



# 2022 Annual & ESG Report Update

April 20, 2023



# IMPORTANT INFORMATION

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# Commissioned Phase 1 Facility and Phase 2 Under Construction

Facility aerial view (February 2023)



## Atlantic Sapphire today

- ✓ Listed on the Oslo Stock Exchange - fully focused on the US
- ✓ Unique and patented water intake and discharge capabilities
- ✓ Significant investments into construction of Phase 1 facility (~9,500t HOG) and part of Phase 2 infrastructure (~15,000t HOG), mostly made before covid capex cost inflation
  - ✓ *With current construction costs, replacement value of facility is considerably higher than capex spent*
- ✓ Considerable physical asset base including land, groundwater wells, hatchery, smolt facility, 36 grow-out tanks with a total tank volume of ~65,000m<sup>3</sup>, harvesting and filleting facility and all necessary supporting infrastructure
- ✓ Extensive proprietary knowledge gained from being a first-mover and building up >10 years of unique grow-out RAS experience
- ✓ Recognized consumer brand and existing offtake

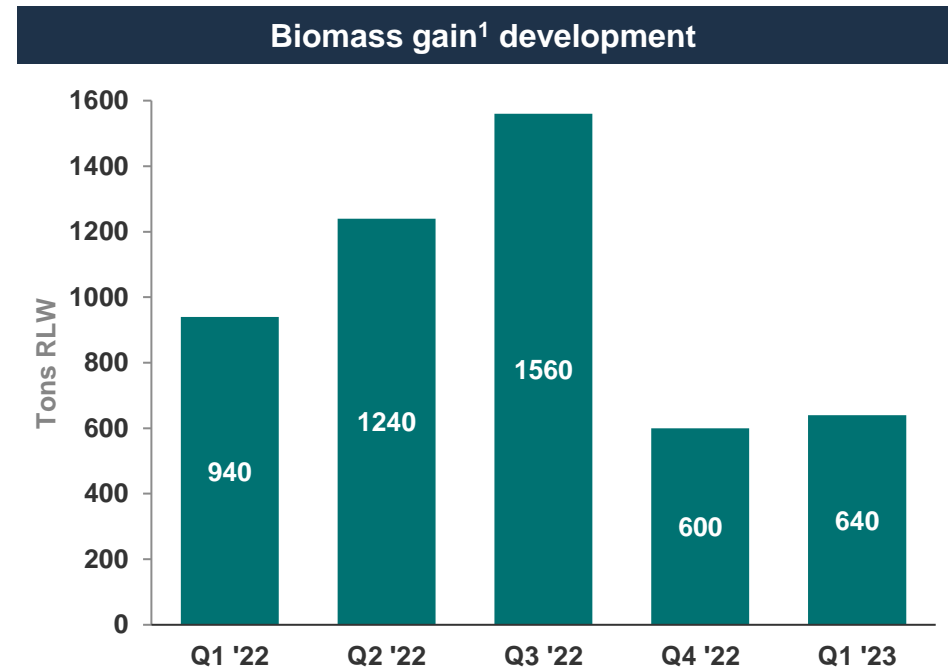
**Considerable Upside Versus The Replacement Value Of The Company's Assets**

1: As of 31.12.2022, including assets related to current Phase 2 investments (construction in progress)

# Operational Highlights

## Upgrades in focus in Q4 2022 and Q1 2023

- As discussed, production was negatively impacted by higher-than-normal mortality
- Focus has been on heavy infrastructure upgrades and operational improvements, **requiring feeding and production to be put on hold while work was ongoing**
  - Setting the stage for a safer production environment and good biomass gain thereafter
- ~2,550t RLW in standing biomass as of Mar 31, 2023
- Steady state<sup>2</sup> standing biomass of ~4,200t RLW expected mid-year 2023
- Q1 2023 harvest volume of ~400t HOG
  - Similar harvest volume expected in Q2 2023



