

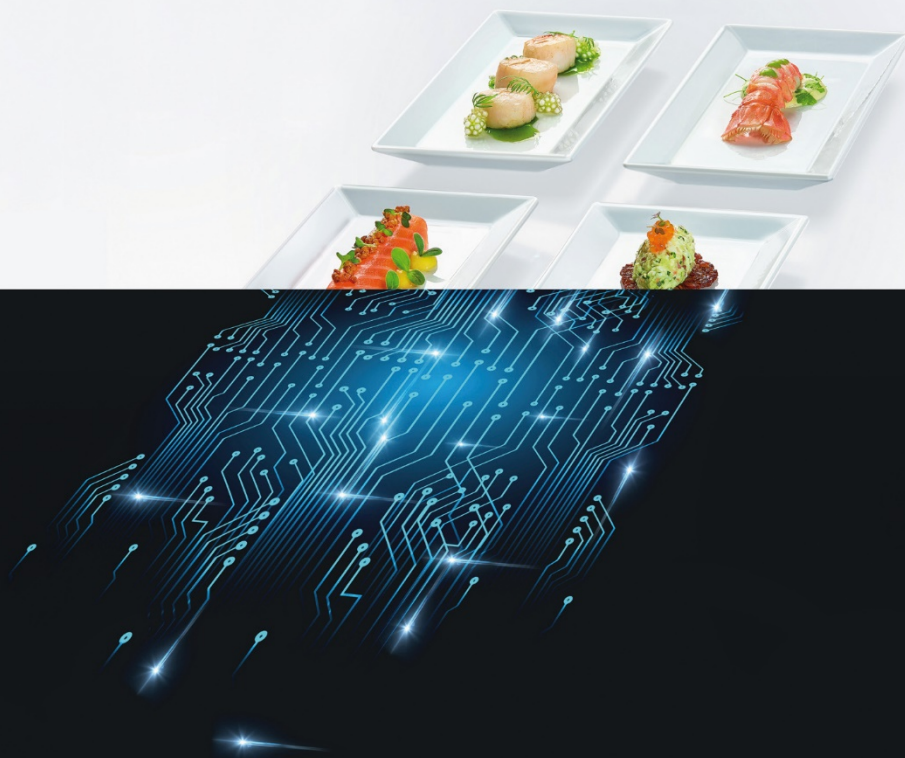
Annual Report 2019



AKVA group in brief

AKVA group is the leading technology and service partner to the aquaculture industry worldwide. The company has 1 437 employees, offices in 11 countries and a total turnover of NOK 3.1 billion in 2019.

We are a public listed company operating in one of the world's fastest growing industries and supply everything from single components to complete installations, both for cage farming and land based aquaculture. AKVA group is recognized as a pioneer and technology leader through more than 40 years.



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Highlights 2019

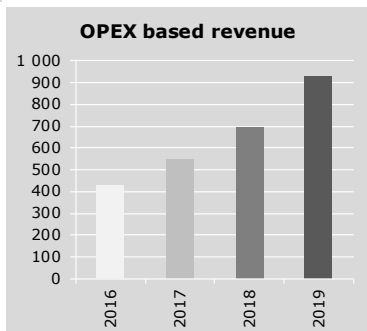
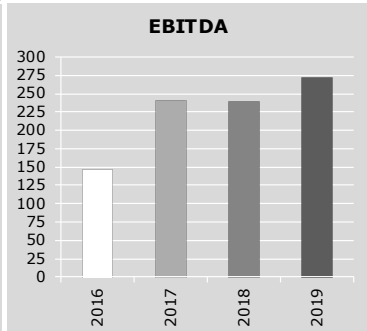
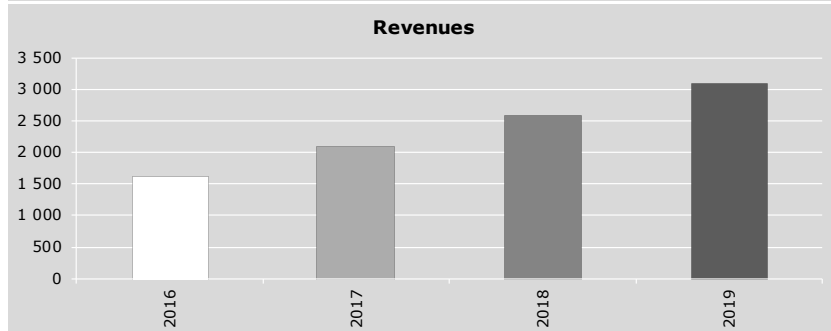
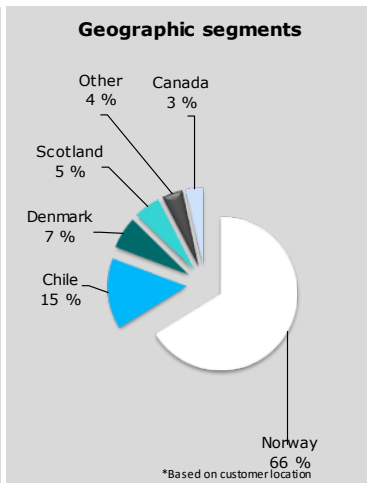
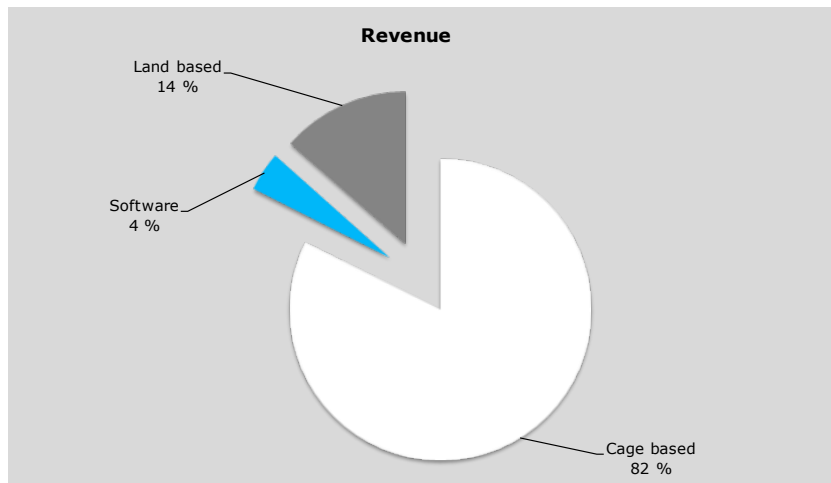
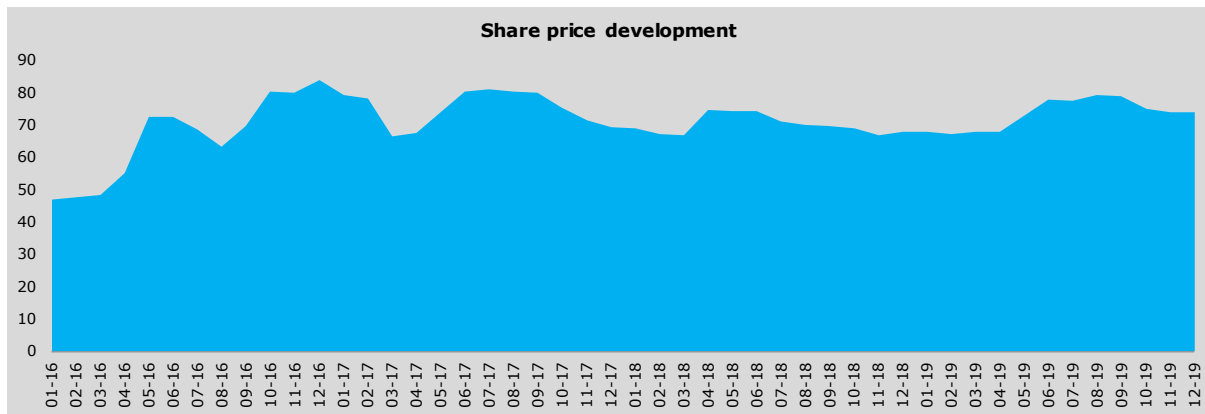
- Order intake of MNOK 4,014 in 2019, compared to MNOK 2,555 in 2018
- Revenue in 2019 of MNOK 3,077 – a 19% increase compared to revenue in 2018
- Net profit in 2019 of MNOK 17 – a decrease from MNOK 89 in net profit in 2018
- Dividend of 1.75 NOK per share paid out in March 2019 (0.75 NOK) and September 2019 (1.00 NOK)
- Order backlog end of 2019 of MNOK 2,294
- Divestment of Wise lausnir ehf resulting in a net gain of 18 MNOK
- Significant barge contract agreed with Australis Mar in Chile
- Co-operation agreement with Cooke Aquaculture with potential for several large land based smolt projects
- Major land based contract awarded by Svaberget Smolt AS of approximately MNOK 300



Financial key figures

(in NOK 1 000)	2019	2018	2017	2016	2015
Profitability					
Revenues	3 076 740	2 579 473	2 087 910	1 603 072	1 425 338
EBITDA	271 910	237 767	239 913	144 193	135 159
EBIT	62 316	129 866	157 128	75 036	87 709
Profit before tax	13 476	111 516	135 573	48 590	78 090
Net profit	16 604	89 285	99 829	27 598	58 400
Net Profit (Loss) Attributable to:					
Non-Controlling interests	1 971	-334	142	98	1 572
Equity holders of AKVA group ASA	14 633	89 618	99 687	27 500	56 828
Cash flow from operations	210 769	153 914	87 404	211 645	95 622
EBITDA margin	8,8 %	9,2 %	11,5 %	9,0 %	9,5 %
EBIT margin	2,0 %	5,0 %	7,5 %	4,7 %	6,2 %
Return on capital employed	3,6 %	7,0 %	15,4 %	9,8 %	14,7 %
Return on equity	1,7 %	8,4 %	20,0 %	6,4 %	13,7 %
Financial position					
Non-current assets	1 883 496	1 458 814	848 405	732 436	467 031
Current assets	1 150 138	1 244 117	814 392	643 515	616 096
Total assets	3 033 634	2 702 931	1 662 797	1 375 951	1 083 127
Equity attributable to equity holders of AKVA group ASA	986 340	1 062 423	499 907	434 590	424 988
Non-controlling interests	4 165	184	518	376	3 444
Total equity	990 505	1 062 607	500 425	434 966	428 432
Long-term debt	1 163 545	549 010	517 938	469 068	221 978
Short-term debt	879 584	1 091 314	644 433	471 917	432 717
Total equity and liabilities	3 033 634	2 702 931	1 662 797	1 375 951	1 083 127
Gross interest-bearing debt	792 562	761 409	473 049	377 875	245 634
Cash and cash equivalents	564 843	336 476	420 496	255 543	160 458
Net interest-bearing debt	631 567	604 547	356 080	212 332	136 117
Working capital	236 807	355 798	175 164	36 029	131 120
Equity ratio	32,7 %	39,3 %	30,1 %	31,6 %	39,6 %
Debt to equity ratio	80,0 %	71,7 %	94,5 %	86,9 %	57,3 %
(in NOK)					
Share data					
Earnings per share	0,44	3,17	3,86	1,06	2,20
Diluted earnings per share	0,44	3,17	3,86	1,06	2,20
Cash flow per share	0,12	1,20	-1,88	2,17	2,15
Dividend per share	1,75	1,50	1,25	0,75	1,00
Shareholders' equity per share at year-end	29,59	31,87	19,35	16,82	16,45
Share price at year-end	74,00	68,00	69,50	84,00	54,00
Market capitalization at year-end	2 466 738	2 266 733	1 795 484	2 170 081	1 395 052
Number of shares outstanding at year-end	33 334 303	33 334 303	25 834 303	25 834 303	25 834 303
Weighted average number of ordinary shares	33 204 736	28 306 420	25 811 877	25 828 889	25 818 928

Financial key figures



CEO's Report
Corporate Management
Board of Directors' Report
Board of Directors



CEO's Report

Significant milestones of growth were achieved in 2019 as AKVA group exceeded 4 billion NOK of order intake and 3 billion NOK of revenue, resulting in an average growth for the period 2016 to 2019 of 27% and 24% respectively. Our order back log has grown to a record high 2.3 billion NOK at the end of the year. However, as the fourth quarter results revealed, our project execution capabilities have not been at the highest standards – improvement initiatives is, and will be in focus going forward within the areas of project management as well as learning and development.

As AKVA group is operating in a very attractive industry, with increasing focus on costs, technology, sustainability, fish welfare as well as improved and new farming methods, I strongly believe that AKVA group has a unique position that can yield profitable growth for the future. To obtain such we will step up our efforts within innovation, in partnership with our customers – our position needs to be deserved.

Key figures:

Order Intake: MNOK 4,014 – up from MNOK 2,555 in 2018

Revenue: MNOK 3,077 – up from MNOK 2,579 in 2018

EBITDA: MNOK 272 – up from MNOK 238 in 2018

EBIT: MNOK 62 – down from MNOK 130 in 2018

Number of employees (FTE): 1422 down from 1493 in 2018

Cage Based Technology

AKVA group acquired Egersund Net as of August 31, 2018. In 2019 the company has been integrated in the group and has contributed with more than MNOK 700 of revenue. Egersund Net offers a variety of fish nets as well as having an extensive network of service stations along the Norwegian coastline. More than half of the revenue stems from the service activity. In 2019 we have made plans and started building another service station at the very north of Norway, as well as approving investments in additional one station. Having Egersund Net as a group member has allowed for complete solution and service offerings, which will clearly be beneficial going forward.

Our Americas region continue to deliver improved results and substantial improvements in offerings has been made in 2019. An above 10 MUSD order has been secured for deliveries of feed barges to Chile, this is the first ever feed barge order for the country and is an important milestone for further deliveries of our well-known barge design to this market. We also separated out our Land Based activities in Chile to a separate entity in 2019, and at the end of the year we signed a significant order for a RAS facility, to be delivered under a co-operation agreement with Cooke Aquaculture.

In Canada, on Newfoundland we entered into an agreement for deliveries of feed barges to Grieg NL in 2018, and I am very happy to see that the customer signed up for the first of these, during last year. Newfoundland, one of few areas globally where salmon farming is expected to grow significantly, has been and is very high on our strategic agenda. We have worked hard to ensure that we secure a strong position to be a full solution and service provider in the area. A major step towards this were made early 2020, as we

completed an acquisition of a net service company, which will be one of our platforms for growing our business in the area.

Competition in the Cage Based area within the Nordic region, has continued to intensify during the last three years, but still Nordic is the main contributor to revenue and earnings for the group. Being honest to ourselves, we must admit that innovation, business development as well as improving our own execution models have not attracted enough attention. Steps have been made though, through 2019 to regain competitive position. Amongst others we have in 2019 launched new solutions such as a new and improved cage model, hybrid feed barges, waterborne feeding and a new camera solution (early 2020). Our Tube Net, a preventive sea lice solution is also underway to be improved and launched, together with key customers as partners. Strong focus and discipline in execution, as well as increased resources to R&D, will be put in place to make sure AKVA group will earn its spot as a preferred partner to the farming Industry for the years to come.

In Mo I Rana, at our subsidiary Helgeland Plast, we have our own manufacturing plant for PE pipes, primarily used in our cage solutions. Going into 2019 we were suffering, as significant new investments and implementation of these, hampered efficiency. I am very happy to announce that we have worked through these issues and today have a well-functioning plant, which also represents an upside with regards to deliveries outside the aquaculture industry.

Our diving and net washing company, AKVA Marine Services, has been through significant investments and restructuring in 2018 and is now looking better than ever, having secured long term contracts as well as having improved earnings significantly during 2019.

At Sperre AS, a subsidiary producing ROV's, we have a strong innovation hub. The ROV's invented for net washing (Flying Net Cleaner) has during a few years become the choice for many of the salmon farmers, and the solution has on an ongoing basis been improved, the latest new launch, being a waste collector which has attracted a lot of interest in the marketplace.

Land Based Technology

It has been an increasing focus amongst salmon farmers to grow larger smolt, before entering the fish into the ocean. Significant investments have been made, and pipeline of projects for large RAS facilities are strong. AKVA group has unique experience and a very strong position to continue to grow in this area. Our focus has been on salmon, and to expand our capabilities globally. In 2019 we have taken more steps to join our forces in the area under a common umbrella; AKVA group Land Based. Larger contracts have been secured in Norway as well as in Americas during the year.

Further we have followed the development of the investments into full grow out systems closely. As a group, we have learnt our lessons previously, delivering such systems for other species than salmon, projects that not always have been a success. As the technology, and foremost, the competence at the customer side has increased, we have gradually developed our strategy. Today, we have a clear ambition to be a preferred partner for such systems for salmon, confirmed by securing a 500 MNOK order with Nordic Aqua Partners, for a facility to be built in China.

On a negative note, our project execution capabilities have not always proved to be our strongest asset. This became clear in the fourth quarter of 2019, when losses from project cost overruns were revealed, and hit the profits hard. I can ensure you that we have heightened the bar for internal performance and will invest in resources and competence to avoid such negative surprises for the future.

AKVA Digital

Over the last two years, AKVA has experienced a tremendous shift towards customer interest and willingness to explore new opportunities within digitalization and more intelligent use of data.

AKVA's position within the digital area is truly unique as we have a large share of the market for sophisticated systems (Fishtalk suite) that provides a complete overview of the biological status from broodstock to harvest. We also have a powerful process control platform named AKVAconnect that enables real-time control of various mission critical equipment such as feeding systems, environmental sensors, barges and cameras typically installed on-site at the farmer's locations.

This new data-driven opportunity is a strong catalyst for flexible and open systems utilizing an architecture that enables new analytical tools (i.e. Feeding Insights) and controlled sharing with data integrity and security as the key building blocks. As a result, AKVA has spent the last two years investing significantly, to modernize our core systems to a cloud- and micro services-based platform with open API's and mobile applications.

Today, we have a cloud based Fishtalk, modern and open, and have established strong partnerships with key customers to develop apps and modules to fit the need of future salmon farming. We have also completely rebuilt and launched a new AKVAconnect, built on technology from the world leader in process control and automation.

Late 2018 we announced a strategic partnership with UK based Observe technologies (AKVA Observe). This highly innovative solution uses a patented artificial intelligence (AI) engine and machine vision to offer new insights and recommendations to the fish farmers on optimization for more efficient feeding. The solution is in rapid development with new features in fish health monitoring and biomass calculation in the pipeline and the interest from customers has been overwhelming having resulted in rapid uptake with successful implementations at over 30 farms in Norway, Chile, Canada, Scotland and Australia.

Further, during 2019, we have invested in building a unique cloud-based data platform called PRISMA, with value added applications and data-sharing capabilities to create a new and secure marketplace for the aquaculture eco-system. Development work has been done in partnership with strategic partners and key customers and a full commercial launch took place during 2020.

In the third quarter of 2019 we sold our subsidiary Wise lausnir ehf for a total of around 80 MNOK. Wise was an Icelandic ERP company, delivering and building verticals on Microsoft ERP solutions. It was an effort taking almost two years and I was very happy to see the transaction being completed, enabling us to re-invest the proceeds into new solutions supporting our customers digital transformation journey.

The future

AKVA group, being one of few global, full offering equipment suppliers to the salmon industry is in a very attractive position for future profitable growth. The increased need for marine proteins and constantly challenging demands for sustainability and cost-efficient production methods results in a wealth of opportunities. However, our position needs to be deserved, and for sure 2020 will represent a big step forward with regards to improving and professionalize the group. We will spend time and resources amongst others within innovation, learning and development and project management.

The headlines of future salmon farming centres around offshore farming, land-based facilities, closed containment farming and digitalization. AKVA group has competence,

willingness and ability to play an important role in the development of the technology and solutions for the future. My role is to make sure we prioritize developing the organization and raise the overall knowledge throughout the organization, this is to ensure we in the future make the right priorities and implement our innovation projects to the best for AKVA, our customers, our shareholders and other stakeholders, and I am sure the best is yet to come.

Very best regards



Knut Nesse
(CEO)

Group thinking in all we do - Focus & Execution – and Empowerment with CARE
(Customer Focus, Aquaculture knowledge, Reliability and Enthusiasm)

Corporate Management



Knut Nesse
Chief Executive Officer

Knut Nesse assumed the position as CEO in November 2019. He holds an MBA from the Norwegian school of economics and business administration (NHH) and is on the Board of several companies. Previous roles include extensive CEO experience from international leading company. 6 years as CEO of Skretting Group (part of Nutreco) (2006 – 2012) and 6 years as CEO of Nutreco (2012 – 2018). Nutreco is a global animal nutrition and fish feed company. Mr Nesse was first elected to the Board of Directors at the general meeting 9 May 2019. Mr. Nesse later stepped down from the Board to assume the position as CEO. He is a Norwegian citizen and resides in Bryne, Norway.



Simon Nyquist Martinsen
Chief Financial Officer

Simon Nyquist Martinsen (b. 1969), assumed the position as CFO in February 2017. Prior to joining AKVA group, he was CFO of Constructor Group, a European provider of storage solutions. He has extensive experience both as a financial executive as well as an operational executive. He has also served as acting CEO of Constructor Group and has held several positions within the Aker group, including Norway Seafoods ASA. He spent the first years of his career with KPMG. Simon holds a Master in Accounting and Auditing from the Norwegian School of Economics (NHH), and is qualified as a State Authorized Public Accountant in Norway. He is a Norwegian citizen and resides in Bærum, Norway.

Corporate Management



Per Andreas Hjetland

Chief Operating Officer Cage Based Nordic

Per Andreas Hjetland (b. 1961), has been employed with AKVA group ASA since 2008 where he assumed the position as COO in September 2010 until August 2018. In August 2018 he assumed the position as SVP International Business Development. Prior to joining AKVA group, he held several senior positions with international companies. His professional background covers industrial technologies and he also brings with him extensive experience in business operations, sales & marketing. Per Andreas' academic background was gained at the Technical School of Stavanger. He is a Norwegian citizen and resides in Stavanger, Norway.



Andrew Campbell

Chief Operating Officer Cage Based International

Andrew Campbell (b. 1966), joined the AKVA group in 2000, and has been General Manager in Chile since 2006. From 1989-2000, he worked as a Production Manager in the salmon industry in New Zealand for the New Zealand Salmon Company Ltd. Andrew holds a Bachelor of Science degree from New Zealand's Victoria University, and is a New Zealand citizen.

Corporate Management



Geir Henning Risholm
Chief Operating Officer Cage Based Egersund Net

Geir Henning Risholm (b. 1963), assumed the position as SVP in January 2019. Risholm has been Managing Director of Egersund Net from 2010 through 2018 and entered AKVA group after its acquisition of Egersund Net. He has over 25 years' experience from the maritime industry, having worked with companies such as Kongsberg Group and Simrad (later Navico). Geir Henning Risholm is educated within electronics and automation, combined with various management and economic related courses. Throughout his career he has gained extensive international management experience. He is a Norwegian citizen and resides in Egersund, Norway.



Morten Nielsen
Chief Operations Officer Land Based

Morten Nielsen (b. 1964), assumed the position as COO in August 2016. Prior to this position, Morten has held the position as CEO and founder of Aquatec Solutions A/S since 2004. During his 20 year career he also has experience as R&D Manager and Operations Manager for DIAT/Cimbria Aquatec. Morten holds a Master of Science in Aquaculture from Aalborg University. He is a Danish citizen and resides in Egtved, Denmark.

Corporate Management



Espen Fredrik Staubo,
Chief Innovation Officer

Espen Fredrik Staubo (b. 1961) assumed the position as CTO in March 2019. Prior to joining AKVA group, he was the CTO of Elopak, an international supplier of paper based packaging solutions for liquid food. He has extensive management experience from several international businesses and industries. Between 1997 and 2005 he worked for Stolt Sea Farm, including four years as President for the company's European division. He has also been the CEO of the US based aquaculture company Low Salinity, where he was hired to build up the company's land based seafood production. Espen Fredrik holds a Dr. of Science degree in Nuclear Physics from the University of Bergen. He is a Norwegian citizen and resides in Oslo, Norway.



Petter Idar Jenssen
Chief Technology Officer

Petter Idar Jenssen (b. 1965) has over 20 years' experience from the software and information technology sector and has held several executive positions in companies like Avanade, Intelcom, Microsoft and Evry, as well as being a former Partner in Accenture. Jenssen joined AKVA group in October 2019.

Board of Directors' Report

AKVA group had a record high order intake of BNOK 1.4 in Q4 and by that reaching a milestone high BNOK 4.0 order intake for the full year of 2019. The order book of AKVA group ended at BNOK 2.3 fuelled by large orders won within the Land Based segment. A good basis for future growth is established, and improvement initiatives to secure successful project deliveries for our customers are intensified.

2019

AKVA group acquired the Egersund Net group of companies as of 31.8.2018, and from that time consolidated the company into the Group, thus 2019 is the first year of a full year consolidation. At the end of August in 2019 AKVA group sold its Icelandic subsidiary Wise lausnir ehf (Wise), and from that time the financials of Wise were excluded from the Group accounts. More information about the acquisition and divestitures is found in note 19 to the accounts.

Total revenue for the Group in 2019 was MNOK 3,077, an increase of 19% from 2018. Earnings before interest, tax, depreciation and amortization (EBITDA) was MNOK 279, compared to MNOK 238 for 2018. Implementation of IFRS 16 (leases) as of 1 January 2019 impacted group EBITDA positively in 2019 with MNOK 59 compared to 2018. Net profit was MNOK 17 – a reduction from MNOK 89 in 2018. The impact of the IFRS 16 implementation on Net Profit was negative with 19 MNOK.

The main reason for the reduction in profit is due to cost overruns in land based projects ending in 2019. These projects have been running the last 2-4 years and were expected to yield a higher margin. The main part of these cost overruns came to surface in the fourth quarter and a full review of all projects were done. Steps have been taken to improve our project execution and further actions will be taken to increase competence within the organization. There was also an extra write down of intangible assets in AKVA group ASA in 2019 impacting the profit for the company and the group.

All three business segments (see below) had growth in both order intake and order backlog in 2019 (adjusted for the effect from sale of Wise). The Cage Based Segment had growth in order intake also if excluding the effect of the consolidation of Egersund Net for the full year compared to 4 months in 2018. The Cage Based Segment and the Software Segment also grew revenues in 2019 (adjusted for the effect from sale of Wise). The Land Based Segment had a decline in revenue, but a significant increase in new orders and order backlog. The total order backlog ended at BNOK 2.3, whereof the Land Based Segment is included with BNOK 1.3.

AKVA group – the business segments

AKVA group is a leading supplier of technology and services to the global aquaculture industry. Our activities include design, purchase, manufacturing, assembly, sale and installation of technology products as well as rental, service and consulting services. The Group's main customer base is the global salmon-farming industry, although the Group has a strong presence within other species in particular in the Mediterranean area.

The Group divides its operations into three business segments: Cage Based Technology (CBT), Software and Land Based Technology (LBT).

Main products in the CBT segment are; feed barges, fish farming cages, centralized feed systems, sensors, cameras, biomass estimation systems, light systems, net cleaning systems and ROV's. The Polarcirkel™ polyethylene (PE) cages are produced at our facility in Mo i Rana, Norway, and is one of the world's leading fish cage brands. The Polarcirkel™ brand also includes Polarcirkel™ PE-boats designed for extreme conditions for the fish-farming industry, diving and the oil and gas service industry. Our manufacturing plant at Mo i Rana is also a renowned supplier of PE pipes up to 1200 mm diameter for installation

in Land Based recirculation systems and for sale into the water/wastewater segment. Steel cages sold under the Wavemaster™ brand are market leaders in Chile and Canada. Wavemaster™'s production facility for steel cages is located in Puerto Montt, Chile. Feed barges are also marketed and sold as Wavemaster™, barges. The feed barges have a strong position in the salmon market in the Nordic and Export regions and are supplied with AKVAsmart™ centralized feed systems as well as other technologies from AKVA group. The manufacturing of feed barges designed by AKVA group, are done in amongst others the Baltic's, Poland and Vietnam by external partners. Sperre AS, a subsidiary located at Notodden, Norway, holds extensive experience in developing and producing a range of advanced ROV solutions, with applications for both aquaculture as well as oil service and marine industries.

Egersund Net, a company acquired in 2018 offer nets and moorings and has an extensive service network for net services. Out of filaments Egersund Net produce its own netting in Norway, which is used in the manufacturing of a variety of standard and special fish net designs, all optimized, focusing on quality and user-friendliness.

The Software segment provides market-leading software solutions for fish farming as well as for the seafood and other industries. In Q3 2019 the Icelandic subsidiary Wise ehf was sold, and the total proceeds including a dividend was approximately MNOK 80. The divestiture resulted in an accounting gain of MNOK 21.

The LBT segment designs and deliver recirculation systems for land based fish farming operations. The systems ensure optimal water quality conditions for both fresh- and seawater operations. AKVA group designs the systems in both Norway and Denmark as well as having a manufacturing facility for breeding tanks at Sømna (Norway). The delivery capabilities include design, engineering, tanks, piping, feeding systems, software, cameras, sensors etc. AKVA group has a broad systems portfolio and a strong position in the land based aquaculture industry.

AKVA group's registered company address is in Egersund, Norway. The company has offices and service stations along the Norwegian coast as well as company and offices in Chile, United Kingdom, Lithuania, Canada, Turkey, Iceland, Denmark, Australia, Spain and Greece. In addition, the Group has representation in a few other countries.

Market situation and operations through 2019

(2018 figures in brackets).

The order intake grew from MNOK 2,555 in 2018 to MNOK 4,014 in 2019. The divestiture of Wise had a negative effect of MNOK 109 on order intake. Egersund Net, which was acquired in 2018, was included with MNOK 292 in 2018 and with MNOK 677 in 2019. The growth in order intake was 57%, on a like for like basis excluding Wise and Egersund Net the growth was 55%.

The majority of the growth in order intake came from the Land Based Segment, amongst others a MNOK 500 order for a recirculating aquaculture system (RAS) was secured in Q4. Other areas also had strong growth in order intake, especially Canada, Chile and Russia.

Revenues grew from MNOK 2,579 in 2018 to MNOK 3,077 in 2019. The divestiture of Wise had a negative impact of MNOK 52. Egersund Net, which was acquired in 2018, was included with MNOK 207 in 2018 and with MNOK 707 in 2019. The growth in revenues were 19%. On a like for like basis excluding Wise. and Egersund Net the growth were 2%.

