



# **Q3 presentation 2011**

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# Highlights

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- Prices stable above NOK 30 per kg
  - From NOK 31.0 per kg in Q2 to NOK 31.5 per kg in Q3
- We write down the value on our biomass above 2 kg.
  - Effect the EBIT with -22 MNOK
- In Q3 and Q4 we focus on feeding our fish to reach an average harvesting weight above 3 kg
  - Only selling 240 000 fish in Q3, and less in Q4
- In 2011 we are the only codfarmer that release significant volumes of juveniles
- The acquisition of Atlantic Cod Farms completed
  - Right issue of 54.9 MNOK completed in October 2011. Gross proceeds of 54.9 MNOK. Conversion of debt 14.2 MNOK, Transaction costs 2.9 MNOK. Net proceeds in cash of 37.8 MNOK.
  - Position COD as the only codfarmer with year round production.
  - Substantial cost– and sales synergies are being realized
  - The combined company will have farming sites in Nordland, Sunnmøre and Sognefjorden with a total production capacity of 20 000 tons a year.
  - Cost reduction program will continue
    - Sale of excess assets to generate cash and reduce debt

## Financial highlights Q3 2011

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- Atlantic Cod Farms will be fully consolidated for the whole of Q4.
  - Only 11 days of operation consolidated in Q3
- Revenues of 24.6 MNOK vs. 28.8 MNOK in Q3/10
  - Total harvest of 629 tons (r.w.) own production and 418 tons (r.w.) from external producers.
  - Average sales price: NOK 30.0 kg H&G. NOK 31.5 kg H&G inclusive contribution from liver.
- EBIT -45.1 MNOK vs -5.9 MNOK in Q3/10
  - Negative contribution of 7.9 MNOK from fish sold in the period.
  - Write-down of biomass of 22.0 MNOK for the merged company.
  - Administration and sales costs of 8.1 MNOK. 4.6 MNOK are related to the acquisition of Atlantic Cod Farms
  - Net result from subsidiaries of – 3.8 MNOK
  - Depreciation of idle locations 1.1 MNOK
- Conversion of convertible bonds
  - Nominal value of 19.9 MNOK converted at share price NOK 11.33
  - Accrued interests of 1.0 MNOK converted at share price NOK 13.6.
- Biological assets have a fair value of 60.9 MNOK (3 435 tons r.w)
- Expected break even price for harvesting in Q4 2011
  - NOK 28.0 kg H&G (before adm/sales/finance).
- Cash position per Q3 was 13.0 MNOK. Net short term receivables of -5.3 MNOK (before the completed share issue)



# Key business drivers

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- **STRØM**
  - Put roll out plan on pause in Q3 because of small volumes of big fish from our own production
  - Back on plan now and recently we open for distribution in 240 KIWI stores.
  - All time high production volume the 23<sup>rd</sup> of November with 3002 units.
  - Still production cost is too high, will improve in 2Q 2012
  - Second production line will be installed in Q1 2012
  - New products will be launched in Q2 2012
- **Spot and contract prices on whole fish**
  - We estimate that from April 2012 and through 2013 we will have a 95% market share of farmed cod.
  - We expect a normal downturn in prices during the wild catch season in Q1.
  - We remain very optimistic on prices for the rest of 2012.
  - Postpone harvesting as long as possible.
- **Juveniles production**
  - Full production at 3 sites
  - Havlandet (external)
  - Fosen (internal)
  - Mørkvedbukta (internal)
  - Should solve juveniles shortage problem and add growth opportunities in 2012.
- **F3 generation cod**
  - Standing biomass is the best fish we ever have had in production.
  - Minor disease problems in the Møre and Romsdal production cluster. Not a critical issue.
  - A total number of 3.2 mill F3 cod in farming per September.

