



# Third quarter report 2010



## Highlights

- **Operating revenues in 3Q were 212.3 MNOK versus 139.8 MNOK last year. Year to date operating revenues were 546.6 MNOK versus 456.5 MNOK last year.**
- **Operating profit was 10.2 MNOK in 3Q compared to 7.4 MNOK in 3Q last year. Last year's figures were positively affected by one-off items amounting to net 6.7 MNOK.**
- **Implementation of measures to reduce costs and improve earnings continues.**
- **The order backlog at the end of 3Q was 270 MNOK versus 203 MNOK at the end of 3Q last year.**

In the comments below on the financial accounts, the 2009 figures are presented in parentheses following the 2010 stated values when included. From the change in the group structure that was implemented in the second half last year with a flatter structure, the group does no longer operate according to the split between the two former operational segments OPTECH and INTECH.



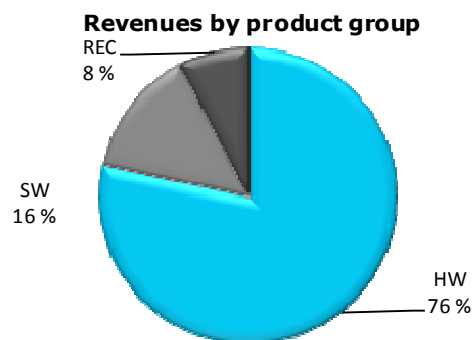
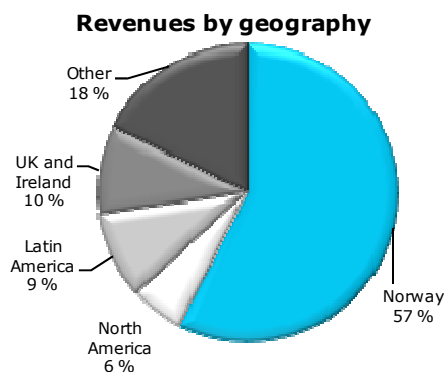
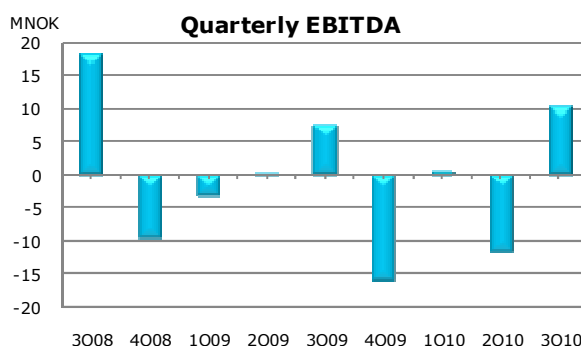
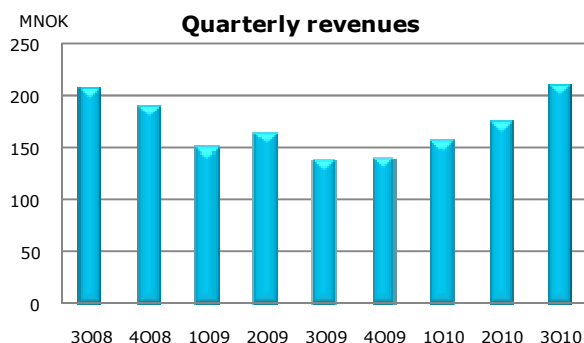
*AKVA group supply technology for complete cage based fish farms.*

## Operations and profit

Operating revenues in 3Q were 212.3 MNOK (139.8 MNOK) with an EBITA of 10.2 MNOK (7.4 MNOK). Last year's figures were positively affected by one-off items amounting to net 6.7 MNOK related to profit from the sale of Surefish 11.7 MNOK and restructuring provisions of 5.0 MNOK. Margins on projects were negatively affected by higher costs on barge, cage projects and product mix. The group continues to work on reducing the cost base as well as improving precision and quality in the deliveries. Focus will be to strengthen AKVA group's position in the established markets and efforts into Asia will be limited towards more selected projects rather than having presence in many markets.

The depreciations in 3Q were 8.1 MNOK (8.0) resulting in an EBIT of 2.1 MNOK (-0.6). Net financial items were -3.7 MNOK (-3.1). The increase is related to currency loss. Profit before tax in 3Q was -1.7 MNOK (-3.7) and net loss -1.5 MNOK (0.4) after allowing for taxes of -0.1 MNOK.

