

## **TRANSCRIPT**

### **Grieg Seafood Q2 2021 Results**

18 August 2021

#### **Highlights**

##### **Kristina Furnes, Global Communications Manager:**

I would like to give you a large welcome to the presentation of second quarter 2021 for Grieg Seafood. We will start by going through the quarter with CEO Andreas Kvame, and CFO Atle Harald Sandtorv before we open for questions from the audience. The question function has already been turned on, so it is possible to send in questions during the presentation. Welcome, Andreas.

##### **Andreas Kvame, CEO:**

Thank you, Kristina. Then I will go through the second quarter for Grieg Seafood. The agenda is simple, we will go through the highlights of the quarter, look at our various operating units, and Atle Harald will come after me and cover financials, and then I will go through the outlook. The earnings for Grieg Seafood were a positive NOK 44 million this quarter. That is a result we are absolutely not satisfied with, but it is the truth. It is NOK 3 million below what we had last year.

If we look at what caused this, it is primarily price achievement in Finnmark, where our price achievement was too weak, a little too low average weights, and too many downgraded fish, which has led to NOK 41 million lower earnings in this region, due to this. In addition to this, the operating costs in Newfoundland, including write-downs which we took in conjunction with removing smolt, totalled NOK 45 million. Had it not been for these things, our result would have been NOK 120-125 million, rather than the NOK 44 where it ended up.

Having said that, production was very good in British Columbia, the development is positive. In addition, we sold Shetland during this period, for GBP 164 million, to Scottish Sea Farms. And there is a reason that we achieved this price, that is because we, through several years of restructuring and operational improvements in this region, saw that the second quarter showed an EBITDA of NOK 56 million for Shetland, which does not get included in the EBIT calculation because it is being held for sale.

In addition, looking forward, there are significant improvements, operational improvements, which will materialize during the second half of 2022; we expect a decline in costs for the entire company.

This period is also the first period in which our sales organization has sold 100% of the volume, and we have done that with success.

Now, let's take a closer look at Shetland and what we have done there. As said, we have reached an agreement with Scottish Sea Farms for the sale of Shetland for GBP 164 million. The region has achieved a good performance during this quarter, and we expect that the UK competition authorities will approve this, approve this at the latest during the fourth quarter. And the EU, the EU authorities, the competition authorities have already said they won't interfere with this. So we expect this to be concluded during the fourth quarter.

In Shetland, it's been the Achilles heel of Grieg Seafood for many years, and we must admit that the last (*smolt*) release we had at Skye, mainland Scotland, well, we would have preferred that we had not done that, it led to large losses for us. But when we see now what is happening on mainland Scotland, there is both improving profitability up there, and good financial results.

We will now focus on Norway and Canada, in line with our new strategy. We will improve profitability in the company, that is goal number one. We shall assure that we achieve sustainable growth in the regions where we operate, and we shall reposition ourselves in the value chain as we implement more partnerships when it comes to further processing of products in the marketplace or in Norway. And we shall do this within a sound and good balance.

If we go in and look at our areas for improvement, we have listed a very few items, but which are very important for us. In Rogaland, the focus is on post-smolt, and reducing the time in the sea. We are focusing on coming under 12 months, which will have very much significance for the utilization of MAB (*Maximum Allowed Biomass*), and not least regarding sickness. And we see clear signs that if a fish spends a long time in the sea, and is exposed to various kinds of bacteria, viruses, whatever, algae, amoeba, then we get challenges.

In the second quarter, the Tytlandsvik construction project, the second phase of 1 500 tonnes, was actually completed. So we have 1 500 tonnes more post-smolt capacity in this region than we had when the year started. For costs in Rogaland, the goal is to come under NOK 40/kg by the end of next year, and as I said in the introduction, costs in Norway are moving in the right direction down towards our goal.

Finnmark is the biological risk and is and has been rather challenging. This is first of all about a challenge which is common for our industry these days, and that has to do with ISA (*Infectious Salmon Anaemia*), but also winter ulcers and winter ulcer issues.

