

# Griegg Seafood

**4Q 2008**



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# Agenda

- **Highlights 4Q 2008**
- **Group Financials**
- **Business Areas**
- **Strategic priorities and operational improvements**
- **Outlook**

## 4Q 2008 – HIGHLIGHTS AND FINANCIALS



## Highlights 4Q 2008 (1)

- Continued strong revenue growth: +23%
- Improved biological production in three of four regions:
  - Rogaland is back to normal after a period with PD issues
- New financing of 236 MNOK in place.
- 4Q strongly influenced by exceptional items and write-downs.
- Unrealized currency loss of 140 MNOK
- Write-downs of in total 246 MNOK (EBIT effect pre tax)
  - Finnmark – Goodwill etc.                    200 MNOK
  - Shetland - biomass                            43 MNOK

## Highlights 4Q 2008 (2)

	4Q 2008	4Q 2007	YTD 2008
Total sales revenue (TNOK)	359 609	283 748	1 477 029
EBITDA (TNOK)	(12 625)	25 318	149 792
EBIT before biomass adj.	(245 618)	5 642	(159 337)
EBIT/kg before biomass adj.	(20,1)	0,4	(3,1)
Harvest in tonnes, gwt	12 218	13 016	51 731

### Comments

- Total sales up by 27% Y/Y
- EBIT includes impairment write down of 200 MNOK pre tax.
  - Operational Q4 EBIT result of -45.6 MNOK highly influenced by biomass write-downs in the Shetlands.
  - Q4 operational NOK EBIT per kilo: -3.7

# P&L 4Q 2008

<i>All figures in NOK 1.000</i>	4Q 2008	3Q2007	YTD 2008	YTD2007	2007
<b>Total operating income</b>	<b>357 680</b>	<b>287 497</b>	<b>1 487 503</b>	<b>1 068 352</b>	<b>1 068 352</b>
Change in inventories	40 476	96 722	57 161	205 859	205 859
Raw materials and consumables used	-258 239	-246 125	-903 678	-746 174	-746 174
Salaries and personnel expenses	-44 400	-41 356	-165 148	-136 246	-136 246
Other operating expenses	-108 142	-71 420	-332 645	-196 814	-196 814
<b>EBITDA</b>	<b>-12 625</b>	<b>25 318</b>	<b>143 193</b>	<b>194 977</b>	<b>194 977</b>
Depreciation and amortisation	-31 864	-19 676	-108 208	-73 252	-72 486
Depreciation and amortisation of licenses	-1 129	0	-2 314	-1 155	-1 155
Impairment adjustments on fixed assets	-200 000	0	-200 000	0	0
<b>EBIT before biomass adjustment</b>	<b>-245 618</b>	<b>5 642</b>	<b>-167 329</b>	<b>120 570</b>	<b>121 336</b>
Fair value adjustment of biological assets	-16 510	22 251	-34 052	-44 075	-44 075
EBIT operating profit after biomass adj.	-262 128	27 893	-201 381	76 495	77 261
Net financial income and expenses	-169 296	-11 143	-233 265	-41 224	-41 224
<b>Profit before tax</b>	<b>-431 424</b>	<b>16 751</b>	<b>-434 646</b>	<b>35 271</b>	<b>36 037</b>
Estimated taxation	97 124	7 219	96 346	16 395	16 165
<b>Net profit in the period</b>	<b>-334 300</b>	<b>23 970</b>	<b>-338 300</b>	<b>51 666</b>	<b>52 202</b>

## Comments

- Turnover continue to improve + 23% Y/Y
- Production growth but high cost on harvest volumes
- Impairment write down of 200 MNOK pre tax
- Biomass write down of 43 MNOK
- Increased depreciation after strong production capacity expansion
- Financial expenses includes unrealised currency loss of 140 MNOK

