

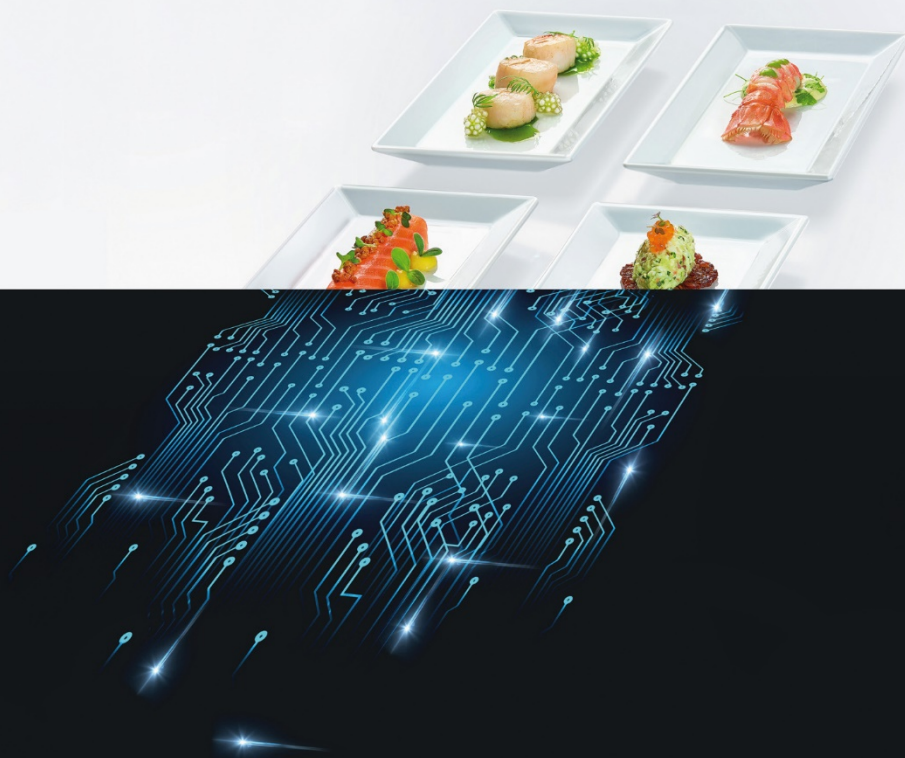
Annual Report 2017



AKVA group in brief

AKVA group is the leading technology and service partner to the aquaculture industry worldwide. The company has 956 employees, offices in 11 countries and a total turnover of NOK 2.1 billion in 2017.

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



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Highlights 2017

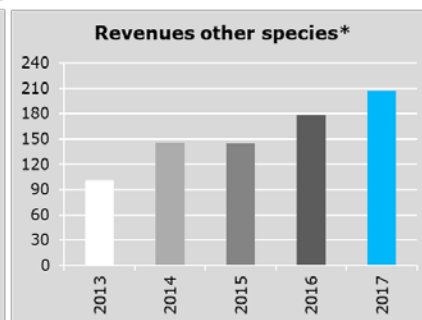
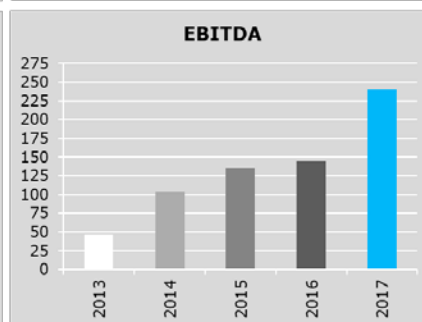
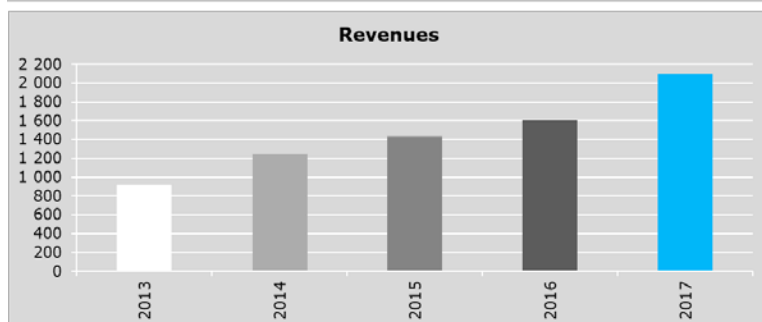
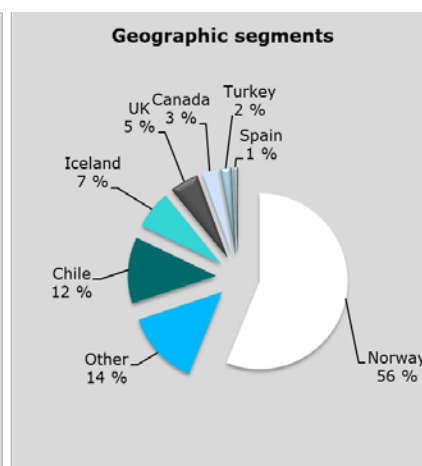
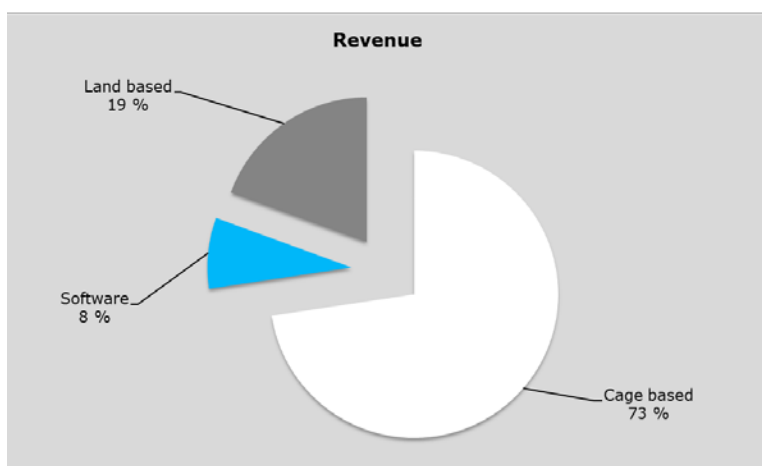
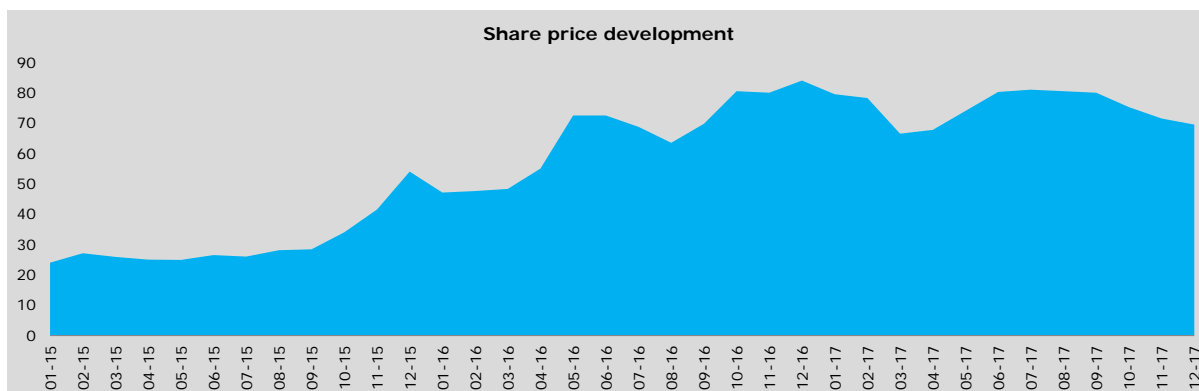
- AKVA group has in 2017 completed its best financial performance in the Groups history
- Revenue in 2017 of MNOK 2,088 – a 30% increase compared to revenue in 2016
- EBITDA in 2017 of MNOK 240 – an increase of 66% compared to EBITDA in 2016
- Net profit in 2017 of MNOK 100 – an increase of 262 % compared to net profit in 2016
- Return on Capital Employed (ROCE) of 15%
- Dividend of 1.25 NOK per share paid out in March 2017 (0.50 NOK) and September 2017 (0.75 NOK) from the dynamic dividend policy
- Strong order inflow during the year resulted in the highest order backlog ever of MNOK 1,381
- Completed refinancing of bank facilities in October, financially stronger than ever
- Established new companies in Spain, Greece and Iran



Financial key figures

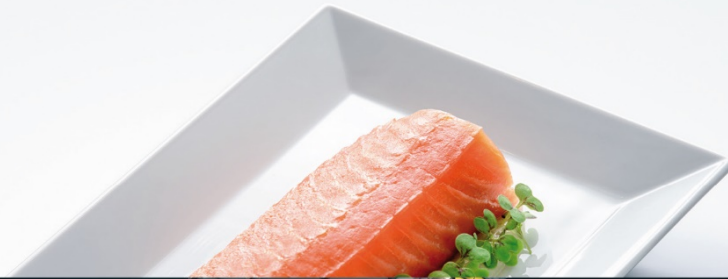
(in NOK 1 000)	2017	2016	2015	2014	2013
Profitability					
Revenues	2 087 910	1 603 072	1 425 338	1 246 059	918 670
EBITDA	239 913	144 193	135 159	103 365	46 905
EBIT	157 128	75 036	87 709	67 635	13 816
Profit before tax	135 573	48 590	78 090	62 894	4 567
Net profit	99 829	27 598	58 400	54 500	2 373
Net Profit (Loss) Attributable to:					
Non-Controlling interests	142	98	1 572	-580	-501
Equity holders of AKVA group ASA	99 687	27 500	56 828	55 080	2 874
Cash flow from operations	72 684	211 645	95 622	82 485	92 969
EBITDA margin	11,5 %	9,0 %	9,5 %	8,3 %	5,1 %
EBIT margin	7,5 %	4,7 %	6,2 %	5,4 %	1,5 %
Return on capital employed	15,4 %	9,8 %	14,7 %	14,1 %	3,3 %
Return on equity	20,0 %	6,4 %	13,7 %	14,2 %	0,8 %
Financial position					
Non-current assets	848 405	732 436	467 031	353 988	307 801
Current assets	814 392	643 515	616 096	549 833	414 180
Total assets	1 662 797	1 375 951	1 083 127	903 821	721 981
Equity attributable to equity holders of AKVA group ASA	499 907	434 590	424 988	387 577	336 601
Non-controlling interests	518	376	3 444	1 676	2 255
Total equity	500 425	434 966	428 432	389 252	338 856
Long-term debt	520 012	469 068	221 978	131 344	55 934
Short-term debt	642 359	471 917	432 717	383 225	327 191
Total equity and liabilities	1 662 797	1 375 951	1 083 127	903 821	721 981
Gross interest-bearing debt	473 049	377 875	245 634	142 446	132 888
Cash and cash equivalents	420 496	255 543	160 458	143 935	95 855
Net interest-bearing debt	356 080	212 332	136 117	88 511	74 558
Working capital	175 164	36 029	131 120	126 452	106 499
Equity ratio	30,1 %	31,6 %	39,6 %	43,1 %	46,9 %
Debt to equity ratio	94,5 %	86,9 %	57,3 %	36,6 %	39,2 %
(in NOK)	2017	2016	2015	2014	2013
Share data					
Earnings per share	3,86	1,06	2,20	2,13	0,11
Diluted earnings per share	3,86	1,06	2,20	2,13	0,11
Cash flow per share	-1,88	2,17	2,15	-0,17	0,83
Dividend per share	1,25	0,75	1,00	1,00	-
Shareholders' equity per share at year-end	19,35	16,82	16,45	15,00	13,03
Share price at year-end	69,50	84,00	54,00	25,00	13,95
Market capitalization at year-end	1 795 484	2 170 081	1 395 052	645 858	360 389
Number of shares outstanding at year-end	25 834 303	25 834 303	25 834 303	25 834 303	25 834 303
Weighted average number of ordinary shares	25 772 652	25 828 889	25 818 928	25 834 303	25 834 303

Financial key figures



*Other than salmonids

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



CEO's Report

Dear fellow shareholders and stakeholders

It has been an exciting year for AKVA group. We have had the good fortune to enjoy solid activity in most markets. Financial performance has improved across all business areas at the same time as we have increased our presence in relevant markets.

- *Total Order Intake 2,471 million, up from 1,952 million in 2016*
- *Revenue increased by 30 per cent to MNOK 2,088*
- *Total EBITDA MNOK 240 compared to MNOK 144 in 2016*
- *Profit before tax came out at MNOK 135, up from MNOK 48 in 2016*
- *Order backlog at the end of the year MNOK 1,381, an increase of 38 percent*
- *EPS for 2017 is NOK 3.86 compared to NOK 1.06 for 2016*

Cage Based Technology

Coming off a strong 2016, and healthy order backlog, the Nordic region has continued to excel in 2017. It is also encouraging that the two acquisitions done in 2016, AD Offshore (AKVA Marine Services) and Sperre made material contributions to the overall performance.

Americas, and in particular Chile, carried positive momentum into 2017 and this has further strengthened in subsequent quarters. We have increased presence in both Canada and Australasia and have been able to capitalize on new opportunities in these markets as well.

EME (Europe & Middle East) – the business in Scotland has developed well and has finished the year with a record high order backlog.

Our increased focus on Mediterranean markets, mainly Seabream and Seabass, has yielded positive results. We have also increased our presence in that region by opening offices in Spain and Greece and I am excited about the outlook for 2018.

The activity in Russia has been picking up in second half of 2017 and the momentum seems to carry into 2018.

We continue to see attractive opportunities in the Middle East and remain committed to develop the business in this region.

Land Based Technology

The markets for our Land Based business remains strong. There is solid indication that releasing bigger smolt into the sea can lead to less infection of sea-lice, lower mortality and faster growth. The traditional salmon sector seems committed to build further capacity for producing bigger smolt. By the end of the year, 39% of our total order backlog relates to projects to be delivered in 2018 (and into 2019).

There is also a good pipeline of new prospects, and in addition to high activity in Norway, we start seeing attractive opportunities in Chile, Scotland, Canada and Australasia. During the course of the year, we have organized all land based activities into one strategic business unit (AKVA group Land Based) and we will continue to work diligently to strengthen execution capabilities and the organizational set-up.

Developing a portfolio of Software Solutions and Product Related Services

It remains a strategic priority to build an even stronger base of recurring business. In 2017 it totalled 550 million (26.4 percent of total revenue), up from 427 million in 2016.

Increased marketing and sales focus for our Software business have yielded positive results. Our market leading products (Fishtalk) covers most aspects of biological production control, planning, costing and budgeting. We work closely with our customers to develop new functionalities and in 2017 we launched the first Fishtalk apps that simplify data entry related to inspections and work operations. Digitalization and predictive analytics will play a bigger role in the aquaculture industry in the future and we have ambitions to play a meaningful role in this development.

We have increased presence in the service segment – including technology services, marine services and rental concepts. During the course of the year, further investments have been made including geographic expansion of AKVA Marine Services and strengthening of our service network in Norway. We have also established a new service operation in Chile with particular focus on net cleaning and have ambitions to continue to build this business going forward.

Investments in infrastructure, capability and technology

Aquaculture is becoming increasingly capital and technology intensive and we continue to experience solid underlying development in our core markets. However, we are also facing increased competition from established companies, as well as new entrants into the aquaculture technology sector. We take this as a positive challenge and continuously evaluate our solutions, product offerings, cost base and execution.

The Polarcirkel plastic cage, made of PE material, is one of our core products. The last few years there has been a trend towards increased cage sizes and more exposed locations. In order to meet this demand we have made significant investments at our subsidiary Helgeland Plast. This will ensure more efficient production, increased flexibility and allows us to deliver bigger pipe dimensions. It will further enable more complete deliveries to land based farming operations, as well as generic pipes for markets outside the aquaculture industry. In addition, we doubled production capacity for our popular Polarcirkel workboats produced in Mo i Rana.

On January 1st 2018 new regulations regarding technical requirements for land based fish farms took effect in Norway. These state all facilities must acquire a permit from the Norwegian Directorate of Fisheries at the latest by January 1st 2021. In order to qualify, all components at the facility significant for preventing fish escape, must comply with the requirements in the NS 9416:2013 standard. During 2017, our subsidiary Plastsveis AS has gone through a certification process and is awaiting formal approval of our certification assignment from Norwegian Accreditation.

In the second half of 2017, we also initiated an investment program at our manufacturing operations in Chile for steel cages to increase manufacturing capacity and to improve efficiency so as to decrease production costs.

Through new technological solutions, we have ambitions to help solve some of the biological challenges the aquaculture industry encounters. In this quest, we work closely with our customers and cooperate with both national and international research communities. The project Atlantis Subsea Farming, in cooperation with Sinkaberg-Hansen and Egersund Net, is our most ambitious project so far. The goal is to develop subsea fish

farms at an industrial scale, which not only enable better and more sustainable utilization of today's locations, but also open up the opportunity for farming at more exposed sites.

We have spent significant time during 2017 on reviewing our strategic position and building a platform for further improvements both internally and for our customers. We have identified areas for focused growth and expansion, operational improvement measures, as well as areas for development of technology and solutions that enable an efficient and sustainable aquaculture industry.

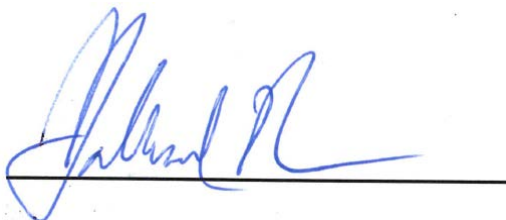
From AKVA group of companies to AKVA group

AKVA group's history is characterized by several mergers and acquisitions, however we still have a job to do in building an even better sharing culture. During 2017, we spent considerable time fostering "Group Thinking" and in the middle of the year implemented a new organizational structure. This has brought us forward but will remain a focus area in 2018 as well.

I firmly believe the collective aquaculture experience in AKVA group is unique, but in order to further unlock potential we will continue to challenge ourselves, drive change in culture, simplify processes and align the organization towards common strategic goals.

AKVA group completed the fourth quarter of 2017 with the largest order book in the company's history. It provides us with a solid foundation and we have set ambitious targets for 2018.

Success never comes with a guarantee but I am confident we have what it takes to capitalize on the many opportunities in front of us.



Oslo, Norway
April 11th 2018
Hallvard Muri
Chief Executive Officer

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

Corporate Management



Hallvard Muri
Chief Executive Officer

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



Simon Nyquist Martinsen
Chief Financial Officer

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

Corporate Management



Per Andreas Hjetland

Chief Operations Officer Nordic

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



Svein Jørgen Fuglesang

Senior Vice President Supply Chain & Manufacturing

Svein Jørgen Fuglesang (b. 1969), assumed the position as SVP in July 2017. Prior to joining AKVA group, he was responsible for global manufacturing in Aker Solutions Subsea. He has extensive experience as an operational executive in various supply chain and manufacturing environments. He has experience from multiple industries, including chemical processing, pharmaceuticals, foodstuff, management consulting, logistics and Oil&Gas. Svein Jørgen holds a Master in Chemical Engineering with Process Biotechnology from University of Strathclyde in Scotland. He is a Norwegian citizen and resides in Oslo, Norway.

Corporate Management



Trond Severinsen

Senior Vice President Technology & Development

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.



Morten Nielsen

Chief Operations Officer Land Based

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

Corporate Management



Inge Forseth
Chief Operations Officer Software

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



Andrew Campbell
Regional President, Americas & Australasia

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

Corporate Management



David Thorburn

Regional President, Europe & Middle East

David Thorburn (b.1960) joined AKVA group in 2008. Prior to that he had been General Manager of Idema Aqua UK and Europe operations. He has been involved in the aquaculture industry for nearly 30 years. He has managed projects with companies working on both landbased and cage aquaculture on a global scale. His early career was as a Service Manager in Anadrill Schlumberger in the oil industry travelling extensively working on international projects. It was at this time that he first became interested in the aquaculture industry. David is a Scottish citizen and resides in Nairn near Inverness.

Board of Directors' Report

AKVA group ended 2017 in a strong financial position with the highest order backlog ever. We experienced good underlying performance in all business segments ending the most profitable year in the Groups history.

Total revenue for the Group in 2017 was MNOK 2.088 - an increase of 30% from 2016. Earnings before interest, tax, depreciation and amortization (EBITDA) was MNOK 240 - an increase of 66% compared to 2016. Net profit was 100 MNOK – an increase of 261% compared to 2016.

The financial result for 2017 reflects high activity in all product segments during the year. The Cage Based Technology segment had strong momentum throughout the year driven by Nordic, as well as increased activity in Europe & Middle East and in the Americas. All regions experienced growth in 2017 compared to 2016, as did the Land Based Technology Segment and the Software segment.

While revenues increased by 30%, the value of new orders increased by 27% and ended at MNOK 2,471. In particular, the step up of order intake came from the Americas region and Europe & Middle East region, resulting in a more balanced geographical presence for the Group.

