



SalMar ASA

Presentation Q2 2016

CEO Leif Inge Nordhammer
CFO Trond Tuvstein

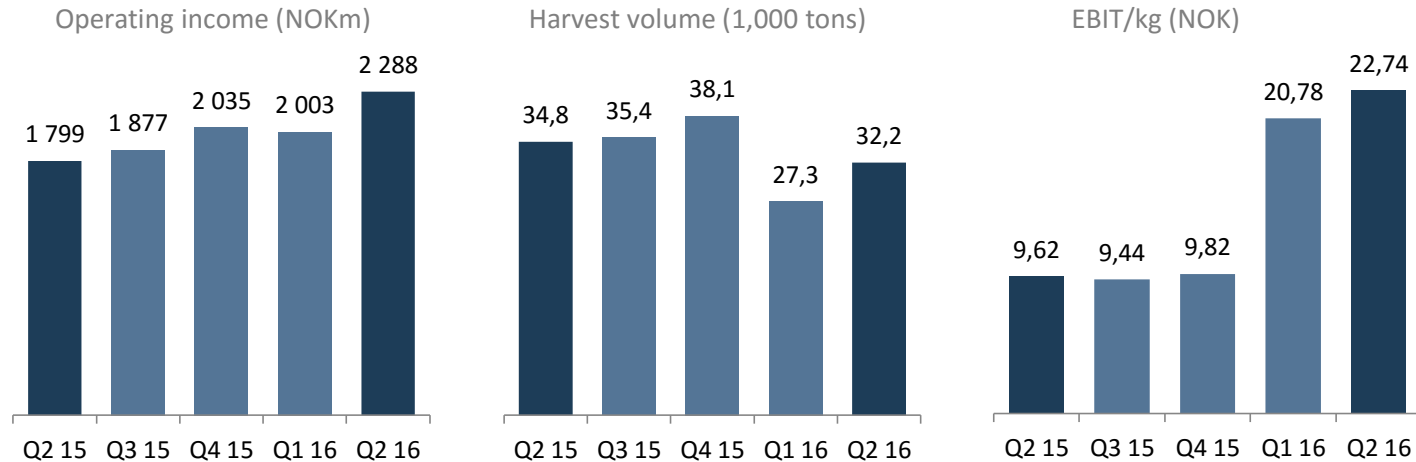
Agenda

- 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

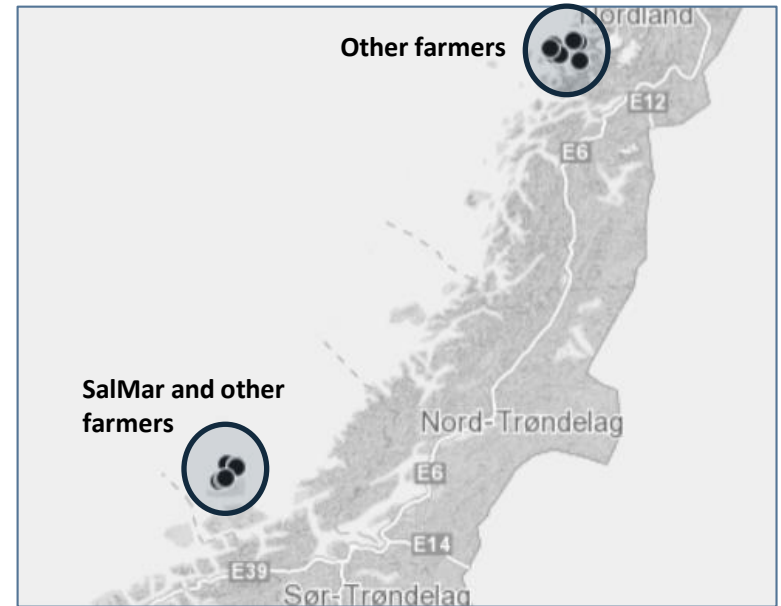




Operational update

ISA situation per week 33

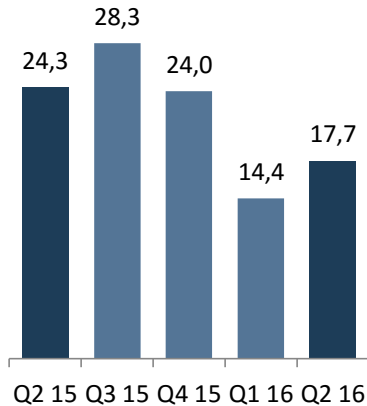
- ISA-suspicion 2 locations
 - Some 1,3 million individuals
 - No clinical issues, mortality due to ISA
 - Sites surveyed and is harvested out according to plans
 - Production and harvest weights minimally affected
 - Entire zone planned cleared 2H 2016 due to operational plan