## Balance sheet 4Q 2008

<i>All figures in NOK 1.000</i>	31.12.2008	31.12.2007	31.12.2007
<b>ASSETS</b>			
Total non-current assets	1 675 621	1 651 032	1 651 798
Total current assets	1 407 546	1 323 281	1 323 280
<b>Total assets</b>	<b>3 083 167</b>	<b>2 974 313</b>	<b>2 975 079</b>
Total equity	934 450	1 265 547	1 266 083
Total non-current liabilities	434 352	1 001 165	1 001 395
Total current liabilities	1 714 365	707 601	707 601
<b>Total liabilities</b>	<b>2 148 717</b>	<b>1 708 766</b>	<b>1 708 996</b>
<b>Total equity and liabilities</b>	<b>3 083 167</b>	<b>2 974 313</b>	<b>2 975 079</b>

### Comments

- Net interest bearing debt as of 31.12.2008 is 1,495 MNOK, up 86 MNOK from q3-08, and up by 366 MNOK from 31.12.07.
- Impairment write down NOKm 200 in Finnmark
- Biomass write down in Q4 of 43 MNOK
- Preliminary reclassification of long term debt
- Goodwill and licences reduced to 8.2 MNOK on average pr seawater licence (104 licences)
- Equity share 30.3%

# Cash Flow

<i>All figures in NOK 1.000</i>	4Q 2008	4Q 2007	YTD 2008	YTD 2007	2007
Net cash flow from operating activities	-26 680	-38 263	66 957	1 016	-37 247
Net cash flow from investing activities	-35 815	-99 848	-323 925	-698 338	-798 186
Net cash flow from financing activities	45 573	148 386	298 871	698 673	847 059
<b>Net change in cash and cash equivalents</b>	<b>-16 922</b>	10 275	41 903	1 351	11 626
Cash and cash equivalents at beginning of the period	83 143	14 043	24 318	12 692	12 692
<b>Cash and cash equivalents at the end of the period</b>	<b>66 221</b>	24 318	66 221	14 043	24 318

## Comments

- Negative operational cash flow due to high production and reduced harvest income
- Net investment during q4 was 35.8 MNOK



## Additional financing confirmed

- Additional funding of business 2009/2010 business
  1. Increased credit line from the bank syndicate: 100 MNOK.
  2. Suspended instalments in 2009: 36 MNOK.
  3. Subordinated convertible bond issue: 100 MNOK
  4. A guarantee towards the bank syndicate from Grieg Holdings AS: 48 MNOK
  
- 2 existing loan covenants waived throughout 4Q 2009:
  - NIBD/EBITDA ratio
  - The working capital requirement
  
- Covenants on equity also waived per 31.12.2008
  
- A new earnings based covenant has been introduced
  
- The costs relating to the breach of covenants will amount to approximately 4 MNOK quarterly

## Unrealized foreign currency loss

- Currency debt translation value escalated during 4Q 2008.
- Total syndicated loans of 1.300 MNOK is hedged to match export income as follows:
  - EUR 30%
  - GBP 20%
  - USD 20%
- Unrealized currency loss in 4Q 2008 of 140 MNOK
- Agreement on rolling existing currency contracts due until Sept 2009, against a guarantee of 15 MNOK from Grieg Holdings AS.
- Unrealised currency loss is since year-end reduced from 140 MNOK to 70 MNOK (25.2.09)
- Hedging strategy to be reviewed.

