

The Kingfish Company N.V. group
Interim report First Half (H1) 2021
Consolidated

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INTERIM MANAGEMENT REPORT

The Kingfish Company's main business activities are the breeding, production and supply of sustainable, safe, high-quality seafood in its target markets.

The Kingfish Company N.V. is the group holding company and owns 100% of the issued share capital of Kingfish Zeeland B.V., Kingfish Property One B.V., Yellowtail Hatchery USA Inc and Kingfish Maine Inc.

The company's shares have been listed on the Euronext Growth Oslo exchange under share code KING since November 2020.

Performance overview

The group posted excellent operational results during the first half of the 2021 with the financial results in line with expectation. The net turnover was almost double that of the comparable half year despite restaurants across Europe and the United States of America being closed for large parts of the reporting period.

Total net turnover increased 95% versus the first half of 2020. Total expenses increased as the group scaled up during the year in preparation for ongoing expansion of production facilities in the Netherlands and eventually in the USA.

The consolidated loss for the financial half year totals € -3,560K compared to € -1,297K for same period in the previous year.

Financial instruments and risk management

The group's financial instruments primarily comprise of cash, current receivables, payables, debt, financial and operational leases. The estimated fair value of these instruments approximates their book value. Credit risk arising from the failure of a customer to pay its debts is - to a large extent - covered by an insurance contract. This also applies to the property and equipment which are all covered by insurances. Most borrowing is at an Euribor rate plus a fixed mark up. The main non-financial risk relates to health and safety and the focus is and will remain on personal and operational safety.

Capital expenditures

The group spent € 10,357K on Capital expenditure during first half of the year. For the most part the capital related to a further extension of the Dutch grow-out facilities and to a lesser degree to design and permitting related to the planned US expansion.

Employees

The number of full-time equivalent (FTE) personnel increased from 55.3 in end 2020 (based on a moving average total) to 93.3 in first half of 2021. This number includes staff employed by the group's US entities.

Research and development

Research and development expenditure is incurred and mainly relates to understanding and improving the breeding and growth of the Dutch Yellowtail. The majority of research and development projects in the Netherlands are undertaken in conjunction with provincial and national government as well as tertiary education institutions.

Outlook

Management remains positive about the outlook for the group despite the lingering uncertainty caused by the Covid-19 pandemic's effect on the world economy and seafood consumption. Production has increased with the addition of newly constructed grow-out capacity which was commissioned towards the end of the first quarter of the year and will increase further as the capacity is stocked with fish and filtration systems mature.

Statement by Management and the Board of Directors

Management and the Board of Directors have today considered and approved the interim management report of The Kingfish Company N.V (collectively, the "Group") for the period 1 January 2021 to 30 June 2021.

In our opinion, the accounting policies used are appropriate, and the interim report gives a true and fair view of the Group's financial position on 30 June 2021, as well as the results of the Group's activities and cash flows for the period 1 January 2021 to 30 June 2021. In our opinion, Management's review provides a true and fair presentation of developments, results for the period, and overall financial position of the Group's operations in addition to a description of the most significant risks and elements of uncertainty facing the Group. Over and above the disclosures in the interim report, no changes in the Group's most significant risks and uncertainties have occurred relative to the disclosures in the annual report for 2020

Kats,

The Kingfish Company N.V.

Management Board:

C.M. du Plessis
CFO

O. Maiman
CEO

C.J. Kloet
COO

Supervisory Board:

J. C. A. den Bieman

A. M. van der Wees

W. J. Scheelbeek

J. W. M. Jansen

H. K. Moen

GROUP CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Balance Sheet as at 30 June 2021 and 31 December 2020

ASSETS		30-06-2021		31-12-2020	
		€ '000	€ '000	€ '000	€ '000
Fixed assets					
Property, plant and equipment	1				
Land and buildings		19.535		6.363	
Plant and equipment		7.801		9.327	
Breeding stock		1.088		1.067	
Other fixed assets		359		374	
Property, plant and equipment under construction		10.818		13.076	
			39.601		30.206
Financial assets					
Deferred tax assets	2		6.382		5.242
			45.982		35.448
Current assets					
Inventory	3				
Live fish stock		3.823		2.748	
Frozen fish stock		985		920	
Raw material & consumables		727		428	
			5.535		4.097
Receivable					
Trade Accounts Receivable	4	1.117		786	
Other receivables and prepaid expenses	5	1.173		829	
			2.290		1.615
Cash and cash equivalents	6		25.790		40.350
Total assets			79.598		81.510

EQUITY AND LIABILITIES	30-06-2021		31-12-2020	
	€ '000	€ '000	€ '000	€ '000
Group equity	7	64.811		67.852
Long-term liabilities				
Payables to banks	8	8.579		9.686
Financial Liabilities				
Deferred tax liability	9	506		-
Current liabilities and accruals				
Amounts owed to credit institutions		1.801		1.837
Trade payables		2.500		1.268
Social Security taxes		451		301
Other liabilities and accrued expenses	10	949		566
		5.702		3.972
Total Equity & Liabilities		79.598		81.510

