

Atlantic Sapphire AS

Interim Financial Statements

June, 2018

**In accordance with
International Financial Reporting Standards**



**Statement by the Management and the Board of Directors
on the June, 2018 Interim Financial Statements**

The Management and the Board of Directors have today considered and approved the interim report of Atlantic Sapphire AS for the period 1 January 2018 to 30 June 2018. The interim report, which has not been audited or reviewed by the company's independent auditors, has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU disclosure requirements for listed companies. In our opinion, the accounting policies used are appropriate, and the interim report gives a true and fair view of the Group's financial positions at 30 June 2018, as well as the results of the Group activities and cash flows for the period 1 January 2018 to 30 June 2018. In our opinion, the management's review provides a true and fair presentation of the development in the Group operations and financial circumstances of the results for the period and of the overall financial position of the Group as well as a description of the most significant risks and elements of uncertainty facing the Group. Over and above the disclosures in the interim report, no changes in the Group's most significant risks and uncertainties have occurred relative to the disclosures in the annual report for 2017.

Vikebukt, 31 August 2018

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Johan E. Andreassen

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Johan E. Andreassen
Chairman of the Board and
Chief Executive Officer

DocuSigned by:

Bjørn-Vegard Løvik

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Bjørn-Vegard Løvik
Board member

DocuSigned by:

Henrik Krefting

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Henrik Krefting
Board member

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Bjørn Myrseth

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Bjørn Myrseth
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Andre Skarbø

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Alexander Reus
Board member

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Peter Allan Skou

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Peter Allan Skou
Board member

Consolidated income statement

		Period ended 30 June	
(NOK 1.000)	Note	2018	2017
Revenue	2	31	11 917
Other income		2	8
Revenue and other income		33	11 925
Cost of materials		82	13 430
Fair value adjustment on biological assets	3	-1 355	-
Salary and personnel costs		8 195	11 263
Other operating expenses		27 040	6 480
Depreciation and amortization	4	2 929	2 289
Operating loss		-36 858	-21 537
Financial income		5 036	219
Financial expenses		-16 011	-1 142
Financial income/(expenses) - net		-10 975	-923
Loss before income tax		-47 833	-22 460
Income tax expense		-	-
Loss for the period		-47 833	-22 460
Loss is attributable to:			
Owners of Atlantic Sapphire AS		-47 833	-21 445
Non-controlling interest		-	-1 015
		-47 833	-22 460
Earnings per share			
Basic earnings per share		-0,93	-0,92
Diluted earnings per share		-0,93	-0,92

Consolidated statement of comprehensive income

		Period ended 30 June	
(NOK 1.000)	Note	2018	2017
Loss for the year		-47 833	-22 460
Other comprehensive income (net of tax):			
Exchange difference on translation of foreign operations		-1 835	2 262
Total comprehensive income for the year		-49 668	-20 198
Total comprehensive income is attributable to:			
Owners of Atlantic Sapphire AS		-49 668	-19 179
Non-controlling interest		-	-1 019
		-49 668	-20 198

The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

(NOK 1.000)	Note	30.06.2018	31.12.2017
ASSETS			
Non-current assets			
Property, plant and equipment	4	626 987	294 305
Patents		611	282
Deferred tax asset		-	-
Investments in other companies		91	93
Trade and other receivables		363	2 194
Total non-current assets		628 052	296 874
Current assets			
Inventories		219	272
Biological assets	3	11 641	2 297
Trade and other receivables		16 476	13 664
Cash and cash equivalents		627 804	435 429
Total current assets		656 140	451 662
TOTAL ASSETS		1 284 192	748 536

(NOK 1.000)	Note	30.06.2018	31.12.2017
EQUITY AND LIABILITIES			
Equity			
Share capital	5	6 250	4 629
Share premium	5	1 317 984	749 213
Other equity		-135 983	-86 723
Total equity attributable to owners of the parent		1 188 251	667 119
Non-controlling interest		-	-
Total equity		1 188 251	667 119
Non-current liabilities			
Borrowings		7 501	7 665
Trade and other payables		266	-
Total non-current liabilities		7 767	7 665
Current liabilities			
Borrowings		3 395	3 500
Trade and other payables		84 779	70 252
Total current liabilities		88 174	73 752
Total liabilities		95 941	81 417
TOTAL EQUITY AND LIABILITIES		1 284 192	748 536

