



Annual Report

2021



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01

2021 In Review

01

Message from Our Chairman And CEO of Atlantic Sapphire USA LLC

To our stakeholders,

2021 was a year that proved our resilience as a company and as a team. We have recovered from several challenging events to find that we remain firmly grounded in our values and secure in our vision of nourishing both people and planet with healthy, sustainable, and ocean-safe seafood.

We continue to bring that vision to life, even as we navigate new realities along with our employees, our customers, suppliers, investors, and local communities. We work hard to reinforce the fundamental sustainable tenets of our business, across the economic, environmental, and social dimensions of our enterprise. In doing so, we continue to cultivate our capacity to deal with uncertainty and vulnerability without losing our focus on the goal of sustainability.

Although 2021 was a challenging year, we recovered and are back on track. Stable operations allow us to develop different areas of the business in line with our long-term ambitions for a truly sustainable business. We're excited to see the progress on our US Phase 2 Bluehouse under construction that will be integrated with the current US Phase 1 facility to provide an additional 15,000t HOG of grow-out tank capacity.

From Q1 to Q3 2021, several unexpected events affected our operations. In the US, we experienced a mass mortality event and an emergency harvest, while in Denmark, we experienced a devastating fire that destroyed our Denmark Bluehouse. We responded with humility and an even fiercer determination to overcome these challenges and continue our journey to fulfill our mission. As a result, we have implemented dozens of improvements across the operations and construction, and we are now much closer to achieving our operational, development, and sustainability targets.

One of our great milestones in 2021 was the introduction of a novel algae oil to replace 25% of the fish oil in our feed, which brings us one step closer to our goal of removing marine ingredients from our feed by 2025. Moreover, we estimate that we will sequester carbon at a rate of 128 tons per day with US Phases 1 and 2 in operation as we inject treated water in the Boulder zone, effectively making this a carbon sequestration well, one of which there are only 10 in the country to date.

As we develop the Group's Grand Master Plan (220,000t Head-On-Gutted annual harvest volumes by 2031 – the equivalent of approximately 1 billion salmon meals each year), our focus is to improve technical solutions in day-to-day operations (for example, fish movements), reduce energy consumption, and enhance the design future phases to a more modular and highly scalable RAS module. Automatization and the use of artificial intelligence in our operations represent prime examples of innovative solutions we have implemented as we continue to optimize of our feed utilization while simultaneously providing optimal conditions for our fish.

Since our first US harvest in September 2020, we have expanded our Bluehouse Salmon retail footprint to more than 2,000 locations and achieved a significant price premium to commodity salmon.

Our Green Finance Framework implemented in October 2020 continues to help steer the financing of our business and promotes low-carbon, climate-resilient, and resource-efficient development in the seafood sector while reducing the negative impact on biodiversity. CICERO provided a Second Party Opinion on our Framework¹, giving Atlantic Sapphire an overall strong CICERO Medium Green shading and a governance score of Excellent.

Atlantic Sapphire remains strongly committed to reducing our carbon footprint and closely follows the developments around the EU Taxonomy for sustainable economic activities. Although neither aquaculture in general, nor land-based salmon farming specifically, are 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 such as fresh water.

We continue to engage with the growing number of investors and other stakeholders who want insight into our sustainability efforts and how our groundbreaking, cutting-edge technology, and aquaculture yield a healthy product that helps eliminate environmental concerns associated with conventional salmon farming. As the world's largest land-based salmon farming company with primary operations in the US, we are thrilled to now be quoted on a US market to further diversify our investor base as we expand operations.

¹ CICERO, Atlantic Sapphire ASA Green Finance Second Opinion October 15, 2020 <https://cicero.green/public-reviews>

We continue to grow, strengthen, and nurture our team with a culture of diversity and inclusion. We employed 166 employees by the end of 2021 (versus 159 employees by the end of 2020). We strive to provide our workplace that is welcoming and committed to our vision. At Atlantic Sapphire, we believe in bringing our most authentic selves as people to work rather than just ourselves as employees – that is the strength that enables us to pursue the ambitions that we share for our business, for the industry, and for society.

We are pleased to reaffirm our commitment and endorsement of the UN Global Compact and its ten principles, and we will build on our current activities and continue our efforts within all four areas of the Global Compact in 2022.

I want to conclude by expressing my sincerest appreciation for the loyalty and effort of all our employees during some tough times. Together, we have again shown what we can achieve despite extraordinary challenges, and it is clearer than ever that together we are responsible, resourceful, and resilient. Thank you to all our stakeholders for supporting Atlantic Sapphire throughout this year and trusting us to deliver on our promise.



Johan E. Andreassen

About Atlantic Sapphire

Denmark Bluehouse, ~2,400 tons (HOG) annual production capacity (prior to the September 2021 fire), Hvide Sande, Denmark



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



Company Facts

FOUNDED ————— 2010
 LEGAL HEADQUARTERS ————— VIKEBUKT, NORWAY
 BUSINESS HEADQUARTERS ————— MIAMI, FLORIDA, US
 OSLO STOCK EXCHANGE TICKER ————— ASA
 US OTCQX TICKER ————— AASZF

311.7M

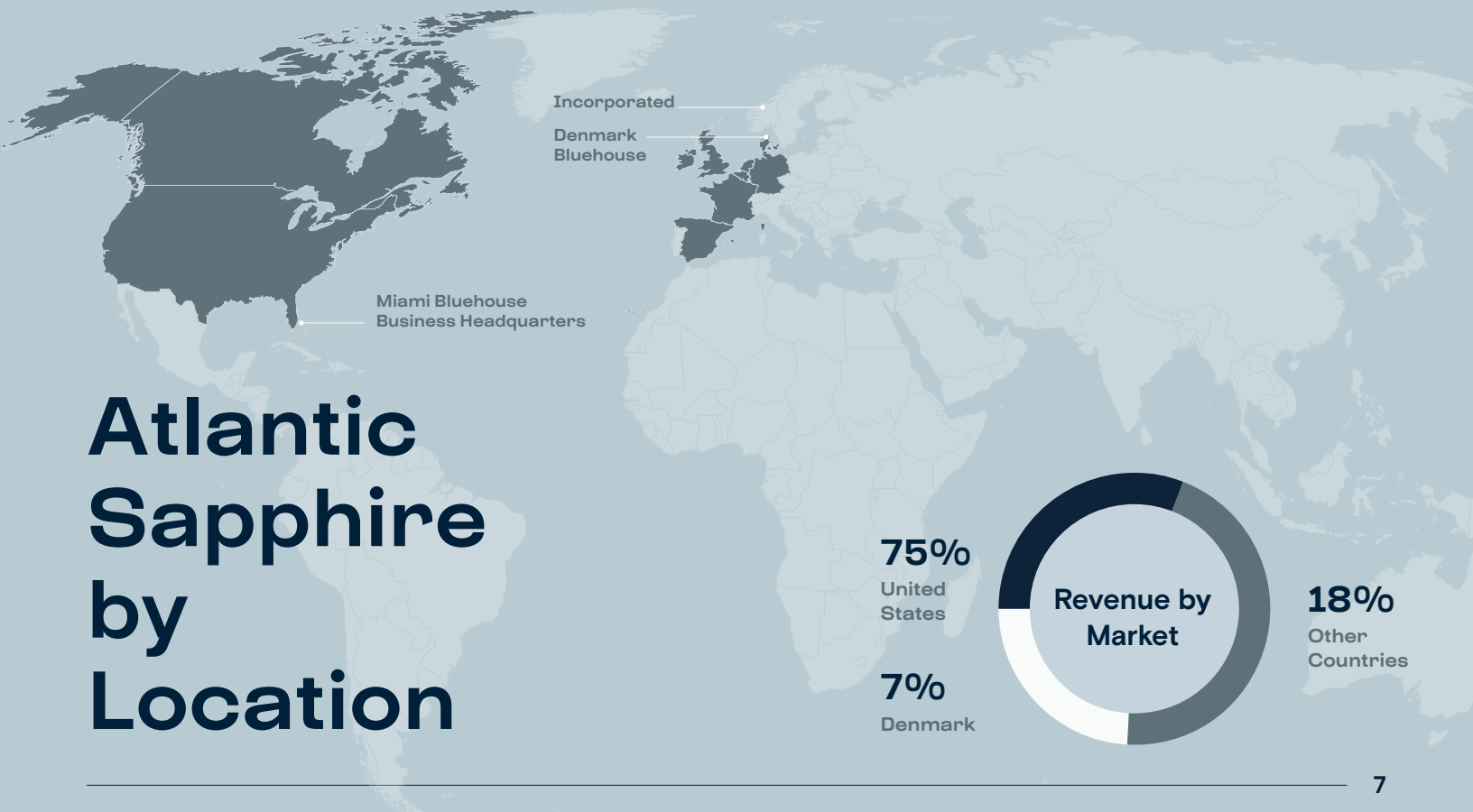
Total Assets (USD)

166

Employees

Atlantic Sapphire ASA (“ASA”), a public limited liability company incorporated in Vikebukt, Norway and domiciled in Vestnes, Norway, is the parent company of the Atlantic Sapphire group of companies (collectively, “Atlantic Sapphire” or the “Group”), which includes:

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



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 US 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

US construction management agreement is signed

Well drilling and US 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 and Atlantic Sapphire listed 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 is named 'Star of Innovation' at the 2019 European Small and Mid-Cap Awards

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

2020

Atlantic Sapphire is listed in Oslo Stock Exchange ("OSE")

The first commercial US harvest of Atlantic Salmon raised in RAS in Florida occurs

Atlantic Sapphire initiates sales of Bluehouse Salmon from Florida in several retail chains and food service outlets

2021

Atlantic Sapphire and Skretting enter agreement to secure local feed supply

Atlantic Sapphire introduces algal oil from Veramaris, replacing fish oil by 25%

The group's brand, Bluehouse Salmon, gains the "Heart Check" certification from the American Heart Association

Atlantic Sapphire is listed in the US OTCQX market

Atlantic Sapphire Denmark A/S receives the ASC Standard certification

Our Story

Founded in 2010, Atlantic Sapphire owns and operates land-based Atlantic salmon farms in Hvide Sande, Denmark and Miami, Florida, US.

A Bluehouse® facility (the “Bluehouse”) is **proprietary production technology** developed 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 value chain, from egg to fresh fillets packed for retail and food service. Consolidated operations enable Atlantic Sapphire to control the entire production cycle without having to transport salmon to and from sea-based net pens. The Group’s strategy is to **produce in the end-market**, near customers, thereby **reducing the environmental impacts** and costs associated with airfreight transportation.

The Miami Bluehouse has a **designed production capacity** of approximately 9,500 tons head-on gutted (“HOG”). The Group has a target to expand production at the Miami Bluehouse up to **220,000 tons of annual capacity by 2031**. The global volume of farmed Atlantic salmon reached 2.9 million metric tons in 2021, up from 2.7 million metric tons in 2020, according to Kontali.

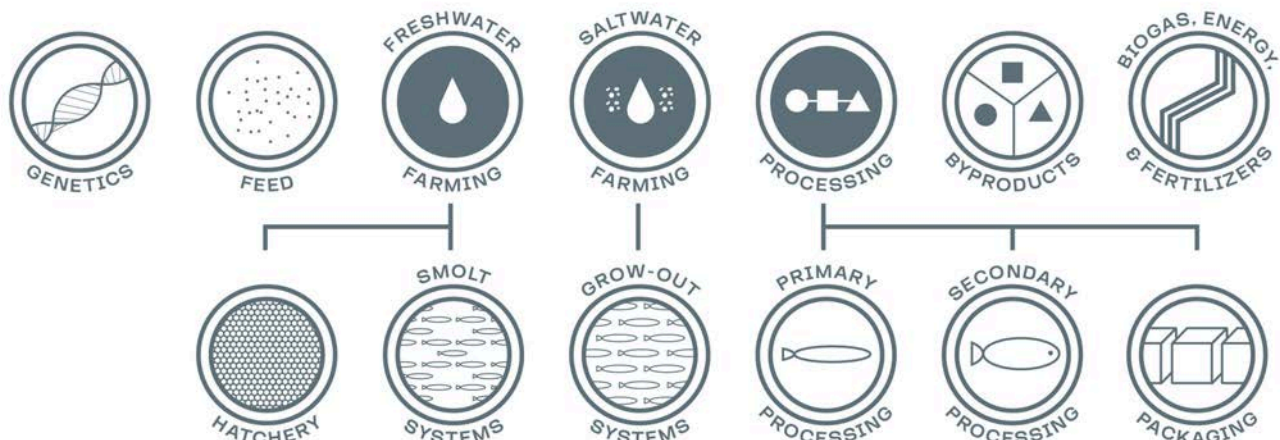
By the end of 2021, Atlantic Sapphire employed 166 full time employees, and we

expect to continue increasing our workforce as the Group scales up in the US.

Atlantic Sapphire 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. Through the specialized, efficient design of the Recirculating Aquaculture System (“RAS”), Atlantic Sapphire can control the key drivers of the production cycle consistently every day of the year.

In the US, 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 for the Miami Bluehouse, there are no coastal impacts. The innovation of the Bluehouse allows Atlantic Sapphire to contribute to **meeting the growing demand for sustainable, healthy, and fresh proteins**. Atlantic Sapphire continuously invests in research and development to ensure that the Group remains at the forefront of transforming market salmon production.

Our Integrated Value Chain



Executive Management



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

Johan E. Andreassen is a 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 LLC. Mr. Andreassen has served as the Group's Chief Executive Officer from 2010 to 2012, and from 2017 to 2020. Prior to founding the Atlantic Sapphire, Mr. Andreassen founded and led Villa Organic, a 30,000-ton capacity conventional salmon farming company, which was subsequently sold to Lerøy and SalMar in 2010.



Alejandro Castro
Chief Business Officer

Alejandro Castro, a licensed Certified Public Accountant in the State of Florida, is the Group's Chief Business Officer and was formerly 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 Bachelor of Science and a Master of Science in Accounting from Florida International University.



Damien Claire
Chief Sales and Marketing Officer

Damien Claire is the Group's Chief Sales and Marketing Officer. Prior to joining Atlantic Sapphire, Mr. Claire was the President of Platina Seafood, Inc. Mr. Claire's 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. Damien earned a Bachelor's Degree in Computer Science and Business Administration from Lander University in South Carolina.



Thue Holm
Chief Technology Officer
and Co-Founder

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

Executive Management



Jon-Birger Løvik
Chief Operating Officer

Jon-Birger Løvik is the Group's Chief Operating Officer and was formerly Atlantic Sapphire's Director of Aqua Technology and Deputy COO until he was appointed COO in March 2022. Mr. Løvik also held the position as Managing Director of Atlantic Sapphire Denmark A/S from June 2015 to December 2018. Mr. Løvik has significant experience in the salmon farming industry and the broader seafood industry. Prior to joining Atlantic Sapphire, Mr. Løvik previously worked as a Production Manager in Villa Organic, a 30,000-ton capacity conventional salmon farming company. Mr. Løvik is also an advisor to the Norwegian salmon smolt facility Hjelvik Settefisk.



Karl Øystein Øyehaug
Chief Financing Officer and
Managing Director of ASA

Karl Øystein Øyehaug is the Group's Chief Financing Officer and Managing Director of ASA. Mr. Øyehaug was hired as the Group's Finance Director in 2018 and was elected as Managing Director of ASA at the time of conversion to public limited liability company in May 2020. Prior to joining the Group, 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 Group's Chief Development and Infrastructure Officer since joining the Group 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. Mr. Taklo 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 Group's Chief Legal Officer. Before joining Atlantic Sapphire as Head of Legal in 2020, Ms. Villoch was a senior associate at Gibson, Dunn & Crutcher LLP in New York. While at Gibson Dunn, Ms. Villoch focused on procurement and financing for infrastructure projects and various types of debt financing and liability management transactions in the US and Latin America. Ms. Villoch has a B.A. in Politics from Princeton University and a J.D. from the University of Pennsylvania.

The Global Challenges Facing Seafood Production

The past years navigating the pandemic have shown us that the seafood supply chain is far from immune to shocks. When the COVID-19 pandemic (the “Pandemic”) hit, it exacerbated some of the critical conditions facing our food systems at both global and local levels. However, it accelerated Atlantic Sapphire’s focus 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 by participating in a leadership role in navigating the world onto a low-carbon path for a healthier environment, but by also driving resilience for a more sustainable future.

There is an unprecedented pressure on our natural resources, which challenges us with providing enough food to sustain a growing global population. The UN Sustainable Development Goals (“SDGs”) have framed our global environmental, social, and economic challenges and have urged businesses to step up with solutions that tackle the problems – fast and at scale.

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 by participating in a leadership role in navigating the world onto a low-carbon path for a healthier environment, but by also driving resilience for a more sustainable future.

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”), the growth of human consumption of fish in the last 60 years globally has increased at a rate significantly higher than the growth in world population. From 1990 to 2018 alone, the world has seen a 122% rise in total fish destined for human consumption (“food fish consumption”). The same period also saw the average annual growth rate of total food fish consumption outpace that of all other animal proteins such as meat, eggs, milk, etc. In 2017, fish provided approximately 3.3 billion people with almost 20% of their average per capita intake of animal protein, accounting for about 17% of total animal protein and 7% of all proteins consumed globally. The FAO estimates that per capita fish consumption in 2018 was 20.5 kg, expecting it to rise to 21.3 kg in 2027².

² FAO. 2020. *The State of World Fisheries and Aquaculture 2020. Sustainability in action.*

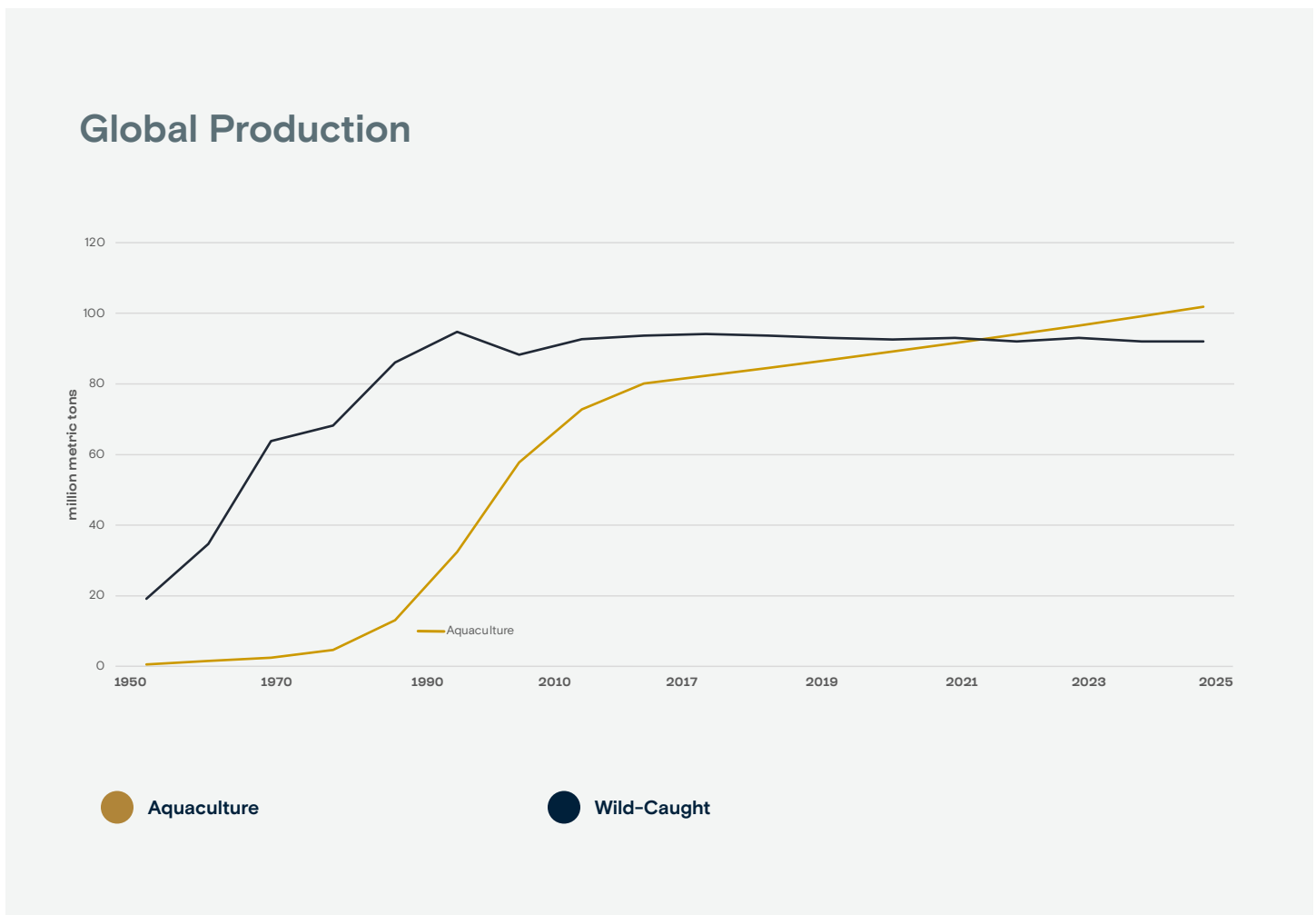


Meanwhile, aquaculture production is projected to grow at a compound annual growth rate (“CAGR”) of approximately 2.6%, reaching 109 million tons in 2030, an increase of 32% (26 million tons) over 2018. In comparison, the growth rate of wild-caught fish is expected to remain flat in this period. This 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%. Salmon farming is expected to play an important role in this development. In 2021, the production of animal proteins from Atlantic salmon was approximately 2.9 million tons³.

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 much more to be done in protecting our ecosystems and, in particular, our oceans. Atlantic Sapphire has become increasingly aware of the issues facing us, and we need to adapt to global changes and embrace new technologies as they become available 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 to the development of 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.



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

Uncertainty in Pandemic Times

Navigating the COVID-19 pandemic these past years has introduced an unexpected new level of uncertainty. When Atlantic Sapphire saw the Pandemic sweep across the world, the Group took all possible precautions to protect our employees, our customers, our suppliers, and our local communities 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.

Our top priority has always been our employees' health and well-being. Across both our Bluehouse facilities in the US and in Denmark, we continue with precautions implemented last year including personal protective equipment, hand sanitizer, and social distancing at our facilities to reduce the risk of COVID-19 as well as supporting the new ways of working remotely to the extent possible. The Group's Situation Response Team conducts risk assessments, continuously monitors the situation, and reviews status regularly with all management. As a result of the Pandemic and especially due to the number of employees in quarantine, the Group saw an increase in absence due to illness or quarantine in 2020. This year, the Group had zero direct incidents related to COVID-19, and by the end of 2021, 94% of our personnel were vaccinated. Taking care of our employees has always been a top priority for us, and we will continue our efforts in this regard during 2022.

The Pandemic caused delays in the construction of our US Phase 1 Bluehouse facility and negatively impacted our system commissioning schedule. As the realities of operations during the Pandemic became routine, an unexpected challenge arose with the availability of liquid oxygen, or "lox", which was in high demand for priority settings such as hospitals. During this period, the Group had to reduce feeding as a precautionary measure to reduce its own oxygen consumption and avoid putting the biomass health at risk. However, the Group was able to secure multiple different sources, including Miami-Dade County, and resumed normal production within days. In the future, Atlantic Sapphire expects to build its own oxygen generation unit at the Miami Bluehouse site.



Atlantic Sapphire continues to engage with several community organizations to help reduce the impact of the Pandemic and its economic consequences. Atlantic Sapphire's local production in Florida to the US market contributes greatly to a reduced carbon emission footprint from transportation and further highlights advantages such as supporting the local economy and community, providing more flexibility in the value chain, and maintaining constant availability for the Group's retail partners.

02

**For the
Health of People
and Planet**

02

Our Commitment to Responsible Governance

Atlantic Sapphire is committed to high standards in corporate governance and 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 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 Group’s sustainability performance. There is no separate board-level committee, as the entire Board is engaged in setting the Atlantic Sapphire’s strategic direction for sustainability and ESG as well as monitoring performance. The daily responsibility is integrated throughout Group’s 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 managers accountable for all elements of our Environmental and Social Action Plan (“ESAP”).

Atlantic Sapphire’s Board of Directors is independent from Group’s executive management. Johan Andreassen, the CEO of Atlantic Sapphire USA LLC, is the only Group employee represented on the Board as a non-independent member. As per Norwegian law, the Board shall always have at least 40% of both genders represented. In 2021, our Board comprised three female members out of seven members in total. There are independent committees in place for audit, nomination, and remuneration. 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 Annual General Meeting (“AGM”) in May 2021 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 were published online in both English and Norwegian. In the 2021 AGM, 46.8% of the outstanding shares in the Group were represented. Of all the issues presented to the AGM, at least 95% of present shareholders voted on each of the 13 voting items.

Atlantic Sapphire’s entire leadership is passionately committed to sustainable value creation and the Group established a Long-Term Incentive (“LTI”) Program accordingly. The LTI Program takes into account both financial and non-financial (or sustainability performance) criteria, such as fish welfare, environmental performance, and social impact of the Group. The targets are measurable, 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 ("PS") (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.

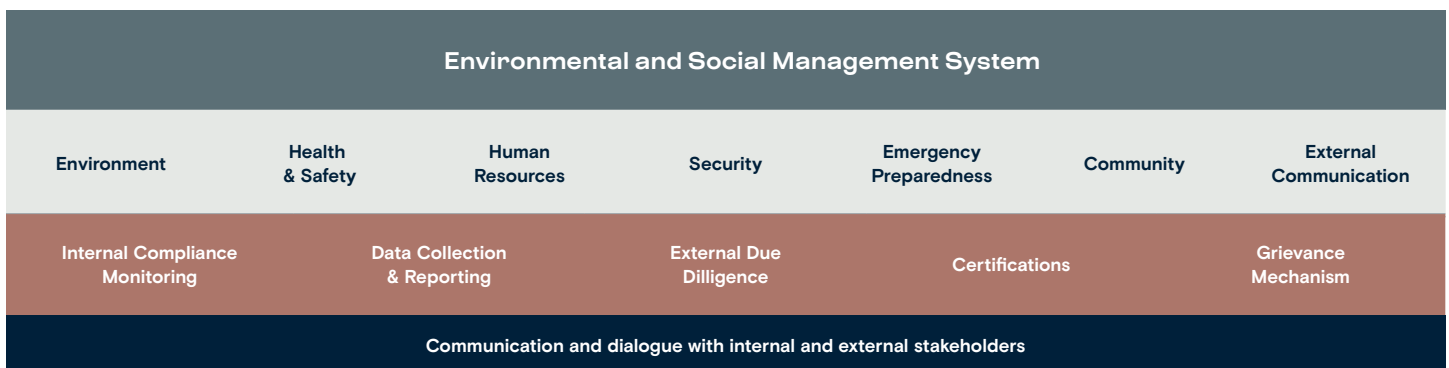
To encourage feedback from employees and community members, the Group expanded its grievance mechanism to include confidential boxes for suggestions and acknowledgements. In 2021, a total of 20 grievances, suggestions, or acknowledgments were received through these boxes and other communication channels. All of them were addressed: 18 resolved and communicated to the employee and 2 solved or addressed but not communicated to employees.

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 Group's reputation for honesty and transparency in its business.

Therefore, our Code of Conduct (the "Code") 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. All employees must sign the Code. 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 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 it can positively impact human rights as a business. 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 Human Rights Policy informs employees, business partners, and customers of Atlantic Sapphire's commitment to respecting and promoting human rights and in making a meaningful contribution to uphold human rights across our operations and our supply chain. Atlantic Sapphire's Human Rights Policy applies to all Atlantic Sapphire employees, anyone doing business for or with Atlantic Sapphire (including suppliers), and others acting on Atlantic Sapphire's behalf to ensure that the Group is not complicit in human rights abuses directly or indirectly. 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.

3.

We respect the personal rights and dignity of all employees and accordingly, 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 will respond to any such grievances in a fair and transparent manner while simultaneously respecting the need for confidentiality, if possible.

Development and Growth

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

Our Human Rights Policy (continued)

Compliance

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. 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.

Privacy

The European Union ("EU") introduced data privacy regulation called General Data Protection Regulation ("GDPR") regarding human rights related to privacy. The GDPR is in scope as Atlantic Sapphire has offices in the EU and collects and transfers data from the EU to the US. Accordingly, Atlantic Sapphire engaged a third-party consultant to perform a GDPR Gap Assessment as the recommendations will directly impact Atlantic Sapphire's GDPR compliance posture and assist in improving the Group's overall data privacy and information security maturity. Our GDPR compliance will positively impact our stakeholders by ensuring that their confidential 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, and their commitment to complying with our Code of Conduct is contractually secured through their signature of 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 and includes:

- 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 Continuing to improve 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

Atlantic Sapphire was founded upon an aspiration to find solutions to existing global environmental, social, and economic challenges. Through our core business, our values, and our behaviors, Atlantic Sapphire recognizes that environmental, social, and governance (“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 corporate culture and serve as guiding principles towards our conduct, our decisions, and our actions. The Atlantic Sapphire team is measured on and rewarded for its contributions to meeting our corporate values and our four key priorities of responsibility: Product, Economic, Environmental, and Social Responsibility.

Atlantic Sapphire strongly supports the UN Sustainable Development Goals (“SDGs”). The Group 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 regimes⁴. 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 identified the eight SDGs highlighted below as targets for the Group based on what we consider as our highest priorities and the areas in which it is best placed to drive positive change.



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 Priority Targets

Product Responsibility



“Ensuring healthy lives and promoting the well-being for all at all ages is essential to sustainable development”
SDG 3

Atlantic Sapphire produces Atlantic salmon, which is high in long-chain Omega-3s 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”
SDG 12



Atlantic Sapphire produces high quality Atlantic salmon free of antibiotics, parasites, and other medicines and 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” SDG 8

By spearheading the development of a new cross-discipline industry both in Denmark and the United States, 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” SDG 9



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 land-based 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 (“R&D”), participate in conferences to contribute to the global understanding of the main challenges and opportunities of this emerging industry, and continue to expand the pool of talent by recruiting people from different disciplines who can help bring land-based salmon farming forward.

