

SalMar ASA





Presentation Q2 2014

CEO Leif Inge Nordhammer, CFO Trond Tuvstein
Oslo, 26 August 2014

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Agenda

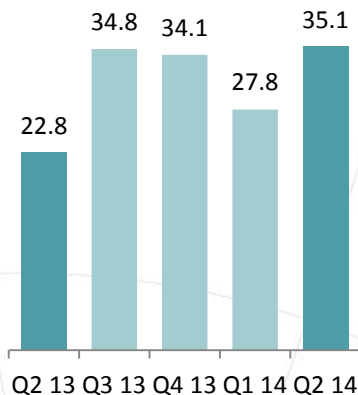
-  Highlights
-  Financial update
-  Operational update
-  Outlook



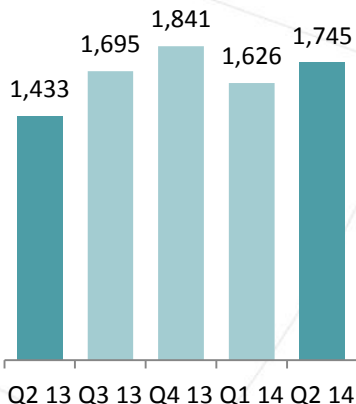
Second quarter highlights

- High operational EBIT driven by a 54% YoY volume increase
- Mixed performance from farming segments
- Continued operational challenges related to PD and sea-lice driving costs
- Positive result for Sales & Processing
- Entered 5-year NOK 5bn loan-agreement, extending and restructuring company debt

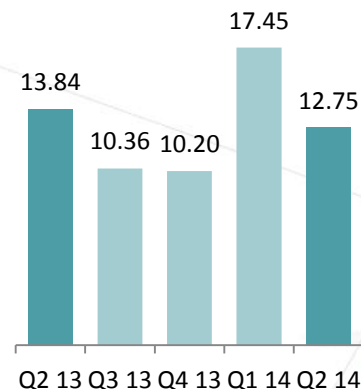
Harvest volume (1,000 tons)



Operating income (NOKm)



EBIT/kg (NOK)



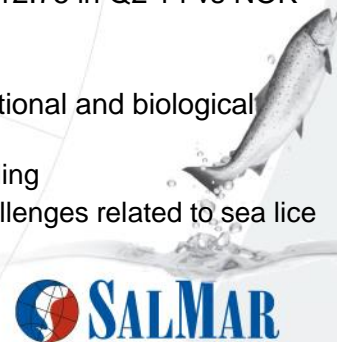
Financial update



Group profit and loss

NOK Million	Q2 14	Q2 13	1H 2014	1H 2013	2013
Operating income	1,744.8	1,432.7	3,371.1	2,709.4	6,245.9
Cost of goods sold	750.3	658.6	1,405.7	1,288.9	3,051.2
Payroll expenses	189.9	140.4	358.8	271.1	623.1
Other operating expenses	292.2	269.3	539.3	502.9	1,086.3
EBITDA	512.5	364.4	1,067.3	646.5	1,485.3
Depreciations	65.1	48.3	134.6	95.5	225.8
Operational EBIT	447.4	316.1	932.7	551.0	1,259.5
Fair value adjustment	-127.8	88.7	-312.1	152.7	528.2
Particular biological events	-	-	-	-	-
Non-recurring gains on acquisition	-	197.5	-	197.5	161.8
Operational profit	319.6	602.3	620.6	901.2	1,949.4
Income from investments in associates	18.2	54.2	54.6	94.2	158.0
Other financial items	-24.6	187.3	-52.1	156.8	214.7
Profit before tax	313.2	843.8	623.1	1,152.2	2,322.1
Tax	78.8	102.6	151.8	175.6	418.7
Net profit for the period	234.4	741.1	471.3	976.5	1,903.4

- Revenues boosted by higher volumes and timing of sales
- Harvest volume of 35 100 tons, up 54% from 22 800 tons in Q2 13.
- Average salmon price (NASDAQ Index) NOK 40.29/ kg (NOK 42.28/kg)
- Contract-share of 40% in Q2, marginal effect compared to spot
- EBIT/kg at NOK 12.75 in Q2 14 vs NOK 13,84 in Q2 13
- Continued operational and biological challenges
 - PD-fish / handling
 - Continued challenges related to sea lice