AKVA group – the business segments

AKVA group is a leading supplier of technology and services to the global aquaculture industry. Our activities include design, purchase, manufacturing, assembly, sale and installation of technology as well as rental, service and consulting services. The Group's main customer base is the global salmon-farming industry, although the Group has a strategic focus to grow in targeted markets for other species.

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

Main products in the CBT segment are; feed barges, fish farming cages, centralized feed systems, sensors, cameras, biomass estimation systems, light systems, net cleaning systems and ROV's. The Polarcirkel™ polyethylene (PE) cages are produced at our facility in Mo i Rana, Norway, and is one of the world's leading fish cage brands. The Polarcirkel™ brand also includes Polarcirkel™ PE-boats designed for extreme conditions for the fish-farming industry, diving and the oil and gas service industry. Our manufacturing plant at Mo i Rana is also a renowned supplier of PE pipes up to 1200 mm diameter for installation in land based recirculation systems and for sale into the water/wastewater segment. Steel cages sold under the Wavemaster™ brand are market leaders in Chile and Canada. Wavemaster™'s production facility for steel cages is located in Puerto Montt, Chile. Feed barges are also marketed and sold as Wavemaster™ barges. The feed barges have a strong position in the Nordic and EME salmon markets, and are supplied with AKVASmart™ centralised feed systems as well as other technologies from AKVA group. The manufacturing of feed barges designed by AKVA group, are done in Tallinn (Estonia), Riga (Latvia) and Ustka (Poland), by our external partners. Sperre AS located at Notodden, Norway, holds extensive experience in developing and producing a range of advanced ROV solutions, with applications for both aquaculture as well as oil service and marine industries.

The Software segment provides market-leading software solutions for fish farming as well as for the seafood- and other industries. Our software brands are Fishtalk™ and Wisefish™.

The LBT segment designs and deliver recirculation systems for land based fish farming operations. The systems ensure optimal water quality conditions for both fresh and

seawater operations. AKVA group designs the systems in both Norway and Denmark as well as having a manufacturing facility for breeding tanks at Sømna (Norway). The delivery capabilities include design, engineering, tanks, piping, feeding systems, software, cameras, sensors etc. AKVA group has a broad system portfolio and a strong position in the land based aquaculture industry.

AKVA group is headquartered at Bryne, Norway. The company has offices and service stations along the Norwegian coast and in Chile, Scotland, Canada, Turkey, Iceland, Denmark, Australia, Spain, Greece and Iran. In addition, the Group has representation in other countries across the globe.

Market situation and operations through 2017

(2016 figures in brackets unless other is specified)

AKVA group had strong order intake in 2016 and started 2017 with a high order backlog of MNOK 998. An overall continuation of the good market situation, as well as focusing on organizational and operational improvements, has resulted in further growth in order intake, revenue and earnings in 2017. The order backlog at the end of 2017 was MNOK 1,381.

As the Chilean salmon industry got stronger late 2016, our order intake from this region more than doubled in 2017, and operating revenue ended at 286 MNOK compared to 143 MNOK in 2016. Further, the Europe & Middle East region also more than doubled order intake in 2017 compared to 2016 as well as growing revenue and ended the year with a record high order backlog. For Europe & Middle East, Scotland is the largest contributor, but we have also experienced significant improvements in Russia and “non-salmon” markets around the Mediterranean Sea.

On top of this, the Nordic region has continued to experience high market activity; this is also relevant for the Land Based segment, which has seen a good flow of new projects.

Software maintained its strong market position, launched new product modules as well as achieving growth in revenues in 2017.

Revenues from rental, services and maintenance provided by AKVA group continued the positive development in 2017, reflecting a positive trend in an area with strategic priority for the Group.

In 2017, AKVA group had revenues from technology sales and services to aquaculture producers of other species than salmon of MNOK 206 (178), equal to 10% (11%) of total revenues. The Mediterranean and Middle East were the main markets for sales to customers farming other species. Revenue from technology and services to non-seafood markets was MNOK 126 (178), equal to 6% (11%) of total revenue.

Going Concern

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

Profit and loss (consolidated)

Total revenue for AKVA group in 2017 was MNOK 2,088 (1,603) - an increase of 30% compared to 2016. EBITDA for 2017 was MNOK 240 (144) - an increase of 66% compared to 2016.

As in 2016, all segments contributed to revenue growth in 2017. The gross margin has improved compared to 2016, due to varied efficiency initiatives, leveraging of the cost base and focus on improvement measures.

Depreciation and amortization in 2017 was MNOK 83 (69). EBIT for 2017 was MNOK 157 (75). Net financial expenses was MNOK 22 (26) and Profit before tax was MNOK 136 (49). The calculated tax for 2017 is MNOK 36 (21). Net profit for the year was MNOK 100 (28).

CBT achieved operating revenues in 2017 of MNOK 1,516 (1,133), an increase of 34% compared to 2016. EBITDA was MNOK 178 (113), an increase of 58% compared to 2016. Driven by the Nordic region and Chile the segment ended yet another good year. The activity in Scotland in 2017 has been driven by rental and services as well as the sale of several larger technology projects at the end of 2017.

Software achieved operating revenues in 2017 of MNOK 165 (140) with an EBITDA of MNOK 29 (26). AKVA group Software AS in Norway continued to deliver steady growth in revenues and stable margins in 2017. Wise lausnir ehf in Iceland and Wise Blue in Norway experienced higher activity and growth in revenues in 2017 compared to 2016.

LBT achieved operating revenues in 2017 of MNOK 406 (330), an increase of 23% compared to 2016. EBITDA was MNOK 33 (6). LBT experienced increased activity and growth in order intake, especially in Norway, but we also see activity gradually picking up in other markets. LBT has become a larger part of AKVA group and the order backlog at the end of the year represented 39% of the Group's total order backlog.

Earnings per share were NOK 3.86 in 2017 versus NOK 1.06 in 2016. The total number of outstanding shares has been 25,834,303 in 2017 and 2016.

Profit and loss AKVA group ASA

Operating revenues for AKVA group ASA in 2017 was MNOK 859 (708). EBITDA for 2017 was MNOK 44 (37). Depreciation and amortization in 2017 was MNOK 14 (12). EBIT for 2017 was MNOK 31 (26). Net financial income was MNOK 10 (3) and profit before tax was MNOK 41 (29). The calculated tax for 2017 was MNOK 8 (3). Net profit for the year was MNOK 33 (26).

Statement of Financial Position and cash flow (consolidated)

Total assets at the end of 2017 were MNOK 1,663 (1,376). Total liabilities amounted to MNOK 1,162 (941) and equity totalled MNOK 500 (435) giving an equity ratio of 30% (32%).

Working capital in the consolidated balance sheet, defined as non-interest bearing current assets less non-interest bearing short-term debt, was MNOK 172 at the end of 2017 compared to MNOK 36 at the end of 2016. Working capital as a percentage of 12 months rolling revenue was 8% at the end of 2017 compared to 2% at the end of 2016. The working capital was extraordinarily low at the end of 2016 and 2017 reflects a more normalized level. The average working capital in 2017 in relation to 12 months rolling revenue was 6% at the end of 2017.

Equity was positively affected during 2017 by this year's result of MNOK 100 (28), translation differences and cash flow hedges of MNOK 28 (negatively affected by 5 MNOK in 2016), out of which MNOK 10 (negatively affected by MNOK 2 in 2016) is related to currency effects on goodwill and other intangible assets, according to IFRS. Equity was negatively affected during 2017 by the dividend payment of MNOK 32, and by the buyback of shares of MNOK 2 in connection with the share incentive scheme to the employees.

At the end of 2017 gross interest bearing debt amounted to MNOK 473 (378). Cash and unused credit facilities amounted to MNOK 420 (256).

The company complied with all financial covenants during 2017.

Investments in fixed assets in 2017 amounted to MNOK 187 (89), including MNOK 21 (22) in equipment related to our rental business and MNOK 37 (20) in capitalized R&D expenses, in accordance with IFRS. The main increase in investment from 2016 to 2017 is related to investment in new production facility in Helgeland Plast (51 MNOK), as well as investment in new boats including equipment in AKVA Marine Services (50 MNOK).

Balance sheet AKVA group ASA

Total assets at the end of 2017 were MNOK 1,102 (1,069). Total liabilities amounted to MNOK 677 (642) and equity totalled MNOK 426 (427) giving an equity ratio of 39% (40%).

Risk factors

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

For AKVA group the financial risks are mainly related to currency risk, interest rate risk, credit risk and liquidity risk. A reduction in currency risk 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 rates and net interest costs will consequently increase and decrease according to fluctuations in the interest level. AKVA group targets to maintain sufficient level of free cash at all times to be able to meet its obligations and planned investment levels.

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

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

Product development

In 2017 the Group invested MNOK 96 (58) in product research and development, of which MNOK 37 (20) was capitalised and MNOK 59 (38) expensed. The investments were used to further improve existing products and to develop new products.

Organisation and work environment

AKVA group had 956 (791) employees at the end of 2017. Women accounted for 14% (16%) of the employees. The Group aims at having a gender balance across the different levels of the organization.

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 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 targets to be a workplace with no discrimination due to reduced functional ability and is working actively to design and implement physical working conditions to fit all employees. For employees or new applicants with reduced functional ability, individual arrangements of workplace and responsibility are made.

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

Total sick leave in the Group during 2017 amounted to 2.7% (3.1%). The Group has registered ten (seven) incidents causing sick leave exceeding the day the incident occurred, during 2017. Efforts have been made in order to prevent similar incidents to happen in the future.

The board considers the working environment in the company to be satisfactory.

Future outlook

Following a significant increase in order intake and order backlog in 2017, the outlook for AKVA group is positive for 2018. The order backlog increased in most areas and ended at MNOK 1,381 in 2017 (998).

The activity level in the Nordic cage based segment, as well as within services continue to be good. Services and after sales are high priority in our strategy.

The market conditions in Chile are expected to remain favourable and we have implemented improvements in the operations and product portfolio, which will further strengthen our competitive position and presence in that market.

The salmon farming industry expects growth in eastern Canada and Iceland and we are in process of positioning ourselves better in these areas.

We have had a strategy of focusing the "Non-Salmon" activities around the Mediterranean Sea, which has yielded good results in 2017. We will continue to develop and invest in these markets going forward.

The land based organization was re-organized during 2017 and at the beginning of 2018 is in even better shape to compete in this segment, where we see increased demand and investments from our customers.

The positive financial development has strengthened the Group. During 2017 we have also carried out an extensive strategy process, focusing of all aspects of the business to further improve our cost position, product offerings and ability to deliver sustainable aquaculture solutions to our customers.

Allocation of profit

The board proposes the following allocation of the 2017 profit for AKVA group ASA:

Transferred to other equity	NOK	33,279,768
Dividends paid	NOK	-32,272,042
Net allocated	NOK	1,006,726

At the end of 2017, AKVA group ASA had equity of MNOK 426 (427), comprised of MNOK 26 (26) in share capital, MNOK 336 (336) in share premium, MNOK 1 (1) in other paid-in capital and MNOK 63 (64) in other equity.

A dividend of 1.25 NOK per share was paid out in 2017 (0.50 NOK per share in March 2017 and 0.75 NOK per share in September 2017) totalling a distributed amount of 32,272,042 NOK in accordance with the dividend policy. In addition a half-yearly dividend of NOK 0.75 per share was resolved distributed at the board meeting on February 28th 2018.

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

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

Board of Directors



Hans Kristian Mong
Chairman

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



Anne Breiby
Deputy Chairperson

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

Board of Directors



Frode Teigen

Board Member

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



Evy Vikene

Board Member

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

Board of Directors



Nils Viga
Board Member

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



Aino Olaisen
Board Member

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

Board of Directors



Anthony James
Board Member

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



Tore Obrestad
Employee's elected Board Member

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

Board of Directors



Carina Jensen

Employee's elected Board Member

Carina Jensen lives in Brønnøysund, Norway. She holds a Bachelor's degree in Micro technology from Buskerud and Vestfold University College. She has been employed in Plastsveis AS since 2012, where she worked as a Quality Manager until 2015 and later took up the position as Operations Manager. Carina has previous experience from REC Wafer Norway AS and was on the board of Plastsveis from 2013 to 2015.



Henrik A. Schultz

Employee's elected Board Member

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

Financial Statement Group (AKVA group)



Consolidated Income Statement 01.01. - 31.12.

(in NOK 1 000)

Group	Note	2017	2016
OPERATING REVENUES			
Revenues		2 073 241	1 595 385
Other income		14 669	7 688
Total revenues	2,17	2 087 910	1 603 072
OPERATING EXPENSES			
Cost of materials	10	1 196 268	912 869
Payroll expenses	3,4	496 121	422 104
Other operating expenses	4,7,11,15,18	155 607	123 907
Total operating expenses		1 847 997	1 458 880
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		239 913	144 193
Depreciation and amortization	7,8	82 784	69 156
OPERATING PROFIT (EBIT)		157 128	75 036
FINANCIAL INCOME AND EXPENSES			
Financial income	15,16	6 805	4 916
Financial expenses	15,16	(28 361)	(31 362)
Net financial income (expense)		(21 556)	(26 446)
PROFIT BEFORE TAX		135 573	48 590
Taxes	5	35 744	20 992
NET PROFIT FOR THE YEAR		99 829	27 598
NET PROFIT (LOSS) ATTRIBUTABLE TO:			
Non-controlling interests		142	98
Equity holders of AKVA group ASA		99 687	27 500
Earnings per share (NOK)	6	3,86	1,06
Diluted earnings per share (NOK)	6	3,86	1,06

Consolidated Statement of Comprehensive Income

01.01. - 31.12.

(in NOK 1 000)

Group	Note	2017	2016
NET PROFIT FOR THE YEAR		99 829	27 598
Other comprehensive income			
<i>Items that may be reclassified subsequently to income statement:</i>			
Translation differences on foreign operations		19 274	-3 021
Income tax effect		-	-
Total		19 274	-3 021
Gains (+) / losses (-) on cash flow hedges		11 787	-3 129
Income tax effect		-2 829	782
Amount reclassified from other comprehensive income to income statement on disposal		-	-
Total	16	8 958	-2 346
Total other comprehensive income, net of tax		28 233	-5 367
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		128 061	22 231
Attributable to:			
Non-controlling interests		142	98
Equity holders of AKVA group ASA		127 920	22 133

Consolidated Statement of Financial Position 31.12.

(in NOK 1 000)

Group	Note	2017	2016
NON-CURRENT ASSETS			
Deferred tax asset	5	13 479	13 316
Intangible assets and goodwill			
Goodwill	7	435 646	427 340
Other intangible assets	7	146 455	134 795
Total intangible assets and goodwill		582 101	562 135
Tangible fixed assets			
Land and building	8	17 542	15 614
Machinery and equipment	8	228 604	134 954
Total tangible fixed assets		246 146	150 568
Long-term financial assets			
Investments in associated companies	9	4 865	4 653
Other long-term financial assets	9,11	1 813	1 764
Total long-term financial assets		6 679	6 416
Total non-current assets		848 405	732 436
CURRENT ASSETS			
Inventory	10	238 373	186 125
Receivables			
Accounts receivables	11,17	403 977	259 880
Prepayments to suppliers		16 526	11 755
Other receivables		38 548	20 211
Total receivables		459 051	291 846
Cash and cash equivalents	12	116 969	165 543
Total current assets		814 392	643 515
TOTAL ASSETS		1 662 797	1 375 951

Consolidated Statement of Financial Position 31.12.

(in NOK 1 000)

Group	Note	2017	2016
EQUITY			
Equity attributable to equity holders of AKVA group ASA		499 907	434 590
Non-controlling interests		518	376
Total equity	13,19,21,22	500 425	434 966
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	5	57 499	34 564
Liabilities to financial institutions	14	350 874	347 902
Other long term liabilities	19	109 565	86 602
Total non-current liabilities		517 938	469 068
Current liabilities			
Liabilities to financial institutions	14	122 174	29 973
Trade payables		185 763	143 343
Current tax payables	5	11 822	21 673
Public duties payable		38 416	27 050
Prepayments from customers	17	176 119	146 954
Other current liabilities	15	110 139	102 924
Total current liabilities		644 433	471 917
Total Liabilities		1 162 372	940 985
TOTAL EQUITY AND LIABILITIES		1 662 797	1 375 951

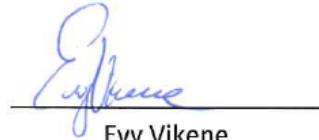
Oslo, Norway, April 11th 2018



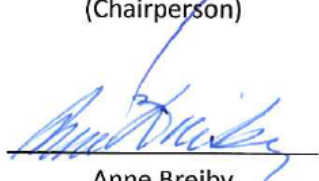
Hans Kristian Møng
(Chairperson)



Frode Teigen



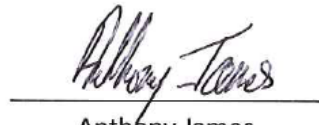
Evy Vikene



Anne Breiby
(Deputy Chairperson)



Nils Viga




Anthony James



Aino Olaisen



Tore Obrestad



Carina Jensen



Henrik A. Schultz



Hallvard Muri
(CEO)

Consolidated Statement of Cash flow 01.01.-31.12.

(in NOK 1 000)

Group	Note	2017	2016
Cash flow from operating activities			
Profit before taxes		135 573	48 590
Taxes paid		-22 823	-12 151
Net interest cost		11 491	6 608
Gain (loss) on disposal of fixed assets		-774	1 085
Depreciation and amortization	7,8	82 784	69 156
Changes in stock, accounts receivable and trade payables		-153 925	73 097
Changes in other receivables and payables		39 360	35 911
Net foreign exchange difference		7 208	-4 044
Cash generated from operating activities		98 895	218 253
Interest paid	15	-14 177	-10 811
Interest received	15	2 686	4 203
Net cash flow from operating activities		87 404	211 645
Cash flow from investment activities			
Investments in fixed assets	7,8	-104 387	-89 316
Proceeds from sale of fixed assets	7,8	7 178	485
Net repayment of long-term receivables		-262	-1 010
Acquisition of subsidiary net of cash acquired ¹⁾	19	-19 920	-170 483
Net cash flow from investment activities		-117 392	-260 324
Cash flow from financing activities			
Repayment of borrowings	14	-344 058	-64 410
Proceed from borrowings	14	356 096	185 278
Dividend payment	21	-32 272	-19 376
Sale/(purchase) own shares	22	-2 112	4 155
Net cash flow from financing activities		-22 346	105 646
Net change in cash and cash equivalents		-52 334	56 967
Net foreign exchange differences		3 759	-941
Cash and cash equivalents at 01.01		165 543	109 517
Cash and cash equivalents at 31.12	12	116 969	165 543

¹⁾ Payment of contingent consideration related to acquisition of subsidiaries is included in Acquisition of subsidiary net of cash acquired

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

Consolidated Statement of changes in equity

(in NOK 1 000)

Group	Note	Share capital	Share premium	Other paid-in capital	Total paid in capital	Translation differences	Other equity	Total other equity	Retained earnings	Total equity	Non-controlling interest	Equity shareholders AKVA group
Equity as at 01.01.2016		25 711	329 715	-759	354 667	-4 303	-9 096	-13 399	87 164	428 432	3 444	424 988
Net movement in cash flow hedges		-	-	-	-	-	-2 346	-2 346	-	-2 346	-	-2 346
Translation difference		-	-	-	-	-3 021	-	-3 021	-	-3 021	-	-3 021
Total other comprehensive income		-	-	-	-	-3 021	-2 346	-5 367	-	-5 367	-	-5 367
Profit (loss) for the period		-	-	-	-	-	-	-	27 598	27 598	98	27 500
Total comprehensive income		-	-	-	-	-3 021	-2 346	-5 367	27 598	22 231	98	22 133
Dividend	21	-	-	-	-	-	-	-	-19 376	-19 376	-	-19 376
Non-controlling interests arising on a business combination	19	-	-	-	-	-	-	-	-476	-476	-3 165	2 689
Sale / (purchase) of own shares	22	123	-	-	123	-	-	-	4 032	4 155	-	4 155
Equity as at 31.12.2016	13	25 834	329 715	-759	354 790	-7 324	-11 443	-18 766	98 942	434 966	376	434 590
Equity as at 01.01.2017		25 834	329 715	-759	354 790	-7 324	-11 443	-18 766	98 942	434 966	376	434 590
Net movement in cash flow hedges		-	-	-	-	-	8 958	8 958	-	8 958	-	8 958
Translation difference		-	-	-	-	19 274	-	19 274	-	19 274	-	19 274
Total other comprehensive income		-	-	-	-	19 274	8 958	28 233	-	28 233	-	28 233
Profit (loss) for the period		-	-	-	-	-	-	-	99 829	99 829	142	99 687
Total comprehensive income		-	-	-	-	19 274	8 958	28 233	99 829	128 061	142	127 920
Dividend	21	-	-	-	-	-	-	-	-32 272	-32 272	-	-32 272
Non-controlling interests arising on a business combination	19	-	-	-	-	-	-	-	-	-	-	-
Adjustment of contingent consideration	19	-	-	-	-	-	-	-	-28 218	-28 218	-	-28 218
Sale / (purchase) of own shares	22	-28	-	-	-28	-	-	-	-2 085	-2 112	-	-2 112
Equity as at 31.12.2017	13	25 806	329 715	-759	354 763	11 951	-2 484	9 466	136 196	500 425	518	499 907

Notes to the Consolidated Financial Statement – Group

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Note 1

Summary of significant accounting policies

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

These consolidated Financial Statements have been approved for issuance by the board of directors on April 11th 2018 and is subject for approval by the Annual General Meeting on May 15th 2018.

