

Simplified notification of a concentration

Aqua Funding (Cayman) LP

acquisition of sole control of

FSV Group AS

16 December 2024

CONTAINS BUSINESS SECRETS

1 CONTACT INFORMATION

1.1 Notifying Party

Name: Aqua Funding (Cayman) LP
Company reg no.: N/A
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1.2 Representative for Notifying Party I

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1.3 Target

Name: FSV Group AS
Company reg no.: 997285239
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1.4 Representative for Target

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2 THE NATURE OF THE CONCENTRATION

The notified concentration concerns the acquisition by Aqua Funding (Cayman) LP ("**Aqua Funding**"), acting by its general partner, Aqua Funding Ltd, an investment fund managed by AIP, LLC ("**AIP**"), of 100 per cent of the shares in FSV Group AS ("**FSV**" or the "**Target**", and together with its subsidiaries, the "**Target Group**"; AIP and FSV jointly the "**parties**") (the "**Transaction**"). The parties signed a share purchase agreement (the "**SPA**") on 14 December 2024.

Exhibit 1: SPA dated 14 December 2024

The Transaction constitutes a concentration within the meaning of Section 17 of the Norwegian Competition Act, as it will result in AIP acquiring sole control over the Target.

As for the rationale for the transaction,



Closing of the Transaction is expected to take place 23 January 2025. The completion of the Transaction is conditional upon clearance by the Norwegian Competition Authority. The Transaction is not notifiable to any other competition authority.

3 DESCRIPTION OF THE UNDERTAKINGS CONCERNED

3.1 Aqua Funding (Cayman) LP

3.1.1 Introduction

As described in section 2 above, Aqua Funding is acting by its general partner, Aqua Funding Ltd, an investment fund managed by the economic group headed by AIP.

AIP is an operationally oriented middle market private equity firm that is distinctively focused on buying and improving industrial businesses with operations in the United States, Canada, and other developed markets. The company has its head office in New York City. AIP manages approximately USD 17 billion of assets under management. AIP is distinctively focused on industrial businesses across end markets that include: aerospace and defense, automotive, building products, capital goods, chemicals, industrial services, industrial technology, logistics, metals & mining, and transportation, among others. AIP looks to generate differentiated returns by investing in quality industrial businesses with strong management teams and working with those teams to implement comprehensive Operating Agendas to build long-term value..

An overview of AIP's current portfolio companies and a description of their business is attached as **Exhibit 2**. Additional information on AIP can be found on its website <https://americanindustrial.com/>.

Exhibit 2: Overview of AIP's current portfolio companies

Of relevance to this notification, are AIP's portfolio company AquaShip AS.

AquaShip AS owns and operates vessels in all five major maritime aqua services, these being service vessels, live-fish carrier vessels (well boats), harvest vessels, utility vessels and fish feed carriers (as further described below). AquaShip AS provides services to salmon farmers, and operate in Norway, the UK, Chile, Canada and Shetland.

- The **service vessels** provide various service missions at fish farming sites, such as installation of nets, towing, transport of site equipment, mooring, diving and inspections and general maintenance and repair. AquaShip AS owns and operates four service vessels, whereas three of these vessels are registered under Canadian flag, and three are registered under the flag of the United Kingdom. AquaShip AS's service vessels varies in size from 13 x 6 m to 24 x 11 m.
- The **live-fish carrier vessels** (well boats) are used to transport live fish (including the transport of smolt to cages, and then the transport of live-fish to processing facilities). They can also be used for grading fish and fresh-water treatment for de-licing and other health treatments. AquaShip AS owns and operates 24 live-fish carriers¹, whereas eleven of these vessels are registered under the Norwegian flag, nine are registered under the Chilean flag and one registered in Canada.

¹ Three of these vessels are currently under construction [REDACTED]

- The **harvest vessels** harvest, stun, kill and bleed the fish on board, and subsequently refrigerate the fish in salt water and further transporting the fish to onshore processing facilities. AquaShip AS owns and operates five harvest vessels, whereas two of these vessels are registered under the Norwegian flag, and three are registered under the flag of the United Kingdom.
- The **utility vessels** combine the feature of a live-fish carrier and a harvest vessel (which also has a “stun and bleed” system installed onboard). AquaShip AS owns and operates two utility vessels, both registered under the Chilean flag.
- The **fish feed carriers** transport fish feed for fish feed manufacturers. Most of the fish feed carriers can also be used to transport raw material during low season. AquaShip AS owns and operates four fish feed carriers, all registered under the Norwegian flag.

