



# SalMar ASA

Presentation Q1 2018

CEO Olav-Andreas Ervik  
CFO Trond Tuvstein

# Olav-Andreas Ervik new CEO of SalMar



- 41 years, from Frøya
- More than 20 years of experience from the aquaculture industry
- Worked in SalMar since 2012
- Director Farming since 2014
- Favourite cultural tenant:  
*“What we do today we do better than yesterday”*



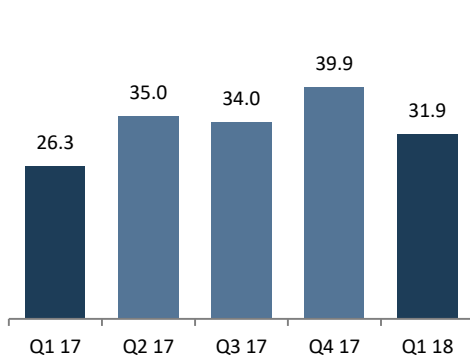
# Agenda

- Highlights
- Strategic priorities
- Operational update
- Financial update
- Outlook

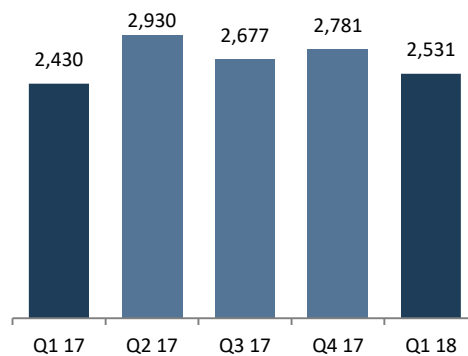
# Q1 2018 – Satisfying performance

- Strong price achievement in the quarter
- Stable biological and cost development in Central Norway
- Operational EBIT in Northern Norway impacted by increased costs on harvested volume
- Total Operational EBIT NOK 708.1 million, up from NOK 670.7 in the same period last year

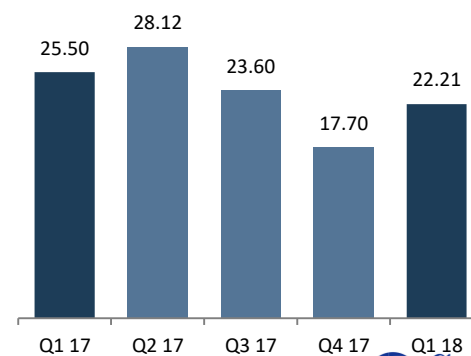
Harvest volume (1,000 tons)



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



# SalMar in front – Passion for Salmon



Strategic focus



Cost leadership



Operational Excellence



Innovative leadership

A close-up, high-action shot of a salmon leaping from the water. The fish is captured mid-jump, with its body arched and its tail fin still submerged. The water around the fish is turbulent, with many white, frothy bubbles and splashes, indicating a powerful movement. The lighting is bright, highlighting the silvery scales of the fish and the texture of the water.

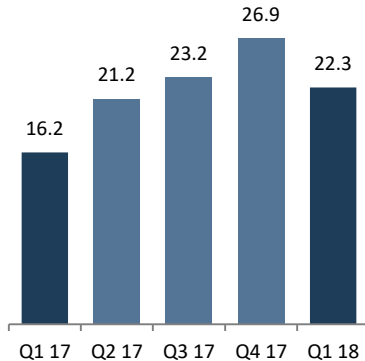
# Operational update

# Farming Central Norway

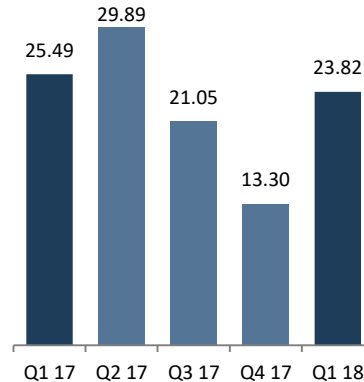
	Q1 2018	Q1 2017	FY 2017
Operating income (NOKm)	1 376.2	1 042.7	5 198.5
Operational EBIT (NOKm)	530.6	412.0	1 891.5
Operational EBIT %	38.6 %	39.5 %	36.4 %
Harvested volume (tgw)	22.3	16.2	87.5
EBIT/kg	23.82	25.49	21.63

