

**AKVA** GROUP™  
Annual Report 2010





## AKVA group in brief

AKVA group is a global provider of land-based and cage farming aquaculture technology; from single components to sustainable turn-key installations worldwide. With four renowned brands of aquaculture technology, including biological & technical expertise, consultancy, training and services, AKVA group's systems are suitable for most species.

AKVA group's complete range of products and software provides maximum reliability and cost-effectiveness, and includes:  
Turn-key Aquaculture Projects, Recirculation Systems,  
Plastic Cages, Steel Cages, Moorings, Nets, Net Cleaning, Work-boats, Feed Barges, Feed Systems, Camera & Sensor Systems,  
Underwater Lights, Farming Software, Seafood Software.

AKVA group is proud to provide customers with the tools needed for cost-effective and sustainable land-based and cage farming aquaculture worldwide.

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## Highlights 2010

- ⌘ Operating revenue in 2010 was MNOK 742.5, an increase of 24% compared to 2009. The EBITDA for 2010 showed a loss of MNOK 9.9.
- ⌘ The order inflow improved during 2010, stemming from most markets. The order backlog at the end of 2010 was MNOK 348 versus MNOK 204 at the end of 2009.
- ⌘ The recovery of the Chilean salmon farming industry gained momentum towards the end of 2010 resulting in a good order inflow for AKVA group.
- ⌘ Challenging year for Recirculation (RAS). Significant cost overruns on some major projects. Measures are taken to improve engineering and project management.

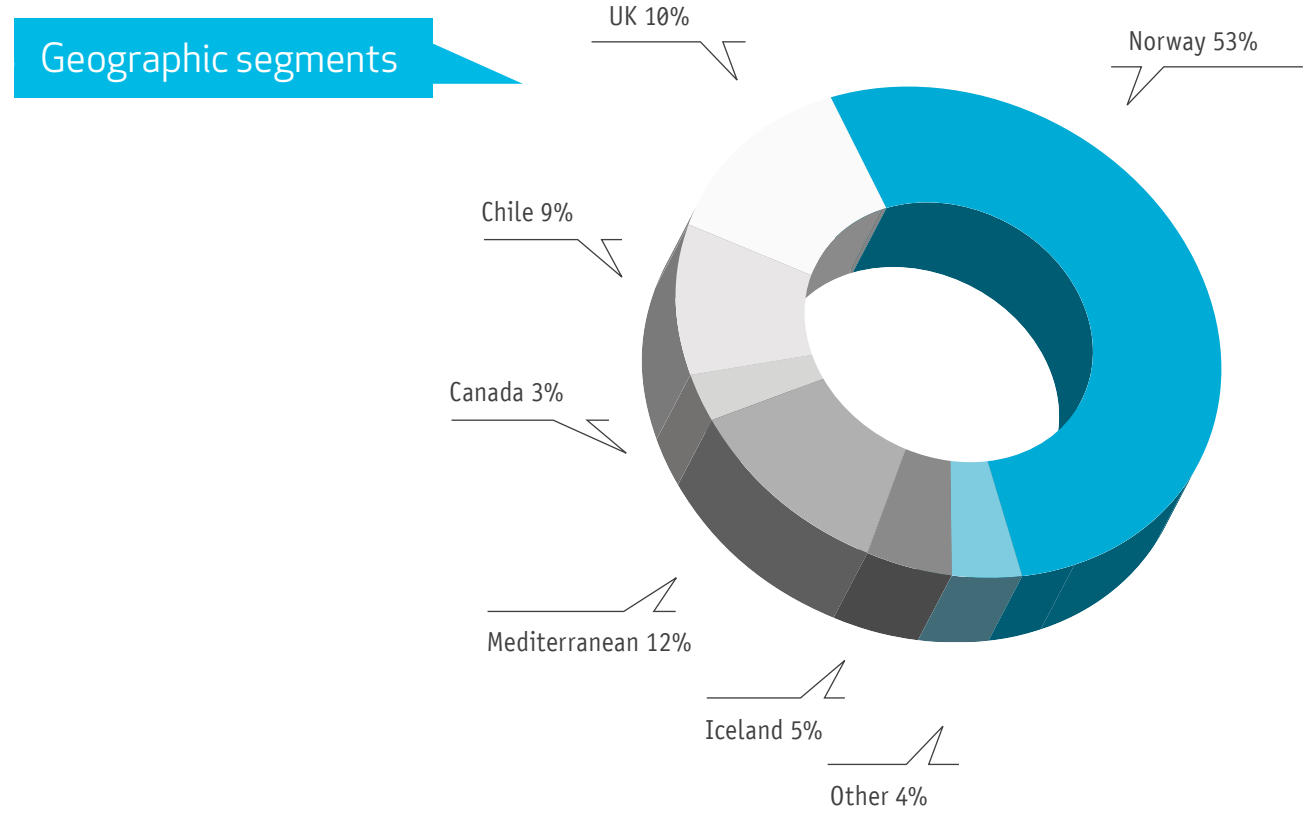
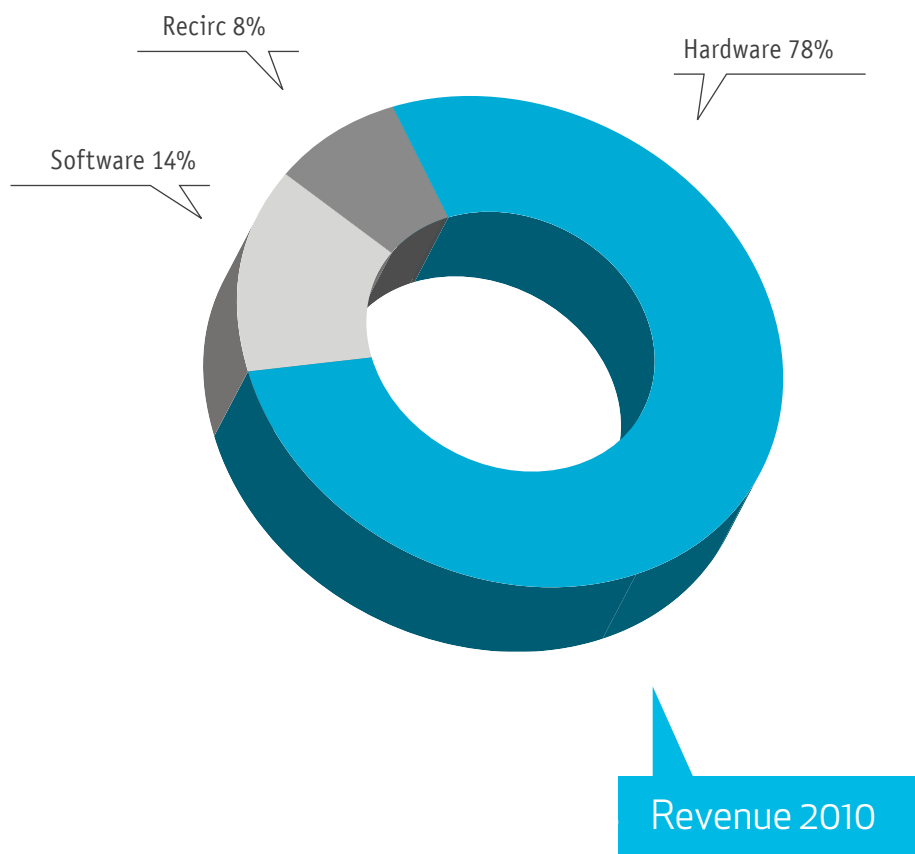
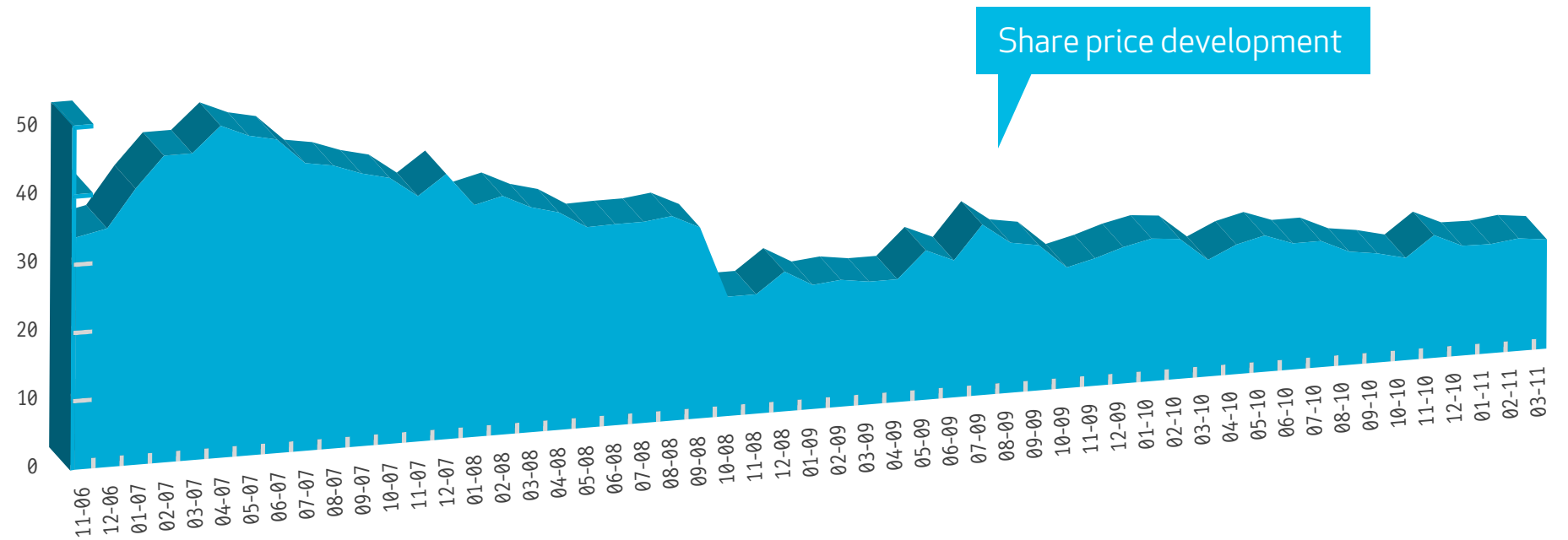
# Financial key figures (in NOK 1 000)

	2010	2009	2008	2007*	2006*
<b>Profitability</b>					
Revenues	742 521	599 345	866 525	931 993	703 806
EBITDA	-9 915	-11 527	52 746	90 669	84 437
EBIT	-40 944	-42 392	23 274	66 434	63 318
Profit before tax	-50 890	-52 003	10 792	65 555	59 153
Net profit	-37 637	-39 128	5 517	53 610	45 667
Cash flow from operations**	-3 158	34 463	-12 950	19 311	10 763
EBITDA margin	-1,3 %	-1,9 %	6,1 %	9,7 %	12,0 %
EBIT margin	-5,5 %	-7,1 %	2,7 %	7,1 %	9,0 %
Return on capital employed	-12,8 %	-10,5 %	5,6 %	28,9 %	27,5 %
Return on equity	-15,5 %	-13,8 %	1,7 %	17,0 %	20,3 %
<b>Financial position</b>					
Fixed assets	296 971	284 061	295 739	260 908	172 189
Current assets	398 234	327 277	380 472	423 868	351 824
Total assets	695 205	611 338	676 211	684 775	524 013
Equity	227 561	256 640	309 595	336 442	295 008
Long-term debt	136 882	156 212	129 099	109 414	46 621
Short-term debt	330 762	198 487	237 517	238 919	182 384
Total equity and liabilities	695 205	611 338	676 211	684 775	524 013
Gross interest-bearing debt	211 731	200 015	197 488	124 704	56 719
Cash and cash equivalents	51 729	76 429	64 210	98 044	141 463
Net interest-bearing debt	168 572	141 853	149 604	26 660	-84 744
Working capital	102 339	119 993	171 726	109 385	58 042
Equity ratio	32,7 %	42,0 %	45,8 %	49,1 %	56,3 %
Debt to-equity-ratio	93,0 %	77,9 %	63,8 %	37,1 %	19,2 %
<b>Share data</b>					
Earnings per share	-2,19	-2,27	0,32	3,11	3,26
Diluted earnings per share	-2,19	-2,27	0,32	3,10	3,26
Cash flow per share	-1,01	0,70	2,22	4,71	4,99
Dividend per share	-	-	-	1,00	-
Shareholders' equity per share	13,21	14,90	17,98	19,53	21,05
Share price at year-end	16,10	20,00	20,50	38,90	35,00
Market capitalization at year-end	277 288	344 457	353 069	669 970	602 800
Number of shares outstanding at year-end	17 222 869	17 222 869	17 222 869	17 222 869	17 222 869
Average number of shares outstanding	17 222 869	17 222 869	17 222 869	17 222 869	14 016 000

\* Proforma figures are showing the consolidated figures as if the acquisition of Maritech was done as per 1 January 2006.

