



Lerøy Seafood Group ASA

# Q3 2015

November 11th

Oslo

**CEO** | Henning Belttestad  
**CFO** | Sjur S. Malm



# Agenda

- ① Highlights
- ② Key financial figures
- ③ Outlook



## Q3 2015

- EBIT before FV adj. NOK 253 million
- Harvest volume 40 682 GWT
- EBIT/kg all inclusive NOK 6.2
- Contract share of 33%
- NIBD NOK 2,534 million at end Q3 2015
- Harvest guidance 159 000 GWT for 2015



## Q3: Farming highlights

- Spot prices above last year
  - NOS Q3/15 NOK 40.2 vs NOK 34.5 in Q3/14 (+16%)
  - Up NOK 2.9/kg vs. Q2/15, and up NOK 5.6/kg vs. Q3/14
  - Large differences on pricing of different sizes
  - Price realisation impacted by low average harvest weights
  
- Contract prices above spot prices
  
- Challenging market for trout
  - Imports to neighbouring countries of Russia stopped from late August
  
- Significant cost increase q-o-q
  - Challenging situation in Lerøy Midt
  
- Biomass at sea
  - End Q3/15 at 104,840 tons vs 106,847 tons end Q3/14 (-2%)



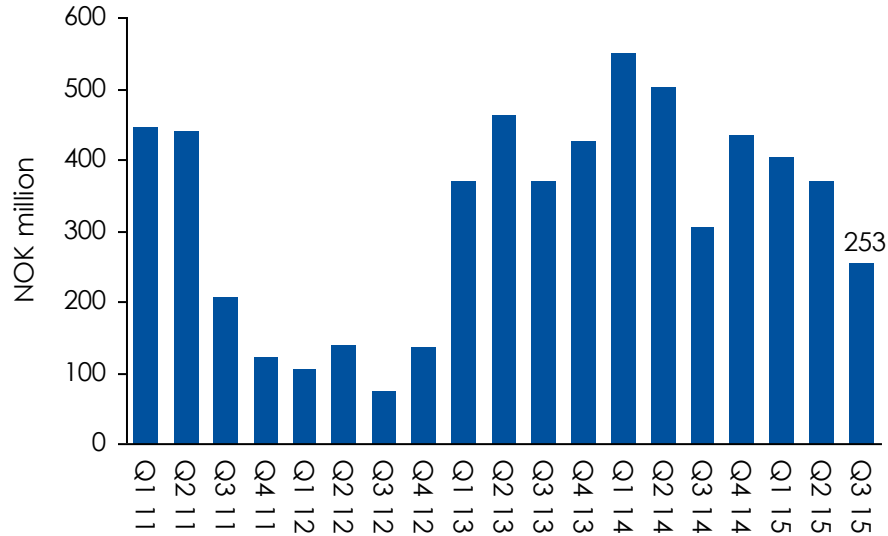


## Q3: VAP and S&D highlights

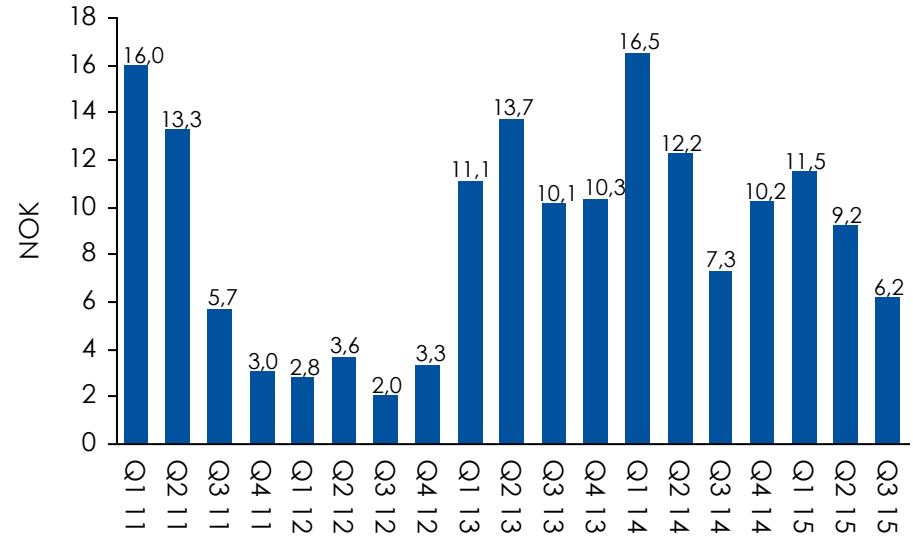
- Value added processing (VAP)
  - Revenue NOK 482m, up 17% y-o-y
  - EBIT NOK 31m (6.5%) in Q3/15 vs. NOK 28m (6.8%) in Q3/14
  
- Sales & Distribution
  - Positive development
  - EBIT NOK 60m (2.0%) in Q3/15 vs. NOK 56m (2.0%) in Q3/14

