

# 2015

ANNUAL REPORT



**SALMAR**

Passion for Salmon



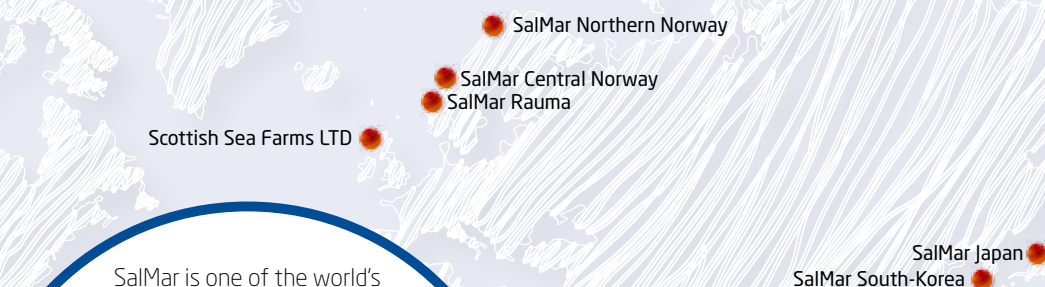
ONE OF THE LARGEST  
AND MOST COST  
EFFICIENT SALMON  
PRODUCERS  
IN THE WORLD

This is SalMar	4
Key Figures	7
CEO's report	8
Historical development of the SalMar Group	10
Offshore fish farming	12
The ABC of Salmon farming	14
SalMar's operative segments	16
SalMar's tenets	18
Passion for Salmon	19
HSE, sustainability and social responsibility	21
Corporate Governance	25
The management	33
Shareholder information	34
Board of directors' statement	37
Statement remuneration and other benefits payable to senior executives	50
Consolidated financial accounts	53
SalMar ASA financial account	91
Auditors report	107
Statement of responsibility	111





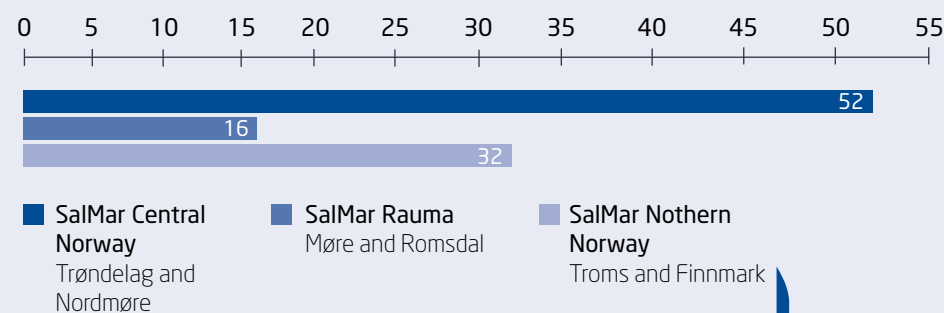
# This is SALMAR



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)

GEOGRAPHICAL DISTRIBUTION of SalMar's 100 wholly owned licenses in Norway pr. 31.12.2015:



## FINANCIAL CALENDAR

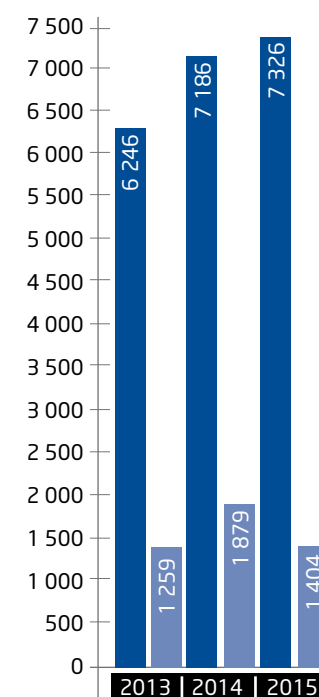
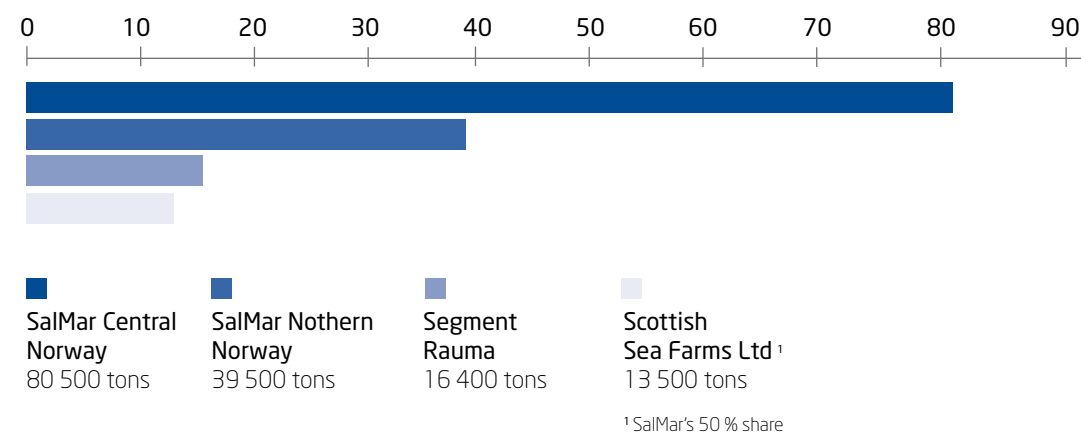
2016

- 4th Quarter 2015 results • 19.02.2016
- 1st Quarter 2016 results • 11.05.2016
- Annual General Meeting • 07.06.2016
- 2nd Quarter 2016 results • 25.08.2016
- 3rd Quarter 2016 results • 16.11.2016

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.

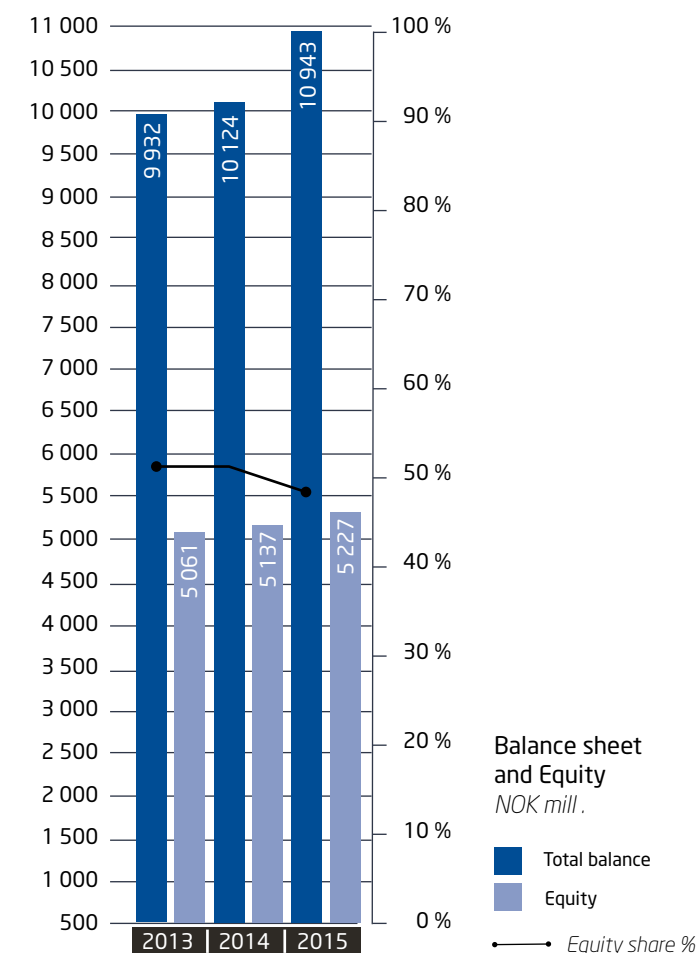
The annual general meeting will be held at Frøya. Please note that the dates are subject to change. Changes will be communicated.

HARVEST VOLUME 2015 by geography, gutted weight:



Operating revenue and Operational EBIT NOK mill.

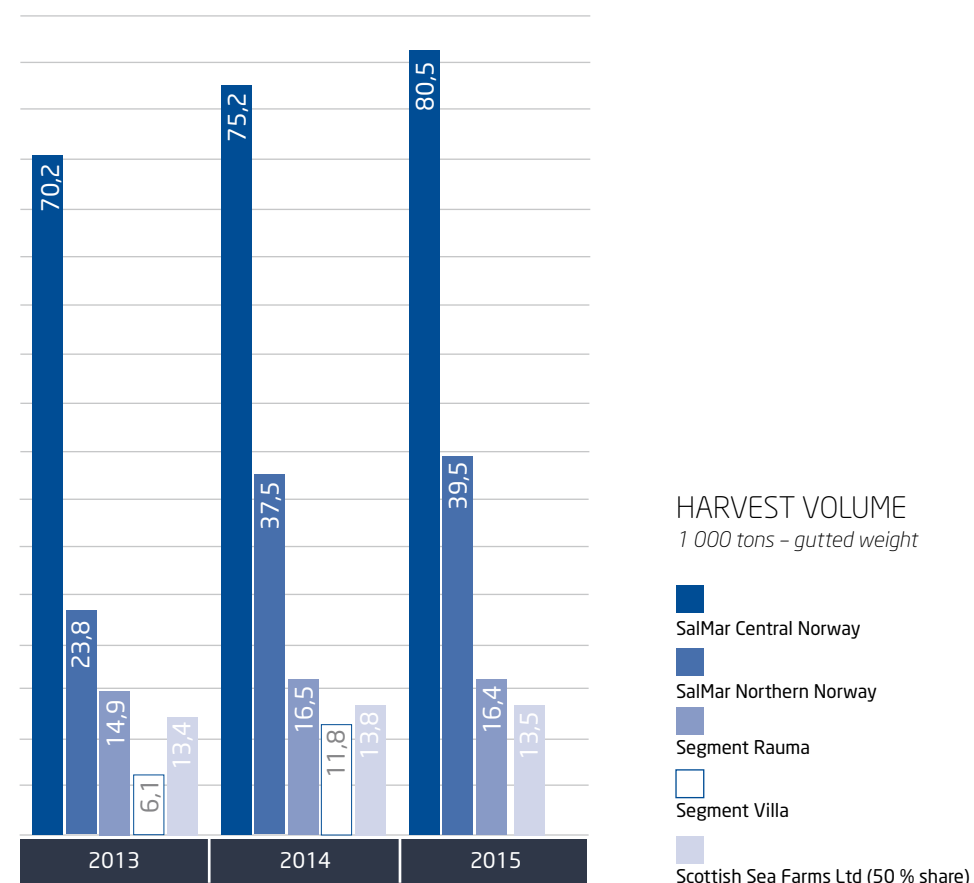
Operating revenue  
Operational EBIT



Balance sheet and Equity NOK mill.

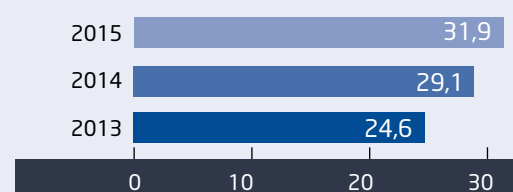
Total balance  
Equity  
Equity share %

# Harvest volume and value added products 2015



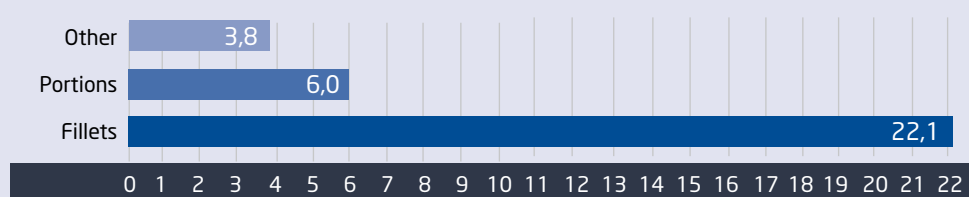
## VOLUME VALUE ADDED PRODUCTS

1000 tons – product weight



## VALUE ADDED PRODUCTS 2015

1000 tons – product weight



# Key figures 2015

OPERATING REVENUES AND OPERATING PROFIT <i>NOK mill.</i>	2015	2014	2013
Operating revenues	7 326	7 186	6 246
Operational EBIT	1 404	1 879	1 259
Operating margin	19 %	26 %	20 %
Operating profit	1 444	1 647	1 949
<b>Profit before tax</b>	<b>1 384</b>	<b>1 629</b>	<b>2 322</b>
Profit margin	19 %	23 %	37 %
<b>Net profit for the year</b>	<b>1 129</b>	<b>1 215</b>	<b>1 903</b>
Earnings per share after fair value adjustment of biomass	9,8	10,6	15,8

BALANCE SHEET <i>NOK mill.</i>	2015	2014	2013
Non-current assets	5 962	5 455	4 732
Current assets	4 982	4 669	5 199
<b>Total assets</b>	<b>10 943</b>	<b>10 124</b>	<b>9 932</b>
Equity	5 227	5 137	5 061
Debt	5 716	4 987	4 871
<b>Total equity and debt</b>	<b>10 943</b>	<b>10 124</b>	<b>9 932</b>
Net interest bearing debt	2 628,1	2 301,3	1 772,4
Equity share	48 %	51 %	51 %

# Message from the CEO

SalMar posted very strong results in 2015. Gross operating revenues of NOK 7.3 billion and an operating profit of NOK 1.4 billion plainly show that SalMar is continuing to develop and create extremely good financial results. The volume harvested decreased slightly to 136.400 tonnes, but good salmon prices led to higher sales revenues. The organisation expanded through the year, and the Group now numbers some 1,200 employees, in 27 municipalities and five counties.

SalMar has initiated major investments to increase smolt capacity, so that we can achieve self-sufficiency in smolt. By the end of 2016 we will have come close to completing an entirely new hatchery in Senja, with the capacity to produce up to 20 million smolt. And a new building phase at Follafooss will bring capacity at that facility up towards 20 million smolt. Altogether we are investing around NOK 800 million in these two plants.

## Production costs

Our production costs for whole, gutted salmon rose in 2015. This is primarily attributable to higher feed costs and extremely high direct and indirect costs associated with the management of salmon lice. SalMar has always been recognised as the most cost-effective publicly listed aquaculture company, because we have always been able to manage our production costs and operate effectively. Doing so now requires even greater efforts than before, largely because external factors have such a great impact on our operational efficiency. However, there are still cost elements that we can do something about, and paying even stronger attention to costs is vital if we are to maintain our position as a cost leader.

## Salmon lice

We see ever more clearly the challenges facing the organisation in dealing with what we feel are partly conflicting regulations and expectations from the regulatory authorities, society at large and our own workforce. This is particularly evident in the effort to combat salmon lice. Here, there are obvious paradoxes, including the regulations governing the use of and emissions from wellboats that participate in delousing treatments, as well as less apparent challenges, such as prioritising between the lice regulations and animal welfare considerations, eg in connection with mandatory treatment at low temperatures.

For a production manager it can be difficult to balance the different considerations, and it can be difficult to avoid criticism no matter what one prioritises. We believe the authorities need to issue overarching clarifications regarding some of these issues, and we aim to help bring this about. We have seen the need to highlight our prioritisation of animal welfare in this past year, out of consideration for both the fish and our employees.

Handling the challenges posed by the lice situation remains the biggest task for us as an aquaculture company. The Norwegian salmon industry's battle to eradicate salmon lice is so extensive and demanding of resources that it deserves all the assistance and input that can be found. No one has the

definitive answer to all the questions that arise in the wake of the massive campaign being waged against the lice. New experiences and new problems are constantly emerging.

We believe it is expedient to challenge existing measures, preparedness, management and knowledge concerning lice, in order to use our resources in the best possible way and to ensure that the problem is resolved as quickly as possible. As a contribution to this, we have become engaged in the establishment of a wide-ranging lice research programme spearheaded by the Norwegian University of Science and Technology (NTNU), which will start up in 2016. The aim is for colleagues within the industry and scientists to ask "out-of-the-box" questions. Many people may find that a provocation in itself – it is perceived as a denial of the importance of wild salmon – but we consider such reactions to be a clear sign that the lice issue has become far too politicised. Knowledge is always the most important path to development.

## Offshore fish farm

Since 2012 SalMar has invested some NOK 100 million to develop and test its offshore fish farming concept. And on 28 February 2016 we finally received notification that SalMar had been awarded eight development licences for its sea-going installation. That our subsidiary, Ocean Farming, was the first company to be awarded development licences under the new scheme that the government introduced last autumn was a source of pleasure and pride for SalMar. The eight licences will allow the company to realise its much talked of offshore fish farm, which has been designed with the assistance of Norwegian and international centres of excellence in the fields of maritime design, testing and quality assurance.

We are pleased that Norwegian centres of expertise have also proved fully competitive with regard to supplying advanced equipment for the offshore installation. Although the unit will be built at a shipyard in China, major equipment contracts have been entered into with Norwegian suppliers. The offshore installation is scheduled to be on site and ready to receive the first transfer of fish in the summer of 2017. The offshore fish farm underlines SalMar's ambition and determination to be a technology leader in the field of sustainable seafood production. The installation is groundbreaking in that respect.

Many people deserve applause for their formidable efforts, but the offshore fish farm would almost certainly never have been realised had it not been for the vision, unswerving faith and willingness never to give up on the project of our founder Gustav Witzøe.

## Framework conditions, further growth

Considerable uncertainty continues to attach to the follow-up of the government's aquaculture white paper, that was debated by the Norwegian parliament in June 2015. The new model divides the Norwegian coast into a series of production zones, with the licensed production volume within each zone being regulated up or down depending on the extent of salmon lice infestation and its anticipated effect on wild salmon populations. Within the industry there is considerable concern that this new "traffic model" will result in greater bureaucracy, inferior framework conditions and greater unpredictability. It is also extremely doubtful whether the new model will actually result in the environmentally sustainable growth that is intended.

The Norwegian parliament issued some important and, for the industry, positive directives for the further follow-up of the aquaculture white paper. For example, the Industry Committee's recommendations underline that the flexibility which the industry has today through the so-called "inter-regional biomass ceiling", and which provides a high degree of processing, must be maintained. This is important for both jobs and value creation along the Norwegian coast. Another important directive from the Norwegian parliament is that the Institute of Marine Research should not be a dominant premise-giver for the new model, but that other centres of expertise must participate in the evaluation before any new regulatory model is introduced. There are still many loose ends and misgivings relating to the new model. SalMar and an almost unanimous aquaculture industry maintain their view that the first step must be to carry out an impact assessment of the new model, with the assistance of various centres of expertise and in conjunction with the industry itself.

## Passion for Salmon

"Passion for Salmon" is our vision. It is our shared commitment to farming salmon on the fish's terms and our focus on creating a unified SalMar that will help to further develop the company and draw us ever onward. We must dare to proclaim that our ambition is to be "the world's best fish farming company". It is an ambition we are not far from realising, though getting there will demand a lot of us. There are many different ways to measure success: we must be the best for sustainability, animal welfare, technology, leadership, lice management and a host of other areas which are crucial to our business.