- Stable cost development - expect reduced costs going forward
- Harvest volume mainly from Autumn-16 generation
  - Some accelerated harvesting due to fish welfare
- 13% organic salmon in the quarter
- Expect harvest volume of 96,000 tons in 2018

Harvest volume (1,000 tons)



EBIT/kg (NOK)



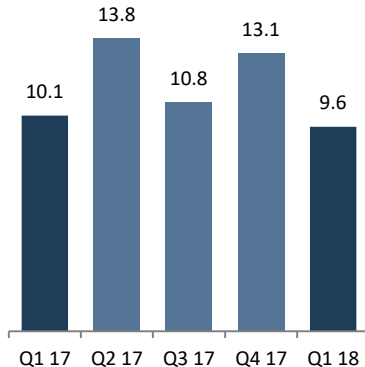


# Farming Northern Norway

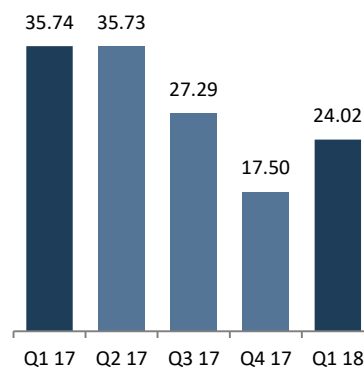
	Q1 2018	Q1 2017	FY 2017
Operating income (NOKm)	561.1	681.0	2 864.8
Operational EBIT (NOKm)	230.8	362.3	1 376.1
Operational EBIT %	41.1 %	53.2 %	48.0 %
Harvested volume (tgw)	9.6	10.1	47.7
EBIT/kg	24.02	35.74	28.84

- Satisfactory performance in the quarter
- Sea lice treatments negatively affects cost and profitability
- Unfavourable distribution of harvest volumes compared to price development in the period
- Expect higher cost on harvested biomass going forward
- Harvest volume of 47,000 tons in 2018

Harvest volume (1,000 tons)



EBIT/kg (NOK)

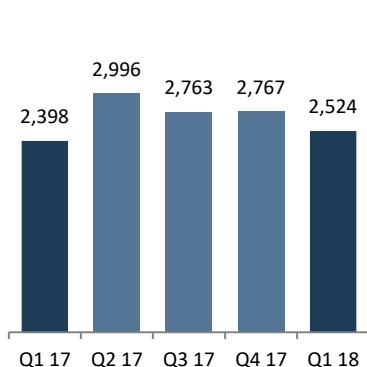


# Sales & Processing

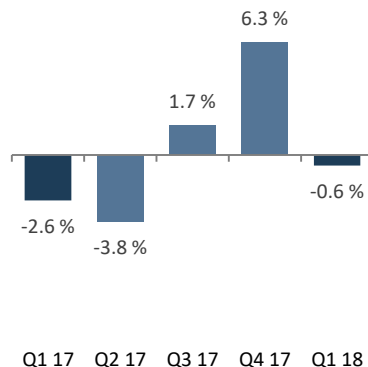
	Q1 2018	Q1 2017	FY 2017
Operating income (NOKm)	2 524.5	2 398.3	10 924.8
Operational EBIT (NOKm)	-15.3	-61.3	47.8
Operational EBIT %	-0.6 %	-2.6 %	0.4 %

- Strong price achievement
- Contract share of 39 % at prices below average spot
- Profitability negatively impacted by seasonal lower volumes
  - Higher fixed cost/kg
- Contract share currently around 50% for Q2 2018 and 36% for remaining volume 2018

Operating income (NOKm)



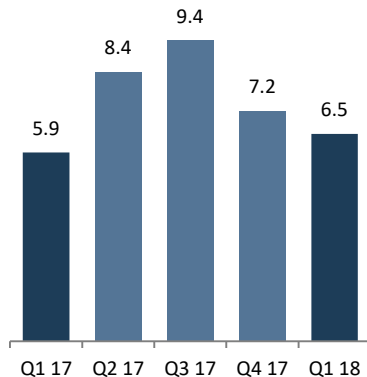
EBIT-margin (%)



