Annual Report 2020

ATLANTIC SAPPHIRE®

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2020 In Review

Message from Our Chairman and CEO of Atlantic Sapphire USA

To our stakeholders,

2020 was a challenging year for our business, our customers, our people, and communities around the world. In the face of great uncertainty and tough choices, we came together and proved our resilience as a team and as a community. I would like to thank you all for supporting our Company throughout this year and helping Atlantic Sapphire emerge stronger out of the COVID-19 pandemic.

As fish farmers, our key milestone of 2020 was the USA's first commercial harvest in September 2020. A decade-old dream of farming salmon on land in the end-market is now reality, and since then, we have been sending fresh, delicious salmon out to consumers across North America every week. We are very pleased that the feedback on the product is excellent.

On the operational side, 2020 was a year that required heavy lifting on the construction side as we were working hard to complete construction of our Phase 1 Bluehouse facility in the USA and simultaneously farming fish. The pressure was worsened by the COVID-19 pandemic negatively impacting construction and farming activities. On the positive side, we reached USA's first harvest in Q3'2020 as initially targeted. We also experienced other great achievements with the development of strong retail partnerships, the introduction of autonomous feeding and other Artificial Intelligence capabilities in our operations, the successful listing on the Oslo Børs (the main list on the Norwegian stock exchange), and the successful equity raise that gave Atlantic Sapphire the financial muscle to accelerate its growth despite the headwind from the COVID-19 pandemic.

Financially, 2020 was a year of construction and biomass build-up. We saw relatively low harvest volumes in the USA and DK while we were building up biomass to reach steady-state production. With large infrastructure value, patented access to the unique aquifers of Florida, and a significant biomass on the balance sheet, we have started 2021 as a full scale Bluehouse salmon producer, ready to expand even further what is already by far the world's largest land-based fish farm. Positively, we see great traction for our Bluehouse consumer brand, which is achieving a significant price premium to commodity salmon.

Our Green Finance Framework illustrates how embedded our strategic and financial ambitions are with our environmental, social, and governance commitments. We are convinced that our way of producing healthy salmon is better for the planet and its people, and we appreciate the strong acknowledgement received from Cicero in its second party opinion of our current green debt as it sets the stage for more green financing in the future.

We welcomed the accelerated interest in 2020 from investors and other stakeholders in our sustainability efforts, and we responded through ongoing transparent dialogue about our approach to doing business, our investments, and our commitment to operational excellence – all of which are underpinned by our core values and our overarching purpose: To produce a new source of protein that keeps our planet green and our oceans blue.

The global COVID-19 pandemic has not distracted us from our commitment to reducing our carbon footprint. This is also why we are closely following the developments around the EU Taxonomy for sustainable economic activities. Although aquaculture in general or land-based salmon farming specifically are not yet defined by the EU taxonomy, it is clear to us that we are part of the solution to several sustainability challenges facing our world today – especially within protein production, which is one of the largest global consumers of scarce resources.

Internally, we focused on strengthening and expanding our team, close to doubling our headcount to 159 by the end of 2020. We continue to leverage the positive effects of diversity across many facets, and we reinforce our commitment to advance on our diversity and inclusion targets, especially in terms of gender. While progress has been made across the organization, we must do more. Diversity is key to our future success.

We are pleased to reaffirm our commitment and endorsement of the UN Global Compact and its Ten Principles. We will continue to build on our current activities and efforts within all four areas of the UN Global Compact in 2021.

To our employees, thank you for your relentless dedication, flexibility, engagement, and hard work this past year. We have shown what we can achieve despite extraordinary challenges, and it is clearer than ever that together we are responsible, resourceful, and resilient.

Johan E. Andreassen

About Atlantic Sapphire

Denmark Bluehouse, ~2,400 tons (HOG) annual production capacity, Hvide Sande, Denmark

Miami Bluehouse, ~9,500 tons (HOG) annual production capacity, Homestead, Florida (2020)

Company Facts

FOUNDED	2010
LEGAL HEADQUARTERS	VIKEBUKT, NORWAY
BUSINESS HEADQUARTERS	MIAMI, FLORIDA, USA
OSLO STOCK EXCHANGE TICKER	ASA

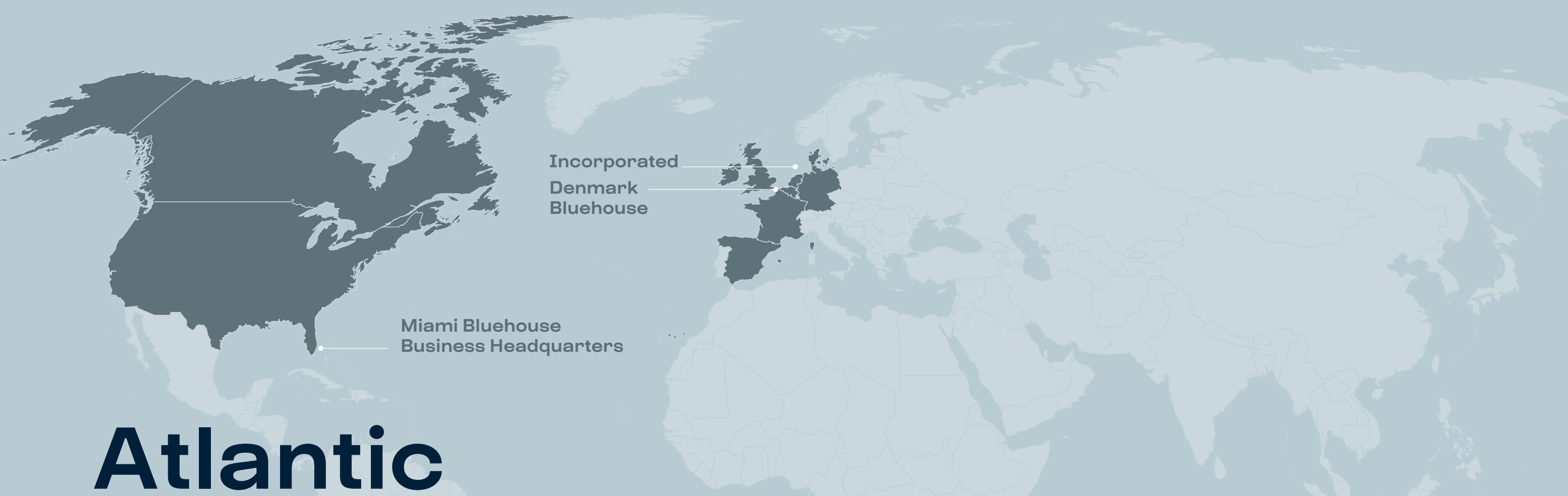
321M
Total Assets (USD)

159
Employees

Atlantic Sapphire ASA (“ASA”), incorporated in Vikebukt, Norway, is the parent company of the Atlantic Sapphire group of companies (collectively, “Atlantic Sapphire” or the “Company”), which includes:

- **Atlantic Sapphire Denmark A/S** (“Atlantic Sapphire Denmark”, registered in Hvide Sande, Denmark)
- **Atlantic Sapphire USA LLC** (“Atlantic Sapphire USA”, registered in Miami, Florida, USA)
- **AS Purchasing, LLC** (registered in Miami, Florida, USA)
- **S.F. Development, L.L.C.** (registered in Miami, Florida, USA)
- **Atlantic Sapphire IP, LLC** (registered in Miami, Florida, USA)

Atlantic Sapphire listed on the Oslo Stock Exchange (“OSE”) on 5 May 2020 with the ticker symbol ASA.



Atlantic Sapphire by location

Selected Historical Highlights

2010

- Atlantic Sapphire is founded by Norwegian salmon entrepreneurs Johan Andreassen and Bjorn-Vegard Løvik with the vision of creating a world-class Bluehouse in the United States, the world's largest market for Atlantic salmon
- Founding partner Thue Holm, a Danish recirculation aquaculture expert, joins the company
- Construction begins on the commercial pilot Denmark Bluehouse, which would become the world's largest land-based salmon operation upon completion

2011

- The first ova of Atlantic salmon are stocked in the Denmark Bluehouse

2013

- The first batch of Denmark Bluehouse salmon are harvested
- Atlantic Sapphire salmon sells in the USA market.

2015

- After an assessment including over 12 states, Miami, Florida is selected as the location for US operations

2016

- The first water use and well drilling permits are secured for the Miami Bluehouse

2017

- NOK 595m equity raise completed
- USA construction management agreement is signed
- Well drilling and USA Phase 1 Miami Bluehouse construction commences

2018

- Construction of grow-out systems expansion begins in Denmark, increasing capacity from 700 metric tons to 2,900 metric tons annually of round living weight (RLW) production
- NOK 600m equity raise completed. Atlantic Sapphire lists on the Merkur Market in Oslo, Norway
- The first Atlantic salmon ova are stocked in the Miami Bluehouse
- A 'Key to Miami-Dade County' is received from Miami-Dade County Mayor Carlos A. Gimenez in recognition of bringing responsible economic development and positive impact to the community
- First United States patent granted for systems and methods of intensive recirculating aquaculture

2019

- DNB debt financing completed, with a guarantee from EKF, Denmark's export credit agency, in alignment with IFC performance standards and guidelines. First 'green rated' seafood debt for DNB, the world's largest seafood lender
- NOK 783m equity raise completed. The Company increases its projected capacity target from 90,000 metric tons in 2026 to 220,000 metric tons by 2031
- The first generation of Atlantic salmon born in Florida successfully grows through the freshwater stage and onto the saltwater post-smolt systems
- Atlantic Sapphire joins the UN Global Compact, committing to respecting and promoting the ten principles on human rights, labor rights, environmental standards, and anti-corruption
- Atlantic Sapphire is named 'Star of Innovation' at the 2019 European Small and Mid-Cap Awards

2020

Our Story

Founded in 2010, Atlantic Sapphire owns and operates land-based Atlantic salmon farms in Hvide Sande, Denmark (the "Denmark Bluehouse") and Homestead, Florida, USA (the "Miami Bluehouse").

A Bluehouse™ facility is proprietary production technology developed in collaboration with a wide range of supply chain partners to optimize growing conditions for Atlantic salmon. Atlantic Sapphire aims to transform salmon farming by managing an integrated value chain of salmon production and by bringing full traceability from egg to final product. Our activities include farming, harvesting, processing, marketing, and sales. Through the Bluehouse's specialized, efficient design of its Recirculating Aquaculture System ("RAS"), Atlantic Sapphire can control the key drivers of the production cycle consistently every day of the year.

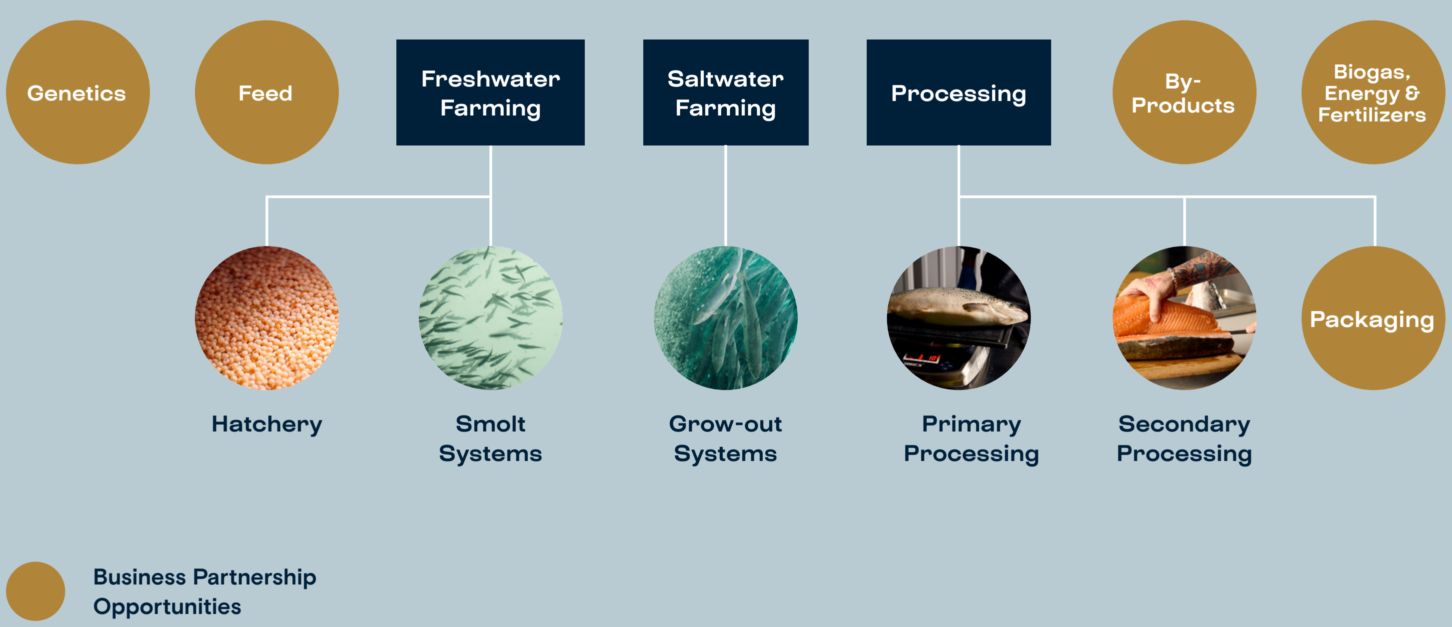
In addition, consolidated operations enable Atlantic Sapphire to control the entire production cycle without having to transport salmon to and from sea-based net pens. The Company's strategy is to produce in the end-market, near customers, thereby reducing the environmental impacts and costs associated with airfreight transportation. In the USA, end-market production collapses the costs inherent in the international, conventional sea-based salmon farming value chain.

Bluehouse farming has fewer negative impacts on the coastal environment, and there are no coastal impacts from the Miami Bluehouse. This innovation allows Atlantic Sapphire to contribute towards a growing demand for sustainable, healthy, and fresh proteins. Atlantic Sapphire continuously invests in research and development ("R&D") to ensure the Company remains at the forefront of transforming market salmon production.

The Denmark Bluehouse and the Miami Bluehouse have production capacities of approximately 2,400 tons head-on gutted ("HOG") and 9,500 tons HOG, respectively. The Company has a target to expand production at the Miami Bluehouse up to 220,000 tons HOG of annual capacity by 2031. Today's global volumes of farmed Atlantic salmon reached 2.7 million metric tons in 2020 according to the UN Food and Agriculture Organization ("FAO").

At the end of 2020, Atlantic Sapphire employed 159 full-time employees. As the Company scales up in the United States ("USA"), Atlantic Sapphire expect to continue to increase our workforce.

Our Integrated Value Chain



[1] Kontali. 2020. *Salmon Market Analysis 2020.* www.kontali.no/publications/yearly-publications#salmon-market-analysis

Executive Management

Johan E. Andreassen
Chairman and Co-Founder, CEO of Atlantic Sapphire USA

Johan E. Andreassen, Co-Founder of Atlantic Sapphire, has served as Chairman of the Board of Directors since 2010 and serves as the Chief Executive Officer of Atlantic Sapphire USA. Mr. Andreassen has served as the Company's Chief Executive Officer from 2010 to 2012, and from 2017 to 2020. Prior to founding the Company, Mr. Andreassen founded and led Villa Organic, a 30,000 tonnes capacity conventional salmon farming company, which was subsequently sold to Lerøy and SalMar in 2010.

Alejandro Castro
Chief Accounting Officer

Alejandro Castro, a licensed Certified Public Accountant, is the Chief Accounting Officer and was Atlantic Sapphire's Group Controller since 2018. Before joining Atlantic Sapphire, Mr. Castro held CFO and VP of Finance positions in high growth international companies. Furthermore, Mr. Castro is ex-Deloitte where he worked in Audit and Transaction Advisory roles. Mr. Castro holds a Master's in Business Administration from The Kellogg School of Management at Northwestern University. Additionally, he holds a Master of Science and a Bachelor of Science in Accounting from Florida International University.

Damien Claire
Chief Sales and Marketing Officer

Damien Claire is the Chief Sales and Marketing Officer, and prior to joining Atlantic Sapphire, Mr. Claire was the President of Platina Seafood, Inc. and his experience includes positions in several industries around the world. From 2009 to 2014, he served as Sales/Analyst for South Pacific Specialties in Miami. From 2004 to 2008 he also acted as Vice President of Business Development for Global Outsourcing in Chile. Mr. Claire earned a bachelor's degree in Computer Science and Business Administration from Lander University in South Carolina.

Executive Management

Cristina Espejo
Chief People Officer

Cristina Espejo is the Chief People Officer, responsible for the People & Culture Agenda and the Atlantic Sapphire Academy. She joined Atlantic Sapphire in 2019 as Director of Human Capital and led the environmental and social plan. Ms. Espejo has led hypergrowth and change throughout four continents in several senior global executive roles in DNV GL and most recently as Executive Director, People NA in Cosentino. She holds a B.S. in Business Administration by CEU University, Madrid, a M.S. in Sustainability, Postgraduate in HR Management by Universitat de Barcelona, and Executive Leadership Program by INSEAD.

Thue Holm
Chief Technology Officer and Co-Founder

Thue Holm is the Chief Technology Officer and a Co-Founder of the Company. Mr. Holm has held several leadership positions in Atlantic Sapphire, including Head of Atlantic Sapphire Denmark, and has been a thought leader behind key technological innovations of the Company since 2010. Further, Mr. Holm is a trained environmental biologist from the Roskilde University in Denmark, being fully dedicated as an expert in RAS systems since 2004.

Bjørn-Vegard Løvik
Interim Chief Operating Officer and Co-Founder

Bjørn-Vegard Løvik is the Interim Chief Operating Officer and Co-Founder of Atlantic Sapphire. Mr. Løvik is also the CEO of Alsco AS, which is jointly owned by Mr. Løvik and Mr. Andreassen and represents the largest shareholder in the Company. Mr. Løvik has significant experience in the salmon farming industry and the broader seafood industry. Prior to founding the Company, Mr. Løvik previously co-founded Villa Organic with Johan E. Andreassen, a 30,000 tonnes capacity salmon farming company, and led Villa Organic from idea inception to an IPO, and strategic exit. Mr. Løvik owns two Norwegian salmon smolt facilities, Hjelvik Settefisk and Saetre Settefisk, with a combined annual capacity of approximately three million smolt and post-smolt. Additionally, Mr. Løvik has founded and led Prophylaxia AS, an R&D-focused net pen salmon farming business in Norway.

Executive Management

Karl Øystein Øyehaug
Chief Financing Officer and Managing Director

Karl Øystein Øyehaug is the Chief Financing Officer and Managing Director. Mr. Øyehaug was hired as the Company's Finance Director in 2018 and was elected as Managing Director of the Company at the time of conversion to public limited liability company in May 2020. Prior to joining the Company, Mr. Øyehaug served as an Equity Analyst at Carnegie Investment Bank in Oslo, Norway covering the seafood sector. Mr. Øyehaug holds a degree in Economics and Business Administration from the Norwegian School of Economics ("NHH") and Columbia University in New York.

Svein Taklo
Chief Development and Infrastructure Officer

Svein Taklo is the Chief Development and Infrastructure Officer since joining the Company on 1 October 2019. Before joining Atlantic Sapphire, Mr. Taklo held several positions within the cruise line industry, including most recently as Vice President Marine & Technical with ROW Management (The World, Residences at Sea) and previously as Chief Operational Officer and Senior Vice President of Maritime Operations for Hurtigruten from May 2014. He holds a Bachelor's in Safety and Maintenance from Høgskolesenteret i Vestfold in Norway and completed the Executive Education Program by Wharton School of Business of the University of Pennsylvania.

Danielle Villoch
Chief Legal Officer

Danielle Villoch is the Chief Legal Officer. Before joining Atlantic Sapphire as Head of Legal in 2020, Ms. Villoch was a senior associate in the Projects and Infrastructure, Latin America, Capital Markets, and Global Finance Practice Groups at Gibson, Dunn & Crutcher LLP in New York. While at Gibson Dunn, Ms. Villoch focused on infrastructure projects and various types of debt financing, with substantial experience in the USA and in Latin America. Danielle is J.D. through The University of Pennsylvania Carey Law School and completed her B.A. in Politics from Princeton University in New Jersey.

The Global Challenges Facing Seafood Production

The past year showed us that the seafood supply chain is far from immune to shocks such as a global pandemic and a subsequent economic crisis. In fact, it exacerbated some of the critical conditions facing our food systems at both global and local levels. Ultimately, it also accelerated Atlantic Sapphire's focus on how to build greater resilience into our food systems.

The notion of food systems has resurfaced as an important approach to the challenge of creating policy that successfully integrates nutritional and sustainability goals.

Food systems need to be reshaped to feed our planet sustainably with healthy proteins. Atlantic Sapphire views our business as being part of the solution, not only participating in a leadership role in navigating the world onto a low-carbon path for a healthier environment, but also driving resilience for a more sustainable future.

The Company operates in an era of unprecedented pressure on our natural resources, and Atlantic Sapphire is challenged to provide enough food to sustain a growing global population accordingly. The UN Sustainable Development Goals ("SDG") have framed our global environmental, social, and economic challenges and urged businesses to step up with solutions that tackle the problems – fast and at scale.

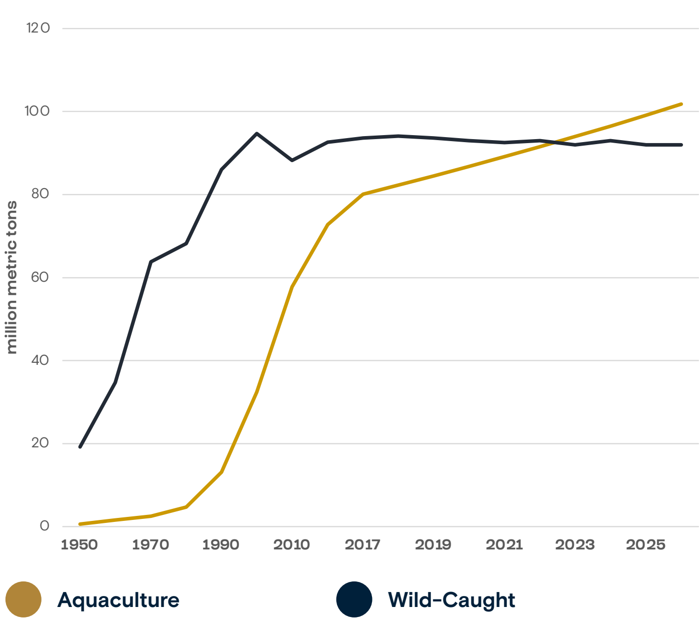
Salmon farming emerged four decades ago in Norway, and later in other areas with similar oceanographic conditions, as a consistent and reliable source of healthy seafood. Salmon farming soon became one of the main sources of income and employment in many small communities, contributing to the economic development of remote parts of these countries.

According to the Food and Agriculture Organization of the United Nations ("FAO"), global consumption of meat per capita, including seafood, poultry, pork, beef, and other meat, almost doubled in the period from 1963 to 2011 and represented approximately 10% of the average human's total food consumption in 2011. Fish composed only 6% of the total human protein consumption in 2013.

In 2020, the production of animal proteins from Atlantic salmon was approximately 2.7 million tons.[2] The United Nations estimates that the world population will reach 8.5 billion by 2030, and the FAO estimates that fish consumption per capita globally will rise from 20.5 kg in 2016 to 21.3 kg by 2027.

While wild-caught fish is expected to remain flat in this period according to the FAO, fish from aquaculture is forecasted to grow at a compound annual growth rate ("CAGR") of approximately 2.6%. This will grow aquaculture's share of total fish supply from approximately 46% in 2016 to approximately 53% in 2026. According to Kontali, fish from aquaculture will grow faster than any other main source of animal protein, with a 2014 – 2024E supply CAGR of 2.8%.[3] Salmon farming is expected to play an important role in this development.

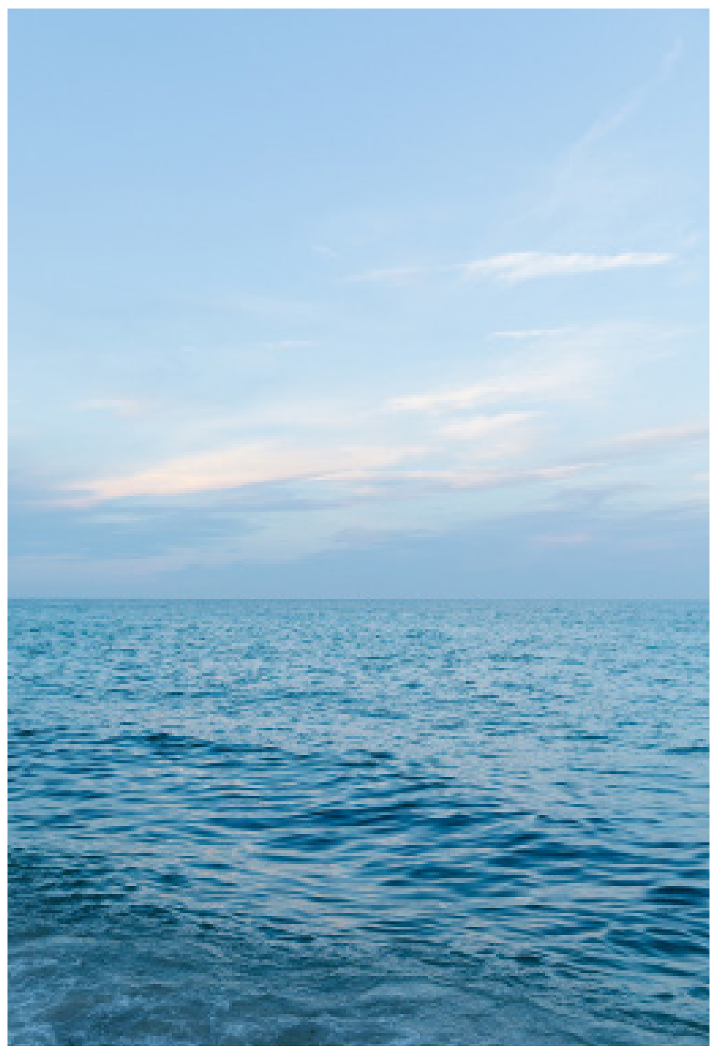
Global Production



Over the past decades, aquaculture has greatly contributed to the protection of depleting wild stocks and is expected to continue to be a significant contributor in feeding the world's increasing population.

However, there is more to be done in protecting our ecosystems and in particular: our oceans. Atlantic Sapphire has become increasingly aware of the issues facing us. As new technologies become available, we need to adapt to global changes to mitigate the negative impacts that our actions may have on our environment and society.

As a member of the UN Global Compact, Atlantic Sapphire aims to contribute towards the development of the international policies that will establish the key role that sustainable aquaculture will play in future food systems to fulfill the expanding dietary needs of the world's population. Atlantic Sapphire will also support the work of relevant subgroups, such as the UN Blue Food Working Group, in the coming years to ensure measurable progress.



[2] Kontali. 2020. *Salmon Market Analysis 2020*. www.kontali.no/publications/yearly-publications#salmon-market-analysis
[3] Kontali. 2020. *Salmon Market Analysis 2020*. www.kontali.no/publications/yearly-publications#salmon-market-analysis

Navigating the Pandemic

As soon as Atlantic Sapphire saw the COVID-19 pandemic (the "Pandemic") sweep across the world, the Company took all possible precautions to protect our employees, our customers, our suppliers, and our local communities and to mitigate the impact on our business. Atlantic Sapphire ensured that our communication internally and externally was clear, regular, and responsive to stakeholders' different information needs. Being able to respond to the pandemic in a rapid yet organized manner sent a strong signal to all our stakeholders that Atlantic Sapphire was prepared for the challenges to come. Thankfully, the Pandemic also highlighted the advantages of local production and lean, integrated operations.

Throughout the year, our top priority was always our employees' health and well-being, both physically and mentally. Our employees were categorized as "Essential Employees" as they were supporting the food production. Across both our Bluehouse facilities in the USA and in Denmark, we quickly introduced personal protective equipment, hand sanitizer, and social distancing practices, and we increased the numbers of employees working remotely to the extent possible. Temperature checks were also established in all locations and we established a continuous follow-up process with each individual employee. The Company set up a Situation Response Team to conduct risk assessments, continuously monitor the situation, and to review status regularly with all management. Atlantic Sapphire developed a detailed procedure on handling pandemics and updated operational procedures when necessary, from how to manage infected employees and provide support for their families, when necessary. The Company maintained continuous updates to ensure business continuity, including team organization, communication, travel, immigration, and access to labor. Atlantic Sapphire introduced a return-to-work process for employees traced and infected to ensure alignment with privacy requirements from the Health insurance Portability and Accountability Act ("HIPAA") and privacy laws in Europe as well as safeguarding other employees' safety in the process.

As a result of the Pandemic, the Company saw an increase in absence due to illness or quarantine. This was especially due to the number of employees in quarantine. In the USA, total sick time in 2020 was 157 days, while the sick time in Denmark in the same period was 110 days. To help our employees through an unprecedented and uncertain situation, Atlantic Sapphire introduced a policy of 14 days paid sick leave to any employee needing to care for themselves or family members due to infection.

	Cumulative Totals
Employees tested for COVID-19	24
Employees tested Positive for COVID-19 and sent home to quarantine	31
Hospitalizations	Zero
Number of temperature readings (approx.)	85,000

Key performance data for 2020 in relation to COVID-19 in our two facilities in USA and Denmark

The Pandemic caused delays in the construction of our Phase 1 facility in the USA which negatively impacted our system commissioning schedule.

During the year, Atlantic Sapphire engaged with several community organizations to help reduce the impact of the Pandemic and its economic consequences. Two examples of this include the Homestead Soup Kitchen, where the Company donated salmon and several employees served our fish to our neighbors, and as part of a community program to support local farms heavily affected by the Pandemic in which Atlantic Sapphire purchased and shared locally produced vegetables with employee and local stakeholders.

02

For the Health of People and Planet

Our Commitment to Responsible Governance

Atlantic Sapphire is committed to high standards in corporate governance. The Company complies with all the corporate governance requirements that are part of the listing requirements of the Norwegian stock exchange, Oslo Børs.

Our Governance Framework

Our framework for responsible governance includes our Environmental and Social Management System ("ESMS"), which comprises a set of policies, procedures, and requirements for our internal capacity to identify and manage our environmental, social, and corporate governance ("ESG") impacts. Atlantic Sapphire has set out a range of governance policies, including our Code of Conduct, our Investor Relations Policy, our Nomination Committee Charter, and our Human Rights Policy. These are published online.

The Board of Directors is ultimately responsible for the Company's sustainability performance. There is no separate board-level committee, as the entire Board is engaged in setting the strategic direction for sustainability and ESG in the Company as well as monitoring performance. The daily responsibility is integrated throughout Executive Management. Atlantic Sapphire lives a culture where everyone is responsible for driving value with a focus on engaged people, healthy fish, healthy environment, sustainable supply chain, and financial performance. Measurement, monitoring, and auditing of the environmental and social management system ("ESMS") and coordination is conducted by the People Team and managers accountable for all elements of our Environmental and Social Action Plan ("ESAP").

The Atlantic Sapphire Board of Directors is independent to Company management. Johan E. Andreassen, the CEO of Atlantic Sapphire USA, and Ellen Marie Saetre, related party of Interim COO Bjørn-Vegard Løvik, are the only employees of the Group represented on the Board and non-independent members. As per Norwegian law, the Board shall always have at least 40% of both genders represented. In 2020, our board comprised three female members out of seven in total. There are independent committees for nominations and remuneration in place. We comply with all applicable requirements under the Norwegian Public Limited Liability Companies Act, including facilitating shareholder participation through invitation to our general meetings. For our ordinary general meeting in June 2020 however, all shareholders were encouraged to submit a voting proxy in lieu of attending the general meeting in person due to the ongoing concern about COVID-19. The agenda, materials, and meeting minutes are published online in both English and Norwegian.

Although our entire leadership is passionately committed to sustainable value creation, Atlantic Sapphire has nevertheless established a Long-Term Incentive Program. This program considers both financial and non-financial (or sustainability performance) criteria, such as criteria related fish welfare, environmental performance, and social impact of the Company. The targets are measurable and set up in advance and reviewed against progress throughout the year.

Our ESMS Framework

Atlantic Sapphire's ESMS was built following an external review of our Environmental and Social Management Plan ("ESMP") for compliance with the IFC Performance Standards (2012), IFC EHS Guidelines for Aquaculture (2007), and EHS General Guidelines (2007). The ESMS comprises a set of policies across a range of ESG topics – from environment, health & safety, security and emergency preparedness to employment conditions, rights and obligations, grievance management, whistleblower policy, community engagement, and communication.

To encourage feedback from employees and community members, the Company expanded its grievance mechanism to include confidential boxes for suggestions and acknowledgements. In 2020 a total of 58 grievances/suggestions and acknowledgments were received through these boxes and other communication channels. All of them except for three were addressed. 55 of the feedback forms were categorized as inquiries, suggestions or requests, or complaints of a minor nature. Three were considered more serious but they have all been closed since, with one of the grievances resulting in an employee of a contractor asked to leave the site. Only one external community-related grievance was received in 2020, and it was closed successfully.

Environmental and Social Management System						
Environment	Health & Safety	Human Resources	Security	Emergency Preparedness	Community	External Communication
Internal Compliance Monitoring		Data Collection & Reporting		External Due Dilligence	Certifications	Grievance Mechanism
Communication and dialogue with internal and external stakeholders						

Our Code of Conduct

Underpinning our Governance and ESMS frameworks is the central principle that the success of Atlantic Sapphire depends on maintaining the highest standards of trust and integrity at all levels of the organization, as well as the Company's reputation for honesty and transparency in its business.

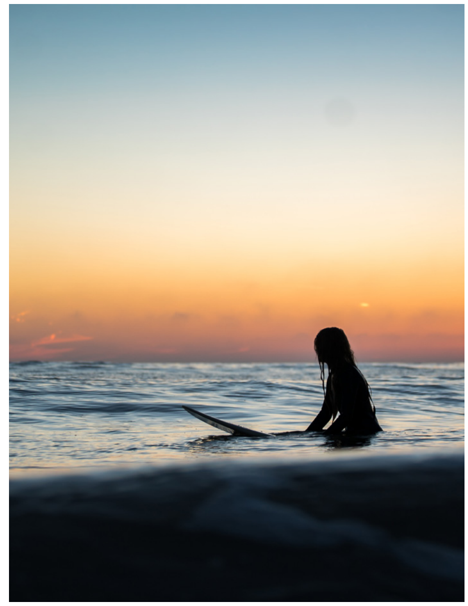
Therefore, our Code of Conduct (the "Code") sets expectations and provides guidance for the Company's Board of Directors, officers, employees, independent contractors, and consultants. It is their responsibility to understand the Code as well as exercise good judgement and follow the Code. The Code must be signed by all employees. Suppliers are also expected to understand the Code and share our commitment to integrity by following the principles of the Code. The Code encourages reporting of any violations to management.

