



# AKVA GROUP™

## Annual Report 2012





AKVA group is a technology partner and supplier of equipment and services to the aquaculture industry worldwide. The company has more than 650 employees, offices in nine countries and a total turnover of 832 MNOK in 2012. We are a public 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 recognised as a pioneer and technology leader through more than 30 years. Our corporate headquarter is in Norway.



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## Highlights 2012

- ⌘ Operating revenue in 2012 of MNOK 831.5 with an EBITDA of MNOK 57.8. Overall performance in 2012 influenced by slow market conditions due to low salmon prices during majority of the year.
- ⌘ Reduced revenues and margins experienced in the Cage Based Technology segment. The Software segment experienced increased revenue and improved positive margins. The Land Based Technology segment improved its performance, but still delivered negative margins in 2012.
- ⌘ Improved balance sheet – ending the year with solid equity ratio of 48,4% and improved working capital.
- ⌘ Continued focus on operational improvements and cost during the year has given positive results and position AKVA for further profitable growth in the years to come.
- ⌘ Sale of the Norwegian Maritech business in February 2012. The entity was outside core business and the sale resulted in a gain of MNOK 30.3 for the Group.
- ⌘ Continued focus and effort to improve margins in the Land Based Technology segment during the year. With the acquisition of 70 percent of Plastsveis AS in Q1 2013 the Land Based Technology segment is significantly strengthened and well positioned for future profitable growth.

# Financial key figures (in NOK 1 000)

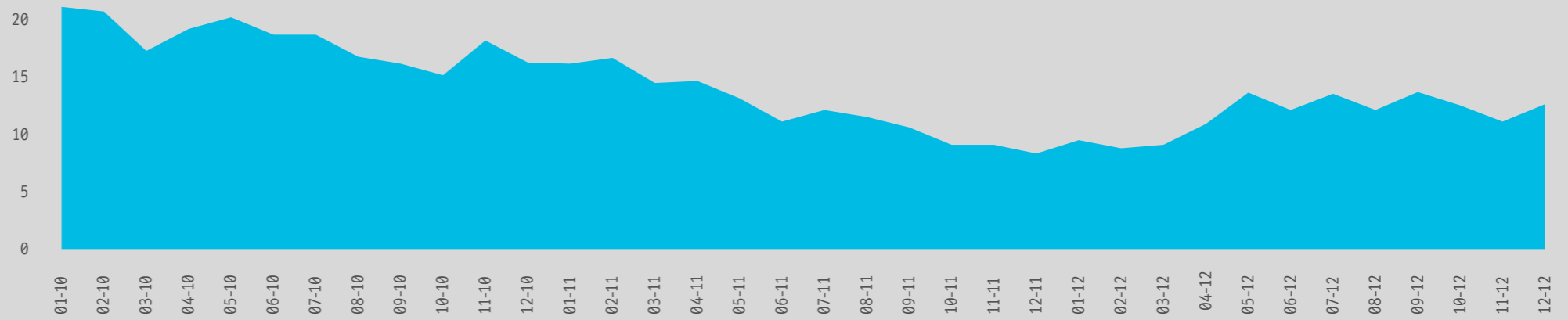
	2012	2011	2010	2009	2008	Pro forma* 2007*
<b>Profitability</b>						
Revenues	831 530	893 552	742 521	599 345	866 525	931 993
EBITDA	57 816	61 953	-9 915	-11 527	52 746	90 669
EBIT	26 704	29 253	-40 944	-42 392	23 274	66 434
Profit before tax	17 379	14 256	-50 890	-52 003	10 792	65 555
Net profit	10 274	11 485	-37 637	-39 128	5 517	53 610
Cash flow from operations**	41 642	-35 886	-793	34 463	-12 950	19 311
EBITDA margin	7,0 %	6,9 %	-1,3 %	-1,9 %	6,1 %	9,7 %
EBIT margin	3,2 %	3,3 %	-5,5 %	-7,1 %	2,7 %	7,1 %
Return on capital employed	4,0 %	3,0 %	-12,8 %	-10,5 %	5,6 %	28,9 %
Return on equity	3,2 %	4,2 %	-15,5 %	-13,8 %	1,7 %	17,0 %
<b>Financial position</b>						
Non-current assets	278 503	289 474	296 971	284 061	295 739	260 908
Current assets	394 073	432 189	398 234	327 277	380 472	423 868
Total assets	672 576	721 663	695 205	611 338	676 211	684 775
Equity	325 274	323 771	227 561	256 640	309 595	336 442
Long-term debt	69 765	112 208	136 882	156 212	129 099	109 414
Short-term debt	277 537	285 684	330 762	198 487	237 517	238 919
Total equity and liabilities	672 576	721 663	695 205	611 338	676 211	684 775
Gross interest-bearing debt	143 361	182 917	211 731	200 015	197 488	124 704
Cash and cash equivalents	69 783	57 281	51 729	76 429	64 210	98 044
Net interest-bearing debt	106 564	145 685	168 572	141 853	149 604	26 660
Working capital	155 665	181 981	102 339	119 993	171 726	109 385
Equity ratio	48,4 %	44,9 %	32,7 %	42,0 %	45,8 %	49,1 %
Debt to-equity-ratio	44,1 %	56,5 %	93,0 %	77,9 %	63,8 %	37,1 %
<b>Share data</b>						
Earnings per share	0,40	0,53	-2,19	-2,27	0,32	3,11
Diluted earnings per share	0,40	0,53	-2,19	-2,27	0,32	3,10
Cash flow per share	-0,02	-0,28	-1,01	0,70	2,22	4,71
Dividend per share	-	-	-	-	-	1,00
Shareholders' equity per share at year-end	12,59	12,53	13,21	14,90	17,98	19,53
Share price at year-end	12,50	8,25	16,10	20,00	20,50	38,90
Market capitalization at year-end	322 929	213 133	277 288	344 457	353 069	669 970
Number of shares outstanding at year-end	25 834 303	25 834 303	17 222 869	17 222 869	17 222 869	17 222 869
Average number of shares outstanding	25 834 303	21 528 586	17 222 869	17 222 869	17 222 869	17 222 869

\* Proforma figures are showing the consolidated figures as if the acquisition of Maritech was done as per 1 January 2007.

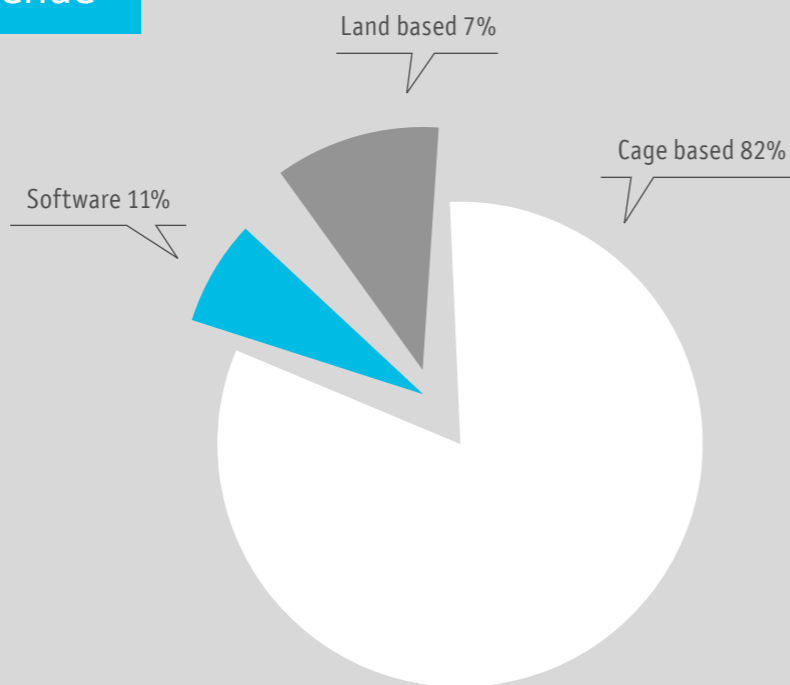
\*\* Legal figures (not pro forma)

Financial key figures

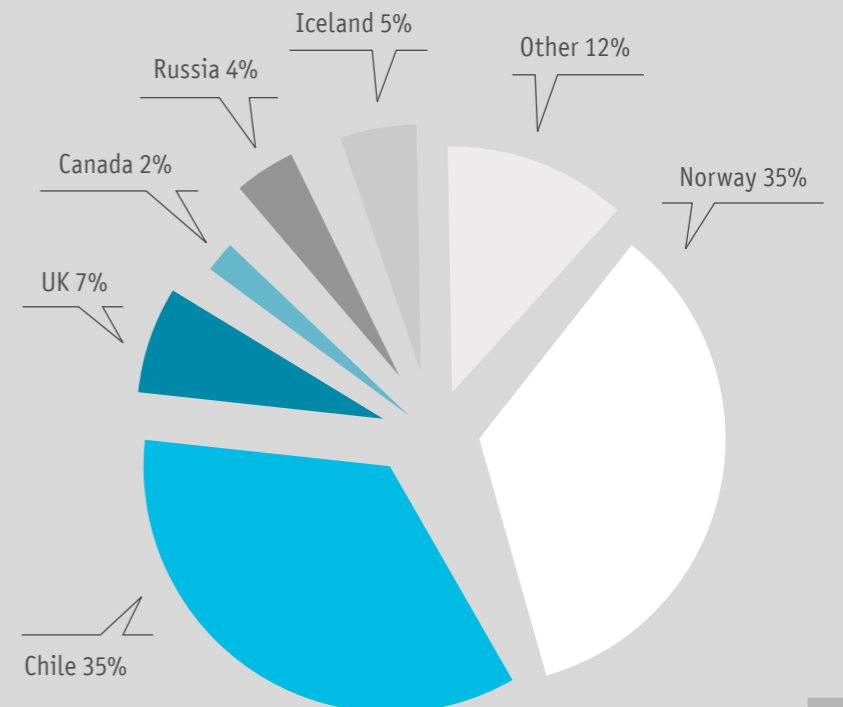
Share price development



Revenue

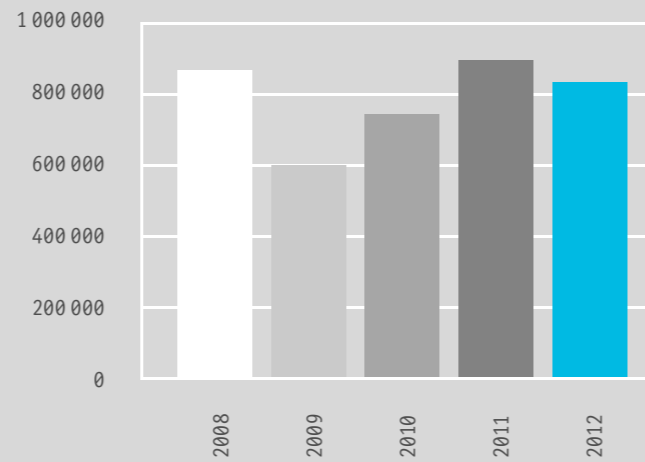


Geographic segments

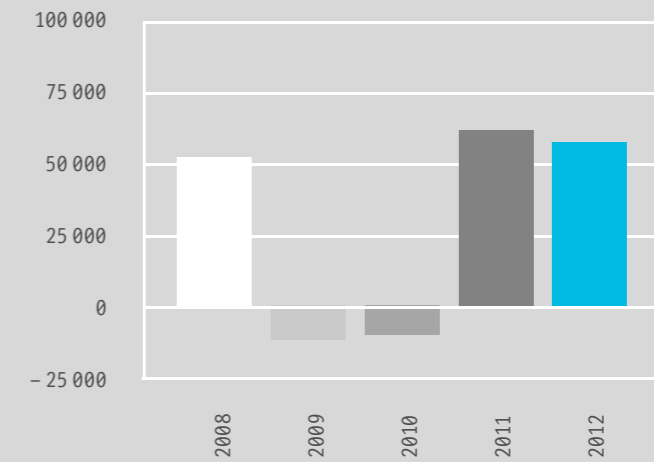


Financial key figures

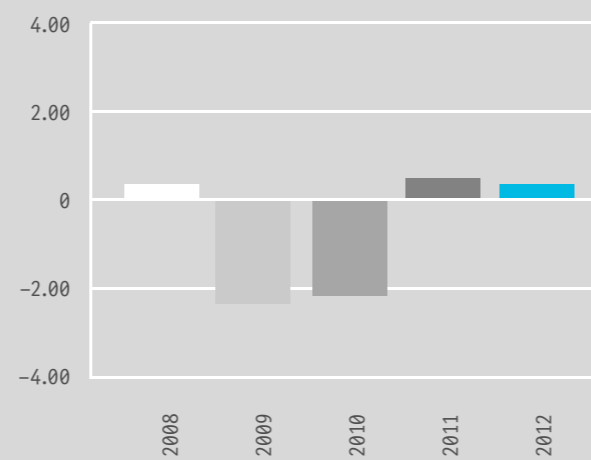
Revenues



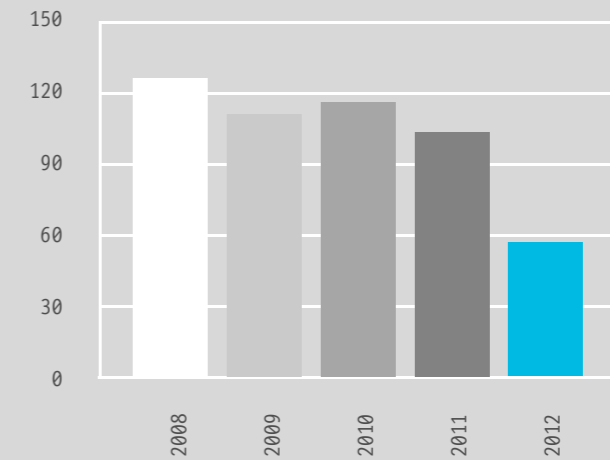
EBITDA



Earnings per share



Revenues other species





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





Trond Williksen

Bryne, April 11<sup>th</sup> 2013  
Trond Williksen,  
Chief Executive Officer

## Dear shareholders and stakeholders of AKVA group

**2012 has been another year in building a stronger and more professional AKVA. Despite slow market conditions in our main market segments during the most of the year, we have managed to come through, strengthening our processes, our organization and our balance sheet, positioning AKVA for further growth in a more optimistic market going forward.**

Coming into 2012 we knew that CAPEX spending in our main market segment, the global salmon industry, was going to be reduced by more than 30% compared to 2011. Prices on salmon had gone significantly down in the fall of 2011 affecting our order backlog and business volume coming into the year. Despite this challenge, AKVA managed to come through. Our top line and operational performance was reduced, but significantly less than the reduction in investment volume in our markets, reflecting an improvement in our performance in the market place.

In 2012, we continued the focus to improve our operational performance, to reduce costs, make sure we supply well documented and high quality products and to strengthen customer relations through service and professionalism. Also this year we think we have made progress. We are

about to become more professional and a more mature organization, taking on the role as a market leader.

The process of improving performance and processes is continuous. It is only possible through systematic effort over time. The contribution of dedicated employees is a key to this. Also in 2012 we have seen an organization stepping up to the challenge with dedication to make AKVA a better company and a better place to be.

Nordic has historically been the most significant market segment in AKVA. In 2012 we experienced a slowdown in this market. At the same time we have used the opportunity to build position for the future. The development and extension of our service organization has been a key activity in this. We strongly believe we need to support our customers with timely and good service to be successful over time.

Our business activities in Chile and North America have been a significant contributor to AKVA's performance in 2012. The activity level in this market has been high for the most of the year and we have continued to build a strong organization and a solid position in this market. Despite that we have seen a reduction of business volume in Chile towards the end of the year, and have moderate expectations in

*"AKVA's strength is not only our leading technology, but also our diversification and distribution in different markets."*

this market for 2013, we remain well positioned and able to play the role as the leading technology and service partner to the Chilean aquaculture industry in the future.

AKVA's strength is not only our leading technology, but also our diversification and distribution in different markets. In 2012 we have had a breakthrough in the Russian market with a significant delivery of a complete salmon farm outside Murmansk. We expect that this is the first step into this important market which holds significant potential going forward. Our expansion with a new small office in Australia is another example of the stepwise and careful development we have in new market places, eventually growing and diversifying AKVA further.

Land based recirculation technology has been part of AKVA's technological portfolio for several years. In 2012 we continued our effort to develop and streamline this part of AKVA's business. We made significant improvements through the year; however we were not successful in developing profitability. We strongly believe that land based aquaculture is a large market area that holds the potential to become a significant part of AKVA's business activities in the future. Focus is now to develop profitability and to continue developing the commercial side of this business area. The acquisition of 70% of Plastsveis AS, a leading provider of installation and technology to the Nordic land based aquaculture industry, will significantly strengthen AKVA's strategic position as a more complete provider of solutions in the land based business area.

The drop in CAPEX in the salmon industry which we experienced in 2012 made us even more aware of the need to develop a more robust business model which limits fluctuation in line with the development of the salmon prices. The strategic direction developed through 2011, increasing our revenue streams from reoccurring business is a central part of our strategy that will be continued in the years to come.

The outlook for the salmon industry looks promising for 2013. This is our core market segment and a driver in the development of AKVA. This underscores the importance of understanding our role, not only being a supplier to this market, but becoming a partner to the industry, being an important part of the cluster that will develop this industry in the future.

Focus in 2013 is to take AKVA another new step forward. We believe we have a lot of potentials which could be explored and eventually will make us a better company. We still prefer to think of ourselves as being on our way – always to become better at what we do. We are ambitious, but determined to stay humble. We want **to be the preferred Aquaculture Technology and Service Partner**, recognized for our values;

**Customer focus,**  
**Aquaculture knowledge,**  
**Reliability**  
and **Enthusiasm.**

## Corporate management



### Trond Williksen

Chief Executive Officer

Trond Williksen (b. 1963) assumed the position as CEO in March 2011. Prior to joining AKVA group, he was the Executive Vice President for Harvesting in Aker Seafoods ASA, where he also served as the Managing Director of Aker Ocean Harvest AS. During his 20 year long career in fishery and aquaculture, he has led the KPMG Center for Aquaculture and Fisheries, and has also served as the Managing Director of the Norwegian Fish Farmers Association. Trond holds an MBA in Operational management, Finance and Strategy from University of Washington. He is a Norwegian citizen and resides in Bærum, Norway.



### Eirik Børve Monsen

Chief Financial Officer

Eirik B. Monsen (b. 1974) assumed the position as CFO in December 2011. Prior to joining AKVA group he was the CFO in Telenor Eiendom Holding AS. He has served in several senior positions in the Telenor Group both in Norway and Asia from 2005–2011. He worked in KPMG Financial Services in Oslo from 1998-2005, the last years as a Manager. Eirik has an MBA from the Norwegian School of Economics and Business Administration (NHH). He is also a State Authorized Public Accountant and a Certified EFFAS Financial Analyst (AFA). He is a Norwegian citizen and resides in Oslo, Norway.



