Annual Report 2019

ATLANTIC SAPPHIRE®

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Cover: Top, Homestead Bluehouse. Bottom, Denmark Bluehouse.

Board of Directors' Report

To our stakeholders,

Atlantic Sapphire AS ("ASNO") is a Norwegian company headquartered at Vikebukt, Norway and listed on the Merkur Market with the ticker symbol ASA. ASNO owns the following subsidiaries (collectively, the "Group"):

- Atlantic Sapphire Denmark A/S ("ASDK", registered in Hvide Sande, Denmark)
- Atlantic Sapphire USA LLC ("ASUS", registered in Miami, Florida, USA)
- AS Purchasing, LLC ("ASP", registered in Miami, Florida, USA)
- S.F. Development, L.L.C. ("ASSF", registered in Miami, Florida, USA)
- Atlantic Sapphire IP, LLC ("ASIP", registered in Miami, Florida, USA)

The Group owns and operates land-based Atlantic salmon farms in Hvide Sande, Denmark (the "Denmark Bluehouse" facility) and Homestead, Florida, USA (the "Homestead Bluehouse" facility). A Bluehouse™ facility (the "Bluehouse") is proprietary production technology developed by the Group in collaboration with a wide range of supply chain partners to optimize growing conditions for Atlantic salmon. Each Bluehouse contains the facilities needed for a salmon's full growth cycle, from egg hatchery to grow-out tanks to harvest processing. Consolidated operations enable the Group to control the entire production cycle without having to transport salmon to and from ocean-based net pens. The Denmark Bluehouse and the Homestead Bluehouse have annual production capacities of approximately 2,400 tons HOG[1] and 9,600 tons HOG, respectively.

Strategy and Objectives

The Group's goal is to strengthen its position as the leading producer of land-based farmed salmon globally. To achieve this objective, the Group intends to focus on innovation and execution of the following key strategies:

- Reduce cost by developing integrated facilities in market.
- Capitalize on consumer trends and branding towards healthy and sustainable products.
- Develop and protect patents and other intellectual property rights related to the Bluehouse facilities.
- Expand capacity at the Homestead Bluehouse to 220,000 tons HOG annually by 2031.
- Partner in vertical integration opportunities including value-added products, genetics, feed, renewable energy, sustainable packaging, and oxygen production.

Denmark

The Group's initial production facility in Hvide Sande, Denmark is a wholly owned subsidiary located on the west coast of Denmark and has been in operation since 2011. Since commencement of operations, approximately 33 batches of Atlantic salmon have been introduced into the Denmark Bluehouse. For the year ended 31 December 2019, a year characterized by production ramp-up, harvest volumes amounted to approximately 1,000 tons HOG. The Denmark Bluehouse has an annual production capacity of approximately 2,400 tons HOG and a tank volume of approximately 17,000 m³, distributed across six grow out tanks. Three independent water systems comprise of one freshwater system and two saltwater grow out systems.

Production from the Denmark Bluehouse is transported via air freight to the USA and Canada, as well as via ground freight to various markets throughout Europe, including, but not limited to Denmark, UK, France, Switzerland, and the Netherlands.

ASDK intends to continue operating the Denmark Bluehouse facility as an innovation center with ongoing testing of new technologies and the development of best practices. During 2019, ASDK completed capital investments with respect to increasing access to sea water intake, safety equipment, feeding systems, and fish handling systems.

[1] HOG – "Head-On-Gutted" fish, a term used industry-wide, is approximately 83% of live weight fish.

United States

The Group's USA production facility in Homestead, Florida is located approximately 35 miles southwest of the City of Miami, Florida. The USA operations are managed through ASUS. The land in which the Homestead Bluehouse is currently being constructed on is owned by ASSF. Both ASUS and ASSF are wholly owned subsidiaries of the Group. As of 31 December 2019, substantial completion of the hatchery, smolt, and post-smolt tanks had been achieved. Final completion of the Homestead Bluehouse is expected to occur in Q3 2020. ASUS expects that the Homestead Bluehouse will have an annual production capacity of approximately 9,600 tons HOG and a tank volume of approximately 66,000 m³, distributed across seven freshwater systems (six sets of tank systems plus a hatchery) and six grow-out systems (six grow-out tanks in each system), totaling 13 independent water systems. ASUS expects to commence a capacity expansion project at the Homestead Bluehouse ("USA Phase 2") by the end of 2020 that would add an additional estimated 9,600 tons HOG of annual production capacity, for a total capacity of 19,200 tons HOG. To date, the Group has secured key USA water permits to produce up to 90,000 tons HOG on-site annually. The Group's goal is to achieve an annual production capacity of 220,000 tons HOG by 2031.

Fish processed from the Homestead Bluehouse will be transported via ground freight to most states within the USA, as well as to Canada and Mexico.

ASUS selected Homestead, Florida as the location for its operations in the USA because it is uniquely situated above abundant sources of both stable fresh and saline groundwater from different layers of the Florida aquifers. ASUS accesses freshwater from the Biscayne Aquifer and saline water from the Floridan Aquifer. Discharge wastewater from the Homestead Bluehouse is sustainably disposed to the Boulder Zone, a lower Floridan Aquifer. ASUS expects that the use of groundwater will reduce the risk of contamination and increase the stability in operations. ASUS has secured groundwater infrastructure rights and received a discharge permit for 19.93 million gallons of water per day. ASUS extracts fresh and saline water from right below the surface and 2,000 ft, respectively. After use, ASUS treats and disposes the water through disposal wells 3,000 ft below the surface.

The processes and technologies used by ASUS to extract and dispose of the water used in its operations are currently patented through the year 2036.

Intellectual Property Rights

The Group, through its direct, wholly owned subsidiary Atlantic Sapphire IP, LLC, owns and controls intellectual property. This intellectual property includes, but is not limited to, patents, proprietary information, and applications that in the aggregate are material to the Group's business. The Group holds, and continues to seek and protect, numerous patents, trade secrets, or other intellectual property rights covering its processes, designs, or inventions in general.

The table below shows the Group's registered patents and pending patent applications:

Patent title	Geographical area	Application number	Patent number	Issued	Expiration date
Systems and Methods of Intensive Recirculating Aquaculture	USA	15/867,100	10034461	Issued on 31 July 2018	17 May 2036
Grading Apparatuses for Aquaculture Systems	USA	15/862,573	-	Pending	Not yet determined
Multi-Stage Degassing in Aquaculture Systems	USA	15/829,817	-	Pending	Not yet determined

Working Environment

For the years ended 31 December 2019 and 2018, the Group employed 87 and 37 permanent employees, respectively. No work-related accidents resulting in significant material damage or personal injury occurred during 2019 and 2018.

The Group's Environmental and Social Management System ("ESMS") helps ensure that extensive precautionary measures are taken to reduce risks in the working environment. These measures include the training of its employees and a focus on personal protective equipment and safe handling of hazardous materials, together with systematic controls of our working processes. The Group maintains general oversight of the health and safety of its employees predominantly through ongoing auditing, monitoring and evaluation of activities to ensure compliance. The Group actively promotes a strong safety culture with employees, suppliers, vendors, and contractors.

Equal Opportunities and Discrimination

The Group is an equal opportunity employer that celebrates diversity and is committed to creating an inclusive environment for all employees. The Group does not discriminate based upon race, religion, color, national origin, gender, sexual orientation, gender identity, gender expression, age, status as a protected veteran, status as an individual with a disability, or other applicable legally protected characteristics.

From 2018 to 2019, the Group increased the share of female employees from 13% to 23%. Aquaculture is a male-dominated industry, and there is a risk of men being overrepresented on staff. A high overrepresentation of one gender could be a result of unconscious bias and unintentional discrimination. Unless carefully managed, it may impact our recruitment.

Sustainability Actions and Joining the UN Global Compact

The Group supports the UN Sustainable Development Goals (the "UN Goals") and sees them as a blueprint for business leadership. Food production lies at the intersection of almost all major global challenges encapsulated in the UN Goals. The Group believes it has a duty to find a balance between producing enough healthy proteins to feed the world and protecting the limited resources of the planet. The Group has joined the UN Global Compact in support of their Ten Principles for human rights, labor, the environment, and anti-corruption.

Environmental Report

Activities from the Group's production facilities are believed to meet all regulatory requirements in the countries in which they operate. The Group is expected to release its first Environmental, Social, and Governance ("ESG") report in Q2 2020, prepared in accordance with the Global Reporting Initiative ("GRI") Standards.

Comments Related to Group Financial Results

Group Balance Sheet

On 19 February 2019, the Group closed on a USD 86m credit facility (the "2019 DNB Credit Facility") with DNB Bank ASA ("DNB"), EKF Denmark's Export Credit Agency ("EKF"), and DNB Capital, LLC. ASUS and ASDK are listed as borrowers (the "Borrowers"), and both ASNO and ASSF are listed as guarantors (the "Guarantors") under the 2019 DNB Credit Facility. The 2019 DNB Credit Facility consisted of a USA Term Loan of USD 54m (the "USA Term Loan"), a USA revolving credit facility of USD 11m to ASUS (the "USA RCF"), a Denmark revolving credit facility of USD 4m to ASDK (the "DK RCF"), and a bridge facility of USD 17m.

Simultaneous to the closing of the 2019 DNB Credit Facility, ASSF paid off two mortgages payable to Florida Federal Land Bank Association totaling USD 934k and ASDK paid off a revolving credit facility to Jyske Bank of USD 160k.

The USA Term Loan calls for a cash reserve requirement of USD 15m and is reflected as long-term restricted cash in the Group's consolidated statements of financial position. As of 31 December 2019, USD 30m of the USD 54m USA Term Loan was outstanding.

ASUS incurred USD 3.1m in debt issuance costs in connection to the USA Term Loan. The amounts are amortized over the life of the USA Term Loan. Total unamortized debt issuance costs as of 31 December 2019 were USD 2.6m and are presented against its respective portion of short-term and long-term borrowings.

On 8 May 2019, the Group completed a capital raise of NOK 783m (USD 90m), issuing 8,464,864 new shares and bringing the total shares outstanding to 71,276,100, each with par value of NOK 0.1. Following the capital raise closing, the Group paid off the bridge facility balance of USD 12.6m and terminated the bridge facility.

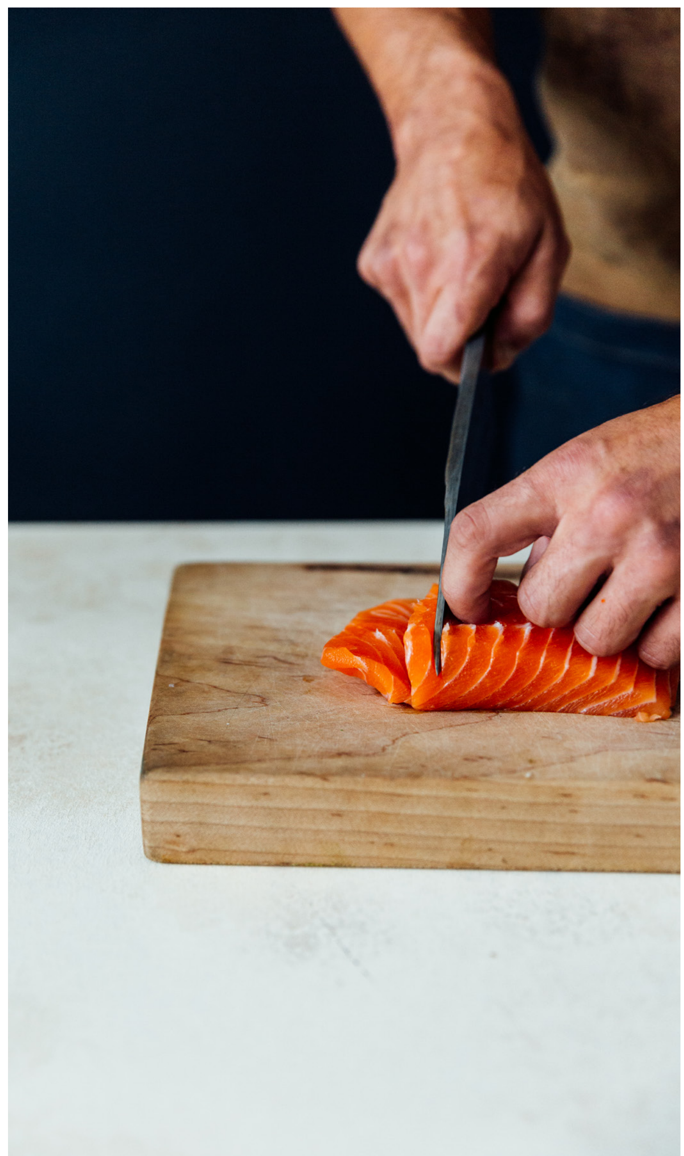
Group total assets as of 31 December 2019 were USD 253m, an increase of USD 101m over the prior year. The increase is primarily driven by capital expenditures in connection with Denmark Bluehouse capacity expansion (USD 7m) and the continued construction in the USA of the Homestead Bluehouse (USD 79m). Additionally, Group total assets increased USD 15m in connection with restricted cash requirements from the USA Term Loan.

The debt to equity ratio as of 31 December 2019 was 21.2%, an increase of 10.5% over the prior year. These changes are primarily due to the 19 February 2019 USD 30m drawdown of the USD 86m credit facility offset by the 8 May 2019 USD 90m equity raise.

Group Operations

Group revenue for the year ended 31 December 2019 was USD 5.5m, an increase of USD 5.0m over the prior year. The revenue volume increase from 2018 was primarily due to the Denmark Bluehouse achieving target biomass levels and the commencement of harvest.

Group net loss for the year ended 31 December 2019 was USD 13.2m, an increase in net losses of USD 1.8m over the prior year. The increase in the net loss was primarily due to continued recovery from the Biomass loss incident in 2017 and continued startup costs related to Phase 1 construction of our Homestead Bluehouse.



Group Cash Flow

Group cash outflows from operations for the year ended 31 December 2019 were USD 18.5m, an increase in cash outflows of USD 2.5m over the prior year. This was primarily due to continued biomass buildup in ASDK and the continued startup costs related to Phase 1 construction of our Homestead Bluehouse.

Group cash outflows from investing activities for the year ended 31 December 3019 were USD 86.8m, a decrease in cash outflows of USD 0.9m over the prior year. The decrease was partially due to the completion of the Denmark Bluehouse facility expansion as the Homestead Bluehouse continues under construction and is expected to be completed in 2020.

Group cash inflows from financing activities for the year ended 31 December 2019 were USD 95.8m, an increase of USD 23.9m over the prior year. The increase was due to the 2019 equity raise and the utilization of the 2019 DNB Credit Facility.

Parent Company Operations

ASNO had revenue of NOK 5.1m (USD 0.6m) mainly related to management fee income from the Group entities. Net income of NOK 16.1m (USD 1.9m) was mainly due to financial income related to loans to the Group entities. Total assets in ASNO were NOK 2,111.3m (USD 240.4m) of which NOK 2,066.3m (USD 235.2m) was related to shares and loans to Group entities. ANSO's debt to equity ratio as of 31 December 2019 was 0.2%.

