
General Accounting Principles ... 20
Change to Previously Approved Financial Statements ... 20
The Measurement and Recognition Principles of the Financial Statements ... 20
Going Concern and Financing ... 22
Notes to the Income Statement ... 23
Notes to the Balance Sheet ... 24
Collaterals and Commitments ... 29
Ongoing Disputes ... 30
Notes Related to Employees and Related Parties ... 30
Signatures to the Financial Statements and Board of Directors' Report ... 32
Ledgers and Types of Records ... 33

FIFAX

CEO's Review

Fifax's vision is to be a frontrunner when it comes to large-scale, land-based fish farming that is environmentally responsible and sustainable. We are eating more and more fish, at a time when catches are shrinking globally and farming with conventional methods is becoming more uncertain due to increasing environmental risks. In Finland and Sweden, we are dependent on imported fish to satisfy our appetite. This is why we at Fifax farm fresh, healthy, and sustainable fish all year round, aiming to increase the amount through our strategic growth targets.

The Fifax facility in Eckerö was completed in early 2020; its technical production capacity of 3,200 tons per year makes it one of the largest land-based facilities in the world already producing fish. In spring 2021, we achieved close to full capacity of fish stock in two of our three grow-out units, which demonstrates that the technology works in the facility and our growth plans stand on solid technological foundations.

In October, we completed the process of listing the company's shares on the Nasdaq First North Growth Market in Helsinki. The listing supports the implementation of our growth strategy. We would like to wish all our new shareholders a warm welcome to join our journey towards a more sustainable world.

In the spring of 2021, we ramped up our deliveries, which meant that more and more consumers were able to enjoy our sustainably farmed fish. At the end of May, we suffered a significant setback when an interruption to the oxygen supply led to substantial losses of fish in our facility. Thanks to the efforts of our staff, we were able to save most of our fish stock, but unfortunately, the incident meant reaching full production capacity was delayed. The reasons behind the incident were not related to the actual farming process, which continues to perform well. Deliveries were put on hold for a period during the summer, before starting again in the autumn; and they have continued since then without interruption. However, delivery volumes were significantly impacted by the loss of fish stock, which is also evident in the revenue for the financial period that only reached a total of EUR 1.0 million.

In November, our accumulated deliveries passed 1 million kg of gutted fish, since production started. We are now continuing to build up our fish stock and accelerate the process via smolt purchasing to compensate for the losses caused by the incident. Setting ambitious sustainability targets has enabled us to achieve a unique position with our ultra-intensive RAS implementation which produces negligible nitrogen and phosphorus emissions.

On 21 February 2022, our Eckerö facility also became the first fish farm in Finland to gain an ASC certification after completing the auditing process during the past year. ASC is a global certification programme recognised by consumers as confirming the fish has been sustainably farmed.

The current operational priority for Fifax is to grow our fish stock and increase our production. The planned expansion that forms a key part of our growth strategy is being prepared in parallel and will become an increasing focus for our work during the second half of 2022.

I would also like to extend my warmest thanks to all our employees for their hard work during this intensive year. Together, we have built a solid base from which to achieve our growth strategy and continue to produce and supply better fish for the world.

Board of Directors Report 1 Jan – 31 Dec 2021

Operational Review

In October, the company was listed on the First North Growth Market Finland, which is an important milestone in our growth strategy and creates greater opportunities for more and more people to enjoy sustainably farmed fish from Fifax. The Company raised EUR 15.4 million in new capital in the initial public offering of new shares; loans and interest of EUR 17.1 million were converted at the same time. Shareholders' Equity was strengthened by EUR 32.5 million in total.

The Company continued to build up its fish stock and optimise its farming operations during the year. The Company saw strong growth in its fish stock in the beginning of the year, which was also supplemented through smolt purchasing. In May, however, the facility suffered a loss of about 40% of the fish stock due to delays in oxygen deliveries. Since the start of the year, the fish stock had increased from 413 to 634 tonnes, and was 593 tonnes shortly before the incident. At the end of June, the fish stock was 260 tonnes, and had reached 315 tonnes by the end of December. In addition to this, Fifax is estimated to have, on 31 December 2021,approximately 120 tonnes of smolt reserved for delivery in 2022 based on supplier estimates.

The incident was not due to the Fifax farming process but was caused by the poor planning and logistics of the oxygen deliveries. The reasons behind the accident have been investigated and corrective measures to prevent such a situation arising again, have been taken. Following the incident, these measures have included strengthening the systems and routines for oxygen level monitoring both internally and in cooperation with our oxygen supplier. A number of improvements have also been made to the facility oxygen system of the facility, which increase capacity and operational reliability. Rather than affecting the entire facility, only individual tanks suffered to varying degrees and accordingly fish of specific sizes, which resulted in imbalances between different size classes of fish. Stable and continuous production requires a balance between fish of different sizes.

To offset these losses and accelerate the restoration of a balanced fish stock, a smolt purchasing programme had been planned in addition to our own fry production. However, an IHN virus outbreak at several farms in Denmark in the autumn led to a complete export block of Danish live fish. Although Fifax' supplier was not affected by the virus, the planned deliveries to Fifax were postponed. The export block for Fifax' supplier was lifted in January 2022, and the first deliveries arrived in February.

Sales deliveries were stepped up in early 2021 and this continued until the end of June when a shortage of full-grown fish caused a halt as a consequence of the oxygen shortage incident. Deliveries resumed again in September, and Fifax has continued to make uninterrupted deliveries for all fish that have reached a suitable size for slaughter. The demand for fish in the domestic market has developed positively. The market started to stabilise again following the uncertainty on the market in the previous year, caused by the Covid-19 pandemic. Key organisations in the market have increased their strategic focus on domestic fish. An outbreak of the IHN virus in certain farming areas around the Åland Islands impacted the quantity of farmed fish available for slaughter at the end of the year, which also reveals the increased risks associated with conventional farming methods.

The ASC certification process was completed at the end of the year and certification was received on 21 February 2022. This process also supported the Company's continuous development of processes for sustainability and safety and the further development of personnel skills.

A subsidiary, Fifax Fastighets Ab, was registered on 31 August 2021 (Co. reg. no.: 3223039-6). Ownership of the Company's land areas will be transferred to the subsidiary.

Key Figures

	12.2021	12.2020	12.2019
FINANCIAL KEY FIGURES			
EUR thousand			
Revenue	**1 004**	1 242	701
Operating results	**-9 822**	-7 290	-6 409
Result for the financial period	**-13 687**	-8 395	-7 159
Earnings per share, undiluted and diluted[1] (EUR)	**-0,94**	-0,71	-1,21
Cash flow from operations	**-9 627**	-6 904	-6 103
Investments	**-963**	-557	-2 758
Equity ratio %	**75%**	19%	52 %
Average full-time employee no	**28**	23	18
Salaries and compensations total	**1 875**	1 381	1 013
Balance sheet total	**31 223**	27 202	23 522
Number of outstanding shares at the end of the period	**25 756 168**[3]	11 851 507[2]	11 074 955[2]
Average number of outstanding shares during the period	**14 594 344**[2,3]	11 819 726[2]	5 894 090[2]
OPERATIONAL KEY FIGURES			
Biomass at the beginning of the period, tonnes	**413**	488	302
Biomass at the end of the period, tonnes	**315**	413	488
Produced fish, HOG tonnes	**288**	314	173

[1]There are no dilutive instruments as at 31.12.2021 and therefore the earnings per share diluted and undiluted are the same.
[2]Adjusted according to the decision of the Annual General Meeting on 10 May 2021, registered on 11 May 2021, to redeem and cancel 47,406,260 shares without consideration.
[3] The number of outstanding shares at the end of the period and the calculation of the average number of outstanding shares during the period are adjusted by the number of shares 150,000 that the company holds.

Calculation of key figures:
Earnings per share, undiluted (EUR) = Net result for the financial period/Weighted average number of outstanding shares during the period
Earnings per share, diluted (EUR) = Net result for the financial period/Weighted average number of outstanding shares during the period including (+) the number of potentially diluting shares
Investments = investments into tangible and intangible assets decreased by investments grants received as in the cash flow statement
Equity ratio % = (equity + equity-termed capital loans) / (total assets - prepayments received)

Revenue and Results

Sales were strongest in the first half of the year. Revenue in 2021 amounted to EUR 1.0 million (EUR 1.2 million in the previous financial year). Fifax slaughtered 388 tonnes and delivered 288 tonnes of gutted rainbow trout to customers in Finland and Sweden.

The business was still at an early commercial phase. The final parts of our production facilities, PHASE 3 and the slaughterhouse, were taken into use at the start of the year. The business is aiming to achieve significant growth in the fish stock. In addition to natural growth in the fish stock, Fifax bought substantial quantities of smolt from different suppliers. The purchasing programme for smolt began in December 2020 and ran until the end of June 2021.

