



# SalMar ASA

Presentation Q4 2020

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CFO & COO Trine Sæther Romuld



# Agenda

- Highlights
- Operational update
- Financial update
- Strategic update
  - SalMar Ocean
  - SalMar
- Outlook

# 30 years of delivering excellent operational performance



- SalMar was founded 8<sup>th</sup> of February 1991
- Strong track record of growth
  - 11 to 1700 employees
  - From operations on Frøya in Norway to operations in 8 countries across the globe
  - Production 800 tons in 1991 to 195 000 tons in 2021
- Fantastic dedicated employees with a passion for salmon
- Significant growth opportunities
  - Need to utilize the potential of the ocean to produce more healthy food
  - Sustainable growth on the terms of the salmon
  - Pioneering use of new technology

# 2020 showcasing our ability to handle a challenging situation

	FY 2020	FY 2019	Δ YoY
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## Group

<b>Harvest volume</b> (1,000 tons)	161.5	153.1	+8.4
<b>Operational EBIT</b> (MNOK)	3,007	3,068	-60
<b>EBIT/kg</b> (NOK/kg)	18.62	20,04	-1.42

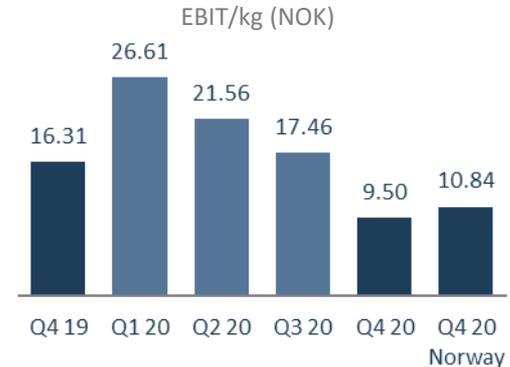
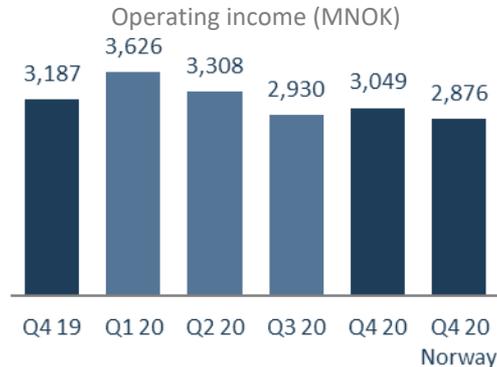
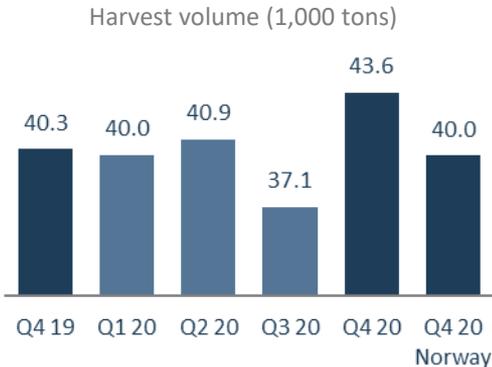
## Norway

<b>Harvest volume</b> (1,000 tons)	150.3	143.3	+7.0
<b>Operational EBIT</b> (MNOK)	3,058	2,967	+91
<b>EBIT/kg</b> (NOK/kg)	20.35	20.71	-0.36
<b>Nasdaq spot price</b> (NOK/kg)	54.34	57,98	-3.64

- Covid-19 has led to significant market uncertainty
- Strict disease prevention measures implemented
- Strong strategic and operational focus throughout the value chain resulting in solid biological and operational performance
- Dedication, passion and strong culture

# Highlights

- Satisfactory results in a challenging quarter with low salmon prices
- Total operational EBIT 433 MNOK from Norway, including Icelandic Salmon total operational EBIT 414 MNOK
- Central and Northern Norway delivers satisfactory results due to good biological and operational performance
- Challenging market conditions impacting results from Sales & Processing
- Positive cost development for Icelandic Salmon
- Guiding for 2021 maintained at 163,000 tons in Norway and 14,000 tons on Iceland
  - Record high standing biomass going into 2021
- Proposed dividend for 2020 of NOK 20.00 per share
- Strengthening our strategic focus on offshore fish farming



