

## Grieg Seafood Q4 2018 presentation transcript

13 February 2019

Andreas:

OK. I think we can get started now. Welcome to the Grieg Seafood Q4 report. As usual, the presentation will be given by Atle Harald and myself. I think we can just launch straight into it. We will briefly go through the various events, which have occurred during the quarter, with a quick look at the various regions and their performance. Atle Harald will take us through the financial aspects of this and we will finish off by looking at the outlook.

During Q4 we have continued to see good, strong demand with good prices in the market. We achieved the highest harvest volume ever at Grieg Seafood this quarter, ending the year with 75,000 tonnes. This was on the back of an excellent biological performance in Finnmark and Rogaland. We attained a good production level with a high average harvest weight in British Columbia. We earned good prices during the quarter and improved efficiency at our facilities.

In addition, we faced some high costs in British Columbia and Shetland due to biological challenges. One of the reasons was the consequential damage caused after the summer in BC. Another was related to gill disease in Shetland.

We also focused considerably during the quarter on the environment and sustainability in our organisation. We are immensely proud of the A- grade we have received from the Carbon Disclosure Project (CDG). This company ranks 7,000 companies worldwide, including 60 from Norway.

We have just launched a share saving programme for employees in Q4. We are still expecting our harvest volume to reach 82,000 tonnes next year, which marks no change in this respect. We had an EBIT of NOK 351 million in Q4, compared with NOK 150 million in Q4 2017. This marks a significant improvement of NOK 200 million quarter on quarter. We achieved a final harvest volume of 23,682 tonnes, which is probably the highest we have had in any quarter.

We finished on an EBIT of NOK 14.80 in Q4, as opposed to NOK 8.10 for Q4 last year.

The story behind this goes back to 2010, to a small extent. As we can see, the harvest volume figures have been fairly flat at Grieg Seafood. We have been fluctuating between 58 and 70,000 tonnes. We have a clearly specified target to reach of 100,000 tonnes in 2020, which is something we have a good chance of achieving.

Last year we harvested the largest volume ever of 75,000 tonnes. We also achieved sales revenues of 7.5 billion in 2018, which is also the best result we have ever had.

We have been very clear about what our objectives are. We are starting at 62,000 tonnes from 2017 and we have a target of achieving 100,000 tonnes at a cost which is equivalent or lower than the industry average. In otherwise, we want to achieve an increase of 38,000 tonnes from 2017 to 2020. We will come back to this point later, but everything is on schedule.

Before I touch on the operational areas, our company's focus areas primarily relate to sustainability. This is our post-smolt strategy, which we have demonstrated that we are focusing on. We have spent a great deal of money investing in larger smolt (which are young salmon) and other aspects. We are heavily involved in digitisation and precision farming, in terms of implementation and, not least, in

learning from this. Biosecurity and fish welfare are incredibly important. We are looking to expand all the time both organically and through other methods.

We have selected our sustainability goals based on the UN SDGs (Sustainability Development Goals) and are very sharply focusing on them. They are 2, 13, 14 and 17. We will spend more time on them later, but these are the goals for which we have set ourselves clear objectives.

Let us now take a closer look at the operational side. This is what we have seen before (pointing to the screen), but what targets did we set? Well, 25,000 tonnes in Rogaland, 38,000 tonnes in Finnmark, 20,000 tonnes in British Columbia and 17,000 tonnes in Shetland.

Let us start with Rogaland. We are starting there from NOK 6.80 for Q4 2017. In actual fact, things went “wrong” in Rogaland during the second half of 2017 and first half of 2018. There was the major impact of pancreas disease (PD), which meant that our performance level was not good, from either the cost or price perspective. But the outlook here now is very good. We achieved a result of NOK 19 per kilo in this region for Q4. We harvested 6,200 tonnes, compared with the 4,300 tonnes we harvested in Q4 2017.

As a result, we achieved sales revenues of NOK 356 million in Rogaland, with an EBIT of close to NOK 118 million, harvest volume of 6,100 tonnes and an EBIT of NOK 19.04 per kilo, as opposed to NOK 6.80 for the same quarter last year.