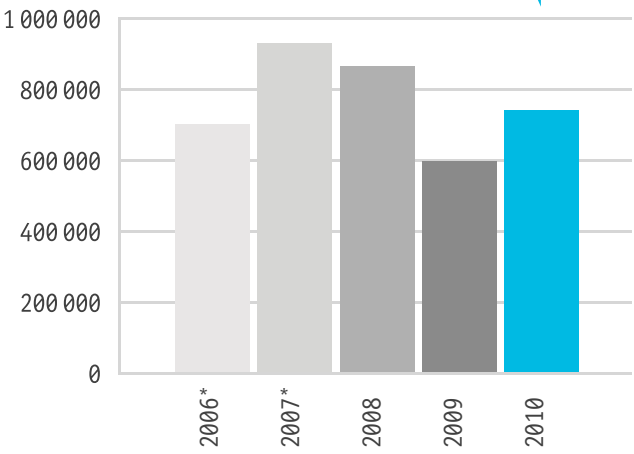
\*\* Legal figures (not pro forma)

# Financial key figures

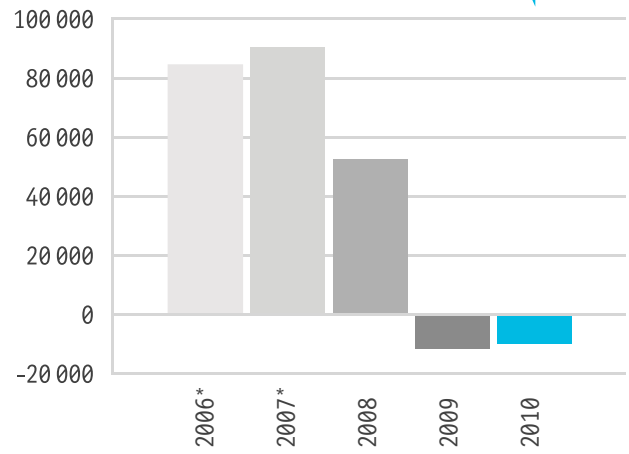


# Financial key figures

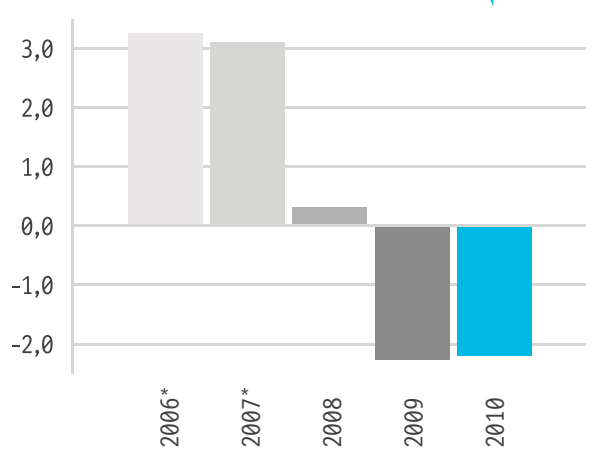
Revenues



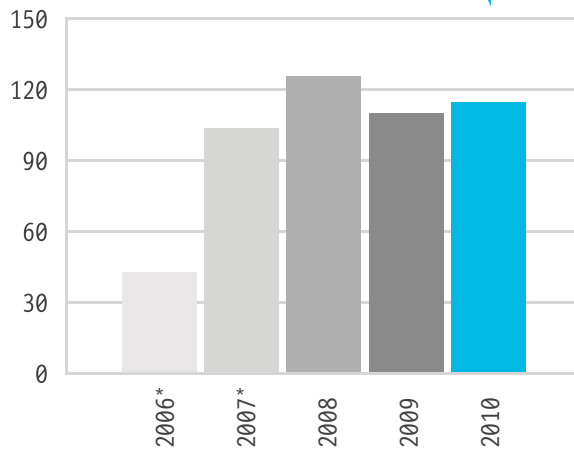
EBITDA



Earnings per share



Revenues other species



\* Proforma figures for 2006 og 2007









*2010 became a year of recognizing need and initiating change for AKVA group.*

## Dear shareholders and stakeholders of AKVA group,

**AKVA group is well positioned** as a leading international technology partner to a growing global aquaculture industry. The group holds skilful, dedicated and hardworking employees. AKVA group possess well known industrial brands with a wide portfolio of well-positioned products used by customers in most aquaculture producing regions of the world.

**Despite this, 2010 became challenging**, and financially the year progressed less than satisfactory. This is why 2010 became a year of recognizing need and initiating change for AKVA group.

**Early in 2010 it became apparent** that the revenues developed slower than what we were set up for, and that we needed to adjust the cost base accordingly. This first and foremost impacted the Norwegian and Danish organisations and therefore significant organisational changes were made. We also changed our strategy in approaching the Asian markets as we have to be able to make profits in our core markets before going global in terms of locations and other species. The salmon producing regions remain our pillars as they have been for years.

**Notwithstanding this, during 2010** AKVA group gained a strong foothold outside the salmon industry, especially with sea bass and sea bream in the Mediterranean region. This market has undergone industrialization and mechanisation and is therefore more similar to salmon farming. In 2010 the Mediterranean market accounted for 12% of AKVA group's revenues. Globally, other markets will develop in a similar way over time.

**In order to further enhance** our earnings the group initiated several measures to improve operations in terms of engineering, production, project management, efficiency, time and costs.

**The entry into the recirculation business** has been an important step for AKVA group. Nevertheless, it has been at a higher cost than expected causing substantial losses on some of the major projects. In the course of this, we have gained significant experience as well as identified issues to rectify so as to improve such projects in the future. Going forward we believe that AKVA group is well positioned among the leading suppliers of land based recirculation systems. This technology applies to a range of species. Land based production of smolt is projected to become the standard in all major regions, and it is predicted that smolt size will increase before the salmon are stocked in the sea. We believe that this is a future way of production and have positioned ourselves to play a leading role in this market going forward.

### **Looking ahead, we remain cautious optimists.**

The order backlog improved during 2010, and the market fundamentals developed positively. During the second half of 2010, the salmon farming industry in Chile started to recover from years of ISA crisis, increasing their investments.

**Our focus in 2011 will be to continue** on the important changes that were initiated in 2010. Focus on having and retaining talent at all levels will be important.

**We will aim at further improving operations** in terms of engineering, production, project management, efficiency, time and costs. Quality of our products and services will be a priority. We will seek to investment in our core products and to improve our service to become an even better partner to our customers in the aquaculture industry, actively participating in a joint effort towards further sustainable development of the industry.

Bryne, April 26th 2011  
Trond Williksen, Chief Executive Officer

## 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 spent 7 years with Aker ASA, where he was the Executive Vice President for Harvesting in Aker Seafoods ASA, and 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.



**Per Andreas Hjetland**  
Chief Operations Officer

Per Andreas Hjetland (b. 1961), has been employed with AKVA group ASA since 2008, and assumed the position as COO in September 2010. Prior to joining AKVA group, he held several senior management positions in international companies and operations. His professional background covers industrial technologies, and he has 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.



**Andrew Campbell**  
Managing Director  
Americas/Oceania

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



**Morten Nærland**  
Chief Financial Officer

Morten Nærland (b. 1966), was the general manager of AKVA group's Chilean operations from 2006. Prior to this, he was CFO of the AKVA group from 2001. He was a financial analyst at Pareto Securities/Garde from 1999-2001, a portfolio manager at Statoil from 1998-1999, and a finance manager at Scana Industrier from 1996-1998. Morten has a bachelors degree of business administration from Bodø University College and a post-graduate degree in finance from the Norwegian School of Economics and Business Administration (NHH). He is a Norwegian citizen and resides in Bryne, Norway.



## Corporate management



### **Trond Severinsen**

Director BU-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**

Director PRU-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 masters 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.



### **Stig Martin Bø**

Sales Director Nordic

Stig Martin Bø (b. 1969) has a technical background with experience in mechanical work, including welding. He joined AKVA group in 2001 as a Project Manager, and in 2003 became Sales Manager for Akvasmart and Wavemaster. In 2008 he was promoted to Sales Director Nordic. He is a Norwegian citizen and lives outside Bryne, Norway.

**The company experienced an improved market situation in 2010 with growth in order inflow and increased revenues. Earnings however, were negatively affected by cost over-run on land based recirculation projects, a too high cost base as well as restructuring costs from steps taken to improve the company's competitive position.**

## The Board's Annual Report 2010

Total revenue for the company in 2010 was MNOK 742.5 – an increase of 23.9% compared to 2009. Earnings before interest, tax, depreciation and amortisation (EBITDA) were MNOK -9.9 versus MNOK -11.5 in 2009. Earnings per share (EPS) showed a loss of NOK 2.19 in 2010.

The financial result for 2010 is influenced by costs of restructuring as well as significant cost over-runs on land based recirculation projects.

The restructuring process has been aimed at reducing the cost base, improving the engineering work and strengthening the delivery organisation to ensure cost efficient and correct project deliveries according to customers' expectations. The company's effort to improve its competitive position continues in 2011.

### 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, but it is also a strategic objective to expand AKVA's activities with fish-farming species other than salmon.

In 2010 the company was divided into three business areas: Hardware (HW), Recirculation (RAS) and Software (SW).

The HW business area's main products are; Akvasmart centralised feed systems, sensors, cameras, biomass estimation systems, light systems and net cleaning systems designed and assembled in Bryne and Hitra, Norway. It also includes fish-farming cages and feed barges. 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 polyethylene boats for various customers including the fish-farming industry and general piping for various purposes. Steel cages sold under the Wavemaster brand are market leaders in Chile, Canada and the UK. Wavemaster's main production facility for steel cages is located in Chile. The Wavemaster feed barges have a leading position in the salmon market and are supplied with centralised feed systems. The production of the feed barges is outsourced.

The RAS 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 in Denmark.

The SW business area provides market leading software solutions for fish farming as well as for the seafood industry. The software is developed at the offices in Trondheim, Averøy/Molde, Chile and Iceland.

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, the USA, Turkey, Iceland, Denmark 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 2010

The Norwegian salmon industry posted its best year ever in 2010 in terms of earnings backed by high salmon prices. This had a positive impact on order inflow and revenues for AKVA group in the Norwegian market as well as in the UK. During the second half of 2010 there were clear signs of a recovery of the Chilean market after years of low activity due to the downturn caused by the outbreak of the ISA in 2007. After improvement in the sanitary situation, the Chilean industry is again increasing its investment activity to expand the production. This increase in activity has also led to an increased volume of technology sales, services and maintenance provided by AKVA in the last quarter of 2011.

AKVA group had revenues from other species of MNOK salmon represented 15.5%. The Mediterranean market in particular did well, with a major contract for cage based farming in Croatia as well as good inflow of orders from other countries in the region. The Mediterranean market accounted for 12% of the group's revenues in 2010.

As a consequence of cost reduction measures the market strategy for Asia was changed, now being focused to a few selected leads related to recirculation technology. This implied reduction of our presence in terms of local offices in Asia.



In the comments below on the financial accounts, the 2009 figures are presented in brackets following the 2010 stated values, (when included).

### Profit and loss (consolidated)

Operating revenues for AKVA in 2010 were MNOK 742.5 (599.3) – an increase of 23.9% compared to 2009.

EBITDA for 2010 was MNOK -9.9 (-11.5). The 2009 figures included profits from sale of Wavemaster Net Services Ltd (Canada) and Surefish Inc (USA) totalling MNOK 20.9.

The increased revenues are related to increased volume in the major salmon producing markets as well as the Mediterranean market. The salmon industry in the northern hemisphere experienced high market prices throughout the whole year which in turn has resulted in higher investment activities. In addition, the Chilean market showed a recovery in the second half of the year after signs of improvement of the sanitary situation after the ISA crisis.

Earnings were negatively affected by costs overrun on land based recirculation systems as well as restructuring costs related to the process to reduce the capacity costs in HW in Norway.

Depreciation and amortisation in 2010 were MNOK 31.0 (30.9). The EBIT for 2010 was MNOK -40.9 (-42.4). Net financial expenses were MNOK -9.9 (-9.6) and profit before tax was MNOK -50.9 (-52.0M). The calculated tax for 2010 is MNOK -13.3 (-12.9), of which MNOK -13.7 (-14.6) is a change in deferred tax and MNOK 0.4 (1.7) in current taxes. Net profit for the year was MNOK -37.6 (-39.1).

HW had operating revenues of MNOK 574.5 (431.7), an increase of 33%. EBITDA was MNOK 16.8 (-3.3). Adjusted for the profit from the sale of Wavemaster Net Services Inc in 2009 of MNOK 7.8, the 2010 earnings were MNOK 27.9







higher than in 2009. The improvement is related to higher business volume in all major salmon markets as well as the Mediterranean market. Still earnings were negatively affected by too high costs compared to volume in the first half of the year and subsequently restructuring costs related to cost reduction measures implemented during the year.

RAS had operating revenues in 2010 of MNOK 62.0 (55.9) with an EBITDA of MNOK -35.8 (-19.0). The result is heavily affected by costs over-runs on some major land based projects, principally in Norway. Measures were taken during the second half of 2010 to improve the situation to avoid such cases in the future.

SW had operating revenues in 2010 of MNOK 106.1 (111.7) with and EBITDA of MNOK 9.0 (10.8). Adjusted for the profit from the sale of Surefish Inc in 2009 (MNOK 13.1), SW showed improvement in both revenues and earnings in 2010 compared to 2009.

Earnings per share were NOK -2.19 in 2010 versus NOK -2.27 in 2009. The calculation is based on 17.222.869 average number of shares outstanding. The total number of outstanding shares was 17.222.869 at the end of 2010.

The board is not satisfied with the group's financial performance. Measures implemented in 2010 to reduce the cost base as well as to improve operations and project management, should pave the way for improved earnings going forward.

#### **Balance sheet and cash flow (consolidated)**

Total assets at the end of 2010 were MNOK 695.2 (611.3). Total liabilities amounted to MNOK 467.6 (354.7) and equity totalled MNOK 227.6 (256.6) giving an equity ratio of 32.7%.

Working capital in the consolidated balance sheet, defined as non-interest bearing current assets less non-interest



bearing short-term debt, was MNOK 101.6 at the end of 2010, down from MNOK 120.0 from the beginning of the year.

Equity was positively affected during 2010 by translation differences of MNOK 8.9, out of which MNOK 4.1 is related to revaluation of goodwill and other intangible assets, according to IFRS.

Gross interest bearing debt amounted to MNOK 211.7 (200.0) at the end of 2010. Cash and unused credit facilities amounted to NOK 51,7 at the end of 2010.

A waiver extending through the second quarter 2011 relating to the financial covenants of the major credit facilities and loans was agreed with the company's main bank in the fourth quarter. The waiver is for the financial covenant net interest-bearing debt/12 months rolling EBITDA, which according to the loan facility shall be equal or less than 4.

The total calculated deferred tax assets on December 31, 2010 amounted to MNOK 50.0 (31.7), whereof MNOK 38.6 (24.8) was recognised in the balance sheet. The amount included in the balance sheet is mainly related to the Norwegian operations.

Net investments in 2010 amounted to MNOK 23.2 (24.1), including MNOK 9.0 (15.7) in capitalised R&D expenses, in accordance with IFRS.

### **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.

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. The company evaluation measures to strengthen its balance sheet.

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

AKVA 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 firm contracts.

### **Product development**

In 2010 the group invested MNOK 32.2 (34.5) in product development, of which MNOK 9.0 (15.7) was capitalised and MNOK 23.2 (18.8) expensed. The investments were used to further improve existing products and to develop new products.

