

Transcription, Grieg Seafood Q1 presentation 2019

So I think we'll start.

Welcome to the first quarterly presentation for 2019. As usual, it is Atle Harald Sandtorv and myself who will be going through this. What we'll be taking a quick look at is what's happened over the quarter. We'll be taking a quick look at what's happened in our various regions from an operational point of view, how things have gone. We'll take a quick look at the company's financial situation and we'll also spend a bit of time looking at what we expect going forward.

A little bit about the various highlights, or things that happened during the first quarter of 2019. We had a good quarter – especially, I would say, in Rogaland and Finnmark, but also in BC. There was good biological production in the sea, we had good growth in production, we've reduced costs and then we had relatively good market prices throughout the first quarter. Rogaland and Finnmark – but also BC – have performed very well. We expect good and positive results to continue going forward, specifically from improved biology. In Rogaland we'll be increasing the smolt size in 2020 so the plan is to reach an average of 500 g for the year. We work in accordance with five pillars when it comes to sustainability. I'll return to this in more detail. We remain very confident about our ambitions for 2020 of a 100,000-tonne harvest, and we will do this at a cost that is average, or lower, for the industry in the regions where we operate. It's looking good. We still expect to harvest 82,000 tonnes in 2019 as we've previously forecast. What I can also say is that, during Q1 and moving into Q2, we've also done considerable work on a strategy for the company beyond – in other words, after 2020 and through to 2025. This is a task that we'll be returning to with more information throughout the autumn. So a bit about financials and the company, and how things have gone during the first quarter. In the first quarter of 2019, we had a profit of NOK 267 million, compared to NOK 162 million in 2018. We harvested slightly more, in Q1 2018, we harvested 11,400 tonnes; in the first quarter of 2019, we harvested 14,800 tonnes. It was mainly Rogaland that saw the increase. In 2018, we had an EBIT per kilo of NOK 14.18; in the first quarter of 2019, we'd achieved a result of NOK 18.20. We're satisfied with this development. One of the most important keywords in the company, and one of the most important areas, is sustainability. And within sustainability, we've defined a number of areas in which we will be investing more as strategic areas of focus. This has been communicated before, but we'll repeat it here. Post-smolt is part of our strategy and has been now for a number of years. In Rogaland, Finnmark, Shetland and BC, we have worked to increase the weight of the smolt before it goes into the ocean, in order to get a more robust smolt. We think we can be fairly sure that digitalisation will be a significant tool in the farming of the future. We're doing a lot of work in this area. Biosecurity and fish welfare is an area of great focus, and, like many others, we are also occupied with opportunities for development and growth in volume. In our annual report, we have defined five pillars, according to which we report. We have our vision: farming the ocean for a better future. Then we have the five pillars that should help all our stakeholders get a return on their investment in Grieg Seafood. Profit and innovation is an important area for us. It's very important to have a good, healthy ocean, and it's very important for us to supply food to the world that's sustainable. We're focused on our employees and we're focused on being a good neighbour in the regions in which we operate, whether that be Finnmark, British Columbia or anywhere else. We'll also contribute to local value creation in the areas where we operate.

With that said, I'll move straight on to the different regions. In Rogaland, we had a very difficult year last year, as those involved will remember. There were a great number of PD challenges in Rogaland during the first half of the year. This has been turned around considerably and in the first quarter of

2019, we achieved a result of NOK 25.30 in this region on a harvest volume of 5,700 tonnes, as opposed to 2,300 tonnes last year, and I'll return to this a little more here. Production was very good in Rogaland – we had very high exploitation of the maximum permitted biomass, which was very positive. The cost of the fish has fallen, and this is linked to the fact that you not only have better biology but also a higher harvest weight of the fish than previously. The health of the fish has improved significantly. Last year, we had six facilities affected by PD. This year, we had 1 out of 12 affected by the diagnosis, but no mortality among the fish. So they are significant improvements when looked at that way. We've released bigger smolt – so far this year, we've released fish with an average weight of 350 g. Our target is to reach 500 g in 2020 in terms of the average fish size. We harvested the first batch of large smolt that we released before 12 months had passed. This produced a very positive result: no PD among the fish. We only administered a SLICE treatment and no salmon louse treatment. A total of 5.1 kg was harvested after 347 days. Now our results are hopefully confirming more and more that our chosen strategy is the right one. We'll see. In any case, we're all very optimistic when we look at the results that we've received provisionally at 200 g; we've tested 200 g, 500 g and 1 kg as smolt. In the second quarter, we expect a volume of 7,700 tonnes and stable costs in this region. The target of 22 tonnes [sic] for 2019 remains in force, and 25,000 tonnes in 2020 at a cost of NOK 36. That's the target. In total EBIT, we reached NOK 145 million in EBIT in this region, compared to an EBIT of NOK 145 million in the first quarter of 2019, as against NOK 27 million in the first quarter of 2018. And NOK 25.31 per kilo.

