



SalMar ASA

Presentation Q3 2019

CEO Gustav Witzøe

CFO & COO Trine Sæther Romuld



Agenda

- Highlights
- Operational update
- Financial update
- Outlook

Gustav Witzøe

New CEO in SalMar from 21st of October 2019



- Founder and part of SalMar since 1991
- Extensive experience in aquaculture
- Still huge potential in improvements going forward
- Oceans of opportunity in regards developing the company and the aquaculture industry
- What we do to today we do better than yesterday

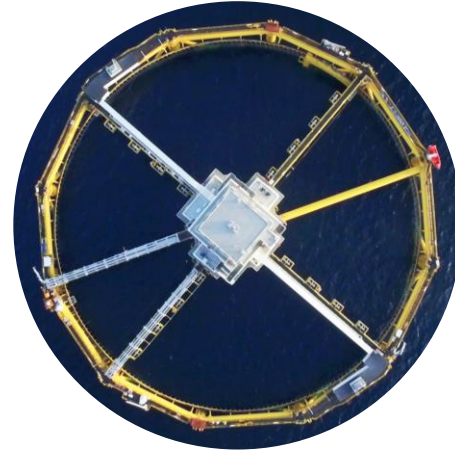
Oceans of opportunity

Two directions going forward – coastal and offshore fish farming



COASTAL

- Continue to have leading position both in regards of cost leadership and industry development
- Seek attractive M&A opportunities
- Take our share in growth opportunities



OFFSHORE

- Pioneer and lead offshore fish farming through newly established SalMar Ocean
- Confident through the results of Ocean Farm 1
- Potential to be main growth driver going forward

SalMar – strategic highlights



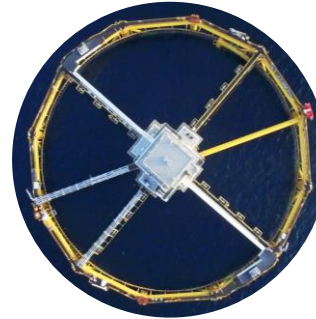
Genetics & smolt

- Follafooss 2
- Senja 2 (under development)
- New plot acquired in Tjuin – Central Norway



Farming North

- Learn from experience resulting in very weak 3q
- Cost program implemented
- New sites & zone structure
- Optimize organization in respect of production volume



Offshore Farming

- SalMar Ocean established
- Build and develop an organization to handle growth ambition
- See big potential – ongoing processes on schedule



Industry & sales

Industry

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

Sales

- Optimize allocation of salmon
- Best distribution

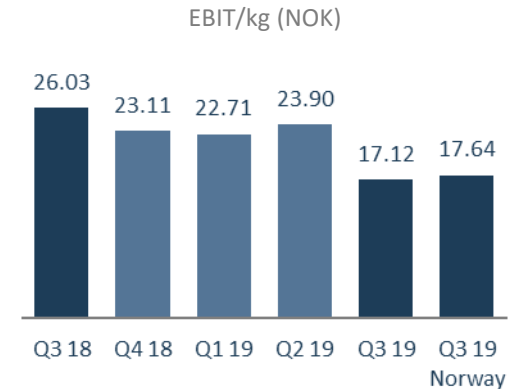
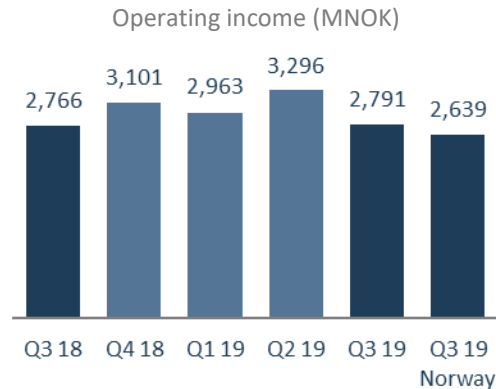
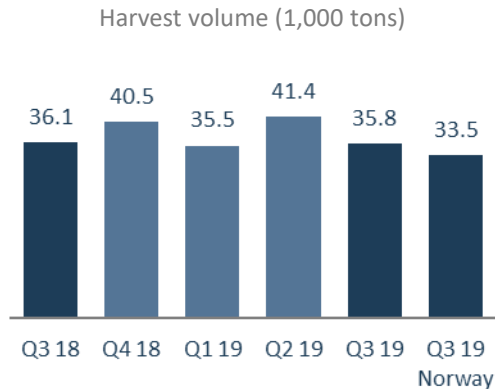


