

# Annual General Meeting

AKVA group ASA

Egersund, 7<sup>th</sup> May 2020



1. Opening of the annual general meeting by the Chairman of the Board and registration of shareholders present

2. Election of chair of the meeting and a person to co-sign the minutes along with the meeting chair

### 3. Approval of the notice to the meeting and the agenda

## 4. Ordinary agenda items

### 4.1. Presentation of business activities by Group chief executive Knut Nesse

# Presentation of Business Activities

Annual General Meeting

AKVA group ASA

Egersund, 7<sup>th</sup> May 2020

Knut Nesse



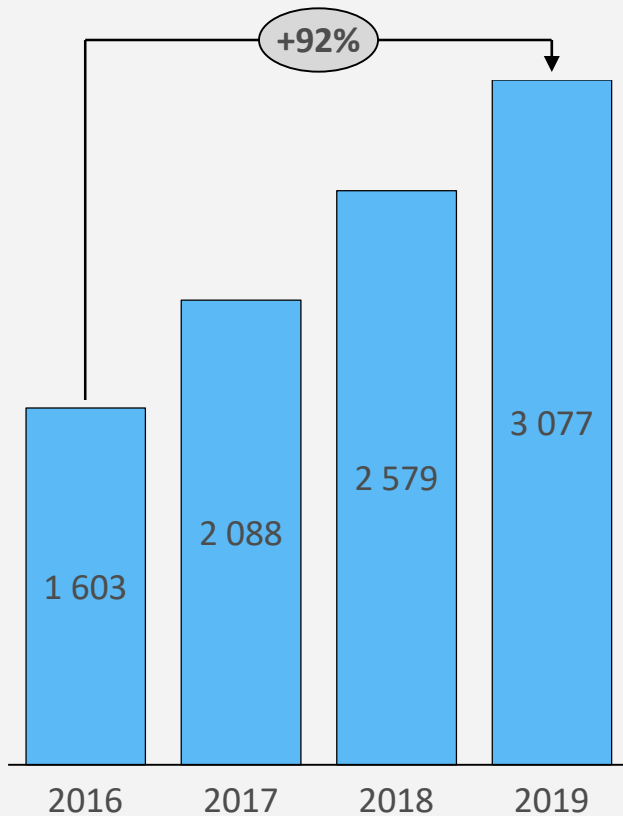
## Highlights 2019



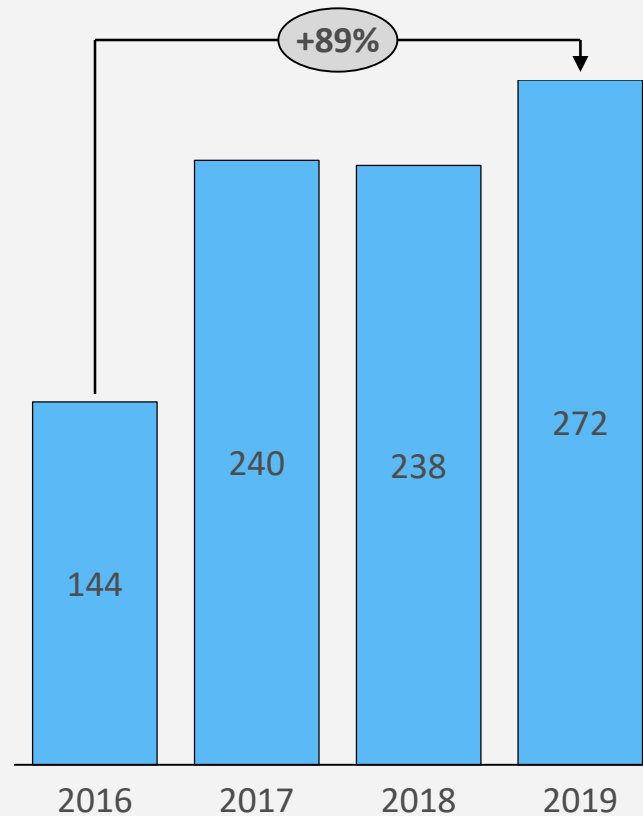
- Order intake of MNOK 4,014 in 2019, compared to MNOK 2,555 in 2018
- Revenue in 2019 of MNOK 3,077 – a 19% increase compared to revenue in 2018
- Net profit in 2019 of MNOK 17 – a decrease from MNOK 89 in net profit in 2018
- Dividend of 1.75 NOK per share paid out in March 2019 (0.75 NOK) and September 2019 (1.00 NOK)
- Order backlog end of 2019 of MNOK 2,294
- Divestment of Wise lausnir ehf resulting in a net gain of 18 MNOK
- Significant barge contract agreed with Australis Mar in Chile
- Major land based contract awarded by Svaberget Smolt AS of approximately MNOK 300

