



SalMar ASA

Presentation Q2 2016

CEO Leif Inge Nordhammer
CFO Trond Tuvstein

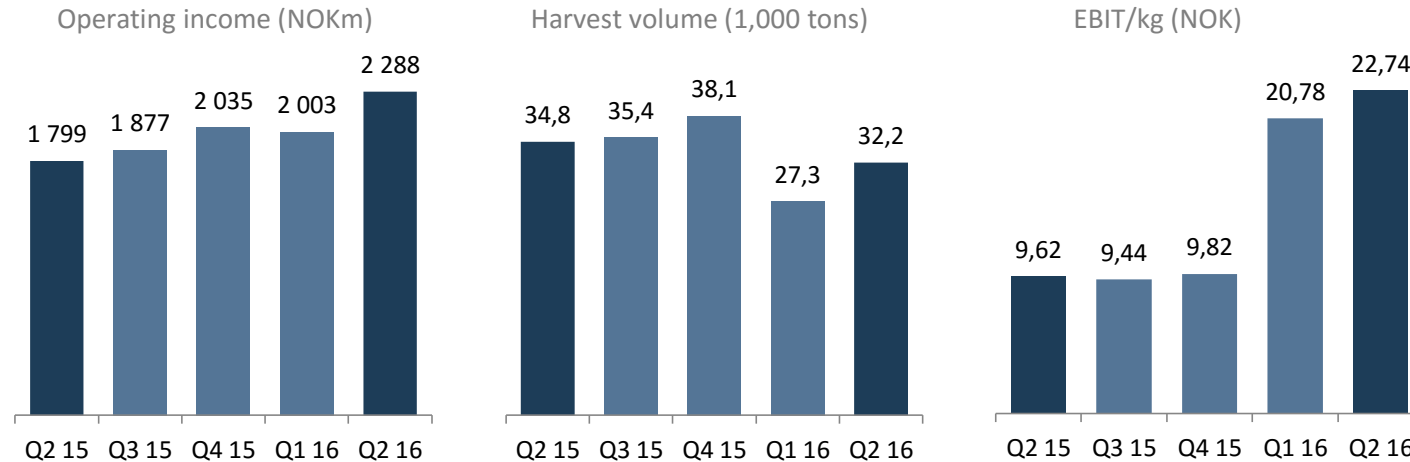
Agenda

- Highlights
- Operational update
- Financial update
- Outlook



Second quarter 2016 highlights

- Prices driving revenues and results
- Record-high operational EBIT of NOK 732 million, up from NOK 335 million in Q2 2015
- Biological challenges in Central Norway driving costs
- 45% of sales under contracts with prices well below average spot

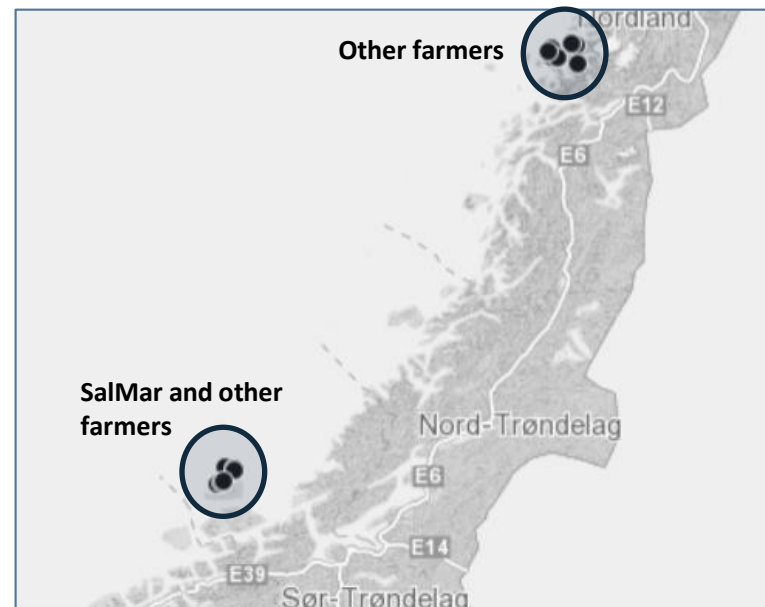


A fisherman in a blue and yellow jacket is working on a fishing net on a boat deck. He is wearing blue gloves and using orange-handled pliers. In the background, another person in a black and yellow jacket is also working on a net. The boat has a metal railing and a net is draped over it. The background shows a snowy landscape under a cloudy sky.

