



SalMar ASA

Presentation Q2 2018

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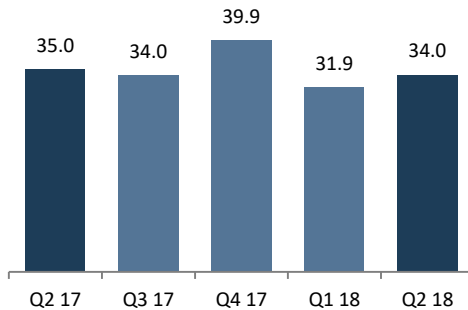
Agenda

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

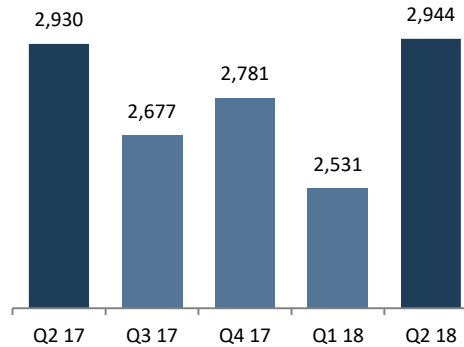
Highlights

- Good operational performance and cost improvements
- Price achievement impacted by high contract share
- Total Operational EBIT NOK 878.6 million
- Invested NOK 363 million in new MAB capacity
- Ocean Farming concepts developing according to plan

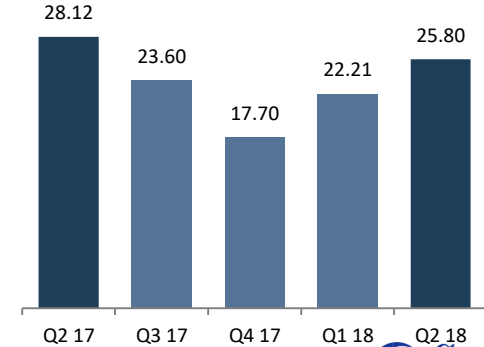
Harvest volume (1,000 tons)



Operating income (NOKm)



EBIT/kg (NOK)



SalMar - a fully integrated salmon farmer

TRACEABLE SUPPLY CHAIN



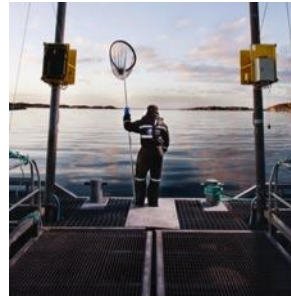
Genetics

- Rauma strain



Smolt

- Essential for the performance in the entire value chain



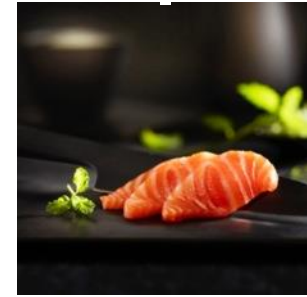
Farming

- Central Norway: 53 611 MAB-tons
- Northern Norway: 33 406 MAB-tons



Harvesting & VAP

- InnovaMar on Frøya
- Vikenco at Aukra



Sales

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

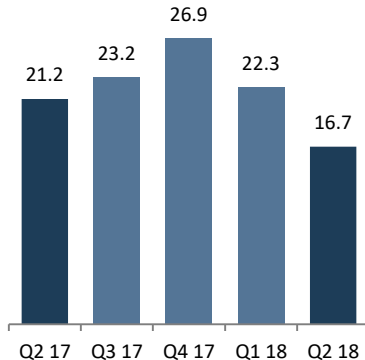
A wide-angle photograph of a salmon farming operation in a fjord. In the foreground, a long, dark metal cage structure extends from the right side into the blue water. In the middle ground, a dark-colored service vessel is positioned near the cages. The background features steep, snow-capped mountains under a bright blue sky with scattered white clouds. The text "Operational update" is overlaid in white in the center of the image.

