



# SalMar ASA

Presentation Q1 2016

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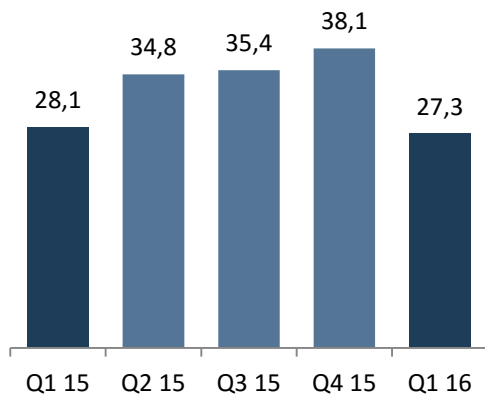
# Agenda

- Highlights
- Operational update
- Financial update
- Outlook

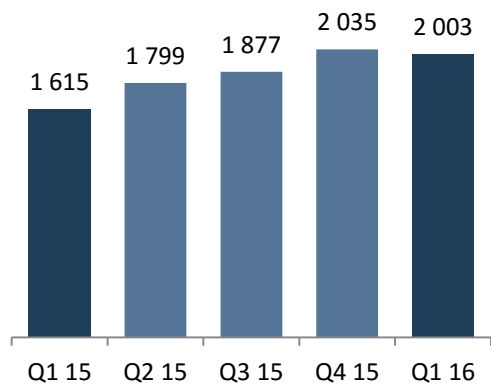
# First quarter 2016 highlights

- Record result driven by high prices
- Biological situation in Central Norway still a challenge
- Sales & Processing negatively affected by 55% contract share
- Improved capacity for handling of sea-lice

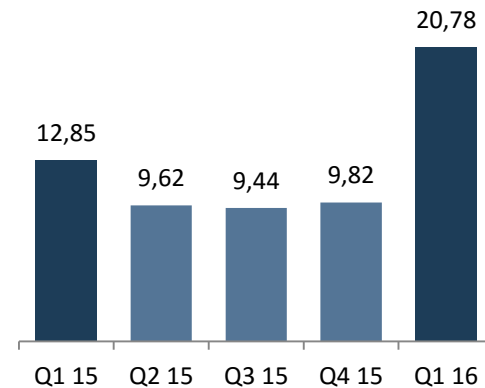
Harvest volume (1,000 tons)



Operating income (NOKm)



EBIT/kg (NOK)

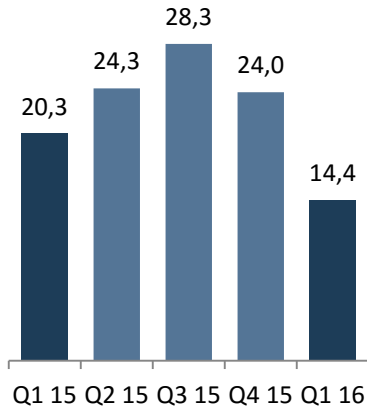


# Operational update

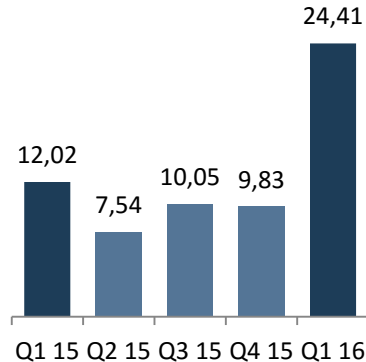
# Farming Central Norway

	Q1 2016	Q1 2015	FY 2015
Operating income (NOKm)	844	821	3 942
Operational EBIT (NOKm)	351	244	948
Operational EBIT %	42%	30%	24%
Harvested volume (tgw)	14,4	20,3	96,9
EBIT/kg	24,41	12,02	9,78

Harvest volume (1,000 tons)



EBIT/kg (NOK)



