

# Grieg Seafood

**3Q 2008**



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## Agenda

- **Highlights 3Q 2008**
- **Group Financials**
- **Business Areas**
- **Strategic priorities and operational improvements**
- **Outlook**

## 3Q 2008 – HIGHLIGHTS AND FINANCIALS

## Highlights 3Q 2008

- **Solid profit growth. EBIT adj. of 60,3 MNOK (4,8 MNOK)**
  - 3 of 4 regions showing underlying profit improvement
  - Rogaland still financially negatively effected by PD
  
- **Strong growth in sales + 38%**
  - 49% organic growth
  - 31% volume growth and 18% price growth.
  
- **Slower than expected growth (seawater production)**
  - Low sea water temperatures
  - Some biological issues (PD)
  - 2008 harvest volumes expected at 54,000 tons (56,000 tons previous guiding)

## Financial highlights 3Q 2008

	3Q 2008	3Q 2007	2007
Total sales revenue (TNOK)	432 722	314 216	1 168 586
EBITDA (TNOK)	87 955	28 956	229 477
EBIT before biomass adj.	60 318	4 758	148 114
EBIT/kg before biomass adj.	4,5	0,4	3,7
Harvest in tonnes, gwt	13 510	10 836	40 461

### Comments

- EBIT result the best since listing in June 2007.
- Total sales up by 38% yoy
- EBIT margin NOK per kilo: 4,5 - a strong improvement, but still with improvement potential.

## Key figures Q3 2008

	Rogaland	Finnmark	BC	Shetland	Other	Group
Sales revenue (m nok)	42,3	107,3	204,3	96,5	-17,7	432,7
<b>EBITDA (m nok)</b>	1,4	21,6	46,9	16,3	1,8	88,0
EBIT adj. <sup>(2)</sup> (m nok)	-6,8	16,9	39,0	9,8	1,4	60,3
Harvest in tonnes, gwt	1 389	3 911	5 894	2 998	-682	13 510
<b>EBIT adj <sup>(1)</sup> NOK/kg</b>	-4,92	4,33	6,62	3,26	0,00	4,46

1) The calculation is based on EBIT before fair value adjustment of biological assets.

2) EBIT adj. is EBIT before fair value adjustment of biological assets.

### Comments

- Rogaland result still affected by the PD-situation, and will prevail low first half of 2009
- Finnmark sales tripled, and succeeded with its large size market targeting
- BC doubled sales, high market prices, sales of salmon row.
- Hjalmland result is reasonable, but affected by low growth and higher production costs.

# P&L 3Q 2008

All figures in NOK 1.000	3Q 2008	3Q2007	YTD 2008	YTD2007	2007
<b>Total operating income</b>	<b>436 320</b>	<b>315 068</b>	<b>1 129 823</b>	<b>780 855</b>	<b>1 068 352</b>
Change in inventories	52 961	-54 819	16 685	109 137	205 859
Raw materials and consumables used	-291 447	-124 079	-645 439	-500 049	-746 174
Salaries and personnel expenses	-36 169	-42 347	-115 616	-94 890	-136 246
Other operating expenses	-73 710	-64 868	-229 635	-125 394	-196 814
<b>EBITDA</b>	<b>87 955</b>	<b>28 956</b>	<b>155 818</b>	<b>169 659</b>	<b>194 977</b>
Depreciation and amortisation	-27 365	-24 197	-76 711	-54 730	-73 252
Depreciation and amortisation of licenses	-272	0	-818	0	-1 155
<b>EBIT before biomass adjustment</b>	<b>60 318</b>	<b>4 758</b>	<b>78 289</b>	<b>114 929</b>	<b>120 570</b>
Fair value adjustment of biological assets	-44 881	-33 846	-17 542	-66 326	-44 075
EBIT operating profit after biomass adj.	15 437	-29 088	60 747	48 603	76 495
Net financial income and expenses	-10 508	-15 488	-63 969	-30 081	-41 224
<b>Profit before tax</b>	<b>4 929</b>	<b>-44 575</b>	<b>-3 222</b>	<b>18 522</b>	<b>35 271</b>
Estimated taxation	-4 343	12 477	-778	9 175	16 395
<b>Net profit in the period</b>	<b>586</b>	<b>-32 098</b>	<b>-4 000</b>	<b>27 697</b>	<b>51 666</b>

