

Grieg Seafood Q4 2019 Presentation, 13 February, 2020

Andreas Kvame, CEO:

Okay. Then we are ready to start. Atle Harald (*Sandtorv*) and I, Andreas Kvame, will be presenting, as usual. We will go through the fourth quarter results, a little through our strategies, company earnings and what happened in our operations in the fourth quarter.

Let's get right into it. First, the highlights for the quarter. For Grieg Seafood, these are the highest harvest volumes we have ever had. We ended at 83 000 tonnes after this quarter, we had guided for 82, so we are quite satisfied, because we surpassed guidance by 1 000 tonnes. We will get back to that, where it is and what the reason is.

We had a good fourth quarter, especially in Norway our results have been very good. We saw biological improvements in our overseas regions such as British Colombia and Shetland, but our costs are still too high, especially in Shetland.

Then over to ESG and the things that have to do with that, which we are very proud of, after achieving the A-list of CDP, the Common Disclosure Project, which has a disclosure project with 139 companies in Europe, representing 65-70% of the capital in Europe. 8 500 companies have been looked at, in 800 cities in Europe. 139 have made the A-list. We are proud of this.

In the first quarter, we expect to harvest 16 800 tonnes and our volume guiding for 2020 still stands at 100 000 tonnes. We shall achieve that. There are differences from the different regions when it comes to performance on costs, we will return to that when we comment on the regions.

If we look at the fourth quarter, we had an EBIT of NOK 357 million, vs the fourth quarter the year before of 350, so slightly up from that, and significantly up from the third quarter of 2019. Harvest volumes ended at 25 400 tonnes, and we had an EBIT of NOK 14.10/kg in the fourth quarter.

So we will go a little through our strategy and update that, and comment on the numbers we have released. We have set our strategy as we communicated the previous quarter, and we have guided for volumes significantly higher than we have today, but first we will build a platform for this further growth.

These 100 000 tonnes that we guided for very early, and stuck to, will be achieved this year, and we are relatively confident that we will achieve this. Biology is biology, but the way things look today, things look very fine.

When it comes to costs, there are some varying developments there. In Finnmark, costs are relatively stable, and we have relatively low costs. We have a good biological production in the sea, in sea and on land. In Rogaland we see when we look at the numbers that things are going very well there and the cost goals we have as our target are well in reach there, and we will actually reach them this year. We have a very good biology and stable production in that region.

When it comes to British Columbia, well, we have seen a yellow light on that. There have been and we have had biological challenges with production, but production and biology are doing very well now. We have had some biological challenges, but with the announced measures we have enacted, which I will go much more into detail on our Capital Markets Day in June, well, with some of the measures enacted in

the sea, we have reduced some of the challenges that we have had before in the region. So it is yellow compared to the cost guidance we gave at our Capital Markets Day, for, well, two years ago.

And in Shetland, as we were saying, we are not finished yet up there. And we won't be finished there during 2020, either. There have been biological challenges, and environmental challenges, and we haven't been able to quite achieve the goal we have set, and it will take a year before we achieve that goal.

So we said the last time that there are three areas we are focusing on. Up until now that has been a very good strategy and a decent strategy that has given good shareholder value during the last few years, by us focusing on our assets and used our "factory" in the best possible way. There is no doubt that we have had too low capacity utilization of our assets spread around the different regions, and we have focused on raising it. That has given us a platform that we can expand on.

We have said that we can expand globally to more than 150 000 tonnes harvest weight, by 2025. That will for the most part, it will primarily occur organically. We have the possibility to grow in all regions, utilize our licenses better, whether they are in the BC, or they are in Rogaland or Finnmark, to a lesser extent in Shetland, but regardless of that, organic growth is the thing. It is our post-smolt strategi which will really be a driver, as well as new technology coming in.

In addition to that, we have said that M&A can be a part of this. And I will return to that. It will contribute. So we have said that we will be the cost leaders in 2025. We are always working on that, with a focus on that in our entire organization. That depends on many things, fish health and welfare, operationally, that we have, and make the smartest choices, and we base this a lot on us working very much with digitalization, which allows us to make more and more of our decisions based on facts, and less on gut feelings to put it that way, knowledge based on experience. As we have said, knowledge or expertise based on experience goes hand in hand with digitalization.

And we have also said that we are going to reposition or change Grieg Seafood, not just to be a supplier of a whole salmon, but also look at the possibilities that will open up downstream in the future. It is partnership we will look at as our first step. For all of this, the foundation is sustainability, no matter how you look at it today, that is the foundation for any business.

