



## 2Q 2009 presentation

27 August 2009

Knut Molaug, CEO

Rolf Andersen, CFO



## ➔ Agenda



Background & highlights

2Q 2009 Financial review

Outlook

Q & A

Global leader  
in aquaculture  
technology.  
Nothing more.  
Nothing less.



**AKVA**life  
2008-2015

AKVAGROUP

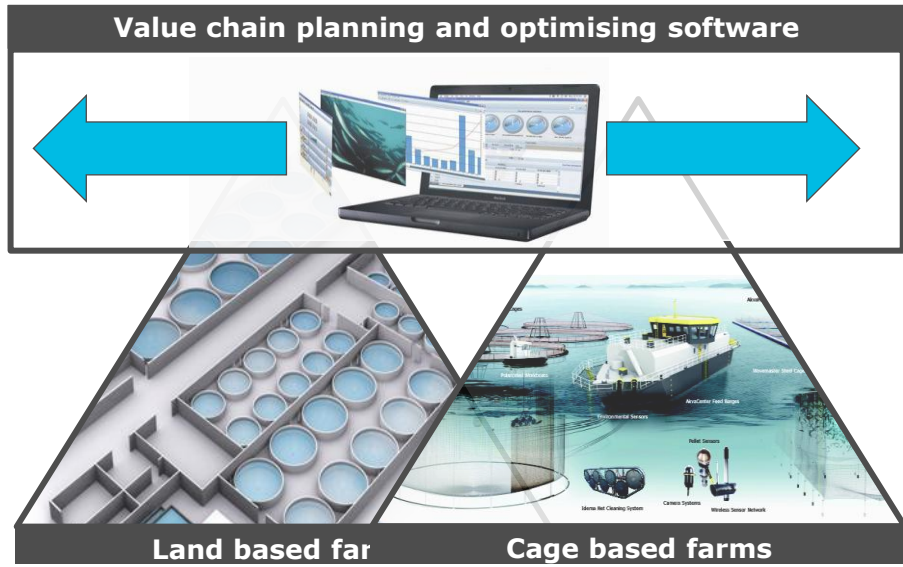
AKVA group in brief

<p><b>Cage systems</b></p> 	<p><b>AKVA group facts</b></p> <ul style="list-style-type: none"> <li>• The leading aquaculture technology supplier</li> <li>• Strong market position with all main products</li> <li>• The only player with global presence</li> <li>• Strong and experienced management</li> <li>• Growth company in a global growth industry</li> </ul>	<p><b>Software systems and services</b></p> 	
<p><b>Feed barges</b></p> 	<p><b>Recirc. systems</b></p> 	<p><b>Feed systems</b></p> 	<p><b>Operational systems &amp; sensors</b></p> 

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AKVA's main product brands: wavemaster polarcirket fishtalk akvasmart

➔ One-stop-shop in aquaculture technology



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➔ 2Q highlights



- Operating revenue in 2Q was 164 MNOK which is 37% lower than the same period last year. The period's EBITDA was 0.4 MNOK primarily negatively affected by reduced revenues.
- Sales volumes were heavily affected by low investment level in Chile and general restrictive investment policies throughout the salmon industry.
- AKVA has started the work to restructure the organization to achieve lower cost, improved flexibility and efficiency.

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## 2Q highlights



- Letter of Intents signed in 3Q regarding the sale of the none-core activities in Surefish Inc and Wavemaster Net Services.
- Strategic new contracts won for delivery of aquaculture recirculation systems in Norway and Canada.

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Background & highlights

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Outlook

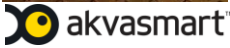
Q & A

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## 2Q Financials – P&L



P&L 2009 (MNOK)	2Q 2009	2Q 2008	YTD 2009	YTD 2008	Year 2008
<b>Operating revenues</b>	<b>164.3</b>	<b>259.8</b>	<b>316.7</b>	<b>467.1</b>	<b>866.5</b>
Operating costs excl. depreciation	-163.9	-231.8	-319.6	-422.8	-813.8
<b>EBITDA</b>	<b>0.4</b>	<b>28.0</b>	<b>-2.9</b>	<b>44.3</b>	<b>52.7</b>
Depreciation & Amortisation	-7.8	-6.5	-15.6	-12.5	-29.5
<b>EBIT</b>	<b>-7.4</b>	<b>21.6</b>	<b>-18.5</b>	<b>-31.8</b>	<b>23.3</b>
Net financial items	-3.0	-3.3	-4.4	-4.8	-12.5
<b>EBT</b>	<b>-10.4</b>	<b>18.3</b>	<b>-22.9</b>	<b>-27.1</b>	<b>10.8</b>
Taxes	1.2	-5.3	5.0	7.9	-5.2
<b>Net profit</b>	<b>-9.2</b>	<b>13.0</b>	<b>-18.0</b>	<b>19.2</b>	<b>5.5</b>
<i>Revenue growth</i>	-36.8%		-32.2%		-7.0%
<i>EBITDA margin</i>	0.2%	10.8%	-0.9%	9.5%	6.1%
<i>EBIT margin</i>	-4.5%	8.3%	-5.9%	6.8%	2.7%
<i>EPS (NOK)</i>	-0.53	0.76	-1.04	1.12	0.32



