AKER BIOMARINE

IMPROVING HUMAN AND PLANETARY HEALTH

ANNUAL REPORT 2019

AKER BIOMARINE
IS A BIOTECH INNOVATOR AND
ANTARCTIC KRILL-HARVESTING COMPANY,
DEDICATED TO IMPROVING HUMAN
AND PLANETARY HEALTH.

HIGHLIGHTS

2019 KEY FIGURES

Aker BioMarine is a biotech innovator and Antarctic krill-harvesting company on a mission to improve human and planetary health. The company develops krill-based ingredients for nutraceutical, aquaculture, and animal feed applications.

PEOPLE

504 Number of employees

30% Gender balance

40 Number of different nationalities

82% of Aker BioMarine's employees are passionate about their job

PRODUCTS

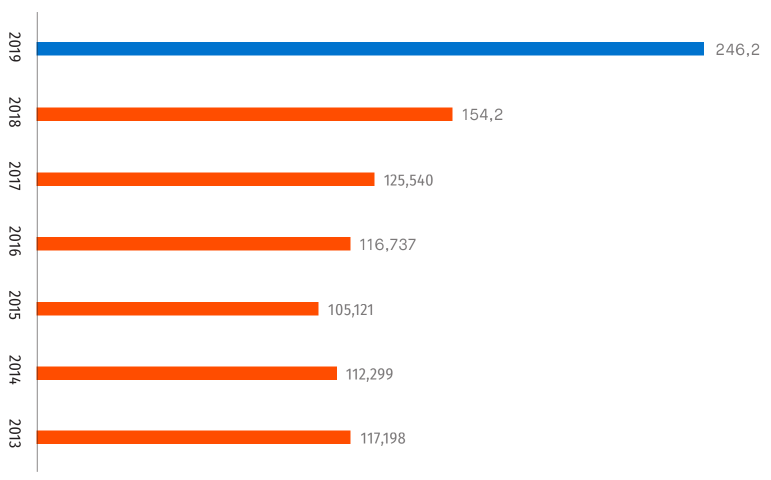
1,58
billion doses of Superba Krill sold worldwide

318
million extra servings of fish

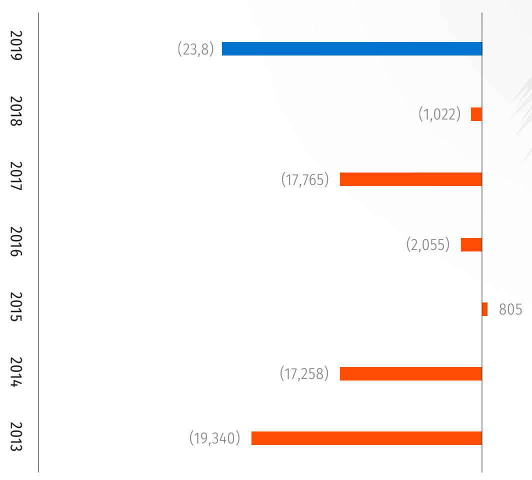
977,000
dogs ate QRILL Pet that improves health and performance

PROFIT

Total revenues and other income (USD thousand)



Profit for the year (USD thousand)



PLANET

62,6 MILLION TONNES OF KRILL IN 2019 COMPARED TO 60,3 IN 2000

1% PRECAUTIONARY KRILL QUOTA IN AREA 48

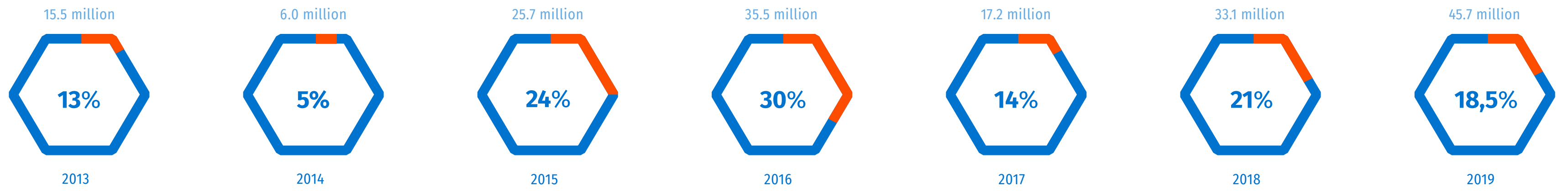
1 MILLION USD TO ANTARCTIC RESEARCH DURING A 5-YEAR PERIOD

2010-2020 CERTIFIED AS SUSTAINABLE BY MSC

0.43 TONNES CO^2 PER TONNE KRILL CAUGHT

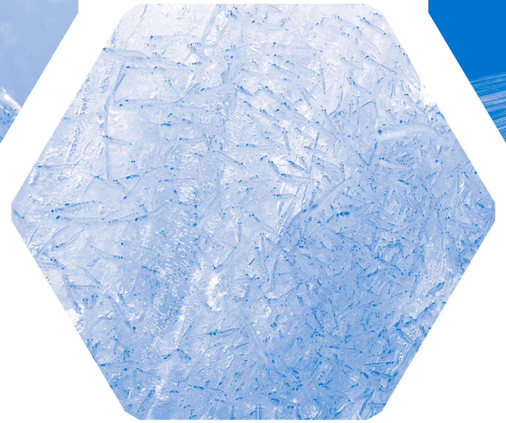
SFP “A” RATING FIVE YEARS IN A ROW

EBITDA
2013-2019



HIGHLIGHTS

From new vessels to machine learning, here are some of the highlights from 2019.



"A" RATING
For the fifth year in a row, Aker BioMarine received an "A" rating for its well-managed fishery from the Sustainable Fisheries Partnership (SFP). The independent report states that the fish stocks are listed in "very good condition" and the Antarctic krill fishery is once again singled out as being particularly well-managed.

HEALTHY KRILL BIOMASS
New international research surveying the krill biomass around the Antarctic Peninsula finds more krill than was found in the last large-scale krill survey conducted in year 2000. The findings confirm 62,6 million tonnes of krill in Area 48 off the Antarctic Peninsula. This survey is the first large-scale scientific investigation of the krill population in the Southern Ocean fishery in 19 years. In 2000, the scientists measured 60.3 million tonnes of krill.

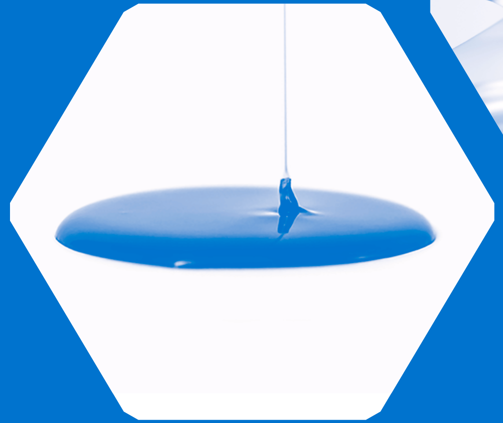
MACHINE LEARNING
Aker BioMarine and Cognite signed an agreement to digitalize Aker BioMarine's harvesting and manufacturing operations to further improve the company's sustainability efforts. The initial goal for Aker BioMarine will be to use data and AI applications to increase efficiency, including the reduction of fuel consumption. By using live data and machine learning, the company will optimize and better manage harvesting patterns, production flow and maintenance.

TOP EXPORTER IN URUGUAY
Starting in Uruguay with a simple logistics and storage base in 2006, Montevideo is now the main logistics hub for Aker BioMarine. With 15000m2 warehousing space in total, complete with custom re-packaging facilities it is expected that in coming years the biotech innovation will become one of Uruguay's biggest exporters by tonnage.

C4IR
The Aker group and the World Economic Forum (WEF) established the Centre for the Fourth Industrial Revolution Norway (C4IR Norway), dedicated to harnessing the advances of technology to preserve our ocean and improve the environmental footprint of ocean industries. Through public-private partnerships, the Centre will develop governance frameworks and solutions for a sustainable and profitable ocean economy, using digital technology ranging from Artificial Intelligence (AI) to Blockchain.

ANTARCTIC ENDURANCE
Named Antarctic Endurance at a ceremony in Ålesund, Norway, Aker BioMarine's one of a kind, energy efficient krill harvesting vessel showcases the very best of Norwegian maritime engineering expertise and innovation. Constructed by Norwegian shipbuilders at VARD, involving 900 people from 40 Norwegian companies, the naming ceremony and official launch were the culmination of over two years of design, collaboration and construction.

NEW SUPPORT VESSEL
Aker BioMarine announced that it will build a new energy efficient support vessel, which will be fitted out with a number of key efficiency improvements and environmentally focused technologies. The new support vessel will replace Aker BioMarine's existing support vessel, La Manche.



NEW SOLUTIONS
Aker BioMarine entered a partnership with NASDAQ-listed, biopharmaceutical innovator Acasti Pharma Inc., to supply krill oil as core ingredient for innovative new hypertriglyceridemia drug. Aker BioMarine's raw krill oil is used by the Canadian company to create its CaPre development prescription drug, a highly purified omega-3 phospholipid concentrate, designed to treat severe hypertriglyceridemia. A chronic, metabolic condition that contributes to the increased risk of cardiovascular disease and pancreatitis, hyper-triglyceridemia affects an estimated one third of the U.S. population alone.

NEW PATENT
The United States Patent and Trademark Office has granted Aker BioMarine's patent application which covers the innovative Flexitech technology used to make Superba 2 and Superba Boost krill oil products at its Houston facility. The allowed patent application has 11 claims covering the high-efficiency process for extracting lipids from a krill biomass, resulting in pure and desalted krill oil products. This patent strengthens the company's patent portfolio and future generation of products.

PATENT ASSURANCE
Aker BioMarine received the allowance by the United States Patent and Trademark Office of one of its most important patent applications, laying claim to clean and concentrated krill oils with >50% phospholipids. This provides strong and important patent coverage for Aker BioMarine's innovative Superba Boost™ krill oil, as well as an effective tool to protect the company's customers from product imitations.

GROWTH ENHANCER
Published in the peer reviewed Journal of the World Aquaculture Society, a new study conducted by a team from the Instituto de Ciências do Mar, Brazil (Labomar) in conjunction with Aker BioMarine, shows that krill meal is the most effective growth enhancer in fishmeal-challenged diets for whiteleg shrimp. The very clear positive growth effects observed in the shrimp fed krill meal, reflects the unique balance of higher feed attractiveness and stimulation, along with the steady supply of key dietary nutrients.

FDA APPROVAL
The U.S. Food and Drug Administration (FDA) has acknowledged Aker BioMarine QRILL Pet as Generally Recognized as Safe (GRAS), meaning pets in the U.S. can start benefitting from the proven health and nutritional benefits of krill. Years in the making, this decision positions QRILL Pet as the only krill-derived meal that meets the FDA standards.

WORLD CLASS DOG MUSHING
Aker BioMarine established QRILL PAWS, a sports series of long-distance dog mushing to promote the sport of long-distance dog mushing and to capture the world-class dog care that the sport is famous for. Thomas Byfuglien Wærner & Co of the Berserk kennel in Norway became not only the winner of the Iditarod, but also the first overall champion of the QRILL Pet Artic World Series.

DOG HEALTH
A new publication from Aker BioMarine reports that the choline levels of Alaskan Huskies increased by 52 percent after receiving krill dietary supplement for six weeks. Choline is an essential nutrient for dogs that has an impact on healthy brain development, heart health, liver function, muscle function, as well as the nervous system.

WORLD BRANDING AWARD
Aker BioMarine's QRILL Pet brand took home the top prize in the Pet Dietary Supplements category at the World Branding Awards Animal Edition. The World Branding Awards recognizes the marketing work of the world's best pet and animal brands.

We truly believe that the companies that are actively addressing the challenges faced by the world today will grow faster, recruit the best people, and be more profitable than those that do not.

ACCELERATING GROWTH!

In 2019, the new Aker BioMarine began to emerge. Our years of investment, hard work and visionary thinking started to materialize in the form of a strong company with a clear path forward. We grew 60 percent (246 million USD in revenue) and we increased our adjusted EBITDA by 36 percent, to 53 million USD. And even more importantly, we strategically positioned the company for the future.

Aker BioMarine is the global leader within krill, a large and untapped resource with nutrients and molecules that are important for the lives of humans and animals. Krill is found in all oceans (which cover 70% of the planet's surface), and it sits at the bottom of the food chain, where we know important nutrients accumulate upwards. It makes you reflect on the fact that through millions of years of evolution, krill and the nutrients within krill have become increasingly important for life on our planet. We believe in bringing nutrients to the human population without compromising the health of our planet.

Over the past 15 years, we have made significant investments in the infrastructure for our harvesting operation in Antarctica, our biorefinery in Houston, Texas, and our logistics operation. Through these steps, Aker BioMarine has achieved the necessary scale, resulting in efficient operations and quality leadership for all our products.

BY ENDURANCE WE CONQUER

The delivery of our new sustainable krill harvesting and production vessel, Antarctic Endurance, was a highlight in 2019. The vessel is named after the family motto of the great British explorer, Sir Ernest Schackleton: Fortitudine Vincimus, which means "By endurance we conquer". That phrase aptly describes Aker BioMarine as well, as through our investment and long-term approach, we have built a company that is solid and sustainable.

Sustainability is and always has been at the heart of Aker BioMarine. When we commenced our krill harvesting for more than a decade ago, we joined forces with the World Wildlife Fund (WWF), inviting them to challenge us on how to build the most sustainable fishery in the world. In 2019, we received an 'A' rating by the Sustainable Fisheries Partnership for the fifth year in a row, making us the most sustainable reduction fishery in the world. In 2015, we were one of the first companies in the world to build our strategy around four of the United Nations' Sustainable Development Goals. Across our 2019 investment portfolio, we evaluate 95 percent of investments to have a positive environmental effect, a solid result of the integrated sustainability focus in Aker BioMarine.

Our sustainability focus is clearly represented in our purpose of improving human and planetary health, which we defined in 2016. This clear commitment to sustainability is essential to attracting the most talented people out there. We truly believe that the companies that are actively addressing the challenges faced by the world today will grow faster, recruit the best people, and be more profitable than those that do not.

TAKE OWNERSHIP OF OUR CUSTOMERS' SUCCESS

In order to drive growth, you need customer pull. For years Aker BioMarine has embraced a strategy in which we take responsibility for the success of our customers. This means that we engage deeply with them, conduct consumer research, and develop marketing and sales materials that enable them to succeed with their krill products. In 2019, we took this strategy to a whole new level, actively engaging in in-depth scientific research studies on the health benefits and overall impact of krill on various species, which we are sharing broadly and actively through our marketing activities.

One of our key marketing activities in 2019 was the QRILL Pet Arctic World Series (QRILL PAWS), which is a world championship for dog mushing races, and also a way for Aker BioMarine to demonstrate the positive effects of its products on animal health and nutrition. We are actively involved with races such as The Femund Race and Iditarod, which are part of the series. We are also producing television content from the races, which is distributed and sold to broadcast channels around the world, including the European Broadcasting Union (EBU). This marks the first time that the sport of dog mushing has entered a strategic television distribution deal globally.

For Aker BioMarine, 2019 was truly a turning point. The efforts of our talented employees, and the innovative and visionary thinking that permeates throughout the company, is yielding results both in terms of revenue and in supporting the interests of our customers. We believe that our sustainable approach, our focus on continually innovating in aquaculture and human nutrients, and our dedication to the scientific studies of our products are contributing to our growth and securing us for the long-term. With this approach, we are well-positioned to continue improving human and planetary health well into the future.

CEO – MATTS JOHANSEN


LEZY
ANTARCTIC ENDURANCE

THIS IS US

OUR WHY

– improving human and planetary health

Aker BioMarine was created because of our strong belief in the positive health effects of krill. More than a decade later, our business continues to grow because we take care of the ecosystem we harvest in. To us, it makes no sense to take something out of the ocean to improve our health, if it simultaneously compromises the health of the ocean. Ensuring the wellbeing of the krill biomass and contributing towards a thriving Antarctic ecosystem are among our core priorities.

Our mission is to improve human and planetary health.

To operationalize this ambitious vision, we have chosen to steer our business according to the following four United Nations Sustainable Development Goals (SDGs).

SDG2
– ZERO HUNGER

By 2050 there will be 10 billion people on this planet, which means we need to significantly increase our food production. In 2019, Aker BioMarine's krill products contributed to the production of an estimated 318 million servings of fish. Krill's high nutritional value, its positive growth effects and the active influence it can have on the health of fish will prove invaluable as the demands on food production continue to increase.

SDG3
– GOOD HEALTH AND WELLBEING

The unique phospholipid-bound omega-3s in krill can help reduce the risk of several lifestyle diseases, including heart and brain-related issues. Aker BioMarine has taken on a global challenge to raise awareness about the importance of omega-3s. In 2019, 1,58 billion doses of Superba Krill were sold worldwide, improving the health of millions of people.

SDG12
– RESPONSIBLE CONSUMPTION AND PRODUCTION

We work across our entire value chain to continue to lower our environmental footprint of GHGs, water use, chemicals and plastic. To reduce our exposure to climate risk, we monitor and systematically work to reduce CO_2 emissions (scope 1, 2 and 3) related to all our operations. One example is our new, state of the art krill harvesting vessel Antarctic Endurance that is estimated to be 30 percent more energy efficient compared to other harvesting vessels. Across our 2019 investment portfolio, we evaluate 95 % of investments to have an environmental improvement effect, a solid result of the integrated sustainability focus in Aker BioMarine.

SDG14
– LIFE BELOW WATER

Believing in the importance of sharing best practices and promoting industry responsibility, Aker BioMarine co-founded the Association of Responsible Krill Harvesting Companies (ARK) in 2010. The global industry association was developed to promote research for the sustainable harvest of Antarctic krill and to generate scientific data from harvesting operations in order to facilitate better management of the krill fishery. The association now has eight member companies from Norway, Chile, China and South Korea. In addition, in 2015, we established the Antarctic Wildlife Research Fund (AWR), together with industry partners, to promote and facilitate research on the Antarctic ecosystem.

OUR HOW

– integrated value chain, capital and a dedicated team

We take care of the resources our business depends on, provide a clear strategy and build a culture of autonomy and trust.

Strategy

PEOPLE

At Aker BioMarine we do things that no one has attempted before. Most companies can hire outside expertise when they are faced with a new challenge, but for us, operating on the frontiers of a niche industry, we are likely to already have built the best expertise in-house. Our people are our most valuable asset.

SOCIAL AND RELATIONSHIP CAPITAL

Our operations in Antarctic waters require maintaining good relationships with governmental and regulatory agencies, industry peers, the research community, and environmental NGOs. We actively engage and work with these key stakeholders to ensure the fishery's future.

FINANCIAL CAPITAL

Aker BioMarine appreciates having a dedicated owner who strongly believes in the health benefits of krill. Strong financial backing has been crucial to reach our current scale and is absolutely essential to achieve across-the-board excellence. At Aker BioMarine, there is no doubt that strong financial and sustainable performance are interlinked and help reinforce each other.

INTELLECTUAL CAPITAL

Innovation is part of Aker BioMarine's DNA. From pioneering the Eco-Harvesting system to developing new extraction technology, we are proud of our in-house expertise. Intellectual property rights are protected through the company's patent and copyright strategy, but catch data and technology is shared for research purposes and to promote industry transparency.

MANUFACTURED CAPITAL

Aker BioMarine has made a number of major infrastructure investments throughout its value chain. Capital investments in our Antarctic factory vessels, to port facilities in Montevideo and the factory in Houston, are part of lifting our supply chain efficiency. We lease warehouses and office space at our headquarters in Oslo and sales offices in the United States, Latin America, Australia, and Asia. While our krill vessels, the support vessel, and the new manufacturing plant in Houston are wholly owned by us.

NATURAL CAPITAL

Antarctic fishing licenses are issued by national governments and we hold Antarctic krill fishing licenses issued by our home country Norway. Our long-term access to the krill fishery depends on the krill industry as a whole acting responsibly, ensuring that there is scientific confidence that krill harvesting remains at sustainable levels and that we succeed with global efforts to combat climate change.

OUR WHAT

Why krill?

In a world where just 3 percent of the population has adequate levels of omega-3, krill provides an easy means with which to reach optimal levels of EPA and DHA. Adequate omega-3 intake is considered important to maintaining a healthy lifestyle that can help prevent non-communicable diseases. Krill is a unique omega-3 option that offers many health benefits, plus it is 100 percent traceable, certified sustainable and comes from the pristine waters in the Southern Ocean. It offers health benefits for the heart, joints, skin, brain and much more.

SDG3

One of the fundamental advantages of krill oil over other omega-3 options is the fact that it's mainly bound to phospholipids. Krill oil is better recognized and absorbed by the body, efficiently reaching the areas of body that need omega-3s the most. Krill oil also contains choline, another building block important for liver, heart and cognitive health and astaxanthin, a potent antioxidant that helps keep krill oil naturally fresh and stable.

SDG14

A great source of omega-3, krill also has a low environmental footprint. The krill fishery is one of the most regulated fisheries in the world. This ensures that no illegal fishing occurs and that the species is not overfished. The catch limit for krill in the Antarctic is 1 percent of the entire biomass, leaving 99 percent for reproduction and nutrition for other species, safeguarding biodiversity.

SDG12

We need to think about how we can use less natural resources to serve our needs as humans, with an ever growing population. So, it makes sense to use krill as an ingredient, rather than to use a source, such as fish, further up in the food chain. Krill also does not accumulate as many potentially harmful toxins and heavy metals as fish at higher trophic levels.

SDG2

For our krill meal and krill oil going into aquaculture feeds, krill helps increase yield. Coupled with the low environmental impact and its position in the trophic level, this offers productivity gains for the seafood industry. The need for smart feeds and alternative feed sources has never been higher.

COMBINED, THESE ELEMENTS MAKE KRILL A TRULY SUSTAINABLE, HIGH PERFORMANCE INGREDIENT FIT FOR THE FUTURE.

AKER BIOMARINE'S JOURNEY OF INNOVATION

From the groundbreaking harvesting technology to innovative product portfolio, here are some of the historical highlights.

