

AKER BIOMARINE

IMPROVING
HUMAN
AND PLANETARY
HEALTH

ANNUAL REPORT 2016

A large, curved, white structure, possibly a piece of ice or a ship's hull, is partially submerged in dark blue water. The structure is on the right side of the frame, curving downwards towards the water. The water is dark blue with small ripples. The sky is a pale, overcast blue. In the distance, a small, dark structure is visible on the horizon.

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This report follows the principles of the UN Global Compact, the International Integrated Reporting Council's IR framework (IIRC), and the Global Reporting Initiative's sustainability standard (GRI-G4).





OUR MISSION

**We improve
human**

and
planetary
health

Performance and Outlook

2016 Key Figures

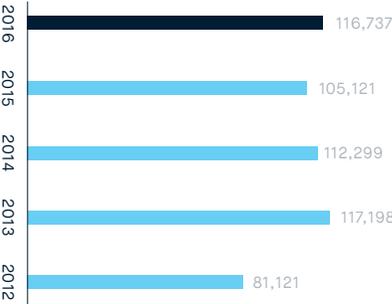
We believe in a world where all have access to quality nutrition and good health without compromising the future of our planet.

PEOPLE

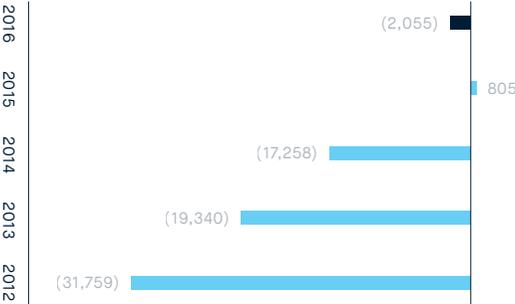


PROFIT

Total revenues and other income (USD thousand)



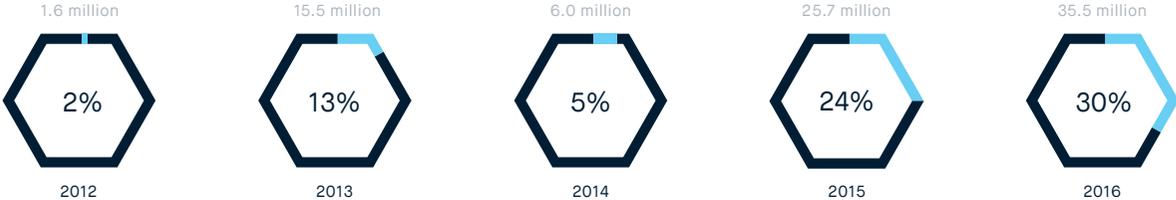
Profit for the year (USD thousand)



PLANET



EBITDA (USD thousand)
EBITDA-margin (%)







2016 Highlights

IMPROVED FINANCIAL RESULTS

In 2016, ten years after its establishment, Aker BioMarine generated revenues of USD 117 million, which yielded an EBITDA of USD 36 million. The company managed to grow its sales and improve its operations in the still-challenging omega-3 market.

SUPERBA BOOST LAUNCHED

– TASTE AND SMELL FACTORS IMPROVED

Aker BioMarine launched its first krill oil concentrate, Superba Boost in 2016. The pure Antarctic krill product contains significantly more phospholipids and omega-3s than previous product generations. Superba Boost tastes and smells better, and just two capsules deliver the benefits of four EU-authorized health claims.

SUPERBA LANDS NOVEL FOOD APPROVAL

In 2016, Superba received Novel Food Approval for extended use. Carrying Novel Foods Approval and EU-authorized health claims, the new Superba Boost krill concentrate can seize many market opportunities for Aker BioMarine and its customers.

HOUSTON MANUFACTURING PLANT

– NOW 100 PERCENT OWNED

Aker BioMarine acquired complete ownership of the company's krill-products manufacturing facility in Houston, Texas, by purchasing the 50 percent joint-venture interest held by extracts specialist Naturex in 2016. The ultra-modern 180,000 square foot facility enables Aker BioMarine to expand its product range, improve quality and delivery volume.

"A" RATING FROM SUSTAINABLE FISHERIES PARTNERSHIP

For the second year in a row, Aker BioMarine received an "A" rating from the Sustainable Fisheries Partnership (SFP). The NGO's annual sustainability review of reduction fisheries for 2016 confirmed, as in the previous year, that a mere 3.8 percent of the total global catch volume of reduction fisheries comes from stocks in "very good condition." That figure corresponds solely to the catch of Antarctic krill.

U.S. ARMY RANGERS "STRESS-TEST" KRILL OIL

Scientists from the Medical University of South Carolina (MUSC) and the National Institutes of Health launched a comprehensive research study to evaluate the effects of Aker BioMarine's krill oil omega-3 phospholipids on the resilience and performance of more than 400 recruits at the U.S. Army Infantry Basic Officer Leadership Course and the U.S. Army Ranger Training School.

AKER BIOMARINE AND NEPTUNE REACH PATENT ACCORD

Neptune Technologies & Bioresources Inc. and Aker BioMarine entered into a settlement and patent cross-licensing agreement, thus ending all outstanding litigation between the companies. The 2016 agreement concludes patent disputes and facilitates both companies' growth and business value creation.

AKER BIOMARINE LEADS GLOBAL OMEGA-3 AWARENESS

Aker BioMarine kicked off the Omega-3 Index Project with several industry partners in 2016 to promote greater awareness of health issues associated with low omega-3 levels, which is a global health concern. Studies worldwide indicate that most people are omega-3 deficient. That's why Aker BioMarine and its O3i project partners are informing the public about the risks inherent in having a low Omega-3 Index – and recommend remedial action.

AKER BIOMARINE'S YOUNG TALENTS AWARDED

Three Aker BioMarine employees received Young Leadership Talents "Top-10" awards. Aker BioMarine was the only company in Norway to receive so many awards. A strategic pillar of Aker BioMarine's business model is the commitment to foster employee talent and development.

Challenges Accepted

Managing and developing a business such as Aker BioMarine is challenging. But the challenges we are up against to secure health and wellbeing for generations to come are massive.

In 33 years, there will be 10 billion people on this planet, which means food production will need to increase by 69 percent in the same period. This is in addition to already stretching Earth's resources. According to The Global Footprint Network, we are already consuming 60 percent more resources than what is renewed each year.

We might feel that we are getting healthier, going to the gym, drinking our smoothies, but the reality is the opposite. Statistics show that we are becoming unhealthier because of the lifestyles we choose to live. Currently, lifestyle diseases are overwhelming people as well as society at large. A report from the World Economic Forum says that during the next 15 years healthcare costs related to treating lifestyle diseases will accumulate to more than USD 22 trillion globally.

THERE IS HOPE

The future looks gloomy right now, but what if we could find a way to change it? That's what we are striving to do at Aker BioMarine, starting out with oceans. Seventy percent of the planet's surface is covered by oceans, but it accounts for just two percent of the calories we consume and is a source for less than 0.5 percent of all pharmaceutical products. We need to look toward our oceans for solutions.

Businesses that are addressing the global challenges today will be more profitable and have greater growth potential in the future. That's why Aker BioMarine's products, strategy and mission are focused on solving the global challenges.

CONTRIBUTING TO MORE EFFICIENT FOOD PRODUCTION

Aker BioMarine's QRILL Aqua products are documented to drive growth and enhance health and quality of farmed marine species. For example, our feed ingredients helped boost our customers' salmon production by an additional 175 million servings in 2016.

HELPING PREVENT LIFESTYLE DISEASES

The unique phospholipid-bound omega-3s in our Superba Krill Oil products reduce the risk of several lifestyle diseases,

including heart and brain-related issues. In 2016, about one billion doses of Superba Krill were sold worldwide, improving the health of millions of people. A 2016 study published by Food Supplements Europe demonstrated that for every Euro a consumer spends on omega-3 products, savings of €2.3 are generated in the healthcare system. Based on this estimate, Aker BioMarine potentially reduced society's healthcare costs by more than USD 1 billion in 2016.

PRODUCING AND CONSUMING RESPONSIBLY

With help from our peers, suppliers, and customers, we are taking steps to reduce our environmental footprint throughout our entire value chain. In 2016, we mapped the company's global energy consumption and greenhouse gas emissions, and in 2017 we will continue our journey to make our company even greener. Our next goal is to complete a comprehensive review of our waste streams and water use.

THE NEW STANDARD FOR SUSTAINABLE HARVESTING

The Antarctic krill fishery is one of the world's most sustainable fisheries. Aker BioMarine is specifically noted for near-zero by-catch, fully transparent operations, and MSC certification, the highest sustainability standard for fisheries worldwide. In 2016, for the second year in a row, the krill fishery received an "A" rating from the Sustainable Fisheries Partnership as the only reduction fishery in the world in "very good" condition.

BUSINESS CHALLENGES FOR AKER BIOMARINE

Pioneering is demanding. For every victory, there are numerous disappointments. 2016 was a year with both disappointments and great victories.

The omega-3 market where we compete with our Superba ingredient continued to be weak. Lack of market growth and tough competition resulted in decline in our nutraceutical business. When the headwinds were the strongest, we decided to invest in innovations – innovations that were demanding for our organization to implement within our ambitious timelines and costly for our company. But new

innovations have paid off and in 2016 we successfully launched our new Superba products with the objective to turn around our nutraceutical business.

Growing global aquaculture production at high prices resulted in a good year for our aquaculture business. Strengthened scientific documentation of the QRILL products and positive customer experiences have lifted demand.

Across all of our product divisions, we have shifted gears regarding the way we work with customers. It is not enough to just deliver an attractive ingredient, we also need to provide relevant market insights, marketing and product ideas and contribute actively to our customers' success. In 2016 we started transforming our sales and marketing functions to build relevant content and stronger, interactive customer relationships.

Even if 2016 was a good year for Aker BioMarine, with USD 117 million in revenue and USD 35.6 million in EBITDA, we posted slightly negative earnings after tax. The investments needed to build a supply chain for krill-based products, the resources needed to innovate and document their biological effects, and the time needed to develop new markets are reflected in our earnings.

Having a supportive owner in Aker ASA that has a long-term vision has been vital to Aker BioMarine's development. In 2016 we became stronger both financially and organizationally and we are ready for the new challenges and victories ahead.



MATTS JOHANSEN
CEO, AKER BIOMARINE







This is
Aker
BioMarine

We improve human and planetary health

Aker BioMarine is a biotech innovator and Antarctic krill-harvesting company, dedicated to securing human and planetary health. The company develops krill-based ingredients for nutraceutical, aquaculture, and animal feed applications. The company's fully transparent value chain stretches from

sustainable krill harvesting in pristine Antarctic waters through its Montevideo logistics hub, Houston production plant, and all the way to customers around the world. Aker BioMarine is fully owned by Aker ASA, an industrial pioneer since its establishment in 1841.

Global Challenges

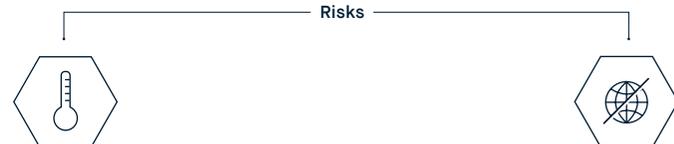


RESOURCE SCARCITY

Feeding the world's growing population increasingly demands resource-efficient, low-carbon food systems. Diets are shifting, replacing meat with less carbon-intensive substitutes from fishing and agriculture. Meanwhile 75 percent of global fish stocks are either overfished or fished to its capacity.

NON-COMMUNICABLE DISEASES

Non-communicable diseases (NCDs) are disorders that cannot be passed from person to person, and the four main types are cardiovascular diseases, cancers, diabetes, and chronic respiratory diseases. Every year 37 million lives are lost to NCDs, of which 42 percent is lost before the age of 70 and can be prevented by making healthy lifestyle choices.



CLIMATE CHANGE

From 1880 to 2012, the average global temperature increased by 0.85°C. Oceans have warmed, the amounts of snow and ice have diminished, and sea levels have risen. Ocean acidification, resulting from more carbon dioxide in the atmosphere, changes the oceans' chemistry and disrupts the biome's plant life and the ability of animals to form shells and skeletons of calcium carbonate, and dissolves shells and reefs already formed.

LOSS OF BIODIVERSITY

Biological diversity in the oceans has decreased dramatically since industrialization began in the 19th century. Primary causes for the losses include the destruction of habitats by trawler fishing, fishing and pollution of the seas, as well as the steady progress of climate change. Biological diversity is probably declining more rapidly than ever before in the history of the Earth.

Strategic Direction

Aker BioMarine has decided to use the United Nations Sustainable Development Goals (SDGs) to guide its strategy. In 2016, all employees were engaged in the process of integrating the goals. The company has prioritized four SDGs.



SDG 2

End hunger, achieve food security and improved nutrition and promote sustainable agriculture



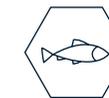
SDG 3

Ensure healthy lives and promote well-being for all at all ages



SDG 12

Ensure sustainable consumption and production patterns

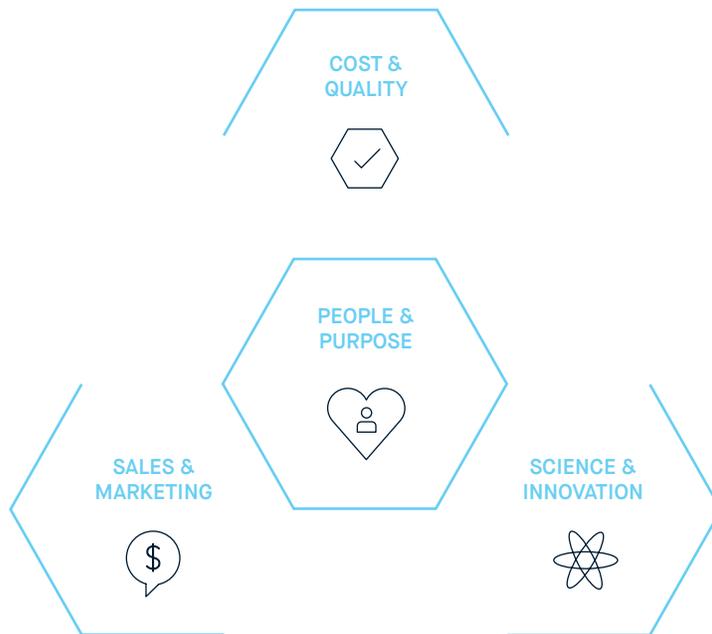


SDG 14

Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Strategic Focus Areas

Aker BioMarine outlined its strategic focus areas in 2015, with the collective goal of strengthening its growth and solving global challenges.



Resources

01 HUMAN CAPITAL

People and purpose are central to Aker BioMarine's strategy. The company recognizes that engaged employees are a core asset. The employee journey is designed to ensure that all employees receive necessary support, are empowered in their daily work, and have ample opportunities to grow.

02 NATURAL CAPITAL

Aker BioMarine harvests Antarctic krill in the Southern Ocean. The company safeguards the krill biomass and the sustainability of the krill fishery by adhering to the most stringent sustainability standards for wild-caught fisheries, as determined by the Marine Stewardship Council. Additionally, Aker BioMarine facilitates and promotes research on the entire Antarctic ecosystem through the Antarctic Wildlife Research Fund, which the company established with WWF-Norway and the Antarctic and Southern Ocean Coalition (ASOC).

03 SOCIAL AND RELATIONSHIP CAPITAL

Fishing in Antarctic waters requires good relationships with governmental and regulatory agencies, the research community, and environmental NGOs. Aker BioMarine is attentive to these key stakeholders to ensure the fishery's future. Antarctic fishing licenses are issued by national governments. Aker BioMarine holds Antarctic krill fishing licenses issued by Norway.

04 INTELLECTUAL CAPITAL

Innovation is part of Aker BioMarine's DNA. From pioneering the Eco-Harvesting system to developing new extraction technology, Aker BioMarine proudly credits its people for their in-house innovation. Intellectual property rights are protected through the company's patent and copyright strategy.

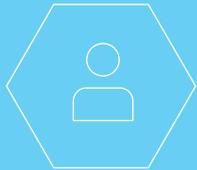
05 MANUFACTURED CAPITAL

Aker BioMarine has made major infrastructure investments throughout the value chain. Capital investments span from the company's Antarctic factory trawlers to port facilities in Montevideo, the factory in Houston, and all the way to customers worldwide. Aker BioMarine leases warehouses and office space at headquarters in Oslo and sales offices in the United States, Australia, and Asia. The company's two krill vessels, the Antarctic cargo freighter, and the new manufacturing plant in Houston are wholly owned by the company.

06 FINANCIAL CAPITAL

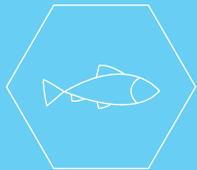
Aker BioMarine appreciates having a dedicated owner who never lost faith in the krill fishery. Powerful financial muscles have been required to reach the scale at which the company now operates. Strong financial backing has been essential to achieving across-the-board excellence in Aker BioMarine's capital resources, as described above. At Aker BioMarine, there is no doubt that strong financial and sustainable performance are interlinked and reinforce each other.

Our Products



SUPERBA™ KRILL

Aker BioMarine's Superba Krill Oil is a pure, natural source of health promoting omega-3s. The unique phospholipid-bound EPA and DHA are documented to be a readily absorbable source of the important long-chain omega-3s. The Superba Krill Oil contributes to a balanced diet and supports a healthy lifestyle, boosting heart, brain, and joint health.



QRILL™ AQUA

Aker BioMarine produces nutrient-rich feed ingredients made from Antarctic krill that increase aquaculture efficiency. QRILL Aqua products promote faster growth and enhance the health and quality of farmed marine species.



QRILL™ PET

Made of whole dried Antarctic krill, QRILL Pet is a functional ingredient for pet food. Products enriched with QRILL Pet provide natural source of omega-3 fatty acids, marine proteins and the powerful antioxidant astaxanthin. The ingredient offers great health benefits for pets, including healthy organs, joints and fur.

Value Creation in Society



ANTARCTIC ECOSYSTEM RESEARCH

Sound research covering the entire Antarctic marine ecosystem is vital for Aker BioMarine's business. Along with ensuring responsible harvesting of the Southern Ocean's krill biomass, Aker BioMarine established the Antarctic Wildlife Research Fund together with WWF-Norway and The Antarctic and Southern Ocean Coalition (ASOC) to promote and facilitate research on the Antarctic ecosystem.



SCIENCE BOOSTING AWARENESS

In 2016, Aker BioMarine spent 5 percent of its revenues on science and innovation projects. Such funding builds scientific knowledge and has the potential to spur popular awareness and consumption of omega-3. The company launched a research study to evaluate the effects of Aker BioMarine's krill oil omega-3s on the resilience and performance of some of the world's toughest Army recruits. Hopefully, the study will motivate a younger generation to boost their omega-3 levels.



PROMOTING INDUSTRY RESPONSIBILITY

In a united krill-industry drive, Aker BioMarine is promoting effective sustainability practices through the Association of Responsible Krill Harvesting Companies (ARK). Efforts in 2016 include the implementation of a voluntary no-fishing zone around penguin colonies threatened by climate change.



PREVENTION OF LIFESTYLE DISEASES

More than 80 percent of the world's population is deficient in omega-3. Adequate omega-3 intake is considered important to maintaining a healthy lifestyle that can help prevent non-communicable diseases (NCDs). In 2016, Aker BioMarine delivered one billion doses of Superba Krill to the market.



BETTER RESOURCE UTILIZATION

In 2016 alone, fish farmers using Aker BioMarine's krill meal produced an additional 175 million servings of salmon – without increasing the amount of feed they used. An independent study conducted by the research institute Nofima, showed that farmed salmon grow 10–25 percent faster due to the company's feed supplement, QRILL Aqua krill meal.

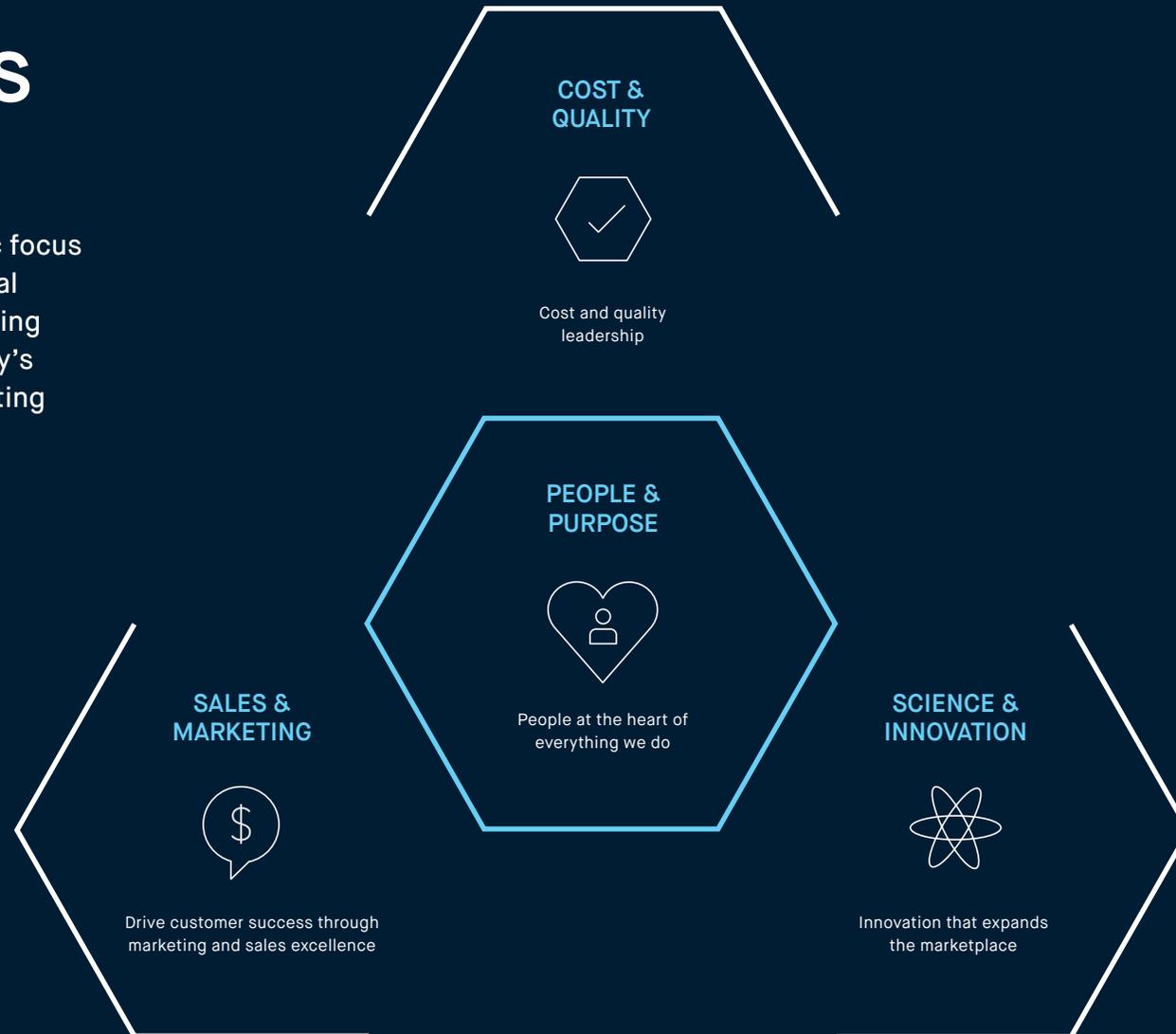


Strategic Focus Areas

Aker BioMarine outlined its strategic focus areas in 2015, with the collective goal of strengthening its growth and solving global challenges. All of the company's departments are responsible for setting strategic initiatives that support the corporate strategy.

STRATEGY

- 26 Risks and Opportunities
- 29 Sales and Marketing
- 37 Science and Innovation
- 43 Cost and Quality
- 53 People and Purpose



“Being the leader places a major responsibility on our shoulders to drive the category forward in a well-respected and responsible manner. Our success is demonstrated not only by our results, but by our ability to foster growth in the category.”

KRISTINE HARTMANN
EVP TRANSFORMATION AT AKER BIOMARINE



Material Risks and Opportunities

Through dialogue with our stakeholders we have identified risks and opportunities, that inform our strategy. The list reflects material aspects to Aker BioMarine.

