AKVA GROUP™

Annual Report 2011

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

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

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

2 ▶ AKVA group in brief

4 ▶ Highlights 2011

5 ▶ Financial key figures

9 ▶ CEO's report

10 ▶ Corporate Management

12 ▶ Board of Directors' Report

16 ▶ Board of Directors

20 ▶ Financial statement | group

25 ▶ Financial statement | group, notes

53 ▶ Financial statement | parent company

58 ▶ Financial statement | parent company, notes

69 ▶ Auditor's report

71 ▶ Articles of association

72 ▶ Corporate governance

Highlights 2011

- Continued growth, operating revenue in 2011 was MNOK 893.6, an increase of 20% compared to 2010.

- Improved earnings, EBITDA for 2011 of MNOK 62.0, an increase of MNOK 71.9 compared to 2010.

- Continued focus on operational improvements and cost during the year has given positive development in all business segments.

- Strengthening balance sheet through rights issue. Successfully completed in June 2011, resulting in net proceeds of MNOK 88.5.

- Strong increase in investment activity in Chile resulted in a revenue growth for AKVA in Chile of 165% in 2011.

- Recirculation (RAS) still pose a challenge, however the organization and the cost base are now tuned for long term development and profitable growth.

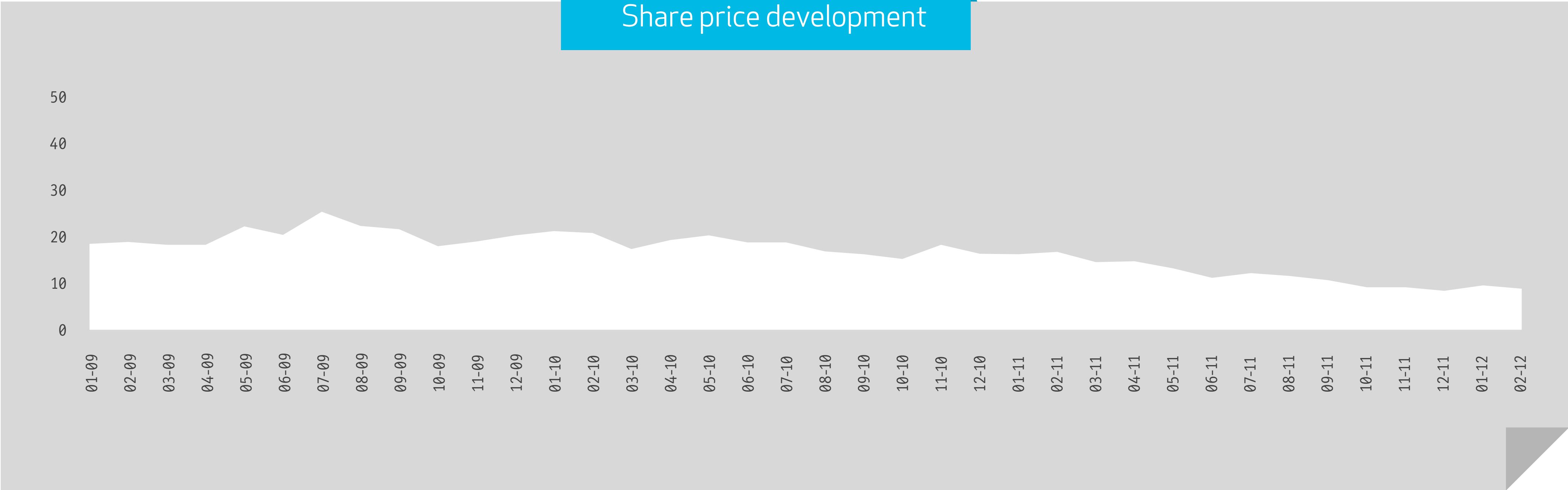
Financial key figures (in NOK 1 000)

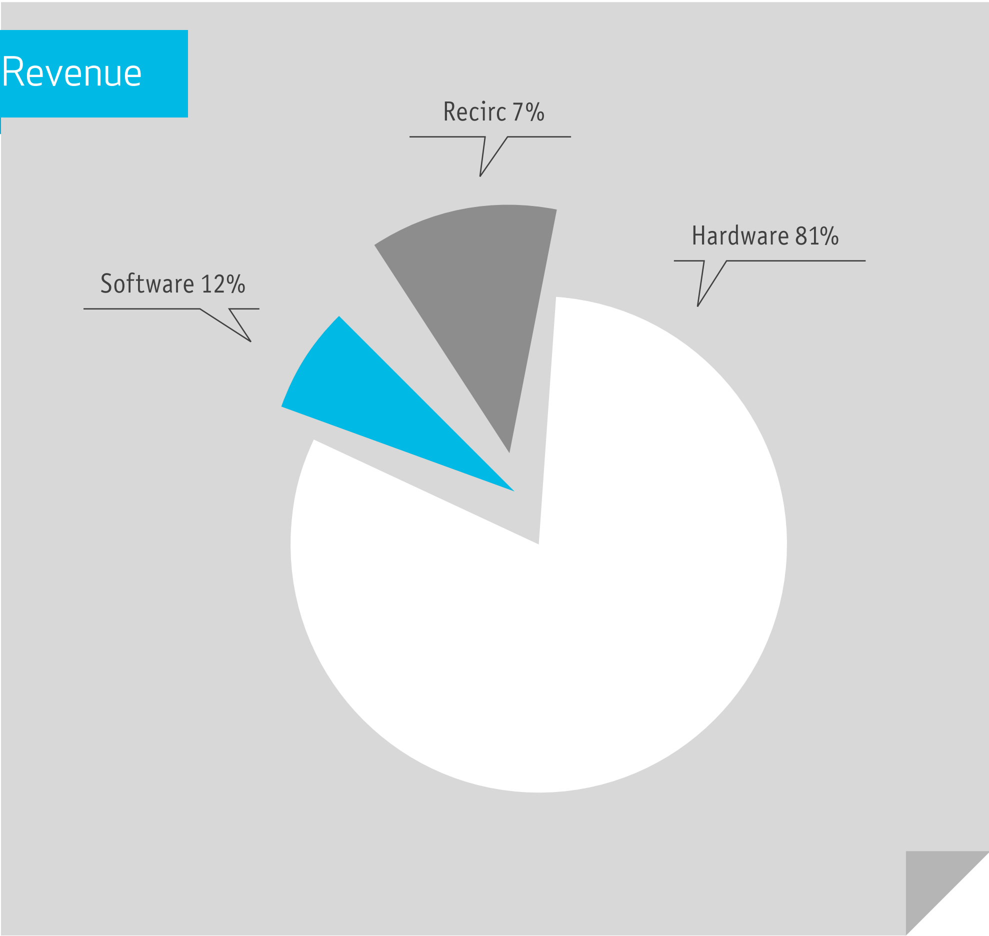
	2011	2010	2009	2008	2007*
Profitability					
Revenues	893 552	742 521	599 345	866 525	931 993
EBITDA	61 953	-9 915	-11 527	52 746	90 669
EBIT	29 253	-40 944	-42 392	23 274	66 434
Profit before tax	14 256	-50 890	-52 003	10 792	65 555
Net profit	11 485	-37 637	-39 128	5 517	53 610
Cash flow from operations**	-35 886	-3 158	34 463	-12 950	19 311
EBITDA margin	6,9 %	-1,3 %	-1,9 %	6,1 %	9,7 %
EBIT margin	3,3 %	-5,5 %	-7,1 %	2,7 %	7,1 %
Return on capital employed	3,0 %	-12,8 %	-10,5 %	5,6 %	28,9 %
Return on equity	4,2 %	-15,5 %	-13,8 %	1,7 %	17,0 %
Financial position					
Fixed assets	289 474	296 971	284 061	295 739	260 908
Current assets	432 189	398 234	327 277	380 472	423 868
Total assets	721 663	695 205	611 338	676 211	684 775
Equity	323 771	227 561	256 640	309 595	336 442
Long-term debt	112 208	136 882	156 212	129 099	109 414
Short-term debt	285 684	330 762	198 487	237 517	238 919
Total equity and liabilities	721 663	695 205	611 338	676 211	684 775
Gross interest-bearing debt	182 917	211 731	200 015	197 488	124 704
Cash and cash equivalents	57 281	51 729	76 429	64 210	98 044
Net interest-bearing debt	145 685	168 572	141 853	149 604	26 660
Working capital	181 981	101 579	119 993	171 726	109 385
Equity ratio	44,9 %	32,7 %	42,0 %	45,8 %	49,1 %
Debt to-equity-ratio	56,5 %	93,0 %	77,9 %	63,8 %	37,1 %
Share data					
Earnings per share	0,53	-2,19	-2,27	0,32	3,11
Diluted earnings per share	0,53	-2,19	-2,27	0,32	3,10
Cash flow per share	-0,28	-1,01	0,70	2,22	4,71
Dividend per share	-	-	-	-	1,00
Shareholders' equity per share at year-endt	12,53	13,21	14,90	17,98	19,53
Share price at year-end	8,25	16,10	20,00	20,50	38,90
Market capitalization at year-end	213 133	277 288	344 457	353 069	669 970
Number of shares outstanding at year-end	25 834 303	17 222 869	17 222 869	17 222 869	17 222 869
Average number of shares outstanding	21 528 586	17 222 869	17 222 869	17 222 869	17 222 869

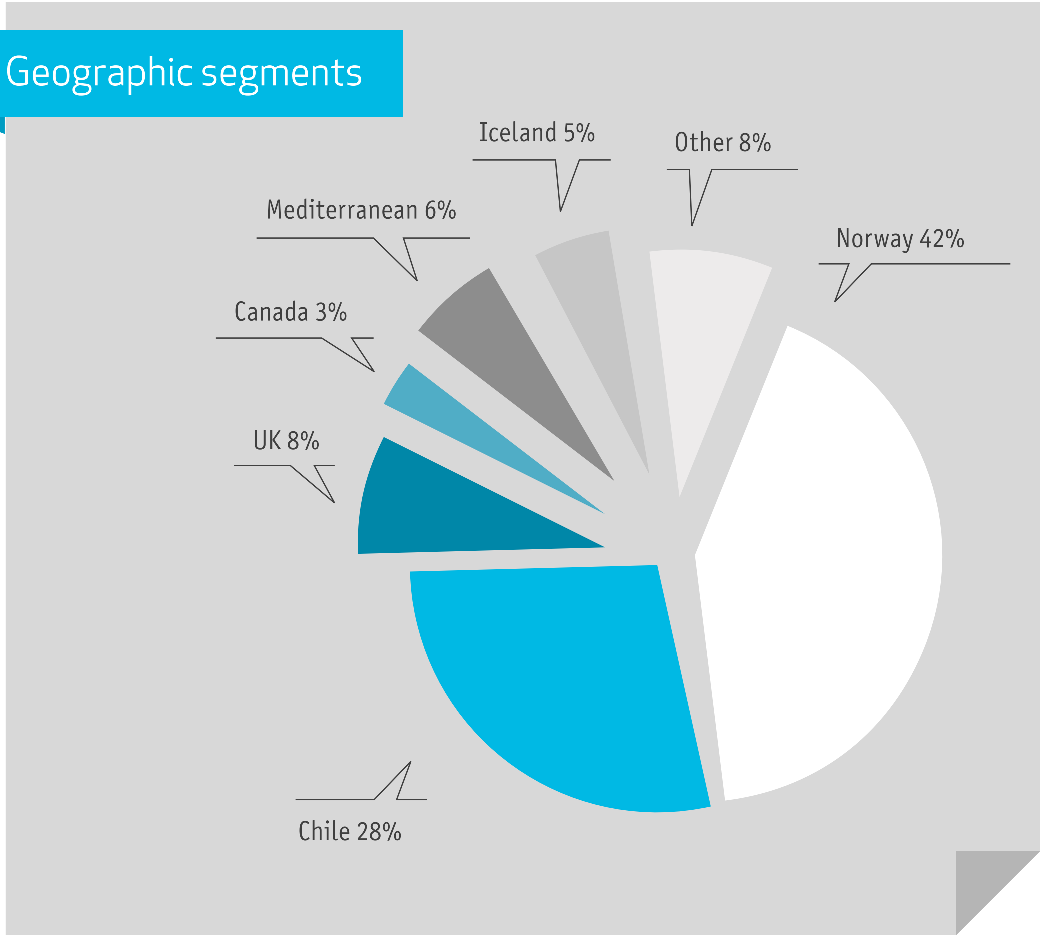
* Proforma figures are showing the consolidated figures as if the acquisition of Maritech was done as per 1 January 2007.

** Legal figures (not pro forma)

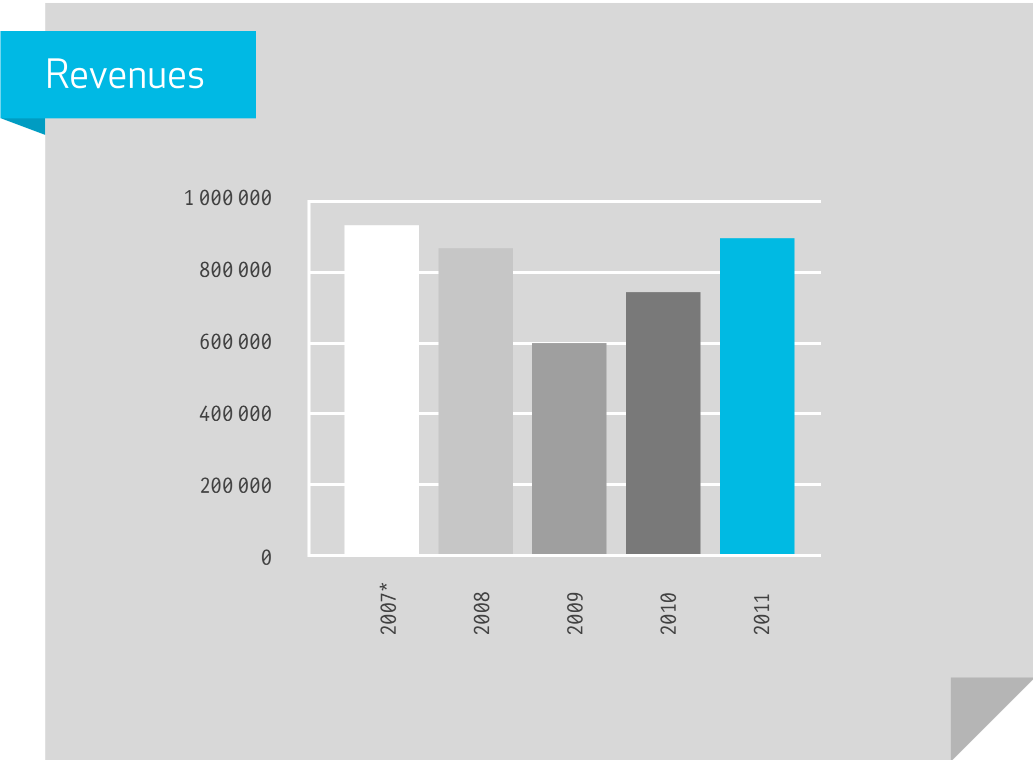
Financial key figures

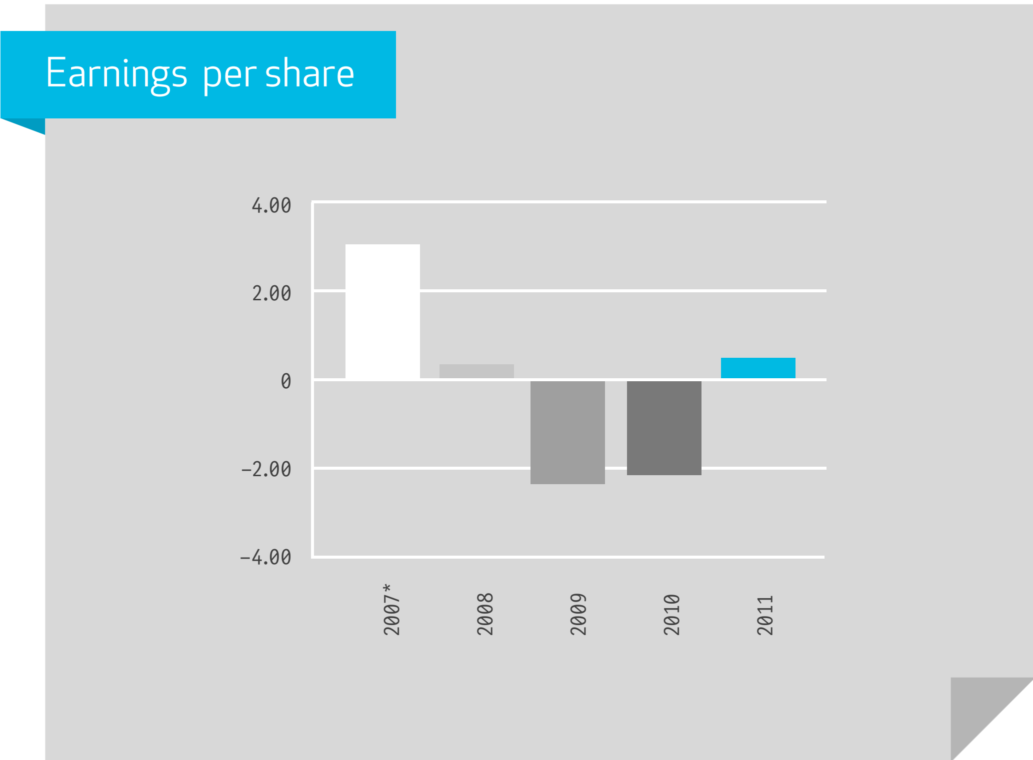


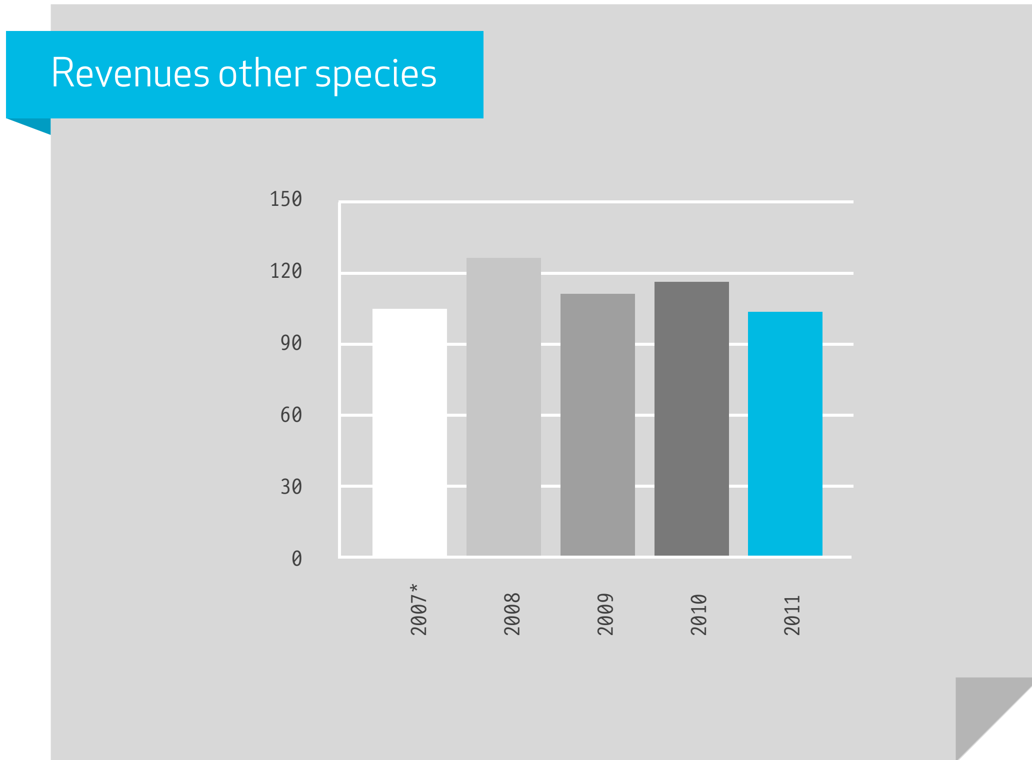




Financial key figures



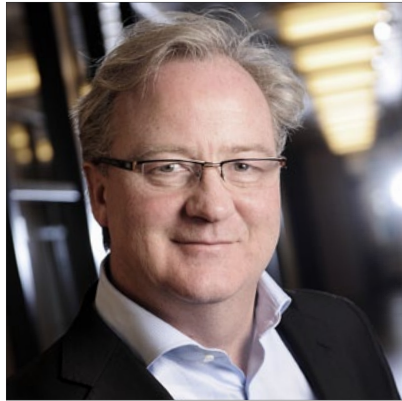




* Proforma figures for 2007.