Our SDG Priority Targets

Environmental Responsibility



“Take urgent action to combat climate change and its impacts” SDG 13

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.

“Conserve and sustainably use the oceans, seas and marine resources for sustainable development” SDG 14



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, the use of the Boulder Zone to discharge treated water in Miami eliminates 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.

Social Responsibility



“The food and agriculture sector offers key solutions for development and is central for hunger and poverty eradication” SDG 2

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.

“Gender equality is not only a fundamental human right, but a necessary foundation for a peaceful, prosperous and sustainable world” SDG 5



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.

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, and 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 areas: our product, economic, environmental, and social responsibility.

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

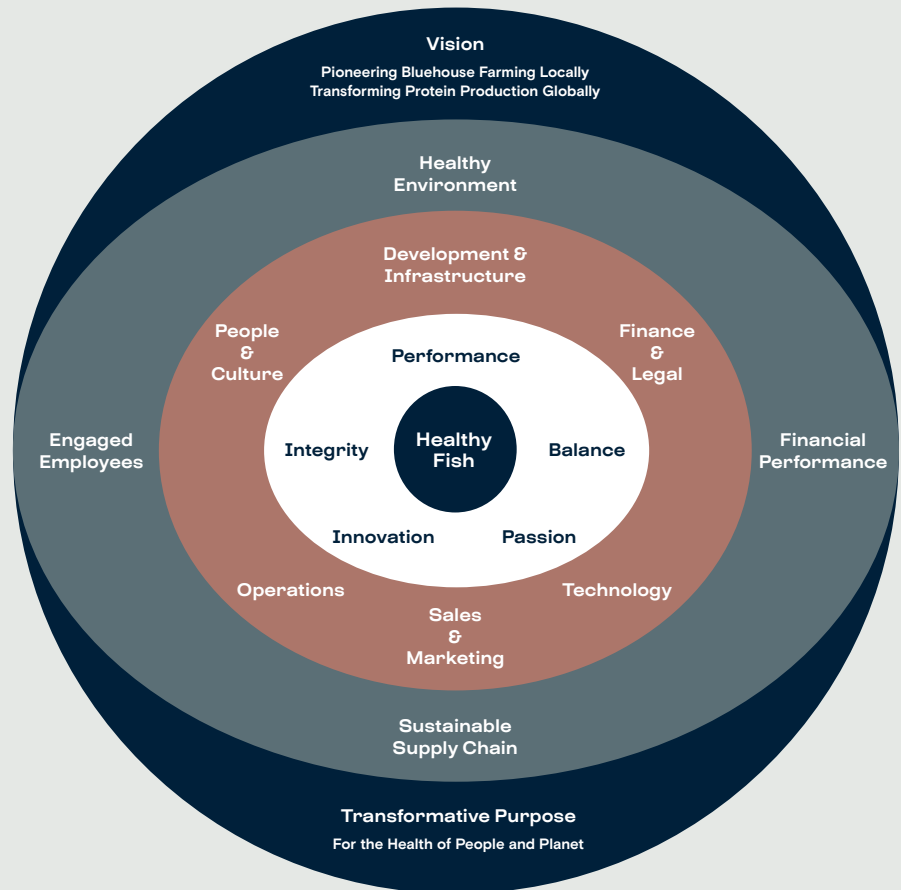
Passion
Purpose.
Dedication.
Courage.

Performance
Initiative.
Collaboration.
Results.

Innovation
Continuous improvement.
Solutions.
Learning.

Integrity
Accountability.
Open communication.
Care.

Balance
Healthy Fish.
Stakeholder wellness.
Sustainable planet.



 Vision & Transformative Purpose

 Core Values

 Organizational Structure

 Priorities

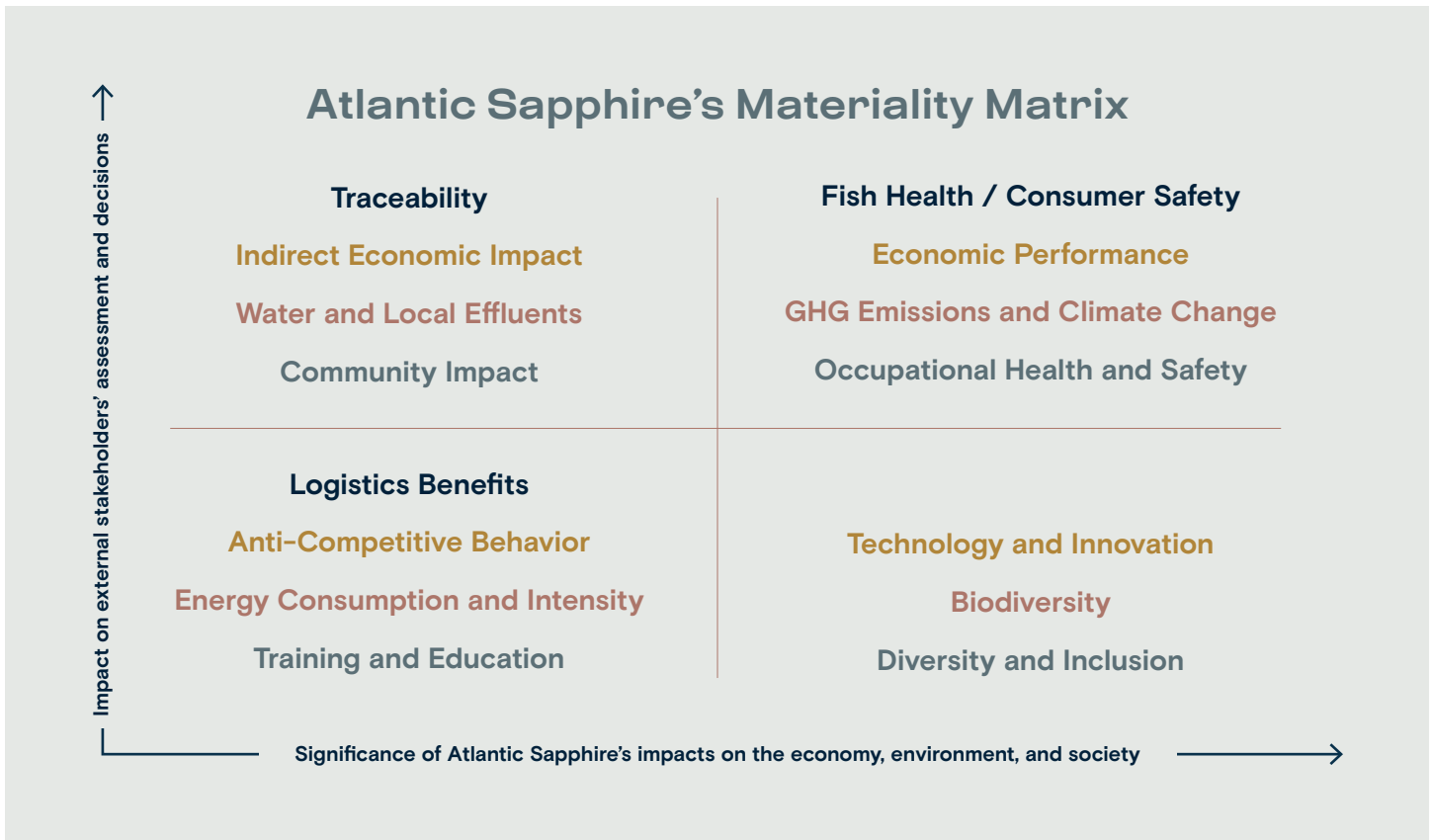
Prioritizing Material Risks

In 2019, the Group 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 Sustainable Development Goals (“SDGs”).

Atlantic Sapphire views all potential material ESG topics, including both risks and opportunities, according to their time horizon (short-, medium-, and long-term). The Group also evaluates boundaries, that is, we consider where each of the impacts occur and the Group’s direct or indirect involvement with such impacts.

Atlantic Sapphire then assesses the Group’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 Group’s significant impacts and stakeholder expectations across over 30 relevant and important topics, and from through an iterative process, we prioritized the 16 topics considered most material across four topic categories: Product Responsibility, Economic Responsibility, Environmental Responsibility, and Social Responsibility.

The resulting list of topics and the materiality matrix are shown below, and its mapping was validated by the executive team at the end of 2021. Although Atlantic Sapphire has not undertaken a formal validation of the overall matrix with external stakeholders during 2021, we have collected direct and indirect feedback on the priorities through our ongoing dialogue with investors and other external stakeholders. As a result of our dialogue with stakeholders and the mass mortality event that we experienced in 2021, we made one change to our mapping of material issues this year and moved Fish Health to the top right quadrant. In 2022, the Group intends to continue its validation on the materiality assessment with selected external stakeholders, ensuring that we continually monitor our understanding of the dynamic and evolving landscape of risks and opportunities in sustainable aquaculture.



Product Responsibility



Economic Responsibility



Environmental Responsibility

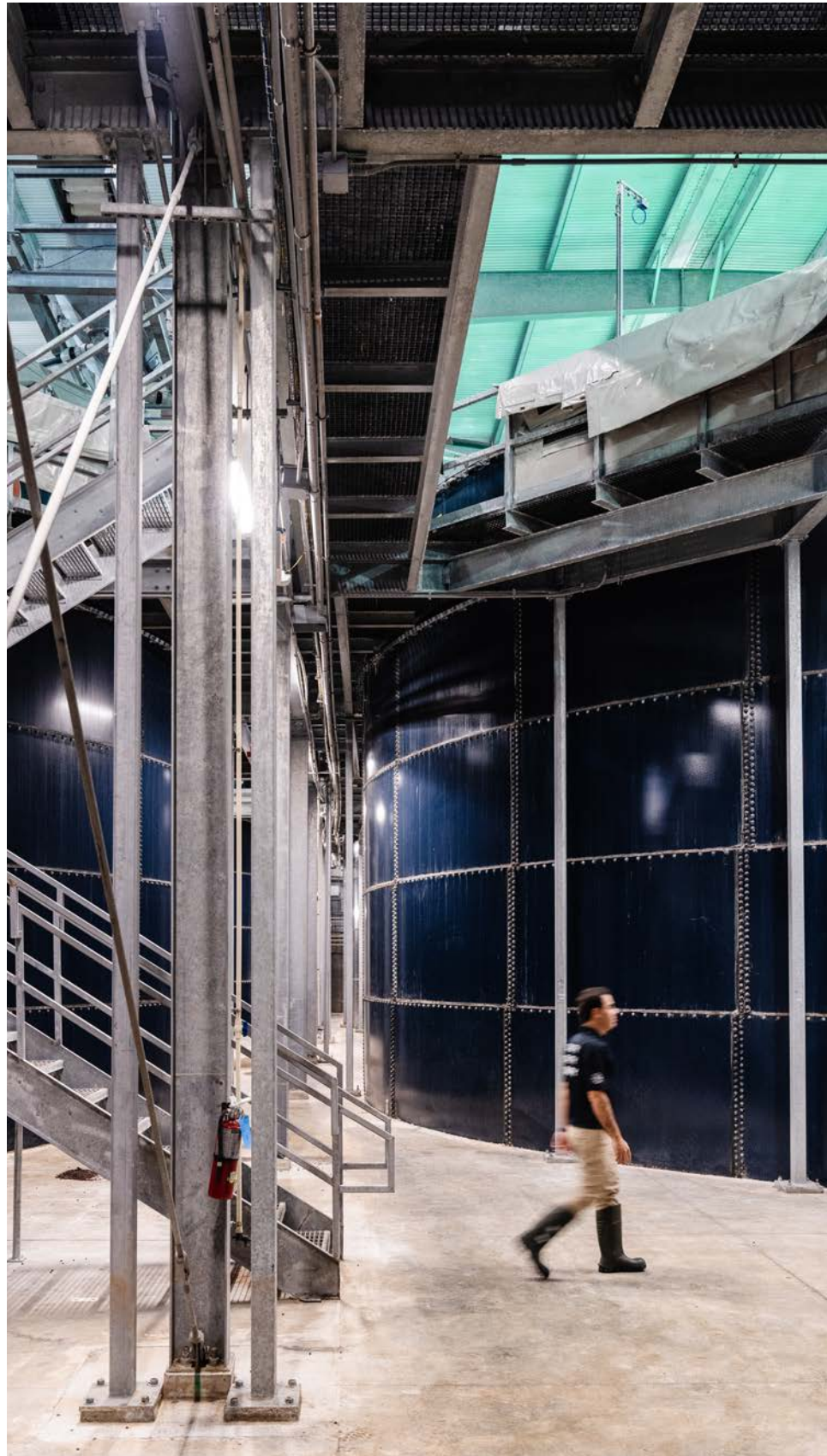


Social Responsibility

Material ESG Risks

The material topics listed in the following page present both potential risks and opportunities that will inform the decisions Atlantic Sapphire takes for our business. The Group will increasingly capture data on the material ESG topics for management attention and reporting. Data collection will increase to support additional comprehensive and accurate disclosure as Atlantic Sapphire approaches steady-state operations in the US.

Two emerging risks are the availability and costing of marine ingredients and value chain issues due to COVID-19. The sourcing of marine ingredients is an environmental risk because ingredients from marine origin such as fish oil and fish meal could become challenging as oceans are overfished. This could affect the cost of feed and increase pressure on our environmental footprint. We began to use alternative ingredients in 2021 and envision a plan and commitment to be completely out of the ocean using zero marine ingredients by 2025. Value chain issues due to COVID-19 also present an economic risk to our organization as our oxygen supply may be impacted when hospitalization rates go up and oxygen shipments are prioritized accordingly. We saw the direct impact of this in 2021 in which ASUS had to perform an emergency harvest to lower standing biomass of the farm due to lack of oxygen supply. The Group is working on establishing a larger network of oxygen suppliers to solve this issue in the short term, including the sourcing of non-medical grade oxygen that would not compete with hospitals. In the long term, the Group is also assessing the possibility of investing in its own in-house oxygen production capabilities.



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 byproduct 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

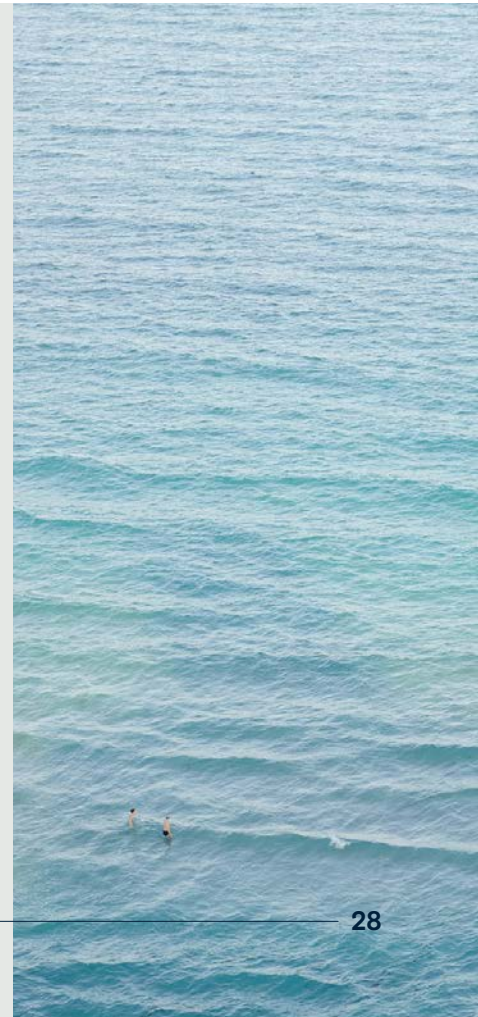
Atlantic Sapphire's business depends on its social license to operate, the trust and goodwill of its stakeholders, and on its reputation for keeping its promises. Any circumstances that publicly damage these may lead to a broader adverse effect than solely the monetary liability arising directly from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

The Group strives to build long-term relationships with all stakeholders, and the Group's management team engages in open and transparent dialogue with those interested in its business from a social, environmental, and economic perspective. The Group proactively listens to its stakeholders, provides them with information about Atlantic Sapphire's projects and operations, and addresses their needs on an ongoing basis.

Such dialogue strives to raise awareness on both the value of what Atlantic Sapphire does and the challenges that it faces. In the past year, the Group held valuable dialogue with stakeholders around various topics that consisted of product attributes, environmental and animal welfare aspects related to Bluehouse salmon farming, technology and R&D invested in the recirculating aquaculture systems ("RAS"), the viability of the business model, and the socio-economic impacts of its operations in Denmark and the US. Further, the Group employs different platforms to engage with its stakeholders to provide a relevant setting and frequency of communications while simultaneously maintaining a healthy level of involvement and interest with, and ultimately for, the stakeholders.

“Knowing what to measure and how to share the insights gained is paramount to our success. Accountability, integrity, and performance are among our core values as an organization, and we live by them across all functions. Whether it is corporate governance principles, financial reporting, or biomass measure, we place special importance on keeping a thorough data capturing and reporting system. In turn, this aids in our mission to keep innovating day in and day out.”

– Michael Cereste: Tracking and optimizing collaboration across functions
Financial Planning and Analysis Manager



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, Group and department performance, and major events
- Frequent company-wide online and when possible, face-to-face communications on relevant and exceptional information through different platforms
- Annual employee satisfaction surveys

Shareholders

Investors | Lenders

- Regular communication, updates in Group presentations, meetings to discuss both financial and ESG performance, 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 Oslo Stock Exchange (“OSE”) official channels, website, and investor relations email 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 to 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 onsite visits, and 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, 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 and Omhu in Denmark
- Provision of relevant information and updates about the progress of our operation through email, social media, press, and announcements
- Product donations to support local communities such as the Homestead Soup Kitchen and Camillus House
- Economic support to South Florida Special Olympics events

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 other needs
- Support local businesses whenever possible

Industry

Industry peers | Non-Governmental Organizations (“NGOs”)

- Updates through Group 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

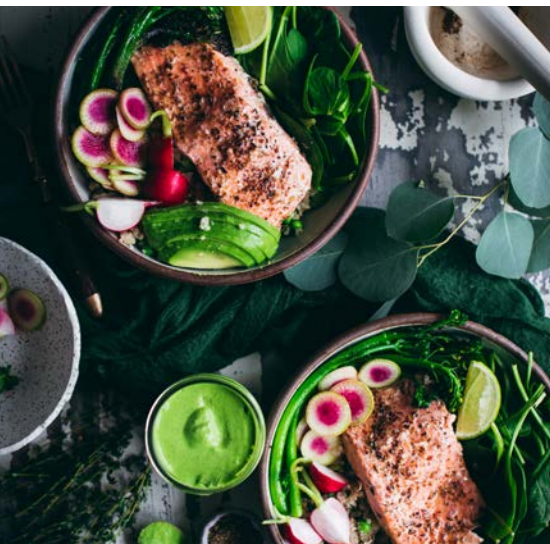
03

Atlantic Sapphire's ESG Priorities

03

Product Responsibility

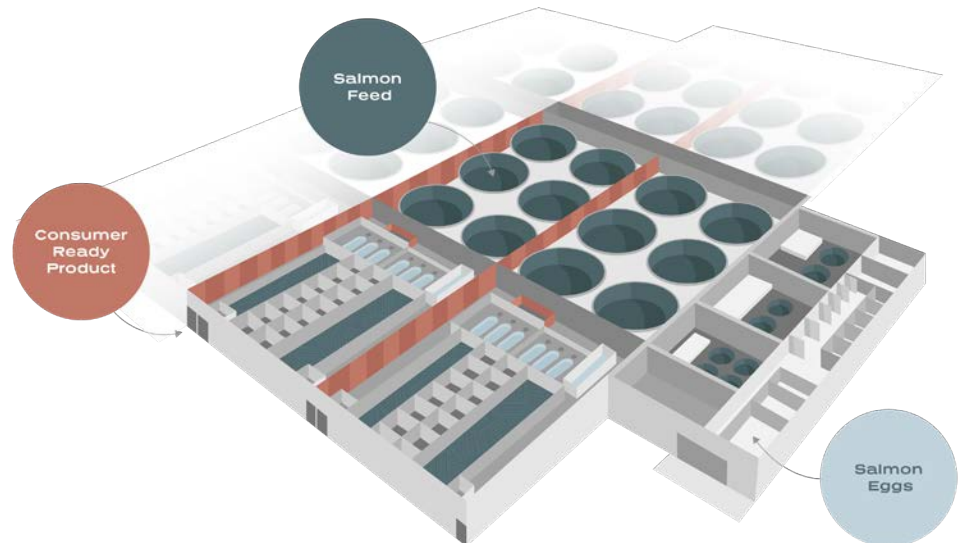
Salmon has become a sought-after product as consumers increasingly demand more healthy, delicious, and sustainable protein options. Atlantic Sapphire's main markets are the US and Canada. Most of today's seafood in North America is imported, and the US has a high obesity rate and a low per capita consumption of seafood. Salmon is an excellent choice as a nutritious part of a healthy diet for all ages. The health benefits of Atlantic salmon are widely documented and include richness in Omega-3s, proteins, and essential vitamins (A, D, and B-12). Thanks to its high level of Omega-3s, our fish has received the American Heart Association's "Heart Check" certification and our Miami Bluehouse location in Florida paves a path to a locally produced and healthier diet for American consumers.

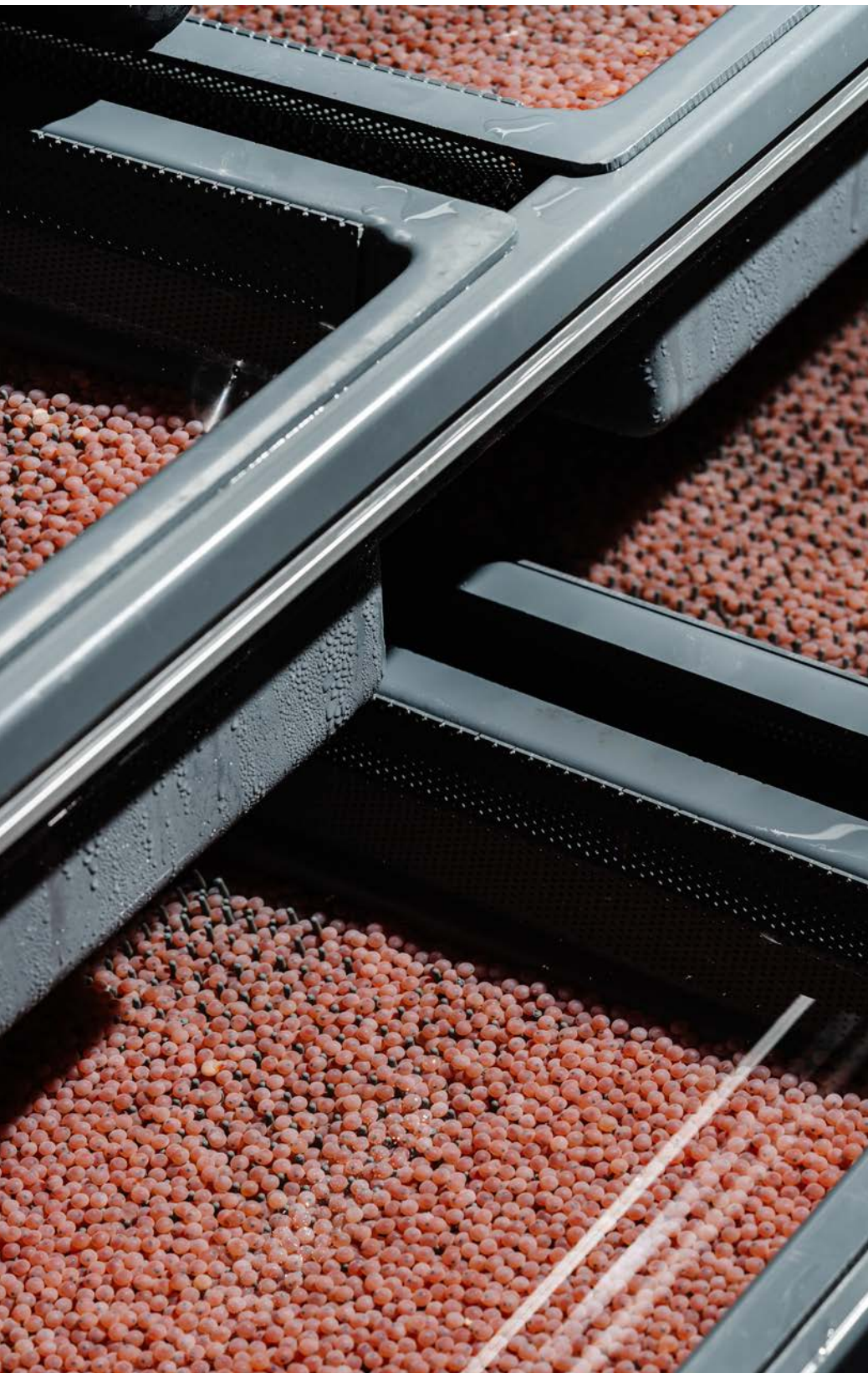


Another meaningful product attribute to consumers across all segments is the fact that our Bluehouse Salmon is raised completely in closed water containment which means less contaminants such as micro plastics and **no need for the use antibiotics or pesticides** at any point during its life. Our reasoning towards an even cleaner and healthier product is simple: our Bluehouse Salmon is not exposed to viruses, diseases, or parasites that exist in the wild because our water source comes straight from artesian aquifers which have not been exposed to any man-made contamination.

Although the USDA has been planning to develop an organic certification standard for seafood, such a standard has yet to be formalized in the United States. Nonetheless, the Group believes that our fish is one of the cleanest seafood options available thanks to our on shore closed containment technology and we will be working with the authorities as an organic framework for seafood is being put in place in the years to come.

While our current business model and technology provide a great solution, Atlantic Sapphire will endeavor to continuously seek ways to increase sustainability in the production of our salmon. Bluehouse Salmon not only offers the taste and health benefits valued by consumers, but 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 50 to 100 grams in freshwater before they are moved to saltwater tanks where the salmon are fed and raised to the target average harvest size of 4 to 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.

Atlantic Sapphire thrives to mimic what it believes is ideal conditions for salmon to thrive from hatch to harvest, and our Bluehouses are tailored to replicate this natural life cycle to the largest extent possible. Salmon is an anadromous fish that begins its natural life cycle in the wild in freshwater rivers and migrates out to sea after it smoltifies. The smoltified salmon then spends its life at sea to grow large and will then reproduce in the river it originated from.

Complete salmon 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 innovative technology. Our proprietary capabilities build on collaboration and integration with a diverse range of technology partner solutions. All relevant parameters are constantly monitored with an increasing number of sensors, automation, tools, and equipment that measure water quality indicators such as alkalinity, carbon dioxide, oxygen, and temperature. The systems also measure potential risks for the fish, such as elevated levels of toxic gases. Early detection and mitigation of the likelihood of toxic hydrogen sulfide formation is critical to minimize the risk of a mortality event and continues to be a key area of technical innovation towards risk reduction and exposure for the Group. Continuous improvements in technology also allow Atlantic Sapphire to grow fish faster with less feed and with reduced consumption of oxygen and energy to ensure optimum fish welfare.

Denmark Innovation Center: Technological Proof of Concept

The Denmark Bluehouse, located in the village of Hvide Sande, 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 conventional net pens in open water. Atlantic Sapphire's proven Bluehouse technology also allows salmon to be raised closer to the end consumer. Inside the Bluehouse, 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 come in contact with sea lice or be exposed to wild fish diseases, allowing them to grow strong and healthy. The Denmark Bluehouse served as the foundation for the

Group and has been fundamental in making the US Bluehouse possible. Unfortunately, a fire rendered the Danish Bluehouse non-operational in 2021, and future plans for the facility are still to be decided.

1,200 ft

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

95 %

Over 95% of the groundwater consumption for farm operations will be saltwater from the Floridan aquifer

AI

In 2021, the Company implemented autonomous feeding and artificial intelligence (AI) as part of its new feeding system.

US Bluehouse: In-Market Commercial Scale-Up

The Bluehouse located in Miami, Florida, US is equipped with state-of-the-art Recirculating Aquaculture System ("RAS") technology based on 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. Our Miami Bluehouse sources freshwater from the Biscayne Aquifer only a few feet below ground surface and accounts for about 5% of our total groundwater consumption based on the current permitted allocations.

The brackish and salty groundwater is sourced from the Floridan Aquifer, a density stratified artesian aquifer, and is located at approximately 1,200 feet below the Miami Bluehouse. The salinity of groundwater in the aquifer increases with the increase in depth as saline water is denser than freshwater. Wells constructed in the Floridan 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 consist of saltwater from the Floridan aquifer. The exchange of groundwater entering and exiting the Miami Bluehouse is about 10% per day. Inside the 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 then acts as a storage zone and natural filter with a natural current that slowly filters the water over thousands of years until it eventually returns to the ocean as clean water, thus eliminating any wastewater impact on the ecosystem.



The unique groundwater resources of South Florida are well suited for Bluehouse farming at scale. A stable supply of fresh, brackish, and saline groundwater, along with a proven and environmentally desirable method for wastewater disposal, are critical elements. 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 is continuously working on advancing the aquaculture industry by being leaders in using new and advanced technologies in our Bluehouse farming. In 2021, the Group implemented autonomous feeding and artificial intelligence ("AI") as part of its new feeding system. This autonomous feeding system analyses feed spill to determine the optimal amount of feed to offer the fish, thereby maximizing both fish welfare and growth while 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. With each day, the AI system becomes better at optimizing water conditions for the fish, which increases biomass gain and economic performance, and results in even more healthy and delicious product for the end-consumers. The Group is also working on solutions to separate uneaten feed from sludge to be able to reuse the feed eliminating feed spill all together. Lastly, the Group's focus is on improved and gentle fish movement, energy consumption, and the design and concept for a more modular, highly scalable tank module as part of the Group's Grand Master Plan to reach 220,000t HOG of annual harvest volumes a decade from now.