**Q4 2022 & Q1 2023 Focus On Making Necessary Infrastructure Improvement To Get To Full Phase 1 Production**

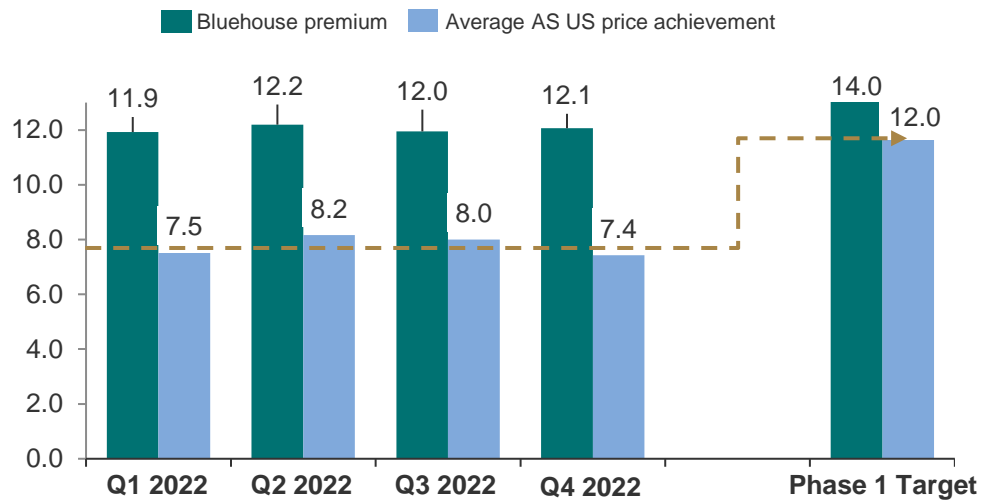
1: Biomass gain: Estimated net change in standing biomass in the period, adjusted for actual harvest volumes. Includes any culling or mortality.

2: Steady state: Full capacity utilization of the Phase 1 facility, when annualized biomass gain and harvest volumes are estimated to ~9,500t HOG



# Significant Upside on Price Achievement

## US price achievement – premium fish (superior, ~3kg+) and fresh average – USD/kg RTF<sup>1</sup>



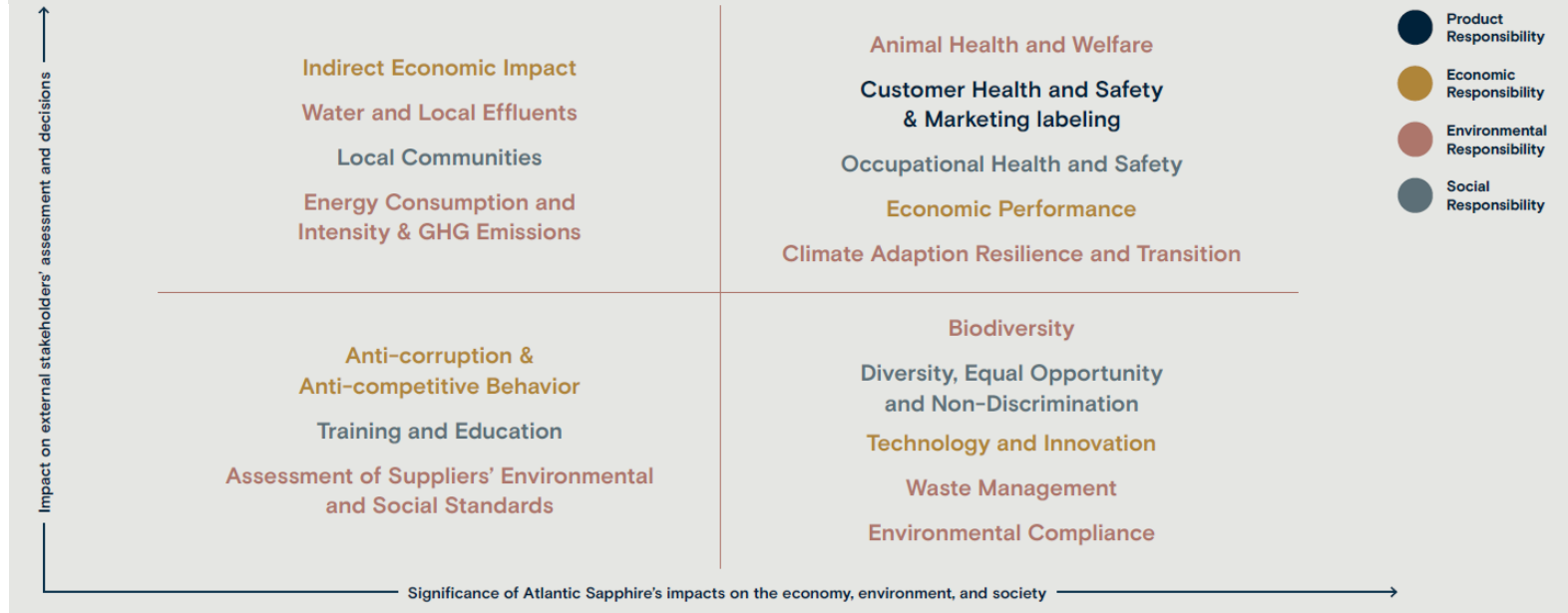
### Higher premium share expected with larger fish sizes

- New customers including a leading, high-end sushi distributor, verifying strong demand and premium quality product, with upside on the Bluehouse premium price
- Average price achievement in H2 2022 was reduced by a high share of small fish harvested
  - Tied to the biological challenges in 2022, where fish growth was slower and harvest weights lower
  - Expect higher price achievement in H1 2023
- Under stable conditions, ~80-90% of total harvest is expected to be sold at the Bluehouse premium price, raising the average price achievement considerably
- Targeting ~USD 12/kg in average price achievement in H2 2023

**Improved Biological Performance And Strong Salmon Market Are Expected To Increase Price Achievement**

<sup>1</sup>: Atlantic Sapphire 'Bluehouse premium' is fresh, superior, ~3kg+ salmon on Return To Farm basis (excluding freight costs). Average price achievement does not include revenues from the sale of frozen inventory and certain by-products.