We have implemented significant changes this year. We have changed the vaccination strategy that we had, using a slightly different vaccine than we used previously. We have made changes in when we release the fish to the sea, that have to do with the size of the fish, but also at what time of the year we release the smolt. But the most important strategy, also in Finnmark, to get below two winters in the sea, is that we need to have more post-smolt available. There is planning, that we are working on as of today, to arrange this.

In addition to that, we want to increase VAP (*Value-Added Processing*) capacity specifically in Finnmark, both in Finnmark and Rogaland, because if you now get winter ulcers on the salmon, the next step is to do something about it, by upgrading it through processing, which is important, and having partnerships to do this, since we don't have in-house capacity for this today. This will be arranged by the next winter, if it should be needed.

The goal there is to come below NOK 40/kg as well.

In British Columbia, the challenges we have had there have been algae, low oxygen content and things like that. Over several years we have implemented digitalization and the use of sensor technology, which gives us a much better surveillance and better countermeasures when things happen. In addition to that, we have increased smolt capacity in Gold River. It will be completed in October for inputs.

We are also working on developing our business and growing in British Columbia. We are doing that with an agreement with First Nations which is in those areas. The goals are unchanged, we shall have costs below CAD 7/kg by 2022. Then we have our new region, which is Newfoundland, which will be the region with the possibility of the most growth. The goal is to achieve 15 000 tonnes by 2025. We are doing this because we are big believers in the North American market. We think that it is important that we supply the North American market both from the west side and the east side. And that will give us significant synergies in sales if we also achieve a good production on the east side.

Having said that, we are going to have a gradual development of Newfoundland, things will move forward in a controlled manner, and that is something we put a lot of emphasis on. We have three million smolt planned for release to sea in 2022 and expect the first harvest to be 9-10 months delayed relative to original plans because of the destruction of the first input at the Newfoundland site, and I will revert to that when I cover Newfoundland in more detail.

Since we have put in place our own marketing organization, we would also like to say a bit more about what is happening in the market and the development that we see in the market.

On that slide, you see that there are some markets developing very positively, demand has been strong in the second quarter and in the first half, but especially the US, with market growth of 15%, which is the world's largest single market, has grown by 15%. Brazil, which is the home market to Chile, has grown by 50%. Russia has grown by 63%, a significantly smaller market, but still a large market, and that shows domestic production which is consumed, in addition to imports, which mainly come from Chile.

You can also note that in Asia, other Asia is up 21%, so there are many exciting markets in that region showing significant growth, one that we can mention specifically is South Korea, which is showing very positive growth.

The total market grew by 8% and this is mainly driven by demand from supermarkets, the retail sector and large households. We see stable demand in Europe and Asia, but it is North America representing most of the growth.

If we look at prices that were achieved, I refer to Nasdaq, which is the only price we have, not directly a market price, but an indicator for the spot market, and how it has performed. And prices have been good during the second quarter, and the same applies to the Urner-Barry prices in the USA, where the development has been very strong. There have been some challenges right now, in the middle of August, which is completely normal for this time of year, with high harvesting in Norway and vacation in Europe.

Going forward, we believe that the development will depend very much on supply, how much supply enters the market and there are some other things which can influence the market, when volumes in Norway get very high, especially at this time of year, it can be challenging enough to arrange transportation, because when imports aren't so high, there is less transport capacity available. In addition, availability of air freight is also a factor going forward.

If we look at estimated volumes for the year, since supply is a big determinant of prices, we estimated last quarter that supply growth would be about 2% higher, while we now estimate it to be a little higher, at 3% growth, given strong salmon feeding during the summer in Norway. This represents roughly 75 000 tonnes, and most of that growth has already occurred. If you look at supply to the market in the third quarter, we actually expect a year-over-year decline of 4% versus last year and a decline of about 1% in

the fourth quarter. So, in total for the second half, we are expecting a supply decline of 2% compared to last year.

Nevertheless, we expect Norway to grow by 8% for the year, while Chile should offset that with a decline of 15% in total. So, things look very good, marketwise.

