



# SalMar ASA

Presentation Q1 2020

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CFO & COO Trine Sæther Romuld



# Agenda

- Highlights
- Operational update
- Financial update
- Outlook

# Covid-19 update

Limited impact on Q1 results

## Safe workplace

- Implemented strict precautionary disease prevention measures
- Securing health and safety for our employee's priority number 1
- No employees infected

## Supporting our communities

- Close collaboration with local authorities
- Donation of personal protective equipment to local health authorities
- Temporary employment of people who have been laid off from other businesses
- Stimulated local businesses

## Operational & financial flexibility

- Great employees who go the extra mile
- Farming operations running as normal, good biological performance in the quarter
- Large and flexible harvesting and processing capacity
- Capex projects continuing according to plan
- Strong balance sheet and flexible financing facilities



# SalMar – strategic highlights



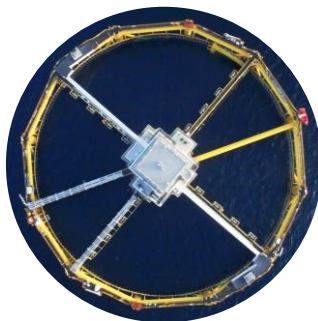
## Genetics & smolt

- Follafooss 2 (completed)
- Senja 2 (started construction)
- New plot acquired in Tjuin – Central Norway
- Closed net pen



## 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
- Bought 682 tons MAB through fixed price allotment in February 2020



## Offshore Farming

- SalMar Ocean established
- Build and develop an organization to handle growth ambition
- Ongoing process continuing
- Final report OF1 development project published, Applied for conversion of licenses
- Strong biological performance on 2<sup>nd</sup> production cycle OF1, harvest scheduled to Q3 2020



## Industry & sales

Continuous improvements

### Industry

- Optimize use of InnovaMar
- Complete InnovaNor
- Upgrade of Vikenco

### Sales

- Optimize allocation of salmon
- Best distribution

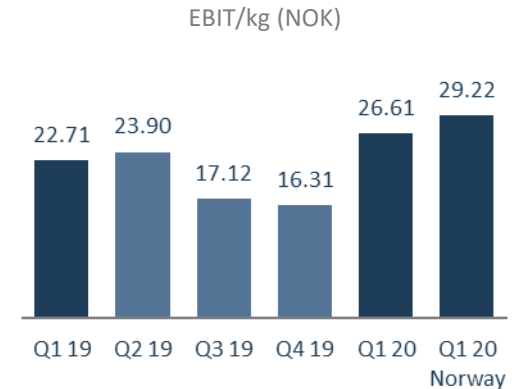
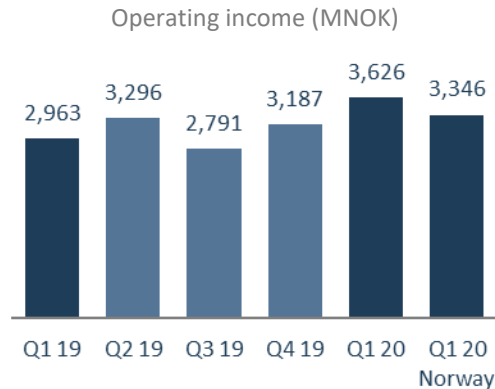
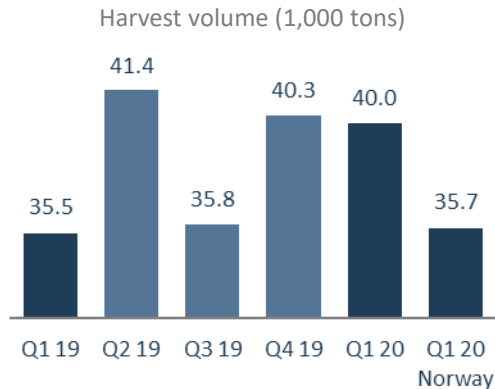


## Other

- Continue to develop Arnarlax
- Big biological and market potential

# First quarter highlights

- Highest operational EBIT recorded in a quarter
- Total operational EBIT 1,065 MNOK and harvest volume 40,000 tons
- Strong results in Central Norway with good biological performance
- Good results in Northern Norway despite biological challenges
- Strong operational results within Sales & Processing, but profitability affected by lower contribution from fixed price contracts
- Guiding of 152,000 tons in Norway and 12,000 tons on Iceland maintained