ECO-HARVESTING
One of our early innovations is Eco-Harvesting technology, that allows Aker BioMarine to harvest krill in a way that safeguards biodiversity and limits bycatch

SAGA SEA
Aker BioMarine puts its first krill vessel, Saga Sea into operations

SUPERBA
The Superba krill line to bring phospholipid omega-3s to humans, is born

QRILL AQUA
Aker BioMarine enters the aquaculture market with QRILL Aqua, a phospholipid-rich omega-3 fish feed

MSC
The company achieves the Marine Stewardship Council (MSC) certificate, a third-party verification proving that the company adhered to the strongest standards for sustainability in wild-caught fisheries

ANTARCTIC SEA
Aker BioMarine adds Antarctic Sea to its fleet

QRILL PET
The company enters the pet market with the QRILL Pet product line

HOUSTON
Aker BioMarine expands vertically by entering into a joint venture that transforms an old ice cream factory in Houston, Texas into a state-of-the-art omega-3 oil facility

AWR
Aker BioMarine establishes the Antarctic Wildlife Research Fund (AWR) together with WWF-Norway and The Antarctic and Southern Ocean Coalition (ASOC) to promote and facilitate research on the Antarctic ecosystem

SUPERBA BOOST
Using its newest technology Flexitech, Aker BioMarine launches its first krill oil concentrate, Superba Boost

PRODUCTION PLANT
Aker BioMarine acquires the Houston manufacturing facility and takes full control over its production

JUVEL
Aker BioMarine adds krill harvesting vessel, Juvel to its fleet

NEPTUNE
Aker BioMarine and Neptune enter into an agreement in which Aker BioMarine acquires Neptune's krill ingredient business

ANTARCTIC ENDURANCE
Aker BioMarine commissions a new, more environmentally friendly vessel exclusively constructed for krill harvest

ENZYMOTEC
Aker BioMarine and Frutarom establish a strategic partnership with Aker BioMarine acquiring Enzymotec's krill business

VOLUNTARY MEASURE
A voluntary krill industry-wide decision is reached to remove fishing effort from the coast as a precautionary measure to protect Antarctic wildlife

NEW VESSEL
Aker BioMarine commissions a new energy efficient support vessel, which will be fitted out with a number of key efficiency improvements and environmentally focused technologies

2003-2006 | **2006-2012** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019**

OUR CULTURE

The origin of our company culture is driven by our fishermen. Operating in the rough seas of Antarctica, far away from civilization, requires full trust and transparency among the crew members, the unique ability to face and combat all challenges that arise and last, but not least to act as a family. This is where our culture originates from and forms the foundation of our heartbeats, describing us when we are at our best.

PURPOSE

Aker BioMarine is a biotech innovator and Antarctic krill-harvesting company on a mission to improve human and planetary health. We believe in a better world, where everyone has access to quality nutrition, without compromising the health of the planet.

PEOPLE

Today, Aker BioMarine employs 504 people from 40 different nationalities. We are renowned for having passionate employees who are willing to go the extra mile. We regard diversity as a prerequisite for innovation and this is reflected in our workforce, from our fishermen to our science team.

OPERATIONS

Our value chain stretches from our sustainable krill harvesting operations in Antarctic waters through our Montevideo logistics hub, to the Houston production plant, and all the way to our customers around the world. We pioneer best practice in the krill harvesting industry, whether it is our minimal bycatch, offering full traceability of all our products, or our close collaboration with customers.

MARKETS

Over the past decade, we have successfully introduced brand new krill-based ingredients for nutraceutical, aquaculture, and animal feed applications globally.

OUR PRODUCTS

SUPERBA

Getting enough omega-3s in our diet, particularly EPA and DHA, is extremely important for overall health and wellbeing, as our bodies cannot make these essential nutrients themselves. Many people think they get enough omega-3s from their diet, yet an estimated 97 percent* of the population has omega-3 levels below the optimal range, exposing them to an increased risk of various lifestyle diseases, such as cardiovascular disease.

Superba krill oil is supported by clinical data demonstrating that it can significantly increase the Omega-3 Index level in just one month, helping to reduce the risk of cardiovascular disease for many people around the world. Superba krill oil, a marine phospholipid complex of choline, omega-3s and the powerful antioxidant astaxanthin, comes with a multitude of benefits beyond heart health.

There is no other supplement that provides the vital nutrients, choline and omega-3s, in such an efficient delivery form that krill oil can. With krill oil, the body immediately recognizes omega-3s (EPA & DHA) and incorporates them into the cells before carrying them to the tissues and organs that need them the most, such as the heart, brain, joints and more. This happens due to krill oil's phospholipid advantage.

Aker BioMarine and Superba have embarked on a global challenge to raise awareness and educate about the ramifications of low omega-3 levels. We are also breaking new barriers by conducting pioneering research to document the benefits of krill oil for human health. We are working with professional triathletes to investigate the effects of intense training and exercise on omega-3 levels and its relationship to recovery. Additionally, we have new research on the health benefits of choline, and are exploring the beneficial effects that krill oil can have for skin health. Omega-3s are beneficial for everyone, and Superba krill is paving the way towards better human health and wellbeing.

**A 2016 study published in Progress in Lipid Research*

QRILL Aqua

Continued growth of aquaculture and the change from small-scale to high intensity, industrial farming has increased the need for sustainable protein sources in both shrimp and fish feeds. QRILL Aqua, made from Antarctic krill, is used in feed for fish, shrimp and other species in aquaculture around the world. QRILL Aqua has proven its palatable and nutritional qualities for fish and shrimp. When their feed contains krill, they eat more and stay healthier as a result.

In fish farming, krill is an increasingly popular ingredient. QRILL Aqua is used by farmers in periods when they need a robust fish, when they need the fish to eat and grow well. QRILL Aqua contains high amounts of omega-3 fatty acids in phospholipid form. Previously most of the marine phospholipids in fish feed came from fish meal. Now that the majority of fish meal has been replaced by plant products – there is a need for a more concentrated source of marine phospholipids. In addition, to increase palatability of plant-based feed, the phospholipids content of QRILL means the products is a good tool to formulate the modern fish and shrimp diet. Most of the omega-3s included in salmon feed go directly to the fillet and are passed on to the end consumer. Due to a nutritious profile of protein and omega-3s, fish farming is a key means of increasing food production worldwide as the need for sustainably sourced marine ingredients becomes ever more pressing.

QRILL Pet

What do omega-3s and dogs have in common? Both have been clinically proven to help reduce the risk of cardiovascular disease and mental illness in humans. In 2017, a new Swedish study, published in the journal Scientific Reports, found that people owning a dog also live longer. Dog owners enjoy many physical and physiological benefits offered by their furry family members.

With this in mind, Aker BioMarine continues to invest in research and development of its functional krill ingredient for pet food, so dogs can also enjoy a longer and healthier life, along with their owners. RILL Pet allows dogs and cats to benefit from health-promoting krill-omega-3s, improving the health of organs, skin and fur. The highly palatable marine proteins are an additional protein source in pet food formulations, so pets can truly enjoy a nutritious meal.

SUSTAINABILITY IS PART OF OUR DNA

Sustainability is at the core of our operations. Aker BioMarine has been a front-runner establishing new commitments to protect the ecosystem in which they operate. Aker BioMarine and the krill industry under the Association of Responsible Krill Harvesting companies (ARK), started the 2019 harvesting season with a joint commitment to keep krill fishery operations away from Antarctic Peninsula penguin colonies during the breeding season. This precautionary action is in line with the voluntary industry commitment announced by ARK in July 2018.

"We have decided to voluntarily close off these areas for fishing because we believe it's the right thing to do. Krill is abundant in Antarctica, but we know that global climate change may create unpredictable impacts for predators dependent on krill. The only way to reinforce sustainable krill management for the future, that allows for increased yield and much-needed marine proteins and nutrients to the world, is for the industry to adapt to the needs of the ecosystem," says Kristine Hartmann, EVP Transformation, and overall responsible for sustainability at Aker BioMarine.

TAKING PRIDE IN ANTARCTICA AS "OUR WORKPLACE"

With this commitment ARK members will avoid harvesting in proximity (up to 40 kilometers) to penguin colonies during the breeding season, around the area of the Antarctic Peninsula.

This buffer is based on scientific studies of the foraging range and conservation needs of colonies of Adelie, Chinstrap and Gentoo penguins during breeding season.

"Our vessel captains and crew are excited about being part of this," says Senior Vice President of Vessels Operations, Frank Grebstad, explaining how the coordinates of the buffer zones have been put into the navigation systems of the vessels and are ready to go for the season.

"This is an effort from all parts of the company to make this work, and the desire to take care of our workplace is very strong – and especially for the vessel crew who live and breathe the Antarctic nature and wildlife," Grebstad continues.

"This is a major commitment with the sustainability not just of the krill population, but the ecosystem depending on it," adds Dr. Javier Arata, Executive Officer of ARK. "This voluntary measure safeguards penguin populations' access to their main food source during their most sensitive time of year".

Based on the results of this seasonal closure, further measures will be developed, allowing for year-round protection at some key areas.

"There is strong scientific confidence that the krill fishery does not have a negative impact on the krill population as such, or the feeding of predator species like penguins, seals and whales. Nevertheless, a fully ecosystem-based krill management – one that also takes into account the impacts of climate change on krill – is challenging," Hartmann explains. "This is why to our mind, not only the regulators, but also the industry, has the responsibility to try and avoid the concentration of fishing efforts close to penguin breeding habitats."

DATA-DRIVEN MANAGEMENT

In 2019 Aker BioMarine and ARK-companies supported the big international scientific synoptic survey of the krill biomass in Antarctica. This gives us a new benchmark for krill data and contributes to a more solid foundation for future krill harvesting.

The 2019 international research surveying the krill biomass around the Antarctic Peninsula found more krill than was found in the last large-scale krill survey conducted in year 2000. The findings confirmed 62,6 million tonnes of krill in Area 48 off the Antarctic Peninsula. This survey is the first large-scale scientific investigation of the krill population in the Southern Ocean fishery in 19 years. In 2000, the scientists measured 60.3 million tonnes of krill.

"The krill stock is in a healthy condition, largely stable in distribution and density over almost 20-year period and remains one of the best managed and underutilized marine resources in the world. ARK has been an advocate for the international krill survey to make sure we have the scientific data in place to keep the krill fishery as one of the most precautionary fisheries in the world," says Javier Arata, Executive Officer, Association of Responsible Krill Harvesting Companies (ARK).

MORE SUSTAINABLE FOOD SYSTEMS

2050: THE WORLD WILL NEED MORE SEAFOOD AND NUTRIENTS FROM THE SEA

The World Resource Institute (2018) states that in order to keep up with a population growth of 32 percent towards 2050, approaching 10 billion people, we will need to produce 70 percent more food than we do today. This rather alarming statistic rises the concern related to our future global food and nutrient security.

70 % of our planet is covered by ocean. But only 2–3 % of today's food production comes from the ocean. To secure the supply of food and nutrients to a growing population, we need to harvest the oceans through responsible fisheries, growing a sustainable aquaculture, and thinking in new ways about developing valuable marine resources.

Ensuring enough capacity of new raw materials with low environmental footprints, identifying the most sustainable, low-impact compositions, will require a palette of different solutions. The High-Level Panel for a Sustainable Ocean Economy refers to krill alongside mesopelagic species and zooplankton as a category that could contribute to long-term food production. Those species are accounted for as unexploited or underexploited marine resources.

According to the Food and Agriculture Organization (FAO) the global food sector is responsible for around 30 percent of the world's energy consumption and contributes to more than 20 percent of the global greenhouse gas emissions. This means that to meet the future food demand, we must develop a global food system that uses less energy, emits less greenhouse gases, and uses less freshwater. In addition, the 2019 International Panel on Climate Change (IPCC) "Report on Climate Change and the Land" tells us that even with substantial efficiency gains through innovation, the land-based food system alone cannot support the necessary growth in food production to meet future demand. In their 2018 Bluepaper "The Future of Food from the Sea", The High Level Panel for a Sustainable Ocean Economy argues that food from the sea is uniquely poised to contribute to food security.

RADICAL CHANGES IN FOOD SYSTEMS WILL COME – AND A GROWING ROLE FOR SUPPLEMENTS

In the face of these megatrends, we need to see radical shifts in food systems over the next decades. The 2019 Lancet report highlights several paradoxes in today's food supply chains: 1 billion people lack sufficient food, whilst 2 billion suffer from obesity. Our global food system leads to extensive deforestation and species extinction, while depleting our oceans, and fresh water resources. We lose or throw away around one-third of all food produced.

The Lancet report approaches both healthy and sustainably produced food supply with a system thinking approach and suggests the "flexitarian" diet as the solution. The flexitarian "planetary health diet" is composed of vegetables and fruits, wholegrains, legumes, nuts and unsaturated oils. It includes high-quality meat, dairy and sugar, but in quantities far lower than are consumed in many wealthier societies. Small quantities of fish (28 grams per day) is part of this flexitarian diet.

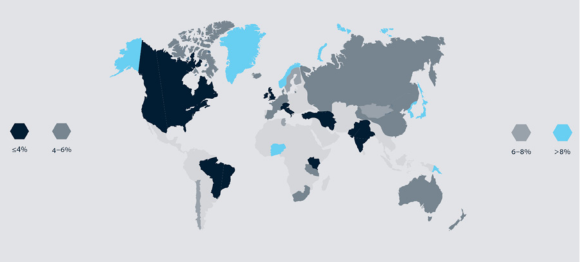
However, not everyone can access fish daily (or even weekly). Furthermore, a lower intake of meat and fatty fish reduces essential nutrients like protein, vitamins and minerals in the diet. In Aker BioMarine, we profoundly believe in a growing importance of supplements to achieve sufficient nutrient levels and bring the health benefits of marine products to our growing population.

KRILL OIL AS A MORE EFFICIENT SOURCE OF OMEGA-3

When our krill meal from the vessel production process enters into the Houston processing plant, the krill oil – fat and lipids – is separated from the protein in the meal (which we are also developing into a new product vertical for human protein). The krill oil, rich in omega-3 is sold as dietary supplement capsules for human consumption.

Omega-3s are important because of their well-documented benefits on general health. The body needs the omega-3s from EPA and DHA, which is only found in marine sources. Krill represents one of these sources coming from one of the world's largest single marine biomass, twice the size of the human population. The essential fatty acids EPA and DHA cannot be replaced by land-based vegetable nutrients or oils (US Department of Health). Krill oil contributes to a balanced diet and a healthy lifestyle, supporting heart, brain, eye and joint health. In 2019, Aker BioMarine delivered 1,58 billion doses of Superba Krill to the market to help contribute to SDG target 3 focusing on good health and wellbeing and reducing non-communicable diseases related to lifestyle. It is a priority for the company to raise awareness of the importance of omega-3s.

As illustrated in black and grey below, around 70 % of the world population is omega-3 deficient (Index below 8%).



To increase the Omega-3 Index to a healthy level (above 8%), GOED suggests a daily intake of 500-1 000mg of EPA and DHA, the higher intake is recommended for pregnant and lactating women. Reaching this level of intake will equal 2-3 servings of fatty fish per week. However, the UN Food and Agriculture Organization (FAO) monitors the state of the marine fish stocks over time and has observed that with 33,14% of the global fish stocks are "overfished", and another 59,77% of global stocks rated as "maximally sustainably fished" (meaning they are fished to the full potential), there is not enough fish in the world to meet sufficient omega-3 levels of a growing population (State of World fisheries and Aquaculture, 2018). Aker BioMarine sees omega-3 supplements from alternative sources like reduction fisheries from the 7,09% of the marine stocks being rated as "underfished" and currently not being utilized, to play an increasingly important part. 2-3 krill oil capsules daily will ensure the necessary daily intake of omega-3 as a substitute to fish (Harris et.al. 2016)

MEETING THE FUTURE FOOD AND HEALTH DEMAND BY DEVELOPING NEW MARINE SOURCES

To meet the future food demand and shift the diet of a growing world's population to a less CO2 intensive and more locally produced diet, the role of supplements is increasingly important. To secure food supply we need to harvest the oceans more through responsible fisheries, growing aquaculture and thinking in new ways about developing marine resources. Omega-3 is an essential building block for a healthy diet and prevent common lifestyle diseases. Krill is one, still underexploited and independently certified sustainable source (Sustainable Fisheries Partnership) of omega-3s.

FINANCE

MATERIAL RISKS AND OPPORTUNITIES

Through dialogue with our stakeholders we have identified a number of risks and opportunities that inform our strategy. The list reflects material aspects to Aker BioMarine.

STAKEHOLDERS	RISKS	MATERIALITY	SALES AND MARKETING	COST AND QUALITY	SCIENCE AND DEVELOP-MENT	PEOPLE AND PURPOSE	RESPONSE
The Antarctic ecosystem, researchers, environmental NGOs, regulators, Norwegian Ministry of Trade, Industry and Fisheries and coastal affairs	Loss of biodiversity	Taking care of the Antarctic ecosystem is essential to both our stakeholders and long-term business (SDG14).	✓		✓	✓	We established the Antarctic Research Fund (AWR) together with WWF-Norway and ASOC. In 2018, a voluntary krill industry-wide decision was reached to avoid harvesting close to shore during penguin breeding season.
	Need for new scientific data on krill biomass	We monitor the krill biomass with a five day survey every season. In 2019, the new krill biomass survey was published, showing a healthy krill biomass.	✓		✓	✓	We drive responsible fishing through ARK and actively engage with researchers and regulators. We also see our vessels as an important platform for independent scientific research.
	Climate change	The temperature in the Antarctic is rising with uncertain long term (positive or negative) effects on the krill stock. We need more science to understand the climate change effects on the Antarctic ecosystem. All parts of society need to take responsibility to curb GHG emissions.		✓	✓	✓	We systematically support science initiatives to improve the understanding of climate change effects on the Antarctic ecosystem. We work across our entire value chain to continue to lower our carbon footprint. To reduce our exposure to climate risk, we monitor and systematically work to reduce CO2 emissions (scope 1, 2 and 3) related to all our operations. One example is our new, state of the art krill harvesting vessel Antarctic Endurance that is estimated to be 30 percent more energy efficient compared to other harvesting vessels.
Owner, management	Compliance on ethics and social responsibility	With an international and diverse workforce there is a risk of different perceptions and ways of handling situations.		✓	✓	✓	We have a compliance training programme and have legal councel responsible for compliance. We have also hired a learning and de-velopment manager to carry out extensive learning programme to our employees.
	Operational down-time	Controlling our value chain from harvest all the way to customers makes us vulnerable in terms of down-time.		✓		✓	We have merged onshore and offshore logistics to get better overview and unlock synergies. We are also making significant investements into automatization and digitalization of our operations.
	OPPORTUNITIES						
Society, customers and consumers	Growing demand for healthy and sustainable food	Delivering high quality health nutrients in a sustainable way is both good for our business and society (SDG2).	✓	✓	✓	✓	We work together with customers to drive sustainability.
	Omega-3s as component to a healthy lifestyle	Increasing awareness on healthy lifestyles and prevention of lifestyle diseases can save society costs and help grow our market (SDG3).	✓		✓	✓	We run science projects and campaigns that increase awareness in the general public on the importance of healthy lifestyle and omega-3s.
Existing and potential employees	Attracting and retaining talent	Attracting and retaining the right people is a challenge in a flat organization and it is important to us that we build an organization that can provide our people with the right opportunitues for growth.	✓			✓	We have built a culture based on freedom and trust to retain talent and attract the new generation of job seekers. We have also defined our attitudes and behaviors and launched our Heartbeats that describe our culture.
	Gender equality	Companies where women account for over 15 percent of senior management show higher returns. This represents an opportunity for our company to ensure democratic representation and diversity in management.	✓	✓		✓	We have structured our recruitment and internal promotion processes to ensure equal opportunities together with updating and improving our employee handbook, implemented performance review and leadership development program. The management team has grown from one woman in the management team to four women out of nine.
	Transparency and information sharing	We have increased efficiency by having less bureaucracy. The decisions are normally made closest to the operations.	✓	✓	✓	✓	The employees are involved in the strategy process and it is often the employees closest to the operations that share information to others internally.

BOARD OF DIRECTORS' REPORT

BUSINESS AND LOCATION

Aker BioMarine has its headquarter at Fornebu, Norway. The supply chain stretches from krill harvesting operations in Antarctica through the logistics hub in Montevideo to the krill oil manufacturing facility in Houston, and onwards to sales distribution units across the world. The integrated value chain allows for efficient adaption to changing market demands and high product quality with full traceability.

The Aker BioMarine Group owns and operates the krill-harvesting vessels Saga Sea, Antarctic Sea and Antarctic Endurance. Antarctic Endurance was delivered from Vard in January 2019 and has completed its first season in the Antarctica during 2019. The vessels have onboard production of krill feed products and intermediates. The Group also owns the freighter vessel La Manche, which refuels and offloads the krill harvesting vessels at sea and performs crew changes. The Group holds four krill harvesting licenses issued by the Norwegian Government.

The Group has over the past two years invested heavily in the future of krill through construction of new vessels, capacity build up in the oil extraction plant in Houston, and strategic acquisitions. To further strengthen the position in the market for krill derived products, the Group has performed the following significant transactions during 2019:

Construction of new freighter vessel
In December 2018 the Group entered into a shipbuilding contract with Yantai CIMC Raffles Offshore Ltd, a China based shipbuilding company, to build a state-of-the-art tramper enabling the transport of crew, fuel, products and consumables back and forth from the fishing grounds. The new 170-metre-long vessel will be equipped with the latest and most eco-friendly technology and will improve logistical capabilities and efficiency. The vessel will replace the existing tramper, La Manche, and also remove the need for chartering additional tramper capacity through the harvesting season. Due to the COVID-19 crisis, there is a risk for delays in delivery for the new tramper vessel.

Delivery of new harvesting vessel
Antarctic Endurance was formally delivered from the yard 15 January 2019 and started commercial harvesting that season.

Acquisition of Lang Pharma
On 1 March 2019 Aker BioMarine, through a US holding company, acquired 100% of the issued shares in Lang Pharma Nutrition, Inc. ("Lang"), a full service, mass market dietary supplement manufacturer, for a total consideration of USD 89.3 million at acquisition date. The USD 89.3 million contains a contingent consideration element where additional payment could be made if certain financial targets are achieved up through 2022. The acquisition gives Aker BioMarine access to Lang's position in the dietary supplement market, their skilled workforce and long-term relationships towards the largest retailers in the US.