As we said, we are also working on our downstream activities. We have our own organization, which is fully operative, all the positions have been filled, most recently, we established our own VAP division, Value-Added Processing division, which will focus on establishing longer-term contracts, partnerships with processors, etc. to improve our processing capacity and the possibilities we have there.

The goal with this sales organization is to improve the internal supply chain, it has improved, reduce transaction costs in everything we do, improve our utilization of raw materials, as I mentioned earlier, we need to ensure downstream capacity in case we get winter ulcers in the future so that we can upgrade that fish to a well-paid product such as portions.

The focus in our sales organization will be supermarkets and service partnerships. We will develop a business-to-business brand, based on the Grieg name, in towards retail, food service and towards the HoReCa (*hotel, restaurant, catering*) segment.

Now over to operations in the various regions. We can start with Rogaland. Rogaland harvested 7 780 tonnes in this period, which is somewhat up compared to one year earlier, with an EBIT of NOK 10.20/kg and a total EBIT of NOK 79 mill. for this region. In Rogaland there was also some impact from both fixed contracts, downgraded fish, we also had winter ulcers here which impacted price achievement, with a 76% superior share, but we had a very high and good average weight in this region, which offset that somewhat, and, in addition, we also harvested some broodstock in this period.

We had somewhat higher production costs in the second quarter than we had in the same quarter of 2020, largely due to harvesting from some poorer locations than we had at the same time last year. We expect a harvest volume of 7 000 tonnes in Q3, with costs stable to slightly lower in this region. Harvest volume estimates for the year 2021 are maintained at 28 000 tonnes.

Then over to Finnmark. We have had a harvest volume of 4 780 tonnes, which was somewhat lower than a year earlier. We achieved an EBIT which was minus NOK 2.2/kg, which was very weak. We had earnings of minus NOK 10 mill. in this region. That can be explained by two things. One is price achievement, which was negatively influenced by price contracts, which were 31% of volumes. In addition, we didn't harvest in May, when prices were high, but in April and June, so the harvest profile affected price achievement. The third factor is that we had low average weights, 3.4 kg in this region, and in addition to that, downgrades due to winter ulcer problems during the winter and spring.

The other thing is costs, which are high, due partly to lower volumes, downgraded products in the form of winter ulcers, and all fish has been processed externally in this region due to ISA (*Infectious Salmon Anaemia*), and the upgrades we have done to our processing site that we reported in the first quarter results.

Then, in addition to that, wellboat costs have been significant due to operating closed (*rather than open*) due to ISA harvesting rules.

We have adopted significant measure during this quarter to reduce winter ulcers and the risk of winter ulcers, especially when it comes to vaccines and the timing of smolt releases. We expect to harvest 10 000 tonnes in the third quarter, and costs will decline this quarter in Finnmark. Harvest volume guidance is maintained at 37 000 tonnes for 2021.

In British Columbia, we are very satisfied with the development. We harvested 5 249 tonnes in this region. EBIT was NOK 8.4/kg and a total EBIT for British Columbia of NOK 44 million. This was achieved because we had good realized prices and had a high superior share, at 89%. The biological performance in this area in British Columbia has been very good during this period. We expect to harvest 4 700 tonnes in the third quarter with stable costs, and cost improvements in the longer term. Harvest volume guidance for 2021 is maintained at 15 000 tonnes.

Then I would like to comment a bit more about the Newfoundland project. What you see on this slide (*slide 16*) is that the picture shows the site the way it looks today. The red building is the roe hall and has broodstock feeding, and the blue hall is the smolt building.

We have a fully operative smolt and juvenile fish unit in *Newfoundland* and it is functioning well. Eight licenses are in place, including the Placentia license which you see a picture of here, and we have more now going through the approval process with the authorities.

We have run one cycle through this site, where we have tested both the biology and the fish, and that the production facilities work in a satisfactory way, and we have to say that we are very satisfied with the development that we have seen at the site.

