

SalMar ASA

Presentation Q4 2015

CEO Leif Inge Nordhammer
CFO Trond Tuvstein

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Passion for Salmon



Agenda

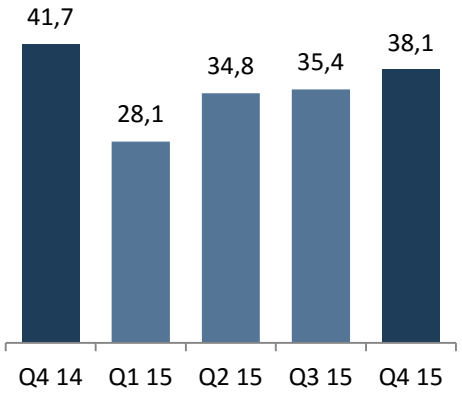
- Highlights
- Operational update
- Financial update
- Outlook

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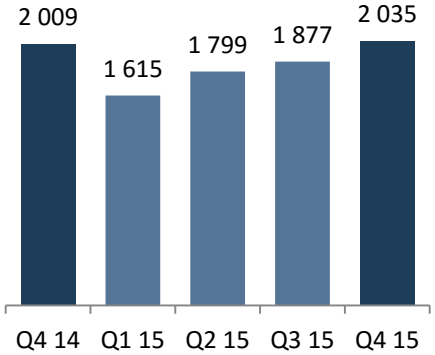
Fourth quarter 2015 highlights

- Salmon prices driven by limited supply growth and weak NOK
- Operational EBIT of NOK 374m, negatively affected by contract sales
- Biological situation in Central Norway remains a challenge
- The Board of Directors propose a dividend of NOK 10.00 per share

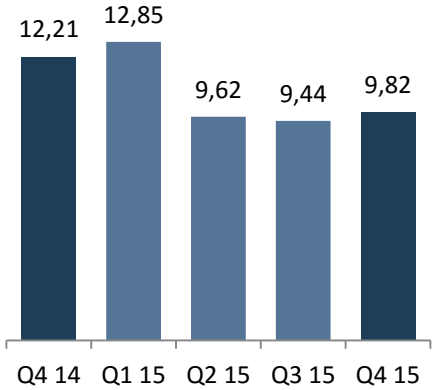
Harvest volume (1,000 tons)



Operating income (NOKm)



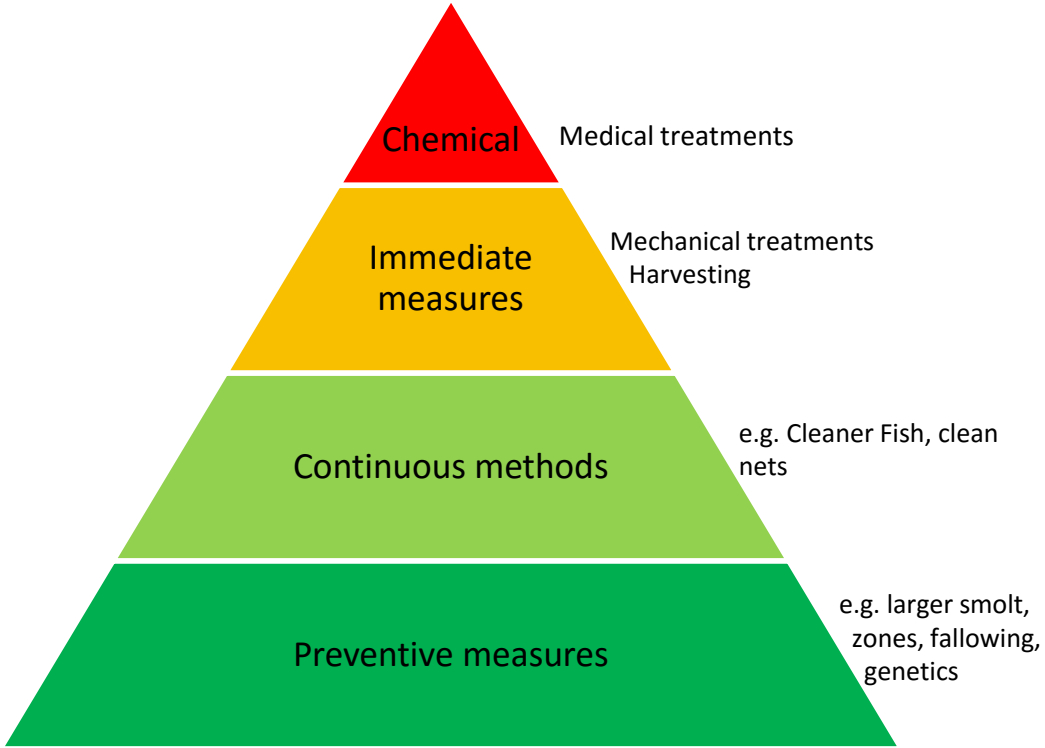
EBIT/kg (NOK)