Losses of fish in May as a consequence of the oxygen incident, impacted our scope to deliver in late 2021 and early 2022. A new smolt programme is planned for 2022 to complement the fish stock as a consequence of the oxygen incident. The change of stock effects of the fish losses at the end of May and other direct costs in association with the accident, are included in the direct costs of EUR 0.9 million. Other operating income includes EUR 0.5 million from an insurance claim for the accident.

Direct costs amounted to a total EUR 5.1 million (EUR 3.7m, figures for the financial year 2020 in brackets), and include the purchase of fish eggs, smolt, feed, oxygen, chemicals and electricity used in the production environment which are partly scalable in relation to capacity utilisation; furthermore, the amount includes direct costs for sales packaging materials and freight costs of sales that are scalable in relation to sales volume.

Employee and other operating expenses amounted to EUR 4.7 million (EUR 3.6 m). Costs in 2021 include non-recurring items of EUR 0.4 million in relation to reinforcements for our financial administration and marketing costs ahead of the listing on First North. There was a modest increase in costs in general in relation to the development of the business. The Company had 28 (23) employees on average, expressed as full-time equivalents for the full year 2021.

Depreciation amounted to EUR 1.6million (EUR 1.2m).

As the company has yet to reach full production capacity and is scaling up its delivery capacity and, consequently, its sales – costs for the financial year exceeded income and the Company was loss making. Operating losses amounted to EUR -9.8 million (EUR -7.3m).

Cash flow from operating activities amounted to EUR -9.6 million (EUR -6.9m).

Financial costs for the full year 2021 include non-recurring items relating to the listing on First North of EUR 2.1 million.

Balance sheet, Financing, and Investments

BALANCE SHEET

Non-current assets at financial year end amounted to EUR 19.6 million (EUR 20.2m, amounts pertaining to 31 December 2020 in brackets).

Current assets amounted to EUR 11.6 million (EUR 7.0m). The inventories value decreased as a consequence of the accident in May and amounted to EUR 1.1 million (EUR 1.3m). Receivables amounted to EUR 1.1 million (0.5m), of which current receivables amounted to EUR 0.9 million (EUR 0.2m). Other current receivables include EUR 0.5 million in VAT claims related to services procured at the end of the year in relation to the First North listing. Cash and cash equivalents amounted to EUR 9.4 million (EUR 5.2 m).

Total assets on 31 December 2021 amounted to EUR 31.2 million (EUR 27.2m).

Shareholders' Equity on 31 December 2021 amounted to EUR 23.3m (EUR 4.9m).

Liabilities amounted to EUR 7.9 million (EUR 22.4m), including EUR 5.9 million from financial institutions that is to be paid back in full by 30 September 2022 according to the payment plan at the end of the financial year. The payment plan has been renegotiated after the end of the financial period and the loans, based on the new payment plan, are to be repaid in full by 1 April 2023.

The balance sheet total amounted to EUR 31.2 million (EUR 27.2m).

INVESTMENTS

Investments amounted to EUR 1.0 million (EUR 0.6m). Investments in 2021 include improvements to the water quality and cooling system, purge capacity, oxygen supply, and oxygen security. Investments also included the acquisition of a previously leased land area.

FINANCING

The Company raised a total of EUR 15.4 million in new capital in association with the listing on the First North (the IPO) through a public issue and employee issue. In the directed issue, convertible loans amounting to EUR 17.1 million plus accrued interest were converted into unrestricted equity.

In May, the Company renegotiated its payment plan for loans from financial institutions of EUR 5.9 million as on 31 December 2021 to fall due for payment on 30 September 2022, the payment plan has since the year end further been extended to 1 April 2023. In May, the company raised EUR 1.0 million in loans from shareholders and EUR 1.0 million in loans from financial institutions. These loans have been fully amortised in association with the listing on the First North. The Company raised EUR 3.7 million in equity termed capital loans in June and September to supplement its shareholders' equity. The capital loans have since been converted in their entirety to unrestricted equity in association with the listing on the First North.

Cash flow from financing activities amounted to EUR 14.8 million (EUR 12.1m).

At the close of the financial period, the Company had cash and cash equivalents of EUR 9.4 million which is not sufficient to finance current operations and to repay outstanding loans from credit institutions (EUR 5.9m), the final instalment of which falls due at the end of September 2022.

Negotiations have been initiated with current and possible new loan providers and financiers. Management considers that there is keen interest in the Company's operations that fall within the parameters of sustainable development and for the further development and expansion of the business. The Company is also in a better position with regard to shareholders' equity when pursuing such discussions, following the share issue in association with the listing in 2021, that increased shareholders' equity by EUR 32.5 million. Management therefore assesses that the Company is very well placed to secure in early 2022 the financing it needs to implement its plans for the business. However, as there are uncertainties in the financial forecast in relation to that sales have not yet reached a long-term commercial level and in relation to operational cost development and market price development for fish in the current geopolitical situation and because at the time of the publishing of the financial statements no binding commitments for additional financing or extensions beyond 1 April 2023 have been obtained, these circumstances combined indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. See note *Going concern and financing*, page 22.

Research and Development

Research and development activities are focused on the development and optimisation of the production process, water purification technology, and energy efficiency in the facility, and the further processing of side streams from production. Improvement measures are continuously identified and evaluated through the analysis of fish growth, water quality, and fish management.

Development expenses have not been capitalised in the financial year.

Sustainability and Environment

Fifax's vision is to be a frontrunner in large-scale sustainable fish farming. Consumer awareness of the environmental impact of food choices is growing, which is increasing the demand for sustainably produced goods. Consequently, sustainability is a key part of the Fifax strategy and business.

The Baltic Sea is a relatively enclosed and shallow sea area, which makes it extremely sensitive to human activity. Eutrophication is a problem, especially in the archipelago and along the coasts. At the same time, demand for fish, and domestic fish in particular, is growing around the Baltic Sea area. Fish farming that does not have an impact on the sea is therefore especially important in the area around the Baltic Sea.

In the Fifax high intensity implementation of a Recirculating Aquaculture System (RAS), up to 99.7% of the water used in the process is purified and recirculated. Phosphorus, nitrogen, and other by-products of farming, are utilised and therefore do not contribute to eutrophication of the sea, compared to fish farming with sea pens.

Sustainability is also an important aspect of how the business is managed in its entirety. All electricity used in the facility is generated using renewable wind power, and the Company works continuously to optimise its energy consumption. The nutrient rich side streams from production mainly consist of sludge, fish waste and fish that have died before slaughter and are utilised as feed and fertiliser. Fifax continues to investigate options for refining side streams to generate increased added value.

The ASC (Aquaculture Stewardship Council) is an independent international non-profit organisation founded by the World Wide Fund for Nature (WWF) and the Sustainable Trade Initiative (IDH), that manages the leading certification and labelling programme for water use. The ASC standards specify demanding requirements on environmental and corporate social responsibility, and whether internal processes meet these requirements is audited by an external party. Fifax implemented the audit process for ASC certification of sustainable aquaculture during the year and received certification on 21 February 2022.

Future Outlook

Fifax farms and sells environmentally sustainable rainbow trout, a healthy source of protein, via the implementation of intensive water circulation technology (Recirculating Aquaculture System). Management assesses that the global megatrends towards more healthy diets and less consumption of red meat, more locally produced food, and increasing environmental awareness, will strongly drive the demand for fish in general, and the demand for sustainably farmed fish in particular, as consumers are increasingly taking the environmental aspects of production of animal proteins and the environmental impact of fish farming using conventional methods into consideration.

Fifax focuses primarily on the Finnish and Swedish markets. Demand for fish in Finland has doubled since the 1980s. However, the product range on offer is highly dependent on imports of fish that comprise 81% of fish consumed in Finland in 2018[1] and ca 72% in Sweden in[2] 2017. Even so, consumers in both countries increasingly prioritise domestic and locally produced food products[3]. The range of domestic fish on the market has traditionally consisted of caught fish and fish (primarily rainbow trout) farmed using conventional methods in sea pens, which is extremely dependent on seasonal and temperature changes. The protected and stable cultivation environment in RAS farming makes it possible for Fifax to supply fish continuously all year round, which management view as a strong competitive advantage. In an RAS facility, the cultivation environment is also protected against pollutants and diseases in seawater, which leads to a safe environment for the fish and ultimately, healthy food for consumers.

Demand for sustainably farmed, locally produced fish is strong, and despite the challenges of fulfilling orders caused by the incident in May, Fifax's customers have been pleased to receive all the fish we have produced. The ASC certification that was received in February 2022, is also expected to boost the competitiveness of our products, the standards place high demands on environmental and social responsibility, and the label is well-known on the market.

The Company continues to build its fish stock while sales operations remain in the early stages. During the ramp-up phase, the Company has produced Head on Gutted (HOG) fish, that are supplied to customers, which have further processed and distributed the fish to food retailing chains and foodservice sector, and through them, to end consumers.