## Key figures Q4 2008

	Rogaland	Finmark	BC	Shetland	Other	Group
Sales revenue (m nok)	47,4	104,5	127,2	101,6	-21,0	359,6
<b>EBITDA (m nok)</b>	-5,5	10,3	21,1	-34,0	-4,6	-12,6
EBIT adj. <sup>(1)</sup> (m nok)	-12,8	-194,8	7,9	-40,9	-5,1	-245,6
Harvest in tonnes, gwt	1 982	4 435	3 687	3 031	-917	12 218
<b>EBIT adj <sup>(1)</sup> NOK/kg</b>	-6,43	-43,92	2,15	-13,49	0,0	-20,10
<b>Operational EBIT adj <sup>(1)</sup> NOK/kg</b>	-6,43	1,18	2,15	-13,49	0,0	-3,73

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

### Comments

- Rogaland: still high cost on harvested volumes (PD)
- Finnmark: higher share of trout reduced margin in the quarter
  - EBIT adj does not include impairment write down of 200 MNOK
- BC: mortality during transfer and reduced US prices in the quarter
- Shetlands: severe sea lice incident and ISA outbreak on one site caused write-down of 43 MNOK

# BUSINESS AREAS



# Grieg Seafood Business Areas

(Figures in 1000 tons gutted weight and MNOK)

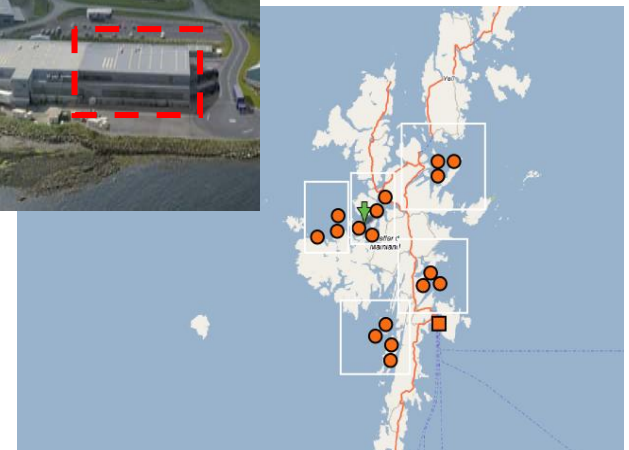
- **GSF Hjaltland (UK)**
- **GSF Rogaland**
- **GSF Finnmark**
- **GSF BC (Canada)**



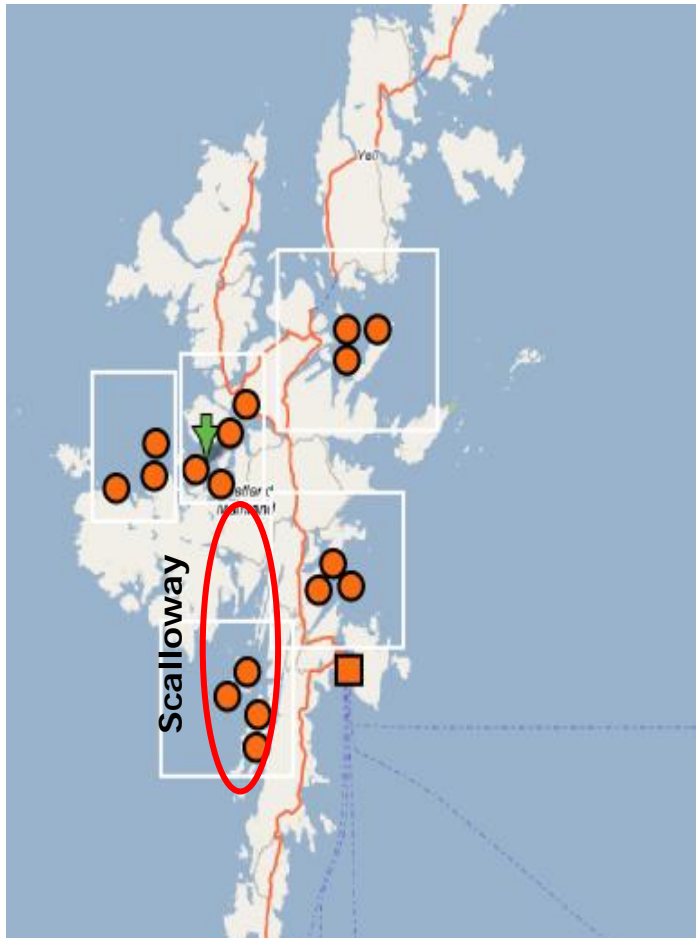
## GSF Hjaltland (Shetland)

