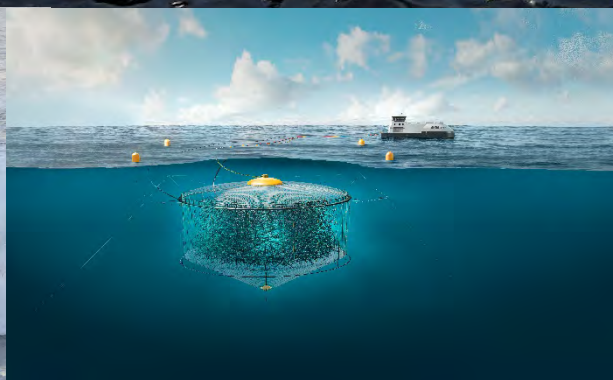


# Annual Report 2016



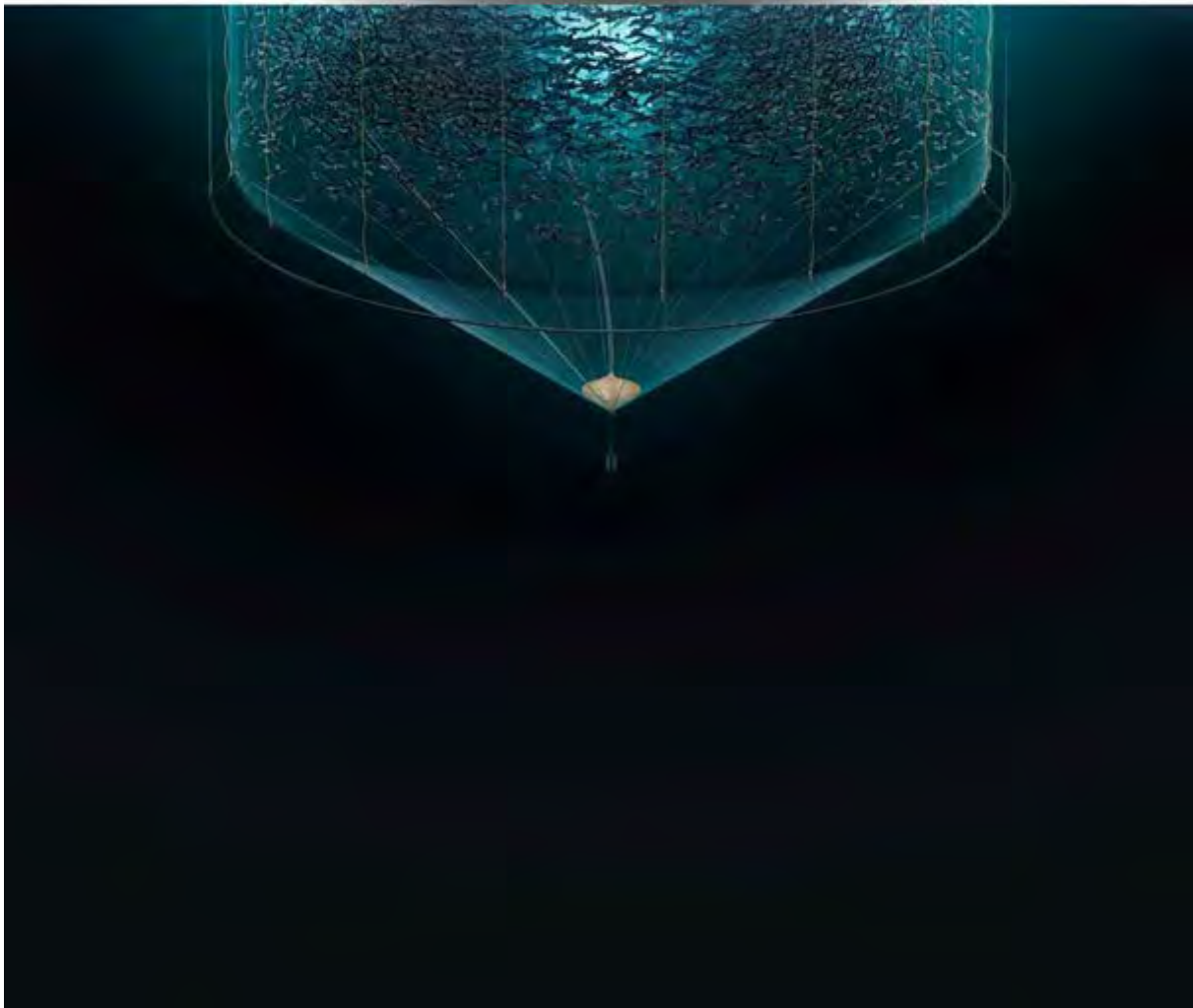
Your Aquaculture Technology and Service Partner

**AKVA**GROUP™

## AKVA group in brief

AKVA group is the leading technology and service partner to the aquaculture industry worldwide. The company has 791 employees, offices in 8 countries and a total turnover of NOK 1.6 billion in 2016.

We are a public listed company operating in one of the world's fastest growing industries and supply everything from single components to complete installations, both for cage farming and land based aquaculture. AKVA group is recognized as a pioneer and technology leader through more than 40 years. Our corporate headquarter is in Bryne, Norway.



## Contents

- AKVA group in brief ..... 2
- Highlights 2016..... 4
- Financial key figures ..... 5
- CEO’s report ..... 8
- Corporate Management..... 11
- Board of Directors Report ..... 15
- Board of Directors ..... 21
- Financial Statement Group (AKVA group)..... 26
- Notes to the Consolidated Financial Statement - Group ..... 34
- Financial Statement Parent Company (AKVA group ASA)..... 82
- Notes to the Financial Statement - Parent Company..... 89
- Auditor’s report..... 101
- Responsibility Statement..... 107
- Alternative Performance Measures - Non IFRS Financial Measures..... 108
- Articles of Association of AKVA group ASA ..... 109
- Corporate Social Responsibility..... 111
- Corporate Governance in AKVA group ASA ..... 118



## Highlights 2016

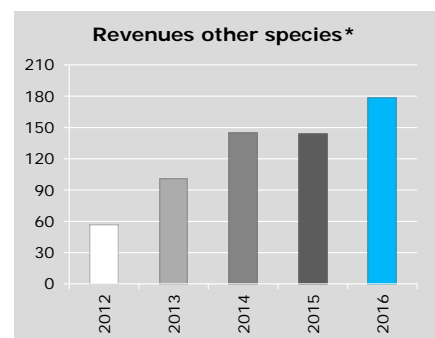
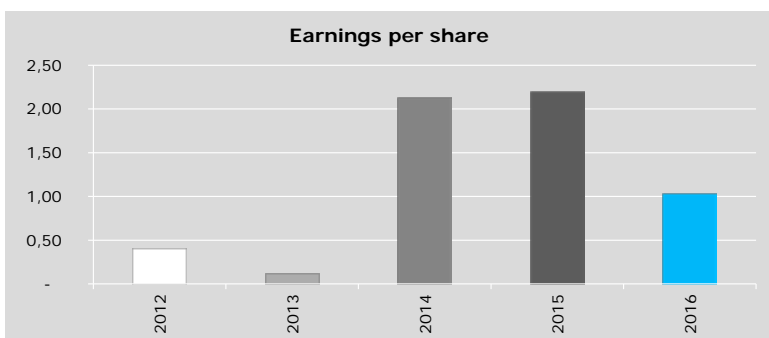
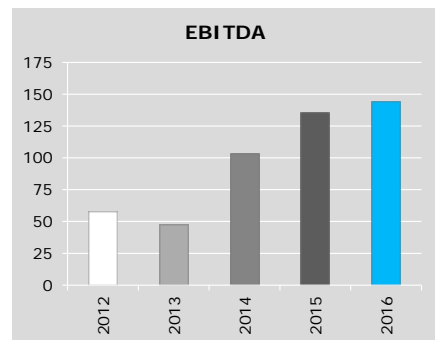
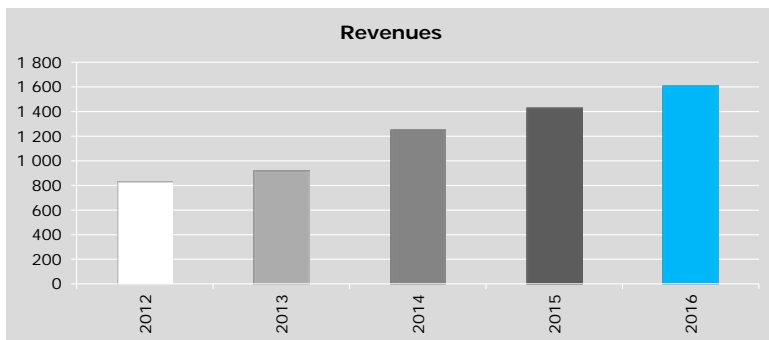
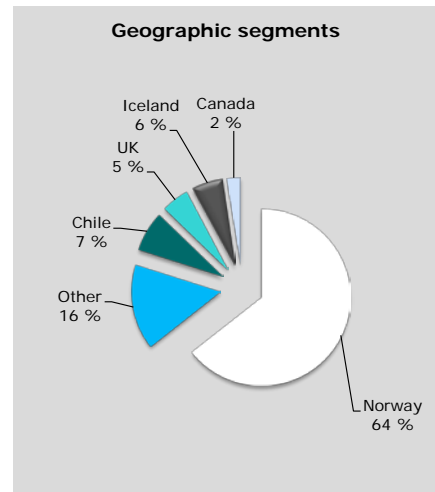
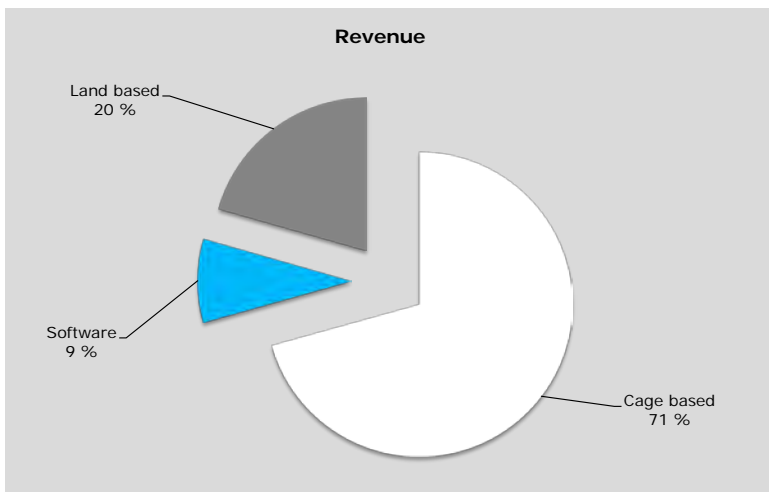
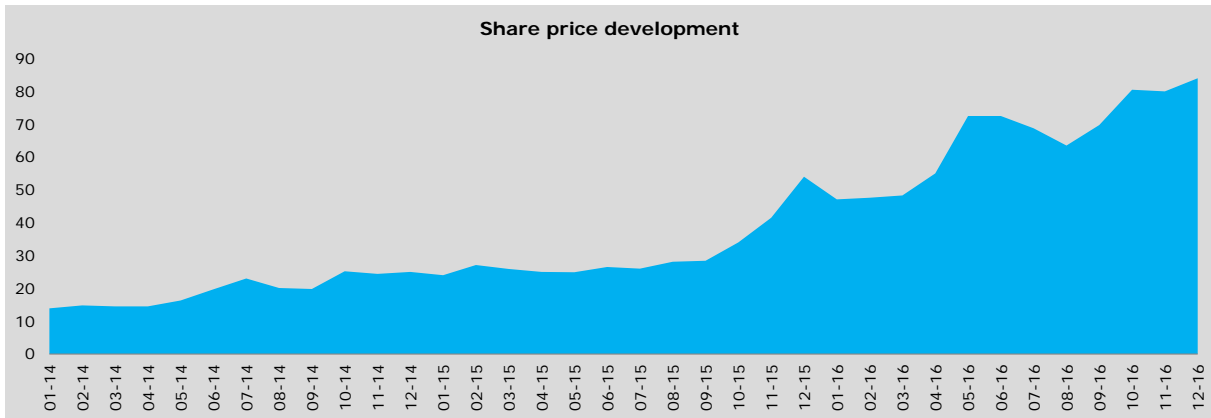
- AKVA group has in 2016 completed another strong year financially
- Revenue in 2016 of MNOK 1.603 – an increase of 12% compared to revenue in 2015
- EBITDA in 2016 of MNOK 144 – an increase of 7% compared to EBITDA in 2015
- Return on Capital Employed (ROCE) of 10%
- Dividend of 0.75 NOK per share paid out in September 2016 from the dynamic dividend policy
- Strong order inflow during the year resulted in the highest order backlog ever of MNOK 998
- Acquisition of AD Offshore AS and merging with YesMaritime AS and Rogaland Sjøtjenester AS resulted in AKVA Marine Services AS. The merged company is well positioned for further growth in the farming services segment going forward.
- Acquisition of Sperre AS – a leading ROV and subsea provider to the aquaculture industry
- Strong operational cash flow throughout the year, financially stronger than ever



## Financial key figures

(in NOK 1 000)	2016	2015	2014	2013	2012
<b>Profitability</b>					
Revenues	1 603 072	1 425 338	1 246 059	918 670	831 530
EBITDA	144 193	135 159	103 365	46 905	57 816
EBIT	75 036	87 709	67 635	13 816	26 704
Profit before tax	48 590	78 090	62 894	4 567	17 379
Net profit	27 598	58 400	54 500	2 373	10 274
<b>Net Profit (Loss) Attributable to:</b>					
Non-Controlling interests	98	1 572	-580	-501	-
Equity holders of AKVA group ASA	27 500	56 828	55 080	2 874	10 274
Cash flow from operations	211 645	95 622	82 485	92 969	41 642
EBITDA margin	9,0 %	9,5 %	8,3 %	5,1 %	7,0 %
EBIT margin	4,7 %	6,2 %	5,4 %	1,5 %	3,2 %
Return on capital employed	9,8 %	14,7 %	14,1 %	3,3 %	6,2 %
Return on equity	6,4 %	13,7 %	14,2 %	0,8 %	3,2 %
<b>Financial position</b>					
Non-current assets	732 436	467 031	353 988	307 801	278 503
Current assets	643 515	616 096	549 833	414 180	394 073
Total assets	1 375 951	1 083 127	903 821	721 981	672 576
Equity attributable to equity holders of AKVA group ASA	434 590	424 988	387 577	336 601	325 274
Non-controlling interests	376	3 444	1 676	2 255,41	-
Total equity	434 966	428 432	389 252	338 856	325 274
Long-term debt	469 068	221 978	131 344	55 934	69 765
Short-term debt	471 917	432 717	383 225	327 191	277 537
Total equity and liabilities	1 375 951	1 083 127	903 821	721 981	672 576
Gross interest-bearing debt	377 875	245 634	142 446	132 888	143 361
Cash and cash equivalents	255 543	160 458	143 935	95 855	69 783
Net interest-bearing debt	212 332	136 117	88 511	74 558	106 564
Working capital	36 029	131 120	126 452	106 499	155 665
Equity ratio	31,6 %	39,6 %	43,1 %	46,9 %	48,4 %
Debt to equity ratio	86,9 %	57,3 %	36,6 %	39,2 %	44,1 %
<b>(in NOK)</b>					
<b>Share data</b>					
Earnings per share	1,06	2,20	2,13	0,11	0,40
Diluted earnings per share	1,06	2,20	2,13	0,11	0,40
Cash flow per share	2,17	2,15	-0,17	0,83	-0,02
Dividend per share	0,75	1,00	1,00	-	-
Shareholders' equity per share at year-end	16,82	16,45	15,00	13,03	12,59
Share price at year-end	84,00	54,00	25,00	13,95	12,50
Market capitalization at year-end	2 170 081	1 395 052	645 858	360 389	322 929
Number of shares outstanding at year-end	25 834 303	25 834 303	25 834 303	25 834 303	25 834 303
Weighted average number of ordinary shares	25 828 889	25 818 928	25 834 303	25 834 303	25 834 303

## Financial key figures



\*Other than salmonids

[CEO's Report](#)

[Corporate Management](#)

[Board of Directors Report](#)

[Board of Directors](#)



## CEO's report

### **Good technology leads to good biology**

It has been a humble experience to step into the role as CEO, from November 2016.

I am impressed with the job Trond Williksen and the entire AKVA group Team has done over the last few years, and taking over as "head coach" comes both with a healthy share of expectations as well as challenges.

However, I was not afraid of taking on these challenges as AKVA group has the rare combination of a broad portfolio of industry leading products, dedication to innovation, momentum in the market place, strong customer base and finally yet importantly, dedicated and hardworking employees.

These have all been important drivers behind the 2016 performance. Despite challenges in certain parts of our business, 2016 was another good year for AKVA group:

- Revenues increased by 12% to NOK 1 603 million
- Total EBITDA of 144 million (135 million in 2015)
- Order backlog at the end of 2016, 998 million compared 657 million end 2015, an increase of 52%

### **Good technology leads to good biology**

We have continued to see positive development in our key markets. The salmon producers have experienced record prices and earnings, driven by strong development in demand and limited or no growth in supply.

At the same time the salmon sector is battling biological challenges and facing an upward trend as regards to production cost. This has again led to ever increasing focus on productivity and efficiency. There are no indications that this will let up in the foreseeable future.

In this environment we have continued to focus on broadening our product and service offerings, as we fundamentally believe good technology and service solutions will contribute to good biology.

Early in the year we acquired a majority stake in AD Offshore, a further step to strengthen our position in the service segment to the aquaculture industry. Subsequently AD Offshore was merged with YesMaritime AS and Rogaland Sjøtjenester AS and renamed AKVA Marine Services (AKVA group ASA owning 65% of the new company). We expect the market for farming services will grow in the years to come and we believe there will be further consolidation of this sector. We have ambitions to play a role in this sector going forward.

In the fourth quarter we acquired 66% of Sperre AS, the leading ROV and subsea technology company within the aquaculture industry. The acquisition was a strategic move for AKVA group to gain a leading position in this segment. We expect the market for ROV and subsea technology will continue to grow as the industry develops and

expands into more exposed sites with more challenging operations. We also see clear synergies with our farming services operations, in particular the new and efficient solutions for net cleaning.

The trend of moving more of the growth stage on shore, by increasing size of smolt before being deployed in the sea continues. There is a significant focus from the salmon industry, and some of AKVA group's customers have carried out extensive trials on the production of large, seawater-adapted smolt. This has yielded positive results both on land and at sea, and provided solid indication that production of post-smolt can lead to less infection by sea lice, lower mortality and faster growth. We are stepping up our efforts in the Land Based Technology segment and strongly believe it will become an increasing contributor to the performance of AKVA group going forward.

## **Recurring Business**

Building a strong base of recurring business has been a strategic priority for the Group over the last few years – including technology services, rental, and continued development of our Software business. These business lines have made meaningful contribution to our performance in 2016. We see the Software business as an important pillar for AKVA group where we will continue to develop software that creates value for our customers and will step up our efforts in the market place.

## **Recovery**

In the first part of 2016 the Chilean salmon industry faced another round of problems as they were hit by a severe algal bloom, resulting in loss of up to 20% of the biomass. The authorities have responded to the industry's long voiced concern of lack of a sustainable and predictable regulatory framework.

Towards the end of 2016 there was strong indications the industry was turning the corner and returning to profitability. Coupled with new regulations, we have seen a strong pick-up in the Chilean market for infrastructure, technology and services and are carrying a solid momentum into 2017.

Expanding presence in Emerging Markets has been a strategic priority for several years. At the outset there is undoubtedly substantial potential as there is a significant interest in developing (new) aquaculture industry on all continents. However, taking on some of the projects we have done over the last few years comes with a fair amount of challenges, such as infrastructure, competence, political risk, regulatory framework and logistics.

But through a focused approach and concentrating on clusters, we have ambitions to profitably grow this part of AKVA group. An example has been Iran where we have delivered 2 new turn-key installations in 2016 and are working on several new opportunities. To ensure better execution going forward we will establish local presence in 2017.

We also see a good recovery of the Seabass and Seabream industry in the Mediterranean. We are opening an office in Spain and have ambitions to further expand our presence in the region, to complement our well performing operation in Turkey.

## **Atlantis – New Technology**

In partnership with Sinkaberg-Hansen AS and Egersund Net AS, AKVA group established the company ATLANTIS SUBSEA FARMING AS in 2016 and have applied for six development licenses to enable large-scale development and testing of the new technology and operational concept.

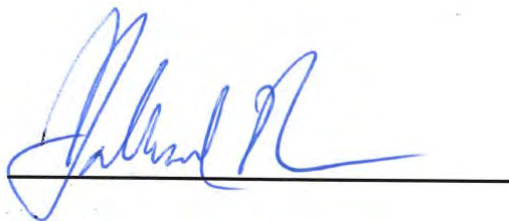
The objective was that through innovative development work, contribute to better and more sustainable use of current farming sites, as well as enabling use of more exposed sites than is currently possible. Furthermore, to achieve production gains and improve fish welfare by submerging the facilities, as they will be far less exposed to the environmental and physical conditions than in a surface position.

We strongly believe this technology can help solve some of the industry's challenges related to sea lice and provide access to new farming areas. The project will then be moved into the large scale testing stage. We are hopeful to receive final approval during the course of 2017.

## **Group Thinking**

Today AKVA group is a leading player in the global aquaculture technology and service industry. We are confident we can continue leverage the know-how and resources across all business units and strengthen our competitive position, balancing out growth ambitions with a sound hands-on management approach. In our efforts doing so, we will focus sharply on developing an even more efficient organization and ensure "Group Thinking" in all we do.

We have all the reasons to look ahead with optimism and plan to come out firing on all cylinders in 2017.



**Bryne, Norway**  
**April 4<sup>th</sup> 2017**  
**Hallvard Muri**  
**Chief Executive Officer**

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

## Corporate Management



**Hallvard Muri**  
Chief Executive Officer

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



**Simon Nyquist Martinsen**  
Chief Financial Officer

Simon Nyquist Martinsen (b. 1969), assumed the position as CFO in February 2017. Prior to joining AKVA group, he was CFO of Constructor Group, a pan-European provider of storage solutions. He has extensive experience both as a financial as well as an operational executive. He has also served as acting CEO of Constructor Group, and has held several positions within the Aker group, including Norway Seafoods ASA. He spent the first years of his career with KPMG. Simon holds a Master in Accounting and Auditing from the Norwegian School of Economics (NHH), and is qualified as a State Authorized Public Accountant in Norway. He is a Norwegian citizen and resides in Bærum, Norway.

## Corporate Management



**Per Andreas Hjetland**  
**Chief Operations Officer Nordic**

Per Andreas Hjetland (b. 1961), has been employed with AKVA group ASA since 2008 where he assumed the position as COO in September 2010. Prior to joining AKVA group, he held several senior positions with international companies. His professional background covers industrial technologies, and he also brings with him extensive experience in business operations, sales & marketing. Per Andreas' academic background was gained at the Technical School of Stavanger. He is a Norwegian citizen and resides in Høle, Norway.



**Inge Forseth**  
**Chief Operations Officer Technology & Software**

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

## Corporate Management



**Trond Severinsen**  
**Chief Operations Officer Exports/CMO**

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



**Andrew Campbell**  
**Chief Operations Officer Americas**

Andrew Campbell (b. 1966), joined the AKVA group in 2000, and has been General Manager in Chile since 2006. From 1989-2000, he worked as a Production Manager in the salmon industry in New Zealand for the New Zealand Salmon Company Ltd. Andrew holds a bachelor of science degree from New Zealand's Victoria University, and is a New Zealand citizen with permanent residency in Chile.

## Corporate Management



**Morten Nielsen**  
**Chief Operations Officer Land Based**

Morten Nielsen (b. 1964), assumed the position as COO in August 2016. Prior to this position, Morten has held the position as CEO and founder of Aquatec Solutions A/S since 2004. During his 20 year long career he also has experience as R&D Manager and Operations Manager for DIAT/Cimbria Aquatec. Morten holds a Master of Science in Aquaculture from Aalborg University. He is a Danish citizen and resides in Egtved, Denmark.

## Board of Directors Report

***AKVA group ended 2016 in a strong financial position with the highest order backlog ever. We experienced good underlying performance in all business segments ending another profitable year. The Group has experienced growth in revenues with stable margins.***

Total revenue for the Group in 2016 was MNOK 1,603.1 - an increase of 12.5% from in 2015. Earnings before interest, tax, depreciation and amortization (EBITDA) was MNOK 144.2 - an increase of 6.7% compared to EBITDA in 2015. Net profit was 27.6 MNOK – a decrease of 53 % compared to 2015.

The financial result for 2016 reflects high activity in all product segments during the year. The Cage Based Technology segment had a strong momentum throughout the year driven by the Nordic region, and we experienced improved financial performance in our Chilean operations at the end of the year after a downturn that started in this market in the second half of 2015. The Software segment continued with solid revenue and stable margins. The Land Based Technology segment improved its underlying performance throughout the year, thus offset by AKVA group Denmark A/S.

### AKVA group – the business segments

AKVA group is the leading supplier of technology and services to the global aquaculture industry. Our activities include design, sale, purchase, assembly and installation of technology as well as rental, service and consulting services. The Group's main customer base is the global salmon-farming industry. It is a strategic objective to expand AKVA group's activities to aquaculture species other than salmonids.

The Group divides its operations into three business segments: Cage Based Technology (CBT), Software and Land Based Technology (LBT).

Main products in the CBT segment are; feed barges, fish farming cages, centralised feed systems, sensors, cameras, biomass estimation systems, light systems, net cleaning systems and ROV's. The Polarcirkel™ polyethylene cages are produced at our facility in Mo i Rana, Norway and are one of the world's leading fish cage brands. The Polarcirkel™ brand also includes Polarcirkel™ PE-boats designed for extreme conditions for the fish-farming industry, diving, oil and gas service industry as well as PE pipes up to 900 mm diameter for various purposes. Steel cages sold under the Wavemaster™ brand are market leaders in Chile and Canada. Wavemaster™'s production facility for steel cages is located in Puerto Montt, Chile. Feed barges are also produced under the brand Wavemaster™. The feed barges have a strong position in the salmon market in the Nordic and Export regions and are supplied with AKVASmart™ centralised feed systems as well as other technologies from AKVA group. The feed barges designed by AKVA group are produced in Tallinn (Estonia), Riga (Latvia) and Ustka (Poland). Sperre AS located in Notodden, Norway, is strategically positioned in the Norwegian "subsea cluster". The company holds extensive experience in developing and producing a range of advanced ROV solutions, with applications to both aquaculture as well as oil service and marine industries.

The Software segment provides market leading best of breed software solutions for fish

farming as well as for the seafood industry. Our market leading software brands are Fishtalk™ and Wisefish™.

Main products in the LBT segment are land based systems for production of freshwater as well as marine fish species using recirculation technology. The systems are designed in Vejle and Copenhagen in Denmark. Plastsveis AS located at Sømna, Norway and Sistemas de recirculacion Limitada in Puerto Varas, Chile are our providers of operational installations of land based facilities. Our LBT setup gives AKVA group a strong position in the market place when it comes to delivering a range of solutions for land based aquaculture.

AKVA group's headquarters is located in Bryne, Norway. The company has offices and service stations along the Norwegian coast and in Chile, Scotland, Canada, Turkey, Iceland, Denmark and Australia. In addition, the Group has representation in numerous other countries across the globe.

## Market situation through 2016

In the comments below on the financial accounts, the 2015 figures are presented in brackets following the 2016 stated values, when included.

AKVA group started 2016 with a high order backlog. This, combined with a continued good market activity especially in the CBT segment in the Nordic region, materialized with a solid financial performance in 2016 for the Group. The Chilean salmon industry continued the downturn throughout the first half of 2016, but the activity increased slightly in the second half of the year. The market activity in the LBT segment continued to improve during 2016. Software maintained its strong market position in 2016.

Revenues from rental, services and maintenance provided by AKVA group continued the positive development in 2016, reflecting a positive trend in an area with strategic priority for the Group.

In 2016 AKVA group had revenues from technology sales and service to aquaculture producers of other species than salmon, of MNOK 178.0 (144.3) equal to 11.1% (10.1%) of total revenues. The Mediterranean and Middle East were the main markets for sales to customers farming other species. Revenue from technology and service to non-seafood markets was MNOK 178.0 (146.8) equal to 11.1% (10.3%) of total revenue.

## Going Concern

In accordance with the Accounting Act § 3-3a we confirm that the Financial Statements have been prepared under the assumption of going concern. With reference to the Group's financial results, financial position and forecasts for years to come, it is hereby confirmed that grounds for this assumption do exist. In the assessment of the board of directors, the Group's financial position is sound.

## Profit and loss (consolidated)

Total revenue for AKVA group in 2016 was MNOK 1,603.1 (1,425.3) – an increase of 12.5% compared to 2015. EBITDA for 2016 was MNOK 144.2 (135.2) - an increase of 6.7% compared to 2015.

All segments contributed to revenue growth in 2016. The gross margin has stabilized on a higher level due to underlying good performance, but total margin is offset by clean-up, change in estimates related to project recognition and one-offs in AKVA group Denmark A/S estimated at MNOK 19.9.

Depreciation and amortization in 2016 was MNOK 69.2 (47.5). EBIT for 2016 was MNOK 75.0 (87.7). Net financial expenses was MNOK 26.4 (9.6) and Profit before tax was MNOK 48.6 (78.1). The calculated tax for 2016 is MNOK 21.0 (19.7). Net profit for the year was MNOK 27.6 (58.4).

