ANNUAL REPORT
2018

SALMAR
Passion for Salmon

SALMAR IS ONE OF THE WORLD'S LEADING PRODUCERS OF ATLANTIC SALMON

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 Ehf. 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.
– Passion for Salmon

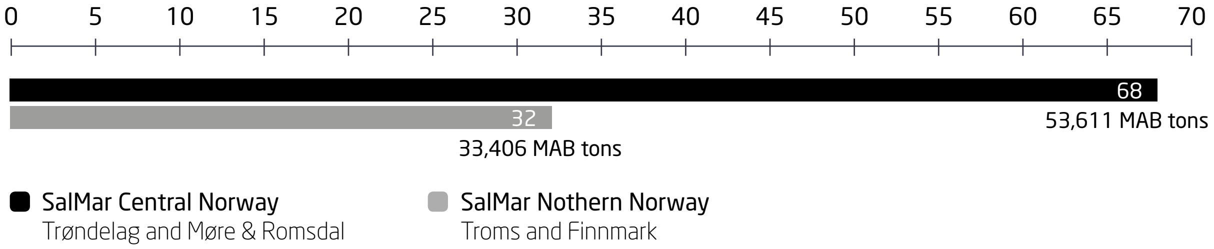
Learn more about SalMar at **www.salmar.no**

Financial calendar 2019

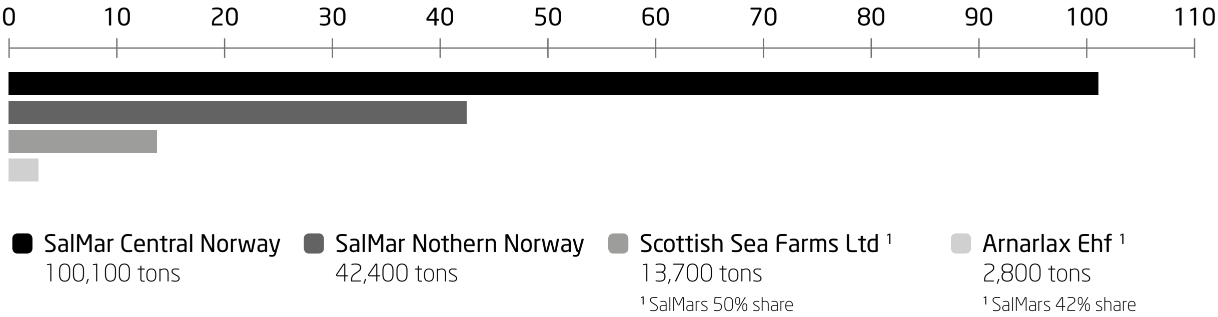
4th Quarter 2018 results	14th February 2019
Annual report 2018	26th April 2019
1st Quarter 2019 results	22nd May 2019
Annual General Meeting	5th June 2019
2nd Quarter 2019 results	23rd August 2019
3rd Quarter 2019 results	14th November 2019

SalMar holds quarterly presentations open to the public. The presentations will take place at 08.00 am CET. Results for 1st quarter 2019 will be presented at The Salmon in Strandpromenaden 11 at Tjuvholmen in Oslo other quarterly presentations will be held at Hotel Continental in Stortingsgaten 24/26 in Oslo, Norway. The annual general meeting will be held at Frøya.

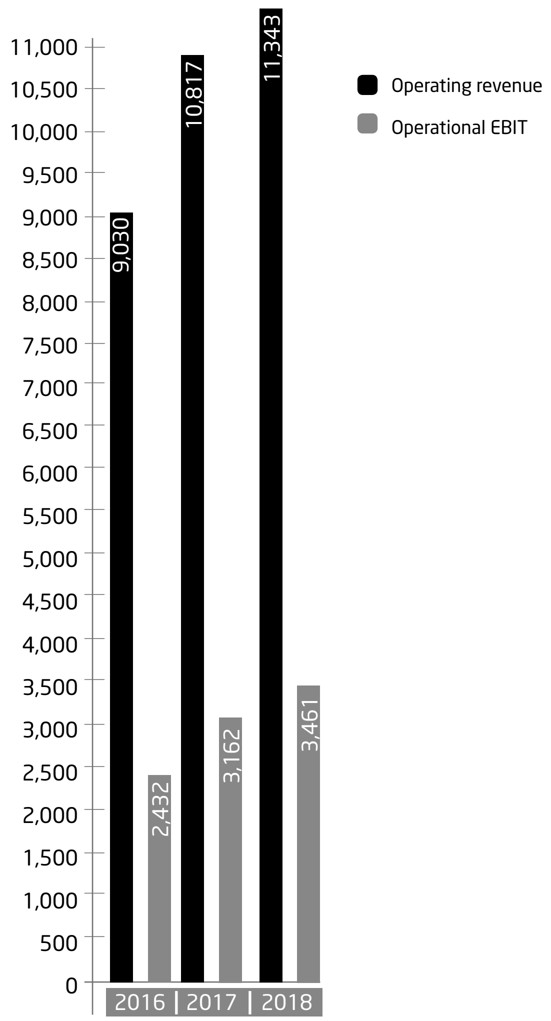
Geographical distribution of SalMar's 100 wholly owned licenses in Norway pr. 31.12.2018:



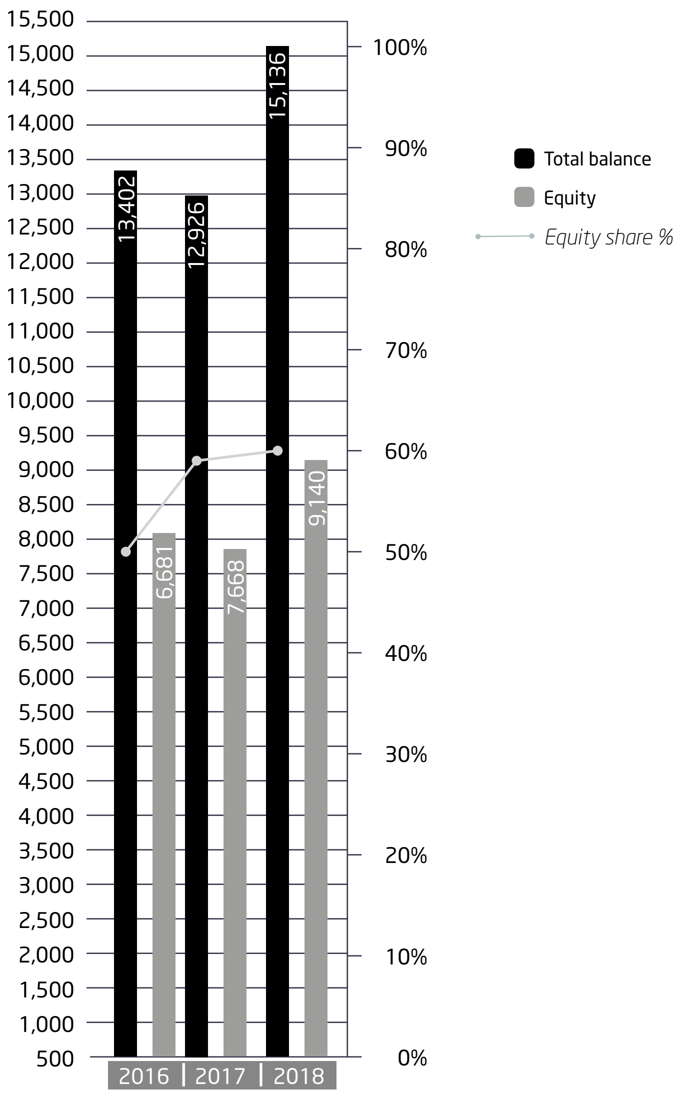
> Harvest volume 2018 by geography, gutted weight pr. 31.12.2018 – ** 1,000 tons gutted weight*



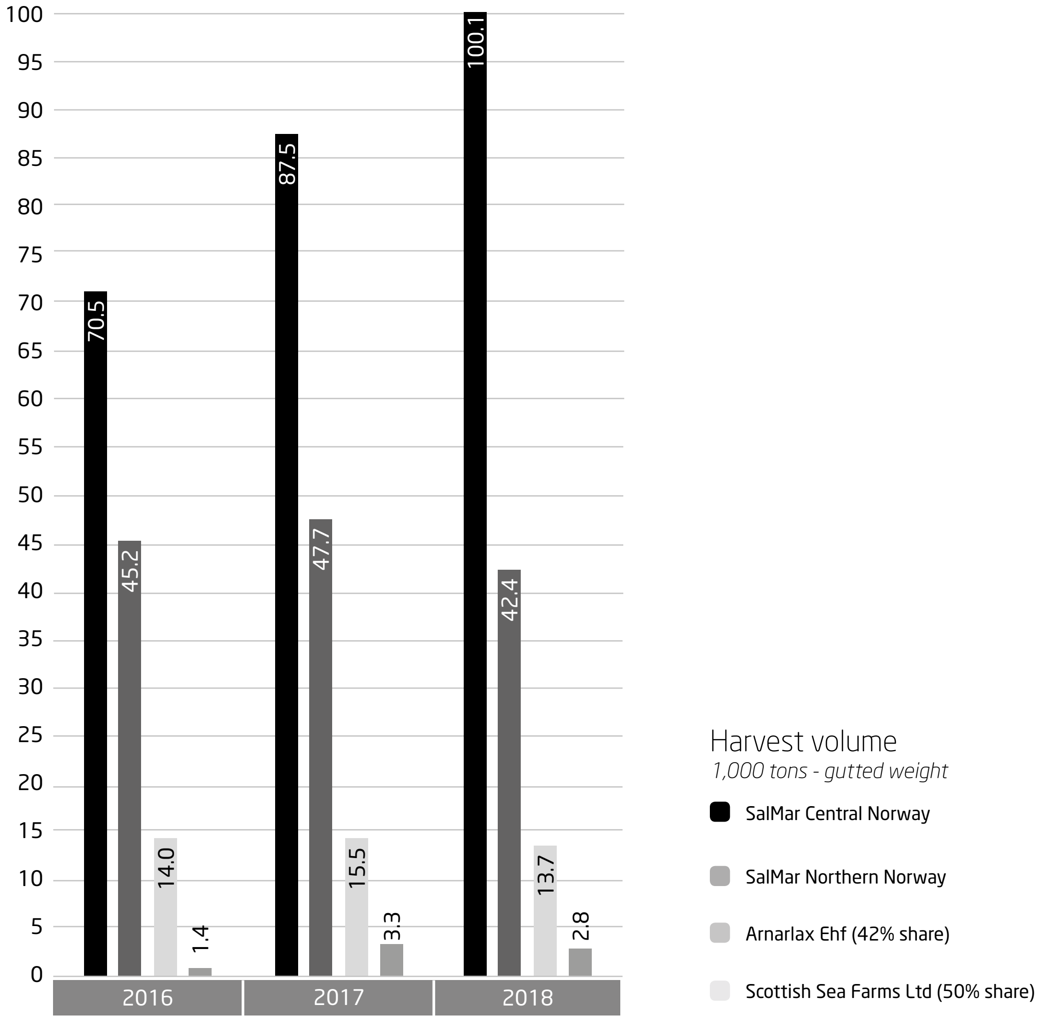
> Operating revenue and Operational EBIT *NOK mill.*



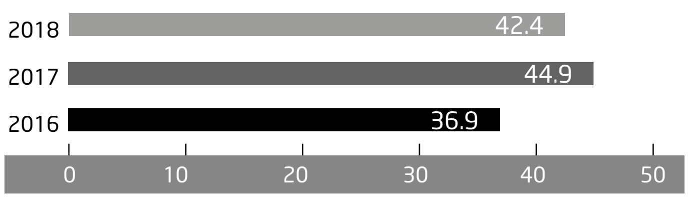
> Balance sheet and Equity *NOK mill.*



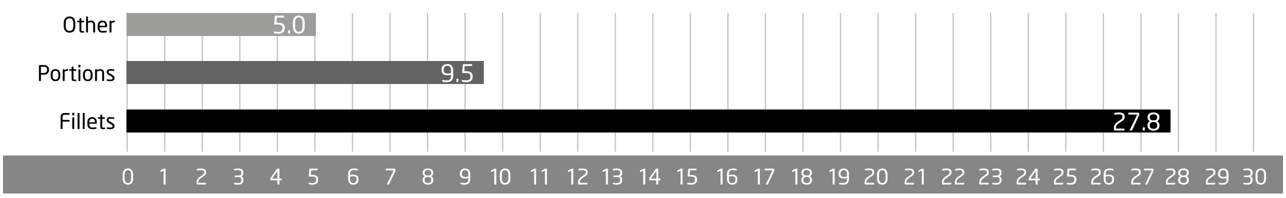
> HARVEST VOLUME AND VALUE ADDED PRODUCTS



> VOLUME VALUE ADDED PRODUCTS – *1,000 tons – product weight*



> VALUE ADDED PRODUCTS 2018 – *Other - Portions - Fillets 1,000 tons – product weight*



Key figures

Operating revenues and operating profit *NOK mill.*	2018	2017	2016
Operating revenues	11,343	10,817	9,030
Operational EBIT	3,461	3,162	2,432
Operating margin	31%	29%	27%
Operating profit	4,307	2,792	3,086
Profit before tax	4,453	2,856	3,342
Profit margin	39%	26%	37%
Net profit for the year	3,579	2,298	2,651
Earnings per share	31,70	20,24	23,51

Balance sheet *NOK mill.*	2018	2017	2016
Non-current assets	8,211	7,611	7,008
Current assets	6,925	5,316	6,393
Total assets	15,136	12,926	13,402
Equity	9,140	7,668	6,681
Debt	5,996	5,258	6,721
Total equity and debt	15,136	12,926	13,402
Net interest bearing debt	1,527,7	1,222,5	2,364,5
Equity share	60%	59%	50%

Message from the CEO

A very good year for SalMar

We posted the best results in the Group's history in 2018, thanks in part to the continuation of strong global demand for salmon and high prices, and in part to the fantastic contribution made by our entire workforce. Another milestone was reached when we harvested the first salmon raised at our offshore fish farm, Ocean Farm 1, with very promising results. This strengthens our belief that farming fish further out in the ocean is the right way to go.

Continued growth

SalMar harvested 142,500 tonnes of salmon in 2018, an increase of 5 per cent on 2017. The growth came in the Fish Farming Central Norway segment, and was due to strong improved biological performance and contributions from Ocean Farm 1. The results from the segment shows that we have managed to return to the level we wish to be at with respect to production quality, efficiency and costs. At the start of 2018, we announced our goal was to reduce production costs per kg for the second year in a row. And we did. The turnaround we have achieved in Central Norway in recent years, following a challenging period, can be attributed partly to meticulously efforts to protect our sites from salmon lice, keep our nets clean, make efficient use of cleaner fish and take excellent care of our salmon. All of this resulted in a substantial improvement in fish health, welfare and growth. That said, we farm fish in seven production areas in Norway, and we have a lot of hard work ahead of us in order to continue performing at the same level as Central Norway managed in 2018.

Next step in our offshore strategy

In 2018, SalMar completed the first production cycle at the Ocean Farm 1 facility, which is situated in an area of sea called Frohavet off the coast of Frøya. Over the 15 months the fish were in production, we did not need to apply a single delousing treatment. The fish had an excellent rate of growth, and their quality was uniformly good. Such promising results boost our confidence as we embark on the next phase of our strategy of farming fish in locations further out in the ocean, where salmon can be produced on their own terms. In February 2019, SalMar's subsidiary MariCulture was awarded eight development licences for the "Smart Fish Farm" concept. This is the world's first fish farm designed to be used in the open ocean. The specially designed deepwater fish farm is intended to be positioned in harsh environments in the ocean, where both sea temperatures and ocean currents are optimal for the salmon. If SalMar's offshore fish farming strategy succeeds, vast areas of ocean could be opened up for environment-friendly and sustainable aquaculture. In this way, Norway can retain and reinforce its position as the world's leading producer of Atlantic salmon in a long-term perspective.

Investing in new growth

With the prospect of strong earnings ahead and a sound financial position, we are in a position to both deliver solid dividends to our shareholders and invest considerable sums in future-oriented projects to build a platform for future growth. In 2019, SalMar is planning to invest almost NOK 900 million. The biggest investments will come in the Northern Norway segment, including the new harvesting and processing plant InnovaNor in Lenvik and our smoltfacility in Senja. The substantial investments we have made in recent years to boost our competence and capacity to handle biological challenges resulted in improved operational performance and lower costs in Central Norway in 2018. Over time, we expect to see similar positive effects from our investments in Northern Norway. InnovaNor will give us the same flexibility we have at InnovaMar in Central Norway to harvest fish on the terms of the salmon.

Resource rent tax

For Norwegian fish farmers, it is worrying that the introduction of new taxes and levies – including a resource rent tax – have become a political issue shortly after the Norwegian parliament (Stortinget) decided to set up the so-called Aquaculture Fund and, at the same time, promised stable and predictable framework conditions for the sector. Despite several years with high salmon prices and favourable foreign exchange rates, Norway's aquaculture industry has, through its short history, proved to be vulnerable to changes in the economic cycle and subject to fierce competition. The sector must invest heavily to meet the environmental and biological challenges it faces.

Furthermore, vast sums are being invested in land based fish farms in other countries, close to important markets for Norwegian salmon. Each year, Norway's aquaculture sector pays billions of NOK in state and local government taxes and levies. The production of salmon forms the core of an important business cluster, employing around 34,000 people – many of them in remote locations along the Norwegian coast that are at risk of population decline. By its actions, the government will demonstrate if its ambition to make Norway the world's leading seafood nation is seriously meant. New taxes and levies will help to weaken the Norwegian aquaculture sector's competitiveness and willingness to invest, allowing competitors in other countries to gain ground. The Norwegian authorities must as soon as possible, therefore, eliminate the uncertainty that has been created with regard to important framework conditions for the sector's development in Norway.

Safety first and foremost

Everyone at SalMar shall come home from work each day safe and sound. To strengthen this focus SalMar shall further raise awareness of our safety routines and intensify the reporting of near-miss incidents. We must reduce our sickness absence rate and the number of work-related injuries. We are convinced that effective health, safety and environment (HSE) routines, tailored to our production and processing activities will have a positive impact on our bottom line and make us more efficient. As a vital part of this effort, we will put the entire organisation through the SalMar School in 2019. This will enable us to create a shared understanding of our core values and underlying corporate culture, and how we are required to behave at work.

Iceland

In mid-February 2019, it was announced that SalMar had invested NOK 180 million to acquire a further 12.3 per cent of the shares in the Icelandic salmon farming company Arnarlax. Following this transaction, SalMar now controls 54.2 per cent. In this connection, we have also made a mandatory offer for the remaining shares in the company. We have great faith in the future of Arnarlax and the Icelandic aquaculture industry as a whole. At the same time, we are aware that much work remains to be done before the company can perform at the same level as our operations in Norway and Scotland. Arnarlax has licences to produce almost three times more than last year's output of seven thousand tonnes. But realising this growth potential will require substantial investments in smolt facilities and access to additional suitable sites to improve its biosecurity. Through a dialogue with the authorities and wild-salmon interests, combined with comprehensive environmental analyses, the Icelandic aquaculture industry should aim to create a robust and sustainable site structure. For fish farmers, it is important with predictable policies from the authorities. Arnarlax and other fish farmers on Iceland have a great deal to do to win society's confidence and understanding for the opportunities the industry can offer for future value creation, jobs and sustainable food production.

Thank you for your invaluable efforts!

Finally, I would like to thank each and every one of SalMar's employees for all their hard work in 2018. We can look back on a year with strong performances throughout the organisation. Farming has done an impressive job of keeping lice levels down and reducing production costs, and sales and Industry has demonstrated an exceptional efficiency and flexibility in handling the volumes when they arrive. 40,500 tonnes of salmon in the fourth quarter is a company record for SalMar. And InnovaMar set a new world record for a single month in July, with 17,000 tonnes of salmon harvested. In addition, we have a hugely dedicated team working in administration and support, who make sure that everyone else can concentrate on doing the work that are at the forefront for SalMar; maximise value creation on the salmon we produce, with minimal footprint.

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 sub-sequently 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 restruc-turing of the Norwegian aquaculture sector, which gradually led to a substantial increase in its level of industrialisation.

At the bottom of the next pages you can follow SalMar's history until 2019.

A new era in aquaculture

In 2016, the Norwegian directorate of fisheries granted the first eight aquaculture development licences to Ocean Farming AS. Early in 2019, MariCulture AS was granted eight licences for the development of an open-ocean aquaculture facility. Both companies are part of the SalMar Group. SalMar is collaborating with other centres of expertise in the aquaculture and offshore industries to realise both of these full-scale pilot projects. The development licences have been granted for a period of seven years. However, they may be converted into ordinary production licences if the Norwegian Directorate of Fisheries' target criteria are met.

Ocean Farm 1's first production cycle completed

Ocean Farm 1 is a pilot project focusing particularly on biological conditions and fish welfare. It is a large and challenging project, which has involved the testing and development of new and innovative equipment technology that will be of benefit to the whole industry.

The installation has been situated in an area of sea called Frohavet, off the coast of Frøya. Harvesting of the installation's first salmon started at the end of September 2018 and ended in early 2019. After 15 months at sea, we can confirm that the fish achieved an extremely good growth rate and that its quality was uniformly good. Few salmon lice were observed, and it was not necessary to apply a single delousing treatment.

The promising biological results from the first production cycle reinforce our confidence that farming salmon further out in the ocean is the right way to go. We are now preparing for the next transfer of smolt to Ocean Farm 1 in the summer of 2019. In this connection, we will implement a number of measures based on lessons learned from the initial transfer.

Next step – production in the open ocean

The award of eight development licences for the Smart Fish Farm project marks a substantial step towards the establishment of aquaculture in the open ocean. Substantial design work remains to be done before the vast new installation can be built and put into production. The objective is to locate the fish farm in open water, 20–30 nautical miles off the coast of Trøndelag, an area well known for its harsh weather conditions. Nothing similar has ever been attempted before and an important aspect will be to test the way technology and biology interact in such exposed surroundings.

In its licence-award letter, the Norwegian Directorate of Fisheries describes in detail how the concept differs materially from SalMar's existing offshore installation, Ocean Farm

World's first offshore fish farm Ocean Farm 1 from its position in Frohavet off the coast of Frøya.

1. It will withstand considerably more exposed conditions and have twice the capacity. However, the biggest difference is that it will have a closed central column for the treatment of fish, the control and management of the unit, as well as an advanced system for the transportation of fish linked to the eight surrounding production chambers.

This new equipment technology could help to realise the Norwegian government and parliament's ambition to make Norway the world's leading seafood nation. The unit will combine important environmental aspects of open-net fish farms with closed-containment technology. The Smart Fish Farm will be largely immune from environmental impact caused by other fish farms because it can be situated in any exposed area along the whole Norwegian coast where the outer ocean currents flow. At the same time, its design allows fish to receive necessary treatments in a closed environment, from which there are no emissions.

Contributing to sustainable growth

SalMar considers that a precondition for sustainable growth in the aquaculture sector is the ability to operate in new areas, where sea temperatures and ocean currents provide optimal biological conditions for the farming of fish. The purpose of these projects is to develop the technology that will make this possible. They will also be of great significance for the Norwegian aquaculture industry's long-term competitiveness and will strengthen Norway's position as a global leader in offshore fish farming.

Equipped for R&D

Both these projects are equipped to undertake a variety of R&D tasks relating to biological conditions and fish welfare. As such, they will help promote further development in the aquaculture sector and the applied R&D relating to it. It is important that the operational experience provided by the pilot facilities leads to the industrial-scale construction of this type of ocean-going fish farm.

VÅR HISTORIE

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.*

SALMON FARMING A B C

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.

TRACEABLE >>> SUPPLY CHAIN

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.