And then things are going well within the last new development, which is M&A, and I will comment more on that. There we have decided to, we have purchased Newfoundland from the Grieg group. That became known, became official during the last week, and that consists of 11 licenses which are located in Placentia Bay, which is in the east, the east coast of Newfoundland. That is in an area where there hasn't been aquaculture before, in this area. Placentia Bay, from the innermost to outermost is 125 km long, if you want to visit the nearest fish farm, you need to travel 170, yes 170 km to get there. So this is a large area where we are alone, which is important to emphasize. We see a large potential here, this is an area the size of the Faroe Islands, this is an area that can be compared in size to Boknafjord in Rogaland, where we farm.

We believe most certainly that this has a potential to be a region the size of Finnmark where we operate today. It will take time to set it up, it is greenfield, it is very rare that you get that, and it is a unique opportunity for Grieg Seafood to start all over, with the newest technology and hopefully avoid all the mistakes we have done with aquaculture in Norway over the years. We start completely from scratch with new technology, with very top notch equipment in this area.

Our number one goal in the first phase is to achieve 15 000 tonnes in this area by 2025. We expect the first harvest to be in 2022/23, either at the end of '22, or the beginning of '23. There will be construction, an area where we have to build everything from scratch, that is on land, a site consisting of a hatchery, nursery and post-smolt modules. We choose the same technology, the same philosophy regarding aquaculture that we have chosen in Rogaland. It is very similar in temperatures, between the Norwegian regions and Newfoundland, and we will aim for large smolt and post-smolt from the very first day in this area.

This is very close to the North American market. That is the fastest growing market in the world as of now, and that is a very large, the world's largest single market for salmon. So this will be a good complement to our activity in British Columbia regarding harvest schedules, etc, and you can reach both the east and west coast of the USA, and the USA is huge, and these will be complementary areas. We have seen positive things in our due diligence and visits, that there is a good biological environment in this area and we believe most certainly that this is a very good place for aquaculture. As we said before, we will start with the state of the art, both on land and in the sea, and use the experience we have from Norway in particular, and from other regions.

If we look at the capex in this construction, here is a drawing, or a picture, that shows the RAS construction in Newfoundland, such as the hatchery, the first feeding site and post-smolt division, the post-smolt division will come here, and there will be three facilities, which will be built in phases. As of today, the work is going on up here, and then it will be finished down here by the end of the year, or perhaps a little bit into next year, with the *(inaudible)*.

Our thinking here, or what we have to take into consideration, is that when this was started, the authorities required a very thorough environmental study, an environmental impact study. This was done, and it was the first one done in Newfoundland, or Canada at all when it comes to salmon farming. This could be compared to what the oil industry calls an impact assessment. So this is a very thorough assessment done in this area, just in order to be allowed to get a license.

One of the things that has come out of this, is that the production sites shall not have discharges, no discharges from the plants, and thus there was only one supplier that could deliver this at that time, which was Aquamoaf, which is an Israeli company that some of you are familiar with. But there shall be zero discharges to water and top biosecurity at this site. This is a little different production unit from what we have today, but it is a simpler unit than what we have today, actually. But it does cost somewhat more to build this one, but after that it is cheaper to operate after that, and we want that. In phase one, to reach the planned 15 000 tonnes, we need to invest NOK 750 million. And then we have full capacity at the hatchery, we have full capacity at the nursery, and we have the capacity for 3 000 tonnes with post-smolt, yes, 3 000 tonnes capacity.

This will, in addition, mean that we have capacity through these two units (*points to sites 2 and 3 on presentation slide 11*) and the next two post-smolt units were included in phase I, so they will just be add-on, roughly the same way as we did at Tytlandsvik (*Rogaland*), where we add on when we need it, so things develop in phases.

So that will say that the first phase will have a cost for smolt of roughly NOK 250/kg. That is rather high compared to, for instance, post-smolt construction in Norway, which runs at about 100, but we must remember that this is also a hatchery, compared to a post-smolt site, where you start with a 100g smolt,

and bring it to 700g or 500g. But here you are going to go from the very beginning to the end. So you are starting from scratch.

The next construction phase that comes will cost about NOK 100/kg, but here we have everything from A to Z, and then we will have a capacity of 30 000 to 45 000 tonnes, depending on how we plan to run it, how hard we plan to operate this area, and so on.