Developing a Sustainable Option

The conventional aquaculture industry today generates a global supply of healthy Atlantic salmon of an estimated 2.7 million metric tons⁵, almost all produced in sea-based net pens or cages, primarily off the coasts of Norway and Chile due to suitable conditions⁶. However, these industrial sea-based fish farming areas are remote from the largest end-markets, which requires significant transportation and logistics costs, generates an added carbon footprint, and leads to reduced shelf life of the final product.

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

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. An alternative is to keep the whole farming process on land, which is the idea behind the Bluehouse. By containing the salmon within our Bluehouses, the Group eliminates the threats to wild fish stock and our own fish from sea lice, parasites, and other diseases being transferred, avoids untreated fish waste being emitted into coastal areas, and ensures 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 facilities. All ova supplied to Atlantic Sapphire meet the criteria of "no genetic engineering involved" under the terms of the EU regulations. Furthermore, Atlantic Sapphire is committed to never using genetically modified ova in its production.

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 to 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 rather than 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 onsite 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 have a strong focus on innovation. Salmon feed is made from a variety of raw materials, including grains such as wheat and soy, and marine ingredients such as fishmeal and fish oil. Our aim is to build long-term relationships with partners and suppliers to collaborate on developing increasingly sustainable feed solutions.

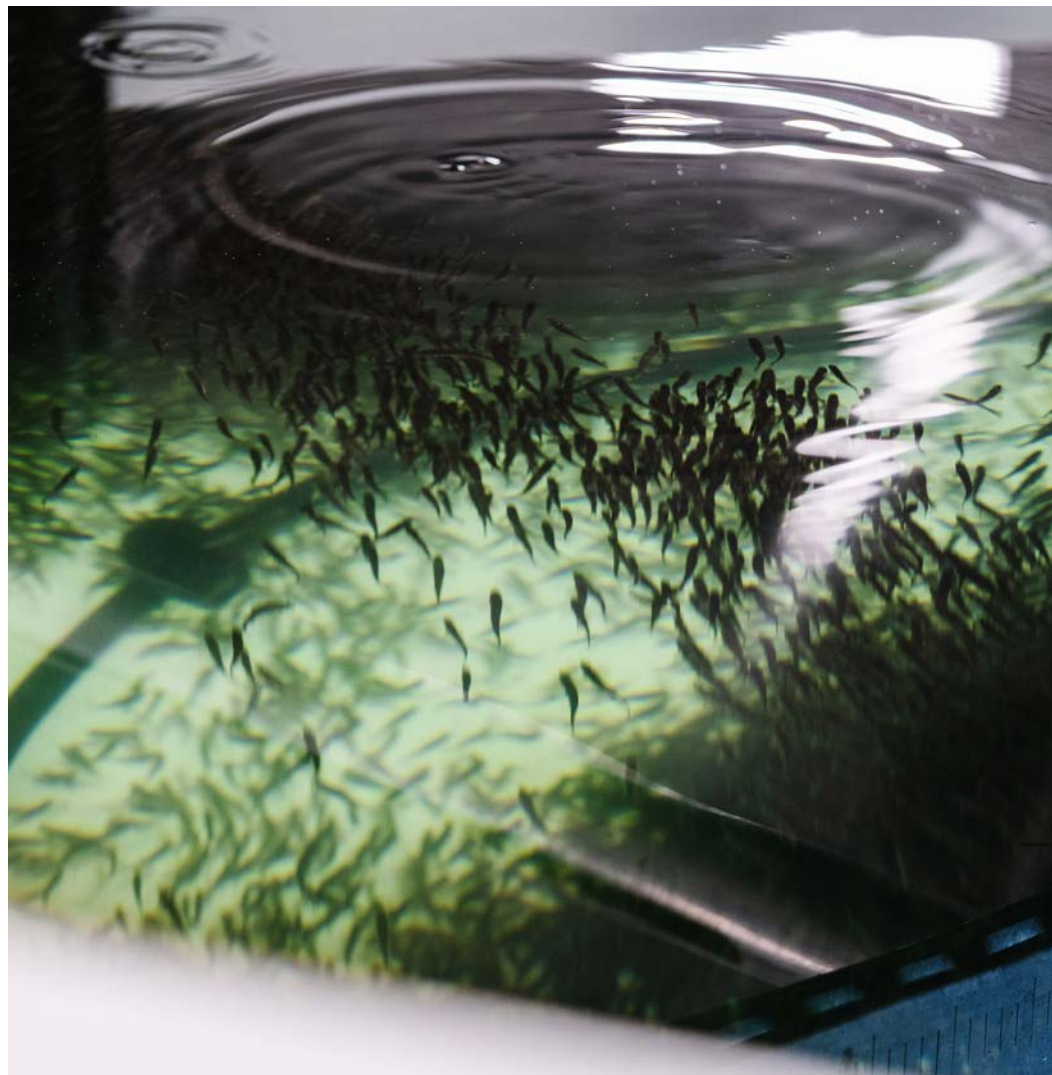
Raw material availability, origin, harvesting methods, and regulations throughout the supply chain in feed selection represent key factors in the social, environmental, and economic impact of the production of the final product. There are science and data-based comprehensive standards regulating the 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 and ingredient 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 chose 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 Group 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 utilized by Skretting North America ("Skretting"), our feed partner, is sourced using sustainability criteria and primarily comes from CJ Selecta, a company that is actively working to improve 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 meet 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.





Atlantic Sapphire is actively looking into the development of alternative raw materials for our feed. The Group is engaged with several 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.

In 2021, we introduced a novel algae oil to replace 25% of the fish oil in our feed. This means that we have lowered our marine ingredient consistently over time, resulting in a 0.75 feed fish inclusion factor ("FFIF") and making us a net positive marine protein producer. We also have a target to remove all marine ingredients from our feed by 2025. We will then be able to produce seafood without having any impact on the ocean and zero of the contaminants coming from the ocean such as metals, PCBs, or dioxins.

In 2021, Skretting signed an agreement with us with the intent of building a feed plant locally in South Florida. Having local feed production means that we will lower the transportation of sourcing feed while simultaneously working in an even closer collaboration to develop new feed ingredients that are better for our systems, for our fish, and for the planet.

Traceability

Atlantic Sapphire's full production cycle is carried out in its Bluehouse, 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 HACCP to manage compliance with standards and legislation. Atlantic Sapphire Denmark A/S holds a Grade AA BRC Global Standard issued by Bureau Veritas Certification Holding SAS to produce fresh head-on-gutted RAS farmed salmon delivered from its own farm and factory.

In the US, Atlantic Sapphire experienced delays in the construction of its processing plant due in part to COVID-19. To begin further processing in this plant and increase product traceability even further, Atlantic Sapphire has implemented its HACCP plan and is in the process of obtaining its USDA System of Operational Procedures ("SOP") FDA registration. Additionally, Atlantic Sapphire is in the process of obtaining a third-party food safety certification for its US operations.

Fish Welfare

The healthier our fish, the better the Group performs. Atlantic Sapphire's Bluehouse technology brings unprecedented measurements and control of critical production factors. To ensure optimal fish welfare, Atlantic Sapphire constantly monitors all relevant water quality parameters. Over time, the Group has continued to increase data collection to support ongoing improvements in water quality, the general health of our fish and growth performance. Our most powerful "sensor" is the fish itself. A healthy fish that has good environmental conditions will have high appetite and grow fast. In that way, you can say that the fish welfare and profitability of the company is aligned and as we say, "a happy fish is a happy farmer". An onsite control room allows for close monitoring, quick detection of variations, and immediate adjustments to maintain optimal Bluehouse conditions. Furthermore, Atlantic Sapphire works with leading information and biotechnology companies to analyze fish welfare and to corroborate internal measurements and results. All the benefits of Bluehouse farming results in Atlantic Sapphire's day-to-day mortality figures, excluding the one-off extraordinary events of the past, being significantly lower than in other forms of salmon farming.

Bluehouse farming is designed to produce high-quality biomass in a high intensity environment. With high intensity comes added complexity, and successful operations require more from the equipment used and the operators of this equipment. Throughout 2021 and as a direct response to the two extraordinary mortality incidents in 2021, Atlantic Sapphire has made significant changes to minimize operational risks, in particular as it relates to extraordinary mortality events:

Risk of hydrogen sulfide (H2S) intoxication – the largest risk in saltwater RAS fish farming

- H2S is a gas that can be created in all water systems with organic material. It can affect fish growth and performance in low concentrations, whereas it can kill fish in minutes in high concentrations. In addition to being highly toxic in small volumes, the gas is very volatile which makes it unpredictable and hard to measure. The toxicity of H2S can be mitigated by adjusting certain water quality parameters and procedures that have successfully been implemented in our Bluehouses. Although Atlantic Sapphire continues to focus on H2S to ensure a low-risk environment, the Group is confident that the risk of large mortality events has been severely reduced, though not eliminated. As a result, we designed our farms with multiple independent systems.

Organizational restructuring

- Operational changes support better flow of communication and allow for tighter monitoring of all RAS system parameters. The ongoing systems are now treated as independent farms. Each ongoing system is assigned its own manager, meaning that every facet of that system is monitored in real time by the manager that knows their system best. Directly assigning a manager has increased accountability and has provided a strong incentive to make sure tasks are done right the first time, every time.



- Each system has responsibility for 24/7 coverage of staffing, and Atlantic Sapphire is now operating with a minimum of nine staff in the Bluehouse at night and during weekends, significantly reducing the risk of incidents with impact on fish or property happening outside of normal business hours.

The Facilities Operation Advisory Board (the "FOAB")

- The FOAB was created to prevent incidents such as extraordinary mortality from occurring again by drawing on internal multidisciplinary resources to scrutinize and document all novel procedures or large-scale systemic changes. Strict protocols are established with every FOAB review.

Production input risk reduced (oxygen)

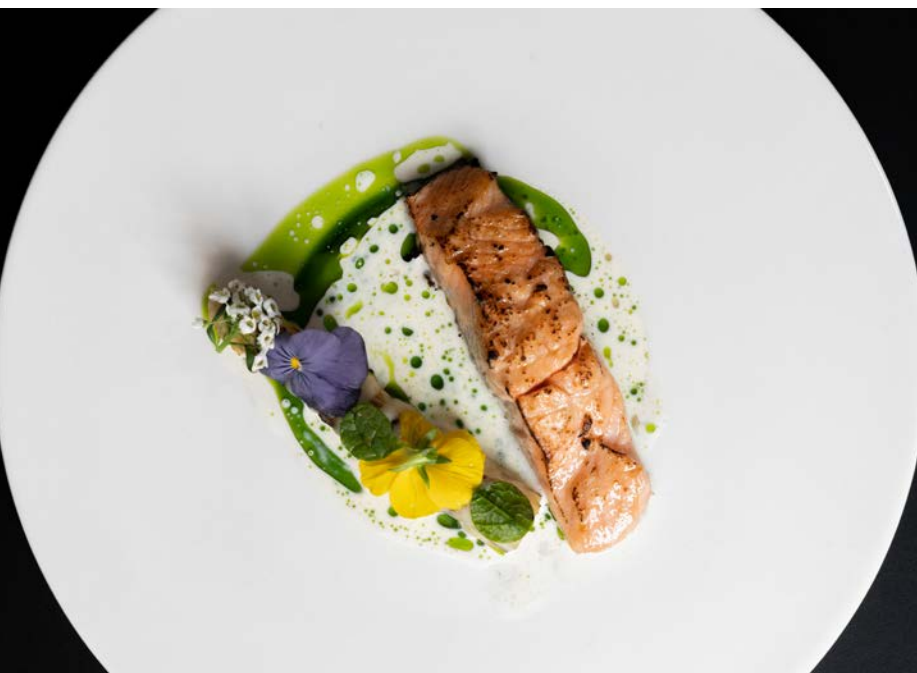
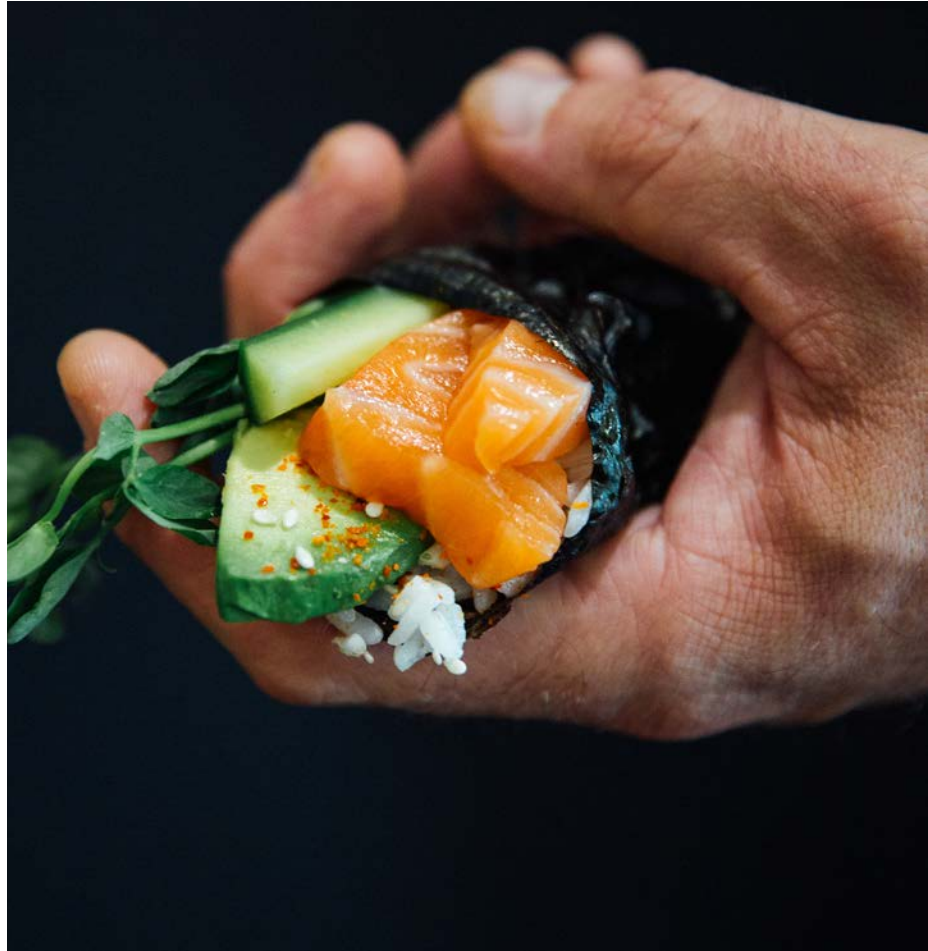
- The limited liquid oxygen ("LOX") supply experienced in August 2021 was a demonstration of organizational cohesion and adaptability. While Atlantic Sapphire did not foresee that the Pandemic would cause such a shortage, resources were marshaled to ensure the fish themselves never wanted for anything. Emergency protocols were rapidly developed and vetted to mitigate oxygen demand from the fish while new sources of liquid oxygen were sourced. Production was resumed as normal after approximately three weeks.
- The LOX crisis taught the organization how it can keep the Bluehouse and the fish stable with very low consumption of LOX, and we adapted such learnings within our emergency protocols.

Reducing Energy Consumption

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

As an example, the Miami Bluehouse installed 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 hence the energy use and potential related GHG emissions. Solar energy is also being explored as another source to be utilized in the future. Thanks to the large available roof space, installing solar energy will not only be a great way to utilize the available space, but is also estimated to reduce Atlantic Sapphire's energy costs. Being at the forefront of sustainable aquaculture, Atlantic Sapphire must continue to develop technologies and implement process enhancements to increase the performance and sustainability of its operations.



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 Group has engaged with a range of carefully selected clients and business partners, built, fostered, and maintained trust through transparent communication, and only associated with organizations who share the Group'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. Atlantic Sapphire follow strict protocols for testing and lab analysis, which support our goals to ensure that Bluehouse Salmon remains a most safe protein for consumers to enjoy.

Product Certifications

To date, Atlantic Sapphire products are carried by a broad range of retailers and food service in North America, 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. To highlight the importance of our food product we hired a food safety auditor in 2021 with the primary role to conduct food safety audits. This ensures quality control among our 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, organic farmed, or wild-caught salmon.

Atlantic Sapphire is fully committed to responsible marketing, and consumer trust in Atlantic Sapphire's product is vital to our business and position as a leader in the marketplace. For that reason, the Group is always mindful to ensure the accuracy of every sustainability-related claim it makes on

the product labelling and in our marketing and to avoid any misleading claims.

Since inception, Atlantic Sapphire has reviewed a range of potentially relevant certifications and quality standards. Atlantic Sapphire Denmark A/S was BRC certified with an AA rating, and we strive to obtain a third-party certification for the US Bluehouse in 2022.

Atlantic Sapphire Denmark A/S was awarded the ASC certification on 9 July

2021. We are also talking with ASC about the new RAS module they are working on that would help differentiate us from conventional net pen salmon and move us forward to certify the US Bluehouse facility once the new standard is ready.

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

Finally, Atlantic Sapphire is now participating in The American Heart Association(R) 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 household⁷. After a rigorous evaluation process, our Bluehouse Salmon brand 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 which consists of slaughtering and gutting. Secondary processing, which includes filleting and producing other value-added products, is carried out by contractors who comply with European health and safety regulations. In the United States, our production combines both primary processing and secondary processing. The products produced are head-on gutted (HOG) salmon, fillets, and value-added products. The products are stored and transported to the end market at a temperature between 0 and 2 degrees Celsius.

The Group has plans for use of waste and byproducts to minimize overall waste. In Denmark, we send our waste from farming and whole fish processing to biogas plants. In the US, we have commitments from pet food processors to buy all the byproducts from filleting.

Atlantic Sapphire is committed to using sustainable packaging solutions across our operations. Because our Danish facility must meet a range of packaging requirements, it is not yet as free to experiment with more sustainable packaging as at our US facility can. Here, 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 vegetable ink for prints. Inside every box, we anticipate there will be a 100% biodegradable bag or liner containing all fillets or HOG fish packed in bulk.

Selected Targets for 2022

Consumer Health & Safety

- Continued 100% compliance with all food safety standards
- Apply for BRC certification in the US
- Maintain American Heart Association Certification (US)

Packaging

- Pack minimum 50% of our fish in biodegradable or recycled and recyclable packaging for the transportation of harvested salmon to lower our use of single-use plastic (US)

Production Responsibility

- Zero waste of off-cuts and byproducts from our filleting facility (US)
- Lower non-edible byproducts by increasing filleting yield of edible meat to minimum 70% for Trim D fillets

Selected Targets for 2025

Consumer Health & Safety

- Introduce an Atlantic Sapphire Bluehouse certification program

Packaging

- Roll-out of 100% biodegradable or recycled and recyclable packaging for the transportation of harvested salmon to eliminate our use of single-use plastic (US)

Production Responsibility

- Process 100% of off-cuts from farming operations and processing (including guts, and sludge) onsite into value-added product (biogas, protein powder, and fish oil), towards achievement of zero waste (US)

Economic Responsibility



Atlantic Sapphire seeks to create prosperity for the business, investors, buyers, suppliers, and employees. The Group contributes economic value to the local societies and communities where it operates and to the business partners it transacts with. The Group'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. This means, for example, that the Group 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 Group's primary investment in 2020 and 2021 has been the Phase 1 construction of its Miami Bluehouse facility in Homestead, Florida, and the construction of the Phase 2 expansion with started in Q2 2021. The Phase 2 expansion will bring total annual harvest volume capacity of the Miami Bluehouse to approximately 25,000t HOG. Its indirect economic impacts include investment in building the infrastructure leading to its production facilities, including roads and new power lines build in cooperation with the power company.

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

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

Atlantic Sapphire was listed on the fully regulated main list of the Oslo Stock Exchange in May 2020 and was also quoted in the US on the OTCQX market under the ticker AASZF as of January of 2021.

Economic Value Generated and Distributed by the Group

2021 Selected Financial Measures	(USD 1,000)
Revenues	16,851
Total expenses	149,144
Of which, salary and personnel costs	10,584
Total assets	311,740

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.

Atlantic Sapphire's production facilities are located close to coastal areas. As such, the Group has assessed and prepared for the risks of wind and water-related natural disasters such as floods, tropical storms, or hurricanes. In 2021, no major 'named' storms affected the area.

Atlantic Sapphire's business can also be impacted by climate change through the sourcing of fish feed. The Group depends on fish feed from third parties, and this is the single largest cost of production item. Although feed represents a large, global commodity, supplier prices are ultimately based on raw marine and non-marine materials. A future increase in such costs to the supplier would most likely result in direct correlation towards the Group's cost of production. Such factors could potentially include climate change, increase in global demand, and low supply increase. The Group considers this risk to be high and is therefore exploring alternative raw materials to reduce 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 Group. However, Atlantic Sapphire considers the risk of significantly higher energy prices in Florida as low since Florida's electricity market is controlled by the Florida Public Service Commission. This commission 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 by potentially installing solar panels on-site in Florida or in conjunction with larger solar farms constructed by Florida Power & Light ("FPL"). In the near future, Atlantic Sapphire plans to transition over to renewable sources of power as they are not based on scarce resources and could reduce the risk of significant price increases for electricity (see more in the chapter on Environmental Responsibility for further details).

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 Group's facilities in South Florida are 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 US market if climate risk were to impact the cost of air transportation because we supply that market from local production and use truck transportation.

During 2021, our corporate offices in Miami were leased in a Leadership in Energy and Environmental Design ("LEED") Gold Certified building.

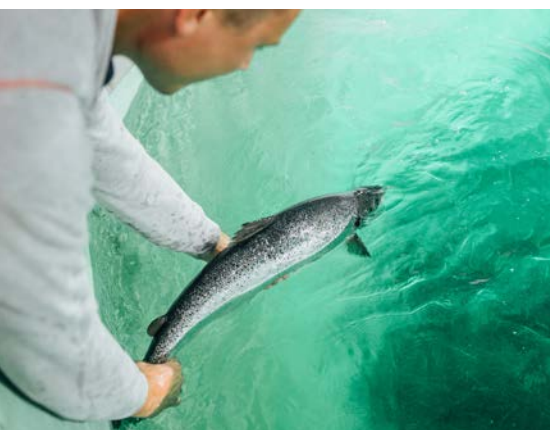
⁸ Financial Stability Board's Taskforce on Climate-related Financial Disclosure www.fsb-tcfd.org

Green Finance

Our Green Finance Framework, which was implemented in October 2020, continues to help us steer the financing of our business and promote low-carbon, climate-resilient, and resource-efficient development in the seafood sector and reduce negative impact on biodiversity. CICERO provided a Second Party Opinion on our Framework⁹, giving Atlantic Sapphire an overall strong CICERO Medium Green shading and a governance score of Excellent. Even before this was in place, we obtained a Green Loan from DNB, the first of its kind by DNB to a seafood company, in 2019. All Atlantic Sapphire's debt in the future will be 'green'.

Transparency around our ESG performance is critical for the capital markets to take on risk and reward responsible behavior. We are in regularly dialogue with different investors to explain how we manage climate risks and broader environmental impact, and we engage with relevant ESG rankings to help investors make informed decisions about our commitment to managing ESG risks.

In September 2021, The Government Group released its latest ratings of the ESG reporting by the largest 100 companies on the Oslo Stock Exchange and Atlantic Sapphire received an A-, reflecting "excellent reporting in line with best practice".¹⁰



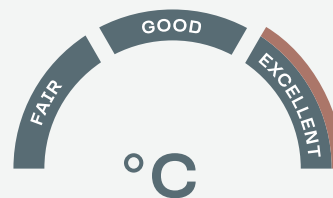
We welcome and closely follow the expanding efforts to redirect capital flows towards sustainable economic activities and investments, for example through the EU Taxonomy. Although aquaculture has yet to have technical screening criteria for the environmental objectives finalized, we are monitoring the criteria for comparable activities to understand our potential alignment. We are also following market consultations around future disclosure requirements such as capital and operating expenditures related to taxonomy-aligned activities. This includes the pending Social Taxonomy with its focus on enhancing the positive social impacts of goods and services. As our entire business and infrastructure investments centering around sustainable food production, we welcome these requirements along with the comparability such information will provide investors and other stakeholders.

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

Shades of Green

Based on our review, we rate the Atlantic Sapphire's green finance framework **CICERO Medium Green**.

Included in the overall shading is an assessment of the governance structure of the green finance framework. CICERO Shades of Green finds the governance procedures in Atlantic Sapphire's framework to be Excellent.



Green Bond and Green Loan Principles

Based on this review, this Framework is found in alignment with the principles.

⁹ CICERO, Atlantic Sapphire ASA Green Finance Second Opinion October 15, 2020 <https://cicero.green/public-reviews>

¹⁰ The Governance Group, ESG 100: How the largest 100 companies on the Oslo Stock Exchange report on ESG, September 2021 <https://c2e2.unepdtu.org/wp-content/uploads/sites/3/2021/09/the-governance-group-esg-100-the-oslo-stock-exchange-8-september-2021.pdf>

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. Atlantic Sapphire released its Code of Conduct in the first half of 2020 to set expectations and provide guidance to its Board of Directors and officers, employees (including part-time, temporary, and seasonal), independent contractors, and consultants. The Group's suppliers and other business partners are expected to share our commitment to integrity by following the principles of our Code. In 2021, 100% of our direct vendors and suppliers received the Atlantic Sapphire Code of Conduct as part of our supplier onboarding process and were required to sign it.

The Code is consistent with the Group's core values, which also serve to guide employee actions. Ethical business is our goal, and employee conduct in performing their respective duties on behalf of the Group 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 to seek guidance when necessary to clarify any aspect of the Code.

Each employee creates and increases Atlantic Sapphire's value by acting in the Group's best interests by properly using confidential information and protecting intellectual property. All employees are also expected to protect and properly utilize Group assets to ensure their efficient use for legitimate business purposes. Ultimately, the Group is owned by our shareholders and all at Atlantic Sapphire have a responsibility to act with integrity and to protect shareholder value.



Improper Payments and Anti-Money Laundering

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



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.

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

Selected Targets for 2022

Economic Performance

- Steady state US Phase 1 production (US)

Technology and innovation

- File at least five patents
- Invest 5% of overall operational expense in R&D towards environmental, financial, and fish welfare improvements

Indirect Economic Impact

- Deliver over 3,500 direct and indirect job impacts in Miami-Dade County and 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

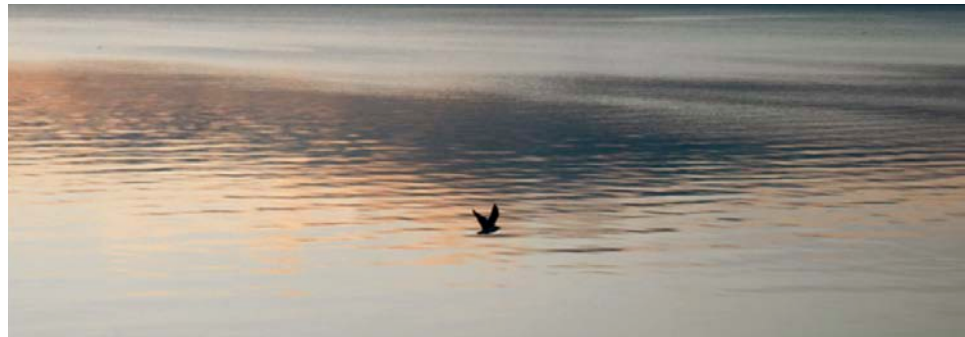
Selected Targets for 2025

- Invest 5-10% of overall operational expense in R&D towards environmental, financial, and fish welfare improvements
- Local salmon feed production based on locally sourced ingredients
- Source renewable energy at a lower unitary cost than standard electricity from the grid

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.



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Minimizing the Group'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 harm the environment, the local community, and the Group's business and reputation.

Additionally, **our operations are estimated to be sequestering carbon at an average rate of 128 tons per day when US Phase 1 and 2 are both operational thanks to the unique water environment we're operating in.** By injecting our treated wastewater into the Boulder Zone, we're effectively making it a carbon sequestration well, of which there are only about ten in the United States.

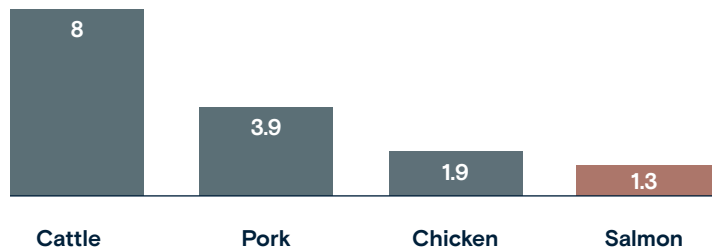
Feed Conversion

Farmed salmon has a low carbon and water footprint compared to other sources of protein such as meat production and can contribute to a solution to the climate challenge. The so-called Feed Conversion Ratio is an estimate of the amount of feed required to increase the animal's bodyweight by one kilogram. The table here shows that beef cattle hold the highest feed conversion rate, with an average ratio of eight, while in contrast an industry-average salmon needs only about 1.3 kilograms of feed to increase its bodyweight by one kilogram, making it a highly favorable conversion ratio.

In 2021, Atlantic Sapphire partnered with Veramaris to deliver sustainable Omega-3s rich salmon to the market. Having a sustainable EPA and DHA alternative to fish oil is critical in helping it achieve its ambition of having zero impact on the oceans. By working with Veramaris and Skretting, the Group is confident that it has the right partners to achieve such ambitions. Atlantic Sapphire will simultaneously work with Skretting on other novel ingredients to help it minimize the carbon footprint.

As of the end of 2021, the Group was still harvesting out the Initial Batches of salmon (fish introduced into the system before the middle of 2020) while the first of the New Batches (fish introduced into the facility after the middle of 2020) had reached approximately 1kg in average weight. Preliminary figures for the Initial Batches were high due to the challenges with the frontrunner batch that had a high percentage of maturation. The Group expects an economic feed conversion ratio of approximately 1.2 in steady state production.