CEO's report
Coporate Management
Board of Directors
Board of Directors' Report

Dear shareholders and stakeholders of AKVA group,



2011 has been a year with positive change for AKVA.

2011 has been a year with positive change for AKVA. After two years with substantial challenges and financial losses, we experienced growth in revenues and significant improvements in financial performance.

In 2011, focus has been to improve our operational performance, to reduce our costs, make sure we supply well documented and high quality products and to strengthen customer relations through service and professionalism. In many of these areas we see that we have made progress. This has only been made possible through hard work and efforts from our employees. During the year we have seen willingness and a determination in the organization to make progress – to move AKVA forward.

Determination and hard work by employees is always crucial to make an organization move in the right direction. But in addition to that, and in order to understand AKVA in 2011, the support and contribution given by the shareholders is also an important element. The rights issue completed end of June, was needed for AKVA to regain its financial strength. It formed a necessary foundation on which we build the business for the future. At the same time it was crucial to enable the growth we experienced throughout the year, driven by the recovery of the Chilean market.

In Chile AKVA's revenues grew 165% in 2011 compared to 2010. The significant growth was fuelled by the recovery of the Chilean industry, regaining position as a stronghold in the international salmon industry, after years of low activity and consolidation. Despite years of low business volumes and financial losses, AKVA was positioned to take the growth when it came. We had managed to keep our core competence and our ability. Now, when the industry is growing and the market is back, we will utilize this to build an even stronger position.

2011 has shown us that AKVA's strength is not only our leading technology, but also our diversification and distribution in different markets. Throughout the year we have seen strong performance in other markets, especially in Canada and Scotland, where we have well established organizations servicing the market. This gives us important hubs to develop further. They also represent bridgeheads to stepwise development into new markets, which to a large extent still pose an unexplored potential.

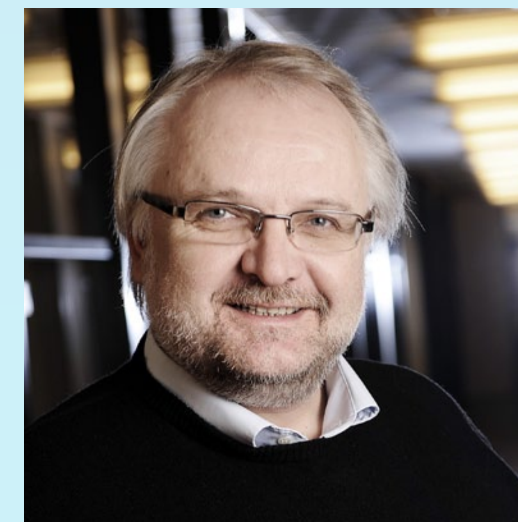
Land based recirculation technology has been part of AKVA's technological portfolio for several years now. So far, this part of our business has generated significant losses for the group. Even if we, through 2011 took significant steps to reduce costs and exposure, we still had significant losses in 2011. We still believe this technology is in early stages and pose a significant opportunity for AKVA in the long run. The resources are now tuned, to enable controlled development and growth of the business area.

In the second and third quarter of 2011 the prices of salmon dropped significantly. This caused an immediate effect on the investment climate and a reduction of our customers CAPEX budgets. Subsequently, order inflows to AKVA were reduced in the last months of the year, compared to the fall of 2010. Even if we see clear signs of improvements and normalization into the new year, the visibility in the market place is less than one year ago. It also underlines the importance of the priority we have given development of OPEX based business as service and aftermarket as well as stepwise development of new markets, throughout 2011. Over time this will make AKVA more diversified and more robust to fluctuations in CAPEX budgets in the salmon industry.

Focus in 2012 is to continue the work we have started, seeking improvements in our operational performance, our technology and our customer service. As of now, we prefer to think of ourselves as being on our way – always to become better at what we do. We are ambitious, but determined to stay humble. We want to be the preferred **Aquaculture Technology Partner,** known for products, solutions and service well recognized by our customers.

Bryne, April 17th 2012
Trond Williksen, Chief Executive Officer

Corporate management



Trond Williksen
Chief Executive Officer

Trond Williksen (b. 1963) assumed the position as CEO in March 2011. Prior to joining AKVA group he spent 7 years with Aker ASA, where he was the Executive Vice President for Harvesting in Aker Seafoods ASA, and also severed as the Managing Director of Aker Ocean Harvest AS. During his 20 year long career in fishery and aquaculture, he has led the KPMG Center for Aquaculture and Fisheries, and has also served as the Managing Director of the Norwegian Fish Farmers Association. Trond holds an MBA in Operational management, Finance and Strategy from University of Washington. He is a Norwegian citizen and resides in Bærum, Norway.

Eirik Børve Monsen
Chief Financial Officer

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

Per Andreas Hjetland
Chief Operations Officer Nordic

Per Andreas Hjetland (b. 1961), 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.

Corporate management

Andrew Campbell

Chief Operations Officer Americas

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

Trond Severinsen

Chief Operations Officer Export & Chief Marketing Officer

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

Odd Martin Solem

Chief Operations Officer Technology & Software

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

The Board's Annual Report 2011

The company experienced revenue growth and improved margins in 2011. Continued focus on operational improvements and cost during the year has given positive results in all business segments.

Total revenue for the group in 2011 was MNOK 893.6 – an increase of 20.3% compared to 2010. Earnings before interest, tax, depreciation and amortisation (EBITDA) were MNOK 62.0 versus MNOK -9.9 in 2010. Earnings per share (EPS) were NOK 0.53 in 2011 versus NOK -2.19 in 2010.

The financial result for 2011 shows increased revenue and improved positive margins in the Hardware and Software segments. The land based recirculation segment improved, but still delivered negative margins also in 2011.

The main focus this year has been on reducing the fixed cost base and increasing customer satisfaction, by improving engineering work and strengthening the delivery organisation, to ensure cost efficient and correct project deliveries according to customers' expectations.

AKVA group – the business areas

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

In 2011 the company was divided into three business areas: Hardware (HW), Software (SW) and Recirculation (RAS).

The HW business area's main products are; Feed barges, fish-farming cages, centralised feed systems, sensors, cameras, biomass estimation systems, light systems and net cleaning systems. The Polarcirkel™ polyethylene cages are produced at the facility in Mo i Rana, Norway and are one of the world's leading brands in this sector. The Polarcirkel™ brand also includes Polarcirkel™ PE-boats designed for extreme conditions including the fish-farming industry, diving, oil and gas service industry and also PE pipes up to 800 mm diameter for various purposes. Steel cages sold under the Wavemaster™ brand are market leaders in Chile, Canada and the UK. Wavemaster™'s main production facility for steel cages is located in Chile. The Wavemaster™ feed barges have a strong position in the salmon market and are supplied with centralised feed systems. The production of the feed barges designed by AKVA is outsourced.

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

The RAS business area's main product is land based systems for production of freshwater as well as seawater fish spices using recirculation technology. The systems are supplied from Fredericia in Denmark.

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

Continued Operations

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

Market situation through 2011

The strong market situation in the salmon industry in 2010 continued into the first half of 2011 and had a positive impact on investment levels and subsequently order inflow and revenues for AKVA. The significant drop in salmon prices in the second quarter of 2011 had a corresponding negative impact for AKVA in the second half of 2011. In the Chilean salmon industry we saw a strong increase in investment activity to expand the production capabilities, resulting in a revenue growth for AKVA in Chile of 165% in 2011. Revenues from services and maintenance provided by AKVA showed a positive development in 2011.

AKVA group had revenues from equipment and service to aquaculture for other species than salmon of MNOK 103.4 equal to 11.6% of total revenues. The Mediterranean market continues to be the main market for other species.

Profit and loss (consolidated)

In the comments below on the financial accounts, the 2010 figures are presented in brackets following the 2011 stated values, (when included).

Operating revenues for AKVA in 2011 were MNOK 893.6 (742.5) – an increase of 20.3% compared to 2010. EBITDA for 2011 was MNOK 62.0 (-9.9).

The increased revenues are mainly explained by a 165% increase in revenues in Chile partly offset by reduced revenues in the Norwegian market. The reduced revenues from the Norwegian market are explained by slowness in investment decisions from customers in the second half of 2011 due to reduced salmon prices.

Margins have developed positively as an effect of reduced cost base and operational improvements in all market segments during 2011.

Depreciation and amortisation in 2011 were MNOK 32.7 (31.0). The EBIT for 2011 was MNOK 29.3 (-40.9). Net financial items were MNOK -15.0 (-9.9) and profit before tax was MNOK 14.3 (-50.9). The calculated tax for 2011 is MNOK 2.8 (-13.3), of which MNOK 2.5 (-13.7) is a change in deferred tax and MNOK 0.3 (0.4) in current taxes. Net profit for the year was MNOK 11.5 (-37.6).

HW had operating revenues of MNOK 720.3 (574.5), an increase of 25.4%. EBITDA was MNOK 62.5 (16.8). The increased revenues are explained by increased revenues in Chile partly offset by reduced revenues in the Norwegian market due to lower salmon prices in the second half 2011. The improved margins are explained by reduced cost base.

SW had operating revenues in 2011 of MNOK 112.4 (106.1) with and EBITDA of MNOK 11.3 (9.0). SW continued to deliver steady revenues and healthy earnings in 2011.

RAS had operating revenues in 2011 of MNOK 60.9 (62.0) with an EBITDA of MNOK -11.8 (-35.8). Earnings are also in 2011 affected by costs over-runs in some major land based projects, however the organization and the cost base are now tuned for long term development and profitable growth.

Earnings per share were NOK 0.53 in 2011 versus NOK -2.19 in 2010. The calculation is based on 21.528.586 average number of shares outstanding in 2011 (17.222.869). The total number of outstanding shares was 25.834.303 at the end of 2011.

The board is satisfied with the group's improvement in financial performance in 2011. Measures implemented in 2010 and 2011 of reducing the cost base as well as to improve operations and project management have given results and should pave the way for continued improved earnings going forward.

Profit and loss AKVA group ASA

Operating revenues for AKVA group ASA in 2011 were MNOK 447.9 (434.9). EBITDA for 2011 was MNOK 21.0 (-23.8). Depreciation and amortisation in 2011 were MNOK 15.4 (13.6). The EBIT for 2011 was MNOK 5.6 (-37.4). Net financial items were MNOK 0.3 (5.5) and profit before tax was MNOK 6.0 (-31.9). The calculated tax for 2011 is MNOK 5.1 (-12.3). Net profit for the year was MNOK 0.9 (-19.5).

Balance sheet and cash flow (consolidated)

Total assets at the end of 2011 were MNOK 721.7 (695.2). Total liabilities amounted to MNOK 397.9 (467.6) and equity totalled MNOK 323.8 (227.6) giving an equity ratio of 44.9% (32.7%).

Working capital in the consolidated balance sheet, defined as non-interest bearing current assets less non-interest bearing short-term debt, was MNOK 182.0 at the end of 2011, up from MNOK 101.6 from the beginning of the year. The increase in working capital is mainly explained by increased sales volume in Chile of 165% in 2011. A substantial amount of the technology sold in Chile is produced in Norway and lead time from production to delivery is therefore increased for the group.

Equity was positively affected during 2011 by this year result of MNOK 11.5 and the capital increase of net MNOK 88.5 from the rights issue completed end of June.

The Equity was negatively affected by the translation differences of MNOK 3.7, out of which MNOK 0.8 is related to revaluation of goodwill and other intangible assets, according to IFRS.

Gross interest bearing debt amounted to MNOK 182.9 (211.7) at the end of 2011. Cash and unused credit facilities amounted to MNOK 57.0 at the end of 2011.

A waiver extending through the second quarter 2011 relating to the financial covenants of the major credit facilities and loans was agreed with the company's main bank in the fourth quarter of 2010. From Q3 2011 onwards the company has been in compliance with the financial covenants.

The total calculated deferred tax assets on December 31, 2011 amounted to MNOK 38.0 (50.0), whereof MNOK 36.0 (38.6) was recognised in the balance sheet. The amount included in the balance sheet is mainly related to the Norwegian operations.

Net investments in 2011 amounted to MNOK 30.0 (23.2), including MNOK 12.5 (9.0) in capitalised R&D expenses, in accordance with IFRS.

Balance sheet AKVA group ASA

Total assets at the end of 2011 were MNOK 626.7 (600.3). Total liabilities amounted to MNOK 252.1 (319.0) and equity totalled MNOK 374.6 (281.3) giving an equity ratio of 59.8% (46.9%).

Risks factors

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

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

Interest bearing debt is based on floating interest rate and net interest costs will consequently increase and decrease according to the variations in the interest level. AKVA group endeavours to maintain sufficient of free cash at all times to be able to meet its obligations.

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

Lager turn key projects in the land based RAS segment, have not given the expected margins. This is mainly due to the complexity in these projects as they also include non core deliveries as basic infrastructure such as roads, buildings, etc. To reduce this risk management has carefully examined the executed projects and given priority to project planning and resources needed for fulfilling of larger multidiscipline projects going forward.

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

Product development

In 2011 the group invested MNOK 33.2 (32.2) in product development, of which MNOK 12.5 (9.0) was capitalised and MNOK 20.7 (23.2) expensed. The investments were used to further improve existing products and to develop new products.

Organisation and work environment

AKVA group had 706 employees at the end of 2011. In Norway the company employed 183 people. Women accounted for 13.1% of the Norwegian employees. The group aims at having a gender balance across the different levels of the organisation.