The Code is consistent with the Company's core values and is aligned with Atlantic Sapphire's commitment to the UN Global Compact principles and SDGs.

Our Human Rights Policy

Atlantic Sapphire believes that it is fundamental to its business to respect and protect human rights. Our Human Rights Policy therefore elaborates on the Code of Conduct to provide greater detail on how Atlantic Sapphire believes that, as a business, the Company can positively impact human rights. In accordance with Principles 1 and 2 of the UN Global Compact, Atlantic Sapphire supports and respects the protection of internationally proclaimed human rights as established in the Universal Declaration on Human Rights and the International Labor Organization's Core Conventions. Human Rights is an area of importance to our employees, contractors, shareholders and investors, customers, end-consumers, civil society groups, and the local communities in which Atlantic Sapphire operates.

Our policy informs employees, business partners, and customers of Atlantic Sapphire's commitment to respecting and promoting human rights and to making a meaningful contribution to upholding human rights across our operations and our supply chain. To ensure that the Company is not complicit in human rights abuses, neither directly nor indirectly, Atlantic Sapphire's Human Rights Policy applies to all Atlantic Sapphire employees, any parties doing business for or with Atlantic Sapphire (including suppliers), and any other parties acting on Atlantic Sapphire's behalf. We focus on the following:



Diversity

Atlantic Sapphire is committed to equal employment opportunities and does not tolerate discrimination and harassment in the workplace. This means:

1.
We select employees and contractors based on qualification, experience, and past performance,

2.
We provide equal opportunity to all employees and applicants for employment without regard to race, creed, color, national origin, religion, ancestry, gender, sexual orientation, gender identity, marital status, familial status, or any other basis protected by federal, state, local law, and international conventions, and

3.
We respect the personal rights and dignity of all employees, and we will not tolerate sexual harassment or any other forms of harassment.

Wages and Benefits

Atlantic Sapphire compensates employees competitively and equitably relative to the industry and the local labor markets. We operate in full compliance with applicable wage, overtime, and benefits laws.

Child Labor

Atlantic Sapphire is committed to the abolition of child labor, in line with the ILO conventions on Minimum Age and Worst Forms of Child Labor. We prohibit the hiring of individuals under the legal age of employment in the relevant jurisdiction and under the age of 18 for positions in which hazardous work is expected.

Forced Labor and Human Trafficking

Atlantic Sapphire prohibits the use of all forms of forced labor, including prison labor, indentured labor, bonded labor, military labor, slave labor, and any form of human trafficking, in line with applicable UN and ILO conventions as well as any applicable Federal or State Anti-Trafficking regulation.

Safe and Secure Working Conditions

Atlantic Sapphire is committed to providing a safe and healthy workplace in accordance with applicable safety and health laws, regulations, and internal requirements.
In addition, Atlantic Sapphire complies with the International Finance Corporation's ("IFC") Performance Standard 2 regarding labor and working conditions.

Freedom of Association

Atlantic Sapphire respects our employees' right to join or form unions without fear of reprisal, intimidation, or harassment.

Open Communication and Grievance Mechanism

Atlantic Sapphire provides processes for employees and community to use to openly discuss any issues of concern, and we respond to any such grievances in a fair and transparent manner, while at the same time respecting the need for confidentiality if possible.

Development and Growth

Atlantic Sapphire encourages continuous learning, and we conduct regular performance reviews and provide appropriate education, training, and guidance to support a drive towards continuous improvement.

Our Human Rights Policy (continued)

Compliance

Violation of this policy or the refusal to cooperate will result in disciplinary action, up to and including termination and referral to the appropriate authorities. This means employees and suppliers are expected to never infringe on human rights and are alerted to report any situation in which human rights infringement is suspected.

Privacy

The European Union has introduced data privacy regulation regarding human rights related to privacy called the General Data Protection Regulation ("GDPR"). The GDPR is in scope as Atlantic Sapphire has offices in the EU and collects and transfers data from the EU to the USA. Atlantic Sapphire has engaged a third-party consultant to perform a GDPR Gap Assessment, the recommendations of which will not only directly impact Atlantic Sapphire's GDPR compliance posture but also assist in improving the Company's overall data privacy and information security maturity. Our GDPR compliance will positively impact our stakeholders by ensuring that their private information is safe and secure.

Responsible Sourcing

Atlantic Sapphire has a large and diverse extended supply chain. Our suppliers must be transparent about their human rights and labor practices and work to remedy any shortfalls. Their commitment to complying with our Code of Conduct is contractually secured by signing our Terms and Conditions. We are exploring ways of monitoring their performance and expect to have a more formalized responsible sourcing program in place in the future.

Our EHSS Policy

Our overarching Environmental, Health, Safety, and Security ("EHSS") Policy commits us to responsible governance including:

1.
Ensuring compliance with all applicable EHSS laws and regulations, EHSS management standards, and other EHSS standards to which Atlantic Sapphire subscribes.

2.
Promoting this culture through our suppliers, vendors, and contractors.

3.
Designing and reliably operating our aquaculture facilities with emphasis on effective process safety programs to maintain a safe work environment, prevent accidents, and improve efficiency in the consumption of energy, water and other resources and material inputs.

4.
Conducting employee training and implementing a top-down culture of safety awareness.

5.
Identifying, evaluating, and managing risks associated with occupational health & safety, community health & safety, food safety, environmental compliance, and quality of products.

6.
Continuous improvement of our processes and development of technologies to increase the performance and sustainability of operations.

7.
Communicating to management and all concerned any unlawful or unsafe conditions and security lapses, and maintaining openness, transparency and continuing dialogue with our employees, contractors, communities, regulatory authorities, suppliers, customers, and other stakeholders.

Why Sustainability Matters to Atlantic Sapphire

The core business of Atlantic Sapphire was born from an aspiration to find solutions to existing global environmental, social, and economic challenges. Through our core business and our values and behaviors, Atlantic Sapphire recognizes that ESG factors have a material impact on the long-term financial performance and value creation for stakeholders. Through its daily actions, Atlantic Sapphire seeks to leverage the potential of its alignment with ESG principles to minimize risk while maximizing stakeholder value.

ESG factors are incorporated into Atlantic Sapphire's company culture and serve as guiding principles for our conduct, our decisions, and our actions. The team is measured on and rewarded for its contributions to meeting our Company values and four key priorities of responsibility: Product Responsibility, Economic Responsibility, Environmental Responsibility, and Social Responsibility.

Atlantic Sapphire strongly supports the UN SDGs. The Company sees these goals as a blueprint for business leadership generally as well as for our industry because food production lies, as described by the World Economic Forum, at the intersection of so many major global challenges, including natural resource management, climate change, public health, food security, and trade regimes.[4] Atlantic Sapphire believes that it has a duty to find a balance between producing enough healthy proteins to feed the world and protecting the limited resources of our planet.

Atlantic Sapphire fully supports the UN Global Compact principles and SDGs as they relate to its business strategy, day-to-day operations, organizational culture, and influence. Atlantic Sapphire identifies the eight SDGs highlighted below as targets for the Company based on what counts as highest priorities and the areas in which it is best placed to drive positive change.

SDG Priorities

SUSTAINABLE DEVELOPMENT GOALS

[4] World Economic Forum. 2020. *To feed a growing world, we need to change our food systems now.* www.weforum.org/agenda/2020/11/how-to-create-sustainable-food-systems/

Our SDG Priorities and Contributions

Product Responsibility

"Ensuring healthy lives and promoting the well-being for all at all ages is essential to sustainable development"

Atlantic Sapphire produces Atlantic salmon, which is high in long-chain omega-3 fatty acids that help maintain a healthy heart and is a rich source of vitamins and minerals. According to health authorities, a healthy, balanced diet should include at least two portions of fish a week, including one of oily fish such as salmon.

"Sustainable consumption and production is about promoting resource and energy efficiency, sustainable infrastructure, and providing access to basic services, green and decent jobs and a better quality of life for all"

Atlantic Sapphire produces high quality Atlantic salmon free of antibiotics, parasites, and other medicines, and is free of micro-plastics thanks to its closed-containment salmon farming technology. Our Bluehouse technology enables Atlantic Sapphire to make a responsible use of natural resources such as water and produce a sustainable protein for consumers.

Economic Responsibility

"Sustainable economic growth will require societies to create the conditions that allow people to have quality jobs"

By spearheading the development of a new cross-discipline industry both in Denmark and the USA, Atlantic Sapphire has secured the creation of quality jobs that will set the basis for a robust talent pool in the emerging land-based aquaculture sector. In addition to the positive impact generated through employment and the economic multiplier effect, the growth of Atlantic Sapphire and the land-based salmon farming sector generates a significant need for skills. This leads to collaboration between the public and private sectors to develop programs oriented to form students for the jobs of the future, engaging people of different ages and backgrounds.

"Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation"

Innovation is at the heart of Atlantic Sapphire's Transformative Purpose. By pioneering Bluehouse salmon farming, we are contributing to the progress and development of the RAS salmon industry at large as we open the door for larger projects and collaborate with contractors, equipment manufacturers, and suppliers to develop new solutions. We invest in research and development, participate in conferences to contribute to the global understanding of the main challenges and opportunities of this emerging industry, and expand the pool of talent by recruiting people from different disciplines who can help bring land-based salmon farming forward.

Environmental Responsibility

"Take urgent action to combat climate change and its impacts"

Salmon farming has the lowest carbon footprint in animal protein production. Atlantic Sapphire's objective is to further contribute to the reduction of the environmental impact of salmon farming by eliminating airfreight-related carbon emissions.

Our SDG Priorities and Contributions

Environmental Responsibility (continued)

“Conserve and sustainably use the oceans, seas and marine resources for sustainable development”

Atlantic Sapphire has minimal impact on the oceans, marine wildlife, and marine ecosystems. By producing salmon out of the sea, we are protecting wild populations of salmon and other wildlife from additional escapees, parasite, and disease pressure. In addition, our water treatment system in Denmark and the use of the Boulder Zone to discharge treated water in Miami eliminate risks of eutrophication and changes on the seabed caused by our wastewater. Atlantic Sapphire’s recycling technology, in which more than 99% is reused, reduces the fresh and saltwater demand on our operation. Atlantic Sapphire actively engages in reducing its reliance on marine ingredients for the feed of its salmon and ensures that these ingredients are responsibly sourced.

14 LIFE BELOW WATER

Social Responsibility

“The food and agriculture sector offers key solutions for development and is central for hunger and poverty eradication”

As the world’s population continues to grow, our future generations need higher availability of protein. Atlantic Sapphire is contributing to bridge the increasing gap between a stagnant growth in global supply of salmon and a rising demand by optimizing the use of natural resources and eliminating barriers such as geographical production limitations.

2 ZERO HUNGER

“Gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world”

Equality and diversity are paramount to the creation of a balanced work culture and the base of a company for the future. Atlantic Sapphire strives to offer equal opportunities and pay to male and female employees and to create inclusive employment opportunities through training programs in different areas.

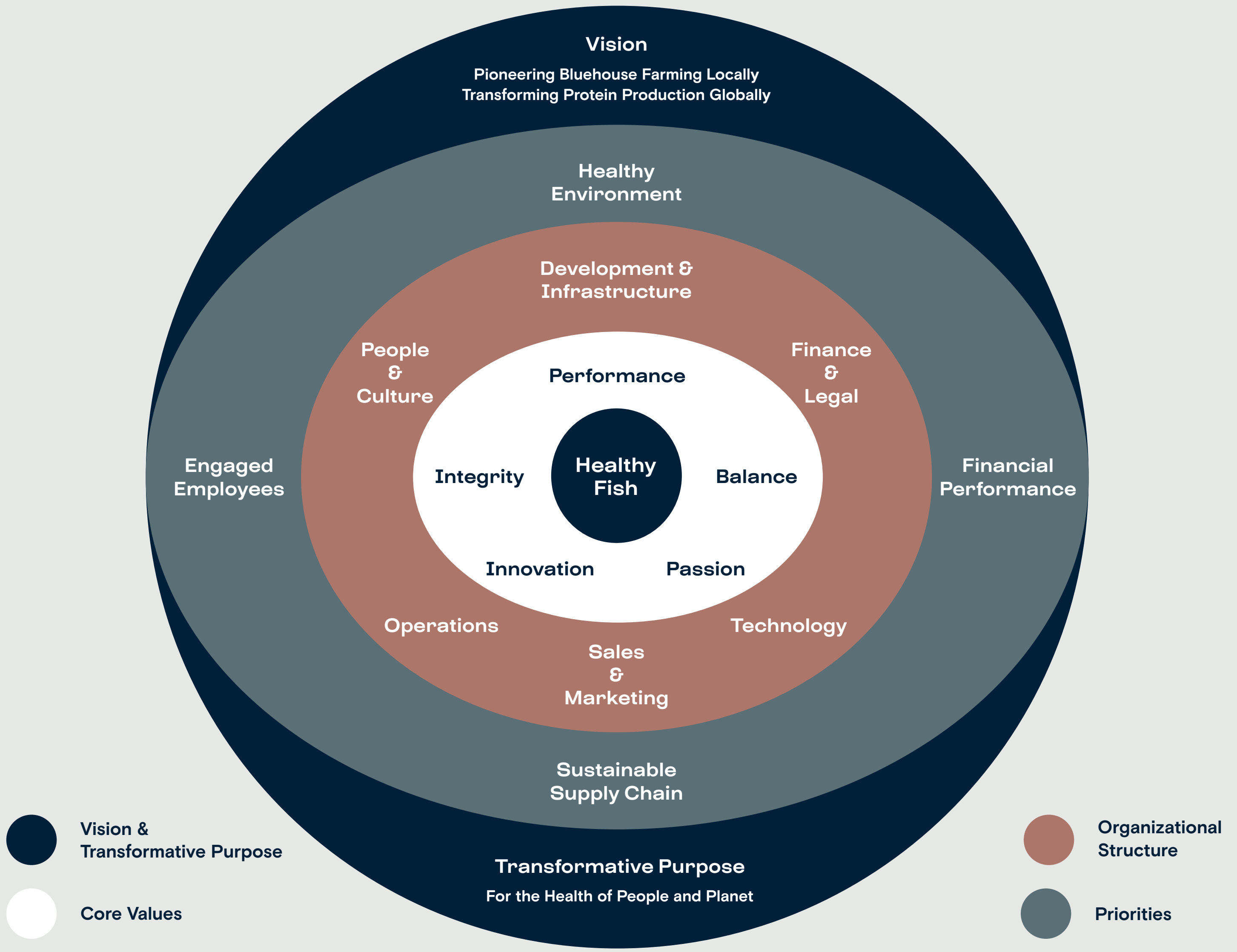
5 GENDER EQUALITY

Our ESG Framework

Atlantic Sapphire exists for one clear purpose: to lead the global transformation of aquaculture through innovative fish farming methods that deliver a delicious, nutritious, sustainable product to the end-consumer. Our approach to doing business is sustained by our ongoing considerations of ESG factors in our decision-making and our goal of bringing results across four key priorities of responsibility: Product Responsibility, Economic Responsibility, Environmental Responsibility, and Social Responsibility.

Atlantic Sapphire is a company where talented individuals are empowered to do their best work through our core values:

- **Passion –** Purpose. Dedication. Courage.
- **Performance –** Initiative. Collaboration. Results.
- **Innovation –** Continuous improvement. Solutions. Learning.
- **Integrity –** Accountability. Open communication. Care.
- **Balance –** Healthy Fish. Stakeholder wellness. Sustainable planet.



Prioritizing Material Risks

In 2019, the Company undertook an assessment to determine its key stakeholders and its ESG priorities, disclosure topics and risk factors. Careful consideration for guidance was included from the Global Reporting Initiative ("GRI") Standards, the Sustainability Accounting Standards Board ("SASB"), the UN Global Compact, and the UN SDGs.

Atlantic Sapphire views all potential material ESG topics, both risks and opportunities, according to their time horizon (short-term, medium-term, and long-term). The Company also evaluates boundaries by considering where each of the impacts occur and the Company's direct or indirect involvement with such impacts.

Atlantic Sapphire then assesses the Company's stakeholders along its value chain, focusing on four key stakeholders and their expectations of Atlantic Sapphire: customers, employees, suppliers, and shareholders. Atlantic Sapphire has analyzed the Company's significant impacts and stakeholder expectations across 30 relevant and important topics, and from there it has prioritized through an iterative process the 16 topics considered most material across four key topic categories: Product Responsibility, Economic Responsibility, Environmental Responsibility, and Social Responsibility.

The resulting list of topics and the materiality matrix are shown below. The mapping was validated by Executive Management at the end of 2020, and although Atlantic Sapphire has not undertaken a formal validation of the overall matrix with external stakeholders during 2020, the Company has collected direct and indirect feedback on the priorities through our ongoing dialogue with investors and other external stakeholders. As a result, no changes have been made to our mapping of material issues in 2020 compared to 2019. In 2021, the Company intends to continuously validate the materiality assessment with selected external stakeholders and ensure that Atlantic Sapphire continuously monitors its understanding of the evolving landscape of risks and opportunities in sustainable aquaculture.

Atlantic Sapphire's Materiality Matrix

Impact on external stakeholders' assessment and decisions

Traceability
Indirect Economic Impact
Water and Local Effluents
Community Impact

Consumer Safety
Economic Performance
GHG Emissions and Climate Change
Occupational Health and Safety

Logistics Benefits
Anti-Competitive Behavior
Energy Consumption and Intensity
Training and Education

Fish Health
Technology and Innovation
Biodiversity
Diversity and Inclusion

Significance of Atlantic Sapphire's impacts on the economy, environment and society

Product Responsibility

Economic Responsibility

Environmental Responsibility

Social Responsibility

Material ESG Risks

The material topics listed above present both potential risks and opportunities that will inform the decisions Atlantic Sapphire takes for our business. The Company will increasingly capture data on the material ESG topics for management attention and reporting. As Atlantic Sapphire becomes fully operational in the USA, data collection will increase to support additional comprehensive and accurate disclosure.

Product Responsibility

CONSUMER SAFETY

- Food safety and certification compliance
- No antibiotics or pesticides
- Integrated production and processing quality control
- No exposure to microplastic waste

FISH HEALTH

- Fish husbandry best practices
- Prevent exposure to parasites
- Prevent exposure to toxic algae or diseases

TRACEABILITY

- Secure and integrated production cycle
- Key suppliers, including genetics and feed

LOGISTICS BENEFITS

- Elimination of airfreight intermediaries
- Longer fresh product shelf-life
- Single location transportation origin
- Full by-product utilization opportunities

Economic Responsibility

ECONOMIC PERFORMANCE

- Financial results and shareholder return
- Financial integrity and responsibility

ANTI-COMPETITIVE BEHAVIOR

- Code of Conduct adherence
- Transparent reporting

INDIRECT ECONOMIC IMPACT

- Investment and job creation impact
- Contribution to GDP growth

TECHNOLOGY AND INNOVATION

- Intellectual Property Rights
- Research & Development

Environmental Responsibility

GHG EMISSIONS AND CLIMATE CHANGE

- In-market production, eliminating airfreight transportation
- Minimal transportation for farming and processing
- Improved feed efficiency

WATER AND LOCAL EFFLUENTS

- Advanced water treatment
- Minimal impact on coastal waters
- Responsible sludge management

ENERGY CONSUMPTION AND INTENSITY

- Increase renewable energy supply
- Efficient energy investments

BIODIVERSITY

- Minimal impact on local flora and fauna
- Prevent escapees and predator issues
- Avoid microplastic contamination

Social Responsibility

OCCUPATIONAL HEALTH AND SAFETY

- Safe and hazard-free working environment
- Provision and use of health & safety equipment

COMMUNITY IMPACT

- Local supplier engagement
- Charity, civic and research organizations engagement

TRAINING AND EDUCATION

- Atlantic Sapphire Academy
- Collaboration with educational institutions
- Learning and networking events

DIVERSITY AND INCLUSION

- Equal opportunities for employees and suppliers
- Gender diversity
- Integration initiatives

Stakeholder Engagement

Atlantic Sapphire's business ultimately depends on its social license to operate, the trust and goodwill of its stakeholders, and its reputation for keeping its promises. Any circumstances that publicly damage these may lead to a broader adverse effect than solely the monetary liability arising directly from a damaging event by way of loss of business, trust and goodwill, clients and consumers, employees, partners, and neighbors.

The Company strives to build long-term relationships with its stakeholders. Therefore, Executive Management meets on an ongoing basis in open and transparent dialogue with all stakeholders interested in its business from a social, environmental, or economic perspective. The Company proactively engages them through different platforms to address their needs, listening and providing information about Atlantic Sapphire's projects.

The dialogue always strives to raise awareness of both the value and the challenges of what Atlantic Sapphire does. In the past year, the Company has had valuable dialogue with stakeholders around various topics, including, for example: product attributes, environmental and animal welfare aspects related to Bluehouse salmon farming, technology, the R&D invested in RAS, the viability of the business model, and the socio-economic impacts of its operations in Denmark and Miami. The Company uses different platforms to communicate with stakeholders on a regular basis, with the frequency of communications depending on the interest and the level of involvement of these stakeholders.

"We are proud to do business in Miami-Dade County and in Hvide Sande, Denmark — the support of the communities in which we do business has been invaluable in navigating the challenges presented by the Pandemic last year. Community support has been and will continue to be critical for our success and future growth. Without the support and insight of our external stakeholders, the Atlantic Sapphire vision and mission would not be a reality. We look forward to continuing to work towards building strong relationships with all our external stakeholders."

Danielle Villoch,
Chief Legal Officer

How Atlantic Sapphire Engages with Stakeholders

Employees

Full-time Employees | Subcontractors | Candidates

- Ongoing and regular communication on openings and feedback on status of applications.
- Ongoing and consistent open engagement regarding professional goals and opportunities, needs, work performance, updates on procedures company, and department performance and important events.
- Frequent company-wide online and when possible, face-to-face communications on relevant and exceptional information through different platforms.

Shareholders

Investors | Lenders

- Regular communication, updates in company presentations, meetings to discuss both financial and ESG performance (including ESG risks and opportunities) especially with institutional investors with a strong ESG mandate, investor roadshows, and site visits.
- Availability for two-way face-to-face communication, email correspondence, and response to enquiries.
- Multiple access platforms including the Oslo Stock Exchange's official channels, website, investor relations, e-mail address.

Customers

Buyers | Retailers | Food Service | Consumers

- Frequent communication through on-site visits, e-mails and phone calls to set common goals, response to questions around product safety and attributes, and provided updates on commercial plans.
- Direct communication with customers through social media and other marketing and PR channels to answer questions about product safety, traceability, and salmon attributes.

Communities

Local Communities | Education Centers | Associations | Media

- Open dialogue responding to questions, concerns and requirements via on-site visits, participation in community activities (including those focused on the improvement of social and economic indicators), and scheduled meetings.
- Engagement with organizations such as the South Dade Chamber of Commerce in Florida with respect to advancing economic development in the community.
- Support to educational efforts and institutions with conservation goals, such as the Frost Museum of Science in Florida.
- Provision of relevant information and updates about the progress of our operation through e-mail, social media, press, and other announcements.

Business Partners

Suppliers | Contractors

- Face-to-face daily communication regarding progress on both sides.
- Monthly meetings with a set agenda regarding project timelines, requirements, budgets, and technical developments or needs.
- Support local businesses whenever possible.

Industry

Industry peers | Non-Governmental Organizations ("NGO")

- Updates through Company presentations at conferences and summits gathering businesses within the seafood industry and beyond.
- Notifications through the OSE, market days, and on-site visits strictly centered on pre-competitive dialogue.
- Communications through specialized media.
- Press releases, Company updates, and social media posts.

Authorities

Local | Regional | National

- Continuous engagement informing of progress, practices, and permissions via formal communication.
- On-site visits.
- Regular updates via face-to-face communication.

03

Atlantic Sapphire's ESG Priorities

Product Responsibility

Salmon has become a sought-after product as consumers increasingly demand more healthy, delicious, and sustainable protein options. Salmon is a great choice as a nutritious part of a healthy diet for all ages. The health benefits of Atlantic salmon, which are widely documented, include being rich in omega-3, proteins, and essential vitamins (A, D, and B-12).

While our current business model and technology provide a great solution, Atlantic Sapphire will endeavor to find ways to increase sustainability in the production of our salmon. Atlantic Sapphire's Bluehouse Salmon not only offers the taste and health benefits valued by consumers, but it is also raised in ideal conditions from a fish welfare and environmental perspective.

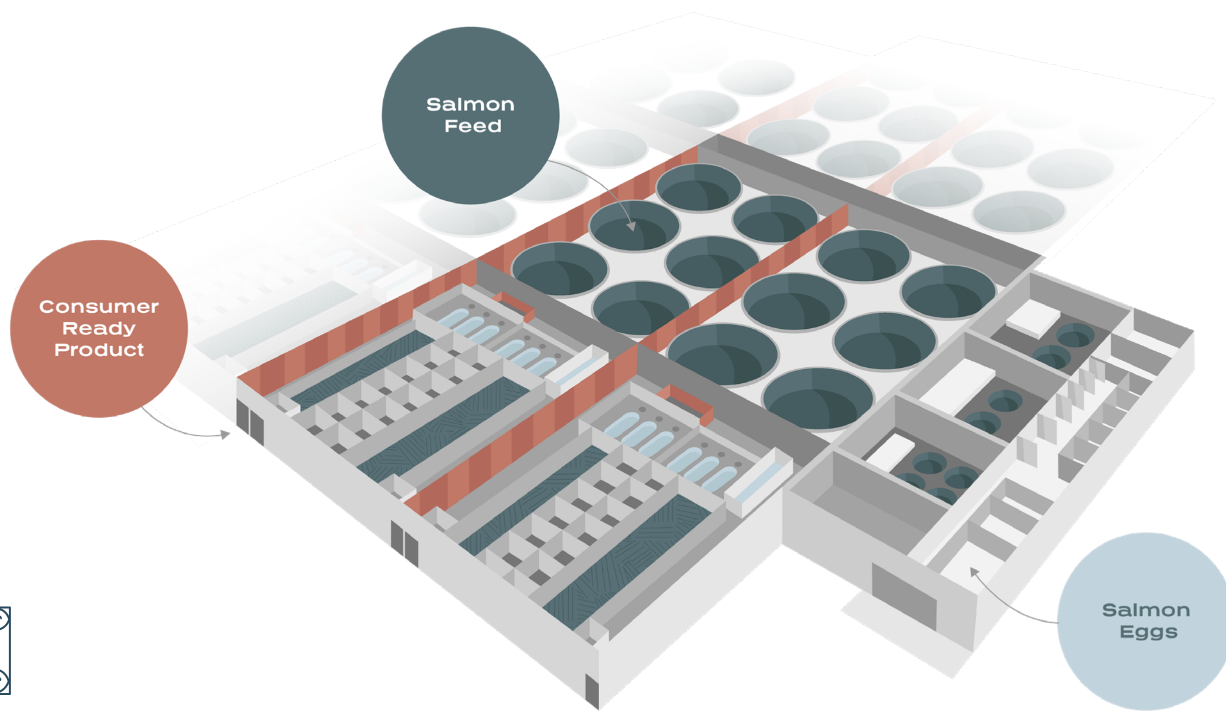
Our Bluehouse Value Chain

Atlantic Sapphire's production cycle starts with the introduction of salmon ova into the hatchery. As eggs hatch and develop, the fish are moved between increasingly sized freshwater tank systems until they reach the smolt stage in the production cycle.

Smolt typically grow until approximately 100 to 200 grams before they are moved to saltwater grow-out tanks where the salmon are fed and raised to the target average harvest size of 4.5 kilograms. Once harvested, the salmon are processed into consumer-ready products and loaded onto trucks for transportation to retailers, restaurants, and other customers. The complete production cycle takes between 18 and 22 months.

In the wild, the Atlantic salmon starts its life in freshwater rivers and then migrates out to the sea after it is smoltified. The Atlantic salmon spends most of its life in the sea. Once large and ready to reproduce, the Atlantic salmon returns to the river it originated from. Atlantic Sapphire's Bluehouses are tailored to replicate this natural life cycle, and we strive to mimic what the Company believes are the ideal conditions for Atlantic salmon to thrive to the largest extent possible from hatch to harvest.

Completing the entire production under one roof shortens the value chain of salmon production significantly, eliminates risk of parasites, reduces risk of diseases, simplifies logistics, and increases traceability of the end-product.



Leading Technological Development

Atlantic Sapphire Bluehouses deliver maximum biological control due to our cutting-edge technology. Our proprietary capabilities build on collaboration and integration with a diverse range of technology partner solutions. All relevant parameters are constantly being monitored with an increasing number of sensors, tools, and equipment measuring water quality indicators such as alkalinity, carbon dioxide, oxygen, and temperature. Our systems also measure potential risks for the fish, such as elevated levels of toxic gases including hydrogen sulfide. Early detection of toxic hydrogen sulfide is important to minimize the risk of a mortality event. This continues to be a key area of technical innovation to reduce exposure for the Company. Continuous improvements in technology allow Atlantic Sapphire to grow fish faster with less feed and reduced consumption of oxygen and energy, thereby ensuring optimum fish welfare.

Denmark Innovation Center: Technological Proof of Concept

The Denmark Bluehouse located in the town of Hvide Sande, Denmark was the first of its kind when built in 2011. This commercial pilot facility demonstrated the ability to raise Atlantic salmon without the use of net pens in open water. Atlantic Sapphire's proven Bluehouse technology allows salmon to be raised closer to the end consumer. Inside the Bluehouse, the water is continuously purified to remain crystal clear by a state-of-the-art filtration system. Furthermore, the fish are free to swim against strong currents as they do in the wild. Atlantic Sapphire salmon will never have contact with sea lice or be exposed to wild fish diseases, allowing them to grow strong and healthy.

USA Bluehouse, In-Market Commercial Scale-Up

The Miami Bluehouse located in Homestead, Florida, USA is equipped with state-of-the-art Recirculating Aquaculture System ("RAS") technology based on the innovations and experience from Denmark. This technology has been further developed to combine with the naturally given conditions of the underground aquifers of South Florida. In our Miami Bluehouse, Atlantic Sapphire sources freshwater from the Biscayne Aquifer, only a few feet below ground surface. Based on the current permitted allocations, the Biscayne aquifer accounts for about 5% of the total groundwater consumption.

The brackish and salty groundwater is sourced from the Floridan Aquifer, a density stratified, artesian aquifer. The Floridian Aquifer is located at approximately 1,200 feet below the Miami Bluehouse. The salinity of groundwater in the aquifer generally increases with increasing depth as saline water is more dense than fresh water. Wells constructed in the aquifer are completed in two different zones - the upper Floridan aquifer and the middle Floridan aquifer. These hydrogeologic units produce groundwater with salinities of 2.7 parts per thousand ("ppt") and 35 ppt, respectively. Over 95% of the groundwater consumption for farm operations will be saltwater from the Floridan aquifer. The exchange of groundwater entering and exiting the Miami Bluehouse is about 10% per day. Inside the Miami Bluehouse, the recirculation degree of filtered water in the tanks is above 99%. Less than 1% of the total water that is sent through the filtration system is discharged as non-toxic wastewater through the injection well and into the Boulder Zone of the lower Floridan aquifer, located at a depth of nearly 3,000 feet underground. The Boulder Zone acts as a storage zone and natural filter with a natural current that slowly filters the water over thousands of years and allows it to eventually return to the ocean as clean water, therefore eliminating any impact from the wastewater on the ecosystem.

The unique groundwater resources of South Florida are well suited for Bluehouse farming at scale. A stable supply of freshwater, brackish and saline groundwater, and a proven and environmentally desirable method for wastewater disposal are critical elements towards production. In 2018, Atlantic Sapphire was granted a United States patent for its systems and methods of intensive recirculating aquaculture, incorporating the use of wells constructed for groundwater supply and wastewater disposal.

Atlantic Sapphire's eight-person strong Technology Team is continuously working on advancing the aquaculture industry by being leaders in using new and advanced technologies in our Bluehouse farming. In 2020, the Company made great progress in the fields of autonomous feeding and artificial intelligence ("AI") by first introducing and testing a new feed system. The autonomous feeding system that has been developed analyzes feed spill to determine the optimal amount of feed to offer the fish, thereby maximizing both fish welfare and growth and simultaneously limiting the volume of uneaten feed that might otherwise go to waste. Furthermore, we are taking advantage of our enormous amount of data of all water quality parameters thanks to our new AI system that recognizes how changes in different water quality parameters impacts water quality and fish appetite.

Every day, our AI system becomes better at optimizing water conditions for the fish, which increases biomass gain, economic performance, and results in even more healthy and delicious product for the end-consumers. The Technology Team is also working on solutions to separate uneaten feed from sludge to be able to reuse the feed and therefore eliminating feed spill altogether.

1,200 ft

The Floridan Aquifer is 1,200 feet below the Miami Bluehouse

99%

recirculation degree of filtered water in the tanks

2018

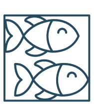
Atlantic Sapphire was granted a United States patent for its systems and methods of intensive recirculating aquaculture

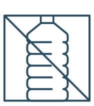
Developing a Sustainable Option

The conventional aquaculture industry today generates a global supply of healthy Atlantic salmon of an estimated 2.7 million metric tons[5], almost all produced in sea-based net pens or cages, primarily off the coasts of Norway and Chile due to suitable conditions.[6] However, these industrial sea-based fish farming areas are remote from the largest end-markets and require significant transportation and logistics costs, generates an added carbon footprint, and leads to reduced shelf life of the final product.

In addition, the conventional aquaculture industry faces numerous challenges. Sea-based farmed fish in net pens host diseases and parasites, including sea lice, and requires the continuous use of pesticides and other prevention methods. Farmed salmon also escape into the surrounding waters, which spreads non-native fish varieties that may intervene with the local ocean ecosystem and wild salmon. Fish waste dissipates untreated into the coastal areas. Our Bluehouse technology avoids these numerous challenges.

Almost all sea-based farmed salmon starts its life in a land-based facility, spending up to half of its life there before being transferred to a sea-based net pen or cage. The idea behind our Bluehouses is provide an alternative to keep the whole farming process on land. By containing the salmon within our Bluehouses, Atlantic Sapphire eliminates the threats to wild fish stock and our own fish from sea lice, parasites, and other diseases being transferred, we avoid untreated fish waste being emitted into coastal areas, and we ensure that no microplastics and other contaminants are ingested by the fish.





