



Atlantic Sapphire AS

Interim Consolidated Financial Statements

June 30, 2019

**In accordance with
International Financial Reporting Standards**



**Statement by Management and the Board of Directors
on June 30, 2019 Interim Financial Statements**

Management and the Board of Directors have today considered and approved the interim report of Atlantic Sapphire AS for the period 1 January 2019 to 30 June 2019. 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 position at 30 June 2019, as well as the results of the Group activities and cash flows for the period 1 January 2019 to 30 June 2019. In our opinion, Management's review provides a true and fair presentation of developments, results for the period, and overall financial position of the Group operations in addition to 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 2018.

Vikebukt, 16 September 2019

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

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Bjørn-Vegard Løvik
Board member

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Henrik Krefting
Board member

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Patrice Flanagan
Board member

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Andre Skarbø
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Alexander Reus
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Peter Allan Skou
Board member

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Consolidated Income Statement

**Period ended
30 June**

(USD 1,000)	Note	2019	2018
Revenue	2	2,021	4
Other income		3	0
Revenue and other income		2,024	4
Cost of materials		2,187	10
Fair value adjustment on biological assets	3	-704	-171
Salary and personnel costs		1,643	1,034
Other operating expenses		3,423	3,412
Depreciation and amortization	4	1,039	369
Total operating expenses		7,588	4,655
Operating income/(loss)		-5,564	-4,650
Financial income		183	635
Financial expenses		-4,062	-2,020
Financial income/(expenses) - net		-3,879	-1,385
Profit/loss before income tax		-9,443	-6,035
Income tax expense		-	-
Profit/(loss) for the year		-9,443	-6,035
Loss is attributable to:			
Owners of Atlantic Sapphire AS		-9,443	-6,035
Profit/(loss) for the year		-9,443	-6,035
Earnings per share:			
Basic earnings per share		-0.15	-0.12
Diluted earnings per share		-0.15	-0.12

Consolidated Statement of Comprehensive Income

**Period ended
30 June**

(USD 1,000)	Note	2019	2018
Loss for the year		-9,443	-6,035
Other comprehensive income (net of tax):			
Exchange difference on translation of foreign operations		2,615	-2,356
Total comprehensive income/(loss) for the year		-6,828	-8,391
Total comprehensive loss is attributable to:			
Owners of Atlantic Sapphire AS		-6,828	-8,391
Total comprehensive income/(loss) for the year		-6,828	-8,391

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

Consolidated Statement of Financial Position

(USD 1,000)	Note	30.06.2019	31.12.2018
ASSETS			
Non-current assets			
Property, plant and equipment	4	170,185	126,300
Intangible assets		174	103
Investments in other companies		11	11
Trade and other receivables - non-current		275	20
Total non-current assets		170,645	126,433
Current assets			
Prepaid expenses		1,215	1,976
Inventories		155	105
Biological assets	3	7,386	3,283
Trade and other receivables - current		1,683	1,097
Cash and cash equivalents	5	81,015	19,018
Total current assets		91,454	25,478
TOTAL ASSETS		262,099	151,912
EQUITY AND LIABILITIES			
Equity			
Share capital	7	836	720
Share premium	7	242,099	151,765
Other equity		-26,799	-15,045
Total equity		216,136	137,439
Non-current liabilities			
Borrowings - non-current	6	27,135	904
Total non-current liabilities		27,135	904
Current liabilities			
Borrowings - current		67	190
Trade and other payables		18,761	13,378
Total current liabilities		18,828	13,568
Total liabilities		45,963	14,472
TOTAL EQUITY AND LIABILITIES		262,099	151,912

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

Consolidated Statement of Cash Flows

(USD 1,000)	Note	Period ended	
		2019	2018
Cash flow from operating activities			
Loss before tax		-9,443	-6,035
<i>Adjustments for</i>			
Taxes paid		-	-
Depreciation, amortization and net impairment losses	4	1,039	369
Non-cash - share based payments		411	51
Net fair value adjustment on biological assets	3	-704	-171
Net interest paid and received		1,730	667
Net exchange differences		-165	-719
<i>Change in operating assets and liabilities</i>			
Inventories (and biomass at cost)		-3,467	-1,023
Change in trade and other receivables		-894	978
Change in trade and other payables		-467	1,688
Change in prepaid expenses		761	-1,135
Interest received		-	169
Net cash outflow from operating activities		-11,199	-5,160
Cash flow from investing activities			
Payment for property, plant and equipment		-39,032	-41,903
Net cash outflow from investing activities		-39,032	-41,903
Cash flow from financing activities			
Proceeds from issuance of ordinary shares		87,683	71,690
Proceeds from borrowings, net of debt issuance costs		39,544	110
Repayment of borrowings		-13,621	-128
Interest paid		-1,543	-836
Net cash inflow from financing activities		112,063	70,836
Net increase/(decrease) in cash and cash equivalents		61,832	23,772
Cash and cash equivalents 1 January		19,018	53,069
Effects of exchange rate changes on cash and cash equivalents		165	107
Cash and cash equivalents 30 June		81,015	76,948