# Quarterly historic figures

## EBIT\*



## EBIT/kg\*, all inclusive



\*before biomass adjustment

# Lerøy Seafood Group ASA

2 369 employees

## Farming

1 128 employees

## VAP

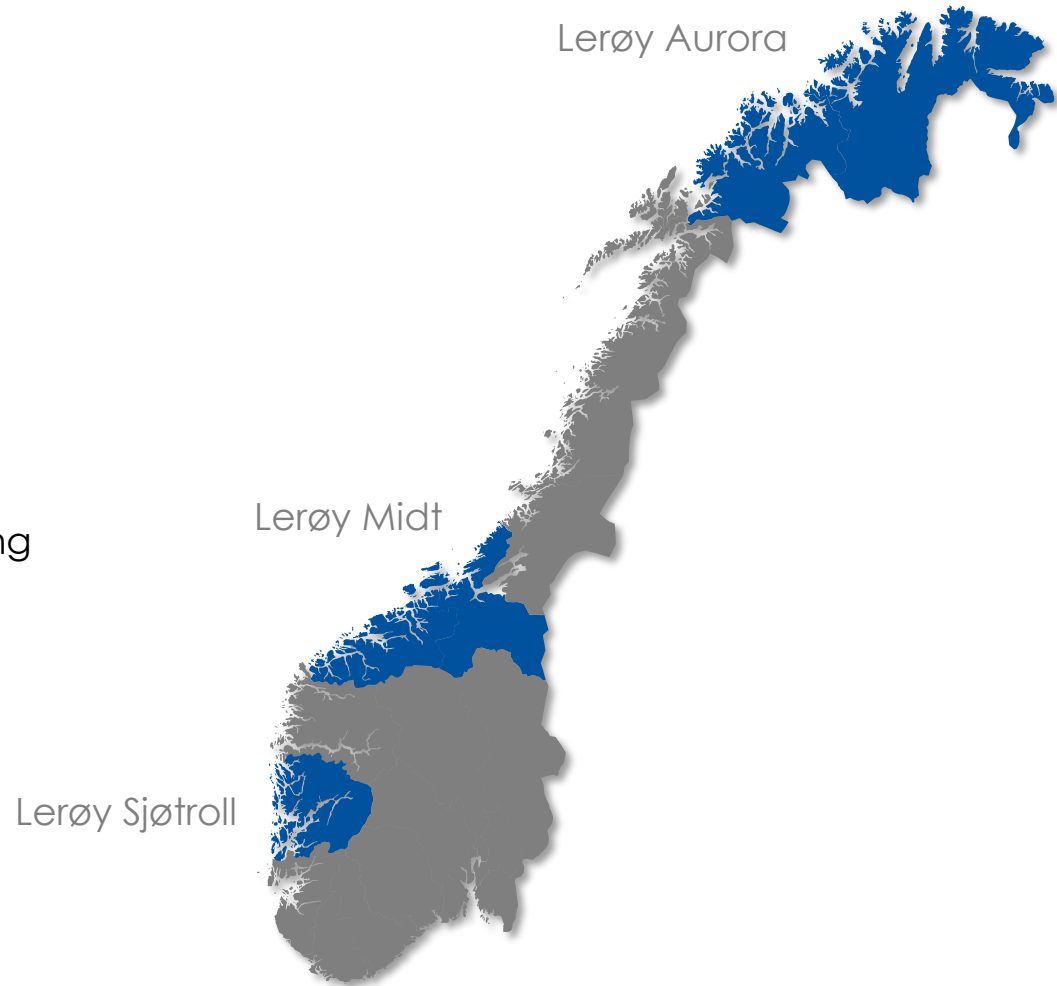
454 employees

## Sales & Distribution

778 employees

# Farming

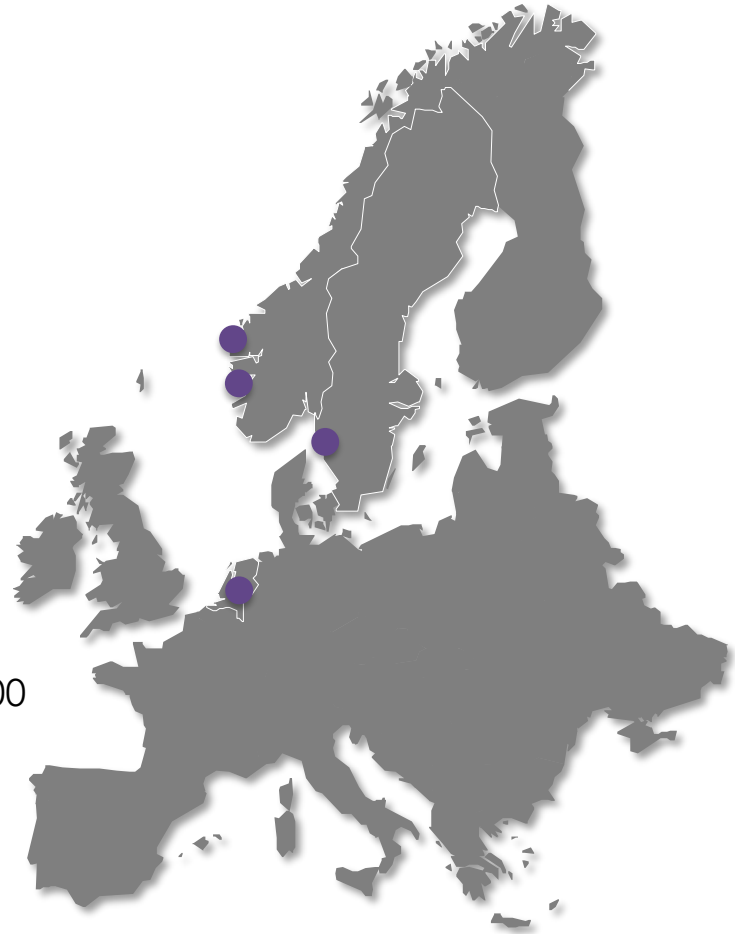
- Lerøy Aurora (salmon)
- Lerøy Midt (salmon)
- Lerøy Sjøtroll (salmon and trout)
- Geographic diversification along Norway's long coastline.





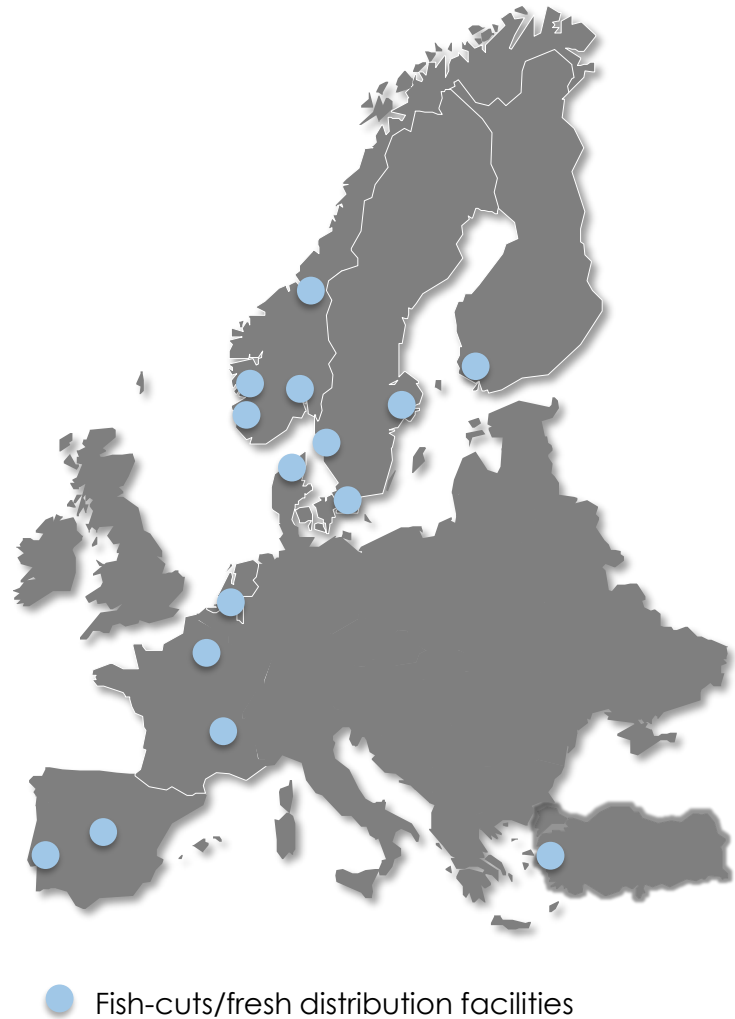
# VAP

- Rode Beheer BV Group
  - Capacity of about 16-20,000 tons raw material
- Lerøy Smøgen Seafood AB
  - Capacity of about 12,000 tons raw material
- Lerøy Fossen AS
  - Capacity of about 12-15,000 tons raw material
- Bulandet Fiskeindustri AS(white fish)
- Total VAP capacity in these factories 40-50,000 tons raw material

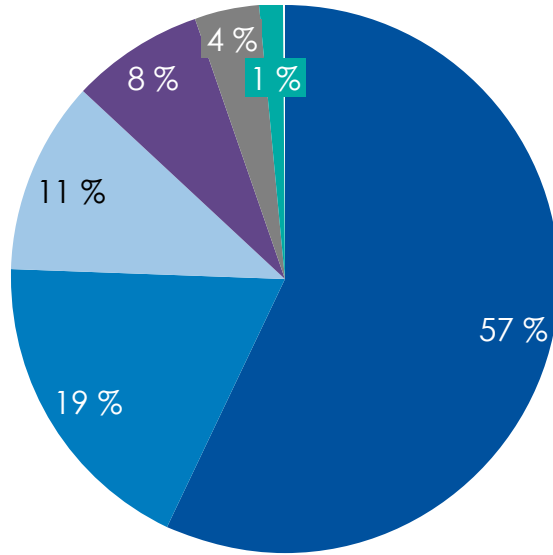


# Sales & Distribution

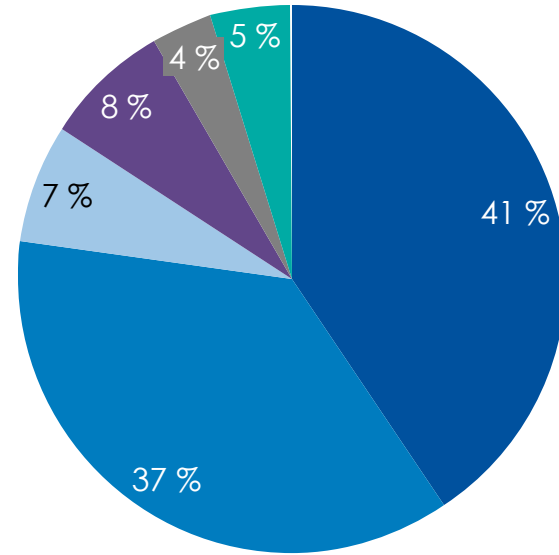
- Global reach and sales to more than 70 countries.
- A significant industrial activity within trading, processing, sales and distribution of fish.
- Investments in fish cuts in end markets recent years
- Processing and fresh distribution facilities:
  - Norway
  - Sweden
  - Finland
  - France
  - Spain
  - Portugal
  - Turkey
  - Netherlands (reported in VAP)
  - Denmark (reported as associate)



# Sales per market and product YTD 2015



- EU
- Norway
- Asia Pacific
- USA & Canada
- Rest of Europe
- Others



- Whole salmon
- Processed salmon
- Whitefish
- Salmontrout
- Shellfish
- Others

# Farming: Guiding

	Licences	Smolt cap.	2011 GWT	2012 GWT	2013 GWT	2014 GWT	2015E GWT	2016E GWT
Lerøy Aurora AS*	26	11,5	18 100	20 000	24 200	26 800	30 000	34 000
Lerøy Midt AS	55	22,0	62 300	61 900	58 900	68 300	70 000	65 000
Lerøy Sjøtroll	62	22,6	56 200	71 600	61 700	63 200	59 000	71 000
<b>Total Norway</b>	<b>143</b>	<b>52,1</b>	<b>136 600</b>	<b>153 400</b>	<b>144 800</b>	<b>158 300</b>	<b>159 000</b>	<b>170 000</b>
Villa Organic AS**						6 000		
Norskott Havbruk (UK)***			10 900	13 600	13 400	13 800	14 000	15 000
<b>Total</b>			<b>147 500</b>	<b>167 100</b>	<b>158 200</b>	<b>178 100</b>	<b>173 000</b>	<b>185 000</b>

\*) Included harvested volume from Villa Organic after split July 2014

\*\*) LSG's share of Villa Organic's volume in H1 2014, not consolidated

\*\*\*) LSG's share, not consolidated



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- 2 Key financial figures
- 3 Outlook



