

Lerøy Seafood Group ASA

First quarter 2023 results

Henning Beltestad

CEO

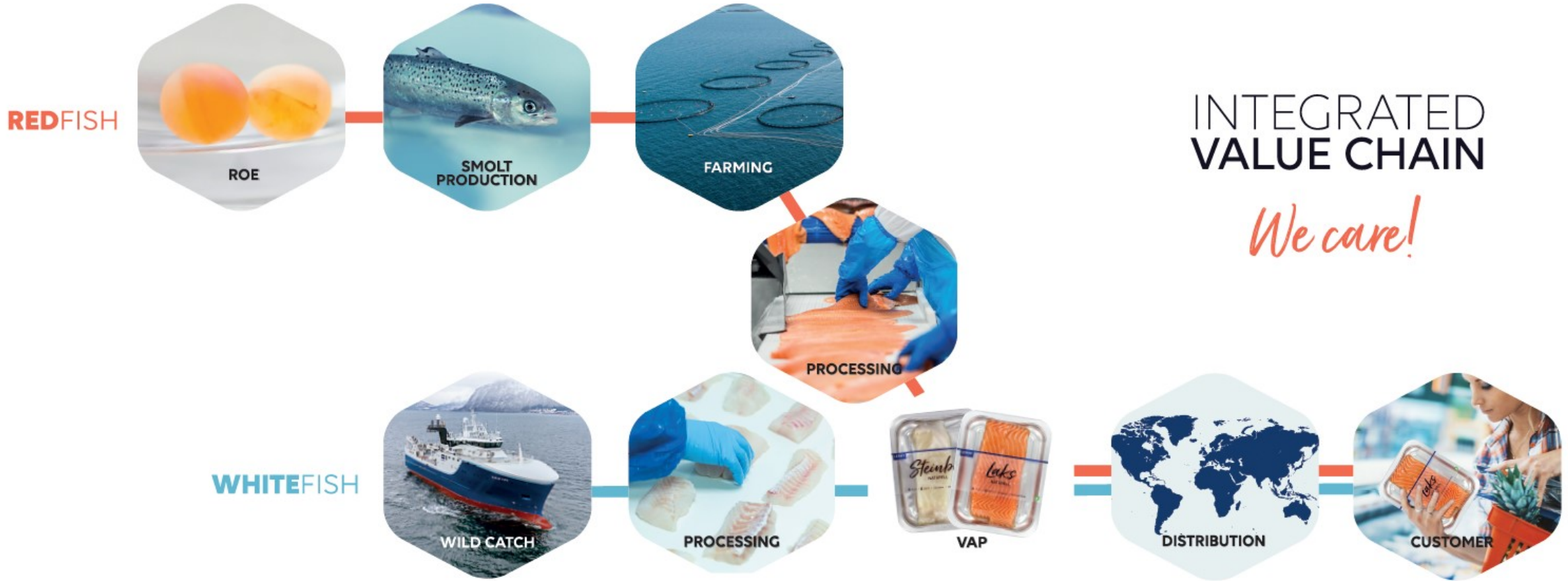
16 May 2023

Sjur Malm

CFO



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



Targets for 2025 and beyond

LSG

>50

bn NOK in revenue by 2030

LSG

46%

reduction in total GHG emissions by 2030
(baseline 2019)

Farming & VAP, S&D

#1

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

Wild Catch

500

mill NOK in EBIT for Wild catch by 2025

VAP, S&D

1.25

bn NOK in EBIT for VAP S&D by 2025

Farming

205,000

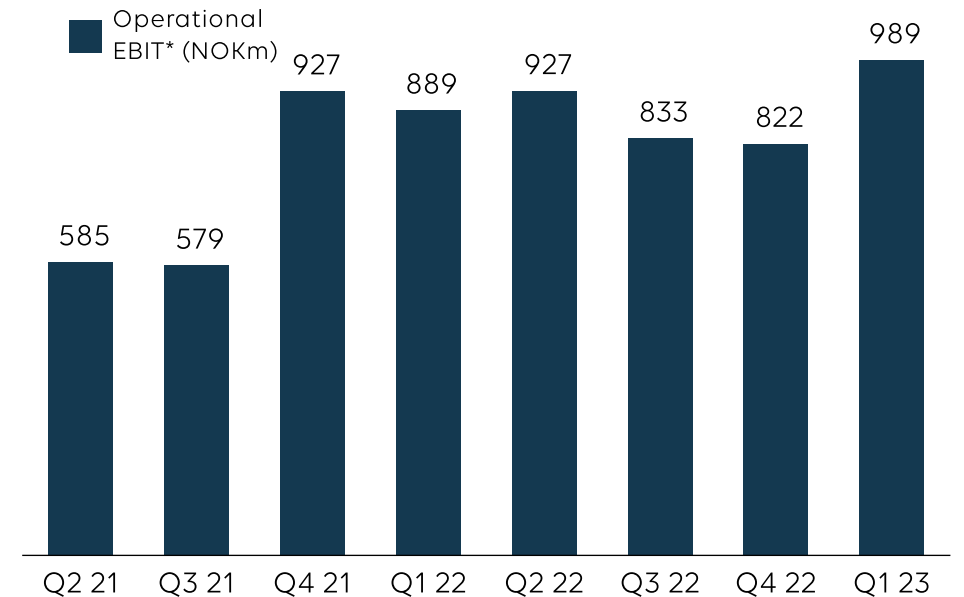
tonnes harvested in 2025
(Norway)



Highlights of the quarter

- Record revenue for a first quarter and strong earnings
- Operational EBIT of NOK 26,6/kg (all inclusive)
- Farming volumes impacted by a challenging biological situation in H2/22. Expected harvest volume incl. JV of 193,500 in 2023
- Positive development VAP, S&D. Overall strong demand for seafood
- Strong seasonal quarter in Wild catch

Operational EBIT* (NOKm)



*In order to make EBIT more comparable with peers, Lerøy has decided to report Operational EBIT starting from Q1 23. In Operational EBIT the production fee is re-classified as a non-operational item. Operational EBIT is measured before fair value adjustments related to biological assets. A bridge between Operational EBIT and EBIT is provided in the Q1 23 report, note 2. In Q2 22, Operational EBIT excludes settlement costs.

