North Atlantic Seafood Forum

Bergen, 6. March 2014

John Binde, CEO

AGENDA:

- NRS in brief
- Current status and outlook
- Farming growth in Norway
- Large smolt vs sustainability

Business areas:

SALMON FARMING

4 companies
Finnmark, Troms,
Hordaland, Rogaland

25 licenses
Volume 2013: 25.200 tons

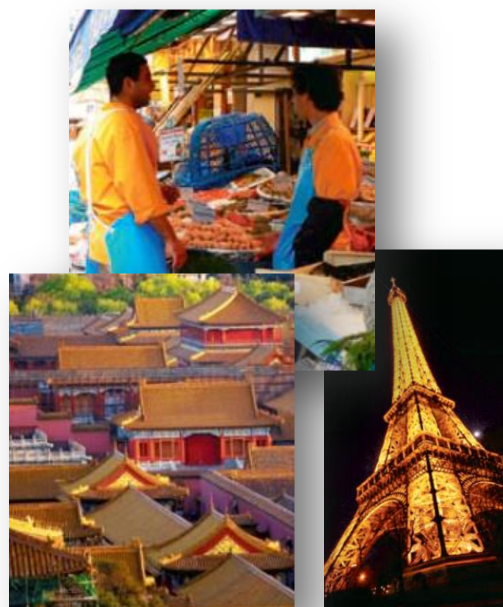
EXPORT / TRADING

Salmon fresh & frozen
95 % export
50 countries

Sales 2013: 62.200 tons
Revenue: 2.600 MNOK

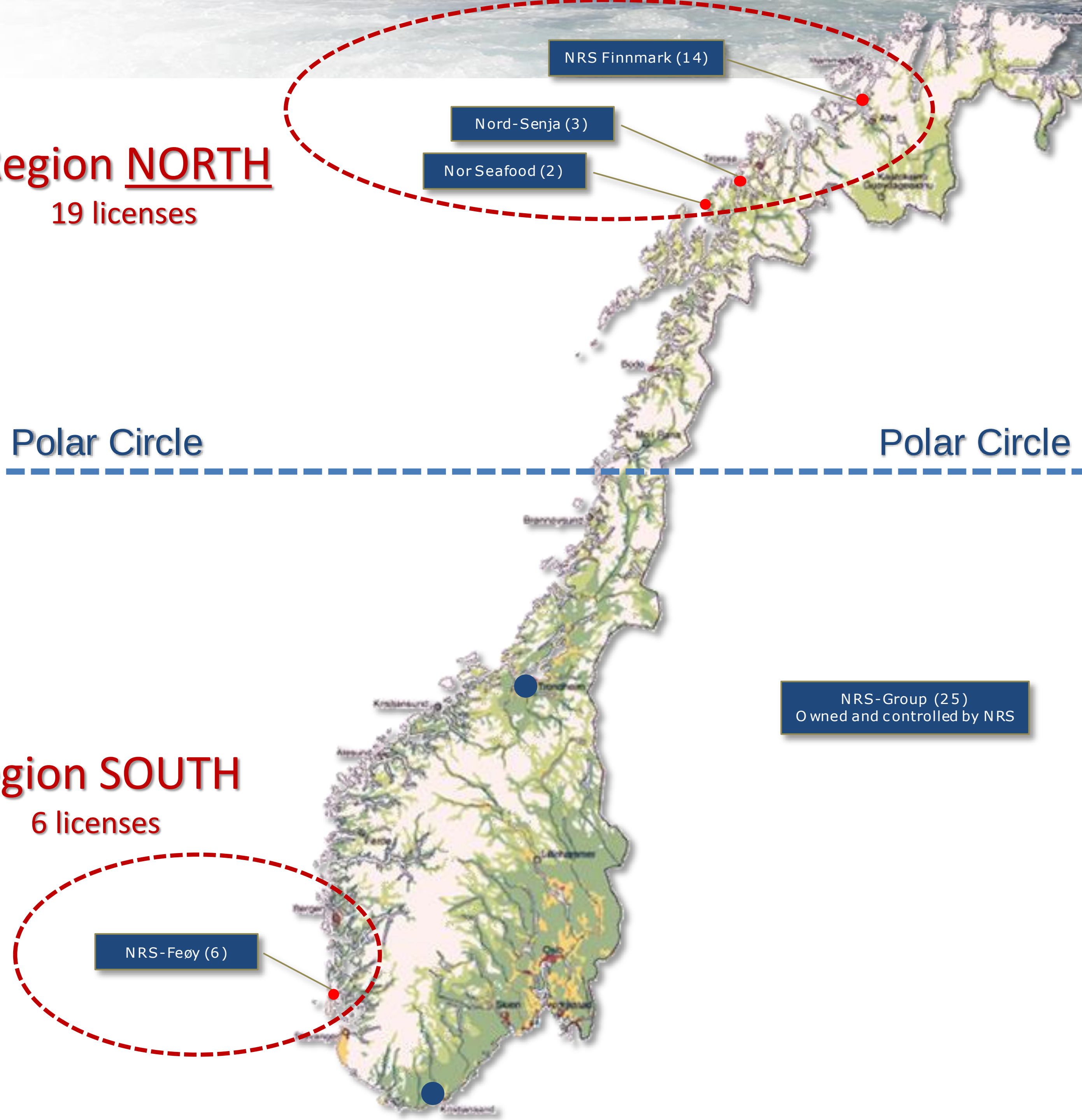
CHAIN MANAGEMENT

Procurement
Quality Assurance
Food Safety
Bench Marking
Public Relations

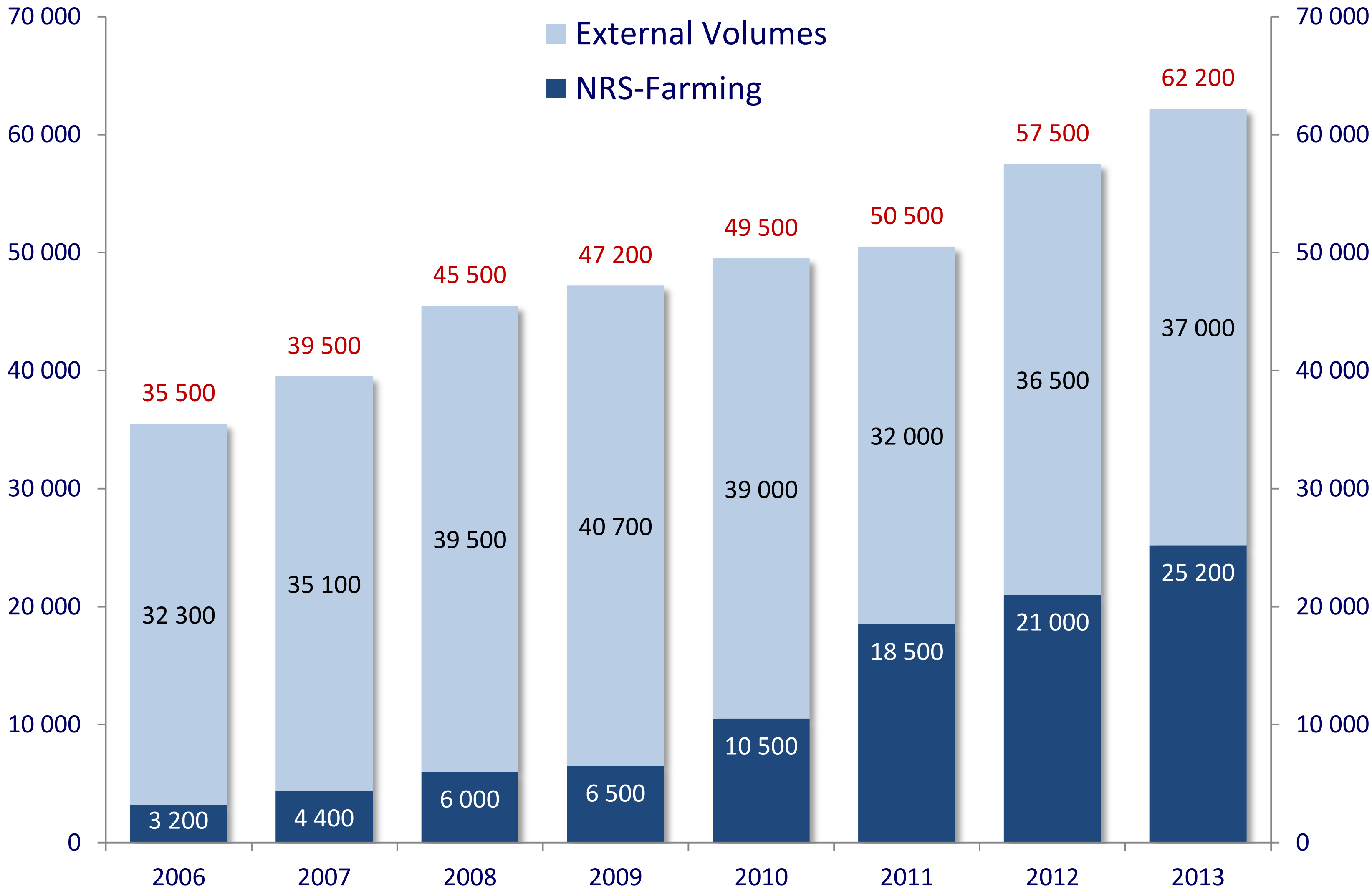


Region NORTH
19 licenses

Region SOUTH
6 licenses



Development of volumes from NRS



Highlights in Q4 2013:

- The best quarterly and yearly result in NRS' history
  - MNOK 91 in Q4-13 and MNOK 256 for the year
- Continued strong salmon market driven by increased demand and low supply growth
  - Historically high salmon prices throughout the quarter
  - Promising outlook with historically high forward prices
- Reduced harvesting volume
  - Planned harvesting in December was reduced due to unforeseen events in Region North and low growth in Region South
  - Estimated harvesting volume for 2014 is reduced to 29 000 tonnes due to low growth in Region South, and premature harvesting in Troms due to sea lice
- Favourable refinancing with increased flexibility
- Dividend proposal of NOK 2.20 per share
  - 41 % of earnings per share

Highlights in Q4 2013

KEY FIGURES (NOK '000)	**Q4 2013**	**Q4 2012**	**FY 2013**	**FY 2012**
Operating revenues	851 450	543 003	2 603 712	1 744 266
Operational EBITDA	100 323	16 568	289 729	50 866
Operational EBIT [1)]	91 366	8 484	256 002	20 416
EBIT	95 594	6 774	350 727	69 845
