# High market activity – growth strategy continued

**Fourth quarter 2016 – HIGHLIGHTS**

- **Record high sales and order intake (+60%)**
- **Order backlog end of year approximately 1.0 BNOK**
- **EBITDA in the quarter hampered by material restructuring cost of 19.9 MNOK related to AKVA group Denmark**
- **Growth strategy continues with acquisition of Sperre AS – a leading provider of ROV solutions**
- **Dividend of 0.50 NOK per share to be paid out in March 2017**

**YTD 2016 - HIGHLIGHTS**

- **Total order intake for the year close to 2.0 BNOK, 24 % up from 2015**
- **Year on year growth in revenue 12.5%**
- **Total EBITDA 144 MNOK, up from 135 MNOK last year**
- **Balance sheet KPI's remains strong**
- **Acquisition of AD Offshore AS in April and Sperre AS in November**
- **Dividend of 0.75 NOK per share paid out in September 2016**

# Revenues and profits for the Group

*(Figures in brackets = 2015 unless other is specified)*

### Operations and profit

Market activity has been good in the quarter and the order intake continued to grow, at 561 MNOK this was 60% up compared to Q4 last year. The full year order intake ended at 1,952 MNOK, a 24% increase on 2015.

The significant ramp up of order intake and phasing of projects, results in sales growing at a slower pace, as well as building the order backlog.

Sales in the quarter ended at 448.6 MNOK, last year was 344.1 MNOK. The quarterly EBITDA of 23.7 MNOK was significantly influenced by restructuring and one off costs related to AKVA group Denmark of 19.9 MNOK.

The cage-based segment in Nordic region had an increase in revenues of 72 %. EBITDA was up from 10.3 MNOK Q4 2015 to 26.9 MNOK in Q4 2016.

The activity in Chile has been picking up after several slow quarters and the EBITDA for Q4 ended at 1.8 MNOK.
The Canadian business in the quarter is comparable to the same quarter last year.

In Scotland the OPEX based revenue and service sales performed very well and offset a more quiet project market.

The Turkish operation continued to improve and quarterly financial performance were good.

The margins in the Software business continue to be good and the financial performance is stable. The land based segment with Aquatec Solutions and Plastsveis performed very well with good margins and ending the year with a high order backlog. However, restructuring costs and one-off expenses relating to AKVA group

Denmark reduced the overall EBITDA for the segment by 19.9 MNOK in Q4.

Total revenue in Q4 was 448.6 MNOK (344.1) with an EBITDA of 23.7 MNOK (27.1). EBIT was 3.4 MNOK (13.2).

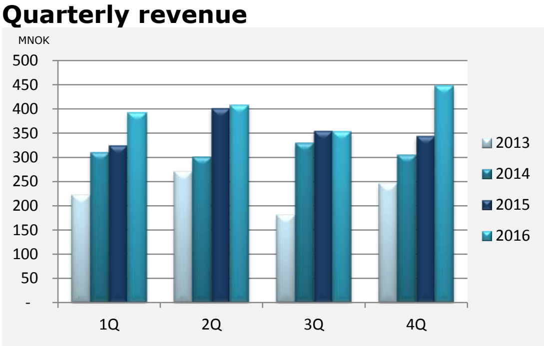
Net financial items in Q4 was -6.5 MNOK (-6.3), resulting in a profit before tax of -3.2 MNOK (6.9). Net profit was -8.1 MNOK (7.6) after allowing for taxes of 4.9 MNOK (-0.8).

Total revenues for 2016 ended at 1,603.1 MNOK (1,425.3) and EBITDA was 144.2 MNOK (135.2). EBIT in 2016 was 75.0 MNOK (83.6) after depreciation of 69.2 MNOK (47.5).

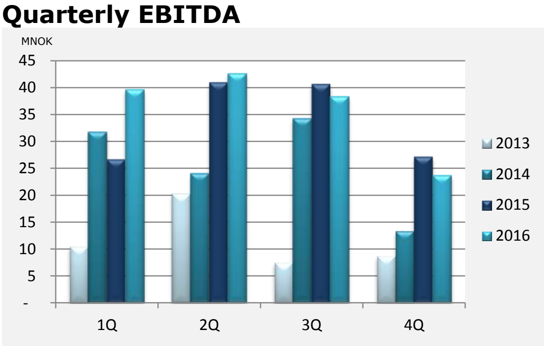
Depreciation and amortization has increased year on year due to acquisitions and higher activity in our rental business.

The balance sheet remains strong and the cash flow in Q4 was good. A half-yearly dividend of 0.50 NOK per share will be paid out in Q1 2017.