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(NOK 1.000)	Note	Attributable to the owners of the parent				Total equity	Non-controlling interest	Total equity
		Share capital	Share premium	Translation differences	Retained Earnings			
Balance at 1 January 2017		2 155	97 834	-1 208	-43 083	55 698	56	55 754
Loss for the period					-21 445	-21 445	-1 015	-22 460
Currency translation differences				2 266		2 266	-4	2 262
Contribution of equity net of transaction costs		357	93 592			93 949		93 949
Option program					5 095	5 095		5 095
Balance at 30 June 2017		2 512	191 426	1 058	-59 433	135 563	-963	134 600
Balance at 1 January 2018		4 629	749 213	6 614	-93 337	667 119	-	667 119
Loss for the period					-47 833	-47 833		-47 833
Currency translation differences				-1 835		-1 835		-1 835
Contribution of equity net of transaction costs	5	1 621	568 771			570 392		570 392
Option program					408	408		408
Balance at 30 June 2018		6 250	1 317 984	4 779	-140 762	1 188 251	-	1 188 251

The notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(NOK 1.000)	Note	Period ended 30 June	
		2018	2017
Cash flow from operating activities			
Loss before tax		-47 833	-22 460
<i>Adjustments for</i>			
Depreciation, amortization and net impairment losses	4	2 929	2 289
Non-cash - share based payments		408	5 095
Net loss on disposal of non-current assets		-	-
Net fair value adjustment on biological assets		-1 355	-
Net interest paid and received		5 148	863
Net exchange differences		-2 328	365
<i>Change in operating assets and liabilities</i>			
Inventories (and biomass at cost)		-8 112	12 330
Change in trade and other receivables		-1 245	-18 961
Change in trade and other payables		-7 210	-1 592
Interest received		1 535	6
Net cash outflow from operating activities		-58 063	-22 065
Cash flow from investing activities			
Payment for property, plant and equipment		-311 549	-42 121
Proceeds from sale of property, plant and equipment		-	-
Net cash outflow from investing activities		-311 549	-42 121
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	5	570 392	93 949
Proceeds from borrowings		869	-
Repayment of borrowings		-1 012	-7 008
Interest paid		-6 683	-869
Transactions with non-controlling interests		-	-
Net cash inflow from financing activities		563 566	86 072
Net increase/(decrease) in cash and cash equivalents		193 954	21 886
Cash and cash equivalents 1 January		435 429	8 372
Effects of exchange rate changes on cash and cash equivalents		-1 579	-174
Cash and cash equivalents 30 June		627 804	30 084

The notes are an integral part of these consolidated financial statements.

Notes to the financial statements

Note 1 - Summary of significant accounting policies

This consolidated interim financial report for the half-year reporting period ended 30 June 2018 has been prepared in accordance with International Financial Reporting Standards (IFRS), including the accounting standard IAS 34 Interim Financial Reporting.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by Atlantic Sapphire AS during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year, except for the estimation of income tax and the adoption of new standards as set out below.

New standards adopted by the group

IFRS 9 Financial instruments was implemented from 1 January 2018. IFRS 9 constitutes amendments linked to the classification and valuation, hedge accounting and impairment. IFRS 9 has not had a material impact for the Atlantic Sapphire group and no changes have been made to comparative information of the opening balance of equity as of 1 January 2018.

IFRS 15 Revenue from contracts with customers was implemented from 1 January 2018. The core principle of IFRS 15 is that revenue is recognized to reflect the transfer of contracted goods or services to customers, and then at an amount that reflects the consideration the company expects to be entitled to in exchange for those goods or services. With a few exceptions, the standard applies to all income-generating contracts with customers and provides a model for the recognition and valuation of the sale of certain non-financial assets (e.g. sale of property, plant and equipment). The new revenue recognition standard has not significantly changed how the Atlantic Sapphire group recognizes revenue, as revenue still is recognized at delivery of the salmon (when both risk and control have been transferred to the customer).

In addition, the group has entered into a financial lease for equipment in 2018 classified as a financial lease. At the inception of the lease, finance leases are recognized at the lower of their fair value and the present value of the minimum lease payments, minus accumulated depreciation and impairment losses. Direct costs linked to establishing the lease are included in the asset's cost price.

The same depreciation period as for the group's other depreciable assets is used. If it is not reasonably certain that the company will assume ownership when the term of the lease expires, the asset is depreciated over the term of the lease or the asset's economic life, whichever is the shorter.

Note 2 - Segments

(NOK 1.000)

The group's executive management and Board of Directors examines the group's performance on a total level and by farming site and has identified two reportable segments of its business:

Fish farming Denmark	The group own and operate a land-based salmon farm in Denmark. The principal activities comprise of breeding, production and sale of salmon.
Fish farming USA	The group is building a land-raised salmon farm in Miami-Dade county, Florida with the projected initial harvest of fish in 2020.

The activities of the parent company are presented together with eliminations.

