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Atlantic Sapphire AS

Consolidated Financial Statements

December 31, 2017 and

Independent Auditors' Report

In accordance with International Financial Reporting Standards

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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 Atlantic Sapphire AS' årsregnskap, som består av:

- selskapsregnskapet, som består av balanse per 31. desember 2017, 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 2017, resultatregnskap, utvidet resultatregnskap, oppstilling over endringer i egenkapital og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening:

- 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 2017 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 2017 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.

Styrets 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

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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 på tilbørlig måte 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 med revisjonen 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.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.

- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets og konsernets interne kontroll.

- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.

- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets og konsernets evne til fortsatt drift.

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Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon om årsregnskapet. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet og konsernet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettvisende bilde.

- innhenter vi tilstrekkelig og hensiktsmessig revisjonsbevis vedrørende den finansielle informasjonen til enhetene eller forretningsområdene i konsernet for å kunne gi uttrykk for en mening om det konsoliderte regnskapet. Vi er ansvarlige for å lede, følge opp og gjennomføre konsernrevisjonen. Vi alene er ansvarlige for vår revisjonskonklusjon.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Uttalelse om øvrige lovmessige krav

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, 27. april 2018
BDO AS

Roald Viken

Roald Viken
Statsautorisert revisor

BDO AS, et norsk aksjeselskap, er deltaker i BDO International Limited, et engelsk selskap med begrenset ansvar, og er en del av det internasjonale nettverket BDO, som består av uavhengige selskaper i de enkelte land. Foretaksregisteret: NO 993 606 650 MVA.

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BDO AS
Nøisomhed
Serviceboks 15
6405 Molde

Independent Auditor's Report

To the General Meeting of 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:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and the income statement and cash flow statement 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 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- 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 the parent company as at 31 December 2017, 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 present fairly, in all material respects, the financial position of the group as at 31 December 2017, 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.

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

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The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Company's and the Group's internal control.

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- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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 and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Molde, 27 April 2018
BDO AS

Roald Viken
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

BDO AS, a Norwegian liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. The Register of Business Enterprises: NO 993 606 650 VAT.

Consolidated income statement

(NOK 1.000)	Note	Year ended 31 December 2017	2016
Revenue	3	**12 417**	17 818
Other income	4	**13 474**	-
Revenue and other income		**25 891**	17 818
Cost of materials		**23 348**	19 473
Fair value adjustment on biological assets	5	**2 894**	2 715
Salary and personnel costs	6,19,22	**19 523**	5 155
Other operating expenses	7,8,25	**26 952**	10 302
Other gains and losses - net	9	**708**	-
Depreciation and amortization	9	**4 872**	4 210
Operating loss		**-52 406**	-24 037
Financial income	10	**5 543**	9
Financial expenses	10	**-9 294**	-2 305
Financial income/(expenses) - net		**-3 751**	-2 296
Loss before income tax		**-56 157**	-26 333
Income tax expense	11	**-**	-
Loss for the year		**-56 157**	-26 333
Loss is attributable to:			
Owners of Atlantic Sapphire AS		**-54 568**	-24 599
Non-controlling interest		**-1 589**	-1 734
		-56 157	-26 333
Earnings per share			
Basic earnings per share	12	**-1,54**	-1,25
Diluted earnings per share	12	**-1,54**	-1,25

Consolidated statement of comprehensive income

(NOK 1.000)	Note	Year ended 31 December 2017	2016
Loss for the year		**-56 157**	-26 333
Other comprehensive income (net of tax):			
Exchange difference on translation of foreign operations		**7 935**	-1 321
Total comprehensive income for the year		**-48 222**	-27 654
Total comprehensive income is attributable to:			
Owners of Atlantic Sapphire AS		**-46 633**	-25 808
Non-controlling interest		**-1 589**	-1 847
		-48 222	-27 654

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

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Consolidated statement of financial position

(NOK 1.000)	Note	31.12.2017	31.12.2016	01.01.2016
ASSETS				
Non-current assets				
Property, plant and equipment	9	**294 305**	79 688	56 837
Patents	13	**282**	-	-
Deferred tax asset	11	**-**	-	-
Investments in other companies	14	**93**	89	92
Trade and other receivables	14,15	**2 194**	16	16
Total non-current assets		**296 874**	79 793	56 945
Current assets				
Inventories	16	**272**	463	829
Biological assets	5	**2 297**	12 695	16 494
Trade and other receivables	14,15,23,25	**13 664**	4 503	6 376
Cash and cash equivalents	14,17	**435 429**	8 372	8 138
Total current assets		**451 662**	26 033	31 837
TOTAL ASSETS		**748 536**	105 826	88 782

(NOK 1.000)	Note	31.12.2017	31.12.2016	01.01.2016
EQUITY AND LIABILITIES				
Equity				
Share capital		**4 629**	2 155	1 629
Share premium		**749 213**	97 834	42 349
Other equity		**-86 723**	-44 291	-18 739
Total equity attributable to owners of the parent	18,19	**667 119**	55 698	25 239
Non-controlling interest		**-**	56	1 903
Total equity		**667 119**	55 754	27 142
Non-current liabilities				
Borrowings	14,20	**7 665**	16 759	17 899
Total non-current liabilities		**7 665**	16 759	17 899
Current liabilities				
Borrowings	14,20	**3 500**	16 428	15 712
Trade and other payables	14,21	**70 252**	16 885	28 030
Total current liabilities		**73 752**	33 313	43 741
Total liabilities		**81 417**	50 072	61 640
TOTAL EQUITY AND LIABILITIES		**748 536**	105 826	88 782

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

The financial statements were authorized for issue by the Board of Directors on 20 April 2018.

Vikebukt, 20 April 2018

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Johan Emil Andreassen
Chairman of the Board and
Chief Executive Officer

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Bjørn-Vegard Løvik
Board member

DocuSigned by:
André Skarbo
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André Skarbø
Board member

DocuSigned by:
Bjørn Myrseth
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Bjørn Myrseth
Board member

DocuSigned by:
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Kjell Bjordal
Board member

DocuSigned by:
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Johan Henrik Krefting
Board member

DocuSigned by:
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Peter Allan Skou
Board member

Consolidated statement of changes in equity

		Attributable to the owners of the parent						
(NOK 1.000)	Note	Share capital	Share premium	Translation differences	Retained Earnings	Total equity	Non-controlling interest	Total equity
Balance at 1 January 2016		1 629	42 349	-	-18 739	25 239	1 903	27 142
Loss for the year					-24 599	-24 599	-1 734	-26 333
Currency translation differences				-1 208		-1 208	-113	-1 321
Contribution of equity net of transaction costs		526	55 485			56 011		56 011
Option program	19				255	255		
Balance at 31 December 2016		2 155	97 834	-1 208	-43 083	55 698	56	55 754
Loss for the year					-54 568	-54 568	-1 589	-56 157
Currency translation differences				7 935		7 935		7 935
Contribution of equity net of transaction costs		2 474	651 379			653 853		653 853
Transactions with non-controlling interests				-113	-1 851	-1 964	1 533	-431
Option program	19				6 165	6 165		6 165
Balance at 31 December 2017		4 629	749 213	6 614	-93 337	667 119	-	667 119

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

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Consolidated statement of cash flows

