



H1 2024 Operational Update

August 20, 2024

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01
Operational update



Summary of company highlights



Positioned to be a key salmon producer in the world's largest market

- All permits and licensing in place to take a significant share of the >600,000 tons p.a. US salmon market¹
- Significant competitive advantages by being uniquely close to US consumers
- Atlantic Sapphire has been producing salmon for six years and has an extensive local retail network



Production stabilized, to be further optimized and scaled

- Strong operational performance since infrastructure improvements from October 2023
- New initiatives to secure improved utilization of Phase 1
- Final preparations ongoing for Phase 2 investment decision and contracting



Economies of scale to be unlocked with added volume

- Company set to materially improve price achievement from Q4 2024
- Cost base to significantly benefit from improved utilization of Phase 1
- Company expected to generate USD >100m in EBITDA with the addition of Phase 2²



New management team with strong focus on building value

- New management in place with ~50 years of combined salmon farming experience
- Clear plan in place to optimize Phase 1 – capital required to unlock
- Strong focus on building further scale with addition of Phase 2

1) Source: MOWI Salmon Industry Handbook 2024

2) Assuming a 25,000 tons of practical capacity for Phases 1 & 2 combined at USD 5/kg target margin

Timeline for improving phase 1 and development of phase 2



Stage 1: Proof of concept

- Produce harvest weight size fish (3+ kg HOG)
 - High share of premium quality
- Stable farming conditions
- Stable feeding and growth performance

Stage 2: Resiliency and Efficiency

- Implement bottle-neck removal capex items until mid-2025
- Increase feeding rate / improve FCR
- Cost efficiency plan
- Build biomass to adapt to feeding level
- Positive cash flow towards end-2025

Stage 3: Phase 2 Investment Decision

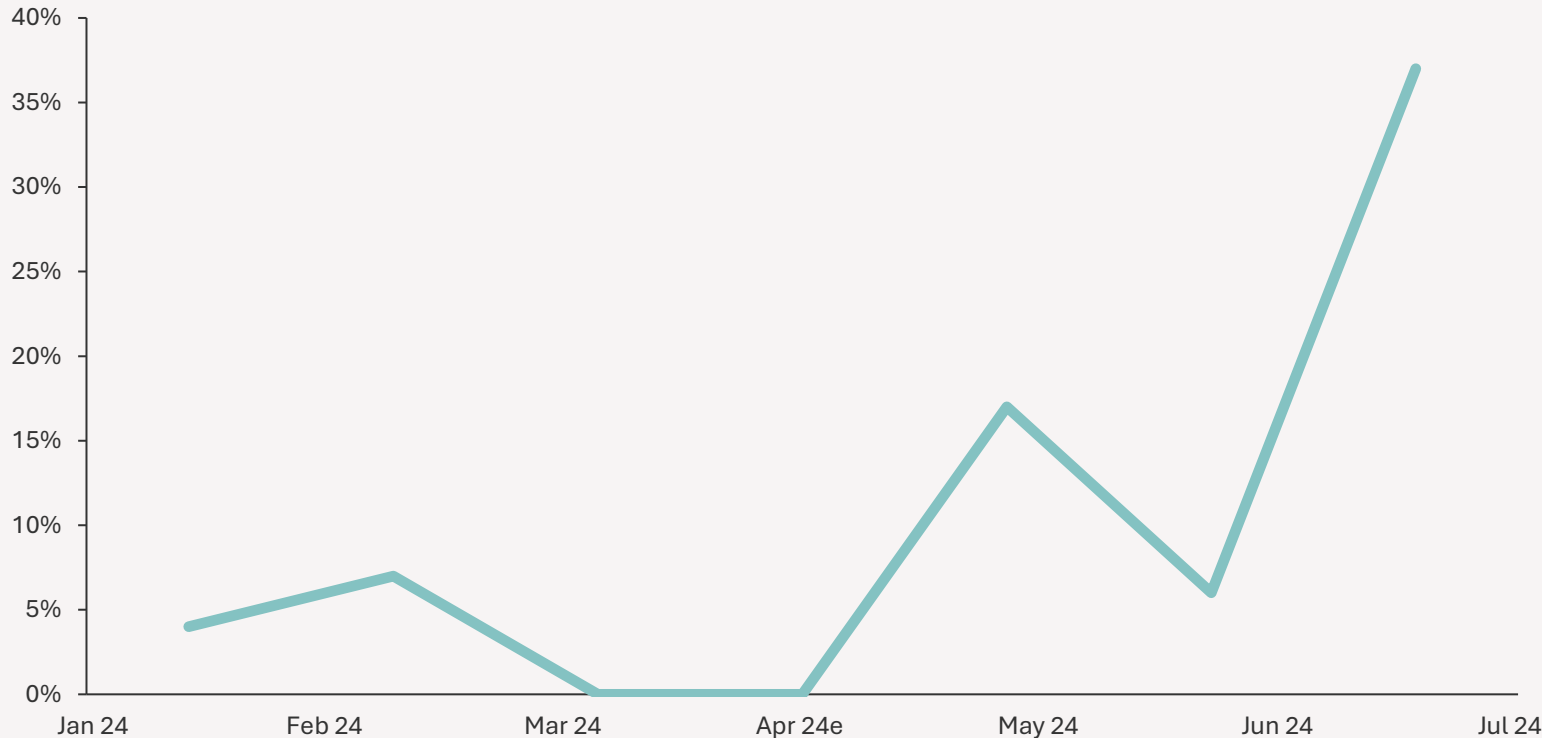
- Refine detailed design
- Value engineering
- Full economic assessment and financing
- Investment decision
- Construction resumption