3.2 FSV Group AS

FSV was established in 2011 for the purpose of offering professional service vessel services to the aquaculture industry. Such services include setting up new installations, delousing and parasite treatment, inspections and reporting on mooring systems, maintenance of sea installations and infrastructure, towing and relocation of production equipment, diving and other general services to the aquaculture industry. FSV owns a modern fleet of 28 vessels (including orderbook). The vessels include 2 harvest vessels, 1 emergency harvest vessel, 22 premium service vessels and 3 standard service vessels.²

FSV is owned by Lapas AS with 33.5 % ownership, Holta Invest AS with 33.3 % ownership, Pexmar AS with 17.4 % ownership, and Nisja Fish AS with 10.8 % ownership.³

FSV Group is the holding company of five Norwegian subsidiaries and one Canadian subsidiary, listed and described in the following:

- **FSV Rederi AS (100%)**. This subsidiary owns all the Target Group's service vessels with a length above 15 meters except for Enabler II, which is registered in the Canadian ship registry with FSV Services AS as the owner. FSV Rederi is a party to most of the Target Group's charter parties with fish farmers. FSV Rederi is also the buyer of vessels under the Target Group's shipbuilding contracts with shipyards. FSV Rederi does not have any employees.
- **FSV Crewing AS (100 %)**. FSV Crewing's business is to furnish crewing services to [REDACTED]. As of 1 October 2024, FSV Crewing employs 89 seafarers, including part time-employees, temporary employees, apprentices and hired personnel.
- **FSV Services AS (100%)**. FSV Services AS' main business is to provide light-duty services using vessels under 15 metres. FSV Services has no employees.

² For the standard service vessels, two vessels are registered under the Norwegian flag, while one under the Canadian flag. For the premium service vessels fourteen vessels are registered under the Norwegian flag, three vessels under the Canadian flag and one vessel under the British flag. For the harvest vessels there is one vessel under the Canadian flag and one vessel under the British flag. The emergency harvest vessel is under the Norwegian flag. (standard service). The rest of the vessels haven't been registered yet.

³ The remaining shareholding is spread amongst Nisja Fish AS (10.8%), 2MBM AS (1.9%), EB Kapital AS (1.7%), RS Kapital AS (0,6%) and private person André Reppen Solberg (0.59%).

- **Inspectmar AS (100%).** Inspectmar's main business is to provide rental services of the Target Group's remotely operated vehicles for subsea operations. Inspectmar does not have any employees.
- **FSV Management AS (91%).** The main business of FSV Management is to provide crew and management services on vessels operating under contracts with the Target Group's customers. Such services include technical and commercial management, crewing and administrative work inherent to vessel operations. As of 1 October 2024, FSV Management had 174 employees, including part time-employees, temporary employees, apprentices and hired personnel.
- **FSV Services NL (Canada) (100%).** The Canadian entity has operations in Newfoundland and Labrador. The vessels operated by FSV Services NL are owned by FSV Rederi AS and are on intra-group bareboat charters to FSV Services NL. FSV Services NL is the contractual counterparty with the Canadian farmers. FSV Services NL had 34 employees as of 1 October 2024, including four part-time employees.

4 TURNOVER IN NORWAY

Inserted below is an overview of the relevant undertakings' turnover in Norway in the last financial year (2023). The turnover in NOK has been calculated by using the Norwegian Central Bank's average exchange rate for USD⁴ to NOK for 2023.

| Company | Turnover (NOK) |
|--------------------------|----------------|
| AIP | |
| Target Group | |
| Combined turnover | |

5 RELEVANT MARKETS

5.1 Introduction

As described above in section 3, the Target Group and AquaShip AS both provide fish transport services (harvest vessels and well boats) and service vessel services to the aquaculture industry. The parties are not aware of any relevant decisions from the Norwegian Competition Authority, the European Commission or any other competition authority relating to service vessels or harvest vessels.⁵

5.2 Product market definitions

5.2.1 Introduction

As described above in section 3, the Target Group and AquaShip AS both provide fish transport services (harvest vessels and well boats) and service vessel services to the aquaculture industry. The parties

⁴ The average exchange rate for USD to NOK for 2023: 10.5647

⁵ The parties note for completeness that there is one decision adopted in 2001 where the Norwegian Competition Authority analysed the well boats market. However, this decision is not relevant for this Transaction and harvest vessels is a rather recent invention that did not exist in 2001.

are not aware of any relevant decisions from the Norwegian Competition Authority, the European Commission or any other competition authority relating to service vessels or harvest vessels.⁶

As the activities of the parties only overlap worldwide in relation to service vessels and fish transport services it is not necessary for the purpose of this Transaction to conclude on whether the five major maritime aqua services are part of the same product market or whether the market needs to be further segmented.