Following the acquisition of Lang, the Group now has two operating segments, Ingredients and Brands, where Brands represents the business acquired through the acquisition. The Brands operating segment will over the next year be operated, monitored and reported separately from the Ingredients segment.

FINANCIAL INFORMATION

Profit and loss account
Net sales increased by 60 percent to USD 246.2 million, up from USD 154.2 million in 2018.

Group Earnings before Interest, Tax, Depreciation, Amortization and special operating items ("EBITDA") was USD 53.0 million in 2019, compared to USD 39.0 million in 2018. The significant increase primarily reflects the combination of increased revenue from krill oil, and the consolidation of Lang.

Depreciation and amortization totaled USD 36.7 million in 2019, compared to USD 22.9 million in 2018. The increase in depreciation is driven by Antarctic Endurance, and intangibles recognized upon the acquisition of Lang. Aker BioMarine has further recognized an impairment of USD 6.1 million, where USD 5.9 million relates to the vessel Juvel.

In May 2018, USD 125 million of the loan from Aker ASA were converted to equity as capital contribution. As result, net financial expenses in 2018 decreased to USD 11.5 million as compared to previous years. Comparing against 2019 net financial expenses has increased by USD 14.6 million, to USD 26.1 million. This increase is driven by interest expense on acquisition related external loans, and loans from Aker ASA to support the growth initiatives and Antarctic Provider milestones. The other significant impact was foreign exchange, where the Group incurred a net loss if USD 1.1 million in 2019 as compared to a gain of USD 2.6 million in 2018.

The net loss in 2019 amounted to USD 23.8 million, compared to a net loss of USD 1.0 million in 2018.

Cash flow
Cash flow from operations was USD 12.3 million in 2019, an increase of USD 4.4 million from 2018. The cash flow from operations was absorbed by net cash outflow on investments in vessels and the acquisition of Lang. Total cash outflow from investments amounted to USD 175.9 million. The investments were funded by debt. Net cash flow from financing activity was USD 174.7 million. The difference between cash flow from operations and the operating loss in the statements of profit or loss mainly represents changes in working capital, depreciation and amortization, as well as finance expenses such as interest and guarantee fees included in cash flow from operations.

Balance sheet and liquidity
As of 31 December 2019, the equity ratio was 22 percent, compared with 42 percent at year-end 2018. Cash and cash equivalents amounted to USD 13.6 million, compared with USD 2.5 million as of year-end 2018. Total assets amounted to USD 692.2 million and total equity was USD 154.5 million. Corresponding 2018 figures were USD 430.2 million in total assets and USD 178.8 million in total equity.
The increased asset base mainly comprises of including the business of Lang, and the investment in Antarctic Endurance, where the most significant part of the payment was due upon delivery 15 January 2019.

Interest-bearing debt amounted to USD 420.1 million as of 31 December 2019, of which USD 372.5 million is long-term interest-bearing debt and USD 47.6 million is short-term interest-bearing debt. Net interest-bearing debt (interest-bearing debt less cash and cash equivalents) amounted to USD 406.5 million as of 31 December 2019, an increase of 203.6 million from 31 December 2018.

As of year-end 2019, net working capital (non-interest-bearing current assets less non-interest-bearing current debt) exclusive of bank deposits, amounted to USD 117.0 million, compared with USD 52.0 million as of 31 December 2018.

FINANCIAL RISK AND RISK MANAGEMENT

Aker BioMarine is exposed to credit, liquidity and interest risk in addition to operational risks and uncertainties relating to harvesting and offshore processing technologies, fluctuations in annual krill harvesting, onshore production processes and product quality, ability to develop new products, and general market risk. The ongoing COVID-19 crisis inherently increases many of these risk factors; markets become more uncertain, operations become more vulnerable to interruptions and policy makers around the world may gravitate towards stricter regulations impacting international trade.

The Group has adopted a risk management policy to identify, measure, and mitigate risks. For a more detailed discussion on market risk, credit risk, and liquidity risk, see Note 20 (Financial risk) to the consolidated financial statement.

EVENTS AFTER THE BALANCE SHEET DATE

Aker BioMarine is taking measures to mitigate the risk for operational disruptions following the COVID-19 outbreak; both offshore and onshore on the production facility in Houston as well as in the offices. Even though the development is followed closely, a worst-case scenario with outbreak in the Houston facility or on the fishing vessels may have significant operational and financial impact. However, the financial impact on the world economic is still uncertain with an unclear ending. So far, the COVID-19 has not had any significant financial impact for the company.

GOING CONCERN ASSUMPTION

The world is currently in the middle of the COVID-19 crisis, and how it will unfold is uncertain. Aker BioMarine is taking measures to mitigate substantial negative impact for the company. However, in a worst-case scenario, the COVID-19 crisis may have devastating effects for the world economy, including Aker BioMarine.

The COVID-19 crisis increases the risk regarding the going concern assumption for most companies, and this is also the case for Aker BioMarine. Although the risk has increased, the assessment is that the entity has the ability to continue as a going concern.

Therefore, pursuant to section 3-3a of the Norwegian Accounting Act, the Board of Directors confirms that the going concern assumption, on which the financial statements have been prepared, is deemed appropriate.

HEALTH, SAFETY AND ENVIRONMENT

The krill-harvesting vessels as well as the freighter La Manche operate in rough Antarctic waters. Crew health and working environment are important concerns. Despite the demanding conditions, illness and accident rates onboard are low. Safety first is a key focus throughout the company's value chain. Sick leave rates are low both at the factory in Houston and in the global office locations.

To keep illness and accident rates low, the company carefully examines and improves work tasks and working environments. Aker BioMarine has put in place systems to ensure that crew members have access to medical attention in case of injury or illness when vessels are operating far from shore. The onboard working environment is deemed good, as evidenced by the low crew turnover rate.

Aker BioMarine's objective is to minimize personnel injuries, environmental harm, and vessel or property damage. The company conducts systematic safety drills that prepare crew and onshore personnel for handling demanding scenarios that might occur on board or onshore. Personnel safety is important and efforts to further improve safety are ongoing. There were 35 injury incidents on board the vessels in 2019, hereof 5 lost time injuries. At the plant in Houston, 4 personnel incidents occurred during the year, hereof 3 lost time injuries. The company views accidents and hazardous conditions with great concern; incidents and procedures are reviewed regularly, and measures implemented to avoid reoccurrences.

ORGANIZATION

Aker BioMarine aims to be an attractive workplace. Fundamental to the human resources policy is ensuring equal opportunities for all employees, regardless of ethnicity, gender, religion, or age. Aker BioMarine's human resources policy includes measures aimed at preventing gender discrimination in terms of pay, promotion, recruitment, or other workplace-related issues. The company recruits employees from professional environments that include both men and women, and believes it has, and aims to maintain, a balanced workforce. Aker BioMarine does not tolerate discrimination or harassment of any kind.

As of 31 December 2019, Aker BioMarine had 504 employees (2018: 364), of whom 117 employees were located in Norway (2018: 97), 152 in the US (2018: 81), and 209 employees were located onboard the vessels (2018: 164). Aker BioMarine did in addition have employees located across seven different countries, counting in total 26 employees (2018: 22). The employees are from approximately 40 different nationalities and 29.6 percent of employees are women. Group management had four female members as of 2019. There are no women among shareholder-elected Board members; however, one of the Board's two employee representatives is female.

CORPORATE GOVERNANCE

Aker BioMarine's corporate governance policy is intended to ensure an appropriate division of roles and responsibilities among shareholders, the Board of Directors, and executive management.

As of 31 December 2019, Aker ASA holds 98 % of the shares in the parent company, the other 2 % is owned by the CEO of Aker BioMarine AS, through his wholly owned subsidiary KMMN Invest II AS.

AKER BIOMARINE AS:

The parent company Aker Biomarine AS had revenues of USD 11.5 million compared to USD 11.5 million last year. Net loss in 2019 was USD 4.8 million, compared to a loss of USD 4.5 million in 2018. The change in net loss reflect an increase in staff and operations needed to govern a growing base of subsidiaries and activities. The increase in operational cost in 2019 was offset by lower interest expenses to Aker ASA due to a debt conversion in 2018. The board of directors propose the following allocation of the loss for the year:

Loss for the year	USD 4.8 million
Transferred to accumulated loss	USD 4.8 million

According to section 3-3 of the Norwegian Accounting Act, the board of directors confirms that the financial statements have been prepared on the assumption of a going concern.

Fornebu, 11 June 2020
The Board of Directors and CEO of Aker BioMarine AS

Ola Snøve
Board Chairman

Kjell Inge Røkke
Director

Øyvind Eriksen
Director

Sindre Skjong
Director, elected by the employees

Line Johnsen
Director, elected by the employees

Frank O. Reite
Director

Matts Johansen
CEO

1. OLA SNØVE
Chairman
Ola Snøve (born 1977) has been Chairman of the Board of Aker BioMarine since 2014. Mr. Snøve was Investment Director of Aker ASA for more than ten years and was previously President & CEO of Epax, a world-leading fish oil-based omega-3 supplier. Mr. Snøve works with and is a Non-Executive Director in multiple innovative technology companies, including Cognite who develops software to empower the digital industrial revolution on a global scale. Mr. Snøve holds M.Sc. and Ph.D. degrees from the Norwegian University of Science and Technology, and an M.B.A. with Distinction from INSEAD. Mr. Snøve is a Norwegian citizen.

2. ØYVIND ERIKSEN
Director
Øyvind Eriksen (born 1964) joined Aker ASA in January 2009. Mr. Eriksen holds a law degree from the University of Oslo. He joined Norwegian law firm BA-HR in 1990, where he became a partner in 1996 and a director/ chairman in 2003. As a corporate attorney he among other things worked with strategic and operational development, M&A and negotiations. Among other, Mr. Eriksen worked closely with Aker. Mr. Eriksen has held several board positions in different industries, including shipping, finance, asset management, offshore drilling, fisheries, media, trade and industry. As CEO Mr. Eriksen is currently chairman of the board in Aker BP ASA, Aker Solutions ASA, Cognite AS, Aker Capital AS and Aker Kværner Holding AS, and a director of several companies, including Aker Energy AS, Akastor ASA, The Resource Group TRG AS, TRG Holding AS and Reitangruppen AS. Mr. Eriksen is a Norwegian citizen.

3. Sindre Skjong
Director, elected by the employees
Sindre Skjong (1976) is the VP Technical Operations of Offshore Operations at Aker BioMarine Antarctic AS. With Aker BioMarine since 2005, Mr. Skjong has worked as a sailing Chief Engineer, Project Manager and Site Manager, prior to his current role. Besides Aker BioMarine he was the Chief Engineer at Skaregg AS and Technical & Operations Manager at Ramoen AS. Mr. Skjong has a Class I Chief Engineer education from Aalesund Maritime Skole, Coastal Captain education from Aukra Maritime Skole and Cooling Engineer education from Lade Videregående Skole. Mr. Skjong is a Norwegian citizen.

4. Julie Hoff
Director, elected by the employees
Julie Hoff (born 1987) is the Senior Business Controller at Aker BioMarine Antarctic AS. With Aker BioMarine since 2011, Ms. Hoff has worked as the Business Controller and Senior Controller, prior to her current role. Ms. Hoff has a Master of Science from the Norwegian University of Life Sciences. Ms. Hoff is a Norwegian citizen.

5. FRANK O. REITE
Director
Frank O. Reite (born 1970) joined Aker in 1995, and became CFO in Aker ASA in August 2015. He holds a B.A. in business administration from Handelshøyskolen BI in Oslo. Mr. Reite came from the position of President & CEO of Akastor, and has previously held a variety of executive positions in the Aker group, including overseeing and developing Aker's investments in Converto Capital Fund AS, Havfisk ASA, Norway Seafoods AS and Aker Yards ASA. Mr. Reite also has experience from banking and served as Operating Director at Paine & Partners, a New York based private equity firm. Mr. Reite is Chair of the board in Ocean Yield ASA. Mr. Reite is a Norwegian citizen.

6. KJELL INGE RØKKE
Director
Kjell Inge Røkke (born 1958), Aker ASA's main owner, has been a driving force in the development of Aker since the 1990s. Mr. Røkke launched his business career with the purchase of a 69-foot trawler in the United States in 1982, and gradually built a leading worldwide fisheries business. In 1996, the Røkke controlled company, RGI, purchased enough Aker shares to become Aker's largest shareholder, and later merged RGI with Aker. Mr. Røkke is currently director of Aker BP, Kvaerner, Ocean Yield, Aker BioMarine and Aker Energy Mr. Røkke is a Norwegian citizen.

BOARD OF DIRECTORS

MANAGEMENT TEAM

1. **Matts Johansen**
   Chief Executive Officer (CEO)
   Before being named the CEO in 2015, Matts was the COO of Aker BioMarine. As the CEO of Aker BioMarine, Matts is on a mission to improve human and planetary health. Prior to joining Aker BioMarine in 2009, he was the CMO at Telefonica O2. Before that he studied at Oslo University College and Columbia University.

2. **Tim de Haas**
   EVP Human Health and Nutrition
   Working in several senior business development positions since joining Aker BioMarine in 2010, Tim is responsible for global sales and marketing of the company's Human Nutrition & Health products. Prior to joining Aker BioMarine, Tim was a Management Consultant for Capgemini, working on market entry and growth strategies for a number of telecommunication companies in Europe and the Middle East. Tim has a master's degree in Economics from the University of Hamburg.

3. **Kristine Hartmann**
   EVP Transformation
   Kristine joined Aker BioMarine in 2011. She is responsible for increasing Aker BioMarine's transparency, connecting the day-to-day operations with the company's strategy and transforming the business to meet increasing expectations from customers, employees and other stakeholders. Prior to joining Aker BioMarine, Kristine held several senior consulting positions at PwC and Accenture. Kristine has a master's degree from the Norwegian University of Science and Technology and University of New Orleans.

4. **Katrine Klaveness**
   Chief Financial Officer (CFO)
   Katrine is the CFO of Aker BioMarine, responsible for the company's Finance and Accounting function, overseeing treasury, tax, legal, accounting and business intelligence. She joined Aker BioMarine from Yara where she was CFO for the Production segment, and prior to that she spent more than 10 years in the Aker system in different senior corporate financial positions, including Aker ASA and Aker BP (formerly Det Norske Oljeselskap ASA). Katrine spent her first years in McKinsey & Company, and holds a master's from BI Norwegian Business School.

5. **Tone Lorentzen**
   EVP Supply Chain
   Tone joined Aker BioMarine in 2015. She oversees Aker BioMarine's entire supply chain from harvest to production, including the vessels in Antarctica, the krill oil factory in Houston, product quality and global logistics. Tone has 25 years of experience with global supply chain operations. Prior to joining Aker BioMarine, Tone worked at Nycomed, Amersham, GE Healthcare and Trygg Pharma.

6. **Sigve Nordrum**
   EVP Animal Health and Nutrition
   Sigve has been with Aker BioMarine since 2007. He is responsible for the sales, marketing and R&D for krill products for the animal and aquaculture markets globally. Prior to joining the company, Sigve worked at BioMar and the Norwegian Ministry of Fisheries. Sigve has a master's degree from the Norwegian School of Life Sciences and a PhD from the Norwegian Veterinary College.

7. **Todd Norton**
   EVP Special Advisor
   Todd has been with Aker BioMarine since 2010. He is responsible for strategic initiatives, as well as the company's operations in the U.S. Prior to joining Aker BioMarine, Todd was the President and COO at Sabinsa. He also has more than 40 years' experience working in the nutraceutical industry. Todd has a B.A. in Business Management.

8. **Trond Atle Smedsrud**
   EVP Strategic Investments
   Trond Atle joined Aker BioMarine in 2015 and previously ran Aker BioMarine's Marketing and Innovation department. In order to secure future relevance and financial growth for the company, in his current role Trond Atle is responsible for exploring, securing and growing new corporate investments. Prior to joining Aker BioMarine, Trond Atle worked in senior positions at Coca-Cola and PwC. Trond Atle has a master's from BI Norwegian Business School.

9. **Shauna Cecilia McNeill**
   EVP Innovation
   Shauna has been with Aker BioMarine since 2017. She is responsible for the company's new and on-going programs to research, develop and commercialize krill derived products and applications. Shauna has worked in a variety of strategy, product and business development roles including at Ecolab and the Boston Consulting Group. Shauna holds both an MBA from Harvard Business School and a B.S. in Chemical Engineering from the University of Minnesota.

2019
AKER BIOMARINE

CONSOLIDATED FINANCIAL STATEMENTS

AKER BIOMARINE GROUP ACCOUNTS

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

for the year ended december 31

Amounts in thousands of U.S. Dollars	Note	2019	2018
Net sales	2	246 170	154 182
Cost of goods sold	12	(145 901)	(88 829)
Gross profit		**100 269**	65 353
Selling, general and administrative expense	4	(76 464)	(44 686)
Depreciation, amortization and impairment	10,11	(17 822)	(5 539)
Other operating income/(cost), net	5	(3 221)	(4 869)
Operating profit		**2 762**	10 259
Net financial items	6,18	(26 097)	(11 540)
Tax expense	9	(415)	259
Net profit (loss)		**(23 751)**	(1 022)
Earnings per share to equityholders of Aker BioMarine AS			
Basic		(0.34)	(0.01)
Dilute		(0.34)	(0.01)

AKER BIOMARINE GROUP ACCOUNTS

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the year ended December 31

Amounts in thousands of U.S. Dollars	Note	2019	2018
Net loss		**(23 751)**	(1 022)
Other comprehensive income (loss)			
Defined benefit plan income gains (losses)	4	(111)	119
Total items that will not be reclassified to profit and loss		**(111)**	119
Translation differences		-	(14)
Total items that may be reclassified subsequently to profit and loss		**-**	(14)
Change in fair value cash flow hedges	8,10,20	-	(4 625)
Total items that will be reclassified to profit and loss		**-**	(4 625)
Total other comprehensive income (loss)		**(111)**	(4 520)
Total comprehensive income (loss)		**(23 862)**	(5 542)

[1] The Defined benefit plan income gains (losses) have no income tax impact as it is part of the unrecognized deferred tax asset, see Note 8.

AKER BIOMARINE GROUP ACCOUNTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31

Amounts in thousands of U.S. Dollars	Note	2019	2018
ASSETS			
Property, plant and equipment	10,18,20	318 921	232 383
Intangible assets	11	190 297	114 158
Other non-interest-bearing non-current receivables	20	145	2 026
Investments in equity-accounted investee		260	240
Total non-current assets		**509 624**	348 806
Inventories	12	94 725	43 704
Trade receivable and prepaid expenses	13,20	74 264	35 223
Cash and cash equivalents	14,20	13 610	2 515
Total current assets		**182 599**	81 442
Total assets		**692 223**	430 248

Amounts in thousands of U.S. Dollars	Note	2019	2018
LIABILITIES AND OWNERS' EQUITY			
Share capital	24	68 003	68 003
Other paid-in equity		277 227	277 227
Total paid-in equity		**345 230**	345 230
Translation differences and other reserves		154	154
Retained earnings		(190 838)	(166 570)
Total equity		**154 547**	178 814
Interest-bearing debt	15,18,20	372 473	179 424
Other non-interest-bearing non-current liabilities	16	65 618	17 657
Total non-current liabilities		**438 091**	197 081
Interest-bearing current liabilities	15,18,20	47 591	25 944
Derivative liabilities	8,20	-	1 472
Accounts payable and other payables	17,20	51 994	26 937
Total current liabilities		**99 585**	54 353
Total liabilities		**537 676**	251 435
		692 223	430 248
Total equity and liabilities		**692 223**	430 248

AKER BIOMARINE GROUP ACCOUNTS

CONSOLIDATED STATEMENTS OF CASH FLOW

for the year ended December 31

Amounts in thousands of U.S. Dollars	Note	**2019**	2018
Net profit (loss) after tax		**(23 751)**	(1 022)
Tax expenses	9	**415**	(259)
Net interest and guarantee expenses	6	**21 699**	12 101
Interest paid		**(16 520)**	(10 523)
Interest received		**1 084**	161
Taxes paid	9	**920**	87
Impairment charges	11	**6 155**	-
Depreciation and amortization	10,11	**36 947**	22 861
Foreign exchange loss (gain)		**790**	(2 401)
Change in accounts receivable, other current receivables, inventories, accounts payable and other		**(15 432)**	(13 111)
Net cash flow from operating activities		**12 307**	7 894
Payments for property, plant and equipment	10	**(126 906)**	(40 254)
Payments for intangibles	11	**(10)**	(24 258)
Proceeds from sales of property,plant and equipments		**255**	6
Investments in subsidiary and associated companies	7	**(49 284)**	(36)
Net cash flow from investing activities		**(175 946)**	(64 542)
Proceeds from issue of debt and change in overdraft facility	15,20	**(4 353)**	(866)
Net increase in external interest-bearing debt	15,20	**142 587**	(4 687)
Proceeds from owners	15	**36 500**	62 000
Net cash flow from financing activities	15	**174 735**	56 447
Net change in cash and cash equivalents		**11 096**	(201)
Cash and cash equivalents as of January 1.	14	**2 515**	2 715
Cash and cash equivalents as of December 31.	14	**13 610**	2 515

AKER BIOMARINE GROUP ACCOUNTS

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Amounts in thousands of U.S. Dollars	Share capital	Share premium	Other paid-in capital	Other reserves	Retained earnings	Total
Balance as of January 1, 2018	63 684	192 102	(35 617)	154	(161 028)	59 296
Net profit (loss) for the year	-	-	-	-	(1 022)	(1 022)
Other comprehensive income (loss)	-	-	-	-	(4 520)	(4 520)
Total comprehensive income (loss)	-	-	-	-	(5 542)	(5 542)
Contributions from owner, debt conversion	4 319	120 742	-	-	-	125 061
Transactions with owners, recognized directly in equity:						-
Total transactions with owners, recognized directly in equity	4 319	120 742	(0)	-	-	125 061
Balance as of December 31, 2018	68 003	312 844	(35 617)	154	(166 570)	178 814
Change in accounting policies IFRS 16					(405)	(405)
Balance as of January 1, 2019	68 003	312 844	(35 617)	154	(166 975)	178 409
Net profit (loss) for the year	-	-	-	-	(23 751)	(23 751)
Other comprehensive income (loss)	-	-	-	-	(111)	(111)
Total comprehensive income (loss)	-	-	-	-	(23 862)	(23 862)
Balance as of December 31, 2019	**68 003**	**312 844**	**(35 617)**	**154**	**(190 838)**	**154 547**

* There were no transactions with owners, recognized directly in equity in 2019

AKER BIOMARINE GROUP ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

These consolidated financial statements comprise of the profit or loss statements and statement of financial position for Aker BioMarine AS (the "Company") and its subsidiaries (together, the "Group") for the year ended December 31, 2019. The Company is a limited liability company domiciled in Norway with its registered office at Oksenøyveien 10, 1366 Lysaker, Norway.

