# Significant growth outside Norway

## Second quarter 2018 – HIGHLIGHTS

- **Continued good activity across all regions and segments**
- **Growth in revenue (17%), in particular by Americas and EME (Europe and Middle East)**
- **Order intake of 471 MNOK in the quarter, down from 778 MNOK in Q2 2017, however the pipeline remains healthy. Q2 2017 order intake was heavily influenced by two larger contracts signed for a total of 183 MNOK**
- **EBITDA at 52 MNOK down from 65 MNOK in Q2 2017 effected by 8 MNOK of transaction costs related to the Egersund Net acquisition**
- **Dividend of NOK 0,75 per share to be paid out in September 2018**
- **Transaction agreement with Egersund Group AS signed for the acquisition of Egersund Net AS**

## YTD 2018 - HIGHLIGHTS

- **Revenue of 1,216 MNOK a 16% increase compared to last year**
- **The share of revenues outside Nordic increases from 24% to 38% compared to H1 2017**
- **Order backlog end of Q2 decreased to 1.27 BNOK, a 3% decrease compared to Q2 2017**
- **Net profit of 43 MNOK, down from 47 MNOK in H1 2017**
- **Dividend of NOK 0.75 per share paid out in March 2018**

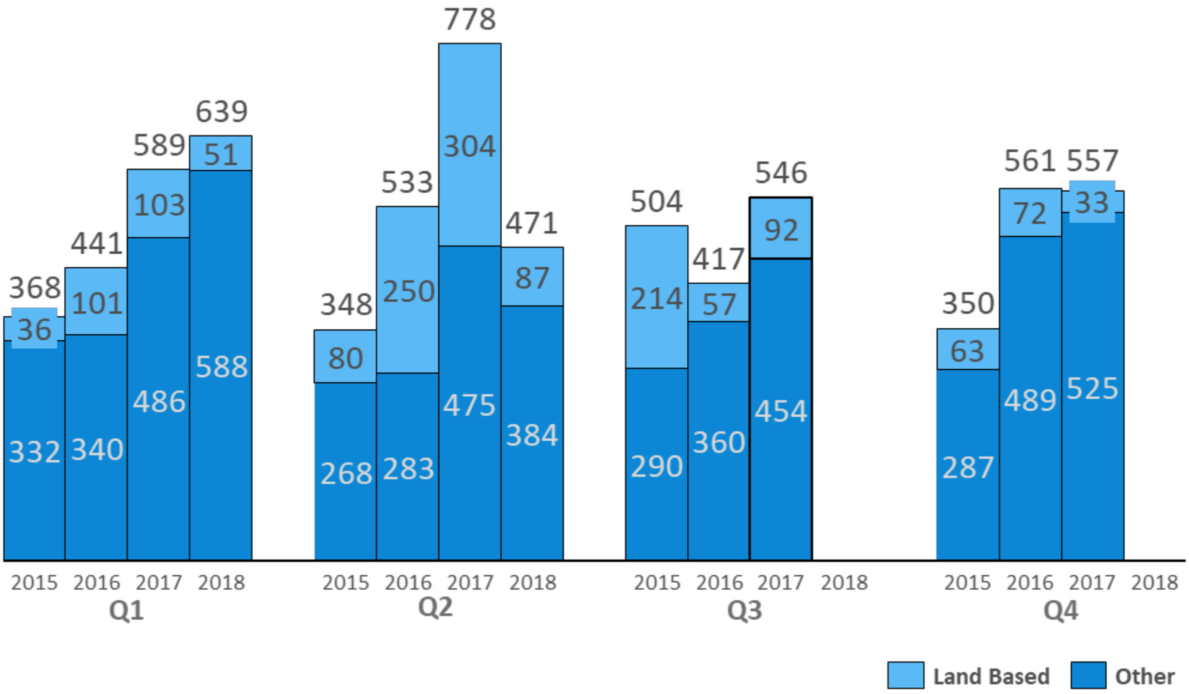
# Order intake, revenues and profits for the Group

*(Figures in brackets = 2017 unless other is specified)*

## Operations and profit

Order intake was 471 MNOK in Q2 2018 compared to 778 MNOK in Q2 2017. In Q2 2017 two significant orders for the Land Based segment of total 183 MNOK were signed. On a trailing twelve months basis order intake has decreased to 2,213 MNOK compared to 2,471 MNOK for full year 2017.

**Quarterly order intake**




Revenues in Q2 2018 ended at 627 MNOK compared to 537 MNOK in Q2 last year. The order backlog at the beginning of the quarter was 1,430 MNOK compared to 1,077 MNOK at the beginning of Q2 2017. At the end of the second quarter, the order backlog decreased to 1,274 MNOK.

EME (Europe & Middle East) continued high activity, and revenue increased with 67% compared to Q2 2017. The operations in Turkey, Greece, Spain and Middle East have shown another profitable quarter.

The high market activity in Americas continues and the region had an order intake of 139 MNOK in the quarter, compared to 128 MNOK in Q2 2017. Following the continued good activity and high order backlog, revenues in Americas ended at 125 MNOK compared to 61 MNOK in Q2 2017.

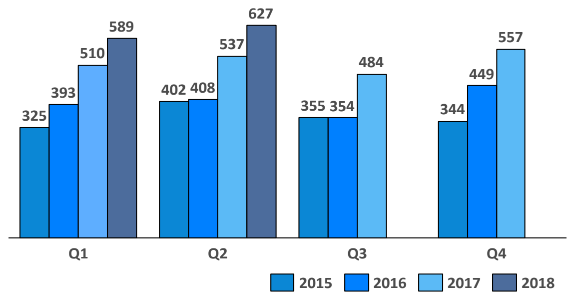
Decisions for larger Land Based orders in Norway continue to be pushed out in time and no such orders have been recorded in the quarter. However, several medium sized Land Based orders have been signed in Scotland, Chile and the Faroe Islands.

Order intake in the Nordic region ended on 219 MNOK in the quarter, compared to 258 MNOK in Q2 2017.

