


Q4 2019 Presentation

Oslo – 14 February 2020

Knut Nesse, CEO



Agenda

 Highlights

 Financial performance

 Outlook

 Q&A

BIOLOGY



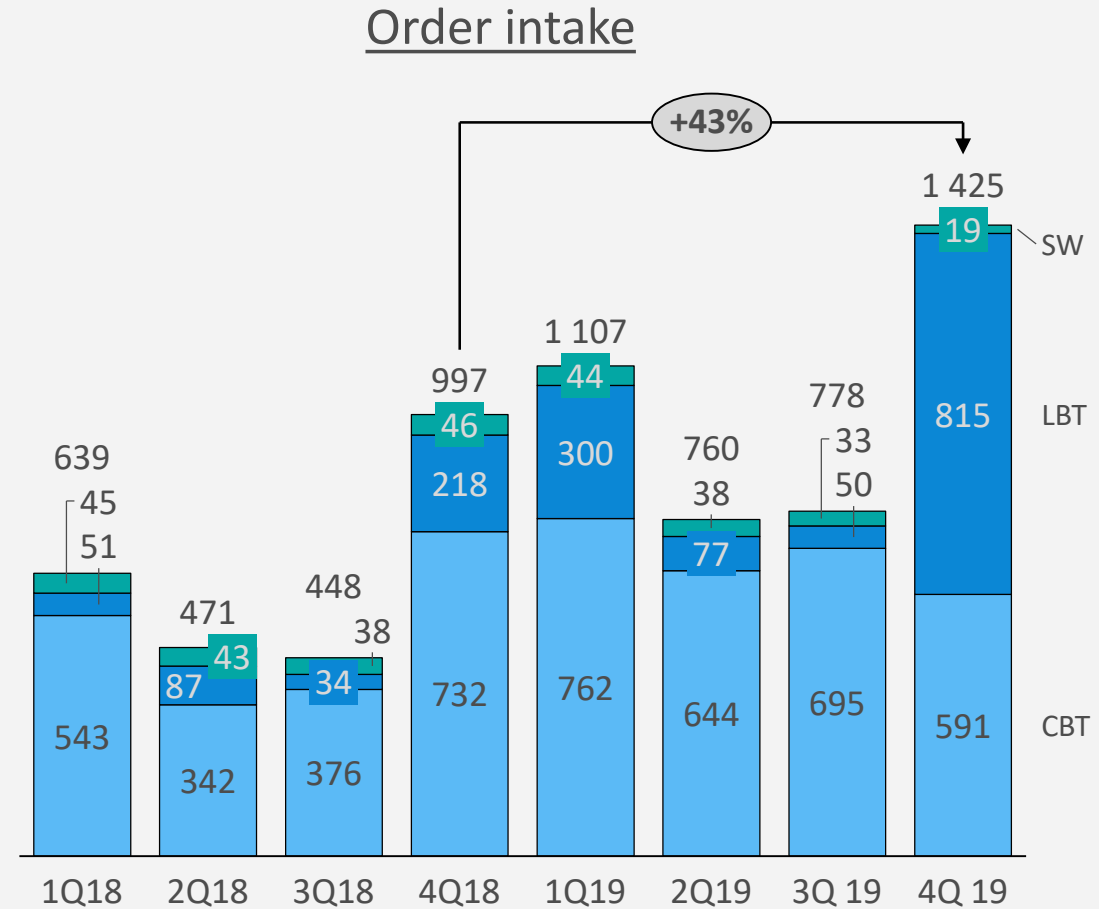
TECHNOLOGY



 Highlights Q4 2019

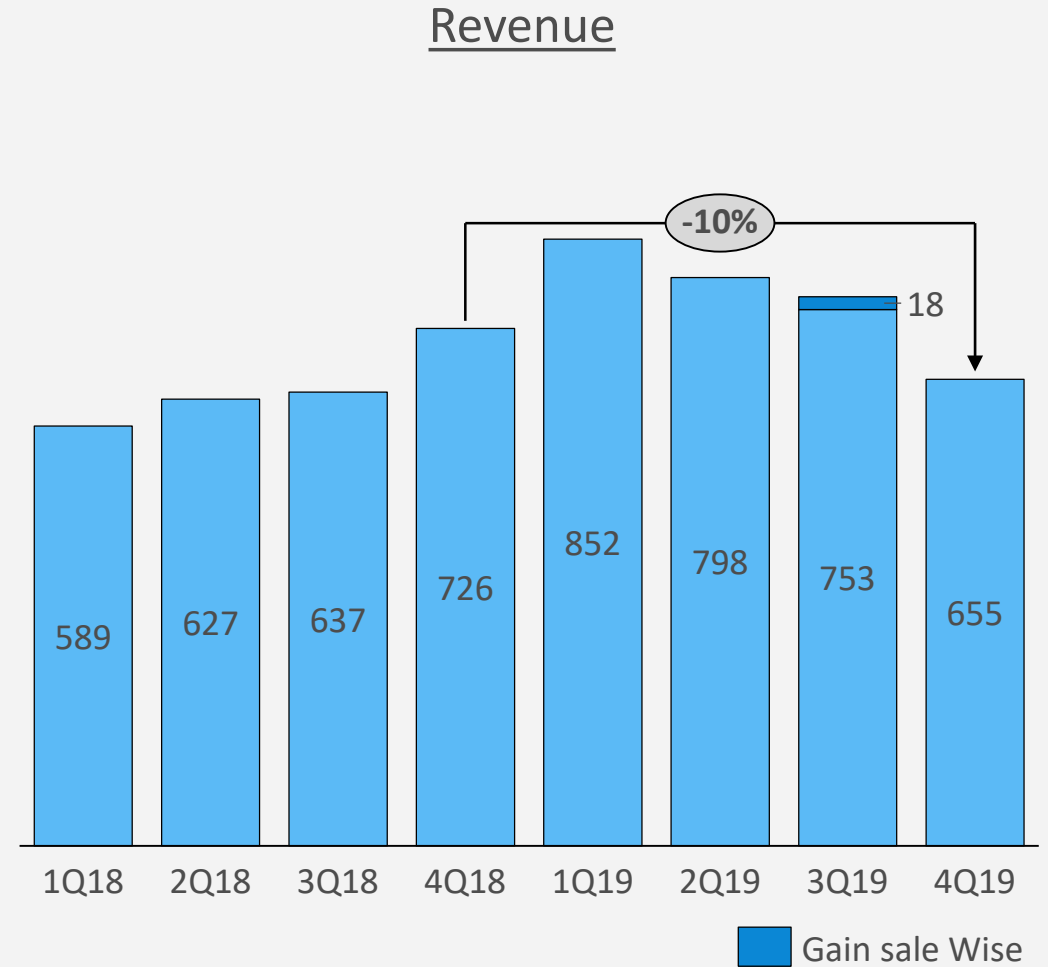
Strong order intake

- Order intake of 1425 MNOK
- 500 MNOK order with Nordic Aqua Partners for a land based salmon farming facility in China
- 10,3 MEUR contract with Cooke Aquaculture for a smolt facility in Chile.
- Order signed for phase 3 of a smolt facility at Tytlandsvik Aqua
- Strong quarter for Europe & ME, especially within export
- Last twelve months order intake of 4,014 MNOK, compared to 2,555 MNOK full year 2018



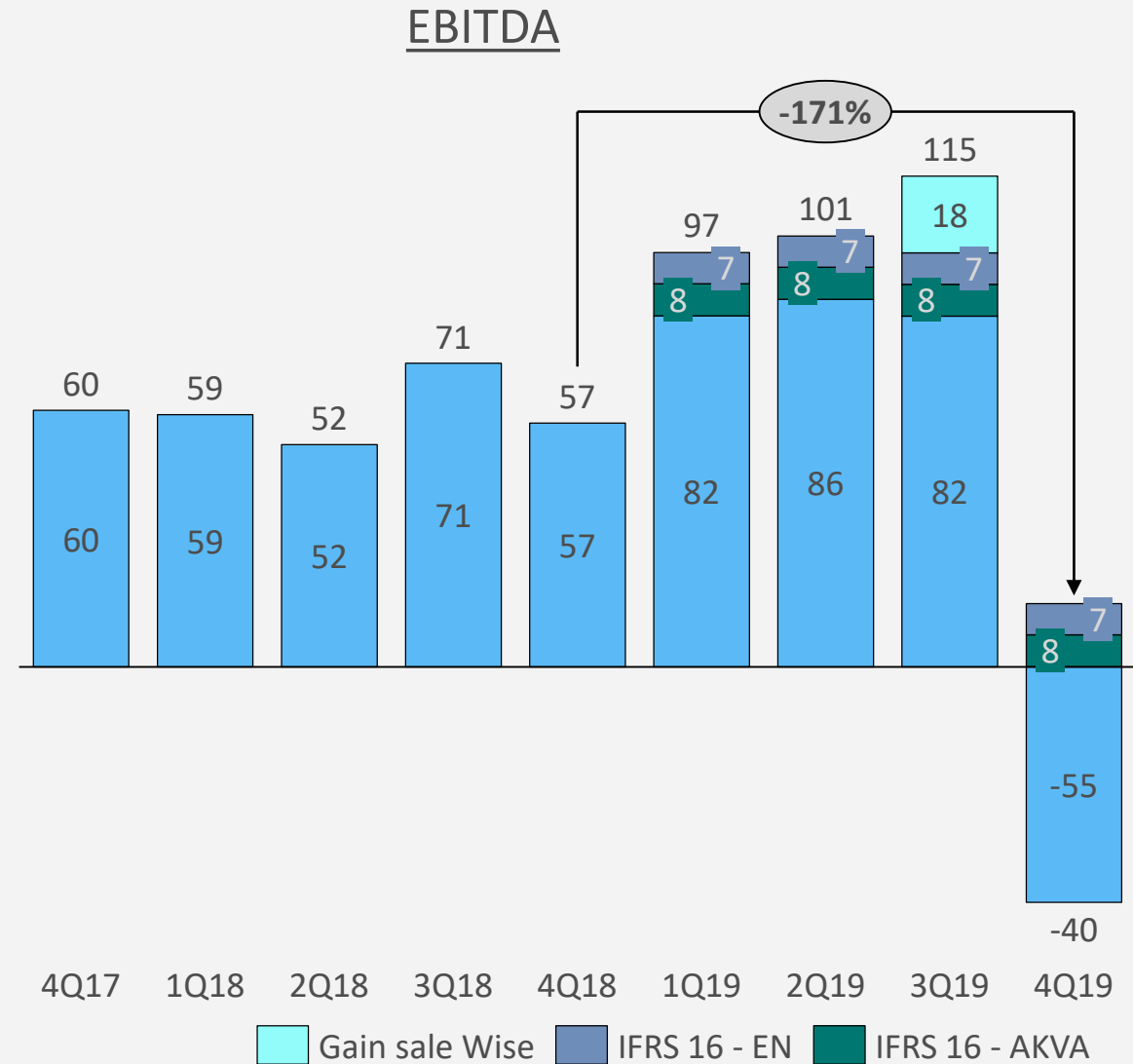
Revenue development

- The software business sold in 2019 was included with 29 MNOK in Q4 2018
- Americas (Chile) and the Nordics have both significant higher order books compared to last year, but less revenue in the quarter
- Land Based do also have significant higher order book, though specifically due to one project being temporarily put on hold, has less revenue compared to last year
- Combined, export and Scotland have doubled their revenue in the period



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 20th 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 7th
 - ✓ 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