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

Farming location Indre Bringenes in Mefjorden on Senja.
Largest mountain on Senja in the background, Breitinden 1,001m

ROE/SMOLT PRODUCTION

No. of production facilities:
- 7 smolt facilities
- 1 cleaner fish facility

Production: 34.0 million smolt
and 0.5 million lumpfish in 2018

FISH FARMING
CENTRAL NORWAY

(Møre & Romsdal, Trøndelag)
No. of licences:
68 (53,611 MAB tons)
Harvested volume in 2018:
100,100 tonnes gutted weight

SalMar's OPERATIVE SEGMENTS 2018

FISH FARMING NORTHERN NORWAY
(Troms and Finnmark)
No. of licences:
32 (33,406 MAB tons)
Harvested volume in 2018:
42,400 tonnes gutted weight

SALES AND PROCESSING
Volume sold:
approx.138,000 tonnes
Value added products
(product weight):
approx. 42,000 tonnes

ROE/SMOLT PRODUCTION

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

The segment employs 77 people, many of whom are very 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 Follafoss and Senja. Any new capacity built will employ RAS technology.

The segment has started work to expand several facilities:

- Increase in ouput from smolt facility in Follafoss, from 15 to 19 million smolt. The new section will go into operation in the autumn of 2019
- Plan to increase output from smolt facility on Senja where one wishes to double capacity from 14 to 28 million smolt.
- Increase in output of lumpfish from our facility in Langstein from 1.4 to 3.0 million smolt.

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

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 license for production of farmed salmon and a harvesting and processing plant in Frøya that was designed to handle white fish. Since then, both the Group and the segment have gone from strength to strength.

Today, SalMar's Fish Farming Central Norway segment controls 68 marine-phase production licenses where SalMar Farming AS owns all of these licenses. The segment also operates several R&D licenses in collaboration with other companies.

SalMar is currently the world's largest producer of organic salmon. In 2018, 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 organized 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 2018, the segment employed 377 people. The environmental conditions for salmon farming in this region are extremely good, with favorable 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 2018 and has generally experienced lower lice numbers in the areas in which we have our operations. 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

SalMar's Fish Farming Northern Norway segment currently holds 33 licenses for the production of farmed salmon. These comprise 1 green, 1 demonstration and 31 conventional licenses. The segment has also had two R&D licenses under shared operation in 2018. 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 154 full-time equivalents, of whom 136 were full-time employees and 18 part-timers. The segment has focused systematically on enhancing the expertise of its workforce and employs several apprentices. This has been made possible 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. The network was gradually extended, and by 2014 all our sites were equipped with a remote feeding capability. This means joint surveillance and control of all SalMar's sites in South Troms and East Finnmark. 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 center, which provides a better foundation for decision making forward in time.

SalMar focused early on use of and development of non-medicinal delousing methods for treatment of lice and has in Northern Norway through 2018 strengthened lice control and generally experienced a lower lice levels in the areas we operate. The non-medicinal delousing methods includes preventive methods, such as the installation of protective "skirts" around the net pens and the use of cleaner fish.

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 systematic 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

The Sales and Processing segment administers the Groups sales activities and onshore processing facilities. In 2018, the segment sold around 138,000 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 m2 with an advanced equipment park for harvesting and filleting and has a capacity to harvest 75,000 tonnes of salmon per year in one shift. 2018 has been characterized by high activity and InnovaMar set world record for a single month with a harvest volume of 17,000 tonnes in July. A significant portion of the harvested volume goes on to further processing before being shipped to customers and consumers worldwide. Through innovative use of production technology, the quality of the final product is enhanced, costs are reduced and the working environment for staff is improved. Through our ownership of Vikenco AS, we facilitate the harvesting of fish from Møre & Romsdal and the southern part of Central Norway. In 2018, Vikenco and InnovaMar together produced around 42,000 tonnes of processed products, measured by product weight.

In 2018 the construction of a new harvesting and processing plant in Northern Norway, InnovaNor, was approved. This is a significant step towards strengthening this region as an important industrial engine in the company's development. InnovaNor will provide the same flexibility we have with InnovaMar in Central Norway to harvest fish on the terms of the biology, not the needs of external suppliers. Construction start will take place in the summer of 2019 and the facility will be put into use in the first half of 2021.

VÅR HISTORIE

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

SalMar's 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 YOUARE 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 VITALTO THE SUCCESS OF US ALL

Although SalMar as a whole numbers more than 1,000 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.

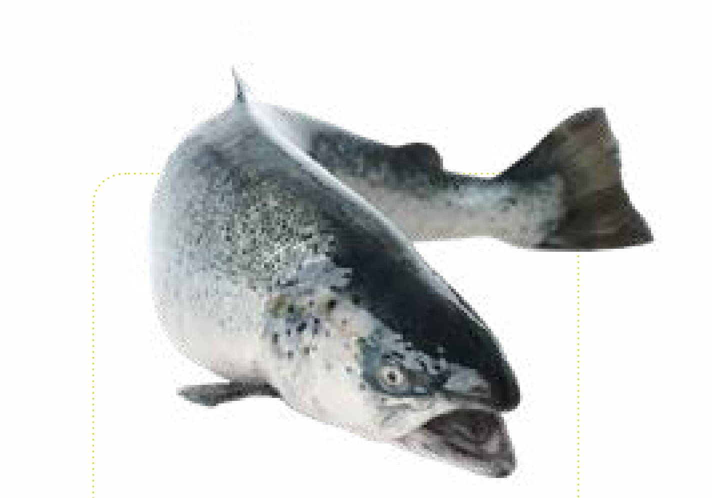
• WE CARE

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.

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



"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»

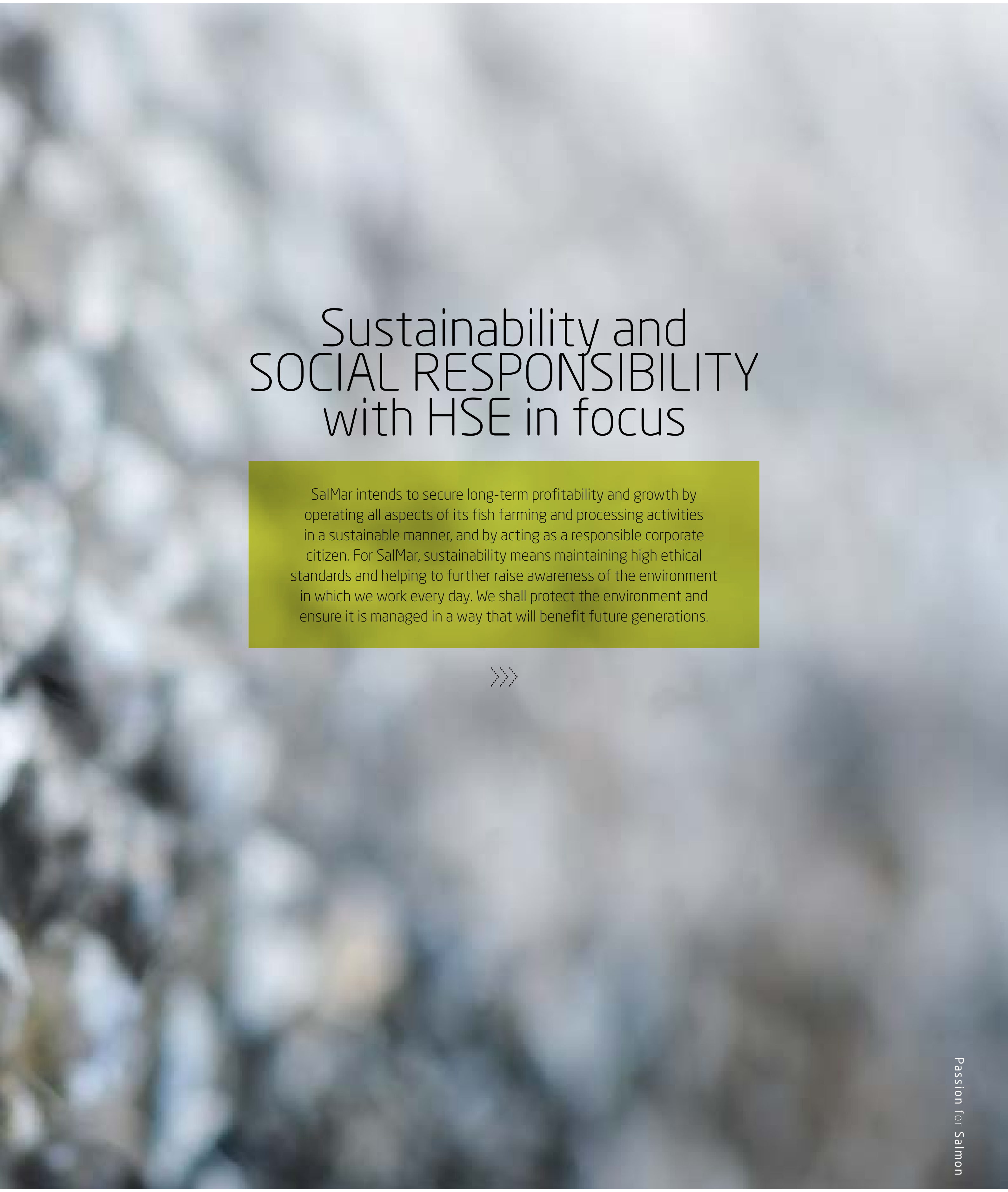
VÅR HISTORIE

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.*

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

The new vision will underpin all activities and all actions -within SalMar. All decisions relating to production will be made on the basis of our passion for salmon. The fish will be farmed in conditions most conducive to their wellbeing. We believe that the best biological results will pave the way for the best financial results, and thus safeguard our position as the most cost-effective producer of farmed salmon in the world.

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



Sustainability and SOCIAL RESPONSIBILITY with HSE in focus

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

VÅR HISTORIE

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.*

SalMar has a presence in local communities along 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 2018, SalMar continued to publish a separate sustainability report in compliance with the principles of the Global Reporting Initiative. For a more complete account of HSE, sustainability and social responsibility at SalMar, please see this report. The following text must therefore be seen as an overarching summary of selected issues discussed in that report, which is available in its entirety from SalMar's website www.salmar.no.

Code of conduct and social responsibility

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

A set of corporate tenets has been drawn up. These tenets describe desired behaviours and provide a shared platform for the actions of all employees. It is the workforce that embodies and develops SalMar's corporate culture. The employees' commitment and positive attitudes have always played a key role in SalMar's success. These issues are discussed at the SalMar School's annual seminars.For further details, please see page 4 of SalMar's sustainability report for 2018.

The code of conduct and corporate tenets may be obtained from SalMar's website www.salmar.no.

SalMar Standard

In addition to being measured and audited in accordance with statutory regulations and the sustainability requirements of third parties and customers, SalMar has developed its own 'SalMar Standard' performance criteria for the various parts of its operation. The 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 2018.

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 action plans. Management is committed to realising the goals that have been set.

In 2018, we continued to work on the development of our overarching platform for corporate governance. The system is specially adapted to SalMar's needs, and we have focused on creating and refining 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, internal routines and procedures. 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, health and safety inspections and meetings attended by staff health and safety representatives are all important initiatives to improve safety at work.

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

Corporate governance platform

In 2018, we worked to further develop our corporate governance platform (called EQS). The system is specially adapted to SalMar's needs, and we have focused on creating an effective and user-friendly reporting solution. The system has now become an important tool in the day-to-day management of the company, and is a useful aid in the monitoring and management of risk. We will continue developing this platform in 2019 with the addition of further opportunities for performance management and learning across the different units.

Competence development

SalMar's new employees receive HSE training though initiatives such as induction and follow-up 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. All parts of the Group have health and safety representatives. Health and safety inspections are carried out twice a year in all departments. In 2018, a total of 123 health and safety inspections were carried out. These have identified important areas that must be improved to further enhance workplace safety.

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 2018.

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 2018.

Sickness absence

As usual, there was a strong focus the sickness absence in 2018. However, the goal of keeping the sickness absence rate below 4.5 per cent was not achieved. The overall sickness absence rate in 2018 came to 5.5 per cent, compared with 4.7 per cent in 2017. Short-term sickness absence rose slightly to 2.1 per cent in 2018, up from 2.0 per cent in 2017. A large proportion of SalMar's employees work in harvesting and processing, and it is here that the sickness absence rate is highest and increased most in 2018.

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 2018.

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 26–33 of SalMar's sustainability report for 2018.

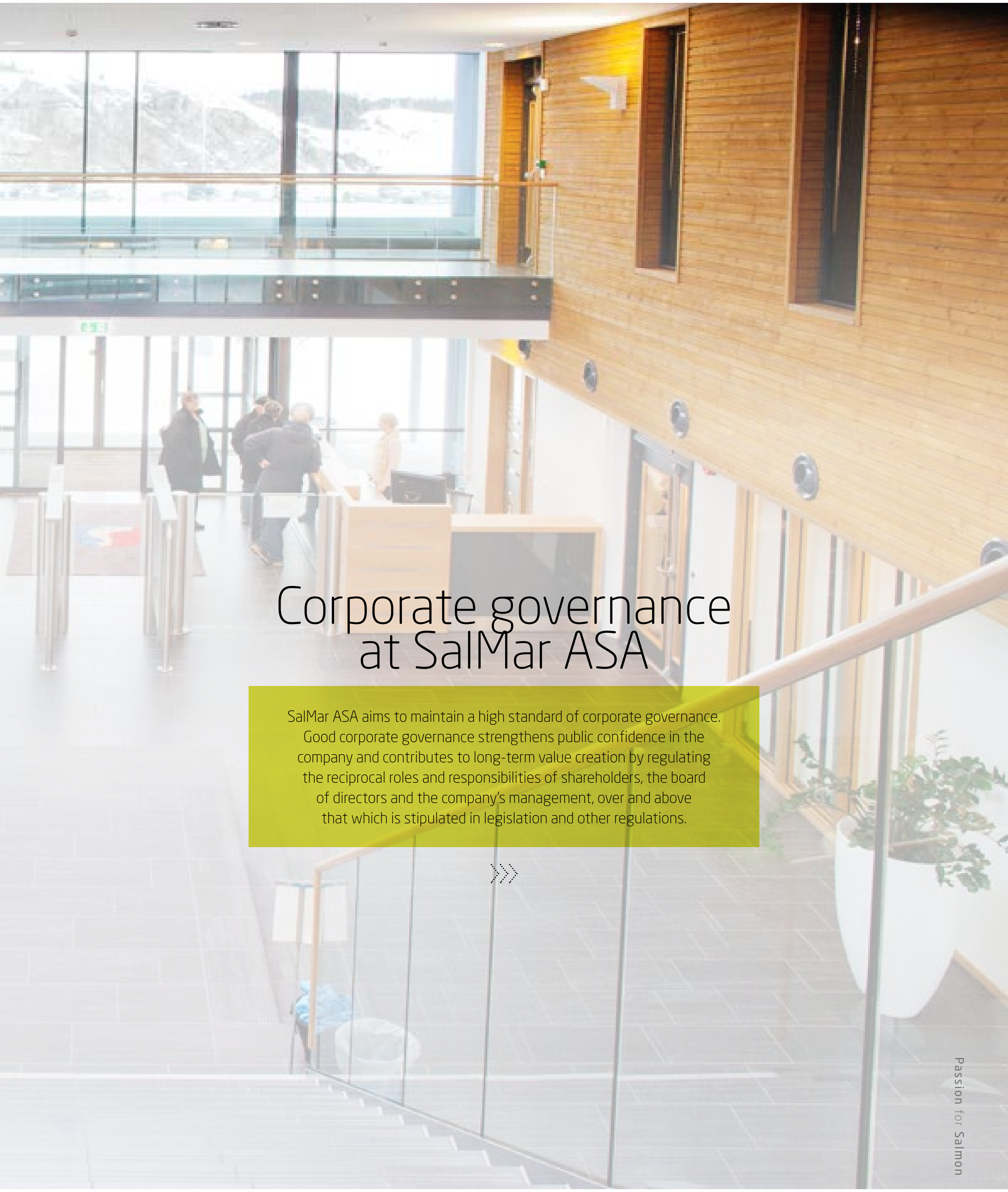
Aquaculture Stewardship Council- standard (ASC)

By the close of 2018, 20 of SalMar's marine sites had achieved certification in accordance with the ASC standard, which is considered to 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. The ASC standard is difficult to achieve, since it requires substantial resources to be devoted to preparation and a considerable focus on the detail. Openness with regard to performance is an important part of the standard, and information is presented on an ongoing basis on our website www.salmar.no. This standard is helping SalMar to take a fresh look at how we do things and stretch ourselves still further to live up to one of our basic tenets: Sustainability in everything we do.

For further details, see page 36 of SalMar's sustainability report for 2018.

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



Corporate governance at SalMar ASA

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

VÅR HISTORIE

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.*

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

- All shareholders shall be treated equally
- SalMar shall maintain open, relevant and reliable communication with its stakeholders, including its shareholders, governmental bodies and the public about the company's activities
- SalMar's board of directors shall be autonomous and independent of company management
- The majority of the members of the board of SalMar shall be independent of major shareholders
- SalMar shall have a clear division of roles and responsibilities between shareholders, the board and management

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, which requires the company to disclose certain corporate governance related information annually. In addition, Oslo Stock Exchange's Continuing Obligations requires listed companies to publish an annual statement of its principles and practices with respect to corporate governance, covering every section of the latest version of the Norwegian Code of Practice for Corporate Governance ("the Code"). The Continuing Obligations also sets out an overview of information required to be included in the statement. The Norwegian Accounting Act is available at www.lovdata.no (in Norwegian), while the Continuing Obligations is available at www.oslobors.no

The Norwegian Corporate Governance Board (NUES) has drawn up the Code. SalMar complies with the current code of practice, issued on 17 October 2018. The Code may be found at www.nues.no. Application of the Code is based on the 'comply or explain' principle, which means that the company must provide an explanation if it has chosen an alternative approach to specific recommendations.

SalMar issues a comprehensive annual statement of its adherence to corporate governance in its annual report, and this information is also available from www.salmar.no. This statement describes how SalMar has conducted itself with respect to the Code in 2018.

Deviations from the Code: None

2. THE BUSINESS

SalMar is one of the world's largest producers of farmed salmon. As of 31 December 2018, the company owned 100 licences for marine production of Atlantic salmon in Norway. In addition, SalMar owned 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. At the end of 2018, SalMar also owned 42 per cent of the Icelandic aquaculture company Arnarlax Ehf. During the first quarter of 2019, SalMar purchased further shares in this company and as of the end of the first quarter, the company had a controlling ownership in Arnarlax. Further, the company has a substantial secondary processing business, which is co-located with its headquarters in Frøya.

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

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

SalMar's board of directors has drawn up clear objectives and strategies for the Group to secure optimal value creation for its shareholders and other stakeholders. 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. The board of directors also defines risk profiles for the Group and ensures that these support value creation for shareholders.

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.

Corporate values, code of conduct and social responsibility

SalMar's corporate culture 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 equality, quality, care for the environment, focus on work tasks and continuous improvement.

Overarching all business operations and actions at SalMar is the Group's vision: "Passion for Salmon", meaning all decisions relating to production will be made on the basis of its passion for salmon. The fish will be farmed in conditions most conducive to their wellbeing. SalMar believes that the best biological results will pave the way for the best financial results, and thus safeguard the company's position as the most cost-effective producer of farmed salmon in the world.

SalMar has a set of tenets, describing desired behaviours and fostering a shared awareness among all employees of how they should act. The SalMar School and daily exposure to the Group's performance-oriented corporate culture provides all members of the workforce with constant stimulation and opportunities to develop themselves. For more information on the SalMar culture, please see the annual report and the company's website www.salmar.no.

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

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

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

Deviations from the Code: None

3. EQUITY AND DIVIDEND

Equity

As at 31 December 2018, the company's equity totalled NOK 9,139.8 million, which corresponds to an equity ratio of 60.4 per cent. The board considers SalMar's capital structure to be appropriate 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 2018, the board has proposed payment of a dividend of NOK 23 per share. In terms of its financial performance, 2018 was a very good 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 5 June 2018 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 a convertible loan. These were extensions of authorisations granted by the AGM in 2017. 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 2,832,000, 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 2019.

Deviations from the Code: None

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSELY RELATED PARTIES

As at 31 December 2018, SalMar ASA owned 561,003 treasury shares, which accounts for 0.50 per cent of the company's registered share capital. Transactions involving treasury shares are undertaken on the stock exchange or otherwise at the prevailing stock exchange prices.

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.

Any transactions with related parties are discussed in Note 29 to the 2018 financial statements.

Deviations from the Code: None

5. SHARES AND NEGOTIABILITY

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.

The company's shares are freely transferable on the Oslo Stock Exchange, and its articles of association do not contain any restrictions on any party's ability to own, trade or vote for shares in the company, as long as the regulations governing insider trading are complied with.

Deviations from the Code: 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 2019 AGM will be held on 5 June 2019 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.

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 and section 5-6 of the Public Limited Companies Act.

The board of directors, the Nomination Committee and the company's auditor will be represented at the general meetings, which will normally be chaired by the Chair of the Board. The present Chair of the Board, Atle Eide, is a member of the board of Kverva AS, the majority shareholder of SalMar. Nevertheless, SalMar considers the Chair of the Board to be best suited to chair the general meeting. In the event of any disagreement on individual agenda items where the Chair of the Board 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: 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 2018, the Nomination Committee comprised the following:
- Bjørn Wiggen, Chair (up for election in 2019)
- Endre Kolbjørnsen (up for election in 2020)
- 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 Code. Proposals for members of the board and Nomination Committee should safeguard the shareholder community's interests and the company's need for competence, capacity and diversity. To achieve this the Nomination Committee may contact shareholders and company directors.

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

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

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

Proposals to the Nomination Committee

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

Deviations from the Code: None

8. BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

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 Chair of the Board is elected by the AGM, while the Vice-Chair is elected by the board itself. The company's current board is made up of seven members, including two employee representatives. Three of the company's directors are women, including one female employee representative. Women therefore comprise 43 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 between six and eight members.

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.

None of the board members held shares in SalMar as at 31 December 2018.

Independence of the board

SalMar's board of directors is composed such that it is able to act independently of any special interests. The Chair of the Board, Atle Eide is also a member of the board of Kverva AS, the company's majority shareholder, 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 Chair of the Board is, or has been, actively engaged, another director is appointed to chair the board's deliberations. No such matters have been addressed during 2018.

Deviations from the Code: 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 regulations governing the board's working practices includes 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.

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 2018, the board held 14 meetings, of which 5 were by telephone. The overall attendance rate at board meetings was 99 per cent.

The board makes an annual assessment of its own work and competence. An evaluation of this kind was last conducted in February 2019.

VÅR HISTORIE

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.

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 5 meetings in 2018, with an overall attendance rate of 100 per cent.

As at 31 December 2018, the Audit Committee comprised the following:

- Kjell Storeide, Chair
- Helge Moen

Deviations from the Code: 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 executive 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 board of directors' report and note 2 to the financial accounts in the 2018 annual report.

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: None

11. DIRECTORS' FEES

The Nomination Committee's proposal for the remuneration payable to the board of directors is approved by the 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 2018 annual report.

Deviations from the Code: None

12. REMUNERATION TO SENIOR EXECUTIVES

Pursuant to Section 6-16a of the Public Limited Companies Act, the board of directors prepares 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. The current 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 2018 AGM, the statement on executive remuneration was set forth as a separate case document, which is available from the company's website www.salmar.no. The AGM approved the establishment of a new share-based incentive programme for senior executive. The AGM held a consultative vote on the Board's guidelines for the determination of salary and other benefits to senior executives for the 2018 financial year, and on a separate vote, the AGM approved the part of the guidelines for remuneration and other benefits payable to senior executives relating to shares or the developments in the Company's share price or that of other companies in the Group.

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 2018 annual report.

Deviations from the Code: None

13. INFORMATION AND COMMUNICATION

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

SalMar seeks to comply with the Oslo Børs IR code, including recommendations on the reporting of information to investors on companies' websites, last updated on 1 June 2017. The company has, in line with the Code, 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 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 will continue to publish quarterly 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 for when the company expects to publish its annual report and the date of its AGM. The calendar is available from the Group's website www. salmar.no. It is also distributed as a stock market notice and updated on the Oslo Stock Exchange's website www.newsweb.no. The calendar is published before 31 December each year.