### Per Andreas Hjetland

Chief Operations Officer Nordic

Per Andreas Hjetland (b. 1961), joined AKVA group in 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.

## Corporate management



### Andrew Campbell

Chief Operations Officer Americas

Andrew Campbell (b. 1966), joined 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.



### Trond Severinsen

Chief Operations Officer Export  
& Chief Marketing Officer

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.



### Odd Martin Solem

Chief Operations Officer  
Technology & Software

Odd Martin Solem (b. 1970) joined AKVA group in 2008. Prior to this, he worked in the Norwegian software industry for companies including Abeo, Thales Communications and Ementor. He holds a master degree in software engineering from Norges tekniske høgskole (the Norwegian University of Science and Technology). He is a Norwegian citizen and resides in Trondheim, Norway.

# The Board's Annual Report 2012

2012 was a year influenced by low salmon prices affecting business volumes and activities for AKVA in almost all markets. Continued focus on operational improvements and cost during the year has given positive results and position AKVA for further profitable growth in the years to come.

Total revenue for the group in 2012 was MNOK 831.5 - a decrease of 6.9% compared to 2011. Earnings before interest, tax, depreciation and amortisation (EBITDA) were MNOK 57.8 versus MNOK 62.0 in 2011. Earnings per share (EPS) were NOK 0.40 in 2012 versus NOK 0.53 in 2011.

The financial result for 2012 reflects reduced revenues and margins in the Cage Based Technology segment. The Software segment experienced increased revenue and improved positive margins. The Land Based Technology segment improved its performance, but still delivered negative margins in 2012.

The main focus this year has, in addition to managing slow marked conditions, been to continue to tune the fixed cost base and to increase customer satisfaction, by improving engineering work and strengthening the delivery organisation, to ensure cost efficient and correct project deliveries according to customers' expectations.

## AKVA group – the business areas

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

The company divided its operations into three business areas: Cage Based Technology (CBT), Software (SW) and Land Based Technology (LBT).

The Cage Based Technology business area's main products are; Feed barges, fish-farming cages, centralised feed systems, sensors, cameras, biomass estimation systems, light systems and net cleaning systems. The Polarcirkel™ polyethylene cages are produced at the facility in Mo i Rana, Norway and are one of the world's leading brands in this sector. The Polarcirkel™ brand also includes Polarcirkel™ PE-boats designed for extreme conditions including the fish-farming industry, diving, oil and gas service industry and also PE pipes up to 900 mm diameter for various purposes. Steel cages sold under the Wavemaster™ brand are market leaders in Chile, Canada and the UK. Wavemaster™'s production facility for steel cages is located in Puerto Montt in Chile. The Wavemaster™ feed barges have a strong position in the salmon market and are supplied with centralised feed systems as well as other technologies from AKVA. The production of the feed barges designed by AKVA is done in Tallinn, Estonia.

The SW business area provides market leading best of breed software solutions for fish farming as well as for the seafood industry.

The Land Based Technology business area's main product is land based systems for production of freshwater, as well as seawater fish species using recirculation technology.

The systems are supplied from Fredericia and Copenhagen in Denmark.

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, Australia and Vietnam. In addition the group has representation in numerous other countries across the globe.

## Continued Operations

In accordance with the Accounting Act § 3–3a we confirm that the Financial Statements have been prepared under the assumption of going concern.

## Market situation through 2012

The significant drop in salmon prices in the second quarter of 2011 had a corresponding negative impact for AKVA in the second half of 2011, also giving AKVA slow speed in to 2012. The low salmon prices during 2012 have contributed to keep the activity level in the market low during the year, especially in the Nordic region. In the Chilean salmon industry we have experienced a solid investment activity during the year, however activity seems to have slowed down slightly in the last quarter of the year. Revenues from services and maintenance provided by AKVA continued the positive development in 2012.

AKVA group had revenues from equipment and service to aquaculture for other species than salmon of MNOK 56.6 equal to 6.8% of total revenues. The Mediterranean market continues to be the main market for other species. Revenue from equipment and service to non seafood market was MNOK 102.2 equal to 12.3% of total revenue.

## Profit and loss (consolidated)

In the comments below on the financial accounts, the 2011 figures are presented in brackets following the 2012 stated values, (when included).

Operating revenues for AKVA in 2012 were MNOK 831.5 (893.6) – a decrease of 6.9% compared to 2011. EBITDA for 2012 was MNOK 57.8 (62.0).

The decrease in revenues is explained by decreased revenues in the Nordic and Export market areas due to slow pace coming in to 2012 and low salmon prices during the year. This decrease was partly offset by increased revenues in the Chilean market which had higher investment activity in the first three quarters of the year.

Group margin, adjusted for the one of gain in connection to the sale of the Norwegian Maritech business, is reduced compared to 2011. This is due to volumes being reduced relatively more than the fixed cost base during the year.

Depreciation and amortisation in 2012 were MNOK 31.1 (32.7). The EBIT for 2012 was MNOK 26.7 (29.3). Net financial expenses were MNOK 9.3 (15.0) and profit before tax was MNOK 17.4 (14.3). The calculated tax for 2012 is MNOK 7.1 (2.8), of which MNOK 6.0 (2.5) is a change in deferred tax and MNOK 0.9 (0.5) is current taxes. Net profit for the year was MNOK 10.3 (11.5).

CBT had operating revenues in 2012 of MNOK 657.0 (720.3), a decrease of 8.8%. EBITDA was MNOK 20.6 (62.5). The decrease in revenues is explained by decreased revenues in Nordic and Export markets due to slow pace coming in to 2012 and low salmon prices during the year. This decrease was partly offset by increased revenues in the Chilean market. The reduced margin compared to 2011 is mainly explained by current indirect cost base being suited for higher volumes.

SW had operating revenues in 2012 of MNOK 122.4 (112.4) with and EBITDA of MNOK 42.7 (11.3). SW continues to deliver steady revenues and healthy earnings in 2012. The 2012 financials for the SW segment was affected by the sale of the Norwegian Maritech business in February 2012. Resulting in a net gain of MNOK 30.3 and excluding revenues from this entity for the last 11 months of 2012.

LBT had operating revenues in 2012 of MNOK 52.1 (60.9) with an EBITDA of MNOK -5.5 (-11.8). Earnings are also in 2012 affected by costs over-runs in some major land based projects, however the organization and the cost base are now tuned.



The land based segment is together with the acquisition of Plastsveis AS in Q1 2013 well positioned for long term development and profitable growth.

Earnings per share were NOK 0.40 in 2012 versus NOK 0.53 in 2011. The calculation is based on 25.834.303 average number of shares outstanding in 2012 (21.528.586). The total number of outstanding shares was 25.834.303 at the end of 2012.

The slow market conditions during the year influenced the overall financial performance in 2012. Measures implemented in 2011 and 2012 of reducing the cost base as well as to improve operations and project management have given results and should pave the way for continued improved earnings going forward.

## Profit and loss AKVA group ASA

Operating revenues for AKVA group ASA in 2012 were MNOK 356.3 (447.9). EBITDA for 2012 was MNOK -0.2 (21.0). Depreciation and amortisation in 2012 were MNOK 13.7 (15.4). The EBIT for 2012 was MNOK -13.9 (5.6). Net financial income was MNOK 26.7 (0.3) and profit before tax was MNOK 12.8 (6.0). The calculated tax for 2012 is MNOK 3.4 (5.1). Net profit for the year was MNOK 9.4 (0.9).

## Balance sheet and cash flow (consolidated)

Total assets at the end of 2012 were MNOK 672.6 (721.7). Total liabilities amounted to MNOK 347.3 (397.9) and equity totalled MNOK 325.3 (323.8) giving an equity ratio of 48.4% (44.9%).

Working capital in the consolidated balance sheet, defined as non-interest bearing current assets less non-interest bearing short-term debt, was MNOK 155.7 at the end of 2012, down from MNOK 182.0 at the beginning of the year. The decrease in working capital is mainly explained by continued focus on balance sheet and capital management during the year to improve the balance sheet.

Equity was positively affected during 2012 by this year result of MNOK 10.3. The Equity was negatively affected by the translation differences and cash flow hedges of MNOK 8.8,

out of which MNOK 7.1 is related to revaluation of goodwill and other intangible assets, according to IFRS.

Gross interest bearing debt amounted to MNOK 143.4 (182.9) at the end of 2012. Cash and unused credit facilities amounted to NOK 70.0 (57.0) at the end of 2012.

The company has been in compliance with all financial covenants in 2012.

The total calculated deferred tax assets on December 31, 2012 amounted to MNOK 39.3 (44.7), whereof MNOK 30.0 (36.0) was recognised in the balance sheet. The amount included in the balance sheet is mainly related to the Norwegian operations.

Net investments in 2012 amounted to MNOK 37.7 (30.0), including MNOK 15.8 (12.5) in capitalised R&D expenses, in accordance with IFRS.

## Balance sheet AKVA group ASA

Total assets at the end of 2012 were MNOK 604.6 (626.7). Total liabilities amounted to MNOK 220.5 (252.1) and equity totalled MNOK 384.1 (374.6) giving an equity ratio of 63.5% (59.8%).

## Risks factors

The aquaculture industry is associated with a certain level of biological risk, and has historically been subject to cyclicity. AKVA aims to reduce the risks related to the exposure to these factors through diversification of its products and technologies to various fish species and geographical regions, as well as by increasing revenues from reoccurring 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 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.

Larger projects in the land based technology segment have not given the expected margins over the last few years. Significant improvements have been achieved through 2011 and 2012 by reducing cost base and by reducing scope on major deliveries of recirculation technology.

AKVA is exposed to fluctuations in the prices of certain raw materials used in some of the main products. The alleviation 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 2012 the group invested MNOK 33.4 (33.2) in product development, of which MNOK 15.8 (12.5) was capitalised and MNOK 18.2 (20.7) expensed. The investments were used to further improve existing products and to develop new products.

## Organisation and work environment

AKVA group had 653 employees at the end of 2012. In Norway the company employed 147 people. Women accounted for 15.6% of the Norwegian 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 to the aquaculture industry. Through recruitment, the company seeks to employ people with high competence within all areas of its business.

Total sick leave in AKVA group ASA during 2012 amounted to 3.0% (2.6%). Short-term sick leave amounted to 2.2% (1.9%). Two injuries were registered in the group during 2012, both in Helgeland Plast AS. 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 2012.

### AKVA group and the external environment

The company has taken adequate measures in its operations to comply with environmental laws and regulations. The company has systems to receive and recycle used polyethylene cages. In the company's Akvasmart™ product range, certain products contribute to optimising the feed utilisation and thereby also reduce feed waste. In this way AKVA's products contribute to reducing environmental impact from the fish-farming industry.

### Future outlook

There is a positive outlook in the Nordic market in 2013 due to optimistic sentiment created by medium to long term prospects for the salmon industry. We have experienced high activity level in the market going into the new year.



In the longer term the outlook in the Chilean markets remains good and AKVA holds a strong position as a leading technology and service partner in the Chilean industry.

Expectations in UK and the Canadian market are moderate in 2013 due to fish health issues and expectations of limited growth. AKVA holds a strong position in both markets with a significant portion of our activities being service and after sales.

We expect improvements of activities in emerging export markets. Export markets pose an opportunity for AKVA going forward with significant substantiated interest from new markets, such as Russia.

For the group the order backlog at the end of 2012 was 306 MNOK (255).

The Land Based Technology segment is positioned for future profitable growth and significantly strengthened through acquisition of 70% of Plastsveis AS in Q1 2013. Plastsveis AS is a leading company of operational installation of land based facilities in Norway. The acquisition is a natural step to strengthen the land based area in the Group and will give AKVA group a strong position in the market place when it comes to delivering a range of solutions for land based facilities to aquaculture. Plastsveis AS is a well-managed company with strong competence and operational capability in its field. The company holds significant synergies with our existing land based activity as well as with our existing activities in Helgeland Plast AS.

AKVA group will stay hands on going forward in 2013 adjusting operations according to market development,

focusing on long term performance, margins and customer relations. There will be continued focus on working capital and costs.

Egersund Group AS increased its shareholdings in AKVA group ASA to 50,01% on December 3<sup>rd</sup> 2012. The acquisition triggered a mandatory offer for the remaining shares pursuant to the Norwegian Securities Trading Act chapter 6, since Egersund Group AS then disclosed a shareholding in excess of the mandatory offer threshold of 50%. After receiving acceptances for in aggregate of 9,540,208 shares in January 2013, Egersund Group AS now owns 22,583,655 shares in AKVA representing 87.42% of the total shares.

### Allocation of profit

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

Transferred to other equity	NOK 9.414.000
<b>Total applied</b>	<b>NOK 9.414.000</b>

At the end of 2012, AKVA group ASA had equity of MNOK 384.1, comprised of MNOK 25.8 in share capital, MNOK 336.0 in share premium reserve, MNOK 2.4 in other paid-in capital and MNOK 19.8 in other equity. The parent company had no free equity at the end of 2012.

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

Oslo, Norway, April 11<sup>th</sup> 2013

## Confirmation from the Board of Directors and Chief Executive Officer

We confirm that, to the best of our knowledge, that the financial statements for the period from 1<sup>st</sup> January to 31<sup>st</sup> December 2012 has been prepared in accordance with EU-approved IFRS and gives a true and fair view of the group and the Company's consolidated 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 company is facing.

Oslo, Norway, April 11<sup>th</sup> 2013



Amund Skarholt  
Chairperson of the Board

Anne Breiby  
Deputy Chairperson

Hans Kristian Mong

Frode Teigen

Aino Olaisen

Kjell A. Corneliusen

Eivind Brendryen

Tore Obrestad

Trond Williksen  
Chief Executive Officer

## Board of Directors



### Amund Skarholt

#### Chairman

Resides in Oslo, Norway. He has wide business experience as Director for IBM ABS systems Europe (Paris, 1987–1990), Assistant CEO of IBM Norway (1990–1991), CEO of Securitas Norway (1991–1994), Deputy CEO of The Securitas Group (Stockholm, 1996–2001), Deputy CEO of The Securitas Group and operational responsibility of US operations (Chicago, 2001–2003), CEO of Bravida (2003–2005), CEO of Tomra Systems ASA (2005–2009). Today he is leader of the committee of shareholders' representatives in DNB as well as chairman of the Board in New Store Europe AS, Intelcom AS, Hansen Protection AS, Sigurd Hesselberg AS, Anticimex AB and SOS International in Denmark. Mr. Skarholt was elected chairperson of the Board of Directors at the Annual General Meeting 10. June 2009.



### 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 25. September 2006.



### Aino Olaisen

#### Board member

Resides 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 9 May 2012.



### Frode Teigen

#### Board member

Frode Teigen resides 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.

## Board of Directors



## Hans Kristian Mong

Board member

Resides in Egersund, Norway. He is currently amongst others the Director of the board in Egersund Group. Mr Mong was elected to the Board of Directors at the Annual General Meeting 9 May 2012.



## Kjell-Arne Corneliussen

Employee's representative

Kjell Arne Corneliussen, lives in Mo i Rana, Norway. He was educated in Plumbing and Management, and holds previous experience as a plumber and Head of Department for a plumbing wholeseller. Mr. Corneliussen has been employed with Helgeland Plast AS since 1995, and is now Sales Manager for HDPE Pipes.



## 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 Technincal Manager Nordic in AKVA group ASA.



## Eivind Brendryen

Employee's representative

Eivind Brendryen lives in Trondheim. He earned a bachelor's degree in radio- and telecommunications in Trondheim in 1996, and holds previous experience from the Norwegian Hydrographic Service in Stavanger. He has been employed in AKVA group Software AS since 2001, and currently holds the position as Product Manager Farming Software.