Group balance sheet

NOK Million	30/06/2014	31/03/2014	31/12/2013	30/06/2013
ASSETS				
Intangible fixed assets	2,906.3	2,467.7	2,464.1	2,448.2
Tangible fixed assets	2,039.4	1,933.7	1,859.3	1,463.5
Financial fixed assets	462.5	443.3	408.8	731.5
Total fixed assets	5,408.2	4,844.7	4,732.2	4,643.2
Inventory	2,912.3	3,034.1	3,248.7	2,658.5
Accounts receivables	532.6	649.0	662.1	578.6
Other short-term receivables	230.3	198.1	217.6	233.9
Cash and cash equivalents	368.2	1,086.7	1,071.0	388.0
Total current assets	4,043.3	4,968.0	5,199.4	3,859.0
TOTAL ASSETS	9,451.6	9,812.7	9,931.6	8,502.2
EQUITY AND LIABILITIES				
Paid-in equity	476.6	476.6	476.6	493.8
Reserves	3,826.2	4,477.4	4,246.4	3,306.8
Minority interests	355.6	340.9	337.8	290.4
Total equity	4,658.3	5,294.9	5,060.8	4,091.0
Provisions for liabilities	1,342.1	1,271.7	1,199.6	992.3
Int. bearing long-term liabilities	2,310.0	2,349.8	2,446.2	2,301.0
Total long-term liabilities	3,652.1	3,621.5	3,645.8	3,293.3
Int. bearing short-term liabilities	355.8	243.7	397.2	218.3
Other short-term liabilities	785.3	652.6	827.8	899.6
Total short-term liabilities	1,141.2	896.3	1,225.0	1,117.9
TOTAL EQUITY AND LIABILITIES	9,451.6	9,812.7	9,931.6	8,502.2
Net interest bearing debt	2,297.6	1,506.8	1,772.4	2,131.3
Equity share	49.3 %	54.0 %	51.0 %	48.1 %

• Total assets down NOK 361.1m from Q1 to NOK 9 451.6m

• Total fixed assets

- Intangible assets up NOK 438.6 m mainly due to new green licenses
- Tangible fixed assets up NOK 105,7 m

• Total current assets

- Inventory down NOK 121.9m
- Reduced account receivables 116.4m
- Cash down 718.5m

• Equity down NOK 636.6m to NOK 4 658.3m

- Dividend pay put of NOK 896m
- Equity-ratio reduced to 49.3%

• Net interest bearing debt increased by NOK 790.8m to NOK 2 297.6m



Group cash flow

NOK Million	Q2 14	Q2 13	1H 2014	1H 2013	2013
Profit before tax	313.2	843.8	623.1	1,152.2	2,322.1
Tax paid in period	-0.6	-	-2.0	-2.3	-6.5
Depreciation	65.1	48.3	134.6	95.5	225.8
Share of profit/loss from associates	-18.2	-54.2	-54.6	-94.2	-158.0
Realized and unrealized gains on financial assets	-	-213.2	-	-213.2	-341.8
Non-recurring gains on acquisitions	-	-197.5	-	-197.5	-161.8
Change in fair value adjustments	127.8	-88.7	312.1	-152.7	-528.2
Change in working capital	210.2	96.5	101.5	29.5	-417.6
Other changes	25.7	40.7	55.4	86.2	172.0
Net cash flow from operating activities	723.1	475.6	1,170.0	703.4	1,106.0
Net cash flow from investing activities	-588.0	335.3	-724.1	285.9	698.7
Change in interest-bearing debt	72.2	-372.8	-189.4	-498.5	-540.8
Dividend paid out	-896.0	-	-896.0	-	-0.1
Buy-out of non-controlling interest	-	-69.7	-	-69.7	-70.4
Interest paid	-24.0	-40.1	-52.0	-84.9	-158.1
Other changes	-6.5	-3.3	-11.3	-3.3	-20.6
Net cash flow from financing activities	-854.3	-485.9	-1,148.7	-656.4	-790.0
Net change in cash for the period	-719.2	325.0	-702.8	332.9	1,014.6
Foreign exchange effects	0.7	-0.0	-0.0	-0.2	1.1
Cash in the beginning of the period	1,086.7	63.0	1,071.0	55.3	55.3
Cash and cash equivalents end of period	368.2	388.0	368.2	388.0	1,071.0

- Strong cash flow from operations during the quarter of NOK 723m
 - Working capital release of NOK 210.2
 - Fair value adjustments of NOK 127.8m
- Negative cash flow from investments of NOK -588.0m, of which acquisition of green licences of NOK 432m
- Negative cash flow from financing of NOK 854.3m
 - Dividends of NOK 896m
 - Interest paid NOK 24m
- Cash and cash equivalents of NOK 368.2m by the end of the quarter