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



Source : Statista 2021

Energy

Even though salmon farming emits less carbon as compared to other livestock, Atlantic Sapphire recognizes that the full value chain does leave a carbon footprint and seeks to minimize it. As part of our plan to strengthen our position as a producer of land-based farmed salmon globally, we are committed to improving efficiency in the consumption of energy, as well as exploring increasing the use of renewable energy 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. Therefore, one of the Group's main priorities to explore, develop, and implement solutions to reduce the energy consumption of its operations. On the logistical standpoint to service the US market however, Atlantic Sapphire brings substantial reductions in GHG emissions as air freight is not required to transport harvested fresh salmon.

In the first eight months of 2021, Atlantic Sapphire Denmark consumed approximately 8.6 GWh of energy (through 31 August 2021, full year 2020: 12.1 GWh). The energy consumed comes from a mix grid including renewable and non-renewable sources. At steady state production, Denmark Bluehouse energy consumption for all operations is targeted to be approximately 6 kWh per kilo produced. We continue to monitor energy consumption closely, and to determine the origin and amount of renewable energy used in our operations. Our facility in Denmark currently exports sludge generated from farming operations to a biogas facility that uses it to produce energy.



“ We set goals with a commitment to sustainability, and an ongoing consideration of ESG factors in our decision-making. Our Bluehouse lowers the food sector’s global carbon footprint, conserving our oceans and delivering healthy salmon to eaters everywhere. We are spearheading the development of a new and exciting industry right here in Miami, FL. ”

**Rebecca Kravetz: Setting goals with purpose
(product, environment, economic responsibility)
Marketing Coordinator**

In the US in 2021, Atlantic Sapphire consumed approximately 69.8 GWh of electricity (2020: approximately 39.9 GWh of electricity—part of the Phase 1 facility was in construction). In Miami, the electricity is supplied from the state grid, which is a mix of nuclear and natural gas generated energy. With US Phase 1 construction fully commissioned, we expect to increase our energy consumption in 2022 as production continues to reach steady-state capacity in all of the 12 grow-out systems. Similar to our Danish facility, we aim to utilize the sludge it produces as either an energy source, biogas, or fertilizer.

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.

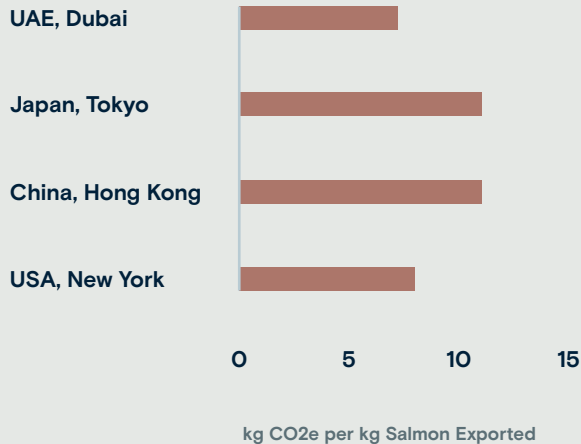
In 2021, no commercial shipment of our fish was made via airfreight. This is in line with our commitment to reduce our carbon footprint from transportation by supplying the US market from the Miami operation and the EU market from Denmark.

Handling Water Consumption and Wastewater

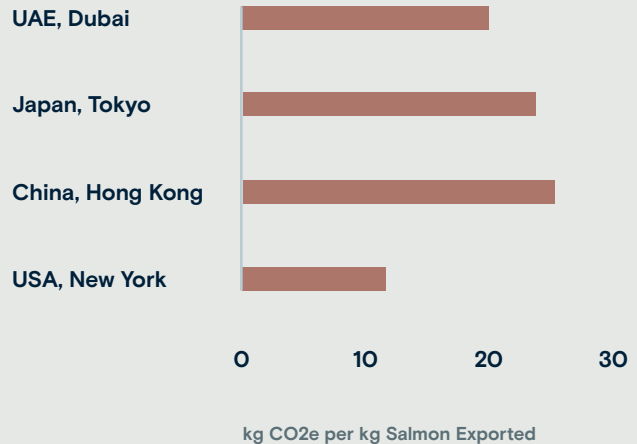
Using recirculating aquaculture systems ("RAS") technology, our water is filtered before it re-enters into a tank system. Over 99% of the water entering our tanks is recirculated and filtered, which significantly limits our water consumption.

There is no risk of water scarcity in either of the locations where 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. Our freshwater consumption in 2021 was 120 million gallons, and our saltwater consumption was 1.5 billion gallons. In steady state production, **this is estimated to be equivalent to approximately 200 liters of freshwater consumption per kilo of edible meat from farming operations, processing, and feed.**

Emission from Norwegian Air Freight



Emission from Chilean Air Freight



Source : SINTEF and Nordea estimates, 2019



Water Intake

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

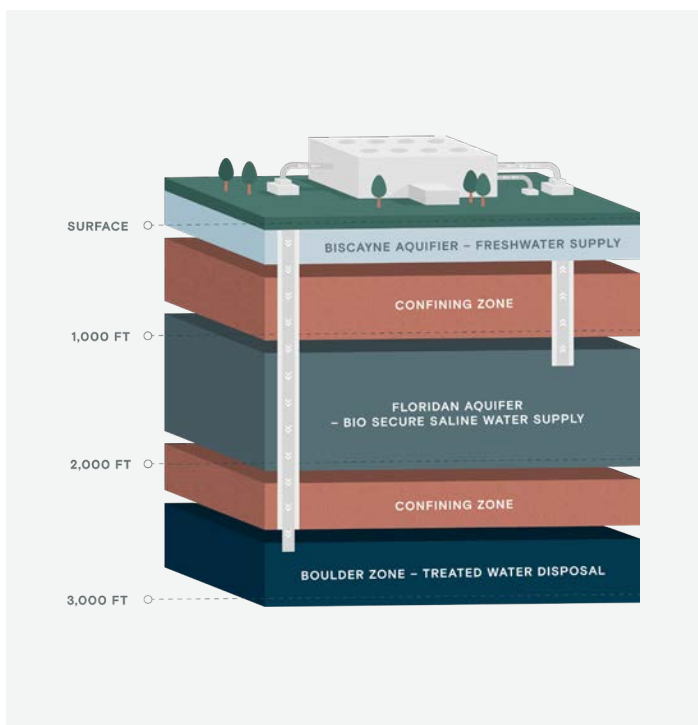
Thorough biosecurity procedures are in place. The intake water goes through a sophisticated “firewall” system consisting of water filtration and UV disinfection as preventive barriers. This process eliminates parasites and microbes in inlet water, completely mitigating the risk of bringing in any disease,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

The saltwater permits are set at 4,800 m³/d. The Group monitors its daily freshwater and saltwater intake, including water used for the farming cycle, for processing, and for the office, and it has not exceeded those allowances in 2019 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 farm 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 of 0.36 ppt
- The Floridan Aquifer, which contains brackish to saline groundwater that varies in salinity from approximately 2.7 to 35.0 ppt.

Our Miami Bluehouse sources freshwater from the Biscayne Aquifer only a few feet below ground surface and accounts for about 5% of our total groundwater consumption based on the current permitted allocations.



The brackish and salty groundwater is sourced from the Floridan Aquifer, a density stratified artesian aquifer, and is located at approximately 1,200 feet below the Miami Bluehouse. The salinity of groundwater in the aquifer generally increases with the increase in depth as saline water is denser than freshwater. Wells constructed in the Floridan 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 consist of saltwater from the Floridan aquifer. The exchange of groundwater entering and exiting the Miami Bluehouse is about 10% per day. Inside the 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 then acts as a storage zone and natural filter with a natural current that slowly filters the water over thousands of years until it eventually returns to the ocean as clean water, thus eliminating any wastewater impact on the ecosystem.

The unique groundwater resources of South Florida are well suited for Bluehouse farming at scale. A stable supply of fresh, brackish, and saline groundwater, along with a proven and environmentally desirable method for wastewater disposal, are critical elements. 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. Further, water consumption is comparatively much lower than other proteins, with the Group stating a goal of 200 liters per kilogram of edible meat.

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 Group's wastewater, which goes through filtration and treatment before it is discharged.

In the US, 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 US, wastewater is stored deep underground by way of an injection well. Regulatory monitoring and reporting associated with injection well system includes 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 Florida Department of Environmental Protection monthly.

Since the Group's inception, we have unfortunately experienced three instances in which plastic bio-elements from our water filtration system have been discharged with the wastewater into the environment around our facility in Denmark. We identified the root 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 responded immediately upon becoming aware of the respective discharges and we are fully committed to clean-up efforts and implementing measures to prevent future occurrences. 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 helped us recover 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 Group does not operate near marine protected areas.

In the US, 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, except for the utilization of marine ingredients in feed. 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 the Bluehouse salmon contribute to increase the general sea lice or disease pressure for other marine species including wild salmon.

The Group 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, and is in close dialogue with the Group (see more in the chapter 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 composting or disposal by commercial of municipal solid waste facilities. The Group 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 also being evaluated.

By using a closed system, we maintain a high degree of control of our fish waste. Atlantic Sapphire's US operations do not discharge any waste into the ocean which provides positive aspects. 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 (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 Group complies with local, state, and federal regulations for the storage, identification, record keeping, prevention, reduction, reuse, recovery, recycling, removal, and disposal requirements, as well as the requirements of international standards, such as the IFC Performance Standards and EHS Guidelines.

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

Selected Targets for 2022

GHG Emissions & 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 (US)

Waste

- Start construction of a value-added facility for the Bluehouse fish waste, eliminating sludge and viscera waste

Feed

- Reduce Feed Fish Inclusion Factor ("FFIF") further to maximum 0.75¹¹
- Increase the inclusion of insect meal or algae-based oil in our salmon feed

Water

- Reduce freshwater usage from production, processing, and feed to below 200 liters per kilo of edible meat

Selected Targets for 2025

GHG Emissions & Climate Change

- Zero kilos of salmon flown on airplanes
- Construct and generate 5 MW of solar power on site
- Electrical trucking and onsite production equipment of our salmon

Feed

- Zero marine ingredients in our saltwater diets
- 100% certified deforestation-free soy in our salmon feed
- Eliminate the carbon footprint of feed transportation by producing feed locally

Fish Welfare

- More than 97% survival rate as a percentage of biomass gain
- Achieve a third-party animal welfare certification

Water

- Eliminate the consumption of fresh water in production by replacing with saline water

¹¹ 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

An unexpected and devastating fire at the Denmark Bluehouse on 15 September 2021 forced us to discontinue our saltwater farming efforts in Denmark. The damages to our flagship Bluehouse were difficult for the Group and especially hard for our Danish employees.

To support our team, we provided grief counselors to help navigate the range of emotions associated with such a significant total loss. Following the fire, 10 employees were released from their

employment contracts due to lack of farming operations. All team members were offered job placement assistance to assist with the transition and paid out for any unused holidays. Impacted employees were paid between 3-5 months based on their tenure with the Group. Additionally, Atlantic Sapphire agreed to release all employees who obtained alternate work from their employment contracts during the notice period.

At the end of 2021, three valued team members remained active in Denmark as the Group continues to determine future plans.

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 Group is determined to be among the industry leaders in tackling environmental as well as social responsibility issues, consistent with the Group'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.

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.

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.

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.

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.

Balance

Healthy fish, wellness, and sustainable planet

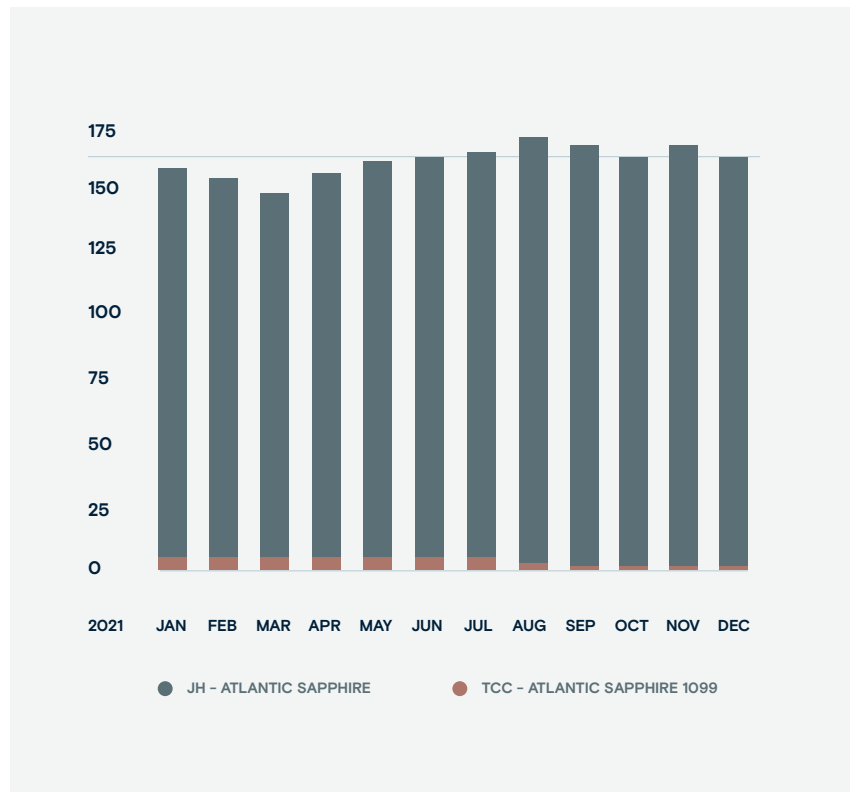
- Healthy fish are at the heart of everything we do.
- We love life, bringing our best self to life and work.
- We care for People, Fish, and the Planet.
- We do the right things in the right way.

Atlantic Sapphire promotes a safe, healthy, and fair working environment. The Group 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 2021, Atlantic Sapphire had 166 full time employees. In 2021, the Group maintained its headcount, as its US Phase 1 Miami Bluehouse reached completion. In the development phase of its facilities, the Group prioritized skills and experience in staffing teams to ensure that its operations are safe and secure.

Over time, the Group endeavors to increasingly hire full-time employees from the communities in which it operates. In 2021, the Group made significant strides towards moving away from a temporary workforce and engaging full-time employees.



(*)JH: Group employees; TCC: contractors.

Atlantic Sapphire has been working through extensive community engagement within universities, colleges, YMCA, and other promotional activities to drive a strong employer branding.

As part of our continuous feedback process in 2021, our Employee Satisfaction Survey measured that 92% of employees were proud to be a part of the Group and 88% looked forward to coming to work. The results found that less than 2% of employees showed low engagement.

“ Atlantic Sapphire depends on all its employees’ capabilities and contributions to support our vision of producing delicious and healthy salmon sustainably; we are all fish farmers. I work hard to promote a collaborative environment and architect seamless infrastructures by improving our IT systems while managing risks, ensuring business continuity. ”

Susana Gamiz: Supporting technology to enable ESG goals
IT Support Technician

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. We are proud to count over 20 different nationalities in our workforce.

We onboard people who bring professional experience and fit our corporate 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 Group and will focus on three key targeted areas: targeted recruitment, development, and retention and promotion paths.

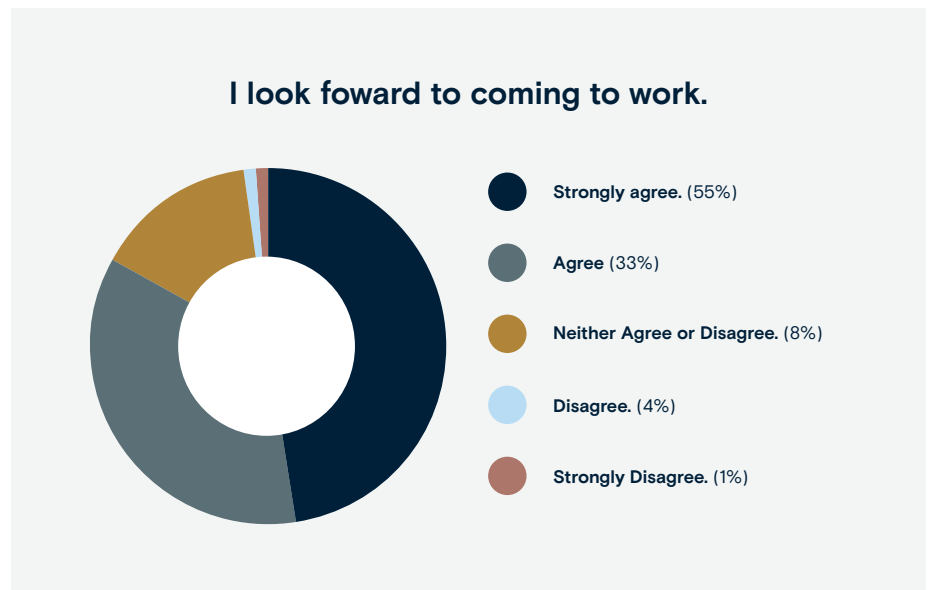
Pioneering in an industry also involves building up inexistent competences in the field. Driving performance while we retain talent throughout the organization in such an operationally geared industry is essential.

To drive a well-balanced performance driven organization while we also retain talent over time Atlantic Sapphire built an incentive program, with the support of Korn Ferry, which aligns our need to drive the performance in the short term with our long-term ambitions.

Therefore, we have established a combination of Short-Term Incentive Program (Feeding Culture), which is a performance option program driven primarily by economic and biological performance, and a Long-Term Incentive Program (Performance Over Time) driving 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 Incentive Program. Metrics included in the Performance Over Time consist economic performance and budget achievement, biological performance and fish survivability rates, environmental targets, safety, diversity, and inclusion.

“Through our Health, Safety, and Environmental Guiding Principles, we oversee the health and safety of our employees in the workplace, predominantly through ongoing auditing, monitoring, and evaluation of activities to ensure compliance. We actively promote a strong safety culture with employees, suppliers, vendors, and contractors, meaning that our focus is not only internal, but we also ensure the best conditions for stakeholders that participate in our operations. Healthy fish is central to our mission and daily behavior, but this starts with the support, training, and supervision we give each and every one of our employees. We always strive for the best working conditions and environment, enabling our daily operations and innovative practices. Moreover, we proactively enforce the ‘Think Safe, Act Safe, Be Safe’ mindset at every opportunity.”

– Carlos Fidalgo: HSE role in everything we do
Director of Health, Safety and Environmental



Although Atlantic Sapphire complies with applicable international and national laws, regulations and standards, there could be risks within the Group'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, contractors, and visitors. We proactively reinforce the mindset “Think Safe, Act Safe, Be Safe” at every opportunity throughout the organization.

For the year ended 31 December 2021, approximately 343,000 total work hours were recorded throughout the organization, of which 1,000 hours were attributed to sick leave.

The Environmental and Social Management System (“ESMS”) helps ensure that the Group 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 and raise a concern and refuse to perform work if:

- asked to do a task you consider unsafe,
- asked to do a job you think you are not properly trained to perform and that may harm you or others,
- they see someone performing a task that you think is unsafe or that the person is not properly trained to do,
- they suspect that a piece of equipment is not operating properly and may be unsafe, or
- they observe or are made aware of an unsafe condition or a potential danger to yourself or others.

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

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, and it actively promotes a strong safety culture with its suppliers, vendors, and contractors.

In 2019, the Group established the KPI Lost Time Incident (“LTI”), which is also part of the Performance Over Time Incentive program. The formula is as follows: (number of lost time injuries in the reporting period) multiplied by 200,000/total hours worked. A tracking tool was implemented both in the US and in Denmark. In 2021, our lost time rate was 1.75, down 12.5% from a rate of 2 in 2020.

Atlantic Sapphire offers comprehensive medical insurance plans along with a host of additional health and welfare benefits for its employees and their families. Employees in the US are covered under the Group Medical Plan including in-patient and out-patient services covering medical, dental, vision, and company-paid benefits such as life insurance and 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 which positions them to grow meaningful careers.

In 2021, all our employees documented a total of 1,012 hours of training which included safety, technical and managerial competencies, and skills for personal development. This number is lower than last year due to fewer training sessions to onboard new staff. It is tracked by our Atlantic Sapphire Academy, which was created to support the multi-faceted development needs of our employees and our Group.

Harassment and Discrimination Prevention training was provided for all employees. This training focused on cultural sensitivity and reinforced the Group’s zero tolerance policy on harassment and discrimination.

Employees receive Occupational Health and Safety (“OHS”) induction training upon hire, which teaches about the minimum safety, environmental, and security precautions required before gaining access to our facilities. Additionally, all employees are informed throughout the year of onsite hazards and controls, the location of firefighting and first aid equipment, and our emergency response and evacuation procedures.

As our organization prepares for projected growth and expansion, we realize that we need to train and develop high-potential employees who will lead future teams. In 2021, we focused on equipping our employees with the tools to help them develop professionally and to support the anticipated needs of our growing organization. We created a Management Development Program with targeted training for current mid-level managers and prospective future leaders in which 24% of full-time employees, representing 100% of our mid-level managers, participated in this initiative.

Fostering Diversity and Inclusion

The Group continues its commitment to fostering a culture of diversity and inclusion. In 2021, the percentage of female employees in the workforce held strong at 24%, and the share of women in all management positions, including middle and top management, increased to 28% from 25% in the prior year.

Gender	Jun-19	Dec-19	Dec-20	Dec-21
Male	87%	78%	76%	76%
Female	13%	22%	24%	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 US, 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 incentive, 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, and our Code of Conduct as well as 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. We saw increased employee engagement in 2021 over prior years. In December 2021, 94% of employees completed the performance review tool, an increase from 75% in March 2020.

Employees and our temporary workforce are updated on a weekly basis with respect to the Group's status 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.

In addition to this, management maintains regular communication and update meetings. As part of driving further recommendations from improvement and growth, 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 the success is the ability from our team members and partners to perform. In 2021, Atlantic Sapphire enhanced its Atlantic Sapphire Academy to further support development and growth of our employees from a technical, managerial and leadership, and a common perspective to all our employee competence programs.

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 US, our Group organizes visits to the farm by schools, university students, researchers, local neighbors, and authorities wanting to learn about Atlantic Sapphire's operations. Group 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 the 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 2021, visitors had to be limited due to the COVID-19 pandemic. However, we intend to resume tours of the Miami Bluehouse once a normal situation resumes.

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

The Group has always participated in local events in support of the community and local economic development. During the 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 of the positive outcomes achieved when we come together to support each other in a crisis.



During 2021, Atlantic Sapphire supported several causes that are close to our mission and also spoke of our commitment to improve the lives of consumers and communities around us. For instance, we donated our healthy salmon to the Homestead Soup Kitchen and to Camillus House, making an impact upon those in need. We have also contributed to the South Florida Special Olympics organization as we strive to push forward a society that values inclusion and diversity.

Atlantic Sapphire partners with Omhu, an organization that is a leader in conservation, in Hvide Sande, Denmark. We share and support their beach cleanup efforts and their mission to educate young people on sourcing seafood sustainably, where students continue to learn about the UN's goals to keep life below water thriving.

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 Group's values, such as initiatives focused on the oceans.

“ Our workforce is full of passionate and innovative leaders who are empowered to do their best work through our core values. At Atlantic Sapphire, we believe in lifelong learning and investing in the training, development, and total wellbeing of our employees. We foster a culture of open communication and engagement that supports professional goals and opportunities together with diversity and inclusion. ”

Valerie Leath: Supporting our employees and investing in their success
Director, HR and Benefits

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, as well as the local and global community in which we serve. Selected stakeholder affiliations, endorsements, and voluntary initiatives are listed below:¹²



Top 25
Seafood Sustainability and Conversion



Partner
NASDAQ ESG Transparency



Star of Innovation
European Small and Mid-Cap Awards



Recommended
Ocean Wise Recommended



USA Raised
Grown and Harvested Fresh from Florida



Heart Healthy
American Heart Association Heart-Check Certified



Participant
UN Global Compact

Selected Targets for 2022

Diversity

- 5% improvement in the share of female employees represented company-wide

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 for new employees through our Atlantic Sapphire Academy
- Minimum 20 hours of training and development per employee per year through our Atlantic Sapphire Academy
- 25% of employees to complete management development training
- Develop clear career development paths and focus on recruitment to provide more high-quality jobs in the rural areas where we operate

Community Engagement

- Support local community development, increasing the number of involvements with community organizations
- Introduce a company-wide *Atlantic Sapphire Impact Day* where employees engage in non-profit, volunteer work

Selected Targets for 2025

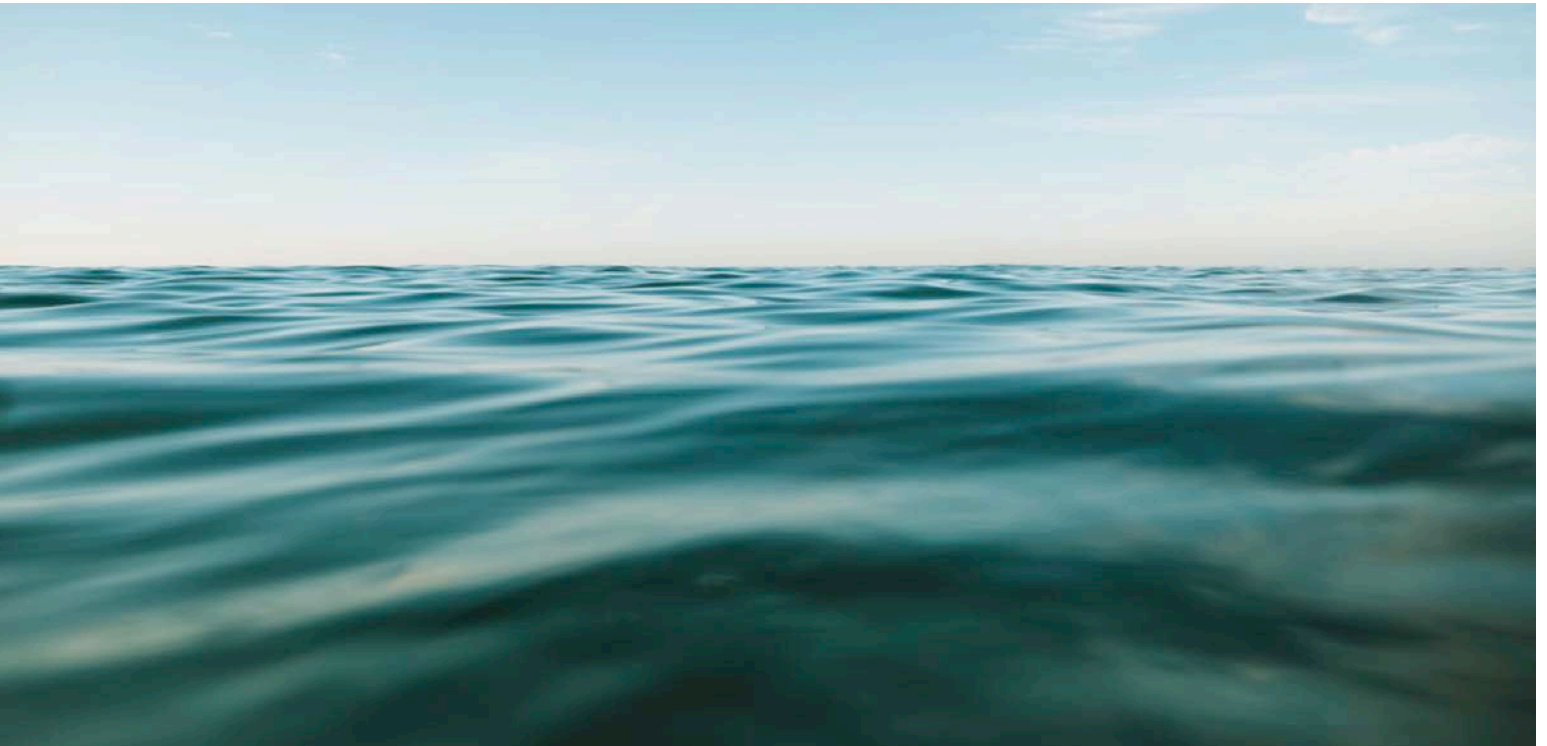
Diversity

- Minimum 30% women in management roles

Occupational Health & Safety

- Lost Time Incident number of 0.95

¹² All logos, registered trade, and service marks are used for supporting informative purposes only and are property of their respective owners.



About This Report

This ESG Report covers the relevant and significant ethical, social, and environmental issues for the financial year 1 January to 31 December 2021 of Atlantic Sapphire ASA. This represents Atlantic Sapphire's second ESG report, which we intend to publish annually. The ESG Report provides our stakeholders with an overview of this years' ESG performance, complementing our Annual Report, which primarily covers financial and economic performance. It complies with the statutory reporting requirements of the Norwegian Supervisory Authority ("Finanstilsynet") and those for companies listed on the Oslo Stock Exchange regarding corporate social responsibility, as well as in accordance with the Norwegian Accounting Act ("Regnskapsloven") and the Norwegian Corporate Governance Code. The ESG Report also shows Atlantic Sapphire's Communication on Progress to the UN Global Compact and represents the Group's commitment to the 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 analysis in 2021 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, if the Group caused or contributed to an impact, or is it directly linked through its business relationships). The GRI Content Index at the end of 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, data and statements in this report cover Atlantic Sapphire's activities in Norway, Denmark, and the US.

We welcome feedback and recommendations on our sustainability efforts as they ensure that we fully understand, maintain up to date, and communicate our key issues accordingly. Feedback or questions on this ESG Report should be sent to esg@atlanticsapphire.com.

