

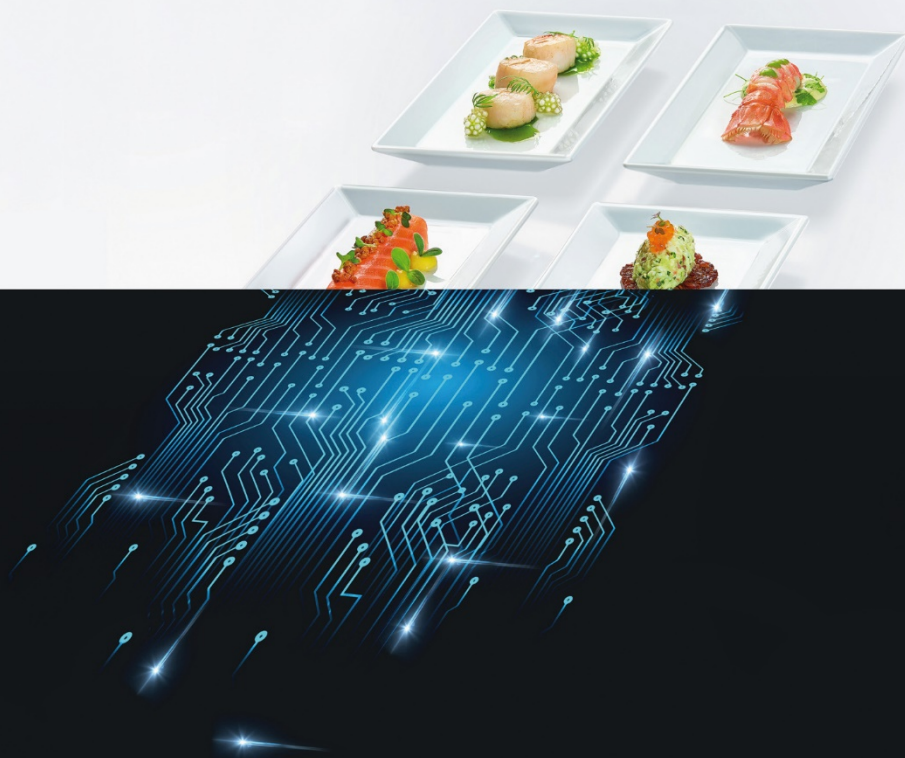
Annual Report 2018



AKVA group in brief

AKVA group is the leading technology and service partner to the aquaculture industry worldwide. The company has 1 508 employees, offices in 12 countries and a total turnover of NOK 2.6 billion in 2018.

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. Our corporate headquarter is in Oslo, Norway.



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Highlights 2018

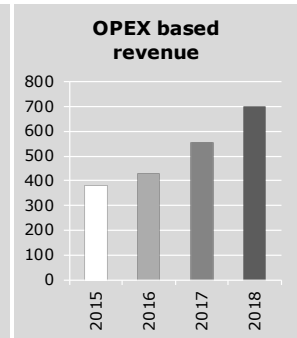
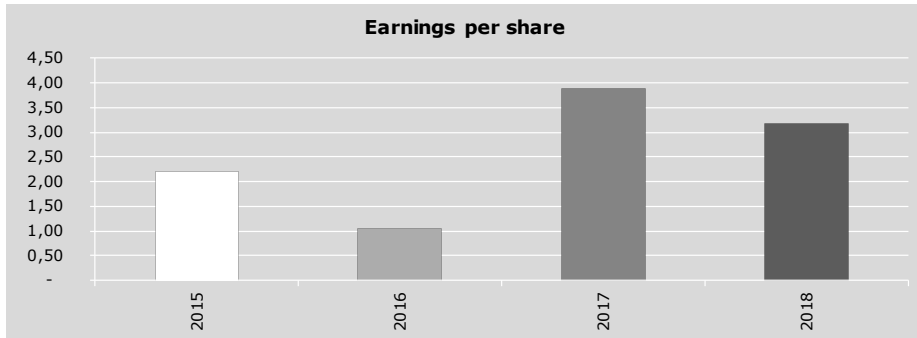
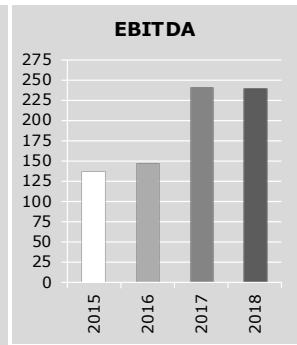
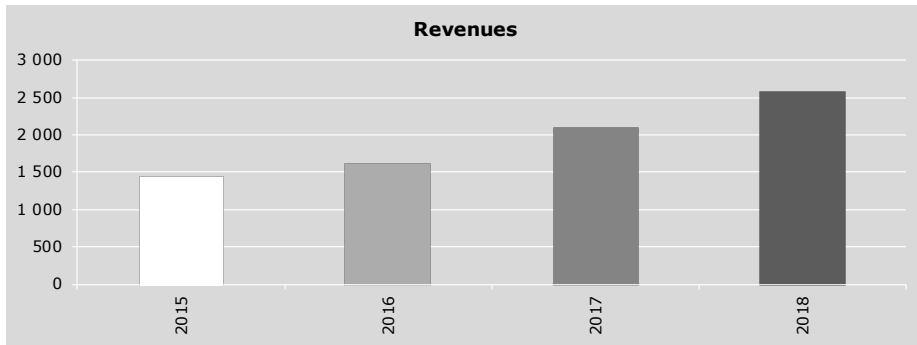
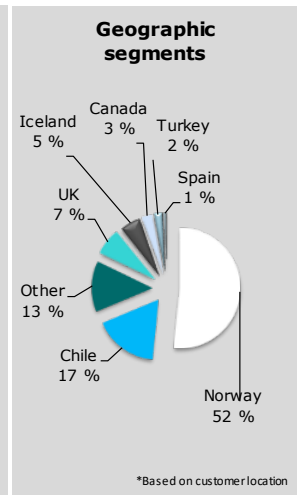
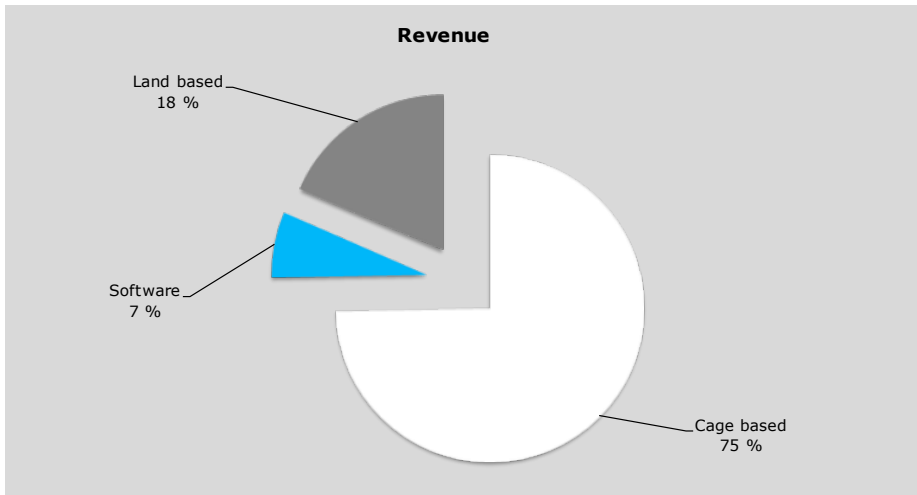
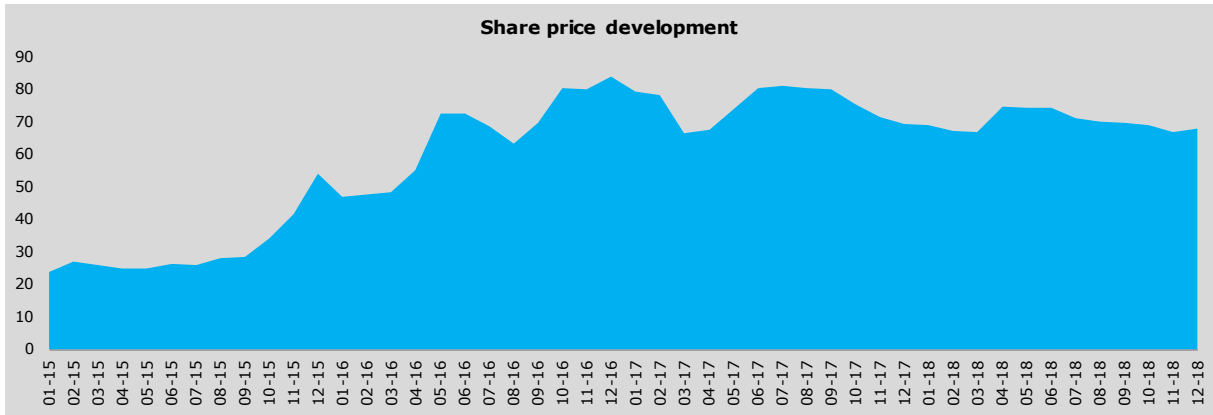
- Revenue in 2018 of MNOK 2.579 – a 24% increase compared to revenue in 2017
- EBITDA in 2018 of MNOK 238 – a decrease of 1% compared to EBITDA in 2017
- Net profit in 2018 of MNOK 89 – a decrease of 11 % compared to net profit in 2017
- Operational challenges mostly resolved during the year
- Dividend of 1.50 NOK per share paid out in March 2018 (0.75 NOK) and September 2018 (0.75 NOK)
- Order intake of MNOK 2.555 in 2018, compared to MNOK 2.471 in 2017
- Order backlog end of 2018 of MNOK 1.356
- Entered into an agreement to divest Wise lausnir ehf
- Successful completion of the acquisition of Egersund Net AS
- Established new office on the East Coast of Canada
- Atlantis Subsea Farming granted one development license



Financial key figures

(in NOK 1 000)	2018	2017	2016	2015	2014
Profitability					
Revenues	2 579 473	2 087 910	1 603 072	1 425 338	1 246 059
EBITDA	237 767	239 913	144 193	135 159	103 365
EBIT	129 866	157 128	75 036	87 709	67 635
Profit before tax	111 516	135 573	48 590	78 090	62 894
Net profit	89 285	99 829	27 598	58 400	54 500
Net Profit (Loss) Attributable to:					
Non-Controlling interests	-334	142	98	1 572	-580
Equity holders of AKVA group ASA	89 618	99 687	27 500	56 828	55 080
Cash flow from operations	153 914	87 404	211 645	95 622	82 485
EBITDA margin	9,2 %	11,5 %	9,0 %	9,5 %	8,3 %
EBIT margin	5,0 %	7,5 %	4,7 %	6,2 %	5,4 %
Return on capital employed	7,0 %	15,4 %	9,8 %	14,7 %	14,1 %
Return on equity	8,4 %	20,0 %	6,4 %	13,7 %	14,2 %
Financial position					
Non-current assets	1 458 814	848 405	732 436	467 031	353 988
Current assets	1 244 117	814 392	643 515	616 096	549 833
Total assets	2 702 931	1 662 797	1 375 951	1 083 127	903 821
Equity attributable to equity holders of AKVA group ASA	1 062 423	499 907	434 590	424 988	387 577
Non-controlling interests	184	518	376	3 444	1 676
Total equity	1 062 607	500 425	434 966	428 432	389 252
Long-term debt	549 010	517 938	469 068	221 978	131 344
Short-term debt	1 091 314	644 433	471 917	432 717	383 225
Total equity and liabilities	2 702 931	1 662 797	1 375 951	1 083 127	903 821
Gross interest-bearing debt	761 409	473 049	377 875	245 634	142 446
Cash and cash equivalents	336 476	420 496	255 543	160 458	143 935
Net interest-bearing debt	604 547	356 080	212 332	136 117	88 511
Working capital	355 798	175 164	36 029	131 120	126 452
Equity ratio	39,3 %	30,1 %	31,6 %	39,6 %	43,1 %
Debt to equity ratio	71,7 %	94,5 %	86,9 %	57,3 %	36,6 %
(in NOK)					
Share data					
Earnings per share	3,17	3,86	1,06	2,20	2,13
Diluted earnings per share	3,17	3,86	1,06	2,20	2,13
Cash flow per share	1,20	-1,88	2,17	2,15	-0,17
Dividend per share	1,50	1,25	0,75	1,00	1,00
Shareholders' equity per share at year-end	31,87	19,35	16,82	16,45	15,00
Share price at year-end	68,00	69,50	84,00	54,00	25,00
Market capitalization at year-end	2 266 733	1 795 484	2 170 081	1 395 052	645 858
Number of shares outstanding at year-end	33 334 303	25 834 303	25 834 303	25 834 303	25 834 303
Weighted average number of ordinary shares	28 306 420	25 811 877	25 828 889	25 818 928	25 834 303

Financial key figures



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



CEO's Report

2018 presented itself with many opportunities but we have also faced our share of challenges.

During 2018 we finalized a successful acquisition of Egersund Net AS and by that made AKVA group a 3 billion NOK revenue (pro-forma) company with an even broader product portfolio and a more complete service offering. Our order intake and sales for the year grew to an all-time high. Whilst there is much to be pleased about, there is no doubt that we faced some short term challenges in 2018. There will always be elements outside our control but we must learn from these challenges. Sometimes it can be more valuable to fail and understand why, than succeed and have no clue how it happened. These experiences have convinced the leadership team and me that there are many opportunities for improving sales and margins in the years ahead.

Key figures:

- *Total Order Intake MNOK 2,555, up from MNOK 2,471 2017 ¹⁾*
- *Revenue increased by 24 % to MNOK 2,579 ¹⁾*
- *EBITDA MNOK 248 compared to MNOK 240 in 2017 ^{1&2)}*

¹⁾ Egersund Net consolidated from September 1st 2018

²⁾ Adjusted for transaction costs related to Egersund Net acquisition

Cage Based Technology

The acquisition of Egersund Net was a milestone for AKVA group and it truly strengthened our position as a leading supplier of cage-based solutions. Competition has continued to intensify and by joining forces with Egersund Net we now have an even better platform to further optimize our complete offerings. The ability to go to market as one team is already yielding results and we expect to capitalize further on this in 2019.

2018 was a strong year for our Americas region. Chile continued to improve operations at the same time as they benefited from a positive market sentiment. They ended the year more than doubling our results from 2017. Tremendous effort has gone into making this happen and I am impressed by the job the team did.

There are significant plans to grow the salmon industry on the East coast of Canada and we have invested considerable time and resources in positioning ourselves as a relevant partner to the emerging industry there. We will continue step up activity in 2019 and I believe it represents an attractive upside for AKVA going forward.

Our Australasia branch has also performed well and has done a good job building our market position.

Competition in the Nordic region has intensified, but the team responded well. We saw a solid upswing in order-intake in the second half of the year and we are carrying a good momentum into 2019. New and improved solutions and improved project execution will remain a top priority in the New Year.

We made significant investments in Helgeland Plast in 2017, but have not yet stabilized operations to realize expected improvements in 2018. It represents an upside as the necessary transformation is concluded.

AKVA Marine Services has faced a tougher competitive environment but overall performed well. During the year, they made additional investments in fleet and organization and is well positioned for 2019.