Other

- Continue to develop Arnarlax
- Longer production cycles
- See big biological and market potentials

Third quarter highlights

- Total operational EBIT 614 MNOK and harvest volume 35,800 tons
- Operational performance as expected in Central Norway, very weak performance in Northern Norway
- Strong results from Sales and Processing with improved operational performance
- Guiding of 145,000 tons in Norway and 10,000 tons on Iceland for 2019 maintained
- Expect harvest of 152 000 tons in Norway and 10 000 tons on Iceland for 2020



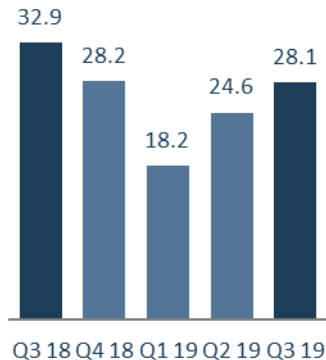
A wide-angle photograph of a salmon farming operation in a fjord. In the foreground, a large circular salmon cage is visible, constructed from metal frames and netting. The water is a deep blue. In the background, a range of rugged, snow-capped mountains rises against a clear blue sky. The text "DETAILED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

DETAILED OPERATIONAL UPDATE

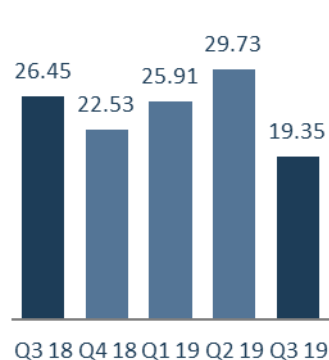
Farming Central Norway

	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Operating income (NOKm)	1,565	1,916	4,321	4,385
Operational EBIT (NOKm)	544	871	1,747	1,897
Operational EBIT %	34.8 %	45.4 %	40.4 %	43.3 %
Harvested volume (tgv)	28.1	32.9	70.9	71.9
EBIT/kg	19.35	26.45	24.63	26.39

Harvest volume (1,000 tons)



EBIT/kg (NOK)

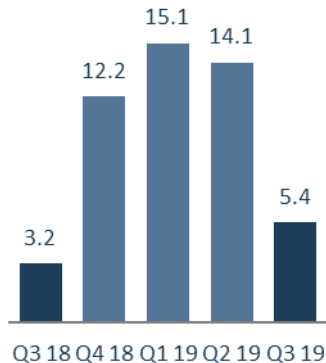


- Results in the period as expected
- Higher volume at the end of the period
- Spring 18 generation main contributor to harvest volume with stable cost development
- Autumn 2018 generation started harvested earlier due to sea lice challenges
 - Resulting in higher costs and lower price achievement due to lower average weights
- Expect a somewhat lower volume and a slight increase in costs in Q4 2019
 - Continue harvesting of spring and autumn 2018 generation in Q4
 - Somewhat higher costs due to autumn 2018 main contributor to harvest volume
- Full year guiding maintained at 97,000 tons

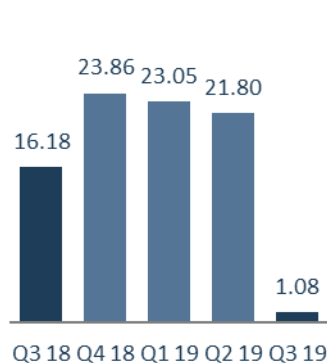
Farming Northern Norway

	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Operating income (NOKm)	275	175	2,042	1,945
Operational EBIT (NOKm)	6	51	661	863
Operational EBIT %	2.1 %	29.2 %	32.4 %	44.4 %
Harvested volume (tgv)	5.4	3.2	34.6	30.2
EBIT/kg	1.08	16.18	19.10	28.61

Harvest volume (1 000 tons)



EBIT/kg (NOK)

