



# SalMar ASA

Presentation Q1 2019

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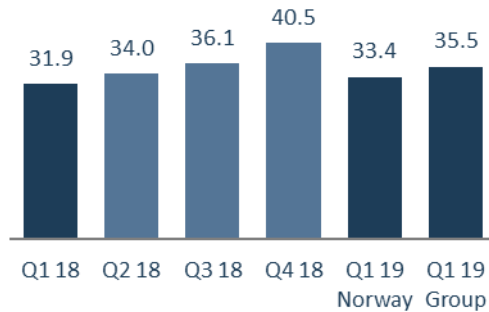
# Agenda

- Highlights
- Operational update
- Financial update
- Outlook

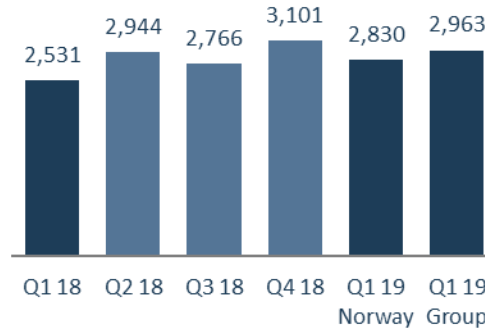
# Highlights

- Total operational EBIT 806 MNOK
- Harvest volume 35,500 tons
- Increased our ownership in Icelandic operator Arnarlax to 54% and further to 62% in April
- Guiding of 155,000 tons for 2019 maintained, incl. Iceland

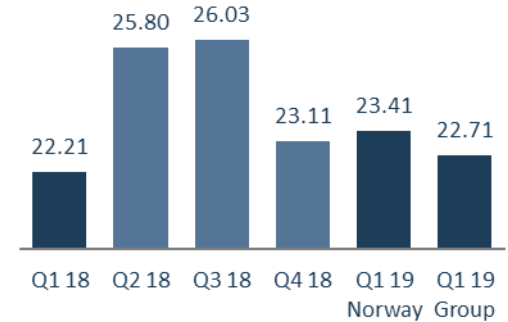
Harvest volume (1,000 tons)



Operating income (MNOK)



EBIT/kg (NOK)



# 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

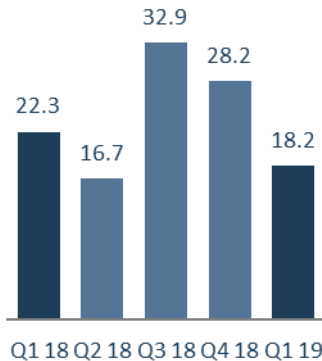
# OPERATIONAL UPDATE

# Farming Central Norway

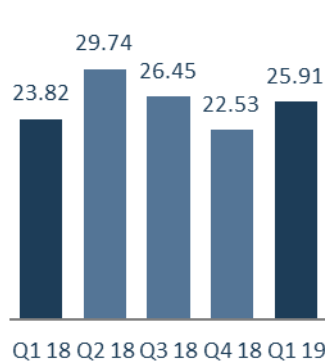
	Q1 2019	Q1 2018
Operating income (NOKm)	1,177	1,376
Operational EBIT (NOKm)	473	531
Operational EBIT %	40.2 %	38.6 %
Harvested volume (tgw)	18.2	22.3
EBIT/kg	25.91	23.82

- Result in the period weaker than expected
  - Weak biological performance
  - Higher fixed cost per kg
- Autumn 2017 generation main contributor to harvest volume
  - This is a generation with a spread in results from locations with very good results to locations with weaker results
  - Locations with weaker results main contributor to harvest volume in the period
  - Harvesting of the generation will be finished early in Q2 2019.
- Expect higher volume in Q2 2019 and a slight reduction in cost
- Guiding of 95,000 tons harvest volume in 2019 maintained

Harvest volume (1,000 tons)



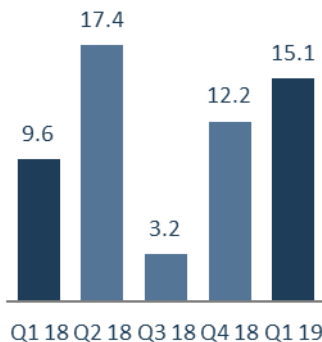
EBIT/kg (NOK)



