

We have brought the salmon back to the ocean

# 2017

ANNUAL REPORT





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Financial calendar 2018

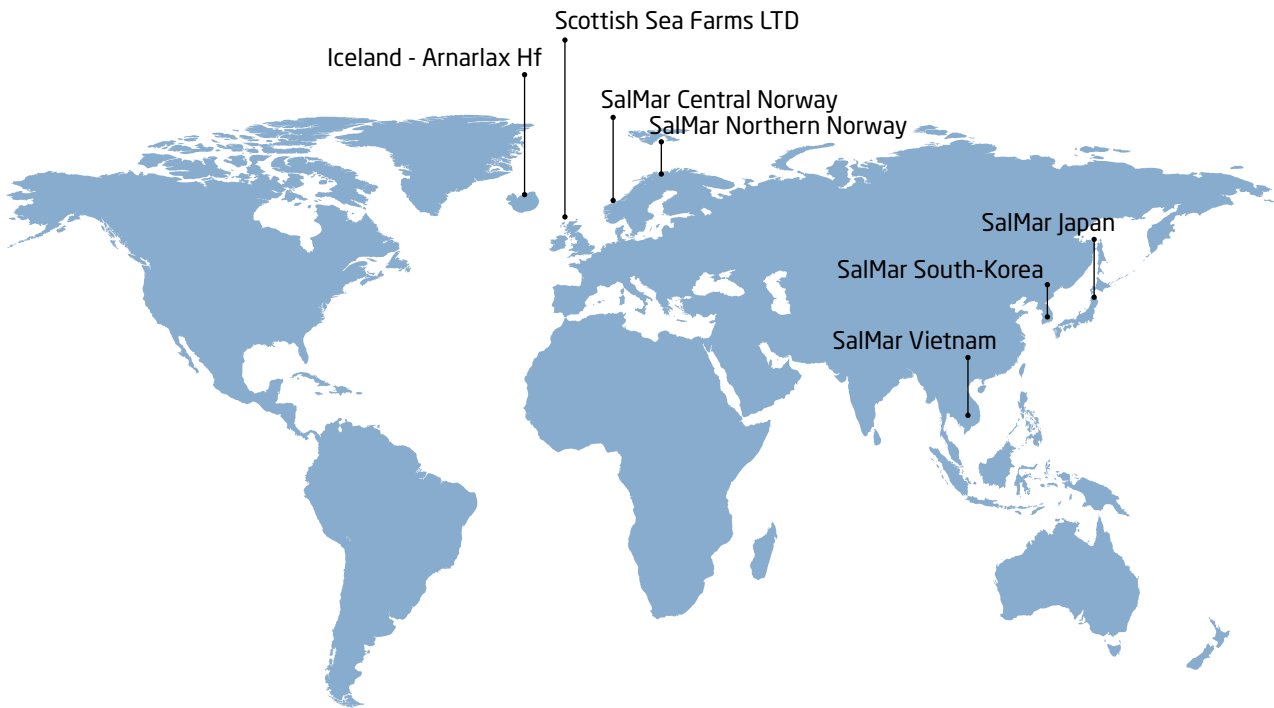
4th Quarter 2017 results:	15th February 2018
1st Quarter 2018 results:	15th May 2018
Annual General Meeting:	5th June 2018
2nd Quarter 2018 results:	23rd August 2018
3rd Quarter 2018 results:	8th November 2018

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.

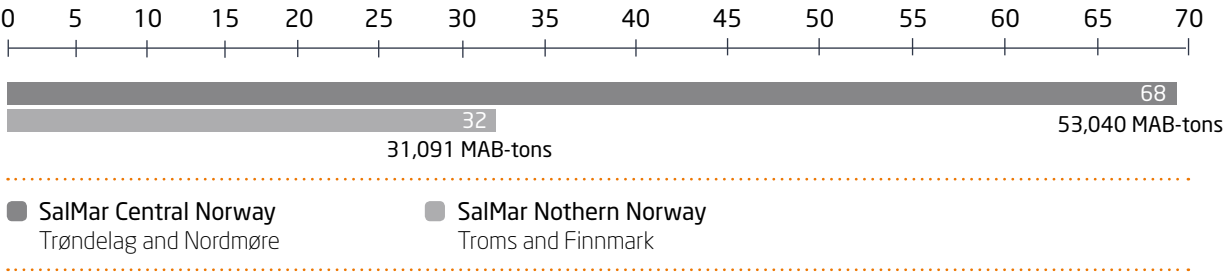
The annual general meeting will be held at Frøya. Please note that the dates are subject to change. Changes will be communicated.

SalMar is one of the world's leading producers of Atlantic salmon and is integrated from brood-stock, 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 Scottish Sea Farms and in Iceland through 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.

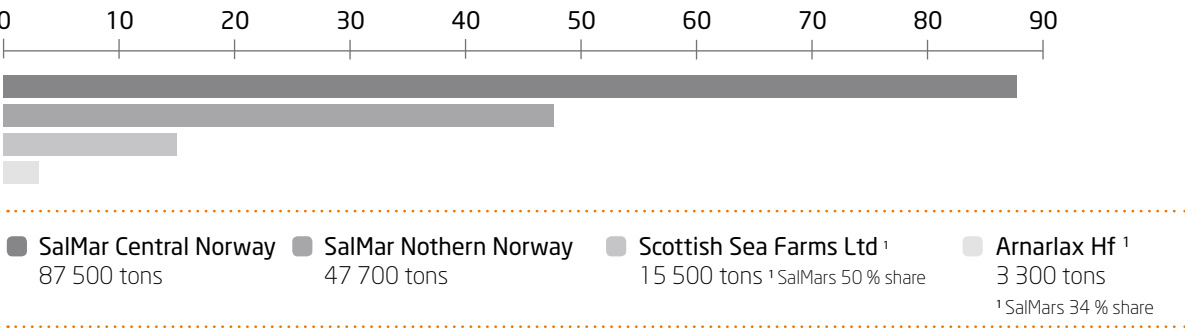
Learn more about SalMar at [www.salmar.no](http://www.salmar.no)



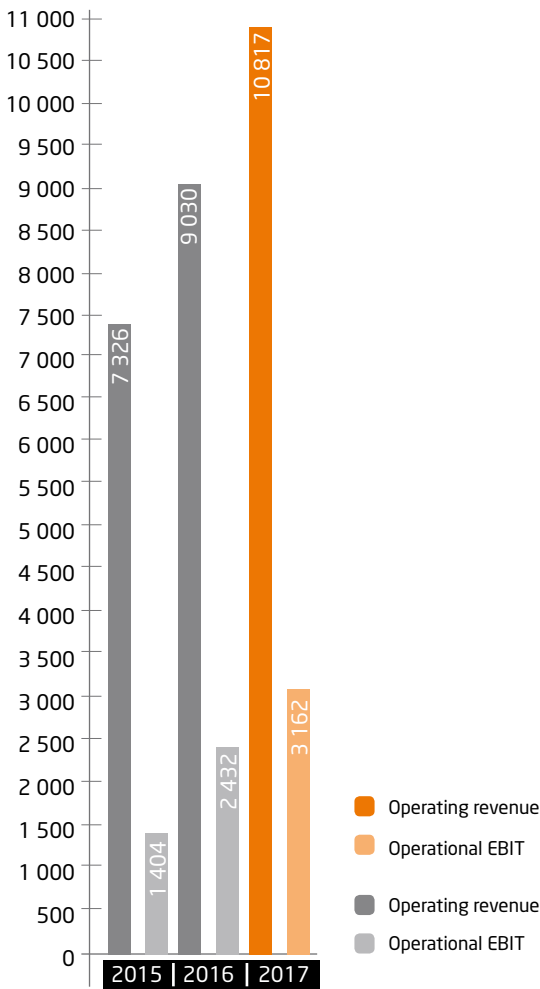
Geographical distribution of SalMar's 100 wholly owned licenses in Norway pr. 31.12.2017:



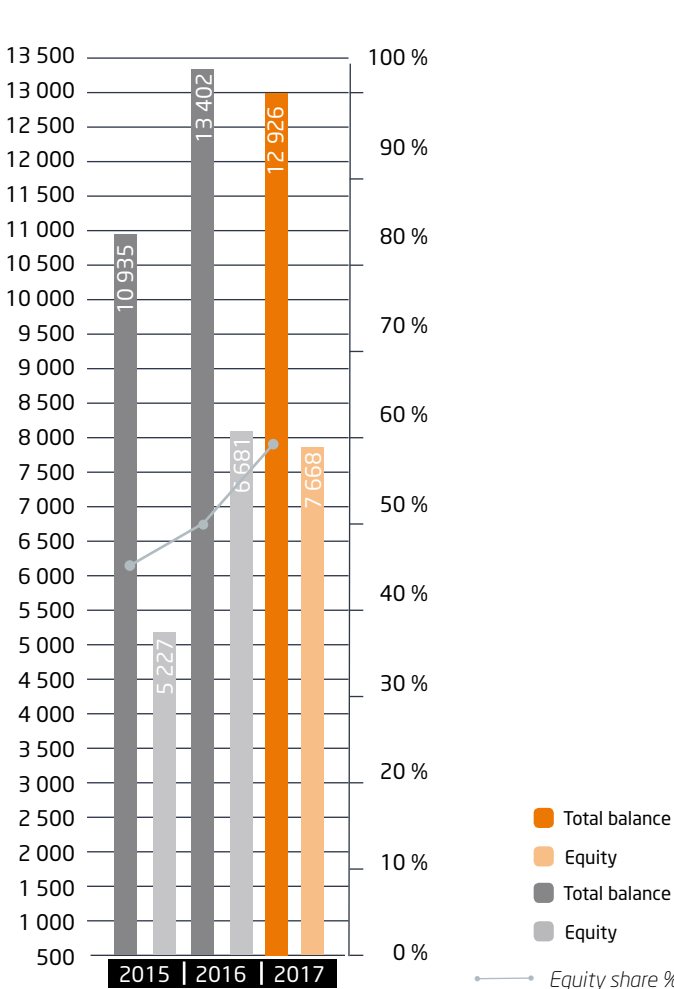
Harvest volume 2017 by geography, gutted weight pr. 31.12.2017:  
\* 1 000 tons product weight



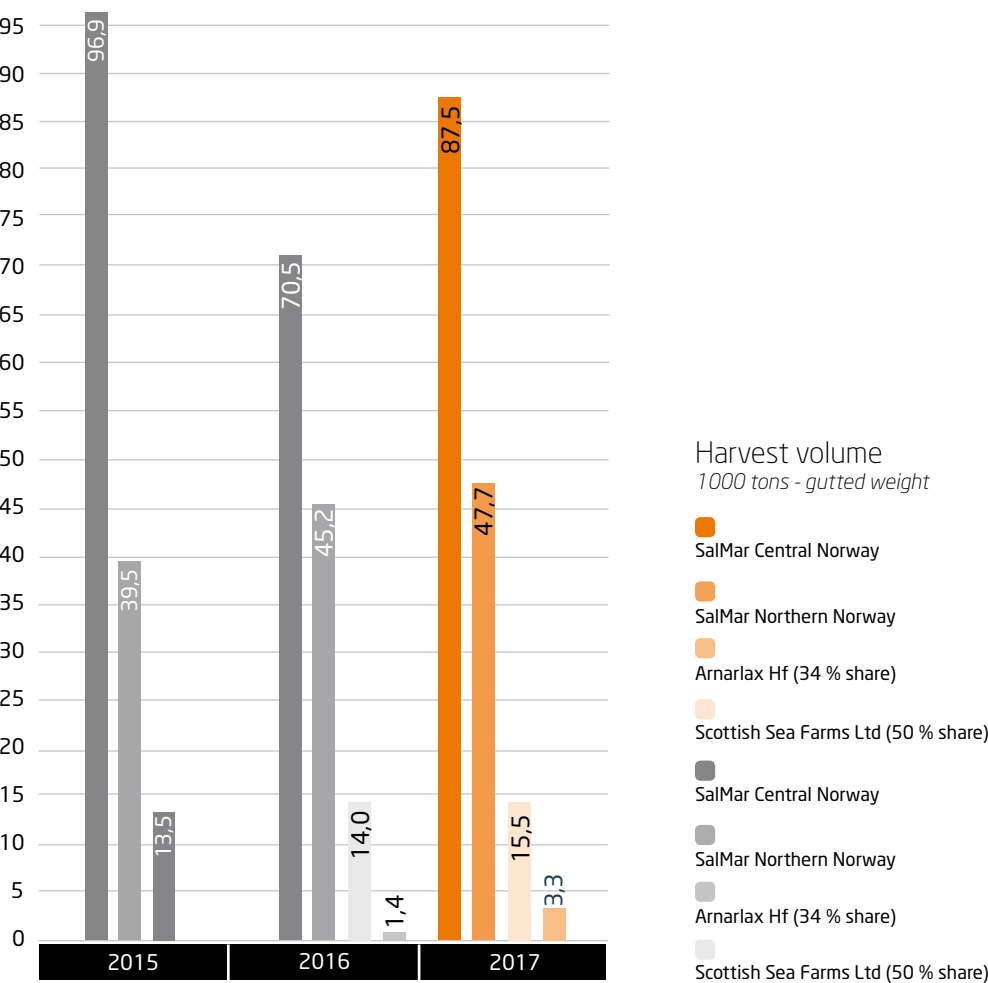
Operating revenue and Operational EBIT NOK mill.



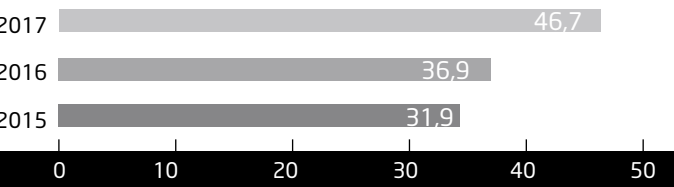
Balance sheet and Equity NOK mill.



# Harvest volume and value added products

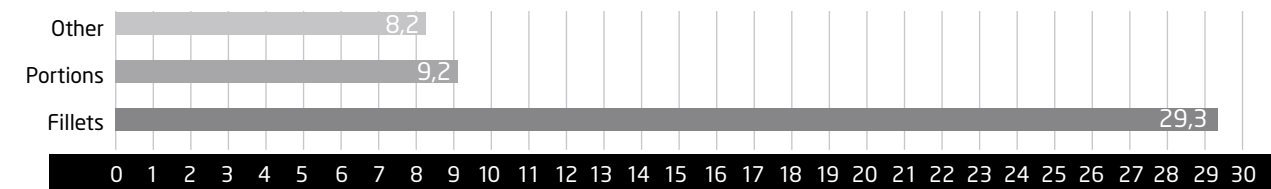


## Volume value added products 1000 tons - product weight



## Value added products 2017

Other - Portions - Fillets 1000 tons - product weight



# Key figures

Operating revenues and operating profit NOK mill.	2017	2016	2015
Operating revenues	10 817	9 030	7 326
Operational EBIT	3 162	2 432	1 404
Operating margin	29 %	27 %	19 %
Operating profit	2 792	3 086	1 444
Profit before tax	2 856	3 342	1 384
Profit margin	26 %	37 %	19 %
Net profit for the year	2 298	2 651	1 129
Earnings per share	20,24	23,51	9,85

Balance sheet NOK mill.	2017	2016	2015
Non-current assets	7 611	7 008	5 954
Current assets	5 316	6 393	4 982
Total assets	12 926	13 402	10 935
Equity	7 668	6 681	5 227
Debt	5 258	6 721	5 708
Total equity and debt	12 926	13 402	10 935
Net interest bearing debt	1 222,5	2 364,5	2 619,5
Equity share	59 %	50 %	48 %





# Message from the CEO

SalMar had a very eventful and successful 2017. Our strong financial results reflect not only a record level of profitability for the company's operations, but also the fact that SalMar is an organisation staffed by many dedicated and highly skilled employees, who – through their joint efforts – have succeeded in creating substantial value for shareholders, employees and society alike.

In 2017, both our fish farming operations and our sales and processing business have made substantial contributions to our profitability. At the same time, we are pleased to see that during the year we began to get to grips with a major challenge – rising costs. The improvement in our production costs is the result of systematic endeavours over several years. The efforts we have made in this area are crucial to our ambition and clearly expressed aim of being the world's best aquaculture company. The results we have achieved give us confidence in the future and the success of the projects and investments we are undertaking to take the company forward. These were considerable in 2017.

This was also the year that we became the first company to take the plunge and bring our salmon back to the open sea, by putting the Ocean Farm 1 facility into pilot operation in Frohavet, off the Trøndelag coast. At the same time, we completed major investments in the company's hatcheries, which reflects our confidence in the future and our willingness to engage in an industry and a company that has every opportunity ahead of it.

The company's financial results reached a record high in 2017, with gross operating revenues of NOK 10,8 billion, an Operational EBIT of NOK 3,2 billion and a net profit for the year of NOK 2,3 billion. Although the high level of earnings in 2017 reflect high salmon prices and good profitability not only at SalMar but in the entire industry, it is worth noting that these results were created by a company with many dedicated and highly skilled employees, who have done a great job throughout the year. Over many years, they have built the foundation for SalMar's position as one of the leading companies in the international salmon industry.

At SalMar, we have an unshakable belief that we are working in an industry with its future ahead of it. The fundamentals are in place for substantial value creation going forward. In good years like 2017, we are able to build the financial robustness we need to underpin further investment. At the same time, the high level of profitability enables us to provide a good return to



our shareholders. Combined with a fundamental faith in the future, this provides the basis for payment of a considerable dividend, at the same time as we implement and finance forward-looking investments.

## Volume growth – made possible by better biology

2017 was another year in which we increased the volume harvested. Overall, we harvested a little more than 135,000 tonnes, 20,000 tonnes more than in 2016. This growth was made possible by improvements in the biological situation. Through the year, we saw the positive effects of our long-term and systematic endeavour to improve the way we handle the salmon lice situation. We have also seen the tireless efforts of staff who have acquired expertise and initiated countermeasures that have gradually become more precisely targeted. The outcome of all this, particularly in the second half of 2017, was better biology, better fish welfare and better growth.

## Salmon lice are a natural part of the marine fauna – our focus is on sustainable management

Salmon lice are a natural part of the marine fauna, and will always be a challenge that must be dealt with. For years, SalMar, and the aquaculture sector as a whole, have been working hard to do just that. And those efforts have paid off. This is an area where we as a company – as well as an industry – must have control.

Active delousing methods will always form an important part of the toolkit needed to gain control of the situation. The key here is to develop and apply precise methods so that treatments can be used as sustainably and gently as possible. This is painstaking work, which will continue in the years ahead. As in all other areas of SalMar, the aim is to ensure that *what we do today we do better than yesterday*.

In 2017, we also achieved good results from a more qualified and sustainable application of preventive methods against lice infestation. These, too, are the result of an endeavour that has been going on for some time. A blend of measures which is expected to have a considerable impact going forward combines the division of fish farming operations into strictly applied zones to optimise the underlying biological conditions, the use of skirts around the net pens to prevent salmon lice in the open water from gaining easy access to the salmon, as well as the use of cleaner fish, a strict net cleaning regime and optimisation of the water quality. In 2017, we have seen the potential that this combination offers.

## Production costs – a step in the right direction

We aim to be the world's best aquaculture company, and having the lowest costs in the industry has always been a clear objective for us. As a result, we do whatever is in our power to control and reduce costs, though always on the salmon's terms. It is this approach that will secure our long-term competitiveness.

In 2017 we started to see the result of our long-term efforts and our focus on cost-cutting measures. In fact, we have trimmed over NOK 2 per kg off our overall production cost.

At SalMar, we strive for continuous improvement, which means that we are far from having reached our objectives in this area. In 2018, we will continue to work towards further reductions in our costs and will take new steps to safeguard our long-term competitiveness and position as the lowest-cost producer in the business.

## SalMar out in front

Innovative leadership has always been a key strategic objective for SalMar. We are an organisation that is made

up of skilled and dedicated SalMarites, whose joint efforts result in innovation and development and *together* equip the company to meet the challenges of tomorrow. We will seek new solutions that can give us an advantage and bring our performance and efficiency to new levels.

In 2017, this manifested itself in investments in both our existing operations and in more forward-looking solutions. Two new hatcheries went into operation during the year: one in Senja, which covers our operations in Northern Norway; and one at Follafooss in Central Norway. These facilities make use of a new technology that enables the sustainable production of juvenile fish – with a lower environmental footprint and less use of resources. The facilities are part of an investment programme which will stretch out into the future.

The foundation for optimal biological production lies in providing our fish with a good start in life. This requires investments in the field of genetics and in the way our juvenile fish are nurtured at SalMar's hatcheries. Our objective is to produce high-quality smolt – delivered at the optimal time and at the optimal size.

## Ocean Farm – in 2017 we brought the salmon back out to sea

For SalMar, innovation leadership has taken on new meaning in that we – as the first company in the industry – have taken our production of farmed salmon back out to sea. Our Ocean Farm 1 project has attracted a great deal of attention, and marks a milestone not only for us as a company but for the industry as a whole.

In 2017, the project went into large-scale operation. Construction of the facility in China was completed on time and on budget during the summer, after which it was transported to its destination in Frohavet, off the coast of Trøndelag. It arrived there in September and was anchored in place. Stocks of fish were transferred to the new facility in the middle of the month. At that point we had embarked on the next phase, full-scale pilot operations, during which the project's concept would be tested out in reality.

The idea behind the project was simple and logical. We wanted to take salmon production back out to the salmon's natural habitat – the sea – where they spend most of their natural lifecycle. We wanted to open the way for the sea to be used as a sustainable location for the farming of salmon, but also for other aquaculture activities that could provide an important contribution to the sustainable production of food for a growing global population.