# Operational leverage and profitable growth

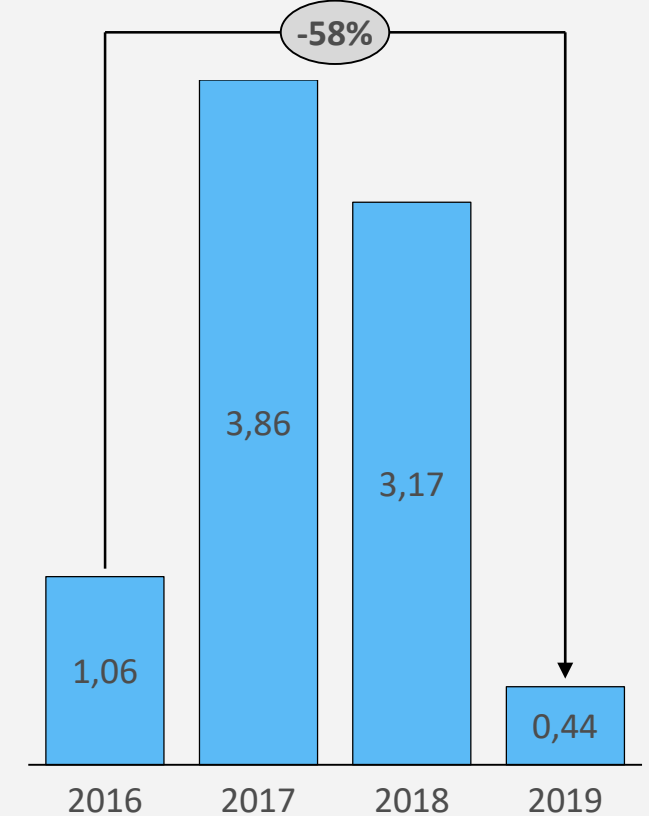
Revenue



EBITDA



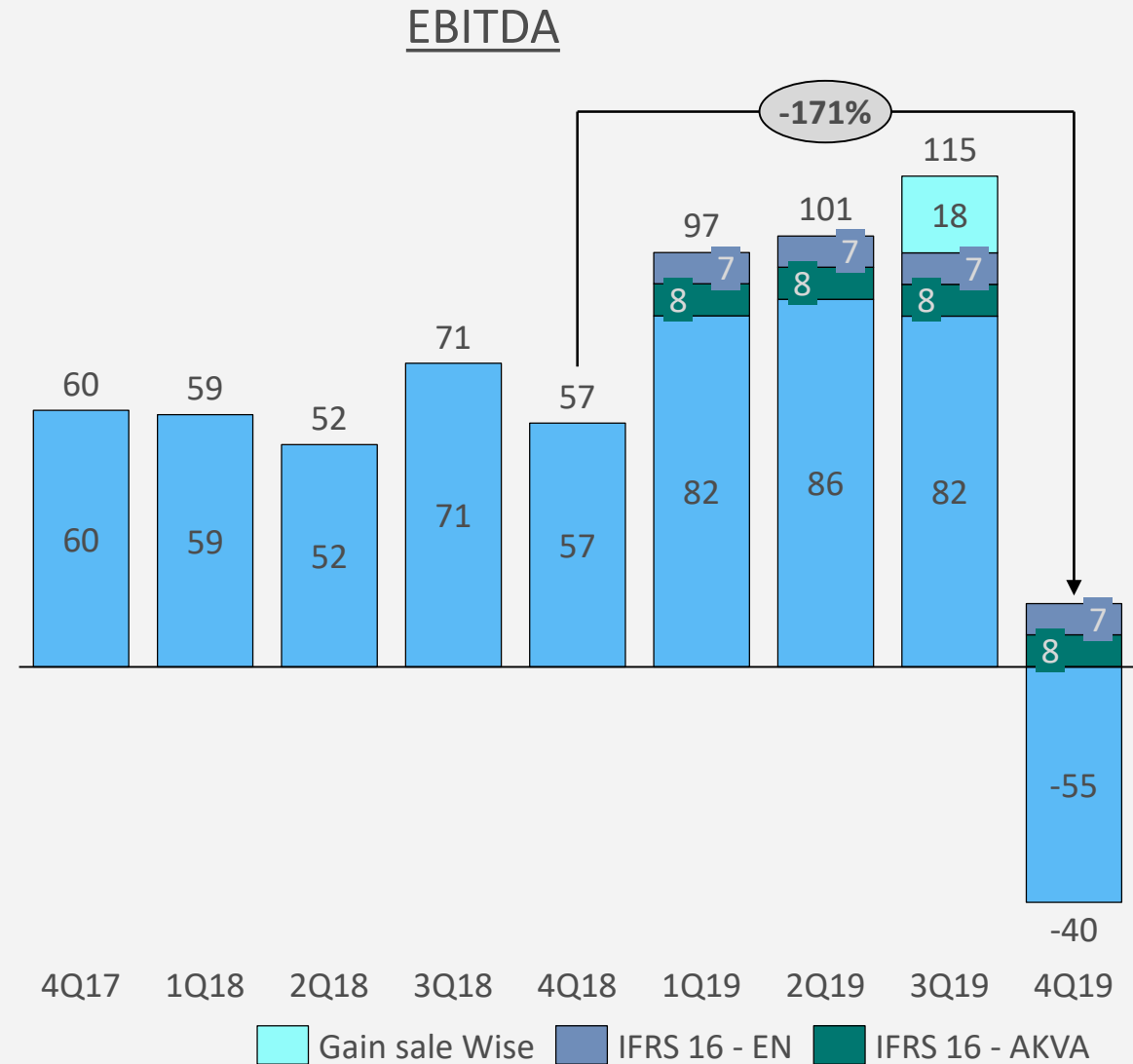
EPS





# EBITDA development

- EBITDA of minus 40 MNOK in the quarter, including 15 MNOK in effect of reclassification due to IFRS 16 (leases)
- The software business sold in 2019 was included with 5 MNOK in Q4 2018
- Americas has improved EBITDA margins compared to last year, although absolute contribution in the period is down.
- The Nordic CBT segment (excluding Egersund Net) is improved in the quarter with good performance in Sperre and AMS
- The activity in Egersund Net has been low compared to LY, with effect on absolute and relative EBITDA
- The results in the quarter are impacted by certain exceptional items which are further described on the next slides



