ATLANTIC SAPPHIRE®

Atlantic Sapphire AS

December 31, 2018

- Annual Report

- Independent Auditor's Report

- Consolidated Financial Statements
prepared In accordance with
International Financial Reporting Standards

Atlantic Sapphire AS

2018 Annual Report

Operations and locations

The Norwegian company Atlantic Sapphire AS is the parent company of the Atlantic Sapphire group of companies (the "**Group**"). The Group is pioneering Bluehouse™ (land-raised) salmon farming locally, and is transforming protein production globally.

The Group includes, in addition to Atlantic Sapphire AS, the following subsidiaries:

- Atlantic Sapphire Denmark AS registered in Hvide, Sande, Denmark
- Atlantic Sapphire USA LLC registered in Miami, FL USA
- S.F. Development LLC registered in Miami, FL USA
- Atlantic Sapphire IP LLC registered in Miami, FL USA

Through its Danish subsidiary Atlantic Sapphire Denmark A/S, Atlantic Sapphire AS has been operating its innovation center in Langsand, Denmark since 2011 with a strong focus on R&D and innovation to equip the company with technology and procedures that enables the company to commercially scale up global leading environmentally sustainable production in end markets close to the consumer. The principal activity of the Danish division of the Group is to own and operate the land based salmon farm in Denmark.

In the US, the company has spent over eight years identifying and permitting the ideal location for Bluehouse™ farming in Miami, Florida. The company is well underway with construction of its phase 1 build out which is projected to harvest approximately 10,000 tons of salmon annually, beginning in Q3, 2020. The company has also secured the key US water permits to produce up to 90,000 tons onsite, annually. The principal activity of the US division of the Group is to own, construct, complete and operate the land based salmon farm in the US.

Comments related to the financial statements

The Group completed an equity capital raise in the amount of approximately NOK 100m on January 12, 2017, NOK 600m on July 10, 2017, and NOK 640m on April 24, 2018. Additionally, on February 19th, 2019, the Group closed on a USD 86m credit facility with DNB and EKF, Denmark's export credit agency. For more information on the USD 86m credit facility, refer to Note 25 - Subsequent Events.

The Group's revenues decreased from $1.5m in 2017 to $0.5m in 2018. This was primarily due to a complete biomass loss incident in 2017 due to hydrogen sulphide (H2S) intoxication in the saltwater grow-out section of our Danish facility. Extensive investigations delivered several insights that have been adopted in design changes to the existing grow-out sections. A series of water infrastructure and measurement equipment upgrades, as well as preventive operating procedures, have also been implemented to reduce the risk of future sedimentation and H2S issues in both the Denmark farm and US facility under construction.

Net loss for the year increased from $6.8m in 2017 to $11.4m in 2018. This is primarily due to startup costs as Denmark built up Biomass without harvesting as well as startup costs related to the construction of our US facility set to begin harvesting in 2020.

Total assets increased from $91.2m in 2017 to $151.9m in 2018. Debt to equity ratio decreased from 12.2% in 2017 to 10.5% in 2018. These changes are due to the equity raise in April 2018.

Cash outflows from operations increased from $4.1m in 2017 to $16.0m in 2018 primarily due to biomass loss and startup costs discussed above. Cash outflows from investing activities increased from $20.0m in 2017 to $93.0m in 2018 as a result of the continued expansion of the Danish facility and the construction of the new US facility. Cash inflows from financing activities decreased from $76.2m in 2017 to $72.2m 2018 due to smaller equity raise in 2018 when compared to 2017.

The Company had revenues of NOK 6.3m mainly related to management fee income. Net income of NOK 5.9m was due to net financial income related to loans to the Group companies. Total assets in the Company were NOK 1 345.6m of which NOK 1 259.3 is related to shares and loans to Group companies. Debt to equity ratio was 99.3%.

Financial risk and capital management

Risk management in the Group is carried out by the 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 derives from borrowings from financial institutions with variable rate interest. The Group manages its interest rate risk by entering into fixed interest loans when possible. The Group is also exposed to changes in the interest rate, as the company debt has a floating interest rate. Changes in the interest rate can also affect future investment opportunities.

The foreign currency risk relates primarily to the Group's operating activities, when revenue, expense and capital expenditures is denominated in a foreign currency, and the Group's net investments in foreign subsidiaries. The predominant currencies transacted are NOK, DKK, EUR and USD. The Group manages its foreign currency risk by maintaining cash balances in foreign denominated bank accounts, analysing 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 trade receivables. The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and as a rule the Group's trade receivable are credit insured, except upon exception approved by the CEO. The Group is monitoring exposure towards individual customers closely and is not substantially exposed in relation to any individual customer or contractual partner as of December 31, 2018.

Liquidity risk

The Group is continuously monitoring liquidity and financial projections through budgets and monthly updated forecasts. The Group's financial position and development depend significantly on the spot price developments for salmon, and these prices have historically been volatile. The Group looks to reduce the exposure to spot price movements through value-added processing activities and the tailoring of products specifications for its customers. Other key liquidity risks include the impacts from fluctuations in production and harvest volumes, biological issues, and changes in feed prices. Feed costs tend to be correlated to the marine and agricultural commodity prices of the main ingredients.

Going concern

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

Working environment

The Group had 49 permanent employees as of December 31, 2018. No incidences or reporting of work related accidents resulting in significant material damage or personal injury occurred during the year. The working environment is considered to be good, and efforts for improvements are made on an ongoing basis.

Equal opportunities and discrimination

Atlantic Sapphire is an equal opportunity employer. Atlantic Sapphire celebrates diversity and is committed to creating an inclusive environment for all employees. Atlantic Sapphire 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.

Environmental report

Activities from Atlantic Sapphire production facilities are not considered harmful to the environment and meet regulatory requirements.

Vikebukt, April 9, 2019

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Johan E. Andreassen
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Johan E. Andreassen

Chairman of the Board and

Chief Executive Officer

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Bjørn-Vegard Løvik	Henrik Krefting	Bjørn Myrseth
Board member	Board member	Board member
DocuSigned by: Andre Skarbø 9141D34A133D4D9...	DocuSigned by: Alexander Reus B639B8C63B93490...	DocuSigned by: 41A6AB3888CF485...
Andre Skarbø	Alexander Reus	Peter Allan Skou
Board member	Board member	Board member

BDO AS
Nøisomhed
Serviceboks 15
6405 Molde

Uavhengig revisors beretning

Til generalforsamlingen i Atlantic Sapphire AS

Uttalelse om revisjonen av årsregnskapet

Konklusjon

Vi har revidert Atlantic Sapphire AS sitt årsregnskap.