Income from associates	13 566	2 973	28 834	10 464
EBT	120 783	-1 945	396 292	40 749
EPS (NOK) [2)]	2,43	-0,30	5,43	-0,12
ROACE [3)]	25,3 %	2,1 %	25,3 %	2,1 %
Op. cash flow	38 037	-6 558	211 835	-2 828
Capital expenditure	18 421	8 295	65 399	34 747
Net interest-bearing debt	453 883	566 075	453 883	566 075
Equity ratio	42,4 %	36,2 %	42,4 %	36,2 %
Volume harvested (HOG)	8 383	7 337	25 191	21 162
Operational EBIT per kg Farming	12,02	1,45	11,71	1,25
Op. EBIT per kg Sales inc. contracts	-0,08	0,35	-0,59	1,00
Total operational EBIT per kg	11,94	1,80	11,12	2,25
Volume sold	19 858	18 115	62 141	57 673

1) EBIT pre fair value adjustments and non-recurring items

2) Earnings per share pre fair value adjustments

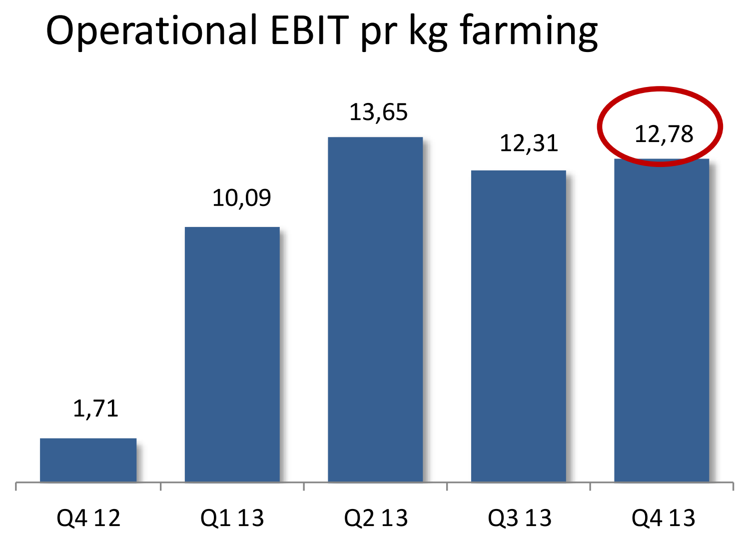
3) ROACE: Return on average capital employed based on 4-quarters rolling operational EBIT / average (NIBD + Equity - Financial assets)

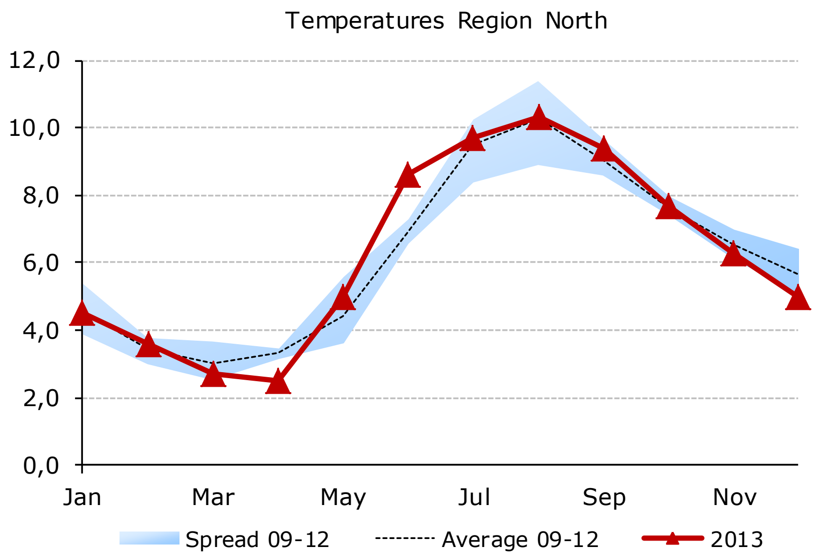
- Average salmon price (NASDAQ) up 52 % from Q4 last year with significant positive impact on profits
- Harvested volume up by 14 % and sold volume up by 10 % from Q4 last year
- Operational EBIT MNOK 91.4 in Q4 13
  - Cost of escaped fish by MNOK 2.2
  - Loss on fixed price contracts of MNOK 5.8
  - Increased provision for doubtful receivables with MNOK 5.8
- Positive cash flow from operations with MNOK 38.7
- Equity ratio increased in Q4 13 to 42.4 % from 39.5 % due a strong total result

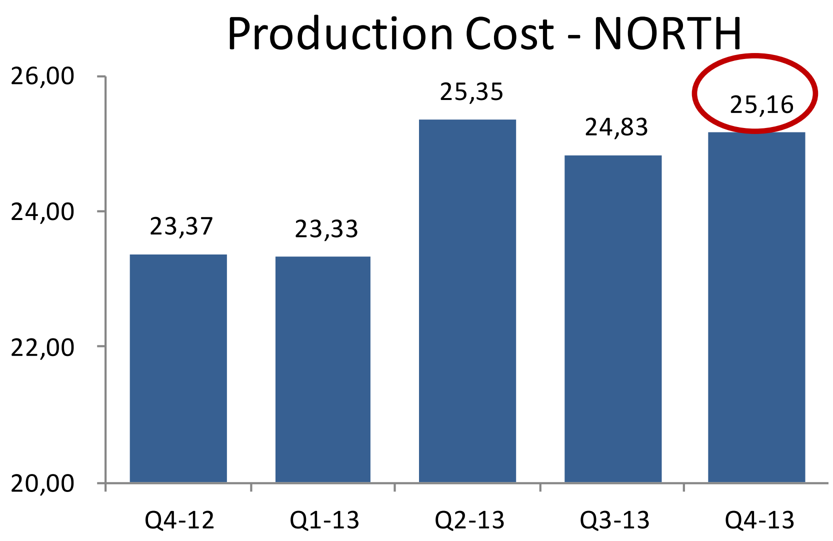
Region North

KEY FIGURES (NOK '000)	Q4 2013	Q4 2012
Operating revenues	626 738	325 354
Operational EBIT *	78 796	9 039
Volume harvested (tonnes)	6 204	4 397
Operational EBIT per kg Farming	12,78	1,70
Op. EBIT per kg Sales inc. contracts	-0,08	0,35
Total operational EBIT per kg	12,70	2,06