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102-20	Executive-level responsibility for economic, environmental, and social topics	17, 18
102-21	Consulting stakeholders on economic, environmental, and social topics	29

GRI Content Index

GRI Standard	Disclosure	Page Number / Comment
GRI 102 GENERAL DISCLOSURE		
Stakeholder Engagement		
102-40	List of stakeholder groups	29
102-41	Collective bargaining agreements	None
102-42	Identifying and selecting stakeholders	29
102-43	Approach to stakeholder engagement	29
102-44	Key topics and concerns raised	29
Reporting Practice		
102-45	Entities included in the consolidated financial statements	7
102-46	Defining report content and topic Boundaries	25
102-47	List of material topics	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	Fiscal year 31 December 2021
102-51	Date of most recent report	Half-year 30 June 2021
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	62
102-55	GRI Content Index	63-66
102-56	External assurance	We have not obtained assurance for this ESG report.

GRI Content Index

GRI Standard	Disclosure	Page Number / Comment
GRI 103 MANAGEMENT APPROACH		
103-1	Explanation of the material topic and its Boundary	22, 23, 25, 26
103-2	The management approach and its components	17, 18
103-3	Evaluation of the management approach	17, 18, 25, 26, 44
GRI 201 ECONOMIC PERFORMANCE		
201-1	Direct economic value generated and distributed	41
201-2	Financial implications and other risks and opportunities due to climate change	42
201-4	Financial assistance received from government	43
GRI 203 INDIRECT ECONOMIC IMPACTS		
203-1	Infrastructure investments and services supported	41
203-2	Significant indirect economic impacts	41
GRI 205 ANTI-CORRUPTION		
205-2	Communication and training about anti-corruption policies and procedures	44
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	46
302-4	Reduction of energy consumption	46
GRI 303 WATER		
303-1	Interactions with water as a shared resource	48, 49, 50
303-2	Management of water discharge-related impacts	48, 49, 50
303-3	Water withdrawal	48, 49, 50

GRI Content Index

GRI Standard	Disclosure	Page Number / Comment
303-4	Water discharge	48, 49, 50
303-5	Water consumption	48, 49, 50
GRI 304 BIODIVERSITY		
304-2	Significant impacts of activities, products, and services on biodiversity	51
GRI 306 EFFLUENTS & WASTE		
306-1	Water discharge by quality and destination	50
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	57
GRI 404 TRAINING & EDUCATION		
404-3	Percentage of employees receiving regular performance and career development reviews	58
GRI 405 DIVERSITY & EQUAL OPPORTUNITY		
405-1	Diversity of governance bodies and employees	17, 58
GRI 406 NON-DISCRIMINATION		
406-1	Incidents of discrimination and corrective actions taken	We have not encountered any incidents of discrimination within the Group in 2021.
GRI 413 LOCAL COMMUNITIES		
413-1	Operations with local community engagement, impact assessments, and development programs	61
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 and safety standards for our products.

United Nations Global Compact Table



The following table provides an overview of the UNGC principles and the page(s) each principle is covered in the report.

Human Rights		Read more on page
1	Business should support and respect the protection of internationally proclaimed human rights; and	19, 20
2	Make sure that they are not complicit in human rights abuse	19, 20
Labor Standards		Read more on page
3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,	19
4	The elimination of all forms of forced and compulsory labor;	19
5	The effective abolition of child labor; and	19
6	The elimination of discrimination in respect of employment and occupation.	19
Environment		Read more on page
7	Businesses should support a precautionary approach to environmental challenges;	45-52
8	Undertake initiatives to promote greater environmental responsibility; and	45-52
9	Encourage the development and diffusion of environmentally friendly technologies	45-52
Anti-corruption		Read more on page
10	Businesses should work against corruption in all its forms, including extortion and bribery.	44

04

**Group
Results**

04

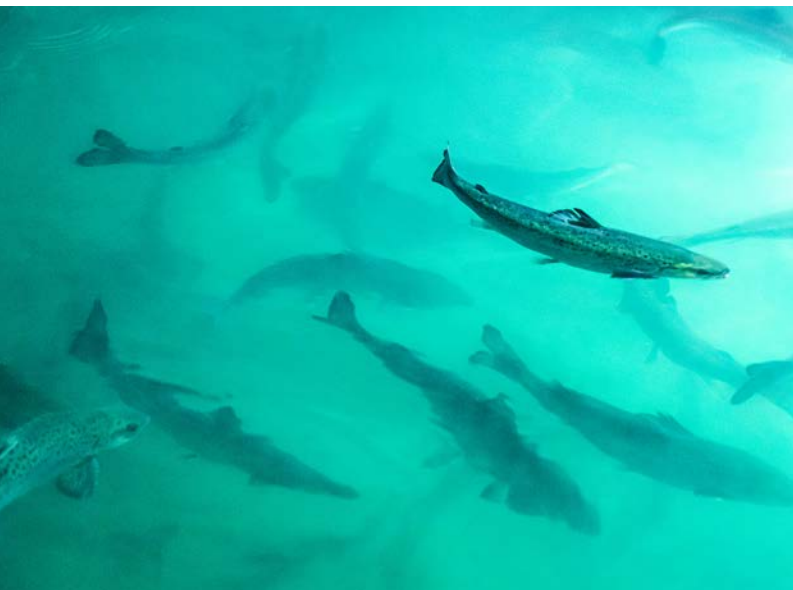
Board of Directors' Report

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, "Atlantic Sapphire" or the "Group"):

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

The Group owns and operates land-based Atlantic salmon farms in Hvide Sande, Denmark (the "Denmark Bluehouse" facility) and Homestead, Florida, US (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 (prior to the September 2021 fire) and the Miami Bluehouse (Phase 1) have annual production capacities of approximately 2,400 tons HOG¹ 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.

Farm Operations

Substantial completion of US Phase 1 Bluehouse allows for fine-tuning of systems and stable production. Towards the second half of 2021, the US Phase 1 Bluehouse saw significant improvements in overall operational conditions, including water quality and temperatures, and has seen stable operations after a long period of commissioning efforts and construction challenges. These efforts help set the stage for continued good biological performance in 2022.

Ramp-up in US operational performance: US batches introduced into the US Bluehouse from mid-2020 (the "New Batches") have experienced more stable conditions in comparison to the US Phase 1 start-up initial batches introduced prior to mid-2020. As a result, the New Batches continued to show improved biological performance throughout 2021 when compared to the initial batches. The New Batches show no signs of maturation and are in line with the Group's 2022 budget.

The Group has focused on and invested in risk mitigation strategies to address key operational and systemic risks. The creation of the Facilities Operation Advisory Board was an outcome of the Group's risk mitigation process and was developed to prevent future incidents by creating a group of highly experienced employees to review and approve all nonstandard procedures. The Group continues to invest in risk mitigation strategies in all areas of its business.

Improvements were made to the US Bluehouse's temporary chiller system in 2021. The temporary chillers were connected to the commercial electrical grid, which decreased operational risk, environmental impact, and achieved significant financial savings. The temporary power solution will be completely phased out once the Group completes construction of the new chiller plant as part of the Group's ongoing Phase 2 expansion.

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

The Group saw increased pressure on its supply chain throughout 2021 due to the global supply chain crisis and high inflation rates in the global economy generally, and in South Florida specifically. To mitigate production cost increases as best as possible, the Group actively reviews and adjusts its procurement strategy. To demonstrate the Group's ongoing commitment to controlling production costs, the Group entered into an agreement with its feed supplier Skretting as discussed below.

The Group and its global feed supplier, Skretting, have entered into an agreement to secure local feed supply. Skretting intends to construct a specialized state-of-the-art feed plant for land-based salmon in Florida to serve the Group's US operations with market-leading feeds specialized for Bluehouse farming. A local feed plant will minimize the carbon footprint of transporting the feed to the facility, and is expected to cut the Group's logistics cost, and thereby its cost of production, by approximately USD 0.3/kg HOG.

Processing

The Group increased its total harvest volume in 2021 to 2,374t HOG. When compared to 2020, this is an incremental 1,385t HOG harvested. As the Group continues to reach steady-state operations in 2022, the Group is expected to continue to increase harvest volumes.

Sales and Marketing

The Group has worked for more than seven years to position itself with strong relationships with retailers, food service players, distributors, and other selected partners.

Since September 2020, the Miami Bluehouse has been harvesting every week, and currently supplies approximately 2,000 retail locations with continued strong demand for locally raised salmon in the US.

For the year ended 31 December 2021, premium Bluehouse Salmon consistently achieved an average US price achievement of approximately 12 USD / kg on a return to farm basis (net of outbound freight costs) for fish graded as superior and above 3kg. In comparison, the commodity Fishpool index price during the same period, converted to USD, averaged approximately 7 USD / kg.

Brand Development

The Group has taken strides to promote brand awareness and recognition with the purpose of generating product desirability, gaining strong traction from mainstream media of public relations efforts, and supporting a price premium via differentiated attributes and communication of environmental benefits.

The Group has continued to promote our mission of Sustainable Profitable Growth by being relevant and top of mind, meeting consumers at the point of sale, and engaging consumers with social media and education. We have found that such methods have been successful in achieving consumer engagement above benchmark levels.

Construction

US Phase 2 construction is focused on optimizing quality, reliability, and efficiency, while taking advantage of all previous learnings from US Phase 1 construction and has taken various steps to achieve such focus. First, the Group determined appropriate staffing levels to meet the demands of a large-scale project. Contrary to when the US Phase 1 construction project was started, the Group now has a large in-house team responsible for US Phase 2 construction and is therefore no longer heavily dependent on third party professionals. Further, we changed the project approach to optimize quality and efficiency. The Group strategically partnered with Hazen & Sawyer, an engineering company with extensive and proven experience in designing large scale US wastewater projects, as our US Phase 2 construction design consultants. The Group also selected Wharton-Smith, a construction contractor with vast experience on water facilities, as our construction partner who has worked together with Hazen & Sawyer on numerous water treatment infrastructure projects.



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.

Patent title	Geographical area	Application number	Patent number	Issued	Expiration date
Systems and Methods of Intensive Recirculating Aquaculture	US	15/867,100	10,034,461	Issued on 31 July 2018	17 May 2036
Systems and Methods of Intensive Recirculating Aquaculture	US	15/157,296	10,694,722	Issued on 30 June 2020	17 May 2036
Grading Apparatuses for Aquaculture Systems	US	15/862,573	10,959,411	Issued on 30 March 2021	4 January 2038

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

Subsequent Events

The Group has evaluated subsequent events from 31 December 2021 through the date in which the consolidated financial statements were issued (see Note 23 – Subsequent Events for further details).

On 3 March 2022, ASUS terminated its Suite 2400 office lease ahead of the original lease term. In connection with the early lease termination, ASUS agreed to pay approximately USD 280k, which consisted of USD 120k in the equivalent of three-monthly rent installments and USD 160k in commissions and other administrative costs.

On 31 March 2022, the Group's 2020 Credit Facility was amended to provide an additional three-month credit facility in an aggregate amount of up to USD 25m (the "Facility") as a next step towards a fully financed US Phase 2 Construction with DNB Capital, LLC as lender. The Facility will be secured by a second priority security interest and lien on all assets and equity interests held by the Group and carries an annualized borrowing rate of LIBOR plus an applicable margin of 7.0% from 31 March 2022 to 30 April 2022, 7.5% from 1 May 2022 to 31 May 2022, and 8.0% from 1 June 2022 to 30 June 2022. The Facility provides the Group with additional liquidity while the details of the overall long-term financing are being finalized. Further, the Group's minimum EBITDA covenant was adjusted towards all credit facilities, and a limited waiver was provided in this respect until 30 June 2022.

Currently, the Group and DNB, as Administrative Agent on behalf of the Lenders (DNB and Farm Credit), are working on an additional amendment of the 2020 Credit Facility which is expected to be

finalized prior to 30 June 2022. The provisions of the amendment are expected to provide an extension of maturity dates, access to additional borrowings, and revised terms such as updated financial covenants.

On 1 April 2022, the Danish police (Midt- og Vestjyllands Polit) announced that their investigation on the 15 September 2021 Denmark Bluehouse fire was concluded. Their conclusion was that the cause of the fire was inconclusive, and they further stated that there was no evidence of arson in connection with the incident. The Group will continue finalizing the insurance claim process and its future plans for ASDK. The Group expects to recover USD 33m, the full book value of the Danish facility insured against the fire, less the value of the assets that were unaffected, and subsequently booked the insurance claim receivable in 2022.

Group Financial Performance

Going Concern

The Board confirms that it is appropriate to prepare the Annual Report based on a going concern assumption pursuant to section 3-3a of the Norwegian Accounting Act. This confirmation is based on the Group's forecasted performance in 2022 and the Group's plans to receive external financing to support funding of the Phase 2 expansion.

The Group believes it has sufficient financing to achieve steady-state biomass and generate positive cash flow from operations. As it relates to US Phase 2 expansion, additional financing will be needed, however, the Group has full discretion over the speed of the construction which allows the Group to better manage liquidity. On 31 March 2022, the Group's 2020 Credit Facility was amended to provide an additional three-month credit facility in an aggregate amount of up to USD 25m (the "Facility") as it finalizes the details of its fully financed US Phase 2 Construction.

Currently, the Group and its lenders are working on an additional amendment of the 2020 Credit Facility which is expected to be finalized prior to 30 June 2022. The provisions of the amendment are expected to provide an extension of maturity dates, access to additional borrowings, and revised terms such as updated financial covenants. Although unlikely, there would be a breach of financial covenants if the Credit Facility is not updated prior to 30 June 2022 to reflect updated projections. See Note 23 – Subsequent Events for further details.

Group Operations

Below are the Group's consolidated statements of operations for the years ended 31 December 2021 and 2020:

(USD 1,000)	31 December 2021	31 December 2020	Change in USD	As a % of 2021 revenue	As a % of 2020 revenue
Revenue	16,851	6,270	10,581	100%	100%
Cost of materials	(65,607)	(18,169)	(47,438)	-389%	-290%
Fair value adjustment on biological assets	1,429	(9,478)	10,907	8%	-151%
Salary and personnel costs	(10,584)	(7,448)	(3,136)	-63%	-119%
Other operating expenses	(24,572)	(11,025)	(13,547)	-146%	-176%
Impairment of non-current assets	(34,754)	-	(34,754)	-206%	0%
Depreciation and amortization	(15,056)	(6,745)	(8,311)	-89%	-108%
Operating loss (EBIT)	(132,293)	(46,595)	(85,698)	-785%	-743%
Finance income	3,362	889	2,473	20%	14%
Finance expense	(3,847)	(9,487)	5,640	-23%	-151%
Loss before income tax benefit	(132,778)	(55,193)	(77,585)	-788%	-880%
Income tax benefit	-	-	-	0%	0%
Net loss	(132,778)	(55,193)	(77,585)	-788%	-880%
Non-IFRS measures					
Operating loss (EBIT)	(132,293)	(46,595)	(85,698)	-785%	-743%
Add back: depreciation and amortization	15,056	6,745	8,311	89%	108%
EBITDA	(117,237)	(39,850)	(77,387)	-696%	-636%
Add back: fair value adjustment on biological assets	(1,429)	9,478	(10,907)	-8%	151%
Add back: impairment of non-current assets	34,754	-	34,754	206%	0%
EBITDA, adjusted	(83,912)	(30,372)	(53,540)	-498%	-484%

Group net loss for the years ended 31 December 2021 and 2020 was USD 132.8m and USD 55.2m, respectively, which represents a USD 77.6m increase in net losses over the prior year. Overall, the Group increased revenues from the continuation of its US harvests and experienced increased costs from its ramp-up of operations, write-down of production costs from biomass incidents and underutilized plant capacity, and recognition of an impairment allowance for non-current assets following the September 2021 Denmark Bluehouse fire.

Revenue and Harvest Volume

The Group's revenue for the years ended 31 December 2021 and 2020 was USD 16.9m and USD 6.3m, respectively, which represents a USD 10.6m increase over the prior year. The Group's harvest volumes for the years ended 31 December 2021 and 2020 were 2,374 and 989 tons HOG, respectively, which represents a 1,385-ton HOG increase from prior year. The higher harvest figures in 2021 in comparison to 2020 were primarily attributed to the ramp-up of US production offset by biomass incidents and the Denmark Bluehouse fire in 2021. The revenue volume increase from 2020 to 2021 was primarily attributed to the commencement of US harvest from the Miami Bluehouse in Q3 2020 and overall higher sales price achievement in the US than in Denmark during 2020 and 2021.

Cost of Materials

The Group's cost of materials for the years ended 31 December 2021 and 2020 was USD 65.6m and USD 18.2m, respectively, which represents a USD 47.4m increase over the prior year. The increase in the Group's cost of materials was attributed to the 2021 biomass incidents that ultimately resulted in a USD 12.1m total write-off (USD 4.4m and USD 7.7m in Denmark and US, respectively) versus the 2020 biomass incidents that resulted in USD 8.4m total write-off (USD 2.8m and USD 5.6m in Denmark and US, respectively). ASUS's initial batches carried higher costs due to underutilization of plant capacity as operations were ramping up which continued from 2020 to 2021.

Fair Value Adjustment on Biological Assets

The Group's fair value adjustment on biological assets for the years ended 31 December 2021 and 2020 was a positive fair value adjustment of USD 1.4m and negative fair value adjustment of USD 9.5m, respectively, which represents a positive USD 10.9m year-over-year change. The positive fair value adjustment in 2021 was primarily attributed to the realization of cost of materials from ASUS's initial batches recognized as either sold or written off through cost of mortality.

Salary and Personnel Costs

The Group's salary and personnel costs for the years ended 31 December 2021 and 2020 were USD 10.6m and USD 7.4m, respectively, which represents a USD 3.2m increase over the prior year. The increase was attributed to the overall ramp-up in US operations of which outsourced labor increased by USD 2.4m and overall head count increased by 35 year over year.

Other Operating Expenses

The Group's other operating expenses for the years ended 31 December 2021 and 2020 were USD 24.6m and USD 11.0m, respectively, which represents a USD 13.6m increase over the prior year. The increase was primarily attributed to USD 11.0m in short-term costs including temporary chiller leases and generator fuel and supplies attributed to a breakdown in ASUS's internal chiller plant causing temporary temperature instability.

Impairment of Non-Current Assets

The Group recognized an impairment allowance of USD 34.8m for the year ended 31 December 2021 attributed to a fire that broke out in the Denmark Bluehouse on 15 September 2021 that destroyed substantially all property, plant, and equipment related to its saltwater on-growing systems. Although the Group believed that the insurance claim was probable as of 31 December 2021, the Group was not virtually certain of the insurance claim prior to the subsequent conclusion of the police report on 1 April 2022 indicating that there was no evidence of arson. As such, the Group did not recognize an insurance claim receivable as of 31 December 2021. While the insurance claim process remains ongoing, the

Group expects to recover approximately USD 33m, the full book value of the Danish facility insured against the fire, less the value of the assets that were unaffected, and subsequently booked the insurance claim receivable in 2022. See Note 9 – Property, Plant, and Equipment and Note 23 – Subsequent Events for further details.

Depreciation and Amortization

The Group's depreciation and amortization for the years ended 31 December 2021 and 2020 was USD 15.1m and USD 6.7m, respectively, which represents a USD 8.4m increase over the prior year. The increase in depreciation was primarily attributed to further commissioning of fish systems in the Miami Bluehouse and depreciation from changes in biomass.

Financial Items

The Group's financial losses for the years ended 31 December 2021 and 2020 were USD 0.5m and USD 8.6m, respectively, which represents a USD 8.1m decrease of financial losses over the prior year. The decrease in financial losses was primarily attributed to the one-time USD 8.2m finance cost write-off of previously unamortized debt issuance costs in 2020.

Group Financial Position

The Group's total assets as of 31 December 2021 and 2020 were USD 311.7m and USD 321.0m, respectively, which represents a USD 9.3m decrease compared to the prior year. The decrease is primarily driven by capital expenditures in connection with US Phase 2 construction of the Miami Bluehouse (USD 43.7m) offset by the USD 34.8m impairment allowance on the Denmark Bluehouse, and continued ramp-up and sale of biological assets.

The Group's total equity as of 31 December 2021 and 2020 were USD 239.6m and USD 255.5m, which represents a decrease of USD 15.9m compared to prior year. The decrease was primarily attributed to proceeds of the 10 September 2020 and 3 June 2021 capital raises offset by net losses.

The Group completed capital raises on 10 September 2020 for NOK 905.5m (USD 100.4m) and on 3 June 2021 for NOK 1,016m (USD 121m). As of 31 December 2021, 91,048,551 shares were issued and outstanding.

The Group's total liabilities as of 31 December 2021 and 2021 were USD 72.2m and USD 65.5m, respectively, which represents an increase of USD 6.7m compared to prior year. The increase is primarily attributed to an increase amount of trade and other payables in current year versus prior year.

The Group's debt to equity ratio as of 31 December 2021 and 2020 was 30.1% and 25.6%, respectively, which represents an increase of 4.5% compared to prior year. The increase was primarily attributed to a relatively steady amount of debt in comparison to the increase in accumulated net losses from 2020 to 2021.

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"). The full outstanding amount on the PPP Loan was forgiven under the Program on 7 September 2021.

As of 31 December 2021, the 2020 Credit Facility totaled USD 200m of which USD 102m was committed and USD 98m uncommitted through an accordion facility. Of the committed amounts, USD 50m was outstanding as of 31 December 2021. Remaining undrawn committed amounts consist of a USD 16m US revolving credit facility ("RCF"), USD 4m DK RCF, and USD 32m committed term loan for Phase 2 capital expenditures. Further, the Lenders allowed a portion of the US RCF and DK RCF to be used as standby Letters of Credit towards equipment financing.

Group Cash Flows

Group cash outflows from operations for the years ended 31 December 2021 and 2020 were USD 67.9m and USD 47.0m, respectively, which represents an increase in cash outflows of USD 20.9m over the prior year. The increase in Group cash outflows from operations was primarily due to continued biomass buildup in the US, and the write-down of production costs from biomass incidents and underutilized plant capacity. The primary difference between the Group's 2021 net loss and net cash outflows from operations is attributed to the non-cash fixed asset impairment and depreciation and amortization.

Group cash outflows from investing activities for the years ended 31 December 2021 and 2020 were USD 57.9m and USD 60.9m, respectively, which represents a decrease in cash outflows of USD 3.0m over the prior year. The decrease in Group cash outflows from investment activities was primarily attributed to the shift from US Phase 1 to Phase 2 construction of the Miami Bluehouse.

Group cash inflows from financing activities for the years ended 31 December 2021 and 2020 were USD 114.9m and USD 112.0m, respectively, which represents an increase of USD 2.9m over the prior year. The increase in Group cash inflows from financing activities was primarily attributed to the proceeds from the 2021 capital raise in comparison to those from the 2020 capital raise. Although the Group's overall 2021 liquidity was lower than that of 2020, the Group believes it has access to additional financing until steady-state biomass is achieved to provide cash inflows from operations. Subsequently on 31 March 2022, the Group amended its 2020 Credit Facility to provide an additional USD 25m in debt financing and is actively working with its banks towards additional borrowings (see Note 23 – Subsequent Events).

Parent Company Operations

For the years ended 31 December 2021 and 2020, ASA generated revenue of NOK 10.9m (USD 1.3m) and NOK 10.1m (USD 1.1m), respectively, mainly related to management fee income from the Group entities. For the years ended 31 December 2021 and 2020, ASA had a net loss of NOK 328.7m (USD 38.2m) and NOK 8.1m (USD 861k), respectively, which was primarily attributed to financial income and expense generated from intercompany loans to the Group entities and in 2021, a write-down of ASA's investment in and receivables from ASDK following the September 2021 fire. As of 31 December 2021 and 2020, ASA's total assets were NOK 3,680.8m (USD 417.7m) and NOK 3,006.4m (USD 350.5m), of which NOK 3,560.6m (USD 404.1m) and NOK 2,855.4m (USD 332.9m) were related to shares and loans to Group entities. ANSO's debt to equity ratio as of 31 December 2021 and 2020 was 0.1% and 0.0%, respectively.

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 2021 and 2020, ASDK incurred harvesting costs of USD 427k and USD 544k, 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 a related party of Johan E. Andreassen, the Group's Chairman of the Board and CEO. For the years ended 31 December 2021 and 2020, the Group sold USD 1.1m and USD 925k, respectively, of salmon products to Platina.

The Group held a non-exclusive commercial relationship with Platina for sales and distribution services. In exchange, Platina received a sales commission equal to 7% of gross revenue earned on sales of salmon purchased from the Group. For the year ended 31 December 2020, total commissions earned and paid to Platina were USD 26k, respectively, and the amounts are recognized against the Group's revenue in the accompanying consolidated statements of operations. No commissions were earned and paid to Platina during 2021 and the non-exclusive commercial relationship was concluded.

Reporting Segments

US Operations

The Group's US production facility in Homestead, Florida is located approximately 35 miles southwest of the City of Miami, Florida. The US operations are managed through ASUS. The land in which the Miami Bluehouse is constructed on is owned by ASSF. Both ASUS and ASSF are wholly owned subsidiaries of the Group. All fish systems from US Phase 1 construction were substantially complete as of 31 December 2021.

ASUS selected Homestead, Florida as the location for its operations in the US 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 2038.

Phase 1 of the Miami Bluehouse is expected to have an annual production capacity of approximately 9,500 tons HOG and a tank volume of approximately 66,000 m³, distributed across seven freshwater systems (six sets of tank systems plus a hatchery) and twelve grow-out systems (three grow-out tanks in each system), totaling 19 independent water systems.

ASUS commenced a capacity expansion project at the Miami Bluehouse ("US Phase 2") in 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 is transported via ground freight to most states within the US, as well as to Canada and Mexico.

From an operational standpoint, US Phase 1 conditions have stabilized after a long period of commissioning efforts and construction challenges, and we continue to see the importance of high smolt quality and avoiding stressors to ensure good biological results in the on-growing stage of production.

The Group established the Facilities Operation Advisory Board to prevent future incidents by reviewing and approving all nonstandard procedures with experts with different backgrounds to ensure all risk areas are covered.

The initial US batches were exposed to suboptimal conditions due to production happening in parallel with US Phase 1 construction. This exposure to suboptimal conditions resulted in a negative trickle-down effect later in their life cycle. The US batches introduced from mid-2021 and onwards have experienced more stable conditions and we expect these newer batches will raise the bar on biological performance. Further, current biomass in the on-growing systems is being optimized to ensure consistent supply to customers.

The Group expects to achieve steady-state US Phase 1 operations in Q3 2022. From then onwards, US Phase 1 is expected to produce the equivalent of 9,500 tons HOG of annualized harvest volumes in the US.

Denmark Operations

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 45 batches of Atlantic salmon were introduced into the Denmark Bluehouse. The Denmark Bluehouse had an annual production capacity of approximately 2,400 tons HOG and a tank volume of approximately 17,000 m³, distributed across twenty grow out tanks.

Danish operations in 2021 consisted of continued biomass ramp-up following the 29 February 2020 incident. On 9 July 2021, ASDK experienced an incident in one of its grow-out systems in the Denmark Bluehouse that resulted in a loss of approximately 500 tons (HOG). On 15 September 2021, a fire broke out in the Denmark Bluehouse. All employees were reported safe without injuries but substantially all property, plant, and equipment related to its saltwater on-growing systems and standing biomass in the on-growing systems were lost in the fire. While the insurance claim process remains ongoing, the Group expects to recover approximately USD 33m, the full book value of the Danish facility insured against the fire, less the value of the assets that were unaffected, and subsequently booked the insurance claim receivable in 2022.

Principal Risks And Uncertainties

Atlantic Sapphire is pioneering Bluehouse® (land-raised) salmon farming, locally, and transforming protein production, globally. As pioneers in the land-based salmon farming industry, there are inherent challenges that arise as the Group continues to develop and improve upon its infrastructure, technology, and operating procedures.

The Group established its innovation center in Denmark in 2011 with a focus on developing sustainable, environmentally friendly farming methods that enable the Group to produce at scale in consumer end markets. Since its inception, the Group has identified and developed strategies to mitigate key operational, systemic, and diversification risks.

The Group faced operational risk through a fragmented subcontractor network, a smaller internal team, rapid organizational growth, and initial operational procedures that were yet to be established and fine-tuned. As Atlantic Sapphire continues to mature as a company, critical in-house systems have been established related to design, construction, and automation.

The Group also faced systemic risk through subpar equipment that resulted in frequent alarms (among other things), unfinished design at construction commencement, and production while constructing in the same systems. After many challenges and a long period of commissioning work, the Group is now experiencing stable US Phase 1 conditions.

The Group further faced diversification risk towards potential biomass incidents and has diligently worked in splitting its fish systems. For example, US Phase 1 originally commissioned six on-growing systems with six tanks each. Today, each US Phase 1 on-growing system has been split in two to provide twelve on-growing systems with three tanks each.

The successful construction of the Group's Bluehouse facilities and continuous improvements towards its operational procedures are critical for Group to successfully achieve its business plan. Material delays, cost overruns, or errors in design and execution on the Group's Bluehouse facilities could result in an adverse situation that may hinder the Group's ability to successfully achieve its business plan.

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 2021 (see Note 19 – Borrowings).

As of 31 December 2021 and 2020, the Group's consolidated equity consisted of USD 239.6m and USD 255.5m, respectively, equity share, which comprise of total equity divided by total assets, was 77% and 80%, respectively, and net interest-bearing debt, which comprise of total interest-bearing borrowings excluding the effects of *IFRS 16*, was USD 33.0m and USD 22.6m, respectively. The Group's Board of Directors considers the Group's capital base as adequate given the scale of its operations.

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. On 12 May 2021, the 11 June 2020 authorization was withdrawn, and the Group's Board of Directors was given the authority to increase total authorized share capital with up to NOK 1,600,000 through the issuance of up to 16,000,000 total 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 2021 and 2020.

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.

Delays in continued construction towards the expansion of future phases of construction of the Miami Bluehouse may affect the Group's ability to achieve its operational plan and full schedule of production, thereby impacting the Group's future business and results of operations.

The provisions of the 2020 Credit Facility contain financial covenants to be maintained by the Group. As of 31 December 2021, the Group was in compliance with all financial covenants (see Note 19 – Borrowings).

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 has a Directors and Officers liability insurance policy for an aggregate of up to USD 1m of claims against all persons who were, are, or shall become appointed directors, managers, officers, in-house general counsel, or controller of the Group. 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.