Genetics

Atlantic Sapphire imports ova from leading industry suppliers in Iceland and Norway to our Miami and Denmark Bluehouses. We are committed to never using genetically modified ova in our production. Accordingly, all ova supplied to Atlantic Sapphire meet the criteria of "no genetic engineering involved" under the terms of the EU regulations.

Genetic development in salmon aquaculture consists of the improvement and strengthening of salmon breeds using selection and mating techniques to ensure a higher survival rate and resistance to the conditions in which salmon are exposed throughout the production cycle.

Atlantic Sapphire's salmon are raised in an environment which allows the genetic work to be focused on growth and traits more specific to Bluehouse conditions and not on attributes such as resistance to parasites, bacteria, pathogens, or other sea-specific conditions.

Atlantic Sapphire is working with leading aquaculture genetics companies to advance performance in its Bluehouses and to establish integrated on-site genetics operations.

[5] Kontali. 2020. *Salmon Market Analysis 2020*. www.kontali.no/publications/yearly-publications#salmon-market-analysis
[6] FAO. 2018. *The State of World Fisheries and Aquaculture 2018 - Meeting the sustainable development goals*. Rome. License: CC BY-NC-SA 3.0 IGO

Feed

Our commitment to sustainability starts with what we feed our salmon. It is important to select partners that share our view on environmental, social, and governance issues and strong focus on innovation. Salmon feed is made from a variety of raw materials, including grains such as wheat and soy, and marine ingredients, including fishmeal and fish oil. Our aim is to build long-term relationships with partners and suppliers to collaborate on developing increasingly sustainable feed solutions.

Our selection of feed, raw material availability, origin, harvesting methods, and regulations throughout the supply chain are key factors in the social, environmental, and economic impact of the production of our final product. There are science and data-based comprehensive standards regulating the supply chain of feed ingredients in aquaculture.

In fisheries for example, scientific bodies assess wild stocks in different fishing grounds and establish catch restrictions based on biomass volumes, average size, and the natural seasonality of the species. Atlantic Sapphire carefully selects its feed suppliers to ensure that the strictest regulations and full traceability are in place throughout the value chain from primary raw material production through feed ingredient manufacturing and feed production.

Atlantic Sapphire has chosen to work with feed suppliers that source their marine ingredients from producers which fulfill the requirements of the MarinTrust, which is the international program for marine ingredient certification, formerly known as the Global Standard for Responsible Supply ("IFFO RS"), in line with the FAO Code of Conduct for Responsible Fisheries. By engaging only with suppliers that operate under third-party recognized standards, the Company ensures that all the fish used in our feed comes from responsibly managed fisheries with well-regulated biomass stocks and with zero-tolerance policies against Illegal, Unreported, and Unregulated ("IUU") fishing and full traceability systems in place.

Another major area of focus in aquaculture feed production is the use of sustainably sourced soy. Atlantic Sapphire believes it is a joint responsibility for both feed suppliers and salmon farmers to uphold strict requirements in the selection of soy with a strong focus on minimizing and eliminating the risk of deforestation and with zero tolerance against forced labor.

The soy of our feed partner, Skretting North America ("Skretting"), is sourced using sustainability criteria and primarily comes from CJ Selecta, a company that is actively working to improving sustainability and is committed to the Amazon Soy Moratorium, an international agreement in support of protecting the Amazon biome by blocking the acquisition of grains from deforestation areas, together with the Brazilian Association of Grain Exporters ("ANEC") and the Brazilian Association of Vegetable Oil Industries ("ABIOVE").

Skretting purchases credits from the Round Table on Responsible Soy ("RTRS credits") for all soy from Brazil and ensures suppliers meets their criteria for non-deforestation areas. CJ Selecta, Skretting's main soy supplier, has published a goal to stop entirely sourcing soybeans from the Amazon biome by 2022.

Additionally, Atlantic Sapphire does not add synthetic pigments since carotenoids in our feed are from a natural source. Atlantic Sapphire is actively looking into the development of alternative raw materials. The Company is engaged with feed suppliers and ingredient manufacturers to explore opportunities for using ingredients such as algal oil, insect meal, and single cell protein with the goal of eliminating fish oil and fishmeal in our feed in the future.

Traceability

Atlantic Sapphire's full production cycle is carried out in its Bluehouses, ensuring traceability from egg to final product. The very short value chain is also a factor as Atlantic Sapphire ships directly to our customers with very few intermediaries "from egg to plate".

Our food safety and traceability also come from internal procedures and labelling standards. In Denmark, Atlantic Sapphire uses Hazard Analysis and Critical Control Points ("HACCP") to manage compliance with standards and legislation. Atlantic Sapphire Denmark holds a Grade AA BRC Global Standard issued by Bureau Veritas Certification Holding SAS to produce fresh gutted and cleaned head-on RAS farmed salmon delivered from its own farm and factory.

In the USA, Atlantic Sapphire has had delays in the construction of its processing plant due in part to the COVID-19 pandemic. To begin further processing in this plant and increase the product traceability even further, Atlantic Sapphire will in 2021 apply for the USDA System of Operational Procedures ("SOP") FDA registration and put in place a HACCP plan, which will guarantee the compliance of the plant with USA regulations. Once these are in place, Atlantic Sapphire will also apply to obtain the third-party food safety BRC certification for its USA operations.

Fish Welfare

The healthier our fish, the stronger the Company performs. Atlantic Sapphire Bluehouse technology brings unprecedented measurements and control for critical aquaculture factors. To ensure optimal fish welfare, Atlantic Sapphire constantly monitors parameters such as oxygen, carbon dioxide, and ammonia levels. Over time, the Company has also continued to increase data collection, both in quantity and quality, to support ongoing improvements in water quality, the general health of our fish, and their growth performance. Furthermore, Atlantic Sapphire uses leading information and biotechnology companies to analyze fish welfare parameters to corroborate internal measurements and results.

Reducing Energy Consumption

In 2019, the Company adopted an innovative technology approach to optimize the cooling and ventilation systems and minimize energy loss in piping of water in its facilities. Recirculating units and heat exchangers enable the Company to maintain steady temperatures in the aquaculture systems.

As an example, the Miami Bluehouse uses a closed-loop cooling water well system for operation of water-to-water heat exchangers to dissipate heat produced by the chillers. The water-to-water heat exchange is more efficient than the conventional water-to-air exchange. The process uses groundwater pumped from shallow water table wells constructed in the Biscayne Aquifer. After passing through the heat exchanger, the groundwater is returned into the aquifer and there is no consumption of groundwater in the process.

This use of technology reduces the need for electrical cooling and therefore, energy use and potential related greenhouse gas ("GHG") emissions. Solar energy is also being explored as another source to be utilized in the future. Because Atlantic Sapphire is at the forefront of sustainable aquaculture, we must continue to develop technologies and implement process enhancements to increase the performance and sustainability of its operations.

Armin Ramirez, Quality Manager, Florida Bluehouse

Interview

What's the main objective at the Bluehouse?

The fish are central to everything we do, always. The production of safe and high quality salmon is the main objective at our Bluehouse.

What metrics or systems have we developed and why?

We have developed metrics and systems to measure indicators that help us understand the state of our Bluehouse Salmon and take timely actions to always maintain or better yet, improve their well-being. It is a 24 hour, 7 day on-site system.

We have many sensors in the water that measure the quality, etc. The only thing we haven't figured out how to measure is how the fish are doing, similar to humans. We can estimate the condition of the fish. The automation helps but when it comes to our fish, we need a combination of technology, innovation and human spirit.

Feeding our fish is crucial for their well-being. What equipment or process do we use to ensure this is most effective?

Processes and equipment are also designed and used to ensure our fish are never hungry. We are testing artificial intelligence for feeding our fish in every stage of their lives. We are also exploring partnerships with Veramaris to replace our fish meal and fish oil in the feed, with micro algae.

Why do we raise fish on land?

Our Bluehouse allows us to control the environment 100%. We can raise healthy, clean salmon with minimal impact on our natural marine environments. At scale, our Bluehouse mimics the natural environment and can offer cleaner fish, free of antibiotics, pesticides, and without the risk of escapes or predators. By raising fish on land, we eliminate the need for chemicals and the risk of any disease.

The aquifer is the reason we're in Homestead. Tell me more about what makes this such a significant part of our operation?

The water we use from the Floridan Aquifer has never been exposed to man-made contamination, and the Bluehouse has complex controls for water chemistry, temperature, salinity and even lightning. Creating and running the world's largest Bluehouse is not an easy feat, and by using the aquifer, all of the treated water is being put into the Boulder Zone for natural purification. We are exploring projects such as composting to eliminate other wastes to ensure that we are moving towards zero waste.

Lessons learned

Noise, lights, and vibrations inside the tank can impact the well-being of the fish. Enabling the team to ensure all activities are in the best interest of the fish. Being an innovator at scale, lessons learned are quickly applied. The good news is that with lessons learned, we are able to grow. The company is always forming new positions, to ensure the welfare of our fish remains our priority and that teams can focus on creating efficiency within their areas and the industry, overall.

Sustaining Trust in Our Product

Growing a brand on a promise of sustainability does not happen by accident. In bringing Atlantic Sapphire product to market, the Company has engaged with a range of carefully selected clients and business partners, building and working hard to maintain trust through transparent communication, and has only associating with organizations who share the Company's commitment to sustainable aquaculture and product safety. Domestically raised salmon will contribute to food safety in the value chain and further consumer trust. Ensuring the safety of our product from "egg to plate" is paramount.

Product Certifications

To date, Atlantic Sapphire products are carried by a broad range of retailers in North America and Europe, from small to large scale. The growing demand for healthy and sustainably produced proteins means that retailers of every category are looking to promote sustainable food products.

Atlantic Sapphire believes its product also fits in with a broader product category offering. In some retailers today, Bluehouse salmon is the only salmon sold due to its health and sustainability characteristics. In other retailers, Atlantic Sapphire accounts for a smaller share of the product category or our salmon is marketed as a separate product type alongside other categories such as conventional net pen, organic farmed, or wild-caught salmon.

Atlantic Sapphire is fully committed to responsible marketing. Consumer trust in Atlantic Sapphire's product is vital to our business and position as a leader in the marketplace. For that reason, the Company is always mindful to ensure the accuracy of every sustainability-related claim it makes on the product labeling and in our marketing is not misleading.

Since inception, Atlantic Sapphire has reviewed a range of potentially relevant certification schemes and quality standards. Atlantic Sapphire Denmark is currently BRC certified with an AA rating; we will also work in 2021 to get the BRC third party certification for the USA Bluehouse.

Atlantic Sapphire Denmark is currently working on getting certified by ASC, has already completed the preliminary audit, and has the final audit planned for April 2021. We hope to receive the ASC certification in Q2'2021. We are also talking with ASC about the new RAS module they are working on, as this module would help differentiate us from conventional net pen salmon.

Further, Atlantic salmon grown in indoor recirculating tanks worldwide such as our Bluehouses are rated Green – Best Choice by Seafood Watch, and both our Atlantic Sapphire Danish and USA salmon is recommended by Ocean Wise. These third-party verifications affirm the quality and high standards of our Atlantic salmon.

Finally, Atlantic Sapphire is now participating in The American Heart Association's Heart-Check Food Certification Program. This certification is based on the American Heart Association's nutrition requirements for heart healthy food. According to a Healthy Living Rewards Concept Test Report (2016), 75% of consumers reported that they were familiar with the Heart-Check symbol, a program that guides shoppers to healthier choices, and that they are more likely to purchase foods that feature the Heart-Check mark, regardless of age or number of kids in their household.[7] After a rigorous evaluation process, our brand Bluehouse Salmon®, is now Heart-Check certified.

[7] American Heart Association. 2016. *Healthy Living Rewards Concept Test Report* www.heart.org/-/media/files/healthy-living/company-collaboration/heart-check-certification/heart-check-food-certification-guide.pdf?la=en

Processing and Packaging Solutions

Atlantic Sapphire's Denmark production includes primary processing only. All secondary processing is carried out by contractors compliant with all European health and safety regulations. In the United States, our production combines both primary processing, consisting of slaughtering and gutting, and secondary processing focused on filleting and some value-added products. The products are head-on gutted ("HOG") salmon, fillets, and value-added products stored and transported to the end market at a temperature between 0 and 2 degrees Celsius.

The Company has plans for use of waste and by-products to minimize waste. In Denmark, we are sending our waste from farming and whole fish processing to biogas plants. In the USA, we have commitments from pet food processors to buy all the byproduct from filleting.

Atlantic Sapphire is committed to using sustainable packaging solutions across our operations when possible. In the USA, Atlantic Sapphire's main packaging material for HOG salmon and salmon fillets is expected to be made of fully recyclable or biodegradable material for domestic transportation. Together with a sustainability-minded supplier, we have developed boxes using 90% cellulose fiber and will only use sustainable material such as soy ink for prints. Inside every box, we anticipate there will be a 100% biodegradable bag containing all fillets or HOG fish packed in bulk.

2021

Selected Targets

CONSUMER HEALTH & SAFETY

- **Continued 100% compliance with all food safety standards.**
- **Obtain BRC certification for all facilities.**
- **Maintain American Heart Association Certification (USA).**

PRODUCTION RESPONSIBILITY

- **Zero waste of off-cuts and by-products from our filleting facility (USA).**

PACKAGING

- **Roll-out of 30% biodegradable packaging for the transportation of harvested salmon to lower our use of single-use plastic (USA).**

2025

Selected Targets

CONSUMER HEALTH & SAFETY

- **Introduce an Atlantic Sapphire Bluehouse certification program.**

PRODUCTION RESPONSIBILITY

- **Process 100% of off-cuts from farmed fish on-site into value-added product, towards achievement of zero waste (USA).**

PACKAGING

- **Roll-out of 100% biodegradable packaging for the transportation of harvested salmon to eliminate our use of single-use plastic (USA).**

Economic Responsibility

Atlantic Sapphire seeks to create prosperity as a business, an investor, a buyer, a supplier, and an employer. The Company contributes economic value to the local societies and communities where it operates and to the business partners it transacts with. The Company's most obvious and direct contributions to driving prosperity and economic growth are its job creation and its payments to employees, suppliers, distributors, authorities, and financial partners.

Atlantic Sapphire hires local and empowers local business partners whenever possible. Some of our marketing agencies are local to the Florida market and are women-owned. Atlantic Sapphire is sponsoring work permits for approximately 10% of our workforce, a number lower than our original target of 30%, which implies a positive local impact from our ability to source talent locally at a higher extent than originally targeted. Atlantic Sapphire is fully committed to acting responsibly in all its economic transactions. For example, this means that the Company pays employee wages, supplier invoices, taxes, loan payments, and other qualified expenses, in full and on time.

At Atlantic Sapphire, we all have a responsibility not only to act with integrity, but also to protect shareholder value. Each employee creates and increases the value of Atlantic Sapphire by acting in the best interests of the Company by properly using confidential information and resources.

Generating Economic Value

The Company's primary investment in 2020 has been the ongoing construction of the facility in Miami, Florida. Its indirect economic impacts include investment in building the infrastructure leading to its production facilities, such as roads and new power lines in cooperation with the power company.

Furthermore, our construction has benefitted local suppliers and business partners who the Company has engaged and supported throughout the construction period. Where possible, the Company is committed to using local suppliers and business partners to support the local economy.

According to an independent assessment conducted by The Washington Economics Group, Inc., one of the estimated economic impacts of Atlantic Sapphire's business plans for Miami-Dade County and the State of Florida is the direct, indirect, and induced employment of over 3,500 jobs by 2021.

In 2020, the economic value generation and distribution from Atlantic Sapphire's international activities is shown below.

Economic Value Generated and Distributed by the Group

2020 Selected Financial Measures	(USD 1,000)
Revenues	6,270
Total Expenses	53,449
Of which total salaries and personnel costs	7,448
Total Assets	320,959

Atlantic Sapphire was listed on the fully regulated main list of the Oslo Stock Exchange in May 2020.

Managing Financial Risk from Climate Change

Supporting the TCFD Recommendations

Atlantic Sapphire fully recognizes that there are potential financial implications for its business from both climate-related physical and transition risks as defined by the Taskforce on Climate-Related Financial Disclosure (“TCFD”).[8]

Both of Atlantic Sapphire’s production facilities are located close to coastal areas, and the Company has assessed and prepared for the risks of wind and water-related natural disasters (namely floods, tropical storms, or hurricanes). The Company’s emergency preparedness and response plan were again put into action in 2020 in preparation for the possible storms at risk of reaching South Florida. However, no major “named” storm affected the Miami Bluehouse in 2020.

Atlantic Sapphire’s business can also be impacted by climate change through the sourcing of fish feed. The Company depends on fish feed from third parties, which represents the Company’s single largest cost item. It is based on raw marine and non-marine materials, and even though these are large, global commodities, their prices may increase in the future due to climate change and generally low supply increase, therefore incurring a financial cost to the business. Given the growing global demand for key food raw materials, the Company considers this risk to be high and is therefore looking into alternative raw materials to reduce its dependence on marine ingredients.

Another important input to Atlantic Sapphire’s business is electricity. Any increase in pricing in the local electricity market will result in higher costs for the Company. However, Atlantic Sapphire considers the risk of significantly higher energy prices in Florida as low since Florida’s electricity market is provided by a regulated monopoly under Florida Power & Light (“FPL”). Also, the Florida Public Service Commission, to an extent, regulates publicly owned municipal or cooperative electric utilities, and has jurisdiction regarding rate structure, territorial boundaries, bulk power supply operations, and planning. Atlantic Sapphire is evaluating investments in renewable power production such as the installation of solar panels on-site in Florida or in conjunction with larger solar farms constructed by FPL. In the near future, Atlantic Sapphire is planning to transition over to renewable sources of power that could reduce the risk of significant price increases for electricity in the future as these sources of power are not based on scarce resources. Please see our section on Environmental Responsibility for further detail.

At the same time, Atlantic Sapphire is well-positioned to expand its supply to the market if climate change places limitations on sea-based salmon production. The Company’s Miami Bluehouse in South Florida is not dependent on seawater, and its risk exposure is limited by using the unique groundwater resources in Florida. Similarly, Atlantic Sapphire expects to be less affected than others in the USA market if climate risk impacts the cost of air transportation as we supply that market from local production and use ground transportation.

In Miami, our corporate offices are leased in a Leadership in Energy and Environmental Design (“LEED”) Gold Certified building.

[8] Financial Stability Board’s Taskforce on Climate-related Financial Disclosure www.fsb-tcfd.org

Leveraging Green Finance

In October 2020, the Company put in place a Green Finance Framework to help steer the financing of our business and promote low-carbon, climate-resilient and resource efficient development in the seafood sector. The Framework is aligned with the ICMA Green Bond Principles and the LMA Green Loan Principles.

The framework defines the assets and projects eligible for financing by Green Finance Instruments, i.e. the issuance of Green Bonds and Green Loans by Atlantic Sapphire ASA and its wholly-owned subsidiaries. An amount equal to net proceeds from Atlantic Sapphire's Green Finance Instruments will finance and refinance investments and related expenditures within a defined set of Green Project Categories, and the Framework outlines the process which the Company follows to evaluate, select, track, and report on such investments.

The Green Finance Framework is another milestone in Atlantic Sapphire's sustainability journey and commitment to raising capital through Green Finance. In 2019, the Company obtained a debt facility from DNB Bank and the Danish Export Credit Fund (EKF) to support the construction of our Bluehouse in Florida. Having undertaken an in-depth assessment of our management of ESG risks for compliance with the IFC Performance Standards (PS), IFC EHS Guidelines for Aquaculture, EHS General Guidelines as well as DNB's Sustainable Product Framework, DNB issued its first Green Loan to a seafood company.

In October 2020, our Green Finance Framework was also reviewed by CICERO, a global provider of Second Opinions on green debt, who rated its governance structure and procedures to be Excellent. Overall, on a 3-point rating scale from Dark to Medium to Light Green, the framework earned a Medium Green rating, with CICERO proposing a clear pathway to the highest rating, Dark Green, through powering our facilities with 100% renewable energy. This is in line with our commitment, and in 2021 we will work on a plan for transitioning to 100% renewable sources of electricity.

Our capital raising through Green Finance Instruments has been positively received by investors, and we welcome the increased interest in how we manage our climate risks (physical and transition) and environmental impact. We engage with relevant ESG rankings to help investors make informed decisions about our commitment to managing ESG risks.

We also welcome the efforts in the EU to develop a shared taxonomy for what constitutes 'green' or 'sustainable' economic activities. In the absence of technical screening criteria for aquaculture in the EU taxonomy to date, we are closely monitoring the criteria for comparable activities to understand our alignment. We are also following market consultations around future disclosure requirements regarding capital expenditure and operating expenditure related to 'green' activities included in the taxonomy. With our entire business and infrastructure investments centering around sustainable food production, we welcome these requirements and the comparability such information will provide investors and other stakeholders.

We remain committed to providing transparent and decision-useful information to the investment community about the contribution of our activities to climate change mitigation and adaptation.

"ESG risks and opportunities are becoming more and more important topics for both existing and new investors in Atlantic Sapphire, and to our banks. For that reason, we're proud to have put together our Green Finance Framework, second party reviewed by Cicero as Medium Green, as another chapter in our green financing story. To Atlantic Sapphire and its key financial stakeholders it's not either sustainability or financial performance, it's both hand in hand."

Karl Øystein Øyehaug,
Chief Financing Officer & Managing Director

Ensuring Responsible Business Conduct

Atlantic Sapphire's success depends on maintaining the highest standards of trust and integrity at all levels of the organization, as well as the reputation for honesty and transparency in its business. The Company released its Code of Conduct in the first half of 2020 to set expectations and provide guidance to its Board of Directors, Executive Management, employees (including part-time, temporary, and seasonal), independent contractors, and consultants. The Company's suppliers and other business partners are also expected to share our commitment to integrity by following the principles of our Code.

The Code is consistent with the Company's core values, which also serve to guide employee actions. Ethical business is our goal. The conduct of employees in performing their respective duties on behalf of the Company must always be honest, transparent, lawful, and in accordance with ethical and professional standards. The requirement of honest, lawful, and ethical conduct is broad and therefore must be stated in general terms. As such, this Code does not cover every issue that may arise, but instead sets out basic principles to guide all employees. Employees are expected to lead by example and seek guidance when necessary to clarify any aspect of the Code. As per our 2020 achievement target, 119 employees completed the code of conduct as of December 2020, an additional 36 employees completed the course between January and March 2021, and 100% of whistle-blower cases were followed up on.

Atlantic Sapphire is ultimately owned by its shareholders. Therefore, the Company is responsible to not only to act with integrity, but to also protect shareholder value as it is their investment first and foremost.

Additionally, each employee creates and increases the value of Atlantic Sapphire by acting in the best interests of the Company, by properly using confidential information, and by protecting intellectual property. We protect and properly use company assets.

All employees are expected to protect the Company's assets and ensure their efficient use for legitimate business purposes.

Improper Payments and Anti-Money Laundering

At Atlantic Sapphire, there is a zero-tolerance policy against corruption. Corrupt activities are not only a Code violation, but can also be a serious violation of criminal and civil anti-bribery and anti-corruption laws in the countries in which Atlantic Sapphire conducts business. Atlantic Sapphire conducts its business in compliance with all laws that prohibit money laundering or financing for illegal or illegitimate purposes.

Fair Competition

Atlantic Sapphire competes fairly in full compliance with all applicable antitrust and competition laws. Commercial policy and pricing will be set independently and will never be agreed upon or coordinated with competitors.

As part of Atlantic Sapphire's open communication policy, we voice concerns related to possible violations of the Code of Conduct and any violations of applicable laws or company policies. The Company provides different channels for reporting and encourages any affected party to report any violations or other concerns as early as possible. The Company is not aware of any breach related to anti-competitive or corrupt conduct in our operations in 2020.

2021
Selected Targets

ECONOMIC PERFORMANCE

- Steady-state Phase 1 production (USA).

TECHNOLOGY AND INNOVATION

- File at least five patents and trademarks.

INDIRECT ECONOMIC IMPACT

- Deliver over 3,500 direct and indirect job impacts in Miami-Dade County and the State of Florida.

CODE OF CONDUCT

- 100% of employees trained and tested.
- Require 100% of direct vendors and suppliers to sign and adhere to Atlantic Sapphire's Code of Conduct.

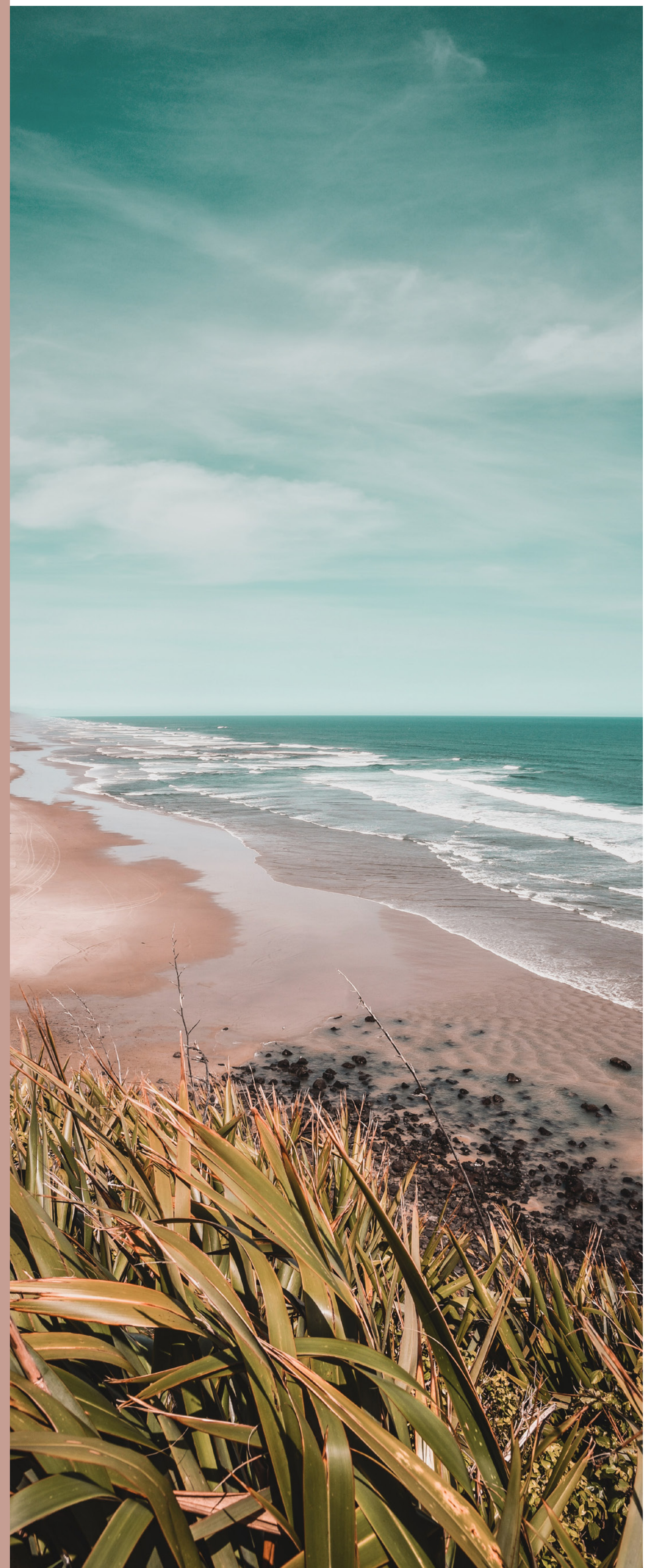
2025
Selected Targets

ECONOMIC PERFORMANCE

- Exceed 50,000 tons (HOG) in annual production.

TECHNOLOGY AND INNOVATION

- Invest 5-10% of overall operational expense in R&D towards environmental, financial, and fish welfare improvements.



Environmental Responsibility

Pursuing the most sustainable salmon farming technologies while protecting the environment where it operates is fundamental to Atlantic Sapphire. Our priorities are focused on energy and water use efficiency, minimizing waste and emissions, and avoiding impacting the surrounding marine and land ecosystems. We have always taken precautionary measures through systematic risk assessment and risk management where our activities may impact vulnerable ecosystems or resources.

Atlantic Sapphire's Environmental and Social Management System ("ESMS") requires all personnel, including Atlantic Sapphire employees and subcontractors, to act responsibly and maintain regard for impacts on the environment and climate. Through the ESMS, we ensure that our employees receive guidance, support, and training to maintain the high standards we have set itself for our environmental performance.

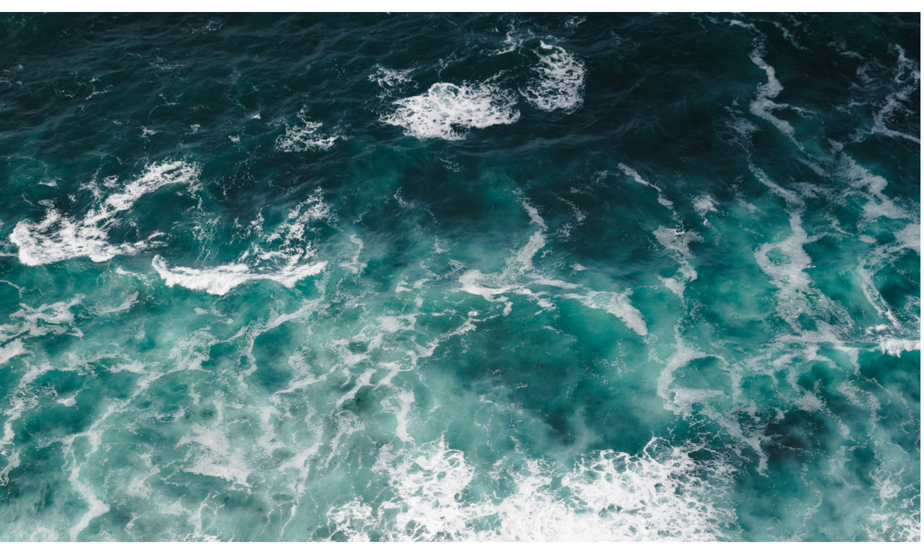
Minimizing the Company's Carbon Footprint

Climate change is one of the world's most pressing challenges. Food production plays a major part of the climate challenges and contributes to a significant amount of global greenhouse gas emissions. Emissions from food production and impacts of climate change on agriculture and the food system will deeply affect the way the world produces food in the future. Failure to manage environmental and climate-related risks could potentially harm the environment, the local community, and the Company's business and reputation.

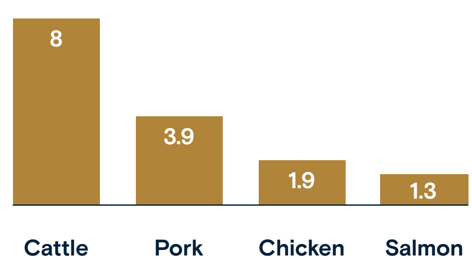
Feed Conversion

Farmed salmon has a low carbon and water footprint compared to other sources of protein such as meat production and can contribute towards a solution to the climate challenge. The so-called Feed Conversion Ratio ("FCR") is an estimate of the amount of feed required to increase the animal's bodyweight by one kilogram. The table below illustrates that beef cattle has the highest FCR with an average ratio of 8.0. In contrast, an industry-average salmon needs only about 1.3 kilograms of feed to increase its bodyweight by one kilogram, therefore resulting in a highly favorable FCR of 1.3.

As of the end of 2020, the first batch in the USA ("USA Batch 1") had not yet been fully harvested. However, preliminary figures for USA Batch 1 are high due to the challenges with the frontrunner batch that had a high percentage of maturation. The Company expects the FCR to drop towards 1.0 in steady-state production.



Feed conversion ratio of selected meat and fish worldwide (kg)



Source : Statista 2021

“ Our Company’s aim to be a leading innovator does not stop at the Bluehouse. Among several initiatives, we are testing new packaging materials, with the objective of transporting our fish in an eco-friendly way, reducing the use of plastics and making people rethink what is possible in protein production and delivery at large scale. In doing this, we ultimately support millions of salmon eaters in reaching their nutritional goals with a healthier protein that presents unique environmental benefits such as ocean conservation and wild species protection. ”

Max Francia,
Director of Marketing

Energy

Even though salmon farming emits less carbon in comparison to other livestock, Atlantic Sapphire recognizes that the full value chain does leave a carbon footprint and seeks to minimize it. We are committed to improving efficiency in the consumption of energy, as well as exploring increasing the use of renewable energy as part of our plan to strengthen our position as a producer of land-based farmed salmon globally. This may be through direct investment in renewable energy, a partnership with a third party, or a combination of both.

Excluding transportation, Atlantic Sapphire's Bluehouse production environment requires a higher use of energy than the production of salmon at sea. It is one of the Company's main priorities to explore, develop, and implement solutions to reduce the energy consumption of its operations. If one considers the current logistics required to service the USA market, Atlantic Sapphire brings substantial reductions in GHG emissions because air freight is not required to transport harvested fresh salmon.

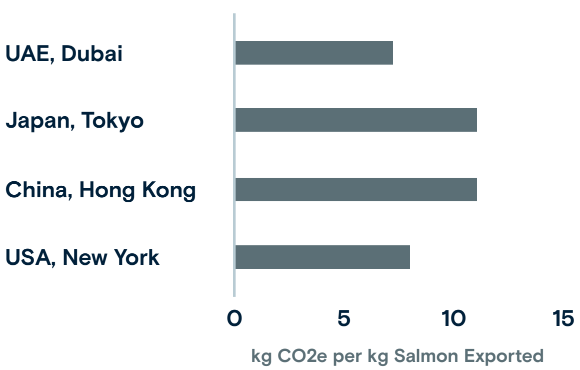
In 2020, Atlantic Sapphire Denmark consumed approximately 12.1 GWh of energy (2019: 14 GWh). In Denmark, the electricity is supplied from a mixed grid, which consists of a mix of renewable and non-renewable sources. At steady-state production, the Denmark Bluehouse energy consumption for all operations is targeted to be approximately 6 kWh per kilogram produced. We continue to monitor energy consumption closely to determine the origin and amount of renewable energy used in our operations. Our Denmark Bluehouse currently exports sludge generated from farming operations to a biogas facility that uses it to produce energy.

In the USA in 2020, Atlantic Sapphire consumed approximately 39.9 GWh of energy (2019: not available – in construction), which is primarily due to the intense construction phase at our facility. In Miami, the electricity is supplied from the State grid, which consists of a mix of energy generated from nuclear and natural gas. We expect to increase our energy consumption once construction is fully completed and once production reaches full capacity for each of the subsequent phases. Similar to our Denmark Bluehouse, we aim to utilize the sludge it produces as either an energy source, biogas, or fertilizer, and explore such options towards this goal in 2021.