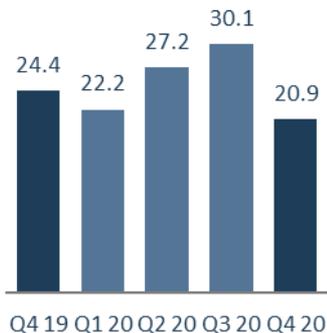


# OPERATIONAL UPDATE

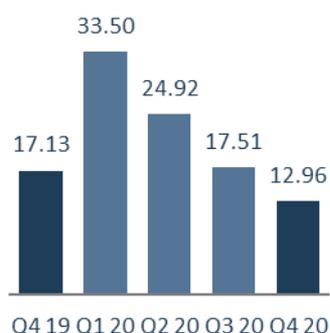
# Farming Central Norway

	Q4 2020	Q4 2019	FY 2020	FY 2019
Operating income (NOKm)	1,086	1,349	5,895	5,670
Operational EBIT (NOKm)	271	418	2,218	2,165
Operational EBIT %	25.0 %	31.0 %	37.6 %	38.2 %
Harvested volume (tgv)	20.9	24.4	100.4	95.3
EBIT/kg	12.96	17.13	22.10	22.71

Harvest volume (1,000 tons)



EBIT/kg (NOK)

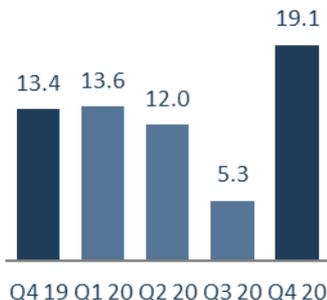


- Continuing the trend with solid results
  - Strategic and operational focus resulting in good biological and operational performance
- Autumn 19 accounted for the volume in the period
  - Stable biological performance
  - High harvest volume at the end of the period
- Volume reduced at the end of the year to optimize utilization of increased MAB capacity
- Expect slightly lower volume and costs at same level in Q1 2021
  - Will finish harvest of autumn 19 generation and start harvest from spring 20 generation
  - Production tax at 0.40 NOK/kg will be included from Q1 2021
- Expect to harvest 107,000 tons in 2021

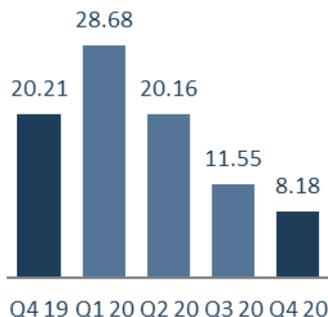
# Farming Northern Norway

	Q4 2020	Q4 2019	FY 2020	FY 2019
Operating income (NOKm)	822	746	2,613	2,789
Operational EBIT (NOKm)	156	270	848	931
Operational EBIT %	19.0 %	36.2 %	32.4 %	33.4 %
Harvested volume (tgv)	19.1	13.4	49.9	48.0
EBIT/kg	8.18	20.21	16.99	19.41

Harvest volume (1,000 tons)



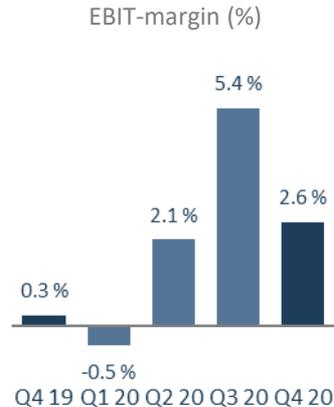
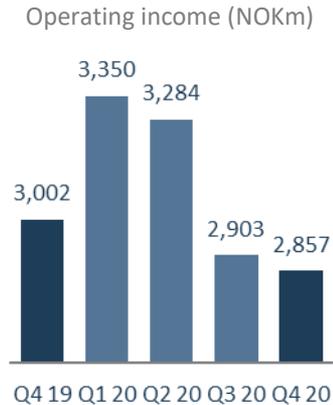
EBIT/kg (NOK)



- Satisfactory results and continuing the positive development
  - Strategic and operational focus has given good biological and operational performance reducing cost level
- Spring 19 generation accounted for 80% of the volume and was finished in the quarter
  - Continued strong biological performance and low cost
- Autumn 19 started in in the quarter
  - Good biological performance
- Expect lower volume and higher cost level in Q1 2021
  - Continue harvesting from autumn 2019
  - Production tax at 0.40 NOK/kg will be included from Q1 2021
- Expect to harvest 56,000 tons in 2021

