

Lerøy Seafood Group ASA

Q4 2023

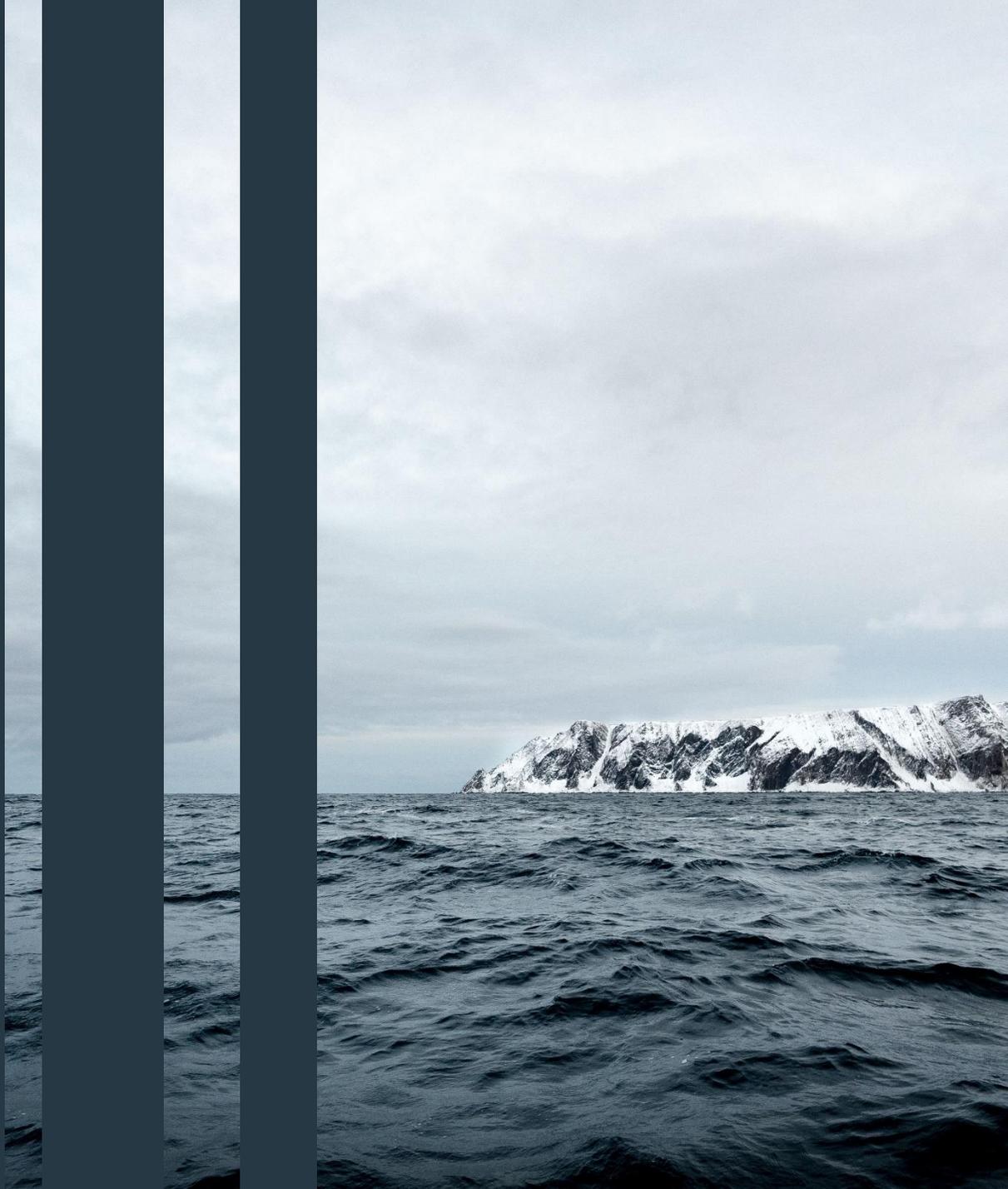
Henning Beltestad

CEO

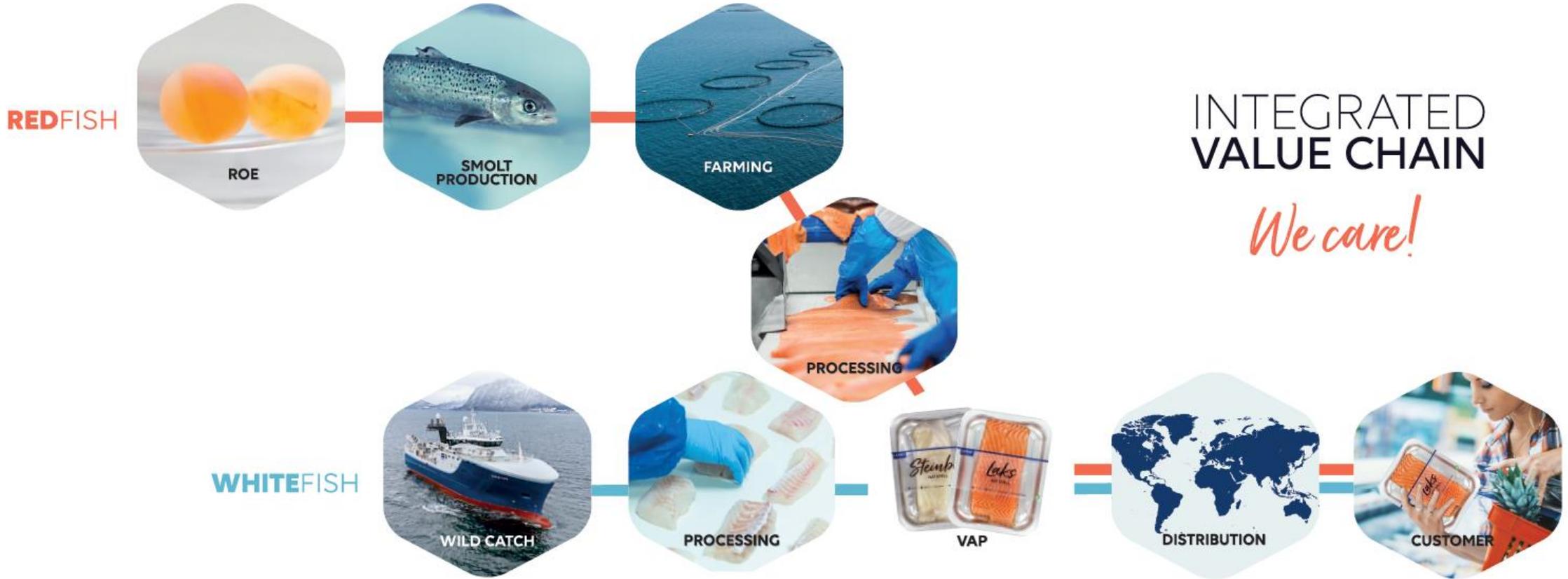
Sjur Malm

CFO

28 February 2024



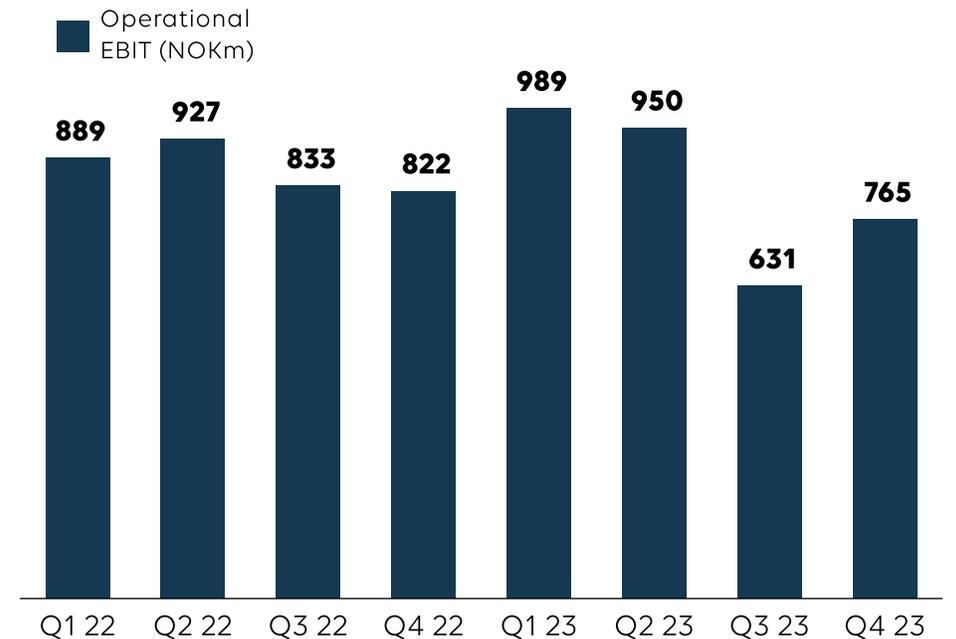
Creating the world's most efficient and sustainable value chain for seafood