**Quarterly revenue**




**Quarterly EBITDA**

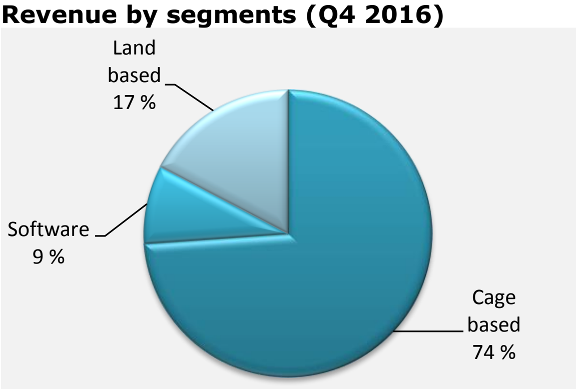


## Business segments

AKVA group has organized its business into three technology segments;

- Cage based technologies (CBT): Includes cages, barges, feed systems and other operational technologies and systems for cage based aquaculture. CBT consist of the following companies; AKVA group ASA, Helgeland Plast AS, AKVA group Services AS, AKVA Marine Services AS, Sperre AS, AKVA group Scotland Ltd, AKVASmart Turkey Ltd, AKVA group Australia Pty Ltd, AKVA group Chile S.A. and AKVA group North America Inc
- Land based technologies (LBT): Includes recirculation systems and technologies for land based aquaculture. LBT consist of the following companies; Plastsveis AS, AKVA group Denmark A/S, Aquatec Solutions A/S and Systemas de Recirculacion Ltd
- Software (SW): Includes software solutions and professional services. SW consist of the following companies; AKVA group Software AS, Wise Blue AS and Wise Lausnir ehf

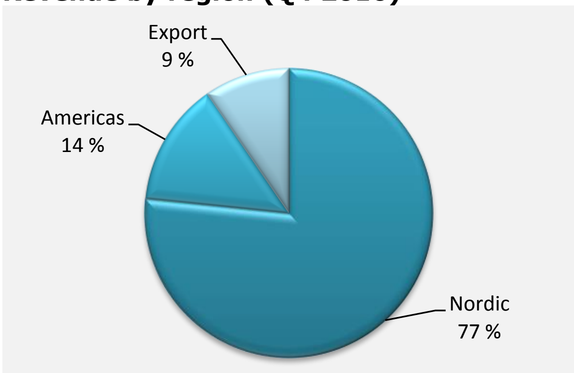
**Revenue by segments (Q4 2016)**




Further, AKVA group has organized its business into three geographical segments;

- Nordic: Includes the Nordic countries,
- Americas: Includes Americas and Oceania, and
- Export: Includes the rest of the world.

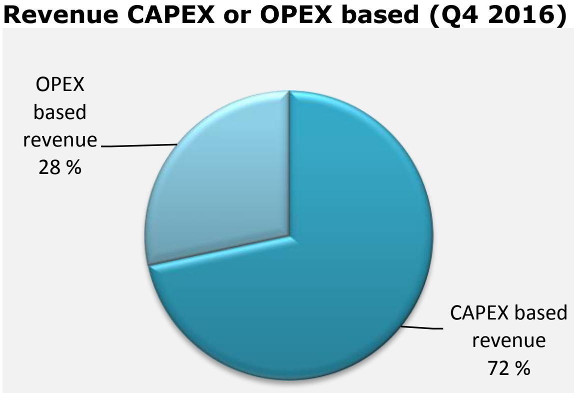
**Revenue by region (Q4 2016)**




The third view on the business is by allocating revenue by CAPEX and OPEX based revenue (formerly called recurring and non-recurring business);

- CAPEX based: Revenue classified as CAPEX in our customers' accounts
- OPEX based: Revenue classified as OPEX in our customers' accounts

**Revenue CAPEX or OPEX based (Q4 2016)**

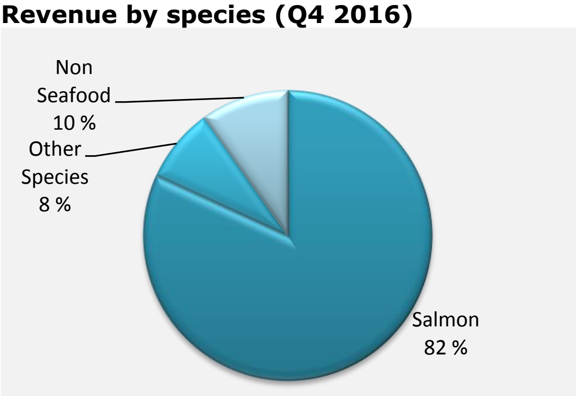



The business of AKVA group may also be divided between revenue from technology and services to salmon, other species and non-seafood;

- Salmon: Revenue from technology and services sold to production of salmon
- Other species: Revenue from technology and services sold to production of other species than salmon

- Non Seafood: Revenue from technology and services sold to non seafood customers

**Revenue by species (Q4 2016)**




The information below is divided into the three technology segments. Comments on the geographical segments are included when relevant.

