

## Grieg Seafood Q3 2019 Presentation, 7 November, 2019

### Andreas Kvame, CEO:

Now we can get started. We welcome you to the presentation. As usual, Atle Harald Sandtorv and I will be presenting. Let's start. We will go through the highlights of the third quarter. We had good growth in harvest volumes in the 3<sup>rd</sup> quarter, up 24% compared to Q3 2018. The market, as most of you know, the spot market was under pressure this quarter, due to the large volumes coming out of Norway and also from other salmon producing regions. In this quarter we have had very good biological production. In Norway things went exceptionally well, especially in Rogaland. There was some impact from lower temperatures in Finnmark, but still very good. There were biological improvements, especially in British Columbia, but also an improvement in Shetland. We expect 82 000 tonnes this year, in line with previous guidance, which is 10% growth from 2018. We still believe in the 100 000 tonne guidance which we issued very early for 2020, and see that we are within the range for that guidance as things stand today.

We have spent a lot of time the past quarter, and actually even the past year, focusing on what we should become after 2020. I will come back to which direction we have chosen and what are the correct choices for the company, but 150 000 tonnes with a focus on costs and the market are the main headlines. And the board of directors has decided to pay a dividend of NOK 2 per share.

So, a little about the results. We achieved an EBIT of NOK 154 mill. in the third quarter, compared to NOK 160 mill. in Q3 2018. Our EBIT was NOK 7.32/kg, 2018 was somewhat higher, which is related to significantly lower prices than in Q3 2018. We harvested 21 000 tonnes this quarter.

So, a little about the various regions. Rogaland had a result of NOK -0.30/kg, around a zero result. There was a relatively low harvest volume of 2 500 tonnes. That was somewhat up vs. last year, but still basically a very low volume for Rogaland, but up 81% vs Q3 2018. Production has been very good in Rogaland. There are various explanations for that, one is relatively simple is that there were no lice treatments this quarter, so the fish have not been disturbed. This is largely due to our people in Rogaland working extremely well with, among other things, preventing, or rather getting wrasse to work in a very good way. The fish we have harvested in Rogaland, were taken toward the end of the quarter, and there were some low performing fish, which are now gone. Mortality at 93% during the last 12 months, that is a measurement (KPI) we continually use to see that mortality is moving in the right direction and is also a measure of fish well-being. We expect in the fourth quarter 7 300 tonnes in this region, and lower, substantially lower costs than what we have had in Q3, we will have a little more normalized costs in Rogaland. We are guiding a bit higher for 2019 at 24 000 tonnes, compared to our last presentation, and for 2020 we are targeting 25 000 tonnes, which is the target we have set for this region, so we are starting to approach that target already this year.

Finnmark had a result of NOK 13.90/kg in the quarter, and a harvest volume of 10 500 tonnes. We increased the harvest volume in the third quarter by 25% compared to Q3 2018. As I mentioned earlier, the biological performance in Finnmark is very, very good. Things are running in a stable and good manner in this region. We have been certified for two new sites with ASC (*Aquaculture Stewardship Council*). We have done significant work to get new locations in Finnmark and actually succeeded in the fourth quarter, on October 2<sup>nd</sup> we received a new location in Hammerfest, which we are very satisfied with, and we really appreciate the cooperation we have with the municipalities in Finnmark. We have had a 95% survival rate in Finnmark the last 12 months, which is very good. Mortality is on its way down

in both Norwegian regions. We expect 10 400 tonnes the next quarter, with stable costs. We have lowered production guidance slightly for this year, that is related to the temperatures, which have been 1-2 degrees below normal for Finnmark the whole year, so we are at 32 000 tonnes this year, but we maintain our guidance for 2020 of 38 000 tonnes. In total, Finnmark has had an EBIT of NOK 400 mill. so far this year, vs. last year's 378. So, we are very satisfied with the development in both Norwegian regions.

