



SalMar ASA

Presentation Q4 2016

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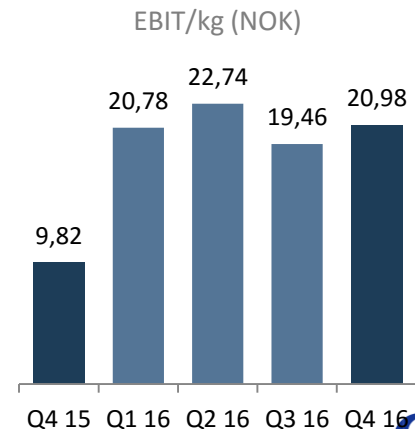
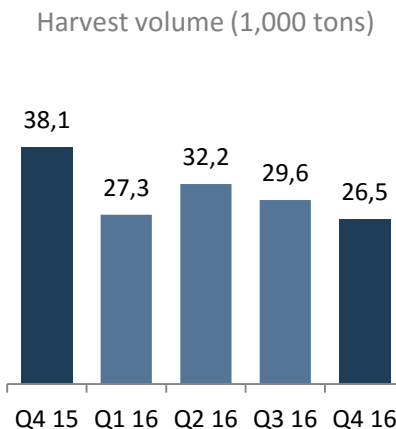
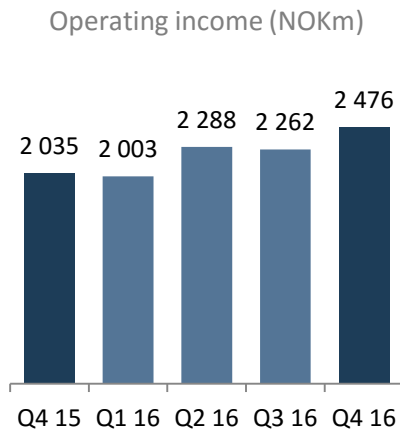


Agenda

- Highlights
- Operational update
- Financial update
- Outlook

Fourth quarter 2016 highlights

- Continued high prices driving revenues and earnings
- 60% of sales on contracts to prices below average spot
- High cost on harvested volume in Farming Central Norway
- Record earnings for Farming Northern Norway
- Pushing 2,500 tons from 2016 to 2017, expect to harvest some 131,000 tons in 2017
- The Board of Directors propose dividend of NOK 12 per share for 2016



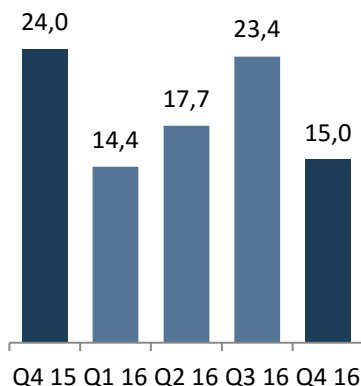
A man wearing a grey baseball cap, an orange and red high-visibility jacket, and blue and red work gloves stands in the foreground. He is looking off to the side. In the background, there is a large net pen structure in a body of water, with mountains visible in the distance under a cloudy sky.

Operational update

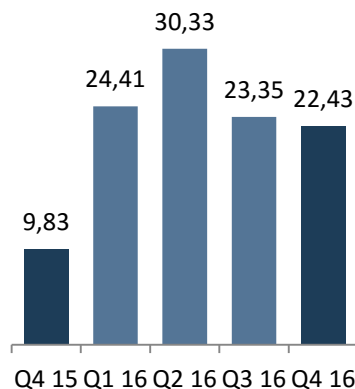
Farming Central Norway

| | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|------------------------------|---------|---------|---------|---------|
| Operating income (NOKm) | 981.7 | 1 050.3 | 4 343.5 | 3 941.7 |
| Operational EBIT (NOKm) | 335.5 | 235.8 | 1 770.2 | 947.7 |
| Operational EBIT % | 34.2% | 22.4% | 40.8% | 24.0% |
| Harvested volume (1 000 tgw) | 15.0 | 24.0 | 70.5 | 96.9 |
| EBIT/kg | 22.43 | 9.83 | 25.13 | 9.78 |