### **Organisation and work environment**

AKVA group had 548 employees at the end of 2010. In Norway the company employed 173 people. Women accounted for 16.4% 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 continuously 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 2010 amounted to 3.0% (3.9%). Short-term sick leave amounted to 1.0% (1.2%). No injuries or accidents were registered in the company during 2010.

The board considers the working environment in the company to be satisfactory and has not initiated any particular measures in this area during 2010.

In August Knut Molaug stepped down from his position as CEO for AKVA group ASA and Trond Williksen was appointed new CEO. He assumed his position in March 2011. Trond Williksen has broad experience from fishery and fish farming business and was in his previous position Executive Vice President in Aker Seafoods ASA. Trond Williksen holds an MBA in strategy, finance and operational management from the University of Washington, USA.

### AKVA group and the external environment

The company has taken measures in its operations to comply with environmental laws and regulations. The company is the only cage supplier to the Norwegian aquaculture industry that 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

The order inflow improved during 2010, stemming from most markets. Market fundamentals in the salmon industry are good. The Norwegian salmon farming industry posted record profits in 2010 and is expected to have another good year in 2011. This seems also to be reflected in an increased investment activity both for cage based farming and for land based projects. The same applies also for the UK market. The recovery of the Chilean salmon farming industry gained momentum towards the end of 2010 resulting in a good

order inflow for AKVA group. Unless there is a setback in recovery due to sanitary issues, the outlook for the Chilean salmon industry is positive.

The Mediterranean market has become increasingly important for AKVA group and accounted for 12% of the total revenues. The order inflow from this market has remained fairly stable.

The competitive environment is characterized by relative few players with strong competition putting pressure on margins. During 2010 the group implemented measures to improve production and logistic as well as project management to lower the costs.

The earnings were heavily affected by cost overruns on the re-circulation projects in 2010. Changes have been made in the organisation as well as in engineering and project management to reduce the risk for such cases going forward.

### Allocation of profit

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

Transferred to other equity	NOK -19.521.000
<b>Total applied</b>	<b>NOK -19.521.000</b>

At the end of 2010, AKVA group ASA had equity of MNOK 281.3, comprised of MNOK 17.2 in share capital, MNOK 256.2 in share premium reserve, MNOK 2.3 in other paid-in capital and MNOK 5.5 in other equity. The parent company had no free equity at the end of 2010.

Bryne, Norway, April 26th 2011

Amund Skarholt  
Chairman of the Board

Thore Michalsen

Anne Breiby  
Deputy Chairperson

Frode Teigen

Thorhild Widvey

Kjell A. Corneliussen

Steinar Mykloy

Tore Obrestad

Trond Williksen  
Chief Executive Officer

### Confirmation from the Board of Directors and CEO

We confirm that, to the best of our knowledge, that the financial statements for the period from 1st January to 31st December 2010 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.

Bryne, Norway, April 26th 2011



## Board of Directors



### Amund Skarholt

Chairman

Resides in Oslo, Norway. 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). Mr. Skarholdt was elected chairperson of the Board of Directors at the Annual General Meeting 10. June 2009.



### Thorhild Widvey

Board member

Lives in Oslo (Karmøy), Norway, earned a degree in Physical Education. Mrs. Widvey was a member of parliament from 1989 to 1997 and was under secretary of state in the ministry of fisheries 2002-2003 and in the ministry of foreign affairs 2003-2004. She was the Norwegian Minister of Oil and Energy 2004-2005. Today she sits on a number of Boards of Norwegian private and public companies (Pharmaq AS, Bjørge ASA, Gresvig ASA, Deep Ocean ASA, Aker Drilling ASA). Mrs. Widvey was elected to the Board of Directors at the general meeting 25. September 2006.



### Thore Michalsen

Board member

Lives in Mo i Rana, earned a degree in engineering from NTH (NTNU in Trondheim) in 1968. Mr. Michalsen is currently CEO in Eka Chemicals Rana AS and Eka Chemicals Norge AS, and has board positions in Helgeland Sp.bank, Helgeland Marinfisk, Kunnskapsparken, also serves as a board member in several companies owned by Akzo Nobel. Mr. Michalsen was elected to the Board of Directors at the general meeting 25 August 2006.



### Frode Teigen

Board member

Frode Teigen (b. 1962) resides in Bangkok, Thailand. 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



### Anne Breiby

Deputy Chairperson

Lives in Ålesund, Norway, earned a bachelors degree (1983) and a Cand. Scient degree (1985) in Fishery biology. Mrs. Breiby worked as an aquaculture advisor in Nordland and for the Norwegian Fish Farming Assosiation prior to becoming a political advisor for the fisheries department. And later political advisor for the Labour party in fishery matters. She was the deputy Minister for the Ministry of Energy. Today she sits on a number of Boards of Norwegian private and public companies amongst others holds the vice-chair of the Norwegian folke-trygdfondet. (Sparebanken Møre, Håg AS, Ulstein Mekaniske Verk. Holding ASA) Mrs. Breiby was elected to the Board of Directors at the general meeting 25. September 2006.



### Kjell-Arne Corneliussen

Employee's representative

Kjell Arne Corneliussen (b. 1956), 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 (born 1965) lives in Vigrestad. 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 a Senior Engineer in Development in the AKVA group ASA.



### Steinar Mykløy

Employee's representative

Steinar Mykløy (born 1955) lives in Elnesvågen. He gained his qualifications in construction engineering at Trondheim College of Engineering. He has been employed in the AKVA group Software AS since the autumn of 1980 and currently holds the position of Sales Manager in AKVA group Software AS.

# Financial statement Group



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

## Group

	Note	2010	2009	2008
<b>OPERATING REVENUES</b>				
Sales revenues	2	742 521	599 345	866 525
<b>OPERATING EXPENSES</b>				
Cost of goods sold	11	462 022	329 157	505 518
Payroll expenses	3, 21	209 987	198 347	209 006
Other operating expenses	8, 12, 17, 20	80 427	83 369	99 255
Total operating expenses		752 436	610 872	813 779
<b>OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (EBITDA)</b>				
Depreciation and amortisation	7, 9	31 029	30 866	29 472
<b>OPERATING PROFIT (EBIT)</b>				
<b>FINANCIAL INCOME AND EXPENSES</b>				
Financial income	17, 18	4 071	2 081	3 780
Financial expenses	17, 18	-14 017	-11 692	-16 262
Net financial items		-9 946	-9 611	-12 482
<b>PROFIT BEFORE TAX</b>				
Taxes	5	-13 254	-12 875	5 275
<b>NET PROFIT FOR THE YEAR</b>				
<b>Earnings per share</b>	6	<b>-2,19</b>	<b>-2,27</b>	<b>0,32</b>
<b>Diluted earnings per share</b>	6	<b>-2,27</b>	<b>0,32</b>	<b>3,01</b>

# Comprehensive Income statement (Amounts in NOK 1 000)

## Group

	Note	2010	2009	2008
<b>NET PROFIT FOR THE YEAR</b>				
<b>Other comprehensive income</b>				
Translation differences on foreign operations		12 398	-22 856	-17 753
Income tax effect		-3 471	6 400	4 971
<b>Total</b>		<b>8 926</b>	<b>-16 456</b>	<b>-12 782</b>
Reclassification cash flow hedges previous year		-28	2 538	-639
Income tax effect		8	-711	179
<b>Total</b>		<b>-20</b>	<b>1 827</b>	<b>-460</b>
Net movement on cash flow hedges		-775	28	-2 538
Income tax effect		217	-8	711
<b>Total</b>		<b>-558</b>	<b>20</b>	<b>-1 827</b>
Actuarial deviations on net pension obligations		65	1 396	-554
Income tax effect		-18	-391	155
<b>Total</b>		<b>47</b>	<b>1 005</b>	<b>-399</b>
<b>Total other comprehensive income, net of tax</b>		<b>8 395</b>	<b>-13 604</b>	<b>-15 468</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>				
Attributable to: Equity holders of the parent		-29 241	-52 732	-9 951

# Assets 31.12. (in NOK 1 000)

## Group

	Note	2010	2009	2008
<b>NON-CURRENT ASSETS</b>				
<b>Intangible assets</b>				
Goodwill	7	165 261	154 866	164 273
Other intangible assets	7	50 686	64 224	73 886
Total intangible assets		215 946	219 090	238 159
<b>Tangible fixed assets</b>				
Land and building	9	2 148	2 055	2 201
Machinery and equipment	9	39 459	37 016	39 308
Total tangible fixed assets		41 607	39 071	41 509
<b>Long-term financial assets</b>				
Deferred tax asset	5	38 555	24 831	13 610
Other long-term financial assets	10, 12	863	1 069	2 461
Total long-term financial assets		39 418	25 900	16 071
<b>Total fixed assets</b>		<b>296 971</b>	<b>284 061</b>	<b>295 739</b>
<b>CURRENT ASSETS</b>				
Stock	11	157 677	116 248	142 406
<b>Receivables</b>				
Accounts receivables	12, 18, 19	177 796	125 391	171 100
Prepayments to suppliers		5 856	4 988	2 778
Other receivables		13 745	22 489	16 304
Total receivables		197 397	152 868	190 182
Cash and cash equivalents	13	43 159	58 161	47 883
<b>Total current assets</b>		<b>398 234</b>	<b>327 277</b>	<b>380 472</b>
<b>TOTAL ASSETS</b>		<b>695 205</b>	<b>611 338</b>	<b>676 211</b>

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

## Group

	Note	2010	2009	2008
<b>EQUITY</b>				
<b>Paid-in capital</b>				
Share capital	14	17 223	17 223	17 223
Share premium reserve		249 864	249 864	249 864
Other paid in capital	21	1 890	1 728	1 951
<b>Total paid-in capital</b>		<b>268 977</b>	<b>268 815</b>	<b>269 039</b>
<b>Other equity and reserves</b>				
Translation differences		-33 288	-36 725	-22 096
Other equity		95	-4 863	-5 888
<b>Total other equity and reserves</b>		<b>-33 193</b>	<b>-41 588</b>	<b>-27 984</b>
<b>Retained earnings</b>				
Retained earnings		-8 223	29 413	68 541
<b>Total retained earnings</b>		<b>-8 223</b>	<b>29 413</b>	<b>68 541</b>
<b>Total equity</b>		<b>227 561</b>	<b>256 640</b>	<b>309 595</b>
<b>LIABILITIES</b>				
<b>Provisions</b>				
Pension obligations	15	1 156	1 846	2 414
<b>Total provisions</b>		<b>1 156</b>	<b>1 846</b>	<b>2 414</b>
<b>Other long term liabilities</b>				
Liabilities to financial institutions	16	134 463	150 651	120 837
Other long term liabilities		1 262	3 715	5 848
<b>Total other long term liabilities</b>		<b>135 726</b>	<b>154 366</b>	<b>126 685</b>
<b>Current liabilities</b>				
Liabilities to financial institutions		77 268	49 364	76 651
Trade creditors		87 974	48 213	54 220
Taxes payable	5	1 464	780	3 028
Public duties payable		8 409	9 114	14 678
Prepayments from customers		77 594	53 479	35 430
Other current liabilities	17	78 054	37 537	53 510
<b>Total current liabilities</b>		<b>330 762</b>	<b>198 487</b>	<b>237 517</b>
<b>Total Liabilities</b>		<b>467 644</b>	<b>354 698</b>	<b>366 616</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>695 205</b>	<b>611 338</b>	<b>676 211</b>

Bryne, 26 April 2011


Amund Skarholt  
Styreleder


Thore Michalsen


Anne Breiby  
Nestleder



Frode Teigen



Thorhild Widvey



Kjell A. Corneliussen



Steinar Mykloy



Tore Obrestad


Trond Williksen  
Konsernsjef



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

## Group

	Note	2010	2009	2008
<b>Cash flow from operating activities</b>				
Profit before taxes		-50 890	-52 003	10 792
Taxes		-1 368	-1 063	-3 492
Depreciation	7, 9	31 029	30 866	29 472
Change in pension obligation	15	690	568	-738
Changes in stock, accounts receivable and trade creditors		-54 074	65 860	-53 772
Changes in other receivables and payables		71 455	-9 764	4 789
Net cash flow from operating activities		-3 158	34 463	-12 950
<b>Cash flow from investment activities</b>				
Investments in fixed assets	7, 9	-24 206	-30 309	-27 880
Proceeds from sale of fixed assets	7, 9	1 031	6 213	3 186
Change in fixed assets from acquisitions with cash effect		-	-	-66 242
Net cash flow from investment activities		-23 175	-24 095	-90 936
New interest bearing long debt			30 000	-
<b>Cash flow from financing activities</b>				
Change in interest bearing debt		-	2 527	72 784
Increase of share capital and share premium fund		-	-	-
Dividend payment		-	-	-17 223
Change related to other financial activities		-2 751	-810	717
Net cash flow from financing activities		8 966	1 717	56 279
Net change in cash and cash equivalents		-17 367	12 084	-47 607
Net foreign exchange difference		2 365	-1 807	-2 554
Cash and cash equivalents at 01.01		58 161	47 883	98 044
<b>Cash and cash equivalents at 31.12.</b>	13	43 159	58 161	47 883

# 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 01.01.2008</b>		17 223	249 864	1 624	<b>268 712</b>	-8 854	-3 662	<b>-12 516</b>	<b>80 247</b>	<b>336 442</b>
Gains/(losses) on cash flow hedges (fair value)	18	-	-	-	-	-3 662	1 835	<b>-1 827</b>	-	<b>-1 827</b>
Translation difference		-	-	-	-	-13 242	-	<b>-13 242</b>	-	<b>-13 242</b>
Actuarial deviations on net pension obligations		-	-	-	-	-	-399	<b>-399</b>	-	<b>-399</b>
<b>Total other comprehensive income</b>		-	-	-	-	-16 904	1 436	<b>-15 468</b>	-	<b>-15 468</b>
Profit (loss) for the period		-	-	-	-	-	-	-	<b>5 517</b>	<b>5 517</b>
<b>Total comprehensive income</b>		-	-	-	-	-16 904	1 436	<b>-15 468</b>	<b>5 517</b>	<b>-9 951</b>
Recording of option agreement		-	-	-	-	-	-	-	<b>-17 223</b>	<b>-17 223</b>
<b>Equity as at 31.12.2008</b>	21	-	-	327	<b>327</b>	-	-	-	-	<b>327</b>
	14	17 223	249 864	1 951	<b>269 039</b>	-25 758	-2 226	<b>-27 984</b>	<b>68 541</b>	<b>309 595</b>
<b>Equity as at 01.01.2009</b>										
Gains/(losses) on cash flow hedges (fair value)		17 223	249 864	1 951	269 039	-25 758	-2 226	<b>-27 984</b>	<b>68 541</b>	<b>309 595</b>
Translation difference		-	-	-	-	-1 827	1 847	<b>20</b>	-	<b>20</b>
Actuarial deviations on net pension obligations		-	-	-	-	-14 629	-	<b>-14 629</b>	-	<b>-14 629</b>
<b>Total other comprehensive income</b>		-	-	-	-	-	1 005	<b>1 005</b>	-	<b>1 005</b>
Profit (loss) for the period		-	-	-	-	-16 456	2 852	<b>-13 604</b>	-	<b>-13 604</b>
<b>Total comprehensive income</b>		-	-	-	-	-	-	-	<b>-39 128</b>	<b>-39 128</b>
Dividend payment		-	-	-	-	-16 456	2 852	<b>-13 604</b>	<b>-39 128</b>	<b>-52 732</b>
Recording of option agreement	21	-	-	-223	<b>-223</b>	-	-	-	-	<b>-223</b>
<b>Equity as at 31.12.2009</b>	14	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>
<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>
Gains/(losses) on cash flow hedges (fair value)		-	-	-	-	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>

In 2008 and 2009 amounts related to effects on cash flow hedges were wrongly booked into translation differences and should have been booked into other equity. A reclassification of kNOK 3 662 in 2008 and kNOK 1 827 in 2009 has been made between translation differences and other equity to correct this. The same adjustments have been made in the balance sheet statement as of 31 December 2009. In 2008 the shareholders received a dividend of NOK 1.00 per share.