Sperre ROV Technology delivered another strong year after a successful launch of an improved and upgraded version of the Flying Net Cleaner based on advanced ROV technology.

The Icelandic market also remains an upside and we will gradually strengthen our presence as the industry develops and matures.

Our Europe and Middle East operations are more than any other marked by the political framework. The Turkish net and service operation Emel Balik, where we have a 50% ownership share through the acquisition of Egersund Net, will be a good platform to develop sales further into this region. Political instability in Iran forced us to adjust our approach during 2018, but we remain active in several other countries in the Middle East.

Land Based Technology

Markets for our Land Based business remains strong and in particular for the post-smolt segment. Norway is still our biggest market but we are making great headway in Chile in addition to Scotland, Canada and Australasia.

However, 2018 also taught us that patience is paramount as decision processes for these projects sometimes take considerably longer time than originally anticipated. However, we finished the year on a high note with a few key projects being secured and gotten off to a strong start in 2019 as well.

The market is moving rapidly towards larger and more complex projects, hence requesting suppliers with complete solutions offering as well as broad fields of competence. We have stepped into this role with commitment and dedication and will continuously develop our organization to ensure we are the best partner for our customers. This is also why we organized all land-based activities into one strategic business unit and in 2018 we took the next step by uniting the operations under one name: AKVA group Land Based.

Software solutions

There are expectations for digitalization and predictive analytics to play an increasingly important role in the aquaculture industry. Based on heritage: our current Fishtalk and AKVAconnect solutions, we are positioned to participate in this development. During 2018 our team has focused on the development of new cloud-based solutions, which will provide more seamless data transfer and opportunities to process large volumes of data from numerous sources. We are committed to continue making investments that will create value for our customers and enable us to grow this segment of our business.

Towards the end of 2018 we entered into a collaboration with Observe Technologies in order to bring a new intelligent feeding assistant to the market. The result is a new software solution using artificial intelligence (AI) to analyze real time data and video streams on the site. The software completes a detailed analysis of the fish behaviour to identify risk situations and assist the operator in the optimization of the feeding. It will support the moment-to-moment decision making process of the most critical and cost sensitive process of farming fish. It is always learning and providing the site staff with new insights to understand each cages feeding behaviour, something that as an industry we have simply not had the ability to do before.

Service

By the acquisition of Egersund Net, we have significantly increased our presence in the service segment in Norway. Our collective offering is unparalleled and will serve as an efficient front line and professional face towards our key customers. To ensure operational

synergies and enable us to serve our customers even better, we have further organized this under one operational unit and believe we can provide a more complete and holistic service offering going forward.

We are also committed to stepping up our activity and presence in other markets and are actively pursuing opportunities in both Chile, Canada and Scotland.

New technology trends

Competition from established companies, as well as new entrants into the aquaculture sector, is getting tougher by the day. We believe the best way to stand out is by offering technology focused on solving the industry's biological challenges, which also should give the best foundation for operational performance and fish welfare.

The fight against sea lice is a focus area for the entire industry. We are in the market with several preventive solution, including tube nets, sub feeders and lights. In 2018, the ground-breaking Atlantis project received a development licence from the Norwegian authorities, enabling us to test submersible cages at full scale. Aside from reducing the risk of lice, the Atlantis project can also open up new ground for fish farming at exposed sites.

The aquaculture industry's environmental footprint is high on the agenda and has been a focus area as well in 2018, in particular energy efficiency. In April we delivered our first hybrid feed barge, where a built-in battery pack complements the on-board generators and enables up to 60 percent reduction in diesel consumption. There is an increasing demand for this solution which may also be installed on older feed barges as well.

Environmental impact has also been a focus area for our R&D team. One of our key development projects is a re-introduction of waterborne feeding. By replacing air with water for transportation, we expect to reduce energy consumption at the barge by up to 50%. Reduction of micro plastic is another opportunity. With the pellet being enclosed by water, wear inside the feed pipes will be reduced to an absolute minimum.

During 2019, we will also bring to the market the first 100% all electrical powered workboat for the aquaculture industry.

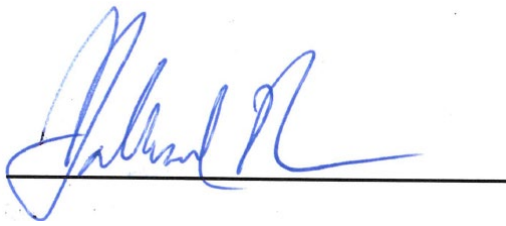
Finally we completed the development of our new generation Polar Circle cage solutions which will be launched during the second half of 2019. We believe it will set a new standard for fish farming cages both as regards to functionality, flexibility and safety. The new solutions will also eliminate the need for using Styrofoam in the pipes.

A strong group

AKVA group's history is characterized by several mergers and acquisitions and 2018 was no exception. Through the acquisition of Egersund Net, more than 450 highly skilled employees joined the team.

In order to provide our customers with the best possible service we need to continuously foster "group thinking". Our collective aquaculture knowledge is second to none and in order to leverage the opportunities in the market place we need to continue building a good sharing culture.

If we manage to do this, good things will happen and I am excited about the outlook for 2019.



Oslo, Norway
March 26th 2019
Hallvard Muri
Chief Executive Officer

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

Corporate Management



Hallvard Muri
Chief Executive Officer

Hallvard Muri (b. 1960), assumed the position as CEO in November 2016. Prior to joining AKVA group, he was the CEO of Aker BioMarine AS. Before joining Aker BioMarine AS, Hallvard has extensive experience serving in various senior management positions in Aker group companies from 2002 onwards. He has more than 25 years of senior management experience from a variety of different industries as well as fisheries and aquaculture related sectors. Hallvard holds an MSc (Siviløkonom) from BI/Norwegian Business School. He is a Norwegian citizen and resides in Asker, 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 pan-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

Senior Vice President International Business Development

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.



Svein Jørgen Fuglesang

Senior Vice President Supply Chain & Manufacturing

Svein Jørgen Fuglesang (b. 1969), assumed the position as SVP in July 2017. Prior to joining AKVA group, he was responsible for global manufacturing in Aker Solutions Subsea. He has extensive experience as an operational executive in various supply chain and manufacturing environments. He has experience from multiple industries, including chemical processing, pharmaceuticals, foodstuff, management consulting, logistics and Oil&Gas. Svein Jørgen holds a Master in Chemical Engineering with Process Biotechnology from University of Strathclyde in Scotland. He is a Norwegian citizen and resides in Oslo, Norway.

Corporate Management



Trond Severinsen
Senior Vice President Technology & Development

Trond Severinsen (b. 1964), joined AKVA group in 1993 as General Manager for the company's operations in Canada; a role he held until 2003 when he became CMO. He has worked within sales, marketing and R&D related to technology for the fish farming industry since early 1984. Trond had previously worked for Sea Farm Trading (1984–90), setting up their Canadian office in 1987. He later ran his own business until 1993. He is a Norwegian citizen and resides in Klepp, 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



Inge Forseth
Chief Operations Officer Software

Inge Forseth (b. 1971), joined AKVA group in 2014. His professional background includes national and international managerial positions in Eltek, Autronica and Glen Dimplex and other companies. He holds extensive experience from a range of technological fields, covering both the hardware as well as the software area. Inge holds a Master of Science in electrical engineering from the Norwegian University for Science and Technology (NTNU) in Trondheim. He is a Norwegian citizen and resides in Trondheim, Norway.



Andrew Campbell
Regional President, Americas & Australasia

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 with permanent residency in Chile.

Corporate Management



David Thorburn

Regional President, Europe & Middle East

David Thorburn (b.1960) joined AKVA group in 2008. Prior to that he had been General Manager of Idema Aqua UK and Europe operations. He has been involved in the aquaculture industry for nearly 30 years. He has managed projects with companies working on both land based and cage aquaculture on a global scale. His early career was as a Service Manager in Anadrill Schlumberger in the oil industry travelling extensively working on international projects. It was at this time that he first became interested in the aquaculture industry. David is a Scottish citizen and resides in Nairn near Inverness.



Hans-Øyvind Sagen

Senior Vice President Sales & Marketing, Nordic

Hans-Øyvind Sagen (b.1962), assumed the position as SVP in August 2018. Prior to this position he has held the position as Sales Director Nordic CBT since he joined AKVA group in July 2017. Mr. Sagen has more than 25 years of senior management experience from variety of different industries, including extensive experience in business development, sales and marketing. Mr. Sagen holds a Cand. Mag. in Strategic Management and Marketing from University of Stavanger (UiS). He is a Norwegian citizen and resides in Sandnes, Norway.

Board of Directors' Report

In Q3 2018 AKVA group completed the acquisition of Egersund Net AS and by that created a 3 billion NOK revenue company (pro-forma) with an even broader product portfolio and a more complete service offering. Further, AKVA group ended 2018 with a record high quarterly order intake at 1 billion NOK in Q4 which established a good base for future growth.

2018

The acquisition of Egersund Net AS was a transaction between related parties and approved by the general meeting of AKVA group ASA on August 14th 2018, according to cf. section 3-8 of the Norwegian public limited liabilities companies act. Egersund Net's financials have been consolidated into the Group as from September 1st. More information about the Egersund Net acquisition is found in note 19 to the accounts.

Total revenue for the Group in 2018 was MNOK 2,579 - an increase of 24% from 2017. Earnings before interest, tax, depreciation and amortization (EBITDA) was MNOK 238 - on the level with 2017 (240). Net profit was 89 MNOK – a reduction from 100 MNOK in 2017.

All three business segments (see below) experienced growth in 2018. The Egersund Net acquisition and a continued high demand in Chile, was driving the growth in the Cage Based Technology segment (CBT), while good underlying market activity and a strong opening order book has caused growth in the Software (SW) and Land Based Technology (LBT) segment.

While revenues increased by 24%, the value of new orders increased by 3% and ended at MNOK 2,555. The acquisition of Egersund Net and continued high activity in Chile is contributing positively to the growth in new orders.

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 significant 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). The activities of Egersund Net is added to the CBT segment.

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 PolarcirkelTM 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 PolarcirkelTM brand also includes PolarcirkelTM 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 WavemasterTM brand are market leaders in Chile and Canada. WavemasterTM's production facility for steel cages is located in Puerto Montt, Chile. Feed barges are also marketed and sold as WavemasterTM, barges. The feed barges have a strong position in the salmon market in the Nordic and Export regions, and are supplied with AKVAsmartTM centralised feed systems as well as other technologies from AKVA group. The manufacturing of feed barges designed by AKVA group, is done by external partners in the Baltic's and Poland. Sperre AS 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.

By adding Egersund Net, the product and service offering has been complemented with nets, and moorings as well as an extensive service network for net services. Out of filaments Egersund Net produces 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. Our software brands are Fishtalk™ and Wisefish™. In Q3 2018 AKVA group entered into an agreement to sell the Icelandic subsidiary Wise lausnir ehf, for an estimated equity value of ISK 1,049,187,000. The completion of the transaction depends on clearance from the Icelandic competition authorities. The assets and liabilities of Wise are classified as held for sale in the consolidated statement of financial position.

The LBT segment designs and delivers recirculation systems for land based fish farming operations. The systems ensure optimal water quality conditions for both freshwater 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 offices in Chile, United Kingdom, Lithuania, Canada, Turkey, Iceland, Denmark, Australia, Spain, Greece and Iran. In addition, the Group has representation in other countries across the globe.

Market situation and operations through 2018

(2017 figures in brackets unless other is specified)

AKVA group increased its order backlog from MNOK 998 at the end of 2016 to MNOK 1,381 at the end of 2017, thus creating a strong platform for growth in 2018. The growth in the backlog in 2017 was primarily coming from the CBT segment in Americas, Scotland and the Nordic LBT segment.

The strong opening order backlog and a continued high market activity has resulted in revenue growth in Chile of 84% in 2018 from MNOK 239 in 2017 to MNOK 440 in 2018, while at the same time growing the order backlog compared to end of 2017.

Some of the same effect was seen in the CBT segment in Scotland as well as in export to countries in which AKVA group do not have a subsidiary (mainly Russia and the Middle East); strong growth in 2018, fuelled by the opening order book. The revenues from the region "Europe & Middle East", which consist of Scotland, export and the Mediterranean countries grew revenues by 67% in 2018.

The Nordic CBT segment experienced a decrease in the order backlog in 2017, consequently revenue decreased in 2018 by 11% (excluding the effect of the acquisition of Egersund Net). Including Egersund Net, though, revenues increased by 9% to MNOK 1,090. After a strong finish to 2018 the new orders in the Nordic CBT segment was growing again in the fourth quarter, resulting in an increase of the order backlog in this segment/region both including and excluding the effect of the acquisition.

The LBT segment grew revenues from MNOK 406 in 2017 to MNOK 479 in 2018, an increase of 18%. This was following a steady increase in new and larger orders for recirculating aquaculture systems.

Software maintained its strong market position, launched new product modules as well as experienced growth in revenues in 2018, as it did in 2017.

Revenues from rental, services and maintenance including software sales increased with MNOK 145 in 2018 and ended at MNOK 696. A significant part of the growth is related to the acquisition of Egersund Net and the strategic direction of growing service related revenues of a repetitive nature.

In 2018, AKVA group had revenues from technology sales and service to aquaculture producers of other species than salmon and to non-seafood customers, of MNOK 401 (333) equal to 16% (16%) of total revenues.

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 2018 was MNOK 2,579 (2,088) - an increase of 24% compared to 2017. EBITDA for 2018 was MNOK 238 (240). Egersund Net was acquired at the end of August 2018, and the financial figures of Egersund Net are consolidated in AKVA group from September 1st. The effect of the acquisition is additional revenues with MNOK 207 and additional EBITDA of MNOK 34.

Depreciation and amortization in 2018 was MNOK 108 (83). EBIT for 2018 was MNOK 130 (157). Net financial expenses were MNOK 18 (22) and Profit before tax was MNOK 112 (136). The calculated tax for 2018 is MNOK 22 (36). Net profit for the year was MNOK 89 (100).

CBT had operating revenues in 2018 of MNOK 1,927 (1,516), an increase of 27% compared to 2017. EBITDA was MNOK 156 (178), a decrease of 12% compared to 2017. The increase in revenue was driven by Chile, Europe & Middle East and the contribution from Egersund Net. The activity in Scotland in 2018 has been driven by rental and service as well as sale of several larger technology projects at the end of 2018.

Software had operating revenues in 2018 of MNOK 173 (165) with an EBITDA of MNOK 34 (29). AKVA group Software AS in Norway continued to deliver steady growth in revenues and stable margins in 2018. Wise lausnir ehf on Iceland and Wise Blue in Norway experienced higher activity and growth in revenues in 2018 compared to 2017.

LBT had operating revenues in 2018 of MNOK 479 (406), an increase of 18% compared to 2017. EBITDA was MNOK 48 (33). LBT experienced increased activity and growth in order intake, especially in Norway, but we also see activity gradually picking up in other markets as well. LBT has become a larger part of AKVA group and the order backlog at the end of the year represented 33% of the Group's total order backlog.

Earnings per share were NOK 3.17 in 2018 versus NOK 3.86 in 2017. The average total number of outstanding shares has been 28,306,420 in 2018 and 25,811,877 in 2017.