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

Consolidated Statement of Changes in Equity

(USD 1,000)	Note	Attributable to the owners of the parent				
		Share Capital	Share Premium	Translation Differences	Retained Earnings	Total Equity
Balance at 1 January 2018		564	91,312	3,608	-14,177	81,307
Loss for the period					-6,035	-6,035
Currency translation differences		-5	-2,237	-2,356	2,242	-2,356
Contribution of equity net of transaction costs		207	72,467			72,674
Option program					51	51
Balance at 30 June 2018		766	161,541	1,252	-17,918	145,641
Balance at 1 January 2019		720	151,765	-1,669	-13,376	137,439
Loss for the period					-9,443	-9,443
Currency translation differences		16	4,988	2,615	-5,004	2,615
Contribution of equity net of transaction costs	7	100	85,346			85,446
Option program					79	79
Balance at 30 June 2019		836	242,099	946	-27,745	216,136

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 2019 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 2018 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.

Note 2 - Segments*(USD 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-raised salmon farm in Denmark. The principal activities comprise of production and sale of salmon.
Fish farming USA	The group is building a land-raised salmon farm in Miami-Dade county, Florida. Phase one is under construction and is expected to be complete in 2020.

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

In the tables below we show segment information and the disaggregation of revenue.

Half year ended June 30, 2019

	Norway	Fish farming Denmark	USA	Other and eliminations	Consolidated
Revenue	-	2,021	-	-	2,021
EBITDA	-435	-886	-2,793	-411	-4,525
Pre-tax profit or loss	-1,630	-2,538	-4,501	-774	-9,443
Total assets	243,784	42,651	172,062	-196,398	262,099
Total liabilities	110	35,037	43,928	-33,112	45,963
Depreciation and amortization	-	1,000	39	-	1,039
Capital expenditure	-	3,451	41,648	-	45,099

Half year ended June 30, 2018

	Norway	Fish farming Denmark	USA	Other and eliminations	Consolidated
Revenue	-	4	-	-	4
EBITDA	-579	-652	-3,761	711	-4,281
Pre-tax profit or loss	-1,362	-1,437	-3,747	511	-6,035
Total assets	162,616	28,946	63,512	-103,162	151,912
Total liabilities	91	24,354	10,913	-20,886	14,472
Depreciation and amortization	-	342	27	-	369
Capital expenditure	-	9,334	32,771	-	42,105

Revenue

The Group derives the following types of revenue:

Salmon	6/30/2019	6/30/2018
	2,021	4

Geographical information

Revenue from external customers in:

Denmark	6/30/2019	6/30/2018
	397	0
USA	151	0
Europe	1,473	4
Total	2,021	4

Major customers

Customer A	6/30/2019	6/30/2018
	1,196	4
Customer B	353	-
Customer C	151	-
Other customers	321	-
Total	2,021	4

Note 3 - Biological Assets*(USD 1,000)*

Reconciliation of changes in the carrying amount	6/30/2019	6/30/2018
Carrying amount, opening balance	3,283	280
Gain or loss arising from changes in fair value less costs to sell	704	171
Increases due to production and purchases	5,327	1,045
Decreases due to harvest	-1,661	-
Decreases due to mortality	-257	-16
Net exchange rate differences	-10	-50
Carrying amount, closing balance	<u>7,386</u>	<u>1,430</u>

Note 4 - Property, Plant & Equipment

(USD 1,000)