# Key figures

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Key figures 2011	Q1	Q2	Q3
Total margin of fish sold (TNOK)	-1 919	-10 343	-8 192
Write down biomasse (TNOK)	0	3 500	22 000
<b><u>Harvest (own fish)</u></b>			
Number (1000)	393	345	240
Average weight (g)	3 035	2 967	2 621
Biomass (tons r.w.)	1 193	1 025	629
<b><u>Volume sold (tons own fish)</u></b>			
H&G (Headless & Guttet)	733	552	294
Filet (Strøm, Belly loin, Gourmet bites)	22	50	46
<b><u>H&amp;G - prices</u></b>			
NOK per kg FOB Oslo	23.2	28.4	30.0
NOK per kg FOB Oslo incl liver	26.7	31.0	31.5
Price under 2 kg	21.4	27.4	28.2
Price over 2 kg	26.0	29.7	35.5
Share under 2 kg	61 %	57 %	56 %
Share over 2 kg	39 %	43 %	44 %
<b><u>Filet prices (Strøm, Belly loin, Gourmet bites)</u></b>			
Consolidated price filet (NOK per kg)	88.0	83.0	89.0
<b><u>Liver</u></b>			
<b>Average FOB Oslo price</b>	<b>17.5</b>	<b>19.4</b>	<b>18.0</b>
Tons liver sold	160	100	32

- Low utilization rate of STRØM filleting line results in high production costs.
- Reduced average harvest weight.
- Average sales price of 31.5 H&G inclusive contribution from liver
- Q3/11 sales prices have slightly improved.
- Increasing volume and prices on filets.

# Codfarmers - locations

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- Mørkvedbukta – Juveniles and pre-ongrowing North
- Farming North
- Fosen – Juveniles South
- Fjord Gadus – Pre-ongrowing South
- Farming South
- Havlandet – Juveniles West (external)

# COD Production

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## COD PERFORMANCE INDICATORS PER SEPTEMBER 2011

	Meløysjøen 2008	Kjerkvika 2008	Kjerkvika 2009	Hammarvika 2010	Kjølsvika 2011	Russenes 2011	Standal 2010	Stokkeneset 2011	Alme 2011	Lyngholmane 2010
Harvest %	100 %	100 %	99 %	0 %	0 %	0 %	2 %	0 %	0 %	0 %
Avg. harvested weight	2.9 kg	2.7 kg	2.9 kg	0 kg	0 kg	0 kg	2.18 kg	0 kg	0 kg	0 kg
Current avg. weight	-	-	2.490 kg	1.634 kg	0.166 kg	0.258 kg	2.041 kg	1.040 kg	0.436 kg	2.216 kg
No. of fish (1000)	0	0	5	636	628	285	533	671	291	130
Biological feed factor (FCR)	1.23	1.18	1.94	0.97	0.81	1.02	1.34	1.04	0.92	1.11
Economic feed factor (EFCR)	1.38	1.31	2.42	1.07	0.85	1.07	1.79	1.06	0.94	1.28
Mortality (%) based on start number	18.8 %	10.3 %	14.8 %	20.7 %	3.4 %	4.7 %	14.4 %	8.3 %	1.5 %	17.4 %
Loss of fish (%) (destruction, escapes etc.)	18.3 %	25.5 %	47.4 %	3.2 %	0.0 %	0.0 %	0.2 %	0.0 %	0.0 %	0.0 %
Production Cost per kg (r.w.)	NOK 30.7	NOK 25.7	NOK 35.5	NOK 27.5	NOK 111.8	NOK 53.1	NOK 24.4	NOK 21.2	NOK 43.3	NOK 21.2
Book value (after write down) per kg (r.w.)	NOK 0	NOK 0	NOK 9.9	NOK 8.8	NOK 111.8	NOK 53.1	NOK 8.4	NOK 15.7	NOK 43.3	NOK 15.7

Capacity at sea is divided into two major clusters

- **Cluster North** located in Nordland, consists of 6 equipped sites with a total of 18 720 tons Maximum Biomass Capacity
- **Cluster South** located in Sogn and Fjordane and Møre and Romsdal, consists of 7 equipped sites with a total of 17 160 tons Maximum Biomass Capacity.
- Standing biomass per Q3 of 3 435 tons (r.w) - 4.6 million fish (including 1.4 million fish at pre-ongrowing facilities).