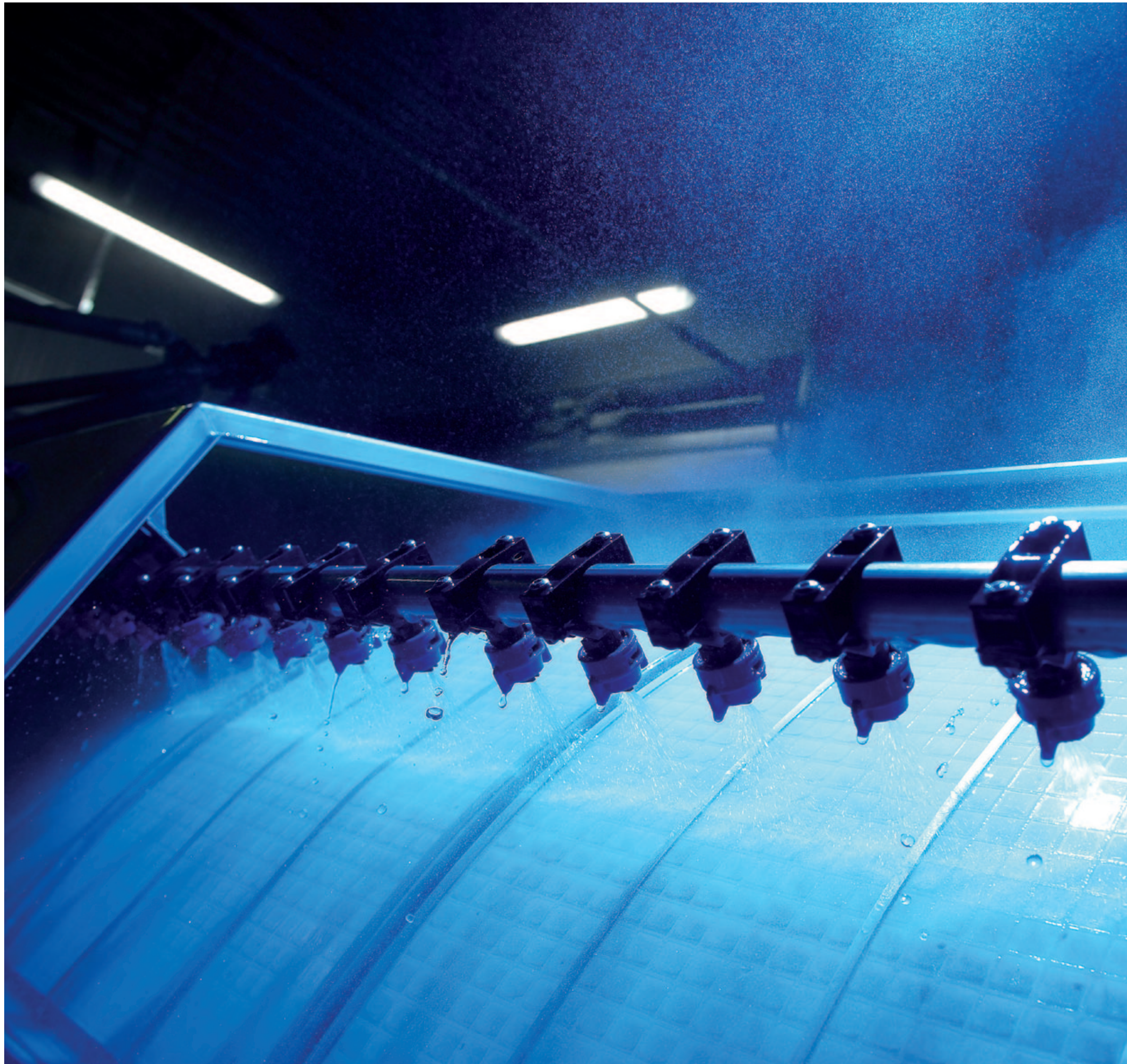
The Norwegian Discrimination Act's objective is to promote gender equality, ensure equal opportunities and rights, and to prevent discrimination due to ethnicity, national origin, descent, skin colour, language, religion and faith. The Group is working actively, determined and systematically to encourage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

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

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

Total sick leave in AKVA group ASA during 2011 amounted to 2.6% (3.0%). Short-term sick leave amounted to 1.9% (1.0%). One injury was registered in the company during 2011 in Chile, and efforts have been done in order to prevent similar incidents to happen in the future.

The board considers the working environment in the company to be satisfactory and has not initiated any particular measures in this area during 2011.



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

Eirik Børve Monsen assumed the position as CFO in AKVA group ASA in December 2011. Eirik Børve Monsen has broad experience from financial positions in Telenor as well as from being auditor in KPMG for 7 years. Monsen has an MBA from the Norwegian School of Economics and Business Administration (NHH). He is also a State Authorized Public Accountant and a Certified EFFAS Financial Analyst (AFA).

AKVA group and the external environment

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

Future outlook

We still expect effects of lower salmon prices in 2012, but there are signs of improvement in activity level after initial setup from fall in salmon prices in last months of 2011.

The Chilean market is expected to flatten out, but stay at high level into the year.

Export markets pose an opportunity after first significant contracts to Russia and Australia in place.

For the group the order backlog at the end of 2011 was 255 MNOK (348).

The Maritech business in Norway was sold in February 2012 and was a natural step in order to focus the operations

of AKVA, giving AKVA group the opportunity to further strengthen and develop the remaining core software activities in AKVA group Software AS, known under the brand Fishtalk™. Fishtalk™ is the leading best of breed software within aquaculture globally, and is in use by customers in all regions where AKVA is present. The intention is to develop Fishtalk™ to strengthen the brand's position further as well as to meet our customers' needs for specialized solutions for aquaculture operations.

AKVA group will stay hands on going forward in 2012 adjusting operations according to market development, focusing on long term performance, margins and customer relations. There will be continued focus on working capital and costs.

Allocation of profit

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

Transferred to other equity	NOK 904.000
Total applied	**NOK 904.000**

At the end of 2011, AKVA group ASA had equity of MNOK 374.6, comprised of MNOK 25.8 in share capital, MNOK 336.0 in share premium reserve, MNOK 2.3 in other paid-in capital and MNOK 10.4 in other equity. The parent company had no free equity at the end of 2011.

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

Bryne, Norway, April 17th 2012

Amund Skarholt
Chairperson of the Board

Anne Breiby
Deputy Chairperson

Thore Michalsen

Frode Teigen

Thorhild Widvey

Kjell A. Corneliussen

Eivind Brendryen

Tore Obrestad

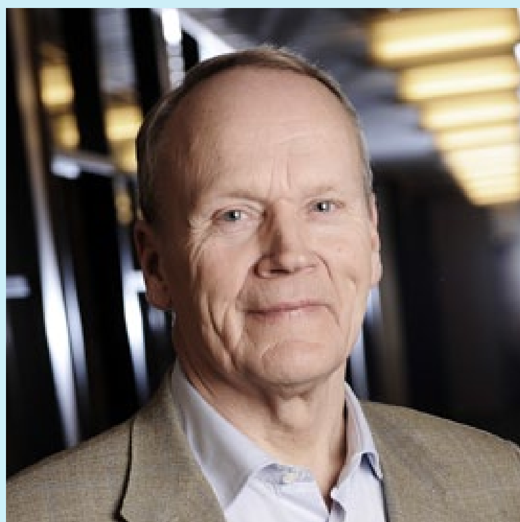
Trond Williksen
Chief Executive Officer

Confirmation from the Board of Directors and Chief Executive Officer

We confirm that, to the best of our knowledge, that the financial statements for the period from 1st January to 31st December 2011 has been prepared in accordance with EU-approved IFRS and gives a true and fair view of the group and the Company's consolidated assets, liabilities, financial position and results of operations, and that the Report of the Board of directors provides a true and fair view of the development and performance of the business and the position of the group and the Company together with a description of the key risks and uncertainty factors that the company is facing.

Bryne, Norway, April 17th 2012

Board of Directors



Amund Skarholt
Chairman

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

Anne Breiby
Deputy Chairperson

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

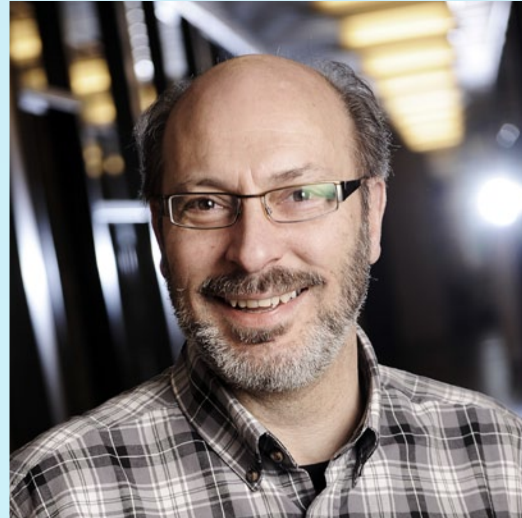
Thorhild Widvey
Board member

Lives in Oslo, Norway, earned a degree in Physical Education. Present master student at Business School in Oslo (BI). Mrs. Widvey was member of parliament from 1989 to 1997 and was under secretary of state in the ministry of fisheries 2002-2003 and in the ministry of foreign affairs 2003-2004. She was the Norwegian Minister of Oil and Energy 2004-2005. Today she sits on a number of Boards of Norwegian private and public companies (RXT ASAS, Hitec Vision Private Equity, ENI AS, Stream AS, Aker Philadelphia Shipyard ASA, IRIS AS, ONS AS). Mrs. Widvey was elected to the Board of Directors at the general meeting 25. September 2006.

Frode Teigen
Board member

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

Board of Directors



Thore Michalsen
Board member

Lives in Mo i Rana, earned a degree in engineering from NTH (NTNU in Trondheim) in 1968. Mr. Michalsen works as management consultant and has currently Board positions in Helgeland Sparebank, Helgelandskraft AS, Kunnskapsparken AS, Helgeland Plast AS and Sundsfjord Smolt AS. Mr. Michalsen was elected to the Board of Directors at the general meeting 25. August 2006.

Kjell-Arne Corneliussen
Employee's representative

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

Tore Obrestad
Employee's representative

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

Eivind Brendryen
Employee's representative

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

Financial statement Group

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

Group

	Note	2011	2010	2009
OPERATING REVENUES				
Sales revenues	2	893 552	742 521	599 345
OPERATING EXPENSES				
Cost of goods sold	11	567 163	462 022	329 157
Payroll expenses	3, 21	180 260	209 987	198 347
Other operating expenses	8, 12, 17, 20	84 176	80 427	83 369
Total operating expenses		831 600	752 436	610 872
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTISATION (EBITDA)		**61 953**	**-9 915**	**-11 527**
Depreciation and amortisation	7, 9	32 700	31 029	30 866
OPERATING PROFIT (EBIT)		**29 253**	**-40 944**	**-42 392**
FINANCIAL INCOME AND EXPENSES				
Financial income	17, 18	-1 174	4 071	2 081
Financial expenses	17, 18	-13 823	-14 017	-11 692
Net financial items		-14 996	-9 946	-9 611
PROFIT BEFORE TAX		**14 256**	**-50 890**	**-52 003**
Taxes	5	2 771	-13 254	-12 875
NET PROFIT FOR THE YEAR		**11 485**	**-37 637**	**-39 128**
Earnings per share	6	**0,53**	**-2,19**	**-2,27**
Diluted earnings per share	6	**0,53**	**-2,19**	**-2,27**

Comprehensive Income statement (in NOK 1 000)

Group

	Note	2011	2010	2009
NET PROFIT FOR THE YEAR		**11 485**	**-37 637**	**-39 128**
Other comprehensive income				
Translation differences on foreign operations		-5 068	12 398	-22 856
Income tax effect		1 419	-3 471	6 400
Total		**-3 649**	**8 926**	**-16 456**
Reclassification cash flow hedges previous year		-	-28	2 538
Income tax effect		-	8	-711
Total		**-**	**-20**	**1 827**
Gains and losses arised during the year on cash flow hedges		-	-775	28
Income tax effect		-	217	-8
Total		**-**	**-558**	**20**
Actuarial deviations on net pension obligations		-165	65	1 396
Income tax effect		46	-18	-391
Total		**-119**	**47**	**1 005**
Total other comprehensive income, net of tax		**-3 768**	**8 395**	**-13 604**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**7 718**	**-29 241**	**-52 732**
Attributable to: Equity holders of the parent		7 718	-29 241	-52 732

Assets 31.12. (in NOK 1 000)

Group

	Note	2011	2010	2009
NON-CURRENT ASSETS				
Intangible assets				
Goodwill	7,22	162 736	165 261	154 866
Other intangible assets	7,22	46 820	50 686	64 224
Total intangible assets		209 556	215 946	219 090
Tangible fixed assets				
Land and building	9	2 006	2 148	2 055
Machinery and equipment	9	39 933	39 459	37 016
Total tangible fixed assets		41 939	41 607	39 071
Long-term financial assets				
Deferred tax asset	5	36 028	38 555	24 831
Other long-term financial assets	10, 12	1 951	863	1 069
Total long-term financial assets		37 979	39 418	25 900
Total fixed assets		**289 474**	**296 971**	**284 061**
CURRENT ASSETS				
Stock	11	174 919	157 677	116 248
Receivables				
Accounts receivables	12, 18, 19	177 601	177 796	125 391
Prepayments to suppliers		9 565	5 856	4 988
Other receivables		32 871	13 745	22 489
Total receivables		220 037	197 397	152 868
Cash and cash equivalents	13	37 232	43 159	58 161
Total current assets		**432 189**	**398 234**	**327 277**
TOTAL ASSETS		**721 663**	**695 205**	**611 338**

Equity and Liabilities 31.12. (in NOK 1 000)

Group

	Note	2011	2010	2009
EQUITY				
Paid-in capital				
Share capital	14	25 834	17 223	17 223
Share premium reserve		329 715	249 864	249 864
Other paid in capital	21	1 920	1 890	1 728
Total paid-in capital		357 469	268 977	268 815
Other equity and reserves				
Translation differences		-36 937	-33 288	-36 725
Other equity		-24	95	-4 863
Total other equity and reserves		-36 961	-33 193	-41 588
Retained earnings				
Retained earnings		3 262	-8 223	29 413
Total retained earnings		3 262	-8 223	29 413
Total equity		**323 771**	**227 561**	**256 640**
LIABILITIES				
Provisions				
Pension obligations	15	1 038	1 156	1 846
Total provisions		1 038	1 156	1 846
Other long term liabilities				
Liabilities to financial institutions	16	110 209	134 463	150 651
Other long term liabilities		962	1 262	3 715
Total other long term liabilities		111 170	135 726	154 366
Current liabilities				
Liabilities to financial institutions		72 709	77 268	49 364
Trade creditors		85 035	87 974	48 213
Taxes payable	5	1 236	1 464	780
Public duties payable		12 570	8 409	9 114
Prepayments from customers		65 617	77 594	53 479
Other current liabilities	17	48 518	78 054	37 537
Total current liabilities		285 684	330 762	198 487
Total Liabilities		**397 892**	**467 644**	**354 698**
TOTAL EQUITY AND LIABILITIES		**721 663**	**695 205**	**611 338**

Bryne, 17 April 2012

Amund Skarholt
Chairperson of the Board

Thore Michalsen

Anne Breiby
Deputy Chairperson

Frode Teigen

Thorhild Widvey

Kjell A. Corneliussen

Eivind Brendryen

Tore Obrestad

Trond Williksen
Chief Excecutive Officer

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

Group

	Note	2011	2010	2009
Cash flow from operating activities				
Profit before taxes		14 256	-50 890	-52 003
Taxes		-1 984	-1 368	-1 063
Depreciation	7, 9	32 700	31 029	30 866
Change in pension obligation	15	118	690	568
Changes in stock, accounts receivable and trade creditors		-19 985	-54 074	65 860
Changes in other receivables and payables		-60 991	71 455	-9 764
Net cash flow from operating activities		-35 886	-3 158	34 463
Cash flow from investment activities				
Investments in fixed assets	7, 9	-29 975	-24 206	-30 309
Proceeds from sale of fixed assets	7, 9	1 792	1 031	6 213
Net cash flow from investment activities		-28 183	-23 175	-24 095
Cash flow from financing activities				
Change in interest bearing debt		-28 813	11 716	-27 473
New interest bearing long debt		-	-	30 000
Increase of share capital and share premium fund		88 462	-	-
Change related to other financial activities		-1 507	-2 751	-810
Net cash flow from financing activities		58 142	8 966	1 717
Net change in cash and cash equivalents		-5 927	-17 367	12 084
Net foreign exchange difference		-	2 365	-1 807
Cash and cash equivalents at 01.01		43 159	58 161	47 883
Cash and cash equivalents at 31.12	13	37 232	43 159	58 161

Statement of changes in equity (in NOK 1 000)

Group

	Note	Share capital	Share premium reserve	Other paid-in capital	Total paid-in capital	Translation differences	Other equity	Total other equity	Retained earnings	Total equity
Equity as at 01.01.2009		17 223	249 864	1 951	**269 039**	-25 758	-2 226	**-27 984**	**68 541**	**309 595**
Net movement in cash flow hedges		-	-	-	-	-1 827	1 847	**20**	**-**	**20**
Translation difference		-	-	-	-	-14 629	-	**-14 629**	**-**	**-14 629**
Actuarial deviations on net pension obligations		-	-	-	-	-	1 005	**1 005**	**-**	**1 005**
Total other comprehensive income		-	-	-	-	-16 456	2 852	**-13 604**	**-**	**-13 604**
Profit (loss) for the period		-	-	-	-	-	-	**-**	**-39 128**	**-39 128**
Total comprehensive income		-	-	-	-	-16 456	2 852	**-13 604**	**-39 128**	**-52 732**
Recording of option agreement	21	-	-	-223	**-223**	-	-	**-**	**-**	**-223**
Equity as at 31.12.2009	14	17 223	249 864	1 728	**268 815**	-42 214	626	**-41 588**	**29 413**	**256 640**
Equity as at 01.01.2010		17 223	249 864	1 728	**268 815**	-42 214	626	**-41 588**	**29 413**	**256 640**
Net movement in cash flow hedges		-	-	-	-	20	-578	**-558**	**-**	**-558**
Translation difference		-	-	-	-	8 906	-	**8 906**	**-**	**8 906**
Actuarial deviations on net pension obligations		-	-	-	-	-	47	**47**	**-**	**47**
Total other comprehensive income		-	-	-	-	8 926	-531	**8 395**	**-**	**8 395**
Profit (loss) for the period		-	-	-	-	-	-	**-**	**-37 637**	**-37 637**
Total comprehensive income		-	-	-	-	8 926	-531	**8 395**	**-37 637**	**-29 241**
Recording of option agreement	21	-	-	162	**162**	-	-	**-**	**-**	**162**
Equity as at 31.12.2010	14	17 223	249 864	1 890	**268 977**	-33 288	95	**-33 193**	**-8 223**	**227 561**
Equity as at 01.01.2011		17 223	249 864	1 890	**268 977**	-33 288	95	**-33 193**	**-8 223**	**227 561**
Net movement in cash flow hedges		-	-	-	**-**	-	-	**-**	**-**	**-**
Translation difference		-	-	-	**-**	-3 649	-	**-3 649**	**-**	**-3 649**
Actuarial deviations on net pension obligations		-	-	-	**-**	-	-119	**-119**	**-**	**-119**
Total other comprehensive income		-	-	-	**-**	-3 649	-119	**-3 768**	**-**	**-3 768**
Profit (loss) for the period		-	-	-	**-**	-	-	**-**	**11 485**	**11 485**
Total comprehensive income		-	-	-	**-**	-3 649	-119	**-3 768**	**11 485**	**7 718**
Issue of share capital		8 611	86 114	-	**94 725**	-	-	**-**	**-**	**94 725**
Share issue costs		-	-6 263	-	**-6 263**	-	-	**-**	**-**	**-6 263**
Recording of option agreement	21	-	-	30	**30**	-	-	**-**	**-**	**30**
Equity as at 31.12.2011	14	25 834	329 715	1 920	**357 469**	-36 937	-24	**-36 961**	**3 262**	**323 771**

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

Note 1
Summary of significant accounting policies

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

1.1 Basis for preparation

The consolidated financial statements of the AKVA group have been prepared in accordance with the international accounting standards published by the International Accounting Standards Board and the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) as per 31 December 2011.