Basis for preparation

The consolidated financial statements of the AKVA group have been prepared in accordance with the international accounting standards published by the International Accounting Standards Board and the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) as per December 31st 2017.

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

Functional currency and Presentation currency

The Group presents its financial statements in NOK. This is also the parent company's functional currency. For consolidation purposes, the statements of financial position of subsidiaries with a different functional currency are translated at the rate applicable at the end of the reporting period, and the income statements have been translated at monthly average rates. Translation differences are recognized in other comprehensive income. When foreign subsidiaries are sold, the accumulated translation differences relating to the subsidiary are taken to profit or loss.

Basis of consolidation

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

The acquisition method is applied when accounting for business combinations. Companies which have been bought or sold during the year are consolidated from/until the date when control transfers to/from the Group. Investments in associates (normally investments of between 20% and 50% of the companies' equity) in which AKVA group ASA exercises a significant influence are accounted for by applying the equity method. The carrying value of the investments is reviewed when there are indications of a decline in value or when there is no longer any need for previously recognized impairment losses.

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

Inter-company transactions and balances, including internal profits and unrealized gains and losses are eliminated in full. Unrealized gains that have arisen due to transactions with associates are eliminated against the Group's share in the associate. Unrealized losses are

correspondingly eliminated, but only to the extent that there are no indications of a decline in the value of the asset that has been sold internally.

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

Cash and cash equivalents

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

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

Revenue recognition

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

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

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

The milestones for barges are

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

The milestones for cages are

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

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

Revenues from sale of professional services are recognized in the income statement when the services are performed.

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

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

Segments

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

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

Currency

Transactions in foreign currencies

Transactions in foreign currencies are initially recognized in the functional currency at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rate at the reporting date. All exchange differences are recognized in the income statement with the exception of exchange differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity, or monetary items that are regarded as a part of the net investments. These exchange differences are recognized as a separate component of other comprehensive income until the disposal of the net investment or settlement of the monetary item, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those borrowings or monetary items as part of the net investments are also recognized in other comprehensive income. Non-monetary items that are measured at historical cost in foreign currency are translated using the exchange rates at the dates of the initial transactions.

Foreign operations

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

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

Hedging

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

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

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

(a) Fair value hedges:

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

The hedge accounting is discontinued if:

- i) the hedging instrument expires or is terminated, exercised or sold, or
- ii) the hedge does not meet the abovementioned hedge requirements, or
- iii) the Group chooses to discontinue hedge accounting for other reasons

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

(b) Cash-flow hedges

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

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

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

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

If the hedged transaction is no longer expected to occur, any previously accumulated gain or loss on the hedging instrument that has been recognized directly in other comprehensive income will be recognized in profit or loss. See note 16 for further information.

Loans and borrowings

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

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

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

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

Financial instruments

According to IAS 39, Financial Instruments: Recognition and measurement, financial instruments are classified in the following categories: held-to-maturity, at fair value through profit or loss, loans and receivables, and available-for-sale. Financial instruments with fixed or determinable cash flows and a fixed maturity that the Group has the positive intention and ability to hold to maturity are classified as held-to-maturity investments.

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

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

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

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

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

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

Investments held to maturity are carried at amortized cost.

Trade receivables

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

Inventories

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

Tangible fixed assets

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

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

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

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

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

Operating leases

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

Finance leases

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

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

Intangible assets

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

Patents and licenses

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

Software

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

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

Goodwill

Goodwill

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

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

Negative goodwill

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

Research and development

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

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

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

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

The amortization period will normally not exceed five years.

Impairment of assets

Financial instruments

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

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

Other assets

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

With the exception of goodwill, impairment losses recognized in the income statements for previous periods are reversed when there is information that the need for the impairment loss no longer exists or is not as great as it was. The reversal is recognized in the same line item as the impairment. However, no reversal takes place if the reversal leads to the carrying amount exceeding what the carrying amount would have been if normal depreciation periods had been used.

Equity

Equity and liabilities

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

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

Other equity

(a) Translation differences

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

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

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

(b) Hedge reserve

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

Provisions

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

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

Employee benefits

Defined contribution plan

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

Severance pay

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

Government grants

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

Income tax

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

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

Deferred tax assets are recognized in the balance sheet when it is probable that the company will have a sufficient profit for tax purposes to utilize the tax asset. At each balance sheet date, the Group carries out a review of its unrecognized deferred tax assets and the value it has recognized. The companies recognize formerly unrecognized deferred tax assets to the extent that it has become probable that the company can utilize the deferred tax asset. Similarly, the company will reduce its deferred tax assets to the extent that it can no longer utilize these.

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

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

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

Contingent liabilities and assets

Contingent liabilities are defined as

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

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

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

Business Combinations

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

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

Goodwill arising on acquisition is recognized as an asset measured at the excess of the sum of the consideration transferred, the fair value of any previously held equity interests and the amount of any non-controlling interests in the acquiree over the net amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and

contingent liabilities exceeds the total consideration of the business combination, the excess is recognized in the income statement immediately. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in the income statement as financial income or expense. If the contingent consideration is classified as equity, it should not be re-measured until it is finally settled within equity.

The Group has in some business combinations in 2016 entered into put and call options for the remaining non-controlling interests (NCI). The group accounts for such agreements using "the anticipated-acquisition method". Under this method, the interest subject to the option is deemed to have been acquired at the date of acquisition. Accordingly, the financial liability arising from the option is included in the consideration transferred. Under the anticipated-acquisition method, the interests of the non-controlling shareholders that hold the options are derecognized when the financial liability is recognized. This is because the recognition of the financial liability implies that the interests subject to the options are deemed to have been acquired already. Therefore, the underlying interests are presented as already owned by the Group, both in the statement of financial position and in the statement of profit or loss and other comprehensive income. The financial liability is recognized at the present value of the expected redemption amount. Changes in the carrying amount of the liability will be recognized within equity. If the option expires unexercised, then the liability is derecognized and NCI are recognized, consistent with a decrease in ownership interests in a subsidiary while retaining control.

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

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

Events after the balance sheet date

New information on the company's positions at the balance sheet date is taken into account in the annual financial statements. Events after the balance sheet date that do not affect the company's position at the balance sheet date but which will affect the company's position in the future are disclosed if significant.

Use of estimates when preparing the annual financial statements

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

- Impairment test for intangible assets (note 7)
- Amortization periods for intangible assets (note 7)
- Capitalized development cost/R&D cost (note 7)
- Taxes (note 5)
- Revenue recognition under long-term construction contracts (note 17)

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

Impairment of non-financial assets

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

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

Capitalized development costs

The decision to capitalize a development program involves management judgment. There are strict internal rules defining what qualifies for capitalization, and the documentation of the assessment is monitored centrally. Management makes assessment of future market opportunities, ability to successfully achieve the desired technological solution and the time and cost it takes to develop it. These factors may change over time.

Impairment indicators are assessed for individual development projects, other intangible assets and for cash generating units as a whole, including goodwill. Impairment testing is performed when impairment indicators have been identified. In addition, capitalized development programs that have not been completed are subject to an annual impairment test. The impairment test includes update of the business case, assessing status on technical achievements and reviewing cost incurred compared to budget in order to identify if any of the capitalized cost should be expensed. The asset is written down to recoverable amount, if lower than book value. The impairment testing involves judgmental assumptions about future market development, cash flows, determination of WACC, growth rate used for calculation of terminal value and other assumptions that may change over time.

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

Deferred tax assets

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

Long term construction contracts

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

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

New and amended accounting standards

The accounting policies applied are consistent with those applied in the previous financial year, except for the implementation of new accounting standards as described below.

The following standards and interpretations adopted with effect from January 1st 2017 had no implementation impact on the Group's consolidated financial statement:

- Amendments to IAS 7: Disclosure Initiative. The amendments introduce additional disclosure requirements to enable evaluation of (cash and non-cash) changes in liabilities arising from financing activities. *The* amendments are applied prospectively and no comparative information is required at the effective date.
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses. The amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value
- Improvements to IFRSs 2014-2016 cycle. These amendments consist of minor specifications in scope of IFRS 12 and exemptions from using the equity method for associated companies under IAS 28 (Amendments to IAS 28 effective from January 1st 2018, but early application permitted).

New standards not yet effective

IFRS 9 *Financial Instruments*

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. The standard sets out requirements for classification and measurement of financial instruments, impairment and hedge accounting. The Group has performed an assessment of the adoption of IFRS 9 and concluded the implementation will have no impact on the classification and measurement of the Group's financial assets and hedge accounting.

The standard will apply from January 1st 2018 and the standard shall be implemented retrospectively, with the exception of hedge accounting. The rules for hedge accounting shall mainly be implemented prospectively, with certain few exceptions. It is not a requirement to prepare comparative figures.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 Revenue from Contracts with Customers replaces all existing standards and interpretations relating to revenue recognition. The core principle of IFRS 15 is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. With some few exceptions, the standard is applicable for all remunerative contracts and includes a model for recognition and measurement of sale of individual non-financial assets (e.g. sale of property, plant and equipment).

The Group has performed an extensive assessment of the effect of the implementation, and identified that the implementation could have minor effect on revenue recognition for some long-term construction contracts in the cage based segment. Revenue recognition for service-agreement is insignificantly impacted, while the new standard will not have impact on ordinary sales of goods. The overall impact of the implementation for the Group is assessed to be minor.

The cumulative effect method will be applied doing the transition, and the calculated net of tax effect is MNOK 1.8 to be recognized directly to equity as of January 1st 2018. As a result, the Group will not apply the requirements of IFRS 15 to comparative period presented.

The standard will apply from January 1st 2018 and will have impact on the disclosures of the financial statement.

IFRS 16 Leases

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

A provisional analysis of the standards effect on the Group has been carried out, and the Group's lease contracts for buildings¹⁾ are expected to have the largest impact when implementing the new standard. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at January 1st 2019, the composition of the Group's lease portfolio at the date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

The Group will assess the effect more thoroughly in 2018 to be prepared for the transition in 2019.

The standard will apply from January 1st 2019.

¹⁾ See note 18 for more information about lease commitments and lease expenses

Note 2

Segment information (in NOK 1 000)

Business segments

For more detailed description and information about products and services included in the business areas, please go to "Products" at www.akvagroup.com and download the short version of the product catalogues.

Cage Based Technology

Main products include PolarcirkeTM, WavemasterTM and AkvasmartTM hardware brands such as: Plastic cages, steel cages, feed barges, feed systems, sensor- and camera systems, underwater lights and net cleaning systems. Various degrees of cage farming projects are also delivered in main export markets. These also include nets and mooring systems from other recognized sub-suppliers. Through Helgeland Plast AS in Norway, AKVA group supplies polyethylene work boats and pipes to aquaculture and other industries. By including Sperre AS in AKVA in 2016 the Group also supplies ROV's and subsea solutions to the aquaculture, oil service and maritime industries.

Software

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

Land based technology

Recirculation technology forms the main part of our Land Based Aquaculture Technology, which is developing into a major trend in global aquaculture. This technology allow the re-use (recirculation) of close to 100% of the water by cleaning the water and restoring important water quality parameters, using advanced water treatment technology. Main components used include mechanical filters, UV treatment, bio filters, degasser units, oxygenation, cooling/heating systems and lifting pumps. The main reason for reporting this separately is due to the very different nature of this business compared to the other more traditional part of AKVA group's business and products. Recirculation projects tend to be 10-20 times larger (in average project value) compared to other delivery projects (other AKVA group products). The sales process is substantially more complex and time consuming as it often requires extensive pre-project engineering, site evaluations and harder to get financing. Main subsidiaries in the Group for Land Based Technology are AKVA group Denmark A/S (Denmark), Plastsveis AS (Norway) and Aquatec Solutions A/S (Denmark).

Intra segment revenue is immaterial.

Cage Based Technology	2017	2016
Operating revenue	1 516 453	1 132 781
Operating expenses	1 338 526	1 020 207
Operating profit before depreciation and amortization (EBITDA)	177 927	112 575
Depreciation and amortization	62 376	49 522
Operating profit (EBIT)	115 551	63 052
Investments in tangible and intangible assets	164 224	69 098

Software	2017	2016
Operating revenue	165 492	140 294
Operating expenses	136 870	114 266
Operating profit before depreciation and amortization (EBITDA)	28 622	26 029
Depreciation and amortization	12 280	11 505
Operating profit (EBIT)	16 343	14 524
Investments in tangible and intangible assets	15 265	11 244

Land Based Technology	2017	2016
Operating revenue	405 964	329 997
Operating expenses	372 600	324 407
Operating profit before depreciation and amortization (EBITDA)	33 364	5 589
Depreciation and amortization	8 129	8 129
Operating profit (EBIT)	25 235	-2 540
Investments in tangible and intangible assets	7 980	8 975

TOTAL	2017	2016
Operating revenue	2 087 910	1 603 072
Operating expenses	1 847 997	1 458 880
Operating profit before depreciation and amortization (EBITDA)	239 913	144 193
Depreciation and amortization	82 784	69 156
Operating profit (EBIT)	157 129	75 036
Assets	1 662 797	1 375 951
Liabilities	1 162 371	940 984
Investments in tangible and intangible assets	187 470	89 316

Operating revenue	2017	2016
Construction contracts	1 091 538	886 191
Product sales	435 994	289 035
Service	338 367	242 615
Rental contracts	45 414	40 911
Software	161 928	136 632
Other income	14 669	7 688
Total operating revenue	2 087 910	1 603 072

Geographical information

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

Operating revenue - external customers	2017	2016
Norway	1 153 892	1 011 721
Chile	241 350	114 329
Canada	59 746	43 888
Scotland	122 979	93 822
Denmark	309 643	192 528
Iceland	113 193	94 537
Other	87 107	52 247
Group	2 087 910	1 603 072

Non-current assets excluding deferred tax assets and other non-current assets	2017	2016
Norway	750 484	652 249
Chile	17 740	12 398
Canada	2 635	1 077
Scotland	28 648	25 514
Denmark	15 398	12 936
Iceland	9 623	6 715
Other	3 719	1 815
Group	828 247	712 703

Total assets	2017	2016
Norway	1 044 447	924 832
Chile	224 805	148 763
Canada	39 958	31 751
Scotland	102 725	68 656
Denmark	166 761	144 431
Iceland	37 918	36 232
Other	46 182	21 286
Group	1 662 797	1 375 951

Revenues by customer

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

Revenues by customer	2017	2016
Customer A	258 070	186 896
Customer B	114 632	92 607
Customer C	66 831	59 003
Customer D	61 926	43 823
Customer E	53 313	43 304

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

Note 3

Wages, remunerations and pensions (in NOK 1 000)

Payroll expenses	2017	2016
Salaries	421 999	351 756
Payroll tax	30 938	25 009
Pension costs	14 401	13 826
Other benefits	28 783	31 513
Total payroll expenses	496 121	422 104
Number of employees at year end:	956	791
The average number of employees in full time equivalent in the Group during the year is:	943	765

Remuneration to group management 2017	Salary	Pension	Other	Accrued - not paid Bonus
Hallvard Muri (CEO)	2 335	64	147	1 638
Simon Nyquist Martinsen (CFO) ¹⁾	1 324	64	34	1 114
Svein Jørgen Fuglesang (SVP Supply Chain Management) ²⁾	700	64	24	328
Trond Severinsen (SVP Technology & Development)	1 189	64	149	402
Per Andreas Hjetland (COO Cage Based)	1 381	64	26	537
Inge Forseth (COO Software)	1 375	64	24	536
Morten Nielsen (COO Land Based) ³⁾	1 806	-	-	751
Andrew Campbell (Regional President Americas & Australasia) ³⁾	1 606	-	8	691
David Thorburn (Regional President Export) ³⁾	1 025	100	151	457

¹⁾ Simon Nyquist Martinsen assumed his position as CFO on February 23rd 2017

²⁾ Svein Jørgen Fuglesang assumed his position as SVP on June 1st 2017

³⁾ Morten Nielsen, Andrew Campbell and David Thorburn receives salary in their local currency and they are translated to NOK using average rate during 2017

The incentive scheme for the group management consist of two components: i) an annual bonus limited to between 30% and 50% of annual salary, dependent upon individual and financial targets, for the years 2017, 2018 and 2019; and ii) a deferred bonus limited to between 30% and 50% of annual salary, dependent upon individual targets and the

development of the company's share price relative to the OSLO Seafood Index (OSLFX), for the same period.

The accrued bonuses in the table above includes the annual bonuses, which are payable in 2018 as well as the estimated deferred bonuses.

The CEO has an annual fixed salary of MNOK 2.5 and a monthly car allowance of KNOK 10. The bonus agreement of the CEO is as described above, limited to 50% of annual salary both for the annual and deferred part of the scheme. The CEO is entitled to 12-month severance payment if his employment agreement is terminated.

Pensions

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

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

As of December 31st 2017 the Group has no pension liability.

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

Loan and pledge

The Group has not given any loans or pledges to members of the board or group management as of December 31st 2017.

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

¹⁾ Hallvard Muri assumed his position as CEO on November 4th 2016

²⁾ Trond Williksen stepped down as CEO on November 3rd 2016

³⁾ Eirik Børve Monsen stepped down as CFO on December 31st 2016

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

Fees to the Board of Directors	Position	2017	2016
Hans Kristian Mong	Chairperson of the Board	275	296
Anne Breiby	Deputy Chairperson of the Board	243	188
Frode Teigen	Member of the Board	155	173
Evy Vikene	Member of the Board	138	132
Nils Viga	Member of the Board	179	146
Aino Kristin Lindal Olaisen	Member of the Board	138	131
Anthony James	Member of the Board	171	131
Tore Obrestad	Member of the Board	33	32
Carina Jensen	Member of the Board	33	32
Henrik A. Schultz	Member of the Board	33	32

Henrik A. Schultz, Carina Jensen and Tore Obrestad are elected amongst the employees and are the employee's representatives in the board of directors. In addition to the board fee they have all received salary, pension contribution and other remunerations. Henrik A. Schultz has in 2017 received KNOK 608 in salary, KNOK 24 in contribution to the pension scheme and KNOK 26 in other remuneration. Carina Jensen has in 2017 received KNOK 654 in salary, KNOK 28 in contribution to the pension scheme and KNOK 10 in other remuneration. Tore Obrestad has in 2017 received KNOK 835 in salary, KNOK 37 in contribution to the pension scheme and KNOK 168 in other remuneration.

Establishment of salaries and other remuneration to executive management

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

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

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

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

Total variable remuneration shall not in normal cases exceed the value of the fixed remuneration. In 2006 AKVA group introduced a stock option plan. As of December 31st 2017 the stock option plan is inactive and no options have been granted.

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

Salary payments after termination of employment is normally related to confidentiality and restrictive competitor agreements in which these payments shall only compensate for the constraints to the resigned employees permission to enter into a new employment

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

Fees to auditor	2017	2016
Audit	2 632	2 002
Tax services	924	571
Attestation services	25	-
Other services	767	1 039
Total	4 347	3 612

All fees to the auditor is excluded of VAT.

Note 4

Government grants and subsidies (in NOK 1 000)

Government grants received	2017	2016
"Skattefunn"	3 216	2 944
Highlands and Islands Enterprise	-	171
Other	2 858	2 224
Total	6 074	5 339

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

Note 5

Taxes (in NOK 1 000)

Tax expense	2017	2016
Current taxes payable	13 692	18 823
Adjustment related to previous year	-787	-11
Change in deferred taxes	23 818	2 405
Effect of change in tax rate in Norway	-978	-225
Total tax expense	35 744	20 992

Specification of temporary differences¹⁾	2017	2016
Current assets	121 082	50 492
Fixed assets	157 433	141 192
Provisions	-15 464	-31 637
Pension obligations	45	27
Losses carried forward	-93 598	-105 277
Other	-13 628	-1 540
Total	155 871	53 256

¹⁾ An effect of MNOK 71.8 is due to acquisitions in 2016

Effective tax rate	2017	2016
Expected income taxes, statutory tax rate of 24%	32 643	12 099
Permanent differences (24%)	4 077	3 907
Effect of change in tax rate	-1 033	-225
Deviation between Norwegian and foreign tax rate	-483	-1 984
Excess(-)/insufficient(+) provisions in former years	875	41
Change in non-recognized deferred tax asset	-335	7 155
Income tax expense	35 744	20 992

Effective tax rate in percent of profit before tax	26,4 %	43,2 %
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The Group has a tax loss carry forward of MNOK 93.6 whereof the total amount is available indefinitely for offset against future taxable profits of the companies in which the losses arose. Of the total tax loss carried forward MNOK 40.2 is not included in the balance sheet as deferred tax asset.