Operational update



Status on sea lice

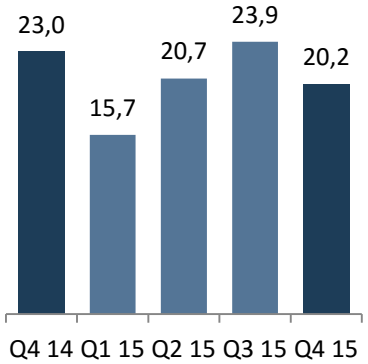


- Sea lice remained challenging in 4q15. Continues into 1q16
- Increased capacity, investing in non-chemical treatment tools
- Focus on early stage actions to avoid reproduction
- Extended collaboration with authorities and other farmers

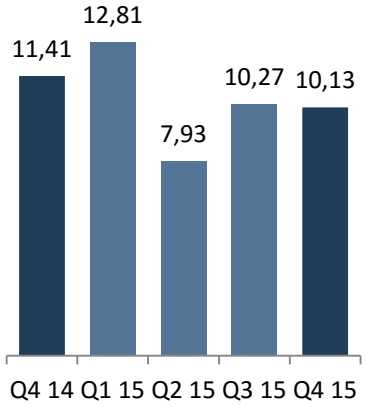
Farming Central Norway

	Q4 2015	Q4 2014	FY 2015	FY 2014
Operating income (NOKm)	843	842	3 157	2 864
Operational EBIT (NOKm)	204	263	815	946
Operational EBIT %	24%	31%	26%	33%
Harvested volume (1000 tgw)	20,2	23,0	80,5	75,2
EBIT/kg	10,13	11,41	10,13	12,58

Harvest volume (1,000 tons)



EBIT/kg (NOK)

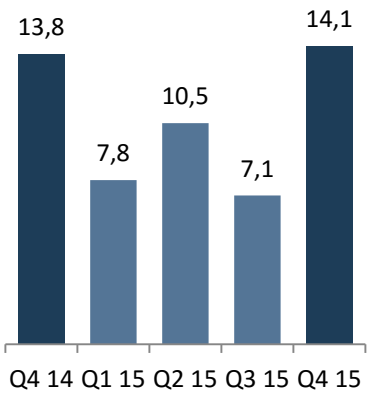


- Price realisation negatively affected by harvesting profile
- Demanding sea lice situation continues
- Accelerated harvesting affecting harvest weight, prices achieved, and cost per kilo
- Expect to harvest volume of 67 000 tons for the full year 2016

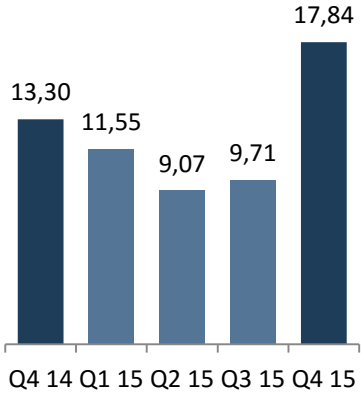
Farming Northern Norway

	Q4 2015	Q4 2014	FY 2015	FY 2014
Operating income (NOKm)	671	529	1 647	1 443
Operational EBIT (NOKm)	252	183	506	477
Operational EBIT %	38%	35%	31%	33%
Harvested volume (1000 tgw)	14,1	13,8	39,5	37,5
EBIT/kg	17,84	13,30	12,81	12,72

Harvest volume (1,000 tons)



EBIT/kg (NOK)

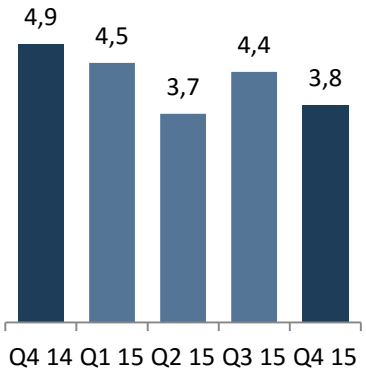


- Price realisation positively affected by harvesting profile
- Biological situation remains sound – cost lowered through the quarter
- Cost at same level in Q1 2016
- Expect 2016 harvest volumes of 50 000 tons