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## 2Q Financials – P&L comments



- The revenue was 164 MNOK
  - Quarterly revenue reduced by 37% compared to 2008
  - The activity level was affected by a reduced order inflow in 2H08 and in 2009
- The EBITDA result was 0.4 MNOK
  - Reduced revenue volume is the main explanation to reduced EBITDA result.
  - Significant drop in sales of larger items. Compared to last year, reduced activity in the Norwegian market is the main reason for the shortfall. However, reduced activity in Chile is also contributing.



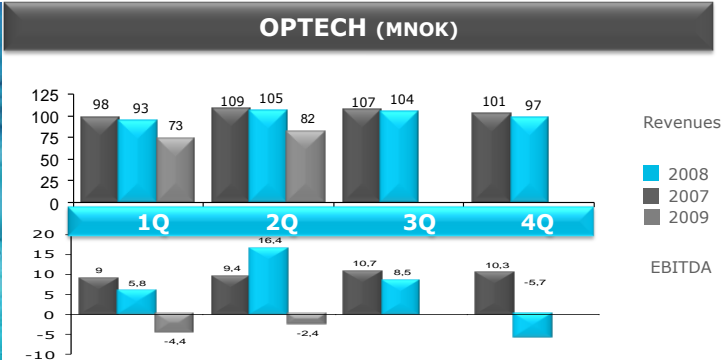
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## Business areas - OPTECH

**OPTECH**

- Farm Operation Technology
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- Recirculation
- Feed systems
- Sensors & cam
- Net cleaning & light systems
- Software

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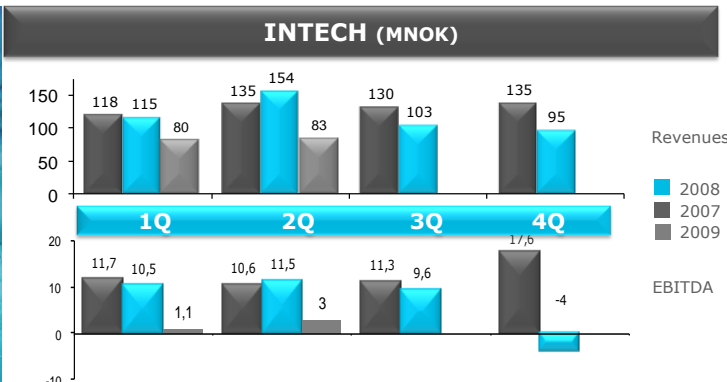
- 2Q revenues decreased by 22% compared to last year.
- 2Q EBITDA level fell significantly compared to the same period last year. The change is mainly related to reduced volume and product mix in the Norwegian market.
- Competitive pressure has also impacted achieved product margins.

## Business areas - INTECH

**INTECH**

- Infrastructure technology
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- Steel cages
- Plastic cages
- Feed barges
- Boats
- etc.

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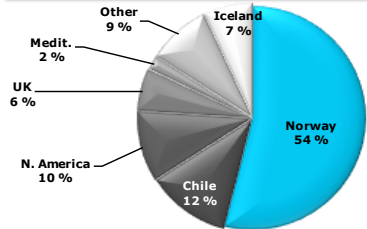


- In 2Q the revenues fell by 46%, mainly related to reduced volumes in Chile and Norway.
- In 2Q the EBITDA was 3.0 MNOK. The reduction from 2Q 2008 is mainly explained by reduced volume

## Market segments

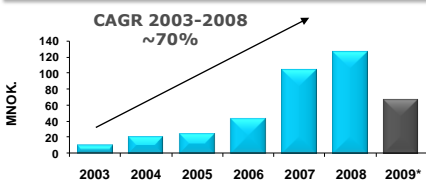


### Geographic segments (YTD)



- Norway dominating segment
- Importance of Chile reduced

### AKVA group revenues within other species



- Continued growth in a number of regions
- Impacted by reduced investment from the Norwegian cod industry.