For our operative units, we have two simple but clear objectives:

1. Maximum operational efficiency for biological production at the minimum cost
2. The best possible sales price for our salmon, and optimal resource utilisation

These goals encapsulate the very core of SalMar's philosophy. Our farming units produce high quality salmon on the fish's terms, while our sales and processing operations maximise its value once it is brought ashore. This is a winning formula, which we have used for many years, and which will continue to be our foundation in the years to come.

The six tenets of our corporate culture remain in force. Although we are constantly changing and improving, our tenets constitute the immutable bedrock on which we are built – it is they we follow and are guided by day to day.



*Gustav Witzøe*  
CEO



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 (Fiskeoppdretternes 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.

## The history of SalMar

### 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.

### 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.

### 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.

### 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.

### 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.

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

### 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.

### 2015

**Total volume harvested: 150,000 tonnes gutted weight.** Principle approval of the ocean farming pilot. Completion of acquisition that ensures an indirect stake of 22.91 % of the shares in the Icelandic farming company Arnarlax Hf.

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



# Offshore fish farming

On 28 February 2016 the Norwegian Directorate of Fisheries awarded the first eight development licences to Ocean Farming AS, and thereby the SalMar Group, for the development and realisation of a fish farming concept based on offshore technology. The award recognises the substantial efforts which both our own employees and external centres of competence have made over the past four years to develop an entirely new equipment concept, which aims to introduce a new industrial standard to the aquaculture industry.

A sufficient number of development licences have now been granted to enable the construction of a full-scale pilot installation, and the advanced equipment associated with it, to commence within a short space of time. Our objective is to be in a position to transfer the first fish to the offshore installation in the summer of 2017. This will be no “walk in the park”, but if successful, the project has a huge potential for the entire industry. In its notification letter, the directorate gives clear instructions about how the knowledge generated by the project shall, from the very outset, be shared, such that it benefits the entire industry, as stipulated in the regulations.

There has been an open, positive and constructive dialogue with the directorate in connection with their consideration of our application. The award confirms that the

new development licence scheme has the qualities necessary to stimulate the Norwegian aquaculture industry to engage in costly innovation and technological development for increased sustainability to a far greater degree than before. Through this scheme, both the Norwegian government and parliament (Storting) have created an effective tool with which to strengthen an important growth sector for Norway – and the world.

The development licences have been granted for a period of seven years, but may be converted into ordinary production licences before that time if their objectives and the criteria on which they were granted have been met. At the suggestion of Ocean Farming, and through dialogue with the directorate, final performance criteria and a milestone reporting framework have been drawn up.

## More about the offshore fish farm:

This is a technical solution based on the best that the Norwegian aquaculture and offshore oil industries have to offer – a slack-anchored submersible facility, with a rigid structure capable of maintaining flotational stability in areas close to the open ocean with 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.



## 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 well-boat 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.

TRACEABLE SUPPLY CHAIN

# The ABC of salmon farming



EGGS/FRY



SMOLT



GROWTH



HARVESTING



SALES



MARKET



# SalMars operative segments 2015

## Fish Farming – Roe/Smolt Production

No. of production facilities:

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

### Output:

25.6 million smolt, 29 million roe and 2.8 million lumpfish in 2015.

The facilities are distributed from Senja in the north to Sunnmøre in the south. Two of the facilities, Straumsnes Settefisk and Rauma Sætre AS, 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 Follafooss facilities. The new capacity being built will employ recirculated water technology.

The segment has started work to expand two of its facilities:

- Troms Stamfiskstasjon, which will produce 15 million smolt. Construction started in the spring of 2015, with the first smolt due for delivery in the autumn of 2017. This facility will also play an extremely important role in SalMar's plans to achieve self-sufficiency in smolt production in Troms and Finnmark.
- SalMar Settefisk's Follafooss facility, whose output will increase from 11.5 million to 20 million smolt. This new facility will go into operation in the autumn of 2017.

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 facility currently has the capacity to produce 1.4 million vaccinated lumpfish. This capacity will gradually be increased through 2016 to reach around 3 million vaccinated lumpfish in 2017.

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. SalMar has its own breeding material: the Rauma stock.

## Fish Farming Central Norway

(Trøndelag and Nordmøre)

No. of production licences: 52

Harvested volume in 2015: 80,500 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 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. SalMar Farming acquired seven licences in the Green B round of licence awards in 2014. These went into operation in July of that year. With effect from 1 January 2016, SalMar Organic was merged into SalMar Farming AS.

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 2015 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: 39,500 tonnes gutted weight

SalMar Northern Norway currently holds 32 licences for the production of farmed salmon, as well as four jointly operated licences, and is the largest aquaculture enterprise in Troms and Finnmark. SalMar's Fish Farming Northern Norway segment has operations in ten districts, stretching from Harstad in southern Troms to Sør-Varanger in Finnmark. Around 75 per cent of the segment's fish farms are located in Troms, while Finnmark will account for an increasing percentage as time goes on. 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's administration is located at Finnsnes in Lenvik.

The segment currently has around 133 permanent employees, and plans to further expand its workforce in 2016 due to increased activity and output in the region. Fish Farming Northern Norway has many qualified and highly experienced employees. Moving forward, the segment will continue to concentrate on R&D and increasing its fish farming expertise through a demonstration aquaculture facility, for which a licence has been granted.

The company's hatchery, which is located in Gjølrvika, in Senja, has halted production while a new facility with the capacity to produce 15 million smolt is under construction. The new smolt facility will add a further 12,000 m<sup>2</sup> to the facility, bringing its total area to 14,500 m<sup>2</sup>, and will base its production on the use of recirculated water. When the facility is completed at the close of 2016, it will have the equivalent of 14 full-time employees.

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 from South Troms to Finnmark.

It is possible to produce more salmon in Norway, and Northern Norway has a strong potential for further growth. This region faces fewer challenges with respect to disease and salmon lice, and has excellent environmental conditions for sustainable production. The expansion of our smolt production in Senja is an important element in the segment's future growth.

## Fish Farming Rauma

(Møre & Romsdal)

No. of licences: 16

Harvested volume in 2014: 16,400 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 2015 the segment harvested 16,400 tonnes (gutted weight) of salmon at Vikenco AS in Aukra. Organic salmon accounted for just over 55 per cent of the segment's harvested volume in 2015. The proportion of organic salmon is expected to rise in the time ahead.

Fish Farming Rauma operates two 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. An R&D collaboration with Akvaforsk Genetic Centre got underway in 2015. Including the R&D licences, Fish Farming Rauma operates a total of 18 licences.

## Sales and Processing

Volume sold: approx. 150,000 tonnes

Output of processed products (product weight): approx. 32,000 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 m<sup>2</sup>, 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. Around 128,000 tonnes of salmon was harvested at InnovaMar in 2015. Through our part-ownership of Vikenco AS, we facilitate the harvesting of fish from the southern part of Central Norway. In 2015 Vikenco and InnovaMar together produced around 32,000 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.





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.

## SalMar's 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 1000 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 for our common passion for salmon, and 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 we are engaged in 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.

## 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.







## 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.





SalMar has a presence in local communities up and down the Norwegian coast, and therefore has an interest in the continuing welfare of many small towns and rural districts. For our employees, it is important that the local communities to which they belong have the necessary infrastructure and opportunities for an active social life outside of work. For SalMar, it is crucial that the Group is able to operate at sites affording good growing conditions for its fish stocks. SalMar is actively engaged in several local projects. It is also important for SalMar to have a presence in local arenas for the exchange of views and information, as well as participate in planning processes.

Salmon farming must still be considered a young industry, and it is important to ensure that local decision-makers and the general public are well informed about its operations and development plans. By actively engaging in industry organisations and the public debate, SalMar contributes to important processes for sustainable development in Norway.

The Group is 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 2015 SalMar continued to publish a separate sustainability report according to 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 2015.*

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 2015.*

#### HUMAN RIGHTS

SalMar fully 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 2015 we continued to work on the development of an overarching platform for corporate governance. The system is specially adapted to SalMar's needs, and we have focused on creating a user-friendly solution with a clear reporting function that is used for evaluation in the appropriate arenas. Emphasis is placed on competence enhancement, surveillance and control of key figures and the evaluation of non-conformances. The system is an important tool in the day-to-day management of the company, and is a useful aid in the monitoring and management of risk.

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 weekly and 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.

#### Corporate governance platform

In 2015 we worked to further develop our corporate governance platform (called EQS). The system is specially adapted to SalMar's needs, and we have focused on creating an effective and user-friendly reporting solution. The system has now become an important tool in the day-to-day management of the company, and is a useful aid in the monitoring and management of risk. We will continue to develop this platform in 2016 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 2015.*

#### Competence development

SalMar's new employees receive HSE training through initiatives such as induction courses, operational seminars and the SalMar School. All employees have received training in how to report potential wrongdoing or other causes for concern, and know that internal whistleblowers are protected from any reprisals. The procedure for such notification is described in the corporate governance system, which is available to all employees.

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. The SalMar School encourages and develops the entire workforce. By revitalising the SalMar School, the Group wishes to ensure the exchange of experience and knowledge between the various divisions.

The risks associated with the various day-to-day operational activities at SalMar mean that training and the correct competences are vital. Training is given both on the job and in the form of external courses. Day-to-day follow-up and professional development within the individual's team of co-workers are nevertheless the most important sources of personal growth. *For further details, please see page 21 of SalMar's sustainability report for 2015.*

#### 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 2015.*

#### Sickness absence

Sickness absence has remained relatively stable in recent years. The sickness absence rate in 2015 came to 7.47 per cent, compared with 5.79 per cent in 2014 and 5.00 per cent in 2013. The processing sector drives up the average, but here too the sickness absence rate is on a par with the industry as a whole. Short-term sickness absence in 2015 totalled 2.33 per cent, compared with 2.19 per cent in 2014 and 2.12 per cent in 2013. Long-term sickness absence totalled 5.14 per cent, compared with 3.60 per cent in 2014 and 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 21 of SalMar's sustainability report for 2015.*

#### 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 2015.*

#### Aquaculture Stewardship Council Standard (ASC)

SalMar is currently working to certify its sites in accordance with the ASC standard, which is considered the most stringent sustainability standard in the world. The main objective of the ASC standard is to ensure transparency, a reduced carbon footprint and compliance with corporate social responsibilities, as well as provide added value to the companies certified. So far, SalMar has achieved certification of eight sights, while four new sites are working towards certification in the winter/spring of 2016.

The ASC standard is extremely demanding with regard to environmental burden, working environment, communication with stakeholders and transparency. In some cases the requirements are stricter than those laid down in Norwegian law. The ASC standard is difficult to achieve, since it requires substantial resources to be devoted to preparation and a considerable focus on the details. Openness with regard to performance is an important part of the standard, and information is presented on an ongoing basis on our website [www.salmar.no](http://www.salmar.no). This standard is helping SalMar to take a fresh look at how we do things and stretch ourselves still further to live up to one of our basic tenets: Sustainability in everything we do. *For further details, see pages 29 in SalMar's sustainability report for 2015.*



# 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.

## 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 2015.

SalMar deviated from the code of practice with respect to one chapter in 2015:

- 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, with a capacity of 30,000 tonnes of harvested fish. 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 2015, the company's equity totalled NOK 5,227 million, which corresponds to an equity ratio of 47.8 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 (AGM) 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 2015, the board has proposed payment of a dividend amounting to NOK 10 per share. In terms of its financial performance, 2015 was a satisfactory year for SalMar. The board considers SalMar's financial position to be extremely sound, and the company's financial capacity for further growth is deemed to be strong.

### Board authorisations

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

The AGM of 2 June 2015 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 2014, 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 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 7 June 2016.

*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 2015 SalMar ASA owned 1.18 million treasury shares, which accounts for 1.04 per cent of the company's registered share capital. Transactions involving treasury shares are undertaken on the stock exchange or otherwise at the listed price.

In the event of not immaterial 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 2015 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 2016 AGM will be held on 7 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 of Directors determines the agenda for the general meeting, 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 2015, the Nomination Committee comprises the following:

- Helge Moen, Chair (up for election in 2016)
- Endre Kolbjørnsen (up for election in 2016)
- Anne Kathrine Slungård

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.

### Proposals to the Nomination Committee

All shareholders are entitled to propose candidates for the board or other elected offices to the Nomination Committee. Such proposals must be submitted to the Nomination Committee no less than six weeks prior to the company's AGM. All proposals shall be sent by email to the Nomination Committee's chair. Contact details are available from the company's website [www.salmar.no](http://www.salmar.no).

*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 Public Limited Companies 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). An overview of the individual directors' shareholdings in SalMar can be found in the 2015 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. 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. There have been two such matters during 2015.

Composition of the Board				
Board members	Pos.	Year		No. of board meetings attended in 2015
		first elected	Current term ends	
Bjørn Flatgård	BC	2002	2017	9 of 10
Gustav Witzøe	Director	1991	2017	7 of 10
Kjell A. Storeide	Director	2008	2016	10 of 10
Tove Nedreberg	Director	2012	2016	9 of 10
Bente Rathe*	Director	2015	2017	6 of 10
Geir Berg*	ER	2015	2017	5 of 10
M. G. Sandberg*	ER	2015	2017	6 of 10
Merethe H. Holte**	Director	2013	2015	4 of 10
Pål Georg Storø**	ER	2013	2015	4 of 10
Hanne Tobiassen**	ER	2013	2015	4 of 10

\* Entered June 2015

\*\* Left June 2015

*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. 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 2015 the board held ten meetings, of which two were by telephone. The overall attendance rate at board meetings was 91 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 February 2016.



### 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 2015, with an overall attendance rate of 100 per cent.

As at 31 December 2015, 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 a comprehensive annual 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 2015 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 2015 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, and a share-based incentive scheme in line with the board's authorisation.

At the 2015 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 2015 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 2015 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 IR-contact 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 un-

dertakes 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 AGM 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





**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 Sparebank 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 31.12.2015**

**Shares:** Mr Nordhammer directly and indirectly owns 2.34 % of the shares in SalMar.  
**RSU-Rights:** 18,795



**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 at PricewaterhouseCoopers and Systemrevisjon, among others.

**Holding as at 31.12.2015**

**Shares:** 13,788  
**RSU-Rights:** 11,245



**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 he 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 31.12.2015**

**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



**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 31.12.2015**

**Shares:** 2,446  
**RSU-Rights:** 10,813



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

Eva Haugen has held the position as Director Quality Management/HSE 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 Nordskaget 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 31.12.2015**

**Shares:** 1,695  
**RSU-Rights:** 7,383



**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.

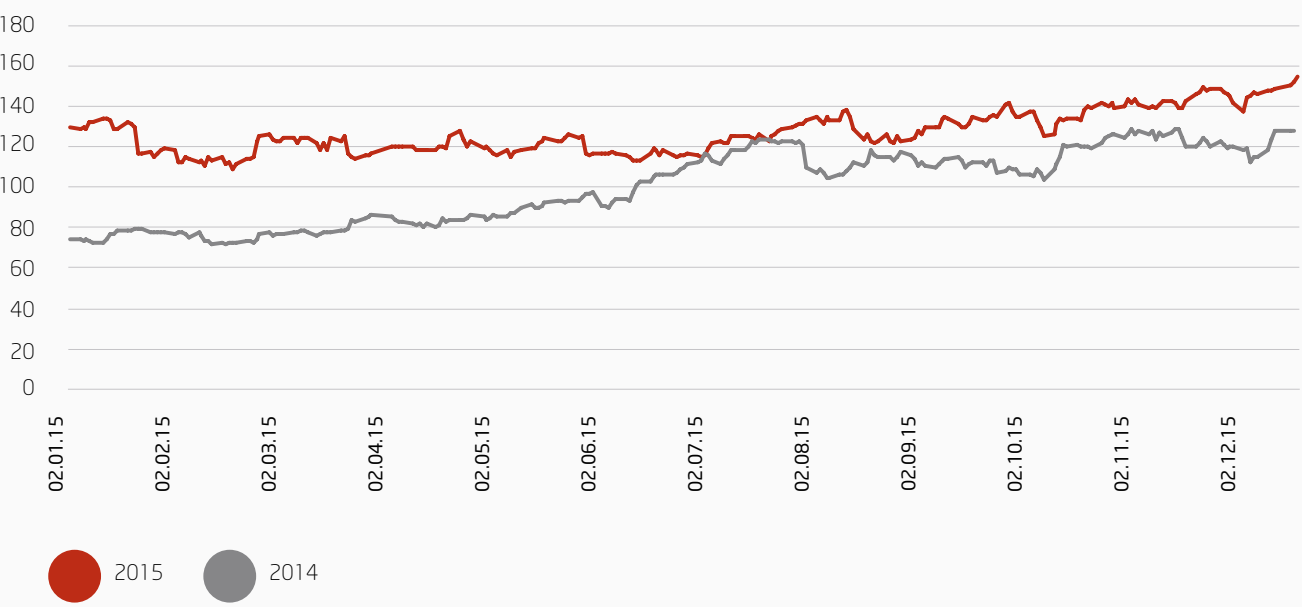
**Holding as at 31.12.2015**

**Shares:** 0  
**RSU-Rights:** 7,386

## Executive Management



# Shareholder information



**SHAREPRICEDEVELOPMENT**  
Share price per 01.01.2015 was NOK 127,50 thus valuing SalMar at NOK 14 446 million. At year-end the share price was NOK 155,00 valuing SalMar at NOK 17 561 million.

**TECHNICAL INFORMATION**  
As at 31 December 2015 SalMar ASA had 113,299,999 shares outstanding, with each share having a face value of NOK 0,25.

As at 31 December 2015 the company had approx. 4 900 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.



**Trond Tuvstein**  
*CFO*  
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**Runar Sivertsen**  
*Head of Investor Relations*  
Telephone: +47 960 97 000  
runar.sivertsen@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.



2016  
Financial  
calendar

- Results 4th quarter 2015: 19. February 2016
- Results 1st quarter 2016: 11. May 2016
- Ordinary General Meeting: 7. June 2016
- Results 2nd quarter and 1st half year 2016: 25. August 2016
- Results 3rd quarter 2016: 16. November 2016

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 31.12.15	Shareholding (%)
Kverva as	60 500 000	53,40 %
Folketrygdfondet	8 324 725	7,35 %
State Street Bank and Trust co.	3 335 179	2,94 %
J.P. Morgan Chase Bank N.A. London	2 758 075	2,43 %
LIN as	2 005 200	1,77 %
The Bank of New York Mellon	1 199 063	1,06 %
SalMar ASA	1 180 081	1,04 %
Clearstream Banking S.A.	1 074 336	0,95 %
Pareto Aksje Norge	1 047 794	0,92 %
JP Morgan Bank Luxembourg S.A	976 509	0,86 %
State Street Bank and Trust CO.	721 107	0,64 %
Morgan Stanley & CO. International	676 528	0,60 %
Storebrand Norge	613 924	0,54 %
State Street Bank & Trust CO.	595 375	0,53 %
JP Morgan Chase Bank, N.A	524 786	0,46 %
J.P. Morgan Chase Bank N.A. London	491 221	0,43 %
Verdipapirfondet Alfred Berg Norge	490 464	0,43 %
RBC Investor Services Bank S.A	443 677	0,39 %
KLP Aksjenorge Indeks	439 584	0,39 %
State Street Bank and Trust co.	425 326	0,38 %
<b>Total 20 largest shareholders</b>	<b>87 822 954</b>	<b>77,51 %</b>
Other shareholders	25 477 045	22,49 %
<b>Total</b>	<b>113 299 999</b>	<b>100,00 %</b>

**Shareholders**  
Total no. of shares 4 920 113 299 999





## Board of Directors' Statement 2015



# The Board of Directors 2015



**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 Nymcomed. 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 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.