Shetland had an EBIT of minus NOK 3.50/kg, which is actually an improvement vs the previous quarter (Q2), and the arrows are pointing in the right direction. We harvested 3 900 tonnes in Shetland this quarter. Harvest volume was reduced by about 15% vs Q3 2018. Revenue fell 15% vs Q3 2018 due to lower spot prices, but partly offset by contracts. We have achieved somewhat lower costs because the survival rate has gone up, that is, mortality has gone down, but we still have challenges, biological challenges, related especially to gill issues in Shetland, which we are working hard at. We see that our smolt quality has significantly improved. Since the smolt releases started this year, we have actually not seen the released fish being affected by IPN, among other things. There has been a significant effort, and an upgrade of the smolt production unit to achieve this. The last time, we indicated a strategic evaluation was taking place regarding Skye, and that in-house process is still ongoing. There isn't so much more to say about that. We expect volume of 3 000 tonnes in Q4, and we actually expect a further decline in costs in Shetland. It is moving slowly, but it's coming. We guide for a harvest of 12 000 tonnes this year in this region, and 17 000 tonnes in 2020.

And then there is British Columbia, with a result of NOK 4.7/kg during this quarter. We harvested 4 200 tonnes, which is somewhat up from Q3 2018. EBIT/kg was stable vs the year ago quarter. Then in British Columbia, other noteworthy comments, harvest volumes rose by 58% vs Q3 2018. Sales went up by 51%, and prices were also lower in the market there during this quarter. We see that biology also has improved in BC, things are going better. Our people down there have put in a lot of effort. We have focused very much on digitalization previously, algae monitoring, oxygen monitoring, etc., and this is looking good. We have production units that I would almost call semi-closed, in the way they are being run in BC as of today. Our focus area in this region has also been on smolt, we have had good success with this in other regions, and as of today we are expanding Gold River as we have said before, and that is moving along according to plan. I have already mentioned algae and our measures. Harvest volumes are expected to be 3 600 tonnes in Q4, and we expect costs to decline during Q4, also in this region. Costs will also gradually decline from the second half of the year. Our guidance is for 14 000 tonnes this year and we expect 20 000 tonnes next year.

And now I hand over the microphone to Atle Harald.

**Atle Harald Sandtorv, CFO:**

Thank you. Now we look at financial items. As Andreas mentioned, the result for the quarter was very affected by good harvest volumes and good results in Finnmark, so Finnmark was a big contributor to our results. But we also see that biology is improving, both in BC and Shetland, and gives a good foundation for a good development in costs going forward. Rogaland was perhaps the region you could say was slightly below what you could expect this quarter. But that must be seen in conjunction with our decision to harvest low volumes in the past quarter. Most, actually all of the harvest came at the end of the quarter when prices were down, giving low achieved prices due to that. Andreas mentioned that in Rogaland we have very good control, very good biology, and we have just had fine tuning to harvest

what we had to harvest relative to MAB (*maximum allowed biomass*), so it was just the odd fish we harvested, to a little higher cost. From our side, this was well planned and controlled, but it did not contribute so much to EBIT this quarter, but things look good going forward.

If we look at our sales, they were NOK 2bn, which is up, and it is volume driving that. EBITDA was also up, but that has to be seen in conjunction with IFRS 16, which moves items between depreciation and EBITDA. We had an EBIT of NOK 154 mill. and fair value (*adjustment*) was negative this quarter due to lower forward prices. EBIT after fair value was a negative NOK 311 mill. Financial costs of NOK 10 mill. were a little bit higher than last year due to higher debt. Taxes are positive in the accounting set-up, so that the net profit is NOK -256 mill. Looking a bit forward, as Andreas indicated, costs should decline. Costs will be stable in Finnmark and Norway; in BC and Shetland, we see that costs are coming down a bit. Spot prices were down NOK 5/kg in the quarter, but we had contracts that limited the drop to NOK 3.24/kg for us. That offset some of the decline.

If we look at our cash flow, cash was NOK 179 at the start of the quarter, and we have had a factoring agreement that we have removed from our balance sheet. Working capital actually builds up cash flow, and financing needs rise because we take factoring out of the balance sheet, and customer receivables decline and factoring debt is paid down. We still have factoring in the company, but it is no longer on the balance sheet. EBITDA was positive with NOK 260 mill., and we exited the period with NOK 138 mill. in cash.