- Market remained firm with good prices despite UK recession
- VAP plant started operation. Smoked products well received in the market
- Severe sea lice incident with consequential write-down
- ISA virus confirmed on one site in the Scalloway area in Jan 2009. Write-down in 4Q 2008
- Total write-downs in 4Q of 43 MNOK
- Work with rest of industry to establish and reinforce area agreement and code of good practice
- Sea lice situation has significantly improved lately – also in Scalloway

Hjaltland	Q4-08	Q4-07	2008
Harvest gw	3031	3217	13 878
Sales	102	147	420
EBIT adj	-41	10,1	-11
EBIT adj/kg	-13,5	2,16	-0,80
Production	2 988	4 407	14 739



## ISA situation in the Shetlands (Scalloway)



- One operator contracted ISA in 4Q 2008 (officially announced Jan 2009)
- ISA virus (no clinical outbreak and) found on one GSF site
- All other sites in the area tested – no suspicion
- 2 sites being harvested in 1Q 2009
- 2 sites under no suspicion remains in operation
- 1 site with identified ISA virus being depopulated in accordance with the Scottish Government's strategy to eradicate ISA
- Possible compensation due to forced depopulation is being discussed with the Scottish Government

## GSF Rogaland

- EBIT strongly influenced by harvesting out sites strongly hit by PD (2007)
- Still no PD outbreaks on vaccinated fish in 2008
- Significantly improved seawater production from 4Q, and consequently dropping production costs.

Rogaland	Q4-08	Q4-07	2008
Harvest gw	1 982	2 757	11 591
Sales	47	61	172
EBIT adj	-12,7	-1,9	-15,9
EBIT adj/kg	-6,43	-0,70	-2,37
Production	5 185	2 522	11 555

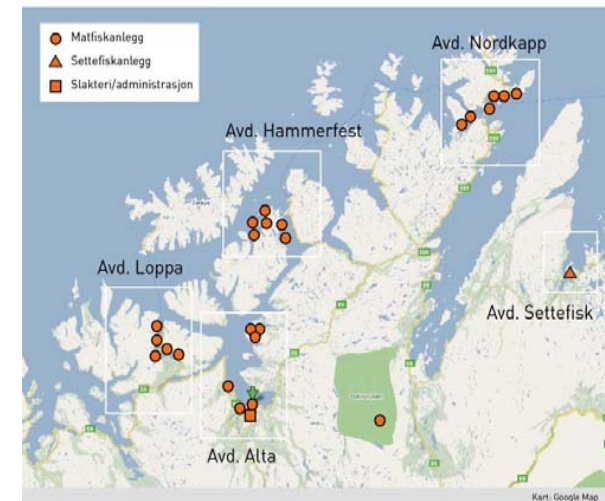




## GSF Finnmark

- Higher share of trout influences margins negatively in the quarter
- Seawater production improving and continuous improvements in production costs
- Freshwater recirculation unit in operation in 4Q – good initial results
- Own harvest station will be in re-opened from March 2009

Finnmark	Q4-08	Q4-07	2008
Harvest gw	4 435	5 248	17 639
Sales	83	35	359
EBIT adj.	10,3	-2,8	30,7
EBIT adj/kg	1,18	-5,98	0,66
Production	5 878	5 248	17 269



# GSF BC (Canada)

- Drop in US market prices with approx. 1 CAD/kg in 4Q
- US market suffered from high supply of small fish from Chile (ISA harvest)
- Smolt recirculation facility project in full operation, showing very promising results.
- Good seawater production.

