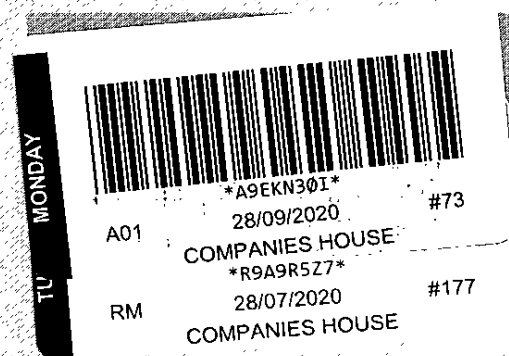


Abstract (Aberdeen S) Ltd  
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# Annual accounts



# Board of Directors' report

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**2019 was a good year for Aker ASA\* and the company's shareholders. Aker's\*\* net asset value was NOK 50.0 billion at the end of 2019, up from NOK 41.7 billion the previous year. In addition, a dividend of NOK 1.7 billion was paid in 2019. The shareholder return, measured in terms of share price development and dividend paid, was 23 per cent. In comparison, the main index on the Oslo Stock Exchange (OSEBX) increased by 17 per cent.**

Aker ASA\* has financial flexibility to act, as well as a robust balance sheet. In the light of the dramatic development of the spread of COVID-19 and the significant drop in oil and stock prices in March 2020, economic strength is critically important.

Dividends to Aker from portfolio companies increased to NOK 3.5 billion in 2019, up from NOK 2.2 billion in 2018. Aker has investment and dividend capacity, and the company is well-equipped to handle the extraordinary situation. The general economic outlook is currently uncertain, both in Norway and the rest of the world. This uncertainty in the national and world economy is expected to increase in the time ahead. This is not least due to the shutdown of societies and companies, with the subsequent significant drop in prices and in demand for oil and gas, which hits the oil and gas industry hard, especially the supplier companies. The oil companies will depend on

government measures to maintain the level of activity, and thereby also secure employment, capacity and expertise and the supplier industry.

On February 13, Aker ASA's Board of Directors agreed to propose a dividend of NOK 23.50 per share to the company's Annual General Meeting. Based on market developments and increased uncertainty in the period after this recommendation was made, the board resolved on March 31 to amend the proposal to ask the general meeting not to decide on dividend payments, but instead to authorize the board to determine dividend based on the annual accounts for 2019. The board aims to make the dividend assessment semi-annually. In the board's dividend assessments, emphasis will be placed on the market situation and prospects, activity level, investment opportunities and needs, as well as other relevant factors.

Net Asset Value (NAV) increased by 19.7 per cent in 2019 to NOK 50.0 billion. NAV is a key performance indicator for Aker and is calculated using the market value of listed shares and book value for other assets. The NAV forms the basis for the company's dividend policy.

In 2019, Aker BP contributed with an increase of NOK 12.7 billion in Aker's NAV, including NOK 2.65 billion in dividends to Aker. For the other listed companies in the industrial portfolio – Ocean Yield, Aker Solutions, Akastor and Kvaerner – the value of the shareholding declined NOK 2.1 billion, including dividends to Aker from Ocean Yield and Kvaerner at NOK 658 million and NOK 67 million, respectively.

The three unlisted companies in the industrial portfolio – Aker BioMarine, Aker Energy and Cognite – are recorded at book value in the NAV.

## 1. Key developments in 2019

The oil price started the year at USD 54 per barrel, touched USD 72 per barrel, before ending the year at USD 66 per barrel. In 2019, the financial markets were also affected by the US-China trade war, fear of recession, and geopolitical turmoil. Nevertheless, the Oslo Stock Exchange and the leading global financial markets showed a positive development in 2019.

With 75 per cent of Aker's equity investments being in the oil and gas sector, Aker is exposed to developments in oil prices and the activity level in the oil service industry. In the first quarter, Aker's NAV increased from NOK 41.7 to NOK 56.2 billion, while the share price rose from NOK 462 to NOK 658. In the second quarter, the NAV declined to NOK 44.8 billion. The share price reached NOK 491, and a dividend of NOK 22.50 per share was paid for the fiscal year 2018. In the third quarter, the NAV stood at NOK 43.1 billion and the share price at NOK 484. In the fourth quarter, the NAV increased to NOK 50.0 billion, while the share price ended 2019 at NOK 543.50.

Aker's shareholders thus achieved an annual return of 23 per cent in 2019, including share price developments and distributed dividends. This compares to an increase of 17 per cent for the Oslo Stock Exchange Benchmark Index (OSEBX).

The Board proposes a dividend of NOK 0.00 per share for 2019, down from NOK 22.50 per share in 2018.

Aker's value-adjusted equity ratio was 81 per cent at year-end, while the book equity ratio stood at 55 per cent. The cash balance was NOK 3.7 billion, up from NOK 1.9 billion the previous year. Gross interest-bearing debt amounted to NOK 11.6 billion, while the net interest-bearing debt stood at NOK 6.7 billion.

Through 2019, the public and capital markets' awareness of climate change, environmental challenges, and investment risk increased significantly. Environment and climate, social conditions, and corporate governance – often collectively referred to as ESG (Environmental, Social, Governance), are important issues that are part of Aker's assessment of business-related risks and opportunities. ESG is an integral part of business operations and is a strategic factor in Aker's development. As an active owner, Aker also has clear expectations related to ESG considerations for the industrial portfolio companies. This is described in more detail in Aker's ESG Report for active and responsible ownership.

## 2. Business operations and location

Aker is an industrial investment company with a history dating back to 1841. The company is registered in Norway, with its headquarters at Fornebu.

As an active owner and equity investor, Aker uses its financial strength and industrial expertise to further develop the operational portfolio companies in a sustainable manner. Through participation on the boards of the portfolio companies, Aker is a driving force for strategic development, operational improvements, restructuring

and facilitating transactions. Aker strives to secure profitable growth and forward-looking companies, and to build robust organisational cultures in all its portfolio companies. The goal is to ensure sustainable value creation for all shareholders and contribute to a positive social development.

Aker's investments are divided into two portfolios: Industrial holdings and Financial investments. At year-end 2019, Aker was directly and indirectly the largest shareholder in nine companies listed on the Oslo Stock Exchange.

### a. Industrial holdings

Aker's industrial holdings are the company's long-term investments and consists of eight companies, of which five are listed. These include the integrated exploration and production company, Aker BP; the oil company, Aker Energy; the oil service company, Aker Solutions; the oil service investment company, Akastor; the engineering, procurement and construction company, Kvaerner; the ship-owning company, Ocean Yield; the krill and biotechnology company, Aker BioMarine; and the industrial software and digitalisation company, Cognite.

The value of Aker's industrial holdings amounted to NOK 54.2 billion as of December 31, 2019, which represented 88 per cent of Aker's value-adjusted gross assets, up from NOK 46.1 billion a year earlier. In 2019, Aker invested 442 million in Ocean Yield through a rights issue, maintaining its 61.7 percent stake in the company. In addition, Aker has invested NOK 454 million in Aker Energy.

Aker BP contributed with a share value increase of NOK 10.1 billion in 2019. The decline in value in the other companies amounted to NOK 1.4 billion in Aker Solutions, 1.1 billion in Ocean Yield, NOK 0.3 billion in Akastor, and NOK 0.1 billion in Kvaerner. Dividends received from Aker BP, Ocean Yield and Kvaerner totalled NOK 3.4 billion.

### Aker BP

Aker BP is a fully-fledged oil and gas Exploration and Production (E&P)

company operating on the Norwegian Continental Shelf (NCS)

Aker BP reached important milestones over the course of the year. The Johan Sverdrup field, where Aker BP has a 11.57 per cent interest, is an industrial achievement thanks to the collaboration between the operator, Equinor, the licensing partners, and the supplier industry. The field came into production in October 2019 - two months ahead of schedule and approximately NOK 40 billion below budget. The break-even price is below USD 20 per barrel, and the CO<sub>2</sub> emissions per barrel of oil produced are below 1 kg. The latter is noticeably low due to the electrification of Johan Sverdrup, using power from land to operate the platform. Production has had a very promising start, and it is estimated that the field will produce up to 660,000 barrels per day at plateau production. Aker BP expects the company's share of production to be 50,000 barrels per day by 2020 in the first phase, and Johan Sverdrup represents a significant value creator for the company for many years to come.

Aker BP-operated Valhall Flanke Vest in the North Sea came into production in December 2019. Through the development of the field, the wellhead platform alliance between Aker BP, Kvaerner, Aker Solutions, and ABB set a new standard for the delivery of flank developments on the NCS. The project was delivered earlier than planned, within budget, and without any recorded injuries. The platform receives power from land via the Valhall field centre. This is in line with Aker BP's strategy of minimising its carbon footprint.

In 2019, credit rating agencies Fitch and S&P Global Ratings upgraded Aker BP to Investment Grade BBB- with stable prospects. This increases opportunities for capital access at attractive terms, as documented in early January 2020 when Aker BP borrowed a 5-year USD 500 million bond loan at 3.07 percent fixed rate, and a 10-year USD 1 billion fixed-rate bond loan at 3.77 percent.

Aker BP's five field centres have shown satisfactory operational stability and good profitability. Collaborative models and alliances with oil service supplier companies continue to contribute to reduced costs and higher efficiency within exploration, drilling, operations, maintenance, modifications and field development. Digitalisation contributes to safer and more efficient operations.

The company's contingent resources were 931 million barrels of oil equivalents at the end of 2019, compared with 946 million barrels of oil equivalents the previous year.

Aker BP's production averaged 155,900 barrels of oil equivalents per day in 2019. The company's operating revenues totalled USD 3.3 billion, compared to USD 3.8 billion in 2018. EBITDAX was USD 2.6 billion, against USD 3.0 billion in 2018.

For 2020, Aker BP aims to produce between 205,000 and 220,000 barrels of oil equivalents per day.

Aker BP has long-term growth targets for its existing portfolio, both through value-adding transactions and organic growth. Aker BP will be a driver for working smarter and more effectively through alliances and collaborative models. Digitalisation is crucial to Aker BP's improvement program and plays an important role in change processes.

Aker BP has a long-term collaboration agreement with Cognite and is at the forefront in adopting digital solutions on its operated platforms and production vessels. The deployment of this technology continues across Aker BP's installations.

Aker wants to contribute to making the NCS an international benchmark for safe, profitable and sustainable offshore petroleum operations. Aker BP is among the lowest carbon intense oil and gas producers. The company's emissions per produced barrel are lower than the average for the Norwegian shelf, and below half of the global average. Aker BP works purposefully to reduce emissions,

improve safety and increase efficiency throughout the value chain.

The Aker BP share was priced at NOK 288 on December 31, 2019, compared to NOK 218 at the end of 2018. In addition, Aker received dividends from Aker BP totalling NOK 2,653 million in 2019 (NOK 18.42 per share).

### **Aker Energy**

Aker Energy owns 50 per cent in the Deepwater Tano Cape Three Points (DWT/CTP) oil field in Ghana.

Aker Energy, owned by Aker and The Resource Group TRG AS (TRG) with 49 per cent each, entered into an agreement in 2018 to acquire Hess Corporation's 50 percent ownership interest in the DWT / CTP oil field in Ghana. Since then, Aker Energy has drilled appraisal wells to further explore the field's properties and has prepared a Plan for Development and Operation (PDO) for the Pecan field.

Drilling operations in 2019 confirmed contingent resources of 450-550 million barrels of oil equivalents in the DWT / CTP block. At the same time, the company acknowledged that gaining approval of the PDO was more demanding and would require more time than originally estimated. Aker Energy, with support from Aker, concluded that the process related to a PDO for the entire DWT / CTP oil field was too complex and time-consuming, and would therefore concentrate its efforts on gaining approval of a plan for the Pecan area only, where significant oil resources have been proven.

Given the historic oil price collapse in the first quarter of 2020 as a result of the Corona virus and the price war between Saudi Arabia and Russia, the company, with support from Aker, decided in late-March 2020 to postpone the Pecan project indefinitely. The company has had an ambition to be in production 37 months after project sanctioning. Under today's travel and transport restrictions, and given the very uncertain market situation, the company no longer

considers this schedule as possible. The focus moving forward will be on the potential for improvement, including for the technical solution. It is also natural to consider transaction opportunities in the further development of Aker Energy

Aker Energy maintains a constructive dialogue with the authorities in Ghana, with a shared understanding of the challenges being faced.

In 2019, Aker contributed NOK 454 million in financing of Aker Energy. TRG has contributed the same amount. In addition, Africa Finance Corporation (AFC) entered into a convertible bond loan agreement of USD 100 million and has the rights to subscribe for shares through a possible listing of Aker Energy.

Svein Jakob Liknes was appointed CEO of Aker Energy, following Jan Arve Haugan's resignation in December 2019. As a result of the strategic decision to postpone the development of the Pecan project indefinitely, Aker Energy's organisation will be scaled down to only consist of a small core team.

Aker's investment in Aker Energy stood at NOK 0.9 billion as of 31 December 2019.

### **Aker Solutions**

Aker Solutions is a global oil services company that provides services, technologies, and product solutions within subsea and field design. The company operates in global niches with high barriers to entry and is set up to generate an attractive return on capital over time through an asset-light business model

The company is well on track to achieve its target of cutting costs by 50 per cent by 2021 compared to 2015 cost levels. Focus is on winning new contracts with satisfactory margins, and to execute the current project portfolio according to plans and budgets.

The order intake in 2019 was NOK 19.6 billion and the order backlog stood at NOK 25.4 billion at the end of the year.

Aker Solutions' operating revenues totalled NOK 29.3 billion in 2019, an increase of 16 per cent from NOK 25.2 billion the previous year. EBITDA stood at NOK 2.2 billion, compared to NOK 1.8 billion in 2018. The company had a solid financial position and a liquidity reserve of NOK 6.3 billion at year-end 2019.

Aker supports Aker Solutions' strategy, announced in the fall of 2019, for targeted investments in renewable energy and low-carbon solutions. The strategy '20-25-30' aims to have at least 20 per cent of the company's revenues be from renewables by 2030, while at least 25 percent of revenues will come from products and solutions that reduce CO<sub>2</sub> emissions. Aker Solutions is already well-positioned in these areas. Floating offshore wind is an important market going forward that opens new opportunities for the company. The low-carbon segment includes Carbon Capture and Storage (CCS), subsea gas compression, unmanned platforms, and oil and gas field electrification

The company's traditional markets, such as subsea, field development, engineering, and MMO are still presenting interesting opportunities. 2019 was marked by several potential oil service projects being postponed in time

In its ownership capacity, Aker is focused on ensuring that Aker Solutions wins contracts across all its business areas, and that it executes projects and contracts with satisfactory margins. To succeed in this regard, the company has to continue to develop its first-class customer relationships and remain focused on further operational improvements and strengthening of its capital base.

Oil service shares generally experienced a major drop in prices in 2019, both on the Oslo Stock Exchange, as well as on international stock exchanges. This reflects how capital markets assess the outlook for oil service companies. For Aker, which owns companies in major parts of the oil and gas value chain, ownership in Aker Solutions is of great strategic importance and carries a value that is not reflected in the share price.

Aker Solutions' share price stood at NOK 24.72 at year-end 2019, down from NOK 39.66 a year earlier. The board of Aker Solutions has proposed that no dividend be paid for the 2019 fiscal year.

### **Akastor**

Akastor is an oil services investment company with a portfolio of industrial holdings and financial investments. MHWirth and AKOFS Offshore are the two most important companies in the portfolio. Akastor has a flexible mandate for active ownership and is working to release the value potential in its portfolio.

The drilling technology company, MHWirth, developed positively through 2019, driven especially by growth in the aftersales market. In addition, the company secured a new contract with Keppel FELS during the year for the delivery of an additional drilling package. In 2019, MHWirth acquired the company Bronco Manufacturing, which manufactures equipment and supplies engineering and other services to the global land-based drilling market. The ambition is to continue to grow for MHWirth, both organically and through possible acquisitions of companies that will strengthen MHWirth's market position. The plan is to list MHWirth, either on an independent basis, or as part of an industrial, structural solution, in order to realise its value.

AKOFS Offshore is completing the AKOFS Seafarer vessel on contract for Equinor, and work is currently underway to evaluate new opportunities for Skandi Santos, which will end its current contract with Petrobras in 2020.

Akastor works closely with its portfolio companies to implement operational improvements, cost reductions, and strategic initiatives in order to strengthen the company's competitiveness and position in challenging markets

In 2019, Akastor's wholly owned subsidiary, First Geo, which supplies reservoir and well services to oil companies and other industry players, merged with AGR to broaden the company and strengthen its market

position. Akastor controls 100 per cent of the share capital and 55 per cent of financial interest in the merged company, AGR.

Akastor's operating revenues totalled NOK 5.4 billion in 2019, compared to NOK 3.8 billion in 2018. EBITDA stood at NOK 492 million, compared to NOK 290 million the previous year. Akastor had a liquidity reserve of NOK 1.9 billion at year-end 2019.

Aker's priority as owner is for Akastor to develop and realise the value of its investments. Transactions completed in 2019 show that Akastor's portfolio companies have often added value, which becomes visible through industrial constellations in larger and more efficient units. These efforts continue.

Like other oil services companies, Akastor experienced a general price decline in 2019. The share price stood at NOK 9.94 at year-end, down from NOK 13.06 at the end of 2018. No dividend is proposed for the fiscal year 2019.

### **Kvaerner**

Kvaerner is a specialised supplier of complex offshore installations and onshore facilities for upstream oil and gas projects, as well as other related segments, such as renewables. One of the company's competitive strengths is its ability to undertake projects that include engineering, procurement and construction (EPC) services under a single contract. In 2019, the EPC market was characterised by few projects and tough competition.

Kvaerner sees growth opportunities in equipment and supplies for floating production and storage vessels (FPSO) and offshore wind. The company therefore highlighted two new business areas in 2019: FPSO and renewable energy.

Kvaerner was awarded a contract by Equinor in 2019 for the construction of 11 floating concrete chassis for offshore wind turbines, as well as marine operating services, at Hywind Tampen. This

represents a strategically important contract.

Kvaerner is constantly seeking to enhance productivity and reduce cost levels at its specialised facilities at Stord and in Verdal, as well as in its project management, design and procurement functions at Fornebu. Capacity has been adjusted to a lower activity level, and the delivery model has been further refined to strengthen competitiveness. Digitalisation, robotization and development of competencies are playing increasingly prominent roles in the company's continuous improvement strategy.

Kvaerner had operating revenues of NOK 9.0 billion in 2019, compared to NOK 7.2 billion the previous year. EBITDA totalled NOK 498 million in 2019, compared to NOK 437 million in 2018. At year-end 2019, Kvaerner held NOK 2.3 billion in cash and had no interest-bearing debt. Kvaerner's order intake totalled NOK 6.9 billion in 2019, while the order backlog amounted to NOK 8.2 billion at the end of the year.

Kvaerner's most important tasks in the short term are to deliver ongoing projects in line with customer expectations and to win new contracts. It is gratifying that Kvaerner's 2019 HSE figures are at their best level since the company's demerger from Aker Solutions in 2011. However, there is still room for HSE improvements. Kvaerner's share price closed at NOK 11.12 as of December 31, 2019, compared to NOK 12.06 at the end of 2018. Kvaerner paid NOK 1 per share in dividend in 2019.

### **Ocean Yield**

Ocean Yield is a ship-owning company. Its mandate is to build a diversified portfolio of modern vessels on long-term charters to creditworthy counterparties.

Ocean Yield increased its investment capacity in 2019 following a hybrid bond issue of USD 125 million, a bond loan of NOK 750 million, and a placement which provided the company with NOK 717 million in new equity. Aker subscribed

its relative number of shares in the share issue at price of NOK 45 per share, corresponding to a total share investment of NOK 442 million, maintaining its ownership of 61.7 per cent in Ocean Yield.

In 2019, the company made investments totalling USD 438 million. The number of vessels in the portfolio increased from 57 to 69, of which 65 vessels are on long-term bareboat contracts. Work is being performed to find long-term solutions for Dhirubhai-1, Connector, and two offshore service vessels.

EBITDA amounted to USD 222 million in 2019, against USD 283 million the previous year. The EBITDA order backlog linked to fixed contracts totalled USD 3.6 billion at the end of 2019, with an average remaining contract tenor of 10.5 years.

Aker supports Ocean Yield's strategy to build a larger company over time through value-adding transactions and further diversification of the portfolio. Growth will primarily be achieved through the purchase of new vessels on long-term charters. Diversification helps to make the company more robust to fluctuations in certain segments.

Ocean Yield's share price stood at NOK 48.00 at December 31, 2019, down from NOK 59.20 at the end of 2018. Aker received NOK 658 (NOK 6.70 per share) in dividends from Ocean Yield in 2019.

### **Aker BioMarine**

Aker BioMarine is an integrated biotechnology company that harvests krill in the Antarctic Ocean and develops, manufactures, markets, and sells krill-based ingredients to the consumer health, animal nutrition, and aquaculture markets.

The company is vertically integrated and controls the entire value chain, from sustainable krill harvesting from three vessels in Antarctica, to research, product development, production, logistics and marketing. Aker BioMarine has built long-term partnerships with leading branded consumer goods and distribution companies, environmental protection organisations, and researchers.

Aker BioMarine's core products are QRILL™ Aqua, a high-quality ingredient for the aquaculture industry, Superba™ Krill Oil, a phospholipid-based omega-3 dietary supplement for the consumer market, and QRILL™ Pet, an omega-3 ingredient for pets.

In November 2019, the US Food and Drug Administration (FDA) approved QRILL Pet as a source of protein and lipid for dry dog food. Aker BioMarine considers this as a starting point for entering a large pet market in the United States.

Aker BioMarine is in a growth phase requiring additional investments. In January 2019, the company was delivered the newly built Antarctic Endurance, the world's most modern vessel for sustainable krill capture, representing an investment of NOK 1.1 billion. The company also has a new service vessel under construction in China to handle increased fishing volumes. Aker BioMarine's krill oil plant in Houston has invested in expanded capacity. In addition, Aker BioMarine has invested significantly in product and market development.

These are important investments that contribute to rapid growth in revenue and EBITDA. Superba™ Krill Oil is showing the most rapid growth, with the strongest growth seen across Asia, and especially in South Korea.

Aker BioMarine's operating revenues increased by 59 per cent in 2019 to USD 247 million, up from USD 155 million the previous year. EBITDA amounted to USD 46 million, up from USD 33 million in 2018.

The company is well-positioned for geographical expansion and to maintain product sales in higher price segments through its complete supply chain, innovative products, and stable, long-term partnerships.

Aker will consider various opportunities for long-term value creation in Aker BioMarine. The ambition is to build a larger, more robust company with profitable growth, with a focus on strong operations and efficient supply chains in

its industry segments. The growth strategy may require further investments by Aker.

Aker BioMarine CEO, Matts Johansen, acquired 2 per cent of the shares in the company from Aker in 2019. Aker now owns 98 percent, and the shares are reported at NOK 2.4 billion as of 31 December 2019.

### **Cognite**

Cognite is a fast-growing industrial software company that enables the oil and gas industry and other asset-intensive industries to improve operations through efficient data collection and sharing.

The company's core product, Cognite Data Fusion (CDF), continuously collects, processes and organises vast amounts of data for industrial customers. A significant portion of Cognite's revenue comes from licensing and subscriptions.

In 2019, the company secured the trust of and won new contracts with several new customers. Cognite has already claimed an international position in the digitalisation of the oil and gas industry and has gained a solid foothold with renowned customers in shipping and logistics, energy and power supply, as well as asset-intensive manufacturing industries.

Cognite continues to attract highly qualified employees. In 2019, the company opened offices in Texas and Tokyo, and signed a letter of intent (MoU) to digitalise Saudi Aramco, the world's largest oil company. The two companies are also in commercial negotiations to establish a jointly owned company to contribute to digitalisation across Saudi Arabia.

The company's operating revenues totalled NOK 340 million in 2019, compared to NOK 164 million in 2018. EBITDA was negative by NOK 15 million, compared to a positive NOK 9 million in 2018.

Through its ownership capacity, Aker is a driver for investments in the growing industrial software market. Cognite and CDF help to renew existing industries and create new business opportunities, making industries more profitable and sustainable through lower energy consumption and lower emissions. These are important drivers for Aker as an active owner working closely with Cognite's development.

International expansion, continued recruitment of talent from around the world, further development of customer relationships and assessments of strategic partnerships and opportunities for collaboration, are still important points on Aker's ownership agenda. In the long term, the plan is to carry out a listing of Cognite.

Aker's investment is reported at NOK 42 million as per December 31, 2019.

### **b. Financial investments**

Financial investments comprise all Aker assets not defined as industrial holdings, including cash, other listed investments, real estate, and other investments. The value of Aker's financial investments amounted to NOK 7.7 billion at December 31, 2019, making up 12 per cent of Aker's net asset value.

Aker's cash holdings increased to NOK 3.7 billion in 2019, up from NOK 1.9 billion the previous year. The increase is mainly attributable to NOK 3.5 billion in dividends received from portfolio companies and net issue of interest-bearing debt of NOK 2.5 billion. This was partly offset by Aker's payment of NOK 1.7 billion in dividend to its shareholders in 2019, total operating and financial expenses of NOK 0.6 billion, the NOK 0.4 billion investment in Ocean Yield, a NOK 0.5 billion investment in Aker Energy, and the issue of NOK 0.3 billion in financing to Aker BioMarine. Aker has a conservative approach to management of its cash portfolio, spreading deposits between several banks with high credit ratings.

The value of other listed investments stood at NOK 0.9 billion at year-end 2019, up from NOK 0.7 billion in 2018. Aker's investments in Philly Shipyard increased by NOK 106 million, and American Shipping was virtually unchanged. Solstad Offshore declined in value by NOK 44 million. Aker invested 85 million in REC Silicon in December 2019, becoming the company's largest shareholder with 22.95 percent of the shares. The unrealized gain in REC Silicon was NOK 87 million at year-end 2019.

Solstad Offshore is in a difficult situation in a challenging market. The company is in negotiations with creditors, and the outcome is expected to be a restructuring of the offshore shipping company's balance sheet.

Aker's total exposure to real estate investments was NOK 603 million at December 31, 2019, up NOK 35 million from 2018.

Other financial investments consist of equity investments, internal and external receivables, and other assets. The largest items are the investment in data science company Abelee, receivables from Aker BioMarine AS and Estremar Invest AS, as well as aircraft ownership. The value of other financial investments was NOK 2.5 billion at 31 December 2019, compared to NOK 1.9 billion at year-end 2018.

### 3. Presentation of annual accounts

Aker ASA's annual accounts consist of the consolidated financial statements, the separate financial statement of the parent, and the combined financial statements for Aker ASA and holding companies. It is the latter financial statements that are highlighted in Aker's internal and external reporting. The combined accounts show the aggregate financial position of the holding companies, including total available liquidity and net debt relative to the investments in the underlying operational companies. NAV for Aker ASA and holding companies forms the basis for Aker's dividend policy.

Pursuant to section 3-3a of the Norwegian Accounting Act, it is confirmed that the accounts have been prepared based on the assumption that Aker is a going concern and the board confirms that this assumption continues to apply.

#### a. Combined accounts for Aker ASA and holding companies

##### *Combined income statement*

The combined profit and loss account for Aker ASA and holding companies (Aker) shows a pre-tax profit of NOK 2.2 billion for 2019, compared to a profit of NOK 1.5 billion in 2018. The change is mainly due to NOK 3.5 billion in received dividends from the portfolio companies, compared to NOK 2.2 billion in 2018. Aker received NOK 2.7 billion in dividends from Aker BP and NOK 658 million from Ocean Yield in 2019. Operating expenses amounted to NOK 267 million in 2019, compared to NOK 254 million in 2018.

Net financial items (including dividends received but excluding value changes) amounted to NOK 2.9 billion in 2019, up from NOK 1.9 billion the previous year. Dividends received amounted to NOK 3.5 billion, while net interest expenses and other financial items amounted to NOK 597 million. Net change in value of shares amounted to minus NOK 435 million in 2019. This is mainly attributable to a negative value change related to the investment in Solstad Offshore and Align, and a decrease in the value of direct investments in Akastor and Aker Solutions.

##### *Combined balance sheet*

The combined balance sheet for Aker ASA and holding companies shows a total book value for assets of NOK 26.7 billion as of December 31, 2019, including long-term equity investments of NOK 20.7 billion, and cash holdings of NOK 3.7 billion. The asset value amounted to NOK 61.9 billion as of December 31, 2019. The corresponding figure for 2018 was NOK 51.2 billion.

The value of Aker's industrial holdings was NOK 54.2 billion at 31 December 2019, compared to NOK 46.1 billion at year-end 2018. The change is mainly

attributable to increased value of the investment in Aker BP and increased investment in Aker Energy. This was partly offset by the decline in value of investments in Aker Solutions, Akastor, Kvaerner and Ocean Yield.

The value of Aker's financial investments was NOK 7.7 billion at year-end 2019, against NOK 5.1 billion as of December 31, 2018. Cash holdings increased from NOK 1.9 billion to NOK 3.7 billion in 2019. The changes are accounted for in the section above on Financial Investments.

Gross interest-bearing debt amounted to NOK 11.6 billion as of December 31, 2019, up from NOK 9.2 billion a year prior. Net interest-bearing liabilities totalled NOK 6.7 billion at year-end 2019, up from NOK 6.2 billion at year-end 2018.

In 2019, the AKER12 bond was repaid on maturity, and Aker issued the five-year NOK 1.5 billion AKER15 bond. At the same time as the issue of AKER15, Aker partially repurchased the AKER10 and AKER13 bonds for a total of NOK 350 million. As of December 31, 2019, the total outstanding bond debt amounted to NOK 5.9 billion. Bank debt totalled NOK 5.8 billion, consisting of two bank loans denominated in USD and a Schuldschein loan denominated in EUR. Total undrawn credit facilities amounted to NOK 2.8 billion as of December 31, 2019.

Aker's NAV at December 31, 2019 was NOK 50.0 billion, compared to NOK 41.7 billion at year-end 2018.

#### b. Group accounts

The main companies included in Aker's consolidated accounts are Aker Solutions, Akastor, Kvaerner, Ocean Yield, Aker BioMarine, Aker Energy, FP Enecom, Cognite and Philly Shipyard. Aker BP is accounted for as an associate.

##### *Income statement*

The Aker Group had operating revenues of NOK 48.8 billion in 2019, compared to NOK 42.2 billion the previous year. Total operating expenses came in at NOK 44.8 billion in 2019, compared to NOK 37.8 billion in 2018. The increase in operating revenues and operating expenses is



explained by increased activity in Aker Solutions, Akastor and Kvaerner, as well as increased revenues in Aker BioMarine. This was partly offset by a decline in revenue in Ocean Yield in 2019, following the FPSO Dhirubhai-1 going off contract in the autumn of 2018.

