

# Grieg Seafood ASA

# Q3 2014

Per Grieg jr. | Chairman of the board

Atle Harald Sandtorv | CFO/Acting CEO

Knut Utheim | COO

3 November 2014



2014 Q3

# Agenda

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- Highlights
- Business Units (Regions)
- Financials
- Outlook



## HIGHLIGHTS Q3 2014



# Highlights Q3 2014

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- EBIT before FV adjustment of biomass of MNOK -63 in Q3 2014 .
- EBIT before FV adjustment of biomass of MNOK 201 YTD.
- Q3 EBIT effected by
  - PD in Rogaland
  - Pacific salmon in BC
  - Mature fish in Finnmark
- Good seawater production in Finnmark, Scotland and BC.
- Challenging environmental and health conditions in Rogaland.
- Increased supply moving the prices down.
- CEO resigning



# Financial highlights Q3 2014

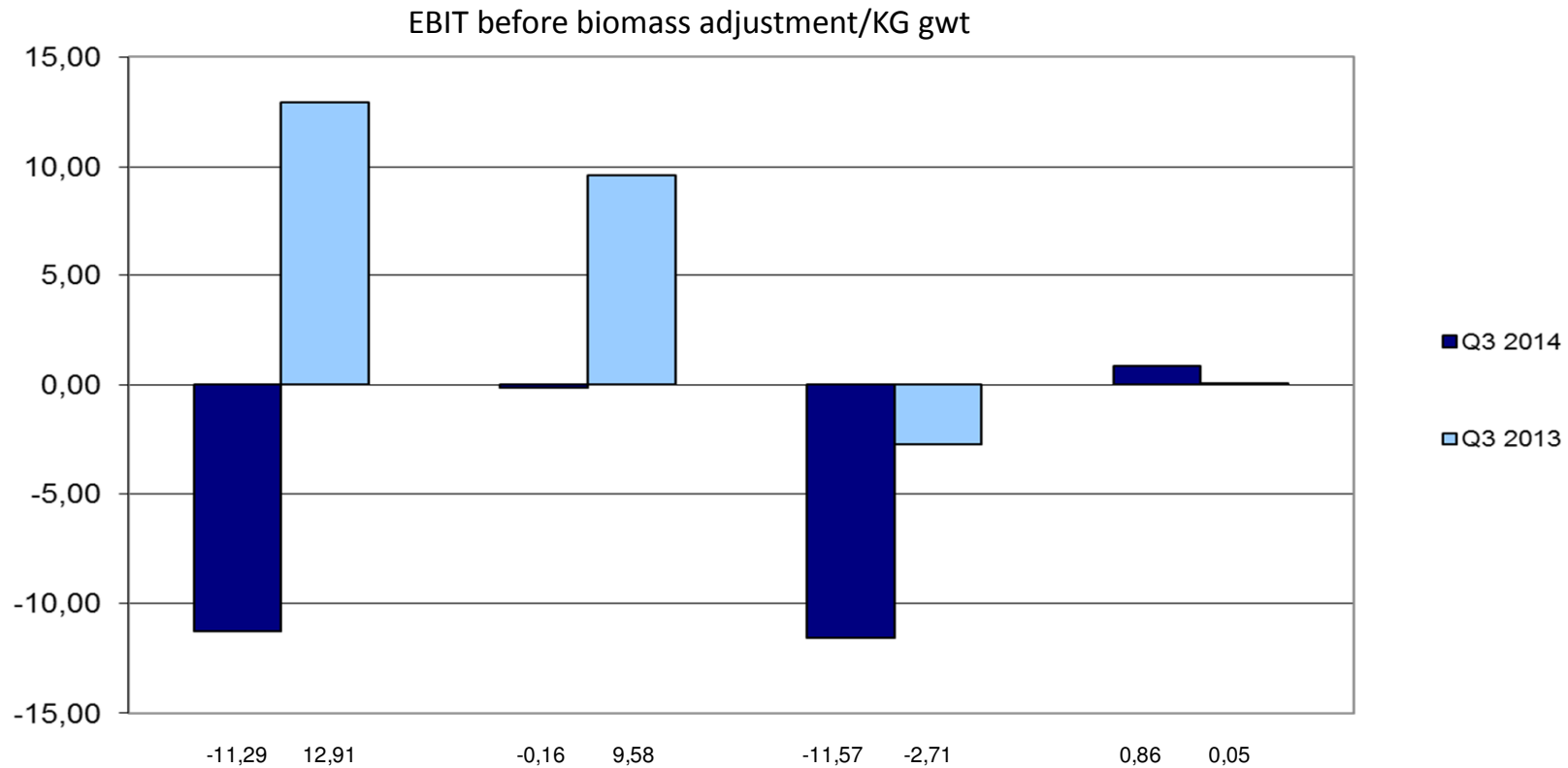
	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Total operating income (TNOK)	599 057	584 715	1 973 212	1 729 331
EBITDA (TNOK)	-29 428	109 327	299 972	362 391
EBIT before fair value adj. (TNOK)	-63 236	76 492	200 717	261 318
EBIT / kg (NOK)	-3,78	5,48	4,11	6,21
Harvest volume (tons gwe)	16 750	13 953	48 795	42 066

- 20% volume increase.
- 17% average decrease in realised prices.

