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Report on IntraFish Seafood Investment Forum
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Introduction

This was the third Seafood Investment Forum convened by IntraFish, an online worldwide Seafood news organization. IntraFish has a wide readership and dominant position in seafood news. IntraFish is using their position to attract attention from investment professionals in seafood companies and facilitate growth in the seafood sector. The first Seafood Investment Forum was in Hong Kong followed by New York City in February, 2012. The Forum now attracts over 180 Investment and Seafood professionals.

The seafood industry is expanding rapidly around the globe and has now become an important contributor to the global supply of protein. The growth has primarily come in aquaculture production but there are also important growth areas in traditional fishing. The bellwether for the seafood sector has been the salmon sector. Salmon is a success story moving from high-end niche to a staple protein in Europe, North America, Eastern Europe, Asia and South America.

The objective of the forum was to attract attention from the investment community to the entire seafood industry, show the level of professionalism that has developed in the sector, and attract capital for growing the industry. Presentations were made by 14 seafood companies and there were 3 panel discussions followed by question and answer sessions. It is important to note that during the conference there were many side meetings being held in the hotel between the seafood companies and investors. Since the Seafood Investment Forum, several major investments have been announced, including the purchase of Morpol by Marine Harvest.

It was an intense day of presentations, panel discussions and question and answer sessions. All the speaker presentation slides are attached. The following pages highlight items from the presentations and discussions as well as the question and answer sessions. They are opinions and should not be considered factual but rather general observations. I suggest additional due diligence to the reader before making any representation of these contents.

Keynote Address: Martin Glenn, CEO, Iglo Group Ltd.

Martin Glenn has been the CEO of The Iglo Group since 2006 when Premira, a venture capital group, bought the business from Unilever. The current revenue is approaching 2 billion Euros with a 1/3 coming from seafood. Since the conference, it has been announced that The Iglo Group will launch an IPO in 2013 and that Martin Glenn will be moving on to other pursuits. I have attached Martin's presentation to this report but I will add the following comments.

1. Fish and Seafood are the 21st century growth market and will be the star performer in the global food business. Currently, fish represents over 30% of Iglo's sales and 15% of sales are prepared meals. Iglo has some iconic brands—including Birds Eye—and is very strong in frozen fish. They have a strong focus on brand development.
2. Protein Surge: Martin predicts that by 2025, 75% of the world population will be urbanized, this movement being led in China and followed closely by India. Per capita consumption of fish is 17 kg ahead of pork (15 kg), Poultry (13 kg) and beef (10kgs). The annual growth in fish supply over the last 60 years has been 3.1% while the world population has grown by 1.3% annually.
3. Market Penetration of Fish: 80% of households in Europe are buying frozen fish and the average price of fish is higher than that of meat. Europe is currently at 20 kg/capita. Aquaculture is the fastest growing sector in food, and fish continues to be the world's most traded food commodity. However, fish continues to be a highly political food!
4. Marketing: Alaskan Pollock is now being sold around the world as the "Omega 3 Fish Finger". Fish not only has a great health story but sustainability as well, which includes low feed conversion ratio, low usage of freshwater (beef uses 200 kg of water to produce 1 kg), there is a price advantage for fish as well opportunities for eco energy. For optimum health, oily fish should be consumed twice per week.
5. Make Fish More Friendly: The key to increasing acceptance and consumption is to make fish easier to eat; "Baked to Perfection" line of seafood from Findus.
6. Sustainability: Drive sustainability by making it understandable; provenance, product integrity, etc.

Salmon Panel: Ole-Eirik Leroy, Chairman of Marine Harvest; Victor Hugo Puchi, Chairman, AquaChile

Comments from panel discussion:

Ole-Eirik: Opportunities for increasing salmon production in Chile and Norway. He sees Canada and Scotland as being “Stable” in salmon production. Current world production of fish is 40 million tonnes. He sees the investment in salmon second to none in both fish and seafood. He believes salmon is a very efficient provider of marine protein and an efficient feed converter. Marine Harvest is investing in feed production because they feel they need to know more about feed to meet future market needs.

Victor: AquaChile and the Chilean industry are taking an aggressive approach to manage biological risks by implementing strong regulations regarding the importation of eggs, restriction of licenses and focusing future growth on new operating areas.

Ole-Eirik: Marine Harvest is focused on salmon and believes there is more potential for development in Norway. He also believes there needs to be more consolidation and that integrated producers need to have more value-added production.

Victor: Additional consolidation will double EBITA of salmon producers and that source of money will come from the equity markets.

