

SalMar ASA

North Atlantic Seafood Conference

CEO Leif Inge Nordhammer
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www.salmar.no



Agenda



This is SalMar



Q4 and preliminary 2013



Production cost in salmon farming

SalMar ASA

Norway  Northern Norway : harvest 43 000 t_{gw} (2014)
+50,4% in 16 licenses in Finnmark (Villa Organic)

 Central Norway : harvest 90 000 t_{gw} (2014)

Scotland



Total harvest 2014: 133 000 t_{gw} (+ 16 %)

50% of Scottish Sea Farms Ltd. – harvest 2014 25 000 t_{gw}

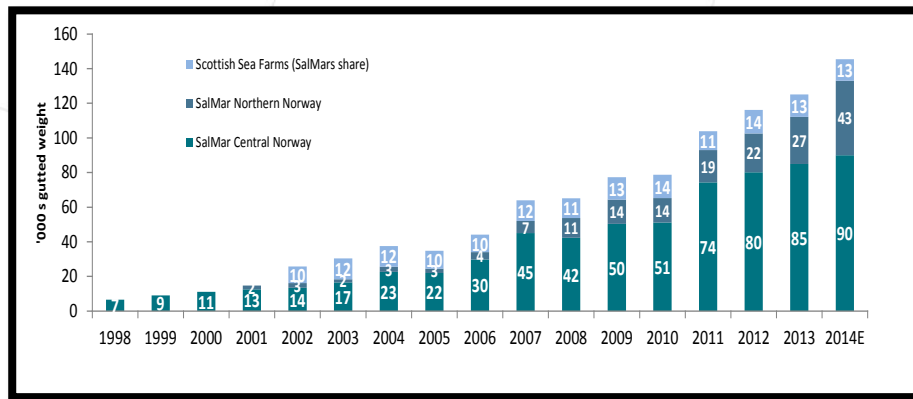
Japan  SalMar Japan KK – sales

 SalMar Korea

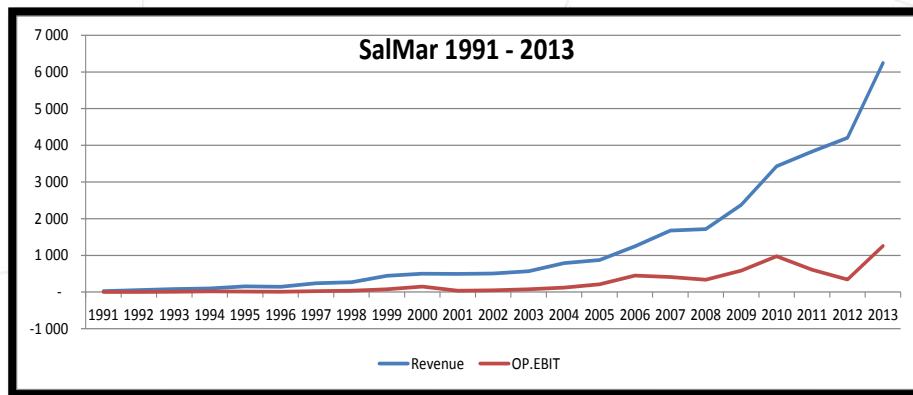
- Founded in 1991, Frøya, Norway, listed on Oslo Stock Exchange May 8th 2007
- Revenues 2013: NOK 6,2 billion
- EBIT: NOK 1,26 billion, pre tax 2,3 billion. Approx. 960 employees
- 83 wholly owned farming licenses in Norway. (95 including all partnerships)



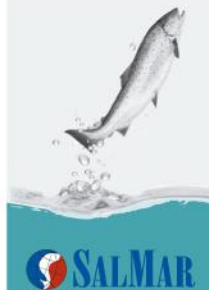
SalMar has been built brick by brick ...



21 % annual growth in volumes



26 % annual growth in EBIT



...to become an fully integrated salmon farmer...



- | | | | | |
|--|---|--|---|---|
| <ul style="list-style-type: none">• Brood stock• Roe• Rauma genetics | <ul style="list-style-type: none">• 7 production facilities• Essential for the performance in the entire value chain | <ul style="list-style-type: none">• 83 owned licenses• 95 including all partnerships• High quality sites | <ul style="list-style-type: none">• InnovaMar facility• Vikenco• Harvesting• VAP• Scale, quality and cost | <ul style="list-style-type: none">• SalMar Sales AS• SalMar Japan KK• SalMar Korea• Long time partners |
|--|---|--|---|---|



...with a strong foothold in three regions...

