SalMar ASA

Presentation Q3 2017

CEO Trond Williksen
CFO Trond Tuvstein

SALMAR
Passion for Salmon

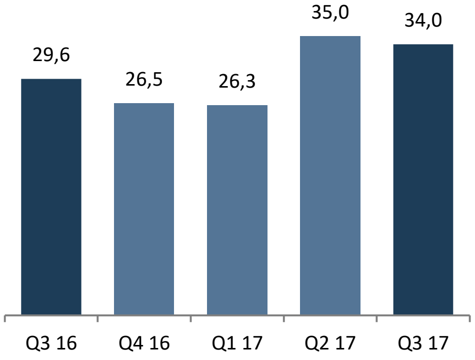
Agenda

- Highlights
- Operational update
- Financial update
- Outlook

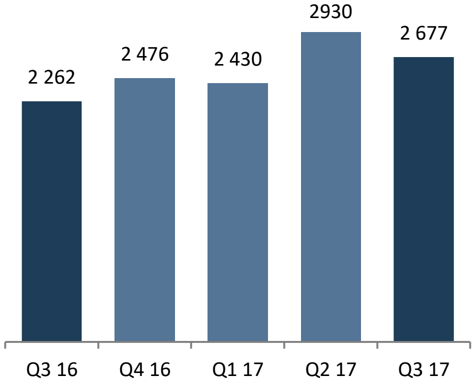
Q3 2017 - Strong operations and improving biology

- Strong operations – handling of improving biology
- Reduced production cost and high price achievement
- Expected harvest volume Norway increased to 134,000 tons in 2017
- Expect harvest volume Norway of 143,000 tons in 2018
- Ocean Farm 1 according to plan – commenced 12 months pilot phase

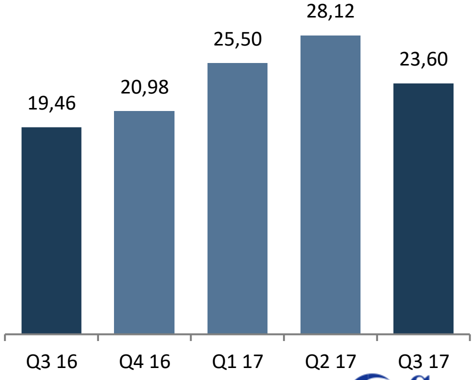
Harvest volume (1,000 tons)



Operating income (NOKm)



EBIT/kg (NOK)