Consolidated profit and loss account for the half year 2021, half year 2020 and full year 2020

	30-06-2021		30-06-2020		31-12-2020	
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Net Turnover	3.792		1.946		4.973	
Changes in inventories and live fish stock	283		1.367		1.212	
Operating income		4.075		3.314		6.184
Operating expenses						
Costs of raw materials	2.814		1.681		3.663	
Sales costs	253		228		402	
Wages and salaries	11 1.876		848		1.795	
Social security premiums and pensions cost	417		279		614	
Depreciation of property, plant and equipment	1.010		690		1.447	
Other Operating Expenses	12 2.238		1.118		3.274	
Total of sum of expenses		8.608		4.845		11.195
Total of operating result		(4.533)		(1.532)		(5.010)
Financial income and expense	13	(165)		(172)		(181)
Total of result of activities before tax		(4.698)		(1.704)		(5.191)
Taxation		1.138		407		1.590
Total of result after tax		(3.560)		(1.297)		(3.601)

Consolidated cash flow statement for the half year 2021, half year 2020 and full year 2020

	30-06-2021		30-06-2020		31-12-2020	
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Cash Flow from Operating Activities						
Operating Profit/(Loss)		(4.533)		(1.532)		(5.010)
Adjustments to reconcile to the operating result						
- adjustments for depreciation	1.010		690		1.447	
- adjustments for other reduction in tangible assets	-		-		26	
		1.010		690		1.473
Changes in working capital:						
- decrease (increase) in inventories	(2.499)		(1.686)		(1.236)	
- decrease (increase) in trade receivables	(330)		(85)		(148)	
- decrease (increase) in other receivables	1.628		-		(59)	
- increase (decrease) in current payables	1.759		(408)		(20)	
Total of changes in working capital		558		(2.178)		(1.463)
Cash utilized in Operations		(2.965)		(3.020)		(5.001)
Cash utilized in for Investment activities						
Cash flow from investment activities						
Purchase of property, plant and equipment	(10.357)		(4.401)		(13.494)	
Net proceeds from the disposal of investments					(421)	
Payments related to self made tangible assets						
Cash flow utilized for investment activities		(10.357)		(4.401)		(13.915)
Cash flow utilized for financing activities						
Repayments of borrowings	(1.062)		-		(1.166)	
Proceeds from other short and long term loans	-		(163)		3.317	
Proceeds from issuing shares					46.304	
Effect of exchange rate changes	61		-		676	
Interest Paid	(237)		(172)		(421)	
Cash flow from financing activities		(1.237)		(336)		48.710
Increase/(Decrease) in cash and cash equivalents		(14.559)		(7.756)		29.795
Turnover movement cash and cash equivalents						
Cash and cash equivalents at the start of the period	40.350		10.555		10.555	
Cash and cash equivalents at the end of the period	25.790		2.799		40.350	
Total Increase/(Decrease) in cash (equivalents)		(14.559)		(7.756)		29.795

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Group/Entity information

Registered address and registration number trade register

The registered and physical address of The Kingfish Company N.V. is Oost Zeedijk 13, 4485 PM in Kats, the Netherlands. The Kingfish Company N.V. is registered at the Chamber of Commerce under number 64625060.

The most important activities of the group/entity

Established in 2015, The Kingfish Company N.V. engages in the production and supply of sustainable, safe and high-quality seafood in its target markets.

In 2016 the company sanctioned its first project: a commercial scale pilot farm in the Netherlands to produce more than 500 tons per annum of the supply constrained lucrative fish species 'Yellowtail Kingfish' via a proprietary recirculating aquaculture system. Since then, the company completed the construction of the farm, closed the 'production cycle' and reached industry leading operational results.

The company is currently engaged in expanding its production facility in the Netherlands and developing its first North America site in Maine, USA. The Kingfish Company continues to explore additional market opportunities across various species and locations in Europe and North America.

General notes

Disclosure of going concern

The net result after taxation for June 2021 amounts € - 3,560K negative (June 2020: € - 1,297K negative). The negative results up to June 2021 is the result of planned expansion and an investment in capacity leading up to commissioning and full production of such new facilities. This scale-up phase is financed by shareholders' equity and bank debt. The shareholders' equity per June 30 2021 amounts to € 64.811K positive.