When it comes to licenses, it is a bit different than in Norway, the licenses we have received in Newfoundland are 1 license per 2 million fish, but for the first release you are allowed to release 1 million fish. When that has shown that it works well, you can advance to what is called the capacity of the license for the next smolt release. That is what is comparable with what we would call getting a locality in Norway. A locality (*in Norway*) gives you the capacity in MAB (*Mass Allowable Biomass*), so you can have 5 600 tonnes at the locality, but in the first round you are at 3 600 to show that the locality can handle that, and when you operate well at that locality, you can go to the next phase. So it is a little different, but also very similar to Norwegian rules for this.

Today we have, as of today we have three licenses, and expect to get another three during the year. So that's it about Newfoundland, but I am sure we will cover Newfoundland almost every quarter going forward, but I think this is a unique and fantastically exciting possibility, possibly the only place in the world where you can make a region the size of Finnmark from scratch, located close to a very large market, which is the fastest growing in the world, where we have synergies with our operations in BC. So I will come back to more about this at a later point, but now I will dive straight into that which has been and is our main activity today: our various regions.

First, Rogaland. We had a result in Rogaland of NOK 22.8/kg this quarter. Last year, the same quarter we had 19, so it is up nearly 4 crowns compared to that, and significantly up from the third quarter. The third quarter in Rogaland is a quarter where we intentionally reduce risk, that means we try to harvest out as much as possible before a potential warm summer comes and creates challenges in the sea. So what we have done, is to have less fish in the sea to reduce the biological pressure. In the fourth quarter, we harvested 8 400 tonnes in the region. Last year we had 2 000 tonnes less, actually even a bigger difference. The volume in Rogaland was 36% higher than the fourth quarter 2018's 6 200 tonnes.

We achieved an EBIT of NOK 192m during the quarter, vs NOK 117m in the 4th quarter the year before. The total result for Rogaland in 2019 ended up at NOK 568m and in 2018 we had NOK 220m. If we look at harvest volumes, they were up 9 000 tonnes vs the year before. Rogaland has had very, very good biology, good biological conditions in the area, plus we have had people 100% on the ball, very good people who have worked very hard to keep the lice away, by hindering any spread of anything contagious, and all these things that are good, good aquaculture practices. So we are very happy and proud of the job our people have done in Rogaland at all levels.

With a survival rate of 93% the last 12 months, things are, things are starting to be good. This is something we work at every day, increasing survival, improving fish well-being, better fish health. The results are very much due to low costs. There is such a huge difference between having or not having pancreas disease (*PD*). We have not had any site in this period that has had PD. And we are very happy about that, of course. Having said that, there is very little PD these days in Rogaland, although we have one site we are harvesting where there is a suspicion of PD, but which has not been confirmed. The fish there weigh 4.7 kg, so it was time to harvest no matter what.

We expect 6 000 tonnes of harvest in the first quarter, and we expect stable costs during the quarter in this area. We have guided 25 000 tonnes for 2020 for quite some time, and now we achieved it a year earlier than that, and we are very, very pleased with that.

So there is one more thing about Rogaland I would like to add, and that is post-smolt, which is very important in our strategy. We actually started last autumn with Bremnes Seashore og Vesthavbruk, whom we own Tytlandsvik Aqua together with, to build an additional module at that site. So when we get capacity there in 2021, the beginning of 2021, that will give us a further addition to post-smolt in this area. With the numbers we are seeing there now, this has been a success. That was it on Rogaland.

Finnmark is stable, with an EBIT of NOK 16.70/kg in the fourth quarter. We harvested 10 800 tonnes in this area. The result in Finnmark ended up at NOK 180 million, a little down, marginally down compared to last year, but over the year we had an EBIT of NOK 580 million, vs NOK 590 million the year before, slightly down, but very good, we are quite satisfied with the development in Finnmark through the year. We harvested 32 000 tonnes for the year, compared to 29 000 tonnes the year before. Biologically, things have gone well, it has been good in Finnmark. Survival is 96%. Very much of this is due to the focus we had on smolt in 2015, 2016, 2017. The result of decisions taken on that front, you see the results 1 000 days later. And that is how we experience and see the positive effects of things done a bit back in time. The survival rate here is 96% and it is actually in Finnmark that the smolt we lost was smolt as it entered the sea, but to have a strong, robust fish when it enters the sea, that is very important.

And we are a little, a little influenced by price achievement during this quarter. Our fish harvest weights have been a little on the low side, which has given us a lower average price, and we have had a too low, significantly too low share of fish in the sea that were harvest ready, especially fish in the sea at the end of the fourth quarter that were ready for first quarter or early second quarter harvest. That has to do with winter ulcers, which have been a challenge for us. We are working hard at this, with our veterinarians, and we are using AI, artificial intelligence, to see what can connection this can have with vaccines, etc.