The order backlog increased from BNOK 1.4 in 2018 to BNOK 2.3 in 2019. The Land Based Segment experienced the highest growth in the order backlog, which grew from MNOK 448 in 2018 to MNOK 1,274 in 2019.

Americas had a very strong year in 2019. Order intake grew with 37% and the region secured the first ever order for four feed barges, as well as a large order for a RAS facility, both for Chile. Further, the first order for feed barge from a co-operation agreement with a customer on Newfoundland, was entered into in 2019. The regions order backlog is 421 MNOK, double the amount from end of 2018. The profitability of the region also had a positive development with growth in both absolute and relative EBITDA.

The Nordic region, excluding Egersund Net had a 7% growth in order intake and 13% growth in revenues in 2019. The marine service operations including net services in sea developed well, so did the ROV business. This region also grew its order backlog, from MNOK 403 in 2018 to MNOK 437 in 2019. Egersund Net was included in revenues with MNOK 207 in 2018 and MNOK 707 in 2019. The pro forma revenue for Egersund Net for 2018 was MNOK 670, thus the Egersund Net business grew with 6% in 2019.

Order intake was very strong in Europe and Middle East (EME) in 2019, especially the export business (mainly to Russia) and Turkey had solid growth, but also Scotland and Spain had strong development in new orders. The total order intake for the region increased from MNOK 246 in 2018 to MNOK 316 in 2019. Despite the revenue in the region did decline, we are set with a very strong order book of MNOK 200 at end of 2019, up from MNOK 175 in 2018.

The Software Segment grew both order intake and revenue (adjusted for the effect from the divestiture of Wise). More importantly, the segment invested in new product modules and business development creating a robust platform for future growth.

The Land Based Segment did secure several larger orders in 2019, including a RAS facility order for MNOK 500 in China. In addition, larger orders were signed in Norway as well as Chile. The order intake grew from MNOK 390 in 2018 to MNOK 1,243 MNOK in 2019, a growth of 219%. Mainly due to phasing of deliveries and several projects coming to an end, the Land Based Segment revenues declined from MNOK 479 in 2018 to MNOK 417 in 2019, thus the order book stands at record high (see above) MNOK 1,274.

Revenues from rental, services and maintenance including software sales increased with MNOK 234 in 2019 and ended at MNOK 930. This is 30% of total revenue and makes up a solid part of the business mix of the AKVA group.

Going Concern

In accordance with the Accounting Act § 3-3a we confirm that the Financial Statements have been prepared under the assumption of going concern. With reference to the Group's financial results, financial position and forecasts for years to come, it is hereby confirmed that grounds for this assumption do exist. In the assessment of the board of directors, the Group's financial position is sound.

Profit and loss (consolidated)

Total revenue for AKVA group in 2019 was MNOK 3,077 (2,579) - an increase of 19% compared to 2018. EBITDA for 2019 was MNOK 272 (238). Egersund Net was acquired at the end of August 2018, and the financial figures of Egersund Net is consolidated in AKVA group from of 1 September in 2018. Compared to 2018, Egersund Net contributes with additional 500 MNOK in revenue and 89 MNOK of EBITDA. The effect of the implementation of IFRS 16 (leases) is approximately 59 MNOK, whereof around 28 MNOK relates to Egersund Net.

Depreciation and amortization in 2019 were MNOK 210 (108). Of the increase of MNOK 102, MNOK 84 stems from the implementation of IFRS 16 (leases). EBIT for 2019 was MNOK 62 (130). Net financial expenses were MNOK 49 (18), whereof 20 MNOK relates to IFRS 16 (leases) and Profit before tax was MNOK 13 (112). The calculated tax for 2019 is MNOK 3 (positive) (22). Net profit for the year was MNOK 17 (89).

CBT had operating revenues in 2019 of MNOK 2,533 (1,927), an increase of 31% compared to 2018. EBITDA was MNOK 291 (157), an increase of 85% compared to 2018. The increase in revenue was driven by Nordics, Americas and the full year contribution from Egersund Net.

Software had operating revenues in 2019 of MNOK 126 (173) with an EBITDA of MNOK 25 (34). The decline in revenue and EBITDA stems from having sold and deconsolidated Wise ehf in Q3 2019. Adjusting for this, both revenue and EBITDA grew in 2019.

LBT had operating revenues in 2019 of MNOK 417 (479), a decrease of 13% compared to 2018. EBITDA was MNOK -44 (48). The decline in revenue is partly due to several projects coming to an end, as new projects have been won and the order backlog is very strong. The EBITDA was negative with 77 MNOK in the fourth quarter of 2019, after having found significant cost overruns in several projects that were to be closed out.

Earnings per share were NOK 0.44 in 2019 versus NOK 3.17 in 2018. The average total number of outstanding shares has been 33,204,736 in 2019 and 28,306,420 in 2018.

Profit and loss AKVA group ASA

Operating revenues for AKVA group ASA in 2019 was MNOK 940 (820). EBITDA for 2019 was MNOK 31 (-2). Depreciation and amortization in 2019 were MNOK 35 (14). EBIT for 2019 was MNOK -4 (-16). Net financial income was MNOK 36 (25) and profit before tax was MNOK 32 (9). The calculated tax for 2019 was MNOK -5 (1). Net profit for the year was MNOK 37 (8).

Statement of Financial Position and cash flow (consolidated)

Total assets at the end of 2019 was MNOK 3,034 (2,703). Total liabilities amounted to MNOK 2,043 (1,640) and equity totalled MNOK 991 (1,063) giving an equity ratio of 33% (39%).

Working capital in the consolidated balance sheet, defined as non-interest-bearing current assets less non-interest-bearing short-term debt, was MNOK 274 at the end of 2019 compared to MNOK 356 at the end of 2018. Working capital in percentage of 12 months rolling revenue was 9% at the end of 2019 compared to 14% at the end of 2018. The average working capital in 2019 in relation to 12 months rolling revenue was 12% at the end of 2019.

Equity was positively affected during 2019 by this year's result of MNOK 17 (89). Translation differences and cash flow hedges had negative impact on equity of MNOK 6 (16), out of which MNOK 1 (3) was related to currency effects on goodwill and other intangible assets. Equity was also negatively affected during 2019 by the dividend payment of MNOK 59 and from adjustments of contingent considerations with MNOK 12.

At the end of 2019 gross interest-bearing debt amounted to MNOK 793 (761). The Company complied with all financial covenants during 2019. Cash and unused credit facilities amounted to MNOK 565 (336). The operating activities gave a net cash contribution of MNOK 211(154).

Investments in fixed assets in 2019 amounted to MNOK 168 (128), including MNOK 21 (11) in equipment related to our rental business and MNOK 44 (32) in capitalized R&D expenses, in accordance with IFRS.

Balance sheet AKVA group ASA

Total assets at the end of 2019 was MNOK 2,060 (1,880). Total liabilities amounted to MNOK 1,176 (964) and equity totalled MNOK 884 (916) giving an equity ratio of 43% (49%).

Risk factors

The aquaculture industry is associated with biological and market risk and has historically been subject to cyclicalities. AKVA group aims to reduce the risks related to these factors through diversification of its products and technologies to various fish species and geographical regions, as well as by increasing revenues from recurring service and after sales.

For AKVA group the financial risks are mainly related to currency risks, interest rate risks, credit risks and liquidity risks. A reduction in currency risks is sought through matching revenues and costs in the same currency, in combination with forward contracts. The Group is also exposed to fluctuations in foreign exchange rates when calculating the equity of foreign subsidiaries into NOK.

Interest bearing debt is based on floating interest rate and net interest costs will consequently increase and decrease according to fluctuations in the interest rate level. AKVA group targets to maintain sufficient level of free cash at all times to be able to meet its obligations and planned investment levels.

Historically the Group has had low losses from customer receivables. For larger projects the Group generally receives partial pre-payment and payments according to the progress of the projects. The credit risk is thereby reduced.

AKVA group is exposed to fluctuations in prices of certain raw materials used for some of the main products. Reduction of this risk is sought through continuous general awareness and specific attention during major contract negotiation periods, as well as by securing the pricing of raw materials immediately after signing contracts when applicable.

At the point of signing the annual report for 2019 the Covid-19 virus is spreading around the world and is classified by the WHO as a pandemic, in addition there is a global financial crisis due to restrictions of movement in many countries and collapse in the global oil-price. It is deeply affecting the general lifestyle and outlook to do business on a short to medium perspective. The board recognizes the challenges this virus presents for AKVA group's core business and have together with the management taken action with the following focus areas:

- The core of AKVA group is its employees, therefore AKVA group's main focus is the safety and health of our employees
- AKVA group has put in place a program to monitor and underpin the overall liquidity in the company
- AKVA group has implemented actions to maintain the security of supply during this crisis
- A steady order intake is paramount to ensure work for all AKVA employees and a prerequisite for the other focus areas

Product development

In 2019 the Group invested MNOK 93 (87) in product research and development, of which MNOK 44 (32) was capitalized and MNOK 49 (55) expensed. The investments were used to further improve existing products and to develop new products.

Organisation and work environment

AKVA group had 1437 (1508) employees at the end of 2019. Women accounted for 33% (33%) of the employees. The Group aims at having a gender balance across the different levels of the organisation.

The Norwegian Discrimination Act's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith. The Group is working actively to encourage the act's purpose within our business. Included in the activities are recruiting, salary and working conditions, promotion, development opportunities and protection against harassment.

The Group target to be a workplace with no discrimination due to reduced functional ability and is working actively to design and implement physical working conditions to fit all employees. For employees or new applicants with reduced functional ability, individual arrangements of workplace and responsibility are made.

The Group aims to strengthen the competence of its employees to maintain a position as a leading supplier of technology and service to the global aquaculture industry. Through recruitment, the company seeks to employ people with high competence within all areas of its business.

Total sick leave in the Group during 2019 amounted to 5.5% (4,5%). The Group has registered seven (five) incidents causing sick leave exceeding the day the incident occurred during 2019. Efforts have been made in order to prevent similar incidents to happen in the future.

The board considers the working environment in the company to be satisfactory. The development in incidents in 2019 is not satisfactory and should have the boards attention.

Environmental responsibility

AKVA group works systematically to avoid having an undesirable impact on its surroundings. This includes the day-to-day actions of its employees, involvement in research and development, as well as collaboration with government and regulatory authorities, interest groups, other aquaculture companies and suppliers of goods and services. More detailed information is presented in the Group's Corporate Social Responsibility report on page 119 in this report.

Future outlook

2019 ended with a challenging quarter with several unexpected items affecting earnings significantly. Specifically, for the Land Based segment the identification of recent irregularities in accounting uncovered losses not reflected in the P&L. None of these irregularities affect the order book which is at record heights, and a review has been done within Land Based to ensure that the order book includes projects with a normal margin expectation.

A strategy process is initiated which amongst others include a more focused effort on full grow out RAS facilities. Further, the organizational structure has been revisited and a new management structure is set up. Although the competitive situation is demanding within areas of our offering, by strengthening our execution skills, which will be a core part of the strategy, we will enhance the organization, both in lines of our market offering and execution capabilities.

Our net service businesses are about to be expanded; several new service stations are to be built along the coast to complete our network. Plans are also progressing well for expanding net sales internationally. On Newfoundland AKVA group has made good progress to establish a strong presence, most recently by acquiring Newfoundland Aqua Service Ltd, a net service business.

Our product portfolio was strengthened by introducing several new products in Q3, subsequently digital solutions and an environmental sensor buoy are launched. The tube

net, a preventive sea lice solution, has received strong interest in the market and a new generation of the product is underway to be launched.

Within the digital segment the interest for our precision feeding solution (AKVA Observe) is increasing and a solid pipeline exist.

With a record high order backlog and good prospects for the aquaculture industry, AKVA group is well equipped for further growing revenues and earnings.

Allocation of profit

The board propose the following allocation of the 2019 profit for AKVA group ASA:

Proposed dividend	NOK	0
Dividends paid throughout the year	NOK	-58,136,235
Transferred to other equity	NOK	37,018,917
Total allocation	NOK	-21,117,318

At the end of 2019, AKVA group ASA had equity of MNOK 884 (916), comprised of MNOK 33 (33) in share capital, MNOK 854 (854) in share premium, MNOK 1 (1) in other paid-in capital and MNOK -4 (28) in other equity.

A dividend of 1.75 NOK per share was paid out in 2019 (0.75 NOK per share in March 2019 and 1.00 NOK per share in September 2019) totalling a distributed amount of 58,136,235 NOK in accordance with the dividend policy. In addition, a half-yearly dividend of NOK 1.00 per share was decided distributed at the board meeting on 13 February 2020.

A report on Corporate Social Responsibility in AKVA group ASA is included in the second last section of the annual report.

Corporate Governance in AKVA group ASA is described in the last section of the annual report.

Board of Directors



Hans Kristian Mong
Chairman

Hans Kristian Mong lives in Egersund, Norway. He is Chairman of the board in Egersund Group. In addition he holds chairman positions in several companies, including Egersund Net and Egersund Trål. Mr. Mong was elected to the board of directors at the Annual General Meeting May 9, 2012.



Anne Breiby
Deputy Chairperson

Anne Breiby lives in Ålesund, Norway. She holds a Cand. scient degree in Fishery biology from Tromsø University. She held positions in the Norwegian Fishfarmer's Association and the Regional Fishery Administration before serving as a Political advisor for the Minister of Fishery, Political advisor for fishery and industry matters in Parliament and Deputy Minister in the Ministry of Industry and Energy. She has broad experience from serving as a board member for several companies and institutions. Amongst these are Domstein ASA, Ulstein group ASA, Folketrygdfondet, Sparebanken Møre, Innovation Norway, Norwegian Research Council, Rem ASA, Kongsberg Satellite Service AS, Scandinavian Business Seating AS and Fiskeribladet Fiskaren AS. Mrs. Breiby was elected to the board of directors at the general meeting September 25, 2006.

Board of Directors



Kristin Reitan Husebø
Board Member

Kristin Reitan Husebø lives in Stavanger, Norway. She currently works as general manager for the Greater Stavanger. Previously she has held senior positions in Mercuri Urval, Stavanger Aftenblad, Prekubator Technology Transfer Office, Stavanger Helseforskning, Equinor ASA and SR-Finans. Kristin holds a Master in Management from the Norwegian Business School (BI). In addition, she has also attended an Executive Board program from the Scandinavian Executive Institute. Mrs. Reitan Husebø was elected to the Board of Directors at the general meeting May 9, 2019.



Anthony James
Board Member

Anthony James lives in Chester, England. He is Chief Operating Officer for the WheatSheaf Group. He joined WheatSheaf from Grosvenor Group Limited, where he spent five years as Group Corporate Finance Director. Prior to Grosvenor, Anthony was Head of Energy & Natural Resources M&A at KPMG Corporate Finance, where he led a wide range of acquisition, disposal and other strategic advisory assignments across the sector. His previous roles have included senior finance and corporate development positions at Philips Electronics, both in the Netherlands and China. Mr. James was elected to the board of directors at the Annual General Meeting May 8, 2015.

Board of Directors



Hanne Cecilie Pettersen
Employee's elected Board Member

Hanne Cecilie Pettersen lives in Egersund, Norway. She has been employed in Egersund Net since 2007 where she works as production employee with production of Nets. Mrs. Pettersen was elected in October 2018.



Odd Jan Håland
Employee's elected Board Member

Odd Jan Håland lives in Nærbø. He joined AKVA group ASA in 2010 as the service and aftersales manager, responsible for all service stations in the Nordic region. During this period, the department has grown from 11 to 43 people, and number of service stations has increased from 3 to 6. Odd Jan has previous experience from Prima Jæren AS, where he was key account manager in the period from 2000 to 2010. Mr. Haaland was elected in October 2018.

Board of Directors

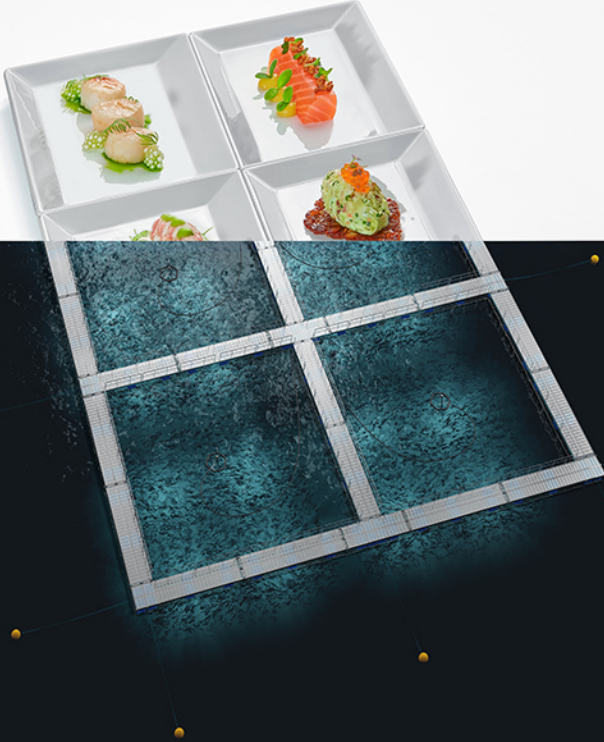


John Morten Kristiansen

Employee's elected Board Member

John M. Kristiansen lives in Mo i Rana. He joined Helgeland Plast AS in 2016 as a warehouse employee. In Helgeland Plast AS John Morten is the elected trustee of the labor union. John Morten has previous experience from Celca warehouse in Mo Industripark. Mr. Kristiansen was elected in October 2018.

Financial Statement Group (AKVA group)



Consolidated Income Statement 01.01. - 31.12.

(in NOK 1 000)

Group	Note	2019	2018
OPERATING REVENUES			
Revenues		3 050 514	2 566 760
Other income	19	26 226	12 713
Total revenues	2,17,21	3 076 740	2 579 473
OPERATING EXPENSES			
Cost of materials	10,21	1 861 353	1 516 675
Payroll expenses	3,4	766 115	638 190
Other operating expenses	4,7,11,15,18	177 362	186 841
Total operating expenses		2 804 829	2 341 706
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		271 910	237 767
Depreciation and amortization	7,8	209 594	107 901
OPERATING PROFIT (EBIT)		62 316	129 866
FINANCIAL INCOME AND EXPENSES			
Financial income	15,16	6 304	14 735
Financial expenses	15,16	(55 145)	(33 085)
Net financial income (expense)		(48 841)	(18 350)
PROFIT BEFORE TAX		13 476	111 516
Taxes	5	-3 129	22 147
NET PROFIT FOR THE YEAR		16 604	89 369
NET PROFIT (LOSS) ATTRIBUTABLE TO:			
Non-controlling interests		1 971	-334
Equity holders of AKVA group ASA		14 633	89 703
Earnings per share (NOK)	6	0,44	3,17
Diluted earnings per share (NOK)	6	0,44	3,17

Consolidated Statement of Comprehensive Income

01.01. - 31.12.

(in NOK 1 000)

Group	Note	2019	2018
NET PROFIT FOR THE YEAR		16 604	89 369
Other comprehensive income			
<i>Items that may be reclassified subsequently to income statement:</i>			
Translation differences on foreign operations		-4 824	-10 273
Income tax effect		-	-
Total		-4 824	-10 273
Gains (+) / losses (-) on cash flow hedges		-1 624	-7 073
Income tax effect		357	1 627
Amount reclassified from other comprehensive income to income statement on disposal		-	-
Total	16	-1 267	-5 447
Total other comprehensive income, net of tax		-6 091	-15 720
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		10 513	73 649
Attributable to:			
Non-controlling interests		1 971	-334
Equity holders of AKVA group ASA		8 542	73 983

Consolidated Statement of Financial Position 31.12.

(in NOK 1 000)

Group	Note	2019	2018
NON-CURRENT ASSETS			
Deferred tax asset	5	16 354	15 970
Intangible assets and goodwill			
Goodwill	7	826 409	834 502
Other intangible assets	7	184 843	202 980
Total intangible assets and goodwill		1 011 252	1 037 482
Tangible fixed assets			
Land and building	8	18 759	19 567
Right of Use Asset	8,18	557 849	-
Machinery and equipment	8	204 498	312 814
Total tangible fixed assets		781 105	332 381
Long-term financial assets			
Investments in associated companies	9	73 776	67 961
Other long-term financial assets	9,11	1 008	5 019
Total long-term financial assets		74 785	72 980
Total non-current assets		1 883 496	1 458 814
CURRENT ASSETS			
Inventory	10	513 549	461 917
Receivables			
Accounts receivables	11,21	317 212	325 612
Contract assets	17	96 390	162 499
Other receivables	4	61 989	82 648
Total receivables		475 590	570 759
Cash and cash equivalents	12	160 999	133 117
Assets held for sale	20	-	78 323
Total current assets		1 150 138	1 244 117
TOTAL ASSETS		3 033 634	2 702 931

Consolidated Statement of Financial Position 31.12.

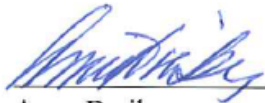
(in NOK 1 000)

Group	Note	2019	2018
EQUITY			
Equity attributable to equity holders of AKVA group ASA		986 340	1 062 423
Non-controlling interests		4 165	184
Total equity	13,19,22,23	990 505	1 062 607
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	5	55 791	85 114
Liabilities to financial institutions	14	665 315	360 254
Lease Liability	18	374 996	-
Other long term liabilities	19	67 442	103 641
Total non-current liabilities		1 163 545	549 010
Current liabilities			
Lease Liability - One year instalment	18	49 884	401 155
Liabilities to financial institutions	14,21	127 252	-
Trade payables	21	228 376	231 568
Current tax payables	5	27 509	25 597
Public duties payable		60 952	41 453
Contract liabilities	17	193 080	221 891
Other current liabilities	15	192 530	146 056
Liabilities held for sale	20	-	23 593
Total current liabilities		879 584	1 091 314
Total Liabilities		2 043 128	1 640 324
TOTAL EQUITY AND LIABILITIES		3 033 634	2 702 931


Klepp, Norway, 31 March 2020



Hans Kristian Mong
(Chairperson)




Anne Breiby
(Deputy chairperson)



Anthony James



Kristin Reitan Husebø



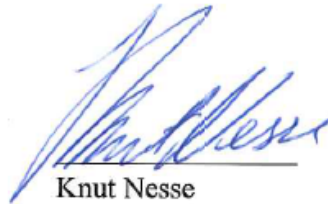
Odd Jan Håland



Hanne Cecilie Pettersen



John Morten Kristiansen



Knut Nesse
(CEO)

Consolidated Statement of Cash flow 01.01.-31.12.

(in NOK 1 000)

Group	Note	2019	2018
Cash flow from operating activities			
Profit before taxes		13 476	111 516
Taxes paid		-24 764	-14 682
Net interest cost		21 672	14 068
Gain (loss) on disposal of fixed assets		-384	-91
Net gain/loss from disposals of subsidiaries		-18 153	-
Depreciation and amortization	7,8	209 594	107 901
Changes in stock, accounts receivable and trade payables		36 453	-60 570
Changes in other receivables and payables		5 333	20 981
Net foreign exchange difference		-10 785	-11 141
Cash generated from operating activities		232 441	167 982
Interest paid	15	-26 765	-17 753
Interest received	15	5 093	3 685
Net cash flow from operating activities		210 769	153 914
Cash flow from investment activities			
Investments in fixed assets	7,8	-141 909	-99 053
Proceeds from sale of fixed assets	7,8	967	4 699
Net repayment of long-term receivables		-1 750	-8 042
Divestment of subsidiary net of cash sold	19	41 736	-
Acquisition of subsidiary net of cash acquired	19	-39 144	-168 276
Net cash flow from investment activities		-140 099	-270 673
Cash flow from financing activities			
Repayment of borrowings	14	-108 000	-25 174
Proceeds from borrowings	14	112 652	228 389
Dividend payment	22	-58 136	-44 335
Dividend payments to NCI		-1 265	-
Sale/(purchase) own shares	23	-11 119	-
Net cash flow from financing activities		-65 868	158 880
Net change in cash and cash equivalents		4 801	42 121
Net foreign exchange differences		-664	-2 227
Cash and cash equivalents at 01.01		156 862	116 969
Cash and cash equivalents at 31.12	12	160 999	156 862

Overdraft on cash pool is included in financing activities and is not included in cash and cash equivalents as of 31.12.

Consolidated Statement of changes in equity

(in NOK 1 000)

Group	Note	Share capital	Share premium	Other paid-in capital	Total paid in capital	Translation differences	Other equity	Total other equity	Retained earnings	Total equity	Non-controlling interest	Equity shareholders AKVA group
Equity as at 01.01.2018		25 806	329 715	-759	354 763	11 951	-2 484	9 466	136 195	500 425	518	499 907
Adjustment on initial application of IFRS 15 (net of tax)		-	-	-	-	-	1 769	1 769	-	1 769	-	1 769
Adjusted balance at 01.01.2018		25 806	329 715	-759	354 763	11 951	-715	11 236	136 195	502 194	518	501 677
Net movement in cash flow hedges		-	-	-	-	-	-5 447	-5 447	-	-5 447	-	-5 447
Translation difference		-	-	-	-	-10 273	-	-10 273	-	-10 273	-	-10 273
Total other comprehensive income		-	-	-	-	-10 273	-5 447	-15 720	-	-15 720	-	-15 720
Profit (loss) for the period		-	-	-	-	-	-	-	89 369	89 369	-334	89 703
Total comprehensive income		-	-	-	-	-10 273	-5 447	-15 720	89 369	73 649	-334	73 983
Dividend	22	-	-	-	-	-	-	-	-44 335	-44 335	-	-44 335
Adjustment of contingent consideration	19	-	-	-	-	-	-	-	6 098	6 098	-	6 098
Issue of share capital	19	7 500	517 500	-	525 000	-	-	-	-	525 000	-	525 000
Equity as at 31.12.2018	13	33 306	847 215	-759	879 763	1 677	-6 162	-4 484	187 328	1 062 607	184	1 062 423
Equity as at 01.01.2019		33 306	847 215	-759	879 763	1 677	-6 162	-4 484	187 328	1 062 607	184	1 062 423
Net movement in cash flow hedges		-	-	-	-	-	-1 267	-1 267	-	-1 267	-	-1 267
Translation difference		-	-	-	-	-4 824	-	-4 824	-	-4 824	-	-4 824
Total other comprehensive income		-	-	-	-	-4 824	-1 267	-6 091	-	-6 091	-	-6 091
Profit (loss) for the period		-	-	-	-	-	-	-	16 604	16 604	1 971	14 633
Total comprehensive income		-	-	-	-	-4 824	-1 267	-6 091	16 604	10 513	1 971	8 542
Dividend	22	-	-	-	-	-	-	-	-58 136	-58 136	-	-58 136
Non-controlling interests arising on a business combination	19	-	-	-	-	-	-	-	-1 265	-1 265	-	-1 265
Adjustment of contingent consideration	19	-	-	-	-	-	-	-	-12 095	-12 095	2 010	-14 106
Sale / (purchase) of own shares	23	-150	-	-	-150	-	-10 969	-10 969	-	-11 119	-	-11 119
Equity as at 31.12.2019	13	33 156	847 215	-759	879 613	-3 147	-18 397	-21 544	132 436	990 505	4 165	986 340

Notes to the Consolidated Financial Statement – Group

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Note 1

Reporting entity

AKVA group ASA is a public limited liability company registered in Norway. The company is subject to the provisions of the Norwegian Act relating to Public Limited Liability Companies. The company's registered office is at Svanavågveien 30, N-4374 Eigersund, Norway. The Group is primarily involved in delivery of technology and services to the fish farming industry.

These consolidated Financial Statements have been approved for issuance by the board of directors on 31 March and is subject for approval by the Annual General Meeting on 7 May 2020.

Basis of accounting

The consolidated financial statements of the AKVA group have been prepared in accordance with the international accounting standards published by the International Accounting Standards Board and the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) as per 31 December 2019.

The consolidated financial statements have been prepared on a historical cost basis, except for derivatives and contingent considerations measured at fair value and financial liabilities recognized due to anticipated acquisitions at the present value of the expected redemption amount.

Functional and presentation currency

The Group presents its financial statements in NOK. This is also the parent company's functional currency. For consolidation purposes, the statements of financial position of subsidiaries with a different functional currency are translated at the rate applicable at the end of the reporting period, and the income statements have been translated at monthly average rates. Translation differences are recognized in other comprehensive income. When foreign subsidiaries are sold, the accumulated translation differences relating to the subsidiary are recognized as agio gain or loss in the statement of profit or loss.

Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate AKVA group ASA and companies that AKVA group ASA (directly or indirectly) control (the Group). Control is achieved when the Group is exposed or has right to variable returns from its involvement with a company in which it has invested and has the ability to use its power to affect its returns from this company. Non-controlling interests in subsidiaries are presented within equity separately from the equity attributable to the owners of the parent.

Companies which have been bought or sold during the year are consolidated from/until the date when control transfers to/from the Group. Investments in associates (normally investments of between 20% and 50% of the companies' equity) in which AKVA group ASA exercises a significant influence are accounted for by applying the equity method. The carrying value of the investments is reviewed when there are indications of a decline in value or when there is no longer any need for previously recognized impairment losses.

When the Group's share of the loss exceeds the investment in associates, the investment and any long-term interests that in substance is a part of the net investment is carried at zero value. If the Group's share of the loss exceeds the investment, this will be recognized to the extent that the Group has obligations to cover this loss.

Inter-company transactions and balances, including internal profits and unrealized gains and losses are eliminated in full. Unrealized gains that have arisen due to transactions with

associates are eliminated against the Group's share in the associate. Unrealized losses are correspondingly eliminated, but only to the extent that there are no indications of a decline in the value of the asset that has been sold internally.

The consolidated financial statements are prepared on the assumption of uniform accounting policies for identical transactions and other events under equal circumstances.

Segments

For management purposes, the Group is organized into three business areas according to their range of products/services. The Chief Operating Decision Maker is the Group's Chief Executive Officer who delegates responsibility to the Chief Operating Officers (COO's) in the regions they are responsible. These business areas comprise the basis for primary segment reporting. Financial information relating to segments and geographical divisions is presented in note 2.

In the segment reporting, the internal gain on sales between the various segments is eliminated.

Business Combinations

The acquisition of subsidiaries is accounted for using the acquisition method. Acquisition related costs incurred are expensed and included in other operating expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and relevant conditions as at the acquisition date.

The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognized at their fair values, except for deferred tax, at the acquisition date.