In the following section we will therefore focus our analysis on a potential market for service vessels and a potential market for the transport of fish from the production facilities to the fish processing facilities.

5.2.2 *Service vessels*

The parties are both providers of service vessel services to the aquaculture industry. The service vessels provide various service missions at fish farming sites, such as installation of nets, transport of site equipment, mooring and general maintenance/inspections.

The vessels are normally contracted to the customers on time charter contracts. Service vessels operate under bareboat or spot contracts. Time charter contracts are set for a specific amount of time (vary from 6 months to 7 years), where the suppliers provide crews and other operating support to its customers. Bareboat contracts are also for a set amount of time but offer none of the other support functions. Spot contracts are for specific jobs rather than a set amount of time. As all players in the market offer the same type of contracts, there is no need to segment the market on the basis of the type of contract chosen by the customers.

Service vessel services can be provided both by premium service vessels and standard service vessels.

Premium service vessels differ from the standard service vessels in some aspects. The premium service vessels' lengths are over 15 meters, with capabilities to perform all service tasks related to for example installations,⁷ towing,⁸ treatment support,⁹ and fallowing.¹⁰ These vessels are equipped with a wide variety of tools, making them multi-purpose and able to execute 24-hour operation.¹¹ The premium service vessels also differ from standard service vessels by having a higher newbuild price per vessel,¹² and longer duration on their time charter contracts.¹³ Since the time charter price is normally a function of the building costs of the ship, the prices paid by customers are higher for premium service vessels. The premium service vessels support fish farmers across the entire lifecycle of a farming site, from installation of the site, to regular inspections and treatment support, to providing fallowing services after a production cycle ends with the replacement or movement of site as the last step.

⁶ The parties note for completeness that there is one decision adopted in 2001 where the Norwegian Competition Authority analysed the well boats market. However, this decision is not relevant for this Transaction and harvest vessels is a rather recent invention that did not exist in 2001.

⁷ Typically including anchoring and mooring of new fish farms.

⁸ Includes towing of large cages and barges over distances requiring large capacity and certification.

⁹ Assistance related to delousing and other treatments like net inspections for instance.

¹⁰ Fallowing includes emptying the cage and disinfecting it, potentially leading to reinstallation elsewhere.

¹¹ Some examples of these tools include a heavy lift crane needed for e.g. installation, winch which are of essence for installations and mooring, cabin necessary to staff crew on 24 hour-operations, and bollard pull enabling heavy work like towing.

¹² 80-180 MNOK against 50-60 MNOK for the standard service vessels.

¹³ Typical time charter contract duration for the premium service vessels are 3-5 years, while for the standard service vessels the duration is 1-2 years.

The standard service vessels are smaller vessels with lower crane and deck capacity, supporting fish farmers in simpler day day-to-day tasks, for example by providing net cleaning, general support and supply and transport of different equipment.

There are some arguments suggesting that premium and standard service vessels constitute separate product markets, primarily due to differences in service offerings and price differences, and thus may not be viewed as substitutable from the customer's perspective. Ultimately, however, the precise market definition can be left open, since the transaction will not give rise to any competition issues under any plausible market definition.

5.2.3 *Transport of fish from the production facility to the fish processing facility*

Both AquaShip AS and the Target Group offer vessels for the transport of fish from the production facility to the fish processing facility (harvest vessels and well boats). As described in section 3, harvest vessels are vessels that stun, kill and bleed the fish on board. The harvest vessels are equipped with a processing line to harvest the fish, storage tanks for fish transportation, and various other equipment to ensure hygienic and safe fish handling.¹⁴ The harvest vessels are used to transport harvested fish from the grow-out sites to the processing facility.¹⁵ Well boats transport live fish in storage tanks, where the fish are killed at the processing facility.