## Cage based technologies (CBT)

CBT revenue in Q4 was 331.5 MNOK (219.9). Revenue in the Nordic region was 232.9 MNOK (135.9), in the Americas region 56.1 MNOK (44.0) and in the Export region 42.5 MNOK (40.1).

EBITDA for CBT in Q4 was 28.2 MNOK (10.1) resulting in an EBITDA margin of 8.5% (4.6%). EBIT in Q4 was 13.0 MNOK (0.9) representing an EBIT margin of 3.9% (0.4%).

<u>Nordic</u>
Nordic CBT had good performance in Q4 with increased revenue and EBITDA YoY. All entities are contributing positively with our wide range of products.

The Farming Services operations is increasing and strengthening the Group.

<u>Americas</u>
We saw increased activity in Chile in Q4 and they deliver a positive EBITDA of 1.8 MNOK after several poor quarters.

Q4 in Canada was slow as regards to new sales, but the area continue to deliver good margins. Australia remain a small, but profitable operation.

<u>Export</u>
UK is delivering a decent quarter due to high level of OPEX based revenue.

Turkey had another very good quarter and 2016 is their best year ever.

We continue to see increased activity in the Sea Bass and Sea Bream industry in the Mediterranean and positive outlook for 2017.

Export to emerging markets have mainly deliveries to Iran in Q4. Emerging markets are dominated by a few but large contracts and this will continue to give variations in the P&L quarter by quarter.

Revenues for CBT for 2016 was 1,132.8 MNOK (1,070.9) with an EBITDA of 112.6 MNOK (94.8). EBIT was 63.1 MNOK (61.6) after depreciations of 49.5 MNOK (33.3).

## Software (SW)

Revenue for SW in Q4 2016 was 39.5 MNOK (38.4). The EBITDA was 6.8 MNOK (8.6) resulting in an EBITDA margin of 17.2% (22.4%) and an EBIT of 3.9 MNOK (5.9) representing an EBIT margin of 9.8% (15.4%).

AKVA group Software AS has stable performance YoY. Wise Ehf in Iceland experience somewhat lower margins due to accelerating salary costs in Iceland.

Q4 2015 numbers includes the gain on sale of shares in WiseDynamics of 1.5 MNOK.
Overall, the software segment had improved performance year on year, with higher topline and stable margins. The Software segment has ongoing investments in new product modules

expected to strengthen the financial performance of the SW segment going forward.

YTD operating revenues for SW was 140.3 MNOK (132.1) with an EBITDA of 26.0 MNOK (26.0). EBIT was 14.5 MNOK (15.7) after depreciation of 11.5 MNOK (10.3).

## Land based technologies (LBT)

LBT Q4 2016 revenue was 77.6 MNOK (85.8) with an EBITDA of -11.4 MNOK (8.4) resulting in an EBITDA margin of -14.7% (9.8%) and an EBIT of -13.5 MNOK (6.3) and corresponding EBIT margin of -17.4% (7.4%).

Aquatec Solutions is performing very well in Q4, but this is partly offset by earn-out to former shareholders of Aquatec Solutions.

Plastsveis delivering another strong quarter, increasing the EBITDA in the quarter with 4.9 MNOK YoY.

AKVA group Denmark A/S has been through a significant restructuring and this resulted in a negative EBITDA for the quarter of 19.9 MNOK.

The land based segment ended the quarter with a strong order backlog, representing 41% of the total backlog for the Group at end of 2016.

2016 operating revenues was 330.0 MNOK (222.3) and EBITDA was 5.6 MNOK (14.3). The 2016 EBIT was -2.5 MNOK (10.5).

## Balance sheet and cash flow

The balance sheet is strong and we had a strong operational cash flow in Q4.
The working capital in the Group balance sheet, defined as non-interest bearing current assets less non-interest bearing current liabilities was 36 MNOK at the end of Q4 2016, compared to 126 MNOK at the end of Q4 2015. Working capital as a percentage of 12 months rolling revenue has improved YoY from 8.8% to 2.2%. We have been able to maintain a very low working capital despite record high activity.

Cash and unused credit facilities amounted to 256 MNOK at the end of Q4 2016 versus 160 MNOK at the end of Q4 2015. The total credit facility at Danske Bank is 90 MNOK. Dividend is paid out once during 2016 of total 19.4 MNOK (0.75 NOK per share).

Net interest-bearing debt was 212 MNOK at the end of Q4 2016 compared to 136 MNOK at the end of Q4 2015. The increase is mainly due to a bank loan financing the acquisition of AD Offshore AS in Q2 2016 and a bank loan financing the acquisition of Sperre AS in Q4 2016.

Gross interest-bearing debt was 378 MNOK at the end of Q4 2016 versus 246 MNOK at the end of Q4 2015. The short term interest bearing debt in our balance sheet includes the next 12 months installments of the long term debt. This is in accordance to current IFRS requirements.