The total sales revenues for Rogaland in 2018 were NOK 960 million. We have an EBIT of NOK 219 million and achieved an EBIT of NOK 13.48 for the region separately, with a harvest volume of 16,300 tonnes.

We have enjoyed a good biological performance in Rogaland, which has also continued throughout Q1. Costs have dropped, we have increased the harvest weight and we have managed to improve fish health, as the following sentence tells us. Two of our 13 sites in Rogaland have had or were affected by PD. Last year, seven of 12 sites had it, which leads to a totally different production level when you first get Pancreas Disease.

Our costs in Rogaland in Q1 are slightly higher than those we had in Q4. But this is to do with the fact that we had a significantly lower harvest compared with Q4.

Our large smolt strategy is still in force and is operating as planned. Tytlandsvik is one of areas we focused on throughout 2018. We started fishing there in Q1 this year and everything is going pretty well. We are taking things easy and are not intending to put too much pressure on this facility. We are expecting around 1,000 tonnes of large smolt in 2019. The average size of the fish originating from Rogaland in 2019 will be 350 grams, marking a gradual upwards trend. As you are aware, we are aiming for more than 500 grams by 2020.

Now let us look at Finnmark. Some people think that these graphs have been manipulated, but this actually not the case. This is the actual state of play at our Finnmark facilities. The EBIT per kilo in Q4 was NOK 20.10 in this region. The figure we had in Q4 2017 was NOK 11.90. This shows that Finnmark has established itself very well during the last few quarters. There is nothing to say either that production in Finnmark will not reach a stable level. The harvest volume during the quarter was 10,800 tonnes, as opposed to 8,600 tonnes for Q4 2017. This marked a 25% increase in Finnmark’s harvest volume, compared with last year. The target for this region is 38,000 tonnes, which we are well on the way to achieving. Q4 ended with sales revenues of just under NOK 600 million, with an EBIT of NOK 217 million and an EBIT per kilo of NOK 20.07. We have never achieved such a high result in Finnmark. This is close to NOK 700 million at NOK 685 ... I beg your pardon ...close to NOK 600 million at NOK 595 million for the region’s EBIT result. The harvest volume was almost 30,000 tonnes in the region, which is a

considerable increase. We have an annual EBIT result of NOK 20 for the region as a whole, which we are very pleased with. Up from NOK 15.42 last year.

Now for British Columbia. We achieved a result of NOK 6.70 in Q4. The figure we achieved in Q4 2017 was NOK 7.20. We have a fairly flat harvest volume of 2,900 tonnes, compared with 2,600 tonnes in Q4 2017.

In this instance, we have sales revenues of NOK 187 million for the quarter, an EBIT for Q4 of close to NOK 20 million, a harvest volume of 3,000 tonnes and an EBIT per kilo of NOK 6.74. We achieved in BC NOK 290,900,00 in total for the year, which is our highest result every in this region. We have a harvest volume in BC of 16,600 tonnes and an EBIT per kilo of NOK 17.50. Or actually NOK 17.49 to be precise.

We have achieved an increase in volume and the spot prices have been good. The fish have had fairly good average weights here and in Shetland, which contributes to higher prices in the market. As you know, we faced a challenging time in the summer, especially in June and July, with algae. We have had to subsequently deal, on the one hand, with the challenges arising from this and, on the other, with the consequential damage caused by the algae. This affected the quality of our fish during the quarter. This also resulted in a write-down of NOK 15 million in total, to take into account this extraordinary mortality rate we suffered. This is in line with the relevant accounting principle.

We have no more fish which were affected by algae and have now begun to harvest a new generation.

We expect costs to continue to fall in 2019 because of the biological factors and also the production improvements we have made in the region. One of the challenges in BC has been to ensure a sufficient number of smolt. When the number of smolt has been too small, there has not been any particular focus on getting large smolt. The challenge now has been to see about expanding capacity. The decision has been made for us to start expanding capacity in Gold River, which is our certified fish facility in British Columbia. It will rise from 400 to 800 tonnes, which is double the current production level. We expect it to be self-sufficient during 2020.