(NOK 1.000)	Note	Year ended 31 December 2017	2016
Cash flow from operating activities			
Loss before tax		**-56 157**	-26 333
Adjustments for			
Depreciation, amortization and net impairment losses	9	**4 872**	4 210
Non-cash - share based payments	19	**6 165**	256
Net loss on disposal of non-current assets	9	**708**	-
Net fair value adjustment on biological assets	5	**2 894**	2 715
Net interest paid and received	10	**326**	1 610
Net exchange differences		**3 613**	-778
Change in operating assets and liabilities			
Inventories (and biomass at cost)	5,16	**8 169**	619
Change in trade and other receivables	14,15,23	**-9 612**	1 620
Change in trade and other payables	14,21	**1 025**	-2 662
Interest received	10	**854**	6
Net cash outflow from operating activities		**-37 143**	-18 737
Cash flow from investing activities			
Payment for property, plant and equipment	9	**-165 394**	-28 704
Proceeds from sale of property, plant and equipment	9	**82**	-
Net cash outflow from investing activities		**-165 312**	-28 704
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	18,20	**653 853**	48 284
Proceeds from borrowings	20	**-**	4 099
Repayment of borrowings	20	**-22 420**	-3 085
Interest paid	10	**-1 180**	-1 616
Transactions with non-controlling interests	20	**-431**	-
Net cash inflow from financing activities		**629 822**	47 682
Net increase/(decrease) in cash and cash equivalents		**427 367**	241
Cash and cash equivalents 1 January		**8 372**	8 138
Effects of exchange rate changes on cash and cash equivalents		**-310**	-7
Cash and cash equivalents 31 December	14,17	**435 429**	8 372

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

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Note 1 – Summary of significant accounting policies

General information

Atlantic Sapphire AS, the parent company of the Atlantic Sapphire Group (the group), is a Norwegian company headquartered at Vikebukt in Vestnes, which owns 100% of Atlantic Sapphire USA LLC, S. F. Development LLC and Atlantic Sapphire IP LLC in the USA, and Atlantic Sapphire Denmark AS in Denmark. Atlantic Sapphire is the global leader in land-raised salmon farming, growing salmon from egg to commercial harvest weight and marketing consumer ready products. The company operates a facility in Hvide Sande, Denmark, and is currently constructing its first US facility in Miami, Florida.

Basis for preparation of the annual accounts

With effect for the 2017 financial statements, the group has elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), relevant interpretations and additional requirements following the Norwegian Accounting Act of 31 December 2017. References to "IFRS" in these financial statements mean IFRS as adopted by the EU. These are the first annual financial statements prepared in accordance with IFRS, and IFRS 1 First time adoption of IFRS has been applied. Refer to note 28 for the effects of transition to IFRS. The date of transition was 1 January 2016.

The consolidated financial statements are based on historical cost, with the exception of the following:

Biological assets at fair value

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions and events under otherwise similar circumstances.

New standards and interpretations not yet adopted

The most relevant new standards, amendments to standards and interpretations published, but not yet effective and not applied in preparing these consolidated financial statements are:

IFRS 15 Revenue from contracts with customers

IASB and FASB have published a new joint standard for revenue recognition, IFRS 15 Revenue from Contracts with Customers. The standard was endorsed by the EU in September 2016 and is implemented from 1 January 2018. The standard replaces all existing standards and interpretations for revenue recognition. The core principle of IFRS 15 is that revenue is recognized to reflect the transfer of contracted goods or services to customers, and then at an amount that reflects the consideration the company expects to be entitled to in exchange for those goods or services. With a few exceptions, the standard applies to all income-generating contracts with customers and provides a model for the recognition and valuation of the sale of certain non-financial assets (e.g. sale of property, plant and equipment).

The new revenue recognition standard will not significantly change how the Atlantic Sapphire group recognizes revenue, as revenue will still be recognized at delivery of the salmon (when both risk and control have been transferred to the customer).

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IFRS 9 Financial instruments

In 2014, IASB published the last sub-project for IFRS 9 and the standard has now been completed. The standard was endorsed by the EU in November 2016 and is implemented from 1 January 2018. IFRS 9 constitutes amendments linked to the classification and valuation, hedge accounting and impairment. IFRS 9 will replace IAS 39 Financial Instruments - Recognition and Valuation. Those parts of IAS 39 which have not been changed as part of this project have been transferred and included in IFRS 9.

The new standard will not have a material impact for the Atlantic Sapphire group.

IFRS 16 Leasing

IASB published IFRS 16 Leasing in 2016 and the standard replaces IAS 17 and interpretations, and was endorsed by the EU in October 2017. IFRS 16 sets out principles for recognition, measurement, presentation and disclosure of leases. The new standard requires that the lessee includes assets and liabilities for most leases, which is a significant change from current policies.

The standard is expected to have accounting effect from 1 January 2019 and will be implemented using either the full retrospective or modified retrospective method.

The group's current leases relate to property (offices and apartments), equipment and cars. It can be expected that assets and liabilities will be recognized related to these at implementation, and that another profile for recognition and classification in the income statement will be used. A full analysis of the effect of the standard is yet to be performed, but no material impact is expected.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Consolidation

Consolidated financial statements present the group's financial position, comprehensive income, changes in equity and cash flow. All intercompany transactions, receivables and liabilities are eliminated. Any unrealized gains from intercompany transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies.

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities 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.

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 the group gains control until the date the group ceases to control the subsidiary.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the consolidated statements of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

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Foreign currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Norwegian currency units (NOK), which is Atlantic Sapphire AS' functional and presentation currency.

Foreign currency transactions are translated using the 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 in profit or loss. Other assets in foreign currencies are translated at the exchange rate in effect on the transaction date.

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

Profit or loss transactions in foreign subsidiaries are translated to the presentation currency using the average exchange rate for the reporting period. 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 rate.

All historical translation differences were set to zero at the date of transition to IFRS in accordance with IFRS 1.

Revenues

Revenues from the sale of goods are taken to income when both risk and control have been largely transferred to the customer. This will normally occur at the moment of delivery. Revenue is recognized at the value of the consideration when the transaction takes place.

Operating revenues are recognized less value added tax, discounts, bonuses and other sales costs. The timing of the transfer of risk to the customer depends on the delivery terms stipulated in the sales contract.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and when the group is in compliance with 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; the grant is then recognized in profit or loss over the useful life of a depreciable asset by way of a reduced depreciation charge.

Taxes

The tax expense consists of the tax payable and changes to deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are calculated on the basis of temporary differences between the carrying amount of assets and liabilities in the financial statements and their tax base, together with tax losses carried forward at the balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are expected to apply when the assets are realized or the liabilities are settled, based on the tax rates and tax legislation that have been enacted or substantially enacted on the balance sheet 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 companies included in the consolidated financial statements are subject to income tax in the countries where they are domiciled.

Leases

Leases where the group assumes most of the risk and rewards of ownership are classified as financial leases. The group currently does not have any such leases.

Leases in which most of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Impairment

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. 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). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and bank deposits. Cash equivalents are short-term investments that can be converted into a known amount in cash within three months and which contain an insignificant risk element.

Trade and other receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

Inventories

Inventories of purchased goods, mainly feed, are measured at the lower of cost and net realizable value. The FIFO principle is used and cost includes both the acquisition cost for the goods and the costs of bringing the goods to their current state and location.

Biological assets

Biological assets (biomass) comprise of salmon roe and live fish in the tanks. Salmon roe is measured at cost. Fish held in tanks are measured at fair value. The difference between the fair value of the fish and the associated cost price is recognized under fair value adjustments in the profit and loss. The best estimate of fish with a live weight below 1 kg is cost.

Incident-based mortality is recognized when a site experiences substantial mortality due to an incident. The expense is included in Cost of materials.

Financial instruments

Financial instruments are classified in the following categories for the period reported: loans and receivables, available for sale and borrowing and liabilities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not traded in an active market. They are classified as current assets unless they fall due for payment more than 12 months after the balance sheet date. Loans and receivables are presented in the balance sheet as trade and other receivables and cash and cash equivalents. Loans and receivables are capitalized initially at fair value plus transaction costs. In subsequent periods, loans and receivables are valued at amortized cost using the effective interest method, less any losses deriving from impairment.

Financial assets available for sale

Financial assets available for sale are non-derivative financial assets which have been placed in this category by choice or because they do not belong in any other category. They are classified as non-current assets unless the investment falls due, or management intends to sell the investment, within 12 months of the balance sheet date. Financial assets available for sale are recognized at fair value, with any changes in fair value, apart from impairment loss, interests and dividends, being recognized in comprehensive income. Impairment losses are recognized in profit and loss.