Victor: The salmon industry needs new technology and they need to apply knowledge from salmon to new species, i.e. Tilapia.

Ole-Eirik: In 20 years, the main areas of salmon production will be more exposed areas. There needs to be new technology developed for farming in exposed areas. He also sees great opportunity for algae in feed and believes that this development is “near future”.

Ole-Eirik: The Scottish government has the political will to grow, and Marine Harvest plans to grow in Scotland as well. Growth in Scotland will come from more exposed areas.

Ole-Eirik: Marine Harvest is focused on feed improvement not on improving genetics.

Final prediction on Price; Ole-Eirik believes that price will improve for salmon in 2013. Victor also believes price will improve for salmon because of increased consolidation.

Beyond Salmon Panel: Francisco Murillo, President of Regal Springs (Tilapia); Jan Kaptijn, CEO, Seafood Connection (Pangasius); Dimitrios Delonas, CFO, Nireus Group; To Thuy Trang, Partner, Tri Tin International

Dimitrios: Sea Bass and Sea Bream Production in Greece and Turkey accounts for over 70% of production in the Mediterranean Region of 300,000 MTs. Price needs to improve; they are currently too low.

Jan: Pangasius production has grown from 200,000 MTs in 2000 to over 1.2 million tonnes in 2008. Growth has stopped and the industry is in a financial crisis. The primary competitor is Alaskan Pollock. The 10 biggest exporters in Pangasius represent less than 40% of the volume exported. The industry needs to consolidate.

Dimitrios: The Sea Bass and Sea Bream industry need to create value around Omega 3's, which is the best in white fish market.

Francisco: There is a high level of consolidation in the Tilapia industry with few current investment opportunities. Regal Springs has just entered a joint venture partnership with Skretting in Honduras.

Jan: Vertical integration is accelerating in the Pangasius industry of Vietnam.

Francisco: Certification is extremely important in the Tilapia industry, as important as having HAACP in the processing plants.

Dimitrios: Nireus is pursuing GLOBALG.A.P certification for all of their Sea Bass and Sea Bream production.

Jan: The German market for Pangasius has dropped over 30% due to safety and sustainability concerns. ASC Certification is crucial to rebuilding the European market for Pangasius.

Francisco: All Tilapia production at Regal Springs is cage based in Honduras. They feel this gives the most sustainable product.

Predictions for 2013:

- Jan: Negative for Pangasius in the short term with biggest concern being the 25% increase in the cost of feed. A good time to invest in consolidation.
- Dimitrios: 2013 will be a positive year for Sea Bass and Sea Bream.
- Francisco: 2013 will be a good year for Tilapia. Because of problems in shrimp in Asia, shrimp farms in Ecuador and Mexico that were converted to Tilapia are now reverting to Shrimp.

Market and Processing Panel: John-Paul McGinley, COO, Morpol; Klaus Nielsen, CEO, Espersen; Finnbogi Baldvinsson, CEO, TST

Klaus: Seafood processing costs are going up in Asia. There is a 15% annual increase in salaries for the next 5 years.

Finnbogi: There has been a lack of investment in seafood processing for the last several years. There is also a great need for consolidation of the Seafood processing industry in Europe and Eastern Europe.

John-Paul: Morpol has made a huge investment in seafood processing in Western Europe. However, the sector needs more innovation to produce products consumers want to buy. Morpol will continue to focus on investment.

Klaus: The seafood processing sector needs to focus on product development and convenience.

Finnbogi: The industry needs to focus more investment in marketing and further increase the frequency of fish purchases.

Klaus: White fish supply increased by 1% in 2012 while the annual consumption is increasing by 3%

Finnbogi: Cod supply is increasing and TST will use more cod in 2013.

John-Paul: further vertical integration is to assure supply and product development as well as price. Processors will also need integration to establish legitimacy with large retailers. The trend is to move from supplier to partner with retailers.

Finnbogi: TST is focused on their core competency, trading frozen seafood.

Klaus: Tendency to create partnerships with retailers rather than retailers owning processing/production of seafood. He expects that North America will grow 100 million people over the next 20 years, mostly Asian and Hispanic, but that there will be no growth in Europe. Also, 700 million people in Asia will have a higher disposable income in the next 20 years.

John-Paul: Morpol finds the markets in Germany and France exciting with increased interest in smoked seafood. Products with better value will have higher turnover. More innovation of products is expected. Salmon is growing quickly with modern retail driving salmon sales. This will accelerate with the Global expansion of modern retail. The retailer Aldi currently owns 1200 stores and is expanding 10% annually, including major acquisitions, i.e. Trader Joes. Morpol is watching the Latin American market and the rapid consolidation in production and processing in the region.