## 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 Nordlysvæien 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 2010.

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. Minority interests are included in the Group's equity.

The purchase 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 fall 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 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.

#### 1.6 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 statement of comprehensive income 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 statement of comprehensive income.

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.

**1.7 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.

**1.8 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
Fixtures, fittings and vehicles.....	3 – 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.

**1.9 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 a 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. recognised in the income statement and included in the net financial income/expenses.

#### 1.10 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. Depreciation 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.

#### 1.11 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.

#### 1.12 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.

Recognised development costs are depreciated on a straight-line basis over the estimated useful life of the asset.

The depreciation period will normally not exceed five years.

The fair value of the development costs will be estimated when there is an indication of a fall in value or that the need for previous periods' impairment losses no longer exists.



### 1.13 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.

### 1.14 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.

### 1.15 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 to the extent that it reflects the effective yield on the asset. 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.

### 1.16 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.

In the beginning of 2008 AKVA group Chile changed functional currency from USD to CLP (Chilean Pesos). The reason for this change was that the company experienced that most of its local costs were in CLP and that more of the sales were quoted in CLP.

#### 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.

### 1.17 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. The new AFP pension scheme will not have effects in the Group's accounts before 2011.

#### 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.

### 1.18 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.

### 1.19 Government grants

Grants from the authorities are not recognised until it is reasonably 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.

### 1.20 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.

### 1.21 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.

### 1.22 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.



**1.23 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**

The annual financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards). This means that the management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on potential liabilities. This particularly applies to the recognition of revenue of long-term manufacturing contracts (note 19) and assessment of goodwill (note 7). Future events may lead to these estimates being changed. Such changes will be recognised when new estimates can be determined with certainty.

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

The group has not applied the following IFRS and IFRIC interpretations that have been issued but are not yet effective:

**Amendments to IFRS 7 Financial Instruments - Disclosures**

The amendment relates to disclosure requirements for financial assets that are derecognized in their entirety, but where the entity has a continuing involvement. The amendments will assist users in understanding the implications of transfers of financial assets and the potential risks that may remain with the transferor. The amended IFRS 7 is effective for annual periods beginning on or after 1 July 2011, but the standard is not yet approved by the EU. The Group expects to implement the amended IFRS 7 as of 1 January 2012.

**IFRS 9 Financial Instruments**

IFRS 9 replaces the classification and measurement rules in IAS 39 Financial Instruments- Recognition and measurement for financial instruments. According to IFRS 9 financial assets with basic loan features shall be measured at amortised cost, unless one opts to measure these assets at fair value. All other financial assets shall be measured at

fair value. The classification and measurement of financial liabilities under IFRS 9 is a continuation from IAS 39, with the exception of financial liabilities designated at fair value through profit or loss (Fair value option), where change in fair value relating to own credit risk shall be separated and shall be presented in other comprehensive income. IFRS 9 is effective for annual periods beginning on or after 1 January 2013, but the standard is not yet approved by the EU. The Group expects to apply IFRS 9 as of 1 January 2013.

**IAS 24 (revised) Related Party Disclosures**

The revised IAS 24 clarifies and simplifies the definition of a related party, compared to the current IAS 24. The revised standard also provides some relief for government-related entities to disclose details of all transactions with other government-related entities (as well as with the government itself). IAS 24 (R) is effective for annual periods beginning on or after 1 January 2011, but the revised standard is not yet approved by the EU. The Group expects to implement IAS 24 (R) as of 1 January 2011.

**Amendments to IAS 32 Financial Instruments:****Presentation - Classification of Rights Issues**

The amendment to IAS 32 Financial Instruments - Presentation provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met. Application of the amendment is retrospective and will result in the reversal of profits or losses previously recognized. The amendment is effective for annual periods beginning on or after 1 February 2010. The Group expects to implement the amendments as of 1 January 2011.

**Amendments to IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - Prepayments of a Minimum funding Requirement**

The amendment to IFRIC 14 intends to correct an unintended consequence of IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. This amendment will allow entities to recognise a prepayment of pension contributions as an asset rather than as an expense. The amendment is effective for annual periods beginning on or after 1 January 2011. The Group expects to implement the amendment as of 1 January 2011.

**IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**

The interpretation clarifies the accounting treatment of financial liabilities that, as a result of a renegotiation of the terms of the financial liability, are fully, or partially, extinguished with equity instruments. The interpretation is effective for annual periods beginning on or after 1 July 2010. The Group expects to implement IFRIC 19 as of 1 January 2011.

**Annual improvements project 2010**

The IASB issued amendments to its standards and the related Basis for Conclusions in its annual 'improvements to IFRSs'. The improvement project is an annual project that provides a mechanism for making necessary but non-urgent amendments. The improvements are effective for annual periods beginning on 1 July 2010 or later, but the improvements are not yet approved by the EU. The Group plans to implement the amendments from 1 January 2011.

*IFRS 3 Business Combinations:*

Clarifies that the amendments to IFRS 7, IAS 32 and IAS 39, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3(R).

Introduces a limit on the scope of the measurement choices for components of non-controlling interests. Clarification regarding the requirements of an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transaction. If the entity replaces the acquiree's awards that expire as a consequence of the business combination, these are recognised as post-combination expenses.

*IFRS 7 Financial Instruments – Disclosures:*

Emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. In addition changes are made to disclosure requirements relating to quantitative information and to credit risk.

*IAS 1 Presentation of Financial Statements*

Clarifies that an entity shall present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

*IAS 27 Consolidated and Separate Financial Statements:*

Clarifies that the consequential amendments from IAS 27 made to IAS 21, IAS 28 and IAS 31, apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied early.

*IAS 34 Interim Financial Reporting*

Provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements concerning circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets.

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

Although no major changes have been made to AKVA group's product line, the previous INTECH (Infrastructure Technology) and OPTECH (Operational Technology) business segments are now changed to Hardware, Software and Recirculation. 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.

#### Hardware

This business area now includes both the previous INTECH segment and the hardware part of the previous OPTECH segment, except for the recirculation technology. Main products include Polarcirkel, Wavemaster and Akvasmarts hardware brands such as: Plastic cages, steel cages, feed barges, feed systems, sensor- and camera systems, underwater lights and net cleaning systems. Various degrees of turn-key cage farming projects are also delivered in main export markets. These also include nets and mooring systems from other recognized sub-suppliers. Through Helgeland Plast AS in Norway, AKVA group also supplies polyethylene work boats and pipes to aquaculture and other industries.

#### Software

This business area includes only the software part of the previous OPTECH segment. Main products include all Fishtalk software brands such as: Production control, planning, traceability and ERP software for both the aquaculture and the fishing industry. Main markets include Norway, Iceland, Canada, Chile and UK. AKVA group is the market leader in software both to the aquaculture and fishing industries in these markets. Main offices for the software activities are in Norway (Trondheim and Averøy), Iceland (Reykjavik and Akureyri) and Canada (Halifax, NS).

#### Recirculation

This business area includes only the recirculation technology part of the previous OPTECH segment. 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.

	HARDWARE			SOFTWARE			RECIRCULATION		
	2010	2009	2008	2010	2009	2008	2010	2009	2008
Operating income	574 480	431 716	711 240	106 075	111 743	133 617	61 966	55 887	21 668
Operating expenses	557 631	435 025	653 926	97 075	100 981	129 053	97 731	74 866	30 800
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>16 849</b>	<b>-3 309</b>	<b>57 314</b>	<b>9 000</b>	<b>10 762</b>	<b>4 565</b>	<b>-35 765</b>	<b>-18 980</b>	<b>-9 133</b>
Depreciation and amortisation	19 723	19 222	18 011	10 035	11 164	10 950	1 272	480	511
<b>Operating profit EBIT</b>	<b>-2 874</b>	<b>-22 531</b>	<b>39 303</b>	<b>-1 034</b>	<b>-402</b>	<b>-6 385</b>	<b>-37 037</b>	<b>-19 459</b>	<b>-9 644</b>
Assets	562 181	471 168	501 757	47 596	48 316	156 639	85 427	91 853	17 814
Liabilities	380 137	239 992	244 914	21 560	44 907	98 712	65 947	69 800	22 990
Investments in the period	19 007	27 487	20 948	3 514	1 657	6 459	1 685	1 165	291

#### TOTAL

	2009	2008	2007
Operating income	742 521	599 345	866 525
Operating expenses	752 436	610 872	813 779
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>-9 915</b>	<b>-11 527</b>	<b>52 746</b>
Depreciation and amortisation	31 029	30 866	29 472
<b>Operating profit EBIT</b>	<b>-40 944</b>	<b>-42 392</b>	<b>23 274</b>
Assets	695 205	611 338	676 211
Liabilities	467 644	354 698	366 616
Investments in the period	24 206	30 309	27 699

Note 2 continues on next page



## Note 2 continues

<b>2010</b>							
Geographical information	Norway	Chile	Canada	Scotland	Iceland	Other	Group
Operating income - external customers	392 779	93 465	24 115	70 369	39 812	121 981	<b>742 522</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>
<b>2009</b>							
Geographical information	Norway	Chile	Canada	Scotland	Iceland	Other	Group
Operating income - external customers	323 841	50 601	55 975	48 846	31 855	88 227	<b>599 345</b>
Assets	406 653	98 586	27 728	23 404	20 975	33 992	<b>611 338</b>
Investments in the period	17 225	5 941	-	6 037	368	738	<b>30 309</b>
<b>2008</b>							
Geographical information	Norway	Chile	Canada	Scotland	Iceland	Other	Group
Operating income - external customers	446 878	183 999	65 352	49 216	46 447	74 634	<b>866 525</b>
Assets	378 014	170 951	43 955	35 859	24 075	23 357	<b>676 211</b>
Investments in the period	22 385	1 779	941	617	1 594	382	<b>27 699</b>

## Revenues by customer

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

Revenues by customer (Amounts in NOK 1 000)	2010	2009	2008
Customer A	72 424	54 621	48 104
Customer B	27 722	3 441	-
Customer C	24 008	28 059	34 438
Customer D	20 466	22 808	53 337
Customer E	19 220	9 730	5 460

### Note 3

#### Wages and remunerations

Wage costs	2010	2009	2008
Salaries	177 961	164 925	171 861
Payroll tax	15 914	14 222	14 739
Pension costs	6 681	6 952	8 582
Other benefits	9 431	12 248	13 823
Total pay roll expenses	209 987	198 347	209 006
Number of employees at year end:	548	428	528
The average number of employees in full time equivalent in the group during the year is:	486	422	562

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>

Note 3 continues on next page

**Note 3 continues**

In November 2010 Trond Williksen was appointed as new CEO of AKVA group. He assumed his position at 1st of March 2011. The agreed remuneration is an annual fixed salary of MNOK 1.95. He is also entitled to full payment during sick leaves up to 52 weeks and a monthly car allowance of KNOK 10. It is also agreed that Williksen is granted 120 000 share options and a bonus arrangement limited up to 30% of the annual salary. Williksen can claim 12 months of salary if the Board of Directors asks him to leave the position as CEO.

**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 2009, neither any payments in connection with the option plan. See details of stock options to group management in note 14 and also note 21.