In 2019, depreciation and amortisation amounted to NOK 2.8 billion, against NOK 2.1 billion the previous year.

Impairment charges in 2019 totalled NOK 1.0 billion, mainly as a result of Ocean Yield's write-down of Dhirubhai-1 totalling NOK 590 million, a write-down of NOK 266 million for use rights related to Aker Solutions' rental of office space, and a write-down of the fishing vessel Juvel in Aker BioMarine totalling NOK 54 million. Net financial expenses were NOK 2.1 billion in 2019, against NOK 1.3 billion in 2018. The increase is primarily due to higher interest costs, which should be seen in connection with the Group's higher interest-bearing debt in 2019 compared to previous years.

Pre-tax profit from continued operations showed a loss of NOK 1.7 billion in 2019, compared with a profit of NOK 1.4 billion in 2018. In 2019, the tax expense was NOK 0.2 billion, resulting in a net loss from continued operations of NOK 1.9 billion in 2019. In 2018, the tax expense was NOK 0.5 billion, with a net positive result from continuing operations of NOK 0.9 billion.

### **Balance sheet**

The Aker Group's total assets amounted to NOK 106.7 billion as of December 31, 2019, compared to NOK 92.8 billion at year-end 2018. Total non-current assets were NOK 74.3 billion at December 31, 2019, compared to NOK 67.1 billion at year-end 2018. The Group's total intangible assets totalled NOK 12.2 billion as of December 31, 2019, up from NOK 11.0 billion the previous year. Of this, goodwill amounted to NOK 8.0 billion at year-end 2019, against NOK 7.5 billion the previous year. Goodwill has been tested for impairment, without this having resulted in impairment of goodwill in 2019. Current

assets were NOK 32.5 billion as of December 31, 2019, up from NOK 25.7 billion a year prior.

Current liabilities amounted to NOK 25.0 billion while non-current liabilities totalled NOK 42.5 billion at year-end 2019. The corresponding figures for 2018 were NOK 23.3 billion and NOK 27.5 billion, respectively. The increase from 2018 is explained by the implementation effect of IFRS 16, as well as net interest-bearing debt. The Group's interest-bearing debt amounted to NOK 40.2 billion at 31 December 2019, compared with NOK 30.4 billion at the end of 2018.

The Group's equity ratio was 37 per cent at the end of 2019, compared with 45 per cent at the end of 2018.

### **Cash flow statement**

The Group's cash balance was NOK 12.0 billion as of December 31, 2019, up from NOK 9.8 billion at year-end 2018.

The Group's net cash flow from operations amounted to NOK 3.3 billion in 2019, compared to NOK 5.3 billion in 2018. The change is mainly due to discontinued operations and changes in other net operating assets and liabilities, which were negative by NOK 1.8 billion in 2019, compared to a positive value of NOK 0.8 billion in 2018. The reduction was partly offset by an increase in dividends received from Aker BP. The difference of NOK 0.7 billion between operating profit before depreciation and amortisation and net cash flow from operations in 2019 is primarily attributable to negative changes in working capital and interest paid, partly offset by dividend received from Aker BP.

Net cash flow from investment activities totalled negative NOK 8.9 billion in 2019, against negative NOK 4.7 billion in 2018. The cash flow for 2019 consists mainly of vessels in Ocean Yield of NOK 5.0 billion, as well as acquisition of real estate, plant and equipment, and intangible assets totalling NOK 3.4 billion. Payments on purchases of subsidiaries amounted to net NOK 0.9 billion.

Net cash flow from financing activities amounted to positive NOK 7.9 billion in 2019, compared to positive NOK 1.0 billion in 2018. Cash flow for the year from financing activities is primarily attributable to a net increase in debt of NOK 8.9 billion, and increased equity in subsidiaries of NOK 1.4 billion, partly offset by dividend payments totalling NOK 2.3 billion. Dividends are split with NOK 1.7 to shareholders in Aker ASA NOK 0.7 billion to minority shareholders in the subsidiaries.

### **c. Aker ASA accounts**

The parent company Aker ASA achieved an annual profit of NOK 179 million in 2019, compared to NOK 1.8 billion in 2018. The decline from 2018 is mainly explained by lower dividends from Aker Capital and write-downs of the investments in Aker Kvaerner Holding, Aker Solutions and Akastor.

Assets totalled NOK 28.9 billion as of December 31, 2019, compared to NOK 30.6 billion at year-end 2018. Equity amounted to NOK 20.3 billion at the end of 2019, compared to NOK 20.1 billion at 31 December 2018. This represents a 70 per cent equity ratio at the end of 2019.

Information on salary and other remuneration to executive management, as well as compensation guidelines, is presented in Note 34 to the consolidated financial statements.

### **Research and development**

The parent company had no research and development activities in 2019. The R&D activities of the group are presented in the annual reports of the respective operational portfolio companies.

### **Allocation of profit and dividend in Aker ASA**

Given today's uncertain market situation as a result of the Corona virus outbreak and a record-high drop in oil demand, the Board of Directors has proposed, for approval at the annual general meeting, a zero dividend for 2019. The proposal

takes into account the need for financial flexibility and current market uncertainty.

The net profit of NOK 179 million is transferred to other equity.

#### 4. Management model, corporate governance, control and compliance

Aker is a public limited liability company organised under Norwegian law and with a governance structure based on Norwegian corporate law and other regulatory requirements. The company's corporate governance model is designed to provide a foundation for long-term value creation and to ensure good control.

Aker's principal owner, Kjell Inge Røkke, is actively involved in Aker's development. Røkke is Chairman of the Board of Aker ASA.

Aker has seven board members, none of whom are members of the company's management and three of whom are employee representatives. The majority of board members are independent of company management and significant business partners. The Chairman and Deputy Chairman of the Board are elected by the General Meeting.

The Board of Aker establishes the overall principles for governance and control in Aker ASA through the adoption of various governing documents. For issues of importance and with group-wide relevance, Aker ensures that relevant governing documents are implemented in the portfolio companies, within the framework of Aker's own governing documents. For example, Aker's Code of Conduct also expresses Aker's expectations of the portfolio companies' Code of Conduct. The same is true for areas such as anti-corruption and supplier conduct.

Aker follows the Norwegian Code of Practice for Corporate Governance. The company's practice is largely in accordance with these recommendations. Reference is made to the Corporate Governance Report. This report is approved by the Board of Directors and is

available on the company's website [www.akerasa.com](http://www.akerasa.com)

#### 5. Board of Directors' activities

The Board prepares an annual plan for its work, which includes recurring key topics, such as strategy review, investment planning, risk and compliance oversight, financial reporting, and budget review.

The Board annually evaluates its own performance and collective expertise.

Aker's Board of Directors held six meetings in 2019. The attendance of the board members averaged 85 per cent. In addition, five telephone conferences were held. Aker's Audit Committee held nine meetings in 2019.

Further information on the Board of Directors' and the Audit Committee's mandate and work can be found in Aker's Corporate Governance Report. The board members' shareholdings and remunerations are presented in Note 34 to the consolidated accounts.

#### 6. Business and society

ESG (Environmental, Social and Governance) is a three-letter commitment on how Aker handles risks related to climate change and environmental challenges, how the company handles people and social conditions, and how Aker practices corporate governance. This work is explained in the company's ESG report available on [www.akerasa.com](http://www.akerasa.com).

Aker aims to be an attractive employer and a preferred partner for business associates, as well as a valuable member of society. Aker's most important contribution to society is to create value and build forward-looking companies that operate in an environmentally, ethically and socially responsible manner. Profitability is a prerequisite for achieving these objectives.

The operations of the parent company Aker ASA have negligible effect on the external environment.

As a leading shareholder in many companies, Aker works to promote responsible and sustainable businesses. This includes financial, societal, climate-related consequences of Aker's and the portfolio companies' activities.

Since Aker's establishment in 1841, its core industrial competencies have been linked to the ocean. Aker's core business moving forward will also be closely tied to the ocean, including in maritime operations, fisheries and marine biotechnology, offshore oil and gas extraction, offshore wind, and technologies that reduce CO<sub>2</sub> emissions. Together with the World Economic Forum (WEF), Aker has taken the initiative to establish a global technology centre for the ocean and environment. The ambition is to employ new technology to preserve the world ocean and reduce industries' environmental footprint. Through public-private partnerships, the centre will aim to develop solutions for a sustainable and profitable ocean economy.

The Norwegian Technology Centre becomes part of WEF's global network for the Fourth Industrial Revolution ("Centre for the Fourth Industrial Revolution", C4IR). Aker's portfolio companies Aker BP, Aker BioMarine, Aker Energy, Aker Solutions, Cognite and Kvaerner are contributing, together with Kjell Inge Røkke's companies REV Ocean and the Ocean Data Foundation. Aker's portfolio companies are at the helm of the centre's initial projects, including efforts to reduce greenhouse gas emissions, contribute to more sustainable fisheries, and efforts within greener shipping.

The operational portfolio companies individually report on their effect on the external environment. Pursuant to section 3-3c of the Accounting Act, larger companies are required to report on their efforts to include corporate social responsibility in business strategy and daily operations. Aker has fulfilled this obligation through a separate document approved by the Board. The document is

available on the company website, [www.akerasa.com](http://www.akerasa.com).

## 7. Our employees

Aker ASA had 43 employees as of 31 December 2019, of which 24 men and 19 women. Svein Oskar Stoknes took over as CFO on August 1, 2019, replacing Frank O. Reite. Stoknes came from the position as CFO of Aker Solutions.

In its hiring processes, the company focuses on candidates' qualifications for the position, regardless of ethnic origin, religious beliefs, sexual orientation, nationality, or other criteria considered irrelevant to their work.

The company strives to provide flexible working conditions to ensure that employment in Aker ASA provides opportunities for a good work-life balance. Varied and challenging work assignments and good opportunities for career development, combined with job security and competitive pay, are also important factors in making Aker ASA an attractive employer.

As of December 31, 2019, the number of regular employees working for companies where Aker is the main shareholder, directly or indirectly, totalled 27,228, of which 13,390 worked in Norway.

About 17 per cent of Aker Group employees are women. Several of the companies in which Aker has large shareholdings are cornerstones of their local communities and recruit locally. Aker has signed an international framework agreement with the Norwegian United Federation of Trade Unions (Fellesforbundet), IndustriALL Global Union, NITO and Texna. This agreement establishes fundamental labour rights and refers to standards relating to health, safety and the environment (HSE) work, pay, working hours, and employment conditions. The agreement commits Aker to respect and support fundamental human rights and union rights in societies in which the companies operate. These principles are

set out in the United Nation's Universal Human Rights Declaration, the OECD Guidelines for Multinational Enterprises and the ILO Declaration on Fundamental Principles and Rights at Work.

For generations, Aker has worked closely with employee organisations. Employee representatives participate in key decision-making processes, including through board representation. Aker has entered into agreements with its employees in relevant operating companies to establish an international works council. In addition, the company's Norwegian trade unions hold annual union representative conferences and have working committees in the industrial portfolio companies Aker BP, Aker Solutions, Akastor, Kvaerner and Aker BioMarine.

Due to volatile activity levels in the oil industry, which impact supplier industries, Aker's portfolio companies in the oil services sector have had to make necessary capacity adjustments. The feedback received so far shows that while downsizing processes are challenging, efforts are made to carry them out within Aker's and the portfolio companies' good working relationships with the employee organisations. Constructive cooperation with union representatives and their organisations is a prerequisite for successful market adjustments and restructuring. Aker has long traditions for involving and including union representatives in processes that may entail major changes for businesses and local communities. Under the currently challenging market conditions, employees have contributed with a willingness and ability to adapt.

The rate of healthiness in Aker ASA was 99.3 per cent (corresponding to a rate of sick leave of 0.7 per cent) in 2019, compared with a rate of healthiness of 98.6 per cent the previous year. The corresponding figure for the Aker Group was 97.4 per cent in 2019, compared with 97.1 per cent in 2018.

As in 2018, no work-related fatalities were registered in the Aker Group in 2019. There were 24 reported accidents that led to absence from work, compared to 40 in 2018. The accidents are described in more detail in the operating companies' annual reports.

## 8. Events after the balance-sheet date

March 6, 2020: OPEC and Russia did not reach an agreement on oil production cuts expected after the outbreak of COVID-19. This virus led to lower economic activity, especially in China, in the first weeks of 2020, and lower demand for oil. Instead of a cut in production, the break in the negotiations ended with increased oil production and a price war between OPEC and Russia. This led to a dramatic fall in oil prices, followed by significant price declines in the world's stock markets. Oil-exposed companies are hit especially hard, including Aker and our portfolio companies Aker BP, Aker Solutions, Akastor, Kvaerner and Ocean Yield.

At the same time, the world has experienced a serious and rapid spread of COVID-19. The World Health Organization (WHO) has declared the situation and the virus a pandemic. This tragic virus outbreak affects a significant number of people, and it also affects businesses and economies worldwide. A recession scenario is plausible, but the long-term global and national impacts on industries, economic activity, oil prices and financial markets are hard to predict given the current situation. The challenging times and uncertain market conditions will impact the coming quarters, and this is part of Aker's ongoing risk assessment in the future.

## 9. Risks and risk management

Aker has a long-standing tradition of industrial and financial risk-taking. The company has evolved with the economic cycles and its strategy has adapted to changes in the underlying markets and company-specific issues in its portfolio. As presented in their respective notes to

the financial statements. Aker ASA, the Aker Group, and Aker ASA and holding companies are exposed to financial risk, the oil price, currency and interest rate risk, liquidity risk, market risk, credit risk, counterparty risk, and operational risk in the underlying companies.

Rather than diversifying risk by spreading investments across many different industries, Aker focuses on sectors where the company has special expertise. The company has established a model for risk management based on the identification, assessment and monitoring of major financial, strategic, climate-related, and operational risk factors for each business segment. Contingency plans have been prepared for these risk factors and their implementation is ensured and monitored. Identified risk factors and how they are managed are reported to the board of Aker on a regular basis.

Aker's risk management is based on the principle that risk assessment is a natural part of all business operations. Consequently, management of operational risk lies primarily with the underlying operating companies, but Aker ASA actively monitors risk management through its participation on the boards of the various companies.

Aker's main strategy for mitigating risk associated with short-term value fluctuations is to maintain a solid financial position and strong creditworthiness. Aker has established financial guidelines that regulate monitoring and follow-up for financial risk issues. Key governance parameters have been identified and are closely monitored. A finance committee has been appointed to focus specifically on issues and decisions related to financial investments, debt financing and foreign exchange.

Financial market exposures, including currency, interest, and liquidity risks, are discussed in greater detail in Note 6 to the consolidated financial statement.

The main risk factors to which Aker and its holding companies are exposed relate

to changes in the value of listed assets as a result of fluctuations in market prices. Developments in the global economy, particularly in energy prices, as well as currency fluctuations, are important variables when assessing short-term market fluctuations. These variables may also influence the underlying value of Aker's unlisted assets. Aker ASA and its holding companies are also exposed to the risk of insufficient access to external financing which may affect the liquidity situation in the companies. This has been further emphasised by the increased attention on ESG issues, especially climate-related investment risk. Aker and portfolio companies seek to reduce the risk by maintaining a solid liquidity reserve, and by proactively planning refinancing activities, as well as strict compliance with environmental regulations. Climate-related risk conditions also present business opportunities for Aker and portfolio companies.

Like Aker, the companies in Aker's industrial portfolio are exposed to commercial, financial and market risks. In addition, these companies, through their business activities within their respective sectors, are also exposed to risk factors related to climate change, laws and regulations, as well as political risk, such as policy decisions on petroleum taxes, environmental regulations, and operational framework conditions, including major accidents that may have a significant financial impact.

Oil prices continue to be volatile and constitute a source of uncertainty. Aker BP's revenue and cash flow are directly affected by fluctuations in oil prices, and variations in oil prices can also impact the activity level of Aker's oil service companies, including Aker Solutions, Akastor and Kvaerner. The activity level affects the supplier companies' and Ocean Yield's counterparties, and the companies are therefore monitoring counterparty risk closely.

For further information on Aker's risk management, see the report on Corporate Governance available on the company website.

## 10. Outlook

Investments in listed shares comprised 84 per cent of the company's assets as per 31 December 2019. About 75 per cent of Aker's investments were associated with the oil and gas sector. The remaining value is mainly found in the maritime industry. Aker's net asset value will hence be influenced by a number of factors, including fluctuations in market prices, commodity prices, exchange rates and operational performance.

Over the last several years, the oil service industry has been under pressure due to cutbacks in E&P spending. The oil companies' discipline following the oil price collapse in 2014-2016 has led to fewer projects being sanctioned globally and lower activity levels for the oil service industry. The situation is likely to be further exacerbated by the ongoing Corona-crisis as the oil companies are apprehensive about investing. At the same time, cost-cutting measures and increased operational efficiency across the industry have brought down break-even costs for offshore projects. Before the Corona-crisis hit markets, there was a certain expectation that the number of investment decisions in the oil industry would increase. The crisis is now expected to trigger a decline in activity level, which will lead to low utilisation of available capacity in the service industry. The overcapacity can benefit the upstream oil and gas companies and thus improve cash flow even at lower oil prices than before.

Oil price volatility has, however, recently been illustrated once again by the outbreak of the Corona virus and the subsequent oil "price war" triggered by strategic disagreements between Saudi Arabia and Russia. Aker is preparing for many conceivable outcomes and low oil prices.

Despite the record-breaking drop in global oil demand caused by the Corona

virus. Aker still believes in the medium to longer term attractiveness of oil and gas investments and will therefore continue to evaluate strategic alternatives and opportunities in the sector. Future oil demand growth is still expected to be supported by the ongoing mega trends of population growth, a growing middle class and urbanisation, particularly in Asia. Oil supply growth is likely to be kept in check by OPEC's strategy, E&P investment appetite and tightened financial conditions, especially for the US shale industry. Another mega trend that is likely to support oil prices for the coming years is the rising cost of capital for the industry at large. The increased cost of capital is influenced by rising focus on ESG principles by both lenders and investors, while today's low oil prices increase financial institutions' scepticism towards financing the oil industry. This growing focus on ESG principles may result in lower supply than demand growth going forward, hence supporting market prices. Price volatility is expected to remain high also in coming years, but Aker is well-positioned to benefit from such a development.

Aker BP, the largest asset in Aker's portfolio, was in 2019 rated Investment Grade by both rating company Fitch and by S&P Global Ratings. This provides the company access to lower cost of capital in a world where many E&P companies are exposed to higher cost of capital. Aker's portfolio companies in the oil and gas sector will continue to increase

competitiveness through increased productivity, efficiency, standardisation, improved technology offerings, and by exploring strategic partnerships and alliances.

The maritime leasing segment requires focus on capital structure diversification. Ocean Yield has identified interesting investment opportunities going forward, but main focus short term is on re-contracting Dhirubhai-1.

Aker BioMarine is pursuing a long-term strategy to diversify its market exposure in terms of both industries and geographical coverage. Its main markets are the aquaculture industry -- particularly the market for salmon farming supplements -- and the dietary supplement market in Europe, North America and Australia. The salmon market has been developing positively for several years. The market for krill-based supplements in the consumer market continued to grow in 2019 and is undergoing a positive development.

Upstream dividends to Aker was expected to increase further in 2020, mainly due to the expected dividend growth in Aker BP, as well as dividends from Ocean Yield. In light of the global Corona crisis and ensuing price war, it is too early to predict how a lower oil price will impact decisions about dividends. Kvaerner has dividend capacity, but Aker's focus remains on ensuring that the oil service company maintains a strong

balance sheet and cash holdings. This provides benefits and commercial opportunities for Kvaerner. Aker supports the boards' views that the portfolio companies maintain robust cash holdings in the current market environment.

The Corona-virus and market turmoil have led to new situations with which Aker and the portfolio companies have to grapple, and measures are being taken to preserve the employees and protect the companies' values. For the parent company Aker, with few employees and relatively low operating costs in relation to the values managed under active ownership, salaries are the largest expense item. As a result of the increased uncertainty, it has been decided that no salary adjustment will be carried out for Aker ASA employees in 2020, nor has a 2020 bonus program been launched. Aker's President and CEO, Øyvind Eriksen, has asked that his salary be reduced to half for the remainder of the year. The Board is prepared to keep the board remuneration for 2020 in line with the 2019 level.

Short term fluctuations in the markets can provide opportunities for value-creating investments. As an industrial investment company, Aker will contribute to developing the portfolio companies and to consider new investments.

**Fornebu, 31 March 2020**  
**Aker ASA**

**Kjell Inge Røkke (sign)**  
Chairman

**Finn Berg Jacobsen (sign)**  
Deputy Chairman

**Kristin Krohn Devold (sign)**  
Director

**Karen Simon (sign)**  
Director

**Atle Tranøy (sign)**  
Director

**Tommy Angeltveit (sign)**  
Director

**Arnfinn Stensø (sign)**  
Director

**Øyvind Eriksen (sign)**  
President and CEO

# Aker Group

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## Income statement and total comprehensive income

### INCOME STATEMENT

	Note	2019	2018
<b>Continued operations</b>			
Operating revenue	9,10	48 756	42 163
Cost of goods and changes in inventory		(22 251)	(17 867)
Wages and other personnel expenses	11	(15 884)	(13 963)
Other operating expenses	11	(6 693)	(5 936)
<b>Operating profit before depreciation and amortisation</b>	9	3 928	4 397
Depreciation and amortisation	15,16,19	(2 780)	(2 097)
Impairment charges	12,15,16,19	(992)	(213)
<b>Operating profit</b>	9	156	2 087
Financial income	13	605	704
Financial expenses	13	(2 681)	(1 997)
Share of profit of equity accounted companies	17	229	626
<b>Profit before tax</b>	9	(1 692)	1 420
Income tax expense	14	(248)	(490)
<b>Profit for the year continued operations</b>	9	(1 940)	930
<b>Discontinued operations</b>			
Profit for the period from discontinued operations net of tax	8	(64)	438
<b>Result for the year</b>		<b>(2 004)</b>	1 368
<b>Attributable to:</b>			
Equity holders of the parent	9	(1 533)	906
Minority interests	24	(471)	462
<b>Result for the year</b>		<b>(2 004)</b>	1 368
Weighted average number of outstanding shares	23	74 271 928	74 282 137
<b>Earnings per share<sup>1)</sup></b>	23		
Earnings per share continued operations		(20.33)	7.08
Earnings per share discontinued operations		(0.31)	5.11
Earnings per share		(20.64)	12.19

1) Profit attributable to equity holders of the parent/weighted average number of outstanding shares

**TOTAL COMPREHENSIVE INCOME**

	Note	2019	2018
Result for the year		(2 004)	1 368
<b>Other comprehensive income, net of income tax</b>			
Items that will not be reclassified to income statement:			
Defined benefit plan actuarial gains (losses)	27	(149)	(82)
Equity investments at FVOCI - net change in fair value		31	66
Items that will not be reclassified to income statement		(118)	(16)
Items that subsequently may be reclassified to income statement:			
Debt investments at FVOCI - net change in fair value		-	6
Changes in fair value of cash flow hedges		113	(95)
Reclassified to profit or loss: debt investments at FVOCI, translation and cash flow hedges		(145)	(478)
Currency translation differences		156	515
Changes in other comprehensive income associates and joint ventures	17	111	1 133
Items that subsequently may be reclassified to income statement		235	1 081
<b>Change in other comprehensive income, net of tax</b>	13,14,25	117	1 065
<b>Total comprehensive income for the year</b>		<b>(1 887)</b>	<b>2 433</b>
<b>Attributable to:</b>			
Equity holders of the parent		(1 351)	2 219
Minority interests		(536)	214
<b>Total comprehensive income for the year</b>		<b>(1 887)</b>	<b>2 433</b>



## Balance sheet at 31 December

	Note	2019	2018
<b>ASSETS</b>			
Property, plant and equipment	15	18 287	18 262
Intangible assets	16	12 154	10 976
Right-of-use assets	19	4 827	-
Deferred tax assets	14	1 261	1 059
Investments in equity accounted companies	17	20 833	23 348
Interest-bearing non-current receivables	6,18	1 140	1 921
Non-current finance lease receivables	19	13 513	9 383
Other shares and non-current assets	20	2 236	2 121
<b>Total non-current assets</b>		<b>74 252</b>	<b>67 070</b>
Inventories	21	1 838	1 752
Trade receivables and other interest-free receivables	22	15 552	13 146
Calculated tax receivable	14	133	146
Derivatives	31	229	406
Interest-bearing current receivables	6,18	642	451
Current finance lease receivables	19	2 040	-
Cash and cash equivalents	6,9	12 018	9 786
<b>Total current assets</b>		<b>32 454</b>	<b>25 688</b>
<b>Total assets</b>	9	<b>106 706</b>	<b>92 758</b>

	Note	2019	2018
<b>EQUITY AND LIABILITIES</b>			
Paid-in capital	23	2 332	2 331
Translation and other reserves	25	3 855	3 618
Retained earnings		12 653	16 061
Total equity attributable to equity holders of the parent		18 840	22 009
Minority interests	24	20 414	19 908
<b>Total equity</b>		<b>39 253</b>	<b>41 918</b>
Interest-bearing non-current liabilities	6,26	33 425	24 745
Non-current lease liabilities	19	5 751	-
Deferred tax liabilities	14	661	515
Pension liabilities	27	1 309	1 181
Other interest-free non-current liabilities	28	1 222	837
Non-current provisions	29	101	221
<b>Total non-current liabilities</b>		<b>42 470</b>	<b>27 499</b>
Interest-bearing current liabilities	6,26	6 762	5 682
Current lease liabilities	19	831	-
Trade and other payables	30	15 160	14 529
Income tax payable	14	117	168
Derivatives	31	414	585
Current provisions	29	1 673	2 343
<b>Total current liabilities</b>		<b>24 957</b>	<b>23 306</b>
<b>Total liabilities</b>		<b>67 427</b>	<b>50 806</b>
Liabilities classified as held for sale	8	26	34
<b>Total equity and liabilities</b>	9	<b>106 706</b>	<b>92 758</b>

Fornebu, 31 March 2020  
Aker ASA

**Kjell Inge Røkke (sign)**  
Chairman

**Finn Berg Jacobsen (sign)**  
Deputy Chairman

**Kristin Krohn Devold (sign)**  
Director

**Karen Simon (sign)**  
Director

**Atle Tranøy (sign)**  
Director

**Tommy Angeltveit (sign)**  
Director

**Arnfinn Stensø (sign)**  
Director

**Øyvind Eriksen (sign)**  
President and CEO

## Consolidated statement of changes in equity

	Note	Total paid-in capital	Translation reserve	Fair value reserves	Hedging reserves	Total translation and other reserves	Retained earnings	Total equity of equity holders of the parent	Minority interests	Total equity
<b>Balance at 31 December 2017</b>	23-25	2 331	2 370	113	62	2 545	16 279	<b>21 155</b>	18 905	<b>40 059</b>
Impact of changes in accounting policies	3	-	4	(313)	42	(267)	290	<b>23</b>	22	<b>45</b>
<b>Balance at 1 January 2018</b>		2 331	2 374	(200)	105	2 278	16 569	<b>21 178</b>	18 927	<b>40 105</b>
Profit for the year 2018		-	-	-	-	-	906	<b>906</b>	462	<b>1 368</b>
Other comprehensive income	25	-	1 348	86	(94)	1 340	(27)	<b>1 313</b>	(248)	<b>1 065</b>
<b>Total comprehensive income</b>		-	1 348	86	(94)	1 340	879	<b>2 219</b>	214	<b>2 433</b>
Dividends		-	-	-	-	-	(1 338)	<b>(1 338)</b>	(499)	<b>(1 836)</b>
Own shares and share-based payment transactions		-	-	-	-	-	(26)	<b>(26)</b>	-	<b>(26)</b>
<b>Total contributions and distributions</b>		-	-	-	-	-	(1 364)	<b>(1 364)</b>	(499)	<b>(1 862)</b>
Acquisition and sale of minority	7,24	-	-	-	-	-	(17)	<b>(17)</b>	37	<b>20</b>
Issuance of shares in subsidiaries	24	-	-	-	-	-	(9)	<b>(9)</b>	1 229	<b>1 220</b>
<b>Total changes in ownership without change of control</b>		-	-	-	-	-	(26)	<b>(26)</b>	1 266	<b>1 240</b>
Transaction with minority interests in joint ventures		-	-	-	-	-	2	<b>2</b>	-	<b>2</b>
<b>Balance at 31 December 2018</b>	23-25	2 331	3 722	(114)	10	3 618	16 061	<b>22 009</b>	19 908	<b>41 918</b>
Correction previous year		-	-	-	-	-	(21)	<b>(21)</b>	(59)	<b>(80)</b>
Impact of changes in accounting policies	3	-	-	-	-	-	(133)	<b>(133)</b>	(236)	<b>(369)</b>
<b>Balance at 1 January 2019</b>		2 331	3 722	(114)	10	3 618	15 907	<b>21 855</b>	19 613	<b>41 469</b>
Profit for the period 2019		-	-	-	-	-	(1 533)	<b>(1 533)</b>	(471)	<b>(2 004)</b>
Other comprehensive income	25	-	287	9	(59)	237	(55)	<b>182</b>	(64)	<b>117</b>
<b>Total comprehensive income</b>		-	287	9	(59)	237	(1 588)	<b>(1 351)</b>	(536)	<b>(1 887)</b>
Dividends		-	-	-	-	-	(1 671)	<b>(1 671)</b>	(676)	<b>(2 347)</b>
Own shares and share-based payment transactions		1	-	-	-	-	13	<b>14</b>	-	<b>14</b>
<b>Total contributions and distributions</b>		1	-	-	-	-	(1 658)	<b>(1 657)</b>	(676)	<b>(2 333)</b>
Acquisition and sale of minority	7,24	-	-	-	-	-	9	<b>9</b>	41	<b>50</b>
Issuance of shares in subsidiaries	24	-	-	-	-	-	(16)	<b>(16)</b>	1 971	<b>1 955</b>
<b>Total changes in ownership without change of control</b>		-	-	-	-	-	(7)	<b>(7)</b>	2 012	<b>2 005</b>
<b>Balance at 31 December 2019</b>	23-25	2 332	4 009	(105)	(48)	3 855	12 653	<b>18 840</b>	20 414	<b>39 253</b>

## Cash flow statement

	Note	2019	2018
Profit before tax		(1 692)	1 420
Net interest expenses	13	1 912	1 274
Sales losses/gains (-) and write-downs		1 052	240
Unrealised foreign exchange gain/loss and other non-cash items		301	135
Depreciation and amortisation	15,16	2 780	2 097
Share of earnings in associates and joint ventures	17	(563)	(1 019)
Dividend received from associates and joint ventures	17	3 263	1 787
Charges due to discontinued operations and other net operating assets and liabilities		(1 811)	809
<b>Cash flow from operating activities before interest and tax</b>		<b>5 242</b>	<b>6 743</b>
Interest paid		(2 266)	(1 566)
Interest received		502	270
Taxes paid		(200)	(185)
<b>Net cash flow from operating activities</b>		<b>3 278</b>	<b>5 262</b>
Proceeds from sales of property, plant, equipment and intangible assets	15,16	38	204
Proceeds from sales of shares and other equity investments		303	520
Disposals of subsidiaries, net of cash disposed	8	3	1 786
Acquisitions of subsidiaries, net of cash acquired	7	(905)	(205)
Acquisitions of property, plant, equipment and intangible assets	15,16	(3 409)	(2 215)
Acquisitions of shares and equity investments in other companies		(262)	(1 018)
Acquisition of vessels accounted for as finance lease	19	(5 004)	(3 343)
Net cash flow from other investments	18	346	(396)
<b>Net cash flow from investing activities</b>		<b>(8 890)</b>	<b>(4 667)</b>
Proceeds from issue of interest-bearing debt	26	16 772	9 129
Repayment of interest-bearing debt	26	(7 114)	(7 315)
Repayment of lease liabilities	19	(762)	-
<b>Net repayment and issue of interest-bearing debt</b>		<b>8 896</b>	<b>1 814</b>
New equity	24	1 383	917
Own shares		(55)	(37)
Dividends paid	23,24	(2 347)	(1 737)
<b>Net cash flow from transactions with owners</b>		<b>(1 019)</b>	<b>(857)</b>
<b>Net cash flow from financing activities</b>		<b>7 877</b>	<b>957</b>
<b>Net change in cash and cash equivalents</b>		<b>2 265</b>	<b>1 552</b>
Effects of changes in exchange rates on cash		(33)	86
Cash and cash equivalents at 1 January		9 786	8 148
<b>Cash and cash equivalents at 31 December</b>	9	<b>12 018</b>	<b>9 786</b>

# Notes to the financial statements

## Note 1 | Corporate information

Aker ASA is a company domiciled in Norway, with headquarters at Fornebu outside Oslo, and listed on the Oslo Stock Exchange with the ticker "AKER". Aker's 2019 consolidated financial statements include the financial statements of the parent company, Aker ASA, its subsidiaries, and interests in associated companies and jointly controlled entities.