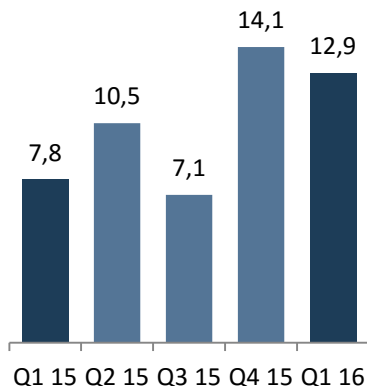
- Challenging situation
  - Control the sea lice situation
  - Outbreak of ISA (April)
  - Driving costs and affects overall efficiency
- Some accelerated harvesting
  - Better growth
- Stable cost levels going forward
- High spot-prices squeeze premium on organic salmon
- Expect harvest volumes of 81 000 tons in 2016



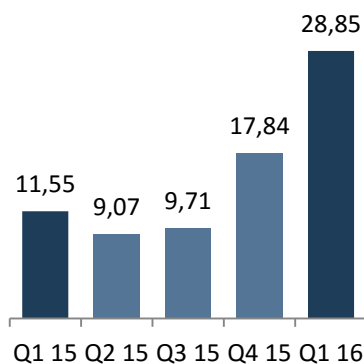
# Farming Northern Norway

	Q1 2016	Q1 2015	FY 2015
Operating income (NOKm)	739	306	1 647
Operational EBIT (NOKm)	372	90	506
Operational EBIT %	50%	29%	31%
Harvested volume (tgw)	12,9	7,8	39,5
EBIT/kg	28,85	11,55	12,81

Harvest volume (1,000 tons)



EBIT/kg (NOK)



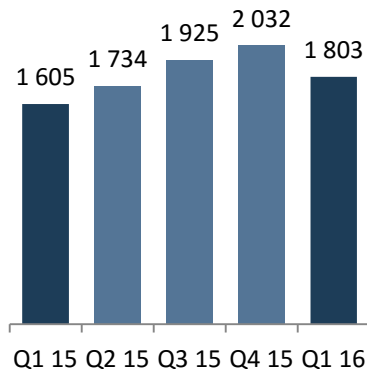
- Sound biological situation
  - Good performance in sea
  - Positive development in underlying operations
- Stable cost levels going forward
- Approx. 10 % of volume from jointly operated facilities
- Expect harvest volume of 50 000 tons in 2016

# Sales & Processing

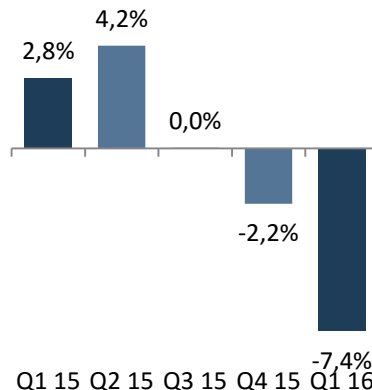
	Q1 2016	Q1 2015	FY 2015
Operating income (NOKm)	1 803	1 605	7 295
Operational EBIT (NOKm)	-133	46	73
Operational EBIT %	-7%	3%	1%

- Sales negatively affected by 55% contract-share
- Somewhat lower capacity utilisation for slaughtering and processing due to seasonality
- Increased handling and more complex logistics continue to affect overall operational efficiency
- Expect 50 % contract share for the second quarter of 2016

Operating income (NOKm)



EBIT-margin (%)

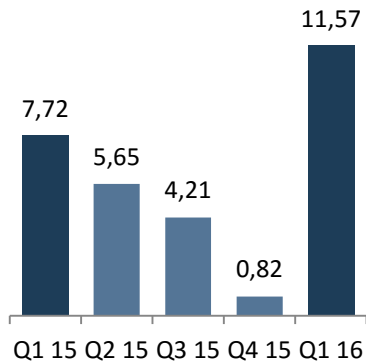
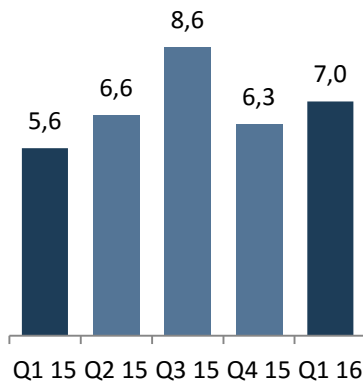