The deferred tax asset recognized in the balance sheet is made probable due to future earnings in the subsidiaries and tax planning. About 96% of the tax loss carried forward is related to AKVA group Denmark A/S and Aquatec Solutions A/S.

An assessment of the future profit for the Danish entities is done, and for the tax loss carried forward included in the balance sheet as deferred tax asset it is expected that profit before tax in the next three years will offset the recognized deferred tax asset.

The current market conditions look promising for the salmon industry worldwide, and especially within the segment the Danish entities operate.

Note 6

Earnings per share

	2017	2016
Ordinary profit / net income (in NOK 1 000)	99 687	27 500
Number of ordinary shares outstanding as of 31.12.	25 834 303	25 834 303
Weighted average number of ordinary shares	25 811 877	25 828 889
Earnings per share (NOK)	3,86	1,06
Diluted number of shares	25 811 877	25 828 889
Diluted earnings per share (NOK)	3,86	1,06

At December 31st 2017 the weighted average number of shares was lower than number of ordinary shares due to the company owning 302 shares at the beginning of the year and purchasing 100,000 shares in June 2017. 72,419 shares were transferred when finalizing AKVA group ASA's share incentive scheme early in July 2017. At year-end 2017 the company owns 27,883 shares. See note 22 Buyback and Sale of own shares.

Note 7

Intangible assets (in NOK 1 000)

2017	Goodwill	Develop- ment costs	Product rights, patents & trademarks	Total
Acquisition cost at 01.01.	427 735	178 497	202 543	808 776
Additions related to acquisitions	-	-	-	-
Acquisition cost during the year	-	36 075	668	36 744
Translation differences	8 306	2 286	2 448	13 040
Acquisition cost 31.12.	436 041	216 859	205 659	858 560
Accumulated amortization at 01.01.	395	119 787	126 459	246 641
Accumulated amortization related to acquisitions	-	-	-	-
Amortization during the year	-	16 030	12 345	28 375
Translation differences	-	1 174	269	1 443
Accumulated amortization 31.12.	395	136 990	139 074	276 459
Net book value at 31.12.	435 646	79 869	66 586	582 101

During the year the Group expensed MNOK 58.9 (MNOK 38.4 in 2016) on research and development on new products and technology as well as upgrades on existing products. The amount does not include capitalized development costs according to IAS 38 (see table above in this note).

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

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

Goodwill:

Goodwill relates for the acquisitions of Wavemaster, Polarcirkel, Maritech, UNI Aqua, Idema, Plastsveis AS, YesMaritime AS, Aquatec Solutions A/S, AD Offshore AS and Sperre AS. See impairment test of goodwill below.

Development Costs:

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

Product rights, patents & trademarks:

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

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

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

Book value of goodwill:	2017	2016
Cage Based Technology	203 713	202 226
S&AS Cage Based Technology Norway	95 849	95 849
AKVA group Software	9 600	9 600
Wise ehf	33 538	32 557
Land Based Technology	92 947	87 109
Total goodwill	435 646	427 341

AKVA group has identified the cash generating units consistently from period to period, but the Group has justified to do some changes to the cash-generating units in 2017 in line with IAS 36.72.

Book value of intangible assets with indefinite useful lifetime		
S&AS Cage Based Technology Norway	8 888	8 888
Cage Based Technology	19 167	19 167
Total intangible assets	28 055	28 055

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

Key assumptions used for calculations:

Growth rates

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

Revenue

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

Gross margin

The gross margins, revenues subtracted for cost of goods sold, are only with immaterial changes based on achieved gross margins during the last three years, and is aligned with achievements the last year. It is assumed the gross margin will be stable in the years to come. 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

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

Discount rates

Discount rates are based on Weighted Average Cost of Capital (WACC) derived from the Capital Asset Pricing Model (CAPM) methodology. The cost of a company's equity and debt, weighted to reflect its capital structure of 79|21 respectively, derive its weighted average cost of capital. The discount rates take into account the debt premium, market risk premium and gearing, corporate tax rate and asset beta.

In the recoverable amount assessment, the Group has applied estimated cash flows after tax and a corresponding discount rate after tax of 7.27% for all cash-generating units. A variation of +/- 1% does not materially affect the conclusion of the impairment tests.

The recoverable amounts would not change significantly if pre-tax cash flows and a pre-tax discount rate of 7.42% had been applied instead.

Sensitivity to changes in assumptions IAS 36.134(f)

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

Note 8

Tangible fixed assets (in NOK 1 000)

	Land and building	Machinery and equipment	Total
2017			
Acquisition cost at 01.01.	21 088	368 539	389 627
Additions during the year	2 449	148 278	150 726
Translation differences	-	5 638	5 638
Disposals during the year	-	-7 097	-7 097
Acquisition cost 31.12.	23 537	515 357	538 894
Accumulated depreciation 01.01.	5 474	233 585	239 058
Depreciation during the year	519	53 891	54 409
Translation differences	-	3 879	3 879
Accumulated depreciation disposals during the year	2	-4 601	-4 599
Accumulated depreciation 31.12.	5 995	286 753	292 748
Net book value 31.12.	17 542	228 604	246 146

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

Finance lease assets are included in the amounts above and had a net book value of MNOK 114 at December 31st 2017.

Included in the additions for the year are investments in new factory facility at Helgeland Plast. The investments are expected to be finalized in first quarter 2018 and hence depreciation on the investment at year end 2017 was not started. The included assets under construction amount to MNOK 43 at year end 2017.

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

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

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

Note 9

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

Subsidiaries consolidated in the Group accounts	Acquisition year	Location	Share ownership	Voting rights
AKVA group North America Inc.	1995	Canada	100 %	100 %
AKVA group Scotland Ltd.	1997	Scotland	100 %	100 %
AKVA group Software AS	1997	Norway	100 %	100 %
AKVA group Chile S.A.	1998	Chile	100 %	100 %
AKVA Ltd ¹⁾	1998	Scotland	100 %	100 %
AKVA group Services AS	2001	Norway	100 %	100 %
AKVAsmart Ltd. (Turkey)	2005	Turkey	100 %	100 %
Helgeland Plast AS	2006	Norway	100 %	100 %
Wise lausnir ehf	2007	Iceland	100 %	100 %
AKVA group Denmark A/S	2007	Denmark	100 %	100 %
Polarcirkel AS	2010	Norway	100 %	100 %
Plastsveis AS	2013	Norway	100 %	100 %
Wise Blue AS ²⁾	2015	Norway	51 %	51 %
Aquatec Solutions A/S	2015	Denmark	100 %	100 %
Sistemas de Recirculacion Ltda ³⁾	2015	Chile	100 %	100 %
AKVA Marine Services AS	2016	Norway	68,7 %	68,7 %
AD Eiendomsselskap AS ⁴⁾	2016	Norway	100 %	100 %
Sperre AS	2016	Norway	66 %	66 %

¹⁾ Subsidiary of AKVA group Scotland Ltd.

²⁾ Subsidiary of Wise lausnir ehf

³⁾ Subsidiary of Aquatec Solutions A/S

⁴⁾ Subsidiary of AKVA Marine Services AS

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

Share ownership and voting rights have been unchanged since acquisition date for all subsidiaries except for AKVA Marine Services AS. AKVA group ASA acquired Iboard AS' shares in AKVA Marine Services AS for MNOK 5.2 in October 2017, increasing the ownership and voting rights in AKVA Marine Services AS from 65% in 2016 to 68.7% in 2017.

Other long-term investments	Share capital	Number of shares	Par value (NOK)	Book value	Ownership
Atlantis Subsea Farming AS	762	200	1 270	1 939	33 %
Centre for Aquaculture Competence AS	450	150	1 000	2 731	33 %
Blue Planet AS	1 950	2	50 000	100	5 %
Other investments				96	<5 %
Total				4 865	

Note 10

Inventory (in NOK 1 000)

Inventory	2017	2016
Raw materials (at cost)	85 482	49 138
Work in progress (at cost)	15 201	28 359
Finished goods (at net realisable value)	137 690	108 628
Total	238 373	186 125
Write-down of obsolete inventory 01.01.	5 846	5 732
Write-down of obsolete inventory during the year	1 180	114
Write-down of obsolete inventory 31.12.	7 026	5 846

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

Note 11

Receivables (in NOK 1 000)

Receivables due in more than one year	2017	2016
Other long-term receivables	1 813	1 764
Total	1 813	1 764

Accounts receivables

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

Bad debt provisions	2017	2016
Bad debt provision 01.01.	9 995	7 839
Increase in bad debt provision related to acquisitions	-	1 324
Change for the year	8 254	1 502
Used from the provision	349	-175
Unused amounts reversed	-512	-497
Bad debt provision 31.12.	18 086	9 994
Recorded bad debt cost during the year	3 062	3 710
Change in bad debt provision	7 959	831
Total bad debt cost during the year	11 020	4 541

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

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

As of 31.12. the Group had the following ageing profile of accounts receivables:	2017	2016
Not due	225 946	166 208
Due <30 days	96 133	36 784
Due 31-60 days	19 555	11 195
Due 61-90 days	18 894	4 231
Due > 91 days	43 448	41 462
Total	403 977	259 880
Bad debt provisions	18 086	9 994

Note 12

Cash and cash equivalents (in NOK 1 000)

	2017	2016
Cash	87 550	136 602
Restricted funds	29 419	28 941
Total cash and cash equivalents	116 969	165 543

Restricted funds are employee tax deduction funds and restricted funds in projects in Aquatec Solutions A/S of MNOK 17.5.

The Group has an overdraft facility of MNOK 203 and a revolving credit line of MNOK 200 in Danske Bank. As of December 31st 2017 MNOK 99.5 of the facility was utilized compared to being unused year-end 2016.

Note 13 Shareholders

AKVA group ASA

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

The Annual General Meeting (AGM) in May 2017 authorized the board of directors to acquire shares for up to an amount of NOK 645,857 which equals approximately 2.5 % of the company's share capital. Acquisition of shares pursuant to this authorization may only take place if the company's distributable reserves according to the most recent balance sheet exceed the remuneration for the shares to be acquired. The authorization was valid until the AGM in May 2018, however, not later than until June 30th 2018. This authorization replace the authorization to the board to purchase own shares, given by the General Meeting on May 10th 2016.

In the same AGM in 2017 the board of directors were authorized to increase the company's share capital by up to NOK 2,583,430, through subscription of new shares. The authorization does not authorize the board to waive the pre-emptive right of shareholders pursuant to section 10-4 of the Public Limited Liability Companies Act (the "Act"), nor carry out a capital increase through payments in non-monetary assets, nor incur special obligations on behalf of the company as set out in section 10-2 of the Act, nor decisions on mergers pursuant to section 13-5 of the Act, and may not be used in connection with the company's option program. The authorization shall be in force until the earlier of the time of the Annual General Meeting in 2018 and June 30th 2018. This authorization replaces all previous authorizations to the board to increase the company's share capital.

The 20 largest shareholders at 31.12.17	Number of shares	Ownership in % of total shares
EGERSUND GROUP AS	13 203 105	51,11 %
WHEATSHEAF GROUP	3 900 000	15,10 %
VERDIPAPIRFONDET ALFRED	1 199 372	4,64 %
VPF NORDEA KAPITAL	525 414	2,03 %
EIKA NORGE	470 246	1,82 %
STATOIL PENSJON	461 232	1,79 %
VPF NORDEA AVKASTNING	397 623	1,54 %
MP PENSJON PK	381 300	1,48 %
NORDEA NORDIC SMALL	300 000	1,16 %
MERTOUN CAPITAL AS	300 000	1,16 %
METZLER EURO SMALL +	274 300	1,06 %
NORDEA 1 SICAV	267 071	1,03 %
VERDIPAPIRFONDET NOR	228 315	0,88 %
VERDIPAPIRFONDET DNB	192 213	0,74 %
SIX SIS AG	157 156	0,61 %
DAHLE BJØRN	150 000	0,58 %
FORTE TRØNDER	147 147	0,57 %
ROGALAND SJØ AS	145 653	0,56 %
OLE MOLAUG EIENDOM AS	140 625	0,54 %
STATOIL FORSIKRING AS	115 346	0,45 %
Other shareholders	2 878 185	11,14 %
Total	25 834 303	100,00 %

Shares owned by members of the Board of Directors	Number of shares
Frode Teigen and Hans Kristian Mong as owners of Egersund Group AS ¹⁾	13 203 105
Anne Breiby (Kjerby AS)	63 800
Nils Viga (Askvig AS)	100 000
Tore Obrestad	3 519
Henrik A. Schultz	662

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

Shares owned by group management	Number of shares
Hallvard Muri (CEO) (including ACCA AS)	22 662
Simon Nyquist Martinsen (CFO) (including ELO AS)	17 662
Svein Jørgen Fuglesang (SVP Supply Chain Management)	6 912
Trond Severinsen (SVP Technology & Development)	973
Per Andreas Hjetland (COO Cage Based)	4 048
Inge Forseth (COO Software)	1 548
Morten Nielsen (COO Land Based)	1 548
Andrew Campbell (Regional President Americas & Australasia)	1 548
David Thorburn (Regional President Export)	1 283

Note 14

Liabilities to financial institutions (in NOK 1 000)

Long-term liabilities due in more than 5 years	2017	2016
Liabilities to financial institutions	25 655	5 214
Total	25 655	5 214

	2017	2016
Liabilities secured with assets	473 049	377 875
Guarantee liabilities	55 363	37 105

Assets pledged as security for debt:	2017	2016
Accounts receivable	169 890	135 187
Inventory	119 421	115 837
Shares in subsidiaries	355 365	290 388
Other assets	196 733	111 709
Total	841 409	653 121

Repayment of debt

In October AKVA group ASA refinanced the long-term debt in Danske Bank into two new loans with 3 and 5 years duration as well as increasing the overdraft facility from 90 MNOK to 200 MNOK, and establishing a new 200 MNOK revolving credit line. The Group's interest bearing liabilities of MNOK 473.0 at December 31st 2017 consist of two bank loans to Danske Bank with carrying amount MNOK 250.0, utilization of overdraft facility of MNOK 99.5, financial lease liabilities of MNOK 114.8, liability to Hitra Kommune of MNOK 7.2 and MNOK 1.5 to other financial institutions.

The Groups's long-term debt matures as follows:	2017	2016
2018	22 702	29 973
2019-2020	168 510	124 946
2021-2022	156 709	217 742
2023 or later	25 655	5 214
Total long-term debt	373 576	377 875
Average interest rate	2,28 %	2,84 %

As of December 31st 2017 an amount of MNOK 22.702 of the long-term debt due within one year is, in accordance with IFRS, reclassified to short-term interest bearing debt in the balance sheet.

Loan covenants to Danske Bank

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

- The ratio net interest-bearing debt over twelve months rolling EBITDA < 3,50
- Equity share for AKVA group > 25%
- Equity in NOK for AKVA group > 300 million

Net interest bearing debt over twelve months rolling EBITDA was 1.5 as of December 31st 2017.

The equity ratio in AKVA group ASA was 30% and equity was MNOK 500 as of December 31st 2017.

The Group was compliant with all covenants in 2017.

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

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Bank overdraft	Loans and borrowings	Other long term liabilities	Financial lease liabilities	Share capital / premium	Reserves	Retained earnings	NCI	Total
Restated balance at 01.01.2017	-	354 837	86 602	23 038	354 790	-7 324	87 499	376	899 820
Changes from financing cash flows									
Repayment of borrowings	-	-334 295	-56	-9 706	-	-	-	-	-344 058
Proceed from borrowings	99 473	256 623	-	-	-	-	-	-	356 096
Proceeds from purchase/sale own shares	-	-	-	-	-28	-	-2 085	-	-2 112
Dividend payment	-	-	-	-	-	-	-32 272	-	-32 272
Total changes from financing cash flows	99 473	-77 673	-56	-9 706	-28	-	-34 357	-	-22 346
The effect of changes in foreign exchange rates	-	-	-	-	-	19 274	-	-	19 274
Changes in fair value	-	-	-	-	-	-	8 958	-	8 958
Other changes									
Liability-related									
Change in bank overdraft	-	-	-	-	-	-	-	-	-
New finance lease	-	-	-	83 079	-	-	-	-	83 079
Interest expense	1 130	11 122	-	1 925	-	-	-	-	14 177
Interest paid	-1 130	-11 122	-	-1 925	-	-	-	-	-14 177
Total liability-related other changes	-	-	-	83 079	-	-	-	-	83 079
Total equity-related other changes	-	-	23 018	-	-	-	71 610	142	94 770
Balance at 31.12.2017	99 473	277 165	109 565	96 411	354 763	11 951	133 711	518	1 083 556

Note 15

Specification of items that are grouped in the financial statement

(in NOK 1 000)

Financial Income	2017	2016
Other interest income	2 686	4 203
Other financial income	4 120	712
Total financial income	6 805	4 916

Financial Expenses	2017	2016
Interest expenses	14 177	10 811
Agio loss	4 633	15 115
Other financial expenses	9 551	5 436
Total financial expenses	28 361	31 362

Other operating expenses	2017	2016
Accommodation, materials, equipment and maintenance	73 453	56 710
Marketing, travelling and communication	42 243	40 155
Other operating expenses	39 911	27 042
Total other operating expenses	155 607	123 907

Other current liabilities	2017	2016
Accrued costs	60 713	40 398
Warranty provisions	13 365	15 227
Other current liabilities ¹⁾	36 061	47 299
Total other current liabilities	110 139	102 924

¹⁾ Includes short term liability in 2016 of MNOK 11.3 in connection with earn-out payments to previous owners of Aquatec Solutions A/S

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

Note 16

Financial instruments and risk management (in NOK 1 000)

Determination of fair value

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

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

The carrying amount of cash and cash equivalents and overdraft facilities is approximately equal to fair value since these instruments have a short term to maturity. Similarly, the carrying amount of trade receivables and trade payables is approximately equal to fair value since they are entered into on "normal" terms and conditions. The borrowings are at floating interest rates which implies a book value in accordance to fair value.

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

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

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

	2017		2016	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash	116 969	116 969	165 543	165 543
Trade receivables	403 977	403 977	259 880	259 880
Other current assets	55 073	55 073	31 967	31 967
Other long-term financial assets	1 813	1 813	1 764	1 764
Forward currency contracts ¹⁾	6 190	6 190	-	-
Financial liabilities				
Bank overdraft	99 473	99 473	-	-
Trade payables	185 763	185 763	143 355	143 355
Forward currency contracts ²⁾	-	-	11	11
Interest-bearing loans and borrowings				
Loans	373 576	373 576	377 875	377 875

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

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

Fair value hierarchy

As of December 31st 2017, the Group held financial instruments measured at fair value as mentioned below:

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

Assets measured at fair value	31.12.17	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss	-	-	-	-
Foreign exchange forward contracts	6 190	-	6 190	-

There have been no transfers between levels during the period.

Currency risk

As part of the international activity the Group's assets and liabilities as well as expected cash inflows and cash outflows 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 2018:

Currency (in 1 000)		Bought/sold	Net currency amount
Danish Kroner	DKK	Sold	11 000
British Pound	GBP	Sold	3 750
Canadian Dollar	CAD	Sold	565
Euro	EUR	Sold	300
Turkish Lira	TRY	Sold	3 783
Norwegian Kroner	NOK	Bought	68 730

Profit and loss from the above currency contracts are recorded directly via the income statement under financial items. At the end of the year MNOK 2.239 was recorded as an unrealized loss. The forward contracts are valued at estimated fair value.

The Group uses currency forward contracts to reduce the exposure of changes in currency rates due to having revenues and costs denominated in different currencies. 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 2018 and hence be recognized in the income statement during the same period. All currency contracts expire in 2018 except for two contracts expiring early 2019.

Currency (in 1 000)		Bought/sold	Net currency amount
Euro	EUR	Bought	14 395
British Pound	GBP	Sold	1 841
Americian Dollar	USD	Sold	1 672
Norwegian Kroner	NOK	Sold	99 741

At the end of the year it was recorded a gain of MNOK 8.958 directly against other comprehensive income related to hedging of expected future cash flow.

When the expected cash flow is translated into an item in the balance sheet or actually takes place, the recorded profit or loss which has been booked directly against the equity

is reversed and included in the income statement together with the actual hedged object. 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 2017 the Group had export sales of MNOK 116 of products which predominantly had its cost base in NOK. A 10% strengthening of the NOK would then decrease the earnings with about MNOK 11.6 before possible price increases in the market. About 32% of this exposure was related to sales in GBP (sales in UK), 39% related to sales in EUR (sales in Europe and the Middle East), 16% related to sales in CAD (sales in Canada) and 11% related to sales in TRY (sales in Turkey).

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

Foreign currency sensitivity

In the management of foreign currency risk the company seeks to reduce the effect from currency rate changes on monetary assets and liabilities as well as the value of the future cash flows denominated in a foreign currency. Through the internal financing structure within the Group, most of the monetary asset and liability risk is allocated to the parent company, which also has most of the cash flow risk with regards to currency fluctuation. The major currencies in 2017 are EUR, GBP, USD, TRY and DKK. Below it is made a partial analysis in order to do an estimate of the impact from a change in EUR, GBP, USD, TRY and DKK on the pre-tax profit and on the book equity at year end. The effect of net investment in subsidiaries are not included in the analysis.