However, we have delayed the smolt release, and that is because we had one test performed by the local authorities which showed a suspicion of ISA at our site. 295 follow-up tests have been taken afterwards, by us and the authorities, which have given negative results. But due to that one case being found, we have of course gone through everything which could have caused it, for instance that we could have had ISA in our site, by checking all the water at the site, and checking all inputs to the site. The site uses groundwater, so with all likelihood it hasn't come from there. We have looked at feed, at the vaccines, we have looked at the total hygiene, and the zone system at the site. We have looked closed at roe, and we have looked at the possibility of cross-contamination which can occur in a laboratory, which has occurred in other countries, for instance, in Norway.

But as of today, we have not reached a conclusion about what it is that caused that one suspicion of ISA, or the confirmation of the one test. So, after a total evaluation, we decided not to release the smolt. There are several reasons for that. One is that we do not want to introduce it to Placentia Bay, a virgin area, if it is ISA. The other is that we have a significant control regime around this in Placentia Bay, so if we do get ISA from wild fish, it is very difficult to detect where it comes from, and then the suspicion would fall on ourselves.

So, using risk management, if we should call it that, we just have to take this hit by not releasing this smolt. We have already destroyed that smolt, and that is part of our results, which is negative for Newfoundland, but for the long-term, it is better to move forward gradually, than to go forward too fast. This means too that we give ourselves more time when it comes to developing Newfoundland.

But as I said, the plan is to release 3 million fish to the sea in 2022, with the first harvest in 2023. After that, I would like to give the word to Atle Harald, who will go through the financials.

## Financial Review

### Atle Harald Sandtorv, CFO:

Thank you, Andreas. Then we will go to the financial figures and start with P&L.

We had revenues this quarter of NOK 1.1 bn, and as Andreas mentioned, we ended with an EBIT of roughly NOK 44 mill., 43.5 to be exact. The production fee was NOK 5 mill. this quarter and the fair value adjustment of the biomass was NOK 109.8 mill., positive, due to a better market. Financial items were NOK 17 mill. in minus and a bit lower than what we had in the corresponding quarter last year, helped by foreign exchange moving in the right direction. That brought profit before tax to NOK 131 mill. After tax, we had a profit of NOK 95.9 mill.

If we look a little bit at an analysis of EBIT, we see that which changes EBIT the most is market prices, which increased compared to the corresponding quarter last year, in total the impact is NOK 88 mill. That could have been somewhat higher, but it was held back by downgraded fish in Finnmark and the financial price hedging contracts we had in the quarter. When it comes to costs, the impact is negative on EBIT by NOK 99 mill. and that is driven by costs in Newfoundland, especially the write-down we had to do on the biomass this quarter. In addition, Finnmark contributed negatively on the cost side during the quarter, so that, as said earlier, we moved from NOK 47 mill. in Q2 2020 to NOK 44 mill. in Q2 2021.

If we look ahead to the next quarter, we expect relatively stable costs, Andreas had mentioned that, stable costs both in BC and in Rogaland, and we expect costs in Finnmark to decline slightly. If we look further ahead, to the end of the year, we expect costs to decline even more, but we will come back to that, of course, in Q3, when we will guide for that.

Then we look more closely at free liquidity, where we will use the same set-up as we did last quarter. First of all, factoring was implemented during the quarter, and contributed positively with NOK 170 mill. and that took place in conjunction with establishing a new sales organization, so we re-established our factoring agreement.

Further, we have an analysis of our free liquidity when we entered the quarter with NOK 748 mill. in free liquidity, and we exited the quarter with nearly NOK 900 mill. in free liquidity of which about NOK 200 mill. are in cash, and NOK 700 mill. in an unutilized revolver. The movement during the quarter shows a positive EBITDA of NOK 143 mill. and working capital contributes positively with NOK 189 mill. On the investment side, we invested NOK 183 mill. and financial items subtract with NOK 93 mill. Then we have an item which is "other", which is positive with NOK 92 mill. and includes, among other things, Shetland, which has a positive contribution this quarter for us.

Otherwise, looking into Q4, well, actually the second half of the year, for our liquidity situation, it is, of course, the Shetland transaction which will contribute positively, and we expect to close that during the second half, probably in Q4, and that will contribute positively with about NOK 2 bn. in liquidity, the way the calculations are looking now.

