



Outlook for the Icelandic salmon industry

NASF

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Agenda



1. Norway Royal Salmon in brief
2. Projects in NRS
3. Highlights Q4 2017
4. Outlook for the Icelandic salmon industry

Norway Royal Salmon (NRS) in brief



Segment

- Farming
- Trading

200
employees

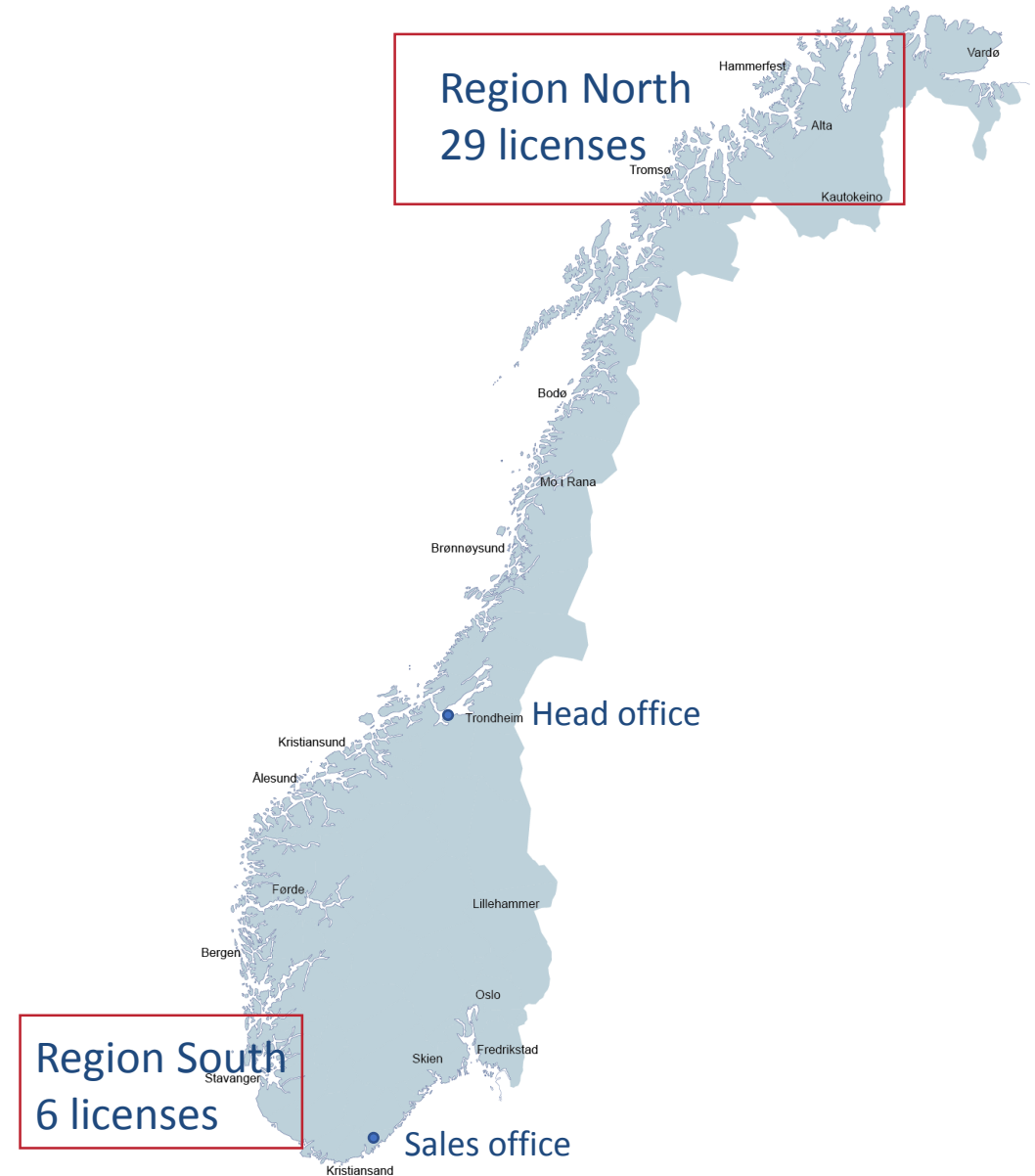
Listed on Oslo
Stock Exchange
March 2011