SEGMENTS

FARMING



WILD CATCH



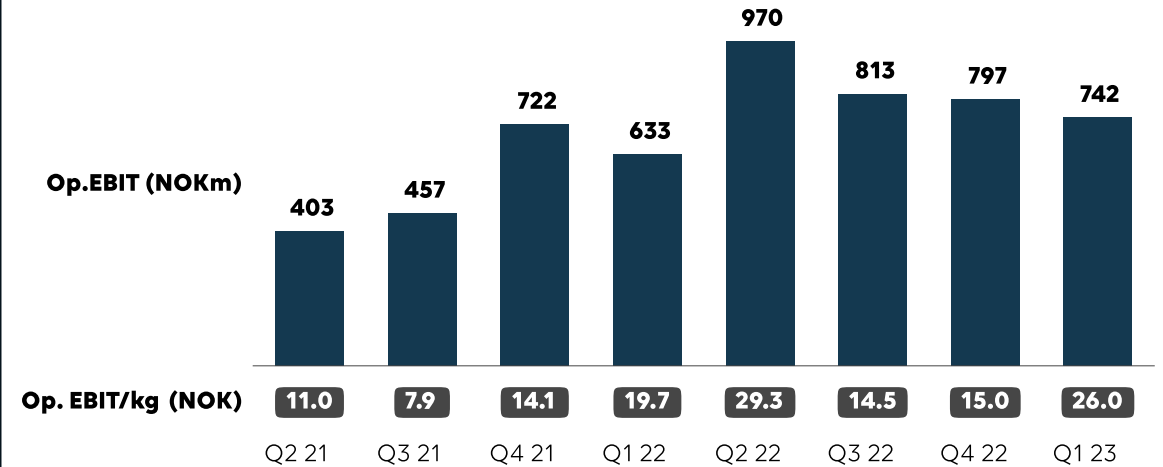
VAP, SALES AND DISTRIBUTION



Farming highlights this quarter

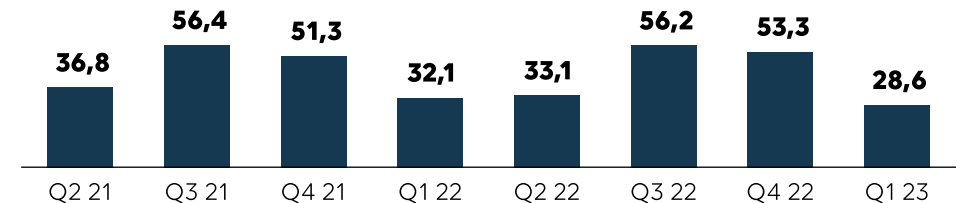
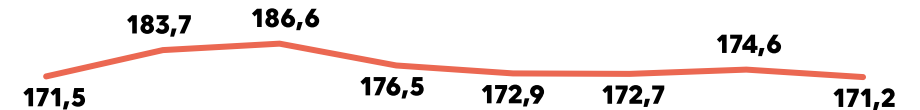
- Low harvest volume, with price realisation well below spot prices driven by 18% contract share, impact from winter wounds and not optimal harvest profile
- Operational EBIT/kg in farming increased to NOK 26.0/kg in Q1/23 from NOK 15.0/kg in Q4/22
- Healthy performance in Lerøy Aurora, with more challenging biology in Lerøy Sjøtroll
- 50% of harvest volume in the quarter from Lerøy Sjøtroll
- Weakening NOK significantly support prices, but will also negatively impact costs

Operational EBIT Farming



Harvest volume (1,000 GWT)

■ Harvest volume salmon&trout, quarterly — Harvest volume 12 months rolling

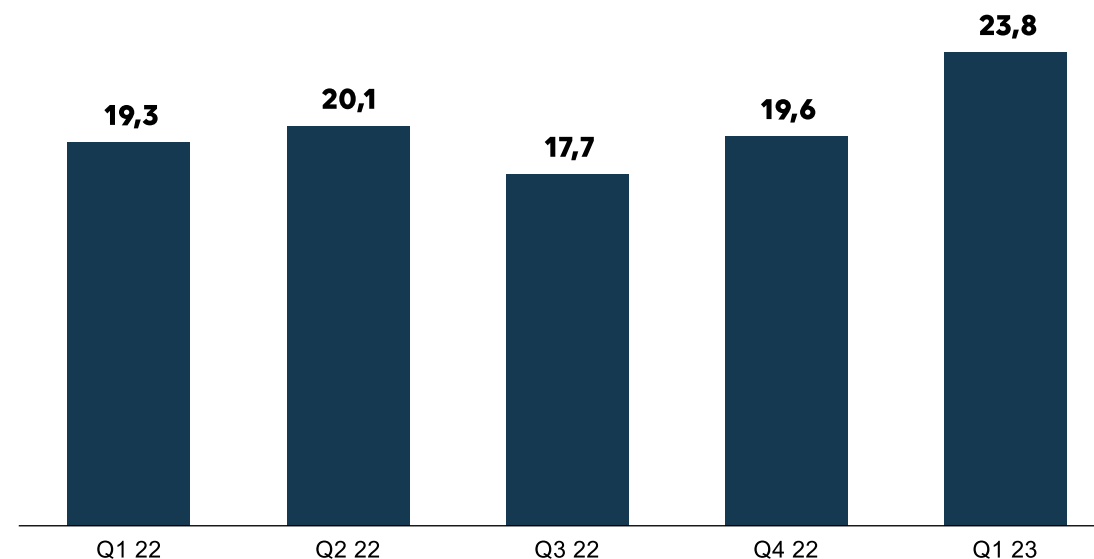


Lerøy Aurora

- Strong improvement in biological performance. Quarter impacted by harvesting of low volume, with low harvest weight and not optimal harvest profile.
- As in 2022, there will be a significant seasonality in harvest volume. Slightly higher harvest volume expected in Q2/23
- Falling cost q-o-q expected from remainder of 2023
- Expect harvest volume of 47,000 GWT in 2023

Lerøy Aurora	Q1 2023	Q1 2022	2022	2021
Revenue (NOKm)	515	368	2 798	2 541
Operational EBIT (NOKm)	136	94	740	445
Harvested volume (GWT)	5 698	4 887	40 109	43 963
Prod. cost (ex. prod. fee)			46,0	41,8
Harvest weight (avg. in kg)	3,7	3,6	4,1	4,0

Operational EBIT pr kg (in NOK)

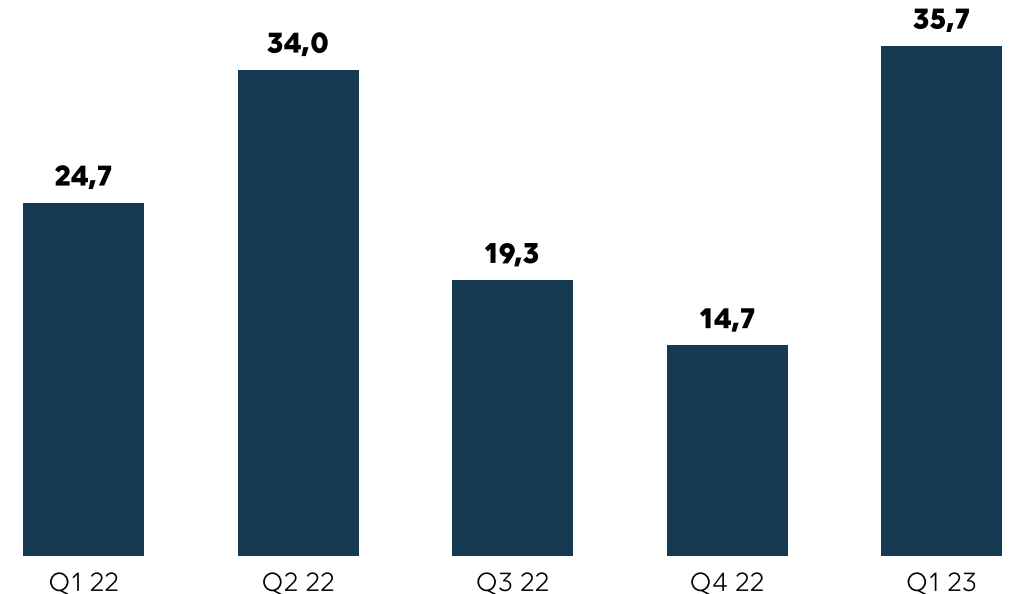


Lerøy Midt

- Building biomass in the quarter, following a challenging biological situation in H2/22
- Increase in costs y-o-y driven by higher feed cost as the most dominant factor. Slightly higher cost expected in coming quarters
- Expect harvest volume of 64,000 GWT in 2023, with stronger seasonal pattern than historically