* EBIT pre fair value adjustments and non-recurring items incl. allocated margin from sales



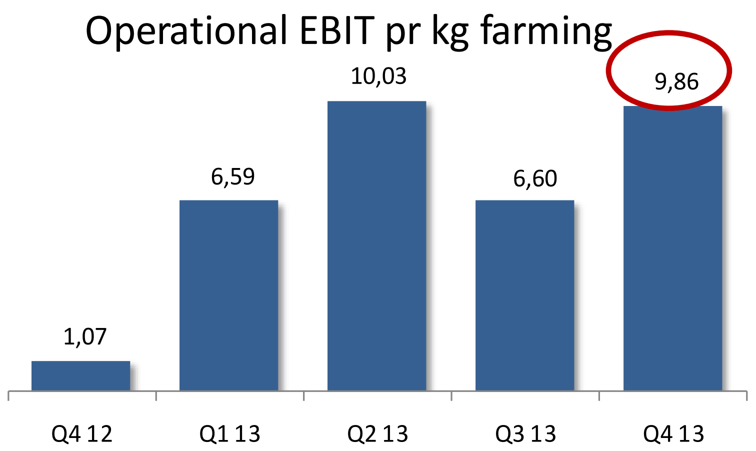


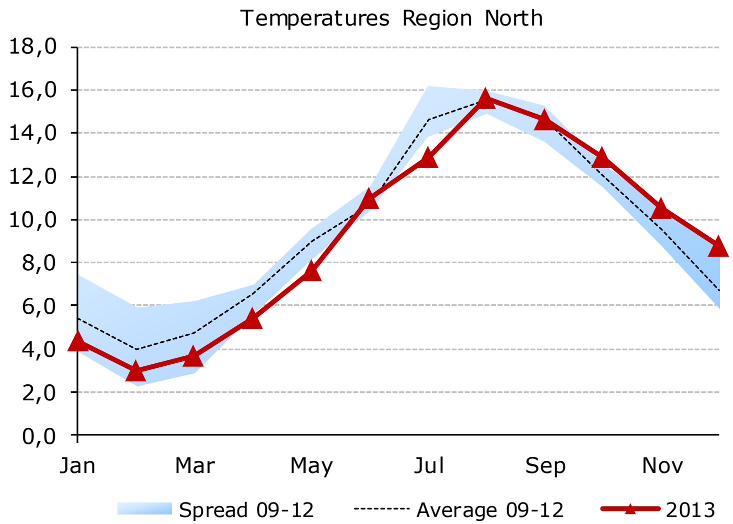


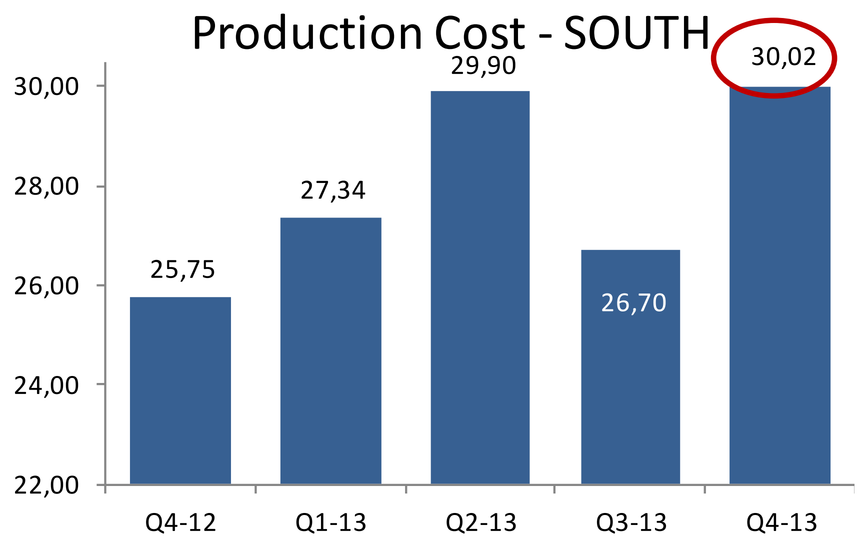
Region South

KEY FIGURES (NOK '000)	Q4 2013	Q4 2012
Operating revenues	219 928	217 455
Operational EBIT *	21 316	4 184
Volume harvested (tonnes)	2 179	2 940
Operational EBIT per kg Farming	9,86	1,07
Op. EBIT per kg Sales inc. contracts	-0,08	0,35
Total operational EBIT per kg*	9,78	1,42

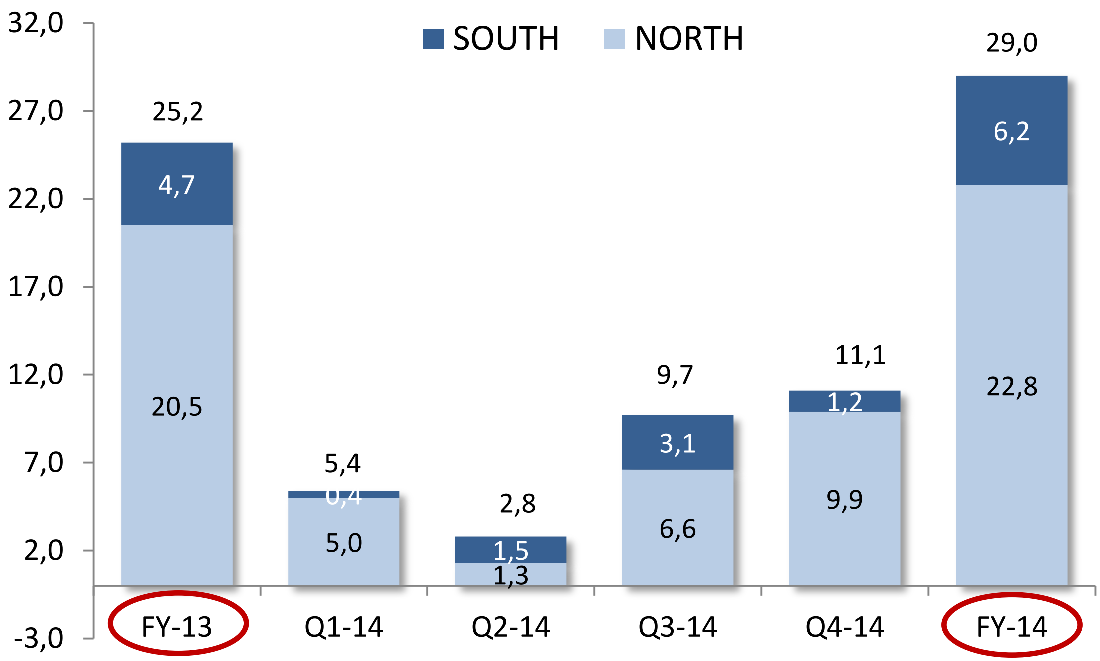
* EBIT pre fair value adjustments and non-recurring items incl. allocated margin from sales