A little bit about investments. There we are maintaining the same guidance that we had last quarter, with capex of NOK 700 mill. for 2021. In Rogaland we are upgrading sites and broodstock where investments are taking place. In Finnmark it is the processing site and localities, and in BC it is the expansion of the hatchery which is the primary item. In Newfoundland, we are now finished with phase

I, as Andreas mentioned, of the hatchery, and we have now started investments in the sea. And for Shetland we have included what we saw of capex in the first half year. Some more could come in the second half, but that would be smaller things.

When it comes to biomass and working capital in the second half, we are guiding for NOK 100 mill. for that, for the working capital needs.

Then we go over and summarize the financials a bit. Net interest-bearing debt was at the end of the quarter a little more than NOK 4 bn, calculated according to covenants. We also have the financial ratio net interest-bearing debt to harvest volume, which is calculated to be NOK 28/kg, and that is calculated with the Shetland transaction included and estimated at the end of Q2.

If we look at our equity ratio, it is 42% now, calculated in accordance with bank covenants, and the requirement there is 35%. When it comes to net interest-bearing debt to EBITDA, that has been waived through Q3 2021, so the next measurement will be after Q4 2021.

Otherwise, we can point out that we have delayed the first smolt release at Newfoundland by one year, which of course will have a short-term positive impact on our liquidity, because it will postpone working capital and investments somewhat. We will come back to that next quarter, with our guidance for that.

Another important focus for us is to look at costs all the time, and, of course, if it is possible to cut investments and make them less expensive, so that is something we always are focusing on in our financial situation.

Then I will give the word back to Andreas who will sum things up.

## **Outlook**

### **Andreas Kvame, CEO:**

Thank you, Atle Harald. Now we will look ahead a bit at our outlook. Sales and market first, that is very dependent now on the situation with Covid-19, and how it develops worldwide. But I expect with such large coverage we now have with vaccines, especially in Europe, but also in other countries, that the HoReCa market will eventually start to open up. That we might have some closures and openings again here and there, that makes things more complex in periods, but we expect things to gradually pick up, also in the HoReCa segment.

This, combined with little, actually negative, growth, of supply to the market gives an outlook for good price realizations in the autumn. In addition to that, we work with sales and the market to obtain VAP capacity as I mentioned earlier in this presentation. We also expect that our contract share will be relatively linear, there are many underlying contracts with a relatively similar volume each month, so if our volume goes up, the share of contracts goes down, but for the year in total, contracts give a coverage of about 28% for 2021.

In operations, the focus is on optimizing production, the focus is on fish health and fish welfare in all regions, a gradual development of Newfoundland is a part of our plan, and as Atle Harald mentioned, the plan is to finish the Shetland transaction, that is part of our job during the autumn.

We expect to harvest 21 700 tonnes in the third quarter, and we are still guiding for a volume of 80 000 tonnes for the full year.

So, a short summary of the quarter. We reached an agreement on the sale of Shetland. We have had good production, biological production in British Columbia, which has been very important for us, a large area of focus for many years. In Norway, we have been significantly impacted by downgraded fish. Price contracts have contributed negatively this quarter, and we also have had costs increase, especially in Finnmark, due to winter ulcers and ISA.

On the other hand, we have established our own sales organization, with its first quarter, well the second quarter now, selling all our fish and the focus there will now be on fine-tuning, work towards retail, work towards food service after things gradually fall into place there.

We also see an improved biological production in the company in total, as Atle Harald mentioned, and we expect lower costs toward the end of this year, during the third quarter, and into the fourth quarter.

Expectations are that we will harvest nearly 22 000 tonnes in Q3 and for the full year 2021, our guidance is 80 000 tonnes, ex-Shetland.

Now the presentation itself is over, and we open for questions. Kristina, we can get started.

## **Q & A**

### **Moderator:**

Then we go over to the first question, and it is for you, Andreas. Can you say a little more about how ISA got into Newfoundland?