Remuneration to group management 2009	Salary	Pension	Other	Bonus	Options	Total
Knut Molaug (CEO)	1 326	49	175	-	40	1 590
Trond Severinsen (CMO)	935	49	143	-	18	1 145
Jone Gjerde (COO)	1 039	49	11	-	17	1 116
Patrick Dempster (GM North America)	1 101	-	52	-	18	1 171
Morten Nærland (CFO)	1 118	-	-	-	18	1 136
Odd Martin Solem (GM AKVA group Software)	620	44	7	-	13	684
Stig Martin Bø (Sales Manager Nordic)	711	37	137	-	5	890
Jørgen Scheel (GM AKVA group Denmark)	855	26	10	-	-	890
David Thorburn (GM AKVA group Scotland)	539	38	88	-	-	665
Andrew Campbell (GM AKVA group Chile)	912	-	99	-	7	1 018
Rolf Andersen (former CFO)	1 084	49	11	-	22	1 166

Remuneration to group management 2008	Salary	Pension	Other	Bonus	Options	Total
Knut Molaug (CEO)	1 334	47	179	150	27	1 737
Rolf Andersen (CFO)	1 081	47	27	150	15	1 320
Trond Severinsen (CMO)	899	47	176	150	12	1 284
Jone Gjerde (COO)	999	47	25	-	13	1 084
Patrick Dempster (GM North America)	1 055	-	35	-	12	1 102
Morten Nærland (GM Chile)	1 075	-	-	-	12	1 087

Fees to the Board of Directors	Position	2010	2009	2008
Amund Skarholt	Chairperson of the Board	264	125	-
Anne Breiby	Deputy Chairperson of the Board	190	190	168
Thorhild Widvey	Member of the Board	139	125	125
Frode Teigen	Member of the Board	125	63	-
Thore Michalsen	Member of the Board	146	140	140
Kjell A. Corneliussen	Member of the Board	30	30	18
Steinar Mykløy	Member of the Board	10	-	-
Tore Obrestad	Member of the Board	10	-	-
Ingvild Andersen	Former member of the Board	20	30	28
Knut Drange	Former member of the Board	20	30	18
Steven Morell	Former Chairperson of the Board	-	125	250
Arne Økland	Former member of the Board	-	70	140
Kenneth Idland	Former member of the Board	-	-	15
Jens Christian Hernes	Former member of the Board	-	-	15

Note 3 continues on next page

**Note 3 continues****Establishment of salaries and other remuneration to executive management**

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

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

The Board of Directors has established a remuneration committee which shall act as a preliminary organ in relation to the Board's role in the establishment of remuneration to the Chief executive officer and other members in the group management.

It is the company's policy that the remuneration of the executive management principally is based on a fixed monthly salary which reflects the tasks and responsibility of the employment. This remuneration is established on an individual basis. The fixed monthly salary is determined amongst other of the following factors:

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

Total variable remuneration shall not in normal cases exceed the value of the fixed remuneration. 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 employers 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>2010</b>	<b>2009</b>	<b>2008</b>
Audit	1 413	1 323	1 794
Tax services	9	220	430
Attestation services	173	32	20
Other services	345	498	527
Total	1 940	2 073	2 771
Hereof recorded against acquisition cost of purchased companies	-	-	568

Fee to auditor also includes the fee to auditors of other acquired companies in 2008. All fees to the auditor is excluded of VAT.

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

<b>Offentlige tilskudd</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Government grants	1 331	1 284	1 809
'Skattefunn'	-	2 137	1 801
The Research Council of Norway	2 508	2 378	1 274
Total	3 839	5 799	4 884



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

<b>Tax expense</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Current taxes payable	294	610	1 915
Adjustment related to previous year	175	1 138	403
Change in deferred taxes	-13 723	-14 624	2 957
<b>Total tax expense</b>	<b>-13 254</b>	<b>-12 875</b>	<b>5 275</b>
<b>Calculation of the basis for taxation:</b>			
Profit before tax	-50 890	-52 003	10 792
Permanent differences	-34 663	16 385	1 047
Change in temporary differences	64 291	-12 908	-5 253
<b>Tax base</b>	<b>-21 262</b>	<b>-48 526</b>	<b>6 586</b>
<b>Specification of temporary differences:</b>			
Current assets	-8 503	-5 640	-3 805
Fixed assets	35 723	50 850	-485
Provisions	-7 564	-2 504	-4 447
Pension obligations	-671	-1 655	-2 250
Losses carried forward	-157 806	-113 321	-68 298
Other	-53 152	-46 757	409
<b>Total</b>	<b>-191 973</b>	<b>-119 028</b>	<b>-78 875</b>
Calculated deferred tax assets	50 037	31 661	21 164
Deferred tax asset not recognised in balance sheet	-11 482	-6 830	-7 553
<b>Deferred tax asset</b>	<b>38 555</b>	<b>24 831</b>	<b>13 610</b>

The group has a tax loss carry forward of NOK 157.8 mill 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>2010</b>	<b>2009</b>	<b>2008</b>
Expected income taxes, statutory tax rate of 28%	-14 249	-14 561	3 022
Permanent differences (28%)	-9 706	4 588	293
Deviation between Norwegian and foreign tax rate	5 873	-3 757	-778
Tax effect of share issue costs	-	-	-
Excess(-)/insufficient(+) provisions in former years	175	1 138	403
Change in non-capitalised deferred tax asset	4 653	-284	2 336
<b>Income tax expense</b>	<b>-13 254</b>	<b>-12 875</b>	<b>5 275</b>
<b>Effective tax rate in percent of profit before tax</b>	<b>26,0 %</b>	<b>24,8 %</b>	<b>48,9 %</b>

<b>Expiry dates of Tax Loss Carry Forwards</b>	
2010	-
2011	-
2012	-
2013	-
2014	-
2015	-
2016	-
2017	-
2018	-
Tax loss carryforwards without time restrictions	-157 806
<b>Total</b>	<b>-157 806</b>

About 2/3 of the tax loss carryforwards without time restrictions and recorded as a deferred tax asset is related to Norwegian tax jurisdiction. The 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.

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

	2010	2009	2008
Ordinary profit / net income	-37 637	-39 128	5 517
Number of ordinary shares outstanding as of 31.12.	17 222 869	17 222 869	17 222 869
Weighted average number of ordinary shares	17 222 869	17 222 869	17 222 869
Earnings per share (NOK)	-2,19	-2,27	0,32
Diluted number of shares	17 222 869	17 222 869	17 271 167
Diluted earnings per share	-2,19	-2,27	0,32

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 31.12.2010 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)

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

2009	Goodwill	Development costs	Product rights, patents & trademarks	Total
Acquisition cost at 01.01.	164 668	43 127	112 783	320 578
Additions related to investments in subsidiaries	-	-	-	-
Acquisition cost during the year	-	15 700	7	15 707
Revaluations	-7 804	-	-2 179	-9 983
Disposals during the year	-1 603	-	-	-1 603
Acquisition cost 31.12.	155 261	58 826	110 611	324 699
Accumulated amortisation at 01.01.	395	20 828	61 039	82 262
Amortisation during the year	-	9 846	9 454	19 299
Revaluations	-	-45	43	-2
Accumulated amortisation disposals during the year	-	2 008	2 042	4 050
Accumulated amortisation 31.12.	395	32 637	72 577	105 609
Net book value at 31.12.	154 866	26 190	38 034	219 090

2008	Goodwill	Development costs	Product rights, patents & trademarks	Total
Acquisition cost at 01.01.	138 672	32 735	95 722	267 129
Additions related to investments in subsidiaries	33 245	1 100	19 435	53 780
Acquisition cost during the year	-	9 136	1 035	10 171
Revaluations	-7 249	-	-3 410	-10 659
Disposals during the year	-	-	-	-
Acquisition cost 31.12.	164 668	42 970	112 783	320 422
Accumulated amortisation at 01.01.	395	15 010	47 689	63 094
Amortisation during the year	-	5 819	13 350	19 168
Accumulated amortisation disposals during the year	-	-	-	-
Accumulated amortisation 31.12.	395	20 828	61 039	82 262
Net book value at 31.12.	164 273	22 142	51 744	238 159
Net book value at 31.12.	164 273	22 142	51 744	238 159

**Note 7 continues**

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:	2010	2009	2008
<b>HARDWARE</b>			
Plastic cages	49 400	49 418	49 418
Steel cages	42 323	39 618	41 138
Idema	26 621	26 621	26 621
<b>SOFTWARE</b>			
Software and IT-services	31 288	22 657	27 638
<b>RECIRC</b>			
Uni recirculation	15 629	16 552	19 458
<b>Total</b>	<b>165 261</b>	<b>154 866</b>	<b>164 273</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 in the range 10.1% - 10.4%. 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.

**Key assumptions used for calculations:**

- Gross margin – the rates are only with immaterial changes based on achieved gross margins during the last three years
- Discount rates – 10.1% - 10.4%
- 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 rate of 2.0% is a conservative estimate of this growth

There is assumed that there is a recovery in the Chilean salmon industry affecting in particular 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.

Note 7 continues on next page





## Note 9 continues

2008			
Acquisition cost at 01.01.	5 182	65 331	70 513
Additions during the year	2 098	4 509	6 607
Revaluations	213	16 782	16 995
Disposals during the year	-1 175	-4 718	-5 893
Acquisition cost 31.12.	6 318	81 903	88 221
Accumulated depreciation 01.01.	3 979	32 539	36 518
Depreciation during the year	55	1 465	1 520
Revaluations	86	10 219	10 304
Accumulated depreciation disposals during the year	-3	-1 626	-1 629
Accumulated depreciation 31.12.	4 117	42 596	46 713
Net book value 31.12.	2 201	39 308	41 509

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	Acquisition year	Location	Share ownership	Voting rights
AKVA group North America Inc.	1995	Canada	100 %	100 %
AKVA group Scotland Ltd.	1997	Scotland	100 %	100 %
AKVA group Software AS	1997	Norway	100 %	100 %
AKVA group Chile S.A.	1998	Chile	100 %	100 %
AKVA Ltd <sup>1)</sup>	1998	Scotland	100 %	100 %
AKVA 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 %

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

The companies Maritech Chile Ltda and Idemaqua Chile Ltda were at the end of 2010 both merged into AKVA group Chile after first being sold from AKVA group ASA to AKVA group Chile S.A.

Other long-term investments	Currency	Share capital	Number of shares	Par value (NOK)	Book value	Ownership
Centre for Aquaculture Competence AS	NOK	450	150	1000	153	33 %
Blue Planet AS	NOK	1 350	2	50 000	100	7 %
Total					253	

## Note 11

## Stock (in NOK 1 000)

	2010	2009	2008
Raw materials (at cost)	57 774	45 273	28 691
Work in progress (at cost)	16 917	8 510	15 483
Finished goods (at net realisable value)	82 986	62 465	98 233
Total	157 677	116 248	142 406
Write-down of obsolete stock 1.1	1 010	1 017	700
Write-down of obsolete stock during the year	-149	-52	317
Write-down of obsolete stock 31.12	861	965	1 017

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	2010	2009	2008
Other long-term receivables	438	659	2 208
Total	438	659	2 208

**Accounts receivables**

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

	2010	2009	2008
Bad debt provision 1.1	5 816	5 767	4 163
Increase in bad debt provision related to acquisitions	-	-	135
Charge for the year	3 853	1 796	3 392
Utilised	-366	-1 747	-1 923
Unused amounts reversed	-271	-	-
Bad debt provision 31.12.	9 032	5 816	5 767
Recorded bad debt cost during the year	969	1 747	1 923
Change in bad debt provision	2 885	49	1 468
Total bad debt cost during the year	3 853	1 796	3 392

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
2010	177 796	124 418	30 881	4 996	4 490	13 010
2009	125 391	80 602	21 913	3 124	15 802	3 950
2008	171 100	81 920	33 922	13 388	33 496	8 374

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

	2010	2009	2008
Restricted bank deposits:	6 342	3 372	5 391
Overdraft limit	68 304	68 128	70 207
Utilised end of year	59 139	47 336	51 808



## Note 14

### Shareholders (in NOK 1 000)

#### AKVA group ASA

The company's share capital is MNOK 17.2 divided into 17.2 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
Frode Teigen	5 500 000	31,9 %
Arendals Fossekompani ASA	2 045 840	11,9 %
SN-Invest AS	1 617 855	9,4 %
Skagen Vekst	1 059 200	6,1 %
RBC Dexia Investor Services Bank (Nom)	847 000	4,9 %
Sociedad de Inversiones F y A S.A.	783 235	4,5 %
Sociedad de Inversiones ABSO S.A.	782 735	4,5 %
State Street Bank and Trust Co. (Nom)	687 900	4,0 %
State Street Bank and Trust Co. (Nom)	558 800	3,2 %
Havbruksconsult AS	332 157	1,9 %
Knut Molaug	313 928	1,8 %
Ole Molaug Eiendom AS	292 692	1,7 %
DnBNOR SMB Verdipapirfond	250 250	1,5 %
MP Pensjon	190 000	1,1 %
Gunnar Kluge	173 150	1,0 %
Ole Molaug	167 192	1,0 %
Six Sis AG	111 000	0,6 %
Anne Helga Nedrebø	101 750	0,6 %
Ingrid Havrevoll	99 750	0,6 %
Odd Skjæveland	75 750	0,4 %
Other shareholders	1 232 685	7,2 %
<b>Total</b>	<b>17 222 869</b>	<b>100,0 %</b>

Shares owned by members of the Board of Directors	Number of shares	Options
Frode Teigen	5 500 000	
Anne Breiby (Kjerby AS)	5 000	-
Tore Obrestad	2 368	14 170
Kjell Arne Corneliussen	200	-

Shares owned by group management	Antall aksjer	Opsjoner
Morten Nærland (Acting CEO & CFO)	-	56 678
Trond Severinsen (CMO)	14 950	56 678
Per Andreas Hjetland (COO)	-	-
Odd Martin Solem (GM AKVA group Software)	-	14 170
Stig Martin Bø (Sales Manager Nordic)	-	10 627
Andrew Campbell (GM AKVA group Chile)	-	21 254
David Thorburn (GM AKVA group Scotland)	-	-
Wade Kaskiw (GM AKVA group North America)	-	-
Trond Williksen (appointed CEO in 2010. He assumed the position 1st of March 2011)	-	120 000

## 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.

Contribution plans	2010	2009	2008
Contributions expensed during the year	3 195	3 061	3 365

#### Benefit plans

The Norwegian legal entities also have uninsured pension liabilities related to future estimated obligations of AFP (early retirement scheme covering all employees in Norway). A summary of the actuarial calculations of the total pension liability is shown below:

Benefit plans	2010	2009	2008
Service cost	25	299	220
Interest cost	48	95	89
Return on pension funds	-	-	-
Changed pension scheme in group companies	-611	-	-
Social security tax	8	44	32
Net pension cost	-530	437	340

Actual return on plan assets, ref IAS 19.120A, is not applicable.

Benefit obligations	2010	2009	2008
Estimated pension obligations at 31.12.	1 057	1 696	2 209
Pension plan funds (market value) at 31.12.	-	-	-
Unrecognised effects of deviations from estimates	-	-	-
Social security tax	99	150	205
Net benefit obligations	1 156	1 846	2 414

Changes in the present value of the defined benefit obligation are as follows	2010	2009	2008
Defined benefit obligation at 01.01.	1 846	2 414	1 676
Interest cost	48	95	89
Current service cost	33	342	252
Benefits paid	-113	-	-
Changed pension scheme in group companies	-611	-	-
Actuarial gain/losses recognised in OCI	-47	-1 006	397
Defined benefit obligation at 31.12.	1 156	1 846	2 414

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 MNOK 0.9 to its defined benefit pensions plan in 2010.