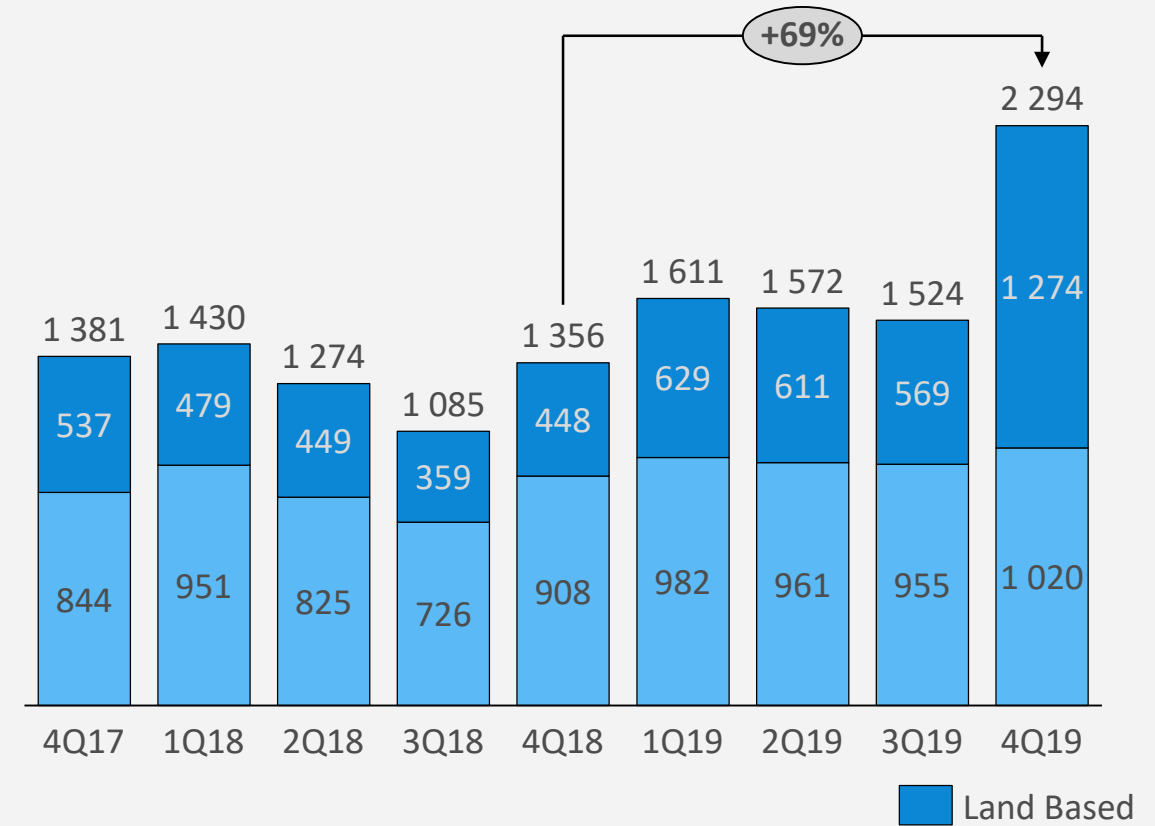
Review of Land Based activities

- ✓ 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

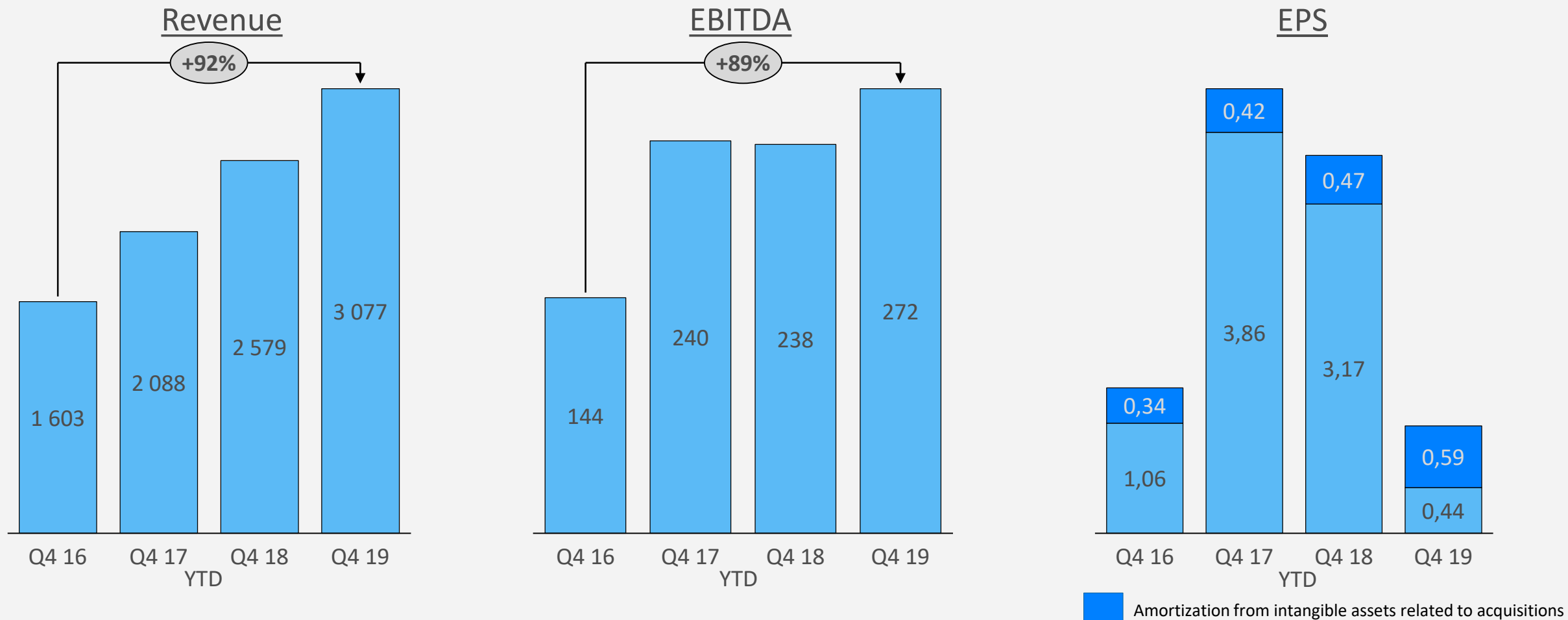
Record high order backlog

- Fourth quarter 2019 – Highlights
 - Order backlog at end of December of 2.3 BNOK
 - Included orders in Q4 for a RAS facility in Chile with Cooke (10,3 MEUR) and a RAS facility (full grow out) in China with Nordic Aqua Partners for 500 MNOK
 - Solid growth in backlog also within export, Scotland and Spain
 - Other larger orders in backlog includes 4 barges for Chile with a value of 12,6 MUSD
 - Won Land Based tender with Russian Sea of 11.9 MEUR in June, not yet in backlog

Order backlog

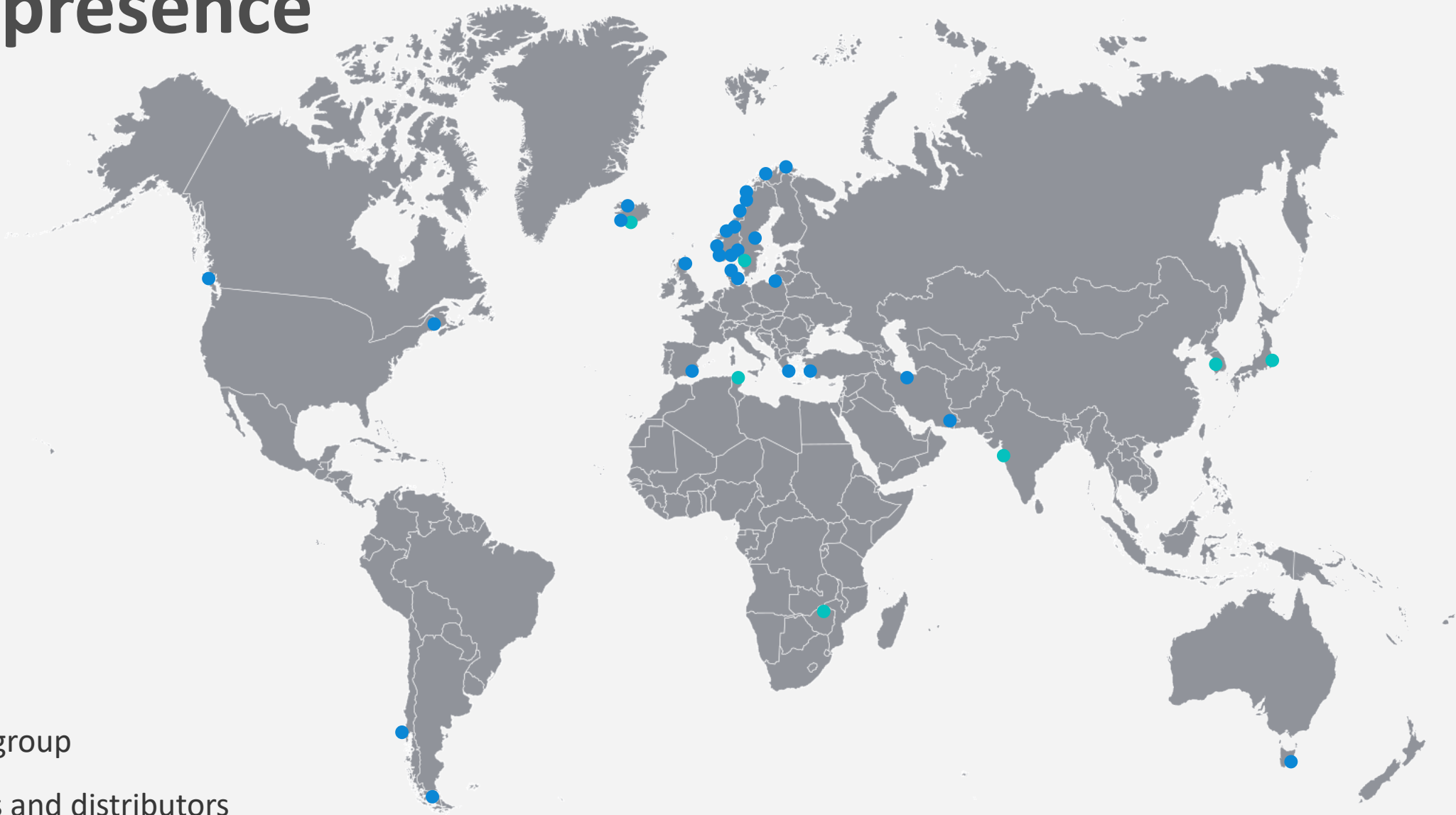


Key financial metrics



In August 2018, number of shares increased from 25 834 303 to 33 334 303. When calculating the EPS the monthly average shares outstanding has been used.

