



SalMar ASA

Presentation Q1 2017

CEO Trond Williksen

CFO Trond Tuvstein

Agenda

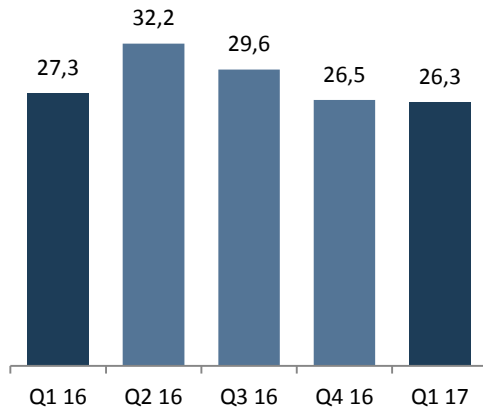
- Highlights
- Operational update
- Financial update
- Outlook



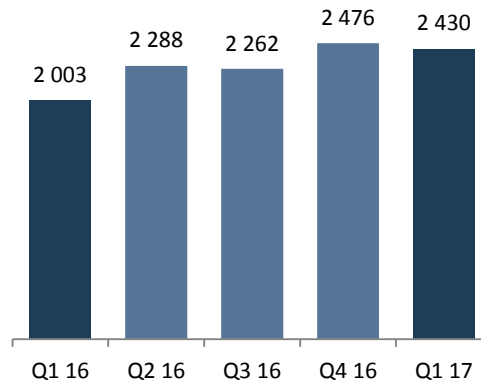
First quarter 2017 highlights

- Record high EBIT/kg, driven by high prices, reduced costs and improved contract prices
- Harvest volume Central Norway from sites with improved biological performance compared to Q4 16
- Operational improvement within Sales & Processing, results impacted by 60% contract share
- Sea lice levels reduced yoy
- Treatment capacity strengthened ahead of spring season

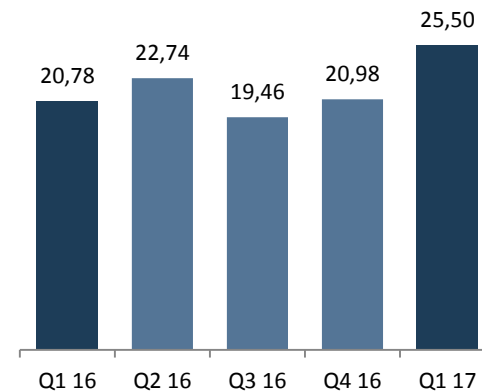
Harvest volume (1,000 tons)




Operating income (NOKm)



EBIT/kg (NOK)



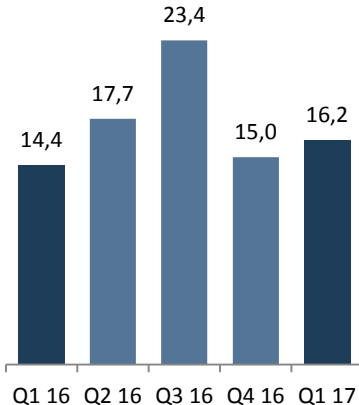


Operational update

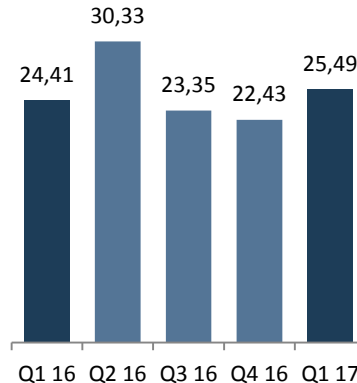
Farming Central Norway

	Q1 2017	Q1 2016	FY 2016
Operating income (NOKm)	1 042.7	844.3	4 343.5
Operational EBIT (NOKm)	412.0	351.1	1 770.2
Operational EBIT %	39.5%	41.6%	40.8%
Harvested volume (tgv)	16.2	14.4	70.5
EBIT/kg	25.49	24.41	25.13