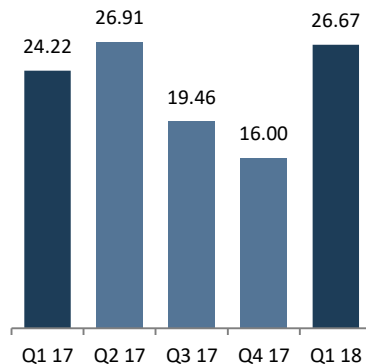
# Norskott Havbruk

	Q1 2018	Q1 2017	FY 2017
Operating income (NOKm)	518.7	372.4	2 088.0
Operational EBIT (NOKm)	173.4	143.3	669.3
Operational EBIT %	33.4 %	38.5 %	32.1 %
Value adjustments biomass	7.0	94.4	9.0
Profit before tax	178.0	235.4	670.3
SalMar's share after tax	76.3	94.7	272.8
Harvested volume (tgw)	6.5	5.9	31.0
EBIT/kg	26.67	24.22	21.59

Harvest volume (1,000 tons)



EBIT/kg (NOK)

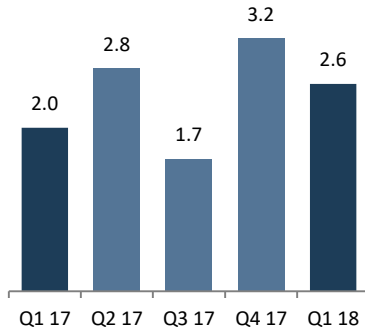


- Strong result in the quarter
- Solid operational performance
- Positive biological development in all farming areas
- Contract share of 32%
- Harvest guidance at 26,000 tons for 2018

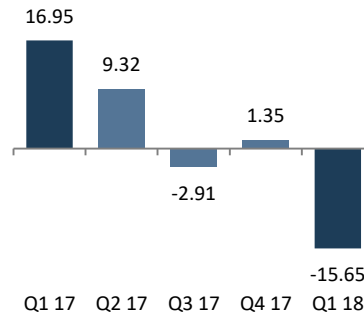
# Arnarlax HF

	Q1 2018	Q1 2017	FY 2017
Operating income (NOKm)	139.8	146.2	625.4
Operational EBIT (NOKm)	-40.2	34.7	60.2
Operational EBIT %	-28.8 %	23.8 %	9.6 %
Value adjustments biomass	-3.2	-73.3	-186.0
Profit before tax	-63.2	-39.6	-165.2
SalMar's share after tax	-18.6	-13.2	-55.7
Harvested volume (tgv)	2.6	2.0	9.7
EBIT/kg	-15.65	16.95	6.23

Harvest volume (1,000 tons)



EBIT/kg (NOK)



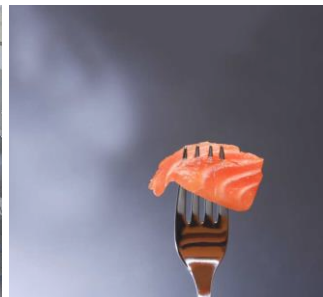
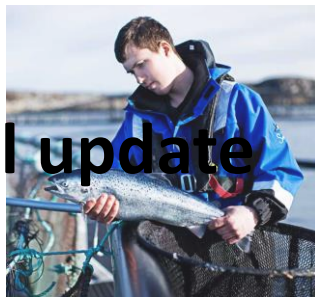
- Earnings impacted by increased level of mortality
  - Handling of fish at very cold sea temperatures
  - Transportation of fish between sites
- All the cost related to the increased level of mortality is booked in the quarter
- Ongoing structuring continue to affect costs – company still in early phase
- Revised guiding: Now expect harvest volumes of 8,000 tons in 2018

An aerial photograph of the Ocean Farm offshore aquaculture platform. The central structure is a white, multi-story building with a control room on top, surrounded by yellow walkways and railings. Several workers in high-visibility vests are visible on the platform. The structure is situated in the middle of the ocean, with waves visible around it.