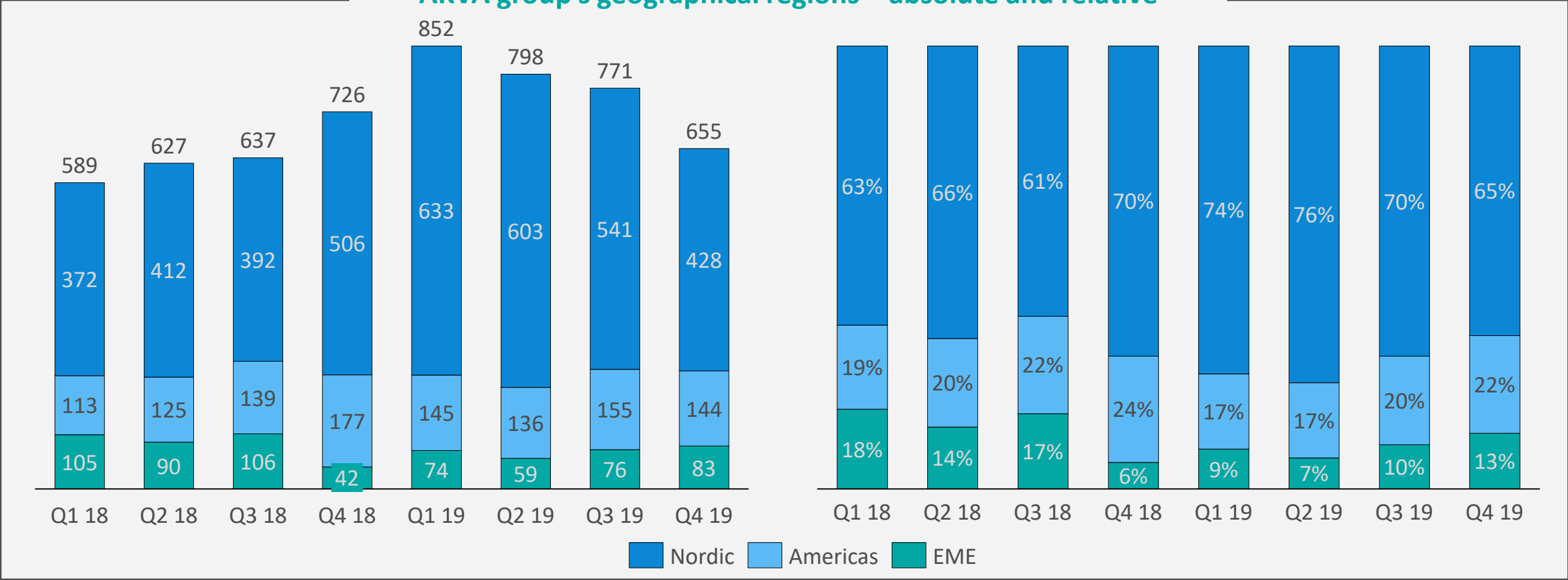
Our presence



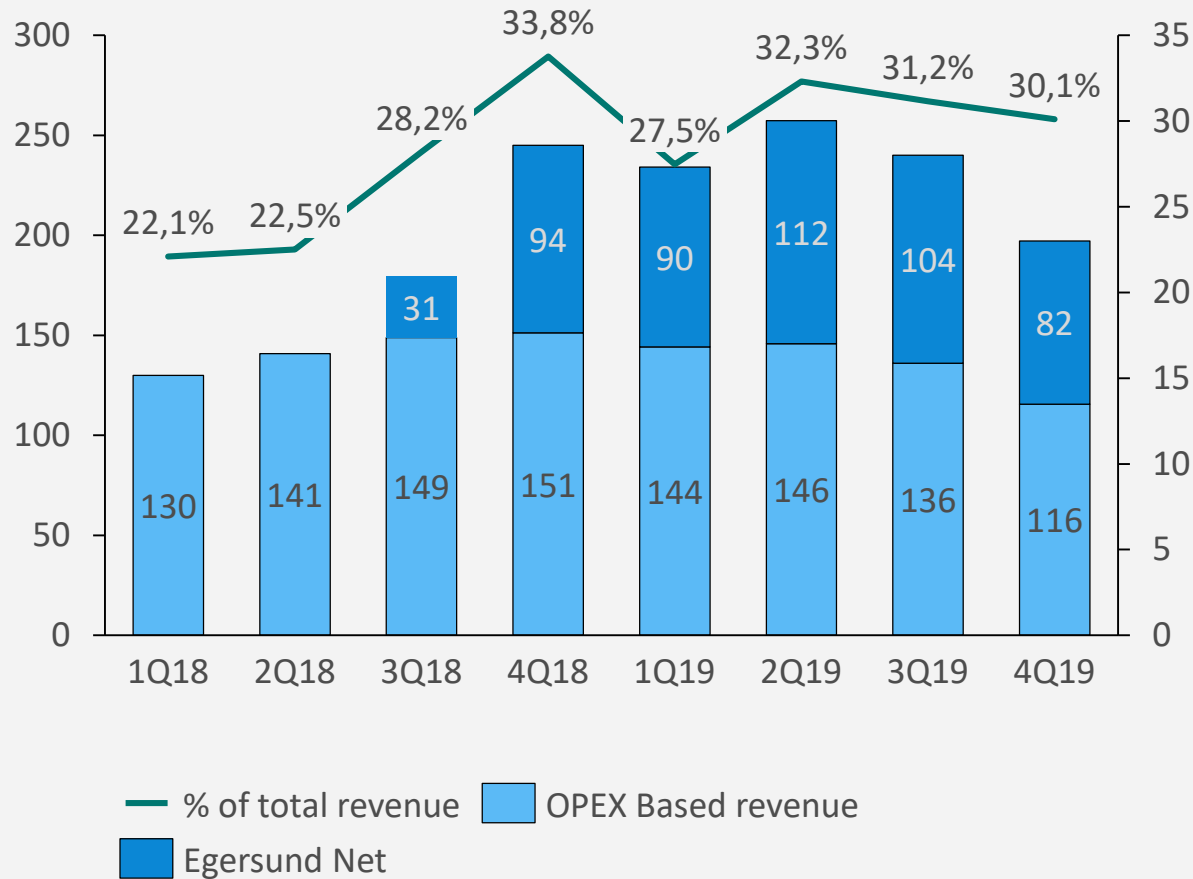
- AKVA group
- Agents and distributors

Revenue in geographical regions

AKVA group's geographical regions – absolute and relative



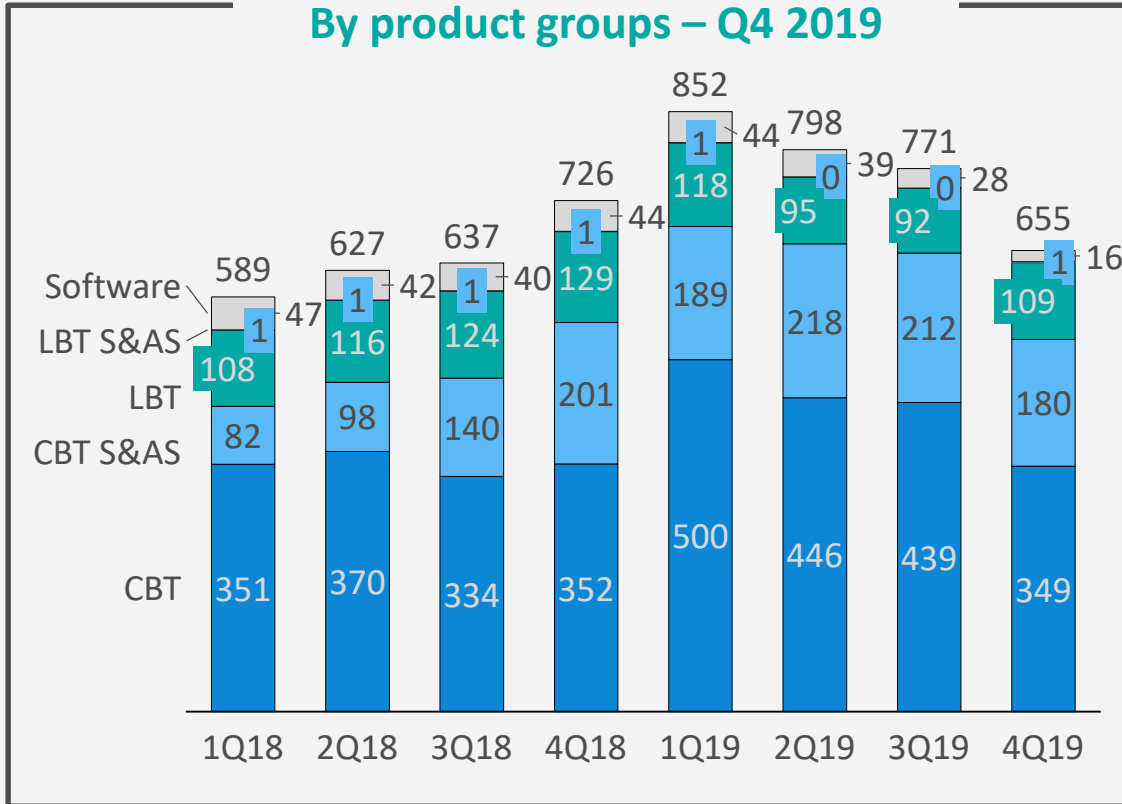
Development in OPEX based revenue



- Egersund Net contributing 82 MNOK in the quarter, with increased margins this quarter compared to 4Q 2018
- Stable development for the rental business (Scotland and Norway) in 2019
- AKVA group Software with revenue increase of 10 % compared to Q4 last year
- The high activity level in the Norwegian marine service business continues, and with significant improved margins in fourth quarter 2019 compared to Q3 2018
- The Norwegian marine service business with solid order backlog

Revenue by product group and species

By product groups – Q4 2019



Cage Based Technology = Cages, barges, feed systems, nets and other operational systems for cage based aquaculture

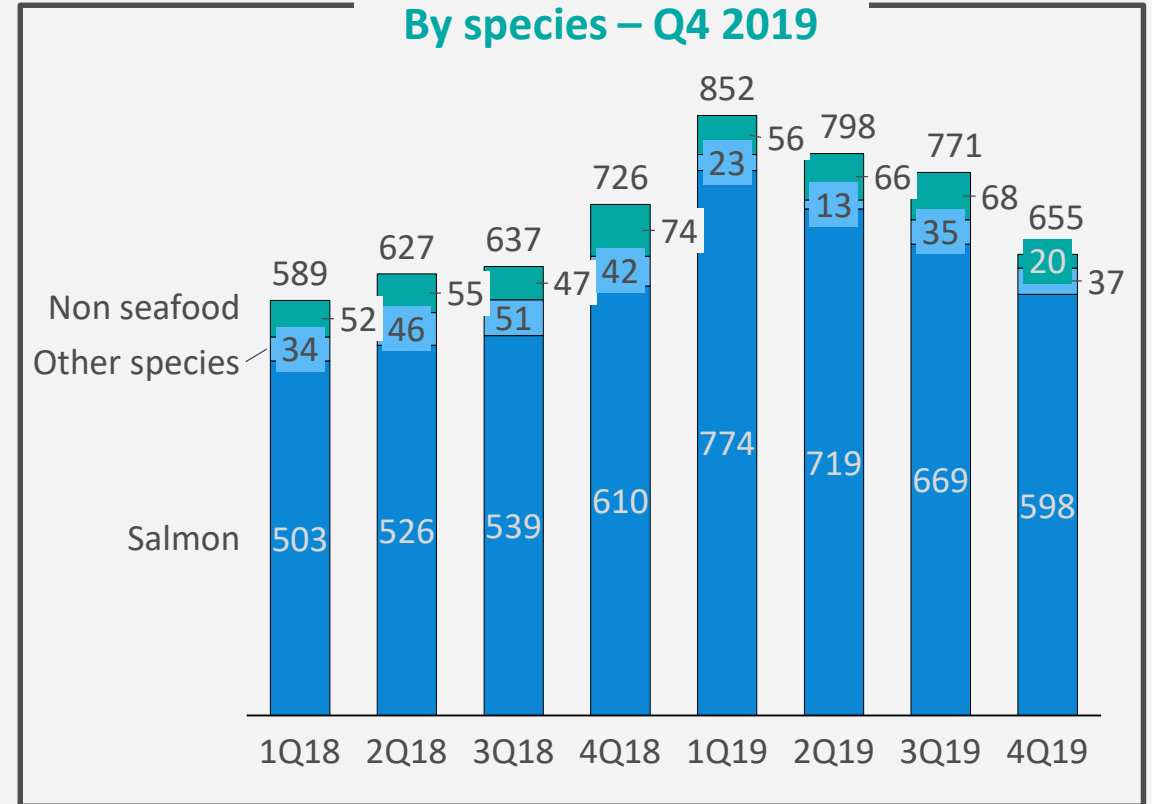
S&AS Cage Based = Service and after sales for cage based aquaculture

Software = Software and software systems

Land Based Technology = Recirculation systems and technologies for land based aquaculture

S&AS Land Based = Service and after sales for land based aquaculture

By species – Q4 2019



Salmon = Revenue from technology and services sold to production of salmon

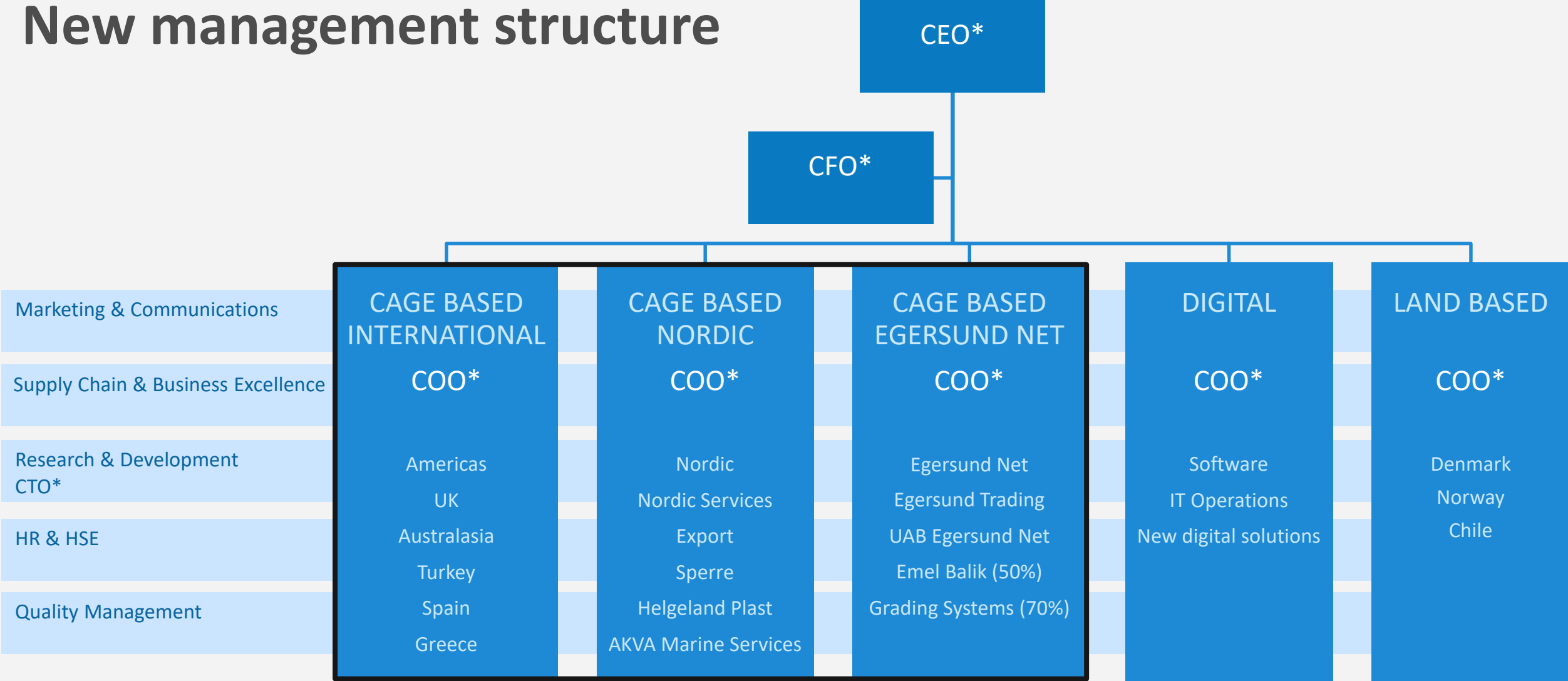
Other species = Revenue from technology and services sold to production of other species than salmon

Non Seafood = Revenue from technology and services sold to non seafood customers

Q4 – Operational Highlights

- Challenging quarter with various exceptional items causing profit warning, and subsequently findings of irregularities within project accounting within Land Based
- Solid order intake within Land Based and first large order for a full grow out salmon facility signed, with a value of 500 MNOK – new strategy for full grow out under development
- The co-operation agreement for Land Based projects entered into with Cooke Aquaculture, resulted in an order for a RAS facility in Chile, with a value of 10,3 MEUR
- Good progress made on establishing service business on New Foundland (agreement to acquire New Foundland Aqua Service Ltd signed in 2020)
- New organizational structure established, see next slide. Plans for further strengthening the organization under development
- AKVA Observe (precision feeding) offering in high demand, pipeline is growing
- Strategy process initiated
- Development of new camera system, next generation Tube Net and AKVAconnect control system, progressing well

New management structure



* Part of Group Management Team

Group Strategy process initiated – key themes

Land Based

On-growing
Post Smolt



Digital

Data Platform
Computer vision / AI



Innovation

Prioritization
Fish health concepts



Learning & Development

People and competence
Project and contract management



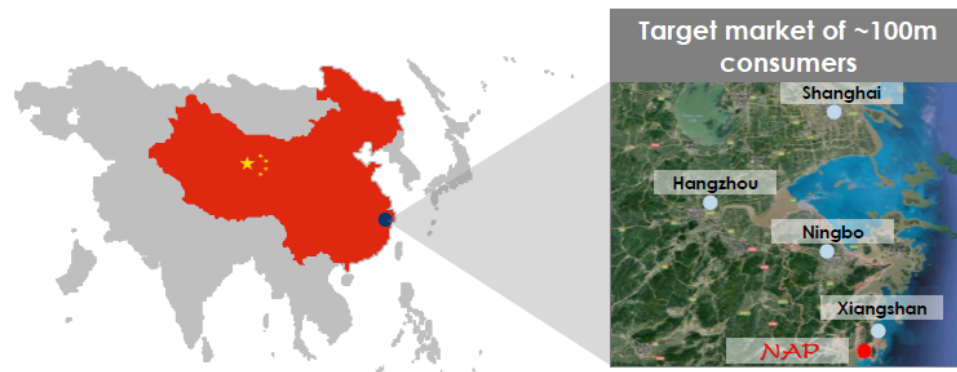
Separate focus on full grow out RAS facilities