Fifax also aims to achieve full capacity utilisation in the existing fish farming facility in 2022, which corresponds to a fish stock of approximately 900 tonnes. This corresponds to production equal to full capacity in the first fish farming facility of about 3,200 tonnes of round fish per year.

As a next step, the Company aims to increase the value of its products by further processing the fish as consumer products, and to invest in sales and marketing to build up effective product distribution, as well as to build its own brand to increase awareness of the Company and its products among customers and consumers.

Land-based farming based on RAS technology is growing globally with significant investments in production capacity in different parts of the world, Fifax is one of the pioneers in the sector, and has built up valuable specialist know-how in the establishment, operation and maintenance of an RAS facility. When the current production facility reaches full capacity, the Company is planning to expand its operations by investing in additional capacity. This expansion also offers certain operational advantages through economies of scale. The Company also intends to commercialise the specialist know-how it possesses in recirculation technology and RAS facility operations on the international market.

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[1] Source: Natural Resources Institute Finland (Luke) – Luken meri- ja sisävesien ammattikalastusta, vesiviljelyn tuotantoa, kalan jalostusta ja ulkomaankauppaa koskevat tilastot.

[2] Research Institutes of Sweden (RISE), 2017

[3] Kantar TNS Agri (2019). n=1014

Risks and Uncertainties

The most significant source of uncertainty continues to be the access to working capital until full, sustained production and profitability are achieved. Further financing is going to be required to implement a strategic expansion of production capacity once the current capacity is fully utilised. Our management and board are continuously looking to secure future financing needs; however, there are uncertainties attached to this despite the attractive future prospects for the business.

Aquaculture presents inherent operational risks. Any problems arising in any part of the production chain can have consequences in other parts of the chain. Operations are optimised through the continuous monitoring (24/7) of the production environment, water quality, fish health and the development of the fish stock. Factors such as feed conversion, actual growth, and mortality rate impact potential profitability to a significant degree. Uneven production and potential quality problems in delivered fish can lead to a loss of confidence in the Company’s supply chain and financial losses.

Market trends affect both demand and prices that can be obtained for our fish, which in turn affects the conditions for profitability. However, the Company believes demand for sustainably farmed, locally produced fish is very strong and will remain strong.

Environmental risks relate to water treatment and the potential for uncontrolled discharges. Fifax has a high recirculation ratio for water within the facility, and the efficient water treatment results in insignificant emissions. All waste generated at the facility is recycled and handled through established processes by third parties. The environmental impact is not currently at a level that requires an environmental permit. During the year, 2,544 m^3 of compostable sludge waste was transported from the Eckerö facility. Future solutions for a more productive use of side streams from production are being evaluated.

The geopolitical uncertainties arising from Russia's attack on Ukraine as well as the sanctions imposed following the attack have no direct effect on Fifax which runs its operations in Eckerö and serves customers in Finland and Sweden, using raw material and supplies sourced from the Nordics and Western Europe. The increasing focus on the security of supply will possibly boost the demand for domestic food products; in the long term, which may have a positive impact on Fifax.

Management assesses that, the uncertainties will have an indirect impact on Fifax through the development of market prices for energy, feed and other raw materials as well as the development of market prices for salmon. Moreover, the rapid price fluctuations in the market also constitute a risk that at times the higher prices are not fully being reflected in the selling prices in the short run. The uncertainties are also presumed to affect the Company's funding and the expansion plans.

Annual General Meetings

At the Extraordinary General Meeting of 26 February 2021, two new members of the Board of Directors, Panu Routila and Robin Blomqvist, were elected. Eduard Paulig, Ulf Toivonen and Rolf Karlsson continued as board members. Pentti Kulmala, Bo-Sture Sjölund and Björn Geelnard resigned from the board. Samppa Ruohtula also ceased to be a deputy member of the Board. The Extraordinary General Meeting also resolved that the Company’s shares should be registered in the book-entry system.

On 10 May 2021, the Annual General Meeting resolved to redeem and cancel 47,406,260 shares without consideration in relation to shareholdings. After the cancellation, the number of shares was 11,851,507. The Annual General Meeting adopted the income statement and balance sheet for the 2020 financial year, resolved not to pay a dividend from earnings distributable for dividends, discharge the board and chief executive officer from liability, and set remuneration to the Company's auditors (according to auditor's reasonable invoicing) and board members (monthly remuneration of EUR 3,000 for the chair, and EUR 1,500 each for other members in the event the Company is listed on the First North). In addition, PricewaterhouseCoopers Oy, Authorised Public Accountants, were re-elected as the Company's auditors, with Merja Lindh, APA, as the auditor with principal responsibility.

The Extraordinary General Meeting of 21 May 2021 resolved to seek the planned listing on the First North. It was resolved to change the legal form of the Company to a public limited company, it was resolved to change the name of the Company to Fifax Abp (with a parallel company name in Finnish Fifax Oyj and in English Fifax Plc) and it was resolved to change the Articles of Association to also correspond in general to the requirements for a First North company (including the removal of the redemption clause in the Articles of Association, conditional on the First North listing being realised). The Company share capital was increased to EUR 80,000 via a transfer from the reserve for invested unrestricted equity.

The board was mandated at the Extraordinary General Meeting of 21 May 2021, to resolve on a share issue, including a directed issue to the public, institutional investors, and Company personnel and management of a total not exceeding 17,000,000 shares in association with a First North listing (Initial Public Offering). As part of the IPO, shares could be offered to employees and management at a lower subscription price than the price offered to other investors. The mandate was resolved to be in force until the following General Meeting of shareholders, however no longer than until 21 November 2022, and also to covered other resolutions to realise the First North listing. 6,005,684 shares have been issued in a directed public issue and 44,316 to employees and management in association with the Company's First North listing as resolved by the board of directors on 15 October 2021.

The board was mandated at the Extraordinary General Meeting of 21 May 2021 to resolve on a share incentive programme for Company executives and key persons. The incentive programme can include a maximum 115,000 shares in the Company. The mandate is in force until further notice.

The board was mandated to resolve on a directed issue to holders of convertible loan notes of a maximum 7,000,000 shares at the Extraordinary General Meeting of 21 May 2021 and a further maximum 2,500,000 shares at the Extraordinary General Meeting of 17 September 2021. A total of 8,004,661 shares were issued in a directed share issue to holders of convertible loan notes in connection with the Company's Nasdaq First North listing, which was resolved by the Company board on 15 October 2021. The mandate to issue a maximum 7,000,000 shares was utilised in its entirety, and the mandate to issue a maximum 2,500,000 shares was utilised to issue 1,004,661 shares. The remaining mandate is in force until the end of the next General Meeting of shareholders, however no longer than until 21 November 2022.

At the Extraordinary General Meeting on 17 September 2021, the Board was mandated to resolve on the acquisition of a maximum of 3,000,000 of the Company's own shares, of which 150,000 shares have been acquired as a measure of stabilisation in connection with the listing (at the IPO price of EUR 2.55 per share). At any one time, the Company may hold no more than 10% of the shares. The mandate remains in force until the end of the next Annual General Meeting, however, no longer than until 21 November 2022.

At the Extraordinary General Meeting of 17 September 2021, the board was mandated for the issue of shares and issue of specific rights in accordance with Chapter 10, Section 1 of the Companies Act (e.g., options) in one or several lots. The total number of shares that can be issued under the mandate to the board is 3,000,000 shares. The mandate also includes a directed issue. The mandate applies to the allocation of new and existing shares held by the Company. The mandate remains in force until the end of the next Annual General Meeting, however, no longer than until 21 November 2022.

Shares and Shareholders

FIRST NORTH-LISTING

In October, Fifax was listed on Nasdaq First North Growth Market Finland. This listing is an important milestone in our growth strategy and creates greater opportunities for more and more people to enjoy sustainably farmed fish from Fifax. The listing was prepared early in the year when the legal form of the Company was changed to a public limited company and the board was mandated to drive the process forward at the Extraordinary General Meeting of 21 May 2021; see more about the resolutions in the section on Annual General Meetings.

In September, Fifax announced the planned Nasdaq First North issue and listing on the Nasdaq First North Growth Market Finland. In September, the company's prospectus was approved by the Finnish Financial Supervisory Authority and published at the end of the same month. The anchor investors comprised Aurator Asset Management Ltd, FV Group AB, Holdix Oy Ab, Oy Etrisk Ab, Finnish Industry Investment Ltd, Säästöpankki Ympäristö –erikoissijoitusrahasto, Turret Oy Ab and Aaland Mutual Insurance Company. The issue and listing were completed in October and trading began on 25 October 2021.

Fifax raised a total of EUR 15.4 million in new capital in connection with the initial public offer and the employee share issue. The public offer was for 6,005,684 shares at a price of EUR 2.55 per share, the employee issue was for 44,316 shares at a price of EUR 2.30 per share, which together amounted to a total of 6,050,000 shares issued. An additional 8,004,661 shares were issued in connection with the listing to holders of convertible loans. The convertible loans converted amounted to EUR 16.1 million plus accrued interest of EUR 1.0 million; for further details, see note on *Equity,* page 26. Financial expenses attributable to the Nasdaq First North listing amounted to EUR 2.1 million.