Profit and loss AKVA group ASA

Operating revenues for AKVA group ASA in 2018 were MNOK 820 (859). EBITDA for 2018 was MNOK -2 (44). Depreciation and amortization in 2018 was MNOK 14 (14). EBIT for 2018 was MNOK -16 (31). Net financial income was MNOK 25 (10) and profit before tax was MNOK 9 (41). The calculated tax for 2018 was MNOK 1 (8). Net profit for the year was MNOK 8 (33).

Statement of Financial Position and cash flow (consolidated)

Total assets at the end of 2018 were MNOK 2,703 (1,663). Total liabilities amounted to MNOK 1,640 (1,162) and equity totalled MNOK 1,063 (500) giving an equity ratio of 39% (30%).

Working capital in the consolidated balance sheet, defined as non-interest bearing current assets less non-interest bearing short-term debt, was MNOK 356 at the end of 2018 compared to MNOK 175 at the end of 2017. Working capital as a percentage of 12 months rolling revenue was 14% at the end of 2018 compared to 8% at the end of 2017. The average working capital in 2018 in relation to 12 months rolling revenue was 10% at the end of 2018. At the end of 2018 the working capital from the acquisition of Egersund Net is MNOK 160, thus significantly affecting the figures.

Equity was positively affected during 2018 by this year's result of MNOK 89 (100), and translation differences and cash flow hedges affected negatively of MNOK 16 (positively affected by MNOK 28 in 2017), out of which MNOK 3 (positively affected by MNOK 10 in 2017) is related to currency effects on goodwill and other intangible assets, according to IFRS. Equity was negatively affected during 2018 by the dividend payment of MNOK 44, and positively affected from adjustments of contingent considerations of MNOK 6. In relation to the acquisition of Egersund Net, 7,5 million new shares were issued to the seller increasing the equity by MNOK 525.

At the end of 2018 gross interest bearing debt amounted to MNOK 761 (473). The Company complied with all financial covenants during 2018. Cash and unused credit facilities amounted to MNOK 336 (420). The operating activities generated a net cash contribution of MNOK 154 (87).

Investments in fixed assets in 2018 amounted to MNOK 128 (187), including MNOK 11 (21) in equipment related to our rental business and MNOK 32 (37) in capitalized R&D expenses, in accordance with IFRS.

Balance sheet AKVA group ASA

Total assets at the end of 2018 were MNOK 1,880 (1,103). Total liabilities amounted to MNOK 964 (677) and equity totalled MNOK 916 (426) giving an equity ratio of 49% (39%). The investment in Egersund Net AS is the main reason for the large increase in assets.

Risk factors

The aquaculture industry is associated with biological and market risk, and has historically been subject to cyclicity. 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 activities.

For AKVA group the financial risks are mainly related to currency risks, interest rate risks, credit risks and liquidity risks. Currency risks are reduced 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.

Product development

In 2018 the Group invested MNOK 87 (96) in product research and development, of which MNOK 32 (37) was capitalised and MNOK 55 (59) expensed. The investments were used to further improve existing products and to develop new products.

Organisation and work environment

AKVA group had 1508 (956) employees at the end of 2018. Women accounted for 33% (14%) 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 2018 amounted to 4.5% (2.7%). The Group has registered five (ten) incidents causing sick leave exceeding the day the incident occurred during 2018. 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.

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 117-126 in this report.

Future outlook

As of 1st quarter 2018 the order backlog had increased for 11 quarters. In the following two quarters the backlog decreased, but after a strong finish of the year in particular for the LBT segment and the Nordic CBT segment, the backlog increased again in Q4 2018. Currently the backlog is MNOK 1,356 (1,381).

The LBT segment has good momentum and the demand for recirculating aquaculture systems, in particular within the post-smolt segment is good. During 2018, the LBT

organisation has continued to grow as demand has been high and has established a strong foothold in Chile and Scotland as well as maintaining its good position in Norway.

Following a period with declining order intake within the Nordic CBT segment this region experienced strong growth in the second half of 2018 creating a good base for 2019.

The Chilean market has continued to make a greater contribution to the total revenues of AKVA group and we foresee good activity and market conditions going forward. During the second half of 2018 and in particular Q4 the impact of efficiency programs yielded significant improvements in earnings which is expected to continue in 2019.

The growth prospects of the salmon farming industry in eastern Canada is creating good opportunities for AKVA group in the future. We have been establishing ourselves in the region and further initiatives are underway to secure growth in the region.

During 2018 margins within the feed barge product segment as well as pipe manufacturing, were hampered by operational challenges. Initiatives has been implemented to improve within these areas.

Significant investments have been put in place develop new products and solutions. During 2019 AKVA group will release innovative products within feed system, cage based solutions and software, which will contribute to AKVA groups strong position in the market.

By acquiring Egersund Net, AKVA group will complement its product and service offering, by adding nets and moorings to the portfolio, and be able to serve its customers more efficiently. AKVA group has by the acquisition become a more complete technology and service supplier with strengthened geographical presence. Furthermore, Egersund Net's technology, products and expertise will be given access to a wider geographical area through AKVA's global presence and distribution channels.

In general the market activity is good in most markets and opportunities exist on a broad basis to further strengthen AKVA group's position going forward.

Allocation of profit

The board proposes the following allocation of the 2018 profit for AKVA group ASA:

Transferred to other equity	NOK	7,819,047
Dividends paid	NOK	-44,334,630
Net allocated	NOK	-36,515,583

At the end of 2018, AKVA group ASA had equity of MNOK 916 (426), comprised of MNOK 33 (26) in share capital, MNOK 854 (336) in share premium, MNOK 1 (1) in other paid-in capital and MNOK 28 (63) in other equity.

A dividend of 1.5 NOK per share was paid out in 2018 (0.75 NOK per share in March 2018 and 0.75 NOK per share in September 2018) totalling a distributed amount of 44,334,630 NOK in accordance with the dividend policy. In addition, a half-yearly dividend of NOK 0.75 per share was decided distributed at the board meeting on February 14th 2019.

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 9th 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 25th 2006.

Board of Directors



Frode Teigen
Board Member

Frode Teigen lives in Egersund, Norway. He is a private investor and is on the board of several Norwegian companies. Mr. Teigen was elected board member at the Annual General Meeting June 10th 2009.



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 8th 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 as employee representative 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 as employee representative in October 2018.

Board of Directors

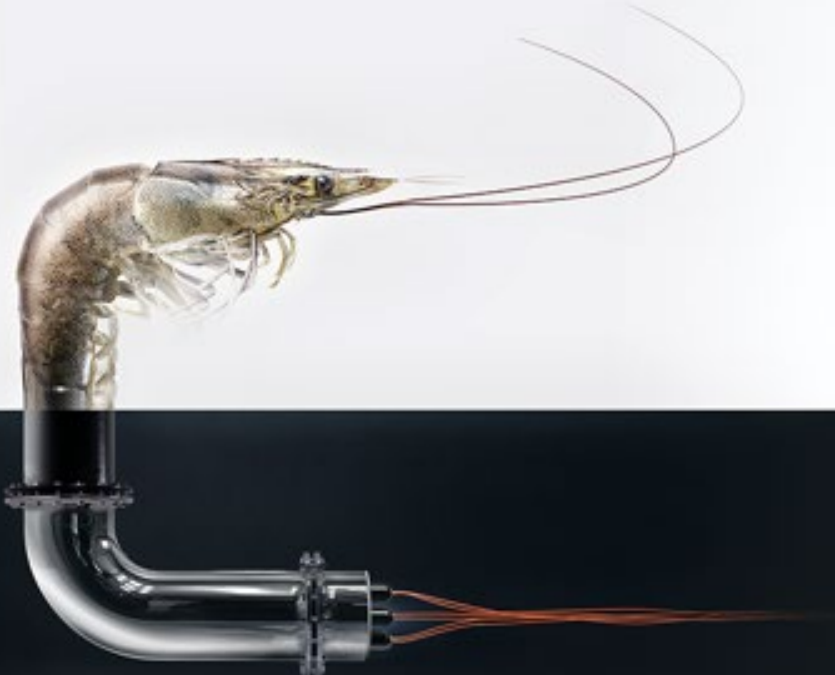


John Morten Kristiansen

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 as employee representative in October 2018.

Financial Statement Group (AKVA group)



Consolidated Income Statement 01.01. - 31.12.

(in NOK 1 000)

Group	Note	2018	2017
OPERATING REVENUES			
Revenues		2 566 760	2 073 241
Other income		12 713	14 669
Total revenues	2,17,21	2 579 473	2 087 910
OPERATING EXPENSES			
Cost of materials	10,21	1 516 675	1 196 268
Payroll expenses	3,4	638 190	496 121
Other operating expenses	4,7,11,15,18	186 841	155 607
Total operating expenses		2 341 706	1 847 997
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		237 767	239 913
Depreciation and amortization	7,8	107 901	82 784
OPERATING PROFIT (EBIT)		129 866	157 128
FINANCIAL INCOME AND EXPENSES			
Financial income	15,16	14 735	6 805
Financial expenses	15,16	(33 085)	(28 361)
Net financial income (expense)		(18 350)	(21 556)
PROFIT BEFORE TAX		111 516	135 573
Taxes	5	22 147	35 744
NET PROFIT FOR THE YEAR		89 369	99 829
NET PROFIT (LOSS) ATTRIBUTABLE TO:			
Non-controlling interests		-334	142
Equity holders of AKVA group ASA		89 703	99 687
Earnings per share (NOK)	6	3,17	3,86
Diluted earnings per share (NOK)	6	3,17	3,86

Consolidated Statement of Comprehensive Income

01.01. - 31.12.

(in NOK 1 000)

Group	Note	2018	2017
NET PROFIT FOR THE YEAR		89 369	99 829
Other comprehensive income			
<i>Items that may be reclassified subsequently to income statement:</i>			
Translation differences on foreign operations		-10 273	19 274
Income tax effect		-	-
Total		-10 273	19 274
Gains (+) / losses (-) on cash flow hedges		-7 073	11 787
Income tax effect		1 627	-2 829
Amount reclassified from other comprehensive income to income statement on disposal		-	-
Total	16	-5 447	8 958
Total other comprehensive income, net of tax		-15 720	28 233
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		73 649	128 061
Attributable to:			
Non-controlling interests		-334	142
Equity holders of AKVA group ASA		73 983	127 920

Consolidated Statement of Financial Position 31.12.

(in NOK 1 000)

Group	Note	2018	2017
NON-CURRENT ASSETS			
Deferred tax asset	5	15 970	13 479
Intangible assets and goodwill			
Goodwill	7	834 502	435 646
Other intangible assets	7	202 980	146 455
Total intangible assets and goodwill		1 037 482	582 101
Tangible fixed assets			
Land and building	8	19 567	17 542
Machinery and equipment	8	312 814	228 604
Total tangible fixed assets		332 381	246 146
Long-term financial assets			
Investments in associated companies	9	67 961	4 865
Other long-term financial assets	9,11	5 019	1 813
Total long-term financial assets		72 980	6 679
Total non-current assets		1 458 814	848 405
CURRENT ASSETS			
Inventory	10	461 917	238 373
Receivables			
Accounts receivables	11,21	325 612	403 977
Contract assets	17	162 499	-
Prepayments to suppliers	17	-	16 526
Other receivables	4	82 648	38 548
Total receivables		570 759	459 051
Cash and cash equivalents	12	133 117	116 969
Assets held for sale	20	78 323	-
Total current assets		1 244 117	814 392
TOTAL ASSETS		2 702 931	1 662 797

Consolidated Statement of Financial Position 31.12.

(in NOK 1 000)

Group	Note	2018	2017
EQUITY			
Equity attributable to equity holders of AKVA group ASA		1 062 423	499 907
Non-controlling interests		184	518
Total equity	13,19,22,23	1 062 607	500 425
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	5	85 114	57 499
Liabilities to financial institutions	14	360 254	350 874
Other long term liabilities	19	103 641	109 565
Total non-current liabilities		549 010	517 938
Current liabilities			
Liabilities to financial institutions	14,21	401 155	122 174
Trade payables	21	231 568	185 763
Current tax payables	5	25 597	11 822
Public duties payable		41 453	38 416
Contract liabilities	17	221 891	-
Prepayments from customers	17	-	176 119
Other current liabilities	15	146 056	110 139
Liabilities held for sale	20	23 593	-
Total current liabilities		1 091 314	644 433
Total Liabilities		1 640 324	1 162 372
TOTAL EQUITY AND LIABILITIES		2 702 931	1 662 797

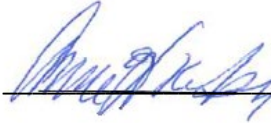
Bryne, Norway, March 26th 2019



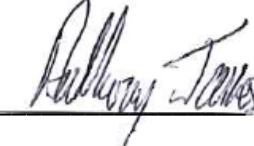
Hans Kristian Mong
(chairperson)



Frode Teigen




Anne Breiby
(Deputy chairperson)



Anthony James




Hanne Cecilie Pettersen



John Morten Kristiansen



Odd Jan Håland



Hallvard Muri
(CEO)

Consolidated Statement of Cash flow 01.01.-31.12.

(in NOK 1 000)

Group	Note	2018	2017
Cash flow from operating activities			
Profit before taxes		111 516	135 573
Taxes paid		-14 682	-22 823
Net interest cost		14 068	11 491
Gain (loss) on disposal of fixed assets		-91	-774
Depreciation and amortization	7,8	107 901	82 784
Changes in stock, accounts receivable and trade payables		-60 570	-153 925
Changes in other receivables and payables		20 981	39 360
Net foreign exchange difference		-11 141	7 208
Cash generated from operating activities		167 982	98 895
Interest paid	15	-17 753	-14 177
Interest received	15	3 685	2 686
Net cash flow from operating activities		153 914	87 404
Cash flow from investment activities			
Investments in fixed assets	7,8	-99 053	-104 387
Proceeds from sale of fixed assets	7,8	4 699	7 178
Net repayment of long-term receivables		-8 042	-262
Acquisition of subsidiary net of cash acquired	19	-168 276	-19 920
Net cash flow from investment activities		-270 673	-117 392
Cash flow from financing activities			
Repayment of borrowings	14	-25 174	-344 058
Proceeds from borrowings	14	228 389	356 096
Dividend payment	22	-44 335	-32 272
Sale/(purchase) own shares	23	-	-2 112
Net cash flow from financing activities		158 880	-22 346
Net change in cash and cash equivalents		42 121	-52 334
Net foreign exchange differences		-2 227	3 759
Cash and cash equivalents at 01.01		116 969	165 543
Cash and cash equivalents at 31.12¹⁾	12	156 863	116 969

¹⁾ Includes cash held for sale of MNOK 24

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 01.01.2017		25 834	329 715	-759	354 790	-7 324	-11 443	-18 766	98 942	434 966	376	434 590
Net movement in cash flow hedges		-	-	-	-	-	8 958	8 958	-	8 958	-	8 958
Translation difference		-	-	-	-	19 274	-	19 274	-	19 274	-	19 274
Total other comprehensive income		-	-	-	-	19 274	8 958	28 233	-	28 233	-	28 233
Profit (loss) for the period		-	-	-	-	-	-	-	99 829	99 829	142	99 687
Total comprehensive income		-	-	-	-	19 274	8 958	28 233	99 829	128 061	142	127 920
Dividend	22	-	-	-	-	-	-	-	-32 272	-32 272	-	-32 272
Adjustment of contingent consideration	19	-	-	-	-	-	-	-	-28 218	-28 218	-	-28 218
Sale / (purchase) of own shares	23	-28	-	-	-28	-	-	-	-2 085	-2 112	-	-2 112
Equity as at 31.12.2017	13	25 806	329 715	-759	354 763	11 951	-2 484	9 466	136 195	500 425	518	499 907
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

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 March 26th and is subject for approval by the Annual General Meeting on May 9th 2019.