Highlights of the quarter

- Revenue for 2023 exceeding NOK 30bn for the first time in history
- Making progress towards 2025 strategic targets
- Good biological development in early 2024
- Significant improvement in earnings for the VAPS&D segment
- The board proposes a dividend of NOK 2.5 per share

Operational EBIT (NOKm)



Segments

Farming



Wild catch



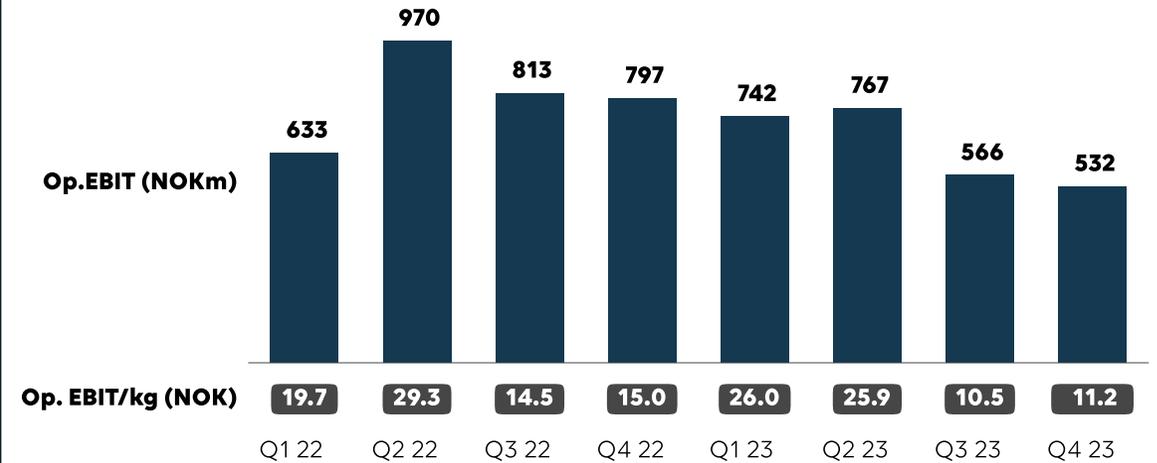
VAP, Sales & Distribution



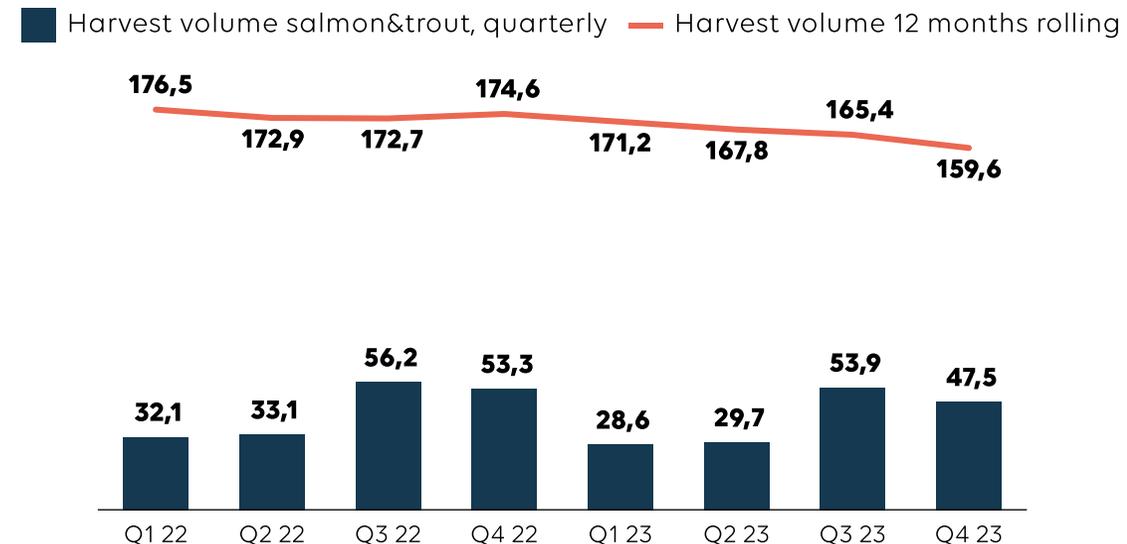
Farming highlights this quarter

- Satisfactory development with some challenges related to string jellyfish.
 - Loss of feeding days in Lerøy Aurora
 - Accelerated harvest at some sites in Lerøy Sjøtroll
- Cost level in H2/23 significantly below H1/23
- Low harvest volume in Q1/24, will give higher cost in farming segment Q1/24 vs Q4/23
- Positive biological development in start of 2024, partially due to investments in new technology

Operational EBIT Farming



Harvest volume (1,000 GWT)

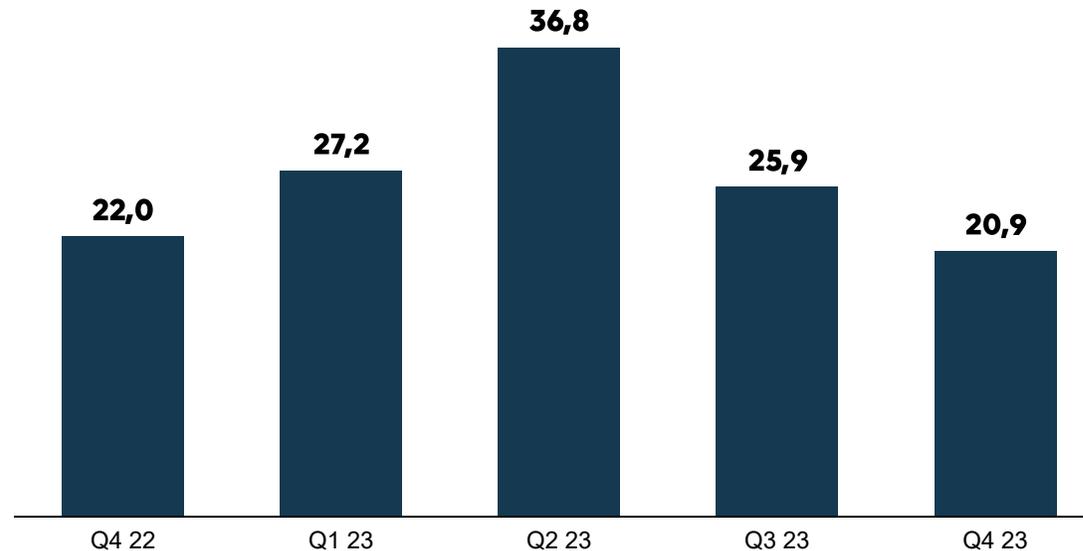


Lerøy Aurora

Lerøy Aurora	Q4 2023	Q4 2022	2023	2022
Revenue (NOKm)	948	1 050	3 534	2 798
Operational EBIT (NOKm)	190	296	978	756
Harvested volume (GWT)	12 549	15 119	43 075	40 109
Harvest weight (avg. in kg)	4,2	4,3	4,0	4,1

- String jellyfish giving loss in feeding days, and thus a lower biomass production in quarter
- Lower biomass into 2024 will impact harvest profile in 2024
- Expected harvest volume of 47,000 GWT in 2024 on higher average harvest weights
- Expect cost level in Q1/24 somewhat higher on lower harvest volume. As of today, cost level for 2024 expected at about same level as 2023

Operational EBIT/kg value chain (in NOK)



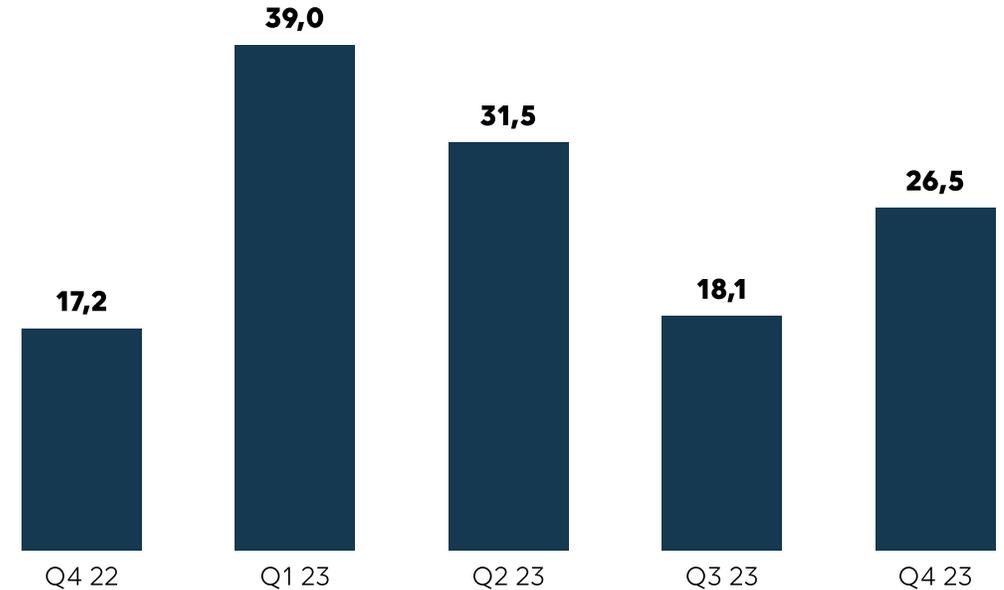
The value chain consists of farming and VAPS&D

