

ANNUAL REPORT 2014

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One of the largest and  
most cost efficient  
Salmon producers  
in the world





# This is SALMAR

SalMar is one of the world's leading producers of Atlantic salmon and is integrated from broodstock, roe and smolt to value added products and sales. SalMar have significant farming operations in both Central and Northern Norway, as well as in Scotland through 50 % ownership in Scottish Sea Farms. SalMar also operate a comprehensive harvesting and VAP facility in Central Norway at the company's headquarter at InnovaMar on Frøya and on Vikenco at Aukra.

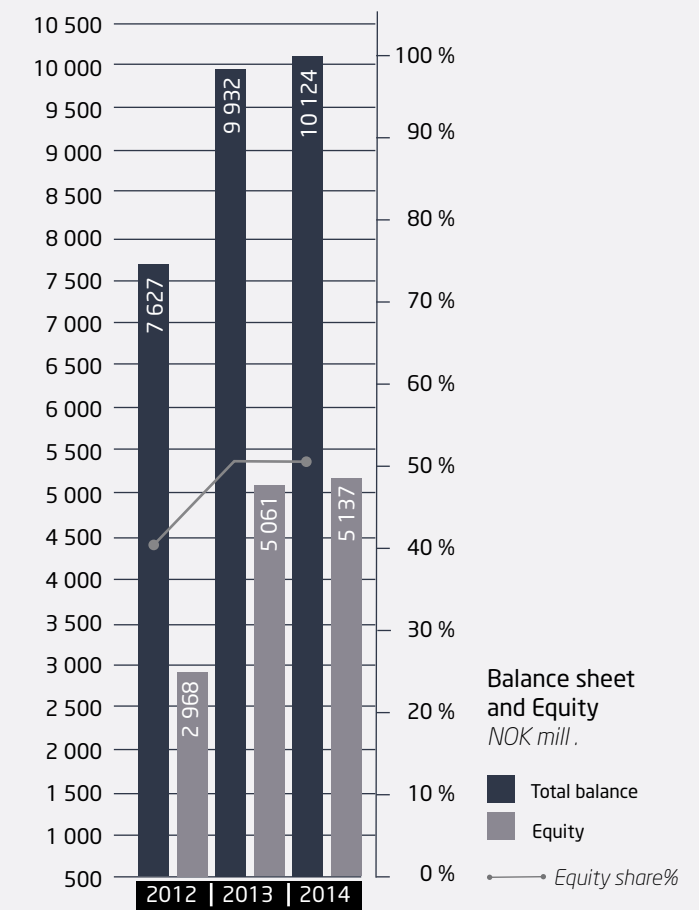
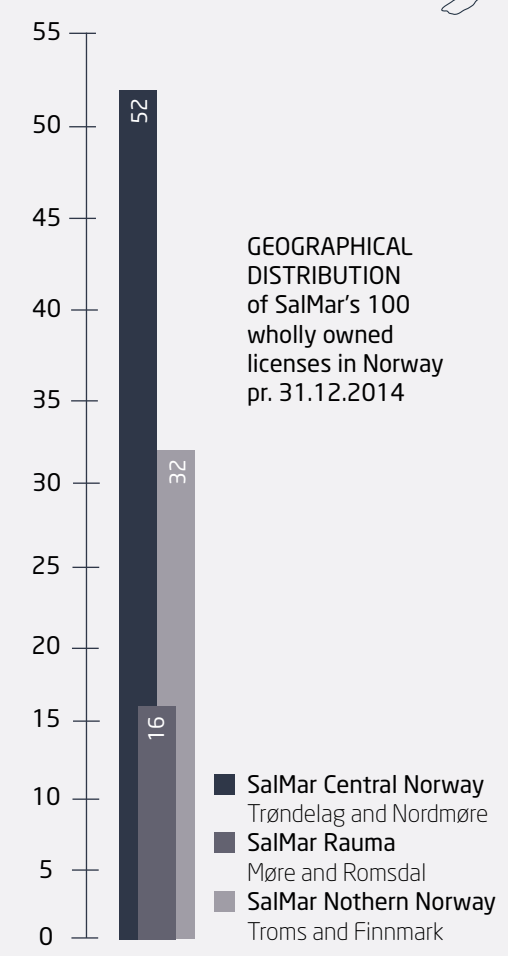
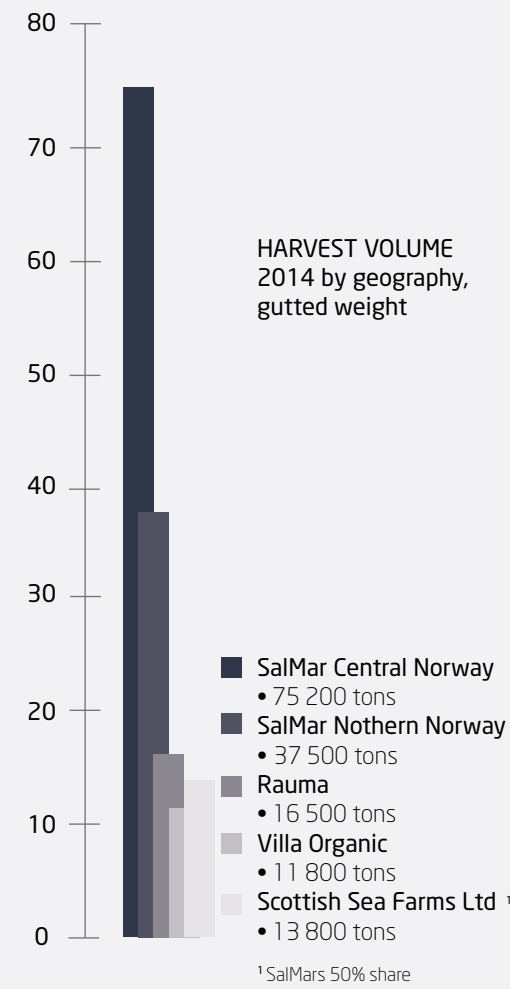
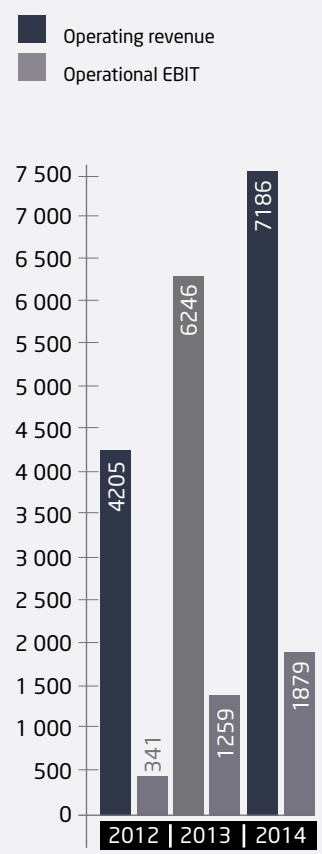
Learn more about SalMar at [www.salmar.no](http://www.salmar.no)

- FINANCIAL CALENDER 2015**
- > 4th Quarter 2014 results  
• 26.02.2015
  - > 1st Quarter 2015 results  
• 20.05.2015
  - > Annual General Meeting  
• 02.06.2015
  - > 2nd Quarter 2015 results  
• 25.08.2015
  - > 3rd Quarter 2015 results  
• 12.11.2015

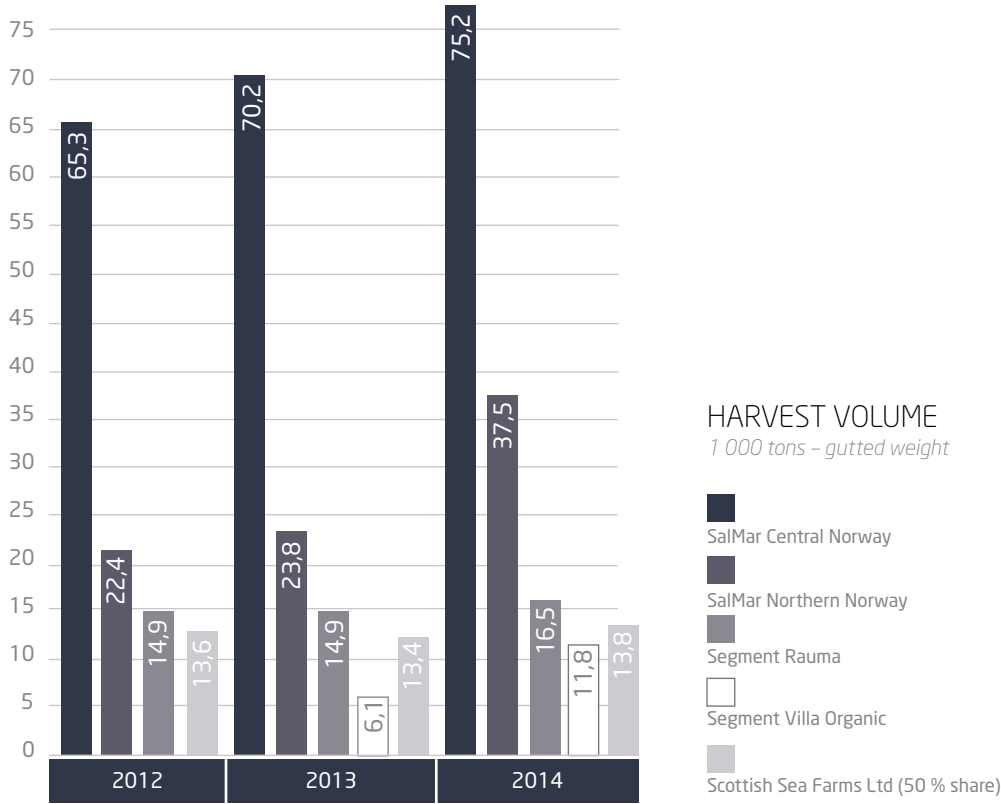
SalMar holds quarterly presentations open to the public. The presentations will take place at 08.00 CET at Hotel Continental in Stortingsgaten 24/26 in Oslo, Norway.

The annual general meeting will be held at Frøya. Please note that the dates are subject to change. Changes will be communicated.

Operating revenue and Operational EBIT NOK mill.

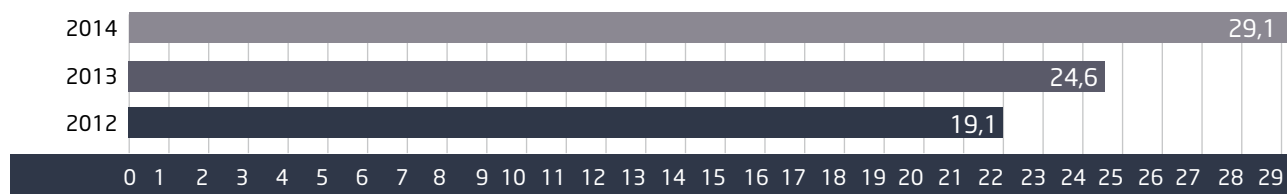


# Harvest volume and value added products 2014



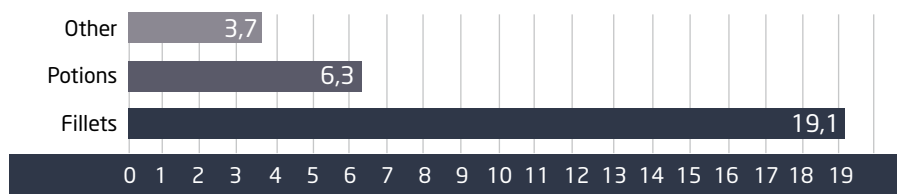
## VOLUME VALUE ADDED PRODUCTS

1 000 tons – product weight



## VALUE ADDED PRODUCTS 2014

1000 tons – product weight



# KEY FIGURES 2014

## OPERATING REVENUES AND OPERATING PROFIT *NOK mill.*

	2014	2013	2012
Operating revenues	7 186	6 246	4 205
Operational EBIT	1 879	1 259	341
Operating margin	26 %	20 %	8 %
Operating profit	1 647	1 949	639
Profit before tax	1 629	2 322	609
Profit margin	23 %	37 %	14 %
Profit for the year	1 215	1 903	481

Earnings per share after fair value adjustment of biomass

10,5 15,8 4,2

## BALANCE SHEET *NOK mill.*

	2014	2013	2012
Non-current assets	5 455	4 732	4 375
Current assets	4 669	5 199	3 252
Total assets	10 124	9 932	7 627
Equity	5 137	5 061	2 968
Debt	4 987	4 871	4 659
Total Equity and debt	10 124	9 932	7 627

Net interest bearing debt

2 301,3 1 772,4 2 764,4

Equity share

51 % 51 % 39 %



2014 was another record year for SalMar. Indeed, using the phrase “another record year” is becoming something of a habit when describing SalMar’s performance. Once again it was a combination of a higher harvested volume and higher salmon prices that helped boost the Group’s consolidated gross revenues to NOK 7.19 billion, and its operating profit to NOK 1.88 billion.

SalMar is the world’s fourth largest aquaculture company, and last year we harvested 141,000 tonnes gutted weight of salmon from our own fish farms. That is around 13 per cent of all the salmon farmed in Norway, and corresponds to more than 40 per cent of the Norwegian agricultural sector’s total meat production. After such a success it might be tempting to ‘chill out’ and take it easy for a while, but there are too many challenges and too many opportunities to be had in the Norwegian aquaculture industry for that.

#### Production costs

Nevertheless, it remains the case that our production costs are rising – largely as a result of higher feed prices and greater biological challenges, particularly with regard to keeping salmon lice levels down. The consequences of higher costs pursue us along the entire value chain.

Intense efforts are underway to keep salmon lice numbers under control. This applies to both medicinal and non-medicinal methods. Various research environments, equipment, feed and vaccine suppliers and the industry itself are all working extremely hard to find a solution. Progress is being made, and I am optimistic that the problem of salmon lice will be resolved in the not too distant future.

#### Passion for Salmon

In 2014 we have done a lot to define in more detail what we mean by a “Passion for Salmon”, the watchword we have chosen to encapsulate our vision. The strategy surrounding our “Passion for Salmon” is wide-ranging, and we obviously cannot prioritise everything equally strongly all the time. Since I want SalMar’s primary focus to be operational, we have decided to give initial priority to the following eight strategic areas:

1. We will explain and embed a “Passion for Salmon” in the organisation’s collective consciousness.
2. We will organise ourselves on the operational manager/line manager’s terms.
3. We will further develop the SalMar culture through a revitalisation of the SalMar School.
4. We will improve our team and operational leadership skills through training and practice.
5. We will further develop our capabilities on the sales and marketing sides.
6. We will formulate and follow up clear operational targets.
7. We will organise ourselves to take the strategic initiative.
8. We will seize opportunities for further company growth.



Although we are well underway in many of these areas, we have not come equally far in all parts of the organisation. In the Fish Farming segment we have staged 16 conferences in which we have embedded a “Passion for Salmon”. We have challenged and debated, and we have received some clear feedback. The modification and implementation of several of the chosen strategies is therefore well underway. These efforts will be reflected in greater efficiency and implementation capacity, which will in turn help to reduce production costs. Within the Sales and Processing segment, some extremely good analyses and processes have been undertaken, and the rest of the Group will attend SalMar School events in the second and third quarters of 2015.

SalMar has around 1,000 employees, and – irrespective of where we stand in the value chain – we must all pull together in the same direction if we are to succeed in becoming the world’s best aquaculture company. An important tool for achieving this is the revitalisation of the SalMar School. Over many years, the SalMar School has played an important role in our systematic efforts to promote the right attitudes. We know that it is only our own actions, conduct and ability to see things through that will contribute to our mutual success. Yet without a passion for what we do, we will be unable to develop and grow.

#### Report to the Storting on predictable growth

If the industry is to continue developing, our political leaders must create a predictable framework within which it can operate. The government has recently published Report to the Storting No. 16, which is intended to pave the way for the further predictable growth in the industry. Unfortunately, it could easily have the opposite effect if it is adopted in its present form. A united aquaculture industry is critical of several of the changes proposed by the government. SalMar sent its own response to the report when it was circulated for consultation, in which we expressed our criticism of and disagreement with parts of the proposal. However, it is my impression that the government has taken little account of the industry’s feedback.

SalMar is positive to the government’s wish to stimulate environmentally sustainable growth in the aquaculture industry. High costs and tariff barriers make secondary processing in Norway a challenge. SalMar has nevertheless chosen to “swim against the tide” and has invested heavily in secondary processing, even though, seen in isolation, the export of unprocessed raw materials is more immediately profitable. In the Report to the Storting, the government sows doubt about one important framework condition for secondary processing in Norway – the co-called “inter-regional biomass ceiling”, which the ministry now wishes to evaluate. This is an arrangement which enables fish farmers to exploit the maximum allowable biomass (MAB) between production areas and regions in a flexible manner.

If the inter-regional biomass ceiling is revoked, it will have extremely negative consequences for SalMar and others engaged in secondary processing in Norway. This is the only initiative of any significance that the Norwegian authorities have introduced to stimulate the secondary processing of salmon in Norway. Processing has a far greater impact on employment and value creation in the country as a whole and in coastal districts than raw materials export. Furthermore, it results in a far better environmental balance sheet, since it allows much more effective exploitation of the basic raw materials and reduced road transport. Those who

## CEO’s report

are engaged in secondary processing in Norway are also important for the development of the salmon-based products that are a vital foundation for the steadily growing consumption of Norwegian salmon by consumers in 130 countries around the world. If this scheme is rescinded, it will severely weaken the basis for further investment in and development of secondary processing activities in Norway.

Through a series of meetings, SalMar has urged the country’s political leaders to issue clear guidelines to the effect that the processing regulations in the Norwegian aquaculture industry must remain as they are, and to make it plain that the Norwegian authorities still think it is important to engage in secondary processing in Norway. The existing entitlement to flexible exploitation of the biomass should be an important premise and precondition, regardless of the future regulatory regime.

#### Future sustainability – technological paradigm shift

In its recent Report to the Storting the government expressed a restrictive view on aquaculture growth, in light of the environmental challenges facing the industry. Nevertheless, it should, at the very least, be possible to grant new production licences to companies that are developing methods and equipment that can handle the environmental challenges far better than today. SalMar has developed a pioneering new ocean-going sea cage that does just that. It is the result of a collaboration between experts from Norway’s aquaculture and off-shore oil and gas industries, and has been successfully tested at MARINTEK’s marine laboratory. We hope the government will, as soon as possible, permit the granting of licences for R&D purposes, as it undertook to do in the Report to the Storting.

#### Passion

At SalMar we want growth – but growth that comes first and foremost in ways that promote the best interests of the salmon in our care. Today, it is easy to believe that technology and science can solve almost any problem, but in the end we are still the deciding factor. Our six cultural tenets remain valid. They describe the SalMar culture – what guides our day-to-day decisions and actions.

We will continue to do things better today than we did yesterday. We will continue to do our utmost to satisfy every link in the supply chain up to and including the end-user. Success here is possible only if every part of the organisation works together as a team. And we will continue to care and to contribute to the sustainability of the aquaculture industry.

We can neither buy nor artificially construct a sustainable aquaculture industry. Sustainability is about attitudes, and attitudes must come from within. That is the driving force we call “passion”.

*Stefen Borchert*

CEO



Since its inception in 1991 SalMar has developed into a vertically integrated aquaculture enterprise, whose production stretches from roe/broodfish to the sale of finished products. SalMar has gone from a single company with one licence for the production of farmed salmon in Norway, to an international concern with 100 fish farming licences in Norway and considerable shareholdings in the UK

# The history of SalMar

SalMar was founded in February 1991 following the acquisition of a licence for the production of farmed salmon and a white fish harvesting/processing plant from a company that had gone into liquidation. These events took place during one of the most turbulent periods in the history of the Norwegian aquaculture industry, which subsequently also led to the collapse of the fish farmers' own sales organisation (Fiskeopp-dretternes Salgslag AL) in November that same year. It was precisely this company's failure, and the so-called salmon mountain, that helped lay the foundations for the secondary processing operations which are a cornerstone of the SalMar story. Up until then the vast majority of Norwegian salmon had been exported as fresh or frozen round gutted fish. This was the start of a major restructuring of the Norwegian aquaculture sector, which gradually led to a substantial increase in its level of industrialisation.

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## 1991

SalMar is founded in Frøya in Sør-Trøndelag following the acquisition of one licence for the production of farmed salmon and a harvesting/processing plant from a company that had gone into liquidation. The company's primary business was the processing of frozen salmon. This was the start of a major restructuring of the Norwegian aquaculture sector, which gradually led to a substantial increase in its level of industrialisation.

## 1992

Acquisition of two licences for the production of farmed salmon in Central Norway.

## 2001

**Total volume harvested: 15,000 tonnes gutted weight.** Establishment of operations outside Norway through Norskott Havbruk AS, a 50/50 joint venture with Lerøy Seafood Group. Norskott Havbruk AS is sole owner of Scottish Sea Farms Ltd, the UK's second largest salmon producer.

## 2005

**Total volume harvested: 35,000 tonnes gutted weight.** Divestment of operations SalMar does not consider to be core businesses, including the production of herring, herring oil and fish meal. Greater focus on core business activities, farming, harvesting and processing of salmon.

## 2008

**Total volume harvested: 65,000 tonnes gutted weight.** Acquisition of one licence in Central Norway (Møre & Romsdal) and one in Northern Norway (Troms). Senja Sjøfarm AS is renamed SalMar Nord AS. The Company now includes all SalMar's operations in Troms. Acquisition of 34% of the shares in Volstad Seafood AS.

## 2009

**Total volume harvested: 77,000 tonnes gutted weight.** Acquisition of the remaining 66% of the shares in Volstad Seafood AS, making SalMar sole owner of the company.

shares in P/F Bakkafrost, bringing SalMar's total shareholding to 24.8%.

## 2012

**Total volume harvested: 116,100 tonnes gutted weight.** Acquisition of 10 licenses in Northern Norway (Finnmark) from Villa Artic AS. Acquisition of additional shares in P/F Bakkafrost, bringing SalMar's total shareholding to 25.21%.

## 2013

**Total volume harvested: 128,000 tonnes gutted weight.** Acquisition of minority shares in SalMar Rauma AS. Acquisition of 50.4% of the shares in Villa



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Passion for Salmon

## 1995

Acquisition of Follasmolt AS in Verran, Nord-Trøndelag. Start of smolt production. Lease of Kjørsvik Settefisk's hatchery in Aure, Møre & romsdal.

## 1997

Extension of the plant at Nordskaget in Frøya to increase processing capacity. Kverva Holding AS becomes sole owner of SalMar.

## 2000

**Total volume harvested: 11,000 tonnes gutted weight.** Establishment of operations outside of Central Norway through the acquisition of 49% of the shares in Senja Sjøfarm AS in Troms. At that time Senja Sjøfarm had nine production licences and its own hatchery.

## 2006

**Total volume harvested: 44,000 tonnes gutted weight.** Kverva Holding AS sells 42.5% of the company's shares to a limited number of Norwegian and international investors. Acquisition of three new licenses in Nordmøre. Acquisition of the remaining 51% of the shares in Senja Sjøfarm AS, making SalMar sole owner of the company.

## 2007

**Total volume harvested: 64,000 tonnes gutted weight.** SalMar shares floated on the Oslo Stock Exchange on 8 May 2007. Acquisition of Halså Fiskeoppdrett AS (two licences) and Henden Fiskeoppdrett AS (two licences) in Møre & Romsdal. Acquisition of Arctic Salmon AS (four licences) in Nordreisa, Troms.

## 2010

**Total volume harvested: 79,000 tonnes gutted weight.** Acquisition of 75.54% of Rauma Gruppen AS. Broodfish, two hatcheries and eight fish farming licenses in Central Norway (Møre & Romsdal). Acquisition of 23.29% of the shares in the listed Faeroe Islands company Bakkafrost P/f. Acquisition of Stettefisk AS.

## 2011

**Total volume harvested: 104,000 tonnes gutted weight.** Completion of the world's most innovative and efficient salmon harvesting and processing plant – InnovaMar. Acquisition of Bringsvør Laks AS with two licences in Central Norway (Møre & Romsdal). Acquisition of Krifo Havbruk AS with one licence in Central Norway (Trøndelag). Leif Inge Nordhammer steps Down as CEO and is replaced by Yngve Myhre on 6 June. Acquisition of Villa Miljølaks AS with four licenses in Central Norway (Møre og Romsdal). Acquisition of a further 1.5% of the

Organic AS. Divestment in P/F Bakkafrost. New share holding approximately 14.9%. Divestment of remaining 14.9% of shares in P/F Bakkafrost. Following the transaction SalMar has no shares in P/F Bakkafrost.

## 2014

**Total volume harvested: 154,800 tonnes gutted weight.** Yngve Myhre steps down as CEO and is replaced by Leif Inge Nordhammer on 20 January. Nordhammer previously served as SalMar's CEO for a period of 15 years until he stepped down in 2011.

Acquisition of 8 green licenses.

\*Total harvest volume SalMar group, incl. 50 % of SSF harvest volumes.



# OFFSHORE FISH FARMING- a new era

Ocean Farming AS is part of the SalMar Group.  
It was established to develop offshore fish farming operations.

**"Through the development and realisation of new technology, and through the acquisition of operational experience, Ocean Farming will possess the particular competence needed by the next generation of fish farming".**

Development work began as far back as 2012, and in the spring of 2013 Ocean Farming presented a technical concept design for a fish farm that was robust enough to be installed and operated close to the open ocean, and that – through industrialised construction and streamlined/automated operation – would help to keep production costs competitive. Through 2014 the company started detailed specification work, and invited bids for the construction (EPC contract) of the first pilot facility.

Ocean Farming has received funding from Innovation Norway during the project analysis phase.

The technical solution is based on the best that the Norwegian aquaculture and offshore oil industries have to offer – a loosely anchored submersible facility, with a rigid structure capable of maintaining flotational stability in areas close to the open ocean at sea depths of 100-300 metres, where biological conditions are perfect for "fish-friendly" farming. The project is built up around tried and tested technologies, which are combined for optimal fish production.

All fish handling can be carried out on site, without the need for external boats or equipment. In other words, from the moment the smolt is transferred to the sea until it is ready for harvesting, the fish will remain at the farm. In addition, the facility is equipped with one sliding bulkhead and two fixed bulkheads, which allow it to be divided into three separate zones in which different fish-related operations can be carried out. Nozzles

will also be installed on the sliding bulkhead, which will make it possible to clean the netting daily if desired. The facility is automated, thus avoiding many heavy, manual operations. On a day-to-day basis the facility will have an on-site crew of 2-4 people for operational monitoring/control. However, remote operation of the farm will also be possible. Analysis reinforces the view that the facility will be highly escape proof.

Global Maritime AS has carried out the facility's technical design/project specification (FEED). A model test performed by MARINTEK confirms its favourable behaviour under various challenging weather conditions. In addition, the design will be verified and quality assured by means of independent third-party audits, in accordance with standard oil industry practice.

This pilot facility will also be equipped specifically to carry out various R&D activities, relating to biological conditions and fish welfare. This will help to advance the development of the aquaculture industry as a whole, as well as provide opportunities for applied research and development in this field.

Realisation of the project depends on satisfactory construction costs and regulatory conditions. Clarification with respect to the award of licences by the authorities has yet to be received. Realisation of the offshore fish farm will be costly, and is contingent on the authorities granting a licence for adequate production volumes at competitive terms.

## TECHNICAL INFORMATION

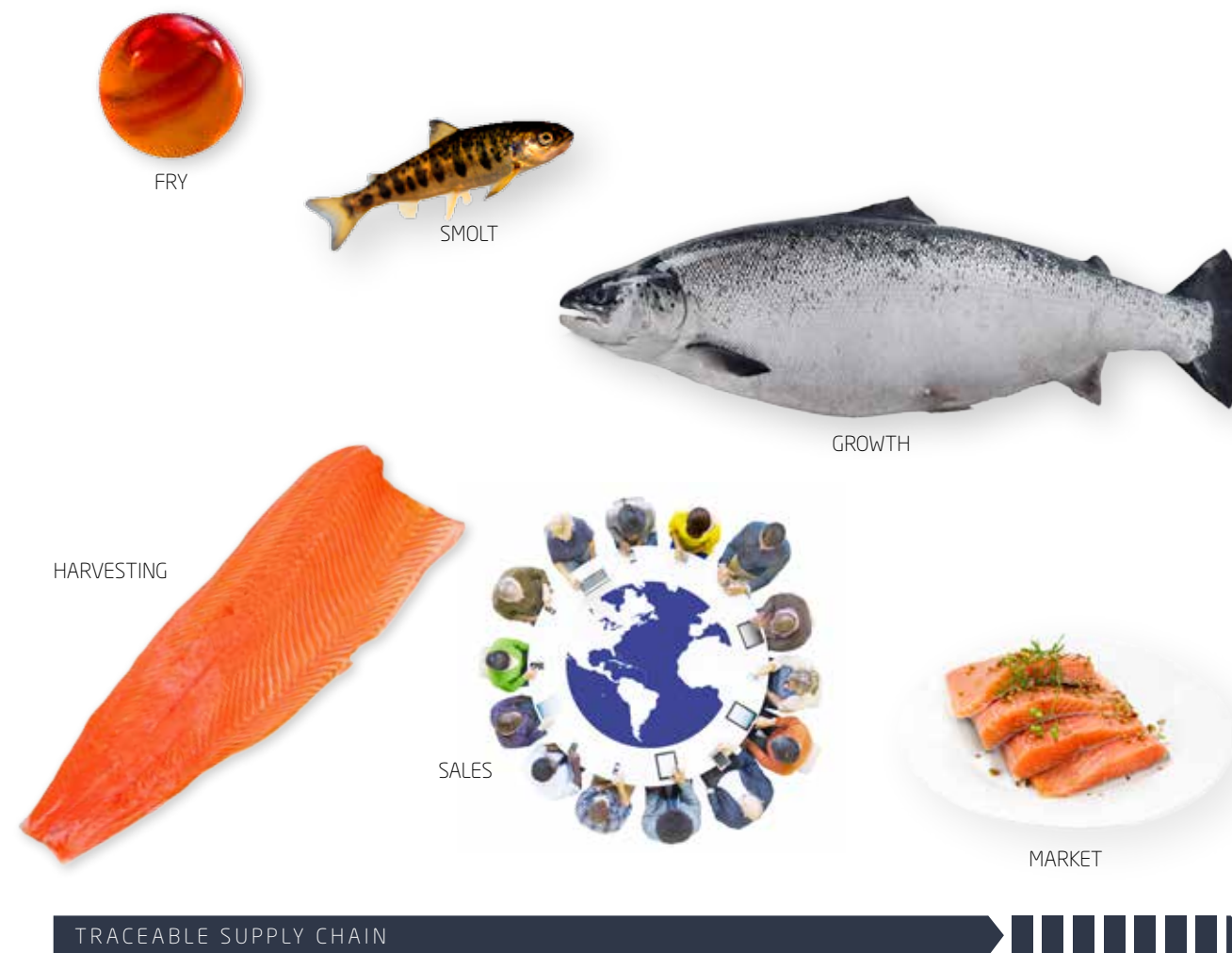
A robust design that enables installation and operation of fish farming in ocean-exposed (offshore) areas with excellent aqua biological conditions.

- Overall height 67 m
- Diameter 110 m
- Volume 245.000 m<sup>3</sup>
- Weight 5.600 tonnes
- High HSE standards for fish and personnel
- Automated operations
- Central column equipped with control room, living quarter, utilities, feed silos





# ABC



## BROODSTOCK

The broodstock are the parent fish which provide the eggs and sperm (milt) required to produce new generations. The fertilised eggs take 60 days to hatch when placed in an incubator kept at eight degrees Celsius.

## EYED SALMON EGGS

After 25-30 days in the incubator the eggs have developed to the stage where the eyes of the salmon are clearly visible as two black dots inside the egg.

## FRY

The egg hatches when the eggshell cracks open, liberating the baby fish (fry) inside. When it hatches the fry is attached to a yolk sac, which provides it with the sustenance it needs during its first few weeks of life. From now on the fish's growth and development will all depend on temperature.

## INITIAL FEEDING

When most of the yolk sac has been absorbed, the fry can be moved from the incubator into a fish tank. They are now ready for initial feeding. The water temperature is kept at 10-14 degrees Celsius, and the fry are exposed to dim lighting 24 hours a day. The initial feeding period lasts for six weeks. As they grow the fry are sorted and moved to larger tanks. Well ahead of their "smoltification" all the fish are vaccinated before being shipped by wellboat to the fish farm's marine net-pense.

## SMOLTIFICATION

The process whereby the juvenile fish transition from a life in freshwater to a sea-going existence is called smoltification. During this process the fish develop a silver sheen to their bellies, while their backs turn a blue-green colour. Their gills also change when the juvenile fish turns into a smolt.

## ON-GROWING

The farming of fish for human consumption takes place in net-pens, large enclosed nets suspended in the sea by flotation devices. In addition to a solid anchorage, net-pens require regular cleaning and adequate measures to prevent the farmed fish from escaping. Growth in the net-pens is affected by feeding, light and water quality. Here too the fish are sorted as they develop and grow.

## HARVESTING & PROCESSING

A year after transfer to the marine net-pens, the first fish are ready for harvesting. The fish are transported live by wellboat to the processing plant. There the fish are kept in holding pens, before being carefully transferred to the plant itself. The fish are killed and bled out using high tech equipment, and always in accordance with applicable public regulations. After harvesting the salmon is subject to various degrees of processing.

## SALES

The fish is sold either as whole gutted salmon (fresh or frozen), fillets, in individual portions or a wide range of other products, which are distributed to markets around the world.



# SALMARS OPERATIVE SEGMENTS 2014

## FISH FARMING - ROE/SMOLT PRODUCTION

No. of production facilities:

- 7 hatcheries, plus one under construction
- 1 lumpfish production unit
- 1 onshore facility for the production of roe

### Output:

28 million smolt, 25 million roe. Plans for production of 1.4 million lumpfish in 2015.

The facilities are distributed from Senja in the north to Sunnmøre in the west. Two of the facilities in Romsdal and Sunnmøre produce organic smolt, while the other facilities produce conventional smolt. Smolt vary in weight from 60-250 g.

The segment employs 75 people, many of whom are extremely experienced. A large proportion of the workforce are college-educated or have certificates of completed apprenticeship. The segment's staff are highly competent with regard to both day-to-day operations and development work/projects. The production of smolt is currently switching to the use of recirculated water. SalMar currently has this in place at its Follfoss and Moldtustranda facilities. The segment has also commenced work on a facility in Senja, which will produce 15 million smolt using only recirculated water. Construction started in the spring of 2015, with the first smolt due for delivery in the autumn of 2017. This facility will plan an extremely important role in SalMar's plans to achieve self-sufficiency in smolt production in Troms and Finnmark.

The success of SalMar's efforts to enhance the quality of the smolt it delivers is reflected in the steadily rising survival rate for smolt transferred to the sea.

SalMar's lumpfish production unit is located in Langstein. The first, lice-eating lumpfish were delivered to the Group's marine-phase fish farms during the fourth quarter 2014.

Located at Vågstranda in Romsdal, SalMar's onshore salmon roe production facility has the capacity to produce 60 million roe each year. However, current output stands at around 25 million roe. At this facility broodfish are brought ashore for breeding purposes. SalMar has its own breeding material: the Rauma stock.

## FISH FARMING CENTRAL NORWAY

(Trøndelag and Nordmøre)

**No. of licences: 52**

**Harvested volume in 2014: 75,200 tonnes gutted weight**

Central Norway is the region in which the SalMar Group first established its business. Initially this was based on assets acquired from a company that had gone into liquidation, and which had one licence for the production of farmed salmon and a harvesting and processing plant in Frøya that was designed to handle white fish. Since then both the Group as a whole and the segment have gone from strength to strength. Today SalMar's Fish Farming Central Norway segment controls 52 production licences: 34 in Trøndelag and 18 in Nordmøre. In addition, the segment operates several



**SEGMENT FISH FARMING - ROE/SMOLT PRODUCTION**  
Output: 28 million smolt, 25 million roe.  
Plans for production of 1.4 million lumpfish in 2015.



**SEGMENT FISH FARMING CENTRAL NORWAY** (Trøndelag and Nordmøre)  
**No. of licences: 52**  
**Harvested volume in 2014: 75,200 tonnes gutted weight**



**SEGMENT FISH FARMING NORTHERN NORWAY** (Troms and Finnmark)  
**No. of licences: 32**  
**Harvested volume in 2014: 37,500 tonnes gutted weight**

R&D licences, three of which in association with the research firm ACE (Sintef). The purpose of these licences is to develop more sustainable technologies. The segment also cooperates with VESO on the operation of two licences associated with improved fish health. The collaboration it used to have with Frøya Upper Secondary School came to an end in July. SalMar Farming acquired seven licences in the Green B round of licence awards in 2014. These went into operation in July of that year.