Goodwill arising on acquisition is recognized as an asset measured at the excess of the sum of the consideration transferred, the fair value of any previously held equity interests and the amount of any non-controlling interests in the acquire over the net amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities exceeds the total consideration of the business combination, the excess is recognized in the income statement immediately. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in the income statement as financial income or expense. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

The Group has in some business combinations in 2016 entered put and call options for the remaining non-controlling interests (NCI). The group accounts for such agreements using "the anticipated-acquisition method". Under this method, the interest subject to the option is deemed to have been acquired at the date of acquisition. Accordingly, the financial liability arising from the option is included in the consideration transferred. Under the anticipated-acquisition method, the interests of the non-controlling shareholders that hold the options are derecognized when the financial liability is recognized. This is because the recognition of the financial liability implies that the interests subject to the options are deemed to have been acquired already. Therefore, the underlying interests are presented as already owned by the Group, both in the statement of financial position and in the statement of profit or loss and other comprehensive income. The financial liability is recognized at the present value of the expected redemption amount. Changes in the carrying amount of the liability will be recognized within equity. If the option expires unexercised, then the liability is derecognized and NCI is recognized, consistent with a decrease in ownership interests in a subsidiary while retaining control.

Purchase Price Allocation arising from a business combination is finalized within twelve months of completed acquisition.

If the business combination is achieved in stages, the fair value of the Group’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through the income statement.

Revenue recognition

Based on the five-step model the Group has assessed its revenue streams to depict the transfer of promised goods or services to customers in an amount that reflects the consideration (standalone selling price) to which the entity expects to be entitled in exchange for those goods or services.

The Group has implemented routines and guidelines to identify when a contract is entered into with a customer and identify if the contract contains one or more performance obligations. In general, the Group operates with standard contracts with customers within each segment and revenue stream, thus procedures and guidelines are implemented to assure revenue recognition comply with the standard. If entering into contracts with customers which deviates from the standard contracts, an assessment of the deviation(s) is done to assure revenue recognition is according to IFRS 15.

In the event that contracts contain distinct multiple performance obligations, the standalone selling price (SSP) must be identified. An assessment of standalone selling prices is presented in the table below:

SSP basis	IFRS 15 guidance	Approach	Other consideration
Observable price	The price at which an entity would sell a promised good or service separately to a customer Contractually stated price or a list price	Use the values per AKVA’s price list as long as the goods or services are sold separately to similar customers in similar circumstances	This option is not available if the promised good or service is not routinely sold separately to customers. (It might be used for sale of spare parts)
Adjusted market assessment	Approach is focused on external factors Based on the price that a customer would be willing to pay May include referring to competitor’s prices for similar goods or services	Use the information available on the existing active market for similar-specification equipment to determine the average market price Estimate would have to be revisited on a periodic basis	Could expose AKVA to variability in average market prices because different vendors might have different business models, which means their margins can vary significantly
Cost plus margin	Approach is focused on external factors Based on the price that a customer would be willing to pay	Expected costs should include the costs to satisfy the performance obligation The margin should be reflective of the margin rate that the market would be willing to pay, not just AKVA’s desired margin Estimate would have to be revisited on a periodic basis	Could reduce exposure to variances in margins and fluctuations in the selling prices quoted by other market participants, as well as the inherent subjectivity in selecting the external market participants for analysis
Residual value	Approach is focused on external factors Based on the price that a customer would be willing to pay		This option may not be available for AKVA’s equipment/goods as AKVA would need to demonstrate that the selling price is not apparent from past experience or is uncertain

Variable considerations, such as penalties or prices that depend on uncertain future outcomes, are estimated upfront and considered in the calculation of transaction price by using either the expected value approach or the most likely amount. Before it may be concluded that any amount of variable consideration can be included in the transaction price, AKVA group considers whether the amount of variable consideration is constrained.

This means that variable consideration estimated can only be included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Combining contracts are seldom an issue for AKVA, however the issue is addressed in the Group's guidelines and evaluated when entering into new contracts. From time to time, AKVA gives customers the option to purchase an additional item, and in such cases, we will evaluate if the option represents a material right. AKVA has not yet had any contracts with a significant financing component but will ensure to take the issue into consideration when applicable.

Timing and pattern of revenue recognition

The timing and pattern of revenue recognition depends on type of contract and the terms and conditions set out in the contract. AKVA group recognizes revenue over time if one of the following criteria is met (IFRS 15:35):

- The customer simultaneously receives and consumes all the benefits provided by entity as the entity performs;
- The entity's performance creates or enhances an asset the customer controls as the asset is created; or
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

Point in time revenue recognition is applicable if the criteria for over time recognition is not satisfied.

Principles for measuring progress

There are two methods for measuring progress of a project recognized over time, either the input or the output method.

Input method – Cost based (Cost-to-cost)

The input method measures performance based on efforts or inputs towards satisfying the performance obligation relative to the total expected inputs. Such inputs are for example resources consumed, cost incurred, time elapsed, labour hour expended, and machine hours used.

Output method

The output method measures performance based on the value created relative to the total value of the contract/delivery. The control of the good is gradually transferred to the customer, and for construction contracts AKVA group uses milestones for guiding purposes.

The pattern of AKVA group's revenue recognition is described below:

Over time recognition

AKVA group's standard contracts with customers are assessed to meet the criteria for over time recognition. The output method is applied for three specific standard customer contracts within the cage based segment; barges, plastic cages and Polarcirkel boats. The revenue is recognized based on direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. To measure the output, AKVA uses methods such as surveys of performance completed to date, appraisals of results achieved, and milestones reached. The usage of milestones reached are not used to determine if goods or services is transferred at a discrete point in time, but more as a guideline ("rule of thumb") for evaluating the stage of completion of a project. As long as the progress can be reliably measured, AKVA believes that the abovementioned output methods are considered to be the best way of reflecting satisfaction of performance obligations. For service contracts the benefit is considered to be consumed simultaneously by the customer as it is received from

AKVA. Therefore, the service contracts are recognized over a straight line for the period the service is performed based on elapsed time (out-put method). The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract liabilities primarily relate to the advance consideration received from customers for work performed after the reporting date.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

The input method is done by the basis of AKVA group's efforts/inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended, and costs incurred) relative to the total expected inputs to the satisfaction of that performance obligation. This applies for the remaining standard customer contracts within the cage based segment, and for customer contracts within the land based segment.

Point in time recognition

Direct sales of equipment and parts are recognized at the time of delivery, e.g. when the control is transferred from AKVA group to the customer depending on delivery terms.

Revenue recognition from software segment is dependent of the type of revenue/promised service to customer; it is both over time using the output method and point in time.

Interest is recognized in the income statement as financial income. Royalties will be recognized in the income statement in relation to the terms and conditions of the various royalty agreements. Dividends are recognized in the income statement when the shareholders' rights to receive dividend have been determined.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are initially recognized in the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rate at the reporting date. All exchange differences are recognized in the income statement except for exchange differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, or monetary items that are regarded as part of the net investments. These exchange differences are recognized as a separate component of other comprehensive income until the disposal of the net investment or settlement of the monetary item, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those borrowings or monetary items as part of the net investments are also recognized in other comprehensive income. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions.

Foreign operations

The assets and liabilities of foreign subsidiaries, including goodwill and fair value adjustments included in the consolidation are translated into NOK at the exchange rates at the balance sheet date. The income and expenses of foreign operations are translated into NOK using the monthly average exchange rate. Foreign currency differences are recognized in other comprehensive income and accumulated in the translation reserve.

The Group uses the mid-rate on the balance sheet date listed by Norges Bank, the Central Bank of Norway, when translating foreign currencies into NOK. Norges Bank does not quote the exchange rate between NOK and CLP. This exchange rate is calculated based on the quoted rates of NOK per USD and CLP per USD by Norges Bank and the Central Bank of Chile respectively.

Operating profit

Operating profit is the result generated from the continuing principal revenue-producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs and income taxes.

Employee benefits

Defined contribution plan

All Group companies have pension schemes based on contributions from the company to the employees. The companies' payments are recognized in the income statements for the year to which the contribution applies. The companies have no further commitments towards pensions when the agreed contributions are paid.

Severance pay

In some countries, the companies are obliged by law to provide severance pay for redundancies due to reductions in the workforce. The costs relating to severance pay are set aside once the management have decided on a plan that will lead to reductions in the workforce and the work of restructuring has started or the reduction in the workforce has been communicated to the employees.

Share options

The fair value of the share options is measured at the grant date and the cost is recognized in the income statement, together with a corresponding increase in other paid-in capital, over the period in which the performance and/or service conditions are fulfilled. The fair value is calculated using a Black & Scholes model.

Government grants

Government grants are recognized when there is reasonable assurance that they will be received, and the Group will comply with conditions associated with the grant.

Grants related to assets are presented in the balance sheet by deducting the grant arriving at the carrying amount of the asset and recognized in the income statement over the useful life of the depreciable asset as a reduced depreciation expense.

Grants that compensate the Group for expenses incurred are recognized in profit and loss on a systematic basis over the periods in which the expenses are recognized.

Income tax

Income tax comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income tax, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising on dividends.

Deferred tax

Deferred tax is calculated on all taxable temporary differences, except for:

- Temporary differences relating to investments in subsidiaries, associates or joint ventures when the Group decides when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future

Deferred tax assets are recognized in the balance sheet when it is probable that the company will have a sufficient profit for tax purposes to utilize the tax asset. At each balance sheet date, the Group carries out a review of its unrecognized deferred tax assets

and the value it has recognized. The companies recognize formerly unrecognized deferred tax assets to the extent that it has become probable that the company can utilize the deferred tax asset. Similarly, the company will reduce its deferred tax assets to the extent that it can no longer utilize these.

Deferred tax is measured at the decided future tax rates applicable to the companies in the Group where temporary differences have arisen.

Deferred tax assets (tax liabilities) are recognized at their nominal value and classified as non-current asset (long-term liabilities) in the balance sheet.

Expectations regarding the effective tax rate

The nominal tax rate in Norway was 22% in 2019. Business operations outside Norway are subject to local tax rates in their country of operation, and nominal tax rates range from 15% to 29%. In some periods, tax losses carried forward that are not recognized in the balance sheet have caused variations in the effective tax rate. In periods when such assets have not been recognized, the effective tax rate has been higher than the long-term expectation, whereas it has been lower in periods when tax losses not recognized as assets have been utilised.

Equity

Equity and liabilities

Financial instruments are classified as liabilities or equity in accordance with the underlying financial reality.

Interest, dividends, gains and losses relating to a financial instrument classified as a liability will be presented as an expense or income. Amounts distributed to holders of financial instruments which are classified as equity will be recognized directly in equity.

Other equity

(a) Translation differences

Translation differences arise in connection with currency differences when foreign entities are consolidated.

Currency differences relating to monetary items (liabilities or receivables), which are part of a company's net investment in foreign entities are treated as translation differences.

When a foreign operation is sold, the accumulated translation differences linked to the entity are reversed and recognized in the income statement in the same period as the gain or loss on the sale is recognized.

(b) Hedge reserve

The hedge reserve includes the total net change in the fair value of the cash-flow hedge until the hedged cash flow arises or is no longer expected to arise.

Intangible assets and goodwill

Intangible assets are recognized in the balance sheet if it can be proven that there are probable future economic benefits that can be attributed to the asset which is owned by the company, and the asset's cost price can be reliably estimated. Intangible assets are recognized at cost price.

Research and development

Expenses relating to research are recognized in the income statement when they are incurred. Expenses relating to development are recognized in the income statement when they are incurred unless the following criteria are met in full:

- The product or process is clearly defined, and the cost elements can be identified and measured reliably;

- The technical solution for the product has been demonstrated;
- The product or process will be sold or used in the company's operations;
- The asset will generate future economic benefits; and
- Sufficient technical, financial and other resources for completing the project are present

When all the above criteria are met, the costs relating to development start to be recognized in the balance sheet. Costs that have been charged as expenses in previous accounting periods are not recognized in the balance sheet.

Amortization of the asset begins when development is complete, and the asset is available for use. During the period of development, the asset is tested for impairment annually.

The amortization period will normally not exceed five years.

Other intangible assets

Other intangible assets, including customer relationship, patents and trademarks, that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

Software

Expenses related to the purchase of new computer programs are recognized in the balance sheet as an intangible non-current asset provided these expenses do not form part of the hardware acquisition costs. Expenses incurred as a result of maintaining or upholding the future usefulness of software are expensed as incurred unless the changes in the software increase the future economic benefit from the software.

Goodwill

Additional value on the purchase of a business that cannot be allocated to assets or liabilities on the acquisition date is classified in the balance sheet as goodwill. In the case of investments in associates, goodwill is included in the cost price of the investment.

Gain on a bargain purchase

A gain on a bargain purchase upon an acquisition of a business is recognized in profit or loss after the acquired assets and liabilities have been re-identified and reassessed in order to ensure that the gain is not due to an error in the valuation of assets or liabilities.

Amortization

Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over the estimated useful life and is generally recognized in profit and loss. Intangible assets with a finite useful life are amortized and any need for impairment losses to be recognized is considered. Intangible assets with indefinite useful lives and goodwill is not amortized, but impairment losses are recognized if the recoverable amount is less than the cost price. When impaired, the goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies from the business combination.

The estimated useful lives for current and comparative periods are as follows:

- | | |
|-------------------------|------------|
| • Development | 3-5 years |
| • Patents | 20 years |
| • Product rights | 5-10 years |
| • Trademarks | 5 years |
| • Customer relationship | 5-10 years |
| • Software | 3 years |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation and any accumulated impairment losses. When assets are sold or disposed of, the gross carrying amount and accumulated depreciation are derecognized, and any gain or loss on the sale or disposal is recognized in the income statement.

The gross carrying amount of tangible fixed assets is the purchase price, including duties/taxes and direct acquisition costs relating to making the asset ready for use.

Subsequent costs, such as repair and maintenance costs, are normally recognized in profit or loss as incurred. When increased future economic benefits as a result of repair/maintenance work can be proven, such costs will be recognized in the balance sheet as additions to tangible fixed assets. If replacing an asset, the replacement will be recognized in the balance sheet and the replaced asset will be de-recognized.

Depreciation is calculated to write off the cost of tangible fixed assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognized in profit and loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for current and comparative periods are as follows:

Machinery and equipment	3 - 5 years
Buildings	> 20 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted appropriately.

Inventories

Inventories, including work in progress, are valued at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated costs necessary to make the sale. Inventories are measured using the FIFO principle. Finished goods and work in progress include variable costs and fixed costs that can be allocated to goods based on normal capacity. Obsolete inventories have been fully recognized as cost of goods sold.

Trade receivables

Trade receivables are carried at amortized cost. The interest element is disregarded if it is insignificant. Should there be objective evidence that an asset may be impaired, the difference between the carrying amount and the present value of future cash flows is recognized as a loss, discounted by the receivable amount's effective interest rate.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be converted into cash within three months and to a known amount, and which contain insignificant risk elements.

The cash and cash equivalent amount in the cash flow statement do not include overdraft facilities. See note 12 for information about unused overdraft facilities.

Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Recognition of leases and exemptions

At the lease commencement date, the Group recognizes a lease liability and corresponding right-of-use asset for all lease agreements in which it is the lessee, except for the following exemptions applied:

- Short-term leases (defined as 12 months or less)
- Low value assets

For these leases, the Group recognizes the lease payments as other operating expenses in the statement of profit or loss when they incur.

Lease liabilities

The lease liability is recognized at the commencement date of the lease. The Group measures the lease liability at the present value of the lease payments for the right to use the underlying asset during the lease term that are not paid at the commencement date. The lease term represents the non-cancellable period of the lease, together with periods covered by an option either to extend or to terminate the lease when the Group is reasonably certain to exercise this option.

The lease payments included in the measurement comprise of:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amount expected to be payable by the Group under residual value guarantees
- The exercise price of a purchase option, if the Group is reasonably certain to exercise that option
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect adjustments in lease payments due to an adjustment in an index or rate.

The Group does not include variable lease payments in the lease liability. Instead, the Group recognizes these variable lease expenses in profit or loss.

Right-of-use assets

The Group measures the right-of use asset at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of the right-of-use asset comprise:

- The amount of the initial measurement of the lease liability recognized
- Any lease payments made at or before the commencement date, less any incentives received
- Any initial direct costs incurred by the Group. An estimate of the costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

The Group applies IAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated, and any equity-accounted investee is no longer equity accounted.

Loans and borrowings

Loan interest income/borrowing costs are recognized in the income statement when they arise. Borrowing costs are capitalized to the extent that they are directly related to the purchase, construction or production of a qualifying asset.

Loans/borrowings are recognized at fair value, net of transaction costs. The loans/borrowings are thereafter recognized at amortized costs using the effective interest rate method, with the difference between the net amount paid out/received and the redemption value being recognized in the income statement over the term of the loan/borrowing.

Borrowing costs are capitalized when the interest costs are incurred during the non-current asset's construction period. The borrowing costs are capitalized until the date when the non-current asset is ready for use. If the cost price exceeds the non-current asset's fair value, an impairment loss is recognized.

Intragroup loans defined as part of the net investment in a subsidiary is denominated in the functional currency of the foreign operation. An exchange difference arising on a net investment is recognized in other comprehensive income and accumulated in a separate component of equity until the disposal of the foreign operation.

Financial instruments

According to IFRS 9, Financial Instruments: Recognition and measurement, financial instruments are classified in following categories: amortized cost, fair value through profit and loss and fair value through other comprehensive income. Financial instruments with fixed or determinable cash flows and a fixed maturity are measured at amortized cost.

Financial instruments that are held with the intention of making a gain on short-term fluctuations in prices are classified as financial assets at fair value through profit or loss.

Financial instruments that are held to maturity are included in the non-current asset/liabilities unless the maturity date is less than 12 months after the balance sheet date. Financial instruments at fair value through profit or loss are classified as current assets/liabilities, and financial instruments that are available for sale are presented as current assets if the management has decided to sell the instrument within 12 months of the balance sheet date.

Financial assets with fixed or determinable cash flows that are not quoted in an active market are classified as loans and receivables, with the exception of instruments that the Group has designated as being at fair value with changes in value through profit or loss or available for sale.

All purchases and sales of financial instruments are recognized on the transaction date. The transaction costs are included in the cost price, but not for financial instruments that are measured at fair value.

Changes in the fair value of financial instruments classified as financial instruments at fair value through profit or loss are recognized in the income statement and included in the net financial income (expenses).

Hedging

As part of the international activity the Group's assets and liabilities as well as expected cash inflows and cash outflows are exposed to changes in the currency rates. Such risk is sought reduced by using currency forward contracts. The currency risk is managed by the parent company in cooperation with the subsidiaries.

Before a hedging transaction is carried out, the Group's finance department assesses whether a derivative is to be used to a) hedge the fair value of an asset or liability, b) hedge a future cash flow from an investment, debt payment or future identified transaction or c) hedge a net investment in a foreign operation.

The Group's criteria for classifying a derivative as a hedging instrument are as follows: (1) the hedge is expected to be effective in that it counteracts changes in the fair value of or cash flows from an identified asset - a hedging efficiency within the range of 80-125% is expected, (2) the effectiveness of the hedge can be reliably measured, (3) there is adequate documentation when the hedge is entered into that the hedge is effective, (4) for cash-flow hedges, the forthcoming transaction must be probable, and (5) the hedge is evaluated regularly and has proven to be effective.

(a) Fair value hedges:

Derivatives designated as hedging instruments are measured at their fair value and changes in the fair value are recognized in the income statement as they arise. Correspondingly, a change in the fair value of the hedged object which is due to the risk that the object is hedged against is recognized in the income statement.

The hedge accounting is discontinued if:

- i) the hedging instrument expires or is terminated, exercised or sold, or
- ii) the hedge does not meet the abovementioned hedge requirements, or
- iii) the Group chooses to discontinue hedge accounting for other reasons

If the hedge assessment is terminated, the changes which have been made in the carrying amount of the hedged object are amortized over the remaining economic life using the effective interest rate method if the hedging instrument is a financial instrument that has been recognized according to the effective interest rate method.

(b) Cash-flow hedges

The hedge is done on 1:1 relationship between the hedged item and the hedging instrument.

Changes in the fair value of a hedging instrument that meet the criteria for cash flow hedge accounting are recognized as gains or losses in other comprehensive income.

The ineffective part of the hedging instrument is recognized directly in the income statement. In these hedge relationships, the main source for ineffectiveness is changes in timing of the hedged transaction.

If the hedge of a cash flow results in an asset or liability being recognized, all former gains and losses recognized directly in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the asset or liability. For other cash-flow hedges, gains and losses recognized directly in other comprehensive income are reclassified to the income statement in the same period as the cash flow which comprises the hedged object is recognized in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the hedge accounting is discontinued. The cumulative gain or loss on the hedging instrument recognized directly in other comprehensive income remains separately recognized in other comprehensive income until the forecast transaction occurs.

If the hedged transaction is no longer expected to occur, any previously accumulated gain or loss on the hedging instrument that has been recognized directly in other comprehensive income will be recognized in profit or loss. See note 16 for further information.

Provisions

Provisions are recognized when, and only when, the company has a valid liability (legal or constructive) as a result of events that have taken place and it can be proven probable (more probable than not) that a financial settlement will take place as a result of this liability, and that the size of the amount can be measured reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability. Provided provisions to cover the liability will be equal to fair value if the effect of time is insignificant. When the effect of time is significant, the provisions will be the present value of future payments to cover the liability. Any increase in the provisions due to time is presented as interest costs.

Contingent liabilities acquired upon the purchase of a business are recognized at fair value even if the liability is not probable. The assessment of probability and fair value is subject to constant review. Changes in the fair value are recognized in the income statement.

Impairment of assets

Financial instruments

Financial instruments are reviewed at each balance sheet date in order to discover any decrease in value.

Financial assets which are valued at amortized cost are written down with lifetime expected credit loss. The amount of the impairment loss is recognized in the income statement. Any reversal of previous impairment losses are recognized when the expected loss change. However, an increase in the carrying amount is only recognized to the extent that it does not exceed what the amortized cost would have been if the impairment loss had not been recognized.

Other assets

An assessment of impairment losses on other assets is made when there is an indication that an asset may be impaired. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognized in the income statement. The recoverable amount is the higher of the fair value less costs to sell and the value in use. The fair value less costs to sell is the amount that can be obtained from a sale to an independent third party minus the sales costs. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for cash-generating unit to which the assets belong.

Except for goodwill, impairment losses recognized in the income statements for previous periods are reversed when there is information that the need for the impairment loss no longer exists or is not as great as it was. The reversal is recognized in the same line item as the impairment. However, no reversal takes place if the reversal leads to the carrying amount exceeding what the carrying amount would have been if normal depreciation periods had been used.

Contingent liabilities and assets

Contingent liabilities are defined as

- i) possible obligations resulting from past events whose existence depends on future events
- ii) obligations that are not recognized because it is not probable that they will lead to an outflow of resources
- iii) obligations that cannot be measured with sufficient reliability

Contingent liabilities are not recognized in the annual financial statements. Significant contingent liabilities are disclosed, except for contingent liabilities where the probability of the liability occurring is remote.

A contingent asset is not recognized in the annual financial statement, but is disclosed if there is a certain level of probability that a benefit will accrue to the Group.

Events after the balance sheet date

New information on the company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the company's position at the balance sheet date, but which will affect the company's position in the future are disclosed if significant.

Use of estimates when preparing the annual financial statements

Estimates and their underlying assumptions that affect the application of accounting principles and reported amounts of assets and liabilities, income and expenses are based on historic experience and other factors considered reasonable under the circumstances. The estimates constitute the basis for the assessment of the net book value of assets and liabilities when these values cannot be derived from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statement, is given in the following notes:

- Impairment test for intangible assets (note 7)
- Amortization periods for intangible assets (note 7)
- Capitalized development cost/R&D cost (note 7)
- Taxes (note 5)
- Revenue from contracts with customers (note 17)

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment of the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill, assets under construction that are not ready for

its intended use and intangible assets with indefinite useful lives are tested for impairment annually, or more frequent if impairment indicators exist. The Group's impairment test for non-financial assets is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested.

The recoverable amount is affected by the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. For further discussion refer to note 7.

Capitalized development costs

The decision to capitalize a development program involves management judgment. There are strict internal rules defining what qualifies for capitalization, and the documentation of the assessment is monitored centrally. Management makes assessment of future market opportunities, ability to successfully achieve the desired technological solution and the time and cost it takes to develop it. These factors may change over time.

Impairment indicators are assessed for individual development projects, other intangible assets and for cash generating units as a whole, including goodwill. Impairment testing is performed when impairment indicators have been identified. In addition, capitalized development programs that have not been completed are subject to an annual impairment test. The impairment test includes update of the business case, assessing status on technical achievements and reviewing cost incurred compared to budget in order to identify if any of the capitalized cost should be expensed. The asset is written down to recoverable amount, if lower than book value. The impairment testing involves judgmental assumptions about future market development, cash flows, determination of WACC, growth rate used for calculation of terminal value and other assumptions that may change over time.

Recognized development costs are amortized on a straight-line basis over the estimated useful life for the asset, usually not exceeding 5 years. Amortization starts when the asset is ready for use.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Revenue from contracts with customers

The input or output method is used to account for customer contracts complying to revenue recognition over time. These methods require estimates of the final revenue and costs of the contract, as well as measurement of progress achieved to date as a proportion of the total work performed.

The Group reviews the estimates of contract revenue and contract costs for ongoing projects on a monthly basis through its internal financial reporting processes. See note 17 for disclosures relating to customer contracts.

New and amended accounting standards

The accounting policies applied are consistent with those applied in the previous financial year, except for the implementation of new accounting standards as described below.

IFRS 16 Leases

IFRS 16 was effective from 1 January 2019 and replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-

Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Effective 1 January 2019 the Group adopted IFRS 16 using the modified retrospective approach and, consequently, comparative information has not been restated. The Group recognized the cumulative effect of initially applying the standard as an adjustment to the opening balance.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. At the commencement date of a lease, the Group, as lessee, recognizes a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term ("right-of-use asset"). The standard includes a number of optional practical expedients related to recognition and initial application. Interest expenses on the lease liability as well as depreciation expenses on the right of use asset are calculated and presented separately in the statement of income.

At the date of initial application of IFRS 16, the Group measured lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 January 2019. Further, the Group recognized right-of-use assets at an amount equal to the lease liability adjusted for prepaid and accrued lease payments.

The Group is not recognizing any options for prolonging existing lease contracts, as it is AKVA groups understanding that exercising options are uncertain up until the point of the actual signing the option.

The Group has applied the following exemptions (practical expedients) to leases previously classified as operating leases at the date of initial application:

- Exemption for short-term leases (defined as 12 months or less)
- Exemption for low value assets

IFRS 16 impact on the consolidated financial statements

As of 31 December 2018, the Group's off-balance sheet, non-cancellable operating lease commitments amounted to a total of MNOK 507.7. The recognized financial lease liabilities as of the same date amounted to MNOK 130.

The impact on the date of initial application is further presented below (amount in NOK 1 000):

Operating lease commitment at 31.12.2018	507 748
Recognition exemption for leases	
- of low-value assets	-2 169
- with less than 12 months of leases term at transition	-
Discounting using the incremental borrowing rate	-85 850
Finance lease liabilities recognized as at 31.12.2018	129 988
Lease liability according to IFRS 16 as at 01.01.2019	549 717
The weighted average incremental borrowing rate applied:	4.5 %

The average discount value used for calculating the NPV of right-of-use asset is just below 4.5%. A change in interest down to 4.0% would result in an opening balance which is MNOK 9.8 higher.

Note 2

Segment information (in NOK 1 000)

Business segments

For more detailed description and information about products and services included in the business areas, please go to www.akvagroup.com.

Cage Based Technology

Main products include PolarcirkeTM, WavemasterTM and AkvasmartTM hardware brands such as: Plastic cages, steel cages, feed barges, feed systems, sensor- and camera systems, underwater lights and net cleaning systems. Various degrees of cage farming projects are also delivered in main export markets. These also include nets and mooring systems from other recognized sub-suppliers. Through Helgeland Plast AS in Norway, AKVA group supplies polyethylene work boats and pipes to aquaculture and other industries. By including Sperre AS in AKVA in 2016 the Group also supplies ROV's and subsea solutions to the aquaculture, oil service and maritime industries. The acquisition of Egersund Net has increased the service and offering with nets, mooring as well as extensive service network for net services.

Software

Main products include all FishtalkTM software brands such as: Production control, planning, traceability and ERP software for both the aquaculture and the fishing industry. Main markets include Norway, Iceland, Canada, Chile and UK. AKVA group is the market leader in software both to the aquaculture and fishing industries in these markets. Main offices for the software activities are in Norway (Trondheim) and Iceland (Reykjavik and Akureyri).

Land based technology

Recirculation technology forms the main part of our Land Based Aquaculture Technology, which is developing into a major trend in global aquaculture. This technology allows the re-use (recirculation) of close to 100% of the water by cleaning the water and restoring important water quality parameters, using advanced water treatment technology. Main components used include mechanical filters, UV treatment, bio filters, degasser units, oxygenation, cooling/heating systems and lifting pumps. The main reason for reporting this separately is due to the very different nature of this business compared to the other more traditional part of AKVA group's business and products. Recirculation projects tend to be 10-20 times larger (in average project value) compared to other delivery projects (other AKVA group products). The sales process is substantially more complex and time consuming as it often requires extensive pre-project engineering, site evaluations and harder to get financing. Main subsidiaries in the Group for Land Based Technology are AKVA group Denmark A/S (Denmark), AKVA group Land Based Norway AS (Norway) and AKVA group Land Based A/S (Denmark).

Intra segment revenue is immaterial.