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 December 31st 2018.

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 head of the Group is the Group's Chief Executive Officer who delegates responsibility to the management group. 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 financial 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 into 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 acquire is re-measured to fair value at the acquisition date through the income statement.

Revenue recognition

The Group has initially applied IFRS 15 from January 1st 2018. The effect of initially applying IFRS 15 is described in the chapter “New and amended accounting standards” in this note.

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 new standard. If entering into contracts with customers which deviates from the standard contracts, an assessment of the deviation(s) are 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 represent 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 of 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 guide line ("rule of thumb") for evaluation 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 contract are recognized over a straight line for the period the service is performed based on elapsed time (out-put method).

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. Services are recognized in proportion to the work performed.

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.

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.

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 with the exception of 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 did however not quote the exchange rate between NOK and ISK in the period December 2008 until March 2018, and for this period the rate used for NOK vs ISK at the balance date in the consolidation was the rate quoted by the Central Bank of Iceland. Neither does Norges Bank 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 in 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, with the exception of:

- 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 are 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 23% in 2018. 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 recognised in the balance sheet have caused variations in the effective tax rate. In periods when such assets have not been recognised, the effective tax rate has been higher than the long-term expectation, whereas it has been lower in periods when tax losses not recognised as assets have been utilised.

Norway will reduce corporate income tax rate from 23% to 22% with effect from January 1st 2019.

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 in reality 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's 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 expenses 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 - 8 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

Operating leases

Leases for which most of the risk and return associated with ownership of the asset have not been transferred to the Group are classified as operating leases. Operating lease payments are classified as operating costs and recognized in the income statement during the contract period.

Finance leases

Finance leases are leases under which the Group assumes most of the risk and return associated with the ownership of the asset. At the inception of the lease, finance leases are recognized at the lower of their fair value and the present value of the minimum lease payments. When calculating the lease's present value, the implicit interest cost in the lease is used if it is possible to calculate this. If this cannot be calculated, the company's marginal borrowing rate is used. Direct costs linked to establishing the lease are included in the asset's cost price.

The same depreciation period as for the company's other depreciable assets is used. If it is not reasonably certain that the company will assume ownership when the term of the lease expires, the asset is depreciated over the term of the lease or the asset's economic life, whichever is the shorter.

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 re-measurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised 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 non-current asset.

Loans/borrowings are recognized at the amount paid out/received, 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 is 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 discounted cash flow from continued 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 assets, 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.

With the exception of 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, with the exception of contingent liabilities where the probability of the liability occurring is remote.

A contingent asset is not recognized in the annual financial statements, 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 9 Financial Instruments

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 implementation of IFRS 9 had no impact on the classification and measurement of the Group's financial assets and hedge accounting.

The standard was implemented retrospectively on January 1st 2018, with the exception of hedge accounting. The hedge accounting was implemented prospectively according to rules, and as required no comparative figures were prepared.

IFRS 15 Revenue from Contracts with Customers

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).

The Group implemented the standard as of January 1st 2018 using the cumulative effect method. The transition had an impact, net of tax, MNOK 1.8 reclassified from the income statement and OCI to other equity in the consolidated statement of financial position.

New standards issued but not yet effective

IFRS 16 Leases

The new accounting standard IFRS 16 Leases was effective from January 1st 2019. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures of leases and replaces IAS 17 and other previous guidance on lease accounting within IFRS. The new standard represents a significant change in lessees' accounting for leases but keeps the accounting model for lessors mainly unchanged.

IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For each contract that meets this definition, IFRS 16 requires lessees to recognize a right-to-use asset and a lease liability in the balance sheet with certain exemptions for short term and low value leases. Lease payments are to be reflected as interest expense and a reduction of lease liabilities, while the right-of-use assets are to be depreciated over the shorter of the lease term and the assets' useful life. The portion of lease payments representing payments of lease

liabilities shall be classified as cash flows used in financing activities in the statement of cash flows.

AKVA group will apply the modified retrospective approach, and choose to elect the option to recognise the ROU-assets as an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application. AKVA group's IFRS 16 lease liability¹⁾ as of January 1st 2019 is estimated to be 456 MNOK. The IFRS 16 right-to-use asset as of January 1st 2019 corresponds with the lease liability.

The implementation of IFRS 16 will impact the Group's consolidated balance sheet by increased total assets and total liabilities. The impact on the consolidated statement of income will be reduction in lease expenses and an increase in depreciation and interest expenses. Alternative performance measures will be adjusted correspondingly.

The adoption of IFRS 16 will not affect the Group's ability to comply with the maximum leverage threshold and minimum equity ratio described in note 14.

¹⁾ See note 18 for more information about lease commitment

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 allow 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	2018	2017
Operating revenue	1 927 432	1 516 453
Operating expenses	1 771 352	1 338 526
Operating profit before depreciation and amortization (EBITDA)	156 079	177 927
Depreciation and amortization	81 420	62 376
Operating profit (EBIT)	74 660	115 551
Investments in tangible and intangible assets	107 516	164 224

Software	2018	2017
Operating revenue	172 764	165 492
Operating expenses	139 223	136 870
Operating profit before depreciation and amortization (EBITDA)	33 541	28 622
Depreciation and amortization	13 657	12 280
Operating profit (EBIT)	19 884	16 343
Investments in tangible and intangible assets	14 506	15 265

Land Based Technology	2018	2017
Operating revenue	479 277	405 964
Operating expenses	431 130	372 600
Operating profit before depreciation and amortization (EBITDA)	48 147	33 364
Depreciation and amortization	12 825	8 129
Operating profit (EBIT)	35 322	25 235
Investments in tangible and intangible assets	5 710	7 980

TOTAL	2018	2017
Operating revenue	2 579 473	2 087 910
Operating expenses	2 341 706	1 847 997
Operating profit before depreciation and amortization (EBITDA)	237 767	239 913
Depreciation and amortization	107 901	82 784
Operating profit (EBIT)	129 866	157 129
Assets	2 702 931	1 662 797
Liabilities	1 616 730	1 162 371
Investments in tangible and intangible assets	127 732	187 470

Geographical information

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

Operating revenue	2018	2017
Norway	1 382 250	1 153 892
Chile	439 652	241 350
Canada	73 518	59 746
Scotland	164 828	122 979
Denmark	301 618	309 643
Iceland	113 738	113 193
Other	103 868	87 107
Group	2 579 473	2 087 910

Non-current assets excluding deferred tax assets and other non-current assets	2018	2017
Norway	1 332 049	750 484
Chile	22 647	17 740
Canada	2 117	2 635
Scotland	26 815	28 648
Denmark	10 437	15 398
Iceland	9 007	9 623
Other	7 673	3 719
Reclassification to assets held for sale	-40 881	-
Group	1 369 863	828 247

Total assets	2018	2017
Norway	1 930 090	1 044 447
Chile	262 139	224 805
Canada	44 552	39 958
Scotland	94 563	102 725
Denmark	224 584	166 761
Iceland	46 480	37 918
Other	100 522	46 182
Reclassification to assets held for sale	-78 323	-
Group	2 624 607	1 662 797

Revenues by customer

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

Revenues by customer	2018	2017
Customer A	291 605	258 070
Customer B	136 170	114 632
Customer C	104 379	66 831
Customer D	92 722	61 926
Customer E	82 361	53 313

Revenue from customer A is divided with a 2/3 portion in the cage based technology segment and 1/3 portion in the land based technology segment.

Note 3

Wages, remunerations and pensions (in NOK 1 000)

Payroll expenses	2018	2017
Salaries	539 316	421 999
Payroll tax	46 864	30 938
Pension costs	24 159	14 401
Other benefits	27 851	28 783
Total payroll expenses	638 190	496 121
Number of employees at year end:	1 508	956
The number of employees in full time equivalent in the group at year end is:	1 489	943

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 August 1st 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

The incentive scheme for the group management consist of two components: i) an annual bonus limited to between 30% and 50% of annual salary, dependent upon individual and financial targets, for the years 2017, 2018 and 2019; and ii) a deferred bonus limited to between 30% and 50% of annual salary, dependent upon individual targets and the development of the company's share price relative to the OSLO Seafood Index (OSLFX), for the same period.

The accrued bonuses in the table above includes the annual bonuses, which are payable in 2019 as well as the estimated deferred bonuses.

The CEO has an annual fixed salary of MNOK 2.6 and a monthly car allowance of KNOK 10. The bonus agreement of the CEO is as described above, limited to 50% of annual salary both for the annual and deferred part of the scheme. The CEO is entitled to 12-month severance payment if his employment agreement is terminated.

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 December 31st 2018 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 December 31st 2018.

Remuneration to Group management 2017	Salary	Pension	Other	Accrued - not paid Bonus
Hallvard Muri (CEO)	2 335	64	147	1 638
Simon Nyquist Martinsen (CFO) ¹⁾	1 324	64	34	1 114
Svein Jørgen Fuglesang (SVP Supply Chain & Manufacturing) ²⁾	700	64	24	328
Trond Severinsen (SVP Technology & Development)	1 189	64	149	402
Per Andreas Hjetland (COO Cage Based)	1 381	64	26	537
Inge Forseth (COO Software)	1 375	64	24	536
Morten Nielsen (COO Land Based) ³⁾	1 806	-	-	751
Andrew Campbell (Regional President Americas & Australasia) ³⁾	1 606	-	8	691
David Thorburn (Regional President Europe & Middle East) ³⁾	1 025	100	151	457

¹⁾ Simon Nyquist Martinsen assumed his position as CFO on February 23rd 2017

²⁾ Svein Jørgen Fuglesang assumed his position as SVP on June 1st 2017

³⁾ Morten Nielsen, Andrew Campbell and David Thorburn receives salary in their local currency and they are translated to NOK using average rate during 2017

Fees to the Board of Directors	Position	2018	2017
Hans Kristian Mong	Chairperson of the Board	301	275
Anne Breiby	Deputy Chairperson of the Board	256	243
Frode Teigen	Member of the Board	201	155
Evy Vikene	Member of the Board	164	138
Anthony James	Member of the Board	197	171
Hanne Cecilie Pettersen	Member of the Board	13	-
John Morten Kristiansen	Member of the Board	13	-
Odd Jan Håland	Member of the Board	13	-
Aino Kristin Lindal Olaisen	Member of the Board	69	138
Nils Viga	Member of the Board	80	179
Tore Obrestad	Member of the Board	29	33
Carina Jensen	Member of the Board	29	33
Henrik A. Schultz	Member of the Board	29	33

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 December 31st 2018 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	2018	2017
Audit	2 876	2 632
Tax services	600	924
Attestation services	-	25
Other services	969	767
Total	4 445	4 347

All fees to the auditor is excluded of VAT.

Note 4

Government grants and subsidies (in NOK 1 000)

Government grants received	2018	2017
"Skattefunn"	5 122	3 216
Norges Forskningsråd	2 234	2 858
Total	7 355	6 074

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	2018	2017
Current taxes payable	26 704	13 692
Adjustment related to previous periods	-7 980	-787
Change in deferred taxes	6 323	23 818
Effect of change in tax rate in Norway	-2 900	-978
Total tax expense	22 147	35 744

Specification of temporary differences¹⁾	2018	2017
Current assets	155 387	121 082
Fixed assets	245 818	157 433
Provisions	-16 825	-15 464
Pension obligations	11	45
Losses carried forward	-89 817	-93 598
Other	-14 350	-13 628
Total	280 225	155 871

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

Calculated deferred tax assets	25 514	22 157
Calculated deferred tax	-89 465	-58 478
Effect of change in tax rate in Norway	2 900	978
Deferred tax asset not recognised in balance sheet	-9 544	-8 678
Deferred tax reclassified to liability held for sale	1 452	-
Deferred tax asset	15 970	13 479
Deferred tax liability	85 114	57 499

Effective tax rate	2018	2017
Expected income taxes, statutory tax rate of 23%	25 626	32 643
Permanent differences (23%)	-2 505	4 077
Effect of change in tax rate	-2 551	-1 033
Deviation between Norwegian and foreign tax rate	459	-483
Excess(-)/insufficient(+) provisions in former years	351	875
Change in non-recognized deferred tax asset	767	-335
Income tax expense	22 147	35 744

Effective tax rate in percent of profit before tax	19,9 %	26,4 %
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The Group has a tax loss carry forward of MNOK 89.8 whereof the total amount is available indefinitely for offset against future taxable profits of the companies in which the losses arose. Of the total tax loss carried forward MNOK 45.4 is not included in the balance sheet as basis for 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 95% 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

	2018	2017
Ordinary profit / net income (in NOK 1 000)	89 703	99 687
Number of ordinary shares outstanding as of 31.12.	33 334 303	25 834 303
Weighted average number of ordinary shares	28 306 420	25 811 877
Earnings per share (NOK)	3,17	3,86
Diluted number of shares	28 306 420	25 811 877
Diluted earnings per share (NOK)	3,17	3,86

At December 31st 2018 the weighted average number of shares was lower than number of ordinary shares due to issuance of 7,500,000 new shares in August 2018 and the company owning 27,883 shares throughout the year. See note 19 and 22 for more details.

Note 7

Intangible assets and goodwill (in NOK 1 000)

	Goodwill	Develop- ment costs	Product rights, patents & trademarks	Total
2018				
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

During the year the Group expensed MNOK 55 (MNOK 59 in 2017) 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).

2017	Goodwill	Develop- ment costs	Product rights, patents & trademarks	Total
Acquisition cost at 01.01.	427 735	178 497	202 543	808 776
Additions during the year	-	36 075	668	36 744
Translation differences	8 306	2 286	2 448	13 040
Acquisition cost 31.12.	436 041	216 859	205 659	858 560
Accumulated amortization at 01.01.	395	119 787	126 459	246 641
Amortization during the year	-	16 030	12 345	28 375
Translation differences	-	1 174	269	1 443
Accumulated amortization 31.12.	395	136 990	139 074	276 459
Net book value at 31.12.	435 646	79 869	66 586	582 101

Both the parent company and the subsidiaries use straight line amortization of all intangible assets where applicable. The useful economic life for the intangible assets that are amortized are 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 relates 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:	2018	2017
Cage Based Technology	308 122	203 713
S&AS Cage Based Technology Norway	423 262	95 849
AKVA group Software	9 600	9 600
Wise ehf	31 874	33 538
Land Based Technology	93 518	92 947
Reclassification to assets held for sale	-31 874	-
Total goodwill	834 502	435 646

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		
S&AS Cage Based Technology Norway	17 945	8 888
Cage Based Technology	27 057	19 167
Total intangible assets	45 002	28 055

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 are 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 7.20% 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 7.45% 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 recoverable amount to be lower than the carrying value.

