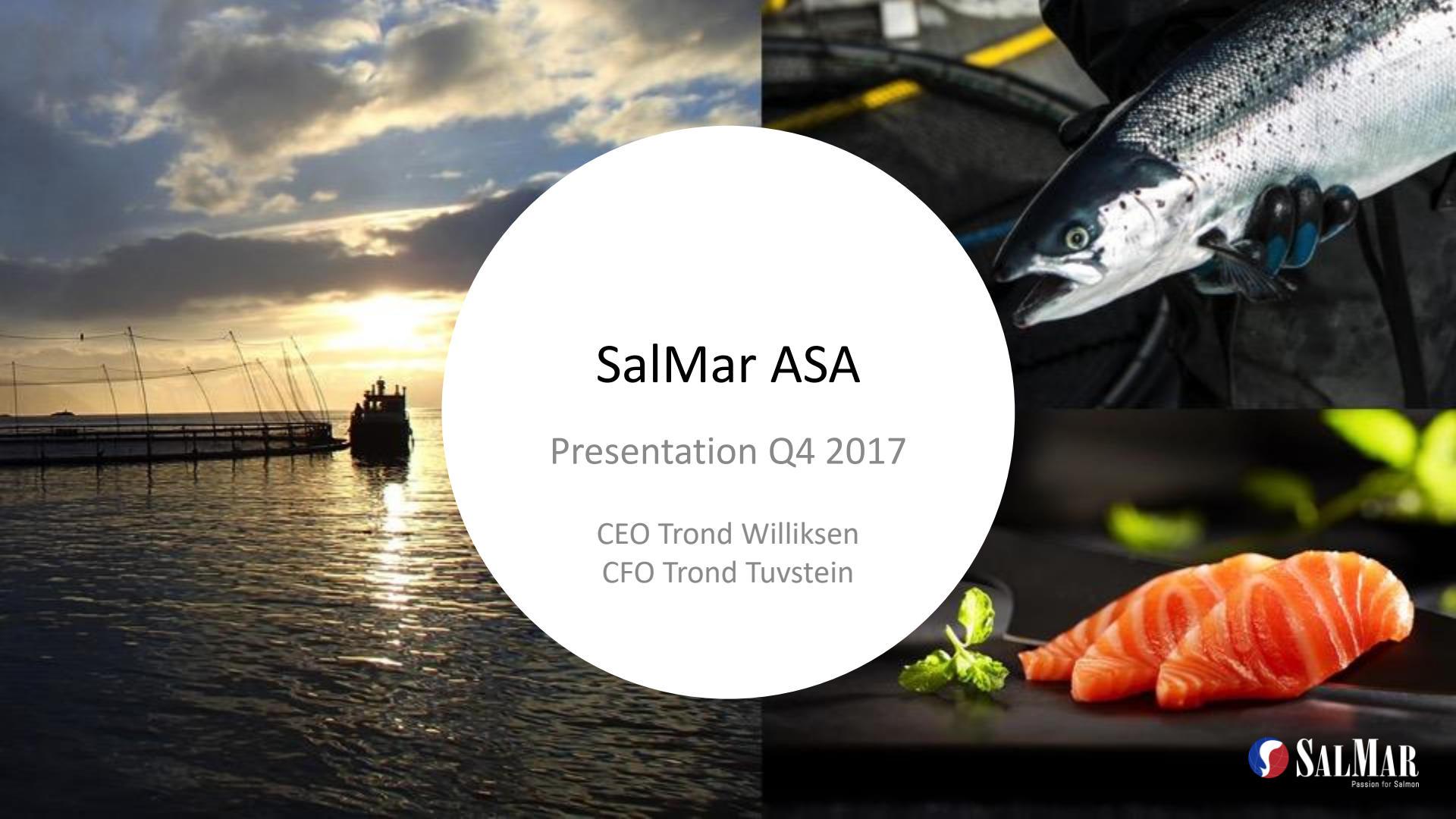


# SalMar ASA

## Presentation Q4 2017

CEO Trond Williksen
CFO Trond Tuvstein

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Passion for Salmon



# Agenda

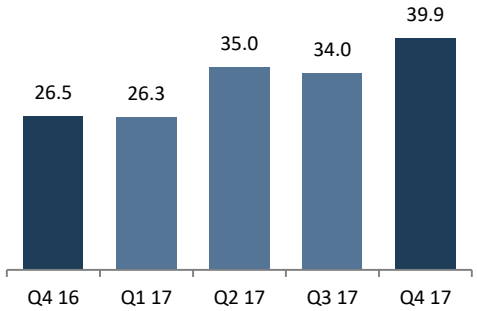
- Highlights
- Strategic priorities
- Operational update
- Financial update
- Outlook

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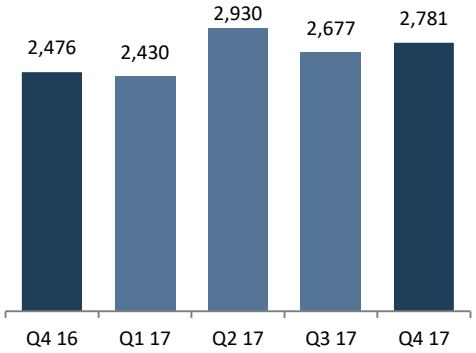
# Q4 2017 - In line - lowered costs

- Operations in line with expectations – higher volumes, improved biology, lowered costs
- EBIT per kilo impacted by lower spot prices – but positive contribution from industry segment
- Ocean Farm performing well
- Proposed dividend for 2017 of NOK 19.00 per share