The capital from the First North listing will enable Fifax to accelerate its growth strategy for the existing facility and initiate the expansion of production capacity for rainbow trout.

SHARES

The Company has a single series of shares, and each share entitles the holder to one vote at a general meeting of shareholders. The shares have been issued in accordance with Finnish law and are registered in the Finnish securities system that is maintained by Euroclear Finland Oy. All Fifax shares have equal rights to dividends and other distributions of Company assets.

The total number of outstanding shares on 31 December 2021 was 25,756,168; for more information on the number of shares, please see the note on *Equity,* page 26.

The Company held 150,000 of its own shares on 31 December 2021, 0.6% of the total number of shares, that were acquired at a cost of EUR 382,500 for the purpose of stabilisation in association with the listing.

TRADING IN THE SHARES

Company shares are listed on the Nasdaq Helsinki First North Growth Market Finland and were first traded on 25 October 2021. On the first day of trading, 235,015 shares were traded and the closing price for the day was EUR 1.920.

From 25 October to 30 December 2021, 25,585 shares were traded on average each trading day, and the average closing price was EUR 1.491 per share, with a high of 1.920 and low of 1.275.

On the last trading day in the financial period, 30 December 2021, the closing price was EUR 1.295.

As on 31 December 2021, the Company had a market capitalisation of EUR 33.5 million.

SHAREHOLDERS

Fifax had 25,906,168 shares and 1,182 shareholders on 31 December 2021, including nominee-registered shares. The Company held 150,000 of its own shares on 31 December 2021. The Company's shares are registered with a notary service. Information about shareholders is based on information from Euroclear Finland Oy.

TEN LARGEST SHAREHOLDERS AS AT 31.12.2021

Shareholder	Ownership 31.12.2021	Share of total
FV Group AB	5 031 036	19,4 %
Finnish Industry Investment Ltd	3 708 400	14,3 %
Holdix Oy Ab	2 988 270	11,5 %
Oy Etrisk Ab	2 055 516	7,9 %
Aaland Mutual Insurance Company	1 357 351	5,2 %
Turret Oy Ab	975 081	3,8 %
Varma Mutual Pension Insurance Company	800 000	3,1 %
Helmet Capital Oy Ab	564 292	2,2 %
Ahlstrom Invest B.V	537 559	2,1 %
Veritas Pension Insurance Company Ltd.	382 164	1,5 %
The ten largest shareholders total	**18 399 669**	**71,0 %**
Nominee registered shares	881 180	3,4 %
Others	6 625 319	25,6 %
Total	**25 906 168**	**100 %**

For information on the largest shareholders, please see the company website www.fifax.ax.

DISTRIBUTION AS AT 31.12.2021

Number of shares	Number of shareholders	Number of shares	Share of total
1-100	163	8 297	0,03 %
101-1 000	711	349 453	1,35 %
1 001 - 10 000	205	716 407	2,77 %
10 001 - 100 000	73	2 256 579	8,71 %
100 001 - 1 000 000	25	7 434 859	28,7 %
over 1000 000	5	15 140 573	58,4 %
Total	**1 182**	**25 906 168**	**100 %**

Board, Management and Auditor

BOARD OF DIRECTORS AND CEO

The Board of Directors comprises Panu Routila, Robin Blomqvist, Eduard Paulig, Ulf Toivonen and Rolf Karlsson as of 26 February 2021. Panu Routila was elected chair by the board on 1 March 2021.

Samppa Ruohtula is the CEO of the Company.

On 31 December 2021, the CEO and directors held, directly or through companies under their control, a combined total of 5,386,976 shares in Fifax Plc (20.8% of all shares and votes).

MANAGEMENT TEAM

On 1 February 2021, Niclas Jansson was hired and appointed to the management group as Production Manager with responsibility for production facility management and customer deliveries, and Linda Lindroos joined as Chief Financial Officer on 17 May 2021.

Name	Position
Samppa Ruohtula	Chief Executive Officer
Linda Lindroos	Chief Financial Officer
Eevertti Vetriö	Fish master
Niclas Jansson	Production Officer
Tommy Andersson	Technical Manager
Kimmo Jalo	Chief Technology Officer

Fifax's related parties include members of the Company's Board of Directors, the CEO, and members of the management team, as well as their close family members and entities within their control. For more information on transactions with related parties, please see notes to the financial statements on page 31

AUDITOR

The Company auditors are accountants PricewaterhouseCoopers Oy, Authorised Public Accountants, with Merja Lindh Authorised Public Accountant, as the auditor with principal responsibility.

For more information on fees, please see notes to the financial statements on page 23.

Significant events after the period

- In January, Jarkko Alho was appointed Commercial Director and a new member of the management group. Alho is responsible for commercialisation, sales and marketing for Fifax. Also in January, a marketing and branding agency was commissioned to support branding and marketing work.
- The active phase of the ASC certification process has been completed and certification was received on 21 February 2022.
- As on 23 March 2022, deliveries of 58 tonnes of smolt have been received, further batches are planned for delivery later during the year.
- After the end of the financial year, management has renegotiated the payment plan for the outstanding loans with its current loan provider. According to the agreement, the final instalment will fall due on 1 April 2023.
- Negotiations on financing solutions for the expansion and refinancing of current loans with current lenders and potential new loan providers and financiers continue.

The Board's Proposal for the Use of Distributable Funds

Distributable funds amount to EUR 23,246,709.83 of which losses for the financial year amount to EUR -13,687,020.71. The board proposes to the Annual General Meeting that the loss for the financial year be transferred to the account for retained earnings and that no funds be distributed from distributable shareholders' equity.

Annual General Meeting

The following Annual General Meeting of Fifax Plc will convene at 10.00 am on Wednesday 20 April 2022. The meeting will be summoned by the Board of Directors of Fifax Plc.

Publication of Financial Information during 2022

The Company will publish a six-month interim report for the first six months of the year, and a year-end report and financial statements for the financial year that is the calendar year.

The interim report will be published on 25 August 2022.

The financial statements and annual report for the year 2021 and interim report for the first six months of 2022, will be published through a company announcement and on the company website www.fifax.ax.

Certified Advisor

Certified advisor is Aktia Alexander Corporate Finance Oy, +358 50 520 4098

Income Statement

euro	Note	1 January - 31 December 2021	1 January - 31 December 2020
REVENUE		**1 004 295,39**	**1 241 616,74**
Other operational income	**1**	**496 886,00**	**-**
Materials and services			
Materials			
Purchases during the financial year		- 4 403 079,41	- 3 022 823,69
Change in inventories		- 261 154,93	- 256 019,20
Purchased services		- 446 103,92 [1]	- 451 835,03 [1]
Total materials and services		**- 5 110 338,26**	**- 3 730 677,92**
Personnel expenses			
Wages and salaries		- 1 588 741,93	- 1 168 218,26
Social security expenses			
Pension expenses		- 234 685,29	- 176 167,45
Other social security expenses		- 51 950,71	- 37 013,10
Total personnel expenses		**- 1 875 377,93**	**- 1 381 398,81**
Depreciation and amortisation			
Depreciation according to plan		- 1 552 425,67	- 1 150 420,48
Total depreciation and amortisation		**- 1 552 425,67**	**- 1 150 420,48**
Other operating expenses	**2**	**- 2 784 649,64**	**- 2 269 397,81** [1]
OPERATING RESULT		**- 9 821 610,11**	**- 7 290 278,28**
Financial income and expenses			
Other interest and financial income			
From others		91,06	40,88
Interest and other financial expenses			
To others		- 3 865 501,66	- 1 104 751,06
Total financial income and expenses		**- 3 865 410,60**	**- 1 104 710,18**
LOSS BEFORE APPROPRIATIONS AND TAXES		**- 13 687 020,71**	**- 8 394 988,46**
RESULT FOR THE FINANCIAL PERIOD		**- 13 687 020,71**	**- 8 394 988,46**

Balance Sheet

euro	Note	31 December 2021	31 December 2020
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	3		
Land and water areas		145 918,47	92 336,00
Buildings and structures		10 717 109,70	10 681 608,23
Machinery and equipment		8 273 754,87	8 742 241,66
Other tangible assets		416 788,66	436 058,94
Construction in progress		58 102,07	258 527,02
Total tangible assets		**19 611 673,77**	**20 210 771,85**
Investments	4		
Shares in group companies		10 000,00	-
Total investments		**10 000,00**	**-**
TOTAL NON-CURRENT ASSETS		**19 621 673,77**	**20 210 771,85**
CURRENT ASSETS			
Inventories			
Materials and supplies		138 267,00	112 371,00
Other inventories		923 646,07	1 210 697,00
Total inventories		**1 061 913,07**	**1 323 068,00**
Receivables	5		
Long-term receivables			
Other receivables		269 569,48	263 677,00
Total long-term receivables		**269 569,48**	**263 677,00**
Short-term receivables			
Accounts receivables		48 408,00	12 352,80
Other receivables		512 126,48	53 230,50
Prepayments and accrued income		291 122,19	156 784,03
Total short-term receivables		**851 656,67**	**222 367,33**
Total receivables		**1 121 226,15**	**486 044,33**
Cash and cash equivalents		**9 418 486,23**	**5 181 730,50**
TOTAL CURRENT ASSETS		**11 601 625,45**	**6 990 842,83**
TOTAL ASSETS		**31 223 299,22**	**27 201 614,68**