Deviations from the Code: None

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

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

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

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

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

Deviations from the Code: 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: None

VÅR HISTORIE

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.*

Executive MANAGEMENT

OLAV-ANDREAS ERVIK

• *President & CEO*

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

• **Born:** 1976 • **Shares:** 12,217
• **RSU-Rights:** 4,824

TROND TUVSTEIN

• *Chief Financial Officer*

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

• **Born:** 1972 • **Shares:** 21,047
• **RSU-Rights:** 4,824

GUSTAV WITZØE

• *Director of Strategic Projects Strategiske Prosjekter*

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 93.02% of Kverva AS who through its subsidiary Kverva Industrier AS owns 52.46% of the shares in Salmar ASA. Mr. Witzøe is also a boardmember of Kverva AS • **RSU-Rights:** None

ROGER BEKKEN

• *COO Farming*

Bekken took over as COO Farming on 4 June 2018. Mr Bekken has worked in the seafood sector since 1991. He has held a variety of executive positions in the industry. Before joining SalMar is 2014, he was COO of Farming at Norway Royal Salmon (NRS). From 2014 until June 2018, Mr Bekken was managing director at SalMar Farming AS.

• **Born:** 1967 • **Shares:** 3,715
• **RSU-Rights:** 3,274

FRODE ARNTSEN

• *Director, Processing and Sales*

Arntsen took the position as Director, Processing and Sales on 1 December 2017. He has a background from the Norwegian Military, 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:** 736
• **RSU-Rights:** 2,794

ULRIK STEINVIK

• *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. Berfore 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:** 13,882
• **RSU-Rights:** 3,904

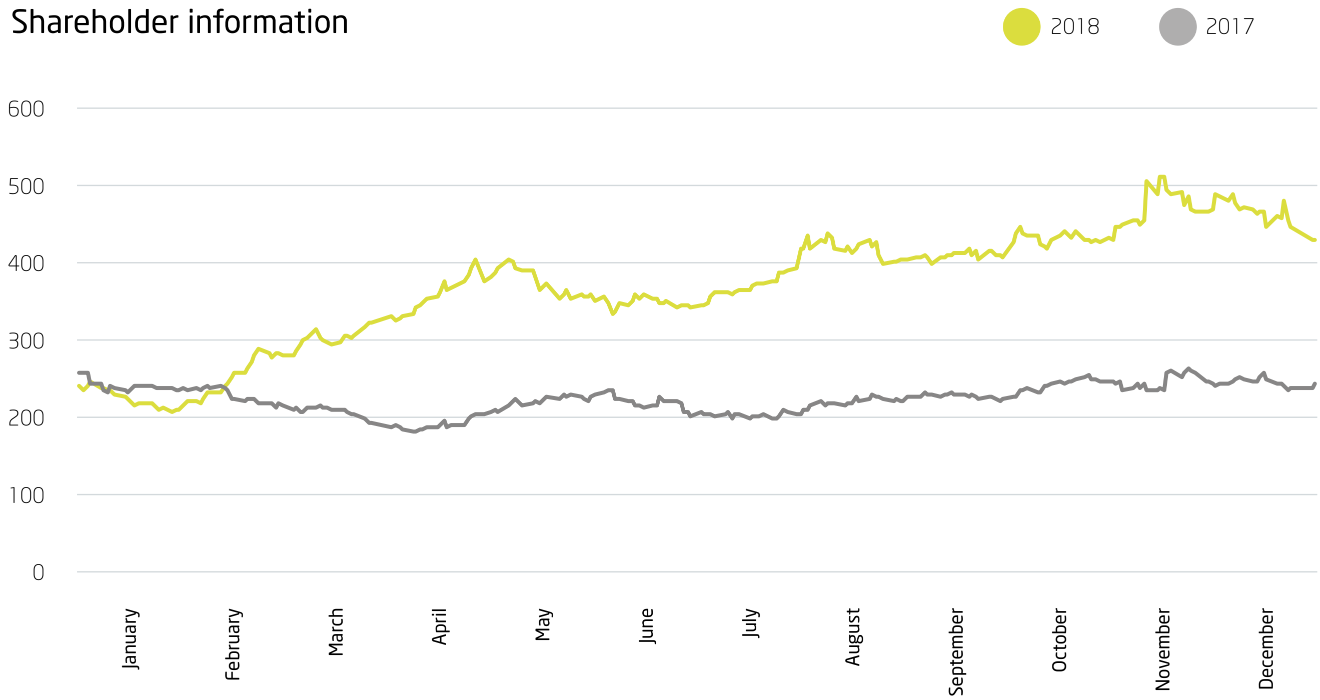
VÅR HISTORIE

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.*

SalMars 20 largest shareholders

NAME	Shareholding 31.12.18	Shareholding (%)
Kverva Industrier AS	59,436,137	52.46%
Folketrygdfondet	5,948,899	5.25%
State Street Bank and Trust Comp	2,474,294	2.18%
State Street Bank and Trust Comp	2,186,226	1.93%
Euroclear Bank S.A./N.V.	1,363,891	1.20%
LIN AS	1,174,620	1.04%
State Street Bank and Trust Comp	1,153,536	1.02%
J.P. Morgan Bank Luxembourg S.A.	1,129,973	1.00%
Clearstream Banking S.A.	1,119,712	0.99%
Invesco Funds	1,111,621	0.98%
The Bank of New York Mellon SA/NV	961,319	0.85%
J.P. Morgan Bank Luxembourg S.A.	942,394	0.83%
JPMorgan Chase Bank, N.A., London	787,419	0.69%
JPMorgan Chase Bank, N.A., London	787,110	0.69%
The Bank of New York Mellon SA/NV	718,085	0.63%
Old Westbury Large Cap Strategies Fund	653,647	0.58%
JPMorgan Chase Bank, N.A., London	650,673	0.57%
State Street Bank and Trust Comp	593,491	0.52%
AB Sic i Low Vol Equ Portf	587,338	0.52%
SalMar ASA	561,003	0.50%
Total 20 largest shareholders	**84,341,388**	**74.44%**
Other shareholders	28,958,611	25.56%
TOTAL	113,299,999	100.00%
Shareholders	**5,082**	
Total no. of shares	113,299,999	

Shareholder information



Share price development

Share price per 01.01.2018 was NOK 246.80 thus valuing SalMar at NOK 27,962 million.
At year-end the share price was NOK 428.00 valuing SalMar at NOK 48,492 million

Technical information

As at 31 December 2018 SalMar ASA had 113,299,999 shares outstanding, with each share having a face value of NOK 0.25.
As at 31 December 2018 the company had approx. 5,080 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

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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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Financial calendar 2019

SalMar holds quarterly presentations open to the public. The presentations will take place at 08.00 am CET. Results for 1st quarter 2019 will be presented at The Salmon in Strandpromenaden 11 at Tjuvholmen in Oslo other quarterly presentations will be held at Hotel Continental in Stortingsgaten 24/26 in Oslo, Norway. The annual general meeting will be held at Frøya. Changes will be communicated.

2019 FEBRUARY	**2019** APRIL	**2019** MAY	**2019** JUNE	**2019** AUGUST	**2019** NOVEMBER
14	**26**	**22**	**5**	**23**	**14**
Results 4th quarter 2018	Annual Report 2018	Results 1st quarter 2019	Ordinary General Meeting	Results 2nd quarter 2019	Results 3rd quarter 2019

VÅR HISTORIE **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 & Romsdal). • Acquisition of a further 1.5% of the shares in Bakkafrost P/f, bringing SalMar's total shareholding to 24.8%.

BOARD OF DIRECTOR'S STATEMENT 2018

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.

Helge Moen
Member of the Board

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.

Kjell A. Storeide
Member of the Board

Mr. Storeide is a graduate of the Norwegian School of Economics and Business Administration (NHH) in Bergen. From1990 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.

Geir Berg
Employee representative

Mr. 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.

Brit 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.

Margrethe Hauge
Member of the Board

Ms. 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.

Trine L. Danielsen
Member of the Board

Ms. Danielsen, Senior Project Manager at Blue Planet AS, has extensive experience in both politics and aquaculture. Her previous employers include CAC AS, Timar Group and EWOS AS. She also served as Mayor of Hjelmeland Municipality between 2011–2015. Danielsen has served on the board of SalMar ASA since 5 June 2018.

VÅR HISTORIE

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%.*

SalMar has completed yet another strong financial year. The company's good biological performance continued in 2018, resulting in a further decrease in production costs and increase in harvested volumes. Combined with good price achievement by the Sales division, this resulted in the highest Operational EBIT in SalMar's history.

SalMar harvested a total of 142,500 tonnes in 2018, and generated operating revenues of NOK 11.3 billion. This represents a 5 per cent increase in both volume and revenues compared with 2017. The Group expects the volume harvested in Norway to increase by a further 2,500 tonnes in 2019.

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 2018, SalMar had a total of 100 licences for the production of Atlantic salmon in Norway: 68 in Central Norway (Møre & Romsdal, Trøndelag), and 32 in Northern Norway (Troms and Finnmark). In addition, SalMar has one time-limited demonstration licence in Troms and one R&D licence in Central Norway. The Group also has R&D/joint operational agreements relating to 10 licences.

In 2016, SalMar was the first company in Norway to be awarded so-called development licences by the Norwegian Directorate of Fisheries. The purpose of these licences is to promote increased sustainability, desired changes in production methods, innovation and increased overall value creation in the industry. In short: to encourage aquaculture companies to invest in new and sustainable technology. The threshold for being granted a development licence is high. The fact that the first eight development licences ever awarded by the Directorate went to SalMar's offshore installation Ocean Farm 1 is therefore an important testament to the Group's research and development efforts. In February 2019, the Group was awarded a further eight development licences for the Smart Fish Farm concept, through its shareholding in MariCulture AS (51 per cent).

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. At the close of the year, SalMar indirectly owned 42 per cent of Arnarlax Ehf, Iceland's largest producer of farmed salmon.

SalMar is headquartered in Frøya, 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: "Passion for Salmon".

SalMar's strategic position is cost leadership. This will be achieved by operating a focused value chain, with significant emphasis on upstream activities. Operational efficiency and innovation form the cornerstones of our strategy.

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 2018

Ocean Farm 1. Harvesting of the first salmon raised at the pilot offshore fish farm Ocean Farm 1, which is located in an area of sea called Frohavet, off the coast of Frøya, started at the end of September 2018 and ended in early 2019. The fish achieved strong growth and a uniform high quality. Few salmon lice were observed and it was not necessary to apply any delousing treatments. The promising results represent a milestone in the work to open up new areas further out to sea, where salmon can be farmed on its own terms.

New harvesting plant. SalMar has decided to build a new harvesting and processing plant in Lenvik, Troms. The project has been dubbed InnovaNor. This is an important move to strengthen the region as an important industrial engine in the Group's development. InnovaNor will provide the same flexibility and capacity to harvest fish as the Group has at its InnovaMar facility in Central Norway. Construction work will start in the summer of 2019, and the facility is scheduled to go into operation in the first half of 2021. When it starts operating, it will need a substantial workforce, and SalMar has therefore already opened a dialogue with Senja Upper Secondary School to boost recruitment to the region's industrial food production sector.

New CEO. Olav-Andreas Ervik took over as SalMar's CEO in April 2018, after Trond Williksen's voluntary resignation. Olav-Andreas Ervik has more than 20 years' experience of the aquaculture industry, and joined SalMar initially in 2012. Before his appointment as COO Farming in 2014, he was chief executive of SalMar Farming AS. In addition, he has held executive positions at Lerøy Midnor, Scottish Seafarms (50 per cent owned by Salmar) and Lerøy Hydrotech. Ervik began his career as a fish farmer, which has given him practical, front-line experience of the salmon farming industry.

Events after the balance sheet date

Bid for all of Arnarlax. On 14 February 2019, SalMar agreed to purchase 3,268,670 shares in Arnarlax AS at a price of NOK 55.00 per share. This corresponds to a total consideration of NOK 179.8 million. SalMar already owned 42.0 per cent of the company's shares and the purchase brought its shareholding up to 54.2 per cent. On 13 March 2019, as a consequence of the transaction, SalMar made an offer for the remaining 12,181,761 shares in Arnarlax at a price of NOK 55.78 per share. Arnarlax AS is the largest farmer and producer of salmon in Iceland through its wholly owned subsidiary Arnarlax Ehf.

New CFO. Trine Sæther Romuld has been appointed COO & CFO at SalMar ASA, with effect from 1 July 2019. She replaces Trond Tuvstein, who announced in January 2019 that he wished to leave his position after more than seven years of service to the company. Trine Sæther Romuld (50) has extensive experience from a number of executive positions within the seafood, oil service, business consultancy and auditing sectors, having worked for both Norwegian and

VÅR HISTORIE **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 Bakka-frost P/f.*

international companies. In addition, Romuld has a great deal of experience of serving on the boards of listed companies and chairing their audit committees. She is a certified public accountant from the Norwegian School of Economics and Business Administration (NHH), and has held various positions within the seafood sector. She has been CFO at Pan Fish (now part of MOWI), a member of the board and chair of the audit committee at Bakkafrost, and a member of the board and chair of the audit committee at the former Aker Seafoods/Havfisk.

New development licences. In February 2019, SalMar's subsidiary MariCulture AS was granted eight development licences. MariCulture will now proceed with the planning of the Smart Fish Farm concept. In its licence-award letter, the Norwegian Directorate of Fisheries describes in detail how the concept differs from SalMar's existing offshore fish farm Ocean Farm 1. It will withstand considerably more exposed conditions and have twice the capacity. However, the biggest difference is that it will have a sealed central column for the treatment of fish, the control and management of the unit, as well as an advanced system for the transportation of fish linked to the eight surrounding production chambers. This new equipment technology could help realise the Norwegian government and parliament's ambition to make Norway the world's leading seafood nation.

Market conditions

Supply, exports and price of Atlantic salmon

Following a 7 per cent decrease in the global supply of Atlantic salmon in 2016, supply increased in both 2017 and 2018. Norway, the world's largest producer of farmed salmon, also increased its output and accounted for around 52 per cent of the total supply in 2018.

Supply of Atlantic salmon in 1,000 tonnes WFE	2017	2018	Change
Norway	1,208	1,253	4%
Chile	564	679	20%
North America	161	164	2%
UK	177	154	-13%
Faeroes	80	72	-11%
Oher countries	104	98	-5%
Total, global supply	2,294	2,420	5%

Norway exported around 1,208,000 tonnes round weight of Atlantic salmon in 2018, up 5 per cent on 2017. The value of Norway's salmon exports also rose by 5 per cent, which reflects the fact that the average price of Atlantic salmon was much the same in 2018 as the year before.

Norway exports 75 per cent of its volume to the EU. Poland increased its imports of Norwegian salmon by 14 per cent, while France increased its imports of Norwegian salmon by 8 per cent. The main Asian markets (Vietnam/China/Hong Kong) decreased their imports by 17 per cent overall.

SalMar sold directly to 47 different countries in 2018. Europe was the most important destination, with Poland, Lithuania and Sweden as the largest single markets. The second most important destination was Asia, with Vietnam, Japan and Singapore as the largest single markets. Since sales to Russia were discontinued in 2014, North America has become the third largest export destination.

The price of Atlantic salmon (NASDAQ) rose sharply from the start of the year until May, when it fell back to levels observed at the beginning of the year. 2018 started with salmon prices at NOK 55.56 per kg and ended with salmon prices of NOK 65.73 per kg. The year's lowest price was recorded in week 34 at NOK 48.91 per kg. The average price of salmon (NASDAQ Salmon Index) for 2018 came to NOK 59.97 per kg, compared with NOK 59.93 per kg the year before.

From the close of 2017 until the close of 2018, the Norwegian currency (NOK) weakened against the EUR and USD by 0.6 per cent and 5 per cent respectively. Against the GBP, the NOK strengthened by 0.5 per cent. Any weakening of the NOK against the respective trading currencies could lead to an increase in salmon prices measured in NOK and vice versa.

Framework conditions

SalMar's 100 licences are located in the regions Central Norway and Northern Norway.

In 2017, the Norwegian government introduced a new system for regulating the growth of the aquaculture industry in order to safeguard its environmental sustainability and stability. Under this system, growth is controlled by means of variable growth cap, environmental indicators and division into production zones. The system is called the "traffic light system", since production zones are designated as being green, yellow or red. Growth is permitted in green zones, growth is put on hold in yellow zones, while production in red zones must be halted or reduced in scale. Growth is assessed every other year, and capacity adjusted by 6 per cent. Growth is divided between new licences and increased capacity at existing licences.

In Norway, there are currently 13 production zones. In the autumn of 2017, eight of these were designated green, three yellow and two red. SalMar's licences in Northern Norway extend across four production zones, all of which were classified as green. The licences located in Central Norway extend across three production zones, two of which were defined as yellow and one as green. A new assessment is expected to be published in the autumn of 2019.

Framework conditions for salmon farming in Scotland have remained relatively constant over several years. Considerable pressure from special interests (NGOs, organised anglers, etc) has led to more challenging regulations than in Norway, which has in turn contributed to a higher level of costs (lower efficiency, smaller economies of scale). The Scottish authorities have expressed the wish that the aquaculture sector will grow from its present output level of around 170,000 tonnes. However, the ongoing Brexit negotiations create uncertainty about customs duties and tariffs for Scottish salmon in the European market.

To date, framework conditions for salmon farming in Iceland have been characterised by unpredictability, particularly with regard to already issued licences and taxation. Politicians and various special interest organisations continue to debate how much the sector should be allowed to grow and which inshore sites it should be given access to. The Icelandic authorities are also considering the introduction of a special tax on salmon farming, which creates uncertainty for Arnarlax's growth and investment plans in the years ahead. Arnarlax is engaged in an active and constructive dialogue with the authorities with respect to these issues, primarily through its membership of the Icelandic fisheries organisation SFS.

Access to markets

China still accounts for a small proportion of the market for Norwegian salmon. This is largely attributable to the country's 2015 ban on the importation of Norwegian salmon from selected regions. Efforts have long been underway to improve access to the Chinese market, and in July 2018 China revoked the restrictions for those Norwegian counties to which they had applied. SalMar's InnovaMar harvesting plant in Frøya was one of the facilities affected by the ban. However, despite the opening up of imports from Trøndelag, SalMar is still waiting for final approval from the Chinese authorities.

Russia was previously an important market for SalMar and other Norwegian salmon producers. However, trade restrictions introduced in the wake of the Crimean conflict in 2014 mean that the Russian market remains closed to Norwegian fish farmers.

Resource rent tax

In April 2018, the Norwegian government decided to assess and potentially propose the imposition of a resource rent tax on the aquaculture sector with effect from 2020. This was based on the aquaculture sector's strong profitability over several years, in which returns have exceeded those achieved in other sectors. An aquaculture sector commission was set up by the government in September 2018 to examine the issue. It is scheduled to publish its report by November 2019.

However, during the spring of 2019, the annual conferences of three out of the four governing coalition partners (Høyre, Fremskrittspartiet and Venstre) decided to reject the imposition of a resource rent tax on the aquaculture sector. The fourth coalition partner, Kristelig Folkeparti, has not yet taken a position on the matter. The government has decided that the Aquaculture Tax Commission's deliberations should nevertheless continue as before, with no change in its mandate.

Financial performance

Going concern

The annual financial statements for 2018 have been prepared on the assumption that SalMar is a going concern pursuant to section 3-3a of the Norwegian Accounting Act. With reference to the Group's results and financial position, as well as forecasts for the years ahead, the conditions required for continuation as a going concern are hereby confirmed to exist. In the opinion of the board of directors, the Group's financial position is good.

Consolidated income statement

The Group generated consolidated operating revenues of NOK 11,342.6 million in 2018, compared with NOK 10,817.2 million in 2017. This represents a year-on-year increase of 5 per cent.

In 2018, SalMar harvested 142,500 tonnes in Norway, compared with 135,200 tonnes in 2017. This also represents a year-on-year increase of 5 per cent. Including SalMar's share of the output from Norskott Havbruk (50 per cent) and Arnarlax (42 per cent), the Group's total harvested volume came to 159,000 in 2018.

The average price of salmon (NASDAQ) in 2018 came to NOK 60.00 per kg, marginally up from the average in 2017, which came to NOK 59.90 per kg. As in previous years, the price of salmon fluctuated through the year, peaking at NOK 79.90 per kg in week 19 and sinking to its lowest recorded price of NOK 48.90 per kg in week 34.

Around 39 per cent of SalMar's total volume harvested in 2018 was sold under fixed-price contracts. The terms of these contracts vary, but normally last for more than 12 months. Overall, the price achieved under these fixed-price contracts was in line with the spot price (NASDAQ) for the year as a whole. This was better than the price achievement in 2017, when the contract portfolio reduced average price achievement. The volume sent for secondary processing in 2018 was at practically the same level as in 2017, approx. 52,000 tonnes in total. Furthermore, SalMar increased the proportion of fish sold to the European market, including Norway, in 2018. Overall, 61 per cent of sales have been to customers in Europe. The corresponding figure for 2017 was 58 per cent.

Biological performance continued to improve in 2018, which resulted in lower production costs. Over time, SalMar has invested heavily to increase its competence and capacity to deal with biological challenges, particularly those relating to salmon lice. The results in 2018 show that the biological situation in the Fish Farming Central Norway segment has improved, with correspondingly reduced costs. The company expects to see similar results in the Northern Norway segment over time.

Up until the end of 2016, the level of costs relating to biological production was rising, partly as a result of an increased emergency response capability and treatment capacity, as well as higher feed costs. Through 2017 and 2018, the Group has achieved a reduction in production costs per kg.

The SalMar Group had payroll costs of NOK 1,040.4 million in 2018, compared with NOK 929.1 million in 2017. The number of full-time equivalents (FTEs) in the Group rose by 4 per cent in 2018, from 1,427 FTEs at the close of 2017 to 1,479 FTEs at the close of 2018.

SalMar's ongoing investment programme has increased the value of the Group's operating assets over time. This explains the higher level of depreciation in 2018 compared with 2017.

The SalMar Group made an Operational EBIT of NOK 3,460.8 million in 2018, compared with NOK 3,162.2 million in 2017. The improvement is, as described above, largely attributable to the increased volume harvested and lower production costs.

Operational EBIT is SalMar's most important measure of its performance under IFRS, since it shows the results of underlying operations during the period. Specific items not associated

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.*

with underlying operations are presented on separate lines in the consolidated financial statements.

Fair value adjustments boosted profits by NOK 845.8 million in 2018. In 2017, fair value adjustments decreased profits by NOK 370.0 million. Fair value adjustments comprise changes in the value of the biomass, unrealised effects of forward currency contracts relating to future contract deliveries and financial salmon price derivatives (Fish Pool), as well as provisions for contract-related losses. The change in the fair value of the biomass boosted profits by NOK 934.8 million, and is largely attributable to higher price expectations at the close of 2018 than at its start, as well as changes in the method of calculating fair value. Changes in provisions for contract-related losses, the fair value of financial salmon derivatives and the unrealised effect of forward currency contracts decreased profits by a total of NOK 89.0 million.

SalMar made an operating profit of NOK 4,306.6 million in 2018, up from NOK 2,792.2 million the year before.

SalMar's associates, ie companies over which SalMar's shareholding gives it a significant influence, performed well in 2018. SalMar's share of the profits from these investments came to NOK 252.9 million, the bulk of which derived from Norskott Havbruk and Arnarlax. The corresponding figure for 2017 was NOK 208.9 million.

Interest income and net other financial items totalled NOK 9.1 million in 2018, compared with NOK 38.0 million in 2017. The change is largely due to foreign exchange effects linked to sales in foreign currencies. Foreign exchange effects were positive in the amount of NOK 1.9 million in 2018, compared with negative effects totalling NOK 49.1 million in 2017.

