



# SalMar ASA

Presentation Q2 2019

CEO Olav-Andreas Ervik  
CFO & COO Trine Sæther Romuld

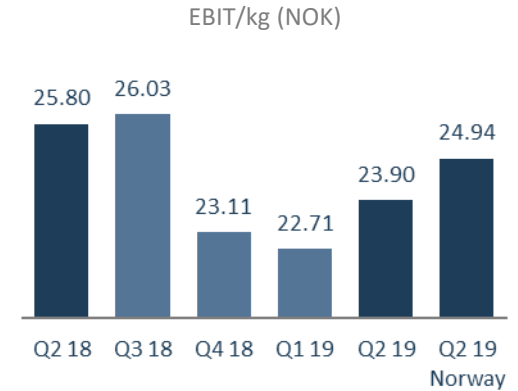
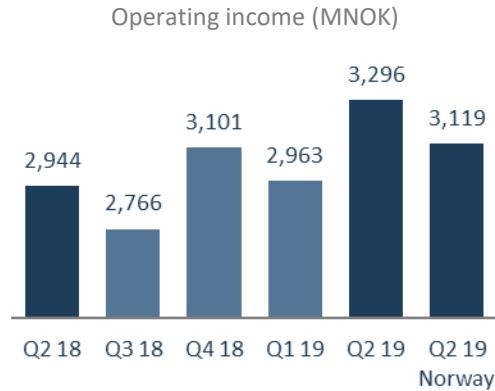
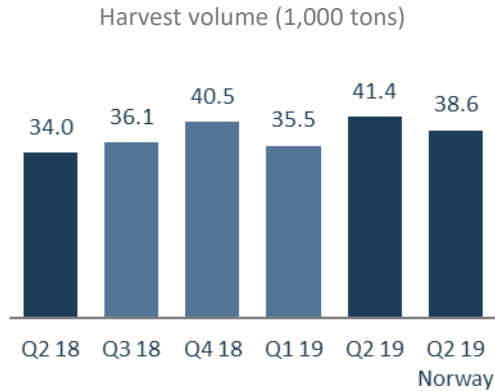


# Agenda

- Highlights
- Operational update
- Financial update
- Outlook

# Highlights

- Total operational EBIT 990 MNOK
- Harvest volume 41,400 tons
- Strong operational performance in Central Norway, somewhat weaker than expected in Northern Norway
- Sales and Processing profitability impacted by earlier harvest of volume from Northern Norway
- Guiding of 145,000 tons in Norway and 10,000 tons on Iceland for 2019 maintained



# SalMar - a fully integrated salmon farmer

## TRACEABLE SUPPLY CHAIN



Genetics

- Rauma strain



Smolt

- Essential for the performance in the entire value chain



Farming

- Central Norway
- Northern Norway
- Iceland (Arnarlax)



Harvesting & VAP

- InnovaMar on Frøya
- InnovaNor on Senja (*under construction*)
- Vikenco at Aukra



Sales

- SalMar AS
- Japan, Vietnam, Korea and Singapore
- Global span





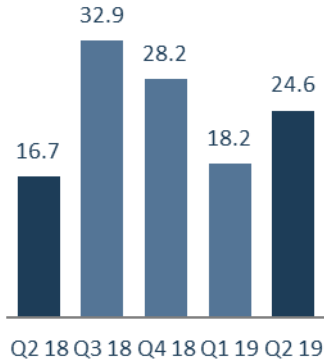
# OPERATIONAL UPDATE

# Farming Central Norway

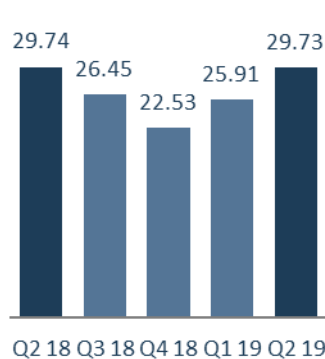
	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Operating income (NOKm)	1,580	1,092	2,757	2,469
Operational EBIT (NOKm)	730	496	1,203	1,026
Operational EBIT %	46.2 %	45.4 %	43.6 %	41.6 %
Harvested volume (tgv)	24.6	16.7	42.8	38.9
EBIT/kg	29.73	29.74	28.10	26.35

- Results in the period as expected with lower costs
- Strong biological performance from spring 18 generation
  - Resulting in lower costs and higher price achievement due to larger average weights
  - Autumn 2017 generation finished harvested in the quarter
- Expect a slight increase in volume and costs at same level in Q3 2019
  - Continue harvesting of spring 2018 generation in Q3
- Full year guiding increased to 97,000 tons