Cage Based Technology	2019	2018
Operating revenue	2 533 465	1 927 432
Operating expenses	2 242 406	1 771 352
Operating profit before depreciation and amortization (EBITDA)	291 059	156 079
Depreciation and amortization	176 627	81 420
Operating profit (EBIT)	114 432	74 660
Investments in tangible and intangible assets	145 583	107 516

Software	2019	2018
Operating revenue	126 354	172 764
Operating expenses	101 469	139 223
Operating profit before depreciation and amortization (EBITDA)	24 885	33 541
Depreciation and amortization	13 624	13 657
Operating profit (EBIT)	11 261	19 884
Investments in tangible and intangible assets	19 272	14 506

Land Based Technology	2019	2018
Operating revenue	416 921	479 277
Operating expenses	460 955	431 130
Operating profit before depreciation and amortization (EBITDA)	-44 034	48 147
Depreciation and amortization	19 343	12 825
Operating profit (EBIT)	-63 377	35 322
Investments in tangible and intangible assets	3 384	5 710

TOTAL	2019	2018
Operating revenue	3 076 740	2 579 473
Operating expenses	2 804 830	2 341 706
Operating profit before depreciation and amortization (EBITDA)	271 910	237 767
Depreciation and amortization	209 594	107 901
Operating profit (EBIT)	62 316	129 866
Assets	3 033 634	2 702 931
Liabilities	2 043 129	1 616 730
Investments in tangible and intangible assets	168 239	127 732

Geographical information

The figures listed below are based on where the legal entities are located.

Operating revenue	2019	2018
Norway	2 036 160	1 382 250
Chile	447 518	439 652
Canada	100 738	73 518
Scotland	162 475	164 828
Denmark	201 737	301 618
Iceland	-	113 738
Other	128 113	103 868
Group	3 076 740	2 579 473

Non-current assets excluding deferred tax assets and other long-term financial assets	2019	2018
Norway	1 660 191	1 332 049
Chile	39 741	22 647
Canada	8 296	2 117
Scotland	34 165	26 815
Denmark	13 355	10 437
Iceland	-	9 007
Other	36 609	7 673
Reclassification to assets held for sale	-	-40 881
Group	1 792 357	1 369 863

Total assets	2019	2018
Norway	2 215 681	1 930 090
Chile	313 574	262 139
Canada	76 383	44 552
Scotland	140 529	94 563
Denmark	147 673	224 584
Iceland		46 480
Other	139 795	100 522
Reclassification to assets held for sale		-78 323
Group	3 033 635	2 624 607

Revenues by customer

The revenue from the 5 largest customers within all segments and geographic areas are as follows:

Revenues by customer	2019	2018
Customer A	349 911	291 605
Customer B	207 887	136 170
Customer C	154 519	104 379
Customer D	136 475	92 722
Customer E	100 247	82 361

Revenue from customer A is mainly concentrated around the cage based technology segment.

Note 3

Wages, remunerations and pensions (in NOK 1 000)

Payroll expenses	2019	2018
Salaries	662 098	539 316
Payroll tax	48 819	46 864
Pension costs	27 385	24 159
Other benefits	27 813	27 851
Total payroll expenses	766 115	638 190
Number of employees at year end:	1 437	1 508
The number of employees in full time equivalent in the group at year end is:	1 422	1 489

Remuneration to group management 2019	Salary	Pension	Other	Accrued - not paid Bonus
Knut Nesse (CEO) ¹	444	68	22	-
Hallvard Muri (CEO) ¹	2 672	68	182	3 000
Simon Nyquist Martinsen (CFO) ²	1 833	68	22	229
Espen Fredrik Staubo (CIO) ⁵	1 333	68	110	175
Per Andreas Hjetland (COO Cage Based Nordic)	1 414	68	10	467
Geir Henning Risholm (COO Cage Based Egersund Net)	1 401	49	10	150
Andrew Campbell (COO Cage Based International) ³	1 891	-	14	536
Morten Nielsen (COO Land Based) ³	2 011	211	120	441
Petter Idar Jensen (CDO) ⁴	431	17	27	-

¹) Knut Nesse assumed his position as CEO in November 2019 after Hallvard Muri stepped down.

²) Simon Nyquist Martinsen has resigned as CFO after YE 2019.

³) Morten Nielsen and Andrew Campbell receives salary in their local currency, and they are translated to NOK using average rate during 2019

⁴) Petter Idar Jensen assumed his position in October 2019

⁵) Espen Fredrik Staubo assumed his position in March 2019

The incentive scheme for group management consist of two components: i) an annual bonus limited to between 30% and 50% of annual salary dependent upon 60% weight on financial targets based on EBIT and ROACE and 40% weight on strategic KPI's, payable in cash, for the period 2020, 2021, 2022, 2023 and 2024, and ii) a deferred bonus dependent upon strategic KPI's and financial performance targets (as set out in item i) above), payable in shares, for the same period.

The accrued bonuses in the table above includes the annual bonuses for 2019 and the bonus for the three-year incentive scheme finalized in 2019. The accrued bonuses are payable in 2020.

The CEO has an annual fixed salary of MNOK 2.7 and a monthly car allowance of KNOK 10. The bonus agreement of the CEO is as described above, limited to 50% of annual salary for the annual plan and deferred part payable in shares for the period 2020-2023 with a maximum annual share allocation of 44,520 shares. The CEO is entitled to 12-month severance payment if his employment agreement is terminated.

As of 26 August 2019 AKVA, entered into an option agreement with the CEO which gives the CEO right to acquire 50,000 shares for NOK 75,60/share, subject to the annual general meeting's approval in 2020. The options can be exercised in the period from 1 April, 2022 to 31 August, 2022, conditional on the CEO, being a member of the board or employed in AKVA group or in one of its subsidiaries. The options can also be exercised prior to the said period if a takeover offer is made and completed, resulting in a change of control in the company. The company can settle the options by issuing new shares, deliver own shares (treasury shares) or paying cash compensation equal to the difference between the strike price and the market price for the company's shares at the time of exercise.

Fair Value parameters on granted instruments 2019

Instrument	Option	Performance share unit	
Quantity Granted in 2019		50 000	108 555
Contractual life*		3,04	3,98
Strike price*		75,60	
Share price*		75,60	71,00
Expected lifetime*		2,83	
Volatility*		22,11%	
Interest rate*		1,063%	
Dividend*		0,00	
FV per instrument*		12,15	71,00
Vesting conditions	Services period	EBIT and individual goals	

*Weighted average parameters at grant of instrument

Outstanding instruments Year End - Option

Quantity and weighted average prices		
Activity	Number of instruments	Weighted Average Strike Price
<i>01.01.2019 - 31.12.2019</i>		
Outstanding Opening Balance (01.01.2019)	0	0,00
Granted	50 000	75,60
Exercised	0	0,00
Released	0	0,00
Adjusted	0	0,00
Performance Adjusted	0	0,00
Forfeited	0	0,00
Expired	0	0,00
Outstanding Closing Balance (31.12.2019)	50 000	75,60
Vested Closing Balance	0	0,00

Outstanding Instruments Overview					
Strike price	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price	Vested instruments 31.12.2019	Weighted Average Strike Price
	<i>Outstanding Instruments</i>			<i>Vested Instruments</i>	
75,60	50 000	2,67	75,60	0	0,00
	50 000			0	

Outstanding instruments Year End - Performance share unit

Quantity and weighted average prices		
Activity	Number of instruments	Weighted Average Strike Price
<i>01.01.2019 - 31.12.2019</i>		
Outstanding Opening Balance (01.01.2019)	0	0,00
Granted	108 555	0,00
Exercised	0	0,00
Released	0	0,00
Adjusted	0	0,00
Performance Adjusted	0	0,00
Forfeited *	- 16 283	0,00
Expired	0	0,00
Outstanding Closing Balance (31.12.2019)	92 272	0,00
Vested Closing Balance	0	0,00

* Forfeited due to performance achievement

Outstanding Instruments Overview					
Strike price	Number of instruments	Weighted Average remaining contractual life	Weighted Average Strike Price	Vested instruments 31.12.2019	Weighted Average Strike Price
	<i>Outstanding Instruments</i>			<i>Vested Instruments</i>	
0,00	92 272	3,33	0,00	0	0,00
	92 272			0	

Pensions

The pension schemes in all legal entities are defined contribution plans where agreed contributions are expensed as paid.

The companies have no further commitments towards pensions when the agreed contributions are paid. All pension costs are included in payroll expenses in the profit and loss statement.

As of 31 December 2019 the Group has no pension liability.

According to Norwegian legislation the entities need to have a pension scheme for the employees. The existing pension schemes meet the requirements in the legislation.

Loan and pledge

The Group has not given any loans or pledges to members of the board or group management as of 31 December 2019.

Remuneration to group management 2018	Salary	Pension	Other	Accrued - not paid Bonus
Hallvard Muri (CEO)	2 597	66	161	788
Simon Nyquist Martinsen (CFO)	1 759	66	10	536
Svein Jørgen Fuglesang (SVP Supply Chain & Manufacturing)	1 388	66	43	227
Trond Severinsen (SVP Technology & Development)	1 222	66	126	64
Per Andreas Hjetland (SVP Int. Business Development)	1 377	66	15	224
Hans-Øyvind Sagen (SVP Sales & Marketing Nordic) ¹⁾	468	27	4	76
Inge Forseth (COO Software)	1 362	66	9	206
Morten Nielsen (COO Land Based) ²⁾	1 913	-	126	310
Andrew Campbell (Regional President Americas & Australasia) ²⁾	1 679	-	12	352
David Thorburn (Regional President Europe & Middle East) ²⁾	1 173	133	244	73

¹⁾ Hans-Øyvind Sagen assumed his position as SVP Sales & Marketing Nordic on 1 August 2018

²⁾ Morten Nielsen, Andrew Campbell and David Thorburn receives salary in their local currency and they are translated to NOK using average rate during 2018

Fees to the Board of Directors	Position	2 019	2 018
Hans Kristian Mong	Chairperson of the Board	309	301
Knut Nesse (CEO)*	Chairperson of the Board	125	-
Anne Breiby	Deputy Chairperson of the Board	282	256
Frode Teigen	Member of the Board	112	201
Evy Vikene	Member of the Board	95	164
Anthony James	Member of the Board	221	197
Kristin Reitan Husebø	Member of the Board	104	-
Odd Jan Håland (ASA)	Member of the Board	51	13
John Morten Kristiansen (HP)	Member of the Board	51	13
Hanne Cecilie Pettersen (Egersund Net)	Member of the Board	51	13

*) Knut Nesse stepped down as Chairperson when assuming the role as CEO of AKVA Group

Establishment of salaries and other remuneration to executive management

The remuneration of the executive management is based on the principle that the base salary shall promote value creation in the company and contribute to coincident interests between owners and the executive management.

As the leading aquaculture technology supplier, AKVA group is dependent to offer salaries and remunerations that secure that the most competent management is recruited. It is the policy of the board of directors that in order to recruit the most competent management, the company has to offer salaries and remunerations which are satisfactory to the management and are able to compete in an international market.

The board of directors has established a remuneration committee which shall act as a preliminary organ in relation to the board's role in the establishment of remuneration to the chief executive officer and other members in the group management. It is the company's policy that the remuneration of the executive management principally is based on a fixed monthly salary which reflects the tasks and responsibility of the employment. This remuneration is established on an individual basis. The fixed monthly salary is determined amongst other of the following factors:

- Experience and competence of the executive manager
- Responsibility
- Competition from the market

Total variable remuneration shall not in normal cases exceed the value of the fixed remuneration. In 2006 AKVA group introduced a stock option plan. As of 31 December 2019, the stock option plan is inactive, and no options have been granted.

The agreed pension plan is the same for the executive management as for the rest of the Norwegian employees.

Salary payments after termination of employment is normally related to confidentiality and restrictive competitor agreements in which these payments shall only compensate for the constraints to the resigned employees' permission to enter into a new employment agreement. AKVA group ASA does not use agreements of salary payments after termination of employment without a distinct reason.

Fees to auditor	2019	2018
Audit	3 343	2 876
Tax services	588	600
Attestation services	47	-
Other services	973	969
Total	4 952	4 445

All fees to the auditor are excluded of VAT.

Note 4

Government grants and subsidies (in NOK 1 000)

Government grants received	2019	2018
"Skattefunn"	4 839	5 122
Norges Forskningsråd	2 137	2 234
Total	6 976	7 355

Grants and subsidies cover the operating expenses recognized for the specific projects that are basis for the application of such grants and subsidies.

Note 5

Taxes (in NOK 1 000)

Tax expense	2019	2018
Current taxes payable	26 807	26 704
Adjustment related to previous periods	175	-7 980
Change in deferred taxes	-30 111	6 323
Effect of change in tax rate in Norway	-	-2 900
Total tax expense	-3 129	22 147

Specification of temporary differences¹⁾	2019	2018
Current assets	77 518	155 387
Fixed assets	221 464	245 818
Provisions	-37 331	-16 825
Pension obligations	-12	11
Losses carried forward	-93 271	-89 817
Other	-25 456	-14 350
Total	142 911	280 225

¹⁾ An effect of MNOK 93.0 is due to acquisitions in 2018

Specification of deferred tax	2019	2018
Calculated deferred tax assets	33 840	25 514
Calculated deferred tax	-64 378	-89 465
Effect of change in tax rate in Norway	-	2 900
Deferred tax asset not recognised in balance sheet	-8 898	-9 544
Deferred tax reclassified to liability held for sale	-	1 452
Deferred tax asset	16 354	15 970
Deferred tax liability	55 791	85 114

Effective tax rate	2019	2018
Expected income taxes, statutory tax rate of 22%	2 789	25 626
Permanent differences (22%)	-5 481	-2 505
Effect of change in tax rate	-	-2 551
Deviation between Norwegian and foreign tax rate	446	459
Excess(-)/insufficient(+) provisions in former years	-435	351
Change in non-recognized deferred tax asset	-448	767
Income tax expense	-3 129	22 147

Effective tax rate in percent of profit before tax -23,2 % 19,9 %

The Group has a tax loss carry forward of MNOK 93.3 whereof 91.6 is available indefinitely for offset against future taxable profits of the companies in which the losses arose. The total tax loss carried forward is included in the balance sheet as deferred tax asset.

The deferred tax asset recognized in the balance sheet is made probable due to future earnings in the subsidiaries and tax planning. About 88% of the tax loss carried forward is related to AKVA group Denmark A/S.

An assessment of the future profit for the Danish entities is done, and for the tax loss carried forward included in the balance sheet as deferred tax asset it is expected that profit before tax in the next couple of years will offset the recognized deferred tax asset.

The current market conditions look promising for the salmon industry worldwide, and especially within the segment the Danish entities operate.

Note 6

Earnings per share

	2019	2018
Ordinary profit / net income (in NOK 1 000)	14 633	89 703
Number of ordinary shares outstanding as of 31.12.	33 334 303	33 334 303
Weighted average number of ordinary shares	33 204 736	28 306 420
Earnings per share (NOK)	0,44	3,17
Diluted number of shares	33 204 736	28 306 420
Diluted earnings per share (NOK)	0,44	3,17

At 31 December 2019 the weighted average number of shares was lower than number of ordinary shares due to the company owning own shares throughout the year. See note 23 Buyback and Sale of own shares.

Note 7

Intangible assets and goodwill (in NOK 1 000)

2019	Goodwill	Develop- ment costs	Product rights, patents & trademarks	Total
Acquisition cost at 01.01.	834 897	205 637	275 458	1 315 992
Additions during the year	-	44 370	116	44 485
Translation differences	-8 093	3 073	-370	-5 390
Disposals during the year	-	-3 717	-	-3 717
Acquisition cost 31.12.	826 804	249 363	275 203	1 351 370
Accumulated amortization at 01.01.	395	127 790	150 325	278 510
Amortization during the year	-	40 943	21 152	62 095
Translation differences	-	-3 669	-172	-3 841
Accumulated amortization disposals during the year	-	3 354	-	3 354
Accumulated amortization 31.12.	395	168 417	171 306	340 118
Net book value at 31.12.	826 409	80 946	103 897	1 011 252

During the year the Group expensed MNOK 48.8 (MNOK 55.1 in 2018) on research and development on new products and technology as well as upgrades on existing products. The amount does not include capitalized development costs according to IAS 38 (see table above in this note).

The economic useful life of parts of our capitalized development cost came to end before the anticipated five-year lifespan, hence the intangible asset was fully amortized with an effect of MNOK 13 in 2019.

2018	Goodwill	Develop- ment costs	Product rights, patents & trademarks	Total
Acquisition cost at 01.01.	436 041	216 859	205 659	858 560
Additions related to acquisitions	433 775	151	72 312	506 238
Additions during the year	-	30 446	1 503	31 948
Reclassification to assets held for sale	-31 874	-39 935	-1 270	-73 080
Translation differences	-3 045	-1 883	-142	-5 070
Disposals during the year	-	-	-2 605	-2 605
Acquisition cost 31.12.	834 897	205 637	275 458	1 315 992
Accumulated amortization at 01.01.	395	136 990	139 074	276 459
Accumulated amortization related to acquisitions	-	-	-	-
Amortization during the year	-	24 092	14 568	38 661
Reclassification to assets held for sale	-	-31 816	-1 270	-33 086
Translation differences	-	-1 476	-287	-1 763
Accumulated amortization disposals during the year	-	-	-1 760	-1 760
Accumulated amortization 31.12.	395	127 790	150 325	278 510
Net book value at 31.12.	834 502	77 847	125 133	1 037 482

Both the parent company and the subsidiaries use straight line amortization of all intangible assets. The useful economic life for the intangible assets is estimated as: Development 3-5 years, patents 20 years, trademarks 5 years and product rights 5-10 years.

Goodwill:

Goodwill relates for the acquisitions of Wavemaster, Polarcirkel, Maritech, UNI Aqua, Idema, Plastsveis AS, YesMaritime AS, Aquatec Solutions A/S, AD Offshore AS, Sperre AS and Egersund Net AS. See impairment test of goodwill below.

Development Costs:

The Group has capitalized all direct costs that are expected to create economic benefits and meet the requirements for capitalization in IAS 38. The capitalized costs relate to software solutions and modules for integrating equipment on fish farming sites, ERP solutions and upgrades for the fish farming industry and upgrades for traditional ERP solutions. It also relates to improved product solutions to help the fish farming industry in becoming more efficient.

Product rights, patents & trademarks:

The acquisition cost is related to the acquisitions of Superior Systems AS (2001), Vicass (2002), Cameratech (2004), Ocean Service Log (2004), Polarcirkel/Wavemaster (2006), Maritech/UNI Aqua (2007), Idema Aqua (2008), Plastsveis AS (2013), YesMaritime AS (2014), Aquatec Solutions A/S (2015), AD Offshore AS (2016), Sperre AS (2016) and Egersund Net AS (2018).

Impairment test of goodwill and intangible assets with indefinite useful life:

Intangible assets with indefinite useful life and goodwill are not amortized. These assets are tested annually for impairment. The brand of Sperre, AD Offshore and Egersund Net are assessed to have an indefinite lifespan effect due to their strong standing and position already achieved within the markets they operate. The fair value of these three intangible assets are the only ones defined with indefinite useful life. Goodwill and intangible assets

acquired through business combinations have been allocated to the following cash-generating units:

Book value of goodwill:	2019	2018
Cage Based Technology	642 975	308 122
S&AS Cage Based Technology Norway	81 049	423 262
AKVA group Software	9 600	9 600
Wise ehf	-	31 874
Land Based Technology	92 785	93 518
Reclassification to assets held for sale	-	-31 874
Total goodwill	826 410	834 502

AKVA group has identified the cash generating units consistently from period to period, but the Group justified to do some changes to the cash-generating units in 2017 in line with IAS 36.72.

Book value of intangible assets with indefinite useful lifetime	2019	2018
S&AS Cage Based Technology Norway	17 945	17 945
Cage Based Technology	27 057	27 057
Total intangible assets	45 002	45 002

Discounted cash flow models are used to determine the recoverable amount for the cash-generating units. The Group has projected cash flows based on financial budgets and forecasts approved by the board of directors. Beyond the explicit budget and forecast period of five years, the cash flows are extrapolated using a constant nominal growth rate.

Key assumptions used for calculations:

Growth rates

The expected growth rates from the cash-generating units converges from its current level experienced over the last few years to the long-term growth level expected for the aquaculture industry. Cash flows beyond a five-year period is extrapolated using a 2.0% growth rate.

Revenue

Revenue is based on budget for the coming year, assessed through a thorough process for all cash-generating units. Thereafter the outlook and expectations within each cash-generating unit is considered and revenue is estimated with a reasonable, but conservative growth rate for each of the next four years.

Gross margin

The gross margins, revenues subtracted for cost of goods sold, are only with immaterial changes based on achieved gross margins during the last three years and is aligned with achievements the last year. It is assumed the gross margin will be stable in the years to come. It is expected that any change in the raw material prices during a reasonable time period will be reflected in product market prices and thus not have any material effect on achieved gross margins.

Market share

The calculations are based on the assumption that market share will not change significantly from the date of the calculation.

Discount rates

Discount rates are based on Weighted Average Cost of Capital (WACC) derived from the Capital Asset Pricing Model (CAPM) methodology. The cost of a company's equity and debt, weighted to reflect its capital structure of 72|28 respectively, derive its weighted average cost of capital. The discount rates take into account the debt premium, market risk premium and gearing, corporate tax rate and asset beta.

In the recoverable amount assessment, the Group has applied estimated cash flows after tax and a corresponding discount rate after tax of 6.93% for all cash-generating units. A variation of +/- 1% does not materially affect the conclusion of the impairment tests.

The recoverable amounts would not change significantly if pre-tax cash flows and a pre-tax discount rate of 7.13% had been applied instead.

Sensitivity to changes in assumptions IAS 36.134(f)

With regards to the assessment of value-in-use of the different cash-generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to exceed its recoverable amount.

Note 8

Tangible fixed assets (in NOK 1 000)

	Land and building	RoU - IFRS 16	Machinery and equipment	Total
2019				
Acquisition cost at 01.01.	26 258	602 569	655 598	1 284 425
Additions related to acquisitions	-	-	-128 935	-128 935
Additions during the year	323	39 288	84 707	124 317
Translation differences	-82	-519	612	10
Disposals during the year	-364	-	-5 061	-5 425
Acquisition cost 31.12.	26 134	641 338	606 921	1 274 392
Accumulated depreciation 01.01.	6 691	-	342 784	349 474
Depreciation during the year	685	83 840	62 988	147 513
Translation differences	-	-351	868	517
Accumulated depreciation disposals during the year	-	-	-4 216	-4 216
Accumulated depreciation 31.12.	7 375	83 489	402 423	493 287
Net book value 31.12.	18 759	557 849	204 498	781 105
The useful economic life (in years) is estimated to:	> 20	1-15	3-5	

Both the parent company and the subsidiaries use linear depreciation for all tangible assets.

	Land and building	RoU - IFRS 16	Machinery and equipment	Total
2018				
Acquisition cost at 01.01.	23 537	-	515 357	538 894
Additions related to acquisitions	1 298	-	63 525	64 823
Additions during the year	1 055	-	94 729	95 784
Reclassification to assets held for sale	-	-	-8 628	-8 628
Translation differences	13	-	-3 513	-3 501
Disposals during the year	355	-	-5 872	-5 517
Acquisition cost 31.12.	26 258	-	655 598	681 855
Accumulated depreciation 01.01.	5 995	-	286 753	292 748
Depreciation during the year	695	-	68 545	69 240
Reclassification to assets held for sale	-	-	-7 740	-7 740
Translation differences	-	-	-2 238	-2 238
Accumulated depreciation disposals during the year	-	-	-2 536	-2 536
Accumulated depreciation 31.12.	6 690	-	342 784	349 474
Net book value 31.12.	19 567	-	312 814	332 381
The useful economic life (in years) is estimated to:	> 20	1-15	3-5	

Note 9

Subsidiaries and other long-term investments (in NOK 1 000 unless stated otherwise)

Subsidiaries consolidated in the Group accounts	Acquisition year	Location	Share ownership	Voting rights
AKVA group North America Inc.	1995	Canada	100,0 %	100 %
AKVA group Scotland Ltd.	1997	Scotland	100,0 %	100 %
AKVA group Software AS	1997	Norway	100,0 %	100 %
AKVA group Chile S.A.	1998	Chile	100,0 %	100 %
AKVA Ltd ¹⁾	1998	Scotland	100,0 %	100 %
AKVA group Services AS	2001	Norway	100,0 %	100 %
AKVAsmart Ltd. (Turkey)	2005	Turkey	100,0 %	100 %
Helgeland Plast AS	2006	Norway	100,0 %	100 %
AKVA group Denmark A/S	2007	Denmark	100,0 %	100 %
Polarcirkel AS	2010	Norway	100,0 %	100 %
AKVA group Land Based Norway AS	2013	Norway	100,0 %	100 %
AKVA group Land Based A/S	2015	Denmark	100,0 %	100 %
AKVA Marine Services AS	2016	Norway	100,0 %	100 %
AD Eiendomsselskap AS ²⁾	2016	Norway	100,0 %	100 %
Sperre AS	2016	Norway	66,0 %	66 %
Egersund Net AS	2018	Norway	100,0 %	100 %
Egersund Trading AS ³⁾	2018	Norway	100,0 %	100 %
UAB Egersund Net ³⁾	2018	Lituania	100,0 %	100 %
Grading Systems Ltd. ³⁾	2018	Shetland	70,0 %	70 %

¹⁾ Subsidiary of AKVA group Scotland Ltd.

²⁾ Subsidiary of AKVA Marine Services AS

³⁾ Subsidiary of Egersund Net AS

The anticipated acquisition method is used for the acquisition of Sperre AS. The underlying non-controlling interests are presented as already owned by the Group, both in the statement of financial position and in the statement of profit or loss and other comprehensive income, even though legally they are still non-controlling interests.

Share ownership and voting rights have been unchanged since acquisition date for all subsidiaries except for AKVA Marine Services AS. AKVA group ASA acquired Deep Sea Marine's and AØ Holdings shares in AKVA Marine Services AS for a total of MNOK 39.1 in April 2019, increasing the ownership and voting rights in AKVA Marine Services AS from 68.7% in 2018 to 100% in 2019.

Other long-term investments	Share capital	Number of shares	Par value (NOK)	Book value	Ownership
NOFI Oppdrettservice AS	1 100	500	1 100	53 465	50,0 %
Emel Balik	1 781	24 140	37	9 327	50,0 %
Atlantis Subsea Farming AS ¹⁾	762	400	1 270	7 527	66,7 %
Centre for Aquaculture Competence AS	450	150	1 000	2 978	33,3 %
Blue Planet AS	1 950	6	49 999	300	15,4 %
Other investments				180	<5 %
Total				73 776	

¹⁾ AKVA group ASA owns 33% and Egersund Net AS owns 33%

The Group owns more than 50% of the shares in Atlantis, but AKVA group does not have control according IFRS 10 and hence does not consolidate the company as subsidiary with non-controlling interests. AKVA group ASA's share is recognized according to the equity method recognizing the company's share of net profit as other income.

According to stock notice on 23 July 2018 it is agreed between seller and buyer of Egersund Net AS that, in the event of a sale by Egersund Net of 33% of the shares in Atlantis, Egersund Group shall share any gain or loss. The gain or loss shall be calculated net of any ownership costs, investments, capex, opex and financing costs etc. incurred in relation to the Atlantis Shares.

Egersund Net's shares in Atlantis is recognized at book value due to abovementioned agreement.

Note 10

Inventory (in NOK 1 000)

Inventory	2019	2018
Raw materials (at cost)	169 061	153 162
Work in progress (at cost)	73 374	75 520
Finished goods (at net realisable value)	271 114	233 236
Total	513 549	461 917
Write-down of obsolete inventory 01.01.	9 627	7 026
Change in write-down of obsolete inventory during the year	2 703	2 601
Write-down of obsolete inventory 31.12.	12 330	9 627

The write down of obsolete inventory at year-end is related to finished goods.

Note 11

Receivables (in NOK 1 000)

Receivables due in more than one year	2019	2018
Other long-term receivables	1 008	5 019
Total	1 008	5 019

Accounts receivables

The recorded accounts receivables are shown net of estimated bad debt loss. The estimated bad debt loss is:

Bad debt provisions	2019	2018
Bad debt provision 01.01.	7 599	18 086
Increase in bad debt provision related to acquisitions	-	650
Change for the year	11 389	140
Reclassified to assets held for sale	-	-736
Used from the provision	-575	-101
Unused amounts reversed	-84	-10 440
Bad debt provision 31.12.	18 329	7 599
Recorded bad debt cost during the year	-206	4 151
Change in bad debt provision	11 145	-10 296
Total bad debt cost during the year	10 939	-6 144

Actual credit losses experienced over the last 3 years are analysed to assess the credit risk within receivables and expected credit loss (ECL). In the risk assessment economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables are considered. In the assessment of ECL the Group analyses the aging of trade receivables and take into consideration segment specific risk factors identified as part of the analysis of actual historical losses. Segment specific factors to be considered may be credit risk characteristics such as geographic region, age of customer relationship and type of product purchased. Based on the credit risk assessment and expected credit loss, a general provision for bad debt is recognized based on the calculation of lifetime expected losses. In addition, specific provisions are recorded if risks of credit losses on specific trade receivable balances are identified.

Reference is made to note 16 for more details of credit and currency risk related to accounts receivables.

As of 31.12. the Group had the following ageing profile of accounts receivables:	2019	2018
Not due	137 220	186 165
Due <30 days	85 680	74 731
Due 31-60 days	38 448	13 324
Due 61-90 days	9 877	17 045
Due > 91 days	45 989	44 258
Reclassified to assets held for sale	-	-9 911
Total	317 213	325 612
Bad debt provisions	18 329	7 599

Note 12

Cash and cash equivalents (in NOK 1 000)

	2019	2018
Cash	130 213	135 812
Restricted funds	30 786	21 050
Reclassified to assets held for sale	-	-23 746
Total cash and cash equivalents	160 999	133 117

Restricted funds are employee tax deduction funds.

The Group has an overdraft facility of MNOK 303 and a revolving credit line of MNOK 200 in Danske Bank. As of 31 December 2019, MNOK 96 of the overdraft facility was utilized compared to MNOK 123 at year-end 2018, and the revolving credit line was unused as of 31 December 2019 compared to being fully used end of last year.

Note 13

Shareholders

AKVA group ASA

The company's share capital is MNOK 33.3 divided into 33.3 million shares, each with a par value of NOK 1. The company has only one category of shares and all shares entitle shareholders to equal rights in the company.

The Annual General Meeting (AGM) in May 2019 authorized the board of directors to acquire shares for up to an amount of NOK 833,358 which equals approximately 2.5 % of the company's share capital. Acquisition of shares pursuant to this authorization may only take place if the company's distributable reserves according to the most recent balance sheet exceed the remuneration for the shares to be acquired. The authorization was valid until the AGM in May 2020, however, not later than until 30 June 2020. This authorization replaces the authorization to the board to purchase own shares, given by the General Meeting on 15 May 2018.