BC – Canada	Q4-08	Q4-07	2008
Harvest gw	4 190	4 382	16 326
Sales	124	55	521
EBIT adj.	7,9	11,8	92,7
EBIT adj/kg	2,15	6,58	3,42
Production	4 190	4 382	17 444

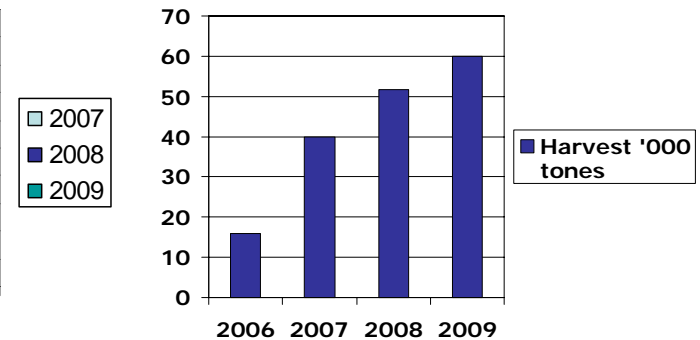
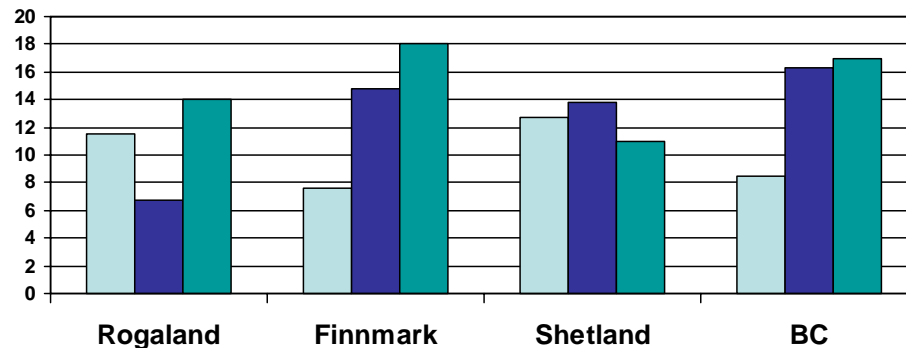


# OUTLOOK



# Production prognoses 2009 (1000 gwt)

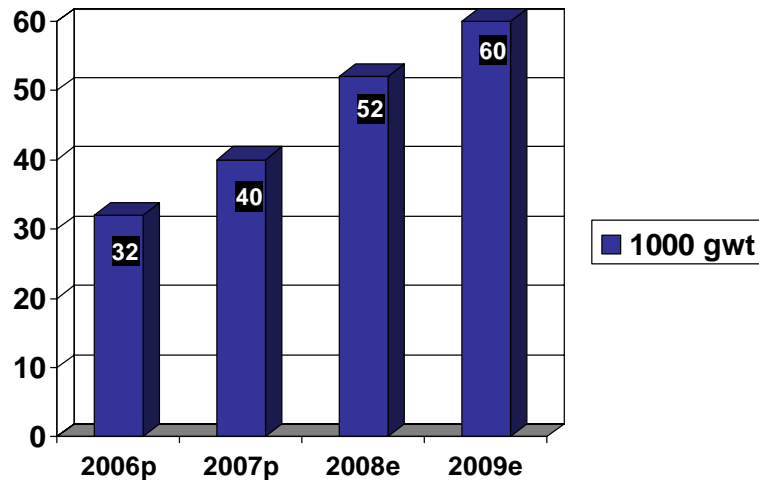
	Rogaland	Finnmark	Shetland	BC	GSF Group
Harvest '09 gwt	14	18	11	17	60



- **Harvest volume '09 to increase to 60,000 tons from 51,600 tons in '08.**
  - Growth is scaled down by some 8'-10' tons from IPO plan
  
- **PD a diminishing problem, but ISA in the UK will reduce volumes.**
  - Rogaland production is back to normal. New smolt entries are vaccinated 100%.
  - ISA in the UK (Jan09) will cause reduced harvest in 2009 and 2010