Financial Risk and Capital Management

The Group's risk management is carried out by the Group's finance department. Group exposure includes market risk, credit risk, and liquidity risk.

Market Risk

The Group is exposed to interest rate risk and exchange rate risk. The Group's interest rate risk relates primarily from borrowings from financial institutions with variable rate interest. When possible, the Group manages its interest rate risk by entering fixed-interest loans. The Group currently holds debt with a floating interest rate and does not maintain a program to hedge this exposure. Changes in the interest rate may affect future investment opportunities.

The Group's foreign currency risk relates to the Group's operating, investing, and financing activities denominated in a foreign currency. This includes the Group's revenues, expenses, capital expenditures, and net investments in foreign subsidiaries. The Group's reporting currency is the United States dollar ("USD"), and the predominant currencies transacted by the Group's subsidiaries are the USD, the Norwegian krone ("NOK"), the Danish krone ("DKK"), and the EU euro ("EUR").

The Group manages its foreign currency risk by maintaining cash balances in foreign denominated bank accounts, analyzing future obligations by currency, and transferring available funds as needed. The Group has not entered into derivative or other agreements to reduce the exchange rate risk and the related market risk.

Credit Risk

The Group is exposed to credit risk from its operating activities, primarily from cash and trade receivables. Cash is maintained with major financial institutions. Management regularly monitors trade receivables for aging. The Group trades only with recognized and creditworthy third parties.

The Group subjects all potential customers to credit verification procedures as part of its policy and monitors its outstanding trade receivable balances on an ongoing basis. Further, the Group's trade receivables are credit insured unless an exception is approved by the CEO. The Group monitors exposure towards individual customers closely and was not substantially exposed in relation to any individual customer or contractual partner as of 31 December 2019 and 2018.

Liquidity Risk

The Group continuously monitors liquidity and financial projections through budgets and monthly updated forecasts. The Group's financial position depends significantly on salmon spot prices which have historically been volatile. Other liquidity risks include the impacts from fluctuations in production and harvest volumes, biological issues, and changes in feed prices. Feed prices generally correlate to the marine and agricultural commodity prices of the main ingredients.

Delay in the completion of construction of the Homestead Bluehouse may affect the Group's ability to achieve its operational plan and full schedule of production, thereby adversely impacting the Group's business and results of operations.

The provisions of the 2019 DNB Credit Facility contain financial covenants to be maintained by the Group. As of 31 December 2019, the Group was in compliance with all financial covenants.

Going Concern

The Board confirms that it is appropriate to prepare the Annual Report based on a going concern assumption. The Group believes it is adequately funded and has access to additional capital if required.

Recent Developments and Trends

The Group has evaluated subsequent events from 31 December 2019 through the date in which the consolidated financial statements were issued.

On 22 January 2020, ASUS drew an additional USD 14m from the USA Term Loan.

On 29 February 2020, ASDK experienced a mass mortality event in one of its grow-out systems that resulted in approximately 227,000 salmon lost due to excessive nitrogen levels in the water. As a result of the event, the Group's next harvest revenue has been pushed back by approximately four months. The value of the biomass represented by the affected fish was insured. While ASDK is currently in the process of assessing the complete financial impact of the event, preliminary estimates project losses net of insurance proceeds of USD 3m. Other independent systems in the Denmark Bluehouse were unaffected. Accordingly, other systems in the Denmark Bluehouse and the Homestead Bluehouse have already been modified or are in the process of being modified with design improvements to avoid such an event in the future.

On 17 March 2020, ASUS drew an additional USD 10m from the USA Term Loan.

Recent developments with respect to the COVID-19-virus (the "Coronavirus"), an infectious virus closely related to the SARS virus, may impact regulatory, supply chain and construction operations of the Group. Additionally, the demand for salmon may fall due to the public health situation and economic disruptions as a result of the Coronavirus. Since its inception in the beginning of January 2020, Norwegian salmon prices have experienced a downward trend, pressured down by various factors including concerns over lower global exports due to the Coronavirus. Ultimately, the consequences and timeline of the Coronavirus are still unclear and the overall effect on the business is uncertain.

Vikebukt, 25 March 2020

Johan E. Andreassen
Chairman

Alexander Reus
Director

André Skarbø
Director

Bjørn-Vegard Løvik
Director

Patrice Flanagan
Director

Peter Skou
Director

Runar Vatne
Director

Atlantic Sapphire
Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED 31 DECEMBER 2019 AND 2018

(USD 1,000)	Note	2019	2018
Revenue	3	5,540	481
Expenses			
Cost of materials		6,582	665
Fair value adjustment on biological assets	5	(458)	(204)
Salary and personnel costs	6,18,20	3,795	2,790
Other operating expenses	7,8	6,803	4,782
Other losses, net	9	–	319
Depreciation and amortization	9	2,286	1,056
Total expenses		19,008	9,408
Operating loss		(13,468)	(8,927)
Financial income	10	3,640	547
Financial expense	10	(3,338)	(3,043)
Other income, net	4	14	24
Loss before income tax benefit		(13,152)	(11,399)
Income tax benefit	11	–	–
Net loss		(13,152)	(11,399)
Earnings per share:			
Basic earnings per share		(0.19)	(0.20)
Diluted earnings per share		(0.19)	(0.20)

Accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS YEARS ENDED 31 DECEMBER 2019 AND 2018

(USD 1,000)	Note	2019	2018
Net loss		(13,152)	(11,399)
Exchange difference on translation of foreign operations		(917)	(5,277)
Total comprehensive loss		(14,069)	(16,676)

Accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 31 DECEMBER 2019 AND 2018

(USD 1,000)	Note	2019	2018
ASSETS			
Non-current assets			
Property, plant, and equipment	9	209,616	126,300
Right-of-use asset	8	355	-
Restricted cash (long-term)	13,16	15,000	-
Security deposits		726	-
Patents		-	103
Other investments	13	11	11
Trade and other receivables (long-term)	13,14	118	9
Total non-current assets		225,826	126,423
Current assets			
Prepaid expenses		1,933	1,975
Inventories	15	3,302	105
Biological assets	5	11,275	3,283
Trade and other receivables (short-term)	13,14	1,069	1,108
Restricted cash (short-term)	13,16	324	319
Cash	13,16	9,147	18,699
Total current assets		27,050	25,489
TOTAL ASSETS		252,876	151,912
EQUITY AND LIABILITIES			
Equity			
Share capital	17,18	818	720
Share premium	17,18	236,819	151,764
Employee stock options	17,18	1,060	904
Accumulated deficit		(27,432)	(14,280)
Accumulated other comprehensive loss		(2,586)	(1,669)
Total equity		208,679	137,439
Non-current liabilities			
Borrowings (long-term)	13,19,25	27,319	904
Right-of-use lease liability (long-term)	8	379	-
Total non-current liabilities		27,698	904
Current liabilities			
Borrowings (short-term)	13,19,25	79	190
Trade and other payables	13	16,420	13,379
Total current liabilities		16,499	13,569
Total liabilities		44,197	14,473
TOTAL EQUITY AND LIABILITIES		252,876	151,912

Accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED 31 DECEMBER 2019 AND 2018

(USD 1,000)	Note	Share capital	Share premium	Employee stock options	Accumulated deficit	Accumulated other comprehensive loss	Total equity
Balance at 31 December 2017		564	91,312	777	(14,954)	3,608	81,307
Contributions	17,18	207	72,474	127	–	–	72,808
Net loss		–	–	–	(11,399)	–	(11,399)
Foreign currency translation adjustments		(51)	(12,022)	–	12,073	(5,277)	(5,277)
Balance at 31 December 2018		720	151,764	904	(14,280)	(1,669)	137,439
Contributions	17,18	98	85,055	156	–	–	85,309
Net loss		–	–	–	(13,152)	–	(13,152)
Foreign currency translation adjustments		–	–	–	–	(917)	(917)
Balance at 31 December 2019		818	236,819	1,060	(27,432)	(2,586)	208,679

Accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED 31 DECEMBER 2019 AND 2018

(USD 1,000)	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		(13,152)	(11,399)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	9	2,286	1,056
Fair value adjustment on biological assets	5	(458)	(204)
Loss from disposition of other assets	9	25	319
Net interest received and paid	10	526	(325)
Non-cash employee stock options	18	156	127
Net foreign currency exchange rate differences		(153)	(1,510)
Changes in operating assets and liabilities			
Trade and other receivables	13,14	(90)	(754)
Inventories and biological assets, at cost	5,15	(10,793)	(2,934)
Prepaid and other current assets		41	(669)
Security deposits		(726)	-
Trade and other payables	13	3,776	(235)
Interest received	10	100	519
Net cash used in operating activities		(18,462)	(16,009)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment	9	-	3
Payments towards property and equipment	9	(86,790)	(87,682)
Net cash used in investing activities		(86,790)	(87,679)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	19	42,595	-
Payments towards borrowings	19	(16,288)	(254)
Restricted cash on borrowings	19	(15,005)	(319)
Proceeds from issuance of capital	17	85,153	72,681
Interest paid	10	(626)	(194)
Net cash provided by financing activities		95,829	71,914
Net decrease in cash		(9,423)	(31,774)
Cash at beginning of year		18,699	53,069
Effects of exchange rate on cash		(129)	(2,596)
Cash at end of year		9,147	18,699

Accompanying notes are an integral part of the consolidated financial statements.

Vikebukt, 25 March 2020

Johan E. Andreassen
Chairman

Alexander Reus	**André Skarbø**	**Bjørn-Vegard Løvik**
Director	Director	Director
Patrice Flanagan	**Peter Skou**	**Runar Vatne**
Director	Director	Director

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

Atlantic Sapphire AS ("ASNO") is a Norwegian company headquartered at Vikebukt, Norway and listed on the Merkur Market with the ticker symbol ASA. ASNO owns the following subsidiaries (collectively, the "Group"):

- Atlantic Sapphire Denmark A/S ("ASDK", registered in Hvide Sande, Denmark)
- Atlantic Sapphire USA LLC ("ASUS", registered in Miami, Florida, USA)
- AS Purchasing, LLC ("ASP", registered in Miami, Florida, USA)
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Basis for Preparation of the Annual Accounts

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and mandatory for financial years beginning on or after 1 January 2019, and additional Norwegian disclosure requirements under the Norwegian Accounting Act of 31 December 2018. References to "IFRS" in these consolidated financial statements refer to IFRS as adopted by the EU.

The consolidated financial statements have been prepared based on uniform accounting principles for similar transactions and events under otherwise similar circumstances and are expressed in United States dollars ("USD"). The consolidated financial statements are based on historical cost, except for biological assets at fair value less cost to sell.

New and Amended IFRS Standards Adopted by the Group

The Group initially adopted *IFRS 16*, Leases for the annual reporting period commencing 1 January 2019. Effective 1 January 2019, *IFRS 16* requires the capitalization of all leasing agreements with a duration exceeding 12 months, whereas the previous standard only required capitalization of financial leases. The right-of-use asset and liability to be recognized for each leasing agreement is the present value of the contractual minimum lease payments. The Group implemented *IFRS 16* using the modified retrospective approach (i.e. without restating comparative information) by recognizing the same amount as right-of-use assets and lease liabilities per 1 January 2019 and applied the short-term exception under *IFRS 16* for existing leases that had either a lease term of up to 12 months or consisted of low-value assets. Consequently, the opening 2019 accumulated deficit balance was not impacted and leases under the short-term exception were continued to be recognized as rent expense on a straight-line method.

Other amendments, interpretations, and changes based on the annual improvement cycle were also adopted by the Group but had no material impact nor were they expected to significantly affect the current or future reporting periods.

[1] HOG – "Head-On-Gutted" fish, a term used industry-wide, is approximately 83% of live weight fish.

Consolidation

Subsidiaries are all entities over which the Group has control. The Group considers control over an entity to exist when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and can affect those returns through its ability to direct the operations of the entity. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The accompanying consolidated financial statements include the accounts of ASNO, ASDK, ASUS, ASP, ASSF, and ASIP. When necessary, adjustments are made to the local financial statements of the Group subsidiaries to conform with the consolidated Group's accounting policies presented under IFRS.

All intercompany balances, transactions, and unrealized gains from intercompany transactions are eliminated upon consolidation. Unrealized losses from intercompany transactions are also eliminated upon consolidation unless the transaction provides evidence of an impairment of the transferred asset.

The assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date in which the Group gains control until the date in which the Group ceases to control the subsidiary.

Foreign Currency

Items included in the respective financial statements of each of the Group's subsidiaries are measured using the functional currency of the primary economic environment in which the subsidiary operates. The accompanying consolidated financial statements are presented in USD.

Foreign currency transactions are translated using the applicable exchange rate at the time of the transaction. Receivables, debt, and other monetary items in foreign currency are measured at the exchange rate at the end of the reporting period, and the translation differences are recognized as part of the Group's consolidated net profit or loss. Other assets in foreign currencies are translated at the exchange rate in effect on the transaction date.

Upon consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized as part of consolidated other comprehensive income or loss ("OCI"). When a foreign operation is sold, the associated exchange differences related to the gain or loss on sale are reclassified to profit or loss.

The profit and loss transactions of foreign subsidiaries are translated to the presentation currency using the average exchange rate for the reporting period. The assets and liabilities of foreign subsidiaries are translated at the exchange rate at the end of the reporting period.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing exchange rate.

Use of Estimates and Judgements

The preparation of the consolidated financial statements in accordance with IFRS requires management to make accounting estimates and assumptions that affect the recognized amounts of consolidated assets, liabilities, income, and expenses. The estimates and underlying assumptions are based on the Group's prior experience and information perceived to be relevant and probable when the judgments are made.

Estimates are reviewed on an ongoing basis and actual values and results may deviate from these estimates. Adjustments to accounting estimates are recognized in the period in which the estimates are revised.

The evaluations and estimates deemed to be of greatest significance for the Group are as follows:

Fair Value Adjustment of Biomass

Biological assets are measured at fair value less costs to sell, with any change therein recognized in profit or loss. The estimated fair value of the biological assets is based on the most relevant forward prices for salmon at the reporting period date in the respective markets in which the Group operates. The fair value calculation considers estimates of biomass volumes, quality, size distribution, production cost, mortality, and normal costs of harvest and sale.

Share-Based Compensation Benefits

Share options have been allotted to management and selected key employees. Each share option allows for the subscription of one share in Atlantic Sapphire AS on a future date at a predetermined strike price. Subscribing normally requires continued employment. The fair value of the options is calculated when they are allotted and expensed over the vesting period. The fair value at grant date is determined using an adjusted form of the Black Scholes Model, that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at the grant date, expected price volatility of the underlying share, and risk-free interest (see Note 18 – Share Option Program).

Provisions

A provision is recognized when the Group has a legal or constructive obligation as a result of a past event, it is likely that there will be a financial settlement as a result of this obligation, and the amount can be reliable. If the effect is significant, the provision is calculated by discounting future cash flows using a discounted pre-tax rate that reflects market assessments of time, value of money, and if relevant, risks specifically related to the obligation. Provisions are reviewed at each reporting period date and their level reflects the best estimate of the liability. Changes in best estimates are recognized in the accompanying consolidated statements of operations.