THIS IS AKER BIOMARINE

Stakeholders	Risks	Materiality	Sales and marketing	Cost and quality	Science and innovation	People and purpose	Response
The Antarctic ecosystem, researchers, environmental NGOs, regulators, Norwegian ministry of fisheries and coastal affairs.	Loss of biodiversity	Taking care of the Antarctic ecosystem is essential to both stakeholders and our long-term business (SDG14).					We established the Antarctic Research Fund (AWR) together with WWF-Norway and ASOC.
	Need for new scientific data on krill biomass	We monitor the krill biomass with a five day survey every season, but the total biomass in area 48 has not been undertaken since 2000.					We drive responsible fishing through ARK (industry organization) and actively engage with researchers and regulators.
	Climate change	The temperature in the Antarctic is rising, and might have significant impact on the ecosystem, and it is therefore important that we do our part in taking down CO ₂ emissions (SDG12).					We are mapping our operations and starting the journey to significantly reduce our CO ₂ footprint and costs related to energy, waste and water use.
Owner, management	Compliance on ethics and social responsibility	With an international and diverse workforce there is a risk of different perceptions and ways of handling situations.					We have a compliance training programme and have hired a new legal council responsible for compliance.
	Operational down-time	Controlling our value chain from harvest all the way to our customers makes us vulnerable in terms of down-time.					We have merged onshore and offshore logistics to get better overview and unlock synergies.
Opportunities							
Society, customers and consumers	Growing demand for healthy and sustainable food	Delivering high quality health nutrients in a sustainable way is both good for our business and society (SDG2).					We work together with customers to drive sustainability.
	Omega-3s as component of a healthy lifestyle	Increasing awareness on healthy lifestyles and prevention of lifestyle diseases can save society costs and help grow our market (SDG3).					We run science projects and campaigns that increase awareness in the general public on the importance of healthy lifestyles and omega-3s.
Existing and potential employees	Attracting and retaining talent	Attracting and retaining the right people is a challenge in a flat organization and it is important to us that we build an organization that can provide our people with the right opportunities for growth.					We have built a culture based on freedom and trust to retain talent and attract the new generation of job seekers. We create opportunities in-house.
	Gender equality	Companies where women account for over 15 percent of senior management show higher returns. This represents an opportunity for our company to ensure democratic representation and diversity in management.					We have structured our recruitment and internal promotion processes to ensure equal opportunities together with updating and improving our employee handbook, implemented performance review and leadership development program.
	Transparency and information sharing	When the new management team took over in 2015, the feedback from the employees was that more transparency and information sharing was needed.					We implemented @workplace, Superba-Connect and SharePoint as tools for information sharing and BambooHR to facilitate employee development.



Sales and Marketing

“Aker BioMarine should be perceived as a partner who brings valuable insights, introduces new market opportunities, and guides its customers for growth and product expansion.”

TROND ATLE SMEDSRUD
EVP, MARKETING AND COMMUNICATION AT AKER BIOMARINE



Facilitating Customer Success

The traditional transaction-based sales model is outdated. Instead, Aker BioMarine is investing in interactive, long-lasting customer partnerships. “The mission is to become part of our customers’ success,” explains Trond Atle Smedsrud, EVP Marketing and Communication.

In 2016, Aker BioMarine implemented a new customer-centric Sales and Marketing strategy that applies the company’s global product expertise and market insight to promoting each customer’s success. Knowledge transfer ranges from krill product development, features, and benefits through consumer preferences, retail know-how, and branding techniques.

Getting consumers excited about Antarctic krill and its health benefits is another aspect of Smedsrud’s tasks. Aker BioMarine Sales and Marketing teams are uniquely qualified to help customers demonstrate Antarctic krill’s health and wellbeing benefits and meet consumer demand for sustainable product processes and manufacturing transparency.

“Aker BioMarine should be perceived as a partner who brings valuable insights, introduces new market opportunities, and guides its customers for growth and product expansion,” says Smedsrud. Strategic 2016 investments by Aker BioMarine’s Sales and Marketing departments in their people, technology, and competence reinforce this commitment to the company’s customers.

KNOW YOUR CUSTOMER

Aker BioMarine is more than a B2B supplier. The company has carried out several studies to document customers’ market environments. The findings stimulate market-specific products, value propositions, and targeted marketing support.

Japan, for example, has quickly become one of the top ten countries for Superba sales. “It’s exciting to see rapid growth in new markets when consumer insight and close cooperation with our customers begin to pay off,” says Todd Norton, EVP Superba Sales.

Close partnerships strengthen Aker BioMarine’s customers via product innovation and value-adding services.

“Understanding our clients – and their customers – streamlines the delivery of the right product and correct product format,” Norton explains.

Aker BioMarine Sales and Marketing teams also help customers inform the public about the benefits of krill oil, which in turn strengthens product demand. According to the Superba sales chief, tailor-made products evolve from listening to each customer’s needs, understanding market conditions and trends, handling challenges, and translating this information into customized products and market support.

Consistent, long-term efforts to foster stronger customer relationships have an impact: An independently conducted customer satisfaction survey in 2016 gave Aker BioMarine a solid 4.5 score, on a scale from 1 to a maximum of 5.

Innovation Through Partnership

In 2011, BioMar and Aker BioMarine began working together to develop an advanced high-performance salmon feed using Aker BioMarine's QRILL ingredient as a key component. The partnership has been a great success – and the companies have worked together to drive the aquaculture feed industry forward, emerging as innovative role models that showcase sustainability.

A recent case in point is an innovation grant for USD 1.9 million that BioMar and Aker BioMarine obtained together with other industry partners to unlock the nutritional and technical quality potential of marine components from krill and other sources used in sustainable salmonid feed.

“The unexploited potential in marine ingredients including krill meal can reduce the stress on wild fish stocks used in traditional marine raw material,” says Sigve Nordrum, EVP QRILL Sales at Aker BioMarine. “Moreover, farmed fish will benefit from the great nutritional value of the new, high-performance feeds.”

The innovation project addresses two current aquaculture challenges: promoting eco-responsible farmed production that efficiently employs underutilized marine raw materials, and developing future feeds that promote superior fish performance and health.

“We are pooling our scientific and practical understanding of fish species and marine ingredients in order to develop feed products that address key aquaculture challenges,” says Nordrum.

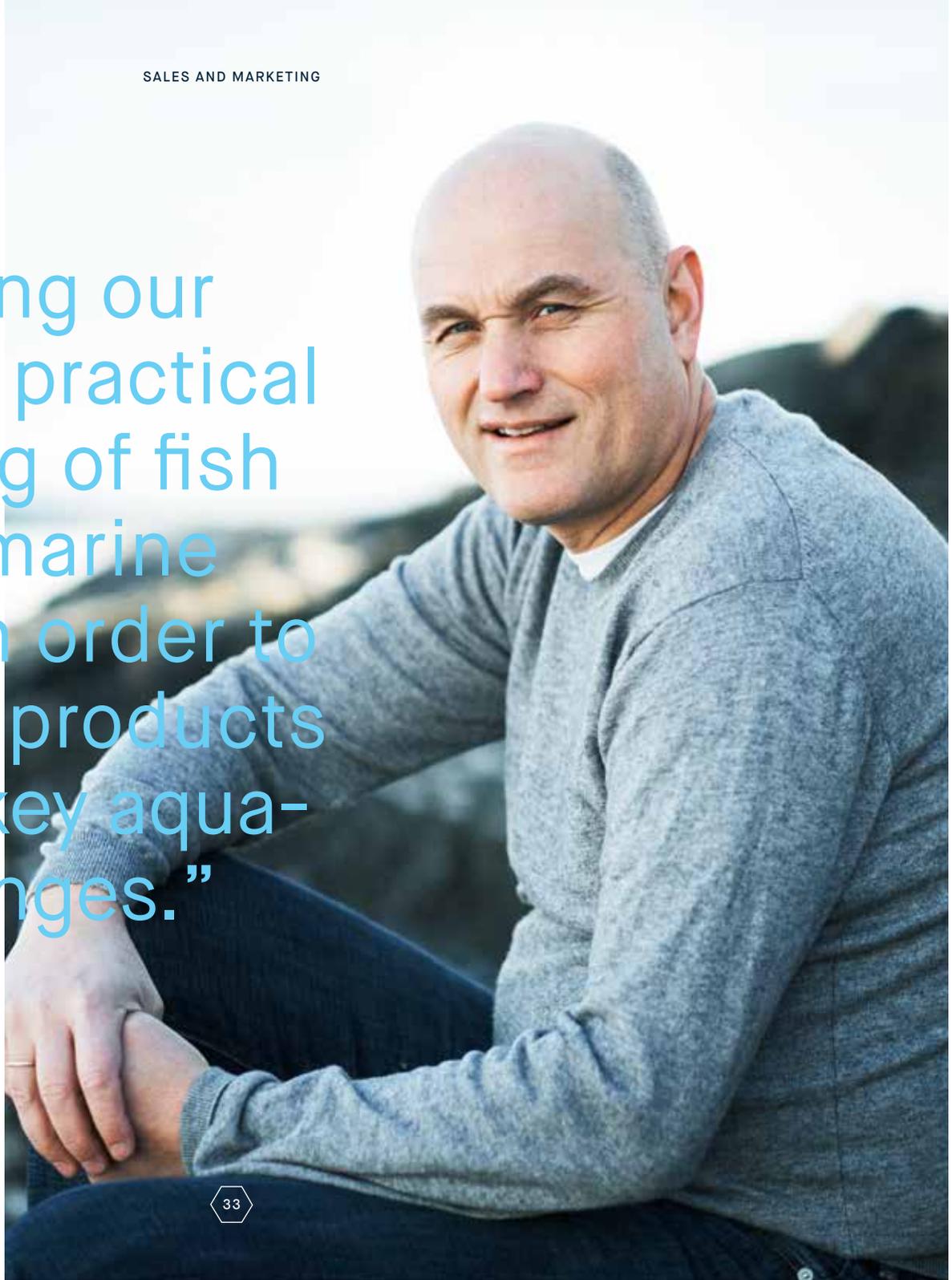
Vidar Gundersen, Group Sustainability Manager at BioMar Group comments, “Instead of having to solve challenges on our own, we found it natural to share responsibilities with our krill supplier. The feed innovation project is a great example of how we can combine our experience and know-how to come up with completely new solutions.”

BioMar is a pioneer in developing new high-performance feed for the global aquaculture industry, supplying feed to around 80 countries for more than 45 farmed species.

Aker BioMarine and BioMar are also fostering Antarctic ecosystem research through their support for the Antarctic Wildlife Research Fund (AWR). The fund's objective is to secure the krill fishery's long-term sustainability. According to Sigve Nordrum, the companies' sustainability efforts are truly a win-win for Aker BioMarine, BioMar, salmon farmers, and last but not least, the environment.

“We are pooling our scientific and practical understanding of fish species and marine ingredients in order to develop feed products that address key aquaculture challenges.”

SIGVE NORDRUM
EVP QUILLS SALES AT AKER BIOMARINE





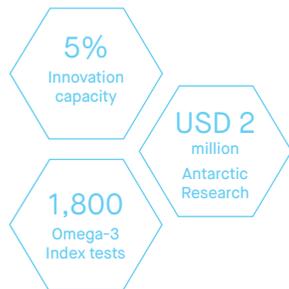




Science and Innovation

We Are Explorers

Innovation and entrepreneurship have always been integral to Aker BioMarine's DNA. In recent years, the company has expanded its pipeline of exciting science and innovation projects that will drive the krill category forward.



Aker BioMarine's science and innovation strategy stands on three pillars: Value Innovation, Market Innovation, and Greenfield Innovation. Torbjørn Furuseth, EVP Innovation at Aker BioMarine, explains, "A key factor driving our products' strong growth in 2016 has been Aker BioMarine's effective documentation of health and nutrition benefits. Value propositions throughout the Superba and QRILL product segments – whether for people, pets, or aquaculture – will become even more substantiated, as a result of ongoing scientific projects."

STUDIES ALSO TARGET ATYPICAL USERS

The second strategic pillar – market innovation – explores groundbreaking science that could drive demand and launch new market segments. A study initiated in 2016 by the Medical University of South Carolina (MUSC), the National Institutes of Health and Aker BioMarine investigates the effects of Superba Boost on the resiliency and performance of a group of elite soldiers in the United States Army.

According to Torbjørn Furuseth, "Real performance studies can inspire new role models among young people, as buyers of omega-3 supplements have been typically women around 50 years of age. Business-wise, such studies expand the customer base, but they are even more important for society because they could help prevent lifestyle diseases before they become irreversible," he says.

Also in 2016, evaluation testing under tough conditions was conducted on man's best friend. Data collected from a QRILL Pet trial involving dogs competing in the Iditarod dogsled race in Alaska showed less muscle damage and significantly less inflammation among the dogs that consumed QRILL Pet compared with the control group.

"These Superba and QRILL studies are more than attention-grabbers. They add great value to current omega-3 documentation and suggest such tests can bolster other product categories," says Aker BioMarine's innovation chief.

EXPLORE NEW ARENAS

"Aker BioMarine's Greenfield Innovation projects explore completely new areas suitable for high-value krill-derived products. Greenfield multi-disciplinary teams push the envelope to imagine and develop new product entries," says Furuseth. "Toward year-end 2017, Aker BioMarine plans to commercialize one of several products in the innovation pipeline," Furuseth reveals.

Innovation remains key to driving growth in the krill oil market. Aker BioMarine is considered a visionary leader in Value, Market, and Greenfield Innovation. The company has significantly expanded its patent portfolio in key markets, including the United States, Europe, and Australia. Having invested 2 percent of its revenues in research and development in 2016, Aker BioMarine is an Antarctic krill R&D frontrunner.

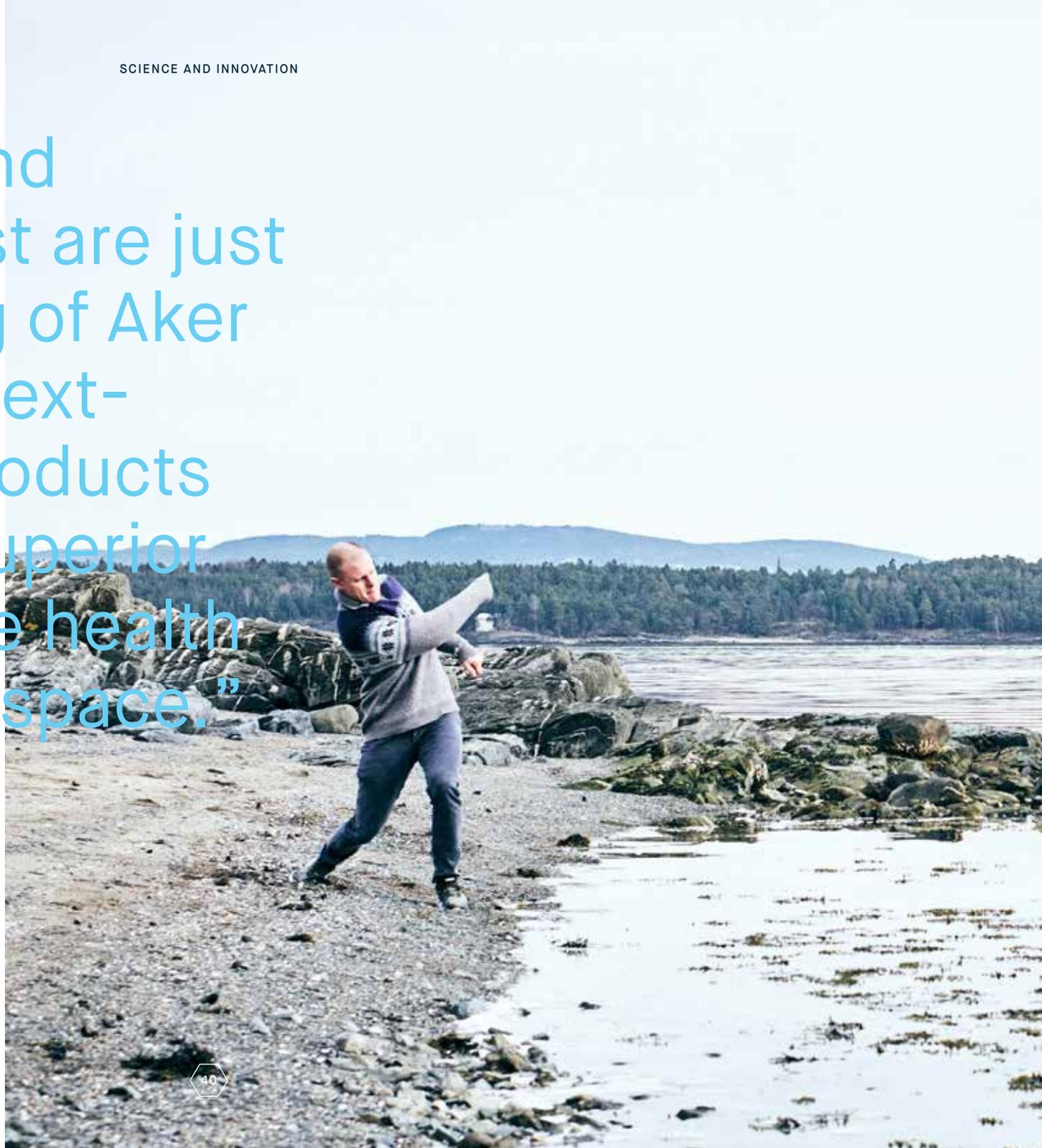
“Real performance studies can inspire new role models among young people, as buyers of omega-3 supplements are typically women about 50 years of age. Business-wise, such studies expand the customer base, but they are even more important for society because they could help prevent lifestyle diseases before they become irreversible.”

TORBJØRN FURUSETH
EVP INNOVATION AT AKER BIOMARINE



“Superba 2 and Superba Boost are just the beginning of Aker BioMarine’s next-generation products that deliver superior benefits in the health and wellness space.”

MATTS JOHANSEN
CEO AT AKER BIOMARINE



Breaking the Barriers

Flexitech™, a patented Aker BioMarine technology platform introduced in 2016, is transforming production and speeding the introduction of breakthrough products derived from Antarctic krill.

The first product released using the new Flexitech process was Superba 2 – considered the next generation of Superba Krill Oil.

“Offering several improvements over traditional krill oils, Superba 2 possesses enhanced encapsulation properties along with improved smell, taste, and visual appearance,” says Dr. Nils Hoem, Chief Scientist at Aker BioMarine. Like all Superba products, Superba 2 is certified 100 percent sustainable and traceable, and produced through a vertically integrated supply chain that is 100 percent owned and controlled by Aker BioMarine.

Recently introduced, Superba Boost is the company’s first krill oil concentrate product. Superba Boost contains significantly more phospholipids and omega-3s compared to the previous generation of Superba Krill Oil, as well as higher amounts of choline. “In fact, two capsules of Superba Boost krill oil will cover most of the daily recommended intake of the essential omega-3 fatty acids EPA and DHA,” says Dr. Hoem.

In the EU market, two capsules of Superba Boost qualify for four health claims regarding normal heart function, normal liver function maintenance, lipid metabolism, and homocysteine metabolism.

PUSHING THE ENVELOPE

“Superba 2 and Superba Boost are just the beginning of Aker BioMarine’s next-generation products that deliver superior benefits in the health and wellness space,” says Aker BioMarine CEO Matts Johansen. “By continually pushing the envelope with unparalleled krill harvesting techniques, product development experience, Flexitech extraction technology, and scientific work, the company’s products will continue to stand out in the marketplace.” Momentum grew in 2016 when Superba received Novel Foods Approval at extended use levels. In the EU market, this approval will allow daily dosages of Superba krill oil to exceed 250 mg EPA/DHA – and up to 3,000 mg per day.

Stronger market positioning backed by EU-authorized health claims and Novel Foods Approval for Superba and Superba Boost are creating numerous market opportunities for Aker BioMarine and its customers. Furthermore, a wide range of companies that had been reluctant to launch a krill oil product due to a difficult regulatory environment now can partner with Aker BioMarine.

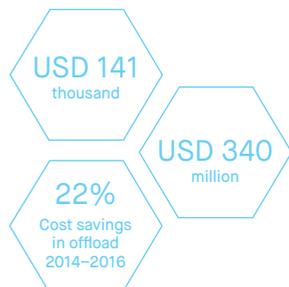




Cost and Quality

Fortune Favors the Brave

Aker BioMarine has succeeded at both cost and quality leadership. From Day One, the company has executed a brave strategy to imagine, invest, and sail forth with a determination to always do things better.



Entering unchartered waters more than a decade ago, Aker BioMarine’s unconventional approach to krill harvesting and ship-to-shore logistics were dismissed as foolhardy and not financially viable. Ten years on, the company has set the industry standard for best practices in krill harvesting and achieved record efficiency.

Aker BioMarine operates its own cargo transport ship that brings semi-finished krill products from Antarctic waters to the company’s logistics hub in Montevideo, Uruguay. From 2014 to 2016, the per-ton cost of Montevideo offloading was slashed by 22 percent. The efficiency team leaders – Tore Hetland, Aker BioMarine’s Logistics and Operations Manager; Robert Ernstsen, Montevideo Warehouse Manager; and Sverre Johansen, Production and Operations Advisor – share with us their three success criteria.

“We made full transparency the norm for all Montevideo cost elements; specificity helped us trim cost-sensitive decisions such as Sunday work. Secondly, offload planning had to begin several weeks in advance; and thirdly, we made sure to have Aker BioMarine personnel overseeing the entire offload.”

GO BIG OR GO HOME

Aker BioMarine reinvented the entire mechanics of krill and at-sea production. Along with inventing a new way to gently bring krill onboard, the company fine-tunes how long the factory trawlers are at sea, the size of their nets, towing speed, and how krill oil is extracted. “Aker BioMarine did not become the leader by leaving anything to chance,” Tore Hetland summarizes.

Fortune does, however, favor the brave. “There’s no cheap way to fish krill in the Antarctic, only the expensive way. It’s all or nothing, and we were committed enough to go all in,” asserts Webjørn Eikrem, EVP Harvesting, Production and Supply Chain at Aker BioMarine.

MASTERS OF THEIR OWN DESTINY

The most recent multi-million-dollar decision is the company’s investment in its state-of-the-art manufacturing plant in Houston, Texas. Owning the entire value chain, from harvesting to end-customer, ensures full transparency and a unique ability to optimize operations.

“We quickly realized we were better off producing the krill oil ourselves and that we must invest in technology to deliver next-generation Superba Krill Oil products,” says Aker BioMarine’s head of Harvesting, Production and Supply Chain.

Reconstruction at the Houston plant started in 2014; in late 2015, the 180,000-square-foot facility began producing “the best possible quality krill oil at the right cost,” as Webjørn Eikrem puts it.

With the final element of its supply chain owned and operated by Aker BioMarine, the company could confidently proclaim complete control over operations – from catch to product.

“Traceability is very important in our markets and being able to trace each and every end-product back to where it was fished is, frankly, priceless,” says Eikrem.

“People want to know what they’re consuming these days; they want to know what their dogs are eating and they want to know what the salmon they’re eating was fed on,” Eikrem concludes.

“There’s no cheap way to fish krill in the Antarctic, only the expensive way. It’s all or nothing, and we were committed enough to go all in.”

WEBJØRN EIKREM
EVP HARVESTING, PRODUCTION AND SUPPLY CHAIN
AT AKER BIOMARINE



“With a growing world population, it has never been more important to make healthy food and nutrients available while also keeping our planet’s ecosystems healthy.”

CILIA HOLMES INDAHL
DIRECTOR SUSTAINABILITY AT AKER BIOMARINE

It's a Team Effort

To protect its Antarctic fishery, Aker BioMarine decided early on to invent a new way to catch krill.

Krill harvesting has traditionally relied on trawl nets. However, this method has caught a number of other species, such as fish and seals. In the Antarctic's fragile marine eco-system, unwanted by-catch represents a significant challenge.

It took major investments over the course of a decade for Aker BioMarine to complete development of its Eco-Harvesting® technology. The trawl system gently conveys krill onboard for processing while the submerged trawl module eliminates by-catches.

According to Webjørn Eikrem, EVP Harvesting, Production and Supply Chain, the Eco-Harvesting system is so effective that last year's total by-catch, "could swim around in a small bucket."