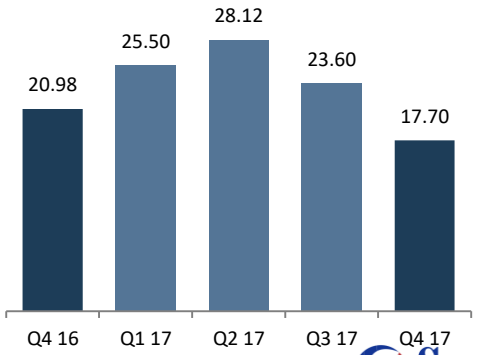
Harvest volume (1,000 tons)




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 |
|---|---|---|---|



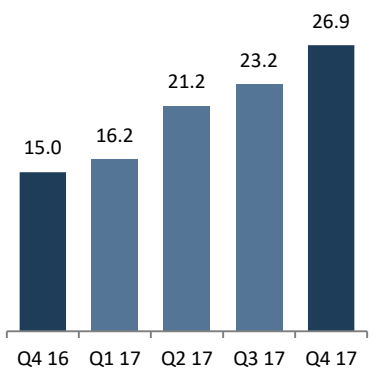
# Operational update

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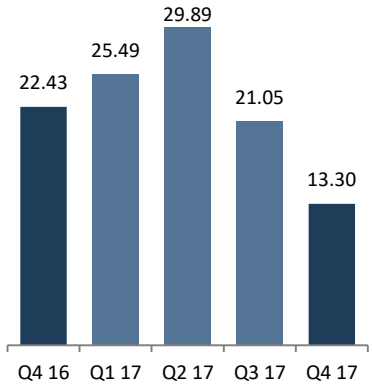
# Farming Central Norway

| | Q4 2017 | Q4 2016 | FY 2017 | FY 2016 |
|---|---|---|---|---|
| Operating income (NOKm) | 1 362.0 | 981.7 | 5 198.5 | 4 343.5 |
| Operational EBIT (NOKm) | 357.7 | 335.5 | 1 891.5 | 1 770.2 |
| Operational EBIT % | 26.3 % | 34.2 % | 36.4 % | 40.8 % |
| | | | | |
| Harvested volume (tgw) | 26.9 | 15.0 | 87.5 | 70.5 |
| EBIT/kg | 13.30 | 22.43 | 21.63 | 25.13 |