Operational update

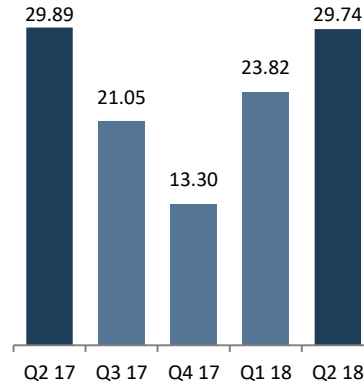
Farming Central Norway

	Q2 2018	Q2 2017	FY 2017
Operating income (NOKm)	1 092	1 436	5 198
Operational EBIT (NOKm)	496	633	1 891
Operational EBIT %	45.4 %	44.1 %	36.4 %
Harvested volume (tgw)	16.7	21.2	87.5
EBIT/kg	29.74	29.89	21.63

Harvest volume (1,000 tons)



EBIT/kg (NOK)

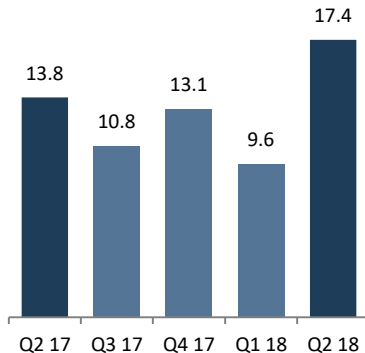


- Good biological development
- Prices achieved impacted by unfavourable harvest distribution
- Costs/kg impacted by treatment costs for the 2016 autumn generation, representing 18% of harvest volume
- Costs expected to come down in Q3 due to strong biological performance for the 2017 spring generation
- Expect harvest volume of 100,000 tons in 2018, up 4,000 tons from previous guiding

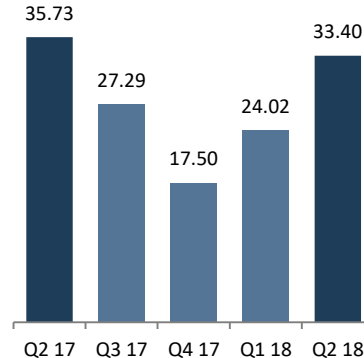
Farming Northern Norway

	Q2 2018	Q2 2017	FY 2017
Operating income (NOKm)	1 208	932	2 865
Operational EBIT (NOKm)	581	492	1 376
Operational EBIT %	48.1 %	52.8 %	48.0 %
Harvested volume (tgw)	17.4	13.8	47.7
EBIT/kg	33.40	35.73	28.84

Harvest volume (1,000 tons)



EBIT/kg (NOK)



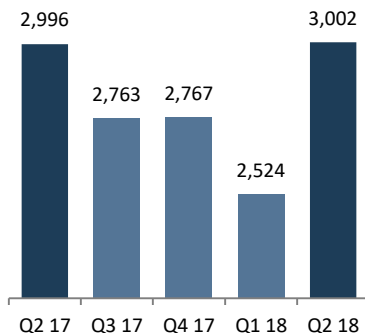
- Operational performance as expected
- Prices achieved supported by favourable distribution of harvest volumes
- Costs increased due to high accumulated treatment costs for 2016 autumn generation
 - 100% of the volume in the quarter
- Harvest volume moved from Q3 to Q4 2018 / Q1 2019
 - Harvest profile
 - Production optimization
- Investment in additional MAB-capacity will improve operational flexibility going forward
- Expect harvest volume of 43,000 tons in 2018

Sales & Processing

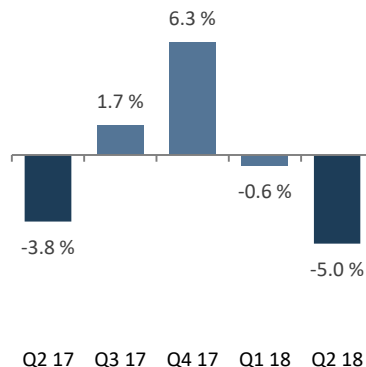
	Q2 2018	Q2 2017	FY 2017
Operating income (NOKm)	3 002	2 996	10 925
Operational EBIT (NOKm)	-150	-113	48
Operational EBIT %	-5.0 %	-3.8 %	0.4 %

- Contract share of 45 % at prices below average spot
- Satisfactory performance
- Improved capacity-utilisation qoq
 - Higher volumes
- Contract share currently around 35% for Q3 2018 and 35% for remaining volume 2018

Operating income (NOKm)



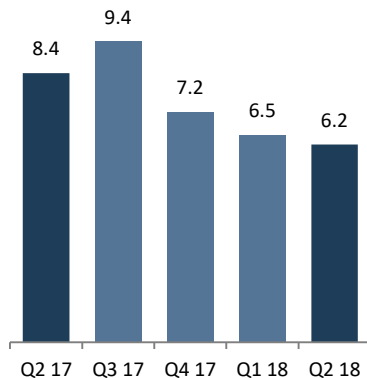
EBIT-margin (%)