Lerøy Midt	Q1 2023	Q1 2022	2022	2021
Revenue (NOKm)	862	846	5 018	4 141
Operational EBIT (NOKm)	309	290	1 474	838
Harvested volume (GWT)	8 667	11 767	68 793	72 623
Prod. cost (ex. prod. fee)			47,0	41,5
Harvest weight (avg. in kg)	4,2	4,8	4,4	4,4

Operational EBIT pr kg (in NOK)

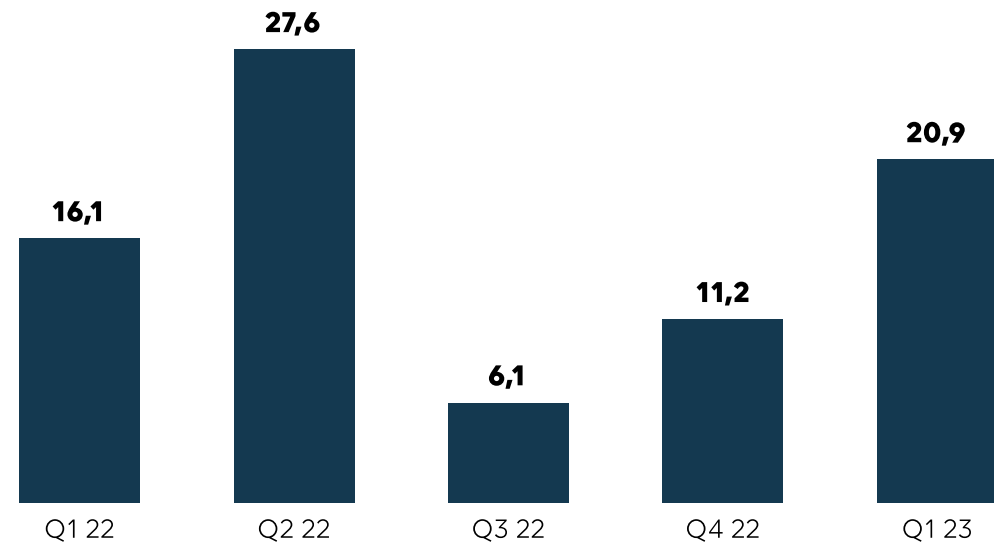


Lerøy Sjøtroll

- Still impacted by challenging biological situation in H2/22. Price realisation impacted by not optimal harvest profile
- Harvest volume in Q2/23 expected to be lower at a slightly higher cost
- Significant improvement initiatives in all part of the value chain initiated and expected to yield gradually positive development, including improved sea lice treatment capability
- Expect harvest volume of 64,000 GWT in 2023, but dependent on a clear y-o-y improvement in H2/23

Lerøy Sjøtroll	Q1 2023	Q1 2022	2022	2021
Revenue	1 253	1 056	4 693	3 913
Operational EBIT (NOKm)	298	248	928	484
Harvested volume (GWT)	14 237	15 403	65 727	70 049
Prod. cost (ex. prod. fee)			55,9	47,8
Harvest weight (avg. in kg)	3,7	4,1	4,0	4,2

Operational EBIT pr kg (in NOK)

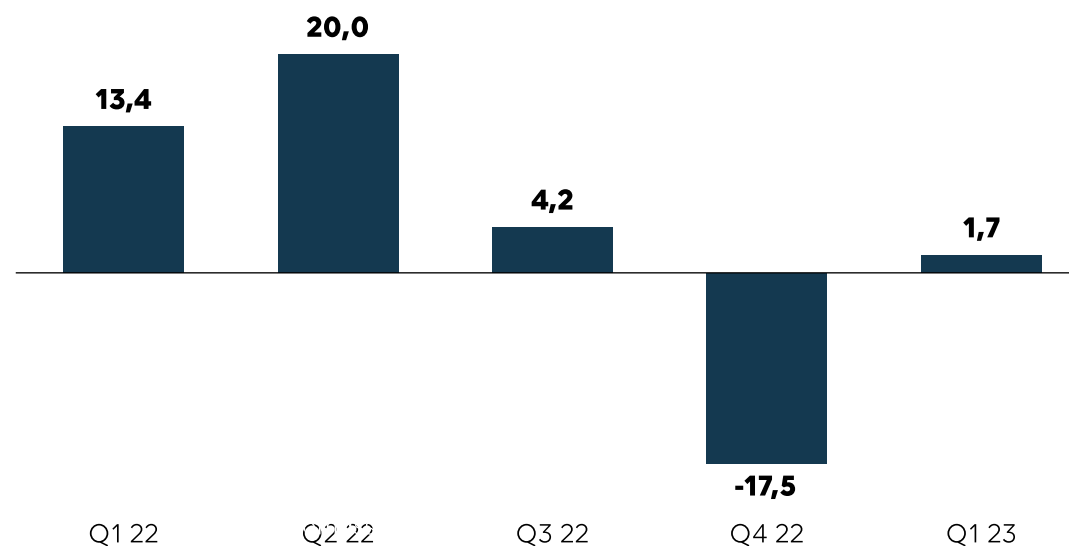


Norskott Havbruk (50% owned)

- Challenging biology in H2/22 gives low harvest volumes in the quarter, and harvesting of fish with a high cost base
- Contract level of 61% of volume at prices well below spot prices
- Still challenging biological status. Expected harvest volume in 2023 of 37,000GWT.

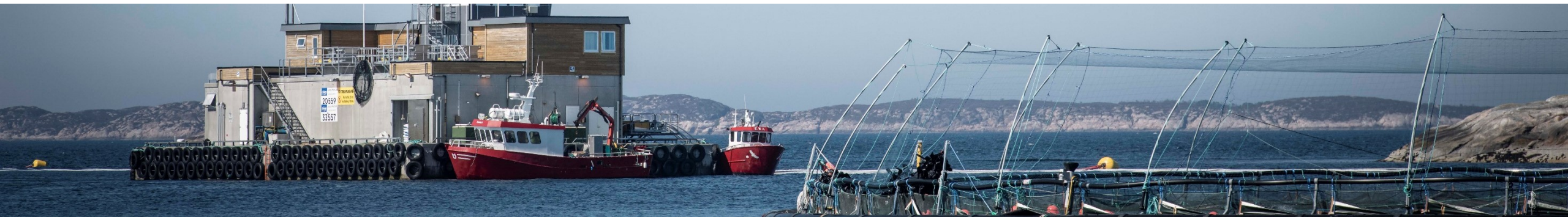
100% basis, in NOKm	Q1 2023	Q1 2022	2022	2021
Revenues	506	639	3 188	2 307
Operational EBIT*	9	105	214	244
Harvested volume (GWT)	5 170	7 840	35 936	32 350
Operational EBIT*/kg	1,7	13,4	6,0	7,6
NIBD	2 391	2 099	2 037	2 234

Operational EBIT pr kg (in NOK)



Farming volumes (1000' GWT)