The bulk of SalMar's marine-phase fish farming operations are organised in SalMar Farming AS, and are located in central Norway, stretching from Nordmøre to the Namdal coast. Fish Farming Central Norway is divided into three regions, south (Nordmøre), central (Frøya - Hitra) and north (Fosen - Nord-Trøndelag). At the close of 2014 the segment employed some 250 people. The environmental conditions for salmon farming in this region are extremely good, with favourable sea temperatures all year round thanks to the Gulf Stream, a high water replacement rate and plenty of suitable locations.

SalMar's fish farms focus on cost-effective operation and maintain a high ethical standard with respect to animal husbandry. In order to contribute to SalMar reaching its goal of being the most cost-effective producer of farmed salmon, there is a continuous focus on sub-goals, such as achieving the fastest possible growth, with the lowest feed factor. The company was quick to introduce its own standards and 'best practices' in order to secure increased efficiency. This involves, among other things, concentrating marine-phase production at large, sustainable facilities with the correct capacity.

## FISH FARMING NORTHERN NORWAY

(Troms and Finnmark)

**No. of licences: 32**

**Harvested volume in 2014: 37,500 tonnes gutted weight**

SalMar Northern Norway currently holds 32 licences for the production of farmed salmon, and is the largest aquaculture enterprise in Troms and Finnmark. SalMar's Fish Farming Northern Norway segment has operations in eight districts, stretching from Harstad in southern Troms to Lebesby in Finnmark. Although the bulk of the fish farms are located around Senja, Finnmark accounts for part of the increase through our sites in Laksefjord. In northern Norway, SalMar harvests most of its output locally, and purchases harvesting services for a substantial portion of its volume in Skjervøy, Troms.

The segment currently has around 115 permanent employees, and plans to further expand its workforce in 2015 due to increased activity and output in the region. Fish Farming Northern Norway has many college-educated employees, who have built up a great deal of experience over the years. Moving forward, the segment will focus more on R&D through the newly acquired jointly operated licence with the research facility Havbruksstasjonen i Troms.



Smolt are also produced in Senja. The company's hatchery is located in Gjørvika, on the Sør-Senja peninsula. Its staff of four permanent employees oversees an annual output in excess of 1.7 million smolt. Substantial groundwork was carried out at the site in 2014 in preparation for construction of a new building with the aim of increasing annual output to 15 million smolt. Construction is due to get underway in the spring of 2015. The extension will add a further 12,000 m2 to the facility, bringing its total area to 14,500 m2. Smolt production will be halted during the construction period, and will be resumed when a new hatchery with fresh water recirculation goes into operation in 2016.

In northern Norway, SalMar has established a 'feed centre' at Lysnes in Lenvik. This provides joint surveillance and control of all the segment's sites. The largest facility of its kind in Norway, SalMar's 'feed centre' can monitor 16 sites and 140 separate units. In conjunction with the centre, there are plans for a demonstration aquaculture facility, and Fish Farming Northern Norway has applied for a demonstration licence for this purpose. Fish Farming Northern Norway is headquartered in Finnsnes.

We know that it is possible to produce more salmon in Norway, and Northern Norway has a strong potential for further growth. This region poses fewer challenges with respect to disease and salmon lice, has excellent environmental conditions for sustainable production, and plenty of good sites with the potential to increase the maximum allowable biomass (MAB). The planned expansion of smolt production is an important element in the segment's future growth.

**FISH FARMING RAUMA**  
(Møre and Romsdal)  
**No. of licences: 16**  
**Harvested volume in 2014:**  
**16,500 tonnes gutted weight**

The Rauma segment operates 16 marine-phase production licences. These include conventional, organic and broodfish licences. The Rauma segment has operations in eight districts. Although the bulk of its fish farms are located in the Romsdal region, it also has sites in several districts in Sunnmøre. The segment is administered from offices located in Sjøholt, and employs a total of 75 people on land and at sea.

SalMar is currently the world's largest producer of organic farmed salmon. Organic farmed salmon used to be produced in both Trøndelag and Romsdal, but with effect from 2013 all production activities were brought together in Fish Farming Rauma. In 2014 the segment harvested 16,500 tonnes (gutted weight) of salmon at Vikenco AS in Aukra. Organic salmon accounted for almost 45 per cent of the segment's total salmon output in 2014. The proportion of organic salmon is expected to rise in the time ahead.

Fish Farming Rauma operates three R&D licences. One of the projects is being undertaken in close cooperation with the research institution Møreforskning, Ålesund

University College and the Institute of Marine Research. The objective is to improve the welfare of the cleaner fish used to rid salmon of lice. The segment is also working closely with Ålesund University College to resolve challenges associated with organic fish farming, and the college's R&D licence is operated alongside the segment's own licences. Including the R&D licences, Fish Farming Rauma operates a total of 19 licences.

Romsdal and Sunnmøre have excellent environmental conditions for sustainable and profitable fish farming, and SalMar has many sites with the potential for expansion and further growth.

**SALES AND PROCESSING**  
**Volume sold: approx. 150,000 tonnes**  
**Output of processed products**  
**(product weight): approx. 29,000 tonnes**

The Sales and Processing segment administers the Group's sales activities and onshore processing facilities. The Sales department handles the sale of approx. 150,000 tonnes of salmon and other fish-based products. Sales are focused in the markets of Europe, Asia and the USA. The segment distributes salmon to more than 40 different countries.

The segment also administers the Group's industrial production capacity. InnovaMar is the SalMar Group's main salmon harvesting and processing facility, and is located in Frøya. Construction of InnovaMar was completed in 2010. It is an ultra-modern building

covering some 17,500 m2, with an advanced equipment park for harvesting and filleting. InnovaMar has the capacity to harvest 70,000 tonnes of salmon a year in one shift, of which a significant portion goes on to further processing before being shipped to customers and consumers worldwide. Through innovative use of production technology, the quality of the final product is enhanced, costs are reduced and the working environment for staff is improved. A total of 127,900 tonnes of salmon was harvested at InnovaMar in 2014, up from 117,800 tonnes in 2013. Through our part-ownership of Vikenco AS, we facilitate the harvesting of fish from the southern part of central Norway. In 2014 Vikenco and InnovaMar together produced over 29,000 tonnes of processed products, measured by product weight. Fish produced by SalMar's Fish Farming Northern Norway segment is harvested largely by Lerøy Aurora AS under an industrial cooperation agreement.



**SEGMENT  
FISH FARMING RAUMA**  
(Møre and Romsdal)  
**No. of licences: 16**  
**Harvested volume in 2014:**  
**16,500 tonnes gutted weight**



**SEGMENT  
SALES AND PROCESSING**  
**Volume sold:**  
**approx. 150,000 tonnes**  
**Output of processed products**  
**(product weight):**  
**approx. 29,000 tonnes**

# Passion for Salmon

Today, SalMar is one of the world's foremost producers of farmed salmon. Throughout its history company growth has gone hand in hand with outstanding financial performance. The aquaculture industry is developing rapidly, and the potential for further growth is enormous. However, at SalMar we are in no doubt that any growth must be sustainable: environmentally, socially and financially.

In 2014, to reinforce our focus on the elements that have made SalMar the company it is today, we adopted a new vision that will henceforth guide our steps; «**Passion for Salmon**»



Although SalMar continues to pursue its stated aim of cost leadership, it is moving from a focus on outcomes to a focus on performance. We aim for excellence at all levels and in all aspects of our operation.

The new vision will underpin all activities and all actions within SalMar. All decisions relating to production will be made on the basis of our passion for salmon. The fish will be farmed in conditions most conducive to their wellbeing. We believe that the best biological results will pave the way for the best

financial results, and thus safeguard our position as the most cost-effective producer of farmed salmon in the world.

This new vision and ambition depend on the existence of a winning culture throughout the organisation. The source of SalMar's corporate culture and the company's cultural tenets is our shared passion for salmon. These tenets underpin our vision and describe the attitudes and conduct expected of all employees.

SalMar's corporate culture is constantly evolving, and builds on the success factors that have been cultivated within the company since its inception in 1991. Although the company's culture is affected by both external and internal framework conditions, it remains firmly anchored in a few overarching principles, in particular a strong focus on good husbandry, operational efficiency and safe food production.

## SalMars cultural tenets

### What we do to day we do better than yester day

To be the most cost-effective salmon producer demands continuous improvement at all stages of the production process. This tenet is about daring to step into the unknown and develop a culture of winning, where performance is both measured and celebrated.

### The job is not done until the person you are doing it for is satisfied

This means that we will meet the expectations of others and demand high standards of each other, in accordance with our own SalMar standards. There are many 'suppliers' and 'customers' in the production chain, and it is only by treating each other with mutual respect that we will succeed.

### Focus on the solution

Everyone who works for SalMar, regardless of position or place, has a duty to help come up with solutions and contribute to improvement processes. We will challenge existing practices and systems, we will jointly implement solutions, and we will talk to, not about, each other.

### The job we do to day is vital to the success of us all

Although SalMar as a whole numbers more than 800 people, it is vital to develop personal attitudes and an understanding that what happens is up to me and my function. It is therefore vital that everyone is familiar with our vision, objectives and values, and that we support each other on our way to being at all times the lowest-cost supplier of farmed salmon.

### We care

To succeed as a team we must also develop the right attitudes towards, as well as respect and care for salmon, co-workers, customers, business associates and the environment. We must think for ourselves but act with loyalty, and always bear in mind that what we are engaged in is food production.

### Sustainability in everything we do

High ethical and moral standards form the basis for developing an even stronger focus on safeguarding the environment that we work in day to day, and that we are the temporary custodians of. We shall not deplete the environment, but ensure that we pass it on unimpaired to the next generation. This is our shared social responsibility, and everything we do must stand up to public scrutiny both today and in the future.



After 25-30 days in the incubator the eggs have developed to the stage where the eyes of the salmon are clearly visible as two black dots inside the egg.

## SUSTAINABILITY and SOCIAL RESPONSIBILITY with HSE in FOCUS

SalMar intends to secure long-term profitability and growth by operating all aspects of its fish farming and processing activities in a sustainable manner, and by acting as a responsible corporate citizen. For SalMar, sustainability means maintaining high ethical standards and helping to further raise awareness of the environment in which we work every day. We shall protect the environment and ensure it is managed in a way that will benefit future generations.

&gt;&gt;&gt;



SalMar has a presence in many local communities. The Group is therefore extremely aware of the diverse nature of its social responsibilities: as an employer, an industrial processor, a producer of healthy food, a user of the natural environment, and as a custodian of financial and intellectual capital. We strive to fulfil our corporate social responsibilities, ensure that everything we do bears public scrutiny, and minimise the impact of our operations on the environment.

In 2014 SalMar started publishing separate sustainability reports in compliance with the principles of the Global Reporting Initiative. For a more complete account of HSE, sustainability and social responsibility at SalMar, please see this report. The following text must therefore be seen as an overarching summary of selected issues discussed in that report, which is available in its entirety from SalMar's website [www.salmar.no](http://www.salmar.no).

#### Code of conduct and social responsibility

SalMar's code of conduct and social responsibility has been made known to all employees. The code of conduct, which covers, among other things, SalMar's policies on business ethics and corruption, the working environment and community relations, is intended to contribute towards the development of a healthy corporate culture and uphold the company's integrity. Internal training programmes also highlight how employees can report wrongdoing or other causes for concern. A high ethical standard in all aspects of our business is an absolute requirement, and constitutes the very foundation of SalMar's HSE strategy.

A set of corporate tenets has been drawn up. These tenets describe desired behaviours and provide a shared platform for the actions of all employees. It is the workforce that embodies and develops SalMar's corporate culture. The employees' commitment and positive attitudes have always played a key role in SalMar's success. These issues are discussed at the SalMar School's annual seminars. For further details, please see page 5 of SalMar's sustainability report for 2014.

The code of conduct and corporate tenets may be obtained from SalMar's website [www.salmar.no](http://www.salmar.no).

#### SalMar Standard

In addition to being measured and audited in accordance with statutory regulations and the sustainability requirements of third parties and customers, SalMar has developed its own 'SalMar Standard' performance criteria for the various parts of its operation. The 'SalMar Standard' designation is awarded to those departments

which score highly in internal audits. For further details, please see page 19 of SalMar's sustainability report for 2014.

### HUMAN RIGHTS

SalMar supports and respects internationally recognised human rights by acting responsibly in all areas of its business. This means that the company respects labour rights, opposes any form of child labour, forced labour or discrimination, avoids corruption and is considerate of the environment.

### ORGANISATION, WORKING ENVIRONMENT, HEALTH AND SAFETY

#### Strategic approach to HSE

SalMar's HSE activities are based on our values and strategic priorities. SalMar has drawn up a set of overarching objectives, with associated activities and action plans. On the basis of these overarching objectives, each individual division and department has drawn up its own local sub-goals. Management is committed to realising the goals that have been set.

In 2014 work on the development of an overarching management structure and tools which can be used to follow up staff was further intensified. This effort will continue in 2015. Emphasis will be placed on competence enhancement, surveillance and control of key figures and the evaluation of non-conformances.

Risk assessments are carried out in accordance with the Norwegian standard NS 5814, and result in the drawing up of contingency and action plans that are regularly reviewed. Senior personnel have environmental responsibility as part of their job descriptions, and HSE rules and regulations have been drawn up for all employees. All non-conformances are reported, dealt with and evaluated on an ongoing basis. Activities relating to the environment are followed up through systematic monthly reviews by SalMar's management teams. The issue of sustainability, with particular emphasis on the working environment and human safety, is tabled for discussion annually by SalMar ASA's board of directors.

In addition to risk assessments, evaluations and the thorough analysis of incidents and non-conformances, employee training, internal auditors, safety inspections and seminars for safety representatives are important measures to increase safety in the workplace. Internal consultants are used actively to further raise the quality of the company's improvement efforts. All new employees receive HSE training through induction courses, operational seminars and the SalMar School.

#### New corporate governance platform

In 2014 a corporate governance platform, including systems for risk assessment, non-conformance handling, document handling and a competence module, was implemented in all operational parts of the business. At the same time the tool will be further developed to include additional opportunities for performance management and learning across the different units. For further details, please see page 21 of SalMar's sustainability report for 2014.

#### Competence development

SalMar uses the competence enhancement programme Ledelse på norsk as a tool for employee and organisational development at various levels within the company. Key elements include management development, the training of internal consultants and use of overarching analytical tools. The programme takes a holistic approach, involving the analysis of personal and professional factors, as well as work processes. The quality of SalMar's in-house evaluation competence is assured partly through collaboration with this external expertise. For SalMar, Ledelse på norsk is an important step towards greater security for people, fish and the surrounding environment.

The SalMar School comprises a series of workshops for all employees, which focus on relevant work-related topics as well as business ethics and attitudes. For further details, please see page 21 of SalMar's sustainability report for 2014.

#### Accidents and injuries

SalMar intends to be a safe place to work. The company works systematically with risk assessment and training to safeguard its employees. For further details, please see page 21 of SalMar's sustainability report for 2014.

#### Sickness absence

Sickness absence has remained relatively stable in recent years. The sickness absence rate in 2014 came to 5.79 per cent, compared with 5.00 per cent in 2013 and 4.74 per cent in 2012. The

processing sector drives up the average, but here too the sickness absence rate is relatively low compared with the industry average. Short-term sickness absence in 2014 totalled 2.19 per cent, compared with 2.12 per cent in 2013, while long-term sickness absence totalled 3.60 per cent, compared with 2.88 per cent in 2013.

Systematic efforts are being made to implement preventive measures and, where necessary, adapt workplaces and workloads to the needs of individual employees.

#### Diversity and equality

The Group has published clear policies with respect to diversity and equality in its code of conduct. SalMar accepts no discrimination of employees, shareholders, board members, customers or suppliers on the grounds of ethnicity, nationality, age, gender or religion. Respect for the individual is the cornerstone of the company's policies. For further details, please see page 20 of SalMar's sustainability report for 2014.

#### Anti-corruption

SalMar accepts no forms of corruption. No SalMar employee shall, directly or indirectly, offer, promise, give or receive any bribe, unlawful or inappropriate benefit or remuneration in order to achieve advantage for themselves or the company. As part of its anti-corruption measures, SalMar has adopted guidelines with respect to gifts. To date, SalMar has not been accused of or involved in any cases relating to any form of corruption or bribery. The board and management are not aware of any violations of the company's code of conduct in this respect.

#### Environmental responsibility

SalMar works systematically to avoid having an undesirable impact on its surroundings. This includes the day-to-day actions of its employees, involvement in research and development, as well as collaboration with government and regulatory authorities, interest groups, other aquaculture companies and suppliers of goods and services. For further details, please see pages 18-27 in SalMar's sustainability report for 2014.



## CORPORATE GOVERNANCE at SALMAR ASA

SalMar ASA aims to maintain a high standard of corporate governance. Good corporate governance strengthens public confidence in the company and contributes to long-term value creation by regulating the reciprocal roles and responsibilities of shareholders, the board of directors and the company's management, over and above that which is stipulated in legislation and other statutory instruments.

*Corporate governance* at SalMar shall be based on the following main principles:

- SalMar shall maintain open, relevant and reliable communications with the outside world.
- SalMar's board of directors shall be autonomous and independent of company management.
- SalMar shall have a clear allocation of roles and responsibilities between shareholders, the board and management.
- All shareholders shall be treated equally.

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*The process whereby the juvenile fish transition from a life in freshwater to a sea-going existence is called smoltification. During this process the fish develop a silver sheen to their bellies, while their backs turn a blue-green colour. Their gills also change when the juvenile fish turns into a smolt.*

## 1. CORPORATE GOVERNANCE

### Compliance and regulations

SalMar's board of directors has overall responsibility for ensuring that the company has adequate corporate governance. The company's board and management perform a thorough annual assessment of its principles for corporate governance.

SalMar is a Norwegian public limited company listed on the Oslo Stock Exchange. The company is subject to Section 3-3b of the Norwegian Accounting Act as well as the Oslo Stock Exchange's requirements for an annual statement of its principles and practices with respect to corporate governance. The Norwegian Corporate Governance Board (NUES) has drawn up a Norwegian Code of Practice for Corporate Governance (the "code of practice"). SalMar complies with the current code of practice, published 30 October 2014. The code of practice may be found at [www.nues.no](http://www.nues.no).

Application of the code of practice is based on the 'comply or explain' principle. In other words, companies must comply with the individual provisions of the code or explain why they have not done so.

The company issues a comprehensive annual statement of its principles for corporate governance in its annual report, and this information is available from [www.salmar.no](http://www.salmar.no). The statement describes how SalMar has conducted itself with respect to the code of practice in 2014.

SalMar deviated from the code of practice with respect to one chapter in 2014:

- Senior executives on the board (Chapter 8).

### Corporate values, code of conduct and social responsibility

SalMar's core values are based on such principles as equality, quality, care for the environment, focus on work tasks and continuous improvement. The core values are well embedded in the day-to-day operation of the business. Through the SalMar School and day-to-day exposure to SalMar's corporate and performance culture, all employees are given encouragement and opportunities for development. The SalMar School was set up in 2002 and has been further developed each year since then. The SalMar School has been important for the Group's strong corporate culture. For more information on the SalMar culture, please see the annual report and the company's website [www.salmar.no](http://www.salmar.no).

SalMar has drawn up a code of conduct and social responsibility, whose purpose is to safeguard and develop the company's values, create a healthy corporate culture and uphold the company's integrity. The code of conduct is also meant to be a tool for self-assessment and for the further development of the company's identity. All employees of the company are bound to comply with the ethical guidelines laid down in the code of conduct. The reporting of any wrongdoing or other causes for concern is covered by specific procedures, which also allow employees to report anonymously through an external channel. The code of conduct is available from the company's website [www.salmar.no](http://www.salmar.no).

SalMar has a presence in many local communities. The Group is therefore extremely aware of the diverse nature of its social responsibilities: as an employer, an industrial processor, a producer of healthy food, as a custodian of financial and intellectual capital,

and – not least- as a user of the natural environment. Increased biological control is one of the company's most important focus areas, and is a material prerequisite for long-term success. The company is, among other things, working actively to safeguard fish welfare and prevent salmon from escaping.

One of the company's most important tenets is 'We care'. This permeates the SalMar culture, and ensures a high degree of awareness among employees, both internally and externally, in the areas in which the company operates.

*Deviations from the code of practice:* None

## 2. THE BUSINESS

SalMar is one of the world's largest producers of farmed salmon, and owns 100 licences for marine production of Atlantic salmon in Norway. In addition, SalMar owns 50 per cent of Norskott Havbruk AS, which in turn owns 100 per cent of Scottish Sea Farms Ltd, the UK's second largest producer of salmon. The company has a substantial secondary processing business, which is co-located with its headquarters in Frøya.

SalMar ASA's objectives are defined in Article 2 of its articles of association:

*"The objective of the company is fish farming, the processing and trading of all types of fish and shellfish, and other financial activities related thereto. The company may, in accordance with directives from the relevant authorities, undertake general investment activities, including participation in other companies with similar or related objectives."*

SalMar's board of directors has drawn up clear objectives and strategies for the Group. Each business area has developed its own goals in line with these, and strategic priorities have been defined. Within the framework of the above article, SalMar is currently engaged in broodfish and smolt production, marine-phase farming, harvesting, processing and sale of farmed salmon and white fish.

The company's objectives and main strategies are further discussed in the annual report and can be found on the company's website [www.salmar.no](http://www.salmar.no).

*Deviations from the code of practice:* None

## 3. EQUITY AND DIVIDEND

### Equity

As at 31 December 2014, the company's equity totalled NOK 5,137 million, which corresponds to an equity ratio of 50.7 per cent. The board considers SalMar's equity to be adequate in relation to the company's objectives, strategy and risk profile.

### Dividend policy

SalMar intends to provide shareholders with a competitive return on invested capital, taking into consideration the company's risk profile. Returns will be achieved through a combination of positive share price development and the payment of a dividend. The company plans to pay out surplus liquidity (funds not necessary for the company's day-to-day operations) in the form of a dividend or by means of a capital reduction with distribution to the shareholders. The company will at all times consider whether the available liquidity should be used for new investments or the repayment of debt instead of being paid out as dividend. Provided the Annual General Meeting approves, the aim is to make annual payments of dividend. The company will also consider the buyback of treasury shares within the authorisation limits granted to the board by the AGM.

Based on the year-end financial results for 2014, the board has proposed payment of a dividend amounting to NOK 10 per share. The company has performed very well in the past year, with high salmon prices and profit growth. The operational EBIT for the year 2014 is the highest in the company's history.

### Board authorisations

Authorisations granted to the board are normally time limited, and are valid only up until the next AGM.

The AGM of 4 June 2014 granted the board two authorisations, one to increase the company's share capital and one to buy back its own (treasury) shares. Both authorisations were extensions of authorisations granted by the AGM in 2013, and, in line with the Norwegian code of practice, they were considered separately.

The first authorisation allowed the board to increase the company's share capital by up to NOK 2,829,667.5 million, through the issue of up to 11,318,670 shares to finance investments and the acquisition of businesses through cash issues and contributions in kind.

The second authorisation allowed the board acquire treasury shares up to a maximum of 10 per cent of applicable share capital: in other words, up to 10,029,999 treasury shares, with a total face value of NOK 2,507,499.75. The authorisation could be used to purchase company shares in connection with the share-based incentive scheme for senior management and as a means of returning value to existing shareholders.

It follows from the purpose of both authorisations that the board may need to waive existing shareholders' preference rights, which is permitted under the terms of the authorisations concerned.

Both board authorisations are valid up until the next AGM, which will be held on 2 June 2015.

*Deviations from the code of practice:* None

## 4. NON-DISCRIMINATION OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSELY RELATED PARTIES

SalMar has only one class of shares and all shares have equal rights. Each share has a face value of NOK 0.25 and carries one vote.

As at 31 December 2014 SalMar ASA owned 1.3 million treasury shares, which accounts for 1.15 per cent of the company's reg-

istered share capital. Transactions involving treasury shares are undertaken on the stock exchange or otherwise at the listed price.

In the event of material transactions with related parties, the company shall make use of valuations provided by an independent third party.

In the event of capital increases based on an authorisation issued by a general meeting of shareholders, where the existing shareholders' rights will be waived, the reason for this will be provided in a public announcement in connection with the capital increase.

SalMar's code of conduct sets out what is required of employees with respect to loyalty, conflicts of interest, confidentiality and guidelines for trading in the company's shares. The code of conduct states that all employees must notify the board if they, directly or indirectly, have a material interest in any agreement entered into by the company. Board members also have a duty to comply with the company's code of conduct.

The regulations governing the board's working practices provide guidelines for how individual directors and the CEO should conduct themselves with respect to matters in which they may have a personal interest. Among them is the stipulation that each director must make a conscious assessment of his/her own impartiality, and inform the board of any possible conflict of interest.

Any transactions with related parties are discussed in Note 29 to the 2014 financial statements.

*Deviations from the code of practice:* None

## 5. FREE TRANSFERABILITY

The company's shares are freely transferable on the Oslo Stock Exchange, and its articles of association do not contain any restrictions on the shares' transferability. Nor are there any restrictions on the buying and selling of shares by board members and members of company management, as long as the regulations governing insider trading are complied with.

*Deviations from the code of practice:* None

## 6. GENERAL MEETING OF SHAREHOLDERS

The company's highest decision-making body is the General Meeting of Shareholders.

General meetings of shareholders are open for participation by all shareholders. Pursuant to Article 7 of the company's articles of association, the Annual General Meeting must be held by the end of June each year in Oslo, Trondheim or Kverva in the municipality of Frøya.

The 2015 AGM will be held on 2 June at the company's



head office in Frøya. An invitation to attend the AGM or an EGM will be issued no later than 21 days prior to the date of the meeting.

In accordance with the company's articles of association, documents relating to matters to be addressed at a general meeting of shareholders may be made available on SalMar ASA's website. The same applies to documents which by law must be included in or attached to the invitation to attend the general meeting. If the documents are made available in this way, the statutory requirement with respect to distribution to shareholders is not applicable. A shareholder may nevertheless ask to be sent documents relating to matters to be discussed at a general meeting by post. Case documents must contain all the documentation necessary to enable shareholders to take a standpoint on all matters to be addressed.

The deadline for notification of shareholders' intention to attend a general meeting is stipulated by the board of directors in the invitation thereto, no less than five days prior to the date of the meeting. Shareholders may send notification of their attendance, using the form provided, by post or email to the company's account manager Nordea Bank Norge AS, or via the company's website [www.salmar.no](http://www.salmar.no).

Shareholders are entitled to make proposals and cast their votes either in person or through a proxy, including a proxy appointed by the company. The proxy form also enables shareholders to grant a proxy vote for each individual agenda item.

The board determines the agenda for its own meetings, and the main issues to be dealt with by the AGM are regulated by Article 9 of the company's articles of association.

The board of directors, Nomination Committee and the company's auditor will be represented at the AGM, which will normally be chaired by the Board Chair. In the event of any disagreement on individual agenda items where the Board Chair belongs to one of the factions, or for some other reason is not deemed to be impartial, a different person will be selected to chair the meeting in order to ensure independence with respect to the matters concerned.

The company will publish the minutes of general meetings of shareholders in accordance with stock exchange regulations.

*Deviations from the code of practice:* None

7. NOMINATION COMMITTEE

Article 8 of the company's articles of association stipulates that the Nomination Committee shall comprise a total of three people, who shall be shareholders or shareholders' representatives. The Nomination Committee's composition shall be such that the interests of shareholders as a community shall be upheld, and the majority of committee members shall be independent of management and the board. The members of the Nomination Committee, including its chair, are elected by the AGM for a term of two years. Members may be re-elected. To ensure continuity, members' terms of office shall not coincide. The remuneration payable to members of the Nomination Committee is determined by the AGM. A set of regulations governing the work of the Nomination Committee was adopted at the board meeting of 21 March 2007 and updated at the AGM in 2014.

As at 31 December 2014, the Nomination Committee comprises the following:

- Helge Moen, Chair
- Endre Kolbjørnsen
- Bente Rathe (up for election in 2015)

The Nomination Committee shall make a recommendation to the AGM with respect to candidates for election to the board of directors and Nomination Committee, as well as propose the remuneration payable to the members of the board and the Nomination Committee. In its work, the Nomination Committee shall take into consideration relevant statutory requirements with respect to the composition of the company's governing bodies, as well as principles for corporate governance laid down in the Norwegian Code of Practice for Corporate Governance drawn up by NUES. Proposals for members of the board and Nomination Committee should safeguard the shareholder community's interests and the company's need for competence, capacity and diversity. To achieve this the Nomination Committee may contact shareholders and company directors.

The Nomination Committee draws up criteria for the selection of candidates for the board and Nomination Committee, in which both sexes should be represented. The Nomination Committee should, over time, balance the requirements for continuity and renewal in the individual governing body. Relevant candidates must be asked whether they are willing to undertake the office of director or deputy director.

The committee should base its recommendations with respect to the remuneration payable on (a) information about the size of the remuneration paid to elected officers in other comparable companies, and (b) on the scope of work and the amount of effort the elected officers are expected to devote to the task on behalf of the company.

The Nomination Committee's recommendation to the AGM must be published in good time, so that it can be communicated to the shareholders before the meeting takes place. The recommendation shall accompany the invitation to attend the AGM, no later than 21 days before the meeting takes place. The committee's recommendation shall contain information about the candidates' independence and competence, including age, education and work experience. If relevant, notice shall also be given about how long the candidate has been an elected officer of the company, any assignments for the company, as well as material assignments for other group companies that may be of significance.

*Deviations from the code of practice:* None

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The company does not have a Corporate Assembly. Pursuant to Article 5 of SalMar's articles of association, the board of directors shall comprise five to nine members, to be elected by the AGM. The Board Chair is elected by the AGM, while the Vice-Chair is elected

by the board itself. The company's current board is made up of seven members, including two employee representative. Three of the company's directors are women, including one female employee representative. Women therefore comprise 43 per cent of the board, which is in line with the provisions of the Norwegian Accounting Act.

The regulations governing the work of the Nomination Committee state that emphasis shall be placed on ensuring that members of the board have the necessary competence to carry out an independent assessment of the matters presented to it by management and of the company's business activities. Emphasis shall also be placed on ensuring that there is a reasonable gender balance and that directors are independent with respect to the company. The Nomination Committee's recommendation shall meet the requirements relating to board composition stipulated by applicable legislation and the regulations of the Oslo Stock Exchange. Board members are elected for a term of two years and may be re-elected. An overview of the individual directors' competence and background is available from the company's website [www.salmar.no](http://www.salmar.no).

Composition of the Board

Board members	Position	Year first elected	Current term ends	No. of board meetings attended in 2014
Bjørn Flatgård	Board Chair	2002	2015	10 of 10
Gustav Witzøe	Director	1991	2015	8 of 10
Kjell A. Storeide	Director	2008	2016	10 of 10
Tove Nedreberg	Director	2012	2016	10 of 10
Merethe Helene Holte	Director	2013	2015	10 of 10
Pål Georg Storø	Employee rep	2013	2015	9 of 10
Hanne Tobiassen	Employee repr	2013	2015	10 of 10

*Deviations from the code of practice:*  
Pursuant to the Norwegian Code of Practice for Corporate Governance, senior executives should not be members of the board of directors. Board member Gustav Witzøe is the founder of SalMar and a member of group management. However, the board considers that it is in the company's interests to avail itself of Gustav Witzøe's extensive experience and considerable expertise, both as a senior executive and as a director. Deviation from the code of practice on this point has therefore been deemed acceptable. Gustav Witzøe is also the company's largest shareholder through his company Kverva AS, which owns 53.4 per cent of SalMar's shares.

9. THE BOARD OF DIRECTORS

The board has overall responsibility for the management of the Group and the supervision of its day-to-day management and business activities. The work of the board is governed by a set of regulations which describe the board's responsibilities, tasks and administrative procedures. Furthermore, the board determines the Group's overall objectives and strategy, including the overall composition of the Group's portfolio and the business strategies of the individual business unit. The board has also prepared a set of instructions for the executive management team that clarifies its duties, lines of authority and responsibilities.

The board shall approve the Group's plans and budgets, and shall, no later than December, approve the Group's budget for the com-

An overview of the individual directors' shareholdings in SalMar can be found in the 2014 annual report.

Independence of the board

SalMar's board of directors is composed such that it is able to act independently of any special interests. Board Chair Bjørn Flatgård also chairs the board of Kverva AS, and is therefore not deemed to be independent. In 2014 Merethe Holte became an employee of Lofotprodukter AS, a subsidiary of Kverva AS, and is not deemed to be independent. The remaining directors, with the exception of Gustav Witzøe, who founded SalMar, are deemed to be independent of senior executives, material business associates and the company's largest shareholders. In matters of material importance in which the Board Chair is, or has been, actively engaged, another director is appointed to chair the board's deliberations. No such matters have been addressed during 2014.

ing year. Proposals relating to targets, strategies and budgets are drawn up and presented by management. Strategy is normally discussed during the autumn, ahead of the Group's budget process. Within the area of strategy, the board shall play an active role in setting management's course, particularly with regard to organisational restructuring and/or operational changes.

The board meets as often as necessary to perform its duties. In 2014 the board held 10 meetings, of which three were by telephone. The overall attendance rate at board meetings was 96 per cent. See also the table above for further details.

The board makes an annual assessment of its own work and competence. An evaluation of this kind was last conducted in December 2014.

Audit Committee

Pursuant to the Public Limited Companies Act, SalMar has a board-appointed Audit Committee. The committee's main tasks are to monitor the Group's internal control systems, ensure that the auditor is independent and that the financial statements reflect the Group's performance and position in accordance with generally accepted accounting practice. The Audit

Committee held four meetings in 2014, with an overall attendance rate of 100 per cent.

As at 31 December 2014, the Audit Committee comprises the following:

- Kjell Storeide
- Tove Nedreberg

*Deviations from the code of practice:* None

## 10. RISK MANAGEMENT AND INTERNAL CONTROL

The board is responsible for ensuring that the company's risk management and internal control systems are adequate in relation to the regulations governing the business. The company's systems and procedures for risk management and internal control are intended to ensure efficient operations, timely and correct financial reporting, as well as compliance with the legislation and regulations to which the company is subject. Specific targets for the internal control effort within the company are drawn up, and are revised annually by SalMar's group management.

The most important risk factor for SalMar is the biological performance of its hatchery and fish farming facilities. The company has an internal control scheme that involves systematic planning, organisation, performance and evaluation of the Group's activities in accordance with both the regulatory framework and internal ambitions with respect to continuous improvement. The company has, among other things, drawn up shared goals for its internal control activities with respect to the working environment and personal safety, the prevention of fish escapes, fish welfare, pollution, food safety and water resources. It is the CEO's responsibility to ensure that the company operates in accordance with all relevant statutes and guidelines associated with operation of the Group's divisions. This also includes acquisition, operation and maintenance of fish farming equipment, as well as the handling of the company's biomass.

Internal control of financial reporting is achieved through day-to-day follow-up by management and process owners, and supervision by the Audit Committee. Non-conformances and improvement opportunities are followed up and corrective measures implemented. Financial risk is managed by a central unit at head office, and, where appropriate, consideration is given to the use of financial hedging instruments.

Follow-up and control of compliance with the company's values, code of conduct and guidelines for social responsibility is carried out by the line organisation and is part of day-to-day operations. Material risks and any changes in them are discussed at fortnightly management meetings.

The board will, through the Audit Committee, conduct an annual comprehensive review of the Group's financial and risk management systems. Key risk factors for the company are biological risk associated with the state of health at the company's hatchery and fish farming facilities, as well as the risk of salmon escaping from the company's fish farms, and financial risk (foreign exchange, credit and interest rates). These risk factors are monitored and addressed by managers at all levels in the organisation. For further information on this matter, please see the 2014 annual report and Note 2 to the financial statements included therein.

*Deviations from the code of practice:* None

## 11. DIRECTORS' FEES

The Nomination Committee's proposal for the remuneration payable to the board of directors is approved or rejected by the company's AGM. Directors' fees shall reflect the board's responsibilities, competence, time spent and the complexity of the business.

Directors' fees are not performance-related and contain no share option element. Additional information relating to directors' fees can be found in Note 24 to the financial statements included in the 2014 annual report.

Director Gustav Wizøe is also a member of SalMar's group management, and is remunerated as an employee representative to the board.

*Deviations from the code of practice:* None

## 12. REMUNERATION TO SENIOR EXECUTIVES

Pursuant to Section 6-16a of the Public Limited Companies Act, the board of directors has prepared a statement relating to the determination of salaries and other benefits payable to senior executives. This statement will, in line with the said statutory provision, be laid before the company's AGM each year.

The company's senior executive remuneration policy is based primarily on the principle that executive pay should be competitive and motivating, in order to attract and retain key personnel with the necessary competence.