INTERNAL ENGAGEMENT

Working across disciplines, job roles, and time zones, Eco-Harvesting became a reality entirely due to staff ideas and engagement. "Saga Sea crew members took the initiative to create a new trawler technology and invited all skippers, mates, and deck crew from both our boats to a brainstorming session," says Eikrem. Engineering, operations, and funding support directed from Oslo headquarters sustained the visionary project.

Eikrem recalls how ideas kept flowing during 4 a.m. phone conferences among project team members worldwide. Proposals were drafted in cooperation with Aker BioMarine's partners, evaluated by the management team, and tested – all in record time.

When the first Eco-Harvesting system was ready for testing in Hirtshals, Denmark, everyone involved in the project turned up – from as far away as South America, the United States, and Iceland.

"Spotting a major problem that Aker BioMarine could potentially solve, generates enthusiasm and pulls together employees' valuable expertise and skills to make game-changing innovation," says Eikrem.

SUSTAINABILITY IS ESSENTIAL

Only two percent of the world's food supply and 0.5 percent of pharmaceuticals are derived from the oceans. Moreover, 85 percent of fish stocks worldwide are either overfished or fished to capacity. Historically, we humans have failed to protect our marine resources.

Cilia Holmes Indahl, Director Sustainability at Aker BioMarine, reminds us that, "With a growing world population, it has never been more important to make healthy food and nutrients available while also keeping our planet's ecosystems healthy." Indahl's assignments include monitoring the company's global operations and working with other industry participants to insure best practices.

Indahl notes that Antarctic krill is considered one of the most environmentally-sound resources for supplying humankind with marine omega-3s – but only if harvesting maintains the long-term sustainability of the Southern Ocean's ecosystem and protects all Antarctic species.



Alanzo

Aker BioMarine[™]
Manufacturing LLC

People and Purpose

Motivation Triggers



“We believe people want to do their best, and it is our managers’ responsibility to identify the motivation triggers for each and every employee. Establishing a culture of open and honest feedback is key to allowing new thinking to surface,” says Kristine Hartmann, EVP Transformation at Aker BioMarine.

“When we look for inspiration from the most successful and fastest growing companies in today’s business world, we zero-in on Silicon Valley. Aker BioMarine learns from such leaders about building a purpose-driven, dynamic organization that fosters growth,” says Kristine Hartmann.

To share in the spirit of these companies and stay close to the latest technological developments, Aker BioMarine has invested in StartupLab, a hub for technology startups in Norway. Hartmann firmly believes in using new digital tools to enhance efficiency and engagement among company employees in order to accelerate realization of new ideas and concepts.

FOSTERING PERSONAL GROWTH

New technology provides a handy way to foster employee growth and development. In 2016, Aker BioMarine implemented BambooHR, a cloud-based administrative HR and performance tool that supports each employee’s development process.

When selecting a new HR tool, Hartmann prioritizes user-friendliness and ability to drive motivation. “We aren’t interested in tools that just rank our employees according to a criteria list.”

In 2016, Aker BioMarine initiated a leadership and employee engagement program that reinforces trust, transparency, empowerment, and engagement across the entire organization.

FREEDOM TO OPERATE

A dynamic organization is a must for success in a fast-moving environment. “To avoid unnecessary bureaucracy, Aker BioMarine is modifying its organizational structure and leadership philosophy to empower employees to bring decision-making as close as possible to operational issues and opportunities at hand,” Hartmann relates.

Aker BioMarine’s employee handbook has been revised to foster a corporate culture based on trust, transparency, and freedom. Gone are words such as “shall” and “must” and references to mandatory 9–15:00 work hours. “Disruptive ideas are not necessarily generated sitting in front of an office computer,” Kristine Hartmann acknowledges.

Aker BioMarine takes pride in the way it trusts employees to deliver results when given flexibility. Hartmann points out that, “Scientists may require time for silent thought when writing a paper, and that may be best accommodated at home or at a library, while marketing people may be inspired by visits to other companies or sitting at a busy downtown coffee shop.”

“Great ideas are often generated in discussion with others,” Aker BioMarine’s EVP Transformation affirms. “We encourage our employees to spend a lot of face-time with each other and to compensate for the physical distance between our crew in the Antarctic oceans and our global sales offices we were one of the first companies who started to use @workplace.”



“We go out of our way to think differently about how to attract talent and then challenge them to make a real difference.”

HEGE SPAUN
HR MANAGER AT AKER BIOMARINE

Caring for Talent

People are the heart of Aker BioMarine, which is why attracting, fostering, and building talent are key to the company's success. Bringing together experienced personnel and young staffers, fishermen and millennials, generates innovative and sustainable solutions.

Three Aker BioMarine executives were recognized as Top 10 professionals in the 2016 Young Leadership Talents awards in Norway. Aker BioMarine was the only company to have three candidates receive the prestigious Norwegian nominations.

Trond Atle Smedsrud (34), Executive Vice President of Marketing and Communications, made the overall top-ten list of talented young leaders and was second in the marketing leader category. Erik Digman (35), Director Product Innovation, held third place in the innovation category, and Cilia Holmes Indahl (28), Director of Sustainability, ranked among the top-ten list of company developers.

"One of the company's strategic pillars is dedicated to employee development and conscious commitment to talent," says Hege Spaun, HR Manager at Aker BioMarine. "We go out of our way to think differently about how to attract talent and then challenge them to make a real difference."

As a global company employing 25 nationalities, Aker BioMarine is proud of its diversity and uses its global network to recruit the best talent.

Spaun believes young professionals in particular want to help solve global problems, such as scarce resources, food security, and health and climate challenges. "Because the company pursues sustainable, transparent resource practices and safeguards the marine ecosystem in which it operates, we appeal to like-minded talent."

MILLENNIALS AND LONG-TIME STAFFERS

Sharing know-how and hands-on training are considered key success factors at Aker BioMarine. Spaun has noted that most innovative ideas emerge from teams that are inter-departmental, multinational, and draw on employees in all age groups.

Aker BioMarine's human resources chief comments on Aker BioMarine's collaborative approach: "Bringing together teams of experienced fishermen, scientists, millennials, and former management consultants from companies such as McKinsey and PwC, creates the combination of business-case development, product innovation, marketing skills, and project management that are vital to company growth."

Human
health
matters

A Window to Your State of Health

Much of the world's population exhibits low blood levels of the omega-3s EPA and DHA, according to a study published in the May 2016 issue of Progress in Lipid Research. Omega-3 deficiency is associated with several major chronic disorders. The study's mapping of countries and regions reinforces growing concern that low omega-3 status is a global public health problem.



≤4%



4-6%



6-8%



>8%

4 percent gives higher risk for sudden cardiac death. 8 percent and above is the desired level.

“Unfortunately, most people globally have a low or very low Omega-3 Index, which in some cases could increase their risk of cardiac death by up to ninety percent.”

DR. BILL HARRIS, AN INTERNATIONALLY RECOGNIZED OMEGA-3 EXPERT,
CO-INVENTOR OF THE OMEGA-3 INDEX TEST, AND PRESIDENT OF OMEGAQUANT ANALYTICS

Given these findings, it has been suggested that low omega-3 status is as much a public health issue as vitamin D deficiency, and that it is imperative to get these nutrients into the hands of as many people as possible.

There is of course a variety of ways to do this. The first is to engage government authorities to get them to change health policies so that these omega-3s – specifically EPA and DHA – become as accessible as possible to as many people as possible, whether through food fortification or other means. Another way of elevating the importance of these nutrients is to get health authorities to make recommendations on their daily intake to the public. And yet another way to get the word out on the importance of these omega-3s is to engage doctors and other key opinion leaders to communicate to consumers about the importance of knowing what their omega-3 EPA/DHA level is by using a nutritional tool called the Omega-3 Index Test.

A WINDOW INTO STATE OF HEALTH

“The Omega-3 Index (O3i™) Test is a blood test that measures the amount of EPA and DHA in the red blood cells. A low Omega-3 Index correlates with a higher risk of cardiac death, while a high O3i is ideal for maintaining a healthy heart,” explains Dr. Bill Harris, an internationally recognized omega-3 expert, co-inventor of the Omega-3

Index Test and President of OmegaQuant Analytics.

“Unfortunately, most people globally have a low or very low O3i, which in some cases could increase their risk of cardiac death by up to 90 percent,” Dr. Harris explains.

Regions with these low levels include but are not limited to North America, Central and South America, Europe, the Middle East, Southeast Asia, Africa, Australia and China.

Invented by Dr. Harris and Dr. Clemens von Schacky, the Omega-3 Index was brought to life a little more than a decade ago when they discovered not only that these nutrients could be measured in the blood, but that the actual O3i level correlated directly with the risk of not only cardiac death but death from any cause. Between these two internationally recognized experts, they have published more than 250 scientific papers on Omega-3 Index.

ADDRESSING A PUBLIC HEALTH ISSUE

“Aker BioMarine decided to form The O3i Project with several industry partners, such as companies, associations, and non-profits to bring more awareness to the ramifications of having low omega-3 levels – an issue that doesn’t discriminate, is globally relevant, and costs healthcare systems around the world billions of dollars,” says Becky Wright, Marketing & Communications Director – Superba. According to Dr. Harris who is also an active

member of the O3i Project, the O3i has been identified as a bona fide risk factor for heart disease, with several peer-reviewed papers to support it. But it doesn’t stop there. As Dr. Harris puts it, the health implications of low omega-3 status include higher rates of other chronic diseases such as dementia, various eye diseases and more.

“We believe anyone selling omega-3s has an obligation to address this public health issue and help do something about it,” says Wright.

“The ultimate goal of The O3i Project is to get its partners to communicate through their channels about the importance of the O3i. In most cases, once consumers know their O3i they are motivated to act,” Wright explains.

“At this stage, it is the goal of Aker BioMarine to connect the O3i test with krill oil specifically as a legitimate EPA/DHA omega-3 option because we know through clinical study that it has been shown to raise the O3i.”





Krill Challenge for Some of the World's Toughest

Scientists from the Medical University of South Carolina (MUSC) and the National Institutes of Health have launched a comprehensive research study, sponsored by Aker BioMarine, which will evaluate the effects of krill oil omega-3s on the resilience and performance of recruits at the U.S. Army Infantry Basic Officer Leadership Course and the U.S. Army Ranger Training School.

The goal of the study is to determine whether krill oil concentrate can improve the cognitive processes underlying performance of students in the U.S. Army Infantry Basic Officer Leaders Course and Ranger School. This randomized double-blind, placebo-controlled study involves more than 400 recruits from both programs and is expected to be completed in March 2018.

"Of concern is that U.S. food production practices over the last century have resulted in a dramatic change in the fatty acid profile in the American diet with increases in omega-6 fatty acids and decline in omega-3 fatty acids in the food supply. At the same time, a viable hypothesis is that omega-3s help in emotional state, cognitive function, and mental health homeostasis," says Capt. Joseph Hibbeln, MD, co-principal investigator, National Institutes of Health.

"The purpose of this study is to investigate whether supplementation with krill oil concentrate can improve specific cognitive processes that underlie key elements of soldier performance that may have a measureable impact on performance and mental health under the extreme psycho-physiological stress of military officer training," says study lead Bernadette P. Marriott, PhD, Professor and Director, Nutrition Section, Department of Medicine and Military Division, Department of Psychiatry and Behavioral Sciences, Medical University of South Carolina.

"We are particularly interested in studying krill oil concentrate because it is phospholipid-bound and is reported to be absorbed more readily," MUSC co-principal investigator, neuropsychologist, Dr. Travis Turner adds.

CIVILIAN APPLICATIONS

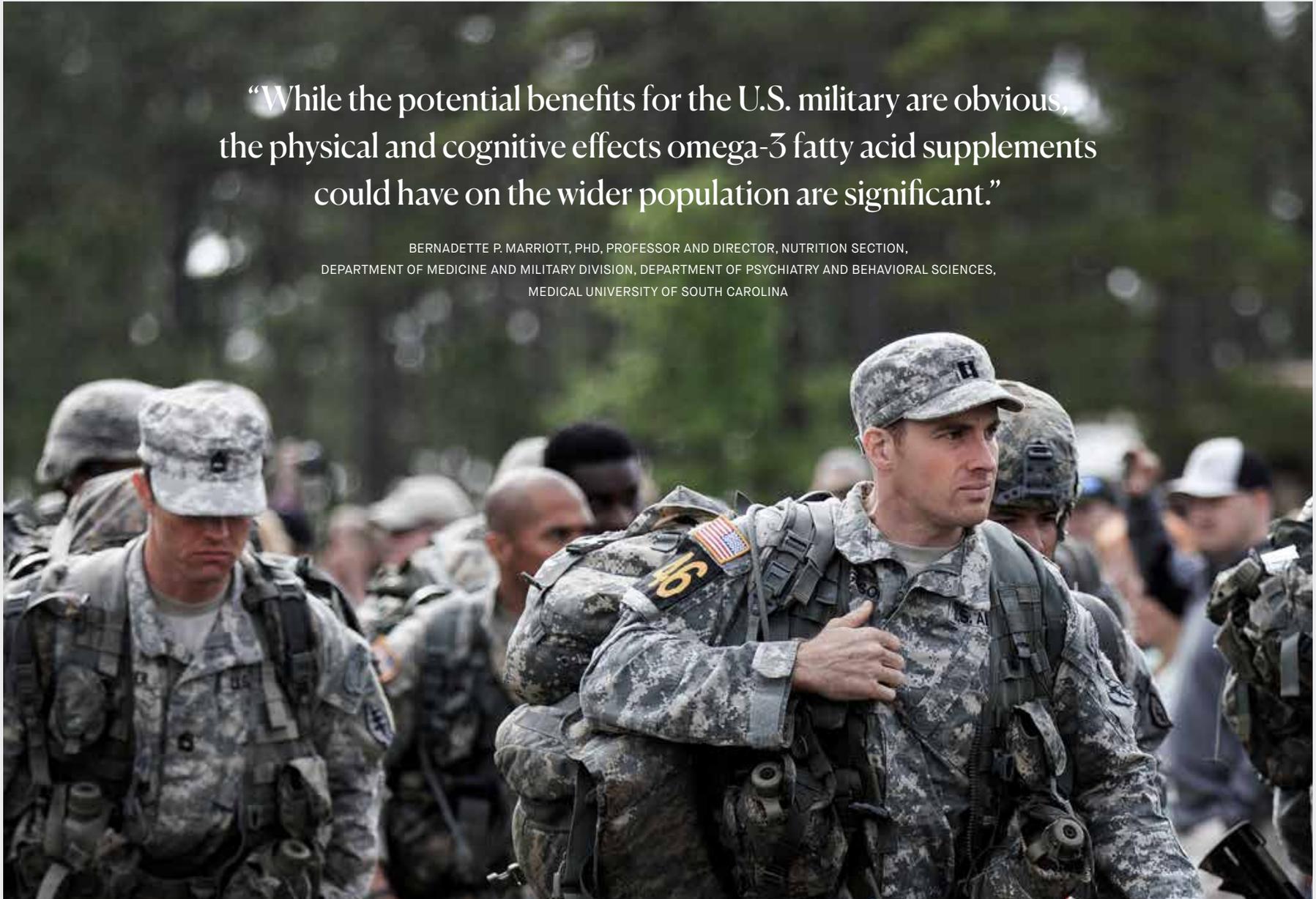
While the potential benefits for the U.S. military are obvious, the physical and cognitive effects omega-3 fatty acid supplements could have on the wider population are significant.

"In the big picture, intake of omega-3s is essential for living a productive and healthy life. For instance, sustained attention, inhibition, and cognitive control are essential for everyday things like safe driving, parenting, academic achievement, and handling challenges at work," Marriott explains.

According to Marriott, the study can potentially provide invaluable data supporting the role of omega-3 fatty acids in contributing to improved performance under stress, not only among military personnel but also throughout the general population.

“While the potential benefits for the U.S. military are obvious, the physical and cognitive effects omega-3 fatty acid supplements could have on the wider population are significant.”

BERNADETTE P. MARRIOTT, PHD, PROFESSOR AND DIRECTOR, NUTRITION SECTION,
DEPARTMENT OF MEDICINE AND MILITARY DIVISION, DEPARTMENT OF PSYCHIATRY AND BEHAVIORAL SCIENCES,
MEDICAL UNIVERSITY OF SOUTH CAROLINA



Securing Growth and Quality in Farmed Fish

The future is looking bright for the Norwegian fish farming industry. Since its infancy in the 1970s, the industry has advanced rapidly, making Norway the world's biggest producer of farmed Atlantic salmon.



“It is rare to find one single solution to a biological problem. Antarctic krill, with its many health benefits, could become an indispensable tool in the battle against several health challenges.”

HÅVARD BJØRGEN, PRE-PHD CANDIDATE AND VETERINARY STUDENT
AT THE NORWEGIAN VETERINARY COLLEGE

In 2016, the value of Norway’s exports of farmed salmon and trout soared to NOK 65.3 billion (USD 7.8 billion). To illustrate the massive scale of Norwegian production, it is estimated that the equivalent of some 37 million servings of fish are produced daily. Farmed salmon and trout have become an increasingly important part of people’s diet worldwide, providing consumers with nutritious, protein-rich fish abundant in omega-3 fatty acids and essential vitamins.

Contrary to popular belief, plant-based sources of EPA and DHA are not complete substitutes for marine oils high in EPA and DHA. The omega-3s in fatty fish and Antarctic krill in particular, are considered better at preventing a variety of common lifestyle diseases.

Furthermore, because wild fish stocks are being exploited ever closer to – and sometimes beyond – their sustainable catch limits, fish farming holds tremendous promise for meeting the food needs of the world’s burgeoning human population.

In Norway, it is an expressed ambition to drive a five-to-six fold expansion of aquaculture by 2050. Sustainability factors that need to be addressed include: how to keep penned fish healthy, how to reduce demand for processing ocean-caught fish into aquaculture fish feed, switching to new feed ingredients, and how to protect affected ecosystems.

FISH HEALTH – CHALLENGES AND ADVANCES

Despite its overall success, fish farming still faces some serious challenges, particularly regarding fish health issues exacerbated by fish growing to maturity in permanently moored, near-shore pens.

Considerable efforts have been invested in increasing our knowledge concerning diseases and other production-related challenges.

While fish farmers and industry suppliers are investing heavily in technical and pharmaceutical measures to overcome disease challenges, fish-feed ingredients that promote growth, improve the quality of maturing fish, and reduce mortality rates represent a more sustainable way to improve aquaculture.

“Studies have shown that using feed that deviates substantially from the fish’s natural marine diet may cause health problems and lower the quality of the final product,” says Håvard Bjørgen, Pre-PhD candidate and veterinary student at the Norwegian Veterinary College. Bjørgen held a professional internship with Aker BioMarine in 2016.

The aquaculture industry is confronted with an overall shortage of marine-sourced fish-food compounds, as their availability relies on traditional fisheries, which have plateaued in production. According to Bjørgen, these

conditions are leading to stronger demand for new, sustainable marine proteins and oils.

COULD KRILL BE PART OF THE SOLUTION?

“Krill is about to become a treasured fish feed component,” says Bjørgen. “Farmed fish are subjected to multiple stressful conditions; the main challenges include stressful handling during treatment for sea lice and viral and bacterial agents, and in transit,” Bjørgen explains.

“Stress may lead to a generally weakened resistance to disease and we see that quality feed may contribute to a healthier and more robust fish population, less susceptible to developing health problems,” Bjørgen adds.

Fish feed that incorporates krill gains an element of taste palatable to fish. More attractive (as well as nutritious) feed leads to increased appetite, size, and robustness. Faster growth results in shorter production times, which in turn means less exposure to stress and disease. The final product, the fish filet, is likely to be firmer, of enhanced quality, and richer in omega-3 fatty acids.

“It is rare to find one single solution to a biological problem. Antarctic krill, with its many health benefits, could become an indispensable tool in the battle against several health challenges,” Håvard Bjørgen asserts.





Is a Dog Part of Your Health Plan?

The history of dogs as pets stretches back at least 27,000 years, when dogs were first domesticated from grey wolves. Initially, the tamest wolves might have approached human settlements in search of food. Our pre-historic ancestors soon realized the usefulness of dogs for hunting and warding off predators.

Dogs were the first animals domesticated by humans. “This early alliance between humans and dogs was certainly mutually beneficial, especially at a time when hunting and protection were vitally important. Today most people recognize that the benefits of sharing a close friendship with a dog run much deeper,” says Dr. Lena Burri, Director R&D, Animal Nutrition and Health at Aker BioMarine.

“Today, dogs are even trained to assist people with disabilities and to become therapy dogs that help deal with a person’s mental illness. As companion animals, studies have shown that dogs benefit human health by promoting physical activity, helping to cope with difficult life situations, diminishing heart disease risk factors, as well as alleviating depression, anxiety, and social isolation,” Burri notes.

For example, a study that compared married couples that had a pet vs. couples that did not, concluded that resting heart rates and blood pressure were lower among pet owners than in the control group, and that pet owners recovered faster from stress. Further, among pet owners aged 50–83 with mild hypertension, the presence of a dog was associated with lower blood pressure, increased happiness, and reduced feelings of anger, frustration, and irritation.

The risk of heart disease may also be linked to allergies and asthma, due to higher levels of inflammation, reduced

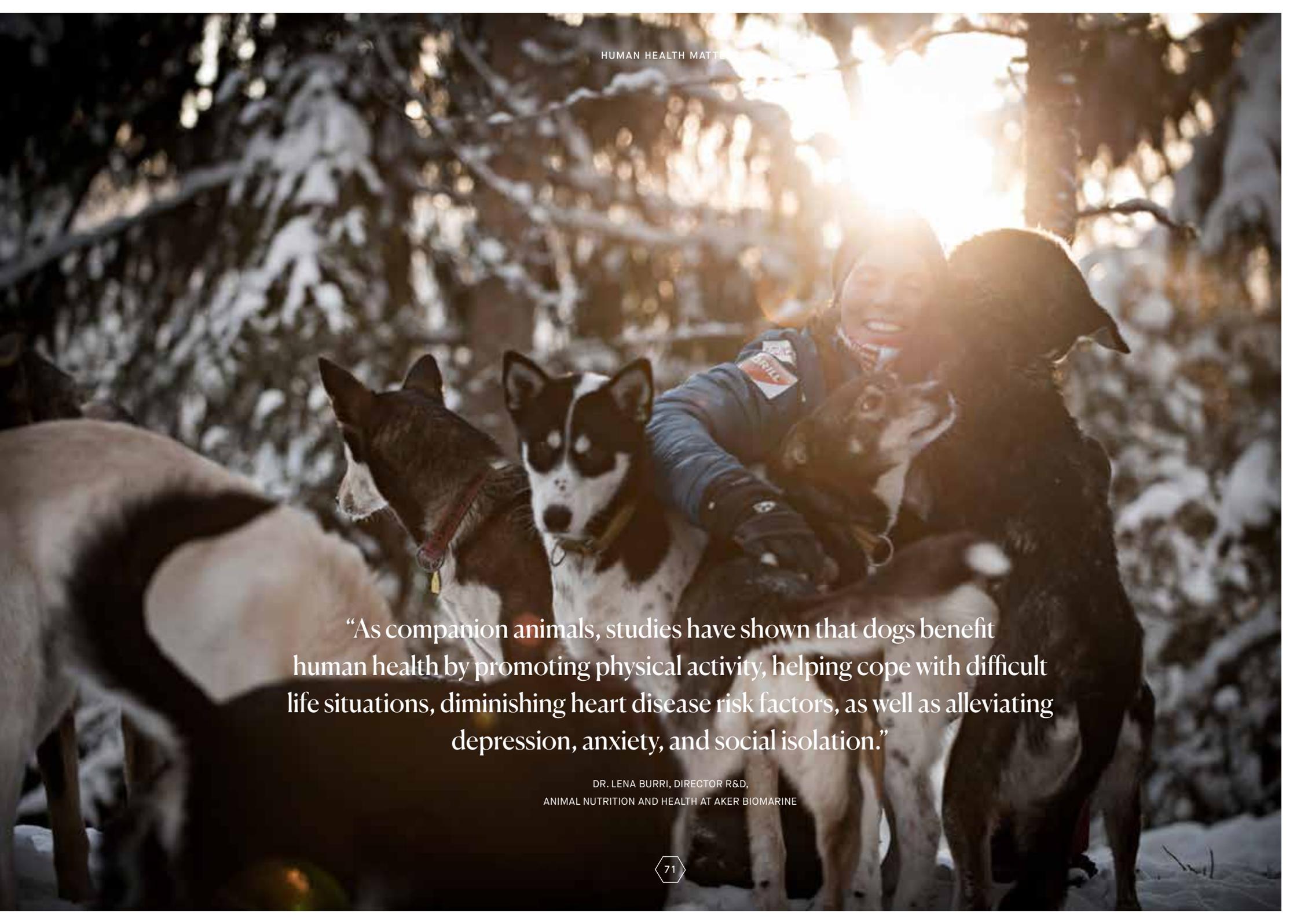
physical activity, depression, or obesity. “Several studies suggest that growing up in a home with a pet reduces the risk of suffering from allergies or asthma. Besides reducing allergy and eczema risk, one-year old babies who grew up with a pet in the home, had a stronger immune system,” Burri explains.