Board Composition

On 4 May 2020, Tone Bjørnov and Ellen Marie Sætre were elected as new Board directors, and Bjørn-Vegard Løvik and Peter Skou stepped down as directors. The Board's composition remained consistent from 2020 to 2021.

Information regarding the background and competence of the Group's board members is detailed later in the Annual Report and available on Atlantic Sapphire's website: atlanticsapphire.com.

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 2021 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.

Sustainability, Environmental, and Social Responsibility

Sustainability Actions and Joining the UN Global Compact

The Group supports the UN Sustainable Development Goals (the "UN SDG Goals") and sees them as a blueprint for business leadership. Food production lies at the intersection of almost all major global challenges encapsulated in the UN SDG Goals. The Group believes it has a duty to find a balance between producing enough healthy proteins to feed the world and protecting the limited resources of the planet. The Group 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 2021 and 2020, the Group employed 166 and 159 permanent employees, respectively. No employee work-related accidents resulting in significant material damage or personal injury occurred during 2021 and 2020.

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 2020 to 2021, the Group's share of female employees was consistent at 24% and the share of women in all management positions, including middle and top management, increased from 25% to 28%.

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



Outlook

US Biological Outlook

Batches introduced prior to mid-2020 (the "Initial Batches") are expected to continue to show mixed biological performance moving into 2022 as they were farmed in the middle of construction activity, which resulted in unstable conditions with water quality and temperature fluctuations. For example, these Initial Batches had a considerably higher share of mature fish than the Group expects in normal, stable production, which leads to lower growth, higher feed conversion ratio and lower product quality at harvest. During H1 2022, the Group expects the remainder of the Initial Batches to be fully harvested.

The Group is looking forward to harvesting its newer and higher performing batches introduced into the farm after mid-2020 (the "New Batches") as early as Q2 2022. The US Bluehouse has seen drastic improvement in overall biological performance in all batches introduced after mid-2020 compared to the Initial Batches. The first of the newer batches, B I, has seen an approximately 35% or greater increase in overall average growth when compared to the Initial Batches after 15 months from being introduced into the start feed section of the freshwater stage. All the other New Batches have been following B I's performance or are performing even better. To contribute to this success, the US Bluehouse has seen improvements in overall operational conditions (including water quality and temperatures) and stable systems after a long period of commissioning efforts and construction challenges. Improved biological performance is a positive indicator that demonstrates the ability to produce high quality product and future financial performance.

Total biomass gain for 2021 was 3,000 tons RLW. As the New Batches continue to grow and the Initial Batches are fully harvested, monthly biomass gain is expected to increase gradually throughout H1 2022 until the Group reaches approximately 4,200t RLW of standing biomass and approximately 950t RLW of biomass gain per month ("steady state"). The Group is expected to reach US Phase 1 steady state standing biomass during Q3 2022.

Sales and Marketing Outlook

The Group continues to invest in the development of the Bluehouse Salmon brand and in the education of buyers and consumers. Since our first US harvest in September 2020, Atlantic Sapphire has consistently achieved a revenue per kg of approximately USD 12 for fish graded as superior and above 3kg. Notably, the price achievement has been stable despite significant fluctuations in the salmon commodity price, proving that Bluehouse Salmon is not seen as a direct substitute for other farmed Atlantic salmon. The product has been met by high demand, both among existing customers and potential new customers, giving the Group confidence that premium price achievement will be sustained.

The Group is expected to harvest around 1,000t HOG in Q2 2022. Monthly harvest volumes are expected to increase through H2 2022 until the Group reaches steady state operations and is producing the equivalent of 9,500t HOG of annualized harvest volumes.

Key Developments on Risk Mitigation

Atlantic Sapphire has taken large steps in minimizing operational risks, most notably against mortality events. Bluehouse farming is designed to produce high-quality biomass at scale. With high intensity farming comes added complexity. Atlantic Sapphire has developed an industry-leading experience in identifying and mitigating risks that come with scaling RAS technologies to large size.

Today, Atlantic Sapphire is more robust than at any other point in its past. Tangible and quantifiable changes have been made in response to historical incidents and operational experience. Recent initiatives include:

- Operational changes in water chemistry to reduce the risk of hydrogen sulfide intoxication (H2S)
- Changes to organizational structure
- Development of protocols to mitigate supply chain risk such as oxygen demand increases
- Streamlining of the temporary chiller system by powering them to the commercial electrical grid, which decreases operational and environmental risk, and achieves significant financial savings
- Creation of the Facilities Operation Advisory Board which draws from internal multidisciplinary talent to scrutinize and document non-routine activities in operations

US Phase 2 Construction

We have changed our approach on the US Phase 2 construction project to optimize quality and efficiency. In contrast to the US Phase 1 project, we now have the appropriate staffing level for a large-scale project, we have strategically selected a design consultant with proven experience on water facilities, and we have partnered with a construction contractor with vast experience in constructing water treatment facilities.

The US Phase 2 budget is estimated at USD 225m, of which USD 210m is attributed to approximately 15,000t HOG of production expansion and USD 15m is allocated to the Group's Grand Master Plan initiatives that will benefit subsequent buildouts. The first fish is expected to be introduced into the US Phase 2 systems in the start of 2023.

Processing Plant Upgrades

The US Bluehouse is working towards building and completing its new in-house filleting line by summer 2022 to further improve the overall harvesting process and reduce filleting costs. The US Bluehouse has been relying on external processing companies to fillet its product. By bringing in-house, the Group will significantly reduce processing costs and have better control over its product yields and product quality.

Grand Master Plan

The Group is working on a detailed plan for the full buildout of the 160 acres of land it owns in Homestead, FL (the "Grand Master Plan") that is expected to be presented later in 2022. The Grand Master Plan will include an overview of centralized functions and a more modular approach to building out additional grow-out capacity. These initiatives are expected to reduce the construction time and capex/kg of new capacity in the future, as the Group continues on its path to 220,000t HOG of harvest volume in 2031.

Outlook for Atlantic Sapphire and its Associates

The Group expects to make a decision later in 2022 on the future of its Danish facility following the fire in September 2021. The site in Hvide Sande with all infrastructure, permits and water allocations is seen as a valuable aquaculture asset. Further, Atlantic Sapphire Denmark A/S has a significant tax loss carryforward for tax purposes.

Salmon Market Outlook

US consumption of fresh, farmed Atlantic salmon increased by a double-digit percentage number in 2021, despite only single-digit global supply growth, highlighting the relative attractiveness of the US salmon market. With the Group's offtake focused on the North American market, it is ideally positioned to take advantage of the strong growth in demand that is expected to continue.

The global commodity market for farmed Atlantic salmon is expected to continue to be strong for the rest of 2022, supporting the sales efforts of the Group. At the time of writing, salmon commodity spot prices are at all-time-high levels and the FishPool forward price for H2 2022 is at approximately NOK 65/kg. Further, due to ongoing value chain and logistics issues globally, combined with higher fuel prices, airfreight prices for commodity salmon are high for fresh, imported salmon from South America or Europe, which further improves the competitiveness of the Group's product in the North American market.

The Board's Assessment

After a challenging construction and commissioning phase of the US Phase 1 facility in 2020 and H1 2021, the Group has since the middle of 2021 had good, stable conditions for farming, which is expected to lead to steady-state production in the US from Q3 2022. At this point in time, the Group expects to become profitable measured on an EBITDA basis, a groundbreaking milestone for the Group, but also for land-based full-cycle salmon farming globally.

With its Phase 2 expansion, which will bring total annual harvest volume capacity up to approximately 25,000t HOG, Atlantic Sapphire is leading the technological development of

large-scale land-based salmon farming globally. Although supply chain challenges, inflationary pressure, and COVID-19 is likely to continue to impact the Group in 2022, the Group is well positioned to handle these challenges both on the operational and construction side.

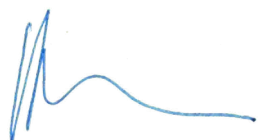
With a scalability that is unmatched thanks to the unique water infrastructure that the Group has secured in South Florida, growth is set to continue in all the foreseeable future, with cost of capital being the main consideration in determining the speed of construction.



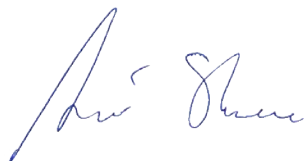
Vikebukt, 21 April 2022



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 2021. He has served as Chairman of the Board of Directors since 2010 and serves as the Chief Executive Officer of Atlantic Sapphire US. 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, US.

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 directors 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, US.

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 company 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 US seafood industry. Ms. Flanagan worked for Slade Gorton & Co., a US seafood distributor, importer, and manufacturer, for over 36 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, US.

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.

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 (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	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:

Implementation and Reporting of Corporate Governance Principles

01

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 January 2022, 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 the UN SDGs.

Business

02

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 with the ultimate goal of creating value for shareholders in a sustainable manner. Such key drivers consist of routinely assessing the Group’s objectives, strategies, and risk profiles which are detailed in the Board of Directors’ Report.

Equity and Dividends

As of 31 December 2021, the Group’s total equity totaled USD 239.6m, which represents 77% 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.

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. On 12 May 2021, the 11 June 2020 authorization was withdrawn, and the Group’s Board of Directors was given the authority to increase total authorized share capital with up to NOK 1,600,000 through the issuance of up to 16,000,000 total shares, with a face value of NOK 0.10. The authorization may be used several times within this limit.

Equal Treatment of Shareholders

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.

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.

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.

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 and hold individual discussions with each Board member.

As of 31 December 2021, the Nomination Committee comprised of Bjørn-Vegard Løvik (Chair) and Kjell Bjordal, none of which are active Board members.

Board of Directors: Composition and Independence

08

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 nomination committee member 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 2021, the Group's Board comprised of three female members out of seven in total.

The Work of the Board of Directors

09

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, and their principal task is to safeguard the interests of the Group. 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. This includes a continuous assessment of the Group's related parties and any agreements and transactions conducted with them. 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. Related party transactions are discussed in Note 21 in the Group's consolidated financial statements.

The Board has formally assessed its performance, expertise, and capacity to carry out its duties both individually and as a group in 2021 as recommended by the Norwegian Code.

The Board conducted one formal shareholder Annual General Meeting on 21 May 2021. The overall shareholder attendance rate was 46.8%, with all Board members in attendance.

Risk Management and Internal Control

10

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. Internal controls consist of guidelines, processes, duties, conduct, and other matters related to the Group's commercial objectives, internal and external reporting, and compliance with relevant legislation, regulations, and internal guidelines in Group operations.

The Finance Department performs closing procedures on a monthly basis towards internal and external reporting and actively monitors the Group's internal control systems throughout to identify risks and proactive solutions to mitigate them. Such findings are then communicated to the Board and Audit Committee for further feedback and action plan accordingly. The Group's Finance Department consists of approximately 8 full-time employees of which three are Certified Public Accountants ("CPA") licensed in the State of Florida. Accounting advisory service firms are engaged as needed to support the Finance Department in wide range of complex accounting transactions including adherence to new and revised IFRS standards.

Remuneration of the Board of Directors

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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 contains no share option element. Additional information relating to Board remuneration can be found in Note 6 in the Group's consolidated financial statements.

Remuneration of Executive Personnel

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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 2021 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 (US) 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

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 2021, 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, financial aspects of the business, and the socio-economic impacts of its operations in Miami and Denmark. 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) and through the distribution channels of the Oslo Stock Exchange, 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.

Take-overs

In a bid situation, the Group's Board of Directors and management have an independent responsibility to ensure that the interests of shareholders are safeguarded, all shareholders are treated equally, and that operations are not disrupted unnecessarily. The Board should not hinder or obstruct any take-over bid, unless it believes such an action is justified to protect the interests of the Group and its shareholders.

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

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).

The Group's Audit Committee Charter was formally approved by the Board on 27 October 2021 and was established to continuously improve corporate governance and the quality and compliance of the Group's financial reporting. In turn, the auditor presents its plan regarding the preparation of the annual accounts and audited financial statements to the Group's Audit Committee and Finance Department. The Finance Department holds regular meetings with the auditor without the presence of management prior to summary communication to the Board and Audit Committee to ultimately sign off on the Group's financials and corporate governance report.

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 2021 represents his seventh year as lead partner.

Atlantic Sapphire Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED 31 DECEMBER 2021 AND 2020

(USD 1,000)	Note	2021	2020
Revenue	3	16,851	6,270
Expenses			
Cost of materials	5, 15	65,607	18,169
Fair value adjustment on biological assets	5	(1,429)	9,478
Salary and personnel costs	6, 18, 20	10,584	7,448
Other operating expenses	4, 7, 8	24,572	11,025
Impairment of non-current assets	9, 23	34,754	-
Depreciation and amortization	9	15,056	6,745
Total expenses		149,144	52,865
Operating loss		(132,293)	(46,595)
Finance income	10	3,362	889
Finance expense	10, 19	(3,847)	(9,487)
Loss before income tax benefit		(132,778)	(55,193)
Income tax benefit	11	-	-
Net loss		(132,778)	(55,193)
Earnings per share:			
Basic earnings per share		(1.53)	(0.74)
Diluted earnings per share		(1.53)	(0.74)

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS YEARS ENDED 31 DECEMBER 2021 AND 2020

(USD 1,000)	Note	2021	2020
Net loss		(132,778)	(55,193)
Exchange difference on translation of foreign operations		(3,904)	2,401
Total comprehensive loss		(136,682)	(52,792)

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2021 AND 2020

(USD 1,000)	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant, and equipment, net	9	264,449	257,080
Right of use asset	8	2,604	3,337
Security deposits		748	831
Other investments	13	6	7
Trade and other receivables (non-current)	13, 14	26	30
Total non-current assets		267,833	261,285
Current assets			
Prepaid and other current assets		1,593	1,573
Inventories, net	15	6,590	2,713
Biological assets	5	16,795	24,610
Trade and other receivables, net	13, 14	1,449	1,869
Restricted cash	13, 16	468	386
Cash	13, 16	17,012	28,523
Total current assets		43,907	59,674
TOTAL ASSETS		311,740	320,959
EQUITY AND LIABILITIES			
Equity			
Share capital	17, 18	1,051	917
Share premium	17, 18	454,256	335,337
Employee stock options	17, 18	3,741	2,015
Accumulated deficit		(215,403)	(82,625)
Accumulated translation differences		(4,089)	(185)
Total equity		239,556	255,459
Non-current liabilities			
Borrowings (non-current)	13, 19	50,000	51,156
Lease liability (non-current)	8	2,842	3,091
Total non-current liabilities		52,842	54,247
Current liabilities			
Lease liability (current)	8	324	482
Trade and other payables	13	19,018	10,771
Total current liabilities		19,342	11,253
Total liabilities		72,184	65,500
TOTAL EQUITY AND LIABILITIES		311,740	320,959

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY YEARS ENDED 31 DECEMBER 2021 AND 2020

(USD 1,000)	Note	Share capital	Share premium	Employee stock options	Accumulated deficit	Accumulated translation differences	Total equity
Balance at 1 January 2020		818	236,819	1,060	(27,432)	(2,586)	208,679
Contributions from issuance of capital	17, 18	99	98,518	-	-	-	98,617
Contributions from employee stock options	17, 18	-	-	955	-	-	955
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
Contributions from issuance of capital	17, 18	134	118,919	-	-	-	119,053
Contributions from employee stock options	17, 18	-	-	1,726	-	-	1,726
Net loss		-	-	-	(132,778)	-	(132,778)
Foreign currency translation adjustments		-	-	-	-	(3,904)	(3,904)
Balance at 31 December 2021		1,051	454,256	3,741	(215,403)	(4,089)	239,556

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED 31 DECEMBER 2021 AND 2020

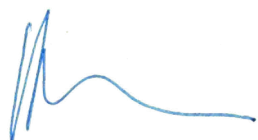
(USD 1,000)	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		(132,778)	(55,193)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	9	15,056	6,745
Bad debt		1	11
Inventory write-down	15	1,178	1,639
Fair value adjustment on biological assets	5	(1,429)	9,478
Forgiveness of borrowings	19	(1,156)	-
Fixed asset impairment	9	34,754	-
(Gain) loss from disposition of other assets	9	(5)	576
Net interest received and paid	10	486	8,598
Non-cash employee stock options	18	1,726	955
Net foreign currency exchange rate differences		(563)	(1,570)
Changes in operating assets and liabilities			
Trade and other receivables	13,14	368	(627)
Biological assets, at cost	5,15	8,083	(18,943)
Inventories, at cost	15	(5,068)	(1,015)
Prepaid and other current assets		(24)	459
Security deposits		75	(95)
Trade and other payables	13	8,058	135
Interest received	10	3,362	1,888
Net cash used in operating activities		(67,876)	(46,959)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant, and equipment	9	165	25
Payments towards property, plant, and equipment	9	(58,077)	(60,881)
Other investments		1	5
Net cash used in investing activities		(57,911)	(60,851)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	19	10,495	89,404
Payments towards borrowings	19	(10,495)	(74,001)
Payments towards lease liability	8	(347)	2
Proceeds from issuance of capital	17	119,053	98,617
Interest paid	10	(3,847)	(2,058)
Net cash provided by financing activities		114,859	111,964
Net (decrease) increase in cash and restricted cash		(10,928)	4,154
Cash and restricted cash at beginning of year		28,909	24,471
Effects of exchange rate on cash and restricted cash		(501)	284
Cash and restricted cash at end of year		17,480	28,909

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

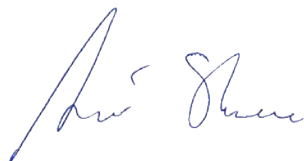
Vikebukt, 21 April 2022



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 Vikebukta, Norway and listed on the Oslo Stock Exchange with the ticker symbol ASA. ASA owns the following subsidiaries (collectively, “Atlantic Sapphire” or the “Group”):

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

The Group owns and operates land-based Atlantic salmon farms in Hvide Sande, Denmark (the “Denmark Bluehouse” facility) and Homestead, Florida, US (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 (prior to the September 2021 fire) and the Miami Bluehouse (Phase 1) have annual production capacities of approximately 2,400 tons HOG¹ and 9,500 tons HOG, respectively.

On 15 September 2021, a fire broke out in the Denmark Bluehouse. All employees were reported safe without injuries. Substantially all property, plant, and equipment related to its saltwater on-growing systems and approximately 170 tons of standing biomass in the Danish facility’s on-growing systems with a book value of USD 0.8m were lost in the fire (see Note 5 – Biological Assets). While the insurance claim process remains ongoing, the Group expects to recover approximately USD 33m, the full book value of the Danish facility insured against the fire, less the value of the assets that were unaffected, and subsequently booked the insurance claim receivable in 2022. See Note 9 – Property, Plant, and Equipment and Note 23 – Subsequent Events for further details.

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 2021, and additional Norwegian disclosure requirements under the Norwegian Accounting Act as of 31 December 2021. 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 (“US”) 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 2021 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 2021 that would impact the Group’s consolidated financial statements for the year ended 31 December 2021.

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.

¹HOG – “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 entity within the Group are measured using the functional currency of the primary economic environment in which the entity 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 non-USD denominated Group entities and non-USD denominated investments 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 non-USD denominated Group entities are translated to the presentation currency using the average exchange rate for the reporting period. The assets and liabilities of respective entities 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 historical prices achieved and 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, which 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 payment is due. Depending on credit assessment, customers are generally provided 30-day payment terms.

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 when convincing evidence can support the availability of 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 2021, management considered an allowance for impairment necessary for long-lived assets lost in the September 2021 Denmark fire (see Note 4 – Other Operating Expenses and Note 9 – Property, Plant, and Equipment).

Inventories

Inventories consist of feed, raw materials, packaging, spare parts, and processed fish. 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. Net realizable value consists of estimated sales price less remaining costs to sell. Generally, feed, raw materials, packaging, and spare parts are maintained at cost whereas processed fish is recognized at net realizable value. Live fish are accounted for separately as biological assets under *IAS 41, Agriculture* and *IFRS 13, Fair Value Measurement*.

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. Fish measured at cost are routinely assessed for impairment losses whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The cost of biological assets ("production costs") includes all costs required to raise salmon from roe to harvest on a historical basis. Direct production costs, which include salmon roe and other raw materials, are allocated fully to production costs. Indirect production costs, which consist of salary and personnel costs, depreciation, and other overhead costs, are allocated based on a ratio of actual vs hypothetical feed capacity per fish system that approximates normal capacity under *IAS 2*. Underutilized portions of indirect production costs due to underutilized Bluehouse tank capacity are recognized as period cost of materials in the accompanying consolidated statements of operations.

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 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 position. 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 2021 and 2020.

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 2020 consolidated financial statements have been reclassified to conform to the 2021 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 2021 (see Note 19 – Borrowings).

As of 31 December 2021 and 2020, the Group's consolidated equity consisted of USD 239.6m and USD 255.5m, respectively, equity share, which comprise of total equity divided by total assets, was 77% and 80%, respectively, and net interest-bearing debt, which comprise of total interest-bearing borrowings excluding the effects of *IFRS 16*, was USD 33.0m and USD 22.6m, respectively. The Group's Board of Directors considers the Group's capital base as adequate given the scale of its operations.

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. On 12 May 2021, the 11 June 2020 authorization was withdrawn, and the Group's Board of Directors was given the authority to increase total authorized share capital with up to NOK 1,600,000 through the issuance of up to 16,000,000 total 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 believes it has sufficient financing to achieve steady-state biomass and generate positive cash flow from operations. As it relates to US Phase 2 expansion, additional financing will be needed, however, the Group has full discretion over the speed of the construction which allows the Group to better manage liquidity. On 31 March 2022, the Group's 2020 Credit Facility was amended to provide an additional three-month credit facility in an aggregate amount of up to USD 25m (the "Facility") as it finalizes the details of its fully financed US Phase 2 Construction.

Currently, the Group and its lenders are working on an additional amendment of the 2020 Credit Facility which is expected to be finalized prior to 30 June 2022. The provisions of the amendment are expected to provide an extension of maturity dates, access to additional borrowings, and revised terms such as updated financial covenants. Although unlikely, there would be a breach of financial covenants that would lead to an event of default in which all outstanding amount of principal, accrued interest, and all other obligations would become immediately due and payable if the Credit Facility is not updated prior to 30 June 2022 to reflect updated projections. See Note 23 – Subsequent Events for further details.

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 US Term Loan which carried an annualized borrowing rate of LIBOR plus 4.0% as of 31 December 2021 (see Note 19 – Borrowings). The margin grid calls for a maximum of 4.0% and allows for a lower margin 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 2021 and 2020, the following represents the Group's potential interest expense effect based on a 1% increase on the floating interest rate:

(USD 1,000)	2021	2020
Interest expense effect on a 1% increase on floating interest rate	517	588

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 2021 and 2020, the Group's cash balances were held in the following currencies:

(USD 1,000)	2021	2020
USD	15,920	25,477
NOK	816	1,634
DKK	137	956
EUR	139	456
Total cash	17,012	28,523

As of 31 December 2021 and 2020, all of the Group's long-term interest-bearing borrowing balances were held in USD.

Foreign Currency Sensitivity

For the years ended 31 December 2021 and 2020, 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 US and Denmark as follows:

(USD 1,000)	2021	2020
Capital raise effect in USD from a 10% reduction in the value of NOK to USD	(11,904)	(9,863)

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 receivables. 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 Credit Facility contain financial covenants to be maintained by the Group. As of 31 December 2021, 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 2021 and 2020, which include gross undiscounted principal and interest payments and exclude the impact of netting agreements:

As of 31 December 2021 (USD 1,000)	Trade and other payables	Borrowings
Up to 3 months	19,018	579
Between 3 and 12 months	-	1,769
Between 1 and 2 years	-	50,772
Between 2 and 5 years	-	-
Over 5 years	-	-
Total financial liabilities	19,018	53,120

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

The Group completed equity capital raises in the amount of NOK 1,016m (USD 121m) on 3 June 2021 and NOK 905.5m (USD 100.4m) on 10 September 2020.

As of 31 December 2021, the 2020 Credit Facility totaled USD 200m of which USD 102m was committed and USD 98m uncommitted through an accordion facility (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 2021 and 2020, 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. On 15 September 2021, a fire broke out in the Denmark Bluehouse in which substantially all property, plant, and equipment related to its saltwater on-growing systems were lost (see Note 9 – Property, Plant, and Equipment).

Fish Farming (US)

The Group owns the land in Homestead, FL US through ASSF and operates the proprietary Bluehouse land-based salmon farm through ASUS. All fish systems from US Phase 1 construction of the Miami Bluehouse were substantially complete as of 31 December 2021 and is projected to reach steady-state US Phase 1 operations in Q3 2022 when the Group commences producing the equivalent of 9,500 tons HOG of annualized harvest volumes in the US. The US Phase 2 expansion project is currently under construction and is expected to add an additional estimated 15,000 tons HOG of annual production capacity, for a total capacity of approximately 25,000 tons HOG.

For the years ended 31 December 2021 and 2020, the Group's segment information consisted of the following:

Year ended 31 December 2021 (USD 1,000)	Fish farming		Other and eliminations	Consolidated
	Denmark	US		
Revenue from sale of salmon	3,560	13,291	-	16,851
EBITDA	(43,461)	(71,403)	(2,373)	(117,237)
EBITDA, pre-fair value adjustment on biological assets	(45,062)	(71,231)	(2,373)	(118,666)
EBITDA, adjusted*	(10,308)	(71,231)	(2,373)	(83,912)
Pre-tax loss	(48,076)	(89,528)	4,826	(132,778)
Total assets	1,488	298,617	11,635	311,740
Total liabilities	40,045	154,216	(122,077)	72,184
Depreciation and amortization	2,899	12,157	-	15,056
Interest income	-	1,388	1,974	3,362
Interest expense	1,716	7,356	(5,225)	3,847
Impairment of non-current assets	34,754	-	-	34,754
Capital expenditures	1,908	55,549	-	57,457
Cash flows from operating activities	(3,386)	(63,725)	(765)	(67,876)
Cash flows from investing activities	(2,674)	(55,238)	1	(57,911)
Cash flows from financing activities	5,198	112,805	(3,144)	114,859

* EBITDA adjusted for fair value adjustment on biological assets and impairment of non-current assets

Year ended 31 December 2020 (USD 1,000)	Fish farming		Other and eliminations	Consolidated
	Denmark	US		
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)
EBITDA, adjusted*	(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
Interest income	1	19	869	889
Interest expense	1,792	10,263	(2,568)	9,487
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

* EBITDA adjusted for fair value adjustment on biological assets and impairment of non-current assets

For the years ended 31 December 2021 and 2020, 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)	2021	2020
Revenue from external customers in:		
United States	12,716	1,964
Denmark	1,168	1,490
Netherlands	730	1,193
Other countries	2,237	1,623
Total revenue from external customers	16,851	6,270

For the years ended 31 December 2021 and 2020, the Group's concentration of revenue consisted of the following:

(USD 1,000)	2021	2020
Sales per customer:		
Customer A	4,735	191
Customer B	1,184	467
Customer C	1,100	925
Customer D	854	83
Customer E	793	252
Other customers	8,185	4,352
Total revenue from significant customers	16,851	6,270

NOTE 4 – OTHER OPERATING EXPENSES

For the years ended 31 December 2021 and 2020, the Group's other operating expenses consisted of the following:

(USD 1,000)	Note	2021	2020
Selling, general, and administrative		7,663	4,556
Professional fees	7	4,071	3,517
Leases	8	8,927	1,175
Maintenance and supplies		3,911	1,777
Total other operating expenses		24,572	11,025

With the finalization of US Phase 1 construction, the Group incurred USD 1.3m in property taxes (USD 0.9m through ASUS and USD 0.4m through ASSF) for the year ended 31 December 2021. No amounts were incurred in 2020 as the overall construction of the US Phase 1 project was still considered to be in process for property tax purposes. The amounts are included as part of selling, general, and administrative expenses within the Group's other operating expenses.

In January 2021, ASUS experienced a breakdown in its internal chiller plant causing temporary temperature instability. As a result, ASUS incurred USD 11.0m for the year ended 31 December 2021 in short-term costs including USD 8.1m on temporary chiller leases (see Note 8 – Leases) and USD 2.9m on generator fuel and supplies. The amounts exclude any future insurance or claim proceeds and are included as part of leases and maintenance and supplies, respectively, within the Group's other operating expenses. The Group subsequently incurred approximately USD 1.3m in similar short-term costs as of the date of this report.

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*. As of 31 December 2021, all biological assets weighing above 1 kg are classified as Level 3 and there were no transfers to or from Level 1 or Level 2 during the year. The estimated market price in each market is normally derived from the Group's latest price achievement and overall understanding of the quality of the batch being harvested. In addition, 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 a discount rate of 9.5%. 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 2021 and 2020, the Group's biological assets consisted of the following:

(USD 1,000)	2021	2020
Cost of biological assets	24,688	33,987
Fair value adjustments	(7,893)	(9,377)
Total biological assets	16,795	24,610
Cost of biological assets (harvestable fish)	16,240	28,949
Fair value adjustments	(7,893)	(9,377)
Total biological assets of harvestable fish	8,347	19,572
Cost of biological assets (non-harvestable fish)	8,448	5,038
Total biological assets	16,795	24,610

The following represents a reconciliation of changes in the carrying amount of the Group's consolidated biological assets for the years ended 31 December 2021 and 2020:

(USD 1,000)	2021	2020
Biological assets at beginning of year	24,610	11,275
Gain (loss) arising from changes in fair value less costs to sell	1,429	(9,478)
Increases due to production and purchases	53,064	36,820
Net changes in production depreciation	(792)	3,254
Decreases due to harvest	(32,657)	(8,531)
Decreases due to mortality	(12,011)	(8,375)
Decreases due to underutilized plant capacity	(16,616)	-
Net exchange rate differences	(232)	(355)
Biological assets at end of year	16,795	24,610

As of 31 December 2021 and 2020, the Group's physical volumes of biological assets consisted of the following:

	2021	2020
Live weight of biomass (in tons RLW)		
Non-harvestable fish	882	614
Harvestable fish	1,691	3,273
Total live weight of biomass (in tons RLW)	2,573	3,887
Number of fish (in thousands)		
Non-harvestable fish	4,581	4,064
Harvestable fish	488	1,271
Total number of fish (in thousands)	5,069	5,335
Volume of fish harvested during the year (tons gutted weight)	2,374	989

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.