Lerøy Midt

- Positive biological development in 2023, with potential for further improvement
- Biomass at end 2023 significantly above end 2022
- Expect harvest volume of 70,000 GWT in 2024, on higher average harvest weights
- Challenges with downgrades will impact price realisation in Q1/24
- Expect to see improvement in coming year from
 - Higher biomass going into 2024
 - Smolt quality
 - Impact from new farming technology

Lerøy Midt	Q4 2023	Q4 2022	2023	2022
Revenue (NOKm)	1 654	1 472	5 174	5 018
Operational EBIT (NOKm)	420	309	1 344	1 502
Harvested volume (GWT)	20 257	20 999	61 308	68 793
Harvest weight (avg. in kg)	4,3	4,1	4,0	4,4

Operational EBIT/kg value chain (in NOK)



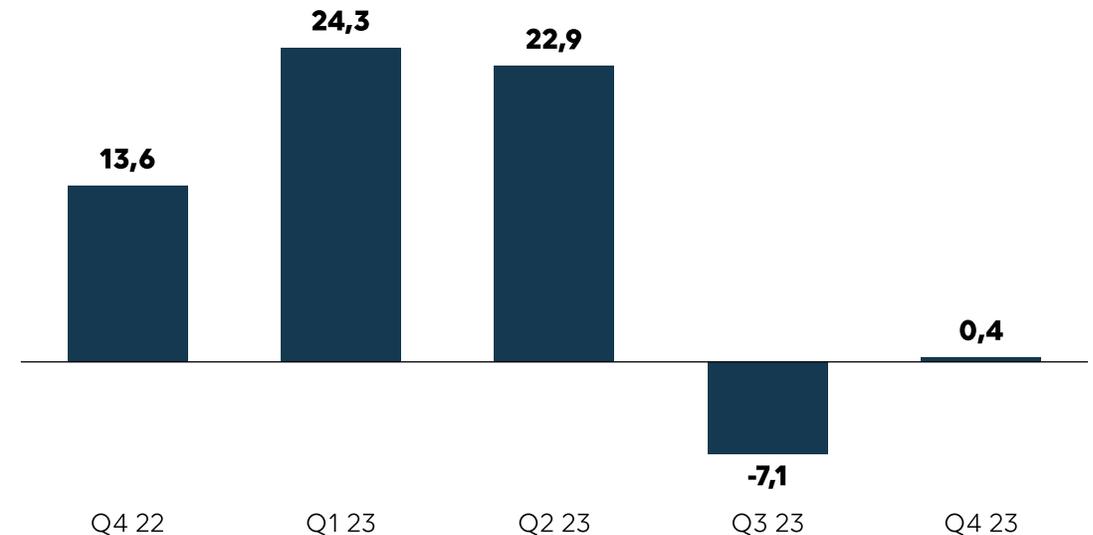
The value chain consists of farming and VAPS&D

Lerøy Sjøtroll

- Impact of string jellyfish resulted in accelerated harvest on lower average harvest weights
- Trout performing well
- Low harvest volume Q1/24, building biomass with strong growth start of 2024
- Expect to harvest 58,000 GWT in 2024, with significantly higher average harvest weights
- Positive start of 2024, with expectation of clear improvements from
 - Smolt quality
 - New farming technology
 - Increased production of trout

Lerøy Sjøtroll	Q4 2023	Q4 2022	2023	2022
Revenue	1 394	1 217	4 823	4 693
Operational EBIT (NOKm)	-79	192	285	955
Harvested volume (GWT)	14 677	17 192	55 237	65 727
Harvest weight (avg. in kg)	4,0	4,0	3,7	4,0

Operational EBIT/kg value chain (in NOK)



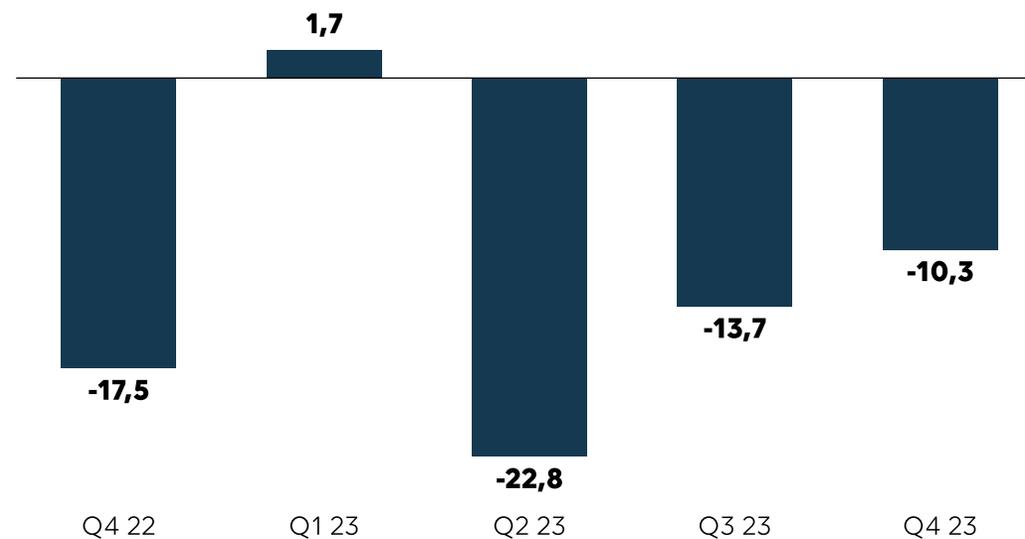
The value chain consists of farming and VAPS&D

Norskott Havbruk (50% owned)

- Previously mentioned biological challenges impacting harvest volume, average harvest weights cost and price achievement
- Low harvest volume
- 87% of volume sold on contracts
- Improved biological situation for generations to be harvested in 2024
- Expect harvest volume of 37,000 GWT in 2024

100% basis, in NOKm	Q4 2023	Q4 2022	YTD 2023	YTD 2022
Revenues	497	693	2 561	3 188
Operational EBIT	-47	-128	-304	214
Harvested volume (GWT)	4 571	7 317	24 884	35 936
Operational EBIT/kg	-10,3	-17,5	-12,2	6,0
NIBD	2 803	2 037	2 803	2 037

Operational EBIT pr kg (in NOK)



Farming volumes (1000' GWT)

Farming volumes	2019	2020	2021	2022	2023	2024E	2025 Target
Lerøy Aurora AS	32,8	35,0	44,0	40,1	43,1	47,0	50,0
Lerøy Midt AS	64,8	67,9	72,6	68,8	61,3	70,0	80,0
Lerøy Sjøtroll	60,6	68,0	70,0	65,7	55,2	58,0	75,0
Total Norway	158,2	170,9	186,6	174,6	159,6	175,0	205,0
Scottish Seafarms (Lerøy's 50% share)	12,9	12,0	16,2	18,0	12,4	18,5	
Total	171,1	182,9	202,8	192,6	172,0	193,5	