CBT had operating revenues in 2016 of MNOK 1,132.8 (1,070.9), an increase of 5.8% compared to 2015. EBITDA was MNOK 112.6 (94.8), an increase of 18.8% compared to 2016. Driven by the Nordic region CBT ended yet another good year. The activity in UK in 2016 has been driven by rental and service as the market have seen less large technology projects. In Chile the activity has picked up at the end of the year after having a very slow start to 2016 due to biological and financials issues in this market.

Software had operating revenues in 2016 of MNOK 140.3 (132.1) with an EBITDA of MNOK 26.0 (26.0). AKVA group Software AS in Norway continued to deliver steady revenues and stable margins in 2016. Wise lausnir ehf on Iceland experienced somewhat lower margins due to accelerating salary costs in Iceland.

LBT had operating revenues in 2016 of MNOK 330.0 (222.3), an increase of 48.4% compared to 2015. EBITDA was MNOK 5.6 (14.3). LBT experienced increased activity but AKVA group Denmark A/S hampered the overall financial performance. Both Plastsveis AS and Aquatec Solutions A/S delivered very good revenues and margins. AKVA group Denmark A/S had a considerable downturn in 2016 affecting the financials negatively. LBT has become a larger part of AKVA group and the order backlog at the end of the year represented 41% of the Group's total order backlog.

Earnings per share were NOK 1.06 in 2016 versus NOK 2.20 in 2015. The total number of outstanding shares has been 25,834,303 in 2016 and 2015.

## **Profit and loss AKVA group ASA**

Operating revenues for AKVA group ASA in 2016 was MNOK 708.3 (671.8). EBITDA for 2016 was MNOK 37.4 (38.6). Depreciation and amortization in 2016 were MNOK 11.6 (9.9). EBIT for 2016 was MNOK 25.9 (28.7). Net financial income was MNOK 3.3 (15.3) and profit before tax was MNOK 29.2 (44.0). The calculated tax for 2016 was MNOK 2.9 (7.8). Net profit for the year was MNOK 26.3 (36.3).

## **Statement of Financial Position and cash flow (consolidated)**

Total assets at the end of 2016 were MNOK 1,376.0 (1,083.1). Total liabilities amounted to MNOK 941.0 (654.7) and equity totaled MNOK 435.0 (428.4) giving an equity ratio of 31.6% (39.6%).

Working capital in the consolidated balance sheet, defined as non-interest bearing current assets less non-interest bearing short-term debt, was MNOK 36.0 at the end of 2016 compared to MNOK 131.1 at the end of 2015.

Working capital in percentage of 12 months rolling revenue was 2% at the end of 2016 compared to 9% at the end of 2015. The main reason for the change in working capital is improved collection of receivables and increased amount of prepayments from customers. This is also the main reason for the strong operational cash flow generated in 2016, and the major deviation between operational profit and operational cash flow.

Equity was positively affected during 2016 by this year's result of MNOK 27.6 (58.4) and by the sale of shares of MNOK 4.2 in connection with the share incentive scheme to the employees. Equity was negatively affected during 2016 by the dividend payment of MNOK 19.4 and translation differences and cash flow hedges of MNOK 5.4 (positively affected by 10.7 in 2015), out of which MNOK 1.5 (positively affected by 8.9 in 2015) is related to currency effects on goodwill and other intangible assets, according to IFRS.

Gross interest bearing debt amounted to MNOK 377.9 (245.6) at the end of 2016. Cash and unused credit facilities amounted to MNOK 255.5 (160.5) at the end of 2016.

The Company complied with all financial covenants during 2016.

Investments in fixed assets in 2016 amounted to MNOK 89.3 (75.8), including MNOK 22.0 (29.7) in equipment related to our rental business and MNOK 19.6 (19.1) in capitalized R&D expenses, in accordance with IFRS.

## Balance sheet AKVA group ASA

Total assets at the end of 2016 was MNOK 1,069.0 (864.2). Total liabilities amounted to MNOK 641.9 (448.1) and equity totalled MNOK 427.1 (416.1) giving an equity ratio of 40.0% (48.1%).

AKVA group ASA completed two acquisitions in 2016. In April 58 % of the shares in AD Offshore AS was acquired, and then merged with YesMaritime AS, a 100% owned subsidiary of AKVA group ASA. AKVA group ASA owns 65 % of the merged company AKVA Marine Services AS and it is recognized as a long term financial asset with a book value of MNOK 98. In November AKVA group ASA acquired 66 % of the shares in Sperre AS recognizing the purchase as a long term financial asset with a book value of MNOK 91.

## Risk factors

The aquaculture industry is associated with biological and market risk, and has historically been subject to cyclicity. AKVA group aims to reduce the risks related to these factors through diversification of its products and technologies to various fish species and geographical regions, as well as by increasing revenues from recurring service and after sales.

For AKVA group the financial risks are mainly related to currency risks, interest rate risks, credit risks and liquidity risks. A reduction in currency risks is sought through matching revenues and costs in the same currency, in combination with forward contracts. The Group is also exposed to fluctuations in foreign exchange rates when calculating the equity of foreign subsidiaries into NOK.

Interest bearing debt is based on floating interest rate and net interest costs will consequently increase and decrease according to the variations in the interest level. AKVA

group endeavours to maintain sufficient level of free cash at all times to be able to meet its obligations.

Historically the Group has shown low losses on receivables from customers. For larger projects the Group generally receives partial pre-payment from the customers and payments according to the progress of the projects. The credit risk related to customer deliveries is thereby reduced.

AKVA group is exposed to fluctuations in the prices of certain raw materials used in some of the main products. Reduction of this risk is sought through continuous general awareness and specific attention during major contract negotiation periods, as well as by securing the pricing of raw materials immediately after signing contracts.

## Product development

In 2016 the Group invested MNOK 58.0 (49.0) in product research and development, of which MNOK 19.6 (19.1) was capitalised and MNOK 38.4 (29.9) expensed. The investments were used to further improve existing products and to develop new products.

## Organisation and work environment

AKVA group had 791 (670) employees at the end of 2016. Women accounted for 16.4% (18.4%) of the employees. The Group aims at having a gender balance across the different levels of the organisation.

The Norwegian Discrimination Act's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith. The Group is working actively, determined and systematically to encourage the act's purpose within our business. Included in the activities are recruiting, salary and working conditions, promotion, development opportunities and protection against harassment.

The Group's aim is to be a workplace with no discrimination due to reduced functional ability and is working actively to design and implement the physical conditions in such a manner that as many as possible can utilise the various functions. For employees or new applicants with reduced functional ability, individual arrangements of workplace and responsibility are made.

The Group aims to strengthen the competence of its employees to maintain a position as a leading supplier of technology and service to the global aquaculture industry. Through recruitment, the company seeks to employ people with high competence within all areas of its business.

Total sick leave in the Group during 2016 amounted to 3.1% (3.1%). Seven (nine) incidents were registered in the Group during 2016. Efforts have been done in order to prevent similar incidents to happen in the future.

The board considers the working environment in the company to be satisfactory and has not initiated any particular measures in this area during 2016.

## Future outlook

The total order backlog was all-time high at end of 2016 with MNOK 998 (649) and the outlook is positive in all market segment going into 2017.

We expect continued good activity in the Nordic cage based segment.

UK and Chile has had increased activity in 2017 and recovered from 2016. Both entities are expected to perform well. Canada is operating in a competitive market and we have moderate expectations in this area.

In the Export segment, the Mediterranean represents upside potential and we will focus our resources in this region over the next quarters. We expect our Turkish operations to continue the good performance from the previous years.

The Land Based segment has experienced high activity level and a key for AKVA group is to be selective and focus on project execution. The Land Based segment is becoming a larger part of AKVA group.

We will step up our effort to build service and after sales as a key business element in all markets and segments.

AKVA group will focus on improving current core to gain effect of untapped potential. The underlying operational performance and our balance sheet has improved significantly over the last five years, and we continue the work to achieve further improvements on long term performance, margins and customer relations.

## Allocation of profit

The board proposes the following allocation of the 2016 profit for AKVA group ASA:

Proposed dividend	NOK	0
Dividends paid	NOK	-19,375,501
Net profit for the year	NOK	26,250,720
<b>Total allocation</b>	<b>NOK</b>	<b>6,875,219</b>

At the end of 2016, AKVA group ASA had equity of MNOK 427.1 (416.1), comprised of MNOK 25.8 (25.8) in share capital, MNOK 336.0 (336.0) in share premium, MNOK 1.1 (1.1) in other paid-in capital and MNOK 64.1 (53.2) in other equity.

A dividend of 0.75 NOK per share was paid out on September 5<sup>th</sup> 2016 totaling a distributed amount of 19,375,501 NOK in accordance with the dividend policy introduced in 2014. In March 2017 a dividend of 0.50 NOK per share was paid out.

A report on Corporate Social Responsibility in AKVA group ASA is included in the second last section of the annual report.

Corporate Governance in AKVA group ASA is described in the last section of the annual report.

## Board of Directors



**Hans Kristian Mong**  
**Chairman**

Hans Kristian Mong lives in Egersund, Norway. He is Chairman of the board in Egersund Group. In addition he holds Chairman positions in several companies, including Egersund Net and Egersund Trål. Mr Mong was elected to the Board of Directors at the Annual General Meeting May 9th 2012.



**Anne Breiby**  
**Deputy Chairperson**

Anne Breiby lives in Ålesund, Norway. She holds a Cand. scient degree in Fishery biology from Tromsø University. She held positions in the Norwegian Fishfarmer's Association and the Regional Fishery Administration before serving as a Political advisor for the Minister of Fishery, Political advisor for fishery and industry matters in Parliament and Deputy Minister in the Ministry of Industry and Energy. She has broad experience from serving as a Board member for several companies and institutions. Amongst these are Domstein ASA, Ulstein group ASA, Folketrygdfondet, Sparebanken Møre, Innovation Norway, Norwegian Research Council, Rem ASA, Kongsberg Satellite Service AS, Scandinavian Business Seating AS and Fiskeribladet Fiskaren AS. Mrs. Breiby was elected to the Board of Directors at the general meeting September 25th 2006.

## Board of Directors



**Frode Teigen**  
Board member

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



**Evy Vikene**  
Board member

Evy Vikene lives in Stavanger, Norway. She holds a Bachelor's degree in Aquaculture and Environmental Engineering from the University of Stavanger and an Executive Master of Management from the Norwegian Business School. She worked 10 years in various positions in Skretting Aquaculture Research Centre (ARC) before she joined Skretting AS where she held various management positions with domestic and global responsibility. From early 2013 to mid 2015 she held the position as Head of Development in Fretex Norge AS. She was Director of the Board in Fretex Midt-Norge AS in the same period. She has since mid 2015 held positions in Skretting AS, currently as Marketing Manager for the business unit Global Salmon and Fish feed Southern Europe. Mrs Vikene was elected to the Board of Directors at the Annual General Meeting May 7th 2014.

## Board of Directors



**Nils Viga**  
Board member

Nils Viga lives in Hjelmeland, Norway. He has 3 years education in Aquaculture from Sogn og Fjordane University College and holds a Bachelor´s degree from the University of Bergen. He has held various management positions in Marine Harvest and Hydro Seafoods. He is currently working with development projects in his family business, related to the aquaculture industry. He holds the position as Chairman of the Board in both Fister Smolt AS and Blue Planet AS. Mr Viga was elected to the Board of Directors at the Annual General Meeting held May 7th 2014.



**Aino Olaisen**  
Board member

Aino Olaisen lives in Lovund, Norway. She studied at the Norwegian College of Fishery Science, and she has also studied history and Spanish. Mrs. Olaisen is a Director of the Board in several sea based companies, amongst others Nova Sea. She is also head of the general assembly at Sparebankstiftelsen Helgeland. Mrs. Olaisen was elected to the Board of Directors at the Annual General Meeting May 8th 2015 and has earlier served as board member from 2012 to 2014.

## Board of Directors



**Anthony James**  
Board member

Anthony James lives in Chester, England. He is Chief Investment Officer in Wearsheaf. He joined Wearsheaf from Grosvenor, where he spent five years as Group Corporate Finance Director. Prior to Grosvenor, Anthony was Head of Energy & Natural Resources M&A at KPMG Corporate Finance where he led a wide range of acquisition, disposal and other strategic advisory assignments across the sector. His previous roles have included senior finance and corporate development positions at Philips Electronics, both in the Netherlands and China. Mr. James was elected to the Board of Directors at the Annual General Meeting May 8th 2015.



**Tore Obrestad**  
Employee's representative

Tore Obrestad lives in Vigrestad, Norway. He qualified as an electro-automation systems engineer at technical college and has completed an educational science program at UiS. He has been employed in AKVA group ASA since the autumn of 1988, incorporating a 4-year sabbatical as a lecturer at a college of further education. He is currently Technical Manager Nordic in AKVA group ASA.

## Board of Directors



**Carina Jensen**  
Employee's representative

Carina Jensen lives in Brønnøysund, Norway. She holds a Bachelor's degree in Micro technology from Buskerud and Vestfold University College. She has been employed in Plastsveis AS since 2012 as a quality manager and has experience as Board member in Plastsveis AS. Carina has previous experience from REC Wafer Norway AS.



**Henrik A. Schultz**  
Employee's representative

Henrik A. Schultz lives in Trondheim. He earned a cand. mag. degree in biology/aquaculture at NTNU in 2003, and was first employed in AKVA group in 2007. He is currently employed as biological consultant working with the Fishtalk software. Henrik has previous experience from SATS, Eniro and private startup projects.

Financial Statement Group  
(AKVA group)



## Consolidated Income Statement 01.01. - 31.12.

(in NOK 1 000)

Group	Note	2016	2015
<b>OPERATING REVENUES</b>			
Revenues		1 595 385	1 420 712
Other income		7 688	4 626
<b>Total revenues</b>	2,17	<b>1 603 072</b>	<b>1 425 338</b>
<b>OPERATING EXPENSES</b>			
Cost of materials	10	912 869	837 754
Payroll expenses	3	422 104	341 094
Other operating expenses	4,7,11,15,18	123 907	111 332
<b>Total operating expenses</b>		<b>1 458 880</b>	<b>1 290 179</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)</b>		<b>144 193</b>	<b>135 159</b>
Depreciation and amortization	7,8	69 156	47 450
<b>OPERATING PROFIT (EBIT)</b>		<b>75 036</b>	<b>87 709</b>
<b>FINANCIAL INCOME AND EXPENSES</b>			
Financial income	15,16	4 916	2 984
Financial expenses	15,16	(31 362)	(12 603)
<b>Net financial income (expense)</b>		<b>(26 446)</b>	<b>(9 619)</b>
<b>PROFIT BEFORE TAX</b>		<b>48 590</b>	<b>78 090</b>
Taxes	5	20 992	19 690
<b>NET PROFIT FOR THE YEAR</b>		<b>27 598</b>	<b>58 400</b>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO:</b>			
Non-controlling interests		98	1 572
<b>Equity holders of AKVA group ASA</b>		<b>27 500</b>	<b>56 828</b>
<b>Earnings per share (NOK)</b>	6	<b>1,06</b>	<b>2,20</b>
<b>Diluted earnings per share (NOK)</b>	6	<b>1,06</b>	<b>2,20</b>

## Consolidated Statement of Comprehensive Income

### 01.01. - 31.12.

(in NOK 1 000)

Group	Note	2016	2015
<b>NET PROFIT FOR THE YEAR</b>		27 598	58 400
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to income statement:</i>			
Translation differences on foreign operations		-3 021	15 735
Income tax effect		-	-
<b>Total</b>		<b>-3 021</b>	<b>15 735</b>
Gains (+) / losses (-) on cash flow hedges		-3 129	-6 912
Income tax effect		782	1 866
Amount reclassified from other comprehensive income to income statement on disposal		-	-
<b>Total</b>	16	<b>-2 346</b>	<b>-5 046</b>
<b>Total other comprehensive income, net of tax</b>		<b>-5 367</b>	<b>10 689</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>22 231</b>	<b>69 089</b>
Attributable to:			
Non-controlling interests		98	1 572
<b>Equity holders of AKVA group ASA</b>		<b>22 133</b>	<b>67 517</b>

## Consolidated Statement of Financial Position 31.12.

(in NOK 1 000)

Group	Note	2016	2015
<b>NON-CURRENT ASSETS</b>			
Deferred tax asset	5	13 316	12 659
<b>Intangible assets and goodwill</b>			
Goodwill	7	427 340	269 453
Other intangible assets	7	134 795	78 677
Total intangible assets and goodwill		562 135	348 130
<b>Tangible fixed assets</b>			
Land and building	8	15 614	13 335
Machinery and equipment	8	134 954	90 160
Total tangible fixed assets		150 568	103 495
<b>Long-term financial assets</b>			
Investments in associated companies	9	4 653	684
Other long-term financial assets	11	1 764	2 063
Total long-term financial assets		6 416	2 747
<b>Total non-current assets</b>		<b>732 436</b>	<b>467 031</b>
<b>CURRENT ASSETS</b>			
Inventory	10	186 125	180 677
<b>Receivables</b>			
Accounts receivables	11,17	259 880	289 216
Prepayments to suppliers	16	11 755	8 925
Other receivables	16	20 211	27 760
Total receivables		291 846	325 902
Cash and cash equivalents	12	165 543	109 517
<b>Total current assets</b>		<b>643 515</b>	<b>616 096</b>
<b>TOTAL ASSETS</b>		<b>1 375 951</b>	<b>1 083 127</b>

## Consolidated Statement of Financial Position 31.12.

(in NOK 1 000)

Group	Note	2016	2015
<b>EQUITY</b>			
Equity attributable to equity holders of AKVA group ASA		434 590	424 988
Non-controlling interests		376	3 444
<b>Total equity</b>	13,19,21,22	<b>434 966</b>	<b>428 432</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	5	34 564	18 107
Liabilities to financial institutions	14	347 902	187 816
Other long term liabilities	19	86 602	15 495
<b>Total non-current liabilities</b>		<b>469 068</b>	<b>221 418</b>
<b>Current liabilities</b>			
Liabilities to financial institutions	14	29 973	57 818
Trade payables	16	143 343	128 189
Current tax payables	5	21 673	4 223
Public duties payable		27 050	19 341
Prepayments from customers	17	146 954	115 898
Other current liabilities	15	102 924	107 808
<b>Total current liabilities</b>		<b>471 917</b>	<b>433 277</b>
<b>Total Liabilities</b>		<b>940 985</b>	<b>654 695</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 375 951</b>	<b>1 083 127</b>

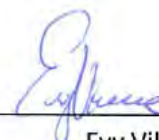
Bryne, Norway, April 4<sup>th</sup> 2017



Hans Kristian Mong  
(Chairperson)



Frode Teigen



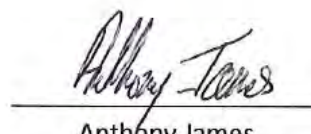
Evy Vikene



Anne Breiby  
(Deputy Chairperson)



Nils Viga



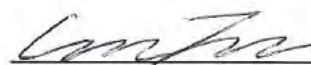
Anthony James



Aino Olaisen



Tore Obrestad



Carina Jensen



Henrik A. Schultz



Hallvard Muri  
(CEO)

## Consolidated Statement of Cash flow 01.01.-31.12.

(in NOK 1 000)

Group	Note	2016	2015
<b>Cash flow from operating activities</b>			
Profit before taxes		48 590	78 090
Taxes paid		-12 151	-5 300
Net interest cost		6 608	4 856
Gain on disposal of fixed assets		1 085	-290
Depreciation and amortization	7,8	69 156	47 450
Changes in stock, accounts receivable and trade payables		73 097	-53 789
Changes in other receivables and payables		35 911	34 032
Net foreign exchange difference		-4 044	-4 571
<b>Cash generated from operating activities</b>		<b>218 253</b>	<b>100 478</b>
Interest paid	15	-10 811	-11 598
Interest received	15	4 203	6 742
<b>Net cash flow from operating activities</b>		<b>211 645</b>	<b>95 622</b>
<b>Cash flow from investment activities</b>			
Investments in fixed assets	7,8	-89 316	-75 755
Proceeds from sale of fixed assets	7,8	485	2 342
Net repayment of long-term receivables		-1 010	-422
Acquisition of subsidiary net of cash acquired	19	-170 483	-42 605
<b>Net cash flow from investment activities</b>		<b>-260 324</b>	<b>-116 439</b>
<b>Cash flow from financing activities</b>			
Repayment of borrowings		-64 410	-13 368
Proceed from borrowings		185 278	117 696
Dividend payment	21	-19 376	-25 736
Sale/(purchase) own shares	22	4 155	-4 173
<b>Net cash flow from financing activities</b>		<b>105 646</b>	<b>74 419</b>
Net change in cash and cash equivalents		56 967	53 602
Net foreign exchange differences		-941	1 980
Cash and cash equivalents at 01.01		109 517	53 935
<b>Cash and cash equivalents at 31.12</b>	12	<b>165 543</b>	<b>109 517</b>

Overdraft is included in financing activities, and is not included in cash and cash equivalents as of 31.12.

Payment of contingent consideration related to acquisition of subsidiaries is included in Acquisition of subsidiary net of cash acquired.

## Consolidated Statement of changes in equity

(in NOK 1 000)

Group	Note	Share capital	Share premium	Other paid-in capital	Total paid in capital	translational differences	Other equity	Total other equity	Retained earnings	Total equity	Non-controlling interest	Equity AKVA group
<b>Equity as at 01.01.2015</b>		25 834	329 715	-759	<b>354 790</b>	-20 038	-	<b>-20 038</b>	<b>54 500</b>	<b>389 252</b>	1 676	<b>387 577</b>
Net movement in cash flow hedges		-	-	-	-	-	-5 046	<b>-5 046</b>	-	<b>-5 046</b>	-	-5 046
Translation difference		-	-	-	-	15 735	-	<b>15 735</b>	-	<b>15 735</b>	-	15 735
<b>Total other comprehensive income</b>		-	-	-	-	15 735	-5 046	<b>10 689</b>	-	<b>10 689</b>	-	10 689
Profit (loss) for the period		-	-	-	-	-	-	-	<b>58 400</b>	<b>58 400</b>	1 572	56 828
<b>Total comprehensive income</b>		-	-	-	-	15 735	-5 046	<b>10 689</b>	<b>58 400</b>	<b>69 089</b>	1 572	<b>67 517</b>
Dividend	21	-	-	-	-	-	-	-	<b>-25 736</b>	<b>-25 736</b>	-	-25 736
Non-controlling interests arising on a business combination	19	-	-	-	-	-	-	-	-	-	196	-196
Share buyback	22	-123	-	-	<b>-123</b>	-	-4 050	<b>-4 050</b>	-	<b>-4 173</b>	-	-4 173
<b>Equity as at 31.12.2015</b>	13	25 711	329 715	-759	<b>354 667</b>	-4 303	-9 096	<b>-13 399</b>	<b>87 164</b>	<b>428 432</b>	3 444	<b>424 988</b>
<b>Equity as at 01.01.2016</b>		25 711	329 715	-759	<b>354 667</b>	-4 303	-9 096	<b>-13 399</b>	<b>87 164</b>	<b>428 432</b>	3 444	<b>424 988</b>
Net movement in cash flow hedges		-	-	-	-	-	-2 346	<b>-2 346</b>	-	<b>-2 346</b>	-	-2 346
Translation difference		-	-	-	-	-3 021	-	<b>-3 021</b>	-	<b>-3 021</b>	-	-3 021
<b>Total other comprehensive income</b>		-	-	-	-	-3 021	-2 346	<b>-5 367</b>	-	<b>-5 367</b>	-	-5 367
Profit (loss) for the period		-	-	-	-	-	-	-	<b>27 598</b>	<b>27 598</b>	98	27 500
<b>Total comprehensive income</b>		-	-	-	-	-3 021	-2 346	<b>-5 367</b>	<b>27 598</b>	<b>22 231</b>	98	<b>22 133</b>
Dividend	21	-	-	-	-	-	-	-	<b>-19 376</b>	<b>-19 376</b>	-	-19 376
Non-controlling interests arising on a business combination	19	-	-	-	-	-	-	-	<b>-476</b>	<b>-476</b>	-3 165	2 689
Sale of own shares	22	123	-	-	<b>123</b>	-	-	-	<b>4 032</b>	<b>4 155</b>	-	4 155
<b>Equity as at 31.12.2016</b>	13	25 834	329 715	-759	<b>354 790</b>	-7 324	-11 443	<b>-18 766</b>	<b>98 942</b>	<b>434 966</b>	376	<b>434 590</b>



## Notes to the Consolidated Financial Statement - Group

### Content notes

01	Summary of significant accounting policies
02	Segment information
03	Wages, remunerations and pensions
04	Government grants and subsidies
05	Taxes
06	Net earnings per share
07	Intangible assets
08	Tangible fixed assets
09	Subsidiaries and other long-term investments
10	Inventory
11	Receivables
12	Bank deposits
13	Shareholders
14	Liabilities to financial institutions
15	Specification of items grouped in the financial statement
16	Financial instruments and risk management
17	Long-term construction contracts
18	Leasing
19	Business combinations
20	Related parties
21	Dividend
22	Sale of own shares
23	Subsequent events

#### **Note 1** **Summary of significant accounting policies**

AKVA group ASA is a public limited liability company registered in Norway. The company is subject to the provisions of the Norwegian Act relating to Public Limited Liability Companies. The company's head office is located in Nordlysveien 4, N-4340 Bryne, Norway.

These consolidated Financial Statements have been approved for issuance by the Board of Directors on April 4<sup>th</sup> 2017 and is subject for approval by the Annual General Meeting on May 10<sup>th</sup> 2017.

#### **Basis for preparation**

The consolidated financial statements of the AKVA group have been prepared in accordance with the international accounting standards published by the International Accounting Standards

Board and the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) as per December 31<sup>st</sup> 2016.

The consolidated financial statements have been prepared on a historical cost basis, except for derivatives and contingent considerations measured at fair value and financial liabilities recognized due to anticipated acquisitions at the present value of the expected redemption amount.

#### **Functional currency and Presentation currency**

The Group presents its financial statements in NOK. This is also the parent company's functional currency. For consolidation purposes, the statements of financial position of subsidiaries with a different functional currency are translated at the rate applicable at the end of the reporting

period, and the income statements have been translated at monthly average rates. Translation differences are recognized in other comprehensive income. When foreign subsidiaries are sold, the accumulated translation differences relating to the subsidiary are taken to profit or loss.

#### **Basis of consolidation**

The consolidated financial statements incorporate AKVA group ASA and companies that AKVA group ASA (directly or indirectly) control (the Group). Control is achieved when the Group is exposed or has right to variable returns from its involvement with a company in which it has invested, and has the ability to use its power to affect its returns from this company. Non-controlling interests in subsidiaries are presented within equity separately from the equity attributable to the owners of the parent.

The acquisition method is applied when accounting for business combinations. Companies which have been bought or sold during the year are consolidated from/until the date when control transfers to/from the Group.

Investments in associates (normally investments of between 20% and 50% of the companies' equity) in which AKVA group ASA exercises a significant influence are accounted for by applying the equity method. The carrying value of the investments is reviewed when there are indications of a decline in value or when there is no longer any need for previously recognized impairment losses.

When the Group's share of the loss exceeds the investment in associates, the investment and any long term interests that in substance is a part of the net investment is carried at zero value. If the Group's share of the loss exceeds the investment, this will be recognized to the extent that the Group has obligations to cover this loss.

Intercompany transactions and balances, including internal profits and unrealized gains and losses are eliminated in full. Unrealized gains that have arisen due to transactions with associates are eliminated against the Group's share in the associate. Unrealized losses are correspondingly eliminated, but only to the extent that there are no indications of a fall in the value of the asset that has been sold internally.

The consolidated financial statements are prepared on the assumption of uniform accounting policies for identical transactions and other events under equal circumstances.

#### **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position includes cash in hand and at bank. Cash equivalents are short-term liquid investments that can be converted into cash within three months and to a known amount, and which contain insignificant risk elements.

The cash and cash equivalent amount in the cash flow statement do not include overdraft facilities. See note 12 for information about unused overdraft facilities.

#### **Revenue recognition**

Revenue is recognized when it is probable that transactions will generate future economic benefits that will flow to the company and the size of the amount can be reliably estimated, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, and net of value added tax and discounts (if any).

Revenues from the sale of goods are recognized when the significant risks and reward of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenues relating to construction contracts are recognized in the income statement in line with the project's progress and when the project's results can be reliably estimated. In general the progress of these projects are decided by the cost incurred compared to total budgeted cost for the project. For barges and cages the progress is based on documentation of milestones.

The milestones for barges are

- All the parts of the hull are cut and the barge is ready for paneling
- Paneling is done and the barge is ready to assembly
- Assembly is done and the barge is ready for the painting process
- Painting process is done and the barge is ready to be outfitted
- Barge is approved in factory acceptance test at the yard (FAT)
- The barge is approved by AKVA group based on specifications from the customer and ready for towing to customer site

The milestones for cages are

- Pipes and brackets are produced and designated for a specific customer. Project number needs to correspond with the labeling on the designated pipes and brackets
- When delivered and installed at customers site

When the project's results cannot be reliably estimated, only revenues equal to the accrued project costs will be taken to revenue. Any estimated loss on a contract will be recognized in the income statement for the period when it is identified that the project will lead to a loss.

Revenues from sale of professional services are recognized in the income

statement when the services are performed.

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

Interest is recognized in the income statement as financial income. Royalties will be recognized in the income statement in relation to the terms and conditions of the various royalty agreements. Dividends are recognized in the income statement when the shareholders' rights to receive dividend have been determined.

### Segments

For management purposes, the Group is organized into three business areas according to their range of products/services. The Chief Operating Decision Maker is the Group's Chief Executive Officer who delegates responsibility to the Chief Operating Officers (COO's) in the regions they are responsible for. These business areas comprise the basis for primary segment reporting. Financial information relating to segments and geographical divisions is presented in note 2.

In the segment reporting, the internal gain on sales between the various segments is eliminated.