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\* Sales and order backlog for delivery in 2009 per 2Q.

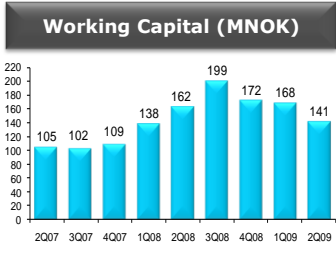
## Balance sheet



Balance sheet (legal) (MNOK)	2Q 2009	2Q 2008	Year 2008
Intangible fixed assets	256.2	258.2	251.7
Tangible fixed assets	47.8	38.9	41.5
Long term financial assets	1.1	2.4	2.5
<b>Fixed assets</b>	<b>305.1</b>	<b>299.5</b>	<b>295.7</b>
Stock	121.9	139.1	142.4
Receivables	174.9	212.2	171.1
Cash and bank deposits	51.2	63.4	47.9
<b>Current assets</b>	<b>348.0</b>	<b>414.7</b>	<b>380.5</b>
<b>Total assets</b>	<b>653.1</b>	<b>714.2</b>	<b>676.2</b>
<b>Shareholders' equity</b>	<b>293.6</b>	<b>335.5</b>	<b>309.6</b>
Long term debt	117.7	143.8	129.1
Short term debt	241.8	234.9	237.5
<b>Total liabilities</b>	<b>359.9</b>	<b>378.7</b>	<b>366.6</b>
<b>Total shareholders' equity and liabilities</b>	<b>653.1</b>	<b>714.2</b>	<b>676.2</b>
Equity ratio	45.0%	46.9%	45.8%
Net interest bearing debt	142.6	120.5	149.6
Net working capital	141.3	164.6	171.7

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## Balance sheet items

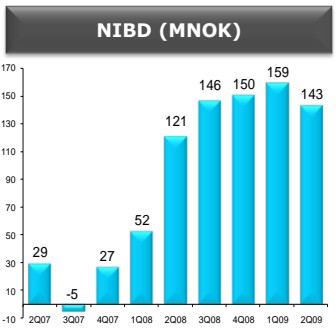
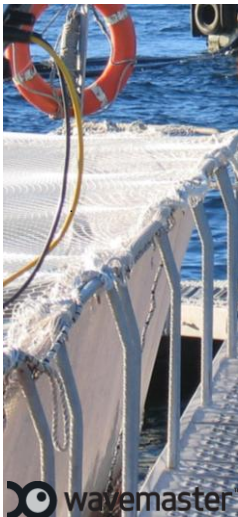


- **Working Capital:**
  - Improvement seen in 2Q
  - Potential to further improve working capital

**Working capital improvements expected:**

- Payments from Chilean customers improved in 2Q
- Feed barges in stock – significant cash reserve to be released

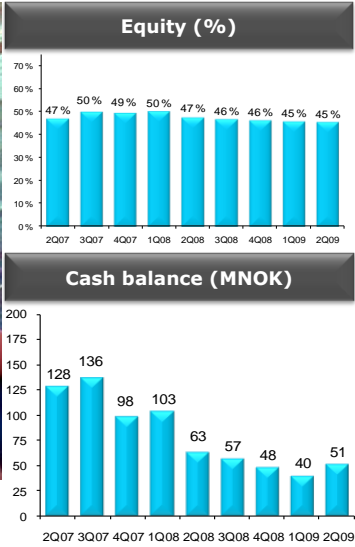
## Balance sheet items



- **Net interest bearing debt (NIBD):**
- A waiver extending through 3Q 2009 relating to the financial covenants of the major credit facilities and loans has been agreed with the company's main bank
- NIBD will be reduced by announced sale (LOI) of non-core assets
- Further reduction is mainly linked to expected improvement of working capital



## Financial position



- **Equity:**
  - Sound equity position

- **Cash Position:**
  - Available cash 55 MNOK
  - Expected non-core asset sale to improve financial position