## Atlantic Sapphire's Materiality Matrix



Atlantic Sapphire Is Constantly Evaluating What Topics Are Most Material To The Business

# Highlights of the ESG Report

## Selected milestones achieved in 2022

- **Scope 1 & 2 GHG emissions**
  - Reported based on management and supplier estimates for 2022
  - Commitment to include Scope 3 reporting in 2023 report
- **Transition to renewal energy**
  - Engaged with Florida Power and Light to plan transition to renewal energy
- **Recyclable packaging**
  - 80% of finished product packed in compostable and recyclable shipping boxes
- **Circular economy**
  - 100% of by-product from fileting operation sold as pet food ingredients
- **Feed sustainability**
  - Maintained FIFO<sup>1</sup> under 1, making us a net marine protein producer
- **Healthy protein production**
  - American heart association "heart check" certified
- **Community engagement**
  - Supported several community initiatives with employee representation



**Several Milestones Achieved In 2022, Ambitious Targets Set For 2023 and 2030**

<sup>1</sup> FIFO: Fish In Fish Out Ratio

# 2022 Financial Statements

## 2022 Consolidated Statement of Operations

- Total US harvest volume of 2,253t HOG in 2022, up 26% from 1,788t HOG in 2021
- Indirect production costs expensed through cost of materials for underutilized capacity flat Y/Y at ~USD 16m
- ~USD 2m in extraordinary temporary labor cost in Q4 2022 tied to the infrastructure upgrades and biofilter “resets”
- Reduction in other operating expenses Y/Y driven by lower temporary chiller costs of USD 5.9m (2021: USD 11.0m)
- USD 25.3m reversal of impairment of the Denmark asset in H1 2022 upon the successful completion of the insurance case
- Adjusted Group EBITDA loss reduced by USD 10.4m to USD(73.5m) driven by overhead cost reductions and no operational losses from Denmark

(USD 1,000)	31 December 2022	31 December 2021	Change in USD
Revenue	18,954	16,851	2,103
Cost of materials	(70,030)	(65,607)	(4,423)
Fair value adjustment on biological assets	95	1,429	(1,334)
Salary and personnel costs	(6,294)	(10,584)	4,290
Other operating expenses	(16,309)	(24,723)	8,414
Other income (expense), net	25,542	151	25,391
Impairment of non-current assets	-	(34,754)	34,754
Depreciation and amortization	(14,217)	(15,056)	839
<b>Operating loss (EBIT)</b>	<b>(62,259)</b>	<b>(132,293)</b>	<b>70,034</b>
Finance income	4,907	3,362	1,545
Finance expense	(7,654)	(3,847)	(3,807)
<b>Loss before income tax</b>	<b>(65,006)</b>	<b>(132,778)</b>	<b>67,772</b>
Income tax	-	-	-
<b>Net loss</b>	<b>(65,006)</b>	<b>(132,778)</b>	<b>67,772</b>
<b>Non-IFRS measures</b>			
Operating loss (EBIT)	(62,259)	(132,293)	70,034
Add back: depreciation and amortization	14,217	15,056	(839)
<b>EBITDA</b>	<b>(48,042)</b>	<b>(117,237)</b>	<b>69,195</b>
Add back: fair value adjustment on biological assets	(95)	(1,429)	1,334
Add back: impairment of non-current assets	-	34,754	(34,754)
Less: insurance proceeds from Denmark fire	(25,322)	-	(25,322)
<b>EBITDA, adjusted</b>	<b>(73,459)</b>	<b>(83,912)</b>	<b>10,453</b>

**2022 Financials Reflect Ramp-Up Of US Phase 1 Production**



# 2022 Financial Statements

## 2022 Consolidated Statements of Financial Position

- Total 2022 capital expenditures of USD 52.4m
  - Largely tied to US Phase 2 construction
  - ~USD 91m invested in Phase 2 at year-end 2022
  
- Group equity ended 2022 at USD 296.4m, up from USD 239.6m at year-end 2021
  
- NIBD as of December 31, 2022: USD 23.4m
  - USD 47.1m in drawn term debt
  - USD 20m RCF facility undrawn<sup>1</sup>
  - USD 100m in undrawn term debt earmarked for Phase 2 construction<sup>2</sup>