Harvest volume (1,000 tons)



EBIT/kg (NOK)

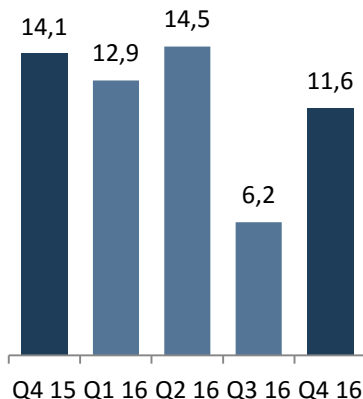


- High cost, positive trend through the quarter
 - 30% of volume organic salmon
 - Some accelerated harvesting
 - Optimizing production, pushing some volumes into 2017
- Biological situation still challenging, improved yoy
 - Strengthened treatment capacity and readiness
- Margin-squeeze on organic salmon
 - High spot-prices reduce premium
 - Market challenges related to labelling
 - Outlook for political solution to market issues
- Expect to harvest 85,000 tons in 2017

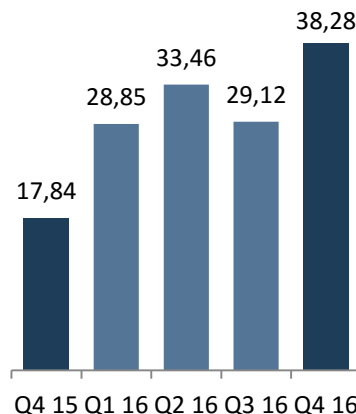
Farming Northern Norway

| | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|------------------------------|---------|---------|---------|---------|
| Operating income (NOKm) | 790.1 | 670.5 | 2 799.2 | 1 646.9 |
| Operational EBIT (NOKm) | 443.6 | 252.1 | 1 480.3 | 505.8 |
| Operational EBIT % | 56.1% | 37.6% | 52.9% | 30.7% |
| Harvested volume (1 000 tgw) | 11.6 | 14.1 | 45.2 | 39.5 |
| EBIT/kg | 38.28 | 17.84 | 32.78 | 12.81 |

Harvest volume (1,000 tons)



EBIT/kg (NOK)

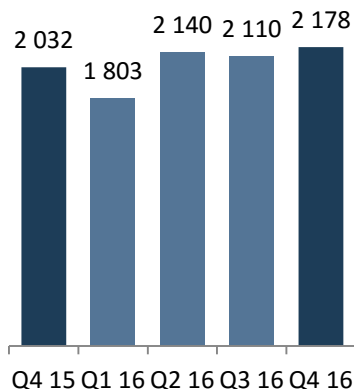


- Very strong performance
- Favourable volume distribution compared to spot price development
- Stable cost level, expected to persist going forward
- Satisfactory biological situation
- Experiencing some sea lice issues in southern parts of the region
 - Improved preparedness and capacity through investments in non-medicamental treatment
 - Coordinating operations with other farmers in the area to improve biosecurity
- Expect to harvest 46,000 tons in 2017

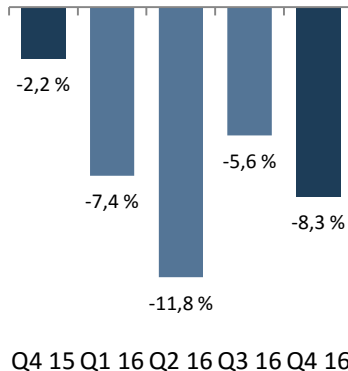
Sales & Processing

| | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|-------------------------|---------|---------|---------|---------|
| Operating income (NOKm) | 2 178.1 | 2 031.6 | 8 231.4 | 7 295.0 |
| Operational EBIT (NOKm) | -180.5 | -45.4 | -685.8 | 72.6 |
| Operational EBIT % | -8.3% | -2.2% | -8.3 % | 1.0% |

Operating income (NOKm)



EBIT-margin (%)