## Comments

- Strong improvement of operating result
- Sales up 38%

## Balance sheet 3Q 2008

<i>All figures in NOK 1.000</i>	<b>30.09.2008</b>	<b>30.09.2007</b>	<b>31.12.2007</b>
<b>ASSETS</b>			
Total non-current assets	1 868 734	1 583 474	1 651 032
Total current assets	1 444 924	1 208 255	1 323 280
<b>Total assets</b>	<b>3 313 658</b>	<b>2 791 729</b>	<b>2 974 313</b>
<b>LIABILITIES AND EQUITY</b>			
Total equity	1 266 535	1 240 080	1 265 547
Total non-current liabilities	1 301 004	988 476	1 001 165
Total current liabilities	746 119	563 173	707 601
<b>Total liabilities</b>	<b>2 047 123</b>	<b>1 551 649</b>	<b>1 708 766</b>
<b>Total equity and liabilities</b>	<b>3 313 658</b>	<b>2 791 729</b>	<b>2 974 313</b>

### Comments

- Net interest bearing debt as of 30/9-2008 MNOK 1.409 up 143m from MNOK 1.266 in q2-08
- Investments of 82 MNOK
- Inventory increase of 116 MNOK
- Goodwill and licences at NOK 9,8 mill on average pr seawater licence (104 licences)
- Equity share 38%



# Cash Flow

<i>All figures in NOK 1.000</i>	3Q 2008	3Q 2007	YTD 2008	YTD 2007	2007
Net cash flow from operating activities	-11 830	-63 615	93 637	1 016	-37 247
Net cash flow from investing activities	-81 841	-34 347	-288 110	-698 338	-798 186
Net cash flow from financing activities	95 408	-67 204	253 298	698 673	847 059
<b>Net change in cash and cash equivalents</b>	<b>1 737</b>	<b>-165 166</b>	<b>58 825</b>	<b>1 351</b>	<b>11 626</b>
Cash and cash equivalents at beginning of the period	81 406	179 209	24 318	12 692	12 692
<b>Cash and cash equivalents at the end of the period</b>	<b>83 143</b>	<b>14 042</b>	<b>83 143</b>	<b>14 043</b>	<b>24 318</b>

## Comments

- Increased production cause increased working capital and reduced operational cash flow
- Investments according to plan
- Financing mainly through credit facility and leasing

# BUSINESS AREAS

# Grieg Seafood Business Areas

(Figures in 1000 tons gutted weight and MNOK)

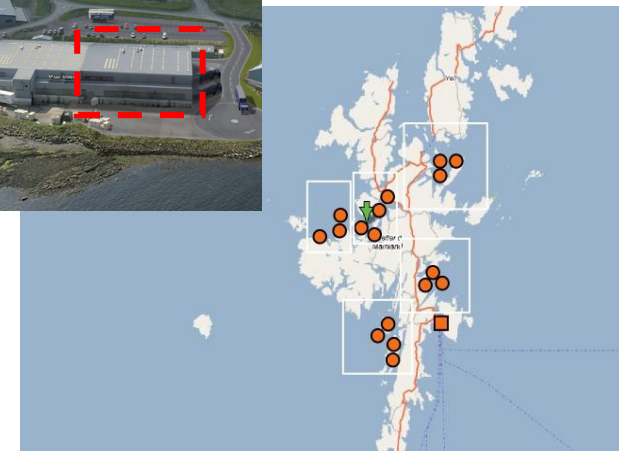
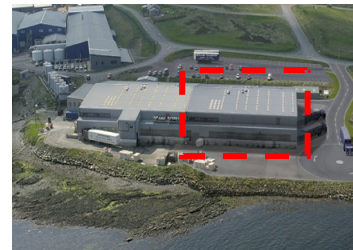
- **GSF Hjaltdland (UK)**
- **GSF Rogaland**
- **GSF Finnmark**
- **GSF BC (Canada)**
- **GSF ASA**



## GSF Hjaltland (Shetland)

- Performance has improved from 1H 2008.
- Solid market and good prices achieved. Organic remains successful and good high quality position.
- Growth (seawater production) below expectations due to environmental and biological factors.
- Delayed VAP plant. Supplies to market from 4Q.