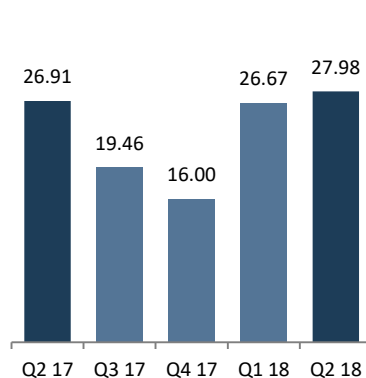
Norskott Havbruk

	Q2 2018	Q2 2017	FY 2017
Operating income (NOKm)	479	599	2 088
Operational EBIT (NOKm)	174	227	669
Operational EBIT %	36.3 %	37.9 %	32.1 %
Value adjustments biomass	16	27	9
Profit before tax	190	253	670
SalMar's share after tax	76	98	273
Harvested volume (tgw)	6.2	8.4	31.0
EBIT/kg	27.98	26.91	21.59

Harvest volume (1,000 tons)



EBIT/kg (NOK)

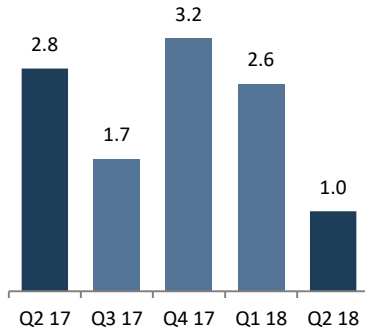


- Another strong quarter
- Solid operational performance
- Good biological performance on all sites in all regions
- Contract share of 45%
- New RAS facility being built with first eggs in Q4 2018 and first release of smolt in 2019
- Harvest guidance at 26,000 tons for 2018

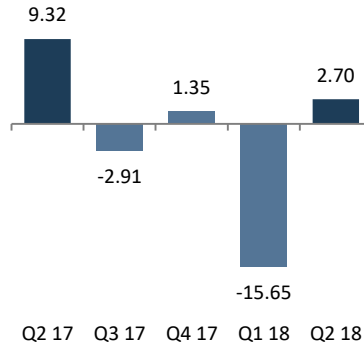
Arnarlax HF

	Q2 2018	Q2 2017	FY 2017
Operating income (NOKm)	78	194	625
Operational EBIT (NOKm)	3	26	60
Operational EBIT %	3.3 %	13.4 %	9.6 %
Value adjustments biomass	15	-53	-186
Profit before tax	9	-49	-165
SalMar's share after tax	3	-17	-56
Harvested volume (tgw)	1.0	2.8	9.7
EBIT/kg	2.70	9.32	6.23

Harvest volume (1,000 tons)



EBIT/kg (NOK)

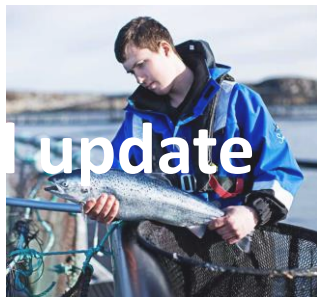


- Earnings impacted by low volumes, high mortality and high cost
- Ongoing structuring continue to affect costs – company still in early phase
- Expect harvest volumes of 6,700 tons in 2018
- Private Placement completed

