

Company Presentation - Oslo November 22nd 2019

Private & confidential

Executive summary





Iceland at a glance – macro indicators

Key facts

- □ Population: 360,000 people
- GDP: USD 25.9 billion
- □ Education: 42.4% of people aged 25-64 have graduated from university

GDP growth projections

□ Unemployment rate: c. 3%



Sources: Statistics Iceland; Central Bank of Iceland (Monetary Bulletin 2019/2); Iceland Chamber of Commerce

GDP per capita among highest in the world



From fish to tourism in two decades



1 All air transport is included in the tourism sector whereas 50% of passenger transport by air is usually included in the international sector in Chamber analysis.

Sources: Statistics Iceland; Iceland Chamber of Commerce



Political landscape

Parliament composition

Althingi – Iceland's Parliament

Illustrative; Parliamentary parties, number of MP's and ministerial posts



Comments

- Prime Minister: Katrin Jakobsdottir
- The government is a coalition of 3 parties: Left Green Movement, the Independence Party and the Progressive Party
- The government parties received
 55% of the popular vote and hold
 35 of the 63 parliamentary seats

Sources: Alþingi



Arnarlax is the leading salmon farmer on Iceland

Locations West Fjords **East Fjords** '000 tonnes West Fjords 45 39.7 40 37 ArcticFish 35 30 17 triploid 30 FLAXAR 25 20 **I**SE FISH FARM 12 triploid 15 East Fjords 10 5 0 LAXAR ArcticFish **FISH FARM** ARNARLAX Production Capacity Applications

Production, capacity, applications and locations of Icelandic salmon farmers¹

Source: Arnarlax, Markó Partners – pending application status Notes: $^{\rm 1}$ Only for Atlantic salmon



The Marine Research Institute in Iceland recently released a biological risk assessment providing support for Arnarlax' licenses and applications

| West Fjords | | | | | | |
|------------------------------|---|-------------|-----------------|--|--|--|
| | Maximum volume according to 🗮 MARINE RESEARCH INSTITUTE | | | | | |
| | Allowable Biomass Risk assessment Arnarla | | | | | |
| 1 Tálknafjörður ¹ | 20,000 MT | 20,000 MT 🗸 | æ | | | |
| 2 Arnarfjörður | 20,000 MT | 20,000 MT 🗸 | æ | | | |
| 3 Dýrafjörður | 10,000 MT | 10,000 MT 🖌 | æ | | | |
| 4 Ísafjarðardjúp | 30,000 MT | 0 MT 🛛 🖊 | No ² | | | |
| Total West Fjords | 80,000 MT | 50,000 MT | | | | |

| East Fjords | | | | | | |
|-------------------|---|--------------|----|--|--|--|
| | Maximum volume according to 🚞 MARINE RESEARCH INSTITUTE | | | | | |
| | Allowable Biomass Risk assessment Arnarlax | | | | | |
| 5 Berufjörður | 10,000 MT | 6,000 MT 🛛 🖊 | No | | | |
| 6 Stöðvarfjörður | 7,000 MT | 0 MT 🛛 🖊 | No | | | |
| 🕖 Fáskrúðsfjörður | 15,000 MT | 7,500 MT 🛛 🖊 | No | | | |
| 8 Reyðarfjörður | 20,000 MT | 7,500 MT 🛛 🖊 | No | | | |
| Total East Fjords | 52,000 MT | 21,000 MT | | | | |



1 Does also include Patreksfjarðarflói and Patreksfjörður

2 Arnarlax has applications for 10,000 tons

New legislation puts the focus in maximum biomass instead of harvesting to determine site capacity

| | Capacity | | | | |
|-------------------------------|---|-------------------------------|--|--|--|
| | Capacity based on | | | | |
| Company sites | Harvest (under previous legislation) | Max biomass (new legislation) | | | |
| Tálknafjörður | 10,700 MT | 12,200 MT | | | |
| Arnarfjörður | 10,000 MT | 10,000 MT | | | |
| Fossfjörður | 1,500 MT | 3,000 MT | | | |
| Current licenses | 22,200 MT | 25,200 MT | | | |
| Applications | | | | | |
| Arnarfjörður | | 4,500 MT | | | |
| Ísafjarðarðjúp | | 10,000 MT | | | |
| Total licenses and applicatio | ns | 39,700 MT | | | |



Note: Probabilities are based on managements' own opinion



Iceland has farming conditions similar to Northern Norway, which has become very competitive in recent years