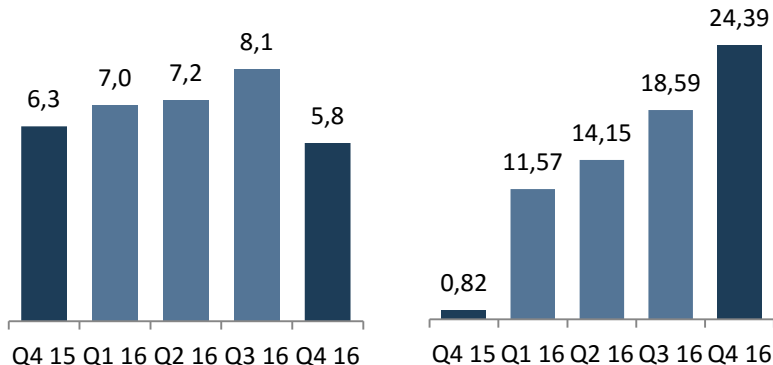
- 60% of sales on contract at prices well below average spot
 - Higher contract share as some volumes are pushed into 2017
- Operational efficiency affected by biological situation within farming
- Capacity adjustments and production alignments improved efficiency for processing
 - High raw material prices remains a challenge
- Contract share for 1H 2017 currently around 47%, for 2H 2017 approx. 38%
- Contract-prices up from 2016

Norskott Havbruk

| | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|-----------------------------|---------|---------|---------|---------|
| Operating income (NOKm) | 354.6 | 367.2 | 1 720.6 | 1 498.5 |
| Operational EBIT (NOKm) | 140.4 | 5.2 | 473.9 | 121.6 |
| Operational EBIT % | 39.6% | 1.4% | 27.5% | 8.1% |
| Value adjustments biomass | 50.3 | 19.6 | 127.8 | -23.9 |
| Profit before tax | 185.3 | 22.0 | 581.8 | 90.4 |
| SalMars share after tax | 73.9 | 13.5 | 236.6 | 41.4 |
| Harvested volume (1000 tgw) | 5.8 | 6.3 | 28.0 | 27.0 |
| EBIT/kg | 24.39 | 0.82 | 16.90 | 4.50 |

Harvest volume (1,000 tons)

EBIT/kg (NOK)



- Strong performance
- Volumes from Scotland and Orkney region
 - Good biological performance in both
- Contract share of some 60% in the quarter
 - Prices well below average spot
- The biological situation is good in all regions
 - Some sea lice issues in Shetland region
 - Non-medicamental treatment capacity available
- Expect harvest volumes of approx. 30,000 tons in 2017

Arnarlax Hf

| | FY 2016 |
|-----------------------------|---------|
| Operating income (NOKm) | 247,4 |
| Operational EBIT (NOKm) | -1,7 |
| Operational EBIT % | -0,7% |
| Value adjustments biomass | 183,5 |
| Profit before tax | 205,4 |
| SalMars share after tax | 52,2 |
| Harvested volume (1000 tgw) | 4,0 |
| EBIT/kg | -0,41 |

- First year of harvesting
 - High cost on first generation (production time, mortality)
- Non-recurring costs related to the acquisition of Fjardalax
- Started harvesting of second generation (2015 generation)
 - Cost improvement
- Expect harvest volumes of approx. 10,000 tons in 2017



Financial update

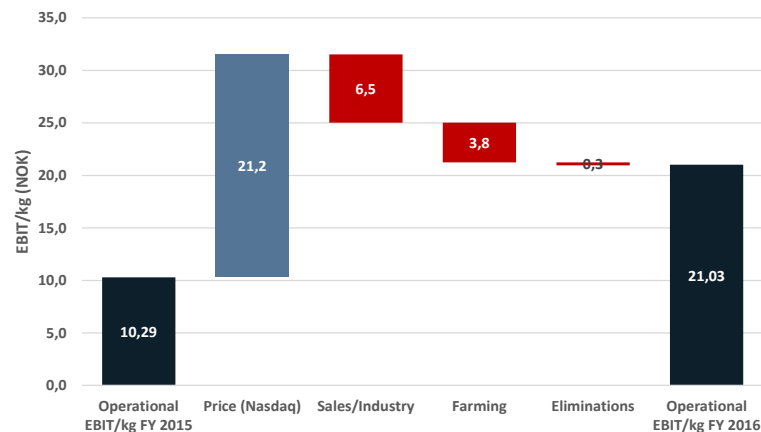
Operational EBIT deviation analysis (yoy)