Farming volumes	2019	2020	2021	2022	2023E	2024E	2025E
Lerøy Aurora AS	32,8	35,0	44,0	40,1	47,0	48,0	50,0
Lerøy Midt AS	64,8	67,9	72,6	68,8	64,0	75,0	80,0
Lerøy Sjøtroll	60,6	68,0	70,0	65,7	64,0	72,0	75,0
Total Norway	158,2	170,9	186,6	174,6	175,0	195,0	205,0
Scottish Seafarms (Lerøy's 50% share)	12,9	12,0	16,2	18,0	18,5		
Total	171,1	182,9	202,8	192,6	193,5		

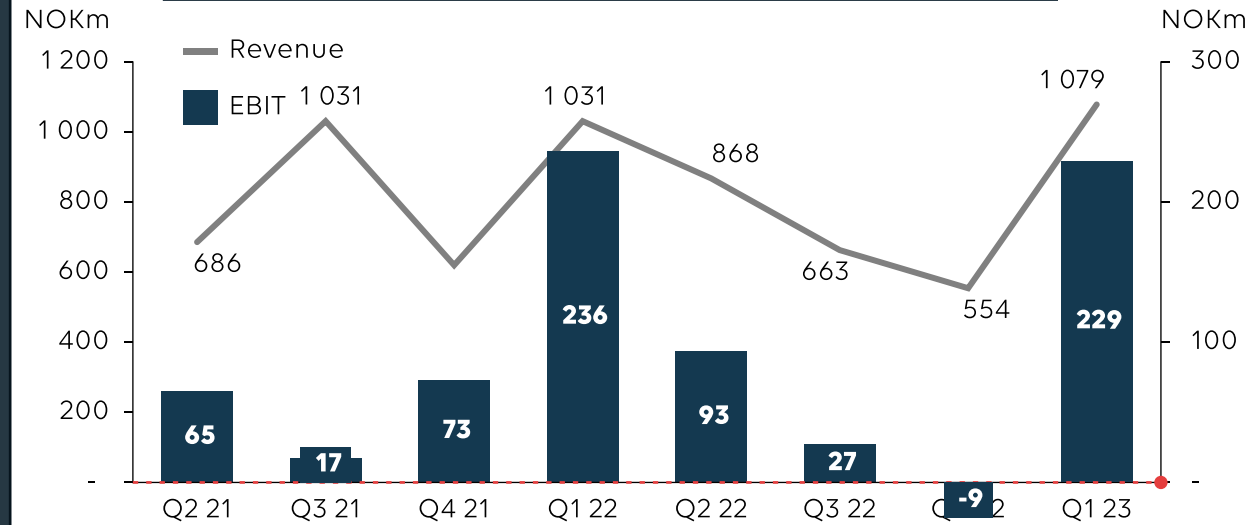


Wild catch highlights this quarter

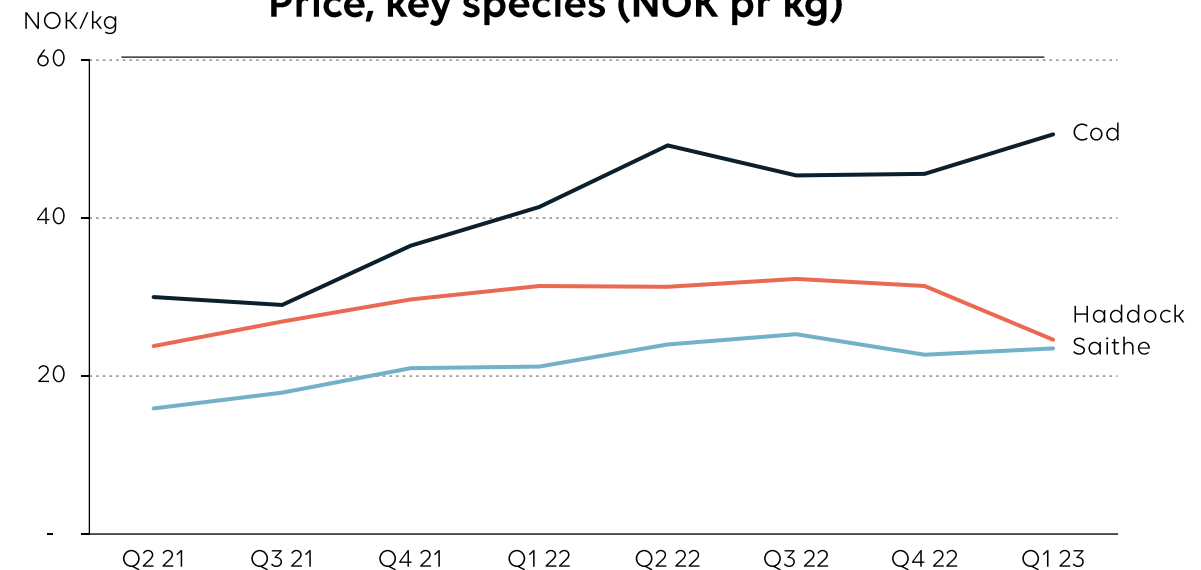
- Strong quarter, with strong catch efficiency and positive development in prices with the exception of haddock
- Higher prices are challenging for the land based industry, but signs of underlying operational improvements
- Lower fuel consumption, driven by fewer operating days but also less consumption per operating day. Fuel prices up 40% y-o-y, and cost of fuel MNOK 24m above Q1/22

* 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)

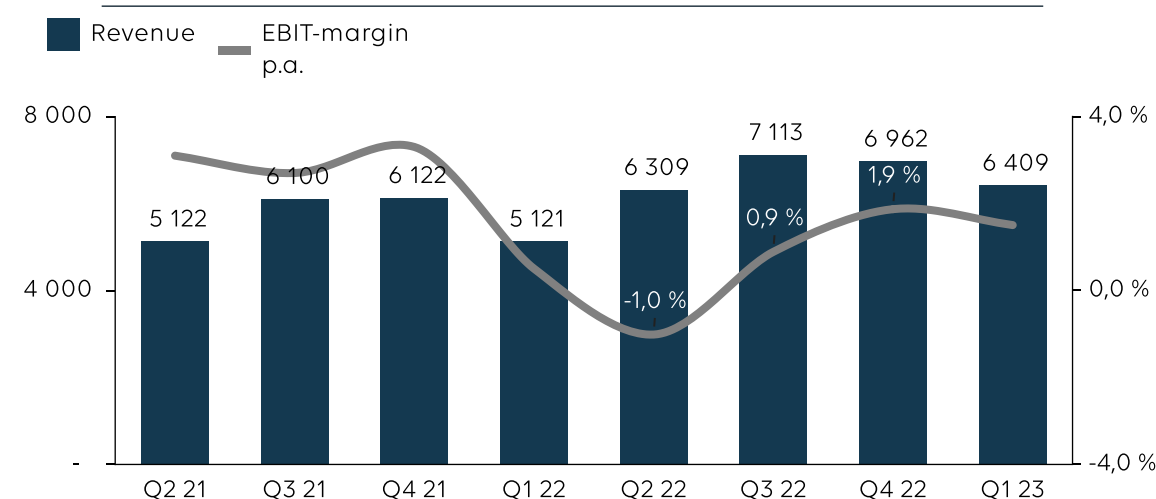
Catch volumes wild catch	Q1-23	Q1-22	2022	2021	Remaining quota 2023	Remaining quota 2022
Cod	8,0	10,0	23,7	26,6	11,7	14,0
Saithe	5,7	3,5	12,9	13,2	8,3	9,0
Haddock	7,3	7,4	10,4	10,9	3,1	2,6
Shrimps	1,5	0,0	9,3	9,4	3,3	2,4
Other	2,9	2,9	15,4	11,5		
Total	25,3	25,1	71,7	71,5	26,4	27,9