Harvest volume (1,000 tons)



EBIT/kg (NOK)

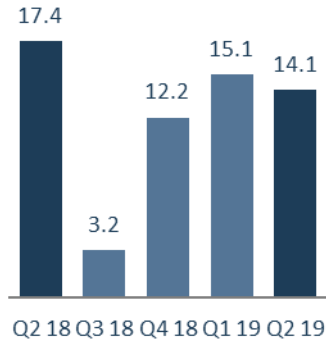


# Farming Northern Norway

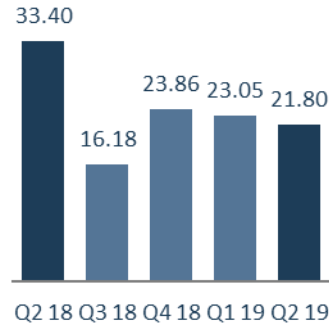
	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Operating income (NOKm)	867	1,208	1,767	1,770
Operational EBIT (NOKm)	307	581	655	812
Operational EBIT %	35.4 %	48.1 %	37.1 %	45.9 %
Harvested volume (tgv)	14.1	17.4	29.2	27.0
EBIT/kg	21.80	33.40	22.45	30.06

- Result in the period weaker than expected
  - Earlier harvest of the end of Autumn 2017 as a preventive measure due to algae bloom and earlier harvest of parts of spring 2018 due to biological performance
  - Impacting both costs and price achievement negatively
- Autumn 2017 generation finished harvested in the period will continue harvesting of spring 2018 in Q3 2019
- Expect significant lower volume in Q3 2019 and an increase in cost
  - Higher volume and lower costs expected from Q4 2019
- Full year guiding decreased to 48,000 tons

Harvest volume (1 000 tons)

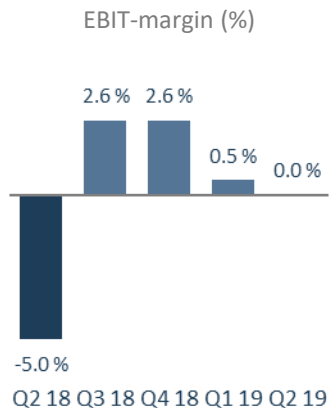
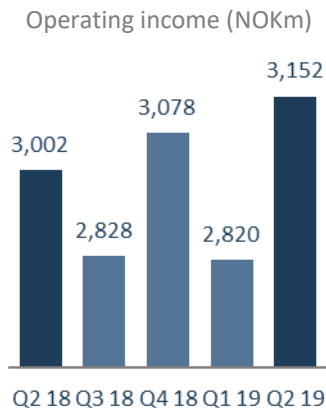


EBIT/kg (NOK)



# Sales & Processing

	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Operating income (NOKm)	3,152	3,002	5,972	5,526
Operational EBIT (NOKm)	0.4	-150	15	-165
Operational EBIT %	0.0 %	-5.0 %	0.2 %	-3.0 %



- Results somewhat weaker than expected
  - Profitability negatively affected by earlier harvest of volume from Northern Norway
  - Good results from harvesting and processing activities
- Contract share at 21 % in the period with positive contribution
- Contract share currently at 27% for Q3 2019 and 20% for FY 2019 with prices slightly up from the level in 2018
- Groundwork for InnovaNor finished during this summer, start of construction in September



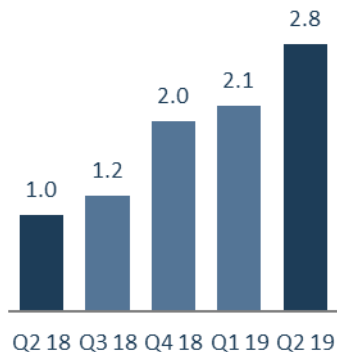
# Arnarlax (Iceland)

	Q2 2019	Q2 2018	YTD 2019 <sup>1</sup>	YTD 2018
Operating income (NOKm)	177	78	310	218
Operational EBIT (NOKm)	26	3	51	-38
Operational EBIT %	14.8 %	3.3 %	16.6 %	-17.2 %
Harvested volume (tgw)	2.8	1.0	4.9	3.5
EBIT/kg	9.43	2.70	10.45	-10.65