SalMar - a fully integrated salmon farmer…

TRACEABLE SUPPLY CHAIN

Genetics

- Rauma strain

Smolt

- Essential for the performance in the entire value chain

Farming

- 100 wholly owned licenses in Norway
- 112 including R&D and partnerships

Harvesting & VAP

- InnovaMar on Frøya
- Vikenco at Aukra

Sales

- SalMar AS
- Japan, Vietnam and Korea
- Global span

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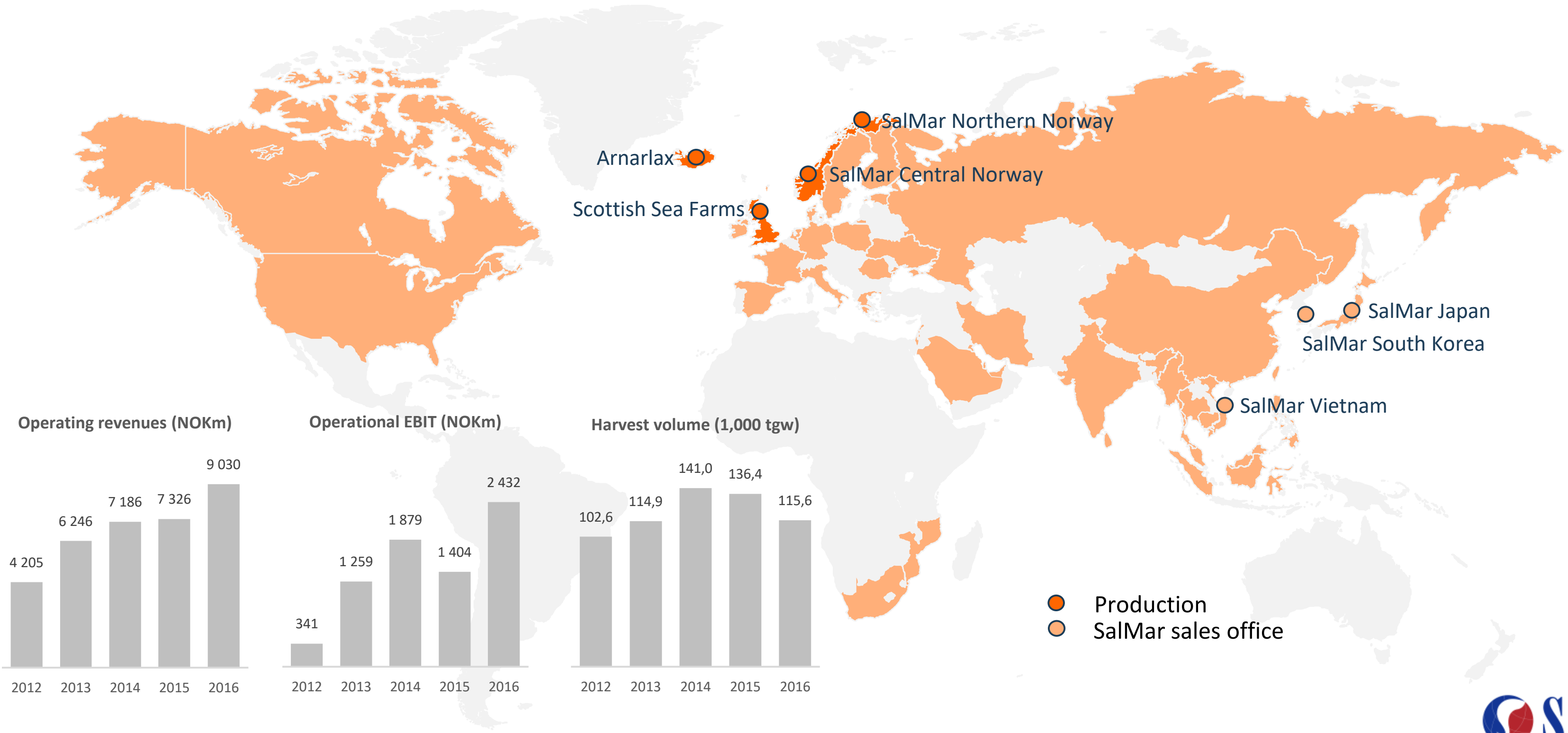
…with North Atlantic production and global reach



SalMar in front – Passion for Salmon

Strategic focus

Cost leadership

Operational Excellence

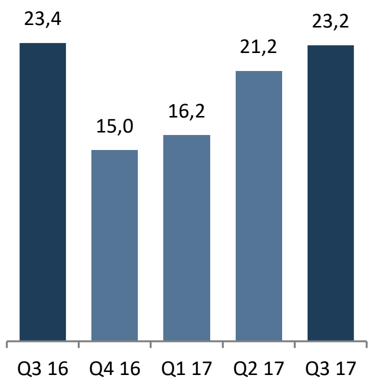
Innovative leadership

Operational update

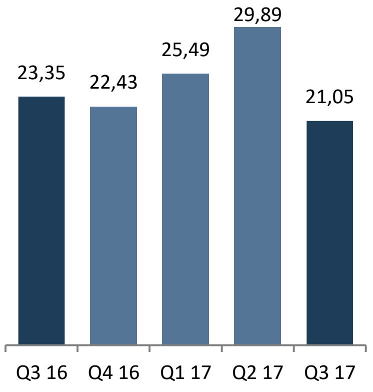
Farming Central Norway

	Q3 2017	Q3 2016	FY 2016
Operating income (NOKm)	1 358.2	1 424.9	4 343.5
Operational EBIT (NOKm)	488.5	545.8	1 770.2
Operational EBIT %	36.0 %	38.3 %	40.8 %
Harvested volume (tgw)	23.2	23.4	70.5
EBIT/kg	21.05	23.35	25.13

Harvest volume (1,000 tons)



EBIT/kg (NOK)