Now let's look at Finnmark. Things are going well in Finnmark, too. In fact, we harvested virtually the same amount. I think there was a difference of 10 tonnes in harvest value between Rogaland and Finnmark. 5,700 tonnes in the first quarter; 4,200 tonnes in the first quarter of 2018. We achieved NOK 14.50 in the first quarter of 2018 and, in the first quarter of 2019, exactly NOK 25 per kilo. Costs have also been reduced in Finnmark, production has been very good and we've seen an increase in harvest weight and volume in this region compared to last year. Very good survival rate, high survival among fish in the ocean over the past 12 months. We've had a new site certified as ASC and now have a total of five sites in Finnmark. Our target is to have all of our sites in Finnmark certified before the end of 2019. So we'll have to see whether we can get this into place. As you know, we've done considerable work on expanding our capacity for smolt production in Finnmark. And this has been in order to increase biosecurity and prevent an excess of fish coming into this area from other zones. However, this has also been to achieve a more robust smolt, which was actually one of the previous challenges for Grieg Seafood – the fact that we had excessive mortality among the smolt. Things are looking very good now. Following the conversion, we've now started using our facility at Adamselv to produce both larger smolt and more smolt. The volume is estimated at 5,500 tonnes in the second quarter of 2019. We'll now see a slight increase in cost in this quarter, and this is because we are harvesting from sites with a somewhat higher cost and slightly colder water – in other words, we're essentially harvesting from North Cape. Our plan remains to harvest 34,000 tonnes in 2019 and 38,000 tonnes in 2020. The cost for 2020 has been set at NOK 36 or below. In the first quarter of 2019, we had an EBIT of NOK 143 million, compared to an EBIT of NOK 60 million in the first quarter of 2018, and then NOK 25.01 in EBIT per kilo, which we were very satisfied with. Things have gone very well in these two regions of Norway. Good biological production, high harvest weights and lower costs. So that's Norway summarised in brief.

It's not quite so easy to summarise things in the same way in Shetland. We continue to struggle there – we can see an EBIT for the first quarter of NOK -13.90. For the same quarter last year, we saw NOK 5.90. We harvested a low volume: 1,800 tonnes in the quarter, compared to 1,200 last year. We'll return a little to what is causing this. Volume and revenue increased in 2019. This was primarily driven by a higher harvest weight and the quality of the fish was very good, so this is not the issue.

The fish is very good. We have 95% superior, which is the highest in the Group. However, we still face a challenge with regard to the fish that was released into the ocean at the end of 2018 and also, partially, at the start of 2019... the start of 2018 and, partially, the end of 2017. And this relates to gill disease and gill disease challenges. Having said that, we have obviously made great efforts to change this, particularly as far as the smolt is concerned. That's where it starts. We're made some major changes, or significant changes and renovations to our smolt production facility. This particularly applies to a number of pipes etc. that had been incorrectly designed. However, for the first time we've now managed to release smolt that were not affected by IPN, which is a very positive thing. If you start out badly, it's very difficult to finish well. So, we've increased – we must increase – the quality of the smolt. In addition, we've provided significant capacity over there in terms of processing and in ensuring that this is in place. Treatment for lice, in particular, has been a challenge. Many other measures have also been implemented. We're expecting to see some changes, but we will not see any major changes in Shetland – at least not until we look at the second half of the year in Shetland, unfortunately. This is a result of the indirect damage that we had last year, in terms of production. Unfortunately, we still expect costs to be high during the second quarter. The estimated harvest volume is 3,100 tonnes in the second quarter and 12,000 tonnes for the year as such. We still have a target of 17,000 tonnes in 2020, with a cost of NOK 45 per kilo – at an exchange rate of 11. In total, therefore, we had a... of NOK -25 million, which is approximately the same as the write-down that we had as a result of the biology. And last year, we had a loss of NOK -7 million. We're not happy with this, but a lot of work has been put into turning this around.

