

SalMar ASA

Growth potential within existing licenses in Norway


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www.salmar.no



Agenda

 About SalMar – Q4 2014 / FY 2014

 Growth potential within existing licenses in Norway

SalMar ASA

Norway  Northern Norway: 32 licenses

 Central Norway: 68 licenses

Scotland

 50% of Scottish Sea Farms Ltd: **31 000 gwt**
- Mainland, Shetland, Orkney

Harvest volum Norway 2015E: 139 000 gwt

- Revenues 2014: 7,19 billion
- EBIT: NOK 1,88 billion
- 13 Partnership/R&D licenses
- MCAP: 14 billion NOK

South Korea  SalMar Korea

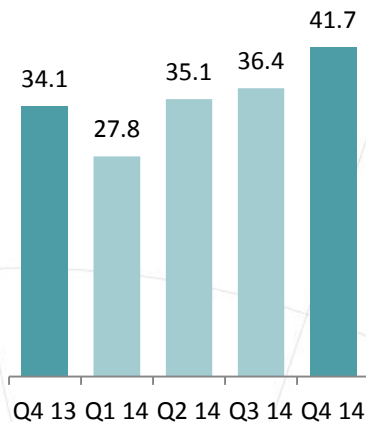
Japan  SalMar Japan KK - sales



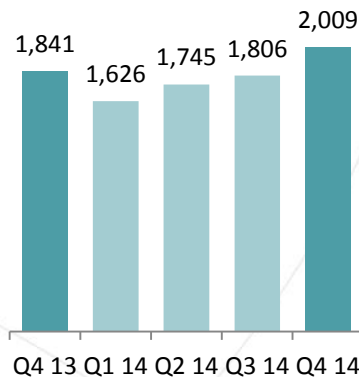
2014 highlights

- Increased prices and high harvest volumes gave profit growth and record revenues.
- Harvest of 141 000 gwt – 46 % of harvested volume sold on contract
- Still challenges with PD and treatment cost to control level of salmon lice
- Annual EBIT 13,33 NOK per kg
- The board recommends a dividend payment of NOK 10 per share.

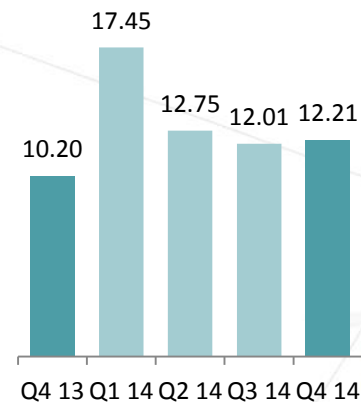
Quarterly harvest volume (1,000 tons)



Operating income (NOKm) per quarter



EBIT/kg (NOK) per quarter



Group profit and loss

NOK Million	Q4 2014	Q4 2013	FY 2014	FY 2013
Operating income	2,008.7	1,841.1	7,185.9	6,245.9
Cost of goods sold	926.3	939.0	3,175.3	3,051.2
Payroll expenses	194.5	186.5	710.4	623.1
Other operating expenses	299.4	294.9	1,143.0	1,086.3
EBITDA	588.5	420.7	2,157.2	1,485.3
Depreciations	79.7	72.6	278.2	225.8
Operational EBIT	508.7	348.1	1,879.0	1,259.5
Fair value adjustment	-127.5	470.4	-232.3	528.2
Particular biological events	-	-	-	-
Non-recurring gains on aquisition	-	-35.8	-	161.8
Operational profit	381.3	782.7	1,646.7	1,949.4
Income from investments in associates	31.1	33.4	96.1	158.0
Other financial items	-24.8	22.2	-114.0	214.7
Profit before tax	387.5	838.3	1,628.8	2,322.1
Tax	97.4	185.6	413.4	418.7
Net profit for the period	290.1	652.7	1,215.5	1,903.4

- Revenues driven by higher harvest volumes
- Average salmon price (NASDAQ Index) NOK 39.09/ kg (NOK 42.02/kg)
- Contract share of 50% in Q4
- EBIT/kg NOK 12.21 in Q4 vs NOK 10.20 in Q4 13
- Cost improvement in Q414