# BUSINESS UNITS (REGIONS)

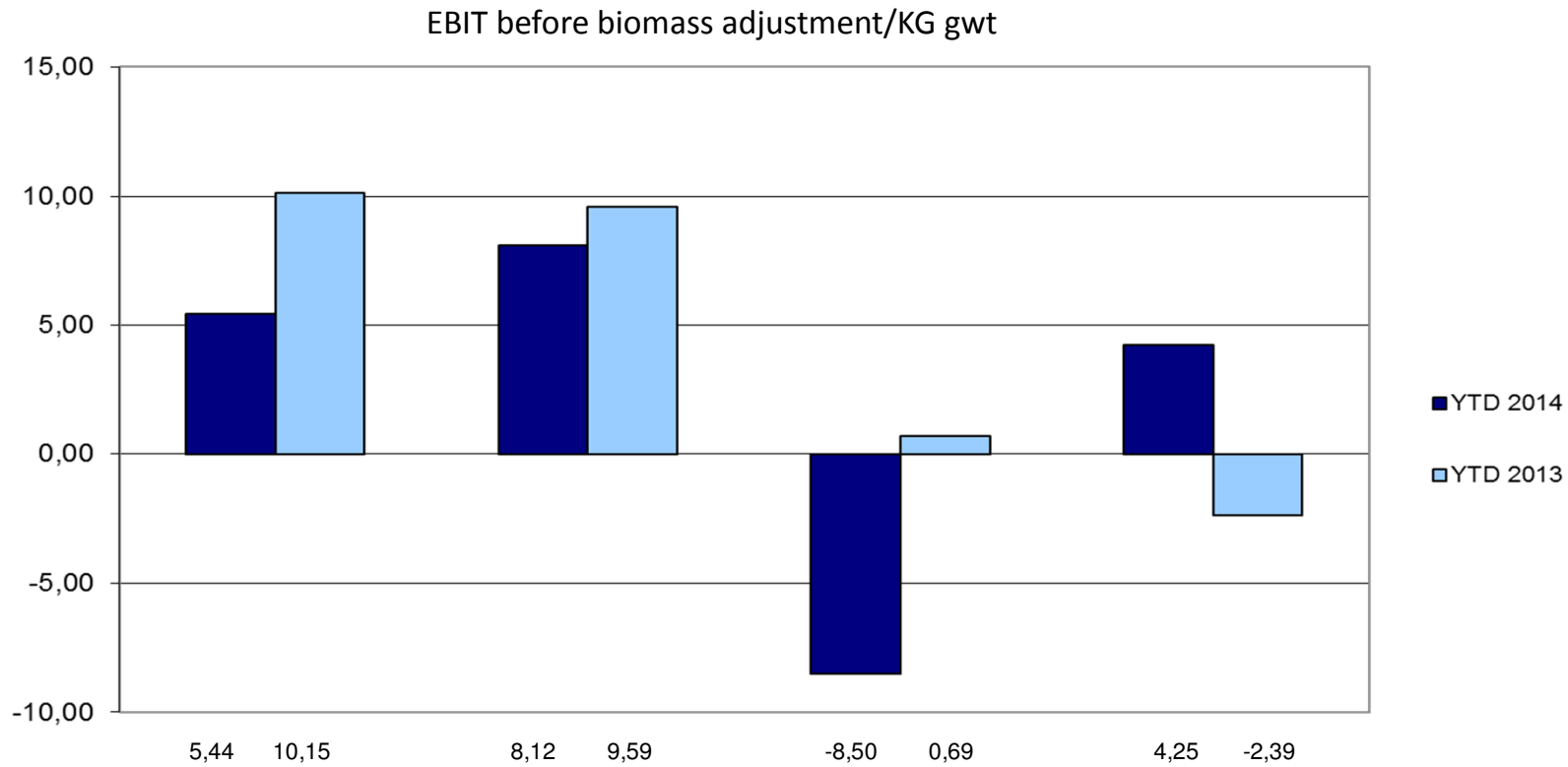


# Business units performance – Q3 2014



	Rogaland		Finnmark		BC		Scotland	
	Q3 14	Q3 13	Q3 14	Q3 13	Q3 14	Q3 13	Q3 14	Q3 13
Harvest (gwt)	2 068	3 099	6 933	5 556	2 899	2 815	4 850	2 483
Sales MNOK	85	137	212	219	109	117	192	101