Årsregnskapet består av:	Etter vår mening:
• Selskapsregnskapet, som består av balanse per 31. desember 2018, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper, og • Konsernregnskapet, som består av balanse per 31. desember 2018, resultatregnskap, utvidet resultatregnskap, oppstilling over endringer i egenkapital og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter, herunder et sammendrag av viktige regnskapsprinsipper.	• Er årsregnskapet avgitt i samsvar med lov og forskrifter. • Gir selskapsregnskapet et rettvisende bilde av den finansielle stillingen til Atlantic Sapphire AS per 31. desember 2018 og av selskapets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. • Gir konsernregnskapet et rettvisende bilde av den finansielle stillingen til konsernet Atlantic Sapphire AS per 31. desember 2018 og av konsernets resultater og kontantstrømmer for regnskapsåret som ble avsluttet per denne datoen i samsvar med International Financial Reporting Standards som fastsatt av EU.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Annen informasjon

Ledelsen er ansvarlig for annen informasjon. Annen informasjon består av årsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke annen informasjon, og vi attesterer ikke den andre informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese annen informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom annen informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at annen informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

Styret og daglig leders ansvar for årsregnskapet

Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettvisende bilde, for selskapsregnskapet i samsvar med regnskapslovens regler og god regnskapsskikk i Norge, og for konsernregnskapet i samsvar med International Financial Reporting Standards som fastsatt av EU. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets og konsernets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for selskapsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet. Forutsetningen om fortsatt drift skal legges til grunn for konsernregnskapet med mindre ledelsen enten har til hensikt å avvikle konsernet eller legge ned virksomheten, eller ikke har noe realistisk alternativ til dette.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til:
https://revisorforeningen.no/revisjonsberetninger

Foretaksregisteret: NO 993 606 650 MVA.

Uttalelse om øvrige lovmessige krav

Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet og forutsetningen om fortsatt drift er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets og konsernets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Molde, 11. april 2019
BDO AS

Roald Viken

Roald Viken
statsautorisert revisor

BDO AS
Nøisomhed
Serviceboks 15
6405 Molde

Independent Auditor's Report

To the General Meeting in Atlantic Sapphire AS

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Atlantic Sapphire AS.

The financial statements comprise:	In our opinion:
• The financial statements of the parent company, which comprise the balance sheet as at 31 December 2018, income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and • The financial statements of the group, which comprise the balance sheet as at 31 December 2018, and income statement, statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.	• The financial statements are prepared in accordance with the law and regulations. • The accompanying financial statements give a true and fair view of the financial position of Atlantic Sapphire AS as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway. • The accompanying financial statements give a true and fair view of the financial position of the group Atlantic Sapphire AS as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the parent company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The financial statements of the group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:
https://revisorforeningen.no/revisjonsberetninger

Foretaksregisteret: NO 993 606 650 MVA.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's and the Group's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Molde, 11 April 2019
BDO AS

Roald Viken
State Authorised Public Accountant

Note: Translation from Norwegian prepared for information purposes only.

Atlantic Sapphire AS

Consolidated Financial Statements

December 31, 2018

and

Independent Auditors' Report

In accordance with
International Financial Reporting Standards

Consolidated income statement

(USD 1.000)	Note	Year ended 31 December 2018	2017
Revenue from contracts with customers	3	485	1,503
Other income	4	19	1,630
Revenue and other income		**504**	**3,133**
Cost of materials		665	2,761
Fair value adjustment on biological assets	5	-204	414
Salary and personnel costs	6,18,20	2,790	2,363
Other operating expenses	7,8	4,782	3,261
Other gains and losses - net	9	319	86
Depreciation and amortization	9	1,056	590
Operating loss		**-8,903**	**-6,342**
Financial income	10	547	671
Financial expenses	10	-3,043	-1,125
Financial income/(expenses) - net		**-2,496**	**-454**
Loss before income tax		**-11,399**	**-6,796**
Income tax expense	11	-	-
Loss for the year		**-11,399**	**-6,796**
Loss is attributable to:			
Owners of Atlantic Sapphire AS		-11,399	-6,604
Non-controlling interest		-	-192
Loss for the year		**-11,399**	**-6,796**
Earnings per share			
Basic earnings per share	12	-0.20	-0.19
Diluted earnings per share	12	-0.20	-0.19

Consolidated statement of comprehensive income

(USD 1.000)	Note	Year ended 31 December 2018	2017
Loss for the year		**-11,399**	**-6,796**
Other comprehensive income (net of tax):			
Exchange difference on translation of foreign operations		-5,277	3,323
Total comprehensive income for the year		**-16,675**	**-3,473**
Total comprehensive income is attributable to:			
Owners of Atlantic Sapphire AS		-16,691	-3,281
Non-controlling interest		-	-192
Total comprehensive income for the year		**-16,691**	**-3,473**

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

Consolidated statement of financial position

(USD 1.000)	Note	12/31/2018	12/31/2017	1/1/2017*
ASSETS				
Non-current assets				
Property, plant and equipment	9	126,300	35,869	9,245
Patents		103	35	-
Deferred tax asset	11	-	-	-
Investments in other companies	13	11	11	10
Trade and other receivables	13,14	20	268	2
Total non-current assets		**126,433**	**36,183**	**9,257**
Current assets				
Inventories	15	105	33	54
Biological assets	5	3,283	280	1,473
Trade and other receivables	13,14	3,073	1,665	522
Cash and cash equivalents	13,16	19,018	53,069	971
Total current assets		**25,478**	**55,047**	**3,020**
TOTAL ASSETS		**151,912**	**91,230**	**12,277**

(USD 1.000)	Note	12/31/2018	12/31/2017	1/1/2017*
EQUITY AND LIABILITIES				
Equity				
Share capital		720	564	250
Share premium		151,765	91,312	11,350
Other equity		-15,045	-10,569	-5,138
Total equity attributable to owners of the parent	17,18	**137,439**	**81,307**	**6,462**
Non-controlling interest		**-**	**-**	**6**
Total equity		**137,439**	**81,307**	**6,468**
Non-current liabilities				
Borrowings	13,19,25	**904**	**934**	**1,944**
Total non-current liabilities		**904**	**934**	**1,944**
Current liabilities				
Borrowings	13,19,25	190	427	1,906
Trade and other payables	13	13,378	8,562	1,959
Total current liabilities		**13,568**	**8,989**	**3,865**
Total liabilities		**14,472**	**9,923**	**5,809**
TOTAL EQUITY AND LIABILITIES		**151,912**	**91,230**	**12,277**

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

* The currency presentation was changed from Norwegian krone (NOK) to United States dollar (USD) in the 2018 financial statement.

