



**Quarterly report**  
Nr 3 – 2011

## Third quarter report 2011



## Highlights

- **Operating revenues in Q3 was 226.7 MNOK compared to 212.3 in Q3 last year – an increase of 6.8%**
- **EBITDA in Q3 was 22.0 MNOK compared to 10.2 MNOK in Q3 last year - up 11.8 MNOK**
- **EBIT was 13.8 MNOK versus 2.1 in Q3 last year - up 11.7 MNOK**
- **Order backlog at the end of Q3 was 260 MNOK versus 270 MNOK at the end of Q3 last year**
- **Uncertainty in regards to effect of low salmon prices especially in Norway, but activity level in Chile expected to stay high into 2012**
- **Still strong focus on operational improvements and costs**

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

AKVA group is organized into three business segments; Hardware (HW): Includes cages, barges, feed systems and other technology to operate fish farms, Recirculation (RAS): Includes the delivery of land based farms based on recirculation technology, Software (SW): includes software solutions and professional services related to this.

### Operations and profit

Operating revenues in Q3 were 226.7 MNOK (212.3) with an EBITDA of 22.0 MNOK (10.2). EBIT was 13.8 MNOK (2.1). The overall business volume is comparable to last year, but margins are significantly higher. The measures implemented last year has a positive effect in current year's earning.

Net financial costs were in Q3 2.6 million (3.7), resulting in a profit before tax of 11.2 MNOK (-1.7). Net profit was 8.1 MNOK (-1.5) after allowing for taxes of 3.1 MNOK (-0.1).

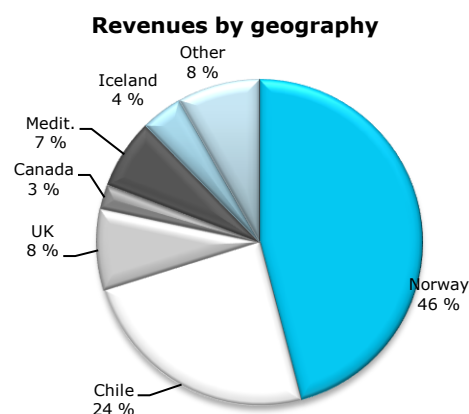
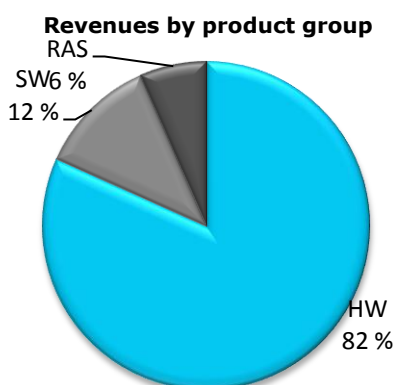
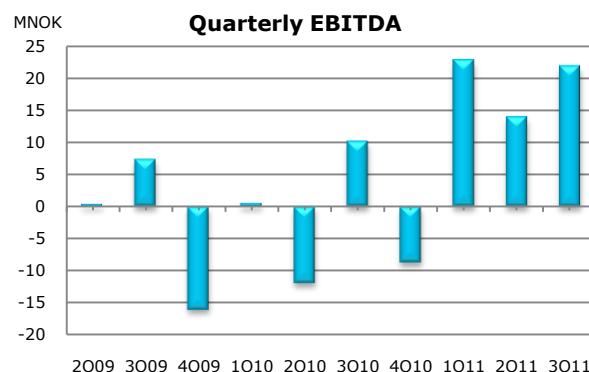
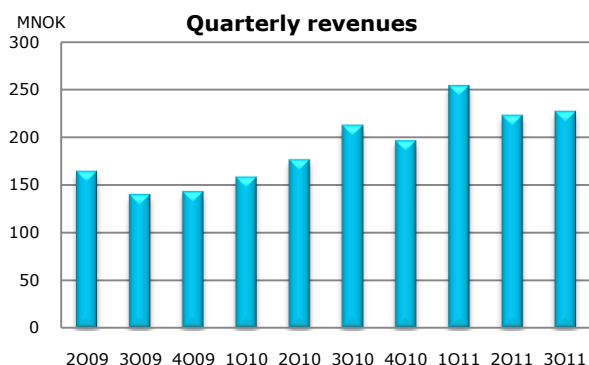
YTD operating revenues were 702.6 MNOK (546.6) with an EBITDA of 58.8 MNOK (-1.2). YTD EBIT was 34.8 MNOK (-24.4). Net financial cost in the three first quarters of 2011 was 8.2 MNOK (7.3). Profit before tax for the first nine months was 26.6 MNOK (-31.7). YTD net profit was 20.5 MNOK (-23.1).