Klaus: Believes there will more consolidation in primary processing in 2013.

Finnbogi: Also expects more consolidation in 2013.

Thomas Lorck, Senior Seafood Analyst, Arctic Securities: Healthy Salmon Cycle ahead of us?

Thomas gave an overview of salmon prices in major world markets over the last several years. The major development in 2012 was the gap in price between Europe and North America. This is considered to be temporary and is a result of Chile ramping up production in 2011 and 2012 after the major supply crisis in 2010. 2012 Chilean smolt placement was 120-134 million smolts, close to a 20% increase over 2011. Chilean placements are now decreasing, and there has been considerable early harvesting of salmon in Chile due to financial restraints and increasing feed costs. Worldwide salmon supply grew close to 20% in 2012. However, the projection is for only a 2% increase in 2013. Despite the increase in production, salmon prices were adequate in Europe and volume was up considerably. Salmon volume was also significantly higher in North America in 2012. However, price was not adequate.

Company Presentation: Nutreco, Knut Nesse, CEO

Knut Nesse was recently appointed CEO of Nutreco, a global producer of animal nutrition and fish feed with close to 5 billion Euros in annual turnover. Knut's presentation is attached to this document.

Nutreco is preparing for changing world demographics and increased global demand for protein. Over the next 20 years, Nutreco expects the world's middle class to expand from 400 million to over 2.1 billion people. Food production will need to double in the face of increasing adverse weather (drought of 2012) redirection of food to biofuel, lower inventory of food, and wild price speculation. Management of sourcing and the supply chain for feed ingredients is crucial to Nutreco responding to this increase in demand. Nutreco is investing heavily in innovation—over 50 million Euros annually—and is also active in acquisition of innovative companies.

Skretting is the fish feed division of Nutreco with annual feed production of over 1.7 million MTs, 70% in Salmonids. Skretting's strategy is to diversify into new species, including shrimp and tilapia and expect to increase the proportion of non-salmonid feed to 45% by 2016. The target markets are India, China, Brazil and smaller regions like Ecuador. Fish meal and fish oil have huge demand. Nutreco is working to reduce and replace marine protein and oil in fish feeds. With recent acquisitions in China and Ecuador, it is now one of the top 3 producers of

shrimp feed in the world. With current fish meal inclusion in shrimp diets at 25%, making shrimp feed the largest demand for fish meal, Nutreco feels there is significant room to reduce inclusion and extend the supply.

Company Presentation: Marine Harvest, Tore Valderhaug, CFO

Marine Harvest is the largest Salmon farming company in the world with over 350,000 MTs of annual production. They have a dominant position in Farmed Atlantic Salmon in Norway, Scotland, Canada, Chile, Ireland and Faroe Islands. In 2012, Marine Harvest realized the largest increase in year over year volume ever. Marine Harvest expected a decrease in price in 2012 of at least 25% because of large increase in supply from the company and the salmon industry. The actual decrease was approximately 15%. The market absorbed more salmon than expected. One of the reasons is the increased promotion in 2012 of farmed salmon by Marine Harvest.

Marine Harvest is interested in further consolidating the salmon sector. However, their focus is on investing in feed manufacturing capacity and also a new value-added plant in Poland, which Marine Harvest purchased in mid-December. Marine Harvest is focused on the salmon sector and plans to grow both organically and through acquisition. Marine Harvest is becoming a more Europe-focused company with most of the growth and investment occurring in Europe.

Company Presentation: Cermaq, Tore Valderhaug, CFO

Cermaq is divided into two business units; EWOS and Mainstream. With operations in Norway, Chile, Canada, Scotland and Vietnam, and annual revenue of \$2 billion USD, Cermaq is the largest salmonid feed manufacturer and third largest salmon producer. Cermaq has a total of 5500 employees with over 4500 employees in Chile. The success of the Chilean Aquaculture industry will determine the success of Cermaq.

Salmon production in Norway increased over 170,000 MTs in 2012 from 2011. In Chile, production increased 160,000 MTs in 2012 over 2011. While the US market grew to over 350,000 MTs of consumption, it did so with low prices. There continues to be a significant price gap between North America and Europe. Cermaq expects a “challenging” salmon market to continue in Canada and Chile for 2 to 3 quarters.

Kontali estimates the Chilean trout industry to produce 460,000 MTs in 2013. The industry association is projecting 530,000 MTs, while Cermaq is projecting 490,000 to 500,000 MTs.

Cermaq is also projecting a 16-17% decrease in trout in 2013 primarily because of SRS and the new sanitation regulations.