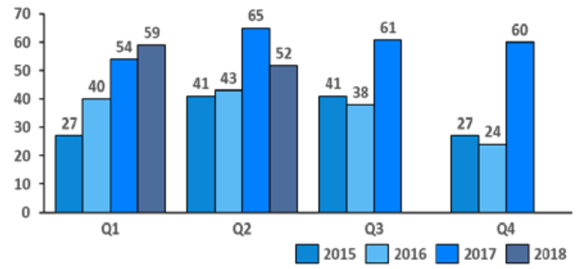
Depreciation and amortization for the quarter were 25 MNOK compared to 21 MNOK in the same quarter last year and EBIT decreased from 44 MNOK in Q2 2017 to 27 MNOK in Q2 2018.

Net financial items were -4 MNOK and on the same level as second quarter last year. Profit before tax ended at 23 MNOK, down from 40 MNOK in Q2 2017. Estimated taxes were 4 MNOK in the quarter compared to 13 MNOK last year and Net Profit decreased from 27 MNOK last year to 19 MNOK in Q2 2018.

**Quarterly revenue**



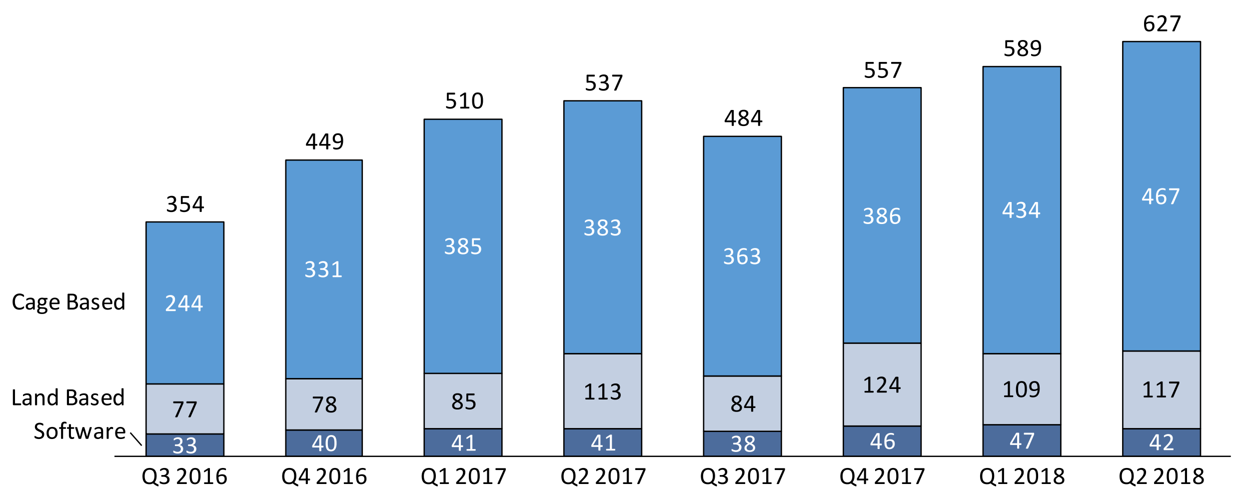

**Quarterly EBITDA**




## Business Segments & other information

The information below is by AKVA group's three business segments, Cage Based Technology, Land Based Technology and Software (ref. notes to the interim financial statements). Other information includes revenues by geographical region, by fish species and by OPEX/CAPEX type of revenue.

**Revenue per segment**



## Cage Based technologies (CBT)

The total CBT revenue for Q2 2018 ended at 467 MNOK (383). Nordic ended at 260 MNOK (274), Americas at 118 MNOK (56) and EME at 90 MNOK (53).

The EBITDA for the segment in Q2 came out at 35 MNOK (53). The EBITDA margin was 7.5% (13.9%). EBIT and EBIT margin ended at 17 MNOK (37) and 3.6% (9.7%), respectively. 8 MNOK of transaction costs has been booked in the segment and is reducing the margin with 1.7% point. Compared to last year margins has been lower in the Marine Service segment due to lower net cleaning activity and additional costs to ramp up the growing segment. Further the implementation of new manufacturing lines at Helgeland Plast has led to lower efficiency and ongoing manufacturing challenges have caused increased barge costs.

In the Nordic region, the order intake ended at 219 MNOK (258) in the second quarter. Despite lower margins, the Nordic region continues to experience high activity in the quarter and the pipeline is strong.

Americas had a positive quarter in terms of EBITDA with 8 MNOK compared to 5 MNOK in Q2 2017. AKVA group Chile and AKVA group NA contributes with doubled EBITDA compared to same quarter last year. However Australasia had a weaker quarter, due to timing of deliveries of projects.

Order intake in AKVA group Chile increased from 70 MNOK to 87 MNOK within the cage based segment. Revenues in Americas increased from 56 MNOK to 118 MNOK, mainly driven by Chile.

EME experienced continued high activity in the region in the quarter with an increase in revenue of 67% compared to Q2 2017. Our operations in Turkey, Greece, Spain and Middle East have delivered another profitable quarter.

## Land Based technologies (LBT)

Revenues for the second quarter were 117 MNOK (113). EBITDA ended at 12 MNOK (5) and EBIT was 9 MNOK (4). EBITDA margin was 10.5% (4.8%) and EBIT margin 7.4% (3.1%).

Order intake in Q2 2018 was 87 MNOK compared to 304 MNOK in Q2 2017. The low order intake in the quarter was a result of decision on some projects being pushed out in time while Q2 2017 order intake was heavily influenced by two larger contracts signed for a total of 183 MNOK. Order backlog ended at 449 MNOK compared to 620 MNOK last year. Finally, a medium size order was won in Chile, and several other strategically important orders also signed in Scotland and the Faroe Islands in the quarter.

The revenue increased as projects in the order book are being delivered and margins have improved compared to same quarter last year.