Regarding working capital, it should be quite neutral in Q4, and looking forward to 2020, should be relatively neutral. We won't increase biomass very much, since we as a starting point, built quite a bit of biomass during 2019 and we already have the level of biomass we need to achieve our 2020 harvest volume goals. Regarding smolt input, and how many smolt we need in the sea, that will also depend on our biology, and with the control we see that we have in Norway now, we are actually fine tuning even more the smolt input, so that we aren't releasing too much smolt either, because that could lead to us needing to harvest at too low weights. So, this is a virtuous circle we have entered, and we have very good control over our working capital.

Not so much to say about the balance sheet, NOK 8 bn in total, with nearly half of that in equity now, and we had a return on capital employed of 11%. Our funding situation is good, we will pay a dividend now of NOK 2/share. We have decent control for that. We have a free liquidity in the company of more than NOK 1 bn. So, we are satisfied with that. And net interest-bearing debt has gone up somewhat compared to the same quarter last year. We are now at NOK 1.6 bn. But that is also a number we are comfortable with, considering that our harvest volumes are also rising going forward. So, a decent funding situation.

Finally, in the financials, if we look at investments, we have invested NOK 95 mill. during the quarter and those are the areas we have mentioned earlier: post-smolt, digitalization, biosecurity, growth and maintenance. We have in total guided for NOK 635 mill. in investments for the whole year. We see that we have a relatively large part coming now in Q4 and there is always the possibility that some of that will shift to next year. Then I will give the word back to Andreas.

**Andreas Kvame, CEO:**

Yes, now I would like to introduce you to the work we have done regarding the company's strategy going forward regarding our plans beyond 2020. We have had some very clear goals for 2020 that all, or most

are familiar with. We put a lot of emphasis on utilizing our assets properly, where we were running at a capacity utilization of 60-65%, and we wanted to move that up to what was possible in the short-term, which was 100 000 tonnes in 2020, and we are still confident about that. We have also said that we want to have our costs at or below the industry average by 2020. I think that is something we will never forget, that is really something we will keep in our future plans. I believe the work for this was completely necessary, but another thing is that it creates fertile ground, or a platform for further growth in the company, and we will look a bit closer at it.

Our strategic areas, our focus in our 2020 strategy, is that first and foremost, everything will be based on sustainability, that is part of our vision, "Farming our ocean for a better future" which could be replaced by "sustainability" if you prefer, but it is an easier way to say it, "a better future". That is what we have in our vision. We have focused on producing a good smolt, with a post-smolt strategy being one of the pillars of our strategy. Digitalization is a big focus, an area we work a lot on, and an area where we believe we might be among the leaders. We see that this could play a big role in sea farming, or for land-based aquaculture for that matter.

Fish welfare and biosecurity have been a basis, and also in the 2020 strategy, we have as well looked for possible expansions in other areas, too. If we give a status report of where we are today, in volume terms, we are doing well in most, or rather in all regions. Finnmark and Rogaland – (*points to slide*) there we see our cost comments from the 2018 CMU, stable and low costs. Short summary: Rogaland and Finnmark have already reached the target. British Columbia, they will also reach their target, they are yellow now, but we see that things are going in the right direction. There where we are struggling the most is in Shetland, which is not unknown to you, when it comes to the cost target, and we will still need to see another year before we are where we feel we should be in Shetland. It is going too slowly, and that ties in with the biological challenges that some of the sites are experiencing there.

All in all, we are still satisfied that the development is going the right way.

So, 2025, there we have used some time internally, actually not an insignificant amount of time, to choose a direction, and set some simple targets, and set an overall direction for the company for where we want to go after 2020. What we have done until now has been very production focused.

What this strategy entails, is we won't leave our strategy of focusing on production, being a cost leader, etc. But now we are going to take one step closer to the market. We have focused very much on producing fish at the lowest possible cost, but we have been less good at working in the market. This is one of the areas we have set as a target for 2025, and I will return to this. But we still have sustainability as a focus, and I will return to all these points. Sustainability will be a foundation if you like it or not in this industry, as in all industries, so that is a foundation in all we do.

We have said, or the board has said, that we should grow the company to reach a production level of at least 150 000 tonnes to be a player that also can be a part of shaping the industry in the future. We aren't going to drop our focus on costs, which will continue to be a focus, a fundament in everything we do, but we must keep our costs at a competitive level and preferably be best in all the regions where we produce. And then what I have talked about, we want to participate in a larger part of the value chain, and I will come back to that later.