In the same AGM in 2019 the board of directors were authorized to increase the company's share capital by up to NOK 3,333,430, through subscription of new shares. The authorization does not authorize the board to waive the pre-emptive right of shareholders

pursuant to section 10-4 of the Public Limited Liability Companies Act (the "Act"), nor carry out a capital increase through payments in non-monetary assets, nor incur special obligations on behalf of the company as set out in section 10-2 of the Act, nor decisions on mergers pursuant to section 13-5 of the Act, and may not be used in connection with the company's option program. The authorization shall be in force until the earlier of the time of the Annual General Meeting in 2020 and 30 June 2020. This authorization replaces all previous authorizations to the board to increase the company's share capital.

The 20 largest shareholders at 31.12.19	Number of shares	Ownership in % of total shares
EGERSUND GROUP AS	20 703 105	62,11 %
WHEATSHEAF INVESTMENTS LIMITED	3 900 000	11,70 %
SIX SIS AG	1 179 392	3,54 %
VERDIPAPIRFONDET NORDEA KAPITAL	866 930	2,60 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	825 932	2,48 %
VERDIPAPIRFONDET NORDEA AVKASTNING	614 569	1,84 %
VERDIPAPIRFONDET NORDEA NORGE PLUS	435 740	1,31 %
MP PENSJON PK	356 300	1,07 %
EQUINOR PENSJON	344 883	1,03 %
J.P. Morgan Bank Luxembourg S.A.	329 950	0,99 %
NORDEA NORDIC SM CAP FD	300 000	0,90 %
Norron Sicav - Select	259 600	0,78 %
AKVA GROUP ASA	177 883	0,53 %
BJØRN DAHLE	150 000	0,45 %
VERDIPAPIRFONDET DNB SMB	139 071	0,42 %
UBS Europe SE	100 000	0,30 %
ASKVIG AS	100 000	0,30 %
BERGEN KOMMUNALE PENSJONSKASSE	100 000	0,30 %
NORSK LANDBRUKSKJEMI AS	84 146	0,25 %
EQUINOR INSURANCE AS	81 912	0,25 %
Other shareholders	2 284 890	6,85 %
Total	33 334 303	100,00 %

Shares owned by members of the Board of Directors	Number of shares
Frode Teigen and Hans Kristian Mong as owners of Egersund Group AS ¹⁾	20 703 105
Anne Breiby (Kjerby AS)	63 800

¹⁾ Frode Teigen, through Kontrazi AS, and Hans Kristian Mong, through Hådyr AS, owns 50% each in Egersund Group AS

Shares owned by group management	Number of shares
Knut Nesse (CEO) ¹	50 000
Simon Nyquist Martinsen (CFO)(including ELO AS) ³	17 662
Per Andreas Hjetland (COO Cage Based Nordic)	4 048
Andrew Campbell (COO Cage Based International)	1 548
Morten Nielsen (COO Land Based)	1 548

¹⁾ Knut Nesse assumed the position of CEO in Q4 2019 after stepping down as Chairperson of the board.

²⁾ Simon Nyquist Martinsen stepped down as CFO in February 2020.

Note 14

Liabilities to financial institutions (in NOK 1 000)

Long-term liabilities due in more than 5 years	2019	2018
Liabilities to financial institutions	18 885	30 994
Total	18 885	30 994

	2019	2018
Liabilities secured with assets	792 555	761 409
Guarantee liabilities ¹⁾	62 339	61 790

Assets pledged as security for debt:	2019	2018
Accounts receivable	142 536	153 858
Inventory	280 280	278 998
Shares in subsidiaries	332 233	374 840
Other assets	536 129	172 946
Total	1 291 178	980 642

Repayment of debt

During 2019 the debt has been refinanced. The total amount has been increased from MNOK 300 in 2018 to a total of MNOK 550 in 2019. In addition AKVA has a credit facility of MNOK 300, where MNOK 96 is utilized on the 31 of December 2019 and a revolving credit facility of MNOK 200 which is unused.

The Group's interest-bearing liabilities of MNOK 793 at December 31 2019 consist of three bank loans to Danske Bank with carrying amount MNOK 550.0, utilization of overdraft facility of MNOK 96.2, lease liabilities to financial institutions of MNOK 139.5, liability to Hitra Kommune of MNOK 5.8 MNOK. In addition to this the Group has an unused revolving credit line of MNOK 200.

The Groups's debt matures as follows:	2019	2018
2020	30 850	23 387
2021-2022	353 359	164 254
2023-2024	293 304	156 952
2025 or later	18 885	15 661
Total	696 399	360 254
Average interest rate	2,87 %	2,30 %

Loan covenants to Danske Bank

In the loan documents from Danske Bank the following financial loan covenants are set:

- The ratio net interest-bearing debt over twelve months rolling EBITDA < 3,50
- Equity share for AKVA group > 25%
- Equity in NOK for AKVA group > 300 million

Net interest bearing debt over twelve months rolling EBITDA was 2.3 as of 31 December 2019.

The equity ratio in AKVA group was 33% and equity were MNOK 991 as of 31 December 2019.

The Group was compliant with all covenants in 2019.

The terms for the interest-bearing debt are based on market conditions. The interest rate is a floating rate and it is based on NIBOR + a margin.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Bank overdraft	Loans and borrowings	Other long term liabilities	Lease liabilities	Share capital / premium	Reserves	Retained earnings	NCI	Total
Restated balance at 01.01.2019	123 387	523 519	103 641	114 503	879 763	1 677	181 166	184	1 927 841
Changes from financing cash flows									
Repayment of borrowings	-27 230	-59 072	-175	-21 523	-	-	-	-	-108 000
Proceed from borrowings	-	112 652	-	-	-	-	-	-	112 652
Proceeds from purchase/sale own shares	-	-	-	-	-150	-	-10 969	-	-11 119
Dividend payment	-	-	-	-	-	-	-59 401	-	-59 401
Total changes from financing cash flows	-27 230	53 580	-175	-21 523	-150	-	-70 370	-	-65 868
The effect of changes in foreign exchange rates	-	-	-	-	-	-4 824	-	-	-4 824
Changes in fair value	-	-	-	-	-	-	-1 267	-	-1 267
Other changes									
Liability-related									
Change in bank overdraft	-	-	-	-	-	-	-	-	-
New finance lease	-	-	-	26 331	-	-	-	-	26 331
Interest expense	-	26 765	-	-	-	-	-	-	26 765
Interest paid	-	-26 765	-	-	-	-	-	-	-26 765
Total liability-related other changes	-	-	-	26 331	-	-	-	-	26 331
Total equity-related other changes	-	-	-36 024	-	-	-	4 509	3 981	-27 534
Balance at 31.12.2019	96 157	577 099	67 442	119 311	879 613	-3 147	114 039	4 165	1 854 679

Note 15

Specification of items that are grouped in the financial statement

(in NOK 1 000)

Financial Income	2019	2018
Other interest income	5 093	3 685
Other financial income	1 211	11 050
Total financial income	6 304	14 735

Financial Expenses	2019	2018
Interest expenses	26 765	17 753
ROU Interest (IFRS 16 Assets)	20 441	-
Agio loss	4 517	13 640
Other financial expenses	3 421	1 691
Total financial expenses	55 144	33 085

Other operating expenses	2019	2018
Accommodation, materials, equipment and maintenance	73 028	95 866
Marketing, travelling and communication	51 087	45 371
Other operating expenses	53 246	45 604
Total other operating expenses	177 362	186 841

Other current liabilities	2019	2018
Accrued costs	52 872	38 001
Warranty provisions	37 514	20 848
Other current liabilities	102 144	94 458
Reclassified to liabilities held for sale	-	-7 252
Total other current liabilities	192 531	146 056

The provisions for warranties relate to projects and products in the cage based and landbased segment. The provisions have been estimated based on historical warranty data associated with similar projects, products and services, and are calculated solely on the basis of the expected compensation AKVA group gives. The timeframe for settlement of the warranty provisions varies based on type of product and project.

Note 16

Financial instruments and risk management (in NOK 1 000)

Determination of fair value

The fair value of forward exchange contracts is determined using the forward exchange rate at the balance sheet date. The fair value of currency swaps is determined by the

present value of future cash flows. The fair value of options is determined using option pricing models. For all the above-mentioned derivatives, the fair value is confirmed by the financial institution with which the Group has entered into the contracts.

The following of the Group's financial instruments are not measured at fair value: cash and cash equivalents, trade receivables, contract assets and liabilities, other current assets, overdraft facilities, long-term debts and financial leasing obligations.

The carrying amount of cash and cash equivalents and overdraft facilities is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of trade receivables and trade payables is approximately equal to fair value since they are entered into on "normal" terms and conditions.

The borrowings are at floating interest rates which implies a book value in accordance to fair value.

The fair value of financial assets and liabilities recognized at their carrying amount is calculated as the present value of estimated cash flows discounted by the interest rate that applies to corresponding liabilities and assets at the balance sheet date. This applies to:

- Deposits to lessors under operating leases, refer to Note 18

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments.

	2019		2018	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash	160 999	160 999	133 117	133 117
Trade receivables	317 212	317 212	325 612	325 612
Contract assets	96 390	96 390	162 499	162 499
Other current assets	61 989	61 989	80 876	80 876
Other long-term financial assets	1 008	1 008	5 019	5 019
Forward currency contracts ¹⁾	-	-	1 773	1 773
Financial liabilities				
Bank overdraft	96 157	96 157	123 387	123 387
Trade payables	228 202	228 202	231 568	231 568
Contract liabilities	193 080	193 080	221 891	221 891
Forward currency contracts ²⁾	174	174	-	-
Interest-bearing loans and borrowings				
Loans	696 410	696 410	638 022	638 022

¹⁾ The amount is included in other receivables in the Consolidated Statement of Financial Positions

²⁾ The amount is included in other current liabilities in the Consolidated Statement of Financial Positions

Fair value hierarchy

As of 31 December 2019, the Group held financial instruments measured at fair value as mentioned below:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Assets measured at fair value	31.12.19	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	-	-	-	-
Foreign exchange forward contracts	174	-	174	-

There have been no transfers between levels during the period.

Currency risk

As part of the international activity the Group's assets and liabilities as well as expected cash inflows and cash outflows are exposed to changes in the currency rates. Such risk is sought reduced by using currency forward contracts. The currency risk is managed by the parent company in cooperation with the subsidiaries.

In order to hedge the value of the items in the balance sheet denominated in a foreign currency the Group had the following positions through forward contracts, all contracts with maturity in 2019:

Currency (in 1 000)		Bought/sold	Net currency amount
British Pound	GBP	Sold	2 500
Euro	EUR	Sold	150
Australian Dollar	AUD	Sold	155
Norwegian Kroner	NOK	Bought	30 711

Profit and loss from the above currency contracts are recorded directly via the income statement under financial items. At the end of the year MNOK 0.708 was recorded as an unrealized loss. The forward contracts are valued at estimated fair value.

The Group uses currency forward contracts to reduce the exposure of changes in currency rates due to having revenues and costs denominated in different currencies. At the end of the year the Group had the following positions in forward contracts in order to hedge expected future cash flow. The expected cash flows subject to hedging are expected to take place during the 2020 and hence be recognized in the income statement during the same period.

Currency (in 1 000)		Bought/sold	Net currency amount
Euro	EUR	Bought	2 172
British Pound	GBP	Bought	867
American Dollar	USD	Sold	4 188
Canadian Dollar	CAD	Sold	201
Norwegian Kroner	NOK	Bought	46 928

At the end of the year it was recorded a loss of MNOK 1.267 directly against other comprehensive income related to hedging of expected future cash flow.

At 31 December 2019 the Group held the following instruments to hedge exposure to changes in foreign currency:

Forward currency contracts	Maturity		
	1-3 months	4-12 months	>12 months
Net exposure (in 1 000 NOK)	8 656	54 980	-16 708
Average NOK:EUR forward contract rate	9,95	9,91	10,64
Average NOK:USD forward contract rate	9,11	9,10	
Average NOK:GBP forward contract rate	11,85	11,87	
Average NOK:CAD forward contract rate	6,73	6,73	

When the expected cash flow is translated into an item in the balance sheet or actually takes place, the recorded profit or loss which has been booked directly against the equity is reversed and included in the income statement together with the actual hedged object. Any non-effective part of the hedge is booked as currency loss or gain under financial items in the income statement.

In the long run it is not possible to hedge the effects of changing currency rates. In 2019 the Group had export sales of MNOK 116 of products which predominantly had its cost base in NOK. A 10% strengthening of the NOK would then decrease the earnings with about MNOK 11.6 before possible price increases in the market. About 41% of this exposure was related to sales in GBP (sales in UK), 20% related to sales in EUR (sales in Europe and the Middle East), 10% related to sales in CAD (sales in Canada) and 13% related to sales in AUD (sales in Tasmania).

To decrease this exposure the Group is working towards a more flexible cost structure and have more diversified costs in terms of currencies.

Foreign currency sensitivity

In the management of foreign currency risk, the company seeks to reduce the effect from currency rate changes on monetary assets and liabilities as well as the value of the future cash flows denominated in a foreign currency. Through the internal financing structure within the Group, most of the monetary asset and liability risk is allocated to the parent company, which also has most of the cash flow risk with regards to currency fluctuation. The major currencies in 2019 are EUR, GBP, USD, and DKK. Below it is made a partial analysis in order to do an estimate of the impact from a change in EUR, GBP, USD and DKK on the pre-tax profit and on the book equity at year end. The effect of net investment in subsidiaries are not included in the analysis.

31.12.2019	KNOK effect on profit before tax by +10%/-10% change in			KNOK effect on book equity by +10%/-10% change in		
	EUR	GBP	TRY	EUR	GBP	USD
10 %	6 179	2 700	904	2 142	-1 005	3 677
-10 %	-6 179	-2 700	-904	-2 142	1 005	-3 677

31.12.2018	KNOK effect on profit before tax by +10%/-10% change in			KNOK effect on book equity by +10%/-10% change in		
	USD	DKK	GBP	EUR	GBP	USD
10 %	409	1 041	1 144	13 420	-	-1 855
-10 %	-409	-1 041	-1 144	-13 420	-	1 855

The effect on the profit before tax and thus book equity in the parent company is the result of change in monetary assets and the financial instruments denominated in USD, DKK and GBP respectively. The effect on OCI and book equity at year end 2019 is the effect from the change in fair value of currency contracts assigned to future cash flow hedge.

Interest rate risk

The Group's interest-bearing debt is based on a floating interest rate which implies that interest payments over time will fluctuate according to the changes in the interest rate level. The major part of the interest-bearing debt is in NOK. To reduce the interest rate risk, it is the strategy of the Group to have a balanced mix between equity and debt financing vs the market risk in its industry. With the interest-bearing debt at year end, interest cost would have been MNOK 7.9 higher with a 1% higher average interest rate during the year and MNOK 7.9 lower with a 1 % lower average interest rate during the year.

Credit risk

Part of the sale is credit sales where the Group is exposed to credit risk towards the customer. For larger projects there are normally pre-payments from the customers and milestone payments along the progress of the project which reduces the credit risk towards the customers. To some extent the Group uses trade finance instruments, such as letter of credit and guarantee letters, to reduce credit risk. The Group has generally had low losses on outstanding receivables despite having old receivables in the balance sheet occasionally. In general, old receivables relates to delays or stop in projects whereas the responsible entity for the delivery of the project has made an agreement with the customer to await payment of the invoice. For details of ageing of accounts receivables, see note 11.

Market risk

In 2019 about 94% of the revenues of the Group came from customers producing salmon, up from a share of 84% in 2018. To decrease the Group's dependency of the salmon industry the Group works to increase the share of revenues related to the aquaculture of other species than salmon. Due to the market variation in the different salmon markets the revenues can vary between years. Still, the aquaculture industry in general is expected to be a high growth industry in the foreseeable future although the financial turmoil in the short run increases the uncertainty.

Based on the assumption that a change in sales will not affect the product gross margin and that other operating costs short term only will change 50% of the change in sales - a change in the revenues of the Group would have had the following impact on net income (22% tax rate used):

Change in sales	Change in net profit/ equity (in NOK 1 000)
10 %	57 261
5 %	28 630
2 %	11 452
-2 %	-11 452
-5 %	-28 630
-10 %	-57 261

To further evaluate the Group's sensitivity to changes in the different markets see more details in note 2 about market size.

Capital structure and equity

The primary focus of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholders value. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. In 2014 and in 2015 a dividend of NOK 1 per share was paid, in 2016 a dividend of MOK 0.75 was paid, in 2017 a dividend of MOK 1.25 was paid, while a total dividend of NOK 1.50 was paid in 2018. In 2019 a total of NOK 1.75 was paid. The Group has been compliant with the dividend policy when paying out dividend, see note 22. The Group monitors capital using a gearing ratio, which is net interest-bearing debt divided by total equity plus net debt. The Group includes within net interest-bearing debt, interest bearing loans and borrowings less cash and cash equivalents. Capital includes equity attributable to equity holders of the parent less the net unrealized gains reserve.

(in NOK 1 000)	2019	2018
Interest bearing debt	792 567	761 409
Less cash	160 999	133 117
Net interest bearing debt	631 567	628 292
Equity	986 340	1 062 423
Total equity and net interest bearing debt	1 617 908	1 690 715
Debt ratio	39 %	37 %

The Group has been compliant with all covenants in 2019, see note 14.

The equity share attributable to AKVA group ASA's shareholders was 32.7 % as of 31 December 2019.

Liquidity risk

The Group monitors its risk to a shortage of liquid funds using cash flow prognosis. The objective is to maintain a balance in the funding through the use of bank overdrafts, bank loans with different pay back periods, debentures and finance lease. The management follows the development of the working capital closely, because the development in the working capital has the most important impact on the liquidity situation on short term.

Financial risk management

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual discounted payments.

2019	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowing:	-	103 869	23 138	646 675	18 885	792 567
Trade and other payables ¹⁾	-	289 328	27 509	67 442	-	384 279
Financial derivatives	-	36 897	86 138	15 488	-	138 522
Total	-	430 094	136 784	729 605	18 885	1 315 368

2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowing:	-	192 829	208 326	329 260	30 994	761 409
Trade and other payables ¹⁾	-	273 021	25 597	103 641	-	402 260
Financial derivatives	-	102 812	95 381	-	-	198 193
Total	-	568 662	329 304	432 901	30 994	1 361 861

¹⁾ The amounts due between one to five years are contingent consideration in connections with acquisitions in a business combination. See also note 19

Note 17

Revenue and contract assets (in NOK 1 000)

In the following table, revenue is disaggregated by timing and pattern of revenue recognition, and principles for measuring progress.

Revenue		2019	2018
Customer contracts - output method	Over time	716 622	665 781
Customer contracts - input method	Over time	933 834	990 580
Customer contracts	Point in time	554 440	311 192
Service & spare part sale	Point in time	746 742	472 325
Software	Point in time	44 440	76 968
Rental contracts		54 434	49 913
Other income		26 225	12 713
Total operating revenue		3 076 739	2 579 473

Reference is made to note 2 for further details of revenue per segment.

The following table provides information about contract assets and contract liabilities from contracts with customers.

	2019	2018
Total sales included from ongoing contracts 31.12.	864 926	1 306 774
Contract assets	96 388	162 499
Contract liabilities	193 080	223 085
Reclassified to liabilities held for sale	-	-1 194

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customers for contracts with customers for which revenue is recognized over time.

Lease income

AKVA group has signed rental contracts with customers which is a service bundled with products. The future minimum payments related to these rental contracts fall due as follows for the Groups customers:

	Within 1 year	1 - 5 years	After 5 years
Rental agreements	53 181	62 515	2 407

Note 18

Leasing (in NOK 1 000)

AKVA group leases offices and buildings, machinery and equipment and vehicles. The highest portion of the Groups lease portfolio is for leasing of buildings and offices. Lease terms are negotiated on individual basis and contain a wide range of renewal and termination options. The Groups lease terms vary between 0.3 to 17 years with a weighted average remaining lease period of 8.3 years.

Right-of-use assets	Buildings	Machinery and equipment	Vehicles	Total
Acquisition cost 1 January 2019	399 874	135 463	14 379	549 717
Addition of right-of-use assets	51 719	39 278	2 345	93 342
Disposals	-	-247	-	-247
Currency exchange differences	-	-1 234	-	-1 234
Acquisition cost 31 December 2019	451 593	173 260	16 724	641 577
Accumulated depreciation and impairment 1 January 2019	-	-	-	-
Depreciation	50 735	28 452	4 893	84 080
Disposals	-	-	-	-
Currency exchange differences	-	-351	-	-351
Accumulated depreciation and impairment 31 December 2019	50 735	28 101	4 893	83 728
Carrying amount of right-of-use assets 31 December 2019	400 858	145 159	11 832	557 849

Lower of remaining lease term or economic life	10-15 years	3-5 years	3-5 years
Depreciation method	Linear	Linear	Linear

The future undiscounted lease liabilities and maturity of cash outflows fall due as follows for the Group:

Undiscounted lease liabilities and maturity of cash outflows	
Less than one year	98 200
One to five years	317 113
More than five years	249 973
Total undiscounted lease liabilities at 31 December 2019	665 287

The carrying amount of lease liabilities at end of the reporting period by class of underlying asset:

Summary of the lease liabilities	
At initial application 01.01.2019	549 717
New lease liabilities recognised in the year	93 342
Cash payments for the principal portion of the lease liability	-101 206
Interest expense on lease liabilities	23 176
Currency exchange differences	-688
Total lease liabilities at 31 December 2019	564 341
Current lease liabilities	79 761
Non-current lease liabilities	484 579

Leasing expenses recognized in the profit and loss:

Variable lease payments expensed in the period	
Operating expenses in the period related to short-term leases (including short-term low value assets)	-
Operating expenses in the period related to low value assets (excluding short-term leases included above)	2 665
Total lease expenses included in other operating expenses	103 871

Note 19

Business combinations

Finalizing of Egersund Nets purchase

In August 2018 AKVA group ASA acquired 100% of the shares in Egersund Net AS (EN). A final Cash Consideration was made in 2019. The pay-out was calculated based on working capital and net debt adjustment according to the agreement. The adjustment amount MNOK 5.3 was paid in May 2019.

The acquisition has been accounted for using the acquisition method. The completion of the acquisition was done on 30 August 2018 and the company has been consolidated into the AKVA group from 1 September 2018.

Values at the acquisition date in NOK 1.000	Book value	Adjusted value	Fair value
ASSETS			
IP - Brand RFR		16 947	16 947
IP - Customers MEEM		53 681	53 681
Order backlog		1 555	1 555
Onerous contracts		-6 545	-6 545
Deferred tax of adjusted value		-28 713	-28 713
Deferred tax asset	2 874		2 874
Goodwill	3 505		3 505
Intangible fixed assets	1 835		1 835
Tangible fixed assets	49 544	14 100	63 644
Financial fixed assets	15 027	45 100	60 127
Trade receivables	94 351		94 351
Inventories	143 486		143 486
Other current assets	30 178	11 900	42 078
Cash	44 746		44 746
	385 546	108 025	493 571
LIABILITIES			
Long term liabilities	-5 057		-5 057
Other long term liabilities (EG)	-51 841		-51 841
Trade payables	-47 991		-47 991
Other current liabilities	-69 212	-5 230	-74 442
	-174 101	-5 230	-179 331
Total identifiable net assets	211 444	102 795	314 239
Purchase price, payable in cash	-212 999		-212 999
Purchase price, payable in shares	-525 000		-525 000
Total consideration	-737 999	-	-737 999
Goodwill arising on acquisition			-423 760
Cash acquired with subsidiary	44 746		44 746
Purchase price, payable in cash	-212 999		-212 999
Net cash outflow	-168 253	-	-168 253

Divestment of Wise

In September 2019 AKVA group finalized the sale of its wholly owned subsidiary Wise lausnir ehf ("Wise", and the "Wise Shares") to Centara ehf. Prior to completion of the Transaction, AKVA owned 100% of the Wise Shares. Further, Wise owned 51% of the shares in Wise Blue AS, a private limited liability company incorporated under the laws of Norway with business registration number 915 344 313 ("Wise Blue", and together with Wise, the "Wise Group").

The total consideration settled by cash payment by Centara to AKVA on 25 September 2019 is Icelandic krona (ISK) 910,778,164, representing the equity value of Wise after customary net debt- and working capital adjustments. In addition, AKVA received a dividend, approved before the Transaction, of ISK 197,000,000. Thus, the total proceeds from the Transaction is ISK 1,107,778,164 (equivalent to approximately NOK 80,092,361

based on Norges Bank's exchange rate as of 24 September 2019). The Transaction results in an accounting gain for AKVA of NOK 18,153,000 after transaction costs.

August 31st 2019

NOK 1.000

ASSETS

Intangible assets	8 249
Machinery and equipment	739
Financial assets	1 813
Trade receivables	8 173
Other current assets	2 259
Cash	21 543
	42 775

LIABILITIES

Deferred tax	-1 409
Tax payables	-1 857
Trade payables	-5 131
Other current liabilities	-25 288
	-33 684

Total identifiable net assets at fair value **9 091**

Goodwill	30 935
----------	--------

Gain arising on disposal	20 495
--------------------------	--------

Sales consideration transferred **60 522**

Cash received when disposed	65 895
Cash in the subsidiary	21 543

Net cash inflow in Group **44 352**

Exercising of option

On the 2 April 2019 AKVA Group exercised their option to buy out all remaining minority shareholders of AKVA Marine Services AS. AKVA group ASA acquired Deep Sea Marine's and AØ Holdings shares in AKVA Marine Services AS for a total of MNOK 39.1, increasing the ownership and voting rights in AKVA Marine Services AS from 68.7% in 2018 to 100% in 2019. The exercising of the option in AMS resulted in an accounting effect of MNOK 0.965 in 2019 booked against the equity.

AKVA group have booked MNOK 9.0 as a liability in the statement of financial position relating to an earn out arising from the buyout of Deep Sea Marine's and AØ Holdings shares in AKVA Marine Services AS. This earn out will be paid in 2021. Earn out of MNOK 9.0 is booked against the equity

Options (2018 figures in brackets)

The Minority Shareholders of Sperre AS has an option to sell to AKVA group ASA, and AKVA group ASA has an option to purchase from the Minority Shareholders the remaining shares. The pricing is based on financial performance.

The option is calculated at present value of the redemption amount. The liability is classified as other long-term liabilities in the statement of financial position.

The estimated liability of MNOK 67.2 (65.3) is accounted for based on a mutual option agreement between AKVA group ASA and Sperre Group AS to buy/sell the remaining 34% of the shares in Sperre AS. The pricing of the remaining 34% of the shares is linked to the performance of the company in 2017, 2018 and 2019. The option is exercisable in a limited

period after the approval of the 2019 annual accounts of Sperre AS. An effect of MNOK 2.1 is booked against the equity.

Note 20

Assets held for sale (in NOK 1 000)

In September 2019 AKVA group finalized the sale of its wholly owned subsidiary Wise lausnir ehf ("Wise", and the "Wise Shares") to Centara ehf. Wise was held for sale at end of 2018. For more information see Note 19.

	Note	2019	2018
Goodwill	7	-	31 874
Other intangible assets	7	-	8 119
Machinery and equipment	8	-	888
Investments in associated companies	9	-	1 868
Accounts receivables	11	-	9 911
Other receivables		-	1 917
Cash and cash equivalents	12	-	23 746
Assets held for sale		-	78 323
Deferred tax liabilities	5	-	1 452
Trade payables		-	7 010
Current tax payables	5	-	1 913
Public duties payable		-	4 772
Contract liabilities	17	-	1 194
Other current liabilities	15	-	7 252
Liabilities held for sale		-	23 593

Note 21

Related parties (2017 figures in brackets)

See consolidated accounts note 3 about remuneration to CEO and executive management and fees to the board of directors.

Atlantis Subsea Farming AS (ASF) is a related party due to AKVA group ASAs ownership of 33% of the shares in ASF. AKVA group ASA has as part of their role in ASF had transactions to ASF of MNOK 6.5 and MNOK 1.3 of outstanding receivables as of 31 December.

Egersund Group AS is a related party due to its controlling ownership share of the AKVA group ASA. The Group have, in line with the Group's ordinary course of business with Egersund Group and its subsidiaries, revenues and costs of respectively MNOK 16.5 (8.5) and MNOK 57.1 (33.7) in 2019.

Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. As of 31 December, the company had MNOK 2.2 (4.6) in trade receivables and MNOK 1.0 (4.9) in trade payables towards Egersund Group and its subsidiaries.

The sales and purchases to related parties are made on terms equivalent to those that prevail in arm's length transactions.

Note 22

Dividend

The company is aiming to give the shareholders a competitive return on investment by a combination of cash dividend and share price increase. The company's dividend policy shall be stable and predictable.

When deciding the dividend, the board will take into consideration expected cash flow, capital expenditure plans, financing requirements/compliance, appropriate financial flexibility, and the level of net interest-bearing debt.

The company need to be in compliance with all legal requirements to pay dividend.

The company will target to pay dividend twice a year, after the 1st and 2nd half of the year.

In total a dividend of 1.75 NOK per share was paid out in 2019, respectively with 0.75 NOK on 5 March and 1.00 NOK on 2 September, totalling a distributed amount of 58,136,235 NOK.

Dividend	2019	2018
Per share	1,75	1,50
Total distributed amount ¹⁾	58 136 235	44 334 630

¹⁾The total distributed amount in 2019 is reduced with MNOK 0.198 as the company owned 27,883 shares during the first dividend and 177,883 shares during the second.

Note 23

Sale and buyback of own shares

At the start of 2019 AKVA group ASA owned 27,883 own shares. During 2019 AKVA group exercised the authorization granted to the board of directors by the annual general meeting on 15 May 2018 and annual general meeting held on 9 May 2019 for buy back of a total of 200,000 own shares. Subsequently AKVA group sold 50,000 shares to Nesse & CO AS, a company controlled by Knut Nesse, when Knut Nesse assumed the position as chairperson of the board. The company AKVA group ASA still owns 177,883 shares at year-end 2019.

Note 24

Claims

AKVA group Chile S.A. has during 2019 received a claim from the insurance company Seguros Suramericana S.A. The claim relates to fish escape from a cage delivered by AKVA group to Mowi Chile S.A. The fish escaped from the cage during bad weather in July 2018. Managements view is that AKVA group has no exposure due to limitations in responsibility and/ or coverage for any exposure via the Group insurance agreement. No provision is recorded in the financial statements per 31 December 2019 relating to this claim.