Note 8

Tangible fixed assets (in NOK 1 000)

	Land and building	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	3-5	

Finance lease assets are included in the amounts above and had a net book value of MNOK 130 (114) at December 31st 2018.

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

2017	Land and building	Machinery and equipment	Total
Acquisition cost at 01.01.	21 088	368 539	389 627
Additions during the year	2 449	148 278	150 726
Translation differences	-	5 638	5 638
Disposals during the year	-	-7 097	-7 097
Acquisition cost 31.12.	23 537	515 357	538 894
Accumulated depreciation 01.01.	5 474	233 585	239 058
Depreciation during the year	519	53 891	54 409
Translation differences	-	3 879	3 879
Accumulated depreciation disposals during the year	2	-4 601	-4 599
Accumulated depreciation 31.12.	5 995	286 753	292 748
Net book value 31.12.	17 542	228 604	246 146
The useful economic life (in years) is estimated to:	> 20	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 %
Wise lausnir ehf	2007	Iceland	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 %
Wise Blue AS ²⁾	2015	Norway	51,0 %	51 %
AKVA group Land Based A/S	2015	Denmark	100,0 %	100 %
AKVA Marine Services AS	2016	Norway	68,7 %	68,7 %
AD Eiendomsselskap AS ⁴⁾	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 Wise lausnir ehf

³⁾ Subsidiary of Egersund Net AS

⁴⁾ Subsidiary of AKVA Marine Services AS

The anticipated acquisition method is used for the acquisition of AD offshore AS (merged into AKVA Marine Services AS) and 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 Iboard AS' shares in AKVA Marine Services AS for MNOK 5.2 in October 2017, increasing the ownership and voting rights in AKVA Marine Services AS from 65% in 2016 to 68.7% in 2017.

Other long-term investments	Share capital	Number of shares	Par value (NOK)	Book value	Ownership
NOFI Oppdrettservice AS	1 100	500	1 100	51 013	50,0 %
Emel Balik	1 982	24 140	41	6 149	50,0 %
Atlantis Subsea Farming AS ¹⁾	762	400	1 270	7 715	66,7 %
Centre for Aquaculture Competence AS	450	150	1 000	2 685	33,3 %
Blue Planet AS	1 950	6	49 999	300	15,4 %
Other investments				1 967	<5 %
Reclassified to assets held for sale				-1 868	
Total				67 961	

¹⁾ AKVA group ASA owns 33.33% and Egersund Net AS owns 33.33%

The Group owns more than 50% of the shares in Atlantis Subsea Farming AS, 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 July 23rd 2018 it is agreed between seller and buyer of Egersund Net AS that, in the event of a sale by Egersund Net of 33.33% 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, operating expenses and financing costs etc. incurred in relation to the Atlantis Subsea Farming shares.

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

Note 10

Inventory (in NOK 1 000)

Inventory	2018	2017
Raw materials (at cost)	153 162	85 482
Work in progress (at cost)	75 520	15 201
Finished goods (at net realisable value)	233 236	137 690
Total	461 917	238 373
Write-down of obsolete inventory 01.01.	7 026	5 846
Change in write-down of obsolete inventory during the year	2 601	1 180
Write-down of obsolete inventory 31.12.	9 627	7 026

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	2018	2017
Other long-term receivables	5 019	1 813
Total	5 019	1 813

Accounts receivables

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

Bad debt provisions	2018	2017
Bad debt provision 01.01.	18 086	9 995
Increase in bad debt provision related to acquisitions	650	-
Change for the year	140	8 254
Reclassified to assets held for sale	-736	-
Used from the provision	-101	349
Unused amounts reversed	-10 440	-512
Bad debt provision 31.12.	7 599	18 086
Recorded bad debt cost during the year	4 151	3 062
Change in bad debt provision	-10 296	7 959
Total bad debt cost during the year	-6 144	11 020

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:	2018	2017
Not due	186 165	225 946
Due <30 days	74 731	96 133
Due 31-60 days	13 324	19 555
Due 61-90 days	17 045	18 894
Due > 91 days	44 258	43 448
Reclassified to assets held for sale	-9 911	-
Total	325 612	403 977
Bad debt provisions	7 599	18 086

Note 12

Cash and cash equivalents (in NOK 1 000)

	2018	2017
Cash	135 812	87 550
Restricted funds	21 050	29 419
Reclassified to assets held for sale	-23 746	-
Total cash and cash equivalents	133 117	116 969

Restricted funds are employee tax deduction funds, and restricted funds in projects in AKVA group Land Based A/S of MNOK 8.9.

The Group has an overdraft facility of MNOK 303 and a revolving credit line of MNOK 200 in Danske Bank. As of December 31st 2018 MNOK 123 of the overdraft facility was utilized compared to MNOK 99 at year-end 2017, and the revolving credit line was fully utilized as of December 31st 2018 compared to being unused 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 2018 authorized the board of directors to acquire shares for up to an amount of the nominal value of NOK 645,857 which equalled 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 2019, however, not later than until June 30th 2019. This authorization replace the authorization to the board to purchase own shares, given by the General Meeting on May 10th 2017.

In the same AGM in 2018 the board of directors were authorized to increase the company's share capital by up to NOK 2,583,430, 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 2019 and June 30th 2019. This authorization replaces all previous authorizations to the board to increase the company's share capital.

The 20 largest shareholders at 31.12.18	Number of shares	Ownership in % of total shares
EGERSUND GROUP AS	20 703 105	62,11 %
WHEATSHEAF INVESTMENTS LIMITED	3 900 000	11,70 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	828 930	2,49 %
SIX SIS AG	803 242	2,41 %
VPF NORDEA KAPITAL	630 414	1,89 %
VPF NORDEA AVKASTNING	517 623	1,55 %
STATOIL PENSJON	407 232	1,22 %
Norron Sicav - Select	397 200	1,19 %
MP PENSJON PK	381 300	1,14 %
EIKA NORGE	354 524	1,06 %
NORDEA 1 SICAV	318 682	0,96 %
NORDEA NORDIC SMALL CAP FUND	300 000	0,90 %
VERDIPAPIRFONDET NORDEA NORGE PLUS	288 140	0,86 %
VERDIPAPIRFONDET DNB SMB	176 651	0,53 %
METZLER EURO SMALL + MICRO CAP	163 610	0,49 %
HANDELSBANK NORDISKA SMABOLAGSFOND	150 000	0,45 %
BJØRN DAHLE	150 000	0,45 %
UBS Europe SE	125 000	0,37 %
STATOIL FORSIKRING A.S	107 346	0,32 %
ASKVIG AS	100 000	0,30 %
Other shareholders	2 531 304	7,59 %
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
Hallvard Muri (CEO) (including ACCA AS)	22 662
Simon Nyquist Martinsen (CFO) (including ELO AS)	17 662
Svein Jørgen Fuglesang (SVP Supply Chain Management)	6 912
Trond Severinsen (SVP Technology & Development)	973
Per Andreas Hjetland (COO Cage Based)	4 048
Hans-Øyvind Sagen (SVP Sales & Marketing Nordic)	662
Inge Forseth (COO Software)	1 548
Morten Nielsen (COO Land Based)	1 548
Andrew Campbell (Regional President Americas & Australasia)	1 548
David Thorburn (Regional President Export)	1 283

Note 14

Liabilities to financial institutions (in NOK 1 000)

Long-term liabilities due in more than 5 years	2018	2017
Liabilities to financial institutions	30 994	25 655
Total	30 994	25 655

	2018	2017
Liabilities secured with assets	761 409	473 049
Guarantee liabilities ¹⁾	61 790	55 363

¹⁾ Off balance sheet liability

Assets pledged as security for debt:	2018	2017
Accounts receivable	153 858	169 890
Inventory	278 998	119 421
Shares in subsidiaries	374 840	355 365
Other assets	172 946	196 733
Total	980 642	841 409

Repayment of debt

In September the overdraft facility in Danske Bank was increased from 200 MNOK to 300 MNOK. The Group's interest bearing liabilities of MNOK 761.4 at December 31st 2018 consist of two bank loans to Danske Bank with carrying amount MNOK 250, utilization of the revolving credit line of MNOK 200, utilization of overdraft facility of MNOK 123.4, financial lease liabilities of MNOK 137.9, liability to Hitra Kommune of MNOK 6.7, MNOK 1.3 to other financial institutions and MNOK 42.1 to Egersund Group.

The Groups's debt matures as follows:	2018	2017
2019	277 768	22 702
2020-2021	169 493	168 510
2022-2023	159 767	156 709
2024 or later	30 994	25 655
Total	638 022	373 576
Average interest rate	2,30 %	2,28 %

As of December 31st 2018 an amount of MNOK 277 of the long-term debt due within one year is, in accordance with IFRS, reclassified to short-term interest bearing debt in the balance sheet.

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 2.5 as of December 31st 2018.

The equity ratio in AKVA group was 39% and equity was MNOK 1,062 as of December 31st 2018.

The Group was compliant with all covenants in 2018.

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	Financial lease liabilities	Share capital / premium	Reserves	Retained earnings	NCI	Total
Restated balance at 01.01.2018	99 473	277 165	109 565	96 411	354 763	11 951	133 711	518	1 083 556
Changes from financing cash flows									
Repayment of borrowings	-	-9 787	-	-15 388	-	-	-	-	-25 174
Proceed from borrowings	23 914	204 300	175	-	-	-	-	-	228 389
Proceeds from purchase/sale own shares	-	-	-	-	-	-	-	-	-
Dividend payment	-	-	-	-	-	-	-44 335	-	-44 335
Total changes from financing cash flows	23 914	194 513	175	-15 388	-	-	-44 335	-	158 880
The effect of changes in foreign exchange rates	-	-	-	-	-	-10 273	-	-	-10 273
Changes in fair value	-	-	-	-	-	-	-5 447	-	-5 447
Other changes									
Liability-related									
Change in bank overdraft	-	-	-	-	-	-	-	-	-
New finance lease	-	-	-	28 423	-	-	-	-	28 423
Interest expense	2 128	12 978	-	2 647	-	-	-	-	17 753
Interest paid	-2 128	-12 978	-	-2 647	-	-	-	-	-17 753
Total liability-related other changes	-	-	-	28 423	-	-	-	-	28 423
Total equity-related other changes	-	51 841	-6 098	5 057	525 000	-	97 237	-334	672 702
Balance at 31.12.2018	123 387	523 519	103 641	114 503	879 763	1 677	181 166	184	1 927 841

Note 15

Specification of items that are grouped in the financial statement

(in NOK 1 000)

Financial Income	2018	2017
Other interest income	3 685	2 686
Other financial income	11 050	4 120
Total financial income	14 735	6 805

Financial Expenses	2018	2017
Interest expenses	17 753	14 177
Agio loss	13 640	4 633
Other financial expenses	1 691	9 551
Total financial expenses	33 085	28 361

Other operating expenses	2018	2017
Accommodation, materials, equipment and maintenance	95 866	73 453
Marketing, travelling and communication	45 371	42 243
Other operating expenses	45 604	39 911
Total other operating expenses	186 841	155 607

Other current liabilities	2018	2017
Accrued costs	38 001	60 713
Warranty provisions	20 848	13 365
Other current liabilities	94 458	36 061
Reclassified to liabilities held for sale	-7 252	-
Total other current liabilities	146 056	110 139

The provisions for warranties relates to projects and products in the cage based and land based 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)

The effect of initially applying IFRS 9 on the Group's financial instruments is described in note 1.

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.

	2018		2017	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash	133 117	133 117	116 969	116 969
Trade receivables	325 612	325 612	403 977	403 977
Contract assets	162 499	162 499	-	-
Other current assets	80 876	80 876	48 883	48 883
Other long-term financial assets	5 019	5 019	1 813	1 813
Forward currency contracts ¹⁾	1 773	1 773	6 190	6 190
Financial liabilities				
Bank overdraft	123 387	123 387	99 473	99 473
Trade payables	231 568	231 568	185 763	185 763
Contract liabilities	221 891	221 891	-	-
Interest-bearing loans and borrowings				
Loans	638 022	638 022	373 576	373 576

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

Fair value hierarchy

As of December 31st 2018, 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	31.12.18	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	-	-	-	-
Foreign exchange forward contracts	1 773	-	1 773	-

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
Danish Kroner	DKK	Sold	11 000
British Pound	GBP	Sold	2 500
Euro	EUR	Sold	300
Norwegian Kroner	NOK	Bought	44 233

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 1.209 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 2019 and hence be recognized in the income statement during the same period.

Currency (in 1 000)		Bought/sold	Net currency amount
Euro	EUR	Bought	13 490
American Dollar	USD	Sold	2 135
Norwegian Kroner	NOK	Sold	112 822

At the end of the year it was recorded a loss of MNOK 5.447 directly against other comprehensive income related to hedging of expected future cash flow.

All currency contracts expire in 2019, and at December 31st 2018, the Group held the following instruments to hedge exposures to changes in foreign currency:

Forward currency contracts	Maturity	
	1-3 months	4-12 months
Net exposure (in 1 000 NOK)	65 230	47 592
Average NOK:EUR forward contract rate	9,74	9,68
Average NOK:USD forward contract rate	8,59	8,09

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 2018 the Group had export sales of MNOK 151 of products which predominantly had its cost base in NOK. A 10% strengthening of the NOK would then decrease the earnings with about MNOK 15.1 before possible price increases in the market. About 34% of this exposure was related to sales in GBP (sales in UK), 43% related to sales in EUR (sales in Europe and the Middle East), 10% related to sales in CAD (sales in Canada) and 11% related to sales in TRY (sales in Turkey).

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 2018 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.

31.12.2018	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

31.12.2017	KNOK effect on profit before tax by +10%/-10% change in			KNOK effect on book equity by +10%/-10% change in		
	EUR	DKK	TRY	EUR	GPB	USD
10 %	8 937	292	-357	14 165	-2 042	-1 372
-10 %	-8 937	-292	357	-14 165	2 042	1 372

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

GPB respectively. The effect on OCI and book equity at year end 2018 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 7.6 higher with a 1% higher average interest rate during the year and MNOK 7.6 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. We believe there is low risk associated with old receivables, and have decreased the provisions in 2018 due to solving some specific issues from previous years. 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 2018 about 84% of the revenues of the Group came from customers producing salmon, same share as in 2017. 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.

Based on the assumption that a future 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 profit (23% tax rate used):

Change in sales	Change in net profit/ equity (in NOK 1 000)
10 %	50 072
5 %	25 036
2 %	10 014
-2 %	-10 014
-5 %	-25 036
-10 %	-50 072

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 NOK 0.75 was paid, in 2017 a dividend of NOK 1.25 was paid, while a total dividend of NOK 1.50 was paid in 2018. The Group has been compliant with the dividend policy when paying out dividend, see note 22. In August 2018 7,500,000 shares were issued as partial consideration for the acquisition of Egersund Net AS (see note 19 for further information). 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)	2018	2017
Interest bearing debt	761 409	473 049
Less cash	133 117	116 969
Net interest bearing debt	628 292	356 080
Equity	1 062 423	499 907
Total equity and net interest bearing debt	1 690 715	855 987
Debt ratio	37 %	42 %

The Group has been compliant with all covenants in 2018, see note 14.