# Norskott Havbruk

	Q1 2016	Q1 2015	FY 2015
Operating income (NOKm)	422	325	1 498
Operational EBIT (NOKm)	81	43	122
Operational EBIT %	19%	13%	8%
Value adjustments biomass	54	1	-24
Profit before tax	132	42	90
SalMars share after tax	58	16	41
Harvested volume (tgw)	7,0	5,6	27,0
EBIT/kg	11,57	7,72	4,50

Harvest volume (1,000 tons)

EBIT/kg (NOK)



- Contract share of some 51% during the quarter
- Sea lice still a challenge on Shetland
- Improved overall biological situation and performance
- Investing in mechanical treatment capacity
- New sites – increased capacity approved
- Expect harvest volumes of 26 000 tons in 2016



# Status on Ocean Farming



- On 28 February 2016 the Norwegian Directorate of Fisheries awarded the first eight development licences to Ocean Farming AS (91 % owned by SalMar)
- The development licences have been granted for a period of seven years
- May be converted into ordinary production licences before that time if their objectives and the criteria on which they were granted have been met
- Area for location granted
- Working towards first fish in sea 2017

# Financial update



# Operational EBIT deviation analysis (yoy)



- Extremely strong 1Q16 prices
- Negative impact from 55% contract sales
- Farming affected by higher feed cost and biological challenges
- Total EBIT/kg Q1 2016 NOK 20.78, up NOK 7.94 from Q1 2015

# Group profit and loss

NOK Million	Q1 2016	Q1 2015	FY 2015
<b>Operating income</b>	<b>2 003,3</b>	<b>1 615,0</b>	<b>7 326,2</b>
Cost of goods sold	846,6	723,1	3 562,8
Payroll expenses	193,4	177,6	765,9
Other operating expenses	311,8	279,8	1 272,2
EBITDA	651,5	434,5	1 725,3
Depreciations	85,0	73,7	321,4
<b>Operational EBIT</b>	<b>566,5</b>	<b>360,8</b>	<b>1 403,9</b>
Fair value adjustment	168,0	-59,5	39,9
<b>Operational profit</b>	<b>734,5</b>	<b>301,3</b>	<b>1 443,8</b>
Income from investments in associates	57,8	16,1	40,2
Net interest costs	-25,4	-23,4	-95,3
Other financial items	13,3	1,3	-5,1
<b>Profit before tax</b>	<b>780,2</b>	<b>295,3</b>	<b>1 383,7</b>
Tax	175,6	77,1	254,9
<b>Net profit for the period</b>	<b>604,6</b>	<b>218,2</b>	<b>1 128,8</b>

- Revenues boosted by record high prices
- Average salmon price (NASDAQ)  
NOK 58.85/kg (NOK 41.12)
- 55% contract share affecting results negatively
- Production costs affected by sanitary conditions
- EBIT/kg NOK 20.78 vs NOK 12.85 in Q1 15

# Group balance sheet

NOK Million	31.03.2016	31.03.2015	31.12.2015
<b>ASSETS</b>			
Intangible fixed assets	2 911,5	2 905,8	2 913,5
Tangible fixed assets	2 584,3	2 046,2	2 412,0
Financial fixed assets	650,1	569,3	636,2
<b>Total fixed assets</b>	<b>6 145,9</b>	<b>5 521,3</b>	<b>5 961,7</b>
Inventory	3 714,1	3 143,4	3 634,3
Accounts receivables	734,0	780,3	815,5
Other short-term receivables	314,0	147,4	258,3
Cash and cash equivalents	210,0	86,1	273,7
<b>Total current assets</b>	<b>4 972,1</b>	<b>4 157,2</b>	<b>4 981,8</b>
<b>TOTAL ASSETS</b>	<b>11 118,0</b>	<b>9 678,5</b>	<b>10 943,5</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in equity	509,4	476,6	501,1
Reserves	5 191,7	4 839,6	4 646,3
Minority interests	88,4	60,3	79,7
<b>Total equity</b>	<b>5 789,5</b>	<b>5 376,4</b>	<b>5 227,0</b>
Provisions for liabilities	1 241,0	1 215,3	1 230,8
Int. bearing long-term liabilities	1 999,2	1 528,4	2 761,4
<b>Total long-term liabilities</b>	<b>3 240,2</b>	<b>2 743,6</b>	<b>3 992,5</b>
Int. bearing short-term liabilities	140,4	315,2	140,4
Other short-term liabilities	1 947,9	1 243,2	1 583,9
<b>Total short-term liabilities</b>	<b>2 088,3</b>	<b>1 558,5</b>	<b>1 723,9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>11 118,0</b>	<b>9 678,5</b>	<b>10 943,5</b>
<b>Net interest bearing debt</b>	<b>1 929,6</b>	<b>1 757,5</b>	<b>2 628,1</b>
<b>Equity share</b>	<b>52,1 %</b>	<b>55,6 %</b>	<b>47,8 %</b>