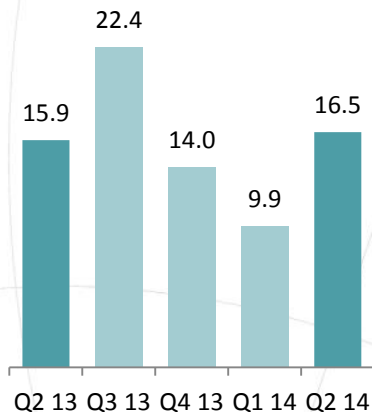
Operational update



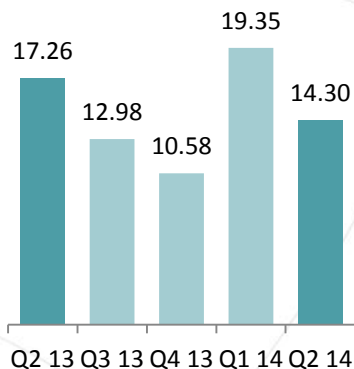
Farming Central Norway

Farming Central Norway	2Q 14	2Q 13	YTD 2014	YTD 2013	FY 2013
Operating income (NOK mill)	664	664	1 112	1 307	2 702
Operational EBIT	235	275	426	485	924
Operational EBIT %	35%	41%	38%	37%	34 %
Harvest volume (1,000 tgw)	16,5	15,9	26,3	33,7	70,2
EBIT/ kg gw (NOK)	14,30	17,26	16,19	14,39	13,17

Harvest volume (1,000 tons)



EBIT/kg (NOK)



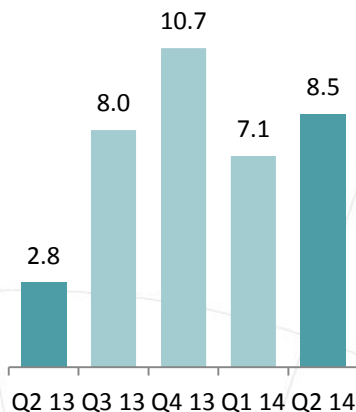
- Satisfying EBIT margin in the quarter
- Favorable harvest volume distribution
 - Taking advantage of high prices
 - Somewhat lower average weight
- Earnings negatively affected by biological situation
- Increased cost related to sea-lice
- Costs negatively affected by PD
 - On-growth in sea
 - Higher FCR
- Expect harvest volumes of 73 000 tons in 2014



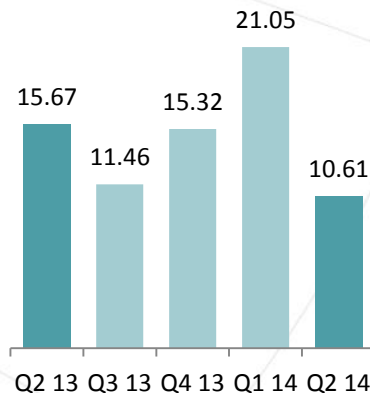
Farming Northern Norway

Farming Northern Norway	2Q 14	2Q 13	YTD 2014	YTD 2013	FY 2013
Operating income (NOK mill)	315	117	647	194	912,7
Operational EBIT	90	44	239	65	320,2
Operational EBIT %	29%	38%	37%	33%	35,1 %
Harvest volume (1,000 tgw)	8,5	2,8	15,6	5,1	23,8
EBIT/ kg gw (NOK)	10,61	15,67	15,36	12,64	13,45

Harvest volume (1,000 tons)



EBIT/kg (NOK)

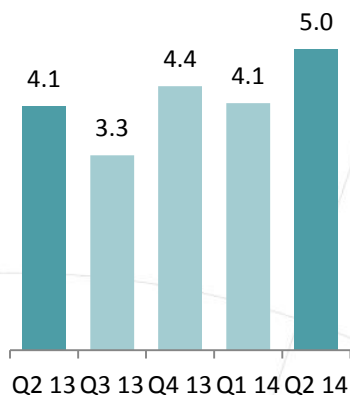


- Harvest volumes skewed towards the end of the quarter
- Still low average weight
 - Site MAB
 - Incidents of HSMB
- Biological situation remains sound
 - Sea-lice levels well within regulatory requirements
- Good development in sea for upcoming generations
- Expect harvest volumes in 2014 reduced to 35 000 tons