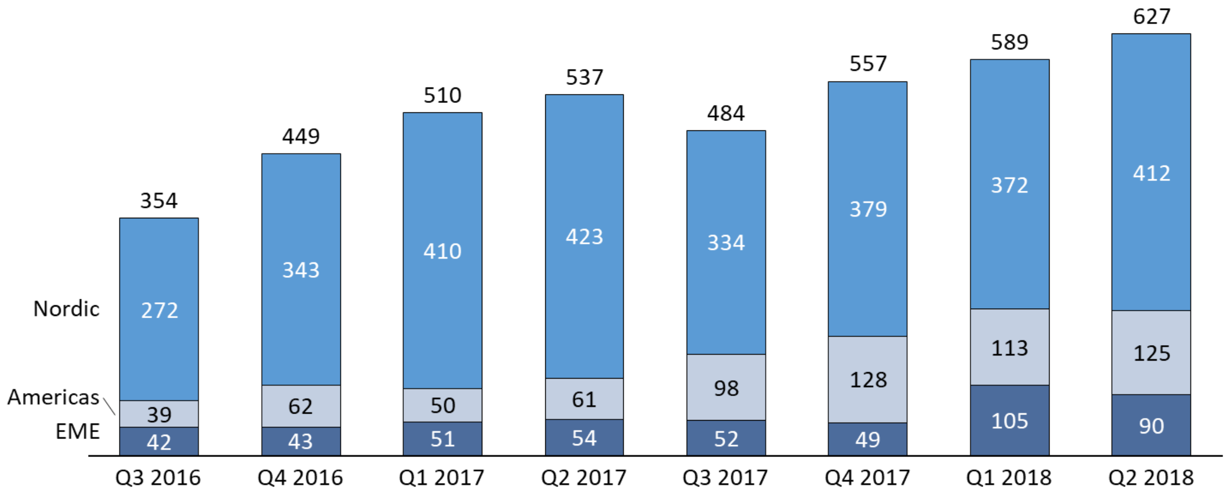
## Software (SW)

The revenue in the segment was 42 MNOK (41). EBITDA and EBIT ended at 5 MNOK (6) and 1 MNOK (3), respectively. The related EBITDA and EBIT margins were 10.7% (15.5%) and 2.5% (7.0%).

Both AKVA group Software and Wise ehf ends the quarter with lower margins and EBITDA compared to the same quarter last year. This is mainly due to less development work in Q2 2018 being capitalized, compared to Q2 2017. In Q1 Wise ehf sold a small part of the business, which gave a gain of 1.9 MNOK. As noted in a stock notice of 19 January, we are currently conducting a strategic evaluation of Wise ehf with the objective to realize the potential of the business going forward. No conclusions have yet been made.

## Revenue per region

Both in the Americas and in EME the revenue in the quarter has increased significantly compared to the same quarter last year. The Nordic region is continuing on a high level, but is decreased from the same quarter last year.

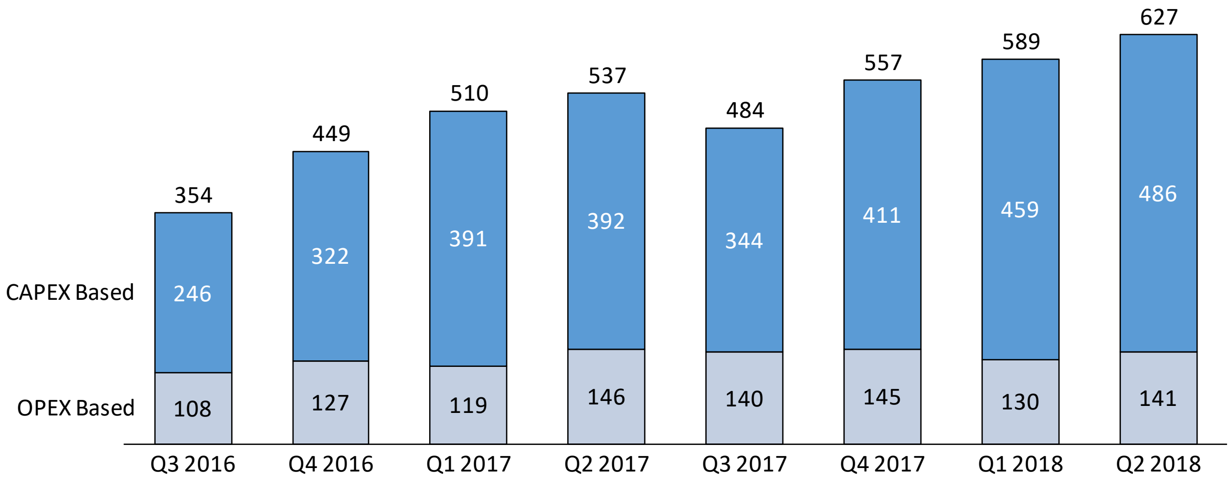



*AKVA group has organized its business into three geographical regions;*

- *Nordic: Includes the Nordic countries,*
- *Americas: Includes the Americas and Oceania, and*
- *Europe and Middle East (EME - previously referred to as Export): Includes the rest of the world.*

## CAPEX vs OPEX based revenue

The OPEX based revenue has decreased to 141 MNOK in Q2 2018 from 146 MNOK in Q2 2017. The Software segment and the service departments in several companies are on same level as last year, while AKVA Marine Services is behind.