The board of The Kingfish Company N.V. has made a cash flow forecast up until the end of 2022 and shows a net cash flow which is sufficient to meet the short-term payment obligations. The company will obtain sufficient funds to reach budgeted cash flows positive state of operations. Given this information, the financial statements have been prepared based on the going concern assumption.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations

Disclosure of estimates

In applying the principles and policies for drawing up the financial statements, the directors of The Kingfish Company N.V. make different estimates and judgments that may be essential to the amounts disclosed in the financial statements. If it is necessary to provide the transparency required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

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

Fair value adjustment of biomass

Biological assets are measured at fair value less costs to sell, with any change therein directly recognized in equity. The estimated fair value of the biological assets is based on the most relevant prices at the reporting period date in the respective markets in which the company operates. The fair value calculation considers estimates of biomass volumes, quality, size distribution, production cost, mortality and normal costs of harvest and sale.

Deferred tax asset

Deferred tax assets are carried based on the tax consequences of the realization or settlement of assets as planned by the group at the balance sheet date. A deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available for set-off.

In this assessment, the group includes the possibility of planning of fiscal results and the level of future taxable profits in combination with the time and/or period in which the deferred tax assets are realized.

Reference is made to the notes to financial assets for more information regarding the assumptions and estimates used in determining the amount of the deferred tax asset and liability.

Disclosure of consolidation

The Kingfish Company N.V. is at the head of a group of companies. The group includes Kingfish Maine Inc. (100%), Yellowtail Hatchery USA Inc. (100%), Kingfish Zeeland B.V. (100%) and Kingfish Property One B.V. (100%)

The following entities are included in the consolidation:

- Kingfish Maine Inc. (100%)
- Yellowtail Hatchery USA Inc. (100%)
- Kingfish Zeeland B.V. (100%)
- Kingfish Property One B.V. (100%)

General Accounting principles

The accounting standards used to prepare the financial statements

The interim financial statement is drawn up in accordance with the provisions of Title 9, Book 2 of the Dutch Civil Code and the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board ('Raad voor de Jaarverslaggeving'). The interim financial statements were prepared on 31 August 2021.

Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, non-consolidated profit and loss account and the cash flow statement, references are made to the notes.

Finance leases

The group has lease contracts whereby it retains substantially all the risks and rewards of ownership of these assets. These assets are recognized on the balance sheet upon commencement of the lease contract at the lower of the fair value of the asset or the discounted value of the minimum lease payments. The lease instalments to be paid are divided into a repayment and an interest portion, using the annuity method. The liabilities under the lease, excluding the interest payments, are included under long term debts.

The interest component is included in the profit and loss account for the duration of the contract based on a fixed interest percentage of the average remaining redemption component. The assets are depreciated over the remaining economic life or, if shorter, the duration of the contract.

Operating leases

The group has lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of or incurred by the corporation. The lease contracts are recognized as operational leasing. Lease payments are recorded on a straight-line basis in the profit and loss account for the duration of the contract.

ACCOUNTING PRINCIPLES

Property, plant and equipment

Land, buildings, plant and equipment are valued at historical cost less straight-line depreciation based on the expected life. Land is not depreciated. Impairments expected on the balance sheet date are taken into account.

Other tangible fixed assets are valued at historical cost or production cost including directly attributable costs, less straight-line depreciation based on the expected future life and impairments.

Subsidies on investments will be deducted from the historical cost price or production cost of the assets to which the subsidies relate.

Other long terms assets relate to breeding stock net of impairments and are not depreciated. Breeding stock are valued at fair value due to their value to the ongoing operations.

Dutch GAAP does not provide specific guidance for the valuation of biological assets. For processing and valuation, guidance is therefore gained from the International Financial Reporting Standards (IFRS). According to IAS 41.6 fish farming qualifies as an agricultural activity. Because market quotations on an active market are not available for breeding stock, fair value is determined from insurable values.

Interest expenses directly attributable to qualifying assets are capitalized during the manufacturing period. Other interest expenses are recognized directly in the income statement.

Major maintenance is recognized using the separate asset component method (capitalized and depreciated).

Financial assets

Newly acquired investments are initially recognized based on the fair value of their identifiable assets and liabilities at the acquisition date. For subsequent valuations, the principles that apply for these financial statements are used, with the values upon their initial recognition as the basis.

The amount by which the carrying amount of the investment has changed since the previous financial statements as a result of the net result achieved by the investment is recognized in the non-consolidated profit and loss account.

Investments over which no significant influence can be exercised are valued at historical cost. The result represents the dividend declared in the reporting year, whereby dividend not distributed in cash is valued at fair value.

In the event of an impairment loss, valuation takes place at the recoverable amount; an impairment is recognized and charged to the non-consolidated profit and loss account.

Deferred tax assets are recognized for all deductible temporary differences between the value of the assets and liabilities under tax regulations on the one hand and the accounting policies used in these financial statements on the other, on the understanding that deferred tax assets are only recognized insofar as it is probable that future taxable profits will be available to offset the temporary differences and available tax losses.

The calculation of the deferred tax assets is based on the tax rates prevailing at the end of the reporting year or the rates applicable in future years, to the extent that they have already been enacted by law.

Deferred tax assets and liabilities are valued at their nominal value.