# Business units performance – YTD 2014



	<b>Rogaland</b>		<b>Finnmark</b>		<b>BC</b>		<b>Scotland</b>	
	YTD14	YTD13	YTD14	YTD13	YTD14	YTD13	YTD14	YTD13
Harvest (gwt)	9 603	12 470	20 666	17 341	5 637	5 861	12 889	6 393
Sales MNOK	426	521	766	661	234	268	550	266

# GSF Rogaland

- PD and high seawater temperature causing challenging production conditions.
- Total write-down regarding PD in Q3 is MNOK 39.
- Harvest early in the quarter affecting average price positive.
- High production cost due to harvest from small site and AGD.
- Stable lice situation

	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Harvest (gwt)	2 068	3 099	9 603	12 470
Sales revenues	84 765	137 206	425 582	521 390
EBIT	-23 345	40 015	52 237	126 518
EBIT/kg	-11,29	12,91	5,44	10,15
of which Markets NOK/kg	0,97	1,18	0,83	0,52



# GSF Finnmark

- Mature fish has caused lower quality and consequently lower sales prices during Q3.
  - Mature fish has also affected the production negatively.
  - The total estimated negative P&L effect due to mature fish is MNOK 29.
  - Actions implemented to avoid mature fish in the future.
- Escape from one site during Q3, total number of fish escaped was 11,100.
- Seawater production according to plan.

	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Harvest (gwt)	6 933	5 556	20 666	17 341
Sales revenues	211 593	218 655	765 595	660 877
EBIT	-1 117	53 229	167 759	166 354
EBIT/kg	-0,16	9,58	8,12	9,59
of which Markets NOK/kg	0,45	0,13	0,30	0,16



# GSF BC (Canada)

- Weak result due to low prices and high cost regarding Pacific salmon.
  - Pacific salmon loss and write down of MNOK 25 in Q3.
  - Decision made to end the production of Pacific. Last harvest will be in Q3 2015.
- All planned smolt stocking to return to a harvest volume in the area of 15,000 MT completed.
- Algae bloom in July 2014 caused higher level of mortality.
- Seawater production better than planned in Q3.

	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Harvest (gwt)	2 899	2 815	5 637	5 861
Sales revenues	108 710	116 696	233 679	268 251
EBIT	-33 555	-7 620	-47 907	4 029
EBIT/kg	-11,57	-2,71	-8,50	0,69



# GSF Hjaltland (Scotland)

- Stable costs vs. Q3 2013.
- Seawater production according to plan.
- New smolt facility being finalized. First incubation of eggs in Summer 2014 for Spring 2015 stocking.
- Scottish sales through Ocean Quality UK, improved margin from market.

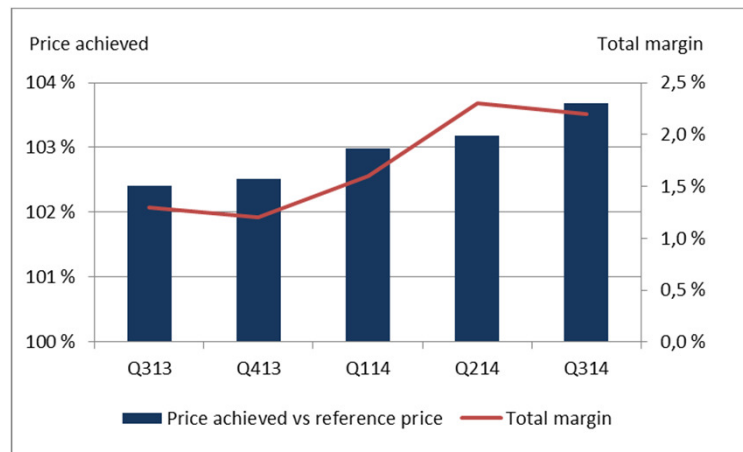
	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Harvest (gwt)	4 850	2 483	12 889	6 393
Sales revenues	192 384	101 033	549 551	266 223
EBIT	4 165	128	54 753	-15 286
EBIT/kg	0,86	0,05	4,25	-2,39
of which Markets NOK/kg	1,00		0,60	