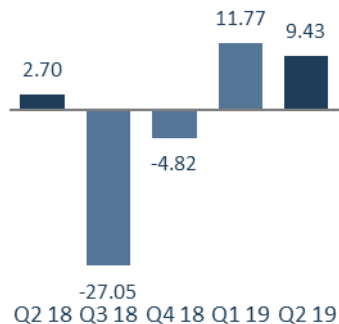
1) Consolidated results from February 2019

- Positive contribution in the period
- Results negatively affected by no harvest in June, increasing fixed costs per kg
- Harvested from 17 generation in the quarter
- Improved biological performance YoY
- Will continue harvesting of this generation in Q3 2019
- Expect somewhat lower volume in Q3 and costs at the same level
- Guiding of 10,000 tons harvest volume in 2019 maintained

Harvest volume (1 000 tons)



EBIT/kg (NOK)

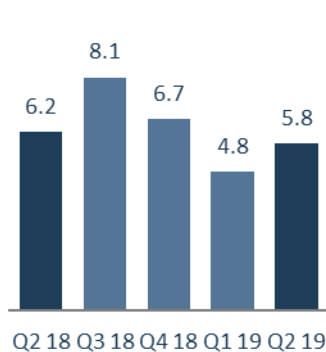


# Norskott Havbruk

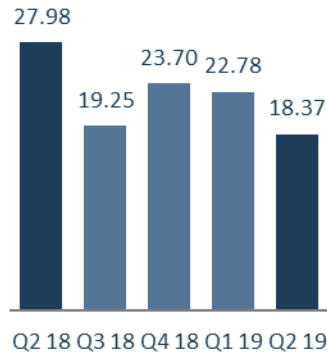
	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Operating income (NOKm)	407	479	813	998
Operational EBIT (NOKm)	106	174	216	348
Operational EBIT %	26.1%	36.3%	26.6%	34.8%
Value adjustments biomass	21	16	-32	23
Profit before tax	124	190	180	368
SalMar's share after tax	49	76	74	152
Harvested volume (tgw)	5.8	6.2	10.6	12.7
EBIT/kg	18.37	27.98	20.36	27.31

- Scotland region main contributor to harvest volume
- Results negatively impacted by high mortality costs and harvest of smaller fish to minimise biological challenges
- Guiding of 30,000 tons harvest volume in 2019 maintained

Harvest volume (1 000 tons)



EBIT/kg (NOK)



# Offshore fish farming a new era in aquaculture

## **OCEAN FARM 1**

2<sup>nd</sup> generation of smolt released august 2019

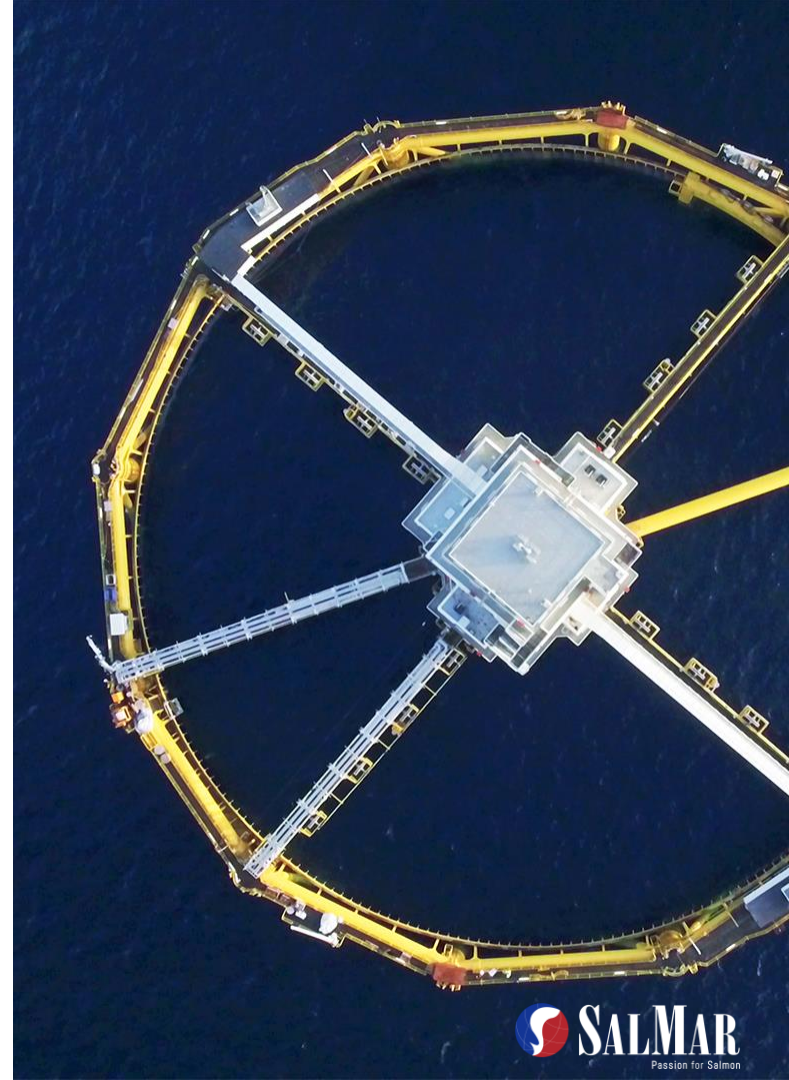
Expect harvest of this generation in autumn 2020