Now onto Shetland. We have an EBIT per kilo of NOK 1.30 there. The figure we achieved in Q4 was NOK 9.50. The harvest volume is 600 tonnes higher than in Q4 2017 and our final volume was 3,700 tonnes.

Sales revenues from Shetland were NOK 245 million and we achieved an EBIT of NOK 4.8-5 million for this harvest volume. The EBIT per kilo is NOK 1.29. So, the final figure for the year was NOK 2.83, with a total EBIT of NOK 34 million, compared to the previous year's figure of NOK 68 million. We are obviously not happy with the results in Shetland, but we are very actively addressing this matter.

We had a fairly reduced rate of survival in Shetland, very much associated with the challenges posed by Complex Gill Disease and by winter ulcers affecting the fish. We had an additional write-down of NOK 30 million to take into account the extraordinary mortality rate we experienced. This is in line with the relevant accounting principles. In spite of the biological challenges we have faced, the quality of the fish we have harvested has been excellent. We have not had a higher average weight and higher superior rate anywhere than in Shetland. So, it will be an extremely positive development if we can adjust to this fish from the start, which will produce a good final result. I will say more on this point later.

Unfortunately, we actually expect that the costs in Q1 2019 will be high in Shetland.

A great deal of effort has gone into reversing how things have developed in Shetland. One of the measures I can mention is algae monitoring. We have had aeration systems in place at every site since last year. We have initiated freshwater treatment against sea lice in 2019. We have reduced the number of operational sites considerably from 27 to 17. There will be a further reduction as we want to use the best sites. In addition, we have been focusing very intensely on the releases of smolt there. This is because one of the conclusions we have reached is that we have exerted slightly too much pressure on

the smolt facility. So, we have reduced the number of releases from four to three to improve the smolt's biological performance. This initiative was launched after last year and we can already see the effect it is having in the sea. The fish which have been released now and will be ready in 2020 are currently developing according to plan.

But this is a priority focus area for us. We are reasonably confident about the measures we have taken in Finnmark, Rogaland and BC. Just the impact of the measures in Shetland remains to be seen. As I already said, we are not happy with the results in Shetland, but we are seeing an improvement. OK, Atle Harald?

Atle Harald:

Thank you. We will now take a closer look at the financial details, starting with our profit and loss statement. Our top line was NOK 2.1 billion. This marks an increase on the same period in 2017. This has mainly been driven by volume, growth and higher prices during the quarter. We achieved an EBITDA of NOK 412 million and had write-offs of NOK 61 million. These figures are slightly higher than the comparable quarter and are due to the growth phase we went through, which we mentioned earlier. We had an EBIT of NOK 351 million after the fair-value adjustment, which was positive. This was driven by more biomass in the sea at the end of the year, which slightly increased price expectations in the model we are using. The EBIT, after the fair-value adjustment, ended up at NOK 463 million.

We also had a financial cost of NOK 24, almost 25 million, which is slightly higher than normal. This is due to a euro loan we have. We basically have this as a natural "hatch" against a strengthened krone against the euro. But the value of the krone weakened slightly towards the new year. As a result of this, we were landed with a cost for this precisely during this quarter. Based on the financials, we then had a profit of NOK 439 million and an estimated tax bill of NOK 85 million, leaving us with a profit of NOK 354 million after tax.

If we take a brief look at our cost and the cost versus EBIT per kilo, in Q4 2017 we had an EBIT per kilo of roughly NOK 8 and we then ended up closer to NOK 15 in the corresponding quarter in 2018. The basic reason for this turnaround is higher prices. We achieved a higher price by NOK 5.55 during this quarter compared to 2017, which is in line with the change in the spot price. The change to this was slightly above NOK 6, which is roughly the same. This will always be slightly affected by which week the fish were harvested and by what the spot price was during those weeks. But we were roughly at the change amount.

There was also a slight change in the farming cost. This is about at the same level as we had last year. We are currently observing our costs stabilising. In fact, they have even decreased if we look at 2018 as a whole, as we ended up with a volume weight average price (VWAP) of NOK 43.10 as opposed to NOK 43.41 in 2017. So, 2018 is the first year when our costs have stabilised and also gone down. We need to go back to 2010 for the last time we achieved this. Therefore, we are happy to observe this trend. As we mentioned earlier, one of our targets is to get this cost figure down to NOK 38 in 2020. This means that we must expect to reduce costs in 2019 because this will pave the way for this reduction by 2020.