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.

Economical assumptions	2010	2009	2008
Discount rate	3,20 %	4,40 %	4,30 %
Expected wage growth	4,00 %	4,25 %	4,50 %
Expected social security base adjustment	3,75 %	4,00 %	4,25 %
Expected increase in pension	3,75 %	4,00 %	4,25 %
Expected turnover < 40 years	0,00 %	2,00 %	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 16****Liabilities** (in NOK 1 000)

<b>Long-term liabilities due in more than 5 years</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Liabilities to financial institutions	35 802	55 118	34 040
<b>Total</b>	<b>35 802</b>	<b>55 118</b>	<b>34 040</b>

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Liabilities secured with assets	206 713	199 839	145 428

<b>Secured assets:</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Accounts receivable	63 523	125 391	70 000
Stock	79 508	116 248	65 000
Other assets	250 000	250 000	314 744
<b>Total</b>	<b>393 031</b>	<b>491 639</b>	<b>449 744</b>

**Repayment of debt**

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

	<b>Long-term debt</b>
2011	16 071
2012	24 602
2013	24 602
2014	24 602
2015	24 602
2016	24 602
Subsequent to 2016	11 199
<b>Total long-term debt</b>	<b>150 283</b>
Average interest rate	6,18 %

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%

The equity share was 32.7 % as of 31 December 2010.

AKVA group ASA has received a waiver letter from Sandnes Sparebank extending the duration of the suspension of the covenant regarding the ratio between net interest-bearing debt and EBITDA under the loan facilities with Sandnes Sparebank. AKVA group ASA will thus continue to comply with the terms of the loan facility agreement. The duration is extended until 30 June 2011.

AKVA group ASA received in 4Q 2009 an exemption of paying installments on the long-term loans for 18 months. In May 2011 the group will start to pay installments based on the installment periods originally agreed with the banks.

The loan from Innovasjon Norge, given in 2009, is based on market conditions.

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.



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

	2010	2009	2008
<b>Financial Income</b>			
Other interest income	857	1 418	3 156
Agio gain	2 937	612	-
Other financial income	277	51	623
Total financial income	4 071	2 081	3 780
<b>Financial Expenses</b>			
Interest expenses	12 840	10 199	12 244
Agio loss	-	-	2 082
Other financial expenses	1 177	1 493	1 936
Total financial expenses	14 017	11 692	16 262
<b>Other operating expenses</b>			
Accommodation, materials, equipment and maintenance	41 152	34 775	37 308
Marketing, travelling and communication	22 815	23 945	35 208
Other operating expenses	16 460	24 649	26 738
Total other operating expenses	80 427	83 369	99 255
<b>Other current liabilities</b>			
Accrued costs	31 226	13 970	11 719
Warranty provisions	5 574	4 057	3 066
Other current liabilities	40 494	19 511	38 725
Total other current liabilities	77 294	37 538	53 510

Warranty provisions have increased to reflect the growth in revenue from 2009 to 2010 and to reflect that the activity, based on the order backlog at 31. December 2010, most probably will stay on this level in 2011.

**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.

	2010		2009		2008	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>Financial assets</b>						
Cash	43 159	43 159	58 161	58 161	47 883	47 883
Trade receivables	177 796	177 796	125 391	125 391	171 100	171 100
Other non-current assets	19 601	19 601	27 477	27 477	19 082	19 082
Other long-term financial assets	610	610	816	816	2 208	2 208
<b>Financial liabilities</b>						
Bank overdraft	59 139	59 139	47 336	47 336	51 808	51 808
Trade and other payables	166 028	166 028	85 750	85 750	107 730	107 730
<b>Interest-bearing loans and borrowings:</b>						
Bank loans	152 592	152 592	152 678	152 678	145 680	145 680
Forward currency contracts	-2 404	-2 404	-2 475	-2 475	21 902	21 902

**Fair value hierarchy**

As at December 31, 2010, 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.

	31.12.10	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	(2 404)	-	(2 404)	-

**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 2010:

Currency (amounts in 1000)		Bought/sold	Net currency amount (amounts in 1000)
American Dollar	USD	Sold	4 000
Danish Kroner	DKK	Sold	7 000
British Pound	GBP	Sold	940
Euro	EUR	Sold	700
Chilean Peso	CLP	Sold	2 424 030
Norwegian Kroner	NOK	Bought	78 049

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 2 962 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. Based on group policy on these matters such risk is managed by using currency forward contracts in order to reduce the risk. At the end of the year the group had the following positions in forward contracts in order to hedge expected future cash flow. The expected cash flows subject to hedging are expected to take place during the first half of 2011 and hence be recognized in the income statement during the same period. All currency contracts expire in 2011.

Currency (Amounts in 1 000)		Bought/sold	Net currency amount (amounts in 1000)
American Dollar	USD	Sold	2 260
Euro	EUR	Bought	1 838
Norwegian Kroner	NOK	Sold	-1 712

At the end of the year it was recorded a loss of KNOK 558 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 2010 the group had export sales of MNOK 88 which products predominantly had its cost base in NOK. A 10 % strengthening of the NOK would then decrease the earnings with about 8.8 MNOK before possible price increases in the market. About 33% of this exposure was related to sales in USD (sales mainly to Chile), 18% related to sales in GBP (sales in UK), and 8% related to sales in CAD (sales in Canada). The rest was mainly in EUR for sales in other export markets.

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 yearend.

	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

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

[Note 18 continues on next page](#)



**Note 18 continues**

the market risk in its industry. With the net interest bearing debt at year end interest cost would have been MNOK 1.7 higher with a 1% higher average interest rate during the year and MNOK 1.7 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 2010 about 67% of the revenues of the group came from customers producing salmon. In 2009 the share was 75%. To decrease the group's dependency of the salmon industry the group has launched a strategy to increase the share of revenues related to the aquaculture of other species than salmon to 50% within 2015. 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%	10 147
5%	5 073
2%	2 029
-2%	-2 029
-5%	-5 073
-10%	-10 147

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. No changes were made in the objectives policies or processes during the year 2010. 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.

(Beløp i NOK 1 000)	2010	2009	2008
Interest bearing debt	211 731	200 015	197 488
Less cash	43 159	58 161	47 883
Net interest-bearing debt	168 572	141 853	149 604
Equity	227 561	256 640	309 595
Total equity and net interest-bearing debt	396 133	398 494	459 200
Debt ratio	43 %	36 %	33%

The equity share was 32.7% as of 31 December 2010. If the equity is reduced by MNOK 19.0 and at the same time the total balance is held constant, the equity share is 30%. If the equity is constant, but the total balance is increased by MNOK 63.3, the equity share will be 30%.

## 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.

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
2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	-	49 364	95 358	55 293	200 015
Trade and other payables	8 840	17 430	-	-	-	26 270
Financial derivatives	-	47 605	51 190	-	-	98 795
Total	8 840	65 035	100 554	95 358	55 293	325 080
2008	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	6 962	72 947	83 539	34 040	197 488
Trade and other payables	18 537	14 143	-	-	-	32 690
Financial derivatives	-	38 068	111 425	-	-	149 493
Total	18 537	59 183	184 371	83 539	34 040	379 670

## 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.

	2010	2009	2008
Total revenues from long-term contracts	404 443	166 200	282 717
Total value of ongoing contracts 31.12.	302 908	124 002	264 413
Total sales included from ongoing contracts 31.12.	203 645	44 316	197 122
Not invoiced work-in-progress included as accounts receivables	65 527	22 954	22 951
Prepayments from customers	43 757	44 470	26 573
Remaining production on loss contracts 31.12.	169	215	17 654

**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>2010</b>	<b>2009</b>	<b>2008</b>
Operational leasing costs	7 472	6 571	5 814
Rent costs on buildings	9 367	12 151	13 747
<b>Total</b>	<b>16 839</b>	<b>18 721</b>	<b>19 561</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	3 807	2 416	-
Vehicles	3 041	6 037	-
Offices and buildings	12 025	37 596	6 603
<b>Total</b>	<b>18 873</b>	<b>46 049</b>	<b>6 603</b>

The main office lease agreement (headquarter) expires in 2011. The agreement includes an option to extend the agreement for 5 years.

**Note 21****Options to employees** (in NOK 1 000)

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. New options has been granted during 2010.

The options have a 5 years vesting period. One third of the options can be vested after 1, 2 and 3 years. The options can be exercised at vesting date or anytime later in the 5 year period. The first possible vesting date was in November 2007. 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 varies between NOK 17.00 – 45.30 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 162 has been charged to equity in 2010 related to the option programme.

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Total available options that can be issued	1 012 109	1 012 109	1 012 109
Available options not issued at year end	474 108	370 938	314 260
Options vested during the year	-	-	-
<b>Outstanding options as per 31.12.</b>	<b>538 001</b>	<b>641 171</b>	<b>697 849</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 3,5 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.

# Financial statement Parent company



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

## Parent company

	Note	2010	2009	2008
<b>OPERATING REVENUES</b>				
Sales revenues	2	434 858	162 452	288 724
<b>OPERATING EXPENSES</b>				
Cost of goods sold	11	347 623	119 110	195 105
Payroll expenses	3, 22	73 014	55 039	52 293
Other operating expenses	8, 12, 18, 21	38 038	34 141	29 769
Total operating expenses		458 675	208 290	277 167
<b>OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)</b>				
		<b>-23 817</b>	<b>-45 838</b>	<b>11 557</b>
Depreciation and amortisation	7, 9	13 577	10 613	5 252
<b>OPERATING PROFIT (EBIT)</b>				
		<b>-37 394</b>	<b>-56 451</b>	<b>6 305</b>
<b>FINANCIAL INCOME AND EXPENSES</b>				
Financial income	18	24 686	40 523	11 892
Financial expenses	18	-19 149	-15 280	-12 665
Net financial items		5 537	25 244	-773
<b>PROFIT BEFORE TAX</b>				
		<b>-31 857</b>	<b>-31 207</b>	<b>5 532</b>
Taxes	5	-12 336	-9 591	2 561
<b>NET PROFIT FOR THE YEAR</b>				
		<b>-19 521</b>	<b>-21 616</b>	<b>2 971</b>
<b>ALLOCATION OF PROFIT FOR THE YEAR</b>				
Dividend		-	-	-
Group contribution		-	-	559
Other equity		-19 521	-21 616	2 412
Total allocated		-19 521	-21 616	2 971

# Assets 31.12. (in NOK 1 000)

## Parent company

	Note	2010	2009	2008
<b>NON-CURRENT ASSETS</b>				
<b>Intangible assets</b>				
Deferred tax asset	5	27 763	15 427	4 826
Goodwill	7	53 000	53 000	-
Other intangible assets	7	36 729	40 113	19 971
Total intangible assets		117 492	108 540	24 797
<b>Tangible fixed assets</b>				
Machinery and equipment	9	11 760	12 570	5 555
Total tangible fixed assets		11 760	12 570	5 555
<b>Long-term financial assets</b>				
Investments in subsidiaries	10	274 564	212 360	296 512
Loans to group companies	13	53 083	62 609	59 751
Other long-term financial assets	10, 12	454	641	585
Total long-term financial assets		328 101	275 611	356 848
<b>Total fixed assets</b>		<b>457 353</b>	<b>396 720</b>	<b>387 200</b>
<b>CURRENT ASSETS</b>				
Stock	11	62 688	52 784	35 311
<b>Receivables</b>				
Accounts receivables	12, 19, 20	47 022	48 139	28 445
Receivables - group companies	13	20 878	43 099	97 701
Prepayments to suppliers		4 047	9 933	889
Other receivables		3 388	3 990	1 123
Total receivables	12	75 335	105 160	128 158
Cash and cash equivalents	14	4 913	17 648	6 157
<b>Total current assets</b>		<b>142 936</b>	<b>175 592</b>	<b>169 626</b>
<b>TOTAL ASSETS</b>		<b>600 289</b>	<b>572 312</b>	<b>556 826</b>

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

## Parent company

	Note	2010	2009	2008
<b>EQUITY</b>				
<b>Paid-in capital</b>				
Share capital	15	17 223	17 223	17 223
Share premium reserve		256 178	256 178	256 178
Other paid in capital		2 337	2 175	1 951
<b>Total paid-in capital</b>		<b>275 738</b>	<b>275 576</b>	<b>275 352</b>
<b>Retained earnings</b>				
Other equity		5 520	25 015	30 833
<b>Total retained earnings</b>		<b>5 520</b>	<b>25 015</b>	<b>30 833</b>
<b>Total equity</b>		<b>281 257</b>	<b>300 591</b>	<b>306 185</b>
<b>LIABILITIES</b>				
<b>Provisions</b>				
Pension obligations	16	568	803	1 177
<b>Total provisions</b>		<b>568</b>	<b>803</b>	<b>1 177</b>
<b>Other long term liabilities</b>				
Liabilities to financial institutions	17	150 283	150 283	117 087
Other long term liabilities		389	1 026	1 405
<b>Total other long term liabilities</b>		<b>150 672</b>	<b>151 308</b>	<b>118 492</b>
<b>Current liabilities</b>				
Liabilities to financial institutions	17	56 430	46 732	51 876
Trade creditors		40 622	18 487	15 968
Trade creditors - group companies	13	10 381	3 635	5 804
Taxes payable	5	-	-	-
Public duties payable		2 434	1 903	5 025
Provision for dividend		-	-	-
Group contribution		-	-	776
Prepayments from customers		17 171	31 735	18 607
Other current liabilities	18	40 754	17 117	32 916
<b>Total current liabilities</b>		<b>167 792</b>	<b>119 609</b>	<b>130 972</b>
<b>Total Liabilities</b>		<b>319 032</b>	<b>271 721</b>	<b>250 641</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>600 289</b>	<b>572 312</b>	<b>556 826</b>