Classification of Current vs. Non-Current Items

Assets are classified as current when they are expected to be realized or sold, to be used in the Group's normal operating cycle, falls due, or is expected to be realized within 12 months after the end of the reporting period date. Other assets are classified as non-current. Liabilities are classified as current when they are expected to be settled in the normal operating cycle of the Group, are expected to be settled within 12 months of the end of the reporting period, or if the Group does not have an unconditional right to postpone settlement for at least 12 months after the reporting period date.

Revenue Recognition

The Group operates proprietary Bluehouse facilities for land-based salmon farming and derives revenue from the sale of salmon. Revenue from salmon sales is recognized when the customer obtains control of the goods transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the goods upon delivery (i.e. at a point in time). The Group grants certain customers sales incentives such as rebates or discounts and treats these as a reduction of revenue at the time the sale is recognized.

A receivable is recognized when the goods are delivered as this is the point in time in which consideration is unconditional and only the passage of time is required before the payment is due. Revenue from salmon sales are made with a credit term of 30 days.

Leases

Effective 1 January 2019, the Group adopted *IFRS 16, Leases*. Under the new standard, all leasing agreements with a duration exceeding 12 months are to be capitalized as financial leases. The Group assesses whether a legally enforceable contract is or contains a lease at the inception date of the contract. The assessment includes several criteria to be determined based on judgment that includes whether there is an identifiable asset in connection to the lease, whether the Group has the right to control the use of the identifiable asset, and whether the Group can obtain substantially all economic benefits from the identifiable asset.

The Group recognizes a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The lease liability is calculated based on the present value of the contractual minimum lease payments using the implicit interest rate of the lease. The Group uses the incremental borrowing rate in the case the implicit rate cannot be readily determined from the lease contract. The contractual minimum lease payments consist of fixed or variable payments, including those resulting from options in which management is reasonably certain it will exercise during the lease term. The lease liability is subsequently measured at amortized cost under the effective interest rate during the lease term and may also be adjusted to management's reassessment of future lease payments based on options exercised, renegotiations, or changes of an index rate.

The ROU asset is calculated based on the lease liability, plus initial direct costs towards the lease, and less any incentives granted by the lessor. The ROU asset is subsequently amortized under the straight-line method under the shorter of the lease term or the useful life of the underlying asset and is included as part of depreciation and amortization in the accompany consolidated statements of operations.

Leases that fall under the *IFRS 16* short-term exception are recognized on a straight-line method over the lease term. As of 31 December 2019, the Group applied the short-term exception to all existing leases under *IFRS 16* except for an existing land lease held by ASDK (see Note 8 – Rent and Lease Agreements).

Taxes

Tax expense consists of the tax payable and changes to deferred tax. Tax is recognized in the accompanying consolidated statements of operations, except to the extent that it relates to items recognized in consolidated OCI or directly in consolidated equity.

Deferred tax assets and liabilities are calculated based on the temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and their tax bases, together with tax losses carried forward at the consolidated statement of financial position date. Deferred tax assets and liabilities are calculated based on the applicable tax rates and legislations that are expected to apply when the assets are realized or the liabilities are settled, based on the tax rates and legislations that have been enacted or substantially enacted on the consolidated statement of financial position date. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available, against which the assets can be utilized. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. The entities included in the Group's consolidated financial statements are subject to income tax in the respective countries in which they are domiciled.

Investments and Other Financial Assets

The Group classifies its financial assets based on the following measurement categories:

- Those to be measured at amortized cost,
- Those to be measured subsequently at fair value (through other comprehensive income or loss), and
- Those to be measured subsequently at fair value (through profit or loss).

Upon initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the accompanying consolidated statements of operations.

Financial Assets at Amortized Cost

Trade receivables consist of amounts due from customers for goods sold in the ordinary course of business and are generally due for settlement within 30 days and classified as current. Trade receivables are initially recognized at the amount of consideration that is unconditional and when no element of financing is present. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

Other financial assets are classified at amortized cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Financial Assets at Fair Value Through Other Comprehensive Income or Loss

Financial assets at fair value through other comprehensive income or loss ("FVOCI") comprise of equity securities that are not held for trading, and in which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

Upon disposal of such equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

Dividends from such equity instruments are recognized as part of other income in the accompanying consolidated statements of operations.

Financial Assets at Fair Value Through Profit or Loss

The Group has no financial assets measured in this category.

Property, Plant, and Equipment

Property, plant, and equipment is capitalized at acquisition cost, which includes capitalized borrowing costs, less accumulated depreciation and impairment losses, if any. Acquisition costs include expenditures that are directly attributable to the acquisition and placement of fixed assets in service. Costs of major replacements and renewals that substantially extend the economic life and functionality of fixed asset are capitalized. Costs associated with normal maintenance and repairs are expensed as incurred.

Assets are normally considered property, plant, and equipment if the useful economic life exceeds one year. Straight-line depreciation is applied over the useful life of property, plant, and equipment based on the asset's historical cost and estimated residual value at disposal. If a substantial part of an asset has an individual and different useful life, that portion is depreciated separately. The asset's residual value and useful life are evaluated annually. Gains or losses arising from the disposal or retirement of an asset are determined as the difference between the sales proceeds and the carrying amount of the asset and recognized as part of other income in the accompanying consolidated statements of operations.

Depreciation is charged to expense when the property, plant or equipment is ready for use or placed in service. As such, assets under construction are not depreciated.

Intangible Assets

Expenses related to research activities are expensed as incurred. Expenses related to development activities are capitalized if the product or process is technically and commercially feasible, and the Group has adequate resources to complete the development.

Patents are capitalized and measured at cost less accumulated amortization and any accumulated impairment losses, if any.

Impairment

Management reviews long-lived assets for impairment annually, or more frequently, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying value to determine if an adjustment for impairment to such asset is necessary. The effect of any impairment would be to expense the difference between the fair value of such asset and its carrying value. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. As of 31 December 2019 and 2018, management did not consider an allowance for impairment necessary for long-lived assets.

Inventories

Inventories are measured at the lower of cost or net realizable value under the first-in-first-out principle. Cost price includes both the production or acquisition costs for goods and the costs of bringing goods into saleable condition.

Biological Assets

Under the provisions of *IAS 41, Agriculture and IFRS 13, Fair Value Measurement*, biological assets ("biomass") are measured at fair value less cost to sell, unless fair value is not readily measured. Biomass comprise of salmon roe and live fish in tanks from fry to adult grow-out. Fish held in tanks with a live weight over 1kg are considered harvestable and are therefore measured at fair value less cost to sell. Salmon roe and biomass with a live weight below 1 kg is considered non-harvestable due to its little biological conversion and are therefore measured at cost.

The cost of biological assets ("biomass costs") includes all costs required to raise salmon from roe to harvest. Key biomass costs are generally recognized on a historical basis and include salmon roe, fish feed, other raw materials, salary and personnel costs, utilities, and other overhead from production.

The valuation of biological assets under *IAS 41* is based on an implied estimated fair value of the fish in a hypothetical market. The estimate of the unrealized fair value adjustment under *IFRS 13* is based on several factors such as changes in the final market destinations of fish sold, changes in forward market price and biomass costs, changes in biology, and differences in anticipated quality and size. The key element in approximating fair value is the assumed market price expected to be achieved on the future date in which the fish is to be harvested. Such market prices are based on a variety of sources including, but not limited to, the Group's historical sales prices achieved and quoted forward market prices as per the NASDAQ salmon index. The market prices are then reduced for harvesting and freight costs required to sell to arrive at a net value back to farm. The difference between the fair value and the associated cost to sell is recognized under fair value adjustments in the accompanying consolidated statements of operations.

Incident-based mortality is recognized when a Bluehouse facility experiences elevated or substantial mortality due to an incident out of expected normal capacity. In such cases, mortality expense is included as part of cost of materials in the accompanying consolidated statements of operations, and the fair value associated with the affected biomass is then adjusted under fair value adjustments in the accompanying consolidated statements of operations.

For further information regarding the Group's biological assets, see Note 5 – Biological Assets.

Trade and Other Receivables

Trade receivables are initially recognized at amortized cost, less a provision for expected credit losses. Credit loss provisions are based on individual customer assessments over each reporting period and not on a 12-month period.

Cash

Cash includes cash on hand and bank deposits. Restricted cash is not available for immediate or general business use and is presented separately in the accompanying consolidated statements of financial condition. Cash equivalents consist of short-term investments that can be converted into a known amount in cash within three months and contain an insignificant risk element. The Group did not hold any cash equivalents at 31 December 2019 and 2018.

Borrowings

Borrowings are recognized at fair value when proceeds have been received, less transaction costs. In subsequent periods, borrowings are recognized at amortized cost calculated using the effective interest method. The difference between the proceeds from borrowings received (less transaction costs) and its redemption value is reflected over the term of the borrowing as part of financial expense in the accompanying consolidated statements of operations.

Trade and Other Payables

Trade and other payables represent unpaid liabilities for goods and services provided to the Group prior to the end of the financial year and are presented as current liabilities unless payment is not due within 12 months after the reporting period. Trade and other payables are recognized initially at their fair value and are subsequently measured at amortized cost using the effective interest method.

Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave, are recognized with respect to employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Such amounts are generally expected to be settled in full within 12 months after the end of the reporting period in which the employees render the related service, and liabilities for wages and salaries are presented as part of trade and other payables in the accompanying consolidated statements of financial position.

Pensions

The Group offers a defined contribution plan to its employees and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual, or voluntary basis. The Group has no further payment obligations once the contributions have been paid. Contributions are recognized as employee benefit expense when they are due and are included as part of salary and personnel costs in the accompanying consolidated statements of operations. Prepaid contributions are recognized as an asset to the extent in which a cash refund or a reduction in the future payments is available.

Share Option Program

Share-based compensation benefits are provided to employees through an employee share scheme (see Note 18 – Share Option Program). The total expense is recognized over the vesting period, which is the period over which all specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions and recognizes the impact of the revision to original estimates, if any, in the accompanying consolidated statements of operations, with a corresponding adjustment to equity. Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

Government Grants

Government grants are recognized when there is reasonable assurance that the grant will be received and when the Group satisfies all conditions attached. When the grant relates to an expense item, it is recognized as income over the period that the costs it is intended to compensate are expensed. When the grant relates to an asset, it is deducted from the carrying amount of the asset and ultimately reduces the depreciation charge associated with the asset over its estimated useful life.

Statements of Cash Flows

The accompanying consolidated statements of cash flows are prepared in accordance with the indirect method.

Reclassification

Certain amounts in the Group's 2018 consolidated financial statements have been reclassified to conform to the 2019 presentation. The reclassifications have no effect on the Group's consolidated financial position or previously reported results of consolidated operations.

NOTE 2 – FINANCIAL RISK AND CAPITAL MANAGEMENT

The Group's financial assets and liabilities include trade and other receivables, trade and other payables, cash, and borrowings necessary for its operations. The Group's risk management is carried out by the Group's finance department. The Group is exposed to market risk, credit risk, and liquidity risk.

Market Risk

Interest Rate

The Group's interest rate risk relates primarily from borrowings from financial institutions with variable rate interest. When possible, the Group manages its interest rate risk by entering fixed-interest loans. The Group through ASUS holds the USA Term Loan which bears an interest rate of LIBOR plus 6% (see Note 19 – Loans and Borrowings). Currently, the Group does not maintain a program to hedge its variable rate exposure. Changes in the interest rate can affect future investment opportunities.

Interest Rate Sensitivity

For the years ended 31 December 2019 and 2018, the following represents the Group's potential interest expense effect based on a 1% increase on the floating interest rate:

(USD 1,000)	2019	2018
Interest expense effect of a 1% increase on the floating interest rate	962	–

Foreign Currency

The Group's foreign currency risk relates to the Group's operating, investing, and financing activities denominated in a foreign currency. This includes the Group's revenues, expenses, capital expenditures, and net investments in foreign subsidiaries. The Group's reporting currency is the United States dollar ("USD"), and the predominant currencies transacted by the Group's subsidiaries are the USD, the Norwegian krone ("NOK"), the Danish krone ("DKK"), and the EU euro ("EUR").

The Group manages its foreign currency risk by maintaining cash balances in foreign currency denominated bank accounts, analyzing future obligations by currency, and transferring funds as needed. The Group has not entered into derivative or other agreements to reduce the exchange rate risk and the related market risk.

At 31 December 2019 and 2018, the Group's cash balances were held in the following currencies:

(USD 1,000)	2019	2018
USD	5,062	8,296
NOK	3,097	9,191
DKK	264	1,212
EUR	724	–
Total cash	9,147	18,699

Foreign Currency Sensitivity

For the years ended 31 December 2019 and 2018, the Group's main source of sensitivity to exchange rate movement was due to the NOK-denominated capital raise to fund USD-denominated construction and other expenses in the USA and Denmark as follows:

(USD 1,000)	2019	2018
Capital raise effect in USD from a 10% reduction in the value of NOK to USD	(8,965)	(8,154)

Credit Risk

Financial instruments, which potentially subject the Group to credit risk, consist principally of cash and trade receivables. Cash is maintained with major financial institutions. The Group extends credit to some of its customers and management recognizes that extending credit and setting appropriate reserves for accounts receivable is largely a subjective decision based on knowledge of the customer. Accordingly, the Group trades only with recognized and creditworthy third parties and does not require collateral on trade receivables from its customers. Management periodically evaluates credit exposure in the aggregate and by individual credit and periodically reviews the creditworthiness of its customers to ensure the overall quality of the Group's credit portfolio. Further, the Group's trade receivables are credit insured unless an exception is approved by the CEO. The Group has not experienced any material losses on its trade receivable. Credit risk associated with revenue is limited to the amount of trade receivables outstanding for each customer.

Liquidity Risk

The Group continuously monitors liquidity and financial projections through budgets and monthly updated forecasts. The Group's financial position depends significantly on salmon spot prices which have historically been volatile. Other liquidity risks include the impacts from fluctuations in production and harvest volumes, biological issues, and changes in feed prices. Feed prices generally correlate to the marine and agricultural commodity prices of the main ingredients.

Delay in the completion of the construction of the Homestead Bluehouse may affect the Group's ability to achieve its operational plan and full schedule of production, thereby adversely impacting the Group's business and results of operations.

The provisions of the 2019 DNB Credit Facility contain financial covenants to be maintained by the Group. As of 31 December 2019, the Group was in compliance with all financial covenants.

The following are the remaining contractual maturities of the Group's financial liabilities as of 31 December 2019 and 2018, which include gross undiscounted principal and interest payments and exclude the impact of netting agreements:

As of 31 December 2019 (USD 1,000)	**Trade and other payables**	**Borrowings**
Up to 3 months	10,528	645
Between 3 and 12 months	5,892	2,535
Between 1 and 2 years	-	9,496
Between 2 and 5 years	-	23,222
Over 5 years	-	2,145
Total financial liabilities	16,420	38,043

As of 31 December 2018 (USD 1,000)	**Trade and other payables**	**Borrowings**
Up to 3 months	9,895	20
Between 3 and 12 months	–	63
Between 1 and 2 years	3,484	139
Between 2 and 5 years	–	112
Over 5 years	–	760
Total financial liabilities	13,379	1,094

The Group completed equity capital raises in the amount of NOK 783m (USD 90m) on 8 May 2019 and NOK 640m (USD 82m) on 24 April 2018.

