2016 ANNUAL REPORT

SalMar
Passion for Salmon

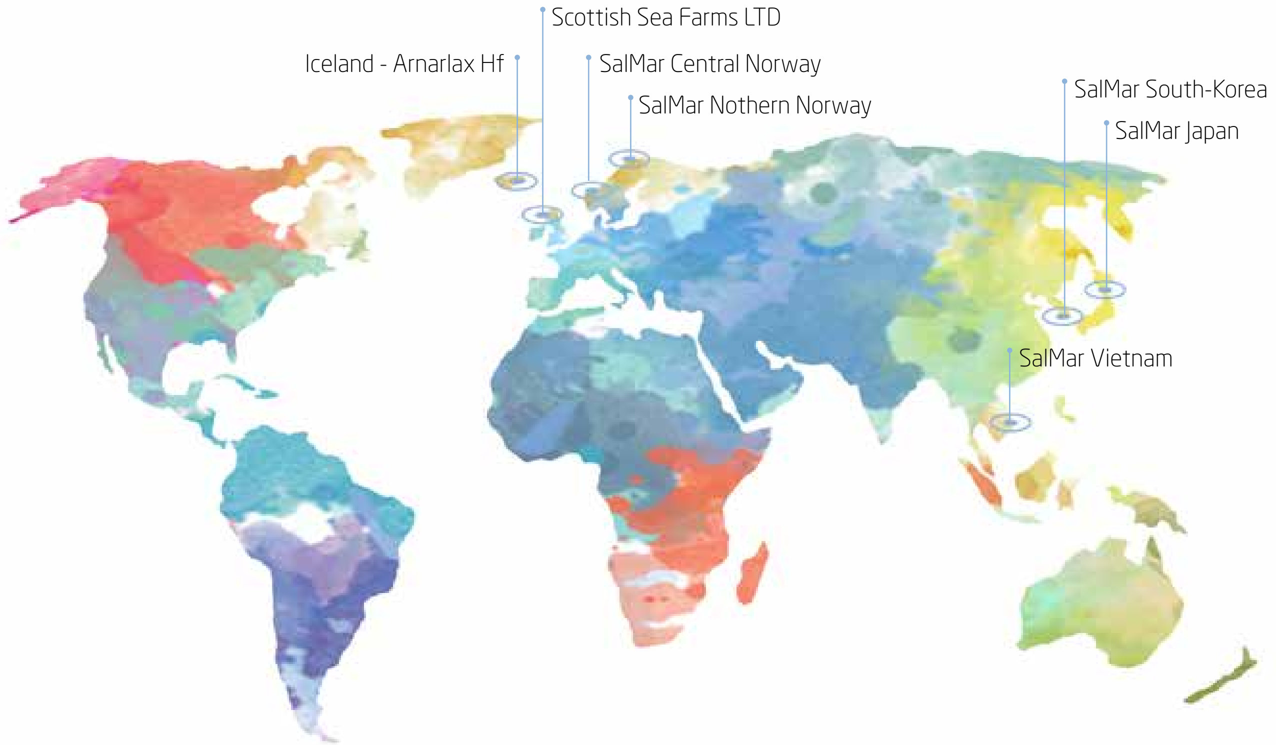
Contents

ONE OF THE LARGEST AND MOST COST EFFICIENT SALMON PRODUCERS IN THE WORLD
– *Passion for Salmon*

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 and 34 % in Arnarlax Hf. 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**



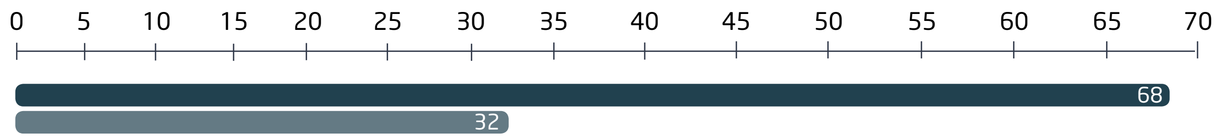
Financial calendar 2017

4th Quarter 2016 results:	15th February 2017
1st Quarter 2017 results:	10th May 2017
Annual General Meeting:	6th June 2017
2nd Quarter2017 results:	24th August 2017
3rd Quarter 2017 results:	15th November 2017

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.

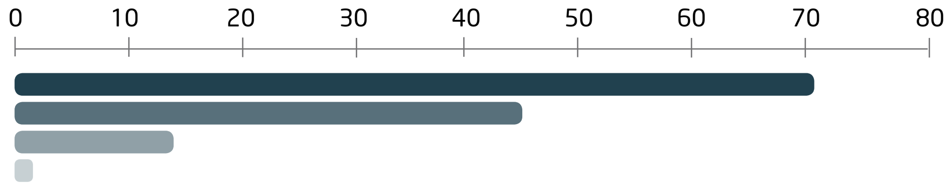
The annual general meeting will be held at Frøya. Please note that the dates are subject to change. Changes will be communicated.

Geographical distribution of SalMar's 100 wholly owned licenses in Norway pr. 31.12.2016:



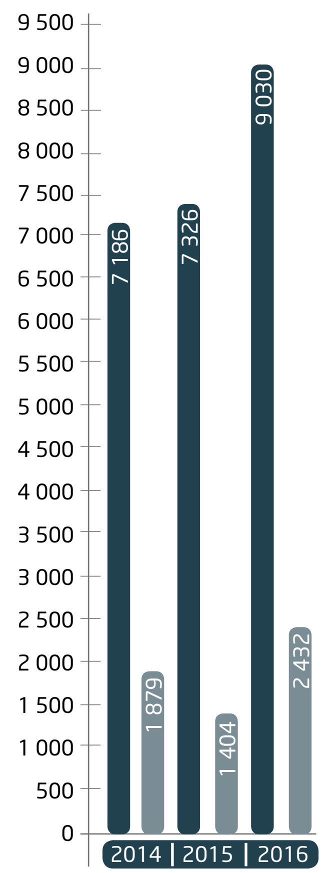
SalMar Central Norway — Trøndelag and Nordmøre
SalMar Nothern Norway — Troms and Finnmark

Harvest volume 2016 by geography, gutted weight pr. 31.12.2016:



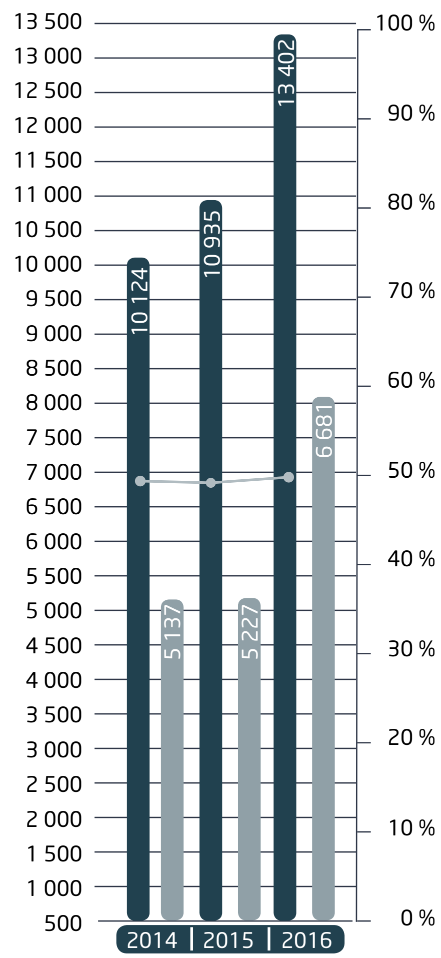
SalMar Central Norway — 70 500 tons
SalMar Nothern Norway — 45 200 tons
Scottish Sea Farms Ltd[1] — 14 000 tons [1] SalMar's 50 % share
Arnarlax Hf[1] — 1 400 tons [1] SalMar's 34 % share

Operating revenue and **Operational EBIT** *NOK mill.*



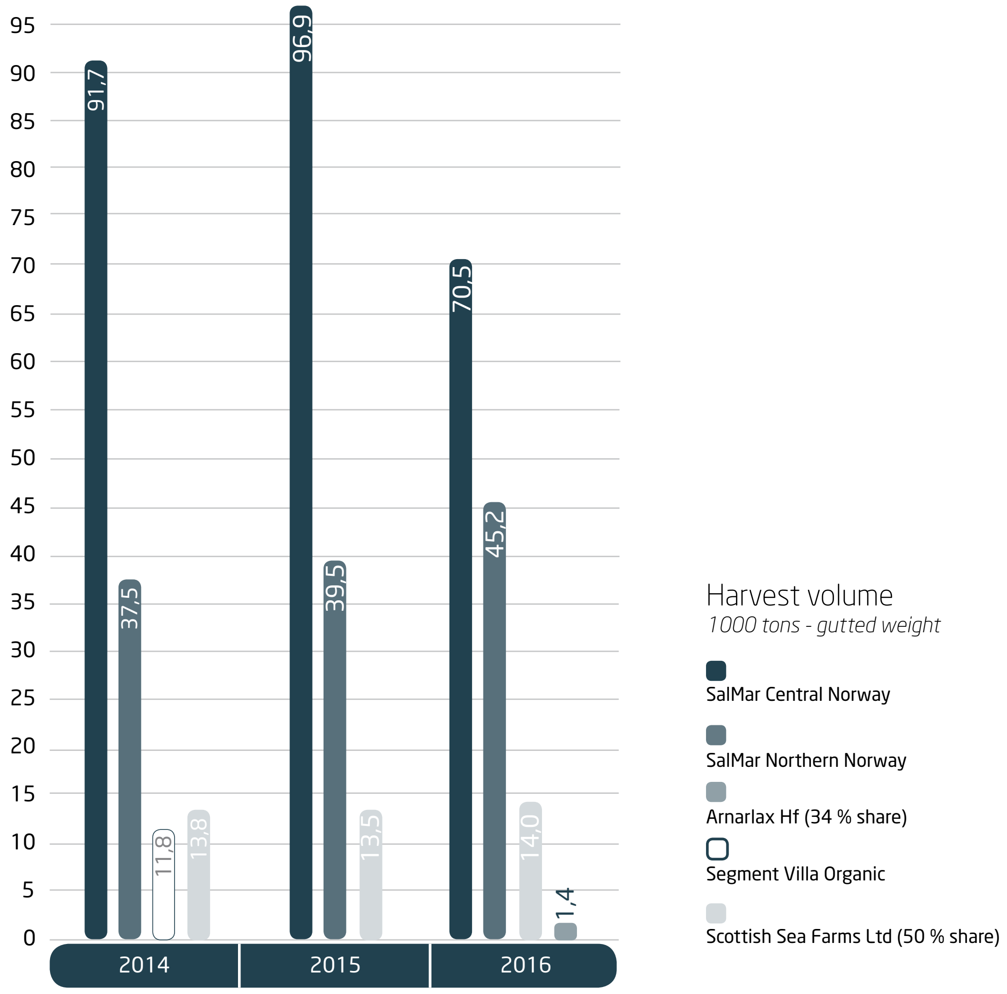
Operating revenue
Operational EbIT

Balance sheet and **Equity** *NOK mill.*

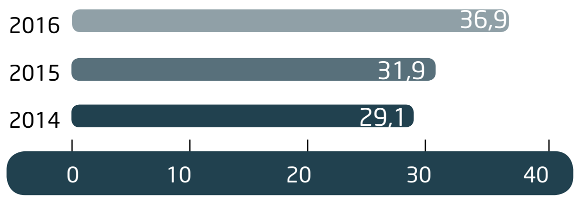


Total balance
Equity
Equity share %

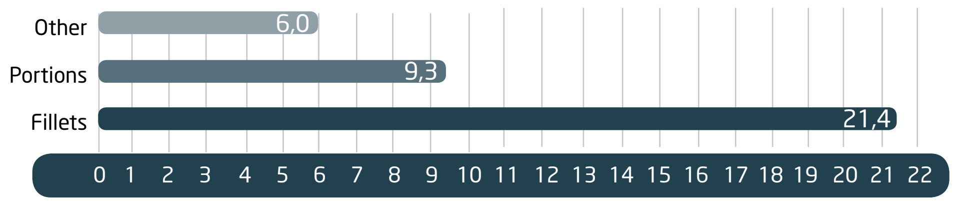
Harvest volume and value added products



Volume value added products
1000 tons – product weight



Value added products 2016
Other - Portions - Fillets *1000 tons – product weight*



Key figures

Operating revenues and operating profit *NOK mill.*	2016	2015	2014
Operating revenues	**9 030**	**7 326**	**7 186**
Operational EBIT	2 432	1 404	1 879
Operating margin	27 %	19 %	26 %
Operating profit	3 086	1 444	1 647
Profit before tax	3 342	1 384	1 629
Profit margin	37 %	19 %	23 %
Net profit for the year	2 651	1 129	1 215
Earnings per share	23,5	9,8	10,6

Balance sheet *NOK mill.*	2016	2015	2014
Non-current assets	7 008	5 954	5 455
Current assets	6 393	4 982	4 669
Total assets	13 402	10 935	10 124
Equity	6 681	5 227	5 137
Debt	6 721	5 708	4 987
Total equity and debt	13 402	10 935	10 124

Net interest bearing debt	2 364,1	2 619,5	2 301,3
Equity share	50 %	48 %	51 %

Message from **the CEO**

For SalMar, 2016 was a very good year. Profits rose to a level never previously achieved, driven by very high salmon prices in an unprecedented strong market. Substantial value was created for shareholders, employees and society. At the same time, the year was full of contrasts and unpredictable turns. While the strong market and record high profits coloured the company's external image, internally the organisation was working intensively to handle considerable fish health challenges as well as to take important steps to prepare the company for the future. It is therefore with great satisfaction we now have embarked upon a new year, strengthened in our conviction that these efforts has made the company better equipped than ever take on future opportunitites and challenges.

In the financial year covered by this report, SalMar's financial value creation reached a level never previously achieved. The Group generated gross operating revenues of NOK 9,030 million, made an Operational EBIT of NOK 2,432 million and a net profit of NOK 2,651 million. The exceptionally high earnings in 2016 follow several years of very strong profitability, and demonstrate the financial potential that SalMar has after many years of expansion and positioning as one of the leading companies in the international salmon farming industry.

The high level of profits enables us, once again, to pay a substantial dividend to our shareholders. At the same time as we undertake major forward-looking investments as well as building a robust financial balance to meet a future which will require financial strength.

In the long haul, it will be those companies which through dedication and sound decisions, best use the good times to position themselves for the future, that will emerge as winners. This is fundamental in SalMar's thinking, management and positioning.

Falling volumes in a strong market – impact intensified by a weak NOK

Unlike previous years, the experienced growth in profits was not directly linked to growth in underlying production volumes combined with a strong consumer market. In 2016, the industry as a whole had a fall in output. This was the case for SalMar too, with Group harvesting volumes ending at only 115,600 tonnes in the financial year. The decrease in the industry's total output, combined with a sharp increase in demand resulted in very strong salmon prices throughout the year. The weak NOK exchange rate, driven by a downturn in the oil sector, made the effects of the strong market even more apparent than normal. This is important to bear this in mind when assessing the real strength of the market we experienced in 2016.

Rising production costs – the trend must be reversed

The rising production costexperienced in recent years continued in 2016. This is a trend we are very dissatisfied not to have been able to reverse.

As in previous years, the rise in production costs can largely be explained by increased feed costs, direct and indirect costs linked to handling of the salmon lice situation, as well as other challenges relating to fish health. This comes on top of higher expenses derived from the growing complexity of the regulatory regime, in addition to a general slide in the cost development. Irrespective of its cause, the growth in costs represents a threat to the industry's competitiveness. Particularly it is a threat in times like now, when the consequences of cost growth are overshadowed by a hike in profits propelled by high prices. In such periods, both internal and external forces make it particularly challenging to maintain sufficient focus on and support for the measures that are necessary to reverse this trend. And the trend must be revesedif the industry is to realise its ambitions for growth and profitability in the long term.

SalMar has been recognised as the most cost-effective publicly listed aquaculture company. This recognition has been achieved because we always have been able to work on our production costs and operate efficiently. This is an ability and a position we are determined to maintain. In today's situation, this place a particular demand on those of us who manage the company.

We must be able to separate good performance on the production and cost side from margins and profitability created by chance and circumstances that inflict on us from the outside.

In 2017 our firm target is to reverse the rise in production costs.

Biological challenges – the future depends on sustainable solutions

At the same time as 2016 has been characterised by strong profitability, the year has been very challenging on the biological side. The contrasts have been considerable. The biological challenges have particularly been hitting us in our Central Norway segment, where we had to deal with a significant outbreak of ISA as well as a very demanding salmon lice situation throughout the summer and autumn.

SalMar has a highly skilled and very experienced operational organisation. Through the continuous acquisition of new expertise, this organisation has developed considerable competence in the handling of various biological challenges. Such challenges have been, and will always be, part of the reality of fish farming. However, the size and intensity of the challenges that we encountered during a few hectic months in the summer of 2016 put the organisation to a severe test. In hindsight, we can record that both the ISA outbreak and the lice situation were handled very well given the prevailing circumstances. The difficulties were resolved by the entire organisation. The whole enterprise, both on land and at sea, came together to optimise the solution to a demanding situation. I would like to take this opportunity to express my gratitude for the sacrifices and hard work that the organisation did put in during the past year to optimise the company's operations and take care of and optimize value in all areas.

For years, the struggle to combat salmon lice has been the industry's biggest challenge. Like in many previous years, huge resources and efforts were devoted in 2016 to find means that could bring the sector closer to a solution. Like many others, I am of the opinion that there is no single solution to this challenge. What will ultimately succeed is a combination of different means, in which technology, biology, production processes and production paradigms all play a contributing role. Eventually such a multi-faceted approach will enable the sector to operate with no unfortunate impacts from or on salmon lice. Like many other companies, SalMar made significant changes in the way it dealt with salmon lice in 2016 compared with previous years. The change involved a transition away from using medicinal delousing methods, to the application of non-medicinal methods (NMM). The majority of non-medicinal methods are still at the early stages of development, with clear elements of R&D. The outcomes and consequences we have seen through the year, including high mortality, must be seen in this perspective.

The experience and new response capabilities on NMM we have built through 2016 should make us better equipped to handle challenges with salmon lice in the coming years.

The general transition to non-medicinal methods that we saw in 2016 also represents a shift towards more sustainable solutions to the challenges posed by lice. For everyone, such a move should be welcomed.

Investments in the future – SalMar in front

SalMar has always been known as a company that breaks new ground in the development of modern salmon farming. This is a tradition that will be continued and reinforced in the years ahead.

The solutions to the challenges confronting the industry s will increasingly prove difficult to find in the traditional toolbox that the industry has used until now. The aquaculture sector has arrived at a point where the application of innovation and out-of-the-box thinking is a condition for further development and growth. Crucial to the success of such innovation is the ability to connect the knowledge and experience we have today with new technologies and production patterns in a way that they together, can shape tomorrow's fish farming industry.

In 2016, SalMar has been engaged in two major investment projects which will help to take the company into the future. One of these projects is a forward-looking investment in modern technology for the production of smolt. In 2017, we will complete construction of a new hatchery in Senja, with the capacity to produce up to 20 million smolt. In Follafoss, a new extension will bring capacity at the facility to 20 million smolt. In total we are investing NOK 800 million in these two sites. In a first phase, our objective for the facilities is to secure control of our own production of high-quality smolt. Later, these investments will form the basis for further progress in production of larger smolt and smolt of varying sizes which, will enable a further optimisation and streamlining of today's already efficient production paradigm.

Ocean Farming – in 2017 we take the salmon to the ocean

Throughout 2016, SalMar's subsidiary Ocean Farming has been working on the construction of the first prototype of SalMar's Ocean Farm. The construction project is now getting close to completion. Our vision, that SalMar will be the company which takes the salmon to the ocean , is about to be realised.

The Ocean Farm is scheduled to be completed and operational so that the first fish can be transferred to the installation in the early autumn of 2017. The facility underpins SalMar's drive and determination to lead the way in technologies for sustainable seafood production. The Ocean Farm is ground-breaking in this respect.

Although the conclusion of the construction project is a significant milestone for SalMar, it really represents just the first step in the long-term effort to develop Ocean Farming.

In SalMar, we have no illusions that this will be achieved without a struggle. On the contrary, we are prepared that it could be very challenging. This is also why we have put together a team of the most experienced and highly skilled employees we have to be responsible for operation of Ocean Farm in the critical first phase. We are also very pleased to be working in close cooperation with leading centres for maritime technology, in particular Kongsberg-gruppen, which are supporting us in the implementation and application of new, ground-breaking technology for open-ocean fish farming.

In many ways, it is now that the work actually begins, with the systematic accumulation of knowledge and adaptation of the technology to the physical elements aswell as to the salmon on the salmons terms in its own natural element.

Passion for Salmon

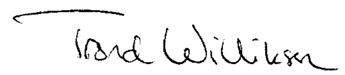
«Passion for Salmon» is our vision. It is our commitment, our shared focus on ONE SalMar and farming salmon on the salmon's own terms that will contribute to SalMar's further development and keep us moving forward.

We will become 'the world's best aquaculture company'. That is something we dare to say that we are aiming for, and are actually not far from realising. It will demand a lot from us, and success may be measured in many ways. We must be the best in terms of sustainability, fish welfare, technology, leadership, salmon lice management and a lot of other areas which are central for our business.

For our operational facilities, we have two simple but clear objectives:

1. On the farming side, we will produce our fish at the lowest cost by having the best operational efficiency.
2. On the sales and processing side, we will strive to achieve the best possible price for our salmon and ensure optimal yields

Together, this represents the very heart of SalMar: We farm our salmon on the salmon'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.



Trond Williksen,
President & CEO

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 Halsa 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 Bakkafrost P/f. Acquisition of Stettefisk AS.

2011
Total volume harvested: 104,000 tonnes gutted weight. Completion of the world's most innovative and efficient salmon harvesting and processing plant – InnovaMar. • Acquisition of Bringsvor 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 Bakkafrost P/f, 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 Bakkafrost P/f, bringing SalMar's total shareholding to 25.21 %.