Farming

- **35 licenses**
 - Region North 29 licenses
 - Region South 6 licenses
- Volume 2017: 31 900 tonnes
- **Associated companies**
 - Norway: 10 licenses (3 companies)
 - Iceland: Arctic Fish ehf

Trading

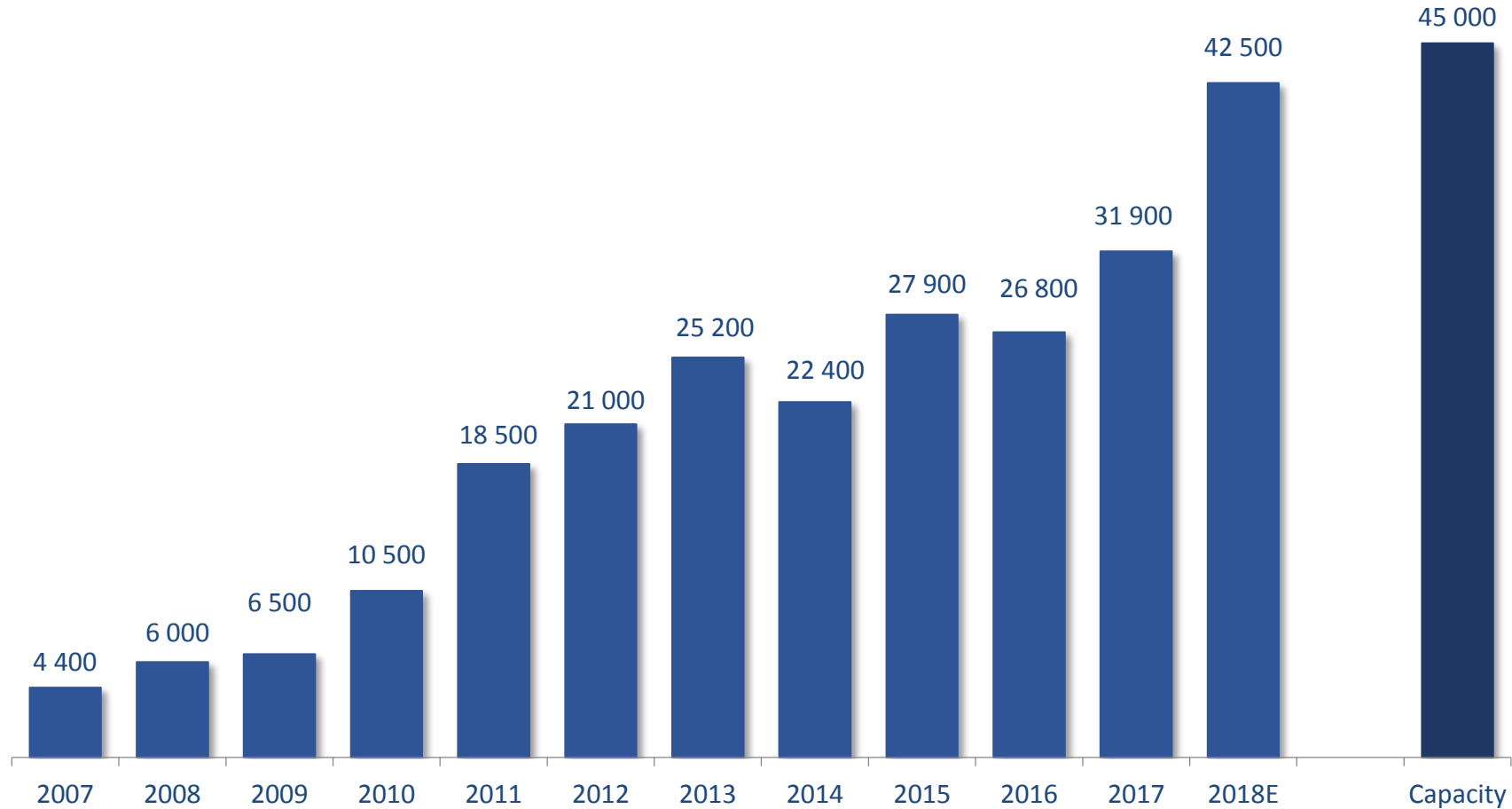
- Own and external volume
- Selling to over 50 countries
- Volume 2017: 77 800 tonnes