## Note 2 | Basis for preparation and estimates and assumptions

### 2.1 STATEMENT OF COMPLIANCE

Aker has prepared its consolidated financial statements in accordance with IFRS and associated interpretations as determined by the EU as at 31 December 2019 and Norwegian disclosure requirements pursuant to the Norwegian accounting act as at 31 December 2019. The consolidated financial statements have been prepared on a historical cost basis, with a few exceptions described in section 2.5.

The 2019 consolidated financial statements were approved by the Board of directors on 31 March 2020. The annual accounts will be submitted to Aker's annual general meeting on 27 April 2020 for final approval.

### 2.2 FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The consolidated financial statements are presented in million Norwegian kroner. The Norwegian krone (NOK) is the functional currency of the parent company. As a result of rounding differences, amounts and percentages may not add up to the total.

### 2.3 USE OF ESTIMATES AND ASSUMPTIONS

The preparation of annual financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. Actual results may differ from amounts arrived at based on these assumptions. Estimates and underlying assumptions are reviewed and assessed on an on-going basis, and are based on historical experience, consultations with experts, trends and other methods which management considers reasonable under the circumstances. Changes to accounting estimates are recognised in the period in which the estimates are revised and in future periods if affected.

Areas in which, in applying the group's accounting principles, there tends to be uncertainties as to material estimations and critical assumptions and assessments, are described in the following paragraphs and in relevant notes to the accounts. The group's operational companies operate in different markets and are thus affected differently by the uncertainties that characterise the different markets.

#### (a) Consolidation

IFRS 10 contains a definition of control, which must be applied when an investor is to assess whether an investment must be consolidated in the consolidated financial statements. The assessment of control involves high degree of judgements. See Note 9.

#### (b) Revenue recognition

Revenue from construction contracts and other contracts with customers where the performance obligations are satisfied over time, are recognised according to progress. This method requires estimates of the final revenue and costs of the contract, as well as costs incurred to date.

For contract revenue, there are uncertainties related to recoverable amounts from variation orders and incentive payments. These are recognised when it is deemed to be highly probable that a significant revenue reversal will not occur. Contract revenue is adjusted by management's evaluation of liquidated damages to be imposed by customers typically relating to contractual delivery terms.

The project costs depend on productivity factors and the cost of inputs. Weather conditions, the performance of subcontractors and others with an impact on schedules, commodity prices and currency rates can all affect cost estimates. Although experience, use of the established project execution model and high competence reduce the risk, there will always be uncertainty related to such assessments.

The estimation uncertainty during the early stages of a contract is often large. No profit is recognised unless the outcome of a performance obligation can be measured reliably, usually at approximately 20 per cent progress. However, management can on a project-by-project basis give approval of earlier recognition if the uncertainties of cost estimates are low. This is typically in situations of repeat projects, proven technology or proven execution model. See Note 9 and 10.

#### (c) Warranty provisions

At the completion of a project, a provision is made for expected warranty expenditures. Based on experience, the provision is often set at one per cent of the contract value, but can also be a higher or lower amount following a specific evaluation of the actual circumstances for each contract. Both the general one per cent provision and the evaluation of project specific circumstances are based on experience from earlier projects. Factors that could affect the estimated warranty cost include the group's quality initiatives. Provisions are presented in Note 29.

#### (d) Impairment testing of goodwill and intangible assets with indefinite useful lives

In accordance with applicable accounting principles, the group performs annual impairment tests to determine whether goodwill and intangible assets recorded in the balance sheet have suffered any impairment. The estimated recoverable amount for cash-generating units are determined based on the present value of budgeted cash flows or estimated sales value less cost to sell, if higher. See Note 12.

#### (e) Tax

The group is subject to income taxes in numerous jurisdictions. Significant judgment is required to determine provisions for income taxes worldwide. Aker incurs an income-tax payable and/or earns a considerable tax receivable. The group also recognises changes in deferred tax or deferred tax benefits. These figures are based on

management's interpretation of applicable laws and regulations, and relevant court decisions. The quality of these estimates is largely dependent on management's ability to apply complex set of rules, its ability to identify changes to existing rules and, in the case of deferred tax benefits, its ability to project future earnings from which a loss carry-forward may be deducted for tax purposes. See Note 14.

#### **(f) Financial instruments**

The group is exposed to various risks resulting from its use of financial instruments. This includes credit risk, liquidity risk and market risk (including currency- and interest rate risk). Note 6 and Note 31 present information about the group's exposure to each of these risks, the group's objectives, the principles and processes for measuring and managing risk, and the group's capital management.

#### **(g) Contingent assets and liabilities**

As a result of their extensive worldwide operations, group companies sometimes become involved in legal disputes. Provisions have been made to cover the expected outcomes of the disputes where negative outcomes are likely and reliable estimates can be prepared. However, the final outcome of these cases will always be subject to uncertainties and resulting liabilities may deviate from booked provisions. See Note 32.

#### **(h) Acquisition costs – exploration**

The accounting policy of Aker's subsidiary Aker Energy is to temporarily recognise expenses relating to the drilling of exploration wells in the balance sheet as capitalised exploration expenditures, pending an evaluation of potential oil and gas discoveries. If resources are not discovered, or if recovery of the resources is considered technically or commercially unviable, the costs of exploration wells are expensed. Decisions as to whether this expenditure should remain capitalised or be expensed during the period, may materially affect the operating result for the period.

### **2.4 FAIR VALUE MEASUREMENT**

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair

value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair values are measured or disclosed in the financial statements are categorised within the fair value hierarchy, described below, based on the lowest level of 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.

The Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

For the purpose of fair value disclosures, the group has determined asset and liability classes based on their nature, characteristics and associated risks, and the applicable level within the fair value hierarchy. See Note 31.

### **2.5 BASIS OF MEASUREMENT**

The consolidated financial statements have been prepared on a historical cost basis, with except for the following items:

- Derivative financial instruments are measured at fair value
- Non-derivative financial instruments at fair value through profit and loss are measured at fair value
- Debt instruments at fair value through profit and loss are measured at fair value
- Contingent consideration assumed in business combinations are measured at fair value
- Net defined benefit asset or liabilities recognised at fair value of plan assets less the present value of the defined benefit obligation

## **Note 3 | Changes in accounting policies**

The Group has initially adopted IFRS 16 Leases from 1 January 2019. Other new standards and amendments are effective from 1 January 2019, but except for the change described under section 3.5 below, they do not have a material effect on the Group's financial statements.

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 underlying assets and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The details of the changes in accounting policies are disclosed below.

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 period of time in exchange for consideration.

### **3.1 LEASES IN WHICH THE GROUP IS A LESSOR**

The accounting policies applicable to the Group as a lessor are not different from those under IAS 17. However, when the Group is an intermediate lessor, the subleases are classified with reference to the right-of-use assets arising from the head lease, not with reference to the underlying asset.

### **3.2 LEASES IN WHICH THE GROUP IS A LESSEE**

The Group has recognised new assets and liabilities for its operating leases of warehouses, rental of offices and factory facilities and machines and vehicles. The nature of expenses related to those leases has changed because the Group has recognised a depreciation charge for right-of-use assets and interest expenses on lease liabilities.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and for leases of low-value assets (e.g. IT equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

### 3.3 SIGNIFICANT ACCOUNTING POLICIES

#### 3.3.1 Right-of-use asset

The Group recognises a right-of-use asset at the lease commencement date. The right-of-use 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 right-of-use asset includes the amount of lease liability recognised, initial direct costs incurred, and the lease payments made at or before the commencement date less any lease incentives received. The right-of-use 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.

#### 3.3.2 Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate. The lease payments include fixed payments and variable lease payments that depend on an index or rate. The variable lease payment that does not depend on an index or rate is recognised as expense in the period in which it is incurred.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amounts expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

#### 3.3.3 Lease term

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.

### 3.4 TRANSITION

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings and minority 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 transition at 1 January 2019 is summarised below:

Property, plant and equipment	(153)
Right-of-use assets	5 243
Finance lease receivables	789
Interest bearing receivables	(2)
Deferred tax assets	90
Current operating assets	(32)
<b>Adjustments to assets</b>	<b>5 935</b>
Lease liabilities	6 771
Current operating liabilities, including provisions	(279)
Trade and other payables	(234)
<b>Adjustments to liabilities</b>	<b>6 258</b>
Retained earnings/minority	(323)
<b>Adjustments to equity</b>	<b>(323)</b>

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is in the range of 3.4 – 5.3 per cent.

Reconciliation of operating lease commitment as of 31 December 2018 and recognised lease liabilities as of 1 January 2019 is summarised below:

Operating lease commitment at 31 December 2018	8 228
Less exemption for leases of low-value assets	(203)
Less exemption for leases with less than 12 months of lease term at transition	(148)
In substance fixed lease payments not included in lease commitments	237
Option periods not previously reported as lease commitments and other adjustments	15
<b>Undiscounted lease liability</b>	<b>8 129</b>
Effect of discounting to net present value	(1 358)
<b>Lease liabilities recognised at 1 January 2019</b>	<b>6 771</b>

### 3.5 OTHER CHANGES TO ACCOUNTING POLICIES

Aker BP has previously recognised revenue on the basis of the proportionate share of production during the period, regardless of actual sales (entitlement method). Due to development in IFRIC discussions, Aker BP decided to change to the sales method from 1 January 2019. This means that changes in over/underlift balances are valued at production cost including depreciation and presented as an adjustment to cost. The effect in the Aker Group is a reduction of equity of NOK 47 million, with a corresponding reduction of the investment. In the Aker Group, the change has been implemented as a change in equity as at 1 January 2019, without any restatement of comparatives.

## Note 4 | New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the year ending 31 December 2019. The group has chosen not to early adopt any new or amended standards in preparing the consolidated financial statements for 2019. None of these standards are expected to have a material impact on the consolidated accounts at implementation.

## Note 5 | Accounting principles

The accounting principles presented below have been applied consistently for all periods and companies that are presented in the consolidated financial statements. Comparative figures have been restated in accordance with this year's presentation, see however information provided in Note 3 regarding IFRS 16 Leases.

### 5.1 GROUP ACCOUNTING AND CONSOLIDATION PRINCIPLES

#### 5.1.1 Subsidiaries

Subsidiaries are companies controlled by Aker. Control requires three elements:

- ownership interests that give the investor power to direct the relevant activities of the investee,
- that the investor is exposed to variable returns from the investee, and that
- decision-making power allows the investor to affect its variable returns from the investee.

Subsidiaries are included in the consolidated accounts from the day control is achieved and until control ceases.

Acquisitions of companies that meet the definition of a business combination are recognised using the acquisition method. See further description in section 5.8 Intangible assets. Acquisitions of companies, which are not defined as business combinations, are recorded as asset acquisitions. The cost of such purchases is allocated between the individual identifiable assets and liabilities acquired based on their fair values on the acquisition date. Goodwill is not recognised in connection with such acquisitions, nor is deferred tax recognised in connection with differences arising in the recognition of such assets.

Minority interests have been disclosed separately from the parent company owners' equity and liabilities in the balance sheet, and are recorded as a separate item in the consolidated profit and loss account.

#### 5.1.2 Investments in associates

An associate is defined as a company over which the group has significant influence, but which is not a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee, without having control or joint control of those policies. The group's investments in associates are accounted for using the equity method and are initially recognised at cost. Received dividends are recognised as a reduction of the book value of the investment, and are presented as part of net cash flow from operating activities in the cash flow statement.

Investments include goodwill upon acquisition less any accumulated impairment losses. The consolidated financial statements reflect the group's share of the associate's profits or losses and equity changes, after restatement to comply with the group's accounting principles, from the time significant influence is established until such influence ceases. If

the group's share of accumulated losses exceeds its interest in the entity, the group does not recognise further losses unless it has incurred or guaranteed obligations with respect to the associate. If control is achieved in stages, goodwill is measured on the date control is obtained, and any changes in the value of previously held equity interests are recognised as profits or losses.

#### 5.1.3 Interests in joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A joint arrangement is either a joint venture or a joint operation. The classification of a joint arrangement as a joint venture or a joint operation depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Joint ventures are accounted for using the equity method and are initially recognised at cost. Received dividends are recognised as a reduction of the book value of the investment, and are presented as part of net cash flow from operating activities in the cash flow statement.

The subsidiary Aker Energy has a 50 per cent ownership interest in a license offshore Ghana, which is classified as joint operations under IFRS 11. The group recognises the investment by reporting its share of related revenues, expenses, assets, liabilities and cash flows under the respective items in the financial statements.

#### 5.1.4 Elimination of transactions upon consolidation

Intragroup balances and transactions, and any unrealised gains and losses or revenues and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the group's interest in the investee.

#### 5.1.5 Foreign currency translations and transactions

Items are initially recorded in the financial statements of each subsidiary in the subsidiary's functional currency, i.e. the currency that best reflects the economic substance of the underlying events and circumstances relevant to that subsidiary. Foreign currency transactions are translated into the functional currency of the respective subsidiary using the exchange rates prevailing on the date of each transaction. Receivables and liabilities in foreign currencies are translated into the functional currency using the exchange rates on the balance sheet date. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and



liabilities denominated in foreign currencies are recognised in the profit and loss account.

The consolidated financial statements are presented in Norwegian kroner. Financial statements of subsidiaries whose functional currencies are different from the presentation currency (NOK) are translated into NOK in the following way:

- Balance sheet items are translated using the exchange rates on the balance sheet date
- Profit or loss items are translated using the average exchange rates for the period (if the average exchange rates for the period do not provide a fair estimate of the transaction rate, the actual transaction rate is used).

Translation differences arising from the translation of net investments in foreign operations and from related hedging objects are specified as translation differences in other comprehensive income, and are specified under shareholders' equity. When a foreign entity is sold, translation differences are recognised in the profit and loss account as part of the gain or loss on the sale. Foreign exchange gains or losses on receivables from and liabilities payable to a foreign entity are recognised in the profit and loss, except when settlement is neither planned nor likely to occur in the foreseeable future. Such foreign exchange gains and losses are considered to form part of the net investment in the foreign activity and are recognised in other comprehensive income as translation differences.

## 5.2 DISCONTINUED OPERATIONS

A discontinued operation is a component of the group's business operations that represents a separate, major line of business or a geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale.

Profits or losses from discontinued operations (after tax), are reclassified and presented as a separate line item in the financial statements. The comparatives are restated accordingly.

## 5.3 REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER INCOME

### 5.3.1 Revenue from contracts with customers

IFRS 15 Revenue from Contracts with customers establishes a five-step method that applies to all customer contracts. Under the standard, only approved customer contracts with a firm commitment are basis for revenue recognition. Variation orders are included when they have been approved, either verbally, in writing, or implied by customary business practice. The deliveries in the contracts are reviewed to identify distinct performance obligations, and revenue is recognised in line with how the entity satisfies these performance obligations – either over time or at a point in time. This assessment may involve significant judgement. For contracts with customers for which the performance obligations are satisfied over time, revenue is recognised over time using a cost progress method. For contracts with customers for which the performance obligations are satisfied at a point in time, revenue is recognised at the point in time when the customer obtains control of the product or the service. Details of the accounting policies and the nature of performance obligations for each of the major types of customer contracts are set out below.

### Construction contracts

Under construction contracts, specialised products are built according to a customer's specifications and the assets have no alternative use to the group. If a construction contract is terminated by the customer, the group has an enforceable right to payment for the work completed to date. The contracts usually establish a milestone payment schedule.

The group has assessed that performance obligations are satisfied over time and revenue from construction performance obligations is recognised according to progress. The progress is measured using an input method that best depicts the group's performance. The input method used to measure progress is determined by reference to the costs incurred to date relative to the total estimated contract costs. Project costs include costs directly related to the specific contract and indirect costs attributable to the contract.

Variable considerations, such as incentive payments, are included in construction revenue when it is highly probable that a significant revenue reversal will not occur. Disputed amounts are only recognised when negotiations have reached an advanced stage, customer acceptance is highly likely, and the amounts can be measured reliably. Contract modifications, usually in the form of variation orders, are only accounted for when they are approved by the customers. Contract costs are mainly expensed as incurred. Expected liquidated damages (LD) are recognised as a reduction of the transaction price unless it is highly probable that LDs will not be incurred. The transaction price of performance obligations is adjusted for significant financing components to reflect the time value of money. Financing components may exist when the expected time period between the transfer of the promised goods and services and the payment is more than twelve months.

When the final outcome of a performance obligation cannot be reliably estimated, contract revenue is recognised only to the extent of costs incurred that are expected to be recoverable. The full loss is recognised immediately when identified on loss-making contracts.

### Services revenue

Service revenue is recognised over time as the services are provided. The revenue is recognised according to progress or using the invoiced amounts for the period when these directly correspond with the value of the services that are transferred to the customers in the period. Progress is normally measured using an input method, by reference of costs incurred to date relative to the total estimated costs.

### Sale of standard products

This revenue type involves sale of products or equipment that are of a standard nature, not made according to the customer's specifications. Customers usually obtain control of these products when the goods are delivered to the customers in accordance with the contract terms. The group has assessed that the performance obligations for such products are satisfied at a point in time, and revenue from these performance obligations is recognised at that point in time.

### 5.3.2 Revenue from charter agreements

Revenues related to vessel bareboat charter agreements are recognised over the charter period. Time-charter agreements may include a revenue-sharing agreement with the charterer. Revenue related to profit sharing agreements is recognised when the amount can be reliably estimated.

### 5.3.3 Other income

Gains and losses resulting from acquisition and disposal of businesses which do not represent discontinued operations are included in Other income within operating profit. In case of acquisitions in stages such gains may come from the remeasurement of previously held interests in the acquired entity.

## 5.4 PENSION BENEFITS AND SHARE-BASED PAYMENTS

### 5.4.1 Pension benefits

For defined benefit plans, the liability recognised is the defined benefit obligation as at the balance sheet date, minus the fair value of plan assets. The defined benefit obligation is calculated by independent actuaries and is measured as the present value of estimated future cash outflows. The pension cost is allocated to profit and loss over the employees' estimated time of service. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions, and amendments to pension plans are recognised in other comprehensive income ("OCI"). The net interest expense for the period is calculated by applying the discount rate to the net defined benefit liability, thus comprises both interest on the liability and the return on the pension plan assets. The difference between the actual return on the pension plan assets and the recognised return is recognised against the OCI on an ongoing basis.

For defined contribution plans, contributions are paid into pension insurance plans. Contributions to defined contribution plans are charged to the profit and loss account in the period to which the contributions relate.

### 5.4.2 Share-based payments

Share-based payment expense is measured at fair value over the service period. All changes in fair value are recognised in the income statement.

## 5.5 EXPENSES

### 5.5.1 Lease agreements (as lessee)

The group has initially applied IFRS 16 Leases from 1 January 2019. Information about the effect of initially applying IFRS 16 and the group's accounting policies relating to leases are provided in Note 3.

### 5.5.2 Finance expenses

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs not directly attributable to the acquisition or production of a qualifying asset are recognised in profit or loss using the effective-interest method. Foreign currency gains and losses are reported on a net basis.

### 5.5.3 Income tax

Income tax comprises current and deferred tax. An income tax expense is recognised in the profit and loss account unless it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted as at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is calculated based on the temporary differences between the carrying amounts of assets and liabilities and the amounts used for

taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse. Deferred tax is not recognised for the following temporary differences:

- initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.
- differences relating to investments in joint ventures, if it is probable that they will not reverse in the foreseeable future.
- tax-increasing temporary differences upon initial recognition of goodwill.

Deferred tax assets and liabilities are offset if:

- there is a legally enforceable right to offset current tax liabilities and assets
- they relate to income taxes levied by the same tax authority on the same taxable entity, or on different taxable entities that intend to settle current tax liabilities and assets on a net basis, or to realise their tax assets and liabilities simultaneously.

A deferred tax asset will be recognised if it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## 5.6 INVENTORY

Inventory is stated at the lower of cost or net realisable value. Cost is determined by the first-in first-out (FIFO) method, or the weighted average cost formula depending on the nature of the inventory. The cost of finished goods and work in progress comprises raw materials, direct labour and other direct costs, and related production overhead (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

## 5.7 PROPERTY, PLANT, AND EQUIPMENT

### 5.7.1 Recognition and measurement

An item of property, plant and equipment is recognised as an asset if it is probable that the future economic benefits associated with the assets will flow to the group, and its cost can be reliably measured. Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures directly attributable to the asset's acquisition and if material the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs associated with loans to finance the construction of property, plant and equipment are capitalised over the period necessary to complete an asset and make it ready for its intended use. Other borrowing costs are expensed. When significant parts of an item of property, plant, and equipment have different useful lives, major components are accounted for as separate items of property, plant, and equipment.

A gain or loss on the disposal of an item of property, plant and equipment is determined by comparing the disposal proceeds with the carrying amount of that item; any loss is included in impairment charges.

### 5.7.2 Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that future

economic benefits associated with the asset will flow to the group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day-to-day maintenance of property, plant and equipment are recognised in profit and loss as incurred.

### 5.7.3 Depreciation

Depreciation is recognised in profit and loss on a straight-line basis over the estimated useful life of each major component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term or the asset's useful life, unless it is highly probable that the group will acquire ownership at the end of the lease term. Land is not depreciated. Depreciation methods, useful lives, and residual values are reviewed at each balance sheet date.

## 5.8 INTANGIBLE ASSETS

### 5.8.1 Goodwill

All business combinations in the group are recognised using the acquisition method. Goodwill represents values arising from the acquisitions of subsidiaries, associates, and joint ventures. Goodwill is allocated to cash-generating units and is tested annually for impairment. For associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment in the associates. Negative goodwill arising on an acquisition is recognised directly in the profit and loss account. Minority interests are measured at the net value of identifiable assets and liabilities in the acquired company or at fair value including a goodwill element. The method of measurement is decided individually for each acquisition.

Goodwill is measured as a residual at the acquisition date and constitutes the sum of total consideration transferred in connection with the business combination, the carrying amount of the minority interests and the fair value of the previous ownership interest in the acquired company at the time of acquisition, less the net recognised amount (normally fair value) of the identifiable assets acquired and liabilities assumed.

Acquisitions of minority interests are accounted for as transactions with equity holders in their capacity as equity holders, and therefore no goodwill is recognised as a result of such transactions. In subsequent measurements, goodwill is valued at acquisition cost, less accumulated impairment losses.

### 5.8.2 Research and development

Expenditures on research activities undertaken to gain new scientific or technical knowledge and understanding are recognised in profit and loss in the period incurred.

Development expenditure that applies research findings to a plan or design for the production of a new or substantially improved product or process is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The capitalised amount includes the cost of materials, direct labour expenses and an appropriate proportion of overhead expenses. Other development expenditure is recognised in the profit and loss account as an expense in the period in which it occurs. Capitalised development expenditures are recognised at cost less accumulated amortisation and impairment losses.

### 5.8.3 Other intangible assets

Expenditures on internally generated goodwill and brand names are recognised in profit and loss in the period in which they are incurred. Other acquired intangible assets (patents, trademarks and other rights),

are recognised in the balance sheet at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use.

## 5.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amounts of the group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is also estimated annually at the balance sheet date irrespective of any impairment indicators. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). Goodwill acquired in a business combination is allocated to the groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (or group of units), on a pro rata basis.

An impairment loss in respect of goodwill and intangible assets that have indefinite useful lives is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed as at each reporting date as to any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

## 5.10 ASSETS HELD FOR SALE OR DISTRIBUTION

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. This condition is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale or distribution in its present condition.

Non-current assets and disposal groups classified as held for sale or distribution are measured at the lower of their carrying amount and fair value less costs to sell. Property, plant and equipment and intangible assets once classified as held for sale or distribution are not depreciated or amortised, but are considered in the overall impairment testing of the disposal group.

Non-current asset classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from other assets in the statement of financial position. Liabilities of a disposal group classified as held for sale shall be presented separately from other

liabilities in the statement of financial position. The balance sheet for prior periods is not reclassified to reflect the classification in the balance sheet for the latest period presented.

## 5.11 FINANCIAL INSTRUMENTS

### 5.11.1 Classification of financial assets

The group classifies its financial assets in the following measurement categories

- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- Those to be measured at amortised cost

The classification depends on the entity's business mode for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business mode for managing financial assets.

### 5.11.2 Recognition and derecognition of financial assets

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

### 5.11.3 Measurement of financial assets

At initial recognition, the group measures a financial asset (unless it is a trade receivable without a significant financing component) at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Trade receivables without a significant financing component are initially measured at the transaction price.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, impairments, and any gain or loss arising on derecognition are recognised in profit or loss.
- **FVOCI:** Assets that are held both for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Interest income calculated using the effective interest

method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. Net gains and losses, including any interest, are recognised in profit or loss. However, see section below regarding derivatives designated as hedging instruments.

#### Equity instruments

The group subsequently measures all equity investments at fair value. Where the group has irrevocably elected (an election that is made on an investment-by-investment basis) to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the group's right to receive payments is established.

### 5.11.4 Impairment of financial assets

The group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

There are mainly financial receivables (including trade receivables), contract assets and financial lease receivables that are subject to the expected credit loss model (ECL) in IFRS 9. For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### 5.11.5 Financial liabilities – initial recognition, classification, subsequent measurement, gains and losses and derecognition

A financial liability is initially measured at fair value and, for a financial liability not at FVPL, net of transaction costs that are directly attributable to its issue. Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified at FVPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. See section below regarding derivatives designated as hedging instruments.

The group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. The group also derecognises a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

### 5.11.6 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset, and the net amount presented in the balance sheet when, and only when, the group currently

has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously

#### 5.11.7 Derivative financial instruments and hedge accounting

The group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially recognised at fair value, and attributable transaction costs are recognised in profit or loss as incurred.

Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and the following criteria are met: i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and iii) the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss.

Derivatives not being part of hedge accounting are measured at fair value and all changes in value are recognised in profit and loss. The group may designate certain derivatives as hedging instruments to hedge the fair value of recognised assets or liabilities (fair value hedges), the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates (cash flow hedges), and certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation (net investment hedges). At inception of designated hedging relationships, the group documents the risk management objective and strategy for undertaking the hedge. The group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

#### Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability, or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve within equity. The amount recognised in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the income statement as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases, the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

#### Fair value hedges

Changes in the fair value of derivatives designated as fair value hedges are recognised in profit or loss. The hedged object is valued at fair value with respect to the risk that is hedged. Gains or losses attributable to the hedged risk are recognised in profit or loss and the hedged object's carried amount is adjusted.

#### Net investment hedges

Foreign currency differences arising from the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in other comprehensive income to the extent that the hedge is effective and are presented within equity in the translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss. When the hedged part of a net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

### 5.12 SHARE CAPITAL, TREASURY SHARES AND EQUITY RESERVES

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. When share capital is repurchased, the amount of the consideration paid including directly attributable costs and net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued, the amount received is recognised as an increase in equity, and the surplus or deficit resulting from the transaction is transferred to/from retained earnings.

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as from the translation of liabilities that hedge the group's net investment in a foreign operation.

The fair value reserve comprises the cumulative net change in the fair value of financial assets at FVOCI.

The hedging reserve applies to cash flow hedges entered into in order to hedge against changes in income and expenses that may arise from exchange rate fluctuations. The profit or loss effect of such transactions is included in the profit and loss account upon recognition of the hedged cash flow. The hedging reserve represents the value of such hedging instruments that is not yet recognised in the income statement.

### 5.13 PROVISIONS

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that payments or other outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are determined as the present value of expected future cash flows, discounted by a market based pre-tax discount rate.

Warranty provisions are made for expected future expenses related to delivered products and services. The provisions are based on historic data and a weighting of all possible outcomes against their associated probabilities.

A provision for restructuring is recognised when an approved, detailed and formal restructuring plan exists, and the restructuring either has begun or has been announced to the affected parties.

Provisions for contract losses are recognised when the expected revenues from a contract are lower than the cost of meeting the contractual obligations. Before provisions are made, all impairment losses on assets associated with the contract are recognised.

#### 5.14 EARNINGS PER SHARE

The calculation of ordinary earnings per share is based on the profit attributable to ordinary shares using the weighted average number of shares outstanding during the reporting period, after deduction of the average number of treasury shares held over the period. The calculation of diluted earnings per share is consistent with the calculation of ordinary earnings per share, and gives effect to all ordinary shares with dilutive potential that were outstanding during the period.

#### 5.15 SEGMENT REPORTING

Aker defines operating segments based on the group's internal management and reporting structure. The group's chief operating decision maker, responsible for the allocation of resources and assessment of the performance in the different operating segments, is defined as the board of directors, the group president and CEO and the CFO. Aker's investment portfolio comprises two segments: Industrial holdings and Financial investments. The recognition and measurement applied in segment reporting is consistent with the accounting principles applied when preparing the financial statements. Transactions between segments are conducted on market terms and conditions. Comparative segment information is usually re-presented for changes in reporting segments. See Note 9 Operating segments and significant subsidiaries.