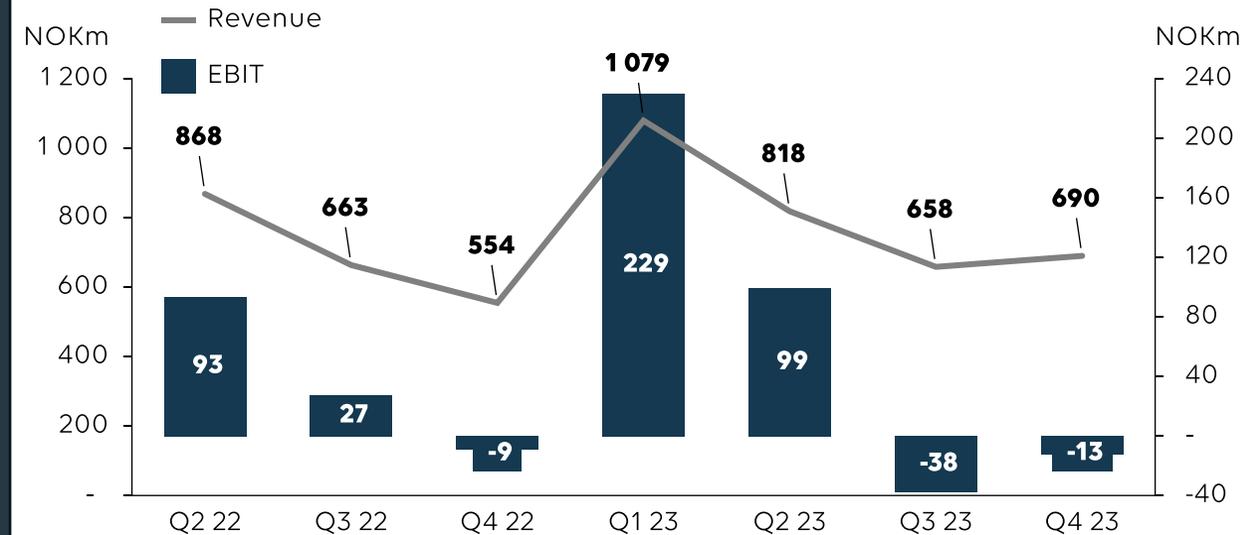


Wild catch highlights this quarter

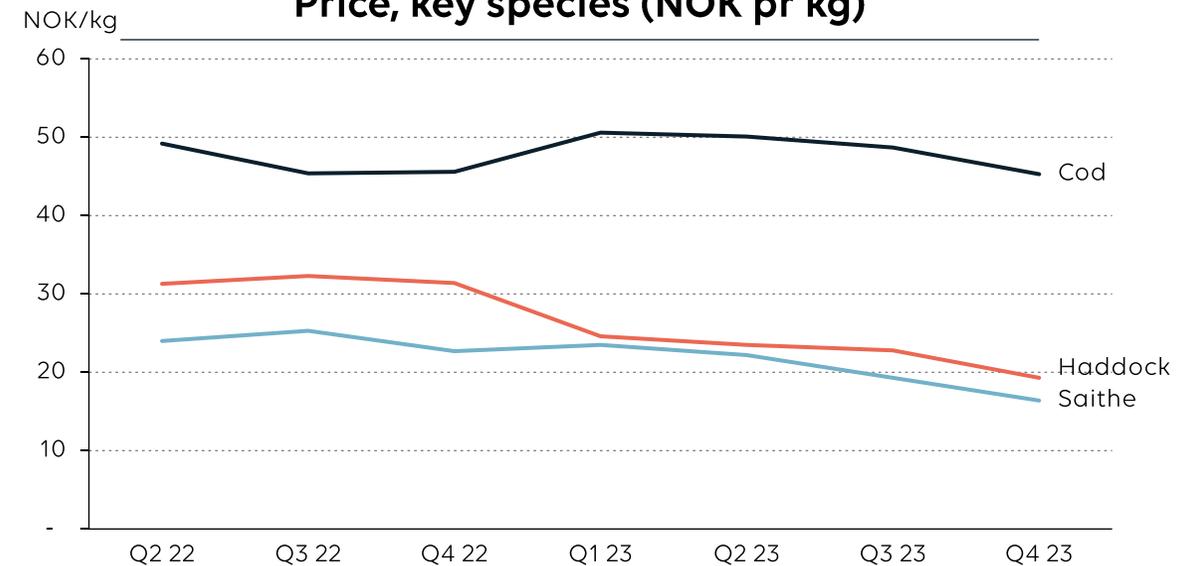
- Q4/23 operational EBIT on par with Q4/22
- High catch volumes but on lower value species than same period last year; more saith and red-fish and less cod
- Prices continued to soften in Q4/23, but positive development Q1/24
- The reduced cod quotas will impact 2024 earnings
- New regulations on quotas ("Kvotemelding") were proposed in January 2024

* Equal to reported EBIT

Revenue and Operational EBIT* wild catch



Price, key species (NOK pr kg)

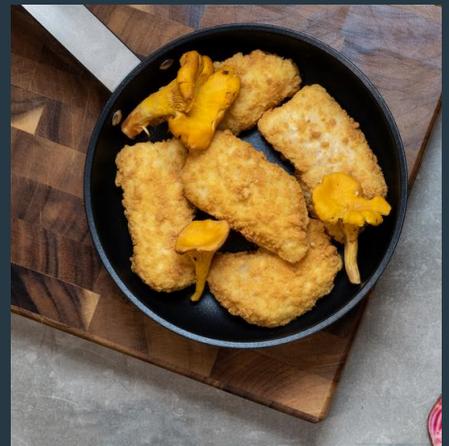


Wild catch quotas and catch volumes (GWT 1,000)

Catch volumes wild catch	Q4-23	Q4-22	2023	2022
Cod	5,0	5,7	19,5	23,7
Saithe	3,3	2,7	15,5	12,9
Haddock	1,6	1,4	11,3	10,4
Shrimps	-	-	9,0	9,3
Other	2,7	3,3	20,6	15,4
Total	12,5	13,1	75,9	71,7



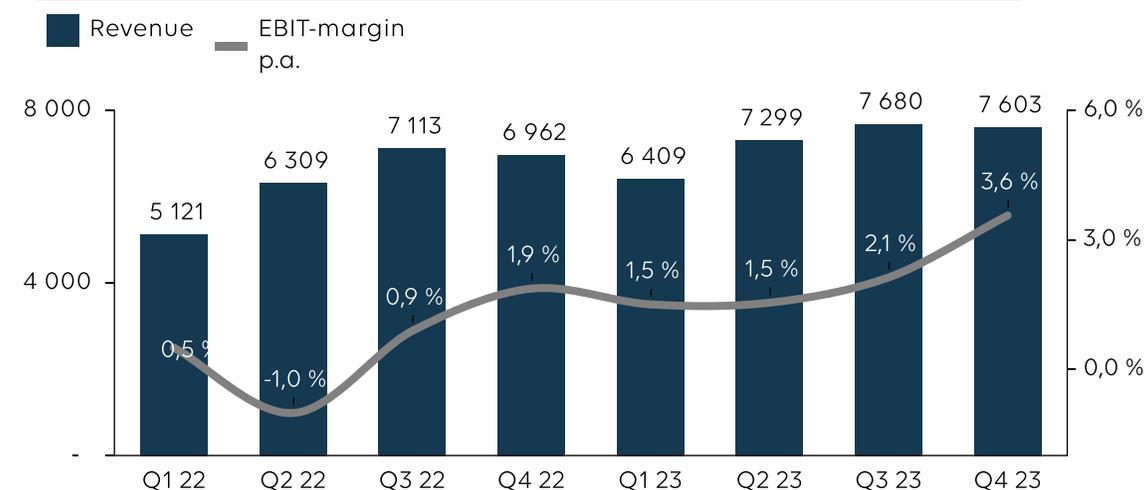
Sales and processing operations in 14 countries



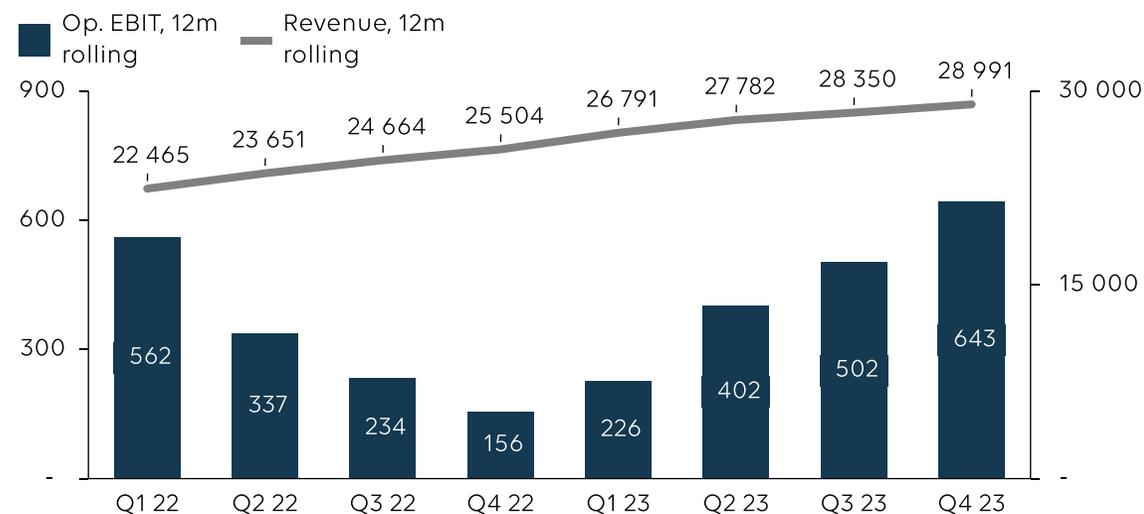
VAP, S&D highlights this quarter

- Strong development through 2023
- EBIT margin full year 2023 of 2,2%
 - Up from 0,6% in 2022, but down from 2,9% in 2021
- Higher profitability compared to 2022 driven by:
 - operational improvements
 - increased capacity utilisation
 - product prices better reflecting raw material cost
- Earnings for 2024 expected to increase compared to 2023, with normal seasonal pattern

Revenue and Operational EBIT VAP, S&D (NOKm)



Revenue and Op. EBIT VAP, S&D (NOKm), 12m rolling



Agenda

1. Highlights
2. **Key financial highlights**
3. Outlook

Profit and Loss statement

(NOKm)	Q4 2023	Q4 2022	▲%
Revenue and other income	8 229	7 114	16%
Operational EBITDA**	1 180	1 163	1%
Depreciation, amortisation, impairments	414	341	
Operational EBIT**	765	822	-7%
EPS (NOK)*	1,09	0,75	45%
Salmon and trout harvest volume (GWT)	47 483	53 310	-11%
Operational EBIT** all incl. excl. Wildcatch/kg	16,4	15,6	
Whitefish catch volume (tonnes)	12 481	13 099	-5%
Operational EBIT/kg Wildcatch	-1,0	-0,7	
ROCE* (%)	11,3 %	12,6 %	

Highlights this quarter

- High activity and higher prices leading to strong revenue growth
- Profitability per kilo in both redfish and whitefish value chain on par with Q4/22 but lower volume brings lower operational EBIT

*Excluding: Fair value adjustments related to biological assets

**Operational EBIT: Excludes fair value adjustments related to biological assets and production fees (essentially a tax item), in line with market practice. Isolated events not expected to reoccur, such as restructuring costs and litigation costs are also excluded.