Operational update

ISA situation per week 33

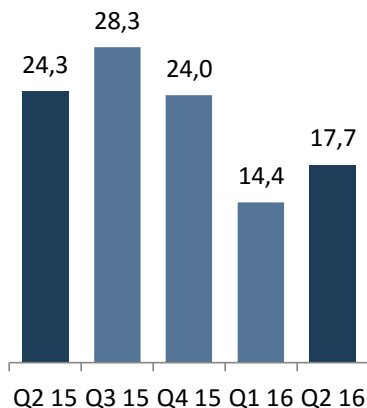
- ISA-suspicion 2 locations
 - Some 1,3 million individuals
 - No clinical issues, mortality due to ISA
 - Sites surveyed and is harvested out according to plans
 - Production and harvest weights minimally affected
 - Entire zone planned cleared 2H 2016 due to operational plan



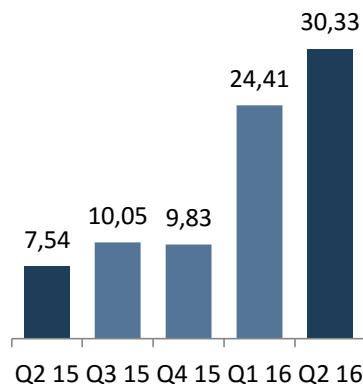
Farming Central Norway

	Q2 2016	Q2 2015	FY 2015
Operating income (NOKm)	1 093	901	3 942
Operational EBIT (NOKm)	538	184	948
Operational EBIT %	49 %	20%	24%
Harvested volume (tgw)	17,7	24,3	96,9
EBIT/kg	30,33	7,54	9,78

Harvest volume (1,000 tons)



EBIT/kg (NOK)

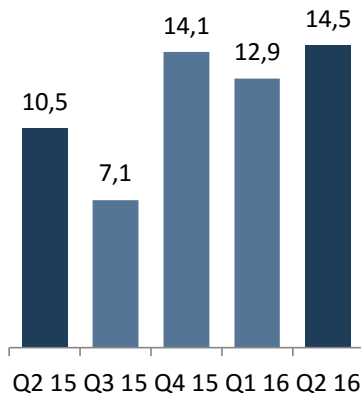


- Still challenging biological situation
 - Still issue with Sea lice
 - Suspicion ISA on 2 sites – not confirmed - in July
- Good operational performance
 - Reduced overall costs
- Unfavourable harvest distribution affecting prices achieved negatively
- High spot-prices squeeze premium on organic salmon
- Expect harvest volumes of 77 000 tons in 2016

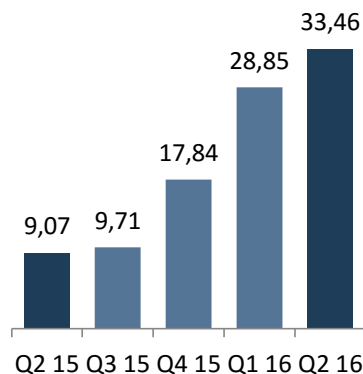
Farming Northern Norway

	Q2 2016	Q2 2015	FY 2015
Operating income (NOKm)	901	387	1 647
Operational EBIT (NOKm)	484	95	506
Operational EBIT %	54%	25%	31%
Harvested volume (tgw)	14,5	10,5	39,5
EBIT/kg	33,46	9,07	12,81

Harvest volume (1,000 tons)



EBIT/kg (NOK)

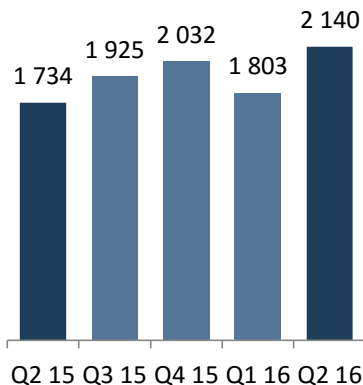


- Good operational performance with satisfactory biological results
- Zone regulations influence harvest distribution, negative effect on prices achieved
 - Will also effect costs in 3q-16 negatively
- Biological situation remains sound
 - Investments in mechanical treatment
 - Improved preparedness
- Expect harvest volume of 49 000 tons in 2016 – volumes moved to 2017

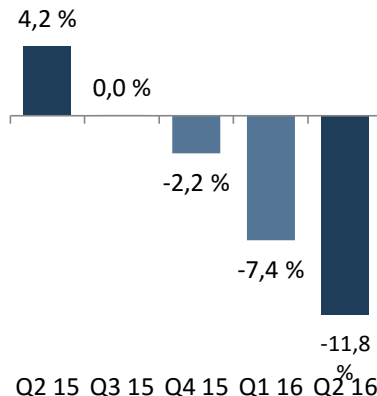
Sales & Processing

	Q2 2016	Q2 2015	FY 2015
Operating income (NOKm)	2 140	1 734	7 295
Operational EBIT (NOKm)	-253	72	73
Operational EBIT %	-12%	4%	1%