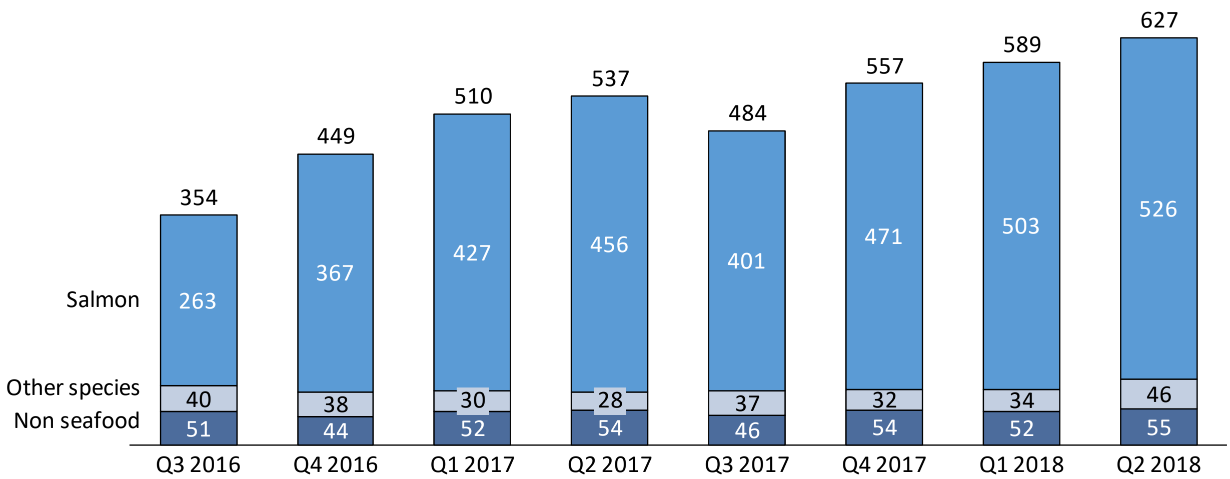



*The revenue in AKVA group can also be divided based on CAPEX based revenue and OPEX based revenue. The above graphs shows the last eight quarters development in revenue in either CAPEX or OPEX based revenue. We use the following definition:*

- *CAPEX based: Revenue classified as CAPEX in our customers' accounts*
- *OPEX based: Revenue classified as OPEX in our customers' accounts*

## Species

The majority of the revenues are within the Salmon segment, but the companies in the Mediterranean are starting to contribute to a positive increase in revenues in the "other species".




*The revenue in AKVA group can be divided based on species, and the above graphs show the last eight quarters development in revenue per species. The following species are used:*

- *Salmon: Revenue from technology and services sold for production of salmon*
- *Other species: Revenue from technology and services sold for production of other species than salmon*
- *Non Seafood: Revenue from technology and services sold to non-seafood customers*

## Balance sheet and cash flow

The working capital ended at 186 MNOK in Q2 2018, an increase from 127 MNOK in Q1 2018. The working capital relative to last twelve months revenue was 8.2% at the end of Q2. Average working capital on a trailing twelve months basis was 6.7%, up from 6.3% in Q1 2018.

CAPEX in Q2 2018 was 43 MNOK, where 7 MNOK related to capitalized R&D expenses (in accordance with IFRS). Further, 3 MNOK was CAPEX related to the Group's Rental model and 33 MNOK was Other CAPEX. The main investments in the second quarter 2018 were equipment within the Marine Services business, facilities in Helgeland Plast AS and machinery and equipment in AKVA group Chile.

Cash and unused credit facilities amounted to 418 MNOK at the end of Q2 2018 versus 197 MNOK at the end of Q2 2017. The total credit facility (at Danske Bank) is 403 MNOK.

Net interest-bearing debt was 371 MNOK at the end of Q2 2018 compared to 298 MNOK at the end of Q2 2017.

Gross interest-bearing debt was 528 MNOK at the end of Q2 2018 versus 411 MNOK at the end of Q2 2017. The short-term interest bearing debt in the balance sheet includes the next 12 months installments of the long-term debt. This is in accordance with current IFRS requirements.

Return on capital employed (ROCE) at the end of Q2 2018 ended at 13.7% (11.1%). Compared to Q2 2017 the capital employed and the EBIT has increased in the second quarter resulting in an increased ROCE. The average ROCE (ROACE) ended at 14.7% (12.7%).

Total assets and total equity amounted to 1,881 MNOK and 499 MNOK respectively, resulting in an equity ratio of 26.5% (29.4%) at the end of Q2 2018.

IFRS 15 has been implemented retrospectively as of January 1$^{st}$ (ref notes to the accounts), and the net of tax effect has reduced earnings by MNOK 1.8.

## Other shareholder issues

Earnings per share in Q2 2018 were 0.73 NOK (1.03). The calculations are based on 25,806,420 (25,834,001) shares on average. Earnings per share H1 2018 was 1.67 NOK (1.80). The calculations are based on 25,806,420 (25,817,334) shares on average. The full year earnings per share in 2017 ended at 3.86 NOK.

The minority interests in Sperre AS and AKVA Marine Services are not reflected in the balance sheet as the accounts are presented based on the assumption that AKVA group will exercise its options to buy the minority shareholders shares in these companies. The potential liability of this is estimated at 110 MNOK (with 52 MNOK due by 2020 and 58 MNOK by 2021) and presented within the non-interest bearing liabilities in the Balance Sheet.

The 20 largest shareholders are presented in note 4 in this report.

### Atlantis Subsea Farming AS

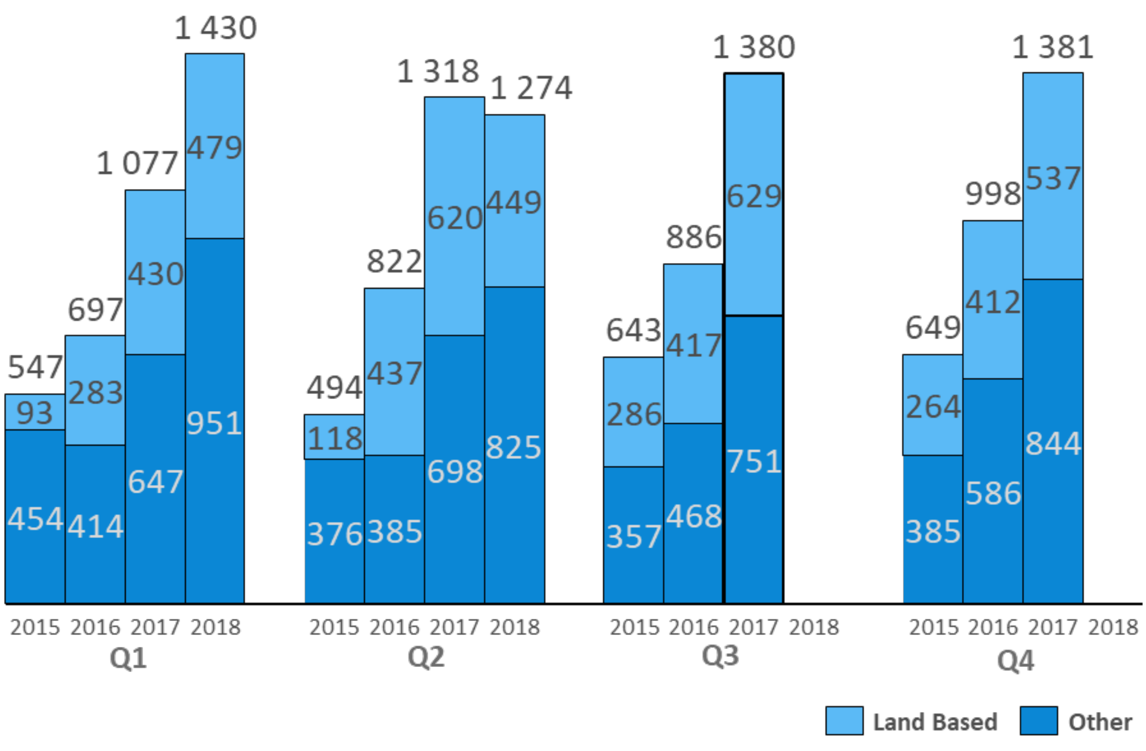
In January 2016, AKVA group, together with Sinkaberg-Hansen AS and Egersund Net, established Atlantis Subsea Farming AS for the purpose of developing submersible fish-farming facilities for salmon on an industrial scale, which both will enable better and more sustainable utilization of today's locations, and open up the opportunity for farming at more exposed locations.