SalMar's financial expenses totalled NOK 116.1 million in 2018, up from NOK 107.0 million in 2017.

Net financial items for 2018 therefore came to NOK 107.0 million, such that the Group made a profit before tax of NOK 4,452.6 million, up from NOK 2,856.2 million in 2017. The tax expense for 2018 came to NOK 873.3 million. This is NOK 314.9 million higher than in 2017, which can largely be attributed to the higher tax base.

SalMar's net profit for 2018 as a whole totalled NOK 3,579.2 million, compared with NOK 2,297.8 million in 2017.

Consolidated cash flow

SalMar achieved a positive cash flow from operating activities of NOK 2,781.6 million in 2018, compared with NOK 3,374.4 million in 2017. Through 2018, SalMar's working capital rose by NOK 602.6 million, the bulk of which relates to increased biomass and stocks of finished goods. In addition, SalMar paid NOK 672.8 million in corporation tax in 2018, which is NOK 249.6 million more than in 2017.

Net expenditures with respect to investing activities totalled NOK 833.8 million in the period, compared with net expenditures of NOK 758.0 million in 2017. During the year, a total of NOK 946.0 million was invested in intangible assets and property, plant and equipment. SalMar acquired 2,886 tonnes in licence-related maximum allowable biomass (MAB) for a total of NOK 453.6 million, through fixed-price allocations and an auction organised by the Norwegian Ministry of Trade and Fisheries. The additional capacity breaks down as follows: 571 tonnes in production zone 7, and 2,315 tonnes in production zones 10–13. The investment programme associated with the expansion of the Group's smolt capacity has proceeded as planned. In 2018, construction work got underway to expand production capacity at the Follafoss facility. A total of NOK 106.4 million was invested in this project in 2018. Completion of the projects relating to cleaner fish and the hatchery in Senja, as well as the planning and design of additional capacity at the Senja hatchery cost NOK 33.0 million in 2018. NOK 56.9 million in necessary improvement and modification investments relating to Ocean Farm 1 were also made. Maintenance of the equipment park along the entire value chain resulted in total investments of NOK 260.7 million.

In 2018, SalMar received NOK 242.2 million in dividends from Norskott Havbruk. To strengthen its capital base and pave the way for further growth in Iceland, Arnarlax carried out a share issue in July 2018. In this connection, SalMar contributed NOK 112.5 million to the company.

Net expenditures from financing activities totalled NOK 1,890.2 million in 2018, compared with expenditures of NOK 2,716.6 million in 2017. In 2017, SalMar paid its shareholders a dividend totalling NOK 2,147.2 million. Debt relating to rolling credit facilities rose by NOK 500 million, while term loans were reduced by NOK 136.7 million during the year. Payments to cover net interest and financial expenses totalled NOK 105.1 million.

In total, this gave SalMar a positive net cash flow of NOK 57.7 million in 2018, which increased the Group's holdings of cash and cash equivalents to NOK 239.6 million at the close of the year. Unused drawing rights at the close of the year totalled NOK 3,563.3 million.

Consolidated balance sheet

As at 31 December 2018, SalMar's total balance sheet came to NOK 15,135.6 million, an increase of NOK 2,209.3 million since the close of 2017.

The value of the Group's intangible assets rose by NOK 479.0 million in 2018. This is largely attributable to the increase associated with the acquisition of additional MAB capacity. The Group recognised intangible assets in the amount of NOK 3,404.0 million at the close of 2018. The book value of fish farming licences accounts for NOK 2,957.5 million of this amount.

The book value of property, plant and equipment totalled NOK 3,591.5 million at the close of 2018. As a consequence of the high level of investment over several years, the depreciation of property, plant and equipment in 2018 was higher than the year's investments. The overall value has therefore been reduced by NOK 13.3 million compared with 2017.

The Group's non-current financial assets totalled NOK 1,215.5 million at the close of 2018. This is NOK 134.6 million more than at the same point in 2017 and is due primarily to additional investments in Arnarlax through a share issue, as well as the fact that the Group's share of net profits for 2018 is higher than the dividend payable by associates.

The Group's biological assets were valued at NOK 5,305.6 million at the close of the year. This is NOK 1,170.1 million more than at the close of 2017. Measured in tonnes, stocks were 3 per cent higher at the close of 2018 than at the start of the year. The cost of producing the biomass increased by NOK 235.3 million or 8 per cent. Total production costs came to NOK 3,269.9 million. Fair value adjustment of the biomass at the close of the year came to NOK 2,035.7 million, which is NOK 934.8 million more than at the start of the year. At the close of 2018, the Group changed the method used to calculate the fair value of the biomass. This is described in more detail in the notes to the financial statement.

Trade receivables rose from NOK 501.1 million at the start of the year to NOK 630.1 million at the close. At year-end, a provision of NOK 6.7 million had been made to cover uncertain claims, including SalMar's own risk with respect to credit insurance.

At the close of 2018, the Group's equity totalled NOK 9,139.8 million, up from NOK 7,688.1 million at the close of 2017. The equity ratio has risen from 59.3 per cent at the close of 2017 to 60.4 per cent at the close of 2018.

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents) totalled NOK 1,527.7 million at the close of the year, up from NOK 1,222.5 million at the close of 2017. In March 2018, SalMar ASA refinanced two of the three borrowing facilities related to its primary financing agreement which has been entered into with a consortium of Nordic banks. The financing agreement covers operating credit facilities, term loans and an acquisition framework, and means the Group had total drawing rights of NOK 4,000 million at the close of 2018. In addition to this primary financing arrangement, certain of the Group's subsidiaries have their own financing agreements, in connection which interest-bearing debt totalled NOK 211.0 million at the close of the year. The Group has ordinary leasing liabilities amounting to NOK 28.6 million, as well as a leasing agreement for the building that houses InnovaMar, whose nature means that it is classified as a financing agreement. At the close of the year, this leasing liability totals NOK 314.8 million. Next year's instalment on interest-bearing debt totals NOK 635.7 million, NOK 600.0 million of which comprises the residual balance on the term loan which is scheduled to be refinanced before it matures in June 2019.

Based on its taxable profit for 2018, the Group expects to pay NOK 690.7 million in corporation tax.

The NOK 2,209.3 million increase in the value of the Group's assets in 2018 can be attributed to an increase in interest-bearing debt of NOK 367.6 million, an increase in interest-free liabilities of NOK 369.9 million, as well as an increase in equity of NOK 1,471.7 million. The Group's solvency and financial position have therefore strengthened during 2018.

Reporting segments

Fish Farming Central Norway

NOK million	2018	2017
Operating revenue	5,962.0	5,198.5
Operational EBIT	2,533.3	1,891.5
Per kg gutted weight		
Operational EBIT (NOK)	25.3	21.6

For Fish Farming Central Norway, the Group's largest fish farming segment, 2018 was a very good year in terms of both financial and biological performance. The segment's operating revenues increased by 15 per cent from 2017 to 2018, while Operational EBIT rose by a substantial 34 per cent.

Operational EBIT per kg gutted weight rose by 17 per cent in the same period, which can largely be explained by a reduction in production costs. All the salmon produced by SalMar is sold internally at prices equivalent to market prices (NASDAQ). On average, the segment has achieved an increase in the price of its harvested salmon of NOK 0.10 per kg. The production cost of the harvested biomass has, on average, been reduced by NOK 3.60 per kg compared with 2017.

Operationally, 2018 was a good year. Systematic efforts to strengthen the segment's emergency response capability, capacity and knowledge have enabled it to control lice numbers and apply fewer delousing treatments than in previous years. It has also reduced mortality associated with disease and the treatment thereof. Fish transferred to the sea in 2017 accounted for the bulk of the segment's production in 2018. The generation transferred in the spring of 2017 has had a particularly favourable production cycle. 2018 also represents a milestone for the pilot Ocean Farm 1 facility, whose first cohort of fish was harvested out towards the end of the year. The project's biological results have been positive, with strong growth, good quality, low lice levels and there was no need for a single delousing treatment throughout the entire production period.

Fish Farming Central Norway harvested a total of 100,100 tonnes, compared with 87,500 tonnes in 2017. This represents an increase of 14 per cent. At the close of the year, the segment's biomass was 5 per cent less than at the start of 2018. SalMar expects this segment to harvest 95,000 tonnes in 2019. The decrease compared with 2018 is due to the absence of volumes from Ocean Farm 1.

Fish Farming Northern Norway

NOK million	2018	2017
Operating revenue	2,645.0	2,864.8
Operational EBIT	1,153.9	1,376.1
Per kg gutted weight		
Operational EBIT (NOK)	27.2	28.8

Despite strong financial results 2018 was a rather challenging year for Fish Farming Northern Norway. The segment experienced a reduction in operating revenues of 8 per cent, while its Operational EBIT fell by 16 per cent.

Operational EBIT per kg gutted weight came to NOK 27.20 in 2018, down from NOK 28.80 in 2017. The reduction is attributable to a NOK 4.00 increase in production costs per kg gutted weight. At the same time, high weights at harvest and good price achievement has helped to dampen the reduction in margin by securing a price rise of NOK 2.40 compared with 2017.

Lower than planned growth through the winter and summer resulted in the production time for fish transferred to sea in the spring of 2017 being longer than anticipated. Combined with increased MAB volumes, this has enabled the fish to be kept longer at sea to maximise their production potential. This is the main reason for the volume of fish harvested in 2018 being lower than in 2017. In recent years, SalMar has also invested heavily in this region to boost its competence and capacity to deal with biological challenges. An improved biological situation, with an associated reduction in costs, is expected to be seen over time. A restructuring process has been undertaken to optimise production by applying for an increase in MAB volumes at existing sites, as well as gaining access to new sites.

Fish Farming Northern Norway harvested 42,400 tonnes in 2017. At the close of the year, the segment's biomass was 17 per cent larger than at the start of 2018. SalMar expects the segment to harvest 50,000 tonnes in 2019.

Sales and Processing

NOK million	2018	2017
Operating revenues	11,432.0	10,924.8
Operational EBIT	-12.8	47.8

This segment is responsible for placing and selling the entire Group's harvested volume, which it buys from SalMar's in-house producers at the market price. As a result of better price achievement and increased harvested volumes, operating revenues rose from NOK 10,924.8 million in 2017 to NOK 11,432.0 million in 2018. Operational EBIT totalled NOK 12.8 million in 2018, compared with NOK 47.8 million in 2017. The decrease is attributable largely to an increase in the segment's cost base.

In 2018, around 39 per cent of the volume harvested was sold under fixed-price contracts. Overall, these fixed-price contracts have resulted in a price achievement in line with the spot price (NASDAQ) for the year as a whole. This is an improvement on 2017, when contracts reduced the average price achievement. Fish disposed of in the spot market have provided satisfactory margins.

Around 140,000 tonnes of fish were harvested at InnovaMar in 2018, an increase of 19,000 tonnes compared with 2017. Operations at InnovaMar depend on the biological production cycle, and substantial fluctuations in the volume harvested from one period to the next have made it difficult to achieve cost-optimal output from an industrial perspective. For example, more extensive use of overtime had a negative impact on costs in 2018. However, the plant's flexibility has created added value for SalMar as a whole, since it enables production at the sea farms to be optimised.

Variable access to raw materials and volatile salmon prices have made it difficult for the secondary processing business to make a profit in 2018. This business has therefore made a negative contribution to the segment's overall results. From a strategic point of view, SalMar nevertheless believes it is correct to process a relatively large portion of the raw material in Norway. It increases the quality of the product that is sold to the customer, enables by-products to be dealt with efficiently and saves on freight charges.

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.

2018 was a good year for Norskott Havbruk. The company generated gross operating revenues of NOK 2,057.0 million in 2018, compared with NOK 2,088.0 million in 2017.

Biological challenges at the end of 2017, as well as changes in the company's operating structure, resulted in the volume harvested decreasing from 31,000 tonnes in 2017 to 27,500 tonnes in 2018. However, sound underlying operations ensured high weight at harvest, good price achievement and a reduction in costs the company therefore made an Operational EBIT of NOK 661 million in 2018, only slightly below the NOK 669 million achieved in 2017.

Operational EBIT per kg gutted weight came to NOK 24.10 in 2018, a rise of NOK 2.50 per kg from 2017. This is largely attributable to higher price achievement. Norskott Havbruk expects to harvest some 30,000 tonnes in 2019.

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 265.0 million in 2018, compared with NOK 272.8 million in 2017.

Arnarlax

Arnarlax farms salmon in Iceland. SalMar controlled 42 per cent of the company at the close of 2018, having increased its shareholding from 34 per cent through a share issue in Arnarlax as well as the acquisition of subscription rights. As mentioned, above, SalMar has increased its shareholding in Arnarlax still further in the first quarter of 2019, and now has a controlling interest.

Arnarlax is a young company that is leading the development of sustainable aquaculture in Iceland. 2018 was a challenging year for the company, in particular due to disease and a high rate of attrition. Gross revenues fell from NOK 625.4 million in 2017 to NOK 400.4 million in 2018. The company made an Operational EBIT of NOK 78.9 million, compared with NOK 60.2 million in 2017.

The company harvested a total of 6,700 tonnes in 2018, 3,000 tonnes less than the year before.

Operational EBIT per kg gutted weight came to NOK 11.80, compared with NOK 6.20 in 2017. The company's cost structure still reflects the fact that it is in an early development phase. Systematic efforts are being made to optimise the operating structure to bring costs down to a competitive level. The outcome for the year as a whole was severely affected by weak performance at one specific site. In addition, the winter of 2018 was particularly cold in Iceland, as it was in Norway.

Arnarlax expects to harvest around 10,000 tonnes of salmon in 2019. In the fourth quarter of 2018, the harvesting of the company's 2017 generation got underway. This generation has demonstrated a better biological status than the one before.

Bjørn Hembre was appointed as Arnarlax's new CEO with effect from January 2019. Hembre has previously worked at SalMar and brings a great deal of expertise from several senior positions within the SalMar Group.

Arnarlax EhF is recognised as an associate, with SalMar's share (42 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 net loss came to NOK 11.7 million in 2018.

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 2018, it employed a total of 31.5 full-time equivalents.

SalMar ASA made a net profit for the year of NOK 2,747.6 million in 2018, compared with NOK 2,395.2 million in 2017. The bulk of its revenues derive from investments in subsidiaries and associates. 2018 was a good year for the company's subsidiaries, with a total of NOK 2,527.9 million in dividends/group contributions being recognised. In addition, the company recognised NOK 242.2 million in dividends from its investments in the associate Norskott Havbruk. SalMar ASA manages the Group's primary financing arrangements and recognised NOK 110.9 in interest income on loans to subsidiaries. Interest expenses amounting to NOK 49.8 million were incurred in association with the financing arrangements.

SalMar ASA had assets worth a total NOK 8,592.0 million in its balance sheet at the close of 2018. Of this amount, non-current financial assets accounted for NOK 5,793.0 million, NOK 3,163.8 million of which comprised loans to subsidiaries. Current receivables totalled NOK 2,774.0 million and largely comprise receivables of dividend/group contributions from subsidiaries. The company had holdings of cash and cash equivalents of NOK 12.4 million at the close of 2018. Equity as at 31 December 2018 totalled NOK 2,558.0 million, which corresponds to an equity ratio of 30 per cent. Non-current liabilities total NOK 1,100.0 million and comprise interest-bearing debt. Current liabilities total NOK 4,934.0 million, of which dividend provisions account for NOK 2,593.0 million,

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 Ehf 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.

while group contributions payable to subsidiaries accounts for NOK 2,023.6 million.

The board of directors is proposing payment of a dividend of NOK 23.00 per share for the 2018 financial year. The board proposes the following allocation of the year's profit:

- Dividend provision	NOK 2,593.0 million
- Transferred to other equity	NOK 154.6 million
- Total	NOK 2,747.6 million

At the close of the year, the company had a distributable reserve of NOK 2,529.7 million.

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 quality and certification 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. This has forced SalMar, along with the rest of the industry, to change the methods used and intensify its efforts 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. SalMar's offshore fish farming strategy, operationalised through the Ocean Farm and Smart Fish Farm projects, 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 for example through the transfer of larger smolt and production in closed units are strategic projects in SalMar.

Our operating procedures are designed to reduce biological risk. With respect to the lice situation, the use of cleaner fish 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. This will be reinforced with the realisation of the InnovaNor project. 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 Group 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 2018, the spot price of Atlantic salmon fluctuated between NOK 48.90 and NOK 79.90 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 39 per cent of the Group's volume was sold under fixed-price contracts in 2018.

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 short and medium-term credit facilities to meet its day-to-day funding requirement. The Group prepares rolling cashflow 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 scale of SalMar's R&D activities in a wide range of fields was substantial in 2018. During the year, SalMar continued to focus on fish welfare and lice control. Development projects were conducted at the secondary processing plant, and great emphasis has been placed on feed optimisation and control at the sea farms. In addition, SalMar continuously assesses its own work processes and aims to establish more long-term projects and a closer cooperation with the supply industry.

SalMar's efforts in the field of breeding and genetics includes a collaboration with Benchmark Holding plc's SalmoBreed subsidiary, through the 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.

In 2018, SalMar expanded 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 2016, the Ocean Farm project was the first to be awarded special development licences by the Norwegian authorities. The objective is to reduce the operation's environmental footprint, improve fish welfare and provide an answer to the aquaculture sector's shortage of suitable sites. Ocean Farm 1 – the world's first offshore fish farm – arrived on site in Frohavet in the autumn of 2017. Its first production cycle came to an end at the start of 2019. Ocean Farm 1 has been constructed as a full-scale pilot installation, which has been designed to test both the biological and technological aspects of farming fish in open waters. In September 2018, harvesting of the first generation to be raised at the facility got underway. The fish had achieved strong growth, and their quality was uniformly good. Few salmon lice have been observed, and it was not necessary to apply a single delousing treatment. The experience and new solutions deriving from the project could be the start of a new era in the sustainable production of seafood, and could potentially be used worldwide.

At the start of 2019, SalMar, through its subsidiary MariCulture AS, was granted eight development licences for its Smart Fish Farm project. This marks an important step towards the establishment of fish farming in the open ocean. The planned fish farm will withstand considerably more exposed conditions and will have twice the capacity of Ocean Farm 1. However, the most important difference is that it will have a sealed central column for the treatment of fish, the control and management of the unit, as well as an advanced system for the transportation of fish linked to the eight surrounding production chambers. Considerable planning and design work remain to be done before this vast new fish farm can be built and put into operation. The objective is to eventually site the unit in the open ocean off the Trøndelag coast.

Organisation, sustainability and social responsibility

It is SalMar's goal to secure long-term profitability and growth through sustainable aquaculture and processing activities, and by acting as a responsible corporate citizen. For SalMar, sustainability means doing business in an ethical manner and maintaining high moral standards, as well as contributing to even greater awareness of the environment in which we operate every day. We will protect the environment and ensure that it is managed in a way that benefits future generations.

As an employer, SalMar aims to provide a safe and developing workplace. The Group works continuously to enhance measures and processes associated with health, safety and the environment (HSE), as well as provide professional development opportunities for managers and employees through, among other things, the SalMar School.

Pursuant to section 3-3c of the Norwegian Accounting Act, the board of directors has drawn up guidelines covering business ethics and corporate social responsibility. These are available from the Group's website www.salmar.no. SalMar's activities in the area of social responsibility, including human rights, labour rights, the working environment, equality, discrimination, anti-corruption and the external environment, are described in a separate section of this annual report. In addition, a separate corporate sustainability report for 2018 has been published. This report is also available from the Group's website.

Shares and shareholders

In 2018, SalMar's shares were traded at prices varying between NOK 193.70 and NOK 510.00 per share. The price on 28 December, the last day of trading in 2018, was NOK 428.00 per share.

At the AGM on 5 June 2018, the board was authorised to increase the company's share capital. The authorisation was an extension of the one granted by the 2017 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. An employee may be awarded share entitlements equivalent to no more than half a year's salary, with the accrual of 2/3 of those entitlements dependent on the achievement of certain performance criteria. The value of the shares released under the programme in an individual year may not exceed one whole year's salary. It was decided that the maximum number of shares under the 2018 scheme should not exceed 300,000. 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 2019 AGM, which will be held on 5 June 2019.

SalMar ASA has one main shareholder, Kverva Industrier AS, which owns 52.46 per cent of the company's shares. Kverva Industrier AS is controlled by SalMar's founder Gustav Witzøe, who is also a member of group management in his capacity as Director, Strategic Projects.

The company's 20 largest shareholders own a total of 74.44 per cent of the shares. As at 31 December 2018, SalMar ASA was the 20th largest shareholder with a holding of 561,003 shares or 0.5 per cent.

SalMar acquired no treasury shares in 2018.

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

Corporate governance

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

The Group's board of directors comprises five members elected by the shareholders and two employee representatives. Three of the board members are women, including one employee representative.

Changes in the board's composition

At SalMar ASA's annual general meeting (AGM) on 5 June 2018, the seats on the board held by Kjell Storeide and Helge Moen were up for election. In addition, board member Therese Log Bergjord had to be replaced. She had resigned her seat because she had taken a job that was incompatible with remaining a member of SalMar ASA's board of directors. Both Storeide and Moen had notified the Nomination Committee that they were seeking re-election, and both were re-elected to the board for a period of two years. Furthermore, Trine L. Danielsen was proposed as a new board member, while Gustav Magnar Witzøe was proposed as the personal deputy for Helge Moen. Witzøe is indirectly the majority shareholder in SalMar ASA through his ownership interest in Kvarv AS and thereby Kverva AS. The Nomination Committee deems it positive that Witzøe is linked to the board of SalMar ASA. Both candidates were elected for a period of two years.

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

At the same AGM, Endre Kolbjørnsen was re-elected as a member of the Nomination Committee for a period of two years.

Outlook

Market outlook

At the close of 2018, Norway had a standing biomass of 782,900 tonnes round weight, up from 770,600 tonnes at the close of 2017. In the UK, the biomass at the close of the year stood at 99,700 tonnes, 20 per cent more than the year before. At 323,600 tonnes, Chile's biomass was 3 per cent higher than it was 12 months before. The overall biomass in the Faeroes was estimated at 45,500 tonnes at the close of the year, up 11 per cent year on year.

Provisional forecasts for 2019 (Kontali Analyse) indicate a global increase in supply of around 6 per cent. The largest contributor is Norway, which expects to increase its output by 6 per cent (74,600 tonnes).

Supply of Atlantic salmon in 1,000 tonnes WFE	2019	Change
Norway	1,328	6%
Chile	690	2%
North America	164	0%
UK	178	16%
Faeroes	74	4%
Other countries	120	22%
Total, global supply	2,554	6%

Outlook for SalMar and its associates

SalMar expects to harvest a higher volume in 2019 than in 2018. This is due primarily to the fact that SalMar has a larger number of individual salmons at its sea farms at the start of 2019 than it had one year before. Overall, stocks have increased by 3 per cent. SalMar expects to harvest a total of 145,000 tonnes in Norway in 2019.

SalMar's share of the volume harvested by Norskott Havbruk (50 per cent) in 2019 is expected to be approx. 15,000 tonnes. In Iceland, Arnarlax expects to harvest 10,000 tonnes in 2019. SalMar now owns more than 50 per cent of the shares in Arnarlax.

It is expected that around 45 per cent of the volume will be harvested in the first half-year, with the rest in the second half. At the time of writing the contract rate for 2019 is just under 30 per cent of the expected volume harvested. The contract portfolio's average price and volume will remain relatively stable through 2019, with the average price slightly above the present Fish Pool forward price.

The lice situation in Central Norway is stable and under control. Over time, SalMar has invested heavily to increase its competence and capacity to handle biological challenges in the best possible way. These efforts have paid off in 2018, and the biological situation for Fish Farming Central Norway is good. The situation for Fish Farming Northern Norway is generally good, but SalMar has experienced challenges in certain areas. A high level of preparedness will be maintained in the time ahead.