# Strong harvest volume growth

## Group harvest volume development

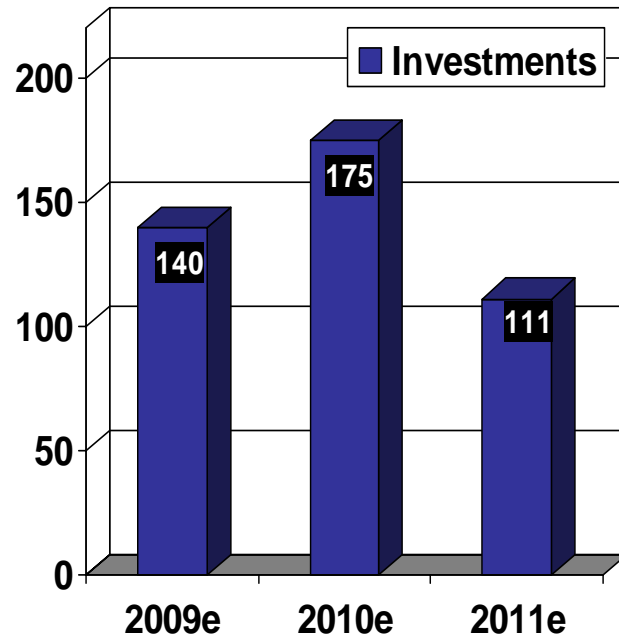


P = Pro-forma, e = estimates

- Based on the revised business plan which is the basis for the financing solution we expect the harvest volume to increase from 52,000 tonnes (gwt) in 2008 to 60,000 tonnes (gwt) in 2009
- In 2010 we still expect harvest volume in the range of 70-75,000 tonnes (gwt)

# Investment plan

## Capital investments

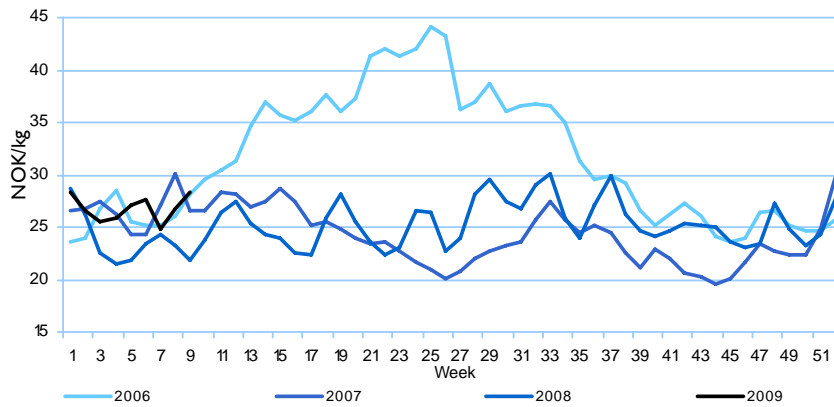


- Investment plan is revised
  - Replacement capital expenditures
  - Mainly on sea sites
  