We expect 7 000 tonnes in the first quarter. Higher, somewhat higher costs in this period, and we expect, as we have said that the quality and size will impact prices, so we will see a significant impact on prices in the first quarter. Cost, marginally higher, but more a price impact, due to the quality downgrading on fish.

For 2020, we expect 38 000 tonnes, thus our largest region will deliver 38 000 tonnes, nearly 40 000 tonnes during 2020.

Then there is Shetland. Our result there was minus NOK 3.80/kg, roughly the same as the third quarter. We had a harvest volume in the quarter of 2 300 tonnes, actually about 1 500 tonnes lower than the same quarter one year earlier. This is the region that we have had the most problems with, and worked the most with the last year, and the last two years, so we expect to see results from this, and I will get a little more back to that in this presentation. The result was minus NOK 8.9 million, vs NOK 4.8 positive in the same quarter one year earlier. NOK 67 million negative for the year, vs a positive NOK 34 million a year before that. We have harvested roughly the same amount of fish in the fourth quarter as we did in the fourth quarter a year earlier. This was significantly down from the third quarter.

The prices we obtained were very low compared to Norwegian fish, and I almost don't think I have ever seen a quarter where prices for Norwegian and Scottish fish have been so similar, with prices even lower

in Scotland at times. This has had a significant impact on our results in Shetland. There have been very many initiatives the last couple of years in this area, it is especially here that we have worked on improving the quality of smolt, we still don't have IPN (*Infectious pancreatic necrosis*) which we had earlier. The first smolt release that was IPN-free, that hadn't had an IPN infection, was in April-May 2019 so what we see now with the biological situation in the sea is that survival is much higher and rising. There are still high costs, and that has still very much to do with the gill situation, it has to do with plankton, it has to do with treatment, with having enough capacity, which we have added through the years.

We expect 1 700 tonnes in Q1, with a gradual improvement of costs, we see some very positive signs, especially when it comes to biology, where we see a positive impact on profits, eventually. We expect 500 tonnes more in harvest volumes this year than we had last year in this area, to total 17 000 tonnes in 2020.

So to the west side of Canada, British Columbia. We obtained a result of NOK 9.10/kg in the fourth quarter of 2019, vs. NOK 6.70/kg in the fourth quarter of 2018. Harvest volumes were 3 800 tonnes, nearly 1 000 tonnes more than last year. The result in the fourth quarter was about NOK 35 million in British Columbia. We had NOK 19 million in the fourth quarter 2018, and total 2019 earnings of NOK 73 million in plus for this region, vs NOK 291 million the year before.

We increased the harvest by 29% in this region, and this is partly linked to the smolt release schedule on the east and west sides of Vancouver Island affecting how much we harvest. Last year had a low volume, but this year will be significantly higher with the 20 000 tonnes we are guiding for this year. We see 20 000 tonnes this year. In the market, we saw lower prices in North America, in the latest period they were a little better towards the end. We managed biologically to get higher weights for the fish, which partly offset the low prices we saw in the market.

Supplies to the North American market, which is the main market here, they rose in the fourth quarter by 11, by 10.5-11%, so there was a significant rise, and that must be seen in conjunction with a short term price decline, but prices have recovered, as we are seeing now.

We see the biological challenges that have been, and we have gradually eliminated some, not been able to eliminate all of them, but have gradually worked on this in a very constructive and good way, taking into use artificial intelligence there as well, maybe the area where we have come the furthest, with analysis and not least of all, prediction of what is going to happen so that we can take corrective action, corrective steps before things happen. We have had a survival rate of 88% the past 12 months.

In British Columbia we are also working with harvesting, no I mean our hatchery and adding capacity. That is also going according to plans, and should be finished by the end of the year, where we are adding 400 tonnes to the 500 we already have. There it is more a question of whether we have enough smolt, compared to Norway, where we work very much on post-smolt. Having said that, our average smolt weight has gone from 75-85 grams to 150 in this area, so things are happening in British Columbia which are very positive.

We expect 2 100 tonnes harvest volumes in the first quarter, and costs should fall during the quarter. As we said before, we expect volumes of 20 000 tonnes in 2020, and now I give the word to Atle Harald.