Further, the Group closed on a USD 86m credit facility with DNB and EKF, Denmark's export credit agency, on 19 February 2019 (see Note 19 – Borrowings).

NOTE 3 – SEGMENTS

The Group has two strategic divisions, which represent its reportable segments. The Group's executive management reviews the internal management reports of each division. As of 31 December 2019 and 2018, the Group's reportable segments consisted of the following:

Fish Farming (Denmark)

The Group owns and operates a proprietary Bluehouse land-based salmon farm in Hvide Sande, Denmark through ASDK. Principal operations comprise of the production and sale of salmon.

Fish Farming (USA)

The Group owns and operates a proprietary Bluehouse land-based salmon farm in Homestead, Florida, USA through ASUS. The Homestead Bluehouse is currently under Phase 1 of its construction build out and is projected to harvest approximately 10,000 tons HOG of salmon annually commencing in Q3 2020.

For the years ended 31 December 2019 and 2018, the Group's segment information consisted of the following:

Year ended 31 December 2019	**Fish farming**			
(USD 1,000)	**Denmark**	**USA**	**Other and eliminations**	**Consolidated**
Revenue from sale of salmon	6,413	-	(873)	5,540
EBITDA	(3,147)	(7,124)	(897)	(11,168)
Pre-tax loss	(6,957)	(7,730)	1 535	(13,152)
Total assets	47,319	204,387	1,170	252,876
Total liabilities	35,236	41,187	(32,226)	44,197
Depreciation and amortization	2,206	80	-	2,286
Capital expenditures	7,001	79,156	-	86,157
Cash flows from operating activities	7,786	(11,321)	(14,927)	(18,462)
Cash flows from investing activities	(6,953)	(79,837)	-	(86,790)
Cash flows from financing activities	(157)	85,872	10,114	95,829

Year ended 31 December 2018	**Fish farming**			
(USD 1,000)	**Denmark**	**USA**	**Other and eliminations**	**Consolidated**
Revenue from sale of salmon	481	-	-	481
EBITDA	(2,309)	(4,343)	(1,195)	(7,847)
Pre-tax loss	(4,362)	(6,362)	(675)	(11,399)
Total assets	37,694	107,539	6,679	151,912
Total liabilities	27,455	11,650	(24,632)	14,473
Depreciation and amortization	993	63	-	1,056
Capital expenditures	17,618	75,451	-	93,069
Cash flows from operating activities	6,535	(8,855)	(13,689)	(16,009)
Cash flows from investing activities	(17,589)	(70,090)	-	(87,679)
Cash flows from financing activities	7,697	81,460	(17,243)	71,914

For the years ended 31 December 2019 and 2018, significantly all the Group's revenue consisted of the sale of salmon, and the Group's disaggregation of revenue with customers consisted of the following:

(USD 1,000)	2019	2018
Revenue from external customers in:		
Denmark	2,390	346
United States	1,834	75
Netherlands	955	-
Other countries	361	60
Total revenue from external customers	5,540	481

For the years ended 31 December 2019 and 2018, the Group's concentration of revenue consisted of the following:

(USD 1,000)	2019	2018
Sales per customer:		
Customer A	1,834	75
Customer B	1,433	65
Customer C	957	275
Customer D	607	64
Customer E	348	2
Other customers	361	-
Total revenue from significant customers	5,540	481

NOTE 4 – OTHER INCOME

For the years ended 31 December 2019 and 2018, the Group's other income, net consisted of the following:

(USD 1,000)	2019	2018
Income from land lease	17	19
Loss from sale of equipment	(6)	-
Other reimbursements	3	5
Other income, net	14	24

NOTE 5 – BIOLOGICAL ASSETS

Fair Value Measurement of Biological Assets

Under the provisions of *IAS 41*, the fair value of the Group's biological assets is calculated based on the market price for the relevant fish quality and size on the reporting period date. As the biomass input is mostly unobservable, biomass valuation is categorized at Level 3 in the fair value hierarchy under *IFRS 13*. The estimated market price in each market is normally derived from the development in recent market prices. Quoted forward prices from Fish Pool, a third-party, are used in the estimation to improve reliability and comparability of the price estimation.

The valuation model for the Group's biological assets calculates the net present value of the expected cash flow from harvested biomass based on the actual number of fish as a starting point. The time to market for live fish is based on a growth table for each generation of fish. The Group considers a live fish weight of 4.5 kg to be the optimal harvest weight with an expected growth period of 21 months. Expected mortality rates are used to estimate the expected volume of biomass that will reach optimal harvest weight. On average, an estimated 64% of the number of fish is expected to reach the optimal harvest weight and takes into consideration both mortality and culling. The Fish Pool forward spot prices at the estimated time of harvest are then used towards the expected cash inflow calculation. A monthly discount rate of 10% is used towards the Group's net present value calculation. Observable market prices are used where available.

As of 31 December 2019 and 2018, the Group's biological assets consisted of the following:

(USD 1,000)	2019	2018
Cost of biological assets	10,163	3,801
Fair value adjustments	1 112	(518)
Total biological assets	11,275	3,283

The following represents a reconciliation of changes in the carrying amount of the Group's consolidated biological assets for the years ended 31 December 2019 and 2018:

(USD 1,000)	2019	2018
Biological assets at beginning of year	3,283	280
Gain or loss arising from changes in fair value less costs to sell	458	204
Increases due to production and purchases	13,865	3,522
Decreases due to harvest	(5,978)	(536)
Decreases due to mortality	(297)	(49)
Net exchange rate differences	(56)	(138)
Biological assets at end of year	11,275	3,283

As of 31 December 2019 and 2018, the Group's physical volumes of biological assets consisted of the following:

	2019	2018
Live weight of biomass (in tons)		
Non-harvestable fish	354	572
Harvestable fish	821	-
Total live weight of biomass (in tons)	1 175	572
Number of fish (thousand)		
Non-harvestable fish	4,114	1,485
Harvestable fish	300	-
Total number of fish	4,414	1,485
Volume of fish harvested during the year (tons gutted weight)	1,022	71

Sensitivity Analysis

Although the Group has acquired expertise in assessing various factors regarding biomass, the estimate of unrealized fair value adjustment under *IFRS 13* is based on several uncertain assumptions, and the realized profit ultimately achieved upon the sale of inventory may differ from the calculations of fair value accordingly. Such assumptions include biomass volume and growth rate, biomass quality and size distribution, biomass costs, fish mortality, and market price.

Biomass Volume and Growth Rate:

Biomass volume and growth rate is estimated from the changes between known tank density prior to the release of fish in tanks and the current tank density with live fish. The difference in densities is then used to estimate growth between any given period, which gives little uncertainty with respect to biomass volume and growth rate.

Biomass Quality and Size Distribution:

Biomass quality prior to harvest is estimated based on periodic samples obtained throughout the life of a given batch. However, the actualbio-mass quality for the entire batch population is difficult to assess prior to harvest and some degree of variation of quality is expected. Fair value is first assessed as superior quality fish and the estimated price per kg is reduced on downgraded ordinary and production grade fish based on standard rates from industry benchmarks. Biomass size distribution prior to harvest is estimated from counting and grading systems prior to harvest. Although some degree of variation is expected, actual fish size is not expected to deviate substantially from the average distribution for the overall batch and therefore, the Group's estimated value of biomass with this respect.

Biomass Costs:

Estimated future biomass costs are based on the Group's prognoses taking into consideration factors such as uncertainty with feed prices or other biomass cost developments. Changes in the Group's estimation towards biomass costs would influence the value of biomass and is recognized accordingly as part of the fair value adjustments in the accompanying consolidated statements of operations.

Fish Mortality:

Mortality under normal capacity is expected and directly affects the fair value estimates as it ultimately results in a reduction in harvestable biomass volumes. Further, overall biomass costs for a given batch includes the cost of fish that will perish under expected mortality.

Market Price:

The key element in the fair value model of biological assets is the estimated forward market price that is expected to be received in the future when the fish is harvested. An increase in anticipated forward market prices would increase the fair value of the biological assets and vice versa. A change in biomass costs will generally have lesser impact on the estimated fair value calculation that a similar change in anticipated forward market prices.

The fair value of the Group's biological assets was calculated based on different parameters.

As of 31 December 2019 and 2018, the estimated effect on the book value of biological assets was as follows:

(USD 1,000)	Increase	2019	2018
Change in biomass size	2%	371	44
Change in forward price	2%	130	76
Change in discount rate	2%	(158)	(117)

Incident-Based Mortality

No significant mortality incidents were noted for the years ended 31 December 2019 and 2018. Subsequently on 29 February 2020, ASDK experienced a partial biomass loss in one of its grow-out systems and lost approximately 227,000 fish (see Note 24 – Subsequent Events).

NOTE 6 – SALARY AND PERSONNEL COSTS

During the ordinary course of business, the Group capitalizes portions of total salary and personnel costs towards biological assets and assets under construction.

For the years ended 31 December 2019 and 2018, salary and personnel costs consisted of the following:

(USD 1,000)	2019	2018
Salaries, including holiday pay and bonuses	6,633	3,300
Payroll taxes	676	818
Pension costs	202	70
Share-based compensation benefits	287	127
Other benefits	159	259
Total salary and personnel costs	7,957	4,574
Less: production labor capitalized towards biological assets	(2,432)	(808)
Less: construction labor capitalized towards assets under construction	(1,730)	(976)
Total salary and personnel costs	3,795	2,790

For the years ended 31 December 2019 and 2018, the Group employed 87 and 37 full-time employees, respectively.

For the years ended 31 December 2019 and 2018, total compensation to the Group's Board of Directors consisted of the following:

(USD 1,000)	2019	2018
Johan Andreassen, Chairman of the Board and CEO	9	6
André Skarbø, Director	9	6
Bjørn Myrseth, Director (6)	9	–
Bjørn-Vegard Løvik, Director	9	6
Johan Henrik Krefting, Director (4)	9	6
Peter Skou, Director	9	6
Alexander Reus, Director (1)	9	–
Kjell Bjordal, Director (2)	–	6
Runar Vatne, Director (3)	–	–
Patrice Flanagan, Director (5)	4	–
Total Board of Directors	67	36

(1) Elected as new director 21 June 2018
(2) Retired as director 21 June 2018
(3) Elected as new director 12 November 2019
(4) Retired as director 23 October 2019
(5) Elected as new director 1 August 2019
(6) Retired as director 1 August 2019

For the years ended 31 December 2019 and 2018, renumeration to executive management consisted of the following:

Executive management (USD 1,000)	**Salary**	**Bonus**	**Pension contribution**	**Other benefits**	**Total**
Year ended 31 December 2019					
Johan Andreassen, CEO	402	100	11	-	513
Jose Prado, CFO	402	100	11	-	513
Dharma Rajeswaran, COO	253	-	10	-	263
Thue Holmes, CTO	150	-	-	13	163
Svein Taklo, CDIO	69	-	-	-	69
Total remuneration to executive management	1,276	200	32	13	1,521
Year ended 31 December 2018					
Johan Andreassen, CEO	343	100	11	-	454
Jose Prado, CFO	400	-	-	-	400
Dharma Rajeswaran, COO	153	-	4	-	157
Thue Holmes, CTO	126	-	-	-	126
Svein Taklo, CDIO	-	-	-	-	-
Total remuneration to executive management	1,022	100	15	-	1,137

Total renumeration to executive management is included as part of total salary and personnel costs in the accompanying consolidated statements of operations.

A bonus scheme is in place for executive management based on the Group's revenue, operating profits, and commensurate performance. The Group's renumeration to executive management consists of the Group's ordinary pension schemes (see Note 20 – Pensions) and no additional pension scheme for executive management is in place. There are severance clauses in each respective executive officer's employment agreements with varying terms based on termination for cause or not-for-cause. For the years ended 31 December 2019 and 2018, there was no extraordinary remuneration to executive officers attributed to change of employment or office.

NOTE 7 – AUDITOR'S FEES

For the years ended 31 December 2019 and 2018, remuneration to the Group's auditors, excluding VAT, consisted of the following:

(USD 1,000)	**2019**	**2018**
Statutory auditing services	156	104
Other certification services	-	5
Tax advisory services	2	25
Other services	30	4
Total auditor's fees	188	138

Total amounts towards auditor's fees are included as part of other operating expenses in the accompanying consolidated statements of operations.

NOTE 8 – RENT AND LEASE AGREEMENTS

The Group leases certain land, offices, vehicles, and equipment under various lease agreements with lessors. Effective 1 January 2019, the Group adopted *IFRS 16*, Leases under the modified retrospective approach and accordingly, the comparative information for 2018 has not been restated and was reported under *IAS 17* and *IFRIC 4*. The Group applied the practical expedient and exemption provisions of *IFRS 16* for contracts entered into prior to 1 January 2019 and contracts entered or amended after 1 January 2019. Accordingly, with respect to existing leases at 1 January 2019, the Group established a right-of-use asset and lease liability for existing material leases as of the effective date, elected not to apply recognition and measurement requirements to short-term leases and leases with insignificant remaining minimum contractual commitments, and the opening 2019 accumulated deficit balance was not impacted upon the adoption of *IFRS 16*. Further, the Group opted not to separate non-lease components from lease components. The Group's leases do not contain variable lease payment terms.

For the years ended 31 December 2019 and 2018, total rent expense recognized under the short-term exemption under *IFRS 16* consisted of USD 605k and USD 397k, respectively, and is included as part of other operating expenses in the accompanying consolidated statements of operations.

Land Lease

The Denmark Bluehouse is built upon land that is leased under an agreement with a third party. The lease commenced on 1 April 2018 and expires on 31 October 2037. Under the *IFRS 16* practical expedient, a right-of-use asset and lease liability of USD 373k were recognized on 1 January 2019.

For the year ended 31 December 2019, the reconciliation of the Group's right-of-use asset and liability consisted of the following:

	2019	
(USD 1,000)	**Right-of-use asset**	**Lease liability**
Carrying amount, opening balance	-	-
Existing contracts recognized under IFRS 16 practical expedient	373	373
Depreciation and amortization	(19)	-
Lease payments	-	(30)
Interest expense	-	33
Currency effects	1	3
Carrying amount, closing balance	355	379

For the year ended 31 December 2019, depreciation of the Group's right-of-use assets was USD 19k and is included as part of depreciation and amortization in the accompanying consolidated statements of operations. Lease liability interest expense for the year ended 31 December 2019 was USD 33k and is included as part of interest expense in the accompanying consolidated statements of operations.

For the year ended 31 December 2018, total land lease expense of USD 27k was included as part of other operating expenses in the accompanying consolidated statements of operations.

Office Leases

For the years ended 31 December 2019 and 2018, ASUS rented temporary office space from Platina Seafood, Inc., a related party, on a month-to-month basis (see Note 22 – Related Party Transactions).