- Total of 629 tons harvested in Q3/11 from Kjerkvika 2009 generation.
- Two units at Standal 2010 generation has been harvested in October due to an outbreak of francisella. The rest of the biomass at the location is growing according to plan.

# Cod spot prices – improving the last 11 months

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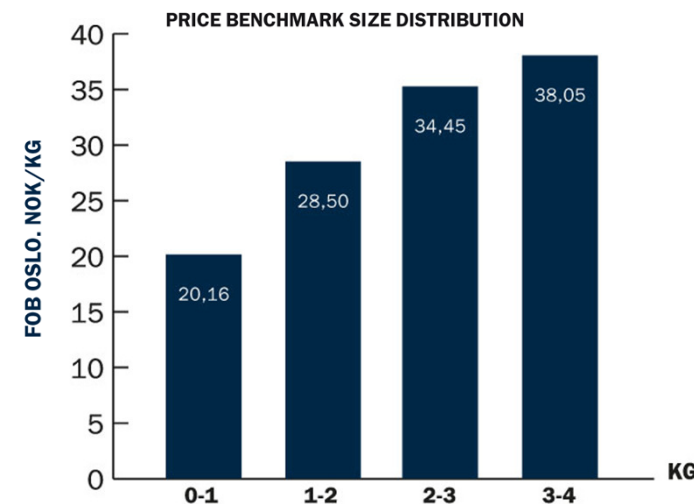
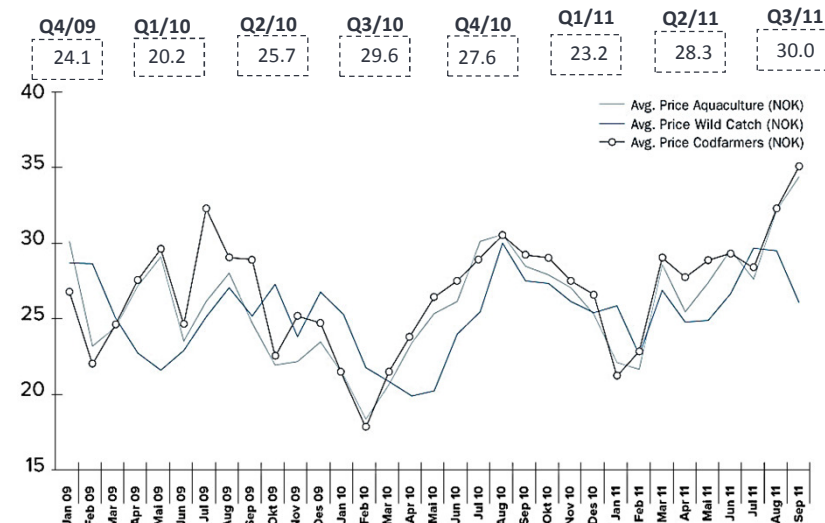


5% increase in the average price and 14% drop in export volumes

- COD's Q3 average FOB export price on whole gutted fish was 30.0 – up 1.3% from Q3/10. Prices including contribution from liver was 31.5.
- COD's market share was 56% of total Norwegian fresh farmed cod exports.
- Sales of STRØM® accounted for 7% of the total sales value in Q3. By the end of Q3 STRØM® was distributed in 200 stores in Norway.
- Soft launch of STRØM® in a few stores in the Swiss market.

Price FOB Oslo  
(NOK/kg hog)

