



Is 30 the new 20 for good?

Nordea Salmon Summit

November 2015

CEO | Leif Inge Nordhammer



Agenda

- About SalMar – Q3 2015 / 9M 2015
- Is 30 the new 20 for good?

Scotland

SalMar Central Norway

SalMar Northern Norway

50% av Scottish Sea Farms Ltd: 28 000 t_{gw} in 2015
Mainland, Shetland, Orkney

SalMar Japan

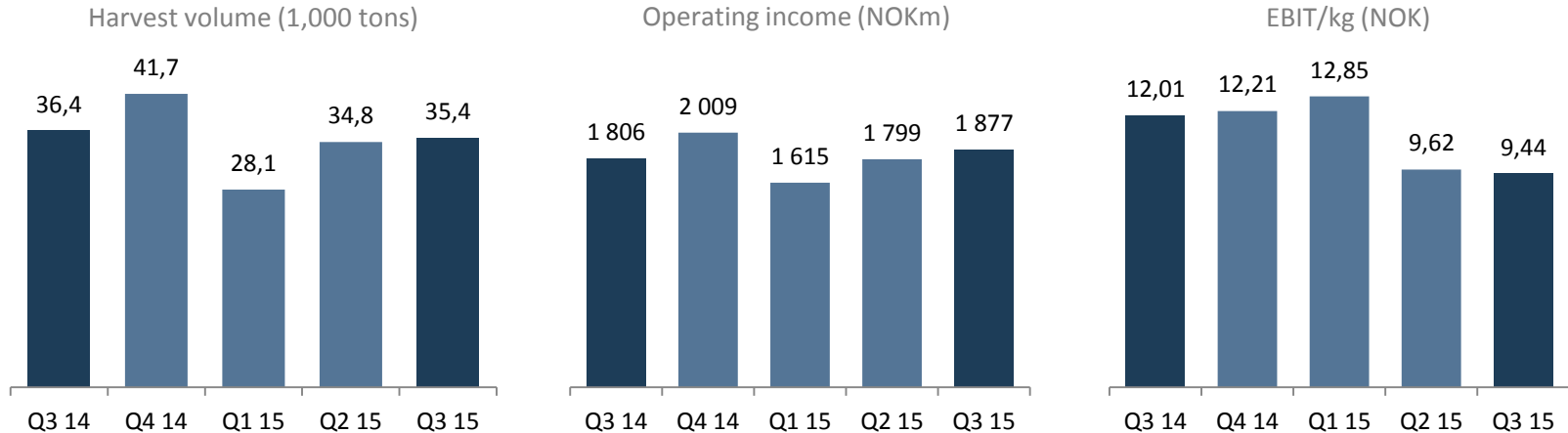
SalMar Korea

- 101 wholly owned farming licenses in Norway, 113 incl. partnerships/R&D
- MCAP: 16 billion NOK

- Estimated harvest volumes 2015: 135 000 tons
- The world's largest producer of organic salmon
- The third largest salmon producer in Norway
- Delivers salmon to +40 countries

Third quarter 2015 highlights

- Operational EBIT of NOK 334m
- Salmon prices mainly driven by weak NOK
- Production costs in the quarter negatively affected by the biological situation
- Higher feed-cost driving costs on harvested volumes yoy
- Guiding for 2015 down 4 000 tons to 135 000 tons.



Group profit and loss

<i>NOK Million</i>	Q3 2015	Q3 2014	YTD 2015	YTD 2014	FY 2014
Operating income	1,876.6	1,806.2	5,291.0	5,177.2	7,185.9
Cost of goods sold	931.9	843.3	2,545.9	2,249.0	3,175.3
Payroll expenses	197.0	157.1	564.7	516.0	710.4
Other operating expenses	338.3	304.3	924.0	843.6	1,143.0
EBITDA	409.5	501.5	1,256.4	1,568.7	2,157.2
Depreciations	75.8	63.8	226.8	198.4	278.2
Operational EBIT	333.7	437.7	1,029.6	1,370.3	1,879.0
Fair value adjustment	141.2	207.2	21.5	-104.9	-232.3
Operational profit	474.9	644.9	1,051.1	1,265.4	1,646.7
Income from investments in associates	4.2	10.4	26.1	65.0	96.1
Other financial items	-24.9	-37.0	-70.5	-89.2	-114.0
Profit before tax	454.3	618.2	1,006.7	1,241.3	1,628.8
Tax	118.1	164.2	264.7	316.0	413.4
Net profit for the period	336.2	454.1	741.9	925.3	1,215.5