### Currency

#### Transactions in foreign currencies

Transactions in foreign currencies are initially recognized in the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rate at the reporting date. All exchange differences are recognized in the income statement with the exception of exchange differences on foreign currency borrowings that provide a hedge against

a net investment in a foreign entity, or monetary items that are regarded as a part of the net investments. These exchange differences are recognized as a separate component of other comprehensive income until the disposal of the net investment or settlement of the monetary item, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those borrowings or monetary items as part of the net investments are also recognized in other comprehensive income. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions.

### **Foreign operations**

Assets and liabilities in foreign subsidiaries, including goodwill and adjustments for fair value included in the consolidation are translated into NOK using the exchange rate at the balance sheet date. Revenues and costs from foreign operations are translated into NOK using the monthly average exchange rate. The exchange differences arising from the translation are recorded against other comprehensive income.

When translating foreign currencies into NOK the Group is using the mid-rate on the balance sheet date listed by Norges Bank, the Central Bank of Norway. Norges Bank has however not quoted the exchange rate between NOK and ISK since mid-December 2008. The rate used for NOK vs ISK at the balance date in the consolidation is the rate quoted by the Central Bank of Iceland. Neither does Norges Bank quote the exchange rate between NOK and CLP. This exchange rate is calculated based on the quoted rates of NOK per USD and CLP per USD by Norges Bank and the Central Bank of Chile respectively.

### **Hedging**

As part of the international activity the Group's assets and liabilities as well as expected cash inflow and cash outflow are exposed to changes in the currency rates. Such risk is sought reduced by using currency forward contracts. The currency risk is managed by the parent company in cooperation with the subsidiaries.

Before a hedging transaction is carried out, the Group's finance department assesses whether a derivative is to be used to a) hedge the fair value of an asset or liability, b) hedge a future cash flow from an investment, debt payment or future identified transaction or c) hedge a net investment in a foreign operation.

The Group's criteria for classifying a derivative as a hedging instrument are as follows: (1) the hedge is expected to be effective in that it counteracts changes in the fair value of or cash flows from an identified asset - a hedging efficiency within the range of 80-125% is expected, (2) the effectiveness of the hedge can be reliably measured, (3) there is adequate documentation when the hedge is entered into that the hedge is effective, (4) for cash-flow hedges, the forthcoming transaction must be probable, and (5) the hedge is evaluated regularly and has proven to be effective.

#### *(a) Fair value hedges:*

Derivatives designated as hedging instruments are measured at their fair value and changes in the fair value are recognized in the income statement as they arise. Correspondingly, a change in the fair value of the hedged object which is due to the risk that the object is hedged against is recognized in the income statement.

The hedge accounting is discontinued if:

- i) the hedging instrument expires or is terminated, exercised or sold, or

- ii) the hedge does not meet the abovementioned hedge requirements, or
- iii) the Group chooses to discontinue hedge accounting for other reasons

If the hedge assessment is terminated, the changes which have been made in the carrying amount of the hedged object are amortized over the remaining economic life using the effective interest rate method if the hedging instrument is a financial instrument that has been recognized according to the effective interest rate method.

*(b) Cash-flow hedges*

Changes in the fair value of a hedging instrument that meet the criteria for cash flow hedge accounting are taken directly to other comprehensive income.

The ineffective part of the hedging instrument is recognized directly in the income statement.

If the hedge of a cash flow results in an asset or liability being recognized, all former gains and losses recognized directly in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the asset or liability. For other cash-flow hedges, gains and losses recognized directly in other comprehensive income are taken to the income statement in the same period as the cash flow which comprises the hedged object is recognized in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the hedge accounting is discontinued. The cumulative gain or loss on the hedging instrument recognized directly in other comprehensive income remains separately recognized in other comprehensive income until the forecast transaction occurs.

If the hedged transaction is no longer expected to occur, any previously accumulated gain or loss on the hedging instrument that has been recognized directly in other comprehensive income will be recognized in profit or loss.

### Loans and borrowings

Loan interest income/borrowing costs are recognized in the income statement when they arise. Borrowing costs are capitalized to the extent that they are directly related to the purchase, construction or production of a non-current asset.

Loans/borrowings are recognized at the amount paid out/received, net of transaction costs. The loans/borrowings are thereafter recognized at amortized costs using the effective interest rate method, with the difference between the net amount paid out/received and the redemption value being recognized in the income statement over the term of the loan/borrowing.

Borrowing costs are capitalized when the interest costs are incurred during the non-current asset's construction period. The borrowing costs are capitalized until the date when the non-current asset is ready for use. If the cost price exceeds the non-current asset's fair value, an impairment loss is recognized.

Intragroup loans defined as part of the net investment in a subsidiary is denominated in the functional currency of the foreign operation. An exchange difference arising on a net investment is recognized in other comprehensive income and accumulated in a separate component of equity until the disposal of the foreign operation.

### Financial instruments

According to IAS 39, Financial Instruments: Recognition and measurement, financial instruments are classified in the following categories:

held-to-maturity, at fair value through profit or loss, loans and receivables, and available-for-sale. Financial instruments with fixed or determinable cash flows and a fixed maturity that the Group has the positive intention and ability to hold to maturity are classified as held-to-maturity investments.

Financial instruments that are held with the intention of making a gain on short-term fluctuations in prices are classified as financial assets at fair value through profit or loss.

Financial instruments that are held to maturity are included in the non-current asset/liabilities unless the maturity date is less than 12 months after the balance sheet date. Financial instruments at fair value through profit or loss are classified as current assets/liabilities, and financial instruments that are available for sale are presented as current assets if the management has decided to sell the instrument within 12 months of the balance sheet date.

Financial assets with fixed or determinable cash flows that are not quoted in an active market are classified as loans and receivables, with the exception of instruments that the Group has designated as being at fair value with changes in value through profit or loss or available for sale.

All purchases and sales of financial instruments are recognized on the transaction date. The transaction costs are included in the cost price, but not for financial instruments that are measured at fair value.

For financial assets that are classified as available for sale, the accumulated loss that has been previously recognized directly in other comprehensive income is recognized in the income statement for the period when objective information on the fall in value is

available. The part of the debt instrument that can be recovered is valued at the fair value of the future cash flow discounted at a rate equal to the yield on an identical financial asset. A reversal of a previous impairment loss is recognized when there is new objective information on an event relating to a previous impairment loss. A reversal of a previous impairment loss is recognized directly in other comprehensive income for equity instruments, but is recognized in the income statement for other financial assets.

Changes in the fair value of financial instruments classified as financial instruments at fair value through profit or loss are recognized in the income statement and included in the net financial income (expenses).

Investments held to maturity are carried at amortized cost.

#### **Trade receivables**

Trade receivables are carried at amortized cost. The interest element is disregarded if it is insignificant. Should there be objective evidence of a fall in value, the difference between the carrying amount and the present value of future cash flows is recognized as a loss, discounted by the receivable amount's effective interest rate.

#### **Inventories**

Inventories, including work in progress, are valued at the lower of cost and net realizable value. The net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and estimated costs necessary to make the sale. Inventories are measured using the FIFO principle. Finished goods and work in progress include variable costs and fixed costs that can be allocated to goods based on normal capacity.

Obsolete inventories have been fully recognized as impairment losses.

### **Tangible fixed assets**

Tangible fixed assets are carried at cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the gross carrying amount and accumulated depreciation are derecognized, and any gain or loss on the sale or disposal is recognized in the income statement.

The gross carrying amount of tangible fixed assets is the purchase price, including duties/taxes and direct acquisition costs relating to making the asset ready for use. Subsequent costs, such as repair and maintenance costs, are normally recognized in profit or loss as incurred. When increased future economic benefits as a result of repair/maintenance work can be proven, such costs will be recognized in the balance sheet as additions to tangible fixed assets. In the case of replacing an asset the replacement will be recognized in the balance sheet and the replaced asset will be de-recognized.

Depreciation is calculated using the straight-line method over the following periods:

Machinery and equipment:	3 - 5 years
Buildings:	> 20 years
Land:	No depreciation

The depreciation period and method are assessed each year to ensure that the method and period used harmonize with the financial realities of the non-current asset. The same applies to the residual value.

### **Operating leases**

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

income statement during the contract period.

### **Finance leases**

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

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

### **Intangible assets**

Intangible assets are recognized in the balance sheet if it can be proven that there are probable future economic benefits that can be attributed to the asset which is owned by the company, and the asset's cost price can be reliably estimated. Intangible assets are recognized at cost price. Intangible assets with indefinite useful lives are not amortized, but impairment losses are recognized if the recoverable amount is less than the cost price. The recoverable amount is calculated each year or if there are any indications of a fall in value. Intangible assets with a finite useful life are amortized and any need for impairment losses to be recognized is considered. Amortization is carried out using the straight-line method over the estimated useful life. The amortization

estimate and method will be subject to an annual assessment based on the pattern of consumption of future economic benefits.

#### **Patents and licenses**

Amounts paid for patents and licenses are recognized in the balance sheet and depreciated using the straight-line method over the expected useful life. The expected useful life of patents and licenses varies from 5 to 20 years.

#### **Software**

Expenses related to the purchase of new computer programs are recognized in the balance sheet as an intangible non-current asset provided these expenses do not form part of the hardware acquisition costs. Software is amortized using the straight-line method over 3 years. Expenses incurred as a result of maintaining or upholding the future usefulness of software are expenses as incurred unless the changes in the software increase the future economic benefit from the software.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level.

#### **Goodwill**

##### **Goodwill**

Additional value on the purchase of a business that cannot be allocated to assets or liabilities on the acquisition date is classified in the balance sheet as goodwill. In the case of investments in associates, goodwill is included in the cost price of the investment.

Goodwill is tested annually for impairment. In connection with this, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies from the business combination.

#### **Negative goodwill**

Negative goodwill upon the acquisition of a business is recognized in profit or loss after the acquired assets and liabilities have been re-identified and reassessed in order to ensure that the negative goodwill is not due to an error in the valuation of assets or liabilities.

#### **Research and development**

Expenses relating to research are recognized in the income statement when they are incurred. Expenses relating to development are recognized in the income statement when they are incurred unless the following criteria are met in full:

- The product or process is clearly defined and the cost elements can be identified and measured reliably;
- The technical solution for the product has been demonstrated;
- The product or process will be sold or used in the company's operations;
- The asset will generate future economic benefits; and
- Sufficient technical, financial and other resources for completing the project are present.

When all the above criterias are met, the costs relating to development start to be recognized in the balance sheet. Costs that have been charged as expenses in previous accounting periods are not recognized in the balance sheet.

Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

The amortization period will normally not exceed five years.

#### **Impairment of assets**

##### **Financial instruments**

Financial instruments are reviewed at each balance sheet date in order to discover any decrease in value.

Financial assets which are valued at amortized cost are written down when it is probable that the company will not recover all the amounts relating to contractual issues for loans, receivables or hold-to-maturity investments. The amount of the impairment loss is recognized in the income statement. Any reversal of previous impairment losses is recognized when a reduction in the need to write down the asset can be related to an event after the impairment loss has been recognized. Such a reversal is presented as income. However, an increase in the carrying amount is only recognized to the extent that it does not exceed what the amortized cost would have been if the impairment loss had not been recognized.

#### **Other assets**

An assessment of impairment losses on other assets is made when there is an indication of a fall in value. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognized in the income statement. The recoverable amount is the higher of the fair value less costs to sell and the discounted cash flow from continued use. The fair value less costs to sell is the amount that can be obtained from a sale to an independent third party minus the sales costs. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for cash-generating unit to which the assets belong.

With the exception of goodwill, impairment losses recognized in the income statements for previous periods are reversed when there is information that the need for the impairment loss no longer exists or is not as great as it was.

The reversal is recognized in the same line item as the impairment. However, no reversal takes place if the reversal leads to the carrying amount exceeding what the carrying amount would have been if normal depreciation periods had been used.

### **Equity**

#### **Equity and liabilities**

Financial instruments are classified as liabilities or equity in accordance with the underlying financial reality.

Interest, dividends, gains and losses relating to a financial instrument classified as a liability will be presented as an expense or income. Amounts distributed to holders of financial instruments which are classified as equity will be recognized directly in equity.

#### **Other equity**

##### *(a) Translation differences*

Translation differences arise in connection with currency differences when foreign entities are consolidated.

Currency differences relating to monetary items (liabilities or receivables), which are in reality part of a company's net investment in foreign entities are treated as translation differences.

When a foreign operation is sold, the accumulated translation differences linked to the entity are reversed and recognized in the income statement in the same period as the gain or loss on the sale is recognized.

##### *(b) Hedge reserve*

The hedge reserve includes the total net change in the fair value of the cash-flow hedge until the hedged cash flow arises or is no longer expected to arise.

### **Provisions**

Provisions are recognized when, and only when, the company has a valid liability (legal or constructive) as a result of

events that have taken place and it can be proven probable (more probable than not) that a financial settlement will take place as a result of this liability, and that the size of the amount can be measured reliably. Provisions are reviewed on each balance sheet date and their level reflects the best estimate of the liability. When the effect of time is insignificant, the provisions will be equal to the size of the expense necessary to be free of the liability. When the effect of time is significant, the provisions will be the present value of future payments to cover the liability. Any increase in the provisions due to time is presented as interest costs.

Contingent liabilities acquired upon the purchase of a business are recognized at fair value even if the liability is not probable. The assessment of probability and fair value is subject to constant review. Changes in the fair value are recognized in the income statement.

### Employee benefits

#### Defined contribution plan

All Group companies have pension schemes based on contributions from the company to the employees. The companies' payments are recognized in the income statements for the year to which the contribution applies. The companies have no further commitments towards pensions when the agreed contributions are paid.

#### Severance pay

In some countries, the companies are obliged by law to provide severance pay for redundancies due to reductions in the workforce. The costs relating to severance pay are provided for once the management has decided on a plan that will lead to reductions in the workforce and the work of restructuring has started or the reduction in the workforce has been communicated to the employees.

### Share options

The fair value of the share options is measured at the grant date and the cost is recognized in the income statement, together with a corresponding increase in other paid-in capital, over the period in which the performance and/or service conditions are fulfilled. The fair value is calculated using a Black & Scholes model.

### Government grants

Government grants are recognized when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grants relate to an expense item, it is normally recognized as a reduction of the expense on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is presented in the balance sheet by deducting the grant in arriving at the carrying amount of the asset. The grant is recognized in the income statement over the useful life of a depreciable asset as a reduced depreciation expense.

### Income tax

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax/tax assets are calculated on all taxable temporary differences, with the exception of:

- Temporary differences relating to investments in subsidiaries, associates or joint ventures when the Group decides when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

Deferred tax assets are recognized in the balance sheet when it is probable that the Company will have a sufficient profit for tax purposes to utilize the tax asset. At each balance sheet date, the Group carries out a review of its unrecognized

deferred tax assets and the value it has recognized. The companies recognize formerly unrecognized deferred tax assets to the extent that it has become probable that the company can utilize the deferred tax asset. Similarly, the company will reduce its deferred tax assets to the extent that it can no longer utilize these.

Deferred tax and deferred tax assets are measured on the basis of the decided future tax rates applicable to the companies in the Group where temporary differences have arisen.

Deferred tax and deferred tax assets are recognized at their nominal value and classified as non-current asset (long-term liabilities) in the balance sheet.

The tax payable and deferred tax is recognized directly in equity or other comprehensive income to the extent that they relate to factors that are recognized directly in equity or other comprehensive income.

#### **Contingent liabilities and assets**

Contingent liabilities are defined as

- i) possible obligations resulting from past events whose existence depends on future events
- ii) obligations that are not recognized because it is not probable that they will lead to an outflow of resources
- iii) obligations that cannot be measured with sufficient reliability

Contingent liabilities are not recognized in the annual financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

A contingent asset is not recognized in the annual financial statements, but is disclosed if there is a certain level of probability that a benefit will accrue to the Group.

#### **Business Combinations**

The acquisition of subsidiaries is accounted for using the acquisition method. Acquisition related costs incurred are expensed and included in financial expenses. When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and relevant conditions as at the acquisition date.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognized at their fair values, except for deferred tax, at the acquisition date.

Goodwill arising on acquisition is recognized as an asset measured at the excess of the sum of the consideration transferred, the fair value of any previously held equity interests and the amount of any non-controlling interests in the acquiree over the net amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the total consideration of the business combination, the excess is recognized in the income statement immediately. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in the income statement as financial income or expense. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

The Group has in some business combinations in 2016 entered into put

and call options for the remaining non-controlling interests (NCI). The group accounts for such agreements using "the anticipated-acquisition method". Under this method, the interest subject to the option is deemed to have been acquired at the date of acquisition. Accordingly, the financial liability arising from the option is included in the consideration transferred. Under the anticipated-acquisition method, the interests of the non-controlling shareholders that hold the options are derecognized when the financial liability is recognized. This is because the recognition of the financial liability implies that the interests subject to the options are deemed to have been acquired already. Therefore, the underlying interests are presented as already owned by the Group, both in the statement of financial position and in the statement of profit or loss and other comprehensive income. The financial liability is recognized at the present value of the expected redemption amount. Changes in the carrying amount of the liability will be recognized within equity. If the option expires unexercised, then the liability is derecognized and NCI are recognized, consistent with a decrease in ownership interests in a subsidiary while retaining control.

Purchase Price Allocation arising from a business combination is finalized within twelve months of completed acquisition.

If the business combination is achieved in stages, the fair value of the Group's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through the income statement.

#### **Events after the balance sheet date**

New information on the Company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the Company's position at the balance sheet

date but which will affect the Company's position in the future are disclosed if significant.

#### **Use of estimates when preparing the annual financial statements**

Estimates and their underlying assumptions that affect the application of accounting principles and reported amounts of assets and liabilities, income and expenses are based on historic experience and other factors considered reasonable under the circumstances. The estimates constitute the basis for the assessment of the net book value of assets and liabilities when these values cannot be derived from other sources. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statement, is given in the following notes:

- Impairment test for intangible assets (note 7)
- Amortization periods for intangible assets (note 7)
- Capitalized development cost/R&D cost (note 7)
- Taxes (note 5)
- Revenue recognition under long-term construction contracts (note 18)

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment of the carrying amounts of assets and liabilities within the next financial year are discussed below.

### **Impairment of non-financial assets**

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill, assets under construction that are not ready for its intended use and intangible assets with indefinite useful lives are tested for impairment annually, or more frequent if impairment indicators exist. The Group's impairment test for non-financial assets is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested.

The recoverable amount is affected by the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. For further discussion refer to note 7.

### **Capitalized development costs**

Development expenditures are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale
- The Groups intention to complete and the Groups ability to use or sell the asset
- How the asset will generate future economic benefits
- The ability to measure reliable expenditure during development
- The availability of resources to complete the asset

When all the above criteria's are met, the costs relating to development start to be recognized in the balance sheet. Project manager performs a continuous assessment to identify whether the cost

relates to the development project or to normal operations. Internal hours used in the development project are capitalized at cost (no mark-up), see note 7.

Costs that have been expensed in previous accounting periods are not recognized in the balance sheet.

Recognized development costs are amortized on a straight-line basis over the estimated useful life for the asset, usually not exceeding 5 years. Amortization starts when the asset is ready for use.

A yearly impairment test is performed on assets not yet determined as ready for use.

### **Deferred tax assets**

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

### **Long term construction contracts**

The percentage-of-completion method is used to account for construction contracts. This method requires estimates of the final revenue and costs of the contract, as well as measurement of progress achieved to date as a proportion of the total work performed.

The Group reviews the estimates of contract revenue and contract costs for ongoing projects on a monthly basis through its internal financial reporting processes. See note 17 for disclosures relating to construction contracts.

### **New IFRS standards and interpretations**

The accounting policies adopted are consistent with those of the previous financial year, except for the amendments to IFRS which have been implemented by the Group during the current financial year. None of the amendments to IFRS for 2016 has had significant effect to the Group financials. The standards and interpretations not yet effective that may have a significant impact for the Group are mentioned below.

### **New standards not yet effective IFRS 9 Financial Instruments**

In July 2014 the IASB published the final element in IFRS 9 and the standard is now complete. IFRS 9 results in amendments to classification and measurement, hedge accounting and impairment. IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. The parts of IAS 39 that have not been amended as part of this project has been transferred and included in IFRS 9. The standard shall be implemented retrospectively, with the exception of hedge accounting, but it is not a requirement to prepare comparative figures. The rules for hedge accounting shall mainly be implemented prospectively, with certain few exceptions. The Group has no plans regarding early implementation of the standard.

The standard will apply from January 1<sup>st</sup> 2018 and is not expected to have material impacts for the Group.

### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 Revenue from Contracts with Customers replaces all existing standards and interpretations relating to revenue recognition. The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that

reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. With some few exceptions, the standard is applicable for all remunerative contracts and includes a model for recognition and measurement of sale of individual non-financial assets (e.g. sale of property, plant and equipment). IFRS 15 shall be implemented using either the fully retrospective or modified method.

The Group is in progress of assessing the effect of the implementation, and expects the new standard to have an impact on some parts of the Group's business involving long-term construction contracts. The Group will assess whether there are separate performance obligations, which would imply the contract revenue to be allocated to the different performance obligations and recognized as the different obligations in the contract are fulfilled. The new standard is not expected to have significant impact on ordinary sales of goods. The standard will apply from January 1<sup>st</sup> 2018 and will have impact on the disclosures of the financial statement.

### **IFRS 16 Leases**

IFRS 16 Leases replaces existing IFRS leases requirements, IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognise assets and liabilities for most leases, which is a significant change from current requirements. For lessor, IFRS 16 substantially carries forward the accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The effective date for IASB is from January 1<sup>st</sup> 2019, but yet to be approved by EU. The Group is in progress of assessing the effect of the implementation.

### Annual Improvements 2014-2016

IASBs annual improvements project 2014 – 2016 includes amendments to a number of standards:

#### IAS 1 – Disclosure Initiative

The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial reports. The Group has adopted the amendments which are effective on or after January

1<sup>st</sup> 2016, with earlier application being permitted.

A number of limited scope amendments and interpretations, such as

- IFRS 14 – Regulatory Deferral Accounts
- IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations
- IAS 27 – Equity Method in Separate Financial Statements

have been set effective from January 1<sup>st</sup> 2016. These amendments and interpretations have been assessed to have no material impact on the Group.

## Note 2

### Segment information (in NOK 1 000)

#### Business segments

For more detailed description and information about products and services included in the business areas, please go to “Products” at [www.akvagroup.com](http://www.akvagroup.com) and download the short version of the product catalogues.

#### Cage Based Technology

Main products include Polarcirke™, Wavemaster™ and Akvasmarts™ hardware brands such as: Plastic cages, steel cages, feed barges, feed systems, sensor- and camera systems, underwater lights and net cleaning systems. Various degrees of cage farming projects are also delivered in main export markets. These also include nets and mooring systems from other recognized sub-suppliers. Through Helgeland Plast AS in Norway, AKVA group supplies polyethylene work boats and pipes to aquaculture and other industries. With the acquisitions of 66% of the shares in Sperre AS the Group also supplies ROV's and subsea solutions to the aquaculture, oil service and maritime industries. The Group also provides a range of services to the fish farming industry through AKVA Marine Services AS.

#### Software

Main products include all Fishtalk™ software brands such as: Production control, planning, traceability and ERP software for both the aquaculture and the fishing industry. Main markets include Norway, Iceland, Canada, Chile and UK. AKVA group is the market leader in software both to the aquaculture and fishing industries in these markets. Main offices for the software activities are in Norway (Trondheim) and Iceland (Reykjavik and Akureyri).

#### Land Based technology

Recirculation technology forms the main part of our Land Based Aquaculture Technology, which is developing into a major trend in global aquaculture. This technology allow the re-use (recirculation) of close to 100% of the water by cleaning the water and restoring important water quality parameters, using advanced water treatment technology. Main

components used include mechanical filters, UV treatment, biofilters, degasser units, oxygenation, cooling/heating systems and lifting pumps. The main reason for reporting this separately is due to the very different nature of this business compared to the other more traditional part of AKVA group's business and products. Recirculation projects tend to be 10-20 times larger (in average project value) compared to other delivery projects (other AKVA group products). The sales process is substantially more complex and time consuming as it often requires extensive pre-project engineering, site evaluations and harder to get financing. Main subsidiaries in the Group for Land Based Technology are AKVA group Denmark A/S (Denmark), Plastsveis AS (Norway) and Aquatec Solutions A/S (Denmark).

Intra segment revenue is immaterial.

<b>Cage Based Technology</b>	<b>2016</b>	<b>2015</b>
Operating revenue	1 132 781	1 070 927
Operating expenses	1 020 207	976 102
Operating profit before depreciation and amortization (EBITDA)	<b>112 575</b>	<b>94 825</b>
Depreciation and amortization	49 522	33 254
Operating profit (EBIT)	<b>63 052</b>	<b>61 571</b>
Investments in tangible and intangible assets	<b>69 098</b>	<b>59 551</b>
<b>Software</b>	<b>2016</b>	<b>2015</b>
Operating revenue	140 294	132 092
Operating expenses	114 266	106 092
Operating profit before depreciation and amortization (EBITDA)	<b>26 029</b>	<b>26 000</b>
Depreciation and amortization	11 505	10 331
Operating profit (EBIT)	<b>14 524</b>	<b>15 669</b>
Investments in tangible and intangible assets	<b>11 244</b>	<b>8 611</b>
<b>Land Based Technology</b>	<b>2016</b>	<b>2015</b>
Operating revenue	329 997	222 319
Operating expenses	324 407	207 984
Operating profit before depreciation and amortization (EBITDA)	<b>5 589</b>	<b>14 335</b>
Depreciation and amortization	8 129	3 865
Operating profit (EBIT)	<b>-2 540</b>	<b>10 469</b>
Investments in tangible and intangible assets	<b>8 975</b>	<b>7 592</b>

The sales of services in this segment are immaterial.

<b>TOTAL</b>	<b>2016</b>	<b>2015</b>
Operating revenue	1 603 072	1 425 338
Operating expenses	1 458 880	1 290 179
Operating profit before depreciation and amortization (EBITDA)	<b>144 193</b>	<b>135 159</b>
Depreciation and amortization	69 156	47 450
Operating profit (EBIT)	<b>75 036</b>	<b>87 709</b>
Assets	<b>1 375 951</b>	<b>1 083 127</b>
Liabilities	<b>940 984</b>	<b>654 695</b>
Investments in tangible and intangible assets	<b>89 316</b>	<b>75 755</b>

<b>Operating revenue</b>	<b>2016</b>	<b>2015</b>
Construction contracts	886 191	743 910
Product sales	289 035	309 986
Service	242 615	207 382
Rental contracts	40 911	31 953
Software	136 632	127 480
Other income	7 688	4 626
<b>Total operating revenue</b>	<b>1 603 072</b>	<b>1 425 337</b>

### Geographical information

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

<b>Operating revenue - external customers</b>	<b>2016</b>	<b>2015</b>
Norway	1 011 721	783 853
Chile	114 329	148 177
Canada	43 888	95 903
Scotland	93 822	140 226
Denmark	192 528	134 595
Iceland	94 537	80 257
Other	52 247	42 328
<b>Group</b>	<b>1 603 072</b>	<b>1 425 338</b>

<b>Non-current assets excluding deferred tax assets and other non-current assets</b>	<b>2016</b>	<b>2015</b>
Norway	652 249	387 498
Chile	12 398	12 818
Canada	1 077	1 343
Scotland	25 514	31 294
Denmark	12 936	10 705
Iceland	6 715	7 016
Other	1 815	950
<b>Group</b>	<b>712 703</b>	<b>451 625</b>

<b>Total assets</b>	<b>2016</b>	<b>2015</b>
Norway	924 832	606 568
Chile	148 763	140 221
Canada	31 751	40 037
Scotland	68 656	81 350
Denmark	144 431	158 976
Iceland	36 232	35 111
Other	21 286	20 864
<b>Group</b>	<b>1 375 951</b>	<b>1 083 127</b>

### Revenues by customer

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

<b>Revenues by customer</b>	<b>2016</b>	<b>2015</b>
Customer A	186 896	185 705
Customer B	92 607	81 213
Customer C	59 003	73 998
Customer D	43 823	46 503
Customer E	43 304	44 070

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

**Note 3****Wages, remunerations and pensions** (in NOK 1 000)

<b>Payroll expenses</b>	<b>2016</b>	<b>2015</b>
Salaries	351 756	293 524
Payroll tax	25 009	18 920
Pension costs	13 826	11 129
Other benefits	31 513	17 521
<b>Total payroll expenses</b>	<b>422 104</b>	<b>341 094</b>
Number of employees at year end:	791	670
The average number of employees in full time equivalent in the Group during the year is:	765	658

<b>Remuneration to group management 2016</b>	<b>Salary</b>	<b>Pension</b>	<b>Other</b>	<b>Accrued - not paid Bonus</b>
Hallvard Muri (CEO) <sup>1)</sup>	625	10	22	-
Trond Williksen (former CEO) <sup>2)</sup>	2 050	63	136	6 582
Eirik Børve Monsen (CFO) <sup>3)</sup>	1 601	63	27	4 388
Per Andreas Hjetland (COO Nordic)	1 331	63	28	151
Trond Severinsen (COO Export & CMO)	1 176	63	175	-
Andrew Campbell (COO Americas)	1 527	-	6	-
Inge Forseth (COO Technology & Software)	1 295	63	28	151
Morten Nielsen (COO Land Based Technology)	666	-	-	-

1) Hallvard Muri assumed his position as CEO on November 4<sup>th</sup> 2016

2) Trond Williksen stepped down as CEO on November 3<sup>rd</sup> 2016

3) Eirik Børve Monsen stepped down as CFO on December 31<sup>st</sup> 2016

Trond Williksen and Eirik Børve Monsen did not receive any extra compensation when resigning their positions in the Company.