And then there's British Columbia. We achieved a result for the first quarter of NOK 14.50 in this region. We had a very good year last year. Then we had an EBIT of NOK 22.70. The reason why we're at NOK 14.50 and not at the same level as last year is essentially indirect damage from what happened last year. Of course, that was the third quarter, with the algae that we had in one of our areas that contributed to the relatively high cost of the fish that came in during the first quarter. I'll say more on this point later. The harvest volume in the first quarter of 2019 was 1,600 tonnes. In the first quarter of 2018, we had 3,800 tonnes, so there was also a significantly higher volume in this period. As we said, we harvested 1,562 tonnes, which was entirely in line with the plans that we had made for this region during this period, and there were good growth conditions and good biological conditions in the area. As previously announced, we have started to invest in smolt facilities in Gold River. We are extending and doubling the capacity there, not because we particularly wish to increase the size, but in order to get enough smolt to the growth that we have planned in this area. We expect costs in British Columbia to be stable at a relatively good level through the second quarter. We expect a harvest volume of 4,700 tonnes in this quarter, or the second quarter of 2019, and we will maintain, with a fair degree of certainty, 20,000 tonnes in 2020 with a cost of NOK 39 per kilo in this region. In total, we saw an EBIT in British Columbia of close to NOK 23 million, compared to 85 last year with a significantly higher harvest volume and somewhat higher EBIT.

I would now like to hand over to Atle Harald.

Thank you. Now we'll take a look at the financial bit, but we'll just start by saying a bit about our quarterly report and the layout that we currently use for it. For the 2018 financial year, we delivered an integrated report for the first time. By that, we mean that we integrated the annual report and the sustainability report, and we drew up a structure in that annual report that we've now followed

in the quarterly report. So I really recommend you to take a copy. There's lots of really good information in there, and we've structured it according to the five pillars that Andreas was talking about and that are important for us to consider in terms of our thoughts on sustainability and general sustainability in the company. It's about profit, and there's a separate chapter about this that talks about a healthy ocean. It's about supplying a sustainable product to the market, it's about the people in the organisation and finally, it's about the local communities in which we operate. So I recommend you take a copy. There's a lot of good information in there and we'll report on a number of KPIs that are important for us there.

Then we'll move on to the profit and loss. I'll begin on the top line. An increase from the previous quarter. We saw sales revenues of NOK 1.6 billion – growth driven both by an increase in harvest volume and increased spot prices on the market. And a solid improvement in the EBITDA, where a reduction in farming cost helped considerably, and Norway in particular saw a solid improvement in the cost position. So much so that we have an EBITDA of NOK 358 million. Depreciation is up against last year – NOK 91 million – this is driven chiefly by a more technical kind of change with the implementation of IFRS 16 in the accounts. In other words, lease contracts are now entered on the balance sheet and written off over the term of the contract, thus increasing depreciation. So the net effect on the accounts should be absolutely minimal compared to that, but it will be moved between the items and we'll have a separate note referring to this in our report. We had an EBIT of NOK 267 million and then the fair value adjustment was a positive one of NOK 51 million – actually chiefly driven by somewhat more biomass in the ocean, which means we get a positive effect this time – and a little by spot prices, although mainly the volume effect of this. So the EBIT following adjustment for the biomass is NOK 318 million. Our finance items line is positive at NOK 12 million. As far as the interest that we pay and financing are concerned, this is relatively stable, but exchange rates will go up and down somewhat, and these are essentially loans that we have for our subsidiaries in the UK and Canada and a strengthened Canadian dollar and pound, which give a positive exchange rate position there. This means that, after financial items, we have a profit of NOK 331 million, estimated tax of NOK 75 million and after-tax profit of NOK 255 million. The other thing we can say about our profit, and the thing that has also had some impact, is that we had relatively high headquarter costs, driven a little by the expenses we had in connection with the EU commission's review and inspection, mainly to lawyers. We must allow for some costs going forward, but we have sustained these specifically now at the start in order to have a review of this issue. We've also had and have a strategic process running towards 2025, and we had some expenses in relation to this, when we were working with Boston Consulting Group to prepare us for the future. Andreas may return to this process in the summary. So, this has driven the cost up somewhat. But, of course, this is a one-off effect. And we can also see it here, something I have mentioned. So, here we analyse from an EBIT per kilo in Q1 2018 to Q1 2019 from NOK 14 per kilo to NOK 18, with the spot price following price realisation of 1.71 moving in the right direction, and what we're also very happy with is the reduction of almost NOK 3 in the farming cost, which contributes towards the positive result. And then there are eliminations, which went in the other direction by NOK -0.74. What's also worth commenting on here is that when we look at Q2, we have a relatively stable cost position, but this will vary a little from quarter to quarter depending on which locations we harvest from. And in Q2 we'll be harvesting from locations with a slightly higher cost profile than we had in Q1, so when we say that the cost goes up a little in Q2, essentially, it's a stable situation and there will always be small variations between quarters. This is why we're mentioning it. If we look at our cash flow, we entered the quarter with NOK 137 million of cash in the bank; the EBITDA was then positive at NOK 358 million. We needed to increase the tie-up of working capital by NOK 176 million, again chiefly driven by an increased biomass in the ocean. A net NOK 70 million comes from investment activities.