So far, the pilot phase has gone well. Although it is still early days in the development of an entirely new concept, our basic idea seems to be holding up. The salmon appear to be thriving in this environment. Nevertheless, there is a long road ahead before any conclusions can be drawn from the project. Despite the confidence our experience so far has engendered, we realise that this is a project in which the collection of data and development of expertise is crucial to success in the long run. It has therefore been important for us to bring in competent partners who, together with us, can develop technology and expand our knowledge base. That is why it has also been right for us to fund a professorship at the Norwegian University of Science and Technology (NTNU), which – on a free and independent basis – will focus on expanding our understanding of what will be required for ocean farming in tomorrow's world.

The technical solution underpinning Ocean Farm 1 has been designed for fish farming in open seas like Frohavet. If we are to take aquaculture production out into open water, it will be necessary to further develop the technology. At the same time, the authorities must also contribute by creating a regulatory framework that allows an innovative industry to make use of the sea for sustainable food production.

#### Passion for Salmon

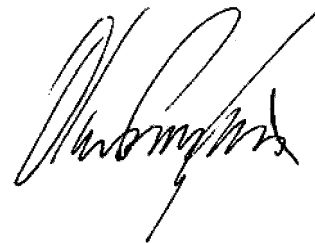
I feel it is natural to conclude with some well-deserved words to a very fine organisation. SalMar is a unique

company, with many dedicated and highly skilled employees. I would like to thank each and every one for their contributions in 2017! Their hard work shines through in our performance and results.

Our watchword is a "Passion for Salmon". Everyone at SalMar knows full well what that means. We are passionate about what we do, about our salmon and about SalMar. It is our zeal, engagement and shared focus on continuous improvement that will ensure our future development and results.

We aim to be the "world's best aquaculture company". To realise this ambition, everyone who works at SalMar must come to work every day with a desire to do things better than they did them yesterday. We will be on the front foot every day, know where we stand and where we are going. Only then will we be in a position to work systematically for continuous improvement. Being the world's best aquaculture company is an ambition not easily achieved. But we have what it takes. SalMar has an organisation, a position and a corporate culture that makes me confident that we will stretch and grow to reach new heights. It will be challenging, but at SalMar, are we nevertheless determined that this is exactly what we plan to do.

Olav-Andreas Ervik  
CEO




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.

**1991**  
SalMar is founded in Frøya in Sør-Trøndelag following the acquisition of one licence for the production of farmed salmon and a harvesting/processing plant from a company that had gone into liquidation. The company's primary business was the processing of frozen salmon. This was the start of a major restructuring of the Norwegian aquaculture sector, which gradually led to a substantial increase in its level of industrialisation.

**1992**  
Acquisition of two licences for the production of farmed salmon in Central Norway.

**1995**  
Acquisition of Follasmolt AS in Verran, Nord-Trøndelag. Start of smolt production. Lease of Kjørsvik Settefisk's hatchery in Aure, Møre & Romsdal.

**1997**  
Extension of the plant at Nordskaget in Frøya to increase processing capacity. • Kverva Holding AS becomes sole owner of SalMar.

**2000**  
**Total volume harvested: 11,000 tonnes gutted weight.**  
Establishment of operations outside of Central Norway through the acquisition of 49 % of the shares in Senja Sjøfarm AS in Troms. At that time Senja Sjøfarm had nine production licences and its own hatchery.

**2001**  
**Total volume harvested: 15,000 tonnes gutted weight.**  
Establishment of operations outside Norway through Norskott Havbruk AS, a 50/50 joint venture with Lerøy Seafood Group. Norskott Havbruk AS is sole owner of Scottish Sea Farms Ltd, the UK's second -largest salmon producer.

**2005**  
**Total volume harvested: 35,000 tonnes gutted weight.**  
Divestment of operations SalMar does not consider to be core businesses, including the production of herring, herring oil and fish meal. • Greater focus on core business activities, farming, harvesting and processing of salmon.

**2006**  
**Total volume harvested: 44,000 tonnes gutted weight.**  
Kverva Holding AS sells 42.5 % of the company's shares to a limited number of Norwegian and international investors. • Acquisition of three new licenses in Nordmøre. • Acquisition of the remaining 51 % of the shares in Senja Sjøfarm AS, making SalMar sole owner of the company.

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

**2008**  
**Total volume harvested: 65,000 tonnes gutted weight.**  
Acquisition of one licence in Central Norway (Møre & Romsdal) and one in Northern Norway (Troms). • Senja Sjøfarm AS is renamed SalMar Nord AS. The Company now includes all SalMar's operations in Troms. • Acquisition of 34 % of the shares in Volstad Seafood AS.

**2009**  
**Total volume harvested: 77,000 tonnes gutted weight.**  
Acquisition of the remaining 66 % of the shares in Volstad Seafood AS, making SalMar sole owner of the company.

**2010**  
**Total volume harvested: 79,000 tonnes gutted weight.**  
Acquisition of 75.54 % of Rauma Gruppen AS. Broodfish, two hatcheries and eight fish farming licenses in Central Norway (Møre & Romsdal). • Acquisition of 23.29 % of the shares in the listed Faeroe Islands company Bakkafrost P/f. • Acquisition of Settefisk 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.

**2017**  
**Total volume harvested: 151,000 tonnes gutted weight.**  
On 5 September 2017, Ocean Farm 1 arrived at its destination in Frohavet, off the Trøndelag coast • The new smolt production facility in Senja was completed – capacity 20 million smolt.

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





# 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 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.

Under the designation Ocean Farm 1, the pilot facility arrived at its destination in Frohavet, off the coast of Trøndelag, on 5 September 2017. Installation of Ocean Farm 1 at the site and the initial transfer of fish has gone according to plan. The project has now entered a pilot operational phase. So far, the fish have performed well, with strong growth and low mortality. The first generation of fish to be raised at Ocean Farm 1 is expected to be harvested in the second half of 2018. If successful, the project offers considerable potential for the entire industry.

## Employs leading-edge offshore technology

When developing the ocean farm's technical solutions, every fish farming process has been taken into account, and new approaches have been found for how the various operating procedures should be performed. 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 influenced the installation's design. 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 selected new locations.

Ocean Farm 1 is a slack-anchored, semi-submersible, 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.

## Contributes to sustainable growth

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 next three years various technical solutions were evaluated. This resulted in the design of a complete offshore fish farming installation. If successful, the 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 has been 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 the new pilot installation, Ocean Farming AS, is a subsidiary of the SalMar Group. It was established 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 potential. Ocean Farming has received grants from Innovation Norway to help fund the concept development phase.







## 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.







## ROE/SMOLT PRODUCTION

No. of production facilities:

• 7 hatcheries • 1 lumpfish production unit

Output: 28.3 million smolt, and 1.3 million lumpfish in 2017

The segment's facilities are distributed from Senja in the north to Sunnmøre in the south. Two of the facilities, Straumsnes Settefisk AS and Rauma Sætre AS, produce organic smolt. Rauma Eik produces prospective broodfish for SalMar Genetics AS. The other facilities produce conventional smolt. Smolt vary in weight from 60-250 g.

The segment employs 74 people, many of whom are extremely experienced. A large proportion of the workforce are college-educated or have certificates of completed vocational training. 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 facilities in Follafooss and Senja. Any new capacity built will employ RAS technology.

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

- SalMar Settefisk AS Follafooss facility, whose output will increase from 15 million to 19 million smolt. This new facility will go into operation in the autumn of 2019.
- Langstein Fisk AS, whose output of lumpfish will increase from 1.4 million to 3.0 million vaccinated individuals.

SalMar is working hard to ensure the quality of the smolt it delivers. The success of these efforts is reflected in the steadily increasing survival rate of the smolt after they have been transferred to the company's sea farms.



## FISH FARMING CENTRAL NORWAY

(Møre & Romsdal, Trøndelag)

No. of licences: 68 (53,040 MAB tons)

Harvested volume in 2017: 87,500 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.

Today, SalMar's Fish Farming Central Norway segment controls 68 marine-phase production licences. SalMar Farming AS owns all of these 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 2017, the company harvested a total of 9,000 tonnes gutted weight of organic salmon at the Vikenco AS processing plant in Aukra.

The bulk of SalMar's marine-phase fish farming operations are organised in SalMar Farming AS, and are located in central Norway, stretching from Sunnmøre to the Namdal coast. Fish Farming Central Norway is divided into three regions, south (Møre & Romsdal), central (Frøya and Hitra) and north (Fosen and North Trøndelag). At the close of 2017, 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.

At an early stage, SalMar decided to focus on the development and use of non-medicinal delousing methods. Fish Farming Central Europe has strengthened its lice control efforts throughout 2017, and has generally experienced lower lice numbers in the areas in which we have our operations. In addition to the delousing of fish without recourse to medication, our non-medicinal lice control methods also include preventive measures, such as the installation of protective "skirts" around the net pens and the use of cleaner fish.

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. SalMar is also working strategically to secure additional space so that we can take our share of future production growth.

## FISH FARMING NORTHERN NORWAY

(Troms and Finnmark)

No. of licences: 32 (31,091 MAB tons)

Harvested volume in 2017: 47,700 tonnes gutted weight

SalMar's Fish Farming Northern Norway segment currently holds 32 licences for the production of farmed salmon. These comprise 1 green and 31 conventional licences. The segment has also had two R&D licences under shared operation in 2017. During the year, Fish Farming Northern Norway purchased increased capacity at 18 licences, under the authorities' new biomass expansion scheme. SalMar is the largest fish farming enterprise in Troms and Finnmark, with operations in 11 districts, stretching from Harstad in southern Troms to Sør-Varanger in Finnmark. Operationally, the segment's activities are divided into three regions, Finnmark, North Troms and South Troms, which are each led by a regional manager. The segment harvests most of its output locally, and purchases harvesting services for the bulk of its volume in Skjervøy, Troms. The segment's administration is located at Finnsnes in Troms.

In 2017, the segment employed 139 full-time equivalents, of whom 121 were full-time employees and 18 part-timers. A total of 212 people have been employed full time or part time by Fish Farming Northern Norway over the course of the year. The segment has focused systematically on enhancing the expertise of its workforce, and employs numerous apprentices. In 2017, SalMar has had 16 apprentices under contract in Northern Norway: 13 in Troms and 3 in Finnmark. A total of 13 employees have passed their final vocational training exams, including 6 apprentices. This has been come about through a systematic effort over several years, and is an important aspect of our recruitment and competence enhancement strategy.

Remote feeding has been an important area of focus in the segment. Work got properly underway in 2012 in Region South, which was the first region to switch to 100 per cent remote feeding. This means joint surveillance and control of all SalMar's sites in South Troms and East Finnmark. As a result, the segment performs better and acts more cohesively with respect to feeding, which provides both financial and environmental benefits. The sea farms are monitored even when there is no one physically on site, and the fish receive their meals over a larger part of the day. Data collection is more structured in the remote feeding centre, which provides a better foundation for decision making forward in time.

During the autumn of 2017, the segment has been supplied with smolt from SalMar's newly built hatchery in Gjøvika, Senja. This has given a significant boost to production planning from roe to harvest, and guarantees the segment local smolt produced in-house by SalMar.

It is possible to produce more salmon in Norway, and Northern Norway has a considerable potential for further growth. This region has excellent environmental conditions for sustainable production, which we nurture through expertise and system-

atic improvement efforts. The expansion of SalMar's smolt production, as well as the decision to build a harvesting plant within the segment's area of operation, underpin the importance to the Group of both Fish Farming Northern Norway and the region as a whole.

## SALES AND PROCESSING

Volume sold: approx. 135,000 tonnes

Output of processed products (product weight): approx. 46,700 tonnes

The Sales and Processing segment administers the Group's sales activities and onshore processing facilities. In 2017, the segment sold around 135,000 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 50 different countries in all. 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.

InnovaMar is the SalMar Group's main salmon harvesting and processing facility, and is located at Nordskaget in Frøya, in the heart of SalMar's fish farming activities in Central Norway. InnovaMar is an ultra-modern building covering some 17,500 m<sup>2</sup>, with an advanced equipment park for harvesting and filleting. In 2016 and 2017, 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 75,000 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 SalMar's part-ownership of Vikenco AS, SalMar facilitates the harvesting of fish from Møre & Romsdal and the southern part of central Norway. In 2017, Vikenco and InnovaMar together produced just under 47,000 tonnes of processed products, measured by product weight.





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.



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.

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 2017, 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](http://www.salmar.no).*

#### Code of conduct and social responsibility

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

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

*For further details, please see page 4 of SalMar's sustainability report for 2017*

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

#### SalMar Standard

In addition to being measured and audited in accordance with statutory regulations and the sustainability requirements of third parties and customers, SalMar has developed its own 'SalMar Standard' performance criteria for the various parts of its operation. The 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 21 of SalMar's sustainability report for 2017.*

#### 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 and internal control action plans. Management is committed to realising the goals that have been set.

In 2017, 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. 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. Lessons learned and improvement measures are shared across all departments in quality-assured weekly reports. 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 through analyses of all incidents and non-conformances, the training of all staff, internal audits, safety inspections and meets of staff health and safety representatives are all important ini-

tiatives to improve safety at work.

All new employees receive HSE training through induction courses, operational seminars and the SalMar School.

*For further details, please see page 24 of SalMar's sustainability report for 2017.*

#### Competence development

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

In 2017, in conjunction with experts from DNV, we developed and carried out a customised training programme for our staff health and safety representatives (a so-called 40-hour course). This has raised the quality of the training given, and ensures equally good training for all staff health and safety representatives, regardless of their geographic local or organisational position.

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 24 of SalMar's sustainability report for 2017.*

#### 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 23 of SalMar's sustainability report for 2017.*

#### Sickness absence

There was a marked decrease in sickness absence as a result of individual job facilitation and personal follow-up. The sickness absence rate in 2017 came to 4.76 per cent, compared with 5.25 per cent in 2016, 7.47 per cent in 2015 and 5.79 per cent in 2014. The processing sector drives up the average, through the sickness absence rate here is on a par with the industry average. Short-term sickness absence in 2017 totalled 2.02 per cent, compared with 1.92 per cent in 2016, 2.33 per cent in 2015 and 2.19 per cent in 2014. Long-term sickness absence in 2017 totalled 2.74 per cent, compared with 3.33 per cent in 2016, 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 23 of SalMar's sustainability report for 2017.*

#### 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 20-32 in SalMar's sustainability report for 2017.*

#### Aquaculture Stewardship Council- standard (ASC)

To date, 18 SalMar sites have achieved certification in accordance with the ASC standard, which is considered to be the industry's most stringent sustainability standard. 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.

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](http://www.salmar.no). This standard is helping SalMar to take a fresh look at how we do things and stretch ourselves still further to live up to one of our basic tenets: Sustainability in everything we do.

*For further details, see pages 34 in SalMar's sustainability report for 2017.*



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 regulations.





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

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

**1. Corporate governance  
Compliance and regulations**

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

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

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

The company issues a comprehensive annual statement of its principles for corporate governance in its annual report, and this information is available from [www.salmar.no](http://www.salmar.no). The statement describes how SalMar has conducted itself with respect to the code of practice in 2017.

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

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

SalMar has drawn up a code of conduct and social responsibility, whose purpose is to safeguard and develop the company's values, create a healthy corporate culture and uphold the company's integrity. The code of conduct is also meant to be a tool for self-assessment and for the further development of the company's identity. All employees of the company are bound to comply with the ethical guidelines laid down in the code of conduct. The reporting of any wrongdoing or other

causes for concern is covered by specific procedures, which also allow employees to report anonymously through an external channel. The code of conduct is available from the company's website [www.salmar.no](http://www.salmar.no).

SalMar has a presence in many local communities. The Group is therefore extremely aware of the diverse nature of its social responsibilities: as an employer, an industrial processor, a producer of healthy food, as a custodian of financial and intellectual capital, and – not least- as a user of the natural environment. Increased biological control is one of the company's most important focus areas, and is a material prerequisite for long-term success. The company is, among other things, working actively to safeguard fish welfare and prevent salmon from escaping.

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

*Deviations from the code of practice:* None

**2. The business**

SalMar is one of the world's largest producers of farmed salmon, and owns 100 licences for marine production of Atlantic salmon in Norway. In addition, SalMar owns 50 per cent of Norskott Havbruk AS, which in turn owns 100 per cent of Scottish Sea Farms Ltd, the UK's second largest producer of salmon, with a capacity of 30,000 tonnes of harvested fish. 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](http://www.salmar.no).

*Deviations from the code of practice:* None

**3. Equity and dividend  
Equity**

As at 31 December 2017, the company's equity totalled NOK 7,668.1 million, which corresponds to an equity ratio of 59.3

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 2017, the board has proposed payment of a dividend of NOK 19 per share. In terms of its financial performance, 2017 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 6 June 2017 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. These were extensions of authorisations granted by the AGM in 2016. 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 2,832,000, through the issue of up to 11,328,000 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 10,345,632 treasury shares, with a total face value of NOK 2,586,408. The authorisation may 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 2,828,667.50, 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.

Both board authorisations are valid up until the next AGM, which will be held on 5 June 2018.

*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 2017, SalMar ASA owned 754,922 treasury shares, which accounts for 0.67 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 2017 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 2018 AGM will be held on 5 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. Pursuant to section 5-11 of the Public Limited Companies Act, shareholders are also entitled to table their own items for consideration by the general meeting.

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

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

The board determines the agenda for 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.

The board of directors, Nomination Committee and the company's auditor will be represented general meetings, which will normally be chaired by the Board Chair. The present Board Chair is a member of the board of Kverva AS. Nevertheless, SalMar considers the Board Chair to be best suited to chair the general meeting. 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 2017, the Nomination Committee comprised the following:

- Bjørn Wiggen, Chair (up for election in 2019)
- Endre Kolbjørnsen (up for election in 2018)
- Anne Kathrine Slungård (up for election in 2019)

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

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

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

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

group companies that may be of significance.

### Proposals to the Nomination Committee

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

*Deviations from the code of practice:* None

## 8. Corporate assembly and board of directors, composition and independence

The company does not have a Corporate Assembly.

Pursuant to Article 5 of SalMar's articles of association, the board of directors shall comprise five to nine members, to be elected by the AGM. The Board Chair is elected by the AGM, while the Vice-Chair is elected by the board itself. The company's current board is made up of six members, including two employee representatives. Two of the company's directors are women, including one female employee representative. Women therefore comprise 33 per cent of the board's membership. The Public Limited Companies Act states that there should be at least three women on the board of directors when the board has six members. At the 2017 AGM, Therese Log Bergjord was elected to the board of directors. However, she chose to relinquish her seat on the board after taking up a position that was deemed not to be compatible with holding such an office with SalMar ASA. A replacement board member will be elected at the 2018 AGM.

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

None of the board members held shares in SalMar as at 31 December 2017.

### 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 Atle Eide is also a member of the board of Kverva AS, while Helge Moen is CEO at Kverva AS. These two are therefore not deemed to be independent. The remaining directors 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 2017.

### Composition of the board

Board members	Position	Year first elected	Current term ends	No. of board meetings attended in 2017
Atle Eide*	B. Chair	2017	2019	7 of 11
Bjørn Flatgård **	B. Chair	2002	2017	4 of 11
Gustav Witzøe **	Director	1991	2017	2 of 11
Kjell A. Storeide	Dep. Chair	2008	2018	11 of 11
Helge Moen *	Director	2017	2018	7 of 11
Margrethe Hauge *	Director	2015	2017	7 of 11
Tove Nedreberg **	Director	2012	2017	4 of 11
Bente Rathe **	Director	2015	2017	3 of 11
Geir Berg	Empl. rep.	2015	2019	10 of 11
Brit Elin Soleng *	Empl. rep.	2017	2019	7 of 11
M. G. Sandberg **	Empl. rep.	2015	2017	4 of 11

\* Joined the board in June 2017

\*\* Left the board in June 2017

*Deviations from the code of practice:* None

## 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 2017, the board held 11 meetings, of which 5 were by telephone. The overall attendance rate at board meetings was 94 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 2017.

### 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, and maintain an ongoing dialogue with the auditor. The Audit Committee held five meetings in 2017, with an overall attendance rate of 100 per cent.



As at 31 December 2017, the Audit Committee comprised the following:

- Kjell Storeide – Leader
- Helge Moen

*Deviations from the code of practice:* None

## 10. Risk management and internal control

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

The most important risk 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 2017 annual report and Note 2 to the 2017 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 relates to the biological development of its smolt and marine-phase fish stocks. The company has internal controls which encompass systematic planning, organisation, performance and evaluation of the Group's activities in accordance with both public regulations and its own ambitions for continuous improvement. The Group has, for example, drawn up shared objectives for its internal control activities relating to the working environment and personal safety, escape prevention, fish welfare, pollution, food safety and water resources. Please see the annual report for further details.

*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 2017 annual report.

*Deviations from the code of practice:* None

## 12. Remuneration to senior executives

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

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

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

At the 2017 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](http://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 2017 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 2017 annual report.

*Deviations from the code of practice:* None

## 13. Information and communication

### Investor relations

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

SalMar seeks to comply with the Oslo Stock Exchange's recommendations on the reporting of information to investors on companies' websites, last updated on 10 June 2014. The company has, in line with the Norwegian Code of Practice for Corporate Governance, also adopted an 'IR Policy', which is available from the company's website. The CEO and CFO 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](http://www.salmar.no). It is also distributed as a stock market notice and updated on the Oslo Stock Exchange's website [www.newsweb.no](http://www.newsweb.no). The calendar is published before 31 December each year.

*Deviations from the code of practice:* None

## 14. Acquisition

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

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

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

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

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

*Deviations from the code of practice:* None

## 15. Auditor

The company's auditor is appointed by the 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 a plan for the execution of their auditing activities, and the plan shall be made known to the board of directors and the Audit Committee. The auditor shall meet with the audit committee annually to review and evaluate the company's internal control activities.

The auditor shall hold at least one meeting each year with the board of directors, at which no representatives of the company's management is present. The auditor attends the board meeting at which the year-end financial statements are considered. The auditor attends the company's AGM.

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.