Borrowings and liabilities

Borrowings are recognized at fair value when payment has been received, less transaction costs. In subsequent periods, borrowings are recognized at amortized cost calculated using the effective interest method. The difference between the amount of the loan received (less transaction costs) and its redemption value is posted to profit and loss over the term of the loan as part of the effective interest rate. Borrowing expenses are posted as deductions from the loan.

Commitment fees are paid quarterly and are expensed when paid.

Property, plant & equipment

Property, plant and equipment are capitalized at acquisition cost, less accumulated depreciation and any impairment losses. Acquisition cost includes expenditure that is directly attributable to the acquisition of the items. Costs associated with normal maintenance and repairs are expensed as incurred. Costs of major replacements and renewals that substantially extend the economic life and functionality of the asset are capitalized. 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, this part is depreciated separately. The asset's residual value and useful life are evaluated annually. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

At the end of the reporting period, the carrying amounts of the group's assets are reviewed to determine whether there are indications that specific assets have suffered an impairment loss. If such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of net present value of discounted cash flows (value in use).

Construction in progress is not depreciated. Depreciation is charged to expenses when the property, plant or equipment is ready for use.

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.

Trade and other payables

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

Classification of current and non-current items

An asset is classified as current when it is expected to be realized or sold, or to be used in the group's normal operating cycle, or falls due or is expected to be realized within 12 months after the end of the reporting period. 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 or 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 balance sheet date.

Provisions

A provision is recognized when the group has a legal or constructive obligation as a result of a past event, and 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 on each balance sheet date and their level reflects the best estimate of the liability. Changes in best estimates are recognized in the income statement.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect to employees' services up to the end of the

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reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Pensions

The group operates with defined contribution plans, the group 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. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-option program

Share-based compensation benefits are provided to employees via an employee share scheme. Information relating to these schemes is set out in separate note.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, 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.

Cash flow statement

The cash flow statement is prepared in accordance with the indirect method. Cash comprises cash and cash equivalents.

Estimates and judgements

The preparation of financial statements in accordance with IFRS 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 past 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 the biomass

The estimated fair value of the biological assets is based on the most relevant forward prices for salmon at the balance sheet date in the respective markets in which the group operates. The fair value calculation also includes estimates of biomass volumes, quality, size distribution, production cost, mortality and normal cost of harvest and sale.

Share based compensation

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,

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expected price volatility of the underlying share and risk-free interest. For further information see separate note.

Deferred tax assets

The deferred tax assets relate to carried forward losses of Atlantic Sapphire Denmark A/S, Atlantic Sapphire USA LLC and S. F. Development LLC. The subsidiaries have incurred losses, but are expected to generate taxable income in the near future and the group has concluded that the deferred tax assets will be recoverable using the estimated future taxable income.

Note 2 - Financial risk and capital management

(NOK 1.000)

The Group's financial assets and liabilities comprise of trade and other receivables, trade and other payables, cash deposits and borrowings necessary for its operations.

The group is exposed to changes in foreign exchange rates relating primarily to the Group's activities in Denmark and the US. The currencies used are NOK, DKK and USD. The Company converted 325 million NOK to USD on July 20, 2017, to mitigate currency exchange rate risk in anticipation of expected USD obligations.

The Group is continuously monitoring liquidity and estimates expected liquidity development on the basis of budgets and monthly updated forecasts. The Group manages and makes changes to its capital structure in response to an ongoing assessment of the financial conditions under which the business operates. The Group completed an equity capital raise in the amount of approximately 100 million NOK on January 12, 2017. In a separate round, the Company completed an equity capital raise in the amount of approximately 593 million NOK on July 10, 2017. Additionally, in connection with the capital raise, the Company entered into a debt borrowing commitment, subject to certain conditions, with DNB, a Norwegian bank, for approximately US$62.4 million, including US$60 million in term debt for the US Phase 1 facility buildout, and US$2.4 for working capital facility for the Company's Denmark operation.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flow) of financial liabilities:

At 31 December 2017	**Up to 3 months**	**Between 3 and 12 months**	**Between 1 and 2 year**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payables	68 420	940	158	734	-
Borrowings	57	3 443	248	842	6 575
Total	68 477	4 383	406	1 576	6 575

At 31 December 2016	**Up to 3 months**	**Between 3 and 12 months**	**Between 1 and 2 year**	**Between 2 and 5 years**	**Over 5 years**
Trade and other payables	10 921	5 440	158	367	-
Borrowings	47	4 726	904	20 288	7 221
Total	10 968	10 166	1 062	20 655	7 221

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Note 3 - Segments

(NOK 1.000)

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

Fish farming Denmark	The Group own and operate a land-based salmon farm in Denmark. The principal activites comprise of breeding, production and sale of salmon.
Fish farming USA	The Group is building a land-based salmon farm in Miami-Dade county, Florida. Phase one is under contstruction and production is expected to commence in 2018.

The activites of the parent Company are presented together with eliminations.

Year ended 31 December 2017

	Fish farming		Other and	
	Denmark	USA	eliminations	Consolidated
Revenue	12 417	-	-	12 417
EBITDA	-14 539	-21 893	-11 102	-47 534
Pre-tax profit or loss	-31 414	-29 434	4 691	-56 157
Total assets	165 169	230 915	352 452	748 536
Total liabilities	130 720	63 968	-113 271	81 417
Depreciation and amortization	4 832	40	-	4 872
Capital expenditure	60 958	104 435	-	165 393

Year ended 31 December 2016

	Fish farming		Other and	
	Denmark	USA	eliminations	Consolidated
Revenue	17 818	-	-	17 818
EBITDA	-14 390	-3 753	-1 684	-19 827
Pre-tax profit or loss	-22 387	-3 989	43	-26 333
Total assets	71 959	31 685	2 182	105 826
Total liabilities	70 596	9 754	-30 278	50 072
Depreciation and amortization	4 210	-	-	4 210
Capital expenditure	12 418	16 286	-	28 704

Revenue

The Group derives the following types of revenue:	2017	2016
Sales of salmon	12 417	17 818

Geographical information

Revenue from external customers in:	2017	2016
Denmark	4 657	15 694
USA	7 674	2 121
Other countries	86	3
Total revenue	12 417	17 818

Non-current operating assets:	2017	2016
Denmark	117 715	54 897
USA	176 872	24 791
Norway	-	-
Total non-current operating assets	294 587	79 688

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

Major customers

	2017	2016
Customer A	4 192	13 284
Customer B	7 674	2 121

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Note 4 - Other income

(NOK 1.000)

	2017	2016
Insurance payments received	13 261	-
Other services	212	-
Total other income	**13 474**	**-**

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Note 5 - Biological assets

(NOK 1.000)

Reconciliation of changes in the carrying amount	31.12.2017	31.12.2016
Carrying amount, opening balance	12 695	16 494
Gain or loss arising from changes in fair value	-2 894	-2 715
Increases due to production and purchases	15 034	19 870
Decreases due to harvest	-9 625	-17 147
Decreases due to mortality	-13 361	-3 013
Net exchange differences	448	-794
Carrying amount, closing balance	2 297	12 695

Physical quantities	31.12.2017	31.12.2016
Tonnes live weight		
Non-harvestable fish	17	100
Harvestable fish	-	192
Total volume of biomass	17	292
Number of fish (thousand)		
Non-harvestable fish	440	326
Harvestable fish	-	45
Total number of fish	440	371
Volume of fish harvested during the year (tonnes gutted weight)	174	394

Measuring biological assets at fair value

The fair value of the biomass is calculated on the basis of market price for the relevance weight class on the balance sheet date. Fair value is measured using a valuation model which uses the most relevant price assumptions at the reporting date. The valuation of biological assets is classified at level 3 in the valuation hierarchy in IFRS 13 Fair value measurement. The estimated market price in each market is normally derived from the development in recent spot prices. Quoted forward prices from a third-party (Fishpool) are used in the estimation, to improve reliability and comparability of the price estimation.