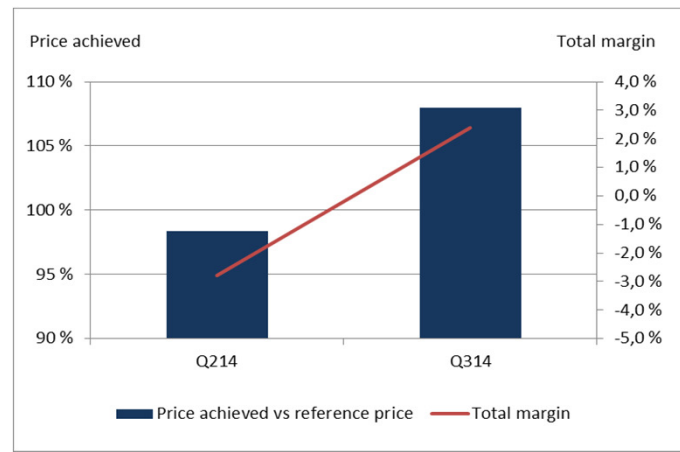
## Ocean Quality (sales Norway/UK – associated company – 60%)

- Good development in Norway:
  - Improved total margin.
  - Improved price achieved vs. market (NOS).
- Stronger performance in Scotland:
  - Positive margin from sales.
  - Price achieved better than market (NOS + 2,5).
  - Contract share UK 20%.