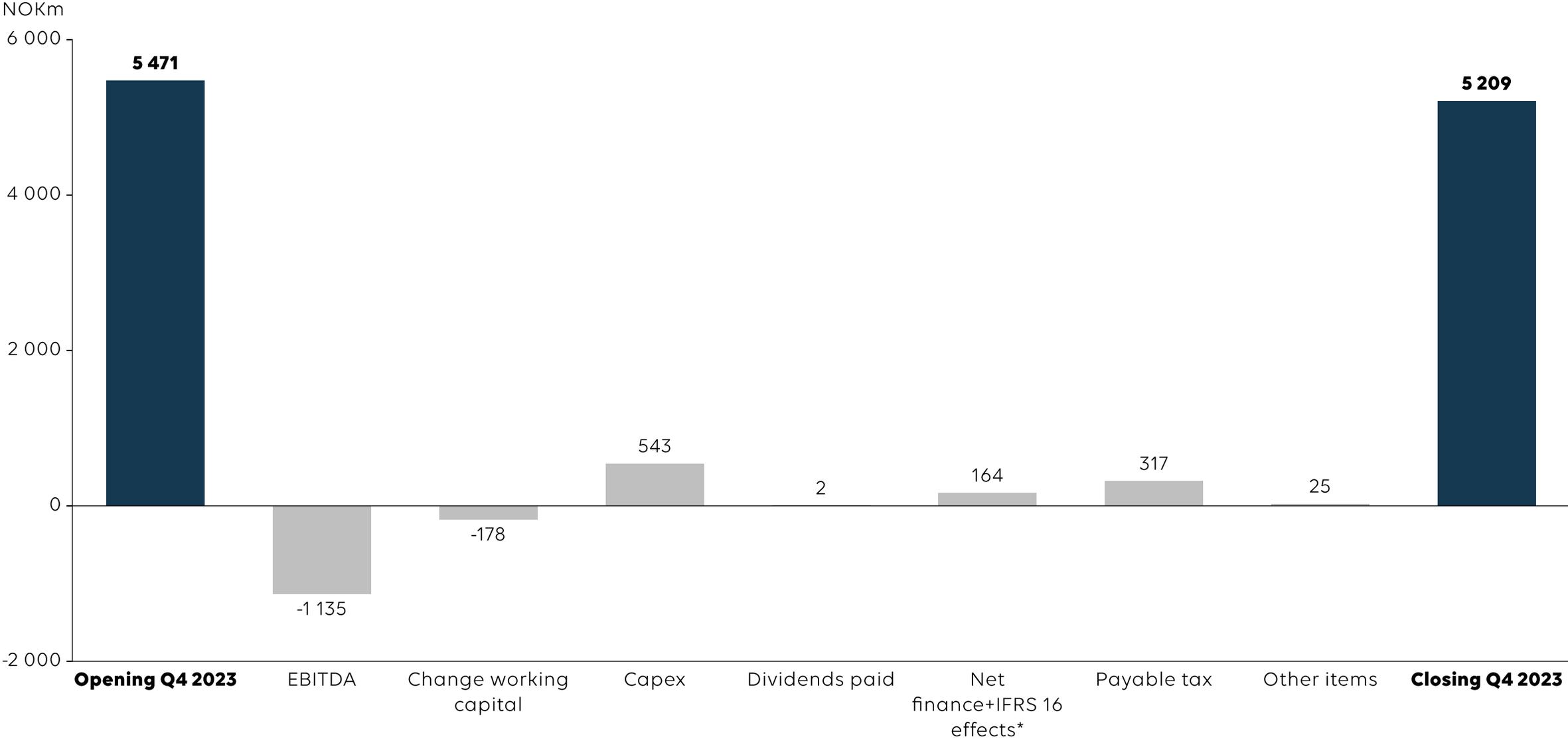
Balance sheet

(NOKm)	31.12.2023	31.12.2022	▲
Intangible assets	8 880	8 643	237
Right-of-use-assets	2 713	2 864	-151
Tangible fixed assets	8 196	7 487	709
Financial non-current assets	1 496	1 565	-68
Total non-current assets	21 286	20 559	727
Biological assets at cost	5 749	5 109	640
Fair value adjustment of biomass	2 675	2 508	167
Other inventory	2 398	2 308	90
Account receivables	2 926	2 717	210
Other receivables	2 037	555	1 482
Cash and cash equivalents	4 323	3 305	1 018
Total current assets	20 109	16 503	3 607
Total assets	41 395	37 062	4 333

Highlights this quarter

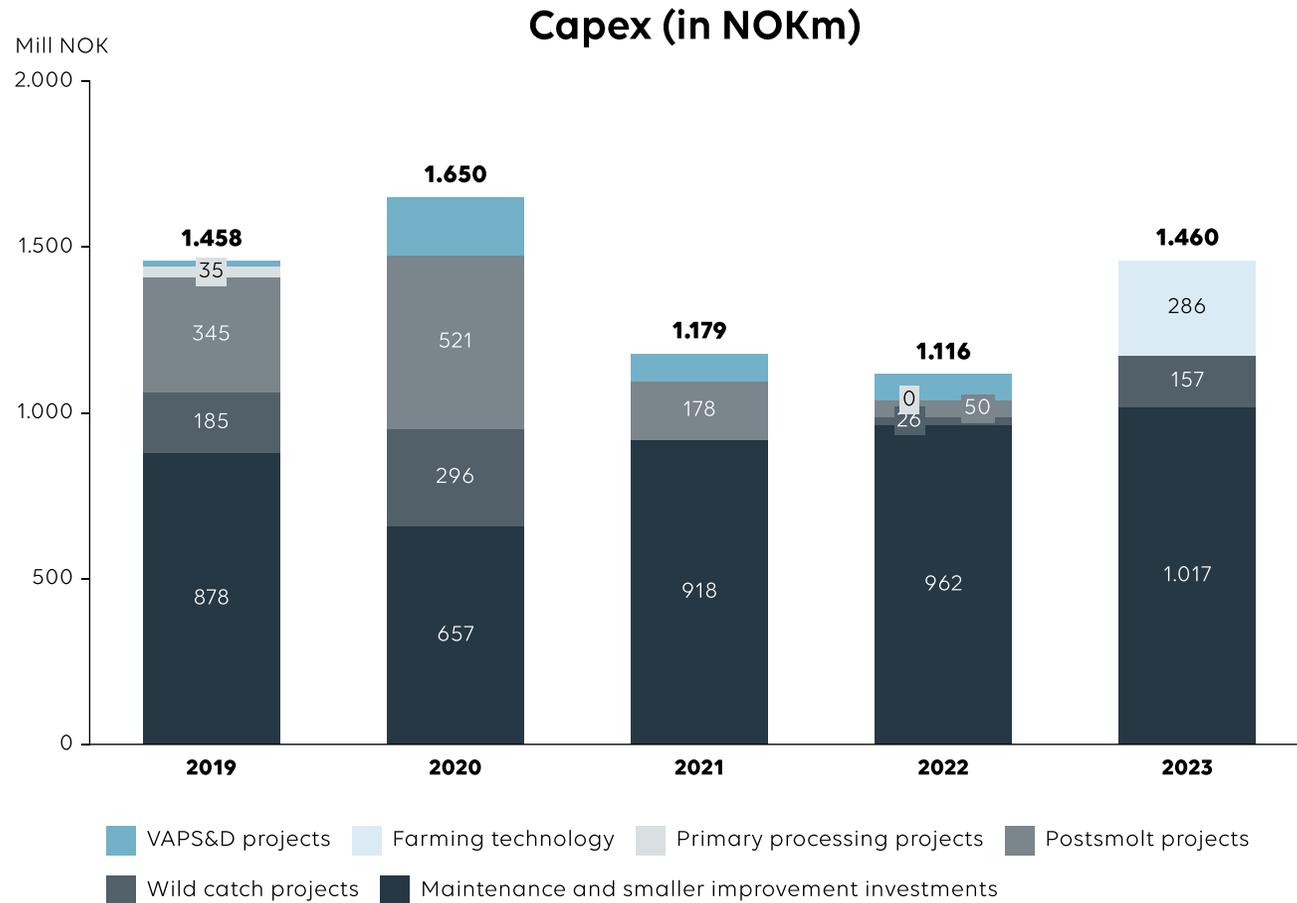
- Inflationary trends gives significant lift in working capital items y-o-y
- Strong balance sheet
- Issuer credit rating BBB+
- NIBD of NOK 5,209m
- Equity ratio of 48%, reduced with implementation effect of resource tax