The Group is a global supplier of krill-derived products, with a fully owned supply chain. The operations spans from harvesting krill in the Antarctica with vessels owned by the Group, distribution world-wide from Uruguay, and further processing into oil-products in the United States. These consolidated financial statements were authorized for issue by the Board of Directors and CEO on June 11, 2020.

Basis for preparation

The consolidated financial statements have been prepared in accordance with IFRS and IFRS Interpretation Committee (IFRS IC) interpretation as adopted by the EU. The consolidated financial statements of Aker Biomarine AS have been prepared on a going concern basis under the historical cost convention, except as otherwise described in the sections below. Certain comparative figures may be reclassified to conform to the presentation adopted in the current year.

In these consolidated financial statements amounts have been rounded to the nearest thousand, unless otherwise stated. As a result of rounding differences, amounts may not add up to the total.

Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- Delivery of Antarctic Endurance (note 10)
- Acquisition of Lang Pharma Nutrition Inc ("Lang", note 7)

Summary of significant accounting policies

Accounting policies that relate to the consolidated financial statements in general are set out below, while those that relate to specific areas of the consolidated financial statements are shown in the corresponding note. All accounting policies have been consistently applied to all the years presented.

Management regards the following as the most significant accounting policies for these financial statements:

- Revenue recognition from the sale of Superba™ Krill oil and Qrill™ branded ingredients (note 2)
- Measurement of our krill- based products held as Inventories at year end (note 12)
- Recognition and measurement of expenditure on vessels and machinery included in Property, plant and equipment (note 10)
- Impairment of intangible assets (note 11)

Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities. The estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable, and constitute management's best judgment at the date of the consolidated financial statements. In the future, actual results may differ from those estimates.

The key estimates and judgments that could have a significant effect upon the Group's financial results relate to:

- Expenses included in indirect production cost recognized to inventories (note 12)
- Technical assessment of the useful life of the Group's vessels and machinery (note 10)
- Calculating the fair value of tangible and intangible assets allocated to the Groups cash generating units (note 11)
- Fair Value of earn-out related to the acquisition of Lang during 2019 (note 16)

Where appropriate, present values are calculated using discount rates reflecting the currency and maturity of the items being valued. Further details of estimates and judgments are set out in the related notes to the consolidated financial statements.

Functional and presentation currency

Transactions recorded in the financial statements of each subsidiary are done in its functional currency, i.e. the currency that best reflects the primary economic environment in which the entity operates. The consolidated financial statements are presented in U.S. Dollars ("USD"), which is the Group's presentation currency as the Group's cash flow and economic returns are principally denominated in USD and is the functional currency of each key subsidiary. The functional currency of Aker Biomarine AS is USD.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of each transaction. Receivables, liabilities and other monetary items in foreign currencies are translated into the functional currency at the exchange rates on the balance sheet date. Foreign currency exchange gains or losses resulting from such transactions are recognized in the consolidated statement of profit or loss.

Consolidation

Subsidiary undertakings are entities over which the Group has the power to govern the financial and operating policies. Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary undertaking is the fair values of the assets transferred and the liabilities incurred by the Group, including those from any contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

An acquisition of a group of assets that does not constitute a business is accounted for as asset acquisition in accordance with accounting standards applicable.

Inter-company transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiary undertakings have been changed where necessary to ensure consistency with the policies adopted by the Group.

New standards adopted in the year

The Group has initially adopted IFRS 16 Leases from 1 January 2019. IFRS 16 Leases replaces IAS 17 Leases and related interpretations. The new standard introduces a single, on-balance sheet accounting model for lessees, with optional exemptions for short-term leases and leases of low value items. A lessee recognises a right-of-use asset representing its right to use the adjusted assets and a lease liability representing its obligation to make lease payments. The details of the changes from IFRS 16 is disclosed below and in Note 18 Leasing.

The Group assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a time period in exchange for consideration.

The Group has recognized new assets and liabilities for its operating leases of warehouses, offices, transportation equipment and in addition various equipment if it is not a low-value asset (see below). The nature of expenses related to those leases has changed because the Group has recognized a depreciation charge for right-of-use assets and interest expenses on lease liabilities.

However, the Group has elected not to recognize right-of-use assets and lease liabilities for short term leases and for leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized as an adjustment to the opening balance of retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- Their carrying amounts as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application; or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied the exemption not to recognise right-of-use asset and liabilities for leases with less than 12 months of lease term
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application
- Non-lease components for housing contracts, machines and vehicles is not separated.
- Relied on assessment of whether leases are onerous applying IAS 37 on 31 December 2018 as an alternative to performing an impairment review of right-of-use assets for all leases on 1 January 2019.

The impact on equity on transition at 1 January 2019 is summarized below:

Amounts in thousands of U.S. Dollars	At 1 January 2019
Lease liability at 1 January, 2019	(5 345)
Right-of-use asset	4 940
Difference between lease liability and right-of-use asset at 1 January, 2019	(405)
Equity per December 31, 2018	178 814
Equity at 1 January, 2019	**178 409**

Disclosure materiality

Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision making of the users of these consolidated financial statements or not applicable.

AKER BIOMARINE GROUP ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 – REVENUE AND ADJUSTED EBITDA

Revenue represents amounts recoverable primarily from the sale of Qrill™ branded ingredients, or Krill oil during the year, used either in the feed industry or within human health and nutrition. Lang deals within the human health and nutrition but also sells other natural supplements in addition to Krill oil. The Groups main performance obligation is related to the delivery of agreed volumes of the above-mentioned products. Some customers have longer term frame agreements, agreeing the prices of the product per MT/KG, but all sales are based on individual purchase orders detailing the volume to be delivered at a certain point in time, at a designated location.

Revenue is measured at the fair value of consideration received or receivable on sale, including rebates, fair value adjustments and excluding VAT. Revenue is recognized when the Company's identified performance obligations are fulfilled. The Group does not have any contracts with a significant financing component.

Under IFRS 15 the Groups revenue from sale of Krill oil and Qrill™ is recognized at a point in time, when the customer obtains control over the goods. Transfer of control to the customer is based on the agreed delivery term. The Group applies the Incoterms 2010, issued by International Chamber of Commerce, to make this determination and all sales are conducted using F- or C-terms meaning the risk is transferred upon handing the goods over to the carrier engaged by either the customer or Group, respectively.

Upon sale of product, each sale would normally constitute two performance obligations, the product sold and the freight. Some contractual terms may therefore result in the Group delivering freight services after control has passed to the customer, however this timing effect would have an insignificant impact on profit and loss. The applies to C-term sales, as presented above.

The goods are sold with standard warranties that the goods sold complies with agreed upon specification and condition. The Group does not have any significant obligations for returns or refunds, and any warranties would be accounted for using IAS 37, provisions, contingent liabilities and contingent assets.

The introduction of Lang in the Group has not resulted in any significant new interpretations or changes in the application of IFRS 15. Like the Krill oil and Qrill™ business, Lang sells commodities and recognizes revenues at a point in time, predominantly in the US market applying the same principles of transfer of control as described previously.

Geographical segments based on company location

	Revenues from sale of products	
Amounts in thousands of U.S. Dollars	**2019**	2018
Norway	**29 300**	30 747
EMEA	**37 331**	31 563
Americas	**118 323**	60 960
Asia Pacific	**61 217**	30 912
Total	**246 170**	154 182

In 2019 the two largest customers exceeded 28% of the Group's total revenues from sale of products (2018: 40%).

The Group's operations have historically occurred in one reportable segment; the production and sale of krill products. Following the acquisition of Lang on 1 March 2019, the Group has two reportable segments. The historic production and sale of krill products remain the same, but Lang has introduced the "Brands" segment. Their business consists of distributing commodities for human consumption. See table and further details in note 3, operating segments.

Adjusted EBITDA

The Executive Management Team (EMT) evaluate the performance based on Adjusted EBITDA. This metric is defined as operating profit before depreciation, amortization, write-downs and impairments, and special operating items. Special operating items include gains or losses on sale of assets, if material, restructuring expenses and other material transactions of either non-recurring nature or special in nature compared to ordinary operational income or expenses. See description of the Alternative Performance Measures (APM) attached to the consolidated financial statement.

The EMT has provided the following information at D cember 31, 2019 and 2018:

Amounts in thousands of U.S. Dollars	**2019**	2018
Krill oil	**99 764**	74 418
Krill meal	**69 403**	70 697
Qrill™ Pet and other products	**77 002**	8 530
Other income	**900**	1 689
Total revenue and other income	**247 070**	155 334
Total operating expenses before depreciation, amortization and impairment	**(201 377)**	(122 215)
Special operating items	**7 346**	5 901
Adjusted EBITDA	**53 039**	39 020

The following table reconciles Adjusted EBITDA to Net income (loss) in the consolidated statements of profit or loss.

Amounts in thousands of U.S. Dollars	**2019**	2018
Net income (loss)	**(23 751)**	(1 022)
Tax expense	**415**	(259)
Net financial items	**26 097**	11 540
EBIT	**2 762**	10 258
Depreciation, amortization and impairment	**42 931**	22 861
Special operating items	**7 346**	5 901
Adjusted EBITDA	**53 039**	39 020

The following table reconciles special operating items.

Amounts in thousands of U.S. Dollars	**2019**	2018
Juvel operating cost - Other operating income/(cost), net	**(1 784)**	(4 204)
Legal costs	**(836)**	(291)
Transaction related costs	**(1 298)**	(1 406)
Kori launch	**(3 428)**	-
Special operating items	**(7 346)**	(5 901)

Special operating items have historically comprised of material non-recurring items, such as legal and settlement fees. Such costs are not included in management's assessment of Adjusted EBITDA. In 2019 there has been several items that have been classified as non-recurring and material such as transaction related costs, legal fees, restructuring cost and development costs, total amount USD 7.3 million.

AKER BIOMARINE GROUP ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – OPERATING SEGMENTS

The Group discloses segment information and identifies our reportable segments under IFRS 8 Operating Segments. The standard requires The Group to report segment according to organization and reporting structure used by the chief operating decision maker (CODM). The Group defines the CODM as the management team and the CEO.

The Group's operating segments are separately managed and is segregated as they serve different markets. The identified segments are the Ingredients business, and the Brands business.
The Ingredients business comprises of offshore harvesting and production, the logistical operation and the onshore manufacturing and sale of krill oil products globally to distributors and feed producers. This was The Group's core business and only identified segment for the past years, up until the acquisition of Lang 1 March 2019.

The Brands segment is the human consumption distribution business which comprises of Lang and Epion. Lang acquires raw materials derived from krill, fish and plants. Then package, labels and sells the product onwards to retailers in the US market. As of 31 December 2019, the segment only comprise the legal entity Lang Pharma Nutrition LLC (Lang) which was acquired in 2019 (note 7). The segment will be known as the "brands" segment.

During the first operating year since acquisition, the segments have been operated separately, and financial results been measured on a stand-alone basis for the two operating segments. The key financial metric that has been evaluated is the EBITDA and EBIT. The use of these measures is aligned across the segments. As managed on a standalone basis, transactions between the two segments are eliminated in the "adjustments" column in the below schedule.

Since Lang is part of the US tax Group, taxes are assessed on a consolidated basis and there is a tax-sharing agreement in place which drives why ingredients has a tax income, while brands has a tax expense, and no elimination or group adjustments are performed for this line item.

Transactions between the segments are conducted at arm's length basis. Some of the prices and mark-ups on services used between the segments are over the first years regulated by agreements that were part of the original share purchasing agreement, negotiated on arm's length basis.

The accounting policies used in the below segment reporting reflects those used for the Group. The Lang numbers are to the extent where GAAP differences are identified, aligned with IFRS. The below represents the statement of profit and loss for the year 2019 and presents the balance sheet as of 31 December 2019.

Amounts in thousands of U.S. Dollars	Ingredients	Brands	Adjust-ments	**Total**
Net sales	177 225	82 330	(13 384)	**246 170**
Operating profit	4 034	7 903	(9 175)	**2 762**
Net profit (loss)	(17 378)	5 817	(12 190)	**(23 751)**
Depreciation, amortization and impairment (note 10)	(11 136)	(11)	(6 675)	**(17 822)**
EBITDA	40 303	7 884	(2 500)	**45 687**
Adjusted EBITDA	47 655	7 884	(2 500)	**53 039**
Balance sheet items				
Property, plant and equipment	302 066	301	-	**302 366**
Right to use asset (leasing)	15 947	-	608	**16 555**
Intangible assets	145 960	79	44 258	**190 297**
Cash and cash equivalents	8 266	5 344	-	**13 610**
Interest-bearing debt	(404 693)	(17 767)	2 396	**(420 064)**
Inventory	60 147	37 078	(2 500)	**94 725**
Net interest free asset and liabilities	57 023	(2 285)	(97 681)	**(42 942)**
Total equity	184 716	22 750	(52 919)	**154 547**

CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 – SALARIES, GENERAL & ADMINISTRATION EXPENSES

The presentation of operating expenses in the consolidated statements of profit or loss is based on function of the expenses. Production and operating expenses are recognized in the same period as the corresponding revenue from sale of product is recognized. Salaries and payroll expenses not related to production, sales and distribution costs, and other general and administrative costs are recognized when they occur or when the Group has a liability for future expenses. Production and operating expenses allocated to product is presented within note 12.

Selling, General and Administrative expenses consists of:

Amounts in thousands of U.S. Dollars	As of 31 December, **2019**	2018
Sales and Distribution Costs	**(48 309)**	(20 718)
Research and Development	**(5 404)**	(9 070)
Administrative Costs	**(22 751)**	(14 898)
Total	**(76 463)**	(44 686)

Sales and Distribution costs are all costs related to selling, marketing, and distributing and storing the goods world-wide. All abroad distribution companies, including Lang are included in these costs.

Research and Development Costs represents the Innovation department where ongoing studies within the application and use of krill as an ingredient both for human and for animal feed is being expensed. The department also works on early phase product development, finding new application for the raw material, and bringing this out to the market.

Administrative costs represent the head office costs which includes the management group, finance, and Transformation (sustainability, strategy and IT), providing services to the entire Group.

Government grants

During 2019 the Group received grants of USD 0.6 million (2018: USD 0.8 million). The grants are partly included in the Research and Development and partly 'Asset under construction' to net the costs that the grants are intended to compensate. There are not any unfulfilled conditions or other contingencies on these grants. The Group did not benefit directly from any other forms of government assistance.

Salary specification by function

The below schedule describes the total salary costs of the Group. Salaries from the onshore and offshore part of the Group is allocated to inventory, as presented in note 12. Selling, general and administrative salaries specifies the salary part of the total expenses of USD 76.5 million (2018: USD 44.7 million), as also presented within note 4.

Amounts in thousands of U.S. Dollars	As of 31 December, **2019**	2018
Offshore - inventoriable	**(21 173)**	(16 683)
Onshore - inventoriable	**(9 438)**	(6 078)
Selling, general and administrative	**(27 229)**	(15 689)
Juvel - Other operating income/(cost), net	**(694)**	(1 565)
Total	**(58 535)**	(40 016)
Number of employees at year-end	504	364
Full time Equivalent	496	364

AKER BIOMARINE GROUP ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Total salary cost comprises of the following:

Amounts in thousands of U.S. Dollars	As of 31 December, 2019	2018
Salaries	**(49 616)**	(32 838)
Employer's social security contribution	**(2 041)**	(2 009)
Pension expenses	**(1 306)**	(1 122)
Other benefits	**(5 572)**	(4 047)
Total	**(58 535)**	(40 016)

Pension plans

The Group has a defined contribution plan that cover all employees except one employee who has a defined benefit plan. The plans comply with laws and regulations set forth in the different countries of operations. At the end of the year the defined benefit obligations were USD 0.41 million and the assets were USD 0.31 million. The fair value of the net obligation has been calculated using an appropriate discount rate. During the year the Group expensed USD 0.035 million, net of settlements and curtailment, on the defined benefit plan (2018: 0.1 million), and USD 1.3 million for the contribution plan (2018: 1.0 million). In addition, USD 0.1 million related to changes in actuarial assumptions is expensed in other comprehensive income (2018: gain USD 0.1 million).

Remuneration to the Group auditors (excluding VAT):

KPMG is the Group auditor of Aker Biomarine AS. The following table shows fees to the appointed auditors for 2019 and 2018. For both categories the reported fee is the recognized expense for the year.

Amounts in thousands of U.S. Dollars	As of 31 December, 2019	2018
Audit fees 1)	**(335)**	(183)
Other audit and attestation services	**(28)**	(65)
Total	**(363)**	(247)

[1] Audit fees of TUSD 335 (2018: TUSD 183) consist of fees to KPMG of TUSD 194 (2018: TUSD 183). TUSD 141 of the total audit fee in 2019 was payable to other audit firms than KPMG. Other audit and attestations services were fees to KPMG.

NOTE 5 – OTHER OPERATING INCOME / COST

Other operating income/cost comprise of the following:

Amounts in thousands of U.S. Dollars	Year ended 31 December 2019	2018
Other income	**900**	1 152
Juvel	**(1 784)**	(4 204)
Inventory changes	**(4 990)**	(1 098)
Ifrs 16 impact	**3 784**	-
Other expenses	**(1 132)**	(719)
Total	**(3 221)**	(4 869)

Inventory changes relates to scrapping, write-downs to net realizable value and other inventory changes like volume adjustments. Majority of these expenses is due to write-down as of 31 December 2019, please refer to note 12 for further descriptions.

Following the implementation of IFRS 16 leasing, operational lease expenses are deducted from operational expenses and accounted for in accordance with the standard. To please refer to note 18 for further information about the accounting for leasing.

Juvel is a vessel acquired in 2017 but has due to ongoing legal cases concerning the use of the onboard factory never been in operation. The costs related to the vessel, and costs related to the fire that took place onboard the vessel in 2018, has been accounted for separately, and are disclosed as other operating cost. The vessel was sold in 2020, please refer to note 25 "events after the balance sheet date".

Other income comprises of the following:

Other income by category

Amounts in thousands of U.S. Dollars	Year ended 31 December 2019	2018
Royalty	**-**	1 329
Insurance refund	**1 116**	-
Other	**216**	(177)
Total	**900**	1 152

In addition to revenue from the sale of krill derived products, the Group received settlement for older insurance claims during 2019. The royalty agreement ended 31 December 2018, and the Group had no revenue from royalty arrangements during 2019. Other income includes marketing contributions and loss on sale of fixed asset.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 – FINANCIAL INCOME AND EXPENSES

Financial income comprises interest income on financial investments and net foreign exchange gains recognized in the consolidated statement of profit or loss. Financial expenses include interest expense and guarantee fees. Financial income and expenses are presented on a net basis in the consolidated statement of profit or loss.

	Year ended 31 December	
Amounts in thousands of U.S. Dollars	**2019**	2018
Interest income, bank deposits	**288**	155
Interest income loans and receivables (amortized cost)	**799**	(123)
Foreign exchange gains (realized and unrealized)	**5 065**	7 572
Other financial income	**518**	225
Total financial income	**6 669**	7 829
Interest expense on financial liabilities valued at amortized cost	**(22 785)**	(12 263)
Foreign exchange losses (realized and unrealized)	**(6 140)**	(4 976)
Other financial expenses	**(3 841)**	(2 130)
Total financial expenses	**(32 766)**	(19 369)
Net financial expenses	**(26 097)**	(11 540)

Other financial expenses include guarantee fee payable to the parent company Aker ASA.

NOTE 7 – ASSET ACQUISITION AND BUSINESS COMBINATIONS

On 1 March 2019 the Group, through a US holding company, acquired 100% of the issued shares in Lang Pharma Nutrition, Inc. (Lang), a full service, mass market dietary supplement manufacturer, for a consideration of USD 89.3 million. The acquisition was performed of strategical reasons, both to ensure that Lang remained heavily invested in the krill oil segment, to further explore and utilize the synergizes and competence within Lang when conducting business directly with major US retailers, and using this to establish a foot-print to over time launch and sell own branded products.

The contribution consisted of a cash consideration of USD 52.9 million paid on closing in addition to a contingent consideration with an estimated fair value as further described below.

Details of the purchase consideration, the net acquired assets and goodwill are as follows:

Amounts in thousands of U.S. Dollars	**2019**
Accounts receivables and other assets	**11.7**
Inventories	**31.8**
Intangible assets - Customer base	**46.1**
Cash and cash equivalents	**3.7**
Total Assets	**93.3**
Borrowings	**19.9**
Accounts payables and other payables	**9.7**
Total Liabilities	**29.6**
Total identifiable net assets at fair value	**63.7**
Goodwill arising on acquisition	**27.6**
Contingent consideration	**(36.4)**
Contingent consideration	**(2.0)**
Total consideration paid on acquisition	**52.9**
Less cash and cash equivalents acquired	**(3.7)**
Acquisition, net of cash acquired	**49.2**

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The goodwill is attributable to Lang's position and profitability in the dietary supplement market and the assembled and skilled workforce in the organization. Lang will continue to operate as a separate company. The results from Lang have been included in the Group's consolidated income statement and balance sheet as of 1 March 2019. Acquisition-related costs of USD 1.5 million are included in administrative expenses in profit or loss. The goodwill is assessed to be deductible in the US.

The contingent consideration arrangement, amounting to USD 36.4 million at acquisition date, requires the Group to pay the seller an earn-out calculated each fiscal year using a measurement of company EBITDA as its basis. The earn-out period is from 2019 through 2022. The fair value of the contingent consideration arrangement was estimated calculating the present value of the future expected cash flows, based on a discount rate of 11%. The nominal range of the outcome is a cash payment of USD 0 – USD 50.0 million, over the years mentioned above with the potentially last payment in 2023. In addition to the earnout there is a liability of USD 2 .0 million which will be released based on further employment of resources over the next 3 years. The full contingent consideration is recognized as of 31 December 2019.

