



Quarterly report

Nr 2 – 2011

Second quarter report 2011

Highlights

- **Growth in operating revenues – 2Q revenues 222.5 MNOK vs 176.3 last year – up 26%.**
- **The EBITDA in 2Q was 14.0 MNOK compared to -11.9 MNOK last year. EBIT was 6,0 MNOK versus -19.5 in 2Q 2010**
- **High activity and strong order inflow in Chile**
- **The order backlog at the end of 2Q was 342 MNOK versus 316 MNOK at the end of 2Q last year**
- **Continued focus on cost and improving project management. Cost reduction measures implemented in RAS**
- **Rights issue in place - focus on repositioning and long term development of AKVA as leading technology partner**

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 2Q were 222.5 MNOK (176.3) with an EBITDA of 14.0 MNOK (-11.9). EBIT was 6.0 MNOK (-19.5). The improvement is mainly related to higher business volumes compared to last year. In addition, last year was also marked by restructuring provisions of 6.3 MNOK related to cost reduction measures. The cost reduction measures implemented last year have a positive effect in current year's earning.

Net financial costs were in 2Q 2.3 million (1.4), resulting in a profit before tax of 3.7 MNOK (-20.9). Net profit was 2.3 MNOK (-16.3) after allowing for taxes of 1.4 MNOK (-4.6).

YTD operating revenues were 475.8 MNOK (334.3) with an EBITDA of 36.8 MNOK (-11.4). YTD EBIT was 21.0 MNOK (-26.4). Net financial cost in the first half of 2011 was 5.6 MNOK (3.6). The increase is related to higher net interest-bearing debt in 2011 compared to 2010 and lower gain on currency. Profit before tax for the first six months was 15.5 MNOK (-30.0). YTD net profit was 12.4 MNOK (-21.6).

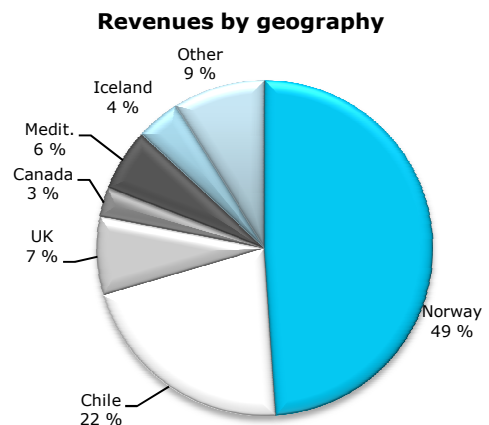
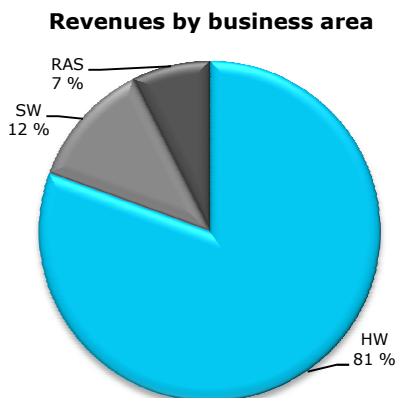
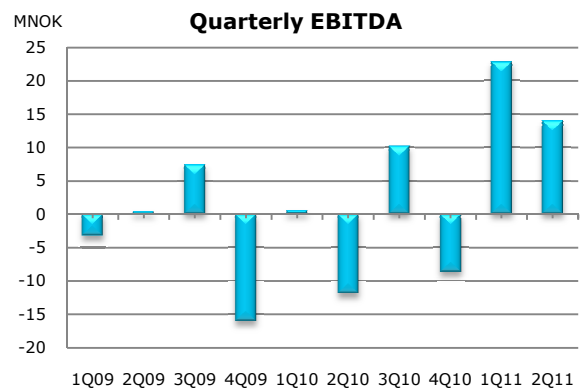
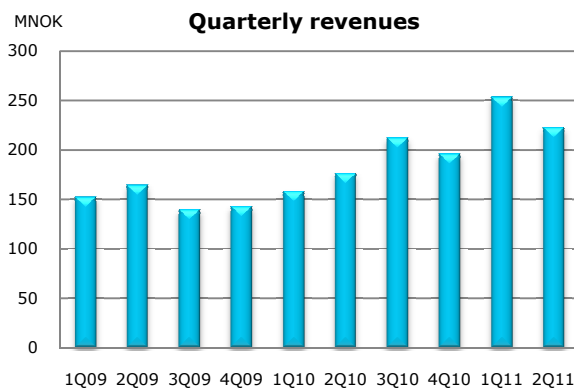
Hardware (HW)

HW had revenues in 2Q of 184.3 MNOK (136.8), which is 35% up from last year. There was an increase in all reporting units but the major increase was in the Chilean market. EBITDA was 17.3 MNOK (1.0) resulting in an EBITDA margin of 9.4% (0.7%). EBIT in 2Q was 11.4 MNOK (-3.6) representing an EBIT margin of 6.2%(-2.6).