Consolidated statement of cash flows

(USD 1.000)	Note	Year ended 31 December 2018	2017
Cash flow from operating activities			
Loss before tax		-11,399	-6,796
Adjustments for			
Depreciation, amortization and net impairment losses	9	1,056	590
Non-cash - share based payments	18	127	746
Net loss on disposal of non-current assets	9	319	83
Net fair value adjustment on biological assets	5	-204	414
Net interest paid and received	10	-325	39
Net exchange differences		-1,510	811
Change in operating assets and liabilities			
Inventories (and biomass at cost)	5,15	-2,934	925
Change in trade and other receivables	13,14	-1,423	-1,163
Change in trade and other payables	13	-235	124
Interest received	10	519	103
Net cash outflow from operating activities		**-16,009**	**-4,123**
Cash flow from investing activities			
Payment for property, plant and equipment	9	-87,682	-20,016
Proceeds from sale of property, plant and equipment	9	3	10
Net cash outflow from investing activities		**-87,679**	**-20,006**
Cash flow from financing activities			
Proceeds from issuance of ordinary shares	17	72,681	79,130
Proceeds from borrowings	19	-	-
Repayment of borrowings	19	-254	-2,719
Interest paid	10	-194	-143
Transactions with non-controlling interests		-	-52
Net cash inflow from financing activities		**72,233**	**76,217**
Net increase/(decrease) in cash and cash equivalents		**-31,456**	**52,087**
Cash and cash equivalents 1 January		53,069	971
Effects of exchange rate changes on cash and cash equivalents		-2,596	11
Cash and cash equivalents 31 December	13,16	**19,018**	**53,069**

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

Consolidated statement of changes in equity

		Attributable to the owners of the parent					Non-	
(USD 1.000)	Note	Share capital	Share premium	Translation differences	Retained Earnings	Total equity	controlling interest	Total equity
Balance at 1 January 2017		250	11,350	288	-5,426	6,462	6	6,468
Loss for the year					-6,604	-6,604	-192	-6,796
Currency translation differences		20	2,638	3,323	-2,658	3,323		3,323
Contribution of equity net of transaction costs		294	77,324			77,618		77,618
Transactions with non-controlling interests				-3	-235	-238	186	-52
Non-cash - share based payments	18				746	746		746
Balance at 31 December 2017		564	91,312	3,608	-14,177	81,307	-	81,307
Loss for the year					-11,399	-11,399	-	-11,399
Currency translation differences		-51	-12,022	-5,277	12,073	-5,277		-5,277
Contribution of equity net of transaction costs		207	72,474			72,681		72,681
Non-cash - share based payments	18				127	127		127
Balance at 31 December 2018		720	151,764	-1,669	-13,376	137,439	-	137,439

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

The financial statements were authorized for issue by the Board of Directors on 9 April 2019.

Vikebukt, 9 April 2019

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Johan E. Andreassen
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Johan Emil Andreassen
Chairman of the Board and
Chief Executive Officer

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Bjørn-Vegard Løvik
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Bjørn-Vegard Løvik
Board member

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André Skarbø
Board member

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Board member

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Peter Allan Skou
Board member

Note 1 – Summary of significant accounting policies

General information

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

Basis for preparation of the annual accounts

The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), relevant interpretations and additional requirements following the Norwegian Accounting Act of 31 December 2018. References to "IFRS" in these financial statements mean IFRS as adopted by the EU.

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

Biological assets at fair value less cost to sell

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

New and amended standards adopted by the group

The group has applied IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers for the first time for their annual reporting period commencing 1 January 2018. Other amendments, interpretations and changes based on the annual improvement cycle was also adapted at 1 January 2018 but had no impact and are not expected to significantly affect the current or future periods.

The impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the group's financial statements is explained below.

IFRS 9 Financial instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. For the group, IFRS 9 does not entail any changes with respect to recognition in and derecognition from the Statement of financial position. However, changes will occur with respect to the classification and measurement of financial instruments. On initial recognition, all financial instruments are to be measured at fair value, which complies with IAS 39. After initial recognition, financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income (FVOCI). The classification of financial assets is determined based on the group's business model and the contractual cash flows the group will receive from the financial asset.

The category of amortized cost includes trade receivables, financial receivables and cash and cash equivalents. The category of fair value through other comprehensive income includes investment in shares and other securities. The Group has no financial assets in the category of fair value through profit or loss. The measurement of financial liabilities is largely unchanged compared with IAS 39.

On the date of initial application, 1 January 2018, the financial instruments of the group were as follows, with any reclassifications noted:

	Measurement category		Carrying amount		
(USD 1.000)	Original (IAS 39)	New (IFRS 9)	Original	New	Difference
Investments in shares and other securities	Available for sale	FVOCI	11	11	0
Trade and other receivables*	Loans and receivables	Amortized cost	664	664	0
Bank deposits, cash & cash equivalents	Loans and receivables	Amortized cost	53 069	53 069	0

*) Prepayments are not included in trade and other receivables

Trade and other payables*	Amortized cost**	Amortized cost	8 562	8 562	0
Borrowings	Amortized cost**	Amortized cost	1 361	1 361	0

*) Prepayments are not included in trade and other payables
**) Other financial liabilites at amortized cost

The Group have not recognized any losses on receivables in 2017 or 2018. IFRS 9 introduces a new model for credit losses but without effect for the group at adoption. The new model is an expected credit loss model where also expectations of future events must be considered.

The comparative figures for 2017 are based on earlier principles and have not been restated. The adoption of IFRS 9 has not had any impact on opening balance.

IFRS 15 Revenue from Contracts with Customers

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which did not result in any changes to the amounts recognized in the financial statements. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules retrospectively, but the adoption did not result in any changes for the comparatives for the 2017 financial year. No comparative figures have therefore been restated and no disclosures regarding the transition are presented.

New standards and interpretations not yet adopted

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

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The group has reviewed all leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases.

As of the reporting date, the group has non-cancellable operating lease commitments of USD 123,000, see note 8. Of these commitments, approximately USD 48,000 relate to leases for which the lease term ends within 12 months of the date of initial application which will be recognized on a straight-line basis as expense in profit or loss. For the remaining lease commitments the group expects to recognize right-of-use assets of approximately USD 65,000 on 1 January 2019 and lease liabilities of USD 65,000. The group expects no material change in net profit after tax for 2019 as a result of adopting the new rules. Adjusted EBITDA used to measure segment results is expected to increase by approximately USD 26,000, as the operating lease payments were included in EBITDA, but the amortization of the right-of-use assets and interest on the lease liability are excluded from this measure.

Operating cash flows will increase and financing cash flows decrease by approximately USD 26,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The group will apply the standard from its mandatory adoption date of 1 January 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption.

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

Changes in presentation currency

The currency presentation was changed from Norwegian krone (NOK) to United States dollar (USD) in the 2018 financial statement. The functional currency of the largest unit in the group is USD and the consolidated financial statement now reflects that. The choice of currency presentation represents an accounting policy change and therefore the change is applied retrospectively. This means that the change is treated as if the new presentation currency had always been the entity's presentation currency, with comparative amounts being restated into the new presentation currency. In accordance with IFRS a statement of financial position as of the beginning of the preceding period, 1 January 2017, is presented.

Consolidation

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

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

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

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

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

Foreign currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in United States dollar (USD).

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

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

Profit or loss transactions in foreign subsidiaries are translated to the presentation currency using the average exchange rate for the reporting period. Assets and liabilities of foreign subsidiaries are translated at the exchange rate at the end of the reporting period.

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

Revenue from contracts with customers

The Group operates facilities for land-raised salmon farming and derives revenue from the sale of salmon. The revenue 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, usually on delivery (i.e. at a point in time). Revenue of these sales is recognized based on the price specified in the contract, net of value added tax, discounts and bonuses.

A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. Sales are made with a credit term of 30 days and no element of financing is present.

Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and when the group is in compliance with all conditions attached. When the grant relates to an expense item, it is recognized as income over the period that the costs it is intended to compensate are expensed. When the grant relates to an asset, it is deducted from the carrying amount of the asset; the grant is then recognized in profit or loss over the useful life of a depreciable asset by way of a reduced depreciation charge.