# Sales & Processing

	Q4 2020	Q4 2019	FY 2020	FY 2019
Operating income (NOKm)	2,857	3,002	12,393	11,699
Operational EBIT (NOKm)	73	8	282	124
Operational EBIT %	2.6 %	0.3 %	2.3 %	1.1 %



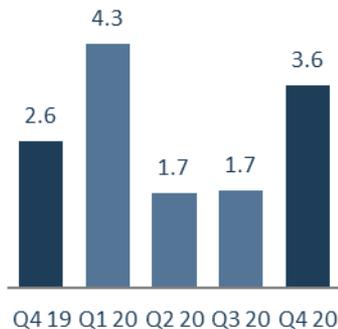
- Satisfactory results in a quarter with challenging market and low salmon prices
- Positive contribution from fixed price contracts
  - Contract share at 20% in the period
- Current market situation underlines the importance of our strategic focus on local processing
  - Strong results and operational performance in 2020
- Contract share currently at 30 % for Q1 2021 and FY 2021 20%
- Construction work on InnovaNor is progressing according to plan
  - First harvest in the summer of 2021

# Icelandic Salmon

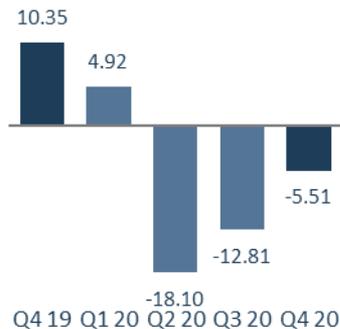
	Q4 2020	Q4 2019	FY 2020	FY 2019 <sup>1</sup>
Operating income (NOKm)	173	165	662	627
Operational EBIT (NOKm)	-20	27	-50	100
Operational EBIT %	-11.3 %	16.3 %	-7.6 %	16.0 %
Harvested volume (tgv)	3.6	2.6	11.2	9.8
EBIT/kg	-5.51	10.35	-4.49	10.21

1) Consolidated results from February 2019

Harvest volume (1,000 tons)



EBIT/kg (NOK)

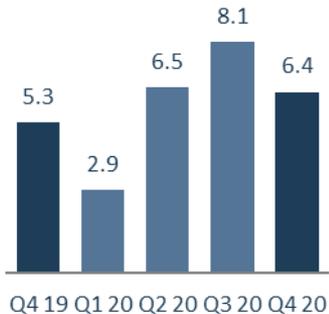


- Successful private placement and listing on Euronext growth in October 2020
- As expected, negative result due to low price achievement
  - Result for the period negatively impacted by one-off costs and costs related to the share issue / listing process (3,70 NOK/kg)
- Positive cost development driven by improved biological performance
  - Started harvesting of 2019 generation with lower cost level
- Expect slightly higher volume and stable cost level in Q1 2021
  - Continue harvesting from 2019 generation
  - Improved biological status of fish in sea
- Expect to harvest 14,000 tons in 2021
- Positive signals for new licenses in Ísafjarðardjúp, 10,000 MAB tons

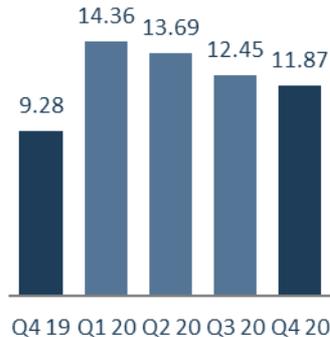
# Norskott Havbruk (Scottish Sea Farms)

	Q4 2020	Q4 2019	FY 2020	FY 2019
Operating income (NOKm)	427	392	1,699	1,834
Operational EBIT (NOKm)	76	49	308	292
Operational EBIT %	17.8 %	12.6 %	18.2 %	15.9 %
Value adjustments biomass	-21	109	-143	-48
Profit before tax	50	152	143	229
SalMar's share after tax	22	73	49	106
Harvested volume (tgv)	6.4	5.3	24.0	25.9
EBIT/kg	11.87	9.28	12.87	11.29

Harvest volume (1,000 tons)



EBIT/kg (NOK)



- Good results in the period
  - Costs improved from Q4 19
- Harvest volume below guidance for FY 2020
  - Impacted by early harvest of small fish at 2 sites
- Good biological status in all regions
  - Expect lower cost in Q1 21
- Expect 36,000 tons harvest volume in 2021