Volume development (2007 – 2017)



Organic growth potential for NRS Farming



- 26 % higher biomass than at the end of Q4 last year
- Estimated harvest volume for 2018 of 42 500 tonnes (+33 % yr/yr)

Projects in NRS

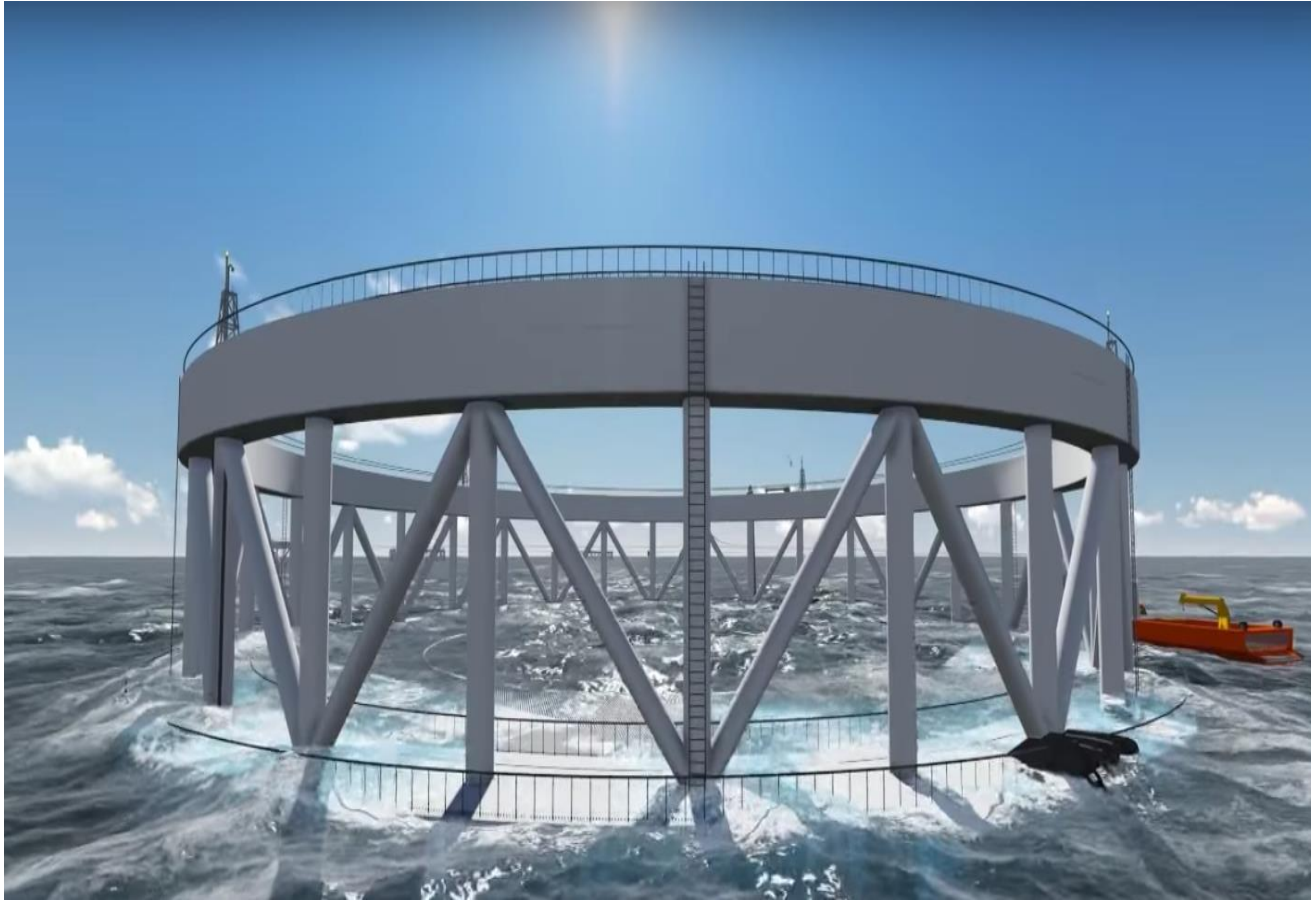


In process with new smolt facility



- NRS is in process of building a hatchery that will produce 10 million 120 - 200 grams smolt yearly
- Strategically located in short distance to our farming sites in Region North
- Strategically important for NRS
 - The hatchery will contribute to increase the biological safety and quality of our smolt
 - Improved utilization of licenses
- We are planning to start building next year