Taxes

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

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

Leases

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

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

Impairment

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Cash and cash equivalents

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

Trade and other receivables

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

Inventories

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

Biological assets

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

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

Investments and other financial assets

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortized cost.

At 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 profit or loss.

Financial assets at amortized cost

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional and 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. Details about the calculation of the loss allowance are provided in note 13.

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

Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which are not held for trading, and 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.

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings. In the prior financial year, the group had designated equity investments as available-for-sale where management intended to hold them for the medium to long-term.

Dividends from these equity instruments are recognized in the income statement in other income.

Financial assets at fair value through profit or loss

The group has no financial assets measured in this category.

Property, plant & equipment

Property, plant and equipment are capitalized at acquisition cost, less accumulated depreciation and any impairment losses. Acquisition cost includes expenditure that is directly attributable to the acquisition of the items. Costs associated with normal maintenance and repairs are expensed as incurred. Costs of major replacements and renewals that substantially extend the economic life and functionality of the asset are capitalized. Assets are normally considered property, plant and equipment if the useful economic life exceeds one year. Straight-line depreciation is applied over the useful life of property, plant and equipment, based on the asset's historical cost and estimated residual value at disposal. If a substantial part of an asset has an individual and different useful life, this part is depreciated separately. The asset's residual value and useful life are evaluated annually. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

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

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

Intangible assets

Expenses related to research activities are expensed as incurred. Expenses related to development activities are capitalized if the product or process is technically and commercially feasible, and the group has adequate resources to complete the development.

Patents are capitalized and measured at cost less accumulated amortization and any accumulated impairment losses.

Trade and other payables

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

Borrowings

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

Commitment fees are paid quarterly and are expensed when paid.

Classification of current and non-current items

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

Provisions

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

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect to employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Pensions

The group operates with defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-option program

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

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Social security contributions payable in connection with an option grant are considered an integral part of the grant itself and the charges are treated as cash-settled transactions.

Cash flow statement

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

Estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make accounting estimates and assumptions that affect the recognized amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on past experience and information perceived to be relevant and probable when the judgments are made. Estimates are reviewed on an ongoing basis and actual values and results may deviate from these estimates. Adjustments to accounting estimates are recognized in the period in which the estimates are revised.

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

Fair value adjustment of the biomass

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

Share based compensation

Share options have been allotted to management and selected key employees. Each share option allows for the subscription of one share in Atlantic Sapphire AS on a future date at a predetermined strike price. Subscribing normally requires continued employment. The fair value of the options is calculated when they are allotted and expensed over the vesting period. The fair value at grant date is determined using an adjusted form of the Black Scholes Model, that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at the grant date, expected price volatility of the underlying share and risk-free interest. For further information see separate note.

Note 2 – Financial risk and capital management

The Group's financial assets and liabilities comprise of trade and other receivables, trade and other payables, short-term deposits (cash) and borrowings necessary for its operations. Risk management in the Group is carried out by the finance department. The Group is exposed to market risk, credit risk and liquidity risk.

Market risk

Interest rate

The Group's interest rate risk derives from borrowings from financial institutions with variable rate interest. The Group manages its interest rate risk by entering into fixed interest loans when possible.

Foreign currency

The Group is exposed to changes in foreign exchange rates. The foreign currency risk relates primarily to the Group's operating activities, when revenue, expense and capital expenditures is denominated in a foreign currency, and the Group's net investments in foreign subsidiaries. The predominant currencies transacted are NOK, DKK, EUR and USD.

The Group manages its foreign currency risk by maintaining cash balances in foreign denominated bank accounts, analysing future obligations by currency, and transferring available funds as needed.

Foreign currency sensitivity

In 2018, the main source of sensitivity to exchange rate movement is due to the NOK denominated capital raise to fund USD denominated construction and other expenses in the US.

The table below demonstrates effects on cash and cash equivalents as a result of 5% decrease in foreign denominated currencies vs USD as of year end 2018.

Currency	USD	NOK	DKK	Total
Cash and cash equivalents	8,606	9,200	1,212	19,018
Effect from 5%increase in USD	-	-438	-58	-496

Customer credit risk

The Group is exposed to credit risk from its operating activities, primarily trade receivables.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and as a rule the Group's trade receivable are credit insured, except upon exception approved by the CEO. The Group is monitoring exposure towards individual customers closely and is not substantially exposed in relation to any individual customer or contractual partner as of 31 December 2018.

Liquidity risk

The Group is continuously monitoring liquidity and financial projections through budgets and monthly updated forecasts. The Group's financial position and development depend significantly on the spot price developments for salmon, and these prices have historically been volatile. The Group looks to reduce the exposure to spot price movements through value-added processing activities and the tailoring of products specifications for its customers. Other key liquidity risks include the impacts from fluctuations in production and harvest volumes, biological issues, and changes in feed prices. Feed costs tend to be correlated to the marine and agricultural commodity prices of the main ingredients.

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

At 31 December 2018	**Up to 3 months**	**Between 3 and 12 months**	**Between 1 and 2 year**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Trade and other payables	9,895	-	3,484	-	-	13,379
Borrowings	21	63	139	112	760	1,095
Total	9,916	63	3,623	112	760	14,474

At 31 December 2017	**Up to 3 months**	**Between 3 and 12 months**	**Between 1 and 2 year**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Trade and other payables	8,339	115	19	89	-	8,562
Borrowings	7	420	30	103	801	1,361
Total	8,346	535	49	192	801	9,923

The Group completed an equity capital raise in the amount of approximately NOK 100m on 12 January 2017, NOK 600m on 10 July 2017, and NOK 640m on 24 April 2018. Additionally, on 19 February 2019, the Group closed on a USD 86m credit facility with DNB and EKF, Denmark's export credit agency. For more information on the USD 86m credit facility, refer to Note 25 - Subsequent Events.

Note 3 - Segments

(USD 1.000)

The Group has two strategic divisions, which are its reportable segments. The Group's executive management reviews the internal management reports of each division. The following summary describes the operations of each reportable segment.

Fish farming Denmark	The group own and operate a land-based salmon farm in Denmark. The principal activities comprise of production and sale of salmon.
Fish farming USA	The group is building a land-based salmon farm in Miami-Dade county, Florida. Phase one is under construction and is expected to be complete in 2020.

The activities of the parent company are presented together with eliminations.

In the tables below we show segment information and the disaggregation of revenue.