Operating income (NOKm)



EBIT-margin (%)

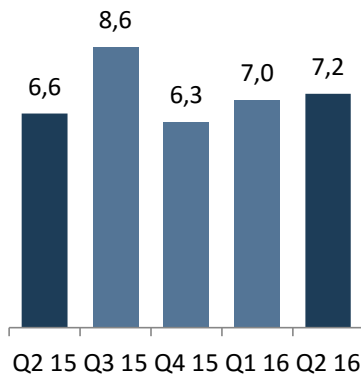


- 45% of sales under contract at prices well below average spot
- Sanitary situation affecting operational efficiency through increased handling and more complex logistics
- Downgrades and suboptimal sizes affect prices achieved
- Improved capacity utilisation within processing, but still affected by high raw material prices
- Expect 40% contract share for 2H 2016 at higher price levels than in 1H.

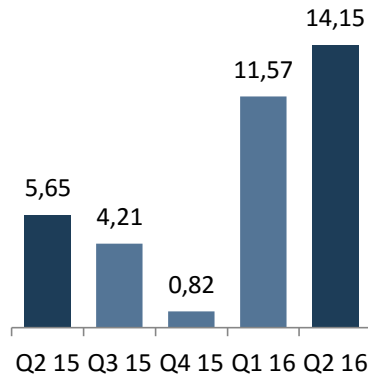
Norskott Havbruk

	Q2 2016	Q2 2015	FY 2015
Operating income (NOKm)	433	344	1 498
Operational EBIT (NOKm)	101	37	122
Operational EBIT %	23%	11%	8%
Value adjustments biomass	-3	-21	-24
Profit before tax	89	15	90
SalMars share after tax	35	6	41
Harvested volume (tgv)	7,2	6,6	27,0
EBIT/kg	14,15	5,65	4,50

Harvest volume (1,000 tons)



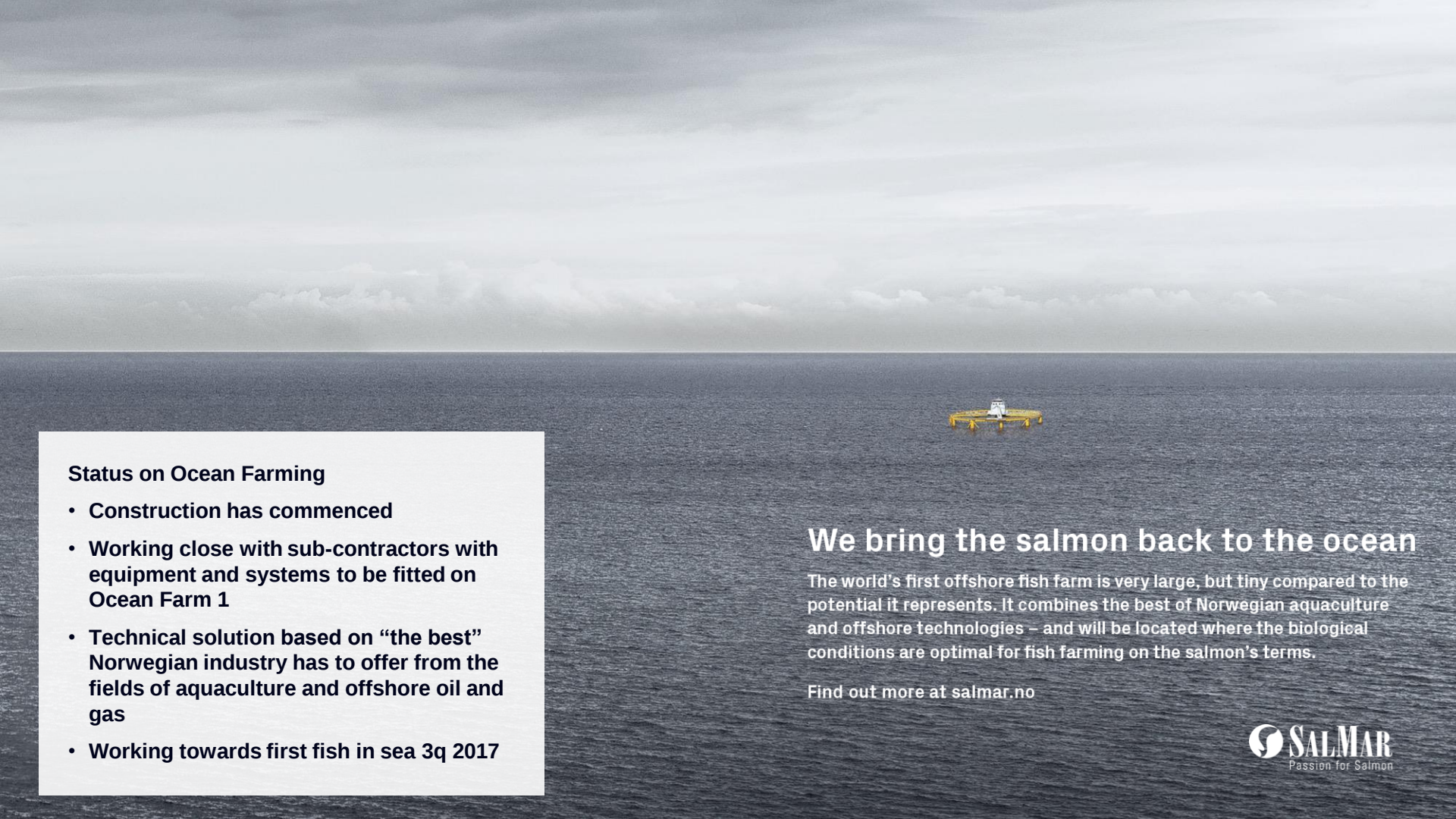
EBIT/kg (NOK)