Production 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. The estimated market price in each market is normally derived from the Group's latest price achievement and overall understanding of the quality of the batch being harvested. An increase in anticipated forward market prices would increase the fair value of the biological assets and vice versa. A change in production costs will generally have lesser impact on the estimated fair value calculation than 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 2021 and 2020, the estimated effect on the book value of biological assets was as follows:

(USD 1,000)	Increase	Effect on estimated fair value	
		2021	2020
Change in biomass size	2%	217	751
Change in forward price	2%	272	837
Change in discount rate	2%	(48)	(209)

Incident-Based Mortality

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.

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.

On 23 March 2021, ASUS experienced an incident in one of its grow-out systems in the Miami Bluehouse that resulted in approximately 500 tons (HOG) of fish lost with an average weight of approximately 1kg, equivalent of around 5% of annualized US Phase 1 harvest volumes. Other independent systems in the Miami Bluehouse were unaffected. The value of the biomass represented by the affected fish was USD 4.6m and the insurance claim is still ongoing. Prior to this incident, ASUS had identified a center drain design issue with all US 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. Today, among other risk-mitigating initiatives, ASUS split all its six independent US Phase 1 grow-out systems into twelve.

On 9 July 2021, ASDK experienced an incident in one of its grow-out systems in the Denmark Bluehouse that resulted in a loss of approximately 500 tons (HOG). Other independent systems in the Denmark Bluehouse were unaffected. The financial impact of the incident after expected insurance proceeds was USD 2.8m. The Group's preliminary analysis, which remains subject to change, indicates that maintenance work performed in the filtration system caused water quality to quickly deteriorate, resulting in elevated mortality.

On 15 September 2021, a fire broke out in the Denmark Bluehouse. All employees were reported safe without injuries. Approximately 170 tons of standing biomass in the Danish facility's on-growing systems with a book value of USD 0.8m were lost.

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 2021 and 2020, the Group's salary and personnel costs consisted of the following:

(USD 1,000)	2021	2020
Salaries, including holiday pay and bonuses	17,702	13,173
Payroll taxes	1,155	748
Pension costs	488	411
Share-based compensation benefits	1,559	339
Temporary labor	2,416	-
Other benefits	716	384
Total salary and personnel costs	24,036	15,055
Less: production labor capitalized towards biological assets	(10,455)	(5,403)
Less: construction labor capitalized towards assets under construction	(1,275)	(2,204)
Less: processing labor towards cost of materials	(1,722)	-
Total salary and personnel costs	10,584	7,448

For the years ended 31 December 2021 and 2020, the Group employed 166 and 159 full-time employees, respectively.

For the years ended 31 December 2021 and 2020, total compensation to the Group's Board of Directors consisted of the following:

(USD 1,000)	2021	2020
Johan E. Andreassen, Chairman of the Board and CEO	-	-
André Skarbø, Director	68	98
Alexander Reus, Director	82	107
Patrice Flanagan, Director (1)	68	79
Runar Vatne, Director (2)	72	77
Tone Bjørnov, Director (3)	68	54
Ellen Marie Sætre, Director (3)	68	54
Bjørn-Vegard Løvik, Director (4)	-	49
Peter Skou, Director (4)	-	44
Total Board of Directors	426	562

(1) Elected as new director 1 August 2019

(2) Elected as new director 12 November 2019

(3) Elected as new directors 4 May 2020

(4) Stepped down as directors 4 May 2020

For the years ended 31 December 2021 and 2020, the Group's remuneration to executive management consisted of the following:

Executive management (USD 1,000)	Salary	Bonus	Pension contribution	Other benefits	Total	Share-based compensation
Year ended 31 December 2021						
Johan E. Andreassen, CEO	502	-	12	-	514	591
Dharma Rajeswaran, COO (Stepped down on 16 August 2021)	176	-	11	110	297	-
Svein Taklo, CDIO	286	-	11	-	297	-
Karl Øystein Øyehaug, CFO and Managing Director	238	-	8	-	246	-
Alejandro Castro, CBO	238	-	9	-	247	-
Cristina Espejo, CPO (Stepped down on 11 August 2021)	157	-	10	90	257	-
Danielle Villoch, CLO	251	-	10	-	261	-
Total remuneration to executive management	1,848	-	71	200	2,119	591
Year ended 31 December 2020						
Johan E. Andreassen, CEO	500	-	18	-	518	351
Jose Prado, CFO (Stepped down on 9 September 2020)	300	-	17	175	492	44
Dharma Rajeswaran, COO	275	28	8	-	311	143
Svein Taklo, CDIO	275	28	-	-	303	143
Karl Øystein Øyehaug, Interim CFO and Managing Director	155	45	7	-	207	12
Cristina Espejo, CPO	172	17	-	-	189	30
Danielle Villoch, CLO	180	28	2	-	210	99
Total remuneration to executive management	1,857	146	52	175	2,230	822

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 2021, USD 110k was paid to Dharma Rajeswaran, who stepped down as the Group's COO on 16 August 2021, and USD 90k was paid to Cristina Espejo, who stepped down as the Group's CPO on 11 August 2021. 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.

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 2021 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 (US) 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 US.

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 2021 was comprised of the following three performance areas: US construction costs, biomass growth, and 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 2021, which authorized up to 2,000,000 shares. In 2021, the Board of Directors approved issuance of 1,354,570 new share options to employees under the share option scheme, and no options were granted as part of the Group's 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 2021 and 2020, remuneration to the Group’s auditors, excluding VAT, consisted of the following:

(USD 1,000)	2021	2020
Statutory auditing services	343	273
Tax advisory services	-	9
Other services	-	2
Total auditor’s fees	343	284

Total amounts towards auditor’s fees are included as part of professional fees in other operating expenses (see Note 4 – Other Operating Expenses).

NOTE 8 – LEASES

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 2021 and 2020, total rent expense recognized under the short-term exemption under *IFRS 16* consisted of USD 8.9m and USD 1.2m, respectively, and is included as part of leases in other operating expenses (see Note 4 – Other Operating Expenses).

In January 2021, ASUS experienced a breakdown in its internal chiller plant causing temporary temperature instability. As a result, ASUS incurred USD 8.1m on temporary chiller leases. The amounts exclude any future insurance or claim proceeds and are included as part of leases in other operating expenses.

For the years ended 31 December 2021 and 2020, the reconciliation of the Group's right-of-use asset and liability consisted of the following:

Year ended 31 December 2021 (USD 1,000)	Right-of-use asset	Lease liability
Carrying amount, opening balance	3,337	3,573
Amortization	(450)	-
Lease payments	-	(349)
Termination of agreements	(242)	-
Currency effects	(41)	(58)
Carrying amount, closing balance	2,604	3,166

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
Amortization	(133)	-
Lease payments	-	(10)
Deferred interest expense	-	74
Currency effects	32	37
Carrying amount, closing balance	3,337	3,573

For the years ended 31 December 2021 and 2020, amortization of the Group's right-of-use assets was USD 450k and USD 133k, 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 2021 and 2020 was USD 176k and USD 47k, respectively, and is included as part of finance 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.

Office Leases

ASUS holds lease arrangements of corporate premises in Miami, Florida. The total minimum lease contract payments for the two 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 year ended 31 December 2020, recognized the allocated minimum lease payments as rent expense of approximately USD 368k 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. The Suite 2400 lease was subsequently terminated in 2022 (see Note 23 – Subsequent Events).

For the years ended 31 December 2021 and 2020, total office lease expense was USD 200k and USD 467k, respectively, and the amounts are included as part of leases in other operating expenses.

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 2021 and 2020, total vehicle lease expense was USD 10k and USD 12k, respectively, and the amounts are included as part of leases in other operating expenses.

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. As a result of the September 2021 Denmark fire, an impairment was recognized over the right-of-use asset and the related lease liability was settled subsequently in 2022. 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 2021 and 2020, total equipment lease expense was USD 252k and USD 367k, respectively, and the amounts are included as part of leases in other operating expenses .

Future Lease Payments

As of 31 December 2021 and 2020, 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 2021					
Less than one year	36	432	19	277	764
Between one and five years	168	1,862	32	-	2,062
More than five years	694	501	-	-	1,195
Total future lease payments	898	2,795	51	277	4,021
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 2021, the total amount of USD 2.8m in future office lease payments was related to the Suite 2400 lease under ASUS that was subsequently terminated in 2022 (see Note 23 – Subsequent Events).

NOTE 9 – PROPERTY, PLANT, AND EQUIPMENT

As of 31 December 2021 and 2020, 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 2021							
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
Year ended 31 December 2021							
Opening net book amount	8,714	129,658	74,585	814	499	42,810	257,080
Additions	-	-	-	48	221	57,188	57,457
Reclassifications	-	20,602	12,685	25	-	(33,312)	-
Disposals	-	-	-	(81)	-	-	(81)
Depreciation and amortization charge	-	(5,184)	(8,215)	(201)	(225)	-	(13,825)
Reversed depreciation and amortization	-	-	-	60	-	-	60
Impairment loss	-	(14,738)	(19,461)	(182)	-	(373)	(34,754)
Net exchange rate differences	-	(410)	(392)	(7)	-	(679)	(1,488)
Closing net book amount	8,714	129,928	59,202	476	495	65,634	264,449
At 31 December 2021							
Cost	8,714	154,833	96,616	1,364	782	66,007	328,316
Less: accumulated depreciation, amortization, and impairment	-	(24,905)	(37,414)	(888)	(287)	(373)	(63,867)
Net book amount	8,714	129,928	59,202	476	495	65,634	264,449

(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 and amortization charge	-	(3,666)	(6,054)	(203)	(62)	-	(9,985)
Reversed depreciation and amortization	-	-	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, amortization, and impairment	-	(4,983)	(9,738)	(565)	(62)	-	(15,348)
Net book amount	8,714	129,658	74,585	814	499	42,810	257,080
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 and Amortization Expense

For the years ended 31 December 2021 and 2020, the Group's depreciation and amortization consisted of the following:

(USD 1,000)	2021	2020
Property, plant, and equipment depreciation and amortization	13,825	9,846
Right of use amortization	439	153
Gross depreciation and amortization	14,264	9,999
Net change in depreciation allocated to and from biomass	792	(3,254)
Total depreciation and amortization	15,056	6,745

Gross depreciation attributed to the US Phase 1 Bluehouse is capitalized to biological assets during production and subsequently expensed as period cost upon the harvest of live fish out of the Bluehouse. As such, the total depreciation and amortization expense presented on the Group's accompanying consolidated statements of operations includes the net effect of biomass depreciation from production and harvest.

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 year ended 31 December 2020, the Group included USD 4.5m 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 position. Upon amending the US Term Loan under the 2020 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. No debt issuance costs were capitalized as part of the Group's property, plant, and equipment for the remainder of 2020 and for the year ended 31 December 2021 (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, US. As of 31 December 2021 and 2020, significant capital expenditures contracted for at the end of the reporting periods, but not recognized as liabilities, were as follows:

(USD 1,000)	2021	2020
Property, plant, and equipment in Hvide Sande, Denmark	-	812
Property, plant, and equipment in Homestead, Florida, US	94,433	6,594
Total contractual commitments	94,433	7,406

As of 31 December 2021, significantly all contractual commitments were related to US Phase 2 construction based on signed bid packages. Such amounts are based on projected billings on work completed based on the speed of construction determined solely at the Group's discretion. The Group expects to incur only demobilization costs should the scope of work not be completed.

Impairment of Non-Current Assets

Atlantic Sapphire USA LLC

As of December 31, 2021, the recoverable amount substantially exceeded the carrying amount of the cash generating unit (the "CGU") based on projected cash flows for US Phase 1 and US Phase 2. The cash flows projected were based on forecasts for the next 8.5 years, with a terminal value thereafter, discounted using a rate of 9.5%.

The projected cash flows were subjected to different scenario analyses. Inputs included changes in the cost of production, revenue (harvest volume or price achievement), and changes in the discount rate. For the recoverable amount to equal the total carrying amount and reduce the estimated headroom to zero, holding all other inputs constant:

Input description	Overall NPV	NPV at steady state
Cost of production would need to increase by:	6.0%	6.8%
Revenue would need to decrease by:	2.5%	2.8%
The discount rate would need to increase from:	9.5% to 10.2%	N/A

Atlantic Sapphire Denmark A/S

On 15 September 2021, a fire broke out in the Denmark Bluehouse. Substantially all property, plant, and equipment related to its saltwater on-growing systems were lost in the fire and an impairment of non-current assets of USD 34.8m was recognized. The Danish facility is insured against fire for the full book value of the facility of approximately USD 33m. Although the Group believed that the insurance claim was probable as of 31 December 2021, the Group was not virtually certain of the insurance claim prior to the subsequent conclusion of the police report on 1 April 2022 indicating that there was no evidence of arson. As such, the Group did not recognize an insurance claim receivable as of 31 December 2021. While the insurance claim process remains ongoing, the Group expects to recover approximately USD 33m, the full book value of the Danish facility insured against the fire, less the value of the assets that were unaffected, and subsequently booked the insurance claim receivable in 2022 (see Note 23 – Subsequent Events).

NOTE 10 – FINANCE INCOME AND EXPENSE

For the years ended 31 December 2021 and 2020, finance income and expense, net consisted of the following:

(USD 1,000)	2021	2020
Interest income	19	33
Interest expense	(2,626)	(145)
Debt issuance costs (amortisation)	-	(8,196)
Loan commitment fees	(1,221)	(1,115)
Other finance income	1,156	-
Other finance expense	-	(31)
Currency exchange effects	2,187	856
Total finance expense, net	(485)	(8,598)

On 21 April 2020, total unamortized debt issuance costs presented against borrowings were USD 2.4m. Upon amending the US Term Loan under the 2020 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.

As of 31 December 2020, Phase 1 construction of the Miami Bluehouse was significantly completed and no proceeds from borrowings were obtained in 2021 towards construction. As such, borrowing costs were no longer capitalized under *IAS 23, Borrowing Costs* and expensed as period cost as interest expense during the year ended 31 December 2021.

For the year ended 31 December 2021, other finance income consisted of USD 1.2m in complete forgiveness of outstanding principal on the PPP Loan (see Note 19 – Borrowings).

NOTE 11 – TAXES

For the years ended 31 December 2021 and 2020, the Group's income tax expense consisted of the following:

(USD 1,000)	2021	2020
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	(31,526)	(15,263)
Tax losses for which no deferred tax asset is recognized	31,526	15,263
Deferred tax	-	-
Effective tax rate	0.00%	0.00%

For the years ended 31 December 2021 and 2020, the reconciliation of the Group's tax expense with the Norwegian tax rate consisted of the following:

(USD 1,000)	2021	2020
Reconciliation of tax benefit with the nominal tax rate		
(Loss) profit before tax	(132,778)	(55,193)
Nominal tax rate	22.00%	22.00%
Expected tax benefit using nominal tax rate	(29,211)	(12,142)
Non-deductible expenses (income)	(708)	(625)
Effect from different tax rate in other countries	(2,995)	(1,508)
Tax losses for which no deferred tax asset is recognized	32,571	14,201
Non-deductible share-based payment expenses	343	74
Income tax benefit	-	-

Changes in Tax Rate

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

As of 31 December 2021 and 2020, the Group's deferred tax balances consisted of the following:

(USD 1,000)	2021	2020
Deferred tax balances		
The balance comprises temporary differences attributable to:		
Deferred tax assets:		
Tax losses	46,996	36,157
Property, plant, and equipment	8,590	82
Other	2,697	2,570
Set-off tax	(621)	(12,673)
Net deferred tax assets after set-off	57,662	26,136
Unrecognized deferred tax assets	(57,662)	(26,136)
Net deferred tax assets	-	-
Deferred tax liabilities:		
Property, plant, and equipment	612	12,673
Other	9	-
Set-off tax	(621)	(12,673)
Net deferred tax liabilities	-	-

As of 31 December 2021 and 2020, the Group's carry forward of tax losses consisted of the following:

(USD 1,000)	2021	2020
Tax losses carried forward		
Expires (2033 and forward)	4,320	4,320
Never expires	189,921	153,588
Total tax losses carried forward	194,241	157,908
Tax losses for which deferred tax asset is recognized	-	-
Tax losses for which no deferred tax asset is recognized	194,241	157,908
Potential tax benefit	46,996	36,157

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 2021 and 2020, the Group's earnings per share consisted of the following:

	2021	2020
Loss attributable to the ordinary equity holders of the Group	(132,778,000)	(55,193,000)
Loss for calculation of diluted earnings per share	(132,778,000)	(55,193,000)
Average number of shares outstanding used for calculation of earnings per share	86,729,384	74,281,917
Options*	-	-
Average number of ordinary shares and potential ordinary shares for diluted earnings per share	86,729,384	74,281,917
Basic earnings per share (USD per share)	(1.53)	(0.74)
Diluted earnings per share (USD per share)	(1.53)	(0.74)

* The options that would result in issue of 12,677 ordinary shares in 2021 (164,909 ordinary shares in 2020) 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 2021 and 2020, 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 2021			
Trade and other receivables	1,475	-	1,475
Cash	17,012	-	17,012
Restricted cash	468	-	468
Other investments	-	6	6
Total financial assets	18,955	6	18,961
As of 31 December 2020			
Trade and other receivables	1,899	-	1,899
Cash	28,523	-	28,523
Restricted cash	386	-	386
Other investments	-	7	7
Total financial assets	30,808	7	30,815
Financial liabilities (USD 1,000)			
	Amortized cost	Fair value through OCI	Total
As of 31 December 2021			
Trade and other payables	19,018	-	19,018
Borrowings	50,000	-	50,000
Total financial liabilities	69,018	-	69,018
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
Cash and restricted cash (USD 1,000)			
		2021	2020
A+ or better		17,480	28,909

NOTE 14 – TRADE AND OTHER RECEIVABLES

As of 31 December 2021 and 2020, the Group's trade and other receivables consisted of the following:

(USD 1,000)	2021	2020
Trade receivables	1,403	1,776
Other current receivables	46	93
Other non-current receivables	26	30
Total trade and other receivables, net	1,475	1,899

As of 31 December 2021 and 2020, 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 2021 and 2020, the Group's trade and other receivables, specified by currencies, consisted of the following:

(USD 1,000)	2021	2020
USD	1,253	1,223
DKK	148	266
EUR	48	405
NOK	26	5
Total trade and other receivables	1,475	1,899

NOTE 15 – INVENTORIES

As of 31 December 2021 and 2020, the Group's inventories consisted of the following:

(USD 1,000)	2021	2020
Raw materials	742	691
Spare parts inventory	1,472	688
Finished goods inventory	4,376	1,334
Total inventories	6,590	2,713

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 packaging 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 2021 and 2020, the Group recognized a USD 1.2m and USD 1.6m write-off of its frozen finished goods inventory, respectively, attributed to excess costs above the expected selling price minus future costs to sell.

NOTE 16 – CASH AND RESTRICTED CASH

As of 31 December 2021 and 2020, the Group's cash consisted of USD 17.0m and USD 28.5m, respectively.

As of 31 December 2021 and 2020, the Group's restricted cash consisted of the following:

(USD 1,000)	2021	2020
Restricted cash (short-term)	468	386
Total restricted cash	468	386

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

The Group's long-term restricted cash was released to the Group upon signing of the 2020 Credit Facility (see Note 19 – Borrowings).

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 2021 and 2020, the Group's share capital consisted of the following:

(USD 1,000)	2021	2020
Total number of shares as of 1 January	80,663,551	71,276,100
Shares issued during the year	10,385,000	9,387,451
Total number of shares as of 31 December	91,048,551	80,663,551
Nominal value as of 31 December (NOK)	0.10	0.10
Share capital (total number of shares at nominal value) (NOK 1,000)	9,105	8,066
Share capital (total number of shares at nominal value) (USD 1,000)	1,051	917

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 0.10.

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 0.10.

On 3 June 2021, the Group raised approximately NOK 1,016m (USD 121m) in gross proceeds through a private placement of 10,300,000 new shares, at a price per share of NOK 98.60, which is approximately equal to the last closing price on 2 June 2021. Net proceeds from the transaction were NOK 985m (USD 119m).

For the year ended 31 December 2021, 85,000 shares were issued related to the Group's employee share option program, bringing the total shares outstanding to 91,048,551, each with par value of NOK 0.10.

For the years ended 31 December 2021 and 2020, transaction costs arising on share issues amounted to USD 3.5m and USD 3.5m, respectively. Such amounts are net against the Group's share premium balance in the accompanying consolidated statements of financial position.

As of 31 December 2021 and 2020, the Group's total number of shares issued and outstanding consisted of the following:

Shareholder	2021		2020	
	Number of shares	% of shares	Number of shares	% of shares
Alsco AS	9,939,540	10.92%	9,699,540	12.02%
Vatne Equity AS	5,000,000	5.49%	4,552,778	5.64%
Skagen Kon-Tiki Verdipapirfond	4,931,417	5.42%	4,224,465	5.24%
The Bank of New York Mellon	4,199,153	4.61%	4,360,478	5.41%
Morgan Stanley & Co. Int. Plc.	3,639,145	4.00%	3,174,756	3.94%
UBS AG	3,413,062	3.75%	-	0.00%
Citibank, N.A.	2,884,992	3.17%	2,864,592	3.55%
RBC Investor Services Bank S.A.	2,738,168	3.01%	-	0.00%
J.P. Morgan Bank Luxembourg S.A.	2,142,370	2.35%	-	0.00%
State Street Bank and Trust Comp	1,909,436	2.10%	3,248,663	4.03%
The Northern Trust Comp, London Branch	1,779,000	1.95%	-	0.00%
Joh Johansson Eiendom AS	1,698,967	1.87%	1,509,598	1.87%
Pershing LLC	1,453,168	1.60%	-	0.00%
U.S. Bank National Association	1,347,598	1.48%	2,008,733	2.49%
J.P. Morgan Bank Luxembourg S.A.	1,266,454	1.39%	-	0.00%
JEA Invest AS	1,073,770	1.18%	1,073,770	1.33%
ASINVEST AS	1,062,915	1.17%	812,206	1.01%
Clearstream Banking S.A.	1,005,006	1.10%	364,134	0.45%
Norsk Landbrukskjemi AS	900,000	0.99%	700,000	0.87%
Brown Brothers Harriman (Lux.) SCA	805,966	0.89%	-	0.00%
Total number of shares attributed to the 20 largest shareholders	53,190,127	58.42%	38,593,713	47.85%
Total number of shares attributed to other shareholders	37,858,424	41.58%	32,682,387	40.52%
Total number of shares issued and outstanding	91,048,551	100.00%	80,663,551	100.00%

As of 31 December 2021 and 2020, shares directly or indirectly held by members of the Board of Directors, Chief Executive Officer, and Executive Management consisted of the following:

Name and title	2021		2020	
	Number of shares	% of shares	Number of shares	% of shares
Johan E. Andreassen, Chairman of the Board and CEO	6,043,540	6.64%	5,923,540	7.34%
Runar Vatne, Member of the Board	5,400,000	5.93%	4,552,778	5.64%
Bjørn-Vegard Løvik, Chair of the Nomination Committee	4,969,770	5.46%	4,849,770	6.01%
Alexander Reus, Member of the Board	1,635,051	1.80%	1,601,051	1.98%
Andre Skarbø, Member of the Board	1,062,915	1.17%	812,206	1.01%
Thue Holm, CTO	697,899	0.77%	694,699	0.86%
Jose Prado, CFO (As of 9 September 2020 Step-Down Date)	-	0.00%	320,570	0.40%
Svein Taklo, CDIO	35,058	0.04%	13,558	0.02%
Karl Øystein Øyehaug, CFO and Managing Director	17,655	0.02%	9,405	0.01%
Dharma Rajeswaran, COO (As of 9 August 2021 Step-Down Date)	11,935	0.01%	11,270	0.01%
Tone Bjørnov, Member of the Board	7,650	0.01%	3,750	0.00%
Patrice Flanagan, Member of the Board	4,900	0.01%	4,000	0.00%
Cristina Espejo, CPO (As of 10 August 2021 Step-Down Date)	3,300	0.00%	1,300	0.00%
Alejandro Castro, CBO	920	0.00%	920	0.00%
Danielle Villoch, CLO	487	0.00%	487	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 2021 and 2020, the Program included up to 1,650,535 and 683,438 shares, respectively, with a term between three and four years as follows:

	2021		2020	
	Weighted average exercise price (NOK)	Number of shares	Weighted average exercise price (NOK)	Number of shares
Outstanding at 1 January	111.98	683,438	36.89	809,000
Granted during the year	222.61	1,354,570	149.40	408,126
Forfeited during the year	102.73	(266,242)	48.23	(23,688)
Exercised during the year	28.00	(85,000)	28.00	(510,000)
Lapsed during the year	98.44	(36,231)	-	-
Outstanding at 31 December	208.88	1,650,535	111.98	683,438

The exercise price of options outstanding as of 31 December 2021 ranged between NOK 28 and NOK 400 and their weighted average contractual life was 4.5 years. 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.

As of 31 December 2021 and 2020, the total number of options outstanding that had vested and were exercisable were 12,677 and 164,909, respectively.

As of 31 December 2021 and 2020, the weighted average fair value of each option granted during the year was NOK 17.53 (USD 2.04) and NOK 35.27 (USD 3.76), respectively.

The following information is relevant in the determination of the fair value of options granted for the years ended 31 December 2021 and 2020:

	2021	2020
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price at grant date (NOK)	94.16	134.60
Exercise price (NOK)	87.70	109.34
Weighted average contractual life (days)	1,646	1,646
Expected volatility	31.00%	31.20%
Expected dividend growth rate	0.00%	0.00%
Risk-free interest rate	0.65%	1.26%

NOTE 19 – BORROWINGS

DNB Credit Agreement

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 was amended during the year ended 31 December 2020 (the “2020 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 US Term Loan from USD 54m to USD 70m to fund the ongoing construction of US 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 US Phase 2, and increased the US RCF from USD 11m to USD 26m. On 27 August 2020, USD 30m of the USD 110m US Phase 2 delayed draw term loans were converted and drawn as a short-term facility. On 9 September 2020, the existing US 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 US Term Loan was paid down to USD 50m.

On 23 December 2020, the 2020 Credit Facility was labeled as “Green”. As of 31 December 2020, the amended 2020 Credit Facility consisted of the USD 50m US Term Loan, USD 16m US RCF, USD 4m DK RCF, and USD 80m in delayed draw term loans.

On 28 January 2021, the Group’s 2020 Credit Facility was amended to increase the total credit facility from USD 150m to USD 200m comprising of the existing USD 50m US Term Loan, USD 16m US 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.

As of 31 December 2021, the 2020 Credit Facility totaled USD 200m of which USD 102m was committed and USD 98m uncommitted through an accordion facility. Of the committed amounts, USD 50m was outstanding as of 31 December 2021. Remaining undrawn committed amounts consist of a USD 16m US revolving credit facility (“RCF”), USD 4m DK RCF, and USD 32m committed term loan for Phase 2 capital expenditures.

PPP Loan

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”). The full outstanding amount on the PPP Loan was forgiven under the Program on 7 September 2021.

As of 31 December 2021 and 2020, the Group's borrowings consisted of the following:

(USD 1,000)	2021	2020
ASUS has an amended USD 50m term loan with DNB (the "US Term Loan"). The US Term Loan bears an amended interest rate of LIBOR plus an applicable margin (4.0% at 31 December 2021) and the maturity date was amended to 21 April 2023. USD 50m was outstanding on the US Term Loan as of 31 December 2021.	50,000	50,000
ASUS has an amended three-year USD 16m revolving credit facility commitment with DNB (the "US RCF"). The US RCF will finance ASUS' working capital requirements, and no funds were outstanding as of 31 December 2021.	-	-
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 outstanding as of 31 December 2021.	-	1,156
ASUS had 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 bore an interest rate of 1% and the full outstanding amount was forgiven under the Program on 7 September 2021.	-	-
	50,000	51,156
Total borrowings	-	-
Less: current portion of borrowings	50,000	51,156
Non-current portion of borrowings		

The following are the remaining contractual maturities on the Group's borrowings as of 31 December 2021 and 2020:

(USD 1,000)	2021	2020
Up to 3 months	579	586
Between 3 and 12 months	1,769	1,789
Between 1 and 2 years	50,772	3,531
Between 2 and 5 years	-	50,781
Over 5 years	-	-
Total	53,120	56,687

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

On 21 April 2020, total unamortized debt issuance costs presented against borrowings were USD 2.4m. Upon amending the US Term Loan under the 2020 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 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 US Term Loan subject to the provisions of the 2019 DNB Credit Facility.

The provisions of the 2020 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 2021, the Group was in compliance with all financial covenants.

The borrowing base on the USD 16m US RCF and the USD 4m DK RCF is tied to the amount of outstanding trade receivables and standing biomass. This calculation is reviewed periodically, and the balance is adjusted accordingly. The USD 32m committed undrawn term loan for US Phase 2 construction also has certain restrictions. Before amounts can be drawn, certain financial conditions and construction milestones must be met.

Subsequent to 31 December 2021, the Group's 2020 Credit Facility was amended (see Note 23 – Subsequent Events).