Harvest volume (1,000 tons)




EBIT/kg (NOK)




- Continued biological improvement
  - Pay back from long term investments in preparedness, capacity and knowledge
  - Good workmanship
  - Continued high treatment capability will affect costs
- Harvest volume from Spring-16 generation, affecting costs negatively

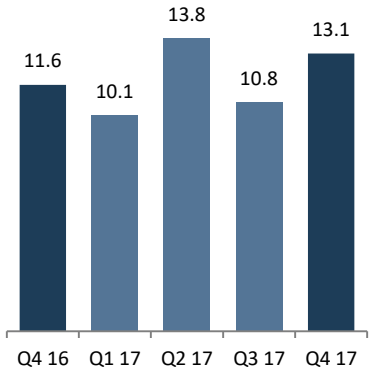
  ….. but good biological performance for Autumn-16 generation
- Organic salmon some 6% of total volume
- Cost reduction for the fourth quarter in a row - expect same development in Q1 2018
- Expect harvest volume of 96,000 tons in 2018

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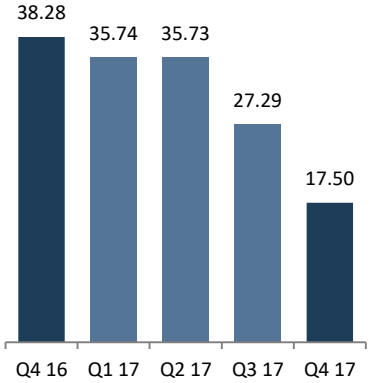
# Farming Northern Norway

| | Q4 2017 | Q4 2016 | FY 2017 | FY 2016 |
|---|---|---|---|---|
| Operating income (NOKm) | 628.7 | 790.1 | 2 864.8 | 2 799.2 |
| Operational EBIT (NOKm) | 228.4 | 443.6 | 1 376.1 | 1 480.3 |
| Operational EBIT % | 36.3 % | 56.1% | 48.0 % | 52.9% |
| | | | | |
| Harvested volume (tgw) | 13.1 | 11.6 | 47.7 | 45.2 |
| EBIT/kg | 17.50 | 38.28 | 28.84 | 32.78 |

Harvest volume (1,000 tons)




EBIT/kg (NOK)

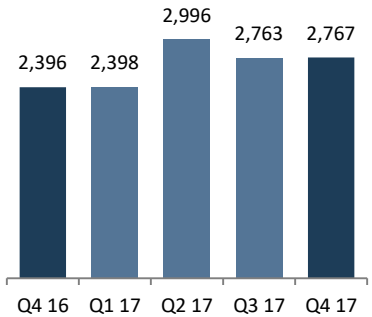



- Good performance, but higher sea lice levels in some parts of the region
  - Increased treatments on coming generation will affect costs negatively
  - Preparedness and capacity to handle the situation is good
- Harvesting related to MAB adjustments affect average weight negatively
- Expect higher costs in Q1 2018
- Harvest volume of 47,000 tons in 2018

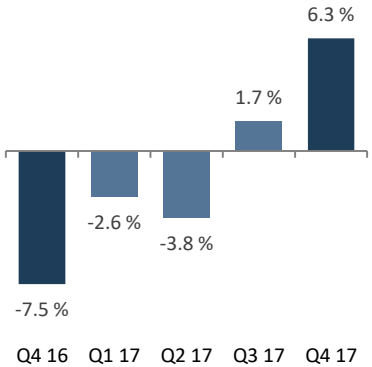
# Sales & Processing

| | Q4 2017 | Q4 2016 | FY 2017 | FY 2016 |
|---|---|---|---|---|
| Operating income (NOKm) | 2 766.7 | 2 395.7 | 10 924.8 | 9 035.8 |
| Operational EBIT (NOKm) | 175.5 | -180.5 | 47.8 | -685.8 |
| Operational EBIT % | 6.3 % | -7.5% | 0.4 % | -7.6% |

Operating income (NOKm)