Financial statement **Group**

# Income statement 01.01.–31.12. (in NOK 1 000)

## Group

	Note	2012	2011	2010
<b>OPERATING REVENUES</b>				
Sales revenues	19	801 228	893 552	742 521
Other revenues	2,10	30 302	-	-
<b>Total revenues</b>	<b>2</b>	<b>831 530</b>	<b>893 552</b>	<b>742 521</b>
<b>OPERATING EXPENSES</b>				
Cost of goods sold	11	473 294	567 163	462 022
Payroll expenses	3,21	217 797	180 260	209 987
Other operating expenses	4,8,12,17,20	82 623	84 176	80 427
Total operating expenses		773 714	831 600	752 436
<b>OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (EBITDA)</b>				
Depreciation and amortisation	7,9	31 112	32 700	31 029
<b>OPERATING PROFIT (EBIT)</b>				
		<b>26 704</b>	<b>29 253</b>	<b>-40 944</b>
<b>FINANCIAL INCOME AND EXPENSES</b>				
Financial income	17,18	1 958	1 711	4 071
Financial expenses	17,18	-11 284	-16 708	-14 017
Net financial items		-9 325	-14 996	-9 946
<b>PROFIT BEFORE TAX</b>				
Taxes	5	7 105	2 771	-13 254
<b>NET PROFIT FOR THE YEAR</b>				
		<b>10 274</b>	<b>11 485</b>	<b>-37 637</b>
<b>Earnings per share</b>	6	<b>0,40</b>	<b>0,53</b>	<b>-2,19</b>
<b>Diluted earnings per share</b>	6	<b>0,40</b>	<b>0,53</b>	<b>-2,19</b>

# Comprehensive Income statement (in NOK 1 000)

## Group

	Note	2012	2011	2010
<b>NET PROFIT FOR THE YEAR</b>				
		<b>10 274</b>	<b>11 485</b>	<b>-37 637</b>
<b>Other comprehensive income</b>				
Translation differences on foreign operations		-14 792	-5 068	12 398
Income tax effect		4 142	1 419	-3 471
<b>Total</b>		<b>-10 650</b>	<b>-3 649</b>	<b>8 926</b>
Reclassification cash flow hedges previous year		-	-	-28
Income tax effect		-	-	8
<b>Total</b>		<b>-</b>	<b>-</b>	<b>-20</b>
Gains and losses arised during the year on cash flow hedges		2 554	-	-775
Income tax effect		-715	-	217
<b>Total</b>		<b>1 839</b>	<b>-</b>	<b>-558</b>
Actuarial deviations on net pension obligations		13	-165	65
Income tax effect		-4	46	-18
<b>Total</b>		<b>10</b>	<b>-119</b>	<b>47</b>
<b>Total other comprehensive income, net of tax</b>		<b>-8 801</b>	<b>-3 768</b>	<b>8 395</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>				
		<b>1 473</b>	<b>7 718</b>	<b>-29 241</b>
Attributable to: Equity holders of the parent		1 473	7 718	-29 241

# Assets 31.12.

(in NOK 1 000)

## Group

	Note	2012	2011	2010
<b>NON-CURRENT ASSETS</b>				
<b>Intangible assets</b>				
Goodwill	7	159 136	162 736	165 261
Other intangible assets	7	42 111	46 820	50 686
Total intangible assets		201 247	209 556	215 946
<b>Tangible fixed assets</b>				
Land and building	9	2 945	2 006	2 148
Machinery and equipment	9	42 818	39 933	39 459
Total tangible fixed assets		45 763	41 939	41 607
<b>Long-term financial assets</b>				
Deferred tax asset	5	29 953	36 028	38 555
Other long-term financial assets	10,12	1 540	1 951	863
Total long-term financial assets		31 493	37 979	39 418
<b>Total non-current assets</b>		<b>278 503</b>	<b>289 474</b>	<b>296 971</b>
<b>CURRENT ASSETS</b>				
Stock	11	161 736	174 919	157 677
<b>Receivables</b>				
Accounts receivables	12,18,19	163 133	177 601	177 796
Prepayments to suppliers		3 818	9 565	5 856
Other receivables		28 589	32 871	13 745
Total receivables		195 540	220 037	197 397
Cash and cash equivalents	13	36 797	37 232	43 159
<b>Total current assets</b>		<b>394 073</b>	<b>432 189</b>	<b>398 234</b>
<b>TOTAL ASSETS</b>		<b>672 576</b>	<b>721 663</b>	<b>695 205</b>

# Equity and Liabilities 31.12. (in NOK 1 000)

## Group

	Note	2012	2011	2010
<b>EQUITY</b>				
<b>Paid-in capital</b>				
Share capital	14	25 834	25 834	17 223
Share premium reserve		329 715	329 715	249 864
Other paid in capital	21	1 951	1 920	1 890
Total paid-in capital		357 500	357 469	268 977
<b>Other equity and reserves</b>				
Translation differences		-47 587	-36 937	-33 288
Other equity		1 825	-24	95
Total other equity and reserves		-45 762	-36 961	-33 193
<b>Retained earnings</b>				
Retained earnings		13 536	3 262	-8 223
Total retained earnings		13 536	3 262	-8 223
<b>Total equity</b>		<b>325 274</b>	<b>323 771</b>	<b>227 561</b>
<b>LIABILITIES</b>				
<b>Provisions</b>				
Pension obligations	15	757	1 038	1 156
Total provisions		757	1 038	1 156
<b>Other long term liabilities</b>				
Liabilities to financial institutions	16	67 435	110 209	134 463
Other long term liabilities		1 572	962	1 262
Total other long term liabilities		69 008	111 170	135 726
<b>Current liabilities</b>				
Liabilities to financial institutions	16	75 925	72 709	77 268
Trade creditors		81 356	85 035	87 974
Taxes payable	5	860	1 236	1 464
Public duties payable		13 901	12 570	8 409
Prepayments from customers	19	63 638	65 617	77 594
Other current liabilities	17	41 857	48 518	78 054
Total current liabilities		277 537	285 684	330 762
<b>Total Liabilities</b>		<b>347 302</b>	<b>397 892</b>	<b>467 644</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>672 576</b>	<b>721 663</b>	<b>695 205</b>

Oslo, 11 April 2013


Amund Skarholt  
Chairperson of the Board


Hans Kristian Mong


Anne Breiby  
Deputy Chairperson


Frode Teigen



Aino Olaisen



Kjell A. Corneliusen



Eivind Brendryen



Tore Obrestad


Trond Williksen  
Chief Executive Officer

# Cash flow statement 01.01. – 31.12. (in NOK 1 000)

## Group

	Note	2012	2011	2010
<b>Cash flow from operating activities</b>				
Profit before taxes		17 379	14 256	-50 890
Taxes		-841	-1 984	-1 368
Gain on disposal of fixed assets	10	-30 302	-	-
Depreciation and amortisation	7,9	31 112	32 700	31 029
Change in pension obligation	15	-281	118	690
Changes in stock, accounts receivable and trade creditors		23 972	-19 985	-54 074
Changes in other receivables and payables		2 443	-60 991	71 455
Net foreign exchange difference		-1 839	-	2 365
<b>Net cash flow from operating activities</b>		<b>41 642</b>	<b>-35 886</b>	<b>-793</b>
<b>Cash flow from investment activities</b>				
Investments in fixed assets	7,9	-37 767	-29 975	-24 206
Proceeds from sale of fixed assets	7,9	4 245	1 792	1 031
Proceeds from sale of Maritech business in Norway	10	30 302	-	-
<b>Net cash flow from investment activities</b>		<b>-3 220</b>	<b>-28 183</b>	<b>-23 175</b>
<b>Cash flow from financing activities</b>				
Change in interest bearing debt		-39 557	-28 813	11 716
Increase of share capital and share premium fund		-	88 462	-
Change related to other financial activities		700	-1 507	-2 751
<b>Net cash flow from financing activities</b>		<b>-38 857</b>	<b>58 142</b>	<b>8 966</b>
Net change in cash and cash equivalents		-435	-5 927	-15 002
Cash and cash equivalents at 01.01		37 232	43 159	58 161
<b>Cash and cash equivalents at 31.12</b>	<b>13</b>	<b>36 797</b>	<b>37 232</b>	<b>43 159</b>



# Statement of changes in equity (in NOK 1 000)

## Group

	Note	Share capital	Share premium reserve	Other paid-in capital	Total paid-in capital	Translation differences	Other equity	Total other equity	Retained earnings	Total equity
<b>Equity as at 01.01.2010</b>		17 223	249 864	1 728	<b>268 815</b>	-42 214	626	<b>-41 588</b>	<b>29 413</b>	<b>256 640</b>
Net movement in cash flow hedges		-	-	-	-	20	-578	<b>-558</b>	-	<b>-558</b>
Translation difference		-	-	-	-	8 906	-	<b>8 906</b>	-	<b>8 906</b>
Actuarial deviations on net pension obligations		-	-	-	-	-	47	<b>47</b>	-	<b>47</b>
<b>Total other comprehensive income</b>		-	-	-	-	8 926	-531	<b>8 395</b>	-	<b>8 395</b>
Profit (loss) for the period		-	-	-	-	-	-	-	<b>-37 637</b>	<b>-37 637</b>
<b>Total comprehensive income</b>		-	-	-	-	8 926	-531	<b>8 395</b>	<b>-37 637</b>	<b>-29 241</b>
Recording of option agreement	21	-	-	162	<b>162</b>	-	-	-	-	<b>162</b>
<b>Equity as at 31.12.2010</b>	14	17 223	249 864	1 890	<b>268 977</b>	-33 288	95	<b>-33 193</b>	<b>-8 223</b>	<b>227 561</b>

<b>Equity as at 01.01.2011</b>		17 223	249 864	1 890	<b>268 977</b>	-33 288	95	<b>-33 193</b>	<b>-8 223</b>	<b>227 561</b>
Net movement in cash flow hedges		-	-	-	-	-	-	-	-	-
Translation difference		-	-	-	-	-3 649	-	<b>-3 649</b>	-	<b>-3 649</b>
Actuarial deviations on net pension obligations		-	-	-	-	-	-119	<b>-119</b>	-	<b>-119</b>
<b>Total other comprehensive income</b>		-	-	-	-	-3 649	-119	<b>-3 768</b>	-	<b>-3 768</b>
Profit (loss) for the period		-	-	-	-	-	-	-	<b>11 485</b>	<b>11 485</b>
<b>Total comprehensive income</b>		-	-	-	-	-3 649	-119	<b>-3 768</b>	<b>11 485</b>	<b>7 718</b>
Issue of share capital		8 611	86 114	-	<b>94 725</b>	-	-	-	-	<b>94 725</b>
Share issue costs		-	-6 263	-	<b>-6 263</b>	-	-	-	-	<b>-6 263</b>
Recording of option agreement	21	-	-	30	<b>30</b>	-	-	-	-	<b>30</b>
<b>Equity as at 31.12.2011</b>	14	25 834	329 715	1 920	<b>357 469</b>	-36 937	-24	<b>-36 961</b>	<b>3 262</b>	<b>323 771</b>

<b>Equity as at 01.01.2012</b>		25 834	329 715	1 920	<b>357 469</b>	-36 937	-24	<b>-36 961</b>	<b>3 262</b>	<b>323 771</b>
Net movement in cash flow hedges		-	-	-	-	-	1 839	<b>1 839</b>	-	<b>1 839</b>
Translation difference		-	-	-	-	-10 650	-	<b>-10 650</b>	-	<b>-10 650</b>
Actuarial deviations on net pension obligations		-	-	-	-	-	10	<b>10</b>	-	<b>10</b>
<b>Total other comprehensive income</b>		-	-	-	-	-10 650	1 849	<b>-8 801</b>	-	<b>-8 801</b>
Profit (loss) for the period		-	-	-	-	-	-	-	<b>10 274</b>	<b>10 274</b>
<b>Total comprehensive income</b>		-	-	-	-	-10 650	1 849	<b>-8 801</b>	<b>10 274</b>	<b>1 473</b>
Recording of option agreement	21	-	-	31	<b>31</b>	-	-	-	-	<b>31</b>
<b>Equity as at 31.12.2012</b>	14	25 834	329 715	1 951	<b>357 500</b>	-47 587	1 825	<b>-45 762</b>	<b>13 536</b>	<b>325 274</b>

## 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.

#### 1.1 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 31 December 2012.

The consolidated financial statements have been prepared on an historical cost basis.

#### 1.2 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 balance sheet figures for subsidiaries with a different functional currency, translated at the rate applicable at the balance sheet date, and the income statement have been translated at the average rate for the period. Exchange differences are recognised in equity. When foreign subsidiaries are sold, the accumulated exchange differences relating to the subsidiary are taken to income.

#### 1.3 Basis of consolidation

The Group's consolidated financial statements comprise AKVA group ASA and companies in which AKVA group ASA has a controlling interest. A controlling interest is normally attained when the Group owns, either directly or indirectly, more than 50% of the shares in the company and is capable of exercising control over the company. Non-controlling interest are included in the Group's equity.

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 the purchase/sale is carried out. Investments in associates (normally investments of between 20% and 50% of the companies' equity) in which AKVA group ASA exercises a considerable 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 recognised impairment losses. When the Group's share of the loss exceeds the investment, the investment is carried at zero value. If the Group's share of the loss exceeds the investment, this will be recognised to the extent that the Group has obligations to cover this loss.

All other investments are accounted for in accordance with IAS 39, Financial Instruments. Inter-company transactions and balances, including internal profits and unrealised gains

and losses are eliminated in full. Unrealised gains that have arisen due to transactions with associates are eliminated against the Group's share in the associate. Unrealised 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.

#### 1.4 Cash and cash equivalents

Cash 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 13 for information about unused overdraft facilities.

#### 1.5 Revenue recognition

Revenue is recognised when it is probable that transactions will generate future economic benefits that will accrue to the company and the size of the amount can be reliably estimated. Sales revenues are presented net of value added tax and discounts.

Revenues from the sale of goods are recognised in the income statement once delivery has taken place, the risk has been transferred and the company has established a receivable due by customer.

Revenues relating to projects are recognised in the income statement in line with the project's progress and when the project's results can be reliably estimated. The progress of these projects are decided by the cost incurred compared to total budgeted cost for the project. 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 recognised 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 recognised in the income statement when the services are performed and invoiced. Normally this will be in the same month, however occasionally with one month delay.

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

#### 1.6 Segments

For management purposes, the group is organised into three business areas according to their range of products/

services. 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.

### 1.7 Trade receivables

Trade receivables are carried at amortised 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 recognised as a loss, discounted by the receivable amount's effective interest rate.

### 1.8 Currency

#### Transactions in foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

#### 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 average exchange rate for the period. The exchange differences arising from the translation are recorded against the equity.

When translating foreign currencies into NOK the group is using the mid rate on the balance 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.

### 1.9 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.

#### (i) Fair value hedges:

Derivatives designated as hedging instruments are measured at their fair value and changes in the fair value are recognised 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 recognised in the income statement.

#### The hedge accounting is discontinued if:

- (1) the hedging instrument expires or is terminated, exercised or sold, or
- (2) the hedge does not meet the abovementioned hedge requirements, or
- (3) 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 amortised over the remaining economic life using the effective interest rate method if the hedging instrument is a financial instrument that has been recognised according to the effective interest rate method.

#### (ii) 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 equity. The ineffective part of the hedging instrument is recognised directly in the income statement.

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

### 1.10 Loans

Loans are recognised at the amount received, net of transaction costs. The loans are thereafter recognised at amortised costs using the effective interest rate method, with the difference between the net amount received and the redemption value being recognised in the income statement over the term of the loan.

Borrowing costs are capitalised when the interest costs are incurred during the non-current asset's construction period. The borrowing costs are capitalised 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 recognised. Borrowing costs are recognised in the income statement when they arise. Borrowing costs are capitalised to the extent that they are directly related to the purchase, construction or production of a non-current asset.

### 1.11 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 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, 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 recognised on the transaction date. The transaction costs are included in the cost price.

Financial instruments that are classified as available for sale and at fair value through profit or loss are carried at fair value as observed in the market at the balance sheet date.

The gain or loss resulting from changes in the fair value of financial investments classified as available for sale are recognised directly in equity until the investment has been disposed of. The accumulated gain or loss on the financial instrument that has previously been recognised in equity will then be reversed and the gain or loss will be recognised in the income statement.

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

Investments held to maturity are carried at amortised cost.

### 1.12 Inventories

Inventories, including work in progress, are valued at the lower of cost and fair value less costs to sell after provisions for obsolete inventories. The fair value less costs to sell 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 recognised as impairment losses.

### 1.13 Non-current assets

Non-current 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 derecognised, and any gain or loss on the sale or disposal is recognised in the income statement.

The gross carrying amount of non-current assets is the purchase price, including duties/taxes and direct acquisition costs relating to making the non-current asset ready for use. Subsequent costs, such as repair and maintenance costs, are normally recognised 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 recognised in the balance sheet as additions to non-current assets.

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

Machinery and equipment	3 – 5 years
Land and buildings	> 10 years

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

### Operating leases

Leases for which most of the risk rests with the other contracting party are classified as operating leases.

Lease payments are classified as operating costs and recognised in the income statement during the contract period.

### 1.14 Intangible assets

Intangible assets are recognised 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 recognised at their cost price. Intangible assets with indefinite useful lives are not amortised, but impairment losses are recognised 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 amortised and any need for impairment losses to be recognised is considered. Amortisation is carried out using the straight-line method over the estimated useful life. The amortisation estimate and method will be subject to an annual assessment based on the pattern of consumption of future economic benefits.

### Patents and licences

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

### Software

Expenses linked to the purchase of new computer programs are recognised in the balance sheet as an intangible non-current asset provided these expenses do not form part of the hardware acquisition costs. Software is depreciated 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 amortised, but are tested for impairment annually, either individually or at the cash-generating unit level.

### 1.15 Goodwill

#### Goodwill

Excess value on the purchase of operations 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.

The identifiable assets and liabilities on the transaction date are to be recognised at fair value on the transaction date.

The allocation of costs in a business combination is changed if new information on the fair value becomes available and is applicable on the date when control is assumed. The allocation may be altered until the annual accounts are presented or prior to the expiry of a 12-month period.

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 operations is recognised 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.

### 1.16 Research and development

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

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

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

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

The amortisation period will normally not exceed five years.

### 1.17 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 amortised 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 recognised in the income statement. Any reversal of previous impairment losses is recognised when a reduction in the need to write down

the asset can be related to an event after the impairment loss has been recognised. Such a reversal is presented as income. However, an increase in the carrying amount is only recognised to the extent that it does not exceed what the amortised cost would have been if the impairment loss had not been recognised.

For financial assets that are classified as available for sale, the accumulated gain or loss that has been previously recognised directly in equity is recognised in the income statement for the period when objective information on the fall in value is available. That 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 recognised when there is new objective information on an event relating to a previous impairment loss. A reversal of a previous impairment loss is recognised directly in equity for equity instruments, but is recognised in the income statement for other financial assets.

#### **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 recognised 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 separately for all assets but, if this is impossible, it is determined together with the entity to which the assets belong.

With the exception of goodwill, impairment losses recognised 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 recognised as revenue or an increase in other reserves. 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.

### **1.18 Equity**

#### **(i) 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 revenue. Amounts distributed to holders of financial instruments which are classified as equity will be recognised directly in equity.

#### **(ii) Other equity**

##### **(a) Exchange differences reserve**

Exchange 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 a foreign entities are treated as exchange differences.

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

#### **(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.

### **1.19 Provisions**

Provisions are recognised when, and only when, the company has a valid liability (legal or estimated) 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 operations are recognised 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 recognised in the income statement.

### **1.20 Employee benefits**

#### **Defined contribution plan**

All group companies have pension schemes based on contributions from the company to the employees. The companies' payments are recognised 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.

#### **Defined benefit plans**

The Norwegian entities have uninsured pension liabilities related to future estimated obligations of AFP (early retirement scheme covering all employees in Norway).

The pension liabilities are calculated by actuaries each year. The pension commitments and pension costs are determined using a linear accrual formula. A linear accrual formula distributes the accrual of future pension benefits in a straight line over the accrual period, and regards the employees' accrued pension rights during a period as the pension costs for the year. The introduction of a new defined benefit plan or any improvement to the present defined benefit plan leads to changes in the pension commitments.

These are recognised as expenses in a straight line until the effect of the changes has been accrued. The introduction of new schemes or changes to existing schemes that take place with retroactive force so that the employees have immediately accrued a paid-up policy (or a change in a paid-up policy) is recognised in the income statement immediately. Gains or losses linked to reductions in or terminations of pension plans are recognised in the income statement when they arise. Actuarial gains and losses at year-end are booked against the equity so that the full pensions liability is shown in the balance sheet at year-end.

The pension commitments are calculated on the basis of the present value of future cash flows.

The company's right of reimbursement regarding some or all of previous costs relating to the termination of a defined benefit plan is recognised in the income statement when, and only when, the reimbursement is certain. A separate asset is then recorded and measured at its fair value.

The Norwegian group companies participate in the unfunded LO/NHO program where all employees may choose to retire early retirement from 62 years (AFP). This scheme was closed in February 2010 and it was only possible to start early retirement under the old scheme until December 31, 2010. The gain on the termination of the arrangement is recognised in 2010 as a reduction of payroll expenses in the income statement. The remaining provision is related to two elements; individuals who are early retirees in the old scheme and a provision related to an estimate of premiums for the coming five years.