Sensitivity analysis

The estimate of unrealized fair value adjustment is based on several assumptions, such as biomass in the grow-out tanks, expected growth rate, mortality, quality of fish, costs and market price. Changes in these assumptions will impact the fair value calculation. In practice, the realized profit which is achieved on the sale of inventory will differ from the calculations of fair value because of changes in the final market destinations of sold fish, changes in price and cost levels, differences in quality, as well as others. The key element in the fair value model is the assumed market price that is expected to be received in the future when the fish is harvested. An increase in sales price would increase the fair value of the biological assets. A change in own production costs will generally have less impact on the fair value effect than the same change in sales price. Changes in biology might affect the quality of harvested fish, which may be reflected in profit margins via both achieved sales price and own production costs.

Mortality

Losses due to higher mortality than normal at a site over time and substantial mortality due to a specific incident is recognized when it occurs.

On June 30th, 2017, the Company experienced a complete biomass loss due to hydrogen sulphide (H_2S) intoxication in the saltwater grow-out section of its Danish facility. Extensive investigations delivered several insights that have been adopted as design changes to the existing grow-out section of the farm (DK1). A series of water infrastructure and measurement equipment upgrades, as well as preventive operating procedures, are also being implemented to reduce the risk of future sedimentation and H_2S issues. A majority of these items were already incorporated into the construction plans underway for the expansion in Denmark (DK2) and the Miami facility (US1). As of December 31, 2017 mortality rates in the Denmark facility were in line with conventional net pen industry performance.

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Note 6 - Payroll costs, no. of employees, remunerations, employee loans, etc.

(NOK 1,000)

Payroll costs	**2017**	**2016**
Salaries, incl. holiday pay and bonuses	11 191	4 087
Social security tax	944	434
Pension costs	154	29
Share-based remuneration expense	6 165	255
Other benefits	1 069	350
Total	**19 523**	**5 155**

No. of full-time equivalents employed during the financial year:	23	9

Compensation to the Board of Directors

The Board of Directors	**2017**	**2016**
Johan Andreassen, Chariman of the Board and CEO	-	-
André Skarbø, Board member	-	-
Bjørn Myrseth, Board member	-	-
Bjørn-Vegard Løvik, Board member	-	-
Johan Henrik Krefting, Board member*	-	-
Kjell Bjordal, Board member*	-	-
Peter Allan Skou, Board member*	-	-
Niels Ole Nymann Mortensen**	-	-
Total Board of Directors	-	-

* Took up position	03.11.2017
** Stepped down	03.11.2017

Remuneration to Executive Management

2017 **Executive Management**	**Salary**	**Bonus**	**Pension contribution**	**Other benefits**	**Total**
Johan Andreassen, CEO	2 272		6		2 278
Jose Prado, CFO	3 305				3 305
Dharma Rajeswaran, COO	743		15		758
Thue Holm, CTO	1 290				1 290
Total Executive Management	**7 610**	**-**	**21**	**-**	**7 631**

2016 **Executive Management**	**Salary**	**Bonus**	**Pension contribution**	**Other benefits**	**Total**
Johan Andreassen, CEO	-				-
Jose Prado, CFO	-				-
Dharma Rajeswaran, COO	-				-
Thue Holm, CTO	1 086				1 086
Total Executive Management	**1 086**	**-**	**-**	**-**	**1 086**

Amounts in USD and DKK have been translated to NOK using average exchange rate for 2017 and 2016.

A bonus scheme for Executive Management based on revenues and operating profits is in place. Executive Management are comprised by the ordinary pension schemes of the group (refer to note 22) and no additional pension scheme for management is in place. There are severance clauses in the employment agreements depending on termination for cause or not for cause.

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Note 7 - Auditor's fees

(NOK 1.000)

The remuneration breakdown (excl. VAT) paid to the group's auditor is as follows:

Auditor	**2017**	**2016**
Statutory auditing services	405	169
Other certification services	-	12
Tax advisory services	58	19
Other services	72	34
Total	**535**	**234**

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Note 8 - Rent and lease agreements

(NOK 1.000)

The group has no finance leases.
The group's operating leases are mainly related to property, equipment and cars.

Leasing costs related to properties, equipment and cars expensed in other operating expenses in 2017 was NOK 1022 thousand (2016: NOK 557 thousand).

Future minimum lease payments

At 31 December, the future minimum lease payments under non-cancellable leases were payable as follows:

2017	Office rent	Cars	Property	Equipment	Total
Less than one year	13	5	686	-	**704**
Between one and five years	-	434	-	207	**641**
More than five years	59	-	89	-	**148**
Total	**72**	**439**	**775**	**207**	**1 493**

2016	Office rent	Cars	Property	Equipment	Total
Less than one year	-	3	20	-	**23**
Between one and five years	-	178	-	306	**484**
More than five years	-	-	82	-	**82**
Total	**-**	**181**	**102**	**306**	**589**

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Note 9 - Property, plant & equipment

(NOK 1,000)

	Land	Buildings	Production plant & machinery	Equipment and other movables	Construction in progress	Total
At 1 January 2017						
Cost	14 938	18 791	47 323	1 611	10 558	93 221
Accumulated depreciation	-	-2 864	-10 196	-473	-	-13 533
Net book amount	**14 938**	**15 927**	**37 127**	**1 138**	**10 558**	**79 688**
Year ended 31 December 2017						
Opening net book amount	14 938	15 927	37 127	1 138	10 558	79 688
Additions	-	657	4 952	1 629	207 842	215 080
Disposals	-	-	-980	-138	-	-1 118
Depreciation charge	-	-887	-3 609	-376	-	-4 872
Reversed depreciation	-	-	290	67	-	357
Translation differences	-727	1 276	3 052	76	1 493	5 170
Closing net book amount	**14 211**	**16 973**	**40 832**	**2 396**	**219 893**	**294 305**
At 31 December 2017						
Cost	14 211	21 015	55 367	3 231	219 893	313 717
Accumulated depreciation	-	-4 042	-14 535	-835	-	-19 412
Net book amount	**14 211**	**16 973**	**40 832**	**2 396**	**219 893**	**294 305**
Estimated useful life and depreciation plan is as follows:						
Economic life	~	18-24	10-15	5	~	
Depreciation plan		Linear	Linear	Linear		

Depreciation

Tangible fixed assets with a finite useful life are depreciated in a straight line over the useful life.

Debt secured by mortgages

During December 2015 and December 2016 the company purchasd land located at Miami-Dade County, Florida.
At 31 December 2017 properties with a carrying amount of NOK 14 211 thousand (2016:NOK 14 939 thousand) where subject as security for the mortgages.

(NOK 1,000)	31.12.2017	31.12.2016
Debt to credit institutions	3 893	4 208
Debt to credit institutions	4 005	4 310
Total debt secured by mortgages	**7 898**	**8 518**

The Company has an option to purchase an additional 40 acres for the farm in Florida. This started in 2017 and will keep going until December 2018. If the Company decides to purchase the additional 40 acres, NOK 1 641 thousand of the options paid will become an asset by the end of 2018.

Contractual commitments

The group is building plants at locations both in Denmark and in the USA.

Significant capital expenditures contracted for at the end of the reporting period, but not regonized as liabilities at 31 December 2017 amounts to NOK 117,7 million (31.12.2016: nil) for property, plant and equipment in Denmark and NOK 903,3 million (31.12.2016: nil) for property, plant and equipment in USA.