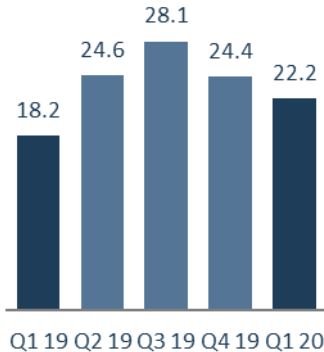
A wide-angle photograph of a salmon farming operation in a fjord. In the foreground, a large circular salmon cage is visible, constructed from metal frames and netting. The water is a deep blue. In the background, a range of rugged, snow-capped mountains rises against a clear blue sky. The text "DETAILED OPERATIONAL UPDATE" is overlaid in white, bold, sans-serif font across the center of the image.

# DETAILED OPERATIONAL UPDATE

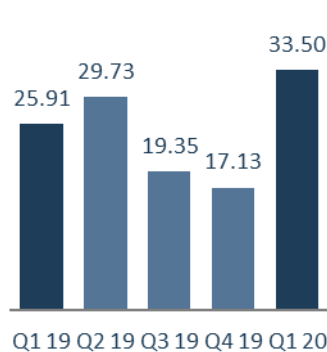
# Farming Central Norway

	Q1 2020	Q1 2019	FY 2019
Operating income (NOKm)	1,584	1,177	5,670
Operational EBIT (NOKm)	742	473	2,165
Operational EBIT %	46.8 %	40.2 %	38.2 %
Harvested volume (tgv)	22.2	18.2	95.3
EBIT/kg	33.50	25.91	22.71

Harvest volume (1,000 tons)



EBIT/kg (NOK)

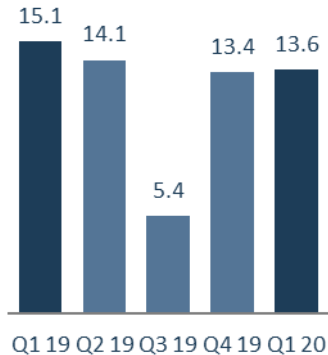


- Strong operations and good results in the period
  - Stable cost development and volume as expected
  - Improved price achievement after weak price achievement in Q4 2019
- Autumn 18 generation accounted for 75 % of the volume with stable cost development from Q4
- Started harvesting of spring 19 generation with good biological performance and lower cost level compared with previous generations
- Expect somewhat higher volume and lower cost in Q2 2020
  - Will finish harvesting of autumn 2018 generation in Q2 and continue with spring 19 who will be the main contributor to harvest volume
- Guiding of 103,000 tons harvest volume in 2020 maintained

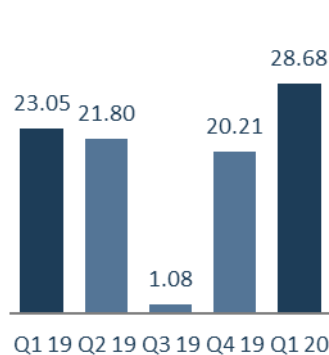
# Farming Northern Norway

	Q1 2020	Q1 2019	FY 2019
Operating income (NOKm)	896	900	2,789
Operational EBIT (NOKm)	389	348	931
Operational EBIT %	43.4 %	38.7 %	33.4 %
Harvested volume (tgw)	13.6	15.1	48.0
EBIT/kg	28.68	23.05	19.41

Harvest volume (1,000 tons)



EBIT/kg (NOK)



- Significant cost improvements compared to previous quarters
- Results negatively impacted by high harvesting cost due to sanitary harvesting of fish from ISA-sone
- Price achievement impacted by high volume towards the end of the quarter
- Spring 18 generation accounted for 29 % of harvested volume and was finished in the quarter
- Autumn 18 generation main contributor to harvest volume with good biological performance
- Expect somewhat lower volume and lower costs in Q2 2020
- Guiding of 49,000 tons harvest volume in 2020 maintained