Impairment of non-current assets

On each balance sheet date, The Kingfish Company group assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the recoverable amount of the asset is determined. If it is not possible to determine the recoverable amount of the individual asset, the recoverable amount of the cash generating unit to which the asset belongs is determined. An impairment occurs when the carrying amount of an asset is higher than the recoverable amount; the recoverable amount is the higher of the realizable value and the value in use. An impairment loss is directly recognized in the profit and loss account while the carrying amount of the asset concerned is concurrently reduced.

The realizable value is initially based on a binding sale agreement; if there is no such agreement, the realizable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset / cash generating unit; these cash flows are discounted.

If it is established that an impairment that was recognized in the past no longer exists or has reduced, the increased carrying amount of the asset concerned is set no higher than the carrying amount that would have been determined if no impairment value adjustment for the asset concerned had been reported. An impairment of goodwill is not reversed.

Inventories

Raw materials and consumables

Inventories (stocks) of raw materials and consumables are valued at cost price based on the FIFO method or lower realizable value.

The cost price consists of the historical cost or production cost and costs incurred to bring the stocks to their current location and current conditions.

The realizable value is the estimated sales price less directly attributable sales costs. In determining the realizable value, the obsolescence of the inventories is taken into account.

Live fish stock

Inventories (stocks) of livestock are valued at fair value. The live fish stock classify as biological assets. Dutch GAAP does not provide specific guidance on the valuation of biological assets. For processing and valuation, guidance is therefore gained from the International Financial Reporting Standards (IFRS). According to IAS 41.6 fish farming qualifies as an agricultural activity. The live fish stock is valued at fair value less selling expenses. Because market quotations on an active market are not available, fair value is determined from recent transaction prices and/or sector references in accordance with IFRS 13.

These references are subject to estimation elements regarding the realizable value.

Harvested fish stock

The harvested product is valued at fair value less expected cost to sell at the point of harvest. The harvested fish stock classifies as biological assets. Dutch GAAP does not provide specific guidance for the valuation of biological assets. For processing and valuation, guidance is therefore gained from the International Financial Reporting Standards (IFRS). According to IAS 41.6 fish farming qualifies as an agricultural activity. The live fish stock is valued at fair value less selling expenses. Because market quotations on an active market are not available, fair value is determined from recent transaction prices and/or sector references in accordance with IFRS 13. These references are subject to estimation elements regarding the realizable value.

Receivables

Receivables are initially valued at the fair value of the consideration to be received, including transaction costs if material. Receivables are subsequently valued at the amortized cost price. If there is no premium or discount and there are no transaction costs, the amortized cost price equals the nominal value of the accounts receivable. Provisions for bad debts are deducted from the carrying amount of the receivable.

Cash and cash equivalents

Cash at bank and in hand are carried at face value.

Cash at bank and in hand are not expected to be at the group's free disposal for longer than twelve months is classified as financial assets under the fixed assets.

Non-current liabilities

On initial recognition long term debts are recognized at fair value. Transaction costs which can be directly attributed to the acquisition of the long-term debts are included in the initial recognition. After initial recognition long term debts are recognized at the amortized cost price, being the amount received taking into account premiums or discounts and minus transaction costs. If there is no premium / discount or if there are no transaction costs, the amortized cost price is the same as the nominal value of the debt.

Current liabilities

On initial recognition current liabilities are recognized at fair value. After initial recognition current liabilities are recognized at the amortized cost price, being the amount received taking into account premiums or discounts and minus transaction costs. This is usually the nominal value.

Accounting principles for determining the result

The result is the difference between the realizable value of the goods/services provided and the costs and other charges during the year. The results on transactions are recognized in the year in which they are realized.

Revenue recognition

Net turnover comprises the income from the supply of goods and services received in the period up to June 30.

Salaries and wages

The benefits payable to personnel are recorded in the consolidated profit and loss account based on the employment conditions.

Employee stock option plan (ESOP)

In December 2019 as part of a shareholder agreement, an employee stock option plan was approved, pursuant to which options for a total of 4.006.762 shares may be awarded to members of the group's mid- and senior management and key employees, equivalent to approximately 8,8% of the Company's share capital on a fully diluted basis. A four-year vesting schedule applies to each grant under the ESOP (in principle, one-year cliff, thereafter monthly vesting over a period of 36 months and contains leaver provisions).

During 2020 the company had awarded a total of 2.121.763 options with an exercise price of €1,2788 each. The exercise price was based on the fair value of the shares when the awarding of options was first approved by shareholders. By June 30th, 2021, 353.627 options had vested.

During the first half year of 2021 the company has awarded a total of 880.000 options (700K to key personnel and 180k to the CFO) with an exercise price of €2,35 each. The exercise price is based on the average share price for the five business days prior to the awarding of options. None of these options have vested to date.