During the year ended 31 December 2019, ASUS entered two new lease arrangements of corporate premises in Miami, Florida. The total minimum lease contract payments for the two new lease arrangements consisted of approximately USD 3.2m and were assessed for as one lease contract with two underlying components in accordance with *IFRS 16*. The two underlying components consisted of two separate office suites (Suite 510 and Suite 2400) in the same building owned by the same lessor. Subject to the provisions of the lease contract, the Suite 510 lease commenced on 1 August 2019 and expired within 5 days from 1 January 2020, the commencement date of the Suite 2400 lease.

Subsequent to 31 December 2019, ASUS continued to occupy Suite 510 and management expects to move to Suite 2400 in May 2020. The Group allocated the total minimum lease payments of the lease contract between Suite 510 and Suite 2400 using the respective estimated standalone lease value of the two underlying components. ASUS applied the short-term exemption of *IFRS 16* on Suite 510 and recognized the allocated minimum lease payments as rent expense of approximately USD 201k as part of other operating expenses in the accompanying consolidated statements of operations. ASUS will recognize the present value of the allocated minimum lease payments for Suite 2400 as a right-of-use asset and the related lease liability at the commencement date of Suite 2400.

For the years ended 31 December 2019 and 2018, total office lease expense was USD 394k and USD 156k, respectively, and the amounts are included as part of other operating expenses in the accompanying consolidated statements of operations.

Vehicle Leases

During the ordinary course of business, the Group leases certain vehicles under lease agreements with third parties to facilitate operations. Vehicle rent is included as part of other operating expenses in the accompanying consolidated statements of operations as the Group considers the overall potential right-of-use assets and lease liabilities associated with vehicles to have a marginal effect on the consolidated financial statements as a whole. For the years ended 31 December 2019 and 2018, total vehicle lease expense was USD 10k and USD 10k, respectively, and the amounts are included as part of other operating expenses in the accompanying consolidated statements of operations.

Equipment Leases

During the ordinary course of business, the Group leases certain equipment under lease agreements with third parties to facilitate operations. For the years ended 31 December 2019 and 2018, total equipment lease expense was USD 201k and USD 204k, respectively, and the amounts are included as part of other operating expenses in the accompanying consolidated statements of operations.

Future Minimum Lease Payments

As of 31 December 2019 and 2018, the future minimum lease payments under non-cancellable leases consisted of the following:

(USD 1,000)	Land	Office	Vehicles	Equipment	Total
As of 31 December 2019					
Less than one year	30	315	10	112	467
Between one and five years	141	2,272	–	–	2,413
More than five years	738	666	–	–	1,404
Total future minimum lease payments	909	3,253	10	112	4,284
As of 31 December 2018					
Less than one year	35	40	11	15	101
Between one and five years	135	–	9	41	185
More than five years	792	–	–	–	792
Total future minimum lease payments	962	40	20	56	1,078

NOTE 9 – PROPERTY, PLANT, AND EQUIPMENT

As of 31 December 2019 and 2018, property, plant, and equipment, net consisted of the following:

(USD 1,000)	Land	Buildings	Production, plant, and machinery	Equipment and other movables	Software	Assets under construction	Total
At 1 January 2019							
Cost	3,691	10,251	21,677	702	–	93,272	129,593
Less: accumulated depreciation	–	(715)	(2,368)	(210)	–	–	(3,293)
Net book amount	3,691	9,536	19,309	492	–	93,272	126,300
Year ended 31 December 2019							
Opening net book amount	3,691	9,536	19,309	492	–	93,272	126,300
Additions	5,023	–	–	323	180	80,631	86,157
Reclassifications	–	5,176	1,624	14	–	(6,814)	–
Disposals	–	(30)	(83)	(16)	–	(12)	(141)
Depreciation charge	–	(631)	(1,475)	(161)	–	–	(2,267)
Reversed depreciation	–	29	97	9	–	–	135
Net exchange rate differences	–	(179)	(378)	(4)	–	(7)	(568)
Closing net book amount	8,714	13,901	19,094	657	180	167,070	209,616
At 31 December 2019							
Cost	8,714	15,218	22,840	1,019	180	167,070	215,041
Less: accumulated depreciation	–	(1,317)	(3,746)	(362)	–	–	(5,425)
Net book amount	8,714	13,901	19,094	657	180	167,070	209,616

(USD 1,000)	Land	Buildings	Production, plant, and machinery	Equipment and other movables	Software	Assets under construction	Total
At 1 January 2018							
Cost	1,732	2,561	6,748	394	–	26,800	38,235
Less: accumulated depreciation	–	(493)	(1,771)	(102)	–	–	(2,366)
Net book amount	1,732	2,068	4,977	292	–	26,800	35,869
Year ended 31 December 2018							
Opening net book amount	1,732	2,068	4,977	292	–	26,800	35,869
Additions	1,959	19	226	328	–	90,537	93,069
Reclassifications	–	8,029	15,917	–	–	(23,946)	–
Disposals	–	–	(452)	(13)	–	–	(465)
Depreciation charge	–	(222)	(720)	(114)	–	–	(1,056)
Reversed depreciation	–	–	123	6	–	–	129
Net exchange rate differences	–	(358)	(762)	(7)	–	(119)	(1,246)
Closing net book amount	3,691	9,536	19,309	492	–	93,272	126,300
At 31 December 2018							
Cost	3,691	10,251	21,677	702	–	93,272	129,593
Less: accumulated depreciation	–	(715)	(2,368)	(210)	–	–	(3,293)
Net book amount	3,691	9,536	19,309	492	–	93,272	126,300

Economic life	N/A	20 Years	15 Years	5 Years	3 Years	(Not in service)
Depreciation plan	N/A	20 Years	15 Years	5 Years	3 Years	(Not in service)

Debt Secured by Borrowings

Substantially all the Group's property, plant, and equipment are secured by its borrowings (see Note 19 – Borrowings).

Contractual Commitments

The Group has built, or is in the process of building, Bluehouse facilities in Hvide Sande, Denmark and in Homestead, Florida, USA. As of 31 December 2019 and 2018, significant capital expenditures contracted for at the end of the reporting periods, but not recognized as liabilities, were as follows:

(USD 1,000)	2019	2018
Property, plant, and equipment in Hvide Sande, Denmark	-	3,063
Property, plant, and equipment in Homestead, Florida, USA	12,375	55,280
Total contractual commitments	12,375	58,343

NOTE 10 – FINANCIAL INCOME AND EXPENSE

For the years ended 31 December 2019 and 2018, financial income and expense, net consisted of the following:

(USD 1,000)	2019	2018
Interest income	456	520
Exchange gains	2,030	40
Interest expense	(164)	(194)
Exchange losses	(1,445)	(753)
Loan commitment fees	(540)	(1,979)
Loan guarantee fees	(10)	(60)
Other financial expense	(25)	(70)
Total financial income (expense), net	302	(2,496)

NOTE 11 – TAXES

For the years ended 31 December 2019 and 2018, the Group's income tax expense consisted of the following:

(USD 1,000)	2019	2018
Income tax expense		
Current tax	–	–
Deferred tax	–	–
Income tax expense (benefit)	–	–
Current tax on profits for the year	–	–
Current tax	–	–
Deferred tax due to changes in temporary differences	(2,893)	(2,689)
Effect of change in tax rate	–	67
Tax losses for which no deferred tax asset is recognized	2,893	2,622
Deferred tax	–	–
Effective tax rate	0.00%	0.00%

For the years ended 31 December 2019 and 2018, the reconciliation of the Group's tax expense with the Norwegian tax rate consisted of the following:

(USD 1,000)	2019	2018
Reconciliation of tax expense with the nominal tax rate		
Profit before tax	(13,152)	(11,399)
Nominal tax rate	22.00%	23.00%
Expected tax benefit using nominal tax rate	(2,893)	(2,622)
Amount recognized directly in equity, affecting tax losses not recognized	(934)	–
Non-deductible expenses (income)	83	9
Effect from different tax rate in other countries	(348)	(179)
Effect from change in tax rate	–	48
Tax losses for which no deferred tax asset is recognized	4,018	2,555
Non-deductible share-based payment expenses	63	181
Other	11	8
Income tax (benefit)	–	–

Changes in Tax Rate

The nominal tax rate in Norway was reduced from 23% in 2018 to 22% in 2019 and remained at 22% in 2020.

As of 31 December 2019 and 2018, the Group's deferred tax balances consisted of the following:

(USD 1,000)	2019	2018
Deferred tax balances		
The balance comprises temporary differences attributable to:		
Deferred tax assets:		
Tax losses	11,614	7,997
Property, plant, and equipment	(721)	81
Other	89	6
Set-off tax	(109)	(1,171)
Net deferred tax assets after set-off	10,873	6,913
Unrecognized deferred tax assets	(10,873)	(6,913)
Net deferred tax assets	–	–
Deferred tax liabilities:		
Property, plant, and equipment	109	1,171
Set-off tax	(109)	(1,171)
Net deferred tax liabilities	–	–

As of 31 December 2019 and 2018, the Group's carry forward of tax losses consisted of the following:

(USD 1,000)	2019	2018
Tax losses carried forward		
Expires (2033 and forward)	4,320	4,320
Never expires	44,820	29,896
Total tax losses carried forward	49,140	34,216
Tax losses for which deferred tax asset is recognized	–	–
Tax losses for which no deferred tax asset is recognized	49,140	34,216
Potential tax benefit	11,636	7,997

NOTE 12 – EARNINGS PER SHARE

Basic earnings per share calculations are based on the weighted average number of common shares outstanding during the period, while diluted earnings per share calculations are performed using the average number of common shares and dilutive common shares equivalents outstanding during each period.

Options are dilutive when they result in the issue of ordinary shares for less than the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price in the period is treated as an issue of ordinary shares for no consideration.

On 8 January 2018, a 10x share split was executed and the average number of shares outstanding were retrospectively calculated. As a result of the share split execution, Atlantic Sapphire AS authorized 46,286,500 shares issued and outstanding, each with a nominal par value of NOK 0.1. All shareholders maintained their pro-rata interest in the Group.

(USD 1,000)	2019	2018
Loss attributable to the ordinary equity holders of the Group	(13,152,000)	(11,399,000)
Loss for calculation of diluted earnings per share	(13,152,000)	(11,399,000)
Average number of shares outstanding used for calculation of earnings per share	68,186,548	56,966,535
Options*	-	-
Average number of ordinary shares and potential ordinary shares for diluted earnings per share	68,186,548	56,966,535
Basic earnings per share (USD per share)	(0.19)	(0.20)
Diluted earnings (USD per share)	(0.19)	(0.20)

* The options that would result in issue of 914,652 ordinary shares in 2019 (568,332 ordinary shares in 2018) are not included in the calculation of diluted earnings per share because they are anti-dilutive and would decrease loss per share.

NOTE 13 – FINANCIAL INSTRUMENTS

As of 31 December 2019 and 2018, the Group's financial instruments consisted of the following:

Financial assets (USD 1,000)	**Amortized cost**	**Fair value through OCI**	**Total**
As of 31 December 2019			
Trade and other receivables*	1,187	-	1,187
Cash	9,147	-	9,147
Restricted cash (short-term)	324	-	324
Restricted cash (long-term)	15,000	-	15,000
Other investments	-	11	11
Total financial assets	25,658	11	25,669
As of 31 December 2018			
Trade and other receivables*	1,117	-	1,117
Cash	18,699	-	18,699
Restricted cash (short-term)	319	-	319
Restricted cash (long-term)	-	-	-
Other investments	-	11	11
Total financial assets	20,135	11	20,146

* Prepayments not included in trade and other receivables.

Financial liabilities (USD 1,000)	**Amortized cost**	**Fair value through OCI**	**Total**
As of 31 December 2019			
Trade and other payables*	16,420	-	16,420
Borrowings	27,398	-	27,398
Total financial liabilities	43,818	-	43,818
As of 31 December 2018			
Trade and other payables*	13,379	-	13,379
Borrowings	1,094	-	1,094
Total financial liabilities	14,473	-	14,473

* Prepayments are not included in trade and other payables.

Cash (USD 1,000)	**2019**	**2018**
A+ or better	24,471	19,018

NOTE 14 – TRADE AND OTHER RECEIVABLES

As of 31 December 2019 and 2018, the Group's trade and other receivables consisted of the following:

(USD 1,000)	2019	2018
Trade receivables	1,030	12
Other current receivables	39	1,096
Other non-current receivables	118	9
Total trade and other receivables	1,187	1,117

As of 31 December 2019 and 2018, the Group's trade and other receivables were due within one year and considered fully collectible. Accordingly, the fair value of the Group's trade and other receivables was equal to nominal value, no bad debt was recognized for the years then ended, and management did not consider a provision for uncollectible accounts necessary.

Receivables denominated in foreign currencies are valued at the daily rate. Due to the short-term nature of current receivables, their carrying amount is considered equal to their fair value.

As of 31 December 2019 and 2018, the Group's trade and other receivables, specified by currencies, consisted of the following:

(USD 1,000)	2019	2018
USD	670	38
NOK	5	86
DKK	292	993
EUR	147	-
Other	73	-
Total trade and other receivables	1,187	1,117

NOTE 15 – INVENTORIES

As of 31 December 2019 and 2018, the Group's inventories consisted of the following:

(USD 1,000)	2019	2018
Raw materials	543	105
Finished goods inventory	2,759	-
Total inventories	3,302	105

The Group's inventory consists primarily of raw materials and finished products. Raw materials comprise mainly of feed for smolt and marine-phase fish production and raw materials used towards processing. Finished goods inventory comprise of all salmon products ready for sale which include fresh head-on-gutted salmon, processed salmon products, and frozen salmon products.

NOTE 16 – CASH AND RESTRICTED CASH

As of 31 December 2019 and 2018, the Group's cash consisted of USD 9.1m and USD 18.7m, respectively.

As of 31 December 2019 and 2018, the Group's restricted cash consisted of the following:

(USD 1,000)	**2019**	**2018**
Restricted cash (long-term)	15,000	-
Restricted cash (short-term)	324	319
Total restricted cash	15,324	319

The Group's long-term restricted cash was obtained in connection with the 2019 DNB Credit Facility (see Note 19 – Borrowings).

The Group's short-term restricted cash was obtained in connection with agency bonding requirements for water well permits in Florida.

NOTE 17 – SHARE CAPITAL AND SHAREHOLDERS

Atlantic Sapphire AS has one class of shares that confer the same rights in the Group. As of 31 December 2019 and 2018, the Group's share capital consisted of the following:

	2019	2018
Total number of shares as of 01 January	62,502,716	4,628,650
Share split*	-	41,657,850
Shares issued during the year	8,773,384	16,216,216
Total number of shares as of 31 December	71,276,100	62,502,716
Nominal value as of 31 December (NOK)	0.10	0.10
Share capital (total number of shares at nominal value) (NOK 1,000)	7,128	6,250
Share capital (total number of shares at nominal value) (USD 1,000)	818	720

* A 10x share split was executed on 8 January 2018.

On 8 May 2019, the Group completed a capital raise of NOK 783m (USD 90m), issuing 8,464,864 new shares and bringing the total shares outstanding to 71,276,100, each with par value of NOK 0.1.