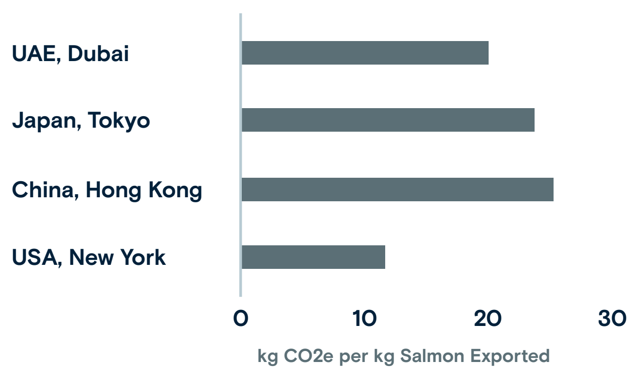
Atlantic Sapphire is determined to support growth in seafood consumption as part of lowering the global carbon footprint of the food sector. By producing and selling fresh product "in-market" and close to the end-consumer, Atlantic Sapphire avoids the cost and carbon footprint incurred of using airfreight transportation to reach the end-consumer.

In 2020, the Company transported a share of its fish via airfreight from Denmark to market destinations in the USA. In the future, the Company will reduce, or even eliminate, airfreight transportation of its salmon by supplying the USA market from its Miami operations and the EU market from its Danish operations.

Emission from Norwegian Air Freight



Emission from Chilean Air Freight



Source : SINTEF and Nordea estimates, 2019

Handling Water Consumption and Wastewater

Using Recirculating Aquaculture System ("RAS") technology, our water is filtered before it re-enters into a tank system. Over 99% of the water entering our tanks is recirculated and filtered, which significantly limits our water consumption.

There is no risk of water scarcity in either of the locations in which Atlantic Sapphire operates. Of all the water used, under 5% is freshwater and over 95% is saline water which is not suitable for irrigation or human consumption.

Water Intake

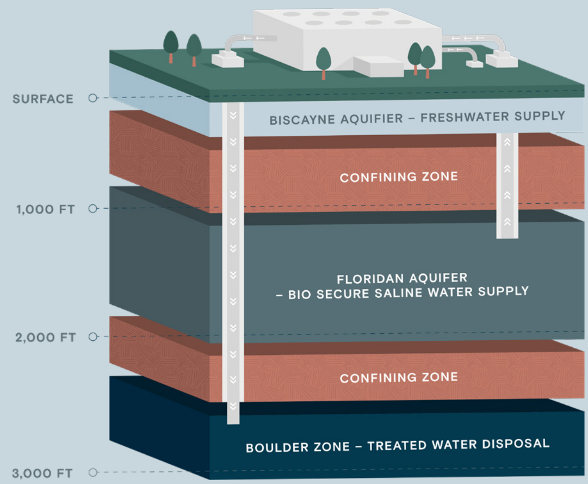
The Denmark Bluehouse uses sea water for its saline intake water and municipal freshwater for its freshwater requirements.

Thorough biosecurity procedures are in place. The intake water goes through a sophisticated "firewall" system consisting of water filtration and UV disinfection as preventive barriers. This process eliminates parasites and microbes in inlet water, completely mitigating the risk of bringing in any disease while also maintaining stability within our Bluehouses.

The saltwater permits are set at 4,800 m3/d. The Company monitors its daily freshwater and saltwater intake, including water used for the production cycle, the harvesting and processing area, and the office, and it has not exceeded those allowances in 2020 or before.

In Miami, all the water used for farming operations comes from highly productive aquifers with stable brackish and fresh groundwater. The groundwater resources for the Miami Bluehouse have been allocated for use by the South Florida Water Management District ("SFWMD") under a 20-year water use permit. The permit provides an allocation of groundwater from two subsurface sources:

- The Biscayne Aquifer, which contains fresh groundwater of very low salinity (0.36 ppt).
- The Floridan Aquifer, which contains brackish to saline groundwater that varies in salinity from approximately 2.7 to 35.0 ppt.



In our Miami Bluehouse, Atlantic Sapphire sources freshwater from the Biscayne Aquifer, only a few feet below ground surface. Based on the current permitted allocations, the Biscayne aquifer accounts for about 5% of the total groundwater consumption.

The brackish and salty groundwater is sourced from the Floridan Aquifer, a density stratified, artesian aquifer. The Floridian Aquifer is located at approximately 1,200 feet below the Miami Bluehouse. The salinity of groundwater in the aquifer generally increases with increasing depth as saline water is more dense than fresh water. Wells constructed in the aquifer are completed in two different zones - the upper Floridan aquifer and the middle Floridan aquifer. These hydrogeologic units produce groundwater with salinities of 2.7 parts per thousand ("ppt") and 35 ppt, respectively. Over 95% of the groundwater consumption for farm operations will be saltwater from the Floridan aquifer. The exchange of groundwater entering and exiting the Miami Bluehouse is about 10% per day. Inside the Miami Bluehouse, the recirculation degree of filtered water in the tanks is above 99%. Less than 1% of the total water that is sent through the filtration system is discharged as non-toxic wastewater through the injection well and into the Boulder Zone of the lower Floridan aquifer, located at a depth of nearly 3,000 feet underground. The Boulder Zone acts as a storage zone and natural filter with a natural current that slowly filters the water over thousands of years and allows it to eventually return to the ocean as clean water, therefore eliminating any impact from the wastewater on the ecosystem.

The unique groundwater resources of South Florida are well suited for Bluehouse farming at scale. A stable supply of freshwater, brackish and saline groundwater, and a proven and environmentally desirable method for wastewater disposal are critical elements towards production. In 2018, Atlantic Sapphire was granted a United States patent for its systems and methods of intensive recirculating aquaculture, incorporating the use of wells constructed for groundwater supply and wastewater disposal.

Water Recirculation and Filtration

Water recirculation is continuously performed throughout the different farming areas and in independent systems to ensure optimal levels of water containment in line with Atlantic Sapphire's de-risking strategy. Filtration is performed through both mechanical and biological filters.

First, water is treated in mechanical filters ("drum filters") that capture the solids generated in the tanks, mainly feces and uneaten feed pellets. Water continues to circulate to biological filters ("biofilters") for the nitrification of the water, a process by which the ammonia generated by fish is converted into nitrite and nitrate in a two-step process.

As a second step, an FDA-approved organic polymer is added in mixers to flocculate the solids. The sludge collected is pumped to a sludge treatment system. Treated sludge is collected and transported to a local waste management facility. In the future, it is our intention to invest in technology to convert all sludge generated in our Bluehouses into a resource such as agriculture fertilizer, soil amendment, or biogas energy.

Water Discharge

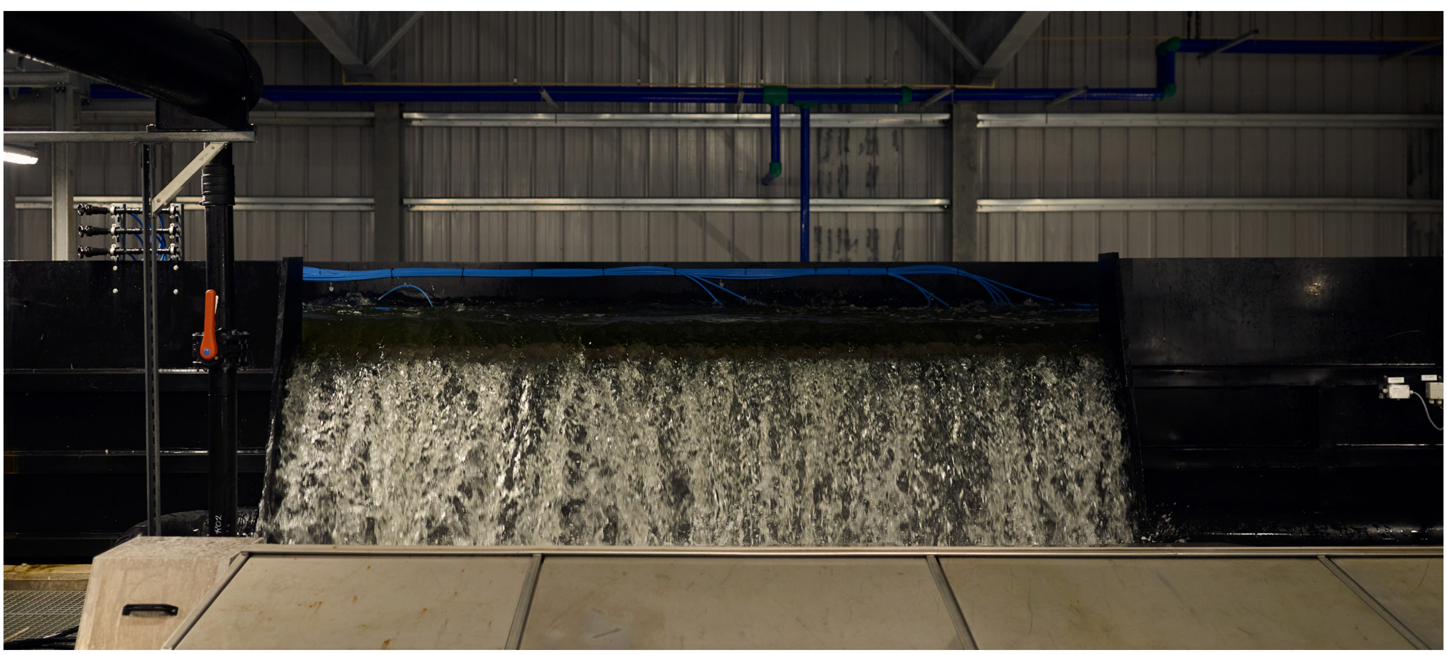
In Denmark, a water discharge permit is in place for the Company's wastewater, which goes through filtration and treatment before it is discharged.

In the USA, non-hazardous aquaculture derived wastewater is stored underground through an injection well. Domestic wastewater will be disposed of on-site to two permitted septic systems under construction. The treatment of the water consists of the separation of sludge and solids generated during aquaculture operations and effluent water.

The parameters of aquaculture wastewater discharge are continuously monitored in both locations. In Denmark, the water effluent sampling procedure is highly automated to read key water parameters to ensure we meet local environmental requirements.

In the USA, wastewater is stored deep underground by way of an injection well. Regulatory monitoring and reporting associated with the injection well system include both groundwater and wastewater analytical analyses for samples collected at a permit specified frequency. Physical data, including groundwater elevation from a Floridan aquifer monitor well and the operating flows and pressures at the injection well, are continuously recorded. All physical and analytical laboratory data are submitted to the Floridan Department of Environmental Protection monthly.

Since the Company's inception, we have unfortunately experienced three instances where plastic bio-elements from our water filtration system have been discharged with the wastewater into the environment around our facility in Denmark. Each time, we identified the causes, which included a filter not being replaced properly after cleaning and an instance where frost had destroyed a net across a water outlet. We have responded immediately upon becoming aware of the discharge and we are fully committed to cleaning up and ensuring it does not happen again. We are in close conversation with the local authorities who have concluded that the plastic is not acutely polluting to nature. We have drawn up a plan with corrective actions to prevent this happening again. We have also hired a local company to collect the pieces, and we are grateful to local community members who have helped us in recovering most of the bio-elements.



Protecting Biodiversity and Coastal Areas

Atlantic Sapphire has a limited impact on the local biodiversity in the locations where it operates due to its closed production method and efficient land occupation. For example, it can farm up to 1,000 tons annually of salmon on one acre of land, which is the highest yield per acre of animal protein in the world.

In Denmark, environmental impact assessments are conducted to ensure that our activities do not pose a threat to local ecosystems. The Company does not operate near marine protected areas.

In the USA, except for the utilization of marine ingredients in feed, Atlantic Sapphire's farming operation has zero harmful impact on the ocean and its biodiversity by producing salmon on land using its unique groundwater resources in Florida. This means that the fish swimming in Atlantic Sapphire Bluehouses neither will be exposed to parasites (e.g., sea lice) or salmon diseases from the ocean, nor will our salmon contribute towards the increase of general sea lice or towards disease pressure for other marine species including wild salmon.

The Company is working with its carefully selected feed suppliers to increase the levels of non-marine ingredients in the feed to further reduce its use of marine ingredients. In addition, Atlantic Sapphire requires that its feed suppliers comply with specific requirements to ensure that their marine raw materials are sourced from responsibly managed fisheries.

The ultimate goal is to work with alternative ingredients to be able to produce salmon without using any fishmeal or fish oil, likely through the use of alternative ingredients such as algal oil, insect meal, and single cell protein. Our feed partner is starting to test alternative raw materials, starting with algae oils, in close dialogue with the Company. Please see our section on Product Responsibility for further details. Atlantic Sapphire is also independently looking at other sources that may be part of the solution of the future.

Bluehouse farmed salmon cannot escape, which eliminates the risk of interbreeding with wild strains, and any possible transmission of disease or parasites.

Reducing Effluents and Waste

In Denmark, the sludge is filtered off in the effluent management process and used for biogas production. In Florida, belt presses and a centrifuge will dewater the sludge to 30% dry matter, which is accepted as a solid waste for offsite compositing or disposal by commercial of municipal solid waste facilities. The Company is actively looking into alternative options for handling sludge in the future. For example, further treatment to 90% dry matter will make it available for disposal at a local commercially run wastewater to energy facility. Other options for use as energy or soil amendments are being evaluated.

By using a closed system, we maintain a high degree of control of our fish waste. Atlantic Sapphire USA's operations do not discharge any waste into the ocean. There are different positive aspects to this.
For example, there is no risk of water pollution coming from antibiotics or pesticides from operations, wild species becoming dependent on eating salmon feed spilled from operations, or solid waste, mainly feces and uneaten feed, settling and solidifying on the seabed, altering natural ecosystems.

Likewise, Atlantic Sapphire's operations have not had any impact on other fauna such as seabirds or predators, and there is no risk of detachment of farming equipment such as nets, plastics, or other artifacts that can be transported by the current contaminating the water, becoming ghost gear, and potentially harming marine fauna.

Atlantic Sapphire is committed to ensuring the proper handling, management, and disposal of hazardous and non-hazardous waste. This means that the Company complies with local, state, and federal regulations for the storage, identification, record keeping, prevention, reduction, reuse, recovery, recycling, removal, disposal requirements, and the requirements of international standards, such as the IFC Performance Standards and EHS Guidelines.

The Company operates sludge handling systems and mixers that allow us to keep sludge-containing water mixed in buffer tanks. This ensures that the water that passes through the filtration, and the water purifying plant does not clog up or need frequent adjustments and cleaning of filtration equipment.

2021

Selected Targets

GHG EMISSIONS AND CLIMATE CHANGE

- **Zero kilos of salmon flown on airplanes.**
- **Engage with local electricity company and develop a concrete plan to transition to 100% renewable sources of electricity (USA).**
- **Install EV charging points at the Bluehouses.**

WASTE

- **Reach zero feed spill by recycling all uneaten feed into the tanks.**

FEED

- **Reach a Feed Fish Inclusion Factor ("FFIF") ratio of 1.**[9]
- **Commence inclusion of insect meal and algae-based oil.**

2025

Selected Targets

GHG EMISSIONS AND CLIMATE CHANGE

- **Zero Kilos of salmon flown on airplanes.**
- **Construct and generate solar power on-site.**

FEED

- **Net protein producer.**
- **Zero marine ingredients in our feed.**

FISH WELFARE

- **Less than 3% mortality as a percentage of biomass gain.**

WATER

- **Eliminate the consumption of fresh water by replacing with saline water.**

[9] The feed fish inclusion factor estimates the combined fishmeal and fish oil concentration of the feed on a dry-weight basis, relative to the wild fish. Thus, an FFIF of 2 signifies that the feed is twice as concentrated in marine protein and oil as in wild fish.

Social Responsibility

Atlantic Sapphire is dedicated to fostering a corporate culture that goes beyond regulatory compliance and engages and empowers all employees around realizing our purpose and living our values. The Company is determined to be among the industry leaders in tackling environmental as well as social responsibility issues, consistent with the Company's core values. Since last year, our core values have been extended with new sub-values to encourage and ensure our employees live our core values every day in their dedicated efforts to help customers realize their ambitions.

Value 1: Passion

Purpose, dedication, and courage

- We are all Fish Farmers.
- We are positive thinkers and look for solutions.
- We share our knowledge and energy with each other.
- We are always eager to learn.

Value 2: Performance

Initiative, collaboration, and results

- Alone we go fast – together we go further.
- We make each other better.
- Our job is not done until the customer is happy.
- Good biological conditions drive financial performance.

Value 3: Innovation

Continuous improvement, solutions, and learning

- What we do today, we do better than yesterday.
- We focus on the solution, not the problem.
- We listen deeply to understand each other.
- We share ideas with our coworkers.

Value 4: Integrity

Accountability, open communication, and care

- We talk to each other, not about each other.
- We deliver what we promise.
- We stay humble and ask for help when need it.
- We speak up to solve problems because we care.

Value 5: Balance

Healthy fish, wellness, and sustainable planet

- Healthy fish are at the heart of everything we do.
- We love life, bringing our best self to life and work.
- We care for People, Fish, and the Planet.
- We do the right things in the right way.

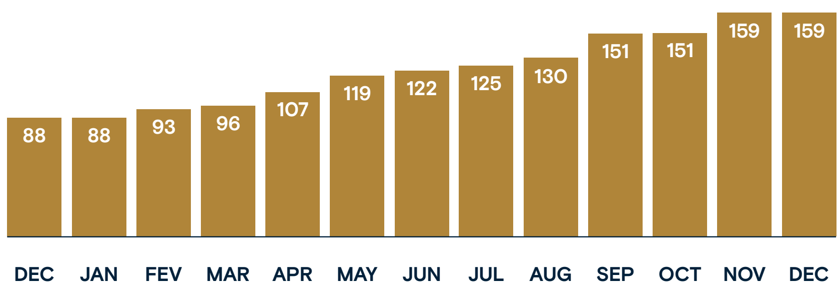
Atlantic Sapphire promotes a safe, healthy, and fair working environment. The Company depends deeply on all our employees' capabilities and contributions, and it is therefore committed to providing an inclusive, motivating, and safe working environment as described in its Human Resource Policy and its Environmental, Health, Safety and Security ("EHSS") Policy. Achieving our goals while living our values can only be done if we collaborate and treat each other with respect. Atlantic Sapphire aims to be an open, positive, and supportive working environment.

Engaged Employees

As of 31 December 2020, Atlantic Sapphire had 159 full-time employees. In 2021, the Company expects to continue increasing its headcount as its Miami Bluehouse moves towards full-scale production. In the development phase of its facilities, the Company has prioritized skills and experience in staffing teams to ensure that its operations are safe and secure.

Over time, the Company endeavors to increasingly hire full-time employees from the communities in which it operates.

Atlantic Sapphire has been working through extensive community engagement within universities, colleges, YMCA, and other promotional activities to drive a strong employer branding. In 2020 our job postings received a total of 24,700 visitors, with almost 4,000 applicants, of which Atlantic Sapphire hired 71 additional employees compared to 2019.



" An important distinction in our project is how eco-friendly our product is. We are passionate about raising delicious fish in a way that is using a Bluehouse. We are all working together to ensure Bluehouse Salmon is raised with attention and care."

Gretchen Jaegar,
Farm Operator, Florida Bluehouse

In 2020, as part of our continuous feedback process "Let's Talk", we measured the level of engagement of our employees. The results found that only 2% of employees showed low engagement.

Atlantic Sapphire is focused on driving innovation by bringing experience from various industries such as conventional sea-based aquaculture, wastewater, engineering, construction, maintenance, and fluid dynamics.

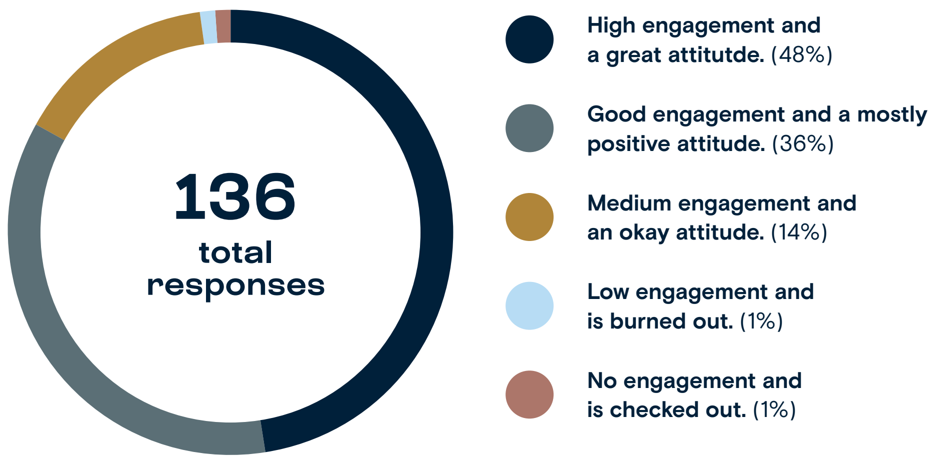
At Atlantic Sapphire, we believe that a diverse and inclusive workforce is essential to our success. We recruit globally for the talent and experience that may be difficult to find locally, all while emphasizing gender equality and equal employment opportunities. Although only 10% of our workforce is receiving sponsorship to work in the Company, we comprise over 20 different nationalities due to the locations in which we operate.

We onboard people who bring professional experience and fit our Company culture, and in whom we see potential for growth. Our goal is to build a diverse workforce as Atlantic Sapphire grows – with both ethnic diversity and gender diversity. Atlantic Sapphire has set representation goals to increase diversity across the Company and will focus on three key targeted areas: targeted recruitment, development, and retention and promotion paths.

Pioneering in an industry also involves building up inexistent competences in the field. Driving performance while we retain talent throughout the organization in such an operationally geared industry is essential.

To drive a well-balanced performance driven organization and retain talent over time, Atlantic Sapphire built an incentive program that aligns our need to drive the performance in the short term with our long-term ambitions.

How engaged are employees at work?



Therefore, we have established a combination of a Short-Term Incentive Program (the "Feeding Culture Program"), which is a performance option program driven primarily by economic and biological performance, and a Long-Term Incentive Program (the "Performance Over Time Program") driven primarily by the performance of our economic, biological, environmental, and social targets in equal parts. All management (C-suite and senior management) and employees (technical experts and individual contributors) not eligible for overtime are eligible to participate in the Performance Over Time Program. Metrics included in the Performance Over Time Program consist economic performance and budget achievement, biological performance and fish survivability rates, environmental targets, safety, and diversity and inclusion.

Although Atlantic Sapphire complies with applicable international and national laws, regulations and standards, there could be risks within the Company's activities that may potentially have a negative impact on its people and communities and therefore, by extension, on its business. These relate primarily to occupational health and safety, training and education, and diversity and inclusion.

Ensuring Occupational Health & Safety

Atlantic Sapphire works to ensure a safe and healthy environment for all employees. To do so, we rely on proactive and consistent leadership throughout the organization, providing adequate protective equipment, information, and signage in all venues.

The Environmental and Social Management System ("ESMS") helps ensure that the Company takes extensive precautionary measures to reduce the risks. These include training of employees and a relentless focus on personal protective equipment and safe handling of hazardous materials together with systematic controls of its working processes.

Employees are encouraged to always speak up, raise a concern, and refuse to perform work if they:

- **Are asked to do a task considered unsafe,**
- **Are asked to do a job in which they are not properly trained to perform and that may harm themselves or others,**
- **See someone performing a task that they think is unsafe or that the person is not properly trained to do,**
- **Suspect that a piece of equipment is not operating properly and may be unsafe, or**
- **Observe, or are made aware of, an unsafe condition or a potential danger to themselves or others.**

Atlantic Sapphire actively manages and mitigates health and safety risks in its production facilities. These include accidents, injuries, occupational diseases, and exposure to chemical hazards. The Company designs and operates its production facilities with an emphasis on effective process safety programs to maintain a safe work environment and prevent accidents.

The Company maintains general oversight of the health and safety of its employees predominantly through ongoing auditing, monitoring, and evaluation of activities to ensure compliance, and it actively promotes a strong safety culture with its suppliers, vendors, and contractors.

In 2019, the Company established the KPI Lost Time Incident, which is also part of the Performance Over Time Program. The formula is as follows: ([Number of lost time injuries in the reporting period] x 1,000,000) / (Total hours worked in the reporting period). A tracking tool for this has been implemented both in Denmark and in the USA. We ended 2020 with a Lost Time Incident ("LTI") rate of 2.00 which is 9% improvement from 2019.

Atlantic Sapphire offers comprehensive medical insurance plans for its employees. Employees in the USA are covered under the Group Medical Plan including in-patient and out-patient services covering medical, dental, vision, life, as well as short and long-term disability insurance. Employees in Denmark are covered for different kinds of hospital treatment including intensive health problems, out-patient examinations, and physical and mental treatments. All employees are entitled to include members of their families in their insurance coverage in both locations.

Investing in Life-Long Competence Development

At Atlantic Sapphire, we believe in the value of lifelong learning. The Atlantic Sapphire Academy (the "Academy") ensures that we can develop talent in a systematic and continuous way to support our scaling up. We know that the best learning comes from direct experience, and our programs are developed with a 70% hands-on, 20% shadowing, and 10% online or classroom approach. We use both the best internal and external sources to train and develop our employees, with collaboration at the core of our Academy's approach. Through our Academy platform, employees are continuously tracking their personal development and help them position to grow meaningful careers.

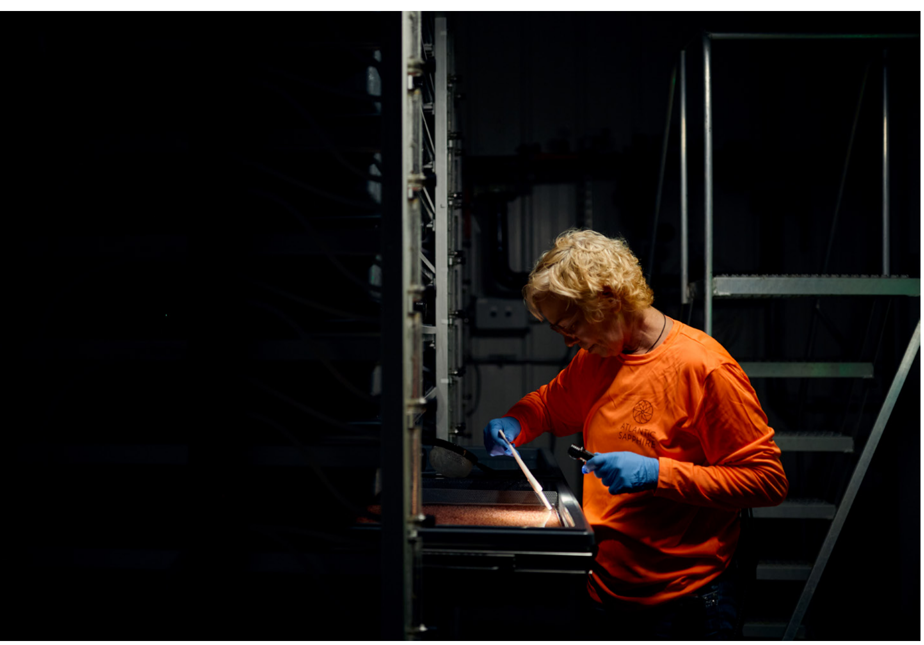
In 2020, an average of 56 hours per employee of competence development were documented. This training included technical and managerial competences and skills for their success, ESMS procedures for all employees, and the Occupational Health and Safety ("OHS") induction training, which teaches our employees about the minimum safety, environmental, and security precautions required before gaining access to our facilities. Employees are also, as a minimum, informed of the hazards and controls, the location of firefighting and first aid equipment, and our emergency response and evacuation procedures.

Fostering Diversity and Inclusion

Atlantic Sapphire increased its percentage of female employees from 22% in January 2020 to 24% in December 2020. The Company is committed to continuing to increase this number given that aquaculture is a male-dominated industry. Atlantic Sapphire encourages diversity of thought to foster an inclusive workplace.

Gender	Jun-19	Dec-19	Dec-20
Male	87%	78%	76%
Female	13%	22%	24%

As part of the overall commitment to human rights, Atlantic Sapphire is committed to providing equal opportunity to all employees and applicants for employment without regard to gender, sexual orientation, race, creed, color, national origin, religion, ancestry, gender identity, marital status, familial status, or any other basis protected by law of USA, Denmark, or Norway, as applicable. Through a multifaceted approach, which includes strong support from our leadership and culture and by establishing policies, talent attraction programs, awareness, and training programs, and rewarding employees through Performance Over Time Program, we are implementing our commitment to fostering a work environment that is free from harassment of any kind as well as offensive or disrespectful conduct. Other examples include providing, when possible, an equal number of female and male candidates for job interviews to reduce possible bias, and we have started tracking recruitment diversity metrics on gender, race, disability, and veteran status.



Human Resource Information System

In 2019, Atlantic Sapphire implemented a centralized Human Resource Information System ("HRIS") and lifecycle experience process. Through this process, every new hire is onboarded into Atlantic Sapphire with the principle of setting them up for success through alignment with our values, our vision, our Code of Conduct, and our environmental and social management systems.

To further ensure their success, all employees are guided into our Performance Development Program. Here employees define goals and targets subject to a yearly performance review and development conversation with their managers. Employees also provide feedback on other peers. In March 2020, approximately 75% of the employees completed the performance review tool, while in March 2021 that number reached close to 90%.

Employees and our temporary workforce are updated in a weekly basis on the status of the Company and the biological performance of our salmon. Other regular communications informing employees on vacancies, healthcare, safety, production, and maintenance are shared centrally through our internal communication tool.

Further, management maintains regular communication and update meetings. As part of driving further recommendations from improvement and growth the grievance mechanisms and suggestion boxes have been actively promoted and solutions have been communicated and updated to all employees through our centralized channel. Atlantic Sapphire understands that the core of its success is the ability of our team members and partners to perform. In 2020, Atlantic Sapphire established the Atlantic Sapphire Academy to support the developmental growth of its employees from a technical aspect, a managerial and leadership perspective, and through various competence programs common to all Atlantic Sapphire employees.

Engaging Local Communities

By pioneering full-cycle salmon farming on land, Atlantic Sapphire is spearheading the development of an entire new industry. Building and maintaining its social license to operate is a critical success factor. Our stakeholder engagement is based on open communication with neighbors and other stakeholders to promote sustainable production of salmon, to create quality jobs, and to educate communities on the importance and possibilities of aquaculture. Both in Denmark and the USA, our Company organizes visits to its Bluehouses by schools, university students, researchers, local neighbors, and authorities wanting to learn about Atlantic Sapphire's operations. Company employees have also collaborated with universities and presented in classes in different academic fields related to the business. In Miami, an area of our Bluehouse is specially designed to receive visitors and provide tours through its facilities without interrupting operations or compromising safety. This facility design provides unparalleled transparency into our operations for the community and includes a reception room for presentations and walkways with windows overlooking various stages of the salmon growth cycle. In 2020, visitors had to be limited due to the COVID-19 pandemic. However, we estimate that over 1,000 visitors will come through our Miami Bluehouse in 2022 once the implications of the Pandemic normalize.

Despite the Pandemic, we engaged with the South Dade Chamber of Commerce, Miami Waterkeeper, and the University of Miami in which over 70 students carried out research projects on Atlantic Sapphire as part of their curriculum.

The Company has always participated in local events in support of the community and local economic development. During the COVID-19 pandemic, we reached out to several community organizations to help reduce their tremendous suffering due to combined impacts of the Pandemic and its economic consequences, especially among the local agricultural community. We all found it immensely rewarding to help others in need and to remind ourselves what positive outcomes we can achieve when we come together to support each other in a crisis.

Atlantic Sapphire continues to extend its stakeholder engagement plan that includes educational activities for students from schools and universities, researchers, NGOs, and the public. It also includes participation in local events whose principles and objectives align with the Company's values, such as initiatives focused on the oceans.

“ We are passionate, innovative, and inquisitive leaders in aquaculture, and this passion fuels our everyday. Imparting team-built knowledge, we work collaboratively to drive solutions. A World Class Safety Culture is at our core. By enabling and encouraging each other to work safely, we care for each other, our environment, our fish, and our community at large. ”

David Agori-Iwe,
HSE Auditor (Health, Safety, and Environmental)

Affiliations and Recognition

We are committed to continuous improvement in our operations and the pursuit of our sustainability goals. We aim for transparency and ongoing engagement with our stakeholders, including customers, seafood industry colleagues, and the local and global community in which we serve. Selected stakeholder affiliations, endorsements, and voluntary initiatives are listed below[9]:

UN Global Compact

Atlantic Sapphire is a participant in the UN Global Compact (October 2019).

DNB & EKF

In June 2019, Atlantic Sapphire received a Green Loan classification for its DNB & EKF debt facility, verified by DNV GL. This was the first green loan in the DNB's seafood portfolio

Responsibly Farmed

In 2019, Atlantic Sapphire Denmark was certified according to the control procedures as outlined in the Whole Foods Market Quality Standards for Farmed Seafood

European Small and Mid-Cap

Atlantic Sapphire won the "Star of Innovation" category at the 2019 European Small and Mid-Cap Awards.

Beacon Council

Atlantic Sapphire was awarded a Key to Miami-Dade County by the Miami-Dade Beacon Council in 2018 in recognition of its contribution to the county's economy

Fresh from Florida

Atlantic Sapphire is registered with the Florida Department of Agriculture and Consumer Services, Division of Aquaculture.

Ocean Wise

Atlantic salmon farmed worldwide in land-based, recirculating aquaculture systems (RAS) are recommended as a sustainable seafood option by Ocean Wise.

Seafood Watch

Atlantic salmon farmed worldwide in indoor recirculating tanks with wastewater treatment is a Monterey Bay Aquarium Seafood Watch® program Best Choice.

[9] All logos, registered trade and service marks are used for supporting informative purposes only and are property of their respective owners.

2021

Selected Targets

DIVERSITY

- 5% increase over current percentage to 24.5% in 2021 to improve the share of female employees represented across the Company.

OCCUPATIONAL HEALTH & SAFETY

- Experience zero fatalities or serious work-related injuries.
- Reduce number of Lost Time Incidents to 2.51.

TRAINING AND EDUCATION

- Minimum 40 hours of training and development per employee per year through our Atlantic Sapphire Academy.
- Develop clear career development paths and focus on recruitment to provide more high-quality jobs in the rural areas where we operate.

COMMUNITY ENGAGEMENT

- Continue to actively educate key stakeholders on the benefits of ESG, SDGs, and Bluehouse farming.
- Support local community development, increasing the number of involvements with community organizations.

2025

Selected Targets

DIVERSITY

- Increase the percentage of women in leadership roles to at least 25%.

OCCUPATIONAL HEALTH & SAFETY

- Reduce number of Lost Time Incidents to 0.95.