## **SMART FISH FARM**

Awarded 8 development licenses in February 2019

Specifically designed for fish farming in the open ocean

Planning continues according to plan



# Trine Sæther Romuld

New CFO & COO in SalMar from 1<sup>st</sup> of July 2019



- Extensive experience from management positions at Norwegian and international companies in the seafood, oil service, consultancy and auditing sectors
- State-authorized public accountant from the Norwegian School of Economics and Business Administration

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# Operational EBIT deviation analysis (qoq)

## Norway

EBIT per kg (NOK)



Δ QoQ  
**+1.53**  
NOK per kg



- Net sales price at same level as in previous quarter
  - Result negatively impacted due to early harvest in Northern Norway
  - Positive contribution from contracts
- Positive cost development
  - Lower farming costs in Central Norway
  - Lower fixed costs within Sales & processing

## Group

EBIT per kg (NOK)



Δ QoQ  
**+1.19**  
NOK per kg



- Group EBIT per kg increased QoQ due to positive development in Norway



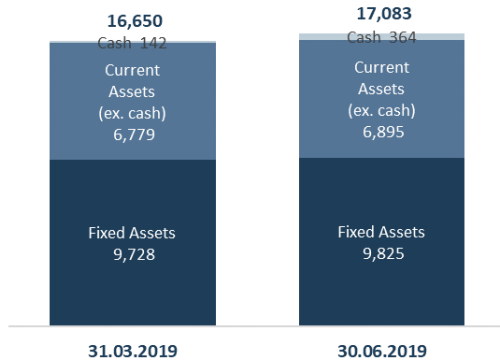
# Group profit and loss

<i>NOK million</i>	Q2 2019	Q2 2018	Δ%	YTD 2019	YTD 2018	Δ%
Operating income	3 296,3	2 944,0	12 %	6 259,7	5 475,0	14 %
<b>EBITDA</b>	<b>1 153,9</b>	<b>1 000,0</b>	<b>15 %</b>	<b>2 124,1</b>	<b>1 829,4</b>	<b>16 %</b>
Depreciations and write-downs	164,2	121,4		328,2	242,7	
<b>Operational EBIT</b>	<b>989,8</b>	<b>878,6</b>	<b>13 %</b>	<b>1 795,9</b>	<b>1 586,8</b>	<b>13 %</b>
Fair value adjustment	175,8	25,5		2,9	177,1	
<b>EBIT</b>	<b>1 165,6</b>	<b>904,1</b>	<b>29 %</b>	<b>1 798,9</b>	<b>1 763,9</b>	<b>2 %</b>
Income from investments in associates	51,2	78,8		79,9	136,3	
Net financial items	-64,4	-15,3		125,1	-19,2	
<i>Net interest costs</i>	-35,0	-25,1		-72,1	-48,1	
<i>Other financial items</i>	-29,3	9,8		197,2	28,9	
<b>Profit before tax</b>	<b>1 152,5</b>	<b>967,6</b>	<b>19 %</b>	<b>2 003,9</b>	<b>1 881,0</b>	<b>7 %</b>
Tax	235,9	204,6		375,1	396,4	
<b>Net profit for the period</b>	<b>916,5</b>	<b>763,0</b>	<b>20 %</b>	<b>1 628,9</b>	<b>1 484,6</b>	<b>10 %</b>
Earnings per share (NOK)	7,96	6,80	17 %	14,34	13,14	9 %
Harvested volume (t <sub>gw</sub> )	41,4	34,0	22 %	76,9	65,9	17 %
EBIT per kg (NOK)	23,90	25,80	-7 %	23,35	24,07	-3 %