Harvest volume (1,000 tons)



EBIT/kg (NOK)

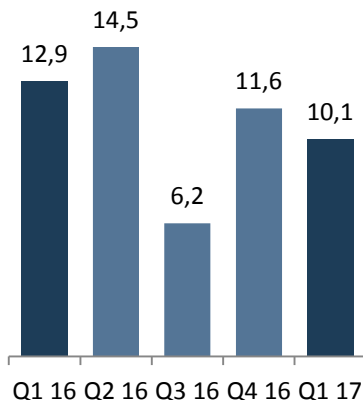


- Improved biological performance, but situation still challenging
- Price achievement negatively affected by unfavorable harvesting profile
- 33% organic salmon effects margins
 - High spot-prices squeeze premium on organic salmon
- Target reduced production costs during 2017
- Expect harvest volumes of 85 000 tons in 2017

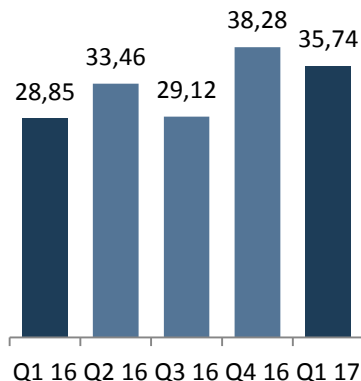
Farming Northern Norway

	Q1 2017	Q1 2016	FY 2016
Operating income (NOKm)	681.0	739.1	2 799.2
Operational EBIT (NOKm)	362.3	371.5	1 480.3
Operational EBIT %	53.2%	50.3%	52.9%
Harvested volume (tgw)	10.1	12.9	45.2
EBIT/kg	35.74	28.85	32.78

Harvest volume (1,000 tons)



EBIT/kg (NOK)

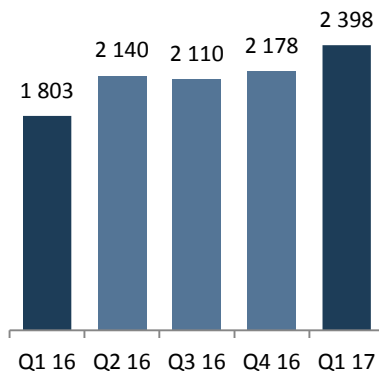


- The biological situation remains good
 - Satisfactory average weight
 - Growth affected by seasonally lower sea temperatures
- Some sea lice in southern area of the region
 - Treatment capacity investments drive costs, but improve readiness and secure sound operations and good husbandry
- Expect improved operational efficiency from 5% MAB increase on 18 licenses
- Expect harvest volume of 46 000 tons in 2017

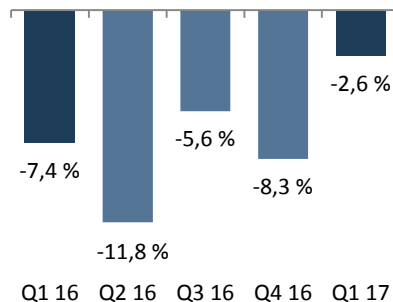
Sales & Processing

	Q1 2017	Q1 2016	FY 2016
Operating income (NOKm)	2 398.3	1 802.9	8 231.4
Operational EBIT (NOKm)	-61.3	-133.3	-685.8
Operational EBIT %	-2.6%	-7.4%	-8.3 %

Operating income (NOKm)



EBIT-margin (%)