The agreed remuneration for Hallvard Muri is an annual fixed salary of MNOK 2.500. He is also entitled to full payment during sick leaves up to 52 weeks and a monthly car allowance of KNOK 10. Hallvard Muri has a yearly bonus arrangement limited up to 50% of annual salary. In addition he has a 3 years bonus arrangement limited up to 50% of the annual salary in the three year period ending on December 31<sup>st</sup> 2019. Muri can claim 12 months of salary if his contract is terminated.

The current incentive scheme for the Group holds two elements: (1) Strategic Value Incentive Scheme; providing incentives to the CEO and CFO relative to the actual development in the Company's market capitalization in the 3 year period ending on December 31<sup>st</sup> 2019 limited to an amount equal to 50% of the CEO and CFO's respective fixed salary in the same period. (2) Operational Incentive Scheme; providing incentives to managers of business areas and key subsidiaries relative to actual annual financial and operational performance.

The general bonus plan does not exclude special bonus payments for particularly demanding projects.

## Pensions

The pension schemes in all legal entities are defined contribution plans where agreed contributions are expensed as paid.

The companies have no further commitments towards pensions when the agreed contributions are paid. All pension costs are included in payroll expenses in the profit and loss statement.

As of December 31<sup>st</sup> 2016 the Group has no pension liability.

According to Norwegian legislation the entities need to have a pension scheme for the employees. The existing pension schemes meet the requirements in the legislation.

## Loan and pledge

The Group has not given any loans or pledges to members of the Board or group management as of December 31<sup>st</sup> 2016.

Remuneration to Group management 2015	Salary	Pension	Other	Accrued - not paid Bonus
Trond Williksen (CEO)	2 213	61	136	2 820
Eirik Børve Monsen (CFO)	1 406	61	13	1 880
Per Andreas Hjetland (COO Nordic)	1 272	61	10	360
Trond Severinsen (COO Export & CMO)	1 091	61	167	183
Andrew Campbell (COO Americas)	1 336	-	48	290
Inge Forseth (COO Technology & Software)	1 181	61	11	347

The accrued bonuses according to strategic value incentive scheme for CEO and CFO is included in accrued bonuses at December 31<sup>st</sup> 2016 and due in 2017.

Fees to the Board of Directors	Position	2016	2015
Hans Kristian Mong	Chairperson of the Board	296	280
Anne Breiby	Deputy Chairperson of the Board	188	200
Frode Teigen	Member of the Board	173	165
Evy Vikene	Member of the Board	132	125
Nils Viga	Member of the Board	146	150
Aino Kristin Lindal Olaisen	Member of the Board	131	88
Anthony James	Member of the Board	131	63
Tore Obrestad	Member of the Board	32	30
Carina Jensen	Member of the Board	32	30
Henrik A. Schultz	Member of the Board	32	30

Henrik A. Schultz, Carina Jensen and Tore Obrestad are elected amongst the employees and are the employee representatives in the Board of Directors. In addition to the board fee they have all received salary, pension contribution and other remunerations. Henrik A. Schultz has in 2016 received KNOK 575 in salary, KNOK 20 in contribution to the pension scheme and KNOK 18 in other remuneration. Carina Jensen has in 2016 received KNOK 603 in salary, KNOK 21 in contribution to the pension scheme and KNOK 31 in other remuneration. Tore Obrestad has in 2016 received KNOK 815 in salary, KNOK 36 in contribution to the pension scheme and KNOK 173 in other remuneration.

### Establishment of salaries and other remuneration to executive management

The remuneration of the executive management is based on the principle that the base salary shall promote value creation in the Company and contribute to coincident interests between owners and the executive management.

As the leading aquaculture technology supplier, AKVA group is dependent to offer salaries and remunerations that secure that the most competent management is recruited. It is the policy of the Board of Directors that in order to recruit the most competent management, the company has to offer salaries and remunerations which are satisfactory to the management and are able to compete in an international market.

The Board of Directors has established a remuneration committee which shall act as a preliminary organ in relation to the Board's role in the establishment of remuneration to the Chief executive officer and other members in the Group management. It is the Company's policy that the remuneration of the executive management principally is based on a fixed monthly salary which reflects the tasks and responsibility of the employment. This remuneration is established on an individual basis. The fixed monthly salary is determined amongst other of the following factors:

- Experience and competence of the executive manager
- Responsibility
- Competition from the market

Total variable remuneration shall not in normal cases exceed the value of the fixed remuneration. In 2006 AKVA group introduced a stock option plan. Stock options are granted to the executive management and other senior employees. As of December 31<sup>st</sup> 2016 the stock option plan is inactive and no options have been granted.

The agreed pension plan is the same for the executive management as for the rest of the Norwegian employees.

Salary payments after termination of employment is normally related to confidentiality and restrictive competitor agreements in which these payments shall only compensate for the constraints to the resigned employees permission to enter into a new employment agreement. Agreements of payment after termination of employment shall as a basis be reduced with salaries from other employers. AKVA group ASA does not use agreements of salary payments after termination of employment without a distinct reason.

Fees to auditor	2016	2015
Audit	2 002	1 967
Tax services	571	663
Attestation services	-	10
Other services	1 039	733
<b>Total</b>	<b>3 612</b>	<b>3 373</b>

All fees to the auditor is excluded of VAT.

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

<b>Government grants received</b>	<b>2016</b>	<b>2015</b>
"Skattefunn" <sup>1)</sup>	2 944	1 216
Highlands and Islands Enterprise	171	185
Other	2 224	849
<b>Total</b>	<b>5 339</b>	<b>2 250</b>

1) "Skattefunn" is a Norwegian grant for research and development

Grants and subsidies cover the operating expenses recognized for the specific projects that are basis for the application of such grants and subsidies.

**Note 5****Taxes** (in NOK 1 000)

<b>Tax expense</b>	<b>2016</b>	<b>2015</b>
Current taxes payable	18 823	6 217
Adjustment related to previous year	-11	-608
Change in deferred taxes	2 405	14 299
Effect of change in tax rate in Norway	-225	-218
<b>Total tax expense</b>	<b>20 992</b>	<b>19 690</b>

<b>Specification of temporary differences <sup>1)</sup></b>	<b>2016</b>	<b>2015</b>
Current assets	50 492	25 050
Fixed assets	141 192	85 109
Provisions	-31 637	-12 606
Pension obligations	27	-246
Losses carried forward	-105 277	-82 417
Other	-1 540	1 367
<b>Total</b>	<b>53 256</b>	<b>16 256</b>

1) An effect of MNOK 71.8 is due to acquisitions in 2016. The effect in 2015 was MNOK 52.2.

<b>Effective tax rate</b>	<b>2016</b>	<b>2015</b>
Expected income taxes, statutory tax rate of 25%	12 099	24 190
Permanent differences (25%)	3 907	2 786
Effect of change in tax rate	-225	-18
Deviation between Norwegian and foreign tax rate	-1 984	-3 245
Excess(-)/insufficient(+) provisions in former years	41	452
Change in non-recognized deferred tax asset	7 155	-4 476
<b>Income tax expense</b>	<b>20 992</b>	<b>19 690</b>

Effective tax rate in percent of profit before tax	43,2 %	25,2 %
--	--------	--------

The Group has a tax loss carry forward of MNOK 105.3 whereof MNOK 105.3 is available indefinitely for offset against future taxable profits of the companies in which the losses arose. MNOK 38.4 of the total tax loss carry forward related to AKVA group Denmark A/S is not included in the balance sheet as deferred tax asset. An assessment of the future profit for the Danish entities is done, and for the tax loss carry forward included in the balance sheet as deferred tax asset it is expected that profit before tax in the next five years will offset the recognized deferred tax asset.

The deferred tax asset recognized in the balance sheet is made probable due to future earnings in the subsidiaries and tax planning. About 20% of the tax loss carry forwards is related to Norwegian tax jurisdiction, while 76% is related to AKVA group Denmark A/S.

The Norwegian companies included in the Group are expected to have positive earnings in the coming year and it is expected that most of the tax loss carry forwards can be offset against these profits.

### Note 6 Earnings per share

	2016	2015
Ordinary profit / net income (in NOK 1 000)	27 500	56 828
Number of ordinary shares outstanding as of 31.12.	25 834 303	25 834 303
Weighted average number of ordinary shares	25 828 889	25 818 928
Earnings per share (NOK)	1,06	2,20
Diluted number of shares	25 828 889	25 818 928
Diluted earnings per share (NOK)	1,06	2,20

At December 31<sup>st</sup> 2016 the weighted average number of shares was lower than number of ordinary shares due to the Company owning 123,000 shares at the beginning of the year. 122,698 shares were transferred when finalizing AKVA group ASA's share incentive scheme in mid-January 2016. At year end 2016 the Company owns 302 shares. See note 22 Sale of own shares.

**Note 7****Intangible assets** (in NOK 1 000)

<b>2016</b>	<b>Goodwill</b>	<b>Develop- ment costs</b>	<b>Product rights, patents &amp; trademarks</b>	<b>Total</b>
Acquisition cost at 01.01.	269 848	152 498	140 631	<b>562 977</b>
Additions related to acquisitions	159 199	4 770	60 605	<b>224 574</b>
Additions during the year	-	18 662	882	<b>19 545</b>
Translation differences	-1 312	2 567	460	<b>1 716</b>
Disposals during the year	-	-	-35	<b>-35</b>
Acquisition cost 31.12.	427 735	178 497	202 543	<b>808 776</b>
Accumulated amortization at 01.01.	395	100 756	113 695	<b>214 846</b>
Accumulated amortization related to acquisitions	-	2 236	126	<b>2 362</b>
Amortization during the year	-	14 112	12 289	<b>26 401</b>
Translation differences	-	2 682	350	<b>3 032</b>
Accumulated amortization disposals during the ye	-	-	-	<b>-</b>
Accumulated amortization 31.12.	395	119 787	126 459	<b>246 641</b>
<b>Net book value at 31.12.</b>	<b>427 340</b>	<b>58 711</b>	<b>76 084</b>	<b>562 135</b>

During the year, the Group expensed MNOK 38.4 (MNOK 29.9 in 2015) on research and development on new products and technology as well as upgrades on existing products. The amount does not include capitalized development costs according to IAS 38 (see table above in this note).

<b>2015</b>	<b>Goodwill</b>	<b>Develop- ment costs</b>	<b>Product rights, patents &amp; trademarks</b>	<b>Total</b>
Acquisition cost at 01.01.	203 083	130 227	117 155	<b>450 466</b>
Additions related to investments in subsidiaries	59 274	-	20 900	<b>80 175</b>
Additions during the year	-	18 619	495	<b>19 113</b>
Translation differences	7 490	3 652	2 111	<b>13 254</b>
Disposals during the year	-	-	-31	<b>-31</b>
Acquisition cost 31.12.	269 848	152 498	140 631	<b>562 977</b>
Accumulated amortization at 01.01.	395	86 766	106 095	<b>193 256</b>
Amortization during the year	-	11 290	7 219	<b>18 510</b>
Translation differences	-	2 699	289	<b>2 988</b>
Accumulated amortization disposals during the ye	-	-	92	<b>92</b>
Accumulated amortization 31.12.	395	100 756	113 695	<b>214 846</b>
<b>Net book value at 31.12.</b>	<b>269 453</b>	<b>51 742</b>	<b>26 935</b>	<b>348 130</b>

Both the parent company and the subsidiaries use straight-line amortization of all intangible assets. The useful economic life for the intangible assets are estimated as: Development 3-5 years, patents 20 years, trademarks 5 years and product rights 5-10 years.

**Goodwill:**

After the acquisitions of Wavemaster, Polarcirkel, Maritech, UNI Aqua, Idema, Plastsveis, YesMaritime, Aquatec Solutions, AD Offshore and Sperre, AKVA group is a leading provider with a strong market position in an industry which is based on renewable resources. See impairment test of goodwill below.

**Development Costs:**

The Group has capitalized all direct costs that are expected to create economic benefits and meet the requirements for capitalization in IAS 38. The capitalized costs relates to software solutions and modules for integrating equipment on fish farming sites, ERP solutions and upgrades for the fish farming industry and upgrades for traditional ERP solutions. It also relates to improved product solutions to help the fish farming industry in becoming more efficient.

**Product rights, patents & trademarks:**

The acquisition cost is related to the acquisitions of Superior Systems AS (2001), Vicass (2002), Cameratech (2004), Ocean Service Log (2004), Polarcirkel/Wavemaster (2006), Maritech/UNI Aqua (2007), Idema Aqua (2008), Plastsveis (2013), YesMaritime (2014), Aquatec Solutions (2015), AD Offshore (2016) and Sperre (2016).

**Impairment test of goodwill and intangible assets with indefinite useful life:**

Intangible assets with indefinite useful life and goodwill are not amortized. These assets are tested annually for impairment. The brands of Sperre and AD Offshore are assessed to have an indefinite lifespan effect due to their strong standing and position already achieved within the markets they operate. The fair value of these two intangible assets are the only ones defined with indefinite useful life. Goodwill and intangible assets acquired through business combinations has been allocated to the following cash-generating units:

<b>Book value of goodwill:</b>	<b>2016</b>	<b>2015</b>
Cage Based Technology	298 075	139 928
Software	42 157	38 530
Land Based Technology	87 109	90 996
<b>Total goodwill</b>	<b>427 341</b>	<b>269 453</b>
<b>Book value of intangible assets with indefinite useful lifetime</b>		
Cage Based Technology	28 055	-
<b>Total intangible assets</b>	<b>28 055</b>	<b>-</b>

Discounted cash flow models are used to determine the recoverable amount for the cash-generating units. The Group has projected cash flows based on financial budgets and forecasts approved by the Board of Directors. Beyond the explicit budget and forecast period of five years, the cash flows are extrapolated using a constant nominal growth rate.

**Key assumptions used for calculations:****Growth rates**

The expected growth rates from the cash-generating units converges from its current level experienced over the last few years to the long term growth level expected for the aquaculture industry. Cash flows beyond a five year period are extrapolated using a 3.0% growth rate.

### **Revenue**

Revenue is based on budget for the coming year, assessed through a thorough process for all cash-generating units. Thereafter the outlook and expectations within each cash-generating unit is considered and revenue is estimated with a reasonable, but conservative growth rate for each of the next four years.

### **Gross margin**

The gross margins, revenues less cost of goods sold, are calculated based on achieved gross margins during the last three years, and is aligned with achievements the last year. The estimated gross margin will be stable in the years to come. It is expected that any change in the raw material prices over a reasonable time period will be reflected in product market prices and thus not have any material effect on achieved gross margins.

### **Market share**

The calculations are based on the assumption that market share will not change significantly from the date of the calculation.

### **Discount rates**

Discount rates are based on Weighted Average Cost of Capital (WACC) derived from the Capital Asset Pricing Model (CAPM) methodology. The cost of a company's equity and debt, weighted to reflect its capital structure of 72|28 respectively, derive its weighted average cost of capital. The discount rates take into account the debt premium, market risk premium and gearing, corporate tax rate and asset beta.

In the recoverable amount assessment, the Group has applied estimated cash flows after tax and a corresponding discount rate after tax of 7,46% for all cash-generating units. A variation of +/- 1% does not materially affect the conclusion of the impairment tests. The recoverable amounts would not change significantly if pre-tax cash flows and a pre-tax discount rate of 7,62% had been applied instead.

### **Sensitivity to changes in assumptions**

With regards to the assessment of value-in-use of the different cash-generating units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to exceed its recoverable amount.

**Note 8****Tangible fixed assets** (in NOK 1 000)

<b>2016</b>	<b>Land and building</b>	<b>Machinery and equipment</b>	<b>Total</b>
Acquisition cost at 01.01.	18 511	250 855	<b>269 366</b>
Additions from investment in subsidiaries	2 112	61 239	<b>63 351</b>
Additions during the year	465	69 308	<b>69 772</b>
Translation differences	-	-10 854	<b>-10 854</b>
Disposals during the year	-	-2 008	<b>-2 008</b>
<b>Acquisition cost 31.12.</b>	<b>21 088</b>	<b>368 539</b>	<b>389 627</b>
Accumulated depreciation 01.01.	5 176	160 695	<b>165 872</b>
Accumulated depreciations from acquisition	-	35 826	<b>35 826</b>
Depreciation during the year	297	42 458	<b>42 755</b>
Translation differences	-	-5 120	<b>-5 120</b>
Accumulated depreciation disposals during the year	-	-274	<b>-274</b>
<b>Accumulated depreciation 31.12.</b>	<b>5 474</b>	<b>233 585</b>	<b>239 058</b>
<b>Net book value 31.12.</b>	<b>15 614</b>	<b>134 954</b>	<b>150 568</b>

The useful economic life (in years) is estimated to: > 20      3-5

Finance lease assets are included in the amounts above and had a net book value of MNOK 41 at December 31<sup>st</sup> 2016.

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

<b>2015</b>	<b>Land and building</b>	<b>Machinery and equipment</b>	<b>Total</b>
Acquisition cost at 01.01.	15 664	191 754	<b>207 419</b>
Additions from investment in subsidiaries	-	1 629	<b>1 629</b>
Additions during the year	2 847	53 794	<b>56 641</b>
Translation differences	-	7 639	<b>7 639</b>
Disposals during the year	-	-3 961	<b>-3 961</b>
<b>Acquisition cost 31.12.</b>	<b>18 511</b>	<b>250 855</b>	<b>269 367</b>
Accumulated depreciation 01.01.	4 999	128 410	<b>133 410</b>
Accumulated depreciations from acquisition	-	1 129	<b>1 129</b>
Depreciation during the year	177	28 764	<b>28 941</b>
Translation differences	-	4 275	<b>4 275</b>
Accumulated depreciation disposals during the year	-	-1 882	<b>-1 882</b>
<b>Accumulated depreciation 31.12.</b>	<b>5 176</b>	<b>160 696</b>	<b>165 872</b>
<b>Net book value 31.12.</b>	<b>13 335</b>	<b>90 160</b>	<b>103 495</b>

The useful economic life (in years) is estimated to: > 20      3-5

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

**Note 9****Subsidiaries and other long-term investments** (in NOK 1 000 unless stated otherwise)

Subsidiaries consolidated in the Group accounts	Acquisition year	Location	Share ownership	Voting rights
AKVA group North America Inc.	1995	Canada	100 %	100 %
AKVA group Scotland Ltd.	1997	Scotland	100 %	100 %
AKVA group Software AS	1997	Norway	100 %	100 %
AKVA group Chile S.A.	1998	Chile	100 %	100 %
AKVA Ltd <sup>1)</sup>	1998	Scotland	100 %	100 %
AKVA group Services AS	2001	Norway	100 %	100 %
AKVAsmart Ltd. (Turkey)	2005	Turkey	100 %	100 %
Helgeland Plast AS	2006	Norway	100 %	100 %
Wise lausnir ehf	2007	Iceland	100 %	100 %
AKVA group Denmark A/S	2007	Denmark	100 %	100 %
Polarcirkel AS	2010	Norway	100 %	100 %
Plastsveis AS	2013	Norway	100 %	100 %
Wise Blue AS <sup>2)</sup>	2015	Norway	100 %	100 %
Aquatec Solutions A/S	2015	Denmark	100 %	100 %
Sistemas de Recirculacion Ltda <sup>3)</sup>	2015	Chile	100 %	100 %
AKVA Marine Services AS	2016	Norway	65 %	65 %
AD Eiendomsselskap AS <sup>4)</sup>	2016	Norway	100 %	100 %
Sperre AS	2016	Norway	66 %	66 %

<sup>1)</sup> Subsidiary of AKVA group Scotland Ltd.

<sup>2)</sup> Subsidiary of Wise lausnir ehf

<sup>3)</sup> Subsidiary of Aquatec Solutions A/S

<sup>4)</sup> Subsidiary of AKVA Marine Services AS

The anticipated acquisition method is used for the acquisition of AD Offshore AS (merged into AKVA Marine Services AS) and Sperre AS. The underlying non-controlling interests are presented as already owned by the Group, both in the statement of financial position and in the statement of profit or loss and other comprehensive income, even though legally they are still non-controlling interests.

Share ownership and voting rights has been unchanged since acquisition date.

Other long-term investments	Currency	Share capital	Number of shares	Par value (NOK)	Book value	Owner-ship
Atlantis Subsea Farming AS	NOK	756	200	1 260	2 930	33 %
Centre for Aquaculture Competence AS	NOK	450	150	1 000	153	33 %
Blue Planet AS	NOK	1 350	2	50 000	100	7 %
Other investments	NOK				1 470	<5 %
<b>Total</b>					<b>4 653</b>	

### Note 10

#### Inventory (in NOK 1 000)

<b>Inventory</b>	<b>2016</b>	<b>2015</b>
Raw materials (at cost)	49 138	60 002
Work in progress (at cost)	28 359	8 627
Finished goods (lowest of cost and net realizable value)	108 628	112 047
<b>Total</b>	<b>186 125</b>	<b>180 676</b>
Write-down of obsolete inventory 01.01.	5 732	5 013
Write-down of obsolete inventory during the year	114	719
<b>Write-down of obsolete inventory 31.12.</b>	<b>5 846</b>	<b>5 732</b>

The write down of obsolete inventory at year end is related to finished goods.

### Note 11

#### Receivables (in NOK 1 000)

<b>Receivables due in more than one year</b>	<b>2016</b>	<b>2015</b>
Other long-term receivables	1 764	2 063
<b>Total</b>	<b>1 764</b>	<b>2 063</b>

#### Accounts receivables

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

<b>Bad debt provisions</b>	<b>2016</b>	<b>2015</b>
Bad debt provision 01.01.	7 839	12 531
Increase in bad debt provision related to acquisitions	1 324	1 218
Change for the year	1 502	-
Used from the provision	-175	-3 583
Unused amounts reversed	-497	-2 327
<b>Bad debt provision 31.12.</b>	<b>9 994</b>	<b>7 838</b>
Recorded bad debt cost during the year	3 710	-4 605
Change in bad debt provision	831	4 525
<b>Total bad debt cost during the year</b>	<b>4 541</b>	<b>-80</b>

Provisions for bad debt are evaluated individually per legal entity according to Group principles. Specific provisions are to be recognized immediately when likelihood for losses are more than 50%. On top of that general provisions are made based on historical loss as a percentage revenue, calculated as a 3 year historical average.

Reference is made to note 16 for more details of credit and currency risk related to accounts receivables.

<b>As of 31.12. the Group had the following ageing profile of accounts receivables:</b>	<b>2016</b>	<b>2015</b>
Not due	166 208	168 938
Due <30 days	36 784	45 148
Due 31-60 days	11 195	14 978
Due 61-90 days	4 231	18 336
Due > 91 days	41 462	41 816
<b>Total</b>	<b>259 880</b>	<b>289 217</b>
Bad debt provisions	9 994	7 838

**Note 12**

Cash and cash equivalents (in NOK 1 000)

	<b>2016</b>	<b>2015</b>
Cash	136 602	99 402
Restricted funds	28 941	10 114
<b>Total cash and cash equivalents</b>	<b>165 543</b>	<b>109 517</b>

Restricted funds are employee tax deduction funds and restricted funds in projects in Aquatec Solutions A/S of MNOK 18.3.

The Group has an overdraft facility of MNOK 90 in Danske Bank. As of December 31<sup>st</sup> 2016 the facility was unused compared to usage of MNOK 39 at year end 2015.

**Note 13**

Shareholders

**AKVA group ASA**

The Company's share capital is MNOK 25.8 divided into 25.8 million shares, each with a par value of NOK 1.

The Company has only one category of shares and all shares entitle shareholders to equal rights in the company.

The Annual General Meeting (AGM) in May 2016 authorized the Board of Directors to acquire shares for up to a face value of total NOK 645,857 which equals approximately 2.5 % of the Company's share capital. Acquisition of shares pursuant to this authorization may only take place if the Company's distributable reserves according to the most recent balance sheet exceed the remuneration for the shares to be acquired. The authorization was valid until the AGM in May 2017, however, not later than until 30 June 2017. This authorization replaces the authorization to the board to purchase own shares, given by the General Meeting on May 7<sup>th</sup> 2015.

In the same AGM in 2016 the Board of Directors were authorized to increase the company's share capital by up to NOK 2,583,430, through subscription of new shares. The authorization does not authorize the board to waive the pre-emptive right of shareholders pursuant to section 10-4 of the Public Limited Liability Companies Act (the "Act"), nor carry out a capital increase through payments in non-monetary assets, nor incur special obligations on behalf of the company as set out in section 10-2 of the Act, nor decisions on mergers pursuant to section 13-5 of the Act, and may not be used in connection with the company's option program. The authorization shall be in force until the earlier of the time of the Annual General Meeting in 2017 and 30 June 2017. This

authorization replaces all previous authorizations to the board to increase the company's share capital.

<b>The 20 largest shareholders at 31.12.16</b>	<b>Number of shares</b>	<b>Ownership in % of total shares</b>
EGERSUND GROUP AS	13 203 105	51,11 %
WHEATSHEAF GROUP LTD	3 900 000	15,10 %
VERDIPAPIRFONDET ALFRED BERG GAMBAK	1 000 621	3,87 %
EIKA NORGE	489 417	1,89 %
STATOIL PENSJON	461 396	1,79 %
VPF NORDEA KAPITAL	391 920	1,52 %
MP PENSJON PK	356 300	1,38 %
NORRON SICAV - TARGET	346 000	1,34 %
VERDIPAPIRFONDET DNB	330 067	1,28 %
MERTOUN CAPITAL AS	300 000	1,16 %
VPF NORDEA AVKASTNING	265 352	1,03 %
FORTE TRØNDER	246 598	0,95 %
OLE MOLAUG EIENDOM AS	238 692	0,92 %
ARCTIC FUNDS PLC	193 924	0,75 %
ROGALAND SJØ AS	166 880	0,65 %
DAHLE BJØRN	150 000	0,58 %
NORDEA 1 SICAV	132 595	0,51 %
NORRON SICAV - SELECT	124 108	0,48 %
STATOIL FORSIKRING AS	122 382	0,47 %
VERDIPAPIRFONDET NORDEA NORGE PLUS	118 985	0,46 %
Other shareholders	3 295 961	12,76 %
<b>Total</b>	<b>25 834 303</b>	<b>100,00 %</b>

<b>Shares owned by members of the Board of Directors</b>	<b>Number of shares</b>
Frode Teigen and Hans Kristian Mong as owners of Egersund Group AS <sup>1)</sup>	13 203 105
Anne Breiby (Kjerby AS)	63 800
Nils Viga (Askvig AS)	100 000
Tore Obrestad	3 254

1) Frode Teigen, through Kontrazi AS, and Hans Kristian Mong, through Mongbakken AS, owns 50 % each in Egersund Group AS

Shares owned by group management	Number of shares
Per Andreas Hjetland (COO Nordic)	3 386
Trond Severinsen (COO Export & CMO)	311
Andrew Campbell (COO Americas)	886
Inge Forseth (COO Technology & Software)	886
Morten Nielsen (COO Land Based Technology)	886

**Note 14**

Liabilities to financial institutions (in NOK 1 000)

Long-term liabilities due in more than 5 years	2016	2015
Liabilities to financial institutions	5 214	3 960
<b>Total</b>	<b>5 214</b>	<b>3 960</b>

	2016	2015
Liabilities secured with assets	377 875	245 634
Guarantee liabilities	37 105	36 450

Assets pledged as security for debt:	2016	2015
Accounts receivable	135 187	114 358
Inventory	115 837	92 129
Shares in subsidiaries	290 388	101 780
Other assets	111 709	58 114
<b>Total</b>	<b>653 121</b>	<b>366 381</b>

**Repayment of debt**

AKVA group ASA has in 2016 increased the debt for financing the acquisitions of AD Offshore AS and Sperre AS with two new bank loans of a total of MNOK 158 at Danske Bank. The Group's interest-bearing liabilities of MNOK 377.9 at December 31<sup>st</sup> 2016 consist of bank loans to Danske Bank with carrying amount MNOK 327.6, financial lease liabilities of MNOK 41.1, liability to Hitra Kommune of MNOK 7.7 and MNOK 1.5 to other financial institutions.

The Groups's long-term debt matures as follows:	2016	2015
2017	29 973	57 818
2018-2019	124 946	35 574
2020-2021	217 742	148 281
2022 or later	5 214	3 960
<b>Total long-term debt</b>	<b>377 875</b>	<b>245 634</b>
Average interest rate	2,84 %	3,11 %

As of December 31<sup>st</sup> 2016 an amount of MNOK 29.973 of the long-term debt due within one year is, in accordance with IFRS, reclassified to short-term interest bearing debt in the balance sheet.

#### Loan covenants to Danske Bank

In the loan documents from Danske Bank the following financial loan covenants are set:

- The ratio net interest-bearing debt over twelve months rolling EBITDA < 3,50 for 2016 and onwards
- Equity share for AKVA group ASA > 30%
- Equity in NOK for AKVA group ASA > 250 million

Net interest-bearing debt over twelve months rolling EBITDA was 1.5 as of December 31<sup>st</sup> 2016.

The equity ratio in AKVA group ASA was 40% and equity was MNOK 427 as of December 31<sup>st</sup> 2016.

The Group was compliant with all covenants in 2016.

The terms for the interest bearing debt are based on market conditions. The interest rate is a floating rate and it is based on NIBOR + a margin.

#### Note 15

#### Specification of items grouped in the financial statement

(in NOK 1 000)

Financial Income	2016	2015
Other interest income	4 203	2 393
Other financial income	712	591
<b>Total financial income</b>	<b>4 916</b>	<b>2 984</b>

Financial Expenses	2016	2015
Interest expenses	10 811	7 747
Realized and unrealized currency loss	15 115	666
Other financial expenses	5 436	4 191
<b>Total financial expenses</b>	<b>31 362</b>	<b>12 603</b>

A change in fair value of MNOK 0.5 on the contingent consideration for earn-out has reduced currency losses in 2016.