As at 31 December 2019, the contingent consideration related to the earnout was USD 39.7 million, which represents full payment of the nominal amount over the future years. The liability is presented within other non-interest-bearing non-current liabilities in the balance sheet (note 16), value adjustments of USD 3.3 million, representing the effect of unwinding the discounting, is presented within net financial expenses (note 6).

REVENUE AND NET PROFIT CONTRIBUTION

The Lang business contributed revenues of USD 82.2 million and net profit of USD 5.7 million to the Group for the period from 1 March to 31 December 2019. If the acquisition had occurred on 1 January 2019, the additional contribution in revenue and net profit for the year ended 31 December 2019 would have been USD 11.1 million and USD 0.4 million respectively. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the group and the subsidiary.

Asset acquisitions and business combinations in 2018

On 17 January 2018, the subsidiary Aker Biomarine Antarctic AS (AKBMA) entered into an Asset Purchase Agreement pursuant to which AKBMA acquired from Enzymotec Ltd (Enzymotec) assets and certain liabilities related to the global krill operations of Enzymotec.

Total payable was USD 26.4 million. The purchase price reflects, among other things, payment of transferred inventory, consideration for Enzymotec's non-competition agreement and consideration for other transferred assets as listed below.

The following table summarizes the assets and liability identified by management:

Amounts in thousands of U.S. Dollars	
Customer Relationship	**18.8**
Trademark	**1.8**
Inventory	**4,5**
Goodwill	**1,2**
Total transaction price	**26.4**

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NOTE 8 – DERIVATIVES

	As of 31 December,	
Amounts in thousands of U.S. Dollars	**2019**	2018
Forward exchange contracts assets	**-**	-
Forward exchange contracts liabilities	**-**	(1 472)
Total	**-**	(1 472)

In May 2017 the Group entered into a currency contract for hedging of currency risk from future instalment related to the vessel under construction, Antarctic Endurance. The last instruments matured in 2019 after delivery of the vessel. See Note 20 for further description of the derivative.

NOTE 9 – INCOME TAX

The Group is headquartered in the Norway and pays taxes according to the rates applicable in the countries and states in which it operates. Most taxes are recorded in the statement of profit or loss and relate to taxes payable for the reporting period (current tax), but also deferred taxes. Deferred tax is calculated based on the differences between the accounting value and tax value of assets and liabilities at the balance sheet date using the applicable tax rate.

The major components of income tax expense for the years ended 31 December 2019 and 2018 are:

Reconciliation of nominal statutory tax rate to effective tax rate:

	Year ended 31 December	
Amounts in thousands of U.S. Dollars	**2019**	2018
Profit (loss) before tax	**(23 335)**	(1 281)
Calculated income tax at statutory rate of 23%	**5 134**	295
Tax differential Norway and abroad	**(441)**	(34)
Unrecognized change in deferred tax assets	**(3 934)**	2 158
Permanent differences	**(1 175)**	51
Currency translation and other *	**1**	(2 211)
Total tax expense	**(415)**	259
Effective tax rate	**-2 %**	20 %

* The Group files its tax return in NOK

Deferred tax assets comprise:

	Year ended 31 December	
Amounts in thousands of U.S. Dollars	**2019**	2018
Property, plant and equipment and intangible assets	**5 280**	(2 204)
Inventory	**1 091**	(512)
Other	**23**	15
Tax losses carried forward	**52 868**	49 964
Interest rate deductability carry forward	**7 958**	6 141
Deferred tax assets	**67 220**	53 404
Unrecognized deferred tax assets	**(67 220)**	(53 404)
Recognized deferred tax assets	**-**	-

Current income tax expenses relate to subsidiaries in US (21% Federal tax rate) and Australia (30%). There were no changes in corporate tax rates in these countries over 2018 and 2019. In Norway the corporate tax rate was reduced from 23 % in 2018, to 22 % in 2019.

The movement in deferred tax assets from USD 53.4 million to USD 67.2 million is mainly due to increase in taxable losses, interests where deductibility has been denied and temporary differences related to the Group's fixed and intangible assets.

Based on the historical losses of the Group, it was concluded that deferred tax assets could not be recognized in the balance sheet as of 31 December 2019 or 2018. Since 2008 the Aker Biomarine AS has been involved in discussions with the tax authorities concerning deductibility of losses on receivables. The Norwegian Tax authorities concluded that losses of NOK 296 million was not deductible. Aker Biomarine AS has appealed the decision to The Norwegian Tax Appeal Board ("Skatteklagenemnda") and are currently waiting for their conclusion. The appealed losses are not part of the tax losses carried forward as presented in the above table.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, less any accumulated depreciation and any accumulated impairment losses. Depreciation is recognized on a straight-line basis over the estimated useful lives of each major component of property, plant and equipment. Assets under construction are not depreciated until the items are available for use as intended by management.

Expenditures to replace a component of property, plant and equipment are capitalized if it is probable that future economic benefits associated with the asset will flow to the Group and the costs can be measured reliably. Gains and losses are recognized upon asset de-recognition. The costs of consumables used, and day-to-day maintenance of property, plant and equipment are expensed as incurred. Costs incurred for major inspections and overhauls or to improve a vessel's operating efficiency, functionality or safety are capitalized.

Major inspections of vessels are performed on a regular basis as required by the classification society, such as Det Norske Veritas and according to laws and regulations. The costs of such inspections are, including replacement spares and labor costs, capitalized and amortized over the average expected life between major inspections. All other costs relating to maintenance of vessels is charged to the statement of profit or loss on consumption or as incurred.

Assets that will be disposed, which are classified as held-for-sale, are reported at the lower of their book value and their fair value less cost to sell. Depreciation of vessels is included in the cost of inventory conversion (see Note 12).

Movements in property, plant and equipment in 2019 and 2018:

Amounts in thousands of U.S. Dollars	Vessels, transportation, equipment, etc	Machinery	Asset under construction	Buildings and Land	Total
Acquisition cost as of 1 January, 2019	**105 250**	**95 840**	**105 271**	**8 708**	**315 069**
Investments	4 223	4 802	117 556	326	126 906
Investments from merger & acquisition	-	73	-	-	73
Asset retirements	-	(428)	-	-	(428)
Other reclassifications 1)	105 830	33 721	(181 605)	9 525	(32 529)
Acquisition cost as of 31 December, 2019	**215 303**	**134 009**	**41 222**	**18 559**	**409 092**
Acc. depreciation and impairment as of 1 January, 2019	**(46 278)**	**(33 027)**	**(2 654)**	**(728)**	**(82 687)**
Depreciation for the year	(14 979)	(9 952)	-	(313)	(25 244)
Impairment	-	(255)	(5 900)	-	(6 155)
Other reclassifications 1)	1 853	6 921	(1)	(1 413)	7 360
Acc. depreciation and impairment as of 31 December, 2019	**(59 404)**	**(36 312)**	**(8 555)**	**(2 454)**	**(106 726)**
Book value as of 31 December, 2019	**155 899**	**97 696**	**32 667**	**16 105**	**302 366**
Depreciation period	10-20 years	3-20 years			
Depreciation method	Straight-line	Straight-line			

[1] Net Other reclassifications include reclassifications of fishing licenses related to Juvel and milestone payments related to construction of a new charter vessel from asset under construction above to, respectively, intangible assets and prepayment. See Note 11-Intangible assets and Note 13-Trade receivable and other current receivables.

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Movements in property, plant and equipment in 2018:

Amounts in thousands of U.S. Dollars	Vessels, transportation, equipment, etc	Machinery	Asset under construction	Buildings and Land	Total
Acquisition cost as of 1 January, 2018	**104 777**	**93 874**	**72 701**	**8 087**	**279 439**
Investments	4 634	3 883	31 116	621	40 254
Asset retirements	(4 833)	(2 846)	-	-	(7 679)
Other reclassifications	672	929	1 454	-	3 055
Acquisition cost as of 31 December, 2018	**105 250**	**95 840**	**105 271**	**8 708**	**315 069**
Acc. depreciation and impairment as of 1 January, 2018	**(41 773)**	**(27 662)**	**(2 654)**	**(547)**	**(72 636)**
Depreciation for the year	(8 109)	(8 149)	-	(181)	(16 439)
Asset retirements	4 340	2 048	-	-	6 388
Other reclassifications	(736)	736	-	-	-
Acc. depreciation and impairment as of 31 December, 2018	**(46 278)**	**(33 027)**	**(2 654)**	**(728)**	**(82 687)**
Book value as of 31 December, 2018	**58 972**	**62 814**	**102 617**	**7 980**	**232 383**
Depreciation period	10-20 years	3-20 years			
Depreciation method	Straight-line	Straight-line			

Reconciliation depreciation and amortization

Amounts in thousands of U.S. Dollars	Year ended 31 December 2019	2018
Depreciation for the year of Property, plant & equipment	**(25 244)**	(16 439)
Impairment Property, plant & equipment	**(6 155)**	(900)
Amortization for the year of Intangible assets	**(8 699)**	(5 521)
Leasing (ROU) depreciation	**(2 833)**	-
Total	**(42 931)**	(22 860)
Depreciation and amortization related to production assets and included in cost to inventory	**(25 109)**	(17 321)
Depreciation and amortization related to other assets	**(17 822)**	(5 539)

The Groups total depreciation, amortization, and impairment is presented in the above schedule. As compared to the consolidated statement of profit or loss the USD 17.8 million (2018: USD 5.5 million) relates to amortization of assets not directly used in the production of goods, and therefore recognized as depreciation, amortization and impairment in the statement of profit or loss. Other assets primarily consist of the customer portfolios recognized following the business combinations / asset acquisitions of Lang, Neptune and Enzymotec (refer to note 7 for further description), and the impairment of Juvel in 2019. Inventoriable depreciation mainly consists of the Groups operating harvesting vessels, and the manufacturing plant in Houston, Texas, amounting to USD 25.1 million (2018: USD 17.3 million).

In April 2017 the Group entered into a new contract for a new krill harvesting vessel, Antarctic Endurance. In 2019 the Group paid NOK 489 million and EUR 21 million upon delivery. The payments were financed by debt of USD 113 million and the total cost of the vessel was USD 147.0 million, which includes capitalized interests, the mobilization period, construction cost and project management.

See Note 20 Financial risk for hedge of currency risk related to the instalments on the new vessel. See Note 18 Leasing for right-of-use assets.

The increase in depreciation fixed asset is due to the completion of Antarctic Endurance, while of the impairment of USD 6.1 million, USD 5.9 million relates to an impairment of the vessel Juvel. Juvel has not been in operation due to the ongoing legal case concerning the rights to the patented production technology in the factory onboard the vessel. Due to the uncertainty about the future use of the vessel and time the vessel has been in yard the Group could no longer defend the vessel through the overall krill business CGU. A separate valuation was performed to estimate the fair value of the vessel as per IAS 36. Seeing a value in use could not be utilized, a separate assessment of potential sales price was performed. The book value of the vessel at the time of valuation was USD 35.0 million. The Group valued the vessel at USD 18.7 million after subtracting costs to sell and separated the value of the krill harvesting license at USD 10.5 million. An impairment of USD 5.9 million was accounted for.

See Note 11 Intangible assets for further details concerning the amortization, and krill license assumptions.

As of 31 December 2019, the Group has USD 60 million in commitments for further investments in property, plant and equipment (2018: USD 140 million). For details on mortgages and pledging of security, see Note 15.

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NOTE 11 – INTANGIBLE ASSETS

Goodwill

Goodwill resulting from business combinations is allocated to each of the cash generating units ("CGU"), which are expected to benefit from synergies of the combination. Each unit to which goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes and reporting. The Group has two different CGUs, Ingredients and Brands, representing the two operating segments of the Group, both CGUs generate independent cash flows.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Impairment is determined for goodwill by assessing the recoverable amount of each unit to which the goodwill relates. When the recoverable amount of the unit is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Development

Expenditures for research activities performed to gain new scientific, technical or other knowledge are expensed when incurred. Development expenditures are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits probable and the Group intends to and has adequate resources to complete development and to use or sell the asset. The amount

Movements in intangible assets for 2019:

Amounts in thousands of U.S. Dollars	Goodwill	Development	License agreements	Fishing licences	Customer relation	Trademark	Total
Acquisition cost as of 1 January, 2019	**66 401**	**5 318**	**25 514**	**-**	**45 110**	**5 675**	**148 018**
Additions - external cost					9		9
Acquisition Lang	28 156	-	-	-	46 174	-	74 330
Asset retirements	-	-	(23 118)	-	-	-	(23 118)
Reclassifications 1)	-	-	-	10 500	-	-	10 500
Acquisition cost as of 31 December, 2019	**94 557**	**5 318**	**2 396**	**10 500**	**91 293**	**5 675**	**209 739**
Amortization and impairment losses as of 1 January, 2019	**-**	**(5 162)**	**(23 469)**	**-**	**(5 229)**	**-**	**(33 860)**
Amortization for the year	-	(83)	(377)	-	(8 239)	-	(8 699)
Asset retirements	-	-	23 118	-	-	-	23 118
Reclassifications	-	-	151	-	(151)	-	-
Amortization and impairment losses as of 31 December, 2019	**-**	**(5 245)**	**(578)**	**-**	**(13 619)**	**-**	**(19 442)**
Book value as of 31 December, 2019	**94 557**	**73**	**1 818**	**10 500**	**77 674**	**5 675**	**190 297**
Amortization period		5-10 years	10-12 years		7-10 years		
Amortization method		Straight-line	Straight-line		Straight-line		

1) Reclassified from asset under construction in property, plant and equipment, see Note 10-Property, plant and equipment.

capitalized includes the cost of materials and direct attributable expenses.

License agreements

License agreements acquired separately are measured at cost. Following initial recognition, the Groups license agreements are recorded less any accumulated amortization and impairment losses. The Group's license agreements are amortized on a straight-line basis and tested for impairment if impairment indicators exist.

The investment of USD 2.4 million in License agreements relates to patents and purification technology acquired from Orochem in July 2018. The asset retirements relate to CLA/Tonalin licensing agreements which expired in 2018.

Fishing Licenses

The Groups fishing licenses are recognized at 10.5 million and are not amortized. The licenses relate to krill fishery in the Antarctica and will remain in the Groups possession as long as all applicable requirements are met, and as such they are determined to have an indefinite life.

Customer relation, Trademark and Goodwill

The recognized goodwill of USD 28.1 million, and the customer relations of USD 46.2 million are intangible assets recognized at Group level following the acquisition of Lang.

The 2018 additions comprising of USD 18.8 million in customer relation, USD 1.8 million in trademark and USD 1.2 million in goodwill relates to acquisition of Enzymotec's krill-oil business in January 2018. The 2018 opening balance relates to the 2017 asset acquisition of the krill business in Neptune, where the Group recognized USD 23.3 million in customer relations, and USD 3.9 million in trademarks.

See further details in Note 7 Asset acquisition and Business combinations.

Movements in intangible assets for 2018:

Amounts in thousands of U.S. Dollars	Goodwill	Development	License agreements	Customer relation	Trademark	Total
Acquisition cost as of 1 January, 2018	**65 153**	**5 430**	**23 118**	**26 277**	**3 894**	**123 872**
Additions - external cost	1 248	-	2 396	18 833	1 781	24 258
Asset retirements	-	(112)	-	-	-	(112)
Acquisition cost as of 31 December, 2018	**66 401**	**5 318**	**25 514**	**45 110**	**5 675**	**148 018**
Amortization and impairment losses as of 1 January, 2018	**-**	**(5 191)**	**(22 384)**	**(876)**	**-**	**(28 451)**
Amortization for the year	-	(83)	(1 085)	(4 353)	-	(5 521)
Asset retirements	-	112	-	-	-	112
Amortization and impairment losses as of 31 December, 2018	**-**	**(5 162)**	**(23 469)**	**(5 229)**	**-**	**(33 860)**
Book value as of 31 December, 2018	**66 401**	**156**	**2 045**	**39 881**	**5 675**	**114 158**
Amortization period		5-10 years	10-12 years	7-10 years		
Amortization method		Straight-line	Straight-line	Straight-line		

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Impairment testing

The Group tests goodwill for impairment on an annual basis. Goodwill was allocated to the Ingredients segment that represented all business operations of the Group as of 31 December 2018. As from the acquisition of Lang in March 2019, the Group recognizes Brands as a separate segment and CGU but except for the Brands segment (see Note 3) there are no other separate cash generating units.

The recoverable amount for the Ingredients segment as a cash generating unit is estimated based on its value in use. The estimated value in use is based on discounted future cash flows. The following assumptions were applied for 2019:

- Projected cash flows are based on management's best estimates and the business plan for the Ingredients segment for the subsequent five years period. The estimates are based on detailed forecast prepared by the various departments in the Ingredients segment. For subsequent periods, the model is based on estimated terminal growth of 2.0 percent, which is in line with long-term forecasts for growth in GDP. In the forecast for the period 2020-2024, revenue projections are based on agreements entered into, actual historical prices along with management's evaluation of the potential for new agreements. The estimated operating margin is in accordance with management`s forecast which is based on the scalability in the business model. As large proportion of the Group's operating expenses are independent of production volumes means that increased sales levels will contribute to higher operating margins.

- Future product pricing has as per the above been based on historical prices and managements expectation with regards to new arrangements. The Group has prudently kept the krill oil prices at 2019 levels going forward and expect also the krill meal sales prices to over time remain at the same levels as seen in 2018. Sales volumes has been modelled to follow the production targets, however lagging as to allow for building and maintaining safety-stock.

- The terminal value in the model used to calculate value in use in 2019 is based on a WACC of 11% and an assumed long-term annual growth equal to 2%.

- Capital expenditure is based on the long-term technical and operations program and firm commitments. It is also assumed that the vessels will be re-acquired upon end of the assumed useful life and that the business will continue with 3 operating vessels.

- The discount rate is estimated based on a weighted average of equity return requirements and expected costs of debt, assuming a projected debt-to-equity ratio of 1 (2018: 1). The cost of debt is based a credit spread which is based on average US corporate bond yields with B credit rating less the on risk-free interest rates 10-year U.S. government bonds yield at the date of the valuation, which is applied separately.

The sensitivity of the value in use has been tested by using simulations of various combinations of discount rates and changes in vessel production volumes, krill production and -sales in addition to fuel cost. No reasonably combination of these factors results in a value in use being lower than the value recognized in the balance sheet as of 31 December 2019.

Development

No development costs related to development of production processes, production technology for krill oil and maintenance of patents and licenses were capitalized in 2019 and 2018.

NOTE 12 – INVENTORIES

Inventories are measured at the lower of actual production cost (including freight) and net realizable value. Acquisition cost is based on the actual cost of warehoused materials. The cost of finished goods and work in progress comprises the costs of raw materials, direct labor, other direct cost and related production overheads. Indirect costs allocated to inventories includes salaries, depreciation and certain other operating expenses. The Group assigns cost of inventories using a weighted average cost formula.

Net realizable value is the estimated sales price in the ordinary course of business, less the costs of completion such as freight and commission. The impairment from actual production cost (including freight) to net realizable value is recognized in "Net change in inventories".

The production of both Krill oil and Qrill™ branded ingredients is highly complex where the Group controls the entire value chain from harvesting of raw krill in the Antarctic to the onboard krill meal processing, oil extraction and quality control. Furthermore, the process is very sensitive to harvesting conditions, such as length of the fishing season and other external factors like specification of the krill harvested. These factors all influence the parameters for capitalization of indirect production costs in the Group and full cost of the products.

The inventory balance as of 31.12.2019 is pledged as security and is included in the book value of assets pledged as security, please refer to note 15.

Inventory balances as of 31 December 2019 and 2018 are shown below:

	Year ended 31 December	
Amounts in thousands of U.S. Dollars	**2019**	2018
Raw materials and goods under production	**21 304**	6 960
Finished goods	**73 421**	36 744
Total	**94 725**	43 704
Cost of inventories recognized at net realizable value	**33 617**	26 670
Carrying value of inventories recognized at net realizable value	**29 420**	24 481
Write-down of inventories recognized towards net change in inventories in the period*	**(4 197)**	(2 189)
Carrying value of inventories pledged as security	**94 725**	33 468

*) Includes weight corrections, replacements to customers and obsolesence

Movements in inventory during the year comprise:

		Year ended 31 December
Amounts in thousands of U.S. Dollars		**2019**
Inventory at 1 January 2019		**43 704**
Brands Inventory:		
Inventory at acquisition date	31 684	
Cost of goods sold	(63 357)	
Acquired inventory for sale	68 751	
Brands Inventory at 31 December 2019	**37 078**	**37 708**
Elimination of internal profit in inventory sold to Brands		(2 500)
Ingredrients production value		133 508
Ingredients cost of goods sold		(93 586)
Other changes 1)		(24 240)
Spare parts inventory		760
Inventory at 31 December 2019		**94 725**

1) Include USD 20 million in consumption and rework and USD 4 million in obsolete and other

From the above, acquired inventory of USD 31.7 million represents the inventory Brands had as per acquisition date. Seeing Brands as a distributor, no production is performed. Brands purchases of products for processing and sale are therefore presented as "acquired inventory for sale" in the above schedule. Elimination and other changes comprise mainly rework and consumption.

Net change in inventories - reconciliation	
Cost of goods sold before elimination of internal sales and internal profit	(156 943)
Produced inventory	133 508
Acquired inventory	100 435
Changes sparepart inventory	760
Rework, consumption, obsolete and eliminations	(24 241)
Elimination of internal profit on stock	(2 500)
Net change in inventories	**51 020**

Cost of goods sold before elimination of internal sales and internal profit	(156 943)
Elimination of cost of internal sales	13 542
Elimination of internal profit on stock	(2 500)
Cost of goods sold recognized in Profit and Loss	**(145 901)**

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The total production value of goods manufactured in 2019 can be specified as follows:

	Year ended 31 December	
Amounts in thousands of U.S. Dollars	**2019**	2018
Salaries	**(30 611)**	(22 762)
Direct Production	**(9 878)**	(11 068)
Fuel	**(19 042)**	(18 450)
Consumables	**(3 948)**	(2 027)
R&M	**(5 230)**	(3 578)
Nutra Freight	**(1 556)**	(1 794)
Capsulation	**(4 603)**	(6 230)
Depreciation	**(25 109)**	(16 273)
Consumption of krill raw materials	**(19 057)**	(18 190)
Other	**(14 474)**	(9 182)
Book value of inventory at year end 31 December 2019	**(133 508)**	**(109 554)**

NOTE 13 – TRADE RECEIVABLE AND OTHER CURRENT ASSETS

	Year ended 31 December	
Amounts in thousands of U.S. Dollars	**2019**	2018
Accounts receivable	**37 393**	20 438
Prepaid expenses	**24 209**	6 713
Other current receivables	**12 662**	8 072
Total	**74 264**	35 223

The increase in prepayments relates mainly to increased stock of fuel, packing material and other equipment related to the operation of the vessels. Further the milestones paid on the vessel currently under construction in China, Provider, is classified prepaid expenses. Provider installments amount to USD 14.4 million as per 31.12.2019.