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



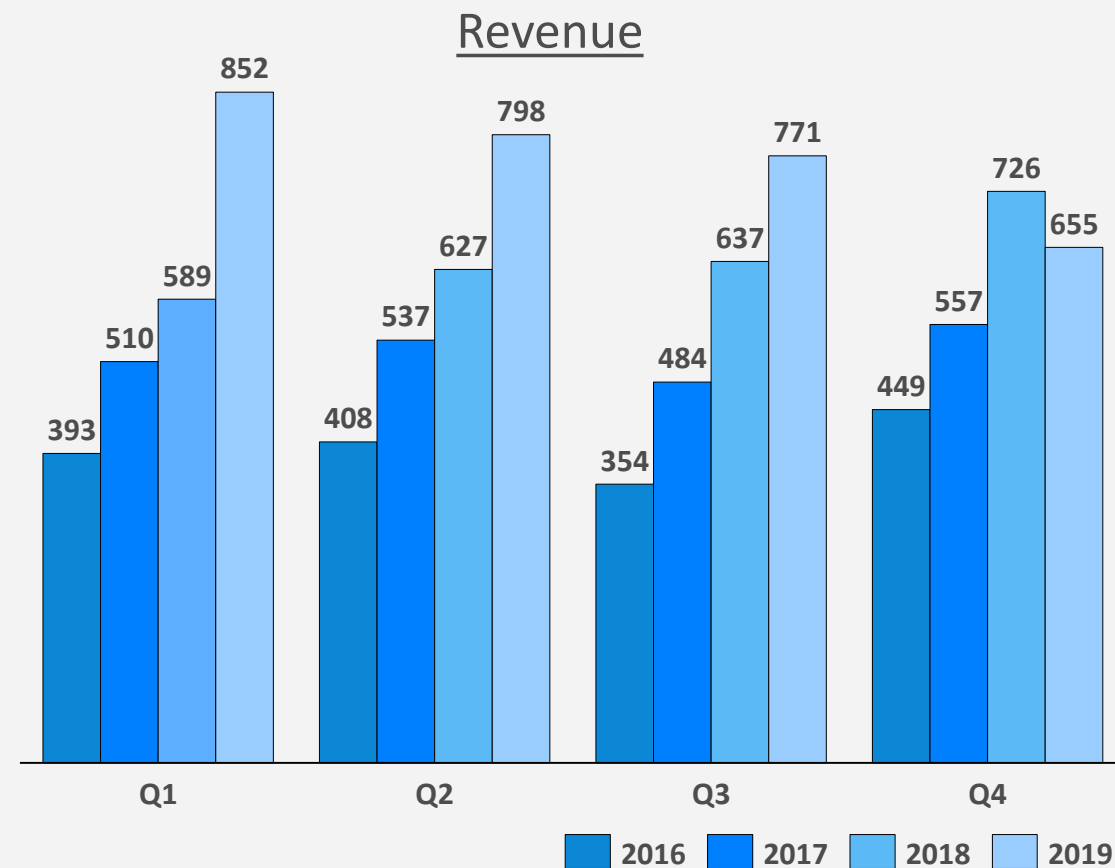
- AKVA as strategic partner in NAP
- Potential equity stake to secure partnership and successful execution
- Learning and developing by a close follow-up on all technical, operational and biological performance measures
- Additional projects in pipeline



 Financial performance Q4 2019

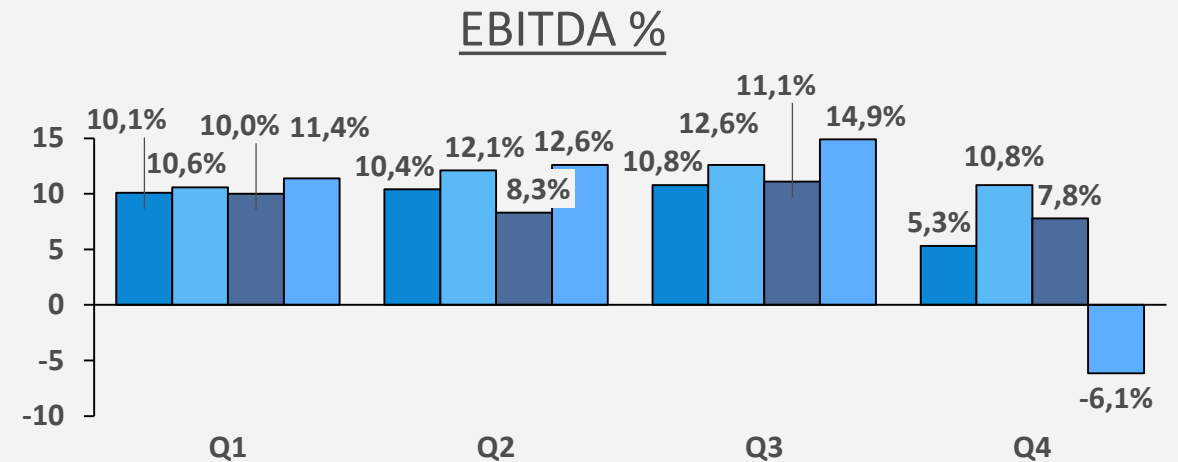
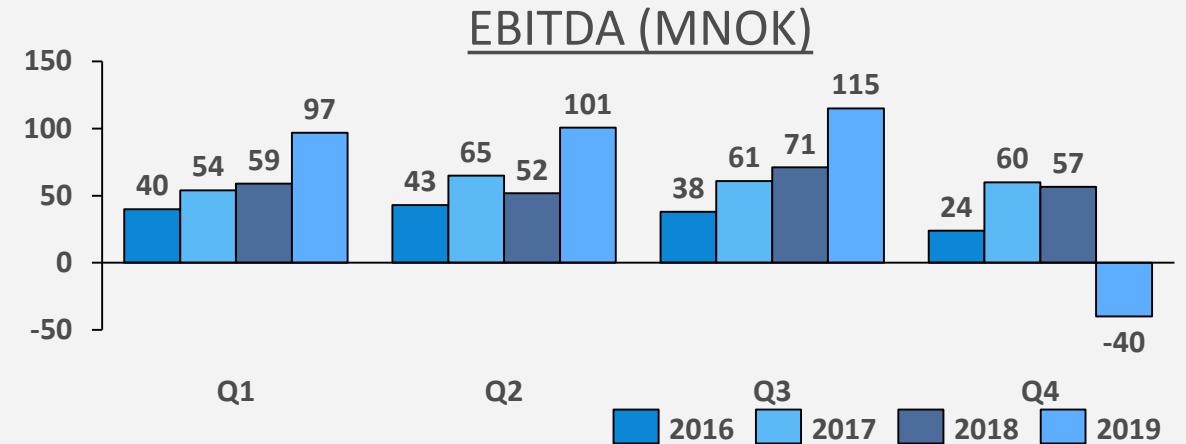
Q4 2019 – Financial highlights

- Last twelve months order intake and revenue now at 4,014 MNOK and 3,077 MNOK respectively
- The order book has increased to 2,294 MNOK at the end of Q4 2019, an increase of 783 MNOK in Q4
- Strong growth in export and Scotland in the quarter, decline in Americas
- Last year software revenues included 29 MNOK from Wise, an Icelandic business which were sold in Q3
- Lower activity in Egersund Net in the period, revenues of 117 MNOK compared to 152 MNOK in Q4 2018

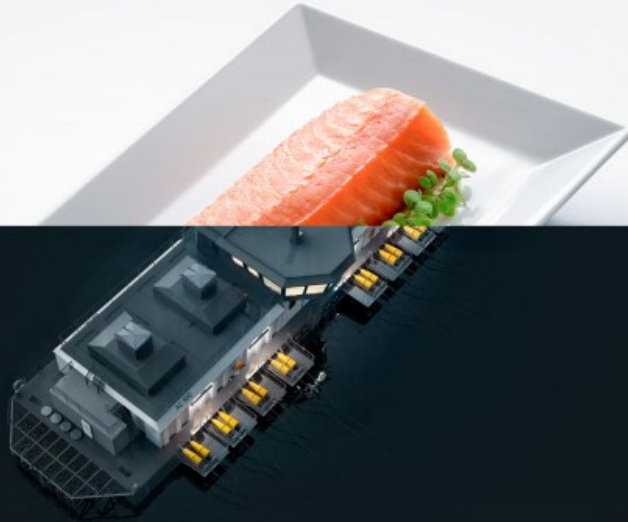


Q4 2019 – Financial highlights

- Solid margins in Americas, although lower activity and absolute contribution compared to Q4 2018.
- Nordic CBT segment improved from Q4 2018, with solid results from net washing in sea and Sperre (ROV).
- Lower activity in Egersund Net in the quarter, with impact on absolute and relative EBITDA.
- Low activity in the Land Based segment, amongst others due to one specific project being temporarily delayed.
- EBITDA positively affected by 15 MNOK due to implementation of IFRS 16 in the quarter (59 MNOK YTD)
- Exceptional items impacted the results negatively, see separate slide



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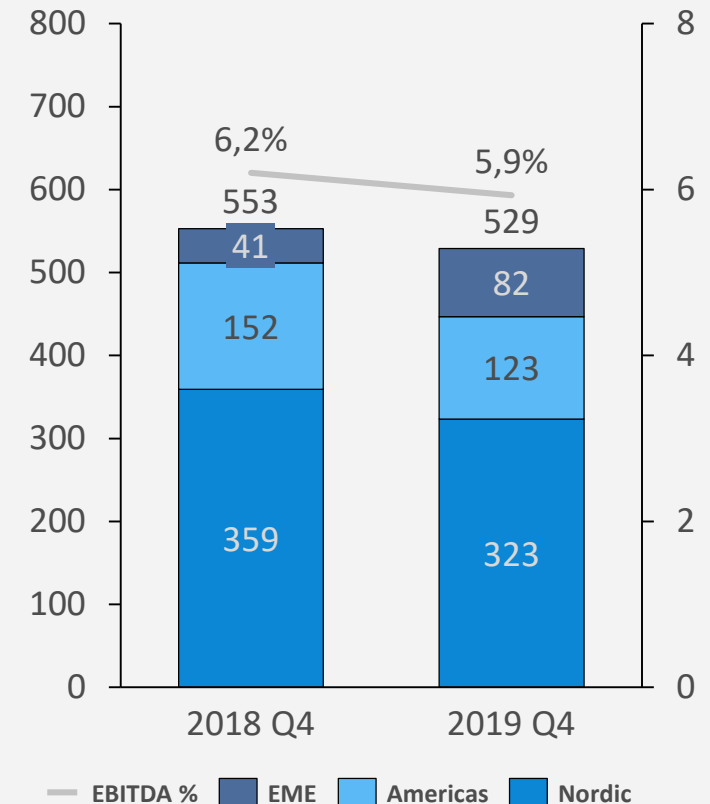
By developing technology focused on solving the biological challenges we contribute to the continued development of a sustainable industry with fish welfare as the most important success criteria. Good fish health is paramount in achieving good results and investing in our technology will help deliver both.

Cage Based Technology

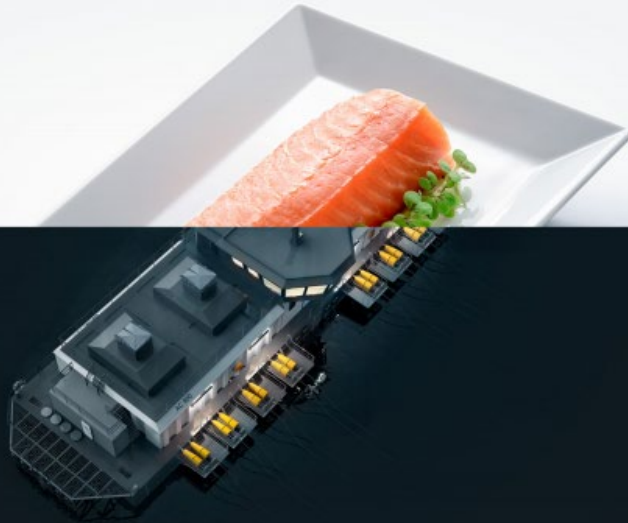
Nordic

- Compared to Q4 2018, improved results from the Norwegian CBT business (excluding Egersund Net)
- Continued strong improvement in quarter from AKVA Marine Services (net cleaning in sea), and Sperre (ROV)
- Lower activity in Egersund Net, and increased costs on guarantees, caused EBITDA to decrease in the period

Revenue and EBITDA %



BIOLOGY



TECHNOLOGY

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Cage Based Technology

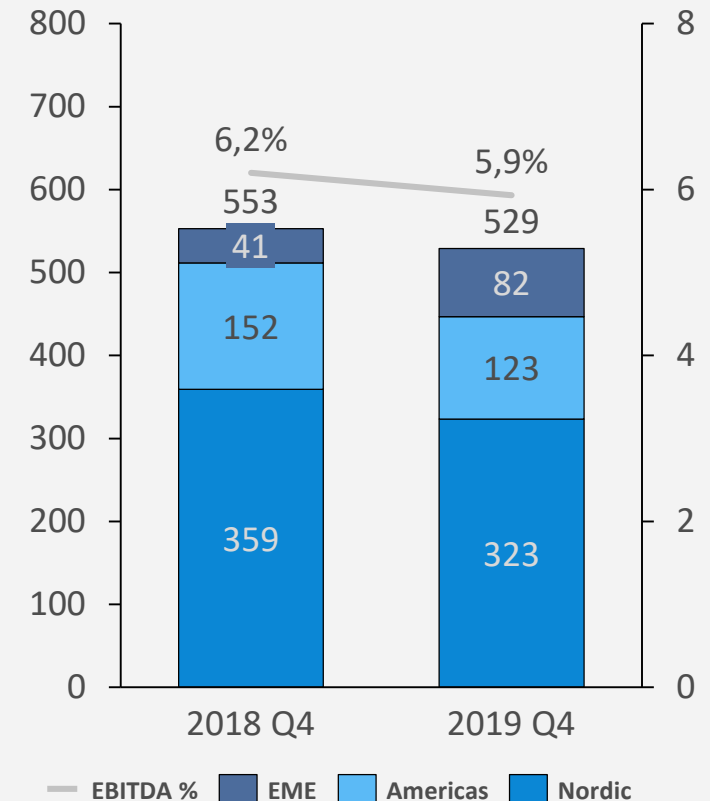
Americas

- 4 barges in backlog, delivered from shipyard in Vietnam, for delivery to customer in Q3/Q4 2020
- Solid and improved EBITDA margin in Chile in the Q4 2019 compared to same quarter last year

