Re: Engagement in an Agreement to Purchase Shares of AKVA

The company hereby respectfully reports that on September 28, 2021, it engaged in an agreement to purchase shares (hereinafter: the "**Investment Agreement**") of AKVA Group ASA (hereinafter: "**AKVA**"), a public company whose shares are traded on the Oslo Stock Exchange, Norway (OSLO BØRS; OSE) under the ticker "AKVA",[1] which provides solutions and services in the field of aquaculture, including solutions involving land-based aquaculture technology, and all in accordance with the terms and conditions set forth, in a concise manner, in this report below, and in the said agreements and the documents related thereto (hereinafter: the "**Transaction**"). It should be noted that the Transaction is in accordance with the company's updated business strategy.[2]

1. Pursuant to the Transaction, the company shall purchase, subject to the satisfaction of the conditions precedent, on such dates and for such amounts as set forth below, shares of AKVA, at a rate of at least 15% of AKVA's share capital (on a fully diluted basis) in consideration for a total amount which shall be paid in Norwegian krone (hereinafter: "**NOK**") of approximately 65 million US dollars[3] (hereinafter: the "**Consideration**") and at a price per AKVA share of AKVA, as set forth below:

    1.1 Upon the closing of the Transaction (hereinafter: the "**Closing**"), the company shall pay the following Consideration amount:

        1.1.1 Approximately NOK 322 million (approximately equivalent to 37 million US dollars[4]) will be invested in AKVA, in consideration for the issuance of new AKVA shares to the company which constitute approximately 10% of AKVA's share capital immediately prior to Closing;

        1.1.2 Approximately NOK 209 million and up to NOK 241 million (approximately equivalent to 24 and up to 28 million US dollars) shall be paid to purchase shares of AKVA from the current shareholders of AKVA as part of the tender offer (hereinafter: the "**Purchase in the Secondary Market**") [5]. In case of high demand in the tender offer, the company may, at its sole discretion and subject to the approval of the company's Board of Directors, purchase additional shares as part of the Purchase in the Secondary Market so that the amount of consideration will

[1] See the Company's page on the Oslo Stock Exchange website at this link. In addition, for the press release and the investors presentation published by AKVA in respect of the Transaction see in the links: https://newsweb.oslobors.no/message/543361 ; https://newsweb.oslobors.no/message/543362

[2] For details regarding the updating of the Company's business strategy, the guiding principles that have been determined and the Company's updated strategic plan, see Sections 1.5 and 1.6 of Chapter A (Description of the Corporation's Businesses) in the Company's periodic report as of December 31, 2020, which was published on March 18, 2021 (Reference No.: 2021-01-039084) (hereinafter: the "**Periodic Report**"), which are incorporated herein by reference.

[3] For the option to increase the Consideration amount in order to purchase additional AKVA shares see Section 1.1.2 of the report. The actual investment will take place at the Closing in Norwegian krone (NOK) and, therefore, the amounts stated above in US dollars are subject to changes in the exchange rates.

[4] The data in USD presented in this report are according to the exchange rate NOK/USD of 8.6505 as of September 28, 2021.

[5] The issuance of the shares and the Purchase in the Secondary Market shall be executed at a price per share of NOK 96.50 (approximately equivalent to 11.2 US dollars).

increase. In any event the total holdings of the Company in AKVA shall not exceed 19.99%.

1.2 Upon the completion of the Closing, the company is expected to hold at least 15% of AKVA's issued share capital (on a fully diluted basis) (hereinafter: the "**Purchased Shares**"). The company's undertaking to complete the purchase of the Purchased Shares is contingent upon the simultaneous completion of the issuance of the new shares to the company and of the completion of the Purchase in the Secondary Market, so that after the completion date, the company shall hold a minimum rate of 15% of AKVA's issued and outstanding share capital on a fully diluted basis.

It should be noted that AKVA's market cap as of the date September 28, 2021 is approximately NOK 2,733 million (approximately equivalent to 316 million US dollars), reflecting a price of NOK 82 per share.

1.3 In respect of the Purchase in the Secondary Market , the controlling shareholder of AKVA undertook to sell shares as part of the tender offer, in such a manner that the company shall subsequently hold at least 15% of AKVA's shares, provided that the controlling shareholder shall hold at least 51% of AKVA's share capital (in each one of the cases, on a fully diluted basis).[6]

It is clarified that the outcomes of the tender offer, including the percentage of the shares that will be purchased by the company, are dependent upon various factors, some of which are beyond the company's control, for instance the response of the current shareholders as aforesaid, and constitute forward-looking information as this term is construed in the Securities Law, 5728-1968 (hereinafter: the "**Securities Law**"), which may not occur or which may occur in a different manner from that anticipated.