Stage 1: Improvements positively impacting overall biomass



Share of biomass above 2.5 kg

Standing biomass development in %¹



Comments

- Prior fish affected by high temperatures summer '23 and subsequent maturation has been harvested out
- Due to very low mortality and limited feeding capacity, harvesting small fish to make room for remaining fish to grow to a size that enables premium prizes
 - As per stock exchange release in July
 - Average harvest weight in Q2 of 1.5 kg HOG
- Q3 will be a transition quarter increasing the harvest weight to enable premium price at the end of the period
- Harvested 2,395t HOG of the first half, with significant volume of small fish
- Harvest level expected to maintain on current level for second half but with higher weight and higher achieved sales price

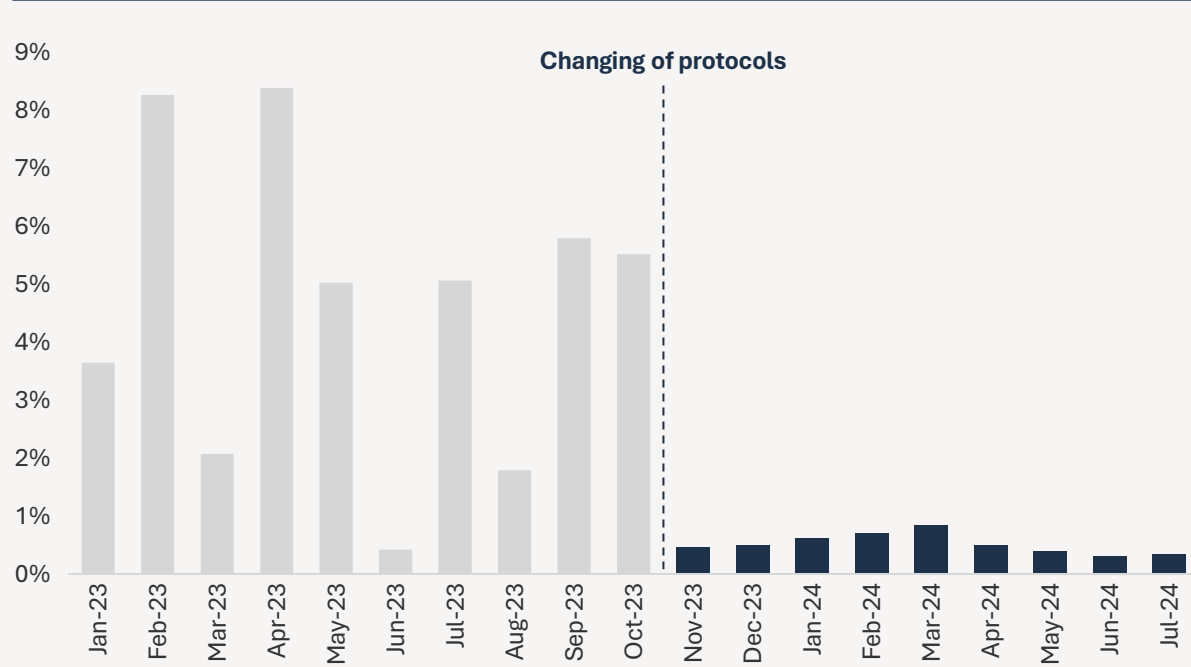
Harvest weight is expected to increase as biomass has been adjusted to current feeding levels

1) Reducing number of fish during Q2 and Q3 2024 to allow the remaining fish to grow to a size that enables premium price achievement

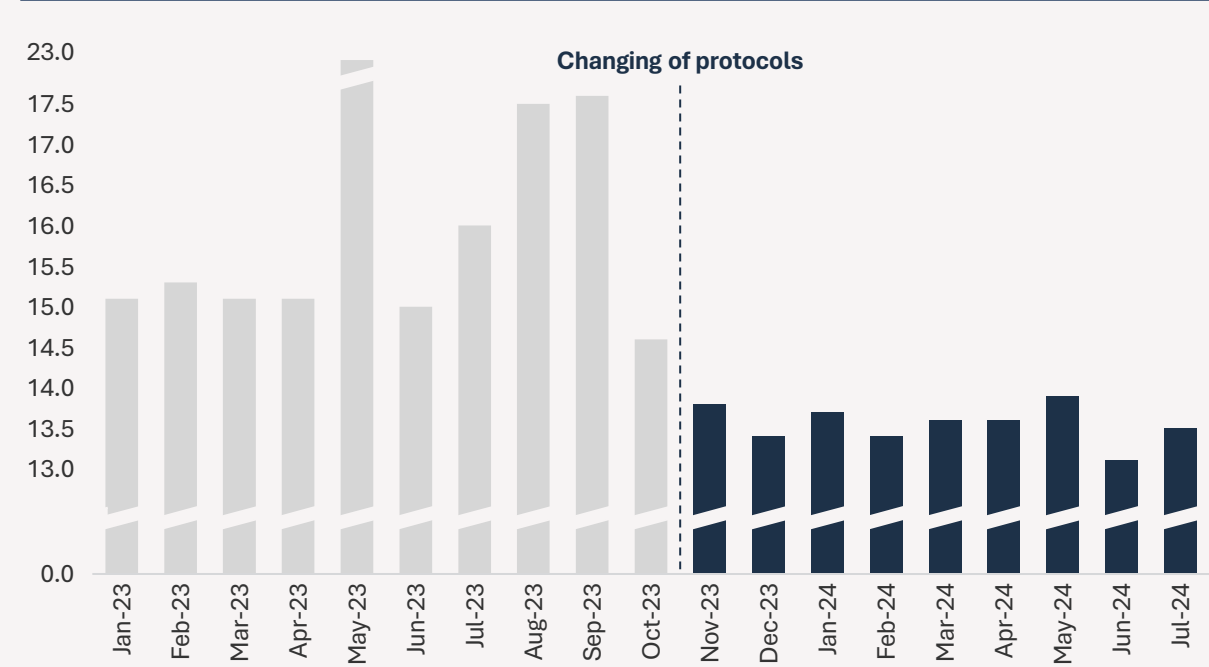
Stage 1: Stable performance on key operational parameters since October 2023