The company has elected to value the share options at fair value which is calculated when they are awarded, and subsequently expensed over the vesting period. The fair value of options at grant date is determined using an adjusted form of the Black Scholes Model, that considers the exercise price, the term of the option, the share market value at the grant date, expected price volatility of the underlying share and risk-free interest rate. The total expense is recognized over the vesting period, which is the period over which all specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimates of the number of options that are expected to be exercised based on the non-market vesting and service conditions in the accompanying consolidated profit and loss, with a corresponding adjustment to equity. For the period under review, the impact is EUR 168K.

Applied policy of pension costs

The Kingfish Company N.V. applies the liability approach to account for all pension schemes. The premium payable during the reporting year is recorded as an expense. The contributions are recorded as personnel costs from the date that they become payable. Prepaid contributions are reported as accrual if this results in a repayment or a reduction in future payments. Contributions that are not yet paid are included as a liability in the balance sheet.

Expenses

Expenses are determined with due observance of the aforementioned accounting policies and allocated to the financial year to which they relate. Foreseeable and other obligations as well as potential losses arising before the financial half year-end are recognized if they are known before the financial statements are prepared and provided all other conditions for accrual are met.

Income tax expense

Tax on the result is calculated based on the result before tax in the non-consolidated profit and loss account, taking account of the losses available for set off from previous financial years and exempt profit components and after the addition of non-deductible costs. Due account is also taken of changes which occur in the deferred tax assets in respect of changes in the applicable tax rate.

Share in results of investments

The result is the amount by which the carrying amount of the Investment has changed since the previous financial statements as a result of the earnings achieved by the Investment to the extent that this can be attributed to The Kingfish Company N.V.

Related party transactions

Since 2018, the company has granted loans to its wholly owned subsidiaries, Kingfish Main Inc and Yellowtail Hatchery USA Inc, for an aggregate total amount of € 3,430K and € 1,131K respectively on the reporting date.

Consolidated cash flow statement

The cash flow statement has been prepared in accordance with the indirect method.

Cash and cash equivalents consist of cash at bank and in hand and current securities. Cash flows in foreign currencies are translated at estimated average rates. The effect of exchange rate changes on cash and cash equivalents are presented separately in the statement of cash flow.

Interest received and paid are included under cash flows from financing activities.

The purchases of group companies are included under cash flow from investing activities, insofar as payment in cash has been made, net of cash and cash equivalents held by the group companies in question.

Transactions for which no cash or cash equivalents are exchanged are not included in the cash flow statement. Lease payments under finance leases are considered to be cash outflows from financing activities to the extent that they relate to repayment installments and as cash outflows from operating activities to the extent that they relate to interest payments. Income from sale and finance leaseback transactions is presented as cash inflow from financing activities.

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Tangible fixed assets

Property, plant and equipment	Breeding stock	Land and buildings	Equipment	Vehicles	Other	PPE under construction	Total
	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000	€ '000
Book value as at 31 December 2020	1,067	10,506	5,235	81	259	13,059	30,206
Balance as at 1 January 2021							
Cost or manufacturing price	1,170	11,723	7,182	121	332	13,118	33,645
Accumulated depreciation	0	-1,217	-1,958	-40	-72	0	-3,288
Accumulated impairments	-104	0	0	0	0	0	-104
Book value as at 1 January 2021	1,067	10,506	5,223	81	259	13,118	30,253
Movements:							
Additions/Investments	22	9,403	3,168	11	52	-2,300	10,357
Depreciation	0	-374	-591	-11	-34	0	-1,010
Balance at 30 June 2021	1,088	19,535	7,801	81	277	10,818	39,601
Cost or manufacturing price	1,192	21,126	10,350	132	384	10,818	44,002
Accumulated depreciation	0	-1,591	-2,549	-51	-107	0	-4,298
Accumulated impairment	-104	0	0	0	0	0	-104
Book value 30 June 2021	1,088	19,535	7,801	81	277	10,818	39,601

2. Deferred tax asset

The deferred tax asset refers to losses made from 2016 until the reporting date. The Group expects to offset these losses against future profits within the settlement periods as set by the Tax Authorities. On 30 June 2021 deferred income tax assets on carry-forward losses have been recognized for an amount of €6,382K (FY 2020: €5,242K). The losses are recognized based on taxable temporary differences or future expected results taking into consideration the expiration date of historical losses and other tax regulations. The related income tax losses amount to €25,715K (FY 2020: €21,065K)

3. Inventory

	30-06-2021	31-12-2020
	€ '000	€ '000
Live fish stock	3,823	2,748
Frozen fish stock	985	920
Feed	392	284
Packaging materials	73	79
Technical inventory	270	103
Other inventory	20	-
Goods in transit	(29)	(37)
Total Inventory	5,535	4,097

Biological Assets (Life Fish Stock)

Under the provisions of IAS 41, Agriculture and IFRS 13, Fair Value Measurement, biological assets (“biomass”) are measured at fair value less cost to sell, unless fair value is not readily measured. Biomass comprise of live fish in tanks from fry to market sized fish. All fish held in tanks are considered saleable and are therefore measured at fair value less cost to sell.