31.12.2017	KNOK effect on profit before tax by +10%/-10% change in			KNOK effect on book equity by +10%/-10% change in		
	EUR	DKK	TRY	EUR	GPB	USD
10 %	8 937	292	-357	14 165	-2 042	-1 372
-10 %	-8 937	-292	357	-14 165	2 042	1 372

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

The effect on the profit before tax and thus book equity in the parent company is the result of change in monetary assets and the financial instruments denominated in EUR, DKK and TRY respectively. The effect on OCI and book equity at year end 2017 is the effect from the change in fair value of currency contracts assigned to future cash flow hedge.

Interest rate risk

The Group's interest bearing debt is based on a floating interest rate which implies that interest payments over time will fluctuate according to the changes in the interest rate level. The major part of the interest bearing debt is in NOK. To reduce the interest rate risk it is the strategy of the Group to have a balanced mix between equity and debt financing vs the market risk in its industry. With the net interest bearing debt at year end, interest cost would have been MNOK 4.7 higher with a 1% higher average interest rate during the year and MNOK 4.7 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. For larger projects there are normally pre-payments from the customers and milestone payments along the progress of the project which reduces the credit risk towards the customers. To some extent the Group uses trade finance instruments, such as letter of credit and guarantee letters, to reduce credit risk. The Group has generally had low losses on outstanding receivables despite having old receivables in the balance sheet occasionally. We believe there is low risk associated old receivables, but have increased the provisions in 2017 due to some specific issues yet to be solved. In general old receivables relates to delays or stop in projects whereas the responsible entity for the delivery of the project has made an agreement with the customer to await payment of the invoice. For details of ageing of accounts receivables, see note 11.

Market risk

In 2017 about 84% of the revenues of the Group came from customers producing salmon. In 2016 the share was 78%. To decrease the Group's dependency of the salmon industry the Group works to increase the share of revenues related to the aquaculture of other species than salmon. Due to the market variation in the different salmon markets the revenues can vary between years. Still, the aquaculture industry in general is expected to be a high growth industry in the foreseeable future although the financial turmoil in the short run increases the uncertainty.

Based on the assumption that a change in sales will not affect the product gross margin and that other operating costs short term only will change 50% of the change in sales - a change in the revenues of the Group would have had the following impact on net income (24% tax rate used):

Change in sales	Change in net income/ equity (in NOK 1 000)
10 %	42 999
5 %	21 500
2 %	8 600
-2 %	-8 600
-5 %	-21 500
-10 %	-42 999

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

Capital structure and equity

The primary focus of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximize shareholders value. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. In 2014 and in 2015 a dividend of NOK 1 per share was paid, in 2016 a dividend of MOK 0.75 was paid, while a total dividend of NOK 1.25 was paid in 2017. The Group has been compliant with the dividend policy when paying out dividend, see note 22. There have been no changes in number of shares since 2011. The Group monitors capital using a gearing ratio, which is net interest bearing debt divided by total equity plus net debt. The Group includes within net interest bearing debt, interest bearing loans and borrowings less cash and cash equivalents. Capital includes equity attributable to equity holders of the parent less the net unrealized gains reserve.

(in NOK 1 000)	2017	2016
Interest bearing debt	473 049	377 875
Less cash	116 969	165 543
Net interest bearing debt	356 080	212 332
Equity	499 907	434 590
Total equity and net interest bearing debt	855 987	646 922
Debt ratio	42 %	33 %

The Group has been compliant with all covenants in 2017, see note 14.

The equity share attributable to AKVA group ASA's shareholders was 30.1 % as of December 31st 2017.

Liquidity risk

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

Financial risk management

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

2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowing	-	105 148	17 026	325 219	25 655	473 049
Trade and other payables ¹⁾	-	224 179	11 841	109 565	-	345 585
Financial derivatives	-	60 828	180 015	13 435	-	254 279
Total	-	390 155	208 882	448 219	25 655	1 072 912
2016	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowing	-	7 493	22 480	342 688	5 214	377 875
Trade and other payables ¹⁾	38 070	153 996	11 411	86 602	-	290 078
Financial derivatives	-	59 216	51 829	-	-	111 045
Total	38 070	220 705	85 719	429 290	5 214	778 998

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

Note 17

Long-term construction contracts (in NOK 1 000)

Revenue and profits on long-term contracts are recognized using the percentage of completion method. This method implies that revenue and profit is recognized according to the progress of the work, whereas any losses are fully recorded when incurred. Included

in figures are primarily contracts on barges and cages, and only contracts valued over MNOK 3.0 are included.

	2017	2016
Total revenues from long-term construction contracts	960 889	783 879
Total value of ongoing contracts 31.12.	1 459 386	1 147 908
Total sales included from ongoing contracts 31.12.	613 206	557 061
Not invoiced work-in-progress included as accounts receivables	60 186	25 984
Prepayments from customers	156 142	108 759
Remaining production on loss contracts 31.12.	-	-

Note 18

Leasing (in NOK 1 000)

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

Operating leasing cost	2017	2016
Operational leasing costs	7 400	10 190
Rent costs on buildings	32 372	23 074
Total	39 772	33 265

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

	Within 1 year	1 - 5 years	After 5 years
Machinery and equipment	1 040	1 443	601
Vehicles and boats	7 876	9 781	-
Offices and buildings	31 113	76 834	90 511
Total	40 030	88 058	91 112

Financial leasing

The Group's financial lease commitments are related to AKVA Marine Services AS, AKVA group Services AS and Helgeland Plast AS. The Group's total payments on financial lease commitments in 2017 was MNOK 18.6 (MNOK 11.7 in 2016).

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

	Within 1 year	1 - 5 years	After 5 years	Book value 2017
Machinery and equipment	12 769	38 034	11 057	54 859
Vehicles and vessels	11 984	39 348	11 571	58 837
Total	24 753	77 381	22 628	113 696

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

Lease income

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

	Within 1 year	1 - 5 years	After 5 years
Rental agreements	42 456	81 296	-

See note 2 for rental revenue in 2017 and 2016.

Note 19

Business combinations

Business combinations 2017

In October AKVA group ASA increased its ownership of AKVA Marine Services AS to 68.7% by acquiring 47 shares from Iboard AB. The acquisition was finalized on October 18th with a cash settlement of MNOK 5.2 for the shares.

Options

The Minority Shareholders of AKVA Marine Services AS and Sperre AS has an option to sell to AKVA group ASA, and AKVA group ASA has an option to purchase from the Minority Shareholders the remaining shares. The pricing is based on financial performance.

The option is calculated at present value of the redemption amount. The liability is classified as other long term liabilities in the statement of financial position.

AKVA Marine Services AS

An estimated liability of MNOK 57.7 is accounted for based on a mutual option agreement between AKVA group ASA and the sellers to buy/sell the remaining 31.3% of the shares in AKVA Marine Services AS. The pricing of the remaining 31.3% of the shares is linked to the performance of the company in 2016, 2017, 2018, 2019 and 2020. The option is exercisable in a limited period after the approval of the 2020 annual accounts of AKVA Marine Services AS.

Sperre AS

The estimated liability of MNOK 51.9 is accounted for based on a mutual option agreement between AKVA group ASA and Sperre Group AS to buy/sell the remaining 34% of the

shares in Sperre AS. The pricing of the remaining 34% of the shares is linked to the performance of the company in 2017, 2018 and 2019. The option is exercisable in a limited period after the approval of the 2019 annual accounts of Sperre AS.

Business combinations 2016

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

AD Offshore AS

On March 31st 2016 AKVA group ASA entered into an agreement with AØ Holding AS, Iboard AB and Deep Sea Marine Monica Antonsen for the purchase of 58% of the shares in AD Offshore AS. The payment of the shares was MNOK 69.6 on closing date, with additional payment in May of MNOK 3.7 for an adjusted amount for the net debt and working capital, totaling the payment to MNOK 73.3. As part of the acquisition it was agreed to merge the farming service companies within the Group to one company named AKVA Marine Services AS. The merger was completed in June 2016 with AKVA group ASA holding 65% of the shares in the merged company. Finally, an estimated liability of MNOK 46.2 is accounted for based on a mutual option agreement between AKVA group ASA and the sellers to buy/sell the remaining 35% of the shares in AKVA Marine Services AS. The option is calculated at present value of the redemption amount and the liability is classified as other long term liabilities in the statement of financial position.

The pricing of the remaining 35% of the shares is linked to the performance of the company in 2016, 2017, 2018, 2019 and 2020. The option is exercisable in a limited period after the approval of the 2020 annual accounts of AKVA Marine Services AS.

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

Sperre AS

On October 28th 2016 AKVA group ASA entered into an agreement with Sperre Group AS for the purchase of 66% of the shares in Sperre AS. The payment of the shares was MNOK 83.8 with additional payment of MNOK 7.0 for an adjusted amount for the net debt and working capital, totaling the payment on closing November 4th 2016 to MNOK 90.8. Finally, an estimated liability of MNOK 40.3 is accounted for based on a mutual option agreement between AKVA group ASA and Sperre Group AS to buy/sell the remaining 34% of the shares in Sperre AS. The option is calculated at present value of the redemption amount and the liability is classified as other long term liabilities in the statement of financial position.

The pricing of the remaining 34% of the shares is linked to the performance of the company in 2017, 2018 and 2019. The option is exercisable in a limited period after the approval of the 2019 annual accounts of Sperre AS.

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

Plastsveis AS

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

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

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

Note 20

Related parties (2016 figures in brackets)

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

Atlantis Subsea Farming AS (ASF) is a related party due to AKVA group ASAs ownership of 33% of the shares in ASF. AKVA group ASA has as part of their role in ASF had transactions to ASF of MNOK 2.3 and no outstanding balances as of December 31st.

Egersund Group AS is a related party due to its controlling ownership share of the AKVA group ASA. The Group have, in line with the Group's ordinary course of business with Egersund Group and its subsidiaries, revenues and costs of respectively MNOK 6.1 (3.5) and MNOK 12.0 (8.2) in 2017.

Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. As of December 31st the company had MNOK 1.5 (0.4) in trade receivables and MNOK 1.3 (1.0) in trade payables towards Egersund Group and its subsidiaries.

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

Note 21

Dividend

The company is aiming to give the shareholders a competitive return on investment by a combination of cash dividend and share price increase. The company's dividend policy shall be stable and predictable.

When deciding the dividend the board will take into consideration expected cash flow, capital expenditure plans, financing requirements/compliance, appropriate financial flexibility, and the level of net interest bearing debt.

The company need to be in compliance with all legal requirements to pay dividend.

The company will target to pay dividend twice a year, after the 1st and 2nd half of the year.

In total a dividend of 1.25 NOK per share was paid out in 2017, respectively with 0.50 NOK on March 13th and 0.75 NOK on September 4th, totalling a distributed amount of 32,272,043 NOK.

Dividend	2017	2016
Per share	1,25	0,75
Total distributed amount ¹⁾	32 272 043	19 375 501

¹⁾ The total distributed amount in 2017 is reduced with MNOK 0.021 as the company owned 27,883 shares on August 24th, which was the last day inclusive for dividend

Note 22

Sale and buyback of own shares

AKVA group ASA purchased 100,000 own shares in the period from May 30th to June 21st 2017. The average price per share was NOK 75.58 totalling the purchase price to MNOK 7.6.

The buyback of shares was done according to a share incentive program launched by the board of directors in a notice on Oslo Stock exchange on May 30th 2017 for certain eligible employees in AKVA group ASA and its subsidiaries. The intention of the share incentive scheme was to give employees an opportunity to buy shares in the company at a discounted price. The share price offered to employees was NOK 60.46, and the employees had the period from June 23rd to June 30th to confirm their participation.

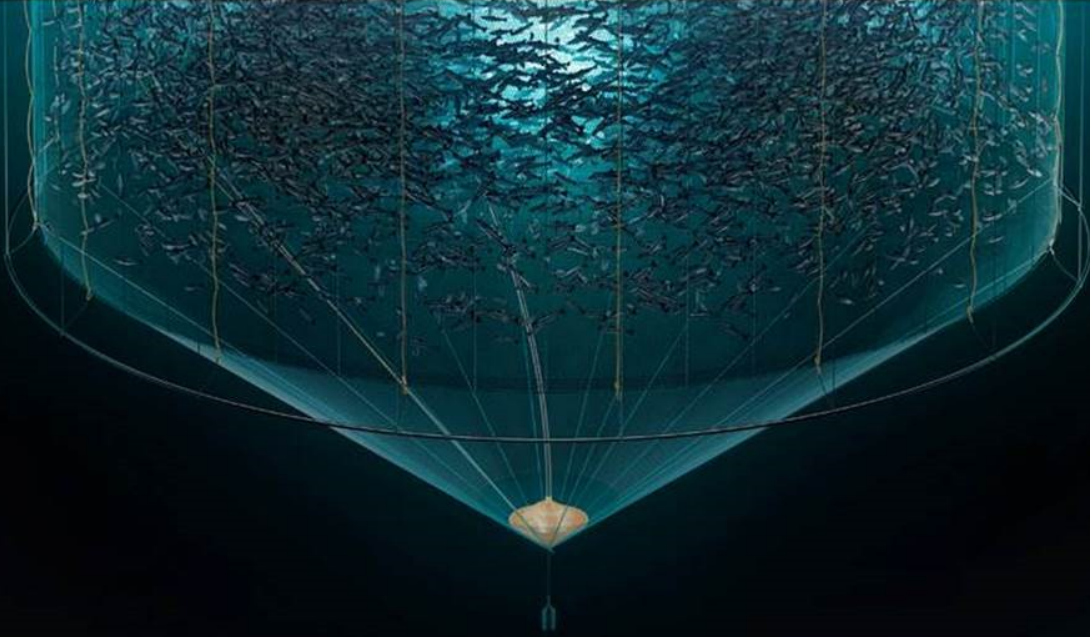
In total 72,419 of the shares were signed up for, and the shares were transferred to the employees on July 7th 2017. At year end 2017 AKVA group ASA owns 27,883 shares.

Note 23

Subsequent events

At the board meeting on February 28th 2018 the board of directors in AKVA group ASA resolved to distribute a half-yearly dividend of NOK 0.75 per share. The ex-dividend trading date was announced to be March 9th 2018 with payment date no later than March 19th 2018.

Financial Statement Parent Company (AKVA group ASA)



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

(in NOK 1 000)

Parent company	Note	2017	2016
OPERATING REVENUES			
Revenues	2,17	858 866	708 331
OPERATING EXPENSES			
Cost of materials	6,10	649 453	530 803
Payroll expenses	3,4	110 489	97 043
Other operating expenses	4,11,15,18	54 591	43 042
Total operating expenses		814 533	670 888
		44 332	37 443
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)			
Depreciation and amortization	7,8	13 572	11 588
		30 761	25 855
OPERATING PROFIT (EBIT)			
FINANCIAL INCOME AND EXPENSES			
Financial income	15	27 597	25 027
Financial expenses	15	(17 438)	(21 729)
Net financial income (expense)		10 159	3 298
		40 919	29 153
PROFIT BEFORE TAX			
Taxes	5	7 640	2 902
		33 279	26 251
NET (LOSS)/PROFIT AND COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR			
ALLOCATION OF PROFIT FOR THE YEAR			
Transferred to other equity		33 279	26 251
Dividends paid	21	-32 272	-19 376
Net allocated		1 007	6 875

Assets 31.12.

(in NOK 1 000)

Parent company	Note	2017	2016
NON-CURRENT ASSETS			
Intangible assets and goodwill			
Goodwill	7	53 000	53 000
Other intangible assets	7	35 738	26 704
Total intangible assets		88 737	79 704
Tangible fixed assets			
Land and building	8	12 451	12 591
Machinery and equipment	8	22 525	16 009
Total tangible fixed assets		34 975	28 600
Long-term financial assets			
Investments in subsidiaries	9	606 935	601 519
Loans to group companies	6	89 663	78 098
Other long-term financial assets	9,11	4 990	3 281
Total long-term financial assets		701 588	682 898
Total non-current assets		825 300	791 202
CURRENT ASSETS			
Inventory	10	46 255	52 176
Receivables			
Accounts receivables	11,17	109 703	88 653
Accounts receivables - group companies	6	39 855	24 413
Prepayments to suppliers		3 822	5 608
Other receivables		17 642	4 075
Other receivables - group companies	6	55 781	57 106
Total receivables		226 804	179 855
Cash and cash equivalents	12	4 454	45 792
Total current assets		277 513	277 823
TOTAL ASSETS		1 102 813	1 069 025

Equity and Liabilities 31.12.

(in NOK 1 000)

Parent company	Note	2017	2016
EQUITY			
Paid-in capital			
Share capital	13,21,22	25 806	25 834
Share premium		336 029	336 029
Other paid in capital		1 116	1 116
Total paid-in capital		362 951	362 979
Retained earnings			
Other equity		63 049	64 127
Total retained earnings		63 049	64 127
Total equity		426 000	427 106
LIABILITIES			
Non-current liabilities			
Deferred tax	5	20 508	12 030
Liabilities to financial institutions	14	256 342	316 126
Total non-current liabilities		276 850	328 156
Current liabilities			
Liabilities to financial institutions	14	100 317	19 158
Trade payables		39 403	44 883
Trade payables - group companies	6	17 468	16 090
Taxes payable	5	-	2 740
Public duties payable		10 738	12 281
Prepayments from customers	17	96 178	90 390
Other current liabilities	15	21 670	43 470
Other current liabilities - group companies	6	114 188	84 752
Total current liabilities		399 962	313 763
Total Liabilities		676 813	641 919
TOTAL EQUITY AND LIABILITIES		1 102 813	1 069 025

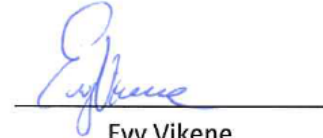
Oslo, Norway, April 11th 2018



Hans Kristian Mong
(Chairperson)



Frode Teigen



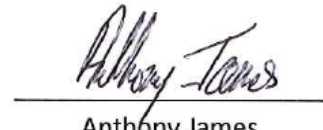
Evy Vikene



Anne Breiby
(Deputy Chairperson)



Nils Viga



Anthony James



Aino Olaisen



Tore Obrestad



Carina Jensen



Henrik A. Schultz



Hallvard Muri
(CEO)

Cash Flow Statement 01.01.-31.12.

(in NOK 1 000)

Parent company	Note	2017	2016
Cash flow from operating activities			
Profit before taxes		40 919	29 153
Taxes paid		-1 902	-
Net interest cost		5 018	1 497
Depreciation	7,8	13 572	11 588
Changes in stock, trade receivable and payables		-34 673	-11 236
Changes in other receivables and payables		-14 615	51 028
Changes in other receivables and payables - group companies		43 017	63 818
Cash generated from operating activities		51 336	145 848
Interest paid	15	-9 486	-7 786
Interest received	15	4 468	6 290
Net cash flow from operating activities		46 318	144 351
Cash flow from investment activities			
Investments in fixed assets	7,8	-28 980	-15 228
Sale of tangible and intangible fixed assets		-	-
Payment shares and participations ¹⁾	19	-32 393	-185 372
Net changes in other long-term financial assets		-1 710	-2 970
Net cash flow from investment activities		-63 083	-203 570
Cash flow from financing activities			
Repayment of borrowings		-328 097	-52 604
Proceed from borrowings		349 473	158 000
Net payment loans to group companies	6	-11 564	9 908
Dividend payment	21	-32 272	-19 376
Sale/(purchase) own shares	22	-2 112	4 155
Net cash flow from financing activities		-24 573	100 083
Net change in cash and cash equivalents		-41 338	40 864
Cash and cash equivalents at 01.01.		45 792	4 928
Cash and cash equivalents at 31.12.		4 454	45 792

¹⁾ Payment of contingent consideration related to acquisition of subsidiaries is included in Payment shares and participations

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

Statement of changes in equity

(in NOK 1 000)

Parent company	Note	Share capital	Share premium	Other paid-in capital	Total paid in capital	Other equity	Total retained earnings	Total equity
Equity as at 01.01.2016		25 711	336 029	1 116	362 856	53 220	53 220	416 076
Actuarial deviations on net pension obligations		-	-	-	-	-	-	-
Total income and expense recognised directly in equity		-	-	-	-	-	-	-
Profit (loss) for the period		-	-	-	-	26 251	26 251	26 251
Total income and expense for the year		-	-	-	-	26 251	26 251	26 251
Dividend	21	-	-	-	-	-19 376	-19 376	-19 376
Sale / (purchase) of own shares	22	123	-	-	123	4 032	4 032	4 155
Equity as at 31.12.2016		25 834	336 029	1 116	362 979	64 127	64 127	427 106
Equity as at 01.01.2017		25 834	336 029	1 116	362 979	64 127	64 127	427 106
Actuarial deviations on net pension obligations		-	-	-	-	-	-	-
Total income and expense recognised directly in equity		-	-	-	-	-	-	-
Profit (loss) for the period		-	-	-	-	33 279	33 279	33 279
Total income and expense for the year		-	-	-	-	33 279	33 279	33 279
Dividend	21	-	-	-	-	-32 272	-32 272	-32 272
Sale / (purchase) of own shares	22	-28	-	-	-28	-2 085	-2 085	-2 112
Equity as at 31.12.2017		25 806	336 029	1 116	362 951	63 049	63 049	426 000

Notes to the Financial Statement – Parent Company

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02	Segment information
03	Wages and remunerations
04	Government grants and subsidies
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22	Sale and buyback of own shares
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Note 1

Summary of significant accounting policies

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

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

Subsidiaries and investments in associates are valued at cost in the company accounts. The investment is valued as cost of acquiring shares in the subsidiary, providing they are not impaired. Write down to recoverable amount will be carried out and recognized as a financial cost if the impairment is not considered temporary, and a write down is deemed necessary according to IFRS. Impairments are reversed when the indication no longer exist. AKVA group ASA accounts for group contribution in the same fiscal year as the subsidiary receives/grants group contribution, in accordance with the exemption in the simplified IFRS accounting framework.