# Exceptional items in Q4

- ✓ Profit warning sent January 20<sup>th</sup> as preliminary Q4 numbers was poor compared to expectations:
  - ✓ Exceptional high guarantee costs within the Nordic Cage based segment
  - ✓ Several projects within cage based with cost overruns
  - ✓ Bad debt and claims within the Land Based segment
  - ✓ Write off of control system modules to be phased out
  - ✓ The above is estimated to around 55 MNOK – around 25% related to Land Based and the rest to Cage Based.
  - EBIT expectations for Q4 after this was negative with 25-30 MNOK
- ✓ Year-end closing procedures uncovered significant losses in Land Based projects, new profit warning sent February 7<sup>th</sup>
  - ✓ Losses not accounted for fully during the year – all projects in Danish subsidiaries revisited
  - ✓ Approximately 72 MNOK in additional losses
  - EBIT after this for Q4 negative with 106 MNOK

# Review of Land Based activities

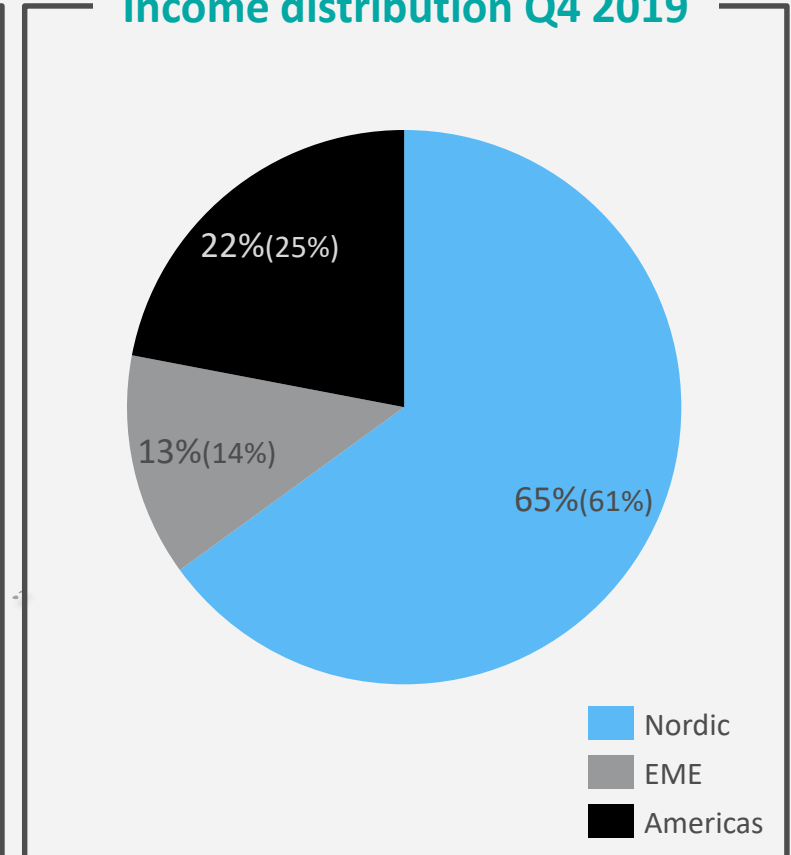
- ✓ What happened and why
  - ✓ Late awareness of cost overruns in projects
  - ✓ Incorrect financial recognition from project accounting
- ✓ Actions in progress
  - ✓ Third party evaluation of project management competence
  - ✓ Strengthening the organization with new positions
- ✓ Evaluation of margin in order backlog
  - ✓ New generation of projects being started
  - ✓ Project execution capabilities will be strengthened
  - ✓ Improved engineering and known technology
  - ✓ Improved risk management
  - ✓ Pricing of all larger projects reviewed – normal margins expected