About This Report

This ESG report covers the relevant and significant ethical, social, and environmental issues for Atlantic Sapphire's financial year ended 1 January to 31 December 2020. It is Atlantic Sapphire's second ESG report which we intend to publish annually. The report provides our stakeholder with an overview of this years' ESG performance and complements our Group Results, which primarily covers financial and economic performance. It complies with the statutory reporting requirements of the Norwegian Supervisory Authority ("Finanstilsynet"), companies listed on the Oslo Stock Exchange regarding corporate social responsibility, and in accordance with the Norwegian Accounting Act ("Regnskapsloven") and the Norwegian Corporate Governance Code. The report also shows Atlantic Sapphire's Communication on Progress to the UN Global Compact and represents the Company's commitment to the Ten Principles of the UN Global Compact and its endeavor to impact the Sustainable Development Goals.

This report has been prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option. The 2020 analysis of material ESG topics and stakeholder expectations has informed the content of this report. It has been prepared on the basis of the GRI reporting principles and guidance on topic boundaries, considering for each topic where the impact occurs and Atlantic Sapphire's involvement with the impacts (for example: whether the Company caused or contributed to an impact or is it directly linked through its business relationships). The GRI Content Index in this report provides references to sections in this report where GRI disclosures are presented.

Atlantic Sapphire continues to work on improving data quality and related processes to enhance reporting and comprehensive disclosure going forward. Unless otherwise stated, the data and statements in this report cover Atlantic Sapphire's activities in Norway, Denmark, and the USA.

We welcome feedback and recommendations on our sustainability efforts as these ensure we communicate, fully understand our key issues, and keep them up to date. Feedback or questions on this report should be sent to **esg@atlanticsapphire.com**.

GRI Content Index

GRI Standard	Disclosure	Page Number / Comment
GRI 102 GENERAL DISCLOSURE		
102-1	Name of organization	6
102-2	Activities, brands, products, and services	10
102-3	Location of headquarters	6
102-4	Location of operations	6
102-5	Ownership and legal form	6
102-6	Markets served	6, 27
102-7	Scale of the organization	6, 38
102-8	Information on employees and other workers	51-55
102-9	Supply chain	10, 27, 41, 33
102-10	Significant changes to the organization and its supply chain	None
102-11	Precautionary Principle or approach	43-48
102-12	External initiatives	60
102-13	Membership of associations	60
Strategy		
102-14	Statement from senior decision-maker	4
102-15	Key impacts, risks, and opportunities	12, 21-25
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	16-17, 20-23
102-17	Mechanisms for advice and concerns about ethics	41
Governance		
102-18	Governance structure	6
102-19	Delegating authority	16-17
102-20	Executive-level responsibility for economic, environmental, and social topics	16-17
102-21	Consulting stakeholders on economic, environmental, and social topics	27

GRI Content Index

GRI Standard	Disclosure	Page Number / Comment
GRI 102 GENERAL DISCLOSURE		
Stakeholder Engagement		
102-40	List of stakeholder groups	27
102-41	Collective bargaining agreements	None
102-42	Identifying and selecting stakeholders	26-27
102-43	Approach to stakeholder engagement	26-27
102-44	Key topics and concerns raised	26-27
Reporting Practice		
102-45	Entities included in the consolidated financial statements	6, 68
102-46	Defining report content and topic Boundaries	24
102-47	List of material topics	24-25
102-48	Restatements of information	There is no restatement of ESG information.
102-49	Changes in reporting	There are no significant changes from the prior report in the list of material topics and topic boundaries.
102-50	Reporting period	January to December 2020
102-51	Date of most recent report	June 2020
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	esg@atlanticsapphire.com
102-54	Claims of reporting in accordance with the GRI Standards	60
102-55	GRI Content Index	61
102-56	External assurance	We have not obtained assurance for this report.

GRI Content Index

GRI Standard	Disclosure	Page Number / Comment
GRI 103 MANAGEMENT APPROACH		
103-1	Explanation of the material topic and its Boundary	21-22, 24-25
103-2	The management approach and its components	16-17
103-3	Evaluation of the management approach	16-17, 20, 23-25, 41
GRI 201 ECONOMIC PERFORMANCE		
201-1	Direct economic value generated and distributed	38
201-2	Financial implications and other risks and opportunities due to climate change	41
201-4	Financial assistance received from government	40, 129
GRI 203 INDIRECT ECONOMIC IMPACTS		
203-1	Infrastructure investments and services supported	38
203-2	Significant indirect economic impacts	38
GRI 205 ANTI-CORRUPTION		
205-2	Communication and training about anti-corruption policies and procedures	41
205-3	Confirmed incidents of corruption and actions taken	We are not aware of any incidents of corruption during the financial year.
GRI 206 ANTI-COMPETITIVE BEHAVIOR		
206-01	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	We are not aware of any legal action for such breaches during the financial year.
GRI 302 ENERGY		
302-1	Energy consumption within the organization	45
302-4	Reduction of energy consumption	45
GRI 303 WATER		
303-1	Interactions with water as a shared resource	46-47
303-2	Management of water discharge-related impacts	46-47
303-3	Water withdrawal	46-47

GRI Content Index

GRI Standard	Disclosure	Page Number / Comment
303-4	Water discharge	46-47
303-5	Water consumption	46-47
GRI 304 BIODIVERSITY		
304-2	Significant impacts of activities, products, and services on biodiversity	48
GRI 306 EFFLUENTS & WASTE		
306-1	Water discharge by quality and destination	47
GRI 307 ENVIRONMENTAL COMPLIANCE		
307-1	Non-compliance with environmental laws and regulations	We are not aware of any non-compliance with environmental laws and regulations.
GRI 403 OCCUPATIONAL HEALTH & SAFETY		
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	54
GRI 404 TRAINING & EDUCATION		
404-3	Percentage of employees receiving regular performance and career development reviews	100 %
GRI 405 DIVERSITY & EQUAL OPPORTUNITY		
405-1	Diversity of governance bodies and employees	16, 55, 81
GRI 406 NON-DISCRIMINATION		
406-1	Incidents of discrimination and corrective actions taken	We have not encountered any incidents of discrimination within our Company in 2020.
GRI 413 LOCAL COMMUNITIES		
413-1	Operations with local community engagement, impact assessments, and development programs	58
GRI 416 CUSTOMER HEALTH & SAFETY		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	We are not aware of any non-compliance with health & safety standards for our products.

United Nations Global Compact Table

The following table provides an overview of the UNGC principles covered in the report.

Human Rights		Read more on page
1	Business should support and respect the protection of internationally proclaimed human rights; and	18, 19
2	Make sure that they are not complicit in human rights abuse	18, 19

Labor Standards		Read more on page
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,	18
4	The elimination of all forms of forced and compulsory labor;	18, 33
5	The effective abolition of child labor; and	18
6	The elimination of discrimination in respect of employment and occupation.	18, 64

Environment		Read more on page
7	Businesses should support a precautionary approach to environmental challenges;	43-48
8	Undertake initiatives to promote greater environmental responsibility; and	43-49
9	Encourage the development and diffusion of environmentally friendly technologies	43-49

Anti-corruption		Read more on page
10	Businesses should work against corruption in all its forms, including extortion and bribery.	49

04

Group Results

Board of Directors' Report

To our stakeholders,

Atlantic Sapphire ASA ("ASA") is a Norwegian company headquartered in Vikebukt, Norway and listed on the Oslo Stock Exchange with the ticker symbol ASA. ASA owns the following subsidiaries (collectively, the "Group"):

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

The Group owns and operates land-based Atlantic salmon farms in Hvide Sande, Denmark (the "Denmark Bluehouse" facility) and Homestead, Florida, USA (the "Miami Bluehouse" facility). A Bluehouse™ facility (the "Bluehouse") is proprietary production technology developed by the Group in collaboration with a wide range of supply chain partners to optimize growing conditions for Atlantic salmon. Each Bluehouse contains the facilities needed to grow and produce Atlantic salmon from egg hatchery to grow-out tanks to primary processing. The Miami Bluehouse also incorporates value-added processing. Consolidated operations enable the Group to control the entire production cycle without having to transport salmon to and from ocean-based net pens. The Denmark Bluehouse and the Miami Bluehouse have annual production capacities of approximately 2,400 tons HOG[1] and 9,500 tons HOG, respectively.

Strategy and Objectives

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

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

Denmark

The Group's initial production facility in Hvide Sande, Denmark is a wholly owned subsidiary located on the west coast of Denmark and has been in operation since 2011. Since commencement of operations, approximately 42 batches of Atlantic salmon have been introduced into the Denmark Bluehouse. The Denmark Bluehouse has an annual production capacity of approximately 2,400 tons HOG and a tank volume of approximately 17,000 m^3, distributed across twenty grow out tanks. Three independent water systems comprise of one freshwater system and two saltwater grow out systems.

Production from the Denmark Bluehouse is transported to various markets including, but not limited to Denmark, UK, France, Italy, the Netherlands, Switzerland, USA, and Canada. In the future, the Group plans to minimize or eliminate airfreight transportation of its salmon by supplying the USA market from its USA operations and the EU market from Denmark.

ASDK intends to continue operating the Denmark Bluehouse facility as an innovation center with ongoing testing of new technologies and the development of best practices. During 2020 and 2019, ASDK completed capital investments with respect to increasing access to sea water intake, safety equipment, feeding systems, and fish handling systems.

United States

The Group's USA production facility in Homestead, Florida is located approximately 35 miles southwest of the City of Miami, Florida. The USA operations are managed through ASUS. The land in which the Miami Bluehouse is currently being constructed on is owned by ASSF. Both ASUS and ASSF are wholly owned subsidiaries of the Group. Substantial completion of the hatchery, smolt, and post-smolt tanks were completed as of 31 December 2019, and substantial completion of the on-growing tanks were completed as of 31 December 2020.

ASUS expects that the Miami Bluehouse will have an annual production capacity of approximately 9,500 tons HOG and a tank volume of approximately 66,000 m^3, distributed across seven freshwater systems (six sets of tank systems plus a hatchery) and six grow-out systems (six grow-out tanks in each system), totaling 13 independent water systems. In order to mitigate risk, ASUS is in the process of splitting each of its six independent grow-out systems in two.

ASUS expects to commence a capacity expansion project at the Miami Bluehouse ("USA Phase 2") by Q2'2021 that will add an additional estimated 15,000 tons HOG of annual production capacity, for a total capacity of approximately 25,000 tons HOG. The Group's goal is to achieve an annual production capacity of approximately 220,000 tons HOG by 2031.

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

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

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

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

Intellectual Property Rights

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

The table below shows the Group's registered and allowed patents:

Patent title	Geographical area	Application number	Patent number	Issued	Expiration date
Systems and Methods of Intensive Recirculating Aquaculture	USA	15/867,100	10034461	Issued on 31 July 2018	17 May 2036
Systems and Methods of Intensive Recirculating Aquaculture	USA	15/157,296	10694722	Issued on 30 June 2020	17 May 2036
Grading Apparatuses for Aquaculture Systems	USA	15/862,573	-	Allowed	4 January 2038

The Group is currently working on numerous other patent applications which are currently pending.

Corporate Governance

Atlantic Sapphire believes good corporate governance is paramount to create and maximize sustainable, long-term shareholder value and maintain investor, lender, and market confidence. The Group's Board of Directors (the "Board") is responsible for the development and implementation of internal procedures and regulations to ensure that the Group follows applicable principles and maintains good corporate governance. We believe that our current procedures and regulations effected towards corporate governance are consistent with the latest version of the Norwegian Code of Practice for Corporate Governance. The Group's assessment of the various 15 issues covered by the Norwegian Code is detailed in the Corporate Governance section following the Board of Directors' Report.

Sustainability Actions and Joining the UN Global Compact

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

Environmental Responsibility

Activities from the Group's production facilities are believed to meet all regulatory requirements in the countries in which they operate. For further information, please refer to the "Environmental Responsibility" section within Atlantic Sapphire's ESG Priorities.

Social Responsibility

Atlantic Sapphire holds the utmost respect for human rights, labor rights and social conditions, the external environment, and anti-corruption efforts in our business strategies insofar as it pertains to our daily operations and our stakeholders. Accordingly, the Group's ESMS was built following an external review of our Environmental and Social Management Plan ("ESMP") for compliance with the International Finance Corporation's ("IFC") Performance Standards ("PS") (2012), IFC Environmental, Health, and Safety ("EHS") Guidelines for Aquaculture (2007) and EHS General Guidelines (2007). The Environmental and Social Management System ("ESMS") comprises a set of policies across a range of ESG topics – from environment, health and safety, security and emergency preparedness to employment conditions, rights and obligations, grievance management, whistleblower policy, community engagement and communication.

For the years ended 31 December 2020 and 2019, the Group employed 159 and 87 permanent employees, respectively. No work-related accidents resulting in significant material damage or personal injury occurred during 2020 and 2019.

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

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

From 2019 to 2020, the Group increased the share of female employees from 23% to 24%. Aquaculture is a male-dominated industry, and there is a risk of men being overrepresented on staff. A high overrepresentation of one gender could be a result of unconscious bias and unintentional discrimination. Unless carefully managed, it may impact our recruitment.

For further information, please refer to the "Social Responsibility" section within Atlantic Sapphire's ESG Priorities.

Board of Directors' Statement on Remuneration of Executive Management

The Group's Board of Directors determines the principles applicable to the Group's policy for compensation of executive management and presented its statement on such principles for the 2020 financial year during the Group's Annual General Meeting ("AGM") in accordance with Section 6-16a of the Norwegian Public Limited Liability Companies Act. The Board of Directors' Statement on Remuneration of Executive Management is included in Note 6 – Salary and Personnel Costs of the Group's notes to the consolidated financial statements.

Comments Related to Group Financial Results

Group Operations

Below are the Group's consolidated statements of operations for the years ended 31 December 2020 and 2019:

(USD 1,000)	31 December 2020	31 December 2019	Change in USD	As a % of 2020 revenue	As a % of 2019 revenue
Revenue	6,270	5 540	730	100%	100%
Cost of materials	(18,169)	(6,582)	(11,587)	-290%	-119%
Fair value adjustment on biological assets	(9,478)	458	(9,936)	-151%	8%
Salary and personnel costs	(7,448)	(3,795)	(3,653)	-119%	-69%
Other operating expenses	(11,609)	(6,803)	(4,806)	-185%	-123%
Depreciation and amortization	(6,745)	(2,286)	(4,459)	-108%	-41%
Other income, net	584	14	570	9%	0%
Operating loss (EBIT)	**(46,595)**	**(13,454)**	**(33,141)**	**-743%**	**-243%**
Financial income	1,888	3,640	(1,752)	30%	66%
Financial expense	(10,486)	(3,338)	(7,148)	-167%	-60%
Loss before income tax benefit	**(55,193)**	**(13,152)**	**(42,041)**	**-880%**	**-237%**
Income tax benefit	-	-	-	0%	0%
Net loss	**(55,193)**	**(13,152)**	**(42,041)**	**-880%**	**-237%**
Non-IFRS measures					
Operating loss (EBIT)	(46,595)	(13,454)	(33,141)	-743%	-243%
Add back:					
Depreciation and amortization	6,745	2,286	4,459	108%	41%
Fair value adjustment on biological assets	9,478	(458)	9,936	151%	-8%
EBITDA, pre-fair value adjustment on biological assets	**(30,372)**	**(11,626)**	**(18,746)**	**-484%**	**-210%**

Group net loss for the years ended 31 December 2020 and 2019 was USD 55.2m and USD 13.2m, respectively, which represents a USD 42m increase in net losses over the prior year. Overall, the Group increased revenues from the commencement of its USA harvests and experienced increased costs from its ramp-up of operations and personnel levels in the USA.

Revenue and Harvest Volume

The Group's revenue for the years ended 31 December 2020 and 2019 was USD 6.3m and USD 5.5m, respectively, which represents a USD 800k increase over the prior year. The Group's harvest volumes for the years ended 31 December 2020 and 2019 were 989 and 1,022 tons HOG, respectively, which represents a 33 ton decrease from prior year. The lower harvest figures in 2020 in comparison to 2019 were primarily attributed to the 2020 biomass incidents. Despite the overall lower harvest figures than 2019, the revenue volume increase from 2019 was primarily attributed to the commencement of USA harvest from the Miami Bluehouse in Q3'2020 and overall higher sales price achievement in the USA than in Denmark during 2020.

Cost of Materials

The Group's cost of materials for the years ended 31 December 2020 and 2019 was USD 18.2m and USD 6.6m, respectively, which represents an USD 11.6m increase over the prior year. The increase in the Group's cost of materials was attributed to the 2020 biomass incidents that ultimately resulted in a USD 8.4m total write-off (USD 2.8m and USD 5.6m in Denmark and USA, respectively). Further, as expected, ASUS's initial batches carried higher costs due to underutilization of plant capacity as operations were ramping up.

Fair Value Adjustment on Biological Assets

The Group's fair value adjustment on biological assets for the years ended 31 December 2020 and 2019 was (USD 9.5m) and USD 458k, respectively, which represents a USD 9.9m downward adjustment over the prior year. The downward adjustment was primarily attributed to higher costs due to underutilization of plant capacity from continued recovery of the 2020 biomass incidents.

Salary and Personnel Costs

The Group's salary and personnel costs for the years ended 31 December 2020 and 2019 were USD 7.4m and USD 3.8m, respectively, which represents a USD 3.6m increase over the prior year. The increase was attributed to the overall ramp-up in USA operations in which ASUS doubled its personnel count from 61 to 131 from 2019 to 2020.

Other Operating Expenses

The Group's other operating expenses for the years ended 31 December 2020 and 2019 were USD 11.6m and USD 6.8m, respectively, which represent a USD 4.8m increase over the prior year. The increase was primarily attributed to the overall ramp-up in USA operations towards steady-state production.

Depreciation and Amortization

The Group's depreciation and amortization for the years ended 31 December 2020 and 2019 was USD 6.7m and USD 2.3m, respectively, which represents a USD 4.4m increase over the prior year. The increase in depreciation was primarily attributed to the substantial completion and commissioning of its fish systems in the Miami Bluehouse.

Non-Operating Items

The Group's non-operating (loss) income items for the years ended 31 December 2020 and 2019 were (USD 8m) and USD 316k, respectively, which represent an USD 8.3m increase of non-operating losses over the prior year. Upon amending the USA Term Loan under the 2020 DNB Credit Facility, the Group recognized a USD 8.2m finance cost write-off of previously unamortized debt issuance costs.

Group Balance Sheet

The Group's total assets as of 31 December 2020 and 2019 were USD 321m and USD 252.9m, respectively, which represents a USD 68.1m increase over the prior year. The increase is primarily driven by capital expenditures in connection with continued innovations of the Denmark Bluehouse (USD 2.5m) and the continued construction in the USA of the Miami Bluehouse (USD 52m). Additionally, Group total assets increased from proceeds of the 10 September 2020 capital raise and ramp-up in biological assets.

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

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

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

On 18 April 2020, ASUS obtained a two-year loan payable to PNC Bank, National Association ("PNC") under the Paycheck Protection Program (the "Program") as part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act passed in March 2020 (the "PPP Loan"). Payment on the PPP Loan is deferred for the first six months at which point the unforgiven outstanding principal under the Program is payable upon maturity on 18 April 2022.

The 2019 DNB Credit Facility was amended during the year ended 31 December 2020 (the "2020 DNB Credit Facility"). On 21 April 2020, the 2019 DNB Credit Facility was amended to increase the total credit facility from USD 86m to USD 210m with a maturity date of 23 April 2023. The amendment increased the USA Term Loan from USD 54m to USD 70m to fund the ongoing construction of USA Phase 1 of the Miami Bluehouse, granted the Group with a delayed draw term loan in an aggregate amount of up to USD 110m to fund the construction of USA Phase 2, and increased the USA RCF from USD 11m to USD 26m. On 27 August 2020, USD 30m of the USD 110m USA Phase 2 delayed draw term loans were converted and drawn as a short-term facility. On 9 September 2020, the existing USA RCF was reduced from USD 26m to USD 16m. Following the 10 September 2020 equity raise, the USD 30m short-term facility was paid off and USD 20m of the USA Term Loan was paid down to USD 50m. On 23 December 2020, the 2020 DNB Credit Facility was labeled as "Green". As of 31 December 2020, the amended 2020 DNB Credit Facility consisted of the USD 50m USA Term Loan, USD 16m USA RCF, USD 4m DK RCF, and USD 80m in delayed draw term loans.

The USA Term Loan called for a cash reserve requirement of USD 15m in connection with the amounts drawn and was released to the Group upon signing of the 2020 DNB Credit Facility.

On 21 April 2020, total unamortized debt issuance costs presented against borrowings were USD 2.4m. Upon amending the USA Term Loan under the 2020 DNB Credit Facility, ASUS incurred USD 5.8m in new debt issuance costs. In accordance with IFRS 9, Financial Instruments, the previously unamortized debt issuance costs of USD 2.4m and USD 5.8m in new debt issuance costs were recognized as part of finance expense in the accompanying consolidated statements of operations.

On 10 September 2020, ASA completed a capital raise of NOK 905.5m (USD 100.4m), issuing 8,877,451 new shares and bringing the total shares outstanding to 80,153,551, each with par value of NOK 0.1.

The Group's debt to equity ratio as of 31 December 2020 and 2019 was 25.6% and 21.2%, respectively, which represents a 4.4% increase over the prior year. The increase was primarily attributed to the 21 April 2020 USD 20m drawdown from the 2020 DNB Credit Facility offset by the 10 September 2020 USD 100.4m capital raise.

Group Cash Flows

Group cash outflows from operations for the years ended 31 December 2020 and 2019 were USD 47m and USD 18.5m, respectively, which represents an increase in cash outflows of USD 28.5m over the prior year. The increase in Group cash outflows from operations was primarily due to continued biomass buildup in Denmark and the USA, and the ramp-up of continued operational and startup costs related to USA Phase 1.

Group cash outflows from investing activities for the years ended 31 December 2020 and 2019 were USD 60.9m and USD 86.8m, respectively, which represents a decrease in cash outflows of USD 25.9m over the prior year. The decrease in Group cash outflows from investment activities was primarily attributed to USA Phase 1 construction of the Miami Bluehouse nearing completion.

Group cash inflows from financing activities for the years ended 31 December 2020 and 2019 were USD 112m and USD 110.8m, respectively, which represents an increase of USD 1.2m over the prior year. The increase in Group cash inflows from financing activities was primarily attributed to the 2020 capital raise and utilization of the 2020 DNB Credit Facility.

Parent Company Operations

For the years ended 31 December 2020 and 2019, ASA generated revenue of NOK 10.1m (USD 1.1m) and NOK 5.2m (USD 598k), respectively, mainly related to management fee income from the Group entities. For the years ended 31 December 2020 and 2019, ASA's net loss of NOK 8.1m (USD 861k) and net income of NOK 16.1m (USD 1.9m), respectively, was primarily attributed to financial income and expense generated from intercompany loans to the Group entities. As of 31 December 2020 and 2019, ASA's total assets were NOK 3,006.4m (USD 350.5m) and NOK 2,111.3m (USD 240.4m), of which NOK 2,855.3m (USD 332.9m) and NOK 2,066.3m (USD 235.3m) were related to shares and loans to Group entities. ANSO's debt to equity ratio as of 31 December 2020 and 2019 was 0.0% and 0.2%, respectively.

Capital Management and Financial Risk

Capital management represents the Group's policy to assess, acquire, and utilize its capital base efficiently towards satisfactory operations and future development of the business to foster and maintain investor, lender, and market confidence. The Group's capital management contemplates available alternatives, the cyclical nature of the fish farming industry, and current socioeconomic factors.

Access to borrowings is monitored periodically and the Group engages in dialogue continuously with its lenders.

The Group has obtained capital primarily from equity raises and interest-bearing borrowings. The Group's interest-bearing borrowings requires certain financial covenants to be maintained and the Group was in compliance with all financial covenants as of 31 December 2020 (see Note 19 – Borrowings).

As of 31 December 2020 and 2019, the Group's consolidated equity consisted of USD 255.5m and USD 208.7m, respectively, equity share, which comprise of total equity divided by total assets, was 80% and 83%, respectively, and net interest-bearing debt, which comprise of total interest-bearing borrowings excluding the effects of IFRS 16, was USD 22.6m and USD 18.3m, respectively. The Group's Board of Directors considers the Group's capital base as adequate given the scale of its operations.

From the Group's AGM on 11 June 2020, ASA's Board of Directors were given proxy to increase the share capital with up to NOK 1,000,000 through the issuance of up to 10,000,000 new shares, with a face value of NOK 0.10. The authorization may be used several times within this limit.

The Group holds financial instruments necessary for its operations. The Group's principal financial liabilities, other than interest-bearing borrowings and excluding the effects of IFRS 16, consist of trade and other payables and comprise most of the Group's third-party financing. The Group's principal financial assets consist of trade and other receivables, cash and restricted cash, and other investments.

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

Market Risk

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

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

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

Credit Risk

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

The Group subjects all potential customers to credit verification procedures as part of its policy and monitors its outstanding trade receivable balances on an ongoing basis. Further, the Group's trade receivables are credit insured unless an exception is approved by the CEO. The Group monitors exposure towards individual customers closely and was not substantially exposed in relation to any individual customer or contractual partner as of 31 December 2020 and 2019.

Liquidity Risk

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

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

The provisions of the 2020 DNB Credit Facility contain financial covenants to be maintained by the Group. As of 31 December 2020, the Group was in compliance with all financial covenants (see Note 19 – Borrowings).

Going Concern

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

Recent Developments and Trends

The Group has evaluated subsequent events from 31 December 2020 through the date in which the consolidated financial statements were issued.

On 28 January 2021, the Group's 2020 DNB Credit Facility was amended to increase the total credit facility from USD 150m to USD 200m comprising of the existing USD 50m USA Term Loan, USD 16m USA RCF, USD 4m DK RCF, USD 32m committed term loan for Phase 2 capital expenditures, and a USD 98m uncommitted accordion facility on the same terms and conditions as the Group's committed term loans. Further, the Group syndicated a portion of its existing credit facility to Farm Credit of Florida, ACA as part of its strategy to increase its access to lenders. The senior secured debt facility is labelled "Green" in line with the criteria listed in the Group's Green Finance Framework, where the Group has received a second party opinion from CICERO Shades of Green, giving the framework a Medium Green score and confirming its alignment with the LMA/LSTA Green Loan Principles.

On 23 March 2021, ASUS had an incident in one of its grow-out systems at the Miami Bluehouse that resulted in approximately 500 tons HOG of fish with an average weight of 1 kg lost, which represents an equivalent of approximately 5% of annualized USA Phase 1 harvest volumes at steady-state production. Other independent systems in the Miami Bluehouse were unaffected. ASUS does not believe the incident will affect the continuity of supply to customers. The value of the biomass represented by the affected fish was insured. While ASUS is currently in the process of assessing the complete financial impact of the event, preliminary estimates project current losses net of insurance proceeds of USD 3.5m. Prior to this incident, ASUS had identified a center drain design issue with all USA Phase 1 grow-out systems. Although work had commenced to rectify the issue prior to this incident, the affected system had not yet been modified. In addition, among other risk-mitigating initiatives, ASUS is in the process of splitting each of its six independent USA Phase 1 grow-out systems in two. Currently, four out of six systems have been split.

Vikebukt, 14 April 2021

Johan E. Andreassen
Chairman

Alexander Reus
Director

André Skarbø
Director

Ellen Marie Sætre
Director

Patrice Flanagan
Director

Runar Vatne
Director

Tone Bjørnov
Director

Karl Øystein Øyehaug
Managing Director of ASA

Board of Directors

Johan E. Andreassen, CHAIRMAN

Johan E. Andreassen is one of Atlantic Sapphire's Co-Founders and has served as the Group's Chairman from 2010 to 2012 and from 2017 to 2020. He has served as Chairman of the Board of Directors since 2010 and serves as the Chief Executive Officer of Atlantic Sapphire USA. Before the founding of the Group, Mr. Andreassen founded and led Villa Organic, a 30,000-ton capacity salmon farming company, which was subsequently sold to Lerøy and SalMar in 2010. Mr. Andreassen is a Norwegian citizen, currently residing in Miami, Florida, USA.

André Skarbø, DIRECTOR

André Skarbø has served as a Director since 2015. Mr. Skarbø is owner and managing director of Platina Seafood AS, a Norwegian fish distribution company headquartered in Stranda, Norway. Mr. Skarbø has been involved in the salmon processing and sales industry for 30 years. Mr. Skarbø is a Norwegian citizen, currently residing in Stranda, Norway.

Alexander Reus, DIRECTOR

Alexander Reus has served as a Director since 2018. Mr. Reus is the founder and managing partner of DRRT, an international law firm specializing in securities litigation with offices in Miami, London, Frankfurt, and Paris. Mr. Reus previously served on the board of director of TotalBank prior to its acquisition by City National Bank of Florida. He holds a B.A. from Gymnasium Karlsbad, a J.D. from University of Heidelberg School of Law, a L.L.M. from University of Miami School of Law, and a J.D. from University of Miami School of Law. Mr. Reus is also a real estate investor. Mr. Reus is a German citizen, currently residing in Miami, Florida, USA.

Runar Vatne, DIRECTOR

Runar Vatne has served as a Director since 2019. Mr. Vatne is the principal and owner of Vatne Capital, a family office investing in financial assets and real estate. He has extensive experience from the real estate sector, primarily from Søylen Eiendom, an Oslo based real estate company which he co-founded in 2004. Prior to Søylen Eiendom, Mr. Vatne was a Partner and stockbroker in Pareto Securities. Mr. Vatne also serves as board member of the listed companies Solon Eiendom ASA, Self Storage Group ASA, and Gentian Diagnostics AS. Mr. Vatne is a Norwegian citizen, currently residing in Oslo, Norway.

Patrice Flanagan, DIRECTOR

Patrice Flanagan has served as a Director since 2019. Ms. Flanagan has more than 35 years of experience in the USA seafood industry. Ms. Flanagan worked for Slade Gorton & Co., a USA seafood distributor, importer, and manufacturer, for over 35 years. She most recently served as the Vice President of Fresh Seafood & Business Development until stepping down in 2019. She holds a degree in business management from Cambridge College. Ms. Flanagan is a US citizen, currently residing in Boston, Massachusetts, USA.

Tone Bjørnov, DIRECTOR

Tone Bjørnov is a full-time board member serving on the boards of several public and private companies. Her background is in bank and finance, including having served as an executive with DNB Bank. Ms. Bjørnov holds a business degree from the Norwegian School of Management (BI). Tone Bjørnov is a Norwegian citizen, currently residing in Oslo, Norway.

Ellen Marie Sætre, DIRECTOR

Ellen Marie Sætre is an educated veterinary from the Norwegian School of Veterinary Science (2006) and has since then worked as a consultant towards the fish farming industry in the company Åkerblå AS, with a particular focus on fish health. Ms. Sætre is a Norwegian citizen, currently residing in Vikebukt, Norway.

“ Innovation adds value, which in turn leads to improvements. We’re always testing new equipment, effective processes and raw materials for getting the best results. All employees regardless of level offer ideas. We don’t stop until we spread our goals for innovation around the world. It’s our competitive advantage and it enables us to be more sustainable. We have a big passion for success and in doing so, we are offering a more sustainable way to make delicious and healthy salmon.”

Peter Hvingel,
Technical Manager, Denmark Bluehouse

Corporate Governance

The Group follows the Norwegian Code of Practice for Corporate Governance (the “Norwegian Code”) and a full description of the Norwegian Code is available on the Oslo Stock Exchange’s website (https://www.euronext.com/nb/markets/oslo).

The Group has addressed the various 15 issues covered by the Norwegian Code as follows:

Norwegian Code		Compliance to the Code
1.	Implementation and Reporting on Corporate Governance Principles	Compliant
2.	Business	Compliant
3.	Equity and Dividends	Compliant
4.	Equal Treatment of Shareholders and Transactions with Related Parties	Compliant
5.	Shares and Negotiability	Compliant
6.	General Meetings	Compliant
7.	Nomination Committee	Compliant
8.	Board of Directors: Composition and Independence	Compliant
9.	The Work of the Board of Directors	Compliant
10	Risk Management and Internal Control	Compliant
11.	Remuneration of the Board of Directors	Compliant
12.	Remuneration of Executive Personnel	Compliant
13.	Information and Communications	Compliant
14.	Take-overs	Partly Compliant
15.	Auditor	Compliant

The Group has reviewed its reporting on Corporate Governance based on the latest Code of Practice and is fully compliant with the Norwegian Code, except Section 14 regarding lack of explicit guidelines for dealing with take-over bids.

The following sections detail how the Group has addressed the various 15 issues covered by the Norwegian Code:

1. Implementation and Reporting of Corporate Governance Principles

The Group’s Board of Directors (the “Board”) is responsible for the development and implementation of internal procedures and regulations to ensure that the Group follows applicable principles and maintains good corporate governance. The Group’s overall position with such principles is assessed annually by the Board and reported accordingly in the Group’s Annual Report in accordance with the requirements for listed companies and the Norwegian Code. The Board has defined the Group’s overall vision as “For the Health of People and Planet” which is further exemplified through the Group’s core values of passion, performance, innovation, integrity, and balance:

- Passion – Purpose. Dedication. Courage.
- Performance – Initiative. Collaboration. Results.
- Innovation – Continuous improvement. Solutions. Learning.
- Integrity – Accountability. Open communication. Care.
- Balance – Healthy Fish. Stakeholder wellness. Sustainable planet.

Our central principle is that Atlantic Sapphire’s success depends on maintaining the highest standards of trust and integrity at all levels of the organization, as well as its reputation for honesty and transparency in its business. Further, the Group is made up of diverse individuals with different backgrounds such as national origins, cultures, religions, and other customs. The Group’s Code of Conduct (the “Code”), which was updated in in the first half of 2020, sets expectations and provides guidance for the Group’s Board of Directors, officers, employees, independent contractors, and consultants. It is their responsibility to understand the Code as well as exercise good judgement and follow the Code. The Code must be signed by all employees, and suppliers are also expected to understand the Code and share our commitment to integrity by following the principles of the Code. The Code encourages reporting of any violations to management. The Code is consistent with the Group’s core values and is aligned with Atlantic Sapphire’s commitment to the UN Global Compact principals and UN SDGs.

2. Business

The Group’s objective is defined in Article 3 of ASA’s Articles of Association as follows: “The objective of the Company is to engage and participate in land-based salmon production, both nationally and internationally, including through investments in other companies, and other activities in relation to this.”

The Group aims to transform salmon farming by managing an integrated value chain of salmon production and bring full traceability from egg to final product. Our activities include farming, harvesting, processing, marketing, and sales of its products.

Through the specialized, efficient design of the Recirculating Aquaculture System ("RAS"), The Group can consistently control the key drivers of the production cycle.