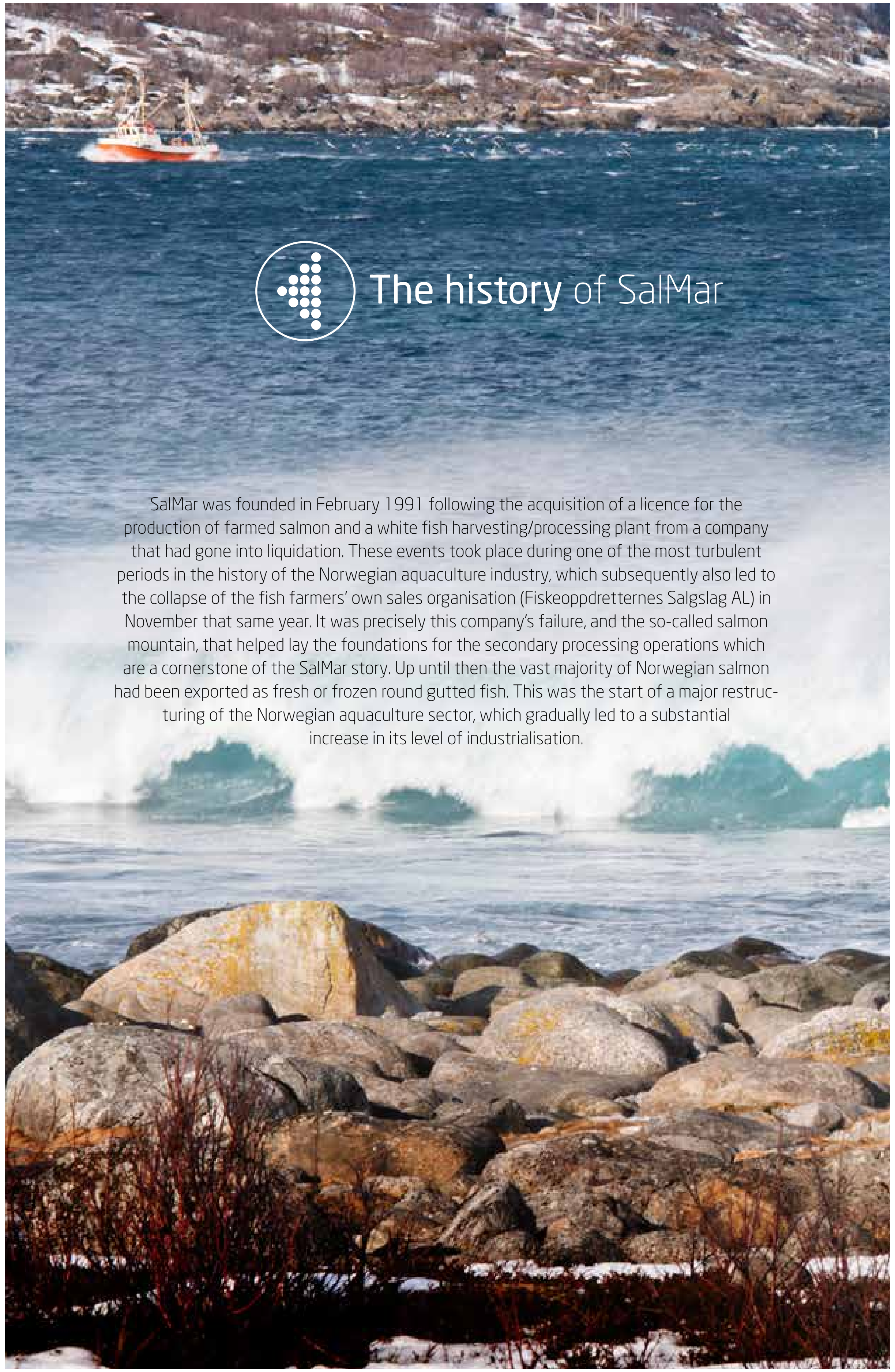
2013
Total volume harvested: 128,000 tonnes gutted weight. Acquisition of minority shares in SalMar Rauma AS. • Acquisition of 50.4 % of the shares in Villa Organic AS. • Divestment in Bakkafrost P/f. New share holding approximately 14.9 %. • Divestment of remaining 14.9 % of shares in Bakkafrost P/f. • Following the transaction SalMar has no shares in Bakkafrost P/f.

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.

2016
Total volume harvested: 129,600 tonnes gutted weight.
On 28 February 2016, SalMar was awarded the first eight aquaculture development licences for Ocean Farming AS. • SalMar increased its indirect shareholding in the Icelandic aquaculture company Arnarlax Hf to 34 per cent through a series of acquisitions. • On 11 May 2016, the board announced that Trond Williksen would be taking over as CEO from Leif Inge Nordhammer. Mr. Nordhammer had himself requested leave to step down, having held the position for more than 17 years, spread over two periods. • Mr. Williksen took up the position on 14 November 2016.

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



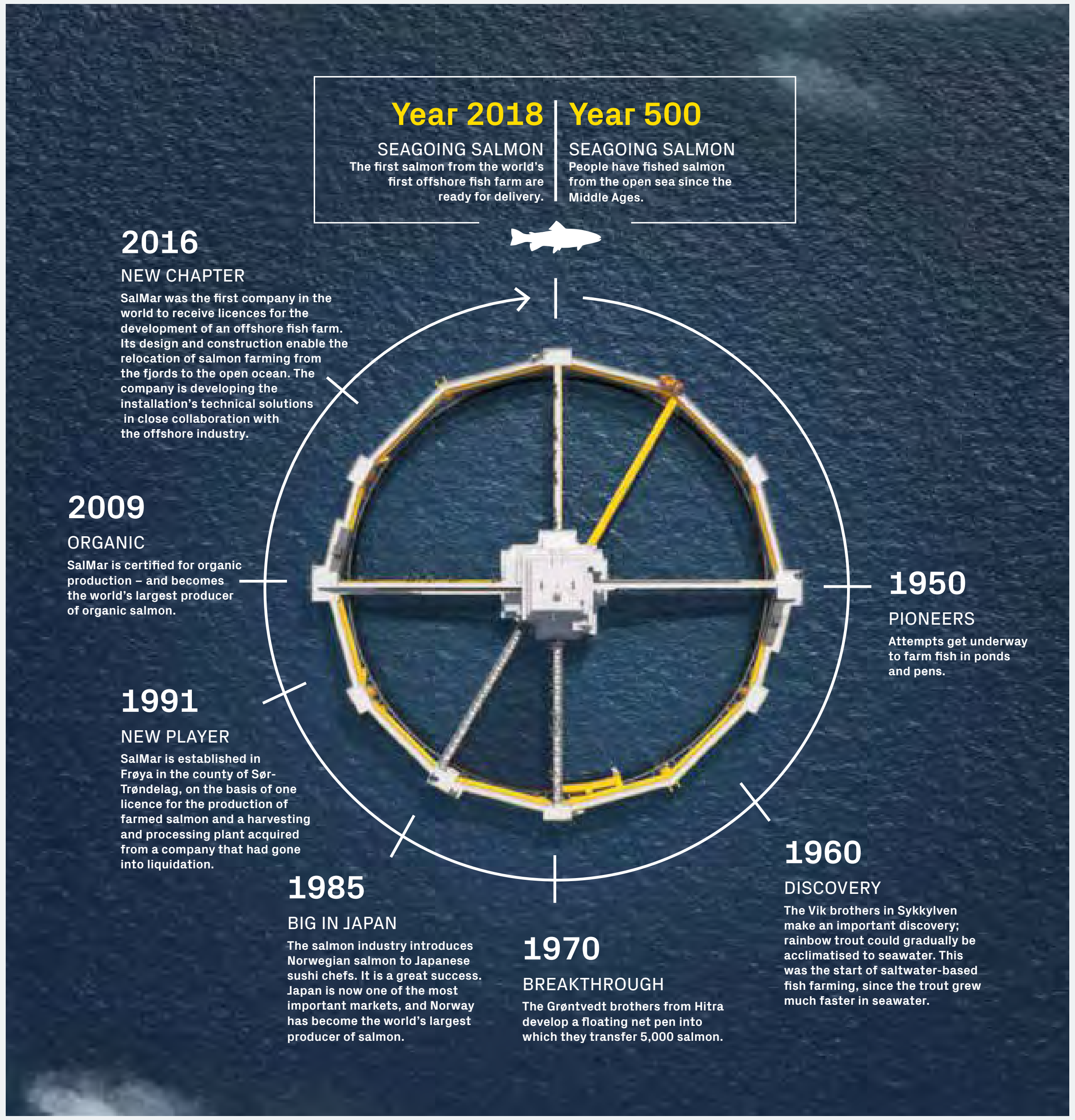
The history of SalMar

SalMar was founded in February 1991 following the acquisition of a licence for the production of farmed salmon and a white fish harvesting/processing plant from a company that had gone into liquidation. These events took place during one of the most turbulent periods in the history of the Norwegian aquaculture industry, which subsequently also led to the collapse of the fish farmers' own sales organisation (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.

Ocean Farm 1 – **the world's first offshore fish farm**

On 28 February 2016 the Norwegian Directorate of Fisheries awarded the first eight development licences to Ocean Farming AS, a part of the SalMar Group. This is a full-scale pilot project, in which SalMar is collaborating with other organisations within the aquaculture and offshore industries.

The pilot Ocean Farm installation is currently under construction, and the aim is to place it in position and transfer fish into its net pens in the third quarter 2017. The development licences have been granted for a period of seven years, but may be converted into ordinary production licences before that time if the objectives and the criteria stipulated by the Directorate of Fisheries have been met.



Creuna. Foto: Getty images

Ocean Farm 1 ushers in a new era in the history of salmon farming. It is based on the best that the Norwegian aquaculture and offshore technology sectors have to offer, and resolves many of the issues relating to sustainable growth that the aquaculture industry is facing.

Dimensions and facts

Height: 68 m
Diameter: 110 m
Volume: 250,000 m^3

Makes use of leading offshore technology

When developing the concept's technical solutions, every fish farming process has been taken into account, and new approaches have been found for the various operating procedures. In addition to complying with the aquaculture industry's own fabrication standards, the regulations and standards applicable in the offshore oil and gas sector have also been used. The pilot facility is generic in its configuration, which means that while individual installations may have the same overall design, they must be certified/adapted to the prevailing weather and environmental conditions at their intended locations.

Ocean Farm 1 comprises a slack anchored, semisubmersible, rigid structure, with a high degree of flotational stability. It is intended for offshore installation in water depths of 100 to 300 metres. All fish handling operations can be performed on board, without recourse to external service vessels or equipment. In addition, the facility is equipped with one moveable and two fixed bulkheads so that it can be divided into three separate compartments, enabling different fish related operations to be performed. The installation is fully automated to eliminate heavy manual operations. Normally, a crew of 3-4 people will operate and monitor the facility. Risk analyses show that the potential for fish escapes is very low.

Contributing to sustainable development

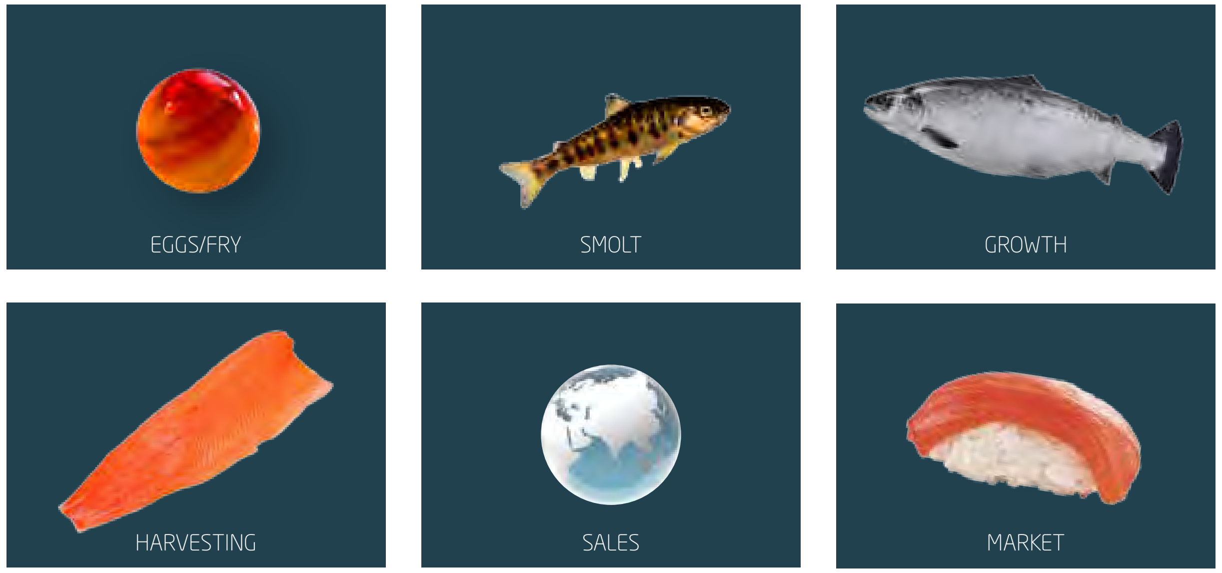
For SalMar, sustainable growth in the aquaculture industry depends on its ability to make use of new locations that offer good biological conditions for the farming of fish stocks – typically areas that are less affected by tidal currents and where the direction of currents is more constant. The project's objective is to develop technologies that will make this possible. Feasibility studies started in 2012, and over the past three years, various technical solutions have been evaluated. This has resulted in the design of a complete offshore fish farming installation. If successful, an initial, full scale pilot facility could help to resolve the aquaculture industry's currently limited opportunities for further growth.

Equipped for R&D

The pilot installation will be equipped for the performance of R&D activities, with particular focus on biological conditions and fish welfare. In this way, it will help to promote the further advancement of the aquaculture industry through applied research and development. SalMar has been allocated a site at Frohavet, off the coast of central Norway, for this project. The objective is that operational experience gained from this pilot facility will be fed back into commercial production of this type of offshore fish farming installation.

This is Ocean Farming

The company behind Ocean Farm 1 is Ocean Farming AS, a subsidiary of the SalMar Group. Ocean Farming was established specifically to develop an offshore fish farming capability. Through the development and implementation of new technologies and the build-up of operational experience, Ocean Farming will acquire the specialist expertise needed for this next generation of fish farming facilities to achieve its full potential. Ocean Farming has received grants from Innovation Norway to help fund the concept development phase.



TRACEABLE SUPPLY CHAIN

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

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

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

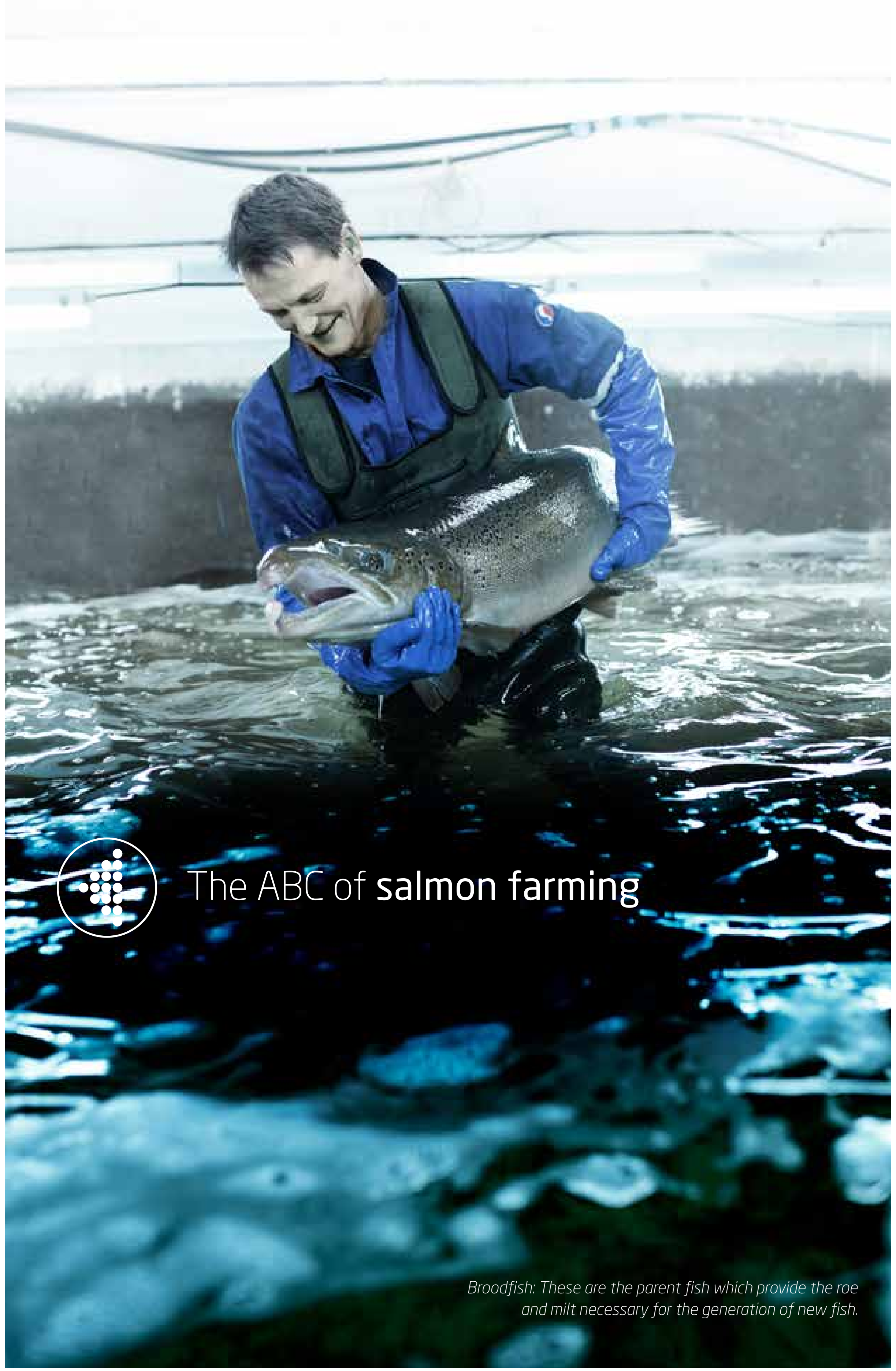
INITIAL FEEDING
When most of the yolk sac has been absorbed, the fry can be moved from the incubator into a fish tank. They are now ready for initial feeding. The water temperature is kept at 10-14 degrees Celsius, and the fry are exposed to dim lighting 24 hours a day. The initial feeding period lasts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

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

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

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

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



Broodfish: These are the parent fish which provide the roe and milt necessary for the generation of new fish.

SalMars operative segments 2016

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, 24 million roe and 1.5 million lumpfish in 2016.

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 82 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 (RAS). SalMar currently has this in place at its Follafoss facilities. The new capacity being built will employ RAS 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 in Troms and Finnmark.

• SalMar Settefisk's Follafoss 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 2017 to reach around 3 million vaccinated lumpfish.

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**
(Møre & Romsdal, North and South Trøndelag)
No. of production facilities: 68
Harvested volume in 2016: 70 500 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 which 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. With effect from 1 January 2015, SalMar Organic was merged into SalMar Farming AS, from which date it has formed the Rauma region within the company. Today, SalMar's Fish Farming Central Norway segment controls 68 production licences: 36 in Trøndelag and 32 in Møre & Romsdal. Rauma Stamfisk AS owns 4 licences. The segment also operates several R&D licences in collaboration with other companies.

SalMar is currently the world's largest producer of organic salmon. In recent years, organic salmon production has taken place in the Rauma region, with all salmon from the Rauma region being harvested at Vikenco AS in Aukra. In 2016, a total of 14,500 tonnes gutted weight were harvested in the region.

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 four regions, Rauma (Sunnmøre and Romsdal), south (Nordmøre), central (Frøya and Hitra) and north (Fosen and North Trøndelag). At the close of 2016, the segment employed some 370 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 stocked with the correct biomass volume and with a good environmental carrying capacity.

FISH FARMING **NORTHERN NORWAY**
(Troms and Finnmark)
No. of licences: 32
Harvested volume in 2016: 45,200 tonnes gutted weight

SalMar Northern Norway currently holds 32 licences for the production of farmed salmon, as well as four jointly operated licences, making it the largest aquaculture enterprise in Troms and Finnmark. SalMar's Fish Farming Northern Norway segment has operations in 11 districts, stretching from Harstad in southern Troms to Sør-Varanger in Finnmark. Around 60 per cent of the segment's fish farms are located in Troms. Fish Farming Northern Norway 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 Troms.

The segment currently has around 140 permanent employees, and plans to further expand its workforce in 2017 due to increased activity and output in the region. Following systematic efforts, 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 Gjørvika, in Senja, halted production in 2016 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 m2 to the facility, bringing its total area to 14,500 m2, and will base its production on the use of recirculated water (RAS). With a workforce of 13, the facility went into operation at the start of 2017, and is expected to be fully completed during the second quarter this year. It is scheduled to deliver its first smolt in the autumn of 2017.

Fish Farming Northern Norway has continued to develop a 'feed centre' 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.

SALES AND PROCESSING
Volume sold: approx. 130,000 tonnes
Output of processed products (product weight): approx. 36,000 tonnes

The Sales and Processing segment administers the Group's sales activities and onshore processing facilities. In 2016, the Sales department handled the sale of approx. 130,000 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. SalMar attaches considerable importance to positioning itself close to its markets. The segment therefore has permanently staffed sales offices in Japan, South Korea and Vietnam. A large part of the segment's downstream sales activities is organised through the sister company Insula AS.

InnovaMar is the SalMar Group's main salmon harvesting and processing facility, and is located at Nordskaget in Frøya. InnovaMar is an ultra-modern building covering some 17,500 m2, with an advanced equipment park for harvesting and filleting. In 2016, an extensive programme of upgrades was undertaken, and investments were made to increase capacity in support of the Group's downstream strategy. InnovaMar has the capacity to harvest 70,000 tonnes of salmon per 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. Through our part-ownership of Vikenco AS, we facilitate the harvesting of fish from Møre & Romsdal and the southern part of central Norway. In 2016, Vikenco and InnovaMar together produced just under 36,000 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.

SalMars **cultural tenets**

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.

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.

After just one year in the sea, the first fish are ready for harvesting. The live fish are transported to shore in fresh seawater aboard wellboats. From a series of holding cages, the fish are then gently moved across to the harvesting plant, where they are killed and gutted using high-tech equipment. All harvesting takes place in compliance with applicable regulatory provisions.

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 2016, SalMar continued to publish a separate sustainability report in compliance with the principles of the Global Reporting Initiative. For a more complete account of HSE, sustainability and social responsibility at SalMar, please see this report. The following text must therefore be seen as an overarching summary of selected issues discussed in that report, which is available in its entirety from SalMar's website www.salmar.no.