Seawater temperatures¹



- West Fjords have low temperatures from November to March/April and medium temperatures during summer until fall
- Lower seawater temperatures compared to Finnmark from January to early summer, and higher temperatures for the rest of the year
- Iceland provide beneficial conditions compensated growth in the summer time

Source: www.seatemperature.org, Lusedata, Pareto Securities Equity Research, Fiskeridirektoratet, Arnarlax Notes: ¹ Average 2002 – 2017 for Norway and average 2016 and 2018 in West Fjords

Day degrees



- Decreasing production costs and increasing profitability for Northern Norway in line with increasing production volumes
- Arnarlax has similar farming conditions as Finnmark, illustrating the cost and profitability potential



Iceland has a long coastline and a big potential for salmon farming



Source: Kontali, Arnarlax



Positioned to replicate the growth model of neighbours Norway and Faroe Islands





- Iceland is positioned to leverage on experience and know-how developed over decades in other production regions, especially neighbour countries such as Norway and Faroe Islands
- Iceland can apply best-practice farming techniques, equipment and regulatory frameworks to support sustainable growth in future salmon farming production



Source: Kontali, Pareto Securities Equity Research, DNB Markets, Marko Partners

Salmon farming potential on Iceland validated by Norwegian industry giants

Overview of Icelandic salmon farmers with ownership from leading Norwegian salmon farmers

| Icelandic salmon farming company | ARNARLAX | ArcticFish | FISH FARM | FISKELDI |
|--------------------------------------|--|---|---|--|
| Norwegian partner/ shareholder | SALMAR Passion for Salmon | NORWAY ROYAL SALMON | M N Midt-Norsk H Havbruk AS | <u> M</u> åsøval |
| Ownership | 59% | 50% | 62% | 54% |
| Description | SalMar is a leading Norwegian salmon farming company with a harvest volume of 159k tonnes (HOG) in 2018, including contributions from Scottish Sea Farms in Scotland and Arnarlax SalMar supports Arnarlax by continously sharing operational experience and know-how, and through board membership | Norway Royal Salmon ASA (NRS) acquired 50% of Arctic Fish in August 2016 through a directed private placement NRS is a leading Norwegian salmon farming company with a harvest volume of ~32k tonnes (HOG) in 2017 NRS considers Iceland to be an attractive area for growth and entered Arctic Fish to capitalise on NRS' farming knowledge to build the company and develop the Icelandic industry Recruited new CEO internally from NRS NRS supports Arctic Fish through sharing operational experience and through board membership | Midt-Norsk Havbruk AS, owned by the listed company NTS ASA, invested in Fiskeldi Austfjarda (Ice Fish Farm) in March 2017 through a directed private placement Midt-Norsk Havbruk is a Norwegian salmon farming company with an annual production volume of ~15k tonnes Midt-Norsk Havbruk supports Ice Fish Farm by continously sharing operational experience and know- how, and through board membership | Måsøval Fiskeoppdrett AS acquired 53.5% of Laxar Fiskeldi in June 2016 Måsøval Fiskeoppdrett is a family owned salmon farming company located in Sør-Trøndelag with 9 concessions for salmon farming Måsøval invested in Laxar because they see a large potential for growth in salmon farming on Iceland Las Måsøval, a key employee in Måsøval group, moved to Iceland for a period to support Laxar in their contemplated growth Måsøval supports Laxar through sharing operational experience and through board membership |

Source: Arnarlax, Newsweb, Norway Royal Salmon, various news articles



Structural challenges





Natural advantages







Executive summary





Corporate and operational milestones





Arnarlax has an integrated value chain from hatchery to sales channel

Freshwater (eggs)



- Eggs are purchased from Stofnfiskur
 - Icelandic breeding company, owned by Benchmark
 Holdings, with decades of experience in family selection to secure optimal growth of salmon in Icelandic conditions



Freshwater (smolt)

- Two freshwater facilities with a combined capacity of 3.2m smolts in 2019
 - Bæjarvík: 100% owned by Arnarlax, located in the West Fjords
- Ísthor: 50% owned by Arnarlax located close to Reykjavik

Seawater

- Strategically located sites in Arnarfjörður, Tálknafjörður and Patreksfjörður with 25,200 tonnes combined capacity
 - Outstanding applications for 34,500 tonnes