Hjaltland	Q3-08	Q3-07	2007
Harvest gw	2998	3217	12 700
Sales	96	100	270
EBIT adj	9,7	15,1	56
EBIT adj/kg	3,26	4,69	4,35
Production	6 404	6 499	18 000



## GSF Rogaland

- Very low harvest volumes due to growth issues relating to PD
- New vaccine for PD on 50% S1 and 100% S0 fish of G08
- Regional industry PD Master Plan in progress.
- 4 mill NOK write off on biomass included in 3Q.

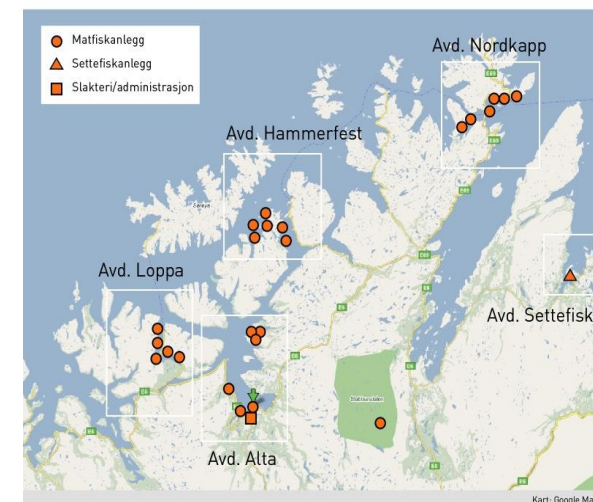
Rogaland	Q3-08	Q3-07	2007
Harvest gw	1 389	3 065	11 600
Sales	42	82	301
EBITA	-6,8	-2,3	24
EBITA/kg	-4,9	-0,78	2,40
Production	2 454	3 420	12 000



## GSF Finnmark

- Tripled harvest volumes
- Solid profitability growth - Continuous improvements throughout 2008.
- Smolt recirculation facility project completed:
  - Capacity
  - Quality
  - Costs
- Seawater production hampered by low temperatures

Finnmark	Q3-08	Q3-07	2007
Harvest gw	3 911	1 306	7 600
Sales	91	34	193
EBITA	16,9	-4,6	-4
EBITA/kg	4,33	-3,59	-0,5
Production	6 466	4 853	13 900



## GSF BC (Canada)

- Solid EBIT margin improvement.
- Good prices, in particular for large size fish.
- Smolt recirculation facility project completed
  - Capacity
  - Quality
  - Costs
- Loss of biomass due low dissolved oxygen and algae bloom. Write off of 12 MNOK
- Production in line with plans.

BC – Canada	Q3-08	Q3-07	2007
Harvest gw	5 894	3 248	8 500
Sales	204	98	272
EBITA	39	2	38
EBITA/kg	6,62	0,6	4,50
Production	3 962	3 491	15 200



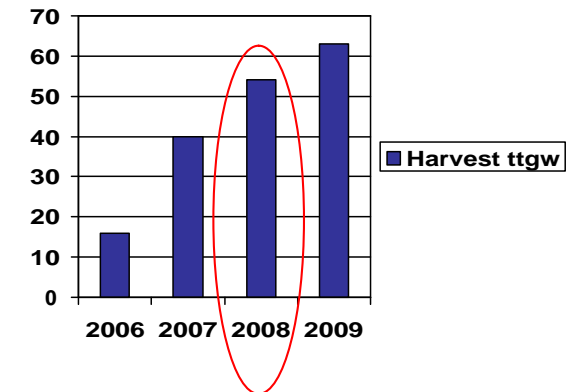
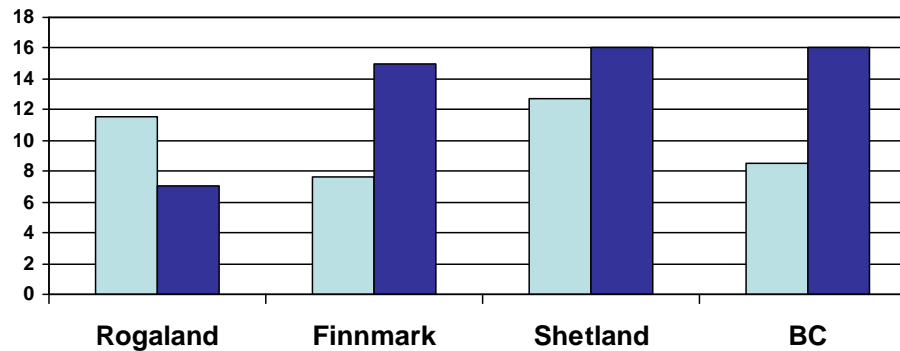
# OUTLOOK