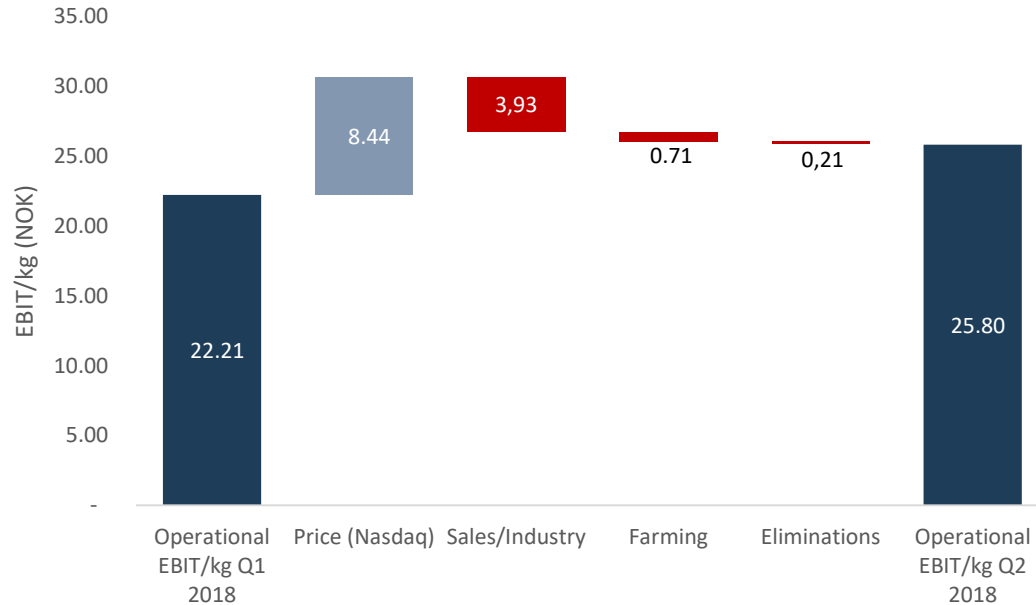
Smart Fish Farm – Open ocean farming

- Partnering with MariCulture for the development of “Smart Fish Farm”
- Within “development license scheme”
- A semi submersible production unit enabling fish farming possible at high seas
- Will largely resolve current space and environment challenges for the industry
- Applied for 16 development licences





Operational EBIT deviation analysis (qoq)



- Higher prices drive revenues
- Earnings from Sales & Processing impacted by 45% contact share at prices below spot
- Farming impacted by:
 - Weaker price achievement due to unfavourable timing of harvest in Central Norway
 - Underlying cost improvement qoq

Group profit and loss

NOK million	2Q 2018	2Q 2017	YTD 2018	YTD 2017	FY 2017
Operating income	2 944,0	2 929,9	5 475,0	5 360,0	10 817,2
Cost of goods sold	1 270,8	1 223,4	2 324,0	2 303,6	4 722,5
Payroll expenses	265,2	238,2	505,0	468,3	929,1
Other operating expenses	408,0	384,1	816,5	739,0	1 584,8
EBITDA	1 000,0	1 084,3	1 829,4	1 849,1	3 580,8
Depreciations and write-downs	121,4	101,3	242,7	195,5	418,6
Operational EBIT	878,6	983,0	1 586,8	1 653,7	3 162,2
Fair value adjustment	25,5	-286,8	177,1	-469,0	-370,0
Operational profit	904,1	696,1	1 763,9	1 184,7	2 792,2
Income from investments in associates	78,8	74,9	136,3	157,1	208,9
Net interest costs	-25,1	-20,3	-48,1	-44,8	-95,9
Other financial items	9,8	-33,1	28,9	-30,8	-49,1
Profit before tax	967,6	717,6	1 881,0	1 266,2	2 856,2
Tax	204,6	154,0	396,4	259,4	558,4
Net profit for the period	763,0	563,6	1 484,6	1 006,8	2 297,8
<i>Items to be reclassified to profit and loss in subsequent periods:</i>					
Change in translation diff. associates	-24,2	21,3	-43,6	22,8	41,7
Change in translation diff. subsidiaries	-3,4	0,4	-3,2	1,4	-0,3
Cash flow hedge, net tax	-	-6,9	-	-9,4	-11,5
Change in fair value of currency instruments	4,0	-	0,4	-	3,9
Total comprehensive income	739,5	578,4	1 438,3	1 021,6	2 331,6
<i>Allocation of the periods net profit:</i>					
Non-controlling interests	-2,4	4,1	5,8	13,2	23,8
Shareholders in SalMar ASA	765,5	559,5	1 478,8	993,6	2 274,0
Earnings per share (NOK)	6,80	4,98	13,14	8,85	20,24
Earnings per share - diluted	6,78	4,97	13,11	8,82	20,18

- Stable revenue development yoy
 - Stable price achievement year-over-year
 - Volume down 1,000 tons to 34,000 tons
- Earnings impacted by higher cost year – over- year related to amortisations and one-offs
- EBIT/kg at NOK 25.80 vs NOK 28.12 in Q2 17