3. Equity and Dividends

As of 31 December 2020, the Group's total equity totaled USD 255.5m, which represents 80% of the Group's total assets. The Group's objective is to maintain an equity level that is appropriate for the Group's objectives, strategy, and risk profile.

The Group is focused on developing and commercializing its products, production methods and technology, as well as increasing facility capacity, and intends to retain future earnings to finance development activities, operations, and growth of the business. As a result, the Group does not expect to pay any dividend in the near future.

Any future decision to pay a dividend will also depend on the Group's financial position, operating profit, capital requirement, and the terms and conditions of the Group's debt facilities. The Group has not previously distributed any dividends to its shareholders.

The AGM of 11 June 2020 granted the Board an authorization to increase the Group's share capital.

The authorization allowed the Board to increase the Group's share capital by up to NOK 1,00,000, through the issue of up to 10,000,000 new shares, with a face value of NOK 0.10. Within this limit, the authorization may be used several times.

4. Equal Treatment of Shareholders and Transactions with Related Parties

The Group has one class of shares.

Any purchase or sale by the Group of its own shares will be carried out either through the Oslo Stock Exchange or at prices quoted on the Oslo Stock Exchange.

Any transaction between the Group and a related party will be of arm's length. The Group will make sure that major transactions with related parties are approved by the AGM in accordance with the Norwegian Public Limited Liability Companies Act.

Any transactions with related parties are discussed in Note 21 in the Group's consolidated financial statements.

5. Shares and Negotiability

The Group has one class of Shares in issue, and in accordance with the Norwegian Private Limited Liability Companies Act and the Norwegian Public Limited Liability Companies Act, all Shares in that class provide equal rights in the Group. Each share has a nominal value of NOK 0.10 and carries one vote. The Group's shares are freely transferable.

6. General Meetings

Through the general meeting, shareholders exercise supreme authority in a Norwegian company. In accordance with Norwegian law, the annual general meeting of shareholders is required to be held each year on or prior to 30 June. Norwegian law requires that written notice of annual general meetings setting forth the time of, the venue for, and the agenda of the meeting be sent to all shareholders with a known address no later than 21 days before the annual general meeting of a Norwegian private limited liability company shall be held, unless ASA's Articles of Association stipulate a longer deadline, which is not currently the case for the Group.

A shareholder may vote at the general meeting either in person or by proxy appointed at their own discretion. In accordance with the requirements of the Norwegian Securities Trading Act, the Group will include a proxy form with notices of general meetings. All of the Group's shareholders who are registered in the register of shareholders maintained with the Norwegian Central Securities Depository ("VPS") as of the date of the general meeting, or who have otherwise reported and documented ownership to Shares, are entitled to participate at general meetings, without any requirement of pre-registration.

Apart from the annual general meeting, extraordinary general meetings of shareholders may be held if the Board of Directors considers it necessary. An extraordinary general meeting of shareholders must also be convened if, to discuss a specified matter, the auditor or shareholders representing at least 5% of the share capital demands this in writing. The requirements for notice and admission to the annual general meeting also apply to extraordinary general meetings. However, the annual general meeting of a Norwegian public limited liability company may with a majority of at least two-thirds of the aggregate number of votes cast as well as at least two-thirds of the share capital represented at a general meeting resolve that extraordinary general meetings may be convened with a fourteen days' notice period until the next annual general meeting provided the Group has procedures in place allowing shareholders to vote electronically.

7. Nomination Committee

Article 6 of ASA's Articles of Association provide for a Nomination Committee composed of two or three members. The members of the Nomination Committee, including its chair, are elected by the AGM for a term of two years. The Nomination Committee is responsible for proposing candidates for the Board and the Nomination Committee.

As of 31 December 2020, the Nomination Committee comprised of Bjørn-Vegard Løvik (Chair) and Kjell Bjordal.

8. Board of Directors: Composition and Independence

ASA's Articles of Association provide that the Board shall consist of between three and seven members of the Board elected by the Group's shareholders. The Group's registered business address, Daugstadvegen 445, 6392 Vikebukt, Norway, serves as the business address for the Board with respect to their directorships. The Chairman of the Board together with one Director jointly have the right to sign for and on behalf of the Group. The Board may grant procuration. Board members are elected for a period of two years at a time.

The Board is independent to the Group management. Johan E. Andreassen, the CEO of Atlantic Sapphire USA LLC, and Ellen Marie Saetre, related party of Interim COO Bjørn-Vegard Løvik, are the only employees of the Group represented on the Board and non-independent members. As per Norwegian law, the Board shall always have at least 40% of both genders represented. In 2020, the Group's Board comprised of three female members out of seven in total.

9. The Work of the Board of Directors

According to the Norwegian Public Limited Liability Companies Act, the Board has overall responsibility for the management of the Group, and the supervision of the Group's business activities and daily management. The Board is also responsible for approving the Group's plans and budgets, and ensuring that the Group's activities are well organized.

Members of the Board owe a fiduciary duty to the Group and its shareholders. Such fiduciary duty requires that the Board act in the best interests of the Group when exercising their functions and exercise a general duty of loyalty and care towards the Group. Their principal task is to safeguard the interests of the Group.

The Board has formally assessed its performance and expertise in 2020 as recommended by the Norwegian Code.

The Board conducted three formal meetings during 2020: an Extraordinary General Meeting on 16 April 2020, the Annual General Meeting on 11 June 2020 ("AGM"), and a general meeting on 25 November 2020. The overall shareholder attendance rate was 48.3% and 54.6%, respectively, with all Board members in attendance.

10. Risk Management and Internal Control

The Board shall annually review the Group's most important areas of risk exposure and the internal control arrangement in place for such areas. The review shall pay attention to any material shortcomings or weaknesses in the Group's internal control systems and how risks are being managed.

11. Remuneration of the Board of Directors

The remuneration payable to the Board is approved by the AGM. Board remuneration shall reflect the Board's responsibilities, competence, time spent, and the complexity of the business. Board remuneration is not performance-related and, except for Patrice Flanagan with 5,000 share options, contains no share option element. Additional information relating to Board remuneration can be found in Note 6 in the Group's consolidated financial statements.

12. Remuneration of Executive Personnel

The Board determines the principles applicable to the Group's policy for compensation of executive management and presented its statement on such principles for the 2020 financial year during the Group's AGM in accordance with Section 6-16a of the Norwegian Public Limited Liability Companies Act.

The principles supporting the Group's remuneration policy are as follows:

- Offer executive compensation that is competitive, both on industry and national (USA) levels, to attract and retain top managerial talent.
- Emphasize a collaborative culture and a lean organizational structure.
- Provide incentives that foster the creation of sustainable, long term shareholder value.
- Ensure that the Group's executive management is aligned with key organizational goals.

In compliance with the Norwegian Public Limited Liability Companies Act, the Board prepares a statement regarding the remuneration of the executive management team for consideration by the AGM. The remuneration package for corporate executive staff consists of the following main elements:

- Fixed Compensation
- Variable Compensation
- Long-Term Incentive Program
- Retirement Benefits
- Severance Pay
- Benefits in Kind

13. Information and Communications

The Group strives to build long-term relationships with its stakeholders; the management team therefore meets on an ongoing basis in open and transparent dialogue with all stakeholders interested in its business from a social, environmental, or economic perspective. The Group proactively engages them through different platforms to address their needs, listening, and providing information about the Group's projects.

The dialogue always strives to raise awareness of both the value and the challenges of what the Group does. In 2020, the Group has had valuable dialogue with stakeholders around various topics, including: product attributes, environmental, and animal welfare aspects related to Bluehouse salmon farming, technology, the R&D investment in Recirculating Aquaculture Systems ("RAS"), the viability of the business model, and the socio-economic impacts of its operations in Denmark and Miami. The Group uses different platforms to communicate with stakeholders on a regular basis, the frequency of communications depending on the interest and the level of involvement of these stakeholders.

The Group also complies with the Oslo Stock Exchange's investor relations recommendations by publishing its financial calendar, on an annual basis, which provides the dates on which it will present its Half-Year Report, Annual Report, and when the AGM will be held. The Group publicly discloses all information concerning major events on its website (atlanticsapphire.com), in line with the requirements of the Oslo Stock Exchange. All financial reports and other information are prepared and disclosed in such a way as to ensure that the Group's stakeholders are treated equally and receive accurate, clear, relevant, and up-to-date information in a timely manner. The Group holds public presentations of its results semi-annually.

14. Take-overs

The Board has not yet determined specific guidelines or principles with respect to dealing with take-over bids as recommended by the Norwegian Code.

15. Auditor

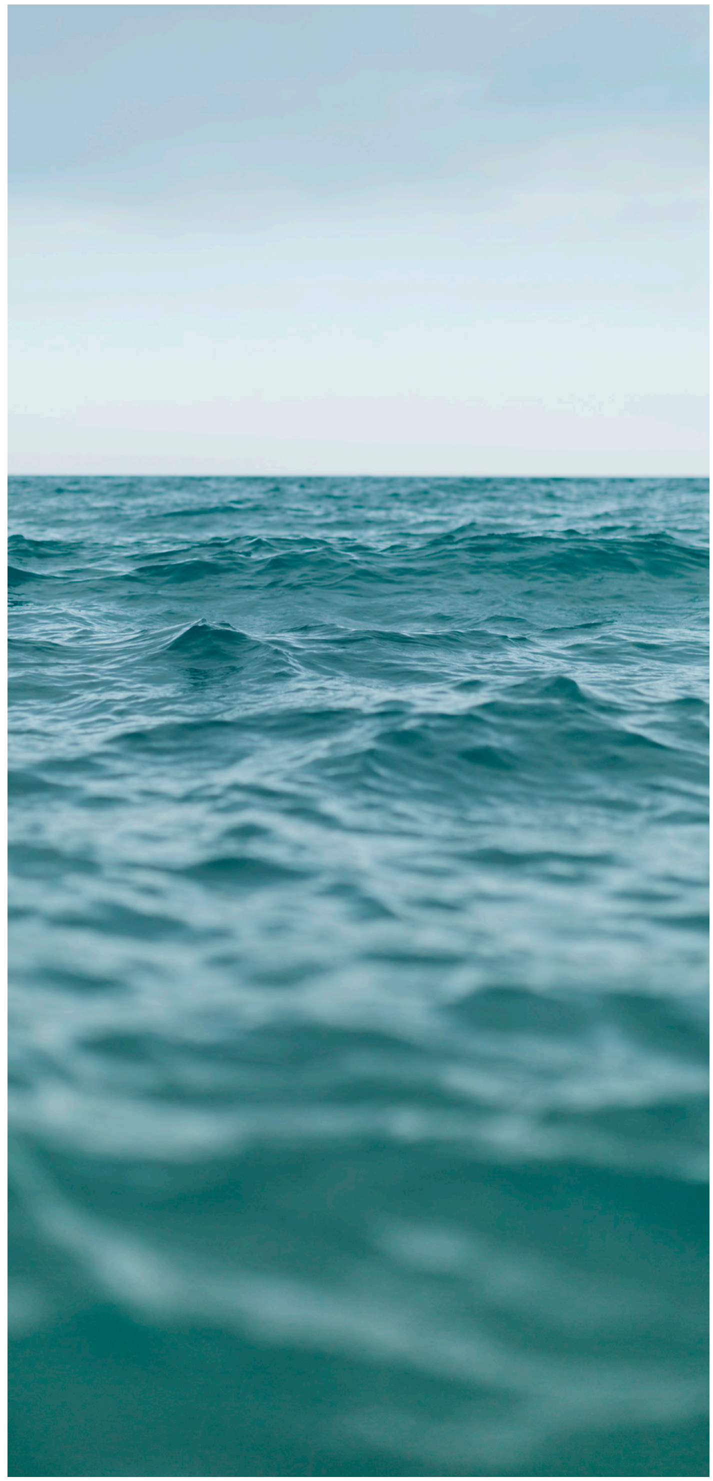
The Group has engaged BDO as its external auditor. BDO is independent from the Group and was appointed by the Board during the AGM.

The AGM's selection of the auditor contemplated several factors including the firm's competence, size, global availability, and expected audit fee. Accordingly, the AGM also approved the auditor's fee (see Note 7 in the Group's consolidated financial statements).

As the Group does not have a formal audit committee, the auditor presents its plan regarding the preparation of the annual accounts and audited financial statements to the Group's Finance Team. In turn, the Finance Team holds regular meetings with the auditor without the presence of management prior to summary communication to the Board.

In addition to the audit fee, the Group's remuneration to the auditor may be split with other non-audit services such as advisory and authorization services. Such non-audit services are assessed on an ad-hoc basis to ensure that there are no conflicts of interest towards independence.

BDO AS has been our auditor since 2015. Roald Viken has been the lead audit partner for the Group since 2015 and 2020 represents his sixth year as lead partner.



Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED 31 DECEMBER 2020 AND 2019

(USD 1,000)	Note	2020	2019
Revenue	3	6,270	5,540
Expenses			
Cost of materials	5,15	18,169	6,582
Fair value adjustment on biological assets	5	9,478	(458)
Salary and personnel costs	6,18,20	7,448	3,795
Other operating expenses	7,8	11,609	6,803
Depreciation and amortization	9	6,745	2,286
Total expenses		**53,449**	**19,008**
Operating loss		**(47,179)**	**(13,468)**
Financial income	10	1,888	3,640
Financial expense	10,19	(10,486)	(3,338)
Other income, net	4	584	14
Loss before income tax benefit		**(55,193)**	**(13,152)**
Income tax benefit	11	-	-
Net loss		**(55,193)**	**(13,152)**
Earnings per share:			
Basic earnings per share		(0.74)	(0.19)
Diluted earnings per share		(0.74)	(0.19)

Accompanying notes are an integral part of the consolidated statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS YEARS ENDED 31 DECEMBER 2020 AND 2019

(USD 1,000)	Note	2020	2019
Net loss		(55,193)	(13,152)
Exchange difference on translation of foreign operations		2,401	(917)
Total comprehensive loss		**(52,792)**	**(14,069)**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION 31 DECEMBER 2020 AND 2019

(USD 1,000)	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant, and equipment, net	9	257,080	209,616
Right of use asset	8	3,337	355
Restricted cash (long-term)	13,16	-	15,000
Security deposits		831	726
Other investments	13	7	11
Trade and other receivables (long-term)	13,14	30	118
Total non-current assets		**261,285**	**225,826**
Current assets			
Prepaid and other current assets		1,573	1,933
Inventories	15	2,713	3,302
Biological assets	5	24,610	11,275
Trade and other receivables (short-term)	13,14	1,869	1,069
Restricted cash (short-term)	13,16	386	324
Cash	13,16	28,523	9,147
Total current assets		**59,674**	**27,050**
TOTAL ASSETS		**320,959**	**252,876**
EQUITY AND LIABILITIES			
Equity			
Share capital	17,18	917	818
Share premium	17,18	335,337	236,819
Employee stock options	17,18	2,015	1,060
Accumulated deficit		(82,625)	(27,432)
Accumulated other comprehensive loss		(185)	(2,586)
Total equity		**255,459**	**208,679**
Non-current liabilities			
Borrowings (long-term)	13,19	51,156	27,319
Lease liability (long-term)	8	3,091	102
Total non-current liabilities		**54,247**	**27,421**
Current liabilities			
Borrowings (short-term)	13,19	-	79
Lease liability (short-term)	8	482	277
Trade and other payables	13	10,771	16,420
Total current liabilities		**11,253**	**16,776**
Total liabilities		**65,500**	**44,197**
TOTAL EQUITY AND LIABILITIES		**320,959**	**252,876**

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED 31 DECEMBER 2020 AND 2019

(USD 1,000)	Note	Share capital	Share premium	Employee stock options	Accumulated deficit	Accumulated other comprehensive loss	Total
Balance at 31 December 2018		720	151,764	904	(14,280)	(1,669)	137,439
Contributions	17,18	98	85,055	156	-	-	85,309
Net loss		-	-	-	(13,152)	-	(13,152)
Foreign currency translation adjustments		-	-	-	-	(917)	(917)
Balance at 31 December 2019		**818**	**236,819**	**1,060**	**(27,432)**	**(2,586)**	**208,679**
Contributions	17,18	99	98,518	955	-	-	99,572
Net loss		-	-	-	(55,193)	-	(55,193)
Foreign currency translation adjustments		-	-	-	-	2,401	2,401
Balance at 31 December 2020		**917**	**335,337**	**2,015**	**(82,625)**	**(185)**	**255,459**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED 31 DECEMBER 2020 AND 2019

(USD 1,000)	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		(55,193)	(13,152)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	9	6,745	2,286
Bad debt		11	-
Inventory write-down	15	1,639	-
Fair value adjustment on biological assets	5	9,478	(458)
Loss from disposition of other assets	9	576	25
Net interest received and paid	10	8,598	526
Non-cash employee stock options	18	955	156
Net foreign currency exchange rate differences		(1,570)	(153)
Changes in operating assets and liabilities			
Trade and other receivables	13,14	(627)	(90)
Biological assets, at cost	5,15	(18,943)	(10,793)
Inventories, at cost	15	(1,015)	-
Prepaid and other current assets		459	41
Security deposits		(95)	(726)
Trade and other payables	13	135	3,776
Interest received	10	1,888	100
Net cash used in operating activities		**(46,959)**	**(18,462)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant, and equipment	9	25	-
Payments towards property, plant, and equipment	9	(60,881)	(86,790)
Other investments		5	-
Net cash used in investing activities		**(60,851)**	**(86,790)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	19	89,404	42,595
Payments towards borrowings	19	(74,001)	(16,288)
Payments towards lease liability	8	2	-
Proceeds from issuance of capital	17	98,617	85,153
Interest paid	10	(2,058)	(626)
Net cash provided by financing activities		**111,964**	**110,834**
Net increase in cash and restricted cash		**4,154**	**5,582**
Cash and restricted cash at beginning of year		24,471	19,018
Effects of exchange rate on cash and restricted cash		284	(129)
Cash and restricted cash at end of year		**28,909**	**24,471**

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

Vikebukt, 14 April 2021

Johan E. Andreassen
Chairman

Alexander Reus
Director

André Skarbø
Director

Ellen Marie Sætre
Director

Patrice Flanagan
Director

Runar Vatne
Director

Tone Bjørnov
Director

Karl Øystein Øyehaug
Managing Director of ASA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

Atlantic Sapphire ASA ("ASA") is a Norwegian company headquartered in Vikebukt, Norway and listed on the Oslo Stock Exchange with the ticker symbol ASA. ASA owns the following subsidiaries (collectively, the "Group"):

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

The Group owns and operates land-based Atlantic salmon farms in Hvide Sande, Denmark (the "Denmark Bluehouse" facility) and Homestead, Florida, USA (the "Miami Bluehouse" facility). A Bluehouse™ facility (the "Bluehouse") is proprietary production technology developed by the Group in collaboration with a wide range of supply chain partners to optimize growing conditions for Atlantic salmon. Each Bluehouse contains the facilities needed for a salmon's full growth cycle, from egg hatchery to grow-out tanks to harvest processing. Consolidated operations enable the Group to control the entire production cycle without having to transport salmon to and from ocean-based net pens. The Denmark Bluehouse and the Miami Bluehouse have annual production capacities of approximately 2,400 tons HOG[1] and 9,500 tons HOG, respectively.

Basis for Preparation of the Annual Accounts

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and mandatory for financial years beginning on or after 1 January 2020, and additional Norwegian disclosure requirements under the Norwegian Accounting Act as of 31 December 2020. References to "IFRS" in these consolidated financial statements refer to IFRS as adopted by the EU.

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

New and Amended IFRS Standards Adopted by the Group

There are numerous standards, amendments to standards, and interpretations in 2020 that have been issued by the IASB that are effective in future accounting periods. The Group has decided not to early adopt any as they are not expected to have significant effect on the Group's consolidated financial statements.

The Group did not adopt any new standards, amendments to standards, and interpretations in 2020 that would impact the Group's consolidated financial statements for the year ended 31 December 2020.

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

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

Consolidation

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

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

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

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

Foreign Currency

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

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

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

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

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

Use of Estimates and Judgements

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

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

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

Fair Value Adjustment of Biomass

Biological assets are measured at fair value less costs to sell, with any change therein recognized in profit or loss. The estimated fair value of the biological assets is based on the most relevant forward prices for salmon at the reporting period date in the respective markets in which the Group operates. The fair value calculation considers estimates of biomass volumes, quality, size distribution, production cost, mortality, and normal costs of harvest and sale (see Note 5 – Biological Assets).

Share-Based Compensation Benefits

Share options have been allotted to management and selected key employees. Each share option allows for the subscription of one share in Atlantic Sapphire ASA 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 considers the exercise price, the term of the option, the impact of dilution (where material), the share price at the grant date, expected price volatility of the underlying share, and risk-free interest (see Note 18 – Share Option Program).

Provisions

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

Classification of Current vs. Non-Current Items

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

Revenue Recognition

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

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

Leases

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

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

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

Leases that fall under the *IFRS 16* short-term exception are recognized on a straight-line method over the lease term.

Taxes

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

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

Investments and Other Financial Assets

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

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

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

Financial Assets at Amortized Cost

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

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

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

Financial Assets at Fair Value Through Other Comprehensive Income or Loss

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

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

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

Financial Assets at Fair Value Through Profit or Loss

The Group has no financial assets measured in this category.

Property, Plant, and Equipment

Property, plant, and equipment is capitalized at acquisition cost, which includes capitalized borrowing costs under *IAS 23, Borrowing Costs*, less accumulated depreciation and impairment losses, if any. Acquisition costs include expenditures that are directly attributable to the acquisition and placement of fixed assets in service. Costs of major replacements and renewals that substantially extend the economic life and functionality of fixed asset are capitalized. Costs associated with normal maintenance and repairs are expensed as incurred.

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

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

Impairment

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

If an evaluation is required, the estimated future undiscounted cash flows associated with the asset are compared to the asset's carrying value to determine if an adjustment for impairment to such asset is necessary. The effect of any impairment would be to expense the difference between the fair value of such asset and its carrying value. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. As of 31 December 2020 and 2019, management did not consider an allowance for impairment necessary for long-lived assets.

Inventories

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

Biological Assets

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

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

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

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

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

Trade and Other Receivables

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

Cash and Restricted Cash

Cash includes cash on hand and bank deposits. Restricted cash is not available for immediate or general business use and is presented separately in the accompanying consolidated statements of financial condition. Cash equivalents consist of short-term investments that can be converted into a known amount in cash within three months and contain an insignificant risk element. The Group did not hold any cash equivalents as of 31 December 2020 and 2019.

Borrowings

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

Trade and Other Payables

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

Employee Benefits

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

Pensions

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

Share Option Program

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

Grants

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

Statements of Cash Flows

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

Reclassification

Certain amounts in the Group's 2019 consolidated financial statements have been reclassified to conform to the 2020 presentation. The reclassifications have no effect on the Group's consolidated financial position or previously reported results of consolidated operations.

NOTE 2 – CAPITAL MANAGEMENT AND FINANCIAL RISK

Capital management represents the Group's policy to assess, acquire, and utilize its capital base efficiently towards satisfactory operations and future development of the business to foster and maintain investor, lender, and market confidence. The Group's capital management contemplates available alternatives, the cyclical nature of the fish farming industry, and current socioeconomic factors. Access to borrowings is monitored periodically and the Group engages in dialogue continuously with its lenders.

The Group has obtained capital primarily from equity raises and interest-bearing borrowings. The Group's interest-bearing borrowings requires certain financial covenants to be maintained and the Group was in compliance with all financial covenants as of 31 December 2020 (see Note 19 – Borrowings).

As of 31 December 2020 and 2019, the Group's consolidated equity consisted of USD 255.5m and USD 208.7m, respectively, equity share, which comprise of total equity divided by total assets, was 80% and 83%, respectively, and net interest-bearing debt, which comprise of total interest-bearing borrowings excluding the effects of *IFRS 16*, was USD 22.6m and USD 18.3m, respectively. The Group's Board of Directors considers the Group's capital base as adequate given the scale of its operations.

From the Group's AGM on 11 June 2020, ASA's Board of Directors were given proxy to increase the share capital with up to NOK 1,000,000 through the issuance of up to 10,000,000 new shares, with a face value of NOK 0.10. The authorization may be used several times within this limit.

The Group holds financial instruments necessary for its operations. The Group's principal financial liabilities, other than interest-bearing borrowings and excluding the effects of *IFRS 16*, consist of trade and other payables and comprise most of the Group's third-party financing. The Group's principal financial assets consist of trade and other receivables, cash and restricted cash, and other investments. The Group's significant accounting policies regarding financial instruments are disclosed in Note 1 – Significant Accounting Policies, and the Group's financial instruments are detailed in Note 13 – Financial Instruments.

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

Market Risk

Interest Rate

The Group's interest rate risk relates primarily from borrowings from financial institutions with variable rate interest. When possible, the Group manages its interest rate risk by entering fixed-interest loans. The Group through ASUS holds the USA Term Loan which bore an interest rate of LIBOR plus 4.5% as of 31 December 2020 (see Note 19 – Loans and Borrowings). The stated interest rate is based on an interest rate grid that allows for a lower interest rate to be implemented in the future, upon reaching certain milestones. Currently, the Group does not maintain a program to hedge its variable rate exposure. Changes in the interest rate can affect future investment opportunities.

Interest Rate Sensitivity

For the years ended 31 December 2020 and 2019, the following represents the Group's potential interest expense effect based on a 1% increase on the floating interest rate:

(USD 1,000)	2020	2019
Interest expense effect on a 1% increase on floating interest rate	588	962

Foreign Currency

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

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

As of 31 December 2020 and 2019, the Group's cash balances were held in the following currencies:

(USD 1,000)	2020	2019
USD	25,477	5,062
NOK	1,634	3,097
DKK	956	264
EUR	456	724
Total cash	**28,523**	**9,147**

As of 31 December 2020 and 2019, all of the Group's long-term interest-bearing borrowing balances were held in USD.

Foreign Currency Sensitivity

For the years ended 31 December 2020 and 2019, the Group's main source of sensitivity to exchange rate movement was due to the NOK-denominated capital raise to fund USD-denominated construction and other expenses in the USA and Denmark as follows:

(USD 1,000)	2020	2019
Capital raise effect in USD from a 10% reduction in the value of NOK to USD	(9,863)	(8,965)

Credit Risk

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

Liquidity Risk

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

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

The provisions of the 2020 DNB Credit Facility contain financial covenants to be maintained by the Group. As of 31 December 2020, the Group was in compliance with all financial covenants (see Note 19 – Borrowings).

The following are the remaining contractual maturities of the Group's financial liabilities as of 31 December 2020 and 2019, which include gross undiscounted principal and interest payments and exclude the impact of netting agreements:

As of 31 December 2020 (USD 1,000)	Trade and other payables	Borrowings
Up to 3 months	10,771	586
Between 3 and 12 months	-	1,789
Between 1 and 2 years	-	3,531
Between 2 and 5 years	-	50,781
Over 5 years	-	-
Total financial liabilities	**10,771**	**56,687**

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

The Group completed equity capital raises in the amount of NOK 905.5m (USD 100.4m) on 10 September 2020, NOK 783m (USD 90m) on 8 May 2019, and NOK 640m (USD 82m) on 24 April 2018.

Further, the Group closed on a USD 86m credit facility with DNB and EKF, Denmark's export credit agency, on 19 February 2019. On 21 April 2020, the Group amended the 2019 DNB Credit Facility (the "2020 DNB Credit Facility") which, among other conditions, increased the aggregate amount of the USD 86m credit facility to USD 150m (see Note 19 – Borrowings).

NOTE 3 – SEGMENTS

The Group has two strategic divisions, which represent its reportable segments. The Group's executive management reviews the internal management reports of each division. As of 31 December 2020 and 2019, the Group's reportable segments consisted of the following:

Fish Farming (Denmark)

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

Fish Farming (USA)

The Group owns and operates a proprietary Bluehouse land-based salmon farm in Homestead, Florida, USA through ASUS. The Miami Bluehouse is currently under Phase 1 of its construction build out and is projected to harvest approximately 9,500 tons HOG of salmon annually commencing in Q2'2021.

For the years ended 31 December 2020 and 2019, the Group's segment information consisted of the following:

Year ended 31 December 2020	Fish farming			
(USD 1,000)	Denmark	USA	Other and eliminations	Consolidated
Revenue from sale of salmon	5,041	1,729	(500)	6,270
EBITDA	(8,111)	(30,645)	(1,094)	(39,850)
EBITDA, pre-fair value adjustment on biological assets	(6,355)	(22,923)	(1,094)	(30,372)
Pre-tax loss	(12,465)	(45,071)	2,343	(55,193)
Total assets	44,868	259,888	16,203	320,959
Total liabilities	36,600	141,759	(112,859)	65,500
Depreciation and amortization	2,563	4,182	-	6,745
Capital expenditures	2,514	52,041	-	54,555
Cash flows from operating activities	(7,693)	(41,038)	1,772	(46,959)
Cash flows from investing activities	(2,810)	(58,047)	6	(60,851)
Cash flows from financing activities	9,551	92,659	9,754	111,964

Year ended 31 December 2019 (USD 1,000)	Fish farming		Other and eliminations	Consolidated
	Denmark	USA		
Revenue from sale of salmon	6,413	-	(873)	5,540
EBITDA	(3,147)	(7,124)	(897)	(11,168)
EBITDA, pre-fair value adjustment on biological assets	(3,605)	(7,124)	(897)	(11,626)
Pre-tax loss	(6,957)	(7,730)	1,535	(13,152)
Total assets	47,319	204,387	1,170	252,876
Total liabilities	35,235	41,187	(32,225)	44,197
Depreciation and amortization	2,206	80	-	2,286
Capital expenditures	7,001	79,156	-	86,157
Cash flows from operating activities	(286)	(11,810)	(6,366)	(18,462)
Cash flows from investing activities	(6,953)	(79,837)	-	(86,790)
Cash flows from financing activities	7,915	101,368	1,551	110,834

For the years ended 31 December 2020 and 2019, significantly all the Group's revenue consisted of the sale of salmon, and the Group's disaggregation of revenue with customers consisted of the following:

(USD 1,000)	2020	2019
Revenue from external customers in:		
Denmark	1,490	2,390
United States	1,964	1,834
Netherlands	1,193	955
Other countries	1,623	361
Total revenue from external customers	**6,270**	**5,540**

(USD 1,000)	2020	2019
Sales per customer:		
Customer A	925	1,834
Customer B	694	348
Customer C	667	1,433
Customer D	513	957
Customer E	490	607
Other customers	2,981	361
Total revenue from significant customers	**6,270**	**5,540**

NOTE 4 – OTHER INCOME

For the years ended 31 December 2020 and 2019, the Group's other income, net consisted of the following:

(USD 1,000)	2020	2019
Income from land lease	18	17
Loss from sale of equipment	(113)	(6)
Other reimbursements	679	3
Other income, net	**584**	**14**

For the year ended 31 December 2020, other reimbursements included approximately USD 569k of rent abatement in ASUS and USD 50k of grant funds from the University of Copenhagen in ASDK.

NOTE 5 – BIOLOGICAL ASSETS

Fair Value Measurement of Biological Assets

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

The valuation model for the Group's biological assets calculates the net present value of the expected cash flows from harvested biomass based on the actual number of fish as a starting point. The time to market for live fish is based on a growth table for each generation of fish. The Group considers a live fish weight of 4.5 kg to be the optimal harvest weight with an expected growth period of 21 months. Expected mortality rates are used to estimate the expected volume of biomass that will reach optimal harvest weight. On average, an estimated 64% of the number of fish is expected to reach the optimal harvest weight. This considers both natural mortality and culling. The Group's price and net expected cash flows are based on future price estimates at the time of harvest less estimated remaining costs to produce and sell. The discount rate used towards the Group's net present value calculation is based on the Group's annualized borrowing rate of LIBOR plus 4.5% as of 31 December 2020 (see Note 19 – Borrowings). The stated interest rate is based on an interest rate grid that allows for a lower interest rate to be implemented in the future, upon reaching certain milestones.

As of 31 December 2020 and 2019, the Group's biological assets consisted of the following:

(USD 1,000)	2020	2019
Cost of biological assets	33,987	10,163
Fair value adjustments	(9,377)	1,112
Total biological assets	**24,610**	**11,275**

The following represents a reconciliation of changes in the carrying amount of the Group's consolidated biological assets for the years ended 31 December 2020 and 2019:

(USD 1,000)	2020	2019
Biological assets at beginning of year	11,275	3,283
Gain or loss arising from changes in fair value less costs to sell	(9,478)	458
Increases due to production and purchases	36,820	13,865
Net changes in production depreciation	2,430	-
Decreases due to harvest	(8,531)	(5,978)
Decreases due to mortality	(8,375)	(297)
Net exchange rate differences	469	(56)
Biological assets at end of year	**24,610**	**11,275**

As of 31 December 2020 and 2019, the Group's physical volumes of biological assets consisted of the following:

	2020	2019
Live weight of biomass (in tons)		
Non-harvestable fish	614	354
Harvestable fish	3,273	821
Total live weight of biomass (in tons)	**3,887**	**1,175**
Number of fish (in thousands)		
Non-harvestable fish	4,064	4,114
Harvestable fish	1,271	300
Total number of fish (in thousands)	**5,335**	**4,414**
Volume of fish harvested during the year (tons gutted weight)	989	1,022

Sensitivity Analysis

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

Biomass Volume and Growth Rate:

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

Biomass Quality and Size Distribution:

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

Biomass Costs:

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

Fish Mortality:

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

Market Price:

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

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

As of 31 December 2020 and 2019, the estimated effect on the book value of biological assets was as follows:

		Effect on estimated fair value	
(USD 1,000)	Increase	2020	2019
Change in biomass size	2%	751	371
Change in forward price	2%	837	130
Change in discount rate	2%	(209)	(158)

Incident-Based Mortality

No significant mortality incidents were noted for the year ended 31 December 2019.

On 29 February 2020, ASDK experienced a mass mortality event in one of its grow-out systems that resulted in approximately 227,000 salmon lost due to excessive nitrogen levels in the water. As a result of the event, the Group's next harvest revenue was pushed back by approximately five months. The value of the biomass represented by the affected fish was insured and ASDK incurred a loss net of insurance proceeds of USD 2.4m from the incident. Other independent systems in the Denmark Bluehouse were unaffected. Accordingly, other systems in the Denmark Bluehouse and the Miami Bluehouse have already been modified or are in the process of being modified with design improvements to avoid such an event in the future.

On 28 July 2020, ASUS initiated an emergency harvest from one of its partially commissioned grow-out systems. As a result of the event, approximately 200,000 salmon with a total weight of approximately 400 tons HOG were harvested. Other grow-out systems of the Miami Bluehouse were unaffected. The Group is still assessing potential insurance proceeds to be received.