Bryne, 26 April 2011



Amund Skarholt  
Chairman of the Board



Thore Michalsen



Anne Breiby  
Deputy Chairperson



Frode Teigen



Thorhild Widvey



Kjell A. Corneliusen



Steinar Mykloy



Tore Obrestad



Trond Williksen  
Chief Executive Officer

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

## Parent company

	Note	2010	2009	2008
<b>Cash flow from operating activities:</b>				
Profit before taxes		-31 857	-31 207	5 532
Taxes		-	-	-
Gain on disposal of shares and participations		-1 274	-20 922	-
Depreciation	8	13 577	10 613	5 252
Change in pension obligation	16	-283	-374	205
Changes in stock, accounts receivable and trade creditors		15 448	42 281	-9 119
Changes in other receivables and payables		1 458	-25 974	12 487
Net cash flow from operating activities		-2 931	-25 583	14 357
<b>Cash flow from investment activities</b>				
Investments in fixed assets	9	-9 510	-48 705	-10 387
Sale of tangible and intangible fixed assets		171	2 979	-
Change in fixed assets from MA's		-	33 015	-65 914
Other items		-	-56	-
Net cash flow from investment activities		-9 339	-12 767	-76 301
<b>Cash flow from financing activities</b>				
Change in interest bearing debt		9 698	26 639	53 670
Change in loans to group companies	13	-9 526	35 115	-19 277
Increase of share capital and share premium fund		-	-	-
Payment of dividend		-	-	-17 223
Change related to other financial activities		-637	-11 912	-429
Net cash flow from financing activities		-465	49 842	16 742
Net change in cash and cash equivalents		-12 735	11 491	-45 203
<b>Cash and cash equivalents at 01.01.</b>		17 648	6 157	51 360
<b>Cash and cash equivalents at 31.12.</b>		4 913	17 648	6 157



# 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 01.01.2008</b>		17 223	256 178	1 624	<b>275 025</b>	28 554	<b>28 554</b>	<b>303 579</b>
Actuarial deviations on net pension obligations		-	-	-	-	-133	<b>-133</b>	<b>-133</b>
<b>Total income and expense recognised directly in equity</b>		-	-	-	-	-133	<b>-133</b>	<b>-133</b>
Profit (loss) for the period		-	-	-	-	2 971	<b>2 971</b>	<b>2 971</b>
Total income and expense for the year		-	-	-	-	2 838	<b>2 838</b>	<b>2 838</b>
<b>Recording of option agreement</b>	22	-	-	327	<b>327</b>	-	-	<b>327</b>
Group contribution		-	-	-	-	-559	<b>-559</b>	<b>-559</b>
<b>Equity as at 31.12.2008</b>		17 223	256 178	1 951	<b>275 352</b>	30 833	<b>30 833</b>	<b>306 185</b>
<b>Change related to merger 1 January 2009</b>						15 129	<b>15 129</b>	<b>15 129</b>
<b>Equity as at 01.01.2009</b>		17 223	256 178	1 951	<b>275 352</b>	45 962	<b>45 962</b>	<b>321 314</b>
Actuarial deviations on net pension obligations		-	-	-	-	670	<b>670</b>	<b>670</b>
<b>Total income and expense recognised directly in equity</b>		-	-	-	-	670	<b>670</b>	<b>670</b>
Profit (loss) for the period		-	-	-	-	-21 616	<b>-21 616</b>	<b>-21 616</b>
<b>Total income and expense for the year</b>		-	-	-	-	-20 946	<b>-20 946</b>	<b>-20 946</b>
Recording of option agreement		-	-	223	<b>223</b>	-	-	<b>223</b>
Group contribution		-	-	-	-	-	-	-
<b>Equity as at 31.12.2009</b>		17 223	256 178	2 175	<b>275 576</b>	25 015	<b>25 015</b>	<b>300 591</b>
<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>

## 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.

AKVA group ASA uses IFRS light as accounting policy. There are no material effect compared to the ordinary group IFRS accounting policy except that provided dividends and group contributions from subsidiaries can be recognised as income in the parent company the same year as provision is made in subsidiaries. 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

Although no major changes have been made to AKVA group's product line, the previous INTECH (Infrastructure Technology) and OPTECH (Operational Technology) business segments are now changed to Hardware, Software and Recirculation. AKVA group ASA sells products and services within the business areas hardware and Recirc. 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.

Hardware (Amounts in NOK 1 000)	2010	2009	2008
Operating income	414 395	150 726	288 724
Operating expenses	426 493	195 977	277 167
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>-12 098</b>	<b>-45 251</b>	<b>11 557</b>
Depreciation and amortisation	13 577	10 613	5 252
<b>Operating profit (EBIT)</b>	<b>-25 675</b>	<b>-55 864</b>	<b>6 305</b>

Recirc (Amounts in NOK 1 000)	2010	2009	2008
Operating income	20 463	11 726	-
Operating expenses	32 182	12 313	-
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>-11 719</b>	<b>-587</b>	<b>-</b>
Depreciation and amortisation	-	-	-
<b>Operating profit (EBIT)</b>	<b>-11 719</b>	<b>-587</b>	<b>-</b>

Total (Amounts in NOK 1 000)	2010	2009	2008
Operating income	434 858	162 452	288 724
Operating expenses	458 675	208 290	277 167
<b>Operating profit before depreciation and amortisation (EBITDA)</b>	<b>-23 817</b>	<b>-45 838</b>	<b>11 557</b>
Depreciation and amortisation	13 577	10 613	5 252
<b>Operating profit (EBIT)</b>	<b>-37 394</b>	<b>-56 451</b>	<b>6 305</b>

2010 (Amounts in NOK 1 000)	Norway	Mediterranean	Other	Total
Operating income - external customers	295 560	62 054	5 481	363 095
2009 (Amounts in NOK 1 000)	Norway	Mediterranean	Other	Total
Operating income - external customers	101 834	5 300	2 185	109 319
2008 (Amounts in NOK 1 000)	Norway	Mediterranean	Other	Total
Operating income - external customers	215 411	9 568	11 232	236 211

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

<b>Wage costs</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Salaries	61 014	43 548	37 676
Payroll tax	8 038	6 484	5 914
Pension costs	1 712	2 374	2 428
Other benefits	2 250	2 633	6 275
<b>Total</b>	<b>73 014</b>	<b>55 039</b>	<b>52 293</b>
The average number of employees in full-time equivalent in the company during the year is:	82	67	50

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>2010</b>	<b>2009</b>	<b>2008</b>
Audit	564	410	332
Tax services	3	190	380
Attestation services	72	11	10
Other services	186	139	601
<b>Total</b>	<b>825</b>	<b>750</b>	<b>1 323</b>
Hereof recorded against acquisition cost of purchased companies	-	-	568
Hereof recorded against equity related to share issues	-	-	-

All fees to the auditor is excl. VAT.

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

<b>Government grants</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
'Skattefunn'	1 100	556	489
The Research Council of Norway	-	2 137	1 801
Other	1 222	600	466
<b>Total</b>	<b>2 322</b>	<b>3 293</b>	<b>2 756</b>

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

<b>Tax expense</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Current taxes payable	-	-	-
Change in deferred taxes	-12 336	-9 591	2 346
Tax on group contribution	-	-	215
<b>Total tax expense</b>	<b>-12 336</b>	<b>-9 591</b>	<b>2 561</b>

<b>Calculation of the basis for taxation</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Profit before tax	-31 857	-31 207	5 532
Permanent differences	5 861	-22 707	3 617
Change in temporary differences	25 996	53 914	-8 373
Group contribution	-	-	-776
<b>Tax base</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Specification of temporary differences</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Current assets	-7 858	-8 272	-1 519
Fixed assets	43 388	38 604	-4 996
Provisions	1 528	-11 071	-9 541
Pension obligations	-398	-803	-1 177
Losses carried forward	-135 812	-73 556	-
<b>Total</b>	<b>-99 153</b>	<b>-55 098</b>	<b>-17 233</b>
Calculated deferred tax assets	27 763	15 427	4 826
Deferred tax asset not recognised in balance sheet	-	-	-
<b>Deferred tax asset</b>	<b>27 763</b>	<b>15 427</b>	<b>4 826</b>

The tax loss carried forward at 31. December 2009 has been changed due to a tax assessment in 2010.

<b>Effective tax rate</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Expected income taxes, statutory tax rate of 28%	-8 920	-8 738	1 549
Permanent differences (28%)	1 641	-6 358	1 012
Merger effect	-	5 505	-
Tax effect of share issue costs	-	-	-
Not capitalised deferred tax asset in subsidiaries	-5 057	-	-
<b>Income tax expense</b>	<b>-12 336</b>	<b>-9 591</b>	<b>2 561</b>
Effective tax rate in percent of profit before tax	38,7 %	30,7 %	46,3 %

<b>Expiry dates of Tax Loss Carry Forwards</b>	
Tax loss carryforwards without time restrictions	-135 812
<b>Total</b>	<b>-135 812</b>

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

See details in note 6 in consolidated accounts.



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

	Goodwill	Development costs	Patents and trademarks	2010 Total
Acquisition cost at 01.01.	53 000	24 437	36 092	113 529
Additions related to merger	-	-	-	-
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
Accumulated amortisation merged companies	-	-	-	-
Accumulated amortisation disposals during the year	-	5 567	4 302	9 869
Amortisation 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>

				2009 Total
Acquisition cost at 01.01.	-	14 306	18 511	32 817
Additions related to merger	19 661	8 701	51 393	79 755
Acquisition cost during the year	33 339	9 031	-	42 370
Disposals during the year	-	-7 601	-33 812	-41 412
Acquisition cost 31.12.	53 000	24 437	36 092	113 530
Accumulated amortisation at 01.01.	-	5 068	7 778	12 846
Accumulated amortisation merged companies	-	6 664	31 771	38 435
Amortisation during the year	-	3 797	3 774	7 571
Accumulated amortisation disposals during the year	-	-6 664	-31 771	-38 435
Accumulated amortisation 31.12.	-	8 865	11 552	20 417
<b>Net book value at 31.12.</b>	<b>53 000</b>	<b>15 572</b>	<b>24 540</b>	<b>93 113</b>

				2008 Total
Acquisition cost at 01.01.	-	8 497	18 511	27 008
Additions related to merger	-	-	-	-
Acquisition cost during the year	-	5 809	1	5 810
Disposals during the year	-	-	-	-
Acquisition cost 31.12.	-	14 306	18 512	32 818
Accumulated amortisation at 01.01.	-	2 467	6 098	8 565
Accumulated amortisation merged companies	-	-	-	-
Amortisation during the year	-	2 601	1 400	4 001
Accumulated amortisation disposals during the year	-	-	281	281
Accumulated amortisation 31.12.	-	5 068	7 779	12 847
<b>Net book value at 31.12.</b>	<b>-</b>	<b>9 238</b>	<b>10 733</b>	<b>19 971</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 change in goodwill in 2009 is partly related to the merger with Maritech International AS and Idema Aqua AS and partly to the transfer of the aquaculture business from Helgeland Plast AS to AKVA group ASA.

**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 7.

**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)

The increase in 2009 is related to the merger with Maritech International AS and Idema Aqua AS.

## Note 8 Research and development

During the year the company expensed NOK 10.0 mill (NOK 7.5 mill in 2009 and NOK 6.0 mill in 2008) 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 6).

## Note 9 Tangible assets (in NOK 1 000)

Property, plant and equipment	2010	2009	2008
Acquisition cost at 01.01.	28 287	17 679	13 101
Additions related to merger	0	4 273	0
Acquisitions during the year	2 899	6 335	4 578
Acquisition cost 31.12.	31 186	28 287	17 679
Accumulated depreciation 01.01.	15 718	12 125	10 874
Accumulated depreciation related to merger	0	552	0
Depreciation during the year	3 708	3 041	1 251
Accumulated depreciation 31.12.	19 426	15 718	12 125
<b>Net book value 31.12.</b>	<b>11 760</b>	<b>12 570</b>	<b>5 555</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

## 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	4 345	4 344 709	1	8 982
AKVA group Scotland Ltd.	Scotland	GBP	14 300	14 300 236	1	27 417
AKVA group Software AS	Norway	NOK	2 174	2 173 913	1	41 323
AKVA group Chile S.A.	Chile	CLP	51 542	215 657	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	19	200	95	26
Helgeland Plast AS	Norway	NOK	1 100	1 100 000	1	66 543
Maritech ehf	Iceland	ISK	25	500 000	0,05	26 172
AKVA group Denmark A/S	Denmark	DKK	1 079	1 030 000	1	45 393
AKVA group SEA	Thailand	THB	1 953	100 000	19,5	1 748
Polarcirkel AS	Norway	NOK	100	1 000	100	110
<b>Total</b>						<b>270 814</b>

In 2010 the companies Maritech Chile Ltda and Idemaqua Chile Ltda were sold to AKVA group Chile S.A. The transaction resulted in a loss of MNOK 6.76 booked in the accounts of AKVA group ASA in 2010.

### 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)

	2010	2009	2008
Raw materials (at cost)	11 649	14 763	1 727
Work in progress (at cost)	-	24	207
Finished goods (at net realisable value)	51 039	37 997	33 377
<b>Total</b>	<b>62 688</b>	<b>52 784</b>	<b>35 311</b>
Write-down of obsolete stock 1.1	500	500	500
Write-down of obsolete stock during the year	-149	-	-
<b>Write-down of obsolete stock 31.12</b>	<b>351</b>	<b>500</b>	<b>500</b>

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

<b>Receivables due in more than one year</b>	2010	2009	2008
Other long-term receivables	454	641	585
<b>Total</b>	<b>454</b>	<b>641</b>	<b>585</b>

**Accounts receivables**

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

	2010	2009	2008
Bad debt provision last year	1 788	1 019	696
Change related to merger 1.1	-	435	-
Change in bad debt provision	1 840	334	323
<b>Bad debt provision 31.12.</b>	<b>3 628</b>	<b>1 788</b>	<b>1 019</b>
Recorded bad debt cost during the year	819	188	66
Change in bad debt provision	1 840	334	323
<b>Total bad debt cost during the year</b>	<b>2 659</b>	<b>522</b>	<b>389</b>

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

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

<b>Receivables</b>	2010	2009	2008
Loans to group companies	53 083	62 609	40 474
Current receivables towards group companies	20 878	43 099	97 683
<b>Total</b>	<b>73 961</b>	<b>105 708</b>	<b>138 157</b>

A previous write down of loans to group companies of total MNOK 7.86 has in 2010 been reversed.