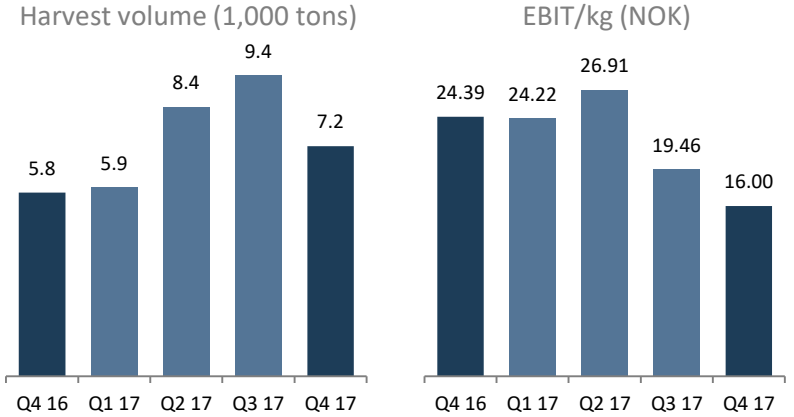

EBIT-margin (%)




- Strong achievement from all business units within the segment
- Contract share of 44 % at prices above average spot
- Expect lower volumes in the coming quarters due to seasonality
- Contract share currently at 48% for 1q18, at 26% for FY 2018

# Norskott Havbruk

| | Q4 2017 | Q4 2016 | FY 2017 | FY 2016 |
|---|---|---|---|---|
| Operating income (NOKm) | 485.0 | 354.6 | 2 088.0 | 1 720.6 |
| Operational EBIT (NOKm) | 115.4 | 140.4 | 669.3 | 473.9 |
| Operational EBIT % | 23.8 % | 39.6% | 32.1 % | 27.5% |
| Value adjustments biomass | -26.3 | 50.3 | 9.0 | 127.8 |
| Profit before tax | 87.2 | 185.3 | 670.3 | 581.8 |
| SalMar's share after tax | 37.7 | 73.9 | 272.8 | 236.6 |
| | | | | |
| Harvested volume (tgw) | 7.2 | 5.8 | 31.0 | 28.0 |
| EBIT/kg | 16.00 | 24.39 | 21.59 | 16.90 |





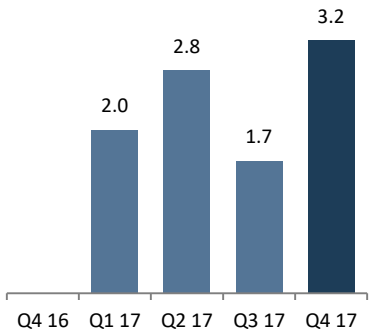


- Satisfactory operational results in the quarter
- Good biological performance on the majority of sites harvested
- Contract share 44%
- Results still negatively impacted by biological challenge with Gill health at a small number of sites in Shetland and Scotland region
  - Accelerated harvesting increases cost/kg
  - Affected fish harvested out in the quarter
- Harvest guidance at 26,000 tons for 2018

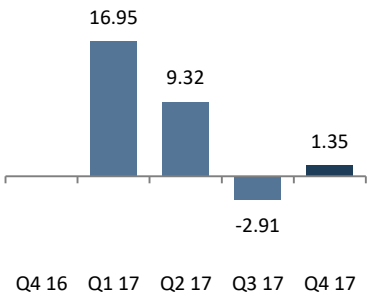
# Arnarlax HF

| | Q4 2017 | Q3 2017 | FY 2017 | FY 2016 |
|---|---|---|---|---|
| Operating income (NOKm) | 171.7 | 113.8 | 625.4 | 247.4 |
| Operational EBIT (NOKm) | 4.3 | -4.8 | 60.2 | -1.7 |
| Operational EBIT % | 2.5 % | -4.2% | 9.6 % | -0.7% |
| Value adjustments biomass | -52.8 | -7.3 | -186.0 | 183.5 |
| Profit before tax | -58.4 | -18.4 | -165.2 | 205.4 |
| SalMar's share after tax | -16.0 | -9.8 | -55.7 | 52.2 |
| | | | | |
| Harvested volume (tgw) | 3.2 | 1.7 | 9.7 | 4.0 |
| EBIT/kg | 1.35 | -2.91 | 6.23 | -0.41 |