Monthly mortality rates (% of fish)



Monthly average water temperatures (C°)



- Significant improvement in mortality following the completion of the installation of new chillers in Q4 2023
- Industrialization strategy implemented with focus on facility capacity, improving bottlenecks, and knowledge-based improvements
- New operational protocol implemented from October 2023
- Technical service operations shifting from retro active to preventive maintenance
- Stable water quality and temperature achieved after October 2023

- New rental chiller capacity was brought online from October 2023, immediately resolving prior issues with elevated temperatures
- Since the new chiller bank was installed, the company have achieved stabilized water temperatures (in line with target temperatures) and have seen a drastic decrease in mortality and increase in production
- Improved on redundancy and cooling efficiency (chiller capacity + intake heat exchanger)

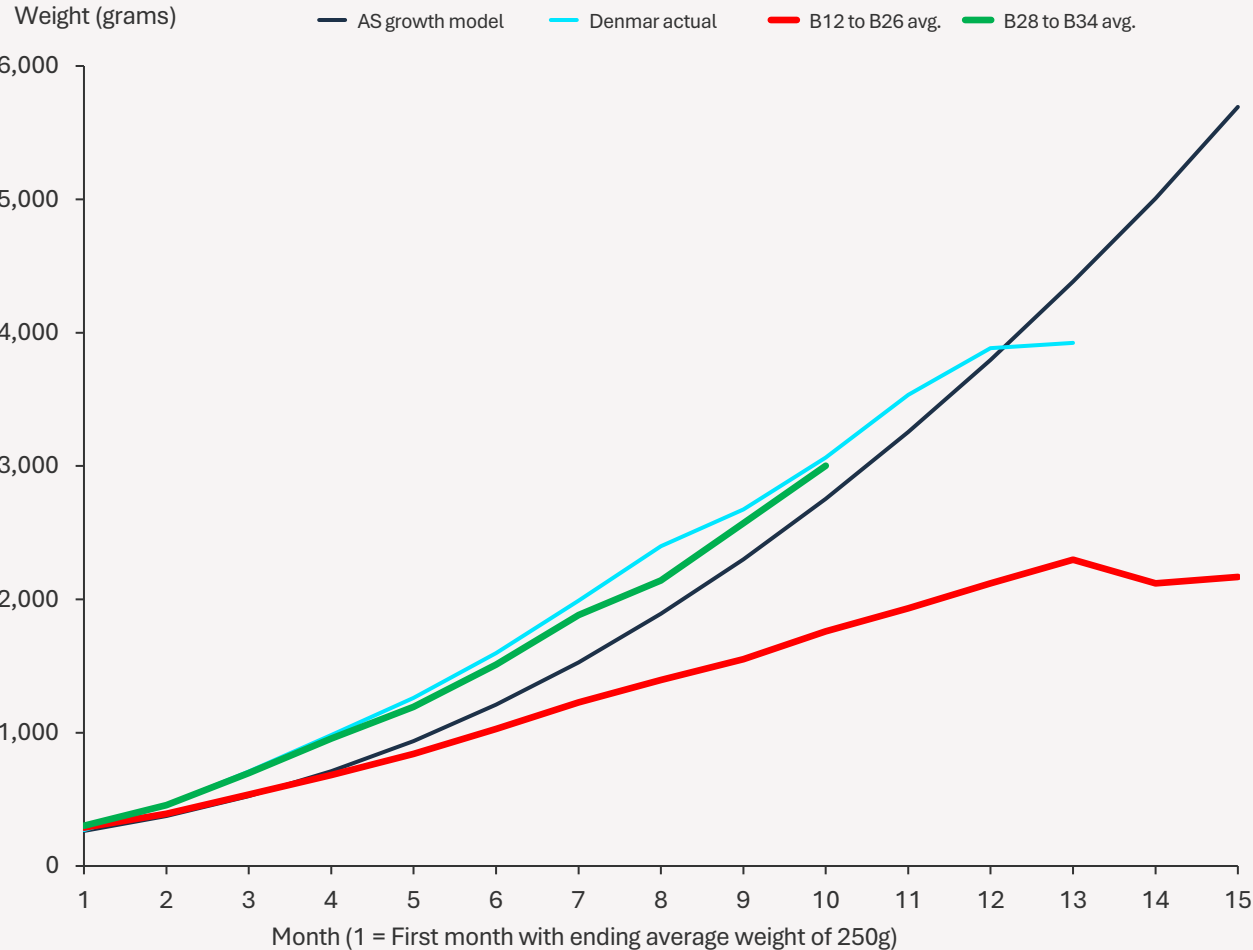
Stage 1: Strong biomass growth improvement across recent batches



Comparison of batch growth performance

Comments

Impact



Batch 12-26 characteristics

- Growth slowing
- High early maturation
- High FCR
- The batches with prior high temperatures exposure and subsequent maturation issues have been harvested out

Batch 28-34

- High growth rates
- Low early maturation
- Improved FCR
- Batches not affected by prior temperature exposure shows strong growth

Batch 12-26 characteristics

- Poor tank volume utilization
- Low harvest weight and superior share
- Poor cost position, more solids to treat in RAS system