Subsequently on 23 March 2021, ASUS experienced a mass mortality event in one of its grow-out systems that resulted in approximately 600,000 salmon lost (see Note 23 – Subsequent Events).

NOTE 6 – SALARY AND PERSONNEL COSTS

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

For the years ended 31 December 2020 and 2019, the Group's salary and personnel costs consisted of the following:

(USD 1,000)	2020	2019
Salaries, including holiday pay and bonuses	13,173	6,633
Payroll taxes	748	676
Pension costs	411	202
Share-based compensation benefits	339	287
Other benefits	384	159
Total salary and personnel costs	15,055	7,957
Less: production labor capitalized towards biological assets	(5,403)	(2,432)
Less: construction labor capitalized towards assets under construction	(2,204)	(1,730)
Total salary and personnel costs	**7,448**	**3,795**

For the years ended 31 December 2020 and 2019, the Group employed 159 and 87 full-time employees, respectively.

For the years ended 31 December 2020 and 2019, total compensation to the Group's Board of Directors consisted of the following:

(USD 1,000)	2020	2019
Johan E. Andreassen, Chairman of the Board and CEO	-	9
André Skarbø, Director	98	9
Alexander Reus, Director	107	9
Runar Vatne, Director (3)	77	-
Patrice Flanagan, Director (1)	79	4
Tone Bjørnov (5)	54	-
Ellen Marie Sætre (5)	54	-
Johan Henrik Krefting, Director (4)	-	9
Bjørn Myrseth, Director (2)	-	9
Bjørn-Vegard Løvik, Director (6)	49	9
Peter Skou, Director (6)	44	9
Total Board of Directors	**562**	**67**

(1) Elected as new director 1 August 2019
(2) Stepped down as director 1 August 2019
(3) Elected as new director 12 November 2019
(4) Stepped down as director 23 October 2019
(5) Elected as new directors 4 May 2020
(6) Stepped down as directors 4 May 2020

For the years ended 31 December 2020 and 2019, the Group's remuneration to executive management consisted of the following:

Executive management (USD 1,000)	Salary	Bonus	Pension contribution	Other benefits	Total
Year ended 31 December 2020					
Johan E. Andreassen, CEO	500	-	18	-	518
Jose Prado, CFO (Stepped down on 9 September 2020)	300	-	17	175	492
Dharma Rajeswaran, COO	275	28	8	-	311
Thue Holm, CTO	168	157	-	11	336
Svein Taklo, CDIO	275	28	-	-	303
Karl Øystein Øyehaug, Interim CFO and Managing Director	155	45	7	-	207
Cristina Espejo, CPO	172	17	-	-	189
Danielle Villoch, CLO	180	28	2	-	210
Total remuneration to executive management	**2,025**	**303**	**52**	**186**	**2,566**
Year ended 31 December 2019					
Johan E. Andreassen, CEO	402	100	11	-	513
Jose Prado, CFO (Stepped down on 9 September 2020)	402	100	11	-	513
Dharma Rajeswaran, COO	253	-	10	-	263
Thue Holm, CTO	150	-	-	13	163
Svein Taklo, CDIO	69	-	-	-	69
Total remuneration to executive management	**1,276**	**200**	**32**	**13**	**1,521**

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

A bonus scheme is in place for executive management based on the Group's revenue, operating profits, and commensurate performance. The Group's remuneration to executive management consists of the Group's ordinary pension schemes (see Note 20 – Pensions) and no additional pension scheme for executive management is in place. There are severance clauses in each respective executive officer's employment agreements with varying terms based on termination for cause or not-for-cause.

For the year ended 31 December 2020, USD 175k was paid as severance to Jose Prado, who stepped down as the Group's CFO on 9 September 2020. For the year ended 31 December 2019, no extraordinary remuneration was made to executive officers attributed to change of employment or office.

Board of Directors' Statement on Remuneration of Executive Management

The Group's Board of Directors determines the principles applicable to the Group's policy for compensation of executive management and presented its statement on such principles for the 2020 financial year during the Group's Annual General Meeting ("AGM") in accordance with Section 6-16a of the Norwegian Public Limited Liability Companies Act.

Pursuant to Section 5-6 (3) of the Norwegian Public Limited Companies Act, the Group's AGM held a consultative vote over this statement. However, the guidelines related to share-based incentive schemes (see "Long-Term Incentive Program" below) was voted on and binding for the Group's Board of Directors (cf. Section 5-6 (3) of the Norwegian Public Limited Companies Act).

The following principles guide the determination of compensation and other incentive awards regarding the remuneration of the Group's executive management. The Group's remuneration policy seeks to promote growth, reward performance, and motivate executive management to maximize the creation of sustainable, long-term shareholder value.

Guidelines for Executive Management Compensation

Atlantic Sapphire's long-term goal is to transform the salmon farming industry and become a global leader in sustainable, high-quality protein production through innovation and the responsible implementation of land-based aquaculture technology. Executive management plays a critical role in achieving this goal.

The principles supporting the Group's remuneration policy are as follows:

- Offer executive compensation that is competitive, both on industry and national (USA) levels, to attract and retain top managerial talent.
- Emphasize a collaborative culture and a lean organizational structure.
- Provide incentives that foster the creation of sustainable, long term shareholder value.
- Ensure that the Group's executive management is aligned with key organizational goals.

Fixed Compensation

Fixed compensation comes in the form of base salaries paid to executive management and are intended to attract and retain talented individuals. It is set to reflect market standards, each executive's respective roles and responsibilities within the Group, as well as such person's experience as it relates to his or her position. Over time, Atlantic Sapphire expects the base salaries of executive management to be at or around the market median for comparable positions in the industry and in the USA.

The Group may pay above or below the market median for certain individuals for a variety of reasons, including, but not limited to, knowledge and skill, scarcity of qualified candidates, individual capabilities and contributions, time in the industry and organization, importance of the role to the Group overall and potential for future growth.

Variable Compensation

The Group offers a short-term annual cash incentive program plan designed to drive desired performance and business results throughout the Group. This program is based on predetermined goals and key performance indicators for each fiscal year with corresponding compensation awards determined at a "minimum", "target", or a "maximum" level. The program for 2020 was comprised of the following three performance areas: USA construction costs, biomass growth, and Denmark EBITDA. This program has a maximum payout for any senior executive at 12% of such individual's annual base salary.

Long-Term Incentive Program

The key objectives of Atlantic Sapphire's long-term incentive ("LTI") program are to align the interests of executive management, employees and shareholders and provide the Group's employees an opportunity to share in the value creation and long-term development of the Group.

The Group has a share option scheme that was approved by the Group's Annual General Meeting in 2017, which authorized up to 1,600,000 shares. In 2020, the Board of Directors approved issuance of 454,672 new share options to employees under the share option scheme, of which 316,672 of these options were part of the Group's new, annual long-term incentive program.

Individual LTI grants will be determined based on the Group's performance, comparable market practices and performance. At this time, the LTI grants provided by the Group include the following: 1) Share options granted at the five-day trading average as of the date of grant, and 2) Performance-based share options granted at a strike price of 30% above the five-day trading average as of the date of grant. All share options referenced above and granted under the LTI program are subject to a four-year vesting period and certain other requirements.

Retirement Benefits

The Group has a 401(k) plan, which is open to all employees after the first three months of employment. The Group will make a matching contribution on each employee's behalf equal to (1) 100% of such employee's contribution up to 3% of such employee's base salary, plus (2) 50% of the amount of such employee's contribution that exceeds 3% of base salary, up to 5% of the employee's base salary, for the calendar year. The 401(k) plan has no vesting requirements.

Severance Pay

The Group has individual employment agreements with executive management, which also provide for certain terms and conditions with respect to notice periods and severance pay should the Group terminate or request the resignation of the executive.

Benefits in Kind

In addition to fixed and variable compensation, members of executive management are provided with other benefits, such as a mobile phone, laptop, and a transportation reimbursement. Executive management also receive health, vision, and dental insurance, as well as short-term and long-term disability and life insurance. Other than health insurance, the total value of these benefits are de minimis and account only for a limited portion of each executive's total remuneration package.

NOTE 7 – AUDITOR'S FEES

For the years ended 31 December 2020 and 2019, remuneration to the Group's auditors, excluding VAT, consisted of the following:

(USD 1,000)	2020	2019
Statutory auditing services	273	156
Tax advisory services	9	2
Other services	2	30
Total auditor's fees	**284**	**188**

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

NOTE 8 – RENT AND LEASE AGREEMENTS

The Group leases certain land, offices, vehicles, and equipment under various lease agreements with lessors under *IFRS 16*, Leases in which the Group establishes a right-of-use asset and lease liability for material leases. The Group's leases do not contain variable lease payment terms.

For the years ended 31 December 2020 and 2019, total rent expense recognized under the short-term exemption under *IFRS 16* consisted of USD 1.2m and USD 605k, respectively, and is included as part of other operating expenses in the accompanying consolidated statements of operations.

For the years ended 31 December 2020 and 2019, the reconciliation of the Group's right-of-use asset and liability consisted of the following:

Year ended 31 December 2020 (USD 1,000)	Right-of-use asset	Lease liability
Carrying amount, opening balance	355	379
New contracts	3,083	3,093
Depreciation and amortization	(133)	-
Lease payments	-	(10)
Interest expense	-	74
Currency effects	32	37
Carrying amount, closing balance	**3,337**	**3,573**

Year ended 31 December 2019 (USD 1,000)	Right-of-use asset	Lease liability
Carrying amount, opening balance	-	-
Existing contracts recognized under *IFRS 16* practical expedient	373	373
Depreciation and amortization	(19)	-
Lease payments	-	(30)
Interest expense	-	33
Currency effects	1	3
Carrying amount, closing balance	**355**	**379**

For the years ended 31 December 2020 and 2019, depreciation of the Group's right-of-use assets was USD 133k and USD 19k, respectively, and is included as part of depreciation and amortization in the accompanying consolidated statements of operations. Lease liability interest expense for the years ended 31 December 2020 and 2019 was USD 74k and USD 33k, respectively, and is included as part of financial expense in the accompanying consolidated statements of operations.

Land Lease

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

Office Leases

For the year ended 31 December 2019, ASUS rented temporary office space from Platina Seafood, Inc., a related party, on a month-to-month basis (see Note 21 – Related Party Transactions).

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

ASUS continued to occupy Suite 510 and the Group allocated the total minimum lease payments of the lease contract between Suite 510 and Suite 2400 using the respective estimated standalone lease value of the two underlying components. ASUS applied the short-term exemption of *IFRS 16* on Suite 510 and for the years ended 31 December 2020 and 2019, recognized the allocated minimum lease payments as rent expense of approximately USD 368k USD 201k, respectively, as part of other operating expenses in the accompanying consolidated statements of operations. ASUS recognized the present value of the allocated minimum lease payments for Suite 2400 as a right-of-use asset and the related lease liability on the Suite 2400 commencement date of 23 September 2020.

For the years ended 31 December 2020 and 2019, total office lease expense was USD 467k and USD 394k, respectively, and the amounts are included as part of other operating expenses in the accompanying consolidated statements of operations.

Vehicle Leases

During the ordinary course of business, the Group leases certain vehicles under lease agreements with third parties to facilitate operations. During the year ended 31 December 2020, ASDK recognized the present value of the allocated minimum lease payments towards a forklift as a right-of-use asset and the related lease liability. All other vehicle rent is included as part of other operating expenses in the accompanying consolidated statements of operations as the Group considers the overall potential right-of-use assets and lease liabilities associated with vehicles to have a marginal effect on the consolidated financial statements as a whole. For the years ended 31 December 2020 and 2019, total vehicle lease expense was USD 13k and USD 10k, respectively, and the amounts are included as part of other operating expenses in the accompanying consolidated statements of operations.

Equipment Leases

During the ordinary course of business, the Group leases certain equipment under lease agreements with third parties to facilitate operations. During the year ended 31 December 2020, ASDK recognized the present value of the allocated minimum lease payments towards its automated feed system as a right-of-use asset and the related lease liability. All other equipment rent is included as part of other operating expenses in the accompanying consolidated statements of operations as the Group considers the overall potential right-of-use assets and lease liabilities associated with equipment to have a marginal effect on the consolidated financial statements as a whole. For the years ended 31 December 2020 and 2019, total equipment lease expense was USD 367k and USD 210k, respectively, and the amounts are included as part of other operating expenses in the accompanying consolidated statements of operations.

Future Lease Payments

As of 31 December 2020 and 2019, the Group's future lease payments under non-cancellable leases consisted of the following:

(USD 1,000)	Land	Office	Vehicles	Equipment	Total
As of 31 December 2020					
Less than one year	35	429	20	213	697
Between one and five years	163	1,845	64	311	2,383
More than five years	763	987	-	-	1,750
Total future lease payments	**961**	**3,261**	**84**	**524**	**4,830**
As of 31 December 2019					
Less than one year	30	315	10	112	467
Between one and five years	141	2,272	-	-	2,413
More than five years	738	666	-	-	1,404
Total future lease payments	**909**	**3,253**	**10**	**112**	**4,284**

NOTE 9 – PROPERTY, PLANT, AND EQUIPMENT

As of 31 December 2020 and 2019, the Group's property, plant, and equipment, net consisted of the following:

(USD 1,000)	Land	Buildings	Production, plant, and machinery	Equipment and other movables	Software	Assets under construction	Total
At 1 January 2020							
Cost	8,714	15,218	22,840	1,019	180	167,070	215,041
Less: accumulated depreciation	-	(1,317)	(3,746)	(362)	-	-	(5,425)
Net book amount	**8,714**	**13,901**	**19,094**	**657**	**180**	**167,070**	**209,616**
Year ended 31 December 2020							
Opening net book amount	8,714	13,901	19,094	657	180	167,070	209,616
Additions	-	-	-	223	382	53,950	54,555
Reclassifications	-	118,109	60,042	115	-	(178,266)	-
Disposals	-	-	(341)	-	-	-	(341)
Depreciation charge	-	(3,666)	(6,054)	(203)	(62)	-	(9,985)
Reversed depreciation	-	-	62	-	-	-	62
Net exchange rate differences	-	1,314	1,782	22	(1)	56	3,173
Closing net book amount	**8,714**	**129,658**	**74,585**	**814**	**499**	**42,810**	**257,080**
At 31 December 2020							
Cost	8,714	134,641	84,323	1,379	561	42,810	272,428
Less: accumulated depreciation	-	(4,983)	(9,738)	(565)	(62)	-	(15,348)
Net book amount	**8,714**	**129,658**	**74,585**	**814**	**499**	**42,810**	**257,080**

(USD 1,000)	Land	Buildings	Production, plant, and machinery	Equipment and other movables	Software	Assets under construction	Total
At 1 January 2019							
Cost	3,691	10,251	21,677	702	-	93,272	129,593
Less: accumulated depreciation	-	(715)	(2,368)	(210)	-	-	(3,293)
Net book amount	**3,691**	**9,536**	**19,309**	**492**	**-**	**93,272**	**126,300**
Year ended 31 December 2019							
Opening net book amount	3,691	9,536	19,309	492	-	93,272	126,300
Additions	5,023	-	-	323	180	80,631	86,157
Reclassifications	-	5,176	1,624	14	-	(6,814)	-
Disposals	-	(30)	(83)	(16)	-	(12)	(141)
Depreciation charge	-	(631)	(1,475)	(161)	-	-	(2,267)
Reversed depreciation	-	29	97	9	-	-	135
Net exchange rate differences	-	(179)	(378)	(4)	-	(7)	(568)
Closing net book amount	**8,714**	**13,901**	**19,094**	**657**	**180**	**167,070**	**209,616**
At 31 December 2019							
Cost	8,714	15,218	22,840	1,019	180	167,070	215,041
Less: accumulated depreciation	-	(1,317)	(3,746)	(362)	-	-	(5,425)
Net book amount	**8,714**	**13,901**	**19,094**	**657**	**180**	**167,070**	**209,616**
Economic life	(Non-depreciable)	15-25 years	10-15 years	3-7 years	3 Years	(Not in service)	
Depreciation plan	(Non-depreciable)	20 Years	15 Years	5 Years	3 Years	(Not in service)	

Debt Secured by Borrowings

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

Depreciation Expense

For the years ended 31 December 2020 and 2019, the Group's depreciation and amortization consisted of the following:

(USD 1,000)	2020	2019
Fixed asset depreciation and amortization	9,846	2,267
Right of use depreciation	153	19
Changes in biomass	(3,254)	-
Depreciation and amortization	**6,745**	**2,286**

The depreciation and amortization expense on the Group's accompanying consolidated statements of operations is presented net of depreciation attributed to changes in in biomass.

Capitalized Financial Expenses

Under *IAS 23*, *Borrowing Costs*, the Group capitalizes financial expenses directly attributable to the acquisition, construction, and production as part of the qualifying asset's cost basis. A 'qualifying asset' is one that takes a substantial period to complete and place in service. For the years ended 31 December 2020 and 2019, the Group included USD 4.5m and USD 3.1m of capitalized borrowing costs consisting of interest, commitment fees, and debt issuance cost amortisation, as part of the Group's property, plant, and equipment in the accompanying consolidated statements of financial condition.

Upon amending the USA Term Loan under the 2020 DNB Credit Facility, ASUS wrote off remaining debt issuance costs of USD 8.2m in accordance with *IFRS 9*, *Financial Instruments* as part of finance expense in the accompanying consolidated statements of operations and no further debt issuance costs were capitalized as part of the Group's property, plant, and equipment for the remainder of 2020 (see Note 19 – Borrowings).

Contractual Commitments

The Group has built, or is in the process of building, Bluehouse facilities in Hvide Sande, Denmark and in Homestead, Florida, USA. As of 31 December 2020 and 2019, significant capital expenditures contracted for at the end of the reporting periods, but not recognized as liabilities, were as follows:

(USD 1,000)	2020	2019
Property, plant, and equipment in Hvide Sande, Denmark	812	-
Property, plant, and equipment in Homestead, Florida, USA	6,594	12,375
Total contractual commitments	**7,406**	**12,375**

NOTE 10 – FINANCIAL INCOME AND EXPENSE

For the years ended 31 December 2020 and 2019, financial income and expense, net consisted of the following:

(USD 1,000)	2020	2019
Interest income	33	456
Exchange gains	71	2,030
Interest expense	(145)	(164)
Exchange losses	785	(1,445)
Loan commitment fees	(1,115)	(540)
Debt issuance costs (amortisation)	(8,196)	-
Loan guarantee fees	-	(10)
Other financial expense	(31)	(25)
Total financial (expense) income, net	**(8,598)**	**302**

During the year ended 31 December 2019, ASUS incurred USD 3.1m in debt issuance costs in connection to the USA Term Loan. Such amounts were previously amortised over the life of the USA Term Loan and capitalized towards the Group's property, plant, and equipment (see Note 9 – Property, Plant, and Equipment). Total unamortized debt issuance costs as of 31 December 2019 were USD 2.6m and are presented against its respective portion of short-term and long-term borrowings.

On 21 April 2020, total unamortized debt issuance costs presented against borrowings were USD 2.4m. Upon amending the USA Term Loan under the 2020 DNB Credit Facility, ASUS incurred USD 5.8m in new debt issuance costs (See Note 19 – Borrowings). In accordance with *IFRS 9, Financial Instruments,* the previously unamortized debt issuance costs of USD 2.4m and USD 5.8m in new debt issuance costs were recognized as part of finance expense in the accompanying consolidated statements of operations.

NOTE 11 – TAXES

For the years ended 31 December 2020 and 2019, the Group's income tax expense consisted of the following:

(USD 1,000)	2020	2019
Income tax expense		
Current tax	-	-
Deferred tax	-	-
Income tax expense (benefit)	**-**	**-**
Current tax on profits for the year	-	-
Current tax	**-**	**-**
Deferred tax due to changes in temporary differences	(15,263)	(2,893)
Tax losses for which no deferred tax asset is recognized	15,263	2,893
Deferred tax	**-**	**-**
Effective tax rate	0.00%	0.00%

For the years ended 31 December 2020 and 2019, the reconciliation of the Group's tax expense with the Norwegian tax rate consisted of the following:

(USD 1,000)	2020	2019
Reconciliation of tax expense with the nominal tax rate		
(Loss) profit before tax	(55,193)	(13,152)
Nominal tax rate	22.00%	22.00%
Expected tax benefit using nominal tax rate	**(12,142)**	**(2,893)**
Amount recognized directly in equity, affecting tax losses not recognized	-	(934)
Non-deductible expenses (income)	(625)	83
Effect from different tax rate in other countries	(1,508)	(348)
Tax losses for which no deferred tax asset is recognized	14,200	4,018
Non-deductible share-based payment expenses	75	63
Other	-	11
Income tax benefit	**-**	**-**

Changes in Tax Rate

The nominal tax rate in Norway remained at 22% in 2020 and 2021.

As of 31 December 2020 and 2019, the Group's deferred tax balances consisted of the following:

(USD 1,000)	2020	2019
Deferred tax balances		
The balance comprises temporary differences attributable to:		
Deferred tax assets:		
Tax losses	36,157	11,614
Property, plant, and equipment	82	(721)
Other	2,570	89
Set-off tax	(12,673)	(109)
Net deferred tax assets after set-off	**26,136**	**10,873**
Unrecognized deferred tax assets	(26,136)	(10,873)
Net deferred tax assets	-	-
Deferred tax liabilities:		
Property, plant, and equipment	12,673	109
Set-off tax	(12,673)	(109)
Net deferred tax liabilities	-	-

As of 31 December 2020 and 2019, the Group's carry forward of tax losses consisted of the following:

(USD 1,000)	2020	2019
Tax losses carried forward		
Expires (2033 and forward)	4,320	4,320
Never expires	153,588	44,820
Total tax losses carried forward	**157,908**	**49,140**
Tax losses for which deferred tax asset is recognized	-	-
Tax losses for which no deferred tax asset is recognized	**157,908**	**49,140**
Potential tax benefit	**36,157**	**11,636**

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.

For the years ended 31 December 2020 and 2019, the Group's earnings per share consisted of the following:

(USD 1,000)	2020	2019
Loss attributable to the ordinary equity holders of the Group	(55,193,000)	(13,152,000)
Loss for calculation of diluted earnings per share	(55,193,000)	(13,152,000)
Average number of shares outstanding used for calculation of earnings per share	74,281,917	68,186,548
Options*	-	-
Average number of ordinary shares and potential ordinary shares for diluted earnings per share	**74,281,917**	**68,186,548**
Basic earnings per share (USD per share)	(0.74)	(0.19)
Diluted earnings per share (USD per share)	(0.74)	(0.19)

* The options that would result in issue of 164,909 ordinary shares in 2020 (914,652 ordinary shares in 2019) are not included in the calculation of diluted earnings per share because they are anti-dilutive and would decrease loss per share.

NOTE 13 – FINANCIAL INSTRUMENTS

As of 31 December 2020 and 2019, the Group's financial instruments consisted of the following:

Financial assets (USD 1,000)	Amortized cost	Fair value through OCI	Total
As of 31 December 2020			
Trade and other receivables*	1,899	-	1,899
Cash	28,523	-	28,523
Restricted cash (short-term)	386	-	386
Other investments	-	7	7
Total financial assets	**30,808**	**7**	**30,815**
As of 31 December 2019			
Trade and other receivables*	1,187	-	1,187
Cash	9,147	-	9,147
Restricted cash (short-term)	324	-	324
Restricted cash (long-term)	15,000	-	15,000
Other investments	-	11	11
Total financial assets	**25,658**	**11**	**25,669**

* Prepayments not included in trade and other receivables.

Financial liabilities (USD 1,000)	Amortized cost	Fair value through OCI	Total
As of 31 December 2020			
Trade and other payables*	10,771	-	10,771
Borrowings	51,156	-	51,156
Total financial liabilities	**61,927**	**-**	**61,927**
As of 31 December 2019			
Trade and other payables*	16,420	-	16,420
Borrowings	27,398	-	27,398
Total financial liabilities	**43,818**	**-**	**43,818**

* Prepayments are not included in trade and other payables.

Cash and restricted cash (USD 1,000)	2020	2019
A+ or better	28,909	24,471

NOTE 14 – TRADE AND OTHER RECEIVABLES

As of 31 December 2020 and 2019, the Group's trade and other receivables consisted of the following:

(USD 1,000)	2020	2019
Trade receivables	1,776	1,031
Other current receivables	93	39
Other non-current receivables	30	117
Total trade and other receivables	**1,899**	**1,187**

As of 31 December 2020 and 2019, the Group's trade and other receivables were due within one year and considered fully collectible. Accordingly, the fair value of the Group's trade and other receivables was equal to nominal value, no material bad debt was recognized for the years then ended, and management did not consider a provision for uncollectible accounts necessary.

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

As of 31 December 2020 and 2019, the Group's trade and other receivables, specified by currencies, consisted of the following:

(USD 1,000)	2020	2019
NOK	5	5
DKK	266	292
EUR	405	147
USD	1,223	670
Other	-	73
Total trade and other receivables	**1,899**	**1,187**

NOTE 15 – INVENTORIES

As of 31 December 2020 and 2019, the Group's inventories consisted of the following:

(USD 1,000)	2020	2019
Raw materials	691	543
Spare parts inventory	688	-
Finished goods inventory	1,334	2,759
Total inventories	**2,713**	**3,302**

The Group's inventory consists primarily of raw materials, spare parts, and finished products. Raw materials comprise mainly of feed for smolt and marine-phase fish production, and raw materials used towards processing. Spare parts comprise of consumables to be used at a future date through operations. Finished goods inventory comprise of all salmon products ready for sale which include fresh head-on-gutted salmon, processed salmon products, and frozen salmon products.

For the year ended 31 December 2020, the Group recognized a USD 1.6m write-off of its frozen finished goods inventory. No inventory write-offs were made for the year ended 31 December 2019.

NOTE 16 – CASH AND RESTRICTED CASH

As of 31 December 2020 and 2019, the Group's cash consisted of USD 28.5m and USD 9.1m, respectively.

As of 31 December 2020 and 2019, the Group's restricted cash consisted of the following:

(USD 1,000)	2020	2019
Restricted cash (long-term)	-	15,000
Restricted cash (short-term)	386	324
Total restricted cash	**386**	**15,324**

The Group's long-term restricted cash was obtained in connection with the 2019 DNB Credit Facility and subsequently released to the Group upon signing of the 2020 DNB Credit Facility (see Note 19 – Borrowings).

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

NOTE 17 – SHARE CAPITAL AND SHAREHOLDERS

Atlantic Sapphire ASA has one class of shares that confer the same rights in the Group. As of 31 December 2020 and 2019, the Group's share capital consisted of the following:

(USD 1,000)	2020	2019
Total number of shares as of 01 January	71,276,100	62,502,716
Shares issued during the year	9,387,451	8,773,384
Total number of shares as of 31 December	**80,663,551**	**71,276,100**
Nominal value as of 31 December (NOK)	0.10	0.10
Share capital (total number of shares at nominal value) (NOK 1,000)	**8,066**	**7,128**
Share capital (total number of shares at nominal value) (USD 1,000)	**917**	**818**

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

On 10 September 2020, the Group completed a capital raise of NOK 905.5m (USD 100.4m), issuing 8,877,451 new shares and bringing the total shares outstanding to 80,153,551, each with par value of NOK 0.1.

For the year ended 31 December 2020, 510,000 shares were issued related to the Group's employee share option program, bringing the total shares outstanding to 80,663,551, each with par value of NOK 0.1.

For the years ended 31 December 2020 and 2019, transaction costs arising on share issues amounted to USD 3.5m and USD 4.2m, respectively. Such amounts are net against the Group's share premium balance in the accompanying consolidated statements of financial condition.

As of 31 December 2020 and 2019, the Group's total number of shares issued and outstanding consisted of the following:

	2020		2019	
Shareholder	Number of shares	% of shares	Number of shares	% of shares
Alsco AS	9,699,540	12.02%	9,459,849	13.27%
Vatne Equity AS	4,552,778	5.64%	3,300,000	4.63%
The Bank of New York Mellon	4,360,478	5.41%	503,654	0.71%
Skagen Kon-Tiki Verdipapirfond	4,224,465	5.24%	5,000,350	7.02%
State Street Bank and Trust Comp	3,248,663	4.03%	1,715,808	2.41%
Morgan Stanley & Co. Int. Plc.	3,174,756	3.94%	1,984,049	2.78%
Citibank, N.A.	2,206,896	2.74%	2,267,537	3.18%
U.S. Bank National Association	2,008,733	2.49%	2,583,675	3.62%
Joh Johannson Eiendom AS	1,509,598	1.87%	1,340,926	1.88%
The Northern Trust Comp, London Branch	1,400,000	1.74%	316,706	0.44%
Verdipapirfondet Norge Selektiv	1,375,850	1.71%	1,534,167	2.15%
J.P. Morgan Bank Luxembourg S.A.	1,319,921	1.64%	101,750	0.14%
Pershing LLC	1,270,809	1.58%	411,035	0.58%
Lani Invest AS	1,197,997	1.49%	1,000,000	1.40%
JEA Invest AS	1,073,770	1.33%	1,057,270	1.48%
UBS Switzerland AG	1,054,968	1.31%	1,077,441	1.51%
Goldman Sachs & Co. LLC	1,049,721	1.30%	356,400	0.50%
Norron Sicav - Target	1,033,945	1.28%	856,640	1.20%
Verdipapirfondet DNB Norge	975,902	1.21%	1,303,387	1.83%
Verdipapirfondet DNB SNB	963,333	1.19%	740,274	1.04%
Total number of shares attributed to the 20 largest shareholders	**47,702,123**	**59.14%**	**36,910,918**	**51.79%**
Total number of shares attributed to other shareholders	32,961,428	40.86%	34,365,182	48.21%
Total number of shares issued and outstanding	**80,663,551**	**100.00%**	**71,276,100**	**100.00%**

As of 31 December 2020 and 2019, shares directly or indirectly held by members of the Board of Directors, Chief Executive Officer, and Executive Management consisted of the following:

	2020		2019	
Name and title	Number of shares	% of shares	Number of shares	% of shares
Johan E. Andreassen, Chairman of the Board and CEO	5,923,540	7.34%	5,787,195	8.12%
Bjørn-Vegard Løvik, Chair of the Nomination Committee	4,849,770	6.01%	4,729,925	6.64%
Runar Vatne, Member of the Board	4,552,778	5.64%	3,300,000	4.63%
Alexander Reus, Member of the Board	1,601,051	1.98%	1,323,351	1.86%
Andre Skarbø, Member of the Board	812,206	1.01%	691,479	0.97%
Thue Holm, CTO	694,699	0.86%	669,669	0.94%
Jose Prado, CFO (As of September 9, 2020 Step-Down Date)	320,570	0.40%	320,570	0.45%
Svein Taklo, CDIO	13,558	0.02%	4,000	0.01%
Dharma Rajeswaran, COO	11,270	0.01%	10,000	0.01%
Karl Øystein Øyehaug, Interim CFO and Managing Director	9,405	0.01%	5,405	0.01%
Patrice Flanagan, Member of the Board	4,000	0.00%	4,000	0.01%
Tone Bjørnov, Member of the Board	3,750	0.00%	-	0.00%
Cristina Espejo, Chief People Officer	1,300	0.00%	1,300	0.00%
Danielle Villoch, Chief Legal Officer	487	0.00%	-	0.00%

NOTE 18 – SHARE OPTION PROGRAM

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

As of 31 December 2020 and 2019, the Program included up to 683,438 and 809,000 shares, respectively, with a term between 3 and 4 years as follows:

	2020		2019	
	Weighted average exercise price (NOK)	Number of shares	Weighted average exercise price (NOK)	Number of shares
Outstanding at 1 January	36.89	809,000	21.69	1,036,520
Granted during the year	149.40	408,126	101.14	81,000
Forfeited during the year	48.23	(23,688)	-	-
Exercised during the year	28.00	(510,000)	2.70	(308,520)
Outstanding at 31 December	111.98	**683,438**	36.89	**809,000**

The exercise price of options outstanding as of 31 December 2020 ranged between NOK 28 and NOK 176 and their weighted average contractual life was 4.5 years. The exercise price of options outstanding as of 31 December 2019 ranged between NOK 28 and NOK 104 and their weighted average contractual life was 4.5 years.

As of 31 December 2020 and 2019, the total number of options outstanding that had vested and were exercisable were 164,909 and 595,750, respectively.

As of 31 December 2020 and 2019, the weighted average fair value of each option granted during the year was NOK 149.40 (USD 15.91) and NOK 101.14 (USD 11.20), respectively.

The following information is relevant in the determination of the fair value of options granted for the years ended 31 December 2020 and 2019:

(USD 1,000)	2020	2019
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price at grant date (NOK)	134.60	124.50
Exercise price (NOK)	109.34	99.62
Weighted average contractual life (days)	1,646	1,646
Expected volatility	31.20%	31.20%
Expected dividend growth rate	0.00%	0.00%
Risk-free interest rate	1.26%	1.30%

NOTE 19 – BORROWINGS

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

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

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

On 18 April 2020, ASUS obtained a two-year loan payable to PNC Bank, National Association (“PNC”) under the Paycheck Protection Program (the “Program”) as part of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act passed in March 2020 (the “PPP Loan”). Payment on the PPP Loan is deferred for the first six months at which point the unforgiven outstanding principal under the Program is payable upon maturity on 18 April 2022.

The 2019 DNB Credit Facility was amended during the year ended 31 December 2020 (the “2020 DNB Credit Facility”). On 21 April 2020, the 2019 DNB Credit Facility was amended to increase the total credit facility from USD 86m to USD 210m with a maturity date of 23 April 2023. The amendment increased the USA Term Loan from USD 54m to USD 70m to fund the ongoing construction of USA Phase 1 of the Miami Bluehouse, granted the Group with a delayed draw term loan in an aggregate amount of up to USD 110m to fund the construction of USA Phase 2, and increased the USA RCF from USD 11m to USD 26m. On 27 August 2020, USD 30m of the USD 110m USA Phase 2 delayed draw term loans were converted and drawn as a short-term facility. On 9 September 2020, the existing USA RCF was reduced from USD 26m to USD 16m. Following the 10 September 2020 equity raise, the USD 30m short-term facility was paid off and USD 20m of the USA Term Loan was paid down to USD 50m. On 23 December 2020, the 2020 DNB Credit Facility was labeled as “Green”. As of 31 December 2020, the amended 2020 DNB Credit Facility consisted of the USD 50m USA Term Loan, USD 16m USA RCF, USD 4m DK RCF, and USD 80m in delayed draw term loans.

The USA Term Loan called for a cash reserve requirement of USD 15m in connection with the amounts drawn and was released to the Group upon signing of the 2020 DNB Credit Facility.