## Key financial figures Q3

<i>NOKm</i>	<b>Q3 2015</b>	<b>Q3 2014</b>	<b>% ch.</b>
Sales	3 295	2 962	11 %
Other gains and losses	-3	75	
EBITDA	365	398	-8 %
Depreciation & amortisation	112	95	
<b>EBIT*</b>	<b>253</b>	<b>303</b>	<b>-16 %</b>
Income from associates*	15	21	
Net finance	-37	-29	
<b>Pre-tax profit*</b>	<b>231</b>	<b>295</b>	<b>-21 %</b>
EPS (NOK)*	3,4	4,5	-25 %
Harvested Volume (GWT)	40 682	41 499	-2 %
EBIT*/kg all inclusive (NOK)	6,2	7,3	-15 %
<b>ROCE* (%)</b>	<b>11 %</b>	<b>14 %</b>	<b>-25 %</b>

\* Before biomass adjustment

# Key financial figures YTD

NOKm	YTD 2015	YTD 2014	% ch.
Sales	9 886	9 318	6 %
Other gains and losses	35	75	
EBITDA	1 336	1 626	-18 %
Depreciation & amortisation	309	273	
<b>EBIT*</b>	<b>1 027</b>	<b>1 353</b>	<b>-24 %</b>
Income from associates*	55	138	
Net finance	-97	-68	
<b>Pre-tax profit*</b>	<b>985</b>	<b>1 423</b>	<b>-31 %</b>
EPS (NOK)*	12,9	19,2	-32 %
Harvested Volume (GWT)	116 000	115 779	0 %
EBIT*/kg all inclusive (NOK)	8,9	11,7	-24 %
<b>ROCE* (%)</b>	<b>15 %</b>	<b>22 %</b>	<b>-33 %</b>

\* Before biomass adjustment

# Balance sheet

<i>NOKm</i>	<b>30.09.2015</b>	<b>30.09.2014</b>	<b>31.12.2014</b>
Intangible assets	4 340	4 187	4 277
Tangible fixed assets	2 843	2 557	2 677
Financial non-current assets	670	569	607
<b>Total non-current assets</b>	<b>7 853</b>	<b>7 313</b>	<b>7 561</b>
Biological assets at cost	3 171	2 812	2 897
Fair value adjustment of biomass	285	207	785
Other inventory	590	465	525
Receivables	1 888	1 669	1 730
Cash and cash equivalents	1 054	1 181	1 360
<b>Total current assets</b>	<b>6 987</b>	<b>6 336</b>	<b>7 298</b>
<b>Total assets</b>	<b>14 839</b>	<b>13 649</b>	<b>14 858</b>
Equity	7 836	7 282	8 080
<b>Equity ratio</b>	<b>52,8 %</b>	<b>53,4 %</b>	<b>54,4 %</b>
<b>NIBD</b>	<b>2 534</b>	<b>2 207</b>	<b>1 876</b>

# Funding

NOK million	2015	2016	2017	2018	2019	Later	Total
To be paid	100	703*	323	304	463	1 149	3 041
Total	424	703	323	304	463	1 149	3 366

	Covenants	Q3 2015
NIBD/EBITDA	<5	1,36
Adj. Equity ratio	>30%	58,9%

\* NOK 300m in loan from Eksportfinans, due October 2016. Will be refinanced.

# Cash flow

	Q3 2015	Q3 2014	YTD 2015	YTD 2014	FY 2014
EBITDA	365	398	1 336	1 626	2 160
Paid tax	-7	-2	-357	-332	-344
Working capital *	-199	-390	-347	-295	-286
Other **	20	-73	-29	-78	-115
<b>Cash from operating activities</b>	<b>178</b>	<b>-67</b>	<b>603</b>	<b>922</b>	<b>1 415</b>
Net investments in capex	-128	-152	-413	-398	-583
Acquisitions, divestments and other	75	-8	-67	-6	43
<b>Cash from investing activities</b>	<b>-53</b>	<b>-160</b>	<b>-480</b>	<b>-405</b>	<b>-540</b>
Net financial cost	-36	-29	-91	-82	-106
Dividends	0	0	-680	-579	-579
<b>Cash from financing activities *</b>	<b>-36</b>	<b>-29</b>	<b>-772</b>	<b>-661</b>	<b>-685</b>
Other changes (incl.currency effects)	-13	99	-10	53	51
<b>Net cash flow / change in NIBD</b>	<b>77</b>	<b>-157</b>	<b>-658</b>	<b>-90</b>	<b>241</b>
NIBD at beginning	2 611	2 050	1 876	2 117	2 117
Change in NIBD	-77	157	658	90	-241
<b>NIBD at end</b>	<b>2 534</b>	<b>2 207</b>	<b>2 534</b>	<b>2 207</b>	<b>1 876</b>

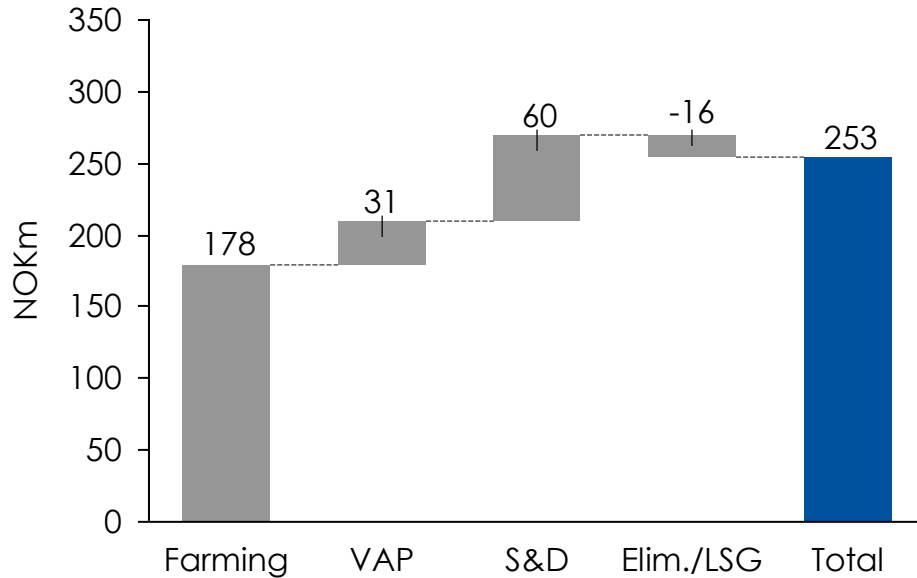
\*Before change in interest- bearing debt

\*\* Items included in EBITDA with no cash effect and items included in cash flow from financing activities

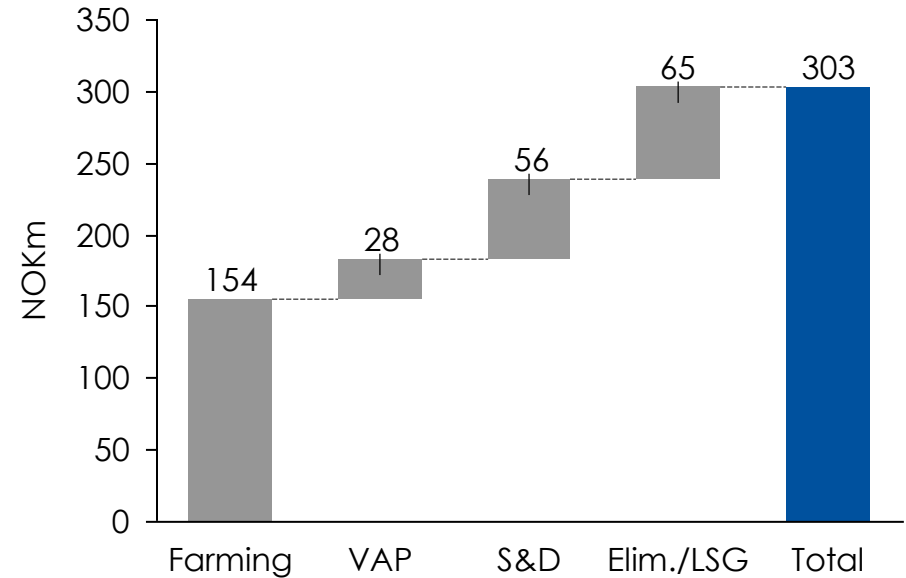


# EBIT per segment

EBIT\* Q3 2015



EBIT\* Q3 2014

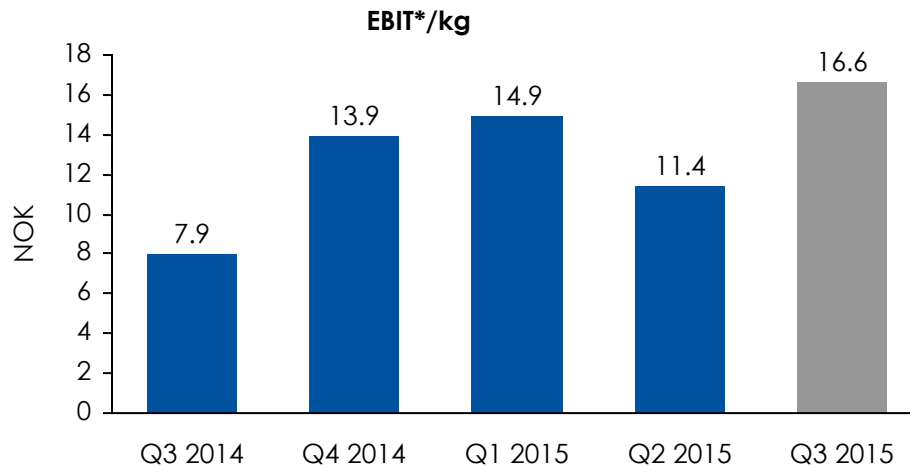


\* Before biomass adjustment

# Lerøy Aurora

	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Revenue (NOKm)	285	248	907	738
EBIT* (NOKm)	91	49	269	224
Harvested volume (GWT)	5 497	6 131	18 833	16 246
EBIT/kg* (NOK)	16.6	7.9	14.3	13.8