Change in net interest-bearing debt this quarter



*Includes instalments on lease liabilities to others than credit institutions (IFRS 16)

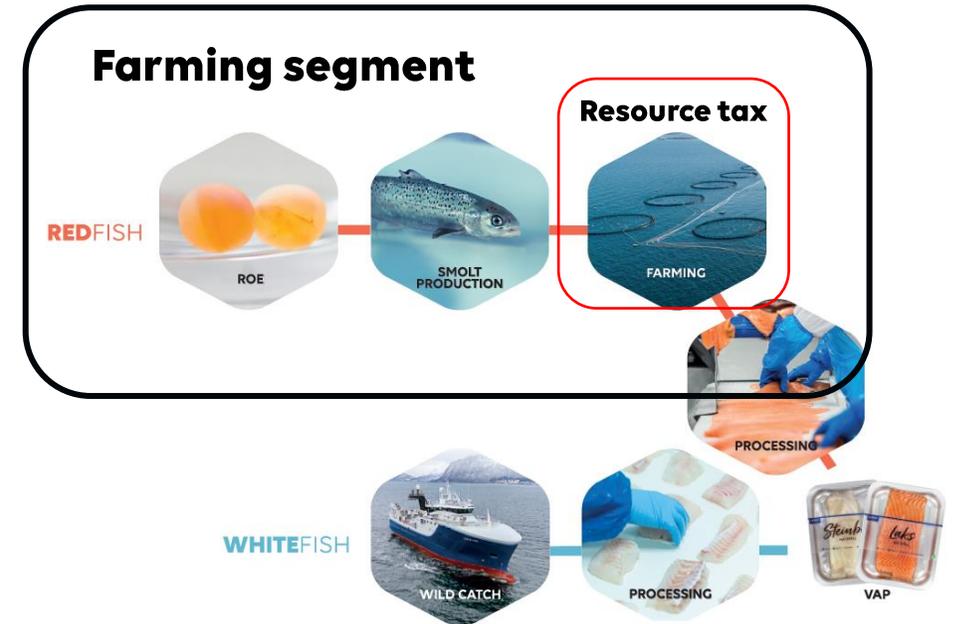
Prioritizing investments that will improve biology and fish welfare



- Maintenance capex and smaller upgrades of around NOK 1bn.
- Investing significantly in new technology and strategic projects in farming:
 - NOK 500m in new shielding technology
 - NOK 200m in improving smolt quality
- Estimated capex for 2024 is NOK 1,8bn

Resource tax implementation

- Adopted by the Storting 31 May 2023, with full year effect 2023
- Increase tax rate in the “sea phase” by 25% to a total of 47%
- Best estimate for 2023 of tax and production fee for operation within resource tax regime NOK 2.0bn, of which NOK 1.7bn an implementation effect.
- Tax and tax rate dependent on among other profitability level, investments, and development in cost of biomass.



Agenda

1. Highlights
2. Key financial highlights
- 3. Outlook**

Making progress on strategic targets, but some targets are stretched

>50 ●

bn NOK in revenue by 2030

~ 30 bn NOK in 2023

#1 ●

EBIT/kg for farming and
VAP S&D by 2025

1,25 ●

bn NOK in EBIT for
VAP S&D by 2025

643 MNOK in 2023

46% ●

reduction in total GHG
emissions by 2030
(baseline 2019)

~ 14,2% reduction in 2022

500 ●

mill NOK in EBIT for Wild
catch by 2025

277 MNOK in 2023

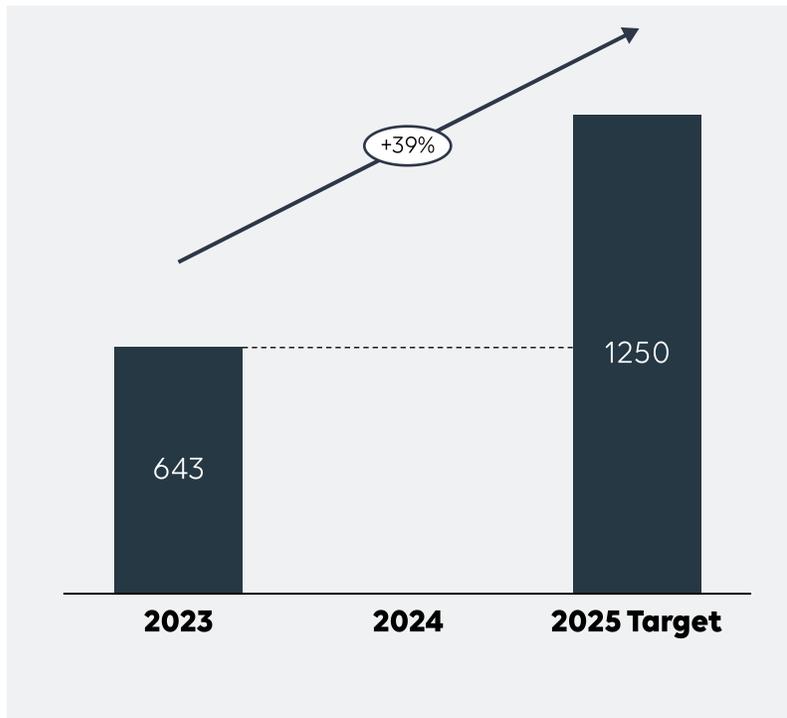
205.000 ●

tonnes harvested in 2025
(Salmon and Trout in Norway)

~ 160.000 in 2023

Substantial earnings growth through targeted initiatives

Operational EBIT target (NOKm)



Short-term actions

- Improvement of VAP factories in certain European markets to will substantially improve earnings for 2024
 - Amending unprofitable business lines, products and factories
 - Tight follow-up of low-performing units
 - Precise product profitability calculations and gross margin expansion
 - Ongoing Lerøy Way implementation
- Further improvements from Volume growth resulting in higher utilisation of our VAP factories

Long-term actions



VAP S&D

Planned, strategic projects further increasing value creation towards 2030

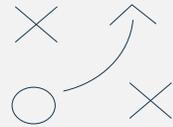
Consequence products in our own value chain

- Utilizing 100% of the raw material is imperative to increase sustainability and income.
- Very substantial EBIT effect expected, capex required.



Implementing Lerøy Way

- Implementing Lerøy Way principles and changing the way we work, focusing on improvements.
- Substantial EBIT effect expected.



Sustainable logistics

- Yearly improvements in transport of product between units and to customer.
- Targeted yearly reduction of 35k tonnes CO2 equivalent (~3% of total emissions)
- Will also contribute to higher earnings. Capex required.



Increased flexibility and price achievements

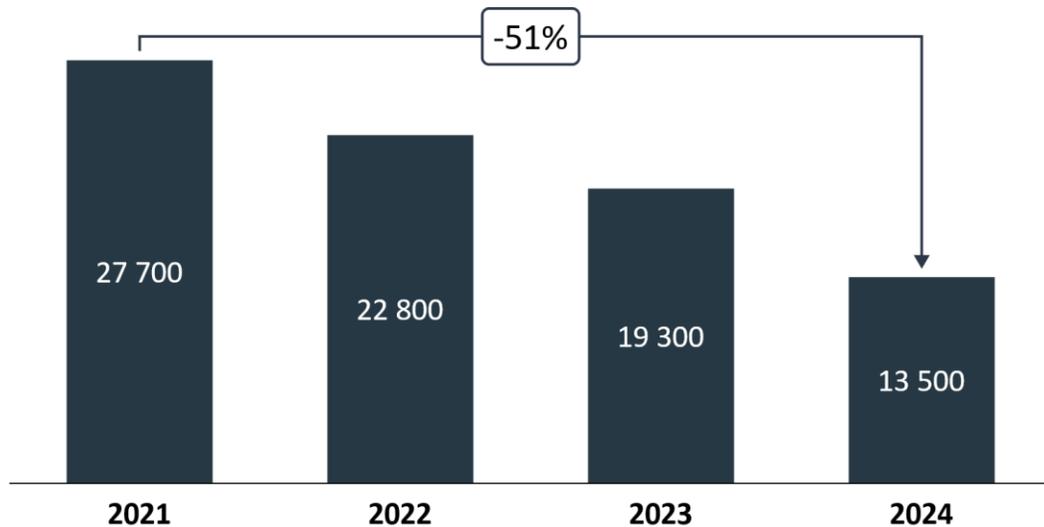
- Increasing the pre-defined flexibility in our contracts, giving higher price achievement on products.