*Deviations from the code of practice:* None



Executive Management



**Olav-Andreas Ervik**  
• *President and CEO*  
Mr. Ervik took up position as CEO 10th April 2018. 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:** 9 700 • **RSU-Rights:** 9 726



**Trond Tuvstein**  
• *Chief Financial Officer*  
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:** 18 749 • **RSU-Rights:** 9 792



**Gustav Witzøe**  
• *Director of Strategic Projects*  
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.  
• **Born:** 1953 • **Shares:** Mr. Witzøe indirectly owns 88.83% 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



**Frode Arntsen** • *Director, Processing and Sales*  
Frode Arntsen took the position as Director, Processing and Sales on 1 December 2017. He has a background from the Norwegian Armed Forces, and is educated as a lecturer within management. He has worked in the seafood industry since 2010, and has previously held senior/director positions at Lerøy Midnor, HitraMat and Lerøy Midt.  
• **Born:** 1970 • **Shares:** 0 • **RSU-Rights:** 3 956



**UlrikSteinvik** • *Director Business Support*  
Steinvik started in the position as Director Business Support in August 2017. Mr. Steinvik holds the title as Norwegian state authorized public accountant. Before Steinvik joined SalMar in 2006 he served with Arthur Andersen Norway and Ernst & Young AS from 1998 to 2006. He graduated from the Norwegian School of Economics and Business Administration in 2002.  
• **Born:** 1974 • **Shares:** 11 658 • **RSU-Rights:** 8 210



SalMars 20 largest shareholders

NAME	Shareholding 31.12.17	Shareholding (%)
Kverva AS	60 500 000	53,40 %
Folketrygdfondet	7 449 510	6,58 %
State Street Bank and Trust Comp	2 485 075	2,19 %
LIN AS	1 754 498	1,55 %
State Street Bank and Trust Comp	1 433 702	1,27 %
Clearstream Banking S.A.	1 209 614	1,07 %
J.P. Morgan Chase Bank, N.A., London	923 023	0,81 %
Morgan Stanley and Co Intl PLC	909 263	0,80 %
State Street Bank and Trust Comp	777 568	0,69 %
SalMar ASA	754 922	0,67 %
Pareto Aksje Norge	703 935	0,62 %
State Street Bank and Trust Comp	688 562	0,61 %
J.P. Morgan Chase Bank, N.A., London	688 526	0,61 %
AB Sic i Low Vol Equ Portf	672 714	0,59 %
State Street Bank and Trust Comp	653 006	0,58 %
J.P. Morgan Chase Bank, N.A., London	640 886	0,57 %
State Street Bank and Trust Comp	639 511	0,56 %
Euroclear Bank S.A./N.V.	600 355	0,53 %
J.P. Morgan Chase Bank, N.A., London	599 638	0,53 %
J.P. Morgan Bank Luxembourg S.A.	554 001	0,49 %
Total 20 largest shareholders	84 638 309	74,70 %
Other shareholders	28 661 690	25,30 %
TOTAL	113 299 999	100,00 %
Shareholders	4 759	
Total no. of shares	113 299 999	

Share price development

Share price per 01.01.2017 was NOK 258,10 thus valuing SalMar at NOK 29,243 million. At year-end the share price was NOK 246,80 valuing SalMar at NOK 27,962 million.

Technical information

As at 31 December 2017 SalMar ASA had 113,299,999 shares outstanding, with each share having a face value of NOK 0.25. As at 31 December 2017 the company had approx. 4,760 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 market 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 through 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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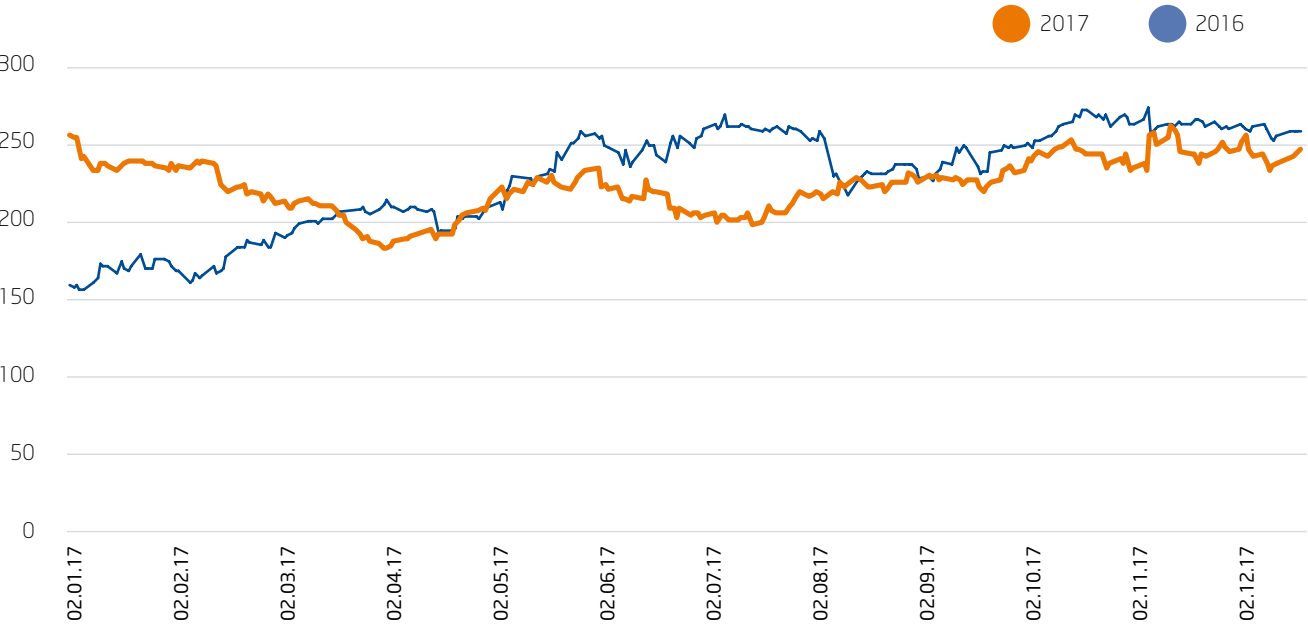


Trond Tuvstein

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



Shareholder information



Financial calendar 2018

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.







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Board of Directors'  
Statement







**Atle S. Eide**  
**Chairman of the Board**

Mr. Eide holds the position as senior partner in HitecVision. From 2003 to 2007 he was the CEO of Marine Harvest ASA and one of its predecessors Pan Fish ASA. Mr. Eide's previous work experience includes the CEO position of a number of listed and unlisted companies. Mr. Eide has also held a number of non-executive board positions in companies such as Fokus Bank, Acta, Cermaq and NRS. Mr. Eide has served as the Board Chair in SalMar ASA since 06.06.2017.



**Geir Berg**  
**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.



**Britt Elin Soleng**  
**Employee representative**

Ms. Soleng has worked in SalMar since March 2013 when she joined SalMar in the finance department as an administrative employee. Soleng has previous experience from administrative positions from, among others, Marine Harvest and Nutreco N.V..



**Helge Moen**  
**Director**

Mr. Moen holds the position as CEO in Kverva AS. Moen has extensive experience from the investment and corporate finance industry. Previous employers include CentraKlaveness AS, First Securities and Midt-Norge Fonds. Moen also holds and has held a number of non-executive board positions in companies such as Pelagia AS, Steinsvik Group AS and Pharmaq AS. Moen has served on the board of SalMar ASA since 06.06.2017.



**Margrethe Hauge**  
**Director**

Margrethe Hauge is a partner at H&O Industrier AS, which provides strategic business development and change management services to international companies. Until 2018, Ms. Hauge was employed at MRC Global Inc as Regional Managing Director with responsibility for the Nordic region and Germany. She has previously held executive management positions at TTS Group ASA and Kverneland Group ASA, and started her career as a trainee with Hydro Seafood AS. Margrethe Hauge has a master's degree in business administration from the University of Mannheim in Germany, and has served on the boards of a wide variety of commercial enterprises and voluntary organisations. She has been a member of the board of SalMar ASA since 6 June 2017.



**Kjell A. Storeide**  
**Deputy Chair**

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.

*From a financial point of view, 2017 was a very good year for SalMar, which posted the highest Operational EBIT in its history. Improving biological performance contributed to the high volume of fish harvested, which also had a positive effect on the Group's secondary processing activities. In addition, the sales division's level of price achievement was record high.*

*SalMar harvested a total of 135,200 tonnes in 2017, 17 per cent more than in 2016. The SalMar Group generated gross operating revenues of NOK 10,817 million in 2017, up 20 per cent from 2016. Operational EBIT rose by 30 per cent to NOK 3,162 million in 2017, up from NOK 2,432 in 2016. Net profit for the year came to NOK 2,298 million.*

*The board is extremely pleased with the results that our workforce delivered in 2017. Under challenging biological conditions, the previous rise in costs was reversed during the year. Price achievement has been good in an, at times, challenging market.*

*Fish Farming Central Norway, the Group's largest fish farming segment, has gained control in a biologically challenging region. The volume harvested was 24 per cent higher than in the year before, and developments in costs were positive.*

*Fish Farming Northern Norway posted strong results for yet another year. Good biological performance has paved the way for a stable cost development, despite the region's cost base increasing as a result of an expansion in the segment's capacity to combat salmon lice infestations.*

*The Sales and Processing segment can point to a significant improvement in its financial results compared with 2016. Substantially better price achievement is the main reason for this, but a higher level of activity and improved efficiency in the processing segment also made a positive contribution.*

*Norskott Havbruk also made record earnings in 2017. The company has profited from a strong market and increased its price achievement, at the same time as its harvested volume rose. The company made a net profit for the year of NOK 541 million.*

*The Group expects to harvest a total of 143,000 tonnes of salmon in 2018, an increase of around 7,800 tonnes compared with 2017.*

*The board is proposing a dividend payout of NOK 19.00 per share on the basis of the year-end financial statements for 2017.*

**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 2017, Sal-

Mar had a total of 100 licences for the production of Atlantic salmon in Norway: 68 in Central Norway (Møre & Romsdal, Sør-Trøndelag and Nord-Trøndelag), and 32 in Northern Norway (Troms and Finnmark). In addition, SalMar has one demonstration licence in Troms and an R&D licence in Central Norway. The Group also has 10 licences under joint operation. 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. Furthermore, 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. Indirectly, SalMar also owns 34 per cent of Arnarlax Hf, Iceland's largest producer of farmed salmon.

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

**Ambition and strategic foundation**

It is SalMar's clearly expressed ambition to be the world's best aquaculture company, driven by our vision: a "Passion for Salmon".

SalMar's strategic position is to have the lowest costs in the business. This will be achieved by operating a focused value chain, with significant emphasis on upstream activities. Operational efficiency and innovation are the strategy's main foundations.

Our 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 optimise the yield we derive from our salmon in order to achieve the best possible price.

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 2017**

**Ocean Farm:** On 5 September 2017, Ocean Farm 1 arrived at its destination in Frohavet, off the Trøndelag coast. This marked the end of a demanding, but successful construction and transport phase. Construction of the Ocean Farm facility came in under budget and it was delivered on time. In the latter part of September, just over 1 million smolt were transferred to the facility and the project entered the pilot operation phase. The first production cycle is expected to be completed during the second half of 2018. So far, the biological performance of the fish has been good, and Ocean Farm 1 is operating technically as planned.

**Investments in increased smolt capacity:** The new smolt production facility in Senja was completed at the start of the year. It was officially opened on 18 May in the presence



of Prime Minister Erna Solberg. The first smolt produced at the facility were delivered on 18 September. The facility has the capacity to produce around 15 million smolt per year, of which around 4 million will weigh over 200g. The first phase in the expansion of the Group's main smolt facility in Central Norway, at Follafooss, was completed in September. Initial pre-project work on the second phase of the expansion has already begun. The facility will have the capacity to produce around 20 million smolt per year, with 4 million being larger than 200g. Initially, these two facilities will secure control of in-house production of high-quality smolt, while paving the way for further growth in SalMar's capacity to produce large smolt.

#### Events after the balance sheet date

On 6 November 2017, the Norwegian Ministry of Trade, Industry and Fisheries announced its proposed terms for capacity expansion under the new system for production growth. The terms mean that owners of licences in green production areas will be offered the chance to increase the maximum allowed biomass (MAB) under existing licences by 2 per cent. By the 31 January 2018 deadline, SalMar had applied for a 2 per cent increase in MAB at all the licences where this was possible. This amounted to an additional 754 tonnes. SalMar has also applied for permission to increase its MAB by 212 tonnes under the scheme's exemption provisions.

On 14 February 2018, SalMar approved a new borrowing agreement with DNB, Nordea and Danske Bank, which extends the company's existing credit facilities. The agreement runs for a period of three years, with an option to extend for a further two years.

The credit facilities have a total ceiling of NOK 4,650 million, and comprise a term loan of NOK 650 million, an investment/acquisition facility of NOK 2,000 million and a revolving credit facility of NOK 1,500 million. In addition, an annually renewable operating credit capped at NOK 500 million has been agreed.

Olav Andreas Ervik (41) took over as CEO after Trond Williksen tendered his resignation to the board of directors. Although the change took place with effect from 10 April 2018, Trond Williksen will remain available to the board during his period of notice.

Before his appointment as CEO, Olav Andreas Ervik was COO for SalMar's fish farming operations, having joined SalMar in 2012 as Managing Director of SalMar Farming AS. He has worked in the aquaculture industry for over 20 years, during which time he has also held management positions with Lerøy Midnor, Scottish Seafarms and Lerøy Hydrotech.

## Financial performance

#### Consolidated income statements

The Group generated gross operating revenues of NOK 10,817.2 million in 2017, compared with NOK 9,029.8 million in 2016. This corresponds to an increase of 20 per cent.

SalMar harvested a total of 135,200 tonnes in 2017, up 17 per cent from the 115,600 tonnes harvested in 2016. Fish Farming Central Norway increased its harvested volume by 17,000 tonnes, from 70,500 tonnes in 2016 to 87,500 tonnes in 2017. Fish Farming Northern Norway increased its

harvested volume by 2,500 tonnes, from 45,200 tonnes in 2016 to 47,700 tonnes in 2017. Including SalMar's share of Norskott Havbruk (50 per cent), the Group's entire harvested volume in 2017 came to 150,700 tonnes.

The average price of salmon (NASDAQ) in 2017 came to NOK 59.90 per kg, compared with NOK 62.70 per kg in 2016. This corresponds to a decrease of just over 4 per cent. However, SalMar's price achievement in 2017 was better than in 2016. This is attributable to higher prices in the contract portfolio. Please see the section on the Sales and Processing segment for further details regarding operating revenues.

With regard to SalMar's overall biological performance, 2017 was a step in the right direction compared with 2016. This resulted in improved production and a higher harvested volume. Over time, better preparedness and substantial delousing capacity has increased the fish farming segments' cost base. Together with higher feed costs, this raised the overall cost of the harvested biomass in 2017 compared with 2016. However, the general trend with regard to costs is positive. Through 2016, SalMar's costs rose steadily, reaching their peak in the fourth quarter. In 2017, the trend reversed, and the company posted four quarters of continuously falling costs. Please see the sections covering the individual fish farming segments for further details of developments in their costs.

Higher payroll costs are largely attributable to increased levels of activity in the harvesting and processing business. The number of full-time equivalents in the Group rose by 5 per cent in 2017, from 1,357 in 2016 to 1,427 in 2017. The underlying increase in salary expenses came to 3 per cent.

SalMar's ongoing investment programme has, over time, increased the value of the Group's operating assets. This explains increased depreciation in 2017 compared with 2016.

Operational EBIT for the SalMar Group totalled NOK 3,162.2 million in 2017, compared with NOK 2,431.6 million in 2016. The improvement is, as previously explained, largely attributable to higher price achievement and a larger volume harvested.

Operational EBIT is SalMar's most important measure of its performance under IFRS, since it shows the results of underlying operations during the period. Specific items not associated with underlying operations are presented on separate lines in the consolidated financial statements.

Fair value adjustments reduced earnings by NOK 370.0 million in 2017. In 2016, fair value adjustments boosted earnings by NOK 654.0 million. Fair value adjustments comprise adjustments in the fair value of the biomass, unrealised 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 of the biomass had a negative impact amounting to NOK 927.8 million in total. This can be attributed largely to reduced price expectations at the end of 2017 compared with its start. Changes in provisions for loss-making contracts and financial salmon price derivatives, as well as the unrealised effect of forward currency contracts,

have had an opposite effect totalling NOK 557.8 million.

SalMar made an operating profit of NOK 2,792.2 million in 2017, down from NOK 3,085.6 million the year before.

SalMar's associates, ie companies in which SalMar's shareholdings give the Group a significant influence, posted good operational results in 2017. SalMar's share of the profit/loss from these investments, which totalled NOK 208.9 million, derives largely from Norskott Havbruk and Arnarlax. The corresponding figure for 2016 was NOK 286.8 million.

Interest income and net financial items came negative to NOK 38.0 million in 2017, compared positive with NOK 75.9 million in 2016. The change is primarily attributable to the classification of foreign exchange effects relating to sales in foreign currencies. Through 2017, foreign exchange effects were negative, amounting to NOK 49.1 million, compared with positive effects totalling NOK 78.2 million in 2016.

SalMar's total financial expenses came to NOK 107.0 million in 2017, which is in line with the figure for 2016.

Net financial items for 2017 therefore came negative to NOK 145.0 million, such that the year's profit before tax totalled NOK 2,856.2 million, down from NOK 3,342.1 million in 2016. The tax expense for 2017 came to NOK 558.4 million. This is NOK 132.7 million lower than the year before, and is largely attributable to a lower tax base.

For 2017 as a whole, SalMar made a net profit of NOK 2,297.8 million, compared with NOK 2,651.0 million in 2016.

#### Consolidated cash flows

SalMar generated a positive cash flow from operating activities of NOK 3,374.4 million in 2017, compared with NOK 2,724.6 million in 2016. SalMar's share of the profit from associates, amounting to NOK 208.9 million, constituted the largest positive contribution to profit and loss without any impact on cash flow. Depreciation totalling NOK 418.6 million and a change in fair value adjustments of NOK 370.0 million constituted the largest negative contribution with no effect on cash flow. Furthermore, the item 'interest expenses' has been reclassified to financing activities. During the period, SalMar reduced working capital (change in trade receivables and payables, inventory, etc) by NOK 263.3 million. In 2017, SalMar paid NOK 423.2 million in corporation tax.

Net payments from investing activities totalled NOK 758.0 million in the period, compared with net payments of NOK 1,231.3 million in 2016. During the year, a total of NOK 937.1 million was invested in intangible assets and property, plant and equipment. SalMar has increased its production capacity in Finnmark by means of a 5 per cent increase in MAB for 18 licences for a total consideration of NOK 18 million.

The investment programme associated with the expansion of the Group's smolt production capacity proceeded as planned. The new facility in Senja was completed and became fully operational in the first quarter. A total of NOK 67.7 million was paid out in connection with this investment in 2017. The Group's largest smolt production facility in Central Norway is located at Follafooss. Over the course of the

year, a total of NOK 1 27.3 million was invested to extend this facility. Furthermore, a total of NOK 35.7 million was spent on extending the Group's production of farmed cleaner fish.

The construction and delivery of the Ocean Farm facility was completed in September. A total of NOK 389.1 million was spent in this connection during the year. Necessary maintenance investments totalling NOK 296.5 million were also made during the year.

A total of NOK 161.0 million was received in dividends from associates.

Net payments from financing activities in 2017 came to NOK 2,716.6 million, compared with NOK 1,491.2 million the year before. In 2017, SalMar paid a total of NOK 1,366 million in dividends to its shareholders. Credit facilities and instalment loans were reduced by NOK 1,289.6 million during the year, while the year's net interest and financial expenses totalled NOK 106.9 million.

Overall, this resulted in a negative net cash flow for SalMar of NOK 100.2 million in 2017, which reduced the Group's holdings of cash and cash equivalents to NOK 177.1 million at the close of the year. Unused drawing rights at the close of the year totalled NOK 4,085.6 million.

#### Consolidated balance sheet

As at 31 December 2017, SalMar's balance sheet totalled NOK 12,926.2 million, NOK 475.4 million less than at the close of 2016.

The value of the Group's intangible assets rose by NOK 14.2 million during 2017. The increase can be explained by the 5 per cent growth in MAB for 18 licences, as well as a net change in capitalised R&D costs. In total, the Group recognised intangible assets to the value of NOK 2,925.0 million at the close of 2017. Of this amount, the book value of 100 fish farming licences totalled NOK 2,381.6 million.

The total recognised value of property, plant and equipment came to NOK 3,604.8 million at the close of the year. This is NOK 467.3 million more than at the end of 2016. The Group has several strategic investment programmes in effect, whose purpose is to promote growth. A total of NOK 620.0 million has been invested in these programmes. A further NOK 296.6 million was invested for maintenance purposes. Depreciation and write-downs of property, plant and equipment totalled NOK 412.3 million in 2017.

The Group's non-current financial assets were worth a total of NOK 1,080.8 million at the close of 2017. This is NOK 120.8 million more than at the same point in 2016, and is due to the fact that SalMar's share of the year's net profit from these companies was higher than the dividends received for 2017.

The value of the Group's biological assets totalled NOK 4,135.5 million at the close of the year. This is NOK 861.5 million less than at the same point in 2016. Measured in tonnes, the biomass was 3 per cent larger at the close of 2017 than at its start. The cost of producing the biomass rose by NOK 66.2 million, or 2 per cent, with total produc-



tion costs coming to NOK 3,034.6 million. At the close of the year, the fair value adjustment of the biomass totalled NOK 1,100.9 million, which is NOK 927.8 million lower than at the start of the year.

The amount of capital tied up in trade receivables has been reduced. Overall, receivables decreased from NOK 595.8 million at the start of the year to NOK 501.1 million at its close. At the close of the year, a provision of NOK 9.0 million was made to cover uncertain claims, including excess on credit insurance.

At the close of 2017, the Group's equity totalled NOK 7,668.1 million, up from NOK 6,680.8 million at the close of 2016. The Group's equity ratio rose from 49.9 per cent at the close of 2016 to 59.3 per cent at the close of 2017.