2Q was marked by high delivery activity with growth in all markets over last year. Chile in particular nearly doubled the revenue level from 2Q last year. The sales growth was very much related to high sales of Wavemaster steel cages in Chile and Polarcirkel cages in Norway and UK.

YTD revenues for HW were 383.4 MNOK (254.7) with an EBITDA of 35.7 MNOK (3.6). EBIT was 24.0 MNOK (-5.7) after depreciations of 11.6 MNOK (9.2).



Software (SW)

Operating revenue for SW in 2Q was 27.1 MNOK (25.6). The increase is mainly related to higher revenues in Norway. The EBITDA was in 2Q 1.4 MNOK (0.5) resulting in an EBITDA margin of 5.2% (1.9%). EBIT was in 2Q -0.3 MNOK (-2.2).

In Norway the market for software and professional services has remained fairly good with healthy earnings. Maritech in Iceland had a relative weak second quarter due to the slow economy caused by the financial crisis. Also the volume in other regions is somewhat low.

YTD operating revenues were 57.3 MNOK (51.6) with an EBITDA of 6.2 MNOK (2.9). EBIT was 2.7 MNOK (2.4) after depreciation of 3.5 MNOK (5.3).

Recirculation (RAS)

RAS had operating revenues in 2Q of 11.0 MNOK (13.4) with an EBITDA of -4.7 MNOK (-13.4). The 2Q EBIT was -5.1 MNOK (-13.6). Earnings in 2Q were negatively affected by up revision of costs on two older projects and the finalization of those (1.0 MNOK). It was also implemented cost reduction measures to reduce cost base in RAS. The cost of this was 0.3 and expected annual cost saving is about 4 MNOK.

There is a continued focus on operations and project management. With the recent cost reduction measures 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 going forward.

YTD operating revenues were 35.2 MNOK (28.0) and YTD EBITDA was -5.1 MNOK (-17.9). The YTD EBIT was -5.7 MNOK (-18.4)

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 120.6 MNOK, up from 101.6 MNOK from the beginning of the year. The increase is related to the higher business volume.

In June, based on the authority from the general assembly, the company did a rights issue where 8,611,434 new shares were offered at a price of 11 NOK per share. The share issue was fully underwritten by the major shareholders and was oversubscribed by 38.2%. The share issue gave a gross proceed of 94.7 MNOK and a net proceed of 88.5 MNOK.

The balance sheet was strengthened through the rights issue. Net interest-bearing debt fell to 85.8 MNOK at the end of 2Q from 164.2 MNOK at the end of 1Q. Gross interest bearing debt was at the end of 2Q 152.6 MNOK versus 192.3 MNOK at the end of 1Q. Cash and unused credit facilities amounted to 131.8 MNOK. Total assets and total equity amounted to 772.5 MNOK and 319.9 MNOK respectively, resulting in an equity ratio of 41.3%.

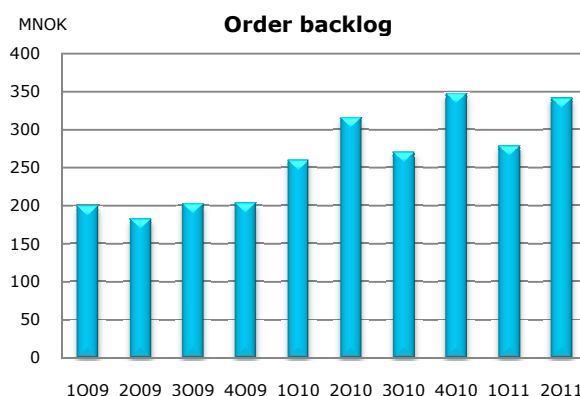
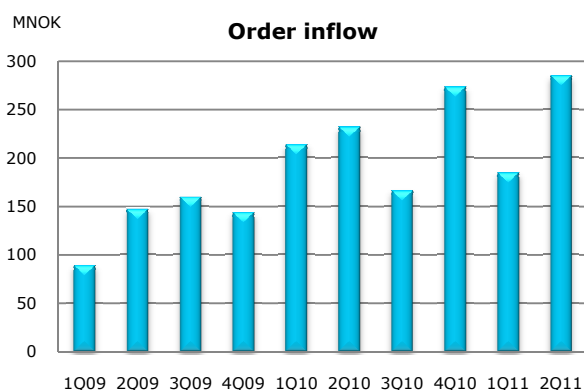
Investments in 2Q amounted to 8.3 MNOK of which 2.8 MNOK is capitalized R&D expenses in accordance with IFRS. YTD investments were 13.1 MNOK and 5.4 in capitalized R&D expenses.