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

1.2 Functional currency and Presentation currency

The Group presents its financial statements in NOK. This is also the parent company's functional currency. For consolidation purposes, the balance sheet figures for subsidiaries with a different functional currency, translated at the rate applicable at the balance sheet date, and the income statement have been translated at the average rate for the period. Exchange differences are recognised in equity. When foreign subsidiaries are sold, the accumulated exchange differences relating to the subsidiary are taken to income.

1.3 Basis of consolidation

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

The aquisition method is applied when accounting for business combinations. Companies which have been bought or sold during the year are consolidated from/until the date when the purchase/sale is carried out. Investments in associates (normally investments of between 20% and 50% of the companies' equity) in which AKVA group ASA exercises a considerable influence are accounted for by applying the equity method. The carrying value of the investments is reviewed when there are indications of a decline in value or when there is no longer any need for previously recognised impairment losses.
When the Group's share of the loss exceeds the investment, the investment is carried at zero value. If the Group's share of the loss exceeds the investment, this will be recognised to the extent that the Group has obligations to cover this loss.

All other investments are accounted for in accordance with IAS 39, Financial Instruments.

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

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

1.4 Cash and cash equivalents

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

The cash and cash equivalent amount in the cash flow statement do not include overdraft facilities. See note 13 for information about unused overdraft facilities.

1.5 Revenue recognition

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

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

Revenues relating to projects are recognised in the income statement in line with the project's progress and when the project's results can be reliably estimated. The progress of these projects are decided by the cost incurred compared to total budgeted cost for the project. When the project's results cannot be reliably estimated, only revenues equal to the accrued project costs will be taken to revenue. Any estimated loss on a contract will be recognised in the income statement for the period when it is identified that the project will lead to a loss.

Revenues from sale of professional services are recognised in the income statement when the services are performed and invoiced. Normally this will be in the same month, however occasionally with one month delay.

Interest is recognised in the income statement to the extent that it reflects the effective yield on the asset. Royalties will be recognised in the income statement in relation to the terms and conditions of the various royalty agreements. Dividends are recognised in the income statement when the shareholders' rights to receive dividend have been determined.

1.6 Segments
For management purposes, the group is organised into three business areas according to their range of products/ services. These business areas comprise the basis for primary segment reporting. Financial information relating to segments and geographical divisions is presented in note 2.

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

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

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

Foreign operations
Assets and liabilities in foreign subsidiaries, including goodwill and adjustments for fair value included in the consolidation are translated into NOK using the exchange rate at the balance sheet date. Revenues and costs from foreign operations are translated into NOK using the average exchange rate for the period. The exchange differences arising from the translation are recorded against the equity.
When translating foreign currencies into NOK the group is using the mid rate on the balance date listed by Norges Bank, the Central Bank of Norway. Norges Bank has however not quoted the exchange rate between NOK and ISK since mid December 2008. The rate used for NOK vs ISK at the balance date in the consolidation is the rate quoted by the Central Bank of Iceland. Neither does Norges Bank quote the exchange rate between NOK and CLP. This exchange rate is calculated based on the quoted rates of NOK per USD and CLP per USD by Norges Bank and the Central Bank of Chile respectively.

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

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

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

(i) Fair value hedges:
Derivatives designated as hedging instruments are measured at their fair value and changes in the fair value are recognised in the statement of comprehensive income as they arise. Correspondingly, a change in the fair value of the hedged object which is due to the risk that the object is hedged against is recognised in the statement of comprehensive income.

The hedge accounting is discontinued if:
(1) the hedging instrument expires or is terminated, exercised or sold, or
(2) the hedge does not meet the abovementioned hedge requirements, or
(3) the Group chooses to discontinue hedge accounting for other reasons

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

(ii) Cash-flow hedges (applicable for 2009 and 2010)
Changes in the fair value of a hedging instrument that meet the criteria for cash flow hedge accounting are taken directly to equity. The ineffective part of the hedging instrument is recognised directly in the income statement.

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

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

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

1.10 Loans

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

Borrowing costs are capitalised when the interest costs are incurred during the non-current asset's construction period. The borrowing costs are capitalised until the date when the non-current asset is ready for use. If the cost price exceeds the non-current asset's fair value, an impairment loss is recognised. Borrowing costs are recognised in the income statement when they arise. Borrowing costs are capitalised to the extent that they are directly related to the purchase, construction or production of a non-current asset.

1.11 Financial instruments

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

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

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

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

All purchases and sales of financial instruments are recognised on the transaction date. The transaction costs are included in the cost price.

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

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

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

Investments held to maturity are carried at amortised cost.

1.12 Inventories

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

1.13 Non-current assets

Non-current assets are carried at cost less accumulated depreciation and impairment losses. When assets are sold or disposed of, the gross carrying amount and accumulated depreciation are derecognised, and any gain or loss on the sale or disposal is recognised in the income statement.

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

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

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

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

Operating leases

Leases for which most of the risk rests with the other contracting party are classified as operating leases. Lease payments are classified as operating costs and recognised in the income statement during the contract period.

1.14 Intangible assets

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

Patents and licences

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

Software

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

1.15 Goodwill

Goodwill

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

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

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

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

Negative goodwill

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

1.16 Research and development

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

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

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

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

The depreciation period will normally not exceed five years.

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

1.17 Impairment of assets

Financial instruments

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

Financial assets which are valued at amortised cost are written down when it is probable that the company will not recover all the amounts relating to contractual issues for loans, receivables or hold-to-maturity investments. The amount of the impairment loss is recognised in the income statement. Any reversal of previous impairment losses is recognised when a reduction in the need to write down

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

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

Other assets

An assessment of impairment losses on other assets is made when there is an indication of a fall in value. If an asset's carrying amount is higher than the asset's recoverable amount, an impairment loss will be recognised in the income statement. The recoverable amount is the higher of the fair value less costs to sell and the discounted cash flow from continued use. The fair value less costs to sell is the amount that can be obtained from a sale to an independent third party minus the sales costs. The recoverable amount is determined separately for all assets but, if this is impossible, it is determined together with the entity to which the assets belong.

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

1.18 Equity

(i) Equity and liabilities

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

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

(ii) Other equity

(a) Exchange differences reserve

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

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

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

(b)Hedge reserve

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

1.19 Provisions

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

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

1.20 Employee benefits

Defined contribution plan

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

Defined benefit plans

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

The pension liabilities are calculated by actuaries each year. The pension commitments and pension costs are determined using a linear accrual formula. A linear accrual

formula distributes the accrual of future pension benefits in a straight line over the accrual period, and regards the employees' accrued pension rights during a period as the pension costs for the year. The introduction of a new defined benefit plan or any improvement to the present defined benefit plan leads to changes in the pension commitments. These are recognised as expenses in a straight line until the effect of the changes has been accrued. The introduction of new schemes or changes to existing schemes that take place with retroactive force so that the employees have immediately accrued a paid-up policy (or a change in a paid-up policy) is recognised in the income statement immediately. Gains or losses linked to reductions in or terminations of pension plans are recognised in the income statement when they arise. Actuarial gains and losses at year-end are booked against the equity so that the full pensions liability is shown in the balance sheet at year-end.

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

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

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

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

Severance pay

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

Share options

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

1.21 Government grants

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

1.22 Income tax

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

- goodwill for which amortisation is not deductible for tax purposes
- temporary differences relating to investments in subsidiaries, associates or joint ventures when the group decides when the temporary differences are to be reversed and this is not expected to take place in the foreseeable future.

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

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

Deferred tax and deferred tax assets are recognised irrespective of when the differences will be reversed. Deferred tax and deferred tax assets are recognised at their nominal value and classified as non-current asset investments (long-term liabilities) in the balance sheet.

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

1.23 Contingent liabilities and assets

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

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

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

1.24 Events after the balance sheet date

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

1.25 Use of estimates when preparing the annual financial statements

The annual financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards). This means that the management has used estimates and assumptions that have affected assets, liabilities, revenues, expenses and information on potential liabilities. This particularly applies to the recognition of revenue of long-term manufacturing contracts (note 19) and assessment of goodwill (notes 7 and 22). Future events may lead to these estimates being changed. Such changes will be recognised when new estimates can be determined with certainty

1.26 IFRS and IFRIC Interpretations not yet effective

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

IFRS 7 Financial Instruments – Disclosures (amendment)

The amendment relates to disclosure requirements for financial assets that are derecognised in their entirety, but where the entity has a continuing involvement. The amendments will assist users in understanding the implications of transfers of financial assets and the potential risks that may remain with the transferor. The amended IFRS 7 is effective for annual periods beginning on or after 1 July 2011. The Group expects to implement the amended IFRS 7 as of 1 January 2012. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 7 Financial Instruments – Disclosures (amendment)

The IASB has introduced new disclosure requirements in IFRS 7. These disclosures, which are similar to the new US GAAP requirements, would provide users with information that is useful in (a) evaluating the effect of potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and US GAAP. The amended IFRS 7 is effective for annual periods beginning on or after 1 January 2013, but the amendment is not yet approved by the EU. The Group expects to implement the amended IFRS 7 as of 1 January 2013. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

IFRS 9 Financial Instruments

IFRS 9 as issued reflects the first phase of the IASBs work on replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. According to IFRS 9 financial assets with basic loan features shall be measured at amortised cost, unless one opts to measure these assets at fair value. All other financial assets shall be measured at fair value. The classification and measurement of financial liabilities under IFRS 9 is a continuation from IAS 39, with the exception of financial liabilities designated at fair value through profit or loss (fair value option), where change in fair value relating to own credit risk shall be separated and shall be presented in other comprehensive income. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. IFRS 9 is effective for annual periods beginning on or after 1 January 2015, but the standard is not yet approved by the EU. The Group expects to apply IFRS 9 as of 1 January 2015.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013, but is not yet approved by the EU. The Group expects to apply IFRS 10 as of 1 January 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the

equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013, but is not yet approved by the EU. The Group expects to apply IFRS 11 as of 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013, but is not yet approved by the EU. The Group expects to apply IFRS 12 as of 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013, but is not yet approved by the EU. The Group expects to apply IFRS 13 as of 1 January 2013.

IAS 1 Financial Statement Presentation (amendment)
The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, but is not yet approved by the EU. The Group expects to apply the amended IAS 1 as of 1 January 2013.

IAS 12 Income Taxes (amendment)
The amendments intend to provide a practical solution to a problem relating to investment properties that arises in certain jurisdictions. As a result of the amendments deferred tax on investment property measured at fair value is required to be determined using the rebuttable presumption that the carrying amount of the underlying asset will be recovered through sale (rather than use). The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through use. The amendments incorporate SIC 21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into IAS 12. As a result IAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in IAS 16 Property, plant and equipment will always be determined on a sale basis. The amended IAS 12 is effective for annual periods beginning on or after 1 January 2012, but the amendment has not yet been approved by the EU. The Group expects to implement the amended IAS 12 as of 1 January 2012.

IAS 19 Employee Benefits (amendment)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard becomes effective for annual periods beginning on or after 1 January 2013, but has not yet been approved by the EU. The Group expects to implement the amended IAS 19 as of 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. IAS 27 as revised in 2011 becomes effective for annual periods beginning on or after 1 January 2013, but the revised standard has not yet been approved by the EU. The Group expects to implement the revised IAS 27 as of 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. IAS 28 as revised in 2011 becomes effective for annual periods beginning on or after 1 January 2013, but the revised standard has not yet been approved by the EU. The Group expects to implement the revised IAS 28 as of 1 January 2013.

IAS 32 Financial Instruments - Presentation (amendment)
The amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneously. The amended IAS 32 is effective for annual periods beginning on or after 1 January 2014, but the amendment has not yet been approved by the EU. The Group expects to implement the amended IAS 32 as of 1 January 2014.

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

Note 2
Segment information

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

Hardware
Main products include Polarcirkel, Wavemaster and Akvasmarts hardware brands such as: Plastic cages, steel cages, feed barges, feed systems, sensor- and camera systems, underwater lights and net cleaning systems. Various degrees of turn-key cage farming projects are also delivered in main export markets. These also include nets and mooring systems from other recognized sub-suppliers. Through Helgeland Plast AS in Norway, AKVA group also supplies polyethylene work boats and pipes to aquaculture and other industries.

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

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

	HARDWARE			SOFTWARE			RECIRCULATION		
	2011	**2010**	**2009**	**2011**	**2010**	**2009**	**2011**	**2010**	**2009**
Operating income	720 274	574 480	431 716	112 356	106 075	111 743	60 922	61 966	55 887
Operating expenses	657 740	557 631	435 025	101 105	97 075	100 981	72 754	97 731	74 866
Operating profit before depreciation and amortisation (EBITDA)	**62 534**	**16 849**	**-3 309**	**11 251**	**9 000**	**10 762**	**-11 832**	**-35 765**	**-18 980**
Depreciation and amortisation	24 329	19 723	19 222	7 101	10 035	11 164	1 270	1 272	480
Operating profit EBIT	**38 205**	**-2 874**	**-22 531**	**4 150**	**-1 034**	**-402**	**-13 102**	**-37 037**	**-19 459**
Assets	584 016	562 181	471 168	43 208	47 596	48 316	94 439	85 427	91 853
Liabilities	315 396	380 137	239 992	8 661	21 560	44 907	73 836	65 947	69 800
Investments in the period	20 607	19 007	27 487	8 306	3 514	1 657	1 061	1 685	1 165

	TOTAL		
	2011	**2010**	**2009**
Operating income	893 552	742 521	599 345
Operating expenses	831 600	752 436	610 872
Operating profit before depreciation and amortisation (EBITDA)	**61 953**	**-9 915**	**-11 527**
Depreciation and amortisation	32 700	31 029	30 866
Operating profit EBIT	**29 253**	**-40 944**	**-42 392**
Assets	721 663	695 205	611 338
Liabilities	397 892	467 644	354 698
Investments in the period	29 975	24 206	30 309

Note 2 continues on next page

Note 2 continues

2011							
Geographical information	Norway	Chile	Canada	Scotland	Iceland	Other	**Group**
Operating income - external customers	375 481	251 616	22 610	75 140	39 917	128 787	**893 552**
Assets	367 489	237 986	20 437	38 710	23 000	30 895	**718 517**
Investments in the period	20 531	2 453	540	1 931	4 081	439	**29 975**
2010							
Geographical information	Norway	Chile	Canada	Scotland	Iceland	Other	**Group**
Operating income - external customers	392 779	93 465	24 115	70 369	39 812	121 981	**742 521**
Assets	419 519	168 894	18 583	30 858	23 002	34 349	**695 205**
Investments in the period	11 214	4 236	3 059	2 358	2 442	897	**24 206**
2009							
Geographical information	Norway	Chile	Canada	Scotland	Iceland	Other	**Group**
Operating income - external customers	323 841	50 601	55 975	48 846	31 855	88 227	**599 345**
Assets	406 653	98 586	27 728	23 404	20 975	33 992	**611 338**
Investments in the period	17 225	5 941	-	6 037	368	738	**30 309**

Revenues by customer

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

Revenues by customer (Amounts in NOK 1 000)	**2011**	**2010**	**2009**
Customer A	74 657	72 424	54 621
Customer B	55 458	24 008	28 059
Customer C	25 939	19 220	9 730
Customer D	25 201	18 281	5 889
Customer E	22 170	27 722	3 441

Note 3
Wages and remunerations

Wage costs	**2011**	**2010**	**2009**
Salaries	153 691	177 961	164 925
Payroll tax	13 331	15 914	14 222
Pension costs	4 692	6 681	6 952
Other benefits	8 547	9 431	12 248
Total payroll expenses	180 260	209 987	198 347
Number of employees at year end:	706	548	428
The average number of employees in full time equivalent in the group during the year is:	627	486	422

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

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

The agreed remuneration for Trond Williksen is an annual fixed salary of MNOK 1.95. He is also entitled to full payment during sick leaves up to 52 weeks and a monthly car allowance of KNOK 10. Trond Williksen is granted 120 000 share options and he has a bonus arrangement limited up to 30% of the annual salary. The CEO is entitled to 12 months' remuneration on termination of employment.

Note 3 continues on next page

Note 3 continues

Loan and pledge

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

Stock options

A stock option plan was introduced in 2006. The remuneration related to options is a calculated theoretical amount based on the time value in the option period. There has been no exercises of options in 2011, neither any payments in connection with the option plan.No options have been granted during 2011. See details of stock options to group management in note 14 and also note 21.

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

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

Fees to the Board of Directors	Position	2011	2010	2009
Amund Skarholt	Chairperson of the Board	369	264	125
Anne Breiby	Deputy Chairperson of the Board	112	190	190
Thorhild Widvey	Member of the Board	140	139	125
Frode Teigen	Member of the Board	125	125	63
Thore Michalsen	Member of the Board	140	146	140
Kjell A. Corneliussen	Member of the Board	30	30	30
Steinar Mykløy	Member of the Board	30	10	-
Tore Obrestad	Member of the Board	30	10	-
Ingvild Andersen	Former member of the Board	-	20	30
Knut Drange	Former member of the Board	-	20	30
Steven Morell	Former Chairperson of the Board	-	-	125
Arne Økland	Former member of the Board	-	-	70

Note 3 continues on next page

Note 3 continues

Kjell A. Corneliussen, Eivind Brendryen and Tore Obrestad are elected amongst the employees and are the employee representatives in the Board of Directors. In addition to the board fee they have all received salary, pension contribution and other remunerations. Kjell A. Corneliussen has in 2011 received kNOK 630 in salary, kNOK 35 in contribution to the pension scheme and kNOK 38 in other remuneration. Eivind Brendryen has in 2011 received kNOK 785 in salary, kNOK 45 in contribution to the pension scheme and kNOK 16 in other remuneration. Tore Obrestad has in 2011 received kNOK 709 in salary, kNOK 39 in contribution to the pension scheme and kNOK 132 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 compentent 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 comittee which shall act as a preliminary organ in relation to the Boards 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
- Competion from the market

Total variable remuneration shall not in normal cases exceed the value of the fixed remuneration. AKVA group introduced in 2006 a stock option plan. Stock options are granted to the executive management and other senior employees.