# Our presence

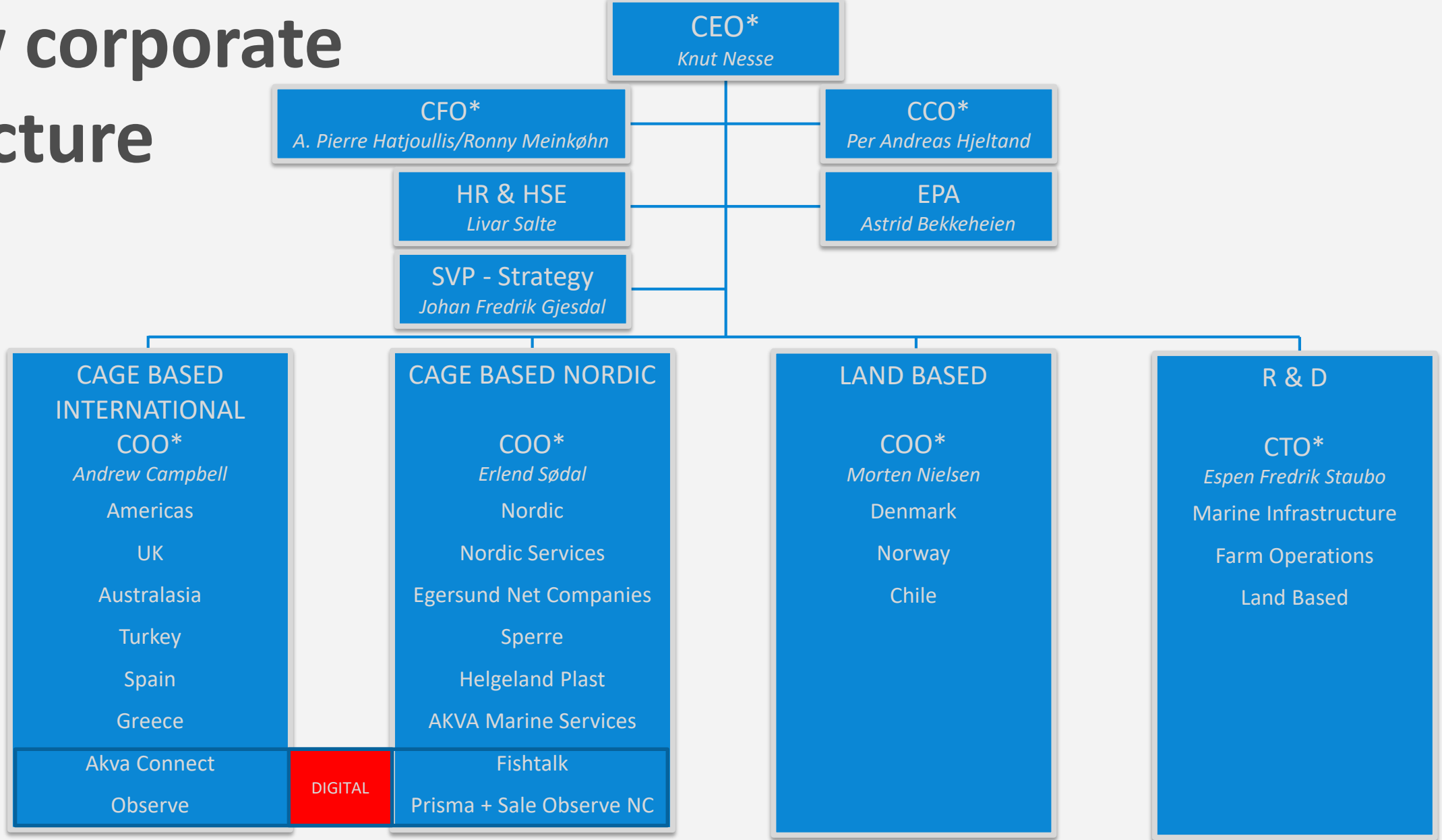
## AKVA group's geographical regions



## Income distribution Q4 2019



# New corporate structure



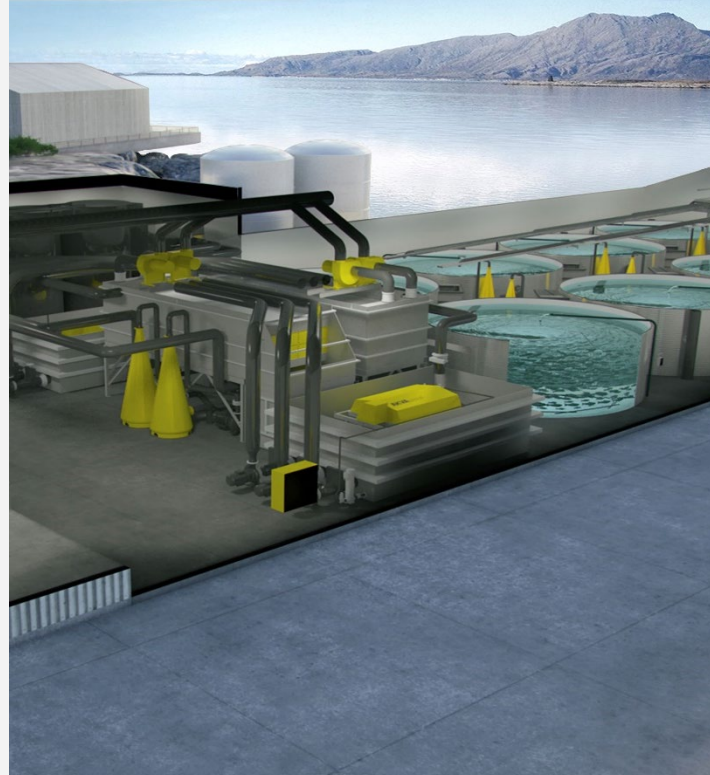
\* Part of Group Management Team

# Solutions

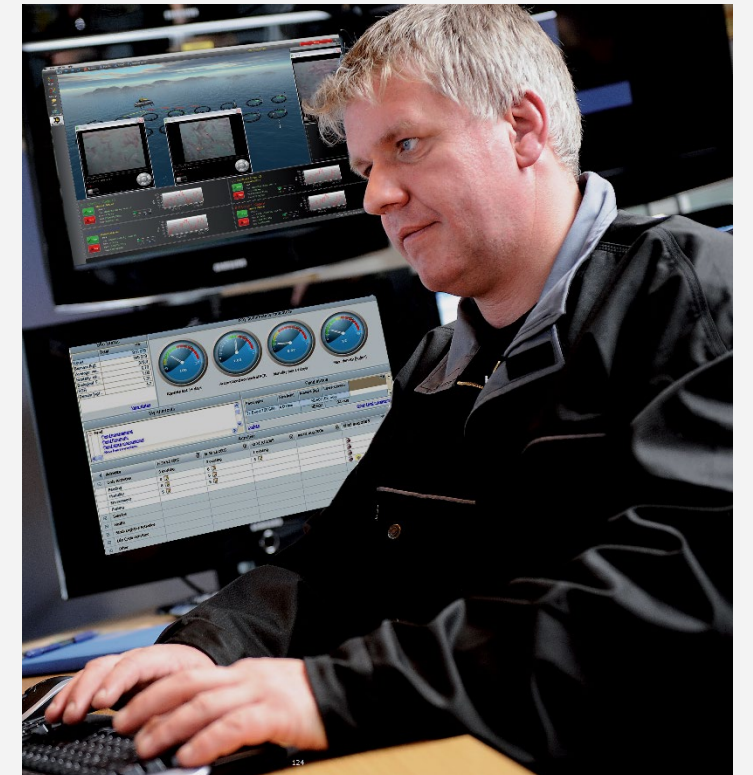
## Cage Based Technology



## Land Based Technology



## Software





CAPEX Based Revenue

CAGE BASED TECHNOLOGY



LAND BASED TECHNOLOGY



**SOFTWARE:** Fishtalk  
AKVAconnect  
Support



**MARINE SERVICES & AFTER SALE SERVICE:** Marine services  
Rentals  
After sale services

OPEX Based Revenue

# Group Strategy

## Focused growth and expansion

Increased international focus  