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents) came to NOK 1,222.5 million at the close of the year, down from NOK 2,364.5 million at the close of 2016. In July 2014, the Group entered into a new five-year borrowing agreement with a consortium of Nordic banks. The financing agreement encompasses both operating credit facilities, instalment loans and acquisition funding schemes, and means the Group had total drawing rights of NOK 4,000 million at the close of 2017. Over and above, this main financing facility, each of the Group's subsidiaries has its own financing agreements, in connection with which interest-bearing debt at the close of the year stood at NOK 229.0 million. Furthermore, the Group has ordinary leasing liabilities of NOK 44.9 million. This does not include the leasing agreement for the InnovaMar building which, in accordance with its nature, is classified as a financing agreement under which the leasing liability at the close of the year came to NOK 317.0 million. The coming year's instalments on interest-bearing debt total NOK 134.9 million.

The Group expects to pay NOK 672.4 million in corporation tax, based on its taxable income for 2017.

The NOK 475.4 million decrease in the Group's assets in 2017 is attributable to a reduction in interest-bearing debt of NOK 1,238.5 million, a reduction in interest-free liabilities of NOK 224.2 million, and an increase in equity of NOK 987.3 million. The Group's solvency and financial position have therefore strengthened during 2017.

## Reporting segments

### *Fish Farming Central Norway*

Fish Farming Central Norway, the Group's largest regional fish farming segment, posted good profits despite challenging biological operating conditions. The segment generated gross operating revenues of NOK 5,198.5 million in 2017, compared with NOK 4,343.5 million in 2016. Operational EBIT totalled NOK 1,891.5 million in 2017, compared with NOK 1,770.2 million in 2016.

Operational EBIT per kg gutted weight came to NOK 21.60 for the year as a whole, down from NOK 25.10 per kg in 2016. The decrease is attributable to lower salmon prices and a slightly higher production cost. All the salmon produced is sold within the Group at a price deriving from the market price (NASDAQ). On average, the price achieved by the seg-

ment for its harvested salmon was NOK 2.2 per kg less than the year before, while the production cost rose on average by NOK 1.3 per kg compared with 2016.

Operationally, 2017 was a challenging year. The switch to new methods (non-medicinal) for the treatment and prevention of salmon lice continued unabated through the year. By means of systematic efforts, including enhanced preparedness, capacity and expertise, the number of lice was kept under control. The frequency of treatment at certain production sites was high and resulted in a mortality rate that exceeded the target level. However, other production sites succeeded in completing the entire production cycle without the use of any medicinal delousing treatment at all. Developments through the year were positive. The generation of fish that was transferred to the sea in the spring of 2016 and harvested in the second half of 2017 performed better than the previous generation. The same is true for the generation transferred to the sea in the autumn of 2016. The biological status of the fish transferred to the sea in 2017 was considered good at the close of the year.

Fish Farming Central Norway harvested 87,500 tonnes of salmon in 2017, compared with 70,500 tonnes in 2016. This is an increase of 24 per cent. At the close of the year, the volume of the segment's biomass was 7 per cent higher than at its start. SalMar expects Fish Farming Central Norway to harvest 96,000 tonnes in 2018.

### *Fish Farming Northern Norway*

2017 was a good year for Fish Farming Northern Norway. A 6 per cent increase in the volume harvested and a good pay-off from the high salmon prices gave a solid financial result in 2017.

Fish Farming Northern Norway generated gross operating revenues of NOK 2,864.8 million in 2017, compared with NOK 2,799.2 million in 2016. Operational EBIT totalled NOK 1,376.1 million in 2017, compared with NOK 1,480.3 million in 2016.

Operational EBIT per kg gutted weight came to NOK 28.8 in 2017, down from NOK 32.80 in 2016. The decrease is attributable to slightly lower salmon prices. On average, the segment achieved NOK 2.00 less per kg harvested salmon. The production cost of the harvested biomass rose on average by NOK 1.90 per kg compared with 2016.

Overall, the lice situation was materially better in this region than in Central Norway. In certain regions in southern Troms, lice posed a challenge from time to time. However, the segment's response capacity, including new, non-medicinal methods, has been reinforced. In recent years, the segment's maximum allowed biomass (MAB) has grown substantially, making it necessary to invest in increased smolt production capacity. The first smolt from our new facility in Senja were delivered in September 2017. Access to production locations has been and remains a challenge in this region. A restructuring process has taken place to optimise production, by seeking to expand the MAB at existing sites, as well as gain access to new locations. This, however, has proved more challenging than initially anticipated.

Fish Farming Northern Norway harvested 47,700 tonnes in 2017, compared with 45,200 tonnes in 2016.

SalMar expects the segment to harvest around 47,000 tonnes in 2018.

### *Sales and Processing*

The Sales and Processing segment is responsible for the sale and disposal of the entire Group's harvested volume. The segment purchases the salmon produced by the Group's fish farming facilities at the market price. As a result of higher price achievement, a higher harvested volume and a higher proportion of processed fish sold, gross operating revenues increased from NOK 9,035.8 million in 2016 to NOK 10,924.8 million in 2017. Operational EBIT totalled NOK 47.8 million in 2017, compared with negative NOK 685.8 million in 2016.

In 2017, around 46 per cent of the volume harvested was sold under fixed-price contracts. Price achievement in the first half-year was below the spot price, while the opposite was true in the second half-year. For the year as a whole, the contract portfolio had a negative impact on the segment's profitability. Fish sold in the spot market achieved satisfactory margins. Antibiotic-free Norwegian salmon and a weak NOK have made the sector more competitive in the American market. SalMar sold a record-high volume to this market in 2017.

A total of 121,000 tonnes of salmon was harvested at InnovaMar in 2017, up 25,500 tonnes on 2016. This increase in capacity utilisation had a positive impact on profitability. Activity levels at InnovaMar depend on the volume of fish produced. 2017 was therefore a challenging year. Strong fluctuations in the volume harvested and requirements for direct unloading from wellboats made it difficult to achieve the most cost-effective operations. Despite this, however, InnovaMar posted consistently good results.

The secondary processing business also experienced difficult operating conditions. Raw materials of occasionally poor quality hampered efficiency, and volatile salmon prices made it hard to earn money from secondary processing. In 2017, therefore, the business had a negative impact on the segment's financial results. Nevertheless, SalMar considers that it is right to process a relatively large proportion of the raw materials in Norway. This increases the quality of the product that is sold to the customer, affords opportunities for efficient handling of by-products, and saves on transport costs.

### *Associates*

#### *Norskott Havbruk*

Through its wholly owned subsidiary Scottish Sea Farms, Norskott Havbruk engages in the farming of salmon in mainland Scotland, the Orkneys and Shetland. SalMar controls 50 per cent of the business.

2017 was an extremely good year for Norskott Havbruk. The company increased its gross revenues by NOK 367.5 million to NOK 2,088.0 million in 2017, compared with NOK 1,720.6 million in 2016. Higher price achievement and a higher harvested volume boosted Operational EBIT by NOK 195.4 million to NOK 669.3 million in 2017, compared with NOK 473.9 million in 2016.

The company harvested at total of 31,000 tonnes in 2017, up from 28,000 tonnes the year before. As a result of biological challenges at the end of 2017 and the restructuring of operations in Shetland, it is expected that the volume harvested will decrease to around 26,000 tonnes in 2018.

Operating profit per kg gutted weight came to NOK 21.60 in 2017, up NOK 4.70 per kg from 2016. The increase is largely attributable to higher salmon prices.

Norskott Havbruk is recognised as an associate, 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 came to NOK 272.8 million, compared with NOK 236.6 million in 2016.

#### *Arnarlax*

Arnarlax farms salmon in Iceland. At the close of 2017, SalMar controlled 34 per cent of the business.

Arnarlax is a young company, and is leading the development of a sustainable fish farming industry in Iceland. Given this background, 2017 was a satisfactory year for the company. Gross revenues rose from NOK 247.4 million in 2016 to NOK 625.4 million in 2017. Operational EBIT totalled NOK 60.2 million, an increase of NOK 61.9 million from the year before. The company harvested a total of 9,700 tonnes in 2017, an increase of 142 per cent from 2016.

Operating profit per kg gutted weight came to NOK 6.20, an increase of NOK 6.60 per kg from 2016. The company's cost structure reflects the fact that it is in an early development phase. Arnarlax is working hard to optimise its operating structure and bring costs down to a competitive level. In 2017, the company harvested its second generation of fish, which had lower production costs than the previous generation.

The company expects to harvest around 11,000 tonnes of salmon in 2018.

Arnarlax HF is recognised as an associate, with SalMar's share (34 per cent) 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 55.7 million in 2017. The negative result is attributable to a downward adjustment in the fair value of the biomass.

### *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 2017, it employed a total of 33 full-time equivalents.

The company made a net profit for the year of NOK 2,395.2 million in 2017, compared with NOK 2,337.9 million in 2016. The bulk of the company's revenues relate to investments in subsidiaries and associates. 2017 was a good year for SalMar's subsidiaries, and NOK 2,920.6 million in dividends/group contributions was taken to income. Furthermore, the company recognised a dividend of NOK 161.0 million from



its investment in the associate Norskott Havbruk. SalMar ASA administers the Group's main financing arrangements, in connection with which interest expenses came to NOK 41.9 million. The company also recognised NOK 86.0 million in interest income from loans to subsidiaries.

At the close of 2017, SalMar ASA had NOK 8,611.1 million in recognised assets. Of this amount, non-current financial assets totalled NOK 5,688.9 million, with loans to subsidiaries accounting for NOK 3,133.6 million. Current receivables totalled NOK 2,900.9 million and mainly comprise dividends/group contributions receivable from subsidiaries. The company had cash and cash equivalents of NOK 9.9 million at the close of the year. As at 31 December 2017, equity totalled NOK 2,363.3 million, corresponding to an equity ratio of 27 per cent. Non-current liabilities comprise interest-bearing debt and totalled NOK 700.0 million. Current liabilities totalled NOK 5,547.9 million, of which NOK 2,138.4 million was a dividend provision, while group contributions owing to subsidiaries totalled NOK 2,550.9 million.

The board is proposing that a dividend of NOK 19.00 per share be paid for the 2017 financial year. The board proposes the following allocation of the year's net profit:

- Dividend provision	NO	2,138.4 million
- Transferred to other equity	NOK	256.8 million
- Total	NOK	2,395.2 million

At the close of the year, the company had a distributable reserve of NOK 2,334.9 million.

Going concern

The financial statements for 2017 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 places particular emphasis 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 medicinally resistant lice, ie lice that have a lower sensitivity to the preparations and medications that have been effective in the treatment of lice over the past decade. 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, which encompasses 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, the use of cleaner fish produced for biological delousing 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. In the past couple of years, a substantial delousing capacity has been built up in the form of mechanical delousing equipment that also collects the lice to prevent reproduction.

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. All interest-bearing debt is, moreover, in NOK. Use of forward currency contracts is described in Note 11 to the financial statements.

Interest rate risk

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

Price risk

SalMar's entire business is related to salmon, and is therefore directly and indirectly affected by developments in salmon prices. The Group's profitability and cash flows are strongly correlated with movements in the price of salmon. Historically, salmon prices have been highly volatile seen in an annual, quarterly and monthly perspective. In 2017, the spot price of Atlantic salmon fluctuated between NOK 43.90 and NOK 79.40 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 46 per cent of the Group's volume was sold under fixed-price contracts in 2017.

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 taken out whenever counterparty risk is not deemed to be 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

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 focus of SalMar's R&D efforts has been evaluated and slightly altered in 2017. Lice abatement, biomass control and smolt quality remain high priorities, and the development and improvement of vaccines, nutrition and feeding, as well as operating technologies, are equally topical. In addition, SalMar continuously performs assessments of its own operating practices. SalMar wishes to establish more long-term projects and an even closer collaboration with the equipment supply industry.

In 2017, the increased emphasis on breeding and genetics became operationalised via a collaboration with Benchmark Holding plc's SalmoBreed subsidiary, in the form of a newly established joint venture, SalMar Genetics. SalMar is pleased to see that this model has created a solid foundation for the further development of the Rauma strain in the years ahead, and that this work may also offer synergies in other areas that SalMar is focusing on.

SalMar aims to expand its R&D activities in the area of feed and feeding in collaboration with its main feed provider. SalMar sees a substantial need for greater focus on basic knowledge of how the fish are fed and how we can ensure the entire population enjoys optimal conditions throughout the production cycle. It is SalMar's clearly expressed goal to initiate better and more comprehensive research into these issues under large-scale conditions.

In the autumn of 2017, SalMar's new Ocean Farm 1 facility arrived at its designated location in Frohavet, off the coast



of Trøndelag, and full-scale pilot operations commenced. Ocean Farm 1 is the world's first floating offshore fish farm, and represents a new era in aquaculture. It is based on the best of Norwegian fish farming and offshore technology, and answers many of the challenges associated with sustainable growth within the aquaculture sector.

Ocean Farm 1 has been built with a view to relocating the production of farmed salmon from within the fjords to the open sea. Being able to make use of sites offering good biological conditions for the farming of fish, areas that are less affected by tidal currents and where the current flows in a more constant direction, is important for future sustainable growth. This full-scale pilot facility could therefore solve the challenges to growth facing the aquaculture industry.

The new facility will enable research to be carried out on biological and technological aspects of offshore fish farming that have so far not been possible. Ocean Farm 1 is equipped with extensive instrumentation and sensor systems, which provide unique opportunities to gather large volumes of data in real time about the fish and the farm environment. Such data will make important contributions to the development of new insights in order to digitalise and automate the aquaculture industry. To realise the pilot facility, SalMar has worked with entities in both the fish farming and offshore industries. So far, SalMar has achieved good biological results from its ocean-going sea farm, with strong growth and low mortality.

### 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](http://www.salmar.no). SalMar's activities in the area of social responsibility, including human rights, labour rights, the working environment, equality, discrimination, anti-corruption and the external environment, are described in a separate section of this annual report on pages 28-29. In addition, a separate corporate sustainability report for 2017 has been published. This report is also available from the Group's website.

### Shares and shareholders

In 2017, SalMar's shares were traded at prices varying

between NOK 180.20 and NOK 263.00 per share. The price on 29 December, the last day of trading in 2017, was NOK 246.80 per share.

At the AGM on 6 June 2017, the board was authorised to increase the company's share capital. The authorisation was an extension of the one granted by the 2016 AGM.

The authorisation allows the board to increase the company's share capital by up to NOK 2,832,000 through the issue of 11,328,000 shares to finance investments and the acquisition of businesses through cash issues and contributions in kind, as well as to reward senior executives participating in ongoing incentive programmes.

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

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

The board was also authorised to introduce a 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 2017 scheme should not exceed 400,000. 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 2,832,000, 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 2018 AGM, which will be held on 5 June.

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 group management in his capacity as director for strategic projects.

The company's 20 largest shareholders own a total of 74.7 per cent of the shares. As at 31 December 2017, SalMar ASA was the tenth largest shareholder with a holding of 754,922 shares or 0.67 per cent.

SalMar acquired no treasury shares in 2017.

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 four members elected by the shareholders and two employee representatives. Two of the board members are women, including one employee representative.

### Changes in the board's composition

At SalMar ASA's AGM on 6 June 2017, the seats on the board held by Bjørn Flatgård (Board Chair), Gustav Witzøe, Bente Rathe and Tove Nedreberg were up for election. All of the above had notified the Nomination Committee that they would not be seeking re-election. Atle Eide was proposed and elected as the new Board Chair. In addition, Helge Moen, Therese Log Bergjord and Margrethe Hauge were elected as new board members. All were elected for a period of two years, with the exception of Helge Moen, who was elected for one year. On 24 August 2017, Therese Log Bergjord notified the Nomination Committee of her resignation on the grounds that her new job was incompatible with the office of board member for SalMar ASA. A new board member will be elected at the 2018 AGM.

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

At the 2017 AGM, Bjørn Wiggen was elected to chair the Nomination Committee, while Anne Kathrine Slungård was re-elected as a Nomination Committee member for a period of two years.

### Markets

After a 4 per cent rise in the global supply of Atlantic salmon in 2015 and a 7 per cent reduction in 2016, output rose by 6 per cent in 2017, bringing the total volume of Atlantic salmon harvested to around 2.3 million tonnes. Norway increased its total output by 3 per cent or around 36,700 tonnes during the year. In Chile, previous years' decline was reversed, and the region increased its output of salmon by 15 per cent or 74,700 tonnes. Output in North America decreased by 4 per cent or around 6,800 tonnes during the period. The UK increased its output by 11 per cent or 16,900 tonnes. Output in the Faeroe Islands rose by 1 per cent or 600 tonnes, while output from the other markets rose by 18 per cent in total.

Overall, exports of Atlantic salmon from Norway totalled 1,150,249 tonnes round weight in 2017, an increase of 2

per cent on 2016. The realised salmon price in 2017 was 3 per cent higher than in 2016, such that the value of Norway's exports rose by 5 per cent to almost NOK 65 billion, compared with NOK 3.22 billion more than the year before. Norway exports 73 per cent of its farmed salmon to the EU, which received a combined total of 840,427 tonnes of Norwegian salmon. Poland reduced its imports of Norwegian salmon by 7 per cent, while France imported 10 per cent less. The central Asian markets (Vietnam/China/Hong Kong) increased their combined imports of Norwegian salmon by 20 per cent.

The price of Atlantic salmon (NASDAQ) fell through large parts of 2017. The year started with salmon prices at NOK 79.42 per kg, and ended at NOK 52.31 per kg. According to the NASDAQ Salmon Index, the average price for 2017 as a whole came to NOK 59.93 per kg, compared with NOK 62.68 per kg the year before.

From the close of 2016 until the close of 2017, the NOK weakened against the EUR and GBP by 8.3 per cent and 4.5 per cent respectively, but strengthened against the USD by 4.8 per cent. Any weakening of the NOK against the respective trading currencies may lead to an increase in the price of salmon measured in NOK, and vice versa.

SalMar had direct sales to around 50 different countries in 2017. SalMar's most important geographic market in 2017 was Europe, with Poland, Lithuania and Sweden as the largest individual markets. The second largest market was Asia, with Vietnam, Japan and Singapore as the largest individual markets. After sales to Russia were blocked in 2014, North America has been the third largest market, with the USA as the largest individual market. SalMar experienced particularly strong growth in the American market in 2017.

At the close of 2017, Norway's standing biomass totalled 769,700 tonnes round weight, up from 699,100 tonnes at the close of 2016. The UK's biomass at the close of the year came to 89,900 tonnes, a decrease of 3 per cent from the year before. At 295,400 tonnes, the biomass in Chile was 15 per cent larger than 12 months before. The combined biomass in the Faeroes was estimated at 50,200 tonnes at the close of the year, down 2 per cent on the year before.

Preliminary forecasts for 2018 (source: Kontali) indicate that the global supply of Atlantic salmon will increase by around 6 per cent. Norway will be the largest contributor, and is expected to increase its output by 8 per cent (99,800 tonnes). Chile is expected to boost its output by 6 per cent in 2018, while output from the Faeroes is expected to rise by 11 per cent. Producers in North America are expected to increase their output by 5 per cent, while output from the UK is expected to fall by 9 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. 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 2018. The board is of the opinion that this is something SalMar is well positioned to achieve.

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

The volume harvested in 2018 is expected to be higher than in 2017. This is primarily due to the fact that SalMar held a larger number of individual fish at its sea farms at the start of 2018 than was the case a year before. Overall, fish stocks are 3 per cent higher. SalMar expects to harvest a total of 143,000 tonnes in 2018.

SalMar's share of the volume harvested by Norskott Havbruk (50 per cent shareholding) in 2018 is expected to come to around 13,000 tonnes. In Iceland, Arnarlax expects to harvest a total of 11,000 tonnes in 2018.

Around 40 per cent of SalMar's volume is expected to be harvested in the first half of the year, with the remaining 60 per cent being harvested in the second half. Contract sales account for just under 30 per cent of the volume expected to be harvested in 2017. The average price and volume of the contract portfolio remains relatively stable through 2018. Overall, the average price for 2018 is slightly higher than the Fish Pool forward price.

The lice situation in Central Norway is improving. Over time, SalMar has invested heavily in the competence and capacity it needs to deal with biological challenges in the best possible way. This has been 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. These efforts have produced good results, and the biological situation for Fish Farming Central Norway is showing strong signs of improvement. For Fish Farming Northern Norway, the situation is generally good, though SalMar has experienced some challenges in individual areas. A high level of preparedness will be maintained going

forward, which will also have an impact costs.

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.

Fish feed is the most important cost component in salmon farming, accounting for 55-60 per cent of total production costs. So far, there are no indications that feed prices will change materially in 2018 compared with 2017.

In sum, therefore, SalMar expects the cost price of the harvested biomass to fall slightly through 2018, compared with 2017.

SalMar will continue its ongoing programme of investment in maintenance/upgrading. Around NOK 276 million is expected to be invested in 2018, largely relating to marine-phase production. SalMar's main smolt production facility in Trøndelag, at Follafoss, will continue Phase 2 of its expansion programme, which is estimated to cost a total of NOK 150 million. In 2018, around NOK 80 million in expenses will accrue. Infrastructure investments are expected to total NOK 356 million in 2018.

From the point of view of financial results, 2017 was a very good year for SalMar. The board considers SalMar's financial position to be sound, and is therefore proposing payment of a NOK 19.00 per share dividend. In the board's opinion, SalMar's financial capacity for further growth remains 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 enduring success is based.


Frøya, 17th of April 2018




Atle S. Eide  
Chair



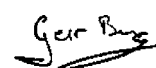
Helge Moen  
Director



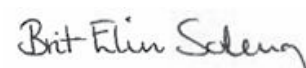
Margrethe Hauge  
Director



Kjell A. Storeide  
Deputy chair



Geir Berg  
Director/Employee representative



Britt Elin Soleng  
Director/Employee representative



Olav-Andreas Ervik  
President & CEO







## 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 2018 financial year. The statement was approved by the board of directors of SalMar ASA on 17 April 2018. 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 5 June 2018 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 guide-

lines 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 2018 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 2018.