Other operating expenses	2016	2015
Accommodation, materials, equipment and maintenance	56 710	51 159
Marketing, travelling and communication	40 155	36 565
Other operating expenses	27 042	23 607
<b>Total other operating expenses</b>	<b>123 907</b>	<b>111 332</b>

Other current liabilities	2016	2015
Accrued costs	40 398	52 188
Warranty provisions	15 227	16 512
Other current liabilities <sup>1)</sup>	47 299	39 108
<b>Total other current liabilities</b>	<b>102 924</b>	<b>107 808</b>

1) Includes short term liability in connection with earn-out payments to previous owners of Aquatec Solutions A/S. The amount included in 2016 is MNOK 11.3, and in 2015 it was MNOK 13.8.

The total accrued liability for acquisitions finalized in 2016 is MNOK 97.8 and MNOK 27.8 respectively at year end 2016 and 2015. Liabilities due in more than 12 months is classified as other long-term liability in the balance sheet.

The provisions for warranties relates to projects and products in the cage based and land based segment. The provisions have been estimated based on historical warranty data associated with similar projects products and services, and are calculated solely on the basis of the expected compensation AKVA group gives. The timeframe for settlement of the warranty provisions varies based on type of product and project.

## Note 16

### Financial instruments and risk management (in NOK 1 000)

#### Determination of fair value

The fair value of forward exchange contracts is determined using the forward exchange rate at the balance sheet date. The fair value of currency swaps is determined by the present value of future cash flows. The fair value of options is determined using option pricing models. For all the above mentioned derivatives, the fair value is confirmed by the financial institution with which the Group has entered into the contracts.

The following of the Group's financial instruments are not measured at fair value: cash and cash equivalents, trade receivables, other current receivables, overdraft facilities, long-term debts and financial leasing obligations.

The carrying amount of cash and cash equivalents and overdraft facilities is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of trade receivables and trade payables is approximately equal to fair value since they are entered into on "normal" terms and conditions.

Determination of the fair value of earn-out based on the financial performance of the acquired entities and calculated, according to the agreement entered into when purchasing the companies.

The borrowings are at floating interest rates which implies a book value in accordance to fair value.

The fair value of financial assets and liabilities recognized at their carrying amount is calculated as the present value of estimated cash flows discounted by the interest rate that applies to corresponding liabilities and assets at the balance sheet date. This applies to:

- Deposits to lessors under operating leases, refer to Note 18

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments.

	2016		2015	
	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>				
Cash	165 543	165 543	109 517	109 517
Trade receivables	259 880	259 880	289 216	289 216
Other current assets	31 967	31 967	36 686	36 686
Other long-term financial assets	1 764	1 764	2 063	2 063
Forward currency contracts <sup>1)</sup>	-	-	1 507	1 507
<b>Financial liabilities</b>				
Bank overdraft	-	-	39 058	39 058
Trade payables	143 355	143 355	128 189	128 189
Forward currency contracts <sup>2)</sup>	-11	-11	-	-
<b>Interest-bearing loans and borrowings</b>				
Loans	377 875	377 875	206 575	206 575

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

2) The amount is included in other current liabilities in the Consolidated Statement of Financial Positions

### Fair value hierarchy

As December 31<sup>st</sup> 2016, the Group held financial instruments measured at fair value as mentioned below:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Assets measured at fair value	31.12.2016	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	-	-	-	-
Foreign exchange forward contracts	-11	-	-11	-

There have been no transfers between levels during the period.

### Currency risk

As part of the international activity the Group's assets and liabilities as well as expected cash inflow and cash outflow are exposed to changes in the currency rates. Such risk is sought reduced by using currency forward contracts. The currency risk is managed by the parent company in cooperation with the subsidiaries.

In order to hedge the value of the items in the balance sheet denominated in a foreign currency the Group had the following positions through forward contracts, all contracts with maturity in 2017:

Currency (in 1 000)		Bought/sold	Net currency amount
Danish Kroner	DKK	Sold	1 000
British Pound	GBP	Sold	2 000
Norwegian Kroner	NOK	Bought	22 966

Profit and loss from the above currency contracts are recorded directly via the income statement under financial items. At the end of the year MNOK 0.665 was recorded as an unrealized gain. The forward contracts are valued at estimated fair value.

As the Group has revenues and costs denominated in different currencies the net value of the expected future cash inflow and cash outflow is exposed to changes in the currency rates. One way to reduce such risk is by using currency forward contracts. At the end of the year the Group had the following positions in forward contracts in order to hedge expected future cash flow. The expected cash flows subject to hedging are expected to take place during the first half of 2017 and hence be recognized in the income statement during the same period. All currency contracts expire in 2017.

Currency (in 1 000)		Bought/sold	Net currency amount
Euro	EUR	Bought	8 675
Norwegian Kroner	NOK	Sold	78 819

At the end of the year it was recorded a loss of MNOK 2.346 directly against the other comprehensive income related to hedging of expected future cash flow.

The forward contracts are valued at estimated fair value. When the expected cash flow is translated into an item in the balance sheet or actually takes place, the recorded profit loss booked directly against the equity is reversed and included in the income statement together with the actual cash item in question. Any non-effective part of the hedge is booked as currency loss or gain under financial items in the income statement.

In the long run it is not possible to hedge the effects of changing currency rates. In 2016 the Group had export sales of MNOK 105 of products which predominantly had its cost base in NOK. A 10% strengthening of the NOK would then decrease the earnings with about MNOK 10.5 before possible price increases in the market. About 26% of this exposure was related to sales in GBP (sales in UK), 50% related to sales in EUR (sales in Europe and the Middle East), and 11% related to sales in TRY (sales in Turkey).

To decrease this exposure the Group is working towards a more flexible cost structure and have more diversified costs in terms of currencies.

### Foreign currency sensitivity

In the management of foreign currency risk the Company seeks to reduce the effect from currency rate changes on monetary assets and liabilities as well as the value of the future cash flows denominated in a foreign currency. Through the internal financing structure within the Group, most of the monetary asset and liability risk is allocated to the parent company, which also has most of the cash flow risk with regards to currency fluctuation. The major currencies are EUR, GBP and DKK. Below it is made a partial analysis in order to do an estimate of the impact from a change in EUR, GBP and DKK on the pre-tax profit and on the book equity at year end. The effect of net investment in subsidiaries are not included in the analysis.

31.12.2016	KNOK effect on profit before tax and book equity by +10%/-10% change in			KNOK effect on OCI and book equity by +10%/-10% change in
	EUR	DKK	GBP	
10 %	-490	1 283	1 997	7 882
-10 %	490	-1 283	-1 997	-7 882

31.12.2015	KNOK effect on profit before tax and book equity by +10%/-10% change in			KNOK effect on OCI and book equity by +10%/-10% change in
	EUR	DKK	GBP	
10 %	757	-2 392	-305	4 557
-10 %	-757	2 392	305	-4 557

The effect on the profit before tax and thus book equity in the parent company is the result of change in monetary assets and the financial instruments denominated in EUR, DKK and GBP respectively. The effect on OCI and book equity at year end 2016 is the effect from the change in fair value of currency contracts assigned to future cash flow hedge.

### Interest rate risk

The Group's interest bearing debt is based on a floating interest rate which implies that interest payments over time will fluctuate according to the changes in the interest rate level. The major part of the interest bearing debt is in NOK. To reduce the interest rate risk it is the strategy of the Group to have a balanced mix between equity and debt financing vs the market risk in its industry. With the net interest bearing debt at year end, interest cost would have been MNOK 3.8 higher with a 1% higher average interest rate during the year and MNOK 3.8 lower with a 1 % lower average interest rate during the year.

### Credit risk

Part of the sale is credit sales where the Group is exposed to credit risk towards the customer. For larger projects there are normally pre-payments from the customers and milestone payments along the progress of the project which reduce the credit risk towards the customers. To some extent the Group uses trade finance instruments, such as letter of credit and guarantees letters, to reduce credit risk. The Group has generally had low losses on outstanding receivables despite having old receivables in the balance sheet occasionally. We believe there is low risk associated with old receivables as this mainly relates to delays or stop in projects whereas the responsible entity for the delivery of the project has made an agreement with the customer to await payment of the invoice. For details of ageing of accounts receivables, see note 11.

### Market risk

In 2016 about 78% of the revenues of the Group came from customers producing salmon. In 2015 the share was 78%. To decrease the Group's dependency of the salmon industry the Group works to increase the share of revenues related to the aquaculture of other species than salmon. Due to the market variation in the different salmon markets the revenues can vary between years. Still, the aquaculture industry in general is expected to be a high growth industry in the foreseeable future although the financial turmoil in the short run increases the uncertainty.

Based on the assumption that a change in sales will not affect the product gross margin and that other operating costs short term only will change 50% of the change in sales - a

change in the revenues of the Group would have had the following impact on net income (25% tax rate used):

Change in sales	Change in net income/ equity (in NOK 1 000)
10 %	31 290
5 %	15 645
2 %	6 258
-2 %	-6 258
-5 %	-15 645
-10 %	-31 290

To further evaluate the Group's sensitivity to changes in the different markets see more details in note 2 about market size.

### Capital structure and equity

The primary focus of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholders value. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. In 2011 new shares were issued. In 2014 and in 2015 a dividend of NOK 1 per share was done, while a dividend of NOK 0.75 was paid in September 2016. The Group has been compliant with the dividend policy when paying out dividend, see note 22. There are made no changes in number of shares since 2011. The Group monitors capital using a gearing ratio, which is net interest bearing debt divided by total equity plus net debt. The Group includes within net interest bearing debt, interest bearing loans and borrowings less cash and cash equivalents. Capital includes equity attributable to equity holders of the parent less the net unrealized gains reserve.

(in NOK 1 000)	2016	2015
Interest bearing debt	377 875	245 634
Less cash	165 543	109 517
Net interest bearing debt	212 332	136 117
Equity	434 590	424 988
Total equity and net interest bearing debt	646 922	561 105
Debt ratio	33 %	24 %

The Group has been compliant with all covenants in 2016, see note 14.

The equity share attributable to AKVA group ASA's shareholders was 31.6 % as of December 31<sup>st</sup> 2016.

### Liquidity risk

The Group monitors its risk to a shortage of liquid funds using cash flow prognosis. The objective is to maintain a balance in the funding through the use of bank overdrafts, bank loans with different pay back periods, debentures and finance lease. The management follows the development of the working capital closely, because the

development in the working capital has the most important impact on the liquidity situation on short term.

### Financial risk management

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual discounted payments.

2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	7 493	22 480	342 688	5 214	377 875
Trade and other payables <sup>1)</sup>	38 070	153 996	11 411	86 602	-	290 078
Financial derivatives	-	59 216	51 829	-	-	111 045
<b>Total</b>	<b>38 070</b>	<b>220 705</b>	<b>85 719</b>	<b>429 290</b>	<b>5 214</b>	<b>778 998</b>

2015	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	43 748	14 070	183 855	3 960	245 634
Trade and other payables <sup>1)</sup>	18 563	133 238	13 788	15 495	-	181 085
Financial derivatives	-	59 936	27 464	-	-	87 399
<b>Total</b>	<b>18 563</b>	<b>236 922</b>	<b>55 322</b>	<b>199 350</b>	<b>3 960</b>	<b>514 118</b>

1) The amounts due between one to five years are mainly contingent consideration in connection with acquisitions in a business combination. See also note 19.

### Note 17

#### Long-term construction contracts (in NOK 1 000)

Revenue and profits on long-term contracts are recognized using the percentage of completion method. This method implies that revenue and profit is recognized according to the progress of the work, whereas any losses are fully recorded when incurred. Included in figures are primarily contracts on barges and cages, and only contracts valued over MNOK 3.0 are included.

	2016	2015
Total revenues from long-term construction contracts	783 879	714 906
Total value of ongoing contracts 31.12.	1 147 908	735 278
Total sales included from ongoing contracts 31.12.	557 061	408 054
Not invoiced work-in-progress included as accounts receivables	25 984	57 557
Prepayments from customers	108 759	75 397
Remaining production on loss contracts 31.12.	-	-

**Note 18****Leasing** (in NOK 1 000)

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

<b>Operating leasing cost</b>	<b>2016</b>	<b>2015</b>
Operational leasing costs	10 190	15 919
Rent costs on buildings	23 074	20 697
<b>Total</b>	<b>33 265</b>	<b>36 616</b>

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

	<b>Within 1 year</b>	<b>1 - 5 years</b>	<b>After 5 years</b>
Machinery and equipment	1 730	1 549	-
Vehicles and boats	5 444	7 462	-
Offices and buildings	24 265	64 483	57 127
<b>Total</b>	<b>31 439</b>	<b>73 493</b>	<b>57 127</b>

In 2012 the main office lease agreement (headquarters) was renewed for 5 years included an option to extend the lease for 2 more years.

In 2016 the rent for main office was MNOK 2.6.

**Financial leasing**

The Group's financial lease installments are related to AKVA Marine Services AS and AKVA group Services AS. The Group's total financial lease installments in 2016 is MNOK 11.7 (MNOK 3.8 in 2015).

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

	<b>Within 1 year</b>	<b>1 - 5 years</b>	<b>After 5 years</b>	<b>Book value 2016</b>
Machinery and equipment	5 626	12 608	-	17 577
Vehicles and vessels	6 366	17 283	911	23 566
<b>Total</b>	<b>11 992</b>	<b>29 891</b>	<b>911</b>	<b>41 143</b>

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

**Lease income**

AKVA group has signed rental contracts with customers which is a service bundled with products. The future minimum payments related to these rental contracts fall due as follows for the Groups customers:

	<b>Within 1 year</b>	<b>1 - 5 years</b>	<b>After 5 years</b>
Rental agreements	37 252	63 634	-

See note 2 for rental revenue in 2016 and 2015.

**Note 19**  
Business combinations

**Business combinations 2016**

AKVA group ASA purchased 58% of the shares in AD Offshore AS and 66% of the shares in Sperre AS in 2016. In addition to the two abovementioned acquisitions the Company also purchased the remaining 30% minority interest in Plastsveis AS.

***AD Offshore AS***

On March 31<sup>st</sup> 2016 AKVA group ASA entered into an agreement with AØ Holding AS, Iboard AB and Deep Sea Marine Monica Antonsen for the purchase of 58% of the shares in AD Offshore AS. The payment of the shares was MNOK 69.6 on closing date, with additional payment in May of MNOK 3.7 for an adjusted amount for the net debt and working capital, totaling the payment to MNOK 73.3. As part of the acquisition it was agreed to merge the farming service companies within the Group to one company named AKVA Marine Services AS. The merger was completed in June 2016 with AKVA group ASA holding 65% of the shares in the merged company. Finally, an estimated liability of MNOK 46.2 is accounted for based on a mutual option agreement between AKVA group ASA and the sellers to buy/sell the remaining 35% of the shares in AKVA Marine Services AS. The pricing of the remaining 35% of the shares is linked to the performance of the company in 2016, 2017, 2018, 2019 and 2020. The option is exercisable in a limited period after the approval of the 2020 annual accounts of AKVA Marine Services AS.

AD Offshore AS was established 2009 and has developed to become one of the larger aquaculture farming service companies in Norway. The company is operating out of Haugesund, Norway and had 32 employees when acquired.

The company provides a range of services to the fish farming and offshore industry in Western Norway and also holds significant synergies with the Group's existing activity in this segment.

The acquisition of AD Offshore AS is a natural step in AKVA group ASA's strategy to strengthen the position in the farming service industry.

The acquisition has been accounted for using the anticipated-acquisition method, meaning that 100% of the shares are anticipated acquired due to the mutual option agreement. The completion of the acquisition of 58% was done on April 7<sup>th</sup> 2016 and the company has been consolidated into the AKVA group from April 1<sup>st</sup> 2016.

Values at the acquisition date in NOK 1.000	Book value	Adjusted value	Fair value
<b>ASSETS</b>			
IP - Brand RFR		8 888	8 888
IP - Technology RFR		1 884	1 884
IP - Customers MEEM		11 413	11 413
Deferred tax of adjusted value		-5 324	-5 324
Machinery and equipment	17 383		17 383
Financial fixed assets	2 659		2 659
Trade receivables	11 331		11 331
Other current assets	12 982		12 982
Cash	478		478
	<b>44 833</b>	<b>16 861</b>	<b>61 694</b>
<b>LIABILITIES</b>			
Long term liabilities	-9 955		-9 955
Trade payables	-1 968		-1 968
Deferred tax	-432		-432
Other current liabilities	-7 987		-7 987
	<b>-20 342</b>	<b>-</b>	<b>-20 342</b>
<b>Total identifiable net assets</b>			<b>41 352</b>
Purchase price, payable in cash	-73 271		-73 271
Contingent consideration <sup>1)</sup>	-46 231		-46 231
<b>Total consideration</b>	<b>-119 502</b>	<b>-</b>	<b>-119 502</b>
<b>Goodwill arising on acquisition</b>			<b>78 150</b>
Cash acquired with subsidiary	478		478
Cash paid	-73 271		-73 271
<b>Net cash outflow</b>	<b>-72 793</b>	<b>-</b>	<b>-72 793</b>

1) Contingent consideration is the Group's liability connected either to an option or earn-out in a business combination. The contingent consideration is due after December 31<sup>st</sup> 2016

The contingent consideration is the option mentioned in the introduction, where the option is calculated at present value of the redemption amount. The liability is classified as other long term liabilities in the statement of financial position.

The goodwill of MNOK 78.2 comprises expected synergies arising from the acquisition and the competence of the employees. Goodwill is not deductible for income tax purpose. A valuation of brand name and technology has been done using the relief of royalty method (RFR), while the multi-period excess earnings method (MEEM) is used for valuation of customer relationships. Based on the history of the company we believe the intangible assets of total MNOK 22.2 comprises a fair value. The allocation of the purchase price is finalized.

The transaction costs of MNOK 2.3 have been expensed and are included in other finance cost in the income statement.

The merged company AKVA Marine Services AS has from the date of control contributed with a revenue of MNOK 84.6 and a pretax profit of MNOK 0.9 when including amortization of intangible assets occurred as a result of the acquisition.

The contribution would have been a revenue of MNOK 104.9 and a pretax profit of MNOK 3.8 if consolidated from January 1<sup>st</sup> 2016. The profit before tax is adjusted for amortization of intangible assets under the assumption that the adjusted value would have been the same.

### ***Sperre AS***

On October 28<sup>th</sup> 2016 AKVA group ASA entered into an agreement with Sperre Group AS for the purchase of 66% of the shares in Sperre AS. The payment of the shares was MNOK 83.8 with additional payment of MNOK 7.0 for an adjusted amount for the net debt and working capital, totaling the payment on closing November 4<sup>th</sup> 2016 to MNOK 90.8. Finally, an estimated liability of MNOK 40.3 is accounted for based on a mutual option agreement between AKVA group ASA and Sperre Group AS to buy/sell the remaining 34% of the shares in Sperre AS. The pricing of the remaining 34% of the shares is linked to the performance of the company in 2017, 2018 and 2019. The option is exercisable in a limited period after the approval of the 2019 annual accounts of Sperre AS.

Sperre AS was established 1988 and has developed to become a leading ROV and subsea technology company within the aquaculture industry, as well as a recognized provider of ROV and subsea solutions to the oil service and maritime industries in Norway and internationally. The company is located in Notodden, Norway and had 15 employees when acquired.

The company holds extensive experience in developing and producing a range of advanced ROV solutions, with applications to both aquaculture as well as oil service and marine industries.

The acquisition of Sperre AS is a strategic move for AKVA group ASA to gain the leading position in the ROV and subsea technology segment to the aquaculture industry.

The acquisition has been accounted for using the anticipated-acquisition method. The completion of the acquisition was done on November 4<sup>th</sup> 2016 and the company has been consolidated into the AKVA group from November 1<sup>st</sup> 2016.

Values at the acquisition date in NOK 1.000	Book value	Adjusted value	Fair value
<b>ASSETS</b>			
IP - Brand RFR		19 167	19 167
IP - Technology RFR		5 052	5 052
IP - Customers MEEM		14 085	14 085
Deferred tax of adjusted value		-9 193	-9 193
Machinery and equipment	5 800		5 800
Trade receivables	9 452		9 452
Inventories	19 908		19 908
Other current assets	287		287
Cash	7 410		7 410
	<b>42 857</b>	<b>29 111</b>	<b>71 968</b>
<b>LIABILITIES</b>			
Trade payables	-3 932		-3 932
Deferred tax	-3 001		-3 001
Other current liabilities	-14 932		-14 932
	<b>-21 865</b>	<b>-</b>	<b>-21 865</b>
<b>Total identifiable net assets</b>	<b>20 992</b>	<b>29 111</b>	<b>50 103</b>
Purchase price, payable in cash	-90 837		-90 837
Contingent consideration	-40 315		-40 315
<b>Total consideration</b>	<b>-131 152</b>	<b>-</b>	<b>-131 152</b>
<b>Goodwill arising on acquisition</b>			<b>81 049</b>
Cash acquired with subsidiary	7 410		7 410
Purchase price, payable in cash	-90 837		-90 837
<b>Net cash outflow</b>	<b>-83 427</b>	<b>-</b>	<b>-83 427</b>

The contingent consideration is the option mentioned in the introduction, where the option is calculated at present value of the redemption amount. The liability is classified as other long term liabilities in the balance sheet.

The goodwill of MNOK 81.0 comprises expected synergies arising from the acquisition and the competence of the employees. Goodwill is not deductible for income tax purpose. A valuation of brand name and technology has been done using the relief of royalty method (RFR), while the multi-period excess earnings method (MEEM) is used for valuation of customer relationships. Based on the history of the company we believe the intangible assets of total MNOK 38.3 comprises a fair value. The allocation of the purchase price is finalized.

The transaction costs of MNOK 1.7 have been expensed and are included in other finance cost in the income statement.

Sperre AS has from the date of control contributed with a revenue of MNOK 15.3 and a negative pretax profit of MNOK 0.2 when including amortization of intangible assets occurred as a result of the acquisition.

The contribution would have been a revenue of MNOK 59.1 and a pretax profit of MNOK 10.9 if consolidated from January 1<sup>st</sup> 2016. The profit before tax is adjusted for amortization of intangible assets under the assumption that the adjusted value would have been the same.

### **Plastsveis AS**

AKVA group ASA exercised a call option to buy the remaining 30% of the shares in Plastsveis from the minority shareholders. The option could be exercised from January 2016 and onwards.

The call option was exercised in March 2016 and the transaction was finalized on April 11<sup>th</sup> 2016.

AKVA group ASA paid MNOK 0.5 for the remaining 30% of the shares, giving a total price for 100% of the shares of MNOK 19.5. AKVA group ASA owns 100% of the shares in Plastsveis AS from April 11<sup>th</sup> 2016.

### **Business combinations 2015**

On September 30<sup>th</sup> 2015 AKVA group ASA acquired 100 % of the shares in Aquatec Solutions A/S. The payment of the shares was MNOK 44.4 on closing date, with additional payment in October of MNOK 29.9 for an adjusted amount for the net debt and working capital position as of the closing date. Finally, an estimated earn-out payment of MNOK 27.4 is agreed based on the realized EBITDA of Aquatec for 2015 and 2016. The total amount estimated to be MNOK 101.8 for 100 % of the shares.

Aquatec Solutions A/S was established in 2004 and has developed to become a leading provider of technology and solutions for land-based fish farming. The company is located in Vejle, Denmark and had 44 employees, including 19 employees in their subsidiary in Chile, when acquired.

The core business entails supplying land based fish farming technology and solutions for both salt and fresh water fish. Aquatec's offering covers everything from complete fish farming systems to high quality fish farming equipment and components. For facilities in operation Aquatec provides supervision and support.

The acquisition was a natural step to strengthen the land based business area.

The acquisition was accounted for using the anticipated-acquisition method. The completion of the acquisition was done on September 30<sup>th</sup> 2015 and the company was consolidated into the AKVA group from October 1<sup>st</sup> 2015.

Values at the acquisition date in NOK 1.000	Book value	Adjusted value	Fair value
<b>ASSETS</b>			
Brand RFR		12 534	12 534
Customers MEEM		7 753	7 753
Deferred tax of adjusted value		-4 463	-4 463
Machinery and equipment	1 342		1 342
Trade receivables	3 324		3 324
Inventories	1 353		1 353
Other current assets	24 440		24 440
Cash	33 955		33 955
	<b>64 414</b>	<b>15 824</b>	<b>80 238</b>
<b>LIABILITIES</b>			
Deferred tax	-6 988		-6 988
Trade payables	-8 492		-8 492
Other current liabilities	-22 062		-22 062
	-37 543	-	-37 543
<b>Total identifiable net assets</b>	<b>26 871</b>	<b>15 824</b>	<b>42 695</b>
Purchase price, payable in cash	-74 388		-74 388
Contingent consideration	-27 392		-27 392
<b>Total consideration</b>	<b>-101 780</b>	<b>-</b>	<b>-101 780</b>
<b>Goodwill arising on acquisition</b>			<b>59 595</b>
Cash acquired with subsidiary	33 955		33 955
Cash paid	-74 388		-74 388
<b>Net cash outflow</b>	<b>-40 433</b>	<b>-</b>	<b>-40 433</b>

The contingent consideration is the earn-out mentioned in the introduction, where the earn-out for 2015 was paid out in May 2016 and the earn-out for 2016 is adjusted according to performance in 2016. The liabilities are classified as other current liabilities and other long term liabilities, respectively for 2015 and 2016, in the 2015 balance.

At year end 2016 the accrued liability for the remaining earn-out is adjusted according to contract based on actual amounts. A deviation between contingent considerations and actual earn-out of MNOK 1.2 is recognized as other income in the income statement.

The goodwill of MNOK 59.6 comprises the fair value of expected synergies arising from the acquisition and the competence of the employees. Goodwill is not deductible for income tax purpose. The valuation of brand name was done using the relief of royalty method (RFR), while the multi-period excess earnings method (MEEM) was used for valuation of customer relationships. Based on the history of the company we believe the intangible assets of total MNOK 20.3 comprises a fair value. The allocation of the purchase price was finalized within 12 months of the acquisition.

The transaction costs of MNOK 2.5 was expensed and are included in other finance cost in the income statement.

**Contribution to Group in 2015:**

Sales revenues in 2015 - consolidated from 01.10.2015	35 580
Net Profit before tax - consolidated from 01.10.2015	3 916
<hr/>	
Sales revenues in 2015 - if consolidated from 01.01.2015	131 729
Net Profit before tax - if consolidated from 01.01.2015	22 018

*Divestment of subsidiary in Wise ehf:*

WiseDynamics Ltd in Canada, a subsidiary of Wise lausnir ehf in Iceland, was divested in November 2015. The company has contributed with marginal numbers in the Group financials and the sale gave a marginal gain of MNOK 1.5.

**Note 20**

**Related parties** (2015 figures in brackets)

See consolidated accounts note 3 about remuneration to CEO and executive management and fees to the Board of Directors.

Atlantis Subsea Farming AS (ASF) is a related party due to AKVA group ASAs ownership of 33% of the shares in ASF. AKVA group ASA has as part of their role in ASF had transactions to ASF of MNOK 3.3 and had trade receivables as of December 31<sup>st</sup> of MNOK 0.4.

Egersund Group AS is a related party due to its controlling ownership share of the Company. The Company has related parties transactions with Egersund Group and its subsidiaries. AKVA group ASA has in 2016 transactions, in line with the company's ordinary course of business, to and from Egersund Group and its subsidiaries of respectively MNOK 3.5 (2.5) and MNOK 8.2 (8.7).

Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. As of December 31<sup>st</sup> the Company had MNOK 0.4 (0.3) in trade receivables and MNOK 1.0 (1.5) in trade payables towards Egersund Group and its subsidiaries.

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

**Note 21**

**Dividend**

AKVA group ASA has a two-step dividend policy:

- The dividend level shall reflect the present and expected future cash generating potential of AKVA group. AKVA group will target a net interest-bearing debt/equity ratio of less than 0.5x
- When the target debt vs. equity level is met, at least 60% of the annual free cash flow after operational and financial commitments is intended to be distributed as dividend

The company aims to pay out dividend twice a year, after the 1<sup>st</sup> and 2<sup>nd</sup> half of the year. A dividend of 0.75 NOK per share was paid out on September 5<sup>th</sup> 2016 totalling a distributed amount of 19,375,501 NOK.

Dividend	2016	2015
Per share	0,75	1,00
Total distributed amount <sup>1)</sup>	19 375 501	25 736 303

1) The total distributed amount in 2015 is reduced with MNOK 0.098 as the company owned 98,000 shares on November 11<sup>th</sup>, which was the last day inclusive for dividend.

## Note 22

### Sale of own shares

AKVA group ASA purchased 123,000 own shares in the period from September 10th to November 27th 2015. The average price per share was NOK 33.86 totalling the purchase price to MNOK 4.2.

The buyback of shares was done according to a share incentive program launched by the board of directors in a notice on Oslo Stock exchange on December 1st 2015 for certain eligible employees in AKVA group ASA and its subsidiaries. The intention of the share incentive scheme was to give employees an opportunity to buy shares in the Company at a discounted price. The share price offered to employees was NOK 27.09, and the employees had the period from December 1st to December 14th to confirm their participation. The total discount amounted to MNOK 0.8 and was recognized as personnel expenses in the income statement.

In total 122,698 of the shares were signed up for, and the shares were transferred to the employees on January 12th 2016.

The Group management all signed up for 886 shares each. See note 13 for further information regarding shares held by Group management.