Land based post smolt  
Expand services and OPEX based business  
Product portfolio add-ons



## Operational excellence

Improvement programs within sourcing, logistics and manufacturing  
Streamline project execution and service delivery  
Optimize cost base



## Technology enabling a sustainable and efficient industry

Production optimization, digitalization and automation  
Environmentally friendly, safe and quality solutions  
Exposed farming



## Flexible and efficient organization

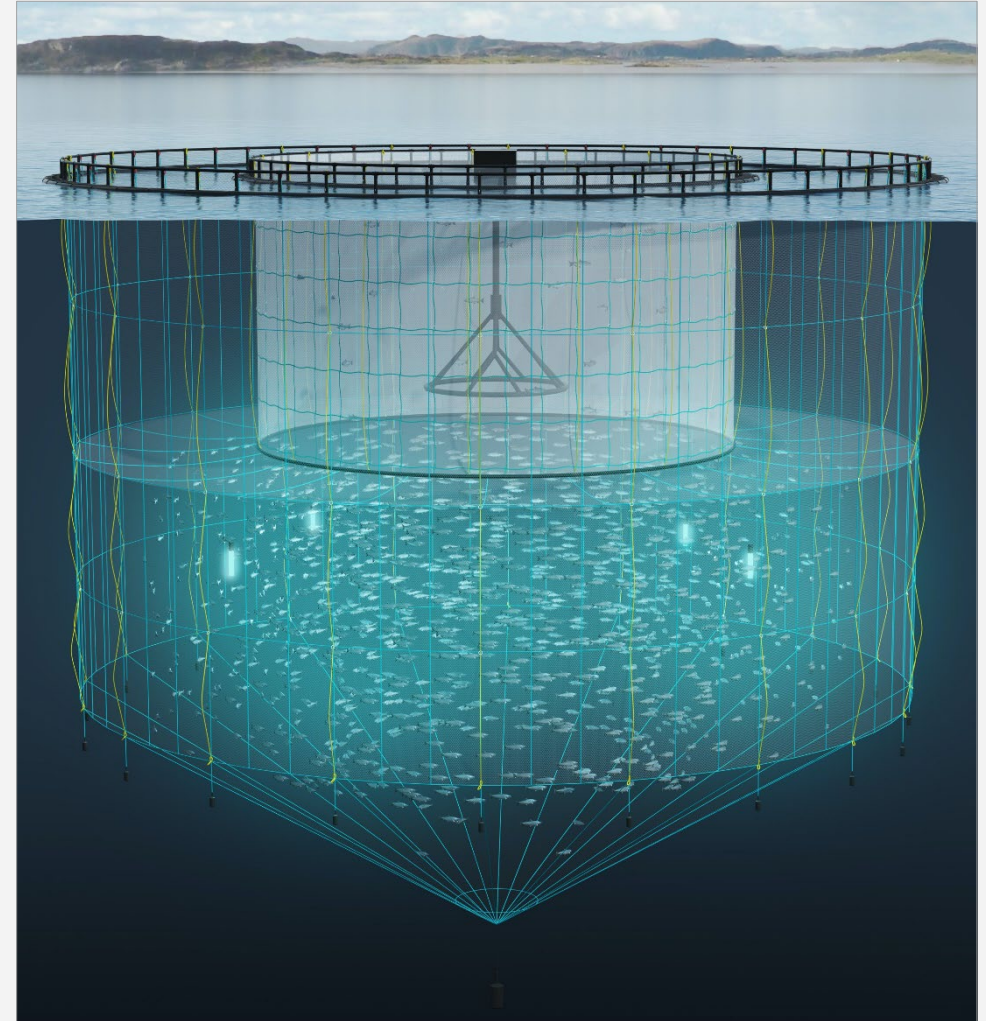
“One group”  
Global delivery models  
Reduce organizational complexity  
Leadership and competence