NOTE 14 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated balance sheet and cash flow statement comprise cash at banks, including restricted deposits, and cash on hand.

Cash and cash equivalents comprise the following items:

	Year ended 31 December	
Amounts in thousands of U.S. Dollars	**2019**	2018
Cash and bank deposits	**12 425**	1 526
Restricted bank deposits	**1 185**	989
Cash and cash equivalents	**13 610**	2 515

Restricted bank deposits relate to employee tax withholdings used to settle tax remittances with the tax authorities on a periodic basis. As of 31 December 2019, the Group had drawn USD 14.4 million (2018: USD 13.6 million) out of a total of USD 15.0 million available in an overdraft facility. With regards to the new overdraft facility related to the Lang acquisition, the Group had drawn USD 14.8 million out of an overdraft facility of USD 25.0 million.

NOTE 15 – INTEREST BEARING DEBT

The Group recognizes interest-bearing debt initially at fair value, net of transaction costs incurred. Subsequently the debt is carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of profit or loss over the period of the debt using the effective interest method.

	Year ended 31 December	
Amounts in thousands of U.S. Dollars	**2019**	2018
Non-current liabilities		
Secured bank loans	**279 509**	132 995
Non-current NOK-denominated loan from Antarctic Harvesting Holding AS	**1 334**	1 334
Non-current USD-denominated debt to Aker ASA	**73 795**	37 295
Other secured debt	**7 800**	7 800
Leasing liabilities	**10 035**	
Book value total interest-bearing non-current liabilities	**372 473**	179 424
Current liabilities		
Current portion of secured loans	**11 811**	12 357
Overdraft facilities	**29 135**	13 587
Leasing liabilities	**6 646**	
Book value total interest-bearing current liabilities	**47 591**	25 944
Book value total interest-bearing liabilities	**420 064**	205 368

In 2019 the Group renewed one loan agreement and entered into two new loan agreements. The revolving credit facility (USD 135 million) was extended in 2018 and amended in 2019 to reflect the inclusion of a second bank into the agreement. The first new loan in 2019 was drawn to fund the acquisition of Lang and the second new loan to fund the take-out of Antarctic Endurance. The first new loan agreement is structured as an RCF, whereas the second loan is repaid through quarterly instalments over the next 12 years from the utilization date.

The Group has also through 2019 paid down the loan towards Naturex (seller credit Naturex) on maturity.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Terms and debt repayment schedule:

Loan	Currency	Amount in USD	Nominal interest rate	Year of maturity	Installments
Secured bank loan - CAT	USD	2 328	3 mths LIBOR + 3.95%	2022	Semi-annual
Secured bank loan - RCF-DNB/RABO	USD	120 000	6 mths LIBOR + 3.4%	2023	Annual from 2020
Secured bank loan - RCF + TL NewRide - DNB/ RABO		45 000	6 mhts LIBOR + 3.25 %	2022	Quarterly, Term Loan
Secured bank loan - RCF + TL NewRide - DNB/ RABO		7 919	6 mhts LIBOR + 2.5 %	2022	In full upon termination
Secured bank loan - DNB/GIEK/NEK	USD	105 357	3.13 % (fixed)	2031	n/a
Secured loan from Innovation Norway - 1	NOK	3 498	5.2% (fixed to 2020)	2026	Semi-annual
Secured loan from Innovation Norway - 2	NOK	7 089	5.2% (fixed to 2020)	2026	Semi-annual
Secured loan from Innovation Norway - 3	NOK	683	4.95% (floating)	2023	Semi-annual
Loan from AKER ASA	USD	73 795	3 mths LIBOR + 5%	-	-
Antarctic Harvesting Holding AS	NOK	1 334	7.0%	-	-
Overdraft facility with DNB	USD	14 372	LIBOR + 2.5%	n/a	n/a
Overdraft facility with DNB/RABO	USD	14 763	6 mhts LIBOR + 2.5 %	n/a	n/a
New Market Tax Credit US (NMTC loan)	USD	7 800	3.4%	2020	To be recognized 1. half 2020
Leasing financing	NOK/USD	16 681	6.4 - 7.3%	< 2026	Mthly

LOAN TERMS AND CONDITIONS

All financial covenants presented below are the ones that currently applies to the Group. The covenants compliance tests referred to below are all based on historical figures for the Group.

Secured USD-denominated bank loan covenants

The Caterpillar Finance loan agreement features covenants on equity and debt to equity ratio and minimum net worth in Aker BioMarine AS. The company complied with all covenants in 2019 and 2018.

Secured USD-denominated bank loan covenants

The DNB/Rabobank loan agreement features covenants on EBITDA. The loan covenants also have leverage ratio requirements. The Group is compliant with all loan covenants.

Term Loan and Guarantee facilities agreement

The vessel loan agreement features covenants on EBITDA. The loan covenants also have leverage ratio requirements, interest cover ratio requirements and a condition with regards to available liquidity. The Group is compliant with all loan covenants.

Term Loan and Guarantee facilities agreement

The vessel loan agreement features covenants on EBITDA. The loan covenants also have leverage ratio requirements and interest cover ratio requirements. The Group is compliant with all loan covenants.

Loans from Innovation Norway

The loans from Innovation Norway do not feature any restrictive covenants associated with key financial performance figures.

Overdraft facility

Total amount drawn on the overdraft facility from DNB shall not exceed the sum of:

1. 75% of external accounts receivable; and
2. 60% of total inventory.

The Group's borrowings did not exceed the borrowing base in 2019 or 2018.

The following table display debt secured by mortgaged assets:

Debt secured by mortgage assets

	Year ended 31 December	
Amounts in thousands of U.S. Dollars	**2019**	2018
Secured bank loans	**291 319**	145 352
Other secured debt	**7 800**	7 800
Overdraft facility	**29 135**	13 587
Total	**328 255**	166 740
Book value of assets pledged as security		
Operating assets	**382 439**	285 071

The following table reconciles the movements in liabilities to cash flow from financing activities in 2019:

Amounts in thousands of U.S. Dollars	Secured bank loans	Proceeds from owner	Other long term loans	Bank overdraft	Other short term loans	**Total**
Balance at 1 January 2019	135 337	38 629	17 815	13 587		**205 368**
Overdraft facility from Lang acquisition				19 900		**19 900**
Changes in Financing cash flows						
New loan from owner- Aker ASA	-	36 500	-	-		**36 500**
Secured bank loan - RCF + TL NewRide - DNB/ RABO	45 000		7 919			**52 919**
Secured bank loan - DNB/GIEK/NEK	112 385					**112 385**
Instalment Secured bank loan - DNB/ GIEK/NEK	(7 033)					**(7 033)**
Instalment Innovation Norway - 1	(396)	-	-	-		**(396)**
Instalment Innovation Norway - 2	(818)	-	-	-		**(818)**
Instalment Innovation Norway - 3	(161)	-	-	-		**(161)**
Instalment Caterpillar Finance	(931)	-	-	-		**(931)**
Instalment Naturex	-	-	(10 015)	-		**(10 015)**
Leasepayments			(3 360)			**(3 360)**
Overdraft facility with DNB/RABO				14 763		**14 763**
Repayment of overdraft from Lang acquisition				(19 900)		**(19 900)**
New/increase withdrawal overdraft facility- DNB		-	-	785		**785**
Total changes in Financing cash flows	148 044	36 500	(5 456)	(4 353)	**-**	**174 735**
Non-Cash changes						
Loan converted to equity- Aker ASA	-	-	-	-		**-**
Leasing financing (IFRS16)			13 395		**6 646**	**20 041**
Other changes, liability related						
Interest/fees charged to loan	-	-	-	-		**-**
Effect of changes in foreign exchange rates	20	-	-	-		**20**
Total liability related changes	20	-	-	-	**-**	**20**
Balance at 31 December, 2019	283 401	75 129	25 754	29 135	**6 646**	**420 064**

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The following table reconciles the movements in liabilities to cash flow from financing activities in 2018:

Amounts in thousands of U.S. Dollars	Secured bank loans	Proceeds from owner	Other long term loans	Bank overdraft	Total
Balance at 1 January 2018	139 031	101 690	19 960	14 453	**275 134**
Changes in Financing cash flows					
New loanfrom owner- Aker ASA	-	62 000	-	-	**62 000**
Increase withdrawal overdraft facility- DNB		-	-	(866)	**(866)**
Instalment Innovation Norway - 1	(601)	-	-	-	**(601)**
Instalment Innovation Norway - 2	(834)	-	-	-	**(834)**
Instalment Innovation Norway - 3	(176)	-	-	-	**(176)**
Instalment -Caterpillar Finance	(931)	-	-	-	**(931)**
Naturex	-	-	(2 145)	-	**(2 145)**
Total changes in Financing cash flows	(2 542)	62 000	(2 145)	(866)	**56 447**
Non-Cash changes					
Loan converted to equity- Aker ASA	-	(125 061)	-	-	**(125 061)**
Other changes, liability related					
Effect of changes in foreign exchange rates	(1 152)	-	-	-	**(1 152)**
Total liability related changes	(1 152)	-	-	-	**(1 152)**
Balance at December 31, 2018	135 337	38 629	17 815	13 587	**205 368**

NOTE 16 – OTHER NON-CURRENT LIABILITIES

	Year ended 31 December	
Amounts in thousands of U.S. Dollars	**2019**	2018
Guarantee premium payable to Aker ASA	**11 596**	9 964
Interest payable to Aker ASA	**12 185**	7 626
Earn out and other non-current liabilities	**41 732**	-
Pension liabilities	**106**	67
Total	**65 618**	17 657

Aker ASA has issued a guarantee for the Group's secured bank loan with DNB. The Group pays a guarantee fee to Aker ASA of 5 percent of NOK 305 million (guarantee amount). The fee accrues up to the maturity date of the DNB loan and become payable at the same time. The interest payable to Aker ASA relates to the interest-bearing long-term loans from Aker ASA.

The earn-out period is from 2019 through 2022, and could if certain financial targets, as EBITDA, are met result in a gross payment of USD 50 million over the next years, with the last payment in 2023. The payment will range between 0 and USD 50 million, depending on whether the financial targets are met or not. There is a gliding scale between the high and low end.

The fair value of the contingent consideration arrangement was estimated calculating the present value of the future expected cash flows using on a discount rate of 11%. There were no changes to the assumptions with regards to target achievement as compared to the acquisition date. The Group expensed USD 3.3 million as financial expense to account for the fair value adjustments as per 31.12.2019, and as per above this fair value adjustment was due to the discounting effect.

NOTE 17 – ACCOUNTS PAYABLE AND OTHER PAYABLES

Accounts payable and other payment liabilities comprise the following items:

	Year ended 31 December	
Amounts in thousands of U.S. Dollars	**2019**	2018
Accounts payable	**23 340**	11 469
Accrued expenses	**26 311**	11 332
Other current liabilities	**2 342**	4 136
Total	**51 994**	26 937

Foreign exchange and liquidity risks are described in Note 20.

NOTE 18 – LEASING

The Group has various types of lease assets, the main leases being office locations, several warehouses and a tramper vessel. The smaller leases comprise mainly apartments for employees and IT equipment in addition to equipment in factory.

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any period covered by an option to terminate the lease if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain to exercise a renewal option, considering all relevant factors and economic incentive to exercise the renewal option. The lease period in the current leases varies from one to five years, several of them with option for renewal. Most of the leases include a clause for price increases during the lease period.

The Group has elected not to recognize right-of-use (ROU) assets and lease liability for the following type of leases:

- Short term leases with lease term less than 12 months from commencement that does not include a purchase or renewal options
- Leases of low value (USD 5 000)
- Non-lease components in a contract is not separated. This applies mainly to housing contracts if for example services is included
- Contracts that include both equipment and services is not included if service is the main part of the contract, this applies for example to the waste and water contracts in Houston.

The Group recognizes a ROU asset at the lease commencement date. The ROU asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The cost of ROU asset includes the amount of lease liability recognized, initial direct costs incurred, and the lease payments made at or before the commencement date less any lease incentives received. The ROU asset is generally depreciated on a straight-line-basis over the shorter of its estimated useful life and the lease term and is subject to impairment assessment of non-financial assets.

The lease liability is initially measured at the present value of the future lease payments at commencement date discounted using either:

- The rate implicit in the lease, or if that cannot be determined
- The Group's incremental borrowing rate.

Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group's incremental borrowing rate is defined as the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the ROU asset in a similar economic environment. The Group is calculating the incremental borrowing rate in a model with swap rate as a basis and adjustments reflecting

- Credit worthiness of the lessee
- Length of the contract
- Amount
- Type of asset and
- Jurisdiction and the currency.

Following the above the rates used by the Group varies between 5.7% and 7.6%.

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The Groups ROU asset as at 31 December 2019 include:

Amounts in thousands of U.S. Dollars	Buildings and vessel	Machinery and equipment	Total
Balance as of 1 January 2019	4 870	69	4 940
Depreciation for the year	(2 802)	(31)	(2 833)
Additions to ROU assets	18 268	129	18 397
Derecognition of ROU asset	(3 947)		(3 947)
Total	**16 389**	**167**	**16 557**

Derecognition of asset in 2019 relates to mainly to office relocation at the Fornebu building. The company moved to a larger area and as a result the initial contract was terminated and replaced with a new contract.

AMOUNTS RECOGNIZED IN PROFIT OR LOSS

Amounts in thousands of U.S. Dollars	2019
Expenses related to short-term lease	(884)
Expenses related to low-value asset, excl. short-term	(40)
Leasing expenses related to variable payments not included in lease liabilities	(278)
Interest on ROU lease liabilites	(729)
Recognition of difference between lease liability and ROU asset per 1 Jan 2019 on derecognized asset	424
Effect of changes in foreign exchange rates	57
Total	**(1 450)**

2018 OPERATING LEASE PAYMENTS UNDER IAS 17

Amounts in thousands of U.S. Dollars	2018
Lease expense	(4 436)
Sub-lease income	319
Total	(4 117)
ROU assets recognized in cash flow statement:	(3 360)

2019 OPERATING LEASE PAYMENTS UNDER IFRS 16

Amounts in thousands of U.S. Dollars	Minimum lease payments
Within one year	6 679
1-2 years	3 628
3-5 years	8 301
More than 5 years	1 049
Total	**19 657**

See also Note 20 Liquidity risk

2018 - OPERATING LEASE PAYMENTS UNDER IAS 17

Amounts in thousands of U.S. Dollars	Minimum lease payments
Within one year	1 354
In 1-5 years	4 465
More than 5 years	626
Total	**6 445**

Increase in leases in 2019 relates mainly to several new warehouse contracts in Uruguay, Houston and Haugesund, a charter vessel contract and in addition several new and extended office contracts.

NOTE 19 – FOREIGN EXCHANGE RATES

In preparing the Group's consolidated financial statements, the following exchange rates have been applied:

Country	Denomi-nation		Average rate year ended 31 December, 2019	Rate at 31 December, 2019	Average rate year ended 31 December, 2018	Rate at 31 December, 2018
Norway	NOK	1	0.1136	0.1139	0.1230	0.1151
European Union (EU)	EUR	1	1.1192	1.1234	1.1803	1.1450

The monthly average exchange rates and the exchange rates as of 31 December have been used in translating profit or loss and balance sheet items, respectively. If the monthly average fails to provide a reasonable approximation of the exchange rate to apply to the nominal transaction price, then the exchange rate on the date of the transaction will be applied.

NOTE 20 – FINANCIAL RISK

The Group's activities expose it to various types of risk which are associated with the financial instruments and markets in which it operates. The most significant types of financial risk the Group is exposed to are credit risk, liquidity risk, and market risks (including foreign exchange risk, interest rate risk and bunker risk. To manage these risks, risk management is carried out in order to create predictability and stability for operating cash flows and values. Management can use financial derivatives to hedge against risk relating to operations, financing, and investment activities if the financial derivative has been approved by the Board of Directors. In 2017 the Group entered into a currency contract with DNB for hedging of future currency risk against NOK in future payment obligations related to the construction of the new vessel Antarctic Endurance, see further description of the contract below. The last payment related to this contract was in 2019.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's main credit risk relates to receivables from customers. Exposure to that risk is monitored on a routine basis and credit evaluations are performed on customers as appropriate. When entering into significant sales contracts, the sales department seeks to reduce credit risk through more stringent payment terms including requirement of up-front payments. The Group has had low losses on receivables as the sales department is maintaining close contact with each customer and routine billing and cash collection is performed.

The book value of financial assets represents the maximum credit exposure.

Receivables presented under Trade Receivables are ordinary account receivables generated through sales of goods, accounted for under IFRS 15. The Group does not grant any payment terms more than 12 months, meaning that if the Group were to estimate expected credit losses (ECL) as according to general or simplified approach, the ECL would (for all material purposes) represent the lifetime expected credit losses.

The Group has determined to apply the practical expedient for measuring ECL of the Account Receivable, mainly due to the large extent of smaller clients, and the limited amount of losses over the past years.

The Group has designed a provision matrix based on the assessment on historical data from the past six years to identify whether there are either geographical or market (Qrill / Superba) indications of whether any additional breakdowns into sub-portfolios is required. The reasonability of the ECL accruals compared to prior years actual losses has also been assessed, to ensure it constitutes a reasonable expectation.

The ECL rates per portfolio will be reviewed at each reporting date to assess if the matrix still reflects the current conditions, and if the provision still is at a reasonable and supportable level, reflecting the future economic conditions.

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Aging profile of accounts receivable and bad debt provisions:

	Gross trade receivable and bad debt provision	
Amounts in thousands of U.S. Dollars	2019	2018
Not at maturity	29 598	16 609
Due within 0-30 days	7 387	3 255
Due within 31-120 days	331	508
Due within 121- 365 days	125	119
More than one year	136	160
Total trade receivable	37 577	20 651
Bad debt provision	(185)	(213)

Movements in allocation to loss on trade receivable and contract assets

Balance at 1 January under IFRS 9	(213)
Impairment loss (write-off) on trade and other receivables	316
Provision/reversal of impairment loss on trade and other receivables	41
Write off receivables not provisioned for	(329)
Effects of changes in foreign exchange rates	0
Allocation to loss on trade receivable and contract assets	(185)

Write off and allocation for loss on trade receivable are included under operating expenses in the consolidated profit and loss.

The Group`s two most significant customers account for USD 9.8 million of the receivables carrying amount as of 31 December 2019 (2018: USD 8.7 million).

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Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial liabilities as they mature. The Group does not hedge against exposure to interest-rate fluctuations on debt and is therefore exposed to fluctuations on the variable-rate amount of interest-bearing liabilities, which was USD 279 million as of 31 December 2019 (2018: USD 192 million).

Overview of maturities including estimated interest payments by category of liability:

			2019 maturity structure — loans and interest				
Amounts in thousands of U.S. Dollars	Book value at 31 December, 2019	Nominal values	Up to 6 months	6-12 months	1-2 years	3-5 years	More than 5 years
Secured bank loans	291 319	(352 221)	(13 631)	(18 482)	(31 805)	(216 273)	(72 029)
Other non-current interest bearing liabilities	7 800	-	-	-	-	-	-
Interest bearing debt, non-current, related parties	75 129	(95 330)	-	-	-	(93 903)	(1 427)
Overdraft facility	29 135	(29 125)	-	-	-	(29 125)	
Leasing liabilities (IFRS16)	16 681	(19 657)	(3 648)	(3 031)	(6 981)	(5 997)	-
Total 2019 maturity of loans and interest on interest-bearing debt	**420 064**	**(496 332)**	**(17 279)**	**(21 513)**	**(38 786)**	**(345 297)**	**(73 456)**
Accounts payable and other current liabilities	51 994	51 994	51 994	-	-	-	-
Non-current non-interest-bearing liabilities	65 618	(75 881)	-	-	(21 866)	(46 315)	(7 700)
Total liabilities	**537 676**	**(520 219)**	**34 714**	**(21 513)**	**(60 652)**	**(391 612)**	**(81 156)**

			2018 maturity structure — loans and interest				
Amounts in thousands of U.S. Dollars	Book value at 31 December, 2018	Nominal values	Up to 6 months	6-12 months	1-2 years	3-5 years	More than 5 years
Secured bank loans	135 337	172 414	5 320	5 305	10 533	145 261	5 995
Other non-current interest bearing liabilities	17 815	18 011	10 211	-	7 800	-	-
Interest bearing debt, non-current, related parties	38 629	47 589	1 483	1 483	2 967	41 656	-
Overdraft facility	13 587	13 587	13 587	-	-	-	-
Forward exchange contract	1 472	1 472	1 472	-	-	-	-
Total 2018 maturity of loans and interest on interest-bearing debt	**206 840**	**253 073**	**32 073**	**6 788**	**21 300**	**186 917**	**5 995**
Accounts payable and other current liabilities	26 937	26 937	26 937	-	-	-	-
Non-current non-interest-bearing liabilities	17 657	17 657	-	-	17 590	-	67
Total liabilities	**251 435**	**297 668**	**59 010**	**6 788**	**38 890**	**186 917**	**6 062**

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Market risk

i) Foreign exchange risk

The Group operates in a global market and is exposed to currency fluctuations, primarily through fluctuations in the USD, NOK and EUR exchange rates. In addition, the Group has operations with exposure to local currencies in Uruguay, Australia, India, Thailand, New Zealand, Canada and China, but these exposures are regarded minimal. The Group has USD as its presentation and functional currency in the main group companies. The Group has NOK denominated financial instruments thus the balance sheet is exposed to changes in NOK/USD exchange rate.

The Group seeks to ensure that revenues and expenses are in the same currency. Future cash flows are estimated and offset. The Group periodically assesses the need for foreign currency hedging. Currency risk is managed on an overall Group level.