1.4 Pursuant to the Investment Agreement, it has been agreed that the company will be entitled to appoint one director to AKVA's Board of Directors, as long as it purchases 15% or more of AKVA's share capital together with this right remaining valid even in case of a decrease in the holdings and as long as the company holds at least 12% of AKVA's share capital. The company's right, as aforesaid, shall be set forth in the amendment to AKVA's Articles of Association, which AKVA has undertaken to propose for approval at the convening of a general meeting for the approval of the Transaction, as set forth below.[7] It has also been agreed that upon the completion of the Investment Agreement, an Advisory Committee will be set up consisting of three representatives of the company and three representatives of AKVA, as well as the CEO of AKVA, who will be the chairperson of the committee. The committee's role is to provide advice to the CEO and to the management of AKVA in

[6] As of the date of the report, and prior to the Closing, the controlling shareholder of AKVA, the Norwegian company, Egersund Group AS (hereinafter: the "**Controlling Shareholder**"), holds approximately 62.8% of AKVA's issued and outstanding share capital.

[7] It should be noted that in accordance with the Investment Agreement, the Company's right to appoint a director will be terminated in the event of investment activities or a holding in activities that directly compete with AKVA, with the exception of financial investments in land-based technology projects.

matters of strategy, technology and innovation. In addition, for a period of 24 months following the Closing and as long as the company shall hold at least 12% of AKVA's shares, the company shall be entitled to participate in any capital raising in such a manner that the company's holdings in AKVA's share capital shall be retained (*pre-emptive rights*). In addition, the company has been granted specific rights to receive information in connection with AKVA and its activities subject to the conditions set forth in the agreement. The agreement shall be governed by Norwegian law.

1.5 The Investment Agreement includes the customary representations on behalf of AKVA, as per standard practice in transactions of this kind, subject to provisions and limitations of liability, as set forth in the agreement. In pursuance therewith, it was agreed that the parties would bear, in equal shares, the cost of insurance for certain representations of AKVA, upon the terms and conditions that have been determined for this purpose[8]. In addition, customary arrangements have been agreed for AKVA's conduct during the pre-Closing period.

1.6 The funds that will be received by AKVA under the Investment Agreement are designated, *inter alia*, for activities of growth, such as strengthening the technological basis offered by AKVA, developing the segment of land-based technology, including direct investment in land-based technology projects, and development of the digital sector.

1.7 Upon the signing of the Investment Agreement, AKVA undertook to convene a Special Shareholders Meeting, *inter alia*, in order to approve the issuance of the shares that will be issued to the company as aforementioned, the adoption of AKVA's new Articles of Association, and the appointment of the director on behalf of the company, as well as additional approvals that are required for the purpose of the Transaction's execution. It should be noted that the Controlling Shareholder has undertaken to vote for the resolutions on the agenda.

1.8 The company's undertaking to complete the Investment Agreement is subject, *inter alia*, to certain precedent conditions as set forth in the agreement, including, among others, obtaining the approvals that are required for the Transaction at the AKVA's Shareholders Meeting, as aforesaid, completion of the issuance of the shares and the Purchase in the Secondary Market under the aforesaid tender offer, upon such terms and conditions as determined thereafter.

2. In addition, the parties to the Investment Agreement intend to invest an amount of USD 10 million each, in land-based aquaculture technology projects, which use or are due to use AKVA's technology, by way of a direct investment in the said projects or by way of investing in a joint investment vehicle, whose purpose is investment in such projects (hereinafter: the "**Investment**

[8] Coverage under such insurance is expected to be capped at USD 10 million and to be subject to the exclusions and terms of such insurance policy.

Vehicle") as elaborated in Section 2.2. Investment in such projects shall be conducted while taking into account ESG considerations.

2.1 As part of the provisions in Section 2 above, prior to the signing of the Investment Agreement and in connection with its expected signing and the Transaction, the company and AKVA have engaged in an agreement to provide financing (convertible into capital, upon such terms and conditions as determined) to AquaCon AS, a Norwegian company that operates in the United States, which is setting up a land-based aquaculture technology project for salmon farming, and which is expected to use AKVA's technology (hereinafter: the "**Target Company**"). In the framework of the said engagement, the company and AKVA will provide o the Target Company, subject to certain terms, a convertible loan for a non-material amount. In addition, the company and AKVA will receive, subject to granting the convertible loan, a right to participate in an additional investment in the Target Company, in the amount of USD 7.5 million each, in the course of an additional future round of financing in a minimum amount that has been determined, upon certain terms and conditions, if such round should be executed and completed.

2.2 In addition, the parties intend to strive to set up the aforesaid Investment Vehicle, in order to work to raise between USD 50 million to USD 100 million, out of which between USD 30 million to USD 80 million will be contributed by third parties.[9] It has also been agreed that the managing entity that will be appointed to manage the Investment Vehicle's business, if set up (whose structure will be determined in accordance with the legal structure of the Investment Vehicle), will be held in equal shares (50% / 50%) by the parties.