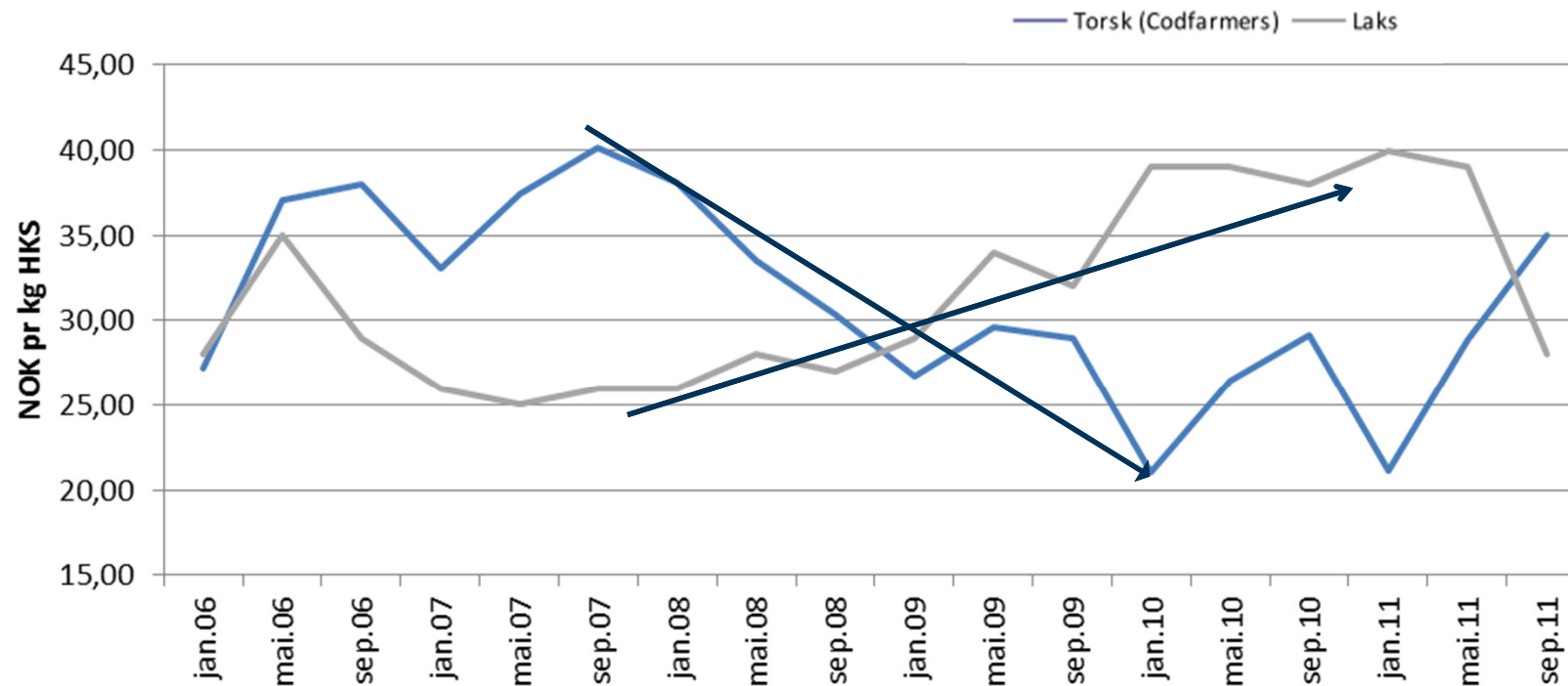
## SALES PRICE BENCHMARK 2009-2011





# Price development Cod vs. Salmon Jan 05 - Sept 11

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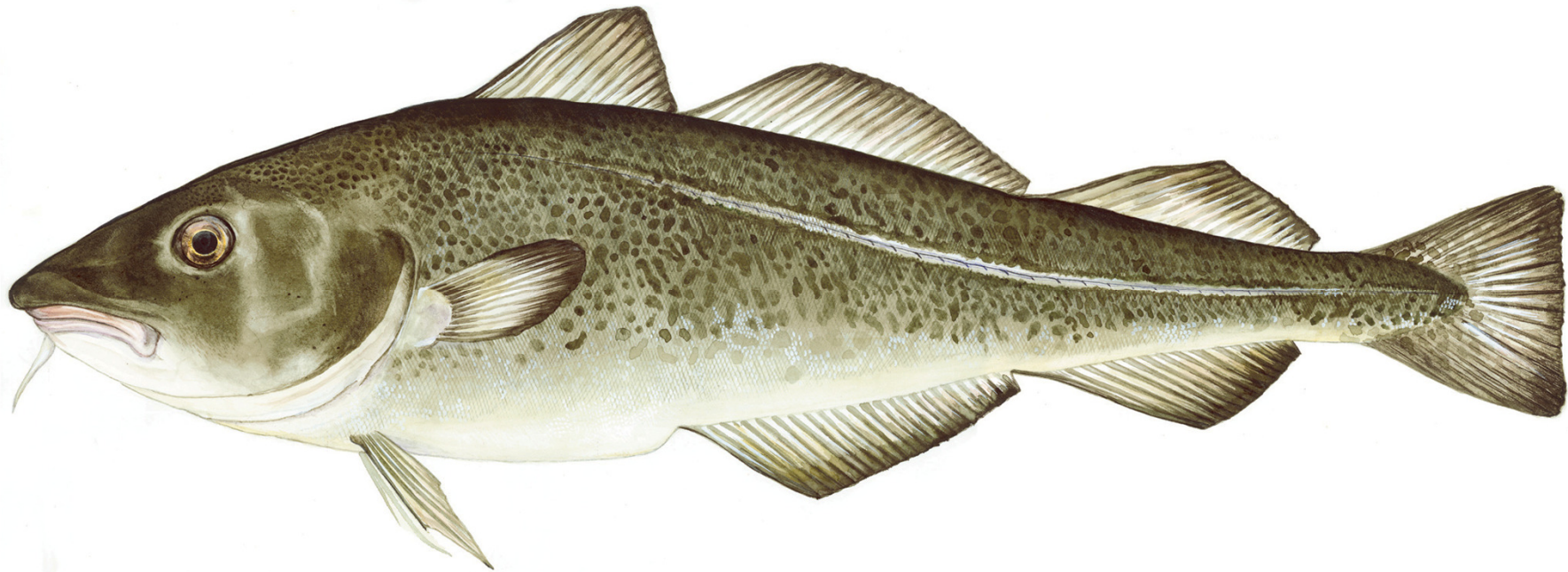


Price drop – Q3 2007 – Q1 2010: 50%

Price increase – Q2 2010 – Q3 2011: 67%

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## COD Market

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- Codfarmers plan to increase the distribution of STRØM® gradually in Q4, starting with Norgesgruppens KIWI stores in the Oslofjord region. The distribution is according to our target.
- In Q4, Codfarmers will investigate the opportunities of launching STRØM® in the retail sector in the northern parts of Norway, as today we only are sold south of Trondheim.
- The first steps taking STRØM® into the Swiss and French market was taken in Q3. The focus will in the coming months be on a few, selected premium stores, as well as the high-end HoReCa market. Other international markets will follow during the next coming months.