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 2016.

The code of conduct and corporate tenets may be obtained from SalMar's website 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 contains all the requirements with which the operation must comply, and describes how major work processes are to be checked by means of operational audits. 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 2016.

HUMAN RIGHTS

SalMar fully supports and respects the principles set out in the Universal Declaration of 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 2016, 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 audits, safety inspections and seminars for safety representatives are important measures to increase safety in the workplace. In 2016, senior executives and other key personnel throughout SalMar have undergone in-depth training in risk assessment. 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 2016, 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 developing this platform in 2017 to include additional opportunities for performance management and learning across the different units.

For further details, please see page 22 of SalMar's sustainability report for 2016.

Competence development

SalMar's new employees receive HSE training though 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 22 of SalMar's sustainability report for 2016.

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 2016.

Sickness absence

Sickness absence fell sharply as a result of individual job facilitation and personal follow-up. The sickness absence rate in 2016 came to 5.25 per cent, compared with 7.47 per cent in 2015 and 5.79 per cent in 2014. 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 2016 totalled 1.92 per cent, compared with 2.33 per cent in 2015 and 2.19 per cent in 2014. Long-term sickness absence totalled 3.33 per cent in 2016, compared with 5.14 per cent in 2015 and 3.60 per cent in 2014.

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 2016.

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 18-28 in SalMar's s ustainability report for 2016.

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 eighteen sights, while two sites which had been certified have been delisted since production there has been discontinued.

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 detail. 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. 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 page 30 in SalMar's sustainability report for 2016.

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.

Our vision is "Passion for Salmon". We focus on farming our stocks on the salmon's own terms, and on excellence at all levels and in every detail of our production.

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.

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. The statement describes how SalMar has conducted itself with respect to the code of practice in 2016.

SalMar deviated from the code of practice with respect to one chapter in 2016:

- 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.

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.

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. SalMar also owns 34 per cent of the Icelandic aquaculture company Arnarlax Hf. SalMar 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.

Deviations from the code of practice: None

3. Equity and dividend

Equity

As at 31 December 2016, the company's equity totalled NOK 6,680.8 million, which corresponds to an equity ratio of 49.9 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 2016, the board has proposed payment of a dividend of NOK 12 per share. In terms of its financial performance, 2016 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 7 June 2016 granted the board three authorisations, one to increase the company's share capital, one to buy back its own (treasury) shares, and one to issue convertible loans. The first two such authorisations were extensions of authorisations granted by the AGM in 2015, while the latter was new. In line with the Norwegian code of practice, each of the authorisations was considered separately.

The first authorisation allowed the board to increase the company's share capital by up to NOK 2,829,667.50, 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 10,149,919 treasury shares, with a total face value of NOK 2,537,479.70. 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.

The third authorisation allows the board to issue convertible loans for up to NOK 2,000,000,000 for the purpose of enabling the company, at short notice, to use such financial instruments as part of its overall financing requirement. In connection with the conversion of loans raised pursuant to this authorisation, the company's share capital may be increased by up to NOK 2,829,667.50, though with account taken of any capital increases undertaken pursuant to the authorisation to increase the company's share capital, such that the total capital increase for both authorisations combined may not exceed 10 per cent of the share capital.

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

All board authorisations are valid up until the next AGM, which will be held on 6 June 2017.

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 2016, SalMar ASA owned 984,368 treasury shares, which accounts for 0.87 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 2016 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 2017 AGM will be held on 6 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.

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

The board determines the agenda for the meeting, and the main issues to be dealt with by the AGM are regulated by Article 9 of the company's articles of association. However, pursuant to section 5-11 of the Public Limited Companies Act, shareholders are entitled to have matters they themselves have tabled considered by the AGM.

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. The present Board Chair is a shareholder of Kverva AS, and is therefore not deemed to be independent under the provisions of the code of practice. Nevertheless, The board considers the Board Chair to be best suited to chair the AGM. 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 2016, the Nomination Committee comprises the following:

- Helge Moen, Chair (up for election in 2018)
- Endre Kolbjørnsen (up for election in 2018)
- Anne Kathrine Slungård (up for election in 2017)

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.

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

The regulations governing the work of the Nomination Committee state that emphasis shall be placed on ensuring that members of the board have the necessary competence to carry out an independent assessment of the matters presented to it by management and of the company's business activities. Emphasis shall also be placed on ensuring that there is a reasonable gender balance and that directors are independent with respect to the company. The Nomination Committee's recommendation shall meet the requirements relating to board composition stipulated by applicable legislation and the regulations of the Oslo Stock Exchange. Board members are elected for a term of two years and may be re-elected. An overview of the individual directors' competence and background is available from the company's website www.salmar.no. An overview of the individual directors' shareholdings in SalMar can be found in Note 16 to the 2016 financial statements.

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. No such matters have been addressed during 2016.

Composition of the board

Board members	Position	Year first elected	Current term ends	No. of board meetings attended in 2016
Bjørn Flatgård	Board Chair	2002	2017	8 av 8
Gustav Witzøe	Director	1991	2017	6 av 8
Kjell A. Storeide	Director	2008	2018	7 av 8
Tove Nedreberg	Director	2012	2018	8 av 8
Bente Rathe	Director	2015	2017	8 av 8
Geir Berg	Empl.repr.	2015	2017	8 av 8
M. G. Sandberg	Empl.repr.	2015	2017	8 av 8

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 nomination committe considers that it is in the company's interests to avail itself of Gustav Witzøe's extensive experience and considerable expertise as a director. Deviation from the code of practice on this point has therefore been deemed acceptable. Gustav Witzøe is also the company's largest shareholder through his company Kverva AS, which owns 53.4 per cent of SalMar's shares.

9. The board of directors

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

The board shall approve the Group's plans and budgets, and shall. 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 2016, the board held eight meetings, of which two were by telephone. The overall attendance rate at board meetings was 95 per cent. See also the table above for further details.

The board makes an annual assessment of its own work and competence. An evaluation of this kind was last conducted in December 2016.

Audit Committee

Pursuant to the Public Limited Companies Act, SalMar has a board-appointed Audit Committee. The committee's main tasks are to prepare the board's follow-up of the financial reporting process, monitor the Group's internal control and risk management systems, with respect to financial reporting and maintain an ongoing dialogue with the auditor. The Audit Committee held four meetings in 2016, with an overall attendance rate of 100 per cent.

As at 31 December 2016, the Audit Committee comprises the following:

- Kjell A. Storeide - leader
- 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 board reviews the company's risk management on an annual basis.

The most important risk factors for the company are biological risk associated with the biological situation in its hatcheries and sea farms, as well as the risk of fish escaping therefrom, and financial risk (foreign exchange, credit and interest rate risk). These risks are monitored and addressed by managers at all levels in the organisation. For further information, please see the 2016 annual report and Note 2 to the 2016 financial statements.

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 largest risk facing SalMar stems from the biological development of its smolt and marine-phase fish stocks. The company has internal control routines that involve the systematic planning, organisation, implementation and evaluation of the Group's activities in accordance with both the external regulatory framework and its internal ambitions for continuous improvement. Among other things, the company has drawn up uniform objectives for internal controls with respect to the working environment and personal safety, preventing fish from escaping, fish welfare, pollution, food safety and water resources. For further information, please see the annual report.

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 2016 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 deter-mined 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 2016 AGM, the statement on executive remuneration was set forth as a separate case document, which is available from the company's website www.salmar.no. 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 2016 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 2016 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.

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

Financial information

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

The company publishes its provisional year-end accounts by the end of February each year, and a complete set of financial statements, including an annual report, is made available at the latest three weeks before the date of the AGM, and no later than the end of April each year.

The company will continue to publish interim reports in line with the Oslo Stock Exchange's recommendation. Such interim results will be published no more than 60 days after the close of each quarter.

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. It is also distributed as a stock market notice and updated on the Oslo Stock Exchange's website www.newsweb.no. The calendar is published before 31 December each year.

Deviations from the code of practice: None

14. Acquisition

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

The guidelines shall ensure that the interests of shareholders are safeguarded, and that all shareholders are treated equally. Furthermore, the guidelines shall help ensure that company operations are not unnecessarily disturbed. The board will strive to provide shareholders will 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

Executive Management

Trond Williksen
President and CEO

Trond Tuvstein
Chief Financial Officer

Gustav Witzøe
Director Processing and Sales

Olav-Andreas Ervik
Director Farming

Eva Haugen
Director Quality Management/HSE

Tom Aleksandersen
Chief Strategy Officer (CSO)

With nearly 30 years of experience from different positions in the fisheries and aquaculture industries, Trond Williksen (53) most recently led the listed company AKVA Group ASA through a period of strong growth. Before this, Williksen held different management positions in the Aker Group's fisheries section, and worked as a KPMG consultant to the fisheries industries. Williksen started his career in the Norwegian Fishermen's Association, before joining first the aquaculture company Midt-Norsk Havbruk, and then Norske Fiskeoppdretteres Forening (currently Norwegian Seafood Federation). Trond Williksen is a university college graduate of Fisheries Economics from Bodø, Norway, and holds an MBA from the University of Washington.

Born: 1963
Shares: 0
RSU-Rights: 5 753

Trond Tuvstein was appointed as new CFO 15 October 2013. Tuvstein served as Head of Investor Relations in SalMar ASA from January 2012 until October 2013. Tuvstein therefore knows both SalMar and the aquaculture industry well. Mr. Tuvstein is certified public accountant, having completed a Master's degree in Accounting and Auditing at the Norwegian School of Economics and Business Administration (NHH) in Bergen. Mr. Tuvstein has extensive experience from the accounting industry. He has held leading positions in auditors PricewaterhouseCoopers and Systemrevisjon, among others.

Born: 1972
Shares: 15 955
RSU-Rights: 11 021

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.

Born: 1953
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

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 since 1994, including Lerøy Midnor, Scottish SeaFarms and Lerøy Hydrotech.

Born: 1976
Shares: 6 361
RSU-Rights: 10 762

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.

Born: 1971
Shares: 3 117
RSU-Rights: 6 803

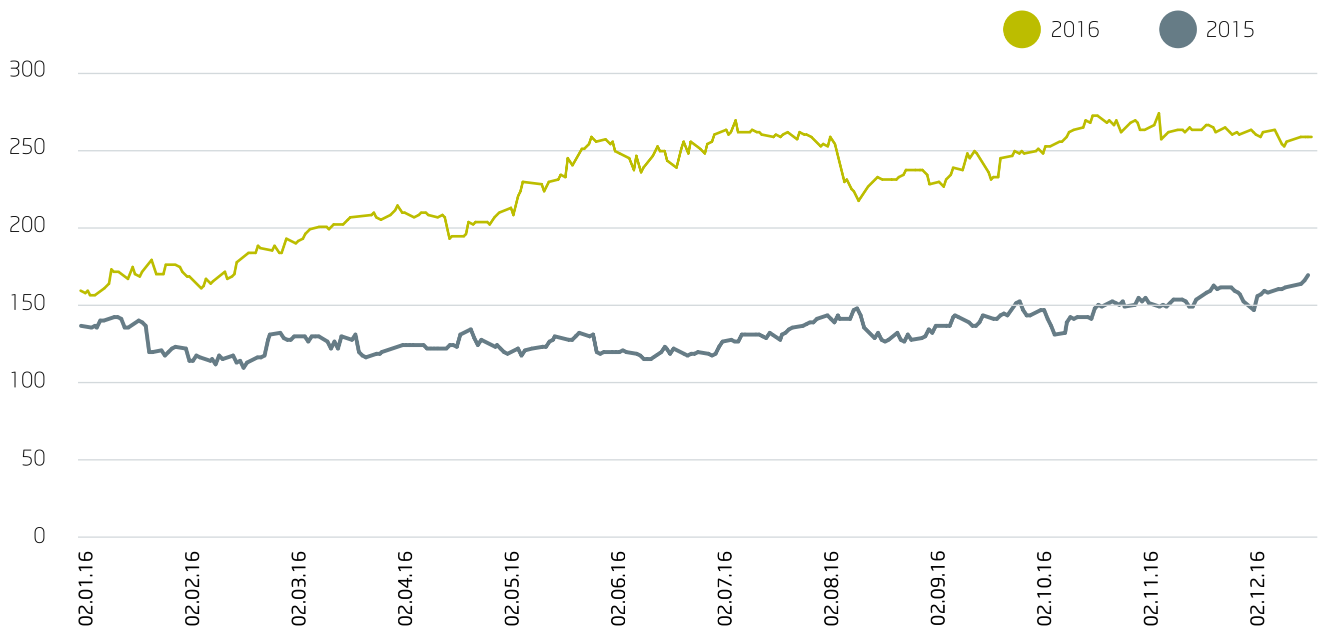
Tom Aleksandersen was appointed as Chief Strategy Officer 1 March 2015. Aleksandersen holds an MBA with specialization in Innovation and Implementation (1995), his main areas of expertise is: strategy, business development, cultural development and leadership training. Aleksandersen has extensive experience 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.

Born: 1971
Shares: 1 709
RSU-Rights: 9 310

SalMars **20 largest shareholders**

NAME	Shareholding 31.12.16	Shareholding (%)
Kverva AS	60 500 000	53,40 %
Folketrygdfondet	8 304 705	7,33 %
State Street Bank and Trust Comp	4 879 763	4,31 %
J.P. Morgan Chase Bank, N.A., London	3 299 928	2,91 %
LIN as	2 005 200	1,77 %
SalMar ASA	984 368	0,87 %
J.P. Morgan Bank Luxembourg S.A.	973 664	0,86 %
Clearstream Banking S.A.	885 909	0,78 %
State Street Bank and Trust Comp	836 144	0,74 %
State Street Bank and Trust Comp	643 581	0,57 %
J.P. Morgan Chase Bank, N.A., London	613 622	0,54 %
Pareto Aksje Norge	611 744	0,54 %
J.P. Morgan Chase Bank, N.A., London	592 728	0,52 %
RBC Investor Services Bank S.A.	578 242	0,51 %
Euroclear Bank N.V.	567 940	0,50 %
State Street Bank and Trust Comp	531 114	0,47 %
Copper Rock Int Small Cap Fund	516 992	0,46 %
KLP Aksjenorge Indeks	464 154	0,41 %
J.P. Morgan Chase Bank, N.A., London	463 638	0,41 %
State Street Bank and Trust Comp	461 106	0,41 %
Total 20 largest shareholders	88 714 542	78,30 %
Other shareholders	24 585 457	21,70 %
Total	113 299 999	100,00 %
Shareholders	3 828	
Total no. of shares	113 299 999	

Shareholder information



Share price development

Share price per 01.01.2016 was NOK 155.00 thus valuing SalMar at NOK 17 561 million. At year-end the share price was NOK 258.10 valuing SalMar at NOK 29 243 million.

Technical information

As at 31 December 2016 SalMar ASA had 113.299.999 shares outstanding, with each share having a face value of NOK 0.25.
As at 31 December 2016 the company had approx. 3 800 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.

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 site and though news agencies.

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

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CFO
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Financial **calender** 2017

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.

15/2	Results 4th quarter 2016
10/5	Results 1st quarter 2017
06/6	Ordinary General Meeting
24/8	Results 2nd quarter 2017
15/11	Results 3rd quarter 2017

Board of Directors' Statement 2016

BJØRN FLATGÅRD
Chairman of the Board

Mr. Flatgård is currently working as a professional director of several leading Norwegian companies and as an investor. From 1996 to 2007 he was President & CEO of Elopak ASA. Prior to that he was CEO of Nycomed Pharma and a member of the executive management of Hafslund Nycomed. Mr. Flatgård gained an MSc in Chemical Engineering from the Norwegian University of Science and Technology in 1973 and a degree in Economics and Business Administration from the Norwegian School of Management BI in 1981. Mr. Flatgård 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.

For SalMar, 2016 was its best year to date. Earnings were boosted by record-high salmon prices, which reached levels practically no one could have foreseen. At the same time, the challenges associated with the production of farmed salmon have never been greater. The situation was particularly demanding for the Central Norway segment. This had a negative impact on both production costs and the volume harvested.

Overall, SalMar harvested 115,600 tonnes in 2016, down 15 per cent on 2015. The SalMar Group generated NOK 9,030 million in gross operating revenues, a rise of 23 per cent compared with 2015. Operational EBIT leaped by 73 per cent from NOK 1,404 million in 2015 to NOK 2,432 million in 2016. Net profit for the year came to NOK 2,651 million.

The board of directors is very pleased with the 2016 result. The market has made strong headway, and consumers have remained willing to pay for salmon despite high prices through the year. On the whole, the operational challenges encountered have been handled satisfactorily.

Fish Farming Central Norway, the Group's largest fish farming segment, posted a satisfactory result, despite facing significant operational challenges. The transition to new delousing methods has been demanding and has driven up costs. Under the prevailing circumstances, however, the change has been implemented satisfactorily.

Fish Farming Norther Norway boosted its operational EBIT by a massive 193 per cent. An increase in the harvested volume, combined with stable cost developments, allowed the benefits of high salmon prices to be exploited to the full. Access to production locations has been and remains a challenge in this region.

The results achieved by the Sales and Processing segment were strongly affected by losses associated with the contract portfolio. Although contract prices at the start of 2016 were well above those achieved in 2015, they failed to match the extremely strong rise in spot prices through the year. Framework conditions for the operational activities at InnovaMar have also been demanding, due to the prevailing biological challenges. Lower harvesting levels have affected earnings. High salmon prices, combined with poor quality raw materials, negatively affected the financial performance of secondary processing activities.

2016 also resulted in record earnings for Norskott Havbruk. The company achieved a steady reduction in production costs because it was able to deal successfully with the biological challenges experienced in the various production regions. The company made a profit before tax of NOK 582 million. The subsidiary, Scottish Sea Farms Ltd, has gained access to additional locations and has increased its production capacity, which will boost harvested volumes in Scotland going forward.

The Group expects to harvest a total of 131,000 tonnes of salmon in 2017, an increase of around 15,400 tonnes compared with 2016.

The board is proposing a dividend payment of NOK 12.00 per share on the basis of the year-end financial statements for 2016.

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 along the entire value chain from broodfish, roe and smolt to harvesting, processing and sales. At the close of 2016, 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 has R&D/joint operating agreements linked to 10 R&D licences. SalMar has been awarded eight development licences for the realisation of its Ocean Farm concept. It was the first aquaculture company to receive such development licences. In addition, the Group has a substantial harvesting and processing capacity at InnovaMar in Frøya and Vikenco in Aukra.

SalMar owns 50 per cent of Scottish Sea Farms Ltd (through Norskott Havbruk AS), the UK's second largest producer of farmed salmon. In addition it has a 34 per cent shareholding in Arnarlax Hf, Iceland's largest producer of farmed salmon.

SalMar is headquartered in Frøya, Sør-Trøndelag, and the Group's registered address is Industriveien 51, 7266 Kverva.

Ambition and strategic foundation

It is SalMar's clearly expressed ambition to be the world's best aquaculture company.

SalMar's is "Passion for Salmon". SalMar puts a great deal of emphasis on farming our salmon stocks on the fishes' own terms and on outstanding performance in all aspects of the production. The vision puts human interests and motivation squarely at the heart of our operations, and is the core driver for ensuring operational efficiency, precision and performance in everything SalMar do.

SalMar's business operations have two clearly defined strategic objectives, which underpin our strategic foundations:

1. On the farming side, we will produce our fish at the lowest cost by having the best operational efficiency.
2. On the sales and processing side, we will strive to achieve the best possible price for our salmon and ensure optimal yields.

These two goals have remained unchanged over many years, and have ensured that SalMar has maintained a leading position in the global salmon industry. In the years to come, these goals will continue to underpin SalMar's strategic foundations.

Important events in 2016

Ocean Farm. On 28 February 2016, SalMar was awarded eight aquaculture development licences for the offshore fish farm concept of its subsidiary Ocean Farming AS. This was a sufficient number for SalMar to move the project to the next phase. Ocean Farm 1 is therefore currently under construction in China. It will be positioned in Frohavet off the coast of Trøndelag early in the second half of 2017. The facility is a full-scale pilot that will allow many aspects of open-ocean salmon farming to be tested. Ocean Farm 1 will be the world's first offshore salmon farm. It builds on the same fundamental principles as the semisubmersible installations used in the oil sector. The project is a collaboration between leading firms and centres of expertise in the aquaculture and offshore industries.

Investments in increased smolt capacity. Construction of a new smolt production facility in Senja continued throughout 2016. At the close of the year, the first roe were put in place, and the first smolt are expected to be delivered from the plant in the late summer of 2017. The facility will cost an estimated NOK 580 million and have a nominal annual production capacity of 15 million smolt, some 4 million of which will weigh over 200g. Expansion of Fish Farming Central Norway's main Follafoss hatchery got underway in the spring of 2016. The facility will have a nominal annual production capacity of approx. 20 million smolt, including the capability of delivering 4 million smolt weighing over 200g. The expansion is due to be completed in the summer of 2017. Initially, these two facility will secure complete control of SalMar's in-house production of high-quality smolt. They will also pave the way for growth in the production of large smolt.

Growth in Iceland. In June 2016, SalMar invested additional capital for growth in Iceland. Arnarlax Hf undertook a NOK 300 million share issue to acquire Fjardalax and become the largest licence owner in Iceland, as well as realising a further growth in production volume. The transaction meant that SalMar increased its indirect shareholding from 21 per cent to 34 per cent.

New CEO. On 11 May 2016, the board announced that Trond Williksen would be taking over as the Group's new CEO following Leif Inge Nordhammer's decision to step down. Mr. Nordhammer himself asked to be relieved of duty after holding the position of CEO for more than 17 years, divided into two periods. Mr. Williksen took up his position on 14 November 2016.

Events after the balance sheet date

In March 2017, SalMar entered into a strategic partnership with Benchmark Holding PLC and its subsidiaries Salmobreed and Akvaforsk Genetics. The partnership signals a greater emphasis on SalMar's own Rauma broodstock. A joint venture, SalMar Genetic AS, has been established to produce roe for use in SalMar's salmon farming operations.

Financial performance

Consolidated income statement

The Group generated gross operating revenues of NOK 9,029.8 million in 2016, compared with NOK 7,326.2 million in 2015. This corresponds to a rise of 23 per cent.