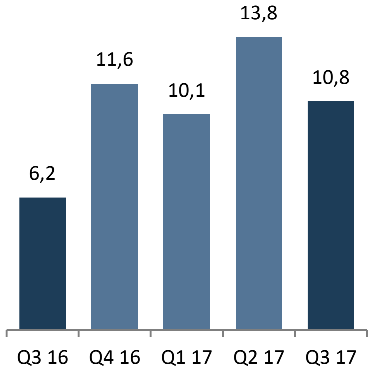


- Strong operational performance over time reduce production cost
- Improved biology
  - Preparedness, capacity and knowledge to deal with biological challenges
- Organic salmon some 5% of total volume
- Expect stable cost development in Q4
- Expected harvest volume increased to 86 000 tons in 2017

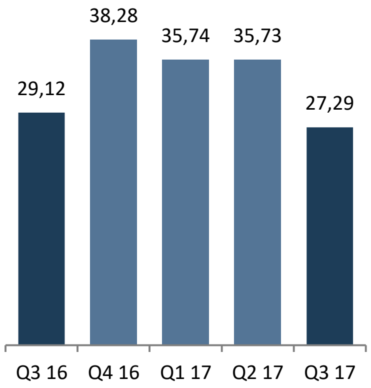
Farming Northern Norway

	Q3 2017	Q3 2016	FY 2016
Operating income (NOKm)	623.1	369.0	2 799.2
Operational EBIT (NOKm)	293.3	181.4	1 480.3
Operational EBIT %	47.1 %	49.2%	52.9%
Harvested volume (tgw)	10.8	6.2	45.2
EBIT/kg	27.29	29.12	32.78

Harvest volume (1,000 tons)



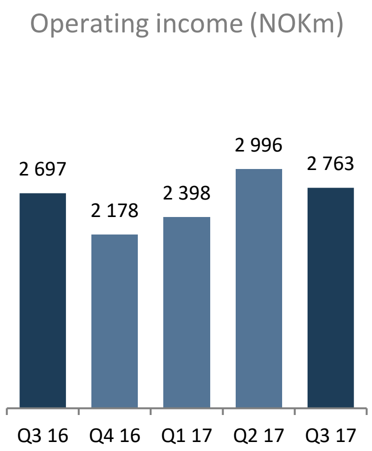
EBIT/kg (NOK)

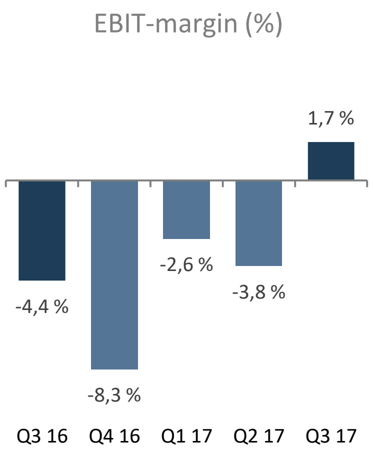


- Strong operational performance
- Good biological situation contribute to higher average weights and strong price achievement
- Expect stable cost development in Q4
- Expect harvest volume of 48 000 tons in 2017

Sales & Processing

	Q3 2017	Q3 2016	FY 2016
Operating income (NOKm)	2 763.4	2 697.1	9 035.8
Operational EBIT (NOKm)	46.2	-118.8	-685.8
Operational EBIT %	1.7 %	-4.4%	-7.6%

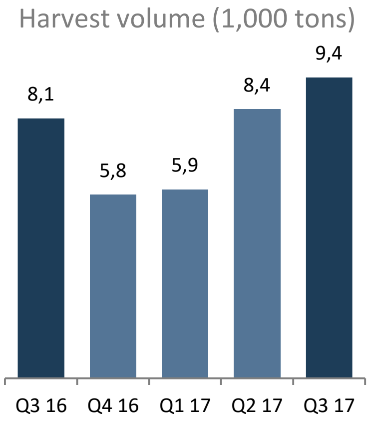


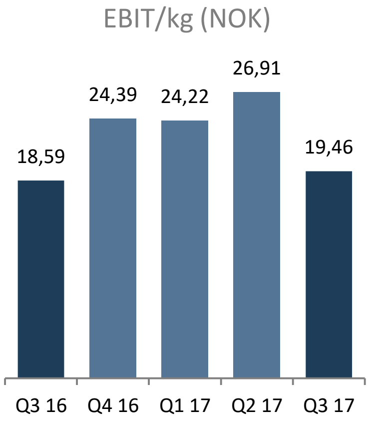


- Overall improvements enhance results for Sales & Processing
- High activity and good underlying operations
- Contract share of 45% in Q3 with positive contribution
- Expect 40% contract share for 4q17. Prices at same levels as 1H17