### 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 2017 financial year

The Company's senior executive remuneration policy for the 2017 financial year has been carried out in accordance with the statement for 2017 adopted by the AGM on 6 June 2017.





Consolidated accounts  
SalMar 



## Consolidated Financial Statements

NOK 1000

OPERATING REVENUES AND OPERATING EXPENSES	NOTE	2017	2016
Sales revenues	11, 23	10 755 452	8 963 239
Other operating revenues	8	61 786	66 575
<b>Total operating revenues</b>		<b>10 817 238</b>	<b>9 029 814</b>
Cost of goods sold		4 722 474	4 000 818
Payroll costs	19,24,25	929 100	861 534
Depreciation of PP&E and intangible assets	4,5	414 686	358 020
Write-downs of PP&E	4,5	3 926	0
Other operating expenses	12,21,24,26	1 584 825	1 377 795
<b>Total operating expenses</b>		<b>7 655 011</b>	<b>6 598 168</b>
<b>Operational EBIT</b>		<b>3 162 227</b>	<b>2 431 647</b>
Fair value adjustments	14	-370 015	653 955
<b>Operating profit/loss</b>		<b>2 792 213</b>	<b>3 085 602</b>
Income from investments in associates	9	208 941	286 844
FINANCIAL ITEMS			
Interest income		11 109	5 014
Financial income		0	78 142
Interest expenses	17	106 961	106 328
Financial expenses		49 100	7 193
<b>Net financial items</b>		<b>-144 953</b>	<b>-30 366</b>
<b>Profit/loss before tax</b>		<b>2 856 201</b>	<b>3 342 080</b>
Tax	18	558 402	691 090
<b>Profit/loss for the year</b>		<b>2 297 798</b>	<b>2 650 990</b>
COMPREHENSIVE INCOME			
<i>Items which may subsequently be reclassified to profit &amp; loss</i>			
Translation differences and items of comprehensive income in associates		41 743	-105 325
Translation differences in subsidiaries		3 540	-2 056
Gross cash-flow hedging before tax		-15 152	15 152
Cash-flow hedging, tax effect		3 637	-3 637
<b>Total comprehensive income for the year</b>		<b>2 331 566</b>	<b>2 555 125</b>
<i>Allocation of the year's net profit:</i>			
Non-controlling interests	6	23 816	13 910
Shareholders in SalMar ASA		2 273 983	2 637 079
<i>Allocation of the year's total comprehensive income:</i>			
Non-controlling interests	6	23 816	13 910
Shareholders in SalMar ASA		2 307 750	2 541 214
Earnings per share	28	20,24	23,51
Diluted earnings per share	28	20,18	23,43

## Consolidated Balance Sheet

as at 31 December NOK 1000

ASSETS	NOTE	2017	2016
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Licences, patents, etc	4,20	2 478 510	2 464 332
Goodwill	4	446 465	446 465
<b>Total intangible assets</b>		<b>2 924 975</b>	<b>2 910 796</b>
PROPERTY, PLANT & EQUIPMENT			
Land, buildings & other real property	5,20	1 030 052	882 066
Plant, equipment & operating movables	5,20	2 314 523	1 981 840
Vessels, vehicles, etc	5,20	260 195	273 616
<b>Total property, plant &amp; equipment</b>		<b>3 604 770</b>	<b>3 137 522</b>
NON-CURRENT FINANCIAL ASSETS			
Investments in associates	9	1 023 796	908 400
Investments in shares & other securities	10	393	289
Pension fund assets	10,12,19	1 379	1 379
Other receivables	10,12,24	55 284	49 949
<b>Total non-current financial assets</b>		<b>1 080 852</b>	<b>960 017</b>
<b>Total non-current assets</b>		<b>7 610 597</b>	<b>7 008 335</b>
CURRENT ASSETS			
Biological assets	13,20	4 135 523	4 997 001
Other inventory	13,20	259 050	224 783
<b>Total inventory</b>		<b>4 394 573</b>	<b>5 221 784</b>
RECEIVABLES			
Trade receivables	10,12,20	501 112	595 773
Other receivables	10,11,12	242 866	302 078
<b>Total receivables</b>		<b>743 978</b>	<b>897 852</b>
BANK DEPOSITS, CASH & CASH EQUIVALENTS	10,15,17	177 098	273 715
<b>Total current assets</b>		<b>5 315 649</b>	<b>6 393 351</b>
<b>TOTAL ASSETS</b>		<b>12 926 246</b>	<b>13 401 686</b>



## Consolidated Balance Sheet

as at 31 December NOK 1000

EQUITY AND LIABILITIES	NOTE	2017	2016
<b>EQUITY</b>			
PAID-IN EQUITY			
Share capital	16	28 325	28 325
Treasury shares		-189	-246
Share premium fund		415 286	415 286
Other paid-in equity		114 188	85 673
<b>Total paid-in equity</b>		<b>557 610</b>	<b>529 037</b>
RETAINED EARNINGS			
Other equity		7 022 449	6 069 363
<b>Total retained earnings</b>		<b>7 022 449</b>	<b>6 069 363</b>
NON-CONTROLLING INTERESTS	6	88 069	82 432
<b>Total equity</b>		<b>7 668 128</b>	<b>6 680 833</b>
<b>LIABILITIES</b>			
NON-CURRENT LIABILITIES			
Deferred tax	18	1 362 222	1 495 301
Debt to credit institutions	2,10,17,20	811 027	2 079 001
Leasing liabilities and other non-current liabilities	2,5,10,17,20	344 972	360 556
<b>Total non-current liabilities</b>		<b>2 518 221</b>	<b>3 934 858</b>
CURRENT LIABILITIES			
Debt to credit institutions	2,10,17,20	243 633	198 613
Trade payables	10,17	1 248 975	1 199 402
Tax payable	18	672 448	423 223
Public charges payable		170 716	189 136
Other current liabilities	10,11,22	404 125	775 622
<b>Total current liabilities</b>		<b>2 739 897</b>	<b>2 785 995</b>
<b>Total liabilities</b>		<b>5 258 118</b>	<b>6 720 853</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>12 926 246</b>	<b>13 401 686</b>

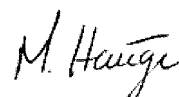
Frøya, 17th of April 2018



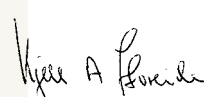
Atle S. Eide  
Chair



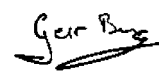
Helge Moen  
Director



Margrethe Hauge  
Director



Kjell A. Storeide  
Deputy chair



Geir Berg  
Director/Employee representative



Britt Elin Soleng  
Director/Employee representative



Olav-Andreas Ervik  
CEO

## Consolidated Statement of Cash Flow

as at 31 December NOK 1000

	NOTE	2017	2016
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Profit before tax		2 856 201	3 342 080
Tax paid in the period	18	-423 223	-291 049
Depreciation and write-downs	4,5	418 612	358 020
Options charged to expenses	24,25	28 515	27 905
Share of profit/loss from associates	9	-208 941	-286 844
Loss/gain on exit of subsidiaries	8	-10 239	-26 562
Loss/gain on sale of PP&E	5	243	973
Change in fair value	14	370 015	-653 955
Change in inventory/biological assets		-110 359	-534 980
Change in trade receivables		94 661	219 008
Change in trade payables		46 141	550 233
Change in other time-limited items		312 810	19 770
<b>Net cash flow from operating activities</b>		<b>3 374 435</b>	<b>2 724 599</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Receipts from sale of PP&E	5	3 933	2 298
Payments for purchase of PP&E and intangible assets	4,5	-937 084	-1 096 824
Exit of subsidiaries - cash effect	8	22 211	4 444
Payment for purchase of shares and other securities	9	-8 069	-200 000
Dividend from associates	9	161 015	100 800
Lending to third parties		0	-42 000
<b>Net cash flow from investing activities</b>		<b>-757 994</b>	<b>-1 231 282</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
New long-term borrowings	17	0	175 000
Repayment of long-term borrowings	17	-1 289 592	-498 505
Net change in overdraft	17	38 650	59 480
Interest received		11 109	5 014
Interest paid	17	-106 961	-106 328
Payment of dividend		-1 365 967	-1 125 903
Exit non-controlling interests		-4 000	0
Other changes		162	0
<b>Net cash flow from financing activities</b>		<b>-2 716 600</b>	<b>-1 491 242</b>
Net change in bank deposits, cash & cash equivalents		-100 158	2 075
Foreign exchange effects		3 540	-2 057
Bank deposits, cash & cash equivalents as at 1 Jan		273 715	273 696
<b>Bank deposits, cash &amp; cash equivalents as at 31 Dec</b>		<b>177 098</b>	<b>273 715</b>

Unused drawing rights 17 4 085 559 3 116 000

Restricted funds account for NOK 118,394,000 of the Group's total cash & cash equivalents of NOK 177,098,000. See Note 15 for further details.

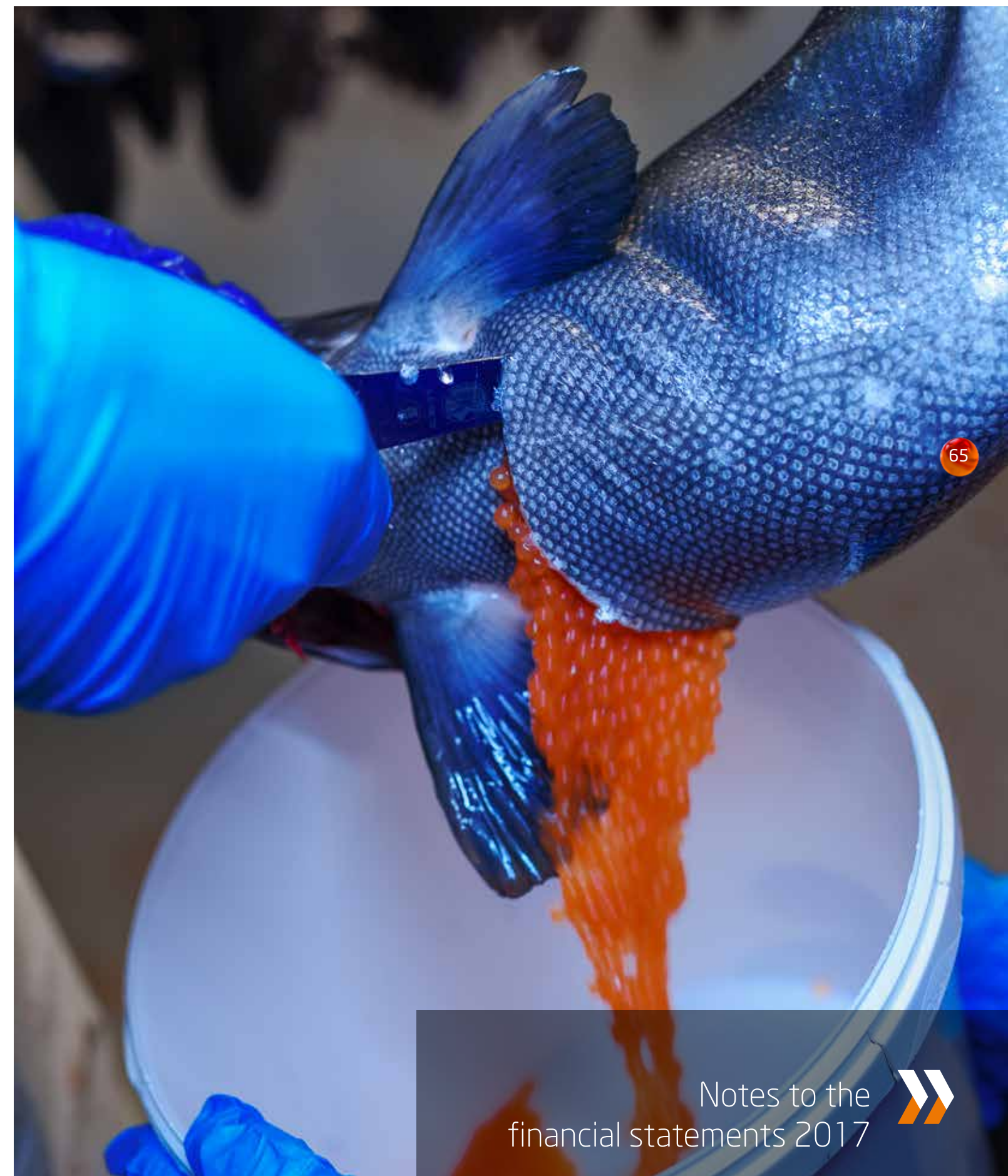


## Statement of Equity

NOK 1 000

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	5 227 040
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
Cach flow headging, net after tax							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	82 433	6 680 832

2017	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 2017		28 325	-246	415 286	85 673	7 109	6 062 254	82 433	6 680 832
Net profit for the year							2 273 983	23 816	2 297 798
COMPREHENSIVE INCOME									
Translation differences in associates	9						41 743		41 743
Translation differences in subsidiaries						3 540			3 540
Cach flow headging, net after tax							-11 516		-11 516
Total comprehensive income						3 540	30 227	0	33 767
Total comprehensive income for the year						3 540	2 304 210	23 816	2 331 566
TRANSACTIONS WITH SHAREHOLDERS									
Award of options	25				28 515				28 515
Deferred tax on options	18						-2 980		-2 980
Options redeemed	25		57				-57		0
Payment of dividend	16					-1 347 788		-18 179	-1 365 967
Exit non-controlling interests							-4 000	0	-4 000
Other changes							162	0	162
Total transactions with shareholders		0	57	0	28 515	0	-1 354 664	-18 179	-1 344 270
Equity as at 31 Dec 2017		28 325	-189	415 286	114 188	10 649	7 011 800	88 069	7 668 128



Notes to the  
financial statements 2017





## 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 17 April 2018.

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. The Group therefore controls an entity in which it has invested when, and only when, the Group:

- has power over the entity,
- is exposed to or entitled to a variable return on its investment in the entity, 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:

- The balance sheet is translated at the exchange rate in effect on the balance sheet date.
- The profit and loss account is translated at the average



exchange rate (if the average does not give generally reasonable estimate of the transaction rate, the actual transaction rate is used).

- 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 amounts associated with collaborative agreements are deemed to confer the right to use an intangible asset and are therefore classified as an intangible asset. Leasing costs are charged to 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 recognised at historic cost.

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 or 2017.

#### 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.





### 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 2017, a 0.5% rise in the rate of interest would reduce the Group's profit by NOK 6,752,000 (2016: NOK 13,189,000), 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 2017, a 10% fall in the value of the NOK would alter the Group's profit before tax by NOK 277,523,000 (2016: NOK 359,453,000). 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 2017 would have had the following effect on the Group's profit before tax:

EUR:	TNOK	130,527
JPY:	TNOK	19,834
GBP:	TNOK	16,556
USD:	TNOK	120,772

### 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 (NOK 1 000)

Maturity	Total	2018	2019	2020	2021	2022	After 2022
Long-term debt	929 001	117 975	621 100	21 100	21 100	20 887	126 840
Interest on long-term debt	29 777	13 572	7 807	2 798	2 469	2 142	989
Financial leasing agreements	361 934	16 962	15 529	14 158	11 421	9 565	294 299
Interest on fin. leas. agreem.	444 149	41 930	41 331	40 607	39 750	38 734	241 797
Short-term credit facilities	108 696	108 696	-	-	-	-	-
Interest on short-term debt	390	390	-	-	-	-	-
Trade payables	1 248 975	1 248 975	-	-	-	-	-
<b>Total liabilities</b>	<b>3 122 922</b>	<b>1 548 500</b>	<b>685 767</b>	<b>78 662</b>	<b>74 739</b>	<b>71 328</b>	<b>663 926</b>

### 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 2017.

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 2017, the Group had an equity ratio of 59.3 per cent (49.9 per cent as at 31 December 2016). At the close of 2017, the Group had a net interest-bearing debt of NOK 1,222,533,000 (2016: NOK 2,364,474,000).

### 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 and Fish Pool contracts measured at fair value level 2. See also Note 13 for details of biological assets measured at fair value in level 3.

31 Dec 2017 (NOK 1 000)	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value in profit and loss				
- Derivatives held for trading	-	-	-	-
Financial assets available for sale				
- Equity instruments	-	-	393	393
<b>TOTAL assets</b>	<b>-</b>	<b>-</b>	<b>393</b>	<b>393</b>
<b>Liabilities</b>				
Financial liabilities at fair value in profit and loss				
- Derivatives held for trading	-	48 004	-	48 004
Long-term debt to credit institutions			811 027	811 027
Leasing liabilities and other non-current liabilities			344 972	344 972
Short-term debt to credit institutions			243 633	243 633
<b>TOTAL liabilities</b>	<b>-</b>	<b>48 004</b>	<b>1 399 631</b>	<b>1 447 635</b>



31 Dec 2016 (NOK 1 000)

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Financial assets at fair value in profit and loss				
- Derivatives held for trading	-	37 491	-	37 491
Financial assets available for sale				
- Equity instruments	-	-	289	289
<b>TOTAL assets</b>	<b>-</b>	<b>37 491</b>	<b>289</b>	<b>37 779</b>
<b>Liabilities</b>				
Financial liabilities at fair value in profit and loss				
- Derivatives held for trading	-	23 068	-	23 068
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
<b>TOTAL liabilities</b>	<b>-</b>	<b>23 068</b>	<b>2 638 170</b>	<b>2 661 238</b>

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 considered to be the same as the market rate on the balance sheet date. Seen Note 17 for further details of interest terms.

### Note 3 - Segments

Operating segments are reported in the same way as they are reported internally to company management, which is responsible for the allocation of resources and the evaluation of the operating segments' earnings.

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.

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.

	Fish Farming Central Norway	Fish Farming North. Norway	Sales & Processing	GAAP- difference	Other/ eliminations	SalMar Group
<b>2017 NOK 1000</b>						
External operating revenues	23 671	198 123	10 595 444	-	-	10 817 238
Internal operating revenues	5 174 800	2 666 679	329 352	-	-8 170 831	-
<b>TOTAL operating revenues</b>	<b>5 198 471</b>	<b>2 864 802</b>	<b>10 924 796</b>	<b>-</b>	<b>-8 170 831</b>	<b>10 817 238</b>
Depreciation	238 367	93 616	76 536	-	6 167	414 686
Write-downs	1 672	1 357	897	-	-	3 926
Operating expenses	3 066 956	1 393 694	10 799 514	-	-8 023 765	7 236 399
<b>Operational EBIT</b>	<b>1 891 476</b>	<b>1 376 135</b>	<b>47 849</b>	<b>-</b>	<b>-153 233</b>	<b>3 162 227</b>
Fair value adjustments	-	-	-	-370 015	-	-370 015
<b>Operating profit/loss</b>	<b>1 891 476</b>	<b>1 376 135</b>	<b>47 849</b>	<b>-370 015</b>	<b>-153 233</b>	<b>2 792 213</b>
Share of profit/loss from associates						208 941
Net financial items						-144 953
<b>Profit before tax</b>						<b>2 856 201</b>
Tax						558 402
<b>Net profit for the year</b>						<b>2 297 798</b>
Investments in PP&E	748 012	129 980	37 218	0	2 175	917 386
Investments in business entities	0	0	0	0	0	0

	Fish Farming Central Norway	Fish Farming North. Norway	Sales & Processing	GAAP- difference	Other/ eliminations	SalMar Group
<b>2016 NOK 1000</b>						
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	-
<b>TOTAL operating revenues</b>	<b>4 343 454</b>	<b>2 799 232</b>	<b>9 035 817</b>	<b>-</b>	<b>-7 148 689</b>	<b>9 029 814</b>
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
<b>Operational EBIT</b>	<b>1 770 151</b>	<b>1 480 331</b>	<b>-685 751</b>	<b>-</b>	<b>-133 084</b>	<b>2 431 647</b>
Fair value adjustments	-	-	-	653 955	-	653 955
<b>Operating profit/loss</b>	<b>1 770 151</b>	<b>1 480 331</b>	<b>-685 751</b>	<b>653 955</b>	<b>-133 084</b>	<b>3 085 602</b>
Share of profit/loss from associates						286 844
Net financial items						-30 366
<b>Profit before tax</b>						<b>3 342 080</b>
Tax						691 090
<b>Net profit for the year</b>						<b>2 650 990</b>
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

### Note 4 - Intangible assets

	Licences	Goodwill	Other intangible assets	TOTAL
<b>NOK 1000</b>				
Acquisition cost 1 Jan 2016	2 384 597	465 762	119 394	2 969 754
Additions	0	0	2 500	2 500
Disposals	0	907	1 000	1 907
Acquisition cost 31 Dec 2016	2 384 597	464 855	120 894	2 970 347
Additions	18 000	0	2 500	20 500
Acquisition cost 31 Dec 2017	2 402 597	464 855	123 394	2 990 847
Acc. dep. and write-downs 1 Jan 2016	21 000	18 390	16 821	56 211
Year's depreciation	0	0	4 238	4 238
Reversed depreciation	0	0	900	900
Acc. dep. and write-downs 31 Dec 2016	21 000	18 390	20 159	59 550
Year's depreciation	0	0	6 322	6 322
Acc. dep. and write-downs 31 Dec 2017	21 000	18 390	26 481	65 872
<b>Book value as at 31 Dec 2017</b>	<b>2 381 597</b>	<b>446 465</b>	<b>96 913</b>	<b>2 924 975</b>
Book value as at 31 Dec 2016	2 363 597	446 465	100 735	2 910 797
Book value as at 1 Jan 2016	2 363 597	447 372	102 573	2 913 543
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 25.5 million. Remaining items under 'Other intangible assets' are depreciated over 5 years. Of the total NOK 96.9 million recognised, capitalised R&D costs associated with the development of the Ocean Farm installation accounts for NOK 66.4 million. The Ocean Farm installation went into operation in 2017, and depreciation has begun.