Batch 28-34

- Better tank volume utilization
- Increase superior share
- Improve cost and reduce RAS load

Stage 1: Proof of concept

Stage 1 complete and validation of the phase 1 plant achieved when the following operational targets are attained

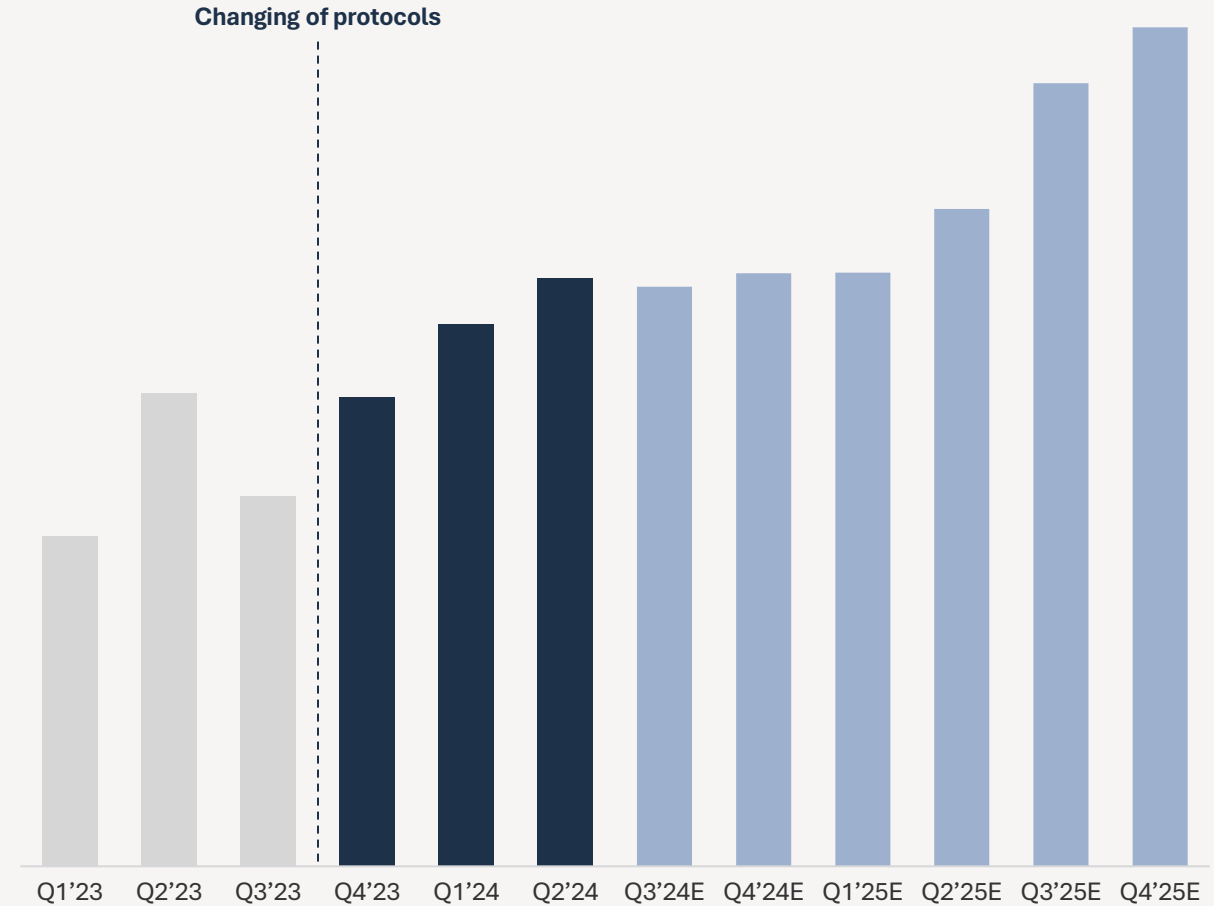
- Producing large salmon
 - 4 consecutive weeks of average of 3.0 kg HOG or more salmon harvested
 - Biological FCR below 1.3 for harvested fish
 - 75% of harvest is superior grade
- Stable farm operating conditions over 12 months
 - Monthly average water quality of <14°C
 - Monthly mortalities <1%

Stage 2: Feeding restrictions to be unlocked through de-bottlenecking

Key comments

- Monthly feeding levels have increased since October 2023 as a result of the investments made into de-bottlenecking and optimizing feeding activities
- The feeding capacity of the facility has been limited by bottlenecks and downtime in the water treatment capacity, which was the root cause for the Company having to harvest out fish at small sizes during Q2 (as announced on 11 July 2024)
- With new management team in place, the focus has been to optimize production and remove bottlenecks to realize the potential of Phase 1
- Bottleneck removal components scheduled from November 2024 until June 2025 will allow for a gradual increase in daily feeding levels
- Building the right biomass along the way, especially in Q3 2025 when feeding capacity is increasing
- Daily feeding levels achieved during 2025 will allow for an estimated annualized harvest volume of up to 8,000t HOG

Quarterly feeding rate (kg)