Regarding the specific costs for Q1 2019, there is a slight increase, which is being driven by a lower volume. In general, costs are due to fall throughout 2019.

In terms of our cash flow, we started the period with NOK 204 million in cash. We also had a contribution from EBITDA of NOK 412 million, which was extremely positive. There was then a reduction in some capital, related to working capital, of NOK 374 million, which is mainly being driven by a rise in

accounts receivable and also an increase in biomass. But many of our accounts receivable are also being financed again, which involves us increasing factoring again.

We invested NOK 148 million during the quarter. The financial part which is then netted out from both the dividends and change in debt is NOK 144 million. This includes a dividend of NOK 221 million. By the end of the quarter we had NOK 137 million in the bank.

If we look at the working capital requirement for the future, our estimates based on the biomass growth we expect to occur during 2019 will require more than NOK 200 million in working capital. This is fairly evenly distributed between the first and second halves of the years, but we are producing quite a large amount of biomass in Q1 in relation to what we are harvesting. If we look at the first and second halves of the year, the easiest thing in this case is to say roughly NOK 100 million in biomass accumulation in each half of the year.

Our balance sheet is closer to NOK 8 billion, while we are approaching an equity level of roughly NOK 4 billion, which we are very comfortable with, and an equity rate of 47%. I will not be saying any more than this on the subject.

Now a few words about our funding and net interest-bearing debt. Our net interest-bearing debt (NIBD) is now slightly above NOK 1.6 billion, which comprises a term loan of NOK 1.1 billion. We have a revolving credit facility of NOK 260 million and leasing obligations of NOK 360 million. In terms of the leasing part, we can draw up to NOK 600 million according to the syndicated bank loan agreement we have, and the revolving and cash credit facilities we have mean that we have drawn resources of close to NOK 800 million. So, we are in a satisfactory position in terms of liquidity.

The rise in net interest-bearing debt from Q3 to Q4 has basically been driven by an increase in biomass in the sea and the fact that we have paid out dividends.

With regard to investments, I will just give the following summary for 2018. We ended up with NOK 733 million in investments, which is slightly above the guided figure we gave previously. This has been strongly driven by the growth measures which we are focusing on, including the extension of our smolt facilities which we are under way with.

Overall, extensions to the smolt facilities in Rogaland and Finnmark were completed in the year just gone, which we spent NOK 173 million on. We launched a strongly proactive digitisation project, which we spent NOK 20 million on in 2018. Andreas touched on this briefly earlier.

Biosecurity and fish welfare are important. We have spent NOK 40 million on this, with much of the focus on algae and sea lice. So, this growth section amounts to NOK 250 million and is due to the many new sites which are being set up. We also have a maintenance level of NOK 250 million.

So we are now in 2019 where the picture is much the same. We are carrying out the growth project for 2020 this year and have a guiding of NOK 635 million in investment. This is divided into NOK 50 million for smolt sites and now it is BC that is next in line, as we are more or less doubling the capacity, which Andreas talked about, and will therefore become self-sufficient with smolt throughout the investment.

What is also really positive at the site is that it has now been three years and we are now into the fourth year without biological deviation. Furunculosis is what has been challenging there, but it has gone very well in the last few years. For digitalisation we are increasing the project and have set aside NOK 65 million for it. This is centralised feeding, sensory and retrieval of data and use of this in managing the company and the operations outside. Rogaland is the first region where we are setting up a separate operational unit where everything will be controlled from. We will be investing heavily in the project in the coming year.

There is also biosafety and fish welfare, and the main focus is still algae and lice but we are also focusing on improvements in our harvesting and Finnmark is one of the sites where we are carrying out an improvement project. And finally, we have NOK 200 million and this is important for new sites that are in growth and especially in Norway and Finnmark in particular that come under this.

We also still have NOK 250 million as guiding for investments.