Norskott Havbruk

	Q3 2017	Q3 2016	FY 2016
Operating income (NOKm)	631.9	511.9	1 720.6
Operational EBIT (NOKm)	183.5	151.5	473.9
Operational EBIT %	29.0 %	29.6%	27.5%
Value adjustments biomass	-86.4	26.4	127.8
Profit before tax	95.1	175.0	581.8
SalMar's share after tax	42.1	68.9	236.6
Harvested volume (tgw)	9.4	8.1	28.0
EBIT/kg	19.46	18.59	16.90

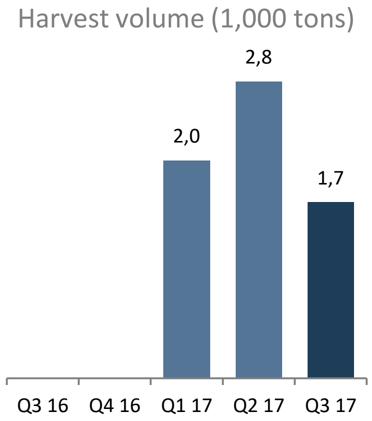


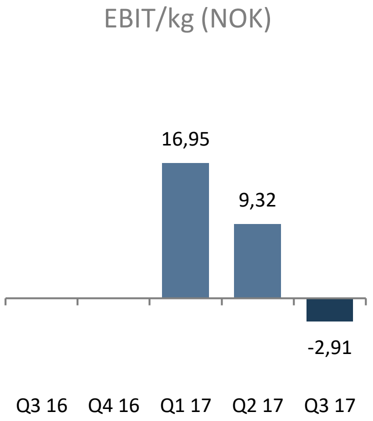


- Strong operational results in the quarter
- Normal biological performance on the majority of sites with good harvest weights
- Results negatively impacted by biological challenge with Gill health at a small number of sites in mainland Scotland and Shetland
  - Accelerated harvesting increases cost/kg
  - Biological challenge on these sites continues into Q4
  - Will impact harvest volumes for 2018
- Contract share 41%
- Harvest guidance increased to 32,000 tons for 2017. Guidance for 2018 at 27,000 tons

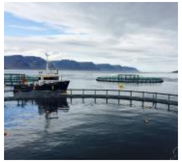
Arnarlax HF

	Q3 2017	Q2 2017	FY 2016
Operating income (NOKm)	113.8	193.8	247.4
Operational EBIT (NOKm)	-4.8	26.0	-1.7
Operational EBIT %	-4.2%	13.4%	-0.7%
Value adjustments biomass	-7.3	-52.7	183.5
Profit before tax	-18.4	-48.8	205.4
SalMar's share after tax	-9.8	-16.7	52.2
Harvested volume (tgw)	1.7	2.8	4.0
EBIT/kg	-2.91	9.32	-0.41





- Operational setup affect costs negatively – early phase in development
- Earnings impacted by biological challenges
- Expect harvest volumes of 9,500 tons in 2017, guidance 2018 at 11,000 tons



Ocean Farm in operational pilot phase

Ocean Farm 1 arrived 5.sep 2017 | Installation and stocking of fish according to plan | First harvest 2H 2018