The statement refers to the fact that the board of directors shall determine the salary and other benefits payable to the CEO. The salary and benefits payable to other senior executives are determined by the CEO in accordance with the guidelines laid down in the statement. Today's compensation scheme is divided into three and comprises a fixed salary, a performance-related bonus (capped at six months' salary), and a share-based incentive scheme in line with the board's authorisation.

At the 2014 AGM the statement on executive remuneration was set forth as a separate case document. The AGM voted individually on the item relating to share-based remuneration and the item relating to the guidelines for the determination of salary and other benefits to senior executives for the 2014 financial year.

The board's statement, as well as further details relating to the salary and benefits payable to the CEO and other senior executives can be found in Note 24 to the financial statements included in the 2014 annual report.

*Deviations from the code of practice:* None

## 13. INFORMATION AND COMMUNICATION

### Investor relations

Communication with shareholders, investors and analysts is a high priority for SalMar. The objective is to ensure that the financial markets and shareholders receive correct and timely information, thus providing the soundest possible foundation for a valuation of the company. All market players shall have access to the same information, and all information is published in both Norwegian and English. All notices sent to the stock exchange are made available on the company's website and at [www.newsweb.no](http://www.newsweb.no).

SalMar seeks to comply with the Oslo Stock Exchange's recommendations on the reporting of information to investors on companies' websites, last updated on 10 June 2014. The company has, in line with the Norwegian Code of Practice for Corporate Governance, also adopted an 'IR Policy', which is available from the company's website. The CEO, CFO and IRO are responsible for communications with shareholders in the period between general meetings.

### Financial information

The company holds open investor presentations in association with the publication of its year-end and interim results. These presentations are open to all, and provide an overview of the Group's operational and financial performance in the previous quarter, as well as an overview of the general market outlook and company's own future prospects. These presentations are also made available on the company's website.

The company publishes its provisional year-end accounts by the end of February each year, and a complete set of financial statements, including an annual report, is made available at the latest three weeks before the date of the AGM, and no later than the end of April each year. The company's interim results are published no more than 60 days after the close of the quarter, in line with the Oslo Stock Exchange's regulations.

### Quiet period

SalMar will minimise its contacts with analysts, investors and journalists in the final three weeks before publication of its results. During this period, the company will hold no meetings with investors or analysts, and will give no comments to the media or other parties about the Group's results and future outlook. This is to ensure that all interested parties in the market are treated equally.

### Financial calendar

Each year SalMar publishes a financial calendar indicating the dates of publication of the Group's interim reports, as well as the date of its AGM. The calendar is available from the Group's website [www.salmar.no](http://www.salmar.no). It is also distributed as a stock market notice and updated on the Oslo Stock Exchange's website [www.newsweb.no](http://www.newsweb.no). The calendar is published before 31 December each year.

*Deviations from the code of practice:* None

## 14. ACQUISITION

The board of directors has drawn up guidelines with respect to takeover bids, in line with the Norwegian Code of Practice for Corporate Governance. The guidelines were adopted by the board at a meeting on 29 March 2011, and the board undertakes to act in a professional manner and in accordance with applicable legislation and regulations.

The guidelines shall ensure that the interests of shareholders are safeguarded, and that all shareholders are treated equally. Furthermore, the guidelines shall help ensure that company operations are not unnecessarily disturbed. The board will strive to provide shareholders with sufficient information to enable them to make up their minds with respect to the specific bid.

If a takeover bid has been made, the board will make a statement and at the same time assess whether to obtain a valuation from an independent expert. The board will obtain an independent valuation if a major shareholder, board member, member of the management team, related party or any collaborator of such a related party, or anyone who has recently held one or more of the above-mentioned positions, is either the bidder or has a particular interest in the takeover bid.

The board will not seek to prevent any takeover bid, unless the board is of the opinion that such action is justified out of consideration for the company and the company's shareholders. The board will not exercise any authorisations or adopt other measures for the purpose of preventing the takeover bid. This stipulation may be waived with the approval of a general meeting of shareholders after a bid has been announced.

Transactions which, in reality, involve the sale of the company's business shall be laid before a general meeting of shareholders for approval.

*Deviations from the code of practice:* None

## 15. AUDITOR

The company's auditor is appointed by the Annual General Meeting and is independent of SalMar ASA. Each year the board of directors shall receive written confirmation from the auditor that the requirements with respect to independence and objectivity have been met.

Each year the auditor shall draw up the main elements of a plan to carry out auditing activities, and the plan shall be made known to the board of directors and the Audit Committee. Furthermore, the auditor shall hold at least one meeting each year without any representatives of the company's management being present.

The board shall inform the AGM of the remuneration payable to the auditor, broken down into an auditing and other services component. The AGM shall approve the auditor's fees.

The company has drawn up guidelines for any work other than auditing to be carried out by the auditor or persons associated with the auditor. The auditor participates in board meetings in connection with consideration of the year-end accounts, and, at the same time as the board of directors, reviews the company's internal control systems. This includes the identification of weaknesses and proposals for improvement. The auditor will also attend the company's AGM.

*Deviations from the code of practice:* None



# EXECUTIVE MANAGEMENT

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SALMAR ANNUAL REPORT 2014

A year after transfer to the marine net-pens, the first fish are ready for harvesting. The fish are transported live by wellboat to the processing plant. There the fish are kept in holding pens, before being carefully transferred to the plant itself. The fish are killed and bled out using high tech equipment, and always in accordance with applicable public regulations.



**Leif Inge Nordhammer**  
*President and CEO*

Mr. Nordhammer was the CEO of SalMar ASA from October 1996 to June 2011. Mr. Nordhammer retook the position of CEO in January 2014. He has extensive experience from leadership positions in a variety of fish farming companies, and has worked in the industry since 1985. Previous employers include Sparebanken 1 Midt-Norge and Frøya Holding AS/ Hydro Seafood AS. Mr. Nordhammer holds an education from the army along with a business degree from Trondheim Business School and the University of Trondheim.

**Holding as at 31.12.2014:**  
**Shares:** Mr. Nordhammer directly and indirectly owns 2.30% of the shares in SalMar.  
**RSU-Rights:** 12 110



**Trond Tuvstein**  
*Chief Financial Officer*

Trond Tuvstein was appointed as new CFO October 2013. Tuvstein served as Head of Investor Relations in SalMar ASA from January 2012 until October 2013. Tuvstein therefore knows both SalMar and the aquaculture industry well. Mr. Tuvstein is certified public accountant, having completed a Master's degree in Accounting and Auditing at the Norwegian School of Economics and Business Administration (NHH) in Bergen. Mr. Tuvstein has extensive experience from the accounting industry. He has held leading positions in auditors PricewaterhouseCoopers and Systemrevisjon, among others.

**Holding as at 31.12.2014:**  
**Shares:** 12,425  
**RSU-Rights:** 7 099



**Olav-Andreas Ervik**  
*Director farming*

Mr. Ervik started in the position as head of SalMar ASA's Farming division August 2014. Before this Mr. Ervik held the position as General Manager in SalMar Farming AS. Mr. Ervik has held various positions in companies within the salmon farming industry, including Lerøy Midnor, Scottish SeaFarms and Lerøy Hydrotech.

**Holding as at 31.12.2014:**  
**Shares:** 0  
**RSU-Rights:** 6 755



**Eva Haugen**  
*Director Quality Management/HSE/HR*

Eva Haugen has held the position as Director Quality Management/HSE/HR since 2H 2013. Prior to this position Haugen has been the Head of Quality Management in the SalMar Group since 2005. Haugen has also worked as a quality manager at the factory in Nordkagat in the periods 2001 and 2004. She has several years of experience as a teacher in secondary school subjects such as aquaculture, science and biology. Haugen is a graduate from NTNU in the fields of chemistry, biology and education studies, and holds a degree in ecotoxicology and physiology in salmonids.

**Holding as at 31.12.2014:**  
**Shares:** 800  
**RSU-Rights:** 4 662



**Gustav Witzøe**  
*Director processing and sales*

Mr Witzøe is the co-founder of SalMar ASA. He holds a degree in engineering. After several years as an engineer co-founded BEWI AS, a company producing styrofoam boxes for the fish farming industry. Mr Witzøe held the position as managing director of BEWI AS until 1990. Since Mr Witzøe founded SalMar ASA in 1991 he has gained extensive experience in fish farming and processing. In addition to being a director of SalMar ASA, Mr Witzøe is chairman of Egersund Fisk AS and is a director of Norskott Havbruk AS and Scottish Sea Farms Ltd.

**Holding as at 31.12.2014:**  
**Shares:** Mr Witzøe owns 90.85% of Kverva AS, which in turn owns 53.4% of the shares in SalMar ASA. Mr Witzøe is also a director of Kverva AS.  
**RSU-Rights:** None



**Tom Aleksandersen**  
*Chief Strategy Officer (CSO)*

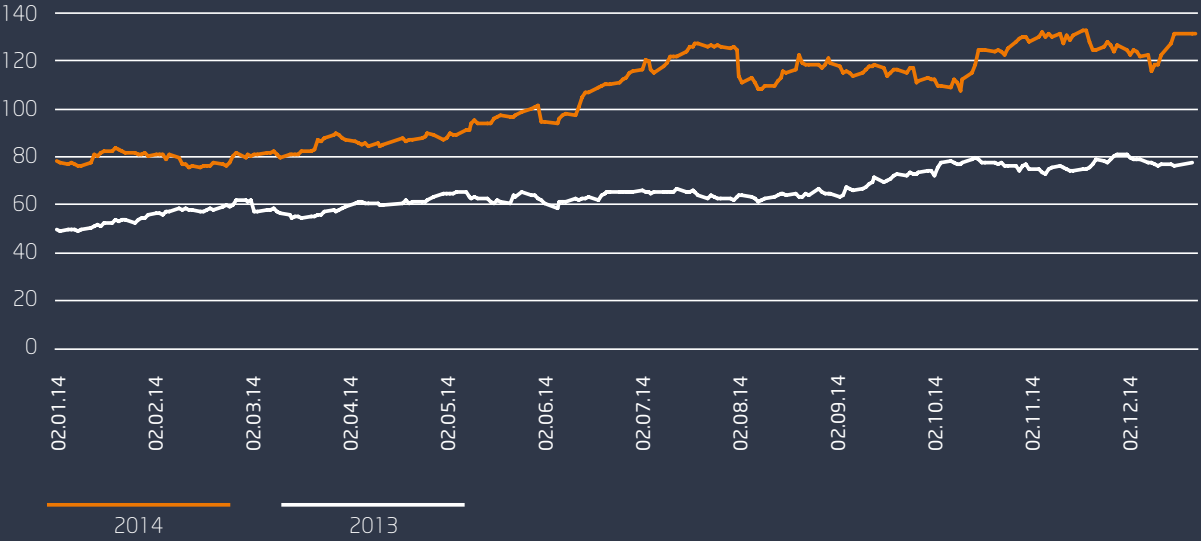
Tom Aleksandersen was appointed as Chief Strategy Officer 1 March 2015. Aleksandersen holds an MBA with specialization in Innovation and Implementation (1995). His main areas of expertise is: Strategy, business development, cultural development and leadership training. Aleksandersen has extensive experience from working with strategic processes and organizational development from businesses in Central Norway, including several years of experience as a partner and head of BDO's consultancy department in Central Norway.

**Holding as at 31.12.2014:**  
**Shares:** 0  
**RSU-Rights:** None

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Passion for Salmon

# SHAREHOLDER information



## SHAREPRICEDEVELOPMENT

Share price per 01.01.2014 was NOK 74,00 thus valuing SalMar at NOK 8 384 million. At year-end the share price was NOK 127,50 valuing SalMar at NOK 14 446 million.

## TECHNICAL INFORMATION

As at 31 December 2014 SalMar ASA had 113,299,999 shares outstanding, with each share having a face value of NOK 0.25.

As at 31 December 2014 the company had approx. 3,400 shareholders. The company's VPS number is ISIN NO 001-0310956.

Account operator is Nordea Bank. The company's ticker on the Oslo Stock Exchange is SALM.



**Runar Sivertsen**  
Head of Investor Relations  
Telephone: +47 960 97 000  
runar.sivertsen@salmar.no



**Trond Tuvstein**  
CFO  
Telephone: +47 918 53 139  
trond.tuvstein@salmar.no

## IR CONTACT IN SALMAR

Communication with shareholders, investors and analysts is a high priority for SalMar. The objective is to ensure that the financial markets and shareholders receive correct and timely information, thus providing the soundest possible foundation for a valuation of the company. All notices sent to the stock exchange are made available on both the company's website, the Oslo Stock Exchange's [www.newsweb.no](http://www.newsweb.no) site and through news agencies.

If you would like to subscribe to news from SalMar, please send an e-mail to [salmar@salmar.no](mailto:salmar@salmar.no) so that we can include your e-mail in our news distribution list.



## FINANCIAL CALENDER

4th Quarter 2014 results:	26. February 2015
1st Quarter 2015 results:	20. May 2015
Annual general meeting:	2. June 2015
2nd Quarter 2015 results:	25. August 2015
3rd Quarter 2015 results:	12. November 2015

SalMar holds quarterly presentations open to the public. The presentations will take place at 08.00 CET at Hotel Continental in Stortingsgaten 24/26 in Oslo, Norway. The annual general meeting will be held at Frøya. Please note that the dates are subject to change. Changes will be communicated.

NAME	Shareholding 31.12.14	Shareholding (%)
Kverva AS	60 500 000	53,40 %
Folketrygdfondet	8 275 589	7,30 %
LIN as	2 005 200	1,77 %
Pareto Aksje Norge	1 716 652	1,52 %
Odin Norge	1 635 467	1,44 %
State Street Bank & Trust Co.	1 427 782	1,26 %
SalMar ASA	1 300 000	1,15 %
Verdipapirfondet DNB Norge (iv)	1 280 097	1,13 %
State Street Bank & Trust Co.	813 486	0,72 %
Pareto Aktiv	722 798	0,64 %
The Bank of New York Mellon	709 808	0,63 %
The Bank of New York Mellon	669 323	0,59 %
Storebrand Norge	614 184	0,54 %
State Street Bank and Trust Co.	543 015	0,48 %
RBC investor services bank S.A	492 524	0,43 %
Schroder Internation Selection FD	467 809	0,41 %
KLP Aksje Norge Indeks VPF	460 736	0,41 %
State Street Bank & Trust Company	449 271	0,40 %
JPMorgan Chase Bank, N.A	446 716	0,39 %
The Northern Trust Co.	419 783	0,37 %
<b>Total 20 largest shareholders</b>	<b>84 950 240</b>	<b>74,98 %</b>
Other shareholders	28 349 759	25,02 %
<b>Total</b>	<b>113 299 999</b>	<b>100,00 %</b>
<b>Shareholders</b>	<b>3 403</b>	
Total no. of shares	113 299 999	





# BOARD OF DIRECTORS' STATEMENT 2014

2014 was another record year for SalMar. Unparalleled operating revenues, driven by high salmon prices and a rise in harvested volume, produced the best Operational EBIT in the Group's history. Net profit for the year came to NOK 1,215 million.

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*After harvesting the salmon is subject to various degrees of processing.*

The SalMar Group generated gross operating revenues of NOK 7,186 million in 2014, 15 per cent more than in 2013. The main reason for the increase in revenues was a 23 per cent rise, from 115,000 to 141,000 tonnes, in the volume of fish harvested by the Group.

Operational EBIT rose by 49 per cent from NOK 1,259 million in 2013 to NOK 1,879 million in 2014.

The board of directors is pleased with the Group's improved performance. The market developed strongly during the year, and demand for salmon has continued even at high prices.

The Group's largest fish farming segment, Central Norway, posted strong year-end results, despite operational challenges. The cost of keeping levels of salmon lice below regulatory thresholds has been high. The volume harvested rose by a good 7 per cent.

The Northern Norway segment experienced substantial growth in 2014. The volume harvested was 58 per cent higher than in 2013. The activities of the Villa Organic group of companies have now been fully restructured and integrated into the segment's overall business. The region posted satisfactory results, with developments in Finnmark being particularly good.

Salmon lice made 2014 a challenging year for the Rauma segment, too. In addition, the viral illness PD had a negative impact on its performance. The Group's output of organic salmon comes from this segment. The prices achieved were good, and have made a positive contribution to its results.

Compared with 2013, the Sales and Processing segment significantly improved its results in 2014. InnovaMar increased the volume it harvested to around 128,000 tonnes of self-produced and third-party fish during the year. In 2014 around 46 per cent of the harvested volume was sold at a profit under fixed-price contracts. The high salmon prices in 2014 proved challenging for the secondary processing business, due to high raw materials costs.

2014 was also a good year for Norskott Havbruk. The company generated record high revenues of NOK 1,385 million, and posted an Operational EBIT of NOK 232 million.

Following a 22 per cent increase in the global supply of Atlantic Salmon in 2012 and a 2 per cent increase in 2013, output grew by 9 per cent in 2014. A total of slightly more than 2.2 million tonnes of Atlantic salmon was harvested during the year. Preliminary forecasts for 2015 indicate a volume growth of around 3 per cent. Moving forward, SalMar anticipates good demand in the most important salmon markets, and, consequently, good salmon prices.

The Group expects to harvest a total of 139,000 tonnes of salmon in 2015, a decrease of approx. 2,000 tonnes compared with 2014.

Based on the financial statements for 2014, the board of directors is proposing a dividend payout of NOK 10.0 per share.

## Business and strategy

SalMar ASA is a Norwegian public limited company, whose shares are quoted on the Oslo Stock Exchange under the ticker SALM.

The Group is one of the world's largest and most efficient producers of Atlantic salmon, and is vertically integrated through the entire value chain from broodfish, roe and smolt to harvesting, processing and sales. At the close of 2014 SalMar had a total of 100 wholly owned licences for the production of Atlantic salmon in Norway: 68 in central Norway (Møre & Romsdal, Sør-Trøndelag and Nord-Trøndelag), and 32 in northern Norway (Troms and Finnmark). In addition, the Group has a substantial harvesting and processing capacity at InnovaMar in Frøya and Vikenco in Aukra.

SalMar owns 50.0 per cent of Scottish Sea Farms Ltd (through Norskott Havbruk AS), the UK's second largest producer of farmed salmon.

SalMar is headquartered in Frøya, Sør-Trøndelag, and the Group's registered address is 7266 Kverva.

## Strategic focus areas

SalMar's board of directors has a clearly defined objective of being the most cost-effective producer of farmed salmon in Norway. It is the Group's opinion that this objective can be realised only through sustainable biological production. To intensify the focus on those actions which create the best biological results, the board chose in 2014 to establish a new vision: **"Passion for Salmon"**

SalMar's stated aim is to be the best aquaculture company in the world. And the way it will achieve this ambition is through a "Passion for Salmon". Following an in-depth strategy process, SalMar has identified a series of strategic initiatives that will ensure it becomes the world's best aquaculture company. The strategy builds on SalMar's already strong performance culture, which will be fur-

ther reinforced. Initiatives will focus primarily on optimising the company's core business operations. SalMar has experienced substantial growth in recent years, and strategic priority has been given to measures that will enable us to resolve the challenges arising out of rapid expansion. By concentrating on further developing our overall corporate culture as well as the competence of our operational management, we are convinced that our performance will reach new heights. Clear operational targets will be shared with all employees, and good feedback along the way will ensure that our performance culture receives the nourishment it needs to flourish. Future growth for SalMar will be based on the strategic principle of "further out to sea and deeper into the market". The watchword "Passion for Salmon" has already become a powerful driver for the development of tomorrow's aquaculture company.

## IMPORTANT EVENTS IN 2014

### New CEO

Leif Inge Nordhammer took over as SalMar's new CEO on 13 January 2014. Nordhammer had previously served as CEO for a period of 15 years until he stepped down voluntarily in 2011.

**Green licences.** SalMar Farming AS was awarded eight out of a total of 15 so-called green licences in group B on 28 March. The award was based on an auction principle, in which SalMar bid from NOK 66 million to NOK 55 million per licence. SalMar paid a total of NOK 494 million for these licences, seven of which will be operated by the Central Norway segment, while one will be operated by the Northern Norway segment.

# BOARD OF DIRECTORS 2014



**BJØRN FLATGÅRD,**  
Chairman of the Board

Mr Flatgård is currently working as a professional director of several leading Norwegian companies and as an investor. From 1996 to 2007 he was President & CEO of Elopak ASA. Prior to that he was CEO of Nycomed Pharma and a member of the executive management of Hafslund Nycomed. Mr Flatgård gained an MSc in Chemical Engineering from the Norwegian University of Science and Technology in 1973 and a degree in Economics and Business Administration from the Norwegian School of Management BI in 1981. Mr Flatgård has board positions with several Norwegian companies. Amongst others he is board member of Aker ASA and Aker Blomarine ASA as well as Chairman of Handelsbanken Norway. Mr Flatgård joined SalMar's board of directors in August 2002, becoming chairman in 2006. Through his family company GloMar AS, Mr Flatgård owns 2.38% of the shares in Kverva AS, which in turn owns 53.4% of the shares in SalMar ASA. Mr Flatgård is also Chairman of Kverva AS.



**GUSTAV WITZØE,** DIRECTOR

Mr Witzøe is the co-founder of SalMar ASA. He holds a degree in engineering. After several years as an engineer co-founded BEWI AS, a company producing styrofoam boxes for the fish farming industry. Mr Witzøe held the position as managing director of BEWI AS until 1990. Since Mr Witzøe founded SalMar ASA in 1991 he has gained extensive experience in fish farming and processing. In addition to being a director of SalMar ASA, Mr Witzøe is chairman of Egersund Fisk AS and is a director of Norskott Havbruk AS and Scottish Sea Farms Ltd. Mr Witzøe owns 90.85% of Kverva AS, which in turn owns 53.4% of the shares in SalMar ASA. Mr Witzøe is also a director of Kverva AS.



**KJELL A. STOREIDE,** DIRECTOR

Mr Storeide is a graduate of the Norwegian School of Economics and Business Administration (NHH) in Bergen. From 1990 to 2004 he was the CEO and co-owner of Stokke Gruppen AS. Mr Storeide is chairman of several industrial companies in Norway. Mr Storeide joined SalMar's board of directors in February 2008.



**HANNE KRISTINE TOBIASSEN,** Employee representative

Ms. Tobiassen has worked in SalMar since 2009 when she was hired as Laboratory Manager. From 1 September 2013 she began a new role as Quality Manager in SalMar Processing AS. Prior to joining SalMar, Ms. Tobiassen has worked in various fields related to quality management for companies like Marine Harvest and Frøya Seafood. Ms. Tobiassen holds a degree in Food Technology from Sør-Trøndelag University College.



**MERETHE HELENE HOLTE,** DIRECTOR

Ms. Holte has extensive experience in consulting and food industries. Long experience as a consultant in A.T. Kearney (international consulting company) and the food industry in Mills. Ms. Holte is now Partner in Aukner Neuman AS, a Norwegian-based consulting company with core competencies in strategy & business development and organization & management. Ms. Holte has served on the board of SalMar since 05.06.2013.



**PÅL GEORG STORØ,** Employee representative

Mr. Storø has worked in SalMar since 1991 and since that time hold a number of leading positions in SalMar Processing AS, SalMar's harvesting and processing operations. Mr. Storø currently works as a project manager in SalMar Processing.



**TOVE ELIN NEDREBERG,** DIRECTOR

Ms. Nedreberg holds the position as CEO of Adresseavisen Gruppen AS and Adresseavisen AS. She has extensive experience at executive level from positions in large corporations, including board positions. Nedreberg has served on the board of SalMar since 31.05.2012.



**Refinancing.** SalMar ASA signed a new borrowing agreement with DNB, Nordea and Danske Bank, which extended and restructured the company's existing credit facilities. The term of the loans is five years, and the credit facilities are for a total of NOK 5,000 million. The credit facilities comprise a term loan of NOK 1,000 million, an investments/acquisition facility of NOK 2,000 million and a revolving credit facility of NOK 1,500 million. In addition, an annually renewable operating credit capped at NOK 500 million has been agreed.

**Villa Organic AS.** The demerger of Villa Organic AS was completed on 9 July. SalMar took over 100 per cent ownership of eight licences and gained control of the entire Laksefjord area. SalMar also acquired a 50 per cent shareholding in Kirkenes Prosessing AS, a salmon harvesting plant located in Kirkenes, and 44.5 per cent of Romsdal Processing AS, a processing facility located in Misund. Over the past two years, therefore, SalMar has increased its production capacity in Northern Norway from 13 to 32 licences. This corresponds to a growth of 138 per cent.

**Events after the balance sheet date**  
No material events have occurred after the close of the year.

**FINANCIAL PERFORMANCE**  
*Consolidated income statement*

The Group generated gross operating revenues of NOK 7,185.9 million in 2014. This corresponds to an increase of 15 per cent from the NOK 6,245.9 million generated I 2013.

Excluding Norskott Havbruk, the Group harvested a total of 141,000 tonnes, up from 115,000 tonnes in 2013. Of this 23 per cent increase, 5,100 tonnes is attributable to Fish Farming Central Norway, 1,600 tonnes to the Rauma segment, 13,700 tonnes to Fish Farming Northern Norway, and 5,700 tonnes to Villa Organic. Villa Organic was consolidated into the Group's accounts with effect from 30 June 2013 until deconsolidation on 1 July 2014. Including SalMar's 50.0 per cent share of Norskott Havbruk, the overall volume harvested totalled 154,700 tonnes.

The average price of salmon (NASDAQ) in 2014 came to NOK 40.56, compared with NOK 39.82 in 2013. The price in the first quarter was record high, averaging NOK 47.58, but fell back in both the second and third quarters. Towards the end of the year, however, the price rose sharply, with much of the effect attributable to a significant decline in the value of the NOK measured against the most important trading currencies. The average price for December ended at NOK 45.23, which was NOK 6.39 more than in November. Around 46 per cent of SalMar's total harvested volume in 2014 was sold at fixed-price contracts. These are contracts with varying terms, but not normally longer than 12 months. In total, fixed-price contracts secured higher prices than the spot price, thereby contributing positively to the results achieved in 2014.

Around 45 per cent of SalMar's total output volume was harvested in the first half year, while 55 per cent was harvested in the second half. The volume harvested in the first quarter was lower than in the second quarter, which meant that SalMar did not benefit fully from the high average price in the first six months of the year. The volume harvested in the second half of 2014 had a favourable

distribution, with more being harvested in the fourth quarter than in the third. The price rise experienced towards the end of the year therefore had a positive impact on the Group's overall revenue stream.

From a biological point of view, 2014 was a challenging year. The problems that salmon lice pose for the industry have been growing, and SalMar intensified its delousing treatments during the year. In addition to the costs directly relating to the treatments themselves, fish growth is also affected as a result of fewer feeding days and a poorer appetite on the part of the fish. PD outbreaks have also had a negative impact on costs, in the form of both higher direct farming costs and indirect costs associated with the handling of PD-infected fish. As a result, the cost of the harvested biomass was higher in 2014 than in 2013.

The SalMar Group posted an Operational EBIT of NOK 1,879.0 million in 2014, compared with NOK 1,259.5 million in 2013. This rise can be attributed primarily to a higher harvested volume and a significant improvement in the profits posted by the Sales and Processing segment. Operational EBIT is SalMar's most important measure of its performance under IFRS, since it shows the results of underlying operations during the period. Specific items not associated with underlying operations are presented on separate lines in the consolidated financial statements.

Fair value adjustments reduced profit by NOK 232.2 million in 2014. The corresponding adjustment in 2013 boosted profit by NOK 528.2 million. Fair value adjustment comprises fair value adjustment of the biomass, including unrealised effects of forward currency contracts associated with future contract deliveries and Fish Pool contracts, as well as provisions for loss-making contracts. The bulk of the fair value adjustments in 2014 are associated with changes in the value of unrealised forward currency contracts, which in 2014 decreased profit by NOK 123.6 million, compared with a decrease of NOK 13.2 million in 2013. In 2013 fair value adjustments were largely associated with changes in the fair value of the biomass, which increased by NOK 529.4 million, compared with a decrease of NOK 39 million in 2014. The bulk of change can be attributed to a sharp increase in prices from 2012 to 2013, compared with an almost stable price picture from 2013 to 2014. In addition to the change in overall prices, SalMar's total biomass as at 31 December 2014 was 1,138 tonnes smaller than at the same point the year before.

There were no recognised non-recurring gains associated with the acquisition of companies in 2014, compared with gains of NOK 161.8 million in 2013.

As in 2013, there were no particular biological incidents in 2014, such that the Group's operating profit for 2014 totalled NOK 1,646.7 million, down from NOK 1,949.4 million the year before.

Operations at SalMar's associates, ie companies in which SalMar – through its shareholdings – has a significant influence, were good in 2014, and they posted satisfactory results. SalMar's share of the profit/loss deriving from these investments totalled NOK 96.1 million in 2014. This derives almost entirely from Norskott Havbruk. The corresponding figure for 2013 was NOK 158.0 million.

Total interest and financial income for 2014 came to NOK 11.1 million, compared with NOK 384.3 million in 2013. The change is primarily attributable to the significant recognised gain associated with the sale of shares in P/f Bakkafrøst and Nordskag Næringspark AS.

SalMar's total financing costs for 2014 came to NOK 125.1 million, a decrease of NOK 44.5 million from the year before. The reduction can be explained by lower interest rates and a lower average interest-bearing debt.

Net financial items for 2014 therefore totalled NOK -114.0 million, such that profit before tax came to NOK 1,628.8 million, down from NOK 2,322.1 million in 2013. Despite the lower profit before tax in 2014, the estimated tax expense for the year was on a par with 2013 (NOK 413.3 million in 2014, compared with NOK 418.7 million in 2013). This can be explained by the substantial gains on shares in 2013 that have not had any impact on tax.

SalMar's net profit for the year 2014 totalled NOK 1,215.5 million, compared with NOK 1,903.4 million in 2013.

**Consolidated statement of cash flow**  
SalMar generated a positive cash flow from operating activities in the amount of NOK 1,647.0 million in 2014, compared with NOK 1,106.0 million in 2013. The largest positive item of profit and loss without any cash flow effect is the Group's NOK 96.1 million share of profit/loss from associates. The largest negative items of profit and loss without any cash flow effect derive from NOK 278.2 million in depreciation and NOK 232.3 million in fair value adjustments. Furthermore, the items "interest expenses" and "option expenses" have been reclassified to financing activities. During the period, SalMar increased its working capital (change in trade receivables and payables, inventory, etc) by NOK 376.5 million. In 2014 SalMar paid NOK 25.8 million in corporation tax.

Cash flow from investing activities was negative in the amount of NOK 1,031.9 million during the period. By comparison, SalMar had a positive cash flow from investing activities, NOK 698.7 million, in 2013. A total of NOK 1,040.1 million was invested in intangible assets, property, plant and equipment during the year. Of this amount, the purchase of green licences accounted for NOK 494.0 million. Investments in onshore and offshore facilities for the production of biological assets totalled NOK 523.8 million. This has been necessary to exploit the company's biological growth potential, as well as meet higher equipment and technology standards. Dividend received from associates totalled NOK 36.3 million, and payments for the acquisition of businesses came to NOK 28.6 million.

Net disbursements from financing activities in 2014 totalled NOK 1,522.5 million, compared with NOK 790.0 million in 2013. In 2014 SalMar paid a dividend totalling NOK 898.2 million to its shareholders. NOK 357.4 million in interest-bearing debt was repaid in

2014, while NOK 115.1 million was paid in net interest and financing expenses. The restructuring of Villa Organic resulted in the payment of NOK 140.9 million to non-controlling shareholders. A further NOK 10.2 million was paid out in connection with the Group's option scheme.

Overall, this gives SalMar a negative net cash flow for 2014 of NOK 907.3 million, which reduced the Group's holdings of cash and cash equivalents to NOK 167.0 million at the close of the year. The restructuring of the Group's main financing agreements resulted in SalMar having unused drawing rights of NOK 3,136.2 million at the close of the year, of which NOK 1,136.2 million relates to rolling credit for the financing of day-to-day operations. The other drawing rights are reserved for investments and strategic growth.

**Consolidated balance sheet**  
As at 31 December 2014, SalMar's balance sheet totalled NOK 10,124.4 million, an increase of NOK 192.9 million since the close of 2013.

The Group's intangible assets rose by NOK 434.6 million during 2014. A total of nine licences were acquired, of which eight were so-called green licences. In connection with the restructuring of Villa Organic, eight licences were transferred to the minority shareholder. Furthermore, NOK 22.2 million was capitalised in connection with the development of an experimental offshore fish farm. At the close of 2014, the Group had recognised NOK 2,898.6 million in intangible assets.

The total book value of property, plant and equipment came to NOK 2,017.6 million at the close of the year, NOK 158.3 million more than at the close of 2013. The Group's rate of investment is still higher than overall depreciation. A total of NOK 523.8 million was invested in 2014. In connection with the restructuring of Villa Organic, property, plant and equipment worth NOK 104.6 million was transferred to the non-controlling shareholder.

At the close of 2014 the Group had non-current financial assets worth NOK 539.2 million. The bulk of this amount relates to the investment in Norskott Havbruk. The Group's biological assets were valued at NOK 3,114.7 million at the close of the year, NOK 37.5 million more than at the close of 2013. Measured in tonnes, the biomass as at 31 December was more or less the same as at the start of the year. At the close of the first half of 2014, Villa Organic's non-controlling shareholder took over eight licences and associated biomass. At practically the same time, eight green licences went into operation, and have contributed to keeping the biomass at the same level as at the start of the year. Adjustment in the fair value of the biomass at the close of the year came to NOK 848.6 million, which is NOK 26.3 million lower than at the start of the year. The cost of producing the biomass rose by NOK

83.5 million, putting total production costs at NOK 2,285.9 million. As a result of the rise in sales towards the end of 2014, compared with 2013, trade receivables have risen from NOK 662.1 million to 888.2 million at the close of the year. Credit time has remained stable, and the bulk of the trade receivables are insured. A provision of NOK 12.2 million has been made to cover potential bad debts.

At the start of the year receipts from the sale of shares in P/f Bak-kafrost were held in a separate bank account. These funds have been used during the year, and are the main reason for the reduction in bank deposits from NOK 1,071.0 million at the close of 2013 to NOK 167.0 million at the close of 2014. See Consolidated cash flow for further details.

At the close of 2014 the Group's equity totalled NOK 5,137.3 million, up from NOK 5,060.8 million at the close of 2013. This corresponds to a practically unchanged equity ratio of 50.7 per cent at the close of 2014, compared with 51.0 per cent at the same point in 2013.

Net interest-bearing debt (interest-bearing debt less cash & cash equivalents) totalled NOK 2,301.3 million at the close of the year, up from NOK 1,772.4 million at the close of 2013. In July 2014 the Group entered into a new 5-year borrowing agreement with a consortium of Nordic banks. The financing agreement covers both operating credit facilities and acquisition funding, and provides the Group with drawing rights of NOK 5,000 million. At the close of the year NOK 1,875.2 million had been drawn down on these facilities. In addition to this main financing package, some of the Group's subsidiaries have their own financing agreements, the interest-bearing debt associated with which came to NOK 125.8 million at the close of the year. The Group has, moreover, leasing liabilities amounting to NOK 134.5 million. Because of its nature, the leasing agreement with respect to InnovaMar is classified as a financing agreement, the liability for which stood at NOK 314.9 million at the close of the year. Next year's instalments on interest-bearing debt total NOK 153.5 million. Unused drawing rights amounted to NOK 3,136.2 million at the close of 2014.

The Group expects to pay NOK 321.8 million in corporation tax, based on its taxable income for 2014.

The increase in the Group's assets during 2014 is attributable to a NOK 76.5 million increase in equity, a NOK 375.2 million decrease in interest-bearing debt, and an increase in interest-free liabilities of NOK 491.5 million.

**Reporting segments**  
***Fish Farming Central Norway***

Central Norway, the Group's largest fish-farming region, had a good year despite some operational challenges. The segment generated NOK 2,863.5 million in operating revenues in 2014, compared with NOK 2,702.0 million in 2013. Operational EBIT came to NOK 946.2 million in 2014, compared with NOK 924.2 million the year before. For the year as a whole, Operational EBIT per kg gutted weight came to NOK 12.60, down from NOK 13.20 in 2013. The downturn is attributable to higher production costs for the harvested biomass than in 2013, due largely to salmon lice, PD and higher feed costs. Although SalMar had control of the situation in 2014, the large number of treatments has had a direct impact on costs, while a reduction in the number of feeding days deriving from the

treatments has affected fish growth. More frequent delousing treatments of marine-phase fish causes an accumulation of costs per kg, which is also expected to affect the level of expenses in 2015. Increased feed costs result from the weakening of the NOK against the major international currencies as well as higher prices for the ingredients used to make them.