Processing

Processing plant located in

within sight of the farming

expected 2020 expansion¹

the port of Bildudalur,

Processing capacity of

30,000 tonnes after

cages





 All sales done by Arnarlax and marketed as a natural and sustainable product



¹ Subject to board approval Source: Arnarlax

Strategically located freshwater facilities with adequate capacity

| Freshwater (eggs) | Freshwater (smolt) | Seawater Processing | g Sales |
|-------------------|--|--|--|
| Facility | Location | Description | Capacity |
| Bæjarvík | and a set of the set o | 100% owned by Arnarlax Strategically located in West Fjords, close to Arnarlax's seawater facilities and headquarter Production of smolt between 70 and 150 grams | Million smolt capacity p.a. |
| Ísthor | and a second sec | 50/50% owned by Arnarlax and Ice Fish Farm Production of smolt between 70 and 800 grams Geothermal waters mixed with cool freshwater providing attractive growth conditions at low costs Located near one of Europe's largest underwater rivers Team of 10 employees (100% basis) New start feeding units in one hall offering the possibility to start feeding Total cubic of 13,500 - Expansion adds 6x2,000 cubic | Million smolt capacity p.a. (50% of total) +0.5 2.0 1.5 2.0 1.5 2017 2020 |

Source: Arnarlax

Unique and isolated concession portfolio in pristine waters

| Freshwater (eggs) Freshwate | er (smolt) | Seawater | | | Proce | ssing | | | Sa | ales | |
|---------------------------------|--------------------------------|--|---|---|---|--|---|--|--|---|---|
| Overview of current seawater fa | acilities | | | | Со | mmer | nts | | | | |
| Active sea site | Hornstrandir Nature Reserve | Arnarla in all-ou By allow harvest Total cu 6 loc 2 loc MAE | x currently ut" alternat ving each fa ed, every n technique red urrent prod ations in Arna ations in both he other sali g high biolo | has 10 fa ing farmi ew farmi uces risk o uction ca rfjörður (in Patreksfjör mon farn ogical con | rming loc ng model te to fallov ng cycle s f biological H pacity of 2 cluding Foss ður and Táll ning comp trol arterly | ations ir w for a f tarts its nazards su 25,200 t fjörður) w knafjörður bany with harve | ew mont growth i ch as disea onnes m ith a produ with a cor h conces: | eparate fj ths after of n a clear ses and per aximum action capao nbined pro sions in t | jords, en each gen and natu sts allowed l city of 13,0 duction ca he West | abling the reration h rally repl biomass (00 tonnes l pacity of 12 Fjords (A | e use of "all- has been fully lenished site (MAB) vAB 2,200 tonnes rctic Fish), |
| | est Fjords | '000 tonnes (HOG) 2.8 2 | 1.7 | 3.2 | 2.6 | 0.96 | 1.2 | 1.9 | 2.3 | 2.7 | 2.3 |
| Breiðafjör | ður | Q1 17A Q2 1 | 7A Q3 17A | Q4 17A | Q1 18A | Q2 18A | Q3 18A | Q4 18A | Q1 19A | Q2 19A | Q3 19F |

Source: Arnarlax



Modern and efficient processing facilities with adequate capacity

Freshwater (eggs

eshwater (smolt)

Seawater

Processing

Sales

Comments

- Arnarlax performs all primary processing in their own facilities in Bildudalur
- Efficiently located in the port of Bildudalur next to Arnarlax' headquarters
- Modern equipment provides consistent and high quality HOG fish
- Currently one processing line with an annual processing capacity of 17,000 tonnes HOG
- Expansion of processing facilities under consideration, which will increase the processing capacity to 25,000 tonnes HOG p.a.
- Installation of a box factory under consideration

Overview of processing facilities











Arnarlax salmon has strong brand attributes

Freshwater (eggs)

shwater (smolt)

eawater

Processing

Sales

SALMON FARMED IN HARMONY WITH NATURE

Dynamic conditions, high quality seawater and low temperatures create the perfect settings for healthy natural salmon

TITIL

NON-GMO

Arnarlax use non-GMO products. The salmon is bred in Iceland and comes from a strain called SAGA salmon. All feed used is non GMO certified and all of the raw ingredients come from sustainable sources and can be traced back to their origin Arnarlax use no antibiotics. All salmon is vaccinated on smolt stages, making it resistant to various infections and

NO

ANTIBIOTICS

resistant to various infections and diseases. Arnarlax work closely with veterinarians to optimize fish health and welfare The key feature of the quality certified feed used for the Arnarlax salmon is a carefully managed balance between nutritional value and sustainability. By using only certified quality feed and latest feeding technology Arnarlax'

salmon is rich in omega 3 fatty acids

and other vital nutrition

HIGH LEVELS

OF OMEGA-3

Quality control policy based on Good Manufacturing Policy (GMP) and Hazard Analysis and Critical Control Points (HACCP). Arnarlax has an active internal control and work closely with the Food and Veterinary Authorities and other food and safety officials to evolve and improve quality and safety