# Tube net

- **A patented concept**
- Proven to reduce lice infestation with 80%, with the potential to reduce the lice presence to almost 0 if the tube is deep enough
- A concept for improved fish welfare
- Suitable for AGD treatment
- Reduced risk of escape: damages to the upper part of the net will not be a concern, as the fish is enclosed at the deeper part of the pen
- Reduced need for net cleaning
- Inner tube has been operated to 16 mtrs depth with great success
- Concept also includes subsea feeder and led lights to be operated for a full cycle



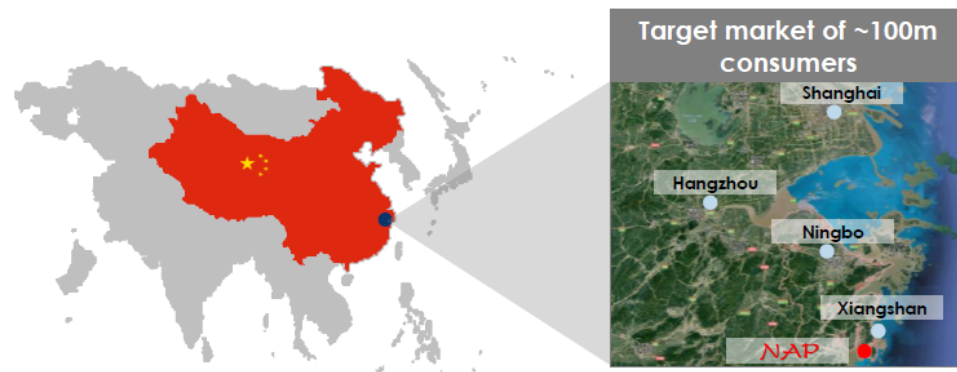
# Separate focus on full grow out RAS facilities

## Nordic Aqua Partners at a glance

### Unique setup for land based salmon farming in China

- First fully-integrated and commercially viable large scale RAS facility in China
- Based on state-of-the art RAS technology by world-leading supplier AKVA Group
- World class management team with complementary skillset
- Investor-backing from two global industry players
- Substantial support from local government (land, infrastructure, facilities)
- Attractive export credit financing

Nordic Aqua Partners is poised to take a leading position in the world's most attractive market for Atlantic Salmon with unparalleled land based advantages



- AKVA as strategic partner in NAP
- Potential equity stake to secure partnership and successful execution
- Learning and developing by a close follow-up on all technical, operational and biological performance measures
- Final financing is still pending
- Additional projects in pipeline

# AKVA Observe provides a Management Tool for overview and continuous improvement

- I.e «audit trial» w/video capture of alert situations, benchmark between sites / cages etc.



# Covid-19

- ✓ The Covid-19 virus together with a total collapse of the global oil price has had a massive impact around the globe. So far AKVA group has been moderately impacted. The major impacts financially for AKVA group has been related to two newly awarded RAS contracts on Land Based being cancelled. AKVA group has taken action with the following focus areas:
  - The core of AKVA group is its employees, therefore AKVA group's main focus is the safety and health of our employees
  - AKVA group has put in place a program to monitor and optimize the overall liquidity in the company
  - AKVA group has implemented actions to maintain the security of supply during this crisis
  - A steady order intake is paramount to ensure work for all AKVA employees and a prerequisite for the other focus areas



# Outlook – AKVA group

- Order backlog remains high
- Service station for nets to be built in northern Norway (with partner), plans for additional station underway
- New generation tube net (preventive sea lice solution) launched, strong interest in the market and contract of 100 MNOK signed in April 2020
- Presence in eastern Canada, completed the purchase of 70% of the shares in Newfoundland Aqua Service Ltd in February
- Cost savings program initiated
- Maintained focus on full grow out RAS facilities within the Land Based segment, despite setback on China project
- Digitalization strategy making further progress with additional installations for Precision feeding – pipeline is growing



# AKVA's input to Norwegian authorities

Norway should strengthen and evolve our natural comparative advantages in the aftermath of Covid-19 by granting new innovation permits for coastal farming. This will:

- Advance Norway's natural advantages and affirm the position as the technological leader of fish farming
- Help promote focus on sustainable fish farming with new innovative ways to design, build and operate
- Create activity and incentives for supplier industry and start-ups





 Q & A

## 4. Ordinary agenda items contd.

### 4.2 Approval of the 2019 annual accounts of AKVA group ASA and the Group, and the board's annual report

The board proposes that the general meeting passes the following resolution:

*“The General Meeting resolved to approve the annual accounts for 2019 for AKVA group ASA and the Group, and the board's annual report, including the board's proposal to transfer the profit of 2019 to other equity.”*



# Group P&L 2019

(Amounts in NOK 1 000)