### Norway:



### UK:



# Financials



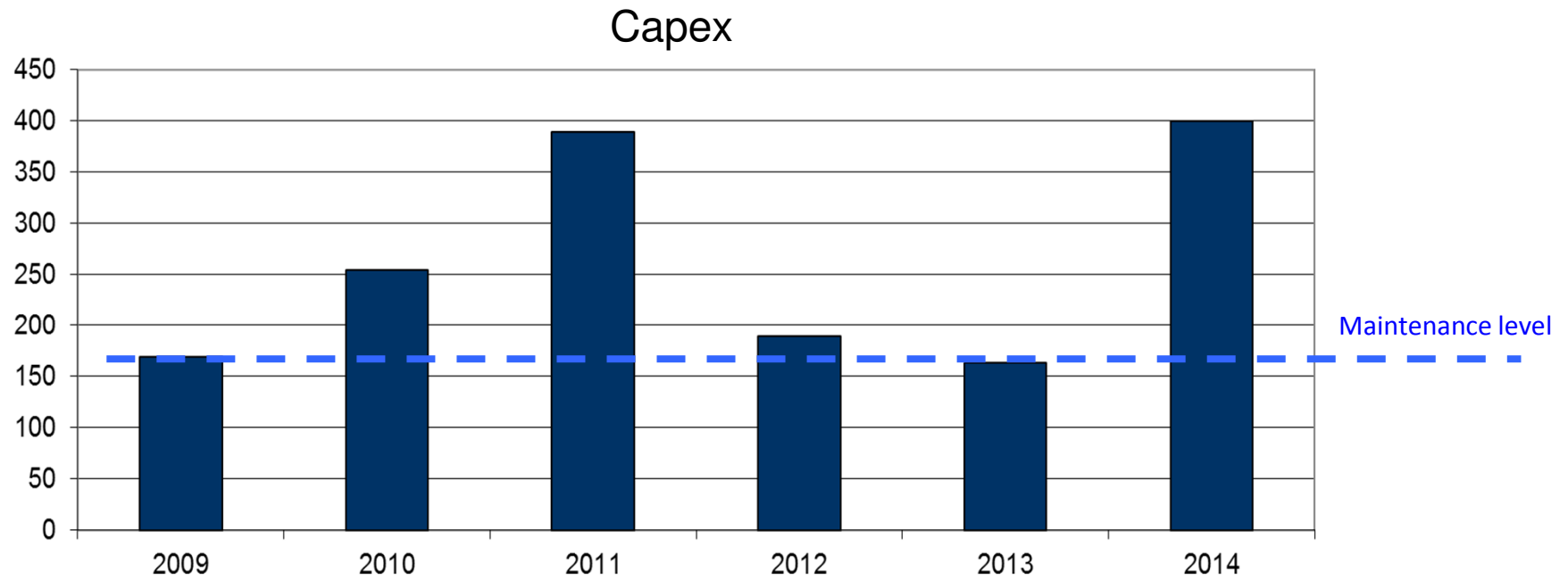
# Profit and Loss

All figures in NOK 1,000	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Total operating income	599 057	584 715	1 973 212	1 729 331
<b>EBITDA</b>	<b>-29 428</b>	<b>109 327</b>	<b>299 972</b>	<b>362 391</b>
Depreciation and amortisation	-33 808	-32 836	-99 254	-101 073
<b>EBIT before biomass adj</b>	<b>-63 236</b>	<b>76 492</b>	<b>200 717</b>	<b>261 318</b>
Fair value adj biological assets	-1 768	3 185	-244 075	92 956
<b>EBIT after biomass adj.</b>	<b>-65 003</b>	<b>79 676</b>	<b>-43 358</b>	<b>354 275</b>
Share of profit from ass. companies	188	803	2 943	2 078
Net financial	-20 036	-12 853	-55 561	-55 889
<b>Profit before tax</b>	<b>-84 851</b>	<b>67 626</b>	<b>-95 975</b>	<b>300 464</b>
Estimated taxation	20 043	-15 489	25 291	-84 698
<b>Net profit in the period</b>	<b>-64 808</b>	<b>52 137</b>	<b>-70 685</b>	<b>215 766</b>

# Net financial

All figures in NOK 1,000	Q3 2014	Q3 2013	YTD 2014	YTD 2013
Changes in fair value from hedging instruments	2 266	2 420	3 377	4 971
Net financial interest	-18 637	-22 281	-64 432	-70 563
Net currency gain (losses)	503	9 535	11 487	16 074
Dividends	0	0	474	468
Net other financial expenses/-income	-4 168	-2 528	-6 466	-6 839
<b>Net financial item</b>	<b>-20 036</b>	<b>-12 854</b>	<b>-55 561</b>	<b>-55 889</b>