Subsequent to 31 December 2020, the Group’s 2020 DNB Credit Facility was amended (see Note 23 – Subsequent Events).

As of 31 December 2020 and 2019, the Group's borrowings consisted of the following:

(USD 1,000)	2020	2019
ASUS has an amended USD 50m term loan with DNB (the "USA Term Loan"). The USA Term Loan bears an amended interest rate of LIBOR plus 4.5% and the maturity date was amended to 23 April 2023. USD 50m was drawn on the USA Term Loan as of 31 December 2020.	50,000	27,398
ASUS has an amended three-year USD 16m revolving credit facility commitment with DNB (the "USA RCF"). The USA RCF will finance ASUS' working capital requirements, and no funds were drawn as of 31 December 2020.	-	-
ASDK has a three-year USD 4m revolving credit facility commitment with DNB (the "DK RCF"). The DK RCF will finance ASDK's working capital requirements, and no funds were drawn as of 31 December 2020.	-	-
ASUS has a two-year loan payable (the "PPP Loan") to PNC Bank, National Association ("PNC"). The PPP Loan was obtained on April 2020 under the Paycheck Protection Program (the "Program") as part of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act passed in March 2020. The PPP Loan bears an interest rate of 1% and matures on April 2022. Payment is deferred for the first six months at which point the outstanding principal of the PPP Loan that is not unforgiven under the Program is payable to the maturity date.	1,156	-
ASDK had a loan with Jyske Bank (the "Jyske Loan"). The Jyske Loan bore interest at a rate of 4.75% and was paid off in 2019 following the closing of the 2019 DNB Credit Facility.	-	-
ASSF had two mortgages payable to Florida Federal Land Bank Association (the "FFLBA Mortgages"). The FFLBA Mortgages bore an interest rate of 6.25% and were paid off in 2019 following the closing of the 2019 DNB Credit Facility.	-	-
Total borrowings	**51,156**	**27,398**
Less: current portion of borrowings	-	79
Long-term portion of borrowings	**51,156**	**27,319**

The following are the remaining contractual maturities on the Group's borrowings as of 31 December 2020 and 2019:

(USD 1,000)	2020	2019
Up to 3 months	586	645
Between 3 and 12 months	1,789	2,535
Between 1 and 2 years	3,531	9,496
Between 2 and 5 years	50,781	23,222
Over 5 years	-	2,145
Total	**56,687**	**38,043**

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

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

On 21 April 2020, total unamortized debt issuance costs presented against borrowings were USD 2.4m. Upon amending the USA Term Loan under the 2020 DNB Credit Facility, ASUS incurred USD 5.8m in new debt issuance costs. In accordance with *IFRS 9*, *Financial Instruments*, the previously unamortized debt issuance costs of USD 2.4m and USD 5.8m in new debt issuance costs were recognized as part of finance expense in the accompanying consolidated statements of operations.

The 2020 DNB Credit Facility is secured by substantially all Group's assets, which includes existing and after-acquired personal and real property held, the equity interest held by the Borrowers and the Guarantors in their respective subsidiaries, certain receivables, and certain bank accounts perfected under First Priority security. EKF partially guaranteed the USA Term Loan subject to the provisions of the 2019 DNB Credit Facility.

The provisions of the 2020 DNB Credit Facility require, among other things, certain financial performance covenants to be maintained as defined in the agreements. This includes certain covenants that limit the Group's ability to, among other things, grant liens, incur additional indebtedness, make acquisitions or investments, dispose of certain assets, make dividends and distributions, change the nature of their businesses, enter certain transactions with affiliates, or amend the terms of material indebtedness. As of 31 December 2020, the Group was in compliance with all financial covenants.

For the years ended 31 December 2020 and 2019, the Group's cash flows from financing activities related to borrowings and equity consisted of the following:

	Liabilities	Equity					
(USD 1,000)	Borrowings	Share capital	Share premium	Employee stock options	Accumulated deficit	Accumulated other comprehensive loss	Total
Balance at 1 January 2020	27,398	818	236,819	1,060	(27,432)	(2,586)	236,077
Changes from financing cash flows							
Proceeds from issuance of capital	-	99	98,518	955	-	-	99,572
Proceeds from borrowings	89,404	-	-	-	-	-	89,404
Payments towards borrowings	(74,001)	-	-	-	-	-	(74,001)
Total changes from financing cash flows	**42,801**	**917**	**335,337**	**2,015**	**(27,432)**	**(2,586)**	**351,052**
Other changes							
Effects of exchange rate on cash	-	-	-	-	-	2,401	2,401
Interest paid	-	-	-	-	(2,058)	-	(2,058)
Write-down of debt issuance costs	8,355	-	-	-	-	-	8,355
Net loss	-	-	-	-	(53,135)	-	(53,135)
Balance at 31 December 2020	**51,156**	**917**	**335,337**	**2,015**	**(82,625)**	**(185)**	**306,615**

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

NOTE 20 – PENSIONS

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

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

For the years ended 31 December 2020 and 2019, the Group's total pension cost consisted of USD 411k and USD 202k, respectively, and are included as part of salary and personnel costs in the accompanying consolidated statements of operations.

NOTE 21 – RELATED PARTY TRANSACTIONS

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

During the ordinary course of business, Langsand Processing AS ("LPAS"), a related party, provides harvesting services for ASDK. Although the Group holds a minority ownership interest in LPAS, the Group does not hold control over LPAS for consolidation purposes. For the years ended 31 December 2020 and 2019, ASDK incurred harvesting costs of USD 544k and USD 719k, respectively. Such amounts are included as part of cost of materials in the accompanying consolidated statements of operations.

During the ordinary course of business, the Group sells salmon products to Platina Seafood, Inc. ("Platina"), an entity under majority ownership by Johan E. Andreassen, the Group's Chairman of the Board and CEO. For the years ended 31 December 2020 and 2019, the Group sold USD 925k and USD 410k, respectively, of salmon products to Platina.

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

The Group held a non-exclusive commercial relationship with Platina for sales and distribution services. In exchange, Platina receives a sales commission equal to 7% of gross revenue earned on sales of salmon purchased from the Group. For the years ended 31 December 2020 and 2019, total commissions earned and paid to Platina were USD 26k and USD 137k, respectively, and the amounts are recognized against the Group's revenue in the accompanying consolidated statements of operations.

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

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

NOTE 22 – CONTINGENCIES AND LEGAL CLAIMS

The Group was not aware of any material pending or threatening legal disputes or claims against the Group as of 31 December 2020.

NOTE 23 – SUBSEQUENT EVENTS

The Group has evaluated subsequent events from 31 December 2020 through the date in which the consolidated financial statements were issued.

On 28 January 2021, the Group's 2020 DNB Credit Facility was amended to increase the total credit facility from USD 150m to USD 200m comprising of the existing USD 50m USA Term Loan, USD 16m USA RCF, USD 4m DK RCF, USD 32m committed term loan for Phase 2 capital expenditures, and a USD 98m uncommitted accordion facility on the same terms and conditions as the Group's committed term loans. Further, the Group syndicated a portion of its existing credit facility to Farm Credit of Florida, ACA as part of its strategy to increase its access to lenders. The senior secured debt facility is labelled "Green" in line with the criteria listed in the Group's Green Finance Framework, where the Group has received a second party opinion from CICERO Shades of Green, giving the framework a Medium Green score and confirming its alignment with the LMA/LSTA Green Loan Principles.

On 23 March 2021, ASUS had an incident in one of its grow-out systems at the Miami Bluehouse that resulted in approximately 500 tons HOG of fish with an average weight of 1 kg lost, which represents an equivalent of approximately 5% of annualized USA Phase 1 harvest volumes at steady-state production. Other independent systems in the Miami Bluehouse were unaffected. ASUS does not believe the incident will affect the continuity of supply to customers. The value of the biomass represented by the affected fish was insured. While ASUS is currently in the process of assessing the complete financial impact of the event, preliminary estimates project current losses net of insurance proceeds of USD 3.5m. Prior to this incident, ASUS had identified a center drain design issue with all USA Phase 1 grow-out systems. Although work had commenced to rectify the issue prior to this incident, the affected system had not yet been modified. In addition, among other risk-mitigating initiatives, ASUS is in the process of splitting each of its six independent USA Phase 1 grow-out systems into twelve. Currently, four out of six systems have been split.

ASA Financial Statements

ATLANTIC SAPPHIRE ASA
STATEMENTS OF OPERATIONS
YEARS ENDED 31 DECEMBER 2020 AND 2019

(NOK 1,000)	Note	2020	2019
Management fee revenue	8	10,070	5,150
Expenses			
Other operating expenses	2	10,903	4,563
Salary and personnel costs	2	7,108	5,697
Total expenses		**18,011**	**10,260**
Operating loss		**(7,941)**	**(5,110)**
Financial income	3,8	40,073	42,898
Financial expense	3	(40,208)	(21,650)
(Loss) income before income tax benefit		**(8,076)**	**16,138**
Income tax expense	5	-	-
Net (loss) income		**(8,076)**	**16,138**
Allocation to controlling interest		(8,076)	16,138
Application and allocation			
To retained earnings	6	(8,076)	16,138
Total application and allocation		**(8,076)**	**16,138**

Accompanying notes are an integral part of the financial statements.

ATLANTIC SAPPHIRE ASA
STATEMENTS OF FINANCIAL POSITION
31 DECEMBER 2020 AND 2019

(NOK 1,000)	Note	2020	2019
ASSETS			
Non-current assets			
Investment in subsidiaries	4,11	1,899,893	1,781,909
Due from related parties (long-term)	8	955,449	284,379
Other investments		-	40
Trade and other receivables (long-term)		22	22
Total non-current assets		**2,855,364**	**2,066,350**
Current assets			
Due from related parties (short-term)	8	11,749	5,150
Trade and other receivables (short-term)		542	25
Cash	7	138,731	39,795
Total current assets		**151,022**	**44,970**
TOTAL ASSETS		**3,006,386**	**2,111,320**
EQUITY AND LIABILITIES			
Equity			
Share capital	6,9	8,066	7,128
Share premium	6,9	2,950,828	2,063,814
Employee stock options	6,9	17,761	-
Retained earnings	6	28,356	36,432
Total equity		**3,005,011**	**2,107,374**
Current liabilities			
Trade payables		174	327
Other current payables and liabilities		1,201	3,619
Total current liabilities		**1,375**	**3,946**
Total liabilities		**1,375**	**3,946**
TOTAL EQUITY AND LIABILITIES		**3,006,386**	**2,111,320**

Accompanying notes are an integral part of the financial statements.

ATLANTIC SAPPHIRE ASA
STATEMENTS OF CASH FLOWS
31 DECEMBER 2020 AND 2019

(NOK 1,000)	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) income		(8,076)	16,138
Changes in operating assets and liabilities			
Trade and other receivables		(517)	(936)
Trade and other payables		(153)	(86)
Other liabilities		(2,418)	3,028
Net (used in) provided by operating activities		**(11,164)**	**18,144**
CASH FLOWS FROM INVESTING ACTIVITIES			
Contributions towards investment in subsidiaries	4	(100,223)	(740,237)
Proceeds from other investments		40	-
Loans to subsidiaries	8	(677,669)	(66,842)
Net cash used in investing activities		**(777,852)**	**(807,079)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital	6	887,952	746,651
Net cash provided by financing activities		**887,952**	**746,651**
Net increase (decrease) in cash and restricted cash		98,936	(42,284)
Cash and restricted cash at beginning of year		39,795	82,079
Cash and restricted cash at end of year		**138,731**	**39,795**

Accompanying notes are an integral part of the financial statements.

Vikebukt, 14 April 2021

Johan E. Andreassen
Chairman

Alexander Reus
Director

André Skarbø
Director

Ellen Marie Sætre
Director

Patrice Flanagan
Director

Runar Vatne
Director

Tone Bjørnov
Director

Karl Øystein Øyehaug
Managing Director of ASA

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

Atlantic Sapphire ASA ("ASA") is a Norwegian company headquartered in Vikebukt, Norway and listed on the Oslo Stock Exchange with the ticker symbol ASA. ASA owns the following subsidiaries (collectively, the "Group"):

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

The Group owns and operates land-based Atlantic salmon farms in Hvide Sande, Denmark (the "Denmark Bluehouse" facility) and Homestead, Florida, USA (the "Miami Bluehouse" facility). A Bluehouse™ facility (the "Bluehouse") is proprietary production technology developed by the Group in collaboration with a wide range of supply chain partners to optimize growing conditions for Atlantic salmon. Each Bluehouse contains the facilities needed for a salmon's full growth cycle, from egg hatchery to grow-out tanks to harvest processing. Consolidated operations enable the Group to control the entire production cycle without having to transport salmon to and from ocean based net pens. The Denmark Bluehouse and the Miami Bluehouse have annual production capacities of approximately 2,400 tons HOG[1] and 9,500 tons HOG, respectively.

Basis for Preparation of the Annual Accounts

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

Foreign Currency

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

Revenue Recognition

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

Use of Estimates and Judgements

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

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

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.

Taxes

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

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

Subsidiaries

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

Classification of Current vs. Non-Current Items

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

Cash and Restricted Cash

Cash includes cash on hand and bank deposits. Restricted cash is not available for immediate or general business use and is presented as part of cash balances as the amounts are not material to ASA's financial statements as a whole. Cash equivalents consist of short-term investments that can be converted into a known amount in cash within three months and contain an insignificant risk element. ASA did not hold any cash equivalents as of 31 December 2020 and 2019.

Trade and Other Receivables

Trade receivables are initially recognized at amortized cost, less a provision for expected credit losses. Credit loss provisions are based on individual customer assessments over each reporting period and not on a 12-month period. As of 31 December 2020 and 2019, management did not consider a provision for doubtful accounts or impairment necessary.

Statements of Cash Flows

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

NOTE 2 – OPERATING EXPENSES

Salary and Personnel Costs

For the years ended 31 December 2020 and 2019, ASA's salary and personnel costs consisted of the following:

(NOK 1,000)	2020	2019
Salary	6,558	2,470
Employer's national insurance contribution	534	3,184
Pension costs	2	26
Other personnel expenses	14	17
Total salary and personnel costs	**7,108**	**5,697**

For the years ended 31 December 2020 and 2019, ASA employed two full-time employees.

For the years ended 31 December 2020 and 2019, remuneration to members of the Board consisted of NOK 5.5m and NOK 526k, respectively.

Auditor Fees

For the years ended 31 December 2020 and 2019, remuneration to ASA's auditors, excluding VAT, consisted of the following:

(NOK 1,000)	2020	2019
Statutory auditing services	1,387	535
Other services	-	143
Total auditor's fees	**1,387**	**678**

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

Pensions

ASA satisfies the requirements of the Mandatory Company Pensions Act related to mandatory occupational pensions (Norwegian: OTP). The schemes are mainly established as defined contribution schemes. ASA's pension plan provisions require ASA to pay premiums to public or private administrative pension plans on a mandatory, contractual, or voluntary basis. There are no further obligations once the annual premiums are paid. The premiums are accounted for as personnel expenses as soon as they are incurred. Prepaid premiums are accounted for as an asset to the extent that future benefits can be determined as plausible.

For the years ended 31 December 2020 and 2019, the ASA's total pension cost consisted of NOK 2k and NOK 26k, respectively, and are included as part of salary and personnel costs in the accompanying statements of operations.

Board of Directors' Statement on Remuneration of Executive Management

The Group's Board of Directors determines the principles applicable to the Group's policy for compensation of executive management and presented its statement on such principles for the 2020 financial year during the Group's Annual General Meeting ("AGM") in accordance with Section 6-16a of the Norwegian Public Limited Liability Companies Act. The Board of Directors' Statement on Remuneration of Executive Management is included in Note 6 – Salary and Personnel Costs of the Group's notes to the consolidated financial statements.

NOTE 3 – FINANCIAL INCOME AND EXPENSE

For the years ended 31 December 2020 and 2019, ASA's financial income and expense, net consisted of the following:

(NOK 1,000)	2020	2019
Interest income	125	3,040
Exchange gains	16,918	27,132
Financial income - intercompany	23,030	12,726
Interest expense	(34)	(143)
Exchange losses	(40,174)	(21,507)
Total financial (expense) income, net	**(135)**	**21,248**

NOTE 4 – INVESTMENT IN SUBSIDIARIES

As of 31 December 2020 and 2019, ASA's investment in subsidiaries consisted of the following:

(NOK 1,000) Company	Registered office	Voting share	Ownership share	Equity at 31 December 2020	Net loss for year ended 31 December 2020	Balance sheet in parent company
Atlantic Sapphire Denmark A/S	Hvide Sande, DK	100%	100%	70,897	(143,948)	343,989
Atlantic Sapphire USA LLC	Miami, FL, USA	100%	100%	936,618	(423,034)	1,455,527
S.F. Development, L.L.C.	Miami, FL, USA	100%	100%	76,695	(235)	82,616
Atlantic Sapphire IP LLC	Miami, FL, USA	100%	100%	-	-	-
Employee stock options						17,761

(NOK 1,000) Company	Registered office	Voting share	Ownership share	Equity at 31 December 2019	Net loss for year ended 31 December 2019	Balance sheet in parent company
Atlantic Sapphire Denmark A/S	Hvide Sande, DK	100%	100%	106,584	(61,026)	243,766
Atlantic Sapphire USA LLC	Miami, FL, USA	100%	100%	1,361,582	(64,762)	1,455,527
S.F. Development, L.L.C.	Miami, FL, USA	100%	100%	78,716	(3,290)	82,616
Atlantic Sapphire IP LLC	Miami, FL, USA	100%	100%	-	-	-

NOTE 5 – TAXES

For the years ended 31 December 2020 and 2019, ASA's income tax calculation consisted of the following:

(NOK 1,000)	2020	2019
Tax payable calculation:		
Current year profit before tax	(8,076)	16,138
Permanent differences	(31,807)	(37,183)
Change in temporary differences	-	-
Utilization of tax losses carried forward from prior years	-	-
Taxable base	**(39,883)**	**(21,045)**
Tax payable	-	-
Tax expense distribution:		
Tax payable	-	-
Change in deferred tax due to change in basis for calculation	-	-
Change in deferred tax due to new tax rate	-	-
Too much or too little allocated earlier years	-	-
Total tax expense	**-**	**-**
Tax payable in the statements of financial position:		
Tax payable on current year profit	-	-
Tax effect from contributions	-	-
Total tax payable	**-**	**-**

For the years ended 31 December 2020 and 2019, the specification of the basis for ASA's deferred tax consisted of the following:

(NOK 1,000)	2020	2019
Temporary differences:		
Fixed assets	(3,194)	(3,194)
Deficit that can be carried forward	(108,311)	(68,428)
Total temporary differences	**(111,505)**	**(71,622)**
Tax rate	22%	22%
Potential deferred tax not recorded in the statements of financial position	**(24,531)**	**(15,757)**

NOTE 6 – EQUITY AND SHAREHOLDER INFORMATION

For the years ended 31 December 2020 and 2019, changes in ASA's equity consisted of the following:

(NOK 1,000)	Share capital	Share premium	Employee stock options	Retained earnings	Total equity
Balance at 31 December 2018	6,250	1,318,041	-	20,294	1,344,585
Contributions	878	745,773	-	-	746,651
Net income	-	-	-	16,138	16,138
Balance at 31 December 2019	**7,128**	**2,063,814**	**-**	**36,432**	**2,107,374**
Contributions	938	887,014	-	-	887,952
Accumulated contributions			17,761		17,761
Dividends	-	-	-	-	-
Net loss	-	-	-	(8,076)	(8,076)
Balance at 31 December 2020	**8,066**	**2,950,828**	**17,761**	**28,356**	**3,005,011**

Atlantic Sapphire ASA has one class of shares that confer the same rights in ASA. As of 31 December 2020 and 2019, the Group's share capital consisted of the following:

	2020	2019
Total number of shares as of 01 January	71,276,100	62,502,716
Shares issued during the year	9,387,451	8,773,384
Total number of shares as of 31 December	80,663,551	71,276,100
Nominal value as of 31 December (NOK)	0.10	0.10
Share capital (total number of shares at nominal value) (NOK 1,000)	8,066	7,128
Share capital (total number of shares at nominal value) (USD 1,000)	917	818

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

On 10 September 2020, ASA completed a capital raise of NOK 905.5m (USD 100.4m), issuing 8,877,451 new shares and bringing the total shares outstanding to 80,153,551, each with par value of NOK 0.1.

For the year ended 31 December 2020, 510,000 shares were issued related to the Group's employee share option program, bringing the total shares outstanding to 80,663,551, each with par value of NOK 0.1.

For the years ended 31 December 2020 and 2019, transaction costs arising on share issues amounted to NOK 32.7m (USD 3.5m) and NOK 37m (USD 4.2m), respectively. Such amounts are net against ASA's share premium balance in the accompanying statements of financial condition.

As of 31 December 2020 and 2019, the total number of shares issued and outstanding consisted of the following:

	2020		2019	
Shareholder	Number of shares	% of shares	Number of shares	% of shares
Alsco AS	9,699,540	12.02%	9,459,849	13.27%
Vatne Equity AS	4,552,778	5.64%	3,300,000	4.63%
The Bank of New York Mellon	4,360,478	5.41%	503,654	0.71%
Skagen Kon-Tiki Verdipapirfond	4,224,465	5.24%	5,000,350	7.02%
State Street Bank and Trust Comp	3,248,663	4.03%	1,715,808	2.41%
Morgan Stanley & Co. Int. Plc.	3,174,756	3.94%	1,984,049	2.78%
Citibank, N.A.	2,206,896	2.74%	2,267,537	3.18%
U.S. Bank National Association	2,008,733	2.49%	2,583,675	3.62%
Joh Johannson Eiendom AS	1,509,598	1.87%	1,340,926	1.88%
The Northern Trust Comp, London Branch	1,400,000	1.74%	316,706	0.44%
Verdipapirfondet Norge Selektiv	1,375,850	1.71%	1,534,167	2.15%
J.P. Morgan Bank Luxembourg S.A.	1,319,921	1.64%	101,750	0.14%
Pershing LLC	1,270,809	1.58%	411,035	0.58%
Lani Invest AS	1,197,997	1.49%	1,000,000	1.40%
JEA Invest AS	1,073,770	1.33%	1,057,270	1.48%
UBS Switzerland AG	1,054,968	1.31%	1,077,441	1.51%
Goldman Sachs & Co. LLC	1,049,721	1.30%	356,400	0.50%
Norron Sicav - Target	1,033,945	1.28%	856,640	1.20%
Verdipapirfondet DNB Norge	975,902	1.21%	1,303,387	1.83%
Verdipapirfondet DNB SNB	963,333	1.19%	740,274	1.04%
Total number of shares attributed to the 20 largest shareholders	**47,702,123**	**59.14%**	**36,910,918**	**51.79%**
Total number of shares attributed to other shareholders	32,961,428	40.86%	34,365,182	48.21%
Total number of shares issued and outstanding	**80,663,551**	**100.00%**	**71,276,100**	**100.00%**

As of 31 December 2020 and 2019, shares directly or indirectly held by members of the Board of Directors, Chief Executive Officer, and Executive Management consisted of the following:

	2020		2019	
Name and title	Number of shares	% of shares	Number of shares	% of shares
Johan E. Andreassen, Chairman of the Board and CEO	5,923,540	7.34%	5,787,195	8.12%
Bjørn-Vegard Løvik, Chair of the Nomination Committee	4,849,770	6.01%	4,729,925	6.64%
Runar Vatne, Member of the Board	4,552,778	5.64%	3,300,000	4.63%
Alexander Reus, Member of the Board	1,601,051	1.98%	1,323,351	1.86%
Andre Skarbø, Member of the Board	812,206	1.01%	691,479	0.97%
Thue Holm, CTO	694,699	0.86%	669,669	0.94%
Jose Prado, CFO (As of September 9, 2020 Step-Down Date)	320,570	0.40%	320,570	0.45%
Svein Taklo, CDIO	13,558	0.02%	4,000	0.01%
Dharma Rajeswaran, COO	11,270	0.01%	10,000	0.01%
Karl Øystein Øyehaug, Interim CFO and Managing Director	9,405	0.01%	5,405	0.01%
Patrice Flanagan, Member of the Board	4,000	0.00%	4,000	0.01%
Tone Bjørnov, Member of the Board	3,750	0.00%	-	0.00%
Cristina Espejo, Chief People Officer	1,300	0.00%	1,300	0.00%
Danielle Villoch, Chief Legal Officer	487	0.00%	-	0.00%

NOTE 7 – CASH AND RESTRICTED CASH

As of 31 December 2020 and 2019, ASA's cash consisted of NOK 138.2m and NOK 39.7m, respectively.

As of 31 December 2020 and 2019, ASA held restricted cash in tax withholding accounts of NOK 564k and NOK 70k, respectively, and are presented as part of ASA's cash balances in the accompanying statements of financial condition.

NOTE 8 – RELATED PARTY TRANSACTIONS

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

During the ordinary course of business, ASA performs management and administrative tasks on behalf of subsidiaries within the Group. For the years ended 31 December 2020 and 2019, ASA charged management fees of NOK 10.1m and NOK 5.2m, respectively. As of 31 December 2020 and 2019, total outstanding amounts due from related parties in connection to such transactions consisted of NOK 10.1m and NOK 5.2m, respectively.

During the ordinary course of business, ASA may loan amounts or pay expenses on behalf of subsidiaries within the Group. Such transactions create amounts due from and to related parties. As of 31 December 2020 and 2019, total outstanding amounts due from related parties in connection with amounts loaned consisted of NOK 995.4m and NOK 284.4m, respectively. Such transactions may result in financial income and expense (see Note 3 – Financial Income and Expense).

NOTE 9 – SHARE OPTION PROGRAM

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

As of 31 December 2020 and 2019, the Program included up to 683,438 and 809,000 shares, respectively, with a term between 3 and 4 years as follows:

	2020		2019	
	Weighted average exercise price (NOK)	Number of shares	Weighted average exercise price (NOK)	Number of shares
Outstanding at 1 January	36.89	809,000	21.69	1,036,520
Granted during the year	149.40	408,126	101.14	81,000
Forfeited during the year	48.23	(23,688)	-	-
Exercised during the year	28.00	(510,000)	2.70	(308,520)
Outstanding at 31 December	111.98	**683,438**	36.89	**809,000**

The exercise price of options outstanding as of 31 December 2020 ranged between NOK 28 and NOK 176 and their weighted average contractual life was 4.5 years. The exercise price of options outstanding as of 31 December 2019 ranged between NOK 28 and NOK 104 and their weighted average contractual life was 4.5 years.

As of 31 December 2020 and 2019, the total number of options outstanding that had vested and were exercisable were 164,909 and 595,750, respectively.

As of 31 December 2020 and 2019, the weighted average fair value of each option granted during the year was NOK 149.40 (USD 15.91) and NOK 101.14 (USD 11.20), respectively.

The following information is relevant in the determination of the fair value of options granted for the years ended 31 December 2020 and 2019:

(USD 1,000)	2020	2019
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price at grant date (NOK)	134.60	124.50
Exercise price (NOK)	109.34	99.62
Weighted average contractual life (days)	1,646	1,646
Expected volatility	31.20%	31.20%
Expected dividend growth rate	0.00%	0.00%
Risk-free interest rate	1.26%	1.30%

NOTE 10 – CONTINGENCIES AND LEGAL CLAIMS

ASA was not aware of any material pending or threatening legal disputes or claims against ASA as of 31 December 2020.

NOTE 11 – COMMITMENTS

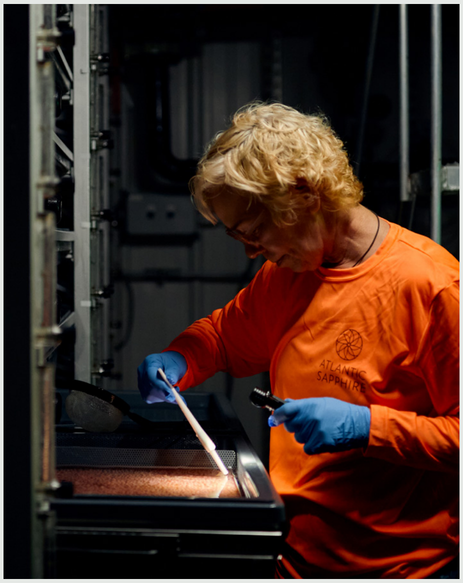
The 2020 DNB Credit Facility is secured by substantially all Group's assets, which includes existing and after-acquired personal and real property held, the equity interest held by the Borrowers and the Guarantors in their respective subsidiaries, certain receivables, and certain bank accounts perfected under First Priority security. EKF partially guarantees the USA Term Loan subject to the provisions of the 2020 DNB Credit Facility.

NOTE 12 – SUBSEQUENT EVENTS

ASA has evaluated subsequent events from 31 December 2020 through the date in which the financial statements were issued.

On 28 January 2021, the Group's 2020 DNB Credit Facility was amended to increase the total credit facility from USD 150m to USD 200m comprising of the existing USD 50m USA Term Loan, USD 16m USA RCF, USD 4m DK RCF, USD 32m committed term loan for Phase 2 capital expenditures, and a USD 98m uncommitted accordion facility on the same terms and conditions as the Group's committed term loans. Further, the Group syndicated a portion of its existing credit facility to Farm Credit of Florida, ACA as part of its strategy to increase its access to lenders. The senior secured debt facility is labelled "Green" in line with the criteria listed in the Group's Green Finance Framework, where the Group has received a second party opinion from CICERO Shades of Green, giving the framework a Medium Green score and confirming its alignment with the LMA/LSTA Green Loan Principles.

On 23 March 2021, ASUS had an incident in one of its grow-out systems at the Miami Bluehouse that resulted in approximately 500 tons HOG of fish with an average weight of 1 kg lost, which represents an equivalent of approximately 5% of annualized USA Phase 1 harvest volumes at steady-state production. Other independent systems in the Miami Bluehouse were unaffected. ASUS does not believe the incident will affect the continuity of supply to customers. The value of the biomass represented by the affected fish was insured. While ASUS is currently in the process of assessing the complete financial impact of the event, preliminary estimates project current losses net of insurance proceeds of approximately NOK 32.9m (USD 3.5m). Prior to this incident, ASUS had identified a center drain design issue with all USA Phase 1 grow-out systems. Although work had commenced to rectify the issue prior to this incident, the affected system had not yet been modified. In addition, among other risk-mitigating initiatives, ASUS is in the process of splitting each of its six independent USA Phase 1 grow-out systems into twelve. Currently, four out of six systems have been split.



Gretchen Jaegar, Farm Operator, Florida Bluehouse

Interview

What's most important in your day to day?

Animal care, you want the fish to be happy, healthy and stress free. At the center of all, is the fish. I carefully ensure all functions' actions are contributing to their welfare.

Tell us about Atlantic Sapphire.

Atlantic Sapphire is a massive, complex project that requires a myriad of processes and stakeholders working in coordination.

How are you improving in your role?

We're all, always learning. No one has ever done anything this large, and as you grow you learn. As we scale, there will be more progress and a level of perfection to what we're doing. I don't come from a typical aquaculture background - so learning the system is a challenge, knowledge is increasing quickly. Everyone from management down is very encouraging to teach - Education is key to be successful.

In your own words, how is Atlantic Sapphire different?

Transparency. Atlantic Sapphire is a very complex business. Communication is key across every level. Mario Palma [Atlantic Sapphire's Director of Aquaculture] pointed this out to me the other day. He said we need to speak when we see something going a way that we need it to, group decisions are important to ensure our fish are always number one priority.

How does process play a role at the Bluehouse?

First and foremost, our fish welfare is the top priority. You need to have people who care, and at Atlantic Sapphire, that's what we have. Every mistake - big or small - we are really really trying to ensure that we learn how we can progress more effectively. Processes are made and followed and as we scale, learn and grow, we continuously improve on everything that's in place.

Statement of Responsibility

STATEMENT OF RESPONSIBILITY

We confirm that, to the best of our knowledge, the consolidated financial statements for the period from 1 January to 31 December 2020 have been prepared in accordance with IFRS as adopted by the EU, with such additional information as required by the Norwegian Accounting Act and give a true and fair view of the Group's consolidated and ASA's assets, liabilities, financial position, and results of operations. We confirm that the Board of Directors' report provides a true and fair view of the development and performance of the business and the position of the Group and ASA, together with a description of the key risks and uncertainty factors that the Group and ASA are facing.

Vikebukt, 14 April 2021

Johan E. Andreassen
Chairman

Alexander Reus
Director

André Skarbø
Director

Ellen Marie Sætre
Director

Patrice Flanagan
Director

Runar Vatne
Director

Tone Bjørnov
Director

Karl Øystein Øyehaug
Managing Director of ASA

Auditor's Report

BDO AS
Nøisomhed
Serviceboks 15
6405 Molde

Independent Auditor's Report

To the General Meeting in Atlantic Sapphire ASA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Atlantic Sapphire ASA.

The financial statements comprise:	In our opinion:
• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2020, income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and • The financial statements of the group, which comprise the balance sheet as at 31 December 2020, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.	• The financial statements are prepared in accordance with the law and regulations. • The accompanying financial statements give a true and fair view of the financial position of Atlantic Sapphire ASA as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway. • The accompanying financial statements give a true and fair view of the financial position of the group Atlantic Sapphire ASA as at 31 December 2020, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	**How the key audit matter was addressed in the audit**
Accounting treatment of property plant and equipment	
Property, plant and equipment makes up 80% of the total assets of the group (MUSD 257), most of which relates to the group's USA production facility in Homestead, Florida. Cost of MUSD 52 has been capitalized in 2020 (MUSD 79 in 2019). The construction has been divided into phase 1 and phase 2, of which phase 1 was near completion at the end of 2020. While the construction of phase 1 of the Company's farm facility (production plant) is not completed as of December 31, 2020, the Company has already started using a significant part of the production plant for its salmon farming operations. Due to the complexities involved in the accounting of the production plant, significant judgment is required in the determination of the capitalized cost to depreciate, allocation of costs to respective PPE categories, useful life, commissioning date and depreciation method. The accounting treatment of the expenditure has been identified as an important area in connection with the audit of the consolidated financial statements.	We have agreed the opening balance with prior year. We have tested the basis for the additions through sampling. The selected direct and indirect costs samples were verified against supporting documentation from suppliers and assessed that the transactions were incurred, associated to the construction of the facility, and recorded in the proper period. We have confirmed with the primary contractor, OHL Building Inc., the percentage of completion of the construction of phase 1 as at 31 December 2020. In addition, we have performed site visits. Related to depreciation we have checked that the component approach is applied and reviewed the estimated useful life.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report and other information in the Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements for the parent company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

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

Molde, 14 April 2021
BDO AS

Roald Viken

Roald Viken
State Authorized Public Accountant

atlanticsapphire.com

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