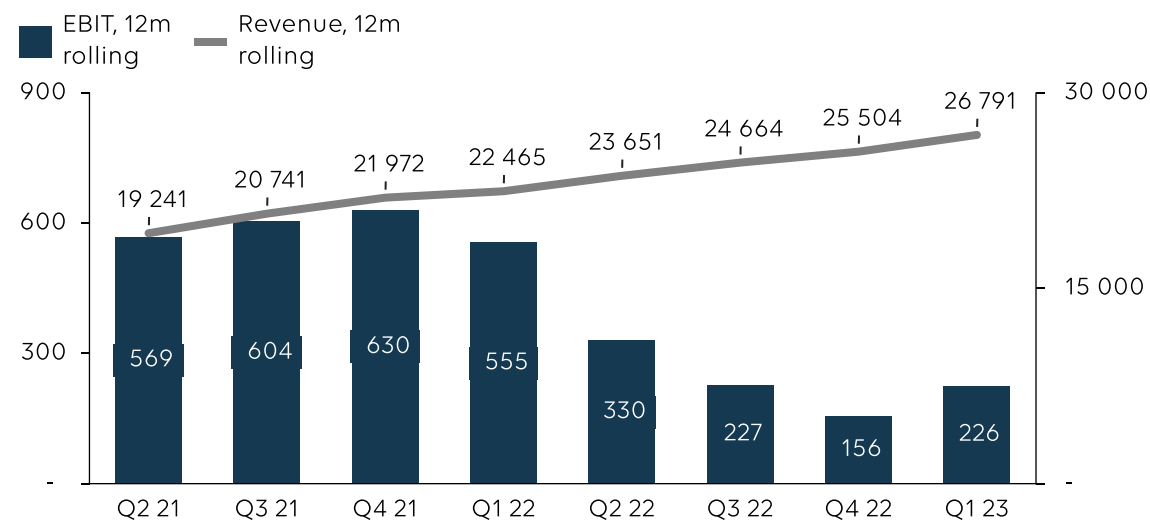
VAP, S&D highlights this quarter

- Higher prices, weakening NOK, are key drivers for significant y-o-y increase in revenue
- Significant improvement in profitability y-o-y with operational EBIT of MNOK 96 compared to MNOK 26 in Q1/22
- Expect significant improvement in earnings in 2023 compared to 2022
- Demand decrease in some markets, but the overall demand for seafood remains strong

Revenue and EBIT VAP, S&D (NOKm)

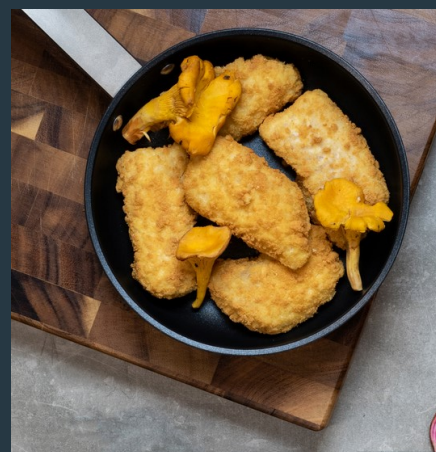
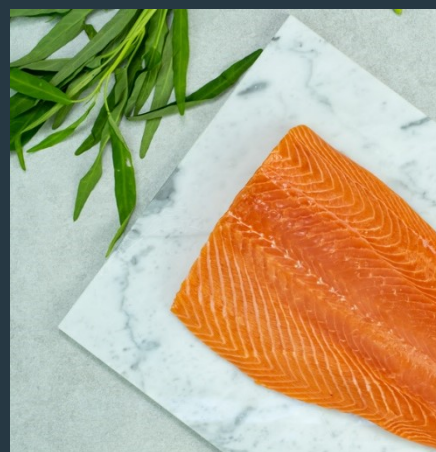


Revenue and EBIT VAP, S&D (NOKm), 12m rolling





Our sales and processing operations now span 14 countries



Agenda

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

Profit and Loss statement

(NOKm)	Q1 2023	Q1 2022	▲%
Revenue and other income	6 971	5 524	26%
Operational EBITDA**	1 317	1 173	12%
Depreciation & amortisation	347	321	
Operational EBIT**	989	889	11%
EPS (NOK)*	1,04	1,02	2%
Salmon and trout harvest volume (GWT)	28 602	32 057	-11%
Operational EBIT** all incl. excl. Wildcatch/kg	26,6	20,4	
Whitefish catch volume (tonnes)	25 269	25 116	1%
Operational EBIT/kg Wildcatch	9,1	9,4	
ROCE* (%)	16,1 %	16,2 %	

Highlights this quarter

- Strong revenue growth on higher prices
- Y-o-y improvement driven by margin expansion
- Resource tax not included in EPS, as not adopted in the Storting. Will have significant impact if adopted

*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.