## Note 6 | Financial risk and exposure

### FINANCIAL RISK

The Aker Group consists of various operations and companies that are exposed to different types of financial risks, including credit-, liquidity- and market risk (e.g. oil price-, currency- and interest risk). The purpose of risk management is to measure and manage financial risk in a reliable manner, thereby increasing predictability and reducing negative effects on Aker's financial results. The Group uses different financial instruments to manage its financial exposure actively.

### CAPITAL MANAGEMENT

The overall objectives of Aker's capital management policy are to maintain a strong capital base to retain investor, creditor and market confidence, to ensure financial flexibility for the seizure of opportunities as they arise, and to maintain a capital structure that minimises the company's cost of capital. For its surplus liquidity, Aker pursues a conservative placement strategy with minimal risk. The placements need to be flexible in terms of liquidity.

The target rate of return for the Industrial holdings is 12 per cent. The target return for the Financial investments portfolio depends on the composition of the portfolio, including the size of cash deposits and the risk profile of the receivables. In addition, Aker has defined financial target indicators (FTIs) that regulate the relationship between cash and interest-bearing debt, as well as the capital structure. The ratios work as guidelines for investment activities and capital allocation.

The governing principle of Aker's dividend policy is that the company at all times should have a solid balance sheet and liquidity reserves sufficient to deal with future liabilities. The policy of the company is to pay annual dividends corresponding to 2-4 per cent of net asset value (value-adjusted). The market prices of listed companies are used in calculating net asset value, while book values are used for other assets.

### CREDIT RISK

The Group's financial assets are bank deposits, trade and other receivables, derivatives, and investments in shares. The Group's exposure

to credit risk is mainly related to external receivables. For large projects and long-term lease contracts, assessment of credit risk related to customers and subcontractors are performed in the tender phase and throughout the contract period. Large and long-term projects are closely monitored in accordance with agreed milestones.

Trade receivables presented in the balance sheet are net of provisions for bad debts, which are estimated based on prior experience as well as specific assessments for some of the receivables.

Transactions involving derivative financial instruments are with counterparties with sound credit ratings and with whom the Group has signed a netting agreement.

The company within the group with the largest exposure to credit risk, is Ocean Yield. Ocean Yield faces credit risk through counterparties that may not be able to meet its obligations under a long-term charter contract. In order to mitigate this, the company charters out the vessels to internationally well-recognised companies within the shipping and offshore industry. However, as shipping and oil service markets are volatile, there is no complete protection against potential counterparty default.

The ongoing COVID-19 crisis and the lack of agreement between OPEC and Russia to reduce oil production, has had significant negative effects on the world economy and most industries and businesses have been adversely affected. There is an imminent danger of recession, and this will increase the credit risk for the Group in the future. It is currently not possible to predict how large this increase in risk will be.

The exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet. Information about the exposure to credit risk at the balance sheet date is found in the tables on the next page.

2019 Carrying amount - exposure to credit risk						
		Fair value through profit and loss	Fair value through other comprehensive income (FVOCI)	Receivables at amortised cost	Derivatives qualified for hedge accounting at FVOCI	Total
	Note					
Financial interest-bearing non-current assets	18	-	-	14 653	-	14 653
Other non-current assets including long-term derivatives	20	62	613	38	-	713
Trade receivables, other interest-free short-term receivables	22	7	-	5 382	-	5 389
Current derivatives	31	15	-	-	214	229
Interest-bearing short-term receivables	18	9	-	2 673	-	2 683
Cash and cash equivalents	9	-	-	12 018	-	12 018
<b>Total</b>		93	613	34 764	214	35 685

Interest-bearing receivables were impaired with NOK 25 million in 2019. In addition, a shareholder loan of NOK 60 million from Akastor to the joint venture DOF Deepwater AS is recognised against the share of losses from the joint venture (See Note 33).

2018 Carrying amount - exposure to credit risk						
	Note	Fair value through profit and loss	Fair value through other comprehensive income (FVOCI)	Receivables at amortised cost	Derivatives qualified for hedge accounting at FVOCI	Total
Financial interest-bearing non-current assets	18	-	-	11 304	-	11 304
Other non-current assets including long-term derivatives	20	61	512	71	-	644
Trade receivables, other interest-free short-term receivables	22	12	-	5 875	-	5 888
Current derivatives	31	64	-	-	342	406
Interest-bearing short-term receivables	18	25	-	426	-	451
Cash and cash equivalents	9	-	-	9 786	-	9 786
<b>Total</b>		163	512	27 462	342	28 479

#### Aging trade receivables and contract assets

	Gross trade receivables and contract assets 2019	Gross trade receivables and contract assets 2018
Not past due	10 697	8 459
Past due 0-30 days	488	673
Past due 31-120 days	176	332
Past due 121-365 days	200	261
Past due more than one year	835	648
<b>Total</b>	<b>12 396</b>	<b>10 372</b>

#### Movements in allocation to loss on trade receivable and contract assets

Balance at 1 January 2019	(268)
Impairment loss (write-off) included in operating profit	(88)
Reversal of impairments included in operating profit	33
Provisions utilised during the year	45
Other changes	(12)
Effects of changes in foreign exchange rates	(1)
<b>Allocation to loss on trade receivable and contract assets at 31 December 2019</b>	<b>(291)</b>

**LIQUIDITY RISK**

Liquidity risk is the risk that the Group will be unable to fulfil its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure that it always has sufficient liquidity to pay its liabilities as they fall due.

**Overview of contractual maturities of financial liabilities, including estimated interest payments specified by category of liabilities:**

	Contractual cash flows including estimated interest payments						
	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Secured loans	24 459	(28 280)	(2 048)	(2 455)	(5 436)	(12 565)	(5 776)
Unsecured bank loans	3 431	(3 798)	(153)	(167)	(1 617)	(1 745)	(115)
Unsecured bond issues	11 006	(12 713)	(2 074)	(238)	(1 213)	(9 188)	-
Convertible loan	863	912	912	-	-	-	-
Other liabilities	154	(165)	(74)	(2)	(3)	(74)	(12)
Credit facilities	274	(274)	(274)	-	-	-	-
<b>Total contractual cash flows for interest-bearing liabilities</b>	<b>40 187</b>	<b>(44 318)</b>	<b>(3 711)</b>	<b>(2 862)</b>	<b>(8 269)</b>	<b>(23 572)</b>	<b>(5 903)</b>
Finance lease liabilities	6 583	(7 634)	(488)	(483)	(920)	(2 395)	(3 417)
Short-term derivative financial liabilities	414	(390)	(280)	(76)	(34)	-	-
Long term derivative financial liabilities	217	(149)	-	-	(120)	(29)	-
<b>Total contractual cash flows for interest-bearing liabilities and derivatives</b>	<b>47 401</b>	<b>(52 491)</b>	<b>(4 479)</b>	<b>(3 421)</b>	<b>(9 343)</b>	<b>(25 996)</b>	<b>(9 320)</b>
Trade and other payables	16 950						
Long-term interest-free liabilities	3 076						
<b>Total liabilities</b>	<b>67 427</b>						

**Overview of contractual maturities per segment:**

	Contractual cash flows including estimated interest payments						
	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	Over 5 years
Industrial holdings	34 954	(38 619)	(2 058)	(2 563)	(8 877)	(15 902)	(9 287)
Financial investments	716	(765)	(544)	(16)	(36)	(147)	(22)
Aker ASA and holding companies	11 731	(13 107)	(1 877)	(842)	(430)	(9 947)	(11)
<b>Total contractual cash flows for interest-bearing liabilities and derivatives</b>	<b>47 401</b>	<b>(52 491)</b>	<b>(4 479)</b>	<b>(3 421)</b>	<b>(9 343)</b>	<b>(25 996)</b>	<b>(9 320)</b>

Long-term interest-free liabilities include NOK 661 million in deferred tax liabilities and NOK 352 million in deferred revenue and prepaid charter hire.

The Group's liquidity requirements are expected to be met through the balances of liquid assets and cash flow from operating activities. As at 31 December 2019, the group had cash and cash equivalents of NOK 12 018 million. In addition, the group has interest-bearing assets of NOK 17 336 million (see Note 18 and Note 19), and other investments of NOK 2 135 million (see Note 20).

**OIL PRICE RISK**

The equity accounted investment in Aker BP represents a substantial part of the group's assets. Since Aker BP's revenues are derived from the sale of petroleum products, the value of the investment and the group's share of profit or loss are therefore exposed to oil and gas price fluctuations. With the current unstable macro environment, Aker BP is continuously evaluating and assessing opportunities for hedging as part of a prudent financial risk management process. At year-end 2019, the company had entered into commodity hedges for the first half of 2020 consisting of put options with average strike price of 54 USD/bbl for a volume corresponding to approximately 60 per cent of the after-tax value of estimated oil production in the period.

Although Aker's subsidiary Aker Energy does not currently have any production of hydrocarbons, the company is exposed to the oil markets in several aspects. Market conditions will influence banks and investors' appetite to lend to, or invest in, Aker Energy. Furthermore, Aker Energy is exposed to the cost levels in the supplier industry that is a function of the capacity and activity levels in the sector.

In 2020, the ongoing COVID-19 crisis and the lack of agreement between OPEC and Russia to reduce oil production, has led to significant fall in oil prices. This increases the oil price risk in the Group going forward, but the impact is currently not possible to predict.

**CURRENCY RISK**

Aker's operation in the international market results in various types of currency exposure for the group. Currency risks arise through ordinary, future business transactions, capitalised assets and liabilities, and when such transactions involve payment in a currency other than the functional currency of the respective company. In addition, currency risk arises from investments in foreign subsidiaries. The group's main exposures are against USD, GBP, EUR and BRL. In addition, Aker Solutions is exposed to AOA (Angolan Kwanza) a currency that in 2019 was under hyperinflation. The group is also exposed to several other currencies.



In Aker's consolidated accounts, the following exchange rates have been applied in translating the accounts of foreign subsidiaries and associated companies.

Country	Currency	Average rate 2019	Rate at 31 Dec. 2019	Average rate 2018	Rate at 31 Dec. 2018
USA	USD 1	8.80	8.78	8.13	8.69
Great Britain	GBP 1	11.23	11.59	10.85	11.12
The European Union	EUR 1	9.85	9.86	9.60	9.95
Brazil	BRL 1	2.23	2.18	2.25	2.24

The average rate and rate as at 31 December have been applied when translating the income statement and balance sheet items, respectively. If the average exchange rate for the period does not provide a fair estimate of the transaction rate, the actual transaction rate is used.

In 2020, the ongoing COVID-19 crisis and the lack of agreement between OPEC and Russia to reduce oil production, has caused significant fluctuations in exchange rates, including a sharp weakening of the Norwegian krone against the US dollar and the euro. The table below illustrates the Group's sensitivity to foreign currency rate fluctuations. If the Norwegian krone had been 40% weaker against USD in 2019, the effects on the consolidated financial statements would have been as shown below. The sensitivity analysis does not take into account other effects of a stronger currency, such as competitiveness, change in the value of derivatives etc.

	Operating revenue	Profit before tax	Equity
USD	11 025	(2 061)	22 938
Other currencies	12 815	747	9 800
NOK	24 917	(377)	6 516
<b>Total</b>	<b>48 756</b>	<b>(1 692)</b>	<b>39 253</b>
Change if NOK 40% weaker against USD	3 128	(899)	6 190
<b>When NOK 40% weaker against USD</b>	<b>51 885</b>	<b>(2 591)</b>	<b>45 443</b>

Aker ASA and the operational companies in the group have prepared guidelines on the management of currency risks, including hedging of expected future cash flows and value of assets and liabilities in foreign currencies. The group uses currency forward contracts and currency option contracts to reduce currency exposure. The net value of the group's currency contracts was NOK -356 million as at 31 December 2019.

### INTEREST RATE RISK

The group's interest rate risk arises from long-term borrowings and receivables. Borrowings and receivables issued at variable rates expose the group to cash flow interest rate risk. Securities issued at fixed rates expose the group to fair value interest rate risk. The figures for 2019 includes lease liabilities of NOK 6 583 million.

As at 31 December 2019, the interest rate profile of the group's interest bearing financial instruments was as follows:

	2019	2018
Fixed rate instruments:		
Financial assets	2 460	1 708
Financial liabilities	(4 270)	(5 100)
<b>Net fixed rate instruments</b>	<b>(1 810)</b>	<b>(3 392)</b>
Variable rate instruments:		
Financial assets	26 895	19 833
Financial liabilities	(42 500)	(25 327)
<b>Net variable rate instruments</b>	<b>(15 605)</b>	<b>(5 494)</b>
<b>Net interest-bearing debt (-) / assets (+) including finance lease receivables and lease liabilities</b>	<b>(17 415)</b>	<b>(8 886)</b>

### Fair value sensitivity analysis for fixed-rate instruments

The Group does not recognise any fixed rate financial assets and liabilities at fair value through profit or loss. At 31 December 2019, the fair value of interest rate swaps designated as hedges for parts of debt was NOK 5 million. A change in interest rates as at the reporting date would not affect profit or loss, but would appear as a change in the fair value of

the cash flow hedge in the Group's comprehensive income. Other interest rate derivatives are not designated as hedges, and hence a change in the interest rate would affect profit or loss with respect to these instruments. In 2019, the Aker Group has a loss of NOK -31 million related to interest rate derivatives.

## Note 7 | Acquisition of subsidiaries and transactions with minority interests

### TRANSACTIONS WITH MINORITY INTERESTS

In 2019, acquisition and sale of minority interests and subsidiaries' purchase and sale of own shares lead to an increase in minority interests of NOK 41 million and an increase in majority interests of NOK 9 million, recognised directly in equity and attributed to the equity holders in the parent company. The corresponding figures for 2018 were a NOK 37 million increase in minority interests and a NOK 17 million decrease in majority interests. See also Note 24.

### ACQUISITION OF SUBSIDIARIES IN 2019

#### Aker BioMarine

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 consideration of USD 89.3 million. The contribution consisted of a cash consideration paid on closing in addition to a contingent consideration with an estimated fair value as further described below.

Details of the purchase consideration and the net assets acquired:

Intangible assets - customer list	393
Accounts receivables and other assets	100
Inventories	271
Cash and cash equivalents	32
<b>Total assets</b>	<b>795</b>
Borrowings	170
Accounts payables and other payables	83
<b>Total liabilities</b>	<b>252</b>
Total identifiable net assets at fair value	543
Goodwill arising on acquisition	218
Contingent consideration	(310)
<b>Total consideration paid on acquisition</b>	<b>451</b>
Less cash and cash equivalents acquired	(32)
<b>Acquisition, net of cash acquired</b>	<b>419</b>

The goodwill is attributable to Lang's position and profitability in the dietary supplement market and the assembled and skilled workforce in the organisation. Lang will continue to operate as a separate company. The results from Lang have been included in Aker BioMarine's consolidated income statement and balance sheet as of 1 March 2019.

The contingent consideration arrangement requires Aker BioMarine 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 per cent.

#### Akastor

On 7 June 2019, Akastor through its portfolio company MHWirth, acquired 100 per cent ownership interest in Bronco Manufacturing LLC (Bronco) for a cash consideration of USD 31.5 million at a cash-free and debt-free basis. Bronco is consolidated as part of MHWirth.

Details of the purchase consideration and the net assets acquired:

Intangible assets	111
Other non-current assets	28
Inventories	59
Trade and other receivables and other assets	44
Cash and cash equivalents	2
<b>Total assets</b>	<b>244</b>
Borrowings	5
Lease liabilities	9
Trade and other payables	23
<b>Total liabilities</b>	<b>37</b>
Total identifiable net assets at fair value	207
Goodwill arising on acquisition	63
<b>Total consideration paid on acquisition</b>	<b>270</b>
Less cash and cash equivalents acquired	(2)
<b>Acquisition, net of cash acquired</b>	<b>268</b>

### ACQUISITION OF SUBSIDIARIES IN 2018

#### Aker BioMarine

On 17 January 2018, Aker BioMarine Antarctic AS (AKBMA) entered into an Asset Purchase Agreement pursuant to which AKBMA acquired from Enzymotec Ltd assets and certain liabilities related to the global krill operations of Enzymotec. Total payable was equivalent to NOK 214 million. The purchase price reflects, among other things, payment of transferred inventory and consideration for customer relationships and trademark.

Details of the purchase consideration and the net assets acquired:

Intangible assets	168
Inventory	37
Goodwill arising on acquisition	10
<b>Total consideration paid on acquisition</b>	<b>214</b>

In addition, on 3 July 2018 Aker BioMarine Antarctic AS (AKBMA) entered into a Settlement and Termination Agreement with Orochem Technologies, Inc (Orochem), whereupon the existing Equipment and License Agreement were terminated and Orochem assigned to AKBMA its entire right, title, and interest in the patents, inventions for removal of arsenic from krill oil and ownership to purification technology. Total settlement was equivalent to NOK 23 million, hereof NOK 3 million related to royalty payable until the settlement date and NOK 20 million related to the intangible asset acquired.

#### Aker Energy

Aker Energy AS ("Aker Energy") was founded in February 2018 and is owned 49 per cent by Aker ASA and 49 per cent by The Resource Group TRG AS. Based on an assessment under IFRS 10, Aker Energy is fully consolidated in the Aker Group. On 1 June 2018, Aker Energy Ghana AS, a subsidiary of Aker Energy, completed the acquisition of Hess Ghana, the operator of the Deepwater Tano Cape Three Points block ("DWT/CTP") with a 50 per cent participating interest in the license. The acquisition is regarded as an acquisition of an asset. The transaction has a total cash consideration of USD

102 million, where USD 27 million was paid upon closing of the transaction and a further USD 75 million will be payable upon approval of the PoD for the DWT/CTP block.

Details of the purchase consideration and the net assets acquired:

Intangible assets - value of licenses	880
Other current operating assets	2
Cash and cash equivalents	12
<b>Total assets</b>	<b>894</b>

Trade creditors	1
Other non-current liabilities	64
<b>Total liabilities</b>	<b>65</b>
Total identifiable net assets at fair value	829
Contingent consideration	(611)
<b>Total consideration paid on acquisition</b>	<b>218</b>
Less cash and cash equivalents acquired	(12)
<b>Acquisition, net of cash acquired</b>	<b>205</b>

## Note 8 | Sale of subsidiaries and discontinued operations

### SALE OF SUBSIDIARIES

There were no material divestments of subsidiaries or other types of material discontinued operations in 2019.

In April 2018, Aker sold real estate land areas at Fornebu. The sale resulted in a gain in Aker Group accounts of NOK 232 million. The disposal did not represent a separate major line of business and is not presented as discontinued operations. There were no major sales of subsidiaries in 2018 except for the sales described below for discontinued operations.

### DISCONTINUED OPERATIONS IN 2018

On September 26, 2018, Akastor completed the transaction to divest 50 per cent of its shares in AKOFS Offshore to MITSUI & CO., Ltd. ("Mitsui") and Mitsui O.S.K. Lines, Ltd. ("MOL") for a total consideration of USD 142.5 million with interest of 4 per cent from the locked box date on December 31, 2017. In addition, there are certain preferential rights in respect of the operations of AKOFS Seafarer, including guaranteed return to Mitsui and MOL and earn-out payments to Akastor in the first

six years of operations. The transaction does not include the existing joint venture, Avium Subsea AS, between Akastor, Mitsui and MOL. Following the transaction, AKOFS Offshore was restructured to consolidate 100 per cent ownership interest in Avium Subsea AS. Akastor, Mitsui and MOL holds 50 per cent, 25 per cent and 25 per cent of the shares in AKOFS Offshore, respectively. AKOFS Offshore is classified as a joint venture to the group and consolidated using the equity method. The AKOFS Offshore operations, exclusive Avium Subsea AS, are classified as discontinued operations.

### RESULTS AND CASH FLOW FROM DISCONTINUED OPERATIONS AND LIABILITIES HELD FOR SALE

Result from discontinued operations NOK 64 million in 2019 and NOK 438 million in 2018 apply to discontinued operations in Akastor and Kvaerner (See note 9). Cash flow from discontinued operations is NOK 6 million in 2019 and NOK 1 048 million in 2018. Liabilities of NOK 26 million classified as held for sale at 31 December 2019 are remaining legacies related to Kvaerner's sale of its the onshore construction business in North America in 2013.

## Note 9 | Operating segments and significant subsidiaries

Operating segments are identified based on the Group's internal management- and reporting structure. The Group's chief operating decision makers, who are responsible for the allocation of resources and assessment of performance in the different operating segments, are defined as the board of directors, the CEO and the CFO.

Aker's investment portfolio comprises two segments: Industrial holdings and Financial investments. The primary focus for businesses within Industrial holdings is long-term value creation. Businesses within

Financial investments are managed as a portfolio with focus on financial and strategic opportunities.

Recognition and measurement applied to segment reporting is consistent with the accounting principles applied when preparing the financial statements. Transactions between segments are conducted on market terms and conditions. Operational revenues and segment assets are based on the geographical location of companies.

### AN OVERVIEW OF OPERATING SEGMENTS

#### Industrial holdings

Aker Solutions	Leading global supplier of products, systems and services for the oil and gas industry. The Aker Group's ownership interest is 46.93%. Aker ASA indirectly owns 34.76%. Aker Kvaerner Holding AS owns 40.56% of Aker Solutions ASA. Aker ASA owns 70% of Aker Kvaerner Holding AS. In addition, Aker ASA owns directly 6.37% of Aker Solutions ASA.
Akastor	Akastor is an oil-services investment company with a portfolio of industrial holdings and other investments. The Aker Group's ownership interest is 48.78%. Aker ASA indirectly owns 36.71%. Aker Kvaerner Holding AS owns 40.27% of Akastor ASA. Aker ASA owns 70% of Aker Kvaerner Holding AS. In addition, Aker ASA owns directly 8.52% of Akastor ASA.
Aker BP	Exploration and production (E&P) company on the Norwegian continental shelf. Ownership interest: 40.00%. The company is defined as an associated company in the Aker Group, and is accounted for using the equity method.
Kvaerner	Leading global provider of engineering and construction services to the energy and process industry. The Aker Group's ownership interest is 41.02%. Aker ASA indirectly owns 28.71%. Aker Kvaerner Holding AS owns 41.02% of Kvaerner ASA. Aker ASA owns 70% of Aker Kvaerner Holding AS.
Ocean Yield	Owns, operates and charters vessels. Ownership interest 61.65% as at 31 December 2019.
Aker BioMarine	Biotechnology company. Harvesting of krill and production and sale of krill products. Ownership interest 98%.
Aker Energy	E&P company. Owns a 50% ownership interest in the Deepwater Tano Cape Three Points block that is under development in Ghana. The group's ownership in the company is 49.21%.
Cognite	Software and digitalisation company. Ownership interest 63.99%.

#### Financial investments

Philly Shipyard	Design and construction of vessels. Ownership interest 57.56%.
Solstad Offshore	Owns and operates platform supply-vessels, anchor handling vessels and construction service-vessels. Ownership interest 23.10%. The company is defined as an associated company in the Aker Group, and is accounted for using the equity method.
FP Eiendom	Real estate development company. Ownership interest 100%.
Norron	Nordic investment manager. Ownership interest 54.29%.

#### Other and eliminations

Aker ASA and holding companies	Cash, other financial investments and other assets. Companies included are listed in Note 1 in the annual accounts of Aker ASA and holding companies.
Other	Other companies and eliminations. See next section for overview of group entities.

### SUBSIDIARIES

#### Aker Solutions, Akastor and Kvaerner

Aker considers on an ongoing basis whether the company's indirect and direct ownership interests in Aker Solutions and Akastor, as well as the indirect ownership in Kvaerner, are sufficient to give it control under IFRS 10. The primary consideration is whether Aker is able to control the outcome of voting at the companies' general meetings. After careful consideration of this question based on both the absolute and relative ownership interests and attendance at previous general meetings of the companies and comparable companies, Aker has concluded that such control exists. Consideration has also been given to all other relevant

factors mentioned in IFRS 10 that may help to illuminate the question of control further. Factors indicating that Aker has control include Aker's representation on the nomination committees, the fact that leading employees have previously worked for Aker, the fact that the companies themselves consider Aker an active owner, etc. On the other hand, in isolation, the shareholder's agreement with the Norwegian State relating to the holding company Aker Kvaerner Holding AS is a factor in favour of Aker not having control. Based on an overall assessment, the conclusion is that Aker does have control over Aker Solutions, Akastor and Kvaerner.

SIGNIFICANT SUBSIDIARIES IN THE AKER GROUP ACCOUNTS ARE PRESENTED IN THE TABLE BELOW.

Companies owned directly by Aker ASA are highlighted. Group's ownership in per cent and Group's share of votes in per cent are equal if nothing else is indicated.

For further information regarding significant subsidiaries in the listed companies Aker Solutions ASA, Akastor ASA, Kvaerner ASA, Philly Shipyard ASA and Ocean Yield ASA, please refer to the companies' own annual reports.

		Business address	
	Group's ownership in % *)	City location	Country
<b>Aker BioMarine AS</b>	98.00	Fornebu	Norway
Aker BioMarine Antarctic AS	100.00	Fornebu	Norway
<b>Aker Capital AS</b>	100.00	Fornebu	Norway
Ocean Yield ASA (OCY)	61.65	Fornebu	Norway
Aker Energy AS	49.21	Fornebu	Norway
Philly Shipyard ASA (PHLY)	57.56	Oslo	Norway
Cognite AS	63.99	Fornebu	Norway
FP Eiendom AS <sup>1)</sup>	100.00	Fornebu	Norway
<b>Aker Kværner Holding AS</b>	70.00	Fornebu	Norway
Aker Solutions ASA (AKSO)	40.56 <sup>2)</sup>	Fornebu	Norway
Akastor ASA (AKA)	40.27 <sup>3)</sup>	Fornebu	Norway
Kværner ASA (KVAER)	41.02	Fornebu	Norway
<b>Norron Holding AB</b>	54.29	Stockholm	Sweden

1) in accordance with UK Companies Act 2006, FP Eendom AS' indirectly owned subsidiaries Abstract (Aberdeen 2) Limited (reg. no. 927342), Abstract (Aberdeen 3) Limited (reg. no. 913761), Abstract (Aberdeen 4) Limited (reg. no. 9167913), Abstract (Aberdeen 5) Limited (reg. no. 9134805), Abstract (Aberdeen 6) Limited (reg. no. 9137897), Abstract (Aberdeen 7) Limited (reg. no. 9121894), Abstract (Aberdeen 8) Limited (reg. no. 9138034), Abstract (Aberdeen 9) Limited (reg. no. 9137693), Abstract (Aberdeen 10) Limited (reg. no. 9291169), Aberdeen Residential Land Holdings Limited (reg. no. 9119559), and Aberdeen International Business Park Limited (reg. no. 2391158) are exempt from audit of accounts under section 479A.

21hr addition Aker AS4 gives 6.37% directly

3. In addition, Aker ASA owns 25% directly.

<sup>23</sup> Ownership here could be shown as separate from ownership of the relevant entity's parent.

#### GEOGRAPHICAL SEGMENTS BASED ON COMPANY LOCATION

	Operating revenue		Selected assets <sup>1)</sup>	
	2019	2018	2019	2018
Norway	29 979	27 973	38 362	36 015
EU	6 658	4 994	10 722	9 828
North America	3 162	2 924	2 010	2 054
South America	2 205	1 863	1 508	1 446
Asia	4 232	2 615	920	776
Other areas	2 521	1 794	2 580	2 467
<b>Total</b>	<b>48 756</b>	<b>42 163</b>	<b>56 102</b>	<b>52 585</b>

1) Selected assets consist of property, plant and equipment, intangible assets, right-of-use assets as well as investment in equity accounted investments.

## 2019 - OPERATING SEGMENTS

	Aker Solutions	Akastor	Aker BP	Kvaerner	Ocean Yield	Aker Bio Marine	Aker Energy	Cognite	Elimin- ations and other	Total industrial holdings	Financial investments and eliminations	Total
External operating revenues	27 968	5 313	-	8 730	2 124	2 175	(1)	268	1 191	47 768	988	48 756
Inter-segment revenues	1 296	48	-	303	138	-	63	72	(1 853)	66	(66)	-
<b>Operating revenues</b>	<b>29 263</b>	<b>5 361</b>	<b>-</b>	<b>9 032</b>	<b>2 262</b>	<b>2 175</b>	<b>62</b>	<b>340</b>	<b>(662)</b>	<b>47 834</b>	<b>922</b>	<b>48 756</b>
<b>EBITDA</b>	<b>2 244</b>	<b>492</b>	<b>-</b>	<b>498</b>	<b>1 958</b>	<b>402</b>	<b>(1 101)</b>	<b>(15)</b>	<b>(69)</b>	<b>4 409</b>	<b>(481)</b>	<b>3 928</b>
Depreciation and amortisation	(1 234)	(261)	-	(169)	(654)	(324)	(20)	(1)	1	(2 663)	(117)	(2 780)
Impairments	(304)	(9)	-	(23)	(710)	(54)	-	-	-	(1 100)	108	(992)
<b>Operating profit</b>	<b>705</b>	<b>222</b>	<b>-</b>	<b>306</b>	<b>595</b>	<b>24</b>	<b>(1 121)</b>	<b>(16)</b>	<b>(68)</b>	<b>646</b>	<b>(490)</b>	<b>156</b>
Share of profit of equity accounted companies	(6)	(60)	429	-	-	-	-	-	-	264	(35)	229
Interest income	57	114	-	41	20	10	9	-	(1)	250	120	370
Interest expense	(485)	(149)	-	(33)	(904)	(201)	(43)	-	7	(1 808)	(474)	(2 282)
Other financial items	(101)	164	-	(6)	(31)	(39)	8	(1)	(16)	(22)	(143)	(164)
<b>Profit before tax</b>	<b>170</b>	<b>191</b>	<b>429</b>	<b>308</b>	<b>(321)</b>	<b>(205)</b>	<b>(1 147)</b>	<b>(17)</b>	<b>(78)</b>	<b>(670)</b>	<b>(1 022)</b>	<b>(1 692)</b>
Tax expense	(87)	(44)	-	(64)	(30)	(4)	-	-	(4)	(233)	(15)	(248)
<b>Profit for the year from continuing operations</b>	<b>83</b>	<b>147</b>	<b>429</b>	<b>244</b>	<b>(351)</b>	<b>(209)</b>	<b>(1 147)</b>	<b>(17)</b>	<b>(82)</b>	<b>(903)</b>	<b>(1 037)</b>	<b>(1 940)</b>
Result from discontinued operations (net of tax)	-	(54)	-	(10)	-	-	-	-	-	(64)	-	(64)
<b>Profit for the year</b>	<b>83</b>	<b>93</b>	<b>429</b>	<b>234</b>	<b>(351)</b>	<b>(209)</b>	<b>(1 147)</b>	<b>(17)</b>	<b>(82)</b>	<b>(967)</b>	<b>(1 037)</b>	<b>(2 004)</b>
Profit for the year to equity holders of the parent	19	37	429	67	(247)	(206)	(565)	(11)	(89)	(565)	(968)	(1 533)
Property, plant, and equipment and right-of-use assets	6 694	1 297	-	1 285	9 252	2 800	219	3	(47)	21 502	1 612	23 114
Intangibles assets	5 710	1 593	-	740	-	1 653	1 468	34	-	11 199	956	12 154
Investment in equity accounted companies	146	1 051	17 773	73	1 565	-	-	-	(51)	20 557	277	20 833
Interest-bearing fixed assets	894	226	-	20	15 159	-	-	-	(75)	16 224	1 112	17 336
Cash and cash equivalent <sup>1)</sup>	1 898	555	-	2 324	1 628	120	692	-	261	7 479	4 540	12 018
Interest-bearing liabilities	(8 957)	(2 125)	-	(123)	(19 195)	(3 688)	(1 040)	(18)	143	(35 003)	(11 766)	(46 769)
Net tax liabilities(-)/assets(+)	641	376	-	(312)	(34)	(12)	-	-	25	684	(68)	616
Other assets and liabilities	205	1 397	-	(622)	(678)	484	(822)	19	(300)	(316)	267	(49)
<b>Equity</b>	<b>7 231</b>	<b>4 371</b>	<b>17 773</b>	<b>3 385</b>	<b>7 697</b>	<b>1 357</b>	<b>517</b>	<b>39</b>	<b>(45)</b>	<b>42 325</b>	<b>(3 072)</b>	<b>39 253</b>
Minority interest	(97)	(18)	-	-	(116)	-	-	-	48	(182)	(20 232)	(20 414)
<b>Total equity attributable to equity holders of the parent</b>	<b>7 134</b>	<b>4 354</b>	<b>17 773</b>	<b>3 385</b>	<b>7 581</b>	<b>1 357</b>	<b>517</b>	<b>39</b>	<b>3</b>	<b>42 143</b>	<b>(23 303)</b>	<b>18 840</b>
Investments <sup>2)</sup>	1 028	617	-	484	4	1 904	560	36	-	4 635	488	5 122
<b>Aker ASA and holding companies key figures:</b>												
Dividends received	-	-	2 653	67	658	-	-	-	-	3 378	104	3 482
Gross asset value (GAV) <sup>3)</sup>	2 338	1 000	41 486	859	5 187	2 363	925	42	-	54 200	7 734	61 934

1) There are restrictions on the cash transfers between Aker ASA and holding companies and subsidiaries. Restricted cash at the end of 2019 was 1 101, 61 million.