Q4 2015 VS Q4 2016



- Continued strong prices
- 60% of sales on contracts with significant negative effect
- Farming costs remains high
- EBIT/kg Q4 2016 NOK 20.98, up from NOK 9.82 in Q4 2015

FY 2015 VS FY 2016



- Record strong prices all through 2016. NOK 62,68/kg (NOK 41,45)
- Sales and Industry strongly affected by sales on contract
- Biological situation in Central Norway driving costs in farming segment
- EBIT/kg 2016 NOK 21.03, up from NOK 10.29 in 2015

Group profit and loss

| NOK million | Q4 2016 | 4Q 2015 | FY 2016 | FY 2015 |
|---------------------------------------|----------------|----------------|----------------|----------------|
| Operating income | 2 476,3 | 2 035,2 | 9 029,8 | 7 326,2 |
| Cost of goods sold | 1 220,6 | 1 017,0 | 4 000,8 | 3 562,8 |
| Payroll expenses | 238,9 | 201,2 | 861,5 | 765,9 |
| Other operating expenses | 365,4 | 348,2 | 1 377,8 | 1 272,2 |
| EBITDA | 651,4 | 468,9 | 2 789,7 | 1 725,3 |
| Depreciations | 94,4 | 94,7 | 358,0 | 321,4 |
| Operational EBIT | 557,0 | 374,3 | 2 431,6 | 1 403,9 |
| Fair value adjustment | 536,4 | 18,5 | 654,0 | 39,9 |
| Operational profit | 1 093,3 | 392,7 | 3 085,6 | 1 443,8 |
| Income from investments in associates | 127,4 | 14,1 | 286,8 | 40,2 |
| Net interest costs | -26,5 | -24,3 | -101,3 | -95,3 |
| Other financial items | 24,1 | -5,5 | 70,9 | -5,1 |
| Profit before tax | 1 218,2 | 377,0 | 3 342,1 | 1 383,7 |
| Tax | 201,5 | -9,9 | 691,1 | 254,9 |
| Net profit for the period | 1 016,7 | 386,9 | 2 651,0 | 1 128,8 |

- Revenues and results driven by strong salmon prices
- Average salmon price (NASDAQ)
NOK 67.17/kg (NOK 45.28)
- 60% contract share with significant effect on prices achieved
- Costs affected by biological conditions
- EBIT/kg NOK 20.98 vs NOK 9.82 in Q4 15

Group balance sheet

| NOK million | 31.12.2016 | 30.09.2016 | 31.12.2015 |
|-------------------------------------|-----------------|-----------------|-----------------|
| ASSETS | | | |
| Intangible fixed assets | 2 910,8 | 2 911,9 | 2 913,5 |
| Tangible fixed assets | 3 156,9 | 3 050,1 | 2 412,0 |
| Financial fixed assets | 960,0 | 857,0 | 636,2 |
| Total fixed assets | 7 027,7 | 6 819,0 | 5 961,7 |
| Inventory | 5 221,8 | 4 286,6 | 3 634,3 |
| Accounts receivables | 595,8 | 484,5 | 815,5 |
| Other short-term receivables | 302,1 | 407,1 | 258,3 |
| Cash and cash equivalents | 273,7 | 419,8 | 273,7 |
| Total current assets | 6 393,4 | 5 597,9 | 4 981,8 |
| TOTAL ASSETS | 13 421,1 | 12 416,9 | 10 943,5 |
| EQUITY AND LIABILITIES | | | |
| Paid-in equity | 529,0 | 523,3 | 501,1 |
| Reserves | 6 069,4 | 5 060,6 | 4 646,3 |
| Minority interests | 82,4 | 60,7 | 79,7 |
| Total equity | 6 680,8 | 5 644,6 | 5 227,0 |
| Provisions for liabilities | 1 515,0 | 1 228,9 | 1 230,8 |
| Int. bearing long-term liabilities | 2 439,3 | 2 230,5 | 2 761,4 |
| Total long-term liabilities | 3 954,3 | 3 459,5 | 3 992,5 |
| Int. bearing short-term liabilities | 198,6 | 140,4 | 140,4 |
| Other short-term liabilities | 2 587,4 | 3 172,4 | 1 583,9 |
| Total short-term liabilities | 2 786,0 | 3 312,8 | 1 723,9 |
| TOTAL EQUITY AND LIABILITIES | 13 421,1 | 12 416,9 | 10 943,5 |
| Net interest bearing debt | 2 364,2 | 1 951,2 | 2 628,1 |
| Equity share | 49,8 % | 45,5 % | 47,8 % |