- STRØM® was nominated by the jury in the Norwegian TV2-aired program “Det Norske Måltid 2011”, as being one of Norway’s most superior seafood products.
- Codfarmers has signed a one year cooperation agreement with Geir Skeie for use of his name and recipes in various marketing campaigns.



*Geir Skeie  
Winner of  
Bocuse d'Or  
2009*





## Financials Q3 / 2011

Key Financials Figures NOK (1000')	Q3 2011	Q3 2010	Year 2010
Revenue	24 623	28 813	139 733
EBITDA	-40 756	1 399	-28 271
EBIT after write down of biomass	-45 124	-5 902	-47 994
EBIT before write down of biomass	-23 124	-5 902	-43 094
*Writedown of biomass	-22 000	0	-4 900
Net profit	-46 767	-9 052	-61 696
Total assets	283 191	245 268	220 644
Total Equity	121 875	140 857	117 691
Equity ratio	43 %	57 %	53 %
Interest bearing debt	104 229	84 483	82 821
Cash and cash equivalents	12 962	34 093	26 432
Harvest volumes tons (r.w.)	629	856	6 255

Key Biological Figures NOK (1000')	Q3 2011	Q3 2010	Year 2010
Juveniles release (1000)	270	-	835
Harvesting tons (r.w)	629	865	6 255
Net growth tons (r.w)	210	680	2 500
Biomass in sea tons (r.w)	3 435	3 741	3 422
Average weight (kg)	1,7	1,7	1,9