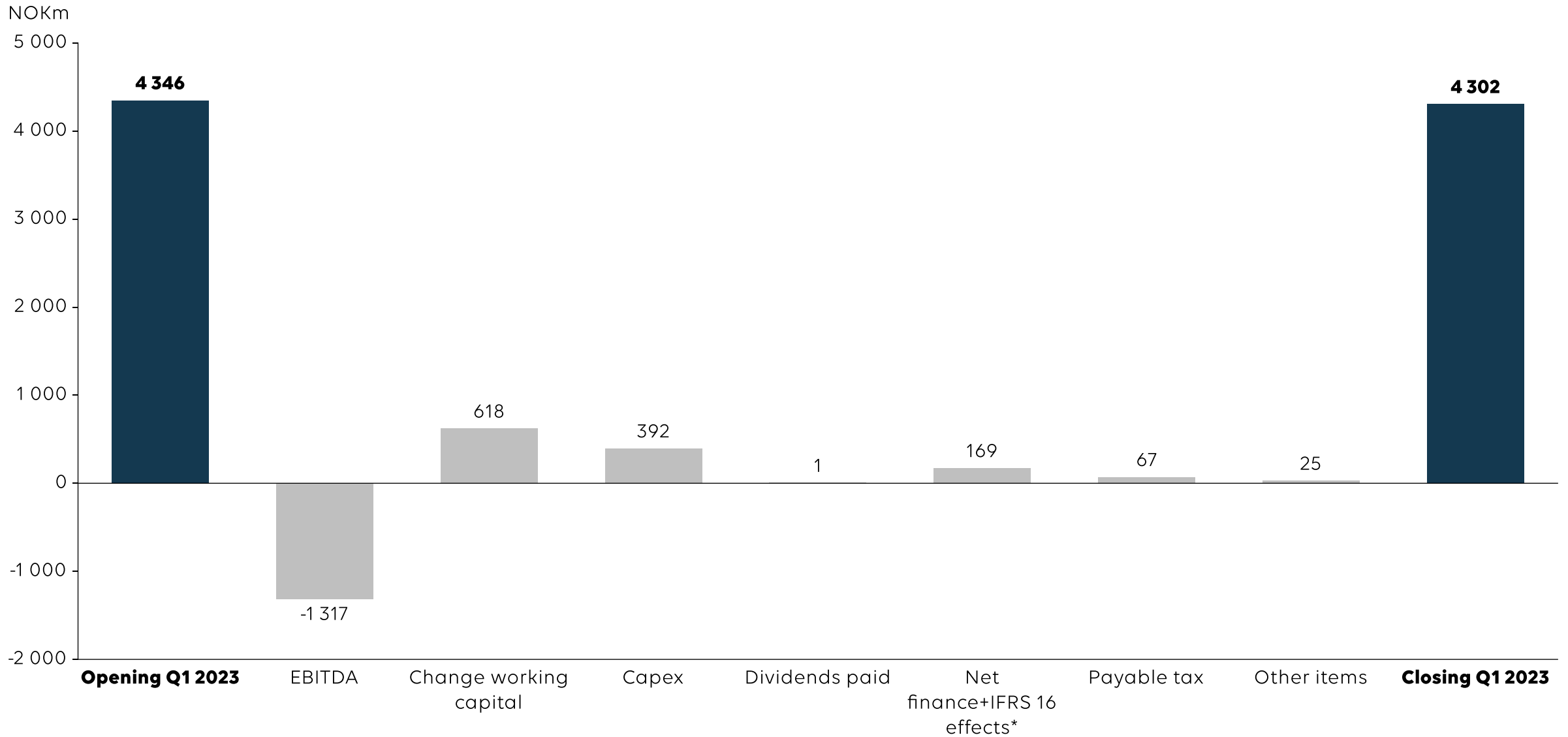
Balance sheet

(NOKm)	31.03.2023	31.03.2022	▲
Intangible assets	8 704	8 560	143
Right-of-use-assets	2 845	2 931	-87
Tangible fixed assets	7 636	7 279	357
Financial non-current assets	1 622	1 527	95
Total non-current assets	20 806	20 298	509
Biological assets at cost	5 356	4 715	640
Fair value adjustment of biomass	3 073	1 858	1 215
Other inventory	2 449	1 467	982
Account receivables	2 621	2 151	470
Other receivables	754	812	-58
Cash and cash equivalents	3 585	3 836	-251
Total current assets	17 838	14 839	2 999
Total assets	38 644	35 137	3 507

Highlights this quarter

- Inflationary trends gives significant lift in working capital items
- Strong balance sheet.
- Issuer credit rating BBB+
- NIBD of NOK 4,302m
- Equity ratio of 57%

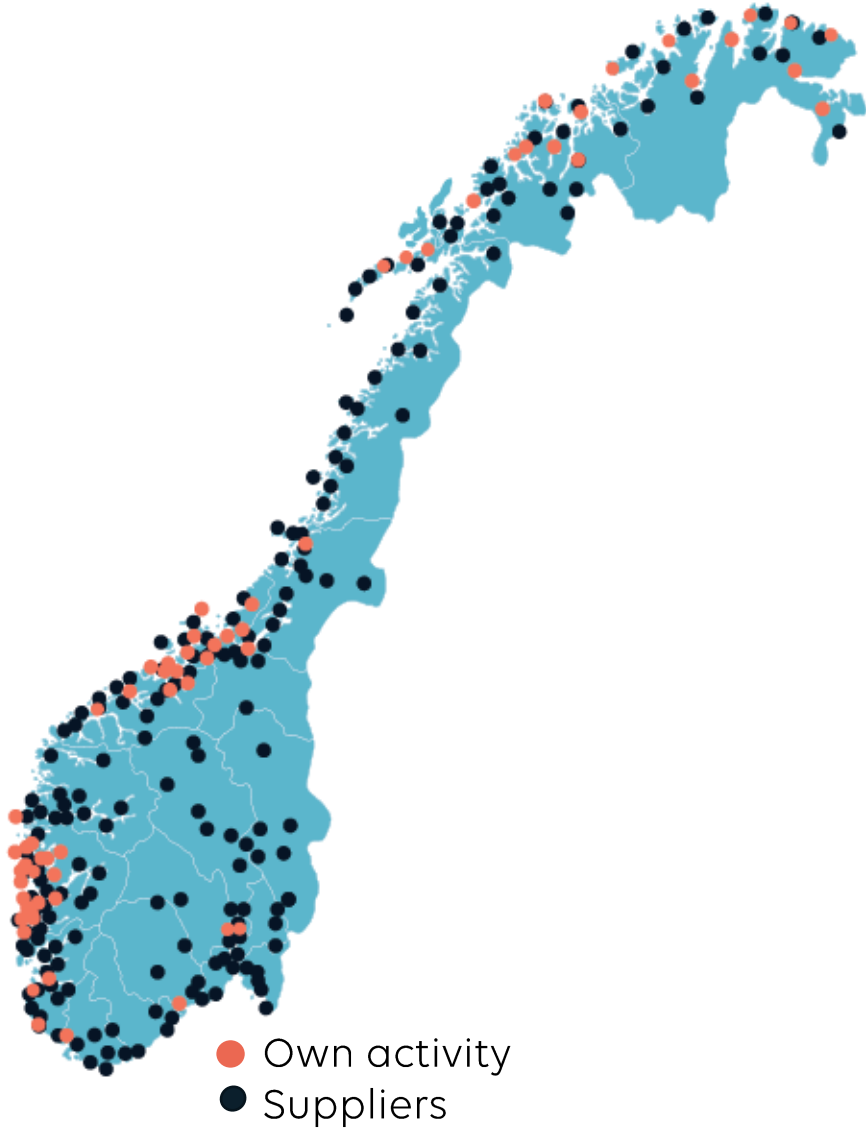
Change in net interest-bearing debt this quarter



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



Significant positive impact



3 600 employees
in
60 municipalities


5 million daily meals

Around NOK 2,0 bn in taxes
and fees

NOK 19 bn of purchased goods
5 100 suppliers
in
300 municipalities

Resource tax proposal

- Final voting in Norwegian Storting before summer
- The proposal is to increase tax rate in the "sea phase" by 35%, a part of the process of making a salmon
- Efficient tax rate dependent on share of profit and investments in the "sea phase"
- The resource tax will reduce operating cashflow post tax, and have very limited investment incentives. This will impact the development of the Norwegian industry



Prop. 78 LS

(2022–2023)

Proposisjon til Stortinget (forslag til lovvedtak og stortingsvedtak)