Note 2

Segment information (in NOK 1 000)

Business segments

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

Cage Based Technology	2017	2016
Operating revenue	858 866	707 100
Operating expenses	814 533	669 888
Operating profit before depreciation and amortization (EBITDA)	44 332	37 212
Depreciation and amortization	13 572	11 588
Operating profit (EBIT)	30 761	25 624

Land Based Technology	2017	2016
Operating revenue	-	1 230
Operating expenses	-	1 000
Operating profit before depreciation and amortization (EBITDA)	-	230
Depreciation and amortization	-	-
Operating profit (EBIT)	-	230

Total	2017	2016
Operating revenue	858 866	708 331
Operating expenses	814 533	670 888
Operating profit before depreciation and amortization (EBITDA)	44 332	37 443
Depreciation and amortization	13 572	11 588
Operating profit (EBIT)	30 761	25 855

Geographical information – customer's country of origin

Operating revenue - external customers	2017	2016
Norway	688 145	619 881
Europe	23 702	3 452
Middle East	12 635	47 189
Iceland	42 348	4 205
Other	499	1 483
Total	767 330	676 210

Note 3

Wages, remunerations and pensions (in NOK 1 000)

Payroll expenses	2017	2016
Salaries	87 611	78 092
Payroll tax	13 198	10 587
Pension costs	4 864	4 269
Other benefits	4 817	4 095
Total	110 489	97 043

The number of employees in full time equivalent in the company at year end is:

124	108
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See consolidated accounts note 3 about remuneration to CEO and executive management, and fees to the board of directors.

Pensions

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

As of December 31st the company has no pension liability.

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

Loan and pledge

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

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

Fees to auditor	2017	2016
Audit	652	348
Tax services	288	39
Attestation services	-	-
Other services	396	303
Total	1 337	690

All fees to the auditor is excl. VAT.

Note 4

Government grants and subsidies (in NOK 1 000)

Government grants	2017	2016
"Skattefunn"	1 450	1 828
Norges Forskningsråd	2 324	-
Total	3 774	1 828

Note 5

Taxes (in NOK 1 000)

Tax expense	2017	2016
Current taxes payable	-	2 740
Adjustment related to previous year	-838	-
Change in deferred taxes	9 370	664
Effect of change in tax rate in Norway	-892	-501
Total tax expense	7 640	2 902

Calculation of the basis for taxation	2017	2016
Profit before tax ¹⁾	40 919	29 153
Permanent differences ²⁾	-1 879	-15 539
Change in temporary differences	-39 040	-2 654
Tax base	-	10 959

¹⁾ Includes received Group contribution of MNOK 8.9

²⁾ Permanent differences is mainly dividend exempt of tax from subsidiaries partially offset by other finance costs

Specification of temporary differences	2017	2016
Current assets	26 787	-5 211
Fixed assets	73 884	54 988
Provisions	-11 521	345
Pension obligations	16	4
Losses carried forward	-	-
Total	89 166	50 126
Calculated deferred tax assets (-liabilities)	-21 400	-12 531
Effect of change in tax rate in Norway	892	501
Deferred tax asset (-liabilities)	-20 508	-12 030

Effective tax rate	2017	2016
Expected income taxes, statutory tax rate of 24%	9 821	7 288
Permanent differences (24%)	-451	-3 885
Effect of change in tax rate in Norway	-892	-501
Excess(-)/insufficient(+) provisions in former years	-838	-
Income tax expense	7 640	2 902

Effective tax rate in percent of profit before tax	18,7 %	10,0 %
--	--------	--------

The company has no tax loss carried forward at year-end 2017.

Note 6

Inter-company transactions and balances (in NOK 1 000)

Receivables	2017	2016
Loans to group companies	89 663	78 098
Current receivables towards group companies	39 855	24 413
Other receivables towards group companies	55 781	57 106
Total	185 299	159 617

Payables	2017	2016
Trade payables towards group companies	17 468	16 090
Other current liabilities towards group companies	114 188	84 752
Total	131 655	100 843

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

Intercompany transactions with subsidiaries	2017	2016
Revenues	91 536	32 121
Cost of materials	63 362	20 989

Note 7

Intangible assets (in NOK 1 000)

2017	Goodwill	Develop- ment costs	Patents, product rights & trademarks	Total
Acquisition cost at 01.01.	53 000	73 429	36 092	162 521
Acquisition cost during the year	-	15 942	-	15 942
Acquisition cost 31.12.	53 000	89 371	36 092	178 463
Accumulated amortization at 01.01.	-	46 726	36 092	82 817
Amortization during the year	-	6 908	-	6 908
Accumulated amortization 31.12.	-	53 634	36 092	89 726
Net book value at 31.12.	53 000	35 738	-	88 737

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

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

During the year, the company expensed MNOK 14.5 (MNOK 16.3 in 2016) on research and development on new products and technology as well as upgrades on existing products. The amount does not include capitalized development costs according to IAS 38 (see tables above in this note).

Goodwill:

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

Development Costs:

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

Patents & trademarks:

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

Note 8

Tangible fixed assets (in NOK 1 000)

	Land and building	Machinery and equipment	Total
2017			
Acquisition cost at 01.01.	14 007	53 003	67 010
Additions during the year	-	13 038	13 038
Disposals during the year	-	-	-
Acquisition cost 31.12.	14 007	66 042	80 048
Accumulated depreciation 01.01.	1 416	36 993	38 409
Depreciation during the year	140	6 523	6 664
Accumulated depreciation disposals during the year	-	-	-
Accumulated depreciation 31.12.	1 556	43 517	45 073
Net book value 31.12.	12 451	22 525	34 975

	Land and building	Machinery and equipment	Total
2016			
Acquisition cost at 01.01.	13 869	44 898	58 768
Additions during the year	137	8 105	8 242
Disposals during the year	-	-	-
Acquisition cost 31.12.	14 007	53 003	67 010
Accumulated depreciation 01.01.	1 272	33 934	35 206
Depreciation during the year	144	3 059	3 203
Accumulated depreciation disposals during the year	-	-	-
Accumulated depreciation 31.12.	1 416	36 993	38 409
Net book value 31.12.	12 591	16 010	28 600

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

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

Note 9 Subsidiaries and other long-term investments

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

Company name	Location	Share ownership and voting rights	Share capital	Number of shares	Par value	Book value
			(NOK 1 000)		(NOK)	(NOK 1 000)
AKVA group Software AS	Norway	100 %	2 174	500	4 348	45 073
Helgeland Plast AS	Norway	100 %	1 100	1 100 000	1,0	66 543
AKVA group Services AS	Norway	100 %	100	1 000	100	100
Plastsveis AS	Norway	100 %	1 462	2 150	680	19 476
AKVA Marine Services AS	Norway	69 %	134	1 342	100	102 971
Sperre AS	Norway	66 %	500	50	10 000	90 837
Polarcirkel AS	Norway	100 %	100	1 000	100	110
AKVA group Denmark A/S	Denmark	100 %	1 375	1 040 000	1,3	59 777
Aquatec Solution A/S	Denmark	100 %	661	500	1 322	101 780
Wise lausnir ehf	Iceland	100 %	39	500 000	0,08	26 172
AKVA group Scotland Ltd.	Scotland	100 %	17 491	14 186 377	1,2	27 417
AKVAsmart Ltd. (Turkey)	Turkey	100 %	5 439	200	27 196	7 910
AKVA group España	Spain	100 %	30	3 000	10	27
AKVA group Hellas	Greece	100 %	197	20 000	10	188
AKVA group Middle East	Iran	100 %	-	-	-	-
AKVA group Chile S.A.	Chile	100 %	54 782	199 874	274	53 000
AKVA group North America Inc	Canada	100 %	491	419 760	1,2	5 253
AKVA group Australasia Pty Ltd.	Australia	100 %	321	50 000	6	301
Total						606 935

Other long-term investments	Currency	Ownership and voting rights	Share capital	Number of shares	Par value (NOK)	Book value
Atlantis Subsea Farming AS	NOK	33 %	762	200	1 270	1 939
Centre for Aquaculture Competence AS	NOK	33 %	450	150	1 000	2 731
Blue Planet AS	NOK	5 %	1 950	2	50 000	100
Blue Farm AS	NOK	12 %	30	36	100	4
Total						4 769

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

Note 10

Inventory (in NOK 1 000)

Inventory	2017	2016
Raw materials (at cost)	13 975	11 557
Work in progress (at cost)	-	-
Finished goods (at net realisable value)	32 280	40 619
Total	46 255	52 176
Write-down of obsolete inventory 1.1	2 690	3 110
Write-down of obsolete inventory during the year	720	-420
Write-down of obsolete inventory 31.12	3 410	2 690

Note 11

Receivables (in NOK 1 000)

Receivables due in more than one year	2017	2016
Other long-term receivables	218	98
Total	218	98

Accounts receivables

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

Bad debt provisions	2017	2016
Bad debt provision 01.01.	3 697	2 500
Change in bad debt provision	5 500	1 197
Bad debt provision 31.12.	9 197	3 697
Recorded bad debt cost during the year	-20	3
Change in bad debt provision	5 500	1 197
Total bad debt cost during the year	5 480	1 200

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

Note 12

Bank deposits (in NOK 1 000)

	2017	2016
Cash	15	41 792
Restricted funds	4 439	4 000
Total cash and cash equivalents	4 454	45 792

Restricted funds are employee tax deduction funds.

The company has an overdraft facility of MNOK 200 and a revolving credit line of MNOK 200 in Danske Bank. As of December 31st 2017 MNOK 99 of the facility was utilized compared to being unused at year-end 2016.

Note 13

Shareholders

AKVA group ASA

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

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

Note 14

Liabilities to financial institutions (in NOK 1 000)

Long-term liabilities due in more than 5 years	2017	2016
Liabilities to financial institutions	2 965	3 484
Total	2 965	3 484

	2017	2016
Liabilities secured with assets	356 660	335 283

Secured assets:	2017	2016
Accounts receivables third parties	109 703	88 653
Accounts receivables group companies	39 855	24 413
Inventory	46 255	52 176
Shares in subsidiaries ¹⁾	374 840	290 388
Other assets	34 975	28 600
Total	605 629	484 229

¹⁾ The shares in Aquatec Solutions A/S, AKVA group Denmark A/S, Plastsveis AS, AKVA Marine Services AS and Sperre AS are pledged

As of December 31st 2017 bank guarantees of MNOK 55.4 and parent company guarantees of MNOK 25.3 is issued on behalf of the Group.

Repayment of debt

In October AKVA group ASA refinanced the long-term debt in Danske Bank into two new loans with 3 and 5 years duration as well as increasing the overdraft facility from 90 MNOK to 200 MNOK, and establishing a new 200 MNOK revolving credit line.

The Company's long-term debt matures as follows:	2017	2016
2018	844	19 158
2019-2020	126 688	104 323
2021-2022	126 688	208 318
2023 or later	2 965	3 484
Total	257 187	335 283
Average interest rate	2,28 %	2,84 %

As of December 31st 2017 an amount of MNOK 0.844 of the long-term debt due within one year is, in accordance with IFRS, reclassified to short-term interest bearing debt in the balance sheet.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Bank overdraft	Loans and borrowings	Loans and borrowings to group companies	Share capital / premium	Retained earnings	Total
Restated balance at 01.01.2017	-	335 283	78 098	362 979	64 127	840 488
Changes from financing cash flows						
Repayment of borrowings	-	-328 097	-	-	-	-328 097
Proceed from borrowings	99 473	250 000	-	-	-	349 473
New loans to group companies	-	-	-11 564	-	-	-11 564
Proceeds from purchase/sale own shares	-	-	-	-28	-2 085	-2 112
Dividend payment	-	-	-	-	-32 272	-32 272
Total changes from financing cash flows	99 473	-78 097	-11 564	-28	-34 357	-24 572
The effect of changes in foreign exchange rates	-	-	-	-	-	-
Changes in fair value	-	-	-	-	-	-
Other changes						
Liability-related						
Change in bank overdraft	-	-	-	-	-	-
Interest expense	1 130	8 356	-	-	-	9 486
Interest paid	-1 130	-8 356	-	-	-	-9 486
Total liability-related other changes	-	-	-	-	-	-
Total equity-related other changes	-	-	-	-	33 279	33 279
Balance at 31.12.2017	99 473	257 187	89 663	362 951	63 049	872 323

Note 15

Specification of items that are grouped in the financial statement

(in NOK 1 000)

Financial income	2017	2016
Interest income from group companies	3 950	4 174
Other interest income	518	2 116
Group contribution recognized as income	8 946	-
Dividend	7 500	18 737
Agio gain	4 105	-
Other financial income	2 578	-
Total financial income	27 597	25 027

Financial expenses	2017	2016
Interest expenses	9 486	7 786
Agio loss	-	9 383
Other financial expenses	7 952	4 559
Total financial expenses	17 438	21 729

Other current liabilities	2017	2016
Accrued costs	2 033	2 560
Warranty provisions	4 900	6 300
Other current liabilities	14 737	23 264
Contingent considerations	-	11 346
Total other current liabilities	21 670	43 470

Other operating expenses	2017	2016
Accommodation, materials, equipment and maintenance	19 068	16 832
Marketing, travelling and communication	18 953	18 636
Other operating expenses	16 570	7 574
Total other operating expenses	54 591	43 042

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

Note 16

Financial instruments and risk management

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

Note 17

Long-term construction contracts (in NOK 1 000)

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

	2017	2016
Total revenues from long-term contracts	521 414	409 917
Total value of ongoing contracts 31.12.	410 371	344 583
Total sales included from ongoing contracts 31.12.	133 694	106 056
Not invoiced work-in-progress included as accounts receivables	18 479	9 363
Prepayments from customers	81 361	72 451
Remaining production on loss contracts 31.12.	-	-

Note 18

Leasing (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	2017	2016
Operational leasing costs	1 373	1 636
Rent costs on buildings	5 084	4 819
Total	6 457	6 455

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

	Within 1 year	1 - 5 years	After 5 years
Machinery and equipment	138	70	-
Vehicles	1 000	1 415	-
Offices and buildings	4 388	5 172	240
Total	5 526	6 657	240

Note 19

Business combinations

See consolidated accounts note 19 for more details.

Note 20

Related parties (2016 figures in brackets)

See note 6 for transaction and balances with subsidiaries. See consolidated accounts note 3 about remuneration to CEO and executive management and fees to the board of directors.

Atlantis Subsea Farming AS (ASF) was established in 2016 and is a related party due to AKVA group ASAs ownership of 33% of the shares in ASF. AKVA group ASA has as part of their role in ASF had transactions to ASF of MNOK 2.1 (3.3) in 2017 and no outstanding balances at year-end 2017.

Egersund Group AS is a related party due to its controlling ownership share of the company. AKVA group ASA have, in line with the company's ordinary course of business with Egersund Group and its subsidiaries, revenues and costs of respectively MNOK 3.5 (2.5) and MNOK 8.2 (3.8) in 2017.

Outstanding balances at year-end are unsecured and interest free and settlement occurs in cash. As of December 31st the company had MNOK 0.0 (0.2) in trade receivables and MNOK 1.3 (1.9) in trade payables towards Egersund Group and its subsidiaries.

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

Note 21

Dividend

In total a dividend of 1.25 NOK per share was paid out in 2017, respectively with 0.50 NOK on March 13th and 0.75 NOK on September 4th, totalling a distributed amount of 32,272,043 NOK.

See consolidated accounts note 21 for more details.

Note 22**Sale and buyback of own shares**

On July 7th 2017 AKVA group ASA transferred 72,419 of the company's own shares to employees according to a Share Incentive Program announced on May 30th 2017. Employees of AKVA group ASA and its subsidiaries were invited to order shares in the company, and on June 30th 2017 the shares were allocated to the employees participating. At year-end 2017 the company owns 27,883 shares.

See consolidated accounts note 22 for more details.

Note 23**Subsequent events**

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

Auditor's Report



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To the General Meeting of AKVA Group ASA

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company AKVA Group ASA (the Company), which comprise the balance sheet as at 31 December 2017, income statement, statement of comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of AKVA Group ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2017 and income statement, statement of other comprehensive income, statement of changes in equity, cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Statsautoriserede revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnsnes	Molde	Strøme
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandefjord	Trondheim
Bodo	Knarvik	Sandnessjøen	Tynset
Drammen	Kristiansand	Stavanger	Ålesund

Valuation of goodwill

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

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>As at 31 December 2017, the Group carries NOK 436 million of goodwill on the balance sheet, which represents approximately 26 % of the consolidated balance sheet.</p> <p>Due to the size of the balance and risk of non-recoverability, goodwill impairment is considered a key audit matter. There is an inherent uncertainty of whether future cash flows are sufficient to support the carrying value of goodwill.</p> <p>An impairment test of goodwill is carried out annually by the Group, assessing the value in use of individual cash generating units.</p> <p>The key judgments applied by management in the impairment testing were:</p> <ul style="list-style-type: none"> • determination of cash generating units; • future cash flows; • growth rate; • profitability; and • discount rate. 	<p>We critically assessed the key assumptions forming the basis for the Group's value in use calculation. Our procedures included:</p> <ul style="list-style-type: none"> • evaluating the Group's assessment and determination of cash generating units; • assessing the historical accuracy of management's budgets and forecasts and challenge management on the current year cash flow forecasts as well as the timing of future cash flows; • challenging management on the growth assumptions and management's future business plan assumptions with reference to current market conditions and order backlog; • engaging KPMG valuation specialists to assess the mathematical and methodological integrity of management's impairment models and the discounts rates applied with reference to market data as well as recalculating management's sensitivity analysis; • performing our own independent sensitivity analysis to quantify the downside changes to management's models required to result in impairment; • agreeing the applied revenues, profit and growth rates with the Group's most recent budgets and long term plans as approved by management; and • considering whether the disclosures regarding key assumptions and sensitivities adequately reflects the underlying goodwill impairment assessments.

Revenue recognition of construction contracts

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

<i>The Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The majority of the Group's revenue relates to construction contracts. There is a risk of incorrect revenue recognition, in particular related to construction contracts in progress as at 31 December. Recognition of revenue from construction contracts is determined based on the percentage of completion method.</p> <p>Revenue recognition is considered a key audit matter due to the significant estimates and judgments applied by management in:</p> <ul style="list-style-type: none"> • forecasting the profit margin on each contract including the cost to complete the contract and any contingencies for uncertain costs; and • assessing the percentage of completion of the contract based on milestones and costs incurred. 	<p>On a risk-based approach, we selected construction contracts in progress as at 31 December 2017. Our procedures included;</p> <ul style="list-style-type: none"> • agreeing revenue forecast with signed contracts; • assessing the appropriateness of applying construction contract accounting; • inspecting project reporting documentation and internal routines for project monitoring; • an assessment of management's estimate of percentage of completion based on our knowledge of the business and industry, challenging the progress of contracts in accordance with set milestones and cost progression; • challenging whether the cost and revenue estimates were appropriate in light of the margin development as well as a retrospective review of the historical accuracy of revenue recognition; • inspecting variation orders; and • assessing of the appropriateness of the disclosures in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the information in the Annual Report, but does not include the financial statements and our auditor's report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of our report on Other Legal and Regulatory requirements below.

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

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

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the financial statements of the Group in accordance with International Financial Reporting Standards as

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the reports on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Oslo, 11 April 2018
KPMG AS


Svein Arthur Lyngroth
State Authorised Public Accountant

Responsibility Statement

Confirmation from the Board of Directors and the CEO

We confirm, to the best of our knowledge, that the financial statements for the period from January 1st to December 31st, 2017 has been prepared in accordance with applicable accounting standards and gives a true and fair view of the Group and the company's assets, liabilities, financial position and results of operations, and that the Report of the board of directors provides a true and fair view of the development and performance of the business and the position of the Group and the company together with a description of the key risks and uncertainty factors that the companies are facing.