Group	Note	2019	2018
<b>OPERATING REVENUES</b>			
Revenues		3 050 514	2 566 760
Other income	19	26 226	12 713
<b>Total revenues</b>	<b>2,17,21</b>	<b>3 076 740</b>	<b>2 579 473</b>
<b>OPERATING EXPENSES</b>			
Cost of materials	10,21	1 861 353	1 516 675
Payroll expenses	3,4	766 115	638 190
Other operating expenses	4,7,11,15,18	177 362	186 841
<b>Total operating expenses</b>		<b>2 804 829</b>	<b>2 341 706</b>
<b>OPERATING PROFIT BEFORE DEPRECIATION AND AMORTIZATION (EBITDA)</b>		<b>271 910</b>	<b>237 767</b>
Depreciation and amortization	7,8	209 594	107 901
<b>OPERATING PROFIT (EBIT)</b>		<b>62 316</b>	<b>129 866</b>
<b>FINANCIAL INCOME AND EXPENSES</b>			
Financial income	15,16	6 304	14 735
Financial expenses	15,16	(55 145)	(33 085)
<b>Net financial income (expense)</b>		<b>(48 841)</b>	<b>(18 350)</b>
<b>PROFIT BEFORE TAX</b>		<b>13 476</b>	<b>111 516</b>
Taxes	5	-3 129	22 147
<b>NET PROFIT FOR THE YEAR</b>		<b>16 604</b>	<b>89 369</b>
<b>NET PROFIT (LOSS) ATTRIBUTABLE TO:</b>			
Non-controlling interests		1 971	-334
<b>Equity holders of AKVA group ASA</b>		<b>14 633</b>	<b>89 703</b>
<b>Earnings per share (NOK)</b>	<b>6</b>	<b>0,44</b>	<b>3,17</b>
<b>Diluted earnings per share (NOK)</b>	<b>6</b>	<b>0,44</b>	<b>3,17</b>

## Group balance 2019

(Amounts in NOK 1 000)

Group	Note	2019	2018
<b>NON-CURRENT ASSETS</b>			
Deferred tax asset	5	16 354	15 970
<b>Intangible assets and goodwill</b>			
Goodwill	7	826 409	834 502
Other intangible assets	7	184 843	202 980
Total intangible assets and goodwill		1 011 252	1 037 482
<b>Tangible fixed assets</b>			
Land and building	8	18 759	19 567
Right of Use Asset	8,18	557 849	-
Machinery and equipment	8	204 498	312 814
Total tangible fixed assets		781 105	332 381
<b>Long-term financial assets</b>			
Investments in associated companies	9	73 776	67 961
Other long-term financial assets	9,11	1 008	5 019
Total long-term financial assets		74 785	72 980
<b>Total non-current assets</b>		<b>1 883 496</b>	<b>1 458 814</b>
<b>CURRENT ASSETS</b>			
Inventory	10	513 549	461 917
<b>Receivables</b>			
Accounts receivables	11,21	317 212	325 612
Contract assets	17	96 390	162 499
Other receivables	4	61 989	82 648
Total receivables		475 590	570 759
Cash and cash equivalents	12	160 999	133 117
Assets held for sale	20	-	78 323
<b>Total current assets</b>		<b>1 150 138</b>	<b>1 244 117</b>
<b>TOTAL ASSETS</b>		<b>3 033 634</b>	<b>2 702 931</b>

## Group balance 2019

(Amounts in NOK 1 000)

Group	Note	2019	2018
<b>EQUITY</b>			
Equity attributable to equity holders of AKVA group ASA		986 340	1 062 423
Non-controlling interests		4 165	184
<b>Total equity</b>	13,19,22,23	<b>990 505</b>	<b>1 062 607</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	5	55 791	85 114
Liabilities to financial institutions	14	665 315	360 254
Lease Liability	18	374 996	-
Other long term liabilities	19	67 442	103 641
<b>Total non-current liabilities</b>		<b>1 163 545</b>	<b>549 010</b>
<b>Current liabilities</b>			
Lease Liability - One year instalment	18	49 884	401 155
Liabilities to financial institutions	14,21	127 252	-
Trade payables	21	228 376	231 568
Current tax payables	5	27 509	25 597
Public duties payable		60 952	41 453
Contract liabilities	17	193 080	221 891
Other current liabilities	15	192 530	146 056
Liabilities held for sale	20	-	23 593
<b>Total current liabilities</b>		<b>879 584</b>	<b>1 091 314</b>
<b>Total Liabilities</b>		<b>2 043 128</b>	<b>1 640 324</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3 033 634</b>	<b>2 702 931</b>

# Summary parent company 2019

(Amounts in NOK 1 000)

## AKVA group ASA

### Income statement 01.01. - 31.12.

(in NOK 1 000)

Parent company	Note	2019	2018
<b>NET (LOSS)/PROFIT AND COMPREHENSIVE (LOSS)/PROFIT FOR THE YEAR</b>		<b>37 019</b>	<b>7 819</b>
<b>ALLOCATION OF PROFIT FOR THE YEAR</b>			
Transferred to other equity		37 019	7 819
Dividends paid	22	-58 136	-44 334
Net allocated		-21 117	-36 515

#### 4. Ordinary agenda items contd.

##### 4.3 Determination of Board members' remuneration

In accordance with the proposal from the Nomination Committee, the board proposes that the general meeting passes the following resolution remuneration to the Board of Directors shall be:

- Chairman of the board: NOK 325,000 per year
- Deputy Chairman: NOK 216,000 per year
- The remaining board members: NOK 196,500 per year
- Board committee member: NOK 5,500 per meeting
- Chair Remuneration Committee NOK 21,000 per year
- Chair Audit Committee NOK 36,200 per year
  