Note 25

Subsequent events

At the board meeting on 13 February 2020 the board of directors in AKVA group ASA resolved to distribute a half-yearly dividend of NOK 1.00 per share. The ex-dividend trading date was announced to be 24 February 2020 with payment date no later than 3 March 2020.

AKVA group ASA ("AKVA") acquired on 21 February 2020 approximately 70 % of the common shares in Newfoundland Aqua Service Ltd. ("NAS"). AKVA group and the majority shareholders of NAS have also agreed a mutual option to buy/sell additional 28.5 % of the shares in NAS. The option is exercisable in a limited period in 2023.

The outbreak of the Corona virus does not have an impact on the 2019 financials for AKVA group. But the impacts of the Corona virus is inevitably causing uncertainty across the Globe and has already had impact in the financial markets. Large exchange rate fluctuations can impact raw material prices and other goods used for the Group's production and assembly of products. There will also be a risk that the supply of goods will be delayed or stopped and affect our delivery capacity.

The board of directors and group management have taken required actions to safeguard the Group through the crisis. First and foremost, precautions are taken to secure the health and safety for all our employees and all personnel we interact with in our day to day business. Thereafter a plan is implemented to secure the Group is cash positive and remain solid throughout the crisis, including communicating with customers and suppliers assuring needed information is exchanged timely for the best of all parties.

Financial Statement Parent Company (AKVA group ASA)



Income Statement of (Loss)/Profit and Comprehensive (Loss)/Profit 01.01. - 31.12.

(in NOK 1 000)

Parent company	Note	2019	2018
OPERATING REVENUES			
Revenues	2,6,17	899 041	819 977
Other income		41 669	-
Total revenues		940 710	819 977
OPERATING EXPENSES			
Cost of materials	6,10	720 988	648 676
Payroll expenses	3,4	144 213	118 982
Other operating expenses	4,11,15,18	44 423	54 233
Total operating expenses		909 623	821 891
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		31 087	-1 914
Depreciation and amortization	7,8	34 686	14 186
OPERATING PROFIT (EBIT)		-3 599	-16 100
FINANCIAL INCOME AND EXPENSES			
Financial income	15	65 171	42 072
Financial expenses	15	(29 387)	(17 258)
Net financial income (expense)		35 784	24 814
PROFIT BEFORE TAX		32 184	8 714
Taxes	5	-4 835	895
NET (LOSS)/PROFIT AND COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR		37 019	7 819
ALLOCATION OF PROFIT FOR THE YEAR			
Transferred to other equity		37 019	7 819
Dividends paid	22	-58 136	-44 334
Net allocated		-21 117	-36 515

Assets 31.12.

(in NOK 1 000)

Parent company	Note	2019	2018
NON-CURRENT ASSETS			
Intangible assets and goodwill			
Goodwill	7	53 000	53 000
Other intangible assets	7	43 536	40 653
Total intangible assets		96 536	93 653
Tangible fixed assets			
Land and building	8	12 617	12 439
Right of Use Asset	18	38 233	-
Machinery and equipment	8	64 569	25 097
Total tangible fixed assets		115 419	37 536
Long-term financial assets			
Investments in subsidiaries	9	1 372 109	1 318 785
Loans to group companies	6	76 156	87 226
Other long-term financial assets	9,11	5 476	8 708
Total long-term financial assets		1 453 740	1 414 719
Total non-current assets		1 665 695	1 545 907
CURRENT ASSETS			
Inventory	10	65 107	61 855
Receivables			
Accounts receivables	11	64 581	66 774
Accounts receivables - group companies	6	36 482	33 839
Contract assets	17	48 467	30 249
Other receivables	4	9 651	7 709
Other receivables - group companies	6	163 351	102 825
Total receivables		322 532	241 396
Cash and cash equivalents	12	6 178	4 971
Assets held for sale	20	-	26 172
Total current assets		393 817	334 394
TOTAL ASSETS		2 059 512	1 880 301

Equity and Liabilities 31.12.

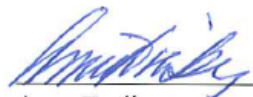
(in NOK 1 000)

Parent company	Note	2019	2018
EQUITY			
Paid-in capital			
Share capital		33 156	33 306
Share premium		853 529	853 529
Other paid-in capital		1 116	1 116
Total paid-in capital	13,22,23	887 801	887 951
Retained earnings			
Other equity		-4 127	27 959
Total retained earnings		-4 127	27 959
Total equity		883 674	915 910
LIABILITIES			
Non-current liabilities			
Deferred tax	5	13 087	18 323
Liabilities to financial institutions	14	555 811	255 845
Lease Liability	18	34 278	-
Total non-current liabilities		603 176	274 168
Current liabilities			
Lease Liability - One year instalment	18	4 536	-
Liabilities to financial institutions	14	96 157	324 231
Trade payables		62 808	68 115
Trade payables - group companies	6	11 385	8 675
Taxes payable	5	-	3 080
Public duties payable		31 483	8 944
Contract liabilities	17	51 104	90 739
Other current liabilities	15	56 622	31 351
Other current liabilities - group companies	6	258 567	155 088
Liabilities held for sale	20	-	-
Total current liabilities		572 662	690 223
Total Liabilities		1 175 838	964 391
TOTAL EQUITY AND LIABILITIES		2 059 512	1 880 301


Klepp, Norway, 31 March 2019



Hans Kristian Mong
(Chairperson)



Anne Breiby
(Deputy chairperson)



Anthony James



Kristin Reitan Husebø



Odd Jan Håland



Hanne Cecilie Pettersen



John Morten Kristiansen



Knut Nesse
(CEO)

Cash Flow Statement 01.01.-31.12.

(in NOK 1 000)

Parent company	Note	2019	2018
Cash flow from operating activities			
Profit before taxes		32 184	8 714
Taxes paid		-3 482	-
Gain on Sale from disposals of subsidiaries		-39 859	-
Net interest cost		14 768	6 629
Depreciation	7,8	34 686	14 186
Changes in stock, trade receivable and payables		-6 300	54 690
Changes in other receivables and payables		-24 577	-19 331
Changes in other receivables and payables - group companies		42 953	-6 143
Cash generated from operating activities		50 374	58 745
Interest paid	15	-19 786	-11 611
Interest received	15	5 018	4 982
Net cash flow from operating activities		35 606	52 116
Cash flow from investment activities			
Investments in fixed assets	7,8	-73 044	-21 662
Sale of tangible and intangible fixed assets		-	-
Payment shares and participations	19	21 705	-207 738
Net changes in other long-term financial assets		3 232	-3 718
Net cash flow from investment activities		-48 106	-233 118
Cash flow from financing activities			
Repayment of borrowings		-228 108	-497
Proceeds from borrowings		300 000	223 914
Net payment loans to group companies	6	11 071	2 436
Dividend payment	22	-58 136	-44 335
Sale/(purchase) own shares	23	-11 119	-
Net cash flow from financing activities		13 707	181 518
Net change in cash and cash equivalents		1 207	517
Cash and cash equivalents at 01.01.		4 971	4 454
Cash and cash equivalents at 31.12.		6 178	4 971

Overdraft on cash pool is included in financing activities and is not included in cash and cash equivalents as of 31.12.

Statement of changes in equity

(in NOK 1 000)

Parent company	Note	Share capital	Share premium	Other paid-in capital	Total paid in capital	Other equity	Total retained earnings	Total equity
Equity as at 01.01.2018		25 806	336 029	1 116	362 951	63 049	63 049	426 000
Adjustment on initial application of IFRS 15 (net of tax)		-	-	-	-	1 426	1 426	1 426
Adjusted balance at 01.01.2018		25 806	336 029	1 116	362 951	64 475	64 475	427 426
Profit (loss) for the period		-	-	-	-	7 819	7 819	7 819
Total income and expense for the year		-	-	-	-	7 819	7 819	7 819
Dividend	22	-	-	-	-	-44 335	-44 335	-44 335
Issue of share capital	19	7 500	517 500	-	525 000	-	-	525 000
Equity as at 31.12.2018		33 306	853 529	1 116	887 951	27 959	27 959	915 910
Equity as at 01.01.2019		33 306	853 529	1 116	887 951	27 959	27 959	915 910
Profit (loss) for the period		-	-	-	-	37 019	37 019	37 019
Total income and expense for the year		-	-	-	-	37 019	37 019	37 019
Dividend	22	-	-	-	-	-58 136	-58 136	-58 136
Sale / (purchase) of own shares	23	-150	-	-	-150	-10 969	-10 969	-11 119
Equity as at 31.12.2019		33 156	853 529	1 116	887 801	-4 127	-4 127	883 674

Notes to the Financial Statement – Parent Company

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Note 1

Summary of significant accounting policies

AKVA group ASA is a public limited company registered in Norway. The company's registered address is Svanavågveien 30, N-4374 Egersund, Norway.

The financial statement for AKVA group ASA has been prepared in accordance with the Norwegian accounting Act's §3-9 and the related regulation on simplified IFRS as approved by the Ministry of Finance on 3 November 2014. As a result the principles for recognition and measurement applied when preparing the financial statements are according to International Financial Reporting Standards as adopted by EU (IFRS) and the disclosure notes have been prepared in accordance with the requirements of the Norwegian Accounting Act and accounting principles generally accepted in Norway (NGAAP). See note 1 in Group accounts for more details of the accounting policy.

Subsidiaries are valued at cost in the company accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing they are not impaired. Write down to recoverable amount will be carried out and recognized as a financial cost if the impairment is not considered temporary, and a write down is deemed necessary according to IFRS. Impairments are reversed when the indication no longer exist. Investments in associates are valued according to the equity method and recognized as other income. AKVA group ASA accounts for group contribution in the same fiscal year as the subsidiary receives/grants group contribution, in accordance with the exemption in the simplified IFRS accounting framework.

Note 2

Segment information (in NOK 1 000)

Business segments

AKVA group ASA sells products and services within the business area Cage Based Technology. For more detailed description and information about products and services, please go to www.akvagroup.com. More information is also given in note 2 in the consolidated accounts.

Cage Based Technology	2019	2018
Operating revenue	940 710	819 977
Operating expenses	909 623	821 891
Operating profit before depreciation and amortization (EBITDA)	31 087	-1 914
Depreciation and amortization	34 686	14 186
Operating profit (EBIT)	-3 599	-16 100

Geographical information – customer’s country of origin

Operating revenue	2019	2018
Norway	691 165	567 296
Europe	121 250	129 629
Middle East	4 938	43 879
Iceland	82 351	32 780
Chile	15 318	23 799
Canada	5 410	9 475
Other	20 278	13 119
Total	940 710	819 977

Note 3

Wages, remunerations and pensions (in NOK 1 000)

Payroll expenses	2019	2018
Salaries	116 632	94 913
Payroll tax	15 594	13 708
Pension costs	6 546	5 661
Other benefits	5 442	4 700
Total	144 213	118 982

The number of employees in full time equivalent in the company at year end is:

151	135
-----	-----

See consolidated accounts note 3 about remuneration to CEO and executive management, and fees to the board of directors.

Pensions

The pension schemes in AKVA group ASA is a defined contribution plan where agreed contributions are expensed as paid. The company has no further commitments towards pensions when the agreed contributions are paid. All pension costs are included in payroll expenses in the profit and loss statement.

As of 31 December, the company has no pension liability.

According to Norwegian legislation the entities need to have a pension scheme for the employees. The existing pension schemes meet the requirements in the legislation.

Loan and pledge

The company has not given any loans or pledges to members of the board or group management as of 31 December.

For details of establishment of salary and other remuneration to executive management, see note 3 in consolidated accounts.

Fees to auditor	2019	2018
Audit	666	587
Tax services	39	43
Attestation services	-	-
Other services	251	622
Total	956	1 252

All fees to the auditor are excl. VAT.

Note 4 Government grants and subsidies (in NOK 1 000)

Government grants	2019	2018
"Skattefunn"	2 522	2 517
Norges Forskningsråd	2 000	2 234
Total	4 522	4 750

Note 5 Taxes (in NOK 1 000)

Tax expense	2019	2018
Current taxes payable	-	-
Adjustment related to previous year	402	3 080
Change in deferred taxes	-5 237	-1 352
Effect of change in tax rate in Norway	-	-833
Total tax expense	-4 835	895

Calculation of the basis for taxation	2019	2018
Profit before tax ¹⁾	32 184	8 714
Permanent differences	-52 552	301
Change in temporary differences	20 367	-9 015
Tax base	-	-

¹⁾ Includes received Group contribution of MNOK 45.9

Specification of temporary differences	2019	2018
Current assets	32 486	31 157
Fixed assets	63 355	63 013
Provisions	-31 132	-10 882
Pension obligations	-	-
Losses carried forward	-5 223	-
Total	59 486	83 288
Calculated deferred tax assets (-liabilities)	-13 087	-19 156
Effect of change in tax rate in Norway	-	833
Deferred tax asset (-liabilities)	-13 087	-18 323

Effective tax rate	2019	2018
Expected income taxes, statutory tax rate of 22%	7 081	2 004
Permanent differences (22%)	-11 561	69
Effect of change in tax rate in Norway	-	-833
Excess(-)/insufficient(+) provisions in former years	-354	-346
Income tax expense	-4 835	895

Effective tax rate in percent of profit before tax -15,0 % 10,3 %

The company has MNOK 5.2 tax loss carried forward at year-end 2019.

Note 6

Inter-company transactions and balances (in NOK 1 000)

Receivables	2019	2018
Loans to group companies	76 156	87 226
Current receivables towards group companies	36 482	33 839
Other receivables towards group companies	163 351	102 825
Total	275 989	223 890

Payables	2019	2018
Trade payables towards group companies	11 385	8 675
Other current liabilities towards group companies	258 568	155 088
Total	269 953	163 763

Overdraft facilities is included in other receivables and other current liabilities in the amounts presented above.

Intercompany transactions with subsidiaries	2019	2018
Product sales	62 122	97 769
Purchased goods	237 186	167 768
Purchased services	8 580	7 024

Note 7

Intangible assets and goodwill (in NOK 1 000)

2019	Goodwill	Develop- ment costs	Patents, product rights & trademarks	Total
Acquisition cost at 01.01.	53 000	100 973	36 092	190 065
Additions during the year	-	24 059	-	24 059
Acquisition cost 31.12.	53 000	125 032	36 092	214 124
Accumulated amortization at 01.01.	-	60 320	36 092	96 412
Amortization during the year	-	21 176	-	21 176
Accumulated amortization 31.12.	-	81 496	36 092	117 588
Net book value at 31.12.	53 000	43 536	-	96 536

The economic useful life of parts of our capitalized development cost came to end before the anticipated five-year lifespan, hence the intangible asset was fully amortized with an effect of MNOK 13 in 2019.

2018	Goodwill	Develop- ment costs	Patents, product rights & trademarks	Total
Acquisition cost at 01.01.	53 000	89 371	36 092	178 463
Additions during the year	-	11 602	-	11 602
Acquisition cost 31.12.	53 000	100 973	36 092	190 065
Accumulated amortization at 01.01.	-	53 634	36 092	89 726
Amortization during the year	-	6 687	-	6 687
Accumulated amortization 31.12.	-	60 320	36 092	96 412
Net book value at 31.12.	53 000	40 653	-	93 653

The company uses straight-line amortization of all intangible assets. The useful economic life for the intangible assets is estimated as: Development 3-5 years, patents 20 years, trademarks 5 years and product rights 5-10 years.

During the year, the company expensed MNOK 19.1 (MNOK 19.4 in 2018) on research and development on new products and technology as well as upgrades on existing products. The amount does not include capitalized development costs according to IAS 38 (see tables above in this note).

Goodwill:

The goodwill is related to the acquisitions of Helgeland Plast AS and Superior Systems AS.

Development Costs:

The company has capitalized all direct costs that are expected to create economic benefits and meet the requirements for capitalization in IAS 38. The capitalized costs relate to software solutions and modules for integrating equipment on fish farming sites, and improved product solutions to help the fish farming industry in becoming more efficient.

Patents & trademarks:

Patents and trademarks are related to Polarcirkel/Wavemaster (2006) and Idema Aqua (2008).

Note 8

Tangible fixed assets (in NOK 1 000)

	Land and building	RoU - IFRS 16	Machinery and equipment	Total
2019				
Acquisition cost at 01.01.	14 141	9 936	75 967	100 044
Additions during the year	332	32 473	48 653	81 458
Acquisition cost 31.12.	14 472	42 409	124 620	181 501
Accumulated depreciation 01.01.	1 702	-	50 871	52 573
Depreciation during the year	154	4 176	9 181	13 510
Accumulated depreciation 31.12.	1 856	4 176	60 051	66 083
Net book value 31.12.	12 617	38 233	64 569	115 419

	Land and building	RoU - IFRS 16	Machinery and equipment	Total
2018				
Acquisition cost at 01.01.	14 007	-	66 042	80 048
Additions during the year	134	-	9 926	10 060
Acquisition cost 31.12.	14 141	-	75 967	90 108
Accumulated depreciation 01.01.	1 556	-	43 517	45 073
Depreciation during the year	146	-	7 354	7 500
Accumulated depreciation 31.12.	1 702	-	50 871	52 573
Net book value 31.12.	12 439	-	25 097	37 536

The company use linear depreciation for all tangible assets. The useful economic life is estimated as:

- Machinery and equipment 3-5 years
- Buildings 25 years

Note 9

Subsidiaries and other long-term investments

Subsidiaries accounted for according to the cost method in the parent company accounts.

Company name	Location	Share ownership and voting rights	Share capital	Number of shares	Par value	Book value
			(NOK 1 000)		(NOK)	(NOK 1 000)
AKVA group Software AS	Norway	100 %	2 174	500	4 348	45 073
AKVA group Services AS	Norway	100 %	100	1 000	100	100
Helgeland Plast AS	Norway	100 %	1 100	1 100 000	1	66 543
AKVA group Land Based Norway AS	Norway	100 %	1 462	2 150	680	19 476
Polarcirkel AS	Norway	100 %	100	1 000	100	110
AKVA Marine Services AS	Norway	100 %	134	1 342	100	151 090
Sperre AS	Norway	66 %	500	50	10 000	90 837
Egersund Net AS	Norway	100 %	2 297	500	4 594	737 999
AKVA group Denmark A/S	Denmark	100 %	1 373	1 040 000	1	59 777
AKVA group Land Based A/S	Denmark	100 %	660	500	1 320	101 780
AKVA group Scotland Ltd.	Scotland	100 %	18 283	14 186 377	1	27 417
AKVAsmart Ltd. (Turkey)	Turkey	100 %	3 708	200	18 542	7 910
AKVA group España	Spain	100 %	3 975	3 000	1 325	3 973
AKVA group Hellas	Greece	100 %	1 480	20 000	74	1 471
AKVA group Middle East	Iran	100 %	-	-	-	-
AKVA group Chile S.A.	Chile	100 %	56 459	9 831	5 743	53 000
AKVA group North America Inc	Canada	100 %	507	419 760	1	5 253
AKVA group Australasia Pty Ltd.	Australia	100 %	308	50 000	6	301
Total						1 372 109

Other long-term investments	Currency	Ownership and voting rights	Share capital	Number of shares	Par value (NOK)	Book value
Atlantis Subsea Farming AS	NOK	33 %	762	200	1 270	2 297
Centre for Aquaculture Competence AS	NOK	33 %	450	150	1 000	2 978
Blue Planet AS	NOK	5 %	1 950	2	50 000	100
Blue Farm AS	NOK	12 %	30	36	100	4
Total						5 378

Other long-term investments are accounted for using the equity method.

The Minority Shareholder of Sperre AS has an option to sell to AKVA group ASA, and AKVA group ASA has an option to purchase from the Minority Shareholders the remaining shares. The pricing is based on financial performance. No asset or liability is recognized in the financial statement for the parent company. More details related to acquisitions in consolidated accounts note 19.

Note 10

Inventory (in NOK 1 000)

Inventory	2019	2018
Raw materials (at cost)	-	-
Work in progress (at cost)	-	13 675
Finished goods (at net realisable value)	65 107	48 180
Total	65 107	61 855
Write-down of obsolete inventory 1.1	2 010	3 410
Change in write-down of obsolete inventory during the year	841	-1 400
Write-down of obsolete inventory 31.12	2 851	2 010

Note 11

Receivables (in NOK 1 000)

Receivables due in more than one year	2019	2018
Other long-term receivables	98	3 435
Total	98	3 435

Accounts receivables

The recorded accounts receivables are shown net of estimated bad debt loss. The estimated bad debt loss is:

Bad debt provisions	2019	2018
Bad debt provision 01.01.	-	9 197
Change in bad debt provision	1 200	-9 197
Bad debt provision 31.12.	1 200	-
Recorded bad debt cost during the year	-	4 300
Change in bad debt provision	1 200	-9 197
Total bad debt cost during the year	1 200	-4 897

Reference is made to note 16 for more details of credit and currency risks related to accounts receivables.

As of 31.12. the company had the following ageing profile of accounts receivables:	2019	2018
Not due	21 965	34 757
Due <30 days	28 878	21 059
Due 31-60 days	6 203	3 591
Due 61-90 days	15	510
Due > 91 days	7 521	6 856
Total	64 581	66 774
Bad debt provisions	1 200	-

Note 12

Bank deposits (in NOK 1 000)

	2019	2018
Cash	15	15
Restricted funds	6 164	4 957
Total cash and cash equivalents	6 178	4 971

Restricted funds are employee tax deduction funds.

The company has an overdraft facility of MNOK 303 and a revolving credit line of MNOK 200 in Danske Bank. As of 31 December 2019 MNOK 96 of the overdraft facility was utilized compared to MNOK 123 at year-end 2018, the revolving credit line was unused as of 31 December 2019 compared to being fully used end of last year.

Note 13

Shareholders

AKVA group ASA

The company's share capital is MNOK 33.3 divided into 33.3 million shares, each with a par value of NOK 1. The company has only one category of shares and all shares entitle shareholders to equal rights in the company.

See consolidated accounts note 13 about 20 largest shareholders and shares owned by members of the board of directors and group management.

Note 14

Liabilities to financial institutions (in NOK 1 000)

Long-term liabilities due in more than 5 years	2019	2018
Liabilities to financial institutions	1 590	2 468
Total	1 590	2 468

	2019	2018
Liabilities secured with assets	651 968	580 076
Assets pledged as security for debt:	2019	2018
Accounts receivables third parties	65 781	66 774
Accounts receivables group companies	36 482	33 839
Inventory	65 107	61 855
Shares in subsidiaries ¹⁾	332 233	374 840
Other assets	115 419	37 536
Total	615 022	574 844

¹⁾The shares in AKVA group Land Based A/S, AKVA group Denmark A/S, AKVA group Land Based Norway AS, AKVA Marine Services AS and Polarcirkel AS are pledged

As of 31 December 2019, bank guarantees of MNOK 21.8 and parent company guarantees of MNOK 40.6 are issued on behalf of the Group.

Repayment of debt

During 2019 the debt has been reorganized. The total amount has been increased from MNOK 300 in 2018 to a total of MNOK 550 in 2019. In addition, AKVA has a credit facility of MNOK 300, where MNOK 96 is utilized on the 31 of December 2019 and a revolving credit facility of MNOK 200 which is unused.

The Company's debt matures as follows:	2019	2018
2020	844	844
2021-2022	301 688	126 688
2023-2024	251 688	126 688
2025 or later	1 590	1 624
Total	555 811	255 845
Average interest rate	2,87 %	2,30 %

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Bank overdraft	Loans and borrowings	Loans and borrowings to group companies	Share capital / premium	Retained earnings	Total
Restated balance at 01.01.2019	123 387	456 689	87 226	887 951	27 960	1 583 213
Changes from financing cash flows						-
Repayment of borrowings	-27 230	-200 878	-	-	-	-228 108
Proceed from borrowings	-	300 000	-	-	-	300 000
Change in loans to group companies	-	-	11 071	-	-	11 071
Proceeds from purchase/sale own shares	-	-	-	-150	-10 969	-11 119
Dividend payment	-	-	-	-	-58 136	-58 136
Total changes from financing cash flows	-27 230	99 122	11 071	-150	-69 105	13 708
The effect of changes in foreign exchange rates	-	-	-	-	-	-
Changes in fair value	-	-	-	-	-	-
Other changes						
Liability-related						
Change in bank overdraft	-	-	-	-	-	-
Interest expense	-	19 786	-	-	-	19 786
Interest paid	-	-19 786	-	-	-	-19 786
Total liability-related other changes	-	-	-	-	-	-
Total equity-related other changes	-	-	-	-	37 019	37 019
Balance at 31.12.2019	96 157	555 811	76 156	887 801	-4 127	1 611 799

Note 15

Specification of items that are grouped in the financial statement

(in NOK 1 000)

Financial income	2019	2018
Interest income from group companies	3 877	4 087
Other interest income	1 141	894
Group contribution recognized as income	45 870	35 544
Dividend	14 283	-
Agio gain	-	-
Other financial income	-	1 546
Total financial income	65 171	42 072

Financial expenses	2019	2018
Interest expenses	19 786	11 611
ROU Interest (IFRS 16 Assets)	1 339	-
Agio loss	5 738	5 533
Other financial expenses	2 525	114
Total financial expenses	29 388	17 258

Other operating expenses	2019	2018
Accommodation, materials, equipment and maintenance	26 095	22 489
Marketing, travelling and communication	17 515	15 862
Other operating expenses	813	15 882
Total other operating expenses	44 423	54 233

Other current liabilities	2019	2018
Accrued costs	-	-
Warranty provisions	13 080	4 040
Other current liabilities	43 543	27 311
Total other current liabilities	56 623	31 351

The provisions for warranties relate to projects and products in the cage based segment. The provisions have been estimated based on historical warranty data associated with similar projects, products and services, and are calculated solely based on the expected compensation AKVA group gives. The timeframe for settlement of the warranty provisions varies based on type of product and project.

Note 16

Financial instruments and risk management

See consolidated accounts note 16 for more details about financial instruments and risk management. The company's evaluation is that the carrying amounts of its financial instruments is a good approximation of fair value. See the consolidated accounts note 16 for information about contingent consideration recognized at fair value through profit or loss, and derivatives at fair value.

Note 17

Revenue and contracts assets (in NOK 1 000)

In the following table, revenue is disaggregated by timing and pattern of revenue recognition, and principles for measuring progress.

Revenue		2019	2018
Customer contracts - output method	Over time	557 612	475 869
Customer contracts - input method	Over time	127 056	128 521
Customer contracts	Point in time	54 705	29 891
Service & spare part sale	Point in time	97 546	84 507
Revenue from sales to subsidiaries		62 122	97 769
Other income		41 669	3 420
Total operating revenue		940 710	819 977

Reference is made to note 2 for further details of revenue per segment.

The following table provides information about contract assets and contract liabilities from contracts with customers.

	2019	2018
Contract assets	48 467	30 249
Contract liabilities	51 104	90 739

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customers for contracts with customers for which revenue is recognized over time.

Note 18

Leasing (in NOK 1 000)

AKVA group leases offices and buildings, machinery and equipment and vehicles. The highest portion of the Groups lease portfolio is for leasing of buildings and offices. Lease terms are negotiated on individual basis and contain a wide range of renewal and termination options:

Right-of-use assets	Buildings	Machinery and equipment	Vehicles	Total
Acquisition cost 1 January 2019	7 994	-	1 941	9 936
Addition of right-of-use assets	31 481	-	992	32 473
Disposals	-	-	-	-
Transfers and reclassifications	-	-	-	-
Currency exchange differences	-	-	-	-
Acquisition cost 31 December 2019	39 476	-	2 933	42 409
Accumulated depreciation and impairment 1 January 2019	-	-	-	-
Depreciation	3 465	-	711	4 176
Impairment losses in the period	-	-	-	-
Disposals	-	-	-	-
Transfers and reclassifications	-	-	-	-
Currency exchange differences	-	-	-	-
Accumulated depreciation and impairment 31 December 2019	3 465	-	711	4 176
Carrying amount of right-of-use assets 31 December 2019	36 011	-	2 222	38 233
Lower of remaining lease term or economic life	10-15 years	3-5 years	3-5 years	
Depreciation method	Linear	Linear	Linear	

The future undiscounted lease liabilities and maturity of cash outflows fall due as follows for the company:

Undiscounted lease liabilities and maturity of cash outflows	
Less than one year	6 185
One to five years	19 828
More than five years	22 208
Total undiscounted lease liabilities at 31 December 2019	48 221

The carrying amount of lease liabilities at end of the reporting period by class of underlying asset:

Summary of the lease liabilities	
At initial application 01.01.2019	9 936
New lease liabilities recognised in the year	32 473
Cash payments for the principal portion of the lease liability	-4 934
Interest expense on lease liabilities	1 339
Total lease liabilities at 31 December 2019	38 813
Current lease liabilities	4 536
Non-current lease liabilities	34 278

Leasing expenses recognized in the profit and loss:

Summary of other lease expenses recognised in profit or loss	
Variable lease payments expensed in the period	4 934
Operating expenses in the period related to short-term leases (including short-term low value assets)	-
Operating expenses in the period related to low value assets (excluding short-term leases included above)	-
Total lease expenses included in other operating expenses	4 934

Note 19

Business combinations

See consolidated accounts note 19 for more details.

Note 20

Assets group held for sale (in NOK 1 000)

In September 2019 AKVA group finalized the sale of its wholly owned subsidiary Wise lausnir ehf ("Wise", and the "Wise Shares") to Centara ehf. Wise was held for sale at end of 2018.

Note 21

Related parties (2017 figures in brackets)

See note 6 for transaction and balances with subsidiaries. See consolidated accounts note 3 about remuneration to CEO and executive management and fees to the board of directors.

Atlantis Subsea Farming AS (ASF) is a related party due to AKVA group ASAs ownership of 33% of the shares in ASF. AKVA group ASA has as part of their role in ASF had transactions to ASF of MNOK 6.5 (3.2) and MNOK 1.3 (0.0) of outstanding receivables as of December 31st.

Egersund Group AS is a related party due to its controlling ownership share of the AKVA group ASA. The Group have, in line with the Group's ordinary course of business with Egersund Group and its subsidiaries, revenues and costs of respectively MNOK 16.5 (6.1) and MNOK 57.1 (15.9) in 2019.

Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. As of 31 December, the company had MNOK 2.2 (0.0) in trade receivables and MNOK 1.0 (0.0) in trade payables towards Egersund Group and its subsidiaries.

The sales and purchases to related parties are made on terms equivalent to those that prevail in arm's length transactions.

Note 22

Dividend

In total a dividend of 1.75 NOK per share was paid out in 2019, respectively with 0.75 NOK on 5 March and 1.00 NOK on 2 September, totalling a distributed amount of 58,136,235 NOK.

See consolidated accounts note 22 for more details.

Note 23

Sale and buyback of own shares

During 2019 AKVA group exercised the authorization granted to the board of directors by the annual general meeting on 15 May 2018 and annual general meeting held on 9 May 2019 for buy back of a total of 200,000 own shares. Subsequently AKVA group sold 50,000 shares to Nesse & CO AS, a company controlled by Knut Nesse, when Knut Nesse assumed the position as chairperson of the board. The company AKVA group ASA still owns 177,883 shares at year-end 2019.

See consolidated accounts note 23 for more details.

Note 24

Subsequent events

See consolidated accounts note 25 for more details about subsequent events.

Auditor's Report



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To the General Meeting of AKVA Group ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of AKVA Group ASA, which comprise:

- The financial statements of the parent company AKVA Group ASA (the Company), which comprise the balance sheet as at 31 December 2019, income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of AKVA Group ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019 and income statement, statement of other comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- 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 the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 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.

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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Drammen	Kristiansand	Stavanger	Ålesund

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of goodwill

Refer to the accounting policies section *Goodwill, Business Combinations and Impairment of non-financial assets* and Note 7 in the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2019, the Group carries NOK 826 million of goodwill on the balance sheet, which represents approximately 27 % of the consolidated balance sheet.</p> <p>Due to the size of the balance and risk of non-recoverability, goodwill impairment is considered a key audit matter. There is an inherent uncertainty of whether future cash flows are sufficient to support the carrying value of goodwill.</p> <p>An impairment test of goodwill is carried out annually by the Group, assessing the value in use of individual cash generating units.</p> <p>The key judgments applied by management in the impairment testing were:</p> <ul style="list-style-type: none"> • determination of cash generating units; • future cash flows; • growth rate; • profitability; and • discount rate. 	<p>We critically assessed the Group's value in use calculation, including the key assumptions applied. Our procedures included:</p> <ul style="list-style-type: none"> • evaluating the Group's assessment and determination of cash generating units; • assessing the historical accuracy of management's budgets and forecasts and on that basis challenging management on the current year cash flow forecasts as well as the timing of future cash flows; • challenging management on the growth assumptions and management's future business plan assumptions with reference to current market conditions and order backlog; • engaging KPMG valuation specialists to assess the mathematical and methodological integrity of management's impairment models and the discounts rates applied with reference to market data as well as recalculating management's sensitivity analysis; • performing our own independent sensitivity analysis to quantify the downside changes to management's models required to result in impairment; • agreeing the revenues, profit and growth rates with the Group's most recent budgets and long term plans as approved by management; and • considering whether the disclosures regarding key assumptions and sensitivities adequately reflects the underlying goodwill impairment assessments.

Revenue recognition of construction contracts

Refer to the accounting policies section *Revenue recognition* and Note 17 in the consolidated financial statements.

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The majority of the Group's revenues relates to construction contracts. There is a risk of incorrect revenue recognition, in particular related to construction contracts in progress as at 31 December. Recognition of revenue from construction contracts is determined based on the five-step model of IFRS 15.</p> <p>Revenue recognition is considered a key audit matter due to the significant estimates and judgments applied by management in:</p> <ul style="list-style-type: none"> • forecasting the profit margin on each contract including the cost to complete the contract, including any contingencies for uncertain costs and incorporation of any contract incentives and variation orders; and • assessing the percentage of completion of the contract. 	<p>We selected certain construction contracts based on our assessment of financial significance and risk in the contract. Our audit procedures on these contracts included;</p> <ul style="list-style-type: none"> • agreeing revenue forecasts with signed contracts including variation orders; • assessing the appropriateness of applying construction contract accounting; • inspecting project reporting documentation and internal routines for project monitoring; • an assessment of management's estimate of percentage of completion based on our knowledge of the business and industry, challenging the progress of contracts, and • challenging whether the cost and revenue estimates were appropriate in light of the margin development as well as a retrospective review of the historical accuracy of revenue recognition.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

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 in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going

concern and using 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the



key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result 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 accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 31 March 2020
KPMG AS

Svein Arthur Lyngroth
State Authorised Public Accountant

Responsibility Statement


Confirmation from the Board of Directors and the CEO

We confirm, to the best of our knowledge, that the financial statements for the period from 1 January to 31 December, 2019 has been prepared in accordance with applicable accounting standards and gives a true and fair view of the Group and the Company's assets, liabilities, financial position and results of operations, and that the Report of the Board of directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company together with a description of the key risks and uncertainty factors that the companies are facing.


Klepp, Norway, 31 March 2020



Hans Kristian Mong
(Chairperson)



Anne Breiby
(Deputy chairperson)



Anthony James



Kristin Reitan Husebø



Odd Jan Håland



Hanne Cecilie Pettersen



John Morten Kristiansen



Knut Nesse
(CEO)

Alternative Performance Measures – Non IFRS Measures

AKVA group discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Such performance measures are used to provide an enhanced insight into the operating performance, financing and future prospects of the company and are frequently used by analysts, investors and other interested parties. The definition of these measures are as follows:

Available cash is a non-IFRS financial measure, calculated by summarizing all cash in the Group in addition to available cash from established credit facilities.

NIBD - Net interest-bearing debt is a non-IFRS financial measure, equal to our long-term interest-bearing debt plus liabilities to financial institutions minus our cash at the balance sheet date.

NIBD / EBITDA is a non-IFRS measure, calculated as period end NIBD divided by the prior 12 months EBITDA.

Order backlog is a non-IFRS measure, calculated as signed orders and contracts at the balance sheet date. It does not include spot-sales, spare parts and aftermarket sales.

Order intake is a non-IFRS measure, calculated as order backlog at the end of period minus order backlog at start of period and revenue in the period

ROCE – Return on Capital Employed is a non-IFRS financial measure, calculated by dividing the last 12 months EBIT by capital employed at the balance sheet date.

Capital Employed is calculated as the sum of NIBD, at the balance sheet date plus equity, deferred tax and other long-term liabilities.

EBITDA – EBITDA is the earnings before interest, taxes, depreciation and amortizations. It can be calculated by the EBIT added by the depreciations and amortizations.

EBIT – EBIT is the earnings before interest and taxes. It can be calculated by the profit before tax added by the interest.

Capital Employed can also be found by the formula (total assets – cash) – (total current liabilities – liabilities to financial institutions).

ROACE - Return on average Capital Employed is a non-IFRS financial measure, calculated by dividing the last 12 months EBIT by the average of the Capital Employed on the opening and closing dates of the period under consideration.

Working Capital is a non-IFRS financial measure calculated by current assets less cash minus current liabilities less liabilities to financial institutions.

Articles of Association of AKVA group ASA

(Unofficial office translation. In case of discrepancies the Norwegian version shall prevail)

Per 14 August 2018

§ 1

The company's name is AKVA group ASA. The company is a public limited company.

§ 2

The company's registered office is in Eigersund municipality.

§ 3

The purpose of the company is to develop, produce, project, sell and market own and purchased products, and everything connected to such activity, including participation in other companies with similar activities.

The activities of the company shall in particular be directed towards technology for farming of fish and animals.

§ 4

The company's share capital shall be NOK 33,334,303 divided into 33,334,303 shares at NOK 1 each. The company's shares shall be registered in the Norwegian Register of Securities (VPS). Any transfer of shares shall be notified to VPS within 1 – one – month.

§ 5

The Board of Directors shall be composed of 4 to 10 members, in accordance with a decision by the General Meeting. The Chairperson and one Board member jointly sign on behalf of the company.

§ 6

The ordinary General Meeting of the company shall consider the following:

1. The approval of the annual profit and loss statement and balance sheet
2. Application of the profit, or settlement of the deficit according to the approved balance sheet, as well as the distribution of dividends
3. The election of Board of Directors
4. Other issues that under Norwegian law are to be dealt with by the shareholders General Meeting

§ 7

The company shall have a nomination committee consisting of at least 3 members elected by the general meeting. The nomination committee shall prepare the general meeting's election of board members and propose candidates for nominations. The General Meeting may adopt instructions for the nomination committee.

§ 8

When documents concerning matters to be discussed at the general meeting are made available to the shareholders on the Company's website, the requirement in the Public Companies Act that such documents shall be sent to the shareholders shall not apply. This also applies to documents which, according to law, shall be included or enclosed to the notice of the general meeting. A shareholder may nonetheless request hard copies of such documents to be sent to him.

Corporate Social Responsibility

1. Our Commitment

This policy is made in accordance with the Norwegian Accounting Act, Section 3-3c, setting that AKVA group is expected to assume responsibility for the impact on people, the environment, and the communities and societies in which AKVA group operate. This involves an analysis of AKVA group’s list of interests, a materiality assessment and a mapping of risks and opportunities. The report:

- Refers to the Company’s guidelines related to following up its corporate social responsibility, including any principles, procedures and standards to be adhered to
- Explains how the Company works to translate the principles, procedures, standards and guidelines mentioned above into action
- Describes the Company’s assessment of the results achieved as a consequence of working with corporate social responsibility and any expectations for the future results
- Is made in accordance with the guidelines of the GRI G4 Core reporting standard and the Oslo Stock Exchange’s guidance on reporting on corporate social responsibility

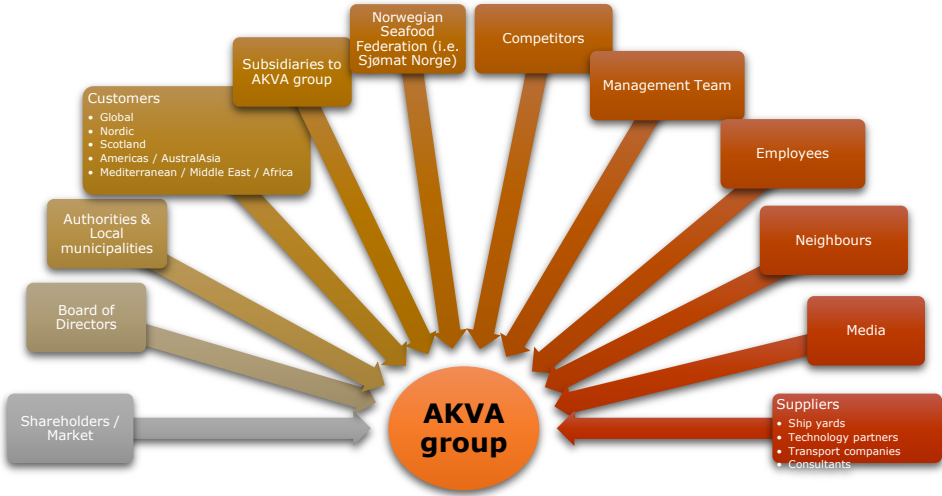


Figure 1 – List of interested parties

AKVA group’s commitment statement:
By developing technology focused on solving the biological challenges, we contribute to the continued development of a sustainable industry. Good operational performance and fish welfare are paramount in achieving good results and investing in our technology will help deliver both.

The following matrix shows the list of interested parties and assumed expectations towards AKVA group related to corporate social responsibility:

Interested parties	Expectation to AKVA group	Communication platform	AKVA group's actions
Shareholders	Compliance with UN Global Compact and OECD Guidelines for Multinational Companies	Meetings with investors and analysts Quarterly reports	Annual reporting including Corporate Social Responsibility. Public information on web pages and in media
Board of Directors	In compliance with UN Global Compact and OECD Guidelines for Multinational Companies	BoD meetings. MoMs from Management Meetings	Monthly, quarterly and annual financial reporting. Input to/from BoD meetings. Review of governing documents.
Authorities & Municipalities	In compliance with Legislation towards worker's right, human rights, environmental and anti-corruption Regional and local legislations towards the environment	Legislation and regulative supervision	Annual reporting in accordance to Norwegian Accounting Act, Section 3-3c. Maintain compliance to relevant standards (for instance NS9415, NS9416). Maintain certifications to ISO9001:2015 and ISO14001:2015
Customers	Product safety, regulations and documentation	Customer meetings, web communication, conferences, exhibitions	Established Code of Conduct Customer satisfaction surveys and feedback Participation at relevant exhibitions and market conferences
Norwegian Seafood Federation (i.e. Sjømat Norge)	Open collaboration Respectable working conditions	Meetings and conferences Newsletters	Participation to technical committees and attendance in conferences
Competitors	Mutal respect for each other's customers, technology and market activities.	Customer sites News Exhibitions / meetings	Commitment to AKVA group's Code of Conduct.
Neighbours, local municipalities & Media	Generate and maintain jobs Limit impact from transportation, noise and emissions	Media, web and social media platforms	Local recruitment and hires Cooperation with local suppliers and partners Press releases
Employees	Safe jobs Predictability Good working environment Equality and respectable working conditions	Open communication channels (intranet, emails etc.). Close cooperation with unions, town hall meetings and department meetings. Safety inspections and social gatherings.	Mutual information and communication between Management Team and employees related to strategies and measures. Issue regular employee satisfaction surveys. Conduct regular employee appraisals. Plan and arrange on-the-job training, competence development and succession planning.
Suppliers	Open, fair and honest business collaboration Written and agreed consensus	Frame agreements Contracts / PO's D2D business	Initial self-assessment surveys with a clear commitment towards UN's Global Compact. Key supplier audit schedule and follow-up activities

Figure 2 – List of interested parties

2. Basis for AKVA group's corporate social responsibility

The Company's handling of its Corporate Social Responsibility (CSR) is based on AKVA group's core values and principles, applicable laws and regulations, as well as generally accepted principles and practices for good corporate governance. AKVA group have a desire to facilitate sustainable and environmentally friendly fish farming through its technology and services.

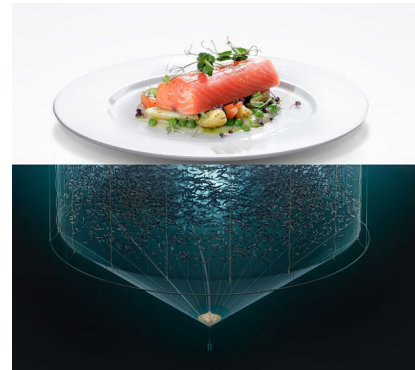


Figure 3 - Sustainable technology

AKVA group approaches Corporate Social Responsibility as a continuous process, seeking constant improvement in awareness, processes as well as adoption to new regulations and understandings.

3. AKVA group's vision and values

AKVA group's vision is to provide technology for a sustainable biology and our mission is to provide solutions and services that optimize production and enables a sustainable, cost-efficient and safe aquaculture industry.

AKVA group's core values are:



Figure 4 - CARE

The vision and values of the Group forms the foundation of our commercial activities and strategies.

Our Vision and Values are actively communicated internally and externally. The vision and values describe AKVA group as an entity, and are actively used as general guidelines for behavior, priorities and decisions in day-to-day management. Our Vision and Values are made available on our website, our intranet as well as in presentations internally and externally.

4. Social responsibility

4.1 External standards AKVA group follows

AKVA group comply with and actively work towards the principles of the UN Global Compact that includes:

Human Rights

AKVA group supports and respects the protection of internationally recognized human rights and ensures that the company is not complicit in human right abuses.

Labour standards

AKVA group upholds the freedom of association and the effective recognition of the right to collective bargaining. The company agrees with the intention of ending all forms of forced labour, bringing child labor to an end and put an end to discrimination in respect of employment and occupation.

Environment

AKVA group support a precautionary principle in relation to environmental challenges. The company undertakes initiatives to promote greater accountability in relation to the environment and encourages the development and diffusion of environmentally friendly technologies.

Anti-corruption

AKVA group works against all forms of corruption, including extortion and bribery.

4.2 Requirements for AKVA group's suppliers regarding Social Responsibility

AKVA group's suppliers and sub-contractors shall have implemented standards of Social Responsibility and should follow the principles of the UN Global Compact. Suppliers that violate basic standards of ethics and corporate responsibility will be dismissed as suppliers of AKVA group.

AKVA group ensures this in practice by thorough supplier evaluation and regular risk-based follow-up activities with major suppliers.

4.3 Good working conditions

All employees in AKVA group shall have high levels of safety in their work and we expect our suppliers to maintain responsible labour practices.

Employees in AKVA group are free to join trade unions of their choice. Management in all companies in the Group shall facilitate a good working relationship with staff and trade unions.

4.4 Safe Job Analysis

In AKVA group there shall be a risk-based approach when planning and preparing of all kinds of field services and workshop activities. Employees are expected to use risk evaluation matrixes (i.e. Safe Job Analysis) in their work.

Breach of this practice shall be reported in the Corporate Quality Management System, resulting in corrective measures to prevent reoccurrence and to ensure safe operations.

Any work-related injury or accident (Lost Time Injuries) will be reported in particular on a monthly basis to the BoD. Personal injury incidents will also be reported and dealt with in AKVA group's Quality Management System (AQS), and subject to a root cause analysis, which in turn leads up to corrective and preventive actions with a 14 days deadline.

4.5 Working Environment Act

According to AKVA group's compliance with and continuous improvement work in conjunction with the Norwegian Working Environment Act, personnel and departments are frequently subject to working environment surveys, safety inspections and reviews.

Other initiatives are internal and external communication and knowledge sharing. Individual feedback and engagement are paramount to these processes and the input key to AKVA group's devotion to safe and sound work conditions.

AKVA group have also implemented an anonymous channel for whistle blowing, which is made available through the company's web pages.

Sick leave (both short-time and long-term sick leave) is reported on a monthly basis to the BoD as part of the financial reporting routines.

4.6 Training

Onboarding, personal training and competence mapping is controlled and maintained in various HRM systems in AKVA group's subsidiaries.

Supervisors and Line Managers are offered training in essential skills on a regular basis.

AKVA group operates in countries around the Mediterranean Sea and the Middle East, and senior staff operating in these areas will be given ACAS (Advisory, Conciliation and Arbitration Service) Training as required.

4.7 Openness and dialogue with stakeholders

AKVA group aims to keep an open and constructive dialogue with people, organizations and other stakeholders affected by our operations. We believe transparency, dialogue and public reporting will help improve our business.

AKVA group's adoption of the UN Global Compact principles has been implemented as standard in contracts with suppliers from 2014 and onwards.

No incidents or violations of policies within the area of Social Responsibility have been reported to the Management or Board of Directors in 2019.

4.8 Equal opportunities and discrimination

AKVA group is committed to create an inclusive work environment and appreciates and recognizes that all people are unique and valuable and should be respected for their individual abilities. AKVA group does not accept any form of harassment or discrimination based on gender, religion, national or ethnic origin, cultural and social background, disability, sexual orientation, marital status, age or political opinion.

AKVA group shall provide equal employment opportunities and treat all employees fairly. AKVA group employees and business units shall only use merit, qualifications and other professional criteria as basis for employee-related decisions, regarding for instance recruitment, training, compensation and promotion. AKVA group encourages initiatives to promote a diverse organization based on the principle of equal opportunity.

The policy for equal opportunities is stated in the Group's Code of Conduct. It is followed up as part of the daily management in the different entities of the Group.

AKVA group currently have subsidiaries in 12 countries and with a diversified work force in terms of gender, religion, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age and political opinion.



AKVA group Chile have been training welders over the years and completed in March 2019 the first women-only welding course. There are now 23 women in the welding workshops in AKVA group Chile.

Based on the knowledge of the Management and the Board of Directors in AKVA group, there have been no violation of equal opportunities and discrimination in 2019.

4.9 Social Media Guidelines

In October 2017 AKVA group issued internally a new set of Social Media Guidelines which has been made applicable for all employees regarding online presence and responsible use of social media.

These guidelines shall be read in conjunction to the Code of Conduct, communication matrixes and other relevant policies within AKVA group.

5. Environment

AKVA group develop, design, produce and deliver technology and services to an aquaculture industry that supplies healthy seafood to a global population. A principal part of AKVA group's mission as a technology and service partner is to enhance the sustainability of our customer's operations.

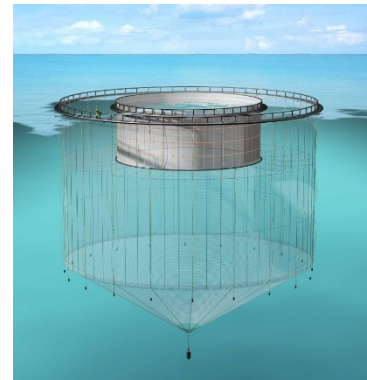
AKVA group designs and produces technology in accordance with high national and international standards implemented to safeguard sustainable production and HSE principles. In Norway, all technology designed and delivered for cage based production at sea is in accordance with NS 9415 (*Marine fish farms - Requirements for design, dimensioning, production, installation and operation*), representing the highest international technology standard in the industry. As a main rule, technology delivered to export markets will also comply with the NS 9415 standard.

Annually AKVA group allocates substantial financial resources to develop more sustainable technologies for the global aquaculture industry, targeting improved fish welfare as well as solutions to solve environmental issues, such as the challenge of fish escapes and sea lice in the salmon industry.

AKVA group are playing an active role in several national initiatives, among others the following projects and initiatives:

- Development of fish farming solutions that responds to the area challenge. The company's groundbreaking Atlantis project explores industrial farming in submersible cages, suitable for both exposed and more sheltered locations

- Development of new waterborne feeding systems and alternative sources for power supply of AKVA group's feed barges
- Participation in the NS9415:2018 standard steering committee
- Both Egersund Net and Helgeland Plast hold and maintain ISO 14001:2015 certificates (i.e. Environmental management systems)
- Egersund Net have in total 8 service stations along the Norwegian coastline to receive, handle and carry out washing of both aquaculture-and fishing nets, under a strict bio waste and sludge management. This also includes methods for recycling and dismantling of discarded equipment. Egersund Net have an ambition to carry out regeneration of new nylon filaments from nylon-waste having an environmental footprint control
- Egersund Net have over the last years developed the Tubenot®, which is a fully integrated net concept that reduces the lice impact on the salmon (see illustration to the right). The Tubenot® was released to the market in 2018
- Participation in industry-driven projects mapping depleted technology and recycling methods
- Control of emissions from materials, i.e. projects that are searching for and evaluating new feeding detection technology as well as new biomass estimation technology. Feed optimization to explore pellet recognition (reducing impact on seafloor and improving feed utilization)
- Further development of AKVA group's software technologies in close cooperation with the customers. AKVA group provides software solutions to aquaculture companies that transfers environmental data to the governmental parties
- AKVA group's Land based division is driving the development of the RAS technology and equipment for water treatment and recirculation
- AKVA group Scotland entered in 2018 a membership and commitment towards Sedex. Sedex is a collaborative platform for sharing responsible sourcing data on supply chains, used by more than 50,000 members in over 150 countries
- AKVA group is working actively to reduce the content of styrofoam in the fabrication of all plastic cage PE piping, and have in 2019 released a new Polarcirkel 500R plastic pen (see <https://www.akvagroup.com/pen-based-aquaculture/pens-nets/plastic-pens>)
- Development of underwater lights combined with underwater feeding technology for sea lice control and management
- AKVA group, together with Marine Harvest and Skretting, is one of the partners in the Centre for Aquaculture Competence (CAC) initiative in Rogaland. CAC is driving the research for new diets or novel technologies in full-scale fish farm research facilities
- AKVA group is one of the industrial partners in the project TRACKing of PLASTtic emissions from the aquaculture industry (TrackPlast). The scientific partners are



NORCE (IRIS and Uni Research), Veterinærinstituttet (VI), and Havforskningsinstituttet (HI)

AKVA group have currently not initiated any Greenhouse Gas Reporting or implemented a CDP i.e. Carbon Disclosure Project.

AKVA group will report and control any climate-related financial disclosure elements (i.e. Transition Risks and Physical Risks) in relevant top-level risk management tools.

No incidents or violations of AKVA group's policies on sustainable environment have been reported to the Management or the Directors of the Board in 2019.

6. AKVA group's code of conduct

AKVA group has an established Code of Conduct giving detailed instructions on regulations, policies and responsibilities as well as acceptable behavior and conduct. The Code of Conduct applies to all employees throughout the world, including temporary personnel, as well as the Directors of the Board in AKVA group ASA and its subsidiaries.

The purpose of the Code of Conduct is to ensure that all people acting on behalf of AKVA group perform their activities in an ethical way and in accordance with the standards AKVA group has defined through regulations, policies and guidelines.

It is AKVA group's policy to comply with all applicable laws and governmental rules and regulations. The code is an important tool to secure compliance with these laws, rules and regulations.

The Code of Conduct is published on the Group's intranet and enclosed as part of new employment contracts. The code gives clear instructions to all managers in the Group to make sure the code is known and complied with by all employees.

Violation of the Code of Conduct is not tolerated and may result in internal disciplinary actions, dismissal or even criminal prosecution. Should an improper practice or irregularity occur within the company, the company is committed to make necessary corrections and take remedial action to prevent recurrence.

The Code of Conduct covers the following main areas:

- Policy on personal conduct and behavior based on mutual respect
- Restrictive policy on use of intoxicants
- Policy on equal opportunities
- Policy on anti-corruption and conflict of interest
- Policy on compliance with laws and regulations including laws and regulations on antitrust and competition as well as insider trading

The Code of Conduct will be regularly revised in order to ensure adoptions to new regulations and consensus on good governance and conduct. The Code of Conduct was last revised and presented to the Board of Directors in October 2018.

7. Policies and actions to prevent corruption

The policies and actions to prevent corruption are all documented, communicated, maintained and controlled in AKVA group's Quality Management Systems. Any deviation or non-conformity shall be reported herein.

AKVA group has a zero-tolerance policy on corruption.

7.1 Bribery

Employees in AKVA group shall not offer or accept any bribes. Bribery occurs when a person gives or offers a gift or favor for himself to achieve an unfair advantage. AKVA group also do not allow so-called "facilitation payments", i.e. entitled payments made to secure or expedite something.

7.2 Gifts, favours and entertainment

Employees in AKVA group should exercise caution in giving and receiving gifts, services and other benefits. Gifts, services and benefits shall not go beyond what is considered normal and reasonable in the country of operation. The size and circumstances of gifts, services and benefits that are given or received shall always be of such character that an employee can speak openly about it.

The policy underlines that gifts etc. under no circumstances shall be offered or received in relation to:

- a negotiation, an application, an offer or other situations where it is expected to give something in return, or
- money, loans and private services, or
- frequent gifts or
- gifts to public officials or politicians, or
- gifts with specific conditions or
- gift whose value exceeds \$ 100 (without the prior written consent of the employee's manager)

In addition to these guidelines, employees are required to follow local regulations, including tax laws.

7.3 Actions and status

The policy and guidelines to prevent corruption and fraud is stated in AKVA group's Code of Conduct.

Special management attention is given to safeguard the strict anti-corruption policy, enforcing strong awareness among employees on all levels. Actions are systematically implemented, including:

- Sales and projects staff working towards and/or operating in markets with historical records of corruption, are followed up with special information and training courses aimed at enhancing understanding and awareness
- All new suppliers, distributors and cooperating partners in export markets are subject to an Integrity Due Diligence (IDD) process. AKVA group's IDD process includes either an integrity due diligence review or a «Red Flag Screening» of the potential supplier/sub-contractor
- Anti-corruption clauses are implemented in all significant contracts with suppliers and customers from 2014 and onwards
- Anti-corruption clauses are included in new agent and distributor agreements
- Anti-corruption clauses are included in significant contracts in emerging markets

As of today, none incidents of corruption involving AKVA group have been reported to the Management or the Board of Directors in AKVA group.

7.4 Conflicts of Interest

Employees in AKVA group shall not attempt to gain advantages for themselves or relatives that are unlawful, or in any way may be in violation of AKVA group's interests or reputation.

7.5 Duties, positions and ownership of external business

Employees in AKVA group shall not be involved in matters or enter into agreements that may either conflict with or damage AKVA group's interests or provide the employee with benefits. This includes conditions that puts a person's independence in question, for

instance if an employee or his/her family / close connections have financial interests tied to AKVA group's operations.

Employees in AKVA group shall avoid relationships or agreements that may affect his or her actions or judgment and make others question their independence.

Employees in AKVA group shall avoid ownership interests or directorships in other companies if this is likely to undermine the loyalty to AKVA group. Board positions and/or equity investment in companies that compete or are doing business with AKVA group shall always be subject to prior approval from the employee's supervisor/manager.

7.6 Political activity

AKVA group does not provide any form of financial or other support to political parties. AKVA group may however support or promote political views in matters affecting its business interests.

7.7 Prohibition on the purchase of sexual services

Purchase of sexual services on a business trip, or in connection with the execution of an assignment or work for AKVA group, is unacceptable and shall not occur.

Purchase of sexual services is prohibited by law in Norway. This prohibition also applies abroad for Norwegian citizens and persons with permanent residence in Norway.

7.8 Actions and status

The policy and guidelines on integrity and conflict of interests are stated in AKVA group's Code of Conduct.

Violation is not tolerated and may, in accordance with relevant legislation, lead to internal disciplinary actions, dismissal or even criminal prosecution. Should an improper practice or deviation occur within the Company, the Company is committed to make necessary corrections and take remedial action to prevent reoccurrence.

No violations of the policy and guidelines for Integrity and Conflict of Interest have been reported to the management or board of directors during 2019.

8. Compliance with standards, laws and regulations

Compliance with standards, national laws and regulations are the basis for AKVA group's operations in all countries.

Employees and directors in AKVA group shall:

- Comply with all applicable laws and regulations when acting on behalf of the company, including the obligation to report and pay taxes;
- Under no circumstances cause or contribute to violations of the general and specific competition regulations, such as price-fixing, illegal market sharing or other conduct in violation of applicable competition laws;
- Comply with applicable legislation and internal instructions on insider trading and insider information. This includes acting on or providing advice on the sale of securities in AKVA group on the basis on non-public information made available through the employee's work in AKVA group.

The policy and guidelines of compliance with laws and regulations are stated in AKVA group's Code of Conduct and in AKVA group's Quality Management Systems.

AKVA group have developed and issued guidelines for insiders in accordance with the recommendations set by Oslo Stock Exchange. These guidelines are documented, communicated, maintained and controlled in AKVA group's Quality Management Systems.