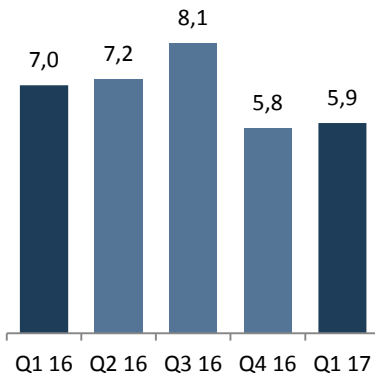


- Enhanced contract portfolio with improved prices
 - Still below spot - results therefore negatively impacted by 60% contract-share
- High volumes in processing activities
 - Improve capacity utilisation and overall operational performance
- Biological situation within farming remains a challenge
 - Complex logistics
 - Downgrades
 - Reduced prices achieved
- Expect 40% contract share for 2q17

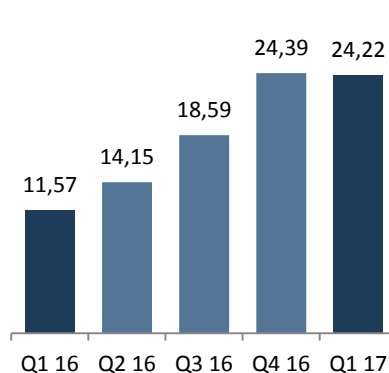
Norskott Havbruk

	Q1 2017	Q1 2016	FY 2016
Operating income (NOKm)	372.4	421.6	1 720.6
Operational EBIT (NOKm)	143.3	80.7	473.9
Operational EBIT %	38.5%	19.2%	27.5%
Value adjustments biomass	94.4	53.8	127.8
Profit before tax	235.4	132.4	581.8
SalMar's share after tax	94.7	58.4	236.6
Harvested volume (tgw)	5.9	7.0	28.0
EBIT/kg	24.22	11.57	16.90

Harvest volume (1,000 tons)



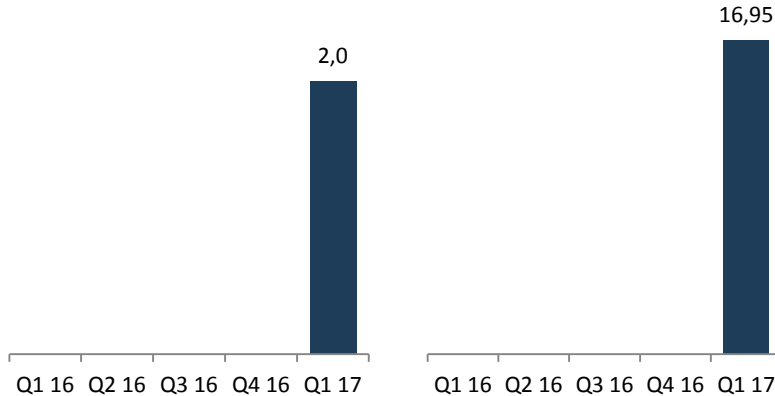
EBIT/kg (NOK)



- Positive biological development on Scottish mainland and The Orkneys
- Activities on Shetland still impacted by sea lice situation
 - Improved treatment capacity and extended use of wrasse expected to improve situation going forward
- Improved contract prices, however results still negatively affected by 51% contract share
- Expect harvest volumes of 30 000 tons in 2017

Arnarlax HF

	Q1 2017	FY 2016
Operating income (NOKm)	146,2	247,4
Operational EBIT (NOKm)	34,7	-1,7
Operational EBIT %	23,8%	-0,7%
Value adjustments biomass	-73,3	183,5
Profit before tax	-39,6	205,4
SalMar's share after tax	-13,2	52,2
Harvested volume (tgv)	2,0	4,0
EBIT/kg	16,95	-0,41
Harvest volume (1,000 tons)	EBIT/kg (NOK)	



- High price achievement
- Operations has been improving with better performance in all areas of the company
- Company still in early stage of operational optimization
- Expect harvest volumes of 10 000 tons in 2017