Year ended 31 December 2018

	Fish farming		Other and	
	Denmark	**USA**	**eliminations**	**Consolidated**
Revenue from contracts with customers	485	-	-	485
EBITDA	-2,309	-4,343	-1,195	-7,847
Pre-tax profit or loss	-4,362	-6,362	-675	-11,399
Total assets	37,695	107,540	6,677	151,912
Total liabilities	27,455	11,650	-24,633	14,472
Depreciation and amortization	993	63	-	1,056
Capital expenditure	17,618	75,450	-	93,068

Year ended 31 December 2017

	Fish farming		Other and	
	Denmark	**USA**	**eliminations**	**Consolidated**
Revenue from contracts with customers	1,503	-	-	1,503
EBITDA	-1,759	-2,649	-1,344	-5,752
Pre-tax profit or loss	-3,802	-3,562	568	-6,796
Total assets	20,130	28,143	42,957	91,230
Total liabilities	15,932	7,796	-13,805	9,923
Depreciation and amortization	585	5	-	590
Capital expenditure	7,377	12,639	-	20,016

Revenue from contracts with customers

The group derives the following types of revenue:	**2018**	**2017**
Sale of salmon	485	1,503

Geographical information

Revenue from external customers in:	**2018**	**2017**
Denmark	346	564
USA	75	929
Other countries	64	10
Total revenue	485	1,503

Non-current operating assets:	**2018**	**2017**
Denmark	29,390	14,347
USA	97,012	21,557
Norway	-	-
Total non-current operating assets	126,403	35,903

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

Major customers

	2018	**2017**
Customer A	65	507
Customer B	75	929
Customer C	275	55
Customer D	64	-

Note 4 - Other income

(USD 1.000)

	2018	2017
Insurance payments received	-	1,605
Other services	19	25
Total other income	19	1,630

Note 5 - Biological assets

(USD 1.000)

Reconciliation of changes in the carrying amount	**12/31/2018**	**12/31/2017**
Carrying amount, opening balance	280	1,473
Gain or loss arising from changes in fair value less costs to sell	204	-414
Increases due to production and purchases	3,522	1,819
Decreases due to harvest	-536	-1,165
Decreases due to mortality	-49	-1,617
Net exchange differences	-139	183
Carrying amount, closing balance	3,283	280
Cost of biological assets	3,801	1,002
Fair value adjustments	-518	-722
Carrying amount, closing balance	3,283	280

Physical quantities	**12/31/2018**	**12/31/2017**
Tonnes live weight		
Non-harvestable fish	572	17
Harvestable fish	-	-
Total volume of biomass	572	17
Number of fish (thousand)		
Non-harvestable fish	1,485	440
Harvestable fish	-	-
Total number of fish	1,485	440
Volume of fish harvested during the year (tonnes gutted weight)	71	174

Measuring biological assets at fair value

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

With the actual number of fish as a starting point the valuation model calculates the net present value of the expected cash flow from the biological assets. The group considers a live weight of 4.5 kg to be the optimal harvest weight. For each generation of fish the time to market is estimated based on a growth table. The expected growth period is 21 months. To estimate the expected volume of biomass that will reach harvest weight expected mortality rates are used. On average 63.6 % of the number of fish is expected to reach harvest weight. This includes both mortality and culling. The forward price on Fishpool for the estimated time of harvest is used for the cash inflow calculation. Estimated future costs are based on the group’s prognoses for production costs. A monthly discount rate of 10 % is used calculating the net present value.

Sensitivity analysis

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

Mortality

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

No material mortaility incidents were noted in 2018.

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

Note 6 - Salary and personnel costs

(USD 1,000)

	2018	2017
Salaries, incl. holiday pay and bonuses	3,300	1,354
Social security tax	818	114
Pension costs	70	19
Share-based remuneration expense	127	746
Other benefits	259	129
	4,574	2,363
Production labor reported in Biological Assets	808	-
Construction labor reported in Construction in Process	976	-
Total salary and personnel costs	2,790	2,363

No. of full-time equivalents employed during the financial year:	35	23

Compensation to the Board of Directors	2018	2017
Johan Andreassen, Chariman of the Board and CEO	6	-
André Skarbø, director	6	-
Bjørn Myrseth, director	-	-
Bjørn-Vegard Løvik, director	6	-
Johan Henrik Krefting, director	6	-
Peter Skou, director	6	-
Alexander Reus, director*	-	-
Kjell Bjordal, director**	6	-
Total Board of Directors	37	-

* Elected as new director 21 June 2018

** Retired as director 21 June 2018

Remuneration to Executive Management

2018 Executive Management	Salary	Bonus	Pension contribution	Other benefits	Total
Johan Andreassen, CEO	343	100	11	0	454
Jose Prado, CFO	400	0	0	0	400
Dharma Rajeswaran, COO	153	0	4	0	157
Thue Holm, CTO	126	0	0	0	126
	1,022	100	15	-	1,136

2017 Executive Management	Salary	Bonus	Pension contribution	Other benefits	Total
Johan Andreassen, CEO	275	-	1	-	276
Jose Prado, CFO	400	-	-	-	400
Dharma Rajeswaran, COO	90	-	2	-	92
Thue Holm, CTO	156	-	-	-	156
	921	-	3	-	924

Amounts in NOK and DKK have been translated to USD using average exchange rate for 2018 and 2017.

A bonus scheme for Executive Management based on revenues and operating profits is in place. Executive Management are comprised by the ordinary pension schemes of the group (refer to note 20) and no additional pension scheme for management is in place. There are severance clauses in the employment agreements depending on termination for cause or not for cause.

Note 7 - Auditor's fees

(USD 1.000)

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

	2018	2017
Statutory auditing services	104	49
Other certification services	5	-
Tax advisory services	25	7
Other services	4	9
Total	138	65

Note 8 - Rent and lease agreements

(USD 1.000)

The group's operating leases are mainly related to property, equipment and cars. These leasing costs are expensed in other operating expenses in 2018 and 2017.

Leasing costs expensed in other operating expenses in 2018 was 131 (2017: 124).

Future minimum lease payments

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

2018	**Office rent**	**Cars**	**Property**	**Equipment**	**Total**
Less than one year	40	11	7	15	**73**
Between one and five years	-	9	-	41	**50**
More than five years	-	-	-	-	**-**
Total	**40**	**20**	**7**	**56**	**123**

2017	**Office rent**	**Cars**	**Property**	**Equipment**	**Total**
Less than one year	1	1	83	-	**85**
Between one and five years	-	52	-	25	**78**
More than five years	7	-	11	-	**18**
Total	**9**	**53**	**94**	**25**	**181**

Note 9 - Property, plant & equipment

(USD 1.000)

	Land	Buildings	Production plant & machinery	Equipment and other movables	Construction in progress	Total
At 1 January 2018						
Cost	1,732	2,561	6,748	394	26,800	38,235
Accumulated depreciation	-	-493	-1,771	-102	-	-2,366
Net book amount	**1,732**	**2,069**	**4,976**	**292**	**26,800**	**35,869**
Year ended 31 December 2018						
Opening net book amount	1,732	2,069	4,976	292	26,800	35,869
Additions	1,959	19	226	328	90,537	93,068
Reclassifications	-	8,030	15,917	-	-23,946	-
Disposals	-	-	-452	-13	-	-465
Depreciation charge	-	-222	-720	-114	-	-1,056
Reversed depreciation	-	-	123	6	-	130
Impairment loss	-	-	-	-	-	-
Net exchange rate differences	-	-358	-762	-8	-119	-1,246
Closing net book amount	**3,691**	**9,538**	**19,309**	**491**	**93,272**	**126,300**
At 31 December 2018						
Cost	3,691	10,252	21,677	700	93,272	129,592
Accumulated depreciation	-	-715	-2,368	-209	-	-3,292
Net book amount	**3,691**	**9,538**	**19,309**	**491**	**93,272**	**126,300**