**MERETE GISVOLD  
SANDBERG,**  
Director/Employee representative

Sandberg has worked for SalMar since 2014. She is currently head of Sustainability and Nutrition in the Biology Section at group level. She has experience from research and development assignments at Nutreco ARC, KPMG and SINTEF Fisheries and Aquaculture. She has a degree in agricultural science, majoring in aquaculture, from the Norwegian University of Life Sciences (UMB), and is currently a member of the board of the Fisheries and Aquaculture Industry's Research Fund.



**GUSTAV WITZØE,** Director

Mr Witzøe is the co-founder of SalMar ASA. He holds a degree in engineering. After several years as an engineer he 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.



**GEIR BERG,**  
Director/Employee representative

Geir Berg has been employed at SalMar since March 2013. He has been Production Manager Fish Farming since May of that year. Mr Berg has 20 years experience of working in the public sector and around 10 years from the private sector. Before joining SalMar he was an airport manager with Avinor. Mr Berg has previously held both operational and administrative positions in a variety of business sectors.



**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 Stakke Gruppen AS. Mr Storeide is chairman of several industrial companies in Norway. Mr Storeide joined SalMar's board of directors in February 2008.



**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.



**BENTE RATHE,** Director

Ms Rathe has an extensive experience from both operational management and leading positions on the boards of many major Nordic companies. Ms Rathe has served on the board of SalMar since 03.06.2015.

Historically high salmon prices, driven by low growth in supply, strong demand and favourable developments in foreign exchange rates, resulted in record revenues for SalMar in 2015. Operationally, 2015 was a challenging year. The biological situation experienced by the Group's Fish Farming Central Norway segment had a significant impact on both output and costs. Difficulties in obtaining access to sufficient production space had negative consequences for output and the volume harvested by Fish Farming Northern Norway. SalMar harvested a total of 136,400 tonnes in 2015, 3 per cent less than in 2014.

The SalMar Group generated gross operating revenues of NOK 7,326 million in 2015, up 2 per cent from the year before. Operational EBIT fell by 25 per cent to NOK 1,404 million, compared with NOK 1,879 million in 2014. Net profit for the year totalled NOK 1,129 million.

The board of directors is satisfied with the 2015 result. The market developed very well, and customers continued to demand salmon even at high prices. Overall, the operational challenges were dealt with satisfactorily.

Fish Farming Central Norway, the Group's largest fish farming segment, posted a satisfactory result, despite operational challenges. The cost of keeping salmon lice levels within the authorities' designated limits has been high. The volume harvested rose by around 7 per cent, which can be attributed to a larger proportion of the biomass being harvested earlier than planned to reduce overall lice numbers in the region.

Fish Farming Northern Norway increased its harvested volume by 5 per cent in 2015. This is slightly lower than planned, since we experienced difficulties in obtaining access to sufficient production space. In light of the prevailing framework conditions, the segment achieved satisfactory results, with developments in Finnmark being particularly good.

In the same way as the Central Norway segment, Fish Farming Rauma experienced a challenging year as a result of biological issues. The Group's production of organic salmon takes place in this segment. The level of prices achieved was good, and made a positive contribution to the profit posted.

The Sales and Processing segment performed less well in 2015 than in 2014. Volatility in foreign exchange rates caused salmon price developments to be unpredictable. Fixed-price contracts have therefore had a negative impact on profit and loss. The biological challenges experienced caused difficulties for InnovaMar's operations difficult. On the harvesting side, activity levels were high, with stable developments since 2014 and good results achieved. High and volatile salmon prices, combined with poorer quality raw materials, negatively affected the results achieved on the processing side.

2015 was a fairly average year for Norskott Havbruk. Biological challenges and stronger price competition in the domestic market caused a decrease in profits compared with 2014.

The company's net profit for the year totalled NOK 90 million. The subsidiary Scottish Sea Farms Ltd gained access to additional sites, which has increased its production capacity. The volume harvested in Scotland will therefore rise in the time ahead.

The Group expects to harvest a total of 133,000 tonnes of salmon in 2016, some 3,000 tonnes less than 2015.

Based on the year-end financial statements for 2015, the board is proposing a dividend payout of NOK 10.00 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 2015 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). The Group also have joint operational agreements/time-limited R&D licences linked to 13 licences. 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

It is SalMar's expressed ambition to be the world's best aquaculture company. To achieve this we have established the vision "Passion for Salmon", which puts the emphasis squarely on the welfare of the salmon. SalMar shall be outstanding in all aspects and areas of production. In this way, our vision puts human performance at the centre of our efforts to achieve operational efficiency.

Underpinning our efforts to reach our goal, we have established a strong strategic foundation that focuses on the conditions required to perform well. These strategies are based on the company having a strong performance culture that will be further developed. The main focus is on optimising our core businesses. SalMar is firmly convinced that growth must be sustainable: environmentally, socially and financially.

Clear operative goals must be shared with all employees, and good feedback along the way will ensure that our performance culture receives the nourishment it needs. SalMar's strategic direction for growth is to farm our fish "on the salmon's terms". Our ground breaking concept for offshore fish farming will be a key aspect of this policy in the years to come. We strive continuously to improve, and our business tenets are cultivated through active leadership.



## Important events in 2015

**New smolt facility in Troms.** Construction of a new smolt facility in Senja got underway in the spring of 2015. The facility is expected to be completed in the late autumn 2016, and the first smolt should be ready for transfer to sea farms in the late summer 2017. The new facility is dimensioned to produce around 15 million smolt each year, of which some 4 million will be over 200 g. The investment, which is estimated to cost around NOK 550 million, is an important part of SalMar's strategy of becoming self-sufficient in smolt, since it will enable us to capitalise on recent investments in production licences.

**First step into Iceland.** On 11 December 2015 SalMar agreed to acquire indirect ownership of 22.9 per cent of the Icelandic aquaculture company Arnarlax hf. Over time SalMar has gained solid experience in farming fish in northern areas for several years. In this respect, Iceland is an exciting region, with temperature profiles not unlike Finnmark. The potential is there, but much work remains to further develop the aquaculture industry in Iceland.

**Offshore fish farm.** On 23 December 2015 SalMar received notice from the Norwegian Directorate of Fisheries that it agreed in principle that the Group's offshore fish farm project met the criteria for the new development licences scheme. On 28 February 2016 the first eight aquaculture development licences were granted to SalMar. The award was recognition for the substantial efforts that both our own staff and external competence centres have made over the past four years to develop an entirely new equipment concept with the aim of introducing a new industrial standard in the fish farming sector. The production of a full-scale pilot installation, along with the advanced equipment this entails, will get underway during the spring of 2016. The objective is to transfer the first fish to this offshore installation in the summer of 2017. This will be no walk in the park, but offers a huge potential for the entire industry if the development project is a success. SalMar estimates the investment requirement will total NOK 690 million. The project could make an important contribution to resolving the shortage of production space that the aquaculture industry is currently facing.

### 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 7,326.2 million in 2015, up 2 per cent from the NOK 7,185.9 million generated in 2014.

Excluding Norskott Havbruk, the Group harvested a total of 136,400 tonnes, a decrease of 3 per cent from the 141,000 tonnes harvested in 2014. Excluding the 11,800 tonnes accounted for by Villa Organic in 2014, SalMar achieved an underlying growth in its harvested volume. Fish Farming Central Norway increased its output by 5,300 tonnes from 75,200 tonnes in 2014 to 80,500 tonnes in 2015. Fish Farming Northern Norway increased its output by 2,000 tonnes, from 37,500 tonnes in 2014 to 39,500 tonnes in

2015. Output from Fish Farming Rauma held steady, such that the harvested volume came to 16,400 tonnes in 2015, compared with 16,500 tonnes the year before. Including SalMar's 50.0 per cent share of Norskott Havbruk, the overall volume harvested totalled 149,900 tonnes.

The average price of salmon (NASDAQ) in 2015 came to NOK 41.45 per kg, compared with NOK 40.56 per kg in 2014. This represents an increase of 2 per cent. The price fell steadily through the first half-year (from NOK 45 to NOK 35 per kg), but rose again through the third quarter (to around NOK 45 per kg). In the fourth quarter the price fell to around NOK 37, before rising sharply towards the end of the year. The price peaked at NOK 56.49 per kg in week 53. Around 52 per cent of SalMar's total volume harvested in 2015 was sold under fixed-price contracts. The terms of these contracts vary in length, but do not normally exceed 12 months. In total, fixed-price contracts secured lower sales prices than the spot price, thereby contributing negatively to the results achieved in 2015.

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 2015 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, 2015 was a challenging year. Substantial resources were devoted to keeping the level of salmon lice within regulatory limits. The situation for Fish Farming Central Norway was particularly challenging, because the lice there have developed an immunity to the majority of medication-based treatment methods. This resulted in a larger proportion of the biomass being harvested earlier than planned, in other words, before optimal harvesting weight had been reached. Intensive delousing treatments made the salmon less robust, and SalMar experienced episodes of increased mortality. 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. As a result, the cost of the harvested biomass was higher in 2015 than in 2014.

The SalMar Group posted an Operational EBIT of NOK 1,403.9 million in 2015, compared with NOK 1,879.0 million in 2014. In brief, this can be attributed primarily to a lower harvested volume and increased production costs. 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 boosted profit by NOK 39.9 million in 2015. The corresponding adjustments in 2014 reduced profit by NOK 232.3 million. Fair value adjustments comprise 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. Changes in the fair value of the biomass and in unrealised Fish Pool positions contributed NOK 203.4 million. Changes in provisions for loss-making contracts and forward currency contracts had the opposite effect in the amount of NOK 163.4 million. Changes in the level of prices towards the end of 2015 are the main reason for the upward adjustment in the fair value of the biomass, along with profit positions on Fish Pool. The weakening of the NOK and an increase in the forward price of salmon has resulted in provisions to cover losses in currency positions and fixed-price contracts.

SalMar made a consolidated operating profit of NOK 1,443.8 million in 2015, down from NOK 1,646.7 million the year before.

Operations at SalMar's associates, ie. companies in which – through its shareholdings – it has a significant influence, produced satisfactory results in 2015. SalMar's share of the profit/loss deriving from these investments totalled NOK 40.2 million. This came almost entirely from Norskott Havbruk. The corresponding figure for 2014 was NOK 96.1 million.

Total interest and financial income for 2015 came to NOK 4.2 million, compared with NOK 11.1 million in 2014. The change is primarily attributable to a decrease in money market interest rates.

SalMar's total financing cost for 2015 came to NOK 104.5 million, a decrease of NOK 20.6 million from the year before. In 2015 SalMar had a higher average interest-bearing debt than in 2014, but lower money market interest rates resulted in lower financing costs.

Net financial items for 2015 therefore totalled NOK -100.4 million, such that profit before tax came to NOK 1,383.7 million, down from NOK 1,628.8 million in 2014. The tax expense for 2015 totalled NOK 254.9 million, NOK 158.5 million lower than in 2014. The reduction is attributable to lower taxable earnings and a reduction in the future tax rate from 27 per cent to 25 per cent.

SalMar's net profit for 2015 as a whole totalled NOK 1,128.8 million, compared with NOK 1,215.5 million in 2014.

### *Consolidated statement of cash flow*

SalMar generated a positive cash flow from operating activities in the amount of NOK 1,622.3 million in 2015, compared with NOK 1,647.0 million in 2014. The largest positive items of profit and loss without any cash flow effect are the Group's share of profit/loss from associates, amounting to NOK 40.2 million, and the change in fair value adjustments of NOK 39.9 million. The largest negative item without cash flow effect is depreciation, amounting to NOK 321.4 million. Furthermore, the item "interest expenses" has been reclassified to financing activities. During the period, SalMar reduced its working capital (change in trade receivables, inventory, trade payables, etc.) by NOK 189.8 million. In 2015 SalMar paid NOK 315.1 million in corporation tax.

Net disbursements from investing activities totalled NOK 724.7 million in the period, compared with NOK 1,031.9 mil-

lion in 2014. During the year a total of NOK 726.7 million was invested in intangible assets and property, plant and equipment. Investments in facilities for biological production both onshore and at sea totalled NOK 702.1 million. This has been necessary to enable the company to exploit its biological growth potential, as well as meet increasingly stringent requirements with respect to equipment and technology. SalMar received a total of NOK 46 million in dividends from associates, while payments relating to investments in associates came to NOK 43.4 million.

Net disbursements from financing activities in 2015 totalled NOK 795.5 million, compared with NOK 1,522.5 million in 2014. In 2015 SalMar paid a dividend totalling NOK 1,124.9 million to its shareholders. An increase in interest-bearing debt contributed NOK 424.8 million, while NOK 98.8 million was paid out in net interest expenses and refinancing costs.

Overall, this gave SalMar a positive cash flow for 2015 of 102.0 million, which increased the Group's holdings of cash and cash equivalents to NOK 273.7 million at the close of the year. The Group had unused drawing rights totalling NOK 2,535.0 million at the close of the year.

### *Consolidated balance sheet*

As at 31 December 2015, SalMar's balance sheet totalled NOK 10,943.5 million, an increase of NOK 819.1 million since the close of 2014.

The Group's intangible assets rose by NOK 14.9 million during 2015. Work on the development of the Group's offshore fish farming concept was capitalised in the amount of NOK 29.8 million. Furthermore, intangible assets were written down and depreciated in the amount of NOK 14.9 million. A total of NOK 2,913.5 million in intangible assets was recognised in the balance sheet at the close of 2015. The book value of 100 fish farming licences accounted for NOK 2,363.6 million of this amount.

The total book value of property, plant and equipment came to NOK 2,412.0 million at the close of the year, NOK 394.4 million more than at the close of 2014. The Group's investments are still higher than overall depreciation. A total of NOK 702.1 million was invested in 2015. The largest single investment related to the ongoing project to build a new smolt facility in Senja, Troms.

At the close of 2015 the Group had non-current financial assets worth NOK 636.2 million. The bulk of this amount relates to the investment in Norskott Havbruk.

The Group's biological assets were valued at NOK 3,306.1 million at the close of the year, NOK 191.4 million more than at the close of 2014. Measured in tonnes, the volume of biomass as at 31 December was 8 per cent less than at the start of the year. The cost of producing the biomass rose by NOK 44.1 million to NOK 2,329.9 million. Adjustment in the fair value of the biomass at the close of the year came to NOK 976.1 million, which is NOK 147.3 million more than in the year before.

The amount of capital tied up in trade receivables has



remained relatively stable, decreasing from NOK 888.2 million at the start of the year to NOK 815.5 million at the close. The bulk of the trade receivables are insured. At the close of the year provisions totalling NOK 11.2 million had been made to cover potential bad debts, including the Group's own risk on its credit insurance.

At the close of 2015 the Group's equity totalled NOK 5,227.0 million, up from NOK 5,137.3 million at the close of 2014. As a result of increased total capital, the equity ratio decreased from 50.7 per cent at the close of 2014 to 47.8 per cent at the close of 2015.

Net interest-bearing debt (interest-bearing debt less cash & cash equivalents) totalled NOK 2,628.1 million at the close of the year, up from NOK 2,301.3 million at the close of 2014. 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. 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 totalled NOK 80.4 million at the close of the year. The Group has, moreover, leasing liabilities amounting to NOK 93.9 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 318.9 million at the close of the year. Next year's instalments on interest-bearing debt total NOK 140.4 million.

The Group expects to pay NOK 292.3 million in corporation tax, based on its taxable income for 2015.

The increase in the Group's assets during 2015 is attributable to a NOK 89.8 million increase in equity, a NOK 433.6 million increase in interest-bearing debt, and an increase in interest-free liabilities of NOK 295.8 million.

## Reporting segments

### *Fish Farming Central Norway*

Fish Farming Central Norway, the Group's largest fish-farming segment, had a good year despite operational challenges. The segment generated NOK 3,156.6 million in operating revenues in 2015, compared with NOK 2,863.5 million in 2014. Operational EBIT came to NOK 815.5 million in 2015, compared with NOK 946.2 million the year before.

For the year as a whole, Operational EBIT per kg gutted weight came to NOK 10.1, down from NOK 12.6 in 2014. The downturn is attributable to higher production costs for the harvested biomass than in 2014. This applies in particular to biomass harvested in the second half of 2015. The increase in costs is largely attributable to direct and indirect expenses incurred to maintain compliance with regulatory limits on salmon lice levels. The lice situation in Central Norway was particularly challenging in the second half of the year. The segment experienced major problems with resistance to medical delousing treatments, while the deployment of cleaner fish did not give optimal results. This development came faster and earlier than expected, and substantially

reduced the effect of the delousing treatments. In addition, feed costs associated with the fish harvested in the period were higher than before. The higher feed cost is attributable to a higher feed factor and increased feed prices. The rise in feed prices is due to increased costs on raw materials, a large proportion of which are exposed to exchange rate fluctuations, and are therefore affected by the weakening of the NOK. The increase in feed factor is attributable largely to intensive delousing treatments, which had a negative impact on fish growth.

Fish Farming Central Norway harvested a total of 80,500 tonnes in 2015, compared with 75,200 tonnes in 2014. A total of 36,500 tonnes was harvested in the first half-year, while 44,000 tonnes was harvested in the second half. Although the prices achieved in the second half were higher than in the first, so were costs. As a result, the profit margin per kg was relatively equal.

As a consequence of the need to reduce lice numbers, a larger number of fish were harvested in the latter part of 2015 than originally planned. The standing biomass was 27.5 per cent lower at the close of 2015 than at the start of the year. As a result, SalMar expects this segment to harvest around 67,000 tonnes in 2016, a decrease of 17 per cent from 2015.

### *Fish Farming Northern Norway*

Fish Farming Northern Norway generated gross operating revenues of NOK 1,646.9 million in 2015, compared with NOK 1,443.1 million in 2014. Operational EBIT came to NOK 505.8 million in 2015, compared with NOK 477.2 million the year before.

Operational EBIT per kg gutted weight came to NOK 12.8 in 2015, up from NOK 12.7 in 2014. 2015 was a satisfactory year for the segment. The lice situation was significantly better in this region than in Central Norway. Although profit margins held steady, the cost of the harvested biomass rose in this region as well. This can largely be attributed to increased feed prices and the fact that some of the output was harvested at a lower than optimal average weight, due to restrictions on the maximum allowable biomass (MAB) at individual sites. Access to production space has been and remains a challenge in this region. In the last couple of years a total of 18 licences have been acquired in this region through the takeover of Villa Organic. A restructuring process is underway to optimise production, both through applications to expand the MAB at existing facilities and the acquisition of new sites. This has proved more demanding than initially anticipated.