# Operational EBIT deviation analysis (qoq)

## Norway

EBIT per kg (NOK)



$\Delta$  QoQ  
**-8.08**  
NOK per kg



- Decrease due to lower spot prices and weaker price achievement within sales & processing

## Group

EBIT per kg (NOK)



$\Delta$  QoQ  
**-7.96**  
NOK per kg



- Group EBIT per kg decreased QoQ following lower spot prices
- Weak margin from Icelandic Salmon

# Group profit and loss

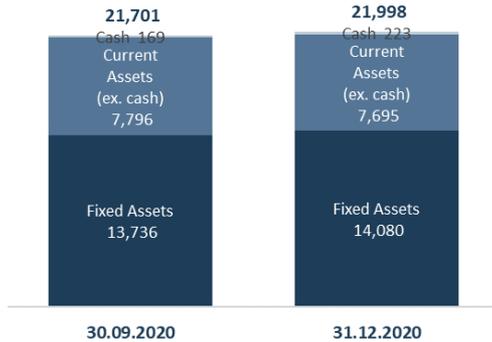
NOK million	Q4 2020	Q4 2019	Δ%	FY 2020	FY 2019	Δ%
Operating income	3,049.0	3,186.7	-4 %	12,912.3	12,237.6	6 %
<b>EBITDA</b>	<b>648.1</b>	<b>863.9</b>	<b>-25 %</b>	<b>3,819.6</b>	<b>3,786.0</b>	<b>1 %</b>
Depreciations and write-downs	234.3	205.7		812.1	718.4	
<b>Operational EBIT</b>	<b>413.8</b>	<b>658.1</b>	<b>-37 %</b>	<b>3,007.5</b>	<b>3,067.6</b>	<b>-2 %</b>
Fair value adjustment	-328.6	218.4		-179.5	-33.0	
<b>EBIT</b>	<b>85.2</b>	<b>876.5</b>	<b>-90 %</b>	<b>2,828.0</b>	<b>3,034.6</b>	<b>-7 %</b>
Income from investments in associates	8.9	77.8		42.2	118.7	
Net financial items	-17.5	-62.9		-298.5	5.1	
<i>Net interest costs</i>	-30.2	-42.9		-139.6	-157.7	
<i>Other financial items</i>	12.7	-20.0		-158.9	162.8	
<b>Profit before tax</b>	<b>76.6</b>	<b>891.4</b>	<b>-91 %</b>	<b>2,571.6</b>	<b>3,158.4</b>	<b>-19 %</b>
Tax	24.9	168.2		563.4	613.9	
<b>Net profit for the period</b>	<b>51.7</b>	<b>723.2</b>	<b>-93 %</b>	<b>2,008.3</b>	<b>2,544.5</b>	<b>-21 %</b>
Other comprehensive income	-85.6	14.6		212.1	39.9	
<b>Total comprehensive income</b>	<b>-33.9</b>	<b>737.8</b>	<b>-105 %</b>	<b>2,220.4</b>	<b>2,584.4</b>	<b>-14 %</b>
Earnings per share (NOK)	0.22	5.93	-96 %	17.52	22.06	-21 %
Harvested volume (tgv)	43.6	40.3	8 %	161.5	153.1	6 %
EBIT per kg (NOK)	9.50	16.31	-42 %	18.62	20.04	-7 %
Nasdaq spot price (average)	43.69	57.67	-24 %	54.34	57.98	-6 %

## FY 2020 vs. FY 2019

- Revenue increased following higher volume and stronger price achievement
- Operational EBIT only reduced 2% due to lower cost
- Fair value adjustment negative due to lower forward prices
- Reduced income from associates
- Other financial items in 2019 positively impacted by gain from acquisition of increased shareholding in Icelandic Salmon

# Group balance sheet

## Assets



## Equity ratio

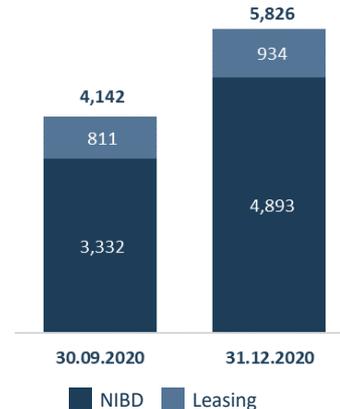
49.9%

- Investments progressing according to plan
- Higher standing biomass YoY and QoQ
- Net Interest-bearing debt incl. leasing liabilities increased with NOK 1,684 million during the quarter due to dividend paid
  - NIBD incl. leasing at NOK 5 826 million at the end of 2020
- Solid financial position with equity ratio at 49.9% and NIBD incl. leasing /EBITDA at 1.53