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

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

Fees to auditor	2011	2010	2009
Audit	1 262	1 413	1 323
Tax services	187	173	220
Attestation services	13	9	32
Other services	474	345	498
Total	1 936	1 940	2 073
Hereof recorded against acquisition cost of purchased companies	-	-	-

All fees to the auditor is excluded of VAT.

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

Government grants	2011	2010	2009
"Skattefunn"	1 149	1 331	1 284
The Research Council of Norway	-	-	2 137
Other	901	2 508	2 378
Total	2 050	3 839	5 799

Note 5
Taxes (in NOK 1 000)

Tax expense	2011	2010	2009
Current taxes payable	542	294	610
Adjustment related to previous year	-297	175	1 138
Change in deferred taxes	2 527	-13 723	-14 624
Total tax expense	2 771	-13 254	-12 875
Calculation of the basis for taxation:			
Profit before tax	14 256	-50 890	-52 003
Permanent differences	-18 295	-34 663	16 385
Change in temporary differences	25 605	64 291	-12 908
Tax base	21 566	-21 262	-48 526
Specification of temporary differences:			
Current assets	-7 062	-8 503	-5 640
Fixed assets	39 756	35 723	50 850
Provisions	-16 993	-7 564	-2 504
Pension obligations	-589	-671	-1 655
Losses carried forward	-154 219	-157 806	-113 321
Other	-30 146	-53 152	-46 757
Total	-169 253	-191 973	-119 028
Calculated deferred tax assets	44 695	50 037	31 661
Deferred tax asset not recognised in balance sheet	-8 667	-11 482	-6 830
Deferred tax asset	36 028	38 555	24 831

The group has a tax loss carry forward of NOK 143.4 million whereof all is available indefinitely for offset against future taxable profits of the companies in which the losses arose. The deferred tax asset recognised in the balance sheet is made probable due to future earnings in the subsidiaries and tax planning.

Effective tax rate	2011	2010	2009
Expected income taxes, statutory tax rate of 28%	3 992	-14 249	-14 561
Permanent differences (28%)	-5 123	-9 706	4 588
Deviation between Norwegian and foreign tax rate	7 188	5 873	-3 757
Excess(-)/insufficient(+) provisions in former years	-471	175	1 138
Change in non-capitalised deferred tax asset	-2 815	4 653	-284
Income tax expense	2 771	-13 254	-12 875
Effective tax rate in percent of profit before tax	19,4 %	26,0 %	24,8 %

Expiry dates of Tax Loss Carry Forwards	
Tax loss carryforwards without time restrictions	-154 219
Total	-154 219

About 3/4 of the tax loss carryforwards is related to Norwegian tax jurisdiction. The Norwegian companies included in the group are expected to have positiv earnings in the coming years and the tax loss carry forwards can be offset against these profits. The current market conditions look promising for the salmon industry worldwide.

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

	2011	2010	2009
Ordinary profit / net income	11 485	-37 637	-39 128
Number of ordinary shares outstanding as of 31.12.	25 834 303	17 222 869	17 222 869
Weighted average number of ordinary shares	21 528 586	17 222 869	17 222 869
Earnings per share (NOK)	0,53	-2,19	-2,27
Diluted number of shares	21 528 586	17 222 869	17 222 869
Diluted earnings per share	0,53	-2,19	-2,27

The number of ordinary shares was increased by a share issue effective of 30th June 2011. The number of shares increased with 8 611 434 shares. The diluted number of shares is calculated based on the stock option plan introduced in 2006 and on the number of options in the money at the end of the year. At 31.12.2011 diluted number of shares was equal to number of ordinary shares. See note 21 Options to employees.

Note 7
Intangible assets (in NOK 1 000)

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

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

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

Note 7 continues

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

Goodwill:
After the acquisition of Wavemaster, Polarcirkel, Maritech, UNI Aqua and Idema, AKVA group is a leading provider with a strong market position in an industry which is based on renewable resources. See impairment test of goodwill below.

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

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

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

Book value of goodwill:	2011	2010	2009
HARDWARE			
Plastic cages	49 211	49 400	49 418
Steel cages	40 537	42 323	39 618
Idema	26 621	26 621	26 621
SOFTWARE			
Software and IT-services	30 807	31 288	22 657
RECIRC			
Uni recirculation	15 561	15 629	16 552
Total	**162 736**	**165 261**	**154 866**

The recoverable amount for the different cash-generating units is determined using cash flow projections from financial budgets approved by the Board of Directors. The after-tax discount rate applied to cash flow projections is in the range 10.57% - 11.10 %. A variation of +/- 1% does not materially affect the conclusion. Cash flow beyond a five year period are extrapolated using a 2.0% growth rate, which is a conservative estimate of the growth of the aquaculture industry. Using a pre-tax discount rate would have immaterial effect on the estimated recoverable amount.

Key assumptions used for calculations:

- Gross margin - the rates are only with immaterial changes based on achieved gross margins during the last three years
- Discount rates - 10.57% - 11.10%
- Raw material prices - it is expected that any change in the raw material prices during a reasonable time period will be reflected in product market prices and thus

not have any material effect on achieved gross margins

- Market share during the period - the calculations are based on the assumption that market share will not change significantly from the date of the calculation
- Growth rate - the aquaculture industry is expected to have a high growth in the foreseeable future. The applied growth rate of 2.0% is a conservative estimate of this growth

There is assumed that the recovery in the Chilean salmon industry will stabilize on todays level, this affecting in particular the impairment test of the goodwill related to Wavemaster. Currently, the salmon industry is an important basis of the revenues of the company. Due to the expected cyclicality of this industry the growth rate can vary significantly from year to year.

Note 7 continues on next page

Sensitivity to changes in assumptions IAS 36.134(f)
With regard to the assessment of value-in-use of the different cash flow generating units management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount short term.

Note 8
Research and development

During the year the group expensed NOK 20.7 mill (NOK 23.2 mill in 2010 and NOK 18.8 mill in 2009) on research and development on new products and technology as well as upgrades on existing products. The amount does not include capitalised development costs according to IAS 38 (see details in note 7).

Note 9
Tangible fixed asset (in NOK 1 000)

2011	Land and building	Machinery and equipment	Total
Acquisition cost at 01.01.	6 535	81 572	88 107
Additions during the year	-	17 454	17 454
Revaluations	-	-1 614	-1 614
Disposals during the year	-	-1 780	-1 780
Acquisition cost 31.12.	6 535	95 631	102 166
Accumulated depreciation 01.01.	4 388	42 113	46 501
Depreciation during the year	141	14 612	14 753
Revaluations	-	-586	-586
Accumulated depreciation disposals during the year	-	-442	-442
Accumulated depreciation 31.12.	4 529	55 698	60 227
Net book value 31.12.	2 006	39 933	41 939
Both the parent company and the subsidiaries use linear depreciation for all tangible assets. The useful economic life (in years) is estimated to:	> 10	3-10	

2010	Land and building	Machinery and equipment	Total
Acquisition cost at 01.01.	6 300	66 162	72 462
Additions during the year	235	16 218	16 453
Revaluations	-	1 351	1 351
Disposals during the year	-	-2 159	-2 159
Acquisition cost 31.12.	6 535	81 572	88 107
Accumulated depreciation 01.01.	4 245	29 146	33 391
Depreciation during the year	142	12 402	12 544
Revaluations	-	679	679
Accumulated depreciation disposals during the year	-	-114	-114
Accumulated depreciation 31.12.	4 387	42 113	46 500
Net book value 31.12.	2 148	39 459	41 607
Both the parent company and the subsidiaries use linear depreciation for all tangible assets. The useful economic life (in years) is estimated to:	> 10	3-10	

Note 9 continues on next page

Note 9 continues

2009	Land and building	Machinery and equipment	Total
Acquisition cost at 01.01.	6 318	81 903	88 221
Additions during the year	-	16 707	16 707
Revaluations	-	-926	-926
Disposals during the year	-18	-23 805	-23 823
Acquisition cost 31.12.	6 300	73 880	80 180
Accumulated depreciation 01.01.	4 117	42 596	46 713
Depreciation during the year	128	11 438	11 566
Revaluations	-	-204	-204
Accumulated depreciation disposals during the year	-	-16 965	-16 965
Accumulated depreciation 31.12.	4 245	36 864	41 109
Net book value 31.12.	2 055	37 016	39 071
Both the parent company and the subsidiaries use linear depreciation for all tangible assets. The useful economic life (in years) is estimated to:	> 10	3-10	

Note 10
Subsidiaries and other long-term investments (in NOK 1 000 unless stated otherwise)

Subsidiaries consolidated in the group accounts Company	Acquisition yeard	Location	Share ownership	Voting rights
AKVA group North America Inc.	1995	Canada	100 %	100 %
AKVA group Scotland Ltd.	1997	Scotland	100 %	100 %
AKVA group Software AS	1997	Norway	100 %	100 %
AKVA group Chile S.A.	1998	Chile	100 %	100 %
AKVA Ltd [1]	1998	Scotland	100 %	100 %
AKVA AS	2001	Norway	100 %	100 %
Feeding Systems Chile Ltda	2003	Chile	100 %	100 %
AKVAsmart Ltd. (Turkey)	2005	Turkey	100 %	100 %
Helgeland Plast AS	2006	Norway	100 %	100 %
Maritech ehf	2007	Iceland	100 %	100 %
AKVA group Denmark A/S	2007	Denmark	100 %	100 %
AKVA group SEA	2008	Thailand	100 %	100 %
Polarcirkel AS	2010	Norway	100 %	100 %
WiseDynamics Inc. [2]	2011	Canada		

[1] Subsidiary of AKVA group Scotland Ltd.
[2] Subsidiary of Maritech ehf

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

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

Note 11
Stock (in NOK 1 000)

	2011	2010	2009
Raw materials (at cost)	85 762	57 774	45 273
Work in progress (at cost)	19 657	16 917	8 510
Finished goods (at net realisable value)	69 500	82 986	62 465
Total	174 919	157 677	116 248
Write-down of obsolete stock 1.1	822	1 010	1 017
Write-down of obsolete stock during the year	495	-149	-52
Write-down of obsolete stock 31.12	1 317	861	965

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

Note 12
Receivables (in NOK 1 000)

Receivables due in more than one year	2011	2010	2009
Other long-term receivables	1 527	438	659
Total	1 527	438	659

Accounts receivables

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

	2011	2010	2009
Bad debt provision 1.1	9 034	5 816	5 767
Increase in bad debt provision related to acquisitions	-	-	-
Charge for the year	1 330	3 853	1 796
Used from the provision	-1 764	-366	-1 747
Unused amounts reversed	-1	-271	-
Bad debt provision 31.12.	8 600	9 032	5 816
Recorded bad debt cost during the year	1 628	969	1 747
Change in bad debt provision	-298	2 885	49
Total bad debt cost during the year	1 330	3 853	1 796

Of the recorded bad debt cost during the year all was covered by bad debt provision.
Reference is made to note 18 for more details of credit and currency risk related to accounts receivables.

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

	Total	Not due	Due <30 days	Due 31-60 days	Due 61-90 days	Due > 91 days
2011	177 601	88 600	18 082	24 216	26 083	20 619
2010	177 796	124 418	30 881	4 996	4 490	13 010
2009	125 391	80 602	21 913	3 124	15 802	3 950

Note 13
Bank deposits (in NOK 1 000)

	2011	2010	2009
Restricted bank deposits:	6 502	6 342	3 372
Overdraft limit	68 289	68 304	68 128
Utilised end of year	60 600	59 139	47 336

Note 14
Shareholders (in NOK 1 000)

AKVA group ASA

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

The 20 largest shareholders at 31.12.	Number of shares	Ownership in % of total shares
Frode Teigen	5 500 000	21,3 %
Arendals Fossekompani ASA	3 068 760	11,9 %
Kontrari AS	3 042 844	11,8 %
Egersund Group AS	2 600 000	10,1 %
SN-Invest AS	2 426 782	9,4 %
Pershing LLC	2 159 587	8,4 %
Skagen Vekst	1 588 800	6,1 %
Kverva AS	1 380 106	5,3 %
Knut Molaug	404 838	1,6 %
MP Pensjon PK	380 000	1,5 %
Ole Molaug Eiendom AS	338 692	1,3 %
Havbruksconsult AS	332 157	1,3 %
State Street Bank and Trust Co.	187 000	0,7 %
Gunnar Kluge	173 150	0,7 %
Ole Molaug	167 192	0,6 %
DnBNOR SMB	124 088	0,5 %
Six Sis AG	111 000	0,4 %
Anne Helga Nedrebø	101 750	0,4 %
Ingrid Havrevoll	99 750	0,4 %
Odd Skjæveland	75 750	0,3 %
Other shareholders	1 572 057	6,1 %
Total	25 834 303	100,0 %

Frode Teigen, Kontrari AS and Egersund Group AS are related parties. Frode Teigen and related parties control 43,13% of the total shares in AKVA group ASA.

Shares owned by members of the Board of Directors	Number of shares	Options
Frode Teigen * including shares owned by related parties	11 142 844	-
Amund Skarholt	40 000	-
Anne Breiby (Kjerby AS)	13 800	-
Tore Obrestad	2 368	-
Kjell Arne Corneliussen	200	-
Eivind Brendryen	200	-

Shares owned by group management	Antall aksjer	Opsjoner
Trond Williksen (CEO) *	40 000	120 000
Eirik Børve Monsen (CFO) *	20 000	-
Per Andreas Hjetland (COO Nordic)	2 500	-
Trond Severinsen (COO Export & CMO)	22 425	-
Odd Martin Solem (COO Technology & Software)	-	14 170

Note 15
Pensions (in NOK 1 000)

The pension schemes in all the Norwegian legal entities are defined contribution plans where agreed contributions are expensed as paid The companies have no further commitments towards pensions when the agreed contributions are paid. All pensions costs are included in payroll expenses in the profit and loss statement.

Contribution plans	2011	2010	2009
Contributions expensed during the year	4 030	3 195	3 061

Benefit plans

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

Benefit plans	2011	2010	2009
Service cost	-	25	299
Interest cost	30	48	95
Return on pension funds	-	-	-
Closing effect of old pension scheme	-	-611	-
Social security tax	3	8	44
Net pension cost	33	-530	437

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

Benefit obligations	2011	2010	2009
Estimated pension obligations at 31.12.	947	1 057	1 696
Pension plan funds (market value) at 31.12.	-	-	-
Unrecognised effects of deviations from estimates	-	-	-
Social security tax	91	99	150
Net benefit obligations	1 038	1 156	1 846

Changes in the present value of the defined benefit obligation are as follows	2011	2010	2009
Defined benefit obligation at 01.01.	1 156	1 846	2 414
Interest cost	30	48	95
Current service cost	7	33	342
Benefits paid	-263	-113	-
Changed pension scheme in group companies	-	-611	-
Actuarial gain/losses recognised in OCI	108	-47	-1 006
Defined benefit obligation at 31.12.	1 038	1 156	1 846

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

The group expects to contribute NOK 1.1 million to its defined benefit pensions plan in 2012.

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

Economical assumptions	2011	2010	2009
Discount rate	3,30 %	3,20 %	4,40 %
Expected wage growth	4,00 %	4,00 %	4,25 %
Expected social security base adjustment	3,75 %	3,75 %	4,00 %
Expected increase in pension	3,00 %	3,75 %	4,00 %
Expected turnover < 40 years	0,00 %	0,00 %	2,00 %
Expected turnover > 40 years	0,00 %	0,00 %	0,00 %

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

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

Note 16
Liabilities (in NOK 1 000)

Long-term liabilities due in more than 5 years	2011	2010	2009
Liabilities to financial institutions	11 661	35 802	55 118
Total	11 661	35 802	55 118

	2011	2010	2009
Liabilities secured with assets	195 548	199 839	145 428

Secured assets:	2011	2010	2009
Accounts receivable	39 320	125 391	70 000
Stock	73 238	116 248	65 000
Other assets	250 000	250 000	314 744
Total	362 558	491 639	449 744

Repayment of debt

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

	Long-term debt
2012	24 602
2013	24 602
2014	24 602
2015	24 602
2016	24 602
2017	11 661
Subsequent to 2017	-
Total long-term debt	134 673
Average interest rate	6,70 %

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

Loan covenants:

In the loan documents from Sandnes Sparebank and Innovasjon Norge the following loan covenants are set:
The ratio net interest-bearing debt over twelve months rolling EBITDA < 4
Equity share for the group > 30%

Net interest-bearing debt over twelve months rolling EBITDA was 2.4 as of 31 December 2011.
The equity share was 44.9 % as of 31 December 2011.

The long term debt facilities are all based on market conditions. The interest rate is a floating rate and it is based on NIBOR + a margin.

The loan from Innovasjon Norge is based on market conditions.

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

	2011	2010	2009
Financial Income			
Other interest income	999	857	1 418
Agio gain	-	2 937	612
Other financial income	585	277	51
Total financial income	1 583	4 071	2 081
Financial Expenses			
Interest expenses	12 399	12 840	10 199
Agio loss	2 757	-	-
Other financial expenses	1 424	1 177	1 493
Total financial expenses	16 580	14 017	11 692
Other operating expenses			
Accomodation, materials, equipment and maintenance	42 859	41 152	34 775
Marketing, travelling and communication	25 320	22 815	23 945
Other operating expenses	15 998	16 460	24 649
Total other operating expenses	84 176	80 427	83 369
Other current liabilities			
Accrued costs	15 120	31 226	13 970
Warranty provisions	6 660	5 574	4 057
Other current liabilities	26 738	41 254	19 511
Total other current liabilities	48 518	78 054	37 538

Warranty provisions have increased to reflect the growth in revenue from 2010 to 2011 and to reflect that the activity, based on the order backlog at 31. December 2011, most probably will stay on this level in 2012.