This is made up of NOK 105 in investments and then NOK 35 million that we've financed with leasing. Both these two entries have then been netted under 'Investment'. NOK 46 million from Financing and NOK 15 million from Other, so we finished the quarter with NOK 312 million. So now we'll take a look at our balance sheet. A balance sheet total approaching NOK 9 billion and, as I mentioned, IFRS 16 has inflated the balance sheet total somewhat as we have activated our lease contracts in it. Again, I refer to the note on this in our annual report... I mean, our quarterly report. We have an equity ratio of 46%, and the return on employment capital converted to an annual return, when we look at the quarter, is 19%. A bit about our funding side. Net interest-bearing liabilities (NIBD) of around NOK 1.6 billion and net interest-bearing liabilities on the NIBD/EBITDA of NOK 1.2 billion. We have free liquidity in the company of more than NOK 800 million, so we're very comfortable with the financial situation. In connection with our annual report, we also communicated that the Board will propose a dividend of NOK 2 to the Annual General Meeting in June, so there is good reason to believe that it will be passed. In addition, the Board has proposed an authorisation to the Annual General Meeting where a further dividend can be paid throughout the year so it will be very similar to what we had in previous years, where we'll probably make a new assessment about a further dividend in connection with Q3. And we've been fairly stable at NOK 2 every six months for the past few years. We talked a little about the investment side before, but we have invested NOK 105 million. What we've invested in is post-smolt, where we've invested NOK 11 million. In total, then, we'll invest NOK 50 million in this this year. There is significant BC and expansion of the smolt facility located there. Digitalisation: we've invested 3.5 million there. We have ambitions of 65 million there on an annual basis. And we've also invested 10 million in biosecurity and fish welfare there. We'll invest 70 million over the year. Expanding our business, especially at new sites, and on a big scale in Finnmark. There we have a goal of 200 million, and we've invested 35 million there. Regarding maintenance – pure maintenance investments – we've invested 45.5 million, whereas we're guiding 250 million on an annual basis. So let's look ahead a little bit and hand back over to Andreas.