SUPERFOOD FOR MAN’S BEST FRIEND

Omega-3 fatty acids have become a common ingredient in a wide range of pet food products. QRILL Pet, though, is a unique, natural, and sustainable source of proteins, long-chain omega-3 fatty acids, and other important nutrients. Proven in numerous studies to benefit pet health, the omega-3s help to maintain heart health and promote kidney, liver, joint, brain, eye, skin, and coat health.

“While dietary supplementation of dogs with omega-3s from QRILL Pet is good for dog health, indirectly it also benefits dog owners’ health, since owning a pet has been proven to be good for human health,” Burri concludes.



A woman in a blue jacket is smiling and hugging several dogs in a snowy forest. The scene is backlit by a bright sun, creating a warm, golden glow. The dogs are of various breeds, including a black and white dog and a dark dog. The background is filled with snow-covered trees and branches.

“As companion animals, studies have shown that dogs benefit human health by promoting physical activity, helping cope with difficult life situations, diminishing heart disease risk factors, as well as alleviating depression, anxiety, and social isolation.”

DR. LENA BURRI, DIRECTOR R&D,
ANIMAL NUTRITION AND HEALTH AT AKER BIOMARINE

Planetary
health
matters

Krill in the Antarctic Ecosystem

Krill is a keystone species in the Antarctic. Aker BioMarine has always considered it vital to protect the krill biomass as well as the many species that ultimately depend on krill as a food source.

STRONG REGULATIONS PREVENT OVERFISHING

All catches of Antarctic krill are reported to the Commission on the Conservation of Antarctic Marine Living Resources (CCAMLR). CCAMLR uses a precautionary, ecosystem-based approach designed to prevent fishing that will have a negative impact on harvested species or other species in the ecosystem. The management of the fishery is robust, as the consensus of 25 governments is needed to change any of the fishery regulations in the Antarctic.

Harvesting is currently concentrated in the South Antarctic (CCAMLR Area 48). The annual precautionary quota for Antarctic Krill set by CCAMLR is 5.61 million tonnes and amounts to approximately 10 percent of the total biomass in area 48. The catch is further limited to 620,000 tonnes in any one season until a mechanism is found to distribute the catch throughout the area. For the 2015/2016 season the recorded krill catch for all vessels fishing for krill was 225,646 tonnes and only 0.3 percent of the total biomass of krill in the South Atlantic.

LOOKING AFTER THE BIOMASS

In 2015, Aker BioMarine partnered with the Antarctic and Southern Ocean Coalition (ASOC) and WWF-Norway to establish the Antarctic Wildlife Research Fund (AWR). The fund's purpose is to facilitate and promote Antarctic marine

ecosystem research. Ongoing research is essential to Aker BioMarine and the company's customers, the scientific community, and environmental-protection organizations. Two new research grants were awarded in 2016; a total of five research projects focusing on vital fishery issues are currently funded.

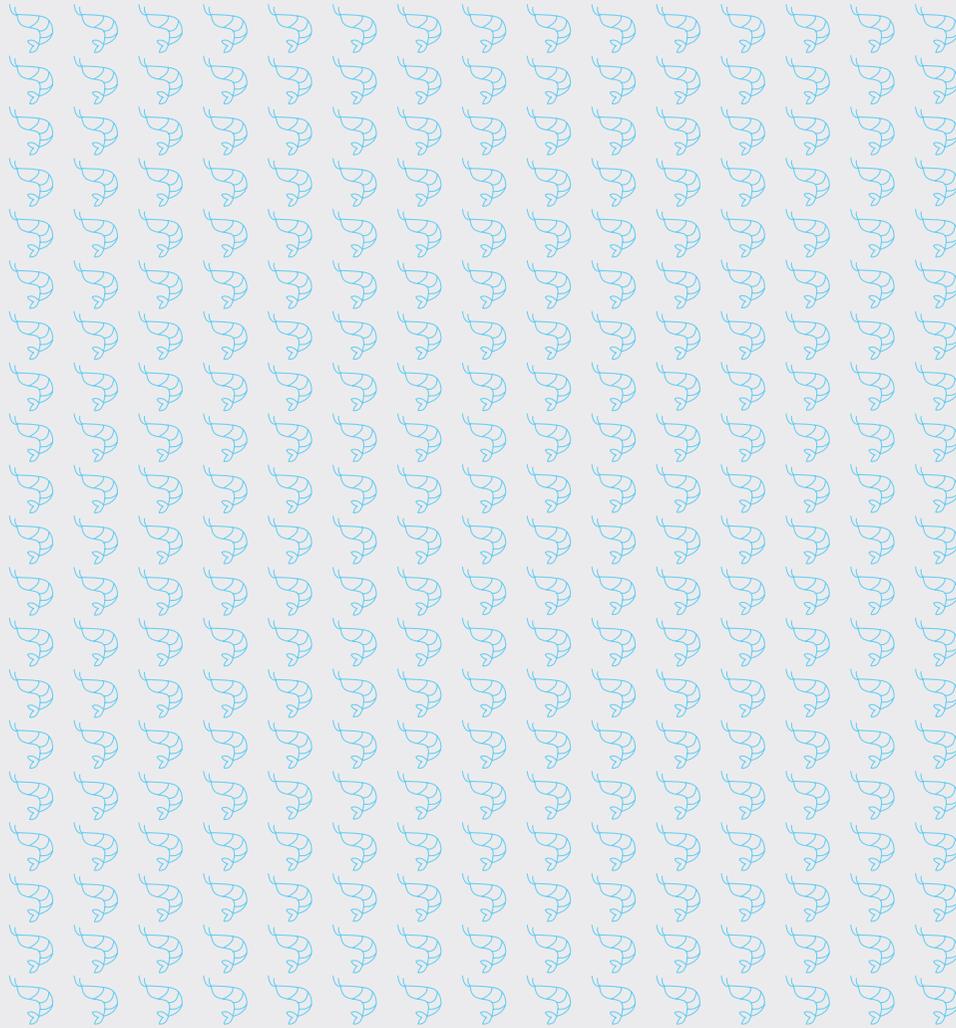
"A" RATING FROM SUSTAINABLE FISHERIES PARTNERSHIP

For the second year in a row, the krill fishery in the Antarctic is the only reduction fishery (to produce meal or oil) worldwide to receive an "A" rating for sustainability from the Sustainable Fisheries Partnership, an NGO that advises industry, compiles industry data, and publishes an annual overview of reduction fisheries.

Krill

BIOMASS IN AREA 48:

60.3 million metric tons



Quota

TOTAL ALLOWABLE CATCH:

620,000 tonnes (<1% of the biomass)



Krill fishery

TOTAL ANNUAL CATCH:

225,646 tonnes
(<0.3% of the biomass)



Self-imposed Scrutiny

Aker BioMarine regards having independent observers onboard its vessels to document compliance with the Convention on the Conservation of Antarctic Marine Living Resources (CCAMLR) as an opportunity, rather than an inconvenience.



“What I did encounter is a very professional approach to the krill fishery, supported by standard procedures and processes that fully incorporate the CCAMLR conservation measures and a willingness by the crew to provide the information I requested.”

GEORGIA ROBSON, MARINE BIOLOGIST AND CCAMLR SCIENTIFIC OBSERVER

CCAMLR requires independent observers to be aboard krill harvesting vessels 50 percent of the vessel deployment time. Aker BioMarine goes a step further – it has independent observers on its vessels 100 percent of the time. Ensuring that the company harvests sustainably is crucial. And by monitoring the health of the Antarctic krill fishery, the observers’ work is invaluable to krill industry long-term sustainability.

Typically deployed for two months at a time, CCAMLR Scientific Observers are a constant feature on both Aker BioMarine’s fishing vessels. Marine biologist Georgia Robson is one of the program’s newest recruits.

NO EASY TASK

Working side-by-side Aker BioMarine’s deck crews, Robson and her fellow CCAMLR observers’ days are arguably as tough as the crew’s.

Gathering data on the by-catch caught in the fishery and krill biometrics is a laborious task. Georgia Robson explains, “My daily responsibilities are to collect several 25 kg samples of krill as they come onboard, before they enter the factory for processing. To identify all finfish by-catch present, I sort each sample several times by hand. The by-catch is then counted, weighed, and measured, with some of the juvenile fish samples frozen for further analysis by

scientists at a later date.” Adding, “To obtain krill biometric data, I collect samples of 200 krill every few days, to record length frequency, sex, maturity ratios, and feeding state.”

Now on her second rotation with Aker BioMarine vessels, Robson’s evaluation of their performance is consistently favorable.

“During my time onboard I did not identify any specific issues. However, what I did encounter is a very professional approach to the krill fishery, supported by standard procedures and processes that fully incorporate the CCAMLR conservation measures and a willingness by the crew to provide the information I requested.”

ONBOARD OBSERVERS – THE NEW STANDARD

In addition to monitoring Aker BioMarine’s impact on the krill fishery and by-catch species, Georgia Robson assesses the potential effect vessels are having on other Antarctic wildlife. She says, “I record the interaction of seabirds and mammals with the fishing gear and monitor vessel compliance with seabird mitigation measures. I do this through conducting daily observations of the gear while fishing, as well as each time the trawls are deployed and hauled.”

If all that weren’t enough, CCAMLR observers monitor vessels’ adherence to MARPOL pollution and waste

disposal regulations along with “providing clarification of CCAMLR conservation measures as needed.”

Vital to its ongoing operations in the Antarctic, hosting CCAMLR observers such as Georgia Robson, has become standard for Aker BioMarine. Their feedback and guidance benefit the krill fishery and Antarctic welfare as a whole. Aker BioMarine urges all fishing vessels in the region to join in and welcome onboard observers.

A Force for Good

With 25 years of krill conservation research experience with the Commission for the Conservation of Antarctic Marine Living Resources (CCAMLR) to draw upon, Professor Stephen Nicol, PhD, was an obvious choice for Aker BioMarine when seeking an independent scientific advisor.

Stephen Nicol is an adjunct professor at the Institute for Marine and Antarctic Studies and an honorary fellow at the Antarctic Climate and Ecosystems Cooperative Research Centre, University of Tasmania. He is also an independent scientific advisor to Aker BioMarine and the Association of Responsible Krill Harvesting Companies (ARK).

WORKING FOR “THE OTHER SIDE”

Tasked with helping Aker BioMarine to successfully navigate the difficult waters of sustainable fishing, Nicol has found that “working for the other side,” as he puts it, could more rapidly realize conservation goals than working for years within a national delegation.

“When you work for government institutions within CCAMLR, things happen slowly,” Prof. Nicol relates. “But once the fishing industry understand what’s the right thing to do, they can start doing it tomorrow.” He adds, “You can achieve conservation goals by working with the fishing industry much more quickly than working through the normal channels.”

Apparent industry willingness to meaningfully approach sustainability was the main reason Nicol could reconcile his proactive attitude with the decision to come out of retirement. Hesitant at first, for obvious reasons, he explains why he agreed to assist Aker BioMarine.

“What I’m doing is providing independent advice, and

if I got to a point where I felt people weren’t paying any attention to my advice or were doing things I thought were wrong, I would stop. The reason I haven’t stopped is that Aker BioMarine and ARK are actually forces for good in terms of the krill industry.”

HONESTY IS THE BEST POLICY

Working in an industry with a dubious reputation among the general public, Nicol believes being vocal about sustainability is vital for companies like Aker BioMarine.

“Whether it is having independent CCAMLR observers onboard its fishing vessels, developing its Eco-Harvesting fishing method, which all but eliminates by-catch, sharing its research publicly, or working with NGOs, Aker BioMarine’s dedication to sustainability is dragging the industry forward,” Nicol remarks.

“A lot of individuals and groups would prefer that the Antarctic krill industry ceased to exist,” Nicol notes. He would rather the public showed greater support for CCAMLR and its environmental treaty, which were created in response to the growing krill fishery. “If you take away the fishery, you take away that convention, meaning that Antarctic marine life would no longer be protected by a comprehensive convention. Having a limited, sustainably managed krill fishery is a small price to pay for such a comprehensive environmental agreement.”

“Whether it is having independent CCAMLR observers onboard its fishing vessels, developing its Eco-Harvesting fishing method, which all but eliminates by-catches, sharing its research publicly, or working with NGOs, Aker BioMarine’s dedication to sustainability is dragging the industry forward.”

PROFESSOR STEPHEN NICOL, PHD, PROFESSOR AT THE INSTITUTE FOR MARINE AND ANTARCTIC STUDIES, AND HONORARY FELLOW AT THE ANTARCTIC CLIMATE AND ECOSYSTEMS COOPERATIVE RESEARCH CENTRE, UNIVERSITY OF TASMANIA

Taking Care of Your Workplace

A renewed krill harvesting industry, climate change, demand for healthier foods, and even eco-tourism have highlighted the need for more Antarctic ecosystem research.

“Aker BioMarine sets the bar high for the standards and investment that WWF expects from all Southern Ocean and Antarctica industry.”

DERMOT O’GORMAN, CEO, WWF-AUSTRALIA

ESTABLISHING A RESEARCH FUND

Aker BioMarine supports krill-related research and continually evaluates innovative ways to protect the Antarctic krill biomass and its surrounding ecosystem. According to Cilia Holmes Indahl, Sustainability Director at Aker BioMarine, taking care of the ecosystem in which we work is the best way to ensure the future of the Antarctic fishery.

The Antarctic Wildlife Research Fund (AWR) was established in 2015 by Aker BioMarine in partnership with the Antarctic and Southern Ocean Coalition (ASOC) and WWF-Norway. The fund’s mission is to ensure a resilient Antarctica through filling critical gaps in ecosystem research and monitoring. “Only through better understanding of the role of Antarctic krill in the Southern Ocean,” Indahl asserts, “can society comprehensively protect the animals that feed on krill and ensure precautionary fishery management.”

AWR’s initiatives promote critical scientific work in one of the planet’s most vulnerable and rapidly changing regions. “The commitment by Aker BioMarine to ecosystem-wide protection is encouraging,” says Claire Christian, Chair of The Antarctic Wildlife Research Fund and Acting Executive Director of the Antarctic and Southern Ocean Coalition.

DOING IT THE RIGHT WAY FROM DAY ONE

Even before the company deployed its first trawl in the Southern Ocean more than a decade ago, Aker BioMarine had initiated a dialogue with WWF to support the development of a responsible fishery area.

The WWF partnership’s accomplishments include by-catch reduction, lessening the environmental footprint of operations, and hosting observers onboard Aker BioMarine’s vessels, in addition to cooperation with several WWF branches.

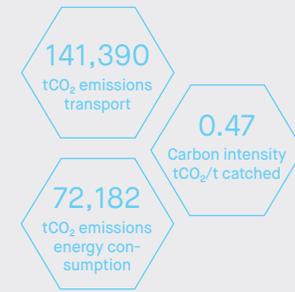
“Now that WWF Australia hosts the Antarctica and Southern Ocean program, our team will continue the dialogue with Aker BioMarine,” says Dermot O’Gorman, CEO of WWF-Australia. He endorses Aker BioMarine’s track record for improving fishing practices and pursuing scientific research. “Aker BioMarine sets the bar high for the standards and investments that WWF expects from all Southern Ocean and Antarctica industry.”

Aker BioMarine’s Southern Ocean operations were certified as sustainable by the Marine Stewardship Council (MSC) in 2010. MSC is an independent body responsible for investigating and certifying compliance with standards for sustainable fishery practices.

KRILL RESEARCH UNDERWAY

In the fund’s second year, the Antarctic Wildlife Research Fund awarded two new grants: AWR provided USD 150 000 in 2016 to two research projects on krill population flux. According to Claire Christian, the Chair of AWR, the funding will increase understanding of variations in the spatial distribution of krill, which is important for long-term management of the krill fishery. This leaves a total of five research projects supported so far, with three projects receiving funds in 2015.

Carbon Footprint Reduction in Sight



Aker BioMarine is embarking on a journey to significantly reduce and offset its carbon emissions. With a long-term ambition to improve planetary health, the company is evaluating infrastructure upgrades and partnering with third parties to reduce their carbon footprint across the value chain. The focus of action and reporting will be key projects that reduce CO₂ emissions, rather than making incremental improvements.

The company has decided to report on carbon every third year, to leave as much room as possible for efforts to reduce its carbon footprint. Aker BioMarine will report on carbon reduction projects when they occur, hoping to motivate more middle-sized companies to work on reducing emissions.

STAYING ON THEIR TOES

“In Aker BioMarine, we are not only working to reduce our carbon emissions, but also to make it easier for others to start reducing theirs,” says Cilia Holmes Indahl, Director Sustainability at Aker BioMarine. Plans to invest in a new and more environmentally friendly Aker BioMarine factory trawler began in 2016. A goal for the vessel is to improve carbon efficiency. This will be achieved through more fuel-efficient engines, energy recycling in onboard production processes, and relocating trawl nets and towing points to the vessel’s sides, eliminating stern deployment.

WIN-WIN OPPORTUNITIES

In 2014, reconstruction began on the company’s 180,000-square-foot manufacturing facility in Houston. Since going online in late 2015, the plant has delivered the best possible quality krill oil at the right price. “With production in its own manufacturing plant, Aker BioMarine

not only has control over its operations, but also the right incentives to reduce energy, waste, and water use. Aker BioMarine has started to map win-win opportunities to improve environmental performance at the factory and cut costs,” Indahl explains. Reducing the carbon footprint of the factory will be a priority moving forward.

EMBRACING TRACEABILITY

From the company’s logistics hub in Montevideo, products are transported to Houston for further processing, or sold directly to customers around the world. Aker BioMarine embraced traceability back in 2010 and now reaps additional benefits by being able to trace the source of each end-product to a precise krill harvesting location. Given this level of detail over the movement of products, it came as no surprise that substantial carbon emissions originate at third-party transportation. As a strong believer in collaboration, Aker BioMarine will work closely with third parties to bring down indirect CO₂ emissions from distribution of their products.



“In Aker BioMarine, we are not only working to reduce our carbon emissions, but also to make it easier for others to start reducing theirs.”

CILIA HOLMES INDAHL, DIRECTOR SUSTAINABILITY AT AKER BIOMARINE.

AKER BIOMARINE GROUP

Global tonnes CO₂ 2016

Direct emissions (Scope 1)	
Fishery	64,575
Production	2,082
Total direct carbon emissions Scope 1	66,657

Indirect emissions (Scope 2)	
Purchased electricity factory	5,533
Purchased electricity Warehouses	19
Purchased electricity Offices	12
Total indirect carbon emissions Scope 2	5,564

Total gross emissions (Scope 1 and 2)	72,182
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Indirect emissions (Scope 3)	
Transport of goods	140,768
Business travel	622
Total indirect carbon emissions Scope 3	141,390

Carbon intensity	
Tonne CO₂ per tonne krill caught	0.47

Profit
matters

Aligning Profitability and Sustainability

With sustainability hardwired into its DNA, Aker BioMarine intends to drive the krill business forward in a responsible manner. As the global leader in krill harvesting and krill oil manufacture, the company focuses on the four following areas in order to drive growth and sustainability.

“When building sustainability into a competitive advantage, whether you succeed or not comes down to the company’s priorities. We cannot do all the things that are desirable, we have to do the desirable things that are good for business,” says Matts Johansen, CEO at Aker BioMarine.

DESIGNING PRODUCTS FOR HUMANS

“Actively aligning with your market, however fragmented, is an absolute business necessity,” says Trond Atle Smedsrud, EVP Marketing and Communication. Profitability and sustainability goals are achieved by learning from customers about their goals and specific product requirements. Smedsrud adds, “Successful products that promote health as well as business growth result from close customer partnerships.”

KEEP LOOKING FOR NEW MARKETS

Through investments in research and development of krill’s bioactive components, Aker BioMarine’s scientific team is able to identify potential new products and document product benefits. “The search for new product applications and groundbreaking advances is just one aspect of our mission to improve global health by making omega-3 products more available,” says Torbjørn Furuset, Aker BioMarine’s EVP Innovation.

CONTROL SUPPLY-CHAIN COSTS

A sustainable and cost-effective supply chain is essential to earning a margin that supports major investments in science, innovation, and marketing. Furthermore, a lean organization is gentler on the environment. In 2017, Aker BioMarine will reduce energy and emissions where feasible while also reducing costs.

“Maintaining supply-chain cost leadership alongside greening our operations is vital to staying competitive with regard to both existing and emerging players,” says Webjørn Eikrem, EVP Harvesting, Production and Supply Chain.

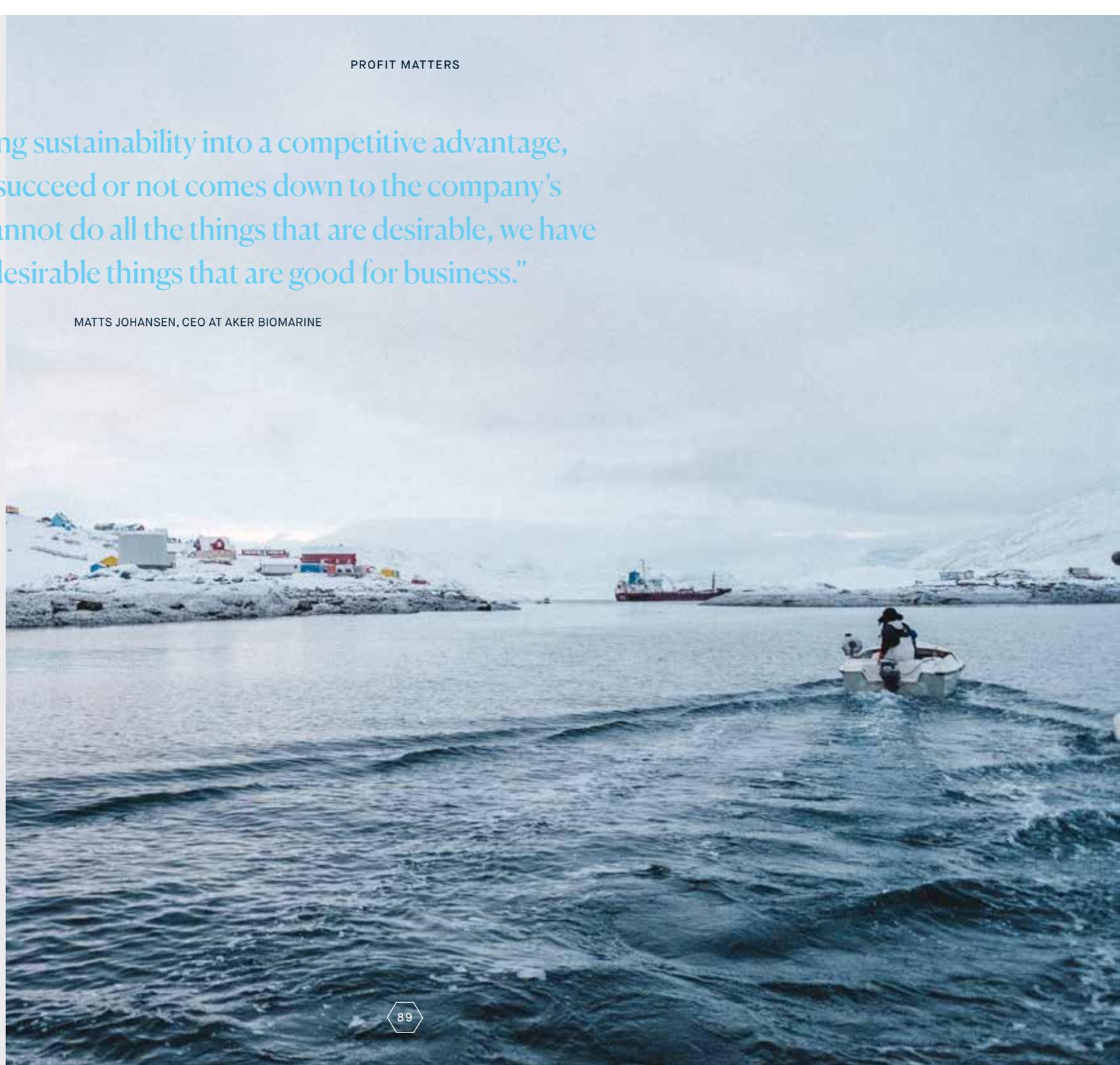
INVEST IN THE BEST PEOPLE

Having the very best people for the job is key to everything Aker BioMarine does. “Establishing a culture in which talent is developed and everyone’s full potential is realized, is fundamental to our success,” says Kristine Hartmann, EVP Transformation.