## Production prognoses 2008 (1000 gwt)

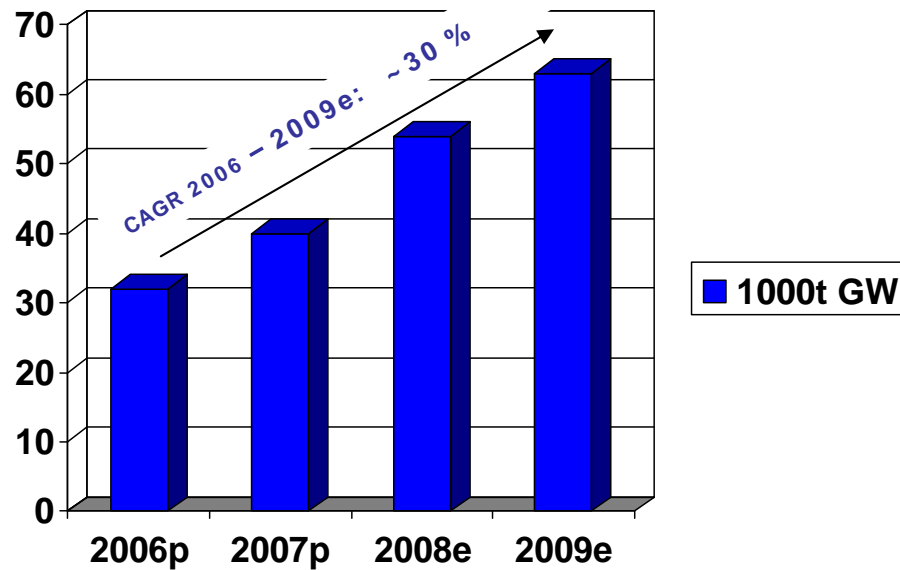
	Rogaland	Finnmak	Shetland	BC	GSF Group
Harvest '08 gwt	7 (8)	15 (16)	16	16	54 (56)



- **Harvest figures '08 at about 54.000 tons**
  - Harvest affected by lower sea production YTD
  - Some volumes pushed to 2009
- **PD and environmental effects are diminishing**
  - Rogaland lower PD mortality
  - From sealice (UK) and temperature (Finnmark)

# Strong harvest volume growth

## Group harvest volume development



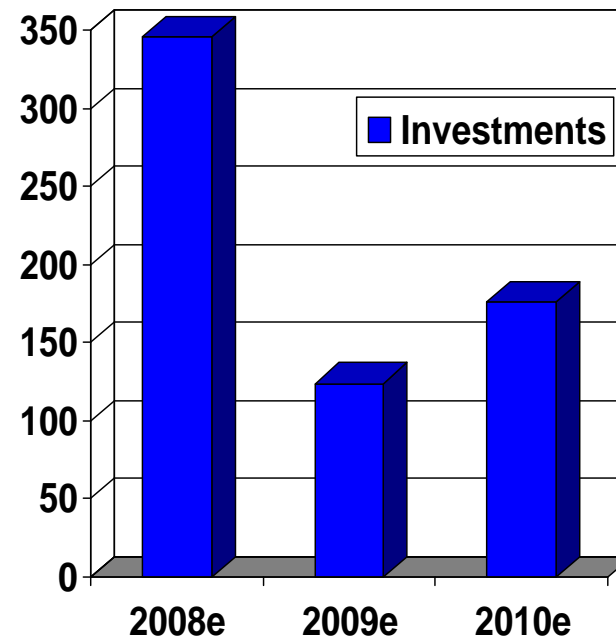
P = Pro-forma, e = estimates

- Estimates are based on organic growth
- '08/'07 growth of 40% versus market at 3%
- Expected harvest 2009: 63.000 tons
  - Rogaland: 15
  - Finnmark: 18
  - Canada: 11
  - Shetland: 19
- Expected harvest 2010: 70-75' tons