<b>Payables</b>	2010	2009	2008
Trade creditors towards group companies	10 381	3 635	2 927
<b>Total</b>	<b>10 381</b>	<b>3 635</b>	<b>2 927</b>

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

	2010	2009	2008
Restricted bank deposits	2 815	1 598	2 486
Overdraft limit	65 000	65 000	41 500
Utilised end of year	56 430	46 732	31 114

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

The company's share capital is MNOK 17.2 divided into 17.2 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
Frode Teigen	5 500 000	31,9 %
Arendals Fossekompani ASA	2 045 840	11,9 %
SN-Invest AS	1 617 855	9,4 %
Skagen Vekst	1 059 200	6,1 %
RBC Dexia Investor Services Bank (Nom)	847 000	4,9 %
Sociedad de Inversiones F y A S.A.	783 235	4,5 %
Sociedad de Inversiones ABSO S.A.	782 735	4,5 %
State Street Bank and Trust Co. (Nom)	687 900	4,0 %
State Street Bank and Trust Co. (Nom)	558 800	3,2 %
Havbruksconsult AS	332 157	1,9 %
Knut Molaug	313 928	1,8 %
Ole Molaug Eiendom AS	292 692	1,7 %
DnBNOR SMB Verdipapirfond	250 250	1,5 %
MP Pensjon	190 000	1,1 %
Gunnar Kluge	173 150	1,0 %
Ole Molaug	167 192	1,0 %
Six Sis AG	111 000	0,6 %
Anne Helga Nedrebø	101 750	0,6 %
Ingrid Havrevoll	99 750	0,6 %
Odd Skjæveland	75 750	0,4 %
Other shareholders	1 232 685	7,2 %
<b>Total</b>	<b>17 222 869</b>	<b>100,0 %</b>

Shares owned by members of the Board of Directors	Number of shares	Options
Frode Teigen	5 500 000	-
Anne Breiby (Kjerby AS)	5 000	-
Tore Obrestad	2 368	14 170
Kjell Arne Corneliussen	200	-

Shares owned by group management	Number of shares	Options
Morten Nærland (Acting CEO & CFO)	-	56 678
Trond Severinsen (CMO)	14 950	56 678
Per Andreas Hjetland (COO)	-	-
Odd Martin Solem (GM AKVA group Software)	-	14 170
Stig Martin Bø (Sales Manager Nordic)	-	10 627
Andrew Campbell (GM AKVA group Chile)	-	21 254
David Thorburn (GM AKVA group Scotland)	-	-
Wade Kaskiw (GM AKVA group North America)	-	-
Trond Williksen (appointed CEO in 2010. He assumed the position 1st of March 2011)	-	120 000



**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.

<b>Contribution plans</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Contributions expensed during the year	1 712	1 586	1 453

**Benefit plans**

The Norwegian legal entity has had uninsured pension liabilities related to future estimated obligations related to AFP (early retirement scheme covering all employees in the company). The unfunded scheme in Norway which consists of the early retirement programme (AFP) was closed during 2010. The effect of the closing is recognized as an income in 2010 of NOK 235. As a replacement for the old pension scheme, it is established a new defined contribution plan.

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

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Service cost	19	216	141
Interest cost	23	44	38
Return on pension funds	-	-	-
Changed pension scheme in group companies	-235	-	-
Social security tax	-23	37	25
<b>Net pension cost</b>	<b>-187</b>	<b>297</b>	<b>204</b>

Actual return on plan assets, ref IAS 19.120A, is not applicable. See comments about AFP pension scheme below.

<b>Benefit obligation</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Estimated pension obligations at 31.12.	498	704	1 031
Pension plan funds (market value) at 31.12.	-	-	-
Unrecognised effects of deviations from estimates	-	-	-
Social security tax	70	99	145
<b>Net benefit obligations</b>	<b>568</b>	<b>803</b>	<b>1 177</b>

<b>Changes in the present value of the defined benefit obligation are as follows</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Defined benefit obligation at 01.01.	803	1 177	839
Interest cost	23	44	38
Current service cost	25	253	166
Benefits paid	-	-	-
Changed pension scheme in group companies	-235		
Actuarial gain/losses recognised in OCI	-48	-671	133
<b>Defined benefit obligation at 31.12.</b>	<b>568</b>	<b>803</b>	<b>1 177</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 0.5 mill to its defined benefit pensions plan in 2011.

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.

<b>Economical assumptions</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Discount rate	3,20%	4,30%	5,10%
Expected wage growth	4,00%	4,50%	4,50%
Expected social security base adjustment	3,75%	4,25%	4,25%
Expected increase in pension	3,75%	4,25%	4,25%
Expected turnover < 40 years	0,00%	2,00%	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)

<b>Long-term liabilities due in more than 5 years</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Liabilities to financial institutions	35 802	55 118	34 040
<b>Total</b>	<b>35 802</b>	<b>55 118</b>	<b>34 040</b>
Liabilities secured with assets	206 713	197 015	137 849
Secured assets:			
Accounts receivables third parties	53 929	37 630	50 000
Accounts receivables group companies	20 878	43 099	97 701
Stock	62 688	52 784	25 000
Other assets	250 000	250 000	297 744
<b>Total</b>	<b>387 495</b>	<b>383 513</b>	<b>470 445</b>

**Repayment of debt**

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

	<b>Long-term debt</b>
2011	16 071
2012	24 602
2013	24 602
2014	24 602
2015	24 602
2016	24 602
Subsequent to 2014	11 199
<b>Total</b>	<b>150 283</b>
Average interest rate	6,18%

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)

<b>Financial income</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Other interest income	371	1 922	11 892
Agio gain	2 433	-	-
Group contribution recognised as income	13 387	17 744	-
Other financial income	8 495	20 857	-
<b>Total financial income</b>	<b>24 686</b>	<b>40 523</b>	<b>11 892</b>

<b>Financial expenses</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Interest expenses	11 667	8 842	11 833
Agio loss	-	5 908	492
Other financial expenses	7 482	530	340
<b>Total financial expenses</b>	<b>19 149</b>	<b>15 280</b>	<b>12 665</b>

<b>Other operating expenses</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Accommodation, materials, equipment and maintenance	20 722	12 366	10 947
Marketing, travelling and communication	10 822	13 956	13 906
Other operating expenses	6 494	7 818	4 916
<b>Total other operating expenses</b>	<b>38 038</b>	<b>34 141</b>	<b>29 769</b>

<b>Other current liabilities</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Accrued costs	3 260	-	-
Guarantee provisions	3 560	2 860	1 680
Other current liabilities	33 934	14 257	31 236
<b>Total other current liabilities</b>	<b>40 754</b>	<b>17 117</b>	<b>32 916</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.

	2010	2009	2008
Total revenues from long-term contracts	242 983	76 289	141 118
Total value of ongoing contracts	160 629	92 074	210 494
Total revenues included from ongoing contracts 31.12.	116 021	62 281	110 949
Not invoiced work-in-progress included as accounts receivables	-	-	6 907
Remaining production on loss contracts	-	-	-

## 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:

Operating leasing cost	2010	2009	2008
Operational leasing costs	5 165	4 342	2 951
Rent costs on buildings	5 242	4 391	3 219
<b>Total</b>	<b>10 407</b>	<b>8 733</b>	<b>6 170</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	2 527	1 186	-
Vehicles	1 632	1 754	-
Offices and buildings	3 279	2 880	225
<b>Total</b>	<b>7 438</b>	<b>5 820</b>	<b>225</b>

The main office lease agreement (headquarter) expires in 2011.

The agreement includes an option to extend the agreement for 5 years.

## 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. New options has been granted during 2010.

The options have a 5 years vesting period. One third of the options can be vested after 1, 2 and 3 years. The options can be exercised at vesting date or anytime later in the 5 year period. The first possible vesting date was in November 2007. 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 varies between NOK 17.00 - 45.30 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 138 has been charged to equity in 2010 related to the option programme.

	2010	2009	2008
Total available options that can be issued	1 012 109	1 012 109	1 012 109
Available options not issued at year-end	474 108	370 938	314 260
Options vested during the year	-	-	-
<b>Outstanding options as per 31.12.</b>	<b>538 001</b>	<b>641 171</b>	<b>697 849</b>

The fair value of the options has been estimated using the Black&Scholes option-pricing model. The average fair value of the options granted. 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 2-3 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.

# Auditor's report



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Medlemmer av Den norske Revisorforening

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 2010, the statements of 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 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 of 31 December 2010 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 of 31 December 2010 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards on Accounting as adopted by the EU.

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

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements and the going concern assumption 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 properly record and document the Company's accounting information as required by law and generally accepted bookkeeping practice in Norway.

Stavanger, 26. april 2011  
ERNST & YOUNG AS

Tommy Lothe  
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

## Articles of Association

### § 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 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 animals.

### § 4

The company's share capital shall be NOK 17.222.869 into 17.222.869 shares at NOK 1 each. The company's shares shall be registered in the Securities Registry within 1 – one – month.

### § 5

The Board of Directors shall be composed of 4 to 10 members, in accordance with a decision 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 balancesheet, as well as the distribution of dividends.
3. The election of 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 nomination committee consisting of at least 3 members elected by the general meeting. The nomination committee shall prepared the general meeting's election of board members and propose candidates for nominations. The General Meeting may adopt instructions for the nomination committee's work.

### § 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. The Company cannot claim any form of compensation for sending the documents to the shareholders.

# Corporate governance

## 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 annual report. The report must cover every section of the Code of Practice. If the Company does not fully comply with this Code of Practice, this must be explained in the report.

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 has defined guidelines for corporate governance, and the Board has decided to follow the Norwegian Code of Practice for Corporate Governance. AKVA has defined its own corporate Code of Conduct and defined values upon which the Company should build its activity. The company will consider defining guidelines for social responsibility.

The Board of Directors has provided this report on the Company's corporate governance. The report covers every section of the Code of Practice, and will be a part of the annual report.

► *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 end 2010 the Company had a consolidated equity of 228 MNOK which accounts for 32.7% 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.

Based on challenging market situation during 2010 and in accordance with this dividend policy the Board of Directors propose to the Annual General Meeting that no dividend should be paid for 2010.

The Board of Directors was in the Annual General Meeting in 2010 granted the mandate to increase the Company's share capital for specific purposes. The following authorisations were given:

- *Strategic authorisation for the issuance of new shares*  
The Board of Directors is authorised to increase the Company's share capital by issuing new shares. The total number of shares that may be issued equals about 8.7% of the present issued share capital.

- *Authorization for the issuance of shares under the Company's share option plan*

The Board of Directors is authorised to increase the Company's share capital by issuing of shares in accordance with future option agreements. The total number of shares that may be issued equals about 5.8% of the present issued share capital.

Furthermore the Board of Directors was, in the Annual General Meeting of 2010, granted the right to acquire own shares. The price to be paid shall not exceed the ordinary stock exchange rate available on the date of purchase. The total number of shares that may be acquired equals about 5.0% of the issued share capital.

► *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 must be justified. 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, 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 equal.

#### Transactions between related parties

The Company is not aware of any other 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 lease agreements with other companies that are controlled by major shareholders of AKVA; however, these are all based on arm's length market terms.

In order to avoid conflicts of interest, the Company has introduced guidelines pursuant to which members of the Board of Directors and the Company's management must act. 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 web-



site 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 ordinary general meeting for 2010 was held the 3rd of June, and was in all material respect carried through in accordance with point 6 in the recommendation. There have not been other general meetings in 2010/2011.

► *Deviation from the Recommendation: None*

## 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 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.

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.

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 June 2010.

### Composition

The current nomination committee was elected for two years by the ordinary Annual General Meeting on 10. June 2009 and consists of:

- Haakon Skaarer, (chair) CEO Enonic AS
- Lisbeth Flågeng, Deputy CEO of Helgeland Sparebank
- Kristian Falnes, portfolio manager, Skagen Funds.

None of which are a members 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 held 3 meetings in 2011.

► *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), Thore Michalsen, Thorhild Widvey, Frode Teigen, Tore Obrestad, Steinar Mykløy and Kjell Arne Corneliusen. The 3 latter directors have been elected by and from the employees. Further details of the individual directors can be found in the Annual Report.

► *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 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 shareholders.

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.

### 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.

Members: Thore Michalsen (Chair) and Thorhild Widvey. The Chairperson of the Board generally also participates in the meetings. The Committee had 2 meetings during 2010. 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 and ethical guidelines.

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 should provide an account in the annual report of the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

### The Board of Directors and internal control

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.

► *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 goes for 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 establish 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.

### Guidelines and terms

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 disclosures to the annual accounts.

In accordance with the Public Companies 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 available as webcast and thus widely broadcasted. 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. During the course of a take-over process, the Board of Directors and management of both the party making the offer and the target Company have an independent responsibility to help ensure that shareholders in the target Company are treated equally, and that the target Company's business activities are not disrupted unnecessarily. The Board of the target Company 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 seek to hinder or obstruct take-over bids for the Company's activities or shares unless there are particular reasons for this. 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 evaluating the offer and make a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it should explain the background for not making such a recommendation. The Board's statement on a bid 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 consider whether to arrange a valuation from an independent expert. If any member of the Board or executive personnel, or close associates of such individuals, or anyone who has recently held such a position, is either the bidder or has a particular personal interest in the bid, the Board should arrange an independent valuation in any case. This shall also apply if the bidder is a major shareholder. Any such valuation should be either appended to the Board's statement, be reproduced in the statement or be referred to in the statement. Any transaction that is in effect a disposal of the Company's activities should be decided by a general meeting, except in cases where such decisions are required by law to be decided by the corporate assembly.

The Board of Directors has established guidelines in the event of an offer for all or a substantial majority of the shares in AKVA Group ASA 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 Board of Directors every year. The Auditor is always present during the Board's discussion of the annual accounts. At this meeting the Board is briefed on the annual accounts and any other issues of particular concern to the Auditor. Part of the meeting is also executed without the presence of the CEO 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 7 individuals. In addition to the Chief Executive Officer, the executive management consists of the Chief Financial Officer, the Chief Operating Officer Hardware and Recirculation, the General Manager for Software, the General Manager for Americas, the General Manager Sales Nordic and General Manager sales export.

The Corporate Managers meet monthly with a fixed agenda in addition to 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.