2) Investments include acquisitions of property, plant and equipment, right-of-use assets and intangibles (including increases due to business combinations).

3) 1-step companies at market value and other companies at book value.

## 2018 - OPERATING SEGMENTS

	Aker Solutions	Akastor	Aker BP	Kvaerner	Ocean Yield	Aker Bio Marine	Aker Energy	Cognite	Elimin- ations and other	Total industrial holdings	Financial investments and eliminations	Total
External operating revenues	24 422	3 709	-	7 144	2 614	1 263	14	127	173	39 467	2 696	42 163
Inter-segment revenues	810	90	-	76	179	-	-	37	(1 189)	3	(3)	-
<b>Operating revenues</b>	<b>25 232</b>	<b>3 800</b>	<b>-</b>	<b>7 220</b>	<b>2 793</b>	<b>1 263</b>	<b>14</b>	<b>164</b>	<b>(1 017)</b>	<b>39 469</b>	<b>2 694</b>	<b>42 163</b>
<b>EBITDA</b>	<b>1 810</b>	<b>290</b>	<b>-</b>	<b>437</b>	<b>2 299</b>	<b>269</b>	<b>(263)</b>	<b>9</b>	<b>(238)</b>	<b>4 614</b>	<b>(217)</b>	<b>4 397</b>
Depreciation and amortisation	(739)	(181)	-	(110)	(803)	(179)	(3)	-	-	(2 014)	(83)	(2 097)
Impairments	(22)	-	-	-	(262)	(7)	-	(3)	-	(294)	81	(213)
<b>Operating profit</b>	<b>1 049</b>	<b>109</b>	<b>-</b>	<b>327</b>	<b>1 235</b>	<b>83</b>	<b>(266)</b>	<b>6</b>	<b>(238)</b>	<b>2 306</b>	<b>(219)</b>	<b>2 087</b>
Share of profit of equity accounted companies	-	(157)	1 547	-	-	-	-	-	-	1 390	(763)	626
Interest income	39	67	-	27	26	1	2	-	-	161	91	252
Interest expense	(236)	(90)	-	(20)	(676)	(100)	(6)	-	-	(1 128)	(398)	(1 526)
Other financial items	(60)	(20)	-	4	(84)	5	(16)	1	27	(144)	125	(19)
<b>Profit before tax</b>	<b>792</b>	<b>(91)</b>	<b>1 547</b>	<b>338</b>	<b>501</b>	<b>(10)</b>	<b>(286)</b>	<b>6</b>	<b>(211)</b>	<b>2 585</b>	<b>(1 165)</b>	<b>1 420</b>
Tax expense	(238)	(103)	-	(60)	(26)	2	-	(1)	(6)	(431)	(59)	(490)
<b>Profit for the year from continuing operations</b>	<b>554</b>	<b>(194)</b>	<b>1 547</b>	<b>278</b>	<b>475</b>	<b>(8)</b>	<b>(286)</b>	<b>6</b>	<b>(217)</b>	<b>2 154</b>	<b>(1 224)</b>	<b>930</b>
Result from discontinued operations (net of tax)	-	(128)	-	-	-	-	-	-	364	236	202	438
<b>Profit for the year</b>	<b>554</b>	<b>(322)</b>	<b>1 547</b>	<b>278</b>	<b>475</b>	<b>(8)</b>	<b>(286)</b>	<b>6</b>	<b>147</b>	<b>2 390</b>	<b>(1 022)</b>	<b>1 368</b>
Profit for the year to equity holders of the parent	176	(280)	1 547	80	286	(8)	(142)	4	147	1 808	(903)	906
Property, plant, and equipment	3 044	825	-	967	10 388	2 019	9	1	-	17 253	1 008	18 262
Intangibles assets	5 686	1 260	-	710	-	992	1 388	-	(3)	10 033	943	10 976
Investment in equity accounted companies	1	1 088	19 878	69	1 668	-	-	-	-	22 704	644	23 348
External interest-bearing fixed assets	93	257	-	-	10 324	-	-	-	-	10 674	1 081	11 755
Cash and cash equivalent <sup>1)</sup>	2 473	198	-	3 165	956	22	192	47	96	7 148	2 638	9 786
Internal interest-bearing liabilities	-	-	-	-	-	(324)	-	-	-	(324)	324	-
External interest-bearing liabilities	(2 913)	(602)	-	-	(15 317)	(1 460)	-	-	-	(20 292)	(10 135)	(30 427)
Net tax liabilities(-)/assets(+)	439	361	-	(265)	(7)	-	-	4	29	560	(37)	523
Other assets and liabilities	(1 214)	930	-	(1 206)	(663)	305	(872)	1	(182)	(2 902)	597	(2 304)
<b>Equity</b>	<b>7 608</b>	<b>4 317</b>	<b>19 878</b>	<b>3 439</b>	<b>7 348</b>	<b>1 554</b>	<b>717</b>	<b>53</b>	<b>(60)</b>	<b>44 854</b>	<b>(2 937)</b>	<b>41 918</b>
Minority interest	(106)	-	-	-	-	-	-	-	55	(52)	(19 856)	(19 908)
<b>Total equity attributable to equity holders of the parent</b>	<b>7 502</b>	<b>4 317</b>	<b>19 878</b>	<b>3 439</b>	<b>7 348</b>	<b>1 554</b>	<b>717</b>	<b>53</b>	<b>(5)</b>	<b>44 802</b>	<b>(22 793)</b>	<b>22 009</b>
Investments <sup>2)</sup>	505	131	-	334	21	545	436	1	-	1 132	1 132	3 106

**Aker ASA and holding companies key figures:**

Dividends received	-	-	1 465	-	613	-	-	-	-	2 078	96	2 174
Gross asset value (GAV) <sup>3)</sup>	3 750	13 3	31 403	931	5 816	2 411	471	42	-	46 139	5 074	51 213

<sup>1)</sup> There are restrictions on the cash transfers between Aker ASA and holding companies and subsidiaries. Restricted cash at the end of 2018 was NOK 45 million.

<sup>2)</sup> Investment include acquisitions of property, plant and equipment and intangibles (including increases due to business combinations).

<sup>3)</sup> Listed companies at market value and other companies at book value.

## Note 10 | Operating revenue

### ANALYSIS OF OPERATING REVENUES BY CATEGORY

	2019	2018
Revenue from contracts with customers recognised over time	41 507	35 110
Revenue from contracts with customers recognised at a point in time	4 777	3 470
Leasing income	2 010	2 402
Other income	462	1 182
<b>Total</b>	<b>48 756</b>	<b>42 163</b>

Revenue from contracts with customers consist of construction contracts, service revenue and sale of standard products recognised over time or at a point in time in accordance with IFRS 15. Different types of customer contracts are described below. Warranty provisions related to on-going projects and onerous customer contracts provision are described in Note 29.

#### REVENUE FROM CUSTOMER CONTRACTS RECOGNISED OVER TIME

Revenue from contracts with customers in Aker Solutions totalled NOK 27.8 billion in 2019 and include contracts with customers to deliver services, technologies, products and solutions within Subsea and Field Design. Each contract within Subsea is usually assessed as one performance obligation as the deliveries are combined in one output. Each engineering, hook-up, modification and maintenance job within Field Design is usually assessed as a separate performance obligation and revenue is recognised over time using a cost progress method or according to delivered time and materials. Each service job under a frame agreement is usually assessed as a separate performance obligation and revenue is recognised according to delivered time and materials within Services. Payment terms are normally 30-90 days according to predefined milestones within Subsea and 30 days after time and materials are delivered within Field Design and Services.

Revenue from contracts with customers in Kvaerner totalled NOK 8.5 billion in 2019 and include contracts with customers to provide engineering, procurement and construction services (EPC-contracts) for offshore installations or onshore plants and decommissioning that have no alternative use for the group. These contracts will usually be one performance obligation and revenue is recognised over time using a cost progress method or is recognised according to delivered time and materials. Payment terms are normally 30 days for construction contracts and on average around 45 days after time and materials are delivered for service revenue.

Revenue from contracts with customers in Akastor totalled NOK 3.7 billion in 2019 and include construction contracts with customers to provide drilling systems, products and services. Each of the construction contracts normally includes a single combined output for the customer, such as an integrated drilling equipment package. One single performance obligation is usually

identified in each contract and revenue is recognised over time using a cost progress method. Service revenue is recognised over time using a cost progress method.

Revenue from contracts with customers in ASK JV totalled NOK 1.4 billion in 2019. The company has one contract (Johan Sverdrup Riser Platform) regarded as one performance obligation and revenue is recognised over time using a cost progress method.

Revenue from contracts with customers in Philly Shipyard totalled NOK 167 million in 2019 and include contracts with customers regarding construction of merchant vessels for the Jones Act market. Revenue from shipbuilding is recognised over time using a cost progress method.

#### REVENUE FROM CONTRACTS WITH CUSTOMERS AT POINT IN TIME

Revenue from contracts with customers in Aker BioMarine totalled NOK 2.2 billion in 2019 and include sale of krill products recognised at a point in time, when the customers obtains control over the goods, which is based on the contractual terms of the agreements. Upon sale of product, each sale would normally constitute two performance obligations.

Revenue from contracts with customers in Akastor totalled NOK 1.5 billion in 2019 and include revenue from sale of standard oilfield products recognised at a point in time, usually when the goods are delivered to the customers.

Revenue from contracts with customers in FP Eiendom totalled NOK 0.6 billion in 2019 and include revenue from sales of apartments recognised at a point in time at delivery to the customers.

#### IMPORTANT CUSTOMERS

Aker has one customer that has been invoiced for more than 10 per cent of the group's revenues in 2019.

#### TRANSACTION PRICE ALLOCATED TO REMAINING PERFORMANCE OBLIGATIONS

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied, or partially satisfied, at 31 December 2019:

	Transaction price allocated to remaining performance obligations				Total
	2020	2021	2022	2023 and later	
Aker Solutions	13 047	3 100	1 372	266	17 784
Kvaerner	5 218	1 990	992	-	8 200
Akastor	2 419	1 068	-	-	3 487
<b>Total</b>	<b>20 684</b>	<b>6 158</b>	<b>2 364</b>	<b>266</b>	<b>29 471</b>



## CONTRACT BALANCES

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

	31 December 2019	31 December 2018
Trade receivables	4 969	5 408
Contract assets	7 136	4 696
Contract liabilities	1 447	1 764

Contract assets relate to consideration for work completed, but not yet invoiced at the reporting date. The contract assets are transferred to receivables when the rights to payment become unconditional, which usually occurs when invoices are issued to the customers. Movements in allocation to loss on trade receivables and contract assets are described in Note 6. Contract liabilities relate to advances from customer for work not yet performed at the reporting date. Revenue recognised in 2019

that was included in contract liabilities in the beginning of the year is NOK 1 233 million. Contract liabilities has increased by NOK 15 million in 2019 due to acquisition of subsidiaries. The change in contract assets and liabilities relates to the natural progression of the project portfolio, as well as the current project mix.

## LEASING INCOME

Leasing income of NOK 2 010 million in 2019 consists of NOK 933 million in financial lease income and NOK 909 million in operational lease income from bareboat hire in Ocean Yield, in addition to income from subleasing right-of-use assets of NOK 168 million.

## OTHER INCOME

Other income of NOK 462 million in 2019 consist among others of gain from sale of assets and in addition NOK 334 million in share of earnings in joint ventures and associates.

## Note 11 | Wages, personnel expenses and other operating expenses

	2019	2018
Wages	12 641	11 263
Social security contributions	1 778	1 611
Pension costs	800	749
Other expenses	803	698
Personnel expenses included in other items <sup>1)</sup>	(138)	(358)
<b>Total wages and other personnel expenses</b>	<b>15 884</b>	<b>13 963</b>

1) Related to cablenet construction expenses in Philby Shipyard.

<b>Geographical split of number of employees:</b>	2019	2018
Norway	10 495	9 757
EU	1 777	2 426
North America	961	884
South America	5 473	4 001
Asia	2 751	2 549
Other regions	408	362
<b>Total number of employees at year-end</b>	<b>21 865</b>	<b>19 979</b>
Average number of employees	20 922	19 712

### OTHER OPERATING EXPENSES CONSIST OF THE FOLLOWING:

	2019	2018
Leasing expenses	692	1 163
Exploration expenses oil and gas	217	-
Office equipment, sales- and administration expenses	1 387	1 060
External consultants and hired-ins, exclusive audit expenses (see below)	1 627	1 005
Travel expenses	654	517
Insurance	146	169
Loss on customer receivables, including reversal of impairments	(18)	155
Miscellaneous operating expenses 1)	1 987	1 866
<b>Total</b>	<b>6 693</b>	<b>5 936</b>

1) Other operating expenses include, among others, operation and maintenance of properties.

### FEES TO AUDITORS OF THE AKER GROUP ARE INCLUDED IN MISCELLANEOUS OPERATING EXPENSES, AND DISTRIBUTED AS FOLLOWS:

	Ordinary auditing	Consulting services	Total 2019	2018
Aker ASA	2	1	3	2
Subsidiaries	47	6	53	40
<b>Total</b>	<b>49</b>	<b>7</b>	<b>56</b>	<b>42</b>

Ordinary audit fees totalled NOK 49 million in 2019 (NOK 36 million in 2018).

Consulting services of NOK 7 million consist of NOK 2 million in other assurance services, NOK 1 million in tax advisory services and NOK 4 million in other non-audit services.

## Note 12 | Impairments

	2019	2018
Impairment losses on intangible assets (Note 16)	(25)	(97)
Impairment losses on property, plant and equipment (Note 15)	(702)	(117)
Impairment losses on right-of-use assets (Note 19)	(266)	-
<b>Total</b>	<b>(992)</b>	<b>(213)</b>

Impairment losses on intangible assets in 2019 of NOK 25 million are mainly attributable to IT systems and a strategic digitalisation project in Kvaerner.

Impairment losses on property, plant and equipment of NOK 702 million in 2019 are mainly attributable to Ocean Yield with NOK 590 million, Aker BioMarine with NOK 54 million, Aker Solutions with NOK 46 million, and FP Eiendom with NOK 12 million. The impairment in Ocean Yield is related to the FPSO Dhirubhai-1, and the impairment in Aker BioMarine is related to the fishing vessel Juvel. The impairments in Aker Solutions relate to capitalised development costs.

The impairments of right-of-use assets in 2019 of NOK 266 million, mainly relate to office leases in Aker Solutions of NOK 257 million and Akastor of NOK 9 million.

Impairment losses on intangible assets in 2018 of NOK 97 million were mainly attributable to Ocean Yield with NOK 80 million, and Aker Solutions with NOK 15 million. Ocean Yield made an impairment of goodwill related to the FPSO Dhirubhai-1. The reason for the impairment charges in Aker Solutions was related to capitalised development costs.

Impairment losses on property, plant and equipment of NOK 117 million in 2018 were mainly attributable to Ocean Yield with NOK 109 million and Aker Solutions with NOK 7 million. Ocean Yield made an impairment charge related to the AHTS vessels Far Senator and Far Statesman.

Below is more detailed information about impairment assessments performed for the material assets within the Group. See also Note 15 Property, plant and equipment and Note 16 Intangible assets.

### IMPAIRMENT ASSESSMENTS

#### Determination of the recoverable amount

When performing impairment assessments, cash generating units are determined at the lowest level possible to identify independent cash flows.

For capitalised development expenses and other intangible assets, all development projects are tested quarterly for impairment in which it is taken into account market and technology development, changes in order backlog, costs incurred compared to the budget, and other factors that potentially may deteriorate the value in use. For uncompleted projects, full impairment tests are performed annually by reviewing and updating the original business case for each project so future cash flows are revised and new present value calculated. An impairment loss is recognised for projects where the net present value of future cash flows is lower than expected recognised capitalised amount at project completion.

For the years 2018 and 2017, the recoverable amounts of the cash generating units are found by calculating the value in use. The calculations are based on future cash flows as assumed in current budgets and strategic plans. Cash flow after tax is used in the calculations and correspondingly discount rate after tax.

#### Discount rates:

Discount rates are derived from a weighted average cost of capital (WACC) model. The rate is estimated as a weighted average of the required return on equity and expected borrowing costs. The capital asset pricing model for a peer group of companies within the same sector has been applied when calculating the WACC. The risk-free interest rate is based on the interest rate for 10-year government bonds at the time of the impairment assessment. Borrowing costs are based on a risk-free rate, with an adjustment reflecting long-term interest margin. The discount rate is set for each CGU and may therefore vary between and within the subsidiaries.

Company	Discount rate, post tax		Discount rate, pre tax		Forecast period		Growth rate terminal value	
	2019	2018	2019	2018	2019	2018	2019	2018
Aker Solutions	8.6-8.8	9.3-9.5	11.0-11.5	12.2-14.3	4 years	4 years	1.5	1.5
Akastor	10.4-12.5	10.0	12.4-15.0	12.2	5 years	5 years	≤ 2.0	≤ 2.0
Kvaerner	8.9	8.6	10.3-11.0	10.9-10.4	4 years	4 years	1.0	1.0
Ocean Yield	7.3-8.6	6.1-8.2	7.5-8.6	7.2-8.2	NA	NA	NA	NA
Aker BioMarine	11.0	11.0	12.4	12.7	5 years	5 years	2.0	2.0

### Cash flow assumptions

Cash flow assumptions varies between the different CGUs, and the assumptions used in the most material assessments are described below.

For **Aker Solutions**, four years cash flows in the period 2020 to 2023 projected from the forecast and strategy process, approved by management and the Board of Directors in 2019, have been used as basis for the estimates of future cash flows. The forecasts are based on firm orders in the backlog and identified prospects in addition to expected service revenue. Aker Solutions has defined the growth rate, discount rate and estimated future cash flows as the most sensitive assessment in the value in use calculation. The forecasted cash flows used in the impairment tests reflect organic growth only. Other parameters in the assessment are the predicted long-term oil price per barrel, mix of products and services, level of operating expenses and capital expenditure for maintenance of the asset portfolio.

For impairment testing of goodwill, a post-tax value in use method is used, with pre-tax rates calculated using an iterative method for illustration purposes only. The assumptions are summarised above. The forecasted cashflows are based on firm orders and an expected share of new contracts.

For **Akastor**, the value-in-use calculations represent the operating earnings before depreciation and amortisation and are estimated based on the expected future performance of the existing businesses in their main markets. Assumptions are made regarding revenue growth, gross margins and other cost components based on historical experience as well as assessment of future market development and conditions. These assumptions require a high degree of judgement, given the significant degree of uncertainty regarding oilfield service activities in the forecast period. Akastor uses a constant growth rate not exceeding two per cent (including inflation) for periods beyond the management's forecast period of five years.

For **Kvaerner**, assumed project awards is an essential element in the impairment testing. The group's business development organisation reviews and considers market prospects and selects target projects. Target projects are included based on a probability that Kvaerner will be selected as supplier and estimated revenues and margins based on the scope of work and Kvaerner's experience and judgment from other projects. Cash flow projections for on-going projects are based on budget and forecast. Explicit period for estimated cash flows are fourth quarter 2019-2023. Terminal values reflecting long-term, steady state revenue and margin levels are estimated based on a combination of historic levels and judgment. An annual growth rate of one per cent is used in calculating the terminal value.

For **Ocean Yield** the value in use has been estimated for the FPSO Dhirubha-1. Following the completion of the 10-year contract in September 2018, Ocean Yield is working to secure new employment for the FPSO. Several opportunities have been evaluated for the vessel, but it is taking more time than earlier envisaged to find a satisfactory solution.

The value in use has also been estimated for the vessels Connector, Far Senator and Far Statesman based on the present value of estimated future cash flows. The projected cash flows represent management's best estimate for future charter hire for these vessels.

In **Aker BioMarine**, an impairment charge of NOK 54 million has been booked in 2019 regarding the fishing vessel Juvel. Due to the uncertainty

about the future use of the vessel, a separate valuation was performed to estimate the fair value of the vessel as per IAS 36. The valuation was based on an assessment of potential sales price for the vessel, valuing the vessel at USD 18.7 million after subtracting cost to sell. This resulted in an impairment of USD 5.9 million, equivalent to NOK 54 million.

For impairment testing of goodwill in Aker BioMarine, projected cash flows are based on management's best estimates and the business plan for the krill business for the subsequent five-year period. The estimates are based on detailed forecasts prepared by the various departments in the krill business. For subsequent periods, the model is based on estimated terminal growth of 2.0 per cent, 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. A large proportion of the company's operating expenses are independent of production volumes, which means that increased sales levels will contribute to higher operating margins. Capital expenditure is based on long-term technical and operations program and firm commitments.

### Sensitivity analysis and recoverable amount

In relation to the impairment testing, the companies have performed various sensitivity analysis. Below is a summary of the sensitivity analysis performed in the largest companies.

#### Aker Solutions

The impairment testing of goodwill is affected by changes in the long-term oil price, as it will impact the expected order intake. The testing is also affected by changes in the discount rate, growth rates, and the ability to secure projects as estimated in the cash flow, product mix and cost levels. Multiple sensitivity tests have been run on the key assumptions in the value in use calculation to address the current uncertainty in the oil services market. In the sensitivity testing, Aker Solutions have assessed the impact on the value in use calculation when applying the following changes to the key assumptions: decrease in long term growth rate to zero, increase in post-tax discount rate by two percentage points and a 25 per cent decrease in forecasted free cashflows during the four year period from 2020 to 2023, including the terminal value.

Cash-generating units (CGUs) identified for testing fixed and intangible assets are usually a plant or a group of plants which are deemed to produce independent cash inflows. No impairment losses were recognised as a result of the impairment testing of assets in CGUs based on the value in use method. Various sensitivity analysis for change in future cash flows, growth rate and WACC have been performed for the CGUs with limited headroom in the impairment testing. The results from the analysis support the conclusion from the test that no impairment should be recognised. Aker Solutions is continuously monitoring the market development and will perform impairment testing if further impairment triggers are identified.

One CGU with net assets of NOK 480 million is sensitive for impairment. The WACC used in the impairment testing was 11 per cent and the growth rate was 5 per cent. The WACC can be increased to 13.4 per cent, the growth rate can be reduced to 1.5 per cent and the free cashflows can be reduced by over 50 per cent without triggering an impairment.

When a leased property has been vacated or will be vacated by Aker Solutions in the near future, the right-of-use asset is assessed for impairment. If the vacated property is a separable part of the leased building, it is tested for impairment as a separate cash-generating unit. Expected future sublease income is discounted to present value and compared to the value of the separable right-of-use asset. If the vacated area is not separable, the right-of-use asset is tested together with the other assets in the cash-generating unit. An impairment charge of NOK 257 million has been booked in 2019 for right-of-use assets in Aker Solutions.

#### Akastor

For the portfolio companies containing goodwill, the recoverable amounts are higher than the carrying amounts based on the value in use analysis and consequently no impairment loss of goodwill was recognised in 2019 or 2018. The group has performed sensitivity calculations to identify any reasonably possible change in key assumptions that could cause the carrying amount to exceed the recoverable amount. In MHWirth, if the average revenue growth in the forecast period were reduced by more than 12 per cent, or the average EBITDA margin in the forecast period were reduced by more than 6 per cent, the estimated recoverable amount would be lower than the carrying amount and it would result in impairment in MHWirth.

#### Kvaerner

For the yard CGUs Stord and Verdal, recoverable amount for recognised goodwill exceeds the related carrying values, and consequently indicates that no impairment is required. The following adverse changes could occur simultaneously before any impairment is required in relation to the Stord yard CGU: revenue reduction of 30 per cent, EBITDA margin

reduction of 1.5 percentage points and increase in pre-tax discount rate of 2.4 percentage points. The Verdal yard CGU is more sensitive to impairment; a simultaneous revenue reduction of 3 per cent and increase in pre-tax discount rate of 1.4 per cent points would result in an impairment.

#### Ocean Yield

As of year-end the Group has assessed the value of the FPSO Dhirubhai-1. The value in use has been estimated for the vessel and has been calculated based on the present value of estimated future cash flows. The Group has considered several possible scenarios and calculated the present value of estimated future cash flows for these scenarios. The scenarios are based on recent interest for the FPSO. The value in use has then been calculated as the weighted average of these scenarios. The estimated value in use is lower than book value for the FPSO and as a consequence an impairment of USD 68.4 million has been recognised. The remaining net book value of the FPSO as of 31<sup>st</sup> December 2019 is USD 146 million.

The estimated value in use has been calculated for the vessels Connector, Far Senator and Far Statesman and no impairment has been considered necessary.

#### Aker BioMarine

Sensitivity analysis of goodwill have been performed by using simulations of various combinations of discount rates and changes in vessel production volumes, krill production and krill sales, in addition to fuel costs. No reasonably combination of these factors results in a value in use being lower than the value recognised in the balance sheet as of 31 December 2019.

## Note 13 | Financial income and financial expenses

	2019	2018
Interest income on cash and cash equivalents and investments at amortised cost	293	176
Interest income on debt instruments at FVOCI	77	76
Dividends on financial assets	165	170
Net change in fair value of financial equity investments at fair value through profit and loss	14	64
Net foreign exchange gain	-	59
Net gain from interest rate swaps	-	57
Other financial income	56	101
<b>Total financial income</b>	<b>605</b>	<b>704</b>
Interest expense on financial liabilities measured at amortised cost	(2 270)	(1 497)
Interest expense on financial liabilities measured at fair value	(12)	(30)
Net foreign exchange loss	(82)	-
Foreign exchange loss from hedge instruments	(143)	(297)
Net loss from interest rate swaps	(31)	-
Net other financial expenses	(144)	(174)
<b>Total financial expenses</b>	<b>(2 681)</b>	<b>(1 997)</b>
<b>Net financial items</b>	<b>(2 077)</b>	<b>(1 293)</b>

## Note 14 | Tax

### TAX EXPENSE(-)/TAX INCOME(+)

	2019	2018
<b>Recognised in income statement:</b>		
This year's net tax receivable (+) and payable (-)	(232)	(261)
Adjustment prior years	(20)	-
<b>Total current tax expense</b>	<b>(252)</b>	<b>(261)</b>
<b>Deferred tax expense:</b>		
Origination and reversal of temporary differences	(51)	(253)
Utilisation of previously unrecognised tax losses	55	24
<b>Total deferred tax expense</b>	<b>4</b>	<b>(229)</b>
<b>Income tax - continued operations</b>	<b>(248)</b>	<b>(490)</b>

### RECONCILIATION OF EFFECTIVE TAX RATE

	2019	2018
<b>Profit before tax</b>	<b>(1 692)</b>	<b>1 420</b>
Nominal tax rate in Norway 22% (2018: 23%)	372	(327)
Tax rate differences in Norway and abroad	147	44
Permanent differences	(114)	81
Utilisation of previously unrecognised tax losses	55	24
Tax losses for which no deferred income tax asset was recognised	(573)	(422)
Tax effect of associated companies	124	234
Other differences	(260)	(124)
<b>Total income tax expenses in income statement</b>	<b>(248)</b>	<b>(490)</b>

### TAX RECOGNISED IN OTHER COMPREHENSIVE INCOME:

	2019	2018
Remeasurement of defined benefit liabilities	39	15
Changes in fair value of financial assets	-	(2)
Changes in fair value of cash flow hedges	(21)	20
Currency translation differences	(2)	7
<b>Total tax expenses other comprehensive income</b>	<b>16</b>	<b>40</b>

### DEFERRED TAX ASSETS ARE ALLOCATED AS FOLLOWS:

	2019	2018
Aker Solutions	871	663
Akastor	388	374
Other companies	2	22
<b>Total</b>	<b>1 261</b>	<b>1 059</b>

Deferred tax assets refer to NOK 138 million in losses carried forward and NOK -109 million in temporary differences. The deferred tax asset related to the tax losses carried forward was reduced by NOK 221 million in 2019.

The total unrecognised tax loss carry-forward at year-end 2019 are NOK 13.1 billion. This mainly relates to Aker ASA with NOK 4.0 billion, Aker Capital AS with NOK 1.1 billion, Aker BioMarine with NOK 2.1 billion, Akastor with NOK 2.7 billion, Ocean Yield with NOK 1.4 billion and Aker Solutions with NOK 0.7 billion.