AKVA group was in compliance with the financial covenants for the credit facilities at the end of 2Q.

Shareholder issues

Earnings per share for 1H 2011 were 0.72 NOK (-1.25). The calculation is based on 17,222,869 average shares outstanding. Following the rights issue that was done in June, the number of outstanding shares is 25,834,303.

As a result of the rights issue and oversubscription and subsequently purchase of shares, Frode Teigen and related companies Kontrari AS (100% owned by Frode Teigen) and Egersund Group AS (50% owned by Frode Teigen) increased their holding of shares from 31.93% to 40.00%. Prior to the share issue Kontrari AS and Egersund Group did not have any shares in AKVA group. Based on the above and pursuant to Norwegian Securities Trading Act, Frode Teigen has through Kontrari AS made a mandatory offer for all the shares in AKVA group ASA at NOK 11.00 per share in cash. The offer period is from and including 22 July 2011 to and including 17:30 CET on 19 August.



Market and future outlook

The salmon prices fell during 2Q, down from very high levels in previous quarters. Still market fundamentals in the salmon market remain fairly good amid higher uncertainty as to the effect on salmon prices from the recovery of the Chilean salmon industry. For AKVA group, the Chilean market in particular has developed very strong during 2Q both in terms of revenues and order inflow.

For the group the order backlog at the end of 2Q was 342 MNOK (316). The order inflow in 2Q was 285 MNOK (225).

AKVA group continues its focus on improving operations, project management and cost control. 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. In general outlook looks relative good and AKVA group is cautious optimist going forward.

Due to seasonal variations, normally the activity level in 3Q is expected to be higher than in 4Q and especially towards the yearend.

Statement from the Board and Chief Executive Officer

We confirm that, to the best of our knowledge, the condensed set of financial statements for 2Q 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, 8 August - 2011
Board of Directors, AKVA group ASA



Amund Skarholt
Chairperson



Anne Breiby
Deputy Chairperson



Frode Teigen



Thorhild Widvey



Thore Michalsen



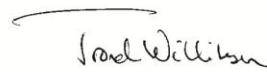
Tore Obrestad



Steinar Mykløy



Kjell Arne Corneliusen



Trond Williksen
CEO

Main figures from financial accounts

| INCOME STATEMENT (NOK 1000) | 2011 | 2010 | 2011 | 2010 | 2010 |
|---|----------------|----------------|----------------|----------------|----------------|
| | 2Q | 2Q | YTD | YTD | Total |
| OPERATING REVENUES | 222 463 | 176 297 | 475 839 | 334 320 | 742 521 |
| Operating costs ex depreciations | 208 475 | 188 217 | 439 013 | 345 720 | 752 436 |
| OPERATING PROFIT BEFORE DEPR.(EBITDA) | 13 989 | -11 921 | 36 826 | -11 401 | -9 915 |
| Depreciation | 7 988 | 7 531 | 15 781 | 15 040 | 31 029 |
| OPERATING PROFIT (EBIT) | 6 001 | -19 451 | 21 045 | -26 441 | -40 944 |
| Net interest expense | -3 118 | -2 853 | -6 238 | -5 212 | -11 983 |
| Other financial items | 823 | 1 426 | 675 | 1 613 | 2 037 |
| Net financial items | -2 296 | -1 427 | -5 563 | -3 600 | -9 946 |
| PROFIT BEFORE TAX | 3 705 | -20 878 | 15 482 | -30 041 | -50 890 |
| Taxes | 1 376 | -4 588 | 3 073 | -8 431 | -13 254 |
| NET PROFIT | 2 329 | -16 290 | 12 409 | -21 610 | -37 637 |
| Earnings per share | 0,14 | -0,95 | 0,72 | -1,25 | -2,27 |
| Average number of shares outstanding (in 1 000) | 17 223 | 17 223 | 17 223 | 17 223 | 17 223 |

| BALANCE SHEET (NOK 1000) | 2011 | 2010 | 2010 |
|----------------------------------|----------------|----------------|----------------|
| | 30.6. | 30.6. | 31.12. |
| Intangible fixed assets | 207 189 | 213 988 | 215 946 |
| Fixed assets | 41 004 | 38 252 | 41 607 |
| Long-term financial assets | 37 830 | 29 513 | 39 418 |
| FIXED ASSETS | 286 023 | 281 753 | 296 971 |
| Stock | 181 380 | 138 263 | 157 677 |
| Trade receivables | 234 050 | 162 148 | 177 796 |
| Other receivables | 3 371 | 44 583 | 19 601 |
| Cash and cash equivalents | 66 825 | 54 436 | 43 159 |
| CURRENT ASSETS | 485 625 | 399 431 | 398 234 |
| TOTAL ASSETS | 771 648 | 681 183 | 695 205 |
| Paid in capital | 355 549 | 267 087 | 267 087 |
| Retained equity | -36 526 | -33 162 | -39 526 |
| TOTAL EQUITY | 319 023 | 233 925 | 227 561 |
| Other long term debt | 1 754 | 4 057 | 2 418 |
| Long-term interest bearing debt | 123 205 | 148 295 | 134 463 |
| LONG-TERM DEBT | 124 958 | 152 352 | 136 882 |
| Short-term interest bearing debt | 29 436 | 62 470 | 77 268 |
| Other current liabilities | 298 231 | 232 437 | 253 495 |
| SHORT-TERM DEBT | 327 667 | 294 906 | 330 762 |
| TOTAL EQUITY AND DEBT | 771 648 | 681 183 | 695 205 |