For the years ended 31 December 2019 and 2018, transaction costs arising on share issues amounted to USD 4.2m USD 3.6m, respectively. Such amounts are net against the Group's share premium balance in the accompanying consolidated statements of financial condition.

As of 31 December 2019 and 2018, the total number of shares issued and outstanding consisted of the following:

	2019		2018	
Shareholder	Number of shares	% of shares	Number of shares	% of shares
Alsco AS	9,459,849	13.27%	9,459,671	15.13%
Skagen Kon-Tiki Verdipapirfond	5,000,350	7.02%	5,844,306	9.35%
Regents of the University of Michigan	4,302,740	6.04%	-	0.00%
Vatne Equity AS	3,300,000	4.63%	2,832,893	4.53%
SEI Institutional International	3,149,420	4.42%	1,411,030	2.26%
U.S. Bank National Association	2,583,675	3.62%	-	0.00%
Morgan Stanley & Co. Int. Plc.	1,984,049	2.78%	-	0.00%
Citibank, N.A.	1,957,161	2.75%	1,911,980	3.06%
State Street Bank and Trust Comp	1,715,808	2.41%	-	0.00%
Verdipapirfondet Norge Selektiv	1,534,167	2.15%	-	0.00%
Joh Johannson Eiendom AS	1,340,926	1.88%	1,214,595	1.94%
Verdipapirfondet DNB Norge	1,303,387	1.83%	-	0.00%
JEA Invest AS	1,057,270	1.48%	1,102,630	1.76%
UBS Switzerland AG	1,033,235	1.45%	2,251,230	3.60%
Blue Future Holding AS	1,021,621	1.43%	1,621,621	2.59%
Norron Sicav - Active	1,012,094	1.42%	1,182,665	1.89%
Lani Invest AS	1,000,000	1.40%	1,170,484	1.87%
Hortulan AS	1,000,000	1.40%	1,000,000	1.60%
Sundt AS	960,721	1.35%	1,763,358	2.82%
Norron Sicav - Target	856,640	1.20%	1,348,000	2.16%
Evermore Global Value Fund	-	0.00%	2,289,833	3.66%
Verdipapirfondet DNB SMB	-	0.00%	970,697	1.55%
Canica AS	-	0.00%	964,010	1.54%
Taconic AS	-	0.00%	850,000	1.36%
Nordea Bank Abp	-	0.00%	817,363	1.31%
Eika Norge	-	0.00%	781,695	1.25%
Total number of shares attributed to the 20 largest shareholders	45,573,113	63.94%	40,788,061	65.26%
Total number of shares attributed to other shareholders	25,702,987	36.06%	21,714,655	34.74%
Total number of shares issued and outstanding	71,276,100	100.00%	62,502,716	100.00%

As of 31 December 2019 and 2018, shares directly or indirectly held by members of the Board of Directors, Chief Executive Officer, and Executive Management consisted of the following:

	2019		2018	
Name and title	**Number of shares**	**% of shares**	**Number of shares**	**% of shares**
Johan Andreassen, Chairman of the Board and CEO	5,787,195	8.12%	5,787,106	9.26%
Bjørn-Vegard Løvik, Member of the Board	4,729,925	6.64%	4,729,835	7.57%
Runar Vatne, Member of the Board	3,300,000	4.63%	-	0.00%
Alexander Reus, Member of the Board	1,323,351	1.86%	1,228,840	1.97%
Andre Skarbø, Member of the Board	691,479	0.97%	609,358	0.97%
Thue Holm, CTO	669,669	0.94%	669,669	1.07%
Jose Prado, CFO	320,570	0.45%	275,210	0.44%
Dharma Rajeswaran, COO	10,000	0.01%	10,000	0.02%
Patrice Flanagan, Member of the Board	4,000	0.01%	-	0.00%
Svein Taklo, CDIO	4,000	0.01%	-	0.00%
Johan Henrik Krefting, retired Member of the Board	-	0.00%	2,832,893	4.53%
Bjørn Myrseth, Member of the Board	-	0.00%	394,162	0.63%

NOTE 18 – SHARE OPTION PROGRAM

In accordance with the authorization granted by the Group's annual general meeting, the Group's Board of Directors introduced a share option program for senior executives and key personnel employed by the Group and its subsidiaries (the "Program").

As of 31 December 2019 and 2018, the Program included up to 809,000 and 1,036,520 shares, respectively, with a term between 3 and 4 years as follows:

	2019		2018	
	Weighted average exercise price (NOK)	Number of shares	Weighted average exercise price (NOK)	Number of shares
Outstanding at 1 January	21.69	1,036,520	19.64	933,520
Granted during the year	101.14	81,000	40.30	103,000
Exercised during the year	2.70	(308,520)	-	-
Outstanding at 31 December	36.89	809,000	21.69	1,036,520

The exercise price of options outstanding as of 31 December 2019 ranged between NOK 28 and NOK 104 and their weighted average contractual life was 4.5 years. The exercise price of options outstanding as of 31 December 2018 ranged between NOK 2.7 and NOK 55 and their weighted average contractual life was 4.5 years.

As of 31 December 2019 and 2018, the total number of options outstanding that had vested and were exercisable were 595,750 and 851,437, respectively.

As of 31 December 2019 and 2018, the weighted average fair value of each option granted during the year was NOK 101.14 (USD 11.20) and NOK 40.30 (USD 4.87), respectively.

The following information is relevant in the determination of the fair value of options granted for the years ended 31 December 2019 and 2018:

	2019	2018
Option pricing model used		
Weighted average share price at grant date (NOK)	124.50	74.00
Exercise price (NOK)	99.62	53.49
Weighted average contractual life (days)	1,646	1,781
Expected volatility	31.20%	31.20%
Expected dividend growth rate	0.00%	0.00%
Risk-free interest rate	1.30%	1.70%

NOTE 19 – BORROWINGS

On 19 February 2019, the Group closed on a USD 86m credit facility (the "2019 DNB Credit Facility") with DNB Bank ASA ("DNB"), EKF Denmark's Export Credit Agency ("EKF"), and DNB Capital, LLC. ASUS and ASDK are listed as borrowers (the "Borrowers"), and ASNO, ASSF, and ASP are listed as guarantors (the "Guarantors") under the 2019 DNB Credit Facility. The 2019 DNB Credit Facility consisted of a USA Term Loan of USD 54m (the "USA Term Loan"), and DNB extended an existing USA revolving credit facility of USD 11m to ASUS (the "USA RCF"), an existing Denmark revolving credit facility of USD 4m to ASDK (the "DK RCF"), and an existing bridge facility of $17m to the Group.

Simultaneous to the closing of the 2019 DNB Credit Facility, ASSF paid off two mortgages payable to Florida Federal Land Bank Association totaling USD 934k and ASDK paid off a revolving credit facility to Jyske Bank of USD 160k.

Following the 8 May 2019 NOK 783m (USD 90m) capital raise, the Group paid off the bridge facility balance of USD 12.6m and terminated the bridge facility.

As of 31 December 2019 and 2018, the Group's borrowings consisted of the following:

(USD 1,000)	2019	2018
ASUS has a USD 54m term loan with DNB which is partially guaranteed by EKF (the "USA Term Loan"). The USA Term Loan bears an interest rate of LIBOR plus 6% and matures on 31 December 2024. Further, the USA Term Loan calls for a cash reserve requirement of USD 15m in connection with the amounts drawn and is reflected as long-term restricted cash in the Group's consolidated statements of financial position. Subsequent to year end, ASUS drew an additional USD 14m and USD 10m from the USA Term Loan on 22 January 2020 and 17 March 2020, respectively (see Note 24 – Subsequent Events).	27,398	–
ASUS has a three-year USD 11m revolving credit facility commitment with DNB (the "USA RCF"). The USA RCF is meant to finance ASUS' working capital requirements, and no funds have been drawn as of 31 December 2019.	–	–
ASDK has a three-year USD 4m revolving credit facility commitment with DNB (the "DK RCF"). The DK RCF is meant to finance ASDK's working capital requirements, and no funds have been drawn as of 31 December 2019.	–	–
ASUS has a USD 17m bridge facility with DNB. During the year ended 31 December 2019, USD 12m was drawn and subsequently repaid following the completion of the Group's 8 May 2019 equity raise.	–	–
ASDK had a loan with Jyske Bank (the "Jyske Loan"). The Jyske Loan bore interest at a rate of 4.75% and was paid off in 2019 following the closing of the 2019 DNB Debt Package.	–	160
ASSF had two mortgages payable to Florida Federal Land Bank Association (the "FFLBA Mortgages"). The FFLBA Mortgages bore an interest rate of 6.25% and were paid off in 2019 following the closing of the 2019 DNB Debt Package.	–	934
Total borrowings	27,398	1,094
Less: current portion of borrowings	79	190
Long-term portion of borrowings	27,319	904

The following are the remaining contractual maturities on borrowings as of 31 December 2019 and 2018:

(USD 1,000)	**2019**	**2018**
Up to 3 months	645	20
Between 3 and 12 months	2,535	63
Between 1 and 2 years	9,496	139
Between 2 and 5 years	23,222	112
Over 5 years	2,145	760
Total	38,043	1,094

The above amounts are presented as gross and include undiscounted principal payments, contractual interest payments, and exclude the impact of netting agreements.

During the year ended 31 December 2019, ASUS incurred USD 3.1m in debt issuance costs in connection to the USA Term Loan. Such amounts are amortized over the life of the USA Term Loan. Total unamortized debt issuance costs as of 31 December 2019 were USD 2.6m and are presented against its respective portion of short-term and long-term borrowings.

The 2019 DNB Credit Facility is secured by substantially all Group's assets, which includes existing and after-acquired personal and real property held, the equity interest held by the Borrowers and the Guarantors in their respective subsidiaries, certain receivables, and certain bank accounts perfected under First Priority security. EKF partially guarantees the USA Term Loan subject to the provisions of the 2019 DNB Credit Facility.

The provisions of the 2019 DNB Credit Facility require, among other things, certain financial performance covenants to be maintained as defined in the agreements. This includes certain covenants that limit the Group's ability to, among other things, grant liens, incur additional indebtedness, make acquisitions or investments, dispose of certain assets, make dividends and distributions, change the nature of their businesses, enter into certain transactions with affiliates, or amend the terms of material indebtedness.

The provisions of the 2019 Credit Facility also contain financial covenants to be maintained by the Group. As of 31 December 2019, the Group was in compliance with all financial covenants.

For the years ended 31 December 2019 and 2018, the Group's cash flows from financing activities related to borrowings and equity consisted of the following:

	Liabilities	Equity					
(USD 1,000)	Borrowings	Share capital	Share premium	Employee stock options	Accumulated deficit	Accumulated other comprehensive loss	Total
Balance at 1 January 2019	1,094	720	151,764	904	(14,280)	(1,669)	138,533
Changes from financing cash flows							
Proceeds from issuance of capital	–	98	85,055	156	–	–	85,309
Proceeds from borrowings	42,595	–	–	–	–	–	42,595
Payments towards borrowings	(16,288)	–	–	–	–	–	(16,288)
Total changes from financing cash flows	27,401	818	236,819	1,060	(14,280)	(1,669)	250,149
Other changes							
Effects of exchange rate on cash	(3)	–	–	–	–	(917)	(920)
Interest paid	–	–	–	–	(626)	–	(626)
Net loss	–	–	–	–	(12,526)	–	(12,526)
Balance at 31 December 2019	27,398	818	236,819	1,060	(27,432)	(2,586)	236,077

	Liabilities	Equity					
(USD 1,000)	Borrowings	Share capital	Share premium	Employee stock options	Accumulated deficit	Accumulated other comprehensive loss	Total
Balance at 1 January 2018	1,361	564	91,312	777	(14,954)	3,608	82,668
Changes from financing cash flows							
Proceeds from issuance of capital	–	207	72,474	127	–	–	72,808
Payments towards borrowings	(254)	–	–	–	–	–	(254)
Total changes from financing cash flows	1,107	771	163,786	904	(14,954)	3,608	155,222
Other changes							
Effects of exchange rate on cash	(13)	(51)	(12,022)	–	12,073	(5,277)	(5,290)
Interest paid	–	–	–	–	(194)	–	(194)
Net loss	–	–	–	–	(11,205)	–	(11,205)
Balance at 31 December 2018	1,094	720	151,764	904	(14,280)	(1,669)	138,533

NOTE 20 – PENSIONS

The Group's employees are covered by different pension plans that vary from country to country depending on the respective subsidiary's location. All pension plans are assessed to be defined contribution plans. In Norway, ASNO is subject to the requirements of the Mandatory Company Pensions Act, and ASNO's pension plan follows its requirements. In the USA, the Group offers a Safe Harbor 401(k) salary deferral participation retirement plan to all employees.

The Group's pension plan provisions require the Group to pay premiums to public or private administrative pension plans on a mandatory, contractual, or voluntary basis. There are no further obligations once the annual premiums are paid. The premiums are accounted for as personnel expenses as soon as they are incurred. Prepaid premiums are accounted for as an asset to the extent that future benefits can be determined as plausible.

For the years ended 31 December 2019 and 2018, total pension cost consisted of USD 202k and USD 70k, respectively, and are included as part of salary and personnel costs in the accompanying consolidated statements of operations.

NOTE 21 – GRANTS

The Group received a conditional contribution from the Danish Agrifish Agency in Denmark for the purchase of equipment. The contribution was conditional on maintaining new fixed assets for five years from the date of completion and payable in two terms. The equipment purchase is presented net of the value of the USD 265k grant contribution received.

NOTE 22 – RELATED PARTY TRANSACTIONS

During the ordinary course of business, the Group engages in certain arm's length transactions with related parties.

During the ordinary course of business, Langsand Processing AS ("LPAS"), a related party, provides harvesting services for ASDK. Although the Group holds a minority ownership interest in LPAS, the Group does not hold control over LPAS for consolidation purposes. For the years ended 31 December 2019 and 2018, ASDK incurred harvesting costs of USD 719k and USD 61k, respectively. Such amounts are included as part of cost of materials in the accompanying consolidated statements of operations.

During the ordinary course of business, the Group sells salmon products to Platina Seafood, Inc. ("Platina"), an entity under majority ownership by Johan Andreassen, the Group's Chairman of the Board and CEO. For the years ended 31 December 2019 and 2018, ASDK sold USD 410k and USD 75k, respectively, of salmon products to Platina.

During the ordinary course of business, the Group purchases salmon products from Platina. For the year ended 31 December 2019, ASUS purchased USD 2.5m of finished goods inventory from Platina and is held in Miami, Florida by a third-party company. The purchase represented a strategic acquisition by the Group to hold for re-sale when the commodity prices for salmon products become favorable.

The Group has an ongoing, non-exclusive commercial relationship with Platina for sales and distribution services. In exchange, Platina receives a sales commission equal to 7% of gross revenue earned on sales of salmon purchased from the Group. For the year ended 31 December 2019, total commissions earned and paid to Platina were USD 137k and the amounts are recognized against the Group's revenue in the accompanying consolidated statements of operations.