	Land	Buildings	Production plant & machinery	Equipment and other movables	Construction in progress	Total
At 1 January 2017						
Cost	1,733	2,180	5,490	187	1,225	10,815
Accumulated depreciation	-	-332	-1,183	-55	-	-1,570
Net book amount	**1,733**	**1,848**	**4,307**	**132**	**1,225**	**9,245**
Year ended 31 December 2017						
Opening net book amount	1,733	1,848	4,307	132	1,225	9,245
Additions	-	80	599	197	25,153	26,029
Reclassifications	-	-	-	-	-	-
Disposals	-	-	-119	-17	-	-135
Depreciation charge	-	-107	-437	-46	-	-590
Reversed depreciation	-	-	35	8	-	43
Impairment loss	-	-	-	-	-	-
Net exchange rate differences	-1	249	590	17	422	1,277
Closing net book amount	**1,732**	**2,069**	**4,976**	**292**	**26,800**	**35,869**
At 31 December 2017						
Cost	1,732	2,561	6,748	394	26,800	38,235
Accumulated depreciation	-	-493	-1,771	-102	-	-2,366
Net book amount	**1,732**	**2,069**	**4,976**	**292**	**26,800**	**35,869**
Economic life		18-24	10-15	5		
Depreciation plan		Linear	Linear	Linear		

In 2017 the company entered in an option to purchase 40 additional acres of land in Florida. This option was exercised in May 2018 when

Depreciation

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

Debt secured by mortgages

At 31 December 2018 properties with a carrying amount of USD 1,732 thousand (2017: USD 1,732 thousand) where subject as security for the mortgages.

	12/31/2018	12/31/2017
Debt to credit institutions	460	474
Debt to credit institutions	474	488
Total debt secured by mortgages	**934**	**963**

Contractual commitments

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

Significant capital expenditures contracted for at the end of the reporting period, but not recognized as liabilities:

	12/31/2018	12/31/2017
Property, plant and equipment in Denmark	3,063	14,345
Property, plant and equipment in USA	55,280	110,091
Total contractual commitments	**58,343**	**124,436**

Note 10 - Financial income and expenses

(USD 1.000)

	2018	2017
Interest income	519	103
Exchange gains	40	559
Other income	-	9
Interest expense	-194	-143
Exchange losses	-753	-75
Loan commitment fees	-1,979	-802
Loan guarantee fees	-60	-60
Other financial expense	-70	-45
Total financial income (expenses), net	-2,496	-454

Note 11 - Taxes

(USD 1.000)

Income tax expense	**2018**	**2017**
Current tax	-	-
Deferred tax	-	-
Income tax expense (income)	-	-
Current tax on profits for the year	-	-
Current tax	-	-
Deferred tax due to changes in temporary differences	-666	-1,905
Effect of change in tax rate	62	579
Tax losses for which no deferred tax asset is recognized	604	1,326
Deferred tax	-	-
Effective tax rate	0.0 %	0.0 %

Reconciliation of tax expense with the Norwegian tax rate	**2018**	**2017**
Loss before tax	-11,399	-6,796
Expected tax expense using nominal tax rate of 23 % (2017: 24 %)	-2,622	-1,631
Tax amortization (initial recognition exemption)	-	-13
Non-deductible expenses/income	9	36
Effect from different tax rate in other countries	-179	-476
Effect from change in tax rate	48	579
Tax losses for which no deferred tax asset is recognized	2,555	1,326
Non-deductible share-based payment expenses	181	179
Other	7	-
Income tax expense (income)	–	-

Amounts recognized directly in equity and in other comprehensive income

2018: expenses directly attributed to issue of shares (USD 3.8 millions) are recognized directly in equity. An income of USD 0.5 millions are recognized in OCI. The tax values of the before mentioned are USD 0.9 millions and USD 0.1 millions.

2017: expenses directly attributed to issue of shares (USD 4.2 millions) are recognized directly in equity. An income of USD 1.1 millions are recognized in OCI. The tax values of the before mentioned are USD 1.0 millions and USD 0.3 millions.

Changes in tax rate

The tax rate in Norway was reduced from 24% in 2017 to 23% in 2018 and to 22% in 2019. The net deferred tax asset is revalued at 31 December 2017 and 31 December 2018 using the tax rate that applies for the following year. An expense of USD 0.05 million and USD 0.03 million was recognized in 2018 and 2017 respectively.

On 22 December 2017 the US corporate tax rate was reduced from 35 % to 21 % effective 1 January 2018. As a result of this the comapany revalued its ending net deferred tax assets at 31 December 2017 and recognized a USD 0.55 million expense in 2017.

Deferred tax balances	**12/31/2018**	**12/31/2017**
The balance comprises temporary differences are attributable to:		
Deferred tax assets:		
Tax losses	7,997	4,014
Property, plant and equipment	81	90
Other	6	36
Set-off tax	-1,171	-271
Net deferred tax assets after set-off	6,912	3,869
Unrecognized deferred tax assets	-6,912	-3,869
Net deferred tax asssets	-	-
Deferred tax liabilities:		
Property, plant and equipment	1,171	269
Other	-	2
Set-off tax	-1,171	-271
Net deferred tax liabilities	-	-

Tax losses carried forward	**12/31/2018**	**12/31/2017**
Expire (2033 and forward)	4,320	4,362
Never expires	29,896	12,892
Total tax losses carried forward	34,217	17,254
Tax losses for which deferred tax asset is recognized		
Tax losses for which no deferred tax asset is recognized	34,217	17,254
Potential tax benefit	7,997	4,014

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

Note 12 - Earnings per share

Basic earnings per share calculations are based on the weighted average number of common shares outstanding during the period, while diluted earnings per share calculations are performed using the average number of common shares and dilutive common shares equivalents outstanding during each period.

Options are dilutive when they result in the issue of ordinary shares for less than the average market price of ordinary shares during the period. The difference between the number of ordinary shares issued and the number of ordinary shares that would have been issued at the average market price in the period is treated as an issue of ordinary shares for no consideration.

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

(Figures in USD)	**2018**	**2017**
Profit/loss attributable to the ordinary equity holders of the company	-11,399,000	-6,604,000
Profit/loss for calculation of diluted earnings per share	-11,399,000	-6,604,000
Average number of shares outstanding used for calculation of earnings per share	56,966,535	35,403,882
Options*	-	-
Average number of ordinary shares and potential ordinary shares for diluted earnings per share	56,966,535	35,403,882
Basic earnings per share (USD/Share)	-0.20	-0.19
Diluted earnings per share	-0.20	-0.19

*) The options that would result in issue of ordinary shares, 568.332 (2017: 185.847) are not included in the calculation of diluted earnings per share because they are antidilutive, and would decrease loss per share.

Note 13 - Financial instruments

(USD 1.000)

The group holds the following financial instruments:

Financial assets	Amortized cost**	Fair value through OCI**	Fair value through profit or loss	Total
31 December 2018				
Investments in shares and other securities	-	11	-	11
Trade and other receivables*	1,117	-	-	1,117
Bank deposits, cash & cash equivalents	19,018	-	-	19,018
	20,135	11	-	20,145
31 December 2017				
Investments in shares and other securities	-	11	-	11
Trade and other receivables*	664	-	-	664
Bank deposits, cash & cash equivalents	53,069	-	-	53,069
	53,733	11	-	53,744

*) Prepayments are not included in trade and other receivables.
**) The categories at 31 December 2017 were "Loans and receivables" and "Available for sale".