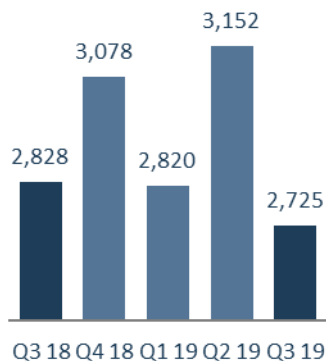


- Weak results in the period
 - Earlier harvest of spring 2018 due to biological performance has impacted both costs and price achievement negatively
 - Low harvest volume affecting fixed costs per kg
- Spring 18 locations with weak biological performance main contributor to harvest volume in Q3
 - Affecting cost and prices achieved negatively
 - Finished harvesting the stock in the period
- Expect significantly higher volume in Q4 2019 and a significant decrease in cost
- Full year guiding for 2019 maintained at 48,000 tons

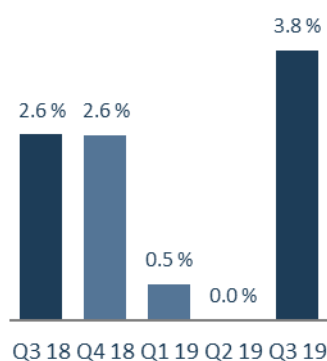
Sales & Processing

	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Operating income (NOKm)	2,725	2,828	8,697	8,354
Operational EBIT (NOKm)	102	73	117	-92
Operational EBIT %	3.8 %	2.6 %	1.3 %	-1.1 %

Operating income (NOKm)



EBIT-margin (%)



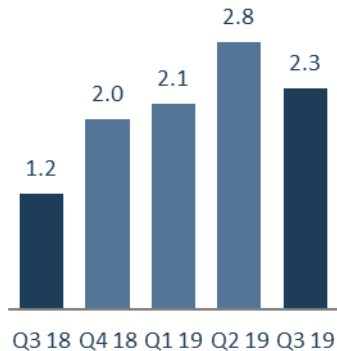
- Strong results with good price achievement in a demanding period with falling prices
- Good price achievement from sales through good disposal of salmon in the market
- Stable results from harvesting and processing activities
- Strong margin on contracts, contract share at 25 % in the period
- Contract share currently at 20% for Q4 2019 with prices slightly up from the level in 2018
- Construction work on InnovaNor started in September and the project is progressing according to plan

Arnarlax (Iceland)

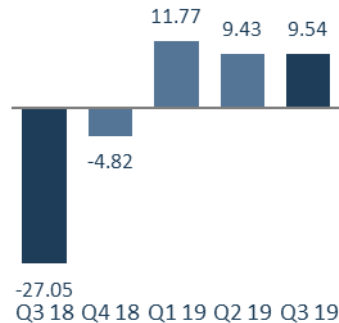
	Q3 2019	Q3 2018	YTD 2019 ¹	YTD 2018
Operating income (NOKm)	152	69	462	287
Operational EBIT (NOKm)	22	-32	73	-69
Operational EBIT %	14.4 %	-46.2 %	15.9 %	-24.2 %
Harvested volume (tgw)	2.3	1.2	7.2	4.7
EBIT/kg	9.54	-27.05	10.16	-14.77

1) Consolidated results from February 2019

Harvest volume (1 000 tons)



EBIT/kg (NOK)



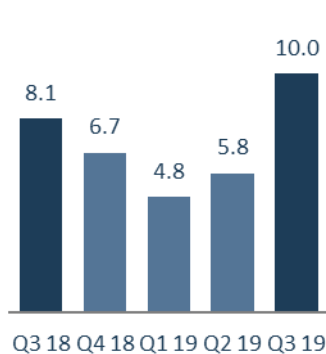
- Positive contribution in the period
 - Good price achievement due to high average weights
 - Stable production costs and increased capacity utilization at the harvesting plant
- Harvested from 17 generation in the quarter
 - Improved biological performance YoY
 - Will continue harvesting of this generation and start 18G in Q4 2019
- Expect similar volume in Q4 and costs at the same level
- Guiding of 10,000 tons harvest volume in 2019 maintained
- Expect 10,000 tons harvest volume in 2020