“We are krill-industry pioneers that innovate, commit, and achieve. Development of our Eco-Harvesting technology, krill-harvesting vessels, and onshore production facility are the result of years of experience – and a keen ability to think outside the box,” says Hartmann.

“When building sustainability into a competitive advantage, whether you succeed or not comes down to the company’s priorities. We cannot do all the things that are desirable, we have to do the desirable things that are good for business.”

MATTS JOHANSEN, CEO AT AKER BIOMARINE



Corporate Governance

Corporate governance defines the framework of rules, procedures, and organizational structure for Aker BioMarine's business. Continuous improvement of corporate governance is critical to develop and maintain a high level of confidence in our company among investors, customers, employees, and other stakeholders. Good corporate governance promotes value creation over time. Aker BioMarine's governance principles are stated in our key governing documents, which include our Corporate Governance Policy and the Code of Conduct. Everyone conducting business on behalf of Aker BioMarine must act according to the company's Code of Conduct.

Aker BioMarine AS' corporate governance guidelines were updated on 20 January 2015.

Aker BioMarine AS' corporate governance principles comply with the Norwegian Public Limited Liability Companies Act and are based on the most recent Norwegian Code of Practice for Corporate Governance ("Code"), published 30 October 2014

Aker BioMarine AS is the holding company for Aker ASA's krill operations. The Aker BioMarine Group consists of the principal legal entities Aker BioMarine Antarctic AS and all its subsidiaries, as listed in Note 24 to the 2016 consolidated

financial statements for the Aker BioMarine Group.

Aker BioMarine AS and its business entities are collectively referred to as Aker BioMarine.

Aker BioMarine's compliance with the recommendations of the Norwegian Code of Practice for Corporate Governance is presented below. The presentation follows the same order of topics as the 15 items in the Code. Where deviations from Code recommendations occur, they are discussed under the item in question, along with the justification and alternative procedure.

1. Implementation and reporting on corporate governance

Aker BioMarine's key corporate governance principles are determined by the Board of Directors and are set forth in the company's governing documents.

Aker BioMarine's governing documents constitute the framework of the governing bodies on how business shall be conducted in and by Aker BioMarine. The purpose of the governing guidelines is to set out the allocation of roles and responsibilities between Aker

BioMarine's shareholders, governing bodies, and executive management and to define the basic requirements for Aker BioMarine's operations and reporting. Aker BioMarine's corporate governance principles cover fundamental processes such as strategy, risk management, financial reporting, and other matters: communication, internal control, development and implementation of governing documents, governing bodies' work and interaction, the auditor's work, as well as requirements in a possible take-over situation. An appropriate division of roles and satisfactory control contribute to the greatest possible value creation over time, to the benefit of owners and other stakeholders.

CORPORATE SOCIAL RESPONSIBILITY: VISION, VALUES, AND ETHICAL GUIDELINES

Aker BioMarine is a leading biotechnology company developing krill-derived omega-3 products for human and animal nutrition. The company is committed to operating in Antarctic waters in a sustainable manner. In 2010, Aker BioMarine became the first krill harvesting company whose operations were certified by the Marine Stewardship Council (MSC). By making deliberate, responsible choices, we will achieve profitability over time while taking care of the environment and society. Responsible conduct will not be undermined by prospects of short-term gain. Aker BioMarine's vision is to improve human and planetary health. Our company culture is based on our values: proud, determined, diverse, and sustainable.

2. Business

Aker BioMarine owns and operates integrated value chains, independently or via strategic partnerships. Our focus is to ensure efficient business processes and to deliver value-adding solutions to our customers.

Aker BioMarine's business purpose clause, as it appears in the company's articles of association is as follows:

"The objectives of the Company comprise owning and operating industry and other associated business activities, the management of capital and other functions, and also participating in or acquiring other businesses."

The function of Aker BioMarine's business purpose clause is to ensure that shareholders have control of the business and its risk profile, without limiting the Board or management's ability to carry out strategic and financially viable decisions within the defined purpose.

3. Equity and dividends

The Group's equity as of 31 December 2016 amounted to USD 74.0 million, which corresponds to an equity ratio of 26 percent. Aker BioMarine considers the capital structure to be appropriate and adapted to its objectives, strategy, and risk profile.

DIVIDENDS POLICY

The Board of Directors may propose the payment of future dividends on Aker BioMarine's ordinary shares, and will determine the dividend amount, if any, in light of:

- Requirements contained in the Norwegian Public Limited Liability Companies Act
- Any applicable contractual restrictions limiting our ability to pay dividends
- Our earnings and cash flows
- Our capital requirements
- Our financial condition, and
- Other factors our Board of Directors deems relevant

Under the Norwegian Public Limited Liability Companies Act, the distribution of dividends on our ordinary shares must be approved by a majority of the ordinary shares present at a General Meeting of our shareholders based on a proposal presented by our Board of Directors. Dividends may only be distributed to the extent that, following such distributions,

Aker BioMarine has sustainable equity and liquidity. Because we are a holding company without our own business operations, we are dependent upon cash dividends, distributions, or other transfers we receive from our subsidiaries in order to make dividend payments on our ordinary shares. The ability of our subsidiaries to make dividend payments, distributions, or other transfers to us will depend on their operating results, cash requirements, financial condition, contractual restrictions, and other relevant factors.

BOARD AUTHORIZATIONS

In the event that a Board authorization is proposed for a capital increase, acquisition of own (treasury) shares, or the like, or to mandate multiple purposes, each purpose should be treated as a separate issue. Board authorizations are valid until the next annual shareholders' meeting.

4. Equal treatment of shareholders and transactions with close associates

Aker BioMarine AS only has one class of shares and all shares carry the same rights in the company. Aker BioMarine AS is 99.5 percent owned by Aker ASA.

In the event of material transactions between the company and its shareholders, Directors, members of executive management, or parties closely related to any of the aforementioned, the Board shall ensure that independent valuations are available. This practice applies to all transactions between Aker BioMarine and Aker ASA and other Aker companies. Aker BioMarine AS has prepared guidelines designed to ensure that members of the Board of Directors and executive management notify the Board of any material direct or indirect stake they may have in agreements entered into by the Group.

Additional information on transactions with close associates appears in Note 22 to the 2016 consolidated accounts.

5. Freely negotiable shares

Aker BioMarine AS's shares are freely negotiable.

6. Annual general meeting

Aker BioMarine AS is majority owned by Aker ASA and hence the company's practices deviate from the recommendation in section 6 of the Code.

Holding the annual general meeting as soon as possible after the close of the accounting year is a priority.

Pursuant to Aker BioMarine AS' articles of association, the Chairman of the Board or a person appointed by the Chairman of the Board, chairs shareholders' meetings. To the extent possible, Directors and the auditor attend shareholders' meetings.

7. Nomination committee

As Aker BioMarine AS is majority owned by Aker ASA after the January 2013 merger, the former nomination committee was dissolved in 2013.

8. Board composition and independence

Aker BioMarine does not have a corporate assembly, in accordance with section 6-35.1 of the Norwegian Public Limited Liability Companies Act.

Pursuant to the company's articles of association, the Board comprises between three and nine members. The Board elects its own Deputy Board Chairman. Directors are elected for a term of two years.

The majority of the members of the Board of Directors are considered independent of the company's executive management and material business contacts under Norwegian law. In 2016, the Board consisted of three Aker ASA employees, the majority owner of Aker ASA, and two employee representatives. This represents a deviation from section 8 of the Code of Practice, which recommends that at least two of the members of the board be independent of the company's main shareholder. No company executives are Directors.

The current composition of the Board is presented on page 32 of this annual report. Directors' expertise and capabilities are also presented. Directors represent a combination of know-how, capabilities, and experience from finance and industry.

Given Aker BioMarine's current ownership structure, the members of the Board are not encouraged to own shares in the company.

9. The work of the Board of Directors

The Board of Directors annually adopts a plan for its work, emphasizing goals, strategies, and implementation. Further, the Board has adopted board instructions that regulate areas of responsibility, tasks, and division of roles of the Board, the Chairman of the Board, and the company's CEO. The Board instructions also feature rules governing Board schedules, notice and chairing of Board meetings, decision-making, the CEO's duty and right to disclose information to the Board, professional secrecy, impartiality, and other issues.

In cases where matters of a material character in which the Board Chairman is, or has been, personally involved, the Board's consideration of such matters should be chaired by a Director other than the Board Chairman.

The Board has not performed an evaluation of its own performance and expertise in 2016. The Board of Directors held five meetings during 2016.

Pursuant to Norway's Public Limited Liability Companies Act, Aker BioMarine is not required to have an audit committee. The responsibilities of the audit committee are handled by the Board of Directors. Accordingly, the Board of Directors is to review financial information to be reported to investors, regulatory bodies, and other stakeholders and oversee the work of the external auditors and review their qualifications and independence. The Board of Directors shall ensure that the company has in place policies and procedures that provide good corporate governance, effective internal controls, and risk management. The Board of Directors shall also ensure that management has implemented procedures to handle complaints and concerns reported by employees and other stakeholders (whistleblowers) regarding possible breaches of the company's ethical guidelines, governing policies, laws, or regulations.

10. Risk management and internal control

The Board of Aker BioMarine AS considers good corporate governance as invaluable and necessary for internal and external credibility and trust, as well as a foundation for creating value throughout the Group's value chain. The Board is to ensure that the company maintains effective internal control practices and appropriate risk management systems tailored to the company's business activities. Aker BioMarine's corporate values and ethical guidelines, and key governing documents are subject to such evaluation.

RISK MANAGEMENT

The Board conducts an annual review of the company's risk exposure and internal controls. Strategic and business, operational, and financial risks are considered.

The purpose of the risk assessment is to make sure that our operations are safe, in compliance with external and internal requirements, and optimize value creation. Aker BioMarine's overall risk management approach is to assess and manage the risks related to our value chain in order to achieve our corporate objectives. Based on the findings of the risk assessment, corporate management in cooperation with the Board agree on action plans to ensure that the identified risks are handled efficiently and transparently. The status of the action plans are discussed in Board meetings.

FINANCIAL REPORTING

The Board's control and supervision of the company's operating and financial activities is based on the monthly, quarterly, and annual reports provided by the administration. In addition to financial reporting, the reports include a review of the key operational figures throughout Aker BioMarine's value chain. The administration's reporting to the Board is based on a thorough management review of all business areas.

11. Remuneration of the Board of Directors

Board remuneration is only provided to external Directors. The remuneration reflects the Board's responsibility, expertise, time spent, and the complexity of the business. Remuneration does not depend on Aker BioMarine's financial performance. Directors and companies with whom they are associated do not take on any special tasks for the company beyond their Board appointments.

Additional information on remuneration paid in 2016 to Directors who have resigned, is presented in Note 23 to the consolidated accounts.

12. Remuneration of executive personnel

The Board has adopted guidelines for remuneration of executive management in accordance with section 6-16a of the Norwegian Public Limited Liability Companies Act.

Aker BioMarine AS does not have stock option plans or other such share award programs for employees. Further information on remuneration in 2016 for the CEO is presented in Note 23 to the consolidated accounts.

13. Information and communications

The company's reporting of financial and other information to the financial community and other interested parties is based on transparency. Aker BioMarine AS is majority owned by Aker ASA; hence the company's practice deviates from the recommendations found in section 13 of the Code.

14. Take-overs

In light of the current ownership structure, the Board has not deemed it necessary to prepare specific guidelines as to how the company would respond in the event it becomes subject to a takeover bid. Pursuant to Aker BioMarine's articles of association, any transfer of company shares is subject to Board approval.

15. Auditor

The auditor makes an annual presentation of the auditing plan to the Board. Further, the auditor provides the Board with written confirmation that the requirement of independence has been met.

The auditor participates in the Board meeting that deals with the annual accounts. The auditor reviews the company's internal control with the Board. In addition, the auditor reviews and discusses any material changes in the company's accounting principles and assessments of material accounting estimates with the Board. The auditor discusses with the company's Board of Directors all material issues in which disagreement has arisen between the auditor and management. The auditor had one meeting with the Board without the presence of representatives of Aker BioMarine's executive management in 2016.

No guidelines have been prepared for executive management's access to use the auditor for services other than auditing. However, the auditor provides an annual overview of services other than auditing rendered by the auditor to the company.

Remuneration for auditors, presented in Note 3 to the Aker BioMarine AS consolidated accounts, is stated for the two categories of auditing and other services. Such details are presented to the annual shareholders' meeting.

Board of Directors’ Report

Revenues and other income totaled USD 116.7 million in 2016 compared with USD 105.1 million in 2015. The increase in revenues is due to growth in QRILL sales. EBITDA (operating profit before depreciation and special operating items) amounted to USD 35.5 million in 2016, compared with USD 25.7 million in 2015. At year-end 2016, Aker BioMarine’s equity ratio was 26 percent, down from 29 percent 31 December 2015. Cash and cash equivalents amounted to USD 3.5 million, compared with USD 2.8 million at year-end 2015.

BUSINESS AND LOCATION

Aker BioMarine has its headquarters at Fornebu, Norway. The company’s supply chain stretches from krill harvesting operations in Antarctica through the logistics hub in Montevideo to its krill oil manufacturing facility in Houston. The integrated value chain allows for efficient adaption to changing market demands and high product quality with full traceability.

In May 2016, the company acquired the remaining 50 percent ownership interest in its krill oil production facility in Houston, Texas. Previously a joint venture, the acquisition gives Aker BioMarine full control of the value chain.

Aker BioMarine’s core business activities comprise Aker BioMarine AS and Aker BioMarine Antarctic AS. Aker

BioMarine AS responsibilities include management and administration, as well as the finance department; all functions are well integrated into daily operations and decision-making. Management, together with the Board of Directors of Aker BioMarine AS, is the forum for strategic analysis and decisions. Aker BioMarine AS also owns the intellectual property rights for CLA Tonalin®, which it licenses out and receives royalty income.

Aker BioMarine, through its subsidiary Aker BioMarine Antarctic AS, owns and operates the krill-harvesting vessels Saga Sea and Antarctic Sea in Antarctic waters. Both vessels have onboard production of krill meal. Aker BioMarine also owns the freighter vessel La Manche, which refuels and offloads the krill harvesting vessels at sea and performs crew changes.

The Company holds two krill harvesting licenses issued by the Norwegian Government.

FINANCIAL INFORMATION

Profit and loss account

Total revenues and other income amounted to USD 116.7 million, compared with USD 105.1 million in 2015. Group Earnings before Interest, Tax, Depreciation, Amortization and special operating items (“EBITDA”) was USD 35.5 million in 2016, compared with USD 25.7 million

in 2015. The increase relates to improved gross margin and lower production costs, partly offset by increased salaries.

Depreciation and amortization totaled USD 19.4 million in 2016, compared with USD 15.9 million in 2015. The increase is attributable to retirement of certain assets while the affected vessels were drydocked in the fourth quarter of 2016, and the consolidation into the Group accounts of depreciation related to fixed assets at the krill oil facility in Houston, as of the May 2016 acquisition date.

Other expenses in 2016 totaled USD 7.1 million, and are mainly related to the settlement of the patent dispute with Neptune Technologies and Bioresources Inc. The corresponding 2015 figure was USD 1.0 million.

Financial income amounted to USD 1.8 million in 2016, down from USD 9.2 million in 2015 due to lower foreign exchange gains. Financial expenses in 2016 of USD 11.8 million include interest cost, guarantee fees, and other financial expenses and are down from USD 12.3 million in 2015, mainly due to lower FOREX losses.

The net loss in 2016 amounted to USD 2.1 million, compared with a profit of USD 0.8 million in 2015.

Cash flow

Aker BioMarine reported a cash flow from operations of USD 20.9 million in 2016, compared with USD 18.3 million in 2015.

Net cash flow from investments amounted to minus USD 10.9 million in 2016, compared with minus USD 21.9 million in 2015.

Net cash flow from financing activities amounted to minus USD 9.2 million in 2016, compared with USD 4.0 million in 2015.

Balance sheet and liquidity

As of 31 December 2016, the equity ratio was 26 percent, compared with 29 percent at year-end 2015. Cash and cash equivalents as of 31 December 2016 amounted to USD 3.5 million, compared with USD 2.8 million as of year-end 2015. Total assets amounted to USD 279.3 million as of 31 December 2016, and total equity was USD 74 million. Corresponding 2015 figures were USD 258.4 million in total assets and USD 76.2 million in total equity.

Interest-bearing debt amounted to USD 172.0 million as of 31 December 2016, of which USD 155.7 million is long-term and USD 16.3 million is short-term interest-bearing debt. As of year-end 2015, total interest-bearing debt amounted to USD 158.3 million.

Net interest-bearing debt (interest-bearing loans less cash and cash equivalents) amounted to USD 168.5 million as of 31 December 2016, up from USD 155.6 million as of 31 December 2015.

As of year-end 2016, net working capital (non-interest-bearing assets less non-interest-bearing current debt) exclusive of bank deposits, amounted to USD 33.5 million, compared with USD 36.3 million as of 31 December 2015.

GOING CONCERN ASSUMPTION

Pursuant to section 3-3a of the Norwegian Accounting Act, the Board of Directors confirms that the going concern assumption, on which the financial statements have been prepared, is deemed appropriate.

FINANCIAL RISK AND RISK MANAGEMENT

Aker BioMarine is in a development and commercialization phase. As such, the company remains exposed to several risks and uncertainties relating to harvesting and offshore processing technologies, fluctuations in annual krill harvesting, onshore production processes and product quality, ability to develop new products, and general market demand, growth, and competition. Aker BioMarine

is dependent on its largest customers; the three largest represent about 53 percent of 2016 revenues.

Aker BioMarine has adopted a risk management policy to identify, measure, and mitigate risks. For a more detailed discussion on market risk, credit risk, and liquidity risk, see Note 20 (Financial risk) to the consolidated financial statement.

EVENTS AFTER THE BALANCE SHEET DATE

On 14 February 2017, Aker BioMarine announced that it will build a new krill harvesting vessel. The 130-meter-long factory trawler will be equipped with the latest and most advanced eco-friendly technology. The vessel is expected to be in operation in Antarctic waters for the 2019 krill harvesting season.

AKER BIOMARINE AS

The profit and loss account for Aker BioMarine AS shows a USD 13.9 million loss for the 2016 accounting year. Aker BioMarine AS had external operating revenues of USD 1.5 million in 2016. Payroll and other operating expenses amounted to USD 10.8 million. Net loss from financial items amounted to USD 7.5 million in 2016. The book value of the company's fixed assets totaled USD 326.0 million as of 31 December 2016. Current assets amounted to USD 2.4 million as of 31 December 2016. Long-term debt amounted to USD 126.4 million at year-end 2016.

The Board will recommend to the company's annual general meeting on 3 March 2017 that no dividend be paid for the 2016 accounting year.

Based on the above recommendation, the Board of Directors proposes the following allocation of the loss for the year:

Allocation for dividends	-
Loss for the year	USD 13.9 million
Transferred to accumulated loss	USD 13.9 million

HEALTH, SAFETY AND ENVIRONMENT

The krill-harvesting vessels Saga Sea and Antarctic Sea as well as the freighter La Manche operate in rough Antarctic waters. Crew health and working environment are important concerns. Despite the demanding conditions, illness and accident rates onboard are low. Safety first! is a key focus throughout the company's value chain. Sick leave rates are low both at the factory in Houston and at global office locations.

To keep illness and accident rates low, the company carefully examines and improves work tasks and working environments. Aker BioMarine has put in place systems to ensure that crew members have access to medical attention in case of injury or illness when vessels are operating far from shore. The onboard working environment is deemed good, as evidenced by the low crew turnover rate.

Aker BioMarine's objective is to minimize personnel injuries, environmental harm, and vessel or property damage. The company conducts systematic safety drills that prepare crew and onshore personnel for handling demanding scenarios that might occur on board or onshore. Personnel safety is important to Aker BioMarine, and efforts to further improve safety are ongoing.

There were seven injury incidents on board company vessels in 2016; the overall sick leave is very low. The sick leave rate also is low at the onshore plant in Houston; three personnel incidents occurred at the plant. Aker BioMarine views accidents and hazardous conditions with great concern; incidents and procedures are reviewed and measures implemented to avoid reoccurrences.

ORGANIZATION

Aker BioMarine aims to be an attractive workplace. Fundamental to Aker BioMarine's human resources policy is ensuring equal opportunities for all employees, regardless of ethnicity, gender, religion, or age. Aker BioMarine's human resources policy includes measures aimed at preventing gender discrimination in terms of pay, promotion, recruitment, or other workplace-related issues. Aker BioMarine recruits employees from professional environments that include both men and women. Aker BioMarine believes it has, and aims to maintain, a balanced workforce. Aker BioMarine does not tolerate discrimination or harassment of any kind.

As of 31 December 2016, Aker BioMarine had 282 employees (2015: 215), of whom 59 worked in Norway, 67 in the United States, 4 in Uruguay, 2 in Australia, 1 in China and 149 onboard the two krill harvesting vessels and the freighter La Manche. Aker BioMarine has employees from approximately 25 different nationalities and 18.5 percent of employees are women. Group management had one female member as of 2016. There are no women among shareholder-elected Board members; however, one of the Board's two employee representatives is female.

CORPORATE GOVERNANCE

Aker BioMarine's corporate governance policy is intended to ensure an appropriate division of roles and responsibilities among shareholders, the Board of Directors, and executive management.

As of 31 December 2016, Aker BioMarine is wholly owned by Aker ASA and the executive management of the company.

Oslo; March 3, 2017

The board of directors and CEO of Aker BioMarine AS



MATTS JOHANSEN
CEO



FRANK GREBSTAD
Director, elected by the employees



FRANK O. REITE
Director



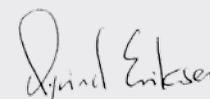
TORILL NIELSEN
Director, elected by the employees



OLA SNØVE
Chairman



KJELL INGE RØKKE
Director



ØYVIND ERIKSEN
Director



OLA SNØVE
Chairman

Ola Snøve (born 1977) is Investment Director of Aker ASA. Mr. Snøve was previously President & CEO of Epax – a joint venture between Aker and Lindsay Goldberg that was divested to FMC Corp. Prior to joining Epax, Mr. Snøve had been with Aker since January 2008. He is currently Chairman of Aker BioMarine. Mr. Snøve holds M.Sc. and Ph.D. degrees from the Norwegian University of Science and Technology, as well as an MBA (Dist.) from INSEAD. Mr. Snøve is a Norwegian citizen.



ØYVIND ERIKSEN
Director

Øyvind Eriksen (born 1964) joined Aker ASA in January 2009. Mr. Eriksen holds a law degree from the University of Oslo. He joined Norwegian law firm BA-HR in 1990, where he became a partner in 1996 and a director/chairman in 2003. At BA-HR, Mr. Eriksen worked closely with Aker and Aker's main shareholder, Kjell Inge Røkke. Mr. Eriksen is chairman of the board in Aker BP ASA, Aker Solutions ASA and Aker Kværner Holding AS, and a director of several companies, including The Resource Group TRG AS, TRG Holding AS and Reitangruppen AS. Mr. Eriksen is a Norwegian citizen.



FRANK GREBSTAD
Director, elected by the employees

Frank Grebstad (born 1968) is the Operations Manager at Aker BioMarine Antarctic AS. Mr. Grebstad has spent years as Captain of the "FV Antarctic Sea", one of our two krill harvesting vessels in Aker BioMarine Antarctic AS. Mr. Grebstad has been with Aker BioMarine since 2008. Prior to joining Aker BioMarine he was with a joint venture between Aker Seafoods and JFK of Faeroe Island. Between 1995 and 2003, Mr. Grebstad worked for several joint ventures between American Seafoods and different Russian Companies. Mr. Grebstad has a Master Mariner education and is a Norwegian citizen.