Excluding Norskott Havbruk, SalMar harvested a total of 115,600 tonnes, down from 136,400 tonnes in 2015. This corresponds to a decrease of approx. 15 per cent. Fish Farming Central Norway harvested 70,500 tonnes in 2016, compared with 96,900 tonnes in 2015 – a decrease of 26,400 tonnes. Fish Farming Northern Norway increased its output from by 5,700 tonnes from 39,500 tonnes in 2015 to 45,200 tonnes in 2016. Including SalMar's 50 per cent share of Norskott Havbruk, SalMar's overall harvested volume came to 129,600 tonnes in 2016.

The average price of salmon (NASDAQ) in 2016 came to NOK 62.7 per kg, compared with NOK 41.4 per kg in 2015. This corresponds to an increase of 51 per cent. The price rose steadily through the first half-year (from NOK 59 to NOK 65 per kg). It fell in the third quarter to around NOK 60 per kg, then picked up again in the fourth quarter to an overall average of NOK 67 per kg. The year's highest price was recorded in week 52 at NOK 79 per kg. Around 51 per cent of SalMar's total volume harvested in 2016 was sold under fixed-price contracts. These run for different periods, but not normally longer than 12 months. In general, the prices achieved under such fixed-price contracts were significantly lower than

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.

KJELL A. STOREIDE,
Director

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

spot prices, which reduced the Group's overall financial performance in 2016.

On the biological side, 2016 was an extremely challenging year. To enhance its delousing capacity, new non-medicinal methods were acquired and put into operation during the late winter period. The transition to new treatment methods, combined with the large numbers of salmon lice, was a challenging starting point for delivering historically good biological results. Furthermore, an outbreak of ISA was identified at one of our sites outside Frøya. This resulted in those fish stocks being harvested earlier than planned. In all, this resulted in a lower harvested volume in 2016 than in previous years. At the same time, the switch to new treatment methods was both resource-intensive and expensive. The need for a greater response capability increased the cost base for farming operations. The demanding biological situation also led to higher costs for onshore processing operations. Particular requirements with respect to handling (direct unloading from wellboats), combined with non-standard sizes and quality downgrades, affected operational efficiency and drove up costs. As a result, the cost of the harvested biomass was higher in 2016 than in 2015.

Operational EBIT for the SalMar Group came to NOK 2,431.6 million in 2016, compared with NOK 1,403.9 million in 2015. 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 profits by NOK 654.0 million in 2016. The corresponding adjustments in 2015 boosted profits by NOK 39.9 million. Fair value adjustments comprise adjustments in the fair value of the biomass, unrealise effects of forward currency contracts linked to future contract deliveries and financial salmon price derivatives (Fish-Pool), as well as provisions for loss-making contracts. Changes in the fair value adjustment of the biomass and unrealised positions on forward currency contracts have contributed a total of NOK 1,114.2 million. Changes in provisions for loss-making contracts and financial salmon price derivatives have had an opposite effect totalling NOK 460.3 million. Changes in prices towards the close of 2016, as well as higher stocks of fish held at sea, are the main reasons for the increase in the fair value of the biomass. This has also led to provisions for losses linked to fixed-price contracts and salmon derivatives.

SalMar made a consolidated operating profit of NOK 3,085.6 million in 2016, up from NOK 1,443.8 million the year before. From an operating point of view, SalMar's associates, i.e. companies in which SalMar's shareholdings give it a considerable influence, performed well. SalMar's share of the profits from these investments totalled NOK 286.8 million in 2016, most of which derives from Norskott Havbruk. The corresponding figure for 2015 was NOK 40.2 million.

Total interest and financial income for 2016 came to NOK 83.2 million, compared with NOK 4.2 million in 2015. The increase can be attributed primarily to changes in the classification of foreign exchange effects linked to sales in foreign currencies.

SalMar's total financial expenses for 2016 came to NOK 113.5 million, up NOK 9.0 million on the year before. In 2016, SalMar had a higher average interest-bearing debt than in 2015.

Net financial items for 2016 therefore came to NOK -30.4 million, such that profit before tax for the year totalled NOK 3,342.1 million, up from NOK 1,383.7 million in 2015. The tax expense for 2016 totalled NOK 691.1 million. This is NOK 436.2 million higher than in 2015, which can largely be ascribed to a higher taxable income.

SalMar made a net profit after tax for the year ending 31 December 2016 of NOK 2,651.0 million, compared with NOK 1,128.8 million in 2015.

Consolidated cash flows

SalMar had a positive cash flow from operating activities of NOK 2,724.6 million in 2016, compared with NOK 1,622.3 million in 2015. The largest positive items with no effect on cash flow comprise SalMar's share of the profits from associates, totalling NOK 286.8 million, and a change in fair value adjustments, totalling NOK 654.0 million. The largest negative item with no effect on cash flow comprises depreciation, amounting to NOK 358.0 million. Furthermore, the profit and loss 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 152.7 million. In 2016, SalMar paid NOK 291.0 million in corporation tax.

Net payments from investing activities totalled NOK 1,231.3 million in the period, compared with net payments of NOK 724.7 million in 2015. During the year, investments totalling NOK 1,096.8 million were made in intangible assets and property, plant and equipment. Investments in increased smolt capacity totalled NOK 440.2 million. This is part of the Group's value chain strategy, which means that SalMar will produce all the smolt transferred to its own sea farms. Construction of the Ocean Farm installation got underway in 2016, with respect to which a total of NOK 261.7 million has been paid out during the year. Furthermore, NOK 394.9 million has been spent on necessary maintenance investments. NOK 242.0 million in capital was allocated to further expansion in Iceland through participation in a share issue in Arnalax Hf. A total of NOK 100.8 million in dividends was received from associates.

Net payments from financing activities totalled NOK 1,491.2 million in 2016, compared with net payments of NOK 795.5 million in 2015. In 2016, SalMar paid its shareholders a dividend totalling NOK 1,125.9 million. Furthermore, credit facilities and amortising loans have been reduced by NOK 439.0 million during the year. A loan financing agreement was established with respect to the Ocean Farm project, which has resulted in a capital injection of NOK 175.0 million. Net interest and financing expenses amounting to NOK 106.3 million were paid in 2016.

In all, this gives SalMar a positive net cash flow for 2016 of NOK 2.1 million. This increased the Group's holdings of cash and cash equivalents to NOK 273.7 million at the close of the year. Unused drawing rights at the close of the year totalled NOK 3,116.0 million.

Consolidated balance sheet

As at 31 December 2016, SalMar's balance sheet totalled NOK 13,401.7 million, an increase of NOK 2,466.4 million since the close of 2015.

The Group's intangible assets were reduced by NOK 2.7 million during 2016, due to a net change in capitalised costs linked to research and development projects. In all, the Group had capitalised intangible assets worth NOK 2,910.8 million at the close of 2016. Of this amount, the book value of 100 fish farming licences accounted for NOK 2,363.6 million.

The combined book value of property, plant and equipment came to NOK 3,137.5 million at the close of the year, NOK 733.7 million more than the year before. The Group has several strategic growth investment programmes underway, to which a total of NOK 713.1 million has been allocated. In addition, maintenance investments totalling NOK 392.4 million have been made. Depreciation of property, plant and equipment came to NOK 353.8 million in 2016.

The Group's non-current financial assets were worth a total of NOK 960.0 million at the close of 2016. This is an increase of NOK 323.8 million compared with 2015. In addition to an increase in the value of the Group's investment in Norskott Havbruk following record-high earnings in 2016, SalMar's investment in Arnarlax Hf has also increased.

At the close of the year, the Group's biological assets were worth a total of NOK 4,997.0 million. This corresponds to a rise of NOK 1,691.0 million compared with 2015. Measured in tonnes, fish stocks were 11 per cent higher at the close of 2016 than at the start of the year. The cost of producing the biomass rose by NOK 638.4 million, bringing total production costs to NOK 2,968.3 million. Fair value adjustment of the biomass at the close of the year totalled NOK 2,028.7 million, which is NOK 1,052.5 million higher than at the start of the year.

The amount of capital bound up in trade receivables has been reduced. Total receivables have fallen from NOK 815.5 million at the start of the year to NOK 595.8 million at its close. This is due to the establishment during the year of agreements whereby those trade receivables that meet certain criteria are transferred successively to a credit institution. The bulk of the Group's receivables are covered by credit insurance. At the close of the year, a provision of NOK 6.6 million had been made to cover unsecured claims, including own-risk liability with respect to credit insurance.

At the close of 2016, the Group had equity totalling NOK 6,680.8 million, up from NOK 5,227.0 million at the close of 2015. Despite a rise in total capital, the equity ratio rose from 47.8 per cent at the close of 2015 to 49.9 per cent at the close of 2016.

Net interest-bearing debt (interest-bearing debt minus cash and cash equivalents) totalled NOK 2,364.1 million at the close of the year, down from NOK 2,619.5 million at the close of 2015. In June 2014, the Group signed a new 5 years loan agreement with a consortium of Nordic banks. The financing agreement encompasses both operating credit facilities and acquisition credit, and gives the Group combined drawing rights totalling NOK 5,000 million. Apart from this main financing scheme, certain of the Group's subsidiaries have their own financing agreements, which collectively amounted to NOK 247.3 million in interest-bearing debt at the close of the year. Furthermore, the Group has ordinary leasing liabilities amounting to NOK 65.1 million. The Group's leasing agreement with respect to the InnovaMar building is, given its nature, classified as a financing agreement, the leasing liability in connection with which amounted to NOK 316.2 million at the close of the year. Next year's instalments on interest-bearing debt come to NOK 139.1 million.

The Group expects to pay NOK 423.2 million in corporation tax, based on its taxable income for 2016.

The increase in the Group's assets during 2016 is attributable to an increase in equity of NOK 1,453.8 million, a reduction in interest-bearing debt of NOK 255.4 million and an increase in interest-free liabilities of NOK 1,268.0 million.

Reporting segments

Fish Farming Central Norway

Fish Farming Central Norway, the Group's largest fish-farming segment, posted strong results despite an operationally challenging year. The segment generated gross operating revenues of NOK 4,343.5 million in 2016, compared with NOK 3, 941,7 million in 2015. Operational EBIT came to NOK 1,770.2 million in 2016, compared with NOK 947.7 million in 2015.

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.

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.

Operational EBIT per kg gutted weight came to NOK 25.10 for the year as a whole, up from NOK 9.80 in 2015. The increase is attributable to a substantially higher salmon price. The segment achieved an average price rise per kg gutted weight of NOK 21.00. The cost of producing the harvested biomass was, on average, NOK 5.60 per kg higher than in 2015.

Operationally, 2016 was an extremely challenging year. Having developed a resistance to medicinal delousing treatments, lice numbers at the start of the year were high. New equipment was quickly acquired, and new treatment methods put into operation. The need for intensive delousing throughout the summer and autumn had major consequences for the segment's operational performance. In addition, the fish disease infectious salmon anaemia (ISA) was identified at one of the segment's largest fish farms in May 2016. The outbreak was dealt with in compliance with the regulations, and the biomass was harvested out. Because of this, the volume harvested in the second half-year was lower than expected. Combined with higher costs resulting from the introduction of new delousing methods, this led to a rise in the cost per kg harvested biomass. This segment undertakes the Group's entire production of organic salmon. As a consequence of the Norwegian authorities' failure to implement the EU's regulations for the organic production of food, parts of the EU market established trade barriers. This resulted in organic salmon having to be sold as conventional salmon at a lower price.

Fish Farming Central Norway harvested a total of 70,500 tonnes in 2016, compared with 96,900 tonnes in 2015. A total of 32,100 tonnes was harvested in the first half, and 38,400 tonnes in the second half.

The premature harvesting out of the spring generation (transferred to the sea in the spring of 2015), made it possible to produce more of the autumn generation (transferred to the sea in the autumn of 2015). At the close of the year, the standing biomass was 19 per cent higher than at its start. SalMar expects this segment to harvest around 85,000 tonnes in 2017, 21 per cent more than in 2016.

Fish Farming Northern Norway

2016 was an extremely good year for Fish Farming Northern Norway. It enjoyed the full benefit of historically high salmon prices, achieved a 14 per cent increase in its harvested volume and kept its cost level unchanged from 2015. As a result, the segment posted record-high profits in 2016.

Fish Farming Northern Norway generated gross operating revenues of NOK 2,799.2 million in 2016, compared with NOK 1,646.9 million in 2015. Operational EBIT came to NOK 1,480.3 million in 2016, compared with NOK 505.8 million in 2015.

Operational EBIT per kg gutted weight came to NOK 32.80 in 2016, up from NOK 12.80 in 2015. The increase is attributable to substantially higher salmon prices; on average, the segment achieved a price rise per kg harvested salmon of NOK 20.30. Average production costs for the harvested biomass rose by a mere NOK 0.30 per kg compared with 2015.

In general, the salmon lice situation has been substantially better in this region than in central Norway. However, in certain regions of southern Troms, lice numbers have occasionally been challenging. The segment has built up its response capability, with new non-medicinal methods. Access to production locations has been and will remain a challenge for the segment. In the past couple of years, a total of 18 licences have been obtained in this region through the acquisition of Villa Organic. A restructuring process has been implemented to optimise production, by applying for an increase in the maximum allowable biomass (MAB) at existing sites, as well as gaining access to new locations. This latter has proved more demanding than initially anticipated.

Fish Farming Northern Norway harvested a total of 45,200 tonnes in 2016, compared with 39,500 tonnes in 2015. 60 per cent of the volume was harvested in the first half-year.

SalMar expects this segment to harvest around 46,000 tonnes in 2017, marginally up on 2016.

Sales and processing

This segment is responsible for selling the entire Group's harvested volume. Salmon produced by the Group itself have been purchased at the market price. As a result of higher salmon prices, the segment's gross operating revenues rose from NOK 7,295.0 million in 2015 to NOK 9,035.8 million in 2016. Operational EBIT came to NOK -685.8 million in 2016, compared with NOK 72.6 million in 2015.

In 2016, around 51 per cent of the volume harvested was sold under fixed-price contracts significantly below the spot/purchase price. This explains the segment's negative contribution to earnings. Fish sold in the spot market has provided satisfactory margins. Antibiotic-free Norwegian salmon and a weak NOK have made the industry more competitive in the American market. SalMar supplied a record-high volume to this market in 2016. Deliveries to this market are expected to continue in the years ahead.

A total of 95,900 tonnes of salmon was harvested at wInnovaMar in 2016, a decrease of 32,200 tonnes compared with 2015. The reduction in capacity utilisation has had a negative impact on profitability. Biological production determines the level of activity at InnovaMar. 2016 was therefore challenging. Substantial variations in harvested volume and demands for direct unloading from wellboats have made it difficult to achieve cost-optimal operations. Despite this, however, the unit posted consistently good results. The processing activities also faced challenging framework conditions. Periodically poor quality raw materials result weakened efficiency, and volatile salmon prices make it hard to make a profit from secondary processing. As a result, the business made a negative contribution to the segment's earnings. Nevertheless, SalMar believes it is strategically important to process a relatively large proportion of the raw material in Norway. This increases the quality of the product sold to the customer, allows for the efficient handing of by-products and saves on haulage costs.

Associates

Norskott Havbruk

2016 was an extremely good year for Norskott Havbruk. The company increased its gross operating revenues by NOK 222.1 million, from NOK 1,498.5 million in 2015 to NOK 1,720.6 million in 2016. Lower costs and a slight rise in the harvested volume boosted Operational EBIT by NOK 352.3 million, from NOK 121.6 million in 2015 to NOK 473.9 million in 2016.

In total, the company harvested 28,000 tonnes in 2016, up from 27,000 tonnes the year before. The harvested volume in 2017 is expected to be around 30,000 tonnes.

Operational EBIT per kg gutted weight came to NOK 16.90 in 2016, up from NOK 4.50 per kg in 2015. The rise is attributable to higher salmon prices, but also reduced production costs. The company's board has decided to invest in a new hatchery. The facility is expected to cost GBP 35 million, and will have an annual production capacity of approx. 10 million smolt.

Norskott Havbruk is recognised as an association, with SalMar's 50 per cent share of the company's profit or loss after tax and fair value adjustment of the biomass being recognised as financial income. SalMar's share of the company's profit after tax in 2016 came to NOK 236.6 million, compared with NOK 41.4 million in 2015.

Arnarlax

Arnarlax harvested its first salmon in 2016. By year-end it had harvested a total of 4,000 tonnes. Gross operating revenues came to NOK 247.4 million in 2016.

Operational EBIT in 2016 totalled NOK -1.7 million. The result was affected by the high costs of first-generation production, with a long production time, relatively high mortality rate and high processing and logistics costs. To this must be added non-recurring costs associated with the acquisition of Fjardalax. Towards the close of 2016, the company started harvesting its second generation of fish, ie fish transferred to the sea in 2015. This generation has a substantially lower production cost.

The company expects to harvest around 10,000 tonnes of salmon in 2017.

Arnarlax Hf is recognised as an association, with SalMar's share (20.1 per cent in the first half and 34 per cent in the second half) of the company's profit or loss after tax (and fair value adjustment of the biomass) being recognised as financial income. SalMar's share of the company's profit after tax came to NOK 52.2 million in 2016.

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 2016, it employed a total of 34 full-time equivalents.

The company made a net profit for the year of NOK 2,337.9 million in 2016, compared with NOK 942.9 million in 2015. The bulk of its revenues are associated with investments in subsidiaries and associates. 2016 was a good year for the company's subsidiaries. As a result, NOK 2,522.6 million in dividends/ group contributions was recognised by SalMar ASA. Furthermore, the company has recognised NOK 100.8 million in dividends from its investments in the associate Norskott Havbruk. SalMar ASA administers the Group's main financing activities and received interest on loans to subsidiaries in the amount of NOK 67.8 million, while interest expenses relating to financing came to NOK 46.5 million.

SalMar ASA had capitalised assets worth NOK 7,634.6 million at the close of 2016. Non-current financial assets accounted for NOK 5,016.8 million of this amount, while loans to subsidiaries totalled NOK 2,583.6 million. Current receivables totalled NOK 2,595.5 million and mainly comprise dividends/ group contributions receivable from subsidiaries. The company had cash and cash equivalents totalling NOK 8.2 million at the close of the year. As at 31 December 2016, equity came to NOK 2,078.3 million, corresponding to an equity ratio of 27 per cent. Non-current liabilities comprise interest-bearing debt amounting to NOK 1,950.0 million. Current liabilities totalled NOK 3,606.3 million, of which dividend provisions accounted for NOK 1,347.8 million and group contributions owing to subsidiaries for NOK 2,157.5 million.

The board is proposing payment of a dividend of NOK 12.00 per share for the 2016 financial year. The board proposes the following allocation of the year's net profit:

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.

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.

- Dividend provision NOK 1,347.8 million
- Transferred to other equity NOK 990.1 million
- Total NOK 2,337.9 million

At the close of the year the company had distributable reserves of NOK 2,050.0 million.

Going concern

The financial statements for 2016 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

SalMar's most important operational risk relates to the biological development of its fish stocks, at both its hatcheries and sea farms. Even though SalMar develops and implements risk-reducing measures, the nature of the industry is such that the inherent biological risk will always be present. In recent years, the aquaculture industry has faced challenges associated with the increasingly widespread presence of salmon lice and greater prevalence of resistant lice (ie lice that have become less sensitive to the preparations and medicines which have been effective in the treatment of lice in recent decades). This has forced SalMar, along with the rest of the industry, to change the methods used to deal with the lice situation.

SalMar takes a holistic, strategic approach to biological risk, including lice, including preventive measures and activities designed to limit damage to its stocks. SalMar continuously makes operational assessments to protect the welfare of its fish.

Access to suitable production locations is a crucial preventive measure. For SalMar, it is important that production take place in areas that have the capacity needed to sustainably produce the volumes involved. The Ocean Farm project could lead to new and better locations being used. Selective breeding and the genetic development of a more robust salmon is another important preventive measure to reduce biological risk. Measures to reduce the length of time the fish spend at sea through the transfer of larger smolt, for example, represent a strategic focus area for SalMar.

Our operating procedures are designed to reduce biological risk. With respect to the lice situation, biological delousing methods involving the use of cleaner fish produced in-house is an extremely important measure. SalMar has invested heavily in a dedicated cleaner fish production facility at Langstein in Trondheimsfjord. Furthermore, substantial investments have been made in measures to prevent salmon lice entering the net-pens in the form of lice skirts. Vaccination against various fish diseases is also a key aspect of our operating procedures.

Over time, SalMar has built up an effective response capability to deal with biological challenges. Our harvesting capacity at InnovaMar enables us to respond effectively. Furthermore, SalMar has good access to wellboat capacity. During 2016, a substantial delousing capacity was built up in the form of mechanical delousing equipment that also collects the lice to prevent reproduction. SalMar's goal is for its Central Norway segment to be able to delouse 80 per cent of its standing biomass within a period of 10-14 days.

It will always be necessary to use medication in connection with any form of biological production. However, such medication must be applied prudently to prevent the development of resistance.

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). 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 2016, the spot price of Atlantic salmon fluctuated between NOK 48.05 and NOK 79.22 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. The impact of the Group's fixed-price contracts is therefore recognised in this segment's financial statements. Approximately 51 per cent of the Group's volume was sold under fixed-price contracts in 2016.

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. Credit insurance is used in cases where counterparty risk is not considered low.

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.

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

Over the past few years, there has been a significant shift towards ever greater reliance on competence-driven development, although experience-based knowledge still plays a key role. As a result, the industry is increasingly dependent on close cooperation with the public authorities, educational and R&D establishments, as well as sector-specific centres of expertise. SalMar has for some years been strengthening its relations with various research establishments and the supply industry. As before, the strategy behind our focus areas is embedded in the organisation through the SalMar School and other meeting places, such that both company-wide and department-specific issues are addressed. We continue to focus on smolt quality, salmon lice and biomass control, while genetics is an area to which greater emphasis is being given. In 2016, SalMar achieved promising results relating to biomass control, and we hope this will materialise in coming years. However, most resources have been devoted to our ongoing efforts to combat salmon lice, which will continue with undiminished vigour. In addition to collaborations with the supply industry, SalMar has high hopes for the newly established Salmon Lice Task Force, a research programme under the auspices of the Norwegian University of Science and Technology (NTNU) that will run for the next five years. The project is largely funded by the aquaculture industry in central Norway, and SalMar has been instrumental in building up the programme.

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.

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. Through the development and realisation of new technology, as well as operational experience, Ocean Farming will acquire the particular competence required for this next-generation of fish farming. Ocean Farming received grants from Innovation Norway during the project's feasibility study phase.