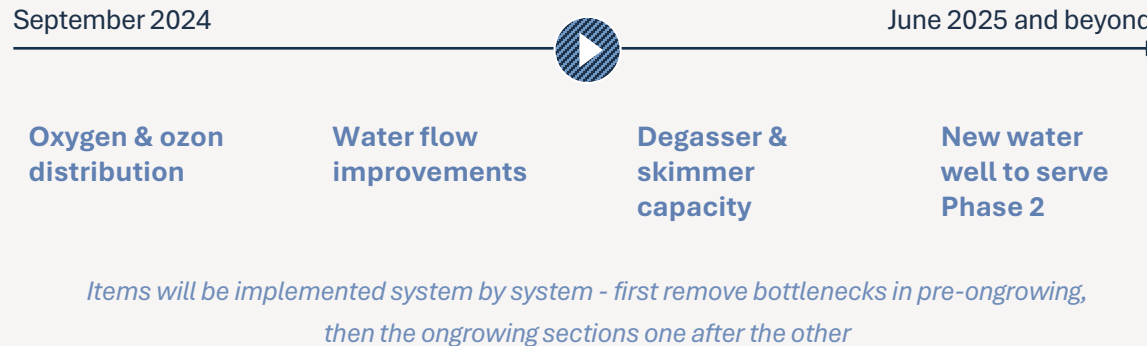


Stage 2: Investment period to improve resiliency and efficiency of existing operations



Fine tuning of the facility, achieving operational excellence

- The feeding capacity of the facility has been limited by bottlenecks and downtime in the water treatment capacity, and the Company therefore initiated mitigating actions to reduce number of fish to the current levels (as announced on 11 July 2024)
- New management identified what is expected to be needed to complement and complete efforts initiated in October 2023 – planned to result in a fully utilized Phase 1
- In addition to Phase 1 de-bottlenecking, the Company sees strong benefits from completing a new water well to continue the Phase 2 progress and improve Phase 1 performance
- Removing of bottlenecks and reduction of unscheduled downtime will allow for increased feeding and derisking of Phase 1



...to be completed by new management in the period ahead for full utilization of Phase 1

Stage 3: Phase 3 investment decision

Stage 1 complete and validation of the phase 1 plant achieved when the following operational targets are attained

- Refine detailed design to incorporate lessons learned from proof of concept (stage 1)
- Bid and proposal activity, value engineering to optimize
- Full economic assessment of investment case
- Final investment decision and completion of financing
- Initiation of construction

02

Financial update



Summary of first half 2024

- Stable biological situation, but challenging financial situation
- Lower feeding volumes than estimated has led to lower biomass and lower fish weight
- Low sales price achieved
 - Harvest mature fish in Q1, low sales price expected
 - Harvest small fish in Q2 and into Q3, lower sales price than estimated
- Low sales price has given low revenue and significantly lower cash flow from operations
- Lower average fish weight in inventory (biomass) has given lower draw on RCF due to lower borrowing base

H1 2024 key highlights and figures



Overview of key figures

Unaudited (USD 1,000)	30 June 2024	30 June 2023	31 Dec 2023
Operating revenue	11,196	8,058	13,995
EBIT	(47,901)	(43,703)	(126,188)
EBIT %	-427.84%	-542.36%	-901.66%
EBITDA	(39,873)	(36,375)	(112,349)
Net loss	(52,011)	(48,377)	(133,758)
Earnings per share			
Retrospectively adjusted basic earnings per share	(0.53)	(2.01)	(3.28)
Retrospectively adjusted diluted earnings per share	(0.53)	(2.01)	(3.28)
Non-IFRS measures			
EBIT	(47,901)	(43,703)	(126,188)
Add back:			
Depreciation and amortization	8,028	7,328	13,839
Fair value adjustment on biological assets	(6,746)	2,917	14,095
EBITDA, pre-fair value adjustment on biological assets	(46,619)	(33,458)	(98,254)
Add back:			
Impairment of non-current assets	-	-	35,000
EBITDA, adjusted *	(46,619)	(33,458)	(63,254)
Total assets	328,447	365,654	342,258
Capital expenditures	6,003	14,551	21,399
Net interest-bearing debt	22,631	20,991	4,895
Equity share	80.60%	83.29%	82.73%

Commentary

- Approximately 2,750t RLW gross biomass gain and total harvest volume of 2,395t HOG for H1 2024
- Consistent price achievement on premium fish
- Overall cost per kg of biomass produced decreased compared to the same period in 2023
- Good biological development and operating conditions with low mortalities, improved growth per batch, stable water temperature, and stable water quality
- Further optimization towards US Phase 1 proven state through further fine-tuning of the facility for a safer production environment and improved biomass gain, while US Phase 2 construction currently kept at a minimum with a focus on the design and optimization of the overall project's quality and cost

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

Consolidated statement of operations

Unaudited (USD 1,000)		30 June 2024	30 June 2023	31 Dec 2023
Revenue		11,196	8,058	13,995
Cost of goods sold	4	(46,902)	(36,432)	(67,141)
Fair value adjustment on biological assets	4	6,746	(2,917)	(14,095)
Salary and personnel costs		(5,134)	(2,551)	(4,051)
Selling, general, and administrative costs	3	(5,826)	(4,303)	(7,984)
Other income, net	3	47	1,770	1,927
Impairment of non-current assets	5	-	-	(35,000)
Depreciation and amortization	5	(8,028)	(7,328)	(13,839)
Operating loss		(47,901)	(43,703)	(126,188)
Finance income		701	747	1,516
Finance expense		(4,811)	(5,421)	(9,086)
Loss before income tax		(52,011)	(48,377)	(133,758)
Income tax		-	-	-
Net loss		(52,011)	(48,377)	(133,758)
Earnings per share:				
Retrospectively adjusted basic earnings per share		(0.53)	(2.01)	(3.28)
Retrospectively adjusted diluted earnings per share		(0.53)	(2.01)	(3.28)