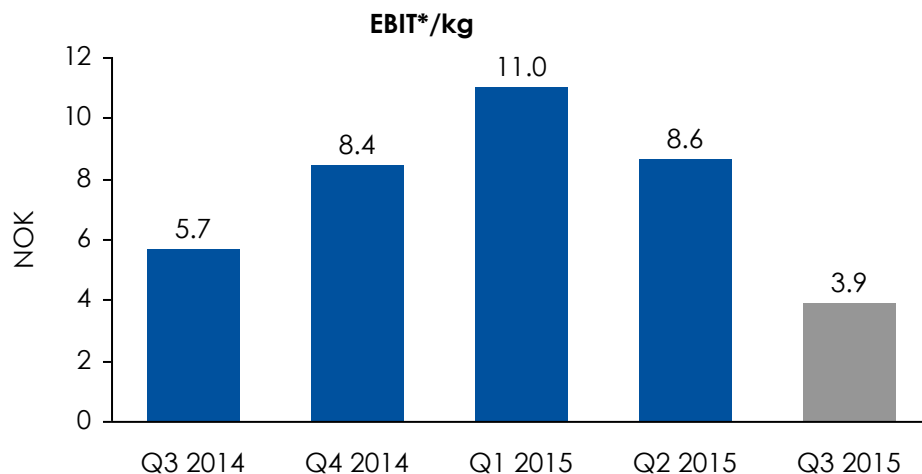
- Continued strong performance. Strong price realisation and low costs.
- 9 new licenses give room for significant growth into 2016 and 2017 (Villa acquisition)
- RFS (release-from-stock) cost decrease q-o-q and y-o-y
- Higher feed price will give higher RFS cost in coming quarters



\*before biomass adj.

# Lerøy Midt

	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Revenue (NOKm)	864	636	2 240	1 959
EBIT* (NOKm)	86	101	419	513
Harvested volume (GWT)	21 922	17 684	56 292	50 127
EBIT/kg* (NOK)	3.9	5.7	7.4	10.2



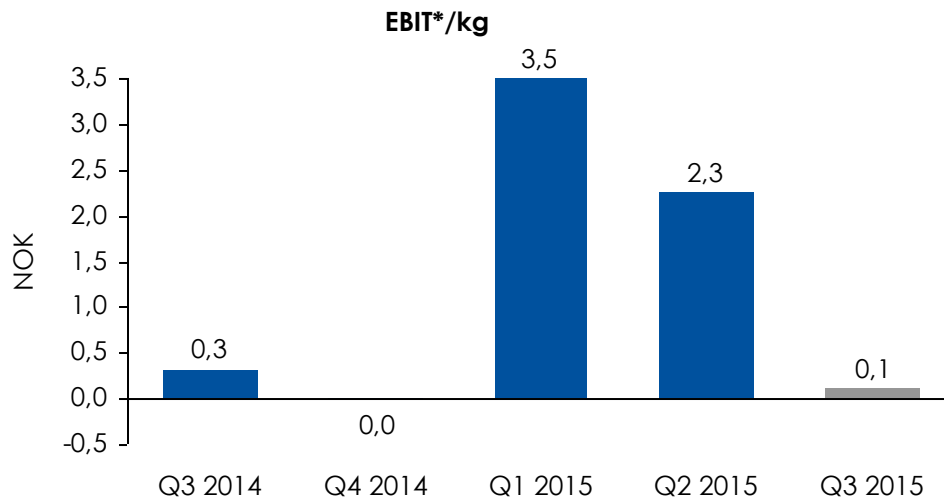
- Very challenging quarter
- Low price realisation due to low average harvest weights
- Challenging sealice situation with high treatment cost and significant treatment losses.
- Current generation is high cost, which will give high cost in Q4/15 as well as start of 2016.
- Significant steps taken to improve situation in 2016

\*before biomass adj.

\* Before biomass adjustment

# Lerøy Sjøtroll

	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Revenue (NOKm)	574	691	1840	2 111
EBIT* (NOKm)	2	5	78	343
Harvested volume (GWT)	13 263	17 684	40 875	49 406
EBIT/kg* (NOK)	0.1	0.3	1.9	6.9



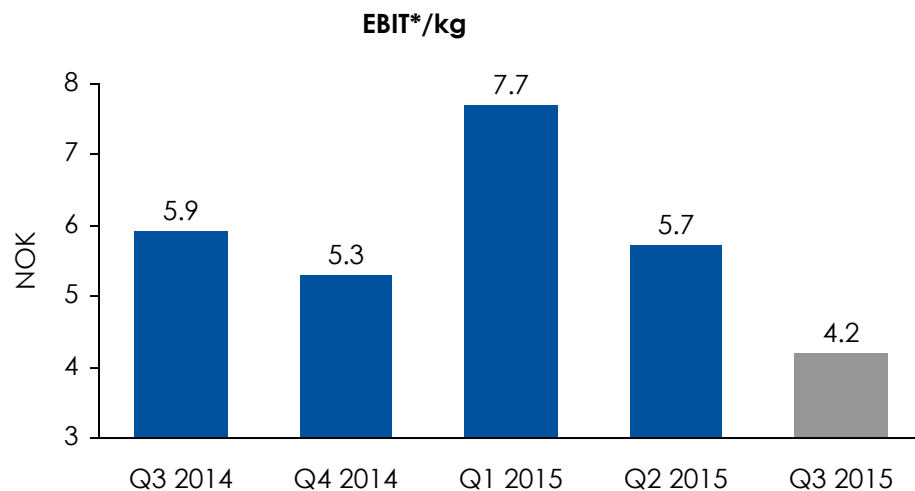
- RFS cost increase q-o-q, and y-o-y. Remains at high level in a historic perspective.
- Challenging market for trout
- Documented very positive effects of cleaner fish, significant reduction in number of treatments
- Expects lower RFS cost in Q4/15 compared to Q3/15.

\*before biomass adj

\* Before biomass adjustment

# Norskott Havbruk (associate)

	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Revenue (NOKm)	463	373	1 131	1 096
EBIT* (NOKm)	36	48	116	203
Harvested volume (GWT)	8 588	8 108	20 733	22 007
EBIT/kg* (NOK)	4.2	5.9	5.6	9.2



- Lower profitability from both lower price realisation as well as higher costs
- Strong pound (£) impacts competitive position and price realisation
- Cost increase q-o-q and y-o-q. Colder water temperatures have given less growth and lower average harvest sizes.
- Harvest guidance 2015 lowered to 28,000gwt.
- Harvest guidance 2016 of 30,000gwt
- Contract share of 43%

\*before biomass adj

\* Before biomass adjustment

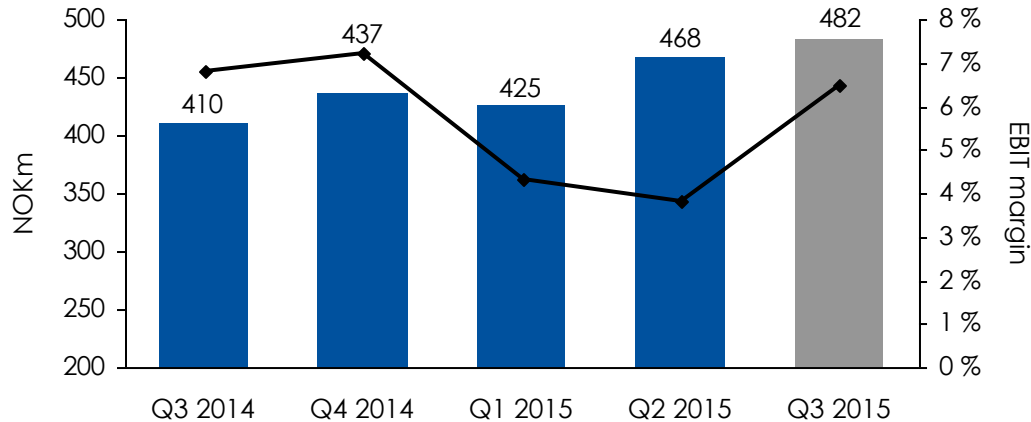


# VAP – Value Added Processing

	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Revenue (NOKm)	482	410	1374	1 172
EBIT (NOKm)	31	28	67	64
EBIT margin	6.5 %	6.8 %	4.9 %	5.5 %