## Note 23

### Subsequent events

At the board meeting on February 21<sup>st</sup> 2017 the Board of Directors in AKVA group ASA resolved to distribute a half-yearly dividend of NOK 0.50 per share. The ex-dividend trading date was announced to be March 3<sup>rd</sup> 2017 with payment date no later than March 13<sup>th</sup> 2017.

# Financial Statement Parent Company (AKVA group ASA)



## Income Statement of (Loss)/Profit and Comprehensive (Loss)/Profit 01.01. - 31.12.

(in NOK 1 000)

Parent company	Note	2016	2015
<b>OPERATING REVENUES</b>			
Sales revenues	2,17	708 331	671 753
<b>OPERATING EXPENSES</b>			
Cost of materials	9,11	530 803	509 695
Payroll expenses	3,4	97 043	83 385
Other operating expenses	4,10,15,18	43 042	40 079
Total operating expenses		670 888	633 159
<b>OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)</b>		<b>37 443</b>	<b>38 594</b>
Depreciation and amortization	6,7	11 588	9 888
<b>OPERATING PROFIT (EBIT)</b>		<b>25 855</b>	<b>28 706</b>
<b>FINANCIAL INCOME AND EXPENSES</b>			
Financial income	15	25 027	28 439
Financial expenses	15	(21 729)	(13 099)
<b>Net financial income (expense)</b>		<b>3 298</b>	<b>15 340</b>
<b>PROFIT BEFORE TAX</b>		<b>29 153</b>	<b>44 046</b>
Taxes	5	2 902	7 753
<b>NET (LOSS)/PROFIT AND COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR</b>		<b>26 251</b>	<b>36 293</b>
<b>ALLOCATION OF PROFIT FOR THE YEAR</b>			
Proposed dividend		-	-
Dividends paid	21	-19 376	-25 736
Transferred to other equity		26 251	36 293
Total allocated		6 875	10 557

## Assets 31.12.

(in NOK 1 000)

Parent company	Note	2016	2015
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets and goodwill</b>			
Goodwill	6	53 000	53 000
Other intangible assets	6	26 704	28 104
<b>Total intangible assets</b>		<b>79 704</b>	<b>81 103</b>
<b>Tangible fixed assets</b>			
Land and building	7	12 591	12 598
Machinery and equipment	7	16 009	10 964
<b>Total tangible fixed assets</b>		<b>28 600</b>	<b>23 561</b>
<b>Long-term financial assets</b>			
Investments in subsidiaries	8	601 519	417 678
Loans to group companies	11	78 098	88 007
Other long-term financial assets	8,10	3 281	311
<b>Total long-term financial assets</b>		<b>682 898</b>	<b>505 995</b>
<b>Total non-current assets</b>		<b>791 202</b>	<b>610 660</b>
<b>CURRENT ASSETS</b>			
Inventory	9	52 176	47 166
<b>Receivables</b>			
Accounts receivables	10,17	88 653	79 406
Accounts receivables - group companies	11	24 413	26 592
Prepayments to suppliers		5 608	3 233
Other receivables		4 075	9 579
Other receivables - group companies	11	57 106	82 599
<b>Total receivables</b>		<b>179 855</b>	<b>201 409</b>
Cash and cash equivalents	12	45 792	4 928
<b>Total current assets</b>		<b>277 823</b>	<b>253 502</b>
<b>TOTAL ASSETS</b>		<b>1 069 025</b>	<b>864 162</b>

## Equity and Liabilities 31.12.

(in NOK 1 000)

Parent company	Note	2016	2015
<b>EQUITY</b>			
<b>Paid-in capital</b>			
Share capital		25 834	25 711
Share premium		336 029	336 029
Other paid in capital		1 116	1 116
Total paid-in capital		<u>362 979</u>	<u>362 856</u>
<b>Retained earnings</b>			
Other equity		64 127	53 220
Total retained earnings		<u>64 127</u>	<u>53 220</u>
<b>Total equity</b>	13,21,22	<b>427 106</b>	<b>416 076</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax	5	12 030	11 868
Liabilities to financial institutions	14	316 126	176 952
Other long term liabilities	19	-	14 020
Total non-current liabilities		<u>328 156</u>	<u>202 840</u>
<b>Current liabilities</b>			
Liabilities to financial institutions	14	19 158	52 936
Trade payables		44 883	50 314
Trade payables - group companies	11	16 090	9 817
Taxes payable	5	2 740	-
Public duties payable		12 281	3 219
Prepayments from customers	17	90 390	52 919
Other current liabilities	15,19	43 470	41 871
Other current liabilities - group companies	11	84 752	34 170
Total current liabilities		<u>313 763</u>	<u>245 246</u>
<b>Total Liabilities</b>		<b>641 919</b>	<b>448 086</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1 069 025</u></b>	<b><u>864 162</u></b>

Bryne, Norway, April 4<sup>th</sup> 2017



Hans Kristian Mong  
(Chairperson)



Frode Teigen



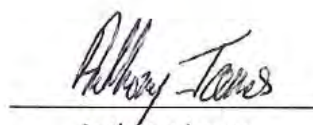
Evy Vikene



Anne Breiby  
(Deputy Chairperson)



Nils Viga



Anthony James



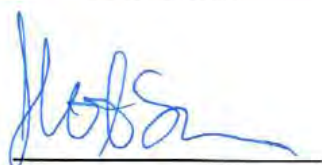
Aino Olaisen



Tore Obrestad



Carina Jensen



Henrik A. Schultz



Hallvard Muri  
(CEO)

## Cash Flow Statement 01.01.-31.12.

(in NOK 1 000)

Parent company	Note	2016	2015
<b>Cash flow from operating activities</b>			
Profit before taxes		29 153	44 046
Net interest cost		1 497	-654
Depreciation	6,7	11 588	9 888
Changes in stock, trade receivable and payables		-11 236	-14 336
Changes in other receivables and payables		51 028	-4 789
Changes in other receivables and payables - group companies		63 818	-7 555
<b>Cash generated from operating activities</b>		<b>145 848</b>	<b>26 601</b>
Interest paid	15	-7 786	-5 010
Interest received	15	6 290	5 664
Net cash flow from operating activities		144 351	27 255
<b>Cash flow from investment activities</b>			
Investments in fixed assets	6,7	-15 228	-16 488
Sale of tangible and intangible fixed assets		-	-
Payment shares and participations	19	-185 372	-73 971
Net changes in other long-term financial assets		-2 970	-
Net cash flow from investment activities		-203 570	-90 459
<b>Cash flow from financing activities</b>			
Repayment of borrowings		-52 604	-13 368
Proceed from borrowings		158 000	105 903
Net payment loans to group companies	11	9 908	-4 821
Dividend payment	21	-19 376	-25 736
Sale/(purchase) own shares	22	4 155	-4 173
Net cash flow from financing activities		100 083	57 805
Net change in cash and cash equivalents		40 864	-5 399
Cash and cash equivalents at 01.01.		4 928	10 327
<b>Cash and cash equivalents at 31.12.</b>		<b>45 792</b>	<b>4 928</b>

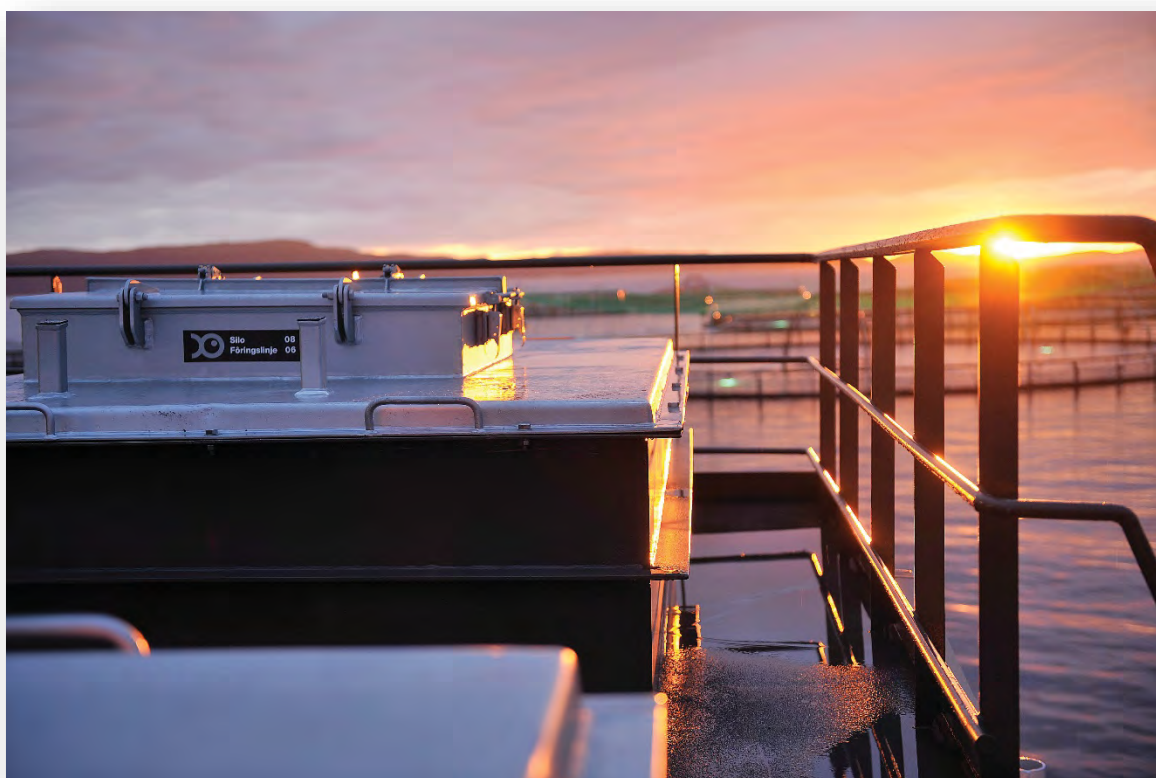
Overdraft is included in financing activities, and is not included in cash and cash equivalents as of 31.12.

Payment of contingent consideration related to acquisition of subsidiaries is included in Payment shares and participations.

## Statement of changes in equity

(in NOK 1 000)

Parent company	Note	Share capital	Share premium	Other paid-in capital	Total paid in capital	Other equity	Total retained earnings	Total equity
<b>Equity as at 01.01.2015</b>		25 834	336 029	1 116	<b>362 979</b>	46 713	<b>46 713</b>	<b>409 692</b>
Profit (loss) for the period		-	-	-	-	36 293	<b>36 293</b>	<b>36 293</b>
<b>Total income and expense for the year</b>		-	-	-	-	36 293	<b>36 293</b>	<b>36 293</b>
Dividend	21	-	-	-	-	-25 736	<b>-25 736</b>	<b>-25 736</b>
Share buyback	22	-123	-	-	<b>-123</b>	-4 050	<b>-4 050</b>	<b>-4 173</b>
<b>Equity as at 31.12.2015</b>		25 711	336 029	1 116	<b>362 856</b>	53 220	<b>53 220</b>	<b>416 076</b>
<b>Equity as at 01.01.2016</b>		25 711	336 029	1 116	<b>362 856</b>	53 220	<b>53 220</b>	<b>416 076</b>
Profit (loss) for the period		-	-	-	-	26 251	<b>26 251</b>	<b>26 251</b>
<b>Total income and expense for the year</b>		-	-	-	-	26 251	<b>26 251</b>	<b>26 251</b>
Dividend	21	-	-	-	-	-19 376	<b>-19 376</b>	<b>-19 376</b>
Sale of own shares	22	123	-	-	<b>123</b>	4 032	<b>4 032</b>	<b>4 155</b>
<b>Equity as at 31.12.2016</b>		25 834	336 029	1 116	<b>362 979</b>	64 127	<b>64 127</b>	<b>427 106</b>



## Notes to the Financial Statement - Parent Company

### Content notes

01	Summary of significant accounting policies
02	Segment information
03	Wages and remunerations
04	Government grants and subsidies
05	Taxes
06	Intangible assets and goodwill
07	Tangible fixed assets
08	Subsidiaries and other long-term investments
09	Inventory
10	Receivables
11	Intercompany transactions and balances
12	Bank deposits
13	Shareholders
14	Liabilities to financial institutions
15	Specification of items grouped in the financial statement
16	Financial instruments and risk management
17	Long-term contracts
18	Leasing
19	Business combinations
20	Related parties
21	Dividend
22	Sale of own shares
23	Subsequent events

#### Note 1

##### Summary of significant accounting policies

AKVA group ASA is a public limited company registered in Norway. The Company's head office is located in Nordlysveien 4, N-4340 Bryne, Norway.

The financial statement for AKVA group ASA have been prepared in accordance with the Norwegian accounting Act's §3-9 and the related regulation on simplified IFRS as approved by the Ministry of Finance on November 3<sup>rd</sup> 2014. As a result the principles for recognition and measurement applied when preparing the financial statements are according to International Financial Reporting Standards as adopted by EU (IFRS) and the disclosure notes have been prepared in accordance with the requirements of the Norwegian Accounting Act and accounting principles generally accepted in Norway (NGAAP). See note 1 in Group accounts for more details of the accounting policy.

Subsidiaries and investments in associates are valued at cost in the Company accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing they are not impaired. Write down to recoverable amount will be carried out and recognized as a financial cost if the impairment is not considered temporary, and a write down is deemed necessary according to IFRS. Impairments are reversed when the indication no longer exist.

**Note 2****Segment information** (in NOK 1 000)**Business segments**

AKVA group ASA sells products and services within the business areas Cage Based Technology and Land Based Technology. For more detailed description and information about products and services, please go to "Products" at [www.akvagroup.com](http://www.akvagroup.com) and download the short version of the product catalogues. More information is also given in note 2 in the consolidated accounts.

<b>Cage Based Technology</b>	<b>2016</b>	<b>2015</b>
Operating revenue	707 100	666 593
Operating expenses	669 888	627 997
Operating profit before depreciation and amortization (EBITDA)	37 212	38 596
Depreciation and amortization	11 588	9 888
Operating profit (EBIT)	25 624	28 708

<b>Land Based Technology</b>	<b>2016</b>	<b>2015</b>
Operating revenue	1 230	5 160
Operating expenses	1 000	5 162
Operating profit before depreciation and amortization (EBITDA)	230	-2
Depreciation and amortization	-	-
Operating profit (EBIT)	230	-2

<b>Total</b>	<b>2016</b>	<b>2015</b>
Operating revenue	708 331	671 753
Operating expenses	670 888	633 159
Operating profit before depreciation and amortization (EBITDA)	37 443	38 594
Depreciation and amortization	11 588	9 888
Operating profit (EBIT)	25 855	28 706

**Geographical information – customer's country of origin**

<b>Operating revenue - external customers</b>	<b>2016</b>	<b>2015</b>
Norway	619 881	544 655
Mediterranean	-	93
Other	56 328	37 482
<b>Total</b>	<b>676 210</b>	<b>582 230</b>

**Note 3****Wages, remunerations and pensions** (in NOK 1 000)

<b>Payroll expenses</b>	<b>2016</b>	<b>2015</b>
Salaries	78 092	67 363
Payroll tax	10 587	8 893
Pension costs	4 269	3 758
Other benefits	4 095	3 372
<b>Total</b>	<b>97 043</b>	<b>83 385</b>
The average number of employees in full time equivalent in the company during the year is:	108	99

See consolidated accounts note 3 about remuneration to CEO and executive management, and fees to the Board of Directors.

**Pensions**

The pension schemes in AKVA group ASA is a defined contribution plan where agreed contributions are expensed as paid. The Company has no further commitments towards pensions when the agreed contributions are paid. All pension costs are included in payroll expenses in the profit and loss statement.

As of December 31<sup>st</sup> the Company has no pension liability.

According to Norwegian legislation the entities need to have a pension scheme for the employees. The existing pension schemes meet the requirements in the legislation.

**Loan and pledge**

The Company has not given any loans or pledges to members of the Board or group management as of December 31<sup>st</sup>.

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

<b>Fees to auditor</b>	<b>2016</b>	<b>2015</b>
Audit	348	479
Tax services	39	223
Attestation services	-	-
Other services	303	76
<b>Total</b>	<b>690</b>	<b>778</b>

All fees to the auditor is excl. VAT.

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

<b>Government grants</b>	<b>2016</b>	<b>2015</b>
"Skattefunn" <sup>1)</sup>	1 828	820
Other	-	-
<b>Total</b>	<b>1 828</b>	<b>820</b>

1) "Skattefunn" is a Norwegian grant for research and development

**Note 5****Taxes** (in NOK 1 000)

<b>Tax expense</b>	<b>2016</b>	<b>2015</b>
Current taxes payable	2 740	-
Change in deferred taxes	664	8 703
Effect of change in tax rate in Norway	-501	-949
<b>Total tax expense</b>	<b>2 902</b>	<b>7 753</b>

**Calculation of the basis for taxation**

Profit before tax	29 153	44 046
Permanent differences <sup>1)</sup>	-15 539	-11 814
Change in temporary differences	-2 654	-32 233
<b>Tax base</b>	<b>10 959</b>	<b>-</b>

1) Permanent differences is mainly dividend exempt of tax from subsidiaries partially offset by acquisition costs

**Specification of temporary differences**

Current assets	-5 211	-3 359
Fixed assets	54 988	55 745
Provisions	345	4 019
Pension obligations	4	47
Losses carried forward	-	-8 981
<b>Total</b>	<b>50 126</b>	<b>47 472</b>
Calculated deferred tax assets (-liabilities)	-12 531	-12 817
Effect of change in tax rate in Norway	501	949
<b>Deferred tax asset (-liabilities)</b>	<b>-12 030</b>	<b>-11 868</b>

<b>Effective tax rate</b>	<b>2016</b>	<b>2015</b>
Expected income taxes, statutory tax rate of 25%	7 288	11 893
Permanent differences (25%)	-3 885	-3 190
Effect of change in tax rate in Norway	-501	-949
<b>Income tax expense</b>	<b>2 902</b>	<b>7 753</b>

Effective tax rate in percent of profit before tax	10,0 %	17,6 %
--	--------	--------

**Expiry dates of Tax Loss Carry Forwards** (in NOK 1 000)

Tax loss carryforwards without time restrictions	-
<b>Total</b>	<b>-</b>

**Note 6****Intangible assets and goodwill** (in NOK 1 000)

<b>2016</b>	<b>Goodwill</b>	<b>Development costs</b>	<b>Patents, product rights &amp; trademarks</b>	<b>Total</b>
Acquisition cost at 01.01.	53 000	66 444	36 092	<b>155 535</b>
Additions during the year	-	6 986	-	<b>6 986</b>
Disposals during the year	-	-	-	-
Acquisition cost 31.12.	53 000	73 429	36 092	<b>162 521</b>
Accumulated amortization at 01.01.	-	40 837	33 595	<b>74 432</b>
Amortization during the year	-	5 888	2 497	<b>8 385</b>
Accumulated amortization disposals during the year	-	-	-	-
Accumulated amortization 31.12.	-	46 726	36 092	<b>82 817</b>
<b>Net book value at 31.12.</b>	<b>53 000</b>	<b>26 704</b>	<b>-</b>	<b>79 704</b>

<b>2015</b>	<b>Goodwill</b>	<b>Development costs</b>	<b>Patents, product rights &amp; trademarks</b>	<b>Total</b>
Acquisition cost at 01.01.	53 000	57 419	36 092	<b>146 511</b>
Additions during the year	-	9 025	-	<b>9 025</b>
Disposals during the year	-	-	-	-
Acquisition cost 31.12.	53 000	66 444	36 092	<b>155 536</b>
Accumulated amortization at 01.01.	-	36 752	30 321	<b>67 074</b>
Amortization during the year	-	4 085	3 274	<b>7 359</b>
Accumulated amortization disposals during the year	-	-	-	-
Accumulated amortization 31.12.	-	40 837	33 595	<b>74 432</b>
<b>Net book value at 31.12.</b>	<b>53 000</b>	<b>25 606</b>	<b>2 497</b>	<b>81 103</b>

The company uses straight line amortization of all intangible assets. The useful economic life for the intangible assets are estimated as: Development 3-5 years, patents 20 years, trademarks 5 years and product rights 5-10 years.

During the year the company expensed MNOK 16.3 (MNOK 13.6 in 2015) on research and development on new products and technology as well as upgrades on existing products. The amount does not include capitalized development costs according to IAS 38 (see tables above in this note).

**Goodwill:**

The goodwill is related to the acquisitions of Helgeland Plast AS and Superior Systems AS.

**Development Costs:**

The Company has capitalized all direct costs that are expected to create economic benefits and meet the requirements for capitalization in IAS 38. The capitalized costs relates to software solutions and modules for integrating equipment on fish farming sites, and improved product solutions to help the fish farming industry in becoming more efficient.

**Patents & trademarks:**

Patents and trademarks are related to Polarcirkel/Wavemaster (2006) and Idema Aqua (2008).

**Note 7****Tangible fixed assets** (in NOK 1 000)

<b>Land, buildings, machinery and equipment</b>	<b>2016</b>	<b>2015</b>
Acquisition cost at 01.01.	58 768	51 305
Additions related to merger	-	-
Additions during the year	8 242	7 463
Disposals during the year	-	-
Acquisition cost 31.12.	67 010	58 768
Accumulated depreciation 01.01.	35 206	32 677
Accumulated depreciation related to merger	-	-
Depreciation during the year	3 203	2 529
Accumulated depreciation disposals during the year	-	-
Accumulated depreciation 31.12.	38 409	35 206
<b>Net book value 31.12.</b>	<b>28 600</b>	<b>23 562</b>

The company use linear depreciation for all tangible assets. The useful economic life is estimated as:

- Machinery and equipment                      3-5 years
- Buildings    25 years

**Note 8****Subsidiaries and other long-term investments**

Subsidiaries accounted for according to the cost method in the parent company accounts.

<b>Company name</b>	<b>Location</b>	<b>Share ownership and voting rights</b>	<b>Share capital</b>	<b>Number of shares</b>	<b>Par value</b>	<b>Book value</b>
			<b>(NOK 1 000)</b>		<b>(NOK)</b>	<b>(NOK 1 000)</b>
AKVA group North America Inc	Canada	100 %	480	419 760	1,1	5 253
AKVA group Scotland Ltd.	Scotland	100 %	16 737	14 186 377	1,2	27 417
AKVA group Software AS	Norway	100 %	2 174	500	4 348	45 073
AKVA group Chile S.A.	Chile	100 %	53 134	199 874	266	53 000
AKVA group Services AS	Norway	100 %	100	1 000	100	100
AKVAsmart Ltd. (Turkey)	Turkey	100 %	6 159	200	30 797	7 910
Helgeland Plast AS	Norway	100 %	1 100	1 100 000	1,0	66 543
Plastsveis AS	Norway	100 %	1 462	2 150	680	19 476
Wise lausnir ehf	Iceland	100 %	38	500 000	0,08	26 172
AKVA group Denmark A/S	Denmark	100 %	1 271	1 030 000	1,2	59 777
Aquatec Solution A/S	Denmark	100 %	611	500	1 222	101 780
AKVA group Australasia Pty Ltd.	Australia	100 %	311	50 000	6	301
AKVA Marine Services AS	Norway	65 %	134	1 342	100	97 771
Sperre AS	Norway	66 %	500	50	10 000	90 837
Polarcirkel AS	Norway	100 %	100	1 000	100	110
<b>Total</b>						<b>601 519</b>

Other long-term investments	Currency	Share capital	Number of shares	Par value (NOK)	Book value	Ownership
Atlantis Subsea Farming AS	NOK	756	200	1 260	2 930	33 %
Centre for Aquaculture Competence AS	NOK	450	150	1 000	153	33 %
Blue Planet AS	NOK	1 350	2	50 000	100	7 %
<b>Total</b>					<b>3 183</b>	

The Minority Shareholder of AKVA Marine Services AS and Sperre AS has an option to sell to AKVA group ASA, and AKVA group ASA has an option to purchase from the Minority Shareholders the remaining shares. The pricing is based on financial performance. No asset or liability is recognized in the financial statement for the parent company.

## Note 9

### Inventory (in NOK 1 000)

Inventory	2016	2015
Raw materials (at cost)	11 557	10 622
Work in progress (at cost)	-	-
Finished goods (at net realisable value)	40 619	36 543
<b>Total</b>	<b>52 176</b>	<b>47 166</b>
Write-down of obsolete inventory 1.1	3 110	2 390
Write-down of obsolete inventory during the year	-420	720
<b>Write-down of obsolete inventory 31.12</b>	<b>2 690</b>	<b>3 110</b>

## Note 10

### Receivables (in NOK 1 000)

Receivables due in more than one year	2016	2015
Other long-term receivables	98	58
<b>Total</b>	<b>98</b>	<b>58</b>

### Accounts receivables

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

Bad debt provisions	2016	2015
Bad debt provision 01.01.	2 500	5 200
Change in bad debt provision	1 197	-2 700
<b>Bad debt provision 31.12.</b>	<b>3 697</b>	<b>2 500</b>
Recorded bad debt cost during the year	3	-2 302
Change in bad debt provision	1 197	2 700
<b>Total bad debt cost during the year</b>	<b>1 200</b>	<b>398</b>

Reference is made to note 16 for more details of credit and currency risks related to accounts receivables.

**Note 11****Intercompany transactions and balances** (in NOK 1 000)

<b>Receivables</b>	<b>2016</b>	<b>2015</b>
Loans to group companies	78 098	88 007
Current receivables towards group companies	24 413	26 592
Other receivables towards group companies	57 106	82 599
<b>Total</b>	<b>159 617</b>	<b>197 197</b>

<b>Payables</b>	<b>2016</b>	<b>2015</b>
Trade payables towards group companies	16 090	9 817
Other current liabilities towards group companies	84 752	34 170
<b>Total</b>	<b>100 843</b>	<b>43 987</b>

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

<b>Intercompany transactions with subsidiaries</b>	<b>2016</b>	<b>2015</b>
Revenues	32 121	89 523
Cost of materials	20 989	67 497

**Note 12****Bank deposits** (in NOK 1 000)

	<b>2016</b>	<b>2015</b>
Cash	41 792	1 486
Restricted funds	4 000	3 442
<b>Total cash and cash equivalents</b>	<b>45 792</b>	<b>4 928</b>

Restricted funds are employee tax deduction funds.

The Company has an overdraft facility of MNOK 90 in Danske Bank. As of December 31<sup>st</sup> 2016 the facility was unused compared to usage of MNOK 39 at year end 2015.

**Note 13****Shareholders****AKVA group ASA**

The Company's share capital is MNOK 25.8 divided into 25.8 million shares, each with a par value of NOK 1. The Company has only one category of shares and all shares entitle shareholders to equal rights in the Company.

See consolidated accounts note 13 about 20 largest shareholders and shares owned by members of the Board of Directors and group management.

**Note 14****Liabilities to financial institutions** (in NOK 1 000)

<b>Long-term liabilities due in more than 5 years</b>	<b>2016</b>	<b>2015</b>
Liabilities to financial institutions	3 484	3 960
<b>Total</b>	<b>3 484</b>	<b>3 960</b>

	<b>2016</b>	<b>2015</b>
<b>Liabilities secured with assets</b>	335 283	229 888

<b>Secured assets:</b>	<b>2016</b>	<b>2015</b>
Accounts receivables third parties	88 653	79 405
Accounts receivables group companies	24 413	26 592
Inventory	52 176	47 166
Shares in subsidiaries <sup>1)</sup>	290 388	101 780
Other assets	28 600	23 562
<b>Total</b>	<b>484 229</b>	<b>278 504</b>

1) Amount in 2015 was not presented in Financial Statement in 2015 notes. The shares in Aquatec Solutions A/S, AKVA Marine Services AS and Sperre AS are pledged.

As of December 31<sup>st</sup> 2016 bank guarantees of MNOK 37.1 and parent company guarantees of MNOK 15.0 is issued on behalf of the Group.

**Repayment of debt**

AKVA group ASA has in 2016 increased the debt for financing the acquisitions of AD Offshore AS and Sperre AS with new bank loans of total MNOK 158.0 at Danske Bank.

<b>The Company's long-term debt matures as follows:</b>	<b>2016</b>	<b>2015</b>
2017	19 158	52 936
2018-2019	104 323	27 829
2020-2021	208 318	145 163
2022 or later	3 484	3 960
<b>Total</b>	<b>335 283</b>	<b>229 888</b>
Average interest rate	2,84 %	3,11 %

As of December 31<sup>st</sup> 2016 an amount of MNOK 19.2 of the long-term debt due within one year is, in accordance with IFRS, reclassified to short-term interest bearing debt in the balance sheet.

**Note 15**

## Specification of items grouped in the financial statement (in NOK 1 000)

<b>Financial income</b>	<b>2016</b>	<b>2015</b>
Interest income from group companies	4 174	4 236
Other interest income	2 116	1 428
Group contribution recognized as income	-	9 229
Dividend	18 737	13 546
<b>Total financial income</b>	<b>25 027</b>	<b>28 439</b>

<b>Financial expenses</b>	<b>2016</b>	<b>2015</b>
Interest expenses	7 786	5 010
Agio loss	9 383	4 868
Other financial expenses	4 559	3 221
<b>Total financial expenses</b>	<b>21 729</b>	<b>13 099</b>

<b>Other operating expenses</b>	<b>2016</b>	<b>2015</b>
Accommodation, materials, equipment and maintenance	16 832	18 766
Marketing, travelling and communication	18 636	14 683
Other operating expenses	7 574	6 630
<b>Total other operating expenses</b>	<b>43 042</b>	<b>40 079</b>

<b>Other current liabilities</b>	<b>2016</b>	<b>2015</b>
Accrued costs	2 560	3 924
Warranty provisions	6 300	9 000
Other current liabilities	23 264	15 159
Contingent considerations	11 346	13 788
<b>Total other current liabilities</b>	<b>43 470</b>	<b>41 871</b>

The provisions for warranties relates to projects and products in the cage based segment. The provisions have been estimated based on historical warranty data associated with similar projects, products and services, and are calculated solely on the basis of the expected compensation AKVA group gives. The timeframe for settlement of the warranty provisions varies based on type of product and project.