### **Andreas Kvame, CEO:**

Yes, but first I would like to say I'm sorry that we have had some technical problems with this webcast, that lies a bit outside our control, but the entire presentation will be posted on our web pages, so it can be watched afterwards if you experience any sound problems, very sorry for that.

We have detected a sample for ISA, or more correctly, the local authorities have detected it, during a routine check. We have then taken 295 follow-up tests at the site, and we have not detected it. We have taken a lot of tests during this period, of the site, of the fish, of roe, for everything that could have significance for if there is ISA there, but we are unable to find anything. So, this is based on a precautionary principle, where we don't want to release fish if there is any possible contamination of ISA. So, the situation as of today is very good, the situation during the quarter and in production went very well and that these are triploid fish doesn't have anything to do with this either. The fish have performed very well at the site.

### **Moderator:**

Then there is a question about Finnmark to you, Atle Harald. Can you quantify the cost improvements that you are expecting for Q3 and Q4?

### **Atle Harald Sandtorv, CFO:**

Yes, when it comes to Q3, we have guided for what we expect of costs, and farming costs are guided between NOK 46 and 47/kg for Q3, and then we are expecting a further decline in costs in Finnmark in Q4, so that we start to approach our target of NOK 40/kg.



**Moderator:**

And to you, Andreas, can you comment on how you are experiencing the biological challenges in Finnmark so far this summer compared to previous years when it comes to lice treatments and outbreaks of sickness?

**Andreas Kvame, CEO:**

We have experienced that it has been relatively cold in Finnmark, especially May and June were cold, and that changed in July. The biological production has gone very, very well in Finnmark. Mortality in Finnmark has been very low, compared to last year, and the winter ulcer challenges that we have talked about, we are through with them. Going forward, things look good in Finnmark, the lice situation is under full control there as in the other regions.

**Moderator:**

So, back to Newfoundland. Can we say anything about why the milestone payment gets inflation-adjusted by 4% a year, Atle Harald?

**Atle Harald Sandtorv, CFO:**

That is a little technical in relation to the agreement we have there in Newfoundland, and it is part of the negotiations we had at the time we made the agreement. The important thing to focus on here is that this was evaluated then, of course, by the independent board and by a third party, and it is part of the total deal done at that time.

**Moderator:**

Do you see now any clear reasons now that the price realization in Q3 will be below the spot price in the various regions?

**Andreas Kvame, CEO:**

If the spot prices being referred to are Nasdaq, it is important to realize what is included in the Nasdaq price. There are 8-10 companies that report historical prices to Nasdaq, which are then published the following week, historical prices. That which should be said, is that all fish sent by air, all fish sold internally, be it Norway or Europe, is excluded, all contracts are excluded, sales within Norway are excluded, so it is just a very small share of the fish that come into Nasdaq, and as such it is not an expression of the market price, it is an expression of a spot price.

So, if there is little volume in the spot market, or in Nasdaq, the spot price can jump, and you get high volatility. With the quality we see now and into the third quarter, we will achieve an okay price and that's a market price, but Nasdaq and the spot market price, I don't know how they are going to develop, but I know there is a certain market price.

**Moderator:**

You have talked about some of the measures to reduce risk of winter ulcers. Can we say more about how we have changed smolt release and vaccine, and how confident we are that we will see an improvement already next year?

**Andreas Kvame, CEO:**

We had measures taken last year already, partly for this, and that is based on digital analysis we have done over many years, and we found a clear connection between two winters in the sea compared to having them one winter in the sea, so our focus is to release the fish early, which we partly did last year, and more this year – it takes time to implement this – and, in addition, we have changed the vaccine, the type of vaccine used, so we have expectations that this will gradually be reduced. Having said that, though, should we get winter ulcers next winter, we are in a situation now where we have partnerships, we are establishing partnerships, for further processing of downgraded fish, to upgrade them to a premium product, so we expect that the negative impact, if we get it, then we have the tools to save the situation.

**Moderator:**

So, we have a new question about Newfoundland. What is the run rate cost, is it NOK 32 mill. a quarter until the first harvest, Atle Harald?