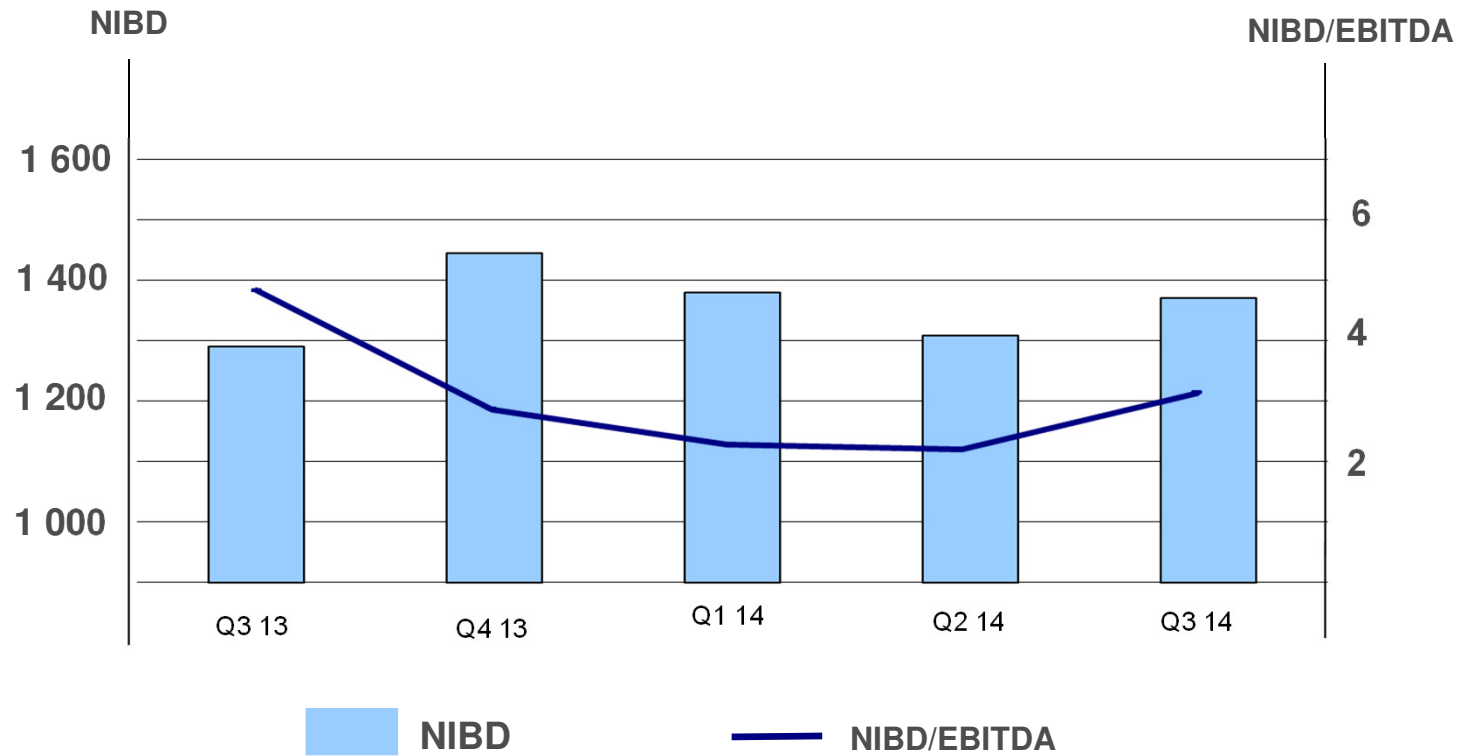
# Investments



# Cash Flow

	Q3 2014	Q3 2013	YTD 2014	YTD 2013
<b>Cash - opening balance</b>	<b>206 546</b>	<b>289 341</b>	<b>163 913</b>	<b>239 885</b>
EBITDA	-29 428	109 327	299 972	362 391
Inventory, trade payables and trade receivables	80 653	19 012	7 312	11 941
Other adjustments	-25 276	632	-29 087	24 330
Cash flow from operations	25 949	128 971	278 197	398 662
Capital expenditure (fixed assets)	-74 681	-37 873	-144 156	-107 344
Investments in associated companies/shares	4 480	0	4 954	16 397
Change in other non-current receiveables	240	1 020	123	805
Cash flow from investments	-69 961	-36 853	-139 079	-90 142
Changes in interest-bearing debt	-21 116	-133 893	-127 358	-256 976
Paid dividends	0	0	0	0
Net interest and financial items	-17 948	-20 259	-48 988	-64 870
Cash flow from financing	-39 064	-154 152	-176 346	-321 846
Currency effect on cash - opening balance	43	31	-3 173	779
<b>Changes in cash (incl currency effect on cash)</b>	<b>-83 033</b>	<b>-62 003</b>	<b>-40 401</b>	<b>-12 547</b>
<b>Cash - closing balance</b>	<b>123 513</b>	<b>227 338</b>	<b>123 512</b>	<b>227 338</b>

# Net Interest Bearing Debt



# NIBD

MNOK	Q3 2014	Q3 2013
Term Loan	878	580
Revolving Credit	0	325
Bond	400	400
Leasing	213	201
Other interest bearing debt	3	12
Cash - closing balance	-124	-227
<b>NIBD</b>	<b>1 370</b>	<b>1 291</b>

# Balance sheet 1

ASSETS	30.09.14	30.09.13
Goodwill	107 635	105 628
Licenses	999 673	990 584
Other intangible assets	4 351	4 339
Property, plant and equipment	1 264 233	1 172 843
Investments in associated and joint venture companies	47 911	40 815
Other non-current assets	1 509	1 604
<b>Total non-current assets</b>	<b>2 425 313</b>	<b>2 315 813</b>
Inventories	86 030	66 611
Biological assets	1 379 728	1 262 780
Fair value biological assets	155 415	220 354
Accounts receivable	186 048	116 995
Other current receivables	79 014	77 901
Derivates and other financial instruments	0	636
Cash and cash equivalents	123 513	227 338
<b>Total current assets</b>	<b>2 009 747</b>	<b>1 972 614</b>
<b>Total assets</b>	<b>4 435 060</b>	<b>4 288 428</b>

# Balance sheet 2

<b>EQUITY AND LIABILITIES</b>	<b>30.09.14</b>	<b>30.09.13</b>
Share capital	446 648	446 648
Treasury Shares	-5 000	-5 000
Retained earnings and other equity	1 493 037	1 326 417
<b>Total equity</b>	<b>1 934 685</b>	<b>1 768 065</b>
Deferred tax liabilities	537 700	524 029
Pension- and other obligations	3 411	7 902
Subordinated loans	21 276	22 516
Borrowings and leasing	1 349 446	1 031 021
<b>Total non-current liabilities</b>	<b>1 911 833</b>	<b>1 585 468</b>
Short-term loan facilities	132 806	482 450
Accounts payable	358 948	330 452
Tax payable	1 471	0
Derivates and other financial instruments	6 899	16 857
Other current liabilities	88 418	105 136
<b>Total current liabilities</b>	<b>588 542</b>	<b>934 895</b>
<b>Total liabilities</b>	<b>2 500 374</b>	<b>2 520 362</b>
<b>Total equity and liabilities</b>	<b>4 435 060</b>	<b>4 288 428</b>

# Key financial indicators

	Q3 2014	Q3 2013	YTD 2014	YTD 2013
EBITDA-margin before adj biomass	-5 %	19 %	15 %	21 %
EBIT-margin before adj biomass	-11 %	13 %	10 %	15 %
NIBD/EBITDA before adj biomass	3,2	4,9	3,2	4,9
ROCE before adj biomass	-8 %	11 %	9 %	18 %
Equity ratio	44 %	41 %	44 %	41 %