CAPEX in Q4 2016 amounted to 24.7 MNOK of which 7.6 MNOK was capitalized R&D expenses in accordance to IFRS and 8.1 MNOK was related to our rental model and is classified as financial lease. YTD CAPEX were 89.3 MNOK whereof 19.6 MNOK was capitalized R&D expenses in accordance to IFRS and 22.0 MNOK was related to rental. Total 2015 CAPEX were 75.8 MNOK whereof 19.1 MNOK was capitalized R&D expenses in accordance to IFRS and 29.7 MNOK was related to rental. Annualized CAPEX as percentage of revenue was 5.5% in Q4 and annualized CAPEX as percentage of revenue in 2016 was 5.6%.

Return on capital employed (ROCE) in Q4 2016 ended at 10.7% (14.7%).

Total assets and total equity amounted to 1,307 MNOK and 452 MNOK respectively, resulting in an equity ratio of 34.6% (39.6%) at the end of Q4 2016.

### Other shareholder issues

Earnings per share in Q4 2016 was -0.34 NOK (0.28). Earnings per share in 2016 was 1.03 NOK (2.20) for equity holders of AKVA group ASA and the diluted earnings per share was NOK 1.03 (2.21). The calculations are based on 25,834,303 (25,834,303) shares in average. The calculation of the diluted numbers of shares are based on 25,834,301 shares in average (25,711,303).

The 20 largest shareholders are presented in note 4 in this report.

### Acquisition of Sperre AS – the leading ROV producer

Sperre AS will be the "center of excellence" in AKVA group in terms of ROV technologies as well as relevant subsea technologies.

AKVA group ASA acquired 66% of the shares in Sperre AS. The closing of the transaction took place on November 4th, 2016.

The enterprise value on a 100% basis was NOK 126.9 million for Sperre AS.

The Minority Shareholder has an option to sell to AKVA, and AKVA has an option to purchase from the Minority Shareholder the remaining 34% of the shares after three years, where the pricing is based on financial performance in the three-year period.

The acquisition was paid in cash and was financed with a loan from Danske Bank.

### Atlantis Subsea Farming AS

On November 26th The Norwegian Directorate of Fisheries informed Atlantis Subsea Farming that the concept for submersible farms fell within the general scope of the scheme for awarding development fish-farming licenses, and that the Directorate will continue on to consider the concept further with an objective to award one or more licenses.

Atlantis Subsea Farming AS has engaged in a process with the Directorate to provide additional information, including target financial criteria for the concept.

In partnership with the companies Sinkaberg-Hansen AS and Egersund Net AS, AKVA group ASA established the company Atlantis Subsea Farming AS on February 1st, 2016 with the purpose of developing submersible fish-farming facilities for salmon on an industrial scale. Atlantis Subsea Farming AS has applied for six development licences to enable large-scale development and testing of the new technology and operational concept.

Through its innovative development work, ATLANTIS aims both to contribute to better and more sustainable use of current farming sites, as well as to enable use of more exposed sites than is currently possible. The goal is to achieve production gains and improve fish welfare by submerging the facilities, as they will be far less exposed to the environmental and physical conditions than in a surface position.

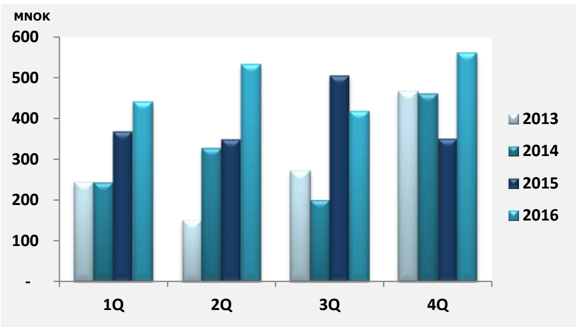
Large-scale testing will focus on third-party documentation of fish welfare and production performance, the technological capabilities of the system, and safeguarding the occupational health and safety of employees.

There are several risks elements associated with the project, and the testing of the technological and operational solutions requires large-scale testing beyond what can be done in today's fish farms based on traditional operating methods. The further progress of the project and our ability to ensure a methodical approach thus depends on us eventually being granted development licences.

Although ATLANTIS represents a significant leap forward in terms of innovation, it is also an objective for the concept to keep costs at a level that helps strengthen the industry's competitive position. The aim is also that the technology and operating methods developed through ATLANTIS can be made available and adopted by the industry relatively quickly.

## Market and future outlook

**Order intake**

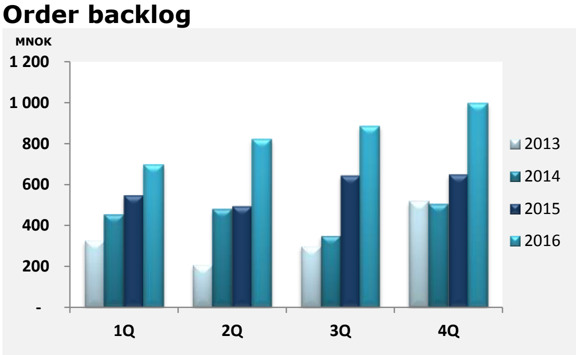



The order intake in Q4 was 561 MNOK (350). Order intake in 2016 in total was 1,952 MNOK (1,570).