Atle Harald Sandtorv, CFO:

Thank you, Andreas. Now we will look quickly at financial items and it was a very steady quarter relative to expectations. Sales were NOK 2.4bn in the quarter, up now because of higher harvest volumes. Our EBITDA was NOK 471 million, with depreciation of NOK 114 million. Depreciation increased because of the implementation of IFRS 16 and because of our growth strategy. EBIT was NOK 357 million before fair value adjustments which were positive at NOK 279 million, related to rising prices during the quarter. Financial items were also positive at NOK 6 million, mostly linked to currency and especially to the strengthening pound, so it is the assets we have in Shetland that become more highly valued, and contribute positively there. We had a pre-tax result of NOK 643 million, an estimated tax cost of NOK 141 million, and earnings after tax of NOK 501 million.

If we analyze the EBIT, we went from Q4 2018 at NOK 14.81/kg to an EBIT/kg in Q4 2019 of NOK 14.10/kg. Not very big changes, but the realized price went a bit down, and as Andreas mentioned, it was particularly Shetland and North America where we have had the weakest realized prices, which overall fell by NOK 0.60/kg. On the positive side, farming cost declined and contributed with NOK 1.0/kg in improved EBIT, whereas we had a little higher headquarters costs, and that contributes negatively with NOK 1.30/kg. That was significantly caused by the EU-competition case, where we have some legal expenses, but also the Newfoundland process which we have been through, which has been very important for us to do in a proper way, because we have transacted with a closely related party. So that means we have taken some extra costs by using a third party evaluation in that case. If we look at it all then, we ended up at an EBIT/kg of NOK 14.10/kg.

If we look into Q1, we will have a little lower volume, and that will contribute to costs per kilo going somewhat up, but otherwise costs will be very stable this quarter, and somewhat down in the overseas regions, so that is the direction things are moving. Total costs will be somewhat up per kilo, because of lower volumes. We must also assume that headquarter costs will rise somewhat, both in relation to the EU competition case and completion of the Newfoundland deal, which will raise costs some.

Our cash flow, there we start at 30th September 2019, with cash at NOK 138 million, had a positive contribution of NOK 472 million due to EBITDA, which is good, while working capital was used significantly for increased biomass, contributing a negative NOK 182 million, we invested NOK 221 million, of which NOK 120 million were lease financed, so for investments a net of minus NOK 100 million comes in. Financing came in with minus NOK 22 million, we took up a loan, and that number includes payment for a dividend of NOK 221 million. Other items were negative at NOK 91m. We ended thus with cash in the bank of NOK 215 million at the end of the quarter.

The sum of our balance sheet is at, is getting close to NOK 9 bn. We have an equity of over NOK 4 bn, 46%, which we are comfortable with. We have a return on capital employed of 25%, which is a good key figure. A little bit about our financing. We now have net interest-bearing debt of NOK 1.9bn, and that has risen in line with our growth. Net interest-bearing debt divided by EBIT is 1.4, and has been relatively stable, we are comfortable with that, and we have a free liquidity of about NOK 1bn, of which NOK 200m is from banks and NOK 800m is from revolving credit.

We are financing the Newfoundland project with a private placement of NOK 250m. We have also expanded our bank credit lines by NOK 800m overall, related to the Newfoundland financing. We have said that we are comfortable with a debt/kg of about NOK 20, and we are at that level now relative to the level of harvest we expect in 2020, but we have also said that during a growth phase that ratio will

be a bit higher, and that will be the case now that we are growing going forward, but we are comfortable with our financial situation.

A little summary of our investments. We invested NOK 535 million in 2019, where we guided for 635, so it means we ended up somewhat lower, so some of the investments have been moved into 2020. And now what we are guiding for in 2020 is still a maintenance level of NOK 250 million, capex creating growth in localities amounts to NOK 400 million, and that includes the 1% that we are allowed to grow by in the traffic light system. Newfoundland, the part we define as licenses, will be NOK 264 million as we have previously commented on, and as Andreas mentioned the hatchery in Newfoundland will be about NOK 750 million, so that the total will now be over NOK 1.6 bn in investments in the overview here (*slide 27*).

Now we will look a little bit forward, and Andreas will take us through that.

Andreas Kvame, CEO:

Thanks, yes, first the guidance, which should be well known, 100 000 tonnes, which we have talked about for two years. When it comes to volumes, that is 21% up, vs. what we achieved last year. I don't think I need to say so much more about that. I have commented on the various regions, 25 in Rogaland, 38 in Finnmark, 20 in BC, and 17 in Shetland. And there you can go and look at the biomass notes, and there you will see that at the start of the year there are 11 000 tonnes more fish in the sea.