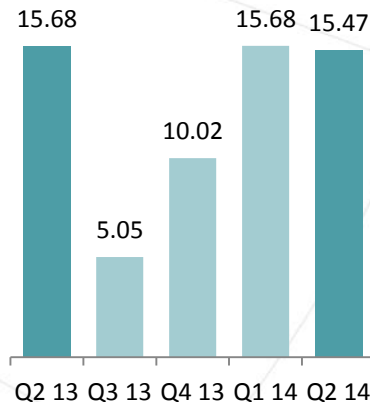
Farming Rauma

Farming Rauma	2Q 14	2Q 13	YTD 2014	YTD 2013	FY 2013
Operating income (NOK mill)	239	173	445	284	595,4
Operational EBIT	78	64	143	101	161,9
Operational EBIT %	33%	37%	32%	36%	27,2 %
Harvest volume (1,000 tgw)	5,0	4,1	9,2	7,2	14,9
EBIT/ kg gw (NOK)	15,47	15,68	15,56	14,06	10,88

Harvest volume (1,000 tons)



EBIT/kg (NOK)

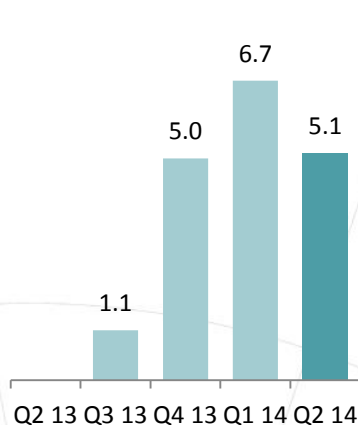


- Strong earnings due to higher volumes and increased share of organic salmon
- Organic salmon 60% of volumes
 - Prices less volatile than for conventional
 - Good development in sea and positive development in underlying cost
- Harvest volumes evenly distributed throughout the quarter
- Continued biological challenges related to sea-lice and PD
- 10% of harvest volume from brood stock site
 - Higher cost
- Expect harvest volumes of 17 000 tons in 2014

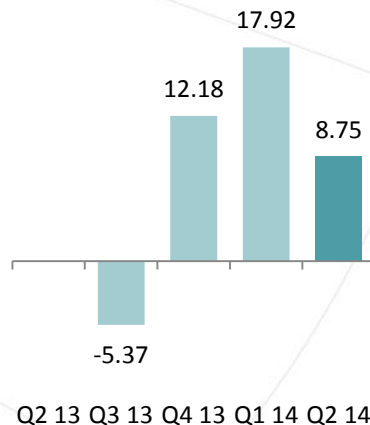
Villa Organic

NOKm	Q2 14	Q1 14	1H 2014	Q4 13
Operating income (mill.)	215.4	312.1	527.5	232.1
Operational EBIT (mill.)	44.4	120.1	164.5	60.5
Operational EBIT %	20.6%	38.5%	31.2%	26.0%
Harvested volume (1,000 tgw)	5.1	6.7	11.8	5.0
EBIT/ kg gw (NOK)	8.75	17.92	13.97	12.18

Harvest volume (1,000 tons)



EBIT/kg (NOK)

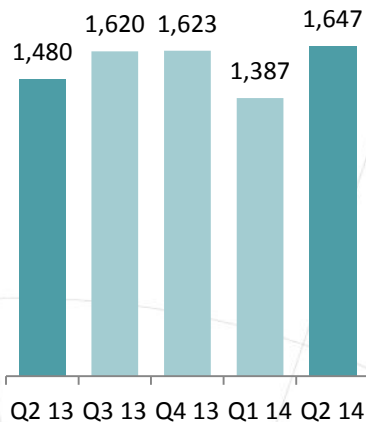


- Revenues negatively affected by lower volumes and lower prices
- Harvest volume 5 100 tons, down from 6 700 tons in Q1
 - Favorable volume distribution
- EBIT/kg down NOK 9.17 to NOK 8.75
QoQ Average spot down NOK 7.29/kg
- Earnings negatively affected by one-offs of NOK 15m
- Underlying cost development remains good, with average harvest cost in line with Q1 14
- Demerger effective from Q3

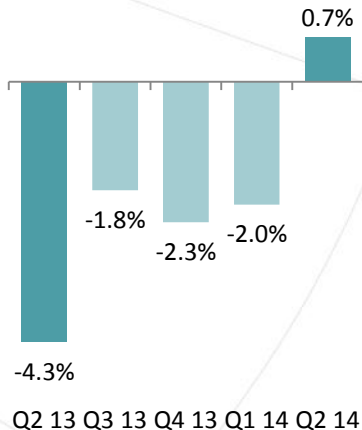
Sales & Processing

Sales and Processing	2Q 14	2Q 13	YTD 2014	YTD 2013	FY 2013
Operating income (NOK mill)	1 647	1 480	3 034	2 805	6 047,4
Operational EBIT	12	-64	-16	-94	-160,9
Operational EBIT %	1%	-4%	-1%	-3%	-3 %