Development licenses 1 – Arctic Offshore Farming



- NRS and Aker ASA have applied for 15 development licenses
- Semi-submersible offshore fish farms designed for harsh environments
- The Directorate of Fisheries has informed that the application is in line with the criteria for development licenses and they will process the application limited up to 5 990 tonnes MAB (2 cages)

Development licenses 2 – FlipCage



- NRS has applied for 6 development licenses
- FlipCage is a multifunctional rotatable cage
- The concept includes a rotatable cage that can alternate between open operations and closed operations
- The concept has a significant degree of innovation

Highlights in Q4 2017



Highlights in Q4 2017



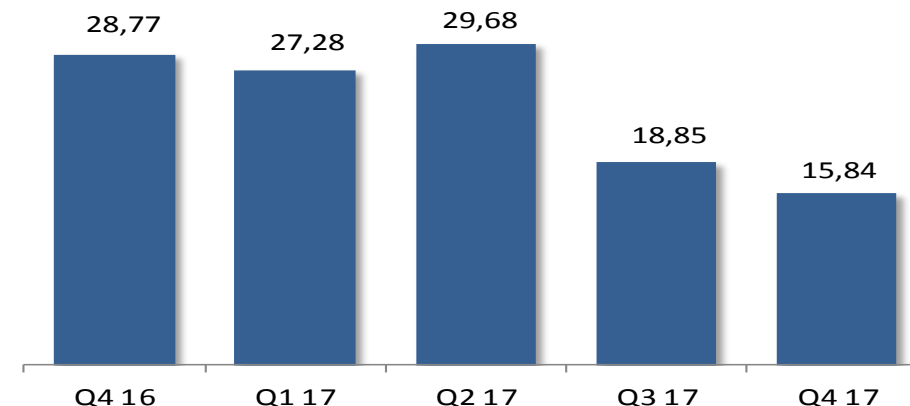
- Operational EBIT of MNOK 95
 - Operational EBIT per kg NOK 15.51
- ISA detected at 3 sites in Region North, has affected the Operational EBIT significantly negative in the quarter
- Production costs Region North ex ISA sites are down
- 26 % higher biomass than at the end of Q4 last year
- Credit facilities from bank increased by MNOK 500
- The Board proposes a dividend of NOK 5.20 per share

Region North

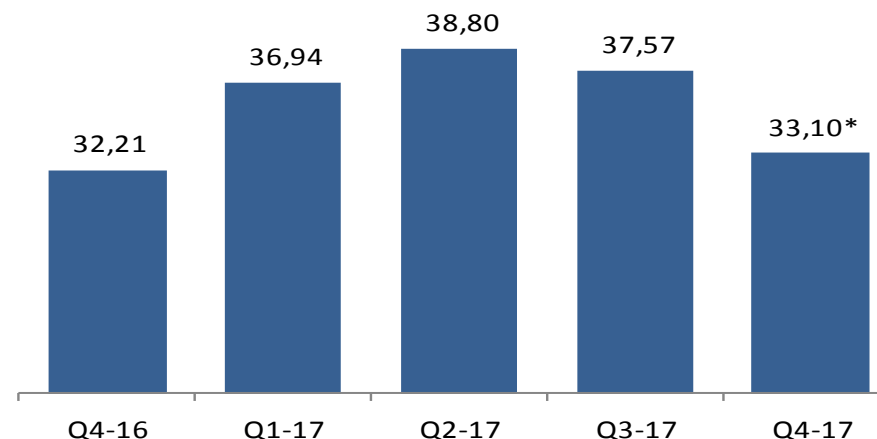


- Operational EBIT* MNOK 116.1
- Operational EBIT per kg NOK 15.84
 - Suboptimal size and quality of the fish due to harvested ISA fish in the quarter
- Production cost from sites not affected by ISA of NOK 33.10 per kg
 - Harvested 1 600 tonnes from sites with ISA with a high production cost, which resulted in a total production cost of NOK 36.58 per kg
- Harvested 7 326 tonnes, up 4 714 tonnes compared to Q4 16