SalMar has a high level of preparedness at its harvesting facility, so that extraordinary events can be handled in compliance with the regulations. Efforts are continuously being made to develop the most sustainable and best production sites. In this context, the realisation of the Ocean Farm and Smart Fish Farm projects will be key milestones.

Feed is the most important cost factor in salmon farming, accounting for around 50 per cent of total production costs. So far, there are no indications of significant changes in prices for 2019 compared with 2018.

All in all, this means that SalMar expects the cost price of its harvested biomass in 2019 to be on a par with that achieved in 2018.

Investments

SalMar will continue its ongoing maintenance/upgrade investment programme, and expects to invest around NOK 272 million in 2019, largely in activities related to its sea farms.

Furthermore, SalMar plans several investments to promote growth along the entire value chain in 2019. Capacity at the Follafoss hatchery is being expanded, plans to expand capacity in Senja are being drawn up and efforts to find a location for a new hatchery in Central Norway are underway. In total, this is expected to cost NOK 90 million in 2019. Within the Sales and Processing segment, work is underway to establish a new harvesting and processing plant (InnovaNor) in Senja. Investments will also be made to increase capacity at InnovaMar. A total of NOK 327 million is expected to be spent on this in 2019. In the fish farming segment, a new closed-containment facility will be built for the production of post-smolt fish and a new site for farming will be established. All this is expected to cost NOK 167 million. In addition, work on the planning and design of Smart Fish Farm designed for operation in open ocean will also continue. In total, SalMar expects to invest around NOK 900 million in 2019.

The board's assessment

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 good profitability in 2019. 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 bright.

From the point of view of financial results, 2018 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 23.00 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, "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.

Trondheim, 10 April 2019

Atle S. Eide *Chair*	Kjell A. Storeide *Vice-Chair*	Helge K. Moen *Board member*	Margrethe Hauge *Board member*
Trine L. Danielsen *Board member*	Brit Elin Soleng *Employee representative*	Geir Berg *Employee representative*	Olav-Andreas Ervik *CEO*

Statement regarding

the determination of salary and other benefits
payable to senior executives of SalMar ASA for 2019

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 2019 financial year. The statement was approved by the board of directors of SalMar ASA on 10 April 2019. 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 2019 for a consultative vote, with the exception of clause 3 "Share-based incentive schemes", which will be submitted to the AGM for approval.

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

2. DECISION-MAKING AUTHORITY

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

3. GUIDELINES FOR REMUNERATION IN THE 2019 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 2019.

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 2018 FINANCIAL YEAR

The Company's senior executive remuneration policy for the 2018 financial year has been carried out in accordance with the statement for 2018 adopted by the AGM on 5th of June 2018.

Consolidated accounts SalMar 2018

Consolidated **Financial Statements**

NOK 1000

OPERATING REVENUES AND OPERATING EXPENSES	NOTE	2018	2017
Sales revenues	11, 23	11,301,338	10,755,452
Other operating revenues	8	41,216	61,786
Total operating revenues		**11,342,554**	**10,817,238**
Cost of goods sold		4,585,491	4,722,474
Payroll costs	19, 24, 25	1,040,438	929,100
Depreciation of PP&E and intangible assets	4, 5	487,778	414,686
Write-downs of PP&E	4, 5	0	3,926
Other operating expenses	12, 21, 24, 26	1,768,036	1,584,825
Total operating expenses		**7,881,743**	**7,655,011**
Operational EBIT		**3,460,812**	**3,162,227**
Fair value adjustments	14	845,831	-370,015
Operating profit/loss		**4,306,642**	**2,792,213**
Income from investments in associates	9	252,933	208,941
FINANCIAL ITEMS			
Interest income		10,964	11,109
Interest expenses	17	116,101	106,961
Financial expenses		1,871	49,100
Net financial items		**-107,007**	**-144,953**
Profit/loss before tax		**4,452,568**	**2,856,201**
Tax	18	873,343	558,402
Profit/loss for the year		**3,579,225**	**2,297,798**
COMPREHENSIVE INCOME			
Items which may subsequently be reclassified to profit & loss			
Translation differences and items of comprehensive income in associates		-5,627	41,743
Translation differences in subsidiaries		4,898	3,540
Gross cash-flow hedging before tax		0	-15,152
Cash-flow hedging, tax effect		0	3,637
Total comprehensive income for the year		**3,578,495**	**2,331,566**
Allocation of the year's net profit:			
Non-controlling interests	6	10,812	23,816
Shareholders in SalMar ASA		3,568,413	2,273,983
Allocation of the year's total comprehensive income:			
Non-controlling interests	6	10,812	23,816
Shareholders in SalMar ASA		3,567,683	2,307,750
Earnings per share	28	31.70	20.24
Diluted earnings per share	28	31.60	20.18

Consolidated **Balance Sheet**

December 31 NOK 1000

ASSETS	NOTE	2018	2017
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Licences, patents, etc	4, 20	2,957,486	2,478,510
Goodwill	4	446,465	446,465
Total intangible assets		**3,403,951**	**2,924,975**
PROPERTY, PLANT & EQUIPMENT			
Land, buildings & other real property	5, 20	1,100,269	1,030,052
Plant, equipment & operating movables	5, 20	2,234,617	2,314,523
Vessels, vehicles, etc	5,20	256,604	260,195
Total property, plant & equipment		**3,591,490**	**3,604,770**
NON-CURRENT FINANCIAL ASSETS			
Investments in associates	9	1,188,971	1,023,796
Investments in shares & other securities	10	394	393
Pension fund assets	10, 12, 19	7,324	1,379
Other receivables	10, 12, 24	18,812	55,284
Total non-current financial assets		**1,215,500**	**1,080,852**
Total non-current assets		**8,210,941**	**7,610,597**
CURRENT ASSETS			
Biological assets	13, 20	5,305,616	4,135,523
Other inventory	13, 20	459,934	259,050
Total inventory		**5,765,550**	**4,394,573**
RECEIVABLES			
Trade receivables	10, 12, 20	630,061	501,112
Other receivables	10, 11, 12	289,416	242,866
Total receivables		**919,477**	**743,978**
Bank deposits, cash & cash equivalents	10, 15, 17	239,596	177,098
Total current assets		**6,924,623**	**5,315,649**
TOTAL ASSETS		**15,135,564**	**12,926,246**

Consolidated **Balance Sheet**

31 December NOK 1000

EQUITY AND LIABILITIES	NOTE	2018	2017
EQUITY			
PAID-IN EQUITY			
Share capital	16	28,325	28,325
Treasury shares		-140	-189
Share premium fund		415,286	415,286
Other paid-in equity		153,895	114,188
Total paid-in equity		**597,365**	**557,610**
RETAINED EARNINGS			
Other equity		8,450,748	7,022,449
Total retained earnings		**8,450,748**	**7,022,449**
NON-CONTROLLING INTERESTS	6	91,729	88,069
Total equity		**9,139,842**	**7,668,128**
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax	18	1,541,431	1,362,222
Debt to credit institutions	2, 10, 17, 20	689,927	811,027
Leasing liabilities and other non-current liabilities	2, 5, 10, 17, 20	329,190	344,972
Total non-current liabilities		**2,560,548**	**2,518,221**
CURRENT LIABILITIES			
Debt to credit institutions	2, 10, 17, 20	748,188	243,633
Trade payables	10, 17	1,194,760	1,248,975
Tax payable	18	690,717	672,448
Public charges payable		300,591	170,716
Other current liabilities	10, 11, 22	500,919	404,125
Total current liabilities		**3,435,174**	**2,739,897**
Total liabilities		**5,995,721**	**5,258,118**
TOTAL EQUITY AND LIABILITIES		**15,135,564**	**12,926,246**

Trondheim, 10 April 2019

Atle S. Eide
Chair

Kjell A. Storeide
Vice-Chair

Helge K. Moen
Board member

Margrethe Hauge
Board member

Trine L. Danielsen
Board member

Brit Elin Soleng
Employee representative

Geir Berg
Employee representative

Olav-Andreas Ervik
CEO

Consolidated **Statement of Cash Flow**

31 December NOK 1000

	NOTE	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:			
Profit before tax		4,452,568	2,856,201
Tax paid in the period	18	-672,778	-423,223
Depreciation and write-downs	4, 5	487,778	418,612
Options charged to expenses	24, 25	39,707	28,515
Share of profit/loss from associates	9	-252,933	-208,941
Loss/gain on exit of subsidiaries	8	0	-10,239
Loss/gain on sale of PP&E	5	-281	243
Interest paid		105,137	106,961
Change in fair value	14	-845,831	370,015
Change in inventory/biological assets		-436,195	-110,359
Change in trade receivables		-112,152	94,661
Change in trade payables		-54,215	46,141
Change in other time-limited items		70,837	205,849
Net cash flow from operating activities		**2,781,642**	**3,374,435**
CASH FLOW FROM INVESTING ACTIVITIES:			
Receipts from sale of PP&E	5	210	3,933
Payments for puchase of PP&E and intangible assets	4, 5	-945,997	-937,084
Exit of subsidiaries - cash effect	8	0	22,211
Payment for puchase of shares and other securities	9	-114,429	-8,069
Dividend from associates	9	242,200	161,015
Lending to third parties		-15,793	0
Net cash flow from investing activities		**-833,809**	**-757,994**
CASH FLOW FROM FINANCING ACTIVITIES:			
New long-term borrowings	17	500,000	0
Repayment of long-term borrowings	17	-136,670	-1,289,592
Net change in overdraft	17	3,788	38,650
Interest received		0	11,109
Interest paid	17	-105,137	-106,961
Payment of dividend		-2,147,176	-1,365,967
Exit non-controlling interests		-4,980	-4,000
Other changes		0	162
Net cash flow from financing activities		**-1,890,175**	**-2,716,600**
Net change in bank deposits, cash & cash equivalents		57,657	-100,158
Foreign exchange effects		4,839	3,540
Bank deposits, cash & cash equivalents as at 1 Jan		177,098	273,715
Bank deposits, cash & cash equivalents as at 31 Dec		**239,596**	**177,098**
Unused drawing rights	17	3,563,293	4,085,559

Of the Group's total cash & cash equivalents of TNOK 239,596, restricted funds account for TNOK 126,202.
See Note 15 for further details

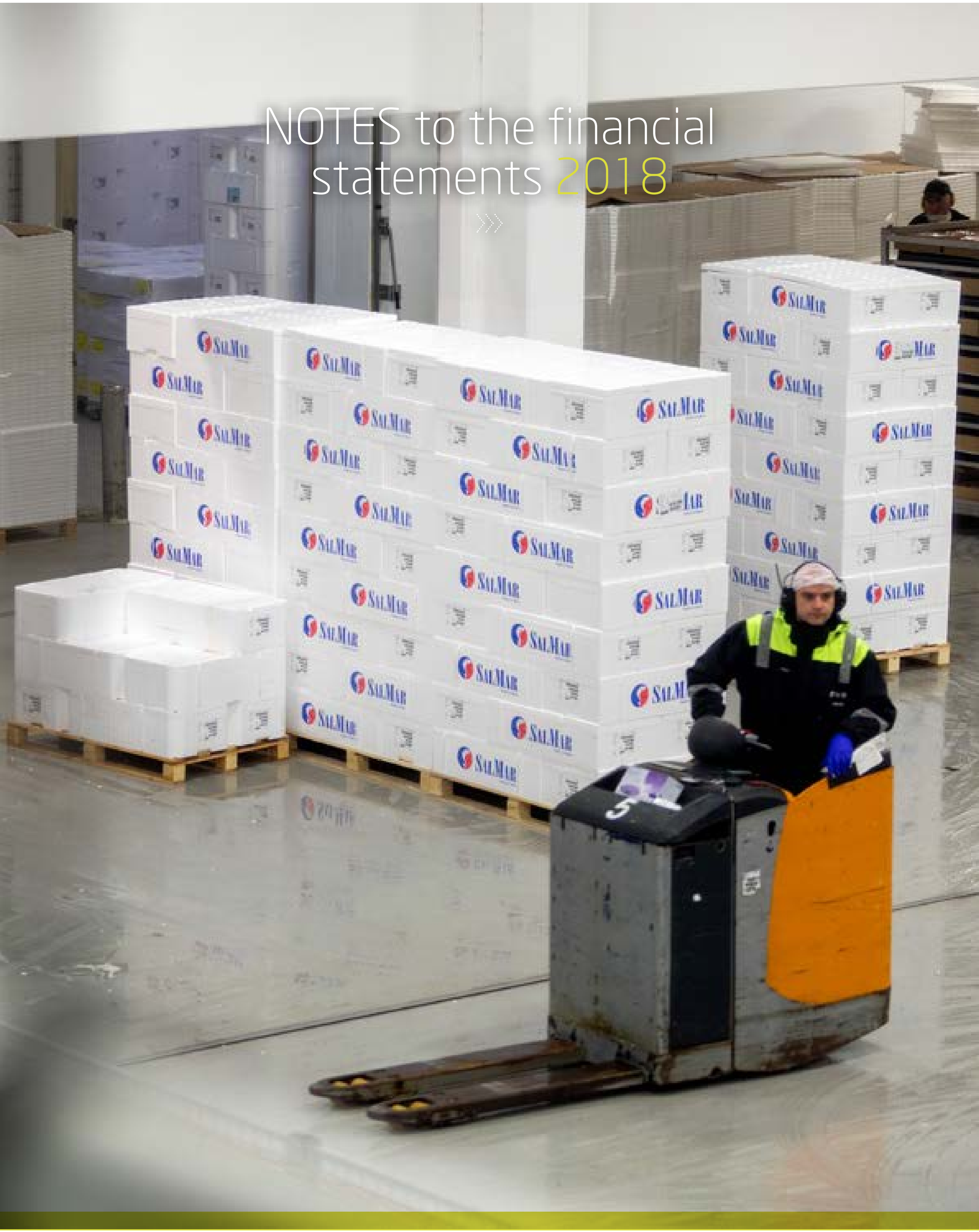
Statement of **Equity**

NOK 1000

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						45,283	-11,516	0	33,767
Total comprehensive income for the year						45,283	2,262,467	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	47,588	6,974,861	88,070	7,668,128

2018	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 2018		28,325	-189	415,286	114,188	10,649	7,011,800	88,070	7,668,128
Net profit for the year							3,568,413	10,812	3,579,225
COMPREHENSIVE INCOME									
Translation differences in associates	9					-5,627			-5,627
Translation differences in subsidiaries						4,898			4,898
Total comprehensive income						-730	0	0	-730
Total comprehensive income for the year						-730	3,568,413	10,812	3,578,495
TRANSACTIONS WITH SHAREHOLDERS									
Award of options	25				39,707				39,707
Deferred tax on options	18						3,151		3,151
Options redeemed	25		48				-48		0
Payment of dividend	16						-2,138,356	-8,820	-2,147,176
Exit non-controlling interests							-4,980	0	-4,980
Other changes							851	1,668	2,518
Total transactions with shareholders		0	48	0	39,707	0	-2,139,384	-7,152	-2,106,781
Equity as at 31 Dec 2018		28,325	-140	415,286	153,895	46,858	8,403,890	91,729	9,139,842

NOTES to the financial statements 2018



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 10 April 2019.

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 control 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 control 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 through 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 other 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 other 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 other 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.

Revenue from contract with customers

Revenue from contracts with customers relates to the sale of salmon and trout, as whole fish or as further processed products. Such revenues are taken to income when control over the product or service has been transferred to the customer, and in an amount that reflects what the Group expects to receive for the product or service. The transfer of control to the customer will normally occur when the product or service is delivered. The date of delivery depends on the terms agreed with each individual customer. The normal credit time granted is 30 days net.

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 other 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 and realised effect of such instruments are recognised in profit and loss as a net financial item when they do not meet the requirements for hedge accounting. The exception is a change in the fair value of forward currency contracts which have been entered into to hedge future deliveries. These are recognised in profit and loss on the line for fair value adjustments. Financial derivatives are classified as current assets or current liabilities in the balance sheet. See Note 11 for further details.

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

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

Intangible assets

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

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

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

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

Licences are capitalised at cost and are time limited. In connection with normal operations, licences are not subject to relinquishment requirements. Licences are therefore not depreciated, but are tested annually for impairment. Any excess value identified in connection with the acquisition of licence leasing agreements is capitalised as an intangible asset.

Prepaid leasing costs associated with partnership agreements are deemed to confer a right-to-use an intangible asset and are 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 derecognised 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 of 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
A financial instrument is any contract that gives rise to a financial asset on the part of one undertaking and a financial liability or equity instrument on the part of another.

Financial assets
The Group's financial assets comprise: derivatives, unlisted equity investments, trade receivables and cash & cash equivalents.

The classification of financial assets at initial recognition depends on the nature of the asset's contractually determined cash flows, and which business model the Group applies to the management of its financial assets. At initial recognition, financial assets are recognised at fair value. Transaction costs may be added if financial assets are measured at amortised cost.

The Group classifies its financial assets in two categories:
- Financial assets measured at amortised cost.
- Financial assets measured at fair value with changes in value through profit and loss.

The Group does not currently have any derivatives earmarked as hedging instruments recognised at fair value or financial assets at fair value through other comprehensive income. In 2017, the Group had derivatives designated as a hedging instrument for the fair value of a capitalised asset. The hedging effect in 2017 was recognised through other comprehensive income.

Financial assets measured at amortised cost
The Group measures financial assets at amortised cost if the following conditions have been met:
- the financial asset is being kept in a business model whose purpose is to receive contractually determined cash flows, and
- the contractual terms for the financial asset give rise to cash flows solely comprising payments of interest and principal on certain dates.

Subsequent measurement of financial assets is at amortised cost and is subject to loss provisions. Gains and losses are recognised in profit and loss when the asset is derecognised, modified or written-down. The Group's financial assets at amortised cost include trade receivables and other current deposits. Trade receivables which do not have a substantial financing element are measured at the transaction price in accordance with IFRS 15 Revenue from Contracts with Customers.

Financial instruments measured at fair value with changes in value through profit and loss
The Group makes use of derivatives to hedge its underlying risk. The instruments used are forward currency contracts, interest rate swap agreements and salmon price hedging (Fish Pool contracts). This category also includes the Group's unlisted equity instrument. Such instruments are recognised at fair value oln the date the contract was entered into, and are also subsequently measured at fair value.

Derivatives are recognised in the balance sheet as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

Derecognition of financial assets
A financial asset (or, if relevant, a portion of a financial asset or a portion of a group of similar financial assets) is derecognised if:
- The contractual entitlement to receive cash flows from the financial asset expires, or

- The Group has transferred the contractual entitlement to receive cash flows from the financial asset or retains the right to receive the cash flows from a financial asset, but at the same time pledges to transfers these to a counterparty, and either

a) the Group has transferred the bulk of the risk and benefits associated with the asset, or
b) the Group has neither transferred nor retained the bulk of the risk and benefits associated with the asset, but has transferred control over the asset.

Provisions for losses on financial assets

The Group has made a provision for expected losses on all debt instruments that are not classified at fair value through profit and loss.

The Group measures expected credit losses on the basis of a specific assessment of each individual customer. The Group measures its loss provision on the basis of expected credit losses over each reporting period, and not based on a 12-month expected loss.

Financial liabilities

Financial liabilities are, at initial recognition, classified as loans and liabilities, or derivatives earmarked as hedging instruments in an effective hedging arrangement. Derivatives are initially recognised at fair value. Loans and liabilities are recognised at fair value adjusted for directly attributable transaction costs.

Derivatives are financial liabilities when their fair value is negative, and are treated for accounting purposes in the same way as derivatives that are assets.

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.

Biological assets

The way live fish is accounted is regulated by IAS 41 Agriculture. The general rule under IFRS 13 is that such assets are measured at fair value less sales costs. Biological assets are valued in accordance with valuation level 3, ie based on factors not drawn from observable markets. Changes in value are recognised and classified under fair value adjustments in profit and loss. This is intended to provide a better understanding of the Group's profit/loss on the sale of goods. Roe, fry, smolt and cleaner fish are valued at historic cost. Historic cost is deemed to be the best estimate of fair value for these assets, due to little biological conversion.

The fair value of biological assets held at the Group's sea farms is calculated using a cash-based present value model. The present value is calculated on the basis of estimated revenues, less estimated remaining production costs until the fish is harvestable at the individual site. A fish is harvestable when it has reached the estimated weight required for harvesting specified in the company's budgets and plans. The estimated value is discounted to present value on the balance sheet date. Present value is estimated for the biomass at each site.

Incoming cash flows are calculated as the estimated biomass at harvest multiplied by the price expected to be achieved at the same time. The estimated biomass (volume) at harvest is calculated on the basis of the number of individual fish held in sea farms on the balance sheet date, adjusted for expected mortality until harvest and multiplied by the estimated weight of the fish at harvest. The price is calculated using the Fish Pool forward price for the estimated harvesting date that was in effect on the balance sheet date. Forward prices are adjusted for an exporter supplement, as well as harvesting, sales and carriage costs. In addition, an adjustment is made to take account of expected differences in fish quality. Price adjustments are made a the site level.

Estimated remaining production costs are estimated costs that a rational person would presume necessary for the farming of fish up until they reach a harvestable weight. In the model, instead of being a separate cost element in he calculation, compensation for licence fees and site leasing costs is included in the discount factor, and thereby reduces the fair value of the biomass.

The fair value of the biomass is calculated using a monthly discounting of the cash flow based on the second last harvesting month in the harvesting plan. The discount factor is intended to reflect three main components:

1. The risk of incidents that affect the cash flow.
2. Synthetic licence fees and site leasing costs.
3. The time value of money.

The discount factor is set on the basis of an average for all the Group's sites and which, in the Group's assessment, provides a sensible growth curve for the fish – from smolt to harvestable fish.

The risk adjustment must take account of the risk involved in investing in live fish. A fish spends on average 18 months at a sea farm, and the risk will be higher the longer the time until harvest. Biological risk, the risk of increased costs and price risk will be the most important elements to be recognised. The present value model includes a theoretical compensation for licence fees and site leasing costs as a surplus to the discount factor in the model, instead of being a cost-reducing factor in the calculation.

For a more detailed description of the various assumptions used in the model, see the section "Important accounting estimates and evaluations".

The present value model as described above for the calculation of the fair value of biological assets has been applied with effect from the 2018 financial year. For the 2017 financial year, a growth model was used. The change is of a technical nature and the impact of the switch to a new model is treated as a change in estimates in the annual financial statements for 2018, pursuant to IAS 8, and the effect recognised in profit and loss for 2018. For further details, see Note 13 to the financial statements.

In the growth model used in 2017, 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 trimmings 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. The growth model makes use of the same assumptions relating to volume, costs and price as the new, present value model.

Partnership agreements
Biomass farmed under partnership agreements is recognised as the Group's own fish, since the Group assumes the bulk of the financial risk relating to 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 2017 or 2018.

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 other comprehensive income or are taken directly to equity. In this case tax is included in the net amount posted in other 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 in accordance with IAS 41. The principles for calculating fair value are described under the accounting principle for biological assets.

The valuation is based on a number of assumptions that require considerable discretionary judgement. The key assumptions relate to volume, costs, price and the discount rate.

The estimated volume at harvest is based on the number of fish held at the sea farms, adjusted for estimated growth and mortality from the time the fish were transferred to the sea until they are ready for harvest. The actual volume harvested may deviate from the estimated volume as a result of biological developments. Uncertainty with regard to biological developments may affect the date of harvest and therefore the period for discounting in the model.

Expected market prices underpin the measurement of fish at fair value. The industry considers the Fish Pool forward price to be the best estimate of market prices. The market price for fish has historically demonstrated the capacity for relatively large fluctuations from period to period and between seasons. The price will, moreover, change in accordance with the size and quality of the fish at harvest. At the same time, the date of harvest will depend on the biological development of the fish.

Considerable uncertainty attaches to the estimated remaining production costs to harvest. Biological challenges such as disease and lice infestation will affect fish-related costs. In addition, uncertainty will attach to the price of other important input factors, such as feed.