The new Ocean Farm installation will be extremely 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 eight development licences for Ocean Farming's offshore fish farming concept. SalMar now has a sufficient number of development licences, and construction of Ocean Farm 1 is currently underway in China. The installation will be positioned in Frohavet, off the coast of Trøndelag, in the second half of 2017. Ocean Farm 1 is a full-scale pilot installation, where many aspects of salmon farming out at sea will be tested out.

Ocean Farm 1 will be the world's first offshore salmon farm. It builds on the same fundamental principles as the semisubmersible installations used in the oil sector. The project is a collaboration between leading firms and centres of expertise in the aquaculture and offshore industries.

Organisation, sustainability and social responsibility

It is SalMar's goal to secure long-term profitability and growth through sustainable aquaculture and processing activities, and by acting as a responsible corporate citizen. For SalMar, sustainability means doing business in an ethical manner and maintaining high moral standards, as well as contributing to even greater awareness of the environment in which we operate every day. We will protect the environment and ensure that it is managed in a way that benefits future generations. 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. 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 27 to 29.. In addition, a separate corporate sustainability report for 2016 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 149.50 to NOK 275.90 in 2016. The final closing price on 30 December, the last day of trading in 2016, was NOK 258.10.

The Annual General Meeting of 7 June 2016 authorised the board to increase the company's share capital. The authorisation was an extension of one granted at the 2015 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 authorisation may be used to purchase company shares in connection with stock option schemes for senior management and as a means of returning value to existing shareholders.

The board was also authorised to introduce a new 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 2016 scheme should not exceed 350,000. The board was authorised to draw up more detailed guidelines.

In addition, the board was authorised to take out a convertible loan to enable the company to make use of such financial instruments as part of its overall financing at short notice. The authorisation applies to an overall loan of NOK 2,000,000,000. The capital increase resulting from conversion may not exceed NOK 2,829,667.50, and must be seen in the context of the authorisation to increase the company's share capital, such that both authorisations may not exceed 10 per cent of the total number of shares in the company.

All authorisations granted to the board remain valid until the 2017 AGM, which will be held on 6 June.

On 16 December 2016, the board approved a share-based incentive scheme pursuant to the authorisation granted at the AGM. The final scheme adopted in 2016 encompasses 198,281 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 78.30 per cent of the shares. As at 31 December 2016, SalMar ASA was the sixth largest shareholder with a holding of 984,368 shares or 0.87 per cent. SalMar acquired no treasury shares in 2016.

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

Corporate governance

SalMar 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 law.

Changes in board membership

At the Group's AGM on 7 June 2016, Kjell A. Storeide and Tove Nedreberg's terms as members of the board came to an end. Kjell A. Storeide and Tove Nedreberg were re-elected for a period of two years.

Information relating to the competence and background of the various board members is available from SalMar's website www.salmar.no.

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

Markets

Following increases in the global supply of Atlantic salmon of 9 per cent in 2014 and 4 per cent in 2015, output fell by 7 per cent in 2016. As a result, just under 2.2 million tonnes of Atlantic salmon was harvested worldwide in 2016. Norway reduced its overall output by 5 per cent or around 63,100 tonnes during the year. In Chile, the steady growth seen in previous years reversed, and the region's output of salmon fell by 16 per cent, corresponding to 93,800 tonnes. Output in North America rose by 6 per cent or around 9,100 tonnes during the period. The UK reduced its output by 4 per cent or 6,200 tonnes. Output from the Faeroe Islands decreased by 1 per cent or 1,000 tonnes, while output from the remaining markets rose by 2 per cent.

Altogether, Norwegian exports of Atlantic salmon totalled approx. 1,127,000 tonnes round weight in 2016, a 5 per cent decrease from 2015. However, substantially higher salmon prices boosted their value by 29 per cent. Norwegian salmon exports were worth almost NOK 61 billion in 2016, NOK 13.7 billion more than the year before. Norway exports 76 per cent of its volume to the EU, which received a combined total of 859,000 tonnes of Norwegian salmon. Poland increased its imports of Norwegian salmon by 1 per cent, while France reduced its imports of Norwegian salmon by 7 per cent. Overall, the Central Asian markets (Vietnam/China/Hong Kong) cut their imports by 5 per cent.

The price of Atlantic salmon (NASDAQ) rose steadily through the first half of 2016 (from NOK 48 per kg to NOK 76 per kg), and then fell through the third quarter to around NOK 52 per kg. However, in the fourth quarter, the price rose to a new record of almost NOK 80 per kg. The year's highest price was recorded in week 52 at NOK 79.22 per kg. Strong prices throughout 2016 pushed the yearly average to an unprecedented NOK 62.68 per kg, an increase of 51 per cent from 2015.

The NOK strengthened against the EUR, USD and GBP through 2016, which may have helped to reinforce the effect for customers who pay in local currencies. The EUR, GBP and USD strengthened by 5.82 per cent, 18.80 per cent and 2.63 per cent respectively during the period.

SalMar had direct sales to over 40 different countries in 2016. SalMar's most important regional markets in 2016 were Europe, with Poland, Lithuania and Germany as the largest national markets. The next largest market was Asia, with Japan, South Korea, Vietnam and Singapore as major individual markets. Following the discontinuation of sales to Russia in 2014, North America has become the third largest regional market, with the USA as the largest national market. SalMar achieved particularly strong growth in the American market in 2016.

At the close of 2016, the standing biomass in Norway stood at 699,000 tonnes round weight, down from 700,300 tonnes at the close of 2015. The biomass in the UK at the close of the year stood at 95,100 tonnes, up 10 per cent on the year before. Chile's biomass was down on 12 months before, and totalled 251,800 tonnes. The total biomass in the Faeroes was estimated at 52,000 tonnes at the close of 2016, a 19 per cent increase compared with a year before. Preliminary forecasts for 2017 (Kontali) indicate a global rise in output of around 2 per cent. The largest contributor is Chile, which is expected to increase its output by 3 per cent (17,500 tonnes). Output from Norway is expected to remain stable, with zero growth in 2017. Atlantic salmon farmers in both the UK and the Faeroes are expected to increase their output by 8 per cent, while producers in North America are expected to reduce their output by 4 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 2017. The board is of the opinion that this is something SalMar is well positioned to achieve.

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

SalMar expects to harvest more fish in 2017 than in 2016. This is primarily due to the fact that SalMar had a larger number of individual salmon at its sea farms at the start of 2017 than it had a year before. Overall, fish stocks are 11 per cent higher. Based on 100 wholly owned licences and joint operation of 11 licences owned by collaborating partners, SalMar expects to harvest a total of 131,000 tonnes in 2017.

Initial feeding of fry.

SalMar's share of the volume harvested by Norskott Havbruk (50 per cent) in 2017 is expected to total approx. 15,000 tonnes. In Iceland, Arnarlax, 34 per cent of which is owned indirectly by SalMar, expects to harvest 10,000 tonnes in 2017. Around 45 per cent of the volume is expected to be harvested in the first half of the year, with the remaining 55 per cent being harvested in the second half. At the time of writing, the contract rate for 2017 comes to just over 40 per cent of the expected volume. The average price and volume of the contract portfolio will remain relatively stable throughout 2017. Overall, the average price for 2017 is below the current Fish-Pool forward price.

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 2017 there shall be no more than 0.2 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, but necessary. 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 Ocean Farm 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. So far, there are no indications of any material changes in feed prices for 2017 compared with 2016.

In total, this means that SalMar expects the cost price of the harvested biomass to be slightly lower in 2017 than in 2016.

SalMar will continue its ongoing maintenance and upgrade investment programme, and expects to invest around NOK 275 million in this area in 2017. The bulk of this will be associated with marine-phase production. The investment in increased smolt capacity in Senja will be completed in 2017. At the same time, SalMar's main smolt production facility at Follafoss in Trøndelag is being expanded, and investments are being made to increase cleaner fish capacity. In total, these investments amount to some NOK 260 million. Investment in the Ocean Farm installation will come to NOK 270 million in 2017. Further investments in mechanical delousing equipment are also planned. Total investments in 2017 are expected to come to NOK 850 million.

From a financial performance point of view, 2016 was a very good year for SalMar. The board deems SalMar's financial position to be extremely robust and is therefore recommending a dividend of NOK 12.00 per share. In the opinion of the board, SalMar's financial capacity for continued growth is strong.

The SalMar culture, expressed through our corporate tenets, is fundamental to the entire business, and our vision, a "Passion for Salmon", is the lodestone that guides us on our way towards realising our ambition of being the world's best aquaculture company. SalMar's employees are our most important resource in our quest for further success. Continuous development of the organisation is therefore a key focus area for the Group. The board would like to thank all the company's employees for their dedicated efforts, on which the SalMar Group's long-term success is based.

Frøya, 20th of April 2017

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

Trond Williksen
President & CEO

SalMar's salmon is sold either as whole gutted fish (fresh or frozen), fillets, portions or as many types of processed products, which, in turn, are distributed to markets all over the world.

Statement remuneration

Statement regarding the determination of salary and other benefits payable to senior executives of SalMar ASA for 2017.

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 2017 financial year. The statement was approved by the board of directors of SalMar ASA on 20 April 2017. 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 6 June 2017 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 2017 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. A total of three programmes are in effect in 2017.

Pension schemes

Members of group management participate in the Group's general pension scheme. The scheme is a defined contribution plan and lies within the framework stipulated in the Mandatory Occupational Pensions Act.

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 2016 financial year

The Company's senior executive remuneration policy for the 2016 financial year has been carried out in accordance with the statement for 2016 adopted by the AGM on 7 June 2016.

Once harvested, the salmon is processed to varying degrees, transforming it into a great many different products.

Consolidated account SalMar

Consolidated **Financial Statements**

NOK 1000

OPERATING REVENUES AND OPERATING EXPENSES	NOTE	2016	2015
Sales revenues	11, 23	8 963 239	7 303 506
Other operating revenues	8	66 575	22 696
Total operating revenues		**9 029 814**	**7 326 202**
Change in stocks of goods in progress and finished goods		-395 871	-246 712
Cost of goods sold		4 396 689	3 809 523
Payroll costs	19,24,25	861 534	765 881
Depreciation of PP&E and intangible assets	4,5	358 020	307 280
Write-downs of PP&E	4,5	0	14 169
Other operating expenses	5,12,21,24,26	1 377 795	1 272 186
Total operating expenses		**6 598 168**	**5 922 328**
Operational EBIT		**2 431 647**	**1 403 873**
Fair value adjustments	14	653 955	39 932
Operating profit		**3 085 602**	**1 443 805**
Income from investments in associates	9	286 844	40 242
FINANCIAL ITEMS			
Interest income		5 014	3 477
Financial income		78 142	685
Interest expenses	17	106 328	98 780
Financial expenses		7 193	5 744
Net financial items		**-30 366**	**-100 362**
Profit before tax		**3 342 080**	**1 383 686**
Tax	18	691 090	254 891
Net profit for the year		**2 650 990**	**1 128 795**
COMPREHENSIVE INCOME			
Items which may subsequently be reclassified to profit & loss			
Translation differences and items of comprehensive income in associates		-105 325	58 475
Translation differences in subsidiaries		-2 056	4 705
Cash flow hedging after tax		11 516	0
Total comprehensive income for the year		**2 555 125**	**1 191 975**
Allocation of the year's net profit:			
Non-controlling interests	6	**13 910**	**25 506**
Shareholders in SalMar ASA		**2 637 079**	**1 103 289**
Allocation of the year's total comprehensive income:			
Non-controlling interests	6	**13 910**	**25 506**
Shareholders in SalMar ASA		**2 541 214**	**1 166 469**
Earnings per share	28	23,51	9,85
Diluted earnings per share	28	23,43	9,83

Consolidated **Balance Sheet**

as at 31 December NOK 1000

ASSETS	NOTE	2016	2015
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Licences, patents, etc	4,20	2 464 332	2 466 171
Goodwill	4	446 465	447 372
Total intangible assets		2 910 796	2 913 542
PROPERTY, PLANT & EQUIPMENT			
Land, buildings & other real property	5,20	882 066	617 182
Plant, equipment & operating consumables	5,20	1 981 840	1 546 727
Vessels, vehicles, etc	5,20	273 616	239 863
Total property, plant & equipment		3 137 522	2 403 772
NON-CURRENT FINANCIAL ASSETS			
Investments in associates	9	908 400	627 681
Investments in shares & other securities	10	289	289
Pension fund assets	10,12,19	1 379	1 397
Other receivables	10,12,24	49 949	6 840
Total non-current financial assets		960 017	636 206
Total non-current assets		**7 008 335**	**5 953 521**
CURRENT ASSETS			
Biological assets	13,20	4 997 001	3 306 052
Other inventory	13,20	224 783	328 216
Total inventory		5 221 784	3 634 268
RECEIVABLES			
Trade receivables	10,12,20	595 773	815 540
Other receivables	10,11,12	302 078	258 288
Total receivables		897 852	1 073 828
BANK DEPOSITS, CASH & CASH EQUIVALENTS	10,15,17	273 715	273 696
Total current assets		**6 393 351**	**4 981 792**
TOTAL ASSETS		**13 401 686**	**10 935 313**

Consolidated **Balance Sheet**

as at 31 December NOK 1000

EQUITY AND LIABILITIES	NOTE	2016	2015
EQUITY			
PAID-IN EQUITY			
Share capital	16	28 325	28 325
Treasury shares		-246	-295
Share premium fund		415 286	415 286
Other paid-in equity		85 673	57 768
Total paid-in equity		529 037	501 084
RETAINED EARNINGS			
Distributable reserve		6 069 363	4 646 272
Total retained earnings		6 069 363	4 646 272
NON-CONTROLLING INTERESTS	6	82 432	79 684
Total equity		**6 680 833**	**5 227 039**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	18	1 495 301	1 230 815
Debt to credit institutions	2,10,17,20	2 079 001	2 371 338
Leasing liabilities and other non-current liabilities	2,5,10,17,20	360 556	381 849
Total non-current liabilities		3 934 858	3 984 001
CURRENT LIABILITIES			
Debt to credit institutions	2,10,17,20	198 613	140 421
Trade payables	10,17	1 199 402	649 274
Tax payable	18	423 223	292 320
Public charges payable		189 136	153 262
Other current liabilities	10,11,22	775 622	488 996
Total current liabilities		2 785 995	1 724 273
Total liabilities		**6 720 853**	**5 708 274**
TOTAL EQUITY AND LIABILITIES		**13 401 686**	**10 935 313**

Frøya, 20th of April 2017

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

Trond Williksen
President & CEO

Consolidated **Statement of Cash Flow**

as at 31 December NOK 1000

	NOTE	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before tax		3 342 080	1 383 686
Tax paid in the period	18	-291 049	-315 132
Depreciation and write-downs	4, 5	358 020	321 449
Options charged to expenses	24,25	27 905	22 933
Share of profit/loss from associates	9	-286 844	-40 242
Gains/losses on exit of subsidiaries	8	-26 562	0
Gains/losses on sale of non-current assets	5	973	893
Gains/losses on sale of non-current financial assets		0	117
Change in fair value	14	-653 955	-39 932
Change in inventory/biological assets		-534 980	-165 868
Change in trade receivables		219 008	72 679
Change in trade payables		550 233	239 789
Change in other time-limited items		19 770	141 921
Net cash flow from operating activities		**2 724 599**	**1 622 292**
CASH FLOW FROM INVESTING ACTIVITIES:			
Receipts from sale of property, plant & equipment	5	2 298	0
Payments for purchase of property, plant & equipment and intangible assets	4, 5	-1 096 824	-726 677
Exit of subsidiaries - cash effect	8	4 444	0
Payments for purchase of shares and securities	9	-200 000	-43 394
Dividend from associates	9	100 800	46 000
Lending to third parties		-42 000	0
Net receipts/payments from change in non-current financial assets		0	-674
Net cash flow from investing activities		**-1 231 282**	**-724 745**
CASH FLOW FROM FINANCING ACTIVITIES:			
New long-term borrowings	17	175 000	700 000
Repayment of long-term borrowings	17	-498 505	-152 062
Net change in overdraft	17	59 480	-123 149
Interest received		5 014	3 477
Interest paid	17	-106 328	-98 780
Payment of dividend		-1 125 903	-1 124 900
Other changes		0	-107
Net cash flow from financing activities		**-1 491 242**	**-795 521**
Net change in bank deposits, cash & cash equivalents		2 075	102 027
Foreign exchange effects		-2 057	4 705
Bank deposits, cash & cash equivalents as at 1 Jan		273 696	166 963
Bank deposits, cash & cash equivalents as at 31 Dec		**273 715**	**273 696**
Unused drawing rights	17	3 116 000	2 535 000

Restricted funds account for NOK 187,028,000 of the company's total cash & cash equivalents of NOK 273,715,000. See Note 15 for further details.

Statement of **Equity**

NOK 1000

2015	NOTE	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Translation differences	Distribut. reserve	Non-cont. interests	Total equity
Equity as at 1 Jan 2015		28 325	-325	415 286	34 834	4 458	4 594 077	60 614	5 137 268
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		0
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	-6 436	-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

2016	NOTE	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Translation differences	Distribut. reserve	Non-cont. interests	Total equity
Equity as at 1 Jan 2016		28 325	-295	415 286	57 768	9 164	4 637 108	79 684	5 227 039
Net profit for the year							2 637 079	13 910	2 650 990
COMPREHENSIVE INCOME									
Translation differences in associates	9						-105 325		-105 325
Translation differences in subsidiaries						-2 056			-2 056
Cash flow headging							11 516		11 516
Total comprehensive income						-2 056	-93 809	0	-95 865
Total comprehensive income for the year						-2 056	2 543 270	13 910	2 555 125
TRANSACTIONS WITH SHAREHOLDERS									
Award of options	25				27 905				27 905
Deferred tax on options	18						4 105		4 105
Options redeemed	25		49				-49		0
Payment of dividend	16						-1 121 199	-4 704	-1 125 903
Exit non-controlling interests								-6 450	-6 450
Other changes							-981	-8	-989
Total transactions with shareholders		0	49	0	27 905	0	-1 118 124	-11 162	-1 101 332
Equity as at 31 Dec 2016		28 325	-246	415 286	85 673	7 109	6 062 254	82 432	6 680 833

SalMar's lumpfish production facility is located in Langstein. The facility currently has the capacity to produce approx. 1.4 million vaccinated lumpfish. This capacity will increase in 2017 to around 3 million vaccinated lumpfish.

Notes to the financial statements

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 20 April 2017.

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)

Consolidation principles
The consolidated financial statements include SalMar ASA and its subsidiaries as at 31 December 2016. 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 invest ment in the entity, and
- 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. The entity perspective is applied 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. 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.

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

Associates
The Group has investments in associates. Associates are entities over whose financial or operational management the Group has significant influence, but not control or joint control. Significant influence normally exists where the Group has 20-50 per cent of the voting rights.

Investments in associates are recognised in accordance with the equity method. The investment is recognised on the date of its purchase at acquisition cost, and the Group's share of profit/loss in subsequent periods is taken to income or expenses. The capitalised amount includes any implicit goodwill identified on the date of purchase.

The Group's share of the profit/loss from associates is recognised in profit and loss and attributed to the book value of the investment. The Group's share of comprehensive income in the associate is recognised in the Group's comprehensive income and attributed to the investment's book value. 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 transactions with associates are eliminated in proportion to 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, its book 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.

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 periodised and classified together with the revenue they are intended to augment or the expense they are intended to reduce. Investment grants reduce the asset's book value, and are taken to income through reduced future depreciation.

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 two regions: Fish Farming Central Norway and Fish Farming Northern Norway. These two 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.

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.

Currencies
The consolidated financial statements are presented in Norwegian kroner (NOK), which is both the parent company's functional currency and the Group's presentation currency.

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 profit and loss.

Any foreign exchange differences on monetary items that are part of the net investment in a foreign entity or on currency positions deemed to constitute cash-flow hedging 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 profit and loss as a net financial item 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:
a) The balance sheet is translated at the exchange rate in effect on the balance sheet date.

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

Intangible assets
Intangible assets that are purchased individually are capitalised at acquisition cost. 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 to 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 estimated 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 therefore not depreciated, 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 recognised 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.

When assessing the need to write down licences and goodwill, these are 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 licences and goodwill are 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 the higher of fair value, less sales costs and value in use. When assessing the sales value of licences, reference is made to similar transactions that have been undertaken. Value in use is calculated 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
Financial instruments 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. Impairment losses are recognised in profit and loss. 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 a capitalised asset, liability or unrecognised binding pledge (fair value hedging). Derivatives not designated as hedging instruments are recognised at fair value in profit and loss.

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. Derivatives held for trading are classified as current assets or current liabilities.

Inventory
Inventory consists of feed, packaging materials, roe, fry, live fish held in sea farms and processed fish. Stocks of feed, packaging materials, roe, 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 held in sea farms 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. Roe and smolt are valued at cost.

Fish held in sea farms are measured at fair value. The difference between the fair value of the fish and the associated cost price is recognised under fair value adjustments in profit and loss.

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 net expected profit/loss at harvest is equally distributed over the growth period. 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.

Biological assets measured at fair value are recognised in Level 3, ie where valuation is based on factors that do not derive from observable markets. See Note 2 for further details. Valuation of the biomass takes place quarterly, and is reviewed and quality assured at group level. Valuation is performed for each segment down to the individual site.

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.

Principles for recognition of incident-based mortality
Incident-based mortality is recognised at sites which, in one period, have a 3 per cent mortality rate caused by an individual incident, or if mortality caused by the same incident over several periods exceeds 5 per cent. The assessment relates to the number of fish, and is made at the site level.

Directly recognised incident-based mortality is included in the cost of goods sold, unless the mortality is due to circumstances which would indicate presentation on the line for exceptional biological events. No costs relating to incident-based mortality were recognised in 2016.

Exceptional biological events
The Group classifies exceptional biological events on a separate line in profit and loss.

SalMar's assessment of exceptional biological events relates to the following specific events:
- The culling of entire salmon stocks at the orders the regulatory authorities
- Individual incidents involving the escape of substantial numbers of salmon

In connection with the culling of salmon stocks at the orders of the regulatory authorities, the amount charged to expenses comprises the full production cost of the culled stock, plus 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, plus costs incurred in connection with their recapture.

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 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 assets and liabilities are presented net in the balance sheet.