Yes, thank you. So there is the usual review, but first we'll take a little look at our guidance. We expect to harvest 21,000 tonnes in the second quarter, and for 2019 we expect a... growth of 10% of up to 82,000 tonnes. And across the various regions, Rogaland and Finnmark are responsible for the bulk, but also BC and slightly less in Shetland in the second quarter – 3,100 tonnes – nevertheless a significant increase in Shetland compared to what we've seen over the last... in the last quarter. So you can expect 21,000 tonnes from Greig Seafood in the second quarter. The next thing is to take a little look at what's happening both on the market and what we expect in terms of supply. There's a slight degree of uncertainty about supply, as always, but we expect there to be some uncertainty in 2019 as regards 4–7% growth: as of today we're seeing approach a... that it's approaching 6–7%, but we also know that there's some uncertainty both... in the various production regions around the world. In Norway, we expect growth of 5% over the course of 2019, and the same rate from Chile, a slight decrease of around 1% from North America – 147,000 tonnes by gutted weight – and in the UK, I would say we've seen a significant increase, in percentage terms, of 17%. Yes, so we think that if we look at the markets, we still think we'll get a good market. There are good prices on the market, but as soon as the price reaches the NOK 55 to 60 level, things really start taking off. In Europe in the first quarter, we've seen growth on the market of 5%, which is actually quite significant with the changes in prices that have occurred. In the US, there is still growth of 5%, so we've included the market size to the right just to give some indication how big these markets are. So, of course, 5% in the US is worth more than 5% in Japan. Brazil is a market that is largely supplied from Chile, but one that has become significant. I remember that Brazil was down at 20,000 tonnes not so many years ago, and now they're almost at 100. Russia has fallen somewhat in volume over the quarter, and then there's China, Hong Kong and Vietnam, which have increased by 12%. And this 12% increase primarily

occurred at the end of the quarter and has continued into the second quarter, so there's good demand from China in particular I would say, and I suppose it's to do with avian flu or swine flu or whatever it's called here, as they've been trying to regulate the pig population because of disease, which may be reflected in the cost of feed. Fish meal may become cheaper. This remains to be seen. So overall, with the developments that we've seen on the market, I have to say that we believe there will be a strong market into the second quarter too and for the rest of the year. I think it's going to be about the same development as we had last year, but that was a strong year, a good year.

To summarise: a strong quarter for Grieg Seafood. We've achieved the improvements that we planned to achieve. And this is biology, but also due to the fact that we've achieved higher volume – and it's Finnmark and Rogaland that stand out in particular – but I also want to say that considering the challenges we had in BC, things are going very well, and developments there are going really well. We still have a somewhat challenging situation in Shetland, but we can also see light at the end of the tunnel there. Continuous improvements and operational improvements: this is an area that we have great focus on. We have some strategic focus areas that Atle, Harald and I have mentioned previously, and which we've also reported on. But then we also have... we have very good people, who I want to commend. There's a great group of people at Grieg Seafood who really rise to the challenge and go the extra mile to achieve results. And it's lovely to see someone succeed. As I said, we expect continued good prices in 2019, even though we'll probably see an increase in production of about 7%. So we don't actually think the market is the biggest challenge. Our goal, that we set quite early on, was 100,000 tonnes. We're still confident that we'll achieve this, and we're confident, relatively confident, that we'll achieve the cost that we set as a goal for the company. Obviously it helps tremendously when we can get the volumes up too. This year, we expect to release the same number of fish that as previously: between 26 and 28 million fish will be released into the ocean. And the total volume of harvested fish will be 82,000 tonnes.

Thank you for listening. Now it's time for questions.

- Aleksander Aukner, DNB: You said you've released fish of 250 g, 500 g and 1 kg in Rogaland. Some info about the lessons learned from the different weight classes. And also what size of smolt are you releasing in Finnmark today?
- Andreas: I'll take the last point first. So the fish we have released in Finnmark today, is around... it's 188 g in the first quarter. And the fish in Finnmark will gradually increase towards 200 g. That's what it's going to be. You can see this from the capacity at our sites, but it's clear there are some times during the year in Finnmark that you have a small handicap because of temperatures and the like – when you can't release. When it comes to Rogaland, we have had, like I said, we have tried a few times with this, as you know we have renovated Trosnavåg or expanded Trosnavåg so that we have our own capacity, but we are also involved with Tytlandsvik Aqua together with Bremnes and Vest Havbruk, where we have 50% of the fish. We've released and compared groups of 100 g, 200 g, 450 g and a group that we took for testing, one of which was 1 kg. The indications so far, without wanting to reveal the final result, are very positive. The group that we had weighing 430/450 g reached a 5.1 kg gutted weight in 337 days. Just to give an indication. But there was definitely no PD. And that of course is one of our philosophies and targets with this, to keep them for a short time, less than a year in fact in the lake in Rogaland, so you will most likely

avoid PD because the infection time, which you normally get they've been in the lake, to get PD is 12 months. If you avoid that, Rogaland is a great place to produce fish.