YTD operating revenues were 546.6 MNOK (456.5) with and EBITDA of -1.2 MNOK (4.5). Depreciations and amortizations amounted to 23.2 MNOK (23.7) resulting in an EBIT of -24.4 MNOK (-19.2). YTD profit before tax was -31.7 MNOK (-26.7) after allowing for net financial items of -7.3 MNOK (-7.5). Net profit for the nine months period was -23.1 MNOK (-17.6).



*Hardware includes Cages, barges, feed systems and other technology to operate fish farms, Recirc includes the delivery of systems for recirculation of water in land based farms, Software is software solutions and professional services related to this.*

### Balance sheet and cash flow

Working capital in the group balance sheet, defined as non-interest bearing current assets less non-interest bearing current liabilities was 114.6 MNOK down from 120.0 MNOK from the beginning of the year and down from 127.5 MNOK from end of 3Q last year. Focus is maintained on containing the working capital.

Net interest-bearing debt amounted to 156.4 MNOK at the end of 3Q versus 141.9 MNOK at the beginning of the year. Gross interest bearing debt amounted to 206.5 MNOK versus 200.0 MNOK at the beginning of the year. Cash and unused credit facilities amounted to 65.0 MNOK. Total assets and total equity amounted to 669.1 MNOK and 233.0 MNOK respectively, resulting in an equity ratio of 34.8%.

Investments in the first nine months amounted to 14.2 MNOK whereof 5.3 MNOK is capitalized R&D expenses in accordance with IFRS.

A waiver extending through 4Q 2010 relating to the financial covenants of the major credit facilities and loans was agreed with the company's main bank in 2Q.



*AKVA group supply technology for complete land based fish farms.*

### **Shareholder issues**

Earnings per share for 3Q 2010 were -0.09 NOK (0.02). The calculation is based on 17.222.869 shares average.

In August Mr Knut Molaug stepped down from his position as CEO for AKVA group ASA. There is an ongoing search for a new CEO, meanwhile the CFO Morten Nærland is the acting CEO of the group.

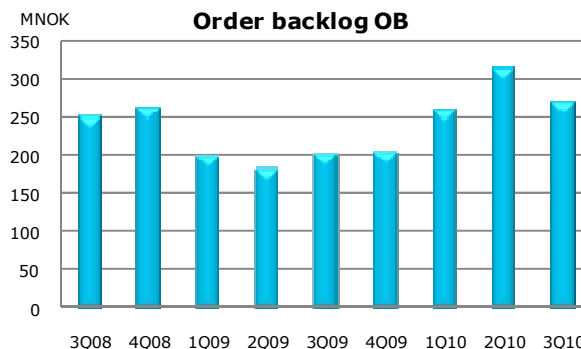
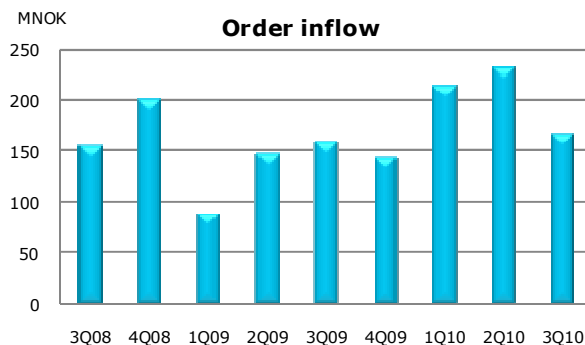
### **Market and future outlook**

The order inflow during 3Q was marked by the holiday season in Norway and the UK although with a recovery seen towards the end of the quarter. The Norwegian salmon farming industry is still enjoying sound salmon prices but to balance the equation there are also challenges as to sea lice situation, disease issues and uncertainty related to the general regulatory framework for the industry. The latter might well contain investments.

During 3Q the incipient recovery of the Chilean market became more evident showing a sound order inflow, also going into 4Q. The other markets also seem to be developing fairly well with a scent of a positive sentiment.

In October AKVA group signed a contract with National Prawn Company in the Kingdom of Saudi Arabia for delivery of a pre-grow-out system for production of Yellowtail Kingfish for a value of 21 MNOK. The contract was part of Letter of Intent that was signed in March 2009 and will be delivered during the first half of 2011.

The order backlog was at the end of 3Q 270 MNOK versus 203 MNOK at the end of 3Q last year. Several projects to improve gross margin and reduce the fixed cost base are ongoing, but the full effect will come through in the first half of 2011.