The order backlog at the end of Q4 was 998 MNOK (649). This is the highest order backlog ever for AKVA group.

MNOK 412 or 41% of total order backlog at end of Q4 is related to land based technology (LBT).

**Order backlog**




Biological conditions remains challenging for core customers and thus focus on solutions to improve productivity and efficiency. At the same time customers experience record earnings and cash flow. We see this being reflected in high activity level in the Nordic cage based segment continues.

We expect increased activity in UK and Chile in 2017 and a solid recovery compared to 2016. In Canada we are facing somewhat increased competition in the market and we have moderate expectations for the development in 2017.

The activity in the Mediterranean represents an upside potential and we will focus our resources in this region over the next quarters.

The land based segment is growing in AKVA group with very high activity level. A key for AKVA group is to be selective and focus on project execution.

Service and after sales in the Nordic region has potential for further improvements and we will put additional focus on this going forward. There is also an untapped potential for the current core business, particularly within sourcing and supply chain.

## Statement from the Board and Chief Executive Officer

We confirm that, to the best of our knowledge, the condensed set of financial statements for the period January 1st to December 31st 2016, which have been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Bryne, February 21st, 2017
Board of Directors, AKVA group ASA

Hans Kristian Mong
(chairperson)

Nils Viga

Evy Vikene

Anne Breiby
(Deputy chairperson)

Frode Teigen

Anthony James

Aino Olaisen

Tore Obrestad

Carina Jensen

Henrik A. Schultz

Hallvard Muri (CEO)

# Interim financial statements

| CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (NOK 1000) | Note | 2016 Q4 | 2015 Q4 | 2016 YTD | 2015 YTD | 2015 Total |
|---|---|---|---|---|---|---|
| **OPERATING REVENUES** | **5** | **448 573** | **344 077** | **1 603 072** | **1 425 338** | **1 425 338** |
| Operating costs ex depreciations | | 424 894 | 316 947 | 1 458 880 | 1 290 179 | 1 290 179 |
| **OPERATING PROFIT BEFORE DEPR.(EBITDA)** | **5** | **23 678** | **27 130** | **144 193** | **135 159** | **135 159** |
| Depreciation | | 20 320 | 13 943 | 69 156 | 47 450 | 47 450 |
| **OPERATING PROFIT (EBIT)** | **5** | **3 358** | **13 187** | **75 036** | **87 709** | **87 709** |
| Net interest expense | | -1 728 | -1 736 | -6 608 | -5 354 | -5 354 |
| Other financial items | | -4 800 | -4 564 | -19 838 | -4 265 | -4 265 |
| Net financial items | | -6 528 | -6 301 | -26 446 | -9 619 | -9 619 |
| **PROFIT BEFORE TAX** | | **-3 170** | **6 887** | **48 590** | **78 090** | **78 090** |
| Taxes | | 4 947 | -751 | 20 992 | 19 690 | 19 690 |
| **NET PROFIT** | | **-8 116** | **7 638** | **27 598** | **58 400** | **58 400** |
| | | | | | | |
| **Net profit (loss) attributable to:** | | | | | | |
| Non-controlling interests | | 589 | 378 | 933 | 1 572 | 1 572 |
| Equity holders of AKVA group ASA | | -8 705 | 7 260 | 26 665 | 56 828 | 56 828 |
| | | | | | | |
| Earnings per share equity holders of AKVA group ASA | | -0,34 | 0,28 | 1,03 | 2,20 | 2,20 |
| Diluted earnings per share equity holders of AKVA group ASA | | -0,34 | 0,28 | 1,03 | 2,21 | 2,21 |
| | | | | | | |
| Average number of shares outstanding (in 1 000) | | 25 834 | 25 834 | 25 834 | 25 834 | 25 834 |
| Diluted number of shares outstanding (in 1 000) | | 25 834 | 25 711 | 25 834 | 25 711 | 25 711 |

| CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (NOK 1000) | Note | 2016 31.12. | 2015 31.12. | 2015 31.12. |
|---|---|---|---|---|
| Intangible fixed assets | 1,3 | 493 012 | 348 130 | 348 130 |
| Deferred tax assets | | 13 316 | 12 659 | 12 659 |
| Fixed assets | | 150 568 | 103 495 | 103 495 |
| Long-term financial assets | | 6 416 | 8 165 | 2 747 |
| **FIXED ASSETS** | | **663 313** | **472 449** | **467 031** |
| | | | | |
| Stock | | 186 125 | 180 677 | 180 677 |
| Trade receivables | | 259 880 | 289 216 | 289 216 |
| Other receivables | | 31 967 | 31 268 | 36 686 |
| Cash and cash equivalents | | 165 543 | 109 517 | 109 517 |
| **CURRENT ASSETS** | | **643 515** | **610 678** | **616 096** |
| | | | | |
| **TOTAL ASSETS** | | **1 306 828** | **1 083 127** | **1 083 127** |
| | | | | |
| Paid in capital | | 355 549 | 355 426 | 355 426 |
| Retained equity | | 78 206 | 69 562 | 69 562 |
| Equity attributable to equity holders of AKVA group ASA | | 433 755 | 424 988 | 424 988 |
| Non-controlling interests | 1,3 | 18 635 | 3 444 | 3 444 |
| **TOTAL EQUITY** | | **452 390** | **428 432** | **428 432** |
| | | | | |
| Deferred tax | | 34 564 | 18 107 | 18 107 |
| Other long term debt | | 56 | 15 495 | 15 495 |
| Long-term interest bearing debt | 1 | 347 902 | 188 375 | 188 375 |
| **LONG-TERM DEBT** | | **382 522** | **221 977** | **221 977** |
| | | | | |
| Short-term interest bearing debt | | 29 973 | 57 258 | 57 258 |
| Other current liabilities | | 441 943 | 375 459 | 375 459 |
| **SHORT-TERM DEBT** | | **471 916** | **432 717** | **432 717** |
| | | | | |
| **TOTAL EQUITY AND DEBT** | | **1 306 828** | **1 083 127** | **1 083 127** |

| CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (NOK 1000) | Note | 2016 Q4 | 2015 Q4 | 2016 YTD | 2015 YTD | 2015 Total |
|---|---|---|---|---|---|---|
| Book equity before non-controlling interests at the beginning of the period | | 426 879 | 439 498 | 424 988 | 387 577 | 387 577 |
| The period's net profit | | -8 705 | 7 260 | 26 665 | 56 828 | 56 828 |
| Capital increase | | - | - | - | - | - |
| Non-controlling interests arising on a business combination | 1,3 | - | -196 | 2 689 | -196 | -196 |
| Buyback of own shares | | - | -3 272 | - | -4 173 | -4 173 |
| Sale of own shares | | - | - | 4 155 | - | - |
| Gains/(losses) on cash flow hedges (fair value) | | 1 378 | 145 | -2 346 | -5 046 | -5 046 |
| Dividend | | - | -25 736 | -19 376 | -25 736 | -25 736 |
| Change in pension liability recorded against equity | | - | - | - | - | - |
| Recording of option agreement | | - | - | - | - | - |
| Translation differences | | 14 203 | 7 289 | -3 021 | 15 735 | 15 735 |
| Equity before non-controlling interests | | 433 755 | 424 988 | 433 755 | 424 988 | 424 988 |
| Non-controlling interests | | 18 635 | 3 444 | 18 635 | 3 444 | 3 444 |
| Book equity at the end of the period | | 452 390 | 428 432 | 452 390 | 428 432 | 428 432 |

| CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (NOK 1000) | Note | 2016 Q4 | 2015 Q4 | 2016 YTD | 2015 YTD | 2015 Total |
|---|---|---|---|---|---|---|
| Net cash flow from operations | | 11 932 | 20 049 | 105 596 | 120 240 | 120 240 |
| Net cash flow from change in working capital | | 95 646 | -11 836 | 106 050 | -24 500 | -24 500 |
| Net cash flow from operational activities | | 107 578 | 8 212 | 211 645 | 95 740 | 95 740 |
| Net cash flow from investment activities | 1,3 | -123 326 | -6 379 | -260 324 | -116 557 | -116 557 |
| Net cash flow from financial activities | | 52 070 | -29 380 | 105 646 | 74 419 | 74 419 |
| Net change in cash and cash equivalents | | 36 323 | -27 546 | 56 967 | 53 602 | 53 602 |
| Net foreign exchange differences | | 3 034 | 860 | -941 | 1 980 | 1 980 |
| Cash and cash equivalents at the beginning of the period | | 126 187 | 136 203 | 109 517 | 53 935 | 53 935 |
| Cash and cash equivalents at the end of the period | | 165 543 | 109 517 | 165 543 | 109 517 | 109 517 |

## Selected notes to the condensed interim consolidated financial statements

*Note 1 General information and basis for preparation*

AKVA group consists of AKVA group ASA and its subsidiaries. There have been the following changes in the Group's legal structure since year-end 2015:

- AKVA group ASA acquired 58% of the shares in AD Offshore AS on April 7th, 2016. YesMaritime AS was in June 2016 merged with AD Offshore AS. The new company is named AKVA Marine Services AS and AKVA group ASA owns 65% of the shares in this company. AKVA and the other minority shareholders have agreed on a mutual option to buy / sell the remaining 35% of the shares in AKVA Marine Services AS. The option is exercisable from the date that is five years from completion. The pricing of the remaining 35 percent of the shares is linked to the performance of the company over these five years.