- Follow-up question from the same person: Did you also say that you use no louse treatment on the fish?
- Andreas: No, we administered a SLICE treatment, that was all.
- Follow-up question: And compared with the smaller smolt, you must have had treatments for those?
- Andreas: Yes, we've done significantly more treatments on them, but while they are significant, it would be wrong to say that we have used a great deal of resources on the wild caught wrasse which have worked amazingly well. In Rogaland we gave no treatments from July to November, as the wrasse did everything. But at the same time you get the situation in winter where the wrasse start to freeze a little when it gets cold in the lake – it's wild caught so then it doesn't work as well, and then you have to administer more treatment. We've given fewer treatments, but in the areas where we have had to give treatments, we've had to give more. But overall, Alexander, it confirms what we thought and believed in terms of the large smolt strategy.
- Carl Emil, Pareto: Here's a question about Shetland. Can you talk a little bit more about why the costs are so high, because it seems as though production is going as planned? You are maintaining the volume guidance and you say the fish is good quality. What is it in one respect that is driving the costs, and how quickly do you think this can improve? You are still of course estimating a hugely lower cost level in 2020 than what we can see in the quarter.
- Andreas: Basically, the fish is good quality but there is too little of it. That's actually the challenge: fish mortality has been too high and the growth we've experienced in some of the groups has not been good enough. And this is related to gill damage, which again is complex because it is not just AGD, but there are other things that have been at play here. And another challenge, which there has been a lot of, is that there are a lot of lice in Shetland, especially on the west coast, which has meant that we've had to administer significant treatment and when you stress the fish you also get excessive mortality. So this is an area that we've looked into a lot and that there should be some capacity to deal with it early enough. I have to say that we've not done a good enough job. I just have to admit that.
- Follow-up question: And the development of the fish that will be slaughtered in the second half of the year? They've certainly been out a while too. How...
- Andreas: It's significantly better. So that's why I say that you'll see an improvement through the second half of the year.
- Follow-up question from the same person: And quick question on Rogaland. The cost of the large smolt versus a fish with smaller smolt, is there a significant improvement? Or do you think that the cost of producing the actual smolt is somewhat higher?
- Andreas: Yes

- Follow-up question: But it saved you a lot?
- Andreas: Yes. It did. So what you get in return for this is that you get a more robust fish. So you see it primarily in the mortality, survival in the lake after a... and not least as well the performance when they enter the lake, they swim like bullets almost from day 1.
- Kolbjørn Giskeødegård, Nordea Markets: Follow-up question on the UK. It might be a bit unfair, but I think that we have heard this talk of improvement for a while now. And then it comes, and then we notice there are still setbacks. What... so... is it... are you certain that there really is now light at the end of the tunnel, that you really will now be ready with the 17, 18 G so this will be better or is it still, as I have referred to before, a bit of a black box? That's one of the questions, the other one is about something completely different, namely the contract share. How many contracts do you have and approx. what is the price level in relation to, yes, the price level we see on the spot market today?
- Andreas: I'll deal with the last question first. We were on approx. 20% as of today for the year, and a price level of 60-ish on that level. Yes, I slightly understand the question, Kolbjørn. We've had a few setbacks, we've taken significant measures in Shetland. What we did, as you know, for the smolt is that we increased the average weight of the smolt, we closed down poorly performing sites, we adjusted, have adjusted down, we closed down the VAP, no, we adjusted the number of employees at the slaughterhouse so that the overall costs went down, and yet we have not achieved the improvement that was expected. Basically, I think I can say that we've known that we would have to do even more in smolt and that there's a significant improvement to be made in our hatchery, we've had IPN for far too long, so you start with a fish that has been through an infection, then you put it in the lake and then you can't get it big enough due to production. And we can see that we've made a fair number of – or that are there from previously eras – some faulty constructions at the site, which we've adjusted. We used external consultants and external help too to go in and look at this in 2018, and there are a number of things that you get a bit of a time lag in for you to... you have to get the groups out of the site before you can make these adjustments. We did this throughout 2018, and we will continue now in 2019. So, as I said, I think we also made another mistake and that was that we didn't have enough production... enough treatment capacity in Shetland. That said, we did set some priorities before, one of which was that we had to get the engine going and that involved putting our adjustment funds in, and we did that in Rogaland and Finnmark and BC, but there's probably not been enough investment in Shetland, something that we've adjusted for this year. However, we've made a few mistakes, but I still think that there is light at the end of the tunnel and we're seeing that in the groups that are now coming back that things are looking significantly better. And if we then have the capacity to take care of the fish in a good way through the summer, I think this will be fine.
- Kolbjørn: So, in summary, will the investments and quality improvements on the smolt side drag Shetland out of the mud it now finds itself in then?
- Andreas: Yes, it's not just that, but during ... we've invested too little in Shetland: both in terms of equipment and the way it is organised.

