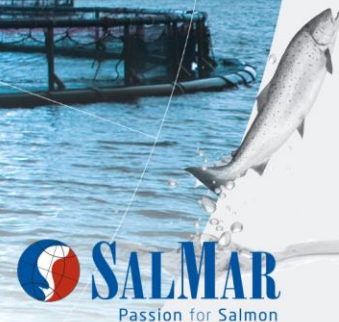


Nordea Salmon Summit 2014

Large sized smolt as a tool for growth

CEO Leif Inge Nordhammer



Agenda

 About SalMar – Q3 2014 / 9M 2014


 Large sized smolt as a tool for growth

SalMar ASA

Norway  Northern Norway: **32 licenses**

 Central Norway: **68 licenses**

Scotland

 50% of Scottish Sea Farms Ltd: 27 000 TGW (2015E)

SalMar Group Norway: 2015E: 137 000 TGW

- Founded in 1991, Frøya, Norway. Listed on Oslo Stock Exchange May 8th 2007.
- Approx. 960 employees.
- Revenues 2013: **NOK 6,2 billion**, EBIT: NOK 1,26 billion
- 100 wholly owned farming licenses in Norway – 114 including partnerships/R&D
- Mcap 14,3 billion NOK

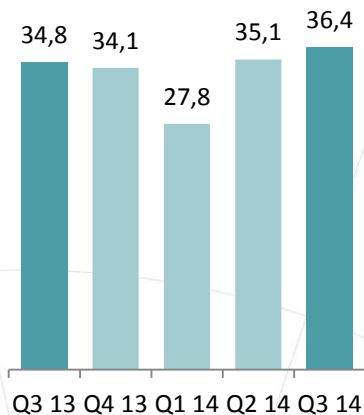
South Korea  **SalMar Korea**

Japan  **SalMar Japan KK - sales**

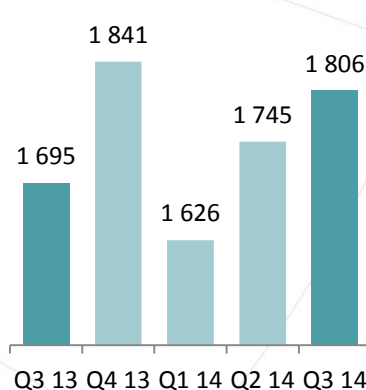
3Q and YTD highlights

- Harvest volumes 36 400 tons and EBIT NOK 12,01 per kg
- YTD harvest volumes 99 300 tons and EBIT 13,80 per kg
- Biological situation challenging, and affecting operating costs negatively
- Scottish Sea farms 8 100 tons and EBIT NOK 5,92 – YTD 22000 tons and EBIT NOK 9,21

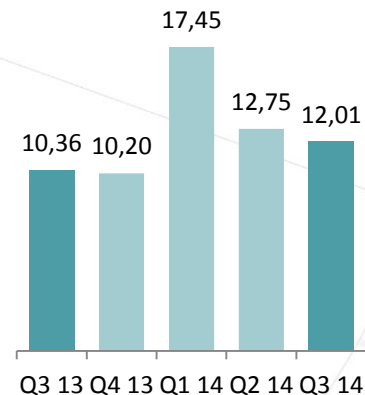
Harvest volume (1,000 tons)



Operating income (NOKm)



EBIT/kg (NOK)



Group profit and loss

NOK Million	Q3 2014	Q3 2013	YTD 2014	YTD 2013	FY 2013
Operating income	1,806.2	1,695.4	5,177.2	4,404.8	6,245.9
Cost of goods sold	843.3	823.3	2,249.0	2,112.2	3,051.2
Payroll expenses	157.1	165.5	516.0	436.6	623.1
Other operating expenses	304.3	288.5	843.6	791.4	1,086.3
EBITDA	501.5	418.1	1,568.7	1,064.6	1,485.3
Depreciations	63.8	57.7	198.4	153.2	225.8
Operational EBIT	437.7	360.4	1,370.3	911.4	1,259.5
Fair value adjustment	207.2	-94.9	-104.9	57.8	528.2
Particular biological events	-	-	-	-	-
Non-recurring gains on aquisition	-	-	-	197.5	161.8
Operational profit	644.9	265.5	1,265.4	1,166.7	1,949.4
Income from investments in associates	10.4	30.5	65.0	124.6	158.0
Other financial items	-37.0	35.7	-89.2	192.5	214.7
Profit before tax	618.2	331.7	1,241.3	1,483.8	2,322.1
Tax	164.2	65.7	316.0	241.3	418.7
Net profit for the period	454.1	266.0	925.3	1,242.5	1,903.4