FIFAX

Balance Sheet

euro	Note	31 December 2021	31 December 2020
EQUITY & LIABILITIES			
EQUITY			
Share capital	**6**	80 000,00	4 800,00
Reserve for invested unrestricted equity		66 844 556,74	34 755 569,00
Retained earnings (-loss)		- 29 910 826,20	- 21 515 837,74
Result for the financial period		- 13 687 020,71	- 8 394 988,46
TOTAL EQUITY		**23 326 709,83**	**4 849 542,80**
LIABILITIES			
Non-current liabilities	**7**		
Capital loan		-	200 031,00
Convertible loans		-	12 173 081,33
Total non-current liabilities		**-**	**12 373 112,33**
Current liabilities	**8**		
Loans from financial institutions		5 851 609,01	7 508 519,01
Accounts payable		782 997,75	985 225,14
Other liabilities		177 420,08	447 157,51
Accruals and deferred income		1 084 562,55	1 038 057,89
Total current liabilities		**7 896 589,39**	**9 978 959,55**
TOTAL LIABILITIES		**7 896 589,39**	**22 352 071,88**
TOTAL EQUITY & LIABILITIES		**31 223 299,22**	**27 201 614,68**

Cash Flow Statement

euro	1.1.-31.12.2021	1.1.-31.12.2020
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/loss before appropriations and taxes	- 13 687 020,71	- 8 394 988,46
Adjustments (+/–):		
Depreciation and amortisation according to plan	1 552 425,67	1 150 420,48
Financial income and expenses	3 865 410,60	1 104 710,18
Cash flow before change in working capital	- 8 269 184,44	- 6 139 857,80
Changes in working capital:		
Change in trade and other receivables	- 635 181,82	116 950,20
Change in inventories	261 154,93	256 019,20
Change in trade and other payables	47 097,19	- 368 279,85
Cash flow from operating activities before financial items and taxes	- 8 596 114,14	- 6 135 168,25
Interest paid and other financial expenses	- 1 030 419,97	- 768 566,83
Net cash flow from operating activities (A)	**- 9 626 534,11**	**- 6 903 735,08**
CASH FLOW FROM INVESTMENTS		
Investments in intangible and tangible assets (-)	- 953 327,59	- 725 597,07
Grants received for investments	-	168 420,88
Investments in subsidiary companies (-)	- 10 000,00	-
Net cash flow from investments (B)	**- 963 327,59**	**- 557 176,19**
CASH FLOW FROM FINANCING ACTIVITIES		
Paid-in equity increase	15 416 421,00	970 747,67
Purchase of own shares (-)	- 382 500,00	-
Proceeds from short-term loans	2 000 000,00	-
Repayments of short-term loans (-)	- 3 926 071,01	- 638 154,45
Proceeds from convertible loans	3 770 141,96	11 774 076,02
First North listing expenses (-)	- 2 051 374,52	-
Net cash flow from financing activities (C)	**14 826 617,43**	**12 106 669,24**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C)	**4 236 755,73**	**4 645 757,97**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	**5 181 730,50**	**535 972,53**
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	**9 418 486,23**	**5 181 730,50**

Notes to the Financial Statements

General Accounting Principles

The financial statements have been prepared on an accrual basis, in accordance with the going concern principle and by observing prudence irrespective of the results of the financial year. The financial statements have been prepared in accordance with laws and regulations governing the preparation of financial statements in Finland. The financial statements are presented in EUR.

Change to Previously Approved Financial Statements

CHANGE IN PRESENTATION OF THE INCOME STATEMENT COMPARED TO THE 2020 FINANCIAL STATEMENTS

The presentation for the cost of sales freight in the income statement has been changed. In the adopted financial statements of 2020, these costs were presented as part of other operating expenses. As sales freight costs are dependent on sales volumes and part of direct sales costs for the fish, presenting this cost item under costs for services was considered to better represent the nature of these costs. The change reduces other operating expenses for the period 1 January – 31 December 2020 by EUR 65,022.19 and increases the costs for external services by the same amount.

The Measurement and Recognition Principles of the Financial Statements

REVENUE RECOGNITION

The Company recognises its revenue in accordance with the accrual principle. Indirect taxes and discounts on sales are deducted from sales revenue. Sales revenue consists of fish deliveries and is recognised as revenue upon delivery to the customer.

TANGIBLE AND INTANGIBLE ASSETS

Intangible and tangible assets have been recorded on the balance sheet at acquisition cost less amortisations and depreciation. Acquisition costs include variable costs for procurement and production of the assets. This also includes indirect costs in the form of capitalised interest allocated to the cost of acquisition. Investment grants have been recorded as deductions from the acquisition cost.

The Company has not capitalised any development expenses in 2021. Earlier development expenditure was related to development and improvement of the production process.

The straight-line method is primarily used to calculate depreciation based on the useful life of assets. Amortisation and depreciation start from the month the asset has been taken into use.

Depreciation and amortisation periods are:

Development expenditure	5 years	Straight-line
Buildings and structures	25 years	Straight-line
Machinery and equipment	25 %	Based on residual value
Production machinery	10 years	Straight-line
Other tangible assets	25 years	Straight-line

VALUATION OF INVENTORIES

Materials and supplies primarily consist of fish feed and chemicals for water purification. Materials and supplies are recognised in the balance sheet at acquisition cost or a lower replacement value.

Other inventories consist of the fish stock at the balance sheet date. The fish stock is recognised on the balance sheet according to the FIFO principle at the lower of acquisition cost or probable sales value,. Acquisition cost for the fish stock is based on a biomass calculation that consists of the direct variable costs for acquisition and farming of fish, i.e., costs of eggs, feed, oxygen, chemicals and electricity required for maintaining the production environment and the water purification process. The biomass calculation is based on estimated feed consumption and growth coefficients published by the industry. This calculation is monitored and adjusted using data from our own production.

DEFERRED TAX ASSETS

Deferred tax assets have been calculated from the temporary differences between the taxation and the financial statements by using the tax rate for the future years as determined on the balance sheet date. In accordance with the prudence principle, the Company has not included in the balance sheet any deferred tax assets arising from the tax losses carried forward or the tax losses yet to be confirmed for the financial period. The amount of the unrecognised deferred tax assets is presented in note 4.4.

RECEIVABLES, FINANCIAL ASSETS AND LIABILITIES

Receivables are included in the balance sheet at nominal value or the lower probable value. Liabilities are measured at nominal value. Receivables and liabilities that fall due for payment within twelve months are presented as short-term. Receivables and liabilities that fall due for payment more than twelve months are presented as long-term. The Company had no long-term loans at the end of the financial year; please see note 6 for more information.

Going Concern and Financing

Fifax's management has assessed the Company's ability to continue its operations as a going concern for the foreseeable future. In the financial year 2021, the Company has further developed the production process and its efficiency, as well as made certain additional investments through acquisition of smolt to even out the production of ready-to-slaughter fish stock. In addition, the Company increased its sales to key wholesalers, fish processors and retail chains.

However, partly due to the incident in May, for the financial period ending 31 December 2021, the Company made a loss of EUR 13.7 million, while shareholders' equity totalled EUR 23.3 million. Cash flow from operating activities for the financial year was a negative EUR 9.6 million in total and cash flow for investment activities was EUR 10 million in total. The Company's current liabilities at the end of the financial period totalled EUR 7.9 million. Short-term receivables, including cash and cash equivalents, totalled EUR 11.6 million.

During the financial period, the company has secured its continued operations and as a going concern by taking the following measures:

- In May, the Company renegotiated its payment plan for loans of EUR 5.9 million as of 31 December 2021 from financial institutions; this loan capital was agreed to fall due for payment within 12 months at the balance sheet date.
- The Company raised EUR 1.0 million in May from shareholders and a EUR 1.0 million loan from a financial institution; these loans have been amortised in full in association with the listing on the First North.
- The Company raised EUR 3.7 million in equity termed capital loans in June and September to supplement its shareholders' equity; the loans have since been converted in their entirety to unrestricted shareholders' equity in association with the listing on the First North.
- In October, the Company raised a total of EUR 15.4 million in cash and cash equivalents through the listing issue in connection to the IPO on the First North and at the same time, converted all convertible loans and interest of EUR 17.1 million, which significantly strengthened the Company's equity ratio.