For the years ended 31 December 2021 and 2020, the Group's cash flows from financing activities related to borrowings and equity consisted of the following:

(USD 1,000)	Liabilities		Equity				Total
	Borrowings	Share capital	Share premium	Employee stock options	Accumulated deficit	Accumulated translation differences	
Balance at 1 January 2021	51,156	917	335,337	2,015	(82,625)	(185)	306,615
Changes from financing cash flows							
Proceeds from issuance of capital	-	134	118,919	-	-	-	119,053
Proceeds from borrowings	10,495	-	-	-	-	-	10,495
Payments towards borrowings	(10,495)	-	-	-	-	-	(10,495)
Total changes from financing cash flows	51,156	1,051	454,256	2,015	(82,625)	(185)	425,668
Other changes							
Effects of exchange rate on cash	-	-	-	-	-	(3,904)	(3,904)
Non-cash employee stock options	-	-	-	1,726	-	-	1,726
Interest paid	-	-	-	-	(3,847)	-	(3,847)
Forgiveness of debt	(1,156)	-	-	-	1,156	-	-
Net loss	-	-	-	-	(130,087)	-	(130,087)
Balance at 31 December 2021	50,000	1,051	454,256	3,741	(215,403)	(4,089)	289,556

(USD 1,000)	Liabilities	Equity					Total
	Borrowings	Share capital	Share premium	Employee stock options	Accumulated deficit	Accumulated translation differences	
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	-	-	-	98,617
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	1,060	(27,432)	(2,586)	350,097
Other changes							
Effects of exchange rate on cash	-	-	-	-	-	2,401	2,401
Non-cash employee stock options	-	-	-	955	-	-	955
Interest paid	-	-	-	-	(2,058)	-	(2,058)
Write-down of debt issuance costs	8,355	-	-	-	-	-	8,355
Forgiveness of debt	-	-	-	-	-	-	-
Net loss	-	-	-	-	(53,135)	-	(53,135)
Balance at 31 December 2020	51,156	917	335,337	2,015	(82,625)	(185)	306,615

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 US, the Group offers a Safe Harbor 401(k) salary deferral participation retirement plan to all employees. As of 31 December 2021, 95 employees participated in the Group's pension plans.

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 2021 and 2020, the Group's total pension cost consisted of USD 488k and USD 411k, 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 2021 and 2020, ASDK incurred harvesting costs of USD 427k and USD 544k, 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 a related party of Johan E. Andreassen, the Group's Chairman of the Board and CEO. For the years ended 31 December 2021 and 2020, the Group sold USD 1.1m and USD 925k, respectively, of salmon products to Platina.

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 year ended 31 December 2020, total commissions earned and paid to Platina were USD 26k, respectively, and the amounts are recognized against the Group's revenue in the accompanying consolidated statements of operations. No commissions were earned and paid to Platina during 2021 and the non-exclusive commercial relationship was concluded.

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 2021.

On 15 September 2021, a fire broke out in the Denmark Bluehouse that destroyed substantially all property, plant, and equipment related to its saltwater on-growing systems. The insurance claim process remains ongoing, and the Group expects to recover USD 33m, the full book value of the Danish facility insured against the fire, less the value of the assets that were unaffected. See Note 9 – Property, Plant, and Equipment and Note 23 – Subsequent Events for further details.

NOTE 23 – SUBSEQUENT EVENTS

The Group has evaluated subsequent events from 31 December 2021 through the date in which the consolidated financial statements were issued.

On 3 March 2022, ASUS terminated its Suite 2400 office lease ahead of the original lease term. In connection with the early lease termination, ASUS agreed to pay approximately USD 280k, which consisted of USD 120k in the equivalent of three-monthly rent installments and USD 160k in commissions and other administrative costs.

On 31 March 2022, the Group's 2020 Credit Facility was amended to provide an additional three-month credit facility in an aggregate amount of up to USD 25m (the "Facility") as a next step towards a fully financed US Phase 2 Construction with DNB Capital, LLC as lender. The Facility will be secured by a second priority security interest and lien on all assets and equity interests held by the Group and carries an annualized borrowing rate of LIBOR plus an applicable margin of 7.0% from 31 March 2022 to 30 April 2022, 7.5% from 1 May 2022 to 31 May 2022, and 8.0% from 1 June 2022 to 30 June 2022. The Facility provides the Group additional liquidity while the details of the overall long-term financing are being finalized. Further, the Group's minimum EBITDA covenant was adjusted towards all credit facilities, and a limited waiver was provided with this respect to until 30 June 2022.

Currently, the Group and DNB, as Administrative Agent on behalf of the Lenders (DNB and Farm Credit), are working on an additional amendment of the 2020 Credit Facility which is expected to be finalized prior to 30 June 2022. The provisions of the amendment are expected to provide an extension of maturity dates, access to additional borrowings, and revised terms such as updated financial covenants.

On 1 April 2022, the Danish police (Midt- og Vestjyllands Politi) announced that their investigation on the 15 September 2021 Denmark Bluehouse fire was concluded. Their conclusion was that the cause of the fire was inconclusive, and they further stated that there was no evidence of arson in connection with the incident. As the police investigation is now concluded, the Group will continue finalizing the insurance claim process and its future plans for ASDK. The Group expects to recover USD 33m, the full book value of the Danish facility insured against the fire, less the value of the assets that were unaffected, and subsequently booked the insurance claim receivable in 2022.

Atlantic Sapphire ASA Financial Statements

ATLANTIC SAPPHIRE ASA STATEMENTS OF OPERATIONS YEARS ENDED 31 DECEMBER 2021 AND 2020

(NOK 1,000)	Note	2021	2020
Management fee revenue	8	10,850	10,070
Expenses			
Other operating expenses	2, 8	15,789	10,903
Salary and personnel costs	2	8,934	7,108
Total expenses		24,723	18,011
Operating loss		(13,873)	(7,941)
Finance income	3, 8	69,623	23,155
Finance expense	3	(19)	(23,290)
Impairment of non-current assets	3, 4, 8	(384,474)	-
Loss before income tax benefit		(328,743)	(8,076)
Income tax benefit	5	-	-
Net loss		(328,743)	(8,076)
Allocation to controlling interest		(328,743)	(8,076)
Application and allocation To accumulated deficit	6	(328,743)	(8,076)
Total application and allocation		(328,743)	(8,076)

Accompanying notes are an integral part of the financial statements.

ATLANTIC SAPPHIRE ASA

STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2021 AND 2020

(NOK 1,000)	Note	2021	2020
ASSETS			
Non-current assets			
Investment in subsidiaries	4, 11	2,548,856	1,899,893
Due from related parties (non-current)	8	1,011,738	955,449
Trade and other receivables (non-current)		22	22
Total non-current assets		3,560,616	2,855,364
Current assets			
Due from related parties (current)	8	15,642	11,749
Trade and other receivables (current)		198	542
Cash	7	104,314	138,731
Total current assets		120,154	151,022
TOTAL ASSETS		3,680,770	3,006,386
EQUITY AND LIABILITIES			
Equity			
Share capital	6, 9	9,105	8,066
Share premium	6, 9	3,937,282	2,950,828
Employee stock options	6, 9	32,630	17,761
(Accumulated deficit) retained earnings	6	(300,387)	28,356
Total equity		3,678,630	3,005,011
Current liabilities			
Trade payables		727	174
Other current payables and liabilities		1,413	1,201
Total current liabilities		2,140	1,375
Total liabilities		2,140	1,375
TOTAL EQUITY AND LIABILITIES		3,680,770	3,006,386

Accompanying notes are an integral part of the financial statements.

ATLANTIC SAPPHIRE ASA STATEMENTS OF CASH FLOWS YEARS ENDED 31 DECEMBER 2021 AND 2020

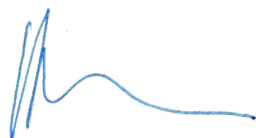
(NOK 1,000)	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss		(328,743)	(8,076)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities			
Impairment of current and non-current assets	4, 8	391,431	-
Changes in operating assets and liabilities			
Trade and other receivables		344	(517)
Trade and other payables		553	(153)
Other liabilities		212	(2,418)
Net provided by (used in) operating activities		63,797	(11,164)
CASH FLOWS FROM INVESTING ACTIVITIES			
Contributions towards investment in subsidiaries	4	(978,083)	(100,223)
Proceeds from other investments		-	40
Loans to subsidiaries	8	(107,624)	(677,669)
Net cash used in investing activities		(1,085,707)	(777,852)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital	6	987,493	887,952
Net cash provided by financing activities		987,493	887,952
Net (decrease) increase in cash and restricted cash		(34,417)	98,936
Cash and restricted cash at beginning of year		138,731	39,795
Cash and restricted cash at end of year		104,314	138,731

Accompanying notes are an integral part of the financial statements.

Vikebukt, 21 April 2022



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 Vikebukta, 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, US)
- AS Purchasing, LLC (“ASP”, registered in Miami, Florida, US)
- S.F. Development, L.L.C. (“ASSF”, registered in Miami, Florida, US)
- Atlantic Sapphire IP, LLC (“ASIP”, registered in Miami, Florida, US)

The Group owns and operates land-based Atlantic salmon farms in Hvide Sande, Denmark (the “Denmark Bluehouse” facility) and Homestead, Florida, US (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 (prior to the September 2021 fire) and the Miami Bluehouse (Phase 1) have annual production capacities of approximately 2,400 tons HOG¹ and 9,500 tons HOG, respectively.

On 15 September 2021, a fire broke out in the Denmark Bluehouse. All employees were reported safe without injuries. Substantially all property, plant, and equipment related to its saltwater on-growing systems and approximately 170 tons of standing biomass in the Danish facility’s on-growing systems with a book value of USD 0.8m were lost in the fire (see Note 5 – Biological Assets). While the insurance claim process remains ongoing, the Group expects to recover approximately USD 33m, the full book value of the Danish facility insured against the fire, less the value of the assets that were unaffected, and subsequently booked the insurance claim receivable in 2022. See Note 9 – Property, Plant, and Equipment and Note 23 – Subsequent Events for further details.

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.

¹HOG – “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 when convincing evidence can support the availability of 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 2021 and 2020.

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 2021 and 2020, 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.

Reclassification

Certain amounts in ASA's 2020 financial statements have been reclassified to conform to the 2021 presentation. The reclassifications have no effect on ASA's financial position or previously reported results of operations.

NOTE 2 – OPERATING EXPENSES

Other Operating Expenses

For the years ended 31 December 2021 and 2020, ASA's other operating expenses consisted of the following:

(NOK 1,000)	2021	2020
Selling, general, and administrative	11,434	6,190
Professional fees	4,180	4,702
Leases	111	-
Maintenance and supplies	64	11
Total other operating expenses	15,789	10,903

Auditor Fees

For the years ended 31 December 2021 and 2020, remuneration to ASA's auditors, excluding VAT, consisted of the following:

(NOK 1,000)	2021	2020
Statutory auditing services	1,490	1,387
Total auditor's fees	1,490	1,387

Total amounts towards auditor's fees are included as part of professional fees in other operating expenses.

Salary and Personnel Costs

For the years ended 31 December 2021 and 2020, ASA's salary and personnel costs consisted of the following:

(NOK 1,000)	2021	2020
Salary	7,873	6,558
Employer's national insurance contribution	845	534
Pension costs	167	2
Other personnel expenses	49	14
Total salary and personnel costs	8,934	7,108

For the years ended 31 December 2021 and 2020, ASA employed three and two full-time employees, respectively.

For the years ended 31 December 2021 and 2020, remuneration to members of the Board consisted of NOK 3.7m and NOK 5.5m, respectively.

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 2021 and 2020, the ASA's total pension cost consisted of NOK 167k and NOK 2k, 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 2021 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 – FINANCE INCOME AND EXPENSE

For the years ended 31 December 2021 and 2020, ASA's finance income and expense, net consisted of the following:

(NOK 1,000)	2021	2020
Interest income	159	125
Interest income - intercompany	44,970	23,030
Interest expense	(19)	(34)
Impairment of non-current assets - intercompany	(384,474)	
Currency exchange effects	16,975	(7,382)
Currency exchange effects - intercompany	7,519	(15,874)
Total finance income (expense), net	(314,870)	(135)

Impairment of Non-Current Assets

On 15 September 2021, a fire broke out in the Denmark Bluehouse. Substantially all property, plant, and equipment related to its saltwater ongrowing systems were lost in the fire. As a result, ASA recognized a total impairment of non-current assets of NOK 384.7m towards ASA's investment in ASDK and intercompany loan due from ASDK (see Note 8 – Related Party Transactions).

NOTE 4 – INVESTMENT IN SUBSIDIARIES

As of 31 December 2021 and 2020, ASA's investment in subsidiaries consisted of the following:

(NOK 1,000) Company	Registered office	Voting share	Ownership share	Equity at 31 December 2021	Net loss for year ended 31 December 2021	Balance sheet in parent company
Atlantic Sapphire Denmark A/S	Hvide Sande, DK	100%	100%	(339,733)	(413,965)	-
Atlantic Sapphire USA LLC	Miami FL, US	100%	100%	1,196,484	(768,049)	2,433,610
S.F. Development, L.L.C.	Miami FL, US	100%	100%	75,818	(2,893)	82,616
Atlantic Sapphire IP LLC	Miami FL, US	100%	100%	-	-	-
Employee stock options						32,630

(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, US	100%	100%	936,618	(423,034)	1,455,527
S.F. Development, L.L.C.	Miami FL, US	100%	100%	76,695	(235)	82,616
Atlantic Sapphire IP LLC	Miami FL, US	100%	100%	-	-	-
Employee stock options						17,761

On 15 September 2021, a fire broke out in the Denmark Bluehouse that destroyed substantially all property, plant, and equipment related to its saltwater on-growing systems. As a result, ASA recognized a full impairment of its investment in ASDK of NOK 344.0m and the amount is included as part of total impairment of non-current assets in ASA's statements of operations (see Note 8 – Related Party Transactions).

NOTE 5 – TAXES

For the years ended 31 December 2021 and 2020, ASA's income tax calculation consisted of the following:

(NOK 1,000)	2021	2020
Tax payable calculation:		
Current year loss before tax	(328,743)	(8,076)
Permanent differences	360,964	(31,807)
Change in temporary differences	-	-
Utilization of tax losses carried forward from prior years	(32,221)	-
Taxable base	-	(39,883)
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 2021 and 2020, the specification of the basis for ASA's deferred tax consisted of the following:

(NOK 1,000)	2021	2020
Temporary differences:		
Fixed assets	(3,194)	(3,194)
Deficit that can be carried forward	(76,090)	(108,311)
Total temporary differences	(79,284)	(111,505)
Tax rate	22%	22%
Potential deferred tax not recorded in the statements of financial position	(17,442)	(24,531)

NOTE 6 – EQUITY AND SHAREHOLDER INFORMATION

For the years ended 31 December 2021 and 2020, changes in ASA's equity consisted of the following:

(NOK 1,000)	Share capital	Share premium	Employee stock options	Retained earnings (accumulated deficit)	Total equity
Balance at 1 January 2020	7,128	2,063,814	-	36,432	2,107,374
Contributions from issuance of capital	938	887,014	-	-	887,952
Accumulated contributions from employee stock options	-	-	17,761	-	17,761
Net loss	-	-	-	(8,076)	(8,076)
Balance at 31 December 2020	8,066	2,950,828	17,761	28,356	3,005,011
Contributions from issuance of capital	1,039	986,454	-	-	987,493
Contributions from employee stock options	-	-	14,869	-	14,869
Net loss	-	-	-	(328,743)	(328,743)
Balance at 31 December 2021	9,105	3,937,282	32,630	(300,387)	3,678,630

Atlantic Sapphire ASA has one class of shares that confer the same rights in ASA. As of 31 December 2021 and 2020, the Group's share capital consisted of the following:

	2021	2020
Total number of shares as of 1 January	80,663,551	71,276,100
Shares issued during the year	10,385,000	9,387,451
Total number of shares as of 31 December	91,048,551	80,663,551
Nominal value as of 31 December (NOK)	0.10	0.10
Share capital (total number of shares at nominal value) (NOK 1,000)	9,105	8,066
Share capital (total number of shares at nominal value) (USD 1,000)	1,051	917

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 0.10.

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 0.10.

On 3 June 2021, the Group raised approximately NOK 1,016m (USD 121m) in gross proceeds through a private placement of 10,300,000 new shares, at a price per share of NOK 98.60, which is approximately equal to the last closing price on 2 June 2021. Net proceeds from the transaction were NOK 985m (USD 119m).

For the year ended 31 December 2021, 85,000 shares were issued related to the Group's employee share option program, bringing the total shares outstanding to 91,048,551, each with par value of NOK 0.10.

For the years ended 31 December 2021 and 2020, transaction costs arising on share issues amounted to NOK 30.5m (USD 3.5m) and NOK 32.7m (USD 3.5m), respectively. Such amounts are net against the ASA's share premium balance in the accompanying statements of financial position.

As of 31 December 2021 and 2020, the total number of shares issued and outstanding consisted of the following:

Shareholder	2021		2020	
	Number of shares	% of shares	Number of shares	% of shares
AlSCO AS	9,939,540	10.92%	9,699,540	12.02%
Vatne Equity AS	5,000,000	5.49%	4,552,778	5.64%
Skagen Kon-Tiki Verdipapirfond	4,931,417	5.42%	4,224,465	5.24%
The Bank of New York Mellon	4,199,153	4.61%	4,360,478	5.41%
Morgan Stanley & Co. Int. Plc.	3,639,145	4.00%	3,174,756	3.94%
UBS AG	3,413,062	3.75%	-	0.00%
Citibank, N.A.	2,884,992	3.17%	2,864,592	3.55%
RBC Investor Services Bank S.A.	2,738,168	3.01%	-	0.00%
J.P. Morgan Bank Luxembourg S.A.	2,142,370	2.35%	-	0.00%
State Street Bank and Trust Comp	1,909,436	2.10%	3,248,663	4.03%
The Northern Trust Comp, London Branch	1,779,000	1.95%	-	0.00%
Joh Johannson Eiendom AS	1,698,967	1.87%	1,509,598	1.87%
Pershing LLC	1,453,168	1.60%	-	0.00%
U.S. Bank National Association	1,347,598	1.48%	2,008,733	2.49%
J.P. Morgan Bank Luxembourg S.A.	1,266,454	1.39%	-	0.00%
JEA Invest AS	1,073,770	1.18%	1,073,770	1.33%
ASINVEST AS	1,062,915	1.17%	812,206	1.01%
Clearstream Banking S.A.	1,005,006	1.10%	364,134	0.45%
Norsk Landbrukskjemi AS	900,000	0.99%	700,000	0.87%
Brown Brothers Harriman (Lux.) SCA	805,966	0.89%	-	0.00%
Total number of shares attributed to the 20 largest shareholders	53,190,127	58.42%	38,593,713	47.85%
Total number of shares attributed to other shareholders	37,858,424	41.58%	32,682,387	40.52%
Total number of shares issued and outstanding	91,048,551	100.00%	80,663,551	100.00%

As of 31 December 2021 and 2020, shares directly or indirectly held by members of the Board of Directors, Chief Executive Officer, and Executive Management consisted of the following:

Name and title	2021		2020	
	Number of shares	% of shares	Number of shares	% of shares
Johan E. Andreassen, Chairman of the Board and CEO	6,043,540	6.64%	5,923,540	7.34%
Runar Vatne, Member of the Board	5,400,000	5.93%	4,552,778	5.64%
Bjørn-Vegard Løvik, Chair of the Nomination Committee	4,969,770	5.46%	4,849,770	6.01%
Alexander Reus, Member of the Board	1,635,051	1.80%	1,601,051	1.98%
Andre Skarbø, Member of the Board	1,062,915	1.17%	812,206	1.01%
Thue Holm, CTO	697,899	0.77%	694,699	0.86%
Jose Prado, CFO (As of 9 September 2020 Step-Down Date)	-	0.00%	320,570	0.40%
Svein Taklo, CDIO	35,058	0.04%	13,558	0.02%
Karl Øystein Øyehaug, CFO and Managing Director	17,655	0.02%	9,405	0.01%
Dharma Rajeswaran, COO (As of 9 August 2021 Step-Down Date)	11,935	0.01%	11,270	0.01%
Tone Bjørnov, Member of the Board	7,650	0.01%	3,750	0.00%
Patrice Flanagan, Member of the Board	4,900	0.01%	4,000	0.00%
Cristina Espejo, CPO (As of 10 August 2021 Step-Down Date)	3,300	0.00%	1,300	0.00%
Alejandro Castro, CBO	920	0.00%	920	0.00%
Danielle Villoch, CLO	487	0.00%	487	0.00%

NOTE 7 – CASH AND RESTRICTED CASH

As of 31 December 2021 and 2020, ASA's cash consisted of NOK 103.8m and NOK 138.2m, respectively.

As of 31 December 2021 and 2020, ASA held restricted cash in tax withholding accounts of NOK 465k and NOK 564k, respectively, and are presented as part of ASA's cash balances in the accompanying statements of financial position.

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 2021 and 2020, ASA charged management fees of NOK 10.9m and NOK 10.1m, respectively. As of 31 December 2021 and 2020, total outstanding amounts due from related parties in connection to such transactions consisted of NOK 21.0m and NOK 10.1m, 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 2021 and 2020, total outstanding amounts due from related parties in connection with amounts loaned consisted of NOK 1.1b and NOK 995.4m, respectively. Such transactions may result in intercompany finance income and expense (see Note 3 – Finance Income and Expense).

On 15 September 2021, a fire broke out in the Denmark Bluehouse that destroyed substantially all property, plant, and equipment related to its saltwater on-growing systems. Although the Group believed that the insurance claim was probable as of 31 December 2021, the Group was not virtually certain of the insurance claim prior to the subsequent conclusion of the police report on 1 April 2022 indicating that there was no evidence of arson (see Note 10 – Contingencies and Legal Claims and Note 12 – Subsequent Events).

As a result, ASA recognized a NOK 391.4m impairment for the year ended 31 December 2021 that consisted of a NOK 344.0m write-down of its investment of ASDK to zero, a NOK 6.9m write-down of its intercompany receivable from ASDK to zero, and a NOK 40.5m write-down of its intercompany loan due from ASDK to reflect a value of NOK 290.8m (USD 33m), the expected full book value of the Danish facility insured against the fire, less the value of the assets that were unaffected.

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 2021 and 2020, the Program included up to 1,650,535 and 683,438 shares, respectively, with a term between 3 and 4 years as follows:

	2021		2020	
	Weighted average exercise price (NOK)	Number of shares	Weighted average exercise price (NOK)	Number of shares
Outstanding at 1 January	111.98	683,438	36.89	809,000
Granted during the year	222.61	1,354,570	149.40	408,126
Forfeited during the year	102.73	(266,242)	48.23	(23,688)
Exercised during the year	28.00	(85,000)	28.00	(510,000)
Lapsed during the year	98.44	(36,231)	-	-
Outstanding at 31 December	208.88	1,650,535	111.98	683,438

The exercise price of options outstanding as of 31 December 2021 ranged between NOK 28 and NOK 400 and their weighted average contractual life was 4.5 years. 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.

As of 31 December 2021 and 2020, the total number of options outstanding that had vested and were exercisable were 12,677 and 164,909, respectively.

As of 31 December 2021 and 2020, the weighted average fair value of each option granted during the year was NOK 17.53 (USD 2.04) and NOK 35.27 (USD 3.76), respectively.

The following information is relevant in the determination of the fair value of options granted for the years ended 31 December 2021 and 2020:

	2021	2020
Option pricing model used	Black Scholes	Black Scholes
Weighted average share price at grant date (NOK)	94.16	134.60
Exercise price (NOK)	87.70	109.34
Weighted average contractual life (days)	1,646	1,646
Expected volatility	31.00%	31.20%
Expected dividend growth rate	0.00%	0.00%
Risk-free interest rate	0.65%	1.26%

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 2021.

On 15 September 2021, a fire broke out in the Denmark Bluehouse that destroyed substantially all property, plant, and equipment related to its saltwater on-growing systems. Although the Group believed that the insurance claim was probable as of 31 December 2021, the Group was not virtually certain of the insurance claim prior to the subsequent conclusion of the police report on 1 April 2022 indicating that there was no evidence of arson. As such, the Group did not recognize an insurance claim receivable as of 31 December 2021. The insurance claim process remains ongoing, and the Group expects to recover NOK 290.8m (USD 33m), the full book value of the Danish facility insured against the fire, less the value of the assets that were unaffected (see Note 12 – Subsequent Events).

NOTE 11 – COMMITMENTS

The 2020 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 US Term Loan subject to the provisions of the 2020 Credit Facility.

NOTE 12 – SUBSEQUENT EVENTS

ASA has evaluated subsequent events from 31 December 2021 through the date in which the financial statements were issued.

On 31 March 2022, the Group's 2020 Credit Facility was amended to provide an additional three-month credit facility in an aggregate amount of up to USD 25m (the "Facility") as a next step towards a fully financed US Phase 2 Construction with DNB Capital, LLC as lender. The Facility will be secured by a second priority security interest and lien on all assets and equity interests held by the Group and carries an annualized borrowing rate of LIBOR plus an applicable margin of 7.0% from 31 March 2022 to 30 April 2022, 7.5% from 1 May 2022 to 31 May 2022, and 8.0% from 1 June 2022 to 30 June 2022. The Facility provides the Group additional liquidity while the details of the overall long-term financing are being finalized. Further, the Group's minimum EBITDA covenant was adjusted towards all credit facilities, and a limited waiver was provided with this respect to until 30 June 2022.

Currently, the Group and DNB, as Administrative Agent on behalf of the Lenders (DNB and Farm Credit), are working on an additional amendment of the 2020 Credit Facility which is expected to be finalized prior to 30 June 2022. The provisions of the amendment are expected to provide an extension of maturity dates, access to additional borrowings, and revised terms such as updated financial covenants.


On 1 April 2022, the Danish police (Midt- og Vestjyllands Politi) announced that their investigation on the 15 September 2021 Denmark Bluehouse fire was concluded. Their conclusion was that the cause of the fire was inconclusive, and they further stated that there was no evidence of arson in connection with the incident. As the police investigation is now concluded, the Group will continue finalizing the insurance claim process and its future plans for ASDK. The Group expects to recover USD 33m, the full book value of the Danish facility insured against the fire, less the value of the assets that were unaffected, and subsequently booked the insurance claim receivable in 2022.

Statement of Responsibility

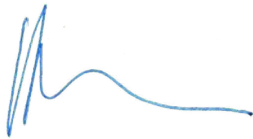
STATEMENT OF RESPONSIBILITY

We confirm that, to the best of our knowledge, the consolidated financial statements for the period from 1 January to 31 December 2021 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, 21 April 2022



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:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2021, the income statement and 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 2021, 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.

In our opinion:

- The financial statements comply with applicable statutory requirements,
- The accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2021, 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 as at 31 December 2021, 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.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.



We have been the auditor of Atlantic Sapphire ASA for 7 years from the election by the General Meeting on 24 November 2015 for the accounting year 2015 (with renewed election on the General Meeting 12 May 2021).

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 the current period. 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.

Impairment indicators related to Property, plant and equipment

Description of the key audit matter	How the key audit matter was addressed in the audit
<p>Property, plant and equipment (PPE) makes up 85% of the total assets of the group.</p> <p>During 2021 there has been a significant reduction in the groups market value although still higher than the book value of equity. In addition the group has experienced production problems. This is defined as impairment indicators according to IAS 36.</p> <p>The plant in Denmark is impaired to immaterial amounts since it was damaged in a fire. In relation to the plant in US the group has prepared an impairment test. Since phase 1 and phase 2 of the plant will be ran as one facility both in relation to income (cash inflows) and production both phases is considered as one Cash Generating Unit even though phase 2 is under construction.</p> <p>The impairment test is based on a Discounted Cash Flow model based on estimated production volumes, sales price and production cost discounted with the estimated Weighted Average Cost of Capital (WACC). The impairment test give a value above the book value of relevant assets with some headroom.</p> <p>Further description of the impairment test is in note 9 in the consolidated financial statements.</p>	<p>We have with assistance of valuation experts and based on the group`s qualitative documentation reviewed the impairment test and has among other things reviewed the following:</p> <ul style="list-style-type: none"> - Compared the book value of equity versus the market value of the shares in the company - Reviewed the WACC used in the calculation against WACC used by relevant analysts - Reviewed that the key estimates in the cash flow, revenue and EBITDA, are in line with analyst estimates - Compared price estimates per kg against historically achieved prices and Nasdaq estimates for forward price changes - Reviewed estimated EBIT/kg to traditional aquaculture operation



Other information

The Board of Directors and the Managing Director (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.

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 consolidated 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.

Opinion on the Board of Director's report

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly for the statements on Corporate Governance and Corporate Social Responsibility.

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

Board of Directors and the Managing Director (management) are responsible for the preparation of financial statements that give a true and fair view, for in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the 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 compliance with Regulation on European Single Electronic Format (ESEF)

Opinion

We have performed an assurance engagement to obtain reasonable assurance that the financial statements with file name "2138007BY85FI48VX666-2021-12-31-en" have been prepared in accordance with Section 5-5 of the Norwegian Securities Trading Act (Verdipapirhandelloven) and the accompanying Regulation on European Single Electronic Format (ESEF).

In our opinion, the financial statements have been prepared, in all material respects, in accordance with the requirements of ESEF.

Management's Responsibilities

Management is responsible for preparing, tagging and publishing the financial statements in the single electronic reporting format required in ESEF. This responsibility comprises an adequate process and the internal control procedures which management determines is necessary for the preparation, tagging and publication of the financial statements.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Molde, 21 April 2022

BDO AS

A handwritten signature in blue ink that reads 'Røald Viken'.

Røald Viken

State Authorised Public Accountant

ABOUT ATLANTIC SAPPHIRE

Atlantic Sapphire ASA

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Investor Relations

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Chief Financing Officer and Managing Director
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Domicile of Entity

Vestnes, Norway

Legal Form of Entity

Public limited liability company: Allmennaksjeselskap (ASA)

Country of Incorporation

Norway

Principal Place of Business

Homestead, Florida

Description of Principal Operations

45102010, Farming, Fishing, Ranching, and Plantations

Name of Ultimate Parent Company

Atlantic Sapphire ASA



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