Wild Catch

Substantially reduced cod quotas - EBIT target for 2025 under review

Cod quota development (in tonnes HOG)



- Substantially lower quotas for cod is challenge, that must be mitigated through
 - Higher catches of alternative species
 - Increased utilisation of raw material (100% fish)
 - Alternative products for onshore industry
- As of today even lower cod quota indicated for 2025. EBIT target for 2025 under review

Wild Catch

On-shore facilities set to improve

Båtsfjord



- Rebuilt factory, completed Feb 2024
- New production technology and automation
- Improving productivity; handling higher volumes with no increase in staff



Stamsund



- Focus on utilizing the raw material and developing new whitefish products
- Recently launched a new product in Norway; gratin with cod.



Melbu



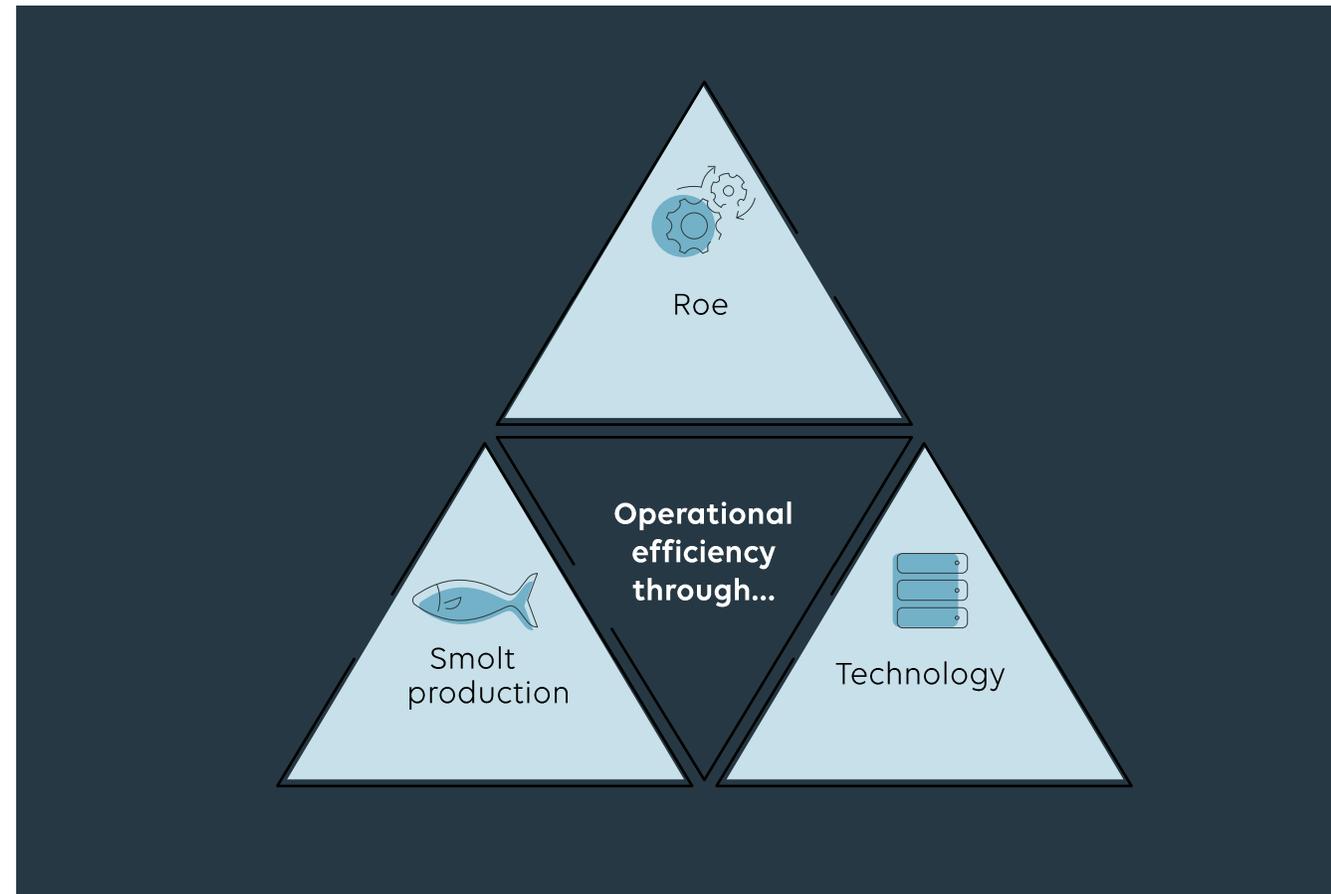
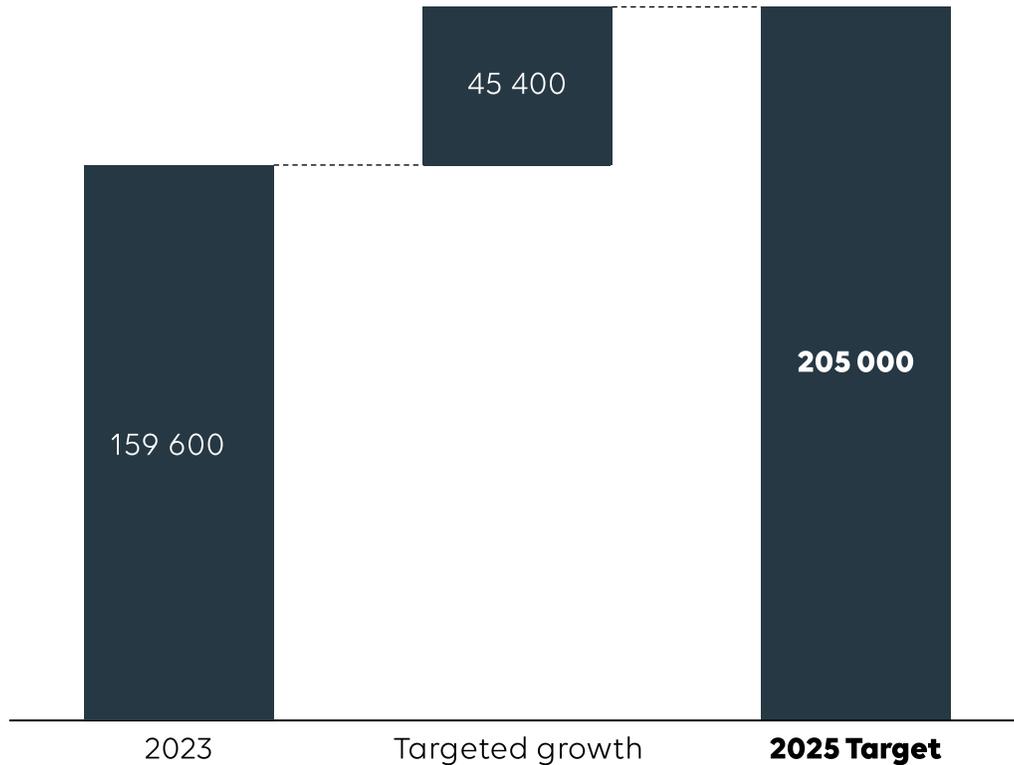
- Significant effect from structured Lerøy Way improvement activities.



Farming

Reaching 2025 harvest target through operational improvements

Tonnes harvested salmon and trout



Farming

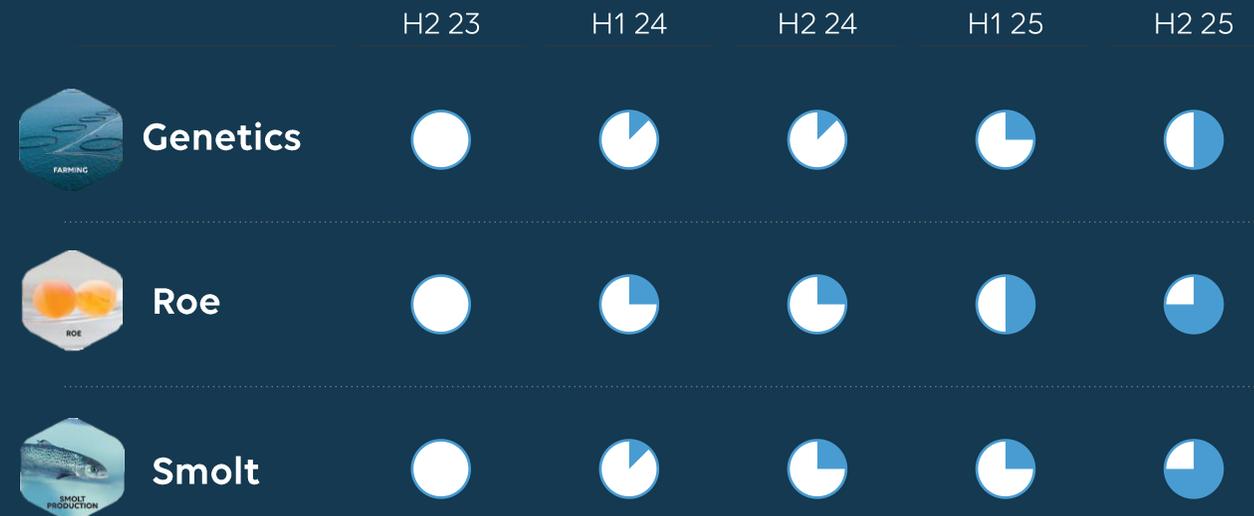
Improvements in roe and smolt expected to yield results from harvest in 2025

High-quality roe and smolt

- Improved genetics expected to contributing to higher growth rate in sea
- Process improvements in roe and smolt production, e.g. new improved production protocols making the fish more robust
- Phasing in new breeding generation

Resulting in better performance

Illustration of when different measures will impact results/harvest



Farming

Lerøy Sjøtroll - performance is set to improve. Shifting production towards high-performing trout and utilising shielding technology.