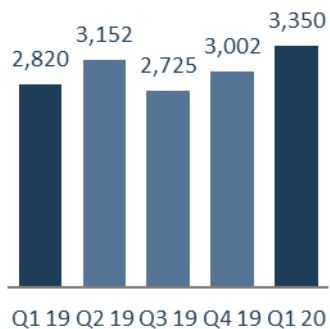


# Sales & Processing

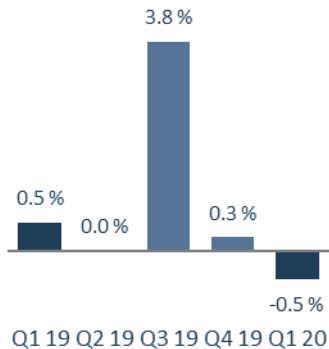
	Q1 2020	Q1 2019	FY 2019
Operating income (NOKm)	3,350	2,820	11,699
Operational EBIT (NOKm)	-17	14	124
Operational EBIT %	-0.5 %	0.5 %	1.1 %

- Strong operations and efficiency improvements from harvesting and processing activities
- Profitability impacted by negative contribution from fixed price contracts
  - Contract share at 24 % in the period
- Contract share currently at 25 % for Q2 2020 and 20 % for FY 2020 with prices slightly up from the level in 2019
- Construction work on InnovaNor is progressing according to plan

Operating income (NOKm)



EBIT-margin (%)

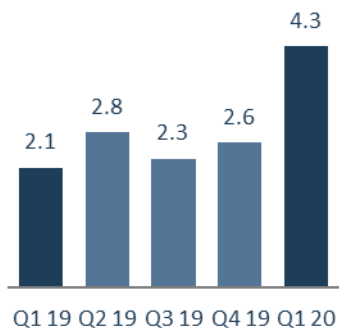


# Arnarlax (Iceland)

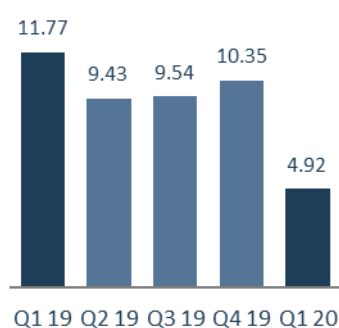
	Q1 2020	Q1 2019	FY 2019 <sup>1</sup>
Operating income (NOKm)	280	133	627
Operational EBIT (NOKm)	21	25	100
Operational EBIT %	7.6 %	18.9 %	16.0 %
Harvested volume (tgv)	4.3	2.1	9.8
EBIT/kg	4.92	11.77	10.21

1) Consolidated results from February 2019

Harvest volume (1,000 tons)



EBIT/kg (NOK)

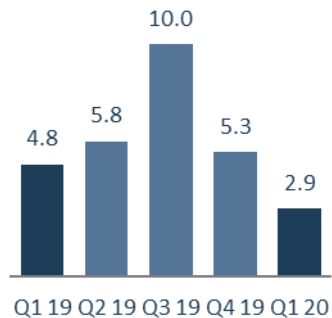


- Challenging quarter for Arnarlax resulting in a weak result
  - Large harvesting of 18G due to increased mortality caused by winter wounds
  - Results negatively impacted by high mortality costs of 30 MNOK (7.07 per kg)
- Expect significant lower volume and weak margins in Q2
  - Will continue harvesting from 18G in Q2
  - Price drop due to Covid-19 affecting Arnarlax more significantly due to no positive FX effect in price
- Guiding of 12,000 tons harvest volume in 2020 maintained

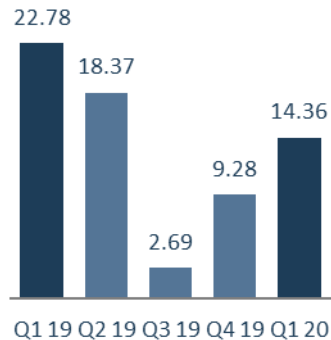
# Norskott Havbruk (Scottish Sea Farms)

	Q1 2020	Q1 2019	FY 2019
Operating income (NOKm)	264	405	1,834
Operational EBIT (NOKm)	42	109	292
Operational EBIT %	15.9 %	27.0 %	15.9 %
Value adjustments biomass	-74	-53	-48
Profit before tax	-38	56	229
SalMar's share after tax	-27	25	106
Harvested volume (tgv)	2.9	4.8	25.9
EBIT/kg	14.36	22.78	11.29

Harvest volume (1,000 tons)



EBIT/kg (NOK)