As a replacement for the old pension scheme, it is established a new pension scheme. The new pension scheme is, unlike the old, not an early retirement scheme, but a scheme that provides a lifelong addition to the regular pension. Employees can choose to use the new pension scheme from the age of 62, also next to stand in the job, and it provides additional vesting at work until the age of 67. The new pension scheme is a defined benefit multi-employer pension plan, financed through premiums that are determined as a percentage of salary.

#### **Severance pay**

In some countries, the companies are obliged by law to provide severance pay for redundancies due to reductions in the workforce. The costs relating to severance pay are set aside once the management 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.

#### **1.21 Government grants**

Grants from the authorities are not recognised until it is virtually certain that the company will meet the conditions stipulated in connection with the receipt of the grants and that the grants will be granted. The recognition of grants is postponed and amortised over the same period the costs which the grants are intended for are incurred. Grants are recognised as deductions from the cost that the grant is meant to cover. Grants received to buy non-current assets are capitalised.

#### **1.22 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:

- goodwill for which amortisation is not deductible for tax purposes
- 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 recognised when it is probable that the company will have a sufficient profit for tax purposes to utilise the tax asset. At each balance sheet date, the group carries out a review of its unrecognised deferred tax assets and the value it has recognised. The companies recognise formerly unrecognised deferred tax assets to the extent that it has become probable that the company can utilise the deferred tax asset. Similarly, the company will reduce its deferred tax assets to the extent that it can no longer utilise 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 recognised irrespective of when the differences will be reversed. Deferred tax and deferred tax assets are recognised at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet.

The tax payable and deferred tax are recognised directly in equity to the extent that they relate to factors that are recognised directly in equity.

#### **1.23 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 recognised 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 recognised in the annual financial statements. Significant contingent liabilities are stated, with the exception of contingent liabilities where the probability of the liability occurring is remote.

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

#### 1.24 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 stated if significant.

#### 1.25 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 recognised 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 recognised in the financial statements, is given in the following notes:

- Impairment test for intangible assets (note 7)
- Depreciation and amortisation periods for fixed assets and intangible assets (notes 7 and 9)
- Capitalised development cost/R&D cost (note 7 and 8)
- Taxes (note 5)
- Long term construction contracts (note 19)

The preparation of the Group's consolidated financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment of the carrying amount of the asset or liability affected in the future.

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.

#### Intangible assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and capitalised development cost are tested for impairment annually and at other times when such indicators exist. The Group's impairment test for goodwill and capitalised development cost 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 most sensitive to 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. The key assumptions used to determine the recoverable amount for the cash generating unit, including a sensitivity analysis, are further explained in note 7. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. This is especially relevant to capitalised development costs.

#### Capitalised development costs

Development expenditures are recognised 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 the expenditure during development.
- The availability of resources to complete the asset.

When all the above criteria are met, the costs relating to development start to be recognised 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 capitalised at cost (no mark-up). Capitalised carrying amount for the development project amounts to NOK 28.5 mill per 31.12.2012, see note 7.

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

Recognised development costs are amortised on a straight-line basis over the estimated useful life for the asset, usually not exceeding 5 years. Amortisation starts when the asset is ready for use. No amortisation has yet been performed for the development projects. The fair value of the development costs will be calculated when there is an indicator of change in value.



**Deferred tax assets**

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, 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 19 for disclosures relating to construction contracts.

**1.26 IFRS and IFRIC Interpretations not yet effective**

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group's intention is to adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

**IAS 1 Presentation of Financial Statements**

The amendments to IAS 1 imply that the items presented in other comprehensive income (OCI) shall be grouped in two categories. Items that could be reclassified to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net gain or loss on available-for-sale financial assets) shall be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). The amendments affect the presentation only and have no impact on the Group's financial position or performance. The amendments become effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

**IAS 19 Employee Benefits**

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. Removing the corridor mechanism implies that actuarial gains and losses shall be recognised in other comprehensive income (OCI) in the current period. The amendments to IAS 19 will impact the net benefit expense, as the expected return on

plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation.

The amendments are effective for accounting periods beginning on or after 1 January 2013.

This amendment will not have any effect on the groups financial statements as the company is not using the corridor mechanism.

**IAS 28 Investment in Associates and Joint Ventures**

As a consequence of the new standards IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates* has been renamed IAS 28 *Investment in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. Within the EU/EEA area, the amendments are effective for annual periods beginning on or after 1 January 2014.

**IAS 32 Financial Instruments: Presentation**

IAS 32 is amended in order to clarify the meaning of 'currently has a legally enforceable right to set-off' and the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are effective for annual periods beginning on or after 1 January 2014.

**IFRS 7 Financial Instruments: Disclosures**

The amendments imply that entities are required to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting agreements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods.

**IFRS 9 Financial Instruments: Classification and Measurement**

IFRS 9, as issued, reflects the first phase of IASB's work on the replacement of IAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for accounting periods beginning on or after 1 January 2013, but amendments to IFRS 9 issued in December 2011 moved the mandatory effective date to 1 January 2015. Subsequent

phases of this project will address hedge accounting and impairment of financial assets.

The Group will evaluate potential effects of IFRS 9 in accordance with the other phases as soon as the final standard, including all phases, is issued.

#### **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and SIC-12 *Consolidation – Special Purpose Entities*.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. As a result, the Group has evaluated the entities to be consolidated pursuant to IFRS 10 and compared with the requirements of the current IAS 27.

Within the EU/EEA area, IFRS 10 is effective for annual periods starting on or after 2014.

#### **IFRS 11 Joint Arrangements**

This standard replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. All entities meeting the definition of a joint venture must be accounted for using the equity method. Within the EU/EEA area, IFRS 11 is effective for annual periods beginning on or after 1 January 2014.

#### **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 applies for enterprises with interests in subsidiaries, joint arrangements, associates and structured entities. IFRS 12 replaces the disclosure requirements that were previously included in IAS 27 *Consolidated and Separate Financial*

*Statements*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. Within the EU/EEA area, IFRS 12 is effective for annual periods beginning on or after 1 January 2014.

#### **IFRS 13 Fair Value Measurement**

The standard establishes a single source of guidance under IFRS for all fair value measurements, i.e., for requirements of all standards related to measuring fair value for assets and obligations. IFRS 13 is effective for annual periods beginning on or after 1 January 2013.

#### **Annual Improvements 2009-2011**

##### **IAS 1 Presentation of Financial Statements**

The amendments to IAS 1 clarify the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the presentation of the previous period's comparative information will meet the minimum requirements. The amendments have no impact on the Group's financial position or performance and are effective for annual periods beginning on or after 1 January 2013, but the EU has not yet approved the amendments.

##### **IAS 16 Property, Plant and Equipment**

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory. The amendment is effective for annual periods beginning on or after 1 January 2013, but has not yet been approved by the EU.

##### **IAS 32 Financial Instruments: Presentation**

The amendment clarifies that income taxes arising from distributions to equity holders shall be accounted for in accordance with IAS 12 *Income Taxes*. The amendment is effective for annual periods beginning on or after 1 January 2013, but has not yet been approved by the EU.

The Group does not expect that implementation of the amendments listed above will have a material effect on the financial statement of the Group on the date of implementation.

## Note 2

### Segment information

#### 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.

In 2012 business segments Hardware and Recirc were respectively renamed to Cage Based Technology and Land Based Technology.

#### Cage Based Technology

Main products include Polarcirkel™, Wavemaster™ and Akvasmart™s 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 recognised sub-suppliers. Through Helgeland Plast AS in Norway, AKVA group also supplies polyethylene work boats and pipes to aquaculture and other industries.

#### 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), Iceland (Reykjavik and Akureyri) and Canada (Halifax, NS).

#### 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 now 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.

<b>Cage Based Technology</b> (Amounts in NOK 1 000)	<b>2012</b>	<b>2011</b>	<b>2010</b>
Operating revenue	656 984	720 274	574 480
Operating expenses	636 357	657 740	557 631
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>20 627</b>	<b>62 534</b>	<b>16 849</b>
Depreciation and amortisation	26 494	24 329	19 723
<b>Operating profit (EBIT)</b>	<b>-5 866</b>	<b>38 205</b>	<b>-2 874</b>
Assets	543 838	584 016	562 181
Liabilities	269 145	315 396	380 137
Investments in the period	28 186	20 607	19 007

The sales of services in this segment are immaterial.

<b>Software</b> (Amounts in NOK 1 000)	<b>2012</b>	<b>2011</b>	<b>2010</b>
Operating revenue	122 443	112 356	106 075
Operating expenses	79 717	101 105	97 075
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>42 726</b>	<b>11 251</b>	<b>9 000</b>
Depreciation and amortisation	2 189	7 101	10 035
<b>Operating profit (EBIT)</b>	<b>40 537</b>	<b>4 150</b>	<b>-1 034</b>
Assets	52 513	43 208	47 596
Liabilities	21 195	8 661	21 560
Investments in the period	7 756	8 306	3 514

The sales of other items than professional services in this segment are immaterial.

The gain on the sale of Maritech business in Norway is included in operating income, further information in note 10.

[Note 2 continues on next page](#)

## Note 2 continues

<b>Land Based Technology</b> (Amounts in NOK 1 000)	<b>2012</b>	<b>2011</b>	<b>2010</b>
Operating revenue	52 103	60 922	61 966
Operating expenses	57 640	72 754	97 731
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>-5 537</b>	<b>-11 832</b>	<b>-35 765</b>
Depreciation and amortisation	2 429	1 270	1 272
<b>Operating profit (EBIT)</b>	<b>-7 966</b>	<b>-13 102</b>	<b>-37 037</b>
Assets	76 225	94 439	85 427
Liabilities	56 962	73 836	65 947
Investments in the period	1 873	1 061	1 685

The sales of services in this segment are immaterial.

<b>Total</b> (Amounts in NOK 1 000)	<b>2012</b>	<b>2011</b>	<b>2010</b>
Operating revenue	831 530	893 552	742 521
Operating expenses	773 714	831 600	752 436
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>57 816</b>	<b>61 953</b>	<b>-9 915</b>
Depreciation and amortisation	31 112	32 700	31 029
<b>Operating profit (EBIT)</b>	<b>26 704</b>	<b>29 253</b>	<b>-40 944</b>
Assets	672 576	721 663	695 205
Liabilities	347 302	397 892	467 644
Investments in the period	37 814	29 975	24 206

**2012**

<b>Geographical information</b> (Amounts in NOK 1 000)	<b>Norway</b>	<b>Chile</b>	<b>Canada</b>	<b>Scotland</b>	<b>Iceland</b>	<b>Other</b>	<b>Group</b>
Operating revenue – external customers	312 713	278 052	18 109	52 960	42 579	127 118	<b>831 530</b>
Assets	358 050	209 500	17 059	53 269	18 850	15 847	<b>672 576</b>
Investments in the period	21 519	4 695	-	7 499	2 945	1 157	<b>37 814</b>

**2011**

<b>Geographical information</b> (Amounts in NOK 1 000)	<b>Norway</b>	<b>Chile</b>	<b>Canada</b>	<b>Scotland</b>	<b>Iceland</b>	<b>Other</b>	<b>Group</b>
Operating revenue – external customers	375 481	251 616	22 610	75 140	39 917	128 787	<b>893 552</b>
Assets	367 489	237 986	23 583	38 710	23 000	30 895	<b>721 663</b>
Investments in the period	20 531	2 453	540	1 931	4 081	439	<b>29 975</b>

**2010**

<b>Geographical information</b> (Amounts in NOK 1 000)	<b>Norway</b>	<b>Chile</b>	<b>Canada</b>	<b>Scotland</b>	<b>Iceland</b>	<b>Other</b>	<b>Group</b>
Operating revenue – external customers	392 779	93 465	24 115	70 369	39 812	121 981	<b>742 521</b>
Assets	419 519	168 894	18 583	30 858	23 002	34 349	<b>695 205</b>
Investments in the period	11 214	4 236	3 059	2 358	2 442	897	<b>24 206</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> (Amounts in NOK 1 000)	<b>2012</b>	<b>2011</b>	<b>2010</b>
Customer A	41 721	74 657	72 424
Customer B	39 192	55 458	24 008
Customer C	37 267	25 939	19 220
Customer D	32 953	25 201	18 281
Customer E	28 967	22 170	27 722

### Note 3

#### Wages and remunerations

<b>Payroll expenses</b> (Amounts in NOK 1 000)	<b>2012</b>	<b>2011</b>	<b>2010</b>
Salaries	195 374	153 691	177 961
Payroll tax	11 197	13 331	15 914
Pension costs	4 801	4 692	6 681
Other benefits	6 425	8 547	9 431
<b>Total payroll expenses</b>	<b>217 797</b>	<b>180 260</b>	<b>209 987</b>
Number of employees at year end:	653	706	548
The average number of employees in full time equivalent in the group during the year is:	664	627	486

<b>Remuneration to group management 2012</b>	<b>Salary</b>	<b>Pension</b>	<b>Other</b>	<b>Bonus</b>	<b>Options</b>	<b>Total</b>
Trond Williksen (CEO)	2 008	64	130	-	-	<b>2 202</b>
Eirik Børve Monsen (CFO)	1 136	62	15	-	-	<b>1 212</b>
Per Andreas Hjetland (COO Nordic)	1 171	66	12	77	-	<b>1 326</b>
Trond Severinsen (COO Export & CMO)	1 000	65	142	73	-	<b>1 280</b>
Odd Martin Solem (COO Technology & Software)	979	63	9	120	-	<b>1 170</b>
Andrew Campbell (COO Americas)	1 139	-	121	199	-	<b>1 459</b>

The agreed remuneration for Trond Williksen is an annual fixed salary of MNOK 2.030. He is also entitled to full payment during sick leaves up to 52 weeks and a monthly car allowance of KNOK 10. Trond Williksen is granted 120 000 share options and he has a bonus arrangement limited up to 30% of the annual salary. Williksen can claim 12 months of salary if his contract is terminated.

#### Loan and pledge

The group has not given any loans or pledges to members of the Board or group management as of December 31.

#### Stock options

A stock option plan was introduced in 2006. The remuneration related to options is a calculated theoretical amount based on the time value in the option period. There has been no exercises of options in 2012, neither any payments in connection with the option plan. No options have been granted during 2012. See details of stock options to group management in note 14 and also note 21.

<b>Remuneration to group management 2011</b>	<b>Salary</b>	<b>Pension</b>	<b>Other</b>	<b>Bonus</b>	<b>Options</b>	<b>Total</b>
Trond Williksen (CEO) *	1 438	48	108	-	-	<b>1 594</b>
Eirik Børve Monsen (CFO)	251	5	-	-	-	<b>256</b>
Per Andreas Hjetland (COO Nordic)	1 130	59	22	-	-	<b>1 211</b>
Trond Severinsen (COO Export & CMO)	979	60	141	-	-	<b>1 180</b>
Odd Martin Solem (COO Technology & Software)	904	57	10	-	-	<b>971</b>
Andrew Campbell (COO Americas)	1 070	-	118	-	-	<b>1 188</b>
Morten Nærland (former CFO)	1 005	44	11	-	-	<b>1 060</b>
Arve Ouff (acting CFO)	828	46	13	-	-	<b>887</b>
Stig Martin Bø (Sales Manager Nordic)	799	47	167	-	-	<b>1 013</b>

\* Trond Williksen assumed his position at 1st of March 2011. Eirik Børve Monsen assumed his position at 16th of December 2011.

## Note 3 continues

Remuneration to group management 2010	Salary	Pension	Other	Bonus	Options	Total
Morten Nærland (Acting CEO & CFO)	1 165	58	11	-	1	<b>1 235</b>
Trond Severinsen (CMO)	958	60	136	-	1	<b>1 155</b>
Per Andreas Hjetland (COO)	945	59	11	-	-	<b>1 015</b>
Odd Martin Solem (GM AKVA group Software)	828	56	9	-	2	<b>895</b>
Stig Martin Bø (Sales Manager Nordic)	763	48	125	-	1	<b>937</b>
Andrew Campbell (GM AKVA group Chile)	962	-	104	-	-	<b>1 066</b>
David Thorburn (GM AKVA group Scotland)	571	39	83	-	-	<b>693</b>
Wade Kaskiw (GM AKVA group North America)	703	32	35	-	-	<b>769</b>
Knut Molaug (former CEO)	2 204	61	176	-	2	<b>2 443</b>
Jone Gjerde (former COO)	1 041	60	11	-	-	<b>1 112</b>
Rolf Andersen (former CFO)	1 302	-	4	-	-	<b>1 306</b>
Patrick Dempster (former GM AKVA group North America)	578	-	61	-	-	<b>638</b>
Jørgen Scheel (former GM AKVA group Denmark)	798	24	17	-	-	<b>840</b>
Trond Williksen (appointed CEO in 2010. He assumed the position 1st of March 2011)	-	-	-	-	169	<b>169</b>

Fees to the Board of Directors	Position	2012	2011	2010
Amund Skarholt	Chairperson of the Board	325	369	264
Anne Breiby	Deputy Chairperson of the Board	140	112	190
Hans Kristian Mong	Member of the Board	63	-	-
Frode Teigen	Member of the Board	125	125	125
Aino Kristin Lindal Olaisen	Member of the Board	63	-	-
Kjell A. Corneliusen	Member of the Board	30	30	30
Eivind Brendryen	Member of the Board	25	-	-
Tore Obrestad	Member of the Board	30	30	10
Steinar Mykløy	Former member of the Board	5	30	10
Thorhild Widvey	Former member of the Board	73	140	139
Thore Michalsen	Former member of the Board	73	140	146
Ingvild Andersen	Former member of the Board	-	-	20
Knut Drange	Former member of the Board	-	-	20

Kjell A. Corneliusen, Eivind Brendryen 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. Kjell A. Corneliusen has in 2012 received kNOK 660 in salary, kNOK 37 in contribution to the pension scheme and kNOK 50 in other remuneration. Eivind Brendryen has in 2012 received kNOK 799 in salary, kNOK 46 in contribution to the pension scheme and kNOK 11 in other remuneration. Tore Obrestad has in 2012 received kNOK 721 in salary, kNOK 39 in contribution to the pension scheme and kNOK 165 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.

**Note 3 continues**

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. AKVA group introduced in 2006 a stock option plan. Stock options are granted to the executive management and other senior employees.

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 employees. AKVA group ASA does not use agreements of salary payments after termination of employment without a distinct reason.

<b>Fees to auditor</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Audit	1 135	1 262	1 413
Tax services	709	187	173
Attestation services	12	13	9
Other services	127	474	345
<b>Total</b>	<b>1 983</b>	<b>1 936</b>	<b>1 940</b>
Hereof recorded against acquisition cost of purchased companies	-	-	-

All fees to the auditor is excluded of VAT.