The Company entered into the following capital expenditure related agreements in 2017;

Construction Manager At Risk (CMAR) Agreement (1) OHL Building Inc. - on February 27, 2017 for freshwater, saltwater production and discharge wells, in the amount of approximately US$9.2 million

Construction Manager At Risk (CMAR) Agreement (2) with OHL Building Inc, on December 13, 2017, for the buildout of an approximate 10,000 ton annual production RAS facility, in the amount of $76 million total direct costs, plus approximately $35 million in direct material purchases.

Design Services Agreement with US architect, McHarry & Associates, on August 9, 2017, that also included structural engineering services by Blyss & Nitrate Inc., as well as mechanical, electrical and plumbing engineering services by SDM & Associates, in the amount of approximately $1.6 million.

Design Services Agreement with Billund Aquakulturservice AS, on August 26, 2017, for RAS design and engineering services for the US facility, in the amount of approximately $0.9.million. The relationship with Billund Aquakulturservice AS also included a five (5) year warranty agreement in relation to its construction of the US facility as subcontractor to OHL Building, Inc.

Several agreements are entered into and are currently being negotiated concerning the expansion of the facility in Denmark. The two largest agreements are with Billund Aquakulturserivce AS for production equipment and engineering services (DKK 17,5 million) and B&V Kristensen A/S for construction work of the DK2 facility (DKK 17,5 million).

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	Land	Buildings	Production plant & machinery	Equipment and other movables	Construction in progress	Total
At 1 January 2016						
Cost	7 417	15 969	42 981	396	-	66 763
Accumulated depreciation	-	-2 219	-7 431	-276	-	-9 926
Net book amount	**7 417**	**13 750**	**35 550**	**120**	**-**	**56 837**
Year ended 31 December 2016						
Opening net book amount	7 417	13 750	35 550	120	-	56 837
Additions	7 483	3 727	6 712	1 262	10 320	29 504
Disposals	-	-	-	-	-	-
Depreciation charge	-	-776	-3 218	-216	-	-4 210
Translation differences	38	-774	-1 917	-28	238	-2 443
Closing net book amount	**14 938**	**15 927**	**37 127**	**1 138**	**10 558**	**79 688**
At 31 December 2016						
Cost	14 938	18 791	47 323	1 611	10 558	93 221
Accumulated depreciation	-	-2 864	-10 196	-473	-	-13 533
Net book amount	**14 938**	**15 927**	**37 127**	**1 138**	**10 558**	**79 688**

Estimated useful life, depreciation plan and residual value is as follows:					
Economic life	~	19-24	10-15	5	~
Depreciation plan		Linear	Linear	Linear	

Depreciation

Tangible fixed assets with a finite useful life are depreciated in a straight line over the useful life.

Note 10 - Financial income and expenses
(NOK 1.000)

	2017	2016
Interest income	854	6
Other income	71	111
Exchange gains	4 619	-87
Interest expense	-1 180	-1 616
Exchange losses	-621	-204
Loan commitment fees	-6 627	-
Loan guarantee fees	-496	-
Other financial expense	-371	-506
Total financial income (expenses), net	**-3 751**	**-2 296**

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Note 11 - Taxes

(NOK 1.000)

Income tax expense	**2017**	**2016**
Current tax	-	-
Deferred tax	-	-
Income tax expense (income)	-	-
Current tax on profits for the year	-	-
Current tax	-	-
Deferred tax due to changes in temporary differences	-15 738	-6 555
Effect of change in tax rate	4 781	121
Tax losses for which no deferred tax asset is recognized	10 957	6 434
Deferred tax	-	-
Effective tax rate	0,0 %	0,0 %

Reconciliation of tax expense with the Norwegian tax rate	**2017**	**2016**
Loss before tax	-56 157	-26 333
Expected tax expense using nominal tax rate of 24 % (2016: 25 %)	-13 478	-6 583
Tax amortization (initial recognition exemption)	-103	-140
Non-deductible expenses/income	294	10
Effect from different tax rate in other countries	-3 934	93
Effect from change in tax rate	4 781	122
Tax losses for which no deferred tax asset is recognized	10 957	6 434
Non-deductible share-based payment expenses	1 480	64
Other	3	-
Income tax expense (income)	-	-

Amounts recognized directly in equity and in other comprehensive income

2017: expenses directly attributed to issue of shares (NOK 34,9 millions) are recognized directly in equity. An amount of NOK -8,8 millions are recognized in OCI. The tax values of the before mentioned are NOK 8,4 millions and NOK -2,1 millions, respectively

2016: expenses directly attributed to issue of shares (NOK 5,7 millions) are recognized directly in equity. An amount of NOK 0,6 millions are recognized in OCI. The tax values are NOK 1,4 million and NOK 0,2 million respectively.

Changes in tax rate

In accordance with the tax agreement in the Norwegian Parliament the tax rate was reduced from 25% in 2016 to 24% in 2017 and to 23% in 2018. The net deferred tax asset is revalued at 31 December 2016 and 31 December 2017 using the tax rate that applies for the following year. An expense of NOK 0,3 million and NOK 0,1 million was recognized in 2017 and 2016 respectively.

On 22 December 2017, the President of the United States signed into law the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act"). The legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates, implementing a territorial tax system and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The 2017 Tax Act permanently reduces the U.S. corporate tax rate from 35% to 21%, effective 1 January 2018.

As a result of the reduction in the U.S. corporate income tax rate from 35% to 21% under the Tax Reform Act, the Company revalued its ending net deferred tax assets at 31 December 2017 and recognized a NOK 4,5 million expense in 2017.

Deferred tax balances	**31.12.2017**	**31.12.2016**
The balance comprises temporary differences are attributable to:		
Deferred tax assets:		
Tax losses	32 936	13 033
Property, plant and equipment	735	767
Other	298	211
Set-off tax	-2 221	-351
Net deferred tax assets after set-off	31 748	13 660
Unrecognized deferred tax assets	-31 748	-13 660
Net deferred tax asssets	-	-
Deferred tax liabilities:		
Property, plant and equipment	2 204	342
Other	17	9
Set-off tax	-2 221	-351
Net deferred tax liabilities	-	-

Tax losses carried forward	**31.12.2017**	**31.12.2016**
Expire (2033 and forward)	35 793	6 079
Never expires	105 777	47 511
Total tax losses carried forward	141 570	53 590
Tax losses for which deferred tax asset is recognized	-	-
Tax losses for which no deferred tax asset is recognized	141 570	53 590
Potential tax benefit	32 936	13 033

In accordance with best practice for start-up and development stage businesses, deferred tax asset is not recognized.

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.

Average number of shares outstanding are retrospectively calculated based on the share split (x10) executed on 8 January 2018. After execution of the share split January 8th 2018, Atlantic Sapphire AS has 46,286,500 outstanding shares, each with a nominal value of NOK 0.1. All shareholders will maintain their pro rata shareholding in the company.

(Figures in NOK)	**2017**	**2016**
Profit/loss attributable to the ordinary equity holders of the company	-54 568 000	-24 599 000
Profit/loss for calculation of diluted earnings per share	-54 568 000	-24 599 000
Average number of shares outstanding used for calculation of earnings per share	35 403 882	19 613 309
Options*	-	-
Average number of ordinary shares and potential ordinary shares for diluted earnings per share	35 403 882	19 613 309
Basic earnings per share (NOK/Share)	-1,54	-1,25
Diluted earnings per share	-1,54	-1,25

*) The options that would result in issue of ordinary shares, 185.847 (2016: 92.923) are not included in the calculation of diluted earnings per share because they are antidilutive, according to IAS 33.43.

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Note 13 - Intangible assets

NOK 1000	**31.12.2017**	**31.12.2016**
Patents	282	-
Total	**282**	**-**

The company only made filings for patents pending in 2017.

Impairment testing
The company tests intangible assets annually for impairment. The annual impairment test is performed at year-end.