Fish Farming Northern Norway has not achieved the growth we expected in 2015. The harvested volume increased by 5 per cent from 2015. The segment harvested 39,500 tonnes in 2015, compared with 37,500 tonnes the year before. 54 per cent of the volume was harvested in the second half of the year.

SalMar expects this segment to harvest around 50,000 tonnes in 2016, an increase of some 27 per cent compared with 2015.

### *Fish Farming Rauma*

The Rauma segment generated gross operating revenues of NOK 785.2 million in 2015, compared with NOK 782.0 million in 2014. Operational EBIT came to NOK 132.2 million in 2015, compared with NOK 214.7 million the year before.

Operational EBIT per kg gutted weight came to NOK 8.1 in 2015, down from NOK 13.0 in 2014.

The level of lice infestation and the costs associated with managing this problem were highest in this segment. The organic form of farming which this segment utilises makes it additionally difficult to handle the salmon lice situation. The production cycle is slightly longer, with a more even harvesting profile. This has been a significant factor in driving costs, and had a negative impact on profit margins.

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 Rauma segment harvested a total of 16,400 tonnes in 2015, compared with 16,500 tonnes in 2014. SalMar expects this segment to harvest around 16,000 tonnes in 2016, in other words no real change.

### *Sales and Processing*

The Sales and Processing segment posted a reduction in profits from 2014 to 2015. 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 7,295.0 million in 2015, up from NOK 6,847.8 million in 2014. Operational EBIT came to NOK 72.6 million in 2015, compared with 137.7 million in 2014.

In 2015 around 52 per cent of the harvested volume was sold under loss-making fixed-price contracts. The rise in salmon prices towards the end of the year contributed to substantial losses on fixed-price contracts. Fish sold in the spot market achieved satisfactory margins. Antibiotic-free Norwegian salmon and the weaker NOK has made the business more competitive in the American market. SalMar supplied a historically high volume to this market in 2015. Deliveries to this market are expected to continue in the years ahead.

InnovaMar harvested around 128,000 tonnes of fish in 2015, about the same as in 2014. Operations at InnovaMar's harvesting facilities have been satisfactory. The biological status of the biomass determines activity levels at InnovaMar. Major fluctuations in the harvested volume, and requirements for direct transfer from wellboats have made it difficult to operate as cost-effectively as possible. Despite this, however, the operation has posted consistently good results. The processing business has also experienced difficult framework conditions. Periodically poor raw materials quality has reduced efficiency levels, and volatile salmon prices make it hard to earn a profit from secondary processing. In 2015, therefore, the business made a negative contribution to the segment's overall financial results. Nevertheless, SalMar believes it is strategically important to process a relatively large proportion of its raw materials in Norway. This increases the quality

of the product sold to the customer, affords opportunities for efficient handling of by products and saves on transport.

### *Associates*

#### *Norskott Havbruk*

2015 was not as good a year for Norskott Havbruk as 2014. The company increased its gross revenues from NOK 1,384.6 million in 2014 to NOK 1,498.5 million in 2015. However, increased costs and a slightly lower harvested volume reduced Operational EBIT from NOK 232.1 million in 2015 to NOK 121.6 million in 2015.

Norskott Havbruk harvested a total of 27,000 tonnes in 2015, down from 27,500 tonnes the year before. The company expects to harvest some 26,000 tonnes in 2016.

Operational EBIT per kg gutted weight came to NOK 4.5 in 2015, down from NOK 8.4 in 2014. The decrease is largely attributable to higher costs resulting from biological challenges associated with amoebic gill disease (AGD), algae blooms and a difficult lice situation at Shetland. Exchange rates have also contributed to a squeeze on prices in the UK market. The company's board has decided to invest around GBP 35 million in a new smolt facility, capable of producing around 10 million smolt per year.

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 41.4 million in 2015, compared with NOK 95.5 million in 2014.

### *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 2015 it employed a total of 31 full-time equivalents.

The company made a net profit for the year of NOK 942.9 million in 2015, compared with NOK 803.1 million in 2014. The bulk of the company's revenues derive from investments in subsidiaries and associates. 2015 was a good year for the company's subsidiaries and resulted in the recognition of NOK 1,227.7 million in dividends/group contributions. Furthermore, the company has recognised a dividend of NOK 46.0 million from its investment in the associate Norskott Havbruk AS. SalMar ASA also administers the Group's main financing activities, and received NOK 71.3 million in interest income on loans to subsidiaries, while interest expenses associated with financing came to NOK 50.6 million.

SalMar ASA had capitalised assets of NOK 5,101.5 million at the close of 2015. Non-current assets accounted for NOK 3,513.5 million of this amount, with loans to subsidiaries coming to NOK 2,165.9 million. Current receivables totalled NOK 1,424.4 million, and are largely made up of dividend/group contributions receivable from subsidiaries. The company had cash and cash equivalents of NOK 147.7 million at the close of the year. Equity as at 31 December 2015 totalled NOK 1,059.7 million, which corresponds to an equity ratio of



21 per cent. Non-current liabilities comprise interest-bearing debt totalling NOK 2,400.0 million. Current liabilities total NOK 1,641.7 million, of which NOK 1,121.2 million has been recognised as a dividend provision.

The board is proposing payment of a dividend of NOK 10.00 per share for the 2015 financial year. The board proposes the following allocation of the year's net profit:

• Dividend provision	NOK 1 121.2 million
• Transferred from other equity	NOK -178.3 million
• Total	NOK 942.9 million

At the close of the year the company had distributable reserves of NOK 1,031.4 million.

### Going concern

The financial statements for 2015 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 is 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.

The salmon lice situation became very challenging in central Norway in the second half of 2015. The entire region faced major challenges when resistance to both hydrogen peroxide and other available medications became widespread, at the same time as the use of cleaner fish was not working optimally. This development came faster and earlier than expected, and significantly reduced the industry's capacity to respond. As the autumn progressed, the company deployed all available measures, including the strategic harvesting out of fish stocks. The company's emergency preparedness with respect to coming periods has been intensified. Well-boat capacity has been strengthened. In addition, mechanical delousing equipment has been ordered, with the aim of collecting up lice to prevent reproduction. When all available countermeasures are in place, SalMar will be able to delouse 80 per cent of its standing biomass in Central Norway in the course of 10-14 days.

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 very low. SalMar has invested in facilities to produce its own cleaner fish.

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. These 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 very 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 help 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, for which good and robust production zones are a prerequisite. Measures to reduce the marine-phase production time through, among other things, the use of larger smolt are a strategic area of focus for SalMar. Good preventive efforts involving biological delousing by means of self-produced cleaner fish will avoid an escalation in the growth of lice numbers. An adequate emergency response capability, including mechanical delousing equipment, along

with the strategic harvesting out of fish stocks in individual net cages will help us to deal with spates of rapidly increasing lice populations. Over time this will permit a reduction in the use of medications, which will in turn diminish the risk of medicine-resistant lice developing.

#### 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, more 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 2015 the spot price of Atlantic salmon fluctuated between NOK 34.86 and NOK 56.49 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 in joint operations with Lerøy in Finnmark. The impact of the Group's fixed-price contracts is therefore recognised in this segment's financial statements. Approximately 52 per cent of the Group's volume was sold under fixed-price contracts in 2015.

#### 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 small. 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 general rule is that credit insurance must be taken out in connection with all sales.

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 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 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 2015 output reached approx. 1.3 million tonnes. This growth has been made possible by the industry's unfailing 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 implementing projects and initiatives that can help further develop the Group's competence.

The scale of the company's engagement in R&D has been growing, through both participation in industry organisations and in-house efforts relating to development licences and projects associated therewith. The work has focused primarily on highly topical issues, such as salmon lice control, production optimisation and feeding regimes. Additionally, SalMar has intensified its focus on cleaner fish and fish welfare.

For many years SalMar has engaged in active partnerships with various R&D environments, including partnerships relating to the operation of R&D licences. The scale and professionalism of important development activities has increased and continues to do so. For SalMar it is important to be a professional, but demanding partner, such that the outcomes of ongoing trials are as relevant as possible, while plans and protocols reflect the practicalities of commercial fish farming. SalMar has allocated personnel specifically to organising and assisting R&D environments involved in such collaborative efforts, while production staff are becoming increasingly experienced with regard to the best way to safeguard research results in a busy working day. Proximity to the research, and the opportunity to influence both its planning and its area of focus are important sources of motivation for SalMar. The development of vaccines, optimisation of the use of medication, feeding and nutrition, and technological challenges posed by large-scale operations are examples of important areas for this activity.

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 2015 the company has also had its own project team members aboard leased wellboats 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 2016.

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 installation is based on advanced offshore concepts developed for the petroleum industry. It has been successfully tested at MARINTEK's marine laboratory.

The new offshore farm will be very escape-proof, and the construction – as well as its siting in more exposed areas further out to sea – has the potential to reduce the biological challenges posed by disease and salmon lice.

On 28 February 2016 SalMar was awarded the first eight development licences for Ocean Farming's offshore fish farming concept. SalMar now has a sufficient number of

development licences, and construction of the full-scale pilot installation, and the advanced equipment associated with it, can commence within a short space of time. The objective is to be in a position to transfer the first fish to the offshore installation in the summer of 2017. If successful, the project has a huge potential for the entire industry.

The development licences have been granted for a period of seven years, but may be converted to ordinary production licences before that time if their objectives and the criteria on which they were granted have been met.

### 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 Accounting 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 separate corporate sustainability report for 2015 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 108.50 to NOK 155.00 in 2015. The final closing price on 30 December, the last day of trading in 2015, was NOK 155.00.

The Annual General Meeting of 2 June 2015 authorised the board to increase the company's share capital. The authorisation was an extension of one granted at the 2014 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 option 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 authorisa-

tion 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 2015 scheme should not exceed 600,000. The board was authorised to draw up more detailed guidelines.

All authorisations granted to the board remain valid until the 2016 AGM, which will be held on 7 June.

On 21 December 2015 the board approved a share-based incentive scheme pursuant to the authorisation granted at the AGM. The final scheme adopted in 2015 encompasses 324,581 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 business development/processing.

The company's 20 largest shareholders own a total of 77.51 per cent of the shares. As at 31 December 2015 SalMar ASA was the seventh largest shareholder with a holding of 1.18 million shares or 1.04 per cent.

SalMar acquired no treasury shares in 2015.

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

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 2 June 2015 Bjørn Flatgård, Gustav

Witzøe and Merethe Holte's terms as members of the board came to an end. Bjørn Flatgård and Gustav Witzøe were re-elected for a period of two years, while Merethe Holte left the board and Bente Rathe was elected as a new member.

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 Anne Kathrine Slungård was elected as a member of the Nomination Committee for a term of two years. Ms Slungård replaces Bente Rathe.

### Markets

While the global supply of Atlantic salmon grew by 2 per cent in 2013 and 9 per cent in 2014, it rose by 4 per cent in 2015, bringing the total volume harvested to just over 2.3 million tonnes. Norway increased its combined output by 3 per cent, or around 35,000 tonnes, during the year. Growth in Chile continued, with the region increasing its output of salmon by 1 per cent, corresponding to 8,000 tonnes. Output in North America rose by 28 per cent, or around 33,000 tonnes, during the period. In the Faeroes output fell by 7 per cent, corresponding to just under 6,000 tonnes, while the other markets increased their output by 12 per cent.

Combined Norwegian exports of Atlantic salmon totalled approx. 1,190,000 tonnes round weight in 2015, a rise of 4 per cent compared with 2014. However, the value of Norwegian salmon exports rose by 9 per cent to almost NOK 48 billion in 2015, up NOK 3.9 billion on the year before. Norway exports 76 per cent of its volume to the EU, which all told received a total of 911,000 tonnes of Norwegian salmon. France and Poland increased their imports of Norwegian salmon by 5 per cent and 4 per cent respectively. Exports to key Asian markets (Vietnam, China and Hong Kong) decreased by a combined 14 per cent.

Since August 2014, exports to Russia have been severely affected by that country's ban on imports of Norwegian salmon. Following the introduction of trade restrictions, the volume that was previously destined for the Russian market has been channelled elsewhere. Since August 2014 SalMar has replaced these volumes primarily in existing markets. So far in 2016 (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 2015 (from NOK 45 to NOK 35 per kg). It rose again through the third quarter (to around NOK 45 per kg). The price fell to around NOK 37 in the fourth quarter, before increasing sharply towards the end of the year. The year's highest price, NOK 56.49 per kg, was recorded in week 53. Strong prices in the first half of 2015 and a marked rise in the third and fourth quarters contributed to a record average price for the year as a whole. At NOK 41.45 per kg, this was 2 per cent higher than the average for 2014.

The NOK weakened against the EUR, USD and GBP through 2015, a trend which may have helped to dampen the effect



for customers who pay in local currencies. During the period the NOK weakened by 6.45 per cent against the EUR, 18.51 per cent against the USD and 12.97 per cent against the GBP.

SalMar sold directly to over 40 different countries in 2015. SalMar's most important market in 2015 was Europe, with Poland, Lithuania and the UK as the largest individual markets. Asia is SalMar's second largest market, with Japan, Korea, Vietnam and Singapore as the largest individual markets. Since SalMar's exports to Russia ceased in August 2014, North America has taken over as the Group's third largest market, with the USA as the largest individual market.

At the close of 2015 Norway's standing biomass stood at 701,400 tonnes round weight, down 3 per cent from the 725,500 tonnes it had at the close of 2014. At the close of 2015 the UK had a biomass of 89,900 tonnes, 3 per cent more than a year before. At 290,200 tonnes, Chile's biomass was down on the figure 12 months previously. The total biomass in the Faeroes was estimated to be 44,300 tonnes at the close of the year, up 13 per cent on a year before.

Preliminary forecasts for 2016 (Kontali) indicate a global decrease in supply of around 7 per cent. The biggest change will come in Chile, which is expected to cut its output by approx. 125,000 tonnes (down 21 per cent) as a result of the loss of biomass due to an algae bloom at the start of the year. In Norway the growth seen in recent years is expected to slacken off. Output in 2016 is expected to decrease by 49,000 tonnes, or 4 per cent. An increase of 7 per cent is expected in the output of Atlantic salmon from producers in the Faeroes. North American producers are expected to have zero growth in output, while those in the UK are expected to increase their output by 2 per cent.

## 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 and financial position, the SalMar Group aims to retain its standing as one of the world's leading aquaculture companies, with further growth and improved profitability in 2016. 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 very bright.

The volume harvested in 2016 is expected to be slightly lower than in 2015. This is due primarily to the fact that the lice situation for the Central Norway segment has resulted in SalMar harvesting more individual fish, such that the biomass in this segment is 27 per cent lower at the start of 2016 than it was a year before. In Northern Norway, where lice numbers

are lower, SalMar expects to increase its harvested volume from 39,500 tonnes to 50,000 tonnes. Overall, SalMar expects to harvest 133,000 tonnes in 2016. This is based on 100 wholly owned licences and joint operation of 13 licences owned by partner entities. In 2016 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. During the year 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 2016 is expected to be around 13,000 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 2016 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 lice situation experienced by Fish Farming Central Norway remains challenging. The regulatory regime for the treatment of lice compels the industry to ensure that during the spring of 2016 there shall be no more than 0.1 louse per fish. This is to ensure that wild salmon have a safe journey on their way out to sea. Intensive delousing treatments makes farmed salmon less robust and increases the risk of mortality. The organisation's emergency response capability has therefore been put on high alert. This capability is costly, and SalMar expects it to remain at a high level through 2016. SalMar is working continuously to be in a good position to deal with any biological challenges. This is achieved through investments in important tools, such as the capacity to produce larger smolt and so reduce the time the fish spend at sea, the use of cleaner fish as a delousing method, wellboats and mechanical equipment to provide sufficient delousing capacity, and, if necessary, sanitary harvesting.

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. In this context the realisation of the offshore fish farming installation will be a historic milestone. The award of development licences was the trigger for this pilot project, in which SalMar is investing around NOK 690 million. SalMar is convinced that fish farming must be carried out on the fish's terms, and not be constrained by equipment limitations.

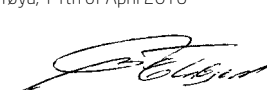
Feed is the most important cost component in the farming of salmon, accounting for 55-60 per cent of total production costs. Feed prices rose steadily in 2015, due to higher prices on important input factors, such as fishmeal and fish oil. This price increase has been reinforced by the weakening of the NOK against the USD. So far there are no indications of any material changes in prices in 2016.

In total this means that SalMar expects the cost price of the harvested biomass to be higher in 2016 than in 2015.

SalMar will continue its ongoing maintenance and upgrade investment programme, and expects to invest around NOK 325 million in 2016. The bulk of this will be associated with marine-phase production. The investment in increased smolt capacity in Senja will come to fruition in 2016. SalMar will also begin the expansion of its main smolt production facility at Follafooss in Trøndelag. This will realise our strategy of becoming self-sufficient in smolt, including the need for large smolt. In total, this will cost almost NOK 350 million in 2016. Investment in the offshore farm installation will also get fully underway in 2016, with completion set for the first half of 2017.

From a financial performance point of view, 2015 was a good year for SalMar. The board deems SalMar's financial position to be very good and is therefore recommending a dividend of NOK 10.00 per share. In the opinion of the board,

Frøya, 14th of April 2016



Bjørn Flatgård  
Chair



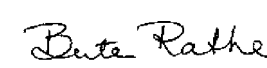
Gustav Witzøe  
Director



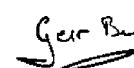
Tove Elin Nedreberg  
Director



Kjell A. Storeide  
Director



Bente Rathe  
Director



Geir Berg  
Director/Employee representative



Merete Gisvold Sandberg  
Director/Employee representative



Leif Inge Nordhammer  
President & CEO





# Statement remuneration

Statement regarding the determination of salary and other benefits payable to senior executives of SalMar ASA for 2016.

## 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 2016 financial year. The statement was approved by the board of directors of SalMar ASA on 14 April 2016. In accordance with the provisions of sections 6-16a and 5-6(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 2016 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. Within this framework, individual bonuses are determined on the basis of an overall assessment of contribution, performance, development and results achieved.

### 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 value of the shares released under the various programmes in an individual year may not exceed one 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 2015 financial year

The Company's senior executive remuneration policy for the 2015 financial year has been carried out in accordance with the statement for 2015 adopted by the AGM on 2 June 2015.