# OUTLOOK



# Harvest estimate

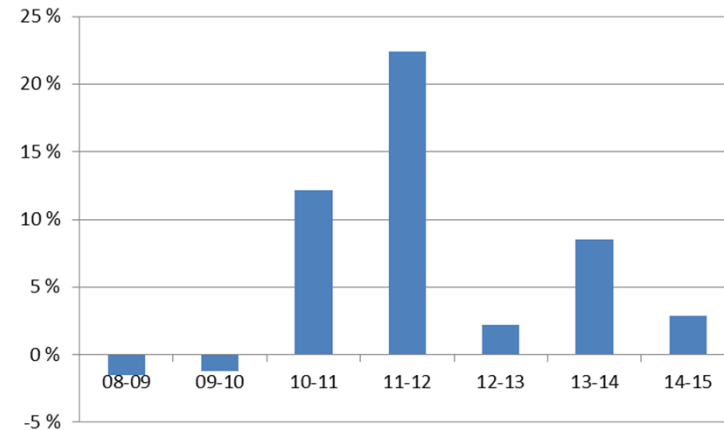
Guiding 2014 (1,000 tons gw e)	Rogaland	Finmark	BC	Scotland	GSF Group
<b>Q1</b>	<b>2,1</b>	<b>5,8</b>	<b>1,1</b>	<b>4,1</b>	<b>13,1</b>
Growth %	-50 %	14 %	-46 %	66 %	-5 %
<b>Q2</b>	<b>5,4</b>	<b>8,0</b>	<b>1,7</b>	<b>3,9</b>	<b>19,0</b>
Growth %	5 %	18 %	52 %	174 %	32 %
<b>Q3</b>	<b>2,1</b>	<b>6,9</b>	<b>2,9</b>	<b>4,9</b>	<b>16,8</b>
Growth %	-33 %	25 %	3 %	95 %	20 %
<b>Q4</b>	<b>3,0</b>	<b>5,6</b>	<b>0,6</b>	<b>7,0</b>	<b>16,2</b>
Growth %	15 %	-2 %	-32 %	4 %	2 %
<b>Total</b>	<b>12,6</b>	<b>26,3</b>	<b>6,2</b>	<b>19,9</b>	<b>65,0</b>
Growth %	-16 %	14 %	-7 %	52 %	12 %
<b>2015</b>	<b>20,5</b>	<b>22,0</b>	<b>13,0</b>	<b>16,5</b>	<b>72,0</b>
Growth %	63 %	-16 %	109 %	-17 %	11 %

- Reduced 2014 guidance of 2,500 MT.
  - Mainly due to PD in Rogaland.
  - 1,000 MT moved to 2015.
- 2015 guidance of 72,000 MT.
  - Production in BC close to normal.
  - Finnmark/Scotland guiding down due to site/area structure, expected to increase in 2016.

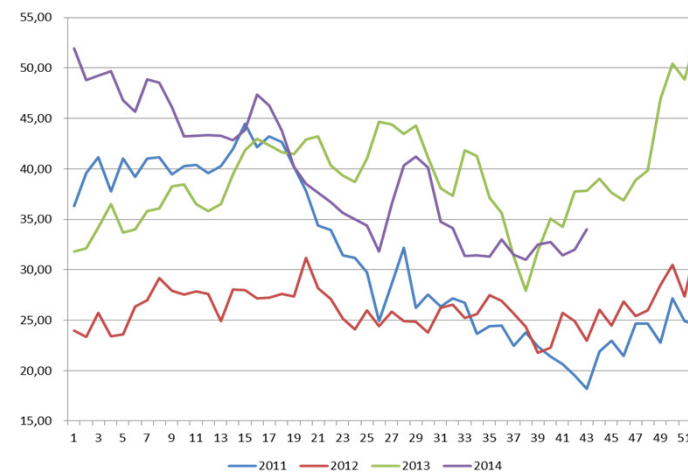
# Supply outlook

- Lower supply growth in Q4 (12% Q3 2014)
- Global supply growth 2014 vs 2013 expected to be 8%
- Lower global supply growth (3%) in 2015 vs. 2014
- Norway - stable growth rate:
  - 2014: +5%
  - 2015: +5% (1,130' MT)
- Chile – from positive to negative growth rate:
  - 2014: +22%
  - 2015: -6% (485' MT)
- Canada – from negative to positive growth rate:
  - 2014: -6%
  - 2015: +16% (135' MT)
- UK – increased growth rate:
  - 2014: +5%
  - 2015: +8% (160' MT)

**Global supply growth farmed salmon (YoY):**



**NOS (Norway) price development :**



# Outlook summary

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- Lower global supply growth in Q4 2014 and 2015, prices expected to move up.
- Harvest volume guiding 2015 of 72,000 MT. Increasing 7,000 MT vs 2014. Growth expected to continue in 2016.
- CEO resigned in October 2014. Search for a successor has started.
- GSF will increase focus on core activity.
  - Production of HOG Atlantic salmon
  - Global sales organization
- Increasing the quality and predictability of operational performance.