The Atlantis Subsea Farming project requires large-scale testing of the technological and operational solutions. On 22 February 2018, the Norwegian Directorate of Fisheries announced that the Company has been granted one license. Atlantis Subsea Farming AS is now in a technology testing and planning phase with regards to execution of the project.

### Market and future outlook

The order backlog at the end of Q2 was 1,274 MNOK (1,318). 449 MNOK or 35% of total order backlog at the end of Q2 is related to the Land Based technology (LBT).

**Order backlog**




Although strong revenue growth and the lack of larger Land Based orders resulted in a decline in the order book in the quarter, the order backlog is still solid at 1,3 BNOK.

The pipeline of Land Based orders are still strong and we are ramping up the organization to continue to improve our ability to win within the segment.

The activity in the Nordic cage based segment as well as within services continues to be good, service and after sales are high priority in our strategy.

The market conditions in Chile are expected to remain favourable and we have implemented improvements in the operations and product portfolio, which further strengthen our competitive position and presence in that market.

The salmon farming industry expects growth in eastern Canada and Iceland and we are in the process of positioning ourselves to participate in the expected growth in these markets. This work has progressed significantly, especially for Canada in the quarter.

The strategy to focus the “Non-Salmon” activities around the Mediterranean Sea, has yielded good results in 2017 and in the first half of 2018. We will continue to develop and invest in these markets going forward.

The positive financial development has strengthened the Group, and during 2017 we have also carried out an extensive strategic review process, focusing on all aspects of the business to further improve our cost position, product offerings and ability to deliver sustainable aquaculture solutions to our customers.

The acquisition of Egersund Net is expected to close by August 31. The transaction will significantly impact the financial numbers of AKVA group, we refer to the Information Memorandum published on July 23 for further information. Work to plan for the potential integration of the two organizations has started.

## Statement from the Board and Chief Executive Officer

We confirm that, to the best of our knowledge, the condensed set of financial statements for the period January 1st to June 30th 2018, which have been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Bryne, August 14th, 2018
Board of Directors, AKVA group ASA

| | | |
|---|---|---|
| Hans Kristian Mong (chairperson) | Frode Teigen | Evy Vikene |
| Anne Breiby (Deputy chairperson) | Henrik A. Schultz | Anthony James |
| Tore Obrestad | Hallvard Muri (CEO) | Carina Jensen |

# Interim financial statements

| CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (NOK 1 000) | Note | 2018 Q2 | 2017 Q2 | 2018 YTD | 2017 YTD | 2017 Total |
|---|---|---|---|---|---|---|
| **OPERATING REVENUES** | 5 | **626 975** | **537 410** | **1 216 332** | **1 047 441** | **2 087 910** |
| Operating costs ex depreciations | | 575 145 | 472 447 | 1 105 330 | 928 292 | 1 847 997 |
| **OPERATING PROFIT BEFORE DEPR.(EBITDA)** | 5 | **51 830** | **64 963** | **111 002** | **119 149** | **239 913** |
| Depreciation | | 25 185 | 21 444 | 47 141 | 41 316 | 82 784 |
| **OPERATING PROFIT (EBIT)** | 5 | **26 644** | **43 519** | **63 860** | **77 833** | **157 128** |
| Net interest expense | | -3 368 | -3 530 | -6 294 | -6 083 | -11 266 |
| Other financial items | | -738 | -435 | -4 823 | -4 163 | -10 290 |
| Net financial items | | -4 106 | -3 965 | -11 117 | -10 246 | -21 556 |
| **PROFIT BEFORE TAX** | | **22 538** | **39 554** | **52 744** | **67 587** | **135 573** |
| Taxes | | 3 662 | 12 986 | 9 726 | 21 050 | 35 744 |
| **NET PROFIT** | | **18 876** | **26 568** | **43 017** | **46 537** | **99 829** |
| **Net profit (loss) attributable to:** | | | | | | |
| Non-controlling interests | | -75 | 80 | -86 | 138 | 142 |
| Equity holders of AKVA group ASA | | 18 951 | 26 488 | 43 104 | 46 398 | 99 687 |
| Earnings per share equity holders of AKVA group ASA | | 0,73 | 1,03 | 1,67 | 1,80 | 3,86 |
| Diluted earnings per share equity holders of AKVA group ASA | | 0,73 | 1,03 | 1,67 | 1,80 | 3,86 |
| Average number of shares outstanding (in 1 000) | | 25 806 | 25 834 | 25 806 | 25 834 | 25 812 |
| Diluted number of shares outstanding (in 1 000) | | 25 806 | 25 834 | 25 806 | 25 834 | 25 812 |

| CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (NOK 1 000) | Note | 2018 30.6. | 2017 30.6. | 2017 31.12. |
|---|---|---|---|---|
| Intangible fixed assets | 1,3 | 570 080 | 569 607 | 582 101 |
| Deferred tax assets | | 12 634 | 13 789 | 13 479 |
| Fixed assets | | 267 850 | 197 294 | 246 146 |
| Long-term financial assets | | 10 090 | 10 105 | 6 679 |
| **FIXED ASSETS** | | **860 654** | **790 796** | **848 405** |
| Stock | | 256 890 | 211 081 | 238 373 |
| Trade receivables | | 584 787 | 435 550 | 403 977 |
| Other receivables | | 21 870 | 55 820 | 55 073 |
| Cash and cash equivalents | | 156 872 | 112 638 | 116 969 |
| **CURRENT ASSETS** | | **1 020 419** | **815 089** | **814 392** |
| **TOTAL ASSETS** | | **1 881 074** | **1 605 884** | **1 662 797** |
| Paid in capital | | 355 522 | 355 449 | 355 522 |
| Retained equity | | 142 960 | 116 833 | 144 385 |
| Equity attributable to equity holders of AKVA group ASA | | 498 482 | 472 282 | 499 907 |
| Non-controlling interests | 1,3 | 432 | 515 | 518 |
| **TOTAL EQUITY** | | **498 914** | **472 796** | **500 425** |
| Deferred tax | | 66 181 | 56 644 | 57 499 |
| Other long term debt | | 109 816 | 87 068 | 109 565 |
| Long-term interest bearing debt | 1 | 360 648 | 371 658 | 350 874 |
| **LONG-TERM DEBT** | | **536 644** | **515 370** | **517 938** |
| Short-term interest bearing debt | | 167 495 | 39 347 | 122 174 |
| Other current liabilities | | 678 021 | 578 371 | 522 259 |
| **SHORT-TERM DEBT** | | **845 516** | **617 718** | **644 433** |
| **TOTAL EQUITY AND DEBT** | | **1 881 074** | **1 605 884** | **1 662 797** |

| CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (NOK 1 000) | Note | 2018 Q2 | 2017 Q2 | 2018 YTD | 2017 YTD | 2017 Total |
|---|---|---|---|---|---|---|
| Book equity before non-controlling interests at the beginning of the period | | 490 605 | 445 115 | 499 906 | 434 590 | 434 590 |
| **Adjustment on initial application of IFRS 15 (net of tax)** | | - | | 1 769 | | |
| **Adjusted balance at 1 January 2018** | | 490 605 | 445 115 | 501 675 | 434 590 | 434 590 |
| The period's net profit | | 18 951 | 26 489 | 43 104 | 46 400 | 99 687 |
| Buyback of own shares | | - | -7 586 | - | -7 586 | -7 586 |
| Sale of own shares | | - | - | - | - | 5 473 |
| Gains/(losses) on cash flow hedges (fair value) | | -4 364 | 1 473 | -8 192 | 3 744 | 19 274 |
| Dividend | | - | - | -19 355 | -12 917 | -32 272 |
| Valuation adjustment option | | - | - | - | - | -28 218 |
| Translation differences | | -6 710 | 6 790 | -18 751 | 8 051 | 8 958 |
| Equity before non-controlling interests | | 498 482 | 472 282 | 498 482 | 472 282 | 499 906 |
| Non-controlling interests | | 432 | 515 | 432 | 515 | 518 |
| Book equity at the end of the period | | 498 914 | 472 796 | 498 914 | 472 796 | 500 424 |

| CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW | Note | 2018 Q2 | 2017 Q2 | 2018 YTD | 2017 YTD | 2017 Totalt |
|---|---|---|---|---|---|---|
| **Cash flow from operating activities** | | | | | | |
| Profit before taxes | | 22 538 | 39 555 | 52 744 | 67 588 | 135 573 |
| Taxes paid | | -3 877 | 1 059 | -9 375 | -3 797 | -22 823 |
| Net interest cost | | 3 368 | 3 530 | 6 294 | 6 083 | 11 491 |
| Gain/loss on disposal of fixed assets | | - | -277 | -76 | -453 | -774 |
| Depreciation and amortization | | 25 185 | 21 444 | 47 141 | 41 316 | 82 784 |
| Changes in stock, accounts receivable and trade payables | | -104 983 | -178 958 | -139 973 | -169 373 | -153 925 |
| Changes in other receivables and payables | | 49 721 | 172 165 | 140 939 | 85 676 | 39 360 |
| Net foreign exchange difference | | -4 293 | -18 | -14 848 | 2 324 | 7 208 |
| **Cash generated from operating activities** | | -12 341 | 58 500 | 82 845 | 29 363 | 98 896 |
| | | | | | | |
| Interest received | | 597 | 493 | 1 270 | 1 130 | 2 686 |
| Interest paid | | -3 965 | -4 023 | -7 564 | -7 213 | -14 177 |
| **Net cash flow from operating activities** | | **-15 709** | **54 970** | **76 551** | **23 280** | **87 404** |
| | | | | | | |
| **Cash flow from investment activities** | | | | | | |
| Investments in fixed assets | | -24 852 | -24 166 | -50 370 | -50 614 | -104 387 |
| Proceeds from sale of fixed assets | | 1 316 | 978 | 4 044 | 1 200 | 7 178 |
| Net payment of long-term receivables | | -2 846 | -7 085 | -3 412 | -3 689 | -262 |
| Acquisition of subsidiary net of cash acquired | 1,3 | - | - | - | - | -19 920 |
| **Net cash flow from investment activities** | | **-26 382** | **-30 273** | **-49 737** | **-53 103** | **-117 392** |
| | | | | | | |
| **Cash flow from financing activities** | | | | | | |
| Repayment of borrowings | | 26 790 | -8 755 | -10 523 | -17 633 | -344 058 |
| Proceed from borrowings | | 46 828 | -28 747 | 47 483 | 12 809 | 356 096 |
| Dividend payment | | - | - | -19 355 | -12 917 | -32 272 |
| Sale/(purchase) own shares | | - | -7 586 | - | -7 586 | -2 112 |
| **Net cash flow from financing activities** | | **73 618** | **-45 088** | **17 605** | **-25 327** | **-22 346** |
| | | | | | | |
| Net change in cash and cash equivalents | | 31 527 | -20 390 | 44 419 | -55 149 | -52 334 |
| Net foreign exchange differences | | -1 675 | 2 071 | -4 516 | 2 245 | 3 759 |
| Cash and cash equivalents at beginning of period | | 127 020 | 130 958 | 116 969 | 165 543 | 165 543 |
| **Cash and cash equivalents at end of period** | | **156 872** | **112 638** | **156 872** | **112 638** | **116 969** |