**Atle Harald Sandtorv, CFO:**

The situation is that in Q2 it was NOK 32 mill. and that was up compared to our guidance in Q1 when we guided for about NOK 15 mill. for that cost. The reason for that is that we have some costs tied to production in the sea, boats, personnel who were going to work with the fish in the sea, and that cost would normally be capitalised on the balance sheet with the fish. But when those fish aren't released to the sea, we need to expense that directly in the P&L, and that is the reason for the increase.

What we are doing now is to look at these costs, and we plan to reduce them in coming quarters. When it comes to just Q3, those costs will lie at about the same level, around NOK 30 mill. or a little above 30, but in Q4 we will be working on reducing these costs significantly, and we will come back to this in our Q3 presentation, with further guidance about this.

**Moderator:**

So back to Finnmark. What are the most important measures to avoid winter ulcers in Finnmark for the coming winter?

**Andreas Kvame, CEO:**

Well, it is the things I've mentioned earlier. It is the timing of the smolt release, it has to do with the vaccine, which was administered in the autumn last year, the first week in the sea, and then it has to do with how you take care of the fish by not stressing them, especially when sea temperatures are low.

**Moderator:**

A question about post-smolt in Rogaland. How is that production doing, and what are likely average weights in 2021, and expectations for 2022?

**Andreas Kvame, CEO:**

Average weights, if the question is about average weight for smolt, the average weight is between 550 and 600 grams in Rogaland in 2021. What we see is that during the last two years we have increased

average weights and harvest weights significantly, and that is also tied to the time of the smolt release and the size of the smolt.

**Moderator:**

Are there any other factors than approval by the competition authorities in the UK that can influence whether the Shetland transaction goes through?

**Andreas Kvame, CEO:**

No, not that I can see.

**Moderator:**

There is a new question about Rogaland. You are guiding for 21% contracts for 2021, but despite high harvest volumes, you ended up at 46% in Q2. Shall we estimate a lower contract coverage for the second half?

Yes, you should. As I said before, our contract share is the same, month for month, linear throughout the year, with higher harvest volumes, the contract coverage will decline, and that means that contract coverage in the second half will come down somewhat.

**Moderator:**

Then a question about triploid. Can you say a little about what risks you see for releasing sterile salmon in Newfoundland? How confident are you that they will have good biology, compared to traditional salmon, Andreas?

**Andreas Kvame, CEO:**

Well, now we have taken them through our hatchery. The challenges known in advance for triploid salmon, we have not had any of those challenges, quite the contrary, these fish have developed very well, and grown very well through the site, even though we were forced, rather, we chose, to destroy the salmon, this did not have anything to do with triploid, it was just that one sample that identified ISA. We got a chance to test both triploid and whether the site worked, so in that respect it has been very educational, a positive learning experience, during this period.

**Moderator:**

Then there is the last question, to you, Andreas. Can you give an update about the accident in Finnmark last week, and what implications that could potentially have for EBIT in Q3?

**Andreas Kvame, CEO:**

Well, there was an occurrence which never should have happened, we have looked very much at what happened, and not least, if anything has happened to the environment, externally. Chlorine is something used in all, nearly all, treatment plants in Norway, to disinfect discharges to the sea, whether they are releases from municipal plants or salmon farming or whatever it might be, and chlorine is something which dilutes very quickly, and we see that outside the harvesting site at Simones (*near Alta*) you will have a specific point with pollution, which is serious enough, but it spreads very quickly, but the

consequences for the environment in Alta Fjord will be very, very limited. And it will just be in the area outside our harvest site, and also to a very limited extent there.

**Moderator:**

Will it affect EBIT in Q3?

**Andreas Kvame, CEO:**

Well, that depends on whether those fish are insured, but the impact will be less than NOK 10 mill.

**Atle Harald Sandtorv, CFO:**

And an assumed cost for this is included in our guidance for farming costs in Finnmark.

**Moderator:**

That was the last question, so we just have to say thank you for today, and we will see you again at next quarter's update.

**Andreas Kvame, CEO:**

And once again, apologies for having technical problems with this webcast.