Harvest volume (1,000 tons)




EBIT/kg (NOK)




- Earnings impacted by biological challenges at one site and one-offs (non-recurring costs) in the quarter
- Ongoing structuring continue to affect costs – company still in early phase
- Expect harvest volumes of 11,000 tons in 2018
- SalMar holds a long term view - robust development in focus

# Ocean Farm with continued strong performance



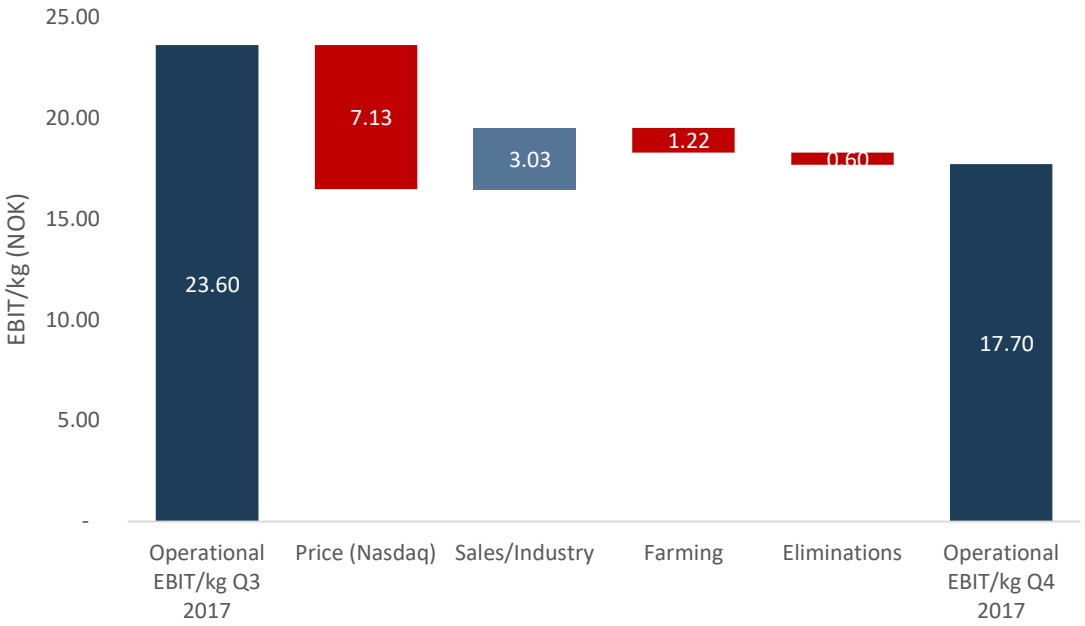
Equipment and fish deliver according to plan| Strong ongrowth| R&D programs initiated



# Financial update

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# Operational EBIT deviation analysis (qoq)




- Spot price significantly down during the quarter
- Earnings contributions from Sales & Processing driven by strong operations and favourable contract-prices
- Earnings from farming affected by less favourable timing of harvest qoq
- Total EBIT/kg Q4 2017 NOK 17.70 down from NOK 23.60 in Q3 2017