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

Pensions
The Group has a defined-contribution pension scheme for its employees. Contributions are recognised as payroll costs as and when the liability to make such contributions accrues. Prepaid contributions are recognised as an asset to the extent that the contribution may be refunded or used to reduce future contributions. Once the contributions have been paid in, the Group has no further payment liability.

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.

Provisions
A provision is recognised when, and only when, the company has a constructive 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.

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.

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
Live fish are measured 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 biomass 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.

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.

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/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 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 2016, a 0.5% rise in the rate of interest would reduce the Group's profit by NOK 13,189,000 (2015: 14,466,000), 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. The foreign exchange risk associated with revenues and assets denominated in foreign currencies is 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 2016, a 10% fall in the value of the NOK would alter the Group's profit before tax by NOK 359,453,000 (2015: NOK 169,194,000). 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 2016 would have had the following effect on the Group's profit before tax:

EUR: TNOK	100 828
JPY: TNOK	16 522
GBP: TNOK	20 501
USD: TNOK	221 251

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 material payment problems, and that outstanding balances do not exceed fixed credit limits. Part of the total accounts receivable is insured.

The gross credit risk on the balance sheet date corresponds to the Group's receivables portfolio on the balance sheet date. See Note 12.

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

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

Maturity structure for financial liabilities

Maturity	Total	2017	2018	2019	2020	2021	After 2021
Long-term debt	2 196 976	117 975	117 975	1 771 100	21 100	21 100	147 728
Interest on long-term debt	104 490	39 575	37 391	19 907	3 320	2 930	1 367
Financial leasing agreements	381 312	21 158	17 634	14 289	14 143	11 290	302 798
Interest on fin. leasing agreem.	486 853	42 609	42 006	41 365	40 618	39 735	280 520
Other non-current liabilities	402	-	402	-	-	-	-
Short-term credit facilities	59 480	59 480	-	-	-	-	-
Interest on short-term debt	494	494	-	-	-	-	-
Trade payables	1 199 402	1 199 402	-	-	-	-	-
Total liabilities	4 429 409	1 480 692	215 407	1 846 661	79 181	75 055	732 413

Capital structure and equity
The objective of the Group's capital management is to safeguard the Group's continued operations in order to secure a return on investment for shareholders and other stakeholders, and maintain an optimal capital 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 2016.

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 2016, the Group had an equity ratio of 49.9% (47.8% as at 31 December 2015). At the close of 2016, the Group had net interest-bearing debt of NOK 2,364,052,000 (2015: NOK 2,619,509,000).

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. See Note 11 for details of forward contracts, Fish-Pool contracts and interest-rate swaps measured at fair value in level 2. See also Note 13 for details of biological assets measured at fair value in level 3.

31 Dec 2016 (NOK 1 000)

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value in profit and loss				
- Derivatives held for trading	-	37 491	-	37 491
Financial assets available for sale				
- Equity instruments	-	-	289	289
TOTAL assets	-	37 491	289	37 779
Liabilities				
Financial liabilities at fair value in profit and loss				
- Derivatives held for trading	-	134 963	-	134 963
Long-term debt to credit institutions			2 079 001	2 079 001
Leasing liabilities and other non-current liabilities			360 556	360 556
Short-term debt to credit institutions			198 613	198 613
TOTAL liabilities	-	134 963	2 638 170	2 773 133

31 Dec 2015 (NOK 1 000)

Assets	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
TOTAL assets	-	32 399	289	32 687
Liabilities				
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			381 849	381 849
Short-term debt to credit institutions			140 421	140 421
TOTAL liabilities	-	132 889	2 893 607	3 026 496

The fair value of trade receivables and trade payables is practically identical to their book value. Other liabilities are measured at amortised cost. 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.

In 2016, there were no changes in instruments classified in Level 3. The following tables presents the changes in instruments classified in Level 3 as at 31 December 2015:

	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

Note 3 – Segment information

Operating segments are reported in the same way as they are reported internally to group management, which is responsible for allocating resources to and assessing the earnings of the operating segments.

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 two regions: Fish Farming Central Norway and Fish Farming Northern Norway. These two are defined as separate segments which are reported and administered as such internally. In addition, a Sales & Processing segment reports separately.

With effect from 1 January 2016, as a result of an internal restructuring process, the former segment Fish Farming Rauma was merged into Fish Farming Central Norway to form one entity. Comparable figures for 2015 have been restated accordingly.

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 not allocated to the segments. Costs relating to options, non-recurring events and R&D associated with jointly operated licences and non-recurring events 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.

2016 *NOK 1000*	Fish Farming Central Norway	Fish Farming Nort. Norway	Sales & Processing	GAAP-difference	Other/ eliminations	SalMar Group
External operating revenues	19 727	181 403	8 828 684	-	-	9 029 814
Internal operating revenues	4 323 727	2 617 829	207 133	-	-7 148 689	-
TOTAL operating revenues	4 343 454	2 799 232	9 035 817	-	-7 148 689	9 029 814
Depreciation	218 359	72 477	60 243	-	6 941	358 020
Operating expenses	2 354 944	1 246 424	9 661 325	-	-7 022 546	6 240 147
Operational EBIT	1 770 151	1 480 331	-685 751	-	-133 084	2 431 647
Fair value adjustments	-	-	-	653 955	-	653 955
Operating profit	1 770 151	1 480 331	-685 751	653 955	-133 084	3 085 602
Share of profit/loss from associates						286 844
Net financial items						-30 366
Profit before tax						3 342 080
Tax						691 090
Net profit for the year						2 650 990
Investments in PP&E	707 293	344 333	40 779	0	1 919	1 094 324
Investments in business entities	0	0	0	0	0	0

2015 *NOK 1000*	Fish Farming Central Norway	Fish Farming Nort. Norway	Sales & Processing	GAAP-difference	Other/ eliminations	SalMar Group
External operating revenues	4 833	153 307	7 168 062	-	-	7 326 202
Internal operating revenues	3 936 897	1 493 593	126 951	-	-5 557 441	-
TOTAL operating revenues	3 941 730	1 646 900	7 295 013	-	-5 557 441	7 326 202
Depreciation	171 576	72 803	57 251	-	5 650	307 280
Write-downs	1 942	-	1 227	-	11 000	14 169
Operating expenses	2 820 536	1 068 326	7 163 982	-	-5 451 965	5 600 879
Operational EBIT	947 675	505 771	72 553	-	-122 126	1 403 873
Fair value adjustments	-	-	-	39 932	-	39 932
Operating profit	947 675	505 771	72 553	39 932	-122 126	1 443 805
Share of profit/loss from associates						40 242
Net financial items						-100 362
Profit before tax						1 383 686
Tax						254 891
Net profit for the year						1 128 795
Investments in PP&E	412 773	258 708	23 049	0	7 603	702 132
Investments in business entities	0	0	0	0	0	0

Note 4 – Intangible assets

NOK 1000	Licences	Goodwill	Other intangible assets	Total
Acquisition cost 1 Jan 2015	2 384 597	465 762	89 583	2 939 943
Additions	0	0	29 812	29 812
Acquisition cost 31 Dec 2015	2 384 597	465 762	119 394	2 969 754
Additions	0	0	2 500	2 500
Exit of subsidiaries	0	907	1 000	1 907
Acquisition cost 31 Dec 2016	2 384 597	464 855	120 894	2 970 347
Acc. dep. and write-downs 1 Jan 2015	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
Year's depreciation	0	0	4 238	4 238
Exit of subsidiaries	0	0	900	900
Acc. dep. and write-downs 31 Dec 2016	21 000	18 390	20 159	59 550
Book value as at 31 Dec 2016	**2 363 597**	**446 465**	**100 735**	**2 910 796**
Book value as at 31 Dec 2015	2 363 597	447 372	102 573	2 913 542
Book value as at 1 Jan 2015	2 374 597	447 372	76 674	2 898 643
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 26.1 million. Remaining items under 'Other intangible assets' are depreciated over 5 years. Of the total NOK 100.7 million recognised, capitalised R&D costs associated with the development of the Ocean Farm installation accounts for NOK 69.8 million. Depreciation of the capitalised costs commences when the project is completed. For further details, see below.

Specification of fish farming licences 2016 *NOK 1000*	No. of licences	Acquisition cost	Book value 31.12.16
Fish Farming Northern Norway	32	849 193	844 193
Fish Farming Central Norway	68	1 535 404	1 519 404
	100	2 384 597	2 363 597

Specification of fish farming licences 2015 *NOK 1000*	No. of licences	Acquisition cost	Book value 31.12.15
Fish Farming Northern Norway	32	849 193	844 193
Fish Farming Central Norway	68	1 535 404	1 519 404
	100	2 384 597	2 363 597

The Group has joint operational agreements/time-limited licences linked to 10 licences. In 2016, the Group was awarded 8 development licences for use in connection with its Ocean Farm project. See below for further details.

Specification of goodwill 2016 *NOK 1000*	Acquisition year	Acquisition cost	Book value 31.12.16
Fish Farming Northern Norway	2006	95 114	95 114
Fish Farming Central Norway	1999-2014	357 818	351 351
		452 932	446 465

Specification of goodwill 2015 *NOK 1000*	Acquisition year	Acquisition cost	Book value 31.12.15
Fish Farming Northern Norway	2006	95 114	95 114
Fish Farming Central Norway	1999-2014	358 725	352 258
		453 839	447 372

Testing for impairment of intangible assets

The Group has developed new technology for offshore fish farming. In 2015, it was decided to build of a pilot facility, and as at 31 December 2016, a total of NOK 340.7 million in construction costs have been capitalised, of which NOK 276.4 million were capitalised in 2016. A further NOK 69.8 million in development costs relating to the project have also been capitalised.

An updated estimate for investment prior to the expected completion of Ocean Farm 1 in 2017 comes to NOK 680 million. This is an increase of NOK 50 million compared with the original budget.

The Group expects to commence production at the facility in the autumn of 2017, and revenues from its output of fish are budgeted with effect from 2018. The Group has been awarded a location for the operation of its Ocean Farm, in addition to 8 development licences in February 2016. When assessing the project for impairment, the Group has presumed a harvested volume per generation of 8,000 tonnes, an average sales price of NOK 38.13 and a discount rate before tax of 8.97%. The conversion of development licences to ordinary production licences has also been included. This constitutes an investment cost of NOK 10 million per licence.

Based on the assessments made, there are no grounds for any write-down of capitalised assets relating to the development of the Ocean Farm installation.

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 and Fish Farming Northern Norway, 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 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 22.3 million in the Central Norway segment and NOK 26.4 million in the Northern Norway 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 of transactions undertaken after 2014 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 2016.

Goodwill

An estimate of value in use is applied when assessing the Group's goodwill for impairment. The last calculation of value in use was performed in 2014. Assessment has subsequently been made of the need for an updated calculation. In accordance with IAS 36.99, the Group has not done so, since the following factors indicate that there is very little likelihood that it would result in the recoverable amount being lower than book value.

- Salmon prices have risen substantially, and expectations with respect to future prices are far above the price expectations in 2014.
- Higher production costs, though margins are far above the break-even figures calculated in 2014.
- Interest rates have fallen.

When calculating value in use in 2014, the following assumptions and assessments were used:

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

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

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

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

EBIT(DA)/Margins: EBIT per kg is highly volatile with respect to changes in salmon prices, and has been higher than the historic average in recent years. Salmon price estimates are based on the actual long-term price level in the market in which the fish is sold. Estimates for production cost are based on historic figures, 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 break-even level for EBIT per kg 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 the calculations made in 2014 and subsequent assessments, there are no grounds to write down the book value of goodwill as at 31 December 2016.

Note 5 – Property, plant & equipment

NOK 1000	Land, buildings & other real property	Plant, operating, equipment, fixtures, etc	Vessels and other operating assets	TOTAL	of which leased operat. assets
Acquisition cost 1 Jan 2015	587 850	2 187 490	251 185	3 026 525	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	2 621 751	362 414	3 727 404	780 817
Additions	293 936	692 094	108 295	1 094 324	102
Disposals through exit of subsidiaries	0	3 993	0	3 993	0
Disposals	2 081	35 490	3 988	41 559	980
Acqusition cost 31 Dec 2016	1 035 094	3 274 362	466 721	4 776 177	779 939
Acc. dep. & write-downs 1 Jan 2015	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
Year's depreciation 2016	28 987	252 375	72 419	353 782	51 951
Reversed depreciation	2 016	34 877	1 866	38 759	332
Acc. dep. & write-downs 31 Dec 2016	153 028	1 292 521	193 106	1 638 655	361 574
Book value 31 Dec 2016	882 066	1 981 840	273 616	3 137 522	418 365
Book value 31 Dec 2015	617 182	1 546 727	239 863	2 403 772	470 862
Book value 1 Jan 2015	489 496	1 327 941	191 952	2 009 390	526 241
Gains/losses on sale of non-current assets	0	973	0	973	
Annual lease of off-balance sheet operating assets	24 462	15 969	293 631	334 062	
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		

NOK 60,323,000 of the Group's leasing costs relating to off-balance sheet operating assets is recognised in other operating expenses. Other leasing costs are deemed to constitute part of the Group's cost of goods sold.

As at 31 December 2016, the company had capitalised NOK 1,020,624,000 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 449,904,000 in real property, NOK 559,915,000 in plant and equipment, and NOK 10,805,000 in vessels and other operating assets.

As at 31 December 2016, capitalised leasing liabilities totalled NOK 381,312,000. Of the capitalised operating assets, NOK 12,046,000 was accounted for by plant and equipment, NOK 139,843,000 by vessels and other operating assets, and NOK 266,476,000 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 265.5 million as at 31 December 2016. The leasing liability is capitalised in the amount of NOK 316.2 million. The investment breaks down into the components building, technical installation and land. 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 2016 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 %
- Rauma Stamfisk AS	YES	Ørskog	100,0 %
- Rauma Sætre AS	YES	Ørskog	100,0 %
- Rauma Eik AS	YES	Ørskog	100,0 %
- Vikenco AS	YES	Aukra	51,0 %
Ocean Farming AS	YES	Kverva	93,4 %
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 %
SalMar-Tunet AS	YES	Kverva	100,0 %

Non-controlling interests associated with subsidiaries	Non-controlling interests' shareholding/ voting share	Share of profit/ loss allocated to non-controlling interests	Non-controllin interests' aggregated share of equity
Hitramat Farming AS	49,0 %	8 381	36 787
Vikenco AS	49,0 %	6 075	45 645
Ocean Farming AS	6,6 %	-	-
Frøyas AS		-546	-
		13 910	82 432

Frøyas AS was sold in 2016. See Note 8 for further details.

Note 7 – Business combinations

No business combinations were carried out in 2015 or 2016.

Note 8 – Exit of subsidiaries

With effect from 31 March 2016, the Group has sold the entirety of its 66% shareholding in the subsidiary Frøyas AS to Insula AS. Kverva AS owns 91.76% of the shares in Insula AS and 53.4% of the shares in SalMar ASA, and is therefore deemed to be a related party to the Group.

The consideration paid for the shares in Frøyas AS is based on an earn-out model in combination with a cash sum. The fair value of the consideration is estimated at NOK 39.1 million. The entire cash component, amounting to NOK 20.0 million, was received in 2016.

At the time the transaction took place, the book value of Frøyas AS's equity was NOK 19.0 million, of which NOK 6.5 million was allocated to non-controlling interests. The exit of the subsidiary therefore resulted in a gain of NOK 26.6 million for the Group. The controlling interest's share of the gain has been classified as an operating revenue and recognised in profit and loss. The estimated fair value of the consideration has been updated as at 31 December 2016.

Note 9 – Associates

The Group has the following investments in associated companies:

Company	Registered office	Sector	Share-holding	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 2016	574 306	43 394	9 984	627 681
Additions of shares	0	200 000	0	200 000
Debt conversion	0	0	0	0
Share of the year's profit/loss	236 626	52 207	-1 989	286 844
Items of comprehensive income	-100 521	-4 804	0	-105 325
Dividend received	-100 800	0	0	-100 800
Closing balance 31 Dec 2016	609 610	290 797	7 995	908 400

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

Salmus AS

On 11 December 2015, the Group agreed to purchase 50% of the shares in Salmus AS. Salmus AS owned 53.05% of the shares in Kvitholmen AS, which in turn owned 86.38% of the shares in Arnalax 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 Arnalax Hf's fish farming licences.

Both Salmus AS and Kvitholmen AS are shareholding companies. Arnalax Hf is an aquaculture company located in Iceland. As at 31 December 2016, SalMar owns 50% of Salmus AS, while Haganes AS owns 31% and Edinborg AS 19%.

In connection with Arnarlax Hf's acqusition of shares in Fjardalax Hf, as well as the recapitalisation of further operations in the company, loans were granted to Salmus AS by its shareholders. SalMar's share of the total amount borrowed came to NOK 200 million. In connection with the loan, subscription rights independent of any specific consideration were issued for a sum corresponding to the amount of the loan. The loan is considered to form part of the total investment in Salmus AS. Including these subscription rights, SalMar's shareholding in Salmus comes to 69.35%. Ownership of Salmus is regulated by a shareholders' agreement. The owners of Salmus have pro rata representation on the company's board of directors, such that SalMar has 2 of 4 directors. The Board Chair does not have a casting vote. In the event of any disagreement between the shareholders, each of the parties may, pursuant to the shareholders' agreement, demand that the company be split up. As a result, SalMar is not deemed to have control of Salmus AS.

The recapitalisation of Arnarlax Hf was carried out via the holding company Kvitholmen AS. Following the share issue, Salmus AS has a 49.07 per cent shareholding in Kvitholmen AS. SalMar's indirect shareholding in Arnarlax Hf comes to 34.03% after the share issue.

Norskott Havbruk AS

Based on an overall assessment, in which size and complexity have 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 Group ASA. The board of directors has 4 members, with each shareholder represented by 2 directors. The shareholders alternate in having the board's chair. Since neither of the company's owners has overall control, it is considered to be an associate.

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

NOK 1000	2016	2015
Operating revenues	1 720 555	1 498 485
Operating expenses	1 246 649	1 376 914
Fair value adjustments	127 838	-23 885
Profit after tax	477 608	82 816
Current assets	1 130 419	1 036 335
Non-current assets	875 983	880 285
Current liabilities	302 622	214 833
Non-current liabilities	479 810	552 783
Equity	1 223 970	1 149 005
The Group's share of equity	611 985	574 503
Book value 31 Dec	609 610	574 306

Norskott Havbruk AS had no contingent liabilities or capital liabilities as at 31 December 2016.

Note 10 – Financial instruments by category

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

NOK 1000 As at 31 Dec 2016 Assets	Loans and receivables	Assets at fair value in profit & loss	Derivatives used as hedging instruments	Available for sale	TOTAL
Investments in share & other securities	-	-	-	289	289
Derivatives	-	22 338	15 152	-	37 491
Trade and other receivables	853 493	-	-	19 097	872 590
Bank deposits, cash & cash equivalents	273 715	-	-	-	273 715
TOTAL	1 127 209	22 338	15 152	19 385	1 184 085

NOK 1000 As at 31 Dec 2016 Liabilities	Liabilities at fair value in profit & loss	Other financial liabilities at amortised cost	TOTAL
Borrowings	-	2 256 858	2 256 858
Financial leasing agreements	-	381 312	381 312
Derivatives	134 963	-	134 963
Trade payables and other liabilities, excl. statutory liabilities	-	1 840 061	1 840 061
TOTAL	134 963	4 478 231	4 613 194

NOK 1000 As at 31 Dec 2015 Assets	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
TOTAL	1 270 638	32 399	289	1 303 326

NOK 1000 As at 31 Dec 2015 Liabilities	Liabilities at fair value in profit & loss	Other financial liabilities a amortised cost	TOTAL
Borrowings	-	2 480 832	2 480 832
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
TOTAL	132 889	3 898 989	4 031 878

Note 11 – Derivatives

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

	2016		2015	
NOK 1000 Recognised fair value as at 31 Dec	Other receivables	Other current liabilities	Other receivables	Other current liabilities
Forward currency contracts	15 152	-23 068	0	-132 889
Financial fish trading contracts (Fish-Pool)	0	-111 895	32 399	0
Cross-currency interest rate swaps	22 338	0	0	0
Total	37 491	-134 963	32 399	-132 889

Forward currency contracts

The table below shows the company's forward currency contracts as at 31 December 2016. All contracts relate to the buying and selling of currencies against NOK. Forward contracts are entered into to reduce as far as possible exchange rate risk on outstanding trade receivables and purchase/sales contracts. The company has also entered into forward contracts to hedge contract deliveries relating to the construction of the Ocean Farm installation. Hedge accounting has been used with respect to these contracts. 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 he spot rate on the balance sheet date. As at 31 December 2016, the fair value of forward contracts to which hedge accounting has been applied came to NOK 15,152,000. The fair value of forward contracts to which hedge accounting has not been applies came to NOK -23,069,000.

Product	Type	Currency	Currency amount (1000)	Term	Exchange rate interval	Book value/ Fair value TNOK
Forward	Sale	EUR	135 483	Q1 2017 - Q2 2018	8,976-9,609	2 079
Forward	Sale	JPY	2 399 523	Q1 2017 - Q1 2018	0,072-0,084	5 137
Forward	Sale	GBP	19 229	Q1 2017 - Q1 2018	10,034-13,035	-1 796
Forward	Sale	USD	261 775	Q1 2017 - Q3 2018	8,137-8,742	-28 046
Forward	Buy	EUR	1 189	Q1 2017	9,2600	-192
Forward	Buy	JPY	47 000	Q1 2017	0,0810	-251
Forward	Buy	GBP	8	Q1 2017	10,7930	-1
Forward	Buy	USD	94	Q1 2017	8,6460	1
Total liability						-23 068
Forward	Buy	USD	27 742	Q1 2017-Q3 2017	8,058-8,067	15 152
As receivable						15 152

With effect from 1 January 2016, the Group has changed its classification of currency affects relating to the sale of foreign currencies. Previously, the realised effect of instruments was recognised in Operational EBIT (sales revenues). For 2015, the effect recognised in sales revenues was NOK 80,079 million. From 2016, sales transactions are recognised in profit and loss at the rate in effect on the date of the transaction. The entire realised effect of instruments in 2016 is therefore recognised as a financial item.

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 2017. The fair value of the Fish-Pool contracts is 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. As at 31 December 2016, the fair value of purchase contracts is calculated at NOK 48,708,000, based on the market price in effect on the balance sheet date. Correspondingly, the fair value of sales contracts is calculated at NOK -160,603,000.