Ocean farming – about to be launched



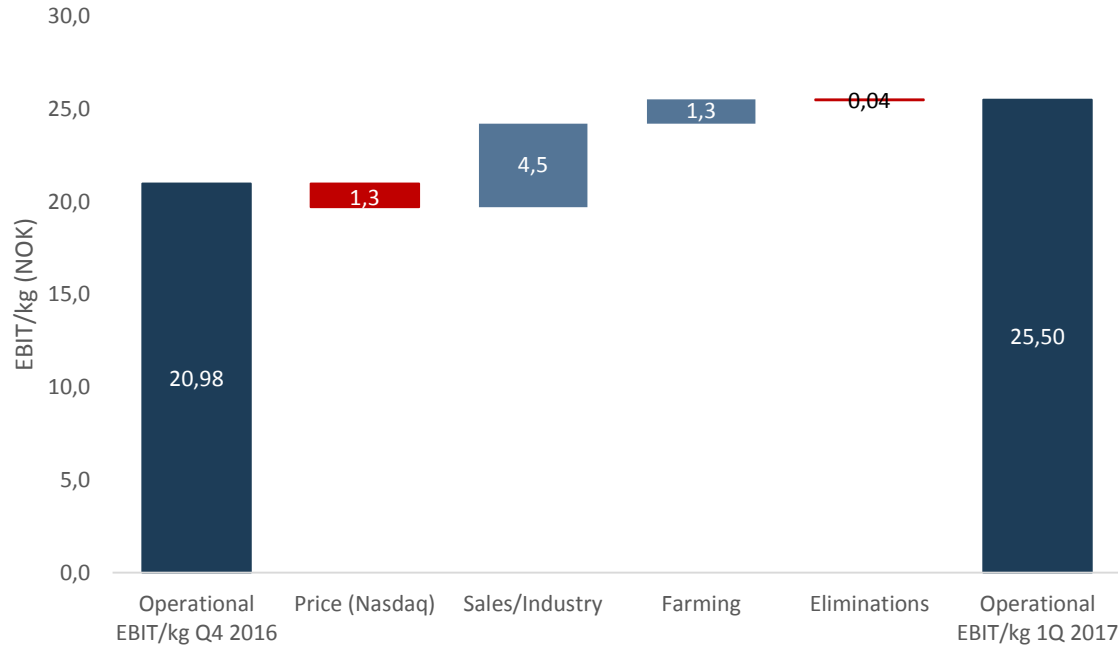
- Ready to start transportation in June
- Brings the salmon back to the ocean
- Reduces the risk of escapes
- Improves fish welfare
- Opening new areas for farming
- Arrival/transfer of fish Q3 2017

- Overall height 68 m
- Diameter 110m
- Volume 250.000 m3

A person wearing a black diving suit with "SALMAR" and a logo on the back, blue gloves, and a hood is standing on a metal grating deck of a boat. They are holding a long vertical pole and looking out over a calm body of water towards a distant shoreline under a soft, hazy sky. The scene is captured from behind the person, emphasizing the vastness of the water and the horizon.

Financial update

Operational EBIT deviation analysis (qoq)



- Spot prices coming down during the quarter, but still at historically high levels
- Sales & Processing improving, but results still impacted by high contract share
- Improved biological performance in farming operations
- Total EBIT/kg Q1 2017 NOK 25.50, up NOK 4.52 from Q4 2016

Group profit and loss

NOK million	Q1 2017	1Q 2016	FY 2016
Operating income	2 430,1	2 003,3	9 029,8
Cost of goods sold	1 080,3	846,6	4 000,8
Payroll expenses	230,1	193,4	861,5
Other operating expenses	354,9	311,8	1 377,8
EBITDA	764,8	651,5	2 789,7
Depreciations	94,1	85,0	358,0
Operational EBIT	670,7	566,5	2 431,6
Fair value adjustment	-182,1	168,0	654,0
Operational profit	488,6	734,5	3 085,6
Income from investments in associates	82,2	57,8	286,8
Net interest costs	-24,5	-25,4	-101,3
Other financial items	2,2	13,3	70,9
Profit before tax	548,5	780,2	3 342,1
Tax	105,3	175,6	691,1
Net profit for the period	443,2	604,6	2 651,0