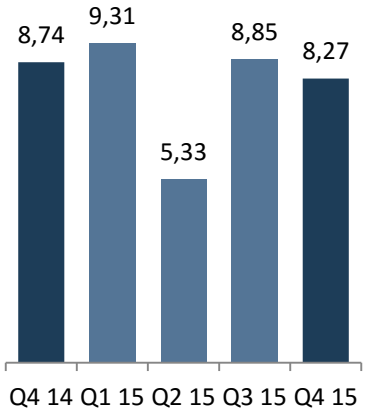
Farming Rauma

	Q4 2015	Q4 2014	FY 2015	FY 2014
Operating income (NOKm)	208	215	785	782
Operational EBIT (NOKm)	32	43	132	215
Operational EBIT %	15%	20%	17%	27%
Harvested volume (1000 tgw)	3,8	4,9	16,4	16,5
EBIT/kg	8,27	8,74	8,06	13,04

Harvest volume (1,000 tons)



EBIT/kg (NOK)

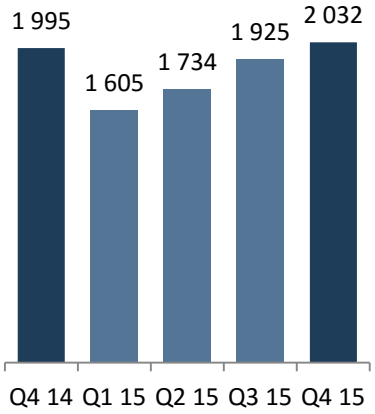


- Biological situation remains challenging
  - High sea-lice levels and PD
  - 60% of harvest volumes from location with extensive biological issues
- Production costs expected to come down going forward
- Expects to harvest some 16 000 tons for the full year 2016

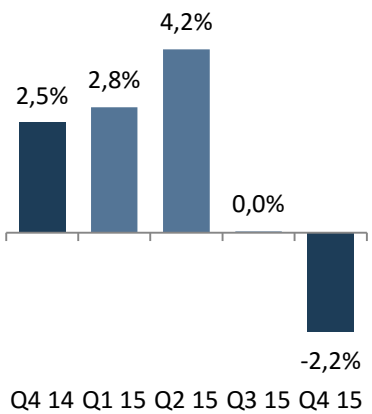
Sales & Processing

	Q4 15	Q4 14	2015	2014
Operating income (NOKm)	2 032	1 995	7 295	6 848
Operational EBIT (NOKm)	-45	50	73	138
Operational EBIT %	-2%	2%	1%	2%

Operating income (NOKm)



EBIT-margin (%)

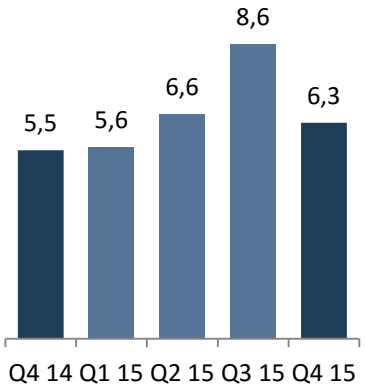


- 50% of volumes on contracts with prices achieved below spot – affecting results negatively
- Biological challenges in Farming affect operational efficiency and prices achieved
  - Quality variations
  - Increased handling
  - Downgrades
- High raw material cost for processing remains a challenge
- 50% contract share for Q1 2016

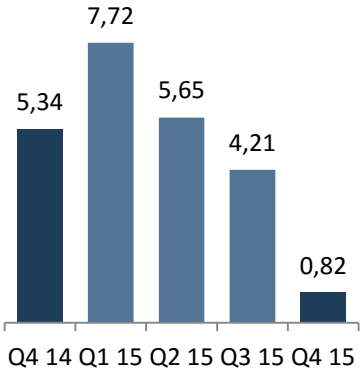
Norskott Havbruk

	Q4 2015	Q4 2014	FY 2015	FY 2014
Operating income (NOKm)	367	289	1 498	1 385
Operational EBIT (NOKm)	5	29	122	232
Operational EBIT %	1%	10%	8%	17%
Value adjustments biomass	20	53	-24	8
Profit before tax	22	81	90	239
SalMar share after tax	13	31	41	96
Harvested volume (1000 tgw)	6,3	5,5	27,0	27,5
EBIT/kg	0,82	5,34	4,50	8,44

Harvest volume (1,000 tons)



EBIT/kg (NOK)



- Contract share of some 65% during the quarter
- Gill issues, algae, and sea lice situation in Shetland
- No major sea lice issue on Mainland and Orkney - wrasse
- Accelerated harvesting affecting harvest weight, prices achieved and cost per kilo
- Decision to invest 35 mill £ in new fresh water facility
- Expect harvest volumes of 26 000 tons in 2016