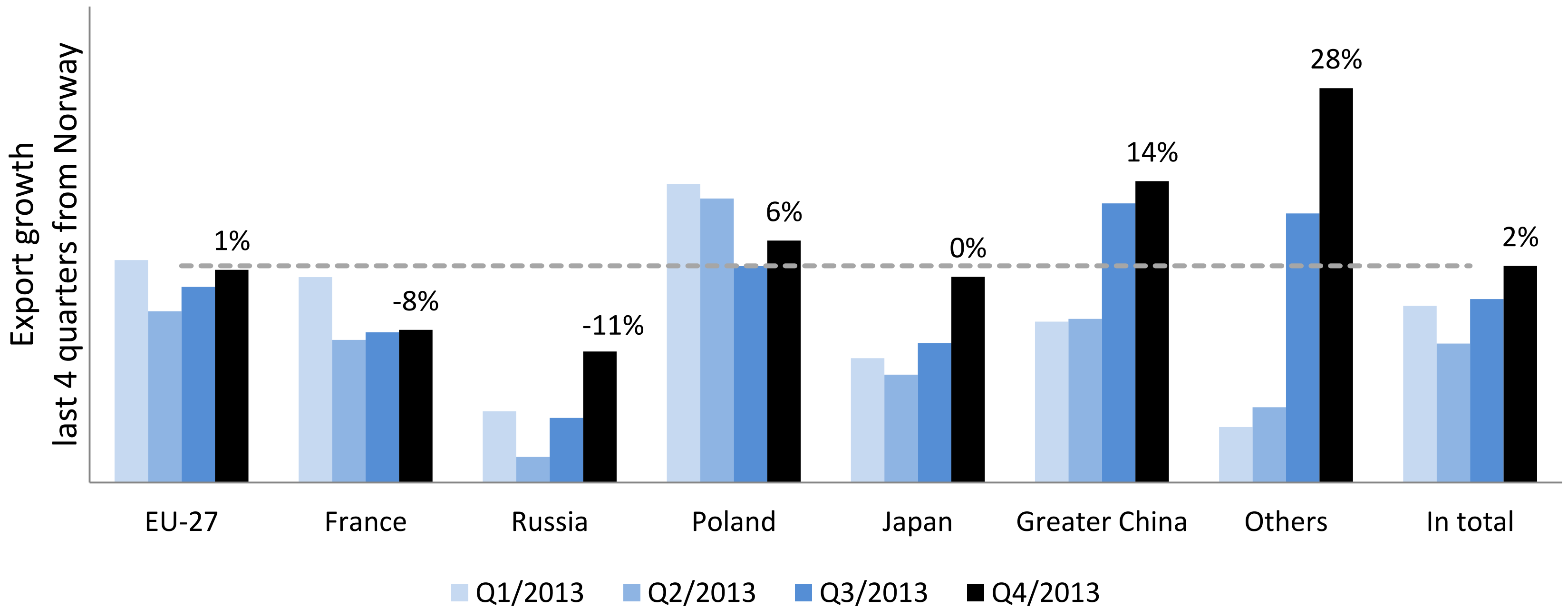
Harvesting estimates 2014 (tonnes HOG)



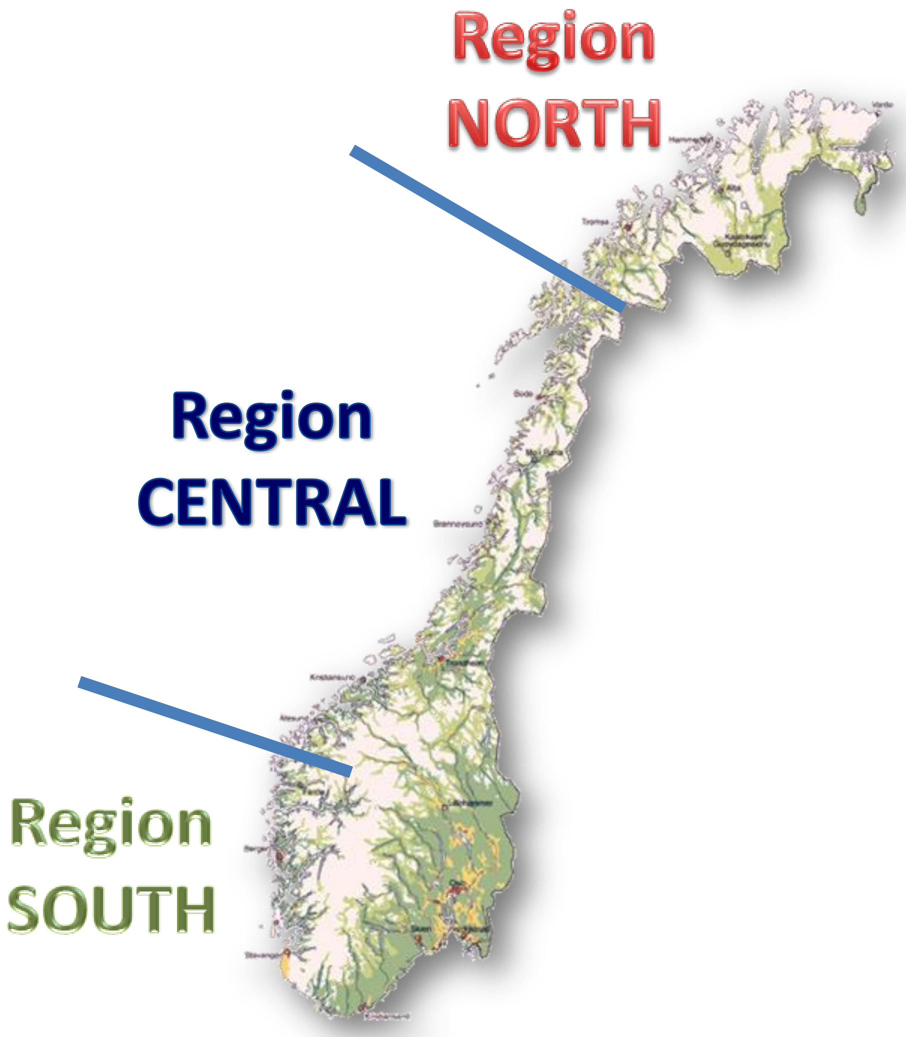
- 2013: 25 200 tonnes (+ 19 % yr/yr)
  1 800 tonnes lower than estimated in Q3 report
  - Planned harvest in December was prevented by unforeseen events in Region North, such as storms and diesel leak at harvesting plant
  - Low growth in Region South due to biological challenges
- 2014: 29 000 tonnes (+ 15 % yr/yr)
  1 000 tonnes lower than estimated in Q3 report
  - Low growth and escape of fish in Region South
  - Premature harvesting in Troms due to challenges with sea lice

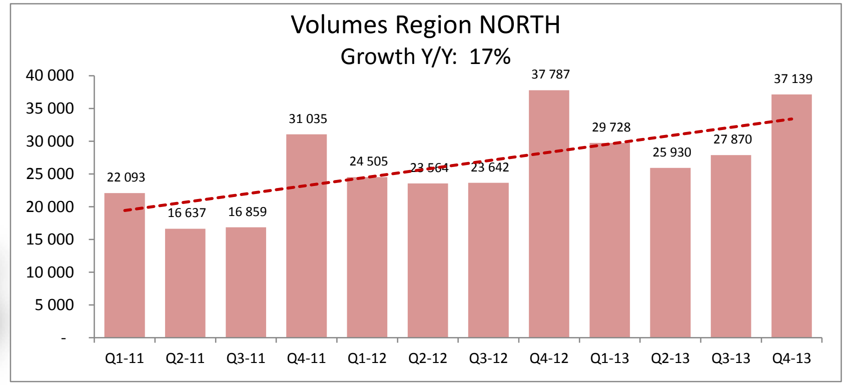
General Market Outlook

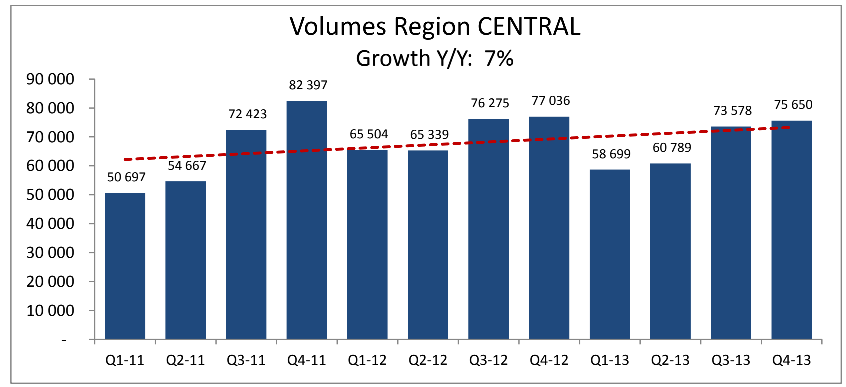
- Strong demand for Atlantic salmon in Q4 as prices were significantly above last year's level, while Norwegian supply increased 2% and global supply 4%.
- EU growth in line with Norwegian supply growth, due to strong demand from Poland, Germany and the UK.
- Russia affected by the high salmon prices.
- Improving demand from Asia in Q4. Japan improved on fresh fillets, while Greater China saw a 14% import growth from Norway.