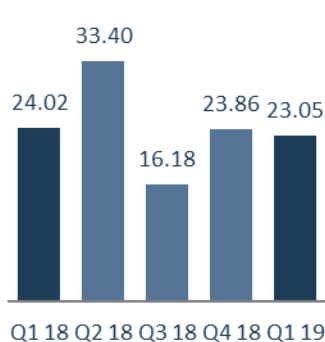
# Farming Northern Norway

	Q1 2019	Q1 2018
Operating income (NOKm)	900	561
Operational EBIT (NOKm)	348	231
Operational EBIT %	38.7 %	41.1 %
Harvested volume (tgw)	15.1	9.6
EBIT/kg	23.05	24.02

Harvest volume (1 000 tons)



EBIT/kg (NOK)

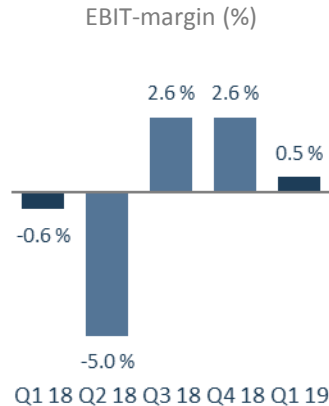
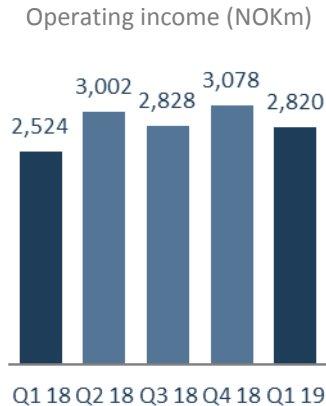


- Result in the period weaker than expected
  - High harvesting cost due to sanitary harvesting of site from ISA-zone
  - Prices achieved impacted by unfavorable harvest distribution and lower average weight
- Spring 2017 generation finished harvested in the period, representing 40% of harvest volume
- Harvesting of Autumn 2017 generation started in the period with biological performance as expected
- Expect lower volume in Q2 2019 and a slight reduction in cost
- Guiding of 50,000 tons harvest volume in 2019 maintained

# Sales & Processing

	Q1 2019	Q1 2018
Operating income (NOKm)	2,820	2,524
Operational EBIT (NOKm)	14	-15
Operational EBIT %	0.5 %	-0.6 %

- Results as expected with positive contribution from all business areas
- Contract share at 26 % in the period with positive contribution
- Profitability negatively impacted by seasonal lower volumes
  - Higher fixed cost per kg
- Contract share currently at 25% for Q2 2019 and 20% for FY 2019 with prices slightly up from the level in 2018
- Groundwork for InnovaNor finished during the summer, start of construction in the autumn with expected startup in 2021.



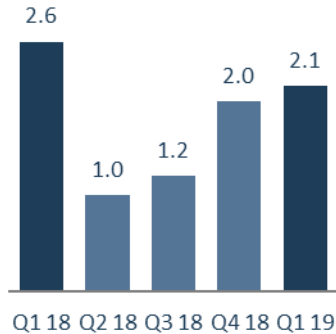
# Arnarlax (Iceland)

	Q1 2019 <sup>1</sup>	Q1 2018
Operating income (NOKm)	133	140
Operational EBIT (NOKm)	25	-40
Operational EBIT %	18.9 %	-28.8 %
Harvested volume (tgw)	2.1	2.6
EBIT/kg	11.77	-15.65

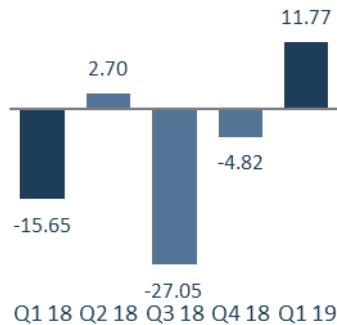
1) Consolidated results from February to March 2019