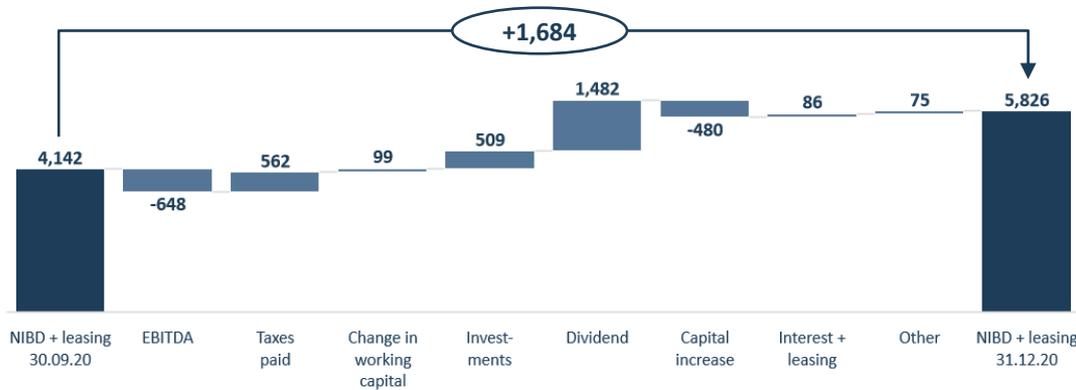
## Equity & liabilities



## NIBD incl. leasing



# Movement in net interest-bearing debt



- Cash flow from operations impacted by taxes paid
- Net cash flow from investments at NOK 509 million
  - Farming and Ocean NOK 94 million
  - Smolt and hatchery NOK 150 million
  - Sales & Processing NOK 186 million
  - Upgrade of Vikenco NOK 59 million
  - Capex Iceland NOK 18 million
- Dividend of 13,00 NOK per share paid out in December
- Successful private placement for Icelandic Salmon
- NIBD incl. leasing increased with NOK 1,684 million

# Secured new sustainability linked financing



- Securing financial flexibility by strengthening our credit facilities
  - Increasing credit facilities by NOK 1,000 million
- Sustainability linked revolving credit facility of NOK 4,000 million
  - Duration 5 years
  - 4 ESG KPI's linked to the RCF
    - Survival rate
    - Economic feed conversion ratio
    - Share of local processing in Norway
    - Greenhouse gas emission intensity
- Overdraft facility of NOK 1,000 million
  - Duration 1 year with annual renewal
- Covenants
  - Equity ratio at least 30%
  - Interest cover\* greater than 4