Note 18
Financial instruments and risk management (in NOK 1 000)

Determination of fair value

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

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

The following of the group's financial instruments are not measured at fair value: cash and cash equivalents, trade receivables, other current receivables, overdraft facilities, long-term debts and "hold-to-maturity" investments.

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

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

Note 18 continues on next page

Note 18 continues

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

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

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

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

	2011		2010		2009	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Cash	37 232	37 232	43 159	43 159	58 161	58 161
Trade receivables	177 601	177 601	177 796	177 796	125 391	125 391
Other non-current assets	42 436	42 436	19 601	19 601	27 477	27 477
Other long-term financial assets	1 698	1 698	610	610	816	816
Financial liabilities						
Bank overdraft	60 600	60 600	59 139	59 139	47 336	47 336
Trade and other payables	133 552	133 552	166 028	166 028	85 750	85 750
Interest-bearing loans and borrowings:						
Bank loans	122 317	122 317	152 592	152 592	152 678	152 678
Forward currency contracts	2 285	2 285	-2 404	-2 404	-2 475	-2 475

Fair value hierarchy

As at December 31, 2011, the Group held financial instruments measured at fair value as mentioned below:
The group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation techniques:
Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	31.12.11	Level 1	Level 2	Level 3
Assets measured at fair value				
Financial assets at fair value through profit and loss:	-	-	-	-
Foreign exhange contracts – non-hedged	2 285	-	2 285	-

Currency risk

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

In order to hedge the value of the items in the balance sheet denominated in a foreign currency the group had the following positions through forward contracts, all contracts with maturity in 2011:

Currency (amounts in 1000)		**Bought/sold**	**Net currency amount** (amounts in 1000)
American Dollar	USD	Sold	8 700
Danish Kroner	DKK	Sold	5 000
British Pound	GBP	Sold	1 440
Euro	EUR	Sold	700
Chilean Peso	CLP	Sold	1 524 750
Norwegian Kroner	NOK	Bought	91 461

Note 18 continues on next page

Note 18 continues

Profit and loss from the above currency contract are recorded directly via the income statement under financial items. At the end of the year a loss of KNOK 2 285 was recorded as an unrealised loss. The forward contracts are valued at estimated fair value.

As the group has revenues and costs denominated in different currencies the net value of the expected future cash inflow and cash outflow is exposed to changes in the currency rates. One way to reduce such risk is by using currency forward contracts, which is done both in 2011 and 2012. However at the end of the year the group had no positions in forward contracts in order to hedge expected future cash flow.

At the end of the year no gain or loss was recorded directly against the equity related to hedging of expected future cash flow.

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

In the long run it is not possible to hedge the effects of changing currency rates. In 2011 the group had export sales of MNOK 145 of products which predominantly had its cost base in NOK. A 10 % strenghtening of the NOK would then decrease the earnings with about 14.5 MNOK before possible price increases in the market.
About 42% of this exposure was related to sales in USD (sales mainly to Chile), 21% related to sales in GBP (sales in UK), and 16% related to sales in EUR (sales in Europe and the Mediterranean).

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

Foreign currency sensitivity

In the management of foreign currency risk the company seeks to reduce the effect from currency rate changes on monetary assets and liabilities as well as the value of the future cash flows denominated in a foreign currency. Through the internal financing structure within the group, most of the monetary asset and liability risk is allocated to the parent company, which also has most of the cash flow risk with regards to currency fluctuation. The major currencies are USD and EUR. Below it is made a partial analysis in order to do an estimate of the impact from a change in USD and EUR on the pre-tax profit and on the book equity at yearend.

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

The effect on the profit before tax is the result of change in monetary assets and the financial instruments denominated in EUR and USD respectively. The effect on book equity is the effect from the change in fair value of currency contracts assigned to future cash flow hedge.

Interest rate risk

The group's interest bearing debt is based on a floating interest rate which implies that interest payments over time will fluctuate according to the changes in the interest rate level. The major part of the interest bearing debt is in NOK. To reduce the interest rate risk it is the strategy of the group to have a balanced mix between equity and debt financing vs the market risk in its industry. With the net interest bearing debt at year end interest cost would have been MNOK 1.5 higher with a 1% higher average interest rate during the year and MNOK 1.5 lower with a 1 % lower average interest rate during the year.

Note 18 continues on next page

Note 18 continues

Credit risk

Part of the sale is credit sales where the group is exposed to credit risk towards the customer. The group has generally had low losses on outstanding receivables. For larger projects there are normally pre-payments from the customer and milestone payments along the progress of the project which reduce the credit risk towards the customers. To some extent the group uses trade finance instruments to reduce credit risk. For details of ageing of accounts receivables, see note 12.

Market risk

In 2011 about 67% of the revenues of the group came from customers producing salmon. In 2010 the share was 67%. To decrease the group's dependency of the salmon industry the group works to increase the share of revenues related to the aquaculture of other species than salmon. Due to the market variation in the different salmon markets the revenues can vary between years. Still, the aquaculture industry in general is expected to be a high growth industry in the foreseeable future although the financial turmoil in the short run increases the uncertainty.

Based on the assumption that a change in sales will not affect the product gross margin and that other operating costs short term only will change 50% of the change in sales - a change in the revenues of the group would have had the following impact on net income (25% tax rate used):

Change in sales	Change in net income/ equity (amounts in 1 000)
10 %	14 563
5 %	7 281
2 %	2 913
-2 %	-2 913
-5 %	-7 281
-10 %	-14 563

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

Capital structure and equity

The primary focus of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholders value. The group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. In 2011 new shares were issued. No changes were made in the objectives policies or processes during the year 2011. The group monitors capital using a gearing ratio, which is net debt divided by total equity plus net debt. The group includes within net debt, interest bearing loans and borrowings less cash and cash equivalents. Capital includes convertible preference shares, equity attributable to equity holders of the parent less the net unrealised gains reserve.

(Amounts in NOK 1 000)	2011	2010	2009
Interest bearing debt	182 917	211 731	200 015
Less cash	37 232	43 159	58 161
Net interest-bearing debt	145 685	168 572	141 853
Equity	323 771	227 561	256 640
Total equity and net interest-bearing debt	469 456	396 133	398 494
Debt ratio	31 %	43 %	36 %

The equity share was 44.9 % as of 31 December 2011.

Note 18 continues on next page

Note 18 continues

Liquidity risk

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

Financial risk management

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

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

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

2009	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	-	49 364	95 358	55 293	200 015
Trade and other payables	8 840	17 430	-	-	-	26 270
Financial derivatives	-	47 605	51 190	-	-	98 795
Total	8 840	65 035	100 554	95 358	55 293	325 080

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

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

	2011	2010	2009
Total revenues from long-term contracts	324 003	404 443	166 200
Total value of ongoing contracts 31.12.	406 785	302 908	124 002
Total sales included from ongoing contracts 31.12.	280 378	203 645	44 316
Not invoiced work-in-progress included as accounts receivables	22 558	65 527	22 954
Prepayments from customers	63 493	43 757	44 470
Remaining production on loss contracts 31.12.	269	169	215

Note 20
Operational leases (in NOK 1 000)

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

Operating leasing cost	2011	2010	2009
Operational leasing costs	7 646	7 472	6 571
Rent costs on buildings	13 978	9 367	12 151
Total	21 625	16 839	18 721

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

	Within 1 year	1 - 5 years	After 5 years
Machinery and equipment	1 950	728	-
Vehicles	3 733	3 415	1 006
Offices and buildings	15 408	32 100	8 100
Total	21 091	36 243	9 106

The main office lease agreement (headquarter) expired in 2011, but it was agreed with the landlord to extend the expiration date to 2012. The originally lease agreement includes an option to extend the lease for 5 years.

Note 21
Options to employees (in NOK 1 000)

The company has an option programme covering employees in selected senior positions. The option programme was established in connection with listing of the company at Oslo Stock Exchange in November 2006. No options have been granted during 2011.

The options have a 5 years vesting period. One third of the options can be vested after 1, 2 and 3 years. The options can be exercised at vesting date or anytime later in the 5 year period. The first possible vesting date was in November 2007. The strike price for the options is equal to the market price when the options are being granted. The strike price of the outstanding options varies between NOK 17.00 - 41.00 per share.

The fair value of the options has been calculated at grant date and charged to expenses over the period the options are earned (3 years). KNOK 31 has been charged to equity in 2011 related to the option programme.

	2011	2010	2009
Total available options that can be issued	1 012 109	1 012 109	1 012 109
Available options not issued at year end	814 177	474 108	370 938
Options vested during the year	-	-	-
Oustanding options as per 31.12.	197 932	538 001	641 171

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

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

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

The term of the option
In the calculation the expected average period to vesting is 3,5 years.

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

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

Financial statement Parent company

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

Parent company

	Note	2011	2010	2009
OPERATING REVENUES				
Sales revenues	2	447 921	434 858	162 452
OPERATING EXPENSES				
Cost of goods sold	11	325 415	347 623	119 110
Payroll expenses	3,22	64 607	73 014	55 039
Other operating expenses	8,12,18,21	36 865	38 038	34 141
Total operating expenses		426 887	458 675	208 290
OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)		**21 034**	**-23 817**	**-45 838**
Depreciation and amortisation	7,9	15 410	13 577	10 613
OPERATING PROFIT (EBIT)		**5 624**	**-37 394**	**-56 451**
FINANCIAL INCOME AND EXPENSES				
Financial income	18	13 677	24 686	40 523
Financial expenses	18	-13 338	-19 149	-15 280
Net financial items		339	5 537	25 244
PROFIT BEFORE TAX		**5 963**	**-31 857**	**-31 207**
Taxes	5	5 059	-12 336	-9 591
NET PROFIT FOR THE YEAR		**904**	**-19 521**	**-21 616**
ALLOCATION OF PROFIT FOR THE YEAR				
Other equity		904	-19 521	-21 616
Total allocated		904	-19 521	-21 616

Assets 31.12. (in NOK 1 000)

Parent company

	Note	2011	2010	2009
NON-CURRENT ASSETS				
Intangible assets				
Deferred tax asset	5	21 615	27 763	15 427
Goodwill	7	53 000	53 000	53 000
Other intangible assets	7	31 264	36 729	40 113
Total intangible assets		105 878	117 492	108 540
Tangible fixed assets				
Machinery and equipment	9	14 120	11 760	12 570
Total tangible fixed assets		14 120	11 760	12 570
Long-term financial assets				
Investments in subsidiaries	10	276 691	274 564	212 360
Loans to group companies	13	57 657	53 083	62 609
Other long-term financial assets	10, 12	321	454	641
Total long-term financial assets		334 669	328 101	275 611
Total fixed assets		**454 667**	**457 353**	**396 720**
CURRENT ASSETS				
Stock	11	55 850	62 688	52 784
Receivables				
Accounts receivables	12, 19, 20	29 660	47 022	48 139
Receivables - group companies	13	74 340	20 878	43 099
Prepayments to suppliers		7 050	4 047	9 933
Other receivables		1 110	3 388	3 990
Total receivables	12	112 161	75 335	105 160
Cash and cash equivalents	14	4 059	4 913	17 648
Total current assets		**172 070**	**142 936**	**175 592**
TOTAL ASSETS		**626 737**	**600 289**	**572 312**

Equity and Liabilities 31.12. (in NOK 1 000)

Parent company

	Note	2011	2010	2009
EQUITY				
Paid-in capital				
Share capital	15	25 834	17 223	17 223
Share premium reserve		336 029	256 178	256 178
Other paid in capital		2 367	2 337	2 175
Total paid-in capital		364 230	275 738	275 576
Retained earnings				
Other equity		10 380	5 520	25 015
Total retained earnings		10 380	5 520	25 015
Total equity		**374 610**	**281 257**	**300 591**
LIABILITIES				
Provisions				
Pension obligations	16	546	568	803
Total provisions		546	568	803
Other long term liabilities				
Liabilities to financial institutions	17	110 759	150 283	150 283
Other long term liabilities		293	389	1 026
Total other long term liabilities		111 052	150 672	151 308
Current liabilities				
Liabilities to financial institutions	17	84 789	56 430	46 732
Trade creditors		32 719	40 622	18 487
Trade creditors - group companies	13	6 059	10 381	3 635
Taxes payable	5	-	-	-
Public duties payable		4 166	2 434	1 903
Prepayments from customers		1 512	17 171	31 735
Other current liabilities	18	11 284	40 754	17 117
Total current liabilities		140 529	167 792	119 609
Total Liabilities		**252 127**	**319 032**	**271 721**
TOTAL EQUITY AND LIABILITIES		**626 737**	**600 289**	**572 312**

Bryne, 17 April 2012

Amund Skarholt
Chairperson of the Board

Thore Michalsen

Anne Breiby
Deputy Chairperson

Frode Teigen

Thorhild Widvey

Kjell A. Corneliussen

Eivind Brendryen

Tore Obrestad

Trond Williksen
Chief Executive Officer

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

Parent company

	Note	2011	2010	2009
Cash flow from operating activities:				
Profit before taxes		5 963	-31 857	-31 207
Taxes		-	-	-
Gain on disposal of shares and participations		5 317	-1 274	-20 922
Depreciation	8	15 410	13 577	10 613
Change in pension obligation	16	-22	-283	-374
Changes in stock, accounts receivable and trade creditors		-41 488	15 448	42 281
Changes in other receivables and payables		-46 358	1 458	-25 974
Net cash flow from operating activities		-61 178	-2 931	-25 583
Cash flow from investment activities				
Investments in fixed assets	7,9	-12 324	-9 510	-48 705
Sale of tangible and intangible fixed assets		20	171	2 979
Change in fixed assets from MA's		-	-	33 015
Other items		-	-	-56
Net cash flow from investment activities		-12 304	-9 339	-12 767
Cash flow from financing activities				
Change in interest bearing debt		-11 165	9 698	26 639
Change in loans to group companies	13	-4 574	-9 526	35 115
Increase of share capital and share premium fund		88 462	-	-
Change related to other financial activities		-96	-637	-11 912
Net cash flow from financing activities		72 627	-465	49 842
Net change in cash and cash equivalents		-854	-12 735	11 491
Cash and cash equivalents at 01.01.		4 913	17 648	6 157
Cash and cash equivalents at 31.12.		4 059	4 913	17 648

Statement of changes in equity (in NOK 1 000)

Parent company

	Note	Share capital	Share premium reserve	Other paid-in capital	Total paid-in capital	Other equity	Total retained earnings	Total equity
Change related to merger 1 January 2009						15 129	**15 129**	**15 129**
Equity as at 01.01.2009		17 223	256 178	1 951	**275 352**	45 962	**45 962**	**321 314**
Actuarial deviations on net pension obligations		-	-	-	**-**	670	**670**	**670**
Total income and expense recognised directly in equity		-	-	-	**-**	670	**670**	**670**
Profit (loss) for the period		-	-	-	**-**	-21 616	**-21 616**	**-21 616**
Total income and expense for the year		-	-	-	**-**	-20 946	**-20 946**	**-20 946**
Recording of option agreement		-	-	223	**223**	-	**-**	**223**
Group contribution		-	-	-	**-**	-	**-**	**-**
Equity as at 31.12.2009		17 223	256 178	2 175	**275 576**	25 015	**25 015**	**300 591**
Equity as at 01.01.2010		17 223	256 178	2 175	**275 576**	25 015	**25 015**	**300 591**
Actuarial deviations on net pension obligations		-	-	-	**-**	26	**26**	**26**
Total income and expense recognised directly in equity		-	-	-	**-**	26	**26**	**26**
Profit (loss) for the period		-	-	-	**-**	-19 521	**-19 521**	**-19 521**
Total income and expense for the year		-	-	-	**-**	-19 495	**-19 495**	**-19 495**
Recording of option agreement		-	-	162	**162**	-	**-**	**162**
Group contribution		-	-	-	**-**	-	**-**	**-**
Equity as at 31.12.2010		17 223	256 178	2 337	**275 738**	5 520	**5 520**	**281 257**
Equity as at 01.01.2011		17 223	256 178	2 337	**275 738**	5 520	**5 520**	**281 257**
Actuarial deviations on net pension obligations		-	-	-	**-**	-75	**-75**	**-75**
Total income and expense recognised directly in equity		-	-	-	**-**	-75	**-75**	**-75**
Profit (loss) for the period		-	-	-	**-**	904	**904**	**904**
Total income and expense for the year		-	-	-	**-**	830	**830**	**830**
Issue of share capital		8 611	86 114	-	**94 725**	-	**-**	**94 725**
Share issue costs		-	-6 263	-	**-6 263**	-	**-**	**-6 263**
Recording of option agreement		-	-	30	**30**	-	**-**	**30**
Group contribution		-	-	-	**-**	4 031	**4 031**	**4 031**
Equity as at 31.12.2011		25 834	336 029	2 367	**364 230**	10 380	**10 380**	**374 610**

Note 1
Summary of significant accounting policies

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

AKVA group ASA uses IFRS light as accounting policy. There are no material effect compared to the ordinary group IFRS accounting policy except that provided dividends and group contributions from subsidiaries can be recognised as income in the parent company the same year as provision is made in subsidiaries. See note 1 in group accounts for more details of the accounting policy.