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

<b>Government grants</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
'Skattefunn'	970	1 149	1 331
Other	967	901	2 508
<b>Total</b>	<b>1 937</b>	<b>2 050</b>	<b>3 839</b>

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

<b>Tax expense</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Current taxes payable	921	542	294
Adjustment related to previous year	109	-297	175
Change in deferred taxes	6 075	2 527	-13 723
<b>Total tax expense</b>	<b>7 105</b>	<b>2 771</b>	<b>-13 254</b>
<b>Calculation of the basis for taxation:</b>			
Profit before tax	17 379	14 256	-50 890
Permanent differences	9 871	-18 295	-34 663
Change in temporary differences	-16 986	25 605	64 291
<b>Tax base</b>	<b>10 263</b>	<b>21 566</b>	<b>-21 262</b>
<b>Specification of temporary differences:</b>			
Current assets	-7 158	-7 062	-8 503
Fixed assets	42 985	39 756	35 723
Provisions	-14 963	-16 993	-7 564
Pension obligations	-1 092	-589	-671
Losses carried forward	-167 717	-154 219	-157 806
Other	-1 758	-30 146	-53 152
<b>Total</b>	<b>-149 702</b>	<b>-169 253</b>	<b>-191 973</b>
Calculated deferred tax assets	39 310	44 695	50 037
Deferred tax asset not recognised in balance sheet	-9 357	-8 667	-11 482
<b>Deferred tax asset</b>	<b>29 953</b>	<b>36 028</b>	<b>38 555</b>

The group has a tax loss carry forward of NOK 167.7 million whereof all is available indefinitely for offset against future taxable profits of the companies in which the losses arose. The deferred tax asset recognised in the balance sheet is made probable due to future earnings in the subsidiaries and tax planning.

<b>Effective tax rate</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Expected income taxes, statutory tax rate of 28%	4 866	3 992	-14 249
Permanent differences (28%)	2 764	-5 123	-9 706
Deviation between Norwegian and foreign tax rate	-1 326	7 188	5 873
Excess(-)/insufficient(+) provisions in former years	109	-471	175
Change in non-recognised deferred tax asset	691	-2 815	4 653
<b>Income tax expense</b>	<b>7 105</b>	<b>2 771</b>	<b>-13 254</b>
Effective tax rate in percent of profit before tax	40,9%	19,4%	26,0%

<b>Expiry dates of Tax Loss Carry Forwards</b>	
Tax loss carryforwards without time restrictions	-167 717
<b>Total</b>	<b>-167 717</b>

About 3/5 of the tax loss carry forwards is related to Norwegian tax jurisdiction. The Norwegian companies included in the group are expected to have positive earnings in the coming years and the tax loss carry forwards can be offset against these profits. The current market conditions look promising for the salmon industry worldwide.



**Note 6****Net earnings per share** (in NOK 1 000)

	2012	2011	2010
Ordinary profit / net income	10 274	11 485	-37 637
Number of ordinary shares outstanding as of 31.12.	25 834 303	25 834 303	17 222 869
Weighted average number of ordinary shares	25 834 303	21 528 586	17 222 869
Earnings per share (NOK)	0,40	0,53	-2,19
Diluted number of shares	25 834 303	21 528 586	17 222 869
Diluted earnings per share	0,40	0,53	-2,19

The number of ordinary shares was increased by a share issue effective of 30th June 2011. The number of shares increased with 8 611 434 shares. The diluted number of shares is calculated based on the stock option plan introduced in 2006 and on the number of options in the money at the end of the year. At 31.12.2012 diluted number of shares was equal to number of ordinary shares. See note 21 Options to employees.

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

2012	Goodwill	Development costs	Product rights, patents & trademarks	Total
Acquisition cost at 01.01.	163 131	80 260	110 554	353 945
Additions related to investments in subsidiaries	-	-	-	-
Acquisition cost during the year	-	15 813	-	15 813
Revaluations	-3 600	-1 008	-85	-4 692
Disposals during the year	-	-1 968	-	-1 968
Acquisition cost 31.12.	159 531	93 097	110 469	363 097
Accumulated amortisation at 01.01.	395	54 377	89 617	144 389
Amortisation during the year	-	10 668	3 773	14 441
Revaluations	-	-469	3 489	3 020
Accumulated amortisation disposals during the year	-	-	-	-
Accumulated amortisation 31.12.	395	64 576	96 879	161 850
Net book value at 31.12.	159 136	28 521	13 590	201 247

2011	Goodwill	Development costs	Product rights, patents & trademarks	Total
Acquisition cost at 01.01.	165 656	68 417	110 784	344 857
Additions related to investments in subsidiaries	283	-	-	283
Acquisition cost during the year	-	12 520	-	12 520
Revaluations	-2 808	-677	-231	-3 717
Disposals during the year	-	-	-	-
Acquisition cost 31.12.	163 131	80 260	110 554	353 944
Accumulated amortisation at 01.01.	395	43 902	84 615	128 912
Amortisation during the year	-	10 714	7 232	17 947
Revaluations	-	-240	-2 230	-2 469
Accumulated amortisation disposals during the year	-	-	-	-
Accumulated amortisation 31.12.	395	54 377	89 617	144 389
Net book value at 31.12.	162 736	25 883	20 937	209 556

Note 7 continues on next page

## Note 7 continues

2010	Goodwill	Development costs	Product rights, patents & trademarks	Total
Acquisition cost at 01.01.	155 261	58 826	110 611	324 699
Additions related to investments in subsidiaries	-	-	-	-
Acquisition cost during the year	-	9 675	-	9 675
Revaluations	10 395	242	181	10 817
Disposals during the year	-	-326	-8	-334
Acquisition cost 31.12.	165 656	68 417	110 784	344 857
Accumulated amortisation at 01.01.	395	32 637	72 577	105 609
Amortisation during the year	-	10 501	7 983	18 484
Revaluations	-	-236	4 054	3 818
Accumulated amortisation disposals during the year	-	1 001	-	1 001
Accumulated amortisation 31.12.	395	43 902	84 615	128 912
Net book value at 31.12.	165 261	24 515	26 170	215 946

Both the parent company and the subsidiaries use linear amortisation 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 acquisition of Wavemaster, Polarcirkel, Maritech, UNI Aqua and Idema, 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 company has capitalised all direct costs related to development of software and tangible products that are expected to create economic benefits and meet the requirements for capitalisation in IAS 38. See also note 8.

**Patents & trademarks:**

The acquisition cost is related to the acquisition of Superior Systems AS (2001), Vicass (2002), Cameratech (2004), Ocean Service Log (2004), Polarcirkel/Wavemaster (2006), Maritech/UNI Aqua (2007) and Idema Aqua (2008).

**Impairment test of goodwill:**

Intangible assets with indefinite useful life and goodwill are not amortised. However, these assets are tested annually for impairment. Goodwill acquired through business combinations have been allocated to the following cash-flow generating units:

Book value of goodwill:	2012	2011	2010
<b>CAGE BASED TECHNOLOGY</b>			
Plastic cages	49 199	49 211	49 400
Steel cages	40 064	40 537	42 323
Idema	26 621	26 621	26 621
<b>SOFTWARE</b>			
Software and IT-services	28 397	30 807	31 288
<b>LAND BASED TECHNOLOGY</b>			
Uni recirculation	14 855	15 561	15 629
<b>Total</b>	<b>159 136</b>	<b>162 736</b>	<b>165 261</b>

The recoverable amount for the different cash-generating units is determined using cash flow projections from financial budgets approved by the Board of Directors. The after-tax discount rate applied to cash flow projections is respectively 9,98%, 9,84% and 9,98% for Cage Based Technology, Software and Land Based Technology. A variation of +/- 1% does not materially affect the conclusion. Cash flow beyond a five year period are extrapolated using a 2.0% growth rate, which is a conservative estimate of the growth of the aquaculture industry. Using a pre-tax discount rate would have immaterial effect on the estimated recoverable amount.

[Note 7 continues](#)**Key assumptions used for calculations:**

- Discount rates - 9.84% - 9.98%
- Gross margin - the rates are only with immaterial changes based on achieved gross margins during the last three years, and is aligned with achievements the last year. It is assumed the gross margin will be stable in the years to come. Raw material prices - it is expected that any change in the raw material prices during a reasonable time period will be reflected in product market prices and thus not have any material effect on achieved gross margins
- Market share during the period - the calculations are based on the assumption that market share will not change significantly from the date of the calculation
- Growth rate - the aquaculture industry is expected to have a high growth in the foreseeable future. The applied growth reflects these expectations to some extent, but the growth is still assumed to be a conservative estimate.
- There is assumed that the recovery in the Chilean salmon industry will stabilize on a slightly lower level compared to 2012, this affecting the impairment test of the goodwill related to Wavemaster. Currently, the salmon industry is an important basis of the revenues of the company. Due to the expected cyclicity of this industry the growth rate can vary significantly from year to year.

**Sensitivity to changes in assumptions IAS 36.134(f)**

With regards to the assessment of value-in-use of the different cash flow 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 materially exceed its recoverable amount short term.

**Note 8****Research and development**

During the year the group expensed NOK 18.2 mill (NOK 20.7 mill in 2011 and NOK 23.2 mill in 2010) on research and development on new products and technology as well as upgrades on existing products. The amount does not include capitalised development costs according to IAS 38 (see details in note 7).

**Note 9****Tangible fixed asset** (in NOK 1 000)

2012	Land and building	Machinery and equipment	Total
Acquisition cost at 01.01.	6 535	95 631	102 166
Additions during the year	-	21 877	21 877
Revaluations	1 099	-2 479	-1 380
Disposals during the year	-19	-2 101	-2 120
Acquisition cost 31.12.	7 615	112 928	120 543
Accumulated depreciation 01.01.	4 529	55 698	60 227
Depreciation during the year	141	16 530	16 671
Revaluations	-	-1 001	-1 001
Accumulated depreciation disposals during the year	-	-1 117	-1 117
Accumulated depreciation 31.12.	4 670	70 110	74 780
Net book value 31.12.	2 945	42 818	45 763

Both the parent company and the subsidiaries use linear depreciation for all tangible assets. The useful economic life (in years) is estimated to:

&gt; 10

3-10

[Note 9 continues on next page](#)

## Note 9 continues

2011	Land and building	Machinery and equipment	Total
Acquisition cost at 01.01.	6 535	81 572	88 107
Additions during the year	-	17 454	17 454
Revaluations	-	-1 614	-1 614
Disposals during the year	-	-1 780	-1 780
Acquisition cost 31.12.	6 535	95 631	102 166
Accumulated depreciation 01.01.	4 388	42 113	46 501
Depreciation during the year	141	14 612	14 753
Revaluations	-	-586	-586
Accumulated depreciation disposals during the year	-	-442	-442
Accumulated depreciation 31.12.	4 529	55 698	60 227
Net book value 31.12.	2 006	39 933	41 939

Both the parent company and the subsidiaries use linear depreciation for all tangible assets. The useful economic life (in years) is estimated to:

&gt; 10

3-10

2010	Land and building	Machinery and equipment	Total
Acquisition cost at 01.01.	6 300	66 162	72 462
Additions related to investments in subsidiary during the year	235	16 218	16 453
Additions during the year	-	1 351	1 351
Disposals during the year	-	-2 159	-2 159
Acquisition cost 31.12.	6 535	81 572	88 107
Accumulated depreciation 01.01.	4 245	29 146	33 391
Accumulated depreciation acquired companies	143	12 401	12 544
Depreciation during the year	-	679	679
Accumulated depreciation disposals during the year	-	-114	-114
Accumulated depreciation 31.12.	4 388	42 112	46 500
Net book value 31.12.	2 147	39 460	41 607

Both the parent company and the subsidiaries use linear depreciation for all tangible assets. The useful economic life (in years) is estimated to:

&gt; 10

3-10

## Note 10

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

Subsidiaries consolidated in the group accounts				
Company	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 1)	1998	Scotland	100%	100%
AKVA AS	2001	Norway	100%	100%
Feeding Systems Chile Ltda	2003	Chile	100%	100%
AKVAsmart Ltd. (Turkey)	2005	Turkey	100%	100%
Helgeland Plast AS	2006	Norway	100%	100%
Maritech ehf	2007	Iceland	100%	100%
AKVA group Denmark A/S	2007	Denmark	100%	100%
AKVA group SEA	2008	Thailand	100%	100%
Polarcirkel AS	2010	Norway	100%	100%
WiseDynamics Inc. 2)	2011	Canada	100%	100%

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

<sup>2)</sup> Subsidiary of Maritech ehf

## Note 9 continues

In January 2012 AKVA group Software AS signed an agreement with Fishware Invest AS, for sale of the Maritech business in Norway for a price of NOK 34.5 mill. The transaction resulted in a gain of NOK 30.3 mill and was completed on February 17<sup>th</sup>, 2012 with operational effect from February 1<sup>st</sup> 2012. The business sold was part of the business segment Software.

Other long-term investments	Currency	Share capital	Number of shares	Par value (NOK)	Book value	Ownership
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				14	<5%
Total					267	

## Note 11

## Stock (in NOK 1 000)

	2012	2011	2010
Raw materials (at cost)	66 130	85 762	57 774
Work in progress (at cost)	22 065	19 657	16 917
Finished goods (at net realisable value)	73 540	69 500	82 986
Total	161 736	174 919	157 677
Write-down of obsolete stock 1.1	1 321	822	1 010
Write-down of obsolete stock during the year	571	495	-149
Write-down of obsolete stock 31.12	1 892	1 317	861

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

## Note 12

## Receivables (in NOK 1 000)

Receivables due in more than one year	2012	2011	2010
Other long-term receivables	1 287	1 527	438
Total	1 287	1 527	438

## Accounts receivables

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

	2012	2011	2010
Bad debt provision 1.1	8 600	9 034	5 816
Change for the year	3 202	1 330	3 853
Used from the provision	-48	-1 764	-366
Unused amounts reversed	-1	-1	-271
Bad debt provision 31.12.	11 754	8 600	9 032
Recorded bad debt cost during the year	255	1 628	969
Change in bad debt provision	3 539	-298	2 885
Total bad debt cost during the year	3 794	1 330	3 853

Of the recorded bad debt cost during the year all was covered by bad debt provision.

Reference is made to note 18 for more details of credit and currency risk related to accounts receivables.

## As of 31.12. the group had the following ageing profile of outstanding accounts receivables:

	Total	Not due	Due <30 days	Due 31-60 days	Due 61-90 days	Due > 91 days
2012	163 133	65 238	38 990	15 132	5 400	38 374
2011	177 601	88 600	18 082	24 216	26 083	20 619
2010	177 796	124 418	30 881	4 996	4 490	13 010

**Note 13****Bank deposits** (in NOK 1 000)

	2012	2011	2010
Restricted bank deposits	5 270	6 502	6 342
Overdraft limit	90 000	68 289	68 304
Utilised end of year	57 014	60 600	59 139

**Note 14****Shareholders** (in NOK 1 000)**AKVA group ASA**

The company's share capital is NOK 25.8 million 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 20 largest shareholders at 31.12.	Number of shares	Ownership in % of total shares
Egersund Group AS	13 043 447	50,49%
Arendals Fossekompani ASA	3 514 067	13,60%
SN-Invest AS	2 426 782	9,39%
Pershing LLC	2 159 737	8,36%
Skagen Vekst	1 270 800	4,92%
Knut Molaug	404 838	1,57%
MP Pensjon PK	380 000	1,47%
Ole Molaug Eiendom AS	338 692	1,31%
Gunnar Kluge	173 150	0,67%
Ole Molaug	167 192	0,65%
Havbruksconsult AS	166 000	0,64%
UBS AG Zurich A/C Omnibus-Disclose	111 000	0,43%
Anne Helga Nedrebø	101 750	0,39%
Ingrid Havrevoll	99 750	0,39%
Odd Skjæveland	75 750	0,29%
Bergljot Molaug Gilje	67 644	0,26%
Ingrid Molaug	66 950	0,26%
Jan Arve Gjøvik	63 961	0,25%
Skagen Vekst III	58 000	0,22%
Bernhard Kielland	54 550	0,21%
Other shareholders	1 090 243	4,22%
Total	25 834 303	100,00%

Shares owned by members of the Board of Directors	Number of shares	Options
Frode Teigen and Hans Kristian Mong as owners of Egersund Group AS*	13 043 447	-
Amund Skarholt	40 000	-
Anne Breiby (Kjerby AS)	13 800	-
Tore Obrestad	2 368	-
Kjell Arne Corneliusen	200	-
Eivind Brendryen	200	-

\* Frode Teigen, through Kontrari AS, and Hans Kristian Mong owns 50% each in Egersund Group AS.

Shares owned by group management	Number of shares	Options
Trond Williksen (CEO)	40 000	120 000
Eirik Børve Monsen (CFO)	20 000	-
Per Andreas Hjetland (COO Nordic)	2 500	-
Trond Severinsen (COO Export & CMO)	22 425	-

**Note 15****Pensions** (in NOK 1 000)

The pension schemes in all the Norwegian 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 pensions costs are included in payroll expenses in the profit and loss statement.

<b>Contribution plans</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Contributions expensed during the year	3 446	4 030	3 195

**Benefit plans**

The Norwegian legal entities also have uninsured pension liabilities related to future estimated obligations of AFP (early retirement scheme covering some employees in Norway). The remaining obligation is related to the pensioners in the old AFP scheme, ref note 1.20. A summary of the actuarial calculations of the total pension liability is shown below:

<b>Benefit plans</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Service cost	-	-	25
Interest cost	26	30	48
Return on pension funds	-	-	-
Closing effect of old pension scheme	-	-	-611
Social security tax	3	3	8
Net pension cost	29	33	-530

<b>Benefit obligations</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Estimated pension obligations at 31.12.	691	947	1 057
Pension plan funds (market value) at 31.12.	-	-	-
Unrecognised effects of deviations from estimates	-	-	-
Social security tax	66	91	99
Net benefit obligations	757	1 038	1 156

<b>Changes in the present value of the defined benefit obligation are as follows</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Defined benefit obligation at 01.01.	1 038	1 156	1 846
Interest cost	26	30	48
Current service cost	-1	7	33
Benefits paid	-315	-263	-113
Closing effect of old pension scheme	-	-	-611
Actuarial gain/losses recognised in OCI	10	108	-47
Defined benefit obligation at 31.12.	757	1 038	1 156

According to IAS 19.120A the company shall inform of the changes in the fair value of plan assets. Since the group has no other defined benefit plans other than an unsecured early retirement scheme (AFP) there are no plan assets.