\* Interest Cover = EBITDA / Net finance charges

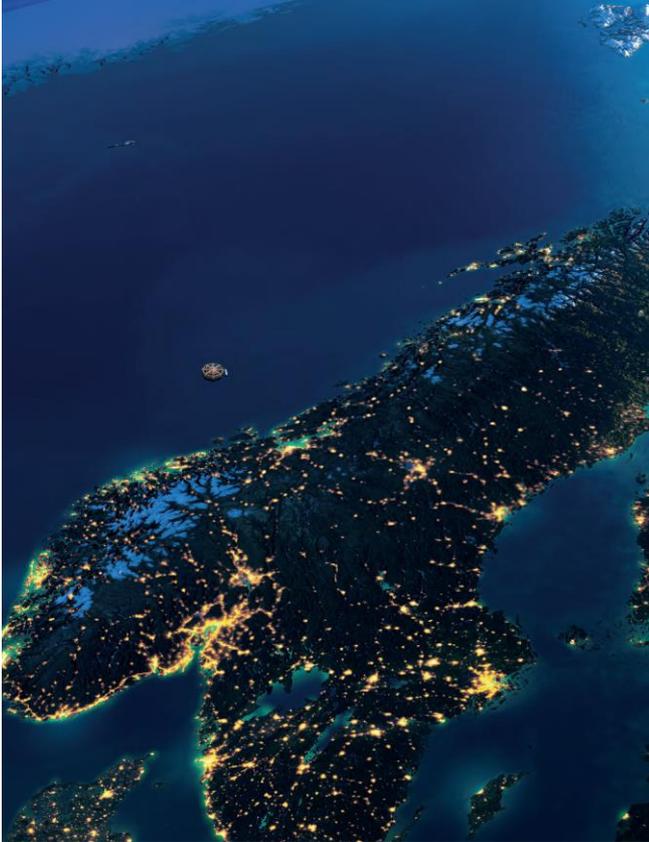
# STRATEGIC UPDATE



# SalMar Ocean

# Offshore – a new era in aquaculture

## Sustainable growth on the terms of the salmon



- Utilizing the potential of the ocean to produce healthier food<sup>1</sup>
  - Salmon one of the most resource efficient protein sources
  - Sustainable production to feed a growing world population
- SalMar - targeting sustainable growth through new technology since 1991
  - Technological development on the terms of the salmon
  - Always seek minimal environmental footprint
  - Consistently delivering excellent operational performance
- SalMar pioneered and will lead the way offshore
  - Build on 30 years of operational experience
  - Natural habitat of the Atlantic salmon
  - Optimal biological conditions
  - Unlock vast areas for sustainable production – world-wide
  - Separate area for investments and operations

1) <https://www.oceanpanel.org/>

# Oceans of opportunity

Two directions going forward – coastal and offshore fish farming

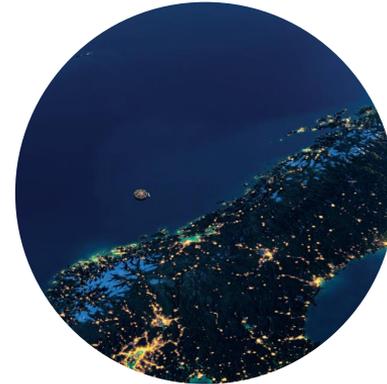
## COASTAL

Continue to deliver operational excellence at the optimal locations



## OFFSHORE

Gamechanger for releasing the potential of the ocean



**SalMar Ocean**

**SalMar pioneering and leading the way**  
Always on the terms of the salmon



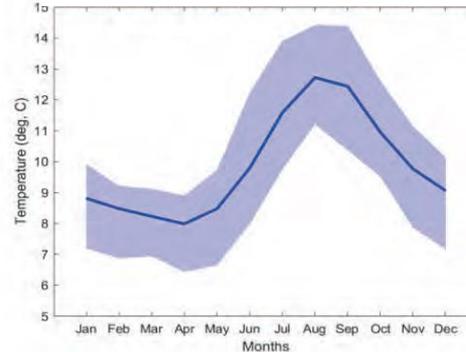
# Going offshore is building on our fundamentals

Terms of the salmon not the limitations of the equipment

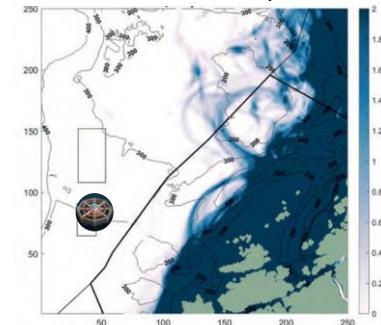
- Optimal biological conditions for the salmon
  - Stable temperatures
  - Unidirectional currents
- Offshore is the natural habitat of the salmon
  - Technology development to utilize the harsh conditions
  - Improved biological performance and fish welfare



Mean sea water temperatures  
SFF1 location



Sea lice frequency  
Central Norway

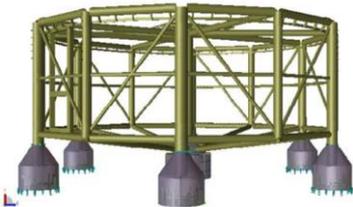


# Already producing in exposed areas offshore

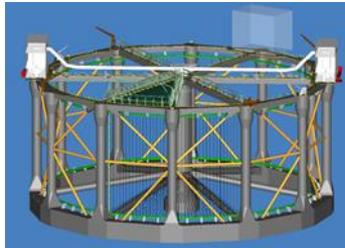
## Exposed - Ocean Farm



**Ocean Farm 1**



**Ocean Farm 2**



- Two production cycles completed
  - Unlocked significant new areas for farming
  - 10 000 tons of salmon with superior quality already delivered to customers worldwide
- Strong biological results strengthens our confidence
  - Strong growth
  - Low mortality
  - Low sea lice levels
  - Production cost on level with our best coastal locations
- Lessons learned implemented in future development
  - Operational and technological improvements
  - New and improved design for Ocean Farm 2
  - Reduced construction cost
  - Reduced production cost and build time
- Planning for construction of new units
  - Identified areas along the coastline with minimal footprint
  - In dialogue with shipyards both domestic and foreign