The equity share attributable to AKVA group ASA's shareholders was 39.3 % as of December 31st 2018.

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 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.

2018	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowing:	-	192 745	208 074	329 596	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	-	568 578	329 053	433 237	30 994	1 361 861

2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowing:	-	105 148	17 026	325 219	25 655	473 049
Trade and other payables ¹⁾	-	224 179	11 841	109 565	-	345 585
Financial derivatives	-	60 828	180 015	13 435	-	254 279
Total	-	390 155	208 882	448 219	25 655	1 072 912

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)

The effect of initially applying IFRS 15 on the Group's revenue from contracts with customers was MNOK 56.

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

Revenue		2018	2017
Customer contracts - output method	Over time	665 781	609 391
Customer contracts - input method	Over time	990 580	819 987
Customer contracts	Point in time	311 192	180 752
Service & spare part sale	Point in time	472 325	338 939
Software	Point in time	76 968	78 758
Rental contracts		49 913	45 414
Other income		12 713	14 669
Total operating revenue		2 579 473	2 087 910

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.

	2018	2017
Total sales included from ongoing contracts 31.12.	1 306 774	613 206
Contract assets	162 499	-
Not invoiced work-in-progress included as accounts receivables	-	60 186
Contract liabilities	223 085	-
Reclassified to liabilities held for sale	-1 194	-
Prepayments from customers	-	156 142

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. All contract liabilities as of January 1st 2018 are recognized as revenue in the consolidated income statement in 2018.

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	42 981	67 212	520

Note 18

Leasing (in NOK 1 000)

The Group has entered into several operating leases for offices, machinery and other equipment. The costs are as follows:

Operating leasing cost	2018	2017
Operational leasing costs	7 985	7 400
Rent costs on buildings	48 299	32 372
Total	56 283	39 772

The future minimum rents related to non-cancellable operational leases fall due as follows for the Group:

	Within 1 year	1 - 5 years	After 5 years
Offices and buildings	57 739	186 728	244 358
Vehicles	5 658	9 511	319
Offices equipment	1 265	2 169	-
Total	64 663	198 409	244 677

Financial leasing

The Group's financial lease commitments are related to AKVA Marine Services AS, AKVA group Services AS, Helgeland Plast AS and Egersund Net AS. The Group's total payments on financial lease commitments in 2018 was MNOK 23.9 (MNOK 18.6 in 2017).

The future minimum commitment related to non-cancellable financial leases fall due as follows for the Group:

	Within 1 year	1 - 5 years	After 5 years	Net book value 2018 ¹⁾
Machinery and equipment	13 724	30 769	28 986	59 323
Vehicles and vessels	12 194	51 902	4 221	70 630
Total	25 918	82 671	33 207	129 953

¹⁾ Included in the table for 2018 in note 8

The financial lease liability is classified as interest bearing debt in the consolidated statement of financial positions, and is included in the amounts presented in note 14, liabilities to financial institutions.

Note 19

Business combinations

Acquisition of Egersund Net

In August 2018 AKVA group ASA (AKVA) acquired 100% of the shares in Egersund Net AS (EN) from Egersund Group AS (EG). As EG held 51.1% of the shares in AKVA prior to the transaction, the transaction was between related parties, and treated according to cf. section 3-8 of the Norwegian public limited liabilities companies act. The acquisition of EN was approved by the general meeting of August 14th 2018. The consideration payable by AKVA group to EG for the shares was based on an enterprise value of EN of MNOK 742.3 and with customary net debt- and working capital adjustments to reach the equity value (the "Consideration"). The Transaction was carried out by

- (i) the transfer of 350 EN Shares (constituting 70% of the shares capital of EN on a fully diluted basis) from EG to AKVA on completion against the granting by EG of a seller credit representing 70.7% of the Consideration;
- (ii) the acquisition by AKVA of 150 EN Shares (constituting 30% of the share capital of EN on a fully diluted basis) against a cash payment, representing 29.3% of the Consideration (the "Cash Consideration"); and
- (iii) the conversion of the seller credit by issuance of 7,500,000 new AKVA group shares at a subscription price of NOK 70 per share (the "Consideration Shares").

The EN Shares were transferred from EG to AKVA together with all rights attaching to them, free and clear of any encumbrances.

On completion AKVA paid MNOK 208 in Cash Consideration. The Cash Consideration was paid using the Company's existing cash reserves. A final Cash Consideration shall be calculated based on working capital and net debt adjustment according to the agreement. The adjustment amount is not yet paid. At year-end 2018 the adjustment amount was estimated to be 5 MNOK.

Egersund Net started net production in the early 1970's and was established as a separate company in 1996. Over the last years Egersund Net has expanded greatly with regard to business volume as well as the number of newly established service stations.

Egersund Net produces nets and mooring solutions for the aquaculture industry, including top nets, tube nets and special products such as sweep nets, fish sorting and mort collector nets. The company has approx. 450 employees. The company has nine service stations along the coast of Norway, and production and service facilities in Lithuania and Turkey.

The acquisition of Egersund Net represents a strategic milestone for the Company, as Egersund Net complements AKVA's product and service offering, by adding nets and moorings to the portfolio.

The acquisition has been accounted for using the acquisition method.

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		30 178
Cash	44 746		44 746
	385 546	96 125	481 671
LIABILITIES			
Long term liabilities	-5 057		-5 057
Other long term liabilities (EG)	-51 841		-51 841
Trade payables	-47 757		-47 757
Other current liabilities	-69 263		-69 263
	-173 919	-	-173 919
Total identifiable net assets	211 627	96 125	307 752
Purchase price, payable in cash	-213 022		-213 022
Purchase price, payable in shares	-525 000		-525 000
Total consideration	-738 022	-	-738 022
Goodwill arising on acquisition			-430 270
Cash acquired with subsidiary	44 746		44 746
Purchase price, payable in cash	-213 022		-213 022
Net cash outflow	-168 276	-	-168 276

Consolidation of Egersund Net

The completion of the acquisition was done on August 30th 2018 and the company has been consolidated into the AKVA group from September 1st 2018. Egersund Net have contributed with a revenue of MNOK 210 and a profit before tax of MNOK 22 in the period they have been consolidated into the Group. The full year effect of consolidating Egersund Net would have been a revenue of MNOK 695 and a pretax profit of MNOK 54 in 2018. The profit before tax is adjusted for depreciation and amortization of tangible and intangible assets respectively, under the assumption that the adjusted value would have been the same.

The transaction costs of MNOK 10.7 have been expensed and are included in other operating expenses in the income statement.

Options (2017 figures in brackets)

The Minority Shareholders of AKVA Marine Services AS and 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.

AKVA Marine Services AS

An estimated liability of MNOK 38.2 (57.7) is accounted for based on a mutual option agreement between AKVA group ASA and the sellers to buy/sell the remaining 31.3% of the shares in AKVA Marine Services AS. The pricing of the remaining 31.3% of the shares is linked to the performance of the company in 2016, 2017, 2018, 2019 and 2020. The option is exercisable in a limited period after the approval of the 2020 annual accounts of AKVA Marine Services AS.

In October 2017, AKVA group ASA increased its ownership of AKVA Marine Services AS to 68.7% by acquiring 47 shares from Iboard AB. The acquisition was finalized on October 18th with a cash settlement of MNOK 5.2 for the shares.

Sperre AS

The estimated liability of MNOK 65.3 (51.9) 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.

Note 20

Assets held for sale (in NOK 1 000)

In September AKVA group ASA (AKVA) entered an agreement with Advania Holding hf. to divest Wise lausnir ehf. The transaction is conditional on clearance from the Icelandic Competition Authority. The estimated final deadline for the Icelandic Competition Authority to clear the transaction is on or about June 24th 2019.

The total consideration to be paid to AKVA is estimated to be approximately Icelandic krona (ISK) 1,049,187,000, representing the estimated equity value of Wise at completion of the Transaction after customary net debt- and working capital adjustments (the "Consideration"). The Consideration will be settled by

- (i) a cash payment by Advania to AKVA, estimated at a total of ISK 799,187,000, adjusted for final net debt- and working capital adjustments (the "Cash Consideration"); and
- (ii) AKVA issuing a seller credit to Advania (as borrower) in the amount of ISK 250,000,000 on completion of the Transaction (the "Seller Credit"). The Wise Shares will be transferred from AKVA to Advania together with all rights attaching to them, free and clear of any encumbrances.

As of December 31st 2018 the disposal held for sale comprises the following assets and liabilities:

	Note	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 ASA and Egersund Net AS ownership of 33% each of the shares in ASF. AKVA group ASA has as part of their role in ASF had transactions to ASF of MNOK 2.3 (2.3) and no outstanding balances 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 8.5 (6.1) and MNOK 33.7 (12.0) in 2018.

Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. As of December 31st the Group had MNOK 4.6 (1.5) in trade receivables and MNOK 4.9 (1.3) in trade payables towards Egersund Group and its subsidiaries.

As of December 31st 2018 the Group also had a an interest bearing loan from Egersund Group AS of MNOK 50 that will be settled in the first half of 2019.

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

The acquisition of Egersund Net AS was a transaction between AKVA group ASA and Egersund Group ASA approved by the general meeting of August 14th 2018, according to cf. section 3-8 of the Norwegian public limited liabilities companies act. We refer to note 19 for more detailed information regarding the acquisition.

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 1.50 NOK per share was paid out in 2018, respectively with 0.75 NOK on March 13th and 0.75 NOK on September 4th, totalling a distributed amount of 44,334,630 NOK.

Dividend	2018	2017
Per share	1,50	1,25
Total distributed amount ¹⁾	44 334 630	32 272 043

¹⁾The total distributed amount in 2018 is reduced with MNOK 0.042 as the company has owned 27,883 shares throughout the year

Note 23

Sale and buyback of own shares

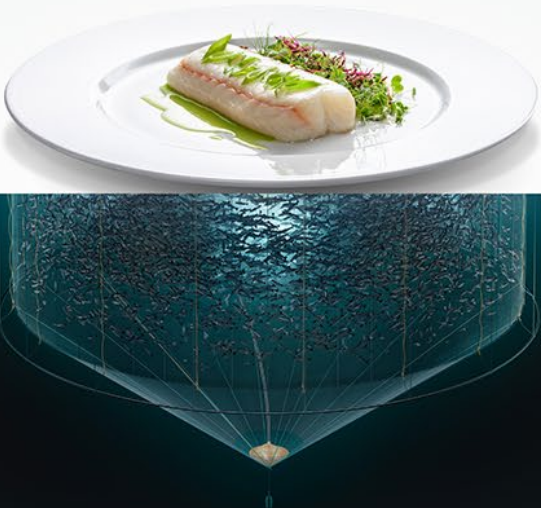
In 2017 AKVA group arranged a share incentive program for the employees, and hence bought 100,000 own shares. The shares were transferred to the employees on July 7th 2017 according to the amount of shares signed up for. The company AKVA group ASA still owns 27,883 shares at year-end 2018.

Note 24

Subsequent events

At the board meeting on February 14th 2019 the board of directors in AKVA group ASA resolved to distribute a half-yearly dividend of NOK 0.75 per share. The ex-dividend trading date was announced to be February 25th 2019 with payment date no later than March 5th 2019.

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	2018	2017
OPERATING REVENUES			
Revenues	2,6,17	819 977	858 866
OPERATING EXPENSES			
Cost of materials	6,10	648 676	649 453
Payroll expenses	3,4	118 982	110 489
Other operating expenses	4,11,15,18	54 233	54 591
Total operating expenses		821 891	814 533
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		-1 914	44 332
Depreciation and amortization	7,8	14 186	13 572
OPERATING PROFIT (EBIT)		-16 100	30 761
FINANCIAL INCOME AND EXPENSES			
Financial income	15	42 072	27 597
Financial expenses	15	(17 258)	(17 438)
Net financial income (expense)		24 814	10 159
PROFIT BEFORE TAX		8 714	40 919
Taxes	5	895	7 640
NET (LOSS)/PROFIT AND COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR		7 819	33 279
ALLOCATION OF PROFIT FOR THE YEAR			
Transferred to other equity		7 819	33 279
Dividends paid	22	-44 334	-32 272
Net allocated		-36 515	1 007

Assets 31.12.

(in NOK 1 000)

Parent company	Note	2018	2017
NON-CURRENT ASSETS			
Intangible assets and goodwill			
Goodwill	7	53 000	53 000
Other intangible assets	7	40 653	35 738
Total intangible assets		93 653	88 737
Tangible fixed assets			
Land and building	8	12 439	12 451
Machinery and equipment	8	25 097	22 525
Total tangible fixed assets		37 536	34 975
Long-term financial assets			
Investments in subsidiaries	9	1 318 785	606 935
Loans to group companies	6	87 226	89 663
Other long-term financial assets	9,11	8 708	4 990
Total long-term financial assets		1 414 719	701 588
Total non-current assets		1 545 907	825 300
CURRENT ASSETS			
Inventory	10	61 855	46 255
Receivables			
Accounts receivables	11	66 774	109 703
Accounts receivables - group companies	6	33 839	39 855
Contract assets	17	30 249	-
Prepayments to suppliers	17	-	3 822
Other receivables	4	7 709	17 642
Other receivables - group companies	6	102 825	55 781
Total receivables		241 396	226 804
Cash and cash equivalents	12	4 971	4 454
Assets held for sale	20	26 172	-
Total current assets		334 394	277 513
TOTAL ASSETS		1 880 301	1 102 813

Equity and Liabilities 31.12.


(in NOK 1 000)

Parent company	Note	2018	2017
EQUITY			
Paid-in capital			
Share capital		33 306	25 806
Share premium		853 529	336 029
Other paid-in capital		1 116	1 116
Total paid-in capital	13,22,23	887 951	362 951
Retained earnings			
Other equity		27 959	63 049
Total retained earnings		27 959	63 049
Total equity		915 910	426 000
LIABILITIES			
Non-current liabilities			
Deferred tax	5	18 323	20 508
Liabilities to financial institutions	14	255 845	256 342
Total non-current liabilities		274 168	276 850
Current liabilities			
Liabilities to financial institutions	14	324 231	100 317
Trade payables		68 115	39 403
Trade payables - group companies	6	8 675	17 468
Taxes payable	5	3 080	-
Public duties payable		8 944	10 738
Contract liabilities	17	90 739	-
Prepayments from customers	17	-	96 178
Other current liabilities	15	31 351	21 670
Other current liabilities - group companies	6	155 088	114 188
Liabilities held for sale	20	-	-
Total current liabilities		690 223	399 962
Total Liabilities		964 391	676 813
TOTAL EQUITY AND LIABILITIES		1 880 301	1 102 813


Bryne, Norway, March 26th 2019



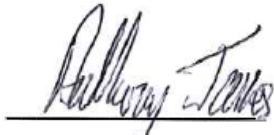
Hans Kristian Mong
(chairperson)




Frode Teigen



Anne Breiby
(Deputy chairperson)



Anthony James



Hanne Cecilie Pettersen



John Morten Kristiansen



Odd Jan Håland



Hallvard Muri
(CEO)

Cash Flow Statement 01.01.-31.12.