- Revenues driven by higher prices
- Contract share of 45% with negative price effect
- Production costs mainly affected by sanitary conditions

Group balance sheet

NOK Million	30/09/2015	30/06/2015	31/12/2014	30/09/2014
ASSETS				
Intangible fixed assets	2,929.7	2,921.6	2,898.6	2,819.4
Tangible fixed assets	2,210.3	2,144.1	2,017.6	1,985.1
Financial fixed assets	571.0	595.4	539.2	485.4
Total fixed assets	5,711.0	5,661.1	5,455.4	5,289.8
Inventory	3,581.7	3,031.9	3,321.1	3,239.5
Accounts receivables	890.8	841.8	888.2	703.4
Other short-term receivables	235.3	219.6	292.6	362.3
Cash and cash equivalents	96.3	109.0	167.0	199.7
Total current assets	4,804.2	4,202.3	4,669.0	4,504.8
TOTAL ASSETS	10,515.2	9,863.5	10,124.4	9,794.6
EQUITY AND LIABILITIES				
Paid-in equity	476.6	476.6	476.6	476.6
Reserves	4,275.1	3,923.7	4,600.1	4,270.6
Minority interests	77.5	68.5	60.6	34.3
Total equity	4,829.2	4,468.7	5,137.3	4,781.5
Provisions for liabilities	1,281.0	1,201.5	1,262.6	1,465.0
Int. bearing long-term liabilities	2,452.6	2,516.1	2,191.6	2,153.8
Total long-term liabilities	3,733.6	3,717.6	3,454.2	3,618.8
Int. bearing short-term liabilities	333.4	325.0	276.7	685.4
Other short-term liabilities	1,619.0	1,352.1	1,256.3	708.9
Total short-term liabilities	1,952.4	1,677.1	1,533.0	1,394.3
TOTAL EQUITY AND LIABILITIES	10,515.2	9,863.5	10,124.4	9,794.6
Net interest bearing debt	2,689.7	2,732.2	2,301.3	2,639.5
Equity share	45.9 %	45.3 %	50.7 %	48.8 %

- Investments in line with ongoing investment programs, above depreciations
- Investment program in freshwater
- NIBD NOK 2,689.7 million
- Strong financial position



Agenda

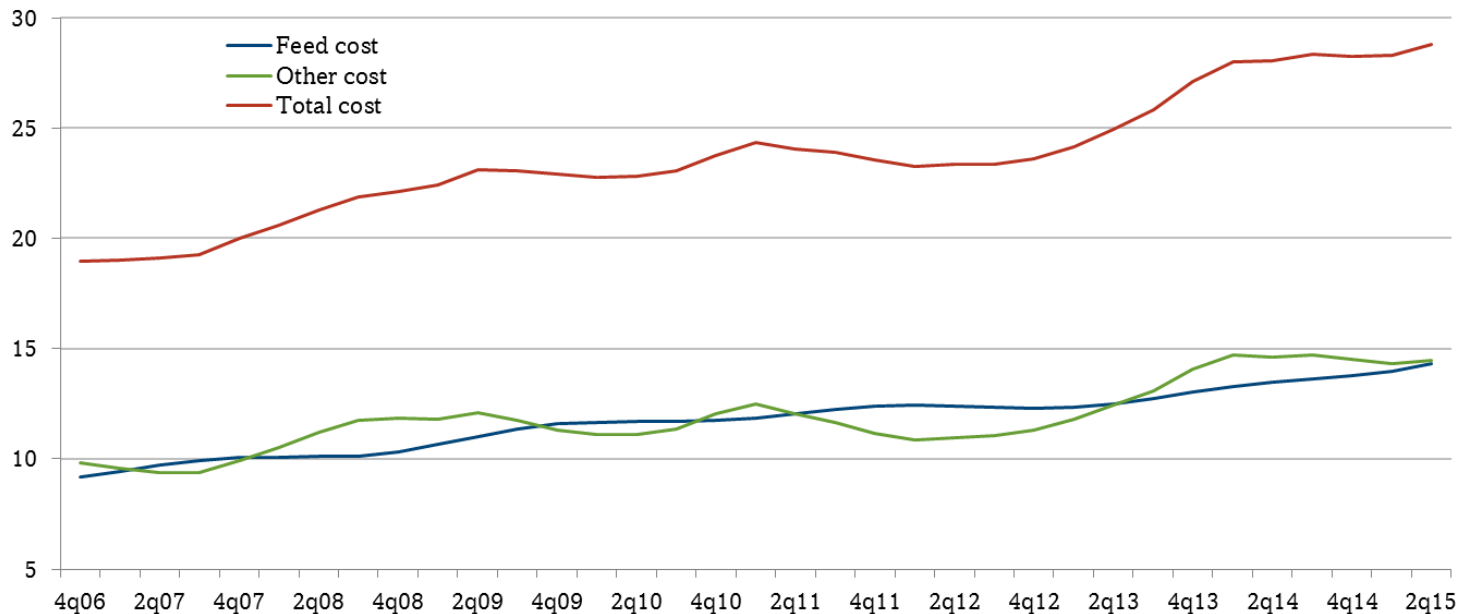
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Costs +10 NOK/kg – 50/50 feed/other