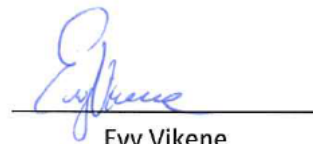
Oslo, Norway, April 11th 2018



Hans Kristian Mong
(Chairperson)



Frode Teigen



Evy Vikene



Anne Breiby
(Deputy Chairperson)



Nils Viga



Anthony James



Aino Olaisen



Tore Obrestad



Carina Jensen



Henrik A. Schultz



Hallvard Muri
(CEO)

Alternative Performance Measures – NON IFRS Measures

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

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

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

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

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

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

ROCE – ROCE (Return on Capital Employed) is calculated by dividing last 12 months EBIT by capital employed at the end of the reporting period. Capital Employed is calculated as NIBD plus equity, deferred tax and other long term liabilities.

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

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

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

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

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

Articles of Association of AKVA group ASA

(Last updated May 24th 2011 - Translation from Norwegian)

§ 1

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

§ 2

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

§ 3

The purpose of the company is to conduct development, manufacturing, project management, sale and marketing of proprietary and purchased goods, and everything connected to such activity, including participation in other companies with similar activities.

The activities of the company shall in particular be directed towards technology for farming of fish and animals.

§ 4

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

§ 5

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

§ 6

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

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

§ 7

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

§ 8

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

Corporate Social Responsibility

This policy is made in accordance with the Norwegian Accounting Act, Section 3-3c, setting that AKVA group is expected to assume responsibility for the impact on people, the environment, and the communities and societies in which AKVA group operate. The report includes:

- Reference to the company's guidelines related to following up its corporate responsibility, including any principles, procedures and standards to be adhered to
- How the company works to translate the principles, procedures, standards and guidelines mentioned above into action
- The company's assessment of the results achieved as a consequence of working with corporate responsibility and any expectations for the future results

1. Basis for AKVA group's corporate social responsibility

The company's handling of its Corporate Social Responsibility is based on AKVA group's core values and principles, applicable laws and regulations, as well as generally accepted principles and practices for good corporate governance. AKVA group have a desire to facilitate sustainable and environmentally friendly fish farming through its technology and services.



Figure 1 - Sustainable technology

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

We are continuously working with "Corporate Social Responsibility" and the following three initiatives will be further actioned:

- *Comply with and incorporate the UN Global Compact principles (Human Rights, Labor standards, Environment and Anti-corruption) into strategies, policies and procedures, and to establish a culture of integrity*
- *Ensure suppliers have implemented standards of social responsibility and comply with the principles of the UN Global Compact*
- *Operationalize and increase awareness of Code of Conduct*

2. AKVA group's vision and values

AKVA group's vision is to provide technology for a sustainable biology and our mission is to provide solutions and services that optimize production and enables a sustainable, cost-efficient and safe aquaculture industry.

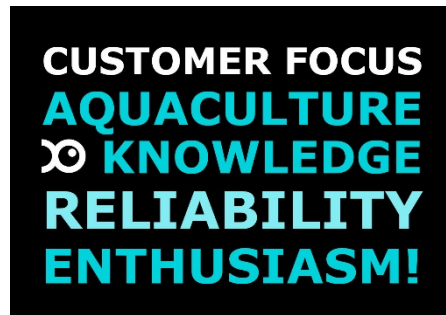
AKVA group's core values are:

Customer Focus

Aquaculture Knowledge

Reliability

Enthusiasm



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

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

3. Social responsibility

3.1 External standards AKVA group follows

AKVA group complies with the principles of the UN Global Compact that include:

Human Rights

AKVA group supports and respects the protection of internationally recognized human rights, and ensures that the company is not complicit in human right abuses.

Labour standards

AKVA group upholds the freedom of association and the effective recognition of the right to collective bargaining. The company agrees with the intention of ending all forms of forced labor, bringing child labor to an end and put an end to discrimination in respect of employment and occupation.

Environment

AKVA group support a precautionary principle in relation to environmental challenges. The company undertakes initiatives to promote greater accountability in relation to the environment and encourages the development and diffusion of environmentally friendly technologies.

Anti-corruption

AKVA group works against all forms of corruption, including extortion and bribery.

3.2 Requirements for AKVA group's suppliers regarding Social Responsibility

AKVA group's suppliers and sub-contractors shall have implemented standards of Social Responsibility and should follow the principles of the UN Global Compact. Suppliers that violate basic standards of ethics and corporate responsibility may be dismissed as suppliers of AKVA group.

AKVA group ensures this in practice by thorough supplier evaluation and regular risk-based follow-up activities with major suppliers.

3.3 Good working conditions

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

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

Safe Job Analysis

In AKVA group there shall be a risk-based approach when planning and preparing all kinds of field services and work shop activities. Employees are expected to use risk evaluation matrixes (i.e. Safe Job Analysis) in their work.

Breach of this practice shall be reported in the Corporate Quality Management System, resulting in corrective measures to prevent reoccurrence and to ensure safe operations.

Working Environment Act

According to AKVA group's compliance with and continuous improvement work in conjunction with the Norwegian Working Environment Act, personnel and departments are frequently subject to working environment surveys, safety inspections and reviews. The last working environment survey was conducted in December 2016. Several actions have been taken in order to provide responses to the input, with the development of the corporate strategy being the major one.

Other initiatives can be mentioned as improved internal and external communication, department meetings and knowledge sharing. Individual feedback and engagement is paramount to these processes and the input key to AKVA group's devotion to safe and sound work conditions.

A new organizational structure was implemented in May 2017 and has brought AKVA group forward. This will continue to be a focus area in 2018.

Lost Time Injuries (LTIs), sick leave (both short-time and long-term sick leave) is reported on a monthly basis to the BoD as part of the financial reporting routines.

HSE incidents (both LTIs and first aid incidents) shall be reported in AKVA group's Quality Management tool (AQS) and be subject to a root cause analysis, which in turn leads up to corrective and preventive actions with a 14 days deadline.

Training

AKVA group operates in countries around the Mediterranean Sea and the Middle-East, and senior staff operating in these areas will be given ACAS (Advisory, Conciliation and Arbitration Service) Training as required.

Supervisors and Line Managers are offered training in essential skills on a regular basis.

3.4 Openness and dialogue with stakeholders

AKVA group aims to keep an open and constructive dialogue with people, organizations and other stakeholders affected by our operations. We are convinced that openness, dialogue and public reporting will help to improve our business.

AKVA group's adoption of the UN Global Compact principles has been implemented as standard in contracts with suppliers from 2014 and onwards.

No incidents or violations of policies within the area of Social Responsibility have been reported to the Management or board of directors in 2017.

3.5 Equal opportunities and discrimination

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

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

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

AKVA group currently have subsidiaries in 11 countries and employs a diversified work force in terms of gender, religion, national or ethnic origin, cultural background, social group, disability, sexual orientation, marital status, age and political opinion.

There is currently no specified or planned initiatives in AKVA group to encourage the objective of the discrimination legislation.

Based on the knowledge of the Management and the board of directors in AKVA group, there have been no violation of equal opportunities and discrimination in 2017.

3.6 Social Media Guidelines

In October 2017 AKVA group issued a new set of Social Media Guidelines which has been made applicable for all employees regarding online presence and responsible use of social media. These guidelines shall be read in conjunction to the Code of Conduct, communication matrixes and other relevant policies.

4. Environment

AKVA group develop, design, produce and deliver technology and services to a global aquaculture industry that supplies healthy seafood to a global population. A principal part of AKVA group's mission as a technology and service partner is to enhance the sustainability of our customer's operations. AKVA group's mission is therefore aligned with the Norwegian Seafood Federation's (Sjømat Norge) goals for environmental sustainability in the vision document "Aquaculture 2030".

AKVA group designs and produces technology in accordance with high national and international standards implemented to safeguard sustainable production and HSE principles. In Norway, all technology designed and delivered for cage based production at sea is in accordance with NS 9415 (*Marine fish farms - Requirements for design, dimensioning, production, installation and operation*), representing the highest international technology standard in the industry. As a main rule, technology delivered to export markets will also comply with the NS 9415 standard.

Annually AKVA group allocates substantial financial resources to develop more sustainable technologies for the global aquaculture industry, targeting improved fish welfare as well as

solutions to solve environmental issues, such as the challenge of fish escapes and sea lice in the salmon industry.

AKVA group are playing an active role in several national initiatives, among others the following projects and initiatives:

- Development of fish farming solutions that responds to the area challenge. The company's groundbreaking Atlantis project explores industrial farming in submersible cages, suitable for both exposed and more sheltered locations
- Participation in the NS9415 standard steering committee
- Intention agreement signed with partner for recycling of plastic cages. Participation in industry driven projects mapping depleted technology and recycling methods
- Control of emissions from materials, i.e. projects that are searching for and evaluating new feeding detection technology as well as new biomass estimation technology. Feed optimization to explore pellet recognition (reducing impact on seafloor and improving feed utilization)
- Further development of AKVA group's software technologies in close cooperation with the customers. AKVA group provides software solutions to aquaculture companies that transfers environmental data to the governmental parties
- AKVA group plays an active part in the Norwegian Seafood Council
- AKVA group's Landbased division is driving the development of the RAS technology and equipment for water treatment and recirculation
- AKVA group is working actively to reduce the fabrication of PVC piping for both cage based and landbased facilities, utilizing PE piping
- Development of underwater lights combined with underwater feeding technology for sea lice control and management
- AKVA group, together with Marine Harvest and Skretting, is one of the partners in the Centre for Aquaculture Competence (CAC) initiative in Rogaland. CAC is driving the research for new diets or novel technologies in full-scale fish farm research facilities

Several entities have committed to recycling of both production waste and residual waste. No incidents or violations of AKVA group's policies on sustainable environment have been reported to the management or the directors of the board in 2017.

5. AKVA group's code of conduct

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

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

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

The Code of Conduct is published on the Group's intranet and enclosed as part of new employment contracts. The code gives clear instructions to all managers in the Group to make sure the code is known and complied with by all employees.

Violation of the Code of Conduct is not tolerated and may result in internal disciplinary actions, dismissal or even criminal prosecution. Should an improper practice or irregularity occur within the company, the company is committed to make necessary corrections and take remedial action to prevent recurrence.

The Code of Conduct covers the following main areas:

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

The Code of Conduct will be regularly revised in order to ensure adoptions to new regulations and consensus on good governance and conduct. The Code of Conduct was last revised in April 2014. A new review will be carried out during 2018.

6. Policies and actions to prevent corruption

AKVA group has a zero tolerance policy on corruption.

6.1 Bribery

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

6.2 Gifts, favors and entertainment

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

The policy underlines that gifts etc. under no circumstances shall be offered or received in relation to:

- a negotiation, an application, an offer or other situations where it is expected to give something in return, or
- money, loans and private services, or
- frequent gifts or
- gifts to public officials or politicians, or
- gifts with specific conditions or
- gift whose value exceeds \$ 100 (without the prior written consent of the employee's manager)

In addition to these guidelines, employees are required to follow local regulations, including tax laws.

6.3 Actions and status

The policy and guidelines to prevent corruption and fraud is stated in AKVA group's Code of Conduct.

Special management attention is given to safeguard the strict anti-corruption policy, enforcing strong awareness among employees on all levels. Actions are systematic implemented, including:

- Sales and projects staff working towards and/or operating in markets with historical records of corruption, are followed up with special information and training courses aimed at enhancing understanding and awareness
- All new suppliers, distributors and cooperating partners in export markets are subject to an Integrity Due Diligence (IDD) process. AKVA group's IDD process includes either an integrity due diligence review or a «Red Flag Screening» of the potential supplier/sub-contractor
- Anti-corruption clauses are implemented in all significant contracts with suppliers and customers from 2014 and onwards
- Anti-corruption clauses are included in new agent and distributor agreements
- Anti-corruption clauses are included in significant contracts in emerging markets

As of today, none incidents of corruption involving AKVA group have been reported to the Management or the board of directors in AKVA group.

6.4 Conflicts of Interest

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

6.5 Duties, positions and ownership of external business

Employees in AKVA group shall not be involved in matters or enter into agreements that may either conflict with or damage AKVA group's interests, or provide the employee with benefits. This includes conditions that puts a person's independence in question, for instance if an employee or his/her family / close connections have financial interests tied to AKVA group's operations.

Employees in AKVA group shall avoid relationships or agreements that may affect his or her actions or judgment and may others question their independence.

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

6.6 Political activity

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

6.7 Prohibition on the purchase of sexual services

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

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

6.8 Actions and status

The policy and guidelines on integrity and conflict of interests are stated in AKVA group's Code of Conduct.

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

No violations of the policy and guidelines for Integrity and Conflict of Interest have been reported to the Management or board of directors during 2017.

7. Compliance with standards, laws and regulations

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

Employees and directors in AKVA group shall:

- Comply with all applicable laws and regulations when acting on behalf of the company, including the obligation to report and pay taxes;
- Under no circumstances cause or contribute to violations of the general and specific competition regulations, such as price-fixing, illegal market sharing or other conduct in violation of applicable competition laws;
- Comply with applicable legislation and internal instructions on insider trading and insider information. This includes taking action or providing advice on the sale of securities in AKVA group on the basis on non-public information made available through the employee's work in AKVA group.

The policy and guidelines of compliance with laws and regulations are stated in AKVA group's Code of Conduct.

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

No incidents of non-compliance with the policies of Compliance have been reported to the Management or the board of directors in 2017.

Corporate Governance in AKVA group ASA

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

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

1. Implementation and reporting on corporate governance

The board of directors must ensure that the company implements sound corporate governance.

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

The board of directors should define the company's basic corporate values and formulate ethical guidelines and guidelines for corporate social responsibility in accordance with these values.

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

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

Deviation from the Recommendation: None other than as stated above

2. Business

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

Paragraph 3 in the company's articles of association (the "**Articles of Association**") states: "The 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." The full Articles of Association are included in the annual report. The company's strategic goals and objectives are described thoroughly in the report.

Deviation from the Recommendation: None

3. Equity and dividends

The company should have an equity capital at a level appropriate to its objectives, strategy and risk profile. The board of directors should establish a clear and predictable dividend policy as the basis for the proposals on dividend payments that it makes to the general meeting. The dividend policy should be disclosed. The background to any proposal for the board of directors to be given a mandate to approve the distribution of dividends should be explained. Mandates granted to the board of directors to increase the company's share capital should be restricted to defined purposes. If the Annual General Meeting is to consider mandates to the board of directors for the issue of shares for different purposes, each mandate should be considered separately by the meeting.

Mandates granted to the board should be limited in time to no later than the date of the next Annual General Meeting. This should also apply to mandates granted to the board for the company to purchase its own shares.

At year end 2017 the company had a consolidated equity of MNOK 500 which accounts for 30 % of the total consolidated assets of the company. The view of the board of directors is that the above stated equity capital level is appropriate in consideration of the company's objectives, strategy and risk profile.

Dividend policy:

The company's main objective is to maximise the value of the investment made by its shareholders through both increased share prices and dividend payments. The company aims to give the shareholders a competitive return on investment by a combination of cash dividend and share price increase. The company's dividend policy shall be stable and predictable.

When deciding the dividend the board will take into consideration expected cash flow, capital expenditure plans, financing requirements/compliance, appropriate financial flexibility, and the level of net interest bearing debt. The company needs to be in compliance with all legal requirements to pay dividend. The company will target to pay dividend twice a year, after the 1st and 2nd half of the year.

The dividend policy has been established by the board of directors and is disclosed on the company's website.

AKVA group paid out a dividend of NOK 1.25 per share in 2017, in total NOK 32,292,879.

In order to enable the company to maintain the dividend policy, the board of directors will propose that the Annual General Meeting to be held in May 2018 authorizes the board of directors pursuant to the Norwegian Public Limited Liability Companies Act (the "**Public Companies Act**" or the "**Act**") § 8-2(2) to approve the distribution of dividends based on the company's annual accounts for 2017. The authority may be used to approve the distribution of dividends up to an aggregate amount of NOK 75,000,000. The authorization shall be in force from the date of the general meeting until the earlier of the time of the Annual General Meeting in 2019 and 30 June 2019.

The general meeting held on 10 May 2017 resolved to grant the board authorization to increase the company's share capital by up to NOK 2,583,430 through subscription of new shares. The authorization does not authorize the board to waive the pre-emptive right of shareholders pursuant to section 10-4 of the Public Companies Act, nor carry out a capital increase through payments in non-monetary assets, nor incur special obligations on behalf of the company as set out in section 10-2 of the Act, nor decisions on mergers pursuant to section 13-5 of the Act, and may not be used in connection with the company's option program.

The authorization is in force from the date of the general meeting until the earlier of the date of the Annual General Meeting in 2018 and 30 June 2018. This authorization replaced all previous authorizations to the board to increase the company's share capital.

The board of directors has proposed that the Annual General Meeting to be held in May 2018 repeats the authorization granted to the board of directors in 2017 with a limitation corresponding to 10% of authorized share capital, but so that the board is not authorized to waive the pre-emptive right of shareholders pursuant to section 10-4 of the Public Companies Act, nor carry out a capital increase through payments in non-monetary assets, nor incur special obligations on behalf of the company as set out in section 10-2 of the Act, and nor decide on mergers pursuant to section 13-5 of the Act, and so that the authorization may not be used in connection with the company's option program. The new authorization shall expire at the earliest of the Annual General Meeting in 2019 and 30 June 2019. It is further proposed that the new authorization shall replace all previous authorizations to the board of directors to increase the company's share capital.

The general meeting in 2017 also resolved to grant the board authorization to acquire own shares which have been fully paid in accordance with the rules of §§ 9-2 – 9-4 of the Act. The shares to be acquired under this authorization shall not be acquired at a higher value than market terms on a regulated market where the shares are traded. This authorization may be used one or several times. The aggregate maximum face value of the shares which the company may acquire pursuant to this authorization is NOK 645,857, which equals approximately 2.5 % of the company's share capital. Acquisitions of shares pursuant to this authorization may only take place if the company's distributable reserves according to the most recent balance sheet exceed the purchase price for the shares to be acquired. The board is free to determine how the company's own shares will be acquired and sold, provided that an acquisition under this authorization must be in accordance with prudent

and good business practice, with due consideration to losses which may have occurred after the balance-sheet date or to expected such losses.

The authorization is valid until the Annual General Meeting of 2018, however, no longer than until 30 June 2018. This authorization replaced the authorization for acquisition of own shares granted by the Annual General Meeting on 10 May 2017.

The board of directors has proposed that the Annual General Meeting to be held in May 2018 repeats the authorization granted to the board of directors in 2017, and that the new mandate shall expire at the earliest of the Annual General Meeting in 2019 and 30 June 2019. It is further proposed that the new authorization shall replace all previous authorizations to the board of directors to purchase own shares.

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

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

4. Equal treatment of shareholders and transactions with close associates

The company should only have one class of shares.

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

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

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

The company should operate guidelines to ensure that members of the board of directors and executive personnel notify the board if they have any material direct or indirect interest in any transaction entered into by the company.

Class of shares, pre-emptive rights and transactions in own shares

AKVA group has only one class of shares. The Articles of Association place no restrictions on voting rights. All shares are treated equal.

If the proposals for authorization to the board of directors to approve increases in share capital referred to above are approved, the board may decide to waive the shareholder's pre-emptive rights in connection with a share capital increase approved under the authorization. Any decision by the board of directors to waive the pre-emptive rights of shareholders will only be made after careful consideration and if such waiver can be properly justified in the relevant circumstances.

In the event the board of directors would propose to the general meeting that the pre-emptive rights of shareholders should be waived, this proposal will be justified in the notice of the general meeting and disclosed in a stock exchange notice in connection with the capital increase.

Any transactions carried out by the company in its own shares will be carried out either on the Oslo Stock Exchange or at prevailing stock market prices. In situations with limited liquidity in the company's shares, the board of directors will consider alternatives in order to ensure the equal treatment of shareholders.

Transactions between related parties

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

In order to avoid conflicts of interest, the company has introduced guidelines pursuant to which members of the board of directors and the company's management must act.

Guidelines for directors and key management personnel

The board has implemented guidelines to ensure that members of the Board and executive personnel shall notify the board in the event they have any material direct or indirect interest in any transaction entered into by the company.

Deviation from the Recommendation: None other than as stated above

5. Freely negotiable shares

The company's shares must, in principle, be freely negotiable. Therefore, no form of restriction on negotiability should be included in a company's articles of association.

The shares are freely negotiable. The Articles of Association place no restrictions on negotiability.

Deviation from the Recommendation: None

6. General meetings

The board of directors should take steps to ensure that as many shareholders as possible may exercise their rights by participating in general meetings of the company, and that general meetings are an effective forum for the views of shareholders and the board.