Cermaq has four core strategies for Chile:

1. To have a presence in all three production regions;
2. To grow all three species; Atlantic salmon, Coho Salmon and Trout;
3. To move to closed containment for all smolt;
4. To exercise preventative fish health.

Cermaq is well on their way to achieving these goals with the purchase of Cultivos Marinos and will invest in new hatcheries and fish health in 2013. Tore commented that in 2012, Cermaq had 3 main health challenges, 2 in Canada (IHN and IHN) and 1 in Norway (ISA). The major cause of mortality in Chile was Sea lice and SRS (Trout). Cermaq is focusing on feed to deal with Sea Lice.

Company Presentation: Pescanova, Joachin Vina Tamargo, Dir. of Investor Relations

Grupo Pescanova is in the top 10 seafood companies in the world with over 1.6 million Euros in annual revenue. They have the largest European fishing fleet with over 80 boats, 25 plants and several strong consumer brands. Pescanova has 3 main aquaculture projects that are showing excellent results. The focus in fishing is prawns, hake and turbot. Revenues from fishing are 1.2 billion Euros and not growing. Aquaculture is growing rapidly. All of their aquaculture projects are in South America with shrimp production at 70,000 MTs and growing to 95,000 MTs in 2013. Salmon production in Chile is currently 32,000 MTs and Pescanova is looking to grow organically to 50,000 MTs and through acquisition to 70,000 MTs in 2013.

The goals for aquaculture are to double EBITA in shrimp through production efficiency and to diversify into all 3 species of Salmonids in Chile by 2014. Even though aquaculture represents 25% of revenue for Pescanova, it represents over a third of the EBITA and it is growing fast. Pescanova is focused on the aquaculture sector.

Company Presentation: AquaChile, Victor Hugo Puchi, Chairman

Victor Hugo Puchi focus was telling investors that Chile is a stable place to invest. The Chilean GDP for 2011 was over \$248 Billion USD, with a 6% annual growth and a per capita income of \$16,171. Chile is a net exporter and has an A+ credit rating. Over half of the world production of Fish meal and fish oil is in Chile and Peru. Exports of aquaculture product were \$2.9 billion USD in 2011, the second highest exporting in Chile to copper (\$40 billion in annual exports). The main export markets for aquaculture products are Japan, USA and expansion into Europe.

The Chilean Salmonid industry has been destabilized due to disease over the last several years. The government and the industry have just adopted a new legal framework for regulating industry. The focus is on clear and strong disinfection protocols, higher quality smolts in land-based hatcheries and individual screening, restrictions on egg imports, salmon neighborhoods (52 salmon production zones), and no more licenses in current production areas, density controls and sites can be closed for both sea lice and SRS.

The consolidation trend is expected to continue in Chile as small and middle-sized producers merge and/or form production groups. The expectation is that this trend will lead to better fish health through sanitary control, a more stable supply of product, and steady prices.

Victor concluded his presentation with a slide on AquaChile, a \$500 million USD company with operations in Chile (Atlantic Salmon, Pacific Salmon and Sea Trout) and Costa Rica and Panama (Tilapia). The focus of AquaChile is on continuous innovation and improvement.

Conclusions

Aquaculture is a young industry and has a very large requirement for capital. Infrastructure is expensive and technology is rapidly changing. As a relatively new industry, aquaculture has been perceived to lack the size and stability to attract significant capital from the major markets. The IntraFish Investment Forum brought together an impressive group of speakers from both traditional seafood and also aquaculture companies. The level of professionalism that exists within the seafood industry both traditional and farmed is impressive. Companies like the Iglo Group over the last several years have reinvigorated their seafood products for greater market acceptance and impressive financial results. While many of the aquaculture related companies continue to struggle with production related issues, companies like Marine Harvest are making huge investments in product development and marketing. Consolidation over the last 10 years in the salmon sector has led to more stability in production and remarkable market gains.

The investment community is becoming more comfortable with the seafood sector and the aquaculture industry. There is a changing attitude and increasing curiosity but still an aversion to risk. The investors want stability more than anything. They are asking good questions and most importantly showing up to events like the IntraFish Seafood Investment Forum. But it will take more time for the markets to truly understand the aquaculture sector.

The highly political nature of seafood and aquaculture was mentioned several times during the forum. All stakeholders have to work hard on resolving the negative perceptions around seafood and aquaculture. Not only is aquaculture a legitimate industry; it is a critical food producing sector for the world. A strong vibrant seafood industry will be essential to meet growing demand for healthy sustainable protein in the future.

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