The cost of biological assets (“biomass costs”) includes all direct costs required to raise fish from larvae to harvest. Biomass costs are generally recognized on a historical basis and include fish feed, other raw materials, direct salary and personnel costs and utilities from production.

The valuation of biological assets under IAS 41 is based on estimated fair value of the fish in a hypothetical market. The estimate of the unrealized fair value adjustment under IFRS 13 is based on actual size class of fish in tanks and historical sales prices and costs to sell. The difference between the fair value and the biomass costs is recognized under fair value adjustments in the accompanying consolidated statements of operations.

Fair Value Measurement of Biological Assets

Under the provisions of IAS 41, the fair value of the Companies biological assets is calculated based on the market price for the relevant fish quality and size on the reporting period date. As the biomass input is nor readily observable, biomass valuation is categorized at Level 3 in the fair value hierarchy under IFRS 13.

As of 30 June 2021 and 2020, the company’s biological assets consisted of the following:

	30-06-2021	30-06-2020
	€ '000	€ '000
Cost of biological assets	2,214	1,461
IFRS Fair value adjustments	1,609	1,420
Total biological assets	3,823	2,881

The following represents a reconciliation of changes in the carrying amount of the company’s biological assets for the six months ended 30 June 2021 and 2020:

	30-06-2021	30-06-2020
	€ '000	€ '000
Biological assets at beginning of period	2,748	2,142
Loss arising from changes in fair value less costs to sell	-	-
Increases due to production and purchases	6,055	4,495
Decreases due to harvest	(4,831)	(3,607)
Decreases due to mortality	(148)	(148)
Biological assets at end of period	3,823	2,881

As of 30 June 2021 and 2020, the company's physical volumes of biological assets consisted of the following:

	30-06-2021	30-06-2020
	€ '000	€ '000
Total live weight of biomass (in tons)	323	218
Number of fish (thousand)	590	342
Volume of fish harvested during the period (tons whole round weight)	379	273

Sensitivity Analysis

Although the Company has expertise in assessing various factors regarding biomass, the estimate of unrealized fair value adjustment under IFRS 13 is based on several uncertain assumptions, and the realized profit ultimately achieved upon the sale of inventory may differ from the calculations of fair value accordingly. Such assumptions include biomass quantity and total weight and size distribution.

Biomass Quantity and Size Distribution

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

The fair value of the company's biological assets was calculated based on different parameters. The key element in the fair value model of biological assets is the price that is expected to be received in the future when the fish is harvested. This fair value calculation is based on realized sales per size-category around balance sheet date, the average production and harvesting cost.

As of 30 June 2021 and 2020, the estimated effect on the book value of biological assets was as follows:

	30-06-2021	30-06-2020
	€ '000	€ '000
Change in biomass size - Increase 5%	3,993	3,067
Change in forward price - Increase 5%	4,014	3,025

Incident-Based Mortality

No significant mortality incidents were noted for the six months ended 30 June 2021 and 2020 respectively.

4. Trade accounts receivable

	30-06-2021	31-12-2020
	€ '000	€ '000
Gross trade accounts receivable	1,132	802
Doubtful debt provision	(16)	(16)
Net trade accounts receivable	1,117	786

5. Other receivables and prepaid expenses

	30-06-2021	31-12-2020
	€ '000	€ '000
VAT receivable	772	561
Other receivables	401	268
Other receivables and prepaid expenses	1,173	829

6. Cash and cash equivalents

The maximum current account credit is € 1.5 million. The account credit is based upon the value of the pledged inventory and consists of a maximum limit of € 1,500K. The interest rate is based on 1-month Euribor plus a markup of 2,85%. For the securities provided we refer to note 8 regarding the non-current liabilities.

7. Group equity

	Share capital paid called up	Share premium reserve	Revaluation reserves	General reserve	Total Equity
	€ '000	€ '000	€ '000	€ '000	€ '000
Movements in equity were as follows:					
Balance as at 1 January 2021	677	77.449	1.166	(11.440)	67.852
Increase in fair value adjustment net of tax	-	-	351	-	351
Fair value vested share options	-	-	-	168	168
Result of the period	-	-	-	(3.560)	(3.560)
Balance at 30 June 2021	677	77.449	1.517	(14.832)	64.811

As of 30 June 2021 there were 67.740.195 shares issued and fully paid up.