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

Realised Fish-Pool contracts classified under operations came to NOK 154,689,000 in 2016 (2015: NOK 8,733,000).

Cross-currency interest rate swaps

During the period, a cross-currency interest rate swap agreement has been entered into whereby SalMar has received EUR 43,000,000 against a principal amount of USD 48,000,000. The agreement has a term of 2 years, and matures on 10 September 2018. The interest rate swap is recognised at fair value. As at 31 December 2016, this agreement has been recognised with a fair value of NOK 22,338 million.

Note 12 – Receivables, provisions for bad debts

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

NOK 1000	2016	2015
Trade receivables	602 388	826 701
Provisions for bad debts	-6 615	-11 161
Other current receivables	302 078	258 288
Other non-current receivables	51 328	8 237
Total	949 179	1 082 066
Included in the item Other current receivables above are prepaid expenses in the amount of	39 099	52 725
Included in the item Other current receivables above are derivatives in the amount of	37 491	32 399
Included in the item Other current receivables above are VAT refunds due in the amount of	179 609	173 165
Included in the item Other non-current receivables above are the following, falling due for payment in more than one year	49 949	6 840
Included in the item Other non-current receivables above are pension assets in the amount of	1 379	1 397

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.

NOK 1000	2016	2015
Provisions for bad debt 1 Jan	11 161	12 188
Provisions for bad debts 31 Dec	6 615	11 161
Change in provisions for bad debts during the period	-4 545	-1 027
Actual bad debts	5 297	393
Change in provisions for bad debts	-4 545	-1 027
Bad debts charged to expenses during the period	751	-634

See Note 2 for further details of the credit risk and foreign exchange risk associated with trade receivables.

As at 31 December, the company had the following trade receivables that had fallen due, but had not yet been paid:

NOK 1000	Total	Not due	<30 d	30-45 d	45-90 d	>90 d
2016	602 388	524 780	34 931	3 279	7 359	32 039
2015	826 701	626 018	99 990	8 286	10 807	81 600

Buyout agreement for trade receivables

SalMar has entered into an agreement with a financial institution for the buyout of trade receivables that meet certain specified criteria. SalMar transfers trade receivables that meet these criteria as and when they arise and receives immediate settlement thereof. Normally, the customer's payment would have taken 30-45 days to arrive. The financial institution assumes all material risk with respect to the receivable from the time of its transfer. The transfer of such receivables is deemed to be a transaction and is deducted from the balance sheet on the date it takes place. As at 31 December 2016, a total of NOK 432.9 million in outstanding receivables had been transferred and deducted from the balance sheet. The change in trade receivables deriving from this deduction is included in operating activities in the statement of cash flow.

Note 13 – Inventory and biological assets

NOK 1000	2016	2015
Raw materials	132 093	101 043
Goods in progress (entirely biological assets)	4 997 001	3 306 052
Finished goods	92 690	227 173
Total	5 221 784	3 634 268

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.

Industry collaboration on the harmonisation of financial reporting in accordance with IAS 4.1:

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). 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 and in 2016. 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 2017.

In relation to point 2 above, work got underway in 2015 and has been continued in 2016. The industry group's goal is to have a harmonised model ready for implementation with effect from 2017.

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

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

NOK 1000	2016	2015
Biological assets 1 Jan	3 306 053	3 114 684
Increase due to production/purchase	4 530 618	4 179 291
Reduction resulting from sale/harvesting	-3 892 205	-4 135 184
Fair value adjustments 1 Jan (reversed)	-976 126	-828 864
Fair value adjustments 31 Dec (new)	2 028 662	976 126
Biological assets 31 Dec	4 997 001	3 306 053

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 2016, a price interval of NOK 64.00 to NOK 73.50 per kg has been stipulated. A price sensitivity analysis as at 31 December 2016 gives the following effect on the Group's operating profit (NOK 1,000):

Price change + NOK 1/kg	+ 55 630
Price change – NOK 1/kg	- 55 630

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%	+ 32 973
Change in biomass - 1%	- 32 205

	2016	2015
Biomass fish < 4 kg gutted weight (tonnes)	73 490	61 136
Biomass fish > 4 kg gutted weight (tonnes	15 846	19 422
Total biomass (tonnes)	89 336	80 558
Fair value adjustment fish < 4 kg gutted weight (NOK 1,000)	1 501 634	610 425
Fair value adjustment fish > 4 kg gutted weight (NOK 1,000)	527 028	365 702
TOTAL fair value adjustment of biological assets (NOK 1,000)	2 028 662	976 127
Cost price biological assets (NOK 1,000)	2 968 339	2 329 925
Book value of biological assets (NOK 1,000)	**4 997 001**	**3 306 052**

Fish weighing more than 4 kg gutted weight are valued at the expected net profit/loss as indicated above.

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	2016	2015
Change in fair value of the biomass	1 052 535	147 263
Change in provisions for loss-making contracts	-315 985	-91 932
Unrealised change in value of Fish-Pool contracts	-144 293	56 092
Unrealised change in value of forward currency contracts	61 698	-71 491
Recognised fair value adjustments	653 955	39 932

Note 15 – Bank deposits

As at 31 December 2016, the item "Bank deposits, cash & cash equivalents" included restricted tax deductions amounting to NOK 67,129,000 (2015: NOK 50,111,000). The Group had additional resticted funds associated with Fish-Pool contracts in the amount of NOK 119,899,000 (2015: NOK 25,480,000).

Note 16 – Share capital and shareholders

As at 31 December 2016, the parent company's share capital comprised:

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

Shareholders

The 20 largest shareholders as at 31 December 2016 were:

	No.	Shareholding	Voting share
KVERVA AS	60 500 000	53,40 %	53,87 %
FOLKETRYGDFONDET	8 304 705	7,33 %	7,39 %
STATE STREET BANK AND TRUST COMP	4 879 763	4,31 %	4,34 %
JPMORGAN CHASE BANK, N.A., LONDON	3 299 928	2,91 %	2,94 %
LIN AS	2 005 200	1,77 %	1,79 %
SALMAR ASA	984 368	0,87 %	0,00 %
J.P. MORGAN BANK LUXEMBOURG S.A.	973 664	0,86 %	0,87 %
CLEARSTREAM BANKING S.A.	885 909	0,78 %	0,79 %
STATE STREET BANK AND TRUST COMP	836 144	0,74 %	0,74 %
STATE STREET BANK AND TRUST COMP	643 581	0,57 %	0,57 %
JPMORGAN CHASE BANK, N.A., LONDON	613 622	0,54 %	0,55 %
PARETO AKSJE NORGE	611 744	0,54 %	0,54 %
JPMORGAN CHASE BANK, N.A., LONDON	592 728	0,52 %	0,53 %
RBC INVESTOR SERVICES BANK S.A.	578 242	0,51 %	0,51 %
EUROCLEAR BANK N.V.	567 940	0,50 %	0,51 %
STATE STREET BANK AND TRUST COMP	531 114	0,47 %	0,47 %
COPPER ROCK INT SMALL CAP FUND	516 992	0,46 %	0,46 %
KLP AKSJENORGE INDEKS	464 154	0,41 %	0,41 %
JPMORGAN CHASE BANK, N.A., LONDON	463 638	0,41 %	0,41 %
STATE STREET BANK AND TRUST COMP	461 106	0,41 %	0,41 %
Total 20 largest shareholders	**88 714 542**	**78,30 %**	**78,11 %**
Total other shareholders	24 585 457	21,70 %	21,89 %
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
Bjørn Flatgård *	Board Chair	1 525 162	1,35 %
Gustav Witzøe **	Director	**	
Geir Berg	Director/employee representative	1 740	0,00 %
Merete G. Sandberg	Director/employee representative	343	0,00 %

* indirect ownership through the family-owned company GloMar AS, which holds shares in Kverva AS and includes shares owned and controlled by related parties.

** owned indirectly through Kvarv AS, the parent company in the Kverva Group. Kvarv AS owns 90.64 % of the shares in Kverva AS. Taking treasury shares in Kverva AS into account, the shareholding in the company comes to 96.20%. Kverva AS holds 53.40% of the shares in SalMar ASA, corresponding to a voting share of 53.87%. Gustav Witzøe controls 80% of the votes in Kvarv AS through his ownership of A-shares in the company, and owns 1 per cent of the company through his holding of B-shares.

SalMar ASA's CEO owned no shares in the company as at 31 December 2016.

Board authorisations

The board has been authorised to raise the share capital by a maximum of NOK 2,830,000, through the issue of up to 11,318,670 shares. The authorisation is valid until the 2017 AGM or 30 June 2017 at the latest.

The board has also been authorised to acquire treasury shares with a face value of NOK 2,537,000, a total of 10,149,919 shares. The board's authorisation is valid until the 2017 AGM, or 30 June 2017 at the latest.

The board has also been authorised to issue convertible loans to enable the company to use such financial instruments as part of its overall short-term financing. The board's authorisation applies to a total loan amount of NOK 2,000,000,000. The capital increase resulting from conversion may not exceed NOK 2,830,000. The authorisation must be seen in conjunction with the authorisation to increase share capital, such that the total increase in capital for both authorisations combined may not exceed 10% of share capital. The authorisation permits existing shareholders' preference rights to be waived. The board's authorisation is valid until the 2017 AGM, or 30 June 2017 at the latest.

Dividend

A dividend of NOK 12 per share has been proposed, totalling NOK 1,347,788,000 as at 31 December 2016. Dividend is not paid on treasury shares.

Note 17 – Interest-bearing debt

NOK 1000

Long-term interest-bearing debt	2016	2015
Debt to credit institutions	2 196 976	2 480 429
Leasing liabilities	381 312	412 776
Next year's instalment on long-term deb	-139 132	-140 421
Total long-term interest-bearing debt 31 Dec	2 439 155	2 752 784
Short-term interest-bearing debt		
Debt to credit institution	59 480	0
Next year's instalment on long-term debt	139 132	140 421
Total short-term interest-bearing debt 31 Dec	198 613	140 421
Total interest-bearing debt	2 637 768	2 893 205
Cash & cash equivalents	273 715	273 696
Net interest-bearing debt	2 364 052	2 619 509

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 interestbearing debt by currency:

NOK 1000	NOK	EUR	JPY	USD	GBP	Other	Total
Long-term debt to credit institution	-2 196 976						-2 196 976
Leasing liabilities	-381 312						-381 312
Short-term debt to credit institutions	428 532	90 018	-16 551	-474 817	2 528	-89 190	-59 480
Total interest-bearing debt	-2 149 755	90 018	-16 551	-474 817	2 528	-89 190	-2 637 768
Cash & cash equivalents	244 613		12 100			17 002	273 715
Net interest-bearing debt	-1 905 142	90 018	-4 451	-474 817	2 528	-72 188	-2 364 052

The Group has a multicurrency group account scheme with a credit ceiling of TNOK 500,000. As at 31 December 2016, the Group had a net drawdown on the scheme in the amount of NOK 59,480,000. Deposits and drawdowns 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 2016. 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 2017 amount to NOK 21,158,000. 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 EBITDA ratio shall, on average, not exceed 4.5. However, under the terms of the agreement, the company may have an NIBD/EBITDA ratio of up to 6.0 for up to three quarters.

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. The liability springs from supply agreements containing provisions for variable credit times, and the terms obtained from the bank are not materially different from the tems which could have been obtained from the feed suppliers. As a result, 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 2016, the Group owed its bank NOK 597,533,000 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:	2016	2015
Tax payable	423 223	292 320
Change in deferred tax	320 986	62 143
Effect of change in tax rate	-56 462	-90 796
Tax paid abroad	3 918	2 005
Surplus/shortfall in tax provisions in previous years	-575	-10 781
Tax on ordinary profit	691 090	254 891

Tax payable in the balance sheet	2016	2015
Tax payable in the year	423 223	292 320
Tax payable in the balance sheet	423 223	292 320

Breakdown of temporary differences	2016	2015
Intangible and operating assets	1 760 414	1 766 234
Financial leasing	17 454	33 560
Inventory	5 013 706	3 352 255
Receivables	-408	-5 243
Other	-586 809	-254 965
Profit & loss account	26 064	31 417
TOTAL temporary differences	6 230 421	4 923 259

Deferred tax liabilities (+) / deferred tax assets (-)	1 495 301	1 230 815
Tax rate used when calculating deferred tax	24 %	25 %

Change in deferred tax in the balance sheet:	2016	2015
Deferred tax 1 Jan	1 230 815	1 262 594
Change in deferred tax in profit and loss	320 986	62 143
Change in deferred tax resulting from changed tax rate - effect recognised in profit and loss	-56 462	-90 796
Deferred tax associated with items recognised in comprehensive income	3 637	0
Deferred tax associated with equity transactions	-4 105	-1 398
Deferred tax associated with the exit of subsidiaries	-157	0
Other changes	587	-1 728
Deferred tax 31 Dec	1 495 301	1 230 815

Reconciliation from nominal to actual tax rates	2016	2015
Profit before tax	3 342 080	1 383 686
Expected tax at nominal tax rate	835 520	373 595
Effect of change in tax rate	-56 462	-90 796
Permanent differences (25%/27%)	-91 311	-19 133
Tax paid abroad	3 918	2 005
Surplus/shortfall in tax provisions in previous years	-575	-10 781
Calculated tax expense	691 090	254 891
Effective tax rate	20,7 %	18,4 %

Permanent differences apply to the following:		
Option expenses	6 976	6 192
Options redeemed	-12 711	-4 568
Skattefunn (Norwegian tax refund scheme for R&D expenses)	-2 866	-3 040
Share of profit/loss from associates	-71 711	-10 865
Gain from exit of subsidiaries	-6 640	0
Other	-4 359	-6 851
Total	-91 311	-19 133

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 2016, 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. For accounting purposes, the scheme is deemed to be a multi-employer occupational pension plan. The Group is unable to identify its share of the scheme's underlying financial position and results with sufficient reliability, and therefore recognises it as a defined-contribution scheme. This means that liabilities in respect of the AFP scheme are not capitalised. Premiums paid into the scheme are charged to expenses as they accrue.

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

NOK 1000	2016	2015
Premiums paid into the defined-contribution scheme	18 639	21 697
Costs relating to the defined-benefits plan	11 059	9 490
Accrued employers' national insurance contributions	1 905	1 875
Year's pension costs, incl. employers' national insurance contributions	31 602	33 062

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

NOK 1000	2016	2015
Capitalised pension assets associated with secured scheme	1 379	1 397

Note 20 – Liens, guarantees

Recognised liabilities secured through liens, etc:

NOK 1000	2016	2015
Short-term debt to credit institutions	59 480	0
Long-term debt to credit institutions	2 196 976	2 480 429
Leasing liabilities and other non-current liabilities	381 312	412 776
Total	2 637 768	2 893 205

Book value of assets pledged as security for recognised liabilities	2016	2015
Property, plant & equipment and licences	5 501 119	4 775 556
Inventory and biological assets	5 221 784	3 634 268
Trade receivables	595 773	815 540
Total	11 318 676	9 225 364

As at 31 December 2016, 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, which expires 26 February 2020. The contract relates to the lease of Kjørsvik Settefisk's premises and includes the lease of water rights. Payments totalling NOK 6,978,000 were made in 2016 with respect to the leasing of the facilities and water rights. Wessel Invest AS is wholly owned by Gustav Witzøe and related parties. See Note 29 for further details .

NOK 1000	Less than 1 year	2-5 years	More than 5 years	Total
Total future leasing payments	352 881	434 996	18 275	806 152

Note 22 – Other current liabilities

Other current liabilities comprise:

NOK 1000	2016	2015
Accrued holiday pay	70 878	66 333
Accrued interest	2 222	4 260
Derivatives	134 963	132 889
Provisions for loss-making sales contracts	442 110	126 125
Provisions for future maintenance	47 809	34 310
Other accrued costs and provisions	77 638	125 080
TOTAL other current liabilities	775 622	488 996

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 AS and Vikenco AS.

Group revenues by geographic market:	2016	2015
Asia	20,6 %	20,6 %
Russia	0,0 %	0,0 %
USA/ Canada	16,6 %	13,0 %
Europe, excl. Norway	45,6 %	50,8 %
Norway	16,8 %	15,4 %
Other	0,4 %	0,2 %
Total	**100,0 %**	**100,0 %**

NOK 1000

The Group's revenues by currency:	2016	2015
NOK	2 525 172	2 032 702
JPY	338 976	357 565
GBP	436 191	499 458
USD	2 771 160	1 964 552
EUR	2 887 183	2 442 204
SEK	71 132	29 721
Total	**9 029 814**	**7 326 202**

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

NOK 1000

Payroll costs	2016	2015
Salaries, incl. holiday pay and bonuses	732 805	649 728
Employers' national insurance contributions	56 230	48 058
Pension costs (see Note 19)	29 697	31 187
Options	27 905	22 933
Other benefits	14 897	13 975
Total	**861 534**	**765 881**
No. of full-time equivalents employed during the financial year.	1 357,0	1 301,0

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

NOK 1000	2016	2015
Statutory auditing services	1 353	1 348
Other certification services	190	143
Tax advisory services	14	34
Other services	55	94
Refunded expenditures	207	138
Total	**1 818**	**1 756**

Loans to and sureties granted on behalf of employees:	Loans	Sureties
Employees	1 421	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.

2016 *NOK 1000* Senior executives	Salary	Bonus	Benefits-in-kind	Accrued pension expenses	RSUs exercised
Trond Williksen, CEO *	398	0	1	0	0
Leif Inge Nordhammer, CEO **	2 842	0	13	92	1 791
Trond Tuvstein, CFO	2 112	700	10	69	1 061
Olav-Andreas Ervik, Director, Fish Farming	1 979	700	10	62	1 018
Gustav Witzøe, Director, Business Development	992	323	8	52	0
Eva Haugen, Quality Assurance/HSE/HR	1 186	386	8	64	696
Tom Aleksandersen, Director, Strategy & Org. Develop.	2 155	713	11	68	445

* Took up position 14 November 2016
** Stepped down 14 November 2016

2015 *NOK 1000* 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, Business Development	985	0	8	57	0
Eva Haugen, Director, Quality Assurance/HSE/HR	1 164	200	8	68	238
Tom Aleksandersen, Director, Strategy & Org. Develop.*	1 650	400	7	50	0

* Took up position 1 March 2015

Guidelines for the remuneration payable to the CEO and other senior executives in the Group

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. A total of three programmes are in effect in 2017.

Pension schemes
Members of group management participate in the Group's general pension scheme. The scheme is a defined contribution plan and lies within the framework stipulated in the Mandatory Occupational Pensions Act.

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.

Board of Directors	Directors' fees	Directors' fees
NOK 1000	2016	2015
Bjørn Flatgård, Chair	320	480
Gustav Witzøe	100	150
Kjell A. Storeide *	250	375
Tove Nedreberg **	235	353
Merethe Helene Holthe	0	200
Bente Rathe ***	200	125
Pål Georg Storø, employee representative	0	100
Hanne Tobiassen, employee representative	0	100
Merete Gisvold Sandberg, employee representative	100	50
Geir Berg, employee representative	100	50

* The fee includes NOK 50,000 in remuneration as chair of the Audit Committee. The corresponding amount in 2015 was NOK 75,000.
** The fee includes NOK 35,000 in remuneration as a member of the Audit Committee. The corresponding amount in 2015 was NOK 52,500.
*** The fee in 2015 includes NOK 25,000 in remuneration as a member of the Nomination Committee.

The stated directors' fees are amounts paid out and reported to the tax authoridies during the period. The payment profile for directors' fees was altered in 2015, and the fees stated for 2015 apply to 1.5 periods. The fees stated for 2016 apply to 1 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:

NOK 1000	2016	2015
Merete Gisvold Sandberg	1 190	883
Geir Berg	1 497	966
Pål Georg Storø		1 380
Hanne Kristine Tobiassen		1 008

Note 25 – Share-based incentives

Restricted Share Unit Plan (RSU):
In accordance with the authorisation granted by the company's AGM, 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 2016, the plan encompasses up to 529,470 shares, and has a term of three years. The company's board members do not receive options. 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 115,634,200 (2015: NOK 77,335,200). The cost is periodised over the accrual period, and a total of NOK 27,905,000 was charged to expenses in connection with the scheme in 2016 (2015: NOK 22,933,000). 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 2016 award was NOK 261.60 (2015: NOK 148.00).

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 260.72 (2015: NOK 110.57).

In 2016, 195,713 RSUs were exercised. The market price per share at the time the RSUs were exercised was NOK 260.13. In 2015, 119,919 RSUs were exercised. The market price per share at the time the RSU's were exercised was NOK 141.47. The value of the RSUs is treated as a salary payment to the individual employee.

Movements in the no. of outstanding RSUs:	2016	2015
As at 1 Jan	577 214	364 860
Awarded during the year	198 281	325 464
Reclaimed during the year	-195 713	-119 919
Lapsed during the year	-26 507	-25 277
Lapsed during the year due to performance criteria not being met	-44 126	-
Dividend adjustment	20 321	32 086
As at 31 Dec	529 470	577 214

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

Date awarded	Vesting period	2016	2 015
03.12.2014	2014-16	-	126 288
03.12.2014	2014-17	117 825	126 345
21.12.2015	2015-16	-	108 143
21.12.2015	2015-17	106 664	108 201
21.12.2015	2015-18	106 700	108 237
16.12.2016	2016-17	66 071	
16.12.2016	2016-18	66 092	
16.12.2016	2016-19	66 118	
		529 470	577 214

Group management have the following holdings of RSU entitlements:

	Holding 01.01	Awarded	Reclaimed	Dividend adjustment	Lapsed due to performance criteria not being met	Lapsed due to resignation from position	Holding 31.12
Trond Williksen, CEO*	-	5 753	-	-	-	-	5 753
Leif Inge Nordhammer, CEO **	18 795	-	-6 886	728	-1 113	-11 524	-
Trond Tuvstein, CFO	11 245	4 108	-4 089	434	-677	-	11 021
Olav-Andreas Ervik, Director, Fish Farming	10 813	4 108	-3 915	414	-658	-	10 762
Eva Haugen, Director, Quality Assurance/HSE/HR	7 383	2 267	-2 684	282	-445	-	6 803
Tom Aleksandersen, Director, Strategy & Org. Development	7 386	4 182	-1 709	272	-821	-	9 310

* Took up position 14 November 2016

** Stepped down 14 November 2016

Note 26 – Operating expenses

Specification of other operating expenses:

NOK 1000	2016	2015
Maintenance	238 182	208 509
Operating equipment & consumables	76 081	71 865
Direct input factors	229 185	209 462
Freight & delivery costs	550 778	559 532
Other operating expenses	283 569	222 817
Total	1 377 795	1 272 186

Research and development costs:
Forsknings- og utviklingsutgifter inkluderer utgifter til forsknings- og administrasjonspersonell, utgifter til teknisk utstyr og anlegg, samt utgifter til eksterne forskningstjenester.