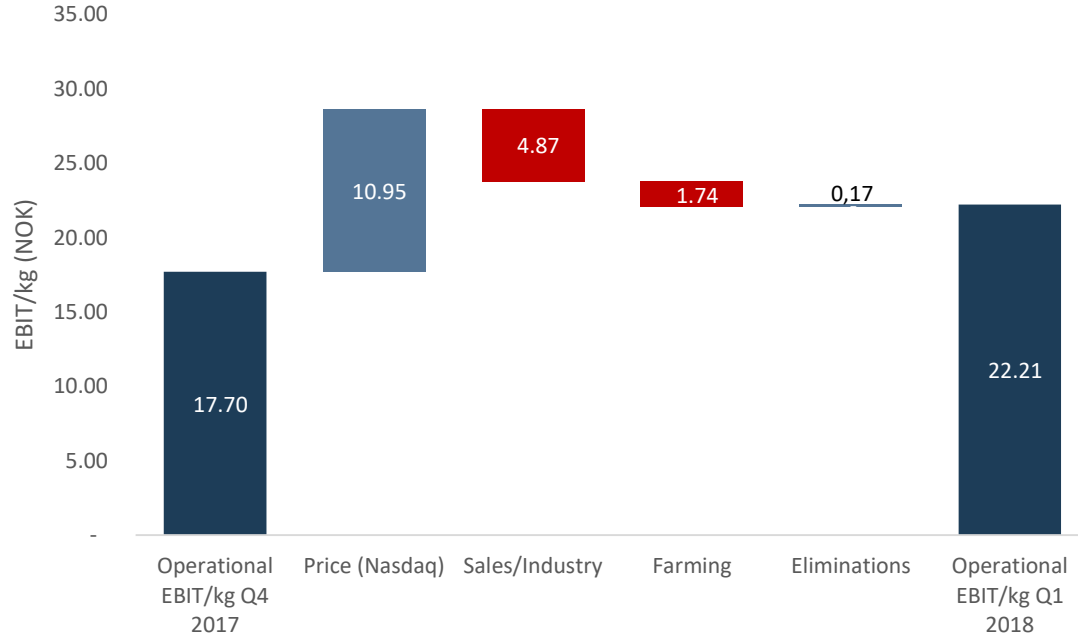
Ocean Farm continue to perform well

Expect first harvest 2H 2018





# Operational EBIT deviation analysis (qoq)



- Increased earnings driven by significantly higher spot prices in the quarter
- Earnings from Sales & Processing affected by seasonality and negative contract contributions
- Increased cost and unfavourable timing of harvest in Farming Northern Norway affect farming results

# Group profit and loss

NOK million	1Q 2018	Q1 2017	FY 2017
<b>Operating income</b>	<b>2 531,0</b>	<b>2 430,1</b>	<b>10 817,2</b>
Cost of goods sold	1 053,2	1 080,3	4 722,5
Payroll expenses	239,8	230,1	929,1
Other operating expenses	408,6	354,9	1 584,8
EBITDA	829,4	764,8	3 580,8
Depreciations and write-downs	121,3	94,1	418,6
<b>Operational EBIT</b>	<b>708,1</b>	<b>670,7</b>	<b>3 162,2</b>
Fair value adjustment	151,6	-182,1	-370,0
<b>Operational profit</b>	<b>859,8</b>	<b>488,6</b>	<b>2 792,2</b>
Income from investments in associates	57,5	82,2	208,9
Net interest costs	-22,9	-24,5	-95,9
Other financial items	19,1	2,2	-49,1
<b>Profit before tax</b>	<b>913,4</b>	<b>548,5</b>	<b>2 856,2</b>
Tax	191,8	105,3	558,4
<b>Net profit for the period</b>	<b>721,6</b>	<b>443,2</b>	<b>2 297,8</b>
<i>Items to be reclassified to profit and loss in subsequent periods:</i>			
Change in translation diff. associates	-19,4	1,4	41,7
Change in translation diff. subsidiaries	0,2	1,1	-0,3
Cash flow hedge, net tax	-	-2,5	-11,5
Change in fair value of currency instruments	-3,6	-	3,9
<b>Total comprehensive income</b>	<b>698,8</b>	<b>443,2</b>	<b>2 331,6</b>

- Revenues and earnings driven by higher volumes year-over-year
- EBIT/kg at NOK 22.21 vs NOK 25.50 in Q1 17
- Average salmon price (NASDAQ) down NOK 5.52/kg year-over-year
- Negative earnings contribution from Sales & Processing in the quarter