South of NOK 20 now closing in on NOK 30

4q Rolling Average Implied Production Cost – Norwegian Salmon Farming Industry

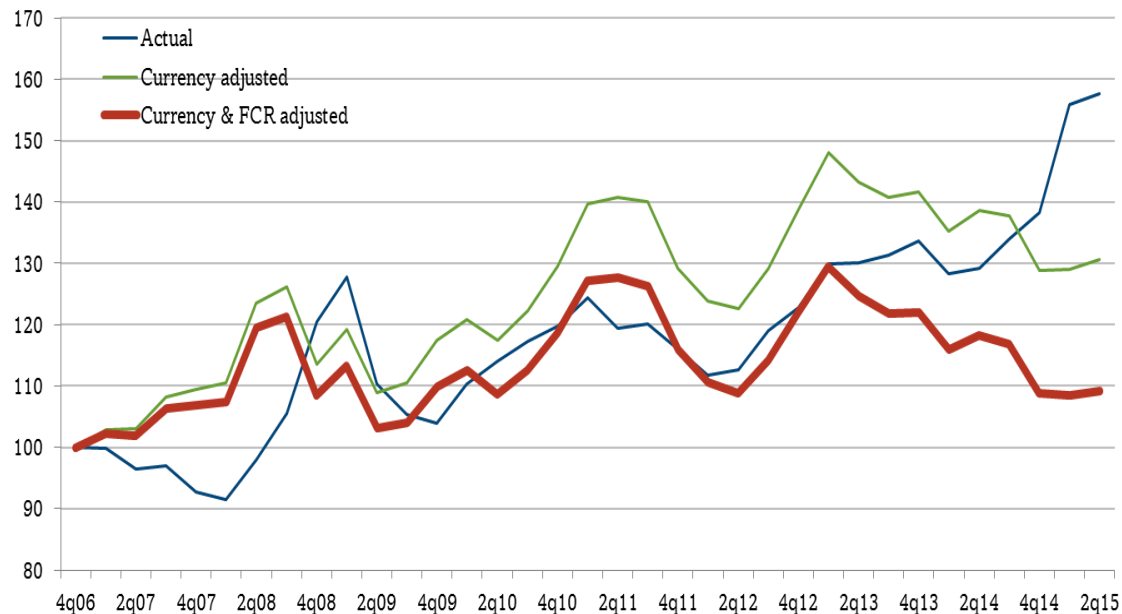
NOK/kg HOG



Adjusted for currency and FCR feed price is up 10%

Run-rate Proxy Feed Price Break-up