| CHANGES IN EQUITY (NOK 1000) | 2011 | 2010 | 2011 | 2010 | 2010 |
|---|---------|---------|---------|---------|---------|
| | 2Q | 2Q | YTD | YTD | Total |
| Book equity at the beginning of the period | 231 348 | 250 436 | 227 561 | 256 640 | 256 640 |
| The period's net profit | 2 329 | -16 290 | 12 409 | -21 610 | -37 637 |
| Capital increase | 94 726 | - | 94 726 | - | - |
| Share issue costs | -6 264 | - | -6 264 | - | - |
| Gains/(losses) on cash flow hedges (fair value) | -1 534 | -681 | 53 | -2 216 | -558 |
| Change in pension liability recorded against equity | - | - | - | - | 47 |
| Recording of option agreement | - | - | - | - | 162 |
| Translation differences | -1 582 | 460 | -9 461 | 1 111 | 8 906 |
| Book equity at the end of the period | 319 023 | 233 925 | 319 023 | 233 925 | 227 561 |

| CASH FLOW STATEMENT (NOK 1000) | 2011 2Q | 2010 2Q | 2011 YTD | 2010 YTD | 2010 Total |
|--|------------|------------|-------------|-------------|---------------|
| Net cash flow from operational activities | -817 | -16 428 | 8 825 | -4 667 | -793 |
| Net cash flow from investment activities | -7 971 | -4 706 | -12 743 | -8 901 | -23 175 |
| Net cash flow from financial activities | 47 475 | 31 998 | 27 583 | 9 843 | 8 966 |
| Net cash flow | 38 686 | 10 864 | 23 665 | -3 725 | -15 002 |
| Cash and cash equivalents at the beginning of the period | 28 138 | 43 571 | 43 159 | 58 161 | 58 161 |
| Cash and cash equivalents at the end of the period | 66 825 | 54 436 | 66 825 | 54 436 | 43 159 |

| BUSINESS SEGMENTS (NOK 1000) | 2011 2Q | 2010 2Q | 2011 YTD | 2010 YTD | 2010 Total |
|---|------------|------------|-------------|-------------|---------------|
| HARDWARE | | | | | |
| OPERATING REVENUES | 184 298 | 136 810 | 383 359 | 254 746 | 574 480 |
| Operating costs ex depreciations | 166 986 | 135 829 | 347 686 | 251 186 | 557 631 |
| OPERATING PROFIT BEFORE DEPRECIATIONS (EBITDA) | 17 312 | 981 | 35 673 | 3 560 | 16 849 |
| Depreciation | 5 919 | 4 591 | 11 630 | 9 234 | 19 723 |
| OPERATING PROFIT (EBIT) | 11 393 | -3 609 | 24 043 | -5 674 | -2 874 |
| SOFTWARE | | | | | |
| OPERATING REVENUES | 27 134 | 25 631 | 57 280 | 51 550 | 106 075 |
| Operating costs ex depreciations | 25 711 | 25 143 | 51 051 | 48 604 | 97 075 |
| OPERATING PROFIT BEFORE DEPRECIATIONS (EBITDA) | 1 422 | 488 | 6 229 | 2 947 | 9 000 |
| Depreciation | 1 751 | 2 694 | 3 524 | 5 312 | 10 035 |
| OPERATING PROFIT (EBIT) | -329 | -2 206 | 2 706 | -2 365 | -1 034 |
| RAS | | | | | |
| OPERATING REVENUES | 11 032 | 13 856 | 35 200 | 28 024 | 61 966 |
| Operating costs ex depreciations | 15 777 | 27 246 | 40 275 | 45 930 | 97 731 |
| OPERATING PROFIT BEFORE DEPRECIATIONS (EBITDA) | -4 745 | -13 389 | -5 076 | -17 906 | -35 765 |
| Depreciation | 318 | 246 | 628 | 494 | 1 272 |
| OPERATING PROFIT (EBIT) | -5 063 | -13 635 | -5 704 | -18 400 | -37 037 |

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