Fish Farming Central Norway harvested a total of 75,200 tonnes in 2014, compared with 70,200 tonnes in 2013. 26,300 tonnes were harvested during the first half of the year, and 48,900 in the second half. The fact that the bulk of the volume was harvested in the second half of 2014 had a negative impact on the prices achieved by the segment.

The segment's production capacity increased through the year, since it operates seven out of the eight green licences awarded. The licences were put into operation quickly, and almost full capacity utilisation was reached during the autumn.

SalMar expects this segment to harvest around 79,000 tonnes in 2015, an increase of 5 per cent on 2014.

**Fish Farming Northern Norway**

The Northern Norway segment generated gross operating revenues of NOK 1,443.1 million in 2014, compared with NOK 912.7 million in 2013. Operational EBIT came to NOK 477.2 million in 2014, compared with NOK 320.2 million the year before.

Operational EBIT per kg gutted weight came to NOK 12.70 in 2014, down from NOK 13.50 in 2013. Although 2014 was a satisfactory year for Fish Farming Northern Norway, the decrease in EBIT/kg is larger than the general change in prices would indicate. This is primarily attributable to an unfavourable harvesting profile in the second and third quarters. Furthermore, the average weight of the fish harvested was lower than desirable due to challenges associated with the maximum allowable biomass (MAB) at individual sites. Some of the fish at one site reached sexual maturity during the third quarter, which also had a negative impact on the prices realised. Salmon lice are less of a problem here than in the Central Norway area, and the company considers the situation to be under control. The segment's biological situation is deemed to be good.

The restructuring of activities belonging to Villa Organic has been finalised, and, with effect from the second half of 2014, they are now fully integrated into the segment's overall operations. Developments in Finnmark have been good, and fish has been harvested from sites that, from both a production and cost point of view, have performed on a par with SalMar's best locations.

SalMar's Northern Norway segment achieved considerable growth in 2014. The harvested volume was 58

per cent higher than in 2013. A total of 37,500 tonnes was harvested by SalMar Northern Norway, compared with 23,800 tonnes in 2013. A substantial 21,900 tonnes was harvested in the second half of 2014. One of the eight green licences awarded in 2014 is operated by this segment.

SalMar expects this segment to harvest around 42,000 tonnes in 2015, an increase of approx. 12 per cent on 2014.

**Fish Farming Rauma**

The Rauma segment generated gross operating revenues of NOK 782.0 million in 2014, compared with NOK 595.4 million in 2013. Operational EBIT came to NOK 214.7 million in 2014, compared with NOK 161.9 million the year before.

Operational EBIT per kg gutted weight came to NOK 13.00 in 2014, up from NOK 10.90 in 2013.

The segment's operational and biological status has been affected by salmon lice and the viral illness PD. Low growth rates and quality issues affected both production cost per kg harvested fish and the sales price achieved. The Rauma segment has also had cases of amoebic gill disease (AGD) at individual sites. Treatment has been satisfactory, but AGD also affects appetite and growth, with resulting increased costs per kg.

This segment is, moreover, responsible for SalMar's breeding and genetics activities. This involves the harvesting of broodfish, which have a significantly higher cost. The segment is also responsible for production of the Group's organic salmon. Although more costly to produce than conventional salmon, organic salmon command higher and more stable prices.

The Rauma segment harvested a total of 16,500 tonnes in 2014, compared with 14,900 tonnes in 2013. SalMar expects the segment to harvest around 18,000 tonnes in 2015, a rise of 9 per cent.

**Villa Organic**

The Villa Organic segment was part of the Group until the close of the first-half 2014. At that time the segment's operations were divided between SalMar, its controlling shareholder, and Lerøy Seafood Group, the non-controlling shareholder. Each of the parties took over eight production licences. The sites were divided such that SalMar took over the Laksefjord area, while Lerøy took over Varangerfjord. SalMar took over all the biomass in Laksefjord and a portion of the biomass in Varangerfjord. The operations taken over by SalMar were integrated into its Fish Farming Northern Norway segment with effect from the second half year.

Villa Organic generated gross operating revenues of NOK 527.5 million in the first half of 2014. A total of 11,800 tonnes was harvested, which generated an Operational EBIT of NOK 164.5 million.

**Sales and Processing**

The Sales and Processing segment posted significantly better results in 2014 than in 2013. The segment sells the entire Group's harvested volume, with the exception of that deriving from joint operations with Lerøy in Finnmark. The segment generated gross operating revenues of NOK 6,847.8 million in 2014, up from NOK 6,047.4 million in 2013. Operational EBIT came to NOK 137.7 mil-

lion in 2014, compared with NOK -160.9 million in 2013.

In 2014 around 46 per cent of the harvested volume was sold under profit-making, fixed-price contracts. A generally good allocation of volumes sold at spot prices also contributed to improved margins for the segment. Although the closure of the Russian market has been a challenge, the sales volumes affected were replaced in new and existing markets during the period. InnovaMar harvested around 127,900 tonnes of fish in 2014, up from 117,800 tonnes in 2013. Harvesting operations at InnovaMar have improved both in efficiency and overall capacity utilisation. Capacity utilisation was, however, somewhat low in the first half of the year due to a lack of raw materials. This resulted in a rise in fixed costs per kg, which negatively affected the financial performance of both the harvesting and secondary processing departments. Capacity utilisation at InnovaMar in the second half was good. The high salmon prices in 2014 were challenging for the processing business, due to high raw materials costs.

**Associates**  
***Norskott Havbruk***

2014 was also a good year for Norskott Havbruk. At NOK 1,384.6 million, the company's sales revenues were historically high, rising from the NOK 1,189.1 million achieved in 2013. Operational EBIT came to NOK 232.1 million in 2014, up from NOK 221.1 million the year before.

Operational EBIT per kg gutted weight came to NOK 8.40 in 2014, up from NOK 8.20 in 2013. The increase is largely attributable to the rise in prices. The company's biological situation is satisfactory, with lice and health issues being dealt with effectively.

A high proportion of contract sales affected the margins achieved in 2014. The company harvested a total of 27,500 tonnes in 2014, up from 26,900 tonnes the year before. It expects to harvest around 31,000 tonnes in 2015.

Norskott Havbruk is recognised as an associate, with SalMar's share of the company's profit/loss after tax and fair value adjustment of the biomass (50.0 per cent) being recognised as financial income. SalMar's share of the company's profit after tax was NOK 95.5 million in 2014, compared with NOK 101.1 million in 2013.

**The parent company's financial statements and allocation of the profit for the year**

The parent company, SalMar ASA, is a shareholding and administrative entity. Group management and administrative resources are employed by this company. In 2014 it employed a total of 28 full-time equivalents.

The company made a net profit for the year of NOK 803.1 million in 2014, compared with NOK 815.3 million in 2013. The bulk of the company's revenues



derive from investments in subsidiaries and associates. 2014 was a good year for the company's subsidiaries, and resulted in the recognition of NOK 1,108.2 million in dividends/group contributions. Furthermore, the company recognised a dividend of NOK 36.3 million from its investment in the associate Norskott Havbruk AS. SalMar ASA also administers the Group's main financing activities, and received NOK 91.2 million in interest income on loans to subsidiaries, while interest expenses associated with financing came to NOK 71.6 million.

SalMar ASA had capitalised assets of NOK 4,676.5 million at the close of 2014. Non-current financial assets accounted for NOK 3,340.4 million of this amount, with loans to subsidiaries coming to NOK 2,175.9 million. Current receivables totalled NOK 1,300.0 million, and are largely made up of dividend/group contributions receivable from subsidiaries. The company had cash and cash equivalents of NOK 14.8 million at the close of the year. Equity as at 31 December 2014 totalled NOK 1,214.9 million, which corresponds to an equity ratio of 26 per cent. Non-current liabilities are entirely made up of interest-bearing debt, and total NOK 1,810.0 million. Current liabilities total NOK 1,651.6 million, of which NOK 1,120.0 million have been allocated to dividend.

The board is proposing the payment of a dividend of NOK 10.00 per share for the 2014 financial year. The board proposes the following allocation of the year's net profit:

- |                                 |                     |
|---------------------------------|---------------------|
| • Dividend provision            | NOK 1,120.0 million |
| • Transferred from other equity | NOK -316.9 million  |
| • Total                         | NOK 803.1 million   |

At the close of the year the company had distributable reserves of NOK 1,186.9 million.

GOING CONCERN

The financial statements for 2014 have been prepared on the assumption that the company is a going concern, as stipulated in Section 3.3a of the Norwegian Accounting Act. With reference to the Group's financial results, financial position and forecasts for years to come, it is hereby confirmed that grounds for this assumption do exist. In the assessment of the board of directors, the Group's financial position and performance are sound.

RISKS AND RISK MANAGEMENT

Risk management is a key function of the management team. The Group has systems and routines in place to monitor important risk factors in all business areas, and particular emphasis is placed on the control and follow up of production facilities in accordance with the quality handbook and defined operating standards.

It is the CEO's responsibility to ensure that the Group operates in compliance with all relevant legislation and operating guidelines for group entities. Follow-up and control of risk factors, as well as compliance with the Group's values and code of conduct, is carried out in the line organisation as part of day-to-day operations.

Operational risk

The largest operational risk facing SalMar relates to the development of its fish stocks, both at its hatcheries and marine-phase

fish farms. Even though SalMar draws up and establishes effective routines for its own operations, the business is such that it will always be important to keep abreast of what competitors and neighbouring facilities are doing.

The aquaculture industry faces challenges with respect to the spread of salmon lice and an increase in the numbers of resistant lice, ie lice which have a reduced sensitivity to the preparations and medications that have been effective in treating salmon lice over the past decade.

SalMar plays an active role in the effort to combat salmon lice, and works effectively with the authorities, other fish farmers and scientific expertise to reduce biological risk. SalMar has developed its own strategy for dealing with salmon lice, which has been in operation since mid-2009. In addition to its own strategy plan the Group complies with all the counting and treatment strategies implemented by the authorities, including the Norwegian Food Safety Authority's absolute threshold for the initiation of remedial measures. By using cleaner fish, large smolt and effective zoning, the salmon lice situation has been kept under control throughout 2014.

For the first year of the fish's marine-phase existence, SalMar handles the salmon lice situation with the help of cleaner fish. The intensity of delousing treatments is therefore extremely low. Since cleaner fish are not as effective on larger fish, the frequency of treatments on fish in their second year in the sea was higher in 2014 than in 2013.

SalMar used more hydrogen peroxide (H2O2) against lice in 2014 than in 2013, and there was also a slight increase in the use of other delousing agents. The reason for the higher consumption of hydrogen peroxide in 2014 is that resistance to the other delousing agents has worsened during the year.

For SalMar, it is important that production take place in areas which have the capacity and sustainability for the volumes being produced. To ensure the quality of the fish farming facilities, routine measurements and Modelling – On-growing fish farm – Monitoring (MOM) surveys are carried out.

SalMar also purchased eight “green” licences after the authorities’ round of awards in 2013/2014. The green licences set stricter limits for permitted lice and the number of medicinal delousing treatments, and put a stronger focus on escape prevention. At its green licence facilities, SalMar has focused particularly on the use of a more escape-proof cage construction, as well as the use of cleaner fish (in the form of farmed lumpfish) to control lice numbers. A major investment has been made in a dedicated facility for the farming of cleaner fish in Langstein in Trondheimsfjord. SalMar deployed the first lumpfish raised at this facility in the

fourth quarter 2014. Experience from the operation of these licences is so far extremely good. A separate report summing up SalMar's experience and evaluating the operation of its green licences will be published annually. SalMar has also emphasised participation in a project to monitor salmon rivers in Trøndelag county in order to develop methods and increase expertise in the tracking and mapping of escaped farmed salmon.

SalMar's overarching objective is to reduce the use of chemical delousing treatments, by focusing on biological methods using self-produced cleaner fish, good and robust production zones, and measures to reduce the marine-phase production time. SalMar is convinced that salmon lice can be controlled and kept at acceptable levels through a combination of different forms of treatment and medication, new technologies and the already well-established collaboration between fish farmers.

In general terms SalMar's uncompromising focus on biological quality and control means that it chooses solutions and implements measures which safeguard long-term biological security over short-term financial gain.

Financial risk

The follow up of internal controls associated with financial reporting is carried out through management's day-to-day supervision, the process owners’ follow up and monitoring by the board's Audit Committee. Non-conformances and improvement areas are followed up and remedial measures implemented. Financial risk is managed by a central unit at head office, and financial hedging instruments are employed where they are considered appropriate.

Foreign exchange risk

The bulk of the Group's output is sold internationally, with accounts settled largely in EUR, USD, GBP and JPY. Changes in exchange rates therefore represent both a direct and indirect financial risk for the Group. Sales in foreign currencies are hedged on the transaction date, while contract sales are hedged when the contract is entered into. The company uses forward contracts as hedging instruments. Foreign exchange exposure linked to the Group's costs is, however, limited, since input factors and salaries are paid largely in NOK (Norwegian kroner). All interest-bearing debt is, moreover, in NOK. Use of forward currency contracts is described in Note 11 to the financial statements.

Interest rate risk

The borrowing portfolio is currently at floating interest rates, which means that the Group is affected by changes in interest rates.

Price risk

SalMar's entire business is related to salmon, and is therefore directly and indirectly affected by developments in salmon prices. The Group's profitability and cash flows are strongly correlated with movements in the price of salmon. Historically, salmon prices have been highly volatile seen in an annual, quarterly and monthly perspective. In 2014 the spot price of Atlantic salmon fluctuated between NOK 31.73 and NOK 52.69 per kg, measured weekly.

The global salmon market is largely a fresh-fish market, where most of the fish harvested is sold immediately to processing companies or directly to the consumer. For several years growth in demand has been relatively stable, while growth in supply has

varied more substantially from year to year. In addition to planned output volumes defined by the number of smolt released, supply is also affected by a number of external factors. Fluctuations in sea temperatures, the spread of salmon lice and outbreaks of disease are all factors which, directly or indirectly, affect fish growth and thus supply. As a consequence, relatively substantial variations in supply may occur within short periods of time. With relatively stable demand, this can result in considerable price instability.

SalMar sells a portion of its output through fixed-price contracts. The Group has drawn up guidelines for such contracts to limit exposure to salmon price volatility. It is the Sales and Processing segment which sells the entire Group's harvested volume, with the exception of that produced by Villa Organic. The impact of the Group's fixed-price contracts is therefore recognised in this segment's financial statements. Approximately 46 per cent of the Group's volume was sold under fixed-price contracts in 2014.

Credit risk

The risk of a counterparty not having the financial resources to meet his obligations has, historically, been considered low, and SalMar's losses resulting from bad debts have been very small. Nevertheless, the economic downturn experienced in large parts of the world in recent years has led SalMar to tighten its commercial terms and focus more strongly on the follow up of trade receivables.

The Group does not have any significant credit risk associated with an individual counterparty or counterparties which may be considered a group due to similarities in the credit risk they represent. The Group has guidelines to ensure that sales are made only to customers who have not previously had material payment problems, and that outstanding sums do not exceed defined credit limits.

The bulk of the Group's trade receivables is insured against bad debts.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

SalMar's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its short-term funding requirement. The Group engages in active cash management, and prepares rolling cash-flow forecasts to ensure that it has sufficient liquidity at all times. Furthermore a flexible financing structure is maintained through established credit lines. Unused credit facilities are described in the comments on the Statement of Cash Flow.

The Group's equity ratio, its prospects for future profits and current credit facilities mean that the Group's liquidity risk is considered to be low.

RESEARCH AND DEVELOPMENT

The Norwegian aquaculture industry has experienced a period of dramatic growth. Around 100 tonnes of farmed salmon was produced in the early 1970s, while in 2014 output reached 1.25 million tonnes. This growth has been made possible by the industry's unflinching desire to improve and create new, more secure and more efficient ways of producing salmon. Research and development has been an essential part of that effort. The industry has depended on close cooperation with public authorities as well as other commercial, academic and research centres. In a short space of time this collaboration has transformed fish farming from a small niche activity into a modern aquaculture industry that employs thousands of people along the entire Norwegian coast. The aquaculture industry is still young, and a great deal of R&D is required to lift the sector to new heights.

SalMar is Norway's third largest producer of farmed salmon, and the Group is an important contributor to the development of the industry. SalMar gives a high priority to the development of specialist knowledge and production skills within its business areas. Knowledge and 'best practices' are developed and disseminated to the entire organisation through the SalMar School. Management in each business area is responsible for identifying and initiating projects and initiatives that can help further develop the Group's competence.

In 2014 SalMar continued its growing investment in R&D. The Group has sharpened its R&D strategy by investing heavily on in-house projects through the SkatteFUNN tax incentive scheme. In addition, SalMar has continued its active participation in Norwegian Seafood Research Fund (FHF) projects, through membership of both steering committees and project groups. The Group has also established operating partnerships with other entities in connection with R&D licences, and continued existing agreements. Overall, activities in the R&D field increased in 2014, and the direction and method of working in this area has been changed to place greater emphasis on practical applicability.

Relevant issues are largely the same, with the main focus on lice, operational efficiency improvements and feeding. SalMar is also placing greater emphasis on cleaner fish and general fish welfare. One of SalMar's challenges in this area is to continue the work being done within the company's own time-limited R&D licence for the production of cleaner fish.

As mentioned above, SalMar has a growing emphasis on in-house SkatteFUNN projects. SalMar has determined that this way of working is expedient for the company, and has succeeded in increasing the level of activity substantially by establishing resources linked to administration of the scheme. It is worth mentioning some exciting projects linked to innovative technical solutions with the area of SalMar's major investment in recirculating aquaculture systems for smolt production.

For many years SalMar has been a major player in the operation of R&D licences. In 2014 the company has adjusted the operation of several such licences, based on experience built up in recent years. The idea is that SalMar will, to a greater extent, participate actively in and influence the actual research projects, not merely undertake day-to-day operation of the facilities. To this end, SalMar has changed the way it organises and administers its efforts, and has

established arenas in conjunction with the licence-holders which give it greater scope to challenge the project portfolio, and so ensure that the emphasis on practical applicability is maintained. As far as SalMar can tell, all its partners appreciate this model.

SalMar has been particularly keen to raise the quality of the logistics surrounding the fish – both with respect to bio-security and fish welfare. In 2014 the company has also had its own project team members aboard leased well-boats to gather and systematise data that adequately describes practices and problems. SalMar sees that it is possible to improve logistical quality, and feels that new technology will be a useful tool in the years ahead. SalMar will therefore continue with this effort in 2015.

In 2014 SalMar entered into its first arrangement linked to the industrial PhD scheme. A PhD student was recruited to pursue a four-year research programme relating to the practical management of PD. In addition, the student will be working on the health and welfare of cleaner fish. SalMar is eager to see whether the arrangement, 50 per cent of whose costs are paid from the public purse, will function as planned. However, the company already feels that it seems to be working very well from a practical point of view.

In recent years, SalMar, through its subsidiary Ocean Farming AS, has been working with leading international maritime environments to develop a new equipment concept that will make it possible to site fish farms further out to sea and in more exposed locations. The design of this ocean farm is based on advanced offshore concepts developed for the petroleum industry. It has been successfully tested at MARINTEK's marine laboratory. So far, SalMar has invested just over NOK 40 million in the project.

The new ocean farm will be extremely escape-proof, and the construction – as well as its siting in more exposed areas further out to sea – is liable to reduce the biological challenges posed by disease and salmon lice. Realisation of the ocean farm concept will be costly, and will depend on the authorities granting adequate production volumes at competitive terms.

ORGANISATION, SUSTAINABILITY AND SOCIAL RESPONSIBILITY

It is SalMar's goal to be a responsible corporate citizen and a sustainable producer of farmed fish and processed products. As an employer, SalMar aims to provide a safe and developing workplace. The Group works continuously to enhance measures and processes associated with health, safety and the environment (HSE), as well as provide professional development opportunities for managers and employees through, among other things, the SalMar School.

Pursuant to section 3-3c of the Norwegian Account-

ing Act, the board of directors has drawn up guidelines covering business ethics and corporate social responsibility. These are available from the Group's website [www.salmar.no](http://www.salmar.no). SalMar's activities in the area of social responsibility, including human rights, labour rights, the working environment, equality, discrimination, anti-corruption and the external environment, are described in a separate section of this annual report on pages 25 to 27. In addition, a corporate separate sustainability report for 2014 has been published. This report is also available from the Group's website.

SHARES AND SHAREHOLDERS

SalMar's shares traded at prices ranging from NOK 71.75 to NOK 129.00 in 2014. The final closing price on 30 December, the last day of trading in 2014, was NOK 127.50.

The Annual General Meeting of 4 June 2014 authorised the board to increase the company's share capital. The authorisation was an extension of one granted at the 2013 AGM.

The authorisation permits the board to increase the company's share capital by up to NOK 2,829,667.50 though the issue of up to 11,318,670 shares in order to finance investments and the acquisition of businesses through cash issues and contributions in kind, as well as reward senior executives participating in ongoing share based incentive programmes.

Given the purpose of the authorisation, the board of directors may need to waive the preference rights of existing shareholders. Such a move is allowable under the terms of the authorisation.

The AGM also authorised the board of directors to acquire the company's own (treasury) shares in an amount such that the total holding of treasury shares does not at any time exceed 10 per cent of the outstanding share capital. The authorisation may be used to purchase company shares in connection with stock option schemes for senior management and as a means of returning value to existing shareholders.

The board was also authorised to introduce a share-based incentive scheme for senior executives. The programme entitles participating employees to receive shares free of charge. Entitlements are accrued over a three-year period. The new share-based incentive scheme is intended to be an annual programme, in which awards and performance criteria are determined each year. It was decided that the maximum number of shares under the 2014 scheme should not exceed 650,000. The board was authorised to draw up more detailed guidelines.

All authorisations granted to the board remain valid until the 2015 AGM, which will be held on 2 June.

At the AGM it will be possible to vote in advance, in line with s5-8b of the Public Limited Companies Act. This required an amendment to Article 7 of the company's articles of association.

On 3 December 2014 the board approved a share-based incentive scheme pursuant to the authorisation granted at the AGM. The final scheme adopted in 2014 encompasses 351,336 shares, and has a duration of three years.

SalMar ASA has one main shareholder, Kverva AS, which owns 53.4 per cent of the company's shares. Kverva AS is controlled by SalMar's founder Gustav Witzøe, who is also a member of the board of directors and of group management in his capacity as director of sales and processing.

The company's 20 largest shareholders own a total of 74.98 per cent of the shares. As at 31 December 2014 SalMar ASA was the seventh largest shareholder with a holding of 1.3 million shares or 1.15 per cent. SalMar acquired no treasury shares in 2014.

The articles of association contain no stipulations limiting the transferability of the company's shares. Furthermore, the company is not aware of any agreements between shareholders that limit the possibility of trading in or exercising voting rights with respect to shares.

CORPORATE GOVERNANCE

SalMar has carried out a thorough review of its principles for corporate governance. The Group complies with the legislation, regulations and recommendations to which a public limited company is subject, including Section 3-3b of the Norwegian Accounting Act on corporate governance, day-to-day obligations of a company listed on the Oslo Stock exchange and the current version of the Norwegian Code of Practice for Corporate Governance. These principles are discussed in detail in a separate chapter of the annual report.

The Group's board of directors comprises five members elected by the shareholders and two employee representatives. Three of the board members are women, including one employee representative. Female representation among the shareholder-elected directors corresponds to 40 per cent, which is in compliance with Norwegian legislation.

Changes in board membership

At the Group's AGM on 4 June 2014 Kjell Storeide and Tove Nedreberg were re-elected to the board of directors for a term of two years.

There have been no changes in the employees' representation on the board.

Information relating to the competence and background of the various board members is available from SalMar's website [www.salmar.no](http://www.salmar.no).

At the same AGM Helge Moen and Endre Kolbjørnsen were re-elected as members of the Nomination Committee for a term of two years.

MARKETS

While the global supply of Atlantic salmon rose by 22 per cent in 2012 and 2 per cent in 2013, it rose by 9



per cent in 2014, bringing the total volume harvested to just over 2.2 million tonnes. Norway increased its combined output by 5 per cent, or around 55,000 tonnes during the year. Growth continued in Chile, whose output rose by 25 per cent, or just over 114,000 tonnes. Production in North America fell by 10 per cent, or around 14,000 tonnes during the period. Output from the Faeroes continued to grow, increasing by 13 per cent, or just under 10,000 tonnes, while developments in the other markets were relatively stable.

Combined Norwegian exports of Atlantic salmon totalled approx. 1,150,000 tonnes round weight in 2014, a rise of 5 per cent compared with 2013. This contributed to an increase in value of 11 per cent. Salmon exports from Norway were worth almost NOK 44 billion in 2014, NOK 4.2 billion more than the year before. Norway exports 72 per cent of its volume to the EU, which all told received a total of 830,000 tonnes of Norwegian salmon. France reduced its imports of Norwegian salmon by 8 per cent, while Poland increased its imports by 8 per cent. The key Asian markets (Vietnam, China and Hong Kong) cut their imports by a combined 2 per cent.

Since August 2014, exports to Russia have been severely affected by that country's ban on imports of Norwegian salmon. As a result, Russia imported 51 per cent less Norwegian salmon than in 2013. Following the introduction of trade restrictions, the volume that was previously destined for the Russian market had to be channelled elsewhere. Since August 2014 SalMar has replaced these volumes primarily in existing markets. So far in 2015 (beginning of April), no volumes have been sold to the Russian market.

The price of Atlantic salmon (NASDAQ) fell steadily through the first half of 2014 (from NOK 50 to NOK 35 per kg). It subsequently stabilised through the third quarter (at around NOK 35 per kg). The year's highest price, NOK 52.69, was measured in week 1. Strong prices in the first half of 2014 and a sharp rise in the fourth quarter nevertheless contributed to a record average price for the year as a whole. At NOK 40.56 per kg, this was 2 per cent higher than the average for 2013.

The NOK weakened against the EUR, USD and GBP through 2014, a trend which may have helped to dampen the effect for customers with local currencies. During the period the NOK weakened by 7.0 per cent against the EUR, 7.2 per cent against the USD and 12.8 per cent against the GBP.

SalMar sold directly to over 40 different countries in 2014. As in 2013, SalMar's most important market was Europe, with Poland, the UK and Lithuania as the largest individual markets. Asia is SalMar's second largest market, with Japan, Vietnam and Israel as the largest individual markets. The Chinese market remains challenging. SalMar's exports to Russia ceased in August 2014 as a result of the previously mentioned import ban on Norwegian salmon. In consequence, North America has taken over as the Group's third largest market, with the USA and Canada as the largest individual markets.

At the close of 2014 Norway's standing biomass stood at 725,100 tonnes round weight, up 4 per cent from the 694,400 tonnes it had at the close of 2013. At the close of 2014 the UK had a biomass of 87,800, 2 per cent more than a year before. At 295 900 tonnes, Chile's biomass was only marginally higher than 12 months previously. The total biomass in the Faeroes was estimated to be 39,200 tonnes at the close of the year, down 9 per cent on a year before.

Preliminary forecasts for 2015 (Kontali) indicate a global increase in supply of around 3 per cent. Norway is the most important contributor, with an expected rise in output of approx. 4 per cent. In Chile, however, the strong growth of recent years is expected to tail off, with output expected to fall by 4 per cent in 2015. Output of Atlantic salmon from the Faeroes is also expected to fall by 10 per cent. Producers in North America are expected to increase their output by 20 per cent, while there will be only minor changes in output from the UK in 2015.

OUTLOOK

By means of hard work and dedication over many years SalMar has built up a strong position in a growing aquaculture industry. Norway in general, and central Norway in particular, affords excellent natural fish farming conditions, and SalMar will continue to manage these resources in the best possible way for its shareholders, employees, customers and affected local communities.

Based on its strong competitive position and financial strength the SalMar Group aims to retain its position as one of the world's leading aquaculture companies, with further growth and improved profitability in 2015. The board is of the opinion that this is something SalMar is well positioned to achieve.

Although considerable uncertainty attaches to an assessment of future circumstances, both on the market and production sides, the board considers the Group's outlook to be extremely bright.

The volume harvested in 2015 is expected to be slightly lower than in 2014. This is due primarily to the fact that the entire volume harvested by Villa Organic, in which SalMar had a 50.4 per cent shareholding, was included in the figures for the first half of 2014. In total, SalMar expects to harvest 139,000 tonnes in 2015. This is based on 100 wholly owned production licences and joint operation of 14 licences owned by partner organisations. In 2015 a larger proportion of the output will be switched to a so-called green operating concept, with associated requirements with respect to equipment and operational standards. In 2016 a total of 16 licences will be linked to "green production". This is part of the award criteria for the acquisition of eight green licences.

SalMar's share of the volume harvested by Norskott Havbruk (50.0 per cent) in 2015 is expected to be around 15,500 tonnes.

It is expected that around 40 per cent of the volume will be harvested in the first half of the year, while the remaining 60 per cent will be harvested in the second half. Contract coverage in 2015 is, at the time of writing, just over 30 per cent of the expected harvested volume. The volume is highest in the first half of the year.

The biological situation in Norway is challenging. The Group has several outbreaks of PD in Central Norway, and amoebic gill disease (AGD) has established itself in certain regions. The new regime for treating lice also results in higher costs than in previous years. Intensive treatment due to high concentrations of lice over longer periods has also resulted in resistance issues. SalMar is working continuously to stay well positioned to deal with biological challenges. This is done through investments in important

tools, such as the use of cleaner fish as a delousing method, well-boats to secure delousing capacity and sanitary harvesting when necessary. SalMar has a high emergency response capacity on the harvesting side, so that extraordinary incidents can be dealt with in the prescribed manner. In addition, efforts are constantly being made to develop the most sustainable operating areas and the best locations. Overall, SalMar believes that this is helping to reduce the Group's level of operational risk.

Feed is the most important cost component in the farming of salmon, accounting for 55-60 per cent of total production costs. Feed prices rose steadily in 2014, due to higher prices on important input factors, such as fishmeal and fish oil. This price increase has been reinforced by the weakening of the NOK against the USD. So far there are no indications of any material changes in prices in 2015.

In total this means that SalMar expects the cost price of the harvested biomass to be higher in 2015 than in 2014.

SalMar will continue its ongoing investment programme, and expects to invest around NOK 400 million in 2015. The bulk of this will be associated with marine-phase production. Investments in increased smolt capacity in Northern Norway continue as planned, and the facility is expected to be completed in the second half of 2016. Around NOK 200 million of this investment will accrue in 2015.

From a financial performance point of view, 2014 was an extremely good year for SalMar. High salmon prices and a record volume of fish harvested have generated the highest operating profit in the Group's history. The board deems SalMar's financial position to be extremely good and is therefore recommending a dividend of NOK 10.00 per share. In the opinion of the board, SalMar's financial capacity for continued growth is strong.

The SalMar culture permeates the entire business, and the continuous development of the organisation is therefore a key focus area for the Group. The board would like to thank all the company's employees for their dedicated efforts, on which the SalMar Group's long-term success is based.



Frøya, 16<sup>th</sup> April 2015

*[Signature]*

Bjørn Flatgård  
Chair

*[Signature]*

Gustav Witzøe  
Director

*[Signature]*

Tove Elin Nedreberg  
Director

*[Signature]*

Kjell A. Storeide  
Director

*[Signature]*

Merethe Helene Holte  
Director

*[Signature]*

Pål Georg Storø  
Director/Employee representative

*[Signature]*

Hanne Kristine Tobiassen  
Director/Employee representative

*[Signature]*

Leif Inge Nordhammer  
President & CEO



# STATEMENT REMUNERATION AND OTHER BENEFITS PAYABLE TO SENIOR EXECUTIVES

## STATEMENT REGARDING THE DETERMINATION OF SALARY AND OTHER BENEFITS PAYABLE TO SENIOR EXECUTIVES OF SALMAR ASA FOR 2015

### 1. INTRODUCTION

Pursuant to section 6-16a of the Public Limited Companies Act, the board of directors of SalMar ASA (the Company) has issued the following statement containing guidelines for the determination of salary and other benefits payable to the Company's CEO and other senior executives (collectively termed "senior executives") in the 2015 financial year. The statement was approved by the board of directors of SalMar ASA on 16 April 2015. In accordance with the provisions of sections 6-16a and 5-6 paragraph 3, the guidelines will be submitted to SalMar ASA's Annual General Meeting (AGM) on 2 June 2015 for a consultative vote, with the exception of clause 3 "Share-based incentive schemes", which will be submitted to the AGM for approval.

The guidelines in clause 3 "Share-based incentive schemes" are binding on the board. The remaining guidelines are not binding, though any deviations therefrom must be decided by the board. In the event of any such decision, the reason for deviating from the guidelines must be noted in the board meeting's minutes.

### 2. DECISION-MAKING AUTHORITY

The board of directors determines the salary and other benefits payable to the CEO. The CEO determines the salary and other benefits payable to other senior executives. The board shall exercise general oversight of the remuneration paid to other senior executives, and may issue more specific guidelines for the remuneration of other senior executives in addition to those presented below. If the CEO wishes to offer remuneration to senior executives that exceeds such more specific guidelines, a proposal therefor shall be submitted to the board of directors for approval.

### 3. GUIDELINES FOR REMUNERATION IN THE 2014 FINANCIAL YEAR

The Company's senior executive remuneration policy is based on the following main principles:

- Executive salaries shall be competitive
- Executive salaries shall be motivating

On the basis of these main principles, the board has drawn up the following remuneration structure for the company's senior executives.

#### Basic salary

Basic salary is the main element in the executive's compensation package. Basic salary shall correspond to the going rate in the market, and shall reflect the individual position's duties and level of responsibility.

#### Bonus

SalMar has a bonus scheme for group management that is determined by the board of directors. The board carries out an annual assessment of the scheme and determines the bonus criteria for the coming year. Variable salary increments under the scheme may

not exceed 33% of the individual executive's basic salary. The bonus criteria are threefold, and are linked to the achievement of goals at the Group/divisional/personal level.

#### Share-based incentive schemes

SalMar has a share-based incentive scheme for senior executives in the Group. The first such programme was approved by the AGM on 4 June 2014. The programme encompasses incumbents of senior positions and key individuals within the Group. The programme entitles the employee to receive shares free of charge. This entitlement accrues over a three-year period. The individual employee may be awarded share entitlements worth the equivalent of 6 months' salary. Accrual of 2/3 of the entitlements depends on the achievement of predefined performance criteria. The maximum amount the individual may earn in any one year under the scheme is capped at the equivalent of a full year's salary.

The intention is that the incentive scheme shall be continued with the establishment of annual programmes. The board will adjust these annual programmes as it deems necessary, and each individual programme will be submitted to the AGM for approval.

#### Pension schemes

Members of group management participate in the Group's general pension scheme. The scheme is a defined contribution plan, in which contributions correspond to 7% of salary up to 12 G (G being the basic unit of calculation used by the Norwegian National Insurance Scheme).

#### Notice and severance pay

In principle, senior executives must serve a 6-month period of notice. In selected cases, and depending on the position, severance pay of 6 to 12 months may be paid.

#### Benefits-in-kind

The Company shall not offer benefits-in-kind over and above these which are normal for senior executives in comparable companies.

#### Other variable elements of remuneration

In addition to that stipulated above, the Company may not offer senior executives any variable elements in the remuneration they receive or special benefits that supplement their basic salary.

### 4. REMUNERATION POLICY FOR THE 2014 FINANCIAL YEAR

The Company's senior executive remuneration policy for the 2014 financial year has been carried out in accordance with the statement for 2014 adopted by the AGM on 4 June 2014.