SalMar's current license situation

Segment	Wholly owned	R&D/partners	Total
Central Norway Trøndelag & Nordmøre	44 (MAB 780 tonns) - Trøndelag: 29 - Nordmøre: 15	9 - Sintef /Veso: 5 - STFK / Frøya VGS: 1 - Other : 3	53
Northern Norway Troms & Finnmark	23 (MAB 945 tonns) -SalMar Nord	1	24
Rauma Møre & Romsdal	16 (MAB 780 tonns) - SalMar Rauma	2 - Villa Miljølaks: 1 - Villa Miljølaks / Ålesund University College: 1	18
Total	83	12	95

+ 50,4% in 16 licenses from Villa Organic (Northern Norway)



...and is now one of the leading salmon producers in the world



The *fourth* largest salmon producer in the *world*



The *third* largest salmon producer in *Norway*



The world's ***largest*** producer of ***organic salmon***



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 Production cost in salmon farming

Financial overview: Group P&L 2013

NOK million	FY 2013	FY 2012
Operating income	6 245,9	4 204,8
Cost of goods sold	3 051,2	2 324,8
Payroll expenses	623,1	483,2
Other operating expenses	1 086,3	886,0
EBITDA	1 485,3	510,8
Depreciations	225,8	170,2
Operational EBIT	1 259,5	340,7
Fair value adjustment	528,2	290,4
Particular biological events		-54,6
Non-recurring gains on aquisition	161,8	62,4
Operational profit	1 949,4	638,9
Income from investments in associates	158,0	93,9
Other financial items	214,7	-124,3
Profit before tax	2 322,1	608,5
Tax	426,9	127,1
Net profit for the period	1 895,2	481,4

2013 profits highest in the company's history.

- High salmon prices
- Record high volumes

BoD will propose a DPS of NOK 8.0

Central Norway more challenging

- PD
- Sea lice

Northern Norway delivering highest margins FY 2013

- EBIT/KG (gw) NOK 13,45

Operational EBIT: MNOK 1 259,5
Pre tax 2,3 billion



Segments 4Q13 – Mixed bag

NOKm	Q4 13	Q4 12	FY 2013	FY 2012
Operating income (mill.)	546,7	463,5	2 702,0	1 727,7
Operational EBIT (mill.)	148,4	61,5	924,2	202,6
Operational EBIT %	27,2%	13,3%	34,2%	11,7%
Harvested volume (1,000 tgw)	14,0	16,9	70,2	65,3
EBIT/ kg gw (NOK)	10,58	3,64	13,17	3,10

Farming Central Norway

- Somewhat disappointing EBIT margin
 - PD-handling, increased cost
 - Increased number of lice treatments
 - Harvest volume skewed towards first half of the quarter
 - Earnings lifted by higher prices

NOKm	Q4 13	Q4 12	FY 2013	FY 2012
Operating income (mill.)	429,0	320,3	912,7	692,0
Operational EBIT (mill.)	164,1	49,6	320,2	83,4
Operational EBIT %	38,3%	15,5%	35,1%	12,0%
Harvested volume (1,000 tgw)	10,7	9,2	23,8	22,4
EBIT/ kg gw (NOK)	15,32	5,36	13,45	3,73

Farming Northern Norway

- Good performance
 - Strong EBIT margin in the quarter
 - Harvest volume evenly distributed throughout the quarter
 - Good biological development improving underlying cost for standing biomass



Segments 4Q13 – Mixed bag

NOKm	Q4 13	Q4 12	FY 2013	FY 2012
Operating income (mill.)	187,0	97,0	595,4	419,4
Operational EBIT (mill.)	44,4	-7,5	161,9	0,8
Operational EBIT %	23,7%	-7,7%	27,2%	0,2%
Harvested volume (1,000 tgw)	4,4	3,5	14,9	14,9
EBIT/ kg gw (NOK)	10,02	-2,16	10,88	0,06