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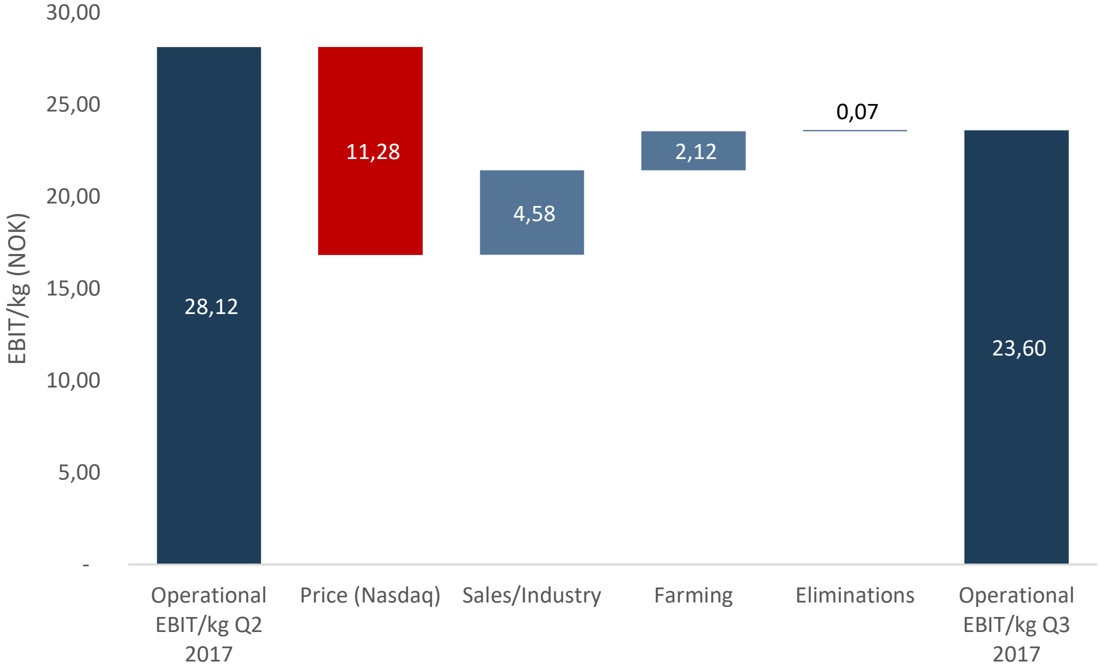
Financial update

Operational EBIT deviation analysis (qoq)



- Spot price significantly down during the quarter
- Overall improvements enhance results for Sales & Processing. Contracts with positive contribution
- Continued cost reductions improve financial performance in farming
- Total EBIT/kg Q3 2017 NOK 23.60, down NOK 4.52 from Q2 2017

Group profit and loss

NOK million	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Operating income	**2 676,6**	**2 262,1**	**8 036,6**	**6 553,5**	**9 029,8**
Cost of goods sold	1 155,8	1 022,9	3 459,4	2 780,3	4 000,8
Payroll expenses	219,2	217,9	687,5	622,6	861,5
Other operating expenses	398,1	354,7	1 137,1	1 012,3	1 377,8
EBITDA	903,5	666,5	2 752,6	2 138,3	2 789,7
Depreciations	102,1	90,2	297,6	263,6	358,0
Operational EBIT	**801,3**	**576,3**	**2 455,0**	**1 874,7**	**2 431,6**
Fair value adjustment	469,5	173,3	0,6	117,6	654,0
Operational profit	**1 270,9**	**749,6**	**2 455,6**	**1 992,3**	**3 085,6**
Income from investments in associates	32,9	67,5	190,0	159,5	286,8
Net interst costs	-24,4	-27,0	-69,2	-74,8	-101,3
Other financial items	15,9	26,4	-14,9	46,9	70,9
Profit before tax	**1 295,3**	**816,5**	**2 561,5**	**2 123,9**	**3 342,1**
Tax	305,5	189,1	564,9	489,6	691,1
Net profit for the period	**989,8**	**627,3**	**1 996,5**	**1 634,3**	**2 651,0**
Items to be reclassified to profit and loss in subsequent periods:					
Change in translation diff. associates, net tax	-14,8	-36,9	8,0	-107,6	-105,3
Change in translation diff. Subsidaries, net tax	-4,3	-0,4	-2,9	1,6	-1,8
Cash flow hedge	-2,1	-0,6	-11,5	-0,6	11,5
Change in fair value of currency instruments	-	-	-	-	-0,3
Total comprehensive income	**968,5**	**589,5**	**1 990,1**	**1 527,7**	**2 555,1**

- Revenues driven by high volumes
- Average salmon price (NASDAQ)
  NOK 56.55/kg (NOK 60.47) – high price achievement
- Cost improvements in farming
- EBIT/kg at NOK 23.60 vs NOK 19.46 in Q3 16