During the ordinary course of business, ASUS rents temporary office space from Platina. For the years ended 31 December 2019 and 2018, total rent for paid to Platina was USD 18k and USD 18k, respectively, and the amounts are included as part of other operating expenses in the accompanying consolidated statements of operations.

For the years ended 31 December 2019 and 2018, ASSF paid Platina and Johan Andreassen USD 10k and USD 60k, respectively, for personal guarantees on two mortgages payable to Florida Federal Land Bank Association ("FFLBA"). The two mortgages payable to FFLBA were paid off on 19 February 2019 (see Note 19 – Borrowings).

NOTE 23 – CONTINGENCIES AND LEGAL CLAIMS

The Group was not aware of any material pending or threatening legal disputes or claims against the Group as of 31 December 2019.

NOTE 24 – SUBSEQUENT EVENTS

The Group has evaluated subsequent events from 31 December 2019 through the date in which the consolidated financial statements were issued.

On 22 January 2020, ASUS drew an additional USD 14m from the USA Term Loan (see Note 19 – Borrowings).

On 29 February 2020, ASDK experienced a mass mortality event in one of its grow-out systems that resulted in approximately 227,000 salmon lost due to excessive nitrogen levels in the water. As a result of the event, the Group's next harvest revenue has been pushed back by approximately four months. The value of the biomass represented by the affected fish was insured. While ASDK is currently in the process of assessing the complete financial impact of the event, preliminary estimates project losses net of insurance proceeds of USD 3m. Other independent systems in the Denmark Bluehouse were unaffected. Accordingly, other systems in the Denmark Bluehouse and the Homestead Bluehouse have already been modified or are in the process of being modified with design improvements to avoid such an event in the future.

On 17 March 2020, ASUS drew an additional USD 10m from the USA Term Loan (see Note 19 – Borrowings).

Recent developments with respect to the COVID-19-virus (the "Coronavirus"), an infectious virus closely related to the SARS virus, may impact regulatory, supply chain and construction operations of the Group. Additionally, the demand for salmon may fall due to the public health situation and economic disruptions as a result of the Coronavirus. Since its inception in the beginning of January 2020, Norwegian salmon prices have experienced a downward trend, pressured down by various factors including concerns over lower global exports due to the Coronavirus. Ultimately, the consequences and timeline of the Coronavirus are still unclear and the overall effect on the business is uncertain.

Atlantic Sapphire AS Financial Statements

ATLANTIC SAPPHIRE AS
STATEMENTS OF OPERATIONS
YEARS ENDED 31 DECEMBER 2019 AND 2018

(NOK 1,000)	Note	2019	2018
Management fee revenue	7	5,150	6,315
Expenses			
Other operating expenses	2	4,563	5,632
Salary and personnel costs	2	5,697	3,608
Total expenses		10,260	9,240
Operating loss		(5,110)	(2,925)
Financial income		15,765	11,584
Other financial income		27,132	3,594
Financial expense		(143)	-
Other financial expense		(21,506)	(6,306)
Income before income tax benefit		16,138	5,947
Income tax benefit	4	-	-
Net income		16,138	5,947
Allocation to controlling interest		16,138	5,947
Application and allocation			
To retained earnings	5	16,138	5,947
Total application and allocation		16,138	5,947

Accompanying notes are an integral part of the financial statements.

ATLANTIC SAPPHIRE AS
STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2019 AND 2018

(NOK 1,000)	Note	2019	2018
ASSETS			
Non-current assets			
Investment in subsidiaries	3,10	1,781,909	1,041,672
Due from related parties (long-term)	7	284,379	217,537
Other investments		40	40
Trade and other receivables (long-term)		22	22
Total non-current assets		2,066,350	1,259,271
Current assets			
Due from related parties (short-term)	7	5,150	3,509
Trade and other receivables (short-term)		25	730
Cash	6	39,795	82,079
Total current assets		44,970	86,318
TOTAL ASSETS		2,111,320	1,345,589
EQUITY AND LIABILITIES			
Equity			
Share capital	5,8	7,128	6,250
Share premium	5,8	2,063,814	1,318,041
Retained earnings	5	36,432	20,294
Total equity		2,107,374	1,344,585
Current liabilities			
Trade payables		327	413
Other current payables and liabilities		3,619	591
Total current liabilities		3,946	1,004
Total liabilities		3,946	1,004
TOTAL EQUITY AND LIABILITIES		2,111,320	1,345,589

Accompanying notes are an integral part of the financial statements.

ATLANTIC SAPPHIRE AS
STATEMENTS OF CASH FLOWS
YEARS ENDED 31 DECEMBER 2019 AND 2018

(NOK 1,000)	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		16,138	5,947
Changes in operating assets and liabilities			
Trade and other receivables		(936)	(3,435)
Trade and other payables		(86)	(642)
Other liabilities		3,028	(12)
Net cash provided by operating activities		18,144	1,858
CASH FLOWS FROM INVESTING ACTIVITIES			
Contributions towards investment in subsidiaries		(740,237)	(739,941)
Loans to subsidiaries		(66,842)	(101,889)
Net cash used in investing activities		(807,079)	(841,830)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital		746,651	570,450
Net cash provided by financing activities		746,651	570,450
Net decrease in cash		(42,284)	(269,522)
Cash at beginning of year		82,079	351,601
Cash at end of year		39,795	82,079

Accompanying notes are an integral part of the financial statements.

Vikebukt, 25 March 2020

Johan E. Andreassen
Chairman

Alexander Reus
Director

André Skarbø
Director

Bjørn-Vegard Løvik
Director

Patrice Flanagan
Director

Peter Skou
Director

Runar Vatne
Director

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

Atlantic Sapphire AS ("ASNO") is a Norwegian company headquartered at Vikebukt, Norway and listed on the Merkur Market with the ticker symbol ASA. ASNO owns the following subsidiaries (collectively, the "Group"):

- Atlantic Sapphire Denmark A/S ("ASDK", registered in Hvide Sande, Denmark)
- Atlantic Sapphire USA LLC ("ASUS", registered in Miami, Florida, USA)
- AS Purchasing, LLC ("ASP", registered in Miami, Florida, USA)
- S.F. Development, L.L.C. ("ASSF", registered in Miami, Florida, USA)
- Atlantic Sapphire IP, LLC ("ASIP", registered in Miami, Florida, USA)

The Group owns and operates land-based Atlantic salmon farms in Hvide Sande, Denmark (the "Denmark Bluehouse" facility) and Homestead, Florida, USA (the "Homestead Bluehouse" facility). A Bluehouse™ facility (the "Bluehouse") is proprietary production technology developed by the Group in collaboration with a wide range of supply chain partners to optimize growing conditions for Atlantic salmon. Each Bluehouse contains the facilities needed for a salmon's full growth cycle, from egg hatchery to grow-out tanks to harvest processing. Consolidated operations enable the Group to control the entire production cycle without having to transport salmon to and from ocean-based net pens. The Denmark Bluehouse and the Homestead Bluehouse have annual production capacities of approximately 2,400 tons HOG[1] and 9,600 tons HOG, respectively.

Basis for Preparation of the Annual Accounts

The financial statements were prepared in accordance with the Norwegian Accounting Act and accounting principles generally accepted in Norway ("Norwegian GAAP"). The financial statements have been prepared based on uniform accounting principles for similar transactions and events under otherwise similar circumstances and are expressed in Norwegian kroner ("NOK").

Foreign Currency

Foreign currency transactions are translated using the applicable exchange rate at the time of the transaction. Receivables, debt, and other monetary items in foreign currency are measured at the exchange rate at the end of the reporting period, and the translation differences are recognized as part of ASNO's net profit or loss. Other assets in foreign currencies are translated at the exchange rate in effect on the transaction date.

Revenue Recognition

ASNO's revenue consists of intercompany management fees charged to its affiliates and is recognized when services are rendered. A receivable is recognized accordingly as this is the point in time in which consideration is unconditional and only the passage of time is required before the payment is due.

Use of Estimates and Judgements

The preparation of the financial statements in accordance with Norwegian GAAP requires management to make accounting estimates and assumptions that affect the recognized amounts of assets, liabilities, income, and expenses. The estimates and underlying assumptions are based on ASNO's prior experience and information perceived to be relevant and probable when the judgments are made.

Estimates are reviewed on an ongoing basis and actual values and results may deviate from these estimates. Adjustments to accounting estimates are recognized in the period in which the estimates are revised.

[1] HOG – "Head-On-Gutted" fish, a term used industry-wide, is approximately 83% of live weight fish.

Taxes

Tax expense consists of the tax payable and changes to deferred tax. Tax is recognized in the accompanying statements of operations, except to the extent that it relates to items recognized in equity.

Deferred tax assets and liabilities are calculated based on the temporary differences between the carrying amount of assets and liabilities in the financial statements and their tax bases, together with tax losses carried forward at the statement of financial position date. Deferred tax assets and liabilities are calculated based on the applicable tax rates and legislations that are expected to apply when the assets are realized or the liabilities are settled, based on the tax rates and legislations that have been enacted or substantially enacted on the statement of financial position date. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available, against which the assets can be utilized. Deferred tax assets and liabilities are not discounted. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Subsidiaries

ASNO's investment in subsidiaries are valued at the cost of the shares in each respective subsidiary, less any impairment losses.
In accordance with Norwegian GAAP, an impairment loss is recognized if the impairment is not considered temporary. Impairment losses are reversed if the reason for the impairment loss disappears in a later period.

Classification of Current vs. Non-Current Items

Assets are classified as current when they are expected to be realized or sold, to be used in ASNO's normal operating cycle, falls due, or is expected to be realized within 12 months after the end of the reporting period date. Other assets are classified as non-current. Liabilities are classified as current when they are expected to be settled in ASNO's normal operating cycle, are expected to be settled within 12 months of the end of the reporting period, or if ASNO does not have an unconditional right to postpone settlement for at least 12 months after the reporting period date.

Cash

Cash includes cash on hand and bank deposits. Restricted cash is not available for immediate or general business use and is presented as part of cash balances as the amounts are not material to ASNO's financial statements as a whole. Cash equivalents consist of short-term investments that can be converted into a known amount in cash within three months and contain an insignificant risk element. ASNO did not hold any cash equivalents at 31 December 2019 and 2018.

Trade and Other Receivables

Trade receivables are initially recognized at amortized cost, less a provision for expected credit losses. Credit loss provisions are based on individual customer assessments over each reporting period and not on a 12-month period. At 31 December 2019 and 2018, management did not consider a provision for doubtful accounts or impairment necessary.

Statements of Cash Flows

The accompanying statements of cash flows are prepared in accordance with the indirect method.

NOTE 2 – OPERATING EXPENSES

Salary and Personnel Costs

For the years ended 31 December 2019 and 2018, ASNO's salary and personnel costs consisted of the following:

(NOK 1,000)	2019	2018
Salary	2,470	2,947
Employer's national insurance contribution	3,184	319
Pension costs	26	46
Other personnel expenses	17	296
Total salary and personnel costs	5,697	3,608

For the years ended 31 December 2019 and 2018, ASNO employed two full-time employees.

For the year ended 31 December 2019, remuneration to members of the Board consisted of NOK 526k. No remuneration was given during the year ended 31 December 2018.

Auditor Fees

For the years ended 31 December 2019 and 2018, remuneration to ASNO's auditors, excluding VAT, consisted of the following:

(NOK 1,000)	2019	2018
Statutory auditing services	535	435
Other services	143	148
Total auditor's fees	678	583

Total amounts towards auditor's fees are included as part of other operating expenses in the accompanying statements of operations.

Pensions

ASNO satisfies the requirements of the Mandatory Company Pensions Act related to mandatory occupational pensions (Norwegian: OTP). The schemes are mainly established as defined contribution schemes.

NOTE 3 – INVESTMENT IN SUBSIDIARIES

At 31 December 2019, ASNO's investment in subsidiaries consisted of the following:

Company	Registered office	Voting share	Ownership share	Equity at 31 December 2019	Net loss for year ended 31 December 2019	Balance sheet in parent company
Atlantic Sapphire Denmark A/S	Hvide Sande, DK	100%	100%	106,584	(61,026)	243,766
Atlantic Sapphire USA LLC	Miami, FL, USA	100%	100%	1,361,582	(64,762)	1,455,527
S.F. Development, L.L.C.	Miami, FL, USA	100%	100%	78,716	(3,290)	82,616
Atlantic Sapphire IP LLC	Miami, FL, USA	100%	100%	-	-	-

NOTE 4 – TAXES

For the years ended 31 December 2019 and 2018, ASNO's income tax calculation consisted of the following:

(NOK 1,000)	2019	2018
Tax payable calculation:		
Current year profit before tax	16,138	5,946
Permanent differences	(37,183)	(29,517)
Change in temporary differences	–	–
Utilization of tax losses carried forward from prior years	–	–
Taxable base	(21,045)	(23,571)
Tax payable	–	–
Tax expense distribution:		
Tax payable	–	–
Change in deferred tax due to change in basis for calculation	–	–
Change in deferred tax due to new tax rate	–	–
Total tax expense	–	–
Tax payable in the statements of financial position:		
Tax payable on current year profit	–	–
Tax effect from contributions	–	–
Total tax payable	–	–

For the years ended 31 December 2019 and 2018, the specification of the basis for ASNO's deferred tax consisted of the following:

(NOK 1,000)	2019	2018
Temporary differences:		
Fixed assets	(3,194)	(3,194)
Deficit that can be carried forward	(68,428)	(47,383)
Total temporary differences	(71,622)	(50,577)
Tax rate	22%	22%
Potential deferred tax not recorded in the statements of position	(15,757)	(11,127)

NOTE 5 – EQUITY AND SHAREHOLDER INFORMATION

For the years ended 31 December 2019 and 2018, changes in ASNO's equity consisted of the following:

(NOK 1,000)	Share capital	Share premium	Retained earnings	Total equity
Balance at 31 December 31 2017	4,629	749,213	14,347	768,189
Contributions	1,621	568,828	–	570,449
Net income	–	–	5,947	5,947
Balance at 31 December 2018	6,250	1,318,041	20,294	1,344,585
Contributions	878	745,773	–	746,651
Net income	–	–	16,138	16,138
Balance at 31 December 2019	7,128	2,063,814	36,432	2,107,374

Atlantic Sapphire AS has one class of shares that confer the same rights in ASNO. As of 31 December 2019 and 2018, ASNO's share capital consisted of the following:

	2019	2018
Total number of shares as of 01 January	62,502,716	4,628,650
Share split*	–	41,657,850
Shares issued during the year	8,773,384	16,216,216
Total number of shares as of 31 December	71,276,100	62,502,716
Nominal value as of 31 December (NOK)	0.10	0.10
Share capital (total number of shares at nominal value) (NOK 1,000)	7,128	6,250
Share capital (total number of shares at nominal value) (USD 1,000)	818	720

* A 10x share split was executed on 8 January 2018.

On 8 May 2019, ASNO completed a capital raise of NOK 783m (USD 90m), issuing 8,464,864 new shares and bringing the total shares outstanding to 71,276,100, each with par value of NOK 0.1.