# Group balance sheet

NOK million	31.03.2018	31.03.2017	31.12.2017
<b>ASSETS</b>			
Intangible fixed assets	3 011,5	2 928,2	2 925,0
Tangible fixed assets	3 578,0	3 239,4	3 604,8
Financial fixed assets	1 056,9	990,9	1 080,9
<b>Total fixed assets</b>	<b>7 646,4</b>	<b>7 158,5</b>	<b>7 610,6</b>
Inventory	4 431,3	4 750,4	4 394,6
Accounts receivables	645,3	553,0	501,1
Other short-term receivables	250,3	277,9	242,9
Cash and cash equivalents	489,1	218,4	177,1
<b>Total current assets</b>	<b>5 816,1</b>	<b>5 799,7</b>	<b>5 315,6</b>
<b>TOTAL ASSETS</b>	<b>13 462,5</b>	<b>12 958,2</b>	<b>12 926,2</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in equity	567,1	541,1	557,6
Reserves	7 713,0	6 499,4	7 022,4
Minority interests	96,3	91,6	88,1
<b>Total equity</b>	<b>8 376,5</b>	<b>7 132,1</b>	<b>7 668,1</b>
Provisions for liabilities	1 390,1	1 406,7	1 362,2
Int. bearing long-term liabilities	1 100,1	1 883,9	1 156,0
<b>Total long-term liabilities</b>	<b>2 490,3</b>	<b>3 290,6</b>	<b>2 518,2</b>
Int. bearing short-term liabilities	124,3	162,6	243,6
Other short-term liabilities	2 471,4	2 372,9	2 496,3
<b>Total short-term liabilities</b>	<b>2 595,7</b>	<b>2 535,5</b>	<b>2 739,9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13 462,5</b>	<b>12 958,2</b>	<b>12 926,2</b>
<b>Net interest bearing debt</b>	<b>735,3</b>	<b>1 828,0</b>	<b>1 222,5</b>
<b>Equity share</b>	<b>62,2 %</b>	<b>55,0 %</b>	<b>59,3 %</b>

- CAPEX in line with ongoing investment programs
- Fair value of biomass increased by NOK 171.6 million in the quarter
- Net Interest-bearing debt reduced by NOK 487.2 million during the quarter
- Solid financial position

# Group cash flow

NOK million	Q1 2018	Q1 2017	FY 2017
Profit before tax	913,4	548,5	2 856,2
Tax paid in period	-11,3	-14,1	-423,2
Depreciation	121,3	94,1	418,6
Share of profit/loss from associates	-57,5	-82,2	-208,9
Gains exit subsidiaries	-	-	-10,2
Change in fair value adjustments	-151,6	182,1	370,0
Change in working capital	-227,0	-35,8	196,6
Other changes	45,0	40,6	175,4
<b>Net cash flow from operating activities</b>	<b>632,2</b>	<b>733,3</b>	<b>3 374,4</b>
<b>Net cash flow from investing activities</b>	<b>-118,7</b>	<b>-168,1</b>	<b>-758,0</b>
Change in interest-bearing debt	-175,3	-593,1	-1 250,9
Dividend paid out	-	-	-1 366,0
Interest paid	-22,9	-24,5	-95,9
Other changes	-	-4,0	-3,8
<b>Net cash flow from financing activities</b>	<b>-198,2</b>	<b>-621,6</b>	<b>-2 716,6</b>
<b>Net change in cash for the period</b>	<b>315,3</b>	<b>-56,3</b>	<b>-100,2</b>
Foreign exchange effects	-3,3	1,1	3,5
Cash in the beginning of the period	177,1	273,7	273,7
<b>Cash at the end of the period</b>	<b>489,1</b>	<b>218,5</b>	<b>177,1</b>

- Cash flow from operations driven by high salmon prices and satisfactory operational performance
- Net cash flow from investments at NOK -118.7 million
  - Operating assets NOK 90.9 million
  - Growth NOK 110,1 million
  - Received dividends of NOK 82.2 million
- Cash increased by NOK 312.0 million during the period
- 2018 CAPEX estimated to NOK 356 million
  - Maintenance NOK 276 million
  - Smolt and hatchery NOK 80 million





# Outlook

# Outlook



- Guiding of 143,000 tons for 2018 maintained
- Overall stable cost development expected in 2Q 2018
- Ocean Farm volumes to reach the market in 2H 2018
- Continue to explore opportunities for capacity growth
- Contract share for remaining 2018 volumes currently at 36%
- Global supply expected to increase by 4% in 2018
- Expect continued good demand in core markets

# THANK YOU FOR YOUR ATTENTION!

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