- Revenues driven by higher prices
- Historically high price achievement
- 60% contract share affecting results negatively
- Biological performance improved in Central Norway
 - Reduced costs qoq
- Record high EBIT/kg at NOK 25,50 vs NOK 20.78 in Q1 16

Group balance sheet

NOK Million	31.03.2017	31.03.2016	31.12.2016
ASSETS			
Intangible fixed assets	2 928,2	2 911,5	2 910,8
Tangible fixed assets	3 239,4	2 584,3	3 137,5
Financial fixed assets	990,9	650,1	960,0
Total fixed assets	7 158,5	6 145,9	7 008,3
Inventory	4 750,4	3 714,1	5 221,8
Accounts receivables	553,0	734,0	595,8
Other short-term receivables	277,9	314,0	302,1
Cash and cash equivalents	218,4	210,0	273,7
Total current assets	5 799,7	4 972,1	6 393,4
TOTAL ASSETS	12 958,2	11 118,0	13 401,7
EQUITY AND LIABILITIES			
Paid-in equity	541,1	509,4	529,0
Reserves	6 499,4	5 191,7	6 069,4
Minority interests	91,6	88,4	82,4
Total equity	7 132,1	5 789,5	6 680,8
Provisions for liabilities	1 406,7	1 241,0	1 495,3
Int. bearing long-term liabilities	1 883,9	1 999,2	2 439,6
Total long-term liabilities	3 290,6	3 240,2	3 934,9
Int. bearing short-term liabilities	162,6	140,4	198,6
Other short-term liabilities	2 372,9	1 947,9	2 587,4
Total short-term liabilities	2 535,5	2 088,3	2 786,0
TOTAL EQUITY AND LIABILITIES	12 958,2	11 118,0	13 401,7
Net interest bearing debt	1 828,0	1 929,6	2 364,5
Equity share	55,0 %	52,1 %	49,9 %

- Investments in line with ongoing investment program
 - Smolt- and hatchery capacity
 - Realization of Ocean Farming
 - Strengthening of sea lice treatment capacity and readiness
- Net interest bearing debt reduced to NOK 1 828 million
- Financial position strengthened further
 - Equity ratio of 55%

Group cash flow

NOK million	Q1 2017	Q1 2016	FY 2016
Profit before tax	548,5	780,2	3 342,1
Tax paid in period	-14,1	-7,7	-291,0
Depreciation	94,1	85,0	358,0
Share of profit/loss from associates	-82,2	-57,8	-286,8
Gains exit subsidiaries	-	-28,4	-26,6
Change in fair value adjustments	182,1	-168,0	-654,0
Change in working capital	-35,8	355,2	364,2
Other changes	40,6	42,2	-81,2
Net cash flow from operating activities	733,3	1 000,7	2 724,6
Net cash flow from investing activities	-168,1	-276,8	-1 231,3
Change in interest-bearing debt	-593,1	-762,2	-264,0
Dividend paid out	-	-	-1 125,9
Interest paid	-24,5	-25,4	-101,3
Other changes	-4,0	-	-
Net cash flow from financing activities	-621,6	-787,6	-1 491,2
Net change in cash for the period	-56,3	-63,7	2,1
Foreign exchange effects	1,1	-0,1	-2,1
Cash in the beginning of the period	273,7	273,7	273,7
Cash at the end of the period	218,5	210,0	273,7

- Strong cash flow from operations
 - Mainly driven by solid operational earnings
- Net cash flow from investments at NOK 168.1 million
 - Investments in operational assets and smolt capacity
 - Ocean Farming
 - Sea lice handling equipment
- Reduced interest-bearing debt by NOK 593.1 million
- Cash and cash equivalents reduced by NOK 56.3 million to NOK 218.5 million