- Investments in line with ongoing investment program
  - Strengthened sea lice handling capacity
- Strengthened financial position
  - Equity buildup
- Increased biological assets
  - Increased fair value of NOK 150.6 million
  - Increased cost base of NOK 17.6 million
- Net interest bearing debt reduced to NOK 1 930 million
- Strong financial position, equity ratio at 52.1%

# Group cash flow

NOK million	Q1 2016	Q1 2015	FY 2015
Profit before tax	780,2	295,3	1 383,7
Tax paid in period	-7,7	-4,1	-315,1
Depreciation	85,0	73,7	321,4
Share of profit/loss from associates	-57,8	-16,1	-40,2
Gains exit subsidiaries	-28,4	-	-
Change in fair value adjustments	-168,0	59,5	-39,9
Change in working capital	355,2	259,9	279,2
Other changes	42,2	7,8	33,3
<b>Net cash flow from operating activities</b>	<b>1 000,7</b>	<b>676,0</b>	<b>1 622,3</b>
<b>Net cash flow from investing activities</b>	<b>-276,8</b>	<b>-109,6</b>	<b>-724,7</b>
Change in interest-bearing debt	-762,2	-624,6	424,8
Dividend paid out	-	-	-1 124,9
Interest paid	-25,4	-23,4	-95,3
Other changes	-	-0,1	-0,1
<b>Net cash flow from financing activities</b>	<b>-787,6</b>	<b>-648,1</b>	<b>-795,5</b>
<b>Net change in cash for the period</b>	<b>-63,7</b>	<b>-81,7</b>	<b>102,0</b>
Foreign exchange effects	-0,1	0,8	4,7
Cash in the beginning of the period	273,7	167,0	167,0
<b>Cash at the end of the period</b>	<b>210,0</b>	<b>86,1</b>	<b>273,7</b>

- Strong cash flow from operations
  - Strong operational earnings
  - Working capital release
- Net cash flow from investments at NOK 276.8 million
  - Investments in operational assets and smolt capacity
  - Ocean Farming
  - Sea lice handling equipment
- Significant debt reductions
- Cash and cash equivalents decreased by NOK 63.7 million to NOK 210 million



# Outlook



# ISA

- Outbreaks in Norway every year since 2004
- ISA has been proven on SalMars site Ørnøya S1 2015 generation, located outside of Frøya, Sør-Trøndelag
- No clear cause of infection
- Average weight of the fish approx. 4.4 kg.
- SalMar has already started harvesting out the fish
- A farming zone with good cooperation between farmers and good capacity to deal with the situation



# Outlook

- Still challenging biological situation, improved capacity for handling of sea lice
- Current contract share for Q2 2016 approx. 50%
  - FY 2016 approx. 35%
- Expect to harvest approx. 45 % of the total volume of 131 000 tons in 1H 2016
- Icelandic operations continue as planned
- Tight market expected to support strong prices going forward
  - Global supply expected to drop 7% in 2016
  - Norwegian supply expected down 4%
- AGM to be held on 7 June 2016 on Frøya
  - BoD will propose a DPS of NOK 10.0

A wide-angle photograph of a large salmon farming cage system floating on the water. The cage is a rectangular metal frame with several large, conical net structures (aerators) attached. In the background, a small dark building is visible on the water. The sky is filled with dramatic, layered clouds, and the sun is low on the horizon, creating a warm, golden light. The water is calm with gentle ripples.

Thank you for your attention!

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