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## Cash flow statement

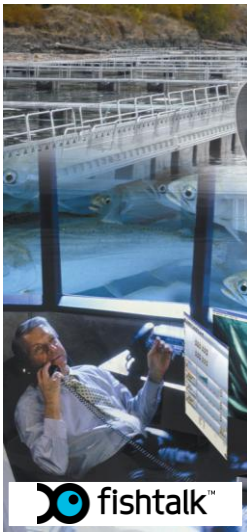


Cash flow statement (KNOK)	2009	2008	2009	2008	2008
	2Q	2Q	YTD	YTD	Total
Net cash flow from operational activities	26 034	11 061	19 689	- 5 247	- 15 504
Net cash flow from investment activities	- 10 909	-63 164	-15 947	-71 963	-90 936
Net cash flow from financial activities	- 3 673	12 022	-391	42 599	56 279
<b>Net cash flow</b>	<b>11 451</b>	<b>- 40 081</b>	<b>3 351</b>	<b>-34 611</b>	<b>-50 161</b>
Cash and cash equivalents beginning of period	39 783	103 513	47 883	98 044	98 044
<b>Cash and cash equivalents end of period</b>	<b>51 235</b>	<b>63 433</b>	<b>51 235</b>	<b>63 433</b>	<b>47 883</b>

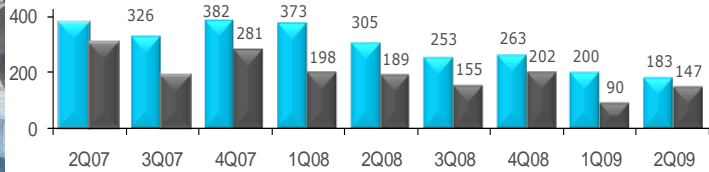
- Improved cash flow from operations in 2Q
- Net investments in YTD amounted to 15.9 whereof 3.8 MNOK is capitalized R&D expenses in accordance with IFRS.

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## Order backlog and inflow



Order backlog and inflow per quarter (MNOK)



- Order backlog is reduced by 122 MNOK compared to the same time last year and 80 MNOK compared to 4Q08. The decline in order backlog is related to Chile and holdback of investments in Norway.
- Improved order inflow compared to 1Q – June and July first month this year with order inflow higher than revenues



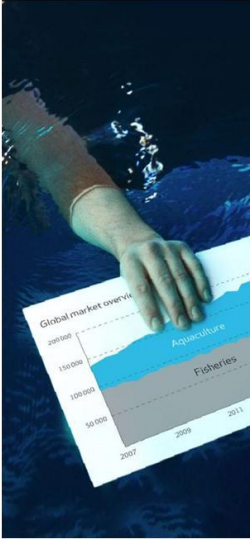
Background & highlights

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## ➔ Outlook



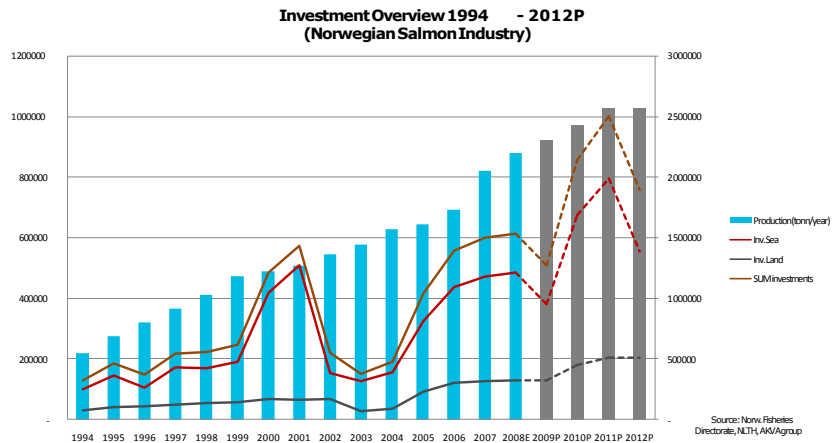
- **Expectations of a revitalised Norwegian salmon market going forward.**
  - Customers experiencing a strong profitability; increase in production volumes, relatively high market prices combined with falling production costs
  - The market uncertainty and the investment holdback by the Salmon industry created by the financial crisis easing off.
  - June and July are the first months this year with a higher order inflow than revenues, a clear sign of normalising of the market.
  - Continued positive development in recirculation prospects. Closing of important contracts expected in 2H.
  - The 65 new production licenses in Norway releasing need for investments.
  - Announcement of a probable 5% growth in the production volume from existing licenses (MTB) next year adding a need for investments.