# Gamechanger for releasing the potential of the open ocean

## Open Ocean – Smart Fish Farm



- Vast areas available in the open ocean
  - Identified several areas with optimal biological conditions unaffected by the coastal currents
  - Areas identified in the open ocean larger than the area used for all coastal salmon production in Norway today → huge potential
- Site application for first unit sent
  - Location in the Norwegian Sea
  - 50 nm west of Frøya in Central Norway
- Large unit specifically designed for handling the harsh conditions
  - Final investment decision expected H2 2021 subject to government approval
  - In dialogue with both domestic and foreign shipyards
  - Construction time 23 months
  - In operation from Q2 2024\* with expected first harvest Q2 2025\*

\*) subject to government approval H2 2021

# Serial expansion of both OF and SFF technology

## EXPOSED

### Ocean Farm (OF)



	First unit OF1	Additional units OF2->
Volume*	7 500 rwt	10 000 rwt
CAPEX	1 billion NOK	0,6-0,8 billion NOK
Production cost**	35 NOK/kg	33 NOK/kg
Construction time	18 months	18 months
In operation	Since Q3 2017	From 2024->



2021

2022

2023

2024

2025

2026

2027

2028

2029

2030->

Units in  
operation



## OPEN OCEAN

### Smart Fish Farm (SFF)



	First unit SFF1	Additional units SFF2->
Volume*	23 000 rwt	23 000 rwt
CAPEX	2,3 billion NOK	1,5-2,0 billion NOK
Production cost**	37 NOK/kg	34 NOK/kg
Construction time	23 months	20 months
In operation***	From Q2 2024	From 2026->

- Speed of expansion subject to government approval and regulatory framework
- Attractive cost level
  - Lesson learned from OF1 reducing CAPEX
  - Strong biological performance and capacity utilization results in low production cost
- Significant positive ripple effects to the entire value chain and supplier industry
- Combine unique SalMar farming competence with OF exposed experience and Norwegian offshore construction know-how

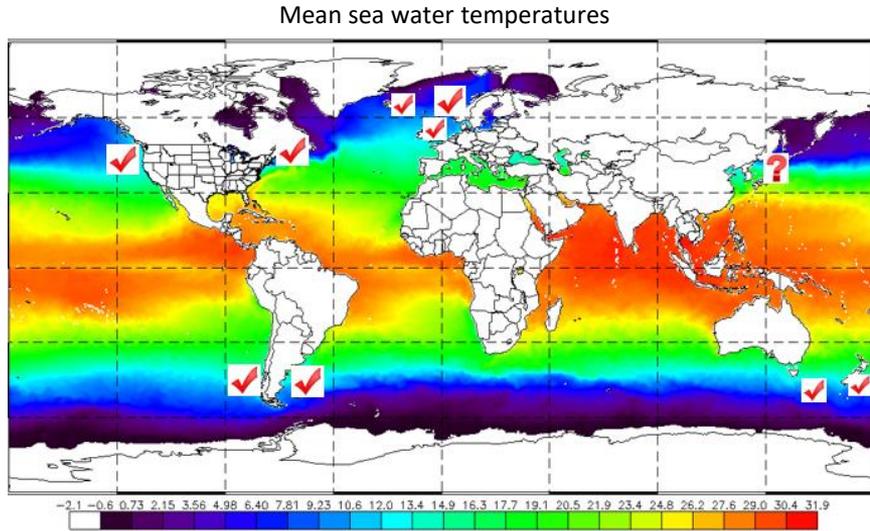
\*) rwt = tonnes round weight

\*\*) Based on full capacity utilization and current estimates based on today's cost structure