## CONSOLIDATED ACCOUNT SALMAR

*The fish is sold either as whole gutted salmon (fresh or frozen), fillets, in individual portions or a wide range of other products, which are distributed to markets around the world.*



## Consolidated Income Statement

NOK 1000

	NOTE	2014	2013
OPERATING REVENUES AND OPERATING EXPENSES			
Sales revenues	23	7 160 010	6 228 305
Other operating revenues		25 877	17 555
<b>Total operating revenues</b>		<b>7 185 887</b>	<b>6 245 860</b>
Change in stocks of goods in progress and finished goods		-162 119	-324 914
Cost of goods sold		3 337 411	3 376 109
Payroll costs	19,24	710 430	623 053
Depreciation of PP&E and intangible assets	4,5	275 765	220 820
Write-downs of PP&E	5	2 399	5 000
Other operating expenses	5,12,21,24,25	1 142 953	1 086 299
<b>Total operating expenses</b>		<b>5 306 839</b>	<b>4 986 367</b>
<b>Operational EBIT</b>		<b>1 879 048</b>	<b>1 259 493</b>
Fair value adjustments	14	-232 349	528 176
Non-recurring gains on acquisitions	7	0	161 755
<b>Operating profit</b>		<b>1 646 699</b>	<b>1 949 425</b>
Revenues from investments in associates	9,27	96 136	157 980
FINANCIAL ITEMS			
Interest income		9 057	9 958
Financial income	27	2 044	374 357
Interest expenses	17	124 193	168 053
Financial expenses	27	902	1 596
<b>Net financial items</b>		<b>-113 994</b>	<b>214 666</b>
<b>Profit before tax</b>		<b>1 628 841</b>	<b>2 322 071</b>
Tax	18	413 364	418 695
<b>Net profit for the year</b>		<b>1 215 477</b>	<b>1 903 376</b>
COMPREHENSIVE INCOME			
<i>Items which may subsequently be reclassified to profit &amp; loss</i>			
Translation differences and items of comprehensive income in associates		58 751	73 352
Translation differences in subsidiaries		3 312	1 051
<i>Items which may not subsequently be reclassified to profit &amp; loss</i>			
Year's deviation in pension liability estimates		0	242
<b>Total comprehensive income for the year</b>		<b>1 277 540</b>	<b>1 978 021</b>
Non-controlling interests' share of net profit for the year		22 977	113 335
Controlling interests' share of net profit for the year		1 192 500	1 790 041
Non-controlling interests' share of comprehensive income		22 977	113 335
Majority's share of comprehensive income		1 254 563	1 864 686
Earnings per share/diluted earnings per share	28	10,53	15,80

## Consolidated Balance Sheet

AS AT 31 DECEMBER NOK 1000

ASSETS	NOTE	2014	2013
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Licences, patents, etc	4,20	2 451 271	2 030 710
Goodwill	4	447 372	433 348
<b>Total intangible assets</b>		<b>2 898 643</b>	<b>2 464 058</b>
PROPERTY, PLANT & EQUIPMENT			
Land, building & other real property	5,20	489 496	473 408
Plant, equipment & operating consumables	5,20	1 336 126	1 248 820
Vessels, vehicles, etc	5,20	191 953	137 096
<b>Total property, plant &amp; equipment</b>		<b>2 017 575</b>	<b>1 859 324</b>
NON-CURRENT FINANCIAL ASSETS			
Investments in associates	9	523 711	402 338
Investments in shares & other securities	10	519	384
Pension fund assets	10,12,19	1 592	802
Other receivables	10,12	13 403	5 225
<b>Total non-current financial assets</b>		<b>539 225</b>	<b>408 749</b>
<b>Total non-current assets</b>		<b>5 455 443</b>	<b>4 732 131</b>
CURRENT ASSETS			
Biological assets	13,20	3 114 684	3 077 150
Other inventory	13,20	206 454	171 539
<b>Total inventory</b>		<b>3 321 138</b>	<b>3 248 689</b>
RECEIVABLES			
Trade receivables	10,12,20	888 219	662 149
Other receivables	10,11,12	292 644	217 584
<b>Total receivables</b>		<b>1 180 863</b>	<b>879 733</b>
Bank deposits, cash & cash equivalents	10,15,17	166 963	1 070 998
<b>Total current assets</b>		<b>4 668 964</b>	<b>5 199 420</b>
<b>TOTAL ASSETS</b>		<b>10 124 407</b>	<b>9 931 551</b>

Consolidated Balance Sheet

AS AT 31 DECEMBER NOK 1000

EQUITY AND LIABILITIES	NOTE	2014	2013
EQUITY			
PAID-IN EQUITY			
Share capital	16	28 325	28 325
Treasury shares		-325	-325
Share premium fund		415 286	415 286
Other paid-in equity		34 834	32 822
Total paid-in equity		478 120	476 108
RETAINED EARNINGS			
Distributable reserve		4 598 535	4 246 867
Total retained earnings		4 598 535	4 246 867
Non-controlling interests		60 622	337 808
Total equity		5 137 277	5 060 784
NON-CURRENT LIABILITIES			
Deferred tax	18	1 262 594	1 199 557
Debt to credit institutions	2,10,17	1 780 174	1 974 521
Leasing liabilities and other non-current liabilities	2,5,10,17	411 388	471 716
Total non-current liabilities		3 454 156	3 645 794
CURRENT LIABILITIES			
Debt to credit institutions	2,10,17	276 667	397 186
Trade payables	10	409 485	515 856
Tax payable	18	321 839	25 843
Public charges payable	10	143 757	93 532
Other current liabilities	10,11,22	381 226	192 556
Total current liabilities		1 532 974	1 224 973
Total liabilities		4 987 130	4 870 767
Total equity and liabilities		10 124 407	9 931 551

Frøya, 16<sup>th</sup> April 2015

  
Bjørn Flatgård  
Chair

  
Gustav Witzøe  
Director

  
Tove Elin Nedreberg  
Director

  
Kjell A. Storeide  
Director

  
Merethe Helene Holte  
Director

  
Pål Georg Storø  
Director/Employee representative

  
Hanne Kristine Tobiassen  
Director/Employee representative

  
Leif Inge Nordhammer  
President & CEO

Consolidated Statement of Cash Flow

AS AT 31 DECEMBER NOK 1000

CASH FLOW FROM OPERATING ACTIVITIES	NOTE	2014	2013
Profit before tax		1 628 841	2 322 071
Tax paid in the period	18	-25 843	-6 528
Non-recurring gains on acquisitions	7	0	-161 755
Depreciation and write-downs	4,5	278 164	225 820
Options charged to expenses	24	5 459	11 400
Share of profit/loss from associates	9	-96 136	-157 980
Gains/losses on sale of non-current assets	5	628	2 455
Realised gains/losses on sale of non-current financial assets	27	0	-259 047
Unrealised gains/losses associated with non-current financial assets	27	0	-82 781
Fair value adjustments	14	232 349	-528 176
Change in inventory/biological assets		-198 512	-179 677
Change in trade receivables		-219 863	34 593
Change in trade payables		-46 510	-319 610
Change in other time-limited items		88 427	205 166
Net cash flow from operating activities		1 647 004	1 105 951
CASH FLOW FROM INVESTING ACTIVITIES:			
Receipts from sale of property, plant & equipment	5	500	3 735
Payments for purchase of property, plant & equipment and intangible assets	4,5	-1 040 058	-299 223
Payments for acquisitions of businesses, net of cash acquired	7	-28 563	-173 780
Receipts from sale of shares and securities	27	0	1 190 113
Payments for purchase of shares and securities		0	-87 107
Dividend from associates and TRS shares	9	36 250	59 987
Net receipts/payments from change in non-current financial assets		0	4 975
Net cash flow from investing activities		-1 031 871	698 700
CASH FLOW FROM FINANCING ACTIVITIES:			
New long-term borrowings	17	1 804 874	50 000
Repayment of long-term borrowings	17	-2 143 244	-316 218
Net change in overdraft	17	-18 989	-274 595
Interest received		9 057	9 958
Interest paid	17	-124 193	-168 053
Payments for redemption of options	24	-10 219	-20 553
Cash effect exit of non-controlling interests	8	-133 373	-70 445
Cash effect exit of subsidiaries	8	-7 538	0
Payment of dividend		-898 208	-133
Other changes		-648	0
Net cash flow from financing activities		-1 522 481	-790 039
Net change in bank deposits, cash & cash equivalents		-907 348	1 014 612
Foreign exchange effects		3 312	1 051
Bank deposits, cash & cash equivalents as at 1 Jan		1 070 998	55 336
Bank deposits, cash & cash equivalents as at 31 Dec		166 963	1 070 998
Unused drawing rights	17	3 136 193	2 039 288
Restricted funds account for NOK 129,627,000 of the company's cash & cash equivalents of NOK 166,963,000, cf. Note 15.			



Statement of Equity

NOK 1000

2013	NOTE	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Translation differences	Distributable reserve	Non-controlling interests	Total equity
Equity as at 1 Jan 2013		28 325	-325	415 286	49 957	93	2 338 076	136 300	2 967 713
Net profit for the year							1 790 041	113 335	1 903 376
COMPREHENSIVE INCOME									
Translation differences in associates	9						82 163		82 163
Items of comprehensive income in associates	9						-8 811		-8 811
Translation differences in subsidiaries						1 051	0		1 051
Reclassification of pensions							242		242
Total comprehensive income						1 051	73 595	0	74 645
Total comprehensive income for the year						1 051	1 863 635	113 335	1 978 021
TRANSACTIONS WITH SHAREHOLDERS									
Options granted	24				1 296				1 296
Reclassification of options	24				-18 430		1 210		-17 221
Additions of non-controlling interests	7						0	201 086	201 086
Buyout of non-controlling interests	8						42 468	-112 913	-70 445
Other changes							334		334
Total transactions with shareholders		0	0	0	-17 134	0	44 011	88 173	115 051
Equity as at 31 Dec 2013		28 325	-325	415 286	32 822	1 145	4 245 724	337 808	5 060 784

2014	NOTE	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Translation differences	Distributable reserve	Non-controlling interests	Total equity
Equity as at 1 Jan 2014		28 325	-325	415 286	32 822	1 145	4 245 724	337 808	5 060 784
Net profit for the year							1 192 500	22 977	1 215 477
COMPREHENSIVE INCOME									
Translation differences in associates	9						58 911		58 911
Items of comprehensive income in associates	9						-160		-160
Translation differences in subsidiaries						3 312	0		3 312
Total comprehensive income						3 312	58 751	0	62 063
Total comprehensive income for the year						3 312	1 251 251	22 977	1 277 540
TRANSACTIONS WITH SHAREHOLDERS									
Award of options	24	0		0	2 012		0	0	2 012
Payment of dividend	24				0		-896 000	-2 208	-898 208
Additions non-controlling interests	7						0	27 656	27 656
Exit non-controlling interest and subsidiaries	8						-6 392	-325 612	-332 003
Other changes							-509	0	-509
Total transactions with shareholders		0	0	0	2 012	0	-902 900	-300 164	-1 201 044
Equity as at 31 Dec 2014		28 325	-325	415 286	34 834	4 458	4 594 077	60 622	5 137 277

The farming of fish for human consumption takes place in net-pens, large enclosed nets suspended in the sea by flotation devices. In addition to a solid anchorage, net-pens require regular cleaning and adequate measures to prevent the farmed fish from escaping. Growth in the net-pens is affected by feeding, light and water quality. Here too the fish are sorted as they develop and grow.

NOTES to THE FINANCIAL STATEMENTS

General

SalMar ASA is registered and domiciled in Norway, and the company's shares are traded on the Oslo Stock Exchange. The company's head office is located in Frøya. The consolidated financial statements were formally approved by the board of directors on 16 April 2015.

The most important accounting principles used in the preparation of the consolidated financial statements are presented below. These principles are applied in the same way in all the periods presented unless otherwise indicated.

Principles underlying the financial statements

The consolidated financial statements have been drawn up in accordance with IFRS and interpretations determined by the International Accounting Standards Board that have been approved by the EU.

The consolidated financial statements are based on the principles of historic cost, with the exception of the following accounting items, which are recognised at fair value:

- Biological assets (Note 13)
- Derivatives (Note 11)

New and amended standards

IFRS 10 Consolidated Financial Statements replaces parts of IAS 27 Consolidated and Separate Financial Statements, and deals with the definition of subsidiaries. IFRS 10 places greater emphasis on actual control that the previous regulations. Pursuant to the new standard, control is deemed to exist when the investor has power over relevant activities performed by the object of the investment, there is a risk of variable returns, and force may be used to influence returns on the investment. Implementation of the standard has had no impact on the Group's profit/loss or financial position.

IFRS 11: Joint Arrangements. The standard replaces IAS 31 Interests in Joint Ventures, and regulates the recognition of businesses in which the company has joint control along with other entities. The Group has no investments covered by IFRS 11, and implementation of the standard will therefore have no impact on the Group's profit/loss or financial position.

IFRS 12 Disclosure of Interest in Other Entities. The standard replaces the requirements relating to notes to financial statements in IAS 28 Investments in Associates and Joint Ventures, and contains new disclosure requirements with respect to financial interests in subsidiaries, associates and jointly controlled entities. The purpose of the standard is to provide information on the properties and risks associated with the Group's investments in such companies, and what effect this has on the Group's balance sheet, income statement and cash flows. Implementation of the standard has had no impact on the Group's profit/loss or financial position, but the notes to the financial statements for 2014 comply with the standard.

IAS 36 Impairment of Assets. The amendment to the standard results in a requirement to provide information on the recoverable amount of assets that have been written down, if it is set to fair value less sales costs. The change must be seen in conjunction with IFRS 13 Fair Value Measurement. The implementation of the standard has had no impact on the Group's profit/loss or financial position.

Standards, amendments to and interpretations of existing standards that have not come into force and that the Group has elected not to implement ahead of time

Standards and interpretations which have been adopted prior to publication of the consolidated financial statements, but which will come into effect at a future date, are listed below. Only standards that are expected to affect the consolidated financial statements are presented.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets. No assessment has been made of the extent to which the standard may affect the Group's accounting for financial assets. The standard continues the classification rules for financial liabilities, but changes the presentation of adjustments in value associated with own credit risk for liabilities that are voluntarily classified at fair value in profit and loss. The standard is compulsory with effect from 1 January 2018.

IFRS 15 Revenues from Contracts with Customers is a new shared standard for revenue recognition, and replaces all existing standards and interpretations relating thereto. The standard applies to all revenue contracts, and contains a model for recognition and measurement of sales of certain non-financial assets. The standard is not likely to have any material impact on the Group's revenue recognition principles. It is expected to be implemented on 1 January 2017 at the earliest.

Consolidation principles

The consolidated financial statements include SalMar ASA and its subsidiaries as at 31 December 2014. The Group therefore controls an entity in which it has invested when, and only when the Group:

- has power over the entity
- is exposed to or entitled to a variable return on its investment in the entity
- has the opportunity to exercise its power over the entity to influence its return

If the Group has a majority of the voting rights in an entity, the entity is presumed to be a subsidiary of the Group. To substantiate this presumption, and where the Group does not hold a majority of the voting rights, the Group considers all relevant facts and circumstances to evaluate whether the Group has control over the entity in which it has invested. This includes assessing the size of its shareholding, its voting share, the shareholder structure and its relative strength, as well as options controlled by the Group and shareholder agreements or other agreements. The assessment is performed for each investment. A reassessment is performed when facts and circumstances indicate that changes have taken place in one or more of the controlling elements. As at 31 December, SalMar ASA had a majority of voting rights in all its subsidiaries.

The consolidated financial statements have been prepared in accordance with uniform accounting principles for similar transactions in all the companies included in the consolidated accounts. All material transactions and balances between group companies have been eliminated.

The acquisition method is used in connection with the recognition of business combinations. Subsidiaries are consolidated from the date on which the Group achieves control, and are excluded from consolidation when control is ceded. This means that the acquired company's assets and liabilities are reported at fair value on the date of acquisition, with any excess value being classified as goodwill. IAS 27 and IFRS 3 build largely on the entity perspective in connection with acquisitions where control is established. The exception is goodwill, where for each acquisition it is optional whether to recognise only the controlling owner's share or 100 per cent. For acquisitions undertaken by the Group up until 31 December 2014, only SalMar's share of goodwill is included in the balance sheet. With respect to future acquisitions, the allocation of goodwill will be assessed on an individual basis. In those cases where the fair value of the acquired assets exceeds the amount paid, the difference is treated as income in profit and loss. Deferred tax is capitalised to the extent to which identifiable excess values ascribed to assets and liabilities lead to an increase or decrease in future tax payable when these differences are reversed in future periods. Deferred tax is capitalised and calculated using a nominal, undiscounted tax rate.

When shares are acquired in stages, the value of the assets and liabilities on the date the Group was formed is utilised. Later acquisition of assets in existing subsidiaries will not affect the value of assets or liabilities.

When the Group no longer has control, any remaining shareholding is measured at fair value, with changes recognised in profit and loss. Fair value subsequently represents acquisition cost in future accounting periods, either as an investment in an associated company, jointly controlled entity or financial asset. Amounts which were previously recognised in comprehensive income relating to this company are treated as if the Group had divested the underlying assets and liabilities. This may mean that amounts which have previously been recognised in comprehensive income are reclassified to profit and loss.

The SalMar ASA Group

See Note 6 for information on the consolidated companies.

Non-controlling interests

The share of the profit or loss after tax attributable to non-controlling interests is presented on a separate line after the Group's net profit for the year. The share of equity attributable to non-controlling interests is presented on a separate line under group equity.

Transactions with minority interests in subsidiaries are recognised as equity transactions. In connection with the purchase of shares from non-controlling interests, the difference between the consideration paid and the shares' relative share of the book value of the subsidiary's net assets is recognised in the parent company's equity. Gains and losses deriving from the sale of shares to non-controlling interests is recognised correspondingly in equity.

Associates

The Group has investments in associates. Associates are entities over whose financial or operational management the Group has significant influence, but not control or joint control. The factors used to determine whether the Group has a decisive influence over a company correspond to those used to assess control of subsidiaries – see the discussion above.

Associates are recognised in accordance with the equity method from the date on which significant influence is achieved until such influence is ceded. In connection with initial recognition, associates are valued at acquisition cost. The Group's share of the profit/loss from associates is recognised in the capitalised value of the unit, while the Group's share of profit/loss is recognised in the Group's profit and loss. Goodwill relating to associates is included in the capitalised value of the investment, and is not tested individually for impairment. The Group's share of profit/loss from investments in associates is presented on a separate line in the Income Statement. Correspondingly, the Group's share of sums recognised directly in equity in underlying investments is presented in the Group's statement of equity. Unrealised gains associated with transaction with associates are eliminated against the Group's share of the business.

Should indications of impairment arise, the book value of the investment is written down. Any impairment in value is recognised in the share of profit/loss from associates in the financial statements. When the Group's share of losses exceeds the investment in an associate, the Group's capitalised value is written down to zero, and no further losses are recognised.

If an investment ceases to be an associate, such that the equity method no longer applies, the remaining shareholding is measured at fair value.

Important accounting estimates and evaluations

Preparation of the financial accounts in accordance with IFRS requires that management make evaluations, estimates and assumptions that affect the application of accounting principles and the book value of assets and liabilities in the balance sheet, as well as figures for revenue and expenses for the financial year. Estimates and their underlying assumptions are based on historical experience and other factors deemed relevant and probable at the time the evaluations are made. These evaluations affect the book value of the assets and liabilities where the valuation is not based on other sources. Estimates are reviewed continuously and final values and results may differ from these estimates. Changes in accounting estimates are included in the period in which the changes occur.

The evaluations and estimates deemed to be of greatest significance for the Group are as follows:

Fair value adjustment of the biomass

In accordance with IAS 41, the Group measures live fish at fair value. The difference between the fair value of



the biological assets at the start of the period and at its close is recognised as a positive or negative adjustment. The estimate of fair value is based on market prices of the particular weight class on the balance sheet date. The sales prices used are based on external forward prices, contract prices and/or the most relevant information available for the period in which the fish is due to be harvested. The calculation of fair value is based on estimates for volume, quality and normal production, harvesting and sales costs.

Fair value adjustment of the biomass based on these estimates has no impact on cash flow and does not affect Operational EBIT.

Other biological assets (roe and smolt) are valued at cost price, since little biological transformation has occurred.

See Note 13 'Inventory and biological assets' for further details.

*Goodwill and intangible assets*

The book value of goodwill and intangible assets with an indeterminate lifespan is tested for impairment at least once a year, and more frequently if there are indications that a write-down may be necessary. This requires an estimate of the utility value of the cash-flow generating entity to which goodwill and intangible assets can be ascribed. To determine the utility value the Group must estimate the expected future cash flows from the cash-flow generating entity and, moreover, select a suitable discount rate with which to calculate the present value of these cash flows. Expectations regarding future cash flows will vary over time. Changes in market conditions and expected cash flows may result in future write-downs. The most important assumptions with an impact on the present value of cash flows associated with investments are the applicable discount rate, the estimated price of salmon in the Group's markets, production costs, production volume and that there will continue to be a market for salmon in the geographical areas in which it operates.

See Note 4 'Intangible assets' for further details.

*Fair value at acquisition*

In connection with an acquisition the cost price of the acquired entity must be allocated such that the opening balance in the Group's accounts reflects the estimated fair value of the acquired assets and liabilities. To determine the fair value at acquisition alternative methods are used to determine the fair value of assets for which there is no active market. Value in excess of that which can be attributed to identifiable assets and liabilities is recognised in the balance sheet as goodwill. If the fair value of equity in the acquired entity exceeds the consideration paid, the excess is immediately recognised as income. The allocation of cost price in connection with business combinations changes if new information is obtained with respect to the fair value on the date of takeover and assumption of control, no later than 12 months after the acquisition took place.

See Note 7 'Business combinations' for further details.

*Leasing agreements*

The Group classifies leasing agreements in accordance with IAS 17. Operating assets which are leased on terms which transfer the bulk of the financial risk and control to the company (financial leasing) are recognised in the balance sheet as property, plant and equipment, and the corresponding leasing liability is included under non-current liabilities at the present value of the leasing payments. The Group's most important leasing agreement is that with Nordskag Næringspark for the InnovaMar fish landing facility. For

accounting purposes, this leasing agreement is treated as a financial leasing item, see Note 5 for further details. Important factors relating to a subjective assessment of those elements in the agreement of significance to its classification for accounting purposes are the present value of the minimum rent payable, including the discount rate applied, as well as various stipulations in the leasing agreement concerning the extent to which the bulk of risk and benefits associated with ownership lie with the lessor or the lessee.

**Revenues**

Revenues from the sale of goods are taken to income when both risk and control have been largely transferred to the customer. This will normally occur at the moment of delivery. Revenue is recognised at the value of the consideration when the transaction takes place. Operating revenues are recognised less public charges, discounts, bonuses and other sales costs. The timing of the transfer of risk to the customer depends on the delivery terms stipulated in the sales contract. Delivery terms vary from country to country and from customer to customer.

Dividend is taken to income when the shareholders' right to receive a dividend has been authorised by the Annual General Meeting.

**Government grants**

Operating grants are recognised periodically and classified together with the revenue they are intended to augment or the expense they are intended to reduce. Investment grants are recognised as a deferred revenue, and are taken to income in line with depreciation of the investment they are intended to cover.

**Segment reporting**

Operating segments are reported in the same way as they are reported internally to the company's highest decision-making bodies. The company's highest decision-making body, which is responsible for the allocation of resources and the evaluation of the operating segments' earnings, is defined as group management. The Group has two business activities: the farming of salmon and trout on the one hand, and its processing and sale on the other. The fish farming segment is divided into three regions: Fish Farming Central Norway, Fish Farming Northern Norway and Fish Farming Rauma. These three are defined as separate segments which are reported and administered as such internally. In addition, a Sales & Processing segment reports separately. Furthermore, the Group acquired 51.4 per cent of the shares in the Villa Group with effect from 30 June 2013. The Villa Group was reported and administered internally as a separate segment up until 30 June 2014, when the company was demerged. See Note 3 for further details.

**Classification principles**

Liquid assets consist of cash and bank deposits.

Assets which form part of the production cycle or fall due for payment within 12 months are classified as current assets. Other assets are classified as non-current assets. Liabilities which form part of the produc-

tion cycle or fall due for payment within 12 months are classified as current liabilities. Other liabilities are classified as non-current.

Any proposed dividend is not capitalised as a liability until the Group has assumed an irrevocable obligation to pay the dividend, normally after it has been authorised by the Annual General Meeting.

The next year's instalment on long-term debt is classified as a current liability.

Changes in the fair value of biological assets are presented on a separate line under operating profit/loss, along with the unrealised value of Fish Pool contracts and any change in the unrealised value of forward currency contracts that have been entered into to hedge future deliveries. Operating profit/loss is reported before fair value adjustment of the biomass in order to show the Group's underlying sales performance during the period.

**Foreign currencies**

The consolidated financial statements are presented in Norwegian kroner (NOK), which is also the parent company's functional currency and the Group's presentation currency. All companies, with the exception of the wholly owned subsidiary SalMar Japan KK use NOK as their functional currency. All transactions in foreign currencies are translated into NOK at the time the transaction takes place. Realised foreign exchange gains/losses deriving from the settlement and translation of monetary items in foreign currencies at the rate in effect on the balance sheet date are recognised in operational EBIT. Any foreign exchange differences on monetary items that are part of the net investment in a foreign entity are recognised in comprehensive income.

The fair value of currency hedging instruments is calculated on the balance sheet date at the market price for contracts with a similar maturity profile. Changes in the fair value of such instruments are recognised in the profit and loss account under operational EBIT when they do not meet the requirements for hedge accounting. The exception is a change in the fair value of forward currency contracts which have been entered into to hedge future deliveries. These are recognised in profit and loss on the line for fair value adjustments. Financial derivatives are classified as current assets or current liabilities in the balance sheet.

The profit and loss account and balance sheet of group companies (none with hyperinflation) with a functional currency other than the presentation currency are translated thus:

- a) The balance sheet is translated at the exchange rate in effect on the balance sheet date.
- b) The profit and loss account is translated at the average exchange rate (if the average does not give generally reasonable estimate of the transaction rate, the actual transaction rate is used).
- c) Translation differences are recognised in comprehensive income and are specified as a separate item under equity.

Translation differences relating to net investments in non-Norwegian businesses and financial instruments designated as hedging instruments are recognised in comprehensive income and as a separate item under equity. In connection with the sale of all or part of a foreign business the associated translation difference is reclassified from comprehensive income to ordinary profit and loss as part of the gain/loss from the sale. Goodwill and excess values deriving from the acquisition of foreign entities are treated as assets and liabilities in the acquired entity and are translated at the exchange rate in effect on the balance sheet date.

**Intangible assets**

Intangible assets that are purchased individually are capitalised at fair value. Intangible assets acquired in connection with the purchase of a business entity are capitalised at acquisition cost when the criteria for separate posting are met.

Intangible assets with a limited economic lifespan are depreciated systematically. Intangible assets are written down to their recoverable value if the expected financial benefits do not cover their book value and any remaining production costs.

Costs relating to research and development are charged as expenses as they accrue. R&D costs are capitalised when specific criteria are met. Capitalised R&D costs are recognised at acquisition cost less accumulated depreciation and write-downs. Capitalised R&D costs are depreciated in a straight line over the asset's estimate period of use.

Breeding nuclei are capitalised at acquisition cost, less accumulated depreciation and write-downs.

Licences are capitalised at cost. Licences are not depreciated, since the rights they confer are perpetual, but are tested annually for impairment. Any excess value identified in connection with the acquisition of licence leasing agreements is capitalised as an intangible asset.

Prepaid leasing costs associated with partnership agreements are deemed to confer the right to use of an intangible asset and are classified as an intangible asset. Leasing costs are charged as expenses over the period of the lease.

When another business entity is taken over for a consideration that exceeds the value of the individual assets, the difference is entered as goodwill in the balance sheet. Goodwill deriving from the purchase of subsidiaries is included under intangible assets, while goodwill deriving from the acquisition of associates is included under shares in associates. Goodwill is entered at historic cost less accumulated depreciation up to 2004.

Goodwill is not depreciated (after 1 January 2005), but is tested annually for impairment, or more often if there are indications that its value is lower than book value. When assessing the need to write down goodwill, it is assigned to relevant cash flow-generating entities or those groups which are expected to benefit from the acquisition. Write-downs are performed in accordance with an assessment of the recoverable value of each of the cash flow-generating entities to which the goodwill is assigned. To identify the Group's cash flow-generating entities the assets are grouped according to the lowest level to which separate and independent cash flows may be ascribed. Recoverable value is calculated on the basis of value in use. This is arrived at by estimating future cash flows for the next three years based on approved budgets and forecasts. Cash flows after three years are assumed to equal the expected rate of inflation. Cash flows are discounted

by a rate of interest before tax which takes account of relevant market risk. If the calculated value in use is lower than the book value of the cash flow-generating entity, goodwill is written down first and then other assets as required.

#### Property, plant & equipment

Property, plant and equipment are capitalised at acquisition cost, less accumulated depreciation and write-downs. Interest on building loans is part of acquisition cost. When assets are sold or divested, the book value is deducted and any loss or gain posted to profit and loss. Ordinary depreciation commences from the date on which the asset goes into normal operation, and is calculated on the basis of its economic lifespan. Depreciation is assigned in a straight line over the expected economic lifespan of the asset, taking into consideration its estimated residual value. If an asset comprises significant components with varying lifespans, these components are depreciated separately. The scrap value of the property, plant and equipment, as well as the depreciation period and depreciation method employed, are reassessed annually.

Facilities under construction are not depreciated. Depreciation is charged to expenses when the facilities are ready for use.

If the situation or circumstances indicate that the book value of an asset cannot be recovered, an assessment is made about whether to write down its value. If the recoverable value of a non-current asset is lower than its book value and the impairment is not expected to be temporary, the asset is written down to recoverable value. The recoverable value is the higher of net sales price and value in use. Value in use is the present value of the future cash flows which the asset will generate.

#### Financial instruments

In accordance with IAS 39, financial instruments falling within its remit are classified in the following categories: fair value with changes in value posted to profit and loss, hold until maturity, loans and receivables, available for sale, and other liabilities.

##### *Financial instruments at fair value in profit and loss*

Financial instruments at fair value in profit and loss are financial assets held for trading purposes. A financial asset is classified in this category if it has been acquired primarily for the purpose of generating a gain from short-term price fluctuations. Derivatives are classified as being held for sale unless they are part of a hedging scheme. Assets in this category are classified as current assets.

Financial assets at fair value in profit and loss are recognised at fair value upon acquisition and the transaction costs charged as expenses. Following their initial capitalisation financial assets are recognised at fair value in profit and loss.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not traded in an active market. They are classified as current assets unless they fall due for payment more than 12 months after the balance sheet date. Loans and receivables are presented in the balance sheet as trade receivables and other receivables, as well as cash and cash equivalents.

Loans and receivables are capitalised initially at fair value plus transaction costs. In subsequent periods loans and receivables are valued at amortised cost using the effective interest method, less any losses deriving from impairment. Due to immaterial transaction costs and short credit times, amortised cost equals nominal value less provisions for bad debts.

##### *Borrowings and liabilities*

Borrowings are recognised at fair value when payment has been received, less transaction costs. In subsequent periods borrowings are recognised at amortised cost calculated using the effective interest method. The difference between the amount of the loan received (less transaction costs) and its redemption value is posted to profit and loss over the term of the loan as part of the effective interest rate. Borrowing expenses are posted as deductions from the loan.

##### *Financial assets available for sale*

Financial assets available for sale are non-derivative financial assets which have been placed in this category by choice or because they do not belong in any other category. They are classified as non-current assets unless the investment falls due, or management intends to sell the investment, within 12 months of the balance sheet date. Financial assets available for sale are recognised at fair value, with any changes in fair value, apart from impairment loss, being recognised in comprehensive income. When securities classified as available for sale are sold or written down, the entire change in value that has been recognised in comprehensive income is reclassified as a financial item and posted to ordinary profit and loss.

Financial assets and liabilities are offset and presented net in the balance sheet when an enforceable offsetting entitlement exists and there is an intention to settle net or realise the asset and settle the liability at the same time.

##### *Derivatives*

Derivatives are capitalised at fair value on the date the derivative contract was entered into, and thereafter at the fair value in effect in subsequent periods. The way associated gains or losses are accounted for depends on the extent to which the derivative is designated as a hedging instrument, and if so what kind of hedging instrument.

The Group classifies derivatives designated as hedging instruments as hedging of the fair value of an asset, liability or unrecognised binding pledge (fair value hedging). Derivatives not designated as hedging instruments are recognised at fair value in profit and loss. The Group has not employed hedge accounting in 2014.

Realised Fish Pool contracts are classified as operating items and unrealised changes in the value of Fish Pool contracts are classified as part of the fair value adjustment of the biomass.

The fair value of a hedging derivative is classified as a non-current asset or non-current liability if the remaining term of the hedged object is longer than 12 months. If the remaining term is less than 12 months it is classified as a current asset or current liability. Derivatives held for trading are classified as current assets or current liabilities.

#### Inventory

Inventory consists of feed, packaging materials, roe,

fry, live fish in the sea and processed fish. Stocks of feed, packaging materials, smolt and processed fish are valued at the lower of cost and net realisation value. The cost price of goods produced in-house is the full production cost. The FIFO principle is used in connection with the periodic assignment of inventory costs. Net realisation value is estimated sales price less variable finishing and sales costs. Live fish in the sea are recognised at fair value. Stocks of finished goods/frozen fish are valued at the lower of cost (fair value at harvesting less sales costs) and net realisation value.

#### Biological assets

Biological assets (biomass) comprise salmon roe, smolt and fish in the sea.

The way live fish are accounted for is regulated by IAS 41 Agriculture. IAS 41 contains a hierarchical method for the recognition of biological assets for accounting purposes. The main rule is that such assets are recognised at fair value.

The best estimate of the fair value of fish with a live weight of under 1 kg is accumulated cost, while for harvestable fish with a live weight of more than 4 kg the fair value adjustment of the biomass is set to expected net profit/loss. For fish of between 1 kg and 4 kg live weight the fair value adjustment of the biomass is set to the proportional share of expected net profit/loss at harvest. As a result, this may lead to a downward adjustment in the fair value of biological assets.

The fair value of the biomass is calculated on the basis of market price for the relevant weight class on the balance sheet date, corrected for sales costs, including harvesting costs and wastage. The market price is adjusted for quality variations. The sales prices used are based on external forward prices and/or the most relevant price information available for the period in which the fish will be harvested.

Roe and smolt are valued at cost.

Changes in the fair value of the biomass are recognised in profit and loss on the line for fair value adjustments.

Biomass farmed as part of partnership agreements is treated for accounting purposes as the Group's own fish, since the Group bears the risk associated with farming the fish.

#### Fixed-price contracts

The Group enters into sales contracts for salmon products on an ongoing basis. The contracts involve physical settlement, and deliveries associated with the contracts form part of the Group's normal business activities. The contracts are therefore not financial instruments under IAS 39. The contracts contain no built-in derivative elements.

A provision is made with respect to fixed-price contracts resulting in an obligation on the part of the Group to sell harvestable fish at a lower price than that which forms the basis for an estimation of the fair value of the biomass. The impact on profit and loss for the year is posted to 'Fair value adjustments'.

#### Share capital and share premium

Ordinary shares are classified as equity. Transaction costs directly related to equity transactions are recognised directly in equity, less tax. If a group company purchases shares in the parent company, the consideration paid for such treasury shares, including any transaction costs – less tax – is recognised as a reduction in equity

(allocated to the parent company's shareholders) until the shares are cancelled or resold. If treasury shares are subsequently sold, the consideration received, less direct marginal transaction costs and associated tax effects, is recognised as an increase in equity allocated to the parent company's shareholders.

#### Tax

The tax expense is matched against the profit/loss before tax and comprises tax payable (tax on the year's direct taxable income) and changes in net deferred tax. Tax is recognised in profit and loss unless it refers to items which are posted in comprehensive income or are taken directly to equity. In this case tax is included in the net amount posted in comprehensive income or taken directly to equity.

Tax payable for the period is calculated in accordance with the tax legislation and regulations issued, or largely issued, by the tax authorities on the balance sheet date.

Deferred tax in the balance sheet is a nominal amount calculated on the basis of temporary differences between accounting and tax values, as well as any tax loss carried forward at the end of the financial year.

Deferred tax assets are capitalised when the probability that a taxable income will be made, which will allow the asset to be utilised, can be documented.

Deferred tax is calculated on the difference between the accounting and taxable values of licences.

Deferred tax assets and liabilities are presented net in the balance sheet.

#### Pensions

The net pension costs for the period are included under salaries and payroll costs. Pensions are recognised on the basis of a linear accrual profile and expected final salary. Estimate deviations are recognised in comprehensive income as they arise, and are amortised over the expected remaining accrual period.

The Group switched from a defined-benefits to a defined-contribution pension scheme with effect from May 2006. Any effects deriving from the change were posted to profit and loss. Pension premiums payable in connection with the defined-contribution scheme are charged to expenses as they accrue. The Group has no other liability over and above the annual contribution.

#### Share-based incentives

The Group operates a share-based incentive scheme in which the companies receive services from the employees in return for equity instruments (RSU entitlements) in the Group. The fair value of the services the entities received from employees in return for the RSU entitlements granted is recognised as a cost in profit and loss.

The fair value of RSU entitlements is set on the date they are awarded. The fair value of the RSU entitlements that are not at market terms is set as the share



price on the date the award was made. The probability of the performance criteria being met is taken into account when assessing how many RSU entitlements will be redeemed. The fair value of the RSU entitlements that are at market terms is calculated on the basis of a Monte-Carlo simulation. The most important input data when calculating the value of these RSU entitlements are the share price on the date of the award, volatility, risk-free interest, expected dividend and accrual period.

The value thus set is posted to profit and loss periodically over the options' accrual period, with a corresponding increase in paid-in equity. The accrual period is the period from the establishment of the scheme until the options are fully vested. Employer's national insurance contributions are recognised over the expected accrual period.