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

Note 2
Segment information

Business segments

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

Hardware (Amounts in NOK 1 000)	**2011**	**2010**	**2009**
Operating income	439 864	414 395	150 726
Operating expenses	417 760	426 493	195 977
Operating profit before depreciation and amortisation (EBITDA)	**22 104**	**-12 098**	**-45 251**
Depreciation and amortisation	15 410	13 577	10 613
Operating profit (EBIT)	**6 694**	**-25 675**	**-55 864**

Recirc (Amounts in NOK 1 000)	**2011**	**2010**	**2009**
Operating income	8 057	20 463	11 726
Operating expenses	9 127	32 182	12 313
Operating profit before depreciation and amortisation (EBITDA)	**-1 070**	**-11 719**	**-587**
Depreciation and amortisation	-	-	-
Operating profit (EBIT)	**-1 070**	**-11 719**	**-587**

Total (Amounts in NOK 1 000)	**2011**	**2010**	**2009**
Operating income	447 921	434 858	162 452
Operating expenses	426 887	458 675	208 290
Operating profit before depreciation and amortisation (EBITDA)	**21 034**	**-23 817**	**-45 838**
Depreciation and amortisation	15 410	13 577	10 613
Operating profit (EBIT)	**5 624**	**-37 394**	**-56 451**

2011 (Amounts in NOK 1 000)	**Norway**	**Mediterranean**	**Other**	**Total**
Operating income - external customers	289 509	37 885	21 433	348 827
2010 (Amounts in NOK 1 000)	**Norway**	**Mediterranean**	**Other**	**Total**
Operating income - external customers	295 560	62 054	5 481	363 095
2009 (Amounts in NOK 1 000)	**Norway**	**Mediterranean**	**Other**	**Total**
Operating income - external customers	101 834	5 300	2 185	109 319

Note 3
Wages and remunerations (in NOK 1 000)

Wage costs	2011	2010	2009
Salaries	54 636	61 014	43 548
Payroll tax	7 085	8 038	6 484
Pension costs	2 220	1 712	1 586
Other benefits	666	2 250	3 421
Total	**64 607**	**73 014**	**55 039**
The average number of employees in full-time equivalent in the company during the year is:	86	83	82

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

Loan and pledge

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

Stock options

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

Fees to auditor	2011	2010	2009
Audit	319	564	410
Tax services	36	3	190
Attestation services	8	72	11
Other services	222	186	139
Total	**585**	**825**	**750**

All fees to the auditor is excl. VAT.

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

Government grants	2011	2010	2009
'Skattefunn'	1 100	1 100	556
The Research Council of Norway	-	-	2 137
Other	357	1 222	600
Total	**1 457**	**2 322**	**3 293**

Note 5
Taxes (in NOK 1 000)

Tax expense	2011	2010	2009
Adjustment related to previous years	-1 089	-	-
Change in deferred taxes	6 148	-12 336	-9 591
Tax on group contribution	-	-	-
Total tax expense	**5 059**	**-12 336**	**-9 591**

Calculation of the basis for taxation	2011	2010	2009
Profit before tax	5 963	-31 857	-31 207
Permanent differences	-6 533	5 861	-22 707
Change in temporary differences	570	25 996	53 914
Group contribution	-	-	-
Tax base	**-**	**-**	**-**

Specification of temporary differences	2011	2010	2009
Current assets	-3 237	-7 858	-8 272
Fixed assets	44 375	43 388	38 604
Provisions	-13 073	1 528	-11 071
Pension obligations	-471	-398	-803
Losses carried forward	-104 790	-135 812	-73 556
Total	**-77 196**	**-99 153**	**-55 098**
Calculated deferred tax assets	21 615	27 763	15 427
Deferred tax asset not recognised in balance sheet	-	-	-
Deferred tax asset	**21 615**	**27 763**	**15 427**

Effective tax rate	2011	2010	2009
Expected income taxes, statutory tax rate of 28%	1 670	-8 920	-8 738
Permanent differences (28%)	-1 829	1 641	-6 358
Merger effect	-	-	5 505
Adjustment related to previous years	5 219	-5 057	-
Income tax expense	**5 059**	**-12 336**	**-9 591**
Effective tax rate in percent of profit before tax	84,8 %	38,7 %	30,7 %

The tax expence is influenced by a reduction in the tax loss carry forward after the tax assessment of 2010.

Expiry dates of Tax Loss Carry Forwards	
Tax loss carryforwards without time restrictions	-104 790
Total	**-104 790**

Note 6
Net earnings per share

See details in note 6 in consolidated accounts.

Note 7
Intangible assets (in NOK 1 000)

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

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

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

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

Goodwill:

The change in goodwill in 2009 is partly related to the merger with Maritech International AS and Idema Aqua AS and partly to the transfer of the aquaculture business from Helgeland Plast AS to AKVA group ASA.

Development Costs:

The company has capitalised all direct costs related to development of software and tangible products that are expected to create economic benefits and meet the requirements for capitalisation in IAS 38. See also note 7.

Patents & trademarks:

The acquisition cost is related to the acquisition of Superior Systems AS (2001), Vicass (2002), Cameratech (2004), Ocean Service Log (2004), Polarcirkel/Wavemaster (2006), Maritech/UNI Aqua (2007) and Idema Aqua (2008)
The increase in 2009 is related to the merger with Maritech International AS and Idema Aqua AS.

Note 8
Research and development

During the year the company expensed NOK 9.4 mill (NOK 10.0 mill in 2010 and NOK 7.5 mill in 2009) on research and development on new products and technology as well as upgrades on existing products. The amount does not include capitalised development costs according to IAS 38 (see details in note 7).

Note 9
Tangible assets (in NOK 1 000)

Property, plant and equipment	2011	2010	2009
Acquisition cost at 01.01.	31 186	28 287	17 679
Additions related to merger	-	-	4 273
Acquisitions during the year	7 053	2 899	6 335
Acquisition cost 31.12.	38 239	31 186	28 287
Accumulated depreciation 01.01.	19 426	15 718	12 125
Accumulated depreciation related to merger	-	-	552
Depreciation during the year	4 693	3 708	3 041
Accumulated depreciation 31.12.	24 119	19 426	15 718
Net book value 31.12.	**14 120**	**11 760**	**12 570**
The company use linear depreciation for all tangible assets. The useful economic life is estimated as:			
- Machinery and equipment			3–10 years
- Buildings			25 years

Note 10
Subsidiaries and other long-term investments (in NOK 1 000 unless stated otherwise)

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

Company name	Location	Currency	Share capital	Number of shares	Par value (NOK)	Book value
AKVA group North America Inc	Canada	CAD	4 350	4 349 898	1	8 982
AKVA group Scotland Ltd.	Scotland	GBP	14 639	14 639 133	1	27 417
AKVA group Software AS	Norway	NOK	2 174	500	4 348	45 073
AKVA group Chile S.A.	Chile	CLP	47 542	198 918	239	53 000
AKVA AS	Norway	NOK	100	1 000	100	100
Feeding Systems Chile Ltda	Chile	CLP	2	1 000	2	0
AKVAsmart Ltd. (Turkey)	Turkey	TRY	16	200	79	26
Helgeland Plast AS	Norway	NOK	1 100	1 100 000	1	66 543
Maritech ehf	Iceland	ISK	25	500 000	0,05	26 172
AKVA group Denmark A/S	Denmark	DKK	1 077	1 030 000	1	47 520
AKVA group SEA	Thailand	THB	1 892	100 000	18,9	1 748
Polarcirkel AS	Norway	NOK	100	1 000	100	110
Total						**276 691**

Other long-term investments:

Company name	Currency	Share capital	Number of shares	Par value (NOK)	Book value	Ownership
Centre for Aquaculture Competence AS	NOK	450	150	1 000	153	33%
Blue Planet AS	NOK	1 350	2	50 000	100	7%
Total					**253**	

Note 11
Stock (in NOK 1 000)

	2011	2010	2009
Raw materials (at cost)	18 504	11 649	14 763
Work in progress (at cost)	-	-	24
Finished goods (at net realisable value)	37 346	51 039	37 997
Total	**55 850**	**62 688**	**52 784**
Write-down of obsolete stock 1.1	351	500	500
Write-down of obsolete stock during the year	149	-149	-
Write-down of obsolete stock 31.12	**500**	**351**	**500**

Note 12
Receivables (in NOK 1 000)

Receivables due in more than one year	2011	2010	2009
Other long-term receivables	68	454	641
Total	**68**	**454**	**641**

Accounts receivables

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

	2011	2010	2009
Bad debt provision last year	3 628	1 788	1 019
Change related to merger 1.1	-	-	435
Change in bad debt provision	787	1 840	334
Bad debt provision 31.12.	**4 415**	**3 628**	**1 788**
Recorded bad debt cost during the year	413	819	188
Change in bad debt provision	787	1 840	334
Total bad debt cost during the year	**1 200**	**2 659**	**522**

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

Note 13
Intercompany balances (in NOK 1 000)

Receivables	2011	2010	2009
Loans to group companies	57 657	53 083	62 609
Current receivables towards group companies	74 340	20 878	43 099
Total	**131 997**	**73 961**	**105 708**

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

Payables	2011	2010	2009
Trade creditors towards group companies	6 059	10 381	3 635
Total	**6 059**	**10 381**	**3 635**

Note 14
Bank deposits (in NOK 1 000)

	2011	2010	2009
Restricted bank deposits	2 821	2 815	1 598
Overdraft limit	65 000	65 000	65 000
Utilised end of year	60 187	56 430	46 732

Note 15
Shareholders (in NOK 1 000)

AKVA group ASA

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

The 20 largest shareholders	Number of shares	Ownership in % of total shares
Frode Teigen	5 500 000	21,3 %
Arendals Fossekompani ASA	3 068 760	11,9 %
Kontrari AS	3 042 844	11,8 %
Egersund Group AS	2 600 000	10,1 %
SN-Invest AS	2 426 782	9,4 %
Pershing LLC	2 159 587	8,4 %
Skagen Vekst	1 588 800	6,1 %
Kverva AS	1 380 106	5,3 %
Knut Molaug	404 838	1,6 %
MP Pensjon PK	380 000	1,5 %
Ole Molaug Eiendom AS	338 692	1,3 %
Havbruksconsult AS	332 157	1,3 %
State Street Bank and Trust Co.	187 000	0,7 %
Gunnar Kluge	173 150	0,7 %
Ole Molaug	167 192	0,6 %
DnBNOR SMB	124 088	0,5 %
Six Sis AG	111 000	0,4 %
Anne Helga Nedrebø	101 750	0,4 %
Ingrid Havrevoll	99 750	0,4 %
Odd Skjæveland	75 750	0,3 %
Other shareholders	1 572 057	6,1 %
Total	**25 834 303**	**100,0 %**

Frode Teigen, Kontrari AS and Egersund Group AS are related parties. Frode Teigen and related parties control 43,13% of the total shares in AKVA group ASA.

Shares owned by members of the Board of Directors	Number of shares	Options
Frode Teigen * including shares owned by related parties	11 142 844	-
Amund Skarholt	40 000	-
Anne Breiby (Kjerby AS)	13 800	-
Tore Obrestad	2 368	-
Kjell Arne Corneliussen	200	-
Eivind Brendryen	200	-

Shares owned by group management	Number of shares	Options
Trond Williksen (CEO) *	40 000	120 000
Eirik Børve Monsen (CFO) *	20 000	-
Per Andreas Hjetland (COO Nordic)	2 500	-
Trond Severinsen (COO Export & CMO)	22 425	-
Odd Martin Solem (COO Technology & Software)	-	14 170

Note 16
Pensions (in NOK 1 000)

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

Contribution plans	2011	2010	2009
Contributions expensed during the year	2 220	1 712	1 586

Benefit plans
The Norwegian legal entity has had uninsured pension liabilities related to future estimated obligations related to AFP (early retirement scheme covering all employees in the company).

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

	2011	2010	2009
Service cost	-	19	216
Interest cost	14	23	44
Return on pension funds	-	-	-
Closing effect of old pension scheme	-	-235	-
Social security tax	2	6	37
Net pension cost	**16**	**-187**	**297**

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

Benefit obligation	2011	2010	2009
Estimated pension obligations at 31.12.	478	498	704
Pension plan funds (market value) at 31.12.	-	-	-
Unrecognised effects of deviations from estimates	-	-	-
Social security tax	68	70	99
Net benefit obligations	**546**	**568**	**803**

Changes in the present value of the defined benefit obligasion are as follows	2011	2010	2009
Defined benefit obligation at 01.01.	568	803	1 177
Interest cost	14	23	44
Current service cost	3	25	253
Benefits paid	-105	-	-
Closing effect of old pension scheme	-	-235	-
Actuarial gain/losses recognised in OCI	65	-48	-671
Defined benefit obligation at 31.12.	**546**	**568**	**803**

According to IAS 19.120A the company shall inform of the changes in the fair value of plan assets. Since the company has no other defined benefit plan other than an unsecured early retirement scheme (AFP) there are no accrued plan assets. The company expects to contribute NOK 0.7 mill to its defined benefit pensions plan in 2012. A listing of the major categories of plan assets as a percentage of the fair value of total plan assets is not applicable for the company since the benefit plan is related to an unsecured AFP pension scheme and hence there are no accrued plan assets.

Economical assumptions	2011	2010	2009
Discount rate	3,30 %	4,30 %	5,10 %
Expected wage growth	4,00 %	4,50 %	4,50 %
Expected social security base adjustment	3,75 %	4,25 %	4,25 %
Expected increase in pension	3,00 %	4,25 %	4,25 %
Expected turnover < 40 years	0,00 %	2,00 %	2,00 %
Expected turnover > 40 years	0,00 %	0,00 %	0,00 %

The actuarial calculations are based on assumptions of demographical factors normally used within the insurance industry. According to Norwegian legislation the entities need to have a pension scheme for the employees. The existing pension schemes meet the requirements in the legislation.

Note 17
Liabilities (in NOK 1 000)

Long-term liabilities due in more than 5 years	2011	2010	2009
Liabilities to financial institutions	11 661	35 802	55 118
Total	11 661	35 802	55 118
Liabilities secured with assets	195 548	206 713	197 015
Secured assets:			
Accounts receivables third parties	29 660	53 929	37 630
Accounts receivables group companies	74 340	20 878	43 099
Stock	55 850	62 688	52 784
Other assets	250 000	250 000	250 000
Total	**409 850**	**387 495**	**383 513**

Repayment of debt

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

	Long-term debt
2012	24 602
2013	24 602
2014	24 602
2015	24 602
2016	24 602
2017	11 661
Subsequent to 2017	-
Total	**134 673**
Average interest rate	6,70 %

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

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

Financial income	2011	2010	2009
Other interest income	1 410	371	1 922
Agio gain	1 836	2 433	-
Group contribution recognised as income	9 820	13 387	17 744
Other financial income	611	8 495	20 857
Total financial income	**13 677**	**24 686**	**40 523**

Financial expenses	2011	2010	2009
Interest expenses	12 605	11 667	8 842
Agio loss	-	-	5 908
Other financial expenses	733	7 482	530
Total financial expenses	**13 338**	**19 149**	**15 280**

Other operating expenses	2011	2010	2009
Accommodation, materials, equipment and maintenance	19 776	20 722	12 366
Marketing, travelling and communication	12 214	10 822	13 956
Other operating expenses	4 875	6 494	7 818
Total other operating expenses	**36 865**	**38 038**	**34 141**

Other current liabilities	2011	2010	2009
Accrued costs	1 132	3 260	-
Guarantee provisions	5 444	3 560	2 860
Other current liabilities	4 708	33 934	14 257
Total other current liabilities	**11 284**	**40 754**	**17 117**

Note 19
Financial instruments and risk management

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

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

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

	2011	2010	2009
Total revenues from long-term contracts	203 952	242 983	76 289
Total value of ongoing contracts	241 621	160 629	92 074
Total revenues included from ongoing contracts 31.12.	110 746	116 021	62 281
Not invoiced work-in-progress included as accounts receivables	-	-	-
Prepayments from customers	-	24 077	31 736
Remaining production on loss contracts 31.12.	-	-	-

Note 21
Operational leases (in NOK 1 000)

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

Operating leasing cost	2011	2010	2009
Operational leasing costs	4 360	5 165	4 342
Rent costs on buildings	3 896	5 242	4 391
Total	**8 256**	**10 407**	**8 733**

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

	Within 1 year	1 - 5 years	After 5 years
Machinery and equipment	856	352	-
Vehicles	1 582	1 262	-
Offices and buildings	3 685	2 134	-
Total	**6 123**	**3 748**	**-**

The main office lease agreement (headquarter) expired in 2011, but it was agreed with the landlord to extend the expiration date to 2012. The originally lease agreement includes an option to extend the lease for 5 years.

Note 22
Options to employees

The company has an option programme covering employees in selected senior positions. The option programme was established in connection with listing of the company at Oslo Stock Exchange in November 2006. No options have been granted during 2011.

The options have a 5 years vesting period. One third of the options can be vested after 1, 2 and 3 years. The options can be exercised at vesting date or anytime later in the 5 year period. The first possible vesting date was in November 2007. The strike price for the options is equal to the market price when the options are being granted. The strike price of the outstanding options varies between NOK 17.00 - 41.00 per share.

The fair value of the options has been calculated at grant date and charged to expenses over the period the options are earned (3 years). KNOK 31 has been charged to equity in 2011 related to the option programme.

	2011	2010	2009
Total available options that can be issued	1 012 109	1 012 109	1 012 109
Available options not issued at year-end	814 177	474 108	370 938
Options vested during the year	-	-	-
Outstanding options as per 31.12.	**197 932**	**538 001**	**641 171**

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

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

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

The term of the option
In the calculation the expected average period to vesting is 2-3 years.

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

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

Auditor's report

State Authorised Public Accountants
Ernst & Young AS
Vassbotnen 11 Forus, NO-4313 Sandnes
Postboks 8015, NO-4068 Stavanger
Business Register: NO 976 389 387 MVA
Tel.: +47 51 70 66 00
Fax: +47 51 70 66 01
www.ey.no
Member of the Norwegian Institute of Public Accountants

To the Annual Shareholders' Meeting of AKVA group ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of AKVA group ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company and the Group comprise the statement of financial position as at 31 December 2011, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

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

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

A member firm of Ernst & Young Global Limited

Auditor's report continues on next page

Auditor's report continues

2

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of AKVA group ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as of 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and the statement on corporate governance

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

Opinion on registration and documentation

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

Stavanger, 17 April 2012
ERNST & YOUNG AS

Tommy Lothe
State Authorised Public Accountant (Norway)

Articles of Association

§ 1

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

§ 2

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

§ 3

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

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

§ 4

The company's share capital shall be NOK 25.834.303 divided into 25.834.303 shares at NOK 1 each.
The company's shares shall be registered in the Norwegian Register of Securities (VPS). Any transfer of shares shall be notified to VPS within 1 – one – month.