Oslo, 27 October - 2010  
Board of Directors, AKVA group ASA

  
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Morten Nærland  
CEO

## Main figures from financial accounts

INCOME STATEMENT (NOK 1 000)	2010	2009	2010	2009	2009
	3Q	3Q	YTD	YTD	Total
<b>OPERATING REVENUES</b>	<b>212 321</b>	<b>139 801</b>	<b>546 640</b>	<b>456 465</b>	<b>599 345</b>
Operating costs excluding depreciations	202 126	132 380	547 846	451 940	610 872
<b>OPERATING PROFIT BEFORE DEPRECIATIONS (EBITDA)</b>	<b>10 195</b>	<b>7 421</b>	<b>-1 206</b>	<b>4 524</b>	<b>-11 527</b>
Depreciation	8 123	8 043	23 163	23 674	30 866
<b>OPERATING PROFIT (EBIT)</b>	<b>2 072</b>	<b>-622</b>	<b>-24 369</b>	<b>-19 150</b>	<b>-42 392</b>
Net interest expense	-3 211	-3 270	-8 424	-7 525	-8 781
Other financial items	-534	196	1 079	6	-830
Net financial items	-3 745	-3 074	-7 345	-7 519	-9 611
<b>PROFIT BEFORE TAX</b>	<b>-1 673</b>	<b>-3 696</b>	<b>-31 714</b>	<b>-26 669</b>	<b>-52 003</b>
Taxes	-146	-4 111	-8 577	-9 091	-12 875
<b>NET PROFIT</b>	<b>-1 527</b>	<b>415</b>	<b>-23 137</b>	<b>-17 578</b>	<b>-39 128</b>
Earnings per share	-0,09	0,02	-1,34	-1,02	-2,27
Average number of shares outstanding (in 1 000)	17 223	17 223	17 223	17 223	17 223

BALANCE SHEET (NOK 1 000)	2010	2009	2009
	30.9.	30.9.	31.12.
Intangible fixed assets	239 383	244 385	243 920
Fixed assets	37 947	44 489	39 071
Long-term financial assets	983	1 069	1 069
<b>FIXED ASSETS</b>	<b>278 314</b>	<b>289 943</b>	<b>284 061</b>
Stock	139 106	121 667	116 248
Trade receivables	174 999	127 132	125 391
Other receivables	26 523	18 416	27 477
Cash and cash equivalents	50 108	51 569	58 161
<b>CURRENT ASSETS</b>	<b>390 737</b>	<b>318 784</b>	<b>327 277</b>
<b>TOTAL ASSETS</b>	<b>669 050</b>	<b>608 727</b>	<b>611 338</b>
Paid in capital	267 087	267 087	267 087
Retained equity	-34 136	11 679	-10 447
<b>TOTAL EQUITY</b>	<b>232 951</b>	<b>278 766</b>	<b>256 640</b>
Other long term debt	3 614	9 083	5 561
Long-term interest bearing debt	141 946	102 394	150 651
<b>LONG-TERM DEBT</b>	<b>145 559</b>	<b>111 477</b>	<b>156 212</b>
Short-term interest bearing debt	64 545	78 768	49 364
Other current liabilities	225 995	139 715	149 123
<b>SHORT-TERM DEBT</b>	<b>290 540</b>	<b>218 483</b>	<b>198 487</b>
<b>TOTAL EQUITY AND DEBT</b>	<b>669 050</b>	<b>608 727</b>	<b>611 338</b>

<b>CHANGES IN EQUITY</b> (NOK 1000)	2010 3Q	2009 3Q	2010 YTD	2009 YTD	2009 Total
Book equity at the beginning of the period	233 925	293 615	256 640	309 595	309 595
The period's net profit	-1 527	415	-23 137	-17 578	-39 128
Gains/(losses) on cash flow hedges (fair value)	983	381	-1 233	767	20
Dividend	-	-	-	-	-
Change in pension liability recorded against equity	-	-	-	-	1 005
Recording of option agreement	-	-	-	-	-223
Translation differences	-430	-15 645	680	-14 018	-14 630
Book equity at the end of the period	232 951	278 766	232 951	278 766	256 640

<b>CASH FLOW STATEMENT</b> (NOK 1000)	2010 3Q	2009 3Q	2010 YTD	2009 YTD	2009 Total
Net cash flow from operational activities	4 340	15 797	-327	35 486	32 656
Net cash flow from investment activities	-4 633	-1 742	-13 534	-17 688	-24 095
Net cash flow from financial activities	-4 035	-13 721	5 807	-14 112	1 717
Net cash flow	-4 327	334	-8 053	3 685	10 277
Cash and cash equivalents at the beginning of the period	54 436	51 235	58 160	47 883	47 883
Cash and cash equivalents at the end of the period	50 108	51 569	50 108	51 569	58 160

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