- New capacity and higher price realisation gives 17% y-o-y growth in revenue
- New capacity gradually being filled, and still room for further growth

Revenue and EBIT margin

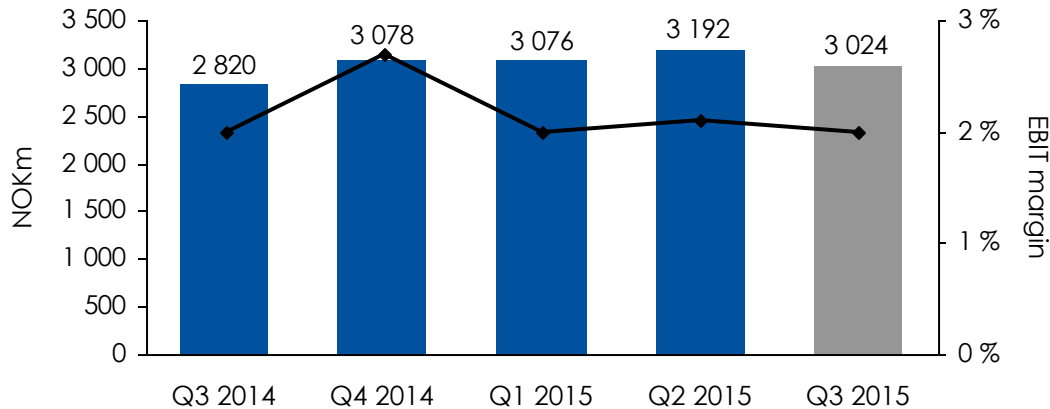


# Sales & Distribution

	Q3 2015	Q3 2014	YTD 2015	YTD 2014
Revenue (NOKm)	3 024	2 820	9 291	8 886
EBIT (NOKm)	60	56	190	159
EBIT margin	2.0 %	2.0 %	2.0 %	1.8 %

- Strong performance in key operations in the quarter, but still room for improvement in several units
- More examples of “fish-cut” activities driving end user demand
- Gradually, fish-cut operations will contribute to higher margin level and profitability

**Revenue and EBIT margin**





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# Atlantic salmon – Supply

## in tons WFE

	2011	Change 10-11	2012	Change 11-12	2013	Change 12-13	2014	Change 13-14	2015	Change 14-15	2016	Change 15-16
Norway	1 005 600	6,5 %	1 183 100	17,7 %	1 143 600	-3,3 %	1 199 000	4,8 %	1 222 200	1,9 %	1 202 200	-1,6 %
United Kingdom	154 700	8,3 %	159 400	3,0 %	157 800	-1,0 %	171 500	8,7 %	174 100	1,5 %	177 400	1,9 %
Faroe Islands	56 300	34,7 %	70 300	24,9 %	72 600	3,3 %	82 700	13,9 %	75 600	-8,6 %	81 800	8,2 %
Ireland	16 000	-10,1 %	15 600	-2,5 %	10 600	-32,1 %	12 300	16,0 %	15 700	27,6 %	16 000	1,9 %
Iceland	1 000	0,0 %	2 900	190,0 %	3 100	6,9 %	4 000	29,0 %	5 200	30,0 %	7 500	44,2 %
<b>Total Europe</b>	<b>1 233 600</b>	<b>7,4 %</b>	<b>1 431 300</b>	<b>16,0 %</b>	<b>1 387 700</b>	<b>-3,0 %</b>	<b>1 469 500</b>	<b>5,9 %</b>	<b>1 492 800</b>	<b>1,6 %</b>	<b>1 484 900</b>	<b>-0,5 %</b>
Chile	221 000	70,5 %	364 000	64,7 %	468 100	28,6 %	582 900	24,5 %	578 300	-0,8 %	579 400	0,2 %
Canada	119 500	-2,0 %	136 500	14,2 %	115 100	-15,7 %	101 000	-12,3 %	136 100	34,8 %	133 800	-1,7 %
USA	18 300	1,7 %	19 600	7,1 %	20 300	3,6 %	20 400	0,5 %	20 200	-1,0 %	20 500	1,5 %
Australia	36 000	9,1 %	40 000	11,1 %	39 000	-2,5 %	39 000	0,0 %	44 000	12,8 %	45 000	2,3 %
Others	5 000	11,1 %	8 500	70,0 %	11 100	30,6 %	14 100	27,0 %	13 300	-5,7 %	10 200	-23,3 %
<b>Total Others</b>	<b>399 800</b>	<b>30,2 %</b>	<b>568 600</b>	<b>42,2 %</b>	<b>653 600</b>	<b>14,9 %</b>	<b>757 400</b>	<b>15,9 %</b>	<b>791 900</b>	<b>4,6 %</b>	<b>788 900</b>	<b>-0,4 %</b>
<b>Total World-wide</b>	<b>1 633 400</b>	<b>12,2 %</b>	<b>1 999 900</b>	<b>22,4 %</b>	<b>2 041 300</b>	<b>2,1 %</b>	<b>2 226 900</b>	<b>9,1 %</b>	<b>2 284 700</b>	<b>2,6 %</b>	<b>2 273 800</b>	<b>-0,5 %</b>

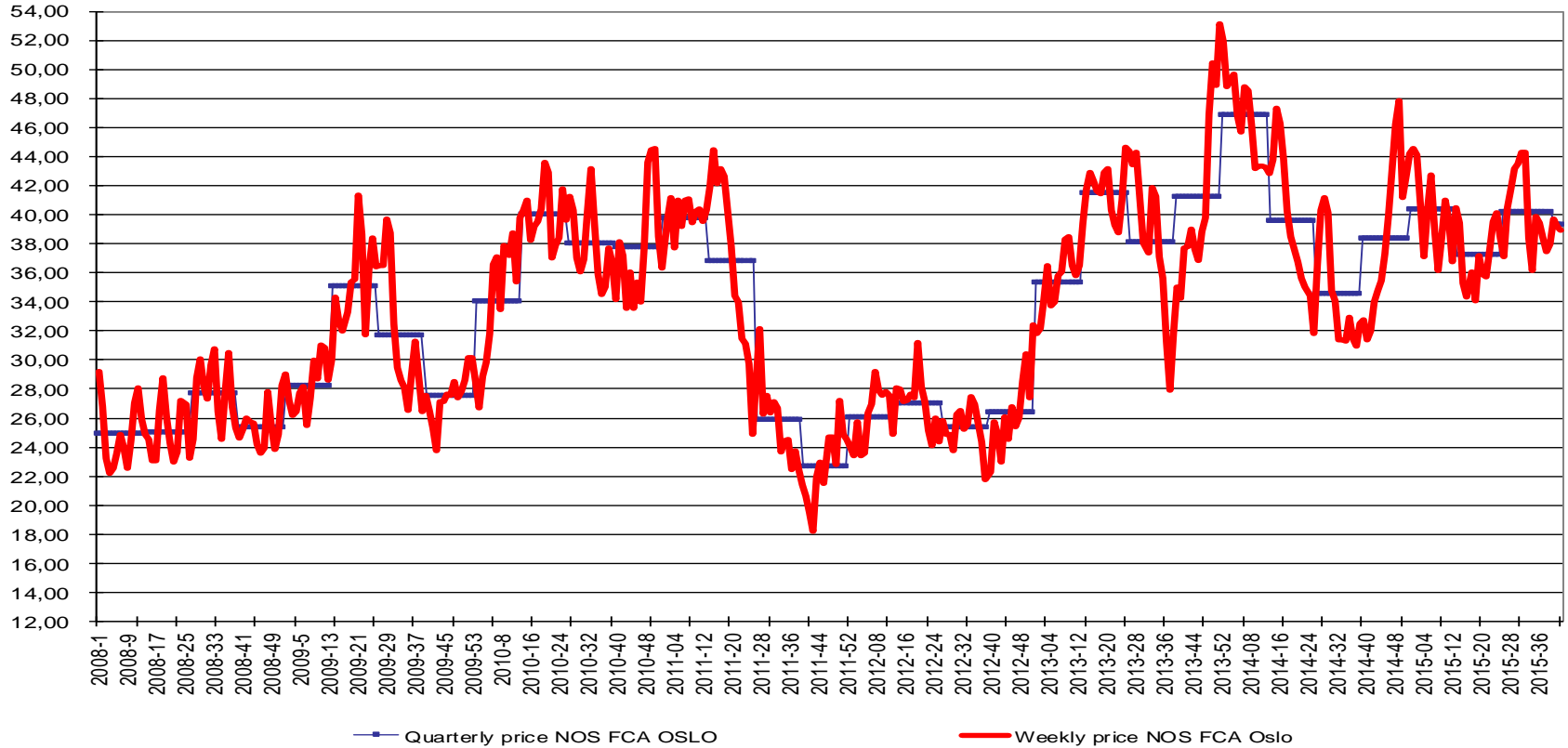
Figures as per 06.11.2015

Source: Kontali

SPOT prices, fresh Atlantic salmon  
cross-section, FCA Oslo  
as of week 43-2015 (Superior quality).