**Note 16**

## Financial instruments and risk management

See consolidated accounts note 16 for more details about financial instruments and risk management. The Company's evaluation is that the carrying amounts of its financial instruments is a good approximation of fair value. See the consolidated accounts note 16 for information about contingent consideration recognized at fair value through profit or loss, and derivatives at fair value.

**Note 17****Long-term construction contracts** (in NOK 1 000)

Revenue and profits on long-term construction contracts are recognized using the percentage of completion method. This method implies that profit is recognized according to the progress of the work, whereas any losses are fully recorded when incurred. Included in figures are primarily contracts on barges and cages, and only contracts valued over MNOK 3.0 are included.

	2016	2015
Total revenues from long-term contracts	409 917	382 386
Total value of ongoing contracts 31.12.	344 583	252 416
Total sales included from ongoing contracts 31.12.	106 056	129 080
Not invoiced work-in-progress included as accounts receivable	9 363	11 267
Prepayments from customers	72 451	42 297
Remaining production on loss contracts 31.12.	-	-

**Note 18****Operational leases** (in NOK 1 000)

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

Operating leasing cost	2016	2015
Operational leasing costs	1 636	1 554
Rent costs on buildings	4 819	4 436
<b>Total</b>	<b>6 455</b>	<b>5 990</b>

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

	Within 1 year	1 - 5 years	After 5 years
Machinery and equipment	201	142	-
Vehicles	944	1 444	-
Offices and buildings	3 646	5 894	-
<b>Total</b>	<b>4 791</b>	<b>7 480</b>	<b>-</b>

In 2012 the main office lease agreement (headquarter) was renewed for 5 years included an option to extend the lease for 2 more years.

In 2016 the rent for main office was MNOK 2.6.

**Note 19**  
Business combinations

See consolidated accounts note 19 for more details.

**Note 20**  
Related parties (2015 figures in brackets)

See note 11 for transaction and balances with subsidiaries. See consolidated accounts note 3 about remuneration to CEO and executive management and fees to the Board of Directors.

Atlantis Subsea Farming AS (ASF) was established in 2016 and is a related party due to AKVA group ASAs ownership of 33% of the shares in ASF. AKVA group ASA has as part of their role in ASF had transactions to ASF of MNOK 3.3 and had trade payables as of December 31<sup>st</sup> of MNOK 0.4.

Egersund Group AS is a related party due to its controlling ownership share of the company. The company has related parties transactions with Egersund Group and its subsidiaries AKVA group ASA has in 2016 transactions, in line with the company's ordinary course of business, to and from Egersund Group and its subsidiaries of respectively MNOK 2.5 (0.9) and MNOK 3.8 (5.9).

Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. As of December 31<sup>st</sup> the Company had MNOK 0.2 (0.2) in trade receivables and MNOK 1.9 (0.9) in trade payables towards Egersund Group and its subsidiaries.

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

**Note 21**  
Dividend

A dividend of 0.75 NOK per share was paid out on September 5<sup>th</sup> 2016 totaling a distributed amount of 19,375,501 NOK.

See consolidated accounts note 21 for more details.

**Note 22**  
Sale of own shares

On January 12<sup>th</sup> 2016 AKVA group ASA transferred 122,698 of the Company's own shares to employees according to a Share Incentive Program announced on September 10<sup>th</sup> 2015. Employees of AKVA group ASA and its subsidiaries were invited to order shares in the Company, and on December 14<sup>th</sup> 2015 the shares were allocated to the employees participating.

See consolidated accounts note 22 for more details.

**Note 23**  
Subsequent events

See consolidated accounts note 23 for more details about subsequent events.

## Auditor's report



KPMG AS  
Sørkedalsveien 6  
Postboks 7000 Majorstuen  
0306 Oslo

Telephone +47 04063  
Fax +47 22 60 96 01  
Internet www.kpmg.no  
Enterprise 935 174 627 MVA

To the Annual Shareholders Meeting of AKVA Group ASA

### Independent Auditor's Report

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the financial statements of AKVA Group ASA. The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2016, income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2016 and income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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 parent company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2016, 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, included 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 of the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Key Audit Matters

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

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

##### Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Straume
Arandal	Hamar	Sliken	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodo	Knarvik	Sandnessjøen	Tyrist
Drammen	Kristiansand	Stavanger	Ålesund

## Auditor's report



### Valuation of goodwill

Refer to the accounting policies section *Goodwill, Business Combinations and Impairment of non-financial assets* and Note 7 in the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2016, the Group carries NOK 427 million of goodwill on the balance sheet, which represents approximately 31 % of the consolidated balance sheet.</p> <p>An impairment test of goodwill is carried out annually by the Group, assessing the value in use of individual cash generating units. The key assumptions used in the assessment of the carrying value of goodwill are determined with reference to the management's assessment and view on judgmental factors, such as growth rates, expected future revenue and gross margin, market share and discount rate. There is a risk that the judgements used are inappropriate and that goodwill is overstated, which is why goodwill impairment is a key audit matter.</p>	<p>We critically assessed the key assumptions forming the basis for the Group's value in use calculation. Our procedures included:</p> <ul style="list-style-type: none"> <li>• evaluating the Group's assessment and determination of cash generating units;</li> <li>• involving our own valuation specialist and thereby challenging the inputs and methodology used to determine the applied discount rate, assessing the inputs used in determining the discount rate by reference to market data, recalculating sensitivities to evaluate the disclosures provided in the financial statement, and assessing the mathematical and methodological integrity of management's impairment models;</li> <li>• considering the historical accuracy of the Group's assumptions in budgets and forecasts, by comparing actual numbers to budgets and forecasts in prior periods;</li> <li>• agreeing the applied revenues, profit and growth rates with the Group's most recent budgets and long term plans as approved by management;</li> <li>• challenging the key assumptions used in the discounted cash flow model;</li> <li>• considering whether the disclosures regarding key assumptions and sensitivities adequately reflects the underlying goodwill impairment assessments.</li> </ul>

### Valuation of inventory

Refer to the accounting policies section *Inventories* and Note 10 in the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
<p>As at 31 December 2016 the value of inventory held by the Group was NOK 186 million. As described in the Accounting Policies in Note 1 to the financial statements, inventories are carried to the lower of cost and net realizable value. Management make judgements regarding the value of inventory provisions for obsolescence. The key audit matter is related to the valuation of inventory.</p>	<p>For valuation of inventory as at 31 December 2016, our response included:</p> <ul style="list-style-type: none"> <li>• gaining an understanding for the relevant processes and risks by, amongst other procedures, inquiries, attending inventory counts at locations with significant inventory balance to identify indications of obsolete stock and</li> </ul>

Auditor's report



	reviewing historical level of inventory provisions and write-offs; <ul style="list-style-type: none"> <li>• evaluating management's historical accuracy in estimating the inventory provisions;</li> <li>• challenging the assumptions made in the calculations of obsolete inventory, including assumptions related to slow moving stock, considerations about the market outlook and development in technology;</li> <li>• comparing the estimated value in the financial statement with the actual selling price, where relevant, and;</li> <li>• recalculating the inventory provisions.</li> </ul>
--	---

*Revenue recognition of construction contracts*

Refer to the accounting policies section *Revenue recognition* and Note 17 in the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
<p>Parts of the Group's revenue relates to construction contracts. Accounting for construction contracts is considered a key audit matter due to the significant estimates and judgments applied by management, in the assessment of the current and future performance of contracts. Revenue recognition involves a significant degree of judgement in relation to total contract costs, stage of completion, forecasting the profit margin and appropriately provide for loss making contracts.</p>	<p>On a risk-based approach, we selected and read key contracts to assess whether the unique characteristics of the contracts were reflected in management's assessment. Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• assessing the appropriateness of applying construction contract accounting;</li> <li>• corroborating management's positions through our knowledge of the business and industry;</li> <li>• discussing and understanding management's estimates for total contract costs and forecasted costs to complete the contract for ongoing projects at year end, and challenging management by comparing the estimates to the historical accuracy of such estimates;</li> <li>• comparing management's position on the recognition of margins to the actual costs incurred, current progress and milestones;</li> <li>• analyzing and comparing margins on a selection of contracts to assess whether the margins are stable;</li> <li>• assessing any significant variation orders and;</li> <li>• using the knowledge obtained from this testing, challenged significant projects with declining margins as to identify triggers for loss making contracts.</li> </ul>

## Auditor's report



Auditor's Report - 2016  
AKVA Group ASA

#### Acquisitions

Refer to the Board of Director's report section *Balance sheet AKVA group ASA*, the accounting policies section *Business Combinations* and Note 19 in the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group acquired two new entities in 2016, AD Offshore AS and Sperre AS, for which the group paid NOK 73 million and NOK 91 million respectively. The acquisition accounting and presentation, and the determination of fair values required a number of management's estimates and judgments to be applied, which include the identification and measurement of the fair value of the acquired assets and liabilities at the acquisition date and the information provided in the disclosures of the financial statement</p>	<p>We focused on the identification of assets and liabilities and measurement in the purchase price allocation by, amongst others, performing the following procedures:</p> <ul style="list-style-type: none"> <li>• reading the transaction agreements and assessing the valuation of the consideration payable, including tracing payments to bank statements;</li> <li>• involving a valuation specialist to assess the inputs and methodology used for the estimation of the fair value of intangible assets, including discount rate, discount period, tax effects, mathematical accuracy and the valuation models used;</li> <li>• challenging the completeness of the identified intangible assets;</li> <li>• assessing the estimated useful life of the identified intangible assets;</li> <li>• valuation and accounting of the options granted for acquiring the remaining shares and;</li> <li>• assessing the appropriateness of the disclosures presented in the financial statement.</li> </ul>
<p>As such, the acquisition accounting requires a high degree of auditor judgement, and is a key audit matter.</p>	

#### Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report with the exception of the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

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

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU, and for such

## Auditor's report



Auditor's Report - 2016  
AKVA Group ASA

internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

## Auditor's report



Auditor's Report - 2016  
AKVA Group ASA

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

### Report on Other Legal and Regulatory Requirements

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

---

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit 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, 4 April 2017  
KPMG AS


  
Svein Arthur Lyngroth  
State Authorised Public Accountant

## Responsibility Statement

### Confirmation from the Board of Directors and the CEO

We confirm, to the best of our knowledge, that the financial statements for the period from January 1<sup>st</sup> to December 31<sup>st</sup>, 2016 has been prepared in accordance with applicable accounting standards and gives a true and fair view of the Group and the Company's assets, liabilities, financial position and results of operations, and that the Report of the Board of directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company together with a description of the key risks and uncertainty factors that the companies are facing.

Bryne, Norway, April 4<sup>th</sup> 2017



Hans Kristian Mong  
(Chairperson)



Frode Teigen



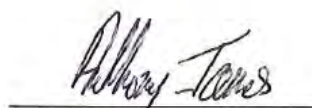
Evy Vikene



Anne Breiby  
(Deputy Chairperson)



Nils Viga



Anthony James




Aino Olaisen



Tore Obrestad



Carina Jensen



Henrik A. Schultz



Hallvard Muri  
(CEO)

## Alternative Performance Measures - Non IFRS Financial Measures

AKVA group discloses alternative performance measures as a supplement to the financial statements prepared in accordance with IFRS. Such performance measures are used to provide an enhanced insight into the operating performance, financing and future prospects of the company and are frequently used by analysts, investors and other interested parties. The definition of these measures are as follows:

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

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

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

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

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

*ROCE* – ROCE (Return on Capital Employed) is calculated by dividing last 12 months EBIT by capital employed at the end of the reporting period.

Capital Employed is calculated as NIBD plus equity, deferred tax and other long term liabilities.

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

We believe that using ROCE provides useful information to investors because ROCE can be used to determine the yield on invested capital and can be used when comparing to other similar companies.

*EBITDA* – EBITDA is the earnings before interest, taxes, depreciation and amortizations. It can be calculated by the EBIT added by the depreciations and amortizations.

*EBIT* – EBIT is the earnings before interest and taxes. It can be calculated by the profit before tax added by the interest.

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

*Working Capital* – Working capital is calculated by current assets less cash minus current liabilities less liabilities to financial institutions.

## Articles of Association of AKVA group ASA

(Last updated May 24<sup>th</sup> 2011 - Translation from Norwegian)

### § 1

The company's name is AKVA group ASA. The company is a public limited company.

### § 2

The company's registered office is in Time, 4340 Bryne.

### § 3

The objective of the Company is to develop, produce, design, sell and market own and purchased products, and all activities related thereto, including participation in other companies with similar activities.

The activities of the Company shall be focused in particular on technology for farming of fish and animals.

### §4

The company's share capital shall be NOK 25,834,303 divided into 25,834,303 shares at NOK 1 each. The company's shares shall be registered in the Norwegian Register of Securities (VPS). Any transfer of shares shall be notified to VPS within 1 – one – month.

### § 5

The Board of Directors shall consist of from 4 to 10 members as decided from time to time by the general meeting. The Chairperson and one Board member jointly sign on behalf of the company.

### § 6

The ordinary general meeting of the company shall consider the following:

1. The approval of the annual profit and loss statement and balance sheet
2. Application of the profit, or settlement of the deficit according to the approved balance sheet, as well as the distribution of dividends
3. Election of the Board of Directors
4. Other issues that under Norwegian law are to be dealt with by the shareholders General Meeting

### § 7

The company shall have a nomination committee consisting of at least 3 members elected by the general meeting. The nomination committee shall prepare the general meeting's election of board members and propose candidates for nominations. The general meeting may adopt instructions for the nomination committee.

## § 8

When documents concerning matters to be discussed at the general meeting are made available to the shareholders on the Company's website, the requirement in the Public Companies Act that such documents shall be sent to the shareholders shall not apply. This also applies to documents which, according to law, shall be included or enclosed to the notice of the general meeting. A shareholder may nonetheless request hard copies of such documents to be sent to him.

## Corporate Social Responsibility

This report is made in accordance with the Norwegian Accounting Act, Section 3-3c, setting requirements for the companies to account for its handling of Corporate Social Responsibility. The report includes:

- References to the Company's guidelines related to following up its corporate responsibility, including any principles, procedures and standards to be adhered to. If such guidelines have not been prepared, information to that effect is given
- How the company works to translate the principles, procedures, standards and guidelines mentioned above into action
- The Company's assessment of the results achieved as a consequence of working with corporate responsibility and any expectations to results in the time to come

### **BASIS FOR AKVA group ASA's CORPORATE SOCIAL RESPONSIBILITY**

The Company's handling of its Corporate Social Responsibility is based on AKVA group's core values and principles, applicable laws and regulations as well as generally accepted principles and practices for good corporate governance.

AKVA group ASA approach Corporate Social Responsibility as a continuous process, seeking constant improvement in awareness, processes as well as adoption to new regulations and understandings.

### **AKVA group ASA's VISION AND VALUES**

AKVA group's vision is to be a Technology and Service Partner to the global aquaculture industry. AKVA group's mission is to be a profitable supplier of knowledge based solutions and services in order to improve our customer's profitability and sustainability.

AKVA group's core values are:

Customer Focus

Aquaculture Knowledge

Reliability

Enthusiasm

The vision and values of the Group forms the foundation of our commercial activity and strategies as well as our behavior as an entity and individuals.

Our Vision and Values are actively communicated internally and externally describing AKVA group ASA as an entity, as well as actively used as general guidelines for behavior, priorities and decisions in day to day management. Our Vision and Values are made available on our website, our intranet as well as in presentations and material distributed internally to our employees as well as externally to customers and stakeholders.

## AKVA GROUP ASA's CODE OF CONDUCT

AKVA group has an established Code of Conduct giving detailed instructions on regulations, policies and guidelines for responsible as well as acceptable behavior and conduct. The Code of Conduct applies to all employees, including temporary personnel, of the Group throughout the world as well as to the Directors of the Board in AKVA group ASA and its subsidiaries.

The purpose of the Code of Conduct is to ensure that all persons acting on behalf of AKVA group perform their activities in an ethical way and in accordance with the standards AKVA group sets in its regulations, policies and guidelines.

It is AKVA group's policy to comply with all applicable laws and governmental rules and regulations. The code is an important tool to secure compliance with these laws, rules and regulations.

The Code of Conduct is published on the Group's intranet available for all employees in the Group. The code is also enclosed as a part of new employment contracts, making sure all new employees have the proper understanding necessary to comply. The code gives clear instructions to all managers in the Group to make sure the code is known and complied with by all employees.

Violation of this Code of Conduct is not tolerated and may in accordance with relevant legislation lead to internal disciplinary actions, dismissal or even criminal prosecution. Should an improper practice or irregularity occur within the Company, the Company is committed to make necessary corrections and take remedial action to prevent reoccurrence.

The Code of Conduct covers the following main areas:

- Policy on personal conduct and behavior based on mutual respect
- Restrictive policy on use of intoxicants
- Policy on equal opportunity
- Policy on anti-corruption and conflict of interest
- Policy on compliance with laws and regulations including laws and regulations on antitrust and competition as well as insider trading

The Code of Conduct is regularly revised in order to ensure adoptions to new regulations and understandings of good governance and conduct. The Code of Conduct was last revised in 2014.

Policy areas of special importance for AKVA group in our effort to follow up our corporate social responsibility are given a broader presentation below.

## EQUAL OPPORTUNITIES

AKVA group is committed to an inclusive work environment and appreciates and recognizes that all people are unique and valuable, and should be respected for their individual abilities. AKVA group does not accept any form of harassment or discrimination on the basis of gender, religion, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age or political opinion.

AKVA group shall provide equal employment opportunity and treat all employees fairly. AKVA group employees and business units shall only use merit, qualifications and other professional criteria as basis for employee-related decisions, regarding for instance recruitment, training, compensation and promotion. AKVA group encourage commitment developing programs and actions to promote a diverse organization based on the principle of equal opportunity.

The policy for equal opportunity is stated in the Group's Code of Conduct. It is followed up as part of daily management in the different entities of the Group.

AKVA group currently has subsidiaries in eight countries employing a diversified work force in terms of gender, religion, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age and political opinion.

Based on the knowledge of the Management and the Directors of the Board in AKVA group, there have been no violation of equal opportunities in 2016.

## **POLICIES AND ACTIONS TO PREVENT CORRUPTION**

AKVA group has a zero tolerance policy on corruption.

### **Bribery**

Employees in AKVA group shall not offer or accept any bribes. Bribery occurs when a person gives or offers a gift or favor for himself to achieve an unfair advantage. AKVA group also do not allow so-called "facilitation payments", i.e. entitled payments made to secure or expedite something.

### **Gifts, favors and entertainment**

Employees in AKVA group should exercise caution in giving and receiving gifts, services and other benefits. Gifts, services and benefits shall not go beyond what is considered normal and reasonable in the country the operation is located. The size and circumstances of gifts, services and benefits that are given or received shall be such that an employee should be able to tell openly about this.

The policy outlines that gifts, etc., shall under no circumstances be given or received, if we are talking about:

- a negotiation, an application, or offers or situation which is expected in return, or
- money, loans and private services, or
- frequent gifts or
- gifts to public officials or politicians, or
- gifts with specific conditions or
- gift whose value exceeds \$ 100 (without the prior written consent of the parent)

Employees must in addition to these guidelines, follow local regulations, including tax laws.

### **Actions and status**

The policy and guidelines to prevent corruption and fraud is stated in AKVA group ASA's Code of Conduct, made known to all employees on the Group's intranet as well as included as part of all employment agreements entered into by the Group.

Special management attention is given to safeguard the strict anti-corruption policy, enforcing strong awareness of employees on all levels. Systematic actions implemented includes:

- Sales and projects staff working towards and/or operating in markets with historical records of corruption are followed up with special information and training courses aimed at enhancing understanding and awareness
- Integrity due diligence is conducted on new agents as well as distributors and cooperating partners in export markets
- Anti-corruption clauses are included in new agent and distributor agreements
- Anti-corruption clauses are today included in significant contracts in emerging markets

Anti-corruption clauses are implemented in all significant contracts with suppliers and customers from 2014 and onwards.

As of today no reported incident of corruption, involving AKVA group, is reported to or known by the Management or the Directors of the Board in AKVA group.

## **INTEGRITY AND CONFLICTS OF INTEREST**

### **Conflicts of Interest**

Employees in AKVA group shall not attempt to gain advantage for themselves or relatives that are unlawful, or in any way may be in violation of AKVA group's interests or reputation.

### **Duty, positions and ownership of external business**

Employees in AKVA group shall not be involved in matters or enter into agreements that may conflict with or damage AKVA group's interests, or provide them with benefits. This includes conditions where it can be questioned that person's independence because that person, the person's family or other person has close connections to have financial interests in the relationship that comes with AKVA group.

Employees in AKVA group shall avoid relationships or agreements that may affect his or her actions or judgment and cast doubt on the independence.

Employees in AKVA group shall avoid ownership interests or directorships in other companies if this is likely to undermine the loyalty to AKVA group. Board positions and/or equity investment in companies that compete or are doing business with AKVA group shall always be approved by the employee's supervisor in advance.

### **Political activity**

AKVA group does not provide any form of financial or other support directly to political parties. AKVA group may support or promote political views in matters affecting its business interests.

### **Prohibition on the purchase of sexual services**

Purchase of sexual services on a business trip or in connection with the execution of an assignment or work for AKVA group is unacceptable and should not occur.

Purchase of sexual services is prohibited by law in Norway. This prohibition also applies abroad for Norwegian citizens and persons with permanent residence in Norway.

## Actions and status

The policy and guidelines on integrity and conflict of interest are stated in AKVA group ASA's Code of Conduct and made known to all employees on the Group's intranet as well as included as part of all employment agreements entered into by the Group.

Violation is not tolerated and may in accordance with relevant legislation lead to internal disciplinary actions, dismissal or even criminal prosecution. Should an improper practice or irregularity occur within the Company, the Company is committed to make necessary corrections and take remedial action to prevent reoccurrence.

No violations of the policy and guidelines for Integrity and Conflict of Interest have been reported to the Management or Board of Directors during 2016.

## COMPLIANCE WITH LAWS AND REGULATIONS

Compliance with national laws and regulations are the basis for AKVA group's operations in all countries.

Company employees and directors in AKVA group shall:

- comply with all applicable laws and regulations when acting on behalf of the company, including the obligation to report and pay taxes;
- under no circumstances cause or contribute to violations of the general and specific competition regulations, such as price-fixing, illegal market sharing or other conduct in violation of applicable competition laws;
- comply with applicable legislation and internal instructions on insider trading and insider information, including failure to provide or advise on the sale of securities in AKVA group or other listed companies on the basis of non-public information made available through the work of AKVA group, which may influence the price of securities if it becomes widely known.

The policy and guidelines on compliance with laws and regulations are stated in AKVA group ASA's Code of Conduct and made known to all employees on the Group's intranet as well as included as part of all employment agreements entered into by the Group.

AKVA group has developed and issued guidelines for insiders in accordance with the recommendations set by Oslo Stock Exchange.

No incidents of non-compliance with the policies of Compliance have been reported to the Management or the Board of Directors in 2016.

## SOCIAL RESPONSIBILITY

### External standards AKVA group follows

AKVA group follow the principles of the UN Global Compact that include:

#### *Human Rights*

Businesses should support and respect the protection of internationally recognized human rights, and ensure that they are not complicit in human rights abuses.

### *Labour standards*

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining, put an end to all forms of forced labor, bringing child labor to an end and put an end to discrimination in respect of employment and occupation.

### *Environment*

Businesses should support a precautionary principle in relation to environmental challenges, undertake initiatives to promote greater accountability in relation to the environment and encourage the development and diffusion of environmentally friendly technologies.

### *Anti-corruption*

Businesses should work against all forms of corruption, including extortion and bribery.

## **Requirements for AKVA group's suppliers regarding Social Responsibility including the principles of the UN Global Compact**

AKVA group's suppliers should have implemented standards of Social Responsibility and should follow the principles of the UN Global Compact. Suppliers that violate basic standards of ethics and corporate responsibility may be dismissed as suppliers of AKVA group and may be considered disqualified from delivering quotes.

### **Good working conditions**

All employees in AKVA group shall have high levels of safety in their work and we expect our suppliers to maintain responsible labor practices.

Employees in AKVA group are free to join trade unions of their choice. Management in all companies in the Group shall facilitate a good working relationship with staff and trade unions.

### **Openness and dialogue with stakeholders**

AKVA group want an open and constructive dialogue with people, organizations and other stakeholders affected by our operations. The goal is that openness, dialogue and public reporting will help to improve our business.

Reference to AKVA group's adoption of UN Global Compact was implemented as standard in contracts with suppliers and customers from 2014 and onwards.

No incidents or violations of policies within the area of Social Responsibility have been reported to the Management or Board of Directors in 2016.

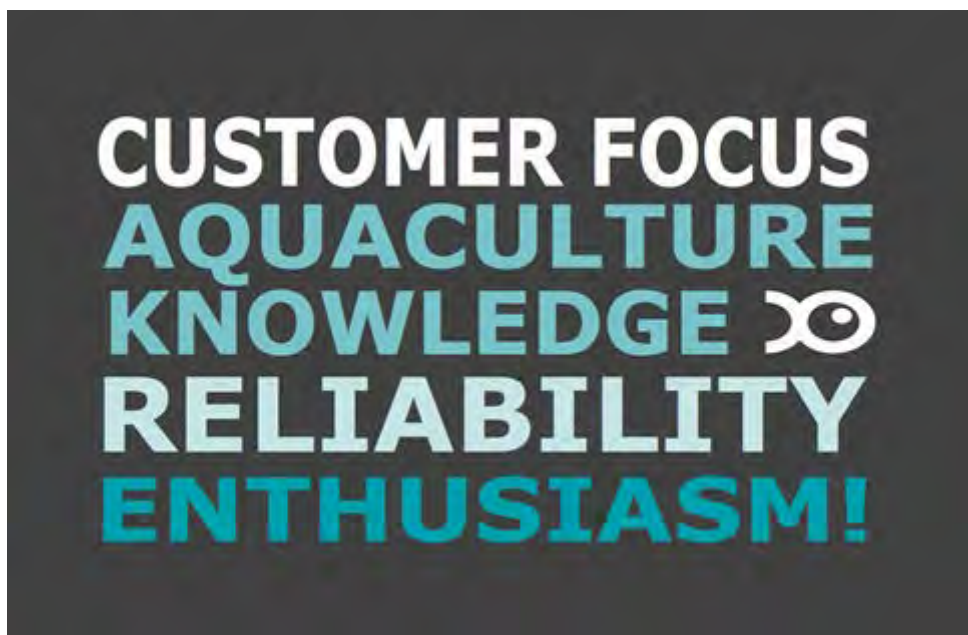
## **SUSTAINABLE ENVIRONMENT**

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

AKVA group designs and produces technology in accordance with high national and international standards implemented to safeguard sustainable production and HSE. In Norway all technology designed and delivered are in accordance with NS9415, representing the highest international technology standard in the industry. Technology based on this standard is as a main rule provided to export markets.

Annually AKVA group allocates substantial financial resources developing more sustainable technologies for the global aquaculture industry, targeting improved fish welfare as well as solutions to environmental issues, such as the challenge of escapes as well as sea lice in the salmon industry.

No incidents or violations of AKVA group's policies on Sustainable Environment have been reported to the Management or the Directors of the Board in 2016.



## Corporate Governance in AKVA group ASA

**AKVA group ASA's objective is to create the greatest possible value for its shareholders over time. Strong corporate governance will contribute to reducing risk and ensure sustainable value creation.**

Pursuant to section 3-3(b) of the Norwegian Accounting Act and the Code (as defined below), the Board reviews and updates the Company's principles for corporate governance on an annual basis. This report is included in the Company's annual report.

### 1. Implementation and reporting on corporate governance

*The Board of Directors must ensure that the Company implements sound corporate governance.*

*The Board of Directors must provide a report on the Company's corporate governance in the directors' report or in a document that is referred to in the directors' report. The report on the Company's corporate governance must cover every section of the Code of Practice. If the Company does not fully comply with this Code of Practice, the company must provide an explanation of the reason for the deviation and what alternative solution it has selected.*

*The Board of Directors should define the Company's basic corporate values and formulate ethical guidelines and guidelines for corporate social responsibility in accordance with these values.*

AKVA group ASA ("**AKVA group**" or the "**Company**", and together with its subsidiaries the "**Group**") has defined guidelines for corporate governance, and the Board has decided to follow the Norwegian Code of Practice for Corporate Governance (the "**Code**") as approved by the Norwegian Corporate Governance Board ("**NCGB**"). The Code was last revised 30 October 2014. AKVA group has furthermore defined its own corporate Code of Conduct and defined values upon which the Company should base its activity. These principles also apply to AKVA group's subsidiaries to the extent they are relevant. The Company has guidelines for corporate social responsibility that are reviewed on a yearly basis and are included in the Annual Report.

The individual recommendations in the Code are discussed below. The Code and its recommendations are available on the NCGB website at [www.nues.no](http://www.nues.no). To a large extent AKVA group's principles correspond to the Code. Possible deviations from the Code are discussed under the relevant sections below, and any deviation is accounted for and any alternative practice adopted by the company explained.

**Deviation from the Recommendation:** None other than as stated above

### 2. Business

*The Company's business should be clearly defined in its articles of association. The Company should have clear objectives and strategies for its business within the scope of the definition of its business in its articles of association. The annual report should include the business activities clause from the articles of association and describe the Company's objectives and principal strategies.*

Paragraph 3 in the Company's articles of association (the "**Articles of Association**") states: "The objective of the Company is to develop, produce, design, sell and market own and purchased products, and all activities related thereto, including participation in other companies with similar activities. The activities of the Company shall be focused in particular on technology for farming of fish and animals." The full Articles of Association are included in the Annual Report. The Company's strategic goals and objectives are described thoroughly in the report.