\*\*\*) subject to government approval H2 2021

# Sustainable global expansion opportunities

Close to key markets across the globe



- Technology not only limited to Norwegian waters
  - Technology can be deployed close to the core markets
  - SalMar has been approached by producers and vendors across the globe for further opportunities
- Releasing the potential of the ocean a vital part for making food production even more sustainable<sup>1</sup>
  - Further growth in seafood production needs to come from aquaculture
  - Optimal biological conditions in the ocean gives no need for additional energy and no need for freshwater during production

1) <https://www.oceanpanel.org/>

# SalMar pioneered and will lead the way offshore

## EXPOSED

Ocean Farm (OF)



## OPEN OCEAN

Smart Fish Farm (SFF)



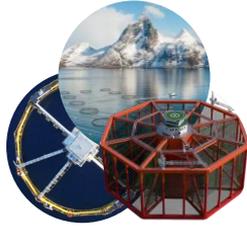
- Offshore provides optimal biological conditions
  - Stable temperatures and unidirectional currents
  - Improved biological performance and fish welfare
  - No need for additional energy and no need for freshwater during production
- Serial expansion of both OF and SFF technology
  - Speed of expansion subject to government approval and regulatory framework
  - Attractive cost level; path to serial production efficiencies
- SalMar Ocean leading the development offshore
  - Protecting SalMar core: Build and develop SalMar Ocean organization to handle growth ambition
  - Exploring several financing alternatives



# Strong strategic and operational focus throughout the value chain

Always on the terms of the salmon

Flexibility and capacity to deliver the **right smolt** at the **right time** ...



... to deliver the **best fish** through good fish welfare...



... for local processing with the **right capacity** at strategic locations...



... for production at the **optimal locations** with minimal footprint...



... with **flexibility** to handle the volume when the fish is ready for harvest...



... to **maximize value creation** of the salmon...

... all handled by **fantastic dedicated employees** with **strong competence & culture** and a **passion for salmon**



# Investing in a robust platform for further growth



## GENETICS & SMOLT

- Complete Senja 2
- Closed net pen
- Planning for new RAS facility in Tjuin, Central Norway



## COASTAL FARMING

- Continuous improvements
- Learning from best practice
- “On the site-managers” terms
- Cost program ongoing
- New sites & zone structure
- Optimize organization in respect of production volume
- Seek attractive M&A opportunities



## OFFSHORE FARMING

- Build and develop SalMar Ocean organization to handle growth ambition
- Ongoing processes continuing
  - 3<sup>rd</sup> cycle OF1
  - Ocean Farm 2
  - Smart Fish Farm 1



## INDUSTRY & SALES

- Continuous improvements
- Industry*
  - Optimize use of InnovaMar
  - Complete InnovaNor
  - Upgrade of Vikenco finalized
- Sales*
  - Optimize allocation of salmon
  - Best distribution



## ICELANDIC SALMON

- Continue to develop Icelandic Salmon
- Large biological and market potential

## PEOPLE & CULTURE



- Disease prevention measures related to Covid-19
- Corporate social responsibility
- WE@SalMar – holistic culture project for all employees
  - Focus on contribution from each individual
  - Goals, ambitions and values
- SalMar school and leadership training
- Employee satisfaction survey

A wide-angle landscape photograph showing a rugged coastline. In the foreground, dark, wet rocks are partially submerged in the ocean, with white foam from the waves washing over them. The ocean is a deep blue, extending to a clear horizon. In the background, steep, rocky mountains rise on both sides, their peaks and upper slopes covered in snow. The sky is a pale, clear blue with a few wispy clouds. The overall scene is bright and crisp, suggesting a clear day in a cold climate.

# OUTLOOK

# Outlook



- SalMar pioneering and leading the way offshore
- Continued strong strategic and operational focus to build an even more robust platform for further growth
  - Dedicated employees and strong corporate culture set for growth
- Proposed dividend for 2020 of NOK 20.00 per share
- Guiding for 2021 maintained
  - Good biological status in all regions
  - Expect slightly lower volume and stable cost level in Q1 2021
  - Contract share for Q1 2021 30% and FY 2021 20%
- Expect moderate increase in global supply in 2021
- Covid-19 has led to significant market uncertainties
- SalMar is well positioned to handle a demanding market with strong operational and financial flexibility



**PASSION  
FOR  
SALMON**

**THANK YOU  
FOR YOUR  
ATTENTION**

[www.salmar.no](http://www.salmar.no)



**SALMAR**

Passion for Salmon