The Group used derivatives to hedge the currency risks related to the instalments on the construction of the new vessel, Antarctic Endurance, see Note 8 and Note 10. The instruments fixes currency exposure related to payments in NOK on future instalments. The arrangement is accounted for as a cash flow hedge, where upon reclassification from OCI, the amounts becomes a basis adjustment. The remaining instalments were due in 2019. No ineffectiveness was recognized in the consolidated statement of profit and loss over the lifetime of the instrument.

The table below gives aggregated numbers related to the cash flow hedges for the period 2019.

Amount in USD million	2019	2018	2017
Reclassified to expected fixed asset	(1.0)	-	-
Reclassified to related fixed asset from OCI during the year	-	0.5	0.4

As per 31 December 2018 a liability of USD 1.5 million was recognized and is presented under "derivative liabilities" in the balance sheets, the Group had no such instruments as of 31.12.2019.

The table below shows the Group's exposure to foreign exchange risk at year end.

	Year ended 31 December, 2019		Year ended 31 December, 2018	
Amounts in thousands of U.S. Dollars	Euro	NOK	Euro	NOK
Accounts receivable	2 739	2 865	2 814	906
Cash	(5 086)	(10 237)	-	968
Secured bank loan	116	(15 426)	-	(14 634)
Accounts payable	(3 409)	(7 852)	(2 414)	(4 327)
Other balance sheet items	-	(9 424)	(284)	(3 269)
Gross balance sheet exposure	(5 640)	(40 074)	116	(20 356)
Currency forwards				
Net exposure	(5 640)	(40 074)	116	(20 356)

Sensitivity analysis

A 10% increase or decrease in USD relative to the Euro and the NOK would have reduced or increased the Group's profit before tax with USD 0.6 million and USD 4.0 million, respectively.

ii) Interest rate risk

The Group's borrowings and any surplus cash balances are held at variable and fixed interest rates linked to the Norwegian or London interbank offered rate (NIBOR and LIBOR, 3 or 6 months). A movement of 100 basis points in the interest rate on borrowings and surplus cash balances through the year would have affected the Groups profit before tax with USD 3.6 million. (2018: USD 1.8 million). This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Interest rate profile

At the close of the year, the interest- rate profile for the Group's interest-bearing financial instruments was as follows:

Amounts in thousands of U.S. Dollars	Year ended 31 December, 2019	Effective interest rate year ended 31 December, 2019	Year ended 31 December, 2018	Effective interest rate year ended 31 December, 2018
Fixed-interest instruments				
Secured loans from Innovasjon Norge	(10 587)	5.27 %	(11 937)	5.45 %
Loan from Antarctic Harvesting Holding AS	(1 334)	7.00%	(1 334)	7.00%
Net fixed interest instruments	(11 921)		(13 271)	
Floating-interest instruments				
Financial assets				
Cash and cash equivalents	13 610	variable *)	2 515	variable *)
Financial liabilities				
Secured bank loan - RCF + TL - DNB/ RABO	(52 919)	5.4 %		
Secured bank loan - DNB/GIEK/NEK	(105 357)	6.4 %		
Secured bank loan - Innovasjon Norge	(683)	5.27 %	(863)	4.92 %
Secured bank loan - Caterpillar Finance	(2 328)	6.44 %	(3 259)	6.15 %
Secured bank loan - DNB	(119 446)	6.02 %	(119 275)	6.61 %
Liquidity loan from Aker ASA	(73 795)	7.38 %	(37 295)	8.07 %
Seller Credit Naturex	-	-	(10 015)	3.70 %
New Market Tax Credit US (NMTC loan)	(7 800)	3.40 %	(7 800)	3.40 %
Overdraft facility	(29 135)	variable **)	(13 588)	variable **)
Leasing liabilites (IFRS16)	(16 681)	variable **)		
Net variable interest instruments	(394 533)		(192 097)	
Total net interest-bearing debt	(406 454)		(202 853)	

*) different cash and cash equivalents carry different interest rates, as such no effective interest rate has been calculated
**) different loans/ receivables carry different interest rates, as such no effective interest rate has been calculated

iii) Fuel price risk

One of the Group's significant operating costs is the fuel cost. As such, the Group is exposed to fuel price fluctuations since the vessels use fuel while steaming and in production. The profitability and cash flow of the Group will therefore depend upon the market price of fuel. The Group did not in 2018 nor 2019 hedge the fuel price risk but monitored movement in prices closely in order to implement other actions. In 2020 certain fuel option contracts have been entered, as described in note 25 'Subsequent events'

The recent COVID-19 crisis inherently increases many of these risk factors; markets become more uncertain, operations become more vulnerable to interruptions and policy makers around the world may gravitate towards stricter regulations impacting international trade.

Fair values

The Group had financial receivables that under IFRS 9, based on evaluation of business model applied, will be measured at fair value over the profit and loss; however, this is in line with how these assets previously have been accounted for, and the last applicable receivable was settled in 2019.

Trade receivables are classified at amortized cost. An expected loss recognition process is used, utilizing the practical expedient. Expected credit losses (ECL) are calculated based on a matrix taking into consideration customer risk, and geographical segments and historical data.

Based on the Group's assessment, there were no new classification requirements following IFRS 9 implementation, which had material impact on accounting for financial assets or liabilities upon implementation in 2018.

The fair values quoted in the table below are categorized within the fair value hierarchy, described below, and based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

All fair values using Level 2 valuation techniques are based on discounted cash flow models.

The short-term nature of financial instruments such as cash and bank deposits results in the book value approximating fair value. The same approach applies to receivables and debt associated with the business cycle. Financial assets that are classified as held for sale and financial assets at fair value through profit and loss are recorded at fair value.

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Per 31 December 2019								Carrying amount				Fair value
	Fair value through P&L	Derivates (not hedge accounting)	Amortised cost	Fair value through OCI	Interest rate swaps	Forward exchange contracts	Other derivate contracts	Total book value	Level 1	Level 2	Level 3	Total fair value
Amounts in thousands of U.S. Dollars	Fair value through P/L			Qualified for hedge accounting								
Other non-interest-bearing non-current assets			145					145		145		145
Accounts receivables	133		49 454					49 587		49 454		49 454
Other non-interest-bearing current receivables			1 185					1 185		1 185		1 185
Cash and cash equivalents			12 425					12 425		12 425		12 425
Total financial assets	**133**	**-**	**63 209**	**-**	**-**	**-**	**-**	**63 342**	**-**	**63 209**	**-**	**63 209**
Secured bank loans			266 590					266 590		266 590		266 590
Interest-bearing non-current liabilities			7 919					7 919		7 919		7 919
Interest-bearing current liabilities,external			24 611					24 611		24 611		24 611
Loan from AKER ASA			73 795					73 795		73 795		73 795
Loan from Antarctic Harvesting Holding AS			1 334					1 334		1 334		1 334
Leasing liabilities			16 681					16 681		16 681		16 681
Overdrafts			29 135					29 135		29 135		29 135
Accounts payable and other interest free liabilities			89 390					89 390		89 390		89 390
Total financial liabilities	**-**	**-**	**509 454**	**-**	**-**	**-**	**-**	**509 454**	**-**	**509 454**	**-**	**509 454**

Per 31 December 2018								Carrying amount				Fair value
	Fair value through P&L	Derivates (not hedge accounting)	Amortised cost	Fair value through OCI	Interest rate swaps	Forward exchange contracts	Other derivate contracts	Total book value	Level 1	Level 2	Level 3	Total fair value
Amounts in thousands of U.S. Dollars	Fair value through P/L			Qualified for hedge accounting								
Other non-interest-bearing non-current assets	1 673		353					2 026		2 026		2 026
Accounts receivables			28 284					28 284		28 284		28 284
Other non-interest-bearing current receivables			1 526					1 526		1 526		989
Cash and cash equivalents			989					989		989		989
Total financial assets	**1 673**	**-**	**31 152**	**-**	**-**	**-**	**-**	**32 288**	**-**	**32 825**	**-**	**32 288**
Secured bank loans			132 995					132 995		132 995		132 995
Interest-bearing non-current liabilities			7 800					7 800		7 800		7 800
Interest-bearing non-current liabilities,external			12 357					12 357		12 357		12 357
Loan from AKER ASA			37 295					37 295		37 295		37 295
Loan from Antarctic Harvesting Holding AS			1 334					1 334		1 334		1 334
Forward exhange contracts						1 472		1 472		1 472		1 472
Overdrafts			13 587					13 587		13 587		13 587
Accounts payable and other interest free liabilities			25 846					25 846		25 846		25 846
Total financial liabilities	**-**	**-**	**192 585**	**-**	**-**	**1 472**	**-**	**194 057**	**-**	**194 057**	**-**	**194 057**

Capital management

One objective of the Group's asset management is to build and maintain financial flexibility to realize its strategic goals. The capital structure should reflect the Group's operational risk and offer flexibility for potential investments. The Group's liquid funds should be readily available and subject to a conservative investment strategy with low risk. As a subsidiary of Aker ASA, the company has been dependent on financial support relating to fund expansion over 2019 and 2018.

The Group manages its capital structure and makes any necessary modifications based on an ongoing assessment of the financial conditions under which the business operates, and short- to medium term projections. The company is in a development and growth phase and thus subject to higher volatility in its net cash flows than a mature company in addition to re-investing any cash proceeds into further growth.

AKER BIOMARINE GROUP ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 – CONTINGENCIES AND LEGAL CLAIMS

The Group recognizes a provision when it has a legal or constructive obligation as a result of a past event, when it is probable that payment or the transfer of other assets will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

With worldwide operations, the Group is involved in disputes in the ordinary course of its business activities. Provisions to cover projected losses arising from such disputes are made to the extent negative outcomes are probable and reliable estimates can be prepared. However, the final outcome of any such dispute is inherently uncertain, and the resulting liability may exceed any provision made. As per 31 December 2019 and 31 December 2018, no provisions were made for legal claims.

NOTE 22 – RELATED PARTIES

The Group's consolidated financial statements include the following transactions and intercompany balances with Aker ASA and companies controlled by Aker ASA. Refer to Note 23 for remuneration to key management.

Aker ASA is the controlling shareholder of the Group.

	Year ended 31 December,	
Amounts in thousands of U.S. Dollars	2019	2018
Office rent, facilities services and IT	(1 404)	(1 084)
Interest expenses and guarantee fee	(6 292)	(6 555)
Total	**(7 696)**	**(7 639)**

The interest expense relates to the interest-bearing debt to Aker ASA, refer to Note 15 for details on amounts due as of 31 December 2019. The guarantee fee relates to the guarantee provided from Aker ASA related to the Group's long-term loan with DNB/Rabobank (see Note 16).

Management believes that the services are provided on arms-length principles and conditions.

NOTE 23 – SALARIES AND OTHER REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Board remuneration

		Year ended 31 December,	
Amounts in U.S Dollars	Board membership	2019	2018
Ola Snøve	Chairman of the Board	56 794	91 129
Kjell-Inge Røkke*	Board member	-	-
Øyvind Eriksen*	Board member	-	-
Frank O. Reite*	Board member	-	-
Sindre Skjong**	Employee representative	-	-
Line Johnsen***	Employee representative	-	-
Total		**56 794**	**91 129**

* Elected at annual shareholder meeting February 2016
** Employee representative from August 2019
** Employee representative from June 2020

The fee paid to the Chairman of the Board in 2018 relates to both 2018 and 2017 and was paid in full in 2018. There is no remuneration paid to the Board members and Employee representative other than ordinary salaries.

Remuneration paid to the CEO

The CEO is member of the defined contribution pension and insurance plans that cover all employees. The Group uses standard employment contracts. The CEO may be dismissed upon three months' notice. If the company terminates the employment, the CEO is entitled to three months' severance pay after the end of the notice period. The pension is capped at a salary of 12 times the National Social Security base amount.

The Group does not offer any share incentive programs for employees. However, in April 2019, Aker ASA sold 2% of the shares in the company to a holding company of the CEO and granted a loan for approx. 90 % of the purchase price. The holding company accepted a 5-year lock-up period and will have a right to sell the shares in case of an IPO or a private sale (tag-along and drag-along). The sale was carried out at fair market value, and a future sale will be based on the same valuation methodology. External consultants were used to perform the valuation.

CONSOLIDATED FINANCIAL STATEMENTS

Based on the company's performance in 2019, management team has been awarded a bonus totaling USD 0.7 million, the CEO is eligible to USD 0.2 million of this bonus. The bonus will be paid in 2020.

Payments to the CEO for the year ended 31 December 2019 and 2018:

	Year ended 31 December,	
Amounts in thousands of U.S. Dollars	2019	2018
Fixed salary	446 393	573 057
Bonus	204 293	-
Other remuneration	8 382	2 225
Net pension cost	9 793	10 805
Total	**668 861**	**586 087**

NOTE 24 – GROUP COMPANIES

Aker ASA owns 98% of the shares in the parent company Aker BioMarine AS. The remaining 2% are owned by the Group CEO through his wholly owned subsidiary KMMN Invest II AS. As per 31 December 2019 the total number of shares was 69 053 544 with par value of NOK 6.00 per share. There has been no change in number of shares outstanding through 2018 and 2019. All shares care equal right and obligations, except for restrictions as mentioned in Note 23.

Aker ASA's main shareholder is TRG Holding AS. The main shareholder of TRG Holding AS, The Resource Group TRG AS, owns through its fully owned company Antarctic Harvesting Holding AS 60% of the shares in Aker BioMarine Antarctic AS.

The consolidated financial statements for the Group in 2019 included the following subsidiaries:

Company	Shareholding in %	Voting rights in %	Administrative headquarters Location	Country
Aker BioMarine Antarctic AS	40	100*	Lysaker	Norway
Aker BioMarine Antarctic US LLC	100	100	Issaquah	USA
Aker BioMarine Antarctic Services AS	100	100	Lysaker	Norway
Aker BioMarine Antarctic Australia Pty Ltd	100	100	Melbourne	Australia
Aker BioMarine Manufacturing LLC	100	100	Houston	USA
Aker BioMarine Financing LLC	100	100	Houston	USA
Aker BioMarine Antarctic SA (former Odalson S.A.)	100	100	Montevideo	Uruguay
Aker BioMarine US Holding Inc	100	100	Issaquah	USA
Complector Ship Management AS	100	100	Lysaker	Norway
Aker BioMarine Asia Ltd	100	100	Hong Kong	China
Aker BioMarine Shanghai International Trading Co Ltd	100	100	Shanghai	China
Aker BioMarine Canada Inc	100	100	Vancouver	Canada
Euphausia Inc	100	100	Wilmington	USA
Aker BioMarine (Thailand) Ltd	100	100	Bangkok	Thailand
Aker BioMarine India Ltd	100	100	Mumbai	India
NewRide LLC	100	100	Issaquah	USA
Epion Brands LLC	100	100	Issaquah	USA
Lang Pharma Nutrion Inc	100	100	Middletown	USA
Aker BioMarine New Zealand Ltd	100	100	Nelson	New Zealand

*) Aker BioMarine AS has all voting rights except for certain fundamental matters which require consent from both shareholders

AKER BIOMARINE GROUP ACCOUNTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements for the Group in 2018 included the following subsidiaries:

Company	Shareholding in %	Voting rights in %	Administrative headquarters Location	Country
Aker BioMarine Antarctic AS	40	100*	Lysaker	Norway
AKBM Antarctic S.A. (dormant)	100	100	Nueva Palmira	Uruguay
Aker BioMarine Antarctic US LLC	100	100	Issaquah	USA
Aker BioMarine Antarctic Services AS	100	100	Lysaker	Norway
Aker BioMarine Antarctic Australia Pty Ltd	100	100	Melbourne	Australia
Aker BioMarine Manufacturing LLC	100	100	Houston	USA
Aker BioMarine Financing LLC	100	100	Houston	USA
Aker BioMarine Antarctic SA (former Odalson S.A.)	100	100	Montevideo	Uruguay
Aker BioMarine US Holding Inc	100	100	Issaquah	USA
Complector Ship Management AS	100	100	Lysaker	Norway
Aker BioMarine Asia Ltd	100	100	Hong Kong	China
Aker BioMarine Shanghai International Trading Co Ltd	100	100	Shanghai	China
Aker BioMarine Canada Inc	100	100	Vancouver	Canada
Euphausia Inc	100	100	Wilmington	USA
Aker BioMarine (Thailand) Ltd	100	100	Bangkok	Thailand
Aker BioMarine India Ltd	100	100	Mumbai	India
NewRide LLC	100	100	Issaquah	USA
Epion Brands LLC	100	100	Issaquah	USA

*) Aker BioMarine AS has all voting rights except for certain fundamental matters which require consent from both shareholders

CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25 – EVENTS AFTER THE BALANCE SHEET DATE

In January 2020 it was decided to invest in a Protein Launch plant in Norway. This launch plant will both produce product for commercial testing, as well as being an asset for future process improvement, research and development.

In April 2020 Aker BioMarine Antarctic AS sold the vessel Juvel to Al Wusta Fisheries Industrian LLC for a total consideration of USD 21.6 million. The sale resulted in a net profit of approximately USD 1.2 million, accounted for in 2020.

In May 2020, Aker Biomarine Antarctic AS received an unfavorable verdict from the Appellate Court in the matter of the Juvel patent family, which resulted in fees of approx. USD 0.6 million being accrued for. In June 2020 it was decided to appeal the verdict and try to bring it in before the Supreme Court. The Appeals Selection Committee will decide if the legal aspects from the Appellate Court will be tried in the Supreme Court.

In June 2020, Aker Biomarine Antarctic AS signed a contract to hedge MGO fuel by using call options for the period 2021-2024 to protect fuel cost. The four-year hedging program aims to reduce the risk of a potential sharp oil price rebound. Total volume over the four-year period is 143 077 metric ton of MGO.

As the COVID-19 virus develops across the world, Aker BioMarine is taking measures to mitigate the risk for operational disruptions and reduce risk of outbreaks and its consequences; both offshore and onshore on the production facility in Houston as well as in the offices. Even though the development is followed closely, a worst-case scenario with outbreak in the Houston facility or on the fishing vessels may have significant operational and financial impact. As the COVID-19 virus is having a growing impact on the world economy, including Aker BioMarine's main market, the negative financial impact is uncertain with an unclear ending.

AKER BIOMARINE GROUP ACCOUNTS

ALTERNATIVE PERFORMANCE MEASURES (APMS)

Alternative performance measures, meaning financial performance measures not included within the applicable financial reporting framework, are used by the Group to provide supplemental information by excluding items that in our view, does not give indications of the periodic operating results. Financial APMs are used to enhance comparability of the results from a period to the next, and management uses these measures internally when driving performance in terms of long- and short-term forecasts. The measures are adjusted IFRS measures, and are defined, calculated and consistently applied in financial reporting. The Group focuses on EBITDA and adjusted EBITDA when presenting the period's financial result. Adjusted EBITDA is adjusted for special operating items. Financial APMs should not be considered as substitute for measures of performance in accordance with applicable financial reporting framework.

The Group's financial APMs
EBITDA: EBIT + depreciation and amortization and impairments

Adjusted EBITDA: EBITDA + special operating items. Special operation items include gains or losses on sale of assets, restructuring expenses and other material transactions of either non-recurring nature or special in nature compared to ordinary operational income or expenses.

The following table reconciles Adjusted EBITDA to EBIT and
Net income (loss) in the consolidated statements of profit or loss.

	Year ended 31 December	
Amounts in thousands of U.S. Dollars	2019	2018
Net income (loss)	(23 751)	(1 022)
Net financial items	26 097	11 540
EBIT	2 762	10 258
Depreciation, amortization and impairment	42 931	22 860
Special operating items	7 346	5 901
Adjusted EBITDA	53 039	39 020

The following comprises the items included un Special Operating Items over 2018 and 2019.

- Enzymotec transaction: In 2018 Aker Biomarine Antarctic AS entered into an agreement to acquire the krill business from Enzymotec. The transaction was accounted for as an IFRS 3 transaction, implying that transaction related costs have been expensed as incurred.

- Juvel – operating cost: In 2018 there was a fire in the superstructure when the vessel was in Montevideo. In 2019, the vessel has not in any way been used in the ordinary course of business as intended by management. As part of the repair work the Company has incurred costs while in dock. These costs are recognized in the EBITDA and will be reimbursed from the Company's insurer. As Juvel is sold in 2020 there will be no future operating cost related to this vessel.

- Lang transaction cost: On 1 March 2019 the company acquired Lang Pharma. The transaction related costs have been booked as an operating expense and recognized in the EBITDA under IFRS 3 'Business Combinations'. Given the complexity of the transaction and being cross-border, transaction related cost is deemed material. The amount is a non-recurring item, and there will be no further acquisitions the next couple of years.

- Legal cost – Rimfrost: During the year the Company has been in a legal dispute with Rimfrost in relation to Juvel production related patents. Given the complexity of the case the legal costs have been material. Cost are non-recurring in its nature.

- EPION: As part of the Lang transaction, the Company is launching its own national brand in the US. The incurred costs are material and will continue through part of 2020. The costs are committed by Aker ASA. These costs include employment of Epion management team, R&D on packaging and capsules, general start-up cost, and significant market development costs. Furthermore, these costs are deemed material and non-recurring after the launch of the brand.