## Selected notes to the condensed interim consolidated financial statements

### *Note 1 General information and basis for preparation*

AKVA group consists of AKVA group ASA and its subsidiaries. There have been the following changes in the Group's legal structure since year-end 2017:

- Sistemas de Recirculation has in May 2018 been merged with AKVA group Chile

These condensed interim financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as adopted by the EU (IAS 34). The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statement. The condensed interim financial statements do not include all of the information and disclosures required by International Reporting Standards (IFRS) for a complete set of financial statements, and these condensed interim financial statements should be read in conjunction with the most recent annual financial statements. The annual financial statements were prepared in accordance with International Financial Reporting Standards and interpretations as issued by the International Standards Board and as adopted by the EU. A description of the significant accounting policies applied in preparing these condensed interim financial statements is included in AKVA group's consolidated financial statements for 2017. There have been no changes to significant accounting policies since the preparation of the annual financial statements for 2017.

The condensed interim financial statements are unaudited.

Because of rounding differences, numbers or percentages may not add up to the total. The consolidated financial statements for the Group for the year ended December 31st, 2017 are available upon request from the company's office at Nordlysveien 4, 4340 Bryne, Norway or at http://ir.akvagroup.com/investor -relations/financial-info-/annual-reports.

*Note 2 Accounting principles*

All significant accounting principles applied in the consolidated financial statement are described in the Annual Report 2017 (as published on the OSE on April 12th, 2018).

New standards adopted in 2018:

**IFRS 9**
IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard sets out requirements for classification and measurement of financial instruments, impairment and hedge accounting. The adoption of the new standard has no effect for the Group.

**IFRS 15**
IFRS 15 Revenue from Contracts with Customers replaces all existing standards and interpretations relating to revenue recognition. The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. With some few exceptions, the standard is applicable for all remunerative contracts and includes a model for recognition and measurement of sale of individual non-financial assets (e.g. sale of property, plant and equipment).

AKVA group's final assessment of the accounting effects concluded that the implementation has effect on revenue recognition for some long-term construction contracts in the cage based segment. Revenue recognition for service-agreement is insignificantly impacted, while the new standard will not have impact on ordinary sales of goods.

AKVA group implemented IFRS 15 retrospectively with the cumulative effect recognized at the date of initial application (i.e. January 1st 2018), and the net of tax effect recognized directly to equity as of January 1st 2018 is MNOK 1.8. As a result, the Group will not apply the requirements of IFRS 15 to comparative period presented.

*Note 3 Recognition and measurement of assets and liabilities in connection with acquisitions*

IFRS 3 permits adjustments to items recognized in the original accounting for business combination, for a maximum of one year after the acquisition date, if and when new information about facts and circumstances existing at the acquisition date is obtained. AKVA group will make a final assessment before this one year period comes to an end.

*Note 4 Events after the reporting period*

Information Memorandum regarding the acquisition of Egersund Net AS has been published on the 23rd July 2018, for further information see stock notice: https://newsweb.oslobors.no/message/455992

On the 23rd July the invitation to an extraordinary general meeting in AKVA group ASA has been sent, for further information see stock notice: https://newsweb.oslobors.no/message/456007

*Note 5 Business segments*

AKVA group is organized in three business segments; Cage Based technologies, Software and Land Based technologies.

Cage Based technologies (CBT) consist of the following companies; AKVA group ASA, Helgeland Plast AS, AKVA group Services AS, AKVA Marine Services AS, Sperre AS, AKVA group Scotland Ltd, AKVASmart Turkey Ltd, AKVA group Australia Pty Ltd, AKVA group Chile S.A., AKVA group North America Inc, AKVA group Middle East LLC, AKVA group Hellas and AKVA group Espana. The products included in the segment are: Cages, barges, feed systems, sensors, net cleaning systems and other operational technologies and systems for cage based aquaculture.

Land Based technologies (LBT) consist of the following companies; Plastsveis AS, AKVA group Denmark A/S, and Aquatec Solutions A/S. The products included in the segment is recirculation systems and other technologies for land based aquaculture and post smolt facilities.

Software (SW) consist of the following companies; AKVA group Software AS, Wise Blue AS and Wise ehf. The products included in software includes software solutions and professional services.

The same accounting principles as described for the Group financial statements have been applied for the segment reporting. Inter-segment transfers or transactions are entered into under normal commercial terms and conditions, and the measurement used in the segment reporting is the same as used for the actual transactions.