**CHANGES IN NET DEFERRED TAX ARE AS FOLLOWS:**

	Property, plant and equipment	Intangible assets	Projects under construction	Tax losses carry forward	Other	Total
<b>At 31 December 2018</b>	(198)	(237)	(2 401)	1 602	1 779	<b>545</b>
Impact of changes in accounting policies	-	-	-	-	90	<b>90</b>
<b>At 1 January 2019</b>	(198)	(237)	(2 401)	1 602	1 869	<b>635</b>
Acquisitions and sales of subsidiaries	-	(2)	-	12	10	<b>20</b>
Deferred tax income statement - continued operations	14	124	931	(177)	(888)	<b>4</b>
Deferred tax total comprehensive income - OCI	-	-	-	-	16	<b>16</b>
Prepaid withholding tax	-	-	-	-	60	<b>60</b>
Deferred tax income recognised directly in equity	-	-	(27)	-	(23)	<b>(50)</b>
Exchange rate differences and other changes	(13)	-	(16)	(56)	(1)	<b>(85)</b>
<b>At 31 December 2019</b>	<b>(196)</b>	<b>(115)</b>	<b>(1 513)</b>	<b>1 381</b>	<b>1 043</b>	<b>600</b>

**Allocated between deferred tax assets and liabilities as follows:**

Deferred tax assets	(114)	(105)	(412)	1 381	511	<b>1 261</b>
Deferred tax liabilities	(82)	(10)	(1 101)	-	532	<b>(661)</b>

**CHANGES IN NET DEFERRED TAX ARE AS FOLLOWS:**

	Property, plant and equipment	Intangible assets	Projects under construction	Tax losses carry forward	Other	Total
<b>At 31 December 2017</b>	(221)	(260)	(2 245)	1 910	1 799	<b>982</b>
Impact of changes in accounting policies	-	-	94	-	(40)	<b>54</b>
<b>At 1 January 2018</b>	(221)	(260)	(2 151)	1 910	1 759	<b>1 036</b>
Acquisitions and sales of subsidiaries	101	5	4	(313)	(19)	<b>(222)</b>
Deferred tax income statement - continued operations	-	18	(259)	47	(36)	<b>(229)</b>
Deferred tax income statement - discontinued operations	(77)	-	-	(33)	-	<b>(109)</b>
Deferred tax total comprehensive income - OCI	-	-	-	-	40	<b>40</b>
Prepaid withholding tax	-	-	-	-	46	<b>46</b>
Exchange rate differences and other changes	(1)	-	5	(10)	(12)	<b>(17)</b>
<b>At 31 December 2018</b>	<b>(198)</b>	<b>(237)</b>	<b>(2 401)</b>	<b>1 602</b>	<b>1 779</b>	<b>545</b>

**Allocated between deferred tax assets and liabilities as follows:**

Deferred tax assets	(153)	(228)	(1 493)	1 634	1 299	<b>1 059</b>
Deferred tax liabilities	(44)	(10)	(908)	(32)	479	<b>(515)</b>

**TAX PAYABLE AND INCOME TAX RECEIVABLE**

Tax payable amounts to NOK 117 million and tax receivable amounts to NOK 133 million. Tax receivable mainly relates Aker Solutions with NOK 120 million, Akastor with NOK 10 million and Philly Shipyard with NOK 2 million. The 2019 figures are based on preliminary estimates of non-taxable income, non tax-deductible items and temporary differences between the financial accounts and the tax accounts. The final result will be calculated based on the tax return and may differ from the estimates above.

## Note 15 | Property, plant and equipment

	Vessels	Machinery and vehicles	Land and buildings	Assets under construction	Total
<b>Cost at 31 December 2018</b>	19 375	9 945	4 547	1 484	<b>35 351</b>
Implementation IFRS 16	-	(97)	(206)	-	<b>(303)</b>
<b>Cost at 1 January 2019</b>	19 375	9 849	4 341	1 484	<b>35 048</b>
Acquisitions through business combinations	-	7	3	-	<b>10</b>
Other acquisitions <sup>1)</sup>	546	231	109	1 786	<b>2 672</b>
Other disposals and scrapping	(16)	(76)	(37)	-	<b>(129)</b>
Transferred from assets under construction and other reclassifications	961	699	19	(1 977)	<b>(298)</b>
Effects of changes in foreign exchange rates	188	32	(7)	11	<b>224</b>
<b>Cost at 31 December 2019</b>	<b>21 054</b>	<b>10 742</b>	<b>4 427</b>	<b>1 303</b>	<b>37 526</b>
<b>Accumulated depreciation and impairment at 31 December 2018</b>	(8 312)	(6 900)	(1 828)	(51)	<b>(17 091)</b>
Implementation IFRS 16	-	92	58	-	<b>150</b>
<b>Accumulated depreciation and impairment at 1 January 2019</b>	(8 312)	(6 809)	(1 770)	(51)	<b>(16 941)</b>
Depreciation charge for the year	(786)	(730)	(127)	-	<b>(1 644)</b>
Impairments (see Note 12)	(590)	(39)	(13)	(60)	<b>(702)</b>
Transferred from assets under construction and other reclassifications	(28)	38	58	-	<b>68</b>
Other disposals and scrapping	16	68	7	-	<b>92</b>
Effects of changes in foreign exchange rates	(80)	(23)	(10)	-	<b>(113)</b>
<b>Accumulated depreciation and impairment at 31 December 2019</b>	<b>(9 780)</b>	<b>(7 495)</b>	<b>(1 855)</b>	<b>(111)</b>	<b>(19 240)</b>
<b>Carrying amount at 31 December 2019</b>	<b>11 274</b>	<b>3 248</b>	<b>2 573</b>	<b>1 192</b>	<b>18 287</b>

<sup>1)</sup> Capitalised interest in 2019 amounted to NOK 6 million

	Vessels	Machinery and vehicles	Land and buildings	Assets under construction	Total
<b>Cost at 1 January 2018</b>	25 628	10 034	5 393	951	<b>42 005</b>
Other acquisitions <sup>1)</sup>	243	168	41	868	<b>1 320</b>
Sales of operations	(7 063)	(106)	(507)	(73)	<b>(7 749)</b>
Other disposals and scrapping	(39)	(587)	(260)	(5)	<b>(892)</b>
Transferred from assets under construction and other reclassifications	(294)	277	(32)	(312)	<b>(360)</b>
Effects of changes in foreign exchange rates	901	160	(88)	55	<b>1 028</b>
<b>Cost at 31 December 2018</b>	<b>19 375</b>	<b>9 945</b>	<b>4 547</b>	<b>1 484</b>	<b>35 351</b>
<b>Accumulated depreciation and impairment at 1 January 2018</b>	(11 187)	(6 728)	(1 859)	(54)	<b>(19 828)</b>
Depreciation charge for the year	(1 007)	(699)	(151)	-	<b>(1 858)</b>
Impairments (see Note 12)	(164)	(3)	(5)	-	<b>(172)</b>
Sales / disposals of operations	4 164	81	4	-	<b>4 249</b>
Reclassifications	244	4	(15)	5	<b>238</b>
Other disposals and scrapping	35	567	204	-	<b>806</b>
Effects of changes in foreign exchange rates	(397)	(122)	(6)	(2)	<b>(527)</b>
<b>Accumulated depreciation and impairment at 31 December 2018</b>	<b>(8 312)</b>	<b>(6 900)</b>	<b>(1 828)</b>	<b>(51)</b>	<b>(17 091)</b>
<b>Carrying amount at 31 December 2018</b>	<b>11 063</b>	<b>3 045</b>	<b>2 719</b>	<b>1 433</b>	<b>18 262</b>
Book value of leasing agreements recorded in the balance sheet	-	4	123	-	<b>127</b>

<sup>1)</sup> Capitalised interest in 2018 amounted to NOK 11 million

Carrying amount at the end of 2019 amounts to NOK 18 287 million, an increase of NOK 26 million during the year. The increase mainly relates to acquisitions, offset by depreciation charge for the year and impairments, see comments below.

This year's depreciation of NOK 1 644 million (NOK 1 858 million in 2018) relates to continuing operations. In 2018 total depreciation was divided

between NOK 1 715 million in continuing operations and NOK 144 million in discontinued operations. The impairment of the year is NOK 702 million (NOK 172 million in 2018) relates to continuing operations. In 2018 total impairment was divided between NOK 117 million in continuing operations and NOK 55 million in discontinuing operations.



See Note 12 Impairments for more information regarding impairment assessments and Note 26 regarding collateral.

#### Vessels and airplanes

Vessels and airplanes totalled NOK 11 274 million at the end of 2019, with an increase of NOK 211 million during the year. The increase is mainly attributed to the acquisition of a new airplane and transfer from assets under construction of NOK 1.5 billion. The increase is offset by depreciation and impairments of NOK 1.4 billion.

The depreciation periods for the hulls are between 10 and 30 years, while the machinery and equipment on board are depreciated over a period between 3 and 15 years.

#### Machinery and vehicles

Machinery and vehicles totalled NOK 3 248 million, an increase from previous year of NOK 203 million. The increase is due to acquisitions and transfer from assets under construction of NOK 1.0 billion, offset by depreciation and impairments of NOK 0.8 billion.

Machinery and vehicles are depreciated over a period between 3 to 15 years.

#### Buildings and land

Buildings and land totalled NOK 2 573 million, with a decrease of NOK 146 million in 2019. The decrease is mainly related to implementation effects of IFRS 16 of NOK 148 million in addition to depreciation and impairments of NOK 140 million. The reduction is offset by acquisitions and transfer from assets under construction of NOK 186 million.

Land is not depreciated. The depreciation periods for buildings are between 8 to 30 years.

#### Assets under construction

Assets under construction are decreased by NOK 241 million during 2019 to NOK 1 192 million. The change is mainly due to the delivery in mid-January 2019 of the new krill harvesting vessel Antarctic Endurance in Aker BioMarine. Total cost for the vessel was USD 147 million including capitalised interests. In addition, NOK 228 million is reclassified to intangible assets and prepaid expenses. The reduction is offset by investments in Aker Solutions, Akastor, Kvaerner and FP Eendrom, totalling NOK 744 million.

#### Contractual commitments

Aker BioMarine has at the end of 2019 entered into contracts on investments in property, plant and equipment for NOK 0.5 billion. Contractual commitments in Aker Solutions is NOK 324 million and in Kvaerner NOK 65 million.

Ocean Yield has entered contractual obligations for the purchase of vessels, currently under construction, of NOK 215 million in total during 2020.

#### Effect of exchange rate changes on property, plant and equipment

Effects from exchange rate fluctuations represent NOK 111 million and are mainly attributable to changes in the USD/NOK in Ocean Yield, Akastor, Aker Solutions, Aker BioMarine and Philly Shipyard. Based on book values as at 31 December 2019, a increase of the USD rate of 40 per cent will increase assets by about NOK 4.8 billion.

## Note 16 | Intangible assets

	Oil- and gas licenses	Capitalised expiracion expenses	Goodwill	Other	Total
<b>Cost at 1 January 2019</b>	937	416	9 199	4 635	<b>15 188</b>
Acquisitions through business combinations	-	-	384	563	<b>947</b>
Other acquisitions	-	325	-	418	<b>743</b>
Other disposals and scrapping	(9)	-	-	(204)	<b>(212)</b>
Expensed dry wells	-	(217)	-	-	<b>(217)</b>
Reclassifications	(8)	(29)	-	114	<b>77</b>
Effects of changes in foreign exchange rates	10	4	91	64	<b>169</b>
<b>Cost at 31 December 2019</b>	<b>931</b>	<b>500</b>	<b>9 674</b>	<b>5 590</b>	<b>16 695</b>
Accumulated amortisation and impairment at 1 January 2019	-	-	(1 692)	(2 520)	<b>(4 212)</b>
Amortisation for the year	-	-	-	(459)	<b>(459)</b>
Impairment losses (see Note 12)	-	-	-	(25)	<b>(25)</b>
Other disposals and scrapping	-	-	-	204	<b>204</b>
Reclassifications	-	-	-	(13)	<b>(13)</b>
Effects of changes in foreign exchange rates	-	-	(14)	(21)	<b>(35)</b>
<b>Accumulated amortisation and impairment at 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>(1 706)</b>	<b>(2 835)</b>	<b>(4 540)</b>
<b>Carrying amount at 31 December 2019</b>	<b>931</b>	<b>500</b>	<b>7 967</b>	<b>2 757</b>	<b>12 154</b>

	Oil- and gas licenses	Capitalised exploration expenses	Goodwill	Other	Total
<b>Cost at 1 January 2018</b>	-	-	9 098	4 279	<b>13 377</b>
Acquisitions through business combinations	880	-	-	-	<b>880</b>
Other acquisitions	-	390	10	506	<b>906</b>
Sales / disposals of subsidiaries and operations	-	-	-	(206)	<b>(206)</b>
Effects of changes in foreign exchange rates	58	27	90	55	<b>230</b>
<b>Cost at 31 December 2018</b>	<b>937</b>	<b>416</b>	<b>9 199</b>	<b>4 635</b>	<b>15 188</b>
Accumulated amortisation and impairment at 1 January 2018	-	-	(1 627)	(2 269)	<b>(3 895)</b>
Amortisation for the year	-	-	-	(391)	<b>(391)</b>
Impairment losses (see Note 12)	-	-	(80)	(18)	<b>(97)</b>
Sales / disposals of subsidiaries and operations	-	-	-	187	<b>187</b>
Effects of changes in foreign exchange rates	-	-	15	(30)	<b>(15)</b>
<b>Accumulated amortisation and impairment at 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>(1 692)</b>	<b>(2 520)</b>	<b>(4 212)</b>
<b>Carrying amount at 31 December 2018</b>	<b>937</b>	<b>416</b>	<b>7 506</b>	<b>2 116</b>	<b>10 976</b>

#### Oil- and gas licenses

Oil- and gas licenses of NOK 931 million at the end of 2019 is attributable to Aker Energy and is reduced by NOK 6 million during the year. Oil- and gas licenses are assessed for impairment annually.

#### Capitalised oil- and gas exploration expenses

Capitalised oil- and gas exploration expenses of NOK 500 million at the end of 2019 is attributable to Aker Energy. The increase in 2019 of NOK 84 million is related to capitalised exploration expenses, partly offset by expensed dry wells and reclassifications.

#### Goodwill

Goodwill totalled NOK 7 967 million at the end of 2019. The change in 2019 of NOK 461 million is attributable to positive foreign exchange fluctuations and increase due to the acquisition of AGR and Bronco in Akastor, in addition to Aker BioMarine's investment in Lang Pharma Nutrition Inc.

See table below for the allocation of goodwill per company. Goodwill related to Aker Solutions, Akastor and Kvaerner originates from various acquisitions and other transactions through the years. The goodwill in Aker BioMarine stems from Aker's acquisition of Natural and the establishment of Aker BioMarine in December 2006 and is fully allocated to the krill business.

#### Other intangible assets

The carrying amount of other intangible assets of NOK 2 757 million at the end of 2019 mainly consists of NOK 1 632 million in capitalised

development expenses and customer relationships, trademark and fishing licenses in Aker BioMarine of NOK 855 million. Customer relationship has increased by NOK 405 million in 2019 due to the acquisition of Lang Pharma Nutrition Inc., and fishing licenses totalling NOK 92 million are reclassified from property, plant and equipment.

Capitalised development expenses consisted of NOK 1 324 million representing capitalised development projects in Aker Solutions, in Akastor totalling NOK 169 million and in Kvaerner totalling NOK 132 million. The net change of NOK 93 million in 2019 is largely attributable to capitalised expenses of NOK 298 million in Aker Solutions and Akastor and NOK 73 million in Kvaerner. The increase is offset by depreciation and impairment of NOK 341 million.

Other intangible assets are amortised over a period between 5 to 12 years.

#### Amortisation and impairments

This year's amortisation of NOK 459 million (NOK 391 million in 2018) relates to continued operations. In 2018 total amortisation is divided between NOK 382 million in continued operations and NOK 9 million in discontinued operations. Impairment of intangible assets of NOK 25 million (NOK 97 million in 2018) is mainly attributable to IT systems and a strategic digitalisation project in Kvaerner and is allocated to continued operations in 2019.

See Note 12 Impairments for more information regarding impairment assessments.

	Goodwill		Other intangible assets	
	2019	2018	2019	2018
Aker Solutions	<b>4 707</b>	4 642	<b>1 386</b>	1 428
Akastor	<b>1 519</b>	1 359	<b>309</b>	134
Kvaerner	<b>929</b>	929	<b>132</b>	102
Aker BioMarine	<b>813</b>	576	<b>841</b>	416
Aker Energy	-	-	<b>37</b>	-
Other	-	-	<b>52</b>	36
<b>Total</b>	<b>7 967</b>	<b>7 506</b>	<b>2 757</b>	<b>2 116</b>

## Note 17 | Investments in associates and joint ventures

The Aker Group has interests in several associates and joint ventures ('JV'), of which the most important ones are: Aker BP ASA (40 per cent, associate), BOX Holding Inc. (49.9 per cent, associate), Solstad Offshore ASA (23.1 per cent, associate), FP Bolig Holding AS (37.6 per cent, associate), DOF Deepwater AS (50 per cent, JV), Kiewit-Kvaerner Contractors (50 per cent, JV), K2JV ANS (51 per cent, JV), Align AS (38.8 per cent, associate), Principle Power (25.4 per cent, associate), REC Silicon ASA (22.95 per cent, associate), Trygg IDT Holdings I Corp (50 per cent, JV), and AKOFS Offshore AS (50 per cent, JV).

**Aker BP ASA** is an integrated E&P company operating on the Norwegian continental shelf.

**BOX Holding Inc.** owns six container vessels chartered out on long-term bareboat contracts.

**Solstad Offshore ASA** owns and operates platform supply vessels, anchor handling vessels and construction service vessels.

**AKOFS Offshore AS** is a provider of vessel-based subsea well construction and intervention services to the oil and gas industry.

**K2JV ANS** is a partnership between Kellogg Brown & Root (Norway) AS and Kvaerner. The partnership is constructing the Johan Sverdrup utility and living quarter (ULQ) topside for Equinor.

**DOF Deepwater AS** operates in the marine sector. The company owns a series of five anchor-handling (AHTS) vessels.

**Kiewit-Kvaerner Contractors** is a partnership between Peter Kiewit Infrastructure Co and Kvaerner. The partnership was established with the purpose of delivery of the contract awarded by ExxonMobil for the Hebron Project gravity based structure (GBS) offshore Newfoundland, Canada.

**Principle Power Inc** is a floating wind power technology company.

**REC Silicon ASA** is a producer of silicon materials to the solar and electronics industries.

**Align AS** is a supplier of technical safety and total fire-fighting solutions for the global oil and gas market.

**Trygg IDT Holdings I Corp** is a pharmaceutical development company with FDA approved products for abuse-deterrent opioids that has been licensed to others and launched in the U.S. market.

**FP Bolig Holding AS** develops residential real estate projects at Fornebu outside Oslo.

The associates and joint ventures are accounted for using the equity method.

		Book value at 1 January 2019	Acquisitions and disposals	Share of profits/ losses	Changes due to exchange differences and hedges	Dividends received	Other changes in equity	Book value at 31 December 2019
Aker BP ASA	1)	19 878	-	429	228	(2 653)	(110)	17 773
BOX Holdings Inc.	1)	1 668	-	202	(118)	(186)	-	1 565
Solstad Offshore ASA	1)	-	-	-	-	-	-	-
AKOFS Offshore AS	2)	1 086	-	(35)	(1)	-	-	1 050
K2 JV ANS	2)	24	-	130	-	(153)	-	1
DOF Deepwater AS	2)	-	-	(124)	-	-	124	-
Kiewit-Kvaerner Contractors	2)	17	-	-	-	-	-	17
Philly Tankers AS	2)	388	(123)	-	5	(270)	-	-
Align AS	1)	56	-	(30)	5	-	-	31
Principle Power Inc	1)	-	18	(6)	-	-	117	130
REC Silicon ASA	1)	-	85	-	-	-	-	85
Trygg IDT Holdings I Corp	2)	20	-	-	-	-	-	20
FP Bolig Holding AS	1)	98	-	(2)	-	-	-	96
Other entities		113	(126)	(2)	4	(1)	77	65
<b>Total</b>		<b>23 348</b>	<b>(146)</b>	<b>563</b>	<b>123</b>	<b>(3 263)</b>	<b>207</b>	<b>20 833</b>
1) Associates		21 927	112	595	121	(2 840)	(191)	19 724
2) Joint ventures		1 421	(258)	(32)	3	(424)	398	1 109
<b>Total</b>		<b>23 348</b>	<b>(146)</b>	<b>563</b>	<b>123</b>	<b>(3 263)</b>	<b>207</b>	<b>20 833</b>

Shares of profits/losses from associates and joint ventures are based on the companies' net profit including profit/loss from discontinued operations. The purpose of the investment determines where its results are presented in the income statement. When entities are formed to share risk in executing projects or are closely related to the operating activities, the shares of the profits and losses are reported as part of

other income in the operating profit. Shares of profits or losses from financial investments are reported as part of financial items.

Share of profits/losses for 2019 is allocated with NOK 334 million as other income and NOK 229 million as share of profit/loss from associates and joint ventures as part of financial items.

**SUMMARY OF FINANCIAL INFORMATION AND THE GROUP'S OWNERSHIP IN MAJOR ASSOCIATES AND JOINTS VENTURES:**

	Aker BP ASA		BOX-Holdings Inc.		Solstad Offshore ASA		AKOFS Offshore AS <sup>1</sup>		K2JV ANS	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Country	Norway		Marshall Islands		Norway		Norway		Norway	
Ownership and voting rights	40,0 %	40,0 %	49,9 %	49,9 %	23,1 %	23,1 %	50,0 %	50,0 %	51,0 %	51,0 %
Operating revenues	29 467	30 499	696	668	5 245	4 830	1 093	448	364	1 527
Operating expenses	(17 782)	(14 433)	(8)	(8)	(6 246)	(8 627)	(858)	(269)	(108)	(1 271)
Financial items	(2 139)	(1 387)	(284)	(188)	(1 727)	(1 892)	(329)	(145)	-	-
Net profit (100%)	1 242	3 875	404	473	(2 877)	(5 732)	(94)	(62)	256	256
Share of net profit result	497	1 550	202	234	(665)	(1 324)	(47)	(31)	130	130
Elimination of unrealised sales gain and other adjustments	-	(3)	-	(37)	665	-	12	11	-	-
Depreciation/Impairment	(67)	-	-	-	-	662	-	-	-	-
<b>Share of earnings</b>	<b>429</b>	<b>1 547</b>	<b>202</b>	<b>197</b>	<b>-</b>	<b>(662)</b>	<b>(35)</b>	<b>(20)</b>	<b>130</b>	<b>130</b>
Non-current assets	101 045	87 647	7 008	7 094	27 226	28 608	5 076	4 741	-	-
Current assets	6 310	5 990	311	463	2 713	3 041	638	447	39	332
<b>Total assets</b>	<b>107 355</b>	<b>93 637</b>	<b>7 319</b>	<b>7 557</b>	<b>29 939</b>	<b>31 649</b>	<b>5 714</b>	<b>5 188</b>	<b>39</b>	<b>332</b>
Non-current liabilities	(71 505)	(55 606)	(4 620)	(4 721)	(5 050)	(10 013)	(2 207)	(2 098)	-	-
Current liabilities	(15 061)	(12 053)	(355)	(333)	(28 472)	(22 267)	(1 373)	(861)	(37)	(106)
Minority interests	-	-	-	-	(3)	(28)	-	-	-	-
Net assets (100%)	20 788	25 978	2 344	2 503	(3 586)	(658)	2 134	2 229	2	226
<b>Share of net assets</b>	<b>8 315</b>	<b>10 391</b>	<b>1 170</b>	<b>1 249</b>	<b>(828)</b>	<b>(152)</b>	<b>1 067</b>	<b>1 115</b>	<b>1</b>	<b>115</b>
Elimination of unrealised gains and losses, deferred payment and adjustments	(143)	(80)	395	419	-	276	(143)	(154)	-	(91)
Excess value	9 601	9 567	-	-	828	(124)	126	125	-	-
<b>Balance end of period</b>	<b>17 773</b>	<b>19 878</b>	<b>1 565</b>	<b>1 668</b>	<b>-</b>	<b>-</b>	<b>1 050</b>	<b>1 086</b>	<b>1</b>	<b>24</b>
<b>Dividends received</b>	<b>2 653</b>	<b>1 465</b>	<b>186</b>	<b>184</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>153</b>	<b>107</b>

1) 2018 figures are for the period from 27 September 2018 to 31 December 2018, see Note 6.

**Aker BP ASA**

The excess value of NOK 9.6 billion is allocated to the Johan Sverdrup field with NOK 7.1 billion and NOAKA-field (North of Alvheim, Krafva/Askja) with NOK 2.4 billion. The depreciation of NOK 67 million in 2019 is attributable to the Johan Sverdrup field. Together with the company, Aker is performing impairment assessments. Sensitivity

analysis of excess value have been performed by using simulations of various combinations of discount rates, oil price and value growth. No reasonably possible combination of these factors results in a value in use being lower than the value recognised in the balance sheet as of 31 December 2019.

**Aker BP ASA, Solstad Offshore ASA and REC Silicon ASA are listed companies. Shown below are the share prices and market values of the Group's share in the companies.**

	Number of shares in millions	Quoted price in NOK	Book value in NOK million	Market value in NOK million
Aker BP ASA	144.0	288.00	17 773	41 486
Solstad Offshore ASA	67.3	0.97	-	65
REC Silicon ASA	64.2	2.68	85	172

## Note 18 | Interest-bearing assets

	2019	2018
Restricted deposits	783	528
Loans to employees	66	22
Loans to related parties	381	450
Non-current bonds	-	37
Pre-delivery instalments - Finance lease receivables	136	798
Other interest-bearing receivables	416	536
<b>Total</b>	<b>1 782</b>	<b>2 372</b>
Recorded as follows:		
Interest-bearing non-current receivables	1 140	1 921
Interest-bearing current receivables	642	451
<b>Total</b>	<b>1 782</b>	<b>2 372</b>

Restricted deposits in 2019 mainly relates to a deposit related to loan agreements in Philly Shipyard of NOK 584 million and in Ocean Yield of NOK 199 million.

Loans to related parties consists of loans to the associate FP Boig Holding AS of NOK 52 million, the joint venture AKOFS Offshore AS of NOK 191 million, and to Aker Pensjonskasse of NOK 102 million.

## Note 19 | Leases

### LEASES IN WHICH THE GROUP IS A LESSEE

The Group has lease contracts related to warehouses, rental of offices and factory facilities and machines and vehicles. Contracts related to leasing of buildings and locations typically has lease periods of 10-15 years with options for renewal at market value. Lease contracts regarding IT services, vehicles and equipment have an average lease term of 3-5 years. In 2018 the lease contracts were classified as operational leases according to IAS 17. At the implementation of IFRS 16 at 1 January 2019, The Group has applied the exemption not to recognise right-of-use assets and liabilities for lease with less than 12 months of lease term, or leases of low value items (for example IT equipment)

#### Right-of-use assets and lease liabilities recognised in the balance sheet

	Right-of-use assets			Lease liabilities
	Land and buildings	Machinery and vehicles	Total	
Carrying amount at 1 January 2019	5 201	43	5 243	6 771
Additions	745	5	750	750
Remeasurements	(65)	-	(65)	(65)
Terminations	(180)	-	(180)	(220)
Derecognition of ROU asset due to sublease	(28)	-	(28)	-
Reclassification of property, plant and equipment	7	-	7	-
Depreciation	(661)	(16)	(677)	-
Impairment	(266)	-	(266)	-
Interest expense	-	-	-	293
Lease payments and interests	-	-	-	(1 055)
Effect of changes in foreign exchange rates	43	-	43	108
<b>Carrying amount at 31 December 2019</b>	<b>4 797</b>	<b>32</b>	<b>4 827</b>	<b>6 583</b>

#### Amounts recognised in the income statement and the cash flow statement

	2019
Expenses relating to short-term leases presented in other operating expenses and cost of goods sold	(761)
Expenses relating to leases of low-value assets presented in other operating expenses and cost of goods sold	(161)
Expenses relating to variable lease payments presented in other operating expenses	(27)
Gain on termination of lease agreements presented in other operating expenses	40
Interest on lease liabilities presented in financial expenses	(293)
<b>Total cash outflows for leases exclusive interest</b>	<b>(762)</b>

#### 2018 - Operating leases under IAS 17

	Minimum lease payments	Sublease income	2018
Buildings and vessels	999	-	999
Machinery and equipment	163	-	163
Other agreements	1	-	1
<b>Leasing agreements as part of other operating expenses</b>	<b>1 163</b>	<b>-</b>	<b>1 163</b>
Part of operating revenue	-	(244)	(244)
Part of cost of goods and changes in inventory	263	-	263
<b>Total leasing agreements</b>	<b>1 426</b>	<b>(244)</b>	<b>1 182</b>

**LEASES IN WHICH THE GROUP IS A LESSOR**

	2019	2018
Finance lease	14 819	9 383
Finance sublease	734	-
<b>Total</b>	<b>15 553</b>	<b>9 383</b>
Recorded as follows:		
Non-current finance lease receivables	13 513	9 383
Current finance lease receivables	2 040	-
<b>Total</b>	<b>15 553</b>	<b>9 383</b>

**Financial leases**

Finance lease receivable of NOK 14.8 billion represents Ocean Yield's ownership in 48 vessels. This includes NOK 1.5 billion against the joint venture AKOFS Offshore AS, for the lease of Aker Wayfarer. In 2018, these lease contracts were classified as financial leases according to IAS 17. See details for the financial lease receivables in the table below:

	Aker Wayfarer	Container vessels	Tankers	Other shipping	Total
Number of vessels	1	4	29	14	48
Gross finance lease receivables					
Less than one year	330	106	1 278	290	2 004
Between one and five years	1 026	425	4 026	1 167	6 642
More than five years	701	585	6 766	2 104	10 156
Unguaranteed residual values	507	195	1 677	122	2 501
<b>Gross finance lease receivables</b>	<b>2 564</b>	<b>1 310</b>	<b>13 746</b>	<b>3 682</b>	<b>21 304</b>
Less: unearned finance income	(1 113)	(346)	(4 053)	(973)	(6 485)
<b>Total finance lease receivables</b>	<b>1 451</b>	<b>965</b>	<b>9 693</b>	<b>2 710</b>	<b>14 819</b>
Present value of minimum lease payments					
Less than one year	307	104	1 237	281	1 930
Between one and five years	681	362	3 395	1 001	5 439
More than five years	289	388	4 237	1 354	6 268
Unguaranteed residual values	173	112	824	75	1 182
<b>Total finance lease receivables</b>	<b>1 451</b>	<b>965</b>	<b>9 693</b>	<b>2 710</b>	<b>14 819</b>
Pre-delivery instalments	-	-	-	137	137
<b>Total finance lease receivables and related assets</b>	<b>1 451</b>	<b>965</b>	<b>9 693</b>	<b>2 847</b>	<b>14 956</b>

**Financial sublease**

The Group also has financial subleases related to right-of-use assets previously classified as operational subleases according to IAS 17. After IFRS 16, when the Group is an intermediate lessor, the subleases are classified with reference to the right-of-use assets arising from the head lease. If the lease term in the sublease contract for right-of-use assets cover the main part of the lease term in the head lease, the sublease may be classified as a financial sublease. In these cases, the Group derecognises right-of-use assets and recognises a receivable at the commencement of the sublease.