8. Long-term liabilities

Long Term Loans

	30-06-2021	31-12-2020
	€ '000	€ '000
Loan Rabobank (0050021680)	4,634	5,089
Loan Rabobank (0050152046)	2,863	3,274
PPP Loan USA	0	39
Lease liability	1,082	1,284
	8,579	9,686
Repayment due within 12 months	1,801	1,837
Long term loan at 30 June	10,381	11,523

Loan Rabobank (0050021680)

	30-06-2021	31-12-2020
	€ '000	€ '000
Balance as at January 1		
Principal amount	6,053	6,053
Cumulative amortization transaction costs / cumulative repayments	(665)	(213)
Balance as at January 1	5,389	5,840
Movements		
Additional loans	-	-
Repayment of loans	(455)	(451)
Balance movement	(455)	(451)
Balance as of June 30		
Principal amount	6,053	6,053
Cumulative amortization transaction costs / cumulative repayments	(1,120)	(665)
Outstanding amount	4,934	5,389
Current portion	(300)	(300)
Balance as at 30 June	4,634	5,089

The principal amount of the loan is € 6,100K. The repayment terms amount to € 75K per quarter as from 30 June 2019 and an additional repayment of € 3,100K on 30 June 2029. The transaction costs attributable to the loan amount to € 47K and were deducted from the amount received.

The interest rate is based on 3 months Euribor plus a markup of 3.25%. The markup of 3.25% is fixed for the duration of three years. The facility is a 20-year mortgage, ending after 10 years.

Besides the loan the company also has a working capital facility at Rabobank with a maximum current account credit of € 1,5 million.

Guarantees:

- First mortgage on the land and the company hall at Oost Zeedijk 13, 4485 OM Colijnsplaat;
- Pledge on insured stock;
- Pledge on all current and future stocks;
- Pledge on all current and future inventories.

The following conditions apply to the loan:

- Satisfy a solvency ratio of at least 45%;
- Satisfy a debt service ratio of at least 1.3 (as from 31 December 2021);
- Compliance with the negative pledge and pari passu;
- Compliance with a 'No Change of Control';
- Non-dividend statement.

Loan Rabobank (0050099049)

	30-06-2021	31-12-2020
	€ '000	€ '000
Balance as at January 1		
Principal amount	750	750
Cumulative amortization transaction costs / cumulative repayments	(38)	-
Balance as at January 1	<u>713</u>	<u>750</u>
Movements		
Additional loans	-	-
Repayment of loans	(38)	(38)
Balance movement	<u>(38)</u>	<u>(38)</u>
Balance as of June 30		
Principal amount	750	750
Cumulative amortization transaction costs / cumulative repayments	(75)	(38)
Outstanding amount	<u>675</u>	<u>713</u>
Current portion	(675)	(713)
Balance as at 30 June	<u>-</u>	<u>-</u>

During 2018 the company entered a new loan agreement with the Rabobank for a loan of €750K. The full loan amount was drawn in 2019 and needs to be repaid in full on 31 December 2021

Guarantees:

- First mortgage for an amount of € 1.500K to be increased by € 525K for interest, fees, fines and costs on the pump house on the Oost Zeedijk 15, 4485 PM Kats.

Loan Rabobank (0050152046)

	30-06-2021	31-12-2020
	€ '000	€ '000
Balance as at January 1		
Principal amount	4,000	-
Cumulative amortization transaction costs / cumulative repayments	(305)	-
Balance as at January 1	3,695	-
Movements		
Additional loans	-	4,000
Repayment of loans	(411)	(305)
Balance movement	(411)	3,695
Balance as of June 30		
Principal amount	4,000	4,000
Cumulative amortization transaction costs / cumulative repayments	(716)	(305)
Outstanding amount	3,284	3,695
Current portion	(421)	(421)
Balance as at 30 June	2,863	3,274

The principal amount of the loan is € 4 million. The repayment term amounts to € 105K per quarter as from 31 December 2020.

The interest rate is based on 3 months Euribor plus a markup of 2.7%. The markup of 2.7% is fixed for the duration of three years. The facility is a 20-year mortgage, ending after 10 years.

Guarantees:

- Third right of mortgage on the land and the company hall at Oostzeedijk 11, 4485 OM Colijnsplaat;
- Second right of mortgage on the fish farm, situated at Colijnseplaatse Groeneweg 2 Kats;
- Pledge on CAR insurance
- Satisfy a solvency ratio of at least 45%;
- Satisfy a debt service ratio of at least 1.3

Lease liability

	30-06-2021	31-12-2020
	€ '000	€ '000
Lease liability Rabobank, production equipment	1.046	1.237
Lease liability, vehicles	23	30
Lease BPN Paribas, production equipment	13	17
	1.082	1.284



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Lease liability Rabobank production equipment

	30-06-2021	31-12-2020
	€ '000	€ '000
Balance as at January 1		
Principal amount	3,258	3,258
Cumulative amortization transaction costs / cumulative repayments	(1,637)	(1,356)
Balance as at January 1	<u>1,621</u>	<u>1,902</u>
Movements		
Additional loans	-	-
Repayment of loans	(191)	(281)
Balance movement	<u>(191)</u>	<u>(281)</u>
Balance as of June 30		
Principal amount	3,258	3,258
Cumulative amortization transaction costs / cumulative repayments	(1,828)	(1,637)
Outstanding amount	<u>1,430</u>	<u>1,621</u>
Current portion	(384)	(384)
Balance as at 30 June	<u>1,046</u>	<u>1,237</u>

The Kingfish Company N.V. entered a sale and lease back agreement with Rabobank for the total amount of € 3,258K. Legal ownership of the assets under financial leasing has been transferred to Rabobank.