- AKVA group ASA exercised a call option to buy the remaining 30% of the shares in Plastsveis from the minority shareholders. The call option was exercised in March 2016 and the transaction was finalized on April 11th, 2016. AKVA group ASA owns 100% of the shares in Plastsveis AS from April 11th, 2016.

- AKVA group ASA acquired 66 % of the shares in Sperre AS on November 4th, 2016. AKVA and Sperre Group AS have also agreed a mutual option to buy/sell the remaining 34% of the shares in Sperre AS. The option is exercisable in a limited period after the approval of the 2019 annual accounts of Sperre AS. The pricing of the remaining 34% of the shares is linked to the performance of the company in 2017, 2018 and 2019.

These condensed interim financial statements are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as adopted by the EU (IAS 34). The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statement. The condensed interim financial statements do not include all of the information and disclosures required by International Reporting Standards (IFRS) for a complete set of financial statements, and these condensed interim financial statements should be read in conjunction with the most recent annual financial statements. The annual financial statements were prepared in accordance with International Financial Reporting Standards and interpretations as issued by the International Standards Board and as adopted by the EU. A description of the significant accounting policies applied in preparing these condensed interim financial statements is included in AKVA Group's consolidated financial statements for 2015. There have been no changes to significant accounting policies since the preparation of the annual financial statements for 2015.

The condensed interim financial statements are unaudited.

Because of rounding differences, numbers or percentages may not add up to the total. The consolidated financial statements for the Group for the year ended December 31st, 2015 are available upon request from the company's registered head office at Nordlysveien 4, 4340 Bryne, Norway or at [http://ir.akvagroup.com/investor -relations/financial-info-/annual-reports](http://ir.akvagroup.com/investor-relations/financial-info-/annual-reports).

*Note 2 Accounting principles*

All significant accounting principles applied in the consolidated financial statement are described in the Annual Report 2015 (as published on the OSE on April 11th, 2016). No new standards have been applied in 2016.

*Note 3 Recognition and measurement of assets and liabilities in connection with the AD Offshore AS acquisition*

The recognition and measurement of assets and liabilities in connection with the AD Offshore AS acquisition and Sperre AS acquisition is not final in the consolidated financial statement as of December 31st, 2016. IFRS 3 permits adjustments to items recognized in the original accounting for business combination, for a maximum of one year after the acquisition date, if and when new information about facts and circumstances existing at the acquisition date is obtained. AKVA group will make a final assessment before this one year period comes to an end.

*Note 4 Events after the reporting period*

No significant events.

*Note 5 Business segments*

AKVA group is organized in three business segments; Cage based technologies, Software and Land based technologies. The same accounting principles as described for the Group financial statements have been applied for the segment reporting. Inter-segment transfers or transactions are entered into under normal commercial terms and conditions, and the measurement used in the segment reporting is the same as used for the actual transactions.

| CONDENSED CONSOLIDATED BUSINESS SEGMENTS (NOK 1000) | Note | 2016 Q4 | 2015 Q4 | 2016 YTD | 2015 YTD | 2015 Total |
|---|---|---|---|---|---|---|
| **Cage based technologies** | | | | | | |
| Nordic operating revenues | | 232 850 | 135 862 | 800 752 | 647 287 | 647 287 |
| Americas operating revenues | | 56 116 | 43 963 | 153 095 | 231 542 | 231 542 |
| Export operating revenues | | 42 498 | 40 091 | 178 934 | 192 098 | 192 098 |
| INTRA SEGMENT REVENUE | | 331 464 | 219 916 | 1 132 781 | 1 070 927 | 1 070 927 |
| Operating costs ex depreciations | | 303 222 | 209 800 | 1 020 207 | 976 102 | 976 102 |
| OPERATING PROFIT BEFORE DEPRECIATIONS (EBITDA) | | 28 241 | 10 116 | 112 575 | 94 824 | 94 824 |
| Depreciation | | 15 226 | 9 195 | 49 522 | 33 254 | 33 254 |
| OPERATING PROFIT (EBIT) | | 13 016 | 922 | 63 052 | 61 570 | 61 570 |
| **Software** | | | | | | |
| Nordic operating revenues | | 35 667 | 34 056 | 125 211 | 108 061 | 108 061 |
| Americas operating revenues | | 3 319 | 3 462 | 12 615 | 21 335 | 21 335 |
| Export operating revenues | | 531 | 890 | 2 469 | 2 696 | 2 696 |
| INTRA SEGMENT REVENUE | | 39 517 | 38 408 | 140 294 | 132 092 | 132 092 |
| Operating costs ex depreciations | | 32 705 | 29 809 | 114 266 | 106 092 | 106 092 |
| OPERATING PROFIT BEFORE DEPRECIATIONS (EBITDA) | | 6 812 | 8 599 | 26 029 | 25 999 | 25 999 |
| Depreciation | | 2 930 | 2 684 | 11 505 | 10 331 | 10 331 |
| OPERATING PROFIT (EBIT) | | 3 882 | 5 915 | 14 524 | 15 668 | 15 668 |
| **Land based technologies** | | | | | | |
| Nordic operating revenues | | 75 120 | 81 608 | 324 887 | 214 658 | 214 658 |
| Americas operating revenues | | 2 472 | 4 144 | 5 109 | 7 661 | 7 661 |
| Export operating revenues | | - | - | - | - | - |
| INTRA SEGMENT REVENUE | | 77 592 | 85 752 | 329 997 | 222 319 | 222 319 |
| Operating costs ex depreciations | | 88 967 | 77 339 | 324 407 | 207 984 | 207 984 |
| OPERATING PROFIT BEFORE DEPRECIATIONS (EBITDA) | | -11 375 | 8 413 | 5 589 | 14 335 | 14 335 |
| Depreciation | | 2 164 | 2 064 | 8 129 | 3 865 | 3 865 |
| OPERATING PROFIT (EBIT) | | -13 539 | 6 350 | -2 540 | 10 469 | 10 469 |