EME

- Despite a challenging economical environment, Turkey delivered positive EBITDA in the quarter and for the full year of 2019.
- Scotland improved its results from loss making in Q4 2018 to profit contribution in Q4 2019
- Strong contribution from export

Revenue and EBITDA %



BIOLOGY



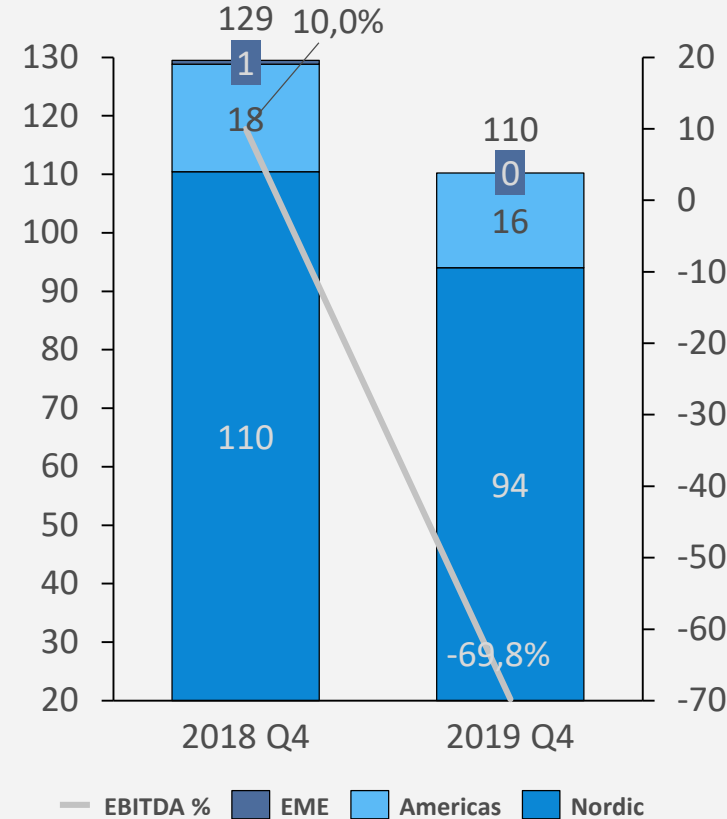
TECHNOLOGY

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Land Based Technology

- A contract with Cooke in Chile for 10,3 MEUR as well as a contract with Nordic Aqua Partners were signed in Q4 2019
- Strong order backlog of 1,2 billion NOK at the end of 2019
- Low activity in the quarter, especially due to one project being temporarily delayed
- Exceptional items hampering results, see separate slide

Revenue and EBITDA %



BIOLOGY



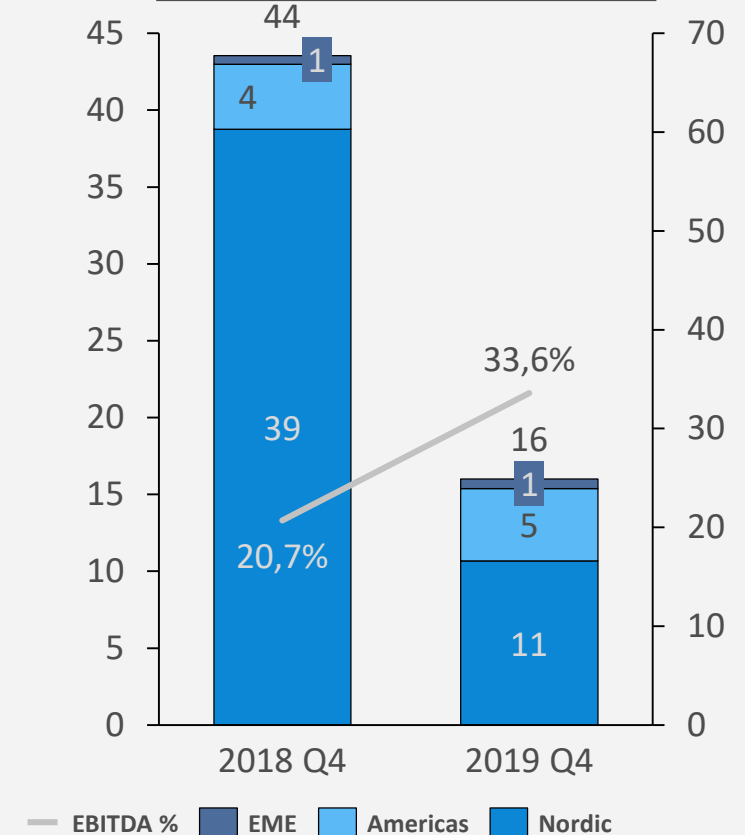
TECHNOLOGY

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Software

- Last year revenue and EBITDA included 29 MNOK and 5 MNOK respectively, from the divested software business on Iceland
- New recurring business model is being developed for control systems
- Renewal of Fishtalk creates more sales opportunities
- Leads and pipeline for Precision feeding software (Observe) is increasing

Revenue and EBITDA %



Financials – Detailed P&L

(MNOK)	2019 Q4	2018 Q4	2019 YTD	2018 YTD	2018 Total
Order backlog	2 294	1 356	2 294	1 356	1 356
Order intake	1 438	997	4 014	2 555	2 555
P&L					
OPERATING REVENUES	655	726	3 077	2 579	2 579
IFRS 16 OPEX*	-15	-	-59	-	-
Operating costs ex depreciations	710	670	2 864	2 342	2 342
EBITDA	-40	57	272	238	238
Depreciation	25	22	89	69	69
IFRS 16 Depreciation*	15	-	58	-	-
Amortization	25	12	62	39	39
EBIT	-106	22	62	130	130
Net interest expense	-5	-4	-22	-14	-14
IFRS 16 Interest expense*	-5	-	-20	-	-
Other financial items	-6	2	-7	-4	-4
Net financial items	-16	-2	-49	-18	-18
EBT	-122	20	13	112	112
Taxes	-36	1	-3	22	22
NET PROFIT	-85	19	17	89	89
Net profit (loss) attributable to:					
Non-controlling interests	-0,0	0,0	2,0	-0,3	-0,3
Equity holders of AKVA group ASA	-85	19	15	90	90
Number of shares	33 156	33 306	33 205	28 306	28 306
Revenue growth	-9,8 %	30,5 %	19,3 %	23,5 %	23,5 %
EBITDA margin	-6,1 %	7,8 %	8,8 %	9,2 %	9,2 %
EPS (NOK)	-2,57	0,57	0,44	3,17	3,17

Of which Land Based is 1,274 MNOK

Investment in subsidiaries accounted for by equity method YTD Q4 classified as other operating revenues of 6.0 MNOK

Net gain on divestment of Wise of MNOK 18

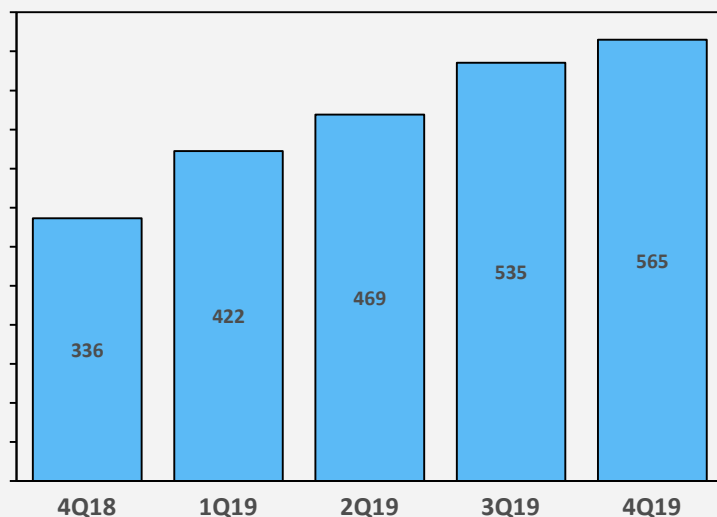
Increased depreciation mainly due to investments in AKVA Marine Services/Helgeland Plast and depreciation/amortization including Egersund Net and subsidiaries (4.9 MNOK in quarter)

*IFRS 16 changes are affecting the EBITDA positively by 15 MNOK in the quarter, and the Net profit negatively by 4 MNOK

Minority shareholders (30%) in Grading Systems Ltd

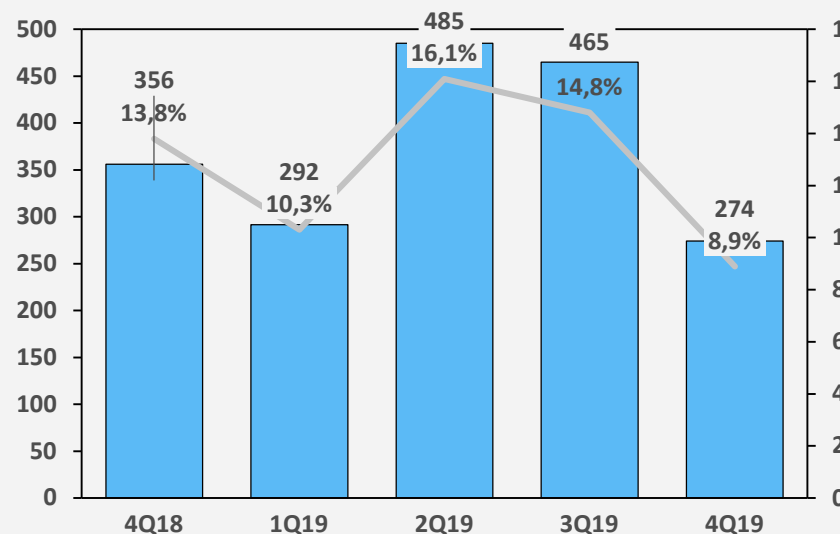
Group financial profile – remains strong

Available cash



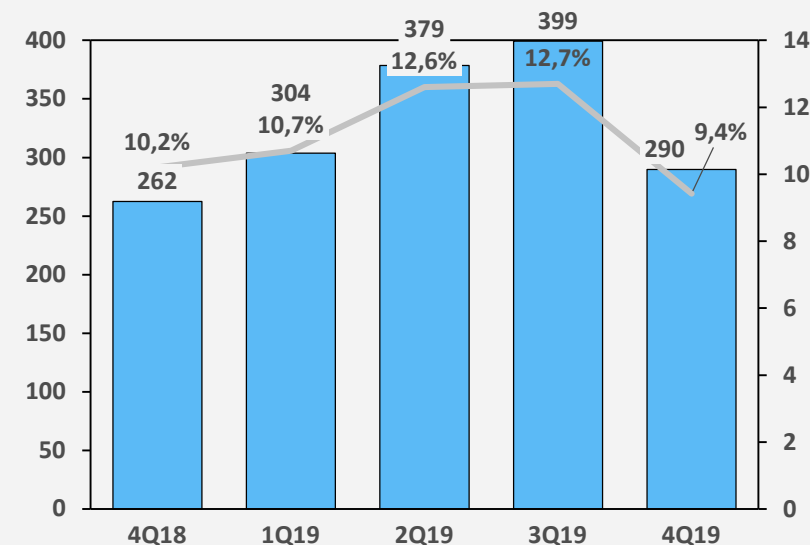
- Including 204 MNOK of a 300 MNOK credit facility in Danske Bank and unused revolving facility of 200 MNOK, as of Q4 2019
- Secured additional 100 MNOK of long term loans and established a new 200 MNOK revolving credit facility in Q2 2019

Working capital



- The graph shows absolute working capital and working capital relative to last twelve months revenue
- Revenue from Egersund Net is now included with 12 months revenue