So, that which normally influences prices the most in the market is worldwide supply, and then there is something called corona which might have some influence in the short-term, but there is always something in the world, and we sell today to over 50 countries around the world, and for the entire industry about 3-4% of the volume goes to China, Hong Kong, that area, so it can have an effect in the short-term, but in the longer term, things will get rebalanced.

We expect increased volumes in 2020, but much less increase than in 2019, so a 3-4% increase in volumes in 2020, that is what we expect.

Norway had 7% growth in 2019, and is expected to go down to 3% growth, based on the numbers we have seen. In North America there was a decline of 2% in 2019, we expect it come back with a growth of 2%. In the UK, there was significant growth last year, 19 to 20% up in production. We expect a slowdown, or reduction in growth, so we expect a roughly stable development in the UK.

If we look at the various markets through the fourth quarter, Europe had demand growth of 3%, the US, as we said earlier, had growth of 11%, the same had Brazil. That means that much of the fish that came from Chile, saw significantly more going to Brazil and to the US. Russia, an increase of 7%, while Japan had a decline of 10%. It is a very large market for fish, but not so very big when it comes to salmon. There is more coho, trout and other species that are part of the market there (*Japan*). In total, all markets increased by 4% in this period.

If you look at the entire year, I must say that I am impressed by the increase in Europe. It is related of course to (*currency*), you can't just look at the Norwegian crown, because it is tied to exchange rates, and so on, but there has been a very positive development in a very large market. The US, in total, increased by 8% in 2019, Brazil up 9%, and Brazil is beginning to be a significant market, a 100 000 tonne market and that is very good.

Otherwise, there is Kina, Hong Kong and Vietnam and these markets, which had a strong 6% increase in 2019. Russia, for natural reasons, which we have at least commented on those reasons, fell by 9%. And other markets rose by 9%. The total increase was 6% in 2019, which is very, very positive. There is good demand, a strong appetite out there, so when it comes to the market, we are in a good position. Achieving enough production has been and is the challenge.

To summarize now, good, very good operational results in Norway. We still have, we still see that there are biological challenges in our foreign regions, both in Shetland and British Columbia, with much of the same challenges, but we have come further to solving it in BC than in Shetland, but both are moving in a positive direction, both regions.

We expect, or have, in the first quarter, 31% contract coverage in Norway and 18% contracts in our Shetland operations. In 2019, we released 25 million smolt, and we harvested 83 000 tonnes, and again, I can repeat, that 100 000 tonnes is our target for this year. Well in reach. We have a goal of reaching 150 000 tonnes in 2025, and we have very specific action plans for how to reach that, and that is something we will tell you a lot more about when it comes to Capital Markets Day in June, which will be in Nordkapp, that is in Finnmark, the 9th and 10th of June, 2020.

That was it. We are open for questions.

Kolbjørn Giskeødegård, Nordea Markets:

Two questions, one is tied to Newfoundland. The greenfield project that you have there. What do you estimate, when you are up and running with the post-smolt there or the smolt structure, what do you estimate as production times in the sea, and targets. The other is regarding your guiding for 2020, which is very strong, at least in terms of percent, for the growth in both the UK and in BC, which are, of course, the regions historically with the greatest operational uncertainty. What is the risk, as it were, that you are unable to achieve the strong growth targets you are guiding for?

Andreas Kvame, CEO:

Then I will take the first question first, when it comes to Newfoundland. There we are trying to avoid two winters in the sea. Part of the strategy is that we are trying to release larger smolt that we release before the winter, that we can harvest before the next winter. If you are going through a winter with cold temperatures, it is roughly as if you have salmon in inventory, and you can actually risk negative growth. But from a market perspective, there is a mix to this, about when you finish harvesting (*in Newfoundland*) which is connected to harvest volumes in the BC, so that they can complement each other. But I can give a number today, so 18-20 months will be the target for Newfoundland.

Kolbjørn Giskeødegård, Nordea Markets:

What average weight will your smolt releases be?

Andreas Kvame, CEO:

They will be about 500 grams, a little depending on when you release, but they can be anywhere from 350 to actually 700 grams.

Kolbjørn Giskeødegård, Nordea Markets:

So the production time in the sea will be so much longer in the sea than what you have as comparables today?

