First Securities
Aquaculture Seminar

Atle Eide
CEO
Pan Fish Group
Is competitive advantage in multinational aquaculture companies achievable?
Agenda

- The industry
- Shareholder value based on competitiveness
- The Pan Fish story and our formula for future success
What industry are we in?

- Fish farming is and will be a pure commodity industry!

Market dominance?

- A dream. The competitive battle for the dinner plate will never allow it!

Cyclicality?

- It is a part of our industry we need to learn to manage, as it will be our reality for the foreseeable future!

Competition?

- We have only seen the beginning! Look at the concentration on the retailer and enormous marketing effort from competitive food!
None of the major customers have one exclusive supplier of salmon.
Can we be profitable in such industry

• The competition has changed over the last few years
  ‣ Rapid concentration in retail
  ‣ Rapid concentration in food service
  ‣ Rapid concentration in seafood processing

• To succeed we need to
  ‣ Meet very strict quality standards
  ‣ Meet very strict traceability standards
  ‣ Meet very strict delivery standards and
  ‣ Be able to deliver large, guarantied volumes
  ‣ Be very cost effective to meet the demand for competitive pricing
How to create shareholder values?

Three areas where the multinational **could** be superior

- **Attractiveness to a global investor market**
  - Profitable size might make a company more attractive to global investors

- **Multi regional supply opportunity**
  - Global customers

- **Cost effectiveness**
  - Not beyond unique regions
  - But multiple regions could accumulate strong total profits
Area 1 for multinational aquaculture competitiveness

Attractiveness to a global investor market

- Profitable size might make a company more attractive to global investors
  - High liquidity in share
  - Good analyst coverage

- Size based on multiple business units will, even with limited synergies, could level out earnings. Possible business combinations are;
  - Upstream – feed
  - Primary production – salmon/processing
  - Downstream – seafood value adding and distribution

- Size due to multiple production areas and multiple species
  - Risk reduction due to multiple areas
  - Risk reduction due to multiple species
  - Leveling of earning from various species
Shareholder value creation

Area 2 for multinational aquaculture competitiveness

- **Multi regional supply opportunity**
  - Global customers use country of origin as co-brand
  - Various products types from the different production area
    - Cost effective frozen fillets and portions from Chile to discounts segment
    - Super fresh salmon from Norway to high end retailers and smokers
    - Branded Scottish salmon to huge UK home market
  - Simplification of supplier side to partnership customers

- Utilizing farming and market competence across production regions
- Optimizing allocation of capital
- Risk reduction
Area 3 for competitiveness

- **Cost effectiveness**
  - Cost effectiveness in all phases of salmon farming & distribution is essential
  - Area 1 and 2 will not alone build acceptable profit and shareholder value
  - There are no advantages of scale beyond unique regions
  - Customers will only pay more if you meet their demand on defined areas
  - Customers will not pay a premium for a complex, costly organization
  - The concept of “LCP delivered customer” is very demanding to implement
    - It is about minimizing the cost level between the farming cluster and the increasingly demanding customer

We need to build cost competitiveness in the good years of 2005 and 2006
“Pan Fish shall supply the world with high quality salmon products at the lowest cost delivered to customer”
Pan Fish – a global company

- **PF North America**
  - Capacity: 25 000 tgw
  - Capacity target 2008: 25 000 tgw

- **PF Norway**
  - Capacity: 36 000 tgw
  - Capacity target 2008: 40 000 tgw

- **PF Scotland**
  - Capacity: 25 000 tgw
  - Capacity target 2008: 25 000 tgw

- **PF Faeroes**
  - Capacity: 8 000 tgw
  - Capacity target 2008: 8 000 tgw

- **PF France**
  - Production 2004: 1 568 tons
  - No. of employees 2004: 127
Strategic focus remains unchanged

Two main targets

- Lowest cost production
- Rebuilding of biomass within existing infrastructure

Critical success factors

- Focus on all “daily” aspects of our business
- Retain and attract top industry competence
- Maintain uncompromised focus on quality, sustainability and fish health
- Retain and develop long term customer partnerships
“High quality processing is an absolute requirement to achieve high quality, food safety and delivery control – all of which are key aspects to attract top quality international customers!”

- Pan Fish has high quality processing plants in Norway, Scotland and Canada
- All of which are designed for larger volumes which will pay off when Pan Fish now is in position to grow
Low Cost = High Quality

“Top quality is an absolute requirement both for low cost and attracting and maintaining attractive customers!”

Pan Fish superior share of production in 2005

- Norway 90%
- Scotland 94%
- Canada 97%
Heading back to full capacity

Production, TRW

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>20</td>
</tr>
<tr>
<td>1999</td>
<td>22</td>
</tr>
<tr>
<td>2000</td>
<td>74</td>
</tr>
<tr>
<td>2001</td>
<td>98</td>
</tr>
<tr>
<td>2002</td>
<td>79</td>
</tr>
<tr>
<td>2003</td>
<td>72</td>
</tr>
<tr>
<td>2004</td>
<td>61</td>
</tr>
<tr>
<td>2005E</td>
<td>66</td>
</tr>
<tr>
<td>2006</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
</tr>
<tr>
<td>2008E</td>
<td>107</td>
</tr>
</tbody>
</table>
Biomass increase through 2Q and continued declining costs of fish in sea

LCP potential proven – lower costs will materialize in the quarters to come

Harvesting down 35% y-on-y due to “forced” biomass reduction through 2004

Total operational and balance sheet restructuring over last 24 months

Equity share of 35% - solid long term financing in place

Sufficient cash for organic growth, access to capital for strategic growth
Pan Fish formula for future success

Multiplication of lowest cost production cluster

A clean and simple organizational structure limits cost between production cluster and customer

Very focused strategic approach – Pan Fish LCP™
  - Lowest cost delivered customer
  - Not very fancy, but low risk and solid profit

Pan Fish USP’s
  - Partnership
  - Quality and traceability – only our own fish
  - Super effective processing units is a guaranty for quality
  - Easy to work with
  - Keep our promises without exceptions
Multinationals can become Lowest Cost producer, and the preferred investment case

- **Pan Fish is organized in respect for the industry dynamics**
  - Deliver the increasingly demanding customers what they want and do it at low cost
  - Lowest cost to market is a “no hazel” strategy in all farming, therefore so difficult for multinationals

- **There are advantages coming from size which the smaller companies can not match going forward**
  - Global supply
  - Profitable size to attract global investors
  - Multiple business units to level earnings over time in a cyclical industry
A bright future for a fantastic product