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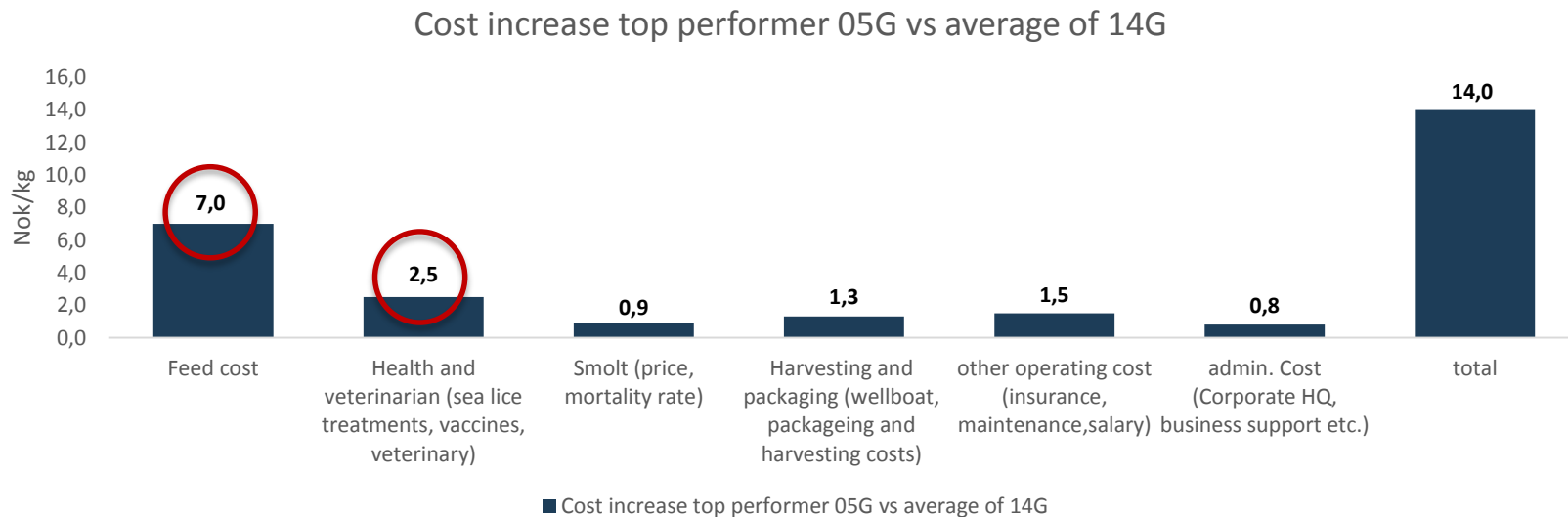
- USD up approx. 33% the last year
- efc from 1,05 (05G) to north of 1,2

Number of reasons:

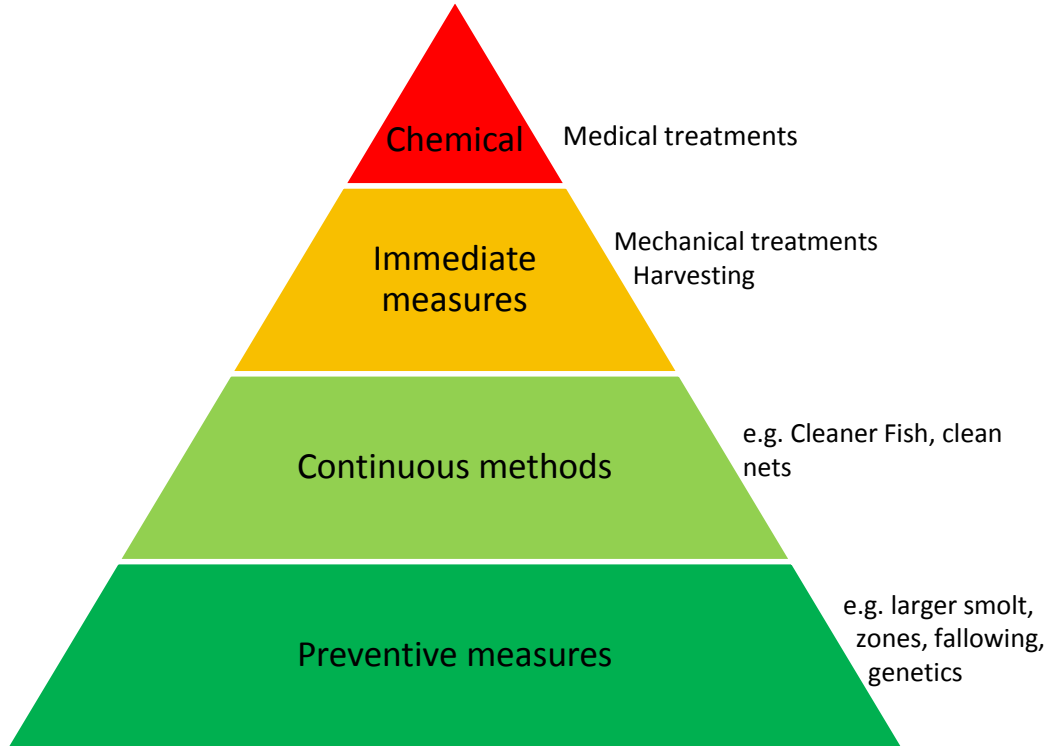
- Site quality
- Higher mortality
- Increased number non-feed days
- Quality of feed?