See Note 24 for further details of the Group's RSU scheme.

Provisions

A provision is recognised when, and only when, the company has a valid liability (legal or self-imposed) deriving from an event which has occurred, and it is probable (more likely than not) that a financial settlement will take place as a result of that liability, and that the amount in question can be reliably quantified. Provisions are reviewed on each balance sheet date, and the level reflects the best estimate for the liability.

Leasing contracts

Operating assets which are leased on terms which transfer the bulk of the financial risk and control to the company (financial leasing) are recognised in the balance sheet as property, plant and equipment, and the corresponding leasing liability is included under non-current liabilities at the present value of the leasing payments. The asset is depreciated systematically and the liability is reduced by the leasing amount paid, less a calculated interest cost. The depreciation period is consistent with similar assets which are owned by the Group. Leasing payments with respect to operational leasing agreements are classified as operating expenses and are posted to profit and loss in a straight line over the term of the contract.

NOTE 2 • Financial risk management

Financial risk

Through its activities, the Group is exposed to various kinds of financial risk: market risk, credit risk and liquidity risk. The company's management assesses these risks on an ongoing basis and draws up guidelines for dealing with them. The Group makes use of financial derivatives to hedge against certain risks.

The Group has bank loans raised for the purpose of providing capital for investment in the company's business. In addition, the company has financial instruments such as trade receivables, trade payables, etc, which are ascribable directly to day-to-day business operations. For hedging purposes the company has certain forward currency contracts. The company does not make use of financial instruments, including financial derivatives, for the purpose of speculation.

Market risk

Interest rate risk

Since the Group has no material interest-bearing assets, its profit and loss and cash flow from operating activities are largely independent of changes in market rates.

Particular biological events

The Group classifies particular biological events on a separate line in profit and loss. Particular biological events means the culling of the entire salmon stock at sites suffering an outbreak of Pancreas Disease (PD), as ordered by the authorities, and individual incidents involving the escape of substantial numbers of salmon. The amount charged to expenses is a provision corresponding to the full production cost of the culled stock, and costs incurred in connection with the clean-up and closure of the site. In the event of escaped fish, the amount charged to expenses corresponds to the full production cost of the escaped fish, and costs incurred in connection with their recapture.

Events after the balance sheet date

New information regarding the company's financial position on the balance sheet date which is received after the balance sheet date has been recognised in the year-end financial statements. Events after the balance sheet date which do not affect the company's financial position on the balance sheet date, but which will affect the company's future financial position are reported if material.

Statement of cash flow

The Group's statement of cash flow shows a breakdown of the Group's overall cash flow into operating, investing and financing activities. The statement shows the individual activity's impact on liquid assets. Cash flow deriving from the acquisition and sale of businesses is presented under investing activities.

The Group's interest rate risk derives from long-term borrowings. Borrowing at floating interest rates represents an interest rate risk for the Group's cash flow, which is partly reduced by the opposite effect on cash equivalents which earn floating interest. Fixed-rate loans expose the Group to fair value interest rate risk. The borrowing portfolio is currently at floating interest rates, which means that the Group is affected by changes in interest rates. Loans are capitalised at amortised cost, since the difference between amortised cost and fair value is negligible.

Given the financial instruments in effect on 31 December 2014, a 0.5% rise in the rate of interest would reduce the Group's profit by NOK 12,315,000 (NOK 13,965,000 in 2013), all other variables remaining constant.

Foreign exchange risk

The Group operates internationally, and is exposed

to foreign exchange risk in several currencies. This risk is particularly relevant with respect to the USD, EUR, GBP and JPY. Foreign exchange risk arises from future trading transactions, capitalised assets and liabilities, and net investments in foreign business operations.

Revenues and assets denominated in foreign currencies are partly hedged through the use of forward contracts and currency accounts. The use of forward currency contracts is described in Note 11.

Given the financial instruments in effect on 31 December 2014, a 10% fall in the value of the NOK would alter the Group's profit before tax by NOK 163,978,000 (NOK 147,045,000 in 2013). The Group's most important currencies are the USD, EUR, GBP and JPY. A 10% reduction in the exchange rate for each of these currencies as at 31 December 2014 would have had the following effect on the Group's profit before tax:

EUR:	NOK 122,648,000
JPY:	NOK 18,259,000
GBP:	NOK 22,816,000
USD:	NOK 256,000

Credit risk

The risk that counterparties do not have the financial strength to meet their obligations is considered low, since, historically, losses due to bad debts have been small. The Group has no material credit risk relating to individual counterparties or counterparties which may be considered a group due to similarities in the credit risk. The

Group has guidelines to ensure that sales are made only to customers that have not previously had payment problems, and that outstanding balances do not exceed fixed credit limits. Part of the total accounts receivable is insured. The gross credit risk on the balance sheet date corresponds to the Group's receivables portfolio on the balance sheet date. See Note 12.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash flow forecasts are drawn up on a regular basis and the Accounts Dept monitors rolling forecasts of the Group's liquidity requirements to ensure that the Group has sufficient cash equivalents to meet operational liabilities, as well as at all times having adequate flexibility in the form of unused credit facilities (see Statement of Cash Flow), such that the Group does not infringe borrowing limits or specific borrowing conditions (if relevant). The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirements in the short term. See Note 17 for details of the Group's available credit facilities.

The table below details the Group's non-derivative financial liabilities classified by maturity structure. The figures presented in the table are undiscounted contractual cash flows. See Note 17 for details of the maturity structure.

Maturity structure for financial liabilities

Maturity NOK 1000	Total	2015	2016	2017	2018	2019	After 2019
Long-term debt	1 889 703	109 529	109 529	109 529	109 449	1 408 667	43 000
Interest on long-term debt	163 518	40 267	37 863	35 460	33 057	16 400	472
Financial leasing agreements	450 070	43 989	28 613	19 869	16 581	13 421	327 596
Interest on financial leasing agreements	61 044	12 842	11 753	11 026	10 479	10 029	4 914
Other non-current liabilities	5 308	1 635	3 271	-	-	-	402
Short-term credit facilities	123 149	123 149	-	-	-	-	-
Interest on short-term debt	1 231	1 231	-	-	-	-	-
Trade payables	409 485	409 485	-	-	-	-	-
<b>Total liabilities</b>	<b>3 103 508</b>	<b>742 128</b>	<b>191 030</b>	<b>175 884</b>	<b>169 566</b>	<b>1 448 517</b>	<b>376 384</b>

Capital structure and equity

The objective of the Group's capital management is to safeguard the Group's continued operations to secure a return on investment for shareholders and other stakeholders, and maintain an optimal structure for reducing capital costs. By ensuring a good debt-to-equity ratio the Group will support its business operations, and thereby maximise the value of the Group's shares.

The Group manages and makes changes to its capital structure in response to an ongoing assessment of the financial conditions under which the business operates, and its short and medium-term outlook, including any adjustment in dividend payouts, buy-back of treasury shares, capital reduction or issue of new shares.

No changes were made in the guidelines covering this area in 2014.

The company monitors its capital management on the basis of the covenants stipulated. These are based on equity ratio and the ratio of net interest-bearing debt to EBITDA. See Note 17 for further details.

As at 31 December 2014 the Group's had an equity ratio of 50.7% (50.9% as at 31 December 2013). At the close of 2014 the Group had net interest-bearing debt of NOK 2,301,266,000 (NOK 1,772,425,000 in 2013).

### Assessment of fair value

The table below shows financial instruments and liabilities at fair value in accordance with the valuation method. The various levels are defined as follows:

- Quoted price in an active market for an identical asset or liability (level 1)
- Valuation based on observable factors, either direct (price) or indirect (deduced from price) other than a quoted price (used in level 1) for the asset or liability concerned (level 2)

- Valuation based on factors which are not derived from observable markets (non-observable assumptions) (level 3)

The table below presents the Group's assets and liabilities measured at fair value as at 31 December 2014. See Note 11 for details of forward contracts and Fish Pool contracts measured at fair value level 2. See also Note 13 for details of biological assets measured at fair value in level 3.

31 Dec 2014 (NOK 1 000)	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value in profit and loss				
- Derivatives held for trading	-	4 419	-	4 419
Financial assets available for sale				
- Equity instruments	-	-	519	519
<b>TOTAL assets</b>	-	<b>4 419</b>	<b>519</b>	<b>4 938</b>
<b>Liabilities</b>				
Financial liabilities at fair value in profit and loss				
- Derivatives held for trading	-	175 485	-	175 485
Long-term debt to credit institutions			1 780 174	1 780 174
Leasing liabilities and other non-current liabilities			411 388	411 388
Short-term debt to credit institutions			276 667	276 667
<b>TOTAL liabilities</b>	-	<b>175 485</b>	<b>2 468 229</b>	<b>2 643 714</b>

31 Dec 2013 (NOK 1 000)	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value in profit and loss				
- Derivatives held for trading	-	17 636	-	17 636
Financial assets available for sale				
- Equity instruments	-	-	384	384
<b>TOTAL assets</b>	-	<b>17 636</b>	<b>384</b>	<b>18 020</b>

<b>Liabilities</b>				
Financial liabilities at fair value in profit and loss				
- Derivatives held for trading	-	2 687	-	2 687
Long-term debt to credit institutions			1 974 521	1 974 521
Leasing liabilities and other non-current liabilities			471 716	471 716
Short-term debt to credit institutions			397 186	397 186
<b>TOTAL liabilities</b>	-	<b>2 687</b>	<b>2 843 423</b>	<b>2 846 110</b>

The fair value of trade receivables and trade payables is practically identical to their book value. The fair value of liabilities is practically identical to their book value. The Group has 'current terms', which is considered to be the same as the market rate on the balance sheet date. See Note 17 for further details of interest terms.

The following table presents the changes in instruments classified in Level 3 as at 31 December 2014

	Equity instruments available for sale	Total
Opening balance	384	384
Investments during the period	142	142
Sales during the period	-7	-7
Gains/losses recognised in profit and loss	0	0
<b>Closing balance</b>	<b>519</b>	<b>519</b>

The following table presents the changes in instruments classified in Level 3 as at 31 December 2013

	Equity instruments available for sale	Total
Opening balance	15 760	15 760
Investments during the period	-	-
Sales during the period	-33 715	-33 715
Gains/losses recognised in profit and loss	18 340	18 340
<b>Closing balance</b>	<b>384</b>	<b>384</b>

### NOTE 3 • Segment information and geographic breakdown

Operating segments are reported in the same way as they are reported internally to the company's highest decision-making bodies. The company's highest decision-making body, which is responsible for the allocation of resources and the evaluation of the operating segments' earnings, is defined as group management.

The Group has two business activities: the farming of salmon and trout on the one hand, and its processing and sale on the other. The fish farming segment is divided into three regions: Fish Central Norway, Fish Farming Northern Norway and Fish Farming Rauma. These three are defined as separate segments which are reported and administered as separate internal business areas. In addition, a Sales & Processing segment reports separately. Furthermore, the SalMar Group acquired 51.4% of the shares in the Villa Group with effect from 30 June 2013. The Villa Group has been reported and administered internally as a separate segment. The Villa segment comprises both fish farming and processing activities. On 30 June 2014 SalMar and the other major shareholder in Villa Organic (Lerøy Seafood Group ASA) decided to divide Villa between themselves. This was accomplished with effect from 1 July 2014, and SalMar's operations in the Villa Group have been incorporated into SalMar Laksefjorden AS. Following the division of Villa, SalMar Laksefjorden owns eight licences, and with effect from 1 July 2014 its operations have been integrated into the segment Fish Farming Northern Norway. Information needed to restate comparable figures following the restructuring is not available. See Note 8 for further details of the transaction.

Group management evaluates the segments' performance on the basis of Operational EBIT, as well as particular biological events. Depreciation and the realisation of excess value from tangible and intangible assets deriving from acquisitions are, with the exception of the acquisition of Villa Organic, not allocated to the segments. Costs relating to jointly operated licences and the results of the subsidiary SalMar Japan K.K. are also included in the column for eliminations.

Sales between segments are carried out in accordance with the arm's length principle. When revenues from external parties are reported to group management they are measured at the same amount recognised in profit and loss. Assets and liabilities allocated to segments are not reported to group management.

In 2014 the company had no individual customers which accounted for more than 10% of the Group's sales revenues. In 2013 the Group had one customer who accounted for more than 10% of sales revenues. Sales to this customer in 2013 totalled NOK 786,525,000, and were included in the segment Sales & Processing.

2014 NOK 1000	Fish farming Central Norway	Fish farming Northern Norway	Fish farming Rauma	Sales & Processing	Villa	Other/ eliminations	Salmar Group
External operating revenues		71 157	1 177	6 708 122	405 431		7 185 887
Internal operating revenues	2 863 511	1 371 957	780 871	139 643	122 097	-5 278 079	-
<b>TOTAL operating revenues</b>	<b>2 863 511</b>	<b>1 443 114</b>	<b>782 048</b>	<b>6 847 765</b>	<b>527 528</b>	<b>-5 278 079</b>	<b>7 185 887</b>
Depreciation	113 589	59 605	35 075	53 345	13 720	430	275 764
Write-downs				2 106		293	2 399
Operating expenses	1 803 675	906 297	532 319	6 654 614	349 308	-5 217 538	5 028 675
<b>Operational EBIT</b>	<b>946 247</b>	<b>477 212</b>	<b>214 654</b>	<b>137 700</b>	<b>164 500</b>	<b>-61 264</b>	<b>1 879 049</b>
Fair value adjustments	108 941	-4 537	-34 033	-193 385	-109 335		-232 348
Non-recurring gains on acquisitions	-	-	-	-	-		-
Particular biological events	-	-	-	-	-		-
<b>Operating profit</b>	<b>1 055 188</b>	<b>472 675</b>	<b>180 621</b>	<b>-55 685</b>	<b>55 165</b>	<b>-61 264</b>	<b>1 646 699</b>
Share of profit/loss from associates							96 136
Net financial items							-113 994
<b>Profit before tax</b>							<b>1 628 841</b>
Tax							413 364
<b>Net profit for the year</b>							<b>1 215 477</b>
Investments in PP&E	241 522	179 678	47 058	39 793	24 026	3 457	535 535
Investments in business entities	28 785						28 785



2013 <i>NOK 1000</i>	Fish farming Central Norway	Fish farming Northern Norway	Fish farming Rauma	Sales & Processing	Villa	Other/ eliminations	Salmar Group
External operating revenues	0	2 230	1 621	5 942 078	299 931	0	6 245 860
Internal operating revenues	2 701 979	910 507	593 749	105 332	14 617	-4 326 184	0
<b>TOTAL operating revenues</b>	<b>2 701 979</b>	<b>912 737</b>	<b>595 370</b>	<b>6 047 410</b>	<b>314 548</b>	<b>-4 326 184</b>	<b>6 245 860</b>
Depreciation	92 927	41 923	30 074	37 059	16 330	2 507	220 820
Write-downs	0					5 000	5 000
Operating expenses	1 684 814	550 640	403 414	6 171 269	243 777	-4 293 367	4 760 547
<b>Operational EBIT</b>	<b>924 238</b>	<b>320 174</b>	<b>161 882</b>	<b>-160 918</b>	<b>54 441</b>	<b>-40 324</b>	<b>1 259 493</b>
Fair value adjustments	155 203	209 621	48 414	683	114 255	0	528 176
Non-recurring gains							
on acquisitions	0	0	0	0	0	161 755	161 755
Particular biological events	0	0	0	0	0	0	0
<b>Operating profit</b>	<b>1 079 441</b>	<b>529 795</b>	<b>210 296</b>	<b>-160 235</b>	<b>168 696</b>	<b>121 431</b>	<b>1 949 425</b>
Share of profit/loss from associates							157 980
Net financial items							214 665
<b>Profit before tax</b>							<b>2 322 071</b>
Tax							418 695
<b>Net profit for the year</b>							<b>1 903 376</b>
Investments in PP&E	168 031	72 987	37 514	365 333	15 047	4 924	663 836
Investments in business entities			5 516		204 563	91	210 170

NOTE 4 • Intangible assets

<i>NOK 1000</i>	Licences	Goodwill	Other intangible assets	Total
Acquisition cost 1 Jan 2013	1 667 503	451 738	45 283	2 164 524
Additions	771	0	2 926	3 697
Additions through business takeover	314 000	0	19 152	333 152
Disposals	0	0	0	0
Acquisition cost 31 Dec 2013	1 982 274	451 738	67 361	2 501 373
Additions	494 000	0	22 223	516 223
Additions through business takeover	60 000	14 024	0	74 024
Disposals through exit of subsidiaries and non-controlling interests	151 676	0	0	151 676
Acquisition cost 31 Dec 2014	2 384 597	465 762	89 584	2 939 944
Acc. dep. and write-downs 1 Jan 2013	5 000	18 390	5 637	29 028
Year's depreciation	0	0	3 287	3 287
Year's write-downs	5 000	0	0	5 000
Acc. dep. and write-downs 31 Dec 2013	10 000	18 390	8 925	37 315
Year's depreciation	0	0	3 985	3 985
Year's write-downs	0	0	0	0
Acc. dep. and write-downs 31 Dec 2014	10 000	18 390	12 909	41 299
<b>Book value as at 31 Dec 2014</b>	<b>2 374 597</b>	<b>447 372</b>	<b>76 674</b>	<b>2 898 643</b>
Book value as at 31 Dec 2013	1 972 274	433 348	58 436	2 464 058
Book value as at 1 Jan 2013	1 662 503	433 348	39 649	2 135 500
Economic life	Unlimited	Unlimited	5-50 years	
Depreciation plan			Straight-line	

Under 'Other intangible assets' excess value associated with the purchase of breeding nuclei is depreciated over 50 years. The cost price for this was NOK 30 million, and the residual book value of breeding nuclei is NOK 27.3 million. Remaining items under 'Other intangible assets' are depreciated over 5 years.

Specification of fish farming licences 2014 <i>NOK 1000</i>	No. of licences	Acquisition cost	Book value 31.12.14
Fish Farming Northern Norway	32	849 193	844 193
Fish Farming Central Norway	52	1 047 746	1 042 746
Fish Farming Rauma	16	487 658	487 658
Villa	0		0
	<b>100</b>	<b>2 384 597</b>	<b>2 374 597</b>

Specification of fish farming licences 2013 <i>NOK 1000</i>	No. of licences	Acquisition cost	Book value 31.12.13
SalMar Northern Norway	23	636 120	631 120
SalMar Central Norway	44	555 496	550 496
Rauma	14	487 658	487 658
Villa	16	303 000	303 000
	<b>97</b>	<b>1 982 274</b>	<b>1 972 274</b>

The Group has joint operating agreements/time-limited licences for a further 14 licences.

Specification of goodwill 2014 <i>NOK 1000</i>	Acquisition year	Acquisition cost	Book value 31.12.14
Fish Farming Northern Norway	2006	95 114	95 114
Fish Farming Central Norway	1999-2014	131 742	125 275
Fish Farming Rauma	2011	226 983	226 983
		<b>453 839</b>	<b>447 372</b>

Specification of goodwill 2013 <i>NOK 1000</i>	Acquisition year	Acquisition cost	Book value 31.12.13
SalMar Northern Norway	2006	95 114	95 114
SalMar Central Norway	1999-2011	117 718	111 251
Rauma	2011	226 983	226 983
		<b>439 815</b>	<b>433 348</b>

Since the introduction of IFRS, goodwill is no longer depreciated, but is assessed for impairment annually, or more frequently if there are any indications that a write-down may be necessary. The difference between acquisition cost and book value is due to the depreciation of goodwill before the introduction of IFRS.

Other acquired goodwill, which was written down to zero before 2005, has an acquisition cost of NOK 14.505,000.

Impairment test

SalMar has identified the Group's segments as cash-generating entities. On acquisition, goodwill and intangible assets are assigned to the cash-flow generating entities within the Group to which they are associated. Cash-generating entities are the lowest level at which independent cash flows can be identified, and are not at a higher level than the segments into which the Group divides its operations based on the geographic distribution of its marine-phase fish farms, ie Fish Farming Central Norway, Fish Farming Northern Norway, Fish Farming Rauma and the Villa segment, as well as Sales & Processing. For a specification of the book value of licences and goodwill by segment, see over.

The book value of the cash-flow generating entities is tested annually for impairment, or more frequently if there are indications that a write-down may be necessary. The estimated value in use is employed to calculate the recoverable value. A write-down is performed if the book value is lower than the recoverable value.

Future net cash flows are estimated on the basis of the Group's budget and forecasts for the next three years. No real growth is assumed when calculating the terminal value, ie growth is stipulated at the expected rate of inflation. Value in use is calculated on the basis of a 6.55% return on investment after tax. As with all estimates, cash flow forecasts are sensitive to changes in underlying assumptions.

Estimated value in use will be affected most strongly by the following assumptions:

- Discount rate
- EBIT(DA)/Margins
  - Salmon price
  - Production costs
- Future output levels

Discount rate: the discount rate used reflects management's estimate of the risk specified for each cash-flow generating entity. The discount rate is set using the 10-year government bond rate in effect at the time of the assessment. The discount rate after tax is calculated at 6.55%. This corresponds to a pre-tax requirement of 8.97%.

EBIT(DA)/Margins: EBIT per kg is highly volatile with respect to changes in salmon prices, and has been higher than the historic average in recent years. Salmon price estimates are based on the actual long-term price level in the market in which the fish is sold. Historic figures have been adjusted for known changes. Since the long-term net margin used in the assessment is deemed to be lower than last year's EBIT per kg, a normalised long-term EBIT per kg has been used.

Future output levels: future output levels are estimated on the basis of current production and harvesting plans, adjusted for expected increases in future output given current licences.

The assessment is based on a comparison of estimated future cash flows and the book value of each cash-flow generating entity. Sensitivity analyses are also carried out to assess estimated present values by looking at the change in salmon prices, production costs and, thereby, net margins and discount rates. The book value per licence is highest for the Rauma segment, such that the assessment for the Rauma segment is the least robust. The break-even level for EBIT per kg for the Rauma segment is NOK 5.23. The discount rate must increase by 2.9 percentage points before the calculated value would lead to the need for a write-down.

The Group continuously monitors its financial performance with respect to the long-term assumptions used to determine whether the assumptions in the basic model are still valid.

The impairment test resulted in no requirement to write down the book value of fish farming licences and goodwill as at 31 December 2014.

NOTE 5 • Property, plant & equipment

	Land, buildings & other real property	Plant, operating equipment, fixtures, etc	Vessels and other operating assets	TOTAL	of which leased operating assets
<i>NOK 1000</i>					
Acquisition cost 1 Jan 2013	318 081	1 571 178	125 879	2 015 139	378 518
Additions	231 344	391 947	40 545	663 836	367 539
Additions through business takeovers	30 472	89 050	31 130	150 652	53 718
Disposals	158	6 349	1 278	7 784	1 563
Acquisition cost 31 Dec 2013	579 739	2 045 827	196 276	2 821 842	798 212
Additions	67 449	360 949	107 137	535 535	11 700
Disposals via exit of subsidiaries and non-controlling interests	44 447	203 561	51 555	299 564	33 159
Disposals	14 890	7 537	673	23 100	1 034
Acquisition cost 31 Dec 2014	587 850	2 195 676	251 185	3 034 711	775 719
Acc. dep. & write-downs 1 Jan 2013	84 349	623 354	38 631	746 335	130 533
Year's depreciation 2013	22 003	173 972	21 558	217 533	49 015
Year's write-downs	0	0	0	0	0
Reversed depreciation	21	320	1 009	1 350	0
Acc. dep. & write-downs 31 Dec 2013	106 331	797 006	59 181	962 517	179 548
Year's depreciation 2014	29 285	210 048	32 446	271 780	69 927
Year's write-downs	25	2 081	293	2 399	0
Reversed dep. on exit of subsid. and non-controlling interests	22 572	139 702	32 687	194 961	0
Reversed depreciation	14 716	9 883	0	24 599	0
Acc. dep. & write-downs 31 Dec 2014	98 353	859 550	59 233	1 017 136	249 476
<b>Book value 31 Dec 2014</b>	<b>489 496</b>	<b>1 336 127</b>	<b>191 953</b>	<b>2 017 575</b>	<b>526 243</b>
Book value 31 Dec 2013	473 408	1 248 821	137 095	1 859 325	618 662
Book value 1 Jan 2013	233 732	947 825	87 248	1 268 805	247 984
Gains/losses on sale of non-current assets	0	628	0	628	
Annual lease of off-balance sheet operating assets	17 651	12 832	3 887	34 371	
Capitalised interest	0	0	0	0	
Economic life	5-20 years	3-10 years	5-15 years		
Depreciation plan	straight-line	straight-line	straight-line		

As at 31 December 2014 capitalised leasing liabilities totalled NOK 450,070,000. Of the capitalised operating assets, NOK 217,671,000 was accounted for by plant and equipment, NOK 99,009,000 by vessels and other operating assets, and NOK 209,563,000 by land and buildings. All leasing agreements have been entered into at standard terms and conditions.

In 2013 the Group renegotiated the InnovaMar leasing agreement in connection with the sale of its shares in the company that owns the factory. The leasing period was extended from 15 to 20 years, with an option to extend after the expiry of the agreement in return for a reduced annual leasing cost. The lessor has, furthermore, the right but not the obligation to demand that SalMar, as tenant, acquires the property after the expiry of the agreement for the sum of NOK 70 million. The change in the terms of the leasing agreement means that the building and the leasing liability have been recognised in the balance sheet with effect from 1 October 2013. In total the property was capitalised to the value of NOK 294.2 million as at 31 December 2014. The leasing liability is correspondingly capitalised. The investment breaks down into a building, technical installation and land component. The portion allocated to buildings is depreciated over 30 years. Correspondingly, the portion allocated to technical installations is depreciated over 13 years. Land is not depreciated.

NOTE 6 • Group companies

The consolidated financial statements for 2014 cover the following subsidiaries and associates:

Subsidiary	Consolidated (YES/NO)	Registered office	Voting share
SalMar Settefisk AS	YES	Kverva	100,0 %
- Langstein Fisk AS	YES	Kverva	100,0 %
- Straumsnes Settefisk AS	YES	Kverva	100,0 %
- Villa Smolt AS	YES	Kverva	100,0 %
- Villa Settefisk AS	YES	Kverva	100,0 %
Hitramat Farming AS	YES	Kverva	51,0 %
SalMar Farming AS	YES	Kverva	100,0 %
- Salmar Rauma AS	YES	Ørskog	100,0 %
- Rauma Stamfisk AS	YES	Ørskog	100,0 %
- Rauma Sætre AS	YES	Ørskog	100,0 %
- Rauma Eik AS	YES	Ørskog	100,0 %
- Salmar Organic AS	YES	Ørskog	100,0 %
- Vikenco AS	YES	Aukra	51,0 %
- Atlantic Cod Farms AS	YES	Ørskog	100,0 %
Ocean Farming AS	YES	Kverva	91,0 %
SalMar Nord AS	YES	Senja	100,0 %
- Troms Stamfiskstasjon AS	YES	Senja	100,0 %
- Salmar Finnmark AS	YES	Senja	100,0 %
SalMar Laksefjorden AS	YES	Senja	100,0 %
SalMar AS	YES	Kverva	100,0 %
- SalMar Japan KK	YES	Japan	100,0 %
- Frøyas AS	YES	Kverva	66,0 %
SalMar-Tunet AS	YES	Kverva	100,0 %

	Shareholding/voting share held by non-controlling interests	Profit/loss allocated to non-controlling interests	Non-controlling interests` accumulated share of equity
<b>Non-controlling interests in subsidiaries</b>			
Hitramat Farming AS	49 %	1 540	29 196
Vikenco AS	49 %	-5 971	26 280
Ocean Farming AS	9 %	-	9
Frøyas AS	34 %	2 434	5 136
Villa Organic	*)	24 974	-
		<b>22 977</b>	<b>60 622</b>

\*) Villa Organic was demergerd with effect from 1 July 2014. Non-controlling interests have been allocated up until the date of demerger. See Note 8 for further details.

NOTE 7 • Business combinations

Analyses of excess value are based to a certain extent on management's experience and good judgement, with the underlying assumptions being verified through operations in the subsequent period.

Business acquisitions in 2014

*Hitramat Farming AS*

On 1 October 2014 the Group agreed to purchase 51 % of the shares in Hitramat Farming AS. The purpose of the acquisition is to secure access to production licences for SalMar. For accounting purposes, the transaction is treated as a business takeover, in which non-controlling interests are assessed at fair value. Measurement of the fair value of

licences is based on cash flows after tax. In accordance with IFRS, deferred tax is calculated on the difference between allocated fair value and residual tax base. The opposite item to this deferred tax is goodwill. The allocation of consideration is presented below.



<i>NOK 1000</i>	Acquisition date	Acquisition cost
Hitramat Farming AS	01.10.2014	28 785

The total purchase price for the company was NOK 28,785,000. No material transaction costs were incurred in connection with the acquisition.

Effect of the acquisition on the balance sheet was:

<i>NOK 1000</i>	Book value	Adjustment to fair value	Fair value
Intangible assets	8 098	51 902	60 000
Current assets	31 063	-	31 063
Cash and bank deposits	223	-	223
Deferred tax	-1 565	-14 014	-15 579
Other liabilities	-33 289	-	-33 289
Net identifiable assets and liabilities	4 530	37 889	42 418
Goodwill			14 024
Non-controlling interests			-27 656
Cash consideration			28 785

Hitramat Farming AS has boosted Operational EBIT by NOK 4,375,000 in the period after acquisition. The Group's sales revenues have not been affected, because the company's operations comprise joint operation of a licence with SalMar Farming AS. The company's sales revenues are therefore eliminated in their entirety in the consolidated accounts. Hitramat Farming AS made an operating profit of NOK 10,510,000 for 2014 as a whole. Hitramat Farming AS is reported as part of Fish Farming Central Norway, cf. Note 3.

Business acquisitions in 2013

*Atlantic Cod Farms AS*

On 22 April 2013 the Group agreed the purchase of 100% of the shares in Atlantic Cod Farms AS. For accounting purposes, the transaction was treated as a business takeover, and the company was included in the Rauma segment. The purpose of the acquisition was to obtain access to sites in the Møre district. In addition to sites, operating equipment in the area was also taken over.

The acquired company also has a substantial tax loss carryforward which is of value to SalMar. The value of the carryforward resulted in a non-recurring gain from the acquisition. The non-recurring gain was taken to income in its entirety in 2013.

Allocation of the consideration is now deemed to be final.

<i>NOK 1000</i>	Acquisition date	Acquisition cost
Atlantic Cod Farms AS	22.04.2013	5 516

The total purchase price for the company came to NOK 40,000,000. A receivable amounting to NOK 34,484,000, which was owed to the company by a former shareholder of Codfarmers AS, was transferred to SalMar ASA. In addition, the sum of NOK 5,516,000 was paid for 100% of the company's shares. No material transaction costs were incurred in connection with the acquisition.

Effect of the acquisition on the balance sheet was:

<i>NOK 1000</i>	Book value	Adjustment to fair value	Fair value
Deferred tax assets	-	103 380	103 380
Intangible assets	-	11 000	11 000
Property, plant & equipment	12 736	-	12 736
Cash and bank deposits	675	-	675
Non-current liabilities	-34 484	-	-34 484
Other liabilities	-	-750	-750
Net identifiable assets and liabilities	-21 073	113 630	92 558
Non-recurring gains relating to acquisition			-87 041
Cash consideration			5 516

Business activity in Atlantic Cod Farms has been low, and its impact on sales revenues and operating profit after its acquisition has been negligible.

*Villa Organic AS*

In 2013 the Group undertook a stepwise acquisition of the shares in Villa Organic AS, which resulted, in June 2013, in SalMar acquiring the majority of the shares in the Villa Group. Following the final acquisition of shares, with effect from 30 June 2013, SalMar owned a total of 50.4% of the company's shares.

In 2012 SalMar acquired 8.4% of the shares in Villa Organic AS. At the start of April 2013 agreement was reached with a group of shareholders in Villa Organic AS for the purchase of a further 41.3% of the company's shares, bringing SalMar's total shareholding after this transaction to 49.7%. From this point in time, SalMar exercised a considerable influence over the Villa Group, which was therefore classified as

an associate of SalMar. On 12 June 2013 a further 0.7% of the shares were acquired, bringing SalMar's shareholding to 50.4%. Villa Organic AS is a fully integrated aquaculture company, with 16 licences for the production of farmed fish, as well as locations in Laksefjord and Varangerfjord. In addition to its fish farming activities, the Group has its own smolt production, two processing plants and its own sales organisation. Since the company's acquisition, the sales organisation has been divested from the Group. From the date of its acquisition the company was consolidated into SalMar's group accounts and reported as a separate segment.

The allocation of consideration is presented below. The allocation is deemed to be final.

<i>NOK 1000</i>	Acquisition date	Acquisition cost
Fair value of the shares in Villa Organic AS owned before acquisition		202 063
Cash consideration re. increase in the shareholding from 49.7% to 50.4%	12.06.2013	2 500
Total consideration for the shares		204 563

No material external transaction costs have accrued in connection with the acquisition.

<i>NOK 1000</i>	Book value	Adjustment to fair value	Fair value
Effect of the acquisition on the balance sheet:			
Intangible assets	24 010	279 185	303 195
Property, plant & equipment	212 574	-74 854	137 720
Other financial assets	5 014	0	5 014
Inventory and biological assets	233 220	18 224	251 443
Current assets	123 791	603	124 394
Deferred tax	25 785	-65 170	-39 385
Interest-bearing debt	-196 981	-1 000	-197 981
Other liabilities	-84 046	0	-84 046
Net identifiable assets and liabilities	343 367	156 988	500 355
Non-recurring gain on acquisition			-94 714
Non-controlling interests			-201 078
Cash consideration			204 563

In the table above, the fair value of non-controlling interests comes to NOK 201,078,000. The value of non-controlling interests is calculated on the basis of the consideration payable for 50.4% of the company.

Excess value/value shortfalls arise from an assessment of the fair value of identifiable assets and liabilities. Excess value associated with intangible assets relates to production licences. The acquired company owns 16 fish farming licences, of which seven are restricted to locations in Varangerfjord, Finnmark. The value of the licences is determined on the basis of comparable transactions and analyses using recognised valuation methods. Based on this, the value of licences in the excess value allocation is put at NOK 22,000,000 per licence, with the exception of those restricted to designated locations, which are valued at NOK 15,000,000 each. As a result of the excess value allocation, SalMar has derived a non-recurring gain of NOK 94,714,000 from the acquisition. The main reason for the surplus was that the seller of the shares was in a difficult financial position at the time the transaction was completed.

Villa Organic has boosted Operational EBIT by NOK 54,441,000 and sales revenues by NOK 314,548,000 in the period after acquisition. For 2013 as a whole Villa Organic generated operating revenues of NOK 680,785,000, and achieved an operational EBIT of NOK 69,894,000. Villa Organic is reported as a separate segment, cf. Note 3.

Villa Arctic AS - Contingent consideration

In 2012 the Group acquired 10 licences from Villa Arctic AS, see

below. A condition attached to the takeover could result in an adjustment to the sales price should the price of salmon exceed a certain amount in 2013. As at 31 December 2012 a provision totalling NOK 15.0 million was made to cover this liability. The favourable price level through 2013 resulted in the provision being increased to NOK 50.0 million as at 31 December 2013. Villa Arctic AS is part of the Villa Organic Group, was included in the SalMar Group with effect from 12 June 2013. On the date of the Villa Organic Group's acquisition, the provision had increased to NOK 35.0 million. Since the acquisition of the Villa Organic Group, provisions totalling NOK 15.0 million have been eliminated from within the Group. The year's NOK 20.0 million increase in the provision, which has had an impact on the Group's results, is recognised on the line for non-recurring gains in the financial statements.

Ocean Farming AS

On 31 December 2013 the Group agreed to purchase 52% of the shares in Ocean Farming AS. After this transaction SalMar owns 91% of the company's shares. For accounting purposes the transaction is treated as a business takeover. The purpose of the acquisition is to secure access to technology developed by the company. Allocation of the consideration paid, as presented below, is deemed to be final. No transaction costs were incurred in connection with the acquisition.

<i>NOK 1000</i>	Acquisition date	Acquisition cost
Ocean Farming AS	31.12.2013	91

	Book value	Adjustment to fair value	Fair value
Effect of the acquisition on the balance sheet:			
Deferred tax assets	-	588	588
Intangible assets	-	19 152	19 152
Current assets	6 034	-	6 034
Other liabilities	-25 673	-	-25 673
Net identifiable assets and liabilities	-19 640	19 740	100
Non-controlling interests			9
Cash consideration			91

The company is included in the Group with effect from 31 December 2013, and has therefore had no impact on the results for 2013. The entity is a development company which had no sales revenues in 2013.