- Revenues driven by higher harvest volumes and a contract-share of 60%
- Average salmon price (NASDAQ Index) NOK 35.29/ kg (NOK 38.88/kg)
- The biological situation under control but affecting costs negatively

Group balance sheet

NOK Million	30/09/2014	30/06/2014	31/12/2013	30/09/2013
ASSETS				
Intangible fixed assets	2,819.4	2,906.3	2,464.1	2,448.3
Tangible fixed assets	1,985.1	2,039.4	1,859.3	1,512.8
Financial fixed assets	485.4	462.5	408.8	1,016.4
Total fixed assets	5,289.8	5,408.2	4,732.2	4,977.5
Inventory	3,239.5	2,912.3	3,248.7	2,774.8
Accounts receivables	703.4	532.6	662.1	738.7
Other short-term receivables	362.3	230.3	217.6	160.8
Cash and cash equivalents	199.7	368.2	1,071.0	345.8
Total current assets	4,504.8	4,043.3	5,199.4	4,020.2
TOTAL ASSETS	9,794.6	9,451.6	9,931.6	8,997.7
EQUITY AND LIABILITIES				
Paid-in equity	476.6	476.6	476.6	493.8
Reserves	4,270.6	3,826.2	4,246.4	3,601.2
Minority interests	34.3	355.6	337.8	291.5
Total equity	4,781.5	4,658.3	5,060.8	4,386.5
Provisions for liabilities	1,465.0	1,342.1	1,199.6	1,058.0
Int. bearing long-term liabilities	2,153.8	2,310.0	2,446.2	2,128.0
Total long-term liabilities	3,618.8	3,652.1	3,645.8	3,186.1
Int. bearing short-term liabilities	685.4	355.8	397.2	627.4
Other short-term liabilities	708.9	785.3	827.8	797.7
Total short-term liabilities	1,394.3	1,141.2	1,225.0	1,425.1
TOTAL EQUITY AND LIABILITIES	9,794.6	9,451.6	9,931.6	8,997.7
Net interest bearing debt	2,639.5	2,297.6	1,772.4	2,409.6
Equity share	48.8 %	49.3 %	51.0 %	48.8 %

Demerger of Villa Organic effective from 01.07.2014

Equity NOK 4,781.5m

Net interest bearing debt increased by NOK 342m to NOK 2,639.5m

Agenda

- 🌐 About SalMar – Q3 2014 / 9M 2014

- 🌐 Large sized smolt as a tool for growth

What is a large sized smolt?

🌐 No clear definition

+100 grams?

250 grams?

Even larger?



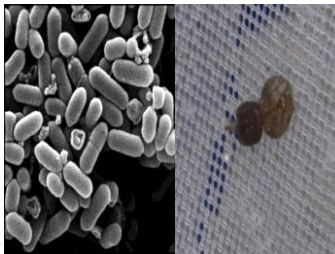
Large sized smolt as a tool for growth

Main effects of large sized smolt



Shorter production time at sea

- Utilization of MAB
- Increased utilization of sites
- Increased harvest volume
- Need to control farming zones



Reduced biological risk

- More robust
- Less treatments



Better utilization of existing farming facilities

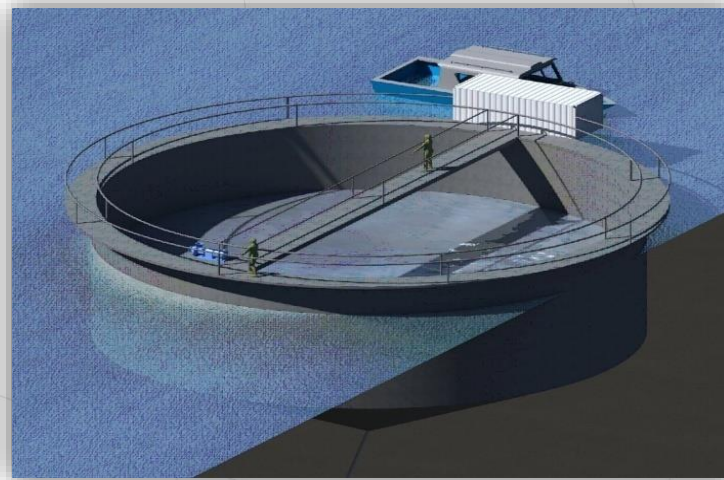
- Production on fewer sites

How to best produce large sized smolt?