§ 5

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

§ 6

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

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

§ 7

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

§ 8

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

Corporate governance

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

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

1. Implementation and reporting on corporate governance

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

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

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

AKVA group ASA (**'AKVA'** or the **'Company'**) has defined guidelines for corporate governance, and the Board has decided to follow the Norwegian Code of Practice for Corporate Governance (the **'Code'**) as approved by the Norwegian Corporate Governance Board (**'NCGB'**). The Code was last revised in the autumn of 2011. AKVA has furthermore defined its own corporate Code of Conduct and defined values upon which the Company should build its activity. These principles also apply to AKVA's subsidiaries to the extent they are relevant. The company will consider defining guidelines for corporate social responsibility.

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

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

2. Business

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

Paragraph 3 in the articles of association states: "The purpose of the Company is to develop, produce, project, sell and market own and purchased products, and everything connected to such activity, including participation in other companies with similar activities. The activities of the Company shall in particular be directed towards technology for farming of fish and animal." The full articles of association are included in the Annual Report. The strategic goals and objectives are described thoroughly in the report.

▶ *Deviation from the Recommendation: None*

3. Equity and dividends

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

At year end 2011 the Company had a consolidated equity of 324 MNOK which accounts for 44.9% of the total assets of the Company.

Dividend policy:

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

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

In order to maintain an equity capital level that is appropriate for the group's objectives, strategy and risk profile, the Board of Directors proposes to the Annual General Meeting that no dividend should be paid for 2011.

The general meeting in 2011 resolved to grant the board authorisation to increase the company's share capital by up to NOK 8 611 434 through subscription of new shares. The authorisation did not authorise the board to waive the pre-emptive right of shareholders pursuant to section 10-4 of the Norwegian Public Limited Liability Companies Act (the **'Act'**), or carry out a capital increase through payments in non-monetary assets or incur special obligations on behalf of the company as set out in section 10-2 of the Act. The authorisation did not cover 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 authorisation was in force from the date of the general meeting until the earlier of the time of the annual general meeting in 2012 and 30 June 2012. This authorisation replaced all previous authorisations to the board to increase the company's share capital. The board of directors does not propose to renew the authorisation for 2012.

The general meeting in 2011 also resolved to grant the board authorisation to acquire own shares which have been fully paid in accordance with the rules of §§ 9-2 – 9-4 of the Act. For each single share which is acquired by this authorisation the price to be paid shall not exceed the ordinary stock exchange rate available on the date of purchase. This authorisation may be used one or several times. The highest nominal value of the total number of shares that may be acquired according to this authorisation is fixed at NOK 861 143 which equals about 5.0 % of the issued share capital.

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

The authorisation is valid until the annual general meeting of 2012 however not longer than 14 months from 19 May 2011. This authorisation replaced the authorisation for acquisition of own shares granted by the annual general meeting on 3 June 2010. The board of directors has proposed to renew the authorisation for 2012.

▶ *Deviation from the Recommendation: None*

4. Equal treatment of shareholders and transactions with close associates

The Company should only have one class of shares. Any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital must be justified. 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 must be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

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

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

valuations should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.
The Company should operate guidelines to ensure that members of the Board of Directors and executive personnel notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company

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

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

In order to avoid conflicts of interest, the Company has introduced guidelines pursuant to which members of the Board of Directors and the Company's management must act. The members of the Company's Board of Directors and the Company's management meet all these requirements.

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

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

5. Freely negotiable shares

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

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

▶ *Deviation from the Recommendation: None*

6. General meetings

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

Such steps should include:

- making the notice calling the meeting and the support information on the resolutions to be considered at the general meeting, including the recommendations of the nomination committee, available on the Company's 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 2011 was held the 19th of May, and was in all material respect carried through in accordance with item 6 in the recommendation with the following exceptions:

- The company does not appoint an independent proxy to vote on behalf of shareholders. In the company's opinion the shareholder interests are duly protected through participation with a personal proxy or by awarding a proxy with voting instructions to the chairman of the meeting, the chairman of the board or any person appointed by him.
- The general meeting was, as in previous years, chaired by the chair of the board of directors. The chair of the board of directors is independent of major shareholders and other stakeholders in the Company, and based on this and the matters on the agenda for the annual meeting it is the view of the board that the meeting was chaired in an appropriate way with due regard to the interests of all shareholders. Experience from chairing and arranging several general meetings in the Company has been good, and there are no immediate plans to change the current practice.

There have not been other general meetings in 2011/2012.

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

7. Nomination committee

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

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

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

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

The nomination committee should justify its recommendations.

The Company should provide information on the membership of the committee and any deadlines for submitting proposals to the committee.

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

- Candidates for election as members of the Board of Directors and the Chairman of the Board of Directors
- Candidates for election as members of the Nomination Committee and the Chairman of the Committee.
- The proposed remuneration of the Board of Directors and the members of the Nomination Committee.
- Any proposed amendments to the Nomination Committee Charter.

The Nomination Committee shall consist of three members elected by the shareholders at the general meeting. The Nomination Committee chairperson shall be a member of the Nomination Committee and shall be elected by the shareholders at the general meeting. The nomination committee's work is based on the Nomination Committee Charter approved by the Annual General Meeting in May 2007.

Composition

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

- Haakon Skaarer, (chair) CEO Enonic AS, representing Arendals Fossekompani ASA
- Johan Roger Smith Nilsen, owner, representing SN Invest AS
- Kristian Falnes, portfolio manager, Skagen Funds.

None of the nomination committee members are a member of the Board of Directors. The Nomination Committee is of the opinion that the composition reflects the common interest of the community of shareholders.

The work of the Committee

The Nominating Committee has held 4 meetings in since the 2011 general meeting.

▶ *Deviation from the Recommendation: None*

8. Corporate assembly and Board of Directors: composition and independence

The composition of the corporate assembly should be determined with a view to ensuring that it represents a broad cross-section of the Company's shareholders. The composition of the Board of Directors should ensure that the Board can attend to the common interests of all shareholders and meets the Company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the Board can function effectively as a collegiate body. The composition of the Board of Directors should ensure that it can operate independently of any special interests. The majority of the shareholder-elected members of the Board should be independent of the Company's executive personnel and material business contacts. At least two of the members of the Board elected by shareholders should be independent of the Company's main shareholder(s). The Board of Directors should not include executive personnel. If the Board does include executive personnel,

the Company should provide an explanation for this and implement consequential adjustments to the organisation of the work of the Board, including the use of Board committees to help ensure more independent preparation of matters for discussion by the Board, cf. Section 9.
The chairman of the Board of Directors should be elected by the general meeting so long as the Public Companies Act does not require that the chairman must be appointed either by the corporate assembly or by the Board of Directors as a consequence of an agreement that the Company shall not have a corporate assembly.
The term of office for members of the Board of Directors should not be longer than two years at a time.
The annual report should provide information to illustrate the expertise of the members of the Board of Directors, and information on their record of attendance at Board meetings. In addition, the annual report should identify which members are considered to be independent.
Members of the Board of Directors should be encouraged to own shares in the Company.

Composition of the Board of Directors

The Board of Directors consists of 8 members, and currently has the following composition: Amund Skarholt (Chairperson), Anne Breiby (Deputy Chairperson), Thore Michalsen, Thorhild Widvey, Frode Teigen, Tore Obrestad, Steinar Mykløy and Kjell Arne Corneliussen. The 3 latter directors have been elected by and from the employees. Steinar Mykløy left the Board of Directors February 14, 2012 after Maritech in Norway was sold, and will be replaced by current deputy board member Mr. Eivind Brendryen.

Frode Teigen controls the 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*

9. The work of the Board of Directors

The Board of Directors should produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation.
The Board of Directors should issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties.

In order to ensure a more independent consideration of matters of a material character in which the chairman of the Board is, or has been, personally involved, the Board's consideration of such matters should be chaired by some other member of the Board.
The Public Companies Act stipulates that large companies must have an audit committee. The entire Board of Directors should not act as the Company's audit committee. Smaller companies should give consideration to establishing an audit committee. In addition to the legal requirements on the composition of the audit committee etc., the majority of the members of the committee should be independent.
The Board of Directors should also consider appointing a remuneration committee in order to help ensure thorough and independent preparation of matters relating to compensation paid to the executive personnel. Membership of such a committee should be restricted to members of the Board who are independent of the Company's executive personnel.
The Board of Directors should provide details in the annual report of any Board committees appointed.
The Board of Directors should evaluate its performance and expertise annually.

Board responsibilities

The Board of Directors has the final responsibility for the organisation of the Company and supervising routine management and business activities. This involves that the Board is responsible for establishing control arrangements to secure that the Company operate in accordance with the adopted value norms and Code of Conduct as well as with the owners' expectations of good corporate governance. The Board of Directors primarily looks after the interests of all the shareholders, but is also responsible for the Company's other shareholders.

The Board's main tasks are to contribute to corporate competitiveness, and to ensure that the Company develops and adds value. Furthermore the Board of Directors shall contribute in the shaping of and in the implementation of the Company's strategy, employ the necessary control functions and in other ways ensure that the Company is well operated and organised. The Board sets the objectives for financial structure and adopts the Company's plans and budgets. Items of major strategic or financial importance for the Company are handled by the Board.
The Board hires the CEO, defines his or her work instructions and authority and sets his or her wages.
The Board produces each year an annual plan for its work as recommended.

Instructions to the Board of Directors

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

meetings - conveyance and related issues, the Board's decisions, Board minutes, disqualification and conflict of interest, confidentiality obligation, convening general meetings, insider rules and ethical guidelines for conduct of business.
The Board of Directors can decide to deviate from instructions in certain cases.

Financial Reporting

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

Audit Committee

In accordance with section 6-41 of the Act AKVA has an established Audit Committee, consisting of Anne Breiby (chair) and Amund Skarholt. The group CFO acts as the secretary of the committee. The mandate and work of the audit committee is described in further detail under item 10 below. 2011 was the first full functional year for the Audit committee. 5 meetings were held in the committee during 2011.

The Compensation Committee

The Charter for the compensation committee was approved by the Board in a Board meeting on 21 September, 2006.
The Committee's tasks revolve around the CEO's terms of employment and the remuneration of the executive management including wage levels, bonus systems, options schemes, pension schemes, employment contracts etc.
The Committee forwards recommendations to the Board of Directors for final approval.
The current members are Thore Michalsen (Chair) and Thorhild Widvey. The Chairperson of the Board generally also participates in the meetings. The Committee had 2 meetings during 2011. The Compensation committee charter is available on **www.akvagroup.com**.

The Board's self-evaluation

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

▶ *Deviation from the Recommendation: None*

10. Risk management and internal control

The Board of Directors must ensure that the Company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the Company's activities. Internal control and the systems should also encompass the Company's corporate values, ethical guidelines and guidelines for corporate social responsibility.
The Board of Directors should carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.
The Board of Directors should provide an account in the annual report of the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

The Board of Directors and internal control

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

The AKVA group is exposed to currency, interest rate, and market risk, as well as credit risk and operational risk. Financial guidelines in AKVA ensure the monitoring of financial risk. Management of exposure in financial markets, including currency, interest rate and counterparty risk, is emphasised in the company's governing documents. Further details on these principles are provided in note 18 to the group's financial statements and note 19 to the parent company's financial statements.
The company has developed an authority matrix which is included in its governing documents.
Management regularly presents performance reports that are sent for review of the Board. The quarterly financial statements are subject to review in Board meetings.

The Board's work plan

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

Audit Committee

The mandate of the committee is to monitor and evaluate the group's financial reporting, including to evaluate substantial accounting issues, accounting principles and procedures applied by the group in its financial reporting to Oslo Stock Exchange. The committee is to evaluate the work of the group's external auditor, including the auditor's independence from management and compliance with rules and regulations in regards to services beyond financial audit. The committee also discusses the scope of the audit with the external auditor as well as evaluates reports from the auditor to the Board of Directors and management of the group. The Audit Committee nominates external auditor for the group as well as propose compensation for the external auditor to the Board of Directors.

The Audit Committee is also monitoring the groups internal control systems, including managements operational and financial risk management.

The Audit Committee is free to address any other issue it finds necessary to fulfill its mandate.

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

11. Remuneration of the Board of Directors

The remuneration of the Board of Directors should reflect the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.
The remuneration of the Board of Directors should not be linked to the Company's performance. The Company should not grant share options to members of its Board. Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the Company in addition to their appointment as a member of the Board. If they do nonetheless take on such assignments this should be disclosed to the full Board. The remuneration for such additional duties should be approved by the Board.
Any remuneration in addition to normal directors' fees should be specifically identified in the annual report.

It is the Board's opinion that the size of the remuneration of the Board of Directors is in compliance with the criteria in the recommendation concerning the Board's responsibility, expertise etc.
Furthermore, the following applies to the remuneration:

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

▶ *Deviation from the Recommendation: None*

12. Remuneration of the executive management

The Board of Directors is required by law to prepare guidelines for the remuneration of the executive personnel. These guidelines are communicated to the Annual General Meeting.

The guidelines for the remuneration of the executive personnel should set out the main principles applied in determining the salary and other remuneration of the executive personnel. The guidelines should help to ensure convergence of the financial interests of the executive personnel and the shareholders.
Performance-related remuneration of the executive personnel in the form of share options, bonus programmes or the like should be linked to value creation for shareholders or the Company's earnings performance over time.
Such arrangements, including share option arrangements, should be an incentive to good performance and be based on quantifiable factors over which the employee in question can have influence. Performance-related remuneration should be subject to an absolute limit.

Guidelines and terms

The Compensation Committee has the responsibility to establish guidelines and recommendations with regards to the remuneration of the CEO and the executive management. Each year the Committee undertakes a thorough review of the remuneration and other salary to the CEO and the executive Management. The review is based upon market sampling of similar positions.
The structure and level of the remuneration and incentive system for the CEO and the executive management is determined by the Board of Directors. The fixed remuneration and performance-based remuneration – including option scheme to the executive management and the Board of Directors – is described in the notes to the annual accounts.

In accordance with the Act, the guidelines are communicated to the Annual General Meeting.

▶ *Deviation from the Recommendation: None*

13. Information and communications

The Board of Directors should establish guidelines for the Company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market. The Company should publish an overview each year of the dates for major events such as its Annual General Meeting, publication of interim reports, public presentations, dividend payment date if appropriate etc.
All information distributed to the Company's shareholders should bepublished on the Company's web site at the same time as it is sent to shareholders.
The Board of Directors should establish guidelines for the Company's contact with shareholders other than through general meetings.

Annual and periodic accounts

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

Other market information

Open investor presentations are conducted in connection with the Company's quarterly reports. The quarterly presentation is also made available on the groups website. In the quarterly report the CEO reviews the result for the past period and comments on the development for the various products and market segments. Furthermore the CEO provides a summary of the market outlook and prospects for the near future. The CFO also participates in these presentations. Further to this the CEO and CFO maintains a dialog with and makes presentations to analysts and investors.
The Company considers it essential to keep owners and investors informed about its economic and financial

development. Importance is also attached to securing that the same information is released to the whole market at the same time.

▶ *Deviation from the Recommendation: None*

14. Take-overs

The Board of Directors should establish guiding principles for how it will act in the event of a take-over bid.
In a bid situation, the company 's Board of Directors and management have an independent responsibility to help ensure that shareholders are treated equally, and that the Company's business activities are not disrupted unnecessarily. The Board has a particular responsibility to ensure that shareholders are given sufficient information and time to form a view of the offer.
The Board of Directors should not seek to hinder or obstruct take-over bids for the Company's activities or shares unless there are particular reasons for this. In the event of a take-over bid for the Company's shares, the Company's Board of Directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following the announcement of the bid.
If an offer is made for a Company's shares, the Company's Board of Directors should issue a statement making a recommendation as to whether shareholders should or should not accept the offer. The Board's statement on the offer should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the Board have excluded themselves from the Board's statement. The Board should arrange a valuation from an independent expert. The valuation should include an explanation, and should be made public no later than at the time of the public disclosure of the board 's statement.
Any transaction that is in effect a disposal of the Company's activities should be decided by a general meeting, except in cases where such decisions are required by law to be decided by the corporate assembly.

The Board of Directors has established guidelines in the event of an offer for all or a substantial majority of the shares in AKVA is made. The guidelines for such take-over bids are published on the Company's web pages.

▶ *Deviation from the Recommendation: None*

15. Auditor

The auditor should submit the main features of the plan for the audit of the Company to the audit committee annually.
The auditor should participate in meetings of the Board of Directors that deal with the annual accounts. At these meetings the auditor should review any material changes in the Company's accounting principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the Company.
The auditor should at least once a year present to the audit committee a review of the Company's internal control procedures, including identified weaknesses and proposals for improvement.
The Board of Directors should hold a meeting with the auditor at least once a year at which neither the chief executive nor any other member of the executive management is present.
The Board of Directors should establish guidelines in respect of the use of the auditor by the Company's executive management for services other than the audit.
The Board of Directors must report the remuneration paid to the auditor at the Annual General Meeting, including details of the fee paid for audit work and any fees paid for other specific assignments.

An outline of the work planned by the Auditor is presented to the Audit committee every year. The Auditor is always present during the Board's discussion of the annual accounts. At this meeting the Board is briefed on the annual accounts and any other issues of particular concern to the Auditor. Part of the meeting is also executed without the presence of the CEO or other executive management.

The Board also has an annual separate meeting with the Auditor.

▶ *Deviation from the Recommendation: None*

16. Management and internal procedures

This point is not covered by the Corporate Governance Recommendation.

CEO

The CEO is in charge of the routine management of the business, including responsibility for the Company being organised, run and further developed in accordance with legislation, the Articles of Association and decisions taken by the Board of Directors and the Annual General Meeting.

Executive Management

The executive management consists of 6 individuals. In addition to the Chief Executive Officer, the executive management consists of the Chief Financial Officer, the Chief Operating Officer Americas, the Chief Operating Officer Nordic, the Chief Operating Officer Exports and the Chief Operating Officer Technology and Software. ,
The Corporate Managers meet monthly with a fixed agenda in addition to fixed weekly meetings and day-to-day contact on an operational basis and a number of other scheduled meetings and business reviews through the year.

Evaluations

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

Intra-Group Boards

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