- Increased ownership to controlling interest in Arnarlax
- Results from Arnarlax consolidated from February 2019 with positive contribution in the period
- Improved operational performance
- Results negatively impacted by high mortality costs of 5 MNOK due to winter wounds
- Guiding of 10,000 tons harvest volume in 2019 maintained

Harvest volume (1 000 tons)



EBIT/kg (NOK)

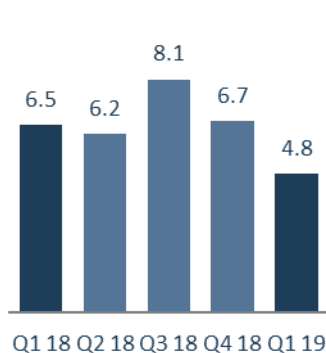


# Norskott Havbruk

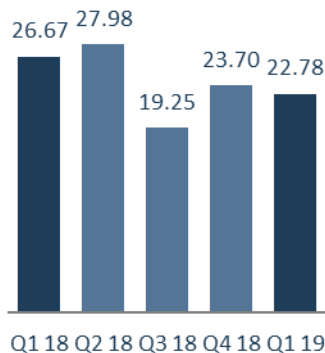
	Q1 2019	Q1 2018
Operating income (NOKm)	405	519
Operational EBIT (NOKm)	109	173
Operational EBIT %	27,0 %	33,4 %
Value adjustments biomass	-53	7
Profit before tax	56	178
SalMar's share after tax	25	76
Harvested volume (tgw)	4.8	6.5
EBIT/kg	22.78	26.67

- Orkney region main contributor to harvest volume with good biological performance and average weights from harvested sites
- Additional harvest volume from Scotland region
- Results negatively impacted by high mortality costs and currency effects
- 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

## PILOT PHASE COMPLETED

### **OCEAN FARM 1 – ENABLING OCEAN FARMING**

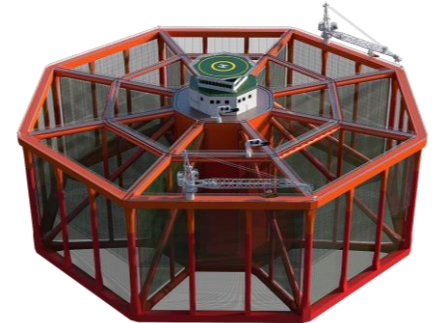
- Pilot phase completed in January 2019
- The biological results strengthen our confidence in our Ocean Strategy
- Operational experiences & learnings implemented
- Plan to release 2<sup>nd</sup> generation of smolt in August 2019

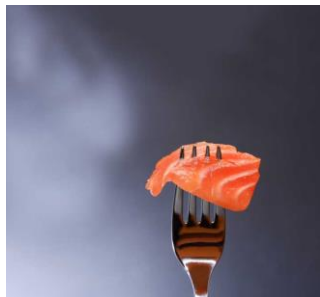
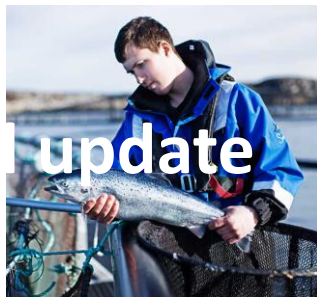


## UNDER DEVELOPMENT

### **SMART FISH FARM - ENABLING OPEN OCEAN FARMING**

- Awarded 8 development licenses in February 2019
- Partnering with MariCulture for the development of a semi submersible production unit
- Specifically designed for fish farming in the open ocean
- Will largely resolve current space challenges for the industry

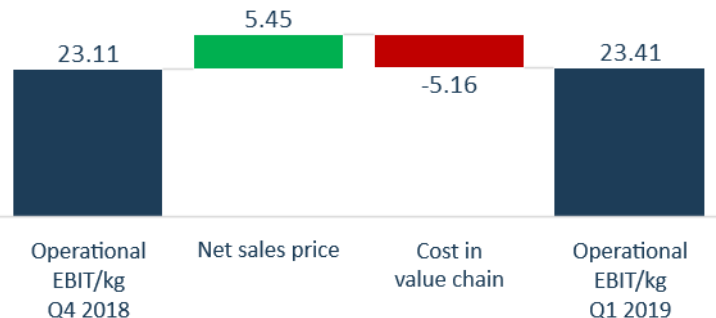




# Operational EBIT deviation analysis (qoq)

## Norway

EBIT per kg (NOK)