In conclusion, we are looking at our goals. Andreas has commented on the harvest volume – 100,000 in 2020, and we are well on the way towards this. We have commented on costs. We have stabilised our costs in 2018, and our goal is to reduce them to 37,90 in 2020; therefore, down in 2019 and down again in 2020.

In the finances there is net interest-bearing debt on EBITDA. It is satisfactory at 1.3 and the equity percentage is 47. Return on capital employed is at 22% now, we also have debt per kilo which has been an important guide for us in relation to both dividends and how we build up our financing. As we have mentioned, it will be around 20, but may be slightly more in a growth phase. Currently we are at NOK 22 per kilo.

We also have a dividend policy where we say that between 25 and 35% of the profit after tax must be paid into dividends but it may be somewhat higher if our debt structure is satisfactory. It has been for the last two years where we have paid NOK 4 both in 2017 and 2018, and when we look at the percentage in relation to the previous year's accounts. And then we have been at around 60% in dividends there.

In terms of future dividends, our Board will continue this policy. We generally perform two assessments throughout the year, and the next assessment is in connection with our annual accounts and we will come back to the dividend in connection with this. But there is no change and we would like an even and stable dividend in the company. And with that I will hand back to Andreas.

Andreas:

Thank you. Now we will look a little ahead. In Q1 of 2019 we expect a harvest volume of 13,200 tonnes. The majority will come from our two Norwegian sites, 4,800 in Rogaland and 5,300 in Finnmark, and BC and Shetland will have a steady low level of approx. 1,500–1,600 tonnes. In total we are setting guides of 22,000 tonnes in Rogaland for 2019. We have 34,000 tonnes in Finnmark, 14,000 tonnes in British Columbia and we have 12,000 tonnes in Shetland, so a slight decrease in BC, stable in Shetland and the increased is mainly from Rogaland and Finnmark.

This is an increase of 10% in relation to the harvest volume we have had this year.

This corresponds with what we think about the market and what we think about the supply for the market. There are very different opinions on this but based on the figures we see, the rounds we have done internally and also with Kontali – we expect a growth in 2019 at the same level as we had in 2018. 2018 will emerge with an approx. 5.5–6% increase and we think this will be at roughly the same level. We are saying that 4–6% is slightly up from what we guided last which was 3–5%, so a slight increase has occurred as a result of what we have seen happen in Norway in feed sales and smoltification, but also what we saw happening in terms of the development in Chile.

We expect an increase in Norway of approx. 6%, Chile of 2%, North America will be relatively flat, and the UK will experience an increase especially in Q2 as there will be more fish in the UK market. They will really need it if Brexit happens.

That is how we see the development. When we look at the bottom curve, it looks relatively flat when it comes to supply.

In the market – now that 2018 has gone and we are looking less at Q4, but if we look at the total for 2018 there has been an increase in the European market of 4% which in absolute volume corresponds to 35,000 extra tonnes which have entered the EU market.

Similarly, the USA has experienced double that in terms of percentage, but with 30,000 tonnes, so if you look at the North American market, it is a market that is growing significantly year on year. They are at 427,000 tonnes, and this is “HOG” (head on gutted). Just for the sake of comparison: If the North American market increases consumption per capita, something that happened in Germany with the transition from frozen to fresh goods, and they reach the same level, i.e. a doubling of the consumption per capita, which is now relatively low in North America, they will need a completely new MOVI just to satisfy the demand. Therefore, twice as much. 430,000 tonnes. So, it is a huge market in considerable growth.

Brazil is also growing by 12%, and it is starting to become quite a big market. It was not that long ago that they were at almost zero, but they will soon have increased to 100,000 tonnes which is really good. This is largely a home market for Chile. Russia has increased by 25% throughout the year. Some of this is own production but Chile and the Faroe Islands have also supplied large parts of it which are included in Russia and the increase there. But a significant increase in Russia throughout the year.

Japan is on the way. It is not so enormous anymore. It was huge in its time but there is no increase there.

Then there is China, Hong Kong and Vietnam that have increased by 4%, the rest of Asia by 5% and other markets by 3%, so in total the increase is 6%. I am not worried about the market. The market is there.

I wouldn't say the prices are good either. It looks like we have eventually reached this level now in terms of prices. This is the new reality, but we should also not forget that when it comes to prices, there is something called currency in this as well which contributes to influencing the prices we get in NOK.