Grunnrenteskatt på havbruk

Agenda

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



Atlantic Salmon - Supply

in tons WFE

Year	2018		2019		2020		2021		2022		2023		2024	
Region	Volume	Change	Volume	Change	Volume	Change	Volume	Change	Volume	Change	Volume	Change	Volume	Change
Europe	1 505 100	0.7 %	1 650 500	9.7 %	1 675 900	1.5 %	1 895 500	13.1 %	1 843 300	-2.8 %	1 880 300	2.0 %	2 007 300	6.8 %
Norway	1 253 400	3.8 %	1 333 400	6.4 %	1 370 000	2.7 %	1 533 400	11.9 %	1 517 100	-1.1 %	1 538 200	1.4 %	1 631 700	6.1 %
United Kingdom	152 100	-14.2 %	190 500	25.2 %	178 300	-6.4 %	199 200	11.7 %	165 000	-17.2 %	179 300	8.7 %	193 600	8.0 %
Faroe Islands	71 700	-10.7 %	86 600	20.8 %	80 600	-6.9 %	105 500	30.9 %	99 600	-5.6 %	104 800	5.2 %	111 900	6.8 %
Iceland	13 600	17.2 %	24 500	80.1 %	31 200	27.3 %	41 500	33.0 %	42 900	3.4 %	41 500	-3.3 %	53 600	29.2 %
Ireland	14 300	-15.9 %	15 500	8.4 %	15 800	1.9 %	15 900	0.6 %	18 700	17.6 %	16 500	-11.8 %	16 500	0.0 %
Americas	897 700	12.4 %	927 600	3.3 %	1 036 430	11.7 %	1 000 700	-3.4 %	1 022 800	2.2 %	1 017 500	-0.5 %	1 038 000	2.0 %
Chile	660 100	17.0 %	690 300	4.6 %	778 500	12.8 %	718 300	-7.7 %	753 300	4.9 %	747 700	-0.7 %	740 600	-0.9 %
Canada	146 000	6.6 %	137 500	-5.8 %	136 800	-0.5 %	142 000	3.8 %	131 500	-7.4 %	123 000	-6.5 %	135 000	9.8 %
Australia	62 300	-1.3 %	60 900	-2.2 %	82 800	36.0 %	87 800	6.0 %	88 500	0.8 %	90 000	1.7 %	91 200	1.3 %
Others	10 300	-20.8 %	18 100	75.7 %	18 330	1.3 %	33 600	83.3 %	30 000	-10.7 %	37 900	26.3 %	54 200	43.0 %
USA	19 000	-12.4 %	20 800	9.5 %	20 000	-3.8 %	19 000	-5.0 %	19 500	2.6 %	18 900	-3.1 %	17 000	-10.1 %
Total	2 402 800	4.8 %	2 578 100	7.3 %	2 712 330	5.2 %	2 896 200	6.8 %	2 866 100	-1.0 %	2 897 800	1.1 %	3 045 300	5.1 %

Figures as per:

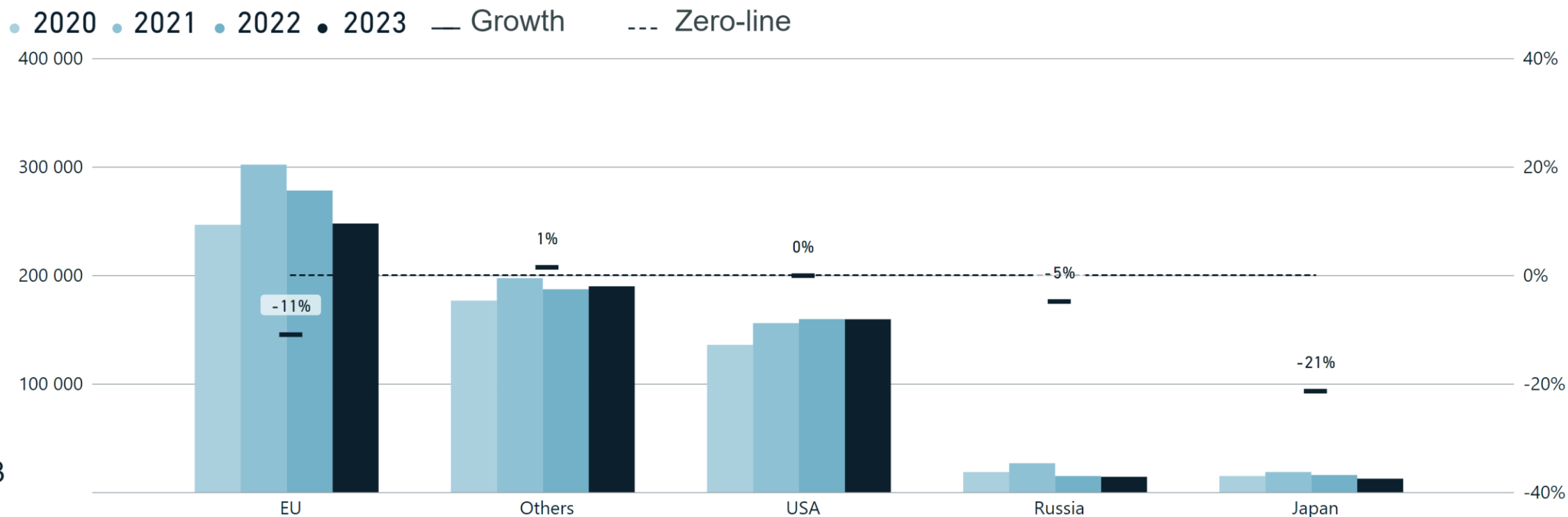
05.05.2023

Source: Kontali

Atlantic Salmon Consumption

Q1

Market	2020	2021	2022	2023	Growth	Growth %
EU	246 498	301 914	278 063	247 604	-30,460	-11.0 %
Others	176 562	197 307	187 049	189 773	2,724	1.5 %
USA	135 807	155 835	159 540	159 389	-151	-0.1 %
Russia	18 567	26 692	14 893	14 171	-721	-4.8 %
Japan	14 922	18 577	15 822	12 439	-3,382	-21.4 %
Total	592 355	700 325	655 366	623 376	-31,990	-4.9 %