### Hardware (HW)

HW had revenues in Q3 of 190.6 MNOK (173.8). EBITDA was 22.9 MNOK (10.5) resulting in an EBITDA margin of 12.0% (6.0%). EBIT in Q3 was 16.7 MNOK (5.2) representing an EBIT margin of 8.8% (3.0%).

3<sup>rd</sup> quarter was marked by stability in revenue generation from the segment supported by growth and high activity in Chile who experienced over 300% growth in the revenue level from Q3 last year.

YTD revenues for HW were 573.9 MNOK (428.5) with an EBITDA of 58.6 MNOK (14.1). EBIT was 40.8 MNOK (-0.4) after depreciations of 17.8 MNOK (14.5).



### Software (SW)

Operating revenue for SW in Q3 was 25.1 MNOK (24.8). The EBITDA was in Q3 3.6 MNOK (3.6) resulting in an EBITDA margin of 14.3% (14.5%). EBIT was in Q3 2.0 MNOK (1.2) representing an EBIT margin of 8.0% (4.8%).

In Norway the market for software and professional services has remained fairly good with healthy earnings in the quarter. Maritech in Iceland still remained slow, but profitable, due to the slow economy caused by the financial crisis.

YTD operating revenues were 82.4 MNOK (76.3) with an EBITDA of 9.8 MNOK (6.6). EBIT was 4.7 MNOK (-1.1) after depreciation of 5.2 MNOK (7.7).

### Recirculation (RAS)

RAS had operating revenues in Q3 of 11.0 MNOK (13.8) with an EBITDA of -4.6 MNOK (-3.9). The Q3 EBIT was -4.9 MNOK (-4.4).

With the recent cost reduction measures and tuning, the RAS segment is positioned for future profitable growth. The financial risk is reduced at the same time as it is a growing interest for recirculation technology for the production of smolt. This is expected to result in higher volume and improved earnings from 2012 onwards.

YTD operating revenues were 46.2 MNOK (41.8) and YTD EBITDA was -9.7 MNOK (-21.8). The YTD EBIT was -10.6 MNOK (-22.8).

### Balance sheet and cash flow

The working capital in the group balance sheet, defined as non-interest bearing current assets less non-interest bearing current liabilities was 185.6 MNOK, up from 101.6 MNOK from the beginning of the year. The increase is related to the higher business volume especially in Chile.

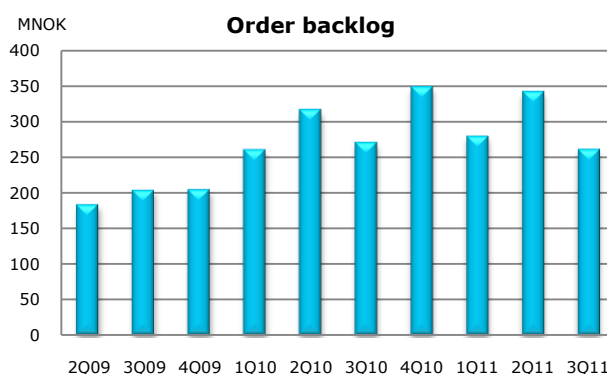
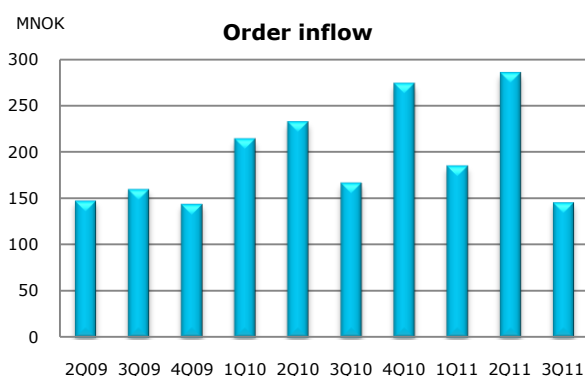
Net interest-bearing debt ended at 126.0 MNOK at the end of Q3 compared to 85.8 MNOK at the end of Q2. Gross interest bearing debt was at the end of Q3 167.1 MNOK versus 152.6 MNOK at the end of Q2. Cash and unused credit facilities amounted to 84.5 MNOK. Total assets and total equity amounted to 744.9 MNOK and 326.6 MNOK respectively, resulting in an equity ratio of 43.8%.

Investments in Q3 amounted to 5.0 MNOK of which 2.0 MNOK was capitalized R&D expenses in accordance with IFRS. YTD investments were 18.1 MNOK and 7.4 in capitalized R&D expenses.

AKVA group was in compliance with the financial covenants for the credit facilities at the end of Q3.

### Shareholder issues

Earnings per share for Q3 2011 were 0.31 NOK (-0.09). The calculation is based on 25,834,303 (17,222,869) shares average.