Consolidated  
account SalMar 



## Consolidated Financial Statement

NOK 1000

OPERATING REVENUES AND OPERATING EXPENSES	NOTE	2015	2014
Sales revenues	11, 23	7 303 506	7 160 010
Other operating revenues	27	22 696	25 877
<b>Total operating revenues</b>		<b>7 326 202</b>	<b>7 185 887</b>
Change in stocks of goods in progress and finished goods		-246 712	-162 119
Cost of goods sold		3 809 523	3 337 411
Payroll costs	19, 24, 25	765 881	710 430
Depreciation of PP&E and intangible assets	4, 5	307 280	275 765
Write-downs of PP&E	4, 5	14 169	2 399
Other operating expenses	5, 12, 21, 24, 26	1 272 186	1 142 953
<b>Total operating expenses</b>		<b>5 922 328</b>	<b>5 306 839</b>
<b>Operational EBIT</b>		<b>1 403 873</b>	<b>1 879 048</b>
Fair value adjustments	14	39 932	-232 349
<b>Operating profit</b>		<b>1 443 805</b>	<b>1 646 699</b>
Income from investments in associates	9	40 242	96 136
FINANCIAL ITEMS			
Interest income		3 477	9 057
Financial income		685	2 044
Interest expenses	17	98 780	124 193
Financial expenses		5 744	902
<b>Net financial items</b>		<b>-100 362</b>	<b>-113 994</b>
<b>Profit before tax</b>		<b>1 383 686</b>	<b>1 628 841</b>
Tax	18	254 891	413 364
<b>Net profit for the year</b>		<b>1 128 795</b>	<b>1 215 477</b>
COMPREHENSIVE INCOME			
Items which may subsequently be reclassified to profit & loss			
Translation differences and items of comprehensive income in associates		58 475	58 751
Translation differences in subsidiaries		4 705	3 312
<b>Total comprehensive income for the year</b>		<b>1 191 975</b>	<b>1 277 540</b>
<b>Non-controlling interests' share of net profit for the year</b>	6	<b>25 506</b>	<b>22 977</b>
<b>Controlling interest's share of net profit for the year</b>		<b>1 103 289</b>	<b>1 192 500</b>
<b>Non-controlling interests' share of comprehensive income</b>	6	<b>25 506</b>	<b>22 977</b>
<b>Controlling interest's share of comprehensive income</b>		<b>1 166 469</b>	<b>1 254 563</b>
Earnings per share	28	9,85	10,65
Diluted earnings per share	28	9,83	10,65

## Consolidated Balance Sheet

As at 31 December NOK 1000

ASSETS	NOTE	2015	2014
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Licences, patents, etc	4, 20	2 466 171	2 451 271
Goodwill	4	447 372	447 372
<b>Total intangible assets</b>		<b>2 913 542</b>	<b>2 898 643</b>
PROPERTY, PLANT & EQUIPMENT			
Land, building & other real property	5, 20	617 182	489 496
Plant, equipment & operating consumables	5, 20	1 554 914	1 336 126
Vessels, vehicles, etc	5, 20	239 863	191 953
<b>Total property, plant &amp; equipment</b>		<b>2 411 959</b>	<b>2 017 575</b>
NON-CURRENT FINANCIAL ASSETS			
Investments in associates	9	627 681	523 711
Investments in shares & other securities	10	289	519
Pension fund assets	10, 12, 19	1 397	1 592
Other receivables	10, 12, 24	6 840	13 403
<b>Total non-current financial assets</b>		<b>636 206</b>	<b>539 225</b>
<b>Total non-current assets</b>		<b>5 961 707</b>	<b>5 455 443</b>
CURRENT ASSETS			
Biological assets	13, 20	3 306 052	3 114 684
Other inventory	13, 20	328 216	206 454
<b>Total inventory</b>		<b>3 634 268</b>	<b>3 321 138</b>
RECEIVABLES			
Trade receivables	10, 12, 20	815 540	888 219
Other receivables	10, 11, 12	258 288	292 644
<b>Total receivables</b>		<b>1 073 828</b>	<b>1 180 863</b>
<b>Bank deposits, cash &amp; cash equivalents</b>	10, 15, 17	<b>273 696</b>	<b>166 963</b>
<b>Total current assets</b>		<b>4 981 792</b>	<b>4 668 964</b>
<b>TOTAL ASSETS</b>		<b>10 943 499</b>	<b>10 124 407</b>



## Consolidated Balance Sheet

As at 31 December NOK 1000

EQUITY AND LIABILITIES	NOTE	2015	2014
EQUITY			
PAID-IN EQUITY			
Share capital	16	28 325	28 325
Treasury shares		-295	-325
Share premium fund		415 286	415 286
Other paid-in equity		57 768	34 834
<b>Total paid-in equity</b>		<b>501 084</b>	<b>478 120</b>
RETAINED EARNINGS			
Distributable reserve		4 646 272	4 598 535
<b>Total retained earnings</b>		<b>4 646 272</b>	<b>4 598 535</b>
Non-controlling interests	6	79 684	60 622
<b>Total equity</b>		<b>5 227 039</b>	<b>5 137 277</b>
NON-CURRENT LIABILITIES			
Deferred tax	18	1 230 815	1 262 594
Debt to credit institutions	2, 10, 17, 20	2 371 338	1 780 174
Leasing liabilities and other non-current liabilities	2, 5, 10, 17, 20	390 035	411 388
<b>Total non-current liabilities</b>		<b>3 992 187</b>	<b>3 454 156</b>
CURRENT LIABILITIES			
Debt to credit institutions	2, 10, 17, 20	140 421	276 667
Trade payables	10, 17	649 274	409 485
Tax payable	18	292 320	321 839
Public charges payable		153 262	143 757
Other current liabilities	10, 11, 22	488 996	381 226
<b>Total current liabilities</b>		<b>1 724 273</b>	<b>1 532 974</b>
<b>Total liabilities</b>		<b>5 716 460</b>	<b>4 987 130</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10 943 499</b>	<b>10 124 407</b>

Frøya, 14th of April 2016

Bjørn Flatgård  
Chair

Gustav Wenzøe  
Director

Tove Elin Nedreberg  
Director

Kjell A. Storeide  
Director

Bente Rathe  
Director

Geir Berg  
Director/Employee representative

Merete Gisvold Sandberg  
Director/Employee representative

Leif Inge Nordhammer  
President & CEO

## Consolidated Statement of Cash Flow

As at 31 December NOK 1000

	NOTE	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before tax		1 383 686	1 628 841
Tax paid in the period	18	-315 132	-25 843
Depreciation and write-downs	4, 5	321 449	278 164
Options charged to expenses	24, 25	22 933	5 459
Share of profit/loss from associates	9	-40 242	-96 136
Gains/losses on sale of non-current assets	5	893	628
Gains/losses on sale of non-current financial assets		117	0
Change in fair value	14	-39 932	232 349
Change in inventory/biological assets		-165 868	-198 512
Change in trade receivables		72 679	-219 863
Change in trade payables		239 789	-46 510
Change in other time-limited items		141 921	88 427
<b>Net cash flow from operating activities</b>		<b>1 622 292</b>	<b>1 647 004</b>
CASH FLOW FROM INVESTING ACTIVITIES:			
Receipts from sale of property, plant & equipment	5	0	500
Payments for purchase of property, plant & equipment and intangible assets	4, 5	-726 677	-1 040 058
Payments for acquisitions of businesses, net of cash acquired	7	0	-28 563
Payments for purchase of shares and securities	9	-43 394	0
Dividend from associates and TRS shares	9	46 000	36 250
Net receipts/payments from change in non-current financial assets		-674	0
<b>Net cash flow from investing activities</b>		<b>-724 745</b>	<b>-1 031 871</b>
CASH FLOW FROM FINANCING ACTIVITIES:			
New long-term borrowings	17	1 500 000	1 804 874
Repayment of long-term borrowings	17	-952 062	-2 143 244
Net change in overdraft	17	-123 149	-18 989
Interest received		3 477	9 057
Interest paid	17	-98 780	-124 193
Payments for redemption of options	24, 25	0	-10 219
Cash effect exit of non-controlling interests	8	0	-133 373
Cash effect exit of subsidiaries	8	0	-7 538
Payment of dividend		-1 124 900	-898 208
Other changes		-107	-648
<b>Net cash flow from financing activities</b>		<b>-795 521</b>	<b>-1 522 481</b>
Net change in bank deposits, cash & cash equivalents		102 027	-907 348
Foreign exchange effects		4 705	3 312
Bank deposits, cash & cash equivalents as at 1 Jan		166 963	1 070 998
<b>Bank deposits, cash &amp; cash equivalents as at 31 Dec</b>		<b>273 696</b>	<b>166 963</b>
Unused drawing rights	17	2 535 000	3 136 193

Restricted funds account for NOK 75,591,000 of the company's cash & cash equivalents of NOK 273,696,000. See Note 15 for further details.



## Statement of Equity

NOK 1 000

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 ass.	9						58 911		58 911
Items of comprehensive income in ass.	9						-160		-160
Translation differences in subsidiaries						3 312			3 312
Total comprehensive income						3 312	58 751		62 063
Total comprehensive income for the year		0	0	0	0	3 312	1 251 251	22 977	1 277 540
TRANSACTIONS WITH SHAREHOLDERS									
Award of options	25				2 012				2 012
Payment of dividend	25						-896 000	-2 208	-898 208
Additions non-controlling interests	7							27 656	27 656
Buyout of non-controlling interests	8						-6 392	-325 612	-332 003
Other changes							-509		-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

## Notes to the financial statements



2015	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 2015		28 325	-325	415 286	34 834	4 458	4 594 077	60 622	5 137 277
Net profit for the year							1 103 289	25 506	1 128 795
COMPREHENSIVE INCOME									
Translation differences in associates	9						58 475		58 475
Translation differences in subsidiaries						4 705			4 705
Total comprehensive income						4 705	58 475		63 180
Total comprehensive income for the year		0	0	0	0	4 705	1 161 764	25 506	1 191 975
TRANSACTIONS WITH SHAREHOLDERS									
Award of options	25				22 933				22 933
Deferred tax on options	18						1 398		1 398
Options redeemed	25		30				-30		
Payment of dividend	16						-1 120 000	-6 436	-1 126 436
Other changes							-100		-100
Total transactions with shareholders		0	30	0	22 933	0	-1 118 732	-6 444	-1 102 205
Equity as at 31 Dec 2015		28 325	-295	415 286	57 768	9 164	4 637 108	79 684	5 227 039

## Note 1 • Accounting principles

### 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 14 April 2016.

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

During the year no new or amended standards were issued which will affect the Group's financial results or 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 8 Operating Segments. It is required that an account be given of the assessments made if operating segments are merged. Operating segments that are merged together must be identified, and it must be disclosed which financial indicators have been considered when it has been concluded that they have similar financial characteristics. Amendments come into effect from 1 January 2016.

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 2018 at the earliest.

IFRS 16 Leases replaces the existing IFRS standard for leasing contracts, IAS 17 Leases. IFRS 16 sets out principles for recognition, measurement, presentation and disclosures for both parties to a leasing agreement, ie the customer (lessee) and the proprietor (lessor). The new standard requires that the lessee recognises assets and liabilities relating to the majority of leasing agreements, which is a material change from today's principles. With respect to the lessor, IFRS 16 is almost entirely a continuation of the existing principles in IAS 17. As such, a lessor shall continue to classify his leasing agreements as operational or financial leasing agreements, and shall account for these two types differently. The standard is not deemed to be of material significance for the Group's financial position. An overview of total future leasing payments is presented in Note 21 to the consolidated financial statements. Implementation is expected on 1 January 2019 at the earliest.

IAS 1 Presentation of Financial Statements. Amendments to IAS 1 are intended to promote greater use of professional judgement with respect to the disclosures to be included in the notes, and how the financial statements may be structured. The Group considers that the amendments will allow less important information to be toned down, and that other ways of organising the information in the notes may be relevant. Otherwise, the amendment does not affect the financial statements. The amendments come into effect from 1 January 2016.

Amendments in other standards and interpretations relate to standards and interpretations that are not relevant to the Group.

### Consolidation principles

The consolidated financial statements include SalMar ASA and its subsidiaries as at 31 December 2015. 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 2015, 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' rela-

tive 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 entity, 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.

#### *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.

#### **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 production 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 sub-

sidiary SalMar Japan KK use NOK as their functional currency. In addition, the company Scottish Seafarm Ltd uses GBP as its function currency. The company is wholly owned by the associate Norskott Havbruk AS. See Note 9 for further details.

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 (sales revenues) 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. See Note 11 for further details.

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:

- The balance sheet is translated at the exchange rate in effect on the balance sheet date.
- 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).
- 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 relating to future revenues 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 and are time limited. In connection with normal operations licences are not subject to relinquishment requirements. 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 2015.

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.

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 vesting 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 25 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.

Exceptional biological events

The Group classifies exceptional biological events on a sepa-

rate line in profit and loss. Exceptional 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.

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.

Given the financial instruments in effect on 31 December 2015, a 0.5 % rise in the rate of interest would reduce the Group's profit by NOK14,466,000 (2014: NOK 12,315,000), 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 2015, a 10 % fall in the value of the NOK would alter the

Group's profit before tax by NOK 169,194,000 (2014: NOK 163,978,000). 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 2015 would have had the following effect on the Group's profit before tax:

EUR:	TNOK	83 886
JPY:	TNOK	5 702
GBP:	TNOK	36 385
USD:	TNOK	43 221

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. The main 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 Debt 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	<i>NOK 1000</i>	Total	2016	2017	2018	2019	2020	After 2020
Long-term debt	2 480 429	109 092	109 092	109 092	109 092	2 109 092	9 092	34 971
Interest on long-term debt	147 326	44 090	42 108	40 125	40 125	19 967	718	318
Financial leasing agreements	412 776	31 329	20 953	17 468	17 468	14 331	14 187	314 509
Interest on fin. leasing agreem.	527 797	43 122	42 456	41 860	41 860	41 221	40 473	318 665
Short-term credit facilities	-	-	-	-	-	-	-	-
Trade payables	649 274	649 274	-	-	-	-	-	-
<b>Total liabilities</b>	<b>4 217 603</b>	<b>876 907</b>	<b>214 608</b>	<b>208 544</b>	<b>208 544</b>	<b>2 184 611</b>	<b>64 470</b>	<b>668 463</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, buyback of treasury shares, capital reduction or issue of new shares. No changes were made in the guidelines covering this area in 2015.

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 2015 the Group had an equity ratio

of 47.8 % (50.7 % as at 31 December 2014). At the close of 2015 the Group had net interest-bearing debt of NOK 2,628,098,000 (2014: NOK 2,301,266,000).

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 2015. 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.

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.

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

Assets 31.12.2015 NOK 1000	Level 1	Level 2	Level 3	Total
Financial assets at fair value in profit and loss				
- Derivatives held for trading	-	32 399	-	32 399
Financial assets available for sale				
- Equity instruments	-	-	289	289
<b>TOTAL assets</b>	<b>-</b>	<b>32 399</b>	<b>289</b>	<b>32 687</b>

<b>Liabilities</b>				
Financial liabilities at fair value in profit and loss				
- Derivatives held for trading	-	132 889	-	132 889
Long-term debt to credit institutions			2 371 338	2 371 338
Leasing liabilities and other non-current liabilities			390 035	390 035
Short-term debt to credit institutions			140 421	140 421
<b>TOTAL liabilities</b>	<b>-</b>	<b>132 889</b>	<b>2 901 793</b>	<b>3 034 682</b>

Assets 31.12.2014 NOK 1000	Level 1	Level 2	Level 3	Total
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>-</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>-</b>	<b>175 485</b>	<b>2 468 229</b>	<b>2 643 714</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 is considered to be the same as the market rate on the balance sheet date. Seen Note 17 for further details of interest terms.

The following table presents the changes classified in Level 3 as at 31 December 2015 in instruments.

	Equity instruments available for sale	Total
Opening balance	519	519
Investments during the period	-	-
Sales during the period	-230	-230
Gains/losses recognised in profit and loss	-	-
Closing balance	289	289
<b>Total gains or losses in the period included in the result for assets held on the balance sheet date</b>	<b>-</b>	<b>-</b>

The following table presents the changes in instruments classified in Level 3 as at 31.12.2014.

	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
Closing balance	519	519

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 faming 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 report and administered as separate internal business areas. In addition, a Sales & Processing segment reports separately.

The Villa segment, in which the SalMar Group has had a controlling interest through its ownership of 51.4 % of the shares

in the Villa Group, comprised both fish farming and processing activities. In 2014 the segment was split between the company's two major shareholders, and SalMar's share of the business activities were incorporated into SalMar Nord. Following the demerger SalMar Nord 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 exceptional 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 options, non-recurring events and R&D associated with jointly operated licences 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 the past two years the company has had no individual customers which accounted for more than 10 % of the Group's sales revenues.

	Fish Farming Central Norway	Fish Farming Northern Norway	Fish Farming Rauma	Sales & Processing	Other/ eliminations	SalMar Group
<b>2015 NOK 1000</b>						
External operating revenues	0	153 307	4 833	7 168 062	0	7 326 202
Internal operating revenues	3 156 570	1 493 593	780 327	126 951	-5 557 441	0
<b>TOTAL operating revenues</b>	<b>3 156 570</b>	<b>1 646 900</b>	<b>785 160</b>	<b>7 295 013</b>	<b>-5 557 441</b>	<b>7 326 202</b>
Depreciation	135 597	72 803	35 979	57 251	5 650	307 280
Write-downs	1 942	0	0	1 227	11 000	14 169
Operating expenses	2 203 558	1 068 326	616 978	7 163 982	-5 451 965	5 600 879
<b>Operational EBIT</b>	<b>815 472</b>	<b>505 771</b>	<b>132 203</b>	<b>72 553</b>	<b>-122 126</b>	<b>1 403 873</b>
Fair value adjustments	-105 312	204 053	48 522	-107 331	0	39 932
<b>Operating profit</b>	<b>710 160</b>	<b>709 824</b>	<b>180 725</b>	<b>-34 778</b>	<b>-122 126</b>	<b>1 443 805</b>
Share of profit/loss from associates						40 242
Net financial items						-100 362
<b>Profit before tax</b>						<b>1 383 686</b>
Tax						254 891
<b>Net profit for the year</b>						<b>1 128 795</b>
Investments in PP&E	359 867	258 708	52 906	23 049	7 603	702 132
Investments in business entities	0	0	0	0	0	0

	Fish Farming Central Norway	Fish Farming Northern Norway	Fish Farming Rauma	Sales & Processing	Villa	Other/ eliminations	SalMar Group
<b>2014 NOK 1000</b>							
External operating revenues	0	71 157	1 177	6 708 122	405 431	0	7 185 887
Internal operating revenues	2 863 511	1 371 957	780 871	139 643	122 097	-5 278 079	0
<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	0	0	0	2 106	0	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
<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>

Year's investments in PP&E	241 522	179 678	47 058	39 793	24 026	3 457	535 535
Year's investm. in busin. entities	28 785	0	0	0	0	0	28 785



## Note 4 • Intangible assets

<i>NOK 1000</i>	Licences	Goodwill	Other intangible assets	TOTAL
Acquisition cost 1 Jan 2014	1 982 274	451 738	67 360	2 501 372
Additions	494 000	0	22 223	516 223
Additions through business takeover	60 000	14 024	0	74 024
Disposals	151 676	0	0	151 676
Acquisition cost 31 Dec 2014	2 384 597	465 762	89 583	2 939 943
Additions	0	0	29 812	29 812
Additions through business takeover	0	0	0	0
Disposals	0	0	0	0
Acquisition cost 31 Dec 2015	2 384 597	465 762	119 394	2 969 754
Acc. dep. and write-downs 1 Jan 2014	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
Year's depreciation	0	0	3 912	3 912
Year's write-downs	11 000	0	0	11 000
Acc. dep. and write-downs 31 Dec 2015	21 000	18 390	16 821	56 211
<b>Book value as at 31 Dec 2015</b>	<b>2 363 597</b>	<b>447 372</b>	<b>102 573</b>	<b>2 913 542</b>
Book value as at 31 Dec 2014	2 374 597	447 372	76 674	2 898 643
Book value as at 1 Jan 2014	1 972 274	433 348	58 435	2 464 057

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 26.7 million. Remaining items under 'Other intangible assets' are depreciated over 5 years. Of the total NOK 102.6 million recognised, capitalised R&D costs associated with the development of an offshore fish farming installation accounts for NOK 69.8 million. Depreciation of the capitalised costs commences when the project is completed. For further details, see below.