Δ QoQ  
**+0.30**  
NOK per kg



- Net sales price up NOK 5.45 per kg during the quarter
  - With positive contribution from contracts
- Sales & processing profitability negatively impacted by seasonal lower volumes
  - Higher fixed cost per kg
- Farming profitability negatively impacted by
  - Higher farming cost and harvesting cost

## Group

EBIT per kg (NOK)



Δ QoQ  
**-0.40**  
NOK per kg



- Group EBIT per kg lowered due to lower operational EBIT per kg in Iceland

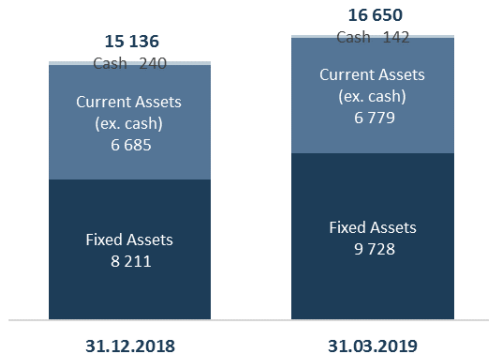
# Group profit and loss

NOK million	Q1 2019	Q1 2018	Δ%	FY 2018
Operating income	2 963.4	2 531.0	17 %	11 342.6
<b>EBITDA</b>	<b>970.2</b>	<b>829.4</b>	<b>17 %</b>	<b>3 948.6</b>
Depreciations and write-downs	164.0	121.3		487.8
<b>Operational EBIT</b>	<b>806.2</b>	<b>708.1</b>	<b>14 %</b>	<b>3 460.8</b>
Fair value adjustment	-172.8	151.6		845.8
<b>EBIT</b>	<b>633.3</b>	<b>859.8</b>	<b>-26 %</b>	<b>4 306.6</b>
Income from investments in associates	28.7	57.5		252.9
Net financial items	189.5	-3.9		-107.0
<i>Net interest costs</i>	-37.1	-22.9		-105.1
<i>Other financial items</i>	226.5	19.1		-1.9
<b>Profit before tax</b>	<b>851.4</b>	<b>913.4</b>	<b>-7 %</b>	<b>4 452.6</b>
Tax	139.1	191.8		873.3
<b>Net profit for the period</b>	<b>712.3</b>	<b>721.6</b>	<b>-1 %</b>	<b>3 579.2</b>
Earnings per share (NOK)	6.38	6.34	1 %	31.70
Harvested volume (tgw)	35.5	31.9	11 %	142.5
EBIT per kg (NOK)	22.71	22.21	2 %	24.29

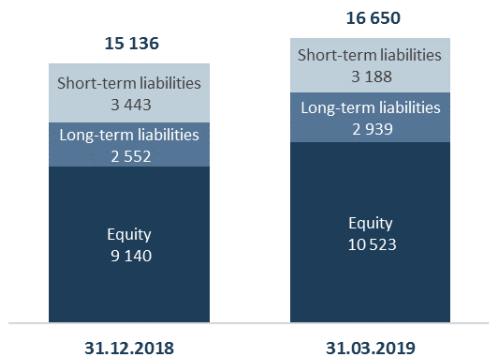
- Revenue driven by higher prices and higher volume
- Positive contribution from Sales & Processing in Q1 2019 vs Q1 2018
- Negative fair value adjustment due to lower biomass
- Gain of NOK 225.9 million has been recognized during the period due to fair value assessment of investment in Arnarlax
- EBIT/kg increased with NOK 0.50 / 2% YoY