- Investments in line with ongoing investment programs
- Fair value of biomass increased NOK 645.3 million
- Other short-term liabilities down NOK 585.0 million
 - Account payables down NOK 191.3 million
 - Tax payable down NOK 343.0 million
- Net interest bearing debt increased by NOK 413 million to NOK 2,364.2 million
- Equity ratio up to 49.8%

Group cash flow

| NOK million | Q4 2016 | Q4 2015 | FY 2016 | FY 2015 |
|--|---------------|--------------|--------------|--------------|
| Profit before tax | 1 218,2 | 377,0 | 3 342,1 | 1 383,7 |
| Tax paid in period | -273,5 | -309,3 | -291,0 | -315,1 |
| Depreciation | 94,4 | 94,7 | 358,0 | 321,4 |
| Share of profit/loss from associates | -127,4 | -14,1 | -286,8 | -40,2 |
| Gains exit subsidiaries | - | - | -26,6 | - |
| Change in fair value adjustments | -536,4 | -18,5 | -654,0 | -39,9 |
| Change in working capital | -491,4 | 284,0 | 364,2 | 279,2 |
| Other changes | -93,6 | 2,8 | -50,0 | 33,3 |
| Net cash flow from operating activities | -209,6 | 416,6 | 2 755,8 | 1 622,3 |
| | | | | - |
| Net cash flow from investing activities | -173,2 | -320,2 | -1 262,5 | -724,7 |
| | | | | - |
| Change in interest-bearing debt | 266,8 | 107,0 | -264,0 | 424,8 |
| Dividend paid out | - | -4,9 | -1 125,9 | -1 124,9 |
| Interest paid | -26,5 | -24,3 | -101,3 | -95,3 |
| Other changes | - | -0,0 | - | -0,1 |
| Net cash flow from financing activities | 240,4 | 77,8 | -1 491,2 | -795,5 |
| Net change in cash for the period | -142,4 | 174,2 | 2,1 | 102,0 |
| Foreign exchange effects | -3,7 | 3,2 | -2,1 | 4,7 |
| Cash in the beginning of the period | 419,8 | 96,3 | 273,7 | 167,0 |
| Cash at the end of the period | 273,7 | 273,7 | 273,7 | 273,7 |

- Cash flow from operations negative by NOK 210 million
 - Increased working capital
 - Reported earnings boosted by fair value adjustments of NOK 536 million
- Net cash flow from investments at NOK 173 million
 - NOK 202 million related to investments in operational assets
 - NOK 83 million in existing and new smolt capacity
 - NOK 55 million in Ocean Farming
- Cash and cash equivalents reduced by NOK 146 million to NOK 274 million

Outlook





Outlook

- Biological situation still a challenge, but improved YoY
 - Strengthened capacity and improved preparedness
- Costs expected to come down in Q1 2017
- Contract share around 47% for 1H 2017 and 38% for 2H 2017
 - Contract-prices up, but not reflecting current 2017 forward prices
- Pushing 2,500 tons from 2016 to 2017, expect to harvest some 131,000 tons (Norway) in 2017
- Expect 2017 CAPEX of NOK 850m
 - Mostly related to maintenance (NOK 275m), strategic smolt and cleaner fish investments (NOK 260m) and Ocean Farming (NOK 270m)
- The Board of Directors propose a dividend of NOK 12.00/share

Thank you for your attention!