During the finalization of year-end reporting for AKVA's two subsidiaries in the Land Based segment in Denmark, there was uncovered serious breaches of company policies within project follow up and project accounting. An external review will be carried out to evaluate and identify gaps in competence, and a subsequent strengthening the organization is planned.

No other incidents of non-compliance with the policies of Compliance have been reported to the Management or the Board of Directors in 2019.

Corporate Governance in AKVA group ASA

AKVA group ASA's objective is to create the greatest possible value for its shareholders over time. Strong corporate governance will contribute to reducing risk and ensure sustainable value creation.

Pursuant to section 3-3(b) of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance, last revised by the Norwegian Corporate Governance Board (the "**NCGB**") on 17 October 2018 (the "**Code**"; which recommendations are highlighted in blue text below), the board of directors (the "**Board**") of AKVA group ASA ("**AKVA group**" or the "**Company**", and together with its subsidiaries the "**Group**") reviews and updates the Company's principles for corporate governance on an annual basis. This report is included in the Company's annual report.

1. Implementation and reporting on corporate governance

The board of directors must ensure that the company implements sound corporate governance.

The board of directors must provide a report on the company's corporate governance in the directors' report or in a document that is referred to in the directors' report. The report on the company's corporate governance must cover every section of the Code of Practice. If the company does not fully comply with the Code of Practice, the company must provide an explanation of the reason for the deviation and what solution it has selected.

The board of AKVA group has defined guidelines to ensure that the Company has good corporate governance to, inter alia, support achievement of the Company's core objectives on behalf of its shareholders and to create a strong, sustainable company. The Board believes that good corporate governance involves openness and a trustful cooperation between all parties involved in and with the Group: The shareholders, the Board and the management, employees, customers, suppliers, public authorities and the society in general.

By pursuing the principles of corporate governance, approved by the Board, the Board and management shall contribute to achieving the following objectives:

- **Openness and honesty.** Communication with the interest groups of AKVA group shall be based on openness and honesty on issues relevant for the evaluation of the development and position of the Company.
- **Independence.** The relationship between the Board, the management and the shareholders shall be based on independence. Independence shall ensure that decisions are made on an unbiased and neutral basis.
- **Equal treatment.** AKVA group has equal treatment and equal rights for all shareholders as one of its primary objectives.
- **Control and management.** Good control and corporate governance mechanisms shall contribute to predictability and reduce the level of risks for shareholders and other interest groups.

The development of, and improvements in, AKVA group's corporate governance principles are considered by the Board as ongoing and important processes.

The individual recommendations in the Code are discussed below. The Code and its recommendations are available on the NCGB website, <https://nues.no/>. To a large extent AKVA group's principles correspond to the Code. Possible deviations from the Code are discussed under the relevant sections below, and any deviation is accounted for and any alternative practice adopted by the Company explained.

Deviation from the Recommendation: None

2. Business

The company's articles of association should clearly describe the business that the company shall operate.

The board of directors should define clear objectives, strategies and risk profiles for the company's business activities such that the company creates value for shareholders. The company should have guidelines for how it integrates considerations related to its stakeholders into its value creation. The board of directors should evaluate these objectives, strategies and risk profiles at least yearly.

The operations of AKVA group shall be in compliance with the business objective as set forth in paragraph 3 of the Company's articles of association (the "**Articles of Association**") which reads as follows:

"The purpose of the company is to develop, produce, project, sell and market own and purchased products, and everything connected to such activity, including participation in other companies with similar activities. The activities of the company shall in particular be directed towards technology for farming of fish and animals."

The full Articles of Association are included in the annual report. The Company's strategic goals and objectives are described thoroughly in the report.

The Board has defined clear objectives, strategies and risk profiles for the Company's business activities to ensure that the Company creates value for shareholders. These objectives, strategies and risk profiles are evaluated by the Board yearly.

The Company has established guidelines and a Code of Conduct addressing corporate social responsibility, including matters that relate to human rights, employee rights and social matters, the external environment, the prevention of corruption, the working environment, equal treatment, discrimination, and environmental impact, as well as setting out defined values upon which the Company should base its activities. These are reviewed on a yearly basis and are included in the annual report pursuant to the Norwegian Accounting Act.

Deviation from the Recommendation: None

3. Equity and dividends

The board of directors should ensure that the company has a capital structure that is appropriate to the company's objective, strategy and risk profile.

The board of directors should establish and disclose a clear and predictable dividend policy.

The background to any proposal for the board of directors to be given a mandate to approve the distribution of dividends should be explained.

Mandates granted to the board of directors to increase the company's share capital or to purchase own shares should be intended for a defined purpose. Such mandates should be limited in time to no later than the date of the next annual general meeting.

At year end 2019 AKVA group had a consolidated equity of MNOK 991 which accounts for 33% of the total consolidated assets of the Company. The view of the Board is that the above stated equity capital level is appropriate in consideration of the Company's objectives, strategy and risk profile.

Dividend policy:

The Company's main objective is to maximise the value of the investment made by its shareholders through both increased share prices and dividend payments. The Company aims to give the shareholders a competitive return on investment by a combination of cash dividend and share price increase. The Company's dividend policy shall be stable and predictable.

When deciding the dividend the Board will take into consideration expected cash flow, capital expenditure plans, financing requirements/compliance, appropriate financial flexibility, and the level of net interest bearing debt. The Company needs to be in compliance with all legal requirements to pay dividend. The Company will target to pay dividend twice a year.

The dividend policy has been established by the Board and is disclosed on the Company's website.

AKVA group paid out a dividend of NOK 1.75 per share in 2019, in total NOK 58,136,235.

In order to enable the Company to maintain the dividend policy, the Board will propose that the Annual General Meeting to be held in May 2020 authorizes the Board pursuant to the Norwegian Public Limited Liability Companies Act (the "**Public Companies Act**" or the "**Act**") § 8-2(2) to

approve the distribution of dividends based on the Company's annual accounts for 2019. The proposed authority may be used to approve the distribution of dividends up to an aggregate amount of NOK 100,000,000. The authorization shall, if adopted by the Annual General Meeting, be in force from the date of the general meeting until the earlier of the time of the Annual General Meeting in 2021 and 30 June 2021.

The general meeting held on 9 May 2019 resolved to grant the Board an authorization to increase the Company's share capital by up to NOK 2,583,430 through subscription of new shares. The authorization is in force until the earlier of the date of the Annual General Meeting in 2020 and 30 June 2020 and replaced all previous Board authorizations to increase the Company's share capital. The authorization does not authorize the Board to (i) waive the pre-emptive right of shareholders pursuant to section 10-4 of the Act; (ii) carry out a capital increase by contribution in kind, (iii) incur any special obligations on behalf of the Company, cf. section 10-2 of the Act, (iv) decide on mergers pursuant to section 13-5 of the Act, or (v) use the authorization in connection with the Company's option program.

The Board will proposed that the Annual General Meeting to be held in May 2020 repeats the authorization granted to the Board in 2019 with a limitation corresponding to 10% of authorized share capital, but so that the Board is not authorized to waive the pre-emptive right of shareholders pursuant to section 10-4 of the Act, nor carry out a capital increase by contribution in kind, nor incur special obligations on behalf of the Company, cf. section 10-2 of the Act, and nor decide on mergers pursuant to section 13-5 of the Act, and so that the authorization may not be used in connection with the Company's option program. The new authorization shall, if adopted by the Annual General Meeting, expire at the earliest on the date of the Annual General Meeting in 2021 and 30 June 2021. It is further proposed that the new authorization shall replace all previous authorizations to the Board to increase the Company's share capital.

The general meeting in 2019 also resolved to grant the Board authorization to acquire own shares which have been fully paid in accordance with the rules of §§ 9-2 – 9-4 of the Act. The shares to be acquired under this authorization shall not be acquired at a higher value than market terms on a regulated market where the shares are traded. This authorization may be used one or several times. The aggregate maximum face value of the shares which the Company may acquire pursuant to this authorization is NOK 645,857, which equalled approximately 2.5% of the Company's share capital. Acquisitions of shares pursuant to this authorization may only take place if the Company's distributable reserves according to the most recent balance sheet exceed the purchase price for the shares to be acquired. The Board is free to determine how the Company's own shares will be acquired and sold, provided that an acquisition under this authorization must be in accordance with prudent and good business practice, with due consideration to losses which may have occurred after the balance-sheet date or to expected such losses.

The authorization is valid until the earlier of the date of Annual General Meeting of 2020 and 30 June 2020. This authorization replaced the authorization for acquisition of own shares granted by the Annual General Meeting on 9 May 2019.

The Board has proposed that the Annual General Meeting to be held in May 2020 repeats the authorization granted to the Board in 2019 to acquire own shares of a maximum face value of NOK 833,358 (equal to approximately 2.5%), and that the new mandate shall expire at the earliest of the Annual General Meeting in 2021 and 30 June 2021. It is further proposed that the new authorization shall replace all previous authorizations to the Board to purchase own shares.

Deviation from the Recommendation: The Board authorizations granted by the Annual General Meeting in 2019 to increase the share capital and to acquire own shares respectively are not limited to defined purposes. The same applies to the Board authorizations to be proposed to the Annual General Meeting in 2020. The Board however believes that it is in the best interest of the Company that the Board has flexibility to use the authorizations as considered necessary and advantageous from time to time at the Board's discretion, always considering the interests of the Company's shareholders and other stakeholders.

4. Equal treatment of shareholders and transactions with close associates

Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital should be justified. Where the board of directors resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders on the basis of a mandate granted to the

board, the justification should be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

Any transactions the company carries out in its own shares should be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the company's shares, the company should consider other ways to ensure equal treatment of all shareholders.

In the event of any not immaterial transactions between the company and shareholders, a shareholder's parent company, members of the board of directors, executive personnel or close associates of any such parties, the board should arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Public Companies Act. Independent valuations should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

Pre-emptive rights and transactions in own shares

If the proposed Board authorization to increase the share capital referred to above is approved by the Annual General Meeting in 2020, the Board is not authorized to waive the shareholder's pre-emptive rights in connection with a share capital increase under the authorization.

In the event the Board would propose to the general meeting that the pre-emptive rights of shareholders should be waived, this proposal will be justified in the notice of the general meeting and disclosed in a stock exchange notice in connection with the capital increase.

Any transactions carried out by the Company in its own shares will be carried out either on the Oslo Stock Exchange or at prevailing stock market prices. In situations with limited liquidity in the Company's shares, the Board will consider alternative means to ensure the equal treatment of shareholders.

Transactions between related parties

The Company is not aware of any potential conflicts of interest between the duties owed to the Company by the members of the Board or the Company's management, and their private interests or other duties. The Company is party to facility lease agreements with companies that are controlled by shareholders of AKVA group; however, these are all based on arm's length market terms.

In order to avoid conflicts of interest, the Company has guidelines pursuant to which the members of the Board and the company's management must act.

Deviation from the Recommendation: None other than as stated above

5. Shares and negotiability

The company should not limit any party's ability to own, trade or vote for shares in the company. The company should provide an account of any restrictions on owning, trading or voting for shares in the company.

The Company's shares are freely negotiable. The Articles of Association place no restrictions on negotiability.

Deviation from the Recommendation: None

6. General meetings

The board of directors should ensure that the company's shareholders can participate in the general meeting.

The board of directors should ensure that:

- the resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on all matters to be considered at the meeting
- any deadline for shareholders to give notice of their intention to attend the meeting is set as close to the date of the meeting as possible
- the members of the board of directors and the chairman of the nomination committee are present at the general meeting
- the general meeting is able to elect an independent chairman for the general meeting
- Shareholders should be able to vote on each individual matter, including on each individual candidate nominated for election. Shareholders who cannot attend the meeting in person should be given the opportunity to vote. The company should design the form for the appointment of a proxy to make voting

on each individual matter possible and should nominate a person who can act as a proxy for shareholders.

The Annual General Meeting in 2019 was in all material respect carried out in accordance with recommendation no. 6 of the Code with the following exceptions:

- The Company does not appoint an independent proxy to vote on behalf of shareholders. In the Company's opinion the shareholder interests are duly protected through participation with a personal proxy or by granting a proxy with voting instructions to the chairman of the meeting, the chairman of the Board or any person appointed by him
- The recommendations of the nomination committee had not been finalised on the date of the notice calling the Annual General Meeting, and were made public 15 days prior to the date of the Annual General Meeting.
- The agenda and proxy form for the Annual General Meeting did not open up for voting in individual candidates for the Board. The nomination committee made a recommendation for a board composition reflecting several criteria, where *inter alia* stakeholder interests, independence, competence and experience have been weighed to provide a representative and skilled board. This would not be possible to achieve with separate voting for individual candidates.

The Annual General Meeting in 2019 was chaired by an independent chairman. It is the intention of the Board to nominate an independent chairman also for future general meetings.

Deviation from the Recommendation: None other than as stated above

7. Nomination committee

The company should have a nomination committee, and the nomination committee should be laid down in the company's articles of association.

The general meeting should stipulate guidelines for the duties of the nomination committee, elect the chairperson and members of the nomination committee, and determine the committee's remuneration.

The nomination committee should have contact with shareholders, the board of directors and the company's executive personnel as part of its work on proposing candidates for election to the board.

The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the board of directors and the executive personnel. No more than one member of the nomination committee should be a member of the board of directors, and any such member should not offer himself for re-election to the board. The nomination committee should not include the company's chief executive or any other executive personnel.

The nomination committee's duties should be to propose candidates for election to the board of directors and nomination committee (and corporate assembly where appropriate) and to propose the fees to be paid to members of these bodies.

The nomination committee should justify why it is proposing each candidate separately.

The company should provide information on the membership of the committee and any deadlines for proposing candidates.

The Articles of Association provide for a nomination committee. The nomination committee shall evaluate and recommend candidates for directors elected by the shareholders as well as directors' remuneration, both for the Board and for the nomination committee itself. The nomination committee shall consider and recommend resolutions at the general meeting on the following matters:

- Candidates for election as members of the Board
- Candidates for election as members of the nomination committee and the chairman of the committee
- The proposed remuneration of the Board and the members of the nomination committee
- Any proposed amendments to the nomination committee Charter
- Approve the text in the annual report (Corporate Governance section) of the Company, related to the nomination committee

The nomination committee shall consist of three members elected by the general meeting. The general meeting also elects the chairperson of the nomination committee.

The nomination committee's work is based on the nomination committee Charter approved by the Annual General Meeting in May 2007, which includes appropriate arrangements for shareholders to submit proposals to the committee for candidates for election.

Composition

The current nomination committee was elected by the Annual General Meeting on 9 May 2019 and consists of:

- Eivind Helland, (chair, for 2 years) General Manager, Blue Planet AS
- Bjørnar Mikalsen (for 2 years), Head of Sales, Skretting Nord
- Ingvald Fardal (for 2 years), MsC Business Administration
-

None of the nomination committee members are members of the Board.

The nomination committee is of the opinion that the composition reflects the common interest of all the Company's shareholders.

The work of the committee

The nominating committee has held 4 meetings since the Annual General Meeting in 2019.

Deviation from the Recommendation: None

8. Board of directors: Composition and independence

The composition of the board of directors should ensure that the board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the board can function effectively as a collegiate body.

The composition of the board of directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the board should be independent of the company's executive personnel and material business contacts. At least two of the members of the board elected by shareholders should be independent of the company's main shareholder(s).

The board of directors should not include executive personnel. If the board does include executive personnel, the company should provide an explanation for this and implement consequential adjustments to the organisation of the work of the board, including the use of board committees to help ensure more independent preparation of matters for discussion by the board, cf. Section 9.

The general meeting (or the corporate assembly where appropriate) should elect the chairman of the board of directors.

The term of office for members of the board of directors should not be longer than two years at a time.

The annual report should provide information to illustrate the expertise of the members of the board of directors, and information on their record of attendance at board meetings. In addition, the annual report should identify which members are considered to be independent.

Members of the board of directors should be encouraged to own shares in the company.

Composition of the Board

According to the Articles of Association, the Board shall consist of four to ten members. The Board currently consists of the following 7 members: Hans Kristian Mong (Chairperson), Anne Breiby (Deputy Chairperson), Anthony James, Kristin Reitan Husebø, Odd Jan Haaland, Hanne Cecilie Pettersen and John Morten Kristiansen. The 3 latter directors have been elected by and from the employees. Knut Nesse was briefly a member and chairperson of the Board before stepping down to become interim and later permanent CEO in Q4 2019.

All of the shareholder-elected members of the Board are independent from executive management and material business contacts. Three of the shareholder-elected members of the Board are independent from the main shareholders of the Company. The Board elects the chair and the deputy chair. All the members of the Board are generally encouraged to own shares in the Company.

Hans Kristian Mong represents the largest shareholder of the Company, Egersund Group AS. Anthony James represents Wheatsheaf Investments Ltd, the second largest shareholder of the Company. The

other members of the Board are independent of shareholders and other stakeholders. Further details of the individual directors can be found in the annual Report.

The nomination committee's recommendation of candidates, including the basis of the recommendation, will be appended to the notice for the Annual General Meeting, which will be published on the Company's website and on the Oslo Stock Exchange's reporting site, www.newsweb.no.

Deviation from the Recommendation: None other than as stated above regarding the Board's competence to elect the chairman of the Board.

9. The work of the board of directors

The board of directors should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.

The board of directors should ensure that members of the board of directors and executive personnel make the company aware of any material interests that they may have in items to be considered by the board of directors.

In order to ensure a more independent consideration of matters of a material character in which the chairman of the board is, or has been, personally involved, the board's consideration of such matters should be chaired by some other member of the board.

The Public Companies Act stipulates that large companies must have an audit committee. The entire board of directors should not act as the company's audit committee. Smaller companies should give consideration to establishing an audit committee. In addition to the legal requirements on the composition of the audit committee etc., the majority of the members of the committee should be independent.

The board of directors should also consider appointing a remuneration committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. Membership of such a committee should be restricted to members of the board who are independent of the company's executive personnel.

The board of directors should provide details in the annual report of any board committees appointed.

The board of directors should evaluate its performance and expertise annually.

Board responsibilities

The Board has the final responsibility for the management and organisation of the Company and supervising routine management and business activities. This involves that the Board is responsible for establishing control arrangements to secure that the Company operates in accordance with the adopted values and the Code of Conduct as well as with shareholders' expectations of good corporate governance. The Board primarily looks after the interests of all the shareholders but is also responsible for the Company's other stakeholders.

The Board's main task is to ensure that the Company develops and creates value. Furthermore, the Board shall contribute to the shaping of and implementation of the Group's strategy, ensure appropriate supervision and control of management and in other ways ensure that the Group is well operated and organised. The Board sets the objectives for the financial performance and adopts the Company's plans and budgets. Items of major strategic or financial importance for the Group are the responsibility of the Board. The Board appoints the CEO, defines his or her work description and authority and sets his or her salary and other compensation. The Board each year produces an annual plan for its work as recommended.

Instructions to the Board

The latest version of the Board's instructions was approved by the Board in a board meeting on 10 April 2014. The instructions cover the following points: Composition of the Board, the Board's duties, day-to-day management, calling of Board meetings and related issues, the Board's decisions, Board minutes, disqualification and conflict of interest, confidentiality obligation, convening general meetings, insider rules and ethical guidelines for conduct of business. The Board can decide to deviate from instructions in certain cases. The members of the Board shall pursuant to the instruction to the Board make the Company aware of any material interests that they may have in items to be considered by the Board.

Financial Reporting

The Board receives regular financial reports on the Group's economic and financial status.

Audit Committee

In accordance with section 6-41 of the Act, AKVA group has established an audit committee, consisting of Anne Breiby (Chair) and Anthony James. The Group CFO acts as the secretary of the committee. The mandate and work of the audit committee is described in further detail under item 10 below.

The audit committee has been operating since 2011. 6 meetings were held in the committee during 2019.

The remuneration committee

The Company has established a remuneration committee, and the current Charter for the remuneration committee was approved by the Board in a board meeting on 21 September 2006. The committee's tasks revolve around the CEO's terms of employment and the remuneration of the executive management including salary levels, bonus systems, options schemes, pension schemes, employment contracts etc. The committee submits recommendations to the Board for final approval.

The current members are Hans Kristian Mong (Chair) and Kristin Reitan Husebø. The committee has had 1 meeting since the 2019 Annual General Meeting.

The Board's self-evaluation

The Board completes a self-evaluation annually in terms of efficiency, competence and the Board's duties in general. The evaluation is made available for the nomination committee.

Deviation from the Recommendation: None

10. Risk management and internal control

The board of directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. Internal control and the systems should also encompass the company's guidelines etc. for how it integrates considerations related to stakeholders into its creation of value.

The board of directors should carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.

The Board and internal control

The Board ensures that the Company has appropriate internal control procedures and appropriate risk management systems tailored to its business. Managing operational risk primarily takes place within the operational subsidiaries, but with the Company's management as an active driving force through its positions in the boards of the subsidiaries. Generally, the subsidiaries have established adequate practices for such risk management.

The Group is exposed to currency, interest rate, and market risk, as well as credit risk and operational risk.

The Group has implemented a quality control system which further reduces operational risk. AKVA group ASA became ISO 9001:2008 certified as of December 2014.

The Groups' financial guidelines ensure the monitoring of financial risk. Management of exposure in financial markets, including currency, interest rate and counterparty risk, is emphasised in the Company's governing documents. Further details on these principles are provided in note 16 to the Group's financial statements and AKVA group's financial statements.

The Group has developed an authority matrix which is included in its governing documents.

Management regularly prepares performance reports that are reviewed by the Board. The interim financial statements are subject to review in board meetings.

The Board's work plan

The Board has established an annual work plan that includes an annual review of compliance of external and internal laws and regulations, risk and the HSE-situation, financial risks and identification of risk related to the strategic goals and risk handling. By carrying out the established

work plan, the Board controls that the Company has sound internal control and systems for risk management for the Company's activities, including systems suitable for controlling the compliance with the Company's guidelines for how it integrates considerations related to stakeholders into its creation of value.

Audit committee

The mandate of the committee is to monitor and evaluate the Group's financial reporting, including to evaluate substantial accounting issues, accounting principles and procedures applied by the Group in its financial reporting to the Oslo Stock Exchange. The committee is to evaluate the work of the Group's external auditor, including the auditor's independence from management and compliance with rules and regulations in regard to services beyond financial audit. The committee also discusses the scope of the audit with the external auditor as well as evaluates reports from the auditor to the Board and management of the Group. The audit committee nominates external auditor for the Group as well as propose compensation for the external auditor to the Board.

The audit committee is also monitoring the Groups internal control systems, including managements operational and financial risk management.

The audit committee is free to address any other issue it finds necessary to fulfil its mandate.

Deviation from the Recommendation: None

11. Remuneration of the board of directors

The remuneration of the board of directors should reflect the board's responsibility, expertise, time commitment and the complexity of the company's activities.

The remuneration of the board of directors should not be linked to the company's performance. The company should not grant share options to members of its board.

Members of the board of directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the Board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the board.

Any remuneration in addition to normal directors' fees should be specifically identified in the annual report.

It is the Board's opinion that the size of the remuneration of the Board is in compliance with the criteria in the recommendation concerning *inter alia* the Board's responsibility and expertise. Furthermore, the following applies to the remuneration:

- The remuneration is not linked to the company's performance, and the Board members are not granted share options
- None of the Board members and/or companies with which they are associated, have taken on specific assignments for the Company in addition to their appointment as a member of the Board.
- The remuneration of the Board is proposed to the general meeting by the nomination committee

Deviation from the Recommendation: None

12. Remuneration of the executive management

The board of directors is required by law to prepare guidelines for the remuneration of the executive personnel. These guidelines are communicated to the Annual General Meeting. The board of director's statement on the remuneration of executive personnel should be a separate appendix to the agenda for the general meeting. It should also be clear which aspects of the guidelines are advisory and which, if any, are binding. The general meeting should vote separately on each of these aspects of the guidelines.

The guidelines for the remuneration of the executive personnel should set out the main principles applied in determining the salary and other remuneration of the executive personnel. The guidelines should help to ensure convergence of the financial interests of the executive personnel and the shareholders.

Performance-related remuneration of the executive personnel in the form of share options, bonus programmes or the like should be linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, should be an incentive to good performance and be based on quantifiable factors over which the employee in question can have influence. Performance-related remuneration should be subject to an absolute limit.

Guidelines and terms

The main principles for the Company's executive personnel remuneration policy is that the basic salary shall promote value creation in the Company and contribute to common interests between shareholders and executive personnel. The basic salary shall not be of a type or size that may negatively affect the Company's reputation.

As the industry leader in our sector, AKVA group is dependent on being able to offer salaries that enable AKVA to recruit the most able managers. It is the Board's policy to employ the most competent managers by offering compensation packages that are competitive with those offered in other similar industries and in the international market.

The Board has established a remuneration committee, which shall make recommendations to the Board with respect to the remuneration of the Company's CEO and other executive personnel.

The Board and the remuneration committee have the responsibility to establish guidelines and recommendations with regards to the remuneration of the CEO and the executive management. Each year the compensation committee undertakes a thorough review of the remuneration and other salary to the CEO and the executive management. The review is based upon market sampling of similar positions. The structure and level of the remuneration and incentive system for the CEO and the executive management is determined by the Board. The fixed remuneration and performance-based remuneration is described in the notes to the annual accounts.

The total remuneration to the CEO and other members of the executive management consists of base salary, variable salary, benefits in kind and pension schemes. Performance-related remuneration of the executive management in the form of bonus programmes, share-based incentives or similar shall be linked to value creation in the Company over time. Such arrangements shall incentivise performance and be based on quantifiable factors that the employee may influence. As recommended in the Code, the performance-related remuneration is capped by being limited to a certain fraction of recipients' annual salary. Share based incentive schemes are limited by a maximum number of shares in the Company that can be allocated.

In accordance with the Public Companies Act and the Code, the guidelines for the remuneration of the CEO and the executive management are made available on the Company's website and communicated in the notes to the annual accounts.

Deviation from the Recommendation: None other than as stated above.

13. Information and communications routine

[The board of directors should establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.](#)

[The board of directors should establish guidelines for the company's contact with shareholders other than through general meetings](#)

Annual and periodic accounts

The Company normally presents provisional annual accounts in late February. The complete annual report including annual financial statements and the Directors' report is sent to all shareholders and other stakeholders in March/April and presented at the Annual General Meeting. The company also makes its interim accounts publicly available through the Oslo Stock Exchange publication system, as well as through presentations that are open to the public. The Company's financial calendar is published on the Company's website and through the Oslo Stock Exchange publication system. All shareholders have equal access to financial and other material company information.

Other market information

Public presentations are conducted in connection with the Company's interim reports. The interim presentation is also made available on the Company's website and through the Oslo Stock Exchange publication system.

In the interim report the CEO reviews the result for the past period and comments on the development for the various products and market segments. Furthermore, the CEO provides a summary of the market outlook and short term future prospects. The CFO also participates in these

presentations. The CEO and CFO also maintain a dialog with and make regular presentations to analysts and potential investors.

The Company considers it essential to keep shareholders and potential investors informed about its economic and financial development. Significant importance is also attached to securing that the same information is released to the whole market at the same time. From time to time the Company will prepare an updated company presentation which is made available on the Company's website, <http://ir.akvagroup.com/investor-relations/financial-info-/other-presentations-and-reports>.

Deviation from the Recommendation: None

14. Take-overs

The board of directors should establish guiding principles for how it will act in the event of a take-over bid. In a bid situation, the company's board of directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the company's business activities are not disrupted unnecessarily. The board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.

The board of directors should not hinder or obstruct take-over bids for the company's activities or shares. Any agreement with the bidder that acts to limit the company's ability to arrange other bids for the company's shares should only be entered into where it is self-evident that such an agreement is in the common interest of the company and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the costs the bidder has incurred in making the bid.

Agreements entered into between the company and the bidder that are material to the market's evaluation of the bid should be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.

In the event of a take-over bid for the company's shares, the company's board of directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following the announcement of the bid.

If an offer is made for a company's shares, the company's board of directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The board's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the board have excluded themselves from the board's statement. The board should arrange a valuation from an independent expert. The valuation should include an explanation, and should be made public no later than at the time of the public disclosure of the board's statement.

Any transaction that is in effect a disposal of the company's activities should be decided by a general meeting (or the corporate assembly where relevant).

The Board has established guidelines in the event of an offer for all or a substantial majority of the shares in AKVA group is made.

In the event of a take-over bid for the shares in the Company, the Board shall ensure that shareholders in the Company are treated equally, and that the Company's business activities are not disrupted unnecessarily. The Board shall ensure that shareholders are given sufficient information and time to form a view of the offer. The Board shall not seek to prevent or obstruct take-over bids for the Company's business or shares unless there are particular reasons to do so.

Any agreement with a bidder for the shares of the Company that acts to limit the Company's ability to arrange other bids for the Company's shares should only be entered into where such an agreement clearly is in the common interest of the Company and the shareholders. This provision shall also apply to any agreement on the payment of financial compensation to a bidder if the bid does not proceed.

In the event of a take-over bid for the Company's shares, the Board shall not exercise authorizations or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting subsequent to the announcement of the bid.

If an offer is made for the shares in the Company, the Board shall issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board's statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case it shall explain the basis on which specific members of the board have excluded themselves

from the board's statement. Before issuing its final statement, the board shall arrange for an evaluation of the financial aspects of the bid from an independent expert. The evaluation shall include an explanation and shall be made public no later than at the time the Board's statement is made public.

Deviation from the Recommendation: None.

15. Auditor

The board of directors should ensure that the auditor submits the main features of the plan for the audit of the company to the audit committee annually.

The board of directors should invite the auditor to meetings that deal with the annual accounts. At these meetings the auditor should report on any material changes in the company's accounting principles and key aspects of the audit, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the company.

The board of directors should at least once a year review the company's internal control procedures with the auditor, including weaknesses identified by the auditor and proposals for improvement.

The board of directors should establish guidelines in respect of the use of the auditor by the company's executive management for services other than the audit.

An outline of the work planned by the auditor is presented to the Company's audit committee each year. The auditor is always invited to be present during the Board's discussion of the annual accounts. At this meeting the board is briefed on the annual accounts and any other issues of particular concern to the auditor. Part of the meeting is also executed without the presence of the CEO and other executive management. The board has implemented guidelines in respect of use of the auditor by the executive management for services other than the audit.

Deviation from the Recommendation: None.