For us it is very simple: We must focus, and we are doing this, on what we have stated as our goals. We must achieve 100,000 in harvest volume at the cost we have said. The smoltification for 2018 went according to plan. We released 26 million smolt and there will be no fewer than 26 million this year as well, but with a higher average weight for the smolt.

We expect what I said about the market. If not much takes place on the currency side, we will continue to have strong prices and the market and demand is there.

As of now we have a contract share for 2019 of 17%, and we have approximately 20% for Q1 2019. We have a policy to be positioned between 20 and 50% and this is dependent on how the market and market situation is assessed, it is also the case that when drawing up contracts, two parties must agree on what is the right price and quality.

We are around this level. It is the same in the UK – we have entered at 23% for 2019, and we have a contract share in Q1 of 33%. As I said, we expect 13,200 tonnes of harvest in harvest volume in Q1, and 82,000 tonnes for 2019.

A great deal of what will take place in 2020 has already started to happen. The harvest started in January 2020. All our releases at sea are defined as projects. There are some forty projects that we follow, not just weekly but also daily, and we have full transparency throughout the entire organisation so that everyone focuses on the same goals: To achieve the harvest volume and to maintain the cost. Incredibly exciting and a lot of fun.

Yes, I think it was. Now it's time for questions.

Question from Pareto:

Quick question about Canada. You say that all the fish that were affected by algae have now been harvested. Should we expect the costs to be back in the same area they were at the beginning of 2018, or how quickly should they come back down to normal?

Andreas:

In British Columbia the costs will come down over the year because the harvest volume isn't very high in Q1, so we are expecting stable costs, preferably somewhat reduced. But development is good in Canada.

Question from Nordea:

Another problem region is the UK. You say that you are not satisfied and are working to become better. Is this a region you continuously consider spinning out, or is that not being considered? As an analyst it is hard to have an opinion on the prospects in the UK as it is somewhat of a "black box".

Andreas:

As of today, we are fully focused on getting Shetland sorted. That's where it is. And it all starts with having good quality smolt, which is where I admit we have been a little slow at making the necessary adjustment, as well as a little, how should I say it, we were a little late making the diagnosis that something was starting here. We were focused so much on the sea, but last year we went back to the smolt and spent time with both in-house and external experts looking at what's happening regarding gill disease. It is obvious that when you start your life in the sea and have a lung that is a little too small in relation to the environment you find yourself in, it will be tough, and this was one of the reasons, but not the *whole* reason.

But, to go back to your question. Our focus is now on getting Shetland into shape, to tell the truth.

Nordea:

And the most important tool is reducing production time in the sea, is that what you're saying? With larger smolt?

Andreas:

Yes, reduced production time in the sea, using the best locations, using the correct technology in consideration to the sea lice and gill disease challenges in Shetland. We hope we will be able to dampen gill disease considerably, and this looks good currently and looks to be in line with the targets we have



set for 2020. But the challenge is switching between types of technology, because sea lice has been the biggest challenge, but due to other injuries to the fish we have not always been able to treat.

Question from the room:

I'm curious about the 26 million smolt. What percentage of these do you expect to survive, and what was the average harvest weight per salmon in 2018?

Andreas:

Taking the harvest weight first, this varied quite a bit. It was obviously lowest in Rogaland due to pancreas disease (PD) and the challenges there but re-established itself well towards the end of the year. At this point, we didn't quite reach 4 kg, but finished at a size in the area of 3.8–3.9 kg. For BC and Shetland, we actually managed to achieve a harvest weight of 4.6–4.7 kg – gutted. And Finnmark got to 4.3 kg I believe, although I am not completely certain of that figure. There is a lot to work with in relation to harvest weight, but the fact is that we have not utilised our maximum allowable biomass (MAB) well enough, so our focus is actually on utilising the MAB, and if we can achieve a significantly higher survival rate than predicted, we will be harvesting some of the smaller fish to keep us under the MAB for the location. But, by all means, it is possible to calculate the margin based on the first fish as well, not just the last.