Norskott Havbruk

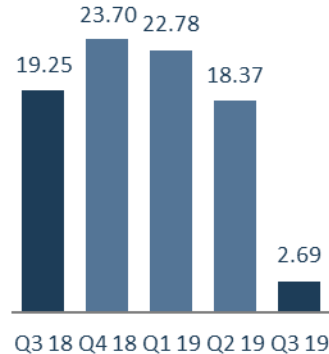
	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Operating income (NOKm)	630	547	1,442	1,545
Operational EBIT (NOKm)	27	156	243	503
Operational EBIT %	4.3 %	28.4 %	16.8 %	32.6 %
Value adjustments biomass	-125	-83	-157	-60
Profit before tax	-103	70	77	438
SalMar's share after tax	-40	30	34	182
Harvested volume (tgw)	10.0	8.1	20.5	20.8
EBIT/kg	2.69	19.25	11.81	24.18

- Weak result in the period
- Biological challenges in Shetland and Scotland have negatively impacted the results by high mortality costs and harvest of smaller fish
- All sites affected harvested out in Q3, expect improvement in cost and reduced mortality cost in Q4
- Full year guiding for 2019 reduced to 27,000 tons

Harvest volume (1 000 tons)



EBIT/kg (NOK)

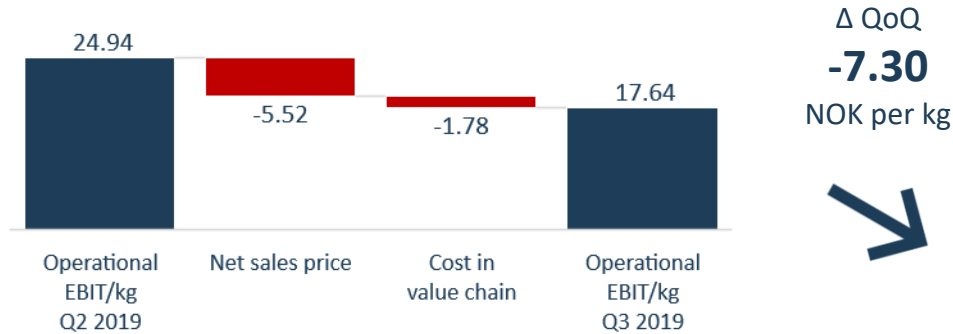




Operational EBIT deviation analysis (qoq)

Norway

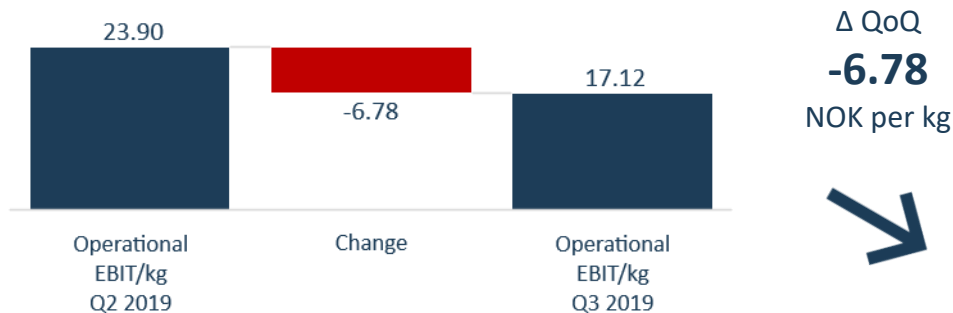
EBIT per kg (NOK)



- Net sales price decreased due to lower spot prices
 - Strong positive contribution from contracts and improved price achievement within sales decreases reduction
- Negative cost development
 - High farming costs in Northern Norway
 - Stable cost development in Sales & Processing

Group

EBIT per kg (NOK)