When it comes to our sustainability initiative, that is among our pillars, which are Profit & innovation, which are Healthy oceans, Sustainable food, which are the People in our organization, and which are, not

least, Local communities and areas and fjords where we operate, where we shall be a good neighbor in every way. I have said that before, so we won't use more time on that. But it is a part of our DNA, and it is really part of something we are using time on to develop now, and one of things happening as we speak, that is actually that we describe what is our DNA in regard to sustainability and in regard to all of these pillars, and what we are going to be measured by.

In order to participate in the future, also means that we need a size to enter the various markets to have large enough volumes in all the regions where we are, to be a good supplier to customers, a supplier that is there every day throughout the year. The board has said we ought to achieve a volume up towards, or rather, preferably above 150 000 tonnes, by 2025. We have thus a six-year period to achieve this. We think we should be able to achieve this.

How will we achieve this? Even if we have reached 100 000 tonnes by 2020, there is still significant fine-tuning to do, and there is significant organic growth available from our existing permits or licenses in the various regions, more in some regions than others, but that there is a significant volume to achieve from better planning, post-smolt initiatives we have in most areas, all add up to being able to increase volumes significantly just organically. We will participate in new licenses for MAB, and post-smolt investments will continue to be a very important pillar in our strategy going forward. When it comes to merger and acquisitions, that is an area that of course all the others keep an eye on, but there isn't so much to comment on other than that we also keep an eye on that.

Costs and leadership when it comes to costs – that is, has been and will always be an important area. To make a long story short, we have had a cost-cutting program as part of the strategy which we started early, in 2017, and we have used a lot of time on action plans, etc. and we have achieved success. We still see a potential to do more and that entails using all the instruments we have today, improve fish health, using precision farming which we have mentioned earlier and used a lot of time on, develop smolt and the smolt strategy even better in more of our regions, is part of our strategy. R&D, research and development, there we emphasize perhaps less on research, but more on development. That is an area we put significant work into and adjust our organization to it. We believe there is a potential for further savings somewhere between NOK 150 and 250 million. And actually by 2022. That is what we are aiming at. We will come back with more details about all of these things.

So, there is, as I have said before, that we have been very production focused, which has been the right choice for the company for the phase we have been in from 2015-2016 until now. But now we feel we are more forward leaning, so that we want to dig deeper, and ask ourselves, where should we be in the future?

There we want to go further, we see first that these three areas in the slide (*slide 39, From supplier to innovation partner, Kvame points to Smolt production, Farming, Primary processing*) have been our main focus, and there hasn't been a lot of focus on what comes after, I just have to admit that. We have had, and have Ocean Quality as our sales organization, and they have done an excellent job in this period, we want to get an even closer relation to them and even closer cooperation and a tighter dialogue regarding the market, customers, etc. in our future organization.

We think when look at this picture, we need to develop us more downstream in partnership with our customers or future partners or whatever, and we need to get even closer to the marketplace, and put a little less focus on spot markets, spot sales and trading, which have been the focus up to now, to more

long term relations with medium to large and larger retailer chains, that will be the focus area, that means planning better, reducing costs in the value chain, being able to have more predictable earnings and stability. We want to develop categories within salmon and within fish in general.

Then we take a little summary. We want to develop the scale to become a significant player in this market going forward by being an innovative partner in the value chain. We have chosen three key areas to focus on: global growth in the company, we shall be the cost leader, and we should take a larger share of value creation in-house. And all based on sustainability. We will say much more about this at a Capital Markets Day in June which we will be inviting to, where we will go more in depth. These are our headlines for strategy and the direction for the company as of today.

Then we will look at what we can expect in the short-term. We have already guided for harvest volumes, we were very early to give it for harvest volumes in 2020, so I won't use so much time, but we will achieve 82 000 tons in 2019 and our guiding is 100 000 tonnes in 2020, which we are very satisfied with.

