

cermaq

INTERVIEWS WITH THE LEADERS

A YEAR OF TRANSFORMATION

Chair of the Board Mr Yu Sato and CEO Jon Hindar sum up an eventful year and offer a glimpse of the future.

MR. YU SATO

Chair of the Board



Why did Mitsubishi Corporation wish to enter the salmon farming industry?

Mitsubishi Corporation has been engaged in the marine products businesses, such as tuna, salmon and shrimp, for more than 50 years, and regards it as one of the core businesses of the company. Since 2011, the company has been in the salmon farming business as well through Salmons Humboldt in Chile. Hence, the acquisition of Cermaq was the very natural, necessary, and strategic step to proceed, so called "from catch to grow fish" concept.

How will Mitsubishi Corporation develop Cermaq as a company?

I wish to see Cermaq as "the Best Company" in the salmon farming industry in every aspect, and wish employees to grow good fish to be delivered to good markets by coming closer to the final consumers.

What do you see as your most important task as Chair of the Cermaq board?

In addition to the customary duties of the Chair role, I see one of my important roles as a link between Mitsubishi Corporation and Cermaq, and to ease the interaction between Cermaq and the parent company, and also to motivate all the employees together with the management team to lead the company to the best position.

What are your thoughts regarding Cermaq's approach to sustainability?

Mitsubishi Corporation endorses the work Cermaq has done and continues to do within all aspects of sustainability, and sees that the approach Cermaq has taken is very much in line with the Mitsubishi Corporation's company policy, "[the three corporate principles](#)".

Which synergies do you see for Cermaq in the Mitsubishi Group, and what are your strategies for continued growth in salmon farming?

There can be several areas of synergies between Cermaq and Mitsubishi, which goes far beyond taking out operational synergies between the two salmon farming companies in Chile. These are primarily within the commercial side - particularly in Asia. Cermaq will also benefit from being able to link with Mitsubishi Corporation's vast networks and value chains covering all over the world as well as with the non-business areas, such as human resources development programs.

Mitsubishi Corporation has an expressed growth strategy within expanding industries. How do you see the global future potential for salmon farming?

As Mitsubishi Corporation, we anticipate a significant growth potential for the salmon farming industry, which must be very essential to feed the growing worldwide populations, and we believe that we will not only be part of this growth, but also contribute to the overall promotion of salmon in new markets over the globe.

JON HINDAR
CEO



During 2014, Cermaq has transformed from a public, listed company partly owned by the government to a private, delisted company with one owner – how has this changed the operation of the company?

Above all, beyond a hand full of people in the corporate functions and in top management, very few of my colleagues will really notice a difference from being a listed to a privately held company. From an operational point of view we will continue, as before, to improve our performance within the framework of sustainable aquaculture.

What were the key events, achievements and also failures for Cermaq in 2014?

From a corporate perspective, we succeeded to find a new highly competent majority owner with a long term industrial perspective. Operationally we had our best year ever in our Norwegian operations, despite the significant challenges in the marketplace following the Russian import embargo for the last five months of the year. We were also able to realize our growth ambitions through “green licences” in Norway, new licences in Region XII in Chile, and return to full capacity utilization in Canada. From a financial results perspective, the achievement were not satisfactory, largely caused by the significant decline in market prices in the North American market the last 7-8 months of the year, that explains lower revenue and lower volumes sold in Chile. In addition, we did not achieve our targeted cost reduction for Atlantics in Chile, mainly due to high mortality on large fish caused by the bacterial disease SRS. Despite a significant improvement in all activities related to OHS, reflected in a 50 percent reduction in H1 value, we experienced one work related fatality among our employees in 2014. In many ways this tragic accident underlines why the strong drive in OHS activities will continue with full force in Cermaq.

Which are the main challenges and opportunities for Cermaq in terms of sustainability for the coming year, and how do they relate to Cermaq's longer term goals?

In the salmon farming industry there is no contradiction between good financial performance and operating in a sustainable manner. The sustainability challenges related to fish health are expected to continue also going forward. These are mainly linked to sea-lice and certain virus infections in Norway, primarily SRS and antibiotic usage in Chile, and algae blooms and certain disease challenges in Canada. The best possible management of these challenges, through preventive measures will be key to Cermaq, as well as the rest of the industry, and remains a prerequisite for Cermaq to reach its ambitions from a financial results perspective.

What is your opinion on GSI and its role in the development of the salmon industry?

GSI has in less than three years of operation achieved several important things. Some of the achievements are visible to the general public through a much more active approach to sustainability as an industry sector, including transparency and accountability. Between the member companies there has been significant transfer of knowledge and practices related to fish-health, industry standards, and within advances in sustainable resources for feed. GSI does not intend to play a role on the local scene, as this is already taken well care of by the various national salmon farmers associations, but on the global scene, GSI has an important role to play.

R&D is important in Cermaq, as defined in the articles of association. How does R&D impact the company and how does it add value?

Advances in sustainable aquaculture does not necessarily come by itself, and in general there is systematic and hard development work behind all the achievements that are made in this respect. As a leading global salmon farmer, Cermaq needs to take a lead also within R&D. Only within the area of preventive fish health, there are several concrete challenges associated with well-known disease agents and parasites. In addition there is also important work to do in order to prevent fish health challenges from causes that are not well understood today, or not even known at all. All of the above will invariably have a cost impact, but the current R&D costs relative to actual losses resulting from losing fish in the seawater stage are in fact quite insignificant. Hence, both Cermaq and the industry in general should have more room for increasing the R&D efforts going forward.

You have often underlined that the salmon farming industry must demonstrate that it deserves to grow – how?

This has simply to do with the fact that it is the authorities in the different farming countries, and more precisely the politicians in these countries, who by and large decide if the industry can grow. If the industry fails to demonstrate that it is capable of dealing with the sustainability challenges in the different countries in a way that is acceptable to the general public, it is unlikely that the politicians will allow the industry to grow. It is important to note that the sustainability-linked factors that limit growth are quite different between the different farming countries. However, there is a commonality in as much as the industry needs to demonstrate a serious and a proactive attitude in its ability to handle sustainable growth.

What are your expectations for 2015?

The global economy clearly has its challenges going forward, but the recovery of the US as a

global growth engine and a continued good growth in China, give reason for some level of optimism, although the situation in Europe remains in my view concerning. For the salmon business, however, I firmly believe that the global demand growth will continue, and probably even faster than before in certain countries.

From what I can understand, we cannot expect that Russia will rebound as a significant market for salmon in the near future. Still, there are ample opportunities to compensate for this, both through growth in existing markets and development of new. Therefore market access is not a significant limiting factor, neither for Cermaq nor for the industry as such.

(Photos: Hans Fredrik Asbjørnsen)