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Ocean Farming status

- On 23 December The Directorate of Fisheries stated that:
  - The offshore concept falls in to the scheme of development licenses.
  - The directorate will continue to work with the application with the intent to grant development licenses
  - The statement is not a binding commitment
- Positive signals and a breakthrough for offshore farming
- SalMar continues to work with subcontractors
- Area for location granted
- Working towards first fish in sea 2017

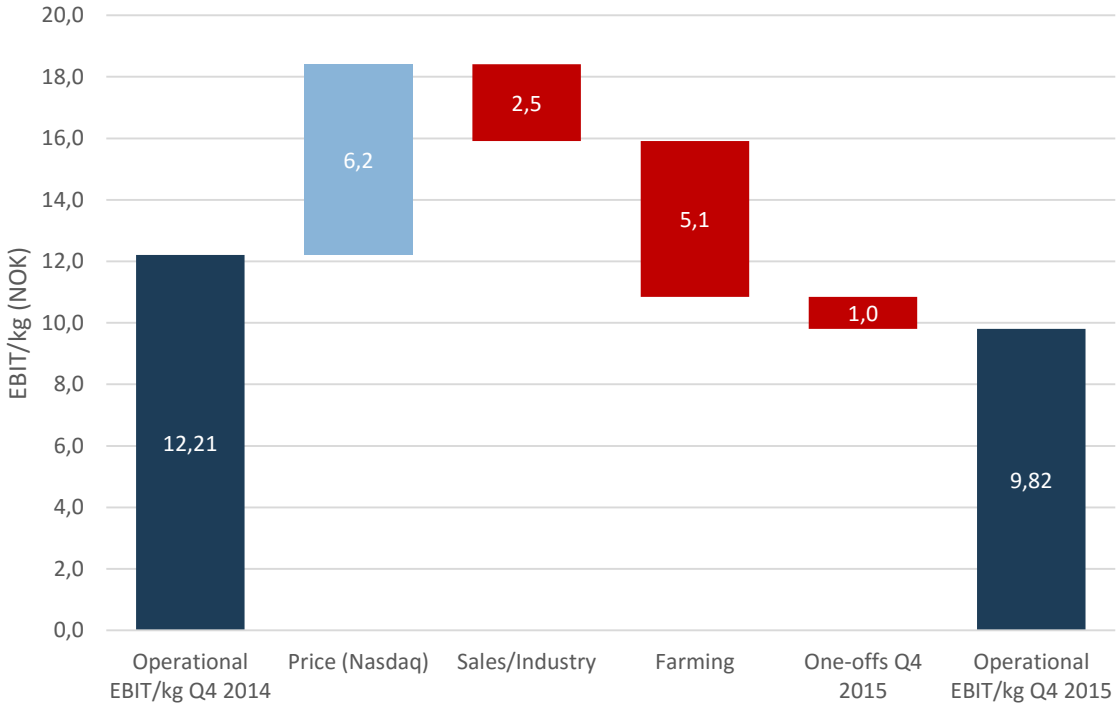


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Financial update



Operational EBIT deviation analysis (yoy)



- Higher salmon prices yoy driven by weak NOK and tight market balance
- Negative impact from contract sales
- Farming affected by higher feed cost and biological challenges
- Total EBIT/kg Q4 2015 NOK 9.82, down NOK 2.39 from Q4 2014

Group profit and loss

NOK Million	Q4 2015	Q4 2014	FY 2015	FY 2014
Operating income	**2 035,2**	**2 008,7**	**7 326,2**	**7 185,9**
Cost of goods sold	1 017,0	926,3	3 562,8	3 175,3
Payroll expenses	201,2	194,5	765,9	710,4
Other operating expenses	348,2	299,4	1 272,2	1 143,0
EBITDA	468,9	588,5	1 725,3	2 157,2
Depreciations	94,7	79,7	321,4	278,2
Operational EBIT	**374,3**	**508,7**	**1 403,9**	**1 879,0**
Fair value adjustment	18,5	-127,5	39,9	-232,3
Operational profit	**392,7**	**381,3**	**1 443,8**	**1 646,7**
Income from investments in associates	14,1	31,1	40,2	96,1
Other financial items	-29,8	-24,8	-100,4	-114,0
Profit before tax	**377,0**	**387,5**	**1 383,7**	**1 628,8**
Tax	-9,9	97,4	254,9	413,4
Net profit for the period	**386,9**	**290,1**	**1 128,8**	**1 215,5**