Movements in financial subleases from the implementation of IFRS 16 can be summarised as follows:

	2019
Balance at 1 January, 2019	789
Additions	28
Interest income	30
Lease payments including interests	(138)
Effect of changes in foreign exchange rates	23
<b>Balance at 31 December 2019</b>	<b>734</b>

Balance at 31 December 2019 include NOK 197 million against the associated company Aker BP.

The following table sets out a maturity analysis of financial sublease receivable, showing the undiscounted lease payments to be received after the reporting date:

	2019
Less than one year	144
One to two years	142
Two to three years	139
Three to four years	121
Four to five years	83
More than five years	305
<b>Gross undiscounted finance sublease receivables</b>	<b>935</b>
Less: unearned finance income	(201)
<b>Total finance sublease receivables</b>	<b>734</b>

#### Operational leases (Ocean Yield)

Leases in which a significant portion of the risks and rewards of ownership are retained by Ocean Yield are classified as operating leases. Revenue from operational leases totalled NOK 909 million in 2019. Future minimum lease payments under non-cancellable operating lease agreements are summarised as follows:

	2019	2018
Less than one year	748	855
Between one and five years	2 905	2 971
More than five years	1 854	2 563
<b>Total operating lease</b>	<b>5 506</b>	<b>6 389</b>

#### Operational sublease

The Group also has operational subleases for right-of-use assets classified as operational subleases according to IFRS 16. Total revenue from operational subleases totalled NOK 168 million in 2019.



## Note 20 | Other shares and non-current assets

	2019	2018
Norron funds	-	26
American Shipping Company ASA	380	385
NES Global Talent Ltd.	644	530
Awilco Drilling Plc	48	76
Odfjell Drilling Ltd.	791	705
Shares in other companies	271	267
<b>Total other shares and investments</b>	<b>2 135</b>	<b>1 989</b>
Pension assets (Note 27)	2	1
Other interest-free non-current receivables	100	132
<b>Total other non-current assets</b>	<b>102</b>	<b>132</b>
<b>Total other shares and other non-current assets</b>	<b>2 236</b>	<b>2 121</b>

## Note 21 | Inventories

	2019	2018
Raw materials	226	103
Work in progress	614	870
Finished goods	997	779
<b>Total</b>	<b>1 838</b>	<b>1 752</b>
Impairment of inventory recognised as expense during the period	(194)	(101)
Reversal of impairment recognised as an expense reduction during the period	71	69

Carrying amount of inventory pledged as security for liabilities was NOK 390 million as at 31 December 2019.

## Note 22 | Trade and other short-term interest-free receivables

	2019	2018
Trade receivables	4 969	5 408
Contract assets	7 136	4 696
Other short-term interest-free receivables	3 447	3 042
<b>Total</b>	<b>15 552</b>	<b>13 146</b>

Other short-term receivables in 2019 includes prepaid expenses with NOK 2 228 million.

See also Note 6 Financial risk and exposure.

## Note 23 | Earnings per share, dividend per share, and paid-in equity

### EARNINGS PER SHARE

	2019	2018
<b>Continued operations:</b>		
Net profit (loss) from continued operations	(1 940)	930
Minority interests	(430)	404
<b>Profit from continued operations attributable to equity holders of the parent</b>	<b>(1 510)</b>	<b>526</b>
<b>Discontinued operations:</b>		
Net profit (loss) from discontinued operations	(64)	438
Minority interests	(41)	58
<b>Profit from discontinued operations attributable to equity holders of the parent</b>	<b>(23)</b>	<b>379</b>
<b>Total profit attributable to equity holders of the parent</b>	<b>(1 533)</b>	<b>906</b>
Shares outstanding at 1 January	74 268 792	74 295 513
Changes in own shares held	9 407	(26 721)
<b>Total shares outstanding at 31 December</b>	<b>74 278 199</b>	<b>74 268 792</b>
<b>Allocation:</b>		
Issued shares at 31 December	74 321 862	74 321 862
Own shares held	(43 663)	(53 070)
Total shares outstanding at 31 December	74 278 199	74 268 792
<b>Weighted average number of shares at 31 December</b>	<b>74 271 928</b>	<b>74 282 137</b>

### DILUTED EARNINGS PER SHARE

No instruments with a potential dilution effect were outstanding at 31 December 2019 or 31 December 2018.

In total. No dividend will be proposed for the Annual General Meeting on 27 April 2020, but that the Board of Directors instead is authorised to declare dividend based on the 2019 annual accounts.

### DIVIDEND

Dividends paid in 2019 was NOK 22.50 per share, NOK 1 677 million in total. Dividends paid in 2018 was NOK 18.00 per share, NOK 1 337 million

### PAID-IN CAPITAL

See Note 9 to the Aker ASA separate financial statement for a specification of share capital as at 31 December 2019.

## Note 24 | Minority interests

The Aker Group includes several subsidiaries owned less than 100 per cent. See Note 9 Operating segments and significant subsidiaries for key figures for some of these companies.

	Aker Solutions	Akastor	Aker Energy	Kvaerner	Ocean Yield	Aker BioMarine	Philly Shipyard	Other companies	Sum
Per cent minority interests as at 31 December 2019	65.24	63.30	50.79	71.29	38.28	2.00	42.44	-	-
<b>Balance at 31 December 2018</b>	10 523	1 944	367	3 459	3 051	-	522	41	<b>19 908</b>
Impact of changes in accounting policies	(232)	(4)	-	-	-	-	-	-	<b>(236)</b>
Correction previous year	(59)	-	-	-	-	-	-	-	<b>(59)</b>
<b>Balance at 1 January 2019</b>	10 233	1 940	367	3 459	3 051	-	522	41	<b>19 613</b>
Profit for the year	70	56	(582)	167	(104)	(3)	(69)	(7)	<b>(471)</b>
Other comprehensive income	8	(31)	15	(12)	(48)	-	4	(2)	<b>(64)</b>
Dividend	(32)	-	-	(187)	(433)	-	-	(25)	<b>(676)</b>
New minority, release of minority	(4)	20	-	(3)	(3)	29	-	1	<b>41</b>
Share issue by subsidiary	-	-	464	-	1 495	-	-	11	<b>1 971</b>
<b>Balance at 31 December 2019</b>	10 276	1 985	265	3 425	3 958	27	458	21	<b>20 414</b>

**Minority interest in Aker Kværner Holding**

The minority interest in Aker Kværner Holding of NOK 5 917 million at 31 December 2019 is broken down in the table above on the companies where Aker Kværner Holding has ownership interests, with NOK 3 569 million for Aker Solutions, NOK 1 228 million for Akastor and NOK 1 119 million for Kvaerner.

**Share issue by subsidiary**

Ocean Yield received NOK 717 million through a share issue in November 2019. In addition, Ocean Yield issued in August 2019 a perpetual hybrid callable bond of USD 125 million. These two transactions have after the deduction of the minority share of transactions costs, increased the minority interest by NOK 1 495 million.

Share increases in Aker Energy AS during 2019 from The Resource Group TRG AS and other minority shareholders have increased minority interests by NOK 464 million.

## Note 25 | Other comprehensive income

	Translation reserve	Fair value reserves	Hedging reserves	Total translation and other reserves	Retained earnings	Total	Minority interests	Total equity
<b>2019</b>								
Defined benefit plan actuarial gains (losses)	-	-	-	-	(55)	(55)	(94)	(149)
Equity investments at FVOCI - net change in fair value	-	9	-	9	-	9	22	31
Items that will not be reclassified to income statement	-	9	-	9	(55)	(46)	(72)	(118)
Debt investments at FVOCI - net change in fair value	-	-	-	-	-	-	-	-
Changes in fair value of cash flow hedges	-	-	40	40	-	40	73	113
Reclassified to profit or loss: debt investments at FVOCI, translation and cash flow hedges	(37)	-	(15)	(52)	-	(52)	(93)	(145)
Currency translation differences	77	-	-	77	-	77	79	156
Changes in other comprehensive income from associated and joint venture companies	247	-	(84)	163	-	163	(51)	111
Items that may be reclassified to income statement subsequently	287	-	(59)	228	-	228	8	235
<b>Other comprehensive income 2019</b>	<b>287</b>	<b>9</b>	<b>(59)</b>	<b>237</b>	<b>(55)</b>	<b>182</b>	<b>(64)</b>	<b>117</b>

	Translation reserve	Fair value reserves	Hedging reserves	Total translation and other reserves	Retained earnings	Total	Minority interests	Total equity
<b>2018</b>								
Defined benefit plan actuarial gains (losses)	-	-	-	-	(30)	(30)	(53)	(82)
Equity investments at FVOCI - net change in fair value	-	82	-	82	-	82	(16)	66
Items that will not be reclassified to income statement	-	82	-	82	(30)	52	(68)	(16)
Debt investments at FVOCI - net change in fair value	-	4	-	4	-	4	2	6
Changes in fair value of cash flow hedges	-	-	(59)	(59)	-	(59)	(36)	(95)
Reclassified to profit or loss: debt investments at FVOCI, translation and cash flow hedges	(165)	-	(12)	(177)	-	(177)	(301)	(478)
Currency translation differences	362	-	-	362	-	362	153	515
Changes in other comprehensive income from associated and joint venture companies	1 151	-	(23)	1 128	3	1 131	2	1 133
Items that may be reclassified to income statement subsequently	1 348	4	(94)	1 258	3	1 261	(180)	1 081
<b>Other comprehensive income 2018</b>	<b>1 348</b>	<b>86</b>	<b>(94)</b>	<b>1 340</b>	<b>(27)</b>	<b>1 313</b>	<b>(248)</b>	<b>1 065</b>

## Note 26 | Interest-bearing liabilities

	2019	2018
Secured bank loans	24 459	17 851
Unsecured bank loans	3 431	988
Unsecured bond issues	11 006	11 021
Convertible loan	863	-
Loan from associates and other related parties	12	12
Overdraft facilities	274	132
Other interest-bearing liabilities	142	423
<b>Total interest-bearing liabilities</b>	<b>40 187</b>	<b>30 427</b>
Recorded as follows:		
Current liabilities	6 762	5 682
Non-current liabilities	33 425	24 745
<b>Total interest-bearing liabilities</b>	<b>40 187</b>	<b>30 427</b>

### CHANGES IN THE GROUP'S INTEREST-BEARING LIABILITIES IN 2019:

	Non-current	Current	Total
Interest-bearing liabilities as at 31 December 2018	24 745	5 682	30 427
Bond in Aker Solutions	1 000	-	1 000
Drawn bank facility in Aker Solutions	600	-	600
Drawn bank facility in Ocean Yield	6 053	-	6 053
Bond in Ocean Yield	750	-	750
Drawn bank facility in Akastor	1 135	-	1 135
Drawn bank facility in Aker ASA and holding companies	1 724	-	1 724
Drawn Schuldschein loan in Aker ASA and holding companies	974	-	974
Bond in Aker ASA and holding companies	1 500	-	1 500
Drawn bank facility in Aker BioMarine	1 455	-	1 455
Convertible subordinated bond in Aker Energy	851	-	851
Other new loans and loan fees	301	462	763
Change in credit facilities	-	(33)	(33)
<b>Total payments of interest-bearing loans</b>	<b>16 343</b>	<b>429</b>	<b>16 772</b>
Repayment of bank facilities in Aker Solutions	-	(1 000)	(1 000)
Repayment of bonds in Aker ASA and holding companies	(350)	(1 372)	(1 722)
Repayment of bank facilities in Ocean Yield	(1 426)	(1 691)	(3 117)
Repayment of bank facilities in Akastor	(455)	-	(455)
Other repayments	(367)	(454)	(821)
<b>Total repayments of interest-bearing loans</b>	<b>(2 597)</b>	<b>(4 517)</b>	<b>(7 114)</b>
Acquisition and sale of subsidiaries	157	(287)	(130)
Reclassification / first year instalments	(5 432)	5 432	-
Currency translation and other changes	209	23	232
<b>Interest-bearing liabilities as at 31 December 2019</b>	<b>33 425</b>	<b>6 762</b>	<b>40 187</b>

Currency adjustments total NOK 0.2 billion and are mainly attributable to the USD loans described above. Loans denominated in USD at the end of the year totalled USD 2.9 billion. A 40 per cent increase in the USD exchange rate compared to the rate of 8.78 on the balance sheet date would have caused an increase in debt expressed in NOK of NOK 10.1 billion.

**CONTRACTUAL TERMS OF INTEREST-BEARING LIABILITIES AS AT 31 DECEMBER 2019:**

	Currency	Nominal interest rate	Maturity	Nominal value in currency	Carrying amount (NOK)
<b>Aker Solutions</b>					
Unsecured bond 2022	NOK	3 mths Nibor + 3.15%	July 2022	1 500	1 503
Unsecured bond 2024	NOK	3 mths Nibor + 3.00%	June 2024	1 000	993
Unsecured bank loan - Term loan	NOK	Nibor + 1.10%	March 2023	600	582
Unsecured bank loan - Brazilian Development Bank	BRL	8.62%	2020 to 2024	190	415
Other loans and loan fees					4
<b>Total Aker Solutions</b>					<b>3 497</b>
<b>Akastor</b>					
Unsecured bank loan	NOK	Nibor + 3.25%	December 2021	800	794
Unsecured bank loan - Term loan	NOK	4.00%	April 2027	180	161
Unsecured bank loan	USD	Libor + 3.25%	December 2021	56	494
<b>Total Akastor</b>					<b>1 448</b>
<b>Ocean Yield</b>					
Secured loans in USD	USD	Libor + 0.66% - 2.40%	2020 to 2029	1 845	16 013
Secured loans in NOK	NOK	3.69%	2025	489	485
Unsecured bond	NOK	Nibor + 3.65% - 4.5%	2020 to 2024	2 709	2 689
<b>Total Ocean Yield</b>					<b>19 186</b>
<b>Aker BioMarine</b>					
Secured bank loans	USD	Libor + 2.50% - 3.95%	2022 to 2023	166	1 461
Secured bank loans	USD	3.13%	2031	106	928
Other mortgage loans	NOK		2023 to 2026	99	99
Other loans and overdraft facilities					406
<b>Total Aker BioMarine</b>					<b>2 894</b>
<b>Aker ASA and holding companies</b>					
Unsecured bond issue	NOK	Nibor + 1.90% - 5.00%	2020 to 2024	5 851	5 822
Schuldschein loan	EUR	1.674% / Euribor + 1.60%	March 2024	100	986
Term loan facilities	USD	Libor + margin	2022	550	4 821
<b>Total Aker ASA and holding companies</b>					<b>11 629</b>
<b>Other companies</b>					
FP Eiendom	NOK	Nibor + 1.65%	December 2022	125	125
Philly Shipyard	USD	2.63%	March 2020	60	526
Aker Energy	USD	5.5%		98	863
Other companies				-	18
<b>Total other companies</b>					<b>1 532</b>
<b>Total interest-bearing liabilities</b>					<b>40 187</b>

**Aker Solutions**

Unsecured bonds: The bonds are unsecured on a negative pledge basis and include no dividend restrictions. The bonds issued are listed on the Oslo Stock Exchange.

Bank loans: The terms and conditions of the Brazilian Development Bank loan include restrictions which are customary for this kind of facility.

Credit facility: Aker Solutions has a credit facility of NOK 5 billion with expiry in March 2023. As per the end of 2019, NOK 600 million was drawn on the facility.

**Akastor**

Mortgage loans: The terms and conditions include restrictions which are customary for this kind of facility, including inter alia negative pledge provisions and restrictions on acquisitions, disposals and mergers. There are also certain change of control provisions included.

**Kvaerner**

Kvaerner has a revolving credit facility of NOK 2 billion with maturity in September 2024. The facility was undrawn at 31 December 2019.

**Ocean Yield**

**Mortgage loan:** The mortgage loans are with different bank syndicates and are secured in 61 vessels with a book value of NOK 22.7 billion. The mortgage loans have an average debt maturity of 4 years with maturity from September 2020 to August 2031. Interests are mainly paid quarterly.

**Unsecured bonds:** The senior unsecured bond issues have a floating interest, which is paid quarterly. The Company has entered into cross currency interest rate swaps from NOK interest to USD interest.

The facilities include financial covenants as to equity ratio, interest coverage ratio and minimum liquidity. Ocean Yield was in compliance with all covenants at year-end 2019.

**Aker BioMarine**

**Secured loans:** Instalments and interest are paid semi-annually.

The mortgages and overdraft facility, totalling NOK 2 882 million, are secured in ships and other assets with book values of NOK 2 916 million.

The loan and overdraft facilities include several financial covenants. Aker BioMarine was in compliance with all covenants at year-end 2019.

**Aker ASA and holding companies**

**Senior unsecured bonds:** The maturity dates and interest rates are shown in Note 14 to Aker ASA's separate financial statements. The principal falls due on the maturity date and interest is payable quarterly.

**Schuldschein loan:** The loan consists of a EUR 30 million fixed interest tranche with a fixed interest of 1.67 per cent, and a EUR 70 million floating interest tranche with an interest of Euribor plus 1.60 per cent margin. The loan is unsecured.

**Mortgage loan:** The mortgage loans have quarterly interest payments. The loans are secured with 42.8 million Aker BP ASA shares.

The bonds and loans have an average debt maturity of 2.9 years with maturity from May 2020 to November 2024.

There are several covenants associated with Aker ASA and holding companies' loans, including debt ratio and total internal loans and guarantees in relation to Aker ASA and holding companies net asset value. Aker ASA was in compliance with all covenants at the end of 2019.

**FP Eiendom**

Loans with a group of Norwegian banks with floating interest. Interest and instalments are payable quarterly until maturity. The loans mature with NOK 10 million in 2020 and 2021 and NOK 105 million after 2022.

**Philly Shipyard**

The company's loans are secured in full with restricted cash.

**Aker Energy**

Aker Energy entered into an agreement on 4 July 2019 to issue USD 100 million of subordinated convertible bonds to Africa Finance Corporation. The bonds have a coupon of 5.5 per cent per year and will be converted to equity in the event of an Initial Public Offering ("IPO") of Aker Energy. The bonds have a maturity of five years, with an option to extend with another three years. Aker Energy shall redeem the bonds in full if the Plan for Development and Operations of the oil field DWT/CTP has not been approved by all relevant governmental authorities within 11 April 2020, and hence the loan has been classified as current liability as at 31 December 2019.

**Collateral**

Collateral for interest-bearing debt of NOK 24.9 billion has been issued related to secured loans, construction loans and overdraft facilities. The book value of the assets used as collateral is NOK 31 billion.

## Note 27 | Pension expenses and pension liabilities

The Aker Group's Norwegian companies mainly cover their pension liabilities through group pension plans managed by life insurance companies. The Norwegian companies in the Group are subject to the Norwegian Act relating to mandatory occupational pensions, and the Group meets the requirements of this legislation.

In addition, some of the Norwegian companies are members of an agreement-based early retirement plan (AFP). The schemes provide a large proportion of the Norwegian employees the opportunity to retire before the normal retirement age in Norway of 67 years. Employees who choose retirement will retain a lifelong benefit from the age of 62 years.

The Group's companies outside Norway have pension plans based on local practice and regulations.

The Group also has uninsured pension liabilities for which provisions have been made

The discount rates used in 2019 and 2018 are based on the Norwegian high-quality corporate bond rate.

The following assumptions have been made when calculating liabilities and expenses in Norway:

	Balance 2019	Profit/loss 2019 and balance 2018
Expected return	2.2%	2.8%
Discount rate	2.2%	2.8%
Wage growth	2.25%	2.75%
Pension adjustment	0.0%-4.0%	0.0%-4.0%
Mortality table	K2013	K2013

### PENSION EXPENSE RECOGNISED IN PROFIT AND LOSS:

	2019	2018
Expense related to benefits earned during the period	107	90
Interest expense accrued on pension liabilities	38	35
Expected return on pension funds	(12)	(11)
Service costs	1	1
<b>Pension expense recognised from defined benefit plans</b>	<b>134</b>	<b>114</b>
Contribution plans (employer's contribution)	692	658
<b>Total pension expense recognised in profit and loss</b>	<b>826</b>	<b>772</b>
Allocation in income statement:		
Pension cost recognised as part of wages and other personal expenses	800	749
Interest expenses and expected return recognised as part of net financial items	26	23
<b>Total pension expense recognised in profit and loss</b>	<b>826</b>	<b>772</b>

### REMEASUREMENT LOSS (GAIN) INCLUDED IN OTHER COMPREHENSIVE INCOME:

	2019	2018
Change in discount rate and other financial assumptions	45	(4)
Change in life expectancy	-	6
Change in other assumptions	142	95
<b>Other comprehensive income - loss/(gain) before tax</b>	<b>188</b>	<b>97</b>
Tax	(39)	(15)
<b>Other comprehensive income - loss/(gain) after tax</b>	<b>149</b>	<b>82</b>

### CHANGES IN NET PRESENT VALUE OF BENEFIT-BASED PENSION LIABILITIES:

	2019	2018
Net pension liabilities at 1 January	1 180	1 189
Pension expense recognised from defined benefit plans	134	114
Acquisitions and disposals	-	(7)
Pension payments	(60)	(68)
Payments received	(135)	(130)
Remeasurements included in other comprehensive income	188	97
Effects of changes in exchange rates and other changes	2	(16)
<b>Net pension liabilities at 31 December</b>	<b>1 308</b>	<b>1 180</b>

**NET DEFINED-BENEFIT OBLIGATIONS RECOGNISED IN THE BALANCE SHEET:**

	2019	2018
Pension liabilities at 31 December	(2 969)	(2 872)
Fair value of pension funds at 31 December	1 660	1 692
<b>Net liabilities for benefit-based pension liabilities at 31 December</b>	<b>(1 308)</b>	<b>(1 180)</b>
Pension funds	2	1
Pension liabilities	(1 309)	(1 181)
<b>Net liabilities for benefit-based pension liabilities at 31 December</b>	<b>(1 308)</b>	<b>(1 180)</b>

**PLAN ASSETS PER CATEGORY:**

	2019	2018
Bonds	895	1 139
Other	640	434
<b>Total funds Norwegian plans</b>	<b>1 535</b>	<b>1 573</b>
Total funds for plans outside Norway	125	119
<b>Total funds</b>	<b>1 660</b>	<b>1 692</b>

The bond investments are mainly in Norwegian municipalities. Norwegian municipal ties are assumed to have a rating equal to AA, but there are no official ratings for the majority of these investments. The remaining bond investments are primarily in the Norwegian market within bonds class fied as being "Investment Grade".

**SENSITIVITY (NORWEGIAN PLANS):**

In the table below, the effect on pension expenses and pension liabilities is depicted given a one percentage point increase or decrease in the discount rate. The effect of a one percentage point increase or reduction in pension adjustment is shown as well.

	1 %-point increase	1 %-point reduction
Discount rate	(24)	24
Future pension growth	25	(7)

**Note 28 | Other interest-free long-term liabilities**

	2019	2018
US pension guarantee provision (see Note 12 to the Aker ASA Financial statement)	71	89
Derivatives (see also Note 31)	217	232
Deferred revenue and deferred considerations	352	381
Other interest-free long-term debt	581	135
<b>Total other interest-free long-term liabilities</b>	<b>1 222</b>	<b>837</b>



## Note 29 | Provisions

	Warranties	Abandonment provision	Other	Total
<b>Balance at 31 December 2018</b>	828	223	1 513	<b>2 564</b>
Effect of implementing IFRS 16	-	-	(277)	<b>(277)</b>
<b>Balance at 1 January 2019</b>	828	223	1 236	<b>2 288</b>
Provisions made during the year	148	108	283	<b>540</b>
Provisions used during the year	(183)	(225)	(177)	<b>(585)</b>
Provisions reversed during the year	(433)	-	(71)	<b>(505)</b>
Reclassifications	10	-	8	<b>18</b>
Currency exchange adjustment	6	3	10	<b>19</b>
<b>Balance at 31 December 2019</b>	<b>377</b>	<b>109</b>	<b>1 289</b>	<b>1 774</b>
Non-current liabilities	-	-	101	<b>101</b>
Current liabilities	377	109	1 188	<b>1 673</b>
<b>Balance at 31 December 2019</b>	<b>377</b>	<b>109</b>	<b>1 289</b>	<b>1 774</b>

	Warranties	Abandonment provision	Other	Total
<b>Balance at 1 January 2018</b>	861	247	1 066	<b>2 174</b>
Acquisition and disposals of subsidiaries	-	-	75	<b>75</b>
Provisions made during the year	217	88	837	<b>1 142</b>
Provisions used during the year	(129)	(116)	(442)	<b>(687)</b>
Provisions reversed during the year	(109)	-	(161)	<b>(270)</b>
Reclassifications	(11)	(8)	94	<b>75</b>
Currency exchange adjustment	-	12	43	<b>55</b>
<b>Balance at 31 December 2018</b>	<b>828</b>	<b>223</b>	<b>1 513</b>	<b>2 564</b>
Non-current liabilities	1	-	220	<b>221</b>
Current liabilities	827	223	1 292	<b>2 343</b>
<b>Balance at 31 December 2018</b>	<b>828</b>	<b>223</b>	<b>1 513</b>	<b>2 564</b>

### Warranties

The provision for warranties mainly relates to the possibility that the group, based on contractual agreements, may have to perform guarantee work related to products and services delivered to customers. The provision is based on Aker's contractual obligations and empirical estimates of the frequency and cost of work that may need to be done. The warranty period is normally two to five years and any cash effects will arise during this period.

NOK 182 million has been provided for warranties in Aker Solutions, NOK 65 million in Akastor, NOK 114 million in Kvaerner and NOK 15 million in Philly Shipyard. Reversed warranty provision in Aker Solutions amounted to NOK 341 million in 2019, mainly due to updated and refined estimates for warranty provisions.

### Removal and decommissioning liabilities

The current liability of NOK 109 million relates to the FPSO Dhirubhai-1 in Ocean Yield. Due to delays, the cost of the decommissioning process has

increased, and an additional provision of USD 12.2 million has been recognised in 2019. The decommissioning work was finalised in February 2020.

### Other provisions

Other provisions mainly comprise Aker Energy with NOK 759 million, Akastor with NOK 104 million, Aker Solutions with NOK 339 million, Kvaerner with NOK 56 million and FP Eiendom with NOK 30 million. The provision in Aker Energy is mainly related to contingent liability from the acquisition of Hess Ghana. The provision will be settled when the Plan of Development is approved by the Ghanaian authorities. Other provisions relate to workforce reductions and restructuring in addition to onerous customer contracts with expected loss upon completion, in addition to restructuring provisions. In 2018, onerous lease for vacant premises was also included in other provisions. After the implementation of IFRS 16 on 1 January 2019, the right-of-use assets has been adjusted by onerous lease.

## Note 30 | Trade and other payables

	2019	2018
Trade accounts payable	3 306	2 732
Contract liabilities	1 447	1 764
Accruals of operating- and financial expenses	8 206	7 931
Other current interest-free liabilities	2 201	2 102
<b>Total</b>	<b>15 160</b>	<b>14 529</b>

Other current liabilities include VAT, payroll tax and tax withholding and reserves for unpaid wages and holiday payments.

## Note 31 | Financial instruments

See also Note 6 Financial risk and exposure for description of financial instruments.

### CARRYING AMOUNTS AND ESTIMATES OF FAIR VALUE

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets carried at fair value</b>				
Financial assets at fair value through other comprehensive income (FVOCI) <sup>1)</sup>	1 102	1 102	1 030	1 030
Financial assets at fair value through profit and loss (including derivatives) <sup>2)</sup>	1 126	1 126	1 108	1 108
Interest rate swaps - hedge accounting at FVOCI	5	5	-	-
Foreign exchange contracts - hedge accounting at FVOCI	209	209	342	342
<b>Total financial assets carried at fair value</b>	<b>2 442</b>	<b>2 442</b>	<b>2 480</b>	<b>2 480</b>
<b>Financial assets carried at amortised cost</b>				
Loans and receivables	22 547	22 546	17 162	17 746
Cash and cash equivalents (including long-term restricted deposits, see Note 18)	12 218	12 218	10 314	10 314
<b>Total financial assets carried at amortised cost</b>	<b>34 764</b>	<b>34 764</b>	<b>27 476</b>	<b>28 061</b>
<b>Financial liabilities carried at fair value</b>				
Interest rate swaps - hedge accounting at FVOCI	-	-	9	9
Foreign exchange contracts - hedge accounting at FVOCI	46	46	190	190
Derivative contracts - not hedge accounting at fair value through profit and loss	585	585	618	618
Other liabilities at fair value through profit and loss <sup>3)</sup>	324	324	74	74
<b>Total financial liabilities carried at fair value</b>	<b>955</b>	<b>955</b>	<b>891</b>	<b>891</b>
<b>Financial liabilities carried at amortised cost</b>				
Bonds	11 006	11 399	11 021	11 282
Other interest-bearing debt	29 181	29 245	19 406	19 469
Interest-free non-current financial liabilities	759	759	518	518
Interest-free current financial liabilities	11 154	11 154	10 724	10 724
<b>Total financial liabilities carried at amortised cost</b>	<b>52 100</b>	<b>52 557</b>	<b>41 669</b>	<b>41 993</b>

1) Consist of investments in debt instruments with NOK 613 million and investments in equity instruments with NOK 489 million. These investments are designated to FVOCI. The equity instruments are not held for trading and are classified as medium to long-term strategic investments. The largest investment is shares in American Shipping Company ASA with NOK 380 million.

2) Consists of equity instruments with NOK 1 025 million, derivatives with NOK 15 million and NOK 78 million in debt instruments / contingent consideration. These items are mandatorily measured at fair value through profit and loss in accordance with IFRS 9.

3) Consists of total return swap agreement with underlying American Shipping Company ASA shares with NOK 48 million and deferred consideration of NOK 270 million. These items are mandatorily measured at fair value through profit and loss in accordance with IFRS 9.

NOK 3.2 billion of financial liabilities classified as fixed rate in the interest profile table (Note 6) are liabilities that pursuant to contract have floating interest rates but have been swapped to fixed rates using interest rate swaps. In the table above, the changes in the fair value of these derivatives due to interest rate changes are shown on the line "Interest rate swaps-hedge accounting at FVOCI" and the line "Derivative contracts - not hedge accounting at fair value through profit and loss".