For the years ended 31 December 2019 and 2018, transaction costs arising on share issues amounted to NOK 37m (USD 4.2m) and NOK 32m (USD 3.6m), respectively. Such amounts are net against ASNO's share premium balance in the accompanying statements of financial condition.

As of 31 December 2019 and 2018, the total number of shares issued and outstanding consisted of the following:

	2019		2018	
Shareholder	**Number of shares**	**% of shares**	**Number of shares**	**% of shares**
Alsco AS	9,459,849	13.27%	9,459,671	15.13%
Skagen Kon-Tiki Verdipapirfond	5,000,350	7.02%	5,844,306	9.35%
Regents of the University of Michigan	4,302,740	6.04%	-	0.00%
Vatne Equity AS	3,300,000	4.63%	2,832,893	4.53%
SEI Institutional International	3,149,420	4.42%	1,411,030	2.26%
U.S. Bank National Association	2,583,675	3.62%	-	0.00%
Morgan Stanley & Co. Int. Plc.	1,984,049	2.78%	-	0.00%
Citibank, N.A.	1,957,161	2.75%	1,911,980	3.06%
State Street Bank and Trust Comp	1,715,808	2.41%	-	0.00%
Verdipapirfondet Norge Selektiv	1,534,167	2.15%	-	0.00%
Joh Johannson Eiendom AS	1,340,926	1.88%	1,214,595	1.94%
Verdipapirfondet DNB Norge	1,303,387	1.83%	-	0.00%
JEA Invest AS	1,057,270	1.48%	1,102,630	1.76%
UBS Switzerland AG	1,033,235	1.45%	2,251,230	3.60%
Blue Future Holding AS	1,021,621	1.43%	1,621,621	2.59%
Norron Sicav - Active	1,012,094	1.42%	1,182,665	1.89%
Lani Invest AS	1,000,000	1.40%	1,170,484	1.87%
Hortulan AS	1,000,000	1.40%	1,000,000	1.60%
Sundt AS	960,721	1.35%	1,763,358	2.82%
Norron Sicav - Target	856,640	1.20%	1,348,000	2.16%
Evermore Global Value Fund	-	0.00%	2,289,833	3.66%
Verdipapirfondet DNB SMB	-	0.00%	970,697	1.55%
Canica AS	-	0.00%	964,010	1.54%
Taconic AS	-	0.00%	850,000	1.36%
Nordea Bank Abp	-	0.00%	817,363	1.31%
Eika Norge	-	0.00%	781,695	1.25%
Total number of shares attributed to the 20 largest shareholders	45,573,113	63.94%	40,788,061	65.26%
Total number of shares attributed to other shareholders	25,702,987	36.06%	21,714,655	34.74%
Total number of shares issued and outstanding	71,276,100	100.00%	62,502,716	100.00%

As of 31 December 2019 and 2018, shares directly or indirectly held by members of the Board of Directors, Chief Executive Officer, and Executive Management consisted of the following:

	2019		2018	
Name and title	Number of shares	% of shares	Number of shares	% of shares
Johan Andreassen, Chairman of the Board, CEO	5,787,195	8.12%	5,787,106	9.26%
Bjørn-Vegard Løvik, Member of the Board	4,729,925	6.64%	4,729,835	7.57%
Runar Vatne, Member of the Board	3,300,000	4.63%	-	0.00%
Alexander Reus, Member of the Board	1,323,351	1.86%	1,228,840	1.97%
Andre Skarbø, Member of the Board	691,479	0.97%	609,358	0.97%
Thue Holm, CTO	669,669	0.94%	669,669	1.07%
Jose Prado, CFO	320,570	0.45%	275,210	0.44%
Dharma Rajeswaran, COO	10,000	0.01%	10,000	0.02%
Patrice Flanagan, Member of the Board	4,000	0.01%	-	0.00%
Svein Taklo, CDIO	4,000	0.01%	-	0.00%
Johan Henrik Krefting, retired Member of the Board	-	0.00%	2,832,893	4.53%
Bjørn Myrseth, retired Member of the Board	-	0.00%	394,162	0.63%

NOTE 6 – CASH AND RESTRICTED CASH

As of 31 December 2019 and 2018, ASNO's cash consisted of NOK 39.8m and NOK 82.1m, respectively.

As of 31 December 2019 and 2018, ASNO held restricted cash in tax withholding accounts of NOK 70k and NOK 84k, respectively. Such amounts are presented as part of ASNO's cash balances in the accompanying statements of financial condition.

NOTE 7 – RELATED PARTY TRANSACTIONS

During the ordinary course of business, ASNO engages in certain arm's length transactions with subsidiaries within the Group.

During the ordinary course of business, ASNO performs management and administrative tasks on behalf of subsidiaries within the Group. For the years ended 31 December 2019 and 2018, ASNO charged management fees of NOK 5.2m and NOK 6.3m, respectively. At 31 December 2019 and 2018, total outstanding amounts due from related parties in connection to such transactions consisted of NOK 5.2m and NOK 3.5m, respectively.

During the ordinary course of business, ASNO may loans amounts or pay expenses on behalf of subsidiaries within the Group. Such transactions create amounts due from and to related parties. At 31 December 2019 and 2018, total outstanding amounts due from related parties in connection with amounts loaned consisted of NOK 284.4m and NOK 217.5m, respectively.

NOTE 8 – SHARE OPTION PROGRAM

In accordance with the authorization granted by ASNO's annual general meeting, ASNO's Board of Directors introduced a share option program for senior executives and key personnel employed by the Group and its subsidiaries (the "Program").

As of 31 December 2019 and 2018, the Program included up to 809,000 and 1,036,520 shares, respectively, with a term between 3 and 4 years as follows:

	2019		2018	
	Weighted average exercise price (NOK)	Number of shares	Weighted average exercise price (NOK)	Number of shares
Outstanding at 1 January	21.69	1,036,520	19.64	933,520
Granted during the year	101.14	81,000	40.30	103,000
Exercised during the year	2.70	(308,520)	-	-
Outstanding at 31 December	36.89	809,000	21.69	1,036,520

The exercise price of options outstanding as of 31 December 2019 ranged between NOK 28 and NOK 104 and their weighted average contractual life was 4.5 years. The exercise price of options outstanding as of 31 December 2018 ranged between NOK 2.7 and NOK 55 and their weighted average contractual life was 4.5 years.

As of 31 December 2019 and 2018, the total number of options outstanding that had vested and were exercisable were 595,750 and 851,437, respectively.

As of 31 December 2019 and 2018, the weighted average fair value of each option granted during the year was NOK 101.14 (USD 11.20) and NOK 40.30 (USD 4.87), respectively.

The following information is relevant in the determination of the fair value of options granted for the years ended 31 December 2019 and 2018:

	2019	2018
Option pricing model used		
Weighted average share price at grant date (NOK)	124.50	74.00
Exercise price (NOK)	99.62	53.49
Weighted average contractual life (days)	1,646	1,781
Expected volatility	31.20%	31.20%
Expected dividend growth rate	0.00%	0.00%
Risk-free interest rate	1.30%	1.70%

NOTE 9 – CONTINGENCIES AND LEGAL CLAIMS

ASNO was not aware of any material pending or threatening legal disputes or claims against ASNO as of 31 December 2019.

NOTE 10 – COMMITMENTS

The 2019 DNB Credit Facility is secured by substantially all Group's assets, which includes existing and after-acquired personal and real property held, the equity interest held by the Borrowers and the Guarantors in their respective subsidiaries, certain receivables, and certain bank accounts perfected under First Priority security. EKF partially guarantees the USA Term Loan subject to the provisions of the 2019 DNB Credit Facility.

NOTE 11 – SUBSEQUENT EVENTS

ASNO has evaluated subsequent events from 31 December 2019 through the date in which the financial statements were issued.

On 29 February 2020, ASDK experienced a mass mortality event in one of its grow-out systems that resulted in approximately 227,000 salmon lost due to excessive nitrogen levels in the water. As a result of the event, the Group's next harvest revenue has been pushed back by approximately four months. The value of the biomass represented by the affected fish was insured. While ASDK is currently in the process of assessing the complete financial impact of the event, preliminary estimates project losses net of insurance proceeds of NOK 26.3m (USD 3m). Other independent systems in the Denmark Bluehouse were unaffected. Accordingly, other systems in the Denmark Bluehouse and the Homestead Bluehouse have already been modified or are in the process of being modified with design improvements to avoid such an event in the future.

Recent developments with respect to the COVID-19-virus (the "Coronavirus"), an infectious virus closely related to the SARS virus, may impact regulatory, supply chain and construction operations of ASNO. Additionally, the demand for salmon may fall due to the public health situation and economic disruptions as a result of the Coronavirus. Since its inception in the beginning of January 2020, Norwegian salmon prices have experienced a downward trend, pressured down by various factors including concerns over lower global exports due to the Coronavirus. Ultimately, the consequences and timeline of the Coronavirus are still unclear and the overall effect on the business is uncertain.

Statement of Responsibility

STATEMENT OF RESPONSIBILITY

We confirm that, to the best of our knowledge, the consolidated financial statements for the period from 1 January to 31 December 2019 have been prepared in accordance with IFRS as adopted by the EU, with such additional information as required by the Norwegian Accounting Act, and give a true and fair view of the Group's consolidated and ASNO's assets, liabilities, financial position, and results of operations. We confirm that the Board of Directors' report provides a true and fair view of the development and performance of the business and the position of the Group and ASNO, together with a description of the key risks and uncertainty factors that the Group and ASNO are facing.

Vikebukt, 25 March 2020

Johan E. Andreassen
Chairman

Alexander Reus
Director

André Skarbø
Director

Bjørn-Vegard Løvik
Director

Patrice Flanagan
Director

Peter Skou
Director

Runar Vatne
Director

Auditor's Report

BDO AS
Nøisomhed
Serviceboks 15
6405 Molde

Uavhengig revisors beretning

Til generalforsamlingen i Atlantic Sapphire AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert årsregnskapet til Atlantic Sapphire AS.

Årsregnskapet består av:	Etter vår mening:
• Selskapsregnskapet, som består av balanse per 31. desember 2019, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper, og • Konsernregnskapet, som består av balanse per 31. desember 2019, resultatregnskap, utvidet resultatregnskap, oppstilling over endringer i egenkapital og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper.	• Er årsregnskapet avgitt i samsvar med lov og forskrifter. • Gir selskapsregnskapet et rettvisende bilde av den finansielle stillingen til Atlantic Sapphire AS per 31. desember 2019 og av selskapets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. • Gir konsernregnskapet et rettvisende bilde av den finansielle stillingen til konsernet Atlantic Sapphire AS per 31. desember 2019 og av konsernets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med International Financial Reporting Standards som fastsatt av EU.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Annen informasjon

Ledelsen er ansvarlig for annen informasjon. Annen informasjon består av årsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke annen informasjon, og vi attesterer ikke den andre informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese annen informasjon identifisert ovenfor med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom annen informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi, på bakgrunn av arbeidet vi har utført, konkluderer med at disse andre opplysningene inneholder vesentlig feilinformasjon, er vi pålagt å uttale oss om dette. Vi har ingenting å rapportere i så henseende.

Styret og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde, for selskapsregnskapet i samsvar med regnskapslovens regler og god regnskapsskikk i Norge, og for konsernregnskapet i samsvar med International Financial Reporting Standards som fastsatt av EU. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets og konsernets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for selskapsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet. Forutsetningen om fortsatt drift skal legges til grunn for konsernregnskapet med mindre ledelsen enten har til hensikt å avvikle konsernet eller legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til: https://revisorforeningen.no/revisjonsberetninger

Uttalelse om andre lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet og forutsetningen om fortsatt drift er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets og konsernets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Molde, 25. mars 2020
BDO AS

Roald Viken
Roald Viken
statsautorisert revisor

BDO AS
Nøisomhed
Serviceboks 15
6405 Molde

Independent Auditor's Report

To the General Meeting in Atlantic Sapphire AS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Atlantic Sapphire AS.

The financial statements comprise:	In our opinion:
• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2019, income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and • The financial statements of the group, which comprise the balance sheet as at 31 December 2019, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.	• The financial statements are prepared in accordance with the law and regulations. • The accompanying financial statements give a true and fair view of the financial position of Atlantic Sapphire AS as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway. • The accompanying financial statements give a true and fair view of the financial position of the group Atlantic Sapphire AS as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements for the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines 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, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:
https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

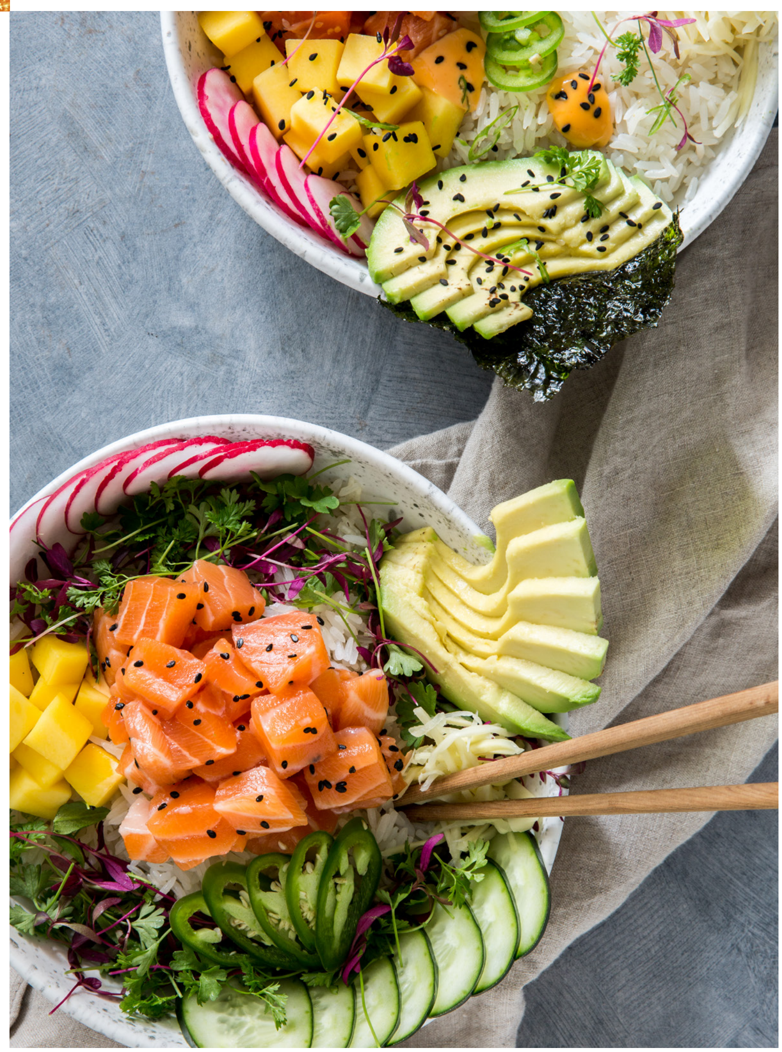
Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Molde, 25 March 2020
BDO AS

Roald Viken
State Authorised Public Accountant

Note: Translation from Norwegian prepared for information purposes only.



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