Exit of minority interests and subsidiaries in 2014  
- demerger of Villa Organic

In 2013 SalMar increased its shareholding in Villa Organic to 50.4%, giving it a controlling interest in the enterprise. Villa Organic was a fully integrated aquaculture group, with activities along the entire value chain. Its fish farming activities were located in Finnmark. Villa Organic had a total of 16 licences for the production of farmed salmon. On 30 June 2014, SalMar and Villa Organic's other major shareholder (Lerøy Seafood Group AS) decided to divide the company between them. This was accomplished with effect from 1 July 2014, and SalMar's interests in the Villa Group were incorporated into SalMar Laksefjorden AS, in which SalMar had a 99.94% shareholding as at 1 July 2014. Following the demerger, SalMar Laksefjorden owns eight licences, giving it control of the Laksefjord area in Finnmark. With effect from 1 July 2014, SalMar

Exit of subsidiaries and non-controlling interests at 1.7.2014

NOK 1000

<b>Assets</b>	
INTANGIBLE ASSETS	-151 676
Property, plant & equipment	-106 110
Financial assets	2 475
<b>Total non-current assets</b>	<b>-255 311</b>
Inventory	-90 664
Trade receivables	-13 546
Other current receivables	-7 630
<b>Cash &amp; cash equivalents</b>	<b>-140 911</b>
<b>Total current assets</b>	<b>-252 750</b>
<b>Total assets</b>	<b>-508 062</b>
<b>EQUITY AND LIABILITIES</b>	
Non-controlling interests	-332 003
<b>Total equity</b>	<b>-332 003</b>
Provisions	-42 295
Interest-bearing long-term debt	-42 552
<b>Total non-current liabilities</b>	<b>-84 847</b>
Other current liabilities	-91 212
<b>Total current liabilities</b>	<b>-91 212</b>
<b>Total equity and liabilities</b>	<b>-508 062</b>

Exit of subsidiaries

In connection with the demerger of the Villa group, shareholdings in the companies Romsdal Prosessing AS and Kirkenes Prosessing AS were divided between SalMar Laksefjorden AS and Lerøy Finnmark AS. Any calculation of gain on the exit of subsidiaries is estimated on the basis of the fair value of the subsidiaries' assets and liabilities. Since the fair value of the companies' assets and liabilities is deemed to correspond to their book value, their exit has not resulted in either a gain or loss for the Group.

Exit of non-controlling interests with settlement  
in assets and liabilities

Non-controlling shareholders have been bought out with settlement in assets and liabilities. Assets and liabilities are assessed at fair value in connection with settlement. Fair value is deemed to equal the book value of the net assets which exit the group. The

Laksefjorden has been integrated into the segment Fish Farming Northern Norway.

For accounting purposes the demerger of the Villa group has been implemented with effect from 1 July 2014. Non-controlling interests in the Villa group were bought out with settlement in assets and liabilities. As a result, the shareholdings in the subsidiaries Romsdal Processing AS and Kirkenes Processing AS will be divided between SalMar Laksefjorden AS and Lerøy Finnmark AS. This means that these two subsidiaries exit the Group with effect from 1 July 2014. The exit of subsidiaries and non-controlling interests has affected the SalMar Group as shown in the table below.

effect goes directly to a reduction in non-controlling interests' share of equity.

Exit of non-controlling interests in 2013

Acquisition of further shareholdings  
in subsidiaries

On 22 March 2013 the Group agreed to buy out the remaining minority shareholders of SalMar Rauma AS. The Group acquired 24.46% of the shares in SalMar Rauma AS, bringing its shareholding to 100%.

On 21 October 2013 the Group agreed to buy out the minority shareholders of Langstein Fisk AS. The Group acquired 40% of the company's shares, bringing its shareholding to 100%.

NOK 1000

	<b>SalMar Rauma</b>	<b>Langstein Fisk</b>	<b>Total</b>
Book value of non-controlling interests	112 343	571	112 913
Cash consideration for shares	69 696	750	70 445
Excess charged against equity held by parent company's shareholders	42 647	-179	42 468

The Group has the following investments in associated companies:

NOK 1000

Company	Registered office	Sector	Shareholding	Voting share
Norskott Havbruk AS	Bergen	Fish farming	50,00 %	50,00 %
Kirkenes Processing AS	Molde	Harvesting of farmed salmon	50,00 %	50,00 %
Romsdal Processing AS	Kirkenes	Harvesting and processing	44,45 %	44,45 %
Trøndersk Kystkompetanse AS	Dyrvik	Competence development	20,00 %	20,00 %

All associates are recognised in accordance with the equity method.

NOK 1000

Companies recognised in accordance  
with the equity method

	<b>Norskott Havbruk</b>	<b>Other</b>	<b>Total</b>
Opening balance 1 Jan 2014	402 238	103	402 338
Additions of shares/contributions	0	2 592	2 592
Share of the year's profit/loss	95 540	597	96 136
Items of comprehensive income	58 895	0	58 895
Dividend received	-36 250	0	-36 250
<b>Closing balance 31 Dec 2014</b>	<b>520 423</b>	<b>3 292</b>	<b>523 711</b>

Since none of the Group's associates are listed on a stock exchange, no observable market value therefore exists.

Based on an overall assessment, in which size and complexity has been taken into consideration, Norskott Havbruk AS is deemed to be a material associate. Further information relating to this company may be found below.

Norskott Havbruk AS is located in Bergen and owns 100% of Scottish Sea Farms Ltd, the second largest aquaculture company in the UK, with operations in mainland Scotland and Shetland. Norskott Havbruk is 50/50 owned by SalMar ASA and Lerøy Seafood AS. The board of directors has 4 members, with each shareholder represented by 2 directors. The shareholders alternate in having the board's chair. Since neither of the company's owners has overall control, it is considered to be an associate.

The following table shows a summary of financial information relating to Norskott Havbruk AS, based on 100% figures:

NOK 1000

	<b>2014</b>	<b>2013</b>
Operating revenues	1 384 613	1 189 140
Operating expenses	1 152 509	968 054
Fair value adjustments	8 306	57 011
Profit after tax	191 079	202 149
Current assets	991 365	818 352
Non-current assets	693 437	594 641
Current liabilities	227 043	222 975
Non-current liabilities	416 519	385 149
Equity	1 041 240	804 870
The Group's share of equity	520 620	402 435
Book value 31 Dec 2014	520 423	402 238

Norskott Havbruk AS had no contingent liabilities or capital liabilities as at 31 December 2014.



NOTE 10 • Financial instruments by category

The following principles for the measurement of financial instruments have been applied to financial instruments in the balance sheet:

NOK 1000

As at 31 December 2014	Loans and receivables	Assets at fair value in profit & loss	Available for sale	TOTAL
<b>Assets</b>				
Investments in shares & securities	-	-	519	519
Derivatives	-	4 419	-	4 419
Trade and other receivables	1 152 829	-	-	1 152 829
Bank deposits, cash & cash equivalents	166 963	-	-	166 963
<b>Total</b>	<b>1 319 792</b>	<b>4 419</b>	<b>519</b>	<b>1 324 730</b>

As at 31 December 2014		Liabilities at fair value in profit & loss	Other financial liabilities at amortised cost	TOTAL
<b>Liabilities</b>				
Loans	-	-	2 018 159	2 018 159
Financial leasing agreements	-	-	450 070	450 070
Derivatives	175 485	-	-	175 485
Trade and other payables, incl. statutory liabilities	-	-	615 226	615 226
<b>Total</b>		<b>175 485</b>	<b>3 083 455</b>	<b>3 258 940</b>

As at 31 December 2013	Loans and receivables	Assets at fair value in profit & loss	Available for sale	TOTAL
<b>Assets</b>				
Investments in shares & securities	0	0	384	384
Derivatives	0	17 636	0	17 636
Trade and other receivables	816 287	0	0	816 287
Bank deposits, cash & cash equivalents	1 070 998	0	0	1 070 998
<b>Total</b>	<b>1 887 285</b>	<b>17 636</b>	<b>384</b>	<b>1 905 306</b>

As at 31 December 2013		Liabilities at fair value in profit & loss	Other financial liabilities at amortised cost	TOTAL
<b>Liabilities</b>				
Loans	0	-	2 313 936	2 313 936
Financial leasing agreements	0	-	529 487	529 487
Derivatives	2 687	-	0	2 687
Trade and other payables, incl. statutory liabilities	0	-	705 725	705 725
<b>Total</b>		<b>2 687</b>	<b>3 549 148</b>	<b>3 551 835</b>

NOTE 11 • Derivatives

Derivatives entered into are measured at fair value. On the balance sheet date these are recognised in the balance sheet as follows:

	2014	2013
	Other receivables	Other current liabilities
<i>NOK 1000</i>		
<b>Recognised fair value as at 31 Dec</b>		
Forward currency contracts	0	-147 437
Financial fish trading contracts (Fish Pool)	4 419	-28 048
<b>Total</b>	<b>4 419</b>	<b>-175 485</b>

Forward currency contracts

The table below shows the company's forward currency contracts as at 31 December 2014. All contracts relate to the buying and selling of currencies against NOK. Forward contracts are entered into to reduce as far as possible the exchange rate risk on out-standing trade receivables and purchase/sales contracts entered into. Forward currency contracts are recognised at fair value in the balance sheet. The value of forward contracts is calculated on the

basis of estimated forward exchange rates for the currencies concerned, the term of the contract, agreed currency amounts and the spot rate on the balance sheet date.

The Group does not use hedge accounting in its recognition of forward currency contracts

Product	Type	Currency	Currency amount (1000)	Term	Exchange rate interval	Book value/ Fair value TNOK
Forward	Sale	EUR	173 739	Q1 2015 - Q1 2016	7,874-9,489	-90 754
Forward	Sale	JPY	3 651 608	Q1 2015 - Q1 2016	5,775-6,369	-8 573
Forward	Sale	GBP	22 942	Q1 2015 - Q1 2016	10,090-11,774	-21 907
Forward	Sale	USD	41 050	Q1 2015 - Q1 2016	6,074-7,755	-26 296
Forward	Sale	SEK	3 591	Q1 2015	0,9141-1,0128	-18
Forward	Buy	USD	1 467	Q1 2015	7,416-7,431	35
Forward	Buy	JPY	146 133	Q1 2015	6,187	76
<b>Total</b>						<b>-147 437</b>

Financial fish trading contracts (Fish Pool contracts)

Financial fish sales/purchase contracts (derivatives) have been entered into on Fish Pool. The derivatives are recognised at fair value in profit and loss. Settlement of the contracts is due to take place in 2015. The fair value of the Fish Pool contracts calculated on the basis of the agreed settlement price in the contract, the fair value of the fish on the balance sheet date and the contract's term. The fair value of purchase contracts is calculated at NOK 4,419,000, based on the market price in effect on the balance sheet date. Correspondingly, the fair value of the sales contracts is calculated at NOK -28,048,000.

Realised Fish Pool contracts are classified in profit and loss under Operational EBIT, while unrealised changes in the value of the Fish Pool contracts are classified as part of the fair value adjustment.

Realised Fish Pool contracts classified under operations came to NOK 29,266,000 in 2014. The corresponding figure for 2013 was NOK 641,000.

NOTE 12 • Receivables, provisions for bad debts

The Group's receivables are measured at amortised cost. Receivables denominated in foreign currencies are valued at the daily rate. Book value equals fair value.

NOK 1000	2014	2013
Trade receivables	900 407	685 209
Provisions for bad debts	-12 188	-23 060
Other short-term receivables	292 644	217 584
Other long-term receivables	14 995	6 027
<b>Total</b>	<b>1 195 858</b>	<b>885 760</b>
Included in the item Other short-term receivables above are prepaid expenses in the amount of	38 610	51 836
Included in the item Other short-term receivables above are derivatives in the amount of	4 419	17 636
Included in the item Other short-term receivables above are VAT refunds due in the amount of	212 918	23 259
Included in the item Other long-term receivables above are the following, falling due for payment in more than one year	13 403	5 225
Included in the item Other long-term receivables above are pension assets in the amount of	1 592	802

Bad debts are classified as other operating expenses in the Income Statement. Changes in provisions for bad debts and bad debts charged to expenses during the period are presented below

NOK 1000	2014	2013
Provisions for bad debt 1 Jan	23 060	4 000
Provisions for bad debts in acquired businesses	0	14 658
Provisions for bad debts 31 Dec	12 188	23 060
<b>Change in provisions for bad debts during the period</b>	<b>-10 872</b>	<b>4 402</b>
Actual bad debts	16 108	3 174
Change in provisions for bad debts	-10 872	4 402
<b>Bad debts charged to expenses during the period</b>	<b>5 236</b>	<b>7 576</b>

See Note 2 for further details of the credit risk and foreign exchange risk associated with trade receivables. As at 31 December the company had the following trade receivables that had fallen due, but had not yet been paid:

NOK 1000	Total	Not due	<30 d	30-45d	45-90d	>90d
2014	900 407	683 844	145 716	12 868	12 443	45 536
2013	685 209	513 088	115 284	7 152	8 887	40 798

NOTE 13 • Inventory and biological assets

NOK 1000	2014	2013
Raw materials	86 531	89 830
Goods in progress (entirely biological assets)	3 114 684	3 077 150
Finished goods	119 923	81 709
<b>Total</b>	<b>3 321 138</b>	<b>3 248 689</b>

Raw materials comprise mainly feed for smolt and marine-phase fish production. It also includes raw materials for use in processing, as well as packaging. Stocks of biological assets are associated with SalMar's fish farming activities on land and at sea. Finished goods comprises in its entirety whole salmon, fresh and frozen, as well as processed salmon products.

Biological assets in more detail

The treatment of live fish for accounting purposes is regulated by IAS 41 Agriculture. IAS 41 contains a method hierarchy for the measurement of biological assets for accounting purposes. The main rule is that such assets shall be measured at fair value. The best estimate for the fair value of fish under 1 kg live weight is accumulated cost, while for harvestable fish over 4 kg live weight the fair value adjustment of the biomass is set to expected net profit/loss. For fish between 1 kg and 4 kg live weight the fair value adjustment of the biomass is set in accordance with IFRS 13. Biological assets valued in accordance with IFRS 13 are included in valuation level 3, under which the valuation is based on factors that do not derive from observable markets. See Note 2 for further information about valuation levels. The value of the biomass is determined quarterly, and is reviewed and verified at Group level.

Valuation is performed for each segment and down to site level.

The fair value of the biomass is estimated on the basis of an informed, but subjective judgement. The main factors affecting the valuation of the biomass are the status of the biomass on the balance sheet date, including quality and size distribution, as well as market prices on the reporting date.

The market price on the balance sheet date for the specific weight category is adjusted for harvesting costs and wastage. The market price is also adjusted for quality variations. The sales prices used are based on external forward prices and/or the most relevant price information available for the period in which the fish is to be harvested.

Smolt are valued at cost.

The following table presents changes during the period for biological assets classified in level 3:

NOK 1000	2014	2013
Biological assets 1 Jan	3 077 150	1 986 213
Increase due to production/purchase	4 430 110	3 491 036
Increase deriving from acquisitions	0	216 148
Reduction due to exit of subsidiaries	-72 553	0
Reduction resulting from sale/harvesting	-4 274 054	-3 167 669
Fair value adjustments 1 Jan (reversed)	-874 833	-323 410
Fair value adjustment for exit of subsidiaries	-19 703	0
Fair value adjustments 31 Dec (new)	848 567	874 833
<b>Biological assets 31 Dec</b>	<b>3 114 683</b>	<b>3 077 150</b>

The most important parameters affecting the fair value of the biological assets presented above.

The model rests on a weighted average of forward prices based on the estimated harvesting time for the biomass, and newly entered into contracts. As at 31 December 2014 a price interval of NOK 41.34 to NOK 44.30 per kg has been stipulated. A price sensitivity analysis as at 31 December 2014 gives the following effect on the Group's operating profit (NOK 1,000):

Price change + NOK 1/kg	+ 52 458
Price change – NOK 1/kg	- 52 458

The Group's overall volume of biomass on the balance sheet date is also a material factor in an assessment of fair value. An overview of the Group's overall biomass and the size distribution within it is presented below. A sensitivity analysis of the biomass on the balance sheet gives the following effect on the Group's operating profit (NOK 1,000):

Change in biomass + 1%	+ 18 723
Change in biomass - 1%	- 18 723

	2014	2013
Biomass fish < 4 kg live weight (tonnes)	53 431	63 694
Biomass fish > 4 kg live weight (tonnes)	34 819	25 695
<b>Total biomass (tonnes)</b>	<b>88 251</b>	<b>89 389</b>

Fair value adjustment fish < 4 kg live weight (NOK 1,000)	380 353	538 711
Fair value adjustment fish > 4 kg live weight (NOK 1,000)	448 511	336 122
TOTAL fair value adjustment of biological assets (NOK 1,000)	828 864	874 833
Cost price biological assets (NOK 1,000)	2 285 820	2 202 317
<b>Book value of biological assets (NOK1,000)</b>	<b>3 114 684</b>	<b>3 077 150</b>



NOTE 14 • Fair value adjustments

Fair value adjustments are part of the Group's operating profit/loss, but changes in fair value are presented on a separate line to provide a greater understanding of the Group's profit/loss on sold goods. The item comprises:

<i>NOK 1000</i>	2014	2013
Change in fair value of the biomass	-38 963	529 433
Change in provisions for bad debts	-30 629	-1 759
Unrealised change in value of Fish Pool contracts	-39 160	13 680
Unrealised change in value of forward currency contracts	-123 597	-13 178
<b>Recognised fair value adjustments</b>	<b>-232 349</b>	<b>528 176</b>

NOTE 15 • Bank deposits

As at 31 December 2014 the item "Bank deposits, cash & cash equivalents" included restricted tax deductions amounting to NOK 38,406,000 (2013: NOK 36,184,000). The Group had additional restricted funds associated with Fish Pool contracts in the amount NOK 91,221,000 (2013: NOK 41,205,000).

NOTE 16 • Share capital and shareholders

As at 31 December 2014 the parent company's share capital comprised:

<i>NOK 1000</i>	No.	Face value	Book value
Ordinary shares	113 299 999	0,25	28 325

Shareholders

The 20 largest shareholders as at 31 December 2014 were:

	No.	Shareholding	Voting share
KVERVA AS	60 500 000	53,40 %	54,02 %
FOLKETRYGDFONDET	8 275 589	7,30 %	7,39 %
LIN AS	2 005 200	1,77 %	1,79 %
PARETO AKSJE NORGE	1 716 652	1,52 %	1,53 %
ODIN NORGE	1 635 467	1,44 %	1,46 %
STATE STREET BANK AND TRUST CO.	1 427 782	1,26 %	1,27 %
SALMAR ASA	1 300 000	1,15 %	0,00 %
VERDIPAPIRFONDET DNB NORGE (IV)	1 280 097	1,13 %	1,14 %
STATE STREET BANK & TRUST CO.	813 486	0,72 %	0,73 %
PARETO AKTIV	722 798	0,64 %	0,65 %
THE BANK OF NEW YORK MELLON	709 808	0,63 %	0,63 %
THE BANK OF NEW YORK MELLON	669 323	0,59 %	0,60 %
STOREBRAND NORGE I	614 184	0,54 %	0,55 %
STATE STREET BANK AND TRUST CO.	543 015	0,48 %	0,48 %
RBC INVESTOR SERVICES BANK S.A	492 524	0,43 %	0,44 %
SCHRODER INTERNATIONAL.SELECTION FD	467 809	0,41 %	0,42 %
KLP AKSJE NORGE INDEKS VPF	460 736	0,41 %	0,41 %
STATE STREET BANK & TRUST COMPANY	449 271	0,40 %	0,40 %
JPMORGAN CHASE BANK, N.A	446 716	0,39 %	0,40 %
THE NORTHERN TRUST CO.	419 783	0,37 %	0,37 %
<b>Total 20 largest shareholders</b>	<b>84 950 240</b>	<b>74,98 %</b>	<b>74,69 %</b>
Total other shareholders	28 349 759	25,02 %	25,31 %
<b>Total no. of shares</b>	<b>113 299 999</b>	<b>100,00 %</b>	<b>100,00 %</b>

Shares owned by members of the board of directors and the CEO:

Name	Position	No. of shares	Shareholding	Voting share
Bjørn Flatgård *	Board Chair	1 525 162	1,35 %	1,36 %
Gustav Witzøe **	Director	58 332 701	51,49 %	52,08 %
Pål Georg Storø	Director	12 400	0,01 %	0,01 %
Leif Inge Nordhammer***	CEO	2 650 065	2,34 %	2,37 %

\* owned indirectly through the family-owned company GloMar AS, which has shares in the Kverva Group. Account taken of own shares in Kverva AS.

\*\* owned indirectly through the parent company in the Kverva Group, and includes shares owned by companies controlled by related parties. Account taken of own shares in Kverva AS.

\*\*\* owned indirectly through LIN AS, as well as shares in the Kverva Group. Account taken of own shares in Kverva AS

Board authorisations

The board has been granted two authorisations to raise the share capital by a maximum of NOK 2,830,000, through the issue of up to 11,318,670 shares. The authorisations are valid until the 2015 AGM or 30 June 2015 at the latest.

The board's authorisation is valid until the 2015 AGM, or 30 June 2015 at the latest.

Dividend

A dividend of NOK 10 per share has been proposed, totalling NOK 1,120,000,000 as at 31 December 2014. No provision has been made for treasury shares.

NOTE 17 • Interest-bearing debt

*NOK 1000*

Long-term interest-bearing debt	2014	2013
Debt to credit institutions	1 889 703	2 134 382
Leasing liabilities	450 070	529 487
Other non-current liabilities	5 307	50 402
Next year's instalment on long-term debt	-153 518	-268 034
<b>Total long-term interest-bearing debt 31 Dec</b>	<b>2 191 562</b>	<b>2 446 237</b>

Short-term interest-bearing debt

Debt to credit institutions	123 149	129 153
Next year's instalment on long-term debt	153 518	268 034
<b>Total short-term interest-bearing debt 31 Dec</b>	<b>276 667</b>	<b>397 186</b>

<b>Total interest-bearing debt</b>	<b>2 468 229</b>	<b>2 843 423</b>
Cash & cash equivalents	166 963	1 070 998
<b>Net interest-bearing debt</b>	<b>2 301 266</b>	<b>1 772 425</b>

The book value of long-term debt is practically the same as fair value. Next year's instalments on bank loans and leasing agreements are classified as current liabilities in the balance sheet.

See Note 2 for details of the maturity profile of the Group's liabilities.

Interest-bearing debt in more detail

In 2014 SalMar entered into a new borrowing agreement with a term of 5 years. The credit facility comprises a term loan of 1,000,000,000, which has a 10-year repayment profile maturing after 5 years. There is also an investment and acquisition facility in the amount of NOK 2,000,000,000, which has a 33-year repayment profile maturing after 5 years. No drawdowns on this facility had been made as at 31 December 2014. In addition to this, there is a revolving credit facility amounting to NOK 1,500,000,000 and an agreed operating credit capped at NOK 500,000,000. Interest is based on so-called "current terms".

Financial covenants

The most important financial covenants for the long-term financing of SalMar ASA are, respectively, a solvency requirement, which stipulates that the Group's recognised equity ratio shall exceed 35%, and a profitability requirement, which stipulates that the Group's interest-bearing debt to EBITDA ratio shall, on average, not exceed 4.5. However, under the terms of the agreement, the company may have an NIBD/EBITDA ratio of up to 6.0 for up to three quarters.

This financing agreement covers all group companies with the exception of Vikenco AS and SalMar Japan K.K.

Estimated annual instalments on leasing liabilities in 2015 amount to NOK 43,989,000. Leasing agreements have an original term of 60-84 months, apart from the capitalised leasing agreement for the InnoMar facility which has a term of 20 years.

## NOTE 18 • Deferred tax assets and tax liabilities, and tax expense

NOK 1000

The year's tax expense breaks down as follows:	2014	2013
Tax payable	321 839	25 843
Change in deferred tax	90 601	437 253
Effect of change in tax rate	0	-44 574
Tax paid abroad	618	0
Surplus/shortfall in tax provisions in previous years	306	173
<b>Tax on ordinary profit</b>	<b>413 364</b>	<b>418 695</b>

Tax payable in the balance sheet	2014	2013
Tax payable in the year	321 839	25 843
Change in tax payable in previous years	0	0
Tax payable in the balance sheet	321 839	25 843

Breakdown of temporary differences	2014	2013
Intangible and operating assets	1 705 703	1 642 175
Financial leasing	46 868	72 243
Non-current financial assets	404	1 048
Inventory	3 129 036	3 091 104
Receivables	-8 017	-16 119
Other	-244 094	-17 429
Non-current liabilities	0	0
Profit & loss account	46 374	106 178
Losses carried forward	0	-436 397
<b>TOTAL temporary differences</b>	<b>4 676 274</b>	<b>4 442 802</b>

<b>Deferred tax liabilities (+) / deferred tax assets (-)</b>	<b>1 262 594</b>	<b>1 199 557</b>
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Change in deferred tax in the balance sheet:	2014	2013
Deferred tax 1 Jan	1 199 557	872 398
Change in deferred tax in profit and loss	90 601	437 253
Change in deferred tax resulting from changed tax rate - effect recognised in profit and loss	0	-44 574
Deferred tax associated with acquisitions	15 579	-64 583
Deferred tax association with demerger - exit of subsidiaries and non-controlling interests	-42 295	0
Deferred tax associated with equity transactions	0	-937
Other changes	-848	0
<b>Deferred tax 31 Dec</b>	<b>1 262 594</b>	<b>1 199 557</b>

Reconciliation from nominal to actual tax rates	2014	2013
Profit before tax	1 628 841	2 322 071
Expected tax at nominal tax rate	439 787	650 180
Effect of change in tax rate	0	-44 574
Permanent differences (27%)	-26 929	-187 084
Surplus/shortfall in tax provisions in previous years	306	173
Calculated tax expense	413 164	418 695
Effective tax rate	25,4 %	18,0 %

## Permanent differences apply to the following:

Option expenses	1 474	3 192
Options redeemed	-2 759	-5 476
Share of profit/loss from associates	-25 957	-44 234
Derivatives (TRS agreement)	0	-7 471
Realisation of shares and securities within the exemption method	0	-71 221
Change in value of financial assets at fair value in profit and loss	0	-23 179
Dividend received within the exemption method	0	-1 312
Non-recurring gains associated with acquisitions	0	-45 292
Other	313	7 908
<b>Total</b>	<b>-26 929</b>	<b>-187 084</b>

## NOTE 19 • Pension costs, assets and liabilities

The enterprise has a duty to provide an occupational pension scheme, under the Mandatory Occupational Pensions Act, and has a pension scheme that meets the requirements of this legislation.

In 2006 the Group switched from a defined-benefits pension plan to a defined-contribution pension scheme. Only those assets and liabilities associated with employees who were on sick leave or in

receipt of disability benefits, in addition to the residual pensioners, remain in the defined-benefits scheme. As at 31 December 2014 the pension liability associated with the defined-benefits plan derives in its entirety from 13 pensioners. Liabilities associated with this scheme are not included in the Group's pension calculations.

## Total pension costs for the Group break down into two parts, one contribution-based and one benefits-based, as follows:

NOK 1000	2014	2013
Premiums paid into the defined-contribution scheme	20 569	19 592
Costs relating to the defined-benefits plan	6 269	5 331
Accrued employers' national insurance contributions	1 148	1 061
<b>Year's pension costs, incl. employers' national insurance contributions</b>	<b>27 986</b>	<b>25 984</b>

## Pension assets and liabilities recognised in the Group's balance sheet break down as follows:

	2014	2013
Capitalised pension assets associated with secured scheme	1 592	802
Capitalised pension liabilities associated with unsecured scheme (AFP)	0	0
<b>Net pension assets</b>	<b>1 592</b>	<b>802</b>

## NOTE 20 • Liens, guarantees, etc

## Recognised liabilities secured through liens, etc:

NOK 1000	2014	2013
Short-term debt to credit institutions	123 149	129 153
Long-term debt to credit institutions	1 889 703	2 134 382
Leasing liabilities and other non-current liabilities	450 070	579 487
<b>Total</b>	<b>2 462 922</b>	<b>2 843 021</b>

Book value of assets pledged as security	2014	2013
Property, plant & equipment and licences	4 392 172	3 831 598
Inventory and biological assets	3 321 138	3 248 689
Trade receivables	888 219	662 149
Bank deposits	0	506 084
<b>Total</b>	<b>8 601 529</b>	<b>8 248 521</b>

As at 31 December 2014 the Group had not issued guarantees with respect to third parties.

## NOTE 21 • Other off-balance sheet liabilities

## Material operational leasing agreements

The Group has also entered into a 10-year lesaing contract with Romsdalsfisk AS, which expires 1 April 2017. The contract is for the lease of the Vikenco harvesting plant. The Group has a preferred right with respect to extending the lease. The leasing amount is divided into a fixed portion and a performance-related portion capped at NOK 300,000

NOK 1000	Less than 1 year	2-5 years	More than 5 years	Total
Total future leasing payments	5 491	3 346	103	8 940



NOTE 22 • Other current liabilities

Other current liabilities

<i>NOK 1000</i>	2014	2013
Accrued holiday pay	59 718	60 153
Accrued interest	2 931	16 450
Derivatives	175 485	2 687
Provisions	34 193	5 000
Option liabilities	0	6 771
Other accrued costs and provisions	108 899	101 495
<b>TOTAL other current liabilities</b>	<b>381 226</b>	<b>192 556</b>

NOTE 23 • Sales revenues

Geographic breakdown of sales revenues based on the location of the customer

The Group's sales are primarily made through the subsidiaries SalMar Sales AS and Vikenco AS.

GROUP REVENUES BY GEOGRAPHIC MARKET:	2014	2013
Asia	20,9 %	25,1 %
Russia	2,5 %	5,2 %
Europe, excl. Norway	41,6 %	34,0 %
Norway	28,3 %	30,9 %
Other	6,7 %	4,8 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>

NOTE 24 • Payroll costs, no. of employees, remunerations, employee loans, etc.

PAYROLL COSTS *NOK 1000*

	2014	2013
Salaries, incl. holiday pay and bonuses	606 466	523 971
Employers' national insurance contributions	40 144	35 478
Pension costs (see Note 19)	26 838	19 592
Options	5 459	11 400
Contract labour	14 753	15 954
Other benefits	16 770	16 658
<b>Total</b>	<b>710 430</b>	<b>623 053</b>

No. of full-time equivalents employed during the financial year.	1 082,5	998,5
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The SalMar Group has a management team comprising the CEO, CFO and the leaders of the largest business areas.

2014 <i>NOK 1000</i> Senior executives	Salary	Bonus, incl. extraordinary bonus	Benefits-in kind	Accrued pension costs	Exercised options
Leif Inge Nordhammer, CEO *	2 621	350	8	53	0
Yngve Myhre, CEO **	2 886	0	60	49	3 704
Trond Tuvstein, CFO	1 737	350	8	60	0
Bjørn Larsen, Director, Fish Farming ***	1 036	0	5	54	0
Olav-Andreas Ervik, Director, Fish Farming ****	1 538	350	9	132	0
Gustav Witzøe, Director, Business Development	1 063	350	8	54	0
Eva Haugen, Group Quality Assurance Manager	1 130	350	8	77	0

\* Took up post 20 January 2014

\*\* Left post in January 2014

\*\*\* Left post 31 July 2014

\*\*\*\*Took up post 1 August 2014

Severance pay for former CEO

CEO Yngve Myhre stepped down in January 2014. He was entitled to salary payments during a 6-month period of notice, plus 6-months' severance pay.

2013 <i>NOK 1000</i> Senior executives	Salary	Bonus, incl. extraordinary bonus	Benefits-in kind	Accrued pension costs	Exercised options
Leif Inge Nordhammer, CEO *	0	0	0	0	0
Yngve Myhre, CEO **	3 097	1 076	9	48	0
Ulrik Steinvik, CFO ***	1 582	560	9	47	2 194
Trond Tuvstein, CFO ****	1 691	604	9	47	3 017
Bjørn Larsen, Director, Fish Farming	1 722	612	9	51	3 017
Gustav Witzøe, Director, Business Development	1 047	335	61	46	0
Eva Haugen, Group Quality Assurance Manager	988	393	9	42	823

\* Took over the position on 20 Jan 2014 and has thus not received salary in 2013.

\*\* Stepped down in Jan 2014

\*\*\* Stepped down on 15 Oct 2013

\*\*\*\* Took over the position on 15 Oct 2013

The remuneration paid to the CEO and other senior executives at SalMar is based on the following main principles.

are utilised by the company. The board may not waive the guidelines relative to this matter.

Basic salary

Basic salary is determined on the basis of the duties and responsibilities required of the position, as well as the expertise and length of service of the individual concerned. Salaries are intended to be competitive.

Pension schemes

Senior executives shall at all times have competitive pension schemes.

Annual bonus

The bonus shall be determined and paid on the basis of the level of the position concerned and the added value which the individual or group of individuals has generated.

Notice of termination and severance pay

Senior executives have a basic period of notice of six months. In certain cases, and depending on the position concerned, salary may be paid for a period of 6-12 months after employment has been terminated.

Benefits-in-kind

The company does not offer benefits-in kind-over and above that which is normal for senior executives in comparable companies.

Other variable elements in the remuneration package

The above notwithstanding, the company shall not offer senior executives variable elements in the remuneration package or specific benefits in addition to their basic salary.

Share-based incentive schemes

The company wishes to utilise forms of remuneration which result in senior executives receiving shares, subscription rights or options in accordance with a specified programme. No other forms of remuneration linked to shares or the development of the share price

A statement relating to the determination of salaries and other benefits to senior executives at SalMar ASA has been approved by the board. For further details, please see the chapter on Corporate Governance.

Board of directors <i>NOK 1000</i>	Director's fee 2014	Director's fee 2013
Bjørn Flatgård, Chair	300	280
Gustav Witzøe	95	90
Kjell A. Storeide *	233	215
Tove Nedreberg **	220	205
Merethe Helene Holthe	190	0
Nina Udnes Tronstad	0	180
Pål Georg Storø (employee representative)	95	0
Hanne Tobiassen (employee representative)	95	0
Alf Jostein Skjærvik (employee representative)	0	115
Arnt Mjønnes (employee representative)	0	90

\* Has received an additional NOK 42,500 in remuneration as chair of the Audit Committee.

\*\* Has received an additional NOK 30,000 in remuneration as a member of the Nomination Commttee.

Directors' fees are not performance related.

Directors' fees payable to employee representatives are stated above. Total remuneration from the Group to employee-elected members of the board of directors, including directors' fees as stated above, was as follows in 2014:

Pål Georg Storø:	NOK 1,167,000
Hanne Kristine Tobiassen:	NOK 895,000

Loans and guarantees to employees

NOK 1000	Loans	Sureties
Employees	1 953	-

Options

A total of 64 people in the company, including the entire group management team, received in 2010, 2011 and 2012 a total of 1,835,000 options to purchase the company's shares. In the period from the granting of the options until 31 December 2014, a total of 11 people left the company and 453,520 options have therefore lapsed. Members of the board of directors do not have options. The option scheme was terminated in 2014, and the remaining 264,609 options have been redeemed.

Movements in the number of options outstanding for the active option scheme have been as follows:

	2014 Average strike price per share	Options	2013 Average strike price per share	Options
As at 1 Jan	74,00	264 609	54,30	1 325 000
Granted during the year		-	-	-
Lapsed during the year		-	-	-
Exercised	82,04	-264 609	67,97	-1 060 391
Expired	-	-	-	-
As at 31 Dec	-	-	74,00	264 609

A total of NOK 3,447,000 was charged to expenses in accordance with the scheme in 2014.

Restricted Share Unit Plan (RSU):

In accordance with the authorisation granted by the company's AGM on 4 June 2014, SalMar ASA's board of directors has introduced a share-based incentive scheme (Restricted Share Unit Plan) for senior executives and key personnel employed by the company and its subsidiaries. The plan encompasses up to 333,764 shares, and has a term of three years. The company's liabilities under the plan will be covered by its existing holding of treasury shares. The date on which entitlements under the plan were granted was 3 December 2014.

Participants of the plan are granted Restricted Share Units (RSUs) free of charge. These will be released and transferred as shares to participants after an accrual period subject to predefined performance criteria. The plan comprises three accrual periods of, respectively, one, two and three calendar years, with 2014 as the first year. Each accrual period covers 1/3 of the total annual RSUs in the plan. One RSU affords a contingent entitlement to one share. The award of RSUs in each of the three accrual periods rests on the following performance criteria:

- 1/3 of the RSUs will vest irrespective of the performance criteria.
- 1/3 of the RSUs will vest provided that SalMar achieves a better EBIT/kg ratio than other aquaculture enterprises listed on the Oslo Stock Exchange during the accrual period.
- 1/3 of the RSUs will vest provided that SalMar's shares deliver a higher total shareholder return (TSR) than a defined group of comparable companies during the accrual period.