Operating income (NOK million)



EBIT-margin (%)

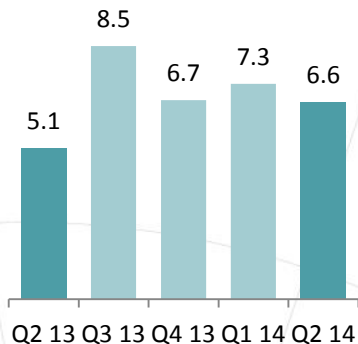


- Operating income up NOK 167m to NOK 1 646.9m YoY
- Strong Q2 14 operational EBIT of NOK 12m vs NOK -63.5m in Q2 13
- 40% on fixed price contracts, but neutral effect compared to spot
- Good efficiency within harvesting operations, but capacity utilization still an issue, increasing fixed cost/kg
- Processing still affected by the somewhat lower volumes and continued relatively high prices

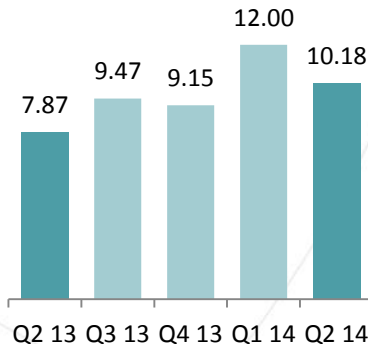
Norskott Havbruk (Scottish Seafarms)

NOK million	2Q 14	2Q 13	YTD 2014	YTD 2013	FY 2013
Operating income	332,2	211,1	723,1	500,2	1 189,1
EBIT before biomass adj.	67,6	40,2	154,7	79,0	221,1
EBIT before biomass adj. %	20,3 %	19,0 %	21,4 %	15,8 %	18,6 %
Value adjustment biomass	-20,8	7,0	-19,6	29,8	57,0
Profit before tax	44,3	44,3	134,8	103,9	267,2
SalMars share after tax	18,2	16,9	54,6	38,7	101,1
Harvest volume (1,000 tgw)	6,6	5,1	13,9	11,6	26,9
EBIT/ kg gw (NOK)	10,18	7,87	11,13	6,80	8,23

Harvest volume (1,000 tons)



EBIT/kg (NOK)



- Revenues and earnings driven by higher volumes and improved margins
- Harvest volume up 1 500 tons to 6 600 tons
 - SalMar share 3 300 tons
- High contract share, 53%
- EBIT/kg NOK 10.18 versus NOK 7.87 in Q2 13
- Negative cost impact YoY due to higher feed costs
- Biological health status remains good
- Expect harvest volumes of 25 000 tons in 2014

Outlook



Outlook

- Still cost challenges related sea lice going forward
- Still challenges related to PD in Farming Central Norway and Farming Rauma
 - Lower average weight on standing biomass YoY
- Utilization of coming licenses awarded in group B:
 - 7 licenses to be utilized in Farming Central Norway
 - 1 license to be utilized in Farming Northern Norway
- Norwegian government allowing a 6% higher MAB until 31.03.2015
 - Greater flexibility in terms of biomass
 - Lower harvesting pressure
 - Lower number of individs 13G S1 compared to 12G S1 end July
- We see continued strong demand in core markets going forward. Negative effects from the Russian turmoil short term
- Expect to harvest approx. 73 500 tons in 2H 2014
- Sales & processing - Current contract share for 3q 2014 app. 55 %.



Post-Balance Sheets Events

- 🌐 In June, the Directorate Of Fisheries announced the result for green licenses in group C.
 - SalMar was not among the 10 appliers awarded licenses
 - SalMar has appealed the decision

- 🌐 In July SalMar entered new loan agreement with DNB, Nordea and Danske Bank, extending and restructuring company debt
 - Agreement is for a 5 year period
 - Securing credit facilities totalling NOK 5bn
 - Long term facility of NOK 1bn
 - Investment/acquisition facility NOK 2bn
 - Revolving credit facility NOK 1.5bn
 - Overdraft facility up to NOK 0.5bn



Thank you for your attention

See www.salmar.no for more information