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## ➔ Outlook

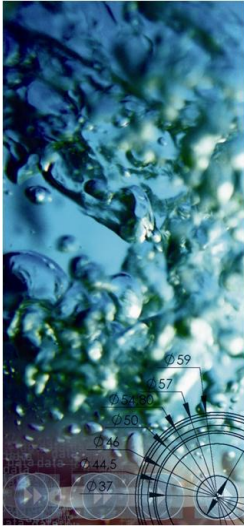


- **Norway (contd.)**
  - Historic investment overview and future estimates



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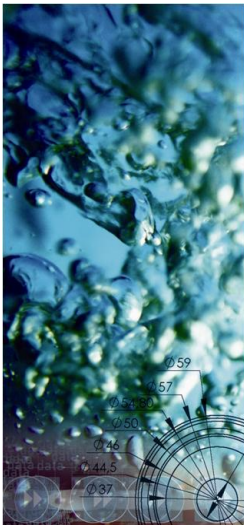
## ➔ Outlook



- **Norway (contd.)**
  - Large investments necessary on the sea based part of the Norwegian industry over the next years to comply with regulation regime,
  - New production licenses contributes and increased MTB will lead to further investments,
  - Too low investment level through the first years after the implementation of NYTEK in 2004, and
  - The hold back of investments during 1H 2009 will lead to a "catch up" effect over the next years.
- **The Scottish and North American market developing soundly**
  - Market fundamentals are developing well
  - Market moving towards "normalisation" in 2H 2009.

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## ➔ Outlook



- **Other species / markets**
  - The growth towards other species than salmon continue to expand according to strategic objectives.
  - Strategic contracts and letter of intent:
    - Building of marine hatchery in Malaysia (10 MNOK) - ongoing
    - Building of brood stock facility, NPC - Saudi Arabia (7 MNOK)
    - LOI - pilot scale Kingfish farm, NPC - Saudi Arabia (128 MNOK)
    - Building of two recirculation systems; Norway and Canada (25 MNOK)
  - The prospect mass for deliveries to other species than salmon continue increasing
  - The global financial crisis is adding uncertainty also to these markets.

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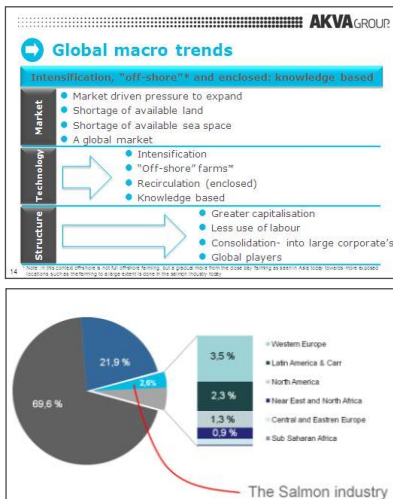
## ➔ Outlook



### ● Order backlog and development

- The order inflow in 1Q and 2Q was significantly lower than anticipated.
- Continued low inflow from the Chilean business. This market will be difficult over the next years.
- The dominant shortfall in order inflow in 2Q was from the Norwegian market.
- The prospect mass and market activities indicate a strong underlying demand in Norway, Scotland and several international markets.
- Our customers in most markets are benefiting from healthy earnings at present.
- The global financial crisis has created uncertainty in several markets
- Improved order inflow is expected for the remainder of the year.

## ➔ Outlook



### ● Strong long term outlook

- Global macro trends in aquaculture
- Growth trend expected for decades to come
- Intensification, "off-shore" and recirculation main technology trends.
- Knowledge based development
- AKVA is positioned to benefit from these trends



Background & highlights

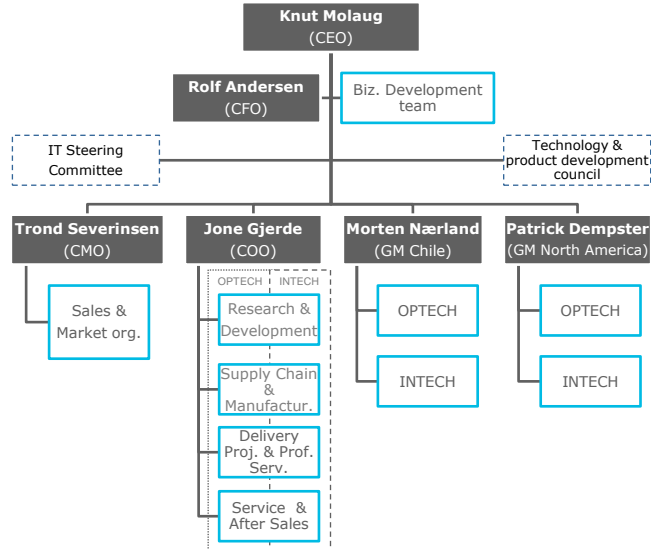
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 **Appendix**

## Group organisation



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## AKVA group – global presence



All major industry players as customers

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## AKVA group – brief historic summary