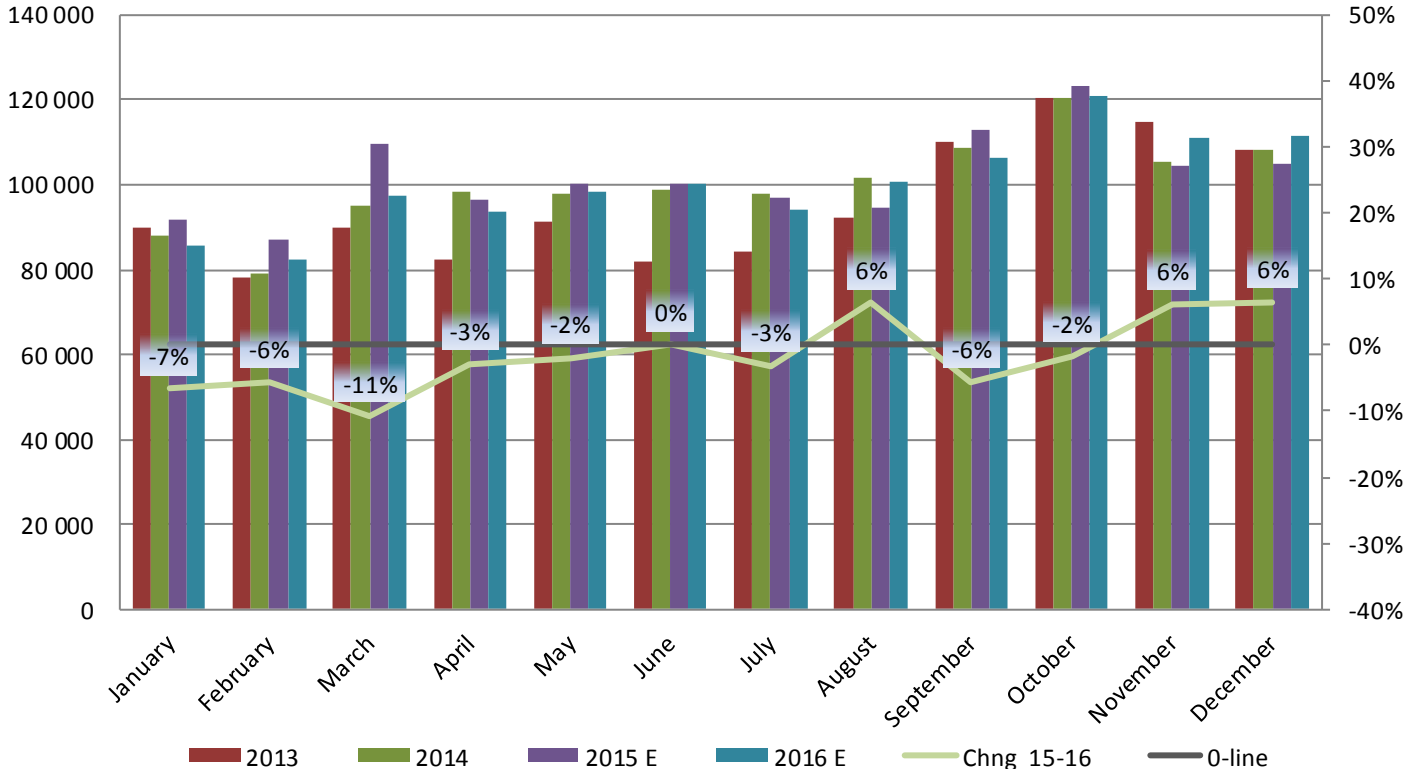
Avg Q3 15 NOK 40,17 vs avrg Q3 14 NOK 34,54 (+16.3%)  
Avg YTD Q3 2015 NOK 39,29 vs avrg YTD Q3 2014 NOK 40,30 (-2.5%)

	Q1-08	Q2-08	Q3-08	Q4-08	Q1-09	Q2-09	Q3-09	Q4-09	Q1-10	Q2-10	Q3-10	Q4-10	Q1-11	Q2-11	Q3-11	Q4-11	Q1-12	Q2-12	Q3-12	Q4-12	Q1-13	Q2-13	Q3-13	Q4-13	Q1-14	Q2-14	Q3-14	Q4-14	Q1-15	Q2-15	Q3-15	Q4-15
NOS FCA Oslo	24,94	25,02	27,72	25,33	28,22	35,09	31,72	27,52	34,00	40,00	38,02	37,77	39,78	36,77	25,84	22,67	26,03	27,03	25,32	26,41	35,36	41,53	38,12	41,27	46,83	39,54	34,54	38,34	40,37	37,25	40,17	39,30