- Revenue driven by higher volume
- Positive contribution from Sales & Processing in Q2 2019 vs Q2 2018
- Positive fair value adjustment due to higher biomass
- Net financial items increased YoY due to implementation of IFRS16 and agio effects
- EBIT/kg decreased with NOK 1.90 / -7% YoY
  - Impacted by consolidation of Arnarlax
  - Norwegian operations EBIT/kg decreased with NOK 0.87 / -3% YoY

# Group balance sheet

## Assets

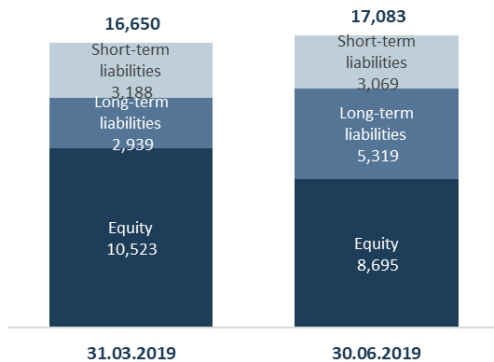


## Equity ratio

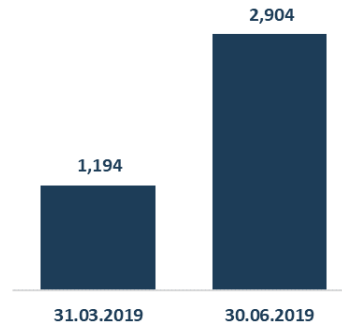
50.9%

- Investments in line with ongoing investment programs
- Stable standing biomass YoY
- Net Interest-bearing debt increased following dividend pay-out of NOK 2,617 million
- New financing of term loan completed in June 2019 at NOK 1,000 million
- Solid financial position with equity ratio of 50.9% and NIBD/EBITDA at 0.7

## Equity & liabilities

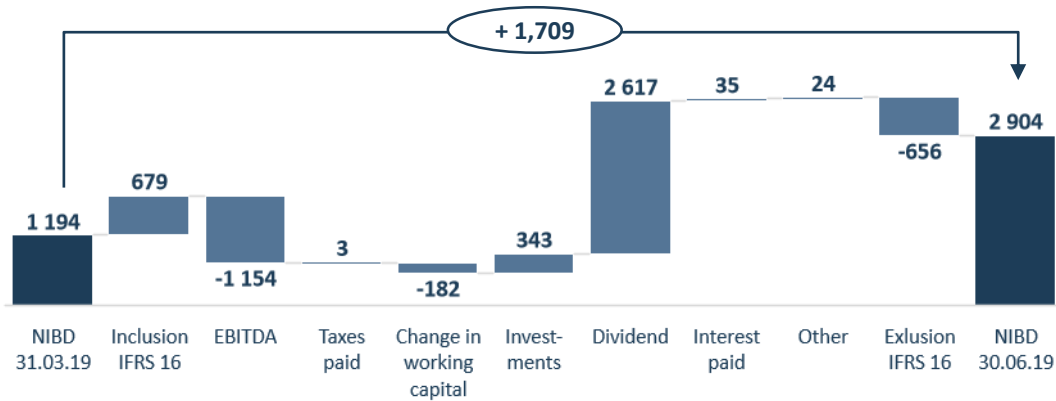


## NIBD



1) NIBD does not include IFRS 16 leasing liabilities

# Movement in net interest bearing debt



- Release of working capital positively impacting cash flow from operations
- Net cash flow from investments at NOK -343 million
  - Increase of ownership in Arnarlax NOK 112 million
  - Farming NOK 93 million
  - Smolt and hatchery NOK 27 million
  - Sales & Processing NOK 69 million
  - R&D and Ocean Farm 1 NOK 39 million
  - Capex Iceland NOK 39 million
  - Received dividend from associated companies NOK 44 million
- Dividends paid out in June at 23 NOK per share totaling NOK 2,617 million
- Net interest-bearing debt increased with NOK 1,709 million



# OUTLOOK

# Outlook



- Slight decrease in volume and a slight increase in costs expected to in Q3 2019
- Contract share for Q3 2019 currently around 27% with prices slightly up from level in 2018
- Investments continues according to plan
- Guiding of 145,000 tons in Norway and 10,000 tons on Iceland for 2019 maintained
- Expect continued good demand in core markets and moderate increase in global supply

**THANK YOU  
FOR YOUR ATTENTION**

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