<b>Specification of fish farming licences 2015</b> <i>NOK 1000</i>	No. of licences	Acquisition cost	Book value 31.12.15
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	476 658
	100	2 384 597	2 363 597

<b>Specification of fish farming licences 2014</b> <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
	100	2 384 597	2 374 597

The Group has joint operational agreements/time-limited licences linked to 13 licences.

<b>Specification of goodwill 2015</b> <i>NOK 1000</i>	Acquisition year	Acquisition cost	Book value 31.12.15
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
		453 839	447 372

<b>Specification of goodwill 2014</b> <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
		453 839	447 372

*Testing for impairment of other intangible assets*

The Group is developing new technology for offshore fish farming, and efforts are underway to develop a fish farming installation for offshore use. As at 31 December 2015, a total of NOK 69.8 million in development expenses relating to the project had been capitalised, NOK 28.4 million of which were recognised in 2015. During 2015 it became more likely than not that the project would be realised, and activities were initiated to prepare for the start-up of construction.

Construction costs totalling some NOK 630 million have been budgeted for. SalMar expects to put the installation into production in 2017, and revenues from harvestable fish are budgeted with effect from 2018. In February 2016 the Group was allocated a location in which to operate the offshore installation, as well as eight development licences. When assessing the project for impairment, the Group has assumed a harvested volume per generation of 7,000 tonnes, an average sales price of NOK 36.13 per kg and a discount rate before tax of 8.97 %. Conversion to ordinary production licences, involving an investment cost of NOK 10.0 million per development licence, has also been included in the calculation.

On the basis of the assessment performed, there are no grounds to write down the sums capitalised in connection with development of the offshore fish farming facility.

*Testing for impairment of licences and goodwill*

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 and Fish Farming Rauma, 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 book value of licences and goodwill respectively is compared with the recoverable amount. The recoverable amount is the higher of value in use and fair value less sales costs. An estimated sales value in use is employed to calculate the recoverable value. A write-down in performed if the book value is lower than the recoverable value.

*Licences*

Fair value is used when assessing the Group's licences for impairment. With respect to the individual segments, the Group has capitalised licences worth on average NOK 20.0 million in the Central Norway segment, NOK 26.4 million in the Northern Norway segment and NOK 29.8 million in the Rauma segment. Impairment is not assessed at the individual licence level, but on a portfolio basis for each segment. An average of observable, historic transactions is used as a best estimate of fair value, with the value as at 31 December 2015 coming to approx. NOK 60.0 million per licence. The assessment is based on Level 3 in the valuation hierarchy.

The impairment test resulted in no requirement to write down the book value of fish farming licences as at 31 December 2015.

*Goodwill*

An estimate of value in use is applied when assessing the Group's goodwill for impairment.

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 invest-

ment 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.

On the basis of these assessments, there are no grounds to write down the book value of goodwill as at 31 December 2015.

## Note 5 • Property, plant &amp; equipment

	Land, buildings & other real property	Plant, operating equipment, fixtures, etc.	Vessels and other operating assets	TOTAL	of which leased oper. assets
<i>NOK 1000</i>					
Acquisition cost 1 Jan 2014	579 739	2 045 827	196 276	2 821 842	798 212
Additions	67 449	360 949	107 137	535 535	11 700
Additions through business takeovers	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
Additions	155 389	435 067	111 676	702 132	5 267
Disposals	0	807	447	1 254	168
Acquisition cost 31 Dec 2015	743 239	2 629 937	362 414	3 735 590	780 817
Acc. dep. & write-downs 1 Jan 2014	106 331	797 006	59 181	962 517	179 548
Year's depreciation 2014	29 285	210 048	32 446	271 780	69 928
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	249 477
Year's depreciation 2015	26 482	213 567	63 319	303 368	60 479
Year's write-downs	1 222	1 948	0	3 169	0
Reversed depreciation	0	41	0	41	0
Acc. dep. & write-downs 31 Dec 2015	126 057	1 075 023	122 553	1 323 633	309 956
<b>Book value 31 Dec 2015</b>	<b>617 182</b>	<b>1 554 914</b>	<b>239 863</b>	<b>2 411 959</b>	<b>470 862</b>
Book value 31 Dec 2014	489 496	1 336 126	191 953	2 017 575	526 241
Book value 1 Jan 2014	473 408	1 248 822	137 095	1 859 326	618 663

Gains/losses on sale of non-current assets	0	893	0	893
Annual lease of off-balance sheet operating assets	21 711	15 475	6 650	43 835
Capitalised interest	2 334	785	0	3 119

Economic life	5-20 years	3-10 years	5-15 years
Depreciation plan	straight-line	straight-line	straight-line

As at 31 December 2015, the company had capitalised NOK 331,032,000 in connection with an investment project that had not been completed and put into operation, and where depreciation had not begun. This breaks down as follows: NOK 129,832,000 in real property, NOK 159,480,000 in plant and equipment, and NOK 41,720,000 in vessels and other operating assets.

As at 31 December 2015, capitalised leasing liabilities totalled NOK 412,776,000. Of the capitalised operating assets, NOK 35,847,000 was accounted for by plant and equipment, NOK 154,041,000 by vessels and other operating assets, and NOK 280,974,000 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 284.5 million as at 31 December 2015. 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 2015 cover the following subsidiaries:

Subsidiaries	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 %
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 %
Ocean Farming AS	YES	Kverva	91,0 %
SalMar Nord AS	YES	Senja	100,0 %
- Troms Stamfiskstasjon 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 %

Non-controlling interests associated with subsidiaries	Non-controlling interests' shareholding/ voting share	Share of profit profit/loss allocated to non-controlling interests	Non-controlling interests' aggregated share of equity
Hitramat Farming AS	49 %	5 448	33 108
Vikenco AS	49 %	18 190	39 570
Ocean Farming AS	9 %	-	-
Frøyas AS	34 %	1 868	7 004
		25 506	79 684



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 2015

No business combinations were undertaken in 2015.

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 take-over, 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.

NOK 1000	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:

NOK 1000	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 boosted Operational EBIT by NOK 4,375,000 in the period after acquisition in 2014. The Group's sales revenues were not 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.

Note 8 • Transactions with non-controlling interests

2015

No transactions with non-controlling interests were undertaken in 2015.

2014

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 Nord AS, in which SalMar had a 99.94 % shareholding as at 1 July 2014. Following the demerger, SalMar Nord owns eight licences, giving it control of the Laksefjord area in Finnmark. With effect from 1 July 2014, the business 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 were divided between SalMar Nord AS and Lerøy Finnmark AS. This means that these two subsidiaries exited 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.

NOK 1000	Exit of subsidiaries and non-controlling interests at 1.7.2014
ASSETS	
Intangible assets	-151 676
Property, plant & equipment	-106 110
Financial assets	2 475
Total non-current assets	-255 311
Inventory	-90 664
Trade receivables	-13 546
Other current receivables	-7 630
Cash & cash equivalents	-140 911
Total current assets	-252 750
TOTAL ASSETS	-508 062

ASSETS AND LIABILITIES	
Non-controlling interests	-332 003
Total equity	-332 003
Provisions	-42 295
Interest-bearing long-term debt	-42 552
Total non-current liabilities	-84 847
Other current liabilities	-91 212
Total current liabilities	-91 212
TOTAL EQUITY AND LIABILITIES	-508 062

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 Nord AS and Lerøy Finnmark AS. A gain on the exit of subsidiaries has been 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 effect goes directly to a reduction in non-controlling interests' share of equity.

Note 9 • Associates

The Group has the following investments in associated companies:

Company	Registered office	Sector	Shareholding	Voting share
Norskott Havbruk AS	Bergen	Fish farming	50,00 %	50,00 %
Salmus AS	Leirfjord	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			
	Norskott Havbruk	Salmus AS	Other	Total
Opening balance 1 Jan 2015	520 423	0	3 292	523 712
Additions of shares/contributions	0	43 394	0	43 394
Debt conversion	0	0	7 858	7 858
Share of the year's profit/loss	41 408	0	-1 166	40 242
Items of comprehensive income	58 475	0	0	58 475
Dividend received	-46 000	0	0	-46 000
Closing balance 31 Dec 2015	574 306	43 394	9 984	627 681

Since none of the Group's associates is listed on a stock exchange, no observable market values exist.

On 11 December 2015 the Group agreed to purchase 50 % of the shares in Salmus AS. Salmus AS owns 53.05 % of the shares in Kvitholmen AS, which in turn owns 86.38 % of the shares in Arnarlax Hf. At the time of the investment, the book value of Salmus AS's equity was NOK 47.1 million. SalMar paid a cash consideration of NOK 43.4 million for its investment. Excess values in the Group derive in their entirety from Arnarlax Hf's fish farming licences.

Both Salmus AS and Kvitholmen AS are shareholding companies. Arnarlax Hf is an aquaculture company located in Iceland. Salmus AS is owned 50/50 by SalMar and Edinborg AS. Salmus's shareholders have an equal number of representatives on the company's board of directors. Pursuant to a shareholders' agreement, in the event of any disagreement between them, each party may request that the company be demerged. On this basis, the investment is deemed to be an associate in which SalMar has considerable influence.

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:

<i>NOK 1000</i>	2015	2014
Operating revenues	1 498 485	1 384 613
Operating expenses	1 376 914	1 152 509
Fair value adjustments	-23 885	8 306
Profit after tax	82 816	191 079
Current assets	1 036 335	991 365
Non-current assets	880 285	693 437
Current liabilities	214 833	227 043
Non-current liabilities	552 783	416 519
Equity	1 149 005	1 041 240
The Group's share of equity	574 503	520 620
Book value 31 Dec 2015	574 306	520 423

Norskott Havbruk AS had no contingent liabilities or capital liabilities as at 31 December 2015.

## 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:

<i>NOK 1000</i> As at 31 December 2015	Loans and receivables	Assets at fair value in profit & loss	Available for sale	TOTAL
Investments in shares & other securities	-	-	289	289
Derivatives	-	32 399	-	32 399
Trade and other receivables	996 942	-	-	996 942
Bank deposits, cash & cash equivalents	273 696	-	-	273 696
<b>Total</b>	<b>1 270 638</b>	<b>32 399</b>	<b>289</b>	<b>1 303 326</b>

<i>NOK 1000</i> As at 31 December 2015	Liabilities at fair value in profit & loss	Other financial liabilities at amortised cost	TOTAL
Borrowings	-	2 489 018	2 489 018
Financial leasing agreements	-	412 776	412 776
Derivatives	132 889	-	132 889
Trade payables and other liabilities, excl. statutory liabilities	-	1 005 381	1 005 381
<b>TOTAL</b>	<b>132 889</b>	<b>3 907 175</b>	<b>4 040 063</b>

<i>NOK 1000</i> As at 31 December 2014	Loans and receivables	Assets at fair value in profit & loss	Available for sale	TOTAL
Investments in shares & other 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>

<i>NOK 1000</i> As at 31 December 2014	Liabilities at fair value in profit & loss	Other financial liabilities at amortised cost	TOTAL
Borrowings	-	2 018 159	2 018 159
Financial leasing agreements	-	450 070	450 070
Derivatives	175 485	-	175 485
Trade payables and other liabilities, excl. statutory liabilities	-	615 226	615 226
<b>TOTAL</b>	<b>175 485</b>	<b>3 083 455</b>	<b>3 258 940</b>

## Note 11 • Derivatives

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

<i>NOK 1000</i>	2015	2014
Recognised fair value as at 31 Dec	Other receivables	Other receivables
Forward currency contracts	0	-132 889
Financial fish trading contracts (Fish Pool)	32 399	0
<b>Total</b>	<b>32 399</b>	<b>-132 889</b>

### Forward currency contracts

The table below shows the company's forward currency contracts as at 31 December 2015. 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 outstanding 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	115 903	Q1 2016 - Q1 2017	8,354-9,616	-47 495
Forward	Sale	JPY	1 818 680	Q1 2016 - Q1 2017	0,0597-0,0730	-7 953
Forward	Sale	GBP	35 136	Q1 2016 - Q1 2017	10,434-13,206	-28 757
Forward	Sale	USD	86 286	Q1 2016 - Q1 2017	6,193-8,795	-49 498
Forward	Sale	SEK	3 282	Q1 2016	0,9927-1,0346	-107
Forward	Buy	EUR	892	Q1 2016	9,241-9,590	113
Forward	Buy	JPY	128 735	Q1 2016	0,0665-0,0724	728
Forward	Buy	GBP	415	Q1 2016	12,893-12,966	53
Forward	Buy	USD	417	Q1 2016	8,680-8,7695	29
<b>Total</b>						<b>-132 889</b>

Realised gains/losses on forward currency contracts in the Group's main trading currencies are presented in the table below. The entire effect has been on the Group's sales revenues.

<i>NOK 1000</i>	2015	2014
EUR	-27 272	-5 888
JPY	-13 106	4 053
GBP	-32 241	-9 748
USD	-7 460	-3 436
<b>Total</b>	<b>-80 079</b>	<b>-15 018</b>

### Financial fish sales 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 2016. 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 32,399,000, based on the market price in effect on the balance sheet date. The Group had not entered into sales contracts on Fish Pool as at 31 December 2015.

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 8,733,000 in 2015. The corresponding figure for 2014 was NOK 29,266,000.



## 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.

<i>NOK 1000</i>	2015	2014
Trade receivables	826 701	900 407
Provisions for bad debts	-11 161	-12 188
Other short-term receivables	258 288	292 644
Other long-term receivables	8 237	14 995
Total	1 082 066	1 195 858

Included in the item Other short-term receivables above are prepaid expenses in the amount of	52 725	38 610
Included in the item Other short-term receivables above are derivatives in the amount of	32 399	4 419
Included in the item Other short-term receivables above are VAT refunds due in the amount of	173 165	212 918
Included in the item Other long-term receivables above are the following, falling due for payment in more than one year	6 840	13 403
Included in the item Other long-term receivables above are pension assets in the amount of	1 397	1 592

Bad debts are classified as other operating expenses in profit and loss.

Changes in provisions for bad debts and bad debts charged to expenses during the period are presented below.

<i>NOK 1000</i>	2015	2014
Provisions for bad debt 1 Jan	12 188	23 060
Provisions for bad debts in acquired businesses	0	0
Provisions for bad debts 31 Dec	11 161	12 188
Change in provisions for bad debts during the period	-1 027	-10 872
Actual bad debts	393	16 108
Change in provisions for bad debts	-1 027	-10 872
Bad debts charged to expenses during the period	-634	5 236

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:

<i>NOK 1000</i>	Total	Not due	<30 d	30-45 d	45-90 d	>90 d
2015	826 701	626 018	99 990	8 286	10 807	81 600
2014	900 407	683 844	145 716	12 868	12 443	45 536

## Note 13 • Inventory and biological assets

<i>NOK 1000</i>	2015	2014
Raw materials	101 043	86 531
Goods in progress (entirely biological assets)	3 306 052	3 114 684
Finished goods	227 173	119 923
Total	3 634 268	3 321 138

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.

### Principles for the recognition of mortality

It is SalMar's policy and practice to recognise in profit & loss any incident-based mortality/wastage that is characterised as abnormal. The recognition of incident-based mortality is carried out at sites by means of an increase in the accumulated production cost per kg resulting from mortality that is more than 20 % higher than expected accumulated production costs given the site's underlying production conditions. Direct recognition of incident-based mortality/wastage is included in the recognised cost of goods sold, unless the mortality/wastage is due to circumstances warranting presentation on the line for exceptional biological incidents. No costs relating to incident-based mortality were recognised in 2015.

SalMar's assessment of exceptional biological incidents relates to the following specific incidents:

-The compulsory harvesting out of salmon as ordered by the authorities

-Individual episodes involving the escape of large numbers of fish

No incidents have occurred in the past two years which the Group has defined as exceptional biological incidents.

### Industry collaboration on the harmonisation of financial reporting in accordance with IAS 41

In the autumn of 2014 the Financial Supervisory Authority of Norway (FSAN) initiated an evaluation of selected aspects of the financial reporting of aquaculture companies listed on the Oslo Stock Exchange. The purpose of this process was to discover the extent to which the aquaculture companies

report in a uniform and consistent manner in accordance with IFRS. The review resulted in a report from the FSAN dated 17 November 2015 ([www.finanstilsynet.no](http://www.finanstilsynet.no)). Based on the FSAN's findings, the enterprises concerned established an industry group whose purpose is to be a discussion forum for improving their financial reporting.

The industry group held several meetings during the autumn of 2015. The main goals of its efforts have been as follows:

1. To identify potential improvements in accounting practices and the disclosures contained in the notes in order to increase comparability between companies in the sector.
2. To develop a uniform model for measuring the fair value of the biomass in accordance with IAS 41.

In relation to point 1 above, the companies have identified certain areas of improvement, and certain changes have been made to the model for the measurement of fair value and in the notes to the financial statements for the year ending 31 December 2015. Further improvements to the notes and accounting practices are planned to be implemented with effect from 31 December 2016.

In relation to point 2 above, work got underway in 2015 and will be continued in 2016. The industry group's goal is to have a harmonised model ready for implementation with effect from 31 December 2016.

The companies participating in the industry group are: Lerøy Seafood Group AS, Grieg Seafood ASA, SalMar ASA, Cermaq Group AS, P/F Bakkafrøst and Marine Harvest ASA.