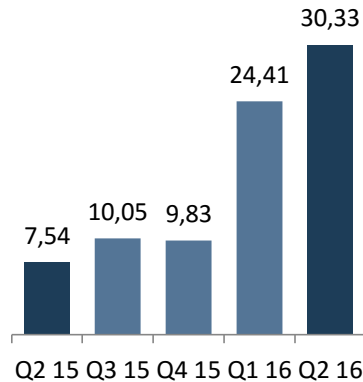
Farming Central Norway

| | 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 (tgv) | 17,7 | 24,3 | 96,9 |
| EBIT/kg | 30,33 | 7,54 | 9,78 |

Harvest volume (1,000 tons)



EBIT/kg (NOK)

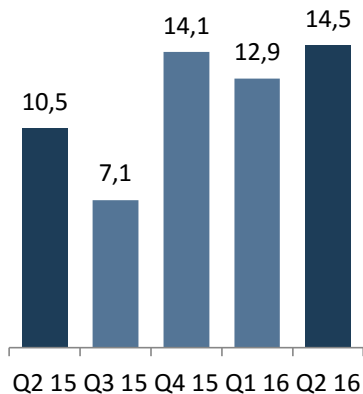


- Still challenging biological situation
 - Still issue with Sea lice
 - Suspicion ISA on 2 sites – not confirmed - in July
- Good operational performance
 - Reduced overall costs
- Unfavourable harvest distribution affecting prices achieved negatively
- High spot-prices squeeze premium on organic salmon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

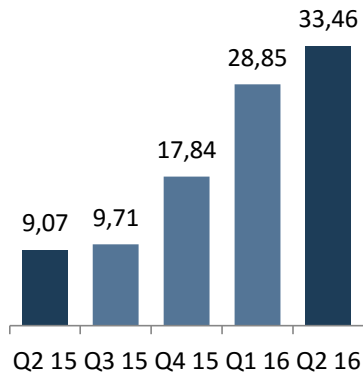
Farming Northern Norway

| | 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 (tgv) | 14,5 | 10,5 | 39,5 |
| EBIT/kg | 33,46 | 9,07 | 12,81 |

Harvest volume (1,000 tons)



EBIT/kg (NOK)

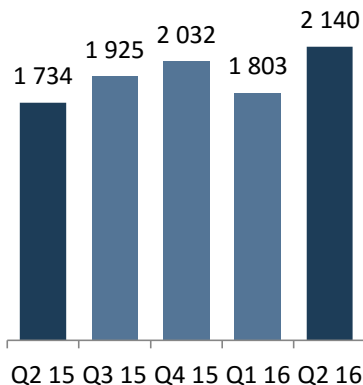


- Good operational performance with satisfactory biological results
- Zone regulations influence harvest distribution, negative effect on prices achieved
 - Will also effect costs in 3q-16 negatively
- Biological situation remains sound
 - Investments in mechanical treatment
 - Improved preparedness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

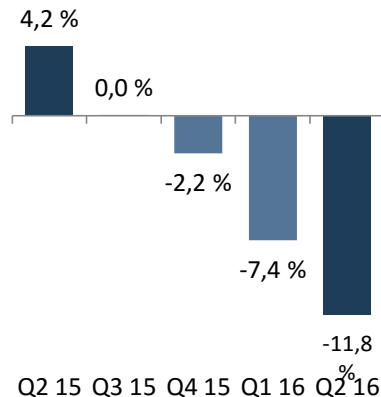
Sales & Processing

| | 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 (%)

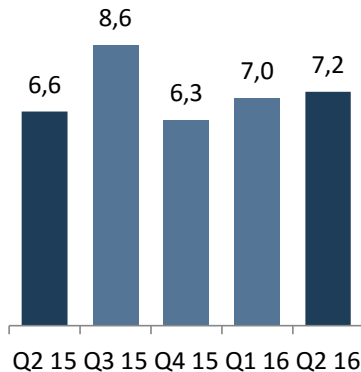


- 45% of sales under contract at prices well below average spot
- Sanitary situation affecting operational efficiency through increased handling and more complex logistics
- Downgrades and suboptimal sizes affect prices achieved
- Improved capacity utilisation within processing, but still affected by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

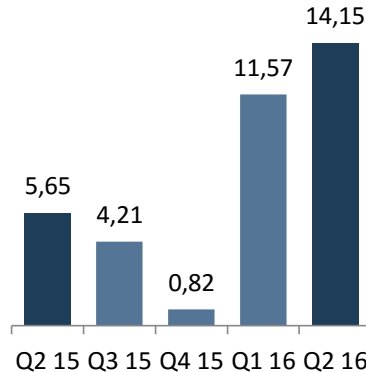
Norskott Havbruk

| | 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 than 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!