- Contract share of some 49% during the quarter
- The biological situation is good in Scottish Mainland and Orkney
- Sea lice still a challenge on Shetland
 - Accelerated harvesting
 - Mechanical treatment capacity arrived
- Expect harvest volumes of 26 000 tons in 2016







Status on Ocean Farming

- Construction has commenced
- Working close with sub-contractors with equipment and systems to be fitted on Ocean Farm 1
- Technical solution based on “the best” Norwegian industry has to offer from the fields of aquaculture and offshore oil and gas
- Working towards first fish in sea 3q 2017

We bring the salmon back to the ocean

The world's first offshore fish farm is very large, but tiny compared to the potential it represents. It combines the best of Norwegian aquaculture and offshore technologies – and will be located where the biological conditions are optimal for fish farming on the salmon's terms.

Find out more at salmar.no

Financial update



Operational EBIT deviation analysis (yoy)



- Record high prices
 - Average price up NOK 26,22/kg yoy
- 45% of sales on contracts with significant negative effect
- Farming costs driven by biological challenges
- EBIT/kg Q2 2016 NOK 22.74, up from NOK 9.62 in Q2 2015

Group profit and loss

NOK million	2Q 16	2Q 15	YTD 2016	YTD 2015	FY 2015
Operating income	2 288,1	1 799,3	4 291,5	3 414,3	7 326,2
Cost of goods sold	910,8	890,9	1 757,3	1 614,0	3 562,8
Payroll expenses	211,3	190,2	404,8	367,8	765,9
Other operating expenses	345,8	305,9	657,6	585,8	1 272,2
EBITDA	820,2	412,3	1 471,8	846,8	1 725,3
Depreciations	88,4	77,2	173,4	151,0	321,4
Operational EBIT	731,8	335,1	1 298,4	695,9	1 403,9
Fair value adjustment	-223,7	-60,2	-55,7	-119,7	39,9
Operational profit	508,1	274,9	1 242,6	576,2	1 443,8
Income from investments in associates	34,2	5,8	92,0	22,0	40,2
Net interest costs	-22,3	-22,0	-47,7	-45,4	-95,3
Other financial items	7,2	-1,5	20,5	-0,3	-5,1
Profit before tax	527,2	257,2	1 307,4	552,4	1 383,7
Tax	124,8	69,6	300,4	146,7	254,9
Net profit for the period	402,4	187,6	1 007,0	405,8	1 128,8

- Revenues and results driven by record high prices
- Average salmon price (NASDAQ) NOK 64.22/kg (NOK 38.00)
- 45% contract share with significant effect on prices achieved
- Costs affected by biological conditions
- EBIT/kg NOK 22.74 vs NOK 9.62 in Q2 15