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

<i>NOK 1000</i>	2015	2014
<b>Biological assets 1 Jan</b>	3 114 684	3 077 150
Increase due to production/purchase	5 329 836	4 430 110
Increase deriving from acquisitions	0	0
Reduction due to exit of subsidiaries	0	-72 553
Reduction resulting from sale/harvesting	-5 285 729	-4 274 054
Fair value adjustments 1 Jan (reversed)	-828 864	-874 833
Fair value adjustment for exit of subsidiaries	0	-19 703
Fair value adjustments 31 Dec (new)	976 126	848 567
<b>Biological assets 31 Dec.</b>	3 306 052	3 114 684

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

The model makes use of quarterly forward prices based on the estimated harvesting time for the biomass. As at 31 December 2015 a price interval of NOK 43.60 to NOK 52.90 per kg has been stipulated. A price sensitivity analysis as at 31 December 2015 gives the following effect on the Group's operating profit (NOK 1,000):

Price change + NOK 1/kg	+ 50 463
Price change - NOK 1/kg	- 50 463

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 %	+ 17 139
Change in biomass -1 %	- 17 139

	2015	2014
Biomass fish < 4 kg gutted weight (tonnes)	61 136	53 431
Biomass fish > 4 kg gutted weight (tonnes)	19 422	34 819
Total biomass (tonnes)	80 558	88 251

Fair value adjustment fish < 4 kg gutted weight (NOK 1,000)	610 425	380 353
Fair value adjustment fish > 4 kg gutted weight (NOK 1,000)	365 702	448 511
TOTAL fair value adjustment of biological assets (NOK 1,000)	976 127	828 864
Cost price biological assets (NOK 1,000)	2 329 925	2 285 820
<b>Book value of biological assets (NOK1,000)</b>	<b>3 306 052</b>	<b>3 114 684</b>

Fish weighting more than 4 kg gutted weight are valued at the expected net profit/loss as indicated above. The threshold for when fish are valued at net profit/loss has been amended during the year from 4 kg round weight to 4 kg gutted weight. In the table above, the figures for 2014 are based on a threshold of 4 kg round weight.

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:

NOK 1000	2015	2014
Change in fair value of the biomass	147 263	-38 963
Change in provisions for loss-making contracts	-91 932	-30 629
Unrealised change in value of Fish Pool contracts	56 092	-39 160
Unrealised change in value of forward currency contracts	-71 491	-123 597
Recognised fair value adjustments	39 932	-232 349

Note 15 • Bank deposits

As at 31 December 2015, the item "Bank deposits, cash & cash equivalents" included restricted tax deductions amounting to NOK 50,111,000 (2014: NOK 38,406,000). The Group had additional restricted funds associated with Fish Pool contracts in the amount of NOK 25,480,000 (2014: NOK 91,221,000).

Note 16 • Share capital and shareholders

As at 31 December 2015, the parent company's share capital comprised:

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

Shareholders

The 20 largest shareholders as at 31 December 2015 were:

	No.	Shareholding	Voting share
KVERVA AS	60 500 000	53,40 %	53,96 %
FOLKETRYGDFONDET	8 324 725	7,35 %	7,42 %
STATE STREET BANK AND TRUST CO.	3 335 179	2,94 %	2,97 %
J.P. MORGAN CHASE BANK N.A. LONDON	2 758 075	2,43 %	2,46 %
LIN AS	2 005 200	1,77 %	1,79 %
THE BANK OF NEW YORK MELLON	1 199 063	1,06 %	1,07 %
SALMAR ASA	1 180 081	1,04 %	0,00 %
CLEARSTREAM BANKING S.A.	1 074 336	0,95 %	0,96 %
PARETO AKSJE NORGE	1 047 794	0,92 %	0,93 %
JP MORGAN BANK LUXEMBOURG S.A	976 509	0,86 %	0,87 %
STATE STREET BANK AND TRUST CO.	721 107	0,64 %	0,64 %
MORGAN STANLEY & CO. INTERNATIONAL	676 528	0,60 %	0,60 %
STOREBRAND NORGE I	613 924	0,54 %	0,55 %
STATE STREET BANK & TRUST CO.	595 375	0,53 %	0,53 %
JPMORGAN CHASE BANK, N.A	524 786	0,46 %	0,47 %
J.P. MORGAN CHASE BANK N.A. LONDON	491 221	0,43 %	0,44 %
VERDIPAPIRFONDET ALFRED BERG NORGE	490 464	0,43 %	0,44 %
RBC INVESTOR SERVICES BANK S.A	443 677	0,39 %	0,40 %
KLP AKSJENORGE INDEKS	439 584	0,39 %	0,39 %
STATE STREET BANK AND TRUST CO	425 326	0,38 %	0,38 %
Total 20 largest shareholders	87 822 954	77,51 %	77,28 %
Total other shareholders	25 477 045	22,49 %	22,72 %
Total no. of shares	113 299 999	100,00 %	100,00 %

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

Name	Position	No. of shares	Shareholding	Voting share
Bjørn Flatgård *	Chair	1 525 162	1,35 %	1,36 %
Gustav Witzøe **	Director	57 166 047	50,46 %	50,99 %
Leif Inge Nordhammer***	President & CEO	2 654 124	2,34 %	2,37 %

\* owned indirectly through the family-owned company GloMar AS, which has shares in the Kverva Group and includes shares owned and controlled by related parties. Account taken of own shares in Kverva AS.

\*\* owned indirectly through the parent company in the Kverva Group, and includes shares owned and 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 2016 AGM or 30 June 2016 at the latest.

The board has also been authorised to acquire treasury shares with a face value of NOK 2,508,000, a total of 10,029,999

shares. The board's authorisation is valid until the 2016 AGM, or 30 June 2016 at the latest.

Dividend

A dividend of NOK 10 per share has been proposed, totalling NOK 1,121,199,000 as at 31 December 2015. Dividend is not paid on treasury shares.

Note 17• Interest-bearing debt

NOK 1000

Long-term interest-bearing debt	2015	2014
Debt to credit institutions	2 480 429	1 889 703
Leasing liabilities	412 776	450 070
Other non-current liabilities	8 588	5 307
Next year's instalment on long-term debt	-140 421	-153 518
Total long-term interest-bearing debt 31 Dec	2 761 373	2 191 562

Short-term interest-bearing debt

Debt to credit institutions	0	123 149
Next year's instalment on long-term debt	140 421	153 518
Total short-term interest-bearing debt 31 Dec	140 421	276 667

Total interest-bearing debt	2 901 793	2 468 229
Cash & cash equivalents	273 696	166 963
Net interest-bearing debt	2 628 097	2 301 266

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.

Specification of net interest-bearing debt by currency:

	NOK	EUR	JPY	USD	GBP	Other	Total
Debt to credit institutions	-2 480 429						-2 480 429
Leasing liabilities	-412 776						-412 776
Other non-current liabilities	-8 588						-8 588
Total long-term interest-bearing debt	-2 901 793						-2 901 793
Cash & cash equivalents	877 837	-485 111	-26 372	-33 042	-26 349	-33 265	273 696
Net interest-bearing debt	-2 023 957	-485 111	-26 372	-33 042	-26 349	-33 265	-2 628 097

The Group has a multi-currency group account scheme with a credit ceiling of NOK 500,000. As at 31 December 2015 the Group had net deposits in the scheme. Deposits and draw-downs in different currencies relating to the group account scheme are recognised net in the Group's financial statements.

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 2015. 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".

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 2016 amount to NOK 31,329,000. Leasing agreements have an original term

of 60-84 months, apart from the capitalised leasing agreement for the InnovaMar facility which has a term of 20 years.

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 net interest-bearing debt to EBIT-DA 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.

Financing of trade payables

The Group has entered into an agreement with the company's feed suppliers to extend the credit given on feed orders. The feed supplier has agreed the discounting of the trade payable with the Group's bank. Since the liability springs from supply agreements containing provisions for variable credit times, the liability is classified as a trade payable, and the change is included in operating activities in the statement of cash flow. As at 31 December 2015 the Group owed its bank NOK 173,277,000 in connection with this type of financing.



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

NOK 1000

The year's tax expense breaks down as follows:	2015	2014
Tax payable	292 320	321 839
Change in deferred tax	62 143	90 601
Effect of change in tax rate	-90 796	0
Tax paid abroad	2 005	618
Surplus/shortfall in tax provisions in previous years	-10 781	306
Tax on ordinary profit	254 891	413 364

Tax payable in the balance sheet	2015	2014
Tax payable in the year	292 320	321 839
Change in tax payable in previous years	0	0
Tax payable in the balance sheet	292 320	321 839

Breakdown of temporary differences	2015	2014
Intangible and operating assets	1 766 234	1 705 703
Financial leasing	33 560	46 868
Non-current financial assets	0	404
Inventory	3 352 255	3 129 036
Receivables	-5 243	-8 017
Other	-254 965	-244 094
Profit & loss account	31 417	46 374
Losses carried forward	0	0
TOTAL temporary differences	4 923 259	4 676 274

Deferred tax liabilities (+) / deferred tax assets (-)	1 230 815	1 262 594
Tax rate used when calculating deferred tax	25 %	27 %

Change in deferred tax in the balance sheet:	2015	2014
Deferred tax 1 Jan	1 262 594	1 199 557
Change in deferred tax in profit and loss	62 143	90 601
Change in deferred tax resulting from changed tax rate - effect recognised in profit and loss	-90 796	0
Deferred tax associated with acquisitions	0	15 579
Deferred tax association with demerger - exit of subsidiaries and non-controlling interests	0	-42 295
Deferred tax associated with equity transactions	-1 398	0
Other changes	-1 728	-848
Deferred tax 31 Dec	1 230 815	1 262 594

Reconciliation from nominal to actual tax rates	2015	2014
Profit before tax	1 383 686	1 628 841
Expected tax at nominal tax rate	373 595	439 787
Effect of change in tax rate	-90 796	0
Permanent differences (27 %)	-17 127	-26 929
Surplus/shortfall in tax provisions in previous years	-10 781	306
Calculated tax expense	254 891	413 164
Effective tax rate	18,4 %	25,4 %

Permanent differences apply to the following:

Option expenses	0	1 474
Options redeemed	-3 040	-2 759
Share of profit/loss from associates	-10 865	-25 957
Other	-3 222	313
Total	-17 127	-26 929

## 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 2015 the pension liability associated with the defined-benefits plan derives in its entirety from 7 pensioners. Liabilities associated with the AFP early retirement 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	2015	2014
Premiums paid into the defined-contribution scheme	21 697	20 569
Costs relating to the defined-benefits plan	9 490	6 269
Accrued employers' national insurance contributions	1 875	1 148
Year's pension costs, incl. employers' national insurance contributions	33 062	27 986

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

NOK 1000	2015	2014
Capitalised pension assets associated with secured scheme	1 397	1 592
Capitalised pension liabilities associated with unsecured scheme (AFP)	0	0
<b>Net pension assets</b>	<b>1 397</b>	<b>1 592</b>

## Note 20 • Liens, guarantees, etc

NOK 1000

Recognised liabilities secured through liens, etc:	2015	2014
Short-term debt to credit institutions	0	123 149
Long-term debt to credit institutions	2 480 429	1 889 703
Leasing liabilities and other non-current liabilities	412 776	450 070
Total	2 893 205	2 462 922

Book value of assets pledged as security for recognised liabilities	2015	2014
Property, plant & equipment and licences	4 775 556	4 392 172
Inventory and biological assets	3 634 268	3 321 138
Trade receivables	815 540	888 219
Total	9 225 364	8 601 529

As at 31 December 2015 the Group had issued no 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 leasing 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.

The Group has entered into a 5-year leasing contract with Wessel Invest AS. The contract relates to the lease of Kjørsvik Settefisk's premises and includes the lease of water rights.

NOK 1000	Less than 1 year	2-5 years	More than 5 years	Total
Total future leasing payments	29 956	75 686	4 267	109 908

## Note 22 • Other current liabilities

Other current liabilities comprise:

<i>NOK 1000</i>	2015	2014
Accrued holiday pay	66 333	59 718
Accrued interest	4 260	2 931
Derivatives	132 889	175 485
Provisions for loss-making sales contracts	126 125	34 193
Provisions for future maintenance	34 310	35 761
Other accrued costs and provisions	125 080	73 138
<b>TOTAL other current liabilities</b>	<b>488 996</b>	<b>381 226</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.

The Group's revenues by geographic market:	2015	2014
Asia	20,6 %	20,9 %
Russia	0,0 %	2,5 %
USA/ Canada	13,0 %	6,6 %
Europe, excl. Norway	50,8 %	41,6 %
Norway	15,4 %	28,3 %
Other	0,2 %	0,1 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>

*NOK 1000*

The Group's revenues by currency:	2015	2014
NOK	2 032 702	2 356 832
JPY	357 565	440 077
GBP	499 458	317 660
USD	1 964 552	1 645 134
EUR	2 442 204	2 397 203
SEK	29 721	28 982
<b>Total</b>	<b>7 326 202</b>	<b>7 185 887</b>

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

<b>Payroll costs</b> <i>NOK 1000</i>	2015	2014
Salaries, incl. holiday pay and bonuses	649 728	606 466
Employers' national insurance contributions	48 058	40 144
Pension costs (see Note 19)	31 187	26 838
Options	22 933	5 459
Contract labour	1 288	14 753
Other benefits	12 687	16 770
<b>Total</b>	<b>765 881</b>	<b>710 430</b>

No. of full-time equivalents employed during the financial year. 1 182,0 1 082,5

### Auditor

The remuneration (excl. VAT) paid to the Group's auditor breaks down as follows:

<i>NOK 1000</i>	2015	2014
Statutory auditing services	1 348	1 923
Other certification services	143	140
Tax advisory services	34	110
Other services	232	345
<b>Total</b>	<b>1 756</b>	<b>2 519</b>

Loans to and sureties granted on behalf of employees:	Loans	Sureties
Employees	1 662	0

### Remuneration paid to senior executives and members of the board:

The SalMar Group has a management team comprising the CEO, CFO and the leaders of the largest business areas.

2015 <i>NOK 1000</i> Senior executives	Salary	Bonus	Benefits- in-kind	Accrued pension expenses	RSUs exercised
Leif Inge Nordhammer, CEO	2 940	0	8	128	621
Trond Tuvstein, CFO	1 772	400	8	69	362
Olav-Andreas Ervik, Director, Fish Farming	1 623	250	8	65	346
Gustav Witzøe, Director, Industry and Sales	985	0	8	57	0
Eva Haugen, Director, Quality Assurance/HSE	1 164	200	8	68	238
Tom Aleksandersen, Director, Strategy & Org. Develop.*	1 650	400	7	50	0

\* Took up post 1 March 2015

2014 <i>NOK 1000</i> Senior executives	Salary	Bonus	Benefits- in-kind	Accrued pension expenses	RSUs exercised
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, Industry and Sales	1 063	350	8	54	0
Eva Haugen, Director, Quality Assurance/HSE	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.

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

#### 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.

#### 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.

#### Benefits-in-kind

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

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

#### Pension schemes

Senior executives shall at all times have competitive pension schemes.

#### 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.

#### 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.

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.



	Directors' fees 2015	Directors' fees 2014
<b>Board of directors</b> <i>NOK 1 000</i>		
Bjørn Flatgård, Chair	480	300
Gustav Witzøe	150	95
Kjell A. Storeide *	375	233
Tove Nedreberg **	353	220
Merethe Helene Holthe	200	190
Bente Rathe ***	125	0
Pål Georg Storø, employee representative	100	95
Hanne Tobiassen, employee representative	100	95
Merete Gisvold Sandberg, employee representative	50	-
Geir Berg, employee representative	50	-

\* The fee includes NOK 75,000 in remuneration as chair of the Audit Committee. The corresponding amount in 2014 was NOK 42,500.

\*\* The fee includes NOK 52,500 in remuneration as a member of the Audit Committee. The corresponding amount in 2014 was NOK 30,000.

\*\*\* The fee includes NOK 25,000 in remuneration as a member of the Nomination Committee.

The disclosed directors' fees are fees paid and reported to the tax authorities in the period. The payment profile for directors' fees was changed in 2015, and the disclosed fees for 2015 apply to fees for 1.5 periods. The corresponding fees for 2014 apply to one period.

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 and redeemed RSUs, is as follows:

<i>NOK 1 000</i>	2015	2014
Merete Gisvold Sandberg	883	-
Geir Berg	966	-
Pål Georg Storø	1 380	1 167
Hanne Kristine Tobiassen	1 008	895

## Note 25 • Share-based incentives

### 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 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 were as follows in 2014:

	Average strike price per share	2014 Options
<b>Movements in the no. of options outstanding and weighed average strike prices:</b>		
As at 1 Jan	74,00	264 609
Granted during the year	-	-
Lapsed during the year	-	-
Exercised	82,04	-264 609
Expired	-	-
As at 31 Dec	-	-

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. As at 31 December 2015 the plan encompasses up to 577,214 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.

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 shares are then transferred to the employee free of charge. The plan comprises three accrual periods of, respectively, one, two and three calendar years. 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 72,021,300 (2014: NOK 36,254,800). The cost is periodised over the accrual period, and a total of NOK 22,933,000 was charged to expenses in connection with the scheme in 2015 (2014: NOK 2,011,900). 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 2015 award was NOK 148.00 (at the time of the 2014 allocation: 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 119.07 (2014: NOK 118.73).

In 2015 119,919 RSUs were exercised. The market price per share at the time the RSUs were exercised was NOK 141.47. The value of the RSUs is treated as a salary payment to the individual employee.

<b>Movements in the no. of outstanding RSUs:</b>	2015	2014
As at 1 Jan	364 860	-
Awarded during the year	325 464	367 675
Lapsed during the year	-25 277	-2 815
Redeem during the year	-119 919	-
Adjustment	32 086	-
As at 31 Dec	577 214	364 860

Vesting period for the outstanding RSUs at the close of the year:

<b>Date awarded</b>	<b>Vesting period</b>	2015	2 014
03.12.2014	2014-15	-	121 576
03.12.2014	2014-16	126 288	121 606
03.12.2014	2014-17	126 345	121 678
21.12.2015	2015-16	108 143	
21.12.2015	2015-17	108 201	
21.12.2015	2015-18	108 237	
		577 214	364 860

<b>Group management have the following holdings of RSU entitlements:</b>	<b>Holding 01.01</b>	<b>Awarded</b>	<b>Adjustment</b>	<b>Redeem</b>	<b>Holding 31.12</b>
Leif Inge Nordhammer, CEO	12 110	10 019	1 053	-4 387	18 795
Trond Tuvstein, CFO	7 099	6 098	621	-2 573	11 245
Olav-Andreas Ervik, Director, Fish Farming	6 755	5 919	585	-2 446	10 813
Eva Haugen, Director, Quality Assurance/HSE	4 662	4 005	405	-1 689	7 383
Tom Aleksandersen, Director, Strategy & Org. Development	-	7 386	-	-	7 386

## Note 26 • Operating expenses

### Specification of other operating expenses:

<i>NOK 1000</i>	2015	2014
Maintenance	208 509	201 929
Operating equipment	71 865	68 990
Direct input factors	209 462	209 743
Delivery costs	559 532	445 217
Other operating costs	222 817	217 074
<b>Total</b>	<b>1 272 186</b>	<b>1 142 953</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 47,203,000 in R&D costs was charged to expenses in 2015 (2014: NOK 53,086,000).

## 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 in 2015:	Sales	Purchases	Receivables	Liabilities
Associates of the SalMar Group	2 589	14 261	1 916	741
Companies controlled by the parent company Kverva AS	86 158	8 877	18 558	0
Associates of the parent company Kverva AS	0	51 081	0	4 085

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 27 • Government grants

Group companies took to income NOK 8,926,600 in SkatteFUNN contributions in 2015 (2014: NOK 6,672,000). As at 31 December 2015 a further NOK 8,186,300 has been recognised as deferred revenues under the SkatteFUNN scheme. The corresponding figure as at 31 December 2014 was NOK 4,309,300.