The group expects to contribute NOK 0.45 million to its defined benefit pensions plan in 2013.

A listing of the major categories of plan assets as a percentage of the fair value of total plan assets, ref IAS 19.120A, is not applicable for the group since the benefit plans are related to unsecured AFP pension scheme and hence there are no plan assets.

<b>Economical assumptions</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Discount rate	2,20%	3,30%	3,20%
Expected wage growth	0,00%	4,00%	4,00%
Expected social security base adjustment	0,00%	3,75%	3,75%
Expected increase in pension	2,25%	3,00%	3,75%
Expected turnover < 40 years	0,00%	0,00%	0,00%
Expected turnover > 40 years	0,00%	0,00%	0,00%

The actuarial calculations are based on assumptions of demographical factors normally used within the insurance industry.

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.

**Note 16****Liabilities** (in NOK 1 000)

<b>Long-term liabilities due in more than 5 years</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Liabilities to financial institutions	-	11 661	35 802
Total	-	11 661	35 802

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Liabilities secured with assets	143 361	195 548	199 839

<b>Secured assets:</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Accounts receivable	30 998	39 320	125 391
Stock	74 249	73 238	116 248
Other assets	250 000	250 000	250 000
Total	355 247	362 558	491 639

**Repayment of debt**

The company's long-term debt as at December 31, matures as follows.

	<b>Long-term debt</b>
2013*	18 886
2014	18 407
2015	18 377
2016	18 377
2017	12 275
Subsequent to 2017	-
Total long-term debt	86 322
Average interest rate	5,40%

\* The part of the long-term debt due within one year is reclassified to short-term interest bearing debt in the balance sheet.

**Loan covenants:**

In the loan documents from Sandnes Sparebank and Innovasjon Norge the following loan covenants are set:

The ratio net interest-bearing debt over twelve months rolling EBITDA < 4

Equity share for the group > 30%

Net interest-bearing debt over twelve months rolling EBITDA was 1.8 as of 31 December 2012.

The equity share was 48.4% as of 31 December 2012.

The long term debt facilities are all based on market conditions.

The interest rate is a floating rate and it is based on NIBOR + a margin.

The loan from Innovasjon Norge is based on market conditions. This loan amounts to MNOK 21 as of 31. December 2012.



**Note 17****Specification of items that are grouped in the financial statement** (in NOK 1 000)

	2012	2011	2010
<b>Financial Income</b>			
Other interest income	1 413	999	857
Agio gain	485	-	2 937
Other financial income	61	713	277
Total financial income	1 958	1 711	4 071
<b>Financial Expenses</b>			
Interest expenses	9 584	12 399	12 840
Agio loss	-	2 757	-
Other financial expenses	1 699	1 552	1 177
Total financial expenses	11 284	16 708	14 017
<b>Other operating expenses</b>			
Accommodation, materials, equipment and maintenance	38 088	42 859	41 152
Marketing, travelling and communication	25 183	25 320	22 815
Other operating expenses	19 352	15 998	16 460
Total other operating expenses	82 623	84 176	80 427
<b>Other current liabilities</b>			
Accrued costs	16 423	15 120	31 226
Warranty provisions	3 909	6 660	5 574
Other current liabilities	21 526	26 738	41 254
Total other current liabilities	41 857	48 518	78 054

Warranty provisions have decreased from 2011 to 2012 reflecting the reduced risk on ongoing and settled projects.

**Note 18****Financial instruments and risk management** (in NOK 1 000)**Determination of fair value**

The fair value of financial assets classified as 'available for sale' and 'financial assets at fair value through profit or loss' is determined by reference to published price quotations in an active market. For unquoted financial assets the fair value has been estimated using a valuation technique based on assumptions that are not supported by observable market prices.

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 abovementioned 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 'hold-to-maturity' investments.

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

The fair value of loan notes have been calculated using market interest rates.

[Note 18 continues on next page](#)

**Note 18 continues**

The fair value of financial assets and liabilities recognised 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

- Loans to employees, refer to Note 3.
- Deposits to lessors under operating leases, refer to Note 20.

The fair value of 'hold-to-maturity' investments (with the exception of deposits mentioned above) is determined using available market prices.

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

	2012		2011		2010	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>						
Cash	36 797	36 797	37 232	37 232	43 159	43 159
Trade receivables	163 133	163 133	177 601	177 601	177 796	177 796
Other non-current assets	32 408	32 408	42 436	42 436	19 601	19 601
Other long-term financial assets	1 273	1 273	1 698	1 698	610	610
<b>Financial liabilities</b>						
Bank overdraft	57 014	57 014	60 600	60 600	59 139	59 139
Trade and other payables	123 213	123 213	133 552	133 552	166 028	166 028
<b>Interest-bearing loans and borrowings:</b>						
Bank loans	86 347	86 347	122 317	122 317	152 592	152 592
Forward currency contracts	-1 854	-1 854	2 285	2 285	-2 404	-2 404

**Fair value hierarchy**

As at 31 December 2012, the Group held financial instruments measured at fair value as mentioned below: The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:

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.

	31.12.12	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit and loss:	-	-	-	-
Foreign exchange contracts – non-hedged	-1 854	-	-1 854	-

**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 2013:

Currency (amounts in 1 000)		Bought/sold	Net currency amount (amounts in 1 000)
American Dollar	USD	Sold	10 200
Danish Kroner	DKK	Sold	5 000
British Pound	GBP	Sold	2 150
Euro	EUR	Sold	700
Chilean Peso	CLP	Sold	1 524 750
Norwegian Kroner	NOK	Bought	106 241

Note 18 continues on next page

## Note 18 continues

Profit and loss from the above currency contract are recorded directly via the income statement under financial items. At the end of the year a gain of KNOK 2 380 was recorded as an unrealised 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 three quarters of 2013 and hence be recognized in the income statement during the same period. All currency contracts expire in 2013.

Currency (amounts in 1 000)		Bought/sold	Net currency amount (amounts in 1 000)
Euro	EUR	Bought	5 658
Norwegian Kroner	NOK	Sold	42 063

At the end of the year it was recorded a loss of KNOK 526 directly against the equity 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 2012 the group had export sales of MNOK 135 of products which predominantly had its cost base in NOK. A 10% strengthening of the NOK would then decrease the earnings with about 13.5 MNOK before possible price increases in the market. About 37% of this exposure was related to sales in USD (sales mainly to Chile), 23% related to sales in GBP (sales in UK), and 11% related to sales in EUR (sales in Europe and the Mediterranean).

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 USD and EUR. Below it is made a partial analysis in order to do an estimate of the impact from a change in USD and EUR on the pre-tax profit and on the book equity at year end.

31-12-12	KNOK effect on profit before tax by +10%/-10% change in		KNOK effect on book equity by +10%/-10% change in	
	EUR	USD	EUR	USD
10%	972	-33	4 154	-
-10%	-972	33	-4 154	-

31-12-11	KNOK effect on profit before tax by +10%/-10% change in		KNOK effect on book equity by +10%/-10% change in	
	EUR	USD	EUR	USD
10%	614	1 647	No cash flow hedge as of 31.12. 2011	
-10%	-614	-1 647	No cash flow hedge as of 31.12. 2011	

31-12-10	KNOK effect on profit before tax by +10%/-10% change in		KNOK effect on book equity by +10%/-10% change in	
	EUR	USD	EUR	USD
10%	334	-1 923	1 436	-1 324
-10%	-334	1 923	-1 436	1 324

Note 18 continues on next page

[Note 18 continues](#)

The effect on the profit before tax is the result of change in monetary assets and the financial instruments denominated in EUR and USD respectively. The effect on book equity 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 1.5 higher with a 1% higher average interest rate during the year and MNOK 1.5 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. The group has generally had low losses on outstanding receivables. For larger projects there are normally pre-payments from the customer 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 to reduce credit risk. For details of ageing of accounts receivables, see note 12.

**Market risk**

In 2012 about 81% of the revenues of the group came from customers producing salmon. In 2011 the share was 67%. 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 (amounts in 1 000)
10%	13 329
5%	6 665
2%	2 666
-2%	-2 666
-5%	-6 665
-10%	-13 329

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 maximise 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. No changes were made in number of shares, the objective policies or processes during the year 2012. The group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The group includes within net debt, interest bearing loans and borrowings less cash and cash equivalents. Capital includes convertible preference shares, equity attributable to equity holders of the parent less the net unrealised gains reserve.

(Amounts in NOK 1 000)	2012	2011	2010
Interest bearing debt	143 361	182 917	211 731
Less cash	36 797	37 232	43 159
Net debt	106 564	145 685	168 572
Equity	325 274	323 771	227 561
Total equity and net debt	431 838	469 456	396 133
Debt ratio	25%	31%	43%

The equity share was 48.4% as of 31 December 2012.

[Note 18 continues on next page](#)

## Note 18 continues

**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 summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

2012	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	52 408	14 160	67 005	1 041	134 615
Trade and other payables	17 233	72 215	6 910	-	-	96 358
Financial derivatives	-	68 362	49 074	-	-	117 436
Total	17 233	192 985	70 145	67 005	1 041	348 409

2011	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	67 678	20 306	98 482	11 933	198 399
Trade and other payables	20 074	78 278	9 849	12	-	108 212
Financial derivatives	-	47 114	29 033	-	-	76 147
Total	20 074	193 070	59 187	98 493	11 933	382 758

2010	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	2 773	72 558	100 434	35 965	211 731
Trade and other payables	21 923	63 275	9 420	147	-	94 765
Financial derivatives	-	38 381	50 077	-	-	88 458
Total	21 923	104 430	132 055	100 581	35 965	394 953

**Note 19****Long-term contracts** (in NOK 1 000)

Revenue and profits on long-term contracts are recognised using the percentage of completion method. This method implies that profit is recognised 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 NOK 3,0 mill are included.

	2012	2011	2010
Total revenues from long-term contracts	242 687	217 287	313 121
Total value of ongoing contracts 31.12.	142 095	205 120	236 800
Total sales included from ongoing contracts 31.12.	74 861	201 541	138 053
Not invoiced work-in-progress included as accounts receivables	37 611	41 287	77 402
Prepayments from customers	51 190	81 823	55 734
Remaining production on loss contracts 31.12.	-	269	169

**Note 20****Operational leases** (in NOK 1 000)

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

<b>Operating leasing cost</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Operational leasing costs	8 751	7 646	7 472
Rent costs on buildings	13 368	13 978	9 367
<b>Total</b>	<b>22 118</b>	<b>21 625</b>	<b>16 839</b>

The future minimum rents related to non-cancellable 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	6 549	8 620	149
Vehicles	3 584	3 368	-
Offices and buildings	12 854	33 287	5 808
<b>Total</b>	<b>22 987</b>	<b>45 276</b>	<b>5 957</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 2012 the rent for main office was NOK 2 872.

**Note 21****Options to employees**

The company has an option programme covering employees in selected senior positions. The option programme was established in connection with listing of the company at Oslo Stock Exchange in November 2006. No options have been granted during 2012.

The outstanding options as of 31.12.2012 can be exercised from 01.12.2013 until 30.11.2014. The strike price for the options is equal to the market price when the options are being granted. The strike price of the outstanding options is NOK 17.00 per share.

The fair value of the options has been calculated at grant date and charged to expenses over the period the options are earned (3 years). NOK 31 has been charged to equity in 2012 related to the option programme.

	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total available options that can be issued	1 012 109	1 012 109	1 012 109
Available options not issued at year end	892 109	814 177	474 108
Options vested during the year	-	-	-
<b>Outstanding options as per 31.12.</b>	<b>120 000</b>	<b>197 932</b>	<b>538 001</b>

The fair value of the options has been estimated using the Black&Scholes option-pricing model.

The average fair value of options granted is based on the following assumptions:

**Strike price**

The strike price is equal to the the stock exchange price at grant date.

**Volatility**

The expected volatility is based on historic volatility for peer group companies (35%).

**The term of the option**

In the calculation the expected average period to vesting is 3 years.

**Dividend**

The calculation is based on no dividend being paid in the vesting period.

**Risk-free interest rate**

The risk-free interest rate assumed when calculating the fair value was equal to the interest rate on government bonds at the time of the calculation.

## Note 22

### Subsequent events

#### **Change in amount of shares – largest shareholder**

Reference is made to the stock exchange notice released on January 21<sup>st</sup> 2013 in connection with the mandatory offer made by Egersund Group AS, to purchase the remaining outstanding shares in AKVA Group ASA.

After receiving acceptances for in aggregate of 9,540,208 shares, Egersund Group AS now owns 22,583,655 shares in AKVA group ASA representing 87.42% of the total shares.

#### **Aquisition of 70% of the shares in Plastsveis AS**

On February 20<sup>th</sup> 2013 AKVA group ASA entered into an agreement with the shareholders of Plastsveis AS, to acquire 70 percent of the shares in Plastsveis AS for a price of NOK 20 million.

The transaction has operational effect from January 1<sup>st</sup>, 2013. AKVA group ASA and the owners of Plastsveis AS also hold a mutual option to buy/sell the remaining 30% of the shares in Plastsveis AS from January 1<sup>st</sup>, 2016 onwards. The pricing of the remaining 30% of the shares is linked to the performance of the company over the next three calendar years.

# Financial statement **Parent company**





# Income statement 01.01.–31.12. (in NOK 1 000)

## Parent company

	Note	2012	2011	2010
<b>OPERATING REVENUES</b>				
Sales revenues	2,19	356 293	447 921	434 858
<b>OPERATING EXPENSES</b>				
Cost of goods sold	11	268 989	325 415	347 623
Payroll expenses	3,4,22	61 480	64 607	73 014
Other operating expenses	4,8,12,18,21	26 000	36 865	38 038
Total operating expenses		356 469	426 887	458 675
<b>OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)</b>				
		<b>-176</b>	<b>21 034</b>	<b>-23 817</b>
Depreciation and amortisation	7,9	13 705	15 410	13 577
<b>OPERATING PROFIT (EBIT)</b>				
		<b>-13 881</b>	<b>5 624</b>	<b>-37 394</b>
<b>FINANCIAL INCOME AND EXPENSES</b>				
Financial income	18	39 106	13 677	24 686
Financial expenses	18	-12 437	-13 338	-19 149
Net financial items		26 669	339	5 537
<b>PROFIT BEFORE TAX</b>				
		<b>12 788</b>	<b>5 963</b>	<b>-31 857</b>
Taxes	5	3 374	5 059	-12 336
<b>NET PROFIT FOR THE YEAR</b>				
		<b>9 414</b>	<b>904</b>	<b>-19 521</b>
<b>ALLOCATION OF PROFIT FOR THE YEAR</b>				
Other equity		9 414	904	-19 521
Total allocated		9 414	904	-19 521

# Assets 31.12.

(in NOK 1 000)

## Parent company

	Note	2012	2011	2010
<b>NON-CURRENT ASSETS</b>				
<b>Intangible assets</b>				
Deferred tax asset	5	18 241	21 615	27 763
Goodwill	7	53 000	53 000	53 000
Other intangible assets	7	29 168	31 264	36 729
Total intangible assets		100 409	105 878	117 492
<b>Tangible fixed assets</b>				
Machinery and equipment	9	10 536	14 120	11 760
Total tangible fixed assets		10 536	14 120	11 760
<b>Long-term financial assets</b>				
Investments in subsidiaries	10	271 214	276 691	274 564
Loans to group companies	13	17 942	57 657	53 083
Other long-term financial assets	10,12	320	321	454
Total long-term financial assets		289 477	334 669	328 101
<b>Total non-current assets</b>		<b>400 421</b>	<b>454 667</b>	<b>457 353</b>
<b>CURRENT ASSETS</b>				
Stock	11	43 191	55 850	62 688
<b>Receivables</b>				
Accounts receivables	12,19,20	26 058	29 660	47 022
Accounts receivables - group companies	13	75 210	74 340	20 878
Prepayments to suppliers		1 846	7 050	4 047
Other receivables		2 191	1 110	3 388
Other receivables - group companies	13	44 102	-	-
Total receivables		149 409	112 161	75 335
Cash and cash equivalents	14	11 600	4 059	4 913
<b>Total current assets</b>		<b>204 201</b>	<b>172 070</b>	<b>142 936</b>
<b>TOTAL ASSETS</b>		<b>604 622</b>	<b>626 737</b>	<b>600 289</b>

# Equity and Liabilities 31.12. (in NOK 1 000)

## Parent company

	Note	2012	2011	2010
<b>EQUITY</b>				
<b>Paid-in capital</b>				
Share capital	15	25 834	25 834	17 223
Share premium reserve		336 029	336 029	256 178
Other paid in capital		2 398	2 367	2 337
<b>Total paid-in capital</b>		<b>364 261</b>	<b>364 230</b>	<b>275 738</b>
<b>Retained earnings</b>				
Other equity		19 817	10 380	5 520
<b>Total retained earnings</b>		<b>19 817</b>	<b>10 380</b>	<b>5 520</b>
<b>Total equity</b>		<b>384 077</b>	<b>374 610</b>	<b>281 257</b>
<b>LIABILITIES</b>				
<b>Provisions</b>				
Pension obligations	16	402	546	568
<b>Total provisions</b>		<b>402</b>	<b>546</b>	<b>568</b>
<b>Other long term liabilities</b>				
Liabilities to financial institutions	17	66 973	110 759	150 283
Other long term liabilities		150	293	389
<b>Total other long term liabilities</b>		<b>67 123</b>	<b>111 052</b>	<b>150 672</b>
<b>Current liabilities</b>				
Liabilities to financial institutions	14,17	75 864	84 789	56 430
Trade creditors		24 664	32 719	40 622
Trade creditors - group companies	13	9 001	6 059	10 381
Taxes payable	5	-	-	-
Public duties payable		6 358	4 166	2 434
Prepayments from customers		629	1 512	17 171
Other current liabilities	18	36 502	11 284	40 754
<b>Total current liabilities</b>		<b>153 019</b>	<b>140 529</b>	<b>167 792</b>
<b>Total Liabilities</b>		<b>220 544</b>	<b>252 127</b>	<b>319 032</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>604 622</b>	<b>626 737</b>	<b>600 289</b>