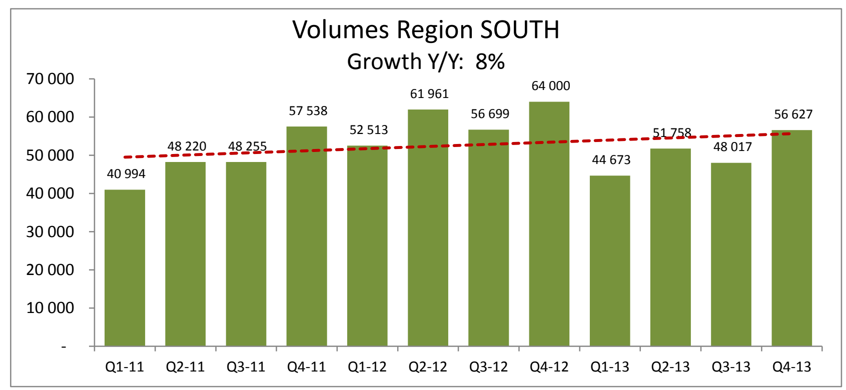


Y/Y growth past 12 quarters
OSE-listed companies

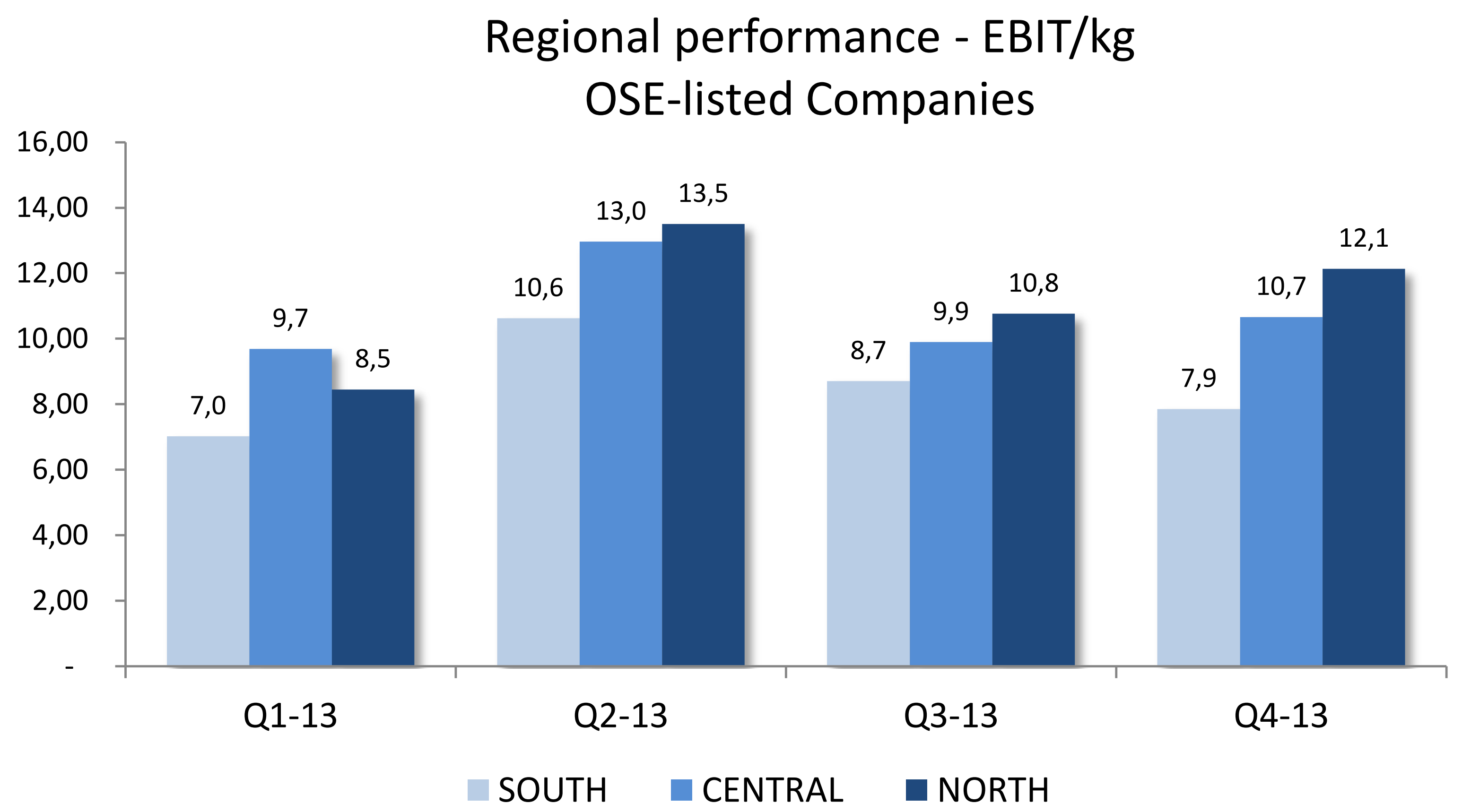






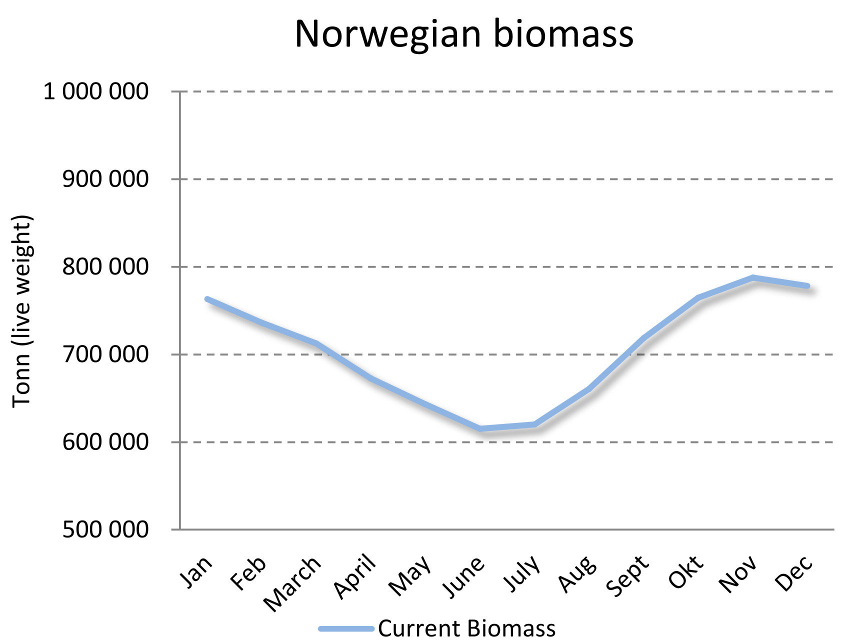


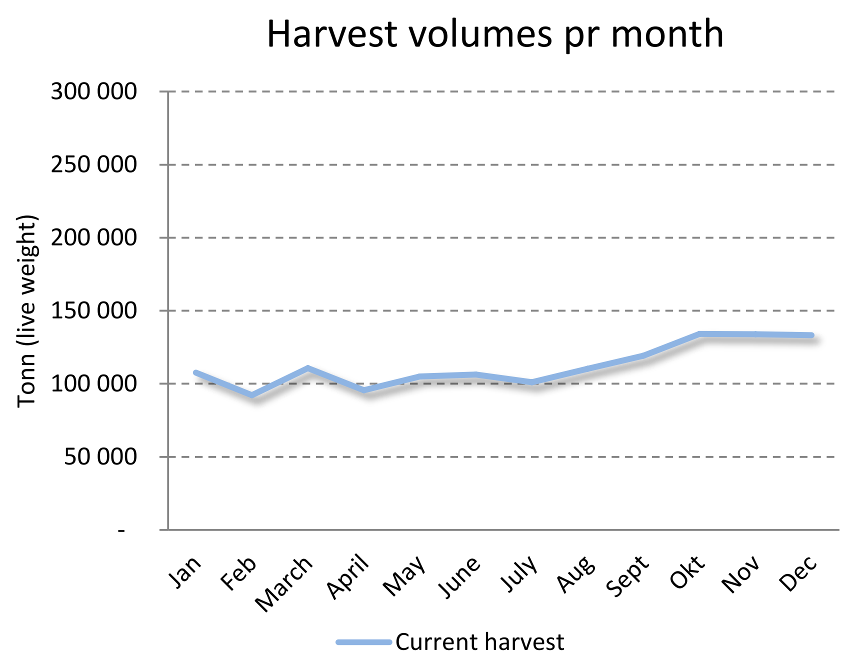
Regional Performance in Norway - 2013



Current MAB and harvest in Norway

- The Norwegian biomass is highest during Oct/Nov and close to current MAB limit
- Harvest volumes has been fairly steady the last years, with an increase in Q4.
  - Share of harvest volume: H1/H2 = 46%/54%
  - Total harvest 2013: 1.3 million tons (live weight, salmon and trout)

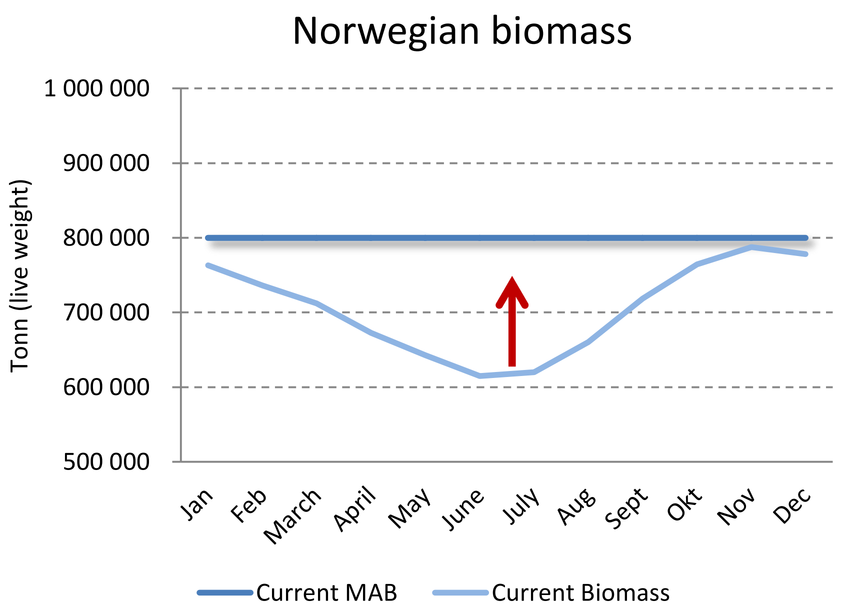


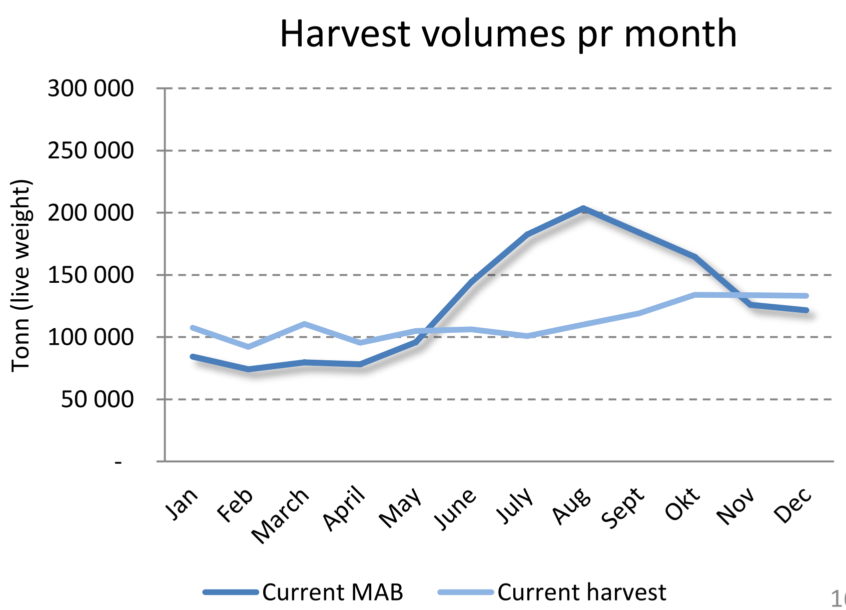


Maximizing production within the current MAB

- Current average biomass is 88 % of annual MAB