If we look at the supply outlook, there has been a lot of discussion about this, there was very much fish harvested during Q3, partly with low average weights, and a significant volume sent to the market during Q3 and actually continuing in the beginning of Q4. But we expect a growth in global supply of 2-5% in 2020. In Norway we expect growth of 6% this year the way things look, while in 2020 we see 4%, maybe even lower. Chile has had growth of 5% in 2019 in total. Next year we don't expect more than 2% in that area. The UK has grown the most this year, there has been significant volume, even though they aren't as big as Norway, they have contributed to filling up the market, especially in the third quarter, but also a little in the second quarter. Now it looks like volumes from Scotland will decrease during the fourth quarter. In 2020, we don't expect more growth than 2%, and maybe that is on the high side for Scotland.

Looking at spot market prices, there was a clear tendency in the third quarter, they went down significantly when you get such strong growth as 13-14% in the market during the quarter. We expect that to turn around and we see tendencies of that now.

The market has been good, even though prices have fallen, there has been good turnover and demand for salmon and during the third quarter we see that the EU market took 12% more, and the US increased by 13%. What you also see when you get prices at this level is that promotion campaigns etc. get launched in the stores, so what you do also is that you build the market. So, you get consumers who have left us to return. So, from the customers' viewpoint, this is very good when this happens, although we don't like it when the prices come down into the 40's (NOK/kg), but that is what happened. At the same time, we have to see the positive side of it, building the market and seeing more campaigns in the store which will lead to stronger demand, already next year. We won't use more time on that (*points to slide 39, salmon consumption*). We believe, based on this picture, the supply side and so on, we expect a strong market in 2020.

A little summary, a strong performance in Norway, it has gone well, is going well. We see better survival in Shetland, and we see a good biological improvement in BC. We have an estimate of 20% contract coverage in Norway and 24% in the UK in Q4. We plan to release 26 million smolt this year, and harvest volumes of 82 000 tonnes. And in our guidance earlier this year we said 26-28% and that is closely related to what Atle Harald said earlier, that if you release too many smolt and have limitations related to MAB (*maximum allowed biomass*) you end up harvesting salmon at low average weights, which is undesirable. We want to have high average weights for our salmon, but when survival rates go up, then

you have to harvest early, and get low harvest weights. There is always a balance you have to strike in your planning, regarding how many smolt to release in the various regions. So now we are where we want to be, and 26 million seems like a good number for the company this year. We are guiding for 100 000 tonnes in 2020, well within the achievable range, as we have the fish in the sea and we have the biomass in the sea, that is, enough biomass.

So, we have set a new overall target, 150 000 tonnes by 2025, focus on global growth, being a cost leader, and putting the company in position to take a larger share of the value chain than where we are today. So, then we have the last slide, showing that we are inviting you to a Capital Markets Day in Finnmark in June. There won't be northern lights then, but it is nice there. Then we open up for questions.

**Christian Olsen Nordby, Kepler Cheuvreux:**

How dependent are you on M&A to achieve the volume target for 2025, and question two, biomass or working capital development for 2020 is going to be very similar to 2019, does that possibly mean that volume growth in 2021 isn't going to be so very different, so that means volume growth up to 2025 is going to be very backend loaded, the way I interpret it? Do you agree?

**Andreas Kvame, CEO:**

When it comes to 2025, production guidance is very little dependent on M&A. What we see is that we have the possibility to develop all the regions further organically, both in Norway, and in foreign regions, maybe in British Columbia in particular has good possibilities. And then there was the comment about ... *(hands over microphone)*

**Atle Harald Sandtorv, CFO:**

We say that we will see a small increase in working capital in 2020, a little due to technical factors, of course. Our working capital needs should rise slightly in 2020, and you also have to take into consideration that we also expect costs to decline, which offsets some of the growth we see coming to support 2021. So, there is growth in 2021 in our scenario, but it is combined with lower costs reducing working capital requirements.

**Tore Tønseth, SpareBank 1 Markets:**

A little follow-up on growth to 2025, the 150 000 tonnes. Can you say a lot more about the split by country because you are starting to get a good size in Norway, and it looks like most or a large part of the growth, if organic, must come from outside Norway? Is that correct? Or can you say a little more about the geographical split?