Farming Rauma

- Operational challenges related to PD
 - Organic salmon 45% of volumes
 - Earnings-improvements from higher volumes and higher prices

NOKm	Q4 13	Q3 13	FY 2013
Operating income (mill.)	232,1	82,4	314,5
Operational EBIT (mill.)	60,5	-6,0	54,4
Operational EBIT %	26,0%	-7,3%	17,3%
Harvested volume (1,000 tgw)	5,0	1,1	6,1
EBIT/ kg gw (NOK)	12,18	-5,37	8,95

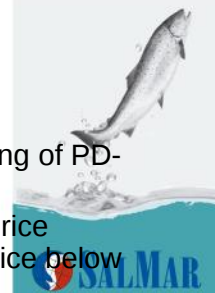
Villa Organic

- Improved operational efficiency
 - The process of splitting the company progresses as planned

NOKm	Q4 13	Q4 12	FY 2013	FY 2012
Operating income (mill.)	1 622,8	1 296,8	6 047,4	4 231,3
Operational EBIT (mill.)	-37,6	16,2	-160,9	55,0
Operational EBIT %	-2,3%	1,2%	-2,7%	1,3%

Sales and Processing

- Challenges related to handling of PD-fish
 - 25% of volume on fixed price contracts with average price below spot



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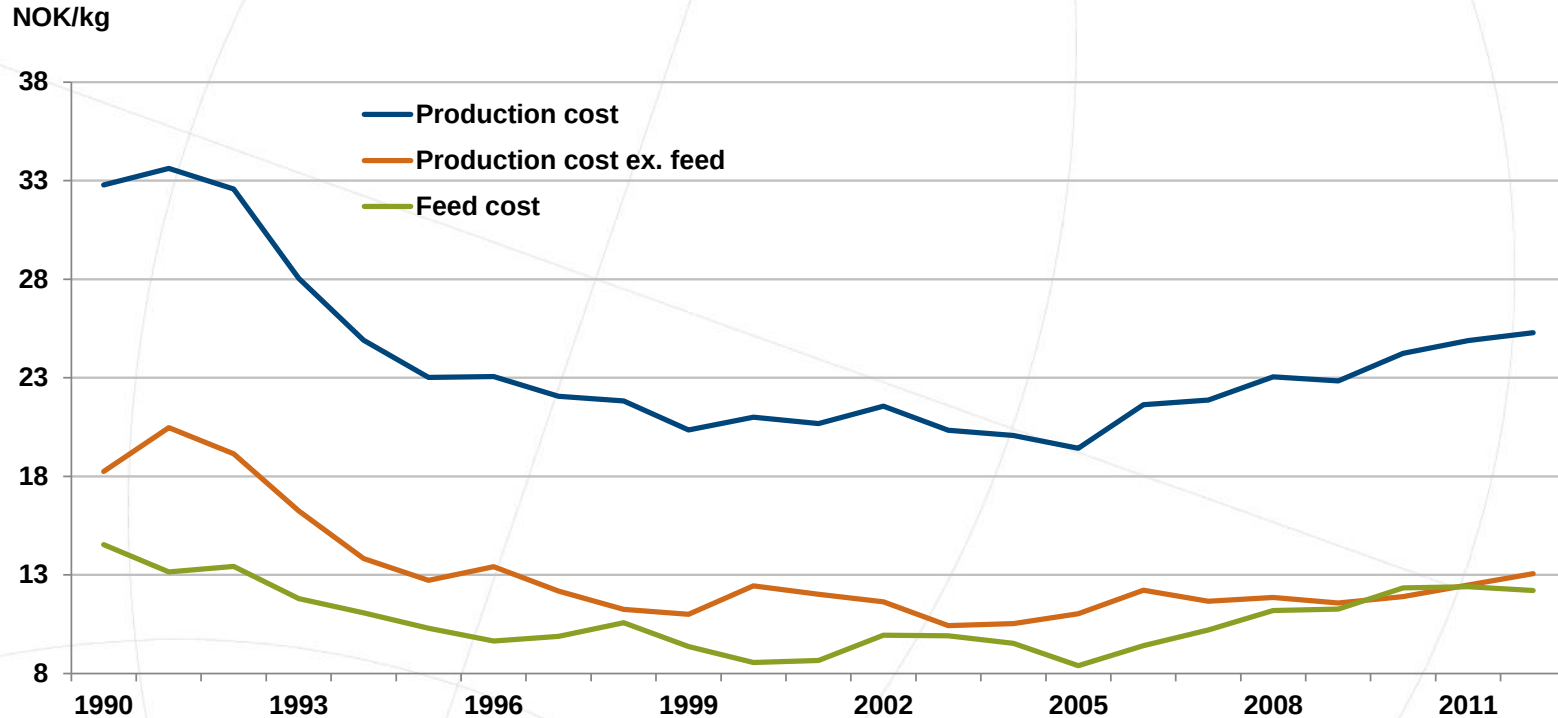
 Q4 and preliminary 2013