# Main focus areas

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1.

Operational and biological performance

- Bio security and fish health
- Systematic approach to operational improvements
- From expansion to focus on continuous improvements

2.

Reporting, Control, Management tools

- KPI based management system throughout organization
- Link to personal performance targets and incentives
- Integrate and harmonize

3.

Human Capital  
Corporate culture

- Utilize strength as one company.
- Strive for improvements – every day
- Sharing with pride (best practise, knowledge, information)

4.

Sales and Market

- Become a market led company
- Shift sales focus from traders to end customers
- Utilize points of differentiation

Thank you !



# APPENDIX

# Share info

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- Number of shares
  - 111.7 million (after full conversion of bonds in August 2009).
- Last issues: Q2 2009
  - 139 MNOK new share issue.
- Subordinated convertible bond issue: Q1 2009
  - 100 mill. convertible at NOK 4.00 per share within 31.12.2010.
  - 85% converted in Q2 2009.
  - 15% converted in Q3 2009.
- EPS
  - 0,47 NOK/share Q3 2013.
  - - 0,59 NOK/share Q3 2014.
- Shareholder structure
  - Largest 20 have 94.10% of total no. of shares.

# Shareholders

	No. shares	%
GRIEG HOLDINGS	55 801 409	49,97 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE	22 189 738	19,87 %
NORDEA BANK NORGE ASA MARKETS	6 605 998	5,92 %
KONTRARI AS	6 559 309	5,87 %
YSTHOLMEN	2 908 197	2,60 %
OM HOLDING AS	2 610 000	2,34 %
STATE STREET BANK AND TRUST CO.	1 276 753	1,14 %
GRIEG SEAFOOD ASA	1 250 000	1,12 %
KVASSHØGDI AS	1 000 000	0,90 %
VERDIPAPIRFONDET DNB SMB	875 000	0,78 %
SKANDINAVISKA ENSKILDA BANKEN AB	850 742	0,76 %
GRIEG SHIPPING II AS	824 565	0,74 %
STOREBRAND VEKST	447 713	0,40 %
VERDIPAPIRFONDET PARETO NORDIC VAL	385 000	0,34 %
HSBC BANK PLC	373 428	0,33 %
STATE STREET BANK & TRUST COMPANY	300 000	0,27 %
GRIEG LTD A/S	217 390	0,19 %
PICTET & CIE (EUROPE) S.A	202 478	0,18 %
MP PENSJON FK	200 000	0,18 %
SKANDINAVISKA ENSKILDA BANKEN AB	192 632	0,17 %
<b>Total 20 largest shareholders</b>	<b>105 070 352</b>	<b>94,10 %</b>
Total other	6 591 648	5,90 %
<b>Total numbers of shares</b>	<b>111 662 000</b>	<b>100,00 %</b>

# Profit and Loss

All figures in NOK 1,000	Q3 2014	Q3 2013	YTD 2014	YTD 2013
<b>Total operating income</b>	599 057	584 715	1 973 212	1 729 331
Share of profit from joint venture	4 765	197	8 338	5 437
Change in inventories	50 497	109 201	20 748	37 592
Raw materials and consumables used	-373 060	-336 264	-892 680	-731 193
Salaries and personnel expenses	-89 488	-76 070	-242 695	-211 851
Other operating expenses	-221 198	-172 453	-566 952	-466 924
<b>EBITDA</b>	<b>-29 428</b>	<b>109 327</b>	<b>299 972</b>	<b>362 391</b>
Depreciation and amortisation	-33 099	-32 330	-97 199	-99 044
Depreciation and amortisation of licenses	-709	-505	-2 055	-2 028
Impairment adjustments on assets	0	0	0	0
<b>EBIT before biomass adj</b>	<b>-63 236</b>	<b>76 492</b>	<b>200 717</b>	<b>261 318</b>
Fair value adj biological assets	-1 768	3 185	-244 075	92 956
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Share of profit from ass. companies	188	803	2 943	2 078
Net financial	-20 036	-12 853	-55 561	-55 889
<b>Profit before tax and biomass adj</b>	<b>-83 084</b>	<b>64 441</b>	<b>148 100</b>	<b>207 508</b>
Profit before tax	-84 851	67 626	-95 975	300 464
Estimated taxation	20 043	-15 489	25 291	-84 698
<b>Net profit in the period</b>	<b>-64 808</b>	<b>52 137</b>	<b>-70 685</b>	<b>215 766</b>