TORILL NIELSEN
Director, elected by the employees

Torill Nielsen (born 1968) is Crew Manager in Aker BioMarine Antarctic AS. Mrs. Nielsen has been with Aker BioMarine since December 2007. Initially, she was part of the financial team, but later joined the operational department as Crew Manager. Prior to joining Aker BioMarine, Mrs. Nielsen worked as a financial controller at Global Blue and as a finance responsible at Springhill Textiles. Mrs. Nielsen is a Norwegian citizen.



FRANK O. REITE
Director

Frank O. Reite (born 1970) first joined Aker in 1995, and became CFO in Aker ASA in August 2015. He holds a B.A. in business administration from Handelshøyskolen BI in Oslo. Mr. Reite came from the position of President & CEO of Akastor, and has previously held a variety of executive positions in the Aker group, including overseeing and developing Aker's investments in Convento Capital Fund AS, Havfisk ASA, Norway Seafoods AS and Aker Yards ASA. Mr. Reite also has experience from banking and served as Operating Director at Paine & Partners, a New York-based private equity firm. Mr. Reite is chairman of Ocean Yield and of Akastor ASA. Mr. Reite is a Norwegian citizen.



KJELL INGE RØKKE
Director

Kjell Inge Røkke (born 1958), Aker ASA's main owner, has been a driving force in the development of Aker since the 1990s. Mr. Røkke launched his business career with the purchase of a 69-foot trawler in the United States in 1982, and gradually built a leading worldwide fisheries business. In 1996, the Røkke controlled company, RGI, purchased enough Aker shares to become Aker's largest shareholder, and later merged RGI with Aker. Mr. Røkke is currently director of Aker Solutions, Aker BP, Kvaerner and Ocean Yield. Mr. Røkke is a Norwegian citizen.

MANAGEMENT



MATTS JOHANSEN
Chief Executive Officer

Before being named the CEO in 2015, Matts was the COO of Aker BioMarine. As the CEO of Aker BioMarine, Matts takes on a mission to discover, develop and commercialize the krill business. Prior to joining Aker BioMarine in 2009, he was the CMO at Telefonica O2. Before that he studied at Oslo University College and Columbia University.



TORBJØRN FURUSETH
EVP Innovation

Torbjørn has been with Aker BioMarine since 2014. He oversees the company's Innovation department including product innovation, science and the IP-portfolio. Before he joined Aker BioMarine, Torbjørn held senior positions at Trygg Pharma and was a consultant at McKinsey & Co. Torbjørn is a medical doctor from Norwegian University of Science and Technology with three years of clinical practice.



FREDRIK DOKK NYGAARD
Chief Financial Officer

Fredrik has been with Aker BioMarine since 2009. He is responsible for the company's Finance and Accounting function overseeing treasury, tax, legal, accounting and business intelligence. During his years at Aker BioMarine, Fredrik has led refinancing projects, mergers and acquisitions (M&A), listings and de-listings. Prior to joining Aker BioMarine, he worked with the parent company Aker ASA. He has a Master's degree from the Norwegian School of Management.



WEBJØRN EIKREM
EVP Harvesting, Production and Supply Chain

Webjørn joined Aker BioMarine in 2007. He oversees Aker BioMarine's entire supply chain from harvest to production, including the vessels in Antarctica, the krill oil factory in Houston, product quality and global logistics. Webjørn has been instrumental in establishing Aker BioMarine's offshore operations, which is regarded as one of the world's most sustainable and effective fisheries. He has a Navigational education from the Maritime Academy in Ålesund and previously worked as a Captain and Fleet Captain for American Seafoods.



KRISTINE HARTMANN
EVP Transformation

Kristine joined Aker BioMarine in 2011. She is responsible for increasing Aker BioMarine's transparency, connecting the day-to-day operations with the company's strategy and transforming the business to meet increasing expectations from customers, employees and other stakeholders. Prior to joining Aker BioMarine, Kristine held several senior consulting positions at PwC and Accenture. Kristine has a Master's degree from the Norwegian University of Science and Technology and University of New Orleans.



SIGVE NORDRUM
EVP GRILL Sales

Sigve has been with Aker BioMarine since 2007. He is responsible for the sales, marketing and R&D for krill products for the animal and aquaculture markets globally. Prior to joining the company, Sigve worked at BioMar and the Norwegian Ministry of Fisheries. Sigve has a Master's degree from the Norwegian School of Life Sciences and a PhD from the Norwegian Veterinary College.



TODD NORTON
EVP Superba Sales

Todd has been with Aker BioMarine since 2010. He is responsible for global Superba sales. Prior to joining Aker BioMarine, Todd was the President and COO at Sabinsa. He also has more than 35 years' experience working in the nutraceutical industry. Todd has a B.A. degree in Business Management.



TROND ATLE SMEDSRUD
EVP Marketing and
Communication

Trond Atle joined Aker BioMarine in 2015 to run the global marketing and communications department. He plays a central role in building the understanding of the end users of the company's products and developing insight-driven concepts. Prior to joining Aker BioMarine, Trond Atle worked in senior positions at Coca-Cola and PwC. Trond Atle has a Master's degree from BI Norwegian School of Management.

“Managing and developing a business such as Aker BioMarine is challenging. But the challenges we are up against to secure health and wellbeing for generations to come are massive.”

MATTS JOHANSEN
CEO, AKER BIOMARINE

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AKER BIOMARINE GROUP

Statements of profit or loss

for the year ended 31 December

Amounts in thousands of U.S. Dollars	Note	2016	2015
Revenues from sale of product	2	115,188	103,180
Other income	2	1,549	1,941
Total revenues and other income		116,737	105,121
Net change in inventories		3,146	7,202
Production and misc. operating expenses	3	(54,309)	(63,953)
Salaries and payroll expenses	4	(30,028)	(22,649)
Other expenses	5	(7,140)	(991)
Total operating expenses before depreciation, amortization and impairment		(88,330)	(80,391)
Depreciation and amortization	10,11	(19,353)	(15,911)
Impairment charges	11	(596)	(905)
Operating profit (loss)		8,458	7,913
Net financial expenses	6	(9,941)	(3,016)
Share of loss from equity accounted investees	7	-	(4,010)
Net profit (loss) before tax expense		(1,482)	887
Tax expense	9	(573)	(82)
Net profit (loss) after tax expense		(2,055)	805

Earnings per share to equityholders of Aker BioMarine AS

Basic	(0.03)	0.01
Diluted	(0.03)	0.01

AKER BIOMARINE GROUP

Statements of other comprehensive income

for the year ended 31 December

Amounts in thousands of U.S. Dollars	Note	2016	2015
Net loss		(2,055)	805
Other comprehensive income (loss)			
Defined benefit plan income gains (losses) ¹⁾		(77)	128
Total items that will not be reclassified to profit and loss		(77)	128
Other comprehensive income (loss)		(77)	128
Total comprehensive income (loss)		(2,132)	933

¹⁾ The Defined benefit plan income gains (losses) have no income tax impact as it is part of the unrecognized deferred tax asset, see Note 9.

Balance sheet as of 31 December

Amounts in thousands of U.S. Dollars	Note	2016	2015	Amounts in thousands of U.S. Dollars	Note	2016	2015
ASSETS				LIABILITIES AND OWNERS' EQUITY			
Cash and cash equivalents	14,20	3,506	2,752	Accounts payable and other payables	17	26,625	17,912
Current interest-bearing receivables	8	-	10,410	Interest-bearing current liabilities	15,20	16,255	11,109
Accounts receivable and prepaid expenses	13,20	25,729	19,387	Total current liabilities		42,881	29,021
Inventories	12	39,035	35,889	Other non-interest-bearing non-current liabilities	16	6,693	6,046
Total current assets		68,270	68,438	Interest-bearing debt	15,20	155,742	147,197
Investments in equity-accounted investee	7	106	395	Total non-current liabilities		162,435	153,243
Non-current interest-bearing receivables	8	-	4,833	Total liabilities		205,315	182,264
Other non-interest bearing non-current receivables	20	2,085	1,585	Share capital	18	63,684	63,684
Intangible assets	11	67,695	69,886	Other paid-in equity	18	156,486	156,486
Property, plant and equipment	10	141,185	113,286	Total paid-in equity		220,170	220,170
Total non-current assets		211,070	189,984	Translation differences and other reserves	18	154	154
Total assets		279,341	258,422	Retained earnings	18	(146,299)	(144,166)
				Total equity		74,025	76,158
				Total equity and liabilities		279,341	258,422

Statement of cash flow

for the year ended 31 December

Amounts in thousands of U.S. Dollars	Note	2016	2015
Net income (loss) before tax		(2 055)	805
Taxes expense		573	82
Net interest and guarantee expenses	6	7 671	7 051
Interest and guarantee premiums paid		(5 764)	(6 057)
Interest received		373	99
Impairment charges		596	905
Depreciation and amortization	10,11	16 829	15 911
Share of gain (loss) from equity accounted investees	7	-	4 010
Foreign exchange loss (gain)		4 855	(5 802)
Change in accounts receivable, other current receivables, inventories, accounts payable and other		(2 198)	1 266
Net cash flow from operating activities		20 880	18 269
Payments for property, plant and equipment		(10 788)	(17 422)
Proceeds from sale of property, plant and equipment		-	149
Payments for intangibles		(109)	(96)
Instalment to joint ventures (receivable)		-	(4 576)
Net cash flow from investing activities		(10 897)	(21 945)
Proceeds from issue of debt and change in overdraft facility	15,20	1 147	(2 953)
Repayment of debt	15,20	(10 376)	(2 022)
Proceeds from owners		-	8 995
Net cash flow from financing activities		(9 229)	4 020
Net change in cash and cash equivalents		754	345
Effect of changes in foreign exchange rates on cash and cash equivalents		-	-
Cash and cash equivalents as of January 1,	14	2 752	2 408
Cash and cash equivalents as of December 31	14	3 506	2 752

Statements of changes in equity

for the year ended 31 December

Amounts in thousands of U.S. Dollars	Share capital	Share premium	Other paid-in capital	Other reserves	Retained earnings	Total
Balance as of 31 December, 2015	63,684	192,102	(35,616)	154	(144,166)	76,158
Net profit for the year	-	-	-	-	(2,055)	(2,055)
Other comprehensive income (loss)	-	-	-	-	(77)	(77)
Total comprehensive income (loss)	63,684	192,102	(35,616)	154	(146,299)	74,025
Balance as of 31 December, 2016	63,684	192,102	(35,616)	154	(146,299)	74,025

Notes to the consolidated financial statements

NOTE 1 – BASIS FOR PREPARATION

These financial statements consolidate the profit or loss statements and balance sheets for Aker BioMarine AS (the “Company”) and its subsidiaries (together, the “Group”). The Company is a limited liability company domiciled in Norway with its registered office at Oksenøyveien 10, 1327 Lysaker, Norway.

The financial statements have been prepared in accordance with IFRS and IFRS Interpretation Committee (IFRS IC) interpretation as adopted by the EU.

The financial statements have been prepared on a going concern basis under the historical cost convention, except as otherwise described in the sections below.

Significant changes in the current reporting period

The financial position and performance of the Group was particularly affected by the following events and transactions during the reporting period:

- Patent dispute settlement with Neptune Technologies & Bioresources (note 5)
- Extension and amendment of the revolving credit facility with DNB (note 15)
- Acquisition of remaining 50% share of Aker BioMarine Manufacturing LLC and Aker BioMarine Financing LLC (note 7)

Summary of significant accounting policies

Accounting policies that relate to the financial statements as a whole are set out below, while those that relate to specific areas of the financial statements are shown in the corresponding note. All accounting policies have been consistently applied to all the years presented.

Management regards the following as the most significant accounting policies for these financial statements:

- Revenue recognition from the sale of Superba™ Krill oil and Grill™ branded ingredients (note 2)
- Measurement of our krill based products held as Inventories at year end (note 12)
- Recognition and measurement of expenditure on vessels and machinery included in Property, plant and equipment (note 10)
- Impairment of intangible assets (note 11)

Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities.

The estimates and judgments are based on historical experience and other factors, including expectations of future events that are believed to be reasonable, and constitute management’s best judgment at the date of the financial statements. In the future, actual experience could differ from those estimates.

The principal estimates and judgments that could have a significant effect upon the Group’s financial results relate to:

- Expenses included in indirect production cost recognized to inventories (note 12)
- Technical assessment of the useful life of the Group’s vessels and machinery (note 10)
- Calculating the fair value of tangible and intangible assets allocated to the Krill cash generating unit (note 11)

Where appropriate, present values are calculated using discount rates reflecting the currency and maturity of the items being valued. Further details of estimates and judgments are set out in the related notes to the financial statements.

Foreign currencies

Transactions recorded in the financial

statements of each subsidiary are made in its functional currency, i.e. the currency which best reflects the primary economic environment in which the entity operates. The financial statements are presented in U.S. Dollars (“USD”), which is the Group’s presentation currency as the Group’s cash flow and economic returns are principally denominated in USD, and is the functional currency of each subsidiary.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of each transaction. Receivables, liabilities and other monetary items in foreign currencies are translated into the functional currency at the exchange rates on the balance sheet date. Foreign currency exchange gains or losses resulting from such transactions are recognized in the statement of profit or loss.

Inter-company balances and transactions, and any unrealized revenues and expenses arising from inter-company transactions, are eliminated in the financial statements.

Consolidation

Subsidiary undertakings are entities over which the Group has the power to govern the financial and operating policies. Subsidiary undertakings are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary undertaking is the fair values of the assets transferred and the liabilities incurred by the Group, including those from any contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group’s share of the identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiary undertakings have been changed where necessary to ensure consistency with the policies adopted by the Group.

New standards and interpretations not yet adopted

The following IFRS standards, amendments and IFRS IC interpretations issued by the IASB, have not been early adopted:

- IFRS 9 Financial instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The standard will be applied 1 January 2019. It is not expected to have a material impact on the Group’s results.
- IFRS 16 Leasing will change how the Group account for lease contracts for land and buildings currently accounted for as operating leases. Under IFRS 16, an on-balance sheet model that is similar to current financial leases accounting will be applied to all lease contracts, only leases for small items such as PC’s and office equipment will be exempt.

As a result, assets and liabilities will increase with a value close to the net present value of future lease payments and EBITDA will increase as the lease payments will be presented as depreciation and finance cost. The standard will be applied 1 January 2019.

- The IASB has issued a new standard for the recognition of revenue, IFRS 15 Revenue from Contracts with Customers, with an effective date of 1 January 2018. IFRS 15 replaces IAS 18 Revenue which covers contracts for goods and services and IAS 11 Construction Contracts. IFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to a customer. This concept of control replaces the existing IAS 18 notion of risks and rewards, and is a broader concept that includes the transfer of risk and reward as one of the control criteria. IFRS 15 permits entities to apply the guidance using the cumulative effect method, which means all potential impact of the new standard will be recognized in the financial statements for 2018. Aker Biomarine Group will adopt IFRS 15 as of 1 January 2018 using the cumulative effect approach. The implementation of IFRS 15 is not expected to have a material effect on total reported revenues, costs, assets or liabilities. There will potentially be some changes in presentation and additional disclosures. However, the detailed effect of IFRS 15 has not yet been fully determined.

Disclosure materiality

Management provides specific disclosures required by IFRS unless the information is considered immaterial to the economic decision making of the users of these financial statements or not applicable.

In these consolidated financial statements

amounts have been rounded to the nearest thousand, unless otherwise stated. As a result of rounding differences, amounts may not add up to the total.

NOTE 2 – REVENUE

Revenue represents amounts recoverable primarily from the sale of Superba™ Krill oil and Grill™ branded ingredients during the year. Revenue is measured at the fair value of consideration received or receivable on sale, including rebates, fair value adjustments and excluding VAT. Revenue is recognized when the amount can be reliably measured and it is probable that future economic benefits will flow to the Company.

Revenue recognition occurs in the period when the product is delivered and the main risks and benefits of ownership are transferred to the customer. The revenue recognition conditions are reviewed for each individual sale based on the individual contracts and other actual circumstances such as Incoterms on delivery. Revenues are deferred until all the criteria are met.

Geographic information	Revenues from sale of products based on customer location		Other income based on customer location	
	Year ended 31 December		Year ended 31 December	
Amounts in thousands of U.S. Dollars	2016	2015	2016	2015
Norway	29,541	22,174	110	-
EU	24,671	15,676	1,126	1,395
United States	33,096	34,485	313	546
Australia	9,195	13,916	-	-
Asia	13,162	6,481	-	-
Other regions	5,522	10,449	-	-
Total	115,188	103,180	1,549	1,941

In 2016, the two largest customers comprised 32% and 11% of the Group's total revenues from sale of products (2015: 27% and 17%).

In addition to revenue from the sale of krill derived products, the Group receives royalty income from certain trademarks and licenses. Royalty income is recognized in accordance with the relevant agreement.

Geographic information	Year ended 31 December	
	2016	2015
Amounts in thousands of U.S. Dollars		
Royalty	1,439	1,840
Other	110	101
Total	1,549	1,941

The Group's operations occur in one reportable segment, the production and sale of krill products. As such, the production and sale of krill based products is managed as an integrated business.

The Executive Management Team (EMT), assesses the performance based on Underlying EBITDA. This measurement basis is defined as operating profit before depreciation, amortization, write-downs and impairments, and special operating items. Special operation items include gains or losses on sale of assets, restructuring expenses and other material transactions of either non-recurring nature or special in nature compared to ordinary operational income or expenses. The following information has been provided by the EMT at December 31, 2016 and 2015.

Notes to the consolidated financial statements

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Total revenue and other income	116,737	105,121
Total operating expenses before depreciation, amortization and impairment	(88,330)	(80,391)
Special operating items	7,140	964
Underlying EBITDA	35,547	25,693
<i>Other financial information:</i>		
Depreciation and amortization	(19,353)	(15,911)
Impairment charges	(596)	(905)
Total assets	279,341	258,422

The following table reconciles Underlying EBITDA to Net income (loss) in the statements of profit or loss.

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Net income (loss)	(2,055)	805
Tax expense	573	82
Share of loss from equity accounted investees	-	4,010
Net financial items	9,941	3,016
Depreciation and amortization	19,949	16,816
Special operating items	7,140	964
Underlying EBITDA	35,547	25,693

Special operating items mainly include legal and settlement fees as specified in Note 5. These costs are not included in management's assessment of Underlying EBITDA.

NOTE 3 – PRODUCTION AND MISC. OPERATING EXPENSES

Operating expenses are presented based on nature of the expenses in the statements of profit or loss. Production and operating expenses are recognized in the same period as the corresponding revenue from sale of product is recognized, while salaries and payroll expenses, production and other operating expenses, and other expenses are recognized when they occur or when the Group has a liability for future expenses.

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Fuel	(10,561)	(16,687)
Maintenance and services	(9,684)	(7,533)
Sales, marketing, freight and other selling costs	(6,870)	(7,896)
Travel expenses	(3,159)	(3,058)
Insurance	(2,260)	(1,981)
Office rent and administration	(3,431)	(2,122)
Extraction, capsulation and other production costs	(10,356)	(17,726)
Other operating expenses	(7,987)	(6,951)
Total production and misc. operating expenses	(54,308)	(63,953)

Government grants

During 2016 the Group received grants of USD 0.7 million (2015: USD 1.1 million). The grants are included in the 'Production and misc. operating expenses' line item to match the costs that the grants are intended to compensate. There are no unfulfilled conditions or other contingencies on these grants. The Group did not benefit directly from any other forms of government assistance.

Remuneration to the Group auditors (excluding VAT):

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Audit fees	(155)	(172)
Other audit and attestation services	(10)	(47)
Total	(165)	(219)

(a) Fees for tax services consist of fees for tax filing services and other tax assistance.

NOTE 4 – SALARIES AND PAYROLL EXPENSES

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Salaries	(15,697)	(9,799)
Crew salaries	(11,073)	(10,563)
Employer's social security contribution	(1,060)	(1,166)
Pension expenses	(530)	(544)
Other benefits	(1,668)	(577)
Total	(30,028)	(22,649)

Pension plans

The Group has a combination of defined contribution and defined benefit plans that cover virtually all employees. These schemes comply with laws and regulations set forth in the different countries of operations. The Group's defined benefit obligation cover three employees. At the end of the year the defined benefit obligation was USD 0.8 million and the assets were USD 0.6 million. The fair value of the net obligation has been calculated using an appropriate discount rate. During the year the Group expensed USD 51 thousand, net of settlements and curtailment, on the defined benefit plan (2015: 47 thousand), and USD 0.5 million for the defined contribution plan (2015: 0.5 million). In addition USD 77 thousand is expensed over other comprehensive income due to changes in actuarial assumptions.

NOTE 5 – OTHER EXPENSES

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Gain on sale of fixed assets	215	
Legal and settlement fees	(7,355)	(991)
Total	(7,140)	(991)

On 30 September, Aker BioMarine and Neptune Technologies & Bioresources Inc. entered into a settlement and broad patent cross-licensing agreement, thus ending all outstanding litigation between the companies.

Key elements of the settlement and licensing agreement:

- Agreement ends all outstanding litigation, with continued access for AKBM to Neptune's composition patents, in consideration of a settlement payment of USD 10m payable over a period of 15 months.
- Neptune acquires rights to use AKBM's selected krill oil-related patent portfolio in consideration of a settlement payment of USD 4m payable over the same 15-month period.

The net amount of USD 6.0m of the settlement is fully recognised by AKBM as a special operating expense in 2016.

NOTE 6 – FINANCIAL INCOME AND EXPENSES

Financial income comprises interest income on financial investments and net foreign exchange gains recognized in the statement of profit or loss. Financial expenses include interest expense and payable guarantee fees. Financial income and expenses are presented on a net basis in the statement of profit or loss.

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Interest income, bank deposits	7	10
Interest income loans and receivables (amortized cost)	87	163
Foreign exchange gains (realized and unrealized)	1,747	9,072
Other financial income		1
Total financial income	1,841	9,247
Interest expense on financial liabilities valued at amortized cost	(7,497)	(7,224)
Foreign exchange losses (realized and unrealized)	(1,809)	(2,751)
Other financial expenses	(2,474)	(2,288)
Total financial expenses	(11,780)	(12,262)
Net financial expenses	(9,940)	(3,016)

Other financial expenses includes guarantee fees payable to the parent company Aker ASA.

NOTE 7 – BUSINESS COMBINATIONS

On 2 May 2016 AKBM completed the acquisition of the remaining 50% of shares in the krill oil factory in Houston, Aker BioMarine Manufacturing and Aker BioMarine Financing, together "AKBMM", prior to the transaction a Joint Venture with Naturex S.A. The carrying value of the equity interest, which has been accounted for as a joint venture in accordance with IFRS 11 (equity accounting), was USD 0.5 million at the time of the acquisition and AKBM had receivables on AKBMM with carrying value of USD 19.9 million. The purchase price for the remaining 50% interest in AKBMM for USD 13.4 million financed by a seller credit towards Naturex Inc. amounting to USD 13.4 million. The fair value of the 50% previously held equity interest is therefore determined to be 20.3 million. The net aggregate value of the identifiable assets and liabilities after debt conversions measured in accordance with IFRS 3 is determined to be USD 33.8 million on a 100% basis.

Total value of AKBMM and consideration paid:

Notes to the consolidated financial statements

Consideration:

Shares in AKBMM	450
Receivables converted to equity	19,875
Cash consideration	13,439
Total consideration	33,764

Recognized amounts of identifiable assets acquired and liabilities assumed:

Amounts in thousands of U.S. Dollars	Year ended 31 December			
	AKBMM Actual	AKBMF Actual	Elim	AKBMM
Cash and cash equivalents	346	122	-	468
Account receivable and prepaid expenses	10,255	(794)	(2,280)	7,182
Inventories	29	-	-	29
Property, plant and equipment	34,853	-	1,147	36,000
Accounts payable and other payables	(2,113)	(58)	-	(2,170)
Interest-bearing current liabilities	(3,086)	-	3,086	-
Interest bearing debt	(27,480)	19,735	-	(7,745)
Total indentifiables net assets	12,805	19,005	1,953	33,764

NOTE 8 – INTEREST-BEARING RECEIVABLES

Current and non-current interest bearing receivables as 31 December 2015 were entirely related to the financing of the Group's joint ventures in Houston and are thus eliminated in the consolidated accounts for 2016. See note 7 for additional information.