| CONDENSED CONSOLIDATED BUSINESS SEGMENTS (NOK 1 000) | 2018 Q2 | 2017 Q2 | 2018 YTD | 2017 YTD | 2017 Total |
|---|---|---|---|---|---|
| **Cage based technologies** | | | | | |
| Nordic operating revenues | 260 086 | 274 070 | 487 262 | 562 968 | 997 357 |
| Americas operating revenues | 117 635 | 55 617 | 220 139 | 101 360 | 315 423 |
| Europe & Middle East operating revenues | 89 746 | 53 311 | 193 747 | 103 351 | 203 674 |
| **INTRA SEGMENT REVENUE** | 467 467 | 382 998 | 901 148 | 767 679 | 1 516 453 |
| Operating costs ex depreciations | 432 522 | 329 815 | 826 684 | 672 092 | 1 338 527 |
| **OPERATING PROFIT BEFORE DEPRECIATIONS (EBITDA)** | 34 945 | 53 183 | 74 463 | 95 587 | 177 926 |
| Depreciation | 18 034 | 16 073 | 33 897 | 31 048 | 62 376 |
| **OPERATING PROFIT (EBIT)** | 16 911 | 37 110 | 40 567 | 64 539 | 115 550 |
| **Software** | | | | | |
| Nordic operating revenues | 37 375 | 36 863 | 79 125 | 73 578 | 148 989 |
| Americas operating revenues | 4 485 | 3 666 | 9 230 | 6 993 | 14 106 |
| Europe & Middle East operating revenues | 577 | 686 | 1 221 | 1 282 | 2 398 |
| **INTRA SEGMENT REVENUE** | 42 438 | 41 216 | 89 576 | 81 853 | 165 492 |
| Operating costs ex depreciations | 37 897 | 34 848 | 74 585 | 70 595 | 136 870 |
| **OPERATING PROFIT BEFORE DEPRECIATIONS (EBITDA)** | 4 541 | 6 368 | 14 991 | 11 257 | 28 622 |
| Depreciation | 3 490 | 3 472 | 6 919 | 6 501 | 12 280 |
| **OPERATING PROFIT (EBIT)** | 1 051 | 2 896 | 8 073 | 4 756 | 16 343 |
| **Land based technologies** | | | | | |
| Nordic operating revenues | 114 254 | 111 635 | 216 850 | 195 663 | 398 395 |
| Americas operating revenues | 2 817 | 1 562 | 8 758 | 2 245 | 7 569 |
| Europe & Middle East operating revenues | - | - | - | - | - |
| **INTRA SEGMENT REVENUE** | 117 071 | 113 197 | 225 608 | 197 909 | 405 964 |
| Operating costs ex depreciations | 104 726 | 107 784 | 204 061 | 185 604 | 372 600 |
| **OPERATING PROFIT BEFORE DEPRECIATIONS (EBITDA)** | 12 344 | 5 412 | 21 547 | 12 305 | 33 364 |
| Depreciation | 3 662 | 1 899 | 6 326 | 3 767 | 8 129 |
| **OPERATING PROFIT (EBIT)** | 8 683 | 3 514 | 15 221 | 8 537 | 25 235 |

## *Note 6 Top 20 shareholders as of June 30th, 2018*

| Shareholders | Citizenship | Number of shares held | Ownership percentage |
|---|---|---|---|
| EGERSUND GROUP AS | NOR | 13 203 105 | 51,1 |
| WHEATSHEAF INVESTMENT | GBR | 3 900 000 | 15,1 |
| VERDIPAPIRFONDET ALF | NOR | 1 199 372 | 4,6 |
| VPF NORDEA KAPITAL | NOR | 555 414 | 2,1 |
| EIKA NORGE | NOR | 470 246 | 1,8 |
| VPF NORDEA AVKASTNING | NOR | 450 667 | 1,7 |
| STATOIL PENSJON | NOR | 407 232 | 1,6 |
| MP PENSJON PK | NOR | 381 300 | 1,5 |
| NORDEA 1 SICAV | LUX | 319 953 | 1,2 |
| NORDEA NORDIC SMALL | FIN | 300 000 | 1,2 |
| VERDIPAPIRFONDET NOR | NOR | 288 140 | 1,1 |
| METZLER EURO SMALL + | IRL | 282 100 | 1,1 |
| SIX SIS AG | CHE | 250 202 | 1,0 |
| NORRON SICAV - SELEC | LUX | 193 000 | 0,7 |
| VERDIPAPIRFONDET DNB | NOR | 187 729 | 0,7 |
| DAHLE BJØRN | NOR | 150 000 | 0,6 |
| FORTE TRØNDER | NOR | 146 500 | 0,6 |
| UBS EUROPE SE | LUX | 125 000 | 0,5 |
| VERDIPAPIRFONDET EIK | NOR | 107 871 | 0,4 |
| STATOIL FORSIKRING AS | NOR | 107 346 | 0,4 |
| **20 largest shareholders** | | **23 025 177** | **89,1** |
| Other shareholders | | 2 809 126 | 10,9 |
| **Total shares** | | **25 834 303** | **100,0** |

An updated overview of the 20 largest shareholders is available on AKVA group's investor relations webpage, http://ir.akvagroup.com/investor-relations/the-share/largest-shareholders.

*Note 7 Non IFRS Financial Measures*

*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.

**AKVA group ASA**,
Nordlysvn.4
P.O. Box 271,
N-4349 Bryne
Norway

Tel +47 51 77 85 00.
Fax +47 51 77 85 01.

**www.akvagroup.com**

**Other AKVA group offices:**

| | |
|---|---|
| AKVA group, Oslo | Tel (+47) 51 77 85 00 |
| AKVA group, Trondheim | Tel (+47) 73 84 28 00 |
| AKVA group, Brønnøysund | Tel (+47) 75 00 66 00 |
| AKVA group, Sandstad | Tel (+47) 72 44 11 00 |
| AKVA group, Mo i Rana | Tel (+47) 75 14 37 50 |
| AKVA group, Tromsø | Tel (+47) 75 00 66 50 |
| AKVA group, Sandnessjøen | Tel (+47) 75 14 37 50 |
| AKVA group, Rørvik | Tel (+47) 75 00 66 50 |
| Helgeland Plast, Mo i Rana | Tel (+47) 75 14 37 50 |
| Plastsveis, Sømna | Tel (+47) 75 02 78 80 |
| AKVA Marine Services, Torvastad | Tel (+47) 47 27 04 54 |
| Sperre | Tel (+47) 35 02 50 00 |
| Wise lausnir ehf, Reykjavik | Tel (+354) 545 3200 |
| Wise Blue, Ålesund | Tel (+47) 930 03 470 |
| Aquatec Solutions, Vejle | Tel (+45) 75 88 02 22 |
| AKVA group Denmark, Copenhagen | Tel (+45) 755 13 211 |
| AKVA group Chile, Puerto Montt. | Tel (+56) 65 250 250 |
| AKVA group UK, Inverness | Tel (+44) 1463 221 444 |
| AKVA group North America, Campbell River, Canada | Tel (+1) 250 286 8802 |
| AKVA group North America, Halifax, Canada | Tel (+1) 902 482 2663 |
| AKVA group Australia, Tasmania | Tel (+61) 400 167 188 |
| AKVA group Turkey, Bodrum | Tel (+90) 252 374 6434 |
| AKVA group España, Murcia | Tel (+34 968 209494 |
| AKVA group Hellas, Athen | Tel (+30) 69 441 660 14 |
| AKVA group Middle East, Qeshm | Tel (+98) 76 35 22 53 06 |