## Note 28 • Earnings per share

<i>NOK 1000</i>	2015	2014
Net profit for the year (controlling interest's share)	1 103 289	1 192 500
Average no. of shares outstanding as at 1 Jan	111 999 999	111 999 999
Effect of share issue	-	-
Effect of treasury shares allocated to employees (see Note 25)	119 919	-
Average no. of shares outstanding through the year	112 019 986	111 999 999
Diluting effect of RSU entitlements granted (see Note 25)	242 128	801
Average no. of diluted shares outstanding through the year	112 262 114	112 000 800
<b>Earnings per share</b>		
Basic	9,85	10,65
Diluted	9,83	10,65







## Income Statement

NOK 1000

OPERATING REVENUES AND OPERATING EXPENSES	Note	2015	2014
Sales revenues	2	62 657	56 696
<b>Total operating revenues</b>		<b>62 657</b>	<b>56 696</b>
Salary and payroll costs	3	41 362	40 976
Depreciation of property, plant & equipment	4	2 720	1 697
Other operating expenses	3	72 940	66 581
<b>Total operating expenses</b>		<b>117 021</b>	<b>109 254</b>
<b>Operating profit/loss</b>		<b>-54 364</b>	<b>-52 559</b>
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Income from investments in subsidiaries	5	1 227 708	1 108 218
Income from investments in associates	6	46 000	36 250
Interest received from group companies		71 303	91 250
Other interest income		1 102	10 720
Other financial income		40 519	125
Interest paid to group companies		4 442	5 106
Other interest expenses		50 610	71 636
Other financial expenses		14 368	32 801
<b>Net financial items</b>		<b>1 317 211</b>	<b>1 137 019</b>
<b>Ordinary profit/loss before tax</b>		<b>1 262 847</b>	<b>1 084 461</b>
Tax	12	319 992	281 317
<b>Profit after tax</b>		<b>942 854</b>	<b>803 144</b>
<b>NET PROFIT/LOSS FOR THE YEAR</b>		<b>942 854</b>	<b>803 144</b>
ALLOCATIONS			
Dividend provisions	8, 9	1 121 199	1 120 000
Transferred to/from other equity	9	-178 345	-316 856
<b>TOTAL allocations</b>		<b>942 854</b>	<b>803 144</b>

## Balance Sheet

As at 31 December NOK 1000

ASSETS	Note	2015	2014
NON-CURRENT ASSETS			
<b>Intangible assets</b>			
Deferred tax assets	12	0	10 460
<b>Total intangible assets</b>		<b>0</b>	<b>10 460</b>
PROPERTY, PLANT & EQUIPMENT			
Land, buildings and other real property	4	2 216	2 159
Plant, equipment and operating consumables	4	13 569	8 783
<b>Total property, plant &amp; equipment</b>	14	<b>15 785</b>	<b>10 942</b>
NON-CURRENT FINANCIAL ASSETS			
Investments in subsidiaries	5, 14	1 140 717	1 000 754
Loans to group companies	7, 11, 14	2 165 911	2 175 924
Investments in associates	6	206 283	162 890
Investments in shares and other securities		10	10
Other receivables	7	588	786
<b>Total non-current financial assets</b>		<b>3 513 509</b>	<b>3 340 363</b>
<b>Total non-current assets</b>		<b>3 529 294</b>	<b>3 361 765</b>
CURRENT ASSETS			
<b>Receivables</b>			
Trade receivables	14	42	6
Short-term receivables from group companies	11, 14	1 409 895	1 279 297
Other receivables	14	14 553	20 659
<b>Total receivables</b>		<b>1 424 490</b>	<b>1 299 963</b>
<b>Bank deposits, cash &amp; cash equivalents</b>	14, 16	<b>147 742</b>	<b>14 790</b>
<b>Total current assets</b>		<b>1 572 233</b>	<b>1 314 753</b>
<b>TOTAL ASSETS</b>		<b>5 101 526</b>	<b>4 676 517</b>



## Balance Sheet

As at 31 December NOK 1000

EQUITY AND LIABILITIES	Note	2015	2014
EQUITY			
<b>Paid-in equity</b>			
Share capital	8, 9	28 325	28 325
Treasury shares	9	-295	-325
Share premium fund	9	415 285	415 285
Other paid-in equity	9	50 667	27 528
<b>Total paid-in equity</b>		<b>493 982</b>	<b>470 813</b>
RETAINED EARNINGS			
Other equity	9	565 729	744 073
<b>Total retained earnings</b>		<b>565 729</b>	<b>744 073</b>
<b>Total equity</b>	<b>9</b>	<b>1 059 711</b>	<b>1 214 887</b>
LIABILITIES			
Deferred tax		152	0
<b>Total provisions</b>		<b>152</b>	<b>0</b>
OTHER NON-CURRENT LIABILITIES			
Debt to credit institutions	13, 14	2 400 000	1 800 000
Long-term debt to group companies	11	0	10 012
<b>Total other non-current liabilities</b>		<b>2 400 000</b>	<b>1 810 012</b>
CURRENT LIABILITIES			
Debt to credit institutions	13, 14	0	75 202
Trade payable		4 525	2 152
Tax payable	12	272 153	285 225
Dividend	8, 9	1 121 199	1 120 000
Public charges payable		37 119	59 441
Short-term payables to group companies	11	196 357	55 615
Other current liabilities		10 310	53 984
<b>Total current liabilities</b>		<b>1 641 664</b>	<b>1 651 618</b>
<b>Total liabilities</b>		<b>4 041 816</b>	<b>3 461 631</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5 101 526</b>	<b>4 676 517</b>

Frøya, 14th of April 2016

  
Bjørn Flatgård  
Chair

  
Gustav Witzøe  
Director

  
Tove Elin Nedreberg  
Director

  
Kjell A. Storeide  
Director

  
Bente Rathe  
Director

  
Geir Berg  
Director/Employee representative

  
Merete Gisvold Sandberg  
Director/Employee representative

  
Leif Inge Nordhammer  
President & CEO

## Statement of Cash Flow

As at 31 December NOK 1000

	Note	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES:			
Ordinary profit before tax		1 262 847	1 084 461
Tax paid during the period	12	-285 820	0
Depreciation	4	2 720	1 697
Income from investments in subsidiaries	5	-1 227 708	-1 108 218
Income from investments in associates	6	-46 000	-36 250
Options charged to expenses	3	3 801	3 761
Change in trade receivables		16 727	-11 173
Change in trade payables		-5 595	-47 045
Change in other time-limited items		-59 691	34 785
<b>Net cash flow from operating activities</b>		<b>-338 719</b>	<b>-77 982</b>
CASH FLOW FROM INVESTING ACTIVITIES:			
Payments for the purchase of property, plant & equipment	4	-7 563	-3 458
Change in intra-group balances	11	-13 647	48 990
Net receipts of group contributions and dividends from subsidiaries	5	1 085 478	138 294
Receipts of dividends from associates and other investments	6	46 000	36 250
Net payments for the purchase of non-current financial assets	5	-43 394	-29 034
Net change in other investmens		0	1 165
<b>Net cash flow from investing activities</b>		<b>1 066 874</b>	<b>192 207</b>
CASH FLOW FROM FINANCING ACTIVITIES:			
Long-term debt raised		1 500 000	1 800 000
Long-term debt repaid		-900 000	-1 991 682
Net change in overdraft		-75 202	75 202
Options redeemed		0	-3 893
Dividend (paid)		-1 120 000	-896 000
<b>Net cash flow from financing activities</b>		<b>-595 202</b>	<b>-1 016 372</b>
Net change in bank deposits, cash & cash equivalents		132 952	-902 147
Bank deposits, cash & cash equivalents as at 1 Jan		14 790	916 937
<b>Bank deposits, cash &amp; cash equivalents as at 31 Dec</b>		<b>147 742</b>	<b>14 790</b>
Unused drawing rights		2 500 000	3 124 798





# Notes to financial statements SalMar ASA





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 Plan - 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 25 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	2015	2014
Revenues from provision of administrative services to group companies	61 690	56 654
Other revenues	967	42
<b>Total</b>	<b>62 657</b>	<b>56 696</b>

Note 3 • Payroll costs, no. of employees, remuneration, employee loans, etc.

PAYROLL COSTS NOK 1000	2015	2014
Salaries, incl. holiday pay & bonuses	29 139	30 494
Employers' national insurance contributions	3 881	2 615
Pension costs	1 156	1 190
Options/RSU	3 801	3 761
Other benefits	3 385	2 916
<b>Total</b>	<b>41 362</b>	<b>40 976</b>

No. of people employed (full-time equivalents) during the financial year	31	28
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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.

Restricted Share Unit Plan (RSU)

In 2015, 12 employees were awarded a total of 53,076 RSUs with respect to company shares, while 11 employees were awarded a total of 50,106 RSUs in 2014. The RSUs are earned over a 3-year period from the date they were awarded, which was 3 December 2014 and 21 December 2015 respectively, with 1/3 vesting annually. The fair value of the cost to SalMar ASA is calculated on the date of the award and is periodised over the vesting period. The perio-

dised expense in 2015 comes to NOK 3,800,700 (2014: NOK 314,100). A provision for employers' national insurance contributions on the expense has also been made. In 2014 a further NOK 3,447,300 was recognised in expenses in respect of an option scheme that was terminated in 2014.

Please see Note 25 to the consolidated financial statements for details of the share-based incentive schemes.



**Auditor NOK 1000**

The fee paid to the auditor, excl. VAT, breaks down as follows:

	2015	2014
Statutory auditing services	201	178
Other certification services	14	3
Tax advisory services	0	3
Other services	96	78
<b>Total</b>	<b>311</b>	<b>261</b>

**Note 4 • Property, plant & equipment**

<i>NOK 1000</i>	Real property	Operating equipment and fixtures	TOTAL
Acquisition cost 1 Jan 2015	2 159	14 044	16 203
Additions	171	7 392	7 563
Acquisition cost 31 Dec 2015	2 330	21 436	23 766
Acc. depreciation & write-downs 1 Jan 2015	0	5 262	5 262
Year's depreciation	114	2 605	2 720
Acc. depreciation 31 Dec 2015	114	7 867	7 981
<b>Book value 31 Dec 2015</b>	<b>2 216</b>	<b>13 569</b>	<b>15 785</b>
Economic lifespan	No dep./3 years	5-10 years	
Depreciation plan	Straight line	Straight line	
Annual leasing of off-balance sheet operating assets	3 238	46	3 284

**Note 5 • Subsidiaries**

Investments in subsidiaries are recognised in accordance with the cost method.

<i>COMPANY NOK 1000</i>	Registered office	Voting share/ shareholding	Book value 2015	Book value 2014
SalMar Settefisk AS	Kverva	100 %	114 633	114 273
SalMar Farming AS	Kverva	100 %	92 176	89 889
SalMar Nord AS	Finnsnes	100 %	487 882	316 794
SalMar Laksefjorden AS	Finnsnes	100 %	0	170 370
SalMar AS	Kverva	100 %	357 479	241 650
SalMar - Tunet AS	Kverva	100 %	7 306	7 278
Hitramat Farming AS	Hitra	51 %	28 785	28 785
Ocean Farming AS	Kverva	91 %	52 447	31 706
<b>TOTAL subsidiaries</b>			<b>1 140 717</b>	<b>1 000 754</b>

SalMar ASA has recognised group contributions from the following subsidiaries (TNOK):	2015	2014
- SalMar Farming AS	842 005	592 000
- SalMar Nord AS	311 454	341 309
- SalMar Settefisk AS	2 692	0
- SalMar Rauma AS	71 556	0
- SalMar Laksefjorden AS	0	12 233
- SalMar Organic AS	0	162 676
<b>Total recognised income from investments in subsidiaries</b>	<b>1 227 708</b>	<b>1 108 218</b>

With effect from 1 January 2015, the wholly owned subsidiary SalMar Laksefjorden AS has been merged into SalMar Nord AS. As a result, the investment in shares in SalMar Laksefjorden AS is included as part of the investment in SalMar Nord AS as at 31 December 2015.



Note 6 • Associates

Investments in associates are recognised in accordance with the cost method.

COMPANY NOK 1000	Registered office	Voting share/ shareholding	Book value 2015	Book value 2014
Norskott Havbruk AS	Bergen	50 %	162 787	162 787
Salmus AS	Leirfjord	50 %	43 394	0
Trøndersk Kystkompetanse AS	Dyrvik	20 %	103	103
TOTAL associates			206 283	162 890

COMPANY NOK 1000	Recognised dividend	Equity in last year-end finan. stat.	Profit/loss in last year-end finan. stat.
Norskott Havbruk AS	46 000	1 012 520	85 545
Salmus AS	0	98 152	-7 256
Trøndersk Kystkompetanse AS	0	1 727	-26

Note 7 • Receivables falling due more than one year hence

NOK 1000	2015	2014
Other receivables	149	201
Loans to employees	439	585
Loans to group companies	2 165 911	2 175 924

Note 8 • Share capital and shareholders

The company's share capital as at 31 December 2015 comprises:

NOK 1000	No. of shares	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 1,121,199,000 as at 31 December 2015. No provision is made for dividends on the company's own treasury shares.

Note 9 • Equity

NOK 1000	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Other equity	Total equity
Equity as at 31 Dec 2014	28 325	-325	415 285	27 528	744 073	1 214 887
Year's change in equity:						
Profit/loss in the period	0	0	0	0	942 854	942 854
Dividend provision	0	0	0	0	-1 121 199	-1 121 199
Redeemed options	0	30	0	-30	0	0
Option cost recognised in equity	0	0	0	23 169	0	23 169
Equity as at 31 Dec 2015	28 325	-295	415 285	50 667	565 729	1 059 711

A share-based incentive scheme has been entered into with senior company executives. Please see Note 3 for further details. Provisions with respect to dividend payouts are set out 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. In 2015 the gross amount of NOK 1,156,200 was charged to expenses in connection with the defined-contribution pension scheme (NOK 1,189,500 in 2014).

Note 11 • Intra-group balances, etc.

NOK 1000	Non-current receivables		Other short-term receivables	
	2015	2014	2015	2014
Group companies	2 165 911	2 175 924	1 409 895	1 279 297
Total	2 165 911	2 175 924	1 409 895	1 279 297

NOK 1000	Long-term debt		Other short-term payables	
	2015	2014	2015	2014
Group companies	0	10 012	196 357	55 615
Total	0	10 012	196 357	55 615

Other short-term receivables from group companies, which totalled NOK 1,409,895,000 as at 31 December 2015, includes NOK 1,227,708,000 in group contributions receivable from group companies (NOK 1,108,218,000 in 2014). The figure for 2015 also includes NOK 112,271,000 in receivables from group companies participating in the group account scheme (NOK 98,624,000 in 2014). Other short-term receivables over and above this were ordinary trade receivables.

The NOK 196,357,000 in other short-term payables to group companies as at 31 December 2015 includes NOK 171,451,000 in group contributions payable (NOK 22,740,000 in 2014). The remaining short-term payables to group companies were ordinary trade payables.



## Note 12 • Tax

NOK 1000

Breakdown of the year's tax expense:	2015	2014
Tax payable	318 445	291 365
Change in deferred tax	10 859	-10 048
Tax provisions (shortfall/excess) in previous years	-9 300	0
Effect of change in tax rate from 27 % to 25 %	-12	0
Tax on ordinary profit/loss	319 992	281 317

Breakdown of the year's taxable income	2015	2014
Profit before tax	1 262 847	1 084 461
Permanent differences	-43 132	-42 548
Change in temporary differences	-40 290	37 215
Group contributions paid	-171 451	-22 740
Year's taxable income	1 007 974	1 056 388

Tax payable in the balance sheet	2015	2014
Tax payable for the year	318 445	291 365
Tax on group contributions paid	-46 292	-6 140
Tax payable in the balance sheet	272 153	285 225

Breakdown of temporary differences	2015	2014
Operating assets, incl. goodwill	3 352	1 867
Non-current financial assets	6	54
Profit & loss account	137	171
Provisions	0	-40 519
Other differences	-2 887	-314
TOTAL temporary differences	608	-38 740

Deferred tax liabilities (+) / deferred tax assets (-)	152	-10 460
Deferred tax recognised in equity	-235	0

Reconciliation from nominal to actual tax rate	2015	2014
Profit before tax	1 262 847	1 084 461
Expected tax on income at nominal tax rate	340 969	292 804
Permanent differences (27 %)	-11 646	-11 488
Tax provisions (shortfall/excess)	-9 331	0
Estimated tax expense	319 992	281 317
Effective tax rate	25,3 %	25,9 %

## Note 13 • Debt

## 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 2015, 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.	2015	2014
Short-term debt to credit institutions	0	75 202
Long-term debt to credit institutions	2 400 000	1 800 000
Total	2 400 000	1 875 202

Book value of assets pledged as surety for recognised debt	2015	2014
Operating assets	15 785	10 942
Shares	1 140 717	1 000 754
Trade receivables	42	6
Receivables	3 590 360	3 475 880
Total	4 746 903	4 487 582

Under the agreement with its bank SalMar has assumed joint and several liability in connection with a group account 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 2015 the remaining amount guaranteed totalled NOK 2,000,000.

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.

SalMar ASA has issued a guarantee totalling NOK 23,606,000 to Billund Aquakulturservice Norge AS. The guarantee has been issued as surety for Troms Stamfiskstasjon AS's liabilities to its creditor in respect of a prime contract for the construction of a new smolt facility.

SalMar ASA has issued a guarantee to Graittec AS in connection with the construction of an offshore net cage for Ocean Farming AS. SalMar ASA guarantees that the supplier shall receive full settlement of any amounts due in connection with this agreement. The procurement from this supplier during the contract period is budgeted at NOK 40,000,000.

## 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 2015, the item Bank deposits, cash and cash equivalents included restricted funds totalling NOK 4,021,000, all of which related to employees' PAYE tax deductions. The corresponding figure the year before was NOK 3,053,000.





Auditors report ➤



Statsautoriserte revisorer  
Ernst & Young AS

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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 2015, 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 2015, 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.

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2

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 2015 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 2015 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, 14 April 2016  
ERNST & YOUNG AS

Amund P. Amundsen  
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

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## 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 2015 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 2015 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, 14th of April 2016

Bjørn Flatgård  
Chair

Gustav Witzøe  
Director

Tove Elin Nedreberg  
Director

Kjell A. Storeide  
Director

Bente Rathe  
Director

Geir Berg  
Director/Employee representative

Merete Gisvold Sandberg  
Director/Employee representative

Leif Inge Nordhammer  
President & CEO

As we cultivate our raw material, every second counts.  
We are effective thanks to planning and teamwork.  
With knowledge and innovative solutions we build  
our future. Whatever task - we have one  
thing in common: **Passion for Salmon**



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