- Group EBIT per kg decreased QoQ due to lower prices

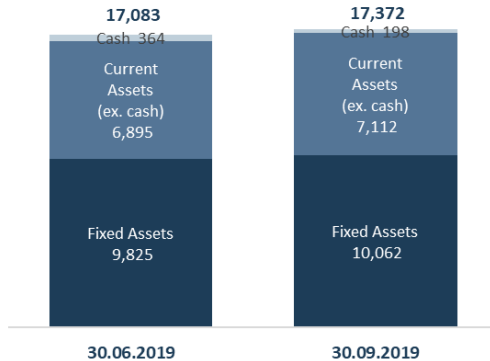
Group profit and loss

<i>NOK million</i>	Q3 2019	Q3 2018	Δ%	YTD 2019	YTD 2018	Δ%
Operating income	2,791.2	2,766.4	1 %	9,050.9	8,241.5	10 %
EBITDA	798.1	1,061.9	-25 %	2,922.2	2,891.4	1 %
Depreciations and write-downs	184.5	122.8		512.7	365.5	
Operational EBIT	613.5	939.1	-35 %	2,409.5	2,525.9	-5 %
Fair value adjustment	-254.3	255.0		-251.4	432.1	
EBIT	359.2	1,194.1	-70 %	2,158.1	2,958.0	-27 %
Income from investments in associates	-39.0	34.4		40.9	170.7	
Net financial items	-57.1	-23.2		68.0	-42.4	
<i>Net interest costs</i>	-42.8	-29.3		-114.9	-77.4	
<i>Other financial items</i>	-14.3	6.1		182.9	35.0	
Profit before tax	263.1	1,205.3	-78 %	2,267.0	3,086.2	-27 %
Tax	70.6	269.3		445.7	665.7	
Net profit for the period	192.4	936.0	-79 %	1,821.3	2,420.6	-25 %
Earnings per share (NOK)	1.80	8.19	-78 %	16.14	21.33	-24 %
Harvested volume (tgv)	35.8	36.1	-1 %	112.8	102.0	11 %
EBIT per kg (NOK)	17.12	26.03	-34 %	21.37	24.76	-14 %

- Stable revenue YoY due to increased price level on contracts and consolidation of Arnarlax
- Negative fair value adjustment due to lower forward prices
- Net financial items increased YoY due to implementation of IFRS16 and agio effects
- EBIT/kg decreased YoY following lower prices and higher cost

Group balance sheet

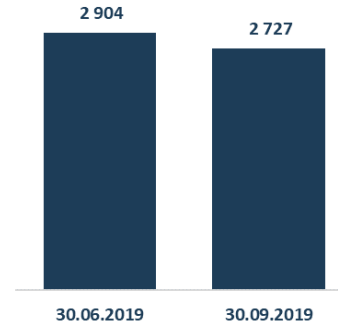
Assets



Equity ratio

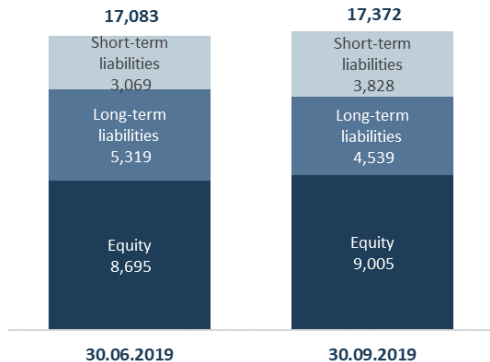
51.8%

NIBD



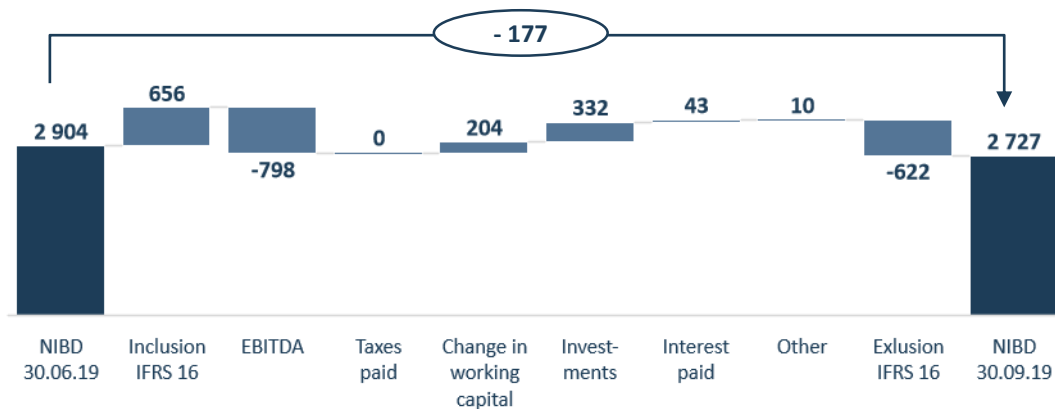
- Investments in line with ongoing investment programs
- Higher standing biomass YoY and QoQ
 - Fair value of biomass reduced due to lower forward prices
- Interest-bearing debt reduced with NOK 342.6 million during the quarter
 - NIBD at NOK 2,727.2 million by the end of the quarter
- Solid financial position with equity ratio increased to 51.8% and NIBD/EBITDA at 0.7