Oslo, April 11th 2013



Amund Skarholt  
Chairperson of the Board



Hans Kristian Mong



Anne Breiby  
Deputy Chairperson



Frode Teigen



Aino Olaisen



Kjell A. Corneliussen



Eivind Brendryen



Tore Obrestad



Trond Williksen  
Chief Executive Officer

# Cash flow statement 01.01.–31.12. (in NOK 1 000)

## Parent company

	Note	2012	2011	2010
<b>Cash flow from operating activities:</b>				
Profit before taxes		12 788	5 963	-31 857
Taxes		-	-	-
Gain on disposal of shares and participations		-180	5 317	-1 274
Depreciation	7,9	13 705	15 410	13 577
Write down of Financial assets		1 748	-	-
Change in pension obligation	16	143	-22	-283
Changes in stock, accounts receivable and trade creditors		7 079	-41 488	15 448
Changes in other receivables and payables		33 805	-46 358	1 458
Net cash flow from operating activities		69 088	-61 178	-2 931
<b>Cash flow from investment activities</b>				
Investments in fixed assets	7,9	-13 041	-12 324	-9 510
Sale of tangible and intangible fixed assets		5 006	20	171
Repayment of capital reduction in subsidiary		3 729	-	-
Net cash flow from investment activities		-4 306	-12 304	-9 339
<b>Cash flow from financing activities</b>				
Change in interest bearing debt		-37 110	-11 165	9 698
Change in loans to group companies	13	-19 299	-4 574	-9 526
Increase of share capital and share premium fund		-	88 462	-
Change related to other financial activities		-832	-96	-637
Net cash flow from financing activities		-57 241	72 627	-465
Net change in cash and cash equivalents		7 541	-854	-12 735
Cash and cash equivalents at 01.01.		4 059	4 913	17 648
<b>Cash and cash equivalents at 31.12.</b>		<b>11 600</b>	<b>4 059</b>	<b>4 913</b>

# Statement of changes in equity (in NOK 1 000)

## Parent company

	Note	Share capital	Share premium reserve	Other paid-in capital	Total paid-in capital	Other equity	Total retained earnings	Total equity
<b>Equity as at 01.01.2010</b>		17 223	256 178	2 175	<b>275 576</b>	25 015	<b>25 015</b>	<b>300 591</b>
Actuarial deviations on net pension obligations		-	-	-	-	26	<b>26</b>	<b>26</b>
<b>Total income and expense recognised directly in equity</b>		-	-	-	-	26	<b>26</b>	<b>26</b>
Profit (loss) for the period		-	-	-	-	-19 521	<b>-19 521</b>	<b>-19 521</b>
<b>Total income and expense for the year</b>		-	-	-	-	-19 495	<b>-19 495</b>	<b>-19 495</b>
Recording of option agreement		-	-	162	<b>162</b>	-	-	<b>162</b>
Group contribution		-	-	-	-	-	-	-
<b>Equity as at 31.12.2010</b>		17 223	256 178	2 337	<b>275 738</b>	5 520	<b>5 520</b>	<b>281 257</b>

<b>Equity as at 01.01.2011</b>		17 223	256 178	2 337	<b>275 738</b>	5 520	<b>5 520</b>	<b>281 257</b>
Actuarial deviations on net pension obligations		-	-	-	-	-75	<b>-75</b>	<b>-75</b>
<b>Total income and expense recognised directly in equity</b>		-	-	-	-	-75	<b>-75</b>	<b>-75</b>
Profit (loss) for the period		-	-	-	-	904	<b>904</b>	<b>904</b>
<b>Total income and expense for the year</b>		-	-	-	-	830	<b>830</b>	<b>830</b>
Issue of share capital		8 611	86 114	-	94 725	-	-	<b>94 725</b>
Share issue costs		-	-6 263	-	-6 263	-	-	<b>-6 263</b>
Recording of option agreement		-	-	30	<b>30</b>	-	-	<b>30</b>
Group contribution		-	-	-	-	4 031	<b>4 031</b>	<b>4 031</b>
<b>Equity as at 31.12.2011</b>		25 834	336 029	2 367	<b>364 230</b>	10 380	<b>10 380</b>	<b>374 610</b>

<b>Equity as at 01.01.2012</b>		25 834	336 029	2 367	<b>364 230</b>	10 380	<b>10 380</b>	<b>374 610</b>
Actuarial deviations on net pension obligations		-	-	-	-	23	<b>23</b>	<b>23</b>
<b>Total income and expense recognised directly in equity</b>		-	-	-	-	23	<b>23</b>	<b>23</b>
Profit (loss) for the period		-	-	-	-	9 414	<b>9 414</b>	<b>9 414</b>
<b>Total income and expense for the year</b>		-	-	-	-	9 436	<b>9 436</b>	<b>9 436</b>
Recording of option agreement		-	-	31	<b>31</b>	-	-	<b>31</b>
<b>Equity as at 31.12.2012</b>		25 834	336 029	2 398	<b>364 261</b>	19 817	<b>19 817</b>	<b>384 077</b>

## 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 21. January 2008. As a result the principles applied when preparing the balance sheet and the income statement are mainly based on 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 fair value will be carried out 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

#### 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.

In 2012 business segments Hardware and Recirc were respectively renamed to Cage Based Technology and Land Based Technology.

<b>Cage Based Technology</b> (Amounts in NOK 1 000)	<b>2012</b>	<b>2011</b>	<b>2010</b>
Operating revenue	349 057	439 864	414 395
Operating expenses	349 793	417 760	426 493
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>-736</b>	<b>22 104</b>	<b>-12 098</b>
Depreciation and amortisation	13 705	15 410	13 577
<b>Operating profit (EBIT)</b>	<b>-14 441</b>	<b>6 694</b>	<b>-25 675</b>

<b>Land Based Technology</b> (Amounts in NOK 1 000)	<b>2012</b>	<b>2011</b>	<b>2010</b>
Operating revenue	7 236	8 057	20 463
Operating expenses	6 676	9 127	32 182
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>560</b>	<b>-1 070</b>	<b>-11 719</b>
Depreciation and amortisation	-	-	-
<b>Operating profit (EBIT)</b>	<b>560</b>	<b>-1 070</b>	<b>-11 719</b>

<b>Total</b> (Amounts in NOK 1 000)	<b>2012</b>	<b>2011</b>	<b>2010</b>
Operating revenue	356 293	447 921	434 858
Operating expenses	356 469	426 887	458 675
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>-176</b>	<b>21 034</b>	<b>-23 817</b>
Depreciation and amortisation	13 705	15 410	13 577
<b>Operating profit (EBIT)</b>	<b>-13 881</b>	<b>5 624</b>	<b>-37 394</b>

#### Geographical information

<b>2012</b> (Amounts in NOK 1 000)	<b>Norway</b>	<b>Mediterranean</b>	<b>Other</b>	<b>Total</b>
Operating revenue - external customers	223 784	5 612	45 150	274 546

<b>2011</b> (Amounts in NOK 1 000)	<b>Norway</b>	<b>Mediterranean</b>	<b>Other</b>	<b>Total</b>
Operating revenue - external customers	289 509	37 885	21 433	348 827

<b>2010</b> (Amounts in NOK 1 000)	<b>Norway</b>	<b>Mediterranean</b>	<b>Other</b>	<b>Total</b>
Operating revenue - external customers	295 560	62 054	5 481	363 095

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

<b>Payroll expenses</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Salaries	52 327	54 636	61 014
Payroll tax	6 675	7 085	8 038
Pension costs	2 206	2 220	1 712
Other benefits	272	666	2 250
<b>Total</b>	<b>61 480</b>	<b>64 607</b>	<b>73 014</b>
The average number of employees in full-time equivalent in the company during the year is:	88	86	83

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

**Loan and pledge**

The company has not given any loans or pledges to members of the Board or group management as of December 31.

**Stock options**

A new stock option plan was introduced in 2006. See details of stock options in note 21 and in note 3 in consolidated accounts. For details of establishment of salary and other remuneration to executive management, see note 3 in consolidated accounts.

<b>Fees to auditor</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Audit	311	319	564
Tax services	372	36	3
Attestation services	9	8	72
Other services	20	222	186
<b>Total</b>	<b>712</b>	<b>585</b>	<b>825</b>

All fees to the auditor is excl. VAT.

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

<b>Government grants</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
'Skattefunn'	792	1 100	1 100
Other	73	357	1 222
<b>Total</b>	<b>865</b>	<b>1 457</b>	<b>2 322</b>

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

<b>Tax expense</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Adjustment related to previous years	-	-1 089	-
Change in deferred taxes	3 374	6 148	-12 336
<b>Total tax expense</b>	<b>3 374</b>	<b>5 059</b>	<b>-12 336</b>

<b>Calculation of the basis for taxation</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Profit before tax	12 788	5 963	-31 857
Permanent differences	-738	-6 533	5 861
Change in temporary differences	-12 049	570	25 996
<b>Tax base</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Specification of temporary differences</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Current assets	-6 437	-3 237	-7 858
Fixed assets	44 583	44 375	43 388
Provisions	-4 870	-13 073	1 528
Pension obligations	-285	-471	-398
Losses carried forward	-98 138	-104 790	-135 812
<b>Total</b>	<b>-65 147</b>	<b>-77 196</b>	<b>-99 153</b>
Calculated deferred tax assets	18 241	21 615	27 763
Deferred tax asset not recognised in balance sheet	-	-	-
<b>Deferred tax asset</b>	<b>18 241</b>	<b>21 615</b>	<b>27 763</b>

<b>Effective tax rate</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Expected income taxes, statutory tax rate of 28%	3 580	1 670	-8 920
Permanent differences (28%)	-207	-1 829	1 641
Adjustment related to previous years	-	5 219	-5 057
<b>Income tax expense</b>	<b>3 374</b>	<b>5 059</b>	<b>-12 336</b>
Effective tax rate in percent of profit before tax	26,4%	84,8%	38,7%

<b>Expiry dates of Tax Loss Carry Forwards</b>	
Tax loss carryforwards without time restrictions	-98 138
<b>Total</b>	<b>-98 138</b>

**Note 6****Net earnings per share**

See details in note 6 in consolidated accounts.



## Note 7

### Intangible assets (in NOK 1 000)

2012	Goodwill	Development costs	Patents and trademarks	Total
Acquisition cost at 01.01.	53 000	36 174	36 092	125 266
Acquisition cost during the year	-	8 238	-	8 238
Disposals during the year	-	-	-	-
Acquisition cost 31.12.	53 000	44 412	36 092	133 504
Accumulated amortisation at 01.01.	-	20 846	20 157	41 003
Amortisation during the year	-	6 716	3 617	10 333
Accumulated amortisation disposals during the year	-	-	-	-
Accumulated amortisation 31.12.	-	27 562	23 774	51 336
<b>Net book value at 31.12.</b>	<b>53 000</b>	<b>16 850</b>	<b>12 318</b>	<b>82 168</b>

2011	Goodwill	Development costs	Patents and trademarks	Total
Acquisition cost at 01.01.	53 000	30 923	36 092	120 015
Acquisition cost during the year	-	5 251	-	5 251
Disposals during the year	-	-	-	-
Acquisition cost 31.12.	53 000	36 174	36 092	125 266
Accumulated amortisation at 01.01.	-	14 432	15 854	30 286
Amortisation during the year	-	6 414	4 303	10 717
Accumulated amortisation disposals during the year	-	-	-	-
Accumulated amortisation 31.12.	-	20 846	20 157	41 003
<b>Net book value at 31.12.</b>	<b>53 000</b>	<b>15 329</b>	<b>15 935</b>	<b>84 264</b>

2010	Goodwill	Development costs	Patents and trademarks	Total
Acquisition cost at 01.01.	53 000	24 437	36 092	113 529
Acquisition cost during the year	-	6 486	-	6 486
Disposals during the year	-	-	-	-
Acquisition cost 31.12.	53 000	30 923	36 092	120 015
Accumulated amortisation at 01.01.	-	8 865	11 552	20 417
Amortisation during the year	-	5 567	4 302	9 869
Accumulated amortisation disposals during the year	-	-	-	-
Accumulated amortisation 31.12.	-	14 432	15 854	30 286
<b>Net book value at 31.12.</b>	<b>53 000</b>	<b>16 491</b>	<b>20 238</b>	<b>89 729</b>

The company uses linear amortisation 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:

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

#### Development Costs:

The company has capitalised all direct costs related to development of software and tangible products that are expected to create economic benefits and meet the requirements for capitalisation in IAS 38. See also note 8.

#### Patents & trademarks:

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

## Note 8

### Research and development

During the year the company expensed NOK 8.5 mill (NOK 9.4 mill in 2011 and NOK 10.0 mill in 2010) on research and development on new products and technology as well as upgrades on existing products. The amount does not include capitalised development costs according to IAS 38 (see details in note 7).

## Note 9

### Tangible assets (in NOK 1 000)

Parent company			
Property, plant and equipment	2012	2011	2010
Acquisition cost at 01.01.	38 239	31 186	28 287
Additions related to merger	-	-	-
Acquisitions during the year	4 812	7 053	2 899
Disposals during the year	-5 025	-	-
Acquisition cost 31.12.	38 026	38 239	31 186
Accumulated depreciation 01.01.	24 119	19 426	15 718
Accumulated depreciation related to merger	-	-	-
Depreciation during the year	3 372	4 693	3 708
Accumulated depreciation disposals during the year	-	-	-
Accumulated depreciation 31.12.	27 491	24 119	19 426
<b>Net book value 31.12.</b>	<b>10 536</b>	<b>14 120</b>	<b>11 760</b>
The company use linear depreciation for all tangible assets. The useful economic life is estimated as:			
- Machinery and equipment			3-10 years
- Buildings			25 years

A write down of shares in AKVA group SEA of total MNOK 1.748 has been made in 2012.

## Note 10

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

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

Company name	Location	Currency	Share capital	Number of shares	Par value (NOK)	Book value
AKVA group North America Inc	Canada	CAD	420	419 760	1	5 253
AKVA group Scotland Ltd.	Scotland	GBP	14 186	14 186 377	1	27 417
AKVA group Software AS	Norway	NOK	2 174	500	4 348	45 073
AKVA group Chile S.A.	Chile	CLP	47 770	199 874	239	53 000
AKVA AS	Norway	NOK	100	1 000	100	100
Feeding Systems Chile Ltda	Chile	CLP	2	1 000	2	0
AKVAsmart Ltd. (Turkey)	Turkey	TRY	16	200	78	26
Helgeland Plast AS	Norway	NOK	1 100	1 100 000	1	66 543
Maritech ehf	Iceland	ISK	22	500 000	0,04	26 172
AKVA group Denmark A/S	Denmark	DKK	1 016	1 030 000	1	47 520
AKVA group SEA	Thailand	THB	1 819	100 000	18,2	0
Polarcirkel AS	Norway	NOK	100	1 000	100	110
<b>Total</b>						<b>271 214</b>

### Other long-term investments:

Company name	Currency	Share capital	Number of shares	Par value (NOK)	Book value	Ownership
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>253</b>	

**Note 11****Stock** (in NOK 1 000)

	2012	2011	2010
Raw materials (at cost)	16 033	18 504	11 649
Work in progress (at cost)	115	-	-
Finished goods (at net realisable value)	27 043	37 346	51 039
<b>Total</b>	<b>43 191</b>	<b>55 850</b>	<b>62 688</b>
Write-down of obsolete stock 1.1	500	351	500
Write-down of obsolete stock during the year	-	149	-149
<b>Write-down of obsolete stock 31.12</b>	<b>500</b>	<b>500</b>	<b>351</b>

**Note 12****Receivables** (in NOK 1 000)

	Parent company		
Receivables due in more than one year	2012	2011	2010
Other long-term receivables	67	68	454
<b>Total</b>	<b>67</b>	<b>68</b>	<b>454</b>

**Accounts receivables**

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

	Parent company		
	2012	2011	2010
Bad debt provision last year	4 415	3 628	1 788
Change in bad debt provision	3 200	787	1 840
<b>Bad debt provision 31.12.</b>	<b>7 615</b>	<b>4 415</b>	<b>3 628</b>
Recorded bad debt cost during the year	337	413	819
Change in bad debt provision	3 200	787	1 840
<b>Total bad debt cost during the year</b>	<b>3 537</b>	<b>1 200</b>	<b>2 659</b>

Reference is made to note 18 for more details of credit and currency risks related to accounts receivables.

**Note 13****Intercompany balances** (in NOK 1 000)

	Parent company		
Receivables	2012	2011	2010
Loans to group companies	17 942	57 657	53 083
Current receivables towards group companies	75 210	74 340	20 878
Other receivables towards group companies	44 102	-	-
<b>Total</b>	<b>137 255</b>	<b>131 997</b>	<b>73 961</b>

A write down of a loan to a group company of total MNOK 5.3 has been made in 2011.

Payables	2012	2011	2010
Trade creditors towards group companies	9 001	6 059	10 381
<b>Total</b>	<b>9 001</b>	<b>6 059</b>	<b>10 381</b>

**Note 14****Bank deposits** (in NOK 1 000)

	Parent company		
	2012	2011	2010
Restricted bank deposits	2 605	2 821	2 815
Overdraft limit	90 000	65 000	65 000
Utilised end of year	57 014	60 187	56 430

**Note 15****Shareholders** (in NOK 1 000)**AKVA group ASA**

The company's share capital is NOK 25.8 mill divided into 25.8 mill 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 20 largest shareholders	Number of shares	Ownership in % of total shares
Egersund Group AS	13 043 447	50,5%
Arendals Fossekompani ASA	3 514 067	13,6%
SN-Invest AS	2 426 782	9,4%
Pershing LLC	2 159 737	8,4%
Skagen Vekst	1 270 800	4,9%
Knut Molaug	404 838	1,6%
MP Pensjon PK	380 000	1,5%
Ole Molaug Eiendom AS	338 692	1,3%
Gunnar Kluge	173 150	0,7%
Ole Molaug	167 192	0,6%
Havbruksconsult AS	166 000	0,6%
UBS AG Zurich A/C Omnibus-Disclose	111 000	0,4%
Anne Helga Nedrebø	101 750	0,4%
Ingrid Havrevoll	99 750	0,4%
Odd Skjæveland	75 750	0,3%
Bergljot Molaug Gilje	67 644	0,3%
Ingrid Molaug	66 950	0,3%
Jan Arve Gjøvik	63 961	0,2%
Skagen Vekst III	58 000	0,2%
Bernhard Kielland	54 550	0,2%
Other shareholders	1 090 243	4,2%
<b>Totalt</b>	<b>25 834 303</b>	<b>100,0%</b>

Shares owned by members of the Board of Directors	Number of shares	Options
Frode Teigen and Hans Kristian Mong as owners of Egersund Group AS *	13 043 447	-
Amund Skarholt	40 000	-
Anne Breiby (Kjerby AS)	13 800	-
Tore Obrestad	2 368	-
Kjell Arne Corneliussen	200	-
Eivind Brendryen	200	-

\* Frode Teigen, through Kontrari AS, and Hans Kristian Mong owns 50% each in Egersund Group AS

Shares owned by group management	Number of shares	Options
Trond Williksen (CEO)	40 000	120 000
Eirik Børve Monsen (CFO)	20 000	-
Per Andreas Hjetland (COO Nordic)	2 500	-
Trond Severinsen (COO Export & CMO)	22 425	-

**Note 16****Pensions** (in NOK 1 000)

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 pensions costs are included in payroll expenses in the profit and loss statement.