Note 14 - Financial instruments by category

(NOK 1,000)

The following principles for the subsequent measurement of financial instruments have been applied to financial instruments in the balance sheet:

Financial assets	Loans and receivables	Assets at fair value in P/L	Derivatives used as hedging instruments	Available for sale	Total
2017					
Investments in shares and other securities				93	93
Trade and other receivables*	5 447				5 447
Bank deposits, cash & cash equivalents	435 429				435 429
	440 876	-	-	93	440 969
2016					
Investments in shares and other securities				89	89
Trade and other receivables*	4 357				4 357
Bank deposits, cash & cash equivalents	8 372				8 372
	12 729	-	-	89	12 818

*) Prepayments not included in trade and other receivables

Liabilities	Other financial liabilities at amortized cost	Fair value through profit or loss	Total
2017			
Trade and other payables*	70 252		70 252
Borrowings	11 165		11 165
	81 417	-	81 417
2016			
Trade and other payables*	16 885		16 885
Borrowings	33 187		33 187
	50 072	-	50 072

*) Prepayments are not included in trade and other payables

Credit quality of financial assets

Trade and other receivables consists mainly of public taxes.

Cash and cash equivalents	31.12.2017	31.12.2016
A+ or better	435 429	8 372

Note 15 - Trade and other receivables
(NOK 1,000)

Receivables are measured at amortized cost. Receivables denominated in foreign currencies are valued at the daily rate. Carrying amount equals fair value.

(NOK 1,000)	31.12.2017	31.12.2016
Trade receivables	401	999
Provisions for bad debt	-	-
Other current receivables	13 263	3 504
Other non-current receivables	2 194	16
Total	**15 858**	**4 519**

Specification of receivables

(NOK 1,000)	31.12.2017	31.12.2016
Trade receivables	401	999
Public taxes and funds	2 206	1 059
Other receivables	2 532	2 298
Trade and other receivables	**5 139**	**4 356**
Prepaid costs	10 561	122
Prepaid rent	158	41
Prepayments	10 719	163
Total	**15 858**	**4 519**

Due dates & fair value of trade and other receivables

(NOK 1,000)	31.12.2017	31.12.2016
Due within one year*)	5 139	2 723
After one year **)		1 633
Fair value	**5 139**	**4 356**

*) For receivables due within one year, fair value is equal to nominal value.
**) Receivables due later than one year are discounted and stated at fair value.

Overdue trade receivables

(NOK 1,000)	31.12.2017	31.12.2016
Overdue less than 1 month	75	505
Overdue 1-2 months	-	81
Overdue more than 2 months	-	413
Fair value	**75**	**999**

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Provisions for bad debt
Bad debts are classified as other operating expenses in profit and loss.
No change to provisions for bad debt or bad debt was recognized during 2017 and 2016, respectively.

Receivables specified by currencies

(NOK 1,000)	31.12.2017	31.12.2016
NOK	810	210
DKK	3 969	3 273
EUR	-	2
USD	359	871

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Note 16 - Inventories

(NOK 1.000)

	31.12.2017	31.12.2016
Raw materials	272	463
Finished goods	-	-
Carrying amount, closing balance	**272**	**463**
Inventories recognized as an expense during the period	5 000	10 360
Write-down of inventory recognized as an expense	-	-

Raw materials comprise mainly of feed for smolt and marine-phase fish production. It also includes raw materials for use in processing.
Finished products include all products ready for sale, such as fresh and frozen whole salmon, as well as processed salmon products.
Inventories are measured at cost price.

No inventories pledged as security for liabilities.

Note 17 - Bank deposits
(NOK 1,000)

Cash and cash equivalents

(NOK 1,000)	31.12.2017	31.12.2016
Cash in bank	435 429	3 182
Cash equivalents	-	5 190
Total cash and cash equivalents	**435 429**	**8 372**
Total cash and cash equivalents		

Of which restricted cash
(these deposits are subject to regulatory restrictions and are therefore not available for general use)

(NOK 1,000)	31.12.2017	31.12.2016
Taxes withheld	129	32
Other restricted cash	2 478	-
Total restricted cash	**2 607**	**32**

Note 18 - Share capital and shareholders

A share split (x10) was executed on 8 January 2018. All numbers in this note are before the share split.

Share capital	**2017**	**2016**
Total number of shares as of 01.01	**2 154 508**	**1 628 863**
Shares issued during the year	**2 474 142**	**525 645**
Total number of shares as of 31.12	4 628 650	2 154 508
Nominal value as of 31.12 (NOK)	1,00	1,00
Share capital (total number of shares at nominal value) (NOK 1,000)	**4 629**	**2 155**

Atlantic Sapphire AS has only one class of shares. All shares confer the same rights in the company.

Transaction costs arising on share issues in 2017 amounted to NOK 38 907 thousand. (2016: NOK 477 thousand.)

Shareholders

The largest shareholders as of 31 December 2017 were:

Name	**Number of shares**	**% of shares**
Alsco AS	891 913	19,3 %
Skagen Kon-Tiki	462 809	10,0 %
Sohn Invest AS	232 579	5,0 %
Mohn	181 457	3,9 %
Norron Sicav - Target	139 383	3,0 %
Sundt AS	120 971	2,6 %
Vatne Equity AS	111 753	2,4 %
Jea Invest AS	110 163	2,4 %
Dnb Nor Markets, Aksjehand/Analyse	96 467	2,1 %
Verdipapirfondet Dnb Smb	95 571	2,1 %
Eika Norge	90 728	2,0 %
Joh Johannson Eiendom AS	90 000	1,9 %
Nordea Bank Ab	89 285	1,9 %
Statoil Pensjon	79 700	1,7 %
Hortulan AS	79 446	1,7 %
Lani Invest AS	75 616	1,6 %
Taconic AS	75 000	1,6 %
Canica AS	71 428	1,5 %
Norsk Landbrukskjemi AS	69 023	1,5 %
Innovative Aquaculture Investments	61 024	1,3 %
Total 20 largest shareholders	**3 224 316**	**69,7%**
Total other shareholders	1 404 334	30,3%
Total number of shares	**4 628 650**	**100 %**

Shares directly or indirectly held by members of the Board of Directors, Chief Executive Officer and Executive Management:

Name	Title	Number of Shares	% of shares
Johan Andreassen	Chairman of the Board, CEO	535 972	11,6 %
Bjørn-Vegard Løvik	Member of the Board	421 250	9,1 %
Andre Skarbø	Member of the Board	35 357	0,8 %
Bjørn Myrseth	Member of the Board	30 176	0,7 %
Johan Henrik Krefting	Member of the Board	163 003	3,5 %
Kjell Bjordal	Member of the Board	37 707	0,8 %
Peter Allan Skou	Member of the Board	37 980	0,8 %
Thue Holm	CTO	61 024	1,3 %
Jose Prado	CFO	27 521	0,6 %
Dharma Rajeswaran	COO	1 000	0,0 %

The Board has authorized a raise of share capital signed in the last AGM.

Note 19 - Share-option program

In accordance with the authorization granted by the company's AGM, the company's Board of Directors has introduced a share option program for senior executives and key personnel employed by the company and its subsidiaries.

As of 31 December 2017, the plan encompasses up to 933,520 (pre-split: 93,352) shares, and has a term of between 3 and 4 years. The table below depicts the pre-split situation.

	2017 Weighted average exercise price	**2017** Number	**2016** Weighted average exercise price	**2016** Number
Outstanding at 1 January	183	80 852	27	30 852
Granted during the year	280	12 500	280	50 000
Forfeited during the year	-	-	-	-
Exercised durin the year	-	-	-	-
Lapsed during the year	-	-	-	-
Outstanding at 31 December	196	93 352	183	80 852

The exercise price of options outstanding at 31 December 2017 ranged beetween NOK 27 and NOK 280 (2016: NOK 27 and NOK 280) and their weighted average contractual life was 5,6 years (2016: 7 years).

Of the total number of options outstanding at 31 December 2017, 76.219 (2016: 10.284) had vested and were excercisable.

The weighted average fair value of each option granted during the year was NOK 110,88 (2016: NOK 65,17).