Specification of fish farming licences 2017	No. of licences	MAB tons	Acquisition cost	Book value 31.12.17
<b>NOK 1000</b>				
Fish Farming Northern Norway	32	31 091	867 193	862 193
Fish Farming Central Norway	68	53 040	1 535 404	1 519 404
	100	84 131	2 402 597	2 381 597

The Group has 2 time-limited licences in addition to 10 partnership licences. In 2016, the Group was awarded 8 development licences for use in connection with its Ocean Farm project. This facility went into operation in 2017. The increased cost of NOK 18 million relating to licences in Northern Norway is the result of investments intended to increase the volume produced under existing licences in Finnmark.

Specification of fish farming licences 2016	No. of licences	MAB tons	Acquisition cost	Book value 31.12.16
<b>NOK 1000</b>				
Fish Farming Northern Norway	32	30 240	849 193	844 193
Fish Farming Central Norway	68	53 040	1 535 404	1 519 404
	100	83 280	2 384 597	2 363 597



**Specification of goodwill 2017**

<i>NOK 1000</i>	Acquisition year	Acquisition cost	Book value 31.12.17
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 2016**

<i>NOK 1000</i>	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

**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 is performed if the book value is lower than the recoverable value.

Future net cash flows are estimated on the basis of the Group's budget and forecasts for the next three years. No real growth is assumed when calculating the terminal value, ie growth is stipulated at the expected rate of inflation. Value in use is calculated on the basis of a 6.88 per cent 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 6.88 per cent. This corresponds to a pre-tax requirement of 8.93 per cent.

**EBIT(DA)/Margins:** EBIT per kg is highly volatile with respect to changes in salmon prices. 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 book value of licences is highest in the Northern Norway segment, such that the assessment for the Northern Norway segment is less robust. The break-even level for EBIT per kg in Fish Farming Northern Norway is NOK 5.97. The discount rate must increase by 9.96 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.

Impairment tests gave no grounds for any write-down of the book values of fish farming licences or goodwill as at 31 December 2016 or 31 December 2017.

**Note 5 - Property, plant & equipment**

<i>NOK 1000</i>	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 2016	743 239	2 621 751	362 415	3 727 405	762 606
Additions	293 936	692 094	108 295	1 094 324	102
Disposals on exit of subsidiaries	0	3 993	0	3 993	0
Disposals	2 081	35 490	3 988	41 559	980
Acquisition cost 31 Dec 2016	1 035 094	3 274 362	466 722	4 776 178	761 728
Additions	204 538	649 545	63 302	917 386	802
Disposals on exit of subsidiaries	11 622	22 148	0	33 770	0
Additions from acquisition of subsidiaries	0	54	0	54	0
Disposals	3 806	2 816	676	7 298	676
Acquisition cost 31 Dec 2017	1 224 204	3 898 996	529 348	5 652 548	761 854
Acc. dep. & write-downs 1 Jan 2016	126 057	1 075 023	122 553	1 323 633	309 956
Year's depreciation	28 987	252 375	72 419	353 782	51 951
Year's write-downs	0	0	0	0	0
Reversed depreciation on exit of subsidiaries and non-controlling interests	0	0	0	0	0
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
Year's depreciation	41 999	289 725	76 641	408 364	43 137
Year's write-downs	0	3 926	0	3 926	553
Reversed depreciation	875	1 699	592	3 166	592
Acc. dep. & write-downs 31 Dec 2017	194 152	1 584 473	269 154	2 047 779	404 673
<b>Book value 31 Dec 2017</b>	<b>1 030 052</b>	<b>2 314 523</b>	<b>260 195</b>	<b>3 604 770</b>	<b>357 181</b>
Book value 31 Dec 2016	882 066	1 981 840	273 616	3 137 522	400 153
Book value 1 Jan 2016	617 182	1 546 727	239 863	2 403 772	452 650

Gains/losses on sale of non-current assets	0	243	0	243	
Annual lease of off-balance sheet operating assets	26 447	35 273	288 133	349 853	

As at 31 December 2017, the company had capitalised NOK 16,784,000 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 7,508,000 in real property, NOK 6,145,000 in plant and equipment, and NOK 3,131,000 in vessels and other operating assets.

As at 31 December 2017, capitalised leasing liabilities totalled NOK 361,934,000. Of the capitalised operating assets, NOK 25,136,000 was accounted for by plant and equipment, NOK 80,069,000 by vessels and other operating assets, and NOK 251,976,000 by land and buildings. All leasing agreements have been entered into at standard terms and conditions.

In 2013, the Group renegotiated the InnoMar 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 251.2 million as at 31 December 2017. The leasing liability is capitalised in the amount of NOK 316.0 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 2017 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 %
- Troms Stamfiskstasjon AS	YES	Senja	100,0 %
- Rauma Sætre AS	YES	Ørskog	100,0 %
- Rauma Eik AS	YES	Ørskog	100,0 %
Hitramat Farming AS	YES	Kverva	51,0 %
SalMar Farming AS	YES	Kverva	100,0 %
- Rauma Stamfisk AS	YES	Ørskog	100,0 %
Ocean Farming AS	YES	Kverva	93,4 %
SalMar Nord AS	YES	Senja	100,0 %
SalMar AS	YES	Kverva	100,0 %
- Vikenco AS	YES	Aukra	51,0 %
- 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 %	9 082	37 490
Vikenco AS	49,0 %	14 734	50 580
Ocean Farming AS	6,6 %	-	-
		23 816	88 069

Note 7 – Business combinations

Acquisitions in 2017

*Sunnfjord Rensefisk AS*

On 13 February 2017, the Group agreed to acquire 100 per cent of the shares in Sunnfjord Rensefisk AS. For accounting purposes, the transaction was recognised as a business transfer with effect from 1 January 2017. Sunnfjord Rensefisk AS produces cleaner fish (ballan wrasse), and the purpose of the acquisition was to boost the Group's cleaner fish production capacity. In connection with the transaction, the shareholders' receivable from the company was transferred to SalMar. SalMar paid NOK 8.3 million for the receivable, which is recognised in the accounts with a book value of NOK 25.75 million. No material transaction costs were incurred in connection with the acquisition. The company's shares were transferred free of charge. Sunnfjord Rensefisk AS was merged into Langstein Fisk AS in 2017.

Effect on the balance sheet of the acquisition (NOK 1 000)	Book value	Adjustment to fair value	Fair value
Deferred tax asset	6 566	792	7 358
Property, plant & equipment	1 507	-1 453	54
Current assets	7 709	-1 848	5 861
Cash & cash equivalents	231	-	231
Liabilities	-30 953	17 450	-13 503
<b>Net identifiable assets and liabilities</b>	<b>-14 941</b>	<b>14 941</b>	<b>-</b>
Goodwill			-
<b>Cash consideration</b>			<b>-</b>

No business combinations were carried out in 2016.

Note 8 – Exit of subsidiaries and non-controlling interest

Exit of subsidiaries in 2017

*Villa Smolt AS*

With effect from 31 May 2017, the Group has sold 100 per cent of its shares in the subsidiary Villa Smolt AS. The fair value of the consideration received was NOK 16 million, which was settled in cash. For the Group, the sale of the subsidiary produced a gain of NOK 0.5 million, which has been classified as operating revenue in profit and loss.

*SalMar Genetics AS*

With effect from 31 May 2017, the Group has reduced its shareholding in the subsidiary SalMar Genetics AS from 100 per cent to 50 per cent. The reduction derives partly from the dilution of its shareholding through a share issue in SalMar Genetics AS and partly through the sale of shares.

Following the transaction, the Group no longer has a controlling influence over the company. The entire investment is deemed to have been realised and a new acquisition cost based on the fair value of the remaining shareholding has been established. The fair value of the remaining shareholding, set at NOK 25.9 million, is recognised as a financial asset in the balance sheet. The sale of the subsidiary generated a gain for the Group of NOK 9.7 million, which has been classified as operating revenue in profit and loss.

Change in non-controlling interests in 2017

During the period, the Group has increased its shareholding in the subsidiary Ocean Farming AS from 91 per cent to 93.4 per cent. NOK 4 million was paid for the additional shares.

Exit of subsidiaries and non-controlling interests in 2016

In 2016, the Group has sold the entirety of its 66 per cent shareholding in the subsidiary Frøya Salmon AS (formerly Frøyas AS) to Insula AS. Since Kverva AS owns 91.76 per cent of the shares in Insula AS and 53.4 per cent of the shares in SalMar ASA, it is therefore deemed to be a related party to the Group.

The consideration paid for the shares in Frøya Salmon AS was based on an earn-out model in combination with a cash sum. The fair value of the consideration was 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 Frøya Salmon 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 operating revenue and recognised in profit and loss. The estimated fair value of the consideration has been updated as at 31 December 2017. As a result, an estimate change amounting to NOK 2.5 million has been recognised as operating revenue in profit and loss in 2017.

Note 9 – Associates

The Group has the following investments in associates:

Company	Registered office	Sector	Shareholding	Voting share
Norskott Havbruk AS	Bergen	Fish farming	50,00 %	50,00 %
Salmus AS	Leirfjord	Fish farming	50,00 %	50,00 %
SalMar Genetics AS	Rauma	Genetics/breeding	50,00 %	50,00 %
Kirkenes Processing AS	Kirkenes	Salmon harvesting	50,00 %	50,00 %
Romsdal Processing AS	Molde	Harvesting & processing	44,45 %	44,45 %

All associates are recognised in accordance with the equity method. Since none of the Group's associates is listed on a stock exchange, no observable market values are therefore available.

*NOK 1000*

Companies recognised in accordance with  
the equity method

	Norskott Havbruk AS	Salmus AS	Other	Total
Opening balance 1 Jan 2017	609 610	290 797	7 995	908 400
Addition of shares	0	0	25 869	25 869
Disposal of shares	0	0	-142	-142
Share of the year's profit/loss	272 839	-55 700	-8 197	208 941
Items of comprehensive income	25 305	16 438	0	41 743
Dividend received	-161 015	0	0	-161 015
<b>Closing balance 31 Dec 2017</b>	<b>746 739</b>	<b>251 535</b>	<b>25 525</b>	<b>1 023 796</b>

The addition of shares relates to SalMar Genetics AS. See Note 8 for further details.



## Material associates

Based on an overall assessment, in which size and complexity have been taken into account, Norskott Havbruk AS and Salmus AS are considered to be material associates. Further information relating to these companies is provided below.

The following table shows a summary of financial information relating to material associates, based on 100 %:

	Norskott Havbruk AS		Salmus AS	
<i>NOK 1000</i>	2017	2016	2017	2016
Operating revenues	2 088 007	1 720 555	625 445	247 352
Operating expenses	1 418 710	1 246 649	565 246	249 009
Fair value adjustments	8 989	127 838	-185 989	183 453
Profit after tax	541 320	477 608	-134 298	167 069
Current assets	1 360 089	1 130 419	540 632	600 890
Non-current assets	983 398	875 983	628 307	503 584
Current liabilities	292 255	302 622	473 918	324 912
Non-current liabilities	557 360	479 810	110 707	99 985
Equity	1 493 871	1 223 970	584 314	679 577
The Group's share of equity	746 936	611 985	198 842	231 260
Book value 31 Dec	746 739	609 610	251 535	290 797

The difference between the book value of the investment in Salmus AS and SalMar's share of the company's equity is attributable to excess value obtained in connection with the acquisition of the investment. The remaining excess value as at 31 December 2017 has been allocated to the value of licences and is not depreciated.

### Norskott Havbruk AS

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

### Salmus AS

Located in Leirfjord, Salmus AS is a holding company, which owns, via Arnarlax AS, 49.07 per cent of the shares in Arnarlax Hf. Arnarlax is an aquaculture company with operations in Iceland. As at 31 December 2017, SalMar owns 50 per cent of the shares in Salmus AS, while 31 per cent are owned by Haganes AS and 19 per cent by Edinborg AS. In connection with Arnarlax Hf's acquisition 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 in 2016. 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 per cent, which puts its indirect ownership of Arnarlax Hf at 34.03 per cent as at 31 December 2017.

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.

## 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:

<i>NOK 1000</i> As at 31 Dec 2017 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	-	-	-	393	393
Trade and other receivables	737 561	-	-	21 641	759 202
Bank deposits, cash & cash equivalents	177 098	-	-	-	177 098
<b>TOTAL</b>	<b>914 659</b>	<b>-</b>	<b>-</b>	<b>22 034</b>	<b>936 693</b>

<i>NOK 1000</i> As at 31 Dec 2017 Liabilities	Liabilities at fair value in profit & loss	Other financial liabilities a amortised cost	TOTAL
Borrowings	-	1 037 697	1 037 697
Financial leasing agreements	-	361 934	361 934
Derivatives	48 004	-	48 004
Trade payables and other liabilities, excl. statutory liabilities	-	1 605 096	1 605 096
<b>TOTAL</b>	<b>48 004</b>	<b>3 004 728</b>	<b>3 052 732</b>

<i>NOK 1000</i> 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 shares & 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
<b>TOTAL</b>	<b>1 127 209</b>	<b>22 338</b>	<b>15 152</b>	<b>19 385</b>	<b>1 184 085</b>

<i>NOK 1000</i> As at 31 Dec 2016 Liabilities	Liabilities at fair value in profit & loss	Other financial liabilities at amortised cost	TOTAL
Borrowings	-	2 256 456	2 256 456
Financial leasing agreements	-	381 714	381 714
Derivatives	134 963	-	134 963
Trade payables and other liabilities, excl. statutory liabilities	-	1 840 061	1 840 061
<b>TOTAL</b>	<b>134 963</b>	<b>4 478 231</b>	<b>4 613 194</b>

## Note 11 – Derivatives

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

<i>NOK 1000</i> Recognised fair value as at 31 Dec	2017		2016	
	Other receivables	Other current liabilities	Other receivables	Other current liabilities
Forward currency contracts	0	-19 569	15 152	-23 068
Cross-currency interest rate swaps	0	-28 435	22 339	0
Total	0	-48 004	37 491	-23 068

### Forward currency contracts

The table below shows the company's forward currency contracts as at 31 December 2017. 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. Forward currency contracts are recognised at fair value in the balance sheet. The value of forward contracts is calculated on the basis of estimated forward exchange rates for the currencies concerned, the term of the contract, agreed currency amounts and the spot rate on the balance sheet date. Hedge accounting has not been applied to forward currency contracts as at 31 December 2017. As at 31 December 2016, the fair value of forward contracts to which hedge accounting had been applied came to NOK 15,152,000. These were forward contracts intended to hedge contractual deliveries in connection with the construction of the Ocean Farm installation. The fair value of forward contracts to which hedge accounting has not been applied came to NOK -19,569,000. The corresponding figure as at 31 December 2016 was NOK -23,068,000.

Product	Type	Currency	Currency amount (1000)	Term	Exchange rate interval	Book value/ Fair value TNOK
Forward	Sale	EUR	181 793	Q1 2018 - Q1 2019	9,105-10,015	-45 485
Forward	Sale	JPY	2 227 291	Q1 2018 - Q1 2019	0,072-0,080	503
Forward	Sale	GBP	14 752	Q1 2018 - Q4 2018	10,506-11,243	-6 799
Forward	Sale	USD	151 313	Q1 2018 - Q1 2019	7,839-8,683	32 213
Total liability						-19 569

### Financial 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 within one year. 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 2017, the fair value of purchase contracts is calculated at NOK -13,031,000, based on the market price in effect on the balance sheet date. Correspondingly, the fair value of the sales contracts is calculated at NOK 44,719,000. Daily settlement of unrealised gains and losses on Fish Pool are carried out, as a result of which, the value of the contracts is not included in other current items.

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 -21,932,000 (2016: NOK 154,689,000).

### Cross-currency interest rate swaps

In 2016, a cross-currency interest rate swap agreement has been entered into whereby SalMar has received EUR 43 million against a principal amount of USD 48 million. 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 2017, this agreement has been recognised with a fair value of NOK -28,435,000,000. The corresponding figure for 2016 was NOK 22,338,000,000.

## Note 12 – Receivables, provisions for bad debt

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

<i>NOK 1000</i>	2017	2016
Trade receivables	510 144	602 388
Provisions for bad debts	-9 032	-6 615
Other current receivables	242 866	302 078
Other non-current receivables	56 663	51 328
Total	800 641	949 179

Included in the item Other current receivables above are prepaid expenses in the amount of	41 439	39 099
Included in the item Other current receivables above are derivatives in the amount of	0	37 491
Included in the item Other current receivables above are VAT refunds due in the amount of	144 704	179 609

Included in the item Other non-current receivables above are the following, falling due for payment in more than one year	55 284	49 949
Included in the item Other non-current receivables above are pension assets in the amount of	1 379	1 379

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

<i>NOK 1000</i>	2017	2016
Provisions for bad debt 1 Jan	6 615	11 161
Provisions for bad debts 31 Dec	9 032	6 615
Change in provisions for bad debts during the period	2 417	-4 545

Actual bad debts	807	5 297
Change in provisions for bad debts	2 417	-4 545
Bad debts charged to expenses during the period	3 224	751

Kredittrisiko og valutarisiko vedrørende kundefordringer er nærmere omtalt i note 2.

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

<i>NOK 1000</i>	Total	Not due	<30 d	30-45 d	45-90 d	>90 d
2017	510 144	435 769	40 991	8 541	4 026	20 818
2016	602 388	524 780	34 931	3 279	7 359	32 039

### 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 2017, a total of NOK 456.0 million in outstanding receivables had been transferred and deducted from the balance sheet (2016: NOK 432.9 million). 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	2017	2016
Raw materials	120 997	132 093
Goods in progress (entirely biological assets)	4 135 523	4 997 001
Finished goods	138 053	92 690
Total	4 394 573	5 221 784

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 41

In the autumn of 2014, the Financial Supervisory Authority of Norway (FSAN) initiated an evaluation of selected aspects of the financial reporting of aquaculture companies listed on the Oslo Stock Exchange. The purpose of this process was to discover the extent to which the aquaculture companies report in a uniform and consistent manner in accordance with IFRS. The review resulted in a report from the FSAN dated 17 November 2015 (www.finanstilsynet.no). 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 in 2017. 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.

In relation to point 2 above, the companies have now come to an agreement on the main principles for measuring the biomass's fair value under IAS 41. The group is continuing to work towards a shared understanding of various aspects of a model for calculating the fair value of the biomass.

SalMar expects to switch to a new model for the calculation of the biomass in accordance with IAS 41 in the course of 2018.

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

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

NOK 1000	2017	2016
<b>Biological assets 1 Jan</b>	<b>4 997 001</b>	<b>3 306 053</b>
Increase due to production/purchase	4 861 952	4 530 618
Reduction resulting from sale/harvesting	-4 795 662	-3 892 206
Fair value adjustments 1 Jan (reversed)	-2 028 662	-976 126
Fair value adjustments 31 Dec (new)	1 100 895	2 028 662
<b>Biological assets 31 Dec</b>	<b>4 135 523</b>	<b>4 997 001</b>

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 2017, a price interval of NOK 52.68 to NOK 54.53 per kg has been stipulated. A price sensitivity analysis as at 31 December 2017 gives the following effect on the Group's operating profit (NOK 1,000):

Price change + NOK 1/kg	+ 50,299
Price change - NOK 1/kg	- 50,299

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%	+ 19,761
Change in biomass - 1%	- 19,761

	2017	2016
Biomass fish < 4 kg gutted weight (tonnes)	79 695	73 490
Biomass fish > 4 kg gutted weight (tonnes)	11 982	15 846
Total biomass (tonnes)	91 678	89 336
Fair value adjustment fish < 4 kg gutted weight (NOK 1,000)	872 973	1 501 634
Fair value adjustment fish > 4 kg gutted weight (NOK 1,000)	227 922	527 028
TOTAL fair value adjustment of biological assets (NOK 1,000)	1 100 895	2 028 662
Cost biological assets (NOK 1,000)	3 034 628	2 968 339
<b>Book value of biological assets (NOK 1,000)</b>	<b>4 135 523</b>	<b>4 997 001</b>

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	2017	2016
Change in fair value of the biomass	-927 767	1 052 535
Change in provisions for loss-making contracts	407 555	-315 985
Unrealised change in value of Fish Pool contracts	143 583	-144 293
Unrealised change in value of forward currency contracts	6 614	61 698
<b>Recognised fair value adjustments</b>	<b>-370 015</b>	<b>653 955</b>

## Note 15 - Bank deposits

As at 31 December 2017, the item "Bank deposits, cash & cash equivalents" included restricted tax deductions amounting to NOK 70,077,000 (2016: NOK 67,129,000). The Group had additional restricted funds associated with Fish Pool contracts in the amount of NOK 48,317,000 (2016: NOK 119,899,000).

## Note 16 - Share capital and shareholders

As at 31 December 2017, the parent company's share capital comprised:

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

### Shareholders

The company's 20 largest shareholders as at 31 December 2017 were:

	No.	Shareholding	Voting share
KVERVA AS	60 500 000	53,40 %	53,76 %
FOLKETRYGDFONDET	7 449 510	6,58 %	6,62 %
STATE STREET BANK AND TRUST COMP	2 485 075	2,19 %	2,21 %
LIN AS	1 754 498	1,55 %	1,56 %
STATE STREET BANK AND TRUST COMP	1 433 702	1,27 %	1,27 %
CLEARSTREAM BANKING S.A.	1 209 614	1,07 %	1,07 %
JPMORGAN CHASE BANK, N.A., LONDON	923 023	0,81 %	0,82 %
MORGAN STANLEY AND CO INTL PLC	909 263	0,80 %	0,81 %
STATE STREET BANK AND TRUST COMP	777 568	0,69 %	0,69 %
SALMAR ASA	754 922	0,67 %	0,00 %
PARETO AKSJE NORGE	703 935	0,62 %	0,63 %
STATE STREET BANK AND TRUST COMP	688 562	0,61 %	0,61 %
JPMORGAN CHASE BANK, N.A., LONDON	688 526	0,61 %	0,61 %
AB SIC I LOW VOL EQU PORTF	672 714	0,59 %	0,60 %
STATE STREET BANK AND TRUST COMP	653 006	0,58 %	0,58 %
JPMORGAN CHASE BANK, N.A., LONDON	640 886	0,57 %	0,57 %
STATE STREET BANK AND TRUST COMP	639 511	0,56 %	0,57 %
EUROCLEAR BANK S.A./N.V.	600 355	0,53 %	0,53 %
JPMORGAN CHASE BANK, N.A., LONDON	599 638	0,53 %	0,53 %
J.P. MORGAN BANK LUXEMBOURG S.A.	554 001	0,49 %	0,49 %
<b>Total 20 largest shareholders</b>	<b>84 638 309</b>	<b>74,70 %</b>	<b>74,53 %</b>
Total other shareholders	28 661 690	25,30 %	25,47 %
<b>Total no. of shares</b>	<b>113 299 999</b>	<b>100,00 %</b>	<b>100,00 %</b>

Shares owned by members of the board and senior executives:

Name		No. of shares	Voting share
Olav-Andreas Ervik	CEO	9 700	0,01 %
Trond Tuvstein *	CFO	18 749	0,02 %
Gustav Witzøe **	Director, Strategic Projects	**	
Tom Aleksandersen	Director, Organisation, HSE & Quality	3 182	0,00 %
Ulrik Steinvik	Director, Business Support	11 658	0,01 %

No members of the company's board of directors owned shares in SalMar ASA as at 31 December 2017.