Traditional hatcheries

- Known technology
- Freed MAB
- Higher cost



Closed farming site

- Technology unsafe?
- Higher density
- Cost structure
- Biological challenges



Closed farming - High investment costs

(160m net pen = 40 000 m³ = MNOK 2.0= 1000 tons)

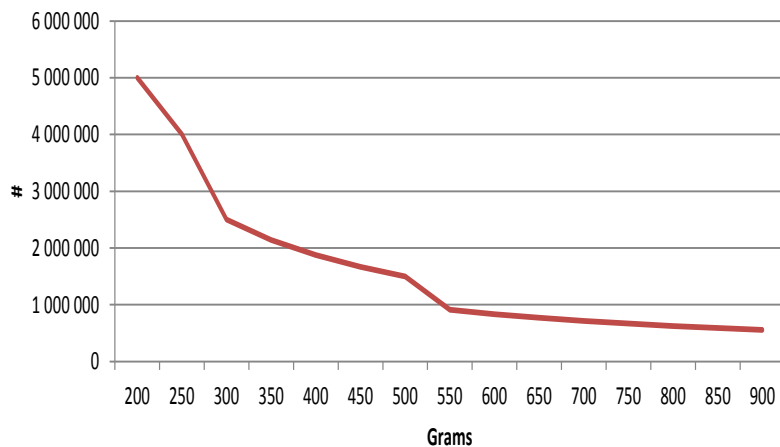
- 🌐 Closed farming site – sea: 2000 – 3000 NOK/ m³
→ 40 000 m³ = 80 - 120 MNOK
- 🌐 Closed farming site – onshore: 20 000 NOK/ m³
→ 40 000 m³ = 800 MNOK
 - Higher density?
 - Max. 50kg/ m³?



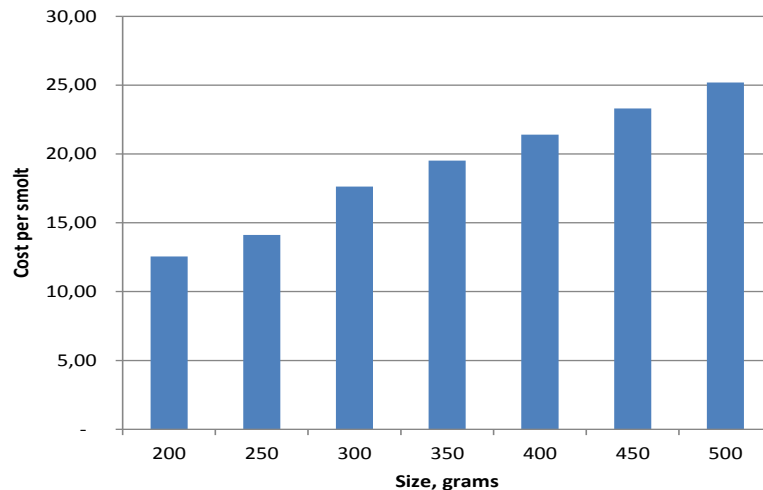
Output and cost calculations in traditional hatcheries

The bigger they are the more they cost

Number per year relative to size at a given capacity



Total cost per smolt



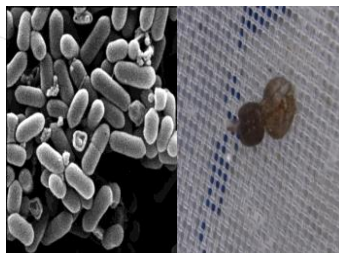
Cost per smolt increases significantly with the increase in average weight

Can the extra juvenile cost be justified by reduced cost in sea?

- 🌐 Yes, but it depends on more efficient production in the sea phase:



Shorter production time at sea



Reduced biological risk



Better utilization of existing farming facilities

Summary

- Large smolts (+200 grams) is a tool for growth
- Utilization of MAB, sites
- Slightly increased volume per licence
- Reduced costs
 - Less treatments
 - More robust
- Traditional hatcheries up to 250 gram – then to a normal sea phase
- Challenges
 - Expertise
 - Environment, disease outbreak
 - Quality
 - Legislation (nrs, density)