	Land	Buildings	Production, Plant & Machinery	Equipment and Other Movables	Construction in Progress	Total
At 1 January 2019						
Cost	3,691	10,221	21,594	695	93,261	129,462
Accumulated depreciation	-	-686	-2,271	-204	-	-3,161
Net book amount	3,691	9,535	19,323	491	93,261	126,301
Year ended 30 June 2019						
Opening net book amount	3,691	9,535	19,323	491	93,261	126,301
Additions	-	3,330	-	243	41,526	45,099
Reclassifications	-	363	-	-	-363	-
Disposals	-	-	-	-	-	-
Depreciation charge	-	-247	-724	-68	-	-1,039
Reversed depreciation	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Net exchange rate differences	-	-54	-116	-1	-5	-176
Closing net book amount	3,691	12,927	18,483	665	134,419	170,185
At 30 June 2019						
Cost	3,691	13,857	21,470	936	134,420	174,374
Accumulated depreciation	-	-931	-2,987	-271	-	-4,189
Net book amount	3,691	12,926	18,483	665	134,420	170,185
Economic life		18-24	10-15	5		
Depreciation plan		Linear	Linear	Linear		
	Land	Buildings	Production, Plant & Machinery	Equipment and Other Movables	Construction in Progress	Total
At 1 January 2018						
Cost	1,732	2,561	6,747	394	26,798	38,232
Accumulated depreciation	-	-493	-1,771	-102	-	-2,366
Net book amount	1,732	2,068	4,976	292	26,798	35,866
Year ended 30 June 2018						
Opening net book amount	1,732	2,068	4,976	292	26,798	35,866
Additions	1,959	3	16	254	39,873	42,105
Reclassifications	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Depreciation charge	-	-60	-262	-48	-	-370
Reversed depreciation	-	-	-	-	-	-
Impairment loss	-	-	-	-	-	-
Net exchange rate differences	-	-52	-122	-5	-515	-694
Closing net book amount	3,691	1,959	4,608	493	66,156	76,907
At 30 June 2018						
Cost	3,691	2,497	6,584	639	66,156	79,567
Accumulated depreciation	-	-537	-1,977	-146	-	-2,660
Net book amount	3,691	1,960	4,607	493	66,156	76,907
Economic life		18-24	10-15	5		
Depreciation plan		Linear	Linear	Linear		

Note 5 - Bank Deposits*(USD 1,000)*

	6/30/2019	6/30/2018
Cash in bank	65,706	18,716
Cash equivalents	15,309	302
Total cash and cash equivalents	81,015	19,018

Restricted cash

The following deposits are subject to regulatory and credit facility restrictions and are therefore not available for general use.

	6/30/2019	6/30/2018
Taxes withheld	-	-
Other restricted cash	15,309	302
Total restricted cash	15,309	302

Note 6 - Loans and Borrowings

On 19 February 2019, Atlantic Sapphire AS closed on a USD86m credit facility with DNB and EKF, Denmark's export credit agency. The debt package included the following:

US Term Loan – a USD54m Term Loan, including a cash reserve requirement of USD15m. The Term Loan is partially guaranteed by EKF. The final maturity date for the Term Loan is 31 December 2024, and is subject to interest of LIBOR plus 6%. USD30m has been drawn as of 30 June 2019.

DNB also extended the following:

US Revolving Credit Facility (US RCF) – a three year, USD11m US RCF commitment to finance Atlantic Sapphire USA LLC working capital requirements. No funds have been drawn as of 30 June 2019.

Denmark Revolving Credit Facility (DK RCF) – a three year, USD4m DK RCF commitment to finance Atlantic Sapphire Denmark AS working capital requirements. As of 30 June 2019, there is no outstanding balance.

Bridge Facility – a USD17m revolving facility, of which USD12.6m was drawn and repaid subsequent to the completion of the 8 May 2019 equity raise.

Total debt issuance costs incurred were USD3.1m. These cost are presented as a reduction of the related liability under non-current liabilities and are amortized over the life of the term loan. Total unamortized debt issuance costs as of 30 June 2019 were USD2.9m.

Simultaneous to the closing of the USD86m DNB/EKF credit facility, S.F. Development, LLC paid off two (2) Farm Credit Of Florida property mortgages in the total amount of USD930,977. Additionally, a revolving credit facility extended by Jyske Bank to Atlantic Sapphire Denmark AS with a balance of USD160,000 at 31 December 2018 was paid off.

Note 7 - Equity Financing

On 8 May 2019, the Company raised approximately NOK 783m (~USD 90m) in gross proceeds through a private placement of 8,464,864 new shares, at a price per share of NOK 92.50, which is approximately equal to the last closing price on 7 May 2019. Net proceeds from the transaction were NOK 747m (~USD85m).

Note 8 - Subsequent Events

On 18 July 2019, the Company purchased an additional 80 acres of land in Miami-Dade county, Florida for \$5m to support the expansion of production capacity in the US.