- Employee appointed member: NOK 52,000 per year

## 4. Ordinary agenda items contd.

### 4.4 Determination of Nomination Committee members' remuneration

In accordance with the proposal from the Nomination Committee, the board proposes that the general meeting passes the following resolution:

The Nomination Committee members' remuneration shall be set at:

- NOK 25,750 per year to the chairman of the Nomination Committee
- NOK 18,500 per year to each of the remaining members

## 4. Ordinary agenda items contd.

### 4.5 Approval of auditors' fees

The board proposes that the general meeting passes the following resolution:

*"The General Meeting approves the auditor's fees of NOK 665.811 for the 2019 accounting year."*

## 4. Ordinary agenda items contd.

### 4.6 *Advisory vote on the board's guidelines for the remuneration of leading employees*

The board proposes that the general meeting passes the following resolution:

*"The General Meeting endorses item 2 of the board's statement on the determination of salary and other remuneration to leading employees of the company."*



#### 4. Ordinary agenda items contd.

##### 4.7 *Approval of the board's guidelines for share-linked incentive arrangements for leading employees*

The board proposes that the general meeting passes the following resolution:

"The General Meeting approves item 3 of the board's statement on the determination of salary and other remuneration to leading employees of the company."

#### 4. Ordinary agenda items contd.

##### 4.8 Consideration of the board's statement on corporate governance in accordance with the Norwegian Accounting Act section 3-3 b

The board proposes that the general meeting passes the following resolution:

*"The General Meeting endorses the board's statement on corporate governance, included in the annual report."*

## 4. Ordinary agenda items contd.

### 4.9 Election of board members

In accordance with the proposal from the Nomination Committee, the board proposes that the general meeting passes the following resolution:

*The following are elected as members of the board:*

*Ms. Anne Breiby*

*Mr. Hans Kristian Mong*

*Ms. Kristin Reitan Husebø*

*Mr. Anthony James*

*Mr. Frode Teigen*

*The Board of Directors elects the Chair and the Deputy Chair.*

## 4. Ordinary agenda items contd.

### 4.10 Election of Nomination Committee members

In accordance with the proposal from the Nomination Committee, the board proposes that the general meeting passes the following resolution:

*The Nomination Committee shall consist of:*

*Mr. Eivind Helland, Chair (elected to 2021)*

*Mr. Bjørnar Mikalsen, member (elected to 2021)*

*Mr. Ingvald Fardal, member (elected to 2021)*

## 5. Authorization to increase the share capital

The board proposes that the general meeting passes the following resolution:

*"The board is authorized to increase the Company's share capital by up to NOK 3,333,430, through subscription of new shares. The authorization does not authorize the board to waive the pre-emptive right of shareholders pursuant to section 10-4 of the Public Limited Liability Companies Act (the "Act"), nor carry out a capital increase through payments in non-monetary assets, nor incur special obligations on behalf of the Company as set out in section 10-2 of the Act, nor decisions on mergers pursuant to section 13-5 of the Act, and may not be used in connection with the Company's option program.*

*The authorization shall be in force until the earlier of the time of the Annual General Meeting in 2021 and 30 June 2021. This authorization replaces all previous authorizations to the board to increase the Company's share capital."*

## 6. Authorization to purchase own shares

The board proposes that the general meeting passes the following resolution:

*"The board is, pursuant to Section 9-2 to 9-4 of the Public Limited Liability Companies Act, authorized to purchase and hold shares in the Company. The shares to be acquired under this authorization shall not be acquired at a higher value than at market terms on a regulated market where the shares are traded, and the minimum and maximum price that may be paid for each share is NOK 1 and NOK 150, respectively.*

*This authorization may be used one or several times. The maximum face value of the shares which the Company may acquire pursuant to this authorization is in total NOK 833,358 which equals to approximately 2.5% of the Company's share capital.*

*Acquisition of shares pursuant to this authorization may only take place if the Company's distributable reserves according to the most recent balance sheet exceed the remuneration for the shares to be acquired. The board is free to determine how the Company's own shares will be acquired and sold, provided an acquisition under this authorization must be in accordance with prudent and good business practice, with due consideration to losses which may have occurred after the balance-sheet date or to such expected losses.*

*The authorisation shall be in force until the Annual General Meeting in 2021, however, not later than until 30 June 2021. This authorization replaces the authorization to the board to purchase own shares, given by the General Meeting on 9 May 2019."*

## 7. Authorisation to the Board to approve the distribution of dividends

The board proposes that the general meeting passes the following resolution:


*"The board of directors are authorised pursuant to the Public Limited Liability Companies Act § 8-2(2) to approve the distribution of dividends based on the Company annual accounts for 2019. The authorisation also includes distribution in the form of repayment of paid-in-capital.*

*The authorisation may be used to approve the distribution of dividends up to an aggregated amount of NOK 100,000,000.*

*The authorisation is valid for dividends from and including the second quarter of 2020 and until the Annual General Meeting in 2021, however, not later than until 30 June 2021.*

*The board determines from which date the shares will be traded ex-dividend.*

*This authorization replaces the authorization to the board to approve the distribution of dividends, given by the General Meeting on 9 May 2019."*

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**AQUACULTURE**  
 **KNOWLEDGE**  
**RELIABILITY**  
**ENTHUSIASM!**