Group balance sheet

NOK Million	30.06.2016	31.03.2016	31.12.2015	30.06.2015
ASSETS				
Intangible fixed assets	2 913,0	2 911,5	2 913,5	2 921,6
Tangible fixed assets	2 866,5	2 584,3	2 412,0	2 144,1
Financial fixed assets	851,3	650,1	636,2	595,4
Total fixed assets	6 630,8	6 145,9	5 961,7	5 661,1
Inventory	3 637,7	3 714,1	3 634,3	3 031,9
Accounts receivables	774,1	734,0	815,5	841,8
Other short-term receivables	328,5	314,0	258,3	219,6
Cash and cash equivalents	198,9	210,0	273,7	109,0
Total current assets	4 939,3	4 972,1	4 981,8	4 202,3
TOTAL ASSETS	11 570,0	11 118,0	10 943,5	9 863,5
EQUITY AND LIABILITIES				
Paid-in equity	515,7	509,4	501,1	476,6
Reserves	4 455,5	5 191,7	4 646,3	3 923,7
Minority interests	76,3	88,4	79,7	68,5
Total equity	5 047,6	5 789,5	5 227,0	4 468,7
Provisions for liabilities	1 189,3	1 241,0	1 230,8	1 201,5
Int. bearing long-term liabilities	2 488,6	1 999,2	2 761,4	2 516,1
Total long-term liabilities	3 677,9	3 240,2	3 992,5	3 717,6
Int. bearing short-term liabilities	320,6	140,4	140,4	325,0
Other short-term liabilities	2 524,0	1 947,9	1 583,9	1 352,1
Total short-term liabilities	2 844,6	2 088,3	1 723,9	1 677,1
TOTAL EQUITY AND LIABILITIES	11 570,0	11 118,0	10 943,5	9 863,5
Net interest bearing debt	2 610,3	1 929,6	2 628,1	2 732,2
Equity share	43,6 %	52,1 %	47,8 %	45,3 %

- Investments in line with ongoing investment programs
- Increased biological assets
 - Reduced fair value of NOK 76.4 million
 - Increased cost base of NOK 46.0 million
- Other short-term liabilities up NOK 576 million
- Net interest bearing debt increased to NOK 2 610 million
- Equity ratio down to 43.6% after dividend pay out

Group cash flow

NOK million	Q2 16	Q2 15	YTD 2016	YTD 2015	FY 2015
Profit before tax	527,2	257,2	1 307,4	552,4	1 383,7
Tax paid in period	-9,8	-1,1	-17,6	-5,2	-315,1
Depreciation	88,4	77,2	173,4	151,0	321,4
Share of profit/loss from associates	-34,2	-5,8	-92,0	-22,0	-40,2
Gains exit subsidiaries	-	-	-28,4	-	-
Change in fair value adjustments	223,7	60,2	55,7	119,7	-39,9
Change in working capital	197,7	-49,8	552,9	210,1	279,2
Other changes	34,4	21,0	76,6	28,8	33,3
Net cash flow from operating activities	1 027,5	358,8	2 028,1	1 034,8	1 622,3
Net cash flow from investing activities	-566,6	-190,9	-843,4	-300,5	-724,7
Change in interest-bearing debt	669,6	997,6	-92,6	372,9	424,8
Dividend paid out	-1 121,2	-1 120,0	-1 121,2	-1 120,0	-1 124,9
Interest paid	-22,3	-22,0	-47,7	-45,4	-95,3
Other changes	-	0,2	-	0,2	-0,1
Net cash flow from financing activities	-473,9	-144,2	-1 261,5	-792,3	-795,5
Net change in cash for the period	-13,0	23,7	-76,7	-58,0	102,0
Foreign exchange effects	1,8	-0,8	2,0	-	4,7
Cash in the beginning of the period	210,0	86,1	273,7	167,0	167,0
Cash at the end of the period	198,9	109,0	198,9	109,0	273,7

- Strong cash flow from operations
 - Strong operational earnings
 - Working capital release
- Net cash flow from investments at NOK 566,6 million
 - NOK 370 million related investments in operational assets
 - NOK 103 million in Ocean Farming
 - NOK 143 million in existing and new smolt capacity
 - Loan of NOK 242 million - financing of share issue in Arnarlax HF
 - Dividend from Norskott NOK 47,5 million
- Cash and cash equivalents decreased by NOK 13 million to NOK 199 million



Outlook

- Still challenging biological situation in Central Norway
- Improved capacity and preparedness for handling of sea lice
 - Both North and Central Norway
- New guiding: Expect harvest volume of 126 000 tons (Norway) in 2016
- Current contract share for 2H 2016 around 40%
 - Contracts in 2H16 on a higher price level then in 1H16
- Icelandic operations continue as planned
- Tight market support strong prices going forward, but somewhat down in 2H compared to 1H.
 - Global supply expected down 6% in 2016
 - Norwegian supply expected down 3%

Thank you for your attention!