Financial liabilities	Amortized cost**	Fair value through profit or loss	Total
31 December 2018			
Trade and other payables*	13,378	-	13,378
Borrowings	1,094	-	1,094
	14,472	-	14,472
31 December 2017			
Trade and other payables*	8,562	-	8,562
Borrowings	1,361	-	1,361
	9,923	-	9,923

*) Prepayments are not included in trade and other payables
**) The category at 31 December 2017 was "Other financial liabilites at amortized cost".

Credit quality of financial assets

Trade and other receivables consists mainly of public taxes.

Cash and cash equivalents	12/31/2018	12/31/2017
A+ or better	19,018	53,069

Note 14 - Trade and other receivables

(USD 1.000)

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

Specification of receivables	**12/31/2018**	**12/31/2017**
Trade receivables	12	49
Public taxes and funds	1,052	269
Other receivables	53	309
Sub total	1,117	626
Prepaid costs	1,976	1,306
Total trade and other receivables	3,093	1,933

Due dates & fair value of trade and other receivables	**12/31/2018**	**12/31/2017**
Due within one year*)	1,117	626
After one year **)	-	-
Fair value	1,117	626

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

Overdue trade receivables	**12/31/2018**	**12/31/2017**
Overdue less than 1 month	-	9
Overdue 1-2 months	-	-
Overdue more than 2 months	-	-
Fair value	-	9

Provisions for bad debt

Bad debts are classified as other operating expenses in profit and loss. No change to provisions for bad debt or bad debt was recognized during 2018 and 2017, respectively.

Receivables specified by currencies	**12/31/2018**	**12/31/2017**
NOK	87	99
DKK	993	484
USD	38	44
	1,117	626

Note 15 - Inventories

(USD 1.000)

	12/31/2018	12/31/2017
Raw materials	105	33
Finished goods	-	-
Carrying amount, closing balance	105	33
Inventories recognized as an expense during the period	1,298	605
Write-down of inventory recognized as an expense	-	-

Raw materials comprise mainly of feed for smolt and marine-phase fish production. It also includes raw materials for use in processing.

Finished products include all products ready for sale, such as fresh and frozen whole salmon, as well as processed salmon products.

Inventories are measured at cost price.

No inventories pledged as security for liabilities.

Note 16 - Bank deposits

(USD 1.000)

Cash and cash equivalents	**12/31/2018**	**12/31/2017**
Cash in bank	18,709	53,069
Cash equivalents	309	-
Total cash and cash equivalents	19,018	53,069

Of which restricted cash

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

	12/31/2018	**12/31/2017**
Taxes withheld	-	16
Other restricted cash	309	302
Total restricted cash	309	318

Note 17 - Share capital and shareholders

Share capital	2018	2017
Total number of shares as of 01.01	4,628,650	2,154,508
Share split*	41,657,850	-
Shares issued during the year	16,216,216	2,474,142
Total number of shares as of 31.12	62,502,716	4,628,650
Nominal value as of 31.12 (NOK)	0.10	1.00
Share capital (total number of shares at nominal value) (NOK 1.000)	6,250	4,629
Share capital (total number of shares at nominal value) (USD 1.000)	720	564

*) A share split (x10) was executed 8 January 2018.

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

Transaction costs arising on share issues in 2018 and 2017 amounted to USD 3,607 thousand and USD 4,709 thousand, respectively.

Shareholders	Number of shares	% of shares
Alsco AS	9,459,671	15.1 %
Skagen Kon-Tiki	5,844,306	9.4 %
Vatne Equity AS	2,832,893	4.5 %
Evermore Global Value Fund	2,289,833	3.7 %
UBS Switzerland AG	2,251,230	3.6 %
Citibank, N.A.	1,911,980	3.1 %
Sundt AS	1,763,358	2.8 %
Blue Future Holding AS	1,621,621	2.6 %
SEI Institutional International	1,411,030	2.3 %
Norron Sicav - Target	1,348,000	2.2 %
Joh Johannson Eiendom AS	1,214,595	1.9 %
Norron sicav - Active	1,182,665	1.9 %
Lani Invest AS	1,170,484	1.9 %
JEA Invest AS	1,102,630	1.8 %
Hortulan AS	1,000,000	1.6 %
Verdipapirfondet DNB SMB	970,697	1.6 %
Canica AS	964,010	1.5 %
Taconic AS	850,000	1.4 %
Nordea Bank Abp	817,363	1.3 %
Eika Norge	781,695	1.3 %
Total 20 largest shareholders	40,788,061	65.3 %
Total other shareholders	21,714,655	34.7 %
Total number of shares	62,502,716	100.0 %

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

Name	Title	Number of shares	% of shares
Johan Andreassen	Chairman of the Board, CEO	5,787,106	9.3 %
Bjørn-Vegard Løvik	Member of the Board	4,729,835	7.6 %
Andre Skarbø	Member of the Board	609,358	1.0 %
Bjørn Myrseth	Member of the Board	394,162	0.6 %
Johan Henrik Krefting (Vatne Equity AS)	Member of the Board	2,832,893	4.5 %
Alexander Reus	Member of the Board	1,228,840	2.0 %
Thue Holm	CTO	669,669	1.1 %
Jose Prado	CFO	275,210	0.4 %
Dharma Rajeswaran	COO	10,000	0.0 %

Note 18 - Share-option program

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

As of 31 December 2018, the plan encompasses up to 1,036,520 and 933,520 shares, respectively, and has a term of between 3 and 4 years.

	2018 Weighted average exercise price (NOK)	**2018** Number	**2017** Weighted average exercise price (NOK)	**2017** Number
Outstanding at 1 January	19.6	933,520	18.4	808,520
Granted during the year	40.3	103,000	28.00	125,000
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Lapsed during the year	-	-	-	-
Outstanding at 31 December	21.7	1,036,520	19.6	933,520

The exercise price of options outstanding at 31 December 2018 ranged beetween NOK 2,7 and NOK 55 and their weighted average contractual life was 4,5 years. The exercise price of options outstanding at 31 December 2017 ranged beetween NOK 2.7 and NOK 28 and their weighted average contractual life was 5,6 years.

Of the total number of options outstanding at 31 December 2018 and 31 December 2017, 851,437 and 762,190, respectively, had vested and were excercisable.

The weighted average fair value of each option granted during the year was NOK 22.07/USD 2.71 (2017: NOK 6.52/USD 0.79).