Group balance sheet

NOK Million	30.09.2017	30.06.2017	31.12.2016	30.09.2016
ASSETS				
Intangible fixed assets	2 929,2	2 929,9	2 910,8	2 911,9
Tangible fixed assets	3 578,9	3 420,7	3 137,5	3 050,1
Financial fixed assets	1 052,5	1 060,3	960,0	857,0
Total fixed assets	**7 560,6**	**7 410,9**	**7 008,3**	**6 819,0**
Inventory	4 904,8	4 350,4	5 221,8	4 286,6
Accounts receivables	551,6	546,6	595,8	484,5
Other short-term receivables	227,4	298,2	302,1	407,1
Cash and cash equivalents	193,6	224,2	273,7	419,8
Total current assets	**5 877,4**	**5 419,4**	**6 393,4**	**5 597,9**
TOTAL ASSETS	**13 438,0**	**12 830,3**	**13 401,7**	**12 416,9**
EQUITY AND LIABILITIES				
Paid-in equity	561,9	551,2	529,0	523,3
Reserves	6 686,0	5 725,9	6 069,4	5 060,6
Minority interests	85,9	87,3	82,4	60,7
Total equity	**7 333,8**	**6 364,4**	**6 680,8**	**5 644,6**
Provisions for liabilities	1 421,9	1 332,2	1 495,3	1 228,9
Int. bearing long-term liabilities	1 463,8	2 320,3	2 439,6	2 230,5
Total long-term liabilities	**2 885,7**	**3 652,4**	**3 934,9**	**3 459,5**
Int. bearing short-term liabilities	344,8	216,1	198,6	140,4
Other short-term liabilities	2 873,7	2 597,4	2 587,4	3 172,4
Total short-term liabilities	**3 218,5**	**2 813,5**	**2 786,0**	**3 312,8**
TOTAL EQUITY AND LIABILITIES	**13 438,0**	**12 830,3**	**13 401,7**	**12 416,9**
Net interest bearing debt	**1 615,0**	**2 312,2**	**2 364,5**	**1 951,2**
Equity share	**54,6 %**	**49,6 %**	**49,9 %**	**45,5 %**

- CAPEX in line with ongoing investment programs
- Fair value of biomass increased NOK 316.7 million
- Financial position remains strong, equity-ratio increased to 54.6%

Group cash flow

NOK Million	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Profit before tax	1 295,3	816,5	2 561,5	2 123,9	3 342,1
Tax paid in period	-	-	-19,8	-17,6	-291,0
Depreciation	102,1	90,2	297,6	263,6	358,0
Share of profit/loss from associates	-32,9	-67,5	-190,0	-159,5	-286,8
Dgains on exit of subsidary	-	-	-11,0	-28,4	-26,6
Change in fair value adjustments	-469,5	-173,3	-0,6	-117,6	-654,0
Change in working capital	26,7	302,6	64,7	855,5	364,2
Other changes	48,6	-31,1	145,9	45,5	-81,2
Net cash flow from operating activities	**970,3**	**937,4**	**2 848,3**	**2 965,5**	**2 724,6**
Net cash flow from investing activities	**-234,6**	**-246,0**	**-645,1**	**-1 089,3**	**-1 231,3**
Change in interest-bearing debt	-727,7	-438,3	-841,2	-530,9	-264,0
Dividend paid out	-9,8	-4,7	-1 366,0	-1 125,9	-1 125,9
Interest paid	-24,4	-27,2	-69,2	-75,0	-101,3
Other changes	-	-	-4,0	-	-
Net cash flow from financing activities	**-761,9**	**-470,2**	**-2 280,4**	**-1 731,7**	**-1 491,2**
Net change in cash for the period	**-26,3**	**221,2**	**-77,2**	**144,5**	**2,1**
Foreign exchange effects	-4,3	-0,4	-2,9	1,6	-2,1
Cash in the beginning of the period	224,2	198,9	273,7	273,7	273,7
Cash at the end of the period	**193,6**	**419,8**	**193,6**	**419,8**	**273,7**

- Strong cash flow from operations
- Net cash flow from investments at NOK -234.6 million
  - Ocean Farming NOK 129.2 million
  - Smolt and hatchery 62.1 million
  - Other operating assets 69.8 million
  - Received dividend of NOK 26.5 million
- Interest-bearing debt decreased by NOK 727.7 million during the quarter

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Outlook

Outlook

- Biology improving
- Continued focus on cost reductions
- Expect harvest volume of 134 000 tons (Norway) in 2017, targeting 143,000 tons in 2018
- Contract share for 4q 2017 around 40%, same price levels as 1H17, currently at 25% for 2018
- Expect continued good demand

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THANK YOU
FOR YOUR ATTENTION!

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