Group balance sheet

NOK Million	31/12/2014	30/09/2014	31/12/2013
ASSETS			
Intangible fixed assets	2,898.6	2,819.4	2,464.1
Tangible fixed assets	2,017.6	1,985.1	1,859.3
Financial fixed assets	539.2	485.4	408.8
Total fixed assets	5,455.4	5,289.8	4,732.2
Inventory	3,321.1	3,239.5	3,248.7
Accounts receivables	888.2	703.4	662.1
Other short-term receivables	292.6	362.3	217.6
Cash and cash equivalents	167.0	199.7	1,071.0
Total current assets	4,669.0	4,504.8	5,199.4
TOTAL ASSETS	10,124.4	9,794.6	9,931.6
EQUITY AND LIABILITIES			
Paid-in equity	476.6	476.6	476.6
Reserves	4,600.1	4,270.6	4,246.4
Minority interests	60.6	34.3	337.8
Total equity	5,137.3	4,781.5	5,060.8
Provisions for liabilities	1,256.6	1,465.0	1,199.6
Int. bearing long-term liabilities	2,191.6	2,153.8	2,446.2
Total long-term liabilities	3,448.1	3,618.8	3,645.8
Int. bearing short-term liabilities	276.7	685.4	397.2
Other short-term liabilities	1,262.3	708.9	827.8
Total short-term liabilities	1,539.0	1,394.3	1,225.0
TOTAL EQUITY AND LIABILITIES	10,124.4	9,794.6	9,931.6
Net interest bearing debt	2,301.3	2,639.5	1,772.4
Equity share	50.7 %	48.8 %	51.0 %

• Total assets NOK 10,1 billion

• Fixed assets increased due to acquisitions and capex


• Account receivables up, but number of credit days stable
 – Reserve for doubtful receivables NOK 11.2m

• Equity NOK 5,1 billion (51 %)

• NIBD NOK 2,3 billion



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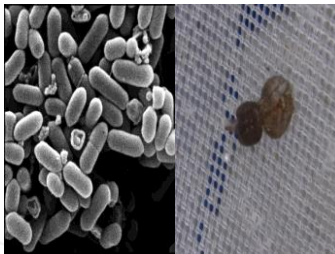
Potential within smolt optimization

Large sized smolt key for further growth



Shorter production time at sea

- Utilization of site MAB, overall MAB
- Increased utilization of sites
- Need to control/cooperate in farming zones



Reduced biological risk

- More robust, higher survival rate
- Less treatments
- More sustainable

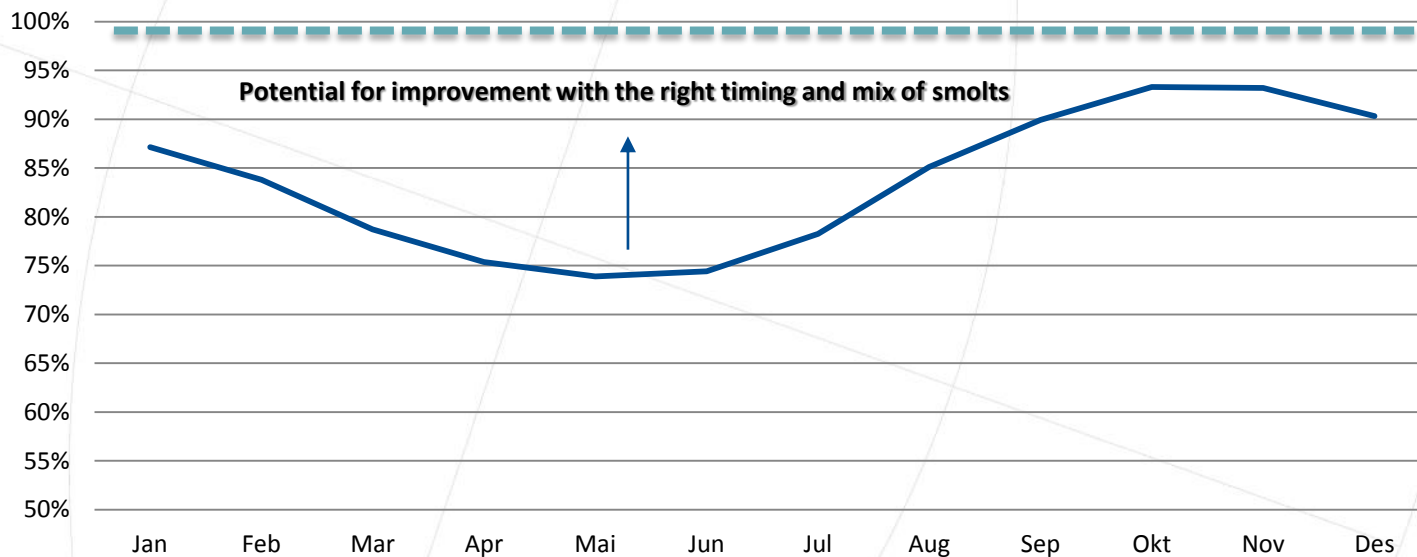


Better utilization of existing farming facilities

- Production on fewer sites

We can do better

Average MAB utilization Norway 2010-2014



Average utilization ~85% (whole year)



Growth within existing licenses is attractive seeing the current high license cost



Need to develop our selves (and technology) - help us get even better control...