Expected future cash flows for the individual site are discounted by a monthly discount factor. The discount factor comprises several elements (see the section on biological assets above). As previously mentioned, a synthetic licence fee and site leasing cost is added to the discount factor in the model instead of these being taken into account as a cost-reducing factor in the calculation. In order to engage in the farming of salmon and trout, it is necessary to have access to infrastructure such as licences and sites. The market price for a licence in today's market is high, and it could be assumed that in a hypothetical market, there would be a considerable cost attached to use of this infrastructure and the licences necessary to operate a fish farming business. This cost is reflected in the size of the discount rate and will be subject to considerable discretionary judgement.

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 2018, a 0.5% rise in the rate of interest would reduce the Group's profit by NOK 8,837,000 (2017: NOK 6,752,000), 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 2018, a 10% fall in the value of the NOK would alter the Group's profit before tax by NOK 289,143,000 (2017: NOK 277,523,000). 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 2018 would have had the following effect on the Group's profit before tax:

(Figures in 1,000)	31/12/2018	31/12/2017
EUR	67,121	130,527
JPY	31,731	19,834
GBP	3,643	16,556
USD	191,997	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 as at 31 Dec 2018

Maturity	Total	2019	2020	2021	2022	2023	After 2023
Long-term debt	1,311,027	621,100	21,100	21,100	520,887	20,675	106,166
Interest on long-term debt	55,584	19,209	13,044	12,639	7,436	2,237	1,019
Financial leasing agreements	343,794	14,328	14,265	11,508	8,715	10,767	284,210
Interest on financial leasing agreements	443,463	41,691	41,120	40,444	39,678	38,729	241,801
Short-term credit facilities	112,484	112,484	-	-	-	-	-
Interest on short-term debt	995	995	-	-	-	-	-
Trade payables	1,194,760	1,194,760	-	-	-	-	-
Total liabilities	**3,462,106**	**2,004,567**	**89,529**	**85,691**	**576,716**	**72,408**	**633,196**

Maturity structure for financial liabilities as at 31 Dec 2017

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 financial leasing agreements	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	-	-	-	-	-
Total liabilities	**3,122,922**	**1,548,500**	**685,767**	**78,662**	**74,739**	**71,328**	**663,926**

Maturity

The Group's term loan was entered into in 2014 with a 5-year term, and matures in June 2019. Annual instalments on the loan total NOK 100,000,000. The loan has been classified under long-term debt to credit institutions. The balance remaining totals NOK 600,000,000 and falls due for repayment less than one year after the close of the financial statements. As a result it is classified under short-term debt to credit institutions in the financial statements as at 31 Dec 2018. The loan agreement will be refinanced before maturity.

The normal payment terms for the Group's trade payables is 30 days net, with the exception of payables relating to the purchase of feed which has a longer credit time. See Note 17 for further details.

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 2018.

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 2018, the Group had an equity ratio of 60.4 per cent (59.3 per cent as at 31 December 2017). At the close of 2018, the Group had a net interest-bearing debt of NOK 1,527,708,000 (2017: NOK 1,222,533,000).

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 2018 *NOK 1,000*	Level 1	Level 2	Level 3	Total
Assets				
Derivatives				
- Interest rate swap agreements	-	5,080	-	5,080
Equity instruments				
- Unlisted equity instruments	-	-	394	394
TOTAL assets	**-**	**5,080**	**394**	**5,474**
Liabilities				
Derivatives				
- Forward currency contracts	-	123,958	-	123,958
TOTAL liabilities	**-**	**123,958**	**-**	**123,958**

31 Dec 2017 *NOK 1,000*	Level 1	Level 2	Level 3	Total
Assets				
Equity instruments				-
- unlisted equity instruments	-	-	393	393
TOTAL assets	**-**	**-**	**393**	**393**
Liabilities				
Derivatives				
- Forward currency contracts	-	19,569	-	19,569
- Interest swap agreements		28,435		28,435
TOTAL liabilities	**-**	**48,004**	**-**	**48,004**

For debt instruments, interest-bearing debt and other financial liabilities, fair value is practically the same as book value (amortised cost). The Group has "per tem" interest terms that are deemed to equal the market rate on the balance sheet date. See Note 10 for further details.

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.

2018 *NOK 1,000*	Fish Farming Central Norway	Fish Farming Northern Norway	Sales & Processing	GAAP difference	Other/ eliminations	SalMar Group
External operating revenues - sale of goods and services	0	215,161	11,086,178	-	-	11,301,338
Internal operating revenues - sale of goods and services	5,945,481	2,421,267	330,116	-	-8,696,865	0
TOTAL revenues from contracts with customers	**5,945,481**	**2,636,428**	**11,416,294**	**-**	**-8,696,865**	**11,301,338**
Compensation	8,244	7,110	547	-	-	15,902
Leasing income	4,050	-	-	-	412	4,462
Other operating revenues	4,209	1,483	15,161	-	-	20,852
Total operating revenues	**5,961,984**	**2,645,021**	**11,432,002**	**-**	**-8,696,453**	**11,342,554**
Depreciation	274,070	96,157	61,945	-	55,606	487,778
Write-downs	-	-	-	-	-	-
Operating expenses	3,154,633	1,394,939	11,382,845	-	-8,538,452	7,393,965
Operational EBIT	**2,533,281**	**1,153,925**	**-12,788**	**-**	**-213,606**	**3,460,812**
Fair value adjustments	-	-	-	845,831	-	845,831
Operating profit/loss	**2,533,281**	**1,153,925**	**-12,788**	**845,831**	**-213,606**	**4,306,642**
Share of profit/loss from associates						252,933
Net financial items						-107,007
Profit before tax						**4,452,568**
Tax						873,343
Net profit for the year						**3,579,225**
Year's investments in PP&E	311,593	98,391	42,472	0	5,370	457,827
Year's investments in business entities	2,000	0	0	0	0	2,000

2017 *NOK 1,000*	Fish Farming Central Norway	Fish Farming Northern Norway	Sales & Processing	GAAP difference	Other/ eliminations	SalMar Group
External operating revenues - sale of goods and services	-	195,615	10,559,837	-	-	10,755,452
Internal operating revenues - sale of goods and services	5,170,917	2,666,679	333,711	-	-8,171,307	-
TOTAL revenues from contracts with customers	**5,170,917**	**2,862,294**	**10,893,548**	**-**	**-8,171,307**	**10,755,452**
Compensation	399	-	5,898	-	-	6,297
Leasing income	1,500	-	-	-	476	1,976
Gains on exit of subsidiaries	10,239	-	-	-	-	10,239
Other operating revenues	15,416	2,508	25,351	-	-	43,274
Total operating revenues	**5,198,471**	**2,864,802**	**10,924,797**	**-**	**-8,170,831**	**10,817,238**
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
Operational EBIT	**1,891,476**	**1,376,135**	**47,850**	**-**	**-153,233**	**3,162,227**
Fair value adjustments	-	-	-	-370,015	-	-370,015
Operating profit/loss	**1,891,476**	**1,376,135**	**47,850**	**-370,015**	**-153,233**	**2,792,213**
Share of profit/loss from associates						208,941
Net financial items						-144,953
Profit before tax						**2,856,201**
Tax						558,402
Net profit for the year						**2,297,798**
Year's investments in PP&E	748,012	129,980	37,218	0	2,175	917,386
Year's investments in business entities	0	0	0	0	0	0

Note 4 – **Intangible assets**

NOK 1,000	Licences	Goodwill	Other intangible assets	TOTAL
Acquisition cost 1 Jan 2017	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
Additions	453,591	0	34,579	488,170
Additions upon business acquisitions	0	0	7,177	7,177
Acquisition cost 31 Dec 2018	2,856,188	464,855	165,150	3,486,194
Acc. dep. and write-downs 1 Jan 2017	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
Year's depreciation	0	0	16,371	16,371
Acc. dep. and write-downs 31 Dec 2018	21,000	18,390	42,852	82,242
Book value 31 Dec 2018	**2,835,188**	**446,465**	**122,298**	**3,403,950**
Book value 31 Dec 2017	2,381,597	446,465	96,913	2,924,975
Book value 1 Jan 2017	2,363,597	446,465	100,735	2,910,797
Economic life	Unlimited	Unlimited	5–50 years	
Depreciation plan			Straight-line	

Other intangible assets totalling NOK 122.3 million are made up almost entirely of capitalised R&D costs. NOK 52.4 million of these are associated with the development of the Ocean Farm 1 installation. These costs are depreciated over 5 years. In addition, NOK 41.8 million are capitalised costs relating to the development of the Group's new Smart Fish Farm. This project is in a development phase and depreciation has not yet commenced. In addition, the capitalised amount includes excess value relating to the purchase of breeding nuclei. Breeding nuclei are depreciated over 50 years and their residual value as at 31 December 2018 was NOK 25.0 million.

Specification of fish farming licences 2018				Book value
NOK 1,000	No. of licences	MAB tonnes	Acquisition cost	31/12/2018
Fish Farming Northern Norway	32	33,406	1,212,914	1,207,914
Fish Farming Central Norway	68	53,611	1,643,274	1,627,274
	100	87,017	2,856,188	2,835,188

Increased licence costs totalling NOK 435.6 million in 2018 relate to the purchase of an additional 2,886 tonnes MAB. NOK 90.5 million was paid in consideration for 754 tonnes MAB in connection with a 2 per cent increase in production capacity granted during the year. In addition, NOK 363.1 million was paid in consideration for 2,132 tonnes MAB in connection with an auction conducted in 2018.

In 2016, the Group was granted eight development licences for its Ocean Farm project. The pilot facility Ocean Farm 1 went into operation in the autumn of 2017, and the first generation of fish raised therein was fully harvested in January 2019. An attempt will be made to convert the licences into ordinary production licences in 2019.

Apart from this, the Group has two time-limited licences, as well as partnership agreements linked to ten licences.

Specification of fish farming licences 2017				Book value
NOK 1,000	No. of licences	MAB tonnes	Acquisition cost	31/12/2018
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 NOK 18 million increase in the cost of licences in Northern Norway is the result of investments intended to increase the volume produced under existing licences in Finnmark.

Specification of goodwill 2018	Acquisition	Acquisition	Book value
NOK 1,000	year	cost	31/12/2018
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 2017	Acquisition	Acquisition	Book value
NOK 1,000	year	cost	31/12/2018
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 sea 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.

Licences

Impairment of the Group's licences is assessed on the basis of fair value. The Group has recognised licences at an average value per tonne MAB of NOK 30,400 for the Fish Farming Central Norway segment, and NOK 36,200 for the Fish Farming Northern Norway segment. Impairment assessments are not performed for the individual licence, but for a portfolio of licences within each segment. As a best estimate of fair value, an average of observable historic transactions in 2018 is used. In the auction conducted in 2018, the Group paid at most NOK 208,800 per tonne MAB in Central Norway and NOK 165,600 per tonne MAB in Northern Norway. The assessment is based on level 3 in the valuation hierarchy. The test for impairment did not give grounds for any write-down of the book value of sea farm licences as at 31 December 2018.

Goodwill
Impairment of the Group's goodwill is assessed on the basis of value in use. The most recent estimation of value in use was performed in 2017. The need for reassessment has subsequently been considered. In accordance with IAS 36.99, the Group has not done so because it is, under the following conditions, highly unlikely that a recoverable amount below book value would have been obtained:

- salmon prices have risen and expectations for future prices as at 31 December 2018 are higher than those at 31 December 2017
- no material changes in production cost compared with that underpinning the estimate in 2017.

The calculation performed in 2017 was based on the following assumptions and assessments:

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 the present value of estimated future cash flows and the book value of each cash-flow generating entity. Sensitivity analyses are also carried out to assess estimated present values by looking at the change in salmon prices, production costs and, thereby, net margins and discount rates. The break-even level for EBIT per kg in Fish Farming Northern Norway is NOK 5.97. In 2018, the segment achieved an EBIT per kg of NOK 27.24. 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.

Based on the above, impairment tests gave no grounds for any write-down of the book values of fish farming licences or goodwill as at 31 December 2018 or 31 December 2017.

Note 5 – Property, plant & equipment

NOK 1,000	Land, buildings & other real property	Plant, operating equipment, fixtures, etc	Vessels and other operating assets	TOTAL	of which leased operating assets
Acquisition cost 1 Jan 2017	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 business transfers	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
Additions	126,115	254,450	77,261	457,827	0
Disposals	0	2,587	0	2,587	0
Acquisition cost 31 Dec 2018	1,350,319	4,150,860	606,610	6,107,789	761,854
Acc. dep. & write-downs 1 Jan 2017	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
Year's depreciation	55,898	334,657	80,852	471,407	41,002
Year's write-downs	0	0	0	0	0
Reversed depreciation	0	2,887	0	2,887	592
Acc. dep. & write-downs 31 Dec 2018	250,050	1,916,243	350,007	2,516,300	0
Book value 31 Dec 2018	**1,100,269**	**2,234,617**	**256,604**	**3,591,490**	**761,854**
Book value 31 Dec 2017	1,030,052	2,314,523	260,194	3,604,770	357,181
Book value 1 Jan 2017	882,066	1,981,840	273,616	3,137,522	400,153
Gains/losses on sale of non-current assets	0	281	0	0	
Annual leasing of off-balance sheet assets 2018	24,955	17,770	369,865	412,590	
Annual leasing of off-balance sheet assets 2017	26,447	35,273	288,133	349,853	

As at 31 December 2018, the company had capitalised NOK 220,335,000 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 104,587,000 in real property, NOK 68,098,000 in plant and equipment, and NOK 47,650,000 in vessels and other operating assets. The corresponding figures as at 31 December 2017, were NOK 16,784,000 in total, which breaks down as 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 2018, capitalised leasing liabilities totalled NOK 316,772,000. Of the capitalised operating assets, NOK 9,580,000 relates to plant and equipment, NOK 69,444,000 to vessels and other operating assets, and NOK 237,479,000 to land and buildings. All leasing agreements have been entered into at standard terms and conditions. As at 31 December 2017, capitalised leasing liabilities totalled NOK 361,934,000. Of the capitalised operating assets, NOK 25,136,000 related to plant and equipment, NOK 80,069,000 to vessels and other operating assets, and NOK 251,976 ,000 to land and buildings. All leasing agreements were entered into at standard terms and conditions.

In 2013, the Group renegotiated the InnovaMar leasing agreement in connection with the sale of its shares in the company that owns the factory. The leasing period was extended from 15 to 20 years, with an option to extend after the expiry of the agreement in return for a reduced annual leasing cost. The lessor has, furthermore, the right but not the obligation to demand that SalMar, as tenant, acquires the property after the expiry of the agreement for the sum of NOK 70 million. The change in the terms of the leasing agreement means that the building and the leasing liability have been recognised in the balance sheet with effect from 1 October 2013. In total, the property was capitalised to the value of NOK 236.9 million as at 31 December 2018. The leasing liability is capitalised in the amount of NOK 314.8 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 2018 cover the following subsidiaries:

Subsidiaries	Consolidated	Registered office	Share 1 Jan	Share 31 Dec
SalMar Settefisk AS	YES	Kverva	100.0%	100.0%
- Langstein Fisk AS *	YES	Kverva	100.0%	
- Straumsnes Settefisk AS	YES	Kverva	100.0%	100.0%
- Troms Stamfiskstasjon AS *	YES	Senja	100.0%	
- Rauma Sætre AS	YES	Ørskog	100.0%	100.0%
- Rauma Eik AS	YES	Ørskog	100.0%	100.0%
SalMar Farming AS	YES	Kverva	100.0%	100.0%
- Rauma Stamfisk AS **	YES	Kverva	100.0%	
SalMar Nord AS **	YES	Senja	100.0%	
Hitramat Farming AS	YES	Kverva	51.0%	51.0%
MariCulture AS	YES	Kverva	51.0%	51.0%
Ocean Farming AS	YES	Kverva	93.4%	96.3%
SalMar AS	YES	Kverva	100.0%	100.0%
- Vikenco AS	YES	Aukra	51.0%	51.0%
- SalMar Japan KK	YES	Japan	100.0%	100.0%
SalMar-Tunet AS	YES	Kverva	100.0%	100.0%
Salmus AS	NO	Leirfjord	100.0%	100.0%

* Companies merged into SalMar Settefisk AS with effect from 1 Jan 2018
** Companies merged into SalMar Farming AS with effect from 1 Jan 2018

31 Dec 2018: Non-controlling interests associated with subsidiaries	Non-controlling interests' shareholding/ voting share	Share of profit/loss allocated to non-controlling interests	Non-controlling interests' aggregated share of equity
Hitramat Farming AS	49.0%	11,910	40,325
Vikenco AS	49.0%	-1,117	49,463
MariCulture AS	49.0%	19	1,940
Ocean Farming AS	3.7%	-	-
		10,812	91,729

Salmus AS was a wholly owned subsidiary of SalMar in 2018. The company is a holding company for SalMar's shares in Arnarlax AS. See Note 9 for further details.

31 Dec 2017: Non-controlling interests associated with subsidiaries	Non-controlling interests' shareholding/ voting share	Share of profit/loss allocated to non-controlling interests	Non-controlling 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 2018

MariCulture AS

On 11 April 2018, the Group agreed the acquisition of 51 per cent of the shares in MariCulture AS. For accounting purposes, the transaction is dealt with as a business transfer. The purpose of the acquisition is to secure access to technology developed by MariCulture AS. The company engages in activities in the field of aquaculture and has applied for development licences for the "Smart Fish Farm" concept, a deepwater installation that will make it possible to farm fish in the open ocean. No material transaction costs were associated with the acquisition. A breakdown of the consideration paid for the shareholding is presented below.

Effect on the balance sheet of the acquisition *NOK 1,000*	Book value	Adjustment to fair value	Fair value
Intangible assets	-	7,177	7,177
Current assets	-	-	-
Cash & cash equivalents	24	-	24
Deferred tax	-	-1,162	-1,162
Non-current liabilities	-555		-555
Other current liabilities	-1,562	-	-1,562
Net identifiable assets and liabilities	**-2,093**	**6,014**	**3,922**
Non-controlling interests			1,922
Cash consideration			**2,000**

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. In 2017, Sunnfjord Rensefisk AS was merged into Langstein Fisk AS, which merged into SalMar Settefisk AS with effect from 1 January 2018.

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
Net identifiable assets and liabilities	**-14,941**	**14,941**	-
Goodwill			-
Cash consideration			-

Note 8 – Exit of subsidiaries and non-controlling interests

Exit of subsidiaries in 2017

Villa Smolt AS

With effect from 31 May 2017, the Group 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 was classified as operating revenue in profit and loss.

SalMar Genetics AS

With effect from 31 May 2017, the Group reduced its shareholding in the subsidiary SalMar Genetics AS from 100 per cent to 50 per cent. The reduction derived 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 was classified as operating revenue in profit and loss.

Change in non-controlling interests in 2017 and 2018

In 2017, the Group acquired a 2.4 per cent shareholding in Ocean Farm AS from non-controlling interests in the company. The consideration paid totalled NOK 4.0 million, and the non-controlling interest in the company was reduced from 9 per cent to 6.6 per cent. In 2018, a further 2.9 per cent was acquired for a consideration totalling NOK 5.0 million. As at 31 December 2018, non-controlling interests held 3.7 per cent of the company.

Note 9 – Associates

The Group has the following investments in associates:

Company	Registered office	Sector	Shareholding 1 Jan	Shareholding 31 Dec
Norskott Havbruk AS	Bergen	Fish farming	50.00%	50.00%
Arnarlax AS (owned via the holding company Salmus AS)	Leirfjord	Fish farming	34.03%	41.95%
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.

Companies recognised in accordance with the equity method

NOK 1,000	Norskott Havbruk AS	Arnarlax AS	Other	TOTAL
Opening balance 1 Jan 2018	746,739	251,535	25,525	1,023,796
Additions of shares	0	160,070	0	160,070
Disposal of shares	0	0	0	0
Share of the year's profit/loss	264,993	-11,683	-376	252,933
Items recognised in other comprehensive income	-8,390	2,762	0	-5,627
Dividend received	-242,200	0	0	-242,200
Closing balance 31 Dec 2018	**761,141**	**402,684**	**25,149**	**1,188,971**

Companies recognised in accordance with the equity method

NOK 1,000	Norskott Havbruk AS	Arnarlax AS	Other	TOTAL
Opening balance 1 Jan 2017	609,610	290,797	7,995	908,400
Additions 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 recognised in other comprehensive income	25,305	16,438	0	41,743
Dividend received	-161,015	0	0	-161,015
Closing balance 31 Dec 2017	**746,739**	**251,535**	**25,525**	**1,023,796**

Material associates

Based on an overall assessment, in which size and complexity have been taken into account, Norskott Havbruk AS and Arnarlax 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% figures:

	Norskott Havbruk AS		Arnarlax AS	
NOK 1,000	2018	2017	2018	2017
Operating revenues	2,057,006	2,088,007	400,360	625,445
Operating expenses	1,396,202	1,418,710	479,240	565,246
Fair value adjustments	-9,985	8,989	82,544	-185,989
Net profit/loss	529,985	541,320	-29,273	-134,298
Current assets	1,303,476	1,360,089	574,897	540,632
Non-current assets	1,330,163	983,398	655,755	628,307
Current liabilities	336,395	292,255	366,254	473,918
Non-current liabilities	774,567	557,360	104,908	110,707
Equity	1,522,677	1,493,871	1,230,653	584,314
The Group's share of equity	761,339	746,936	318,578	198,842
Book value 31 Dec	761,141	746,739	402,684	251,535

The difference between the book value of the investment in Arnarlax 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 2018 has been wholly 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.

Arnarlax AS / Salmus AS

Salmus AS is a holding company located in Leirfjord. The company owns and controls, via Arnarlax AS, 41.95 per cent of the shares in Arnarlax Ehf. Arnarlax Ehf is an aquaculture company with operations in Iceland.

In 2018, a NOK 200 million share issue in Arnarlax was carried out. SalMus AS participated pro rata in the share issue. Prior to the share issue, SalMar strengthened Salmus AS's capital by an amount relatively larger than its previous holding would indicate. Furthermore, SalMar then acquired and converted subscription rights in Salmus AS. SalMar's shareholding in Arnarlax rose from 34.03 per cent at 31 December 2017 to 41.95 per cent as at 31 December 2018.

At the start of 2018, SalMar owned 50 per cent of Salmus AS, Haganes AS owned 31 per cent, while Edinborg AS owned 19 per cent. During the year, Salmus AS was split into a jointly owned company by means of a capital reduction with a distribution to minority shareholders, who received their relative portion of the shares in Arnarlax AS, in addition to other company assets. Following these transactions, SalMar increased its shareholding in Salmus AS from 50 per cent to 100 per cent. At the same time, Salmus AS reduced its shareholding in Arnarlax AS, as a result of the capital decrease, from 49.05 per cent to 41.95 per cent. At the close of 2018, Salmus AS had become a pure holding company for SalMar's shareholding in Arnarlax AS.

Note 10 – Financial instruments by category

As at 31 Dec 2018	Financial instruments at fair value through profit & loss	Financial instruments at amortised cost	TOTAL
Assets			
Derivatives			
Interest rate swap agreements	5,080	-	5,080
Equity instruments			
Unlisted equity instruments	394	-	394
Debt instruments			
Trade receivables	-	630,061	630,061
Other receivables	23,950	227,536	251,486
Cash & cash equivalents	-	239,596	239,596
Total financial assets	24,344	1,097,192	1,121,536
Liabilities			
Interest-bearing debt			
Bank loans	-	1,423,510	1,423,510
Financial leasing agreements	-	343,794	343,794
Derivatives			
Forward currency contracts	123,958	-	123,958
Other financial liabilities			
Trade payables	-	1,194,760	1,194,760
Total financial liabilities	123,958	2,962,064	3,086,022

Pr. December 31 2017 *NOK 1,000*	Financial instruments at fair value through profit & loss	Financial instruments at amortised cost	TOTAL
Assets			
Equity instruments			
Unlisted equity instruments	393	-	393
Debt instruments			
Trade receivables	-	501,112	501,112
Other receivables	21,641	235,070	256,711
Cash & cash equivalents	-	177,098	177,098
Total financial assets	22,034	913,280	935,314
Liabilities			
Interest-bearing debt			
Bank loans	-	1,037,697	1,037,697
Financial leasing agreements	-	361,934	361,934
Derivatives			
Forward currency contracts	19,569	-	19,569
Interest rate swap agreements	28,435	-	28,435
Other financial liabilities			
Total financial liabilities	48,004	2,648,606	2,696,610

Note 11 – **Derivatives**

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

NOK 1,000	2018		2017	
Recognised fair value as at 31 Dec	Other receivables	Other current liabilities	Other receivables	Other current liabilities
Forward currency contracts	0	-123,958	0	-19,569
Cross-currency interest rate swaps	5,080	0	0	-28,435
Total	5,080	-123,958	0	-48,004

Forward currency contracts

The table below shows the company's forward currency contracts as at 31 December 2018. 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 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 was not used with respect to forward currency contracts as at 31 December 2018 or 31 December 2017.