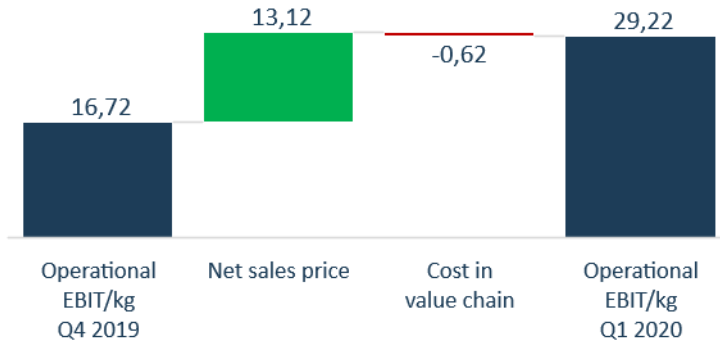
- Good growth and biological performance with low mortality rates in the quarter
- Costs improved from Q4 19
- Low harvest volumes in the quarter
  - Mainland and Orkney Islands main contributors to harvest volume
- SalMar share after tax affected by fair value adjustment
- Guiding of 26,000 tons harvest volume in 2020 maintained



# Operational EBIT deviation analysis (qoq)

## Norway

EBIT per kg (NOK)



Δ QoQ  
**+12.50**  
NOK per kg



- Net sales price increased following higher spot prices
- Cost development impacted by higher harvesting costs in Northern Norway

## Group

EBIT per kg (NOK)



Δ QoQ  
**+10.30**  
NOK per kg



- Group EBIT per kg increased QoQ due to higher spot prices
- Weaker margin from Arnarlax compared with previous quarters

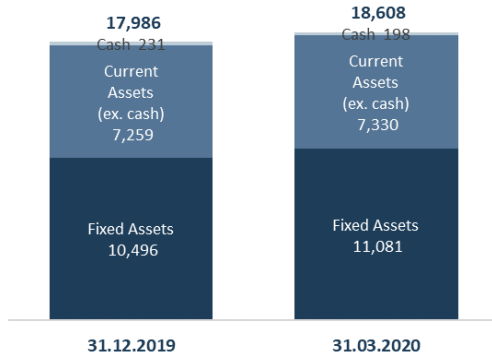
# Group profit and loss

<i>NOK million</i>	Q1 2020	Q1 2019	Δ%	FY 2019
Operating income	3,625.6	2,963.4	22 %	12,237.6
<b>EBITDA</b>	<b>1,250.1</b>	<b>970.2</b>	<b>29 %</b>	<b>3,786.0</b>
Depreciations and write-downs	185.0	164.0		718.4
<b>Operational EBIT</b>	<b>1,065.0</b>	<b>806.2</b>	<b>32 %</b>	<b>3,067.6</b>
Fair value adjustment	-480.0	-172.8		-33.0
<b>EBIT</b>	<b>585.0</b>	<b>633.3</b>	<b>-8 %</b>	<b>3,034.6</b>
Income from investments in associates	-22.5	28.7		118.7
Net financial items	-167.9	189.5		5.1
<i>Net interest costs</i>	-42.4	-37.1		-157.7
<i>Other financial items</i>	-125.4	226.5		162.8
<b>Profit before tax</b>	<b>394.6</b>	<b>851.4</b>	<b>-54 %</b>	<b>3,158.4</b>
Tax	90.9	139.1		613.9
<b>Net profit for the period</b>	<b>303.7</b>	<b>712.3</b>	<b>-57 %</b>	<b>2,544.5</b>
Items to be reclassified to P&L	303.1	-9.4		39.9
<b>Total comprehensive income</b>	<b>606.9</b>	<b>703.0</b>	<b>-14 %</b>	<b>2,584.4</b>
Earnings per share (NOK)	3.58	6.38	-44 %	22.06
Harvested volume (t <span>g</span> w)	40.0	35.5	13 %	153.1
EBIT per kg (NOK)	26.61	22.71	17 %	20.04
Nasdaq spot price (average)	69.10	62.13	11 %	57.96

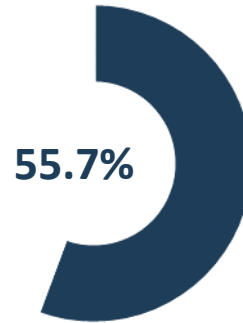
- Higher revenue YoY due to increased spot prices and higher volume
- EBIT/kg increased YoY following higher prices
- Significant FX changes in NOK vs. foreign currencies in the quarter affecting several items
  - Negative fair value adjustment in the quarter due to unrealized change in forward currency contracts
  - Other financial items negative due to currency effects
  - Positive translation differences due to currency effects