**Andreas Kvame, CEO:**

I will say a lot more about the geographical split, but not today! What we are saying today is that we can grow to, well actually above, 150 000 tonnes, and that is a number we think is realistic to achieve, just as 100 000 tonnes for 2020 is, and we will outline this much more when we have come a little further, then we will go into more detail.

**Tore Tønseth, SpareBank 1 Markets:**

Is it mainly organic growth you are looking at?

**Andreas Kvame, CEO:**

Yes, it is mainly organic growth we are looking at. But there are also other areas we are looking closely at, as I said we have some ongoing R&D projects that can really contribute to this, there is growth relative to traffic light systems, etc. that also can be calculated as part of this, but this is the primary thing we are looking at.

**Tore Tønseth, SpareBank 1 Markets:**

Last question, about cost cuts. You talk about 2022. Can you say a little about the regions, where will costs go down the most? (*Kvame smiles*). A leading question?

**Andreas Kvame, CEO:**

Yeah. Norway is a country that is starting to get costs at a comfortable level, but there are still many things to do, even in Norway, but I think that Shetland is a region where costs will come down. British Columbia due to volumes will see lower costs. There are other areas we are also looking at, such as purchasing, among other things, and support services where we can lower overall costs.

**Tore Tønseth, SpareBank 1 Markets:**

Just one more thing here to round off. A little about the political situation in BC, about what has been said there about your sites. Can you give a little comment about your view about this, are there changes in the political situation based on comments from organizations or politicians?

**Andreas Kvame, CEO:**

What should I say? It was a proposal in the heat of an election campaign. To what extent this could become reality, we think it is very unrealistic in the short-term, where you need other technologies to have the possibility to achieve this before 2025, so it is very little realistic to think you can have everything in closed systems in the sea. I think too that the authorities will realize this and in British Columbia, one thing is the state, but you have many "states" and First Nation actually has the most say about how to run this. We know that there are many different ideas about this, even within First Nation. Some are very for aquaculture, others are somewhat more opposed. But we are working very hard to find new solutions, as I said before, we already have semi-enclosed systems in British Columbia with lice skirts down to 12m, with upwelling and oxygen kits below that. We aren't closed but we are moving in that direction.

**Kolbjørn Giskeødegård, Nordea Markets:**

Can you comment about average weights for smolt, the development there, 2018, 2019, 2020? How far up will you come this year and next year? Also, any reflections about the tax debate we are seeing now? Do you fear that authorities both in Norway and other regions will look at this sector as a honey jar, where they, various authorities, can pump out cash?

**Andreas Kvame, CEO:**

Tax first. No shock, but we agree of course with LO (*Labor organization*), NHO (*Norwegian employers association*), and the municipalities in that the direction the majority of the Tax Committee suggested is

the wrong direction to take. We have no belief that it is right to tax this industry with a natural resources tax, which by the way is a name we find completely incorrect for this kind of industry.

What should we say? It could happen, but I doubt it will happen, I don't think that there is a political majority. When you really look at what it entails, I don't think there is a political majority for it, but that you could get, in some way or another, a rent to pay for the area we use in the municipalities where we are present. I think that could sort of be okay, with the money going to those who have or really feel they have a burden from aquaculture in the local communities. I think that through this debate we have had, we have a job to do about educating what this industry is and what it can be for Norway as a nation. We have a job to do there.

When it comes to the smolt question, our average weights have gone up gradually. I think this year we will go a little above 190g on the average for all regions. There are regions that are ahead, pulling above their weight. BC has the lowest smolt weights, Rogaland as expected has the highest. Next year we will be releasing nearly 500g smolt in Rogaland. We are releasing some 800g smolt now in that area, based on our post-smolt strategy. Finnmark will achieve nearly 200g average weights next year. Shetland is at 160-165 g. And the plan is to release the same number of smolt next year.

**Carl-Emil Johannessen, Pareto:**

Can you say a little more about how you will manage to come to these 17 000t in the UK, you have guided up there before, without so much happening? What will drive up production, is it the survival rate, average weights, etc.? What sites will you harvest from next year compared to the historic sites you have used?