### **Market and future outlook**

The salmon prices fell significant to low levels during Q3. Market fundamentals in the salmon market are therefore subject to higher uncertainty, especially in the Norwegian market. For AKVA group, the Chilean market has developed strong also during Q3 both in terms of revenues and order inflow. This high activity level in Chile is expected to continue into 2012.

For the group the order backlog at the end of Q3 was 260 MNOK (270). The order inflow in Q3 was 146 MNOK (167).

AKVA group continues its focus on improving operations, project management and cost control. Focus is also given to development of service and aftermarket in order to increase relative portion of recurring business, less subject to CAPEX variations by our customers.

Q4 normally has lower activity due to seasonality, especially in the Norwegian cage segment.

With the share issue in place AKVA group has regained the financial position to play a leading role as technology partner in the aquaculture industry. AKVA group will invest in its own product portfolio to improve customer satisfaction.

### **Statement from the Board and Chief Executive Officer**

We confirm that, to the best of our knowledge, the condensed set of financial statements for Q3 2011, which have been prepared in accordance with IAS 34 Interim Financial Statements gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Bryne, 28 October - 2011  
Board of Directors, AKVA group ASA



Amund Skarholt  
Chairperson



Anne Breiby  
Deputy Chairperson



Frode Teigen



Thorhild Widvey



Thore Michalsen



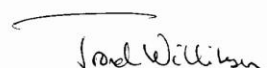
Tore Obrestad



Steinar Mykløy



Kjell Arne Corneliusen



Trond Williksen  
CEO

## Main figures from financial accounts

INCOME STATEMENT		2011	2010	2011	2010	2010
(NOK 1000)		3Q	3Q	YTD	YTD	Total
<b>OPERATING REVENUES</b>		<b>226 742</b>	<b>212 321</b>	<b>702 581</b>	<b>546 640</b>	<b>742 521</b>
Operating costs ex depreciations		204 791	202 126	643 804	547 846	752 436
<b>OPERATING PROFIT BEFORE DEPR.(EBITDA)</b>		<b>21 951</b>	<b>10 195</b>	<b>58 777</b>	<b>-1 206</b>	<b>-9 915</b>
Depreciation		8 168	8 123	23 949	23 163	31 029
<b>OPERATING PROFIT (EBIT)</b>		<b>13 783</b>	<b>2 072</b>	<b>34 828</b>	<b>-24 369</b>	<b>-40 944</b>
Net interest expense		-2 935	-3 211	-9 173	-8 424	-11 983
Other financial items		313	-534	988	1 079	2 037
Net financial items		-2 622	-3 745	-8 185	-7 345	-9 946
<b>PROFIT BEFORE TAX</b>		<b>11 162</b>	<b>-1 673</b>	<b>26 643</b>	<b>-31 714</b>	<b>-50 890</b>
Taxes		3 092	-146	6 165	-8 577	-13 254
<b>NET PROFIT</b>		<b>8 070</b>	<b>-1 527</b>	<b>20 479</b>	<b>-23 137</b>	<b>-37 637</b>
Earnings per share		0,31	-0,09	1,02	-1,34	-2,19
Average number of shares outstanding (in 1 000)		25 834	17 223	20 093	17 223	17 223
<b>BALANCE SHEET</b>				<b>2011</b>	<b>2010</b>	<b>2010</b>
(NOK 1000)				<b>30.9.</b>	<b>30.9.</b>	<b>31.12.</b>
Intangible fixed assets				205 444	210 571	215 946
Fixed assets				39 613	37 947	41 607
Long-term financial assets				23 771	29 796	39 418
<b>FIXED ASSETS</b>				<b>268 827</b>	<b>278 314</b>	<b>296 971</b>
Stock				178 759	139 106	157 677
Trade receivables				216 320	174 999	177 796
Other receivables				39 873	26 523	19 601
Cash and cash equivalents				41 114	50 108	43 159
<b>CURRENT ASSETS</b>				<b>476 065</b>	<b>390 737</b>	<b>398 234</b>
<b>TOTAL ASSETS</b>				<b>744 893</b>	<b>669 050</b>	<b>695 205</b>
Paid in capital				355 549	267 087	267 087
Retained equity				-28 948	-34 136	-39 526
<b>TOTAL EQUITY</b>				<b>326 601</b>	<b>232 951</b>	<b>227 561</b>
Other long term debt				1 825	3 614	2 418
Long-term interest bearing debt				116 691	141 946	134 463
<b>LONG-TERM DEBT</b>				<b>118 517</b>	<b>145 559</b>	<b>136 882</b>
Short-term interest bearing debt				50 455	64 545	77 268
Other current liabilities				249 321	225 995	253 495
<b>SHORT-TERM DEBT</b>				<b>299 776</b>	<b>290 540</b>	<b>330 762</b>
<b>TOTAL EQUITY AND DEBT</b>				<b>744 893</b>	<b>669 050</b>	<b>695 205</b>
<b>CHANGES IN EQUITY</b>				<b>2011</b>	<b>2010</b>	<b>2010</b>
(NOK 1000)				<b>3Q</b>	<b>3Q</b>	<b>Total</b>
Book equity at the beginning of the period		319 023	233 925	227 561	256 640	256 640
The period's net profit		8 070	-1 527	20 479	-23 137	-37 637
Capital increase		-	-	94 726	-	-
Share issue costs		-	-	-6 264	-	-
Gains/(losses) on cash flow hedges (fair value)		-53	983	-	-1 233	-558
Utbytte/Dividend		-	-	-	-	-
Change in pension liability recorded against equity		-	-	-	-	47
Recording of option agreement		-	-	-	-	162
Translation differences		-439	-430	-9 901	680	8 906
Book equity at the end of the period		326 601	232 951	326 601	232 951	227 561