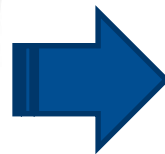
...and that helps us utilize the existing licenses

Status on biomass

- Numbers
- Size
- Average weight



FCR



MAB - utilization

- Help reduce headroom



Larger smolts - cost potential as well

Current average production cost approx. NOK 28/kg

Better utilization
of people and
equipment

Higher
survival rate
in the sea

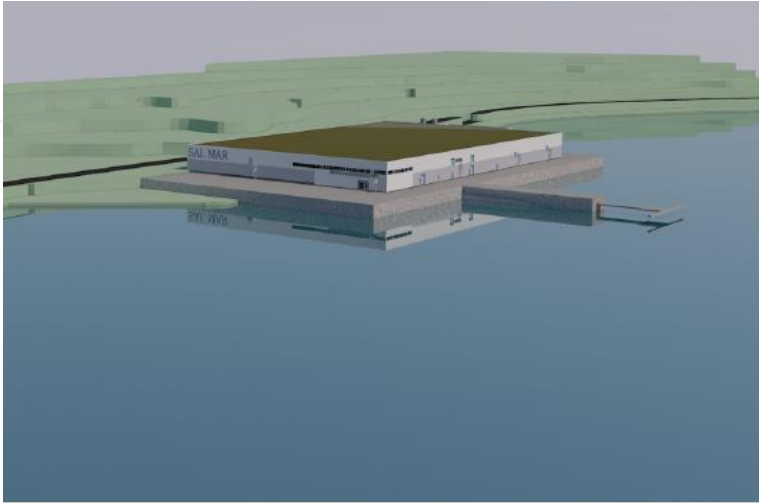
Less
sea lice
treatments

Reduced
production
time in sea

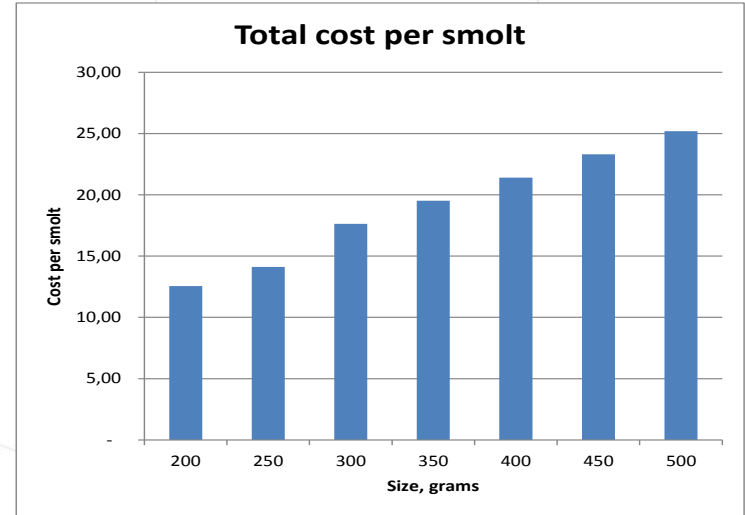
Combating cost.
Help turn recent cost trend



But: large smolts = large investments...



- SalMar invests approx. 500 NOKM in new production freshwater site
 - Production Cap: 15 mill.+ 4 mill lager smolt 250 gr +



- The bigger they are the more they cost
 - Cost per smolt increases significantly with the increase in average weight

... and its not done over night

- There are some challenges:
 - New infrastructure – takes time to build
 - Expertise – the right people and the right “know how”
 - Quality
 - Legislation (nrs, density)
- Earliest sign of major effects on large smolt programs: 2018



Summary:

- There is growth potential within existing licenses in Norway
- Large smolts and timing on generations – harvest planning
- Recirc. technology – less use of freshwater – more sustainable
- Traditional hatcheries up to 250 gram – then to a normal sea phase
- Effects larger with full control on farming zones
- Potential to combat cost development
- Will demand large investments
- There are challenges that needs to be overcome
- Will take time ~ sign of effects earliest 2018?



Thank you for your attention

See: www.salmar.no for more information

www.salmar.no



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