Product	Type	Currency	Currency amount (1,000)	Term	Exchange rate interval	Book value/ Fair value TNOK
Forward	Salg	EUR	81,523	Q1,2019 - Q1,2020	9,463–10,179	-14,641
Forward	Salg	JPY	3,451,290	Q1,2019 - Q2,2020	0,073–0,079	-15,262
Forward	Salg	GBP	2,986	Q1,2019 - Q2,2019	10,758–11,024	-975
Forward	Salg	USD	211,128	Q1,2019 - Q4,2020	7,599–8,752	-93,052
Forward	Salg	CAD	9,500	Q1,2019 - Q4,2019	6,288–6,351	-27
Total liability						-123,958

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, the contract's term and observable market prices for contracts with a similar term. As at 31 December 2018, the fair value was estimated at NOK 1,062,000, based on market prices on the balance sheet date. The corresponding figure as at 31 December 2017 was NOK -13,031,000. At the close of 2018, the Group had no sales contracts. The fair value of sales contracts at the close of 2017 was NOK 44,719,000. Daily settlement of unrealised gains and losses on Fish Pool is 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. In 2018, realised Fish Pool contracts classified under operations came to NOK -9,342,000 (2017: NOK -21,932,000).

Cross-currency interest rate swaps

In 2018, a cross-currency interest rate swap agreement was entered into, whereby SalMar has received EUR 43 million against a drawdown of USD 49,764,000. The agreement runs for two years and matures on 10 September 2020. The Group had a similar agreement for EUR 43 million against a drawdown of USD 48 million that was entered into in 2016 and settled in 2018. The company uses a recognised valuation method to determine the fair value of interest rate swaps. The valuation method includes future pricing and swap models when applying present value models. The models use inputs relating to various factors including spot prices, forward currency prices and interest rate curves. As at 31 December 2018, the fair value of this agreement was recognised at NOK 5,080 million. The corresponding figure for 2017 was NOK -28,435 million.

Note 12 – Receivables, provisions for bad debts

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

Book value equals fair value.

NOK 1,000	2018	2017
Trade receivables	630,061	510,144
Provisions for bad debts	0	-9,032
Other current receivables	289,416	242,866
Other non-current receivables	26,136	56,663
Total	945,613	800,641

Included in the item Other current receivables above are prepaid expenses in the amount of	51,662	41,439
Included in the item Other current receivables above are derivatives in the amount of	5,080	0
Included in the item Other current receivables above are VAT refunds due in the amount of	166,733	144,704
Included in the item Other non-current receivables above are the following, falling due for payment in more than one year	18,812	55,284
Included in the item Other non-current receivables above are pension assets in the amount of	7,324	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.

NOK 1,000	2018	2017
Provisions for bad debt 1 Jan	9,032	6,615
Provisions for bad debts 31 Dec	6,621	9,032
Change in provisions for bad debts during the period	-2,371	2,417

Actual bad debts	2,641	807
Change in provisions for bad debts	-2,317	2,417
Bad debts charged to expenses during the period	270	3,224

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

As at 31 December, the company's outstanding trade receivables had the following payment profile:

NOK 1,000	Total	Not due	<30 d	30-45d	45-90d	>90d
2018	636,721	478,682	93,194	11,949	16,106	36,790
2017	510,144	435,769	40,991	8,541	4,026	20,818

The Group uses a simplified method for calculating provisions for losses on trade receivables and contract assets. In principle, the Group credit insures its trade receivables and makes a provision for expected bad debts on that portion which is not insured. The Group measures its provision for bad debts on the basis of expected credit losses over the span of each reporting period, and not based on a 12-month expected loss.

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 derecognised from the balance sheet on the date it takes place. As at 31 December 2018, a total of NOK 661,3 million in outstanding receivables had been transferred and derecognised from the balance sheet (31 December 2017: NOK 456.0 million). The change in trade receivables deriving from this derecognition is included in operating activities in the statement of cash flow.

Note 13 – Inventory and biological assets

Book value of inventory	2018	2017
Raw materials	135,500	120,997
Goods in progress (entirely biological assets)	5,305,616	4,135,523
Finished goods	324,434	138,053
Total inventory 31 Dec	5,765,550	4,394,573

Book value of biological assets recognised at fair value	2018	2017
Roe, fry, smolt and cleaner fish at cost	225,389	191,577
Biological assets in sea farms at cost	3,044,550	2,843,051
Total biological assets before fair value adjustment	3,269,939	3,034,628
Fair value adjustment of biological assets	2,035,677	1,100,895
Total biological assets 31 Dec	5,305,616	4,135,523

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, and comprise roe, fry, smolt, cleaner fish and fish held at sea farms.

Finished goods comprises whole salmon, fresh and frozen, as well as processed salmon products.

Change in the book value of biological assets *NOK 1,000*	2018	2017
Biological assets 1 Jan	4,135,523	4,997,001
Increase due to production/purchase	4,379,789	4,307,210
Reduction resulting from sale/harvesting	-4,144,478	-4,240,921
Fair value adjustments 1 Jan (reversed)	-1,100,895	-2,028,662
Fair value adjustment - change in estimate (see comment below)	287,816	-
Fair value adjustments 31 Dec (new)	1,747,861	1,100,895
Biological assets 31 Dec	**5,305,616**	**4,135,523**

Biological assets held at sea farms 31 Dec 2018 *NOK 1,000*	Biomass (tonnes)	Acquisition cost	Value adjustment	Bokført verdi
< 1 kg (LW)	9,206	476,971	478,118	955,089
1–4 kg	74,078	2,280,596	1,388,065	3,668,661
> 4 kg (GW)	11,131	286,982	169,495	456,477
Biological assets held at sea farms	94,415	3,044,550	2,035,677	5,080,227
Roe, fry, smolt and cleaner fish at cost		225,389	-	225,389
Biological assets		3,269,939	2,035,677	5,305,616

Biological assets held at sea farms 31 Dec 2017 *NOK 1,000*	Biomass (tonnes)	Acquisition cost	Value adjustment	Bokført verdi
< 1 kg (LW)	9,987	492,351	-	492,351
1–4 kg	69,708	2,078,816	872,973	2,951,788
> 4 kg (GW)	11,982	271,885	227,922	499,807
Biological assets held at sea farms	91,678	2,843,051	1,100,895	3,943,946
Roe, fry, smolt and cleaner fish at cost		191,577	-	191,577
Biological assets		3,034,628	1,100,895	4,135,523

The way live fish are accounted for is regulated by IAS 41 Agriculture. The general rule is that such assets must be recognised at fair value in accordance with IFRS 13. The valuation of biological assets is included in valuation level 3, ie based on factors not drawn from observable markets.

Roe, fry, smolt and cleaner fish are recognised at historic cost, since this is considered the best estimate of fair value.

The company's stocks of live fish held at sea farms are, in accordance with IAS 41, recognised at fair value. During the year, the technical model used to calculate the fair value of live fish was modified. A present value model is now used, rather than the growth model used earlier. The change in model has had a NOK 287.8 million positive effect, which is dealt with in the accounts as an estimate change recognised in profit & loss pursuant to IAS 8.

Present value is calculated on the basis of estimated revenues less production costs remaining until the fish is harvestable at the individual site. A fish is harvestable when it has reached the estimated weight required for harvesting specified in the company's budgets and plans. The estimated value is discounted to present value on the balance sheet date.

The expected biomass at harvest is calculated on the basis of the number of individuals held at sea farms on the balance sheet date, adjusted for expected mortality up until the point of harvest and multiplied by the fish's estimated weight at harvest.

Fair value is calculated on the basis of Fish Pool forward prices for the estimated harvesting date that were in effect on the balance sheet date. The forward prices are adjusted for an exporter supplement, as well as harvesting, sales and carriage costs. In addition, an adjustment is made to take account of expected differences in fish quality.

The discount rate for 2018 was 7 per cent per month, which reflects the biomass's capital cost, risk and synthetic licence fees and site rental charges. For further details of the various premises used in the model, please see the description in Note 1 and the section about "important accounting estimates and discretionary assessments".

In the growth model that was used in 2017, the best estimate of fair value for fish under 1 kg live weight equalled accumulated cost. For harvestable fish over 4 kg gutted weight, the fair value adjustment of the biomass was put at expected net profit. For fish between 1 kg live weight and 4 kg gutted weight, net expected profit at harvesting recognised evenly over the growth period was used. The fair value of the biomass was assessed on the basis of market price on the balance sheet date for the weight class concerned, corrected for sales costs, including harvesting costs and trimmings wastage. The market price included adjustments for quality differences. The sale prices used were based on external forward prices for the period in which the fish was expected to be harvested. The growth model included premises relating to volume, cost and price based on the same assumptions as in the new present value model.

Expected harvesting period:	Forward price 31.12.2018
Q1-2019	64,02
Q2-2019	65,00
Q3-2019	59,52
Q4-2019	61,48
1st half 2020	62,90
2nd half 2020	60,10

Expected harvesting period:	Forward price 31.12.2017
Q1-2018	53,93
Q2-2018	53,18
Q3-2018	53,25
Q4-2018	55,03
1st half 2019	57,80
2nd half 2019	56,80

Sensitivity assessments:

The estimated fair value of biological assets has been calculated using different parameters. The effect on the book value of the biological assets is summarised below:

2018 *NOK 1,000*	Increase	Effect on estimated fair value 31.12.2018	Decrease	Effect on estimated fair value 31.12.2018
Change in forward price	+ NOK 5 per kg	496,533	- NOK 5 per kg	-496,533
Change in discount factor	1%	-327,456	-1%	362,420
Change in harvesting time	1 month earlier	394,241	1 month later	-333,099
Change in biomass	1%	4,197	-1%	-3,616

2017 *NOK 1,000*	Increase	Effect on estimated fair value 31.12.2017	Decrease	Effect on estimated fair value 31.12.2018
Change in forward price	+ NOK 1 per kg	50,299	- NOK 1 per kg	-50,299
Change in biomass	1%	19,761	-1%	-19,761

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 1,000	2018	2017
Change in fair value of the biomass	934,782	-927,767
Change in provisions for loss-making contracts	30,036	407,555
Unrealised change in value of Fish Pool contracts	-31,395	143,583
Unrealised change in value of forward currency contracts	-87,592	6,614
Recognised fair value adjustments	**845,831**	**-370,015**

Note 15 – Bank deposits

As at 31 December 2018, the item "Bank deposits, cash & cash equivalents" included restricted tax deductions amounting to NOK 87,244,000 (2107: NOK 70,077,000). The Group had additional restricted funds associated with Fish Pool contracts in the amount of NOK 38,958,000 (2017: NOK 48,317,000).

Note 16 – Share capital and shareholders

As at 31 December 2018, the parent company's share capital comprised:

NOK 1,000	No.	Face value	Book value
Ordinary shares	113,299,999	0,25	28,325

There were no changes in share capital during the year.

Shareholders

The company's 20 largest shareholders as at 31 December 2018 were:

	No.	Shareholding	Voting share
KVERVA INDUSTRIER AS	59,436,137	52.46%	52.72%
FOLKETRYGDFONDET	5,948,899	5.25%	5.28%
State Street Bank and Trust Comp	2,474,294	2.18%	2.19%
State Street Bank and Trust Comp	2,186,226	1.93%	1.94%
Euroclear Bank S.A./N.V.	1,363,891	1.20%	1.21%
LIN AS	1,174,620	1.04%	1.04%
State Street Bank and Trust Comp	1,153,536	1.02%	1.02%
J.P. Morgan Bank Luxembourg S.A.	1,129,973	1.00%	1.00%
CLEARSTREAM BANKING S.A.	1,119,712	0.99%	0.99%
INVESCO FUNDS	1,111,621	0.98%	0.99%
The Bank of New York Mellon SA/NV	961,319	0.85%	0.85%
J.P. Morgan Bank Luxembourg S.A.	942,394	0.83%	0.84%
JPMorgan Chase Bank, N.A., London	787,419	0.69%	0.70%
JPMorgan Chase Bank, N.A., London	787,110	0.69%	0.70%
The Bank of New York Mellon SA/NV	718,085	0.63%	0.64%
OLD WESTBURY LARGE CAP STRATS FD	653,647	0.58%	0.58%
JPMorgan Chase Bank, N.A., London	650,673	0.57%	0.58%
State Street Bank and Trust Comp	593,491	0.52%	0.53%
AB SIC I LOW VOL EQU PORTF	587,338	0.52%	0.52%
SALMAR ASA	561,003	0.50%	
Total 20 largest shareholders	**84,341,388**	**74.44%**	**74.31%**
Total other shareholders	28,958,611	25.56%	25.69%
Total no. of shares	**113,299,999**	**100.00%**	**100.00%**

Shares owned by members of the board and senior executives:

Name		No. of shares	Shareholding
Olav-Andreas Ervik	CEO	12,217	0.01%
Trond Tuvstein *	CFO	21,047	0.02%
Gustav Witzøe **	Director, Strategic Projects	**	
Ulrik Steinvik	Director Business Support, Finance & Strategy	13,882	0.01%
Frode Arntsen	Director Sales and Processing	736	0.00%
Roger Bekken	Director, Fish Farming	3,715	0.00%

No members of the company's board of directors owned shares in SalMar ASA as at 31 December 2018.

* 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 93.02 per cent of the shares in Kverva AS, which, in turn, owns 100 per cent of the shares in Kverva Industrier AS. Kverva Industrier AS owns 52.46 per cent of the shares in SalMar ASA and commands a voting share of 52.72 per cent. Gustav Witzøe commands a voting share of 80 per cent and has a shareholding of 1 per cent in Kvarv AS through his ownership of A-shares in the company, in the company.

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 2019 AGM or 30 June 2019 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 2019 AGM, or 30 June 2019 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 billion. The capital increase resulting from conversion may not exceed NOK 2,832,000. 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 2019 AGM, or 30 June 2019 at the latest.

Dividend

For the year ending 31 December 2018, a dividend of NOK 23.00 per share has been proposed. This corresponds to a total dividend payout of NOK 2,592,997,000. Dividend is not paid on treasury shares. The proposed dividend for the year ending 31 December 2017 was NOK 19.00 per share, corresponding to a total dividend payout of NOK 2,138,356,000.

Note 17 – Interest-bearing debt

NOK 1,000

Long-term interest-bearing debt	2018	2017
Debt to credit institutions	1,311,027	929,001
Leasing liabilities	343,794	361,934
Next year's instalment on long-term debt	-635,704	-134,937
Total long-term interest-bearing debt 31 Dec	1,019,116	1,155,998
Short-term interest-bearing debt		
Debt to credit institutions	112,484	108,696
Next year's instalment on long-term debt	635,704	134,937
Total short-term interest-bearing debt 31 Dec	748,188	243,633
Total interest-bearing debt	**1,767,304**	**1,399,631**
Cash & cash equivalents	239,596	177,098
Net interest-bearing debt	**1,527,708**	**1,222,533**

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

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

Specification of net interest-bearing debt by currency:

	NOK	EUR	JPY	USD	GBP	Other	Totalt
Long-term debt to credit institution	-1,311,027						-1,311,027
Leasing liabilities	-343,794						-343,794
Short-term debt to credit institutions	198,998	248,305	13,802	-452,930	-2,331	-118,327	-112,484
Total interest-bearing debt	-1,455,822	248,305	13,802	-452,930	-2,331	-118,327	-1,767,304
Cash & cash equivalents	181,324		11,198	9,909		37,164	239,596
Net interest-bearing debt	-1,274,498	248,305	25,000	-443,021	-2,331	-81,163	-1,527,708

The Group has a multicurrency group account scheme with a credit ceiling of NOK 500 million. As at 31 December 2018, the Group had a net drawdown on the scheme in the amount of NOK 112,484,000. 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 31 Dec 2018:

			Non-cash generating effects			
	31.12.2017	Cash flow	Acquisitions	Exits	Other effects	31.12.2018
Long-term debt to credit institutions	929,001	382,026				1,311,027
Leasing liabilities	361,934	-18,695	555			343,794
Long-term interest-bearing debt	1,290,936	363,331	555			1,654,821
Short-term debt to credit institutions	108,696	3,788				112,484
Total interest-bearing debt	1,399,632	367,119	555			1,767,305

Financing activities - changes in liability 31 Dec 2017:

			Non-cash generating effects			
	31.12.2016	Cash flow	Acquisitions	Exits	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
Long-term interest-bearing debt	2,578,689	-1,289,592	1,384	-348	802	1,290,936
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	1,399,632

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 and a revolving credit facility amounting to NOK 1.5 billion. These facilities were renewed in February 2018 for a term of 3+1+1 years. They are currently due to mature in February 2022, with an option to extend to 2023. As at 31 December 2018, NOK 500 million had been drawn down on the revolving credit facility.

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 2019 amount to NOK 14,604,000. 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 interest coverage rate (EBITDA/net financial expenses) shall not exceed 4.0.

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 2018, the Group owed its bank NOK 697,919,000 in connection with this type of financing.

Note 18 – Deferred tax and tax expense

NOK 1,000

The year's tax expense breaks down as follows :	2018	2017
Tax payable	690,717	678,119
Change in deferred tax	252,376	-58,490
Effect of change in tax rate	-71,181	-61,383
Tax paid abroad	1,340	5,711
Surplus/shortfall in tax provisions in previous years	91	-5,555
Tax on ordinary profit	873,343	558,402

Tax payable in the balance sheet	2018	2017
Tax payable for the year	690,717	678,119
Tax refund owing due to changes in previous years' tax assessments	0	-5,671
Tax payable in the balance sheet	690,717	672,448

Breakdown of temporary differences	2018	2017
Intangible and operating assets	2,042,260	1,906,060
Financial leasing	-27,765	-4,350
Inventory	5,287,251	4,147,499
Receivables	-4,918	-7,932
Other	-306,620	-139,782
Profit & loss account	16,298	21,210
TOTAL temporary differences	7,006,506	5,922,705

Deferred tax liabilities (+) / deferred tax assets (-)	1,541,431	1,362,222
Tax rate used when calculating deferred tax	22%	23%

Change in deferred tax in the balance sheet:	2018	2017
Deferred tax 1 Jan	1,362,222	1,495,301
Change in deferred tax in profit and loss	252,376	-58,490
Change in deferred tax resulting from changed tax rate - effect recognised in profit and loss	-71,181	-61,383
Deferred tax associated with items recognised in comprehensive income	0	-3,637
Deferred tax associated with equity transactions	-3,151	2,980
Deferred tax associated with the exit of subsidiaries	0	-5,191
Deferred tax associated with acquisitions	1,162	-6,566
Other changes	3	-793
Deferred tax 31 Dec	1,541,431	1,362,222

Reconciliation from nominal to actual tax rates	2018	2017
Profit before tax	4,452,568	2,856,201
Expected tax at nominal tax rate	1,024,091	685,488
Effect of change in tax rate	-71,181	-61,383
Permanent differences (23%/24%)	-80,998	-65,860
Tax paid abroad	1,340	5,711
Surplus/shortfall in tax provisions in previous years	91	-5,555
Calculated tax expense	873,343	558,401
Effective tax rate	19.6%	19.6%

Permanent differences apply to the following:		
Option expenses	9,133	6,844
Options redeemed	-21,923	-14,138
Skattefunn (Norwegian tax refund scheme for R&D expenses)	-2,197	-3,887
Share of profit/loss from associates	-58,175	-50,146
Gain from exit of subsidiaries	0	-2,457
Other	-7,836	-2,075
Total	-80,998	-65,860

Note 19 – Pension costs, assets and liabilities

The company 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 2018, the pension liability associated with the defined-benefits plan derives in its entirety from 7 pensioners.

Liabilities associated with the AFP 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 1,000	2018	2017
Premiums paid into the defined-contribution scheme	29,568	21,038
Costs relating to the defined-benefits plan	13,283	12,345
Accrued employers' national insurance contributions	2,118	2,113
Year's pension costs, incl. employers' national insurance contributions	44,970	35,497

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

	2018	2017
Capitalised pension assets associated with secured scheme	1,902	1,379

Note 20 – Liens and guarantees

NOK 1,000

Recognised liabilities secured through liens, etc:	2018	2017
Short-term debt to credit institutions	112,484	108,696
Long-term debt to credit institutions	1,311,027	929,001
Leasing liabilities and other non-current liabilities	343,794	361,934
Total	1,767,304	1,399,631

Book value of assets pledged as security for recognised liabilities	2018	2017
Property, plant & equipment and licences	6,426,678	5,986,367
Inventory and biological assets	5,765,550	4,394,573
Trade receivables	630,061	501,112
Total	12,822,289	10,882,052

As at 31 December 2018, 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 a 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. Following the close of the financial year, agreement was reached for the purchase of the property from Romsdalsfisk.

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 7,109,000 were made in 2018 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 1,000	Less than 1 year	2-5 years	More than 5 years	Total
Total future leasing payments	218,624	455,793	3,808	678,225

Note 22 – Other current liabilities

Other current liabilities comprise:

NOK 1,000	2018	2017
Accrued holiday pay	84,758	76,686
Derivatives	123,958	48,004
Provisions for loss-making sales contracts	4,520	34,556
Provisions for future maintenance	104,358	94,155
Other accrued costs and provisions	183,325	150,725
TOTAL other current liabilities	500,919	404,125

Note 23 – Operating revenues

Operating revenues *NOK 1,000*	2018	2017
Sale of goods and services - revenues from contracts with customers	11,301,338	10,755,452
Compensation	15,902	6,297
Leasing revenues	4,462	1,976
Gains on exit of subsidiaries	0	10,239
Other operating revenues	20,852	43,274
Total operating revenues	11,342,554	10,817,238

See also Note 3 for details of operating revenues associated with the Group's business segments.

Group revenues by geographic market:	2018	%	2017	%
Asia	2,346,619	20.7%	2,429,891	22.5%
USA/ Canada	1,989,222	17.5%	2,103,021	19.4%
Europe, excl. Norway	5,150,952	45.4%	4,248,956	39.3%
Norway	1,786,583	15.8%	2,004,645	18.5%
Other	69,179	0.6%	30,725	0.3%
Total operating revenues	**11,342,554**	**100.0%**	**10,817,238**	**100.0%**

The Group's revenues by currency:	2018	%	2017	%
NOK	3,093,603	27.3%	3,077,854	28.5%
JPY	516,734	4.6%	471,861	4.4%
GBP	299,043	2.6%	286,850	2.7%
USD	3,604,962	31.8%	3,788,419	35.0%
EUR	3,595,792	31.7%	3,029,098	28.0%
SEK	119,474	1.1%	97,381	0.9%
KRW	70,940	0.6%	65,775	0.6%
CAD	42,008	0.4%	0	0.0%
Total operating revenues	**11,342,554**	**100.0%**	**10,817,238**	**100.0%**

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

Payroll costs

NOK 1,000	2018	2017
Salaries, incl. holiday pay and bonuses	865,811	791,034
Employers' national insurance contributions	65,793	56,920
Pension costs (see Note 19)	44,430	33,383
Options	39,707	28,515
Other benefits	24,697	19,247
Total	**1,040,438**	**929,100**

No. of full-time equivalents employed during the financial year.	1,479,0	1,427,0

Auditor:

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

NOK 1,000	2018	2017
Statutory auditing services	1,229	1,334
Other certification services	108	145
Tax advisory services	141	107
Other services	171	78
Refunded expenditures	63	187
Total	**1,712**	**1,852**

Loans and sureties granted to employees	Loans	Sureties
Employees	766	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.