Outlook





Outlook

- Biological situation still a challenge, but improved YoY
 - Strengthened capacity and improved preparedness
- Target reduction in production cost during 2017
- Current contract share for Q2 2017 approx. 40%, FY 2017 approx. 45%
- Expect to harvest approx. 45% of the total volume of 131 000 tons in 1H 2017
 - Will start to issue trading updates on harvest volume from 2q17
- Continued strong demand from core markets
- Industry cost development needs to be addressed – cost program initiated
- Ocean Farm going as scheduled, set to arrive 3q17

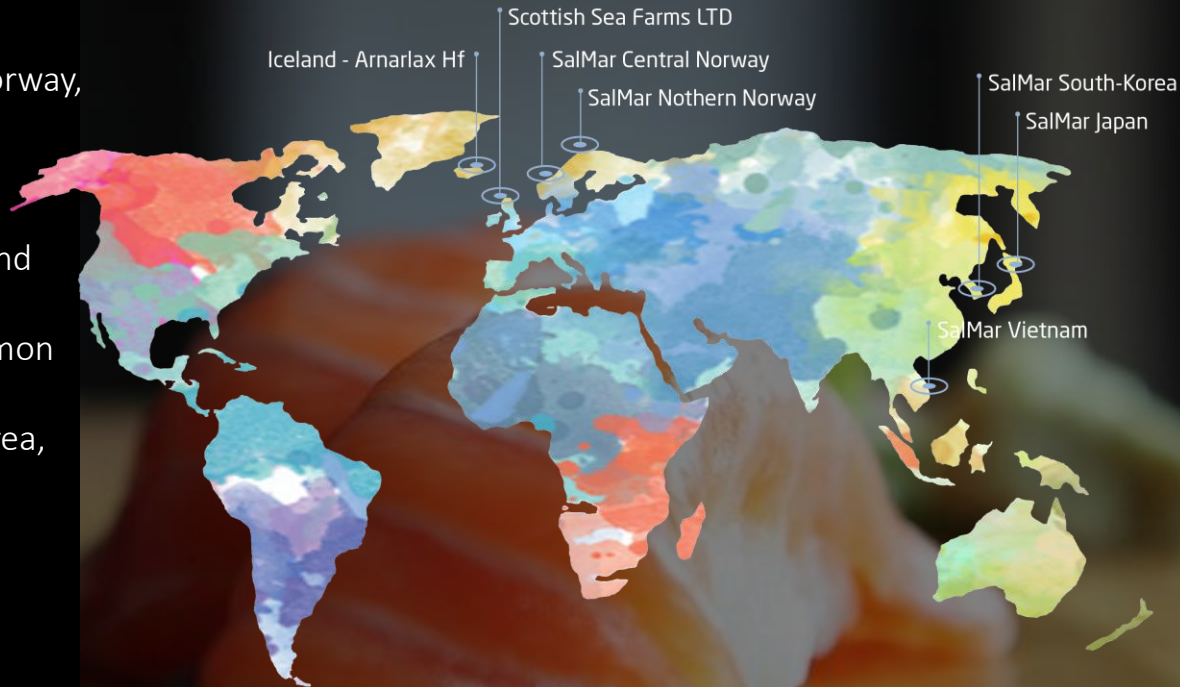
AGM to be held on 6 June 2017 on Frøya

The Board of Directors propose a dividend of NOK 12.00 per share



THIS IS SALMAR

- The world's 4th largest salmon producer
- 110 licenses for production of salmon in Norway, including R&D and partnerships
- Significant operations in Scotland and Iceland
- The world's largest producer of organic salmon
- Sales to + 40 countries - sales offices in Korea, Japan and Vietnam



Key info

- Founded: 1991
- FTEs: 1 357
- Business: 35 municipalities
- Revenues 2016: 9,0 bn NOK
- OPR. EBIT 2016: 2,4 bn NOK

Thank you for your attention!

www.salmar.no