- Q4 2015 revenues driven by higher prices
- Average salmon price (NASDAQ) NOK 45.28/ kg (NOK 39.09/kg)
- 50% of sales on contract at prices below spot
- Production costs affected by sanitary conditions and price of feed
- One off in the quarter – MNOK 39.5
- EBIT/kg NOK 9.82 vs NOK 12.21 in Q4 2014

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Group balance sheet

NOK Million	31.12.2015	30.09.2015	31.12.2014
ASSETS			
Intangible fixed assets	2 913,5	2 929,7	2 898,6
Tangible fixed assets	2 412,0	2 210,3	2 017,6
Financial fixed assets	636,2	571,0	539,2
Total fixed assets	**5 961,7**	**5 711,0**	**5 455,4**
Inventory	3 634,3	3 581,7	3 321,1
Accounts receivables	815,5	890,8	888,2
Other short-term receivables	258,3	235,3	292,6
Cash and cash equivalents	273,7	96,3	167,0
Total current assets	**4 981,8**	**4 804,2**	**4 669,0**
TOTAL ASSETS	**10 943,5**	**10 515,2**	**10 124,4**
EQUITY AND LIABILITIES			
Paid-in equity	501,1	496,5	476,1
Reserves	4 646,3	4 275,1	4 600,1
Minority interests	79,7	77,5	60,6
Total equity	**5 227,0**	**4 829,2**	**5 137,3**
Provisions for liabilities	1 231,2	1 281,0	1 262,6
Int. bearing long-term liabilities	2 761,4	2 452,6	2 191,6
Total long-term liabilities	**3 992,5**	**3 733,6**	**3 454,2**
Int. bearing short-term liabilities	140,4	333,4	276,7
Other short-term liabilities	1 583,5	1 619,0	1 256,3
Total short-term liabilities	**1 723,9**	**1 952,4**	**1 533,0**
TOTAL EQUITY AND LIABILITIES	**10 943,5**	**10 515,2**	**10 124,4**
Net interest bearing debt	**2 628,1**	**2 689,7**	**2 301,3**
Equity share	**47,8 %**	**45,9 %**	**50,7 %**

- Investments in line with stated plans, above depreciations
- Increased biological assets
  - Increased fair value of NOK 107.7 million
  - Decreased cost base of NOK 78.8 million
- Net interest bearing debt reduced to NOK 2 628 million
- Strong financial position, equity ratio at 47.8%

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Group cash flow

NOK Million	Q4 2015	Q4 2014	FY 2015	FY 2014
Profit before tax	377,0	387,5	1 383,7	1 628,8
Tax paid in period	-309,3	-23,8	-315,1	-25,8
Depreciation	94,7	79,7	321,4	278,2
Share of profit/loss from associates	-14,1	-31,1	-40,2	-96,1
Change in fair value adjustments	-18,5	127,5	-39,9	232,3
Change in working capital	284,0	-85,7	279,2	-512,4
Other changes	2,8	50,3	33,3	142,1
Net cash flow from operating activities	**416,6**	**504,3**	**1 622,3**	**1 647,0**
Net cash flow from investing activities	**-320,2**	**-128,9**	**-724,7**	**-1 031,9**
Change in interest-bearing debt	107,0	-383,3	424,8	-357,4
Dividend paid out	-4,9	-2,2	-1 124,9	-898,2
Buy-out of non-controlling interest	-	-	-	-140,9
Interest paid	-24,3	-26,8	-95,3	-115,1
Other changes	-0,0	0,5	-0,1	-10,9
Net cash flow from financing activities	**77,8**	**-411,8**	**-795,5**	**-1 522,5**
Net change in cash for the period	174,2	-36,3	102,0	-907,4
Foreign exchange effects	3,2	3,6	4,7	3,3
Cash in the beginning of the period	96,3	199,7	167,0	1 071,0
Cash and cash equivalents end of period	**273,7**	**167,0**	**273,7**	**167,0**

- Cash flow from operations of NOK 417 million in Q4 2015
  - Working capital down by NOK 284 million
  - Seasonal reduction of biomass
  - Increased accounts payable
- Net cash flow from investments at NOK 320 million
  - Mainly investments in operational assets of NOK 280 million
- Cash and cash equivalents increased by NOK 174 million to NOK 274 million

Outlook





Outlook

- Biological situation remains a challenge – continues into 1q16
- Expects decline in global supply in 2016
- Experiencing continued good demand in core markets
- Expect harvest volume of 133 000 tons (Norway) in 2016
- Expect 2016 CAPEX of NOK 763m
  - Mostly related to maintenance (NOK 325m) and strategic smolt investments (NOK 438m)
- First steps on Iceland
  - Indirect ownership of 22,91% in Arnarlax Hf
- The Board of Directors propose a dividend of NOK 10.00/share

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