\* shares owned directly and indirectly through TTU Invest AS.

\*\* shares owned indirectly through Kvarv AS, the parent company in the Kverva Group. Kvarv AS owns 96.20 per cent of the shares in Kverva Holding AS, which, in turn, owns 100 per cent of the shares in Kverva. Kverva AS owns 53.40 per cent of the shares in SalMar ASA and commands a voting share of 53.76 per cent. Gustav Witzøe commands a voting share of 80 per cent in Kvarv AS through his ownership of A-shares in the company, and a shareholding of 1 per cent in the company through his ownership of B-shares.

Board authorisations

The board has been authorised to raise the share capital by a maximum of NOK 2,832,000, through the issue of up to 11,328,000 shares. The authorisation is valid until the 2018 AGM or 30 June 2018 at the latest.

The board has also been authorised to acquire treasury shares with a face value of NOK 2,586,000, a total of 10,345,632 shares. The board's authorisation is valid until the 2018 AGM, or 30 June 2018 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 bil-

lion. The capital increase resulting from conversion may not exceed NOK 2,829,000. 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 2018 AGM, or 30 June 2018 at the latest.

Dividend

A dividend of NOK 19 per share has been proposed, totalling NOK 2,138,356,000 as at 31 December 2017. Dividend is not paid on treasury shares.

Note 17 - Interest-bearing debt

<i>NOK 1000</i>		
<b>Long-term interest-bearing debt</b>	<b>2017</b>	<b>2016</b>
Debt to credit institutions	929 001	2 196 976
Leasing liabilities	361 934	381 714
Next year's instalment on long-term debt	-134 937	-139 132
Total long-term interest-bearing debt 31 Dec	1 155 998	2 439 557
<b>Short-term interest-bearing debt</b>		
Debt to credit institutions	108 696	59 480
Next year's instalment on long-term debt	134 937	139 132
Total short-term interest-bearing debt 31 Dec	243 633	198 613
<b>Total interest-bearing debt</b>	<b>1 399 631</b>	<b>2 638 170</b>
Cash & cash equivalents	177 098	273 696
<b>Net interest-bearing debt</b>	<b>1 222 533</b>	<b>2 364 474</b>

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

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

Specification of net interest-bearing debt by currency:

<i>NOK 1000</i>	NOK	EUR	JPY	USD	GBP	Other	Total
Long-term debt to credit institution	929 001						929 001
Leasing liabilities	361 934						361 934
Short-term debt to credit institutions	- 595 607	25 650	28 775	556 380	- 21 077	114 575	108 696
Total interest-bearing debt	695 329	25 650	28 775	556 380	- 21 077	114 575	1 399 631
Cash & cash equivalents	133 867		7 487	19 138		16 605	177 098
Net interest-bearing debt	561 461	25 650	21 288	537 242	- 21 077	97 970	1 222 533

The Group has a multicurrency group account scheme with a credit ceiling of NOK 500 million. As at 31 December 2017, the Group had a net drawdown on the scheme in the amount of NOK 108,696,000. Deposits and drawdowns in different currencies relating to the group account scheme are recognised net in the Group's financial statements.

Financing activities - changes in liability:

			Non-cash generating effects			
	31.12.2016	Cash flow	Acquisitions	Exits subsidiary	Other effects	31.12.2017
Long-term debt						
to credit institutions	2 196 976	-1 267 975				929 001
Leasing liabilities	381 714	-21 617	1 384	-348	802	361 934
Short-term debt to						
credit institutions	59 480	38 650		10 566		108 696
Total interest-bearing debt	2 638 170	-1 250 942	1 384	10 218	802	1 399 631

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 billion, 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 billion, which has a 33-year repayment profile maturing after 5 years, and a revolving credit facility amounting to NOK 1.5 billion. No drawdowns on these facilities had been made as at 31 December 2017. SalMar also has an agreed operating credit capped at NOK 500 million. 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 2018 amount to NOK 16,962,000. Leasing agreements have an original term of 60-84 months, apart from the capitalised leasing agreement for the InnovaMar facility which has a term of 20 years.

Financial covenants

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

Financing of trade payables

The Group has entered into an agreement with the company's feed suppliers to extend the credit given on feed orders. The feed supplier has agreed the discounting of the trade payable with the Group's bank. 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 terms 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 2017, the Group owed its bank NOK 699,674,000 in connection with this type of financing.



## Note 18 - Deferred tax and tax expense

NOK 1000

The year's tax expense breaks down as follows :	2017	2016
Tax payable	678 119	423 223
Change in deferred tax	-58 490	320 986
Effect of change in tax rate	-61 383	-56 462
Tax paid abroad	5 711	3 918
Surplus/shortfall in tax provisions in previous years	-5 555	-575
Tax on ordinary profit	558 402	691 090

Tax payable in the balance sheet	2017	2016
Tax payable in the year	678 119	423 223
Tax refund owing due to changes in previous years' tax assessments	-5 671	0
Tax payable in the balance sheet	672 448	423 223

Breakdown of temporary differences	2017	2016
Intangible and operating assets	1 906 060	1 760 414
Financial leasing	-4 350	17 454
Inventory	4 147 499	5 013 706
Receivables	-7 932	-408
Other	-139 782	-586 809
Profit & loss account	21 210	26 064
TOTAL temporary differences	5 922 705	6 230 421

Deferred tax liabilities (+) / deferred tax assets (-)	1 362 222	1 495 301
Tax rate used when calculating deferred tax	23 %	24 %

Change in deferred tax in the balance sheet:	2017	2016
Deferred tax 1 Jan	1 495 301	1 230 815
Change in deferred tax in profit and loss	-58 490	320 986
Change in deferred tax resulting from changed tax rate - effect recognised in profit and loss	-61 383	-56 462
Deferred tax associated with items recognised in comprehensive income	-3 637	3 637
Deferred tax associated with equity transactions	2 980	-4 105
Deferred tax associated with the exit of subsidiaries	-5 191	-157
Deferred tax associated with acquisitions	-6 566	0
Other changes	-793	587
Deferred tax 31 Dec	1 362 222	1 495 301

Reconciliation from nominal to actual tax rates	2017	2016
Profit before tax	2 856 201	3 342 080
Expected tax at nominal tax rate	685 488	835 520
Effect of change in tax rate	-61 383	-56 462
Permanent differences (24%/25%)	-65 860	-91 311
Tax paid abroad	5 711	3 918
Surplus/shortfall in tax provisions in previous years	-5 555	-575
Calculated tax expense	558 402	691 090
Effective tax rate	19,6 %	20,7 %

Permanent differences apply to the following:	2017	2016
Option expenses	6 844	6 976
Options redeemed	-14 138	-12 711
Skattefunn (Norwegian tax refund scheme for R&D expenses)	-3 887	-2 866
Share of profit/loss from associates	-50 146	-71 711
Gain from exit of subsidiaries	-2 457	-6 640
Other	-2 075	-4 359
Total	-65 860	-91 311

## 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 2017, 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.

The total pension cost for the Group is divided into a defined-contribution portion and a defined-benefits portion. The distribution is as follows:

NOK 1000	2017	2016
Premiums paid into the defined-contribution scheme	21 038	18 639
Costs relating to the defined-benefits plan	12 345	11 059
Accrued employers' national insurance contributions	2 113	1 905
Year's pension costs, incl. employers' national insurance contributions	35 497	31 602

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

NOK 1000	2017	2016
Capitalised pension assets associated with secured scheme	1 379	1 379

## Note 20 - Pension costs, assets and liabilities

NOK 1000

Recognised liabilities secured through liens, etc:	2017	2016
Short-term debt to credit institutions	108 696	59 480
Long-term debt to credit institutions	929 001	2 196 976
Leasing liabilities and other non-current liabilities	361 934	381 312
Total	1 399 631	2 637 768

Book value of assets pledged as security for recognised liabilities	2017	2016
Property, plant & equipment and licences	5 986 367	5 501 119
Inventory and biological assets	4 394 573	5 221 784
Trade receivables	501 112	595 773
Total	10 882 052	11 318 676

As at 31 December 2017, 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. 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 7,051,000 were made in 2017 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	300 802	469 289	28 075	798 167

## Note 22 - Other current liabilities

Other current liabilities comprise:

<i>NOK 1000</i>	2017	2016
Accrued holiday pay	76 686	70 878
Accrued interest	1 020	2 222
Derivatives	48 004	23 068
Provisions for loss-making sales contracts	34 556	442 110
Provisions for future maintenance	94 155	47 809
Other accrued costs and provisions	149 705	189 533
<b>TOTAL other current liabilities</b>	<b>404 125</b>	<b>775 622</b>

## Note 23 - Sales revenues

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

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

<b>Group revenues by geographic market:</b>	2017	2016
Asia	22,5 %	20,6 %
Russia	0,0 %	0,0 %
USA/ Canada	19,4 %	16,6 %
Europe, excl. Norway	39,3 %	45,6 %
Norway	18,5 %	16,8 %
Other	0,3 %	0,4 %
<b>Total</b>	<b>100,0 %</b>	<b>100,0 %</b>

*NOK 1000*

<b>The Group's revenues by currency:</b>	2017	2016
NOK	3 077 854	2 525 172
JPY	471 861	338 976
GBP	286 850	436 191
USD	3 854 195	2 771 160
EUR	3 029 098	2 887 183
SEK	97 381	71 132
<b>Total</b>	<b>10 817 238</b>	<b>9 029 814</b>

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

*NOK 1000*

<b>Payroll costs</b>	2017	2016
Salaries, incl. holiday pay and bonuses	791 034	732 805
Employers' national insurance contributions	56 920	56 230
Pension costs (see Note 19)	33 383	29 697
Options	28 515	27 905
Other benefits	19 247	14 897
<b>Total</b>	<b>929 100</b>	<b>861 534</b>

No. of full-time equivalents employed during the financial year. 1 427,0 1 357,0

### Auditor

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

<i>NOK 1000</i>	2017	2016
Statutory auditing services	1 334	1 353
Other certification services	145	190
Tax advisory services	107	14
Other services	78	55
Refunded expenditures	187	207
<b>Total</b>	<b>1 852</b>	<b>1 818</b>

<b>Loans to and sureties granted on behalf of employees:</b>	Loans	Sureties
Employees	1 061	0

No loans have been granted to any of the Group's senior executives.

### 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.

<i>2017 NOK 1000</i>					
<b>Senior executives</b>	Salary	Bonus	Benefits-in-kind	Periodised pension costs	RSUs exercised
Olav-Andreas Ervik, CEO*	2 176	614	7	60	1 310
Trond Williksen, CEO**	2 798	1 000	9	149	345
Trond Tuvstein, CFO	2 191	624	5	67	1 351
Frode Arntsen, Director, Sales & Processing ***	154	0	1	0	0
Gustav Witzøe, Director, Strategic Projects ****	1 011	264	9	50	0
Ulrik Steinvik, Director, Business Support, Finance & Strategy *****	1 774	484	9	60	1 234
Tom Aleksandersen, Director, HSE & Quality	2 231	584	9	66	712

\*Took up position 10 April 2018 \*\*Stepped down 10 April 2018 \*\*\*Took up position 1 December 2017 \*\*\*\*Went from Director Business Development to Director Strategic Projects with effect from 1 December 2017 \*\*\*\*\*Took up position with effect from August 2017

### Severance pay for outgoing CEO

CEO Trond Williksen stepped down on 10 April 2018. He is entitled to 6 months' paid notice, as well as an additional 6 months of severance pay under certain previously specified conditions.

<i>2016 NOK 1000</i>					
<b>Senior executives</b>	Salary	Bonus	Benefits-in-kind	Periodised pension costs	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, Sales and Processing	992	323	8	52	0
Eva Haugen, Quality Assurance/HSE/HR	1 186	386	8	64	696
Tom Aleksandersen, Director Strategy and Org. Develop.	2 155	713	11	68	445

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

### Board of directors

<i>NOK 1000</i>	Directors' fees 2017	Directors' fees 2016
Atle Eide, Chair with effect from the 2017 AGM	200	
Kjell A. Storeide *	263	250
Helge Moen **	143	
Margrethe Hauge	108	
Bjørn Flatgård, Chair up until the 2017 AGM	160	320
Gustav Witzøe	50	100
Tove Nedreberg ***	118	235
Bente Rathe	100	200
Geir Berg, employee representative	104	100
Brit Elin Soleng, employee representative	54	
Merete Gisvold Sandberg, employee representative	50	100

\* The fee includes NOK 55,000 in remuneration as chair of the Audit Committee. (2016: NOK 50,000). \*\* The fee includes NOK 12,500 in remuneration as a member of the Nomination Committee for the first half of 2017 and NOK 22,500 as a member of the Audit Committee in the second half of 2017. \*\*\* The fee includes NOK 17,500 in remuneration as a member of the Audit Committee (2016: NOK 35,000).

Directors' fees are not performance-related.

Directors' fees payable to employee representatives are stated above. Total remuneration from the Group to employee-elected members of the board of directors, including directors' fees as stated above and redeemed RSUs, is as follows:

<i>NOK 1000</i>	2017	2016
Merete Gisvold Sandberg		1 190
Geir Berg	1 492	1 497
Brit Elin Soleng	667	



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 2017, the plan encompasses up to 237,228 shares, and has a term of three years. To this must be added the award for 2017, which formally took place on 15 January 2018 and encompassed a total of 240,863 RSUs. The company's board members do not receive options, with the exception of employee representatives, who may take part in the programme in their capacity as an employee. 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 48,123,300 (2016: NOK 115,634,200). The cost is periodised over the accrual period, and a total of NOK 28,515,000 was charged to expenses in connection with the scheme in 2017 (2016: NOK 27,905,000). 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. When the 2017 award was made on 15 January 2018, the share price was NOK 225.80 (2016: NOK 261.60).

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 225.75 (2016: NOK 260.72).

In 2017, 229,446 RSUs were exercised. The market price per share at the time the RSUs were exercised was NOK 257.32. In 2016, 195,713 RSUs were exercised. The market price per share at the time the RSUs were exercised was NOK 260.13. The value of the RSUs is treated as a salary payment to the individual employee.

Movements in the no. of outstanding RSUs:	2017	2016
As at 1 Jan	529 470	577 214
Awarded during the year	-	198 281
Vested during the year	-229 446	-195 713
Lapsed during the year	-33 081	-26 507
Lapsed during the year due to performance criteria not being met	-57 029	-44 126
Dividend adjustment	27 314	20 321
As at 31 Dec	237 228	529 470

\* The award for 2017 was formally carried out on 15 January 2018, at which time a total of 240,863 RSUs were awarded.

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

Date awarded	Vesting period	2017	2016
03.12.2014	2014-17	-	117 825
21.12.2015	2015-17	-	106 664
21.12.2015	2015-18	105 059	106 700
16.12.2016	2016-17	-	66 071
16.12.2016	2016-18	66 072	66 092
16.12.2016	2016-19	66 097	66 118
Outstanding RSUs as at 31 Dec		237 228	529 470

For the 2017 award carried out on 15 January 2018, 80,261 RSUs will vest in 2018, 80,288 RSUs in 2019 and 80,314 RSUs in 2020.

Group management have the following holdings of RSU entitlements:

	Holding 01.01	Awarded*	Vested	Dividend adjust- ment	Lapsed due to performance criteria not being met	Lapsed due to resigna- tion from position	Holding 31.12
Olav-Andreas Ervik, CEO**	10 762	4 672	-5 090	585	-1 203	-	9 726
Trond Williksen, CEO***	5 753	6 416	-1 348	315	-674	-	10 462
Trond Tuvstein, CFO	11 021	4 672	-5 273	597	-1 225	-	9 792
Tom Aleksandersen, dir. org., Director, Org. HSE & Quality	9 310	4 756	-2 780	501	-1 391	-	10 396
Ulrik Steinvik, Director, Business Support, Finance & Strategy	9 800	3 782	-4 817	531	-1 086	-	8 210
Frode Arntsen, Director, Sales & Processing	-	3 956	-	-	-	-	3 956

\* The 2017 award was formally carried out on 15 January 2018

\*\* Took up position 10 April 2018

\*\*\* Stepped down 10 April 2018

Note 26 - Operating expenses

Specification of other operating expenses:

<i>NOK 1000</i>	2017	2016
Maintenance	266 520	238 182
Operating equipment & consumables	71 688	76 081
Direct input factors	243 061	229 185
Freight & delivery costs	672 145	550 778
Other operating expenses	331 411	283 569
<b>Total</b>	<b>1 584 825</b>	<b>1 377 795</b>

R&D costs:

R&D costs include expenses relating to research and administrative personnel, technical equipment and facilities, and sums paid for external research services. The criteria for capitalisation are deemed to have been met with respect to the Group's salmon lice 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 93,669,000 in R&D costs was charged to expenses in 2017 (2016: NOK 63,696,000).

Note 27 - Government grants

In 2017, Group companies took to income NOK 16,196,000 in SkatteFUNN contributions (2016: NOK 10,344,000).

In 2017, an investment grant totalling NOK 24.5 million was received from Innovation Norway in 2016, in connection with construction of the Ocean Farm installation (2016: NOK 10.5 million). 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

<i>NOK 1000</i>	2017	2016
Net profit for the year (controlling interest's share)	2 273 983	2 637 079
Average no. of shares outstanding as at 1 Jan	112 315 631	112 119 918
Effect of share issue	-	-
Effect of treasury shares allocated to employees (see Note 25)	229 446	195 713
Average no. of shares outstanding through the year	112 334 752	112 152 537
Diluting effect of RSU entitlements granted (see Note 25)	340 223	398 961
Average no. of diluted shares outstanding through the year	112 674 975	112 551 498
<b>Earnings per share</b>		
Basic	20,24	23,51
Diluted	20,18	23,43

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 2017:	Sales	Purchases	Receivables	Liabilities
Associates of the SalMar Group	12 866	15 630	229	2 002
Companies controlled by the parent company Kverva AS	861 190	69 867	115 754	4 658
Associates of the parent company Kverva AS	0	7 556	44	465
Companies controlled by Gustav Witzøe and related parties	0	7 051	0	0

*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 carried out at market terms and conditions. In addition, dividends have been received from associates - see Note 9.

Note 30 - New and amended accounting standards

New and amended accounting standards and interpretations to existing standards that have been applied

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers came into effect on 1 January 2018. Neither of these standards are expected to have any material impact on the Group's recognition of revenue, profit and loss or classification. IFRS 15 will, however, result in additional disclosures in the notes to the 2018 financial statements.

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 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.

The standard will affect the way the Group's operational leases are recognised. At the time of writing, the Group has

future leasing liabilities associated with operational leasing agreements amounting to NOK 798.2 million (see Note 21). The Group considers that around 10 per cent of the annual agreements are associated with short-term agreements and agreements relating to the leasing of assets with a low value. Payments relating to these will therefore be charged to expenses in profit and loss as they fall due.

The Group is currently reviewing all material agreements to ascertain which assets the agreements are intended to cover, and their duration. As a consequence, it is not at present possible to provide a numerical estimate of the size of the right of use that must be recognised in the balance sheet as a non-current asset and associated future liabilities associated therewith.

IFRS 16 is compulsory with effect from 1 January 2019. The Group expects to avail itself of the opportunity for retrospective application of IFRS 16 without restating comparable figures, such that the transitional effect is recognised in the opening balance of equity as at 1 January 2019.