# Group balance sheet

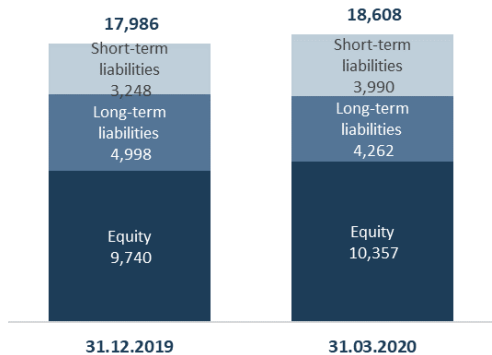
## Assets



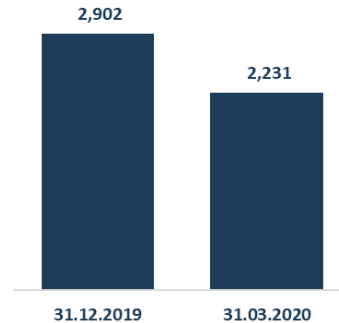
## Equity ratio



## Equity & liabilities



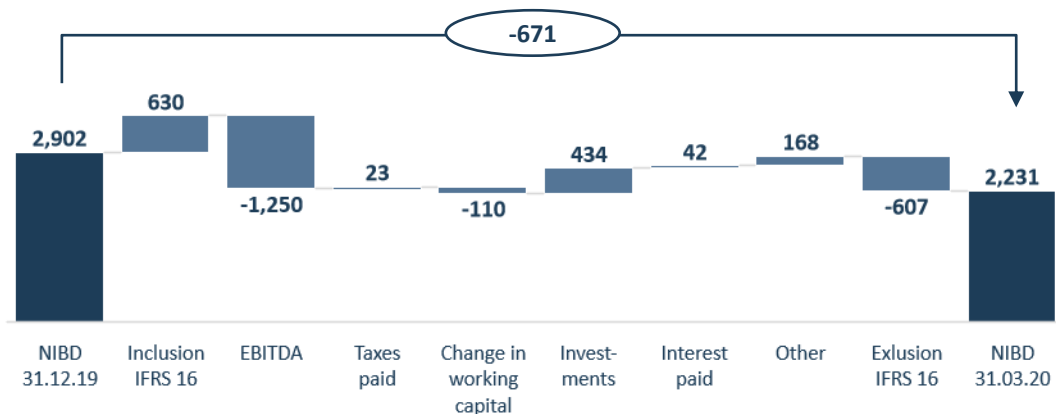
## NIBD



- Investments in line with ongoing investment programs
- Stable standing biomass YoY and lower QoQ
- Net Interest-bearing debt decreased with NOK 671 million during the quarter
  - NIBD at NOK 2,231 million at the end of the quarter
- Solid financial position with equity ratio increased to 55.7% and NIBD/EBITDA lowered to 0.55
  - Flexible credit facilities

1) NIBD does not include IFRS 16 leasing liabilities

# Movement in net interest bearing debt



- Cash flow from operations positively impacted by release of working capital
- Net cash flow from investments at NOK -434 million
  - Licenses fixed price NOK 106 million
  - Farming and Ocean NOK 112 million
  - Smolt and hatchery NOK 38 million
  - Sales & Processing NOK 171 million
  - Capex Iceland NOK 10 million
- Net interest-bearing debt decreased with NOK 671 million





# OUTLOOK

# Outlook



- SalMar is well positioned to handle a demanding market with strong operational and financial flexibility
- CAPEX projects continues according to plan
- Expect similar volume and lower costs in Norway in Q2 2020
- Expect significant lower volume and weak margins on Iceland in Q2 2020
- Contract share for Q2 2020 currently around 25% and FY 2020 around 20% with prices slightly up from level in 2019
- Guiding of 152,000 tons in Norway and 12,000 tons on Iceland maintained.
- Expect moderate increase in global supply in 2020
- Covid-19 has led to significant market uncertainties

**THANK YOU  
FOR YOUR ATTENTION**

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