# Organic growth investment plan

## Capital investments

- Investment plan is revised
  - Some projects moved from 2009 to 2010
- Total capital investments '09-10 is MNOK 300
- Investments in 2009:
  - 124 MNOK
  - 70% on seasites



## Additional Financing is in place

### - secures the growth plan

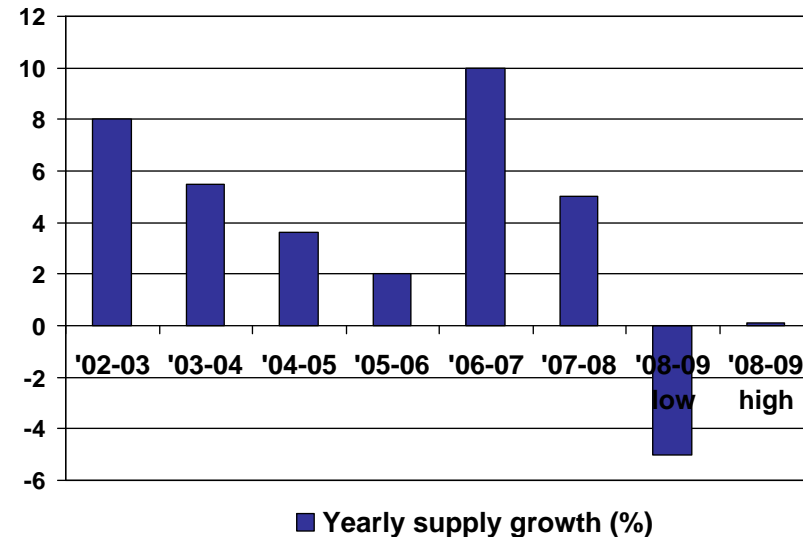
Identified capital requirement of 150-200 MNOK in addition to current credits:

- Process initiated to establish a credit facility increase with good progress
- Indications of breach of covenants in 2009. An agreement to waive covenants until June 2010 is confirmed by the bank syndicate
- Financing of 100 MNOK in place as subordinated loan provided by the two largest shareholders.
  - Proposed to be approved by an extraordinary general meeting in January 2009.
  - Equity conversion rights on 60% at NOK 8 per share (max 7,5 mill shares)
  - All shareholders holding > 50.000 shares to get the right to enter into the loan agreement on equal terms, provided minimum loan of 1,0 MNOK.
  - Loan term until 31 December 2010, interest rate at 6 month NIBOR + 4,0%-points

## Global supply estimate between -5% and 0% in 2009

- (GSF up 17%)

- **Norway increase by about 10%**
  - Good growth H2-08, less PD
- **Chile down by about 25-35%**
  - Biological challenges
- **UK quite flat at 0 - 4%**
  - Biological issues such as sea lice
- **Canada quite flat at (-1%) – 2%**
  - Slower growth might reduce growth further



Source: Kontali

## Outlook summary

- Harvest plans for 2008 reduced to 54,000 tons (-2,000 tons).
- We are well positioned for further organic growth.
- Long-term target/capacity still >80,000 tons, expected in 2011-12 (revised). 2010 harvest volume expectation 70-75,000 tons.
- Company entering new phase: Stronger focus on operations and profitability
- Additional financing of 150-200 MNOK partly in place to secure the growth plan
- Price and demand trends remain solid for 2009

# Strategic priorities

## Operational improvements



## Organic growth strategy

- Organic growth strategy remains unchanged
- Organic growth capacity > 80,000 tons.
- New phase:
  - Significant investment period behind us.
  - Stronger priority and focus on operational efficiency and profitability
- Volume guiding 2010: 70-75,000 tons (previously 80,000)
  - Stretching organic growth period.