QUALITY

CONTROL

Source: Arnarlax



Sales & logistics overview



Source: Arnarlax



Executive summary





Arnarlax has a dedicated management team and a strong shareholder base, SalMar ASA being the largest shareholder







Trine Romuld Board member



Espen Marcussen

Board member



Olav-Andreas Ervik Board member

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✓ Local team with operational track record in Icelandic farming, and an attractive portfolio of licenses

Gustav Witzoe

Board member

Kiartan Ólafsson

Chairman



Executive summary





Summary financials

| Income statement | | | | | | | |
|-------------------------------|-------------|--------------|-------------|--|--|--|--|
| EUR | 2017A | 2018A | YTD 2019 Q3 | | | | |
| Harvest (HOG tonnes) | 9.666 | 6.703 | 7.351 | | | | |
| | | | | | | | |
| Total revenue | 66.647.294 | 42.016.397 | 49.784.617 | | | | |
| Cost of goods sold | 50.491.503 | 24.852.807 | 25.471.419 | | | | |
| Gross margin | 16.155.791 | 17.163.590 | 24.313.198 | | | | |
| SG&A | 5.954.038 | 20.253.376 | 15.062.661 | | | | |
| EBITDA | 10.201.753 | (3.089.786) | 9.250.537 | | | | |
| Depreciation and amortisation | 6.021.401 | 11.051.057 | 3.336.900 | | | | |
| EBIT | 4.180.352 | (14.140.843) | 5.913.637 | | | | |
| Net interest expense | (4.933.019) | (4.908.071) | (2.173.034) | | | | |
| Net profit before tax | (752.667) | (19.048.914) | 3.740.603 | | | | |
| Income tax | (187.602) | 3.097.312 | (1.089.535) | | | | |
| Net profit after tax | (565.065) | (15.951.602) | 2.651.068 | | | | |

Note: YTD 2019 Q3 are preliminary results. Not audited. This number may differ from SalMar due to accounting principles

| Ba | alance sheet | | |
|-------------------------------|--------------|--------------|-------------|
| EUR | 2017A | 2018A | 2019 Q3 |
| Current assets | | | |
| Cash | 799.278 | 394.193 | 1.401.321 |
| Receivables | 7.763.693 | 8.621.855 | 11.258.644 |
| Biomass at cost | 36.475.445 | 37.481.198 | 38.702.464 |
| Other current assets | 3.950.695 | 0 | 2.562.682 |
| Total current assets | 48.989.111 | 46.497.246 | 53.925.111 |
| Non-current assets | | | |
| Goodwill | 19.476.065 | 17.168.977 | 15.460.867 |
| Property, plant and equipment | 36.499.880 | 33.751.039 | 41.493.679 |
| Other non-current assets | 5.561.469 | 8.258.139 | 6.965.953 |
| Total non-current assets | 61.537.414 | 59.178.155 | 63.920.499 |
| Total assets | 110.526.525 | 105.675.402 | 117.845.610 |
| Current liabilities | | | |
| Revolver | 31.368.354 | 28.969.693 | 0 |
| AP and accrued liabilities | 8.594.284 | 5.770.091 | 9.690.309 |
| Other current debts | 2.911.783 | 1.976.933 | 6.975.753 |
| Current portion of LT debt | 3.510.952 | 2.178.663 | 1.125.000 |
| Total current liabilities | 46.385.373 | 38.895.380 | 17.791.062 |
| Non-current liabilities | | | |
| Term loan | 10.416.162 | 8.370.393 | 38.875.000 |
| Total non-current liabilities | 10.416.162 | 8.370.393 | 38.875.000 |
| Total liabilities | 56.801.535 | 47.265.773 | 56.666.062 |
| Net assets | 53.724.990 | 58.409.629 | 61.179.548 |
| Capital stock | 56.478.204 | 77.114.445 | 77.233.288 |
| Retained earnings | (2.753.214) | (18.704.816) | -16.053.740 |
| Total equity | 53.724.990 | 58.409.629 | 61.179.548 |



Costs are expected to be reduced by scalability and ongoing initiatives



2017A to 2020E cost bridge

¹ Management estimate, subject to board approval







Arnarlax HF Strandgata 1, 465 Bildudalur Iceland

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