3. The company intends to finance the Transaction out of its own sources.

4. Additional details with respect to AKVA and its activities

4.1 In accordance with the information provided to the company, *inter alia*, based on AKVA's public reports,[10] in 2006, AKVA registered for trade on the Oslo Stock Exchange as a public company. As of December 31, 2020, AKVA holds companies in 10 countries, employs approximately 1,447 employees and operates deliveries to 65 countries. In addition, according to the data provided, AKVA's revenues in the 12 months prior to June 30, 2021 were approximately USD 360 million; and an adjusted EBITDA to that said period at an amount of approximately USD 37 million; with an adjusted EBITDA margin of approximately 10%[11].

4.2 AKVA's activities focus on the provision of technological solutions and services in the field of aquaculture, as of the date of this report, mainly regarding Salmon fish, including solutions using land-based aquaculture technology. The provision of the solutions to customers continue throughout all the stages of the Salmon fish breeding cycle, and can be

[9] Should the actual investment be made in Norwegian krone (NOK), the specified amounts may vary.
[10] See Footnote No. 1 above.
[11] Exchanging the NOK currency rate.

divided into three segments: (1) technology for farming fish in cages in the open sea ("Sea Based Technology") ; (2) "Land-Based Technology"; and (3) Digital Solutions.

4.3 AKVA develop solutions to deal with the environmental and operational challenges in the fish aquaculture industry, which is focused on improving the welfare and the biological parameters of the fish. AKVA's customers, which are usually situated in countries in which fish farming (mainly salmon) is possible from a geographic point of view, are located both in Norway and in other countries (such as Chile, Canada, Denmark and the United Kingdom, as well as projects in the United States and China). In the Digital Solutions segment, AKVA operates, among others, in development of products and solutions, which are expected, as long as their development will succeed, to lower the quantities of food used in the fish farming process, and therefore, contribute to reduce the impact of the fish farms on the marine environment, where these farms are located. The land based technology segment operates in development, design and construction of "closed cycle" salmon farming systems (RAS recirculating Aquaculture Systems) in land based facilities. In this context it should be noted that AKVA has a solid pipeline of projects in various stages in its field of operations and has signed a contract to provide technology to a salmon land based project in China. Breeding salmon in a commercial quantities in land based facilities is an emerging market, as it matures, is expected to bring the fish farming closer to the consumer markets, thereby reducing the need for air transportation, which burdens the price of the final product and contains a higher carbon footprint.

4.4 AKVA's activities are exposed to various risk factors, including market risks and operating risks, strategic risks, technological risks, reporting risks and financial risks. The aquaculture industry faces biological risks and market risks which AKVA is acting to reduce, by distributing its products and technologies to a diverse range of geographical areas, while increasing revenues from providing services to its customers, after selling the products. In terms of strategic risks, one of the areas on which AKVA is focusing is land-based technology, as stated above, which includes technology that has not yet been developed on a mass scale and, therefore, the investment in this segment entails risk and a lack of certainty arising from the complexity of the projects whose operations are based on this technology. In order to reduce the risk, AKVA has a dedicated staff that specializes exclusively in this technology and is responsible for ensuring that the solutions that are provided will operate profitably. In addition, as a public company that is traded on the Oslo Stock Exchange, AKVA is subject to the Stock Exchange Rules, as well as to the applicable regulations that apply to it and, accordingly, it is exposed to risks in connection with the financial reporting and erroneous assessments. The financial risks that AKVA faces are mainly nature risks, risks arising from interest rates, credit risks and liquidity risks. Additionally, AKVA is exposed to cyber risk factors in some of its main systems, including being exposed to attacks on AKVA's IT systems.

The contents of this report, including with respect to the completion of the Transaction, the tender offer for AKVA's shares and the rate of the purchased shares, with respect to AKVA's business plans, promotion of AKVA's solutions and projects, AKVA's and the company's joint plans in connection with setting up the Investment Vehicle and regarding the completion of the necessary amount to be raised for the Target Company, contain forward-looking information, as such term is defined in the Securities Law, having no certainty that it will materialize. In practice, the conditions for the completion of the agreements involved in the Transaction and/or in the setting up of the Investment Vehicle may not materialize or may materialize differently from that stated herein. In addition, AKVA's business plans, including the technologies it develops, are based on assumptions and know-how that were provided by AKVA to the company as of the time of the report only. These plans may not materialize, or may materialize differently from that stated herein, *inter alia*, as a consequence of incompletion of the assumptions that form the basis of the plans, incompletion of applicable market conditions, discrepancy of commercial, technological or operational factors, as a result of changes, including exogenous changes that apply to the operating segments and/or as a result of the occurrence of one or more of the risk factors to which AKVA and/or the company are exposed. In addition, there is no certainty regarding the set-up of the Investment Vehicle and/or the completion of the development of the Target Company and/or regarding the raising of the required capital in order to complete these objectives, and the aforementioned is based solely on the company's and AKVA's plans and intentions to the date of this report.

Sincerely yours,

Israel Corporation Ltd.

By: ______________________