Illustration of developments in key cost components

Feed cost and Sea lice main drivers



How to combat the sea lice and sea lice cost

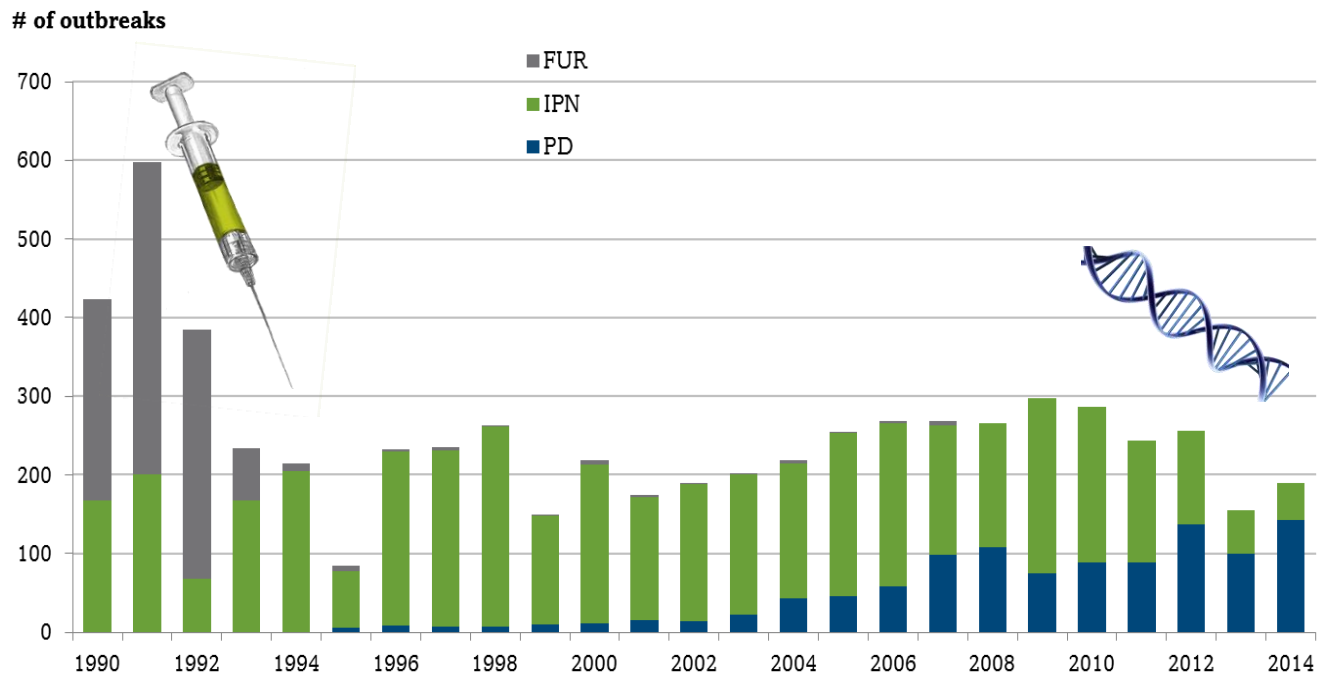


- North of NOK 2 in direct cost related to sea lice
- Indirect costs comes in addition to this
- Cost examples:
 - Counting of sea lice approx. NOK 0,30 / kg
 - Cleaner fish (5% mix) all. inc. NOK 0,35 / kg
 - Clean nets NOK 0,35 / kg
 - Higher mortality NOK 0,22 / kg
- Loss of ongrowth will also affect indirect cost

Sea lice tool box – we are technology optimists

Work in progress – we have done it before

Number of Disease Outbreaks – Selected Diseases



- An even better PD vaccine
- IPN solved with QTL

Other cost components can also be addressed

Cost component	Focus areas and actions to mitigate cost increase (examples)
Feed Costs	EFCR, selection of feed (feed composition), raw material, commodity prices, feeding strategies
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 4,0 – 5,0

(Equals to NOK 25 pr. kg gutted in box)

Salmon farming is «all» about details



*** Act fast – be patient !**

Costs: Battling the issues of today... ...while planning for tomorrow

Today



Tomorrow



- Reduce current production cost
- Direct focus on cost components and operational actions to mitigate cost increases.
- Gain access to new semi-offshore farming sites.
 - New farming technology
 - Reduce biological pressure
- Reduced biological risk and farming on the salmons conditions.

30 is the new 20 is to pessimistic

NOK 25 a more reflected perspective?



- Biological situation drives cost
- Better prepared for “next season”
- Smarter operations and stronger biological control is key to control costs
- “Planning for tomorrow”
Battling the issues of today while working relentlessly with the tools for the future. e.g. Offshore farming.
- Close collaboration with other farmers, authorities and the service industry important.
- White paper for growth?

Thank you for your attention!