2018 *NOK 1,000* Senior executives	Salary	Bonus	Benefits-in-kind	Periodised pension costs	RSUs exercised
Olav-Andreas Ervik, CEO *	2,731	869	46	75	2,434
Trond Williksen, CEO **	4,400	1,000	0	90	0
Trond Tuvstein, CFO	2,235	634	8	74	2,223
Frode Arntsen, Director, Processing and Sales	2,148	593	10	51	686
Gustav Witzøe, Director, Strategic Projects	1,070	274	9	53	0
Ulrik Steinvik, Director, Business Support, Finance & Strategy	1,809	494	9	68	1,800
Roger Bekken, Director, Farming ***	1,804	634	145	48	1,829
Tom Aleksandersen, Director, Organisation, HSE & Quality ****	1,352	0	3	41	0

* Took up position 10 April 2018
** Stood down 10 April 2018
*** Joined group management 4 June 2018
**** Stood down 31 May 2018

Severence pay for former CEO

CEO Trond Williksen stood down on 10 April 2018. He was paid his salary during his 6 months' period of notice, plus 6 months' severance pay.

2017 *NOK 1,000* Senior executives	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, Processing and Sales ***	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, Organisation, HSE & Quality	2,231	584	9	66	712

* Took up position 10 April 2018
** Stood 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
***** Joined gorup management with effect from August 2017

NOK 1,000 Board of directors	Directors fees 2018	Directors fees 2017
Atle Eide, Chair with effect from the 2017 AGM	400	200
Kjell A. Storeide *	285	263
Helge Moen **	263	143
Margrethe Hauge	215	108
Trine Danielsen	108	0
Bjørn Flatgård, Chair up until the 2017 AGM	0	160
Gustav Witzøe	0	50
Tove Nedreberg ***	0	118
Bente Rathe	0	100
Geir Berg, employee representative	108	104
Brit Elin Soleng, employee representative	108	54
Merete Gisvold Sandberg, employee representative	0	50

* The fee includes NOK 70,000 in remuneration as chair of the Audit Committee (2017: NOK 55,000).
** The fee includes NOK 47,500 in remuneration as a member of the Audit Committee (2017: NOK 22,500).
*** The fee includes NOK 17,500 in remuneration as a member of the Audit Committee for 2017.

Directors' fees are not performance-related.

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

NOK 1,000	2018	2017
Geir Berg	1,927	1,492
Brit Elin Soleng	758	667

Note 25 – Share-based incentives

Restricted Share Unit Plan (RSU):

In accordance with the authorisation granted by the company's AGM, SalMar ASA's board of directors has introduced a share-based incentive scheme (Restricted Share Unit Plan) for senior executives and key personnel employed by the company and its subsidiaries. As at 31 December 2018, the plan encompasses up to 216,538 shares, and has a term of three years. To this must be added the award for 2018, which formally took place on 21 January 2019 and encompassed a total of 128,019 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 pre-defined 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 calculated to be NOK 92,678,300 (2017: NOK 58,547,900). The cost is periodised over the accrual period, and a total of NOK 39,707,000 was charged to expenses in connection with the scheme in 2018 (2017: NOK 28,515,000). 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 2018 award was made on 21 January 2019, the share price was NOK 431.10 (2017: NOK 225.80).

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 448.17 (2017: NOK 225,75).

In 2018, 193,919 RSUs were exercised. The market price per share at the time the RSUs were exercised was NOK 492.21. In 2017, 229,446 RSUs were exercised. The market price per share at the time the RSUs were exercised was NOK 257,32. The value of the RSUs is treated as a salary payment to the individual employee.

Movements in the no. of outstanding RSUs:	2018	2017
As at 1 Jan	237,228	529,470
Awarded during the year *	240,863	-
Vested during the year	-193,919	-229,446
Lapsed during the year	-72,873	-33,081
Lapsed during the year due to performance criteria not being met	-20,778	-57,029
Dividend adjustment	26,017	27,314
As at 31 Dec	216,538	237,228

* The award for 2017 was formally carried out on 15 January 2018, at which time a total of 240,863 RSUs were awarded. The award for 2018 was formally carried out on 21 January 2019, at which time a total of 128,019 RSUs were awarded.

The calculation of the year's award was based on the following parameters :	2018
Date of award	15.1.2018
Share price on date of award	448,00
Weighted average fair value on date of award	207,11
Expected yield (%)	0%
Expected volatility (%)	31.02%
Risk-free interest rate (%)	0.63%
Option's lifespan	1,88
Model employed	Monte Carlo & Black-Scholes

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

Date awarded	Vesting period	2018	2,017
21.12.2015	2015–18	-	105,059
16.12.2016	2016–18	-	66,072
16.12.2016	2016–19	61,826	66,097
15.1.2018	2018–19	77,344	-
15.1.2018	2018–20	77,368	-
Outstanding RSUs as at 31 Dec		216,538	237,228

For the 2018 award carried out on 21 January 2019, 42,630 RSUs will vest in 2019, 42,652 in 2020 and 42,737 in 2021.

Group management have the following holdings of RSU entitlements:

	Holding 01.01	Awarded	Vested	Dividend adjustment	Lapsed due to performance criteria not being met	Lapsed due to resignation from position	Holding 31.12
Olav-Andreas Ervik, CEO **	9,726	3,479	-4,957	564	-509	-	8,303
Trond Williksen, CEO ***	10,462	-	0	-	-	-10,462	-
Trond Tuvstein, CFO	9,792	-	-4,527	567	-1,008	-	4,824
Tom Aleksandersen, Director, Org. HSE & Quality ****	10,396	-	0	-	-	-10,396	-
Ulrik Steinvik, Director, Bus. Support, Fin. & Strategy	8,210	2,092	-3,665	474	-1,115	-	5,996
Frode Arntsen, Director, Sales & Processing	3,956	2,377	-1,396	234	-	-	5,171
Roger Bekken, Director, Fish Farming *****	6,933	2,435	-3,715	402	-346		5,709

* The 2018 award was formally carried out on 21 January 2019
** Took up position 10 April 2018
*** Stood down 10 April 2018
**** Stood down 2 March 2018
***** Joined group management 4 June 2018

Note 26 – Operating expenses

Specification of other operating expenses:

NOK 1,000	2018	2017
Maintenance	312,657	266,520
Operating equipment & consumables	76,218	71,688
Direct input factors	170,942	243,061
Freight & delivery costs	681,094	672,145
Other operating expenses	527,126	331,411
Total	**1,768,036**	**1,584,825**

A material portion of the increase in other operating expenses is attributable to the reclassification of expenses relating to wellboats and service boats. In 2017, these were classified as part of COGS. With effect from 2018, the leasing cost is recognised in other operating expenses.

R&D expenses:
R&D expenses include costs relating to research and administrative personnel, technical plant and equipment, as well as external R&D services.

The requirements for the capitalisation of R&D expenses are deemed to have been met for the Group's new ocean-going sea farm project (Smart Fish Farm). See Note 4 for further details. Other R&D costs are not deemed to meet the criteria for capitalisation and are therefore recognised in expenses. In 2018, NOK 73,234,000 in R&D costs was recognised in expenses (2017: NOK 93,669,000).

Note 27 – Government grants

In 2018, Group companies took to income NOK 12,926,000 in SkatteFUNN contributions (2017: NOK 16,196,000).

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. The Group received no such grants in 2018.

Note 28 – Earnings per share

NOK 1000	2018	2017
Net profit for the year (controlling interest's share)	3,568,413	2,273,983
Average no. of shares outstanding as at 1 Jan	112,545,077	112,315,631
Effect of share issue	-	-
Effect of treasury shares allocated to employees (see Note 25)	193,919	229,446
Average no. of shares outstanding through the year	112,577,397	112,334,752
Diluting effect of RSU entitlements granted (see Note 25)	357,873	340,223
Average no. of diluted shares outstanding through the year	112,935,270	112,674,975
Earnings per share		
Basic	31,70	20,24
Diluted	31,60	20,18

Note 29 – Related parties / individual transactions

The Group's parent company is SalMar ASA. The overall parent company is Kverva AS, which owns 52.46% 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.

Transactions with related parties in 2018:	Sales	Purchases	Receivables	Liabilities
Associates of the SalMar Group	87,083	32,258	15,266	330
Companies controlled by the parent company Kverva AS	1,017,860	292,644	106,492	11,777
Associates of the parent company Kverva AS	44	31	0	490
Companies controlled by Gustav Witzøe and related parties	0	7,109	0	0

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

Transactions between the Group and related parties are undertaken at market terms and conditions.
In addition, dividend has been received from associates. See Note 9 for further details.

Note 30 – Events after the balance sheet date

Acquisition of businesses in 2019

Arnarlax AS

On 14 February 2019, the Group agreed the purchase of 3,268,670 shares in Arnarlax AS. This corresponds to 12.28 per cent of the company's shares. Before this transaction, SalMar owned 41.95 per cent of the shares in Arnarlax and had a significant influence over the company. Up until this share purchase, the investment was classified as an associate. The investment remained classified as an associate in accordance with the equity method up until the date on which a controlling interest was achieved. On that date, the entire shareholding in Arnarlax was deemed to have been realised and a new cost price set. The fair value of the investment on the date on which a controlling influence was obtained was NOK 613,999,000, and a gain of NOK 273,373,000 will be recognised in revenue in 2019.

Following the transaction, SalMar owns 54.23 per cent of the shares in Arnarlax. For accounting purposes, the transaction will be treated as a business transfer with effect from 1 February 2019. The company's functional currency is EUR.

Arnarlax is Iceland's largest salmon farmer and is situated in the country's Westfjords district. The company was established in Iceland in 2009 and harvested its first fish in 2016. The company is a fully integrated salmon farming enterprise, with its own smolt facility, sea farms, wellboat, harvesting plant and sales organisation. Strategically, the transaction represents a natural next step for SalMar, which aims to further develop Arnarlax and salmon farming in Iceland in the coming years. SalMar paid NOK 179,777,000 for the shares, which corresponds to NOK 55.00 per share. A provisional allocation of the consideration is presented below.

In accordance with the shareholders' agreement, the share purchase triggers a mandatory offer to the remaining non-controlling shareholders in Arnarlax AS. The shareholders are being offered a price of NOK 55.78 per share. The offer period ends on 10 April 2019.

NOK 1,000	No. of shares	Shareholding	Cost price initially recognised by the Group
Fair value of the existing shareholding in Arnarlax before controlling influence was obtained	11,163,611	41.95%	613,999
Cash consideration for shares in the transaction carried out on 14 February 2019	3,268,670	12.28%	179,777
Fair value of the Group's holding of shares in Arnarlax on the date when controlling influence was obtained	14,432,281	54.23%	793,775

Effect in the balance sheet of the acquisition *NOK 1,000*	Book value	Adjustment to fair value	Fair value
Licences	221,479	889,194	1,110,672
Property, plant & equipment	331,985	-	331,985
Other non-current assets	20,486	-	20,486
Biological assets	525,285	-	525,285
Other current assets	64,390	-	64,390
Cash & cash equivalents	4,594	-	4,594
Deferred tax assets/liabilities	22,496	-177,839	-155,342
Other non-current liabilities	-301,596	-	-301,596
Current liabilities	-136,702	-	-136,702
Net identifiable assets and liabilities	**752,417**	**711,355**	**1,463,772**
Fair value of shareholding before controlling influence was obtained			-613,999
Non-controlling interests			-669,997
Cash consideration			**179,777**

Investment in associates in 2019

Yu Fish Private Limited

In January 2019, the Group agreed the purchase of 45.30 per cent of the shares in Yu Fish and thereby obtained a significant influence over the company. Yu Fish is located in Singapore and its object is to sell seafood products.

A consideration on of NOK 24,009,000 was paid for the shares. On the date of the transaction, the company's equity totalled NOK 47,289,000. For accounting purposes, the investment will be treated as an associate in accordance with the equity method.

Note 31 – New and amended accounting standards

New and amended standards and interpretations that have come into effect

IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers came into effect on 1 January 2018. Neither standard has had any material impact on the Group's recognition of revenue and profit and loss, or classifications. Both standards have, however, resulted in additional disclosures being included in the notes to the consolidated financial statements for 2018.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 Construction Contracts and IAS 18 Revenue. It applies, with few exceptions, to all revenue deriving from contracts with customers. IFRS 15 establishes a 5-stage model for the recognition of revenue deriving from contracts with customers and requires that revenues are recognised at an amount that reflects the consideration the enterprise expects to receive in return for the transfer of a good or service to the customer.

IFRS 15 requires enterprises to use their discretion and take account of all relevant facts and circumstances when customer contracts are assessed in the various stages of the model. The standard also specifies how marginal costs relating to winning a contract and the expenses an enterprise incurs to fulfil said contract must recognised. In addition, the standard requires extensive disclosures in the notes to the financial statements. The Group implemented IFRS 15 using the full retrospective method.

The standard has had no material impact on the Group's revenue recognition. The requirement for additional disclosures has been met in the notes to the consolidated financial statements for 2018.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement, and applies from 1 January 2018. IFRS 9 deals with recognition, classification and measurement, loss provisions, derecognition and hedge accounting. The Group has prepared comparable figures for the period starting 1 January 2017.

Classification and measurement

Under IFRS 9, financial assets must be classified in three categories: fair value with changes in value through profit and loss, fair value with changes in value through other comprehensive income (OCI) and amortised cost. The classification is based on a distinction between instruments held in a business model to both receive contractually determined cash flows and for sale, and those where contractually determined cash flows simply represent the payment of interest and principal amounts on certain dates.

The Group's financial assets that were measured at fair value under IAS 39 are also measured at fair value under IFRS 9. The following changes have been made in the classification of the Group's financial assets in connection with the implementation of IFRS 9:

Trade receivables and cash & cash equivalents: - The instruments were previously classified as loans and receivables, and are held to receive contractually determined cash flows solely comprising the payment of interest and principal amounts on certain dates. The instruments are classified as debt instruments at amortised cost under IFRS 9.

Equity investments in unlisted companies: - The instruments were previously classified as financial assets available for sale, but are now classified and measured as equity instruments at fair value with changes in value through other comprehensive income (OCI). The Group has elected to classify unlisted equity investments in this category because it is expected that these investments will be retained for the foreseeable future. No losses associated with these investments have been recognised in profit and loss in previous periods.

The effect of implementation of IFRS 9 is presented in the following table:	Classification IFRS 9	
31.12.2017	Amortised cost	Fair value through OCI
Classification IAS 39		
Available for sale		
Unlisted equity instruments		393
Loans and receivables		
Trade and other receivables	737,561	21,641
Bank deposits, cash & cash equivalents	177,098	
Total	914,659	22,034

No changes have been made in the classification and measurement of the Group's financial liabilities.

Standards, amendments and interpretations of existing standards that have not yet come into effect

Standards and Interpretations that were adopted prior to the presentation of the consolidated financial statements but which had not come into effect by that date are listed below. Only standards that it is assumed may affect the consolidated financial statements are mentioned.

IFRS 16 Leasing Contracts replaces the existing IFRS standard for leasing agreements, IAS 17 Leases. IFRS 16 sets out principles for recognition, measurement, presentation and disclosures relating to leasing agreements for both parties thereto, ie the customer (lessee) and the provider (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. An exception is made for leasing agreements considered immaterial, as well as those of short duration (a term of less than 12 months). For these agreements, the leasing cost is recognised periodically in profit and loss.

In those cases where the Group has entered into complex leasing agreements, the service element is split off in order to calculate the value of the right-to-use asset. This applies primarily to leasing agreements relating to wellboats and service boats where crew and other cost elements are included in the leasing amount, and where the estimated market price for the service element is split off.

On the date of implementation, the leasing liability will be measured at the present value of the leasing payments with the help of the Group's marginal lending rate. In the calculation, an interest rate of 3 per cent is used.

IFRS 16 is compulsory with effect from 1 January 2019, and the Group has elected to apply the modified retrospective method and to avail itself of the opportunity for simplification, whereby the value of the right-to-use asset is set equal to the calculated leasing liability.

It is expected that IFRS 16 will have the following effects on its implementation date:

NOK 1000	At 1.1.2019
Assets	
Land, buildings and other real property (right-to-use assets)	20,329
Vessels, vehicles and other means of transport (right-to-use assets)	349,008
Liabilities	
Leasing liabilities	-369,337
Net effect on equity	0

NOK 1000	2019
Deprecition of PP&E	131,628
Leasing costs (included in other operating expenses)	133,536
Operational EBIT	1,908
Interest expense	-9,529
Tax expense	1,677
Net profit/loss for the year	-5,944


RONJA POLARIS

FINANCIAL ACCOUNTS
SalMar ASA 2018

Income **Statement**

NOK 1000

OPERATING REVENUES AND OPERATING EXPENSES	NOTE	2018	2017
Sales revenues	2	88,924	85,089
Total operating revenues		**88,924**	**85,089**
Salary and payroll costs	3	62,545	52,134
Depreciation of property, plant & equipment	4	5,260	4,501
Other operating expenses	3	71,038	78,169
Total operating expenses		**138,844**	**134,805**
Operating profit/loss		**-49,920**	**-49,716**
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Income from investment in subsidiaries	5	2,527,856	2,920,595
Income from investment in associates	6	242,200	161,015
Interest received from group companies		110,860	86,008
Other interest income		273	3,111
Interest paid to group companies		31,714	23,051
Other interest expenses		49,827	41,942
Other financial expenses		2,424	9,468
Net financial items		**2,797,224**	**3,096,269**
Ordinary profit/loss before tax		**2,747,304**	**3,046,553**
Tax	12	-257	651,379
Profit/loss after tax		**2,747,562**	**2,395,174**
NET PROFIT/LOSS FOR THE YEAR		2,747,562	2,395,174
ALLOCATIONS			
Dividend provisions	8, 9	2,592,997	2,138,356
Transferred to/from other equity	9	154,565	256,818
TOTAL allocations		**2,747,562**	**2,395,174**

Consolidated **Balance Sheet**

as at 31 December NOK 1,000

ASSETS	NOTE	2018	2017
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Deferred tax assets	12	1,675	728
Total intangible assets		**1,675**	**728**
PROPERTY, PLANT & EQUIPMENT			
Land, buildings and other real property	4	2,279	2,253
Plant, equipment and operating consumables	4	8,581	8,497
Total property, plant & equipment	**14**	**10,860**	**10,750**
NON-CURRENT FINANCIAL ASSETS			
Investments in subsidiaries	5, 14	2,063,730	2,102,019
Loans to group companies	7, 11, 14	3,163,772	3,133,596
Investments in associates	6	565,344	406,180
Investments in shares and other securities		113	113
Other receivables	7	88	46,992
Total non-current financial assets		**5,793,047**	**5,688,901**
Total non-current assets		**5,805,582**	**5,700,379**
CURRENT ASSETS			
RECEIVABLES			
Trade receivables	14	426	38
Short-term receivables from group companies	11,14	2,758,955	2,891,002
Other receivables	14	14,648	9,846
Total receivables		**2,774,029**	**2,900,886**
Bank deposits, cash & cash equivalents	16	12,393	9,857
Total current assets		**2,786,422**	**2,910,743**
TOTAL ASSETS		8,592,004	8,611,122

Consolidated **Balance Sheet**

as at 31 December NOK 1,000

EQUITY AND LIABILITIES	NOTE	2018	2017
EQUITY			
PAID-IN EQUITY			
Share capital	8, 9	28,325	28,325
Treasury shares	9	-140	-189
Share premium fund	9	415,285	415,285
Other paid-in equity	9	147,312	107,136
Total paid-in equity		**590,783**	**550,557**
RETAINED EARNINGS			
Other equity	9	1,967,257	1,812,693
Total retained earnings		**1,967,257**	**1,812,693**
Total equity	**9**	**2,558,040**	**2,363,250**
LIABILITIES			
OTHER NON-CURRENT LIABILITIES			
Debt to credit institutions	13,14	1,100,000	700,000
Total other non-current liabilities		**1,100,000**	**700,000**
CURRENT LIABILITIES			
Debt to credit institutions	13,14	81,675	93,679
Trade payables		1,841	2,369
Tax payable	12	0	657,529
Dividend	8, 9	2,592,997	2,138,356
Public charges payable		223,659	97,575
Short-term payables to group companies	11	2,023,597	2,550,856
Other current liabilities		10,195	7,508
Total current liabilities		**4,933,964**	**5,547,872**
Total liabilities		**6,033,964**	**6,247,872**
TOTAL EQUITY AND LIABILITIES		**8,592,004**	**8,611,122**

Trondheim, 10 April 2019

Atle S. Eide
Chair

Kjell A. Storeide
Vice-Chair

Helge K. Moen
Board member

Margrethe Hauge
Board member

Trine L. Danielsen
Board member

Brit Elin Soleng
Employee representative

Geir Berg
Employee representative

Olav-Andreas Ervik
CEO

Consolidated **Statement of Cash Flow**

as at 31 December NOK 1,000

	NOTE	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES:			
Ordinary profit before tax		2,747,304	3,046,553
Tax paid during the period	12	-657,699	0
Depreciation	4	5,260	4,501
Loss on disposal of non-current assets		0	176
Income from investments in subsidiaries	5	-2,527,856	-2,920,595
Income from investments in associates	6	-242,200	-161,015
Options recognised in expenses	3	5,492	5,206
Change in trade receivables		-121,847	-56,612
Change in trade payables		-9,554	9,856
Change in other time-limited items		124,162	51,059
Net cash flow from operating activities		**-676,936**	**-20,872**

	NOTE	2018	2017
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts from the sale of property, plant & equipment		0	230
Payments for the purchase of property, plant & equipment	4	-5,370	-2,175
Change in intra-group balances	11	-468,847	954,932
Net receipts of group contributions and dividends from subsidiaries	5,11	2,781,284	1,451,313
Receipts of dividends from associates and other investments	6	242,200	161,015
Net payments on investments in subsidiaries and associated companies	6	-119,433	0
Net cash flow from investing activities		**2,429,834**	**2,565,315**

	NOTE	2018	2017
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of long-term debt		0	-1,250,000
Innbetaling ved opptak av langsiktig gjeld		400,000	0
Net change in overdraft		-12,004	55,038
Dividend (paid)		-2,138,356	-1,347,788
Net cash flow from financing activities		**-1,750,361**	**-2,542,749**
Net change in bank deposits, cash & cash equivalents		2,536	1,694
Bank deposits, cash & cash equivalents as at 1 Jan		9,857	8,162
Bank deposits, cash & cash equivalents as at 31 Dec		**12,393**	**9,857**
Unused drawing rights		3,387,516	3,906,321

NOTES TO THE FINANCIAL STATEMENTS SalMar ASA 2018

Note 1 – Accounting principles

The financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway. The accounting principles described below apply only to the parent company SalMar ASA. 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 value of an item of property, plant and equipment is lower than its book value, the asset is written down to its recoverable value. 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 RSUs 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 vest. 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.

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 22 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	2018	2017
Revenues from provision of administrative services to group companies	88,150	84,842
Other revenues	774	247
Total	**88,924**	**85,089**

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

NOK 1000

PAYROLL COSTS	2018	2017
Salaries, incl. holiday pay & bonuses	41,247	35,940
Employers' national insurance contributions	6,597	4,941
Pension costs	1,447	1,111
Options/RSUs	5,492	5,206
Other benefits	7,762	4,936
Total	**62,545**	**52,134**
No. of people employed (full-time equivalents) during the financial year	32	33

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)

On 15 January 2018, 14 employees were formally awarded 43,424 RSUs in respect of the company's shares for the 2017 financial year. Correspondingly, 13 company employees were awarded a total of 34