Contribution plans	Parent company		
	2012	2011	2010
Contributions expensed during the year	2 206	2 220	1 712

**Benefit plans**

The Norwegian legal entities also have uninsured pension liabilities related to future estimated obligations of AFP (early retirement scheme covering some employees in Norway). The remaining obligation is related to the pensioners in the old AFP scheme, ref note 1.20.

A summary of the actuarial calculations of the total pension liability is shown below:

	Parent company		
	2012	2011	2010
Service cost	-	-	19
Interest cost	14	14	23
Return on pension funds	-	-	-
Closing effect of old pension scheme	-	-	-235
Social security tax	2	2	6
<b>Net pension cost</b>	<b>16</b>	<b>16</b>	<b>-187</b>

Benefit obligation	Parent company		
	2012	2011	2010
Estimated pension obligations at 31.12.	353	478	498
Pension plan funds (market value) at 31.12.	-	-	-
Unrecognised effects of deviations from estimates	-	-	-
Social security tax	50	68	70
<b>Net benefit obligations</b>	<b>402</b>	<b>545</b>	<b>568</b>

Changes in the present value of the defined benefit obligation are as follows	2012	2011	2010
Defined benefit obligation at 01.01.	545	568	803
Interest cost	14	14	23
Current service cost	2	3	25
Benefits paid	-136	-105	-
Closing effect of old pension scheme	-	-	-235
Actuarial gain/losses recognised in OCI	-23	65	-48
<b>Defined benefit obligation at 31.12.</b>	<b>402</b>	<b>545</b>	<b>568</b>

According to IAS 19.120A the company shall inform of the changes in the fair value of plan assets. Since the company has no other defined benefit plan other than an unsecured early retirement scheme (AFP) there are no accrued plan assets. The company expects to contribute NOK 0.08 mill to its defined benefit pensions plan in 2013. A listing of the major categories of plan assets as a percentage of the fair value of total plan assets is not applicable for the company since the benefit plan is related to an unsecured AFP pension scheme and hence there are no accrued plan assets.

Economical assumptions	2012	2011	2010
Discount rate	2,20%	3,30%	4,30%
Expected wage growth	0,00%	4,00%	4,50%
Expected social security base adjustment	0,00%	3,75%	4,25%
Expected increase in pension	2,25%	3,00%	4,25%
Expected turnover < 40 years	0,00%	0,00%	2,00%
Expected turnover > 40 years	0,00%	0,00%	0,00%

The actuarial calculations are based on assumptions of demographical factors normally used within the insurance industry. 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.

**Note 17****Liabilities** (in NOK 1 000)

	Parent company		
Long-term liabilities due in more than 5 years	2012	2011	2010
Liabilities to financial institutions	-	11 661	35 802
<b>Total</b>	<b>-</b>	<b>11 661</b>	<b>35 802</b>
Liabilities secured with assets	142 837	195 548	206 713
<b>Secured assets:</b>			
Accounts receivables third parties	26 058	29 660	53 929
Accounts receivables group companies	75 210	74 340	20 878
Stock	43 191	55 850	62 688
Other assets	250 000	250 000	250 000
<b>Total</b>	<b>394 459</b>	<b>409 850</b>	<b>387 495</b>

**Repayment of debt**

The company's long-term debt as at December 31, matures as follows.

	Long-term debt
2013*	18 850
2014	18 377
2015	18 377
2016	18 377
2017	11 843
Subsequent to 2017	-
<b>Total</b>	<b>85 824</b>
Average interest rate	5,40 %

\* The part of the long-term debt due within one year is reclassified to short-term interest bearing debt.

**Note 18****Specification of items that are grouped in the financial statement** (in NOK 1 000)

Financial income	2012	2011	2010
Other interest income	2 023	1 410	371
Agio gain	-	1 836	2 433
Group contribution recognised as income	34 767	9 820	13 387
Other financial income	2 316	611	8 495
<b>Total financial income</b>	<b>39 106</b>	<b>13 677</b>	<b>24 686</b>

Financial expenses	2012	2011	2010
Interest expenses	9 002	12 605	11 667
Agio loss	734	-	-
Other financial expenses	2 701	733	7 482
<b>Total financial expenses</b>	<b>12 437</b>	<b>13 338</b>	<b>19 149</b>

Other operating expenses	2012	2011	2010
Accommodation, materials, equipment and maintenance	15 345	19 776	20 722
Marketing, travelling and communication	10 212	12 214	10 822
Other operating expenses	443	4 875	6 494
<b>Total other operating expenses</b>	<b>26 000</b>	<b>36 865</b>	<b>38 038</b>

Other current liabilities	2012	2011	2010
Accrued costs	-	1 132	3 260
Guarantee provisions	2 600	5 444	3 560
Other current liabilities	33 902	4 708	33 934
<b>Total other current liabilities</b>	<b>36 502</b>	<b>11 284</b>	<b>40 754</b>

**Note 19****Financial instruments and risk management**

See consolidated accounts note 18 for more details about financial instruments and risk management.

**Note 20****Long-term contracts** (in NOK 1 000)

Revenue and profits on long-term contracts are recognised using the percentage of completion method. This method implies that profit is recognised 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 NOK 3,0 mill are included.

	2012	2011	2010
Total revenues from long-term contracts	159 968	97 236	151 661
Total value of ongoing contracts 31.12.	55 527	39 956	94 520
Total sales included from ongoing contracts 31.12.	17 361	31 909	50 429
Not invoiced work-in-progress included as accounts receivables	16 237	18 729	18 883
Prepayments from customers	35 888	7 457	36 054
Remaining production on loss contracts 31.12.	-	-	-

**Note 21****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:

	Parent company		
Operating leasing cost	2012	2011	2010
Operational leasing costs	2 294	4 360	5 165
Rent costs on buildings	3 774	3 896	5 242
<b>Total</b>	<b>6 068</b>	<b>8 256</b>	<b>10 407</b>

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

	Within 1 year	1 - 5 years	After 5 years
Machinery and equipment	3 693	6 554	-
Vehicles	1 153	1 135	-
Offices and buildings	3 292	9 492	-
<b>Total</b>	<b>8 138</b>	<b>17 181</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 2012 the rent for main office was KNOK 2 872.

## Note 22

### Options to employees

The company has an option programme covering employees in selected senior positions. The option programme was established in connection with listing of the company at Oslo Stock Exchange in November 2006. No options have been granted during 2012.

The outstanding options as of 31.12.2012 can be exercised from 01.12.2013 until 30.11.2014. The strike price for the options is equal to the market price when the options are being granted. The strike price of the outstanding options is NOK 17.00 per share.

The fair value of the options has been calculated at grant date and charged to expenses over the period the options are earned (3 years). KNOK 31 has been charged to equity in 2012 related to the option programme.

	2012	2011	2010
Total available options that can be issued	1 012 109	1 012 109	1 012 109
Available options not issued at year end	892 109	814 177	474 108
Options vested during the year	-	-	-
Oustanding options as per 31.12.	120 000	197 932	538 001

The fair value of the options has been estimated using the Black&Scholes option-pricing model. The average fair value of the options granted is based on the following assumptions:

#### Strike price

The strike price is equal to the the stock exchange price at grant date.

#### Volatility

The expected volatility is based on historic volatility for peer group companies (35%).

#### The term of the option

In the calculation the expected average period to vesting is 3 years.

#### Dividend

The calculation is based on no dividend being paid in the vesting period.

#### Risk-free interest rate

The risk-free interest rate assumed when calculating the fair value was equal to the interest rate on government bonds at the time of the calculation.

## Note 23

### Subsequent events

On January 21<sup>st</sup> 2013 AKVA group ASA signed an agreement to sell their IT department to AKVA group Software AS, a 100% owned company of AKVA group ASA. The business sold is located in Brønnøysund, and the transaction has operational effect from January 1<sup>st</sup> 2013. The agreement is approved by the Board of AKVA group ASA and general meeting in AKVA group Software AS in accordance to the Norwegian Companies Act § 3-8.

See consolidated accounts note 22 for more details about subsequent events.



# Auditor's report



State Authorised Public Accountants  
Ernst & Young AS

Vassbotnen 11a Forus, NO-4313 Sandnes  
Postboks 8015, NO-4068 Stavanger

Business Register: NO 976 389 387 MVA  
Tel.: + 47 51 70 66 00

Fax: + 47 51 70 66 01

www.ey.no

Member of the Norwegian Institute of Public  
Accountants

To the Annual Shareholders' Meeting of  
AKVA group ASA

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements of AKVA group ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2012, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors' and Chief Executive Officer's responsibility for the financial statements*

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

## Auditor's report continues



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*Opinion on the financial statements of the Parent Company*

In our opinion, the financial statements of AKVA group ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

*Opinion on the financial statements of the Group*

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

**Report on other legal and regulatory requirements***Opinion on the Board of Directors' report and the statement on corporate governance*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and the statement on corporate governance concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

*Opinion on registration and documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Stavanger, 11 April 2013  
ERNST & YOUNG AS

A handwritten signature in blue ink, appearing to read 'Tommy Lothe', written over a circular stamp or seal.

Tommy Lothe  
State Authorised Public Accountant (Norway)

# Articles of Association

(last updated 24 May 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 purpose of the company is to conduct development, manufacturing, project management, sale and marketing of proprietary and purchased goods, and everything connected to such activity, including participation in other companies with similar activities.
- The activities of the company shall in particular be directed towards technology for farming of fish and animals.
- § 4**  
The company's share capital shall be NOK 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 governance

**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' or the 'Company') 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 23 October 2012. AKVA has furthermore defined its own corporate Code of Conduct and defined values upon which the Company should build its activity. These principles also apply to AKVA's subsidiaries to the extent they are relevant. The company will consider defining guidelines for corporate social responsibility.

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'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 articles of association states: "The purpose of the Company is to develop, produce, project, sell and market own and purchased products, and everything connected to such activity, including participation in other companies with similar activities. The activities of the Company shall in particular be directed towards technology for farming of fish and animal." The full articles of association are included in the Annual Report. The 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. 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 2012 the Company had a consolidated equity of 325 MNOK which accounts for 48.4% of the total assets of the Company.

#### **Dividend policy:**

*The Company's main objective is to maximise the value of the investment made by its shareholders through both increased share prices and dividend payments.*

*The Company will strive to maintain an equity capital level that is appropriate for its objectives, strategy and risk profile, taking into consideration that it is operating in a cyclical industry. In view of the Company's planned expansion of its business, the Company will regularly evaluate the timing and amount of dividend payments in light of its objectives, strategic development outlook and risk profile. Dividend payments will be subject to approval by the shareholders at the Company's Annual General Meeting.*

The dividend policy is disclosed on the Company's website.

In order to maintain an equity capital level that is appropriate for the group's objectives, strategy and risk profile, the Board of Directors proposes to the Annual General Meeting that no dividend should be paid for 2012.

The authorization to increase the share capital expired on the date of the annual general meeting for 2012.

The board is of the opinion that it is not necessary to extend the current authorization and has therefore not proposed a renewal of the authorization.

The general meeting in 2012 also resolved to grant the board authorisation to acquire own shares which have been fully paid in accordance with the rules of §§ 9-2 – 9-4 of the Act. For each single share which is acquired by this authorisation the price to be paid shall not exceed the ordinary stock exchange rate available on the date of purchase. This authorisation may be used one or several times. The highest nominal

value of the total number of shares that may be acquired according to this authorisation is fixed at NOK 1 291 715 which equals about 5.0 % of the issued share capital.

Own shares may only be acquired according to this authorisation when the Company's free equity according to the latest declared balance sheet at the time of the acquisition exceeds the compensation to be paid for the shares. Beyond that, the Board of Directors will decide the conditions for the acquisition and transfer of own shares, considering the fact that in no incidence can own shares be acquired by this authorisation beyond what is considered consistent with prudent and sound business practice, taking proper account of losses that may have occurred after the balance sheet date, or which may be expected to occur.

The authorisation is valid until the annual general meeting of 2013 however not longer than until 30 June 2013.

This authorisation replaced the authorisation for acquisition of own shares granted by the annual general meeting on 9 May 2012. The board of directors has proposed to not renew the authorisation for 2013.

► *Deviation from the Recommendation: None*

## **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**

AKVA Group has only one class of shares. The Articles of association place no restriction on voting rights. All shares are treated equal.

#### **Transactions between related parties**

The Company is not aware of any potential conflicts of interest between any duties to the Company of the members of the Board of Directors or the Company's management, and their private interests or other duties. The Board is aware of facility lease agreements with companies that are controlled by shareholders of AKVA; however, these are all based on arm's length market terms.

In order to avoid conflicts of interest, the Company has intro-

duced guidelines pursuant to which members of the Board of Directors and the Company's management must act. The members of the Company's Board of Directors and the Company's management meet all these requirements.

#### Guidelines for directors and key management personnel

The Corporate Code of Conduct in Section 5 – conflict of interest and integrity – discusses the topic and provides clear guidelines to all employees and management on this matter. Furthermore the Boards Instruction in Section 7 – Disqualification and conflict of interest – provides guidelines for the Board of Directors.

► *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 2012 was held on 9<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 awarding a

proxy with voting instructions to the chairman of the meeting, the chairman of the board or any person appointed by him.

- The general meeting was, as in previous years, chaired by the chair of the board of directors. The chair of the board of directors is independent of major shareholders and other stakeholders in the Company, and based on this and the matters on the agenda for the annual meeting it is the view of the board that the meeting was chaired in an appropriate way with due regard to the interests of all shareholders. Experience from chairing and arranging several general meetings in the Company has been good, and there are no immediate plans to change the current practice.

There have not been other general meetings in 2012/2013.

► *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 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 any deadlines for submitting proposals to the committee.**

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 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.

#### **Composition**

The current nomination committee was elected by the ordinary Annual General Meeting on 9. May 2012 and consists of:

- Haakon Skaarer, (chair for 1 year) CEO Enonic AS, representing Arendals Fossekompagni ASA
- Johan Roger Smith Nilsen (for 1 year), owner, representing SN Invest AS
- Kristian Falnes (for 2 years), portfolio manager, Skagen Funds.

None of the nomination committee members are a member of the Board of Directors.

The Nomination Committee is of the opinion that the composition reflects the common interest of the community of shareholders.

#### **The work of the Committee**

The Nominating Committee has held 2 meetings since the 2012 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 8 members, and currently has the following composition: Amund Skarholt (*Chairperson*), Anne Breiby (*Deputy Chairperson*), Hans Kristian Mong, Aino Olaisen, Frode Teigen, Tore Obrestad, Eivind Brendryen and Kjell Arne Corneliusen. The 3 latter directors have been elected by and from the employees.

Hans Kristian Mong and Frode Teigen are the largest shareholders of the Company through Egersund Group AS. 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*

## 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 operate in accordance with the adopted value norms and Code of Conduct as well as with the owners' 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 tasks are to contribute to corporate competitiveness, and to ensure that the Company develops and adds value. Furthermore the Board of Directors shall contribute in the shaping of and in the implementation of the Company's strategy, employ the necessary control functions and in other ways ensure that the Company is well operated and organised. The Board

sets the objectives for financial structure and adopts the Company's plans and budgets. Items of major strategic or financial importance for the Company are handled by the Board. The Board hires the CEO, defines his or her work instructions and authority and sets his or her wages. The Board produces each year an annual plan for its work as recommended.

### Instructions to the Board of Directors

The Board's instructions were approved by the Board in a board meeting on 21 September 2006. The instructions cover the following points: Composition of the Board, the Board's duties, day-to-day management, Board meetings – conveyance 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.

### Financial Reporting

The Board of Directors receives regular financial reports on the Company's economic and financial status.

### Audit Committee

In accordance with section 6-41 of the Act AKVA has an established Audit Committee, consisting of Anne Breiby (chair) and Hans Kristian Mong. 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.

2011 was the first full functional year for the Audit committee. 6 meetings were held in the committee during 2012.

### The Compensation Committee

The 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 wage levels, bonus systems, options schemes, pension schemes, employment contracts etc.



The Committee forwards recommendations to the Board of Directors for final approval.

The current members are Amund Skarholt (Chair) and Aino Olaisen. The Chairperson of the Board generally also participates in the meetings. The Committee had 1 meeting since the 2012 general meeting. The Compensation committee charter is available on [www.akvagroup.com](http://www.akvagroup.com).

#### 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 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 AKVA 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 AKVA group is exposed to currency, interest rate, and market risk, as well as credit risk and operational risk. Financial guidelines in AKVA 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 company has developed an authority matrix which is included in its governing documents. Management regularly presents performance reports that are sent for review of the Board. The quarterly 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 will be included in the same work when defined.

#### 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 other than as stated above*

## 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 the Board's responsibility, expertise etc.

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.

► *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 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 has 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 accordance with the Act, the guidelines are communicated to the Annual General Meeting.

► *Deviation from the Recommendation: None*

## 13. Information and communications

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 web site 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. Complete financial statements, the Directors' Report and the annual report are sent to the shareholders and other stakeholders in April/May. Further to this the Company presents its accounts on a quarterly basis. The Financial calendar is published on the Company's website. All shareholders are treated equally as a matter of course.

## Other market information

Open investor presentations are conducted in connection with the Company's quarterly reports. The quarterly presentation is also made available on the Group's website.

In the quarterly 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 prospects for the near future. The CFO also participates in these presentations. Further to this the CEO and CFO maintains a dialog with and makes presentations to analysts and investors.

The Company considers it essential to keep owners and investors informed about its economic and financial development. Importance is also attached to securing that the same information is released to the whole market at the same time.

► *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 is made. The guidelines for such take-over bids are published on the Company's web pages.

► *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 pre-

sent 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 or other executive management. The Chairman of the Board also has an annual separate meeting with the Auditor.

► *Deviation from the Recommendation: None*

## 16. Management and internal procedures

This point is not covered by the Corporate Governance Recommendation.

### CEO

The CEO is in charge of the routine management of the business, including responsibility for the Company being organised, run and further developed in accordance with 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 6 individuals. In addition to the Chief Executive Officer, the executive management consists of the Chief Financial Officer, the Chief Operating Officer Americas, the Chief Operating Officer Nordic, the Chief Operating Officer Exports and the Chief Operating Officer Technology and Software. The Corporate Managers meet 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

Corporate Management evaluates its own work and working methods annually. The evaluation is submitted to the Boards Compensation Committee, and a condensed version of this is presented to the Board of Directors.

### Intra-Group Boards

The Group's subsidiaries have their own Board of Directors, staffed by in-house managers.