Period ended 30 June 2018

	Fish farming		Other and	Consolidated
	Denmark	USA	eliminations	
Revenue	31	-	-	31
EBITDA	-5 237	-23 321	-5 371	-33 929
Pre-tax profit or loss	-11 480	-29 704	-6 649	-47 833
Total assets	228 574	487 323	568 295	1 284 192
Total liabilities	206 686	74 457	-185 202	95 941
Depreciation and amortization	2 716	213	-	2 929
Capital expenditure	73 948	259 752	-	333 700

Period ended 30 June 2017

	Fish farming		Other and	Consolidated
	Denmark	USA	eliminations	
Revenue	11 917	-	-	11 917
EBITDA	-7 224	-4 972	-7 052	-19 248
Pre-tax profit or loss	-13 103	-5 390	-3 967	-22 460
Total assets	88 929	68 958	19 420	177 307
Total liabilities	101 159	15 212	-73 664	42 707
Depreciation and amortization	2 284	5	-	2 289
Capital expenditure	12 569	29 552	-	42 121

Revenue

The group derives the following types of revenue:

	Six month period ended	
	30.06.2018	30.06.2017
Sales of salmon	31	11 917

Geographical information

Revenue from external customers in:

	Six month period ended	
	30.06.2018	30.06.2017
Denmark	-	4 585
USA	-	7 248
Other countries	31	84
Total revenue	31	11 917

Non-current operating assets:

	30.06.2018	30.06.2017
Denmark	184 241	68 540
USA	443 357	53 350
Norway	-	-
Total non-current operating assets	627 598	121 890

Non-current operating assets do not include financial instruments and tax assets.

Note 3 - Biological assets*(NOK 1.000)*

Reconciliation of changes in the carrying amount	30.06.2018	30.06.2017
Carrying amount, opening balance	2 297	12 695
Gain or loss arising from changes in fair value less costs to sell	1 355	-
Increases due to production and purchases	8 282	9 730
Decreases due to harvest	-	-9 473
Decreases due to mortality	-126	-12 961
Net exchange differences	-167	128
Carrying amount, closing balance	<u>11 641</u>	<u>119</u>

Note 4 - Property, plant & equipment*(NOK 1.000)*

	Land	Buildings, plant and other *	Construction in progress	Total
At 1 January 2018				
Cost	14 254	79 570	219 893	313 717
Accumulated depreciation	-	-19 412	-	-19 412
Net book amount	<u>14 254</u>	<u>60 158</u>	<u>219 893</u>	<u>294 305</u>
At 30 June 2018				
Opening net book amount	14 254	60 158	219 893	294 305
Additions	15 484	2 206	316 010	333 700
Disposals	-	-	-	-
Depreciation charge	-	-2 929	-	-2 929
Reversed depreciation	-	-	-	-
Impairment loss	-	-	-	-
Translation differences	374	-1 980	3 517	1 911
Closing net book amount	<u>30 112</u>	<u>57 455</u>	<u>539 420</u>	<u>626 987</u>
At 30 June 2018				
Cost	30 112	79 110	539 420	648 642
Accumulated depreciation	-	-21 655	-	-21 655
Net book amount	<u>30 112</u>	<u>57 455</u>	<u>539 420</u>	<u>626 987</u>

	Land	Buildings, plant and other *	Construction in progress	Total
At 1 January 2017				
Cost	14 938	67 726	10 558	93 222
Accumulated depreciation	-	-13 534	-	-13 534
Net book amount	14 938	54 192	10 558	79 688
At 30 June 2017				
Opening net book amount	14 938	54 192	10 558	79 688
Additions	678	2 650	38 793	42 121
Disposals	-	-	-	-
Depreciation charge	-	-2 289	-	-2 289
Reversed depreciation	-	-	-	-
Impairment loss	-	-	-	-
Translation differences	-410	2 884	-104	2 370
Closing net book amount	15 206	57 437	49 247	121 890
At 30 June 2017				
Cost	15 206	74 077	49 247	138 530
Accumulated depreciation	-	-16 640	-	-16 640
Net book amount	15 206	57 437	49 247	121 890

*) The group "Buildings, plant and other" comprise buildings, production plant & machinery and equipment and other movables.

Note 5 - Financing

On 24 April 2018, the Company raised NOK 600 million (16,216,216 shares at NOK 37 /share) in a private placement, with proceeds net of transaction in the amount of NOK 570.392 million. The share capital increase pertaining to the private placement was registered in the Norwegian Register of Business Enterprises on 9 May 2018.

On May 15, 2018 the Company was admitted to trading on Merkur Market with ticker 'ASA-ME'.