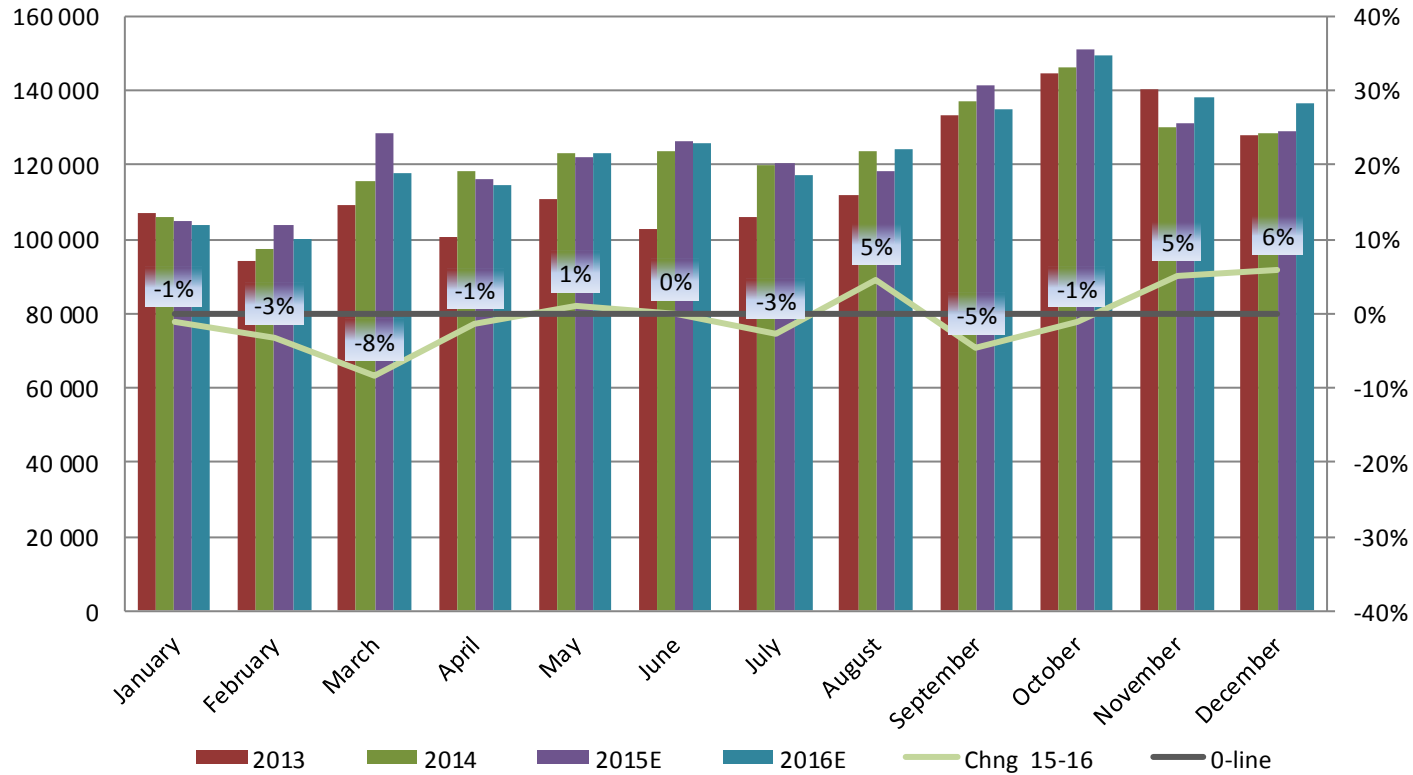


# Atlantic salmon - Harvest Quantities Norway in tons WFE



Figures as per 06.11.2015  
Source: Kontali

# Atlantic salmon - Harvest Quantities Europe in tons WFE

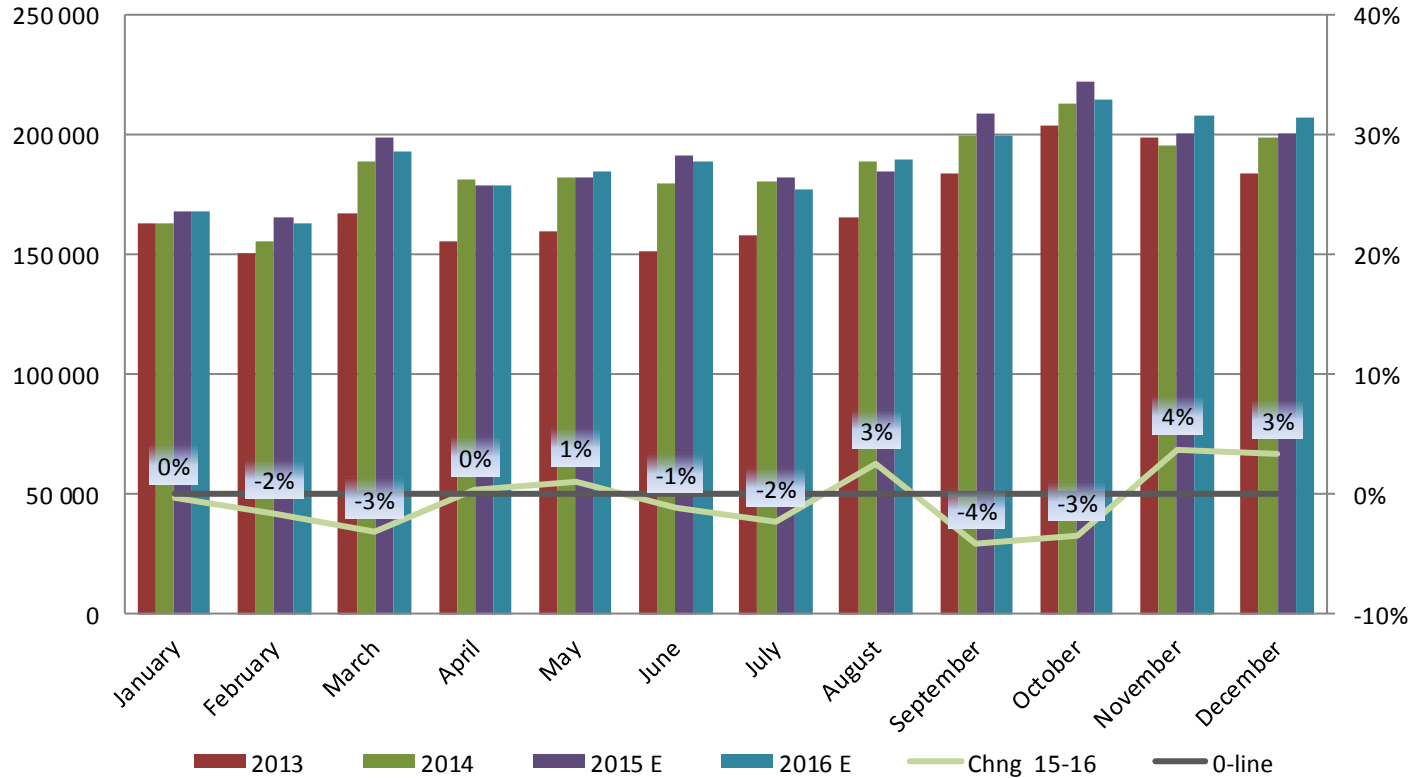


Figures as per 06.11.2015

Source: Kontali

# Atlantic salmon - Harvest Quantities WW

in tons WFE



Figures as per 06.11.2015

Source: Kontali

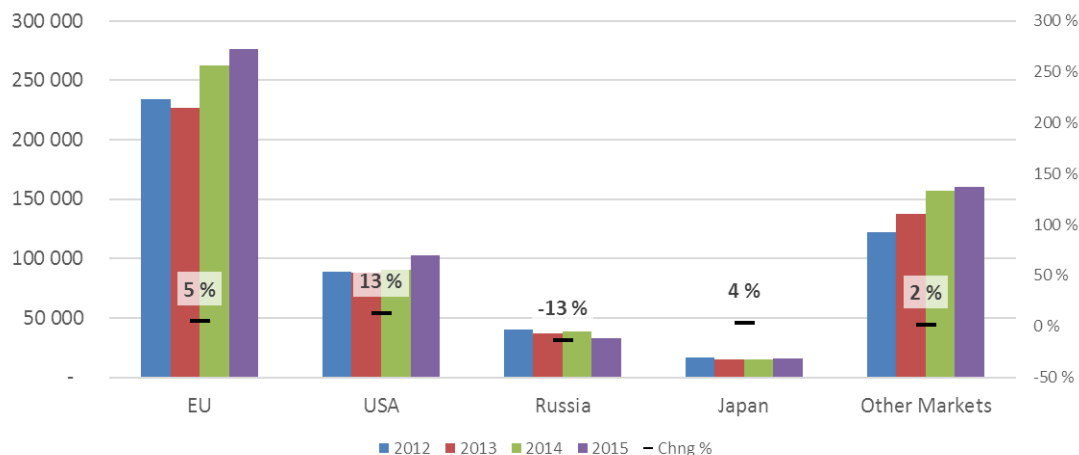


# Atlantic Salmon Consumption

## Q3 2015

NOK/KG (3-6) Q3:  
40,98 +17,8 % (34,80)  
(NSI -0,75 vs NOS)

Market	2012	2013	2014	2015	Chng	Chng %
EU	234 000	227 100	262 600	275 900	13 300	5 %
USA	89 200	88 200	90 800	102 800	12 000	13 %
Russia	40 400	36 700	38 200	33 100	-5 100	-13 %
Japan	16 300	14 800	15 200	15 800	600	4 %
Other Markets	121 800	137 600	157 200	160 300	3 100	2 %
<b>Total</b>	<b>501 700</b>	<b>504 400</b>	<b>564 000</b>	<b>587 900</b>	<b>23 900</b>	<b>4 %</b>