- Theoretical growth potential within existing framework is 14%
  - Share of harvest volume: H1/H2 = 36%/64%
  - Total harvest: 1.5 million tons (live weight, salmon and trout)

- Will full utilization of the current MAB affect the prices of salmon as it becomes more seasonal?

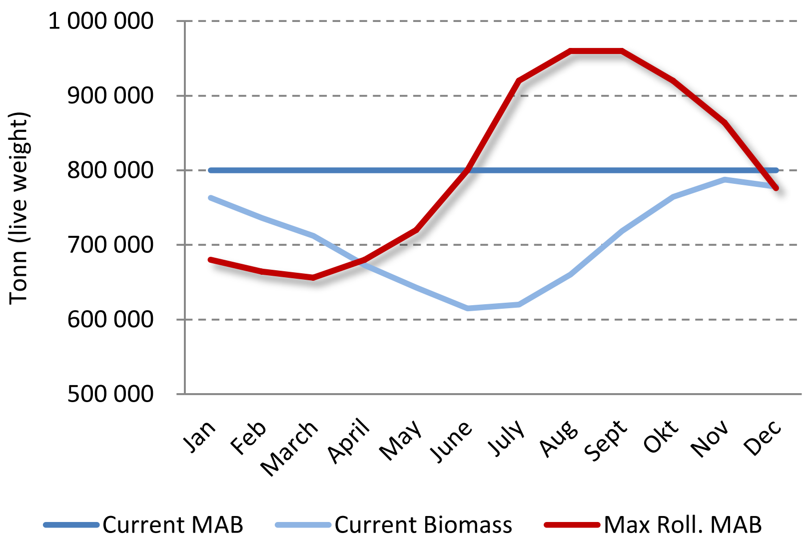




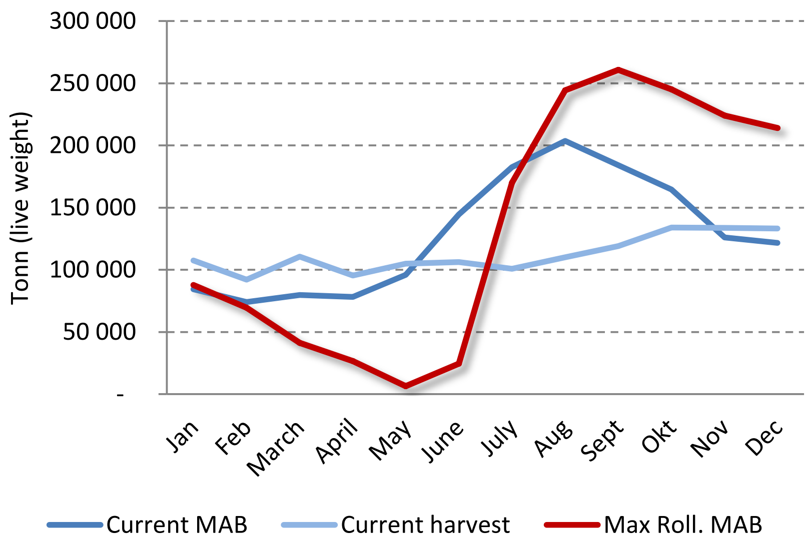
Maximizing production with rolling MAB regime

- Approx. 20 % higher biomass during Q3, than current MAB
- Theoretical growth potential is 5% above current MAB, (or 19 % above todays levels)
  - Share of harvest volume: H1/H2 = 16%/84%
  - Total harvest: 1.6 million tons (live weight, salmon and trout)
- It's a seasonal fish!
- Biological issues in Q3 vs sustainability on each site

Norwegian biomass



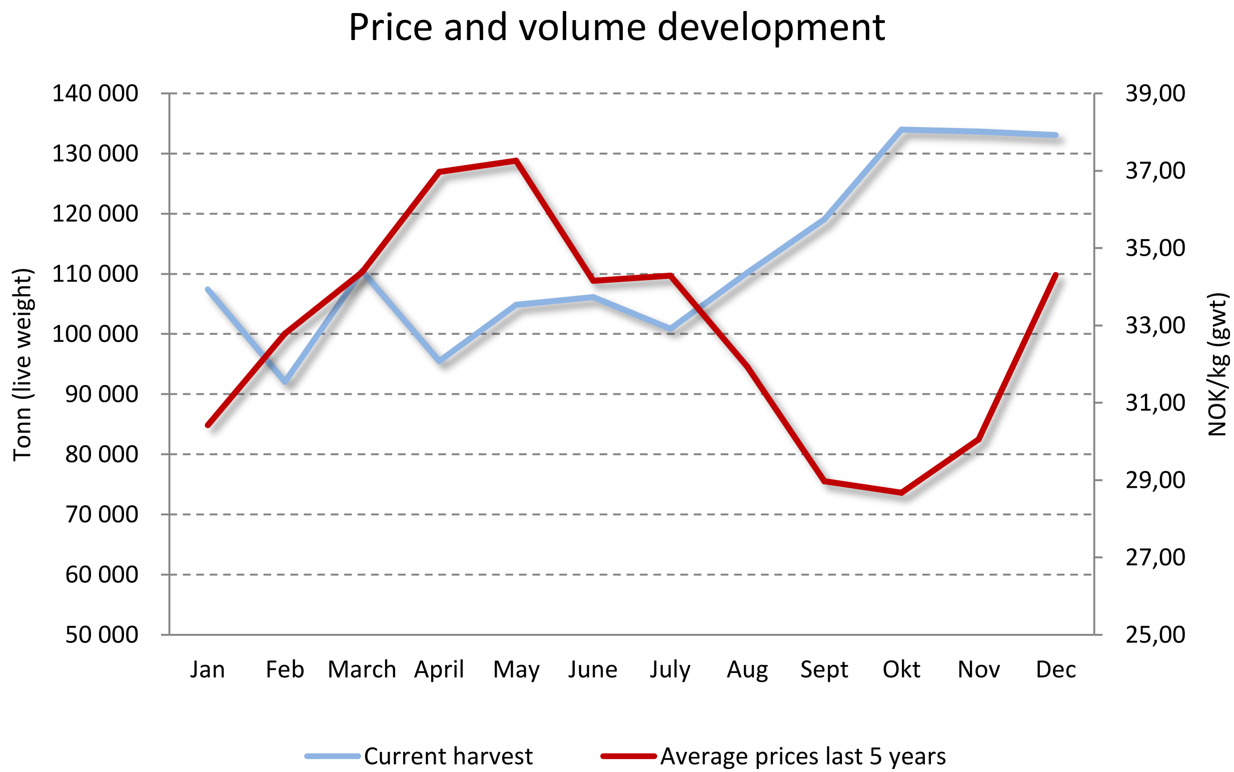
Harvest volumes pr month



Seasonal salmon prices – already…

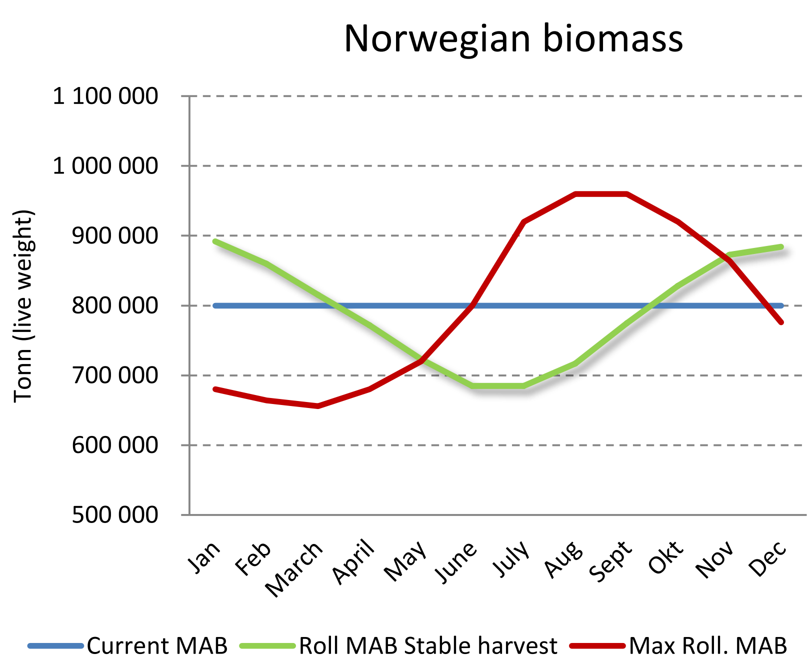
- Close to NOK 10 pr kg in seasonal price difference during the year, related to supply and demand situation.

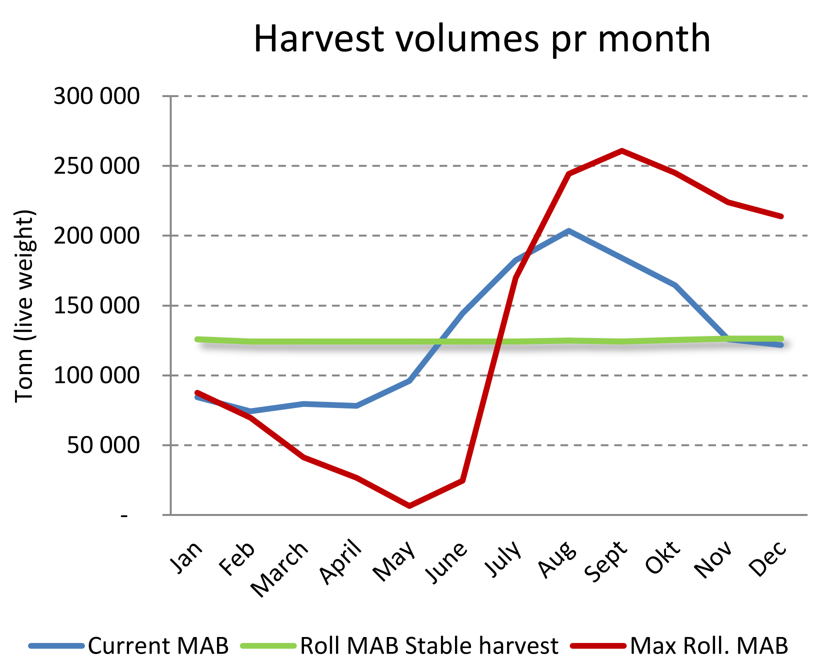
- Maximum production within a Rolling MAB regulation will most probably increase seasonal variation of prices <u>heavily</u> => Reduced Profits?



Rolling MAB, but with stable harvesting

- Approx. 9% lower MAB during Q3
- Theoretical growth potential is 11 % above current levels
  - Share of harvest volume: H1/H2 = 50%/50%
  - Total harvest 2013: 1.5 million tons (live weight, salmon and trout)





Somewhat higher growth potential, but flexibility is the key…

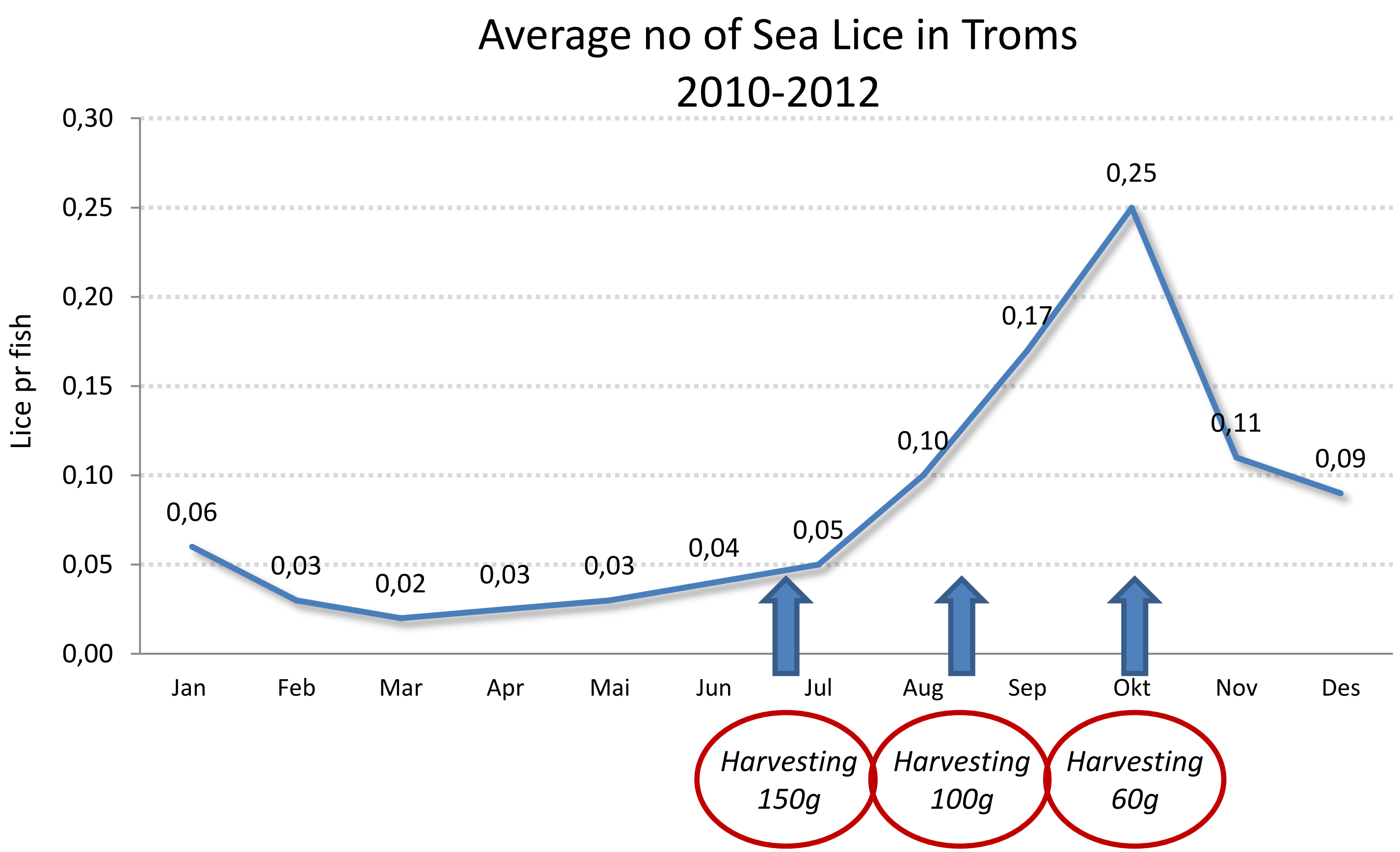
- Flexibility is risky, but could also be exactly what the industry and the companies want.

Model	Theoretical Potential Growth	Financial Potential
Current MAB	14%	Could see higher seasonality in the future
Rolling MAB (maximum production)	19%	Negative: Too large seasonality effect and increased biological risk
Rolling MAB (stable harvesting)	11%	Positive. Flexibility to utilize assets and less biological risk

- Actual growth potential with Rolling MAB estimated by NRS to 7-11 % from current levels

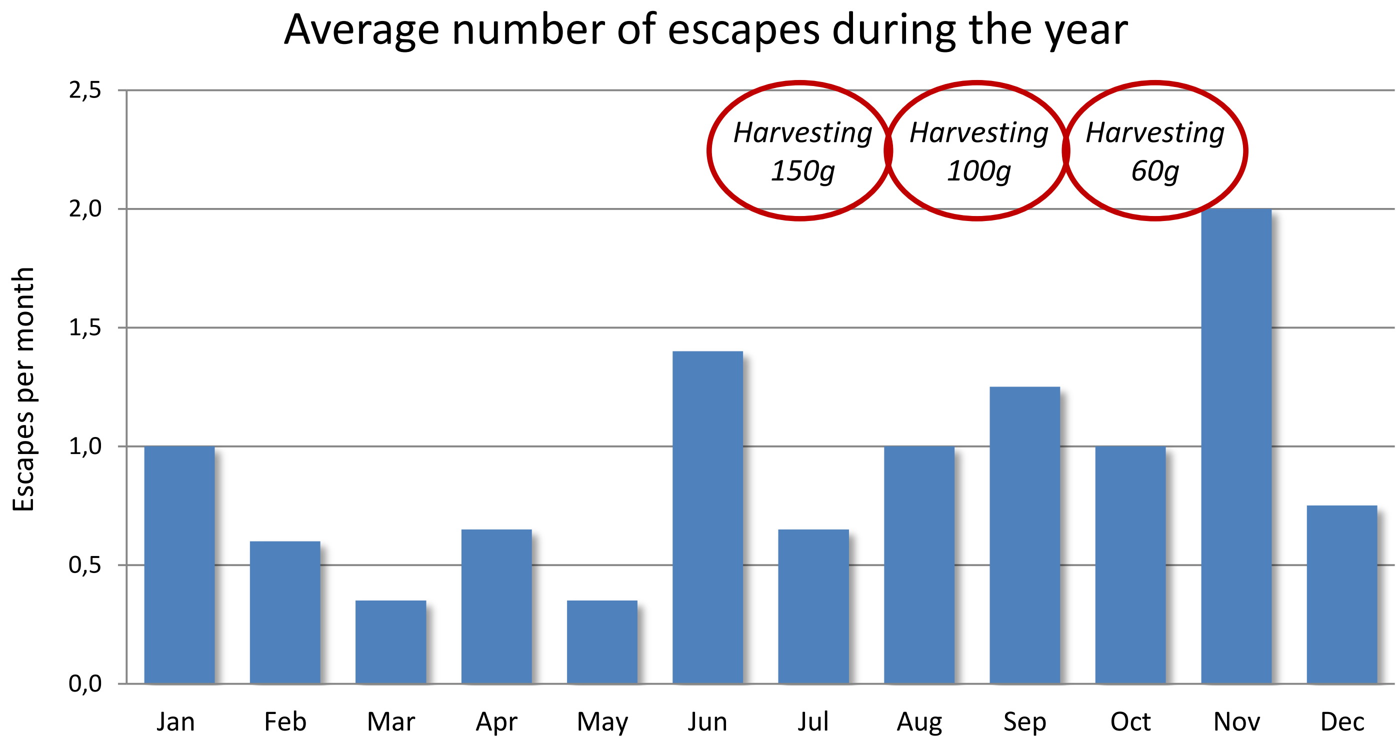
Use of larger smolt can reduce sea lice problems

- By releasing larger smolt (100+gr), the production time in the water time is reduced.
- Exposure time towards sea lice can be reduced by <u>30 % per site</u>



Use of larger smolt could also affect escapes

- By releasing larger smolt (100+gr), the production time in the water is reduced if average size is maintained.
- Less exposure for tough weather conditions and critical processes with regards to sea-lice, clean nets etc. pr site
- The challenge: Coordinate smolt release, fallowing in large areas



GSI GLOBAL SALMON INITIATIVE

A driver for innovation, and sustainable aquaculture development

Global farmed salmon producers working together to increase industry sustainability and social licence

Sustainability

Cooperation

Transparency

Empresas AquaChile	Bakkafrost	Blumar Seafoods	Compañia Pesquera Camanchaca	
Cermaq	Grieg Seafood	Lerøy Seafood Group	Los Fiordos	Marine Harvest
Norway Royal Salmon	SalMar	Multiexport Foods SA	Scottish Sea Farms	The Scottish Salmon Company

What are we focusing on?

Standards	Biosecurity	Feed
All GSI members have committed to reaching the ASC standard by 2020	Make significant progress on sea lice management, through the cooperation and support of all GSI members	Working with our partners to identify sustainable sources of feed

Thank you for your attention

For more information: www.norwayroyalsalmon.com

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