AKER BIOMARINE AS ACCOUNTS

PROFIT AND LOSS ACCOUNT

for the year ended December 31

Amounts in thousands of U.S. Dollars	Note	2019	2018
Operating revenues	2	224	1 678
Revenues from Group companies	12	11 299	9 796
Total revenues		**11 523**	11 474
Salaries and other payroll expenses	3, 14	(7 525)	(5 937)
Other operating expenses	4	(7 419)	(3 916)
Operating expenses Group companies	12	(473)	(1 293)
Operating profit/loss before depreciation, amortization and impairment		**(3 895)**	327
Depreciation, impairment, and amortization	7	(163)	(1 075)
Operating loss		**(4 058)**	(748)
Interest income from Group companies	12	15 924	12 835
Net foreign exchange gain / loss (-)		(309)	325
Other interest income and financial income	13	526	25
Interest and guarantee expenses to Group companies	12	(8 551)	(8 966)
Other financial expenses	13	(8 355)	(7 961)
Net financial items		**(766)**	(3 742)
Net loss before tax expense		**(4 824)**	(4 489)
Tax expense	6	-	-
Net loss		**(4 824)**	(4 489)
Allocation of loss for the year			
Loss for the year		(4 824)	(4 489)
Transferred to accumulated loss		4 824	4 489
Total		**-**	-

BALANCE SHEET

for the year ended December 31

Amounts in thousands of U.S. Dollars	Note	2019	2018
ASSETS			
Property, plant and equipment	7	562	392
Shares in subsidiaries and other companies	8	305 464	305 456
Long-term receivables from Group companies	12	198 717	164 401
Total non-current assets		**504 744**	470 250
Accounts receivable and other non-interest-bearing receivables		334	719
Current receivables from Group companies	12	20 989	17 021
Cash and cash equivalents	11	361	213
Total current assets		**21 684**	17 954
Total assets		**526 428**	488 204
EQUITY AND LIABILITIES			
Share capital	5	68 003	68 003
Share premium	5	256 386	256 386
Total paid-in capital		**324 389**	324 389
Accumulated loss	5	(35 195)	(31 735)
Total equity		**289 194**	292 654
Interest-bearing loans	9	119 446	119 275
Pension liabilities	10	106	68
Other long term debt to Group companies and related parties	12	73 795	37 295
Total non-current liabilities		**193 347**	156 638
Current debt to related parties	12,13	24 744	20 414
Accounts payable and other current liabilities	13	4 656	4 912
Bank overdraft	9	14 487	13 587
Total current liabilities		**43 887**	38 912
Total liabilities		**237 234**	195 550
Total equity and liabilities		**526 428**	488 204

Fornebu, 11 June 2020
The Board of Directors and CEO of Aker BioMarine AS

Ola Snøve
Board Chairman

Kjell Inge Røkke
Director

Øyvind Eriksen
Director

Sindre Skjong
Director, elected by the employees

Line Johnsen
Director, elected by the employees

Frank O. Reite
Director

Matts Johansen
CEO

AKER BIOMARINE AS ACCOUNTS

CASH FLOW FOR THE YEAR

for the year ended December 31

Amounts in thousands of U.S. Dollars	Note	2019	2018
Net loss before tax expense		(4 824)	(4 489)
Net expensed interest, interest paid and received	12,13	3 371	(269)
Depreciation, impairment, and amortization	7	163	1 075
Unrealized foreign exchange (gain) / loss and other non-cash-generating items		(47)	(621)
Changes unrealized position cash flow hedge	5, 13	1 472	(4 162)
Changes in ordinary operating items		(2 615)	(1 808)
Net cash flow from operating activities		(2 479)	(10 275)
Payments for fixed and intangible assets	7	(572)	(32)
Net cash flow from long term receivables	12	(34 084)	(50 779)
Net cash flow from investment activities		(34 656)	(50 811)
Proceeds, new short-term loans, related parties	12	36 500	62 000
Change in bank overdrafts	9	784	(866)
Net cash flow from financing activities		37 284	61 134
Net change in cash and cash equivalents		149	48
Effect of changes in foreign exchange rates on cash and cash equivalents			
Cash and cash equivalents as of January 1		213	166
Cash and cash equivalents as of December 31		361	213

NOTE 1 – ACCOUNTING PRINCIPLES

The annual report is prepared and presented according to the Norwegian Accounting Act of 1998 and generally accepted accounting practices in Norway.

There has not been prepared a set of consolidated financial statements for the Aker BioMarine Group for 2019 in accordance with the Norwegian Accounting Act of 1998, as the Group's financial statements are consolidated into the consolidated financial statements of the Aker ASA Group. A consolidated financial statement is however prepared in accordance with requirements in loan agreements and is used for this purpose alone. The parent company, Aker ASA, has its registered offices in Oksenøyveien 10, 1366 Lysaker, where the consolidated accounts which include the company can be obtained.

Subsidiaries and associated companies

Subsidiaries are valued according to the cost method. Investments are valued at acquisition cost for the shares, unless a write-down has been necessary. Investments are written down to market value if the decline is viewed as not transitory in nature and when deemed necessary according to generally accepted accounting principles. Write-downs are reversed if the basis for the write-down is no longer present.

Associated companies and investments in joint venture are valued according to the equity method in the parent company accounts. The latter Investments are initially valued at acquisition cost for the shares, and subsequently adjusted to reflect the investor's share of the net assets of the associate.

Classification and valuation of balance sheet items

Current assets and short-term liabilities include items that are due within one year. Other items are classified as non-current assets or long-term liabilities. Current assets are valued at the lower of acquisition cost or market value. Current liabilities are recorded in the balance sheet at face value at the time of the transaction.

Non-current assets are recorded at acquisition cost. Upon a change in value not deemed to be temporary, the affected fixed asset is written down to market value. Long-term liabilities are recorded in the balance sheet at face value at the date they are assumed.

Receivables

Accounts receivable and other receivables are recorded in the balance sheet at face value after provision for expected losses. Provisions for losses are made based on individual assessment of receivables.

Functional currency and foreign currency

Aker BioMarine AS has U.S. Dollars as functional currency and the financial statements are presented in U.S. Dollars. Foreign-currency-denominated monetary items are valued at the year-end exchange rate, and currency translation effects are presented within net foreign exchange gain/loss in the financial statement.

Property, plant and equipment, and intangible assets

Other acquired intangible assets are recognized in the balance sheet at acquisition cost, less any accumulated amortization and impairment losses.

Estimated useful lives for the current and comparative reporting periods are as follows:

- Property, plant and equipment 0–5 years
- Intangible assets 0–3 years

Revenue recognition

Income arising from royalties and management services provided to subsidiaries shall be recognized if all the following conditions are satisfied:

- It is probable that the economic benefits associated with the transaction will flow to the company; and
- The amount of revenue can be measured reliably.

Taxes

Tax expenses in the profit and loss account comprise taxes payable for the period and any change in deferred tax/deferred tax benefit. In 2019, deferred tax is calculated as 22 percent of the temporary differences between accounting and tax values, as well as the tax deficit carryforward at the end of the accounting. Tax increasing and tax reducing temporary differences that are reversed or can be reversed in the same period, are offset. Net deferred tax benefit is recorded in the balance sheet to the extent it is likely that it will be used.

Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash and cash equivalents comprise cash, bank deposits, and other short-term liquid placements.

Use of estimates

Preparation of the financial statement in accordance with generally accepted accounting practices requires management to make estimates and assumptions that affect the reported amounts in the profit and loss statement, the measurement of assets and liabilities, and the disclosure of contingent assets and liabilities on the balance sheet date. Actual results may differ from estimates.

Contingent losses deemed probable and quantifiable are expensed as incurred.

AKER BIOMARINE AS ACCOUNTS

CASH FLOW FOR THE YEAR

NOTE 2 – OPERATING REVENUES

Operating revenues in 2019 are distributed as follows:

Amounts in thousands of U.S. Dollars	Norway	EU	North America	Other	Total
Other revenue	224	-	-	-	**224**
Management fee from Group companies	11 265	-	18	16	**11 299**
Total operating revenues	11 489	-	18	16	**11 523**

Operating revenues in 2018 are distributed as follows:

Amounts in thousands of U.S. Dollars	Norway	EU	North America	Other	Total
Other revenue	348	-	-	-	**348**
Royalty revenues	-	1 329	-	-	**1 329**
Management fee from Group companies	9 762	-	18	16	**9 796**
Total operating revenues	10 110	1 329	18	16	**11 474**

NOTE 3 – SALARIES AND OTHER PAYROLL EXPENSES:

Salaries and payroll expenses comprise of the following:

Amounts in thousands of U.S. Dollars	2019	2018
Salaries	**(5 495)**	(4 344)
Other personnel costs	**(605)**	(391)
Employer's social security contribution	**(796)**	(597)
Pension expenses	**(629)**	(606)
Total	**(7 525)**	(5 937)
Average number of employees	44	34

NOTE 4 – OTHER OPERATING EXPENSES

Other operating expenses comprise the following:
Costs to auditor are presented excluding VAT.

Amounts in thousands of U.S. Dollars	2019	2018
Professional services	**(4 201)**	(1 686)
Office rent	**(920)**	(872)
License fee CLA®/Tonalin portfolio	**-**	(300)
Travel	**(562)**	(255)
Other operating expenses	**(1 736)**	(803)
Total other operating expenses	**(7 419)**	(3 916)

Remuneration paid to auditor included in other operating expenses:

Amounts in thousands of U.S. Dollars	2019	2018
Ordinary auditing services	**140**	84
Other services	**1**	7
Tax advisory	**-**	-
Total	**141**	91

NOTE 5 – EQUITY

The company's share capital amounts to NOK 414 321 264 distributed as 69 053 544 shares issued, each with a par value of NOK 6.00. All shares are equal in all respects.
As of 31 December 2019, Aker ASA owns 98 % of the shares in the company. The remaining 2 % are owned by the company's CEO through a holding company (ref. note 14).

Changes in equity are set forth below:

Amounts in thousands of U.S. Dollars	Share capital	Share premium	Accumulated loss	Total equity
Equity as of December 31 2017	63 684	135 644	(22 739)	176 588
Acturial gain (loss)			119	119
Cash Flow Hedges gain (loss)			(4 625)	(4 625)
Debt Conversion	4 319	120 742		125 061
Loss for the year			(4 489)	(4 489)
Equity as of December 31 2018	68 003	256 386	(31 735)	292 654
Acturial gain (loss)			(106)	(106)
Cash Flow Hedges recycled to profit and loss			1 472	1 472
Loss for the year			(4 824)	(4 824)
Equity as of December 31 2019	68 003	256 386	(35 193)	289 194

AKER BIOMARINE AS ACCOUNTS

CASH FLOW FOR THE YEAR

NOTE 6 – TAX EXPENSE AND DEFERRED TAX

Amounts in thousands of U.S. Dollars	2019	2018
Income tax expense		
Current tax on profits for the year (22%)	-	-
Change in deferred tax	4 798	(19 628)
Effect of change in tax rate	-	(1 118)
Unrecognized change in deferred tax assets	(4 798)	20 746
Income tax expense	-	-
Tax base		
Profit (loss) before tax	(4 824)	(4 489)
Currency translation from USD to NOK		
Tax base (statutory tax purposes)	(4 824)	(4 489)
Tax base (statutory tax purposes)	(4 824)	(4 489)
Expenses not tax deductible	57	23
Interest rate deductability	523	-
Change in deferred tax	1 811	9 317
Tax base	(2 433)	4 850
Tax loss carried forward	2 433	(4 850)
Tax base	-	-

Temporary differences	2019	2018
Property, plant and equipment and intangible assets	103	(54)
Gain and loss accounts	106	134
Borrowings in foreign currencies	-	-
Post employment benefit liabilities	(106)	(67)
Pension posted directly towards equity (gross)		-27
Net deferred tax assets	103	(14)
Tax losses carried forward	(100 182)	(95 620)
Interest rate deductability carry forward	(16 563)	(16 210)
Basis for deferred tax asset	(116 642)	(111 844)
Deferred tax asset (22%)	(25 661)	(24 606)
Unrecognized deferred tax assets	25 661	24 606

Deferred tax has not been capitalized as it not is considered probable that the company will have future taxable profit available, against which the unused tax losses and unused tax credits can be utilized.

Since 2008 the Aker Biomarine AS has been involved in discussions with the tax authorities concerning deductibility of losses on receivables. The Norwegian Tax authorities concluded that losses of NOK 296 million was not deductible. Aker Biomarine AS has appealed the decision to The Norwegian Tax Appeal Board ("Skatteklagenemnda") and are currently waiting for their conclusion. The appealed losses are not part of the tax losses carried forward as presented in the above table.

NOTE 7 – FIXED ASSETS AND INTANGIBLE ASSETS

Amounts in thousands of U.S. Dollars	Furnitures & fixtures	Develop-ment	Licence agreements	Total
Acquisition cost as of January 1, 2019	652	2 059	17 086	19 797
Investments	572			572
Retirement	(565)	(2 059)	(17 086)	(19 710)
Acquistion cost as of December 31, 2019	659	0	(0)	659
Accumulated amortization and impairment as of January 1, 2019	(260)	(2 059)	(17 086)	(19 405)
Depreciation for the year	(163)			(163)
Impairment				-
Retirement	326	2 059	17 086	19 471
Accumulated amortization and impairment as of December 31, 2019	(97)	0	(0)	(97)
Book value as of December 31, 2019	562	0	(0)	562

The company's intangible assets mainly comprised of the CLA®/Tonalin patent portfolio and the related royalty agreements, which terminated in January 2019. All intangible assets are amortized using the straight-line method.

All fixed assets are depreciated using the straight-line method and have estimated useful life of 5 years.

Operating lease expense amounted to USD 0.92 million in 2019 and USD 0.89 million in 2018. The company's lease commitments under non-cancellable leases amounts to approx. USD 1.0 million annually, until 2025.

Operating lease costs are expensed as incurred. The company has no financial lease arrangements.

AKER BIOMARINE AS ACCOUNTS

CASH FLOW FOR THE YEAR

NOTE 8 – SHARES IN SUBSIDIARIES

Through its fully owned company Antarctic Harvesting Holding AS, The Resource Group Trg AS, owns 555 900 A-shares in Aker BioMarine Antarctic AS. The remaining 370 600 B-shares are held by Aker Biomarine AS. Based on the content of the shareholder agreement between the company and Antarctic Harvesting Holding, the company defines Aker BioMarine Antarctic AS as a subsidiary for accounting purposes, even if the ownership is 40%.

Amounts in thousands of U.S. Dollars	Ownership in % 1)	Head-quarter	Equity as of December 31, 2019	Profit/loss before tax	Book value December 31, 2019
Aker BioMarine Antarctic AS	40	Bærum, Norway	119 815	(8 965)	305 450

1) Share of voting rights equals share of ownership.

Amounts in thousands of U.S. Dollars	Ownership in % 1)	Head-quarter	Equity as of December 31, 2018	Profit/loss before tax	Book value December 31, 2018
Aker BioMarine Antarctic AS	40	Bærum, Norway	128 780	987	305 450

1) Share of voting rights equals share of ownership.

NOTE 9 – INTEREST-BEARING LOANS FROM EXTERNAL PARTIES:

Amounts in thousands of U.S. Dollars	2019	2018
Non-current liabilities		
Loan from DNB ASA	**119 446**	119 275
Current liabilities		
Working capital facility from DNB ASA	**14 487**	13 587
Total interest-bearing current liabilities	**133 933**	132 862

In January 2018, the company extended the revolving credit facility of USD 120 million and the overdraft facility of USD 15 million. In March 2019 the agreement was amended and restated as to reflect a change in the syndicate, no extension of terms occurred.

LOAN TERMS AND CONDITIONS

The loan agreement features covenants on EBITDA ("Earnings Before Interest, Tax, Depreciation and Amortization"). For purposes of the DNB loan agreement, EBITDA is operating profit before depreciation, amortization, write downs and impairments, and Special Operating Items." The loan covenants also have leverage ratio requirements. The company is compliant with all loan covenants.

Total amount drawn on the overdraft facility shall not exceed the sum of (on an Aker BioMarine Group consolidated level):
1. 75% of external accounts receivable; and
2. 60% of total inventory.

The company's borrowings did not exceed the borrowing base in 2018 or 2019.

NOTE 10 – PENSION EXPENSES AND LIABILITIES

The company has a combination of defined contribution and defined benefit plans that cover virtually all employees. These schemes comply with laws and regulations set forth in the different countries of operations. The company's defined benefit obligation cover one employee. At the end of the year the defined benefit obligations were USD 0.42 million and the assets were USD 0.31 million. The fair value of the net obligation has been calculated using an appropriate discount rate. During the year the Company expensed USD 0.1 million, net of settlements and curtailment, on the defined benefit plan (2018: 0.1 million). In addition, USD 0.1 million related to changes in actuarial assumptions is expensed in other comprehensive income (2018: gain of USD 0.1 million).

Pension costs associated with contribution-based pension plans amounted to USD 225 k in 2019 (2018: USD 164 k).

NOTE 11 – RESTRICTED FUNDS

The company has USD 245 k in restricted funds associated with employee tax withholdings as of 31 December 2019 (2018: USD 213 k).

AKER BIOMARINE AS ACCOUNTS

CASH FLOW FOR THE YEAR

NOTE 12 – TRANSACTIONS WITH SUBSIDIARIES AND RELATED PARTIES

In 2019 and at year-end 2019, Aker BioMarine AS recognized the following transactions in the statement of profit and loss and the balance sheet with other Group companies and related parties:

Amounts in thousands of U.S. Dollars	Aker ASA	Aker BioMarine Antarctic AS	Lang Pharma Nutrition LLC	Cognite	Other subsidiaries	Other related parties	**Total**
Transactions recorded in profit and loss							
Management fee (income)		11 265			34		**11 299**
Mangement fee (costs)	(217)					-249	**(473)**
Office rent (income)				111			**111**
Interest income		15 799	125				**15 924**
Interest expenses	(4 557)						**(4 557)**
Guarantee fee	(1 735)	(2 259)					**(3 994)**
Transactions recognized in balance sheet at year-end							
Long-term interest bearing receivable		195 713	3 004				**198 717**
Current recivables		20 403	9	435	108	34	**20 989**
Accrued guarantee/interests fees, long-term	23 780						**23 780**
Long term interest bearing debt	73 795						**73 795**
Current liabilities		954				8	**962**

In 2018 and at year-end 2018, Aker BioMarine AS recognized the following transactions in the statement of profit and loss and the balance sheet with other Group companies and related parties:

Amounts in thousands of U.S. Dollars	Aker ASA	Aker BioMarine Antarctic AS	Aker BioMarine Antarctic US LLC	Aker BioMar-ine Antarctic Australasia Pty Ltd	Cognite	**Total**
Transactions recorded in profit and loss						
Management fee (income)		9 762	18	16		**9 796**
Mangement fee (costs)	1 111		84			**1 377**
Office rent (income)					319	**319**
Interest income		12 835				**12 835**
Interest expenses	(4 685)					**(4 685)**
Guarantee fee	(1 870)	(2 411)				**(4 281)**
Transactions recognized in balance sheet at year-end						
Long-term interest bearing receivable		164 402				**164 402**
Current recivables		12 315	18	16		**12 349**
Accrued guarantee fees, long-term	9 964					**9 964**
Long term interest bearing debt	44 923					**44 923**
Current liabilities	304	954	84			**1 348**

AKER BIOMARINE AS ACCOUNTS

CASH FLOW FOR THE YEAR

NOTE 13 – OTHER FINANCIAL INCOME AND EXPENSES

Other interest- and financial income

Amounts in thousands of U.S. Dollars	2019	2018
Interest income, bank	8	24
Other financial income	518	0
Total	**526**	24

Other financial expenses

Amounts in thousands of U.S. Dollars	2019	2018
Interest expenses	(7 926)	(7 905)
Other financial expenses	(429)	(56)
Total	**(8 355)**	(7 961)

Aker Biomarine used derivatives to hedge the currency risks related to the installments on the construction of a new vessel in Aker Biomarine Antarctic AS. The instruments fixes currency exposure related to payments in NOK, and are hedged back to back towards Aker Biomarine Antarctic AS, who holds the hedging object. The fair value of the asset, unrealized portion, is accounted for as a gain/loss under "other comprehensive income" and will be recycled through profit and loss upon realization of the positions. Aker Biomarine AS has no cash flow hedges as of 31.12.2019.

The cash flow hedge between Aker Biomarine AS and Aker Biomarine Antarctic AS is accounted for at gross level, with an unrealized position (loss) of USD 1. 472 million as of 31.12.2018.
Before maturity the unrealized position was back-to-back hedged against swap-contracts in Aker Biomarine Antarctic AS, transferring the risk of the remaining positions. As such unrealized position as of 31.12.2018 was released in 2019, and the same with the OCI-position upon expiry. The settlement of the positions in 2019 therefore had no impact on the profit and loss of Aker Biomarine AS in 2019. No inefficiencies were identified through 2017-2019.

NOTE 14 – SALARIES AND OTHER REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Amounts in U.S Dollars	Board membership	2019	2018
Ola Snøve	Chairman of the Board	56 794	91 129
Kjell-Inge Røkke*	Board member	-	-
Øyvind Eriksen*	Board member	-	-
Frank O. Reite*	Board member	-	-
Sindre Skjong**	Employee representative	-	-
Line Johnsen***	Employee representative	-	-
Total		**56 794**	**91 129**

* The fee to the Chairman of the Board in 2018 relates to both 2018 and 2017 and was paid in full in 2018

Remuneration paid to the CEO
The CEO is member of the defined contribution pension and insurance plans that cover all employees. The Group uses standard employment contracts. The CEO may be dismissed upon three months' notice. If the company terminates the employment, the CEO is entitled to three months' severance pay after the end of the notice period. The pension is capped at a salary of 12 times the National Social Security base amount.

The Group does not offer any share incentive programs for employees. However, in April 2019, Aker ASA sold 2% of the shares in the company to a holding company of the CEO and granted a loan for approx. 90 % of the purchase price. The holding company accepted a 5-year lock-up period and will have a right to sell the shares in case of an IPO or a private sale (tag-along and drag-along). The sale was carried out at fair market value, and a future sale will be based on the same valuation methodology. External consultants were used to perform the valuation.

Based on the Group's performance in 2019, management team has been awarded a bonus totaling USD 0.7 million, the CEO is eligible to USD 0.2 million of this bonus. The bonus will be paid in 2020.

Payments to the CEO for the year ended 31 December 2019 and 2018:

	Year ended 31 December,	
Amounts in thousands of U.S. Dollars	2019	2018
Fixed salary	446 393	573 057
Bonus	204 293	-
Other remuneration	8 382	2 225
Net pension cost	9 793	10 805
Total	**668 861**	**586 087**

AUDITOR'S REPORT

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To the General Meeting of Aker BioMarine AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Aker BioMarine AS, which comprise:

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

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

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 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.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed coverage of the loss 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.

Other Matters

This audit report replaces our previous audit report as of 17 March 2020 issued on the parent company financial statements. Statutory consolidated financial statements were at this point in time not prepared by the Board of Directors and Managing Director, as the Aker Biomarine Group is not required by law to prepare consolidated financial statements as the group is consolidated in the Aker ASA financial statements.

Oslo, 11 June 2020
KPMG AS

Monica Hansen
State Authorised Public Accountant

DESIGN
Inkognito

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