After the end of the financial year, management has renegotiated the payment plan for the outstanding loans with its current loan provider. According to the agreement, the final instalment will fall due on 1 April 2023, which improves the Company's financial position. After this the payment plan for the loans have to be renegotiated. The postponement enables Fifax to continue the efforts to scale up the operations to full-scale, which will create a firmer basis for negotiating the future financing for the continued operations and expansion of the business.

Management concludes that there is clear interest in the Company's operations that fall within the parameters of sustainable development and for the further development and expansion of the business. Furthermore, the Initial Public Offering in 2021 strengthened the equity by EUR 32.5 million, resulting in an equity ratio of 75% at year-end and improving the Company's financial position. Management assesses therefore that the Company is very well positioned to secure the financing it needs to implement its plans for expanding the business. Therefore, the financial statements are prepared in accordance with the principle of going concern

The Company's management has compiled a financial forecast for the Company's future revenue, costs, and the need for investment over the foreseeable future. The forecast is based on the assumption that Fifax Plc will continue operating at the scale of the current production capacity and will concentrate its efforts on developing the production process, reaching full capacity utilisation, and achieving a commercial sales level. These measures will require additional investments to further optimise the production process and purchase smolt, as well as feed for the increased fish stock. The uncertainties of the forecast arise as sales have not yet reached a long-term commercial level, and as a result of the current geopolitical situation which gives rise to uncertainty in the development of operational costs.

As there are uncertainties related to the future cash flow, and as no binding commitments for additional financing or postponement of current loans past 1 April 2023 have been obtained at the time of publishing of the financial statements, these circumstances combined indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Notes to the Income Statement

1. OTHER OPERATING INCOME

Other operating income in 2021 consists of EUR 496,886.00 in settlement of insurance claims related to the oxygen incident in May. Costs related to the oxygen incident are primarily included in materials and services.

2. OTHER OPERATING EXPENSES

	2021	2020
Premises and maintenance	928 375,76	973 269,16
Machinery, equipment, rentals and maintenance	842 963,85	811 711,32
Purchased administration services	458 873,79	219 820,74
Travel, sales and marketing	284 449,32	70 539,45
Other operating expenses	269 986,92	194 057,14
Total	**2 784 649,64**	**2 269 397,81**

Presentation of sales freight costs has been adjusted in the Income Statement. The change reduces other operating expenses for the period 1 January – 31 December 2020 by EUR 65,022.19 and increases costs for external services by the same amount, see note *Change to Previously Approved Financial Statements,* page 20.

2.1 AUDITORS' FEES

	2021	2020
PricewaterhouseCoopers Oy		
Audit	40 206,81	23 789,00
Actions referred to in section 1.1 § 1,2 of the Auditing Act	10 574,00	0,00
Tax consulting services	16 446,90	0,00
Other services	377 499,22	23 875,97
Total	**444 726,93**	**47 664,97**
KPMG Oy		
Other services	0,00	30 000,00
Total	**0,00**	**30 000,00**

Notes to the Balance Sheet

3. TANGIBLE ASSETS

	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress
Acquisition cost as at 1 Jan 2021	13 029 100,35	13 312 212,07	493 259,65	258 527,02
Investment grants as at 1 Jan 2021	-1 655 694,88	-1 797 183,77	0,00	0,00
Transfer from construction in progress	238 996,02	0,00	0,00	-238 996,02
Additions	146 526,78	714 647,27	0,00	38 571,07
Acquisition cost as at 31 Dec 2021	**11 758 928,27**	**12 229 675,57**	**493 259,65**	**58 102,07**
Acc. depreciation as at 1 Jan 2021	691 797,24	2 772 786,64	57 200,71	0,00
Depreciation during the period	350 021,33	1 183 134,06	19 270,28	0,00
Acc. depreciation as at 31 Dec 2021	**1 041 818,57**	**3 955 920,70**	**76 470,99**	**0,00**
Book value as at 31 Dec 2021	**10 717 109,70**	**8 273 754,87**	**416 788,66**	**58 102,07**

	Buildings and structures	Machinery and equipment	Other tangible assets	Construction in progress
Acquisition cost at 1 Jan 2020	8 670 055,75	11 231 793,54	493 259,65	5 972 393,08
Investment grants as at 1 Jan 2020	-1 487 274,00	-1 797 183,77	0,00	0,00
Transfer from construction in progress	4 359 044,60	2 055 852,17	0,00	-6 414 896,47
Additions	0,00	24 566,36	0,00	701 030,41
Investment grants received	-168 420,88	0,00	0,00	0,00
Acquisitions cost as at 31 Dec 2020	**11 373 405,47**	**11 515 028,30**	**493 259,65**	**258 527,02**
Acc. depreciation as at 1 Jan 2020	524 519,22	1 847 346,08	37 929,31	0,00
Depreciation during the period	167 278,02	925 440,56	19 271,40	0,00
Acc. depreciation as at 31 Dec 2020	**691 797,24**	**2 772 786,64**	**57 200,71**	**0,00**
Book value as at 31 Dec 2020	**10 681 608,23**	**8 742 241,66**	**436 058,94**	**258 527,02**

The Company owns the property (land area) on which the production facility is built; in 2021 the Company also acquired the adjacent land area which previously has been leased from the municipality.

The property where the production facility is built is leased to an external property company, that owns the building. The Company leases the building and land from the property company.

The rent for the production facility is accounted for as an operative lease and is therefore not capitalised on the balance sheet. *Buildings and structures* on the balance sheet include integrated parts of the production facility, fish tanks, water treatment plant etc. that are owned by Fifax.

3.1 CAPITALISED INTEREST EXPENSES

	31 Dec 2021	31 Dec 2020
Remaining book value of capitalised interest expenses	1 123 332,03	1 176 824,03

Capitalised interest expenses have been incurred during the construction period and are included on the balance sheet under acquisition costs for buildings. Capitalised interest expenses are depreciated in line with depreciation for buildings.

4. SHARES IN GROUP COMPANIES

Name, domicile	Financial year end	Ownership %	Equity	Result for the financial Period
Fifax Fastighets Ab, Eckerö	31.12.2021	100 %	10 000,00	- 340,89

A subsidiary company was founded in 2021 but had not yet become operational. Fifax has utilised the exemption according to the Accounting Act Chapter 6, Section 1 that allows exemption from the requirement to prepare consolidated financial statements as long as a true and fair view of the financial performance and position of the group, is not jeopardised by not preparing consolidated financial statements.

5. RECEIVABLES

5.1 NON-CURRENT RECEIVABLES

	31 Dec 2021	31 Dec 2020
Paid-in rent deposits	269 569,48	263 677,00
Total	**269 569,48**	**263 677,00**

Paid-in rent deposits related to rental agreements for the production building, EUR 263,677 and the office premises in Helsinki, EUR 5,892.48.

5.2 OTHER RECEIVABLES

	31 Dec 2021	31 Dec 2020
VAT receivables	487 011,04	0,00
Prepaid borrowing expenses	0,00	28 116,06
Other advance payments	25 115,44	25 114,44
Total	**512 126,48**	**53 230,50**

5.3 PREPAYMENTS AND ACCRUED INCOME

	31 Dec 2021	31 Dec 2020
Accrued interest	0,00	15 082,50
Prepayments other accrued income	291 122,19	141 701,53
Total	**291 122,19**	**156 784,03**

5.4 UNRECOGNISED DEFERRED TAX ASSETS

	31 Dec 2021	31 Dec 2020
Deferred tax assets for tax losses carried forward at 1 Jan	4 271 568,06	2 864 091,14
Deferred tax assets based on loss confirmed during the financial year	1 454 479,76	1 407 476,92
Total deferred tax assets at 31 Dec	**5 726 047,82**	**4 271 568,06**

To comply with the prudence principle, the Company has not recognised deferred tax assets on the balance sheet for taxable stated losses totalling EUR 28.6 million or for the losses that are to be stated for the 2021 financial year. Losses for the 2021 financial year are not accounted for in the table above. The first lot EUR 35,133.00 of the tax losses carried forward expire in 2023.