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Current interest-bearing receivables	-	10,410
Total	-	10,410

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Non-current interest-bearing receivables	-	4,833
Total	-	4,833

NOTE 9 – INCOME TAX

The Group is headquartered in the Norway and pays taxes according to the rates applicable in the countries and states in which it operates. Most taxes are recorded in the statement of profit or loss and relate to taxes payable for the reporting period (current tax) but also deferred taxes. Deferred tax is calculated based on the differences between the accounting value and tax value of assets and liabilities at the balance sheet date using the applicable tax rate.

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Income tax expense for the period		
Current income tax expense in respect of current year	(573)	(89)
Prior period adjustments	-	-
Current income tax expense	(573)	(89)

Reconciliation of nominal statutory tax to effective tax rate:

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Profit (loss) before tax	(1,482)	887
Calculated income tax at statutory rate of 25%	371	(240)
Change in tax regulations	(2,973)	3,532
Unrecognized change in deferred tax assets	12,310	(4,041)
Income not subject to tax	(3,381)	
Agio	(1,295)	
Other	(5,604)	659
Total tax expense	(573)	(89)
Effective tax rate	-39 %	-10 %

Deferred tax assets on a gross basis (not tax-effected) are comprised of:

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
PPE and intangible assets	1,639	(616)
Inventory	112	-
Other	(38)	(92)
Tax losses carried forward	66,380	57,319
Interest rate deductibility carry forward	3,258	2,432
Deferred tax assets	71,352	59,042
Unrecognized deferred tax assets	(71,352)	(59,042)
Recognized deferred tax assets	-	-

The movement in deferred tax assets from USD 59.0 million to USD 71.4 million is mainly due to changes in the USD/ NOK foreign exchange rate and taxable losses.

Based on the historical losses of the Group it was concluded that deferred tax assets could not be recognized in the balance sheet as of 31 December 2016 or 2015. The Norwegian tax authorities have questioned USD 78.8 million of the tax loss carried forward from 2008. The Group believes that the deductions are in accordance with the tax laws. If the view of the Norwegian tax authorities prevails, the unrecognized deferred tax asset will be reduced by USD 18.9 million.

NOTE 10 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, less any accumulated depreciation and any accumulated impairment losses. Depreciation is recognized on a straight-line basis over the estimated useful lives of each major component of property, plant and equipment. Assets under construction are not depreciated until the items are available for use as intended by management.

Expenditures to replace a component of property, plant and equipment are included in its cost if it is probable that future economic benefits associated with the asset will flow to the Group and the costs can be measured reliably. Gains and losses are recognized upon asset de-recognition. The costs of consumables used and day-to-day maintenance of property, plant and equipment are expensed as incurred. Costs incurred for major inspections and overhauls or to improve a vessel's operating efficiency, functionality or safety are capitalized.

Major inspections of vessels are done on a regular basis as required by the classification society, such as Det Norske Veritas, and laws and regulations and the costs of such inspections are, including replacement spares and labor costs, capitalized and amortized over the average expected life between major inspections. All other costs relating to maintenance of vessels is charged to the statement of profit or loss on consumption or as incurred.

Assets that will be disposed, which are classified as held-for-sale, are reported at the lower of their book value and their fair value less cost to sell. Depreciation of vessels is included in the cost of inventory conversion (see Note 14).

Movements in property, plant and equipment in 2016 and 2015 are shown below:

Amounts in thousands of U.S. Dollars	Vessels, transportation equipment, etc	Machinery	Assets under construction	Buildings and land	Total
Acquisition cost as of 1 January, 2016	105,204	55,296	15,610	-	176,110
Investments	3,651	2,376	4,925	-	10,952
Investments from merger & acq.	.	19,430	-	16,570	36,000
Asset retirements	(5,231)	(13,234)	-	-	(18,465)
Other reclassifications	76	26,289	(14,562)	(8,706)	3,097
Acquisition cost as of 31 December, 2016	103,700	90,157	5,973	7,864	207,694
Acc. depreciation and impairment as of 1 January, 2016	(35,040)	(27,785)	-	-	(62,825)
Depreciation for the year	(7,912)	(7,020)	(224)	-	(15,156)
Asset retirements	3,924	11,782	-	-	15,706
Other reclassifications	-	(1,438)	(2,430)	(367)	(4,235)
Acc. depreciation and impairment as of 31 December, 2016	(39,028)	(24,461)	(2,654)	(367)	(66,510)
Book value as of 31 December, 2016	64,672	65,697	3,319	7,497	141,185
Depreciation period	10–20 years	3–20 years			
Depreciation method	Straight-line	Straight-line			

Notes to the consolidated financial statements

Movements in property, plant and equipment in 2015 are shown below:

Amounts in thousands of U.S. Dollars	Vessels, transportation equipment, etc	Machinery	Assets under construction	Buildings and land	Total
Acquisition cost as of 1 January, 2015	108,398	55,106	1,521		165,025
Investments	387	2,314	14,721		17,422
Asset retirements	(3,449)	(2,255)	(21)		(5,725)
Other reclassifications	(131)	131	(612)		(612)
Acquisition cost as of 31 December, 2015	105,204	55,296	15,610		176,110
Acc. depreciation and impairment as of 1 January, 2015	(30,917)	(23,165)	-		(54,082)
Depreciation for the year	(7,388)	(6,837)	-		(14,226)
Asset retirements	3,240	2,243	-		5,483
Other reclassifications	25	(25)	-		-
Acc. depreciation and impairment as of 31 December, 2015	(35,040)	(27,785)	-		(62,825)
Book value as of 31 December, 2015	70,164	27,512	15,610		113,286
Depreciation period	10–20 years	3–20 years			
Depreciation method	Straight-line	Straight-line			

The main additions of property, plant and equipment in 2016 arise from the acquisition of Aker BioMarine Manufacturing LLC, see note 7. In addition, USD 4.9 million was invested in the vessel during docking.

In the profit and loss statement the Group have recognized USD 15.2 million (2015: USD 14.3 million) as depreciation expenses on fixed assets, USD 2.5 million (2015: 0) as asset retirements and USD 1.7 million (2015: USD 1.7 million) in amortization of intangible assets, see note 11 for further details.

As of 31 December 2016, the Group has no significant commitments for further investments in property, plant and equipment (2015: USD 0).

For details on mortgages and pledging of security, see Note 15.

NOTE 11 – INTANGIBLE ASSETS

Goodwill

Goodwill resulting from business combinations is allocated to each of the cash generating units ("CGU"), which are expected to benefit from synergies of the combination. Each unit to which goodwill is allocated represents the lowest level within the Group at which goodwill is monitored for internal management purposes.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate a potential impairment. Impairment is determined for goodwill by assessing the recoverable amount of each unit to which the goodwill relates. When the recoverable amount of the unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Development

Expenditures for research activities performed to gain new scientific or technical or other knowledge are expensed when incurred. Development expenditures are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The amount capitalized includes the cost of materials and external expenses.

License agreements

License agreements acquired separately are measured at cost. Following initial recognition, the Groups license agreements are recorded less any accumulated amortization and impairment losses. The Group's license agreements are amortized on a straight-line basis and tested for impairment if impairment indicators exist.

Movements in intangible assets for 2016 and 2015 are shown below:

Amounts in thousands of U.S. Dollars	Goodwill	Development	Licence agreements	Total
Acquisition cost as of 1 January, 2016	65,153	5,941	23,118	94,212
Additions – external cost	-	109		109
Asset retirements	-	(316)		(316)
Reclassifications	-			-
Acquisition cost as of 31 December, 2016	65,153	5,734	23,118	94,005
Amortization and impairment losses as of 1 January, 2016	-	(4,929)	(19,397)	(24,326)
Amortization for the year	-	(432)	(1,276)	(1,708)
Impairment			(596)	(596)
Asset retirements	-	319		319
Reclassifications	-			-
Amortization and impairment losses as of 31 December, 2016	-	(5,042)	(21,269)	(26,311)
Book value as of 31 December, 2016	65,153	692	1,849	67,694
Amortization period		5–10 years	10–12 years	
Amortization method		Straight-line	Straight-line	

Amounts in thousands of U.S. Dollars	Goodwill	Development	Licence agreements	Total
Acquisition cost as of 1 January, 2015	65,153	6,630	23,118	94,901
Additions – external cost	-	96	-	96
Asset retirements	-	(785)	-	(785)
Reclassifications	-	-	-	-
Acquisition cost as of 31 December, 2015	65,153	5,941	23,118	94,212
Amortization and impairment losses as of 1 January, 2015	-	(5,331)	(18,121)	(23,452)
Amortization for the year	-	(384)	(1,276)	(1,660)
Asset retirements	-	786	-	786
Reclassifications	-	-	-	-
Amortization and impairment losses as of 31 December, 2015	-	(4,929)	(19,397)	(24,326)
Book value as of 31 December, 2015	65,153	1,012	3,721	69,886
Amortization period		5–10 years	10–12 years	
Amortization method		Straight-line	Straight-line	

Impairment testing

The group tests whether goodwill has suffered any impairment on an annual basis. Goodwill is allocated to the Krill business which represents all business operations of the Group as of 31 December 2016 and 2015, with the exception of the CLA/Tonalin licensing agreements which generate royalty income (see Note 3) and is separate from the Krill business cash generating unit.

The recoverable amount for the Krill business as a cash generating unit is estimated on the basis of its value in use. The estimated value in use is based on discounted future cash flows. The following assumptions were applied in 2016 and 2015:

- Projected cash flows are based on management's best estimates of budget and the business plan for the Krill business for the subsequent five year period. The budget is based on detailed budgets prepared by the various departments in the Krill business. For subsequent periods, the model is based on estimated terminal growth of 2.0 percent, which is in line with long-term forecasts for growth in GDP.

Notes to the consolidated financial statements

In the 2017 budget and for the period 2018–2021, revenue projections for the first year are based on agreements entered into the first year of the budget period, along with a management evaluation and information from external sources as to the potential for new agreements. The budgeted operating margin is in accordance with management's forecast which is based on the scalability in the business model. As large proportion of the Group's operating expenses are independent of production volumes means that increased sales levels will contribute to higher operating margins.

- The terminal value in the model used to calculate value in use in 2016 is based on a stable operating margin which is on a par with the projected operating margin for 2021. Investment levels have also been set at the same level as projected depreciation to maintain sales and production capacity.
- A 11.5 percent discount rate before tax has been applied to calculate the recoverable amount (2015: 12.9 percent). The discount rate is estimated based on a weighted average of equity return requirements and expected costs of debt, assuming a projected debt-to-equity ratio of 1 (2015: 50 percent). The equity return requirement is estimated using the capital asset pricing model (CAPM) and accordingly adjusted from post- to pre-tax. The cost of debt is based on risk-free interest rates (10-year U.S. treasury government bonds), adjusted upwards to reflect long-term financing costs and the asset's risk profile.

The sensitivity of the value in use has been tested using simulations of various combinations of sales volume, sales price, discount rates and terminal value growth. No reasonably possible combination of these factors results in a value in use being lower than the value recognized in the balance sheet as of 31 December 2016 and 2015. The recoverable amount of the Krill business would equal its carrying amount if the discount rates and growth rates were to change as follows:

Figures in %	2016		2015	
	From	To	From	To
Pre-tax discount rate*	10.0 %	15.3 %	10.5 %	17.2 %
Long term growth rate*	2.0 %	-7.1 %	2.0 %	-6.7 %

* Holding all other variables constant

Development

In 2016, the Group capitalized USD 109,000 in development costs related to development of production processes, production technology for krill oil and maintenance of patents and licenses (2015: USD 96,000). The Group expensed USD 3.5 million in 2016 (2015: USD 2.1 million) relating to research and development costs.

Licensing agreements/production technology

The net amount recognized in the financial statements for license agreements/production technology of USD 1.8 million (2015: USD 3.7 million) relates to two existing license agreements which will expire in 2018. Based on realized royalty revenue in 2016 and projections received from the licensee partners, impairments of USD 0.6 million were identified in 2016 (2015: 0).

NOTE 12 – INVENTORIES

Inventories are measured at the lower of actual production cost (including freight) and net realizable value. Acquisition cost is based on the actual cost of warehoused materials. The cost of finished goods and work in progress comprises the costs of raw materials, direct labor and other direct costs, and related production overheads (based on normal operating capacity). Indirect costs allocated to inventories, includes salaries, depreciation and certain other operating expenses.

Net realizable value is the estimated sales price in the ordinary course of business, less the costs of completion and sales such as freight and commission. The impairment from actual production cost (including freight) to net realizable value is recognized in production and other operating expenses.

The production of both Superba™ Krill oil and Qrill™ branded ingredients is highly complex where the Group controls the entire value chain from harvesting of raw krill in the Antarctic, to the onboard krill meal processing, and quality control. Furthermore, the process is very sensitive to harvesting conditions, such as length of the fishing season and other external factors. These factors all influence the parameters for capitalization of indirect production costs in the Group and full cost of the products. When calculating total inventory, management make certain judgments about cost of production and idle capacity when estimating indirect production costs for capitalization. Changes in the parameters for calculation of indirect production costs could have an impact on the gross margin and the overall valuation of inventories.

Inventory balances as of 31 December 2016 and 2015 are shown below:

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Raw materials	13 965	13 285
Finished goods	25 070	22 604
Total	39 035	35 889
Carrying value of inventories recognized at net realizable value	-	-
Write-down of inventories recognized towards net change in inventories in the period*	664	2 388
Carrying value of inventories pledged as security	27 375	33 603

* Includes weight corrections, replacements to customers and obsolescence

All finished goods are recognized to inventories at the lower of cost and net realizable value.

The impairment of inventories is included in net changes in inventory in the statement of profit or loss.

NOTE 13 – ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Accounts receivable	16,874	13,308
Prepaid expenses	8,854	6,079
Total	25,728	19,387

NOTE 14 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet and the cash flow statement comprise cash at banks, including restricted deposits, and on hand.

Cash and cash equivalents comprise the following items:

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Cash and bank deposits	2,794	1,846
Restricted bank deposits	712	906
Cash and cash equivalents	3,506	2,752

Restricted bank deposits relate to employee tax withholdings which are used to settle tax remittances with the tax authorities on a periodic basis. As of 31 December 2016, the Group had drawn USD 10.2 million (2015: USD 9.1 million) out of a total of USD 15 million available in an overdraft facility.

For a discussion of interest risk and sensitivity analysis associated with financial assets and liabilities, see Note 20.

NOTE 15 – INTEREST BEARING DEBT

The Group recognizes interest bearing debt initially at fair value, net of transaction costs incurred. Subsequently the debt is carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statements of profit or loss over the period of the debt using the effective interest method.

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Non-current liabilities		
Secured bank loans	133,840	124,604
Non-current NOK-denominated loan from Antarctic Harvesting Holding AS	1,334	1,334
Other secured debt	20,567	-
Non-current USD-denominated debt to Aker ASA	-	21,259
Book value total interest-bearing non-current liabilities	155,741	147,196
Current liabilities		
Current portion of secured bank loans	6,029	2,005
Overdraft facility, NOK	10,226	9,104
Book value total interest-bearing current liabilities	16,255	11,109
Book value total interest-bearing liabilities	171,996	158,305

In June 2016, the Group extended and amended the revolving credit facility to USD 120 million and the overdraft facility was converted from NOK 100 million to USD 15 million. The new termination date is set to 30 September 2018.

Notes to the consolidated financial statements

Terms and debt repayment schedule:

Amounts in thousands of U.S. Dollars	Normal interest rate	Year of maturity	Installments
Non-current liabilities and repaid liabilities			
Secured USD-denominated bank loan – CAT	LIBOR + 1.89%	2017	Semi-annual
Secured USD-denominated bank loan – DNB	LIBOR + 3.4%	2018	Bullet
Secured NOK-denominated loan from Innovation Norway – 1	5.2% (fixed)	2026	Semi-annual from 2017
Secured NOK-denominated loan from Innovation Norway – 2	5.2% (fixed)	2026	Semi-annual from 2017
Secured NOK-denominated loan from Innovation Norway – 3	5.25% (floating)	2023	Semi-annual
Overdraft facility with DNB	NIBOR + 2.5%	n/a	n/a
Seller credit Naturex	LIBOR +1.1%	2019	Quarterly

LOAN TERMS AND CONDITIONS

All financial covenants presented below are the ones currently applied to the Group. The covenants compliance tests referred to below are all based on historical figures for the Group.

Secured USD-denominated bank loan (Caterpillar Finance) covenants

The Caterpillar Finance loan agreement features covenants on equity and debt to equity ratio and minimum net worth and insurance requirements. The Group complied with all covenants in 2016 and 2015.

Secured USD-denominated bank loan (DNB) covenants

The DNB loan agreement features covenants on EBITDA (“Earnings Before Interest, Tax, Depreciation and Amortization”). For purposes of the DNB loan agreement, EBITDA is operating profit before depreciation, amortization, write downs and impairments, and Special Operating Items. The loan covenants also have leverage ratio requirements. The Group is compliant with all loan covenants.

Loans from Innovation Norway

The loans from Innovation Norway do not feature any restrictive covenants associated with key financial performance figures.

Overdraft facility

Total amount drawn on the overdraft facility from DNB shall not exceed the sum of:

1. 75% of external accounts receivable; and
2. 60% of total inventory.

The Group’s borrowings did not exceed the borrowing base in 2016 or 2015.

The following table display debt secured by mortgaged assets:

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Secured bank loans	139,869	126,608
Other secured debt	20,567	
Overdraft facility	10,226	9,104
Total	170,663	135,713

Book value of assets pledged as security

Operating assets	193,462	149,174
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Operating lease commitments

Leases in which a significant proportion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases, net of any incentives received from the lessor, are charged to the statement of profit or loss on a straight-line basis over the period of the lease.

The lease agreements summarized below are for several office and storage locations the Group rents around the world.

Operating lease payments have the following schedule:

Amounts in thousands of U.S. Dollars	Minimum lease payment	
	2016	2015
Within one year	1,538	1,354
In 1–5 years	4,578	5,224
Five years or more	3,592	3,073
Total	9,708	9,651

Lease expense recognized in 2016 amounted to USD 1.5 million (2015: USD 1.5 million).

NOTE 16 – OTHER NON-CURRENT LIABILITIES

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Guarantee premium payable to Aker ASA	6,505	4,629
Pension liabilities	188	197
Other	-	1,220
Total	6,693	6,046

Aker has issued a guarantee for the secured bank loan with DNB. The Group pays a guarantee fee to Aker of 5 percent of NOK 305 million (guarantee amount). The fee accrues up to the maturity date of the DNB loan in September 2018, and become payable at the same time.

NOTE 17 – ACCOUNTS PAYABLE AND OTHER PAYABLES

Accounts payable and other payment liabilities comprise the following items:

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Accounts payable	6,653	4,729
Accrued expenses	11,424	8,491
Other current liabilities	8,548	4,692
Total	26,625	17,912

Foreign exchange and liquidity risks are described in Note 20.

NOTE 18 – EARNINGS PER SHARE

The Group presents basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The diluted EPS is calculated by adjusting share capital in issue for additional weighted average number of ordinary shares that are likely to be issued as of the balance sheet date. As of 31 December, 2016 and 2015, the Group had no dilutive shares or dilutive effects on shares.

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Continued operations:		
Net profit from continued operations	(2,055)	805
Majority interests' share of profit	(2,055)	805
Total, majority interests' share of operations	(2,055)	805
Ordinary shares as of 1 January,	69,053,544	69,053,544
Ordinary shares as of 31 December,	69,053,544	69,053,544
Weighted average no. of shares as of 31 December,	69,053,544	69,053,544
Earnings per share:		
Basic	(0.03)	0.01
Diluted	(0.03)	0.01

Aker ASA own 99.5% of the shares in the parent company, Aker BioMarine AS. Remaining shares are owned by the Group's executive management through their fully owned companies. As of 31 December 2016 the number of shares issued was 69 053 544 with a par value of NOK 5.50 per share. All shares carry equal rights and obligations.

Notes to the consolidated financial statements

NOTE 19 – FOREIGN EXCHANGE RATES

In preparing the Group's financial statements, the following exchange rates have been applied:

Country	Denomination		Average exchange rate year ended 31 December, 2016	Exchange rate as of 31 December, 2016	Average exchange rate year ended 31 December, 2015	Exchange rate as of 31 December, 2015
Norway	NOK	1	0.119	0.116	0.124	0.114
European Union (EU)	EUR	1	1.106	1.054	1.109	1.092

The monthly average exchange rates and the exchange rates as of 31 December have been used in translating profit or loss and balance sheet items, respectively. If the monthly average fails to provide a reasonable approximation of the exchange rate to apply to the nominal transaction price, then the exchange rate on the date of the transaction will be applied.

NOTE 20 – FINANCIAL RISK

The Group has exposure to the following financial risks from its ordinary operations; market risk (including foreign exchange rate risk, interest rate risk and bunker risk), credit risk and liquidity risk. To manage these risks, risk management is carried out in order to create predictability and stability for operating cash flows and values. Management can use financial derivatives to hedge against risk relating to operations, financing, and investment activities if the financial derivative has been approved by the board of directors. In 2016 and 2015, the Group did not engage in any hedge accounting.

Credit risk

The Group's main credit risk relates to receivables from customers. Exposure to that risk is monitored on a routine basis and credit evaluations are performed on customers as appropriate. When entering into significant sales contracts, the sales department seeks to reduce credit risk through more stringent payment terms including requirement of up-front payments. The Group has had low losses on receivables as the sales department is maintaining close contact with each customer and by routine billing and cash collection.

The book value of financial assets represents the maximum credit exposure.

Aging profile of accounts receivable and bad debt provisions:

Amounts in thousands of U.S. Dollars	Gross accounts receivable year ended 31 December, 2016	Bad debt provision year ended 31 December, 2016	Gross accounts receivable year ended 31 December, 2015	Bad debt provision year ended 31 December, 2015
Not at maturity	13,768		10,501	
Due within 0–30 days	1,315		1,527	
Due within 31–120 days	551		809	
Due within 121–365 days	1,240		643	
More than one year			38	
Total accounts receivable	16,874		13,518	
Bad debt provision		325		210

The Group's two most significant customers account for USD 3.9 million of the receivables carrying amount at 31 December, 2016 (2015: USD 6.3 million).

Transferred receivables:

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its financial liabilities as they mature. In the past the Group has been dependent on obtaining subordinated debt and equity from the parent company Aker ASA to meet its financial obligations. The Group does not hedge against exposure to interest-rate fluctuations on debt and is therefore exposed to fluctuations on the variable-rate amount of interest-bearing liabilities, which was USD 145 million as of 31 December 2016 (2015: USD 125 million).

Overview of maturities including estimated interest payments by category of liability:

Amounts in thousands of U.S. Dollars	2016 maturity structure — loans and interest						
	Book value year ended 31 December, 2016	Nominal values	Up to 6 month	6–12 months	1–2 years	3–5 years	More than 5 years
Not at maturity	139,841	154,032	8,493	3,861	128,049	4,080	9,549
Due within 0–30 days	20,567	20,567	500	1,000	11,267	7,800	-
Due within 121–365 days	1,334	1,874	90	-	180	270	1,334
More than one year	10,226	10,226	10,226	-	-	-	-
Total accounts receivable	171,968	186,699	19,309	4,861	139,496	12,150	10,883
Due within 121–365 days	26,625	26,625	26,625	-	-	-	-
More than one year	6,693	6,693	-	-	6,505	-	188
Bad debt provision	205,286	220,017	45,934	4,861	146,001	12,150	11,071

Amounts in thousands of U.S. Dollars	2015 maturity structure — loans and interest						
	Book value year ended 31 December, 2015	Nominal values	Up to 6 month	6–12 months	1–2 years	3–5 years	More than 5 years
Secured bank loans	126,608	137,889	3,511	3,630	115,404	4,012	11,332
Other non-current interest bearing liabilities	21,259	22,322	-	22,322	-	-	-
Interest bearing debt, non-current, related parties	1,334	1,334	-	-	-	-	1,334
Overdraft facility	9,104	9,104	9,104	-	-	-	-
Total 2015 maturity of loans and interest on interest-bearing debt	158,305	170,649	12,615	25,952	115,404	4,012	12,666
Accounts payable and other current liabilities	17,912	17,912	17,912	-	-	-	-
Non-current non-interest-bearing liabilities	6,046	6,046	1,417	4,629	-	-	-
Total liabilities	182,263	194,607	31,944	30,581	115,404	4,012	12,666

Notes to the consolidated financial statements

Market risk

i) Foreign exchange risk

The Group operates in a global market and is exposed to currency fluctuations, primarily through fluctuations in the USD, NOK and EUR exchange rates. In addition the Group has operations with exposure to local currencies in Uruguay, Australia and China, but these exposures are regarded minimal. The Group has USD as its presentation and functional currency in the main group companies. The Group has NOK denominated financial instruments, thus the balance sheet is exposed to changes in NOK/USD exchange rate.