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## Income Statement

NOK 1000

OPERATING REVENUES AND OPERATING EXPENSES	NOTE	2017	2016
Sales revenues	2	85 089	72 167
<b>Total operating revenues</b>		<b>85 089</b>	<b>72 167</b>
Salary and payroll costs	3	52 134	52 358
Depreciation of property, plant & equipment	4	4 501	3 966
Other operating expenses	3	78 169	93 056
<b>Total operating expenses</b>		<b>134 805</b>	<b>149 380</b>
<b>Operating profit/loss</b>		<b>-49 716</b>	<b>-77 214</b>
<b>FINANCIAL INCOME AND FINANCIAL EXPENSES</b>			
Income from investment in subsidiaries	5	2 920 595	2 522 614
Income from investment in associates	6	161 015	100 800
Interest received from group companies		86 008	67 798
Other interest income		3 111	2 148
Other financial income		0	83
Interest paid to group companies		23 051	9 863
Other interest expenses		41 942	46 523
Other financial expenses		9 468	3 617
<b>Net financial items</b>		<b>3 096 269</b>	<b>2 633 439</b>
<b>Ordinary profit/loss before tax</b>		<b>3 046 553</b>	<b>2 556 225</b>
Tax	12	651 379	218 291
<b>Profit/loss after tax</b>		<b>2 395 174</b>	<b>2 337 934</b>
<b>Net profit/loss for the year</b>		<b>2 395 174</b>	<b>2 337 934</b>
<b>ALLOCATIONS</b>			
Dividend provisions	8,9	2 138 356	1 347 788
Transferred to/from other equity	9	256 818	990 147
<b>TOTAL allocations</b>		<b>2 395 174</b>	<b>2 337 934</b>

## Consolidated Balance Sheet

as at 31 December NOK 1000

ASSETS	NOTE	2017	2016
<b>NON-CURRENT ASSETS</b>			
INTANGIBLE ASSETS			
Deferred tax assets	12	728	716
<b>Total intangible assets</b>		<b>728</b>	<b>716</b>
PROPERTY, PLANT & EQUIPMENT			
Land, buildings and other real property	4	2 253	2 159
Plant, equipment and operating consumables	4	8 497	11 323
<b>Total property, plant &amp; equipment</b>	14	<b>10 750</b>	<b>13 482</b>
NON-CURRENT FINANCIAL ASSETS			
Investments in subsidiaries	5,14	2 102 019	1 982 877
Loans to group companies	7,11,14	3 133 596	2 583 596
Investments in associates	6	406 180	406 283
Investments in shares and other securities		113	10
Other receivables	7	46 992	43 984
<b>Total non-current financial assets</b>		<b>5 688 901</b>	<b>5 016 750</b>
<b>Total non-current assets</b>		<b>5 700 379</b>	<b>5 030 949</b>
<b>CURRENT ASSETS</b>			
RECEIVABLES			
Trade receivables	14	38	29
Short-term receivables from group companies	11,14	2 891 002	2 579 935
Other receivables	14	9 846	15 546
<b>Total receivables</b>		<b>2 900 886</b>	<b>2 595 510</b>
BANK DEPOSITS, CASH & CASH EQUIVALENTS	16	9 857	8 162
<b>Total current assets</b>		<b>2 910 743</b>	<b>2 603 672</b>
<b>TOTAL ASSETS</b>		<b>8 611 122</b>	<b>7 634 621</b>




## Consolidated Balance Sheet

as at 31 December NOK 1000

EQUITY AND LIABILITIES	NOTE	2017	2016
<b>EQUITY</b>			
PAID-IN EQUITY			
Share capital	8,9	28 325	28 325
Treasury shares	9	-189	-246
Share premium fund	9	415 285	415 285
Other paid-in equity	9	107 136	79 075
<b>Total paid-in equity</b>		<b>550 557</b>	<b>522 440</b>
RETAINED EARNINGS			
Other equity	9	1 812 693	1 555 875
<b>Total retained earnings</b>		<b>1 812 693</b>	<b>1 555 875</b>
<b>Total equity</b>	<b>9</b>	<b>2 363 250</b>	<b>2 078 315</b>
<b>LIABILITIES</b>			
OTHER NON-CURRENT LIABILITIES			
Debt to credit institutions	13,14	700 000	1 950 000
<b>Total other non-current liabilities</b>		<b>700 000</b>	<b>1 950 000</b>
CURRENT LIABILITIES			
Debt to credit institutions	13,14	93 679	38 641
Trade payables		2 369	5 483
Tax payable	12	657 529	0
Dividend	8,9	2 138 356	1 347 788
Public charges payable		97 575	44 446
Short-term payables to group companies	11	2 550 856	2 157 518
Other current liabilities		7 508	12 432
<b>Total current liabilities</b>		<b>5 547 872</b>	<b>3 606 306</b>
<b>Total liabilities</b>		<b>6 247 872</b>	<b>5 556 306</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8 611 122</b>	<b>7 634 621</b>

Frøya, 17th of April 2018

  
Atle S. Eide  
Chair

  
Helge Moen  
Director

  
Margrethe Hauge  
Director

  
Kjell A. Storeide  
Deputy chair

  
Geir Berg  
Director/Employee representative

  
Britt Elin Soleng  
Director/Employee representative

  
Olav-Andreas Ervik  
President & CEO

## Consolidated Statement of Cash Flow

as at 31 December NOK 1000

	NOTE	2017	2016
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>			
Ordinary profit before tax		3 046 553	2 556 225
Tax paid during the period	12	0	-272 153
Depreciation	4	4 501	3 966
Loss on disposal of non-current assets		176	0
Income from investments in subsidiaries	5	-2 920 595	-2 522 614
Income from investments in associates	6	-161 015	-100 800
Options recognised in expenses	3	5 206	4 139
Change in trade receivables		-56 612	49 685
Change in trade payables		9 856	-7 997
Change in other time-limited items		51 059	3 242
<b>Net cash flow from operating activities</b>		<b>-20 872</b>	<b>-286 307</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
Receipts from the sale of property, plant & equipment		230	0
Payments for the purchase of property, plant & equipment	4	-2 175	-1 663
Change in intra-group balances	11	954 932	760 996
Net receipts of group contributions and dividends from subsidiaries	5,11	1 451 313	1 061 153
Receipts of dividends from associates and other investments	6	161 015	100 800
Net payments for the purchase of non-current financial assets	6	0	-200 000
Payment of loans to third parties		0	-42 000
<b>Net cash flow from investing activities</b>		<b>2 565 315</b>	<b>1 679 286</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Repayment of long-term debt		-1 250 000	-450 000
Net change in overdraft		55 038	38 641
Dividend (paid)		-1 347 788	-1 121 199
<b>Net cash flow from financing activities</b>		<b>-2 542 749</b>	<b>-1 532 559</b>
Net change in bank deposits, cash & cash equivalents		1 694	-139 580
Bank deposits, cash & cash equivalents as at 1 Jan		8 162	147 742
<b>Bank deposits, cash &amp; cash equivalents as at 31 Dec</b>		<b>9 857</b>	<b>8 162</b>
Unused drawing rights		3 906 321	2 811 359





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. 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

Services are taken to income as they are performed. Operating revenues are recognised less public charges, discounts, bonuses and other sales costs.

Receivables

Trade receivables and other receivables are recognised at par less provisions for bad debts. Provisions for bad debts are determined on the basis of an assessment of the individual receivable.

Property, plant & equipment

Items of property, plant and equipment are capitalised at historic cost price and are depreciated over the asset's expected lifespan. Costs directly relating to maintenance of property, plant and equipment are charged to operating expenses as they arise, while enhancements or improvements are added to the asset's cost price and depreciated in line with the asset itself. If the recoverable portion of an item of property, plant and equipment is lower than its book value, the asset is written down to its recoverable value. The recoverable value is the higher of net sales value and value in use. Value in use is the present value of future cash flows which the asset will generate.

Shares

Subsidiaries, associates and other shares classified as non-current assets are valued in accordance with the cost method. Subsidiaries are companies in which SalMar ASA has a controlling influence, as a result of either legal or actual control. In principle, a controlling influence is deemed to exist when the company's direct or indirect shareholding exceeds 50 per cent of the voting capital. Associates are companies in which SalMar has a considerable influence. Considerable influence is normally deemed to exist when the company owns 20-50 per cent of the voting capital. Investments are valued at the shares' acquisition cost unless a write-down has been necessary. Write-downs to fair value are performed when the impairment is due to reasons that are not deemed to be of a temporary nature and are required under generally accepted accounting principles. Write-downs are reversed when the reason for the write-down no longer applies.

Dividend and other payouts are recognised as other financial income. If the dividend exceeds the share of withheld profit/loss after acquisition, the surplus amount represents a repayment of invested capital, and the payouts are deducted from the value of the investment in the balance sheet.

Pensions

The company has a defined-contribution occupational pension scheme. Pension premiums are charged to expenses as they arise, and the Group has no other liabilities over and above this annual payment.

Share-based remuneration (Restricted Share Unit Plan - RSU)

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

Fair value includes the effect of any market terms, but does not take account of the impact of any vesting terms that are

not market terms. However, vesting terms that are not market terms affect the number of RSU that can be expected to be earned.

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

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

Tax

The tax expense is matched against profit/loss before tax. Tax relating to equity transactions is recognised in equity. The tax expense comprises tax payable (tax on the company's taxable income for the year as it appears in the income statement), and any change in net deferred tax. Deferred tax is calculated at the rate of 23 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	2017	2016
Revenues from provision of administrative services to group companies	84 842	72 073
Other revenues	247	94
<b>Total</b>	<b>85 089</b>	<b>72 167</b>

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

NOK 1000		
<b>Payroll costs</b>	<b>2017</b>	<b>2016</b>
Salaries, incl. holiday pay & bonuses	35 940	36 664
Employers' national insurance contributions	4 941	5 472
Pension costs	1 111	1 170
Options/RSU	5 206	4 139
Other benefits	4 936	4 913
<b>Total</b>	<b>52 134</b>	<b>52 358</b>

No. of people employed (full-time equivalents) during the financial year	33	34
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Remuneration paid to senior company officers and the auditor

Please see Note 24 to the consolidated financial statements for details of the remuneration paid to senior executives.

Restricted Share Unit Plan (RSU)

In 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. No RSUs were awarded in 2017, since the award for 2017 was formally undertaken on 15 January 2018. RSUs are earned over a 3-year period from the date they were awarded, which was 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 2017 comes to NOK 5,205,700 (2016: NOK 4,138,700). 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:

<i>NOK 1000</i>	2017	2016
Statutory auditing services	207	201
Other certification services	5	93
Tax advisory services	7	3
Other services	0	53
Refunded expenses	111	159
<b>Total</b>	<b>329</b>	<b>509</b>

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

<i>NOK 1000</i>	Real property	Operating equipment, fixtures, etc	Total
Acquisition cost 1 Jan 2017	2 330	23 099	25 429
Additions	500	1 675	2 175
Disposals	406	0	406
Acquisition cost 31 Dec 2017	2 424	24 774	27 198
Acc. depreciation & write-downs 1 Jan 2017	171	11 776	11 947
Year's depreciation	0	4 501	4 501
Acc. depreciation 31 Dec 2017	171	16 277	16 448
<b>Book value 31 Dec 2017</b>	<b>2 253</b>	<b>8 497</b>	<b>10 750</b>
Economic lifespan	No dep./3 years	5-10 years	
Depreciation plan	Straight line	Straight line	
Annual leasing of off-balance sheet operating assets	3 784	45	3 829

**Note 5 - Subsidiaries**

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

<i>Company NOK 1000</i>	Registered office	Voting share/ shareholding	Book value 2017	Book value 2016
SalMar Settefisk AS	Kverva	100,0 %	236 125	142 626
SalMar Farming AS	Kverva	100,0 %	69 729	83 362
SalMar Nord AS	Finnsnes	100,0 %	480 447	484 490
SalMar AS	Kverva	100,0 %	1 221 193	1 177 936
SalMar Tunet AS	Kverva	100,0 %	7 400	7 340
Hitramat Farming AS	Hitra	51,0 %	28 785	28 785
Ocean Farming AS	Kverva	93,4 %	58 329	58 329
<b>TOTAL subsidiaries</b>			<b>2 102 019</b>	<b>1 982 877</b>
SalMar ASA has recognised group contributions from the following subsidiaries (NOK 1000):			<b>2017</b>	<b>2016</b>
SalMar Farming AS			1 416 186	942 718
SalMar Nord AS			1 355 996	0
<b>Total recognised group contributions from subsidiaries</b>			<b>2 772 182</b>	<b>942 718</b>
SalMar ASA has recognised dividends from the following subsidiaries (NOK 1000):			<b>2017</b>	<b>2016</b>
SalMar Farming AS			64 811	250 000
SalMar Nord AS			74 850	1 325 000
Hitramat Farming AS			8 721	4 896
<b>Total recognised dividends from subsidiaries</b>			<b>148 382</b>	<b>1 579 896</b>
Gains on the sale of shares in subsidiaries			30	-
<b>Total recognised income from investments in subsidiaries</b>			<b>2 920 595</b>	<b>2 522 614</b>

**Note 6 - Associates**

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

<i>Company NOK 1000</i>	Registered office	Voting share/ shareholding	Book value 2017	Book value 2016
Norskott Havbruk AS	Bergen	50 %	162 787	162 787
Salmus AS	Leirfjord	50 %	243 394	243 394
Trøndersk Kystkompetanse AS	Dyrvik	20 %	0	103
<b>SUM tilknyttede selskaper</b>			<b>406 180</b>	<b>406 283</b>

<i>Company NOK 1000</i>	Recognised dividend	Equity in last year-end finan. stat.	Profit/loss in last year-end finan. stat.
Norskott Havbruk AS	161 015	1 318 164	523 412
Salmus AS	0	46 301	-178

**Note 7 - Receivables falling due more than one year hence**

<i>NOK 1000</i>	2017	2016
Other receivables	46 857	43 706
Loans to employees	135	278
Loans to group companies	3 133 596	2 583 596

**Note 8 - Share capital and shareholders**

As at 31 December 2017, the company's share capital comprised:

<i>NOK 1000</i>	No. of shares (pcs.)	Face value (NOK)	Book value
Ordinary shares	1 13 299 999	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**

As at 31 December 2017, a provision has been made with respect to a dividend payout of NOK 19 per share, or NOK 2,138,356,000 in total. No dividend provision has been made with respect to treasury shares.

**Note 9 - Equity**

<i>NOK 1000</i>	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Other equity	Total equity
<b>Equity 31 Dec 2016</b>	<b>28 325</b>	<b>-246</b>	<b>415 285</b>	<b>79 075</b>	<b>1 555 875</b>	<b>2 078 315</b>
<i>Year's change in equity:</i>						
Profit/loss in the period	0	0	0	0	2 395 174	2 395 174
Dividend provision	0	0	0	0	-2 138 356	-2 138 356
Redeemed options	0	57	0	-57	0	0
Option cost recognised in equity	0	0	0	28 118	0	28 118
<b>Equity 31 Dec 2017</b>	<b>28 325</b>	<b>-189</b>	<b>415 285</b>	<b>107 136</b>	<b>1 812 693</b>	<b>2 363 250</b>

A share-based incentive scheme has been entered into with senior company executives. Please see Note 3 for further details. Provisions with respect to dividend payouts are set out in Note 8.



## Note 10 – Pension costs

The company has a statutory obligation to provide an occupational pension scheme under the Compulsory Occupational Pensions Act, and has a pension scheme that meets the requirements thereof.

The company has no defined-benefits pension schemes.

Premiums under the defined-contribution scheme are charged to expenses as they fall due. In 2017, the gross amount of NOK 1,110,800 was charged to expenses in connection with the defined-contribution pension scheme (NOK 1,170,300 in 2016).

## Note 11 – Intra-group balances, etc.

<i>NOK 1000</i>	Non-current receivables		Other short-term receivables	
	2017	2016	2017	2016
Group companies	3 133 596	2 583 596	2 891 002	2 579 935
<b>Total</b>	<b>3 133 596</b>	<b>2 583 596</b>	<b>2 891 002</b>	<b>2 579 935</b>

<i>NOK 1000</i>	Long-term debt		Other short-term payables	
	2017	2016	2017	2016
Group companies	0	0	2 550 856	2 157 518
<b>Total</b>	<b>0</b>	<b>0</b>	<b>2 550 856</b>	<b>2 157 518</b>

Other short-term receivables from group companies, which totalled NOK 2,917,032,000 as at 31 December 2017, includes group contributions receivable in the amount of NOK 2,772,182,000 (2016: NOK 942,718,000). Other short-term receivables as at 31 December 2016 also includes NOK 1,575,000,000 in dividend receivable from subsidiaries. Other short-term receivables over and above this are ordinary trade receivables.

The NOK 2,550,856,000 in other short-term payables to group companies as at 31 December 2017 includes NOK 79,000 in group contributions payable (2016: NOK 1,075,156,000) and NOK 2,521,856,000 in payables to group companies participating in the group account scheme as at 31 December 2017 (2016: NOK 1,066,410,000). The remaining short-term payables to group companies were ordinary trade payables.



## Note 12 - Tax

NOK 1000

Breakdown of the year's tax expense	2017	2016
Tax payable	657 548	218 789
Change in deferred tax	-424	-346
Tax provisions (shortfall/excess) in previous years	-5 760	-182
Effect of change in tax rate from 24% to 23%	15	30
Tax on ordinary profit/loss	651 379	218 291

Breakdown of the year's taxable income	2017	2016
Profit/loss before tax	3 046 553	2 556 225
Permanent differences	-308 538	-1 682 321
Change in temporary differences	1 766	1 251
Group contributions paid	-79	-875 156
Year's taxable income	2 739 703	0

Tax payable in the balance sheet	2017	2016
Tax payable on the year's profit/loss	657 548	218 789
Tax on group contributions paid	-19	-218 789
Tax payable in the balance sheet	657 529	0

Breakdown of temporary differences	2017	2016
Operating assets, incl. goodwill	1 254	2 820
Non-current financial assets	125	25
Profit & loss account	88	109
Other differences	-4 633	-5 940
TOTAL temporary differences	-3 166	-2 985

Deferred tax liabilities (+) / deferred tax assets (-)	-728	-716
Deferred tax recognised in equity	-397	553

Reconciliation from nominal to actual tax rate	2017	2016
Profit/loss before tax	3 046 553	2 556 225
Expected tax on income at nominal tax rate	731 173	639 056
Permanent differences (24%)	-74 049	-420 580
Tax provisions (shortfall/excess)	-5 745	-185
Estimated tax expense	651 379	218 291
Effective tax rate	21,4 %	8,5 %

## Note 13 - Debt

### Repayment profile

In 2014, SalMar entered into a new loan agreement with a 5-year term. The credit facility comprises a NOK 1 billion term loan, which has a 10-year repayment profile, maturing after 5 years. In addition, there is a NOK 2 billion investment and acquisition facility, which has a 33-year repayment profile, maturing after 5 years, and a NOK 1.5 billion revolving credit facility. As at 31 December 2017, no drawdowns had been made on any of these facilities. SalMar also has an operating credit capped at NOK 500 million. 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	2017	2016
Short-term debt to credit institutions	93 679	38 641
Long-term debt to credit institutions	700 000	1 950 000
<b>Total</b>	<b>793 679</b>	<b>1 988 641</b>

Book value of assets pledged as surety for recognised debt	2017	2016
Operating assets	10 750	13 482
Shares	2 102 019	1 982 877
Trade receivables	38	29
Receivables	6 034 444	5 179 077
<b>Total</b>	<b>8 147 252</b>	<b>7 175 465</b>

Under the agreement with its bank, SalMar has assumed a joint and several liability in connection with a group account over-draft scheme, limited upwards to NOK 500 million.

SalMar ASA has issued guarantees totalling NOK 17 million on behalf of SalMar AS and NOK 80 million 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 million with respect to a long-term loan to SalMar AS and a guarantee for NOK 175 million 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 million 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 2017, the remaining amount guaranteed totalled NOK 1.5 million.

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 has issued a guarantee for NOK 22,728,000 to Kruger Kaldnes AS. The guarantee provides surety for SalMar Settefisk AS's liabilities to its creditor under an EPC contract for a new smolt production facility.

SalMar ASA has issued guarantees to two suppliers in connection with the offshore net cage that has been built 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 are still in effect as at 31 December 2017 are:

Graintec AS	Contract value approx. NOK 40 million
Mørenot Aquaculture AS	Contract value approx. NOK 37 million

## Note 15 - Financial risk

Please see Note 2 to the consolidated financial statements for the further details relating to the management of financial and market risks to which the company and the Group are exposed.

## Note 16 - Bank deposits

The item bank deposits, cash and cash equivalents as at 31 December 2017 includes a total of NOK 7,211,000 in restricted funds, all of which relate to employees' PAYE tax deductions. The corresponding figure in 2016 was NOK 6,578,000.



# Statement by the board of directors and CEO

We confirm, to the best of our knowledge, that:

- The Group financial statements for the period from 1 January to 31 December 2017 have been prepared in accordance with IFRS, as adopted by the EU.
- The financial statements of SalMar ASA for the period from 1 January to 31 December 2017 have been prepared in accordance with 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 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, 17th of April 2018



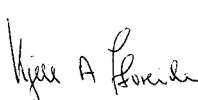
Atle S. Eide  
Chair



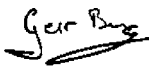
Helge Moen  
Director



Margrethe Hauge  
Director



Kjell A. Storeide  
Deputy chair



Geir Berg  
Director/Employee representative



Britt Elin Soleng  
Director/Employee representative



Olav-Andreas Ervik  
President & CEO



Auditors report 



## 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 2017, the income statement and 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 2017, 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 2017, and of its financial performance and its cash flows for the year then 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 2017 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 and the Group 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 2017. 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.

### Fair value of biological assets

Pursuant to IAS 41, the Group evaluates biological assets (live fish) at fair value. As of 31 December 2017, the biological assets amounted to NOK 4 135.5 million and 32 % of the Group's total assets. The difference between the fair value of the biological assets and the related cost is recognised as a fair value adjustment. In 2017, the recognised fair value adjustment amounted to NOK -927.8 million. The fair value is calculated based on estimated volumes, quality, the size of the biomass and market prices at the harvest dates, adjusted for expenses to produce, harvest and sell the biomass. The market prices are based on observable forward prices at the expected harvesting dates. For fish between 1 kg live weight and 4 kg gutted weight, the net expected profit is recognised rateably over the growth period. The fair value of biological assets was a key audit matter due to the extent, the level of judgements related to choice of valuation model and the assumptions used in the calculation.

We evaluated the valuation and applied model against the requirements in IAS 41, IFRS 13 and industry practice. We identified the routines and tested controls related to the calculation of the fair value adjustment of the biomass. We compared the prices applied and compared them against observable market prices at the expected harvesting dates. In addition, we evaluated expected manufacturing costs, size distribution of the biomass, expected mortality and quality of the live fish, and compared these with budgets and historical data. Furthermore, we evaluated the historical accuracy in prior periods' estimates and the sensitivity analysis of changes in expected prices and biomass. We recalculated the model used to calculate fair value for the relevant weight classes.

We assessed the Group's disclosures regarding fair value of biological assets, we refer to 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.

Independent auditor's report - SalMar ASA

A member firm of Ernst & Young Global Limited

## 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, 17 April 2018  
ERNST & YOUNG AS

Amund P. Amundsen  
State Authorised Public Accountant (Norway)

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

Independent auditor's report - SalMar ASA

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