Commentary

Consolidated Statement of Operations

- **Harvest volume:** 2,395t HOG in H1 2024 (870t in H1 2023)
- **Cost of Goods Sold:**
 - Y/Y increase of primarily driven by increased harvest volume and realization of COGS from such batches.
 - Y/Y mortality cost reduced to USD 0.9m (USD 7.2m in H1 2023)
- **SG&A:** Y/Y increase primarily driven by transition costs in management and increase in insurance costs

Cost Outlook (H2 2024 and Beyond)

- **EBITDA:** Expected to further approach break-even driven by increases in biomass gain, harvest volumes, and overall size and quality
- **Maintenance:** Continued shift from corrective to preventative maintenance will allow for stable systems and resulting operations
- **Chillers:** Continued use of additional chillers during summer season to maintain stable temperatures, with return to normal capacity upon the end of summer

H1 2024 Operations Represent the Continued Path to Stability and Steady State

H1 2024 financial statements



Consolidated statement of financial position

Unaudited (USD 1,000)	30 June 2024	30 June 2023	31 Dec 2023
ASSETS			
Non-current assets			
Property, plant, and equipment, net	274,718	310,740	275,599
Right of use asset	1,717	2,187	1,971
Restricted deposits	15,203	-	15,172
Security deposits	1,437	1,448	1,353
Other investments	6	6	6
Trade and other receivables (non-current)	1,103	1,146	481
Total non-current assets	294,184	315,527	294,582
Current assets			
Prepaid and other current assets	438	708	2,213
Inventories, net	6,103	4,955	5,139
Biological assets	13,961	18,623	16,218
Trade and other receivables, net	3,376	1,617	1,155
Restricted cash	415	615	415
Cash	9,970	23,609	22,536
Total current assets	34,263	50,127	47,676
TOTAL ASSETS	328,447	365,654	342,258

Unaudited (USD 1,000)	30 June 2024	30 June 2023	31 Dec 2023
EQUITY AND LIABILITIES			
Equity			
Share capital	11,726	3,123	8,644
Share premium	721,737	633,909	691,430
Employee stock options	4,781	4,500	3,959
Accumulated deficit	(466,178)	(328,786)	(414,167)
Accumulated translation differences	(7,336)	(8,185)	(6,726)
Total equity	264,730	304,561	283,140
Non-current liabilities			
Borrowings (non-current)	37,894	44,600	37,603
Lease liability (non-current)	1,474	1,955	1,729
Total non-current liabilities	39,368	46,555	39,332
Current liabilities			
Borrowings (current)	9,910	-	5,000
Lease liability (current)	471	433	450
Trade and other payables	13,968	14,105	14,336
Total current liabilities	24,349	14,538	19,786
Total liabilities	63,717	61,093	59,118
TOTAL EQUITY AND LIABILITIES	328,447	365,654	342,258

Commentary

- **Operating Cash:** USD 10.0m
- **Restricted Deposits¹:** USD 15.2m
- **CAPEX:** USD 6.0m
 - Largely tied to US Phase 2 construction with USD 113.3m invested as of 30 June 2024, of which approximately:
 - USD 106.2m are infrastructure costs
 - USD 7.1m are project delivery costs
- **Borrowings:** USD
 - NIBD (incl. restricted deposits ¹): USD 22.6m
 - Term Debt: USD 40.9m drawn
 - RCF: USD 6.0m drawn, USD 11.4m available²
 - USD 100.0m in undrawn term (to be cancelled as part of the contemplated fundraise)³
- **Equity:** USD 264.7m
 - Driven by capital raise proceeds offset by accumulated losses
 - Private Placements:
 - 29 February 2024: NOK 369.0m (USD 35.0m)
 - Upcoming Capital Raise

1) The provisions of the amended 2020 Credit Facility replaced its financial covenant of a USD 15.0m minimum cash balance to holding a restricted deposit of USD 15.0m. In connection with the contemplated fundraise, DNB Bank has credit approved a reduction of the minimum liquidity to USD 10m (see p. 19 for more information)

2) Approximately USD 2.6m of the USD 20.0m RCF facility is currently utilized as a Letter of Credit for equipment leasing

3) As part of the contemplated capital raise, the Company and DNB Bank has jointly agreed to cancel the uncommitted and undrawn Phase 2 Delayed Term Loan, in order to remove commitment fees on the undrawn debt and improve liquidity (see p. 19 for more information)

H1 2024 financial statements



2024 H1 Key Financials by Segment Summary

Six months ended 30 June 2024				
Unaudited (USD 1,000)	Denmark operations	US operations	Other and eliminations	Consolidated
Revenue from sale of salmon	-	11,196	-	11,196
EBITDA	(34)	(38,609)	(1,230)	(39,873)
EBITDA, pre-fair value adjustment	(34)	(45,355)	(1,230)	(46,619)
EBITDA, adjusted*	(34)	(45,355)	(1,230)	(46,619)
Pre-tax income (loss)	(59)	(52,806)	854	(52,011)
Total assets	1,369	321,264	5,814	328,447
Total liabilities	1,455	162,030	(99,768)	63,717
Depreciation and amortization	10	8,018	-	8,028
Capital expenditures	-	6,003	-	6,003