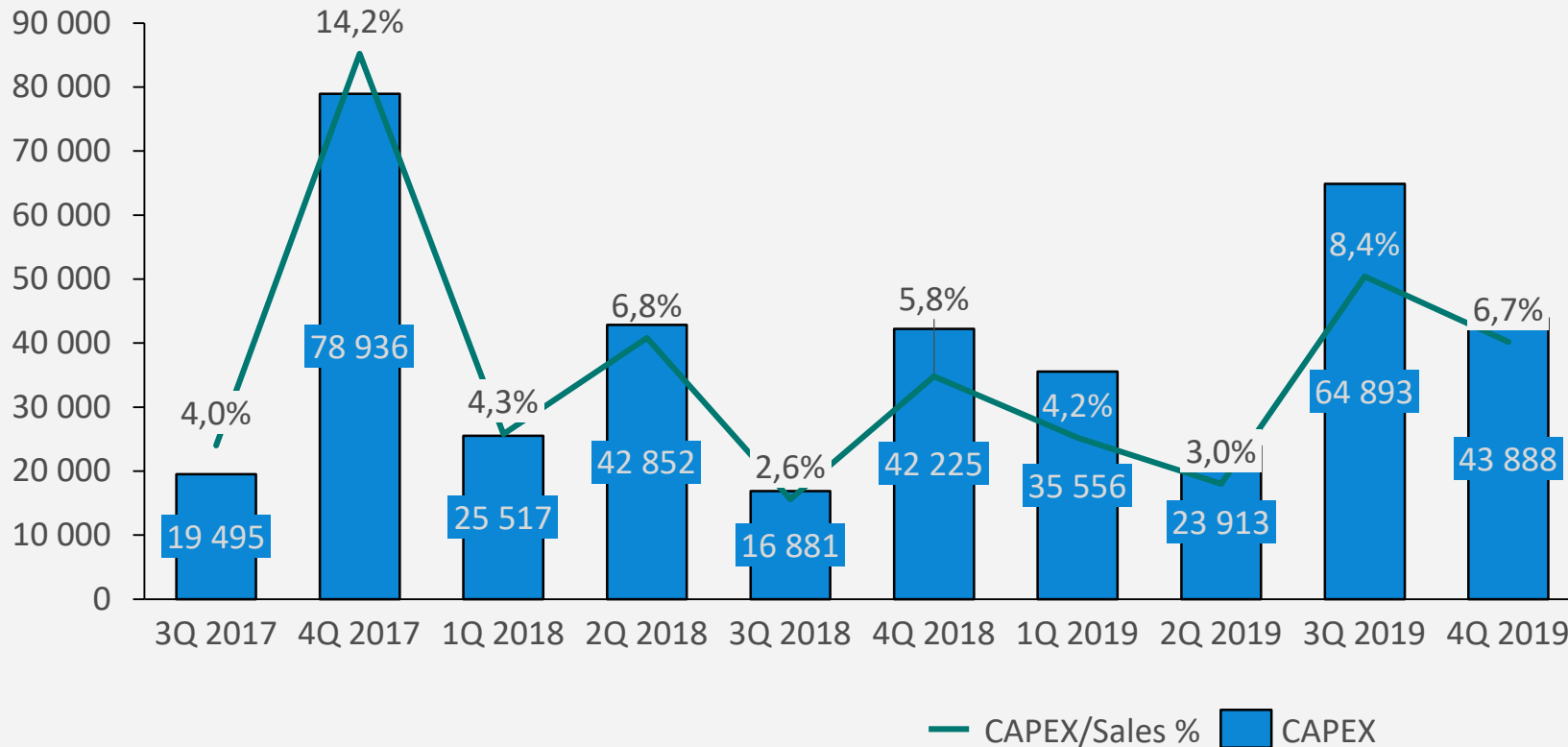
Average working capital



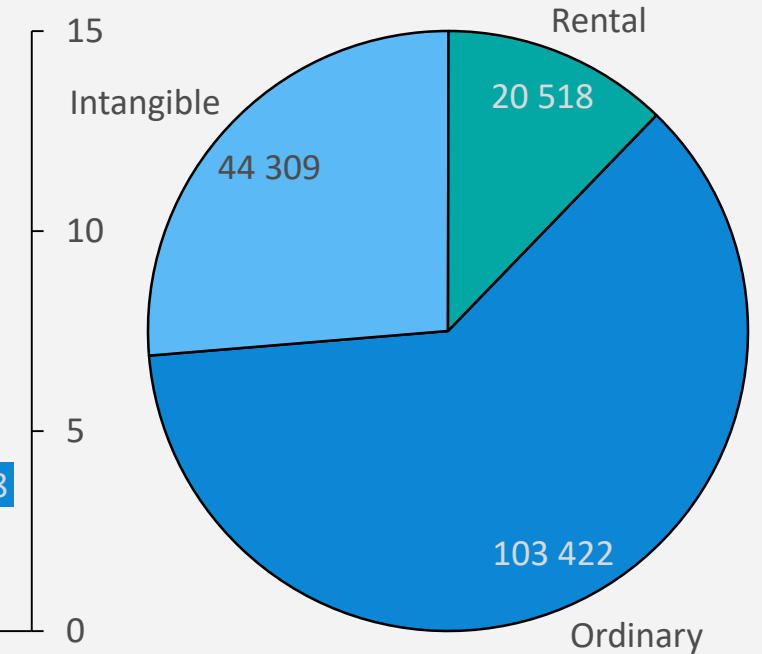
- The graph shows 12 months average working capital and average working capital relative to last twelve months revenue

CAPEX

(TNOK) CAPEX and CAPEX/Revenue %

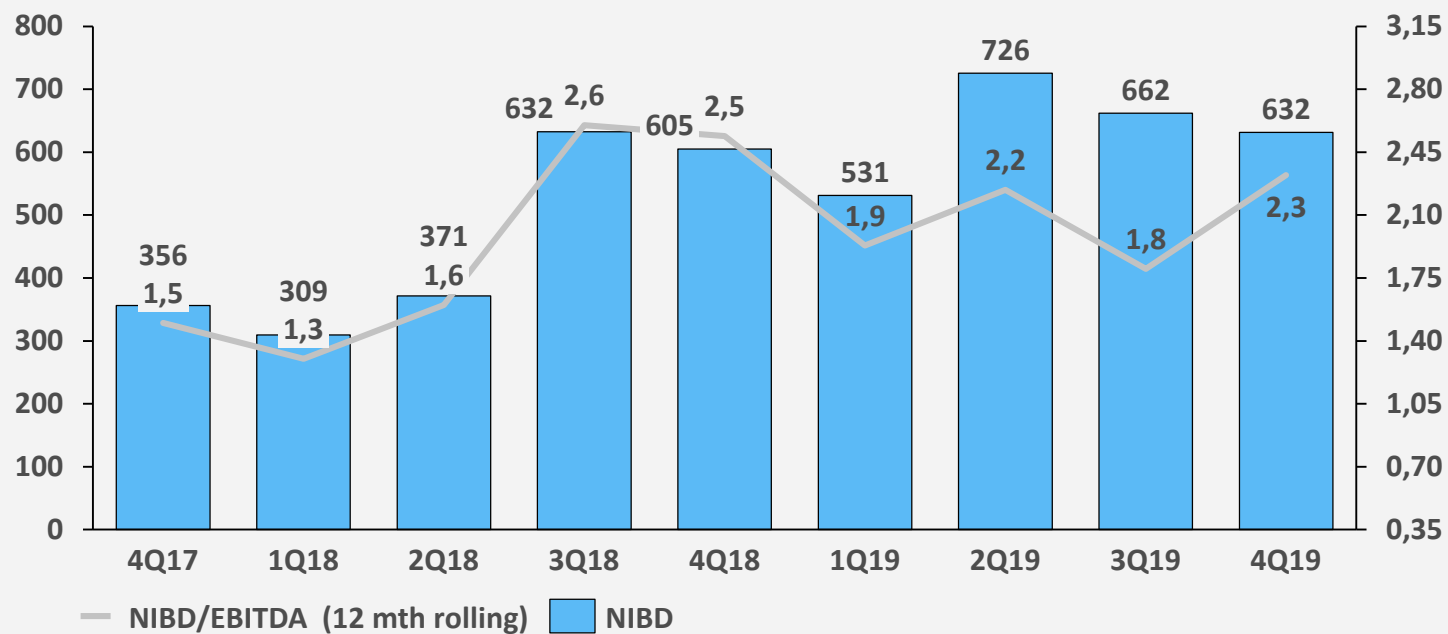


CAPEX breakdown 2019



Net interest bearing debt/EBITDA of 2,3

Net interest bearing debt (MNOK) and net debt/EBITDA



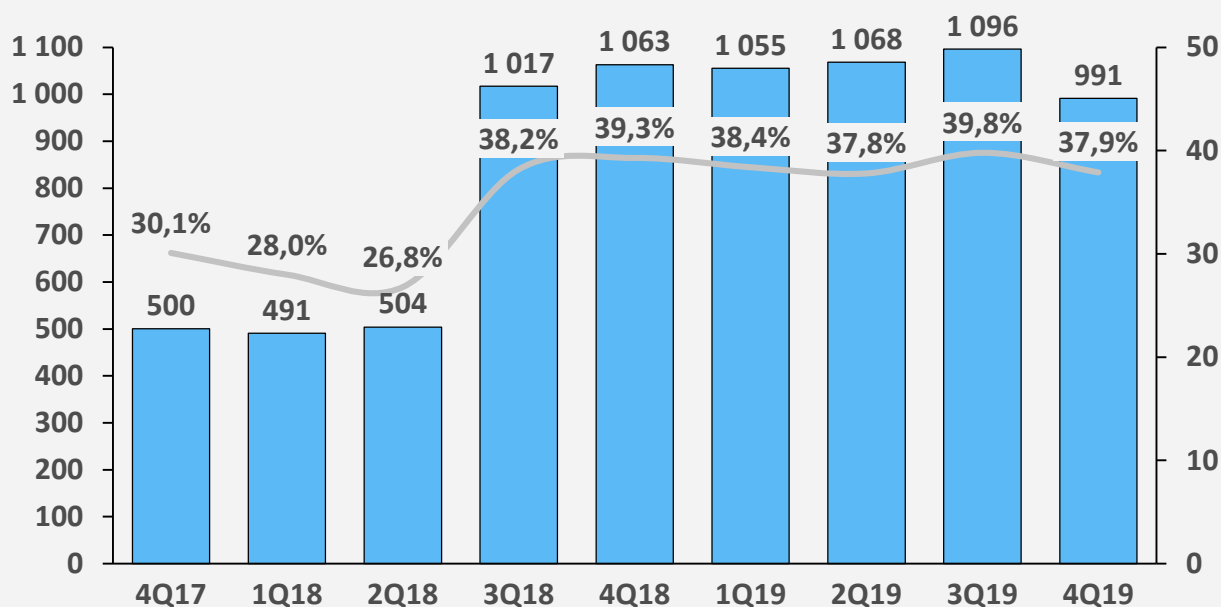
■ Excluding IFRS 16 liabilities

Change in net interest bearing debt (TNOK)

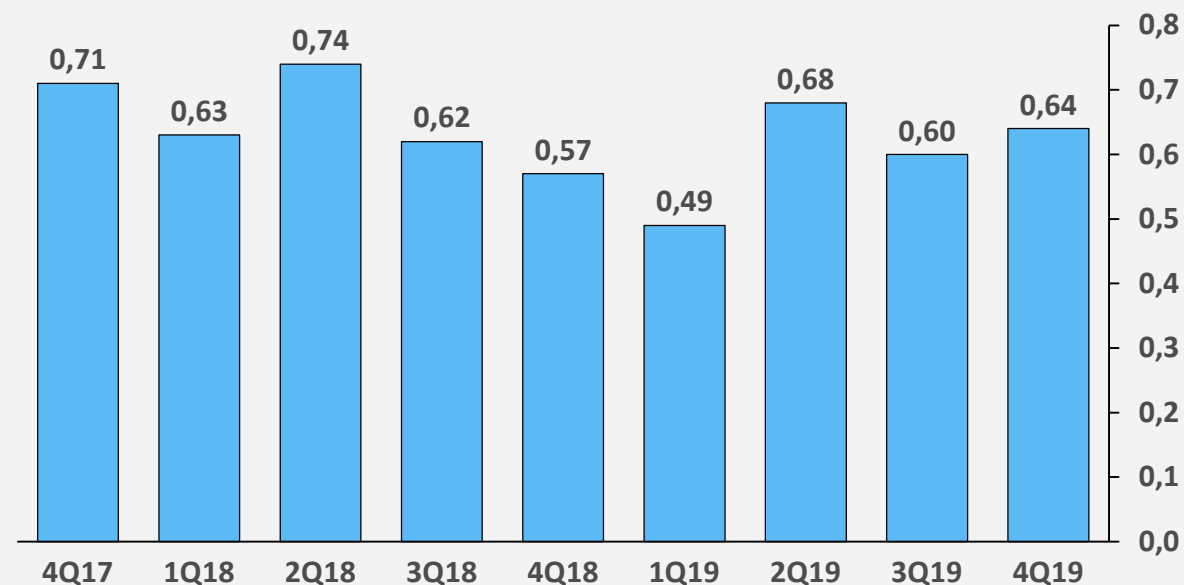
Net interest bearing debt 30.09.2019	661 805
EBITDA	40 250
Income taxes paid	-6 928
Net interest paid	10 354
Capex	43 888
Long-term financial assets	397
Paid dividend	-
Buyback/sale own shares	-
Sale of fixed assets	-383
Currency effects	2 087
Other changes in working capital	-119 903
<i>Net change</i>	-30 237
Net interest bearing debt 31.12.2019	631 567

Group financial profile – remains strong, continued

Equity and Equity / Total Balance



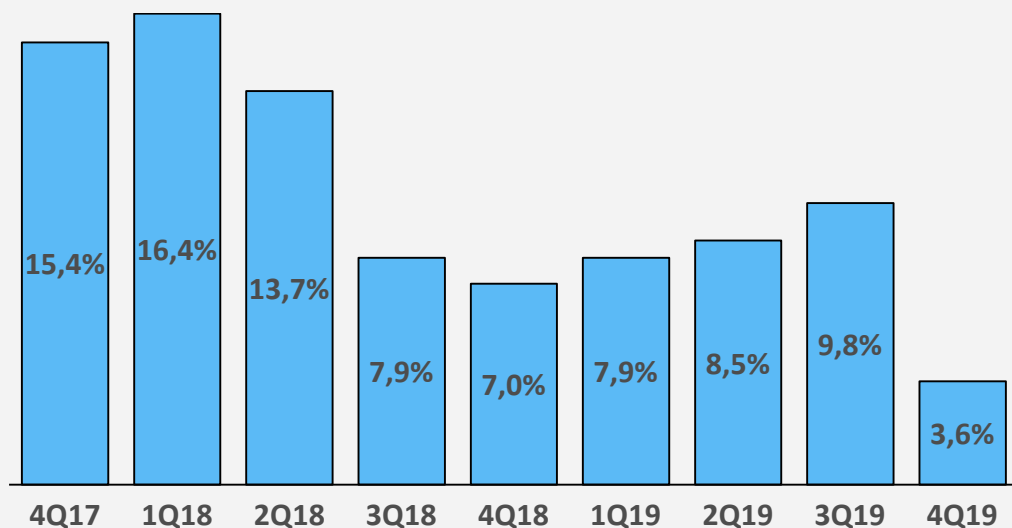
NIBD / Equity



- Total effect of IFRS 16 on the balance sheet end of December 2019 is 417 MNOK, negatively affecting the equity ratio when comparing to previous quarters. Not included in graph above
- Equity ratio would be 32,7% including IFRS 16 liabilities