Equity & liabilities



1) NIBD does not include IFRS 16 leasing liabilities

Movement in net interest bearing debt



- Cash flow from operations impacted by lower prices and increase of working capital
- Net cash flow from investments at NOK -332 million
 - Farming and Ocean NOK 153 million
 - Smolt and hatchery NOK 146 million
 - Sales & Processing NOK 85 million
 - Capex Iceland NOK 32 million
 - Received dividend from associated companies NOK 85 million
- Net interest-bearing debt reduced with NOK 177 million

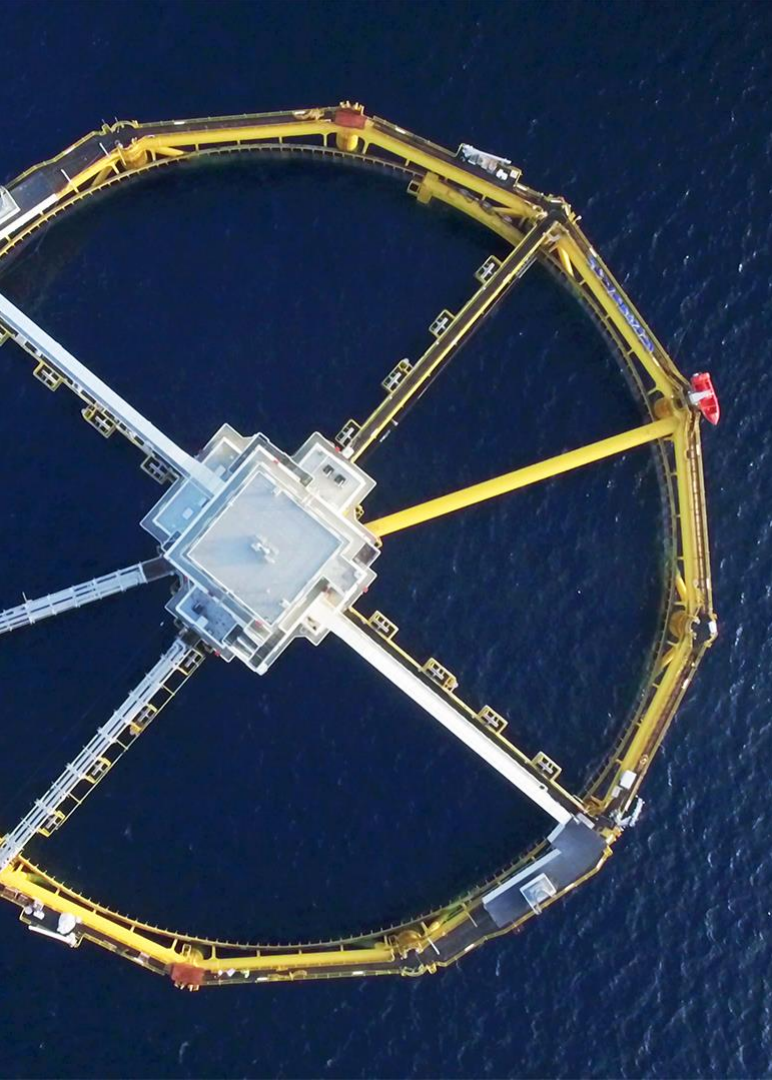


OUTLOOK

Outlook



- Slight increase in volume and costs at the same level expected in Q4 2019
- Contract share for Q4 2019 currently around 20% with prices slightly up from level in 2018
- Investments continues according to plan
- Significant potential in offshore fish farming - strengthening our activities through SalMar Ocean
- Guiding of 145,000 tons in Norway and 10,000 tons on Iceland for 2019 maintained
- Expect 152,000 tons in Norway and 10,000 tons on Iceland for 2020
- Expect continued good demand in core markets and moderate increase in global supply



Capital Market Day 2020

- SalMar will host a CMD in 2020 at the company headquarter on Frøya
- More details and invitation will come during Q1 2020

**THANK YOU
FOR YOUR ATTENTION**

www.salmar.no