# Group profit and loss

| NOK million | 4Q 2017 | Q4 2016 | FY 2017 | FY 2016 |
|---|---|---|---|---|
| **Operating income** | **2 780,6** | **2 476,3** | **10 817,2** | **9 029,8** |
| Cost of goods sold | 1 263,0 | 1 220,6 | 4 722,5 | 4 000,8 |
| Payroll expenses | 241,6 | 238,9 | 929,1 | 861,5 |
| Other operating expenses | 447,7 | 365,4 | 1 584,8 | 1 377,8 |
| EBITDA | 828,2 | 651,4 | 3 580,8 | 2 789,7 |
| Depreciations and write-downs | 121,0 | 94,4 | 418,6 | 358,0 |
| **Operational EBIT** | **707,2** | **557,0** | **3 162,2** | **2 431,6** |
| Fair value adjustment | -370,6 | 536,4 | -370,0 | 654,0 |
| **Operational profit** | **336,6** | **1 093,3** | **2 792,2** | **3 085,6** |
| Income from investments in associates | 19,0 | 127,4 | 208,9 | 286,8 |
| Net interest costs | -26,6 | -26,5 | -95,9 | -101,3 |
| Other financial items | -34,2 | 24,1 | -49,1 | 70,9 |
| **Profit before tax** | **294,7** | **1 218,2** | **2 856,2** | **3 342,1** |
| Tax | -6,5 | 201,5 | 558,4 | 691,1 |
| **Net profit for the period** | **301,3** | **1 016,7** | **2 297,8** | **2 651,0** |
| *Items to be reclassified to profit and loss in subsequent periods:* | | | | |
| Change in translation diff. associates | 33,7 | 2,3 | 41,7 | -105,3 |
| Change in translation diff. subsidaries | 2,6 | -3,3 | -0,3 | -1,8 |
| Cash flow hedge, net tax | - | 12,1 | -11,5 | 11,5 |
| Change in fair value of currency instruments | 3,9 | -0,3 | 3,9 | -0,3 |
| **Total comprehensive income** | **341,4** | **1 027,4** | **2 331,6** | **2 555,1** |

- Revenues and earnings driven by higher volumes
- EBIT/kg at NOK 17.70 vs NOK 20.98 in Q4 16, impacted by lower prices

  Average salmon price (NASDAQ)
  NOK 49.42 /kg vs NOK 67.17 in Q4 2016
- Stable cost development in farming
- Positive earnings contribution from Sales & Processing
- Reported EBIT impacted by negative value adjustments of NOK 370.6 million in the quarter

# Group balance sheet

| NOK million | 31.12.2017 | 30.09.2017 | 31.12.2016 |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible fixed assets | 2 925,0 | 2 929,2 | 2 910,8 |
| Tangible fixed assets | 3 604,8 | 3 578,9 | 3 137,5 |
| Financial fixed assets | 1 080,9 | 1 052,5 | 960,0 |
| **Total fixed assets** | **7 610,6** | **7 560,6** | **7 008,3** |
| Inventory | 4 394,6 | 4 904,8 | 5 221,8 |
| Accounts receivables | 501,1 | 551,6 | 595,8 |
| Other short-term receivables | 242,9 | 227,4 | 302,1 |
| Cash and cash equivalents | 177,1 | 193,6 | 273,7 |
| **Total current assets** | **5 315,6** | **5 877,4** | **6 393,4** |
| **TOTAL ASSETS** | **12 926,2** | **13 438,0** | **13 401,7** |
| **EQUITY AND LIABILITIES** | | | |
| Paid-in equity | 557,6 | 561,9 | 529,0 |
| Reserves | 7 022,4 | 6 686,0 | 6 069,4 |
| Minority interests | 88,1 | 85,9 | 82,4 |
| **Total equity** | **7 668,1** | **7 333,8** | **6 680,8** |
| Provisions for liabilities | 1 353,9 | 1 421,9 | 1 495,3 |
| Int. bearing long-term liabilities | 1 156,0 | 1 463,8 | 2 439,6 |
| **Total long-term liabilities** | **2 509,9** | **2 885,7** | **3 934,9** |
| Int. bearing short-term liabilities | 243,6 | 344,8 | 198,6 |
| Other short-term liabilities | 2 504,6 | 2 873,7 | 2 587,4 |
| **Total short-term liabilities** | **2 748,2** | **3 218,5** | **2 786,0** |
| **TOTAL EQUITY AND LIABILITIES** | **12 926,2** | **13 438,0** | **13 401,7** |
| **Net interest bearing debt** | **1 222,5** | **1 615,0** | **2 364,5** |
| **Equity share** | **59,3 %** | **54,6 %** | **49,9 %** |