Group balance sheet

NOK Million	30.06.2018	31.03.2018	31.12.2017	30.06.2017
ASSETS				
Intangible fixed assets	3 383.0	3 011.5	2 925.0	2 929.9
Tangible fixed assets	3 596.0	3 578.0	3 604.8	3 420.7
Financial fixed assets	1 041.8	1 056.9	1 080.9	1 060.3
Total fixed assets	8 020.8	7 646.4	7 610.6	7 410.9
Inventory	4 398.6	4 431.3	4 394.6	4 350.4
Accounts receivables	649.8	645.3	501.1	546.6
Other short-term receivables	243.1	250.3	242.9	298.2
Cash and cash equivalents	157.1	489.1	177.1	224.2
Total current assets	5 448.7	5 816.1	5 315.6	5 419.4
TOTAL ASSETS	13 469.4	13 462.5	12 926.2	12 830.3
EQUITY AND LIABILITIES				
Paid-in equity	577.9	567.1	557.6	551.2
Reserves	6 311.6	7 713.0	7 022.4	5 725.9
Minority interests	87.0	96.3	88.1	87.3
Total equity	6 976.5	8 376.5	7 668.1	6 364.4
Provisions for liabilities	1 402.3	1 390.1	1 362.2	1 332.2
Int. bearing long-term liabilities	2 337.5	1 100.1	1 156.0	2 320.3
Total long-term liabilities	3 739.9	2 490.3	2 518.2	3 652.4
Int. bearing short-term liabilities	335.6	124.3	243.6	216.1
Other short-term liabilities	2 417.5	2 471.4	2 496.3	2 597.4
Total short-term liabilities	2 753.1	2 595.7	2 739.9	2 813.5
TOTAL EQUITY AND LIABILITIES	13 469.4	13 462.5	12 926.2	12 830.3
Net interest bearing debt	2 516.0	735.3	1 222.5	2 312.2
Equity share	51.8 %	62.2 %	59.3 %	49.6 %

- Investments in new MAB-capacity
- Investments in operating assets mainly maintenance and according to plan
- Net Interest-bearing debt increased by NOK 1,780.7 million qoq following dividend pay-outs of NOK 2,147.2 million
- Solid financial position with equity ratio of 51.8%

Group cash flow

NOK million	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Profit before tax	967,6	717,6	1 881,0	1 266,2	2 856,2
Tax paid in period	-2,7	-5,7	-14,1	-19,8	-423,2
Depreciation	121,4	101,3	242,7	195,5	418,6
Share of profit/loss from associates	-78,8	-74,9	-136,3	-157,1	-208,9
Gains exit subsidiaries	-	-11,0	-	-11,0	-10,2
Change in fair value adjustments	-25,5	286,8	-177,1	469,0	370,0
Change in working capital	-161,1	73,8	-388,1	38,0	196,6
Other changes	11,8	56,7	56,7	97,3	175,4
Net cash flow from operating activities	832,6	1 144,6	1 464,8	1 877,9	3 374,4
Net cash flow from investing activities	-441,1	-242,4	-559,8	-410,5	-758,0
Change in interest-bearing debt	1 448,2	479,6	1 272,9	-113,4	-1 250,9
Dividend paid out	-2 147,2	-1 356,2	-2 147,2	-1 356,2	-1 366,0
Interest paid	-25,1	-20,3	-48,1	-44,8	-95,9
Other changes	-	-	-	-4,0	-3,8
Net cash flow from financing activities	-724,1	-896,9	-922,3	-1 518,4	-2 716,6
Net change in cash for the period	-332,6	5,3	-17,3	-51,0	-100,2
Foreign exchange effects	0,6	0,4	-2,7	1,4	3,5
Cash in the beginning of the period	489,1	218,4	177,1	273,7	273,7
Cash at the end of the period	157,1	224,2	157,1	224,2	177,1

- Cash flow from operations driven by solid operational performance. Impacted by working capital increase
- Net cash flow from investments at NOK -441,1 million
 - Investments in new MAB-capacity of NOK 363.1 million
 - Operating assets NOK 157.9 million
 - Received dividends of NOK 80.0 million
- Paid dividends of NOK 2 147.2 million
- Cash holding decreased by NOK 332.0 million during the period
- 2018 CAPEX estimated to NOK 356 million



Outlook

Outlook

- Reduced cost expected in 3Q 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 35%
- Global supply expected to increase by ~6% in 2018
- Expect continued good demand in core markets
- Guiding of 143,000 tons for 2018 maintained



THANK YOU FOR YOUR ATTENTION!

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