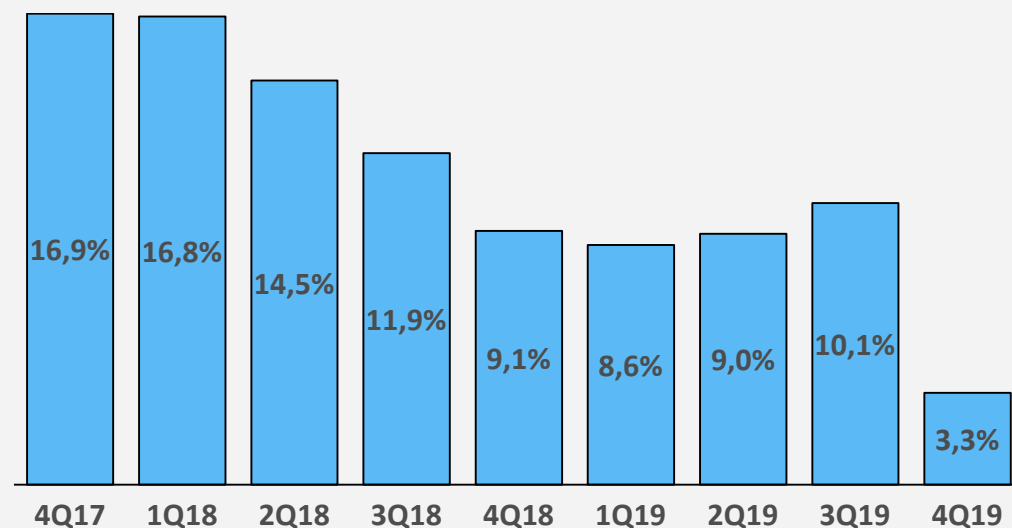
Group financial profile, continued

ROCE



- Exceptional items impacting Q4 ROCE
- ROCE is calculated ex balance sheet items of IFRS 16

ROACE



- ROACE is calculated with the average balance sheet items last four quarters
- ROACE is calculated ex balance sheet items of IFRS 16

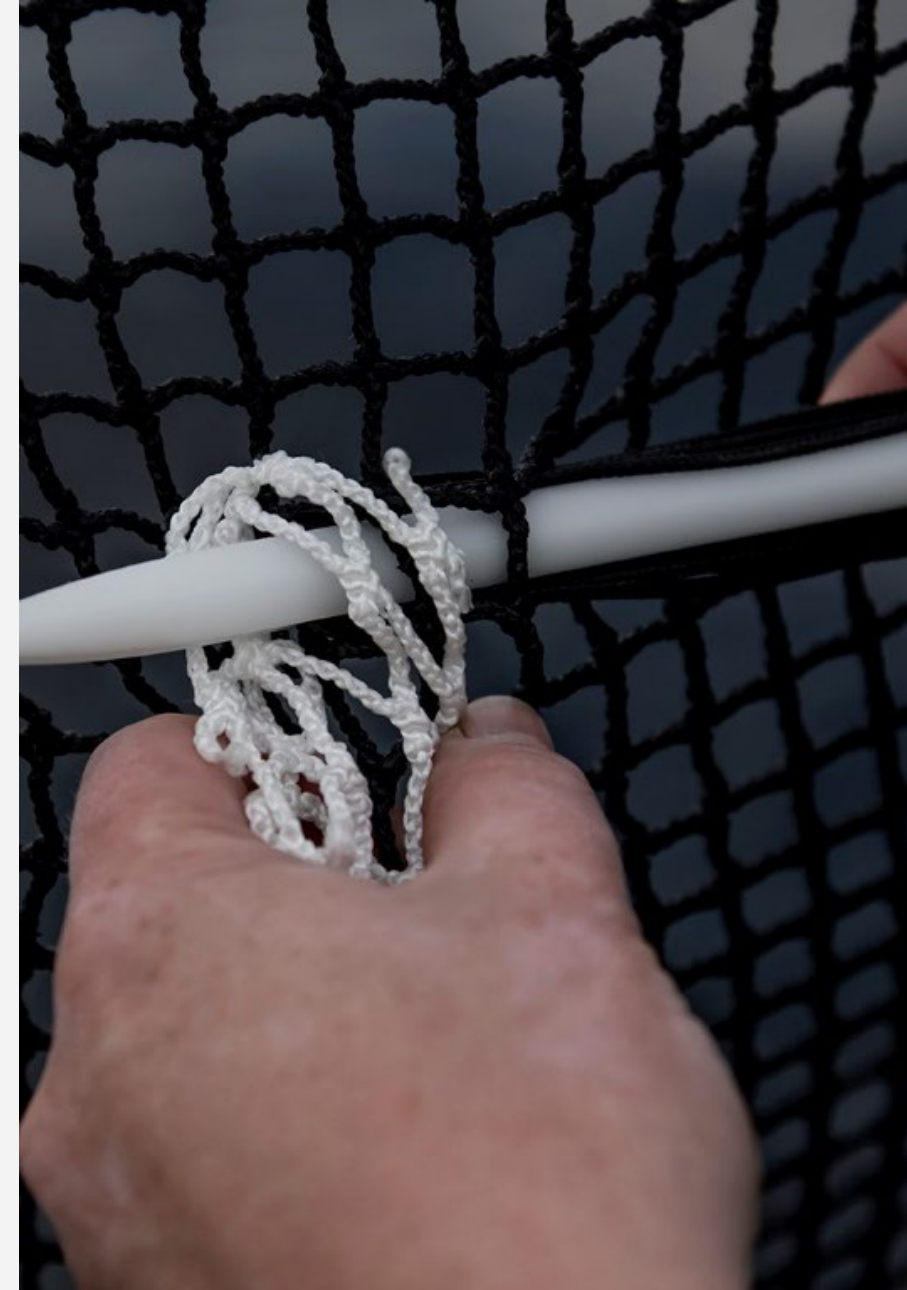
Cash flow statement

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW (NOK 1 000)	2019	2018	2019	2018	2018
	Q4	Q4	YTD	YTD	Total
Net cash flow from operations	-49 576	48 978	180 368	204 735	204 735
Net cash flow from change in working capital	134 186	18 692	39 409	-50 821	-50 821
Net cash flow from operational activities	84 610	67 670	219 777	153 913	153 913
Net cash flow from investment activities	-43 995	-42 149	-140 109	-270 673	-270 673
Net cash flow from financial activities	-36 207	-28 343	-74 867	158 880	158 880
Net change in cash and cash equivalents	4 408	-2 822	4 801	42 121	42 121
Net foreign exchange differences	-1 471	4 283	-664	-2 227	-2 227
Cash and cash equivalents at the beginning of the period	158 062	155 402	156 862	116 969	116 969
Cash and cash equivalents at the end of the period	160 999	156 862	160 999	156 862	156 862

Balance sheet

BALANCE SHEET	2019	2018
(MNOK)	31.12	31.12

ASSETS	3 033	2 703
Intangible non-current assets	1 028	1 085
Tangible non-current assets	364	332
Financial non-current assets	75	73
IFRS 16 - RoU Asset	417	-
Inventory	514	462
Receivables	475	571
Cash and cash equivalents	161	133
Assets held for sale	-	47
LIABILITIES AND EQUITY	3 033	2 703
Equity	986	1 062
Minority interest	4	0
Long-term interest bearing debt	665	360
Short-term interest bearing debt	127	401
IFRS 16 - Lease Liability	425	-
Non-interest bearing liabilities	825	855
Liabilities held for sale	-	24

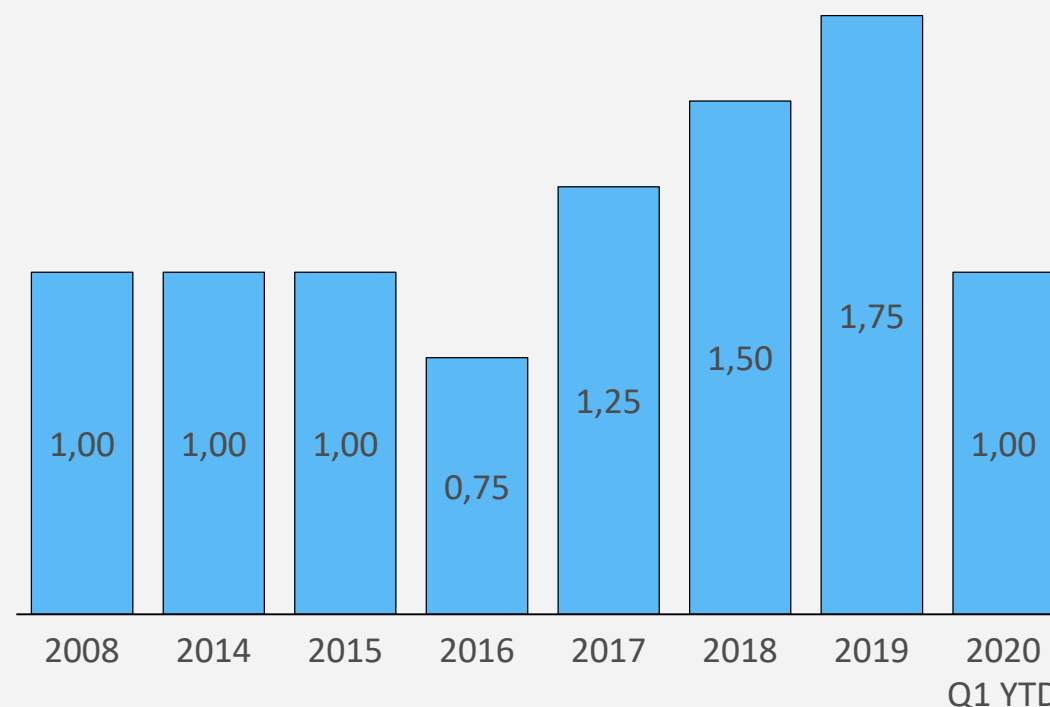


Dividend and dividend policy

Dividend Policy

- The company is aiming to give the shareholders a competitive return on investment by a combination of cash dividend and share price increase
 - The company's dividend policy shall be stable and predictable
 - When deciding the dividend the Board will take into consideration expected cash flow, capital expenditure plans, financing requirements/compliance, appropriate financial flexibility, and the level of net interest bearing debt
 - The company needs to be in compliance with all legal requirements to pay dividend
 - The company will target to pay dividend twice a year
-
- A dividend of NOK 1.00 per share is to be paid out in Q1 2020

Cash Dividend



Largest shareholders

20 largest shareholders

No of shares	%	Account name	Type	Citizenship
20 703 105	62,1 %	EGERSUND GROUP AS		NOR
3 900 000	11,7 %	WHEATSHEAF INVESTMENTS LIMITED		GBP
1 179 392	3,5 %	SIX SIS AG	Nominee	CHE
866 930	2,6 %	VERDIPAPIRFONDET NORDEA KAPITAL		NOR
825 932	2,5 %	VERDIPAPIRFONDET ALFRED BERG GAMBA		NOR
614 569	1,8 %	VERDIPAPIRFONDET NORDEA AVKASTNING		NOR
435 740	1,3 %	VERDIPAPIRFONDET NORDEA NORGE PLUS		NOR
356 300	1,1 %	MP PENSJON PK		NOR
344 883	1,0 %	EQUINOR PENSJON		NOR
329 950	1,0 %	J.P. Morgan Bank Luxembourg S.A.	Nominee	LUX
300 000	0,9 %	NORDEA NORDIC SM CAP FD		FIN
259 600	0,8 %	Norron Sicav - Select		LUX
177 883	0,5 %	AKVA GROUP ASA		NOR
150 000	0,4 %	BJØRN DAHLE		NOR
139 071	0,4 %	VERDIPAPIRFONDET DNB SMB		NOR
100 000	0,3 %	UBS Europe SE	Nominee	LUX
100 000	0,3 %	ASKVIG AS		NOR
100 000	0,3 %	BERGEN KOMMUNALE PENSJONSKASSE		NOR
84 146	0,3 %	NORSK LANDBRUKSKJEMI AS		NOR
81 912	0,2 %	EQUINOR INSURANCE AS		NOR
31 049 413	93,1 %	20 largest shareholders		
2 284 890	6,9 %	Other		
33 334 303	100,0 %	Total number of shares as per 31.12.2019		