(in NOK 1 000)

Parent company	Note	2018	2017
Cash flow from operating activities			
Profit before taxes		8 714	40 919
Taxes paid		-	-1 902
Net interest cost		6 629	5 018
Depreciation	7,8	14 186	13 572
Changes in stock, trade receivable and payables		54 690	-34 673
Changes in other receivables and payables		-19 331	-14 615
Changes in other receivables and payables - group companies		-6 143	43 017
Cash generated from operating activities		58 745	51 336
Interest paid	15	-11 611	-9 486
Interest received	15	4 982	4 468
Net cash flow from operating activities		52 116	46 318
Cash flow from investment activities			
Investments in fixed assets	7,8	-21 662	-28 980
Sale of tangible and intangible fixed assets		-	-
Payment shares and participations	19	-207 738	-32 393
Net changes in other long-term financial assets		-3 718	-1 710
Net cash flow from investment activities		-233 118	-63 083
Cash flow from financing activities			
Repayment of borrowings		-497	-328 097
Proceeds from borrowings		223 914	349 473
Net payment loans to group companies	6	2 436	-11 564
Dividend payment	22	-44 335	-32 272
Sale/(purchase) own shares	23	-	-2 112
Net cash flow from financing activities		181 518	-24 573
Net change in cash and cash equivalents		517	-41 338
Cash and cash equivalents at 01.01.		4 454	45 792
Cash and cash equivalents at 31.12.		4 971	4 454

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 01.01.2017		25 834	336 029	1 116	362 979	64 127	64 127	427 106
Profit (loss) for the period		-	-	-	-	33 279	33 279	33 279
Total income and expense for the year		-	-	-	-	33 279	33 279	33 279
Dividend	22	-	-	-	-	-32 272	-32 272	-32 272
Sale / (purchase) of own shares	23	-28	-	-	-28	-2 085	-2 085	-2 112
Equity as at 31.12.2017		25 806	336 029	1 116	362 951	63 049	63 049	426 000
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

Notes to the Financial Statement – Parent Company

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23	Sale and buyback of own shares
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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 have 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 November 3rd 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	2018	2017
Operating revenue	819 977	858 866
Operating expenses	821 891	814 533
Operating profit before depreciation and amortization (EBITDA)	-1 914	44 332
Depreciation and amortization	14 186	13 572
Operating profit (EBIT)	-16 100	30 761

Geographical information – customer’s country of origin

Operating revenue	2018	2017
Norway	567 296	693 576
Europe	129 629	59 130
Middle East	43 879	12 635
Iceland	32 780	42 348
Chile	23 799	21 040
Canada	9 475	16 646
Other	13 119	13 490
Total	819 977	858 866

Note 3

Wages, remunerations and pensions (in NOK 1 000)

Payroll expenses	2018	2017
Salaries	94 913	87 611
Payroll tax	13 708	13 198
Pension costs	5 661	4 864
Other benefits	4 700	4 817
Total	118 982	110 489

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

135	124
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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 December 31st 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 December 31st.

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

Fees to auditor	2018	2017
Audit	587	652
Tax services	43	288
Attestation services	-	-
Other services	622	396
Total	1 252	1 337

All fees to the auditor is excl. VAT.

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

Government grants	2018	2017
"Skattefunn"	2 517	1 450
Norges Forskningsråd	2 234	2 324
Total	4 750	3 774

Note 5 Taxes (in NOK 1 000)

Tax expense	2018	2017
Current taxes payable	-	-
Adjustment related to previous year	3 080	-838
Change in deferred taxes	-1 352	9 370
Effect of change in tax rate in Norway	-833	-892
Total tax expense	895	7 640

Calculation of the basis for taxation	2018	2017
Profit before tax ¹⁾	8 714	40 919
Permanent differences	301	-1 879
Change in temporary differences	-9 015	-39 040
Tax base	-	-

¹⁾ Includes received Group contribution of MNOK 35.5

Specification of temporary differences	2018	2017
Current assets	31 157	26 787
Fixed assets	63 013	73 884
Provisions	-10 882	-11 521
Pension obligations	-	16
Total	83 288	89 166
Calculated deferred tax assets (-liabilities)	-19 156	-21 400
Effect of change in tax rate in Norway	833	892
Deferred tax asset (-liabilities)	-18 323	-20 508

Effective tax rate	2018	2017
Expected income taxes, statutory tax rate of 23%	2 004	9 821
Permanent differences (23%)	69	-451
Effect of change in tax rate in Norway	-833	-892
Excess(-)/insufficient(+) provisions in former years	-346	-838
Income tax expense	895	7 640

Effective tax rate in percent of profit before tax 10,3 % 18,7 %

The company has no tax loss carried forward at year-end 2018.

Note 6

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

Receivables	2018	2017
Loans to group companies	87 226	89 663
Current receivables towards group companies	33 839	39 855
Other receivables towards group companies	102 825	55 781
Total	223 890	185 299

Payables	2018	2017
Trade payables towards group companies	8 675	17 468
Other current liabilities towards group companies	155 088	114 188
Total	163 763	131 655

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

Intercompany transactions with subsidiaries	2018	2017
Product sales	97 769	91 536
Purchased goods	167 768	223 254
Purchased services	7 024	5 183

Note 7

Intangible assets and goodwill (in NOK 1 000)

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

2017	Goodwill	Develop- ment costs	Patents, product rights & trademarks	Total
Acquisition cost at 01.01.	53 000	73 429	36 092	162 521
Additions during the year	-	15 942	-	15 942
Acquisition cost 31.12.	53 000	89 371	36 092	178 463
Accumulated amortization at 01.01.	-	46 726	36 092	82 817
Amortization during the year	-	6 908	-	6 908
Accumulated amortization 31.12.	-	53 634	36 092	89 726
Net book value at 31.12.	53 000	35 738	-	88 737

The company uses straight-line amortization of all intangible assets. The useful economic life for the intangible assets are 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 19.4 (MNOK 14.5 in 2017) 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 relates 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	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

	Land and building	Machinery and equipment	Total
2017			
Acquisition cost at 01.01.	14 007	53 003	67 010
Additions during the year	-	13 038	13 038
Acquisition cost 31.12.	14 007	66 042	80 048
Accumulated depreciation 01.01.	1 416	36 993	38 409
Depreciation during the year	140	6 523	6 664
Accumulated depreciation 31.12.	1 556	43 517	45 073
Net book value 31.12.	12 451	22 525	34 975

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
Helgeland Plast AS	Norway	100 %	1 100	1 100 000	1,0	66 543
AKVA group Services AS	Norway	100 %	100	1 000	100	100
AKVA group Land Based Norway AS	Norway	100 %	1 462	2 150	680	19 476
AKVA Marine Services AS	Norway	69 %	134	1 342	100	102 971
Sperre AS	Norway	66 %	500	50	10 000	90 837
Polarcirkel AS	Norway	100 %	100	1 000	100	110
Egersund Net AS	Norway	100 %	2 297	500	4 594	738 022
AKVA group Denmark A/S	Denmark	100 %	1 385	1 040 000	1,3	59 777
AKVA group Land Based A/S	Denmark	100 %	666	500	1 332	101 780
Wise lausnir ehf ¹⁾	Iceland	100 %	37	500 000	0,07	26 172
AKVA group Scotland Ltd.	Scotland	100 %	17 538	14 186 377	1,2	27 417
AKVAsmart Ltd. (Turkey)	Turkey	100 %	4 126	200	20 632	7 910
AKVA group España	Spain	100 %	30	3 000	10	27
AKVA group Hellas	Greece	100 %	199	20 000	10	188
AKVA group Middle East	Iran	100 %	-	-	-	-
AKVA group Chile S.A.	Chile	100 %	59 859	9 831	6 089	53 000
AKVA group North America Inc	Canada	100 %	478	419 760	1,1	5 253
AKVA group Australasia Pty Ltd.	Australia	100 %	307	50 000	6,1	301
Total						1 344 957

¹⁾ Reclassified as assets held for sale

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	2 485
Centre for Aquaculture Competence AS	NOK	33 %	450	150	1 000	2 685
Blue Planet AS	NOK	5 %	1 950	2	50 000	100
Blue Farm AS	NOK	12 %	30	36	100	4
Total						5 273

The Minority Shareholders of AKVA Marine Services AS and 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.

Note 10

Inventory (in NOK 1 000)

Inventory	2018	2017
Raw materials (at cost)	-	-
Work in progress (at cost)	13 675	13 975
Finished goods (at net realisable value)	48 180	32 280
Total	61 855	46 255
Write-down of obsolete inventory 1.1	3 410	2 690
Change in write-down of obsolete inventory during the year	-1 400	720
Write-down of obsolete inventory 31.12	2 010	3 410

Note 11

Receivables (in NOK 1 000)

Receivables due in more than one year	2018	2017
Other long-term receivables	3 435	218
Total	3 435	218

Accounts receivables

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

Bad debt provisions	2018	2017
Bad debt provision 01.01.	9 197	3 697
Change in bad debt provision	-9 197	5 500
Bad debt provision 31.12.	-	9 197
Recorded bad debt cost during the year	4 300	-20
Change in bad debt provision	-9 197	5 500
Total bad debt cost during the year	-4 897	5 480

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:	2018	2017
Not due	34 757	70 460
Due <30 days	21 059	28 919
Due 31-60 days	3 591	7 600
Due 61-90 days	510	7 410
Due > 91 days	6 856	4 512
Total	66 774	118 901
Bad debt provisions	-	9 197

Note 12

Bank deposits (in NOK 1 000)

	2018	2017
Cash	15	15
Restricted funds	4 957	4 439
Total cash and cash equivalents	4 971	4 454

Restricted funds are employee tax deduction funds.

The company has an overdraft facility of MNOK 300 and a revolving credit line of MNOK 200 in Danske Bank. As of December 31st 2018 MNOK 123 of the overdraft facility was utilized compared to MNOK 99 at year-end 2017, and the revolving credit line was fully utilized as of December 31st 2018 compared to being unused 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	2018	2017
Liabilities to financial institutions	2 468	2 965
Total	2 468	2 965

	2018	2017
Liabilities secured with assets	580 076	356 660
Assets pledged as security for debt:	2018	2017
Accounts receivables third parties	66 774	109 703
Accounts receivables group companies	33 839	39 855
Inventory	61 855	46 255
Shares in subsidiaries ¹⁾	374 840	374 840
Other assets	37 536	34 975
Total	574 844	605 629

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 Sperre AS are pledged

As of December 31st 2018 bank guarantees of MNOK 29.6 and parent company guarantees of MNOK 26.4 are issued on behalf of the Group.

Repayment of debt

In August AKVA group ASA utilized the revolving credit line of MNOK 200 and in September the overdraft facility in Danske Bank was increased from 200 MNOK to 300 MNOK.

The Company's debt matures as follows:	2018	2017
2019	200 844	844
2020-2021	126 688	126 688
2022-2023	126 688	126 688
2024 or later	2 468	2 965
Total	456 689	257 187
Average interest rate	2,30 %	2,28 %

As of December 31st 2018 an amount of MNOK 201 of the long-term debt due within one year is, in accordance with IFRS, reclassified to short-term interest bearing debt in the balance sheet.

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 01.01.2018	99 473	257 187	89 663	362 951	63 049	872 323
Changes from financing cash flows						-
Repayment of borrowings	-	-497	-	-	-	-497
Proceed from borrowings	23 914	200 000	-	-	-	223 914
Change in loans to group companies	-	-	2 436	-	-	2 436
Proceeds from purchase/sale own shares	-	-	-	-	-	-
Dividend payment	-	-	-	-	-44 335	-44 335
Total changes from financing cash flows	23 914	199 503	2 436	-	-44 335	181 518
The effect of changes in foreign exchange rates	-	-	-	-	-	-
Changes in fair value	-	-	-	-	-	-
Other changes						
Liability-related						
Change in bank overdraft	-	-	-	-	-	-
Interest expense	2 128	9 483	-	-	-	11 611
Interest paid	-2 128	-9 483	-	-	-	-11 611
Total liability-related other changes	-	-	-	-	-	-
Total equity-related other changes	-	-	-	525 000	9 245	534 245
Balance at 31.12.2018	123 387	456 689	87 226	887 951	27 960	1 583 213

Note 15

Specification of items that are grouped in the financial statement

(in NOK 1 000)

Financial income	2018	2017
Interest income from group companies	4 087	3 950
Other interest income	894	518
Group contribution recognized as income	35 544	8 946
Dividend	-	7 500
Agio gain	-	4 105
Other financial income	1 546	2 578
Total financial income	42 072	27 597

Financial expenses	2018	2017
Interest expenses	11 611	9 486
Agio loss	5 533	-
Other financial expenses	114	7 952
Total financial expenses	17 258	17 438

Other operating expenses	2018	2017
Accommodation, materials, equipment and maintenance	22 489	19 068
Marketing, travelling and communication	15 862	18 953
Other operating expenses	15 882	16 570
Total other operating expenses	54 233	54 591

Other current liabilities	2018	2017
Accrued costs	-	2 033
Warranty provisions	4 040	4 900
Other current liabilities	27 311	14 737
Total other current liabilities	31 351	21 670

The provisions for warranties relates 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 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

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)

AKVA group ASA implemented IFRS 15 as of January 1st 2018 using the cumulative effect method. The transition had an impact, net of tax, MNOK 1.4 reclassified from the income statement and OCI to other equity in the statement of financial position. The effect of initially applying IFRS 15 on the company's revenue from contracts with customers was MNOK 48.

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

Revenue		2018	2017
Customer contracts - output method	Over time	475 869	492 166
Customer contracts - input method	Over time	128 521	129 982
Customer contracts	Point in time	29 891	64 738
Service & spare part sale	Point in time	84 507	80 444
Revenue from sales to subsidiaries		97 769	91 536
Other income		3 420	-
Total operating revenue		819 977	858 866

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.

	2018	2017
Contract assets	30 249	-
Not invoiced work-in-progress included as accounts receivables	-	18 479
Contract liabilities	90 739	-
Prepayments from customers	-	81 361

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)

The company has entered into several operating leases for offices, machinery and other equipment. The cost is as follows:

Operating leasing cost	2018	2017
Operational leasing costs	1 160	1 373
Rent costs on buildings	5 967	5 084
Total	7 126	6 457

The future minimum rents related to non-cancellable leases fall due as follows for the company:

	Within 1 year	1 - 5 years	After 5 years
Offices and buildings	5 091	17 069	28 100
Vehicles	809	1 113	-
Offices equipment	103	135	-
Total	6 003	18 317	28 100

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 AKVA group ASA entered an agreement with Advania Holding hf. to divest Wise lausnir ehf. See consolidated accounts note 20 for more details.

As of December 31st 2018 the disposal held for sale comprises the investment in Wise lausnir ehf of MNOK 26.2.

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) was established in 2016 and is a related party due to AKVA group ASA's 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 3.2 (2.1) in 2018 and no outstanding balances at year-end 2018.

Egersund Group AS is a related party due to its controlling ownership share of the company. AKVA group ASA have, in line with the company's ordinary course of business with Egersund Group and its subsidiaries, revenues and costs of respectively MNOK 6.1 (3.5) and MNOK 15.9 (8.2) in 2018.

Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. As of December 31st the company had MNOK 0.0 (0.0) in trade receivables and MNOK 0.0 (1.3) in trade payables towards Egersund Group and its subsidiaries.

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

The acquisition of Egersund Net was a transaction between AKVA group ASA and Egersund Group ASA approved by the general meeting of August 14th 2018, according to cf. section

3-8 of the Norwegian public limited liabilities companies act. See consolidated accounts note 19 for more detailed information regarding the acquisition.

Note 22

Dividend

In total a dividend of 1.50 NOK per share was paid out in 2018, respectively with 0.75 NOK on March 19th and 0.75 NOK on September 28th, totalling a distributed amount of 44,334,630 NOK.

See consolidated accounts note 22 for more details.

Note 23

Sale and buyback of own shares

On July 7th 2017 AKVA group ASA transferred 72,419 of the company's own shares to employees according to a Share Incentive Program announced on May 30th 2017. Employees of AKVA group ASA and its subsidiaries were invited to order shares in the company, and on June 30th 2017 the shares were allocated to the employees participating. At year-end 2018 the company owns 27,883 shares.

See consolidated accounts note 23 for more details.

Note 24

Subsequent events

See consolidated accounts note 24 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 2018, 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 2018 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 2018, 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 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

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.

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.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo I Rana	Stord
Ålta	Firmanes	Molde	Straume
Arendal	Hamar	Siden	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodø	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund

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.

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>As at 31 December 2018, the Group carries NOK 853 million of goodwill on the balance sheet, which represents approximately 31 % 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, applied by the Group from 1 January 2018 using the cumulative effect method.</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 based on milestones and costs incurred. 	<p>We obtained management assessment of the IFRS 15 implementation effect, and evaluated whether the Group had appropriately completed the implementation of the new standard for recognition of revenue from customer contracts. Our procedures included;</p> <ul style="list-style-type: none"> • assessing and challenging whether management has evaluated the effects of implementing the five-step model under IFRS 15 for all revenue streams within the Group; • inspecting whether management has implemented procedures and guidelines to assure revenue recognition comply with the new standard; and • assessing the appropriateness of the disclosures in the consolidated financial statements, including transitional disclosures. <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 in accordance with set milestones and cost progression; 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;

Acquisition of Egersund Net AS and its subsidiaries ("Egersund Net Group")

Refer to the accounting policies section *Business Combinations* and Note 19 in the consolidated financial statements.

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>In August 2018, the Group acquired Egersund Net AS from Egersund Group AS for a consideration of NOK 742.3 million prior to net debt- and working capital adjustments. The consideration was based on a seller credit converted to new shares in AKVA Group, representing 70.7% of the consideration, and a cash payment, representing 29.3% of the consideration. Due to Egersund Group's ownership of 51.1% of the shares in AKVA Group ASA prior to the transaction, the acquisition was a transaction between related parties.</p> <p>The purchase price allocation and the determination of the fair values is considered a key audit matter because of the significant impact on the consolidated financial statements, and due to the number of estimates and judgements involved in the determination of fair values. The key judgements applied by management includes;</p> <ul style="list-style-type: none"> • recognizing and measuring the identifiable assets acquired, and the liabilities assumed • recognizing and measuring goodwill arising from the acquisition 	<p>We focused on the identification of assets acquired and liabilities assumed and measurement in the purchase price allocation by performing the following procedures:</p> <ul style="list-style-type: none"> • reading the transaction agreement and assessing the valuation of the consideration; • involving a KPMG valuation specialist to assess the inputs, methodology and assumptions used for the estimation of the fair value of acquired assets and assumed liabilities, including discount rate, discount period, tax effects, mathematical accuracy and the valuation models used; • challenging the completeness of the identified assets and liabilities; • assessing the estimated useful life of the identified assets and liabilities; • assessing the determination of the acquisition date and the timing of consolidation of the assets acquired and liabilities assumed into the consolidated financial statements for the Group; • assessing the appropriateness of changes in the purchase price allocation from the preliminary to the final version; and • assessing the appropriateness of the disclosures in the consolidated financial statements for the Group.

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 scepticism 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

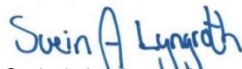
Opinion on the Board of Directors' report

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, 26 March 2019
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 January 1st to December 31st, 2018 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.

Bryne, Norway, March 26th 2019



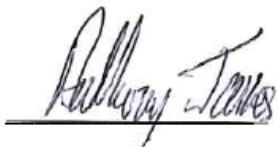
Hans Kristian Mong
(chairperson)



Frode Teigen



Anne Breiby
(Deputy chairperson)



Anthony James



Hanne Cecilie Pettersen



John Morten Kristiansen



Odd Jan Håland



Hallvard Muri
(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 – Available cash is calculated by summarizing all cash in the Group in addition to available borrowing base (undrawn credit facility) in the Group.

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.

Order backlog – Order backlog is calculated as future revenues to be recognized when delivering products and services under signed orders and contracts at balance date. It does not include spot-sales, spare parts and aftermarket sales.

Order intake – Order intake is calculated as order backlog at end of the reporting period minus order backlog at start of the reporting period plus revenue in the period.

NIBD – NIBD (Net interest bearing debt) is equal to our long term interest bearing debt plus current liabilities to financial institutions minus our cash at the end of the reporting period.

NIBD / EBITDA – NIBD/EBITDA is calculated as period end NIBD divided by 12 months rolling EBITDA.

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.

ROCE – ROCE (Return on Capital Employed) is calculated by dividing last 12 months EBIT by capital employed at the end of the reporting period. Capital Employed is calculated as NIBD plus equity, deferred tax and other long term liabilities.

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

ROE – ROE (Return on equity) is calculated as the net profit as percentage of the equity attributable to equity holders of AKVA group ASA.

Working Capital – Working capital is 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



AKVA group’s commitment statement:

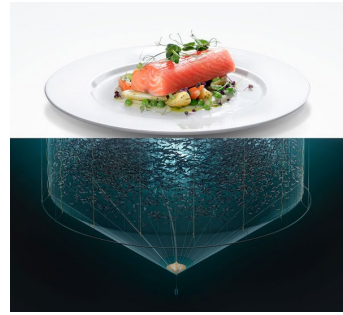
By developing technology focused on solving the biological challenges, we contribute to the continued development of a sustainable industry. Good operational performance and fish welfare are paramount in achieving good results, and investing in our technology will help deliver both.

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 Ongoing customer satisfaction surveys Participation at relevant exhibitions and market conferences
Norwegian Seafood Federation (i.e. Sjømat Norge)	Open collaboration Respectable working conditions	Meetings and conferences	Participation to technical committees and attendance in conferences
Competitors	Mutual 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 / Day-to-day business	Initial self-assessment surveys with a clear commitment towards UN's Global Compact. Key supplier audit schedule and follow-up activities

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.



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:



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 behaviour, 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 board of directors. 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 is 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 board of directors as part of the financial reporting routines.

4.6 Training

On boarding, 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 2018.

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.

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 2018.

4.9 Social Media Guidelines

In October 2017 AKVA group implemented 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

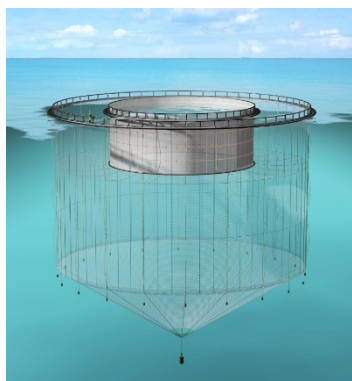
AKVA group develop, design, produce and deliver technology and services to an aquaculture industry that supplies healthy seafood to a global population. A principal part of AKVA group's mission as a technology and service partner is to enhance the sustainability of our customer's operations.

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 coast line 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 plays an active part in the Norwegian Seafood Council
- AKVA group's Land based division is driving the development of the RAS technology and equipment for water treatment and recirculation
- AKVA group Scotland have in 2018 assigned 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
- 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 2018.

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 2018.

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 taking action 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.

No incidents of non-compliance with the policies of Compliance have been reported to the Management or the Board of Directors in 2018.

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 Code (as defined and highlighted in blue text), the board 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.

AKVA group ASA ("AKVA group" or the "Company", and together with its subsidiaries the "Group") has defined guidelines for corporate governance, and the board has decided to follow the Norwegian Code of Practice for Corporate Governance (the "Code") as approved by the Norwegian Corporate Governance Board ("NCGB"). The Code was last revised 17 October 2018.

The individual recommendations in the Code are discussed below. The Code and its recommendations are available on the NCGB website at www.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 other than as stated above

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.

Paragraph 3 in the Company's articles of association (the "**Articles of Association**") states: "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 of directors 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 of directors yearly.

The Company has 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 activity. 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 2018 the company had a consolidated equity of MNOK 1 063 which accounts for 39 % of the total consolidated assets of the company. The view of the board of directors 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 of directors and is disclosed on the Company's website.

AKVA group paid out a dividend of NOK 1.50 per share in 2018, in total NOK 44,376,455.

In order to enable the Company to maintain the dividend policy, the board of directors will propose that the Annual General Meeting to be held in May 2019 authorizes the board of directors 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 2018. The 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 2020 and 30 June 2020.

The general meeting held on 10 May 2018 resolved to grant the board authorization to increase the Company's share capital by up to NOK 2,583,430 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 Companies 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 is in force from the date of the general meeting until the earlier of the date of the Annual General Meeting in 2019 and 30 June 2019. This authorization replaced all previous authorizations to the board to increase the Company's share capital.

The board of directors has proposed that the Annual General Meeting to be held in May 2019 repeats the authorization granted to the board of directors in 2018 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 Public Companies 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, 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 2020 and 30 June 2020. It is further proposed that the new

authorization shall replace all previous authorizations to the board of directors to increase the Company's share capital.

The general meeting in 2018 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 2019 and 30 June 2019. This authorization replaced the authorization for acquisition of own shares granted by the Annual General Meeting on 10 May 2017.

The board of directors has proposed that the Annual General Meeting to be held in May 2019 repeats the authorization granted to the board of directors in 2018, to acquire own shares of a maximum face value of NOK 833,358 (equals approximately 2.5%), and that the new mandate shall expire at the earliest of the Annual General Meeting in 2020 and 30 June 2020. It is further proposed that the new authorization shall replace all previous authorizations to the board of directors to purchase own shares.

Deviation from the Recommendation: The authorization to increase the share capital is not restricted to a defined purpose as recommended by the Code, and consequently the general meeting does not vote separately on the authorization concerning each purpose. The board of directors is of the view that it is in the common interest of the Company and its shareholders that the Company is able to raise equity on short notice in connection with transactions etc. without first having to convene an extraordinary general meeting for approving the share capital increase.

The authorization to acquire own shares is not restricted to a defined purpose as recommended by the Code, and consequently the general meeting does not vote separately on the authorization concerning each purpose. The board of directors is of the view that it is in the common interest of the Company and its shareholders that the Company is able to acquire own shares on short notice without first having to convene an extraordinary general meeting for approving such buy-back.

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 proposals for authorization to the board of directors to approve increases in share capital referred to above are approved, the board is not authorized to waive the shareholder's pre-emptive rights in connection with a share capital increase approved under the authorization.

In the event the board of directors 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 of directors will consider alternatives in order 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 of directors 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 of directors 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 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 for 2018 was held on the 10th of May, and was in all material respect carried through in accordance with item 6 in the recommendation 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 of directors of the Company. 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 2018 was chaired by an independent chairman. It is the intention of the board of directors to nominate an independent chairman also for future general meetings.

AKVA group conducted one Extraordinary General Meeting in 2018, on the 14th August in relation to the acquisition of all the shares in Egersund Net AS from Egersund Group AS with partial consideration in shares in the Company. The completion of the transaction was conditioned on the extraordinary general meeting having approved the agreement pursuant to the Public Limited Liability Companies Act section 3-8 regarding transactions with related parties, and the issuance of the consideration shares to Egersund Group AS.

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 of directors and for the nomination committee itself. The nomination committee shall consider and recommend to the shareholders for resolution at the general meeting on the following matters:

- Candidates for election as members of the board of directors
- Candidates for election as members of the nomination committee and the chairman of the committee
- The proposed remuneration of the board of directors 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 shareholders at the general meeting. The nomination committee's chairperson shall be a member of the nomination committee and shall be elected by the shareholders at the general meeting.

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 ordinary Annual General Meeting on 10 May 2018 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 of directors.

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 2018 general meeting.

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 of directors

The board of directors consists of 7 members, and currently has the following composition: Hans Kristian Mong (Chairperson), Anne Breiby (Deputy Chairperson), Frode Teigen, Anthony James, Odd Jan Haaland, Hanne Cecilie Pettersen and John Morten Kristiansen. The 3 latter directors have been elected by and from the employees. The annual general meeting in 2019 will elect a new female member to the board of directors in order for the board of directors to meet the statutory gender requirements.

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 of directors 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 and Frode Teigen represent 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 of directors 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 of director'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 of directors 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 Code of Conduct as well as with shareholders' expectations of good corporate governance. The board of directors 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 of directors 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 hires 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 of directors

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 of directors can decide to deviate from instructions in certain cases. The members of the board of directors shall pursuant to the instruction to the board of directors make the Company aware of any material interests that they may have in items to be considered by the board of directors.

Financial Reporting

The board of directors receives regular financial reports on the Group's economic and financial status.

Audit Committee

In accordance with section 6-41 of the Public Companies 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 2018.

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 of directors for final approval.

The current members are Hans Kristian Mong (Chair) and Frode Teigen. The chairperson of the board generally also participates in the meetings. The committee has had 3 meetings since the 2018 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 of directors and internal control

The board of directors 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 the parent company'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 of directors 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 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 regards 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 of directors 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 of directors.

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 of directors 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 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 of directors has established a remuneration committee, which shall make recommendations to the Board of Directors with respect to the remuneration of the Company's CEO and other executive personnel.

The board of directors 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 of directors. 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 communicated on the company's website and 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 Group'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 home page <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 of directors 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 audit committee every 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.

16. Management and internal procedures

This point is not covered by the Corporate Governance Recommendation

Group CEO

The Group chief executive officer/CEO is in charge of the day-to-day management of the Group, including responsibility for the company and the other companies in the Group being organised, operated and further developed in accordance with applicable legislation, the Articles of Association and decisions taken by the board of directors and the Annual General Meeting.

Executive Management

The executive management consists of 10 individuals. In addition to the Group CEO, the executive management consists of the Chief Financial Officer (CFO), Senior Vice President (SVP) International Business Development, the Chief Operating Officer (COO) Land Based, the Chief Operating Officer (COO) Software, Senior Vice President (SVP) Supply Chain & Manufacturing, Regional President Americas & Australasia, Regional President Europe & Middle East, Senior Vice President (SVP) Technology & Development and Senior Vice President Sales and Marketing Nordic.

The executive management group meets monthly with a fixed agenda in addition to fixed weekly meetings and day-to-day contact on an operational basis and a number of other scheduled meetings and business reviews through the year.

Evaluations

The executive management group evaluates its own work and working methods annually. The evaluation is submitted to the board's remuneration committee, and a condensed version is presented to the board of directors.

Intra-Group boards

Each Group company (other than the company) has its own board of directors staffed by members of the executive management group and sometime other senior employees. External directors are also from time to time appointed.