# Group balance sheet

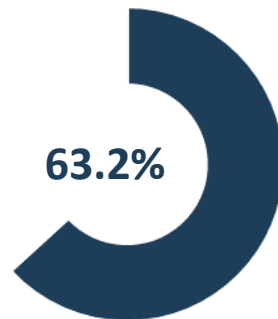
## Assets



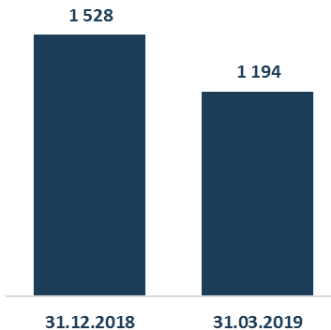
## Equity & liabilities



## Equity ratio



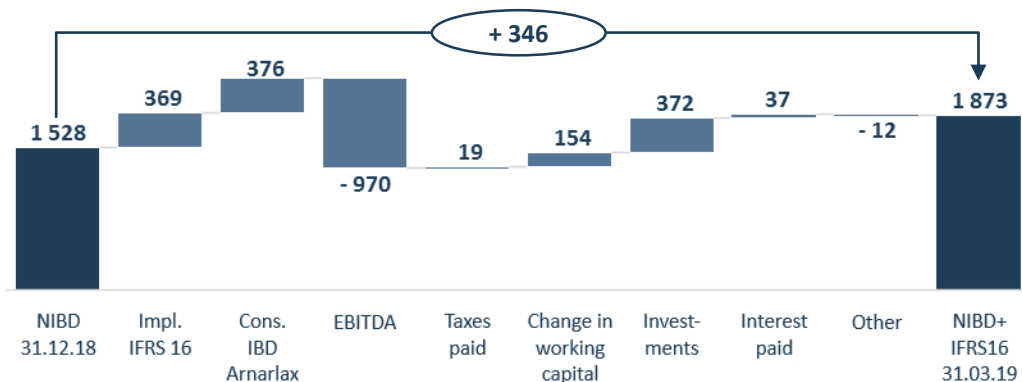
## NIBD



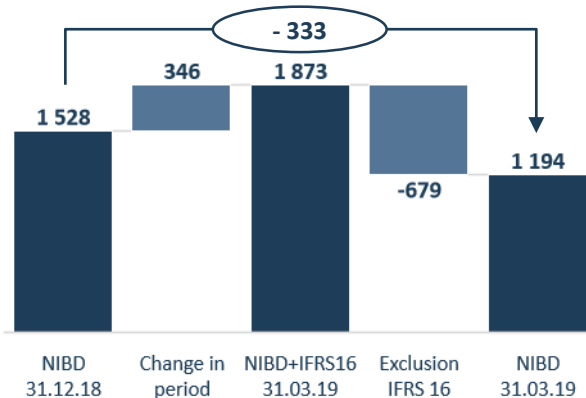
- IFRS 16 implemented from 1<sup>st</sup> of January 2019 increasing fixed assets with NOK 369.3 million
- Arnarlax consolidated from February 2019 with NOK 1 187.3 million in total capital
- Investments in line with ongoing investment programs
- Higher standing biomass YoY
- Financial position remains strong, equity ratio increased to 63.2%

# Movement in net interest bearing debt

Movement in NIBD incl. IFRS 16:



Movement NIBD:



- Implementation of IFRS 16 from 1<sup>st</sup> of January
  - NOK 343 million in leasing liabilities previously included in interest bearing debt
- Consolidation of Arnarlax adding NOK 371 million in NIBD
- Cash flow from operations impacted by an increase of working capital
- Net cash flow from investments at NOK -371.6 million
  - Acquisition of Arnarlax NOK 175 million
  - Investment of YuFish NOK 17 million
  - Operating assets NOK 241 million
  - MariCulture NOK 21 million
  - Received dividends of NOK 83 million
- Net interest bearing debt reduced with NOK -333 million during the quarter excluding contribution from IFRS 16



# OUTLOOK

# Outlook



- Slight reduction in costs expected in Q2 2019
- Contract share for Q2 2019 currently around 25% with prices slightly up from level in 2018
- Construction of InnovaNor continues according to plan
- Guiding of 155,000 tons maintained for 2019, incl. Iceland
- Expect continued good demand in core markets and moderate increase in global supply

# THANK YOU FOR YOUR ATTENTION

[www.salmar.no](http://www.salmar.no)