- Kolbjørn: Thank you.
- Christian Nordby, Kepler: Canada, in the second half of the year there have usually been some issues with algae or insufficient oxygen in the water or things like that. What do you think about the cost level/agreements in BC, and how do you plan to reach the cost target you have set in light of this, are you good with the issues you have had before?
- Andreas: Yes, as you know it is difficult to say what nature will throw at us, but we face challenges at times with algae and low oxygen levels in Canada, we have to expect that now too. But we have never been in as good a situation as we are now in terms of the investments that we've made down there, both in monitoring as in point 1... that you've got good monitoring, which I have talked about before, true, but in the way we now assess and find out what type of algae is there. Productivity has of course gone up significantly in Canada because we don't see algae in as bad a light as we did before: we feed fish even if there's algae in the lake because it's not poisonous. Before it was the case that if you saw algae in the lake, you stopped feeding and it's clear that this is not good financially, because we thought it was poisonous when it actually wasn't. It's now the case that the operations manager on site can stop feeding on day 1, but on day 2 there are actually experts who will say whether this is poisonous algae or whether the algae is fine. So then there are the people who do that. But we've invested in equipment, the aeration system is in place, algae monitoring is in place, the oxygenation system is in place, so everything is right for us to be able to handle protection, but you can never make a guarantee.
- Mikkel Nyholt, Carnegie – You say that you've somewhat higher headquarter costs as a result of the EU inspection or investigation. Do you anticipate this to just be a one-off this quarter or is it something you expect will be at x million per quarter in future as indicated by a couple of other fish farmers also involved in the same situation?
- Andreas: We have to expect there to be some costs that will accrue on an ongoing basis every quarter for this issue, but it's also the case that in an initial phase there will be more costs than there will be on an ongoing basis, I think, but that it will be... yes.
- Nyholt: Thank you.
- Atle Harald: Let's see. We have a couple of online questions. One was about 2020, and 100,000 tonnes in 2020, and what are the biggest challenges in reaching that target, as you see it today?
- Andreas: What I would say the biggest challenge is is the biological aspect, that's the biggest challenge. Biology and fish welfare are actually the areas that are most crucial for reaching our targets. All the assumptions are correct, we've taken the measures we needed to, we've released large fish into the lake, we're seeing a decline in mortality, increased survival in the fish... so as of today I can't say that we won't achieve the target. I'm confident about this.
- Question from the room: I know you perhaps can't say a lot about your 2020, 2025 target, but are you also considering alternative production methods? Offshore, land-based?

- Andreas: Obviously we're very open to discussion around a strategy for after 2020. And then we get to narrow in, and as of today there are no conclusions about anything. There is a good discussion both administratively and with the board.
- From the room: Thank you.
- Atle Harald: So there's a question online about cleaner fish, how we take care of cleaner fish, the type of recovery and how lumpfish are used when it's cold.
- Andreas: Yes, we use lumpfish in Finnmark and in Rogaland and to some extent in Shetland as well, but that's in the middle of winter. We are very good both at taking care of and getting wrasse to work. They are wild caught. We're also starting to accrue really good experience with lumpfish, even if it's been a little more challenging actually to get it to work as well as it has to get the wild-caught fish to work. When it comes to how we take care of them, we take care of them so that they have somewhere to hide and they are fed as normal, and if you need to treat or do something to them, you have to go out with the fish pots and take care of the fish as well as you can. So we have a huge focus on fish welfare.
- Atle Harald: As there are no more questions, we'll just say thank you very much.
- Thank you.