- CAPEX in line with ongoing investment programs
- Fair value of biomass reduced by NOK 472 million in the quarter
- Interest-bearing debt reduced by NOK 408.9 million during the quarter
  - NIBD at NOK 1.22 billion
- Financial position strong, equity-ratio increased to 59.3%



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# Group cash flow

| NOK million | Q4 2017 | Q4 2016 | FY 2017 | FY 2016 |
|---|---|---|---|---|
| Profit before tax | 294,7 | 1 218,2 | 2 856,2 | 3 342,1 |
| Tax paid in period | -403,4 | -273,5 | -423,2 | -291,0 |
| Depreciation | 121,0 | 94,4 | 418,6 | 358,0 |
| Share of profit/loss from associates | -19,0 | -127,4 | -208,9 | -286,8 |
| Gains exit subsidiaries | 0,7 | - | -10,2 | -26,6 |
| Change in fair value adjustments | 370,6 | -536,4 | 370,0 | -654,0 |
| Change in working capital | 132,0 | -491,4 | 196,6 | 364,2 |
| Other changes | 29,5 | -93,6 | 175,4 | -81,2 |
| Net cash flow from operating activities | 526,2 | -209,6 | 3 374,4 | 2 724,6 |
| Net cash flow from investing activities | -112,9 | -173,2 | -758,0 | -1 231,3 |
| Change in interest-bearing debt | -409,7 | 266,8 | -1 250,9 | -264,0 |
| Dividend paid out | - | - | -1 366,0 | -1 125,9 |
| Interest paid | -26,6 | -26,5 | -95,9 | -101,3 |
| Other changes | 0,2 | - | -3,8 | - |
| Net cash flow from financing activities | -436,2 | 240,4 | -2 716,6 | -1 491,2 |
| **Net change in cash for the period** | **-22,9** | **-142,4** | **-100,2** | **2,1** |
| Foreign exchange effects | 6,4 | -3,7 | 3,5 | -2,1 |
| Cash in the beginning of the period | 193,6 | 419,8 | 273,7 | 273,7 |
| **Cash at the end of the period** | 177,1 | 273,7 | 177,1 | 273,7 |

- Cash flow from operations driven by strong earnings and working capital release
- Net cash flow from investments at NOK -112.9 million
  - Ocean Farming NOK 24.1 million
  - Smolt and hatchery NOK 42.0 million
  - Other operating assets NOK 74.3 million
  - Received dividends of NOK 27.5 million
- Cash reduced by NOK 22.9 million during the period
- 2018 CAPEX estimated to NOK 356 million
  - Maintenance NOK 276 million
  - Smolt and hatchery NOK 80 million

# Agreement on refinancing of credit facilities

- SalMar ASA has entered into a new loan agreement with DNB, Nordea and Danske Bank, which extend the existing credit facilities
- The agreement is for a period of 3 year with the option for an extension for another two years
- Secures credit facilities totaling NOK 4,650 million
- The credit facilities comprise of:
  - Term loan facility of NOK 650 million
    - Maturity date fist of July 2019
  - Investment/acquisition facility of NOK 2,000 million
  - Revolving credit facility of NOK 1,500 million
  - Overdraft facility of up to NOK 500 million, renewable annually.
- The financial covenants:
  - Equity should not be less than 35%
  - Interest cover ratio (EBITDA/net interest) shall not fall below 4.0





# Outlook

# Outlook



- Overall stable cost development in short horizon
- Slight capacity growth - “traffic light” regime
- Ocean Farm volumes to reach the market in 2H 2018
- Contract share for 2018 currently at 26%
- Global supply expected to increase by 6% in 2018
- Experiencing continued good demand in core markets

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# THANK YOU
# FOR YOUR ATTENTION!

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