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

	2018	**2017**
Option pricing model used	Black-Scholes	
Weighted average share price at grand date (in NOK)	74	28
Excercise price (in NOK)	40.3	28
Weighted average contractual life (in days)	1,781	1,224
Exptected volatility	31.20%	30.44%
Expected dividend growth rate	0.00%	0.00%
Risk-free interest rate	1.67%	1.11%

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

Note 19 - Loans and borrowings

(USD 1.000)

Borrowings	12/31/2018	12/31/2017
Non-current	904	934
Current	190	427
Total borrowings	1,094	1,361

Interest-bearing debt in detail

Financial institution	Currency	Interest rate	Year of maturity	Carrying amount 12/31/2018	Carrying amount 12/31/2017
Secured					
Jyske Bank	DKK	4.75%	2019	160	329
Farm Credit of Florida	USD	6.25%	2036	460	474
Farm Credit of Florida	USD	6.25%	2037	474	488
Total secured debt				1,094	1,292
Unsecured					
Vækstfonden				-	69
Total				1,094	1,361

Maturity analysis	Carrying amount 12/31/2018	Carrying amount 12/31/2017
< 3 months	21	7
3 months - 1 year	63	420
1-2 years	139	30
2-5 years	112	103
> 5 years	760	801
Total	1,094	1,361

All loans were paid off in February 2019 in accordance with new requirments set by new Debt Issuance.. Please refer to Footnote 25 - Subsequent Events.

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

	Liabilities	……………………… Equity ………………………				
	Loans and borrowings	Share capital	Share premium	Other equity	NCI	Total
Balance at 1 January 2018	1,361	564	91,312	-10,569	-	82,668
Changes from financing cash flows:						
Proceeds from issue of share capital	-	207	72,474	-	-	72,681
Repayment of borrowings	-254	-	-	-	-	-254
Total changes from financing cash flows	**-254**	**207**	**72,474**	**-**	**-**	**72,427**
The effect of changes in foreign exchange rates	-13	-51	-12,021	6,796		-5,289
Other changes:						-
Interest paid				-194		-194
Total liability-related other changes	-	-	-	-194	-	-194
Total equity-related other changes				-11,078		-11,078
Balance at 31 December 2018	1,094	720	151,765	-15,045	-	138,534

	Liabilities	………………………. Equity ……………………….				
	Loans and borrowings	Share capital	Share premium	Other equity	NCI	Total
Balance at 1 January 2017	3,850	250	11,350	-5,138	6	10,318
Changes from financing cash flows:						
Proceeds from issue of share capital	-	299	78,773	58	-	79,130
Acquisition of NCI	-	-	-	-52	-	-52
Repayment of borrowings	-2,719	-	-	-	-	-2,719
Total changes from financing cash flows	**-2,719**	**299**	**78,773**	**6**	**-**	**76,359**
The effect of changes in foreign exchange rates	230	15	1,132	785	0	2,161
Other changes:						-
Interest paid				-143		-143
Total liability-related other changes	-	-	-	-143	-	-143
Total equity-related other changes	-	-	58	-6,078	-7	-6,027
Balance at 31 December 2017	1,361	564	91,312	-10,569	-	82,668

Note 20 - Pensions

(USD 1.000)

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

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

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

	2018	**2017**
Pension cost	70	19

Note 21 - Grants

(USD 1.000)

The group received a conditional contribution from the Danish Agrifish Agency in Denmark for the purchase of equipment. The contribution was conditional on maintaining new fixed assets for 5 years from the date of completion and payable in two terms. The equipment purchase is presented net of value of the grant contribution. About 55% ($265) of the amount was received. The remaining contribution was written off due to collectability. As a result, the investment in property, plant, & equipment has increased by the amount of non-collectability ($265) and will be depreciated over its remaining useful life.

Contingent government grant	**12/31/2018**	**12/31/2017**
Value of grant	265	480
Receivable	-	215

Note 22 - Investments in subsidiaries

The consolidated financial statements for 2018 and 2017 includes the following subsidiaries:

Company	Date of acquisition/ incor-poration	Consolidated (yes/no)	Registered office	Voting share	Ownership share
Atlantic Sapphire Denmark A/S	11/24/2014	yes	Hvide Sande, Denmark	100%	100%
Atlantic Sapphire USA LLC	8/23/2013	yes	Miami, USA	100%	100%
S.F. Development LLC	9/21/2015	yes	Miami, USA	100%	100%
Atlantic Sapphire IP LLC	9/24/2015	yes	Miami, USA	100%	100%

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

Note 23 - Related parties

(USD 1.000)

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

Langsand Processing AS, a company in which Atlantic Sapphire has ownership interest, provides harvesting services. Total costs in 2018 were approximately USD 61 (2017: 0).

Johan Andreassen, Chariman of the Board and CEO, has a major ownership in Platina Seafood Inc. Total sales to Platina Seafood Inc in 2018 were approximately USD 75 (2017: 929).

Atlantic Sapphire USA rents office space from Platina Seafood Inc l. Total rent for 2018 was approximately USD 18 (2017: 17).

S.F. Development pays Platina Seafood and Johan Andreassen for personal guarantees on two real estate property mortgages. Total payments made in 2018 were USD 60 (2017: 34). These two property mortgages were paid off on 19 February 2019.

Note 24 - Contingencies and legal claims

No financial legal disputes exist as of 31 December 2018.

Note 25 - Subsequent events

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

On 19 February 2019, Atlantic Sapphire AS closed on a USD86m credit facility with DNB and EKF, Denmark's export credit agency. The debt package included the following:

US Term Loan – a USD54m Term Loan, including a cash reserve requirement of USD15m. The Term Loan is partially guaranteed by EKF. The final maturity date for the Term Loan is 31 December 2024, and is subject to interest of LIBOR plus 6%.

DNB also extended the following:

US Revolving Credit Facility (US RCF) - a three year, USD11m US RCF commitment to finance Atlantic Sapphire USA LLC working capital requirements.

Denmark Revolving Credit Facility (DK RCF) – a three year, USD4m DK RCF commitment to finance Atlantic Sapphire Denmark AS working capital requirements.

Bridge Facility - a USD17m revolving facility that the company may draw upon, with a maximum tenor of two (2) years. DNB may require the company to utilize the bridge facility if the company cannot provide sufficient evidence in the future that it remains otherwise fully funded.

Any refinancing of the Bridge Facility will need to be commenced six months before maturity and may take the form of a bond issue, a bilateral or syndicated loan facility, a subordinated shareholders loan from the shareholders of the company, or any other type of debt or equity capital market transaction. refinancing of the Bridge Facility will need to be commenced six months before maturity and may take the form of a bond issue, a bilateral or syndicated loan facility, a subordinated shareholders loan from the shareholders of the company, or any other type of debt or equity capital market transaction. The facilities are made available pursuant to the same documentation for the US Term Loan, US RCF, DK RCF and Bridge Facility as described above. The facilities are secured by, inter alia, share pledges in the subsidiaries of the company, pledges over bank accounts and intra-group claims and mortgages over the property in the US and in Denmark. The term loan includes covenants, undertakings, representation and warranties and reporting requirements in line with market practice and has been documented by way of a credit agreement governed by US law.

Simultaneous to the closing of the USD86m DNB/EKF credit facility, S.F. Development, LLC paid off two (2) Farm Credit Of Florida property mortgages in the total amount of USD930,977. Additionally, a revolving credit facility extended by Jytske Bank to Atlantic Sapphire Denmark AS with a balance of USD160,000 at 31 December 2018 was paid off.