 Figures as per:
 05.05.2023

Source: Kontali



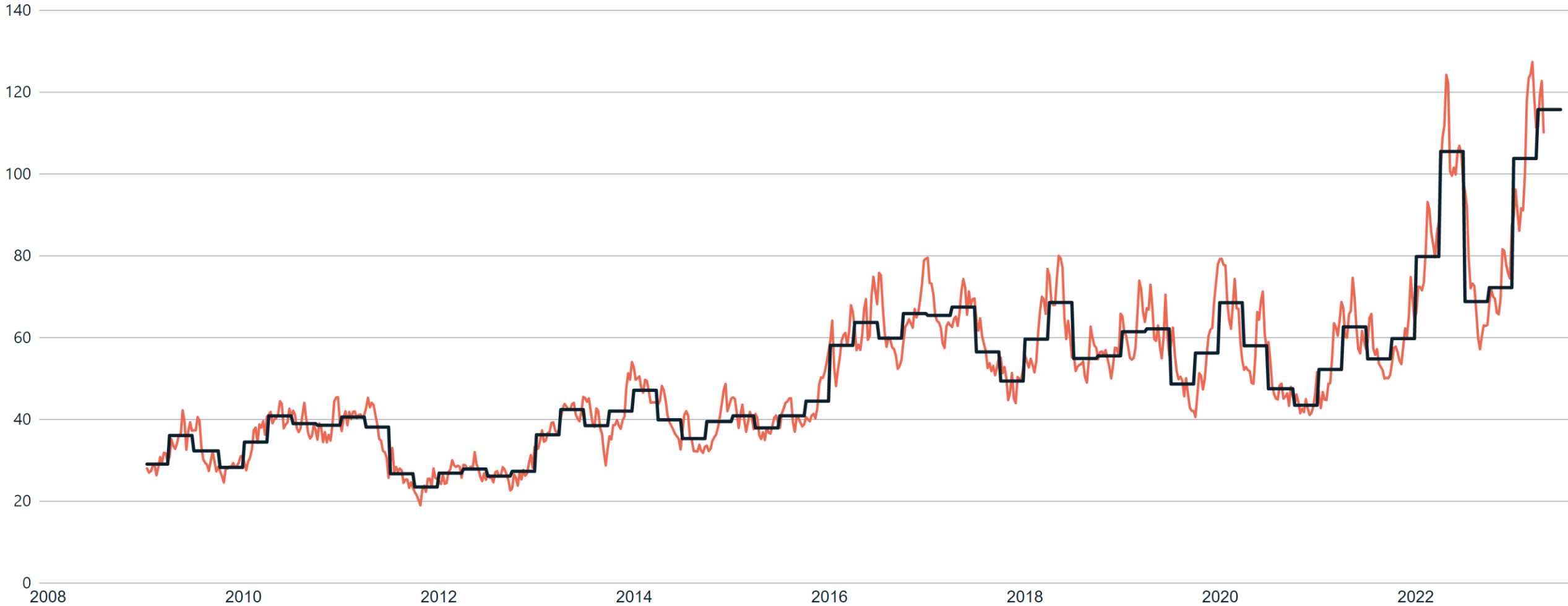
Spot Prices, Fresh Atlantic Salmon

- Cross Section, FCA Oslo, Superior Quality

as of week 17-2023

Quarter	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Q1	29	34	40	27	36	47	41	58	65	60	61	68	52	80	104
Q2	36	41	38	28	42	40	38	64	67	68	62	58	63	105	116
Q3	32	39	27	26	38	35	41	60	56	55	49	47	55	69	
Q4	28	38	23	27	42	39	44	66	49	55	56	43	60	72	
Total	31	38	32	27	41	40	41	62	59	59	57	53	57	79	106

Weekly Price NSI FCA Oslo — Quarterly Price NSI FCA Oslo



Outlook strongly affected by resource taxation

Farming

- Proposed "Resource tax" adds uncertainty
- Expect harvest volume incl. share of associated of around 193,500 GWT in 2023. Q2/23 harvest volume at level with Q1/23
- Inflationary trend, fueled by weakening NOK, will give higher cost in 2023 counterbalanced by operational improvements

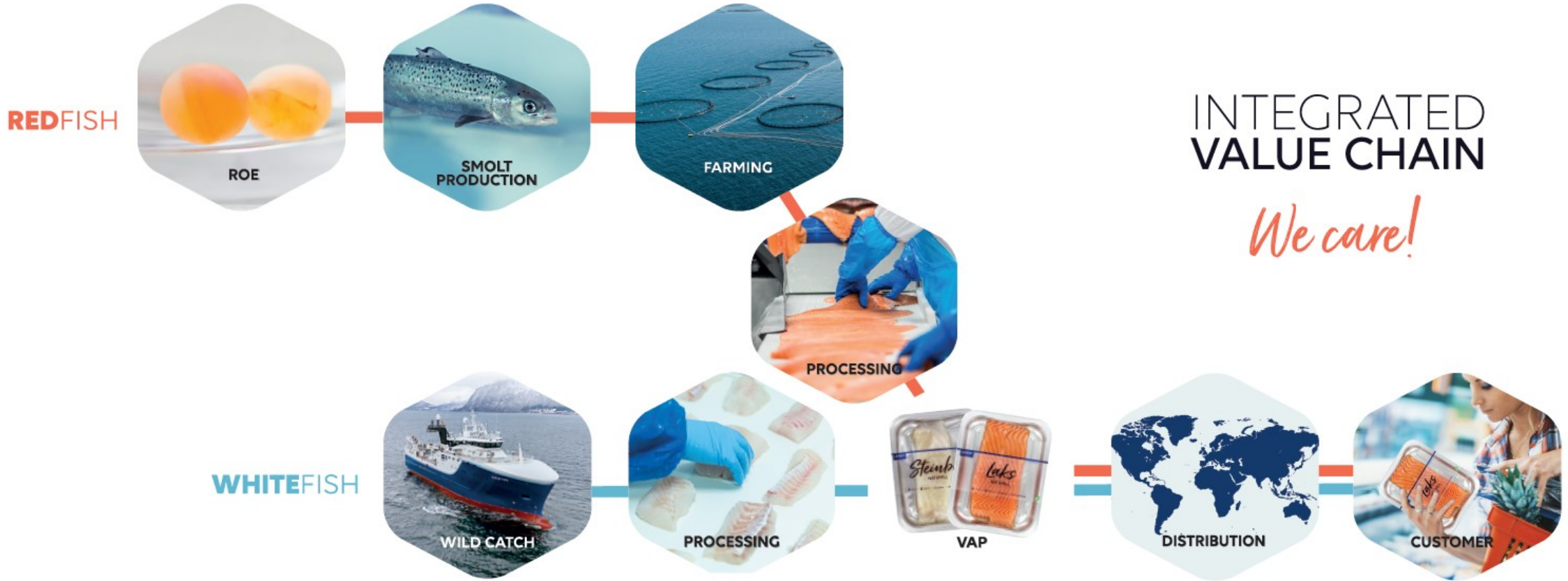
Wild Catch

- Demand development varies across species
- Likely development in 2023 quotas:
 - Cod down 15%
 - Haddock up 8%
 - Saithe north of 62: +11%
 - Saithe south of 62: +19%

VAP, S&D

- Expect improved earnings 2023 vs 2022
- Resource tax adds uncertainty and challenges to value added processing activity in particularly Norway
- Weakening demand in some market segments but overall demand for seafood remains strong

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



Q & A

Appendix

Reconciliation between operational EBIT and EBIT before fair value adjustments

RECONCILIATION					
	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Operational EBIT	888 768	927 390	832 838	822 071	989 278
EBIT before fair value adjustments	851 817	711 895	831 017	800 150	969 094
Difference	36 950	215 495	1 822	21 921	20 184
Difference consist of					
Change in unrealized internal margin	23 967	-8 724	-20 931	2 366	4 167
Production fee	12 983	13 399	22 752	21 591	16 017
Litigation costs	0	210 820	0	-2 035	0
Restructuring costs	0	0	0	0	0
Impairment loss	0	0	0	0	0
Other non-operational items	0	0	0	0	0
Total	36 950	215 495	1 822	21 921	20 184

IMPACT PER SEGMENT					
	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Change in unrealized internal margin					
Farming (related to cleaning fish)	-1 333	-2 288	-659	1 448	0
Other/elim (related to white fish)	25 300	-6 436	-20 272	918	4 167
Total	23 967	-8 724	-20 931	2 366	4 167
Production fee					
Farming	12 983	13 399	22 752	21 591	16 017
Total	12 983	13 399	22 752	21 591	16 017
Litigation cost					
Other/elim	0	210 820	0	-2 035	0
Total	0	210 820	0	-2 035	0

TOTAL IMPACT PER SEGMENT					
	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023
Wildcatch	0	0	0	0	0
Farming	11 650	11 111	22 093	23 038	16 017
VAPSD	0	0	0	0	0
Other/elim	25 300	204 384	-20 272	-1 117	4 167
Total	36 950	215 495	1 822	21 921	20 184

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Seafood Pioneer