(USD 1,000)	Note	2022	2021
<b>ASSETS</b>			
Non-current assets			
Property, plant, and equipment, net	9	303,122	264,449
Right of use asset	8	2,512	2,604
Security deposits		1,167	748
Other investments	13	6	6
Trade and other receivables (non-current)	13, 14	1,343	26
<b>Total non-current assets</b>		<b>308,150</b>	<b>267,833</b>
Current assets			
Prepaid and other current assets		393	1,593
Inventories, net	15	4,368	6,590
Biological assets	5	18,690	16,795
Trade and other receivables, net	13, 14	1,847	1,449
Restricted cash	13, 16	420	468
Cash	13, 16	23,683	17,012
<b>Total current assets</b>		<b>49,401</b>	<b>43,907</b>
<b>TOTAL ASSETS</b>		<b>357,551</b>	<b>311,740</b>
<b>Total equity</b>		<b>296,382</b>	<b>239,556</b>
Non-current liabilities			
Borrowings (non-current)	13, 19	28,287	50,000
Lease liability (non-current)	8	2,218	2,842
<b>Total non-current liabilities</b>		<b>30,505</b>	<b>52,842</b>
Current liabilities			
Borrowings (current)	13, 19	18,550	-
Lease liability (current)	8	416	324
Trade and other payables	13	11,698	19,018
<b>Total current liabilities</b>		<b>30,664</b>	<b>19,342</b>

**2022 Financials Reflect Ramp-Up Of US Phase 1 Production and Phase 2 Construction**

<sup>1</sup> Approximately USD2.6m of the \$20m RCF facility is currently utilized as a Letter of Credit for equipment leasing

<sup>2</sup> As amended in March 2023, when the maturity of all the Group's debt facilities were extended until April 2025. Undrawn term debt is available subject to certain incurrence tests related to harvest volume and EBITDA. Harvest volume = a minimum required annualized production level to be maintained for at least two months. EBITDA = (i) aggregate positive EBITDA over the last three months prior to drawdown and (ii) a minimum EBITDA level

# 2022 Financial Statements

## 2022 Key Financials by Segment

Year ended 31 December 2022 (USD 1,000)	Fish farming Denmark	Fish farming US	Other and eliminations	Consolidated
Revenue from sale of salmon	-	18,954	-	18,954
EBITDA	37,974	(71,489)	(14,527)	(48,042)
EBITDA, pre-fair value adjustment on biological assets	37,974	(71,584)	(14,527)	(48,137)
EBITDA, adjusted*	12,652	(71,584)	(14,527)	(73,459)
Pre-tax income (loss)	37,904	(96,529)	(6,381)	(65,006)
Total assets	910	351,821	4,820	357,551
Total liabilities	870	152,089	(91,790)	61,169
Depreciation and amortization	36	14,182	(1)	14,217
Interest income	-	506	4,401	4,907
Interest expense	34	11,364	(3,744)	7,654
Impairment of non-current assets	-	-	-	-
Insurance proceeds	25,322	-	-	25,322
Capital expenditures	-	52,447	-	52,447
Cash flows from operating activities	24,888	(79,055)	1,263	(52,904)
Cash flows from investing activities	-	(56,323)	499	(55,824)
Cash flows from financing activities	(24,916)	148,757	(7,306)	116,535

All Focus Is On The US

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

# Phase 2 Status

## Phase 2 capex status as of December 31, 2022

- Phase 2 is estimated to take the total run-rate production volume to 25,000t HOG annually
- ~USD 91m<sup>1</sup> invested, cash conservation currently in focus
- Max. USD 10m in additional capex planned to be invested in Q1 2023
- Estimate for total Phase 2 capex is USD 275-300m<sup>2</sup>
- Focus on value engineering and working with contractors to optimize cost and quality for outstanding Phase 2 capex items

## Estimated project completion

- Focus on finalizing the design and Phase 2 budget over the next months
- The Company decides when and how funds should be deployed towards Phase 2



**Phase 2 Construction Spending Will Be Kept At A Minimum Until Phase 1 “Break-Even” Is Accomplished**

1: Management estimate

2: Phase 2 timeline and funding plan will be determined once Phase 2 design and budget is complete

# Atlantic Sapphire is at an Inflection Point



1

Significant infrastructure improvements, including major biofilter upgrades and new water chiller system to ensure safe production environment

2

Collaboration agreement with Nordlaks, one of Norway's most profitable salmon farmers

3

USD 55m equity raise completed in Q1 '23 securing sufficient funding to get to profitability

4

Increased taxation and regulatory pressure in key conventional salmon farming geographies may limit growth in salmon supply and increase Atlantic Sapphire's relative profitability

5

While energy prices have been soaring in Europe following the Russia-Ukraine war, US energy supply remains local, reliable and cheap

6

Business-friendly and stable regulatory environment for Atlantic Sapphire in Florida

7

Considerable upside vs the replacement value of the Company's assets