- Total capex. requirements of approximately 425 NOKM in the period 2009e-2011e

# Historical development in benchmark prices

## Norway (FHL price/Norwegian sales price)

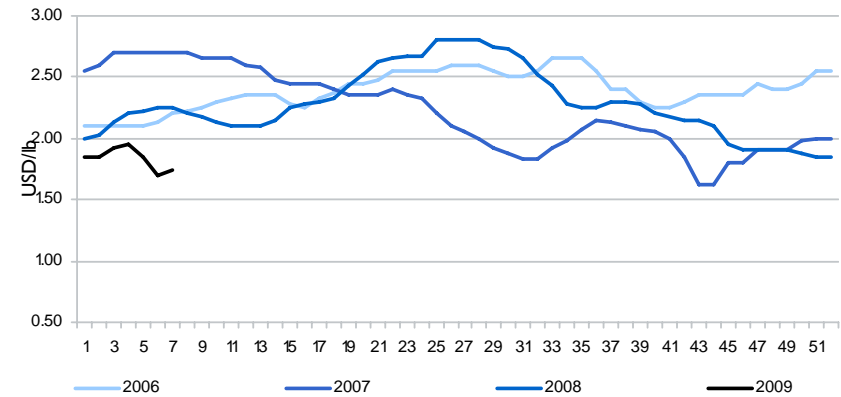
Norwegian salmon price



Source: Carnegie Research, FHL

## Canada (West coast whole fish, fob Seattle, 8-10 lb)

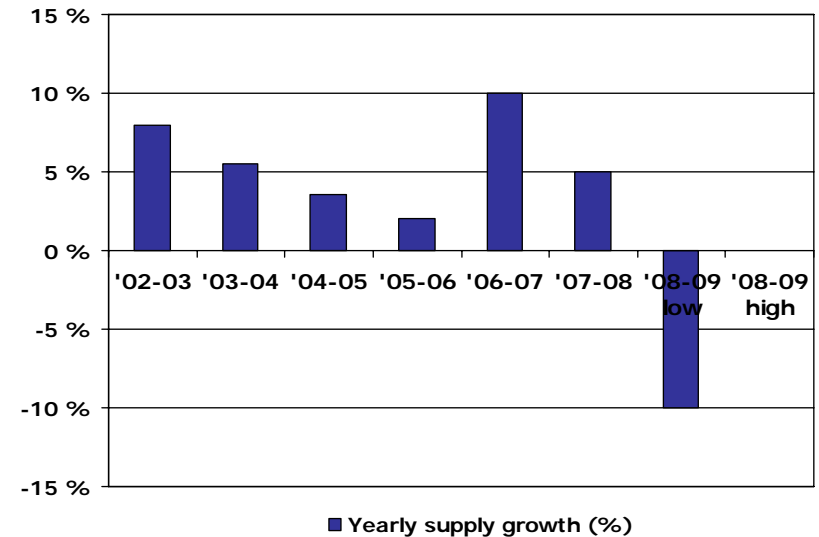
Westcoast whole fish Fob Seattle, 8- 10 lb



Source: Umer Barry, Carnegie Research

## Global supply reduction between 0-10% in 2009

- (GSF up 20%)
  
- **Norway increase by about 10%**
  - Good growth H2-08, less PD
  
- **Chile down by about 40-50%**
  - Severe ISA effect
  
- **UK increase at 4-6%**
  
- **Canada quite flat at 0 – 2%**
  - Slower growth might reduce growth further



Source: Kontali



## Outlook summary

- Harvest plans for 2009 reduced to 60,000 tons (-3,000 tons)
- We are well positioned for further organic growth
- 2010 harvest volume expectation 70-75,000 tons. Capacity and long-term target remains > 80,000 tons
- Additional financing of 236 MNOK in place to secure the growth plan next 2 years
- Price and demand trends remain solid for 2009

# Strategic priorities

## Operational improvements



# Operational improvements (1)

## 1. Reduce FCR (feed conversion ratio)

- Establish an operational inter regional management team
- Establish feeding strategy
- Benchmarking
- Improve biomass control

## 2. Increase knowledge level

- Grieg Training Program

## 3. Improve smolt quality and increase smolt size put to sea

- Optimize utilization of sea sites
- Further developing recirculation units at fresh water sites

## Operational improvements (2)

### 4. Fish Health

- Established an inter regional fish health team
- Reduce mortality and improve animal welfare