After expiring of the fixed term of 72 months, the company will be entitled to:

- Purchase and acquire title to the Asset at the price of € 261K; or
- Renew the agreement by one year; or
- Return the asset to the lessor to a location in the Netherlands designated for that purpose by the lessor.

9. Deferred tax liability

The deferred tax liability refers to potential tax charge on the revaluation reserve at a rate of 25%.

10. Other liabilities and accrued expenses

	30-06-2021	31-12-2020
	€ '000	€ '000
Accrued expenses & Fees to be paid	457	131
Holiday allowance & leave days	339	241
Deferred Income	-	91
Other accrued liabilities	153	103
Other liabilities and accrued expenses	<u>949</u>	<u>566</u>

OFF-BALANCE-SHEET RIGHTS, OBLIGATIONS AND ARRANGEMENTS

Disclosure of off-balance sheet commitments

Subsidies/grants

During the first six months of 2021, the company received an amount of € 107K in subsidy income which is accounted for in the profit and loss account. This amount is based on the spent and/or budgeted costs and expected subsidy income up to and including June 30, 2021. The final subsidy to be received is subject to the final decision by the subsidy provider.

Rent and operating lease commitments

Rent and operating lease expenses amounted to approximately € 381K per annum. The main part of future rent commitments relates to the renting of office and storage space and forklifts. The majority of these contracts have an indefinite term and can be terminated with a few weeks' notice.

Off balance sheet liabilities relating to purchase commitments

The group has committed itself for purchases regarding the expansion of the production facility in the Netherlands amounting to about € 9 million.

Subsequent events

The coronavirus outbreak during the first months of 2020 has had major consequences for the global economy. The consequences of the coronavirus outbreak are included in this report. The corona crisis may have a negative effect on the results for the coming year.

11. Wages and salaries

Wages and salaries include a re-payment of € 61K relating to the NOW (Noodmaatregel Overbrugging Werkgelegenheid) subsidy which was a financial compensation by the Dutch Government for the corona crisis. It also includes income from grants for a total of € 63K (2020 H1: € 42K) which the Group received as part of ongoing Research & Development programs.

12. Other operating expenses

	30-06-2021	30-06-2020
	€ '000	€ '000
Contractors & other staff related expenses	328	269
Rent, cleaning & housing expenses	104	101
Operating & machine expenses	560	290
Sales & Marketing expenses	215	178
General, office & other expenses	1,030	280
Total other operating expenses	38	1,118

13. Financial income and expense

	30-06-2021	30-06-2020
	€ '000	€ '000
Interest expenses	237	134
Currency translation differences	(72)	-
Other interest expenses and bank charges	-	39
Total Interest and other expense	165	172

14. Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this report.

Balances with related parties as per half year-end are disclosed in the consolidated profit and loss account and in the table below.

	30-06-2021	30-06-2020
	€ '000	€ '000
Related party revenues		
Related party costs	-	86
Total related party transactions	-	86

Rabobank, one of the larger shareholders of the group is also Kingfish's house bank and regular fees at arm's lengths are paid to them.

AUDITOR'S REPORT TO BE INCLUDED

Auditors



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To the shareholders of
The Kingfish Company N.V.

Introduction

We have reviewed the accompanying group consolidated interim financial information for the period from 1 January 2021 to 30 June 2021 of The Kingfish Company N.V., based in Kats.

The interim financial information comprises:

1. the consolidated balance sheet as at 30 June 2021;
2. the consolidated profit and loss account for the period from 1 January 2021 to 30 June 2021;
3. the consolidated cash flow statement for the period from 1 January 2021 to 30 June 2021; and
4. the notes, comprising a summary of the accounting policies and other explanatory information.

Management is responsible for the preparation and presentation of this interim financial information in accordance with the Richtlijn voor de Jaarverslaggeving 394 'Tussentijdse Berichten' (Dutch Accounting Standard 394 on Interim Reports). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including the Dutch Standard 2410, 'Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit' (Review of interim financial information performed by the independent auditor of the entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Dutch Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information for the period from 1 January 2021 to 30 June 2021, is not prepared, in all material respects, in accordance with the Richtlijn voor de Jaarverslaggeving 394 'Tussentijdse Berichten' (Dutch Accounting Standard 394 on Interim Reports).

Auditors



Goes, August 31, 2021

Baker Tilly (Netherlands) N.V.

Was signed,

Harry van den Burg