Andreas Kvame, CEO:

Well it took a bit of time now, because I know, that you are going to ask this question one more time later, so now I am allowing a bit of leeway, so that we can be sure that we can achieve these numbers. And I am reasonably sure about that, because with the size of the fish and the experience we have had in Norway, with the temperature profile in Newfoundland, which is actually in line, a little, with Rogaland, because it goes a bit lower in the winter than what you see that Finnmark can do, and then it goes higher in the summer. But having said that, in Placentia Bay it wasn't measured over 18 degrees all summer 2019, so when others had problems with the temperature, we could avoid the challenges of heat and so on, and we have 40 meter nets that we are starting with, they won't be less.

Kolbjørn Giskeødegård, Nordea Markets:

But you are saying that 18-20 months of production in the sea for 500g smolt?

Andreas Kvame, CEO:

Yes, you get that.

Yes, that is our guiding. If you look at BC, for example, it is a little that we were very low in 2019, which again is related to the smolt release profile down there. The year before, I think it was 17 000 tonnes. We have done a lot the past year, among other things, we have implemented rings in a much larger part of our production, before that we just had steel cages, etc. There are large localities, which gives more eco-, more biological performance in this area, which makes us feel relatively comfortable with the guiding that we have, or feel safe with the guiding that we have for 20 000 tonnes in BC. We have also gotten new localities, as we have mentioned earlier, which means we have more fish in the sea.

So there is Shetland. We have said close up to 17 000 tonnes before in Shetland, and with the profile we have had, with the smolt release we have had, with the biological trend we have had in Shetland, we still have headroom relative to the guiding we have given, but I will honestly admit that it is there the greatest uncertainty lies, that is of course in Shetland. We feel relatively confident about Norway, and what we have guided for Norway. The same applies to BC, and there the uncertainty is greatest, and where there could be a discrepancy, that is in Shetland, although, as of now, nothing indicates that.

Nils Thommesen, Fearnley Securities:

I have a question about the remaining five licenses in Newfoundland which you haven't commented on yet. What are the triggers for them, for you to get them approved, is it first when you get production there, more in 2022, or 2023 events? Have you any comments about that?

Andreas Kvame, CEO:

Yes, we have three that are in order. We expect three more this year, leaving five remaining. They are in different (*phases*), those applications were not sent in at the same time, they are in different phases of a process with local and central government authorities in Canada. But the whole area is evaluated, impact assessments done, and the MoU's are done down there, I mean over there, include 11 licences, but there is actually the possibility for even more licenses in this area, which is actually close to the same size

as Rogaland. So things are in a little different phases, but to say what time we will get answers from the authorities, we can't say when in Norway and we can't say when in Canada.

Christian Olsen Nordby, Kepler Cheuvreux:

Regarding the (*inaudible*) you give for the various areas, how far are you from the cost targets for 2020 in BC and Shetland?

Andreas Kvame, CEO:

What would you answer, finance minister?

Atle Harald Sandtorv, CFO:

Yes, how far away are we from our cost targets for 2020? We are on our way, you have all probably been able to calculate roughly where we are today regarding costs, and our target is, and what we are reporting now is that we are delayed, and our goal is to come down to our targets during 2020, and be there as we enter 2021. So we are about one year delayed relative to our plans...

Andreas Kvame, CEO:

... especially in Shetland.

Atle Harald Sandtorv, CFO:

... especially in Shetland.

Andreas Kvame, CEO:

But in Norway, both in Finnmark and Rogaland, it is well within reach. Rogaland has achieved its target already, and Finnmark is close behind. Also, as we said when we commented the traffic lights, BC is on its way, and there, well, it might be that it slips until next year, and Shetland, well, for sure, won't make it this year, but the development (*Shetland*) is very positive, but it is about one year delayed.

Alexander Aukner, DNB:

You have explained well your capex on land in Newfoundland. Can you say something about the capex required per kilo in the sea?

Andreas Kvame, CEO:

This is greenfield, simply put, per license in investments, you need to calculate the same investments as in Norway, that means good equipment, good barges for feed, you need proper equipment, proper boats, because conditions are like in Finnmark, or even tougher at some localities. So I estimate that when we invest in the sea starting 2021, I calculate about NOK 90 million per locality. There are 1 million smolt in the first cycle, and 2 million in the second cycle.

Having said that, as of today, a price has been agreed, it is also very clear in the agreement with the seller, Grieg Seafoods decide if we use the capacity. The milestones in the agreement, just to explain, say that it is we who decide, based on the plan for smolt release, so we pay the year we release the smolt. We decide how much capacity we will utilize. If we continue from 15, from 15 000 tonnes up to 20 000 tonnes, and we plan that for a year, and release enough smolt for that in a year, then we pay NOK 43

per kilo of harvest weight. And we pay NOK 55/kg from 20 000 upto 33 000. But it is our decision, Grieg Seafood's decision, what capacity we will use, and how quickly we will use it.