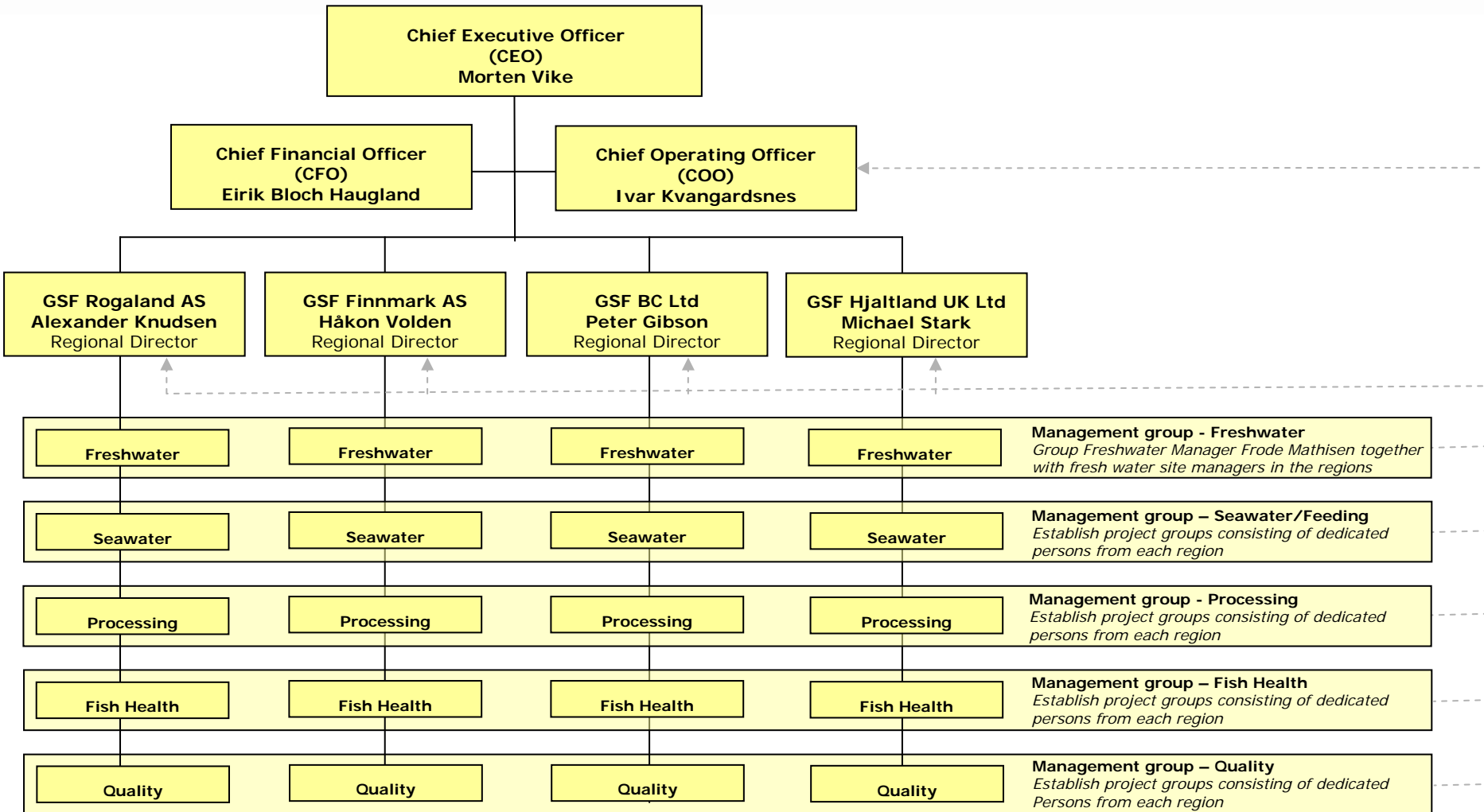
### 5. Improve KPI based management reporting

- Benchmarking
- Focus on deviations and corrective actions

### 6. Adapting organizational structure to support operational focus

- Direct reporting of regions
- COO role – focus on operational improvements across regions
- Cancelled group quality director position

# New Organizational structure (Feb 2009)



**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
  - -4.37 NOK/share Q4
  
- Shareholder structure
  - Free float 32%
  - Biggest 20 has 91.68% of total shares