## *Note 6 Top 20 shareholders as of December 31st, 2016*

| Shareholders | Citizenship | Number of shares held | Ownership percentage |
|---|---|---|---|
| EGERSUND GROUP AS | NOR | 13 203 105 | 51,1 |
| WHEATSHEAF INVESTMEN | GBR | 3 900 000 | 15,1 |
| VERDIPAPIRFONDET ALF | NOR | 1 000 621 | 3,9 |
| EIKA NORGE | NOR | 489 417 | 1,9 |
| STATOIL PENSJON | NOR | 461 396 | 1,8 |
| VPF NORDEA KAPITAL | NOR | 391 920 | 1,5 |
| MP PENSJON PK | NOR | 356 300 | 1,4 |
| NORRON SICAV - TARGE | LUX | 346 000 | 1,3 |
| VERDIPAPIRFONDET DNB | NOR | 330 067 | 1,3 |
| MERTOUN CAPITAL AS | NOR | 300 000 | 1,2 |
| VPF NORDEA AVKASTNIN | NOR | 265 352 | 1,0 |
| FORTE TRØNDER | NOR | 246 598 | 1,0 |
| OLE MOLAUG EIENDOM A | NOR | 238 692 | 0,9 |
| ARCTIC FUNDS PLC | BEL | 193 924 | 0,8 |
| ROGALAND SJØ AS | NOR | 166 880 | 0,6 |
| DAHLE BJØRN | NOR | 150 000 | 0,6 |
| NORDEA 1 SICAV | GBR | 132 595 | 0,5 |
| NORRON SICAV - SELEC | LUX | 124 108 | 0,5 |
| STATOIL FORSIKRING A | NOR | 122 382 | 0,5 |
| VERDIPAPIRFONDET NOR | NOR | 118 985 | 0,5 |
| **20 largest shareholders** | | **22 538 342** | **87,2** |
| Other shareholders | | 3 295 961 | 12,8 |
| **Total shares** | | **25 834 303** | **100,0** |

An updated overview of the 20 largest shareholders is available on AKVA group's investor relations webpage, http://ir.akvagroup.com/investor-relations/the-share/largest-shareholders.

*Note 7 Non IFRS Financial Measures*

*Available cash* – Available cash is a non-IFRS financial measure, calculated by summarizing all cash in the Group in addition to available borrowing base in the Group.

*NIBD* – NIBD (Net interest bearing debt) is a non-IFRS financial measure, equal to our long term interest bearing debt plus liabilities to financial institutions minus our cash at balance date.

*NIBD / EBITDA* – NIBD/EBITDA is a non-IFRS measure, calculated as period end NIBD divided by 12 months rolling EBITDA.

*Order backlog* – Order backlog is a non-IFRS measure, calculated as signed orders and contracts at balance date. It does not include spot-sales, spare parts and aftermarket sales.

*Order intake* – Order intake is a non-IFRS measure, calculated as order backlog at end of period minus order backlog at start of period and revenue in the period.

*ROCE* – ROCE (Return on Capital Employed) is a non-IFRS financial measure, calculated by dividing last 12 months EBIT by capital employed at balance date.
Capital Employed is calculated as sum of net interest bearing debt, also called NIBD, as of end of period plus equity, deferred tax and other long term liabilities.
Capital Employed can also be found by the formula (total assets – cash) – (total current liabilities – liabilities to financial institutions).

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

*Working Capital* – Working capital is a non-IFRS financial measure calculated by current assets less cash minus current liabilities less liabilities to financial institutions.

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**Other AKVA group offices:**

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