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 projects, as well as the Ocean 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 63,696,000 in R&D costs was charged to expenses in 2016 (2015: NOK 47,203,000).

Note 27 – Government grants

In 2016, Group companies took to income NOK 10,343,700 in Skattefunn contributions (2015: NOK 8,926,600). A further NOK 1,121,600 in grants relating to capitalised R&D costs has also been recognised. Skattefunn contributions relating to this type of project have been recognised as a reduction in the cost price of the capitalised asset concerned. The corresponding figure for 2015 was NOK 3,723,600.

In addition, an investment grant totalling NOK 10.5 million was received from Innovation Norway in 2016, in connecition with construction of the Ocean Farm installation. The entire amount of the grant has been recognised as a reduction in the capitalised amount allocated to the Ocean Farm installation.

Note 28 – Earnings per share

NOK 1000	2016	2015
Net profit for the year (controlling interest's share)	2 637 079	1 103 289
Average no. of shares outstanding as at 1 Jan	112 119 918	111 999 999
Effect of share issue	-	-
Effect of treasury shares allocated to employees (see Note 25)	195 713	119 919
Average no. of shares outstanding through the year	112 152 537	112 019 986
Diluting effect of RSU entitlements granted (see Note 25)	398 961	242 128
Average no. of diluted shares outstanding through the year	112 551 498	112 262 114

Earnings per share		
Basic	23,51	9,85
Diluted	23,43	9,83

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. See Note 18 for further details.

NOK 1000

Transactions with related parties in 2016:	Sales	Purchases	Receivables	Liabilities
Associates of the SalMar Group	138	3 096	139	132
Companies controlled by the parent company Kverva AS	692 922	69 804	107 846	659
Associates of the parent company Kverva AS	29	9 113	0	523
Companies controlled by Gustav Witzøe and related parties	0	6 978	0	175

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.

In addition to the transactions stated above, the Group's shares in the subsidiary Frøyas AS were sold to the related party Insula AS in 2016. See Note 8 for further details.

Note 30 – New and amended accounting standards

Standards, amendments and interpretations to existing standards that have not come into effect
Standards and interpretations that have been approved prior to the adoption of the consolidated financial statements, but which will come into effect at a future date, are listed below. Only those standards expected to affect the Group's consolidated financial statements are presented.

IFRS 9 Financial Instruments introduces new requirements with respect to the classification and measurement of financial assets. The standard continues the classification rules for financial liabilities, but alters the presentation of changes in value associated with own credit risk for liabilities that are voluntarily classified at fair value in profit and loss. A provisional analysis of the standard's effect on the Group has been carried out, and it is not expected to have any major impact on the Group's classification or result recognition. The standard is mandatory with effect from 1 January 2018.

IFRS 15 Revenue from Contracts with Customers is a new uniform standard for revenue recognition and replaces all existing standards and interpretations thereof. The standard applies to all revenue contracts and contains a model for the measurement and recognition of revenues deriving from the sale of certain non-financial assets. The standard is not considered to have any material effect on the Group's principles for revenue recognition. Expected implementation is 1 January 2018 at the earliest.

IFRS 16 Leases replaces the existing IFRS standard for leases, IAS 17 Leases. IFRS 16 sets out principles for measurement, recognition, presentation and disclosures relating to leasing agreements for both parties thereto, ie the customer (lessee) and the asset's owner (lessor). The new standard requires the lessee to recognise assets and liabilities for the majority of leasing agreements, which is a material change from today's principles. For the lessor, however, IFRS 16 continues the majority of the existing principles from IAS 17. In line with this, a lessor must still classify his leasing agreements as either operational or financial, and account for these two types of leasing agreements in different ways. An overview of all future leasing payments is given in Note 21. Expected implementation is 1 January 2019 at the earliest.

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

Financial Statements SalMar ASA 2016

Income Statement

NOK 1000

OPERATING REVENUES AND OPERATING EXPENSES	Note	2016	2015
Sales revenues	2	72 167	62 657
Total operating revenues		72 167	62 657
Salary and payroll costs	3	52 358	41 362
Derpreciation of property, plant & equipment	4	3 966	2 720
Other operating expenses	3	93 056	72 940
Total operating expenses		149 380	117 021
Operating profit/loss		-77 214	-54 364
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Income from investment in subsidiaries	5	2 522 614	1 227 708
Income from investment in associates	6	100 800	46 000
Interest received from group companies		67 798	71 303
Other interest income		2 148	1 102
Other financial income		83	40 519
Interest paid to group companies		9 863	4 442
Other interest expenses		46 523	50 610
Other financial expenses		3 617	14 368
Net financial items		2 633 439	1 317 211
Ordinary profit/loss before tax		2 556 225	1 262 847
Tax	12	218 291	319 992
Profit/loss after tax		2 337 934	942 854
NET PROFIT/LOSS FOR THE YEAR		2 337 934	942 854
ALLOCATIONS			
Dividend provisions	8,9	1 347 788	1 121 199
Transferred to/from other equity	9	990 147	-178 345
Total allocations		2 337 934	942 854

Balance Sheet

as at 31 December NOK 1000

ASSETS	Note	2016	2015
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Deferred tax assets	12	716	0
Total intangible assets		716	0
PROPERTY, PLANT & EQUIPMENT			
Land, buildings and other real property	4	2 159	2 216
Plant, equipment and operating consumables	4	11 323	13 569
Total property, plant & equipment	14	13 482	15 785
NON-CURRENT FINANCIAL ASSETS			
Investments in subsidiaries	5, 14	1 982 877	1 140 717
Loans to group companies	7, 11, 14	2 583 596	2 165 911
Investments in associates	6	406 283	206 283
Investments in shares and other securities		10	10
Other receivables	7	43 984	588
Total non-current financial assets		5 016 750	3 513 509
Total non-current assets		5 030 949	3 529 294
CURRENT ASSETS			
RECEIVABLES			
Trade receivables	14	29	42
Short-term receivables from group companies	11,14	2 579 935	1 409 895
Other receivables	14	15 546	14 553
Total receivables		2 595 510	1 424 490
BANK DEPOSITS, CASH & CASH EQUIVALENTS	16	8 162	147 742
Total current assets		2 603 672	1 572 233
TOTAL ASSETS		7 634 621	5 101 526

Balance Sheet

as at 31 December NOK 1000

EQUITY AND LIABILITIES	Note	2016	2015
EQUITY			
PAID-IN EQUITY			
Share capital	8, 9	28 325	28 325
Treasury shares	9	-246	-295
Share premium fund	9	415 285	415 285
Other paid-in equity	9	79 075	50 667
Total paid-in equity		522 440	493 982
RETAINED EARNINGS			
Other equity	9	1 555 875	565 729
Total retained earnings		1 555 875	565 729
Total equity	9	**2 078 315**	**1 059 711**
LIABILITIES			
Deferred tax	12	0	152
Total provisions		0	152
OTHER NON-CURRENT LIABILITIES			
Debt to credit institutions	13,14	1 950 000	2 400 000
Total other non-current liabilities		1 950 000	2 400 000
CURRENT LIABILITIES			
Debt to credit institutions	13,14	38 641	0
Trade payables		5 483	4 525
Tax payable	12	0	272 153
Dividend	8, 9	1 347 788	1 121 199
Public charges payable		44 446	37 119
Short-term payables to group companies	11	2 157 518	196 357
Other current liabilities		12 432	10 310
Total current liabilities		3 606 306	1 641 664
Total liabilities		**5 556 306**	**4 041 816**
TOTAL EQUITY AND LIABILITIES		**7 634 621**	**5 101 526**

Frøya, 20th of April 2017

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

Trond Williksen
President & CEO

Statement of Cash Flow

as at 31 December NOK 1000

	Note	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:			
Ordinary profit before tax		2 556 225	1 262 847
Tax paid during the period	12	-272 153	-285 820
Depreciation	4	3 966	2 720
Income from investments in subsidiaries	5	-2 522 614	-1 227 708
Income from investments in associates	6	-100 800	-46 000
Options charged to expenses	3	4 139	3 801
Change in trade receivables		49 685	16 727
Change in trade payables		-7 997	-5 595
Change in other time-limited items		3 242	-59 691
Net cash flow from operating activities		**-286 307**	**-338 719**
CASH FLOW FROM INVESTING ACTIVITIES:			
Payments for the purchase of property, plant & equipment	4	-1 663	-7 563
Change in intra-group balances	11	760 996	-13 647
Net receipts of group contributions and dividends from subsidiaries	5,11	1 061 153	1 085 478
Receipts of dividends from associates and other investments	6	100 800	46 000
Net payments for the purchase of non-current financial assets	6	-200 000	-43 394
Payment of loans to third parties		-42 000	0
Net cash flow from investing activities		**1 679 286**	**1 066 874**
CASH FLOW FROM FINANCING ACTIVITIES:			
Long-term debt raised		0	600 000
Long-term debt repaid		-450 000	0
Net change in overdraft		38 641	-75 202
Dividend (paid)		-1 121 199	-1 120 000
Net cash flow from financing activities		**-1 532 559**	**-595 202**
Net change in bank deposits, cash & cash equivalents		-139 580	132 952
Bank deposits, cash & cash equivalents as at 1 Jan		147 742	14 790
Bank deposits, cash & cash equivalents as at 31 Dec		**8 162**	**147 742**
Unused drawing rights		2 811 359	2 500 000

Lumpfish (Cyclopterus lumpus)

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 Plant – RSU)
The company has share-based incentive schemes, under which the company receives services from the employees in return for equity instruments (RSUs). The fair value of the services rendered by the employees in return for the RSUs awarded is recognised as an expense, with a corresponding increase in paid-in equity. The total amount charged to expenses over the vesting period is determined on the basis of fair value at the time the RSUs were granted, and the number of RSUs which are expected to accrue.

Fair value includes the effect of any market terms, but does not take account of the impact of any vesting terms that are not market terms. However, vesting terms that are not market terms affect the number of RSU that can be expected to be earned.

The total expense is periodised over the vesting period. On the balance sheet date, the company recalculates its estimates for the number of options that are expected to be earned. The company recognises the effect of any changes in the original estimates in profit and loss, with a corresponding adjustment in equity. The value of options relating to employees of subsidiaries is posted to investments in subsidiaries.

In the event of a decision to permit the cash settlement of options, the option liability will be reclassified from equity to liabilities. From the same date, the value of the option liability will be measured anew at the close of each period, with any changes recognised in profit and loss.

Tax
The tax expense is matched against profit/loss before tax. Tax relating to equity transactions is recognised in equity. The tax expense comprises tax payable (tax on the company's taxable income for the year as it appears in the income statement), and any change in net deferred tax. Deferred tax is calculated at the rate of 24 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	2016	2015
Revenues from provision of administrative services to group companies	72 073	61 690
Other revenues	94	967
Total	72 167	62 657

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

NOK 1000

PAYROLL COSTS	2016	2015
Salaries, incl. holiday pay & bonuses	36 664	29 139
Employers' national insurance contributions	5 472	3 881
Pension costs	1 170	1 156
Options/RSU	4 139	3 801
Other benefits	4 913	3 385
Total	52 358	41 362
No. of people employed (full-time equivalents) during the financial year	34	31

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 2016, 13 employees were awarded a total of 34,837 RSUs with respect to company shares, while 12 employees were awarded a total of 53,076 RSUs in 2015, and 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, 21 December 2015 and 16 December 2016 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 periodised expense in 2016 comes to NOK 4,138,700 (2015: NOK 3,800,700). A provision for employers' national insurance contributions on the expense has also been made.

Please see Note 24 to the consolidated financial statements for details of the share-based incentive schemes.

Auditor

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

NOK 1000	2016	2015
Statutory auditing services	200	201
Other certification services	93	14
Tax advisory services	3	0
Other services	53	53
Refunded expenses	159	43
Total	**508**	**311**

Note 4 – Property, plant & equipment

NOK 1000	Real property	Operating equipment, fixtures, etc	TOTAL
Acquisition cost 1 Jan 2016	2 330	21 436	23 766
Additions	0	1 663	1 663
Disposals	0	0	0
Acquisition cost 31 Dec 2016	2 330	23 099	25 429
Acc. depreciation & write-downs 1 Jan 2016	114	7 867	7 981
Year's depreciation	57	3 909	3 966
Acc. depreciation 31 Dec 2016	171	11 776	11 947
Book value 31 Dec 2016	**2 159**	**11 323**	**13 482**
Economic lifespan	No dep./3 years	5-10 years	
Depreciation plan	Straight line	Straight line	
Annual leasing of off-balance sheet operating assets	3 449	60	3 509

Note 5 – Subsidiaries

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

COMPANY *NOK 1000*	Registered office	Voting share/ shareholding	Book value 2016	Book value 2015
SalMar Settefisk AS	Kverva	100,0 %	142 626	114 633
SalMar Farming AS	Kverva	100,0 %	83 362	92 176
SalMar Nord AS	Finnsnes	100,0 %	484 490	487 882
SalMar AS	Kverva	100,0 %	1 177 936	357 479
SalMar Tunet AS	Kverva	100,0 %	7 340	7 306
Hitramat Farming AS	Hitra	51,0 %	28 785	28 785
Ocean Farming AS	Kverva	93,4 %	58 329	52 447
TOTAL subsidiaries			**1 982 877**	**1 140 717**

SalMar ASA has recognised group contributions from the following subsidiaries (NOK 1000):	2016	2015
SalMar Farming AS	942 718	842 005
SalMar Nord AS	0	311 454
SalMar Settefisk AS	0	2 692
SalMar Rauma AS	0	71 556
Total recognised group contributions from subsidiaries	942 718	1 227 708

SalMar ASA has recognised dividends from the following subsidiaries (NOK 1000):	2016	2015
SalMar Farming AS	250 000	0
SalMar Nord AS	1 325 000	0
Hitramat Farming AS	4 896	
Total recognised dividends from subsidiaries	1 579 896	0
Total recognised income from investments in subsidiaries	2 522 614	1 227 708

Note 6 – Associates

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

COMPANY	Registered	Voting share/	Book value	Book value
NOK 1000	office	shareholding	2016	2015
Norskott Havbruk AS	Bergen	50 %	162 787	162 787
Salmus AS	Leirfjord	50 %	243 394	43 394
Trøndersk Kystkompetanse AS	Dyrvik	20 %	103	103
TOTAL associates			406 283	206 283

In 2016, SalMar ASA granted a NOK 200 million loan to Salmus AS in connection with the financing of a share issue in Arnarlax Hf. At the same time, SalMar ASA received subscription rights in Salmus AS, in consequence of which the NOK 200 million loan to Salmu AS is deemed to form part of SalMar's investment in the company.
For further details of the investment in Salmus AS, please see Note 9 to the consolidated financial statements.

COMPANY	Recognised	Equity in last year-end	Profit/loss in last year-end
NOK 1000	dividend	finan. stat.	finan. stat.
Norskott Havbruk AS	100 800	1 063 130	371 001
Salmus AS	0	46 480	190
Trøndersk Kystkompetanse AS	0	1 606	-121

Note 7 – Receivables falling due more than one year hence

NOK 1000	2016	2015
Other receivables	43 706	149
Loans to employees	278	439
Loans to group companies	2 583 596	2 165 911

Note 8 – Share capital and shareholders

As at 31 December 2016, the company's share capital comprised:

NOK 1000	No. of shares (stk)	Face value (NOK)	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 12 per share, totalling NOK 1,347,788,000 as at 31 December 2016. 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 31 Dec 2015	28 325	-295	415 285	50 667	565 729	1 059 711
Year's change in equity:						
Profit/loss in the period	0	0	0	0	2 337 934	2 337 934
Dividend provision	0	0	0	0	-1 347 788	-1 347 788
Redeemed options	0	49	0	-49	0	0
Option cost recognised in equity	0	0	0	28 458	0	28 458
Equity 31 Dec 2016	28 325	-246	415 285	79 075	1 555 875	2 078 315

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.

The egg hatches when its shell splits and the salmon larva is released. When it emerges, the larva is equipped with a so-called yolk sac, which provides it with the food it needs during its first weeks of life. Its growth and development now depend entirely on the temperature. The process takes place on land in large vats.

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 2016, the gross amount of NOK 1,170,300 was charged to expenses in connection with the defined-contribution pension scheme (NOK 1,156,200 in 2015).

Note 11 – Intra-group balances, etc.

	Non-current receivables		Other short-term receivables	
NOK 1000	2016	2015	2016	2015
Group companies	2 583 596	2 165 911	2 579 935	1 409 895
Total	2 583 596	2 165 911	2 579 935	1 409 895

	Long-term debt		Other short-term payables	
NOK 1000	2016	2015	2016	2015
Group companies	0	0	2 157 518	196 357
Total	0	0	2 157 518	196 357

Other short-term receivables from group companies, which totalled NOK 2,579,935,000 as at 31 December 2016, includes group contributions in the amount of NOK 942,718,000 (2015: NOK 1,227,708,000). The figure as at 31 December 2016 also includes NOK 1,575,000,000 in other short-term receivables. The figure for 2015 also includes receivables from group companies partici-pating in the group account scheme in the amount of NOK 112,271,000. Other short-term receivables over and above this were ordinary trade receivables.

The NOK 2,157,518,000 in other short-term payables to group companies as at 31 December 2016 includes NOK 1,075,156,000 in group contributions payable (2015: NOK 171,451,000) and NOK 1,066,410,000 in payables to group companies participating in the group account scheme. The remaining short-term payables to group companies were ordinary trade payables.

Note 12 – Tax

NOK 1000

Breakdown of the year's tax expense	2016	2015
Tax payable	218 789	318 445
Change in deferred tax	-346	10 859
Tax provisions (shortfall/excess) in previous years	-182	-9 300
Effect of change in tax rate from 25% to 24%	30	-12
Tax on ordinary profit/loss	218 291	319 992

Breakdown of the year's taxable income	2016	2015
Profit before tax	2 556 225	1 262 847
Permanent differences	-1 682 321	-43 132
Change in temporary differences	1 251	-40 290
Group contributions paid	-875 156	-171 451
Year's taxable income	0	1 007 974

Tax payable in the balance sheet	2016	2015
Tax payable on the year's profit/loss	218 789	318 445
Tax on group contributions paid	-218 789	-46 292
Tax payable in the balance sheet	0	272 153

Breakdown of temporary differences	2016	2015
Operating assets, incl. goodwil	2 820	3 352
Non-current financial assets	25	6
Profit & loss account	109	137
Other differences	-5 940	-2 887
TOTAL temporary differences	-2 985	608
Deferred tax liabilities (+) / deferred tax assets (-)	-716	152
Deferred tax recognised in equity	553	-235

Reconciliation from nominal to actual tax rate	2016	2015
Profit before tax	2 556 225	1 262 847
Expected tax on income at nominal tax rate	639 056	340 969
Permanent differences (25%)	-420 580	-11 646
Tax provisions (shortfall/excess)	-185	-9 331
Estimated tax expense	218 291	319 992
Effective tax rate	8,5 %	25,3 %

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 2016, 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	2016	2015
Short-term debt to credit institutions	38 641	0
Long-term debt to creadit institutions	1 950 000	2 400 000
Total	1 988 641	2 400 000

Book value of assets pledged as surety for recognised debt	2016	2015
Operating assets	13 482	15 785
Shares	1 982 877	1 140 717
Trade receivables	29	42
Receivables	5 179 077	3 590 360
Total	7 175 465	4 746 903

Under the agreement with its bank SalMar has assumed a 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 for NOK 95,000,000 with respect to a long-term loan to SalMar AS and a guarantee for NOK 175,000,000 with respect to a long-term loan to Ocean Farming AS. Both loans have been granted by 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 2016 the remaining amount guaranteed totalled NOK 1,750,000.

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 guarantees to four suppliers in connection with the construction of an offshore net cage for Ocean Farming AS. SalMar ASA guarantees that the suppliers shall receive full settlement of any amounts due in connection with agreements entered into. The suppliers for which guarantees have been granted are:

Graintec AS	contract value equals approx. NOK 40,000,000
Mørenot Aquaculture AS	contract value equals approx. NOK 37,000,000
Farstad Offshore AS	guarantee capped at NOK 11,650,000
Chinese Institute of Marine & Offshore Engineering	guarantee capped at USD 38,412,000

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 2016, the item Bank deposits, cash and cash equivalents included restricted funds totalling NOK 6,578,000, all of which related to employees' PAYE tax deductions. The corresponding figure the year before was NOK 4,021,000.

The Elfrida, the world's first electric workboat.

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 I January to 3I December 2016 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 3I December 2016 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, 20th of April 2017

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*	Trond Williksen *President & CEO*

Auditors report

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of SalMar ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SalMar ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2016, the income statement, statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2016, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of its financial performance and its cash flows for the year ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Biological assets – fair value of biomass

Pursuant to IAS 41, the Group evaluates biological assets (living fish) at fair value. As of 31 December 2016, this constituted NOK 4 997 001 000 and 37% of the Group's assets. The difference between the fair value of biological assets and the related cost is recognised as a fair value adjustment. In 2016, the fair value adjustment amounted to NOK 1 052 535 000. The calculated fair value is based on estimated biomass, market prices on the balance sheet date for the relevant weight class and quality together with normal costs for processing, harvesting and selling the fish. The market prices are based on external forward prices for the expected harvesting period of the fish. The fair value of biomass is a key audit matter due to the uncertainty in the estimates and the significance of the amounts involved.

We considered the application of accounting principles and industry practice, mapped routines and tested controls related to the calculation of the fair value of biomass. We considered the prices applied and tested them against market prices for forward contracts for the expected harvesting period of the fish. In addition, we evaluated expected manufacturing costs, mortality and quality of the existing biomass, and made comparisons against historical data and the accuracy in estimates from previous periods. We recalculated the model for calculating fair value and assessed it against industry practice.

We considered the information relevant to the fair value of biomass included in note 1, note 13 and note 14 regarding the Group's principles, significant estimates and assumptions.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is 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 International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit 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 Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and 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 management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Trondheim, 20 April 2017
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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