All Focus is on the US, Considering to Divest the Remaining Danish Assets

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

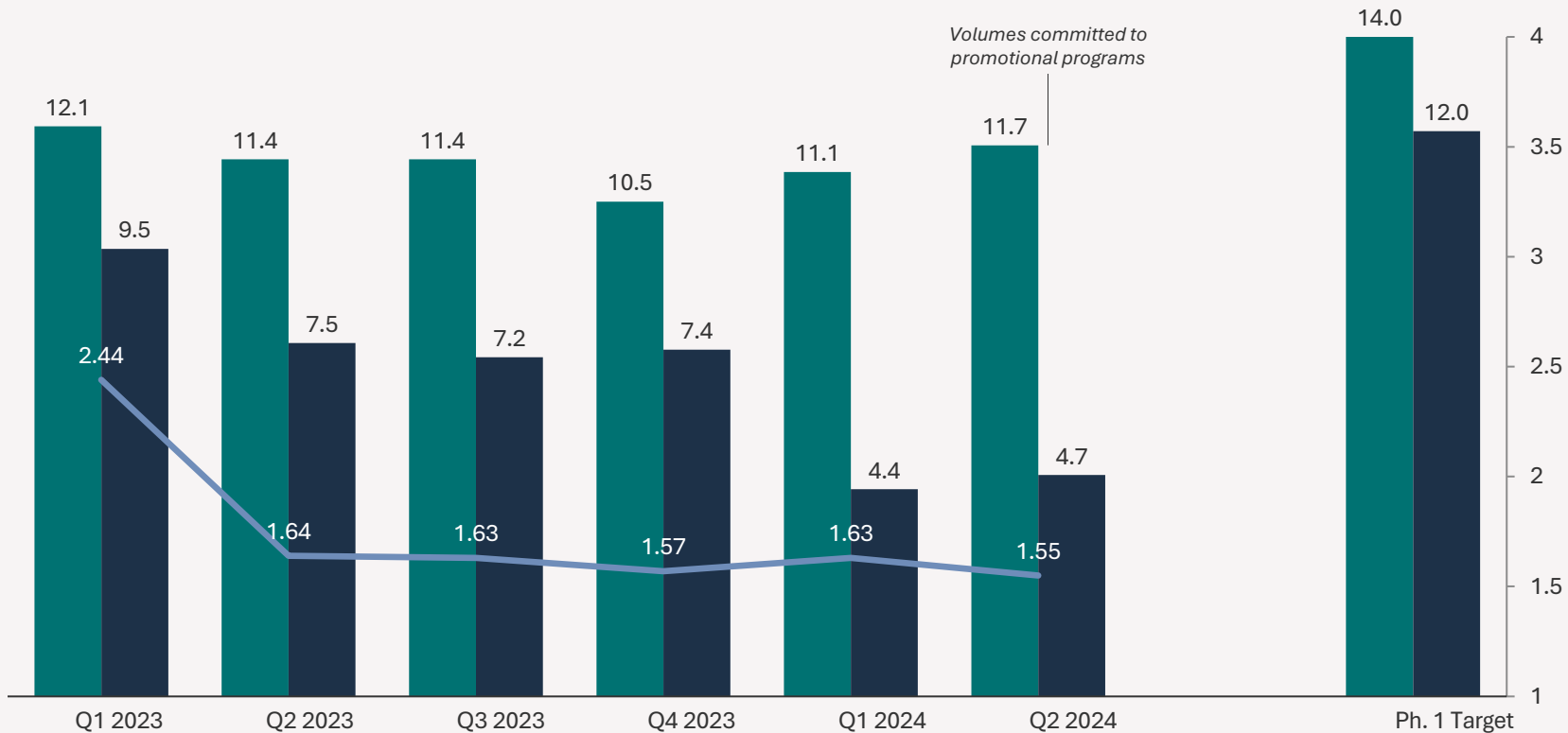
Atlantic Sapphire's Advantageous Location Unlocks Premium Pricing



Significant upside on price achievement to follow satisfactory operational performance

US price achievement: Premium fish (superior) and fresh average – USD/kg¹

Bluehouse premium Average AS US price achievement Average weights (kg, HOG)



Commentary

- 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 once in ramped up production
 - Stable deliveries over time to stable customer base
- Average price achievement in H1 2024 negatively affected by the high share of small and downgraded fish with prior maturation challenges
- Focus on new value-added and convenience product lines

1) Atlantic Sapphire 'Bluehouse premium' is fresh, superior salmon on Revenue Back To Farm basis (excluding freight costs). Average price achievement does not include revenues from the sale of frozen inventory and certain by-products

Stage 3: Strong focus on building scale with the addition of Phase 2

Phase 1+2

Design capacity: 25,000 tons¹

Phase 1

Design capacity: 9,500 tons¹



Substantial **shared infrastructure between the phases which is already operational**, including fresh water systems with capacity for Phases 1 & 2, water intake- and discharge, processing, offices, laboratory, IT, procurement and technical services