The following information is relevant in the determination of the fair value of options granted during the year.

	2017	**2016**
Option pricing model used	Black-Scholes	
Weighted average share price at grand date (in NOK)	280	280
Excercise price (in NOK)	280	280
Weighted average contractual life (in days)	1 224	3 653
Exptected volatility	30,44 %	30,44 %
Expected dividend growth rate	0,00 %	0,00 %
Risk-free interest rate	1,11 %	0,83 %

The expected volatility is based on a 5-year volatility for a selection of comparable listed companies within the Farming/Agriculture segment.

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Note 20 - Loans and borrowings

(NOK 1,000)

	31.12.2017	31.12.2016
Non-current liabilities		
Borrowings	7 665	16 759
Total non-current liabilities	7 665	16 759
Current liabilities		
Borrowings	3 500	16 428
Total current liabilities	3 500	16 428
Total Liabilities	11 165	33 187

Interest-bearing debt in detail

					31.12.2017		31.12.2016	
Debt financial institutions	Type	Currency	Interest rate	Year of maturity	Face value (NOK 1,000)	Carrying amount (NOK 1,000)	Face value (NOK 1,000)	Carrying amount (NOK 1,000)
Jyske Bank	Secured bank loan	DKK	4,75 %	2018	2 699	2 699	11 732	11 732
Jyske Bank	Short term credit	DKK	4,75 %	n/a	-	-	11 875	11 875
Vækstfonden	Unsecured bank loan	DKK	7,40 %	2018	568	568	1 062	1 062
Farm Credit	Secured bank loan	USD	6,25 %	2035	3 893	3 893	4 208	4 208
Farm Credit	Secured bank loan	USD	6,25 %	2036	4 005	4 005	4 310	4 310
TOTAL					**11 165**	**11 165**	**33 187**	**33 187**

Maturity analysis

31.12.2017	< 3 months	3 months - 1 year	1-2 years	2-5 years	> 5 years	Total
Financial institutions	57	3 443	248	842	6 575	**11 165**

Reconciliations of movements of liabilities to cash flows arising from financing activities

	Liabilities	Equity				
(NOK 1,000)	Loans and borrowings	Share capital	Share premium	Retained earnings	NCI	Total
Restated balance at 1 January 2017	33 187	2 155	97 834	-44 291	56	88 941
Changes from financing cash flows						
Proceeds from issue of share capital	-	2 474	650 902	477	-	653 853
Acquisition of NCI	-	-	-	-431	-	-431
Repayment of borrowings	-22 420	-	-	-	-	-22 420
Total changes from financing cash flows	**-22 420**	**2 474**	**650 902**	**46**	**-**	**631 002**
The effect of changes in foreign exchange rates	**398**	**-**	**-**	**8 927**	**-**	**9 325**
Other changes						-
Interest paid				-1 180		-1 180
Total liability-related other changes	**-**	**-**	**-**	**-1 180**	**-**	**-1 180**
Total equity-related other changes	**-**	**-**	**477**	**-50 225**	**-56**	**-49 804**
Balance at 31 December 2017	**11 165**	**4 629**	**749 213**	**-86 723**	**-**	**678 284**

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	Liabilities	Equity				
(NOK 1,000)	Loans and borrowings	Share capital	Share premium	Other equity	NCI	Total
Restated balance at 1 January 2016	33 611	1 629	42 349	-18 739	1 903	60 753
Changes from financing cash flows						
Proceeds from issue of share capital	-	526	55 962	-8 204	-	48 284
Proceeds from loans and borrowings	4 099	-	-	-	-	4 099
Repayment of borrowings	-3 085	-	-	-	-	-3 085
Total changes from financing cash flows	**1 015**	**526**	**55 962**	**-8 204**	**-**	**49 298**
The effect of changes in foreign exchange rates	**-1 438**	**-**	**-**	**-1 400**	**-129**	**-2 968**
Other changes						-
Proceeds from issue of share capital received last year. Shares isssued this year	-	-	-	7 727	-	7 727
Interest paid	-	-	-	-1 616	-	-1 616
Total liability-related other changes	**-**	**-**	**-**	**6 111**	**-**	**6 111**
Total equity-related other changes	**-**	**-**	**-477**	**-22 059**	**-1 718**	**-24 254**
Balance at 31 December 2016	**33 188**	**2 155**	**97 834**	**-44 291**	**56**	**88 941**

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Note 21 - Trade payables and other current liabilities

(NOK 1,000)

Trade payables and other current liabilites comprise:

(NOK 1,000)	31.12.2017	31.12.2016
Trade payables	63 957	15 035
Salaries and vacation pay due	772	339
Social security and other taxes	1 146	593
Accrued expenses	3 990	695
Other liabilities	387	222
Total trade and other payables	**70 252**	**16 885**

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Note 22 - Pensions

The employees of the group are covered by different pension schemes that vary from country to country and between the different companies. All the plans are assessed to be defined contribution plans. The period's contributions are recognized in the income statement as salary and personnel costs.

The Norwegian company in the group is subject to the requirements of the Mandatory Company Pensions Act, and the company's pension scheme follows the requirements of the act. The Company offers to all US management and employees a Safe Harbor 401(k) salary deferral participation retirement plan.

The pension plans in the group require that the company pays 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.

	2017	**2016**
Pension cost	153	29

Note 23 - Grants

(NOK 1,000)

The group has received a contribution from the Danish Agrifish Agency in Denmark. The contribution is deducted from the cost of the asset (net presentation).

The contribution is paid in two terms. About 55% of the amount has been received. The second term will be received after the project is completed and an application is sent and approved.

Contribution is conditional on that the operation of the plant and the fixed asset investment is maintained for 5 years from the date of completion.

(NOK 1,000)	31.12.2017	31.12.2016
Contingent government grant		
Value of grant	3 938	3 641
Receivable	1 763	1 630

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Note 24 - Investments in subsidiaries

The consolidated financial statements for 2017 includes the following subsidiaries:

31.12.2017

Company	Date of acquisition/ registration	Consolidated (yes/no)	Registered office	Voting share	Ownership share
Atlantic Sapphire Denmark AS	24.11.2014	yes	Hvide Sande, Denmark	100 %	100 %
Atlantic Sapphire USA LLC	23.08.2013	yes	Miami, USA	100 %	100 %
S.F. Development LLC	21.09.2015	yes	Miami, USA	100 %	100 %
Atlantic Sapphire IP LLC	24.09.2015	yes	Miami, USA	100 %	100 %

The consolidated financial statements for 2016 include the following subsidiaries:

31.12.2016

Company	Date of acquisition/ registration	Consolidated (yes/no)	Registered office	Voting share	Ownership share
Langsand Laks AS	24.11.2014	yes	Hvide Sande, Denmark	92,25 %	92,25 %
Atlantic Sapphire USA LLC	23.08.2013	yes	Miami, USA	100 %	100 %
S.F. Development LLC	21.09.2015	yes	Miami, USA	100 %	100 %
Atlantic Sapphire IP LLC	24.09.2015	yes	Miami, USA	100 %	100 %

Atlantic Sapphire Denmark AS changed name from Langsand Laks AS in 2017.

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Note 25 - Related parties

Balances and transactions between the company and its subsidiaries, which are related parties to the company, have been eliminated on consolidation and are not disclosed in this note.

Platina Seafood Inc and JEA Invest AS are owned by Johan Emil Andreassen.
Both of these companies provide a guarantee on the loan for the land of NOK 12 thousand for each loan on a monthly basis (total per month NOK 24 thousand).
The company does also rent offices from Platina Seafood Inc.for NOK 12 thousand per month.

Atlantic Sapphire Denmark AS has a receiveable on Platina Seafood Inc amounted to NOK 326 thousand.
This is related to sales of salmon.

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Note 26 - Contingencies and legal claims

No financial legal disputes as of 31.12.2017.