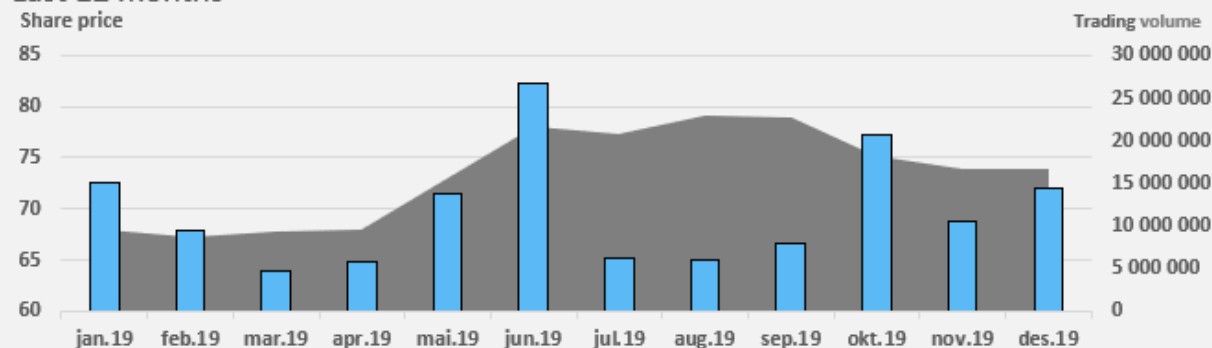
Origin of shareholders, 5 largest countries

No of shares	%	Origin	No of shareholders
26 342 548	79,0 %	Norway	776
3 924 160	11,8 %	Great Britain	22
1 267 436	3,8 %	Switzerland	6
780 400	2,3 %	Luxembourg	5
362 020	1,1 %	Finland	4
657 739	2,0 %	Other	109

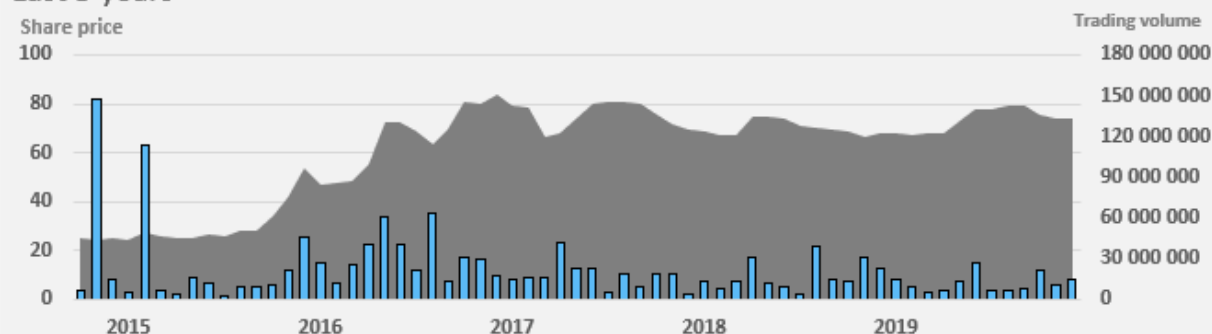
Total number of shareholders: 922 - from 25 different countries

Share development

Last 12 months



Last 5 years



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 Outlook – by CEO Knut Nesse

AKVA group in brief



Leading
technology
and service
partner



Listed on
Oslo stock
exchange
since 2006



Deliveries
in 65
countries
over 40
years



Companies
in 11
countries.
1 436
employees

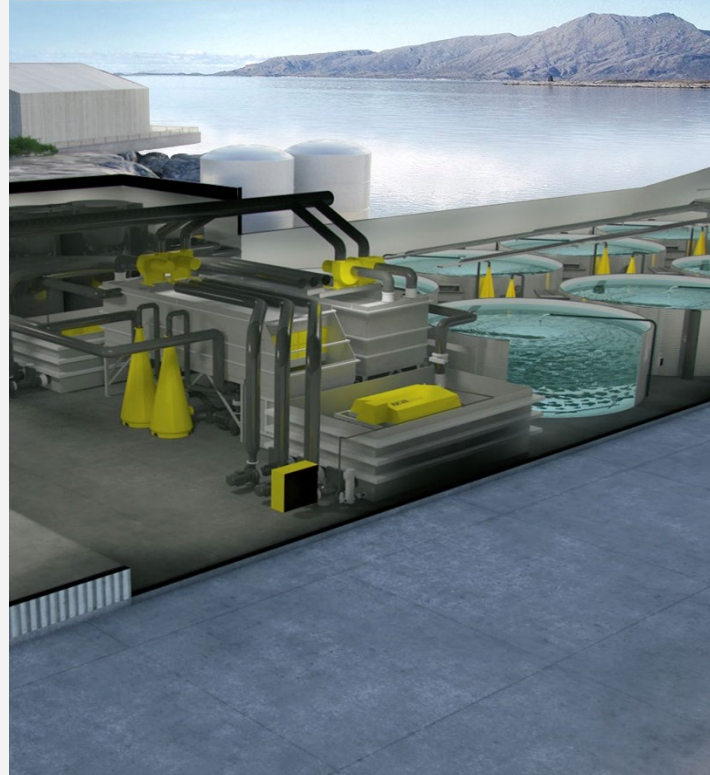


Solutions

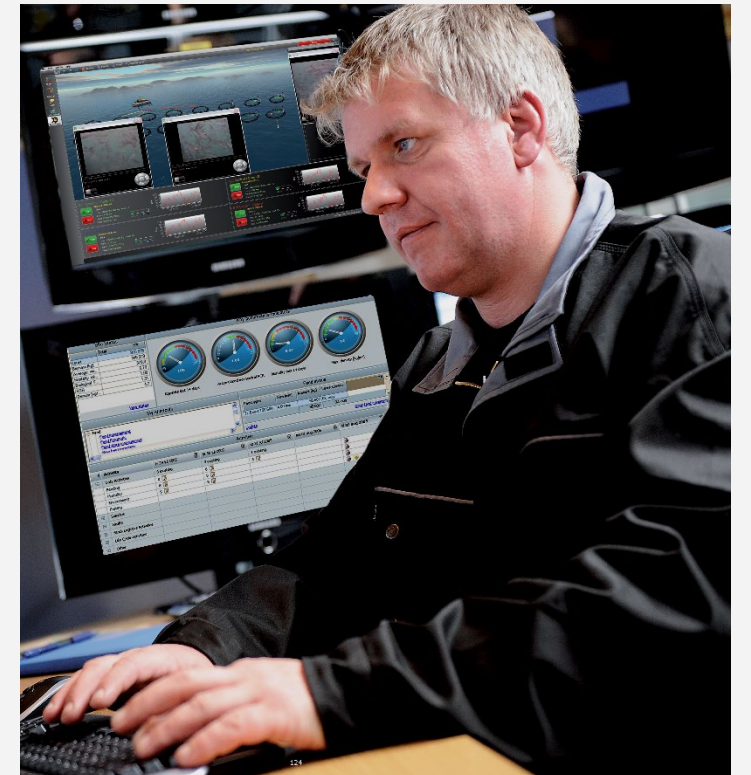
Cage Based Technology



Land Based Technology



Software



CAPEX Based Revenue

CAGE BASED TECHNOLOGY



LAND BASED TECHNOLOGY



SOFTWARE: Fishtalk
AKVAconnect
Support



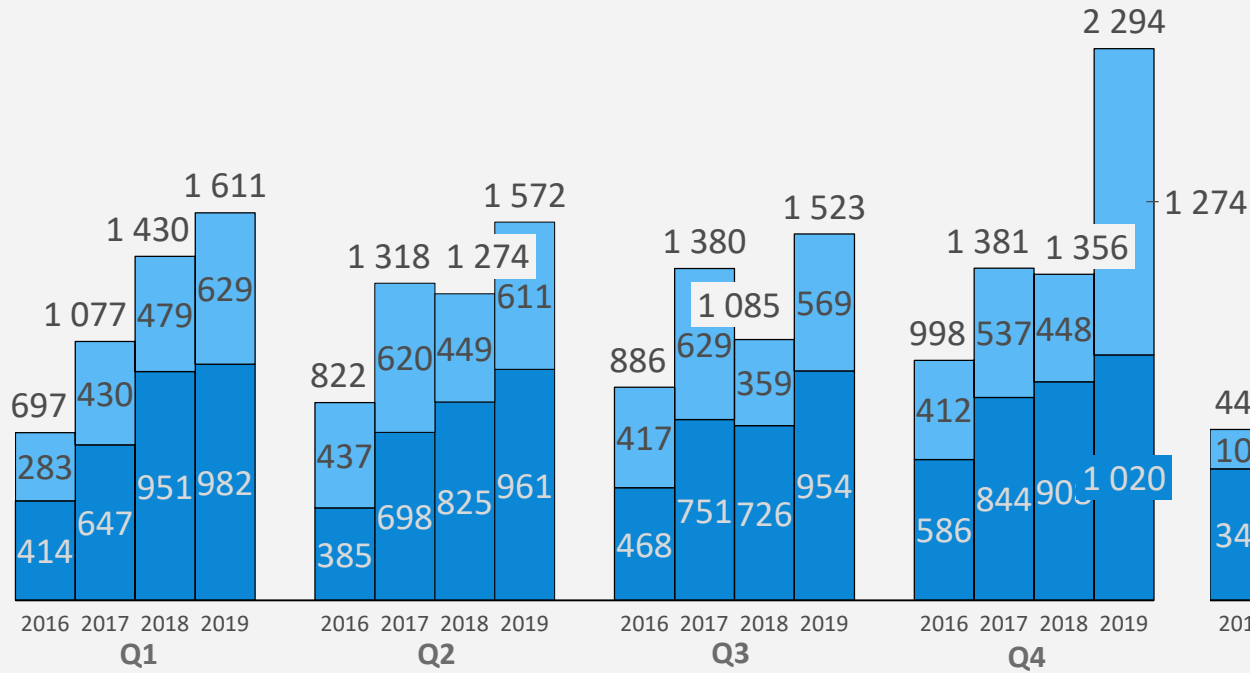
**MARINE SERVICES
& AFTER SALE
SERVICE:**

Marine services
Rentals
After sale services

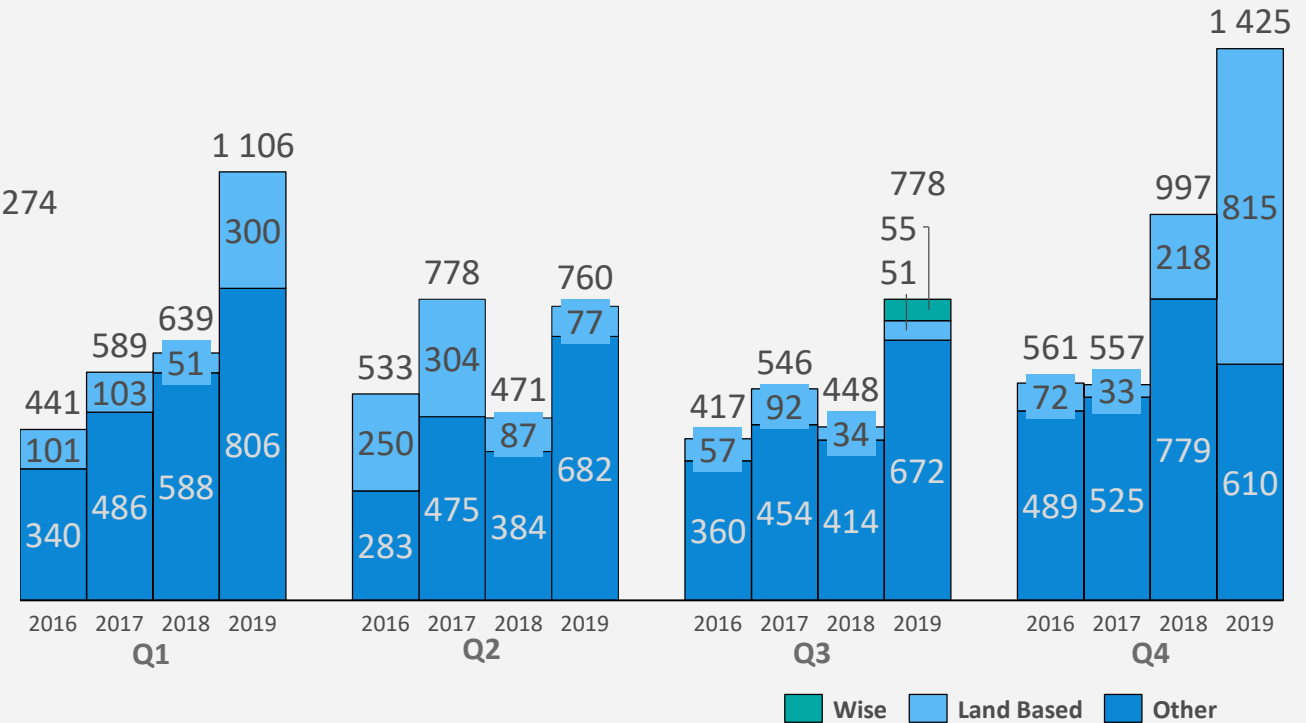
OPEX Based Revenue

Order backlog and inflow, 2016 through 2019

Order backlog



Order intake



Wise Land Based Other

Outlook – AKVA group

- Strategy process to be revisited, on the basis of strong financial capacity and amongst other stronger focus on full grow out RAS facilities within the Land Based segment
- New organizational structure established. Plans for further strengthening the organization under development
- Service station for nets to be built in northern Norway (with partner), plans for additional station underway
- Plans underway to further expand net sales internationally
- Presence in eastern Canada, good progress made in the quarter with regards to establishing a service business – agreement signed for the purchase of Newfoundland Aqua Service Ltd.
- Strong order backlog, especially within Land Based, profit review of backlog carried out
- Competitive position strengthened by new cage concept and waterborne feeding, launched Q3, as well as environmental sensor buoys and new digital camera launched in Q1 2020. New generation Tube Net (preventive sea lice solution) under development, strong interest in the market
- Digitalization strategy making further progress with additional installations for Precision feeding – pipeline is growing



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RELIABILITY
ENTHUSIASM!