**Deviation from the Recommendation:** None

### 3. Equity and dividends

The Company should have an equity capital at a level appropriate to its objectives, strategy and risk profile. The Board of Directors should establish a clear and predictable dividend policy as the basis for the proposals on dividend payments that it makes to the general meeting. The dividend policy should be disclosed. The background to any proposal for the Board of Directors to be given a mandate to approve the distribution of dividends should be explained. Mandates granted to the Board of Directors to increase the Company's share capital should be restricted to defined purposes. If the Annual General Meeting is to consider mandates to the Board of Directors for the issue of shares for different purposes, each mandate should be considered separately by the meeting. Mandates granted to the Board should be limited in time to no later than the date of the next Annual General Meeting. This should also apply to mandates granted to the Board for the Company to purchase its own shares.

At year end 2016 the Company had a consolidated equity of MNOK 435 which accounts for 31.6 % of the total consolidated assets of the Company. It is the view of the Board of Directors that the above stated equity capital level is appropriate in consideration of the Company's objectives, strategy and risk profile.

#### *Dividend policy:*

*The Company's main objective is to maximise the value of the investment made by its shareholders through both increased share prices and dividend payments. The dividend level shall reflect the present and expected future cash generating potential of AKVA group. AKVA group will target a net interest-bearing debt/equity ratio of less than 0.5x. When the target debt vs. equity level is met, at least 60% of the annual free cash flow after operational and financial commitments is intended to be distributed as dividend. Applicable statutory restrictions shall be observed. AKVA group aims to pay out dividend twice every year, after the second and fourth quarter.*

The dividend policy has been established by the Board of Directors and is disclosed on the Company's website. AKVA group paid out a dividend of NOK 0.75 per share in September 2016, in total NOK 19,375,501.

In order to enable the Company to maintain the dividend policy, the Board of Directors will propose that the Annual General Meeting to be held in May 2017 authorizes the Board of Directors pursuant to the Norwegian Public Limited Liability Companies Act (the "**Public Companies Act**" or the "**Act**") § 8-2(2) to approve the distribution of dividends based on the Company's annual accounts for 2016. The authority may be used to approve the distribution of dividends up to an aggregate amount of NOK 75,000,000. The authorization shall be in force from the date of the general meeting until the earlier of the time of the annual general meeting in 2017 and 30 June 2017.

The general meeting held on 10 May 2016 resolved to grant the Board authorization to increase the Company's share capital by up to NOK 2,583,430 through subscription of new shares. The authorization does not authorize the Board to waive the pre-emptive right of shareholders pursuant to section 10-4 of the Public Companies Act, nor carry out a capital increase through payments in non-monetary assets, nor incur special obligations on behalf of the company as set out in section 10-2 of the Act, nor decisions on mergers pursuant to section 13-5 of the Act, and may not be used in connection with the Company's option program.

The authorization is in force from the date of the general meeting until the earlier of the date of the annual general meeting in 2017 and 30 June 2017. This authorization replaced all previous authorizations to the board to increase the Company's share capital.

The Board of Directors has proposed that the annual general meeting to be held in May 2017 repeats the authorization granted to the Board of Directors in 2016 with a limitation corresponding to 10% of authorized share capital, but so that the Board is not authorized to waive the pre-emptive right of shareholders pursuant to section 10-4 of the Public Companies Act, nor carry out a capital increase through payments in non-monetary assets, nor incur special obligations on behalf of the Company as set out in section 10-2 of the Act, and nor decide on mergers pursuant to section 13-5 of the Act, and so that the authorization may not be used in connection with the

Company's option program. The new authorization shall expire at the earlier of the annual general meeting in 2018 and 30 June 2018. It is further proposed that the new authorization shall replace all previous authorizations to the Board of Directors to increase the Company's share capital.

The general meeting in 2016 also resolved to grant the board authorization to acquire own shares which have been fully paid in accordance with the rules of §§ 9-2 – 9-4 of the Act. The shares to be acquired under this authorization shall not be acquired at a higher value than market terms on a regulated market where the shares are traded. This authorization may be used one or several times. The aggregate maximum face value of the shares which the Company may acquire pursuant to this authorization is NOK 645,857, which equals approximately 2.5 % of the Company's share capital.

Acquisitions of shares pursuant to this authorization may only take place if the Company's distributable reserves according to the most recent balance sheet exceed the purchase price for the shares to be acquired. The Board is free to determine how the Company's own shares will be acquired and sold, provided that an acquisition under this authorization must be in accordance with prudent and good business practice, with due consideration to losses which may have occurred after the balance-sheet date or to expected such losses.

The authorization is valid until the annual general meeting of 2017, however, no longer than until 30 June 2017. This authorization replaced the authorization for acquisition of own shares granted by the annual general meeting on 7 May 2015.

The Board of Directors has proposed that the annual general meeting to be held in May 2017 repeats the authorization granted to the Board of Directors in 2016, and that the new mandate shall expire at the earlier of the annual general meeting in 2018 and 30 June 2018. It is further proposed that the new authorization shall replace all previous authorizations to the Board of Directors to purchase own shares.

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

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

#### 4. Equal treatment of shareholders and transactions with close associates

The Company should only have one class of shares.

Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital should be justified. Where the Board of Directors resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders on the basis of a mandate granted to the board, the justification should be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

Any transactions the Company carries out in its own shares should be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way. If there is limited liquidity in the Company's shares, the Company should consider other ways to ensure equal treatment of all shareholders.

In the event of any not immaterial transactions between the Company and shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such parties, the Board should arrange for a valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Public Companies Act. Independent valuations should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

The Company should operate guidelines to ensure that members of the Board of Directors and executive personnel notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

*Class of shares, pre-emptive rights and transactions in own shares*

AKVA group has only one class of shares. The Articles of Association place no restrictions on voting rights. All shares are treated equal.

If the proposals for authorization to the Board of Directors to approve increases in share capital referred to above are approved, the Board may decide to waive the shareholder's pre-emptive rights in connection with a share capital increase approved under the authorization. In the event is considering, any decision by the Board of Directors to waive the pre-emptive rights of shareholders will only be made after careful consideration and if such waiver can be properly justified in the relevant circumstances.

In the event the Board of Directors would propose to the general meeting that the pre-emptive rights of shareholders should be waived, this proposal would be justified in the notice of the general meeting.

Any transactions carried out by the Company in its own shares will be carried out either on the Oslo Stock Exchange or at prevailing stock market prices. In situations with limited liquidity in the Company's shares, the Board of Directors will consider alternatives in order to ensure the equal treatment of shareholders.

*Transactions between related parties*

The Company is not aware of any potential conflicts of interest between the duties owed to the Company by the members of the Board of Directors or the Company's management, and their private interests or other duties. The Company is party to facility lease agreements with companies that are controlled by shareholders of AKVA group; however, these are all based on arm's length market terms.

In order to avoid conflicts of interest, the Company has introduced guidelines pursuant to which members of the Board of Directors and the Company's management must act.

*Guidelines for directors and key management personnel*

The Board has implemented guidelines to ensure that members of the Board and executive personnel shall notify the Board in the event they have any material direct or indirect interest in any transaction entered into by the Company.

**Deviation from the Recommendation:** None other than as stated above

## 5. Freely negotiable shares

The Company's shares must, in principle, be freely negotiable. Therefore, no form of restriction on negotiability should be included in a Company's articles of association.

The shares are freely negotiable. The Articles of Association place no restrictions on negotiability.

**Deviation from the Recommendation:** None

## 6. General meetings

The Board of Directors should take steps to ensure that as many shareholders as possible may exercise their rights by participating in general meetings of the Company, and that general meetings are an effective forum for the views of shareholders and the Board.

Such steps should include:

- making the notice calling the meeting and the support information on the resolutions to be considered at the general meeting, including the recommendations of the nomination committee, available on the Company's website no later than 21 days prior to the date of the general meeting
- ensuring that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting
- setting any deadline for shareholders to give notice of their intention to attend the meeting as close to the date of the meeting as possible
- the Board of Directors and the person chairing the meeting making appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the Company's corporate bodies
- ensuring that the members of the Board of Directors and the nomination committee and the auditor are present at the general meeting
- making arrangements to ensure an independent chairman for the general meeting

Shareholders who cannot attend the meeting in person should be given the opportunity to vote. The Company should:

- provide information on the procedure for representation at the meeting through a proxy,
- nominate a person who will be available to vote on behalf of shareholders as their proxy
- to the extent possible prepare a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election.

The annual general meeting for 2016 was held on the 10<sup>th</sup> of May, and was in all material respect carried through in accordance with item 6 in the recommendation with the following exceptions:

- The Company does not appoint an independent proxy to vote on behalf of shareholders. In the Company's opinion the shareholder interests are duly protected through participation with a personal proxy or by granting a proxy with voting instructions to the chairman of the meeting, the chairman of the board or any person appointed by him.

- The recommendations of the nomination committee had not been finalised on the date of the notice calling the annual general meeting, and were made public 15 days prior to the date of the annual general meeting.

The annual general meeting in 2016 was chaired by an independent chairman. It is the intention of the Board of Directors to nominate an independent chairman also for future general meetings.

AKVA group did not conduct any Extraordinary General Meetings in 2016.

**Deviation from the Recommendation:** None other than as stated above

## 7. Nomination committee

The Company should have a nomination committee, and the general meeting should elect the chairperson and members of the nomination committee and should determine the committee's remuneration.

The nomination committee should have contact with shareholders, the Board of Directors and the Company's executive personnel as part of its work on proposing candidates for election to the Board.

The nomination committee should be laid down in the Company's articles of association. The general meeting should stipulate guidelines for the duties of the nomination committee.

The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the Board of Directors and the executive personnel. At least one member of the nomination committee should not be a member of the corporate assembly, committee of representatives or the Board. No more than one member of the nomination committee should be a member of the Board of Directors, and any such member should not offer himself for re-election to the Board. The nomination committee should not include the Company's chief executive or any other executive personnel.

The nomination committee's duties are to propose candidates for election to the corporate assembly and the Board of Directors and to propose the fees to be paid to members of these bodies.

The nomination committee should justify its recommendations.

The Company should provide information on the membership of the committee and provide suitable arrangements for shareholders to submit proposals to the committee for candidates for election.

The Articles of Association provide for a Nomination Committee. The Nomination Committee shall evaluate and recommend candidates for Directors elected by the shareholders as well as Directors' remuneration, both for the Board of Directors and for the Nomination Committee itself. The Nomination Committee shall consider and recommend to the shareholders for resolution at the general meeting on the following matters:

- Candidates for election as members of the Board of Directors
- Candidates for election as members of the Nomination Committee and the Chairman of the Committee
- The proposed remuneration of the Board of Directors and the members of the Nomination Committee
- Any proposed amendments to the Nomination Committee Charter
- Approve the text in the Annual report (Corporate Governance section) of the company, related to the Nomination Committee

The Nomination Committee shall consist of three members elected by the shareholders at the general meeting. The Nomination Committee's chairperson shall be a member of the Nomination Committee and shall be elected by the shareholders at the general meeting.

The nomination committee's work is based on the Nomination Committee Charter approved by the Annual General Meeting in May 2007, which includes appropriate arrangements for shareholders to submit proposals to the committee for candidates for election.

### *Composition*

The current nomination committee was elected by the ordinary Annual General Meeting on 10 May 2016 and consists of:

Eivind Helland, (chair, for 1 years) General Manager, Blue Planet AS

Bjørnar Mikalsen (for 1 years), Head of Sales, Skretting Nord

Therese Log Bergjord (for 1 years), Managing Director, Compass Group Norway

None of the nomination committee members are members of the Board of Directors.

The Nomination Committee is of the opinion that the composition reflects the common interest of all the Company's shareholders.

*The work of the Committee*

The Nominating Committee has held 4 meetings since the 2016 general meeting.

**Deviation from the Recommendation:** None

## **8. Corporate assembly and Board of Directors: composition and independence**

The composition of the corporate assembly should be determined with a view to ensuring that it represents a broad cross-section of the Company's shareholders.

The composition of the Board of Directors should ensure that the Board can attend to the common interests of all shareholders and meets the Company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the Board can function effectively as a collegiate body.

The composition of the Board of Directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the Board should be independent of the Company's executive personnel and material business contacts. At least two of the members of the Board elected by shareholders should be independent of the Company's main shareholder(s).

The Board of Directors should not include executive personnel. If the Board does include executive personnel, the Company should provide an explanation for this and implement consequential adjustments to the organisation of the work of the Board, including the use of Board committees to help ensure more independent preparation of matters for discussion by the Board, cf. Section 9.

The chairman of the Board of Directors should be elected by the general meeting so long as the Public Companies Act does not require that the chairman must be appointed either by the corporate assembly or by the Board of Directors as a consequence of an agreement that the Company shall not have a corporate assembly.

The term of office for members of the Board of Directors should not be longer than two years at a time.

The annual report should provide information to illustrate the expertise of the members of the Board of Directors, and information on their record of attendance at Board meetings. In addition, the annual report should identify which members are considered to be independent.

Members of the Board of Directors should be encouraged to own shares in the Company.

*Composition of the Board of Directors*

The Board of Directors consists of 10 members, and currently has the following composition: Hans Kristian Mong (Chairperson), Anne Breiby (Deputy Chairperson), Frode Teigen, Evy Vikene, Nils Viga, Anthony James, Aino Olaisen, Tore Obrestad, Carina Jensen and Henrik A. Schultz. The 3 latter directors have been elected by and from the employees.

All Board members are elected for a period of 2 years. All of the shareholder-elected members of the Board are independent from executive management and material business contacts. Three of the shareholder-elected members of the Board are independent from the main shareholders of the Company. The Board of Directors elects the Chair and the Deputy Chair. All the members of the Board are generally encouraged to own shares in the Company.

Hans Kristian Mong and Frode Teigen represent the largest shareholder of the Company, Egersund Group AS. Anthony James represents Wheatsheaf Group Ltd, the second largest shareholder of the

Company. The other members of the Board of Directors are independent of shareholders and other stakeholders. Further details of the individual directors can be found in the Annual Report.

The nomination committee's recommendation of candidates, including the basis of the recommendation, will be appended to the notice for the annual general meeting, which will be published on the Company's website and on the Oslo Stock Exchange's reporting site, [www.newsweb.no](http://www.newsweb.no).

**Deviation from the Recommendation:** None other than as stated above

## 9. The work of the Board of Directors

The Board of Directors should produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.

The Board of Directors should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.

In order to ensure a more independent consideration of matters of a material character in which the chairman of the Board is, or has been, personally involved, the Board's consideration of such matters should be chaired by some other member of the Board.

The Public Companies Act stipulates that large companies must have an audit committee. The entire Board of Directors should not act as the Company's audit committee. Smaller companies should give consideration to establishing an audit committee. In addition to the legal requirements on the composition of the audit committee etc., the majority of the members of the committee should be independent.

The Board of Directors should also consider appointing a remuneration committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. Membership of such a committee should be restricted to members of the Board who are independent of the Company's executive personnel.

The Board of Directors should provide details in the annual report of any Board committees appointed.

The Board of Directors should evaluate its performance and expertise annually.

### *Board responsibilities*

The Board of Directors has the final responsibility for the management and organisation of the Company and supervising routine management and business activities. This involves that the Board is responsible for establishing control arrangements to secure that the Company operates in accordance with the adopted values and Code of Conduct as well as with shareholders' expectations of good corporate governance. The Board of Directors primarily looks after the interests of all the shareholders, but is also responsible for the Company's other stakeholders.

The Board's main task is to ensure that the Company develops and creates value. Furthermore the Board of Directors shall contribute to the shaping of and implementation of the Group's strategy, ensure appropriate supervision and control of management and in other ways ensure that the Group is well operated and organised. The Board sets the objectives for the financial performance and adopts the Company's plans and budgets. Items of major strategic or financial importance for the Group are the responsibility of the Board. The Board hires the CEO, defines his or her work description and authority and sets his or her salary and other compensation. The Board each year produces an annual plan for its work as recommended.

### *Instructions to the Board of Directors*

The latest version of the Board's instructions was approved by the Board in a board meeting on 10 April 2014. The instructions cover the following points: Composition of the Board, the Board's

duties, day-to-day management, calling of Board meetings and related issues, the Board's decisions, Board minutes, disqualification and conflict of interest, confidentiality obligation, convening general meetings, insider rules and ethical guidelines for conduct of business. The Board of Directors can decide to deviate from instructions in certain cases.

The Board of Directors has had 12 meetings in 2016.

#### *Financial Reporting*

The Board of Directors receives regular financial reports on the Group's economic and financial status.

#### *Audit Committee*

In accordance with section 6-41 of the Public Companies Act AKVA group has established an Audit Committee, consisting of Anne Breiby (chair) and Anthony James. The Group CFO acts as the secretary of the committee. The mandate and work of the audit committee is described in further detail under item 10 below.

The audit committee has been operating since 2011. 6 committee meetings were held in 2016.

#### *The Compensation Committee*

The Company has established a Compensation Committee, and the current Charter for the compensation committee was approved by the Board in a Board meeting on 21 September, 2006. The committee's tasks revolve around the CEO's terms of employment and the remuneration of the executive management including salary levels, bonus systems, options schemes, pension schemes, employment contracts etc. The committee submits recommendations to the Board of Directors for final approval.

The current members are Nils Viga (Chair) and Frode Teigen. The Chairperson of the Board generally also participates in the meetings. The committee has had 3 meetings since the 2016 general meeting.

#### *The Board's self-evaluation*

The Board completes a self-evaluation annually in terms of efficiency, competence and the Board's duties in general. The evaluation is made available for the Nomination Committee.

**Deviation from the Recommendation:** None

## **10. Risk management and internal control**

The Board of Directors must ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. Internal control and the systems should also encompass the Company's corporate values, ethical guidelines and guidelines for corporate social responsibility.

The Board of Directors should carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

#### *The Board of Directors and internal control*

The Board of Directors ensures that the Company has appropriate internal control procedures and appropriate risk management systems tailored to its business. Managing operational risk primarily takes place within the operational subsidiaries, but with the Company's management as an active driving force through its positions in the boards of the subsidiaries. Generally, the subsidiaries have established adequate practices for such risk management.

The Group is exposed to currency, interest rate, and market risk, as well as credit risk and operational risk.

The Group has implemented a quality control system which further reduces operational risk. AKVA group ASA became ISO 9001:2008 certified as of December 2014.

The Groups' financial guidelines ensure the monitoring of financial risk. Management of exposure in financial markets, including currency, interest rate and counterparty risk, is emphasised in the Company's governing documents. Further details on these principles are provided in note 18 to the Group's financial statements and note 19 to the parent Company's financial statements.

The Group has developed an authority matrix which is included in its governing documents.

Management regularly prepares performance reports that are reviewed by the Board. The interim financial statements are subject to review in Board meetings.

#### *The Board's work plan*

The Board of Directors has established an annual work plan that includes an annual review of compliance of external and internal laws and regulations, risk and the HSE-situation, financial risks and identification of risk related to the strategic goals and risk handling. By carrying out the established work plan, the Board controls that the Company has sound internal control and systems for risk management for the Company's activities, including systems suitable for controlling the compliance with the Company's corporate values and ethical guidelines. The guidelines for corporate social responsibility are also included in the work plan.

#### *Audit Committee*

The mandate of the committee is to monitor and evaluate the Group's financial reporting, including to evaluate substantial accounting issues, accounting principles and procedures applied by the Group in its financial reporting to Oslo Stock Exchange. The committee is to evaluate the work of the Group's external auditor, including the auditor's independence from management and compliance with rules and regulations in regards to services beyond financial audit. The committee also discusses the scope of the audit with the external auditor as well as evaluates reports from the auditor to the Board of Directors and management of the Group. The Audit Committee nominates external auditor for the Group as well as propose compensation for the external auditor to the Board of Directors.

The Audit Committee is also monitoring the Groups internal control systems, including managements operational and financial risk management.

The Audit Committee is free to address any other issue it finds necessary to fulfill its mandate.

**Deviation from the Recommendation:** None

## **11. Remuneration of the Board of Directors**

The remuneration of the Board of Directors should reflect the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.

The remuneration of the Board of Directors should not be linked to the Company's performance. The Company should not grant share options to members of its Board.

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the Board. If they do nonetheless take on such assignments this should be disclosed to the full Board. The remuneration for such additional duties should be approved by the Board.

Any remuneration in addition to normal directors' fees should be specifically identified in the annual report.

It is the Board's opinion that the size of the remuneration of the Board of Directors is in compliance with the criteria in the recommendation concerning *inter alia* the Board's responsibility and expertise.

Furthermore, the following applies to the remuneration:

The remuneration is not linked to the Company's performance, and the Board members are not granted share options

None of the Board members and/or companies with which they are associated, have taken on specific assignments for the Company in addition to their appointment as a member of the Board.

The remuneration of the Board is proposed to the general meeting by the nomination committee

**Deviation from the Recommendation:** None

## 12. Remuneration of the executive management

The Board of Directors is required by law to prepare guidelines for the remuneration of the executive personnel. These guidelines are communicated to the Annual General Meeting. The Board of director's statement on the remuneration of executive personnel should be a separate appendix to the agenda for the general meeting. It should also be clear which aspects of the guidelines are advisory and which, if any, are binding. The general meeting should vote separately on each of these aspects of the guidelines.

The guidelines for the remuneration of the executive personnel should set out the main principles applied in determining the salary and other remuneration of the executive personnel. The guidelines should help to ensure convergence of the financial interests of the executive personnel and the shareholders.

Performance-related remuneration of the executive personnel in the form of share options, bonus programmes or the like should be linked to value creation for shareholders or the Company's earnings performance over time. Such arrangements, including share option arrangements, should be an incentive to good performance and be based on quantifiable factors over which the employee in question can have influence. Performance-related remuneration should be subject to an absolute limit.

### *Guidelines and terms*

The Board of Directors and the Compensation Committee have the responsibility to establish guidelines and recommendations with regards to the remuneration of the CEO and the executive management. Each year the Committee undertakes a thorough review of the remuneration and other salary to the CEO and the executive Management. The review is based upon market sampling of similar positions. The structure and level of the remuneration and incentive system for the CEO and the executive management is determined by the Board of Directors. The fixed remuneration and performance-based remuneration - including option scheme to the executive management and the Board of Directors - is described in the notes to the annual accounts.

In February 2014 the Board approved a new incentive scheme for the Group. The new scheme, effective from 2014 onwards, holds three elements: (1) Strategic Value Incentive Scheme; providing incentives to the CEO and CFO relative to the actual development in the Company's market capitalisation in the 3 year period ending on 31 December 2016 limited to an amount equal to the CEO and CFO's respective fixed salary in the same period, (2) Operational Incentive Scheme; providing incentives to managers of business areas and key subsidiaries relative to actual annual financial and operational performance, limited to 30% of annual salary for the Group Management and 20% of annual salary for defined country managers as well as managers of main business entities (3) Loyalty Incentive Scheme; allowing selected key employees, crucial to the Group's long term development, participation in sharing 4% of the Group's annual EBT over a ten year program. Item 3 (Loyalty Incentive Scheme) has not been in use in 2014, 2015 and 2016.

The general bonus plan does not exclude special bonus payments for particularly demanding projects.

According to the established bonus regime and agreed terms, total bonuses of NOK 1,180,000 were paid out in 2016 to the Group's executive management based on the 2016 performance.

AKVA group introduced a share option plan in 2006, which allows the Board of Directors to grant options for the subscription of shares for an aggregate nominal value of NOK 1,012,108. The share option plan was approved by the general meeting on 6 October 2006. The options could be awarded both to leading employees and other selected employees. There are currently no outstanding options in accordance with this share option plan

No members of management or other employees are currently entitled to receive share options.

In accordance with the Public Companies Act and the Code, the guidelines for the remuneration of the CEO and the executive management are communicated as a separate appendix to the Annual General Meeting.

**Deviation from the Recommendation:** None other than as stated above.

### 13. Information and communications routine

The Board of Directors should establish guidelines for the Company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

The Company should publish an overview each year of the dates for major events such as its Annual General Meeting, publication of interim reports, public presentations, dividend payment date if appropriate etc.

All information distributed to the Company's shareholders should be published on the Company's website at the same time as it is sent to shareholders.

The Board of Directors should establish guidelines for the Company's contact with shareholders other than through general meetings

#### *Annual and periodic accounts*

The Company normally presents provisional annual accounts in late February. The complete annual report including annual financial statements and the Directors' report is sent to all shareholders and other stakeholders in April/May and presented at the annual general meeting. The Company also makes its interim accounts publicly available through the Oslo Stock Exchange publication system, as well as through presentations that are open to the public. The Company's financial calendar is published on the Company's website and through the Oslo Stock Exchange publication system. All shareholders have equal access to financial and other material company information.

#### *Other market information*

Public presentations are conducted in connection with the Company's interim reports. The interim presentation is also made available on the Group's website and through the Oslo Stock Exchange publication system.

In the interim report the CEO reviews the result for the past period and comments on the development for the various products and market segments. Furthermore the CEO provides a summary of the market outlook and short term future prospects. The CFO also participates in these presentations. The CEO and CFO also maintain a dialog with and make regular presentations to analysts and potential investors.

The Company considers it essential to keep shareholders and potential investors informed about its economic and financial development. Significant importance is also attached to securing that the same information is released to the whole market at the same time. From time to time the Company will prepare an updated Company Presentation which is made available on the Company's home page <http://ir.akvagroup.com/investor-relations/financial-info-/other-presentations-and-reports>.

**Deviation from the Recommendation:** None

## 14. Take-overs

The Board of Directors should establish guiding principles for how it will act in the event of a take-over bid.

In a bid situation, the company's Board of Directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. The Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.

The Board of Directors should not hinder or obstruct take-over bids for the Company's activities or shares.

Any agreement with the bidder that acts to limit the Company's ability to arrange other bids for the Company's shares should only be entered into where it is self-evident that such an agreement is in the common interest of the company and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the costs the bidder has incurred in making the bid.

Agreements entered into between the company and the bidder that are material to the market's evaluation of the bid should be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.

In the event of a take-over bid for the Company's shares, the Company's Board of Directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following the announcement of the bid.

If an offer is made for a Company's shares, the Company's Board of Directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the Board have excluded themselves from the Board's statement. The Board should arrange a valuation from an independent expert. The valuation should include an explanation, and should be made public no later than at the time of the public disclosure of the board's statement.

Any transaction that is in effect a disposal of the Company's activities should be decided by a general meeting, except in cases where such decisions are required by law to be decided by the corporate assembly.

The Board of Directors has established guidelines in the event of an offer for all or a substantial majority of the shares in AKVA group is made.

In the event of a take-over bid for the shares in the Company, the Board shall ensure that shareholders in the Company are treated equally, and that the Company's business activities are not disrupted unnecessarily. The Board shall ensure that shareholders are given sufficient information and time to form a view of the offer. The Board shall not seek to prevent or obstruct take-over bids for the Company's business or shares unless there are particular reasons to do so.

Any agreement with a bidder for the shares of the Company that acts to limit the Company's ability to arrange other bids for the Company's shares should only be entered into where such an agreement clearly is in the common interest of the Company and the shareholders. This provision shall also apply to any agreement on the payment of financial compensation to a bidder if the bid does not proceed.

In the event of a take-over bid for the Company's shares, the Board shall not exercise authorizations or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting subsequent to the announcement of the bid.

If an offer is made for the shares in the Company, the Board shall issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board's statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case it shall explain the basis on which specific members of the Board have excluded themselves from the Board's statement. Before issuing its final statement the Board shall arrange for an evaluation of the financial aspects of the bid from an independent expert. The evaluation shall include an explanation, and shall be made public no later than at the time the Board's statement is made public.

**Deviation from the Recommendation:** None.

## 15. Auditor

The auditor should submit the main features of the plan for the audit of the Company to the audit committee annually.

The auditor should participate in meetings of the Board of Directors that deal with the annual accounts. At these meetings the auditor should review any material changes in the Company's accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the Company.

The auditor should at least once a year present to the audit committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement.

The Board of Directors should hold a meeting with the auditor at least once a year at which neither the chief executive nor any other member of the executive management is present.

The Board of Directors should establish guidelines in respect of the use of the auditor by the Company's executive management for services other than the audit.

The Board of Directors must report the remuneration paid to the auditor at the Annual General Meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

An outline of the work planned by the Auditor is presented to the Audit committee every year. The Auditor is always present during the Board's discussion of the annual accounts. At this meeting the Board is briefed on the annual accounts and any other issues of particular concern to the Auditor. Part of the meeting is also executed without the presence of the CEO and other executive management. The Chairman of the Board also has an annual separate meeting with the Auditor. The Board has implemented guidelines in respect of use of the auditor by the executive management for services other than the audit.

**Deviation from the Recommendation:** None.

## 16. Management and internal procedures

*This point is not covered by the Corporate Governance Recommendation*

### *Group CEO*

The Group Chief Executive Officer/CEO is in charge of the day-to-day management of the Group, including responsibility for the Company and the other companies in the Group being organised, operated and further developed in accordance with applicable legislation, the Articles of Association and decisions taken by the Board of Directors and the annual general meeting.

### *Executive Management*

The executive management consists of 7 individuals. In addition to the Group CEO, the executive management consists of the Chief Financial Officer (CFO), the Chief Operating Officer (COO) Americas, the Chief Operating Officer (COO) Nordic, the Chief Operating Officer (COO) Exports, the Chief Operating Officer (COO) Land Based and the Chief Operating Officer (COO) Technology and Software.

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

### *Evaluations*

The executive management group evaluates its own work and working methods annually. The evaluation is submitted to the Board's Compensation Committee, and a condensed version is presented to the Board of Directors.

### *Intra-Group Boards*

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