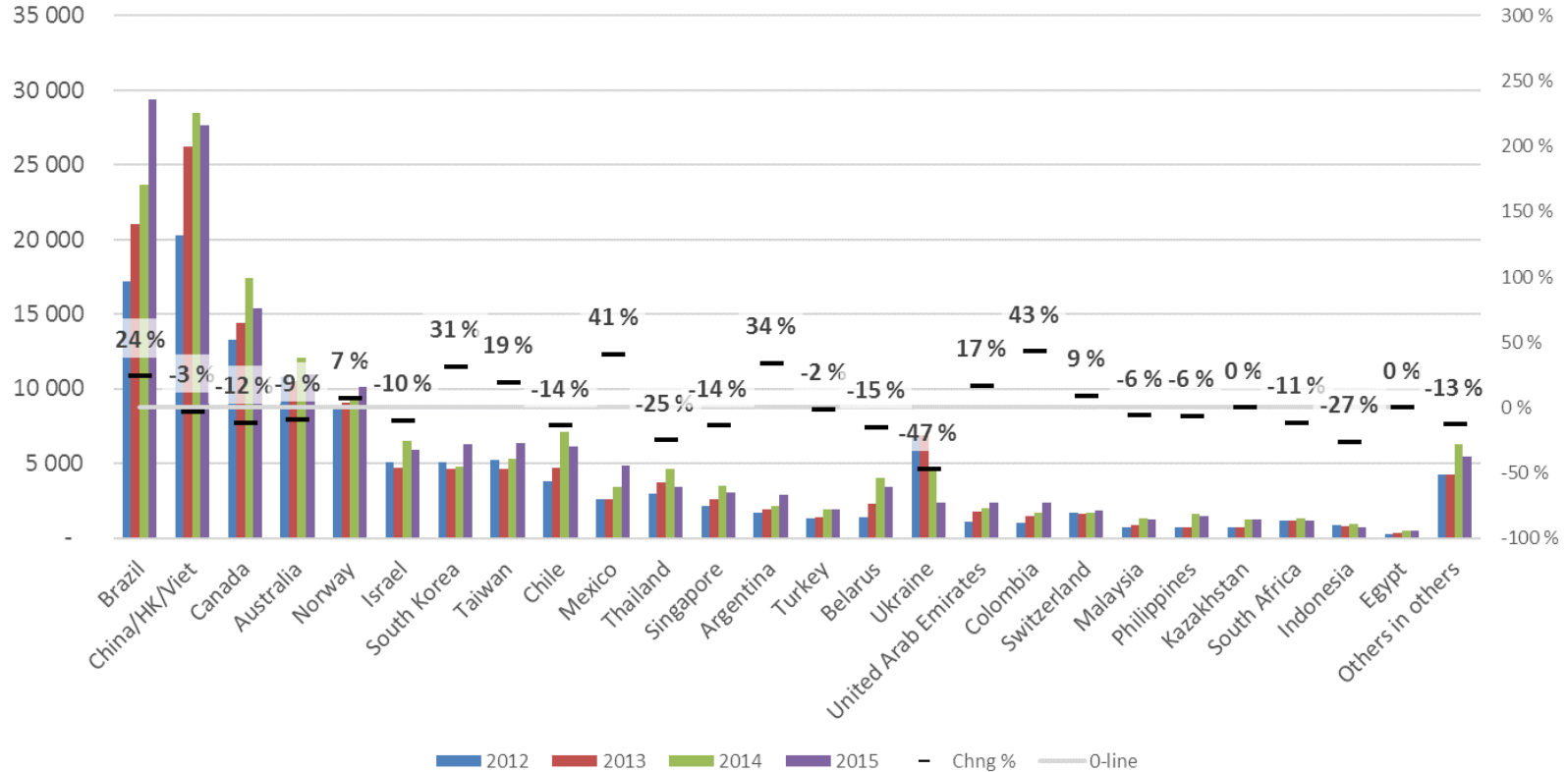


Figures as per 30.10.2015

Source: Kontali/Nasdax

# Atlantic Salmon Consumption (Other markets)

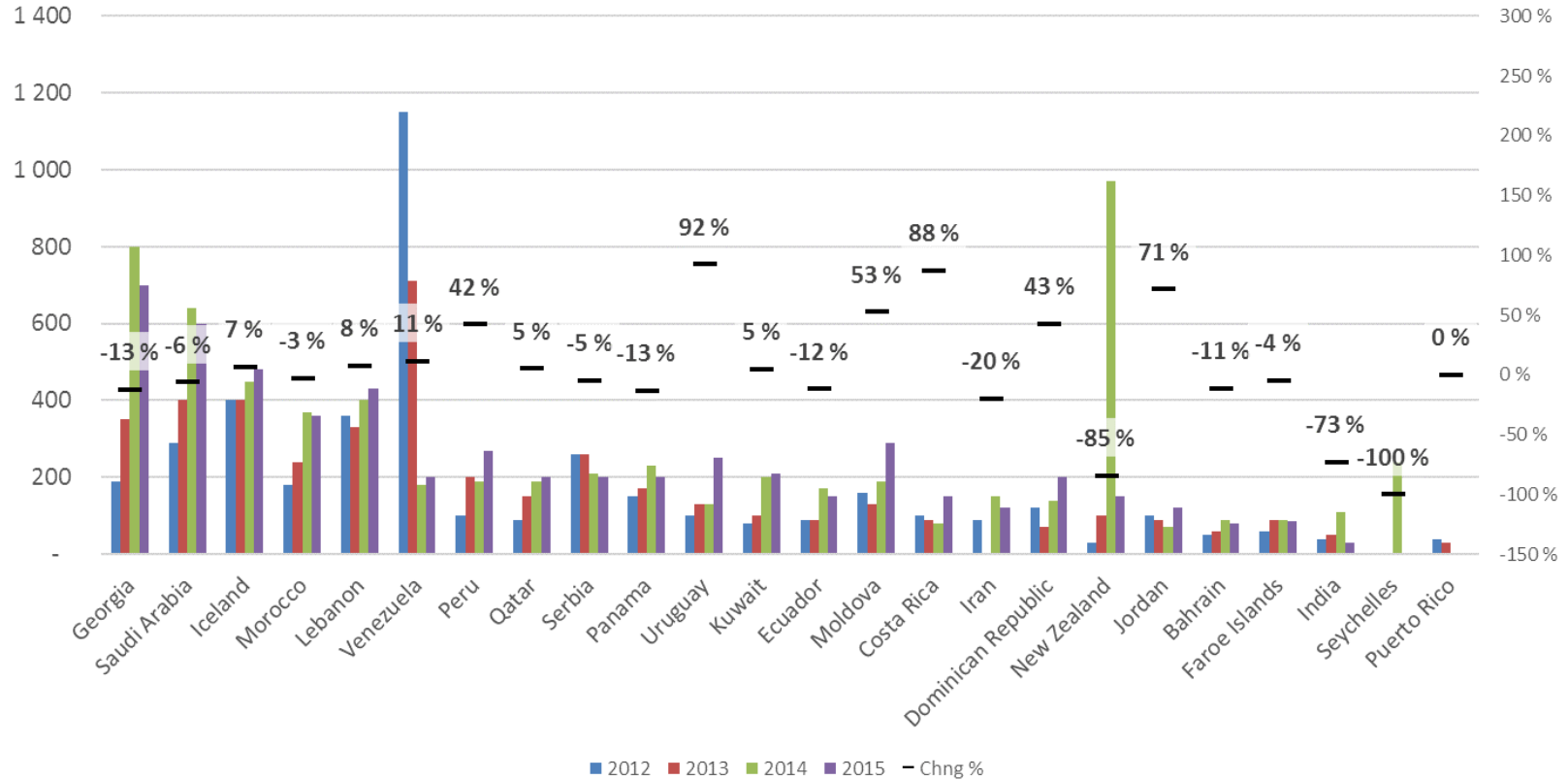
## 2015 Q3



Figures as per 30.10.2015  
Source: Kontali

# Atlantic Salmon Consumption (Others in Others markets)

2015 Q3



Figures as per 30.10.2015  
Source: Kontali

# Outlook

- Challenging situation in Lerøy Midt which will impact also coming quarter
  
- Going forward Lerøy Midt:
  - Better operations and access to significant more cleaner fish in 2016
  - Access to more well boat capacity, including more capacity for freshwater treatment
    - “Gåsø Viking” in full operation from November 2015
    - Additional large well boat from April 2016
  - Higher capacity for mechanical treatment

# Outlook

- EAEU custom region again opened for import of salmon and trout from late October
- Positive market outlook
  - Global supply growth ~0% in 2016
- Harvest guidance 170.000 GWT for 2016
- Expected contract share Q4 ~35%



*In 1899 a fisherman-farmer started selling live fish on the Bergen fish market. He towed the fish to the market in a wooden crate behind his rowing boat, a journey which could take between 6 and 12 hours, depending on the prevailing winds and currents.*



Thank  
You!

# Historical figures

	2015			2014					2013	2012	2011
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	FY	FY	FY	
<b>Revenue</b>											
Farming	1 482,2	1 596,8	1 655,8	1 420,4	1 660,2	1 508,8	1 653,3	6 242,7	5 376,3	4 376,5	4 592,0
VAP	425,0	467,9	481,6	367,1	395,1	410,2	437,2	1 609,6	1 236,3	1 027,0	783,0
S&D	3 075,9	3 191,6	3 023,7	3 066,7	2 998,8	2 820,3	3 078,3	11 964,2	10 257,0	9 098,2	9 067,9
LSG/Elim	-1 714,9	-1 932,7	-1 866,6	-1 674,5	-1 877,4	-1 777,5	-1 907,5	-7 236,9	-6 105,0	-5 398,8	-5 266,0
<b>Operating revenue</b>	<b>3 268,3</b>	<b>3 323,5</b>	<b>3 294,6</b>	<b>3 179,7</b>	<b>3 176,6</b>	<b>2 961,8</b>	<b>3 261,4</b>	<b>12 579,5</b>	<b>10 764,7</b>	<b>9 102,9</b>	<b>9 176,9</b>
<b>EBIT</b>											
Lerøy Aurora	109,9	68,2	91,1	98,3	77,4	48,5	146,3	370,5	359,0	83,1	155,1
Lerøy Midt	169,8	163,5	85,5	228,3	184,1	101,0	152,9	666,3	507,7	147,3	519,6
Lerøy Sjøtroll	42,2	34,7	1,5	179,1	159,2	4,8	-0,2	342,9	460,3	7,7	303,1
Farming	321,8	266,3	178,1	505,7	420,7	154,3	299,0	1379,7	1327,0	238,1	977,7
VAP	18,2	18,0	31,1	15,1	21,1	27,8	31,3	95,3	71,6	49,7	33,5
S&D	63,0	67,2	60,3	38,7	64,1	56,0	82,2	241,1	204,1	192,5	237,5
LSG/Elim	1,0	18,5	-16,3	-9,2	-5,6	64,7	22,7	72,6	23,0	-30,2	-35,8
<b>EBIT before biomass adj.</b>	<b>403,9</b>	<b>370,1</b>	<b>253,2</b>	<b>550,4</b>	<b>500,3</b>	<b>302,8</b>	<b>435,2</b>	<b>1788,7</b>	<b>1625,8</b>	<b>450,1</b>	<b>1212,9</b>