From a demand side perspective, most customers will regard harvest vessels and well boats as substitutes. In the end, harvest vessels and well boats can offer the same service; transporting the fish to land. Moreover, both vessel types have capabilities such as fish tanks, loading and unloading facilities and deck cranes.

While there are some differences between harvest vessels and well boats, for example the fact that harvest vessels slaughter the fish on board and thus can transport more fish per cubic meter¹⁶, in the end the parties see harvest vessels and well boats as clearly substitutable since the service provided by both type of vessels essentially is fish transportation. In this regard it should be noted that well boats are the preferred option for salmon producers to transport their fish. In the North Sea, the parties estimate that there are 103 well boats (incl. 10 under construction), while there are only 19 harvest vessels operating. In the view of the parties, this demonstrates clearly that well boats constitute a viable and efficient alternative to harvest vessels.

On this basis, and for the purpose of this notification, the parties submit that there may be a relevant product market covering at least transport of fish by harvest vessels and well boats. Though ultimately, given the lack of any conceivable negative impact on competition, the precise scope of the relevant product market can be left open. For the sake of good order, the parties will also provide information in relation to a hypothetical (but, in the view of the parties, non-plausible) harvest vessel services segment, in the competitive analysis in section 6.

¹⁴ The harvest vessels include a processing line with stunning equipment and bleeding stations for fish slaughtering, a fish pump and grader to pump fish onboard and thorough grader before processing, fish tank and refrigerated sea water system to store fish during transportation and maintain fish quality, cleaning equipment and offloading system for offloading the fish during delivery to land.

¹⁵ Please note that emergency harvest vessels (FSV has one such vessel) are not substitutable to ordinary harvest vessels as this type of vessel is only used for the purpose of removing weak fish in connection with fish handling operations a completely different function for the customers.

¹⁶ The harvest vessels have the ability to transport the fish tanks with more than six times higher fish density compared to the well boats.

5.3 Geographical market definitions

The parties consider the geographic scope of both product markets to be global in scope. Providers of service vessels and harvest vessels are all capable of offering their services worldwide. There are no significant regulatory barriers that hinder market players from moving their vessels from one jurisdiction to another. Long term time charter agreements also make it profitable to relocate vessels for new time charter contracts. This is evident by the parties' service vessels and fish transportation vessels being spread amongst operations in Norway, Chile, Canada and the UK to mention some and the parties have historically moved vessels from Norway/the UK to Canada and Chile.

If the Norwegian Competition Authority takes the view that the markets are national in scope, the Transaction will not give rise to any horizontal overlaps as the parties' fish transportation vessels and service vessels are operating in different countries.

6 COMPETITIVE ANALYSIS

6.1 Service vessels

As accounted for under the market definition, the parties have no overlapping activities in a potential Norwegian market for the provision of service vessels services. In a potential global market for the provision of service vessels, the parties will have a combined fleet of 29 vessels (25 for FSV and 4 for AquaShip AS), representing a market share of less than 7 per cent¹⁷. If the market is further segmented into premium and standard service vessels, the parties will not have overlapping activities as AquaShip AS does not have any premium service vessels. Even considering a potential national market for standard service vessels, the combined market share of the parties will be less than 2,5 per cent; as the parties have a combined fleet of standard service vessels of 7 vessels and 300-350 standard service vessels are operating in Norway.

On the basis of the parties low combined market shares in a worldwide market and the fact that the parties do not have overlapping activities in Norway, it is clear that the Transaction will not restrict competition within the meaning of the Norwegian Competition Act section 18.

6.2 Vessels for transportation of fish from the production facility to the processing facility

In a global market for transport of fish to the processing facilities, the parties will have a combined market share of approximately 16,8 per cent. There are 163 well boats (incl. 13 under construction) and 21 harvest vessels operating worldwide. Even considering the market as national in scope, the parties will not have overlapping activities (neither AquaShip AS nor FSV has harvest vessels operating in Norway and FSV has no well boats operating in Norway).

With market shares below 20 per cent it is clear that the Transaction will not restrict competition within the market for the transport of fish. The parties will face strong competition from the other market operators of fish transportation vessels post-transaction. For the sake of completeness, the parties note that post-transaction, their market share in a hypothetical (but non-plausible) global segment for harvest vessels only would be 25 per cent (in terms of transport capacity) and that there are other

¹⁷ The parties do not have access to information on the total number of service vessels worldwide. In Norway there are between 365-415 service vessels operating (incl. order book).

market players currently offering the same services (for instance, Napier, Volt Service, Seistar Holding and Sølvrans).