Alexander Aukner, DNB:

Thanks.

Carl-Emil Johannessen, Pareto:

Two questions. First on the hatchery in Newfoundland. How is the construction actually progressing, and when can the smolt be released, or the eggs be put in? What is the progress in that project? Number two, smolt release in the group in 2020, what should we think about that? Will it be a similar number, higher average weights, what do have in your plans there?

Andreas Kvame, CEO:

The last question first, smolt 2020, we have guided that several times, about 26-27 million fish. Now it was 25.2 mill in 2019, and some more, some large smolt were released in January. It's a little about timing, calendar is calendar, and operations are operations. So about the same level, 26-27 million. We will gradually increase regarding post-smolt. Rogaland will definitely increase average weights. Finnmark has come up to good weights relative to goals up there, which are close to 200g, an increase from 90 in a few years, so more than a doubling in this area. There are two reasons for this, one is that we have expanded Adamselv (*Finnmark*), and we have Hasvik (*Finnmark*) along with NRS, which is a very important contributor to accomplishing this.

Then there was the post-smolt construction in Newfoundland. That is on its way. It is so, in much of what we do, that we don't use the cash before it is necessary. And here it is a little just-in-time, so we build, and the eggs will come, and they come this summer, enter the hatchery, and then we just have to run with it.

Lars Johnsen, Carnegie:

Capex on RAS and capex in the sea. What do you think about the other investments, relative to bringing costs in line with Norway, in Grieg Newfoundland? And in addition, question 2. Harvest profile through the year, biomass up 20% at end of year, should we think that will there be any significant change in the harvest profile relative to 2019?

Andreas Kvame, CEO:

The last question first. Profile relatively similar to 2019. For the other, regarding other capex in Newfoundland, of course you need other equipment for aquaculture. Now, we have leasing for what we need, in all areas. The latest now is that a new well boat, 1 800 m³, came yesterday or the day before in British Columbia. So that is in place to raise capacity in that region. We think in similar ways here, too, but at the same time this is a region we are setting up. We will not invest in a large primary processing site from day one. As you see, there is a partner in this called OCI, Ocean Choice, which has both primary processing and equipment, so our starting plan is to rent harvesting services, until we have critical volumes enough to potentially do it ourselves. But in the starting phase, we don't have any plans for our own primary processing facility.

Lars Johnsen, Carnegie:

Follow-up question. If you think about costs. When will costs be in line with ambitions? Because it is clear that hiring services in a region without infrastructure can't be cheap.

Andreas Kvame, CEO:

These aren't people who aren't use to fish, whom we will be working with. Infrastructure is similar to other places we are active. It is outside the urban areas. This isn't exactly downtown Oslo in Newfoundland either. It takes some time to reach the market. But I think, for Newfoundland, this value creation, this production, with the unemployment you have in that region, will contribute very positively to activity in the area.

I also think, that the primary processing site which is already there, all you need is workers to get it started. We are working on this. Local Infrastructure-wise, you need something to get the salmon to market. Those are things that we are working on solving, working on local solutions. A lot of exciting things are happening in Newfoundland, with new companies appearing, who think it is a very exciting area for aquaculture. There is some aquaculture there already, although it is a bit away from us. There is a certain infrastructure being built there. Akva Group, I can mention, is in place there, and service groups have been established there, etc. and there are more to come, I am reasonably sure.

Atle Harald Sandtorv, CFO:

There is one question from the web about how we see the Chinese market being influenced by the coronavirus. Will it have an influence?

Andreas Kvame, CEO:

Yes, it will have some influence. I believe, both believe and hope that this is an influenza, that will pass. At some point, it will diminish. Normally, in these situations, we have had this before, Sars, among others, and other situations here and there in the world. I do think, in the short-term, there will be some challenges regarding logistics in this area.

What we see is that the fish that went to China hasn't been flown to China, and has been taken over by other markets. South Korea and Taiwan buy a lot of large salmon. And this is, in general, the large salmon market (*salmon* ≥ 6 kg). I think there will be an influence here for 6-8 weeks. It will probably have that influence. But remember that these markets are 4% of the total. Logistics, actually, is the biggest challenge. It is clear that in China right now, people don't go to restaurants and 80% of distribution of salmon in China is to the Horeca segment (*Hotel, restaurant, café*). It will influence demand in China for a period.

Atle Harald Sandtorv, CFO:

We don't have more questions, so we say thanks for now.