## Sales and market

- Become a market led company:
  - Higher margin potential.
  - Lower volatility.
- Continue development of own sales organisation in Norway.
  - Selected direct customer focus
  - Utilize unique position (e.g. Blue Silver – arctic salmon & trout)
- Shetland
  - Organic salmon
    - Well positioned in the market
    - Gives higher margins.
  - Development towards higher VAP share - WildWaters



## Blue Silver

'A taste of the wild arctic'

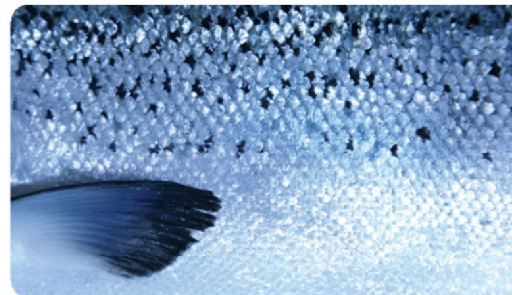
### Unique farming conditions:

- Cold temperatures
- Longer growth period
- Light



### Unique product attributes:

- Color
- Texture (firm)
- Exterior (Silver and shiny)



# Increased focus on operational improvements

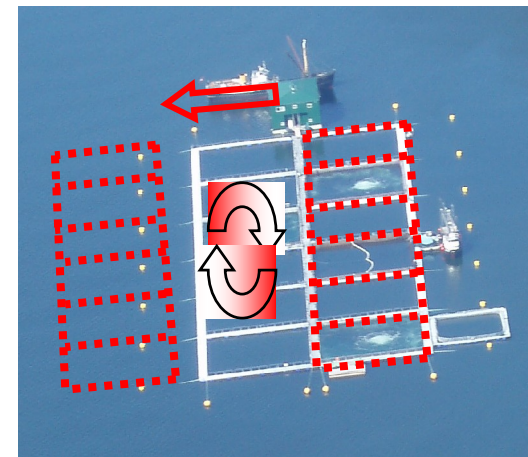
- Harvest benefits from consolidation and acquisitions.
- Main shareholder value leverage in increasing productivity and decreasing production costs.
- **FRESHWATER**
  - **Group Freshwater Manager**
    - Benchmarking and improvement projects across the GSF Group
  - **Two new recycling units** started up autumn 2008 (Finnmark and BC).
    - Increase capacity on existing production facilities
    - Improve smolt quality – reduce mortality and production cycle.
    - Reduce production costs and better utilization of the production facilities
  - **Exchange of knowledge.**
    - Benchmarking and performance management system.
- **PURCHASING**
  - Reduce unit costs through coordinated purchasing and improve purchasing process.

## Increased focus on operational improvements (cont.)

- **SEAWATER**
  - **Group Seawater Manager** to be appointed
    - Benchmarking and improvement projects across the GSF Group
    - Focus on feed and feeding
  - **Consecutive feed improvement project**
    - Benchmark and KPI system. Continuous measurement of deviations
    - Feed composition
    - Feeding vs. environmental parameters.
  
- **ROGALAND – PD/FISH HEALTH:**
  - Continue and implement measures acc. PD Master Plan
  - Vaccination key
  - Separation of areas

## Increased focus on operational improvements (cont.)

- **CANADA (BC) – ENVIRONMENTAL RISK:**
  - Low dissolved oxygen and algae blooms key risk
  - 20 MNOK write down ytd 2008
  - Measures:
    - Algae protection system in place.
    - Re-oxidation system to be installed on key sites.
    - Split of systems to improve oxygen conditions.
    - Better balance of site locations.



Thank you !



# APPENDIX

## Share info

- Number of shares
  - 76,5 mill
  
- New issues Q2 07
  - 600 mill Private placement
  - 100 mill IPO
  
- EPS
  - 0,85 NOK/share 2007
  - 0,01 NOK/share Q3
  
- Shareholder structure
  - Free float 37%
  - Biggest 20 has 87,7% of shares, Foreigners abt 9%