Even though the parties' combined market share in a hypothetical narrow segment for harvest vessels is higher than within the well boat segment, it is clear that the Transaction will not restrict competition within the meaning of the Norwegian Competition Act section 18, not least as (in the view of the parties) there is no plausible basis on which to define harvest vessels as a relevant product market.

Firstly, with a market share of 25 per cent in terms of transport capacity, it is clear that the Transaction will not lead to the creation of a dominant position, cf. section 16 of the Norwegian Competition Act. Moreover, the parties cannot be regarded as closer competitors than other market players operating in the market. All market players offer the same services with the same type of vessels. Secondly, but not least, none of the parties offer harvest vessel services in Norway, clearly demonstrating that the parties' vessels services are not important from a competition law perspective to Norwegian salmon producers. Other operators such as for example [REDACTED] currently offer such services in Norway and will continue to do so after the Transaction. Lastly, the parties' customers are large international salmon producers such as [REDACTED] who all have a significant amount of buyer power. If the parties hypothetically were to try to increase prices post transaction, the customers will be able to switch to other well boats operators or to sponsor the building of new ships (through offering long term time charter contracts).

As for barriers to entry, this is mainly a financial question for market players operating in adjacent markets to the potential harvest vessel service market. The building cost of a new harvest vessel is approximately 500 to 700 million NOK (depending on size) with an expected delivery time of 24-30 months. With long term time charter contracts, such an investment will be profitable for any company wanting to expand their business in the harvest vessel service market, as long as there is a demand for such vessels. The parties expect demand for harvest vessels services to increase in the coming years and it is likely that newbuilds would enter the market.

Further, the parties note that market players not operating in the maritime aqua services markets, in order to enter the market have the possibility to invest financial resources and acquire the necessary know-how to operate in the market by hiring relevant personnel from competitors. Entrants can hire ship designers and get vessels built at reputable ship yards.

On the basis of the above, it can be concluded that the Transaction will not restrict competition within the meaning of section 18 of the Norwegian Competition Act.

7 MOST IMPORTANT COMPETITORS, CUSTOMERS AND SUPPLIERS

The parties' most important competitors, customers and suppliers in the potential market for (a) service vessels, and (b) the supply of fish transportation vessels are listed in the table below.

7.1 Service vessels - worldwide

| Category | AIP (AquaShip) | FSV |
|--------------------|-----------------------|------------|
| Competitors | [REDACTED] | [REDACTED] |

| | |
|------------------|------------|
| Customers | [Redacted] |
| Suppliers | |


7.2 Transport of fish from the production facility to the processing facility - worldwide

| Category | AIP (AquaShip) | FSV |
|--------------------|----------------|-----|
| Competitors | [Redacted] | |
| Customers | | |
| Suppliers | | |

8 EFFICIENCIES

AIP expect the Transaction to generate the following efficiencies:

[Redacted]



Since the transaction does not give rise to any competition concerns, AIP has not quantified the potential efficiencies for the purpose of this notification.

9 THE CONDITIONS FOR SUBMISSION OF A SIMPLIFIED NOTIFICATION ARE MET

As evidenced by sections 5 and 6 above, the parties to the Transaction have combined market shares below 20 per cent in both global markets where the parties have overlapping activities. As such, the Transaction does not give rise to horizontally affected markets. Moreover, the Transaction does not give rise to vertically overlapping markets since there are no vertical relation between the parties. The conditions for submitting a simplified notification pursuant to Section 3(3)(b) and (c) of the Regulation on notification of concentrations between undertakings are therefore fulfilled.

10 ANNUAL REPORTS

The annual reports and annual accounts for American Industrial Partners Capital Fund VII, L.P. and FSV for the latest available fiscal year are submitted as

Exhibit 3: Annual report for American Industrial Partners Capital Fund VII, L.P. for 2023

Exhibit 4: Annual report for FSV Group AS

11 BUSINESS SECRETS

This notification and its annexes contain business secrets, cf. Section 18b of the Competition Act. A proposed non-confidential version of the notification and appurtenant confidentiality claims are submitted as

Exhibit 5: Confidentiality claims

Exhibit 6: Proposed non-confidential version of the notification

Oslo, 16 December 2024

WIKBORG REIN ADVOKATFIRMA AS

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