So, this is an extremely positive development considering that we have achieved full MAB utilisation at a location level, but we still have some way to go at a regional level.

In relation to survival, we have set ourselves a target of having a minimum of 93% per year, with a 12-month annual cycle. We are very close in all but one of the regions, which is also moving in the right direction. But this is a big focus area for us and has been a high cost.

Question from Fearnley Securities:

Two questions: First, regarding Rogaland, cost, harvest weight and the items that have affected both earnings and cost here. Was there anything extraordinary in this quarter that meant that the costs were what they were, and the price achieved was what it was, or was this what we hope to achieve "long term"?

Andreas:

I would very much like to answer yes to that last question. Rogaland has been a challenging region in many ways, but particularly regarding the PD- and especially PD7-related infirmities in the fish we had during the first six months. We did not harvest any fish in Rogaland during Q3, but only started in Q4. The harvest in Q3 was the last of the previous generation, so the new generation was opened at the end of September.

We have had a really good biological situation, we have not used any sea lice treatment on the fish in Rogaland other than the use of cleaner fish since June/July and into November. That the fish have been left in peace to eat has been of great importance to the biological performance and efficiency of the fish. More has appeared now, but Rogaland is a region that was traditionally, at least before PD, one of the better regions in Norway for producing fish. We have reduced PD and are testing a new DNA vaccine against PD, for which we have great expectations, so we hope for the sake of all fish farmers in Rogaland

that the PD issue is reduced, which will then result in a reduction of the PD problem in Hordaland. It is a good region in which to produce, and I both hope and believe that the cost level we are seeing now, is where we should be, and will have stabilised by 2020.

Fearnley Securities:

Thank you! The next question relates to the MAB capacity at location level in Finnmark, and a little more long-term with growth etc. What are you thinking of doing about this, and what is the current status?

Andreas:

At location level for the individual locations in the region, we have been well positioned, but for the total MAB in Finnmark, we haven't been good enough at utilising this. This is linked to the location structure, having some locations in place that are connected to green concessions and the limitations associated with these, and the ways these can be stitched together in the area.

The biggest challenge in Finnmark has actually been having enough locations.

Fearnley Securities:

And in connection with this, what do you think about traffic lights and growth ...?

Andreas:

In Finnmark, it is green. I believe in continued growth in Finnmark and hope and believe that the people in Finnmark also want this.

Fearnley Securities:

In which case, will you have the location capacity to absorb this growth, or is this a challenge?

Andreas:

No, that is a challenge that both we and others are working on. We are gradually learning more about the locations, not least when we start using new data and digitisation tools, sensors, and the type of equipment that makes it easier to find locations and areas that are even more suitable than those we use today. So, we will always be on the hunt for new locations, whether they are in Finnmark, British Columbia, Rogaland or Shetland.

Question from Sparebank 1 Markets:

A marketing-related question; there has been a relatively high output of smolt in Norway this autumn. With a high number of individuals. Do you see any trends in the market to release more individuals to compensate in some way for the fact that the biology may have been demanding? As a type of buffer? You are releasing 26 million fish, which seems like there is some kind of buffer there too. What are your thoughts on this?

Andreas:

I think there is a little of this. I also think that we have not utilised the MABs well enough in Norway as a whole either. There is a way to go in relation to the MAB, and I believe there are a number of producers with a goal of climbing slightly higher. It is obviously our job to manage to fully utilise both the MAB and the capacity in the factory at 100%, instead of sitting at around 70–75%. This is our goal, and in order to achieve it, we need to reach the levels just mentioned. If we have too many fish in the sea, we would take out some smaller size fish to adjust the MAB to the location. But, this would be a different situation than what we have seen, where we have not had enough.

Sparebank 1 Markets:

But would you say, this is a concept that you also observe in others? That there is a phenomenon to release more now to compensate for the weakness that we have seen?

Andreas:

I am at least registering that more is being released in any case. I would not like to speculate on what others are doing.

Sparebank 1 Markets:

Many thanks.

Atle Harald:

No further questions from the room.

Andreas:

I don't have any either.

Atle Harald:

Then we just need to check whether there are any... (looks at his computer). None online either.

Andreas:

All right. In that case, thank you all for attending.