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Note 27 - Subsequent events

The company has evaluated subsequent events from the date of the consolidated balance sheet through to the date at which the consolidated financial statements were available to be issued and determined there are no items to disclose.

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Note 28 - First-time adoption of IFRS

The financial statements for the year ended 31 December 2017, are the first the group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2016, the group prepared its financial statements in accordance with generally accepted accounting principles in Norway (N-GAAP).

Accordingly, the group has prepared financial statements that comply with IFRS, applicable as of 31 December 2017, together with the comparative period data for the year ended 31 December 2016. In preparing the financial statements, the group's opening statement of financial position was prepared as of 1 January 2016, the group's date of transition to IFRS. This note explains the principal adjustments made by the group in restating its N-GAAP financial statement, including the statement of financial position as of 1 January 2016 and the income statement for the year ended 31 December 2016.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the restrospective application of certain requirements under IFRS. The group has applied the following exemptions:

IFRS 3 Business Combinations has not been applied to acquisitions that occured before 1 January 2016. Use of this exemption means that the N-GAAP carrying amounts of assets and liabilities, that are required to be recognized under IFRS, is their deemed cost at the date of the acquisition. After the date of acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The group did not recognise or exclude any previously recognized amounts as a result of IFRS recognition requirements. The financial statements for 2016 were the first consolidated financial statements the group presented. The comparative period data for 31 December 2015 has, as part of the transition process, been re-consolidated. This re-consolidation revealed some differences compared to the comparative figures of the 2016 financial statements. These differences have been adjusted in the opening balance as of 1 January 2016, in accordance with IFRS.

Cumulative currency translation differences for all foreign operations are deemed to be zero at 1 January 2016.

Estimates

The estimates at 1 January 2016 and at 31 December 2016 are consistent with those made for the same dates in accordance with N-GAAP.

Reconciliation of equity as of 1 January 2016 (date of transition to IFRS)

(NOK 1.000)	notes	N-GAAP	Adjustments	IFRS
ASSETS				
Non-current assets				
Property, plant and equipment		56 837		56 837
Deferred tax asset	F	1 097	-1 097	-
Investments in other companies		92		92
Trade and other receivables		16		16
Total non-current assets		**58 042**	**-1 097**	**56 945**
Current assets				
Inventories	B	17 323	-16 494	829
Biological assets	B		16 494	16 494
Trade and other receivables	A,C	13 718	-7 342	6 376
Cash and cash equivalents		8 138		8 138
Total current assets		**39 179**	**-7 342**	**31 837**
TOTAL ASSETS		**97 222**	**-8 439**	**88 782**

(NOK 1.000)	notes	N-GAAP	Adjustments	IFRS
EQUITY AND LIABILITIES				
Equity				
Share capital		1 629		1 629
Capital increase not registered	C	12 000	-12 000	-
Share premium		42 349		42 349
Other equity	A	-16 919	-1 820	-18 739
Total equity attributable to owners of the parent		**39 059**	**-13 820**	**25 239**
Non-controlling interests	A	1 989	-86	1 903
Total equity		**41 047**	**-13 906**	**27 142**
Non-current liabilities				
Borrowings	A	16 779	1 121	17 899
Trade and other payables	A	1 150	-1 150	-
Total current liabilities		**17 928**	**-29**	**17 899**
Current liabilities				
Borrowings		15 712		15 712
Trade and other payables	A,C	22 534	5 495	28 030
Total current liabilities		**38 246**	**5 495**	**43 741**
Total liabilities		**56 174**	**5 466**	**61 640**
TOTAL EQUITY AND LIABILITIES		**97 222**	**-8 440**	**88 782**

Reconciliation of equity as of 31 December 2016

(NOK 1.000)	notes	N-GAAP	Adjustments	IFRS
ASSETS				
Non-current assets				
Property, plant and equipment		79 688		79 688
Deferred tax asset	F	8 245	-8 245	-
Investments in other companies		89		89
Trade and other receivables		16		16
Total non-current assets		**88 039**	**-8 245**	**79 794**
Current assets				
Inventories	B	13 158	-12 695	463
Biological assets	B		12 695	12 695
Trade and other receivables	C	104 503	-100 000	4 503
Cash and cash equivalents		8 372		8 372
Total current assets		**126 033**	**-100 000**	**26 033**
TOTAL ASSETS		**214 072**	**-108 245**	**105 827**

(NOK 1.000)	notes	N-GAAP	Adjustments	IFRS
EQUITY AND LIABILITIES				
Equity				
Share capital		2 155		2 155
Capital increase not registered	C	95 523	-95 523	-
Share premium	A	98 311	-477	97 834
Other equity	A,B	-36 367	-7 924	-44 291
Total equity attributable to owners of the parent		**159 621**	**-103 924**	**55 698**
Non-controlling interests	A	745	-689	56
Total equity		**160 366**	**-104 613**	**55 754**
Non-current liabilities				
Borrowings	A	16 099	660	16 759
Trade and other payables	A	660	-660	-
Total current liabilities		**16 759**	**-**	**16 759**
Current liabilities				
Borrowings		16 428		16 428
Trade and other payables	A, E	20 518	-3 633	16 885
Total current liabilities		**36 946**	**-3 633**	**33 314**
Total liabilities		**53 706**	**-3 633**	**50 073**
TOTAL EQUITY AND LIABILITIES		**214 072**	**-108 247**	**105 827**

Reconciliation of total comprehensive income for the year ended 31 December 2016

(NOK 1.000)	notes	N-GAAP	Adjustments	IFRS
Revenue		17 818		17 818
Other income				-
Revenue and other income		**17 818**		**17 818**
Cost of materials	B	22 187	-2 715	19 472
Fair value adjustment on biological assets	B		2 715	2 715
Salary and personnel costs	A,E	6 146	-991	5 155
Other operating expenses	A	8 071	2 231	10 302
Depreciation and amortization	A	4 520	-309	4 210
Operating profit/loss		**-23 106**	**-930**	**-24 037**
Financial income	D	118	-109	9
Financial expenses	A,D	-3 363	1 058	-2 305
Financial income/(expenses) - net		**-3 245**	**949**	**-2 296**
Profit/loss before income tax		**-26 352**	**18**	**-26 333**
Income tax expense	F	7 356	-7 356	-
Profit/loss for the year		**-18 996**	**-7 338**	**-26 333**
Other comprehensive income (net of tax):				
Exchange differences on translation of foreign operations	D		-1 321	-1 321
Total comprehensive income for the year			**-8 659**	**-27 654**

Notes to the reconciliation of equity as of 1 January 2016 and 31 December 2016 and total comprehensive income for the year ended 31 December 2016

A: Re-consolidation and classification differences

As part of the transition process, the classification of accounts and consolidation have been reperformed to secure compliance with IFRS. Differences between the re-consolidated numbers and the comparative numbers in the 2016 financial statements were adjusted.

B : Biological assets to fair value

Under N-GAAP, biological assets are measured at cost, less impairment losses. An impairment loss is recognized in the N-GAAP financial statements, both at 1 January 2016 and 31 December 2016. The reported number under previous GAAP is sufficiently close to fair value and the only difference in the IFRS financial statemtent is that biological assets are presented on a separate line on the statement of financial position and that the fair value adjustment is presented on a separate line on the income statement.

C : Capital increase

According to N-GAAP, an issue of shares is recognized when the relevant decision-making body has resolved to issue shares. According to IFRS, an issue of shares is recognized when the shares are issued, the shares are subscribed and paid and the entity cannot be required the repay the cash received.

D : Exchange differences on translation of foreign operations

Under N-GAAP, any exchange differences on translation of foreign operations are recognized against retained earnings directly. Under IFRS, this element is recognized as other comprehensive income. Equity is not affected. Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation shall be recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

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E : Option program

The effect of the option program has not been recognized in the previous financial statements. Under IFRS, the services received in a share-based payment transaction are recognized when the services are received.