6. EQUITY

CHANGES IN EQUITY

	31 Dec 2021	31 Dec 2020
Share capital at 1 Jan.	4 800,00	4 800,00
Increase of share capital	75 200,00	0,00
Share capital as at 31 Dec	**80 000,00**	**4 800,00**
Restricted equity	**80 000,00**	**4 800,00**
Reserve for invested unrestricted equity at 1 Jan	34 755 569,00	33 784 821,33
Share issue	0,00	970 747,67
Increase of share capital	-75 200,00	0,00
Share issue, First North listing	32 546 688,74	0,00
Purchase of own shares	-382 500,00	0,00
Reserve for unrestricted equity as at 31 Dec	**66 844 557,74**	**34 755 569,00**
Retained earnings (loss) 1 Jan.	-21 515 837,74	-14 356 468,43
Prior year retained loss	-8 394 988,46	-7 159 369,31
Retained earnings (loss) 31 Dec	**-29 910 826,20**	**-21 515 837,74**
Result for the financial period	**-13 687 020,71**	**-8 394 988,46**
Unrestricted equity	**23 246 709,83**	**4 844 742,80**
Total equity	**23 326 709,83**	**4 849 542,80**

CHANGE IN NUMBER OF SHARES

	31 Dec 2021	31 Dec 2020
Number of registered shares 1 Jan.	59 257 767	43 257 767
Share issue	0	16 000 000
Redemption and cancellation of shares	-47 406 260	0
First North share issue	14 054 661	0
Number of registered shares 31 Dec	**25 906 168**	**59 257 767**
Of which own shares held 31 Dec	150 000	0
Number of outstanding shares 31 Dec	**25 756 168**	**59 257 767**

Share issue: The Extraordinary General Meeting of 8 November 2019 resolved to mandate the board to issue a maximum 16,000,000 shares. At its meeting on the same day, the board resolved to implement an issue against a consideration of EUR 0.25 per share. At the end of the financial year 31 December

2019, payments of EUR 3,029,252.33 had been received for this issue. During the 2020 financial year, the outstanding balance was paid, a total of EUR 970,747.67, i.e. EUR 4,000,000 in total. The issue was fully subscribed at time of completion on 28 January 2020.

Redemption and cancellation of shares: At the Annual General Meeting of 10 May 2021, it was resolved to redeem and cancel 47,406,260 shares from shareholders without compensation, in relation to their holding. After cancellation, the number of shares was 11,851,507.

First North listing issue: The IPO share issue includes the conversion of loans (directed issue), employee issue, and the public issue. A total of 14,054,661 shares were issued and shareholders' equity was increased by EUR 32,546,688.74:

- Capital loans of EUR 200,031.00 and accrued interest of EUR 74,312.60 were converted to 1,462,406 shares at an issue price of EUR 2.55 per share. Convertible loans of EUR 12,214,070.36 and accrued interest of EUR 953,688.85 were converted to 6,434,674 shares at 80% of the issue price, EUR 2.04 per share. In 2021, convertible loans received of EUR 3,729,152.96 were also converted into 107,581 shares at an issue price of 2.55 per share. The converted loans increased shareholders' equity by a total of EUR 17,130,266.74 and number of shares by a total of 8,004,661.
- In the public issue, 6,005,684 shares were issued at an issue price of 2.55, EUR 15,314,494.20. In the employee issue, 44,316 shares were issued at an issue price of 2.30, EUR 101,926.80. New capital raised through the public and employee issues totalled EUR 15,416,421.00.

In association with the listing on the First North, the Company acquired 150,000 shares as stabilising measures at the listing issue subscription price of EUR 2.55 per share, EUR 382,500 in total.

The Company's shares consist of one series of shares with equal rights. The Company's shares have no nominal value. All shares are fully paid. At the financial year end, 31 December 2021, 25,906,168 shares were registered in the Finnish Trade Register.

6.1 DISTRIBUTABLE FUNDS

	31 Dec 2021	31 Dec 2020
Unrestricted equity	23 246 709,83	4 844 742,80
Total	**23 246 709,83**	**4 844 742,80**

The distributable funds amount to EUR 23,246,709.83, of which the loss for the financial period amounts to EUR -13,687,020.71. The board proposes to the Annual General Meeting that the loss for the financial year be transferred to the account for retained earnings and that no funds be distributed from the unrestricted equity.

7. LONG-TERM LIABILITIES

	31 Dec 2021	31 Dec 2020
Capital loans	0,00	200 031,00
Convertible loans	0,00	12 173 081,33
Total	**0,00**	**12 373 112,33**

The capital loan and the convertible loans have been converted in their entirety to shares in association with the First North listing, see note 6.

8. SHORT-TERM LIABILITIES

8.1 LOANS FROM FINANCIAL INSTITUTIONS

	31 Dec 2021	31 Dec 2020
Loans from financial institutions	5 851 609,01	7 508 519,01
Total	**5 851 609,01**	**7 508 519,01**

According to the payment schedule as at the balance sheet date, the final instalment of loans from financial institutions was to fall due at the end of September 2021. The payment schedule has after the end of the financial year been renegotiated and the payment schedule have been prolonged until 1 April 2023. According to the loan terms and conditions, credit provider approval is required for the payment of dividends and other returns. The loan terms and conditions have been renegotiated during the loan period with regard to payment plan, interest and covenants. The loan terms and conditions require a minimum equity ratio of 30%. The equity ratio is calculated in accordance with the loan agreement as Shareholders' Equity/Balance sheet total. The equity ratio was 75% on 31 December 2021.

8.2 ACCOUNTS PAYABLES

	31 Dec 2021	31 Dec 2020
Accounts payables	782 997,75	985 225,14
Total	**782 997,75**	**985 225,14**

Accounts payable include disputed payables amounting to a total EUR 569,734.14 in both 2021 and 2020 as part of a claims case; see note *Ongoing Disputes* 30.

8.3 OTHER PAYABLES

	31 Dec 2021	31 Dec 2020
Deferred rent payments	25 458,78	294 619,29
Loans from shareholders	100 000,00	100 000,00
Other current payables	51 961,30	52 538,22
Total	**177 420,08**	**447 157,51**

The repayment of loans from shareholders requires the approval of the credit institutions. Such a loan can be converted wholly or in part, to share capital or an equity loan, at loan provider's request in accordance with the terms and conditions of a possible ongoing share issue.

8.4 ACCRUALS AND DEFERRED INCOME

	31 Dec 2021	31 Dec 2020
Accrued interest	542 974,77	746 371,11
Accrued personnel expenses	311 808,17	232 899,33
Other accrued expenses	229 779,61	58 787,45
Total	**1 084 562,55**	**1 038 057,89**

Accrued interest include EUR 496,449.45 previously accrued on capital loans that have been converted to shareholders' equity in prior periods. Interest does not accrue on this amount.

Collaterals and Commitments

LOANS FROM FINANCIAL INSTITUTIONS

	31 Dec 2021	31 Dec 2020
Loans from financial institutions	5 851 609,01	7 508 519,01
Total loans from financial institutions	**5 851 609,01**	**7 508 519,01**

GIVEN GUARANTEES

	31 Dec 2021	31 Dec 2020
Corporate mortgages	10 100 000,00	10 100 000,00
Real estate mortgages	10 133 600,00	10 133 600,00
Total guarantees	**20 233 600,00**	**20 233 600,00**

LEASE COMMITMENTS

	31 Dec 2021	31 Dec 2020
Amounts paid according to lease agreements		
Within the next financial year	146 865,12	265 012,16
After the next financial year	93 984,25	194 280,65
Total	**240 849,37**	**459 292,81**

RENTAL COMMITMENTS

	31 Dec 2021	31 Dec 2020
Amounts paid according to rental agreements		
Within the next financial year	790 404,00	785 652,00
After the next financial year	3 210 410,84	3 996 062,84
Total	**4 000 814,84**	**4 781 714,84**

PURCHASE COMMITMENTS OF SMOLT

	31 Dec 2021	31 Dec 2020
Amount paid according to purchase agreements		
Within the next financial year	757 339,00	0,00
Total	**757 339,00**	**0,00**

Lease and rental commitments are presented in the table above excluding VAT.

The Company has a long-term lease of 10 years for the production facility that will be renewed annually for one year at a time after this 10-year period. The notice period is six months. Notice to terminate the agreement cannot be given until 5 December 2024 at the earliest by Fifax Plc and 5 December 2041 by the lessor. The lease contains an option to purchase the production premises. After 10 years, Fifax Plc can purchase the production premises at acquisition cost plus the increase in the consumer price index for the Åland Islands at the time the option is exercised.

Long-term receivables on the balance sheet include a rent guarantee for the production premises of EUR 263,677.00 and 5,892.48 for the office premises in Helsinki.

REPAYMENT LIABILITY FOR INVESTMENT GRANTS RECEIVED

	31.12.2021	31.12.2020
Investment grants received; liability expires in 2021	0,00	1 050 000,00
Investment grants received; liability expires in 2025	2 402 878,15	2 402 878,15
Investment grants with repayment liability	**2 402 878,15**	**3 452 878,15**

Fifax Plc has received investment grants from the Government of Åland that have been co-financed by the European Maritime and Fisheries Fund. The grants contain various obligations and information on how repayment conditions can arise. Repayment conditions can arise if the Company within five years of the last received payment of an investment grant has been received, if Fifax would significantly change or cease its operations .