**Andreas Kvame, CEO:**

There are differences between the sites over there, and the localities. During recent years, we have used a lot of time to analyze which sites are best, what the challenges are in all the different areas, we have used big data such as IBM Watson, which has helped us figure out statistics going back in time. But, yes, it has to do with increasing survival, using the best sites, releasing a smolt that hasn't suffered pancreas problems before it is put in the sea. We have also adopted new measures during the last 12 months, some of which haven't worked out, and we have made quite a few adjustments. For instance, using a lice skirt in Shetland may not make as much sense as using one in BC. So, we have taken away some of those measures. And then, not least, we need higher survival, because that has been the challenge in Shetland. Growth isn't so bad, but the challenge, among other things, has been gill health. And we think lice skirts have made a negative contribution.

**Martin Kaland, ABG:**

A question more focused on costs in the short-term, when you say you are going to achieve your ambitions in the BC in coming years, were costs lie rather around NOK 50/kg now and you are going to come down to NOK 40/kg, and preferably even below that. What are the drivers behind that, you say a little higher volume, but can you give any more details?

**Andreas Kvame, CEO:**

Little higher volumes? There is a lot of biomass in the sea, and there is a lot of harvest volume coming in 2020 compared to 2019. The volume impact will be there, survival will be there, and as I said we have

developed new methods to operate down there, that as of today can almost be described as semi-enclosed. But that is what is about, growth in terms of volume, better survival, feeding. The challenge in BC has often been, at least historically, that you don't get the fish due to algae, but now because of the systems we have developed, which I call semi-enclosed, we see that it is possible to have higher productivity and better utilization of available feeding days.

**Lars Johnsen, Carnegie:**

Maybe you got this question while I was out, but when you say that you have a capacity utilization of 60-65%, can one assume that today's company capacity is 110-120 000 tonnes if you do a simple calculation of that number you give?

**Andreas Kvame, CEO:**

Well, the answer there is both yes and no. Based on what we see now regarding organic growth in Norway and overseas, it is clear that our post-smolt strategy has led to that we can plan in a little different way, you can run a faster cycle, but you can never come above your MAB (*maximum allowed biomass*). The MAB in Norway places limits on you, so if you think you can do two smolt releases and produce twice as much, that is wrong, but you can produce at least 20% more in Norway compared to what the maximum MAB is.

In addition, with the post-smolt strategy, you get no charge for biomass on land, what you have on land does not count for your MAB. That is in Norway. When it comes to the BC and Shetland, we don't have a MAB limit, there are different regulations regarding this. If you look at the BC, there is a precondition that we are on our best behavior and contribute well over there, so we still assume that there is a potential to grow significantly, especially in the BC, less so in Shetland. I rather think you shouldn't stress the biology too much in Shetland. If you are in the ballpark of 15-20 000 tonnes for our part, 20 000 maybe, that's max.

**Atle Harald Sandtorv, CFO:**

There was one question from the web and that is whether we have any plans for land-based sites.

**Andreas Kvame, CEO:**

Eh, yes, what we are doing when it comes to land-based, that is what we are doing with the smolt, and that will be our main focus, also in our next planning period. We have previously announced that we have purchased real estate to develop in BC, and the timing will decide when we start to do something there, and there is also a planning horizon relative to the authorities and local population there which determines when we can push the start button. But today we are developing land-based in Golden River where we are building capacity, doubling capacity at that site. And Campbell River will be both a hatchery and potentially a post-smolt site. And we will have to return to that at a later date with the timing there.

**Alexander Aukner, DNB:**

Just quickly about your downstream activity and plans, I understand that it will mainly be partnerships, and that kind of development, but can that also include you building a VAP (*Value-Added Processing*) factory, or is that too capital-intensive?

**Andreas Kvame, CEO:**

In the plan period, I find it unlikely that we build our own VAP factory. We are thinking more in terms of a joint-venture or lining up with partners and customers. In today's market, you need a sustainable basis in all you do, and that is point number one, but you also have to trace that sustainability, and that means through the whole value chain down to the customer. Or from the customer back to the egg, to put it that way. So tighter integration with the processing stage, not necessarily the owners, but that you have control throughout the value chain, that will become very important.

**Alexander Aukner, DNB:**

That sounds good. Thank you.

**Atle Harald Sandtorv, CFO:**

We don't have more questions, so we say thank you.