The plan stipulates that RSUs will vest only if the participant is still an employee of the Group. The total gains from released RSUs during the course of one calendar year may not exceed 100% of the participant's basic salary.

The fair value of RSU entitlements is calculated on the date they are awarded. The total fair value for the entitlements is capped at NOK 36,254,800. The cost is periodised over the accrual period, and a total of NOK 2,011,900 was charged to expenses in connection with the scheme in 2014. Provisions for employer's national insurance contributions linked to the scheme have also been made. The expense will become real to the extent that the performance criteria are met.

The fair value of the RSU entitlements that are not at market terms is set as the share price on the date the award was made. The probability of the performance criteria being met is taken into account when assessing how many RSU entitlements will be redeemed. The share price on the date of the award was NOK 123.00.

The fair value of the RSU entitlements that are at market terms is calculated on the basis of a Monte-Carlo simulation. The most important input data when calculating the value of these RSU entitlements are the share price on the date of the award, volatility, risk-free interest, expected dividend and accrual period. Based on the Monte-Carlo simulation, each RSU entitlement is worth NOK 118.73.

Group management has the following RSU entitlements:	Holding 1 Jan	Year's award	Holding 31 Dec
Leif Inge Nordhammer, CEO	-	12 110	12 110
Trond Tuvstein, CFO	-	7 099	7 099
Olav-Andreas Ervik, Director, Fish Farming	-	6 755	6 755
Gustav Witzøe, Director, Business Development	-	-	-
Eva Haugen, Group Quality Assurance Manager	-	4 662	4 662

Auditor

The fees paid to the Group's auditor (ex. VAT) break down as follows

NOK 1000	2014	2013
Statutory auditing services	1 923	1 839
Other certification services	140	112
Tax advisory services	110	96
Other services	345	578
<b>Total</b>	<b>2 519</b>	<b>2 625</b>

NOTE 25 • Operating expenses

Specification of other operating expenses:

NOK 1000	2014	2013
Maintenance	201 929	136 016
Operating equipment	68 990	49 293
Direct input factors	209 743	200 222
Delivery costs	445 217	423 076
Other operating costs	217 074	277 692
<b>Total</b>	<b>1 142 953</b>	<b>1 086 299</b>

Research and development costs:

R&D costs include expenses relating to research and administrative personnel, technical equipment and facilities, and sums paid for external research services.

The criteria for capitalisation are deemed to have been met with respect to the Group's salmon lice project, as well as the offshore

fish farm project (see Note 4). Other R&D costs are not deemed to have met the criteria for capitalisation, and those costs have therefore been charged to expenses. A total of NOK 53,086,000 in R&D costs was charged to expenses in 2014 (NOK NOK 17,708,000 in 2013).

NOTE 26 • Government grants

Group companies took to income NOK 6,672,000 in SkatteFUNN contributions in 2014. A further NOK 4,309,300 has been recognised as deferred revenues in the period. A total of NOK 3,187,000 in SkatteFUNN contributions was recognised in 2013.

NOTE 27 • Financial items

NOK 1000	2014	2013
Gains on TRS agreement	0	26 683
Gains on shares	0	254 360
Change in value of financial assets at fair value in profit and loss	0	82 781
Dividend	12	4 686
Other financial income	2 032	5 847
<b>Financial income</b>	<b>2 044</b>	<b>374 357</b>
Other financial expenses	902	1 596
<b>Financial expenses</b>	<b>902</b>	<b>1 596</b>



Material effects of share transactions in 2013:

Realisation of shares in Bakkafrøst PF

On 15 May 2013 the Group agreed the sale of part of its shareholding in Bakkafrøst, following which its shareholding in Bakkafrøst was reduced from 25.2% to 10.2%. Less expenses, the total consideration for the shares sold came to NOK 506,084,000. A gain of NOK 170,103,000 was recognised in connection with the transaction.

As a result of the sale, Bakkafrøst ceased to be an associate from the date of the transaction. For accounting purposes the entire shareholding was realised, and the remaining 10.2% shareholding was classified as a financial instrument at fair value in profit and loss. The new cost price for the remaining shareholding was its fair value on the date of the transaction. The share of profit/loss from the associate for the period up until the date of the transaction was recognised in the amount of NOK 40,667,000. For the period from then until 12 December 2013, the change in fair value came to NOK 82,781,000.

In addition to its shareholding in Bakkafrøst, SalMar had also entered into a TRS agreement for a total of 4.66% of the company's shares. The TRS agreement has been consistently recognised at fair value, with changes in value included in "Other financial items". As at 15 July 2013 the TRS agreement was realised, and the entire shareholding acquired. The accumulated gain on the TRS agreement was NOK 76,706,000, of which NOK 26,683,000 was taken to income in 2013. After this SalMar's shareholding in Bakkafrøst totalled 14.88%. The change in the value of the shares acquired on 15 July 2013 up until 12 December 2013 was included in the NOK 82,781,000 change in value mentioned above.

On 12 December 2013 the remaining 14.88% shareholding in Bakkafrøst PF was realised. The net consideration for the remaining shareholding totalled NOK 616,443,000. A gain on this transaction of NOK 18,576,000 was recognised in 2013.

Realisation of shares in Nordskag Næringspark AS

In 2013 the Group also realised its 42.5% shareholding in Nordskag Næringspark AS. The total consideration came to NOK 64,673,000, which generated a gain for the Group of NOK 40,755,000 in the period.

Acquisition of shares in Villa Organic AS

During the period 22 March to 2 April 2013 the Group agreed to acquire 41.3% of the shares in Villa Organic AS. The Group already owned 8.4% of the company's shares, and its 49.7% shareholding gave it a significant influence over the firm. The investment was classified as an associated company. For accounting purposes the investment was treated as an associate in accordance with the equity method from this point until 12 June 2013, when the SalMar Group achieved a controlling interest in the company. NOK 12,855,000 in profit shares from the investment in the associate was recognised in revenue in 2013. On the dates that both significant influence and controlling influence were achieved, the entire gain on the shares was deemed to have been realised and a new cost price established. On the date of transfer from financial instrument held for sale to associated company, this generated a gain of 15,000,000. Correspondingly, in connection with the transfer from associate to subsidiary a gain of NOK 6,587,000 was recognised in revenue. For further details of the transactions, please see Note 7.

The effect of the above-mentioned transactions is included in financial income as Gains on TRS agreement, Gains on shares and Changes in the value of financial assets at fair value in profit and loss. In addition, effects have been recognised on the line for Income from investments in associates.

NOTE 29 • Related parties/individual transactions

The Group's parent company is SalMar ASA. The overall parent company is Kverva AS, which owns 53.4% of the shares in SalMar ASA. The ultimate parent company is Kvarv AS, which prepares its own consolidated accounts in accordance with NGAAP.

NOK 1000

Transactions with related parties:		Sales	Purchases	Receivables	Liabilities
Kverva AS	Owns 53.4% of Salmar ASA	0	32	0	0
Romsdal Processing AS	Associate - see Note 9	0	4 242	0	42
Kirkenes Processing AS *	Associate - see Note 9	0	25 725	0	0
Total		0	29 999	0	42

\* Services provided by Kirkenes Processing AS relate to the harvesting of salmon from SalMar Laksefjorden. Production at SalMar Laksefjorden is a joint operation with Lerøy Finnmark, where Lerøy Finnmark undertakes the actual operational management.

Transactions between the Group and related parties are undertaken on market terms and conditions.

Dividends have also been received from associates. See Note 9 for further details.

NOTE 28 • Earnings per share

NOK 1000	2014	2013
Net profit for the year (controlling interest's share)	1 192 500	1 790 041
Ordinary shares 1 Jan	113 299 999	113 299 999
Effect of share issue	-	-
Effect of buyback of treasury shares	-	-
Average no. of shares outstanding through the year	113 299 999	113 299 999
Diluting effect of RSU entitlements granted (see Note 24)	801	-
Average no. of diluted shares outstanding through the year	113 300 800	113 299 999
Earnings per share		
Basic	10,53	15,80
Diluted	10,53	15,80





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Passion for Salmon

*The fish is sold either as whole gutted salmon (fresh or frozen) or fillets.*



## INCOME STATEMENT

NOK 1000

OPERATING REVENUES AND OPERATING EXPENSES	Note	2014	2013
Sales revenues	2	56 696	52 170
<b>Total operating revenues</b>		<b>56 696</b>	<b>52 170</b>
Salary and payroll costs	3	40 976	42 814
Depreciation of property, plant & equipment	4	1 697	772
Other operating expenses	3,10	66 581	35 957
<b>Total operating expenses</b>		<b>109 254</b>	<b>79 543</b>
<b>Operating profit/loss</b>		<b>-52 559</b>	<b>-27 373</b>
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Income from investments in subsidiaries	5	1 108 218	436 235
Income from investments in associates	6	36 250	565 905
Interest received from group companies		91 250	98 267
Other interest income		10 720	5 512
Other financial income		125	890
Interest paid to group companies		5 106	0
Other interest expenses		71 636	118 017
Other financial expenses		32 801	52 170
<b>Net financial items</b>		<b>1 137 019</b>	<b>936 622</b>
<b>Ordinary profit/loss before tax</b>		<b>1 084 461</b>	<b>909 249</b>
Tax	12	281 317	93 910
<b>Profit after tax</b>		<b>803 144</b>	<b>815 339</b>
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>803 144</b>	<b>815 339</b>
ALLOCATIONS			
Dividend provisions	8,9	1 120 000	896 000
Transferred to/from other equity	9	-316 856	-80 661
<b>TOTAL allocations</b>		<b>803 144</b>	<b>815 339</b>
Group contributions received before tax		1 108 218	436 235
Group contributions paid before tax		-22 740	-312 151

## BALANCE SHEET

AS AT 31 DECEMBER NOK 1000

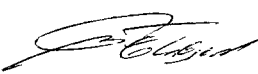
ASSETS	Note	2014	2013
<b>NON-CURRENT ASSETS</b>			
<b>Intangible assets</b>			
Deferred tax assets	12	10 460	412
<b>Total intangible assets</b>		<b>10 460</b>	<b>412</b>
<b>Property, plant &amp; equipment</b>			
Land, buildings and other real property	4	2 159	2 159
Plant, equipment and operating consumables	4	8 783	7 022
<b>Total property, plant &amp; equipment</b>	14	<b>10 942</b>	<b>9 181</b>
<b>Non-current financial assets</b>			
Investments in subsidiaries	5,14	1 000 754	953 422
Loans to group companies	7,11,14	2 175 924	2 371 596
Investments in associates	6	162 890	162 890
Investments in shares and other securities		10	10
Other receivables	7	786	1 896
<b>Total non-current financial assets</b>		<b>3 340 363</b>	<b>3 489 813</b>
<b>Total non-current assets</b>		<b>3 361 765</b>	<b>3 499 406</b>
<b>CURRENT ASSETS</b>			
<b>Receivables</b>			
Trade receivables	14	6	0
Short-term receivables from group companies	11,14	1 279 297	497 524
Other receivables	14	20 659	11 308
<b>Total receivables</b>		<b>1 299 963</b>	<b>508 831</b>
Bank deposits, cash & cash equivalents	14,16	14 790	916 937
<b>Total current assets</b>		<b>1 314 753</b>	<b>1 425 768</b>
<b>TOTAL ASSETS</b>		<b>4 676 517</b>	<b>4 925 174</b>

BALANCE SHEET

AS AT 31 DECEMBER NOK 1000

EQUITY AND LIABILITIES	Note	2014	2013
EQUITY			
Paid-in equity			
Share capital	8,9	28 325	28 325
Treasury shares	9	-325	-325
Share premium fund	9	415 285	415 285
Other paid-in equity	9	27 528	25 516
Total paid-in equity		470 813	468 801
Retained earnings			
Other equity	9	744 073	1 060 929
Total retained earnings		744 073	1 060 929
Total equity	9	1 214 887	1 529 731
LIABILITIES			
Other non-current liabilities			
Debt to credit institutions	13,14	1 800 000	1 991 682
Long-term debt to group companies	11	10 012	0
Total other non-current liabilities		1 810 012	1 991 682
CURRENT LIABILITIES			
Debt to credit institutions	13,14	75 202	0
Trade payable		2 152	1 920
Tax payable	12	285 225	0
Dividend	8,9	1 120 000	896 000
Public charges payable		59 441	35 981
Short-term payables to group companies	11	55 615	436 163
Other current liabilities		53 984	33 697
Total current liabilities		1 651 618	1 403 762
Total liabilities		3 461 631	3 395 443
TOTAL EQUITY AND LIABILITIES		4 676 517	4 925 174

Frøya, 16<sup>th</sup> April 2015



Bjørn Flatgård  
Chair



Gustav Witzøe  
Director



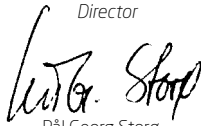
Tove Elin Nedreberg  
Director



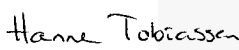
Kjell A. Storeide  
Director



Merethe Helene Holte  
Director



Pål Georg Storø  
Director/Employee representative



Hanne Kristine Tobiassen  
Director/ Employee representative



Leif Inge Nordhammer  
President & CEO

STATEMENT OF CASH FLOW

AS AT 31 DECEMBER NOK 1000

CASH FLOW FROM OPERATING ACTIVITIES:	Note	2014	2013
Ordinary profit before tax		1 084 461	909 249
Tax paid during the period	12	0	0
Depreciation	4	1 697	772
Income from investments in subsidiaries	5	-1 108 218	-436 235
Income from investments in associates	6	-36 250	-565 905
Options charged to expenses	3	3 761	10 429
Gains/losses on the sale of non-current assets		0	66
Gains/losses on the sale of non-current financial assets		0	-890
Change in trade receivables		-11 173	146
Change in trade payables		-47 045	231
Change in other time-limited items		34 785	12 658
Net cash flow from operating activities		-77 982	-69 478
CASH FLOW FROM INVESTING ACTIVITIES:			
Receipts from the sale of property, plant & equipment	4	0	200
Payments for the purchase of property, plant & equipment	4	-3 458	-4 924
Change in intra-group balances	11	48 990	314 686
Net receipts of group contributions and dividends from subsidiaries	5	138 294	270 293
Receipts of dividends from associates and other investments	6	36 250	60 071
Net receipts from the sale of non-current financial assets		0	1 188 222
Net payments for the purchase of non-current financial assets	5	-29 034	-240 359
Net change in other investmens		1 165	0
Net cash flow from investing activities		192 207	1 588 190
CASH FLOW FROM FINANCING ACTIVITIES:			
Long-term debt raised		1 800 000	0
Long-term debt repaid		-1 991 682	-152 873
Net change in overdraft		75 202	-431 615
Options redeemed		-3 893	-20 553
Dividend (paid)		-896 000	0
Net cash flow from financing activities		-1 016 372	-605 040
Net change in bank deposits, cash & cash equivalents		-902 147	913 672
Bank deposits, cash & cash equivalents as at 1 Jan		916 937	3 264
Bank deposits, cash & cash equivalents as at 31 Dec		14 790	916 937
Unused drawing rights		3 124 798	1 970 000



# NOTES TO FINANCIAL STATEMENTS

>>>



NOTE 1 • Accounting principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway. The accounting principles described below apply only to the parent company SalMar ASA. The notes relating to the SalMar Group are presented along with the Group's consolidated financial statements.

Use of estimates

Preparation of the financial statements in accordance with generally accepted accounting principles requires that management make assessments, estimates and assumptions that affect the application of accounting principles, the recognised value of assets and liabilities in the balance sheet, revenues and expenses for the financial year, as well as information relating to uncertain assets and liabilities on the balance sheet date. Estimates and their underlying assumptions are based on historic experience and other factors which are deemed to be relevant and probable at the time the assessment is made. These assessments affect the book value of assets and liabilities where the valuation is not based on other sources. Estimates are assessed continually, and final values and results may deviate from these estimates. Changes in accounting estimates are recognised in the period in which the change takes place.

Classification and valuation of balance sheet items

Liquidity is defined as cash and bank deposits.

Assets intended for permanent ownership or use are classified as non-current assets. Other assets are classified as current assets and normally include items falling due for payment within one year, as well as items associated with the production cycle. The classification of current and non-current liabilities is based on the same criteria.

Non-current assets are valued at acquisition cost. If the recoverable portion of the non-current asset is lower than its book value, and the impairment is not expected to be temporary, the asset is written down to its recoverable value. Non-current assets with a limited economic life are depreciated systematically.

Current assets are valued at the lower of acquisition cost and fair value.

Other non-current liabilities are valued at par.

Revenues

Revenue from the sale of goods is recognised when it is earned, ie when the majority of both the risk and control of the item sold has been transferred to the customer. This will normally be when the item has been delivered to the customer. Revenues are recognised at the value of the consideration payable at the time the transaction took place. Services are taken to income as they are performed. Operating revenues are recognised less public charges, discounts, bonuses and other sales costs.

Receivables

Trade receivables and other receivables are recognised at par less provisions for bad debts. Provisions for bad debts are determined on the basis of an assessment of the individual receivable.

Property, plant & equipment

Items of property, plant and equipment are capitalised at historic cost price and are depreciated over the asset's expected lifespan. Costs directly relating to maintenance of property, plant and equipment are charged to operating expenses as they arise, while enhancements or improvements are added to the asset's cost price and depreciated in line with the asset itself. If the recoverable portion of an item of property, plant and equipment is lower than its book value, the asset is written down to its recoverable value. The recoverable value is the higher of net sales value and value in use. Value in use is the present value of future cash flows which the asset will generate.

Shares

Subsidiaries, associates and other shares classified as non-current assets are valued in accordance with the cost method. Subsidiaries are companies in which SalMar ASA has a controlling influence, as a result of either legal or actual control. In principle, a controlling influence is deemed to exist when the company's direct or indirect shareholding exceeds 50 per cent of the voting capital. Associates are companies in which SalMar has a considerable influence. Considerable influence is normally deemed to exist when the company owns 20-50 per cent of the voting capital. Investments are valued at the shares' acquisition cost unless a write-down has been necessary. Write-downs to fair value are performed when the impairment is due to reasons that are not deemed to be of a temporary nature and are required under generally accepted accounting principles. Write-downs are reversed when the reason for the write-down no longer applies.

Dividend and other payouts are recognised as other financial income. If the dividend exceeds the share of withheld profit/loss after acquisition, the surplus amount represents a repayment of invested capital, and the payouts are deducted from the value of the investment in the balance sheet.

Pensions

The company has a defined-contribution occupational pension scheme. Pension premiums are charged to expenses as they arise, and the Group has no other liabilities over and above this annual payment.

Share-based remuneration  
(Restricted Share Unit Plant - RSU)

The company has share-based incentive schemes, under which the company receives services from the employees in return for equity instruments (RSUs). The fair value of the services rendered by the employees in return for the RSUs awarded is recognised as an expense, with a corresponding increase in paid-in equity. The total amount charged to expenses over the vesting period is determined on the basis of fair value at the time the RSUs were granted, and the number of RSUs which are expected to accrue.

Fair value includes the effect of any market terms, but does not take account of the impact of any vesting terms that are not market terms. However, vesting terms that are not market terms affect the number of RSU that can be expected to be earned.

The total expense is periodised over the vesting period. On the balance sheet date, the company recalculates its estimates for the number of options that are expected to be earned. The company recognises the effect of any changes in the original estimates in profit and loss, with a corresponding adjustment in equity. The value of options relating to employees of subsidiaries is posted to investments in subsidiaries.

In the event of a decision to permit the cash settlement of options, the option liability will be reclassified from equity to liabilities. From the same date, the value of the option liability will be measured anew at the close of each period, with any changes recognised in profit and loss.

Tax

The tax expense is matched against profit/loss before tax. Tax relating to equity transactions is recognised in equity. The tax expense comprises tax payable (tax on the company's taxable income for the year as it appears in the income statement), and any change in net deferred tax. Deferred tax is calculated at the rate of 27 per cent on the temporary differences between accounting and tax values, as well as tax losses carried forward at the end of the financial year. Deferred tax liabilities and deferred tax assets are presented net in the balance sheet.

Statement of cash flow

The company's statement of cash flow shows a breakdown of the company's cash flow by operating, investing and financing activity. The statement shows the individual activity's impact on liquidity. The statement of cash flow has been drawn up in accordance with the indirect method.

NOTE 2 • Sales revenues

The parent company SalMar ASA is a holding company primarily engaged in the provision of administrative services to its subsidiaries. Consequently, the parent company's revenues derive solely from one business area, and are divided between revenues from intra-group services and other revenues as specified below.

NOK 1000	2014	2013
Revenues from provision of administrative services to group companies	56 654	52 119
Revenues from provision of administrative services to associates	0	0
Other revenues	42	50
<b>Total</b>	<b>56 696</b>	<b>52 170</b>

NOTE 3 • Payroll costs, no. of employees, remuneration, employee loans, etc

PAYROLL COSTS NOK 1000	2014	2013
Salaries, incl. holiday pay & bonuses	30 494	26 347
Employers' national insurance contributions	2 615	2 579
Pension costs	1 190	857
Options/RSU	3 761	10 429
Other benefits	2 916	2 602
<b>Total</b>	<b>40 976</b>	<b>42 814</b>

<b>No. of people employed (full-time equivalents) during the financial year</b>	28	21
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Remuneration paid to senior company officers and the auditor

Please see Note 24 to the consolidated financial statements for details of the remuneration paid to senior executives.

Options

8 company employees received a total of 502,500 options to acquire company shares in the period 2010 to 2012. The option scheme came to an end in 2014, and the remaining 131,575 options were redeemed during the year. SalMar ASA recognised an expense of NOK 3,447,300 in connection with this scheme in 2014.

Restricted Share Unit Plan (RSU)

11 company employees were awarded a total of 50,106 RSUs with respect to company shares in 2014. The RSUs are earned over a 3-year period from the date they were awarded, 3 Decem-

ber 2014, with 1/3 vesting annually. The fair value of the cost to SalMar ASA calculated on the date of the award is NOK 5,675,000, with the expense periodised over the vesting period. The periodised expense in 2014 comes to NOK 314,100. A provision for employers' national insurance contributions on the expense has also been made.

Please see Note 24 to the consolidated financial statements for further details regarding the share-based incentive schemes.



Auditor NOK 1000

The fee paid to the auditor, excl. VAT, breaks down as follows:

	2014	2013
Statutory auditing services	178	417
Other certification services	3	5
Tax advisory services	3	2
Other services	78	238
<b>Total</b>	<b>261</b>	<b>662</b>

NOTE 4 • Property, plant & equipment

NOK 1000	Real property	Operating equipment, fixtures, etc	TOTAL
Acquisition cost 1 Jan 2014	2 159	10 586	12 745
Additions	0	3 458	3 458
Disposals	0	0	0
Acquisition cost 31 Dec 2014	2 159	14 044	16 203
Acc. depreciation & write-downs 1 Jan 2014	0	3 565	3 565
Year's depreciation	0	1 697	1 697
Acc. depreciation disposals	0	0	0
Acc. depreciation 31 Dec 2014	0	5 262	5 262
<b>Book value 31 Dec 2014</b>	<b>2 159</b>	<b>8 783</b>	<b>10 942</b>

Economic lifespan  
Depreciation plan

5-10 years  
straight-line

Annual leasing of off-balance sheet operating assets	2 686	132	2 818
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NOTE 5 • Subsidiaries

Investments in subsidiaries are recognised in accordance with the cost method.

COMPANY NOK 1000	Registered office	Voting share/ shareholding	Book value 2014	Book value 2013
SalMar Settefisk AS	Kverva	100 %	114 273	113 856
SalMar Farming AS	Kverva	100 %	89 889	89 050
SalMar Nord AS	Finnsnes	100 %	316 794	316 509
SalMar AS	Kverva	100 %	241 650	88 696
SalMar - Tunet AS	Kverva	100 %	7 278	7 183
SalMar Sales AS	Kverva	100 %	0	152 550
Villa Organic AS	Molde	50,4 %	0	170 122
SalMar Laksefjorden AS	Finnsnes	100 %	170 370	0
Hitramat Farming AS	Hitra	51 %	28 785	0
Ocean Farming AS	Frøya	91 %	31 706	15 447
<b>TOTAL subsidiaries</b>			<b>1 000 754</b>	<b>953 422</b>

<b>SalMar ASA has recognised group contributions from the following subsidiaries (TNOK):</b>	<b>2014</b>	<b>2013</b>
- SalMar Farming AS	592 000	394 442
- SalMar Nord AS	341 309	41 793
- SalMar Laksefjorden AS	12 233	0
- SalMar Organic AS	162 676	0
<b>Totalt recognised income from investments in subsidiaries</b>	<b>1 108 218</b>	<b>436 235</b>

As at 31 December 2013, SalMar ASA owned 50.4 per cent of the shares in Villa Organic AS. SalMar ASA and the other major shareholder in Villa Organic AS decided, with effect from 1 July 2014, to split Villa Organic between them. SalMar's activities in the Villa group have been incorporated into SalMar Laksefjorden AS, in which SalMar ASA had a 99.94 per cent shareholding as at 1 July 2014. SalMar ASA's shares in Villa Organic AS as at 31 December 2013 were incorporated into SalMar Laksefjorden AS in 2014. The non-controlling interests in SalMar Laksefjorden AS were, moreover, bought out at a cost of NOK 248,000. As at 31 December 2014, SalMar ASA owned 100 per cent of the company's shares.





NOTE 6 • Associates

Investmenets in associates are recognised in accordance with the cost method.

<i>NOK 1000</i> COMPANY	Registered office	Voting share/ shareholding	Book value 2014	Book value 2013
Norskott Havbruk AS	Bergen	50 %	162 787	162 787
Trøndersk Kystkompetanse AS	Dyrvik	20 %	103	103
<b>TOTAL associates</b>			<b>162 890</b>	<b>162 890</b>

<i>NOK 1000</i> COMPANY	Recognised dividend	Equity in last year-end finan. stat.	Profit/loss in last year-end finan. stat.
Norskott Havbruk AS	36 250	1 041 240	191 079
Trøndersk Kystkompetanse AS	0	1 764	248
	<b>36 250</b>		

NOTE 7 • Receivables falling due more than one year hence

<i>NOK 1000</i>	2014	2013
Other receivables	201	146
Loans to employees	585	1 750
Loans to group companies	2 175 924	2 371 596

NOTE 8 • Share capital and shareholders

The company's share capital as at 31 December 2014 comprises:

<i>NOK 1000</i>	No.	Face value	Book value
Ordinary shares	113 299 999	0,25	28 325

Please see Note 16 to the consolidated financial statements for details of the largest shareholders and senior executives' holdings of company shares.

Dividend

A provision has been made with respect to a dividend payout of NOK 10 per share, totalling NOK 1,120,000,000 as at 31 December 2014. No provision is made for dividends on the company's own treasury shares.

NOTE 9 • Equity

<i>NOK 1000</i>	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Other equity	Total equity
<b>Equity as at 31 Dec 2013</b>	<b>28 325</b>	<b>-325</b>	<b>415 285</b>	<b>25 516</b>	<b>1 060 929</b>	<b>1 529 731</b>

<b>Year's change in equity:</b>						
Profit/loss in the period	0	0	0	0	803 144	803 144
Dividend provision	0	0	0	0	-1 120 000	-1 120 000
Option cost recognised in equity	0	0	0	2 012	0	2 012
<b>Equity as at 31 Dec 2014</b>	<b>28 325</b>	<b>-325</b>	<b>415 285</b>	<b>27 528</b>	<b>744 073</b>	<b>1 214 887</b>

A share-based incentive scheme has been entered into with senior company executives. For further details, please see Note 3.

Provisions with respect to dividend payouts are discussed in Note 8.

NOTE 10 • Pension costs

The company has a statutory obligation to provide an occupational pension scheme under the Compulsory Occupational Pensions Act, and has a pension scheme that meets the requirements thereof.

The company has no defined-benefits pension schemes.

Premiums under the defined-contribution scheme are charged to expenses as they fall due. NOK 1,189,500 was charged to expenses in connection with the defined-contribution pension scheme in 2014 (NOK 811,100 in 2013).

NOTE 11 • Intra-group balances, etc

<i>NOK 1000</i>	Non-current receivables		Other short-term receivables	
	2014	2013	2014	2013
Group companies	2 175 924	2 371 596	1 279 297	497 524
Associates	0	0	0	0
<b>Total</b>	<b>2 175 924</b>	<b>2 371 596</b>	<b>1 279 297</b>	<b>497 524</b>

<i>NOK 1000</i>	Long-term debt		Other short-term payables	
	2014	2013	2014	2013
Group companies	10 012	0	55 615	436 163
Associates	0	0	0	0
<b>Total</b>	<b>10 012</b>	<b>0</b>	<b>55 615</b>	<b>436 163</b>

Other short-term receivables from group companies, which totalled NOK 1,279,297,000 as at 31 December 2014, includes NOK 1,108,218,000 in group contributions receivable from subsidiaries (NOK 436,235,000 in 2013). The figure for 2014 also includes NOK 98,624,000 in receivables from group companies participating in the group account scheme. Other short-term receivables over and above this were ordinary trade receivables.

The NOK 55,615,000 in other short-term payables to group companies as at 31 December 2014 includes NOK 22,740,000 in group contributions payable (NOK 312,151,000 in 2013). The figure for 2013 also includes NOK 43,660,000 in payables to group companies participating in the group account scheme. Apart from this, the remaining short-term payables to group companies were ordinary trade payables.



## NOTE 12 • Tax

NOK 1000

Breakdown of the year's tax expense:	2014	2013
Tax payable	291 365	87 402
Change in deferred tax	-10 048	6 492
Tax provisions (shortfall/excess) in previous years	0	0
Effect of change in tax rate from 28% to 27%	0	15
<b>Tax on ordinary profit/loss</b>	<b>281 317</b>	<b>93 910</b>

Breakdown of the year's taxable income	2014	2013
Profit before tax	1 084 461	909 249
Permanent differences	-42 548	-573 910
Change in temporary differences	37 215	2 900
Tax-loss carryforward employed	0	-26 087
Group contributions paid	-22 740	-312 151
<b>Year's taxable income</b>	<b>1 056 388</b>	<b>0</b>

Tax payable in the balance sheet	2014	2013
Tax payable for the year	291 365	87 402
Tax on group contributions paid	-6 140	-87 402
<b>Tax payable in the balance sheet</b>	<b>285 225</b>	<b>0</b>

Breakdown of temporary differences	2014	2013
Operating assets, incl. goodwill	1 867	1 822
Non-current financial assets	54	3
Profit & loss account	171	214
Provisions	-40 519	-3 564
Other differences	-314	0
<b>TOTAL temporary differences</b>	<b>-38 740</b>	<b>-1 525</b>

Deferred tax liabilities (+) / deferred tax assets (-)	-10 460	-412
Deferred tax recognised in equity	0	0

Reconciliation from nominal to actual tax rate	2014	2013
Profit before tax	1 084 461	909 249
Expected tax on income at nominal tax rate	292 804	254 590
Permanent differences (27%)	-11 488	-160 695
Tax provisions (shortfall/excess)	0	15
Estimated tax expense	281 316	93 910
Effective tax rate	25,9 %	10,3 %

## NOTE 13 • Debt

NOK 1000

Debt falling due more than five years after the close of the financial year:	2014	2013
Debt to credit institutions	0	0
Other non-current liabilities	0	0
<b>Total long-term debt</b>	<b>0</b>	<b>0</b>

### Repayment profile

In 2014 SalMar entered into a new loan agreement with a 5-year term. The credit facility comprises a term loan amounting to NOK 1,000,000,000, which has a 10-year repayment profile, maturing after 5 years. In addition, there is an investment and acquisition facility amounting to NOK 2,000,000,000, which has a 33-year repayment profile, maturing after 5 years. As at 31 December 2014, no drawdowns had been made on this facility. Apart from this, there is a revolving credit facility amounting to NOK 1,500,000,000, as well as an operating credit capped at NOK 500,000,000. Interest rates are based on so-called 'current terms'.

### Financial covenants

The most important financial covenants for the long-term financing of SalMar ASA are, respectively, a solvency requirement, which stipulates that the Group's recognised equity ratio shall exceed 35%, and a profitability requirement, which stipulates that the Group's interest-bearing debt to EBITDA ratio shall, on average, not exceed 4.5. The agreement does, however, allow the Group to have an NIBD/EBITDA ratio of up to 6.0 for up to three quarters.

## NOTE 14 • Liens, guarantees, etc

NOK 1000

Recognised debt secured through liens, etc	2014	2013
Short-term debt to credit institutions	75 202	0
Long-term debt to credit institutions	1 800 000	1 991 682
<b>Total</b>	<b>1 875 202</b>	<b>1991 682</b>

Book value of assets pledged as security for recognised debt	2014	2013
Operating assets	10 942	9 181
Shares	1 000 754	953 422
Trade receivables	6	0
Receivables	3 475 886	2 880 427
Bank deposits	0	506 084
<b>Total</b>	<b>4 487 588</b>	<b>4 349 114</b>

SalMar ASA has assumed joint and several liability in connection with a bank overdraft scheme, limited upwards to NOK 500,000,000.

SalMar ASA has issued guarantees totalling NOK 17,000,000 on behalf of SalMar AS and NOK 80,000,000 on behalf of SalMar Farming AS with respect to a credit facility granted by SG Finans AS.

SalMar ASA has issued a guarantee totalling NOK 95,000,000 with respect to a long-term loan to SalMar AS from Innovation Norway.

SalMar ASA has issued a guarantee totalling NOK 5,000,000 to Nord-Trøndelag E-verk on behalf of SalMar Settefisk AS. The guarantee agreement was entered into on 1 January 2004, and is reduced by NOK 250,000 per year. As at 31 December 2014 the remaining amount guaranteed totalled NOK 2,250,000.

SalMar ASA has issued a guarantee to Nordskag Næringspark AS for any and all amounts which SalMar AS owes Nordskag Næringspark AS under the leasing agreement between SalMar AS and Nordskag Næringspark AS. The guarantee is valid during the leasing period, as stipulated in the leasing agreement, plus a further three months.

## NOTE 15 • Financial risk

Please see Note 2 to the consolidated financial statements for further details relating to the management of financial and market risks to which the company and the Group are exposed.

## NOTE 16 • Bank deposits

As at 31 December 2014, the item Bank deposits, cash and cash equivalents, included restricted funds totalling NOK 3,053,000, all of which related to employee tax deductions. The corresponding figure the year before was NOK 127,686,000, of which employee tax deductions accounted for NOK 7,686,000.





# AUDITORS REPORT

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Passion for Salmon

*SalMar produces a wide variety of fresh and frozen salmon products. The customer base is global and includes small and large importers/ exporters, as well as larger processing companies and retail chains.*





Statsautoriserte revisorer  
Ernst & Young AS

Havnegt. 9, NO-7010 Trondheim  
Postboks 1299 Pirsenteret, NO-7462 Trondheim

Foretaksregisteret: NO 976 389 387 MVA  
Tlf: +47 73 54 68 00  
Fax: +47 73 54 68 01  
www.ey.no  
Medlemmer av den norske revisorforening

To the Annual Shareholders' Meeting of  
SalMar ASA

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements of SalMar ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2014, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2014, the statements of comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

#### *The Board of Directors' and Chief Executive Officer's responsibility for the financial statements*

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

#### *Opinion on the financial statements of the Parent Company*

In our opinion, the financial statements of SalMar ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

#### *Opinion on the financial statements of the Group*

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

### Report on other legal and regulatory requirements

#### *Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

#### *Opinion on registration and documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Trondheim, 16 April 2015  
ERNST & YOUNG AS

Amund P. Amundsen  
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)



# STATEMENT BY THE BOARD OF DIRECTORS AND CEO

We confirm, to the best of our knowledge, that

- the group financial statements for the period from 1 January to 31 December 2014 have been prepared in accordance with IFRS, as adopted by the EU.
- the financial statements of SalMar ASA for the period from 1 January to 31 December 2014 have been prepared in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- the financial statements give a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations.
- the Report of the Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company, together with a description of the key risks and uncertainty factors that the Group and the Company is facing.

Frøya, 16<sup>th</sup> of April 2015

  
Bjørn Flatgård  
Chair

  
Gustav Witzøe  
Director

  
Tove Elin Nedreberg  
Director

  
Kjell A. Storeide  
Director

  
Merethe Helene Holte  
Director

  
Pål Georg Storø  
Director/Employee representative

  
Hanne Kristine Tobiassen  
Director/Employee representative

  
Leif Inge Nordhammer  
President & CEO



### **SalMar ASA**

N-7266 Kverva - Norway

Phone +47 72 44 79 00

Fax +47 72 44 79 01

**[www.salmar.no](http://www.salmar.no)**