The Group seeks to ensure that revenues and expenses are in the same currency. Future cash flows are estimated and offset. The Group periodically assesses the need for foreign currency hedging; entering into foreign currency derivative contracts is generally subject to Board approval. Currency risk is managed on an overall Group level.

The Group's exposure to foreign exchange risk, based on nominal amounts of 1,000 is shown in the table below (all amounts presented in USD):

	Euro		NOK	
	Year ended	Year ended	Year ended	Year ended
	31 December, 2016	31 December, 2015	31 December, 2016	31 December, 2015
Additions – external cost	1,058	71	1,325	108
Asset retirements		463	1,033	965
	218	248	544	499
		(15,590)	-	(15,218)
	(1,470)	(2,920)	(603)	(3,658)
Reclassifications	(272)	(7,479)	-	(1,953)
Acquisition cost as of 31 December, 2016	(466)	(25,207)	2,299	(19,257)
Book value as of 31 December, 2016	(466)	(25,207)	2,299	(19,257)

Sensitivity analysis

A 10% increase or decrease in USD relative to the Euro and the NOK would have reduced or increased the Group's profit before tax with USD 0.05 million and USD 2.5 million, respectively.

ii) Interest rate risk

The Group's borrowings and any surplus cash balances are held at variable and fixed interest rates linked to the Norwegian or London interbank offered rate (NIBOR and LIBOR). A movement of 100 basis points in the interest rate on borrowings and surplus cash balances through the year would have impacted the Groups profit before tax with USD 1.6 million.

Interest rate profile

At the close of the year, the interest rate profile for the Group's interest-bearing financial instruments was as follows:

	Year ended	Effective	Year ended	Effective
	31 December,	interest rate	31 December,	interest rate
	2016	year ended	2015	year ended
		2016		2015
Amounts in thousands of U.S. Dollars				
Fixed-interest instruments				
Secured loans from Innovasjon Norge	(14,343)	5.20 %	(14,206)	5.50 %
Loan from Antarctic Harvesting Holding AS	(1,334)	7.00 %	(1,334)	7.00 %
Net fixed interest	(15,677)		(15,540)	
Floating-interest instruments				
Financial assets				
Cash and cash equivalents	3,506	variable*	2,752	variable*
Long-term interest bearing receivables	-	variable**	4,833	variable**
Short-term interest bearing receivables	-	variable**	10,410	variable**
Financial liabilities				
Secured bank loan – Innovasjon Norge	(1,218)	5.00 %	(1,183)	5.83 %
Secured bank loan – Caterpillar Finance	(4,583)	3.20 %	(6,417)	2.20 %
Secured bank loan – DNB	(119,697)	6.20 %	(104,802)	6.10 %
Liquidity loan from Aker ASA	-		(21,259)	5.50 %
Seller Credit Naturex	(12,767)	2.10 %		
Overdraft facility	(10,226)	variable**	(9,104)	variable**
Net variable interest	(144,985)		(124,770)	
Total interest-bearing debt	(160,662)		(140,310)	

*) different cash and cash equivalents carry different interest rates, as such no effective interest rate has been calculated

**) different loans/ receivables carry different interest rates, as such no effective interest rate has been calculated

iii) Bunker risk

One of the Group's significant operating costs is the bunker cost. As such, the Group is exposed to bunker price fluctuations since the vessels use bunkers as fuel. The profitability and cash flow of the Group will therefore depend upon the market price of bunkers. The Group does not hedge the bunker price risk, but monitor movement in prices closely in order to implement other actions.

Fair values

The fair values quoted in the table below are categorized within the fair value hierarchy, described below, and based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

All fair values using Level 2 valuation techniques are based on discounted cash flow models.

The short-term nature of financial instruments such as cash and bank deposits results in the book value approximating fair value. The same approach applies to receivables and debt associated with the business cycle. Financial assets that are classified as held for sale and financial assets at fair value through profit and loss are recorded at fair value.

Book value and estimated fair value of financial instruments:

Amounts in thousands of U.S. Dollars	Year ended 31 December, 2016		Fair value measurement using
	Book value	Fair value	
Asset carried at amortized cost:			
Assets designated at fair value through profit or loss	1,433	1,433	Level 2
Asset carried at amortized cost:			
Loans and receivables	25,729	25,729	Level 2
Cash and cash equivalents	3,506	3,506	Level 2
Total financial assets	30,668	30,668	
Liability book carried at amortized cost:			
Secured bank loans	(139,841)	(138,773)	Level 2
Other non-current interest bearing liabilities	(20,567)	(20,469)	Level 2
Interest bearing debt, non-current, related parties	(1,334)	(1,334)	Level 2
Overdraft facility	(10,226)	(10,226)	Level 2
Accounts payable and other liabilities	(26,625)	(26,625)	Level 2
Total financial liabilities	(198,593)	(197,427)	

Book value and estimated fair value of financial instruments:

Amounts in thousands of U.S. Dollars	Year ended 31 December, 2015		Fair value measurement using
	Book value	Fair value	
Asset carried at amortized cost:			
Assets designated at fair value through profit or loss	1,585	1,585	Level 2
Asset carried at amortized cost:			
Loans and receivables	34,630	34,630	Level 2
Cash and cash equivalents	2,752	2,752	Level 2
Total financial assets	38,967	38,967	
Liability book carried at amortized cost:			
Secured bank loans	(126,500)	(120,321)	Level 2
Other non-current interest bearing liabilities	(21,259)	(21,259)	Level 2
Interest bearing debt, non-current, related parties	(1,334)	(1,334)	Level 2
Overdraft facility	(9,104)	(9,104)	Level 2
Accounts payable and other liabilities	(17,911)	(17,911)	Level 2
Total financial liabilities	(176,108)	(169,929)	

Capital management

One objective of the group's asset management is to build and maintain financial flexibility to realize its strategic goals. The capital structure should reflect the Group's operational risk, and offer flexibility for potential investments. The Group's liquid funds should be readily available and subject to a conservative investment strategy involving low risk. As a wholly owned subsidiary of Aker ASA, the company has been dependent on financial support relating to fund expansion.

The Group manages its capital structure and makes any necessary modifications based on an ongoing assessment of the financial conditions under which the business operates, and short- to medium term projections. The capital structure is managed through adjustment of dividend payout, issuance of new shares, or repayment or incurrence of new debt, (including subordinated debt from Aker). The company intend to commence payment of regular dividends as soon as it is able; however, the company is in a development and growth phase and thus subject to higher volatility in its net cash flows than a mature company.

Notes to the consolidated financial statements

NOTE 21 – CONTINGENCIES AND LEGAL CLAIMS

The Group recognizes a provision when it has a legal or constructive obligation as a result of a past event, where it is probable that payment or the transfer of other assets will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

With worldwide operations, the Group is involved in disputes in the ordinary course of its business activities. Provisions to cover projected losses arising from such disputes are made to the extent negative outcomes are probable and reliable estimates can be prepared. However, the final outcome of any such dispute is inherently uncertain, and the resulting liability may exceed any provision made. As of 31 December 2016 and 31 December 2015, no provisions were made for legal claims.

NOTE 22 – RELATED PARTIES

The Group's financial statements include the following transactions and intercompany balances with Aker and companies controlled by Aker. Refer to Note 23 for remuneration to key management.

Aker is the controlling shareholder of the Group.

Transactions with Aker and affiliates

Amounts in thousands of U.S. Dollars	Year ended 31 December	
	2016	2015
Office rent, facilities services and IT	(633)	(1,227)
Interest expenses and guarantee fee	(2,591)	(3,039)
Total	(3,224)	(4,266)

The interest expense relates to the interest bearing debt to Aker, refer to Note 15 for details on amounts due as of 31 December 2015. The guarantee fees relates to the guarantee provided from Aker related to the Group's long-term loan with DNB (see Note 16).

Management believes that the services are provided on arms-length principles and conditions. Through its fully owned company Antarctic Harvesting Holding AS, TRG AS, a company in September 2015 subscribed to 555,900 new shares in Aker BioMarine Antarctic AS for a cash consideration of NOK 11 million. Aker BioMarine Antarctic AS is a subsidiary of Aker BioMarine AS. The shares subscribed to constitute a separate share class with rights to an annual preferential dividend of 7 per cent of the invested capital, but with no economic rights to any profits above this level. The structure enables Aker BioMarine to access foreign capital while remaining in compliance with its fishing licenses.

NOTE 23 – SALARIES AND OTHER REMUNERATION TO THE BOARD OF DIRECTORS AND EXECUTIVE MANAGEMENT

Remuneration paid to board members and employee representatives in 2016 totaled USD 19,406 (2015: USD 24,080).

Board remuneration		Year ended 31 December	
Amounts in of U.S. Dollars	Board membership	2016	2015
Ola Snøve	Chairman of the Board	-	-
Gabriella T. Bastiani*	Board member	7,507	-
Bjørn Flatgård*	Board member	11,899	24,080
Kjell-Inge Røkke**	Board member	-	-
Øyvind Eriksen**	Board member	-	-
Frank O. Reite**	Board member	-	-
Frank Grebstad	Employee representative	-	-
Torill Nielsen	Employee representative	-	-
Total		19,406	24,080

*Resigned at annual general shareholder meeting 19 February 2016

** Elected at annual shareholder meeting 19 February 2016

Remuneration paid to the CEO

The CEO is member of the collective pension and insurance plans that cover all employees. The Group uses standard employment contracts; customary terms govern severance pay for the Group CEO in the event of resignation or dismissal. The Group does not offer any share incentive programs for employees. However the Board of Directors has adopted an Executive Management Compensation Program consisting of a short term ("Annual Bonus") and long term ("Value Creation Bonus") incentive scheme. The Annual Bonus is up to 50% of base salary for the CEO. The Annual Bonus is based on specific bonus criteria for each fiscal year. For 2016, 100% of the Annual Bonus is related to EBITDA performance for 2016. Maximum payout is reached if actual EBITDA for 2016 reaches 100% of the 2016 budget EBITDA.

The Value Creation Bonus applies to the five year period 2012–2016. The payable bonus in cash is dependent on the Group's EBITDA for the year 2016. An EBITDA of minimum NOK 250 million for the accounting years 2016 will provide 20% of the maximum payout, linearly increasing to 100% payout ratio for a consolidated EBITDA of NOK 500 million. Based on the achieved EBITDA, see note 2, the company have accrued NOK 8552 064 for the Value Creation Bonus for the CEO at the end of 2016.

The Value Creation Bonus is compensation linked to the financial performance at the end of a five-year period. The eligible executives have all been with the company since the inception of the program. As such, any compensation paid out is a retention bonus for the period.

The CEO may be dismissed upon three months' notice. In the event that the company terminates the employment, the CEO is entitled to three months' severance pay after the end of the notice period. The CEO is covered by the company's collective service pension plan. The pension is capped at a salary of 12 times the National Social Security base amount

Payments to the CEO for the year ended 31 December 2016 and 2015:

Amounts in U.S. Dollars	Year ended 31 December	
	2016	2015
Fixed salary	264,607	223,538
Variable salary (bonus)	85,065	19,412
Other remuneration	2,497	1,708
Net pension cost	9,030	9,403
Total	361,199	254,061

NOTE 24 – GROUP COMPANIES

The consolidated financial statements for the Group in 2016 included the following subsidiaries:

Amounts in of U.S. Dollars	The Group's shareholding in %	The Group's share of voting rights	Administrative headquarters	
			Location	Country
Aker BioMarine Antarctic AS	100	100	Lysaker	Norway
Aker BioMarine Antarctic S.A.	100	100	Nueva Palmira	Uruguay
Aker BioMarine Antarctic US Inc	100	100	Issaquah	USA
Aker BioMarine Antarctic Services AS	100	100	Lysaker	Norway
Aker BioMarine Antarctic Australasia Pty Ltd	100	100	Melbourne	Australia
Aker BioMarine Manufacturing LLC	100	100	Houston	USA
Aker BioMarine Financing LLC	100	100	Houston	USA
Odalson S.A.	100	100	Montevideo	Uruguay
Aker BioMarine US Holding Inc	100	100	Issaquah	USA

The consolidated financial statements for the Group in 2015 included the following subsidiaries:

Amounts in of U.S. Dollars	The Group's shareholding in %	The Group's share of voting rights	Administrative headquarters	
			Location	Country
Aker BioMarine Antarctic AS	100	100	Lysaker	Norway
Aker BioMarine Antarctic S.A.	100	100	Nueva Palmira	Uruguay
Aker BioMarine Antarctic US Inc	100	100	Issaquah	USA
Aker BioMarine Antarctic Services AS	100	100	Lysaker	Norway
Aker BioMarine Antarctic Australasia Pty Ltd	100	100	Melbourne	Australia
Aker BioMarine Production LLC	100	100	Issaquah	USA
Odalson S.A.	100	100	Montevideo	Uruguay
Aker BioMarine US Holding Inc	100	100	Issaquah	USA

NOTE 25 – EVENTS AFTER THE BALANCE SHEET DATE

On 14 February 2017, Aker BioMarine announced that it will build a new krill vessel. The new 130-metre-long vessel will be equipped with the latest and most advanced eco-friendly technology. The vessel is expected to be in operation in the Antarctic for the 2019 harvesting season.

Statement of social performance

for the year ended 31 December

	Note	2016
Society		
Additional servings of salmon from use of Aker BioMarine's QRILL Aqua feed ingredient (millions)	2.1	175
People reached with Aker BioMarine's Superba krill oil products (millions)	2.2	2.3
Number of Omega-3 tests	2.3	1,800
Science to raise Omega-3 awareness (USD)	2.3	910,000
Employees		
Employees (total)	3.1	282
Employee turnover	3.1	9%
Gender balance (ratio women:men)	3.1	23/77
Diversity (No. of nationalities)	3.1	25
Number of Fatalities	3.2	0
Number of Lost time injuries (LTI)	3.2	6
Number of Medical Treatment Cases (MTC)	3.2	4
Employees trained in Compliance and Business Ethics	3.3	72%

Notes to the consolidated social statement

In the consolidated social statement, Aker BioMarine reports on two dimensions of performance: society and employees. Progress is reported on three long term-targets: Improving human health, offering a healthy and engaging working environment and providing assurance that responsible business practices are in place.

The social statement contains additional performance information of strategic importance, such as social impact of our products, employee turnover, diversity and compliance training.

SOCIETY

NOTE 2.1 – ADDITIONAL SERVINGS OF SALMON FROM USE OF QRILL AQUA

The number is estimated based on Aker BioMarine's annual sales of QRILL Aqua and the average added growth in QRILL trials from a Nofima Study showing 10–25% increased growth when Salmon is fed with QRILL Aqua. The total volume added by the use of QRILL Aqua is then divided by the average size of a salmon meal (0.2 kg). Despite the uncertainty, Aker BioMarine assesses this to be the most consistent way of reporting the impact of its products in society.

NOTE 2.2 – PEOPLE REACHED WITH SUPERBA KRILL OIL

The number is estimated based on Aker BioMarine's annual sales of Superba Krill oil and the daily recommended intake of EPA and DHA (500 mg), divided by the number of days in a year. Despite the uncertainty, Aker BioMarine assesses this to be the most consistent way of reporting the impact of its products in society.

NOTE 2.3 – RAISING OMEGA-3 AWARENESS

Number of Omega-3 tests

This number is an estimate of the number of Omega-3 tests Aker BioMarine purchased in relation to the Omega-3 Index project which you can read more about on page 60. By giving people and doctors the opportunity to test their Omega-3 level we are hoping to further raise awareness on Omega-3.

Science to increase Omega-3 awareness

This number is accumulated costs and investments in research studies with the potential and aim to increase awareness of the positive health benefits of Omega-3. One such example is the Rangers study which you can read more about on page 64.

EMPLOYEES

NOTE 3.1 – EMPLOYEES

Number of Employees

The number of employees is recorded as all employees except externals, employees on unpaid leave, interns, bachelor and master thesis employees, and substitutes at year-end.

Employee Turnover

The rate of turnover is measured as the number of employees, excluding temporary employees, who left the Group during the financial year compared with the average number of employees, excluding temporary employees.

Diversity

Diversity at Aker BioMarine is reported as the percentage split by gender among all employees and the number of different nationalities

NOTE 3.2 – HEALTH AND SAFETY

Number of Fatalities

Number of deaths resulting from a work related injury or illness

Number of Lost Time Injuries (LTI)

Work related injury that lead to lost workdays

Number of Medical Treatment Cases (MTC)

Work related injury which does not lead to lost work days but requires medical treatment.

NOTE 3.3 – TRAINING

Number of employees receiving training in compliance and business ethics, both on the ground and online.

Statement of environmental performance

for the year ended 31 December

	Note	2016
Biodiversity		
Aker BioMarine krill catch (tonnes)	2.1	152,190
Sustainability Score Fishery Management (SFP ranking: A, B1, B2, and C)	2.2	A
Funding research on Antarctic ecosystem (USD)	2.3	2,033,000
Relevant certification: MSC	2.4	
Environmental footprint		
CO ₂ emissions from energy consumption (tonnes)	3.1	72,182
CO ₂ emissions from transport (tonnes)	3.1	140,390
Carbon intensity (tCO ₂ /tCatch of krill)	3.1	0.47

Notes to the consolidated environmental statement

In the consolidated environmental statement, Aker BioMarine reports on two dimensions of performance: Biodiversity and Emissions. Progress is reported on three long term-targets: Improving planetary health, reducing our environmental footprint and operating according to the highest standards for sustainability.

The environmental statement contains additional performance information of strategic importance, such as the resource use, condition of krill biomass and emissions.

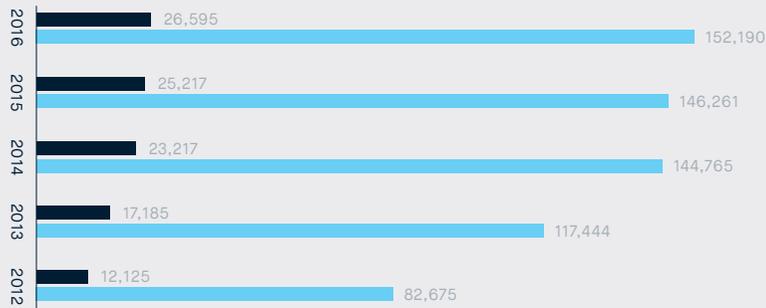
BIODIVERSITY

NOTE 2.1 – AKER BIOMARINE KRILL CATCH

In 2016 Aker BioMarine harvested 152,190 tonnes of Antarctic Krill. In total registered catch for the entire fleet of krill-harvesting companies for the season 2015/2016 (December to December) was 225,646 tonnes according to CCAMLR (The Convention on the Conservation of Antarctic Marine Living Resources).

OFFSHORE OPERATIONS

■ Krill catch ■ Krill meal produced



NOTE 2.2 – “A” RANKING FROM THE SUSTAINABLE FISHERIES PARTNERSHIP

The Sustainable Fisheries Partnership (SFP) acts as Non-governmental organization and independent third party in rating the sustainability of fisheries worldwide. The organization publishes an annual sustainability overview of all reduction fisheries. The fisheries are ranked into four sustainability categories (A, B1, B2, and C) according to scores on FishSource, the SFP public database of fisheries information. The categorization is based on the quality of management (scores 1 to 3) and status of the target stock (scores 4 and 5). While information on the environmental impacts of fishing activities is also captured in the narrative sections of the FishSource fishery profiles, it is not currently captured by the scoring system. The categories, defined within the context of FishSource’s 10-point scoring scale, are:

Categories	Criteria
Category A Very well managed fisheries	Score 8 and above across all FishSource scores
Category B1 Reasonably managed fisheries with stock in good condition	Score \geq 6 across all FishSource scores, and \geq 8 in terms of biomass
Category B2 Reasonably managed fisheries	Score 6 or above across all FishSource scores
Category C Poorly managed fisheries	At least one FishSource score is below 6

In 2016, the krill fishery received an “A” rating by the Sustainable Fishery Partnership as the only reduction fishery in the world with a biomass deemed to be in very good condition.

Notes to the consolidated environmental statement

NOTE 2.3 – FUNDING OF ANTARCTIC ECOSYSTEM RESEARCH

The total expenditure related to research on the Antarctic Ecosystem is calculated from the alternative cost of using our fishing vessels for conducting biomass surveys five days in the fishing season, the grants rewarded by the Antarctic Wildlife Research Fund (AWR), and research projects funded in partnership with educational institutions.

NOTE 2.4 – MSC CERTIFICATION

Aker BioMarine was the first krill fishery to be certified by the Marine Stewardship Council (MSC) in 2010, and was recently recertified for a new five-year period with no conditions. More about MSC and the certification can be found online at www.msc.org

EMISSIONS

NOTE 3.1 – EMISSIONS

CO₂ emissions energy consumption

The amount of CO₂ emissions in scope 1 covers energy consumption at production sites measured in metric tons. CO₂ emissions in scope 2 covers purchased electricity at our factory in Houston, warehouses and offices.

CO₂ emissions transportation

CO₂ emissions in scope 3 covers the transportation of personnel and goods, both carried out by third parties. CO₂ emissions from air travel are calculated by the travel agency. CO₂ emissions from transportation of goods are calculated from shipments registered in our accounting system and covers transport by air, sea and road from production sites and to our warehouses. Emission factors used for the estimate for transportation of goods are submitted by external transportation suppliers.

All CO₂ numbers are calculated according to the GHG Protocol.

Distributing as many products as possible by sea remains a priority for Aker BioMarine, as sea transport reduces both CO₂ emissions and costs.

GLOBAL CO₂ EMISSIONS 2016

Direct emissions (scope 1)

Fishery	64,575
Production Houston	2,082
Total direct carbon emissions Scope 1	66,657

Indirect emissions (Scope 2)

Purchased electricity Factory	5,533
Purchased electricity Warehouses	19
Purchased electricity Offices	12
Total indirect carbon emissions Scope 2	5,564

Total gross emissions (Scope 1 and 2)

72,182

Indirect emissions (Scope 3)

Transport of goods	140,768
Business travel	622
Total indirect carbon emissions Scope 3	141,390

Carbon intensity

Tonne CO₂ per tonne krill caught	0.47
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Oslo, 3 March, 2017

The Board of Directors and CEO of Aker BioMarine AS



Matts Johansen
CEO



Frank Grebstad
Director,
elected by employees



Frank O. Reite
Director



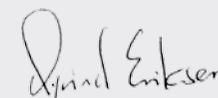
Torill Nielsen
Director,
elected by employees



Ola Snøve
Chairman



Kjell Inge Røkke
Director



Øyvind Eriksen
Director



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To the Board of Directors of Aker BioMarine AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Aker BioMarine AS ("the Company"), which comprise the balance sheet as at 31 December 2016, the statements of profit or loss and statement of other comprehensive income, statement of changes in equity and statements of cash flow for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements are prepared in all material respects, in accordance with Clause 19 in the Revolving Credit Facility Agreement between the Company and DNB Bank ASA ("the contract").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting and Restriction on Use and Distribution

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Company to comply with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Company and DNB Bank ASA and should not be used by or distributed to parties other than the Company or DNB Bank ASA. Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors and the CEO's for the Financial Statements

The Board of Directors and the CEO (management) are responsible for the preparation of the financial statements in accordance with Clause 19 in the Revolving Credit Facility Agreement, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using

Offices in:

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Blindern	Kviteseid	Stavanger	Ålesund



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the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Oslo, 28 March 2017

KPMG AS

Arve Gøvoll
 State Authorised Public Accountant

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