<b>CASH FLOW STATEMENT</b>	2011	2010	2011	2010	2010
(NOK 1000)	3Q	3Q	YTD	YTD	Total
Net cash flow from operational activities	-47 590	4 340	-38 765	-327	-793
Net cash flow from investment activities	-4 990	-4 633	-17 733	-13 534	-23 175
Net cash flow from financial activities	26 869	-4 035	54 453	5 807	8 966
Net cash flow	-25 711	-4 327	-2 046	-8 053	-15 002
Cash and cash equivalents at the beginning of the period	66 825	54 436	43 159	58 160	58 160
Cash and cash equivalents at the end of the period	41 114	50 108	41 114	50 108	43 159
<b>BUSINESS SEGMENTS</b>					
(NOK 1000)	2011	2010	2011	2010	2010
	3Q	3Q	YTD	YTD	Total
<b>HARDWARE</b>					
<b>OPERATING REVENUES</b>	190 588	173 771	573 947	428 517	574 480
Operating costs ex depreciations	167 683	163 252	515 370	414 438	557 631
<b>OPERATING PROFIT BEFORE DEPRECIATIONS (EBITDA)</b>	22 904	10 519	58 577	14 079	16 849
Depreciation	6 188	5 282	17 817	14 516	19 723
<b>OPERATING PROFIT (EBIT)</b>	16 717	5 237	40 760	-437	-2 874
<b>SOFTWARE</b>					
<b>OPERATING REVENUES</b>	25 131	24 750	82 411	76 300	106 075
Operating costs ex depreciations	21 522	21 135	72 573	69 739	97 075
<b>OPERATING PROFIT BEFORE DEPRECIATIONS (EBITDA)</b>	3 609	3 615	9 838	6 561	9 000
Depreciation	1 657	2 378	5 181	7 690	10 035
<b>OPERATING PROFIT (EBIT)</b>	1 951	1 237	4 657	-1 128	-1 034
<b>RAS</b>					
<b>OPERATING REVENUES</b>	11 023	13 799	46 223	41 823	61 966
Operating costs ex depreciations	15 610	17 738	55 885	63 669	97 731
<b>OPERATING PROFIT BEFORE DEPRECIATIONS (EBITDA)</b>	-4 587	-3 940	-9 663	-21 846	-35 765
Depreciation	323	463	951	957	1 272
<b>OPERATING PROFIT (EBIT)</b>	-4 910	-4 403	-10 613	-22 803	-37 037



**AKVA group ASA,**  
Nordlysvn.4  
P.O. Box 271,  
N-4349 Bryne  
Norway

Tel +47 51 77 85 00.  
Fax +47 51 77 85 01.

E-mail: [info@akvagroup.com](mailto:info@akvagroup.com)  
[www.akvagroup.com](http://www.akvagroup.com)

**Other AKVA group offices:**

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AKVA group, Trondheim	Tel (+47) 73 84 28 00
AKVA group, Brønnøysund	Tel (+47) 75 00 66 00
AKVA group, Sandstad	Tel (+47) 72 44 11 00
AKVA group, Mo i Rana	Tel (+47) 75 13 95 00
AKVA group, Averøy	Tel (+47) 71 51 73 00
AKVA group, Denmark	Tel (+45) 755 13 211
AKVA group Chile, Puerto Montt.	Tel (+56) 65 250 250
AKVA group UK, Inverness.	Tel (+44) 1463 221 444
AKVA group North America, Campbell River, Canada	Tel (+1) 250 286 8802
AKVA group North America, Halifax, Canada	Tel (+1) 902 482 2663
AKVA group Turkey, Bodrum	Tel (+90) 252 374 6434

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