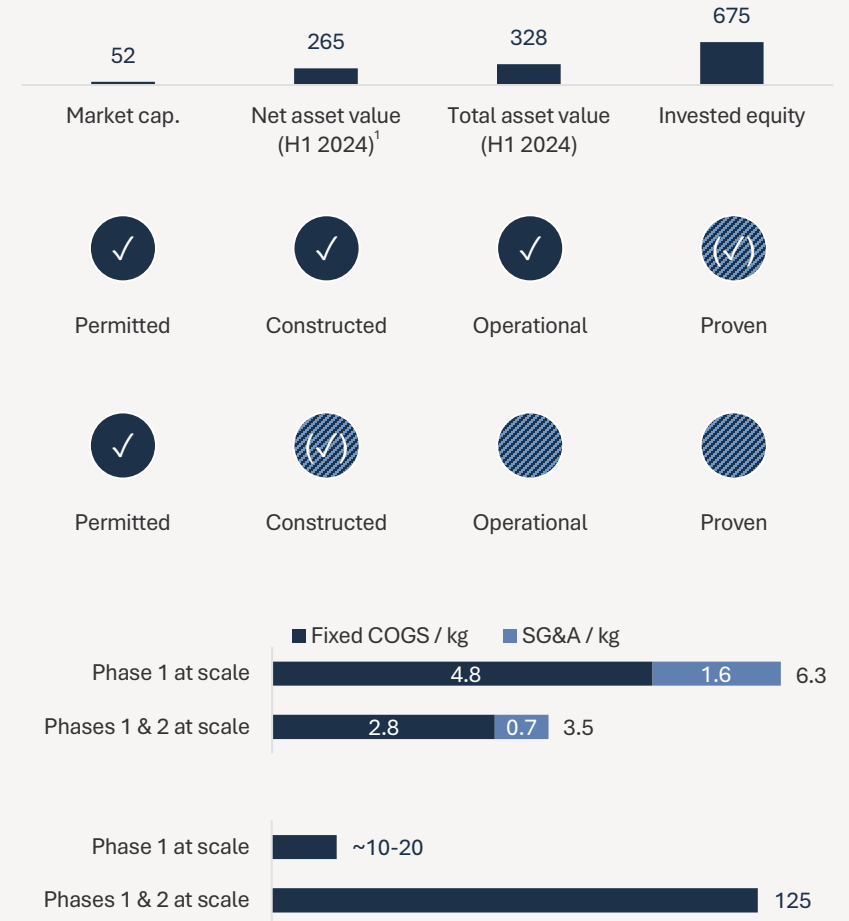
Substantial asset backing
(USDm)

Phase 1 operational and to be fully optimized

USD ~100m already invested into Phase 2 expansion²

Major economies of scale to be unlocked
(USD 'EBITDA fixed costs' per kg)³

Atlantic Sapphire estimated to generate significant cash at scale⁴
(Illustrative EBITDA, USDm)



Management currently estimates total Phase 2 capex to around USD 350 - 400 million. USD 113 million is already invested as of H1 2024. The Phase 2 capex estimate is uncertain and a current estimate based on previous capex estimates, inflation assumptions and some design changes

1) Design capacity does not reflect current practical production capacity as one of twelve tanks is used for purging while only Phase 1 is operational
 2) Total assets minus total liabilities
 3) Extrapolated fixed EBITDA cost only including indirect cost
 4) Illustrated EBITDA potential assumes 8,250-8,750 tons of practical capacity for Phase 1 at USD 1.5-2.0/kg EBITDA margin; and 25,000 tons of practical capacity for Phases 1 & 2 combined at USD 5/kg target margin

Contemplated transaction: Raising capital to fund investments and operations towards achieving positive EBITDA for phase 1



Sources and uses until estimated EBITDA positive for Phase 1

	Sources	USDm	USDm	Uses
1	Minimum liquidity covenant reduction	5	11	Well investment Phase 2
2	Gross proceeds rights issue	60	25	Phase 1 investments
3	Gross proceeds convertible loan	20	19	Working capital build up
	RCF draw-down and cash at hand ¹	9	29	Operational cash flow
			10	Financing costs and general corporate purposes
	Total Sources	94	94	Total Uses

- The company estimates the total funding need for Phase 1 to get EBITDA positive to be around USD 94m
 - Planned investments of USD 25m in Phase 1 to resolve bottlenecks in water treatment capacity, allowing the Company to increase feeding, thereby increasing biomass production. The increased production will require USD 19m in working capital towards steady-state harvesting
 - Additionally, USD 11m investments towards a Phase 2 well, enabling proper maintenance of existing Phase 1 wells
- Currently, the Company estimates that the current fundraising will be sufficient to fund the Company towards the end of 2025, whereby it is estimated that Phase 1 will be self-funding
- The fundraising, together with the amendments to the debt package will allow for the Company to continue to prove stable operations and optimize Phase 1 production, which will be key to unlock Phase 2 and the inherent value creation potential

Main terms of the contemplated transaction (extract, simplified)

- Amendment of debt facility:**
 - No installments on Term Loan for remaining of 2024 and 2025
 - Reduction in the minimum liquidity covenant of USD 5m
 - Cancellation of uncommitted and undrawn Phase 2 Delayed Term Loan, removing commitment fees
 - Rights Issue:**
 - Fully underwritten, preferential subscriptions rights issue for existing shareholders of USD 60m
 - Subscription price of NOK 0.10 per new share
 - Convertible Loan:**
 - Directed Convertible Loan of minimum USD 20m
 - In the case underwriters in the Rights Issue receive more than 19.99% ownership in the company post the contemplated transaction, the overshooting amount will be delivered as a Convertible Loan
 - 6 years tenor
 - 10% PIK interest p.a. or 8% cash interest at the Company's sole discretion
 - Strike price corresponding to a premium of 30% to the subscription price in the Rights Issue. In the case of a QER², the strike premium is reduced to 15%
- Warrants (related to both Rights Issue and Convertible Loan):**
- 0.5 tradeable Warrant for every underwritten offer share, 0.5 tradeable Warrant for every allocated offer share and 0.5 tradeable Warrant per share that would have been allocated as if the Convertible Loan proceeds had participated in the Rights Issue
 - Each warrant gives the holder the right to subscribe for one new share in the Company at following premiums to the share price in the rights issue:
 - First 10 trading days of December 2025: 20%. First 10 trading days of December 2026: 30%. In conjunction to a QER²: 15%. If the daily VWAP exceeds 200% of the then-effective Warrant exercise price over any consecutive 20-trading-day period following a QER², 15% for first 10 trading days of December 2025, and thereafter 30%

For complete information regarding the contemplated transaction, please see separate message published on NewsWeb

1) Cash at hand as of July 2024 of USD 3m
 2) QER = Qualified Equity Raise: One or more equity raises following the Rights Issue where the Company in aggregate raises gross proceeds of at least USD 100m