 Production cost in salmon farming



Disturbing cost development

Cost of feed far from everything – but contributed most



Source: Norwegian Directorate of Fisheries, SalMar



Once upon a time

NOK 15,38
pr. kg gutted weight in box

Norway

Scotland

Japan

Best performing SalMar site 2005G

SalMar Top performer 2005G	NOK/KG
Harvest volume: 6800	
Health & veterinarian	0,06
Finance costs	0,08
Fish insurance	0,11
Diving & inspection costs	0,14
Equipment, ropes, anchoring	0,17
Repair & maintenance costs	0,24
Other operating costs (incl. Maintenance boats)	0,28
Administration costs	0,35
Depreciation	0,49
Salary costs	0,63
Smolt costs	1,52
Feed costs	6,47
Production cost pr. kilo, live fish	10,55
Production cost pr. kilo, gutted	12,71
Wellboat/package/ harvest costs	2,67
Total production cost pr. kilo	15,38

Production cost (live fish) 10,55

– Equal to 15,38 gutted in box

EFCR 1,00

Salary costs NOK 0,63 pr. kg

Administration costs NOK 0,35 pr. kg

Other operating costs NOK 0,28 pr. kg

Health & veterinarian cost NOK 0,06 pr. kg



Marked difference from best performing 2005G to 2013 production cost levels

- Estimated average production cost listed companies 2013
NOK 26,63 per kg gutted weight

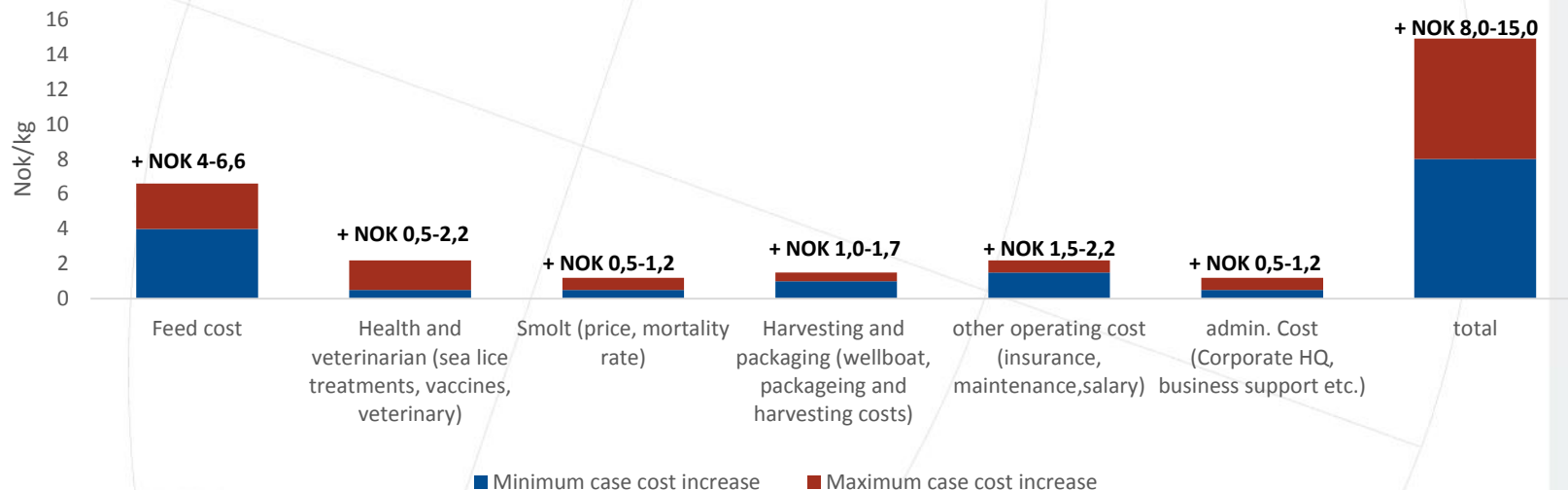
- Comparison:

	Top performer 2005 G	Sample 2010 harvest	Sample 2013 harvest	Δ 05G – 2013 harvest
Cost live weight	10,55	15,94	19,32	+ 8,77
Cost gutted in sea	12,71	19,20	23,28	+10,57
Harvest, well boat & packaging	2,67	2,80	3,35	+ 0,68
Cost gutted weight	15,38	22,00	26,63	+11,25

Source: SalMar estimates, SSB, Fishpool, data listed companies

Illustration of developments in key cost components

Cost components and cost development 05G VS 2013 harvest



Cost related to PD and sea lice is now especially increasing in Central Norway



Success factors to combat the cost development for the industry

Cost component	Focus areas and actions to mitigate cost increase (examples)
Feed Costs	EFCR, selection of feed (feed composition), raw material, commodity prices
Health & veterinarian	Sea lice treatment: Wrasse, mechanical, less use of chemicals
Administration	"Rightsizing" the organisation, streamline IT & communication platforms, effective business support
Smolt	Genetics, Size, timing, mortality rate, vaccines (PD)
Harvesting & VAP	Economies of scale, high capacity utilization, automation, flexibility
Reduce production time in sea	Size of smolt, fewer and effective treatments of sea lice
Other operating costs	Centralized purchasing arrangements, efficient working practices, high utilization of fixed assets, pre rigor fillets

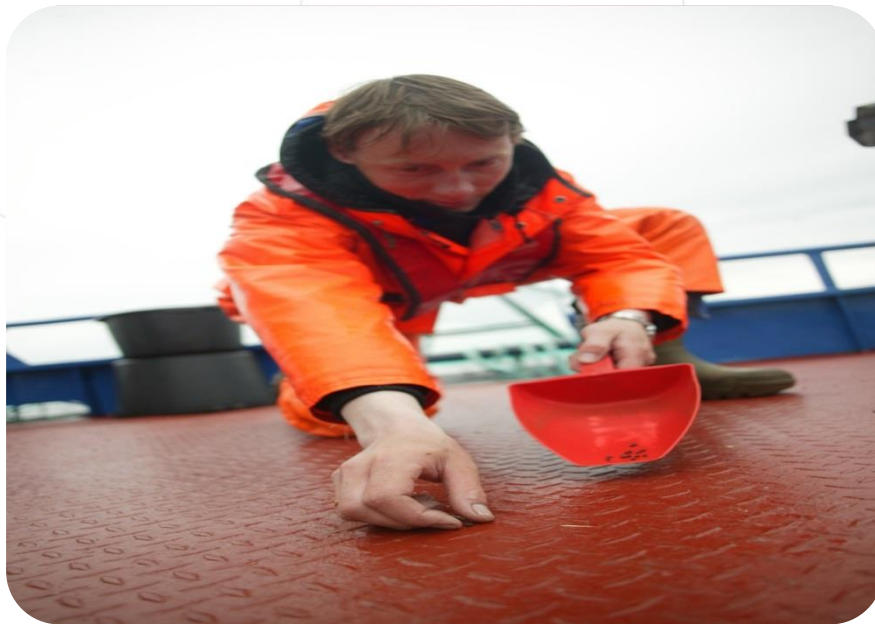
How much of the cost increase can be addressed ?

NOK 4,00 – 5,00

(Equals to NOK 21,50 – 22,50 pr. kg gutted in box)



Salmon farming is «all» about details



*** Act fast – be patient !**



Costs: Battling the issues of to day while planning for tomorrow

Today



- Reduce current production cost
- Direct focus on cost components and operational actions to mitigate cost increases.

Tomorrow



- Gain access to new semi-offshore farming sites.
 - New farming technology
 - Reduce biological pressure
- Reduced biological risk and farming on the salmon's conditions.



Thank you for your attention

See: www.salmar.no for more information

www.salmar.no