EBIT pr kg



Production Cost

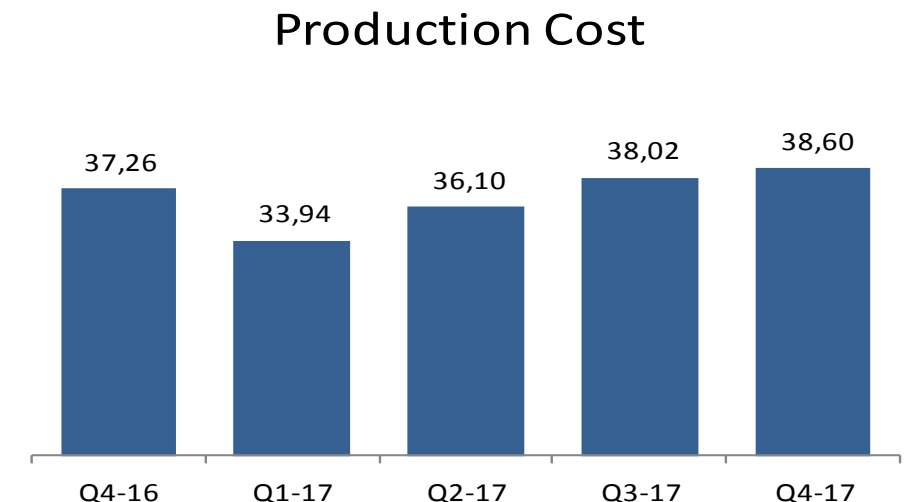
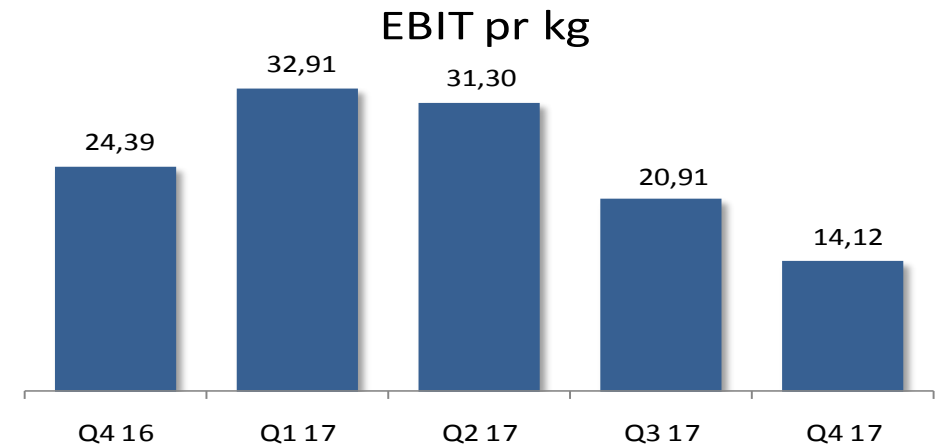


* EBIT pre fair value adjustment and non-recurring items incl. allocated margin from sales

Region South



- Operational EBIT* MNOK 24.4
- Operational EBIT per kg NOK 14.12
 - Suboptimal size and timing of harvest volume during the quarter
- Production cost of NOK 38.60 per kg
 - Increased production cost due to harvest from sites within a zone with temporary authority-imposed transport regulations, which has resulted in higher harvest and well boat costs
- Harvested 1 726 tonnes, down 354 tonnes compared to Q4 16