Such steps should include:

- making the notice calling the meeting and the support information on the resolutions to be considered at the general meeting, including the recommendations of the nomination committee, available on the company's website no later than 21 days prior to the date of the general meeting
- ensuring that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting
- setting any deadline for shareholders to give notice of their intention to attend the meeting as close to the date of the meeting as possible
- the board of directors and the person chairing the meeting making appropriate arrangements for the general meeting to vote separately on each candidate nominated for election to the company's corporate bodies
- ensuring that the members of the board of directors and the nomination committee and the auditor are present at the general meeting
- making arrangements to ensure an independent chairman for the general meeting

Shareholders who cannot attend the meeting in person should be given the opportunity to vote. The company should:

- provide information on the procedure for representation at the meeting through a proxy,
- nominate a person who will be available to vote on behalf of shareholders as their proxy
- to the extent possible prepare a form for the appointment of a proxy, which allows separate voting instructions to be given for each matter to be considered by the meeting and for each of the candidates nominated for election

The Annual General Meeting for 2017 was held on the 10th of May, and was in all material respect carried through in accordance with item 6 in the recommendation with the following exceptions:

- The company does not appoint an independent proxy to vote on behalf of shareholders. In the company's opinion the shareholder interests are duly protected through participation with a personal proxy or by granting a proxy with voting instructions to the chairman of the meeting, the chairman of the board or any person appointed by him

- The recommendations of the nomination committee had not been finalised on the date of the notice calling the Annual General Meeting, and were made public 15 days prior to the date of the Annual General Meeting

The Annual General Meeting in 2017 was chaired by an independent chairman. It is the intention of the board of directors to nominate an independent chairman also for future general meetings.

AKVA group did not conduct any Extraordinary General Meetings in 2017.

Deviation from the Recommendation: None other than as stated above

7. Nomination committee

The company should have a nomination committee, and the general meeting should elect the chairperson and members of the nomination committee and should determine the committee's remuneration.

The nomination committee should have contact with shareholders, the board of directors and the company's executive personnel as part of its work on proposing candidates for election to the board.

The nomination committee should be laid down in the company's articles of association. The general meeting should stipulate guidelines for the duties of the nomination committee.

The members of the nomination committee should be selected to take into account the interests of shareholders in general. The majority of the committee should be independent of the board of directors and the executive personnel. At least one member of the nomination committee should not be a member of the corporate assembly, committee of representatives or the board. No more than one member of the nomination committee should be a member of the board of directors, and any such member should not offer himself for re-election to the board. The nomination committee should not include the company's chief executive or any other executive personnel.

The nomination committee's duties are to propose candidates for election to the corporate assembly and the board of directors and to propose the fees to be paid to members of these bodies.

The nomination committee should justify its recommendations.

The company should provide information on the membership of the committee and provide suitable arrangements for shareholders to submit proposals to the committee for candidates for election.

The Articles of Association provide for a nomination committee. The nomination committee shall evaluate and recommend candidates for directors elected by the shareholders as well as directors' remuneration, both for the board of directors and for the nomination committee itself. The nomination committee shall consider and recommend to the shareholders for resolution at the general meeting on the following matters:

- Candidates for election as members of the board of directors
- Candidates for election as members of the nomination committee and the chairman of the committee
- The proposed remuneration of the board of directors and the members of the nomination committee
- Any proposed amendments to the nomination committee Charter
- Approve the text in the annual report (Corporate Governance section) of the company, related to the nomination committee

The nomination committee shall consist of three members elected by the shareholders at the general meeting. The nomination committee's chairperson shall be a member of the nomination committee and shall be elected by the shareholders at the general meeting.

The nomination committee's work is based on the nomination committee Charter approved by the Annual General Meeting in May 2007, which includes appropriate arrangements for shareholders to submit proposals to the committee for candidates for election.

Composition

The current nomination committee was elected by the ordinary Annual General Meeting on 10 May 2017 and consists of:

- Eivind Helland, (chair, for 2 years) General Manager, Blue Planet AS
- Bjørnar Mikalsen (for 2 years), Head of Sales, Skretting Nord
- Ingvald Fardal (for 2 years), MsC Business Administration

None of the nomination committee members are members of the board of directors.

The nomination committee is of the opinion that the composition reflects the common interest of all the company's shareholders.

The work of the committee

The nominating committee has held 4 meetings since the 2017 general meeting.

Deviation from the Recommendation: None

8. Corporate assembly and board of directors: composition and independence

The composition of the corporate assembly should be determined with a view to ensuring that it represents a broad cross-section of the company's shareholders.

The composition of the board of directors should ensure that the board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the board can function effectively as a collegiate body.

The composition of the board of directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the board should be independent of the company's executive personnel and material business contacts. At least two of the members of the board elected by shareholders should be independent of the company's main shareholder(s).

The board of directors should not include executive personnel. If the board does include executive personnel, the company should provide an explanation for this and implement consequential adjustments to the organisation of the work of the board, including the use of board committees to help ensure more independent preparation of matters for discussion by the board, cf. Section 9.

The chairman of the board of directors should be elected by the general meeting so long as the Public Companies Act does not require that the chairman must be appointed either by the corporate assembly or by the board of directors as a consequence of an agreement that the company shall not have a corporate assembly.

The term of office for members of the board of directors should not be longer than two years at a time.

The annual report should provide information to illustrate the expertise of the members of the board of directors, and information on their record of attendance at board meetings. In addition, the annual report should identify which members are considered to be independent.

Members of the board of directors should be encouraged to own shares in the company.

Composition of the board of directors

The board of directors consists of 10 members, and currently has the following composition: Hans Kristian Mong (Chairperson), Anne Breiby (Deputy Chairperson), Frode Teigen, Evy Vikene, Nils Viga, Anthony James, Aino Olaisen, Tore Obrestad, Carina Jensen and Henrik A. Schultz. The 3 latter directors have been elected by and from the employees.

All of the shareholder-elected members of the board are independent from executive management and material business contacts. Three of the shareholder-elected members of the board are independent from the main shareholders of the company. The board of directors elects the chair and the deputy chair. All the members of the Board are generally encouraged to own shares in the company.

Hans Kristian Mong and Frode Teigen represent the largest shareholder of the company, Egersund Group AS. Anthony James represents Wheatsheaf Investments Ltd, the second largest shareholder of the company. The other members of the board of directors are independent of shareholders and other stakeholders. Further details of the individual directors can be found in the annual Report.

The nomination committee's recommendation of candidates, including the basis of the recommendation, will be appended to the notice for the Annual General Meeting, which will be published on the company's website and on the Oslo Stock Exchange's reporting site, www.newsweb.no.

Deviation from the Recommendation: None other than as stated above regarding the board of director's competence to elect the chairman of the board.

9. The work of the board of directors

The board of directors should produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.

The board of directors should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.

In order to ensure a more independent consideration of matters of a material character in which the chairman of the board is, or has been, personally involved, the board's consideration of such matters should be chaired by some other member of the board.

The Public Companies Act stipulates that large companies must have an audit committee. The entire board of directors should not act as the company's audit committee. Smaller companies should give consideration to establishing an audit committee. In addition to the legal requirements on the composition of the audit committee etc., the majority of the members of the committee should be independent.

The board of directors should also consider appointing a remuneration committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. Membership of such a committee should be restricted to members of the board who are independent of the company's executive personnel.

The board of directors should provide details in the annual report of any board committees appointed.

The board of directors should evaluate its performance and expertise annually.

Board responsibilities

The board of directors has the final responsibility for the management and organisation of the company and supervising routine management and business activities. This involves that the board is responsible for establishing control arrangements to secure that the company operates in accordance with the adopted values and Code of Conduct as well as with shareholders' expectations of good corporate governance. The board of directors primarily looks after the interests of all the shareholders, but is also responsible for the company's other stakeholders.

The board's main task is to ensure that the company develops and creates value. Furthermore the board of directors shall contribute to the shaping of and implementation of the Group's strategy, ensure appropriate supervision and control of management and in other ways ensure that the Group is well operated and organised. The board sets the objectives for the financial performance and adopts the company's plans and budgets. Items of major strategic or financial importance for the Group are the responsibility of the board. The board hires the CEO, defines his or her work description and authority and sets his or her salary and other compensation. The board each year produces an annual plan for its work as recommended.

Instructions to the board of directors

The latest version of the board's instructions was approved by the board in a board meeting on 10 April 2014. The instructions cover the following points: Composition of the board, the board's duties, day-to-day management, calling of board meetings and related issues, the board's decisions, board minutes, disqualification and conflict of interest, confidentiality obligation, convening general meetings, insider rules and ethical guidelines for conduct of business. The board of directors can decide to deviate from instructions in certain cases.

Financial Reporting

The board of directors receives regular financial reports on the Group's economic and financial status.

Audit Committee

In accordance with section 6-41 of the Public Companies Act AKVA group has established an audit committee, consisting of Anne Breiby (Chair) and Anthony James. The Group CFO acts as the secretary of the committee. The mandate and work of the audit committee is described in further detail under item 10 below.

The audit committee has been operating since 2011. 6 meetings were held in the committee during 2017.

The compensation committee

The company has established a compensation committee, and the current Charter for the compensation committee was approved by the board in a board meeting on 21 September, 2006.

The committee's tasks revolve around the CEO's terms of employment and the remuneration of the executive management including salary levels, bonus systems, options schemes, pension schemes, employment contracts etc. The committee submits recommendations to the board of directors for final approval.

The current members are Nils Viga (Chair) and Frode Teigen. The chairperson of the board generally also participates in the meetings. The committee has had 2 meetings since the 2017 general meeting.

The board's self-evaluation

The board completes a self-evaluation annually in terms of efficiency, competence and the board's duties in general. The evaluation is made available for the nomination committee.

Deviation from the Recommendation: None

10. Risk management and internal control

The board of directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. Internal control and the systems should also encompass the company's corporate values, ethical guidelines and guidelines for corporate social responsibility.

The board of directors should carry out an annual review of the company's most important areas of exposure to risk and its internal control arrangements.

The board of directors and internal control

The board of directors ensures that the company has appropriate internal control procedures and appropriate risk management systems tailored to its business. Managing operational risk primarily takes place within the operational subsidiaries, but with the company's management as an active driving force through its positions in the boards of the subsidiaries. Generally, the subsidiaries have established adequate practices for such risk management.

The Group is exposed to currency, interest rate, and market risk, as well as credit risk and operational risk.

The Group has implemented a quality control system which further reduces operational risk. AKVA group ASA became ISO 9001:2008 certified as of December 2014.

The Groups' financial guidelines ensure the monitoring of financial risk. Management of exposure in financial markets, including currency, interest rate and counterparty risk, is emphasised in the company's governing documents. Further details on these principles are provided in note 16 to the Group's financial statements and the parent company's financial statements.

The Group has developed an authority matrix which is included in its governing documents.

Management regularly prepares performance reports that are reviewed by the board. The interim financial statements are subject to review in board meetings.

The board's work plan

The board of directors has established an annual work plan that includes an annual review of compliance of external and internal laws and regulations, risk and the HSE-situation, financial risks and identification of risk related to the strategic goals and risk handling. By carrying out the established work plan, the board controls that the company has sound internal control and systems for risk management for the company's activities, including systems suitable for controlling the compliance with the company's corporate values and ethical guidelines. The guidelines for corporate social responsibility are also included in the work plan.

Audit committee

The mandate of the committee is to monitor and evaluate the Group's financial reporting, including to evaluate substantial accounting issues, accounting principles and procedures applied by the Group in its financial reporting to Oslo Stock Exchange. The committee is to evaluate the work of the Group's external auditor, including the auditor's independence from management and compliance with rules and regulations in regards to services beyond financial audit. The committee also discusses

the scope of the audit with the external auditor as well as evaluates reports from the auditor to the board of directors and management of the Group. The audit committee nominates external auditor for the Group as well as propose compensation for the external auditor to the board of directors.

The audit committee is also monitoring the Groups internal control systems, including managements operational and financial risk management.

The audit committee is free to address any other issue it finds necessary to fulfil its mandate.

Deviation from the Recommendation: None

11. Remuneration of the board of directors

The remuneration of the board of directors should reflect the board's responsibility, expertise, time commitment and the complexity of the company's activities.

The remuneration of the board of directors should not be linked to the company's performance. The company should not grant share options to members of its board.

Members of the board of directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the Board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the board.

Any remuneration in addition to normal directors' fees should be specifically identified in the annual report.

It is the board's opinion that the size of the remuneration of the board of directors is in compliance with the criteria in the recommendation concerning *inter alia* the board's responsibility and expertise. Furthermore, the following applies to the remuneration:

- The remuneration is not linked to the company's performance, and the board members are not granted share options
- None of the board members and/or companies with which they are associated, have taken on specific assignments for the company in addition to their appointment as a member of the board.
- The remuneration of the board is proposed to the general meeting by the nomination committee

Deviation from the Recommendation: None

12. Remuneration of the executive management

The board of directors is required by law to prepare guidelines for the remuneration of the executive personnel. These guidelines are communicated to the Annual General Meeting. The board of director's statement on the remuneration of executive personnel should be a separate appendix to the agenda for the general meeting. It should also be clear which aspects of the guidelines are advisory and which, if any, are binding. The general meeting should vote separately on each of these aspects of the guidelines.

The guidelines for the remuneration of the executive personnel should set out the main principles applied in determining the salary and other remuneration of the executive personnel. The guidelines should help to ensure convergence of the financial interests of the executive personnel and the shareholders.

Performance-related remuneration of the executive personnel in the form of share options, bonus programmes or the like should be linked to value creation for shareholders or the company's earnings performance over time. Such arrangements, including share option arrangements, should be an incentive to good performance and be based on quantifiable factors over which the employee in question can have influence. Performance-related remuneration should be subject to an absolute limit.

Guidelines and terms

The board of directors and the compensation committee have the responsibility to establish guidelines and recommendations with regards to the remuneration of the CEO and the executive management. Each year the committee undertakes a thorough review of the remuneration and other salary to the CEO and the executive management. The review is based upon market sampling of similar positions. The structure and level of the remuneration and incentive system for the CEO and the executive management is determined by the board of directors. The fixed remuneration and performance-based remuneration is described in the notes to the annual accounts.

The incentive scheme for the group management consist of two components: i) an annual bonus limited to between 30% and 50% of annual salary, dependent upon individual and financial targets,

for the years 2017, 2018 and 2019; and ii) a deferred bonus limited to between 30% and 50% of annual salary, dependent upon individual targets and the development of the company's share price relative to the OSLO Seafood Index (OSLFX), for the same period.

The bonus plan do not exclude discretionary bonuses.

According to the established bonus regime and agreed terms, total bonuses of NOK 12,624,000 were paid out in 2017 to the Group's executive management based on the 2016 performance.

AKVA group introduced a share option plan in 2006, which allows the board of directors to grant options for the subscription of shares for an aggregate nominal value of NOK 1,012,108. The share option plan was approved by the general meeting on 6 October 2006. The options could be awarded both to leading employees and other selected employees. There are currently no outstanding options in accordance with this share option plan.

No members of management or other employees are currently entitled to receive share options.

In accordance with the Public Companies Act and the Code, the guidelines for the remuneration of the CEO and the executive management are communicated as a separate appendix to the Annual General Meeting.

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

13. Information and communications routine

The board of directors should establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

The company should publish an overview each year of the dates for major events such as its Annual General Meeting, publication of interim reports, public presentations, dividend payment date if appropriate etc.

All information distributed to the company's shareholders should be published on the company's website at the same time as it is sent to shareholders.

The board of directors should establish guidelines for the company's contact with shareholders other than through general meetings

Annual and periodic accounts

The company normally presents provisional annual accounts in late February. The complete annual report including annual financial statements and the Directors' report is sent to all shareholders and other stakeholders in April/May and presented at the Annual General Meeting. The company also makes its interim accounts publicly available through the Oslo Stock Exchange publication system, as well as through presentations that are open to the public. The company's financial calendar is published on the company's website and through the Oslo Stock Exchange publication system. All shareholders have equal access to financial and other material company information.

Other market information

Public presentations are conducted in connection with the company's interim reports. The interim presentation is also made available on the Group's website and through the Oslo Stock Exchange publication system.

In the interim report the CEO reviews the result for the past period and comments on the development for the various products and market segments. Furthermore the CEO provides a summary of the market outlook and short term future prospects. The CFO also participates in these presentations. The CEO and CFO also maintain a dialog with and make regular presentations to analysts and potential investors.

The company considers it essential to keep shareholders and potential investors informed about its economic and financial development. Significant importance is also attached to securing that the same information is released to the whole market at the same time. From time to time the company will prepare an updated company presentation which is made available on the company's home page <http://ir.akvagroup.com/investor-relations/financial-info-/other-presentations-and-reports>.

Deviation from the Recommendation: None

14. Take-overs

The board of directors should establish guiding principles for how it will act in the event of a take-over bid. In a bid situation, the company's board of directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the company's business activities are not disrupted unnecessarily. The board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.

The board of directors should not hinder or obstruct take-over bids for the company's activities or shares. Any agreement with the bidder that acts to limit the company's ability to arrange other bids for the company's shares should only be entered into where it is self-evident that such an agreement is in the common interest of the company and its shareholders. This provision shall also apply to any agreement on the payment of financial compensation to the bidder if the bid does not proceed. Any financial compensation should be limited to the costs the bidder has incurred in making the bid.

Agreements entered into between the company and the bidder that are material to the market's evaluation of the bid should be publicly disclosed no later than at the same time as the announcement that the bid will be made is published.

In the event of a take-over bid for the company's shares, the company's board of directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following the announcement of the bid.

If an offer is made for a company's shares, the company's board of directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The board's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the board have excluded themselves from the board's statement. The board should arrange a valuation from an independent expert. The valuation should include an explanation, and should be made public no later than at the time of the public disclosure of the board's statement.

Any transaction that is in effect a disposal of the company's activities should be decided by a general meeting, except in cases where such decisions are required by law to be decided by the corporate assembly.

The board of directors has established guidelines in the event of an offer for all or a substantial majority of the shares in AKVA group is made.

In the event of a take-over bid for the shares in the company, the board shall ensure that shareholders in the company are treated equally, and that the company's business activities are not disrupted unnecessarily. The board shall ensure that shareholders are given sufficient information and time to form a view of the offer. The board shall not seek to prevent or obstruct take-over bids for the company's business or shares unless there are particular reasons to do so.

Any agreement with a bidder for the shares of the company that acts to limit the company's ability to arrange other bids for the company's shares should only be entered into where such an agreement clearly is in the common interest of the company and the shareholders. This provision shall also apply to any agreement on the payment of financial compensation to a bidder if the bid does not proceed.

In the event of a take-over bid for the company's shares, the board shall not exercise authorizations or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting subsequent to the announcement of the bid.

If an offer is made for the shares in the company, the board shall issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The board's statement on a bid shall make it clear whether the views expressed are unanimous, and if this is not the case it shall explain the basis on which specific members of the board have excluded themselves from the board's statement. Before issuing its final statement the board shall arrange for an evaluation of the financial aspects of the bid from an independent expert. The evaluation shall include an explanation, and shall be made public no later than at the time the board's statement is made public.

Deviation from the Recommendation: None.

15. Auditor

The auditor should submit the main features of the plan for the audit of the company to the audit committee annually.

The auditor should participate in meetings of the board of directors that deal with the annual accounts. At these meetings the auditor should review any material changes in the company's accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the company.

The auditor should at least once a year present to the audit committee a review of the company's internal control procedures, including identified weaknesses and proposals for improvement. The board of directors should hold a meeting with the auditor at least once a year at which neither the chief executive nor any other member of the executive management is present.

The board of directors should establish guidelines in respect of the use of the auditor by the company's executive management for services other than the audit.

The board of directors must report the remuneration paid to the auditor at the Annual General Meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

An outline of the work planned by the auditor is presented to the audit committee every year. The auditor is always present during the board's discussion of the annual accounts. At this meeting the board is briefed on the annual accounts and any other issues of particular concern to the auditor. Part of the meeting is also executed without the presence of the CEO and other executive management. The chairman of the board also has an annual separate meeting with the auditor. The board has implemented guidelines in respect of use of the auditor by the executive management for services other than the audit.

Deviation from the Recommendation: None.

16. Management and internal procedures

This point is not covered by the Corporate Governance Recommendation

Group CEO

The Group chief executive officer/CEO is in charge of the day-to-day management of the Group, including responsibility for the company and the other companies in the Group being organised, operated and further developed in accordance with applicable legislation, the Articles of Association and decisions taken by the board of directors and the Annual General Meeting.

Executive Management

The executive management consists of 9 individuals. In addition to the Group CEO, the executive management consists of the Chief Financial Officer (CFO), the Chief Operating Officer (COO) Cage Based, the Chief Operating Officer (COO) Land Based, the Chief Operating Officer (COO) Software, Senior Vice President (SVP) Supply Chain & Manufacturing, Regional President Americas & Australasia, Regional President Europe & Middle East and Senior Vice President (SVP) Technology & Development.

The executive management group meets monthly with a fixed agenda in addition to fixed weekly meetings and day-to-day contact on an operational basis and a number of other scheduled meetings and business reviews through the year.

Evaluations

The executive management group evaluates its own work and working methods annually. The evaluation is submitted to the board's compensation committee, and a condensed version is presented to the board of directors.

Intra-Group boards

Each Group company (other than the company) has its own board of directors staffed by members of the executive management group and sometime other senior employees. External directors are also from time to time appointed.