Ongoing Disputes

The long-term dispute with the business partner that supplied the RAS technology, concerning shortcomings in planning and technology supplied to the production facility, that have resulted in increased costs for Fifax, has not yet been resolved. Accounts payable at financial year end include disputed invoices from the business partner for a sum of EUR 484,966.95, and other suppliers in relation to the project, totalling EUR 569,734.14. In 2018, the board sought compensation of EUR 1.0 million and demanded that the products Fifax has already been invoiced for are to be delivered. The counterparty has rejected the proposal and in turn made a counter claim of EUR 0.7 million in total from Fifax. The board does not consider these claims justified. At the time of signing the financial statements, the parties have not reached an agreement.

The costs for legal advice have been expensed on an ongoing basis and no provisions have been made in the financial statements concerning the above disputes.

Notes Related to Employees and Related Parties

AVERAGE NUMBER OF EMPLOYEES

	2021	2020
Average number of employees	28	23
Total	**28**	**23**

REMUNERATION OF THE MANAGEMENT

	2021	2020
Remuneration of the board members	60 900,00	13 200,00
Salaries and benefits of the CEO	223 640,00	113 400,00
Salaries and benefits of the rest of the management team	327 758,83	222 316,89
Total	**612 298,83**	**348 916,89**

Pension and other salary related costs for management remuneration and fees in 2021 amounted to EUR 97,322 and 19,685 and in 2020 to EUR 53,616 and 9,660, respectively.

Salary and benefits to the CEO in the period includes a bonus tied to the First North listing; the bonus (net of tax) was used in its entirety to subscribe to Fifax shares in association with the listing.

The CEO's contract can be terminated with three months' notice from both parties. Were the Company to terminate the CEO's contract on other grounds than in the Finnish Employment Contracts Act (55/2001, as amended) defined grounds related to the employee personally, the CEO is entitled to compensation corresponding to three months' salary at the time of termination, including holiday pay, in addition to salary during the notice period. Were the CEO to be in gross breach of the liabilities of the CEO as defined in the service contract, the Company has the right to terminate the contract with immediate effect and without any specific payment liabilities and has the right to claim repayment of any possible notice period payments already made.

The Company does not have any supplementary pension schemes in place or insurance agreement concerning the CEO or other members of the management group.

TRANSACTIONS WITH RELATED PARTIES

Fifax's related parties include Company directors, the CEO, and members of the management team, as well as close family members of the aforementioned parties and companies within their control.

Salaries and fees paid to the board and management group are presented in the previous table.

During the financial year, the following transactions were made with related parties:

INCOME STATEMENT ITEMS

	2021	2020
Services purchased from related parties	199 569,53	211 416,13
Interest expenses	219 179,97	148 043,36

BALANCE SHEET ITEMS

	31 Dec 2021	31 Dec 2020
Convertible loans, capital loans and other loans	0,00	2 753 917,03
Accounts payables	0,00	32 958,00
Accruals and deferred income (accrued interest)	0,00	36 744,68

The table presents the total amount of external services that have been purchased in the financial year from companies in which related parties have control or significant influence. The Company has purchased consulting, administrative and project management services from related parties. The agreement terms and conditions for the services purchased correspond to transactions made with independent parties.

Signatures to the Financial Statements and Board of Directors’ Report

Mariehamn 23 March 2022

Panu Routila
Chair of the Board

Robin Blomqvist
Board member

Rolf Karlsson
Board member

Ulf Toivonen
Board member

Eduard Paulig
Board member

Samppa Ruohtula
Chief Executive Officer

The Auditor’s note

A report of the audit performed has been issued today

Helsinki 23 March 2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Merja Lindh
Authorised Public Accountant

Ledgers and Types of Records

FINANCIAL STATEMENTS

Financial statements and specifications

ACCOUNT REGISTER AND BALANCE SHEET

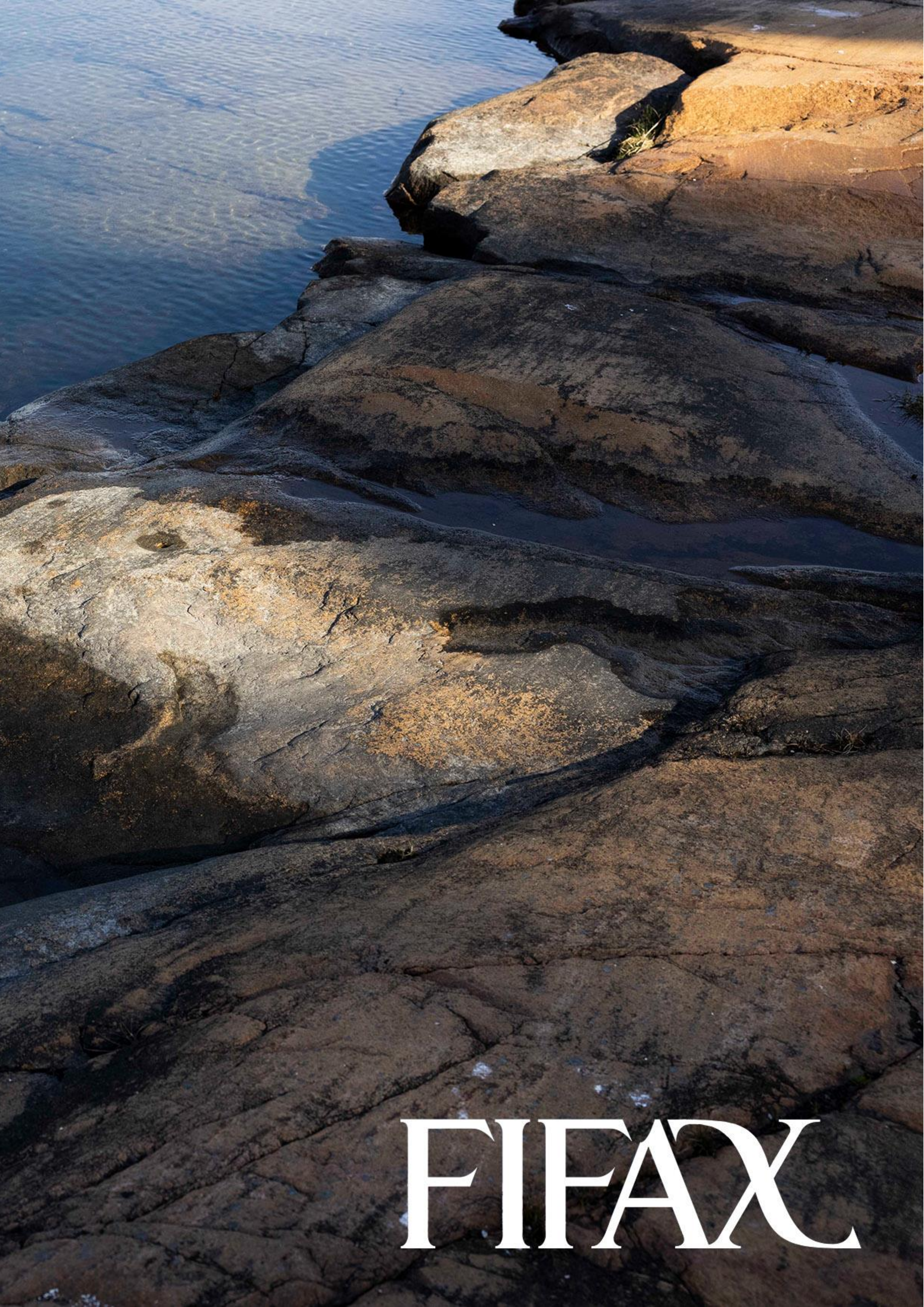
Income statement by account
Balance sheet by account
Chart of accounts

LEDGERS

General ledger
Payroll ledger

TYPES OF RECORDS

T Automatic document of financial statements	1 - 2
JK Accruals	1 - 171
AT Automatic document of system	1 - 12
KO Card purchase	1 - 20
KR Receipt scanner	1 - 3
MU Other	1 - 415
ML Customer invoice	1 - 214
MS Customer payment	1 - 165
OL Supplier invoice	1 - 1914
OS Supplier payment	1 - 1850
PT Bank	1 - 269
Pump Import transaction	1 - 5


FIFAX

Auditor's Report (Translation of the Swedish Original)

To the Annual General Meeting of Fifax Abp

Report on the Audit of the Financial Statements

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Fifax Abp (business identity code 2453290-9) for the financial period 1.1.-31.12.2021. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.

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

Independence

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material Uncertainty Related to Going Concern

We draw attention to the financial statements note *Going Concern and Financing* and the paragraph *Financing* in the Report of the Board of Directors, which describe the material uncertainties related to the company's future operations and financing. These circumstances together along with other matters described in note *Going Concern and Financing* and the paragraph *Financing* in the Report of the Board of Directors, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice 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 the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’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 the Board of Directors’ and the Managing Director’s use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance 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.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the CEO’s Review and the Report of the Board of Directors, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information.

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. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 23.3.2022

PricewaterhouseCoopers Oy
Authorised Public Accountants

Merja Lindh
Authorised Public Accountant (KHT)