Trout – strong biological performance

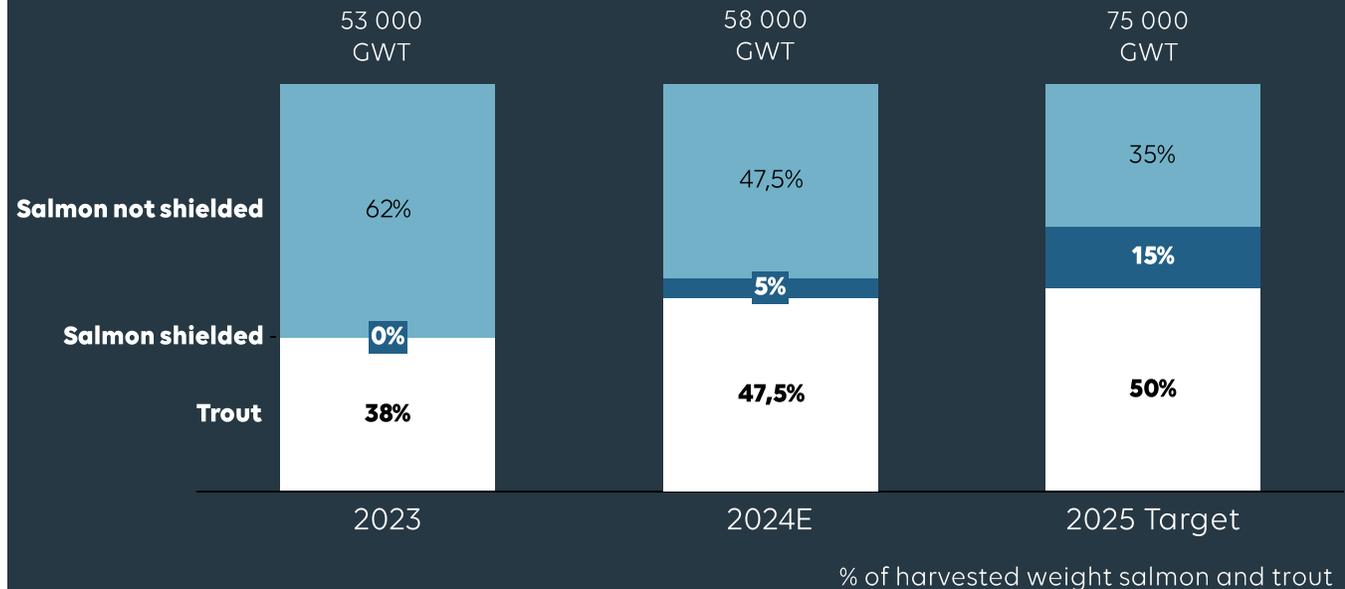
Trout production in Lerøy Sjøtroll performing better than salmon (figures for 2023):

- **~10%-points** higher superior share
- **~15%-points** higher survival rate
- **~ NOK 12 lower harvest cost** pr kg (average last 5 years)

Higher “base” volume will improve ability to serve more markets with stable volumes

Reaching harvest target of 75.000 GWT in 2025

Shifting volumes from salmon to trout, shielding exposed salmon, remaining exposure predominantly at good performing sites



Farming — shielding technology

Early findings very promising – practically no lice treatments, high survival rates

Results so far

- Shielding technology shows exceptional results so far
- High learning curve
- Zero lice treatments
- Improved fish-welfare, with high survival rates

Investment

- Remaining capex of ~500 MNOK to reach 30-35% shielding by end of 2024

Current situation and target

- 12% of salmon stock shielded at end of Q4 2023
- Close to 20% of our salmon stock shielded by Q1 24
- Targeting 30-35% shielded by end of 2024

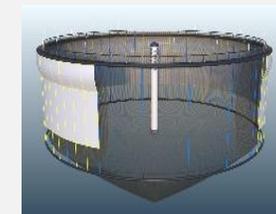
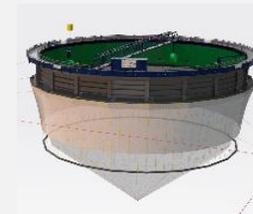
Approaching harvest

- First harvest of shielded salmon expected Q3 24

Submerged cages



Semi-closed containments



Outlook

Farming

- Positive start of 2024 after a challenging 2023.
- Contracts share 2024 as of today slightly above 20%
- Expect to see significant improvements from :
 - Roe and Smolt quality
 - New farming technology
 - Process improvement/Implementing LerøyWay

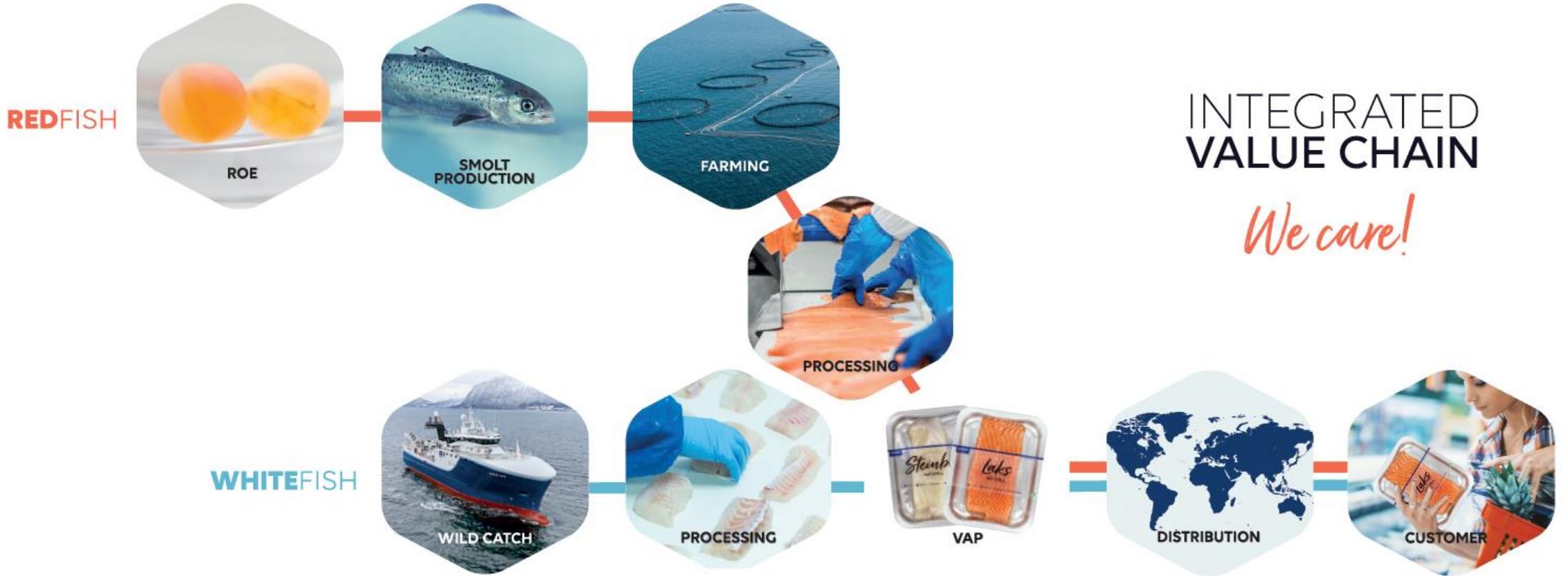
Wild Catch

- Challenging quota situation into 2024
- Quotas for 2024
 - Cod down 30%
 - Haddock down 20%
- Improvements in land-based industry expected

VAP, S&D

- Increased demand for integrated, sustainable, value chain
- Improved market share in some key markets, utilising the potential of our value chain
- Large variation in profitability in different unit, and clear potential for growth in profitability in 2024

Creating the world's most efficient and sustainable value chain for seafood



Q & A

LERØY

The Norwegian
Seafood Pioneer