#### FAIR VALUE HIERARCHY

The table below analyses financial instruments by valuation method. See Note 5 Accounting principles for definitions of the different levels in the fair value hierarchy.

	2019		
	Level 1	Level 2	Level 3
<b>Financial assets carried at fair value</b>			
Financial assets at fair value through other comprehensive income	380	8	714
Financial assets at fair value through profit and loss (including derivatives)	56	20	1 049
Interest rate swaps - hedge accounting at FVOCI	-	5	-
Foreign exchange contracts - hedge accounting at FVOCI	-	209	-
<b>Total</b>	<b>436</b>	<b>243</b>	<b>1 763</b>
<b>Financial liabilities carried at fair value</b>			
Foreign exchange contracts - hedge accounting at FVOCI	-	46	-
Derivative contracts - not hedge accounting at fair value through profit and loss	-	585	-
Other liabilities at fair value through profit and loss	-	39	285
<b>Total</b>	<b>-</b>	<b>670</b>	<b>285</b>
<b>Fair value interest-bearing financial liabilities carried at amortised cost</b>			
Bonds	8 550	-	2 849
Other interest-bearing debt	-	27 489	1 755
<b>Total</b>	<b>8 550</b>	<b>27 489</b>	<b>4 604</b>

#### CHANGES FOR RECURRING FAIR VALUE MEASUREMENTS FOR FINANCIAL ASSETS CLASSIFIED AS LEVEL 3 AS AT 31 DECEMBER:

	2019	2018
Carrying amount as at 1 January	1 534	1 095
Transfer to level 3	4	9
Total gains or losses for the period recognised in the income statement	207	41
Total gains or losses recognised in other comprehensive income	17	(14)
Purchases	3	765
Divestment and other	(2)	(363)
<b>Carrying amount as at 31 December</b>	<b>1 763</b>	<b>1 534</b>

The amount of gains or losses for the period included in profit and loss and other comprehensive income that is attributable to gains or losses related to assets and liabilities at level 3 still held at the end of the reporting period

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## Note 32 | Contingencies, guarantee liabilities and legal claims

### **GUARANTEES**

In the course of ordinary operations, completion guarantees are issued, and advance payments are received from customers. Guarantees are typically issued to the customer by a financial institution.

Akastor ASA has issued financial guarantees in favour of financial institutions related to financing of the five vessels in DOF Deepwater AS. The guarantee was NOK 495 million per 31 December 2019 (NOK 507 million per 31 December 2018), of which NOK 177 million has been provided for under other non-current liabilities as part of the recognition of Akastor's accumulated share of the company's losses.

Akastor AS has issued a financial parent company indemnity guarantee of NOK 43 million and a financial guarantee of NOK 136 million in favour of finance institutions for fulfilment of lease obligations related to Avium Subsea AS, a wholly owned subsidiary of AKOFS Offshore. In addition, Akastor is guaranteeing the performance of AKOFS Norway Operations AS (operating AKOFS Seafarer) under the 5-year charter agreement with Equinor. The total contract value of this charter agreement is NOK 3.3 billion. In addition, Akastor ASA has issued a guarantee for payment of preferred dividend from AKOFS Offshore to its other investees over six years for a total amount of NOK 319 million.

### **LEGAL DISPUTES**

Through their activities, the group companies are involved in various disputes all over the world. Provisions are made to cover expected losses resulting from such disputes if a negative outcome is likely and a reliable estimate can be prepared. However, the final decision in such cases will always be associated with uncertainty, and a liability may thus exceed the provision made in the accounts.

### ***Kvaerner - Nordsee Ost Project***

In 2012, arbitration related to the Nordsee Ost project was filed. The last wind jackets for the project were delivered in October 2013. The arbitration process for the project will take time due to high complexity, and it is currently not possible to estimate when the arbitration will be finalised. There is substantial uncertainty with respect to the final financial outcome of the Nordsee Ost project.

### **TAX CLAIMS**

Group companies are regularly involved in matters under consideration by local tax authorities in various countries. The group treats matters, which have not been finally resolved, in accordance with the information available at the time the annual accounts are issued.

### ***Aker Solutions - Tax claim Brazil***

The tax authorities in the state of Parana in Brazil has claimed the Aker Solutions company in Brazil for approximately BRL 265 million (NOK 580 million) including penalties and interests, stating that the conditions for the export exemption from ICMS are not fulfilled. ICMS is a value added tax on sales and services related to the movement of goods. Management has the opinion that a successful outcome in the administrative appeal system or in a judicial process is likely based on current law and practice. The claim is regarded as a contingent liability since the possible outcome will be confirmed by the occurrence of an uncertain future event (a potential court decision). No provision has been made for this contingent liability since a cash outflow is not considered probable, nor is it possible to establish a reliable estimate.

## Note 33 | Transactions and agreements with related parties

Aker ASA's main shareholder is TRG Holding AS, controlled by Kjell Inge Røkke through The Resource Group TRG AS (TRG AS). The Aker Group treats all companies controlled by Kjell Inge Røkke as related parties.

### **TRANSACTIONS WITH KJELL INGE RØKKE AND FAMILY**

Through TRG AS, Kjell Inge Røkke owns various companies with investments in industrial properties, as well as 40 per cent of the shares of the commercial real estate company Fornebu Gateway AS. Companies within the group are tenants at several of these properties. In 2019, companies within the group paid NOK 90 million in rent to the real estate companies owned by TRG and NOK 186 million in rent to Fornebu Gateway AS (NOK 89 million to the real estate companies owned by TRG and NOK 170 million in rent to Fornebu Gateway AS in 2018). Except for contractual annual CPI-adjustments, the rent has been unchanged subsequent to TRG taking over the ownership of the properties a few years ago.

Since 2015, Aker ASA has guaranteed for certain pension liabilities in TRG AS (previously Aker Maritime Finance AS) that the company took over from Aker ASA in 2015 (see Note 12 to Aker ASA's separate financial statement).

TRG AS has in 2019 contributed NOK 454 million in equity to Aker Energy AS, and has as of year-end 2019 contributed a total of NOK 925 million in equity to Aker Energy since the establishment of the company. TRG's subsidiary TRG Energy AS and related entities, that explores another oil field in Ghana, were in 2019 invoiced NOK 74 million from Aker Energy AS for manhours related to that oil field.

When Aker employees perform services for Kjell Inge Røkke or other related parties, Aker's expenses are billed in full. In 2019, TRG AS and Kjell Inge Røkke paid NOK 2.6 million plus value added tax for services and rental of premises (NOK 2.2 million in 2018). TRG AS and Kjell Inge Røkke have provided services to Aker for NOK 1.4 million in 2019 (NOK 1.6 million in 2018).

Except for the above-mentioned transactions, and remuneration for his work as chairman of the board of Aker ASA and board representative in other companies within the group (see Note 34), Aker has no material outstanding accounts or other transactions with Kjell Inge Røkke.

Kristian Røkke, son of Kjell Inge Røkke, is employed as Chief Investment Officer in Aker ASA. See Note 34 for information about his remuneration.

### TRANSACTIONS WITH EMPLOYEES

In April 2019, Aker sold 1 381 071 shares in Aker BioMarine AS to KMMN Invest II AS, a company wholly owned by Aker BioMarine's CEO Matts Johansen. The sale represented two per cent of the shares in Aker BioMarine AS, and the consideration of NOK 48 million represented estimated fair value of the shares at the time of the transaction. In connection with the sale, KMMN Invest II AS was granted an interest-bearing seller credit of NOK 45 million with the shares sold as security. At year-end 2019, the total outstanding amount for the seller credit was NOK 47 million including accrued interest.

### TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES OUTSIDE ORDINARY COURSE OF BUSINESS

Several of the companies within the group have transactions with related parties to the group as part of their ordinary course of business. This particularly applies to Aker BP, who received products and services from several companies within the group, including Aker Solutions, Akastor, Kvaerner, Ocean Yield and Cognite. Below are descriptions of other transactions with associates and joint ventures outside ordinary course of business.

#### DOF Deepwater AS

Aker's subsidiary Akastor have issued a shareholder's loan to the joint venture DOF Deepwater AS (a company owned 50 per cent by Akastor and 50 per cent by DOF ASA). During 2019, the shareholder's loan was increased by NOK 60 million. As of 31 December 2019, the balance of the

shareholder's loan was NOK 97 million, while the carrying amount has been reduced to zero due to recognition of Akastor's accumulated share of the company's losses. Akastor ASA has issued financial guarantees in favour of financial institutions related to financing of the five vessels in DOF Deepwater AS (see Note 32).

#### AKOFS Offshore AS

As of 31 December 2019, Akastor had interest-bearing receivables against AKOFS Offshore AS and subsidiaries amounting to NOK 191 million in total. Further, Akastor has made available a NOK 100 million revolving facility to AKOFS Seafarer AS from commencement of the company's contract with Equinor.

Akastor has issued a financial parent company indemnity guarantee of NOK 43 million and a financial guarantee of NOK 136 million in favour of finance institutions for fulfilment of lease obligations related to Avium Subsea AS, a wholly owned subsidiary of AKOFS Offshore.

#### G&A Air AS

G&A Air AS was until 1 November 2019 owned 50 per cent by Aker ASA, upon when Aker sold all its shares in the company. G&A Air AS owns an airplane that is leased and operated by Sundt Air Management who based on market terms (for the use) directly invoices the users of the airplane.

#### Aker BP ASA

Aker BP has in 2019 invoiced NOK 19 million to Aker Energy AS for services related to the development of Aker Energy's oil field in Ghana.

### TRANSACTIONS AND OUTSTANDING BALANCES INVOLVING RELATED PARTIES IN 2019 AND 2018

Transactions with related parties	2019	2018
Income statement:		
Operating revenues	3 535	4 067
Operating expenses	(111)	(363)
Depreciation and impairment ROU assets	(203)	-
Net financial items	(11)	4
Balance sheet:		
Right of use assets	1 187	-
Finance lease receivable	1 648	1 571
Interest-bearing receivable	381	450
Trade receivable and other interest-free current assets	362	669
<b>Total assets</b>	<b>3 578</b>	<b>2 690</b>
Trade liabilities and other interest-free current liabilities	(15)	(18)
Interest bearing debt	(12)	(12)
Lease liabilities	(1 418)	-
<b>Net exposure</b>	<b>2 133</b>	<b>2 660</b>

The operating revenues above for 2019 mainly relate to the delivery of equipment and services from Aker Solutions to Aker BP and sale of man-hours from Kvaerner to joint venture projects.

## Note 34 | Salary and other remuneration to the Board of Directors, nomination committee, CEO and other senior executives

### REMUNERATION TO AND SHARES OWNED BY THE BOARD OF DIRECTORS

	Shares owned as of 31 December 2019	2019	2018
Kjell Inge Røkke (Chairman of the Board) <sup>1)</sup>	50 673 577	620 000	600 000
Finn Berg Jacobsen (Deputy Chairman)	5 159	425 000	415 000
Kristin Krohn Devold (Director)	-	375 000	365 000
Karen Simon (Director)	-	375 000	365 000
Anne Marie Cannon (Director until 26 April 2019)	-	125 000	365 000
Atle Tranøy (Employee representative) <sup>2)</sup>	-	187 500	182 500
Arnfinn Stensø (Employee representative) <sup>2)</sup>	-	187 500	182 500
Tommy Angeltveit (Employee representative) <sup>2)</sup>	-	187 500	182 500
Amram Hadida (Employee representative until 26 April 2019) <sup>2)</sup>	-	62 500	182 500
<b>Total</b>		<b>2 545 000</b>	<b>2 840 000</b>

1) Owns 96.5 per cent of The Resource Group TRG AS (TRG AS). TRG AS owns 99.71 per cent of TRG Holding AS, which owns 0.13 per cent of Aker ASA. TRG AS also owns 61 002 621 shares in Aker Energy AS. Kjell Inge Røkke also owns 280 000 shares in Ocean Yield ASA directly.

2) The employee representatives have the same responsibilities as the other board directors, and should therefore generally have the same compensation. However, based on an initiative from the employees, an agreement has been made between Aker ASA and employee representatives from LO and other labour organisations, consequently the employee representatives receive a lower compensation.

### REMUNERATION TO THE AUDIT COMMITTEE

	2019	2018
Finn Berg Jacobsen (Chairman of the audit committee)	190 000	185 000
Atle Tranøy	135 000	130 000
Kristin Krohn Devold	135 000	130 000
<b>Total</b>	<b>460 000</b>	<b>445 000</b>

### REMUNERATION TO THE NOMINATION COMMITTEE

	2019	2018
Kjell Inge Røkke (Chairman of the nomination committee)	45 000	45 000
Gerhard Heiberg	45 000	45 000
Leif-Arne Langøy	45 000	45 000
<b>Total</b>	<b>135 000</b>	<b>135 000</b>

### AKER'S ORGANISATIONAL STRUCTURE

All remunerations are vested during the year. Where amounts have not been paid by the end of the year, provisions have been made in accordance with best estimates.

In 2019, The Resource Group TRG AS (TRG) earned NOK 665 000 in board remuneration (remuneration to the nomination committee included) from Aker ASA (NOK 645 000 in 2018), through Chairman of the Board Kjell Inge Røkke. TRG also earned board remuneration from other Aker-owned companies totalling NOK 1 594 000 through Kjell Inge Røkke in 2019 (NOK 1 756 000 in 2018). See also Note 33 Transactions and agreements with related parties.

The board members earned no payments from Aker ASA in 2019 or 2018 except as described above. Some board members also hold directorships in other companies within the Aker Group.

Aker ASA's numerous operational companies are organised into two portfolios; one industrial and one financial. At the end of 2019, Aker's executive team consisted of President and CEO Øyvind Eriksen, CFO Svein Oskar Stoknes and Chief Investment Officer Kristian Røkke.

## **GUIDELINES FOR REMUNERATION OF THE CEO AND SENIOR COMPANY EXECUTIVES**

Below are the advisory and binding guidelines for remuneration of the CEO and senior company executives.

***The shutdown of societies and businesses as a result of the ongoing COVID-19 crisis has had significant negative effects on the world economy and most industries and businesses have been negatively affected. Demand for oil and gas has dropped significantly and there is an imminent danger of recession. For the parent company Aker, with few employees and relatively low operating costs in relation to the values managed under active ownership, salaries are the largest expense item. As a result of the increased uncertainty, it has been decided that there will be no salary adjustments for the employees at Aker ASA in 2020, nor has any 2020 bonus program been launched. In addition, Aker's President and CEO Øyvind Eriksen has requested that his salary be reduced to half for the remainder of the year.***

### **Advisory guidelines**

The total remuneration package for executives consists of a fixed salary, standard employee pension and insurance coverage and a variable salary element. The main purpose of the system is to stimulate a strong and enduring profit-oriented culture that ensures share price growth.

The intention of the variable salary element is to promote the achievement of good financial results and leadership in accordance with the company's values and business ethics. The variable salary element has three main components. The first component is a payment based on the dividend on the company's shares, and the second component is a payment based on personal goal achievement. Work on special projects may entitle an employee to an additional bonus. The third component of the variable salary is described under "Binding guidelines" below.

Senior executives participate in a collective pension and insurance scheme open to all employees. The collective pension and insurance scheme applies for salaries up to 12G. For further information regarding the pension scheme, see Note 11 to Aker ASA's separate financial statements. The members of the executive team are offered standard employment contracts and standard employment conditions with respect to notice periods and severance pay. Their employment contracts can be terminated on three months' notice. If the company terminates a contract, the executive is entitled to three months' pay after the end of the notice period.

### **Binding guidelines**

One of the three components of the variable salary is a granting of bonus shares calculated on the basis of the increase in value-adjusted equity. The other components of the variable salary are described under "Advisory guidelines" above. In addition, the employees have an option to buy Aker ASA shares at a discount (see Note 2 to the separate financial statement for Aker ASA). The company does not offer stock option programmes for its employees.

## **REMUNERATION OF SENIOR EXECUTIVES**

Øyvind Eriksen's appointment as President and CEO can be terminated by either party on three months' notice. If his contract is terminated by the company, Mr. Eriksen is entitled to three months' notice and three months' salary from the date of termination. The remuneration plan for Mr. Eriksen includes a fixed salary, standard employee pension and insurance coverage and a variable salary element. The variable salary element may total up to two-thirds of the fixed salary. In 2019, Mr.

Eriksen earned a salary of NOK 18 478 817 (NOK 17 260 590 in 2018), and variable pay of NOK 11 457 256 mainly paid in December 2019 (NOK 11 316 948 in 2018). The value of additional remuneration was NOK 26 694 in 2019 (NOK 31 722 in 2018), while the net pension expense for Mr. Eriksen was NOK 180 685 in 2019 (NOK 176 220 in 2018). As at 31 December 2019, Mr. Eriksen owns 219 072 shares in Aker ASA through his wholly-owned company Erøy AS. Erøy AS also owns 325 000 shares in Ocean Yield ASA, 208 220 shares in Cognite AS and 100 000 Class-B shares (0.2 per cent) in TRG Holoing AS as at 31 December 2019.

Svein Oskar Stoknes acceded the position of CFO in Aker on 1 August 2019. The appointment can be terminated by either party on three months' notice. If his contract is terminated by the company, Mr. Stoknes is entitled to three months' salary from the date of termination. Any salary or remuneration received during the period of severance will be deducted from the company's severance payment. The remuneration plan for Mr. Stoknes includes a fixed salary, standard employee pension and insurance coverage and a variable salary element. Mr. Stoknes's variable salary also includes a bonus-share award scheme including an option to buy Aker ASA shares at a discount (see Aker ASA Note 2 for a description of the scheme). Mr. Stoknes's contractual variable salary may total up to 140 per cent of his fixed salary. Mr. Stoknes earned a fixed salary of NOK 1 446 590 in 2019, as well as variable pay of NOK 2 062 807. For 2019, this includes the vested value of bonus shares awarded in 2020. Of the variable pay, NOK 581 530 will only be paid in 2020 if Aker ASA pays dividends totaling NOK 23.50 per share during the year. The value of additional remuneration was NOK 6 132 in 2019, while the net pension expense for Mr. Stoknes was NOK 74 610 in 2019. In 2019, Mr. Stoknes purchased 1 786 shares at a discount as part of the employee share purchase program. As at 31 December 2019, Mr. Stoknes owns 2 786 shares in Aker ASA. In addition, Mr. Stoknes owns 26 444 shares in Aker Solutions ASA, and 1 297 shares in Akastor ASA as at 31 December 2019.

Frank O. Reite resigned from his position as CFO on 31 July 2019. The remuneration plan for Mr. Reite included a fixed salary, standard employee pension and insurance coverage and a variable salary element. Mr. Reite's variable salary also included a bonus-share award scheme including an option to buy Aker ASA shares at a discount (see Aker ASA Note 2 for a description of the scheme). Mr. Reite's contractual variable salary could total up to 140 per cent of his fixed salary. Mr. Reite earned a fixed salary of NOK 2 794 268 in 2019 (NOK 4 583 902 in 2018), as well as variable pay of NOK 3 316 769 (NOK 4 374 198 in 2018). For 2019, this includes the vested value of bonus shares awarded in 2020. Of the variable pay, NOK 1 044 019 will only be paid in 2020 if Aker ASA pays dividends totaling NOK 23.50 per share during the year. For 2018, no bonus shares were allocated. The value of additional remuneration was NOK 62 853 in 2019 (NOK 21 352 in 2018), while the net pension expense for Mr. Reite was NOK 104 385 in 2019 (NOK 172 754 in 2018).

Kristian Røkke's appointment as Chief Investment Officer can be terminated by either party on three months' notice. If his contract is terminated by the company, Mr. Røkke is entitled to three months' salary from the date of termination. Any salary or remuneration received during the period of severance will be deducted from the company's severance payment. The remuneration plan for Mr. Røkke includes a fixed salary, standard employee pension and insurance coverage and a variable salary element. Mr. Røkke's variable salary also includes a bonus-share award scheme including an option to buy Aker ASA shares at a discount (see Aker ASA Note 2 for a description of the scheme). Mr. Røkke's

contractual variable salary may total up to 140 per cent of his fixed salary. Mr. Røkke earned a fixed salary of NOK 3 808 689 in 2019 (NOK 3 275 835 in 2018), as well as variable pay of NOK 4 688 795 (NOK 3 750 011 in 2018). For 2019, this includes the vested value of bonus shares awarded in 2020. Of the variable pay, NOK 1 438 330 will only be paid in 2020 if Aker ASA pays dividends totaling NOK 23.50 per share during the year. For 2018, no bonus shares were allocated. The value of additional remuneration was NOK 19 646 in 2019 (NOK 16 935 in 2018), while the net pension expense for Mr. Røkke was NOK 175 476 in 2019 (NOK 170 953 in 2018). As at 31 December 2019, Mr. Røkke owns 200 000 shares in Akastor ASA through his wholly-owned company Riverrun Capital Management AS. Mr. Røkke owns no shares in Aker ASA

directly, but has an indirect ownership through a 1.75 per cent ownership interest in TRG AS.

Senior executives receive no remuneration for directorships or membership of nomination committees of other Aker companies. In 2019, Aker ASA recognised a total of NOK 3 101 238 in respect of Øyvind Eriksen's directorships of other Aker companies. Aker ASA recognised NOK 1 939 700 in respect of Kristian Røkke's directorships of other Aker companies in 2019, and NOK 881 537 for Frank O. Reite's directorships of other Aker companies in 2019.

The President and CEO and other senior executives receive no other remuneration than described above. Accordingly, their employment conditions include no loans, guarantees or stock option rights.

## Note 35 | Events after the balance sheet date

### MARKET UNCERTAINTY

OPEC and Russia did not reach an agreement on oil production cuts expected after the outbreak of COVID-19. This virus led to lower economic activity, especially in China, in the first weeks of 2020, and lower demand for oil. Instead of a cut in production, the break in the negotiations ended with increased oil production and a price war between OPEC and Russia. This led to a dramatic fall in oil prices, followed by significant price declines in the world's stock markets. Oil-exposed companies are hit especially hard, including Aker and portfolio companies such as Aker BP, Aker Solutions, Akastor, Kvaerner and Ocean Yield.

At the same time, the world has experienced a serious and rapid spread of COVID-19. The World Health Organization (WHO) has declared the situation and the virus a pandemic. This tragic virus outbreak affects a significant number of people, and it also affects businesses and economies worldwide. A recession scenario is plausible, but the long-term global and national impacts on industries, economic activity, oil prices and financial markets are hard to predict given the current situation. The challenging times and uncertain market conditions will impact the coming quarters, and this is part of Aker's ongoing risk assessment in the future.

From an accounting perspective, these are factors that may affect accounting estimates related to the recoverable amounts of assets, and

the risk of write-downs will increase if the negative development continues. It is too early to give any estimate of the impact this will have on the consolidated financial statements, but the situation will be closely monitored going forward. The Aker Group has initiated measures to reduce the negative effects for the group and is continuously considering further measures. See also discussion in the Board of Directors' report.

### POSTPONEMENT IN AKER ENERGY

Given the historic oil price collapse in the first quarter of 2020 as a result of the Corona virus and the price war between Saudi Arabia and Russia, the company, with support from Aker, decided in late-March 2020 to postpone the Pecan project indefinitely. The company has had an ambition to be in production 37 months after project sanctioning. Under today's travel and transport restrictions, and with a very uncertain situation for the supplier industry, the company no longer considers this schedule as possible. The focus moving forward will be on the potential for improvement including for the technical solution. It is also natural to consider transaction opportunities in the further development of Aker Energy.

Aker Energy maintains a constructive dialogue with the authorities in Ghana, with a shared understanding of the challenges being faced.



## Independent auditor's report



**KPMG AS**  
Selskapsveien 6  
Postboks 7000 Majorstuen  
0306 Oslo

Telephone +47 04063  
Fax +47 22 60 96 01  
Internet [www.kpmg.no](http://www.kpmg.no)  
Enterprise 935 174 627 MVA

To the Annual Shareholder's Meeting of Aker ASA

### Independent auditor's report

Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Aker ASA, which comprise

- The financial statements of the parent company Aker ASA (the Company), which comprise the balance sheet as at 31 December 2019, the income statement and cash flow statement 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 ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, the income statement, total comprehensive income, consolidated statement of changes in equity and cash flow statement 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 the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- 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.

#### Key Audit Matters

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

## 1 Assessment of the carrying value of FPSO Dhirubhai-1

Reference is made to Note 2 Basis for preparation and estimates and assumptions, Note 5 Accounting principles, Note 12 Impairments, Note 15 Property, plant and equipment, and the Board of Directors' report.

The key audit matter	How the matter was addressed in our audit
<p>Property, plant and equipment include the FPSO Dhirubhai-1 with carrying value of NOK 1 283 million as of 31 December 2019</p> <p>The impairment assessment of the FPSO Dhirubhai-1 is considered to be a risk area mainly due to the economic environment in the oil &amp; gas business segment.</p> <p>As the long-term charter for the FPSO Dhirubhai-1 expired in September 2018, and no new contract has been entered by 31 December 2019, there is an increased uncertainty for how long the unit will be idle, the future day rates and the duration of a new contract in the future. These factors increase the impairment risk.</p> <p>The identification of indicators of impairment and the preparation of the estimate of the recoverable amount of an asset involves significant uncertainties and subjective judgments, which requires special audit consideration.</p> <p>An impairment of NOK 590 million related to the FPSO Dhirubhai-1 has been recognised in 2019.</p>	<p>We applied professional skepticism and critically assessed management's judgment for impairment indicators, including counterparty assessment. Audit procedures in this area, performed by the group team and component auditor in Ocean Yield ASA, included:</p> <ul style="list-style-type: none"> <li>evaluating management's assessment of impairment indicators,</li> <li>assessing the mathematical and methodological integrity of management's impairment models and the reasonableness of discount rates applied with reference to market data,</li> <li>assessing and challenging management's estimates of future cash flows in light of previous estimates, historical performance and external sources for future day rates where available,</li> <li>evaluating and challenging management on the appropriateness of the key assumptions, such as for example residual value, in the cash flow forecasts, and</li> <li>evaluating the appropriateness of the disclosures in the financial statements related to the carrying value of property, plant and equipment.</li> </ul> <p>From the audit evidence obtained, we consider management's assessment of the carrying value of the FPSO Dhirubhai-1 to be in accordance with the requirements under the relevant accounting standards.</p>

## 2 Lost estimates related to construction contracts

Reference is made to Note 2 Basis for preparation and estimates and assumptions, Note 5 Accounting principles, and Note 10 Operating revenue.

The key audit matter	How the matter was addressed in our audit
<p>Accounting for long term construction contracts is considered to be a risk area as it involves management estimates and judgments which are often complex and involve assumptions regarding future events for which there may be little or no external corroborative evidence available.</p> <p>The key judgements and estimates applied by management include their assessment of the</p>	<p>For financially significant contracts subject to significant estimation uncertainty and / or with a reasonable possibility of being in a significant loss-making position, we applied professional skepticism and critically assessed the accounting estimates and judgments against the requirements of IFRS 15. Our audit procedures, performed by the group team and component auditors in other listed subsidiaries, included</p>

stage of project completion as well as assessing the estimated future contract revenue and related costs

As such, these contract accounting estimates, and especially the cost estimates, also require significant attention during the audit and are subject to a high degree of auditor judgment

- corroborating contractually based revenue and cost amounts included in project forecasts with reference to signed contracts and external confirmations.
- assessing variable considerations estimates included in forecasted revenue in accordance with IFRS 15.
- obtained and read the terms and conditions of significant contracts and comparing these to management's assessment of the contract forecasts.
- evaluating management's process for assessing the stage of completion and the method applied in accordance with IFRS 15.
- reading and discussing project reports and other assessments with management and comparing current forecasts to historical outcomes where relevant.
- challenging management on the estimate of cost to complete and the risk assessment related to forecast cost.
- assessing the reasonableness of variable costs to complete with reference to contract terms, actual and forecast cost and schedule performance and external correspondence, and
- evaluating the disclosures in the financial statements against the relevant requirements of IFRS 15.

From the audit evidence obtained, we consider construction contract cost estimates to be consistent with the requirements under the relevant accounting standards

#### 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, with the exception on Other Legal and Regulatory Requirements below

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable

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Arer ASA

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. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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Aker ASA

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

#### Report on Other Legal and Regulatory Requirements

##### Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements in the ESG report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations

##### Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway

Oslo, 31 March 2020  
KPMG AS

Arve Gevoll  
State Authorised Public Accountant

*Note: This translation from Norwegian has been prepared for information purposes only*

## Independent auditor's report



KPMG AS  
Sankedalsveien 8  
Postboks 7000 Majorstuen  
0304 Oslo

Telephone +47 04083  
Fax +47 22 86 06 01  
Internet [www.kpmg.no](http://www.kpmg.no)  
Enterprise NO 174 627 MVA

To the board of Aker ASA

### Independent Auditor's Report

Report on the Audit of the combined financial statements of Aker ASA and holding companies

#### Opinion

We have audited the combined financial statements of Aker ASA and holding companies, which comprise the balance sheet as at 31 December 2019, the income statement for the year then ended, a summary of key assumptions used as basis for preparation and other notes.

In our opinion, the accompanying combined financial statements are prepared in accordance with the basis for preparation of the financial reporting defined in the introduction to the combined financial statements and give a true and fair view of the financial position of the Aker ASA and holding companies as at 31 December 2019, and the financial performance for the year then ended.

Without modifying our opinion, we draw attention to the basis for preparation of the financial reporting, defined in the introduction to the combined financial statements, which describes the basis of accounting. As a result, the combined financial statements may not be suitable for any other purpose.

#### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Combined Financial Statements* section of our report. We are independent of Aker ASA and holding companies 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

Aker ASA has prepared financial statements for the year ended 31 December 2019, comprising parent financial statements prepared in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. We have issued a separate auditor's report on the statutory financial statements to the shareholders of Aker ASA dated 31 March 2020.

#### Responsibilities of The Board of Directors for the Combined Financial Statements

The Board of Directors (management) are responsible for the preparation and fair presentation of the combined financial statements in accordance with the basis for preparation of the financial reporting defined in the introduction of the combined financial statements, and for such internal control as management determines is necessary to enable the preparation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

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#### Offices in

Oslo	Stavanger	Ålesund	Trondheim
Ålesund	Finmarken	Mo i Rana	Sandness
Arneberg	Hammer	Sund	Trondheim
Bergen	Haugesund	Sandness	Trondheim
Bodo	Kristiansund	Sandness	Trondheim
Oslo	Kristiansund	Sandness	Trondheim



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Aker ASA and holding companies

#### Auditor's Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined 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 combined financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, included International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the combined 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 Aker ASA and holding companies' internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the combined financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Oslo, 31 March 2020  
KPMG AS

Arve Gevoll  
State Authorised Public Accountant

*Note: This translation from Norwegian has been prepared for information purposes only.*