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- Q3/11 sales revenue of 24.6 MNOK. Total harvest of 629 tons (r.w) of own production and 418 tons (r.w) sold for external producers.
- EBITDA of -40.8 MNOK in Q3/11.
- EBIT of -45.1 MNOK in Q3/11.
- Total assets of 283.1 MNOK, reflecting 170.9 MNOK in non current assets and 112.2 MNOK in current assets. Estimated biomass value of 60.9 MNOK.
- Total equity of 121.9 MNOK with an equity ratio of 43% and 104.2 MNOK of interest bearing debt.

# Cashflow Q3 / 2011

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CASHFLOW Nine months ended 30 Sept	Year	
	2011	2010
<b>Cash generated from operating activities</b>		
Operating profit for the period	-71 383	-28 354
Interest paid	-3 787	-4 061
Depreciation and amortisation	12 734	15 296
Share option costs	162	3 591
Gain/loss on sale of assets	165	-2 008
Change in inventories	37 490	-6 006
Change in trade receivables	11 676	234
Change in trade payables	1 965	-4 471
Change in other	17 448	849
<b>Net cash generated from operating activities</b>	<b>6 470</b>	<b>-24 929</b>
<b>Cash flow from investment activities</b>		
Purchase of property, plant and equipment (PPE)	-582	0
Proceeds from sale of PPE	350	28 060
Purchase of financial assets	-850	0
Interest received	1 652	931
<b>Net cash used in investing activities</b>	<b>570</b>	<b>28 991</b>
<b>Cash flow from financing activities</b>		
Repayments of borrowings, incl convertible loan	-20 510	-27 110
Proceeds from share issue	0	50 424
<b>Net cash used in financing activities</b>	<b>-20 510</b>	<b>23 314</b>
<b>Cash and cash equivalents at end of the period</b>	<b>12 962</b>	<b>34 094</b>

- Cash flow from operations
  - 6.4 MNOK per Q3/11 compared to -24.9 MNOK per Q3/10.
  - Mainly reflects YTD result adjusted for inventories, trade payables and trade receivables.
- Cash flow from investment activities
  - 0.6 MNOK per Q3/11 compared to 29.0 MNOK per Q3/10.
- Cash flow from financing activities
  - -20.5 MNOK per Q3/11 compared to 23.3 MNOK per Q3/10.
  - Mainly explained by repayment of borrowings, incl. convertible loan debt.
- Cash position per Q3/11 is 12.9 MNOK
- Net short term receivables per Q3/11 of - 5.3 MNOK

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DET NYE NAVNET  
PÅ FERSK TORSK

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FRESH COD FROM NORDLAND

# COD Juveniles

## Fjord Gadus - Pre-ongrowing South



Pre-ongrowing facility in Vanylven, Møre- and Romsdal

- Yearly production capacity of 2-3 mill large juveniles (100-250 g)
- Total production in 2011: 560 000 100g juveniles.

## Fosen - Juveniles South



Hatchery facility in Fosen, Sør-Trøndelag

- Yearly production capacity of 3 mill 5g juveniles
- In Q3 350 000 5 g juveniles was delivered for pre-ongrowing at Fjord Gadus. Additional 320 000 5 g juveniles will be delivered in December.

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## Mørkvedbukta – Juveniles and pre-ongrowing North



Broodstock- hatchery- and pre-ongrowing facility in Bodø, Nordland

- Yearly capacity Hatchery/Juveniles: 3 mill 5 g juveniles.
- Yearly capacity pre-ongrowing: 4-5 mill large juveniles (100-250g).
- Delivered 270 000 150 g to location Kjølsvika in Q3. Remaining stock is 110 000 of 120 g for delivery to Kjølsvika in November. New large groups of 5 g juveniles will be received in April 2012 for pre-ongrowing.
- The 2 years R&D hatchery project has been started. The main purpose with the project is to improve hatchery protocols and develop in-house hatchery expertise. The project is partially funded through Innovation Norway and Skattefunn.