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

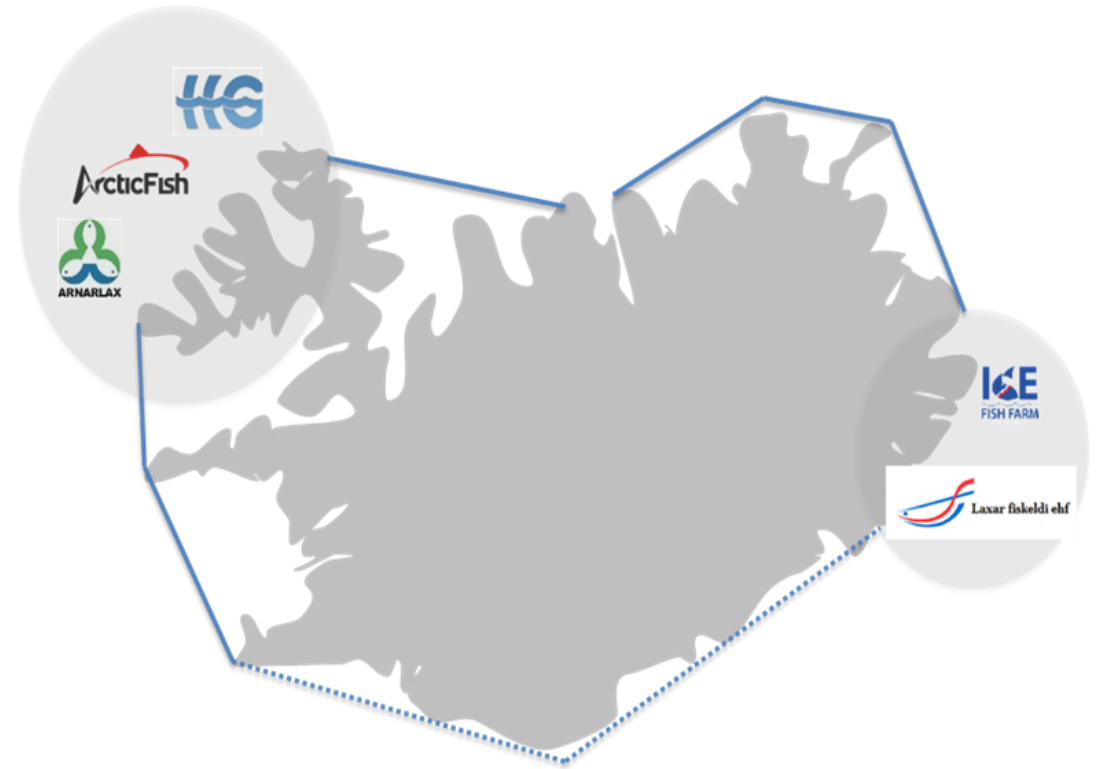
Outlook for the Icelandic salmon industry



Icelandic salmon industry



- Three steps (waves)
 1. 80's and 90's - Experimental salmon farming in sea cages
 2. Early 2000' – Sea farming in east of Iceland
 3. From 2010 - Professional salmon farming starting in the Westfjords of Iceland
- Good farming conditions with a big potential for growth
- Two main areas for salmon farming: Westfjords and Eastfjords
 - Big part of the Icelandic coastline is closed to sea-cage farming
 - Only 5 farming companies
- Farming condition similar to Finnmark in Norway
 - Colder during winter, but warmer during summer



Potential for growth for the industry



- New risk assessment last year evaluation of MRI assumes yearly production volume on 71 000 tonnes
 - Westfjords: 50 000 tonnes
 - Eastfjords: 21 000 tonnes
- The size of the farming sites and the distance to rivers are important variables in the model, and based on the principle to protect the wild populations
- Harvest volume for 2017 just under 12 000 tonnes

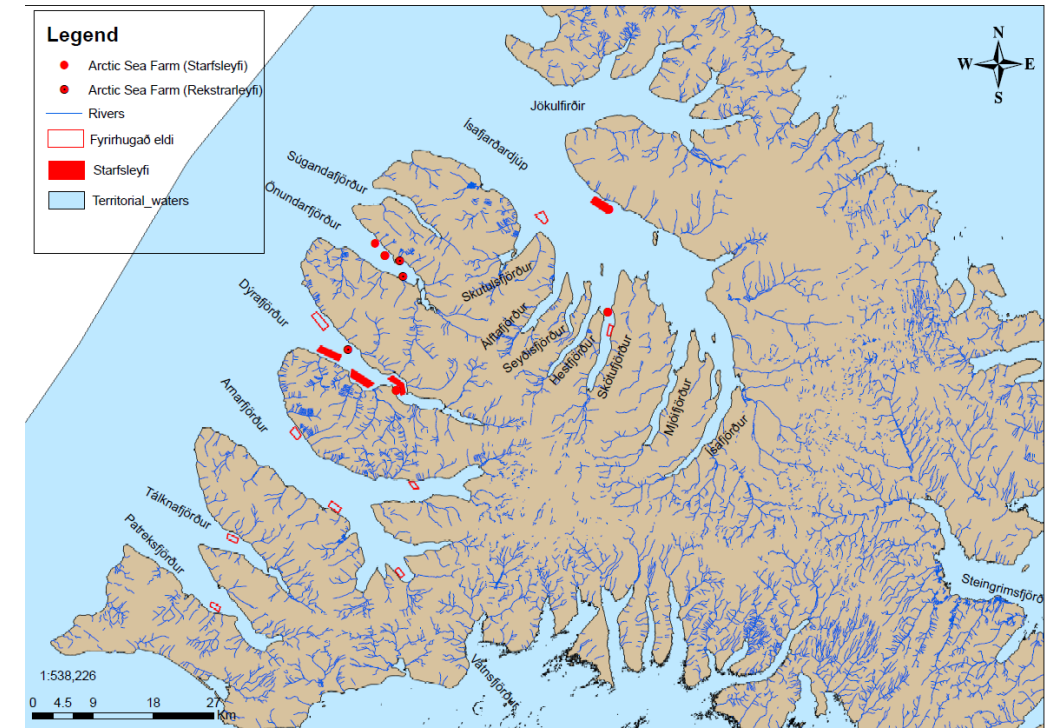
Landsvæði	Hámarkseldi samkvæmt erfðablöndunarmati (tonn)
Vestfirðir	
Patreks-, Tálknafjörður og Patreksfjarðarflói	20.000 tonn
Arnarfjörður	20.000 tonn
Dýrafjörður	10.000 tonn
Ísafjarðardjúp	0 tonn
Vestfirðir samtals:	50.000 tonn
Austfirðir	
Berufjörður	6.000 tonn
Fáskrúðsfjörður	6.000 tonn
Reyðarfjörður	9.000 tonn
Stöðvarfjörður	0 tonn
Austfirðir samtals:	21.000 tonn
Samtals:	71.000 tonn

Source: MARINE AND FRESHWATER RESEARCH IN ICELAND

Arctic Fish in brief



- NRS owns 50 % of Arctic Fish
- Experienced owners both within farming and processing
- All sites and pending licenses are located in the Westfjords
- Licenses capacity can reach 30 000 tonnes:
 - Existing licenses: 11 400 tonnes (salmon)
 - Licenses applications: 10 000 tonnes
 - There are further license applications within current risk assessment in Westfjords, if current areas that are closed due to the evaluation will be revaluated



Focus on smolt - new recirculation hatchery



- Smolt capacity will be one of the major bottlenecks in terms of production for the industry
- Focus on bigger smolt, to reduce production period in sea
 - Arctic Fish is the only company that have stated and build up RAS hatchery at Iceland
- The hatchery is located in south part of Westfjords and is to undergo a three phase expansion process
 - Two of three buildings almost completed
 - Potential for further expansion in our own area for the future
- Arctic Fish estimated number of smolt release
 - 2017: 0.8 million
 - 2018: 2.0-2.5 million



Challenges we are working on



- Keep control on fish health
 - Some challenges with BKD, and we need to control this disease, new hatchery equipped with UV-radiation system
- We need to grow and develop the supply and service industry
- Pending licenses
 - We got 6 800 tonnes new licences end 2017 after a 3 years application process, after several years in a “steady stage” situation
 - We have still licenses in process and have put more resources to work on this important part of our operation
- Some NGO`s are negative towards salmon farming in sea cages

Our focus areas



- Building a team with farming experience
 - Recruited new CEO from NRS
- Focus on fresh water facility to produce high quality smolt
- Develop a good and robust site structure, and also investing heavily in new equipment at sea
- Regulation
 - We are working for a foreseeable framework and a well-regulated aquaculture industry at Iceland, knowing that regulations can secure a good sanitary situation
- Marketing
 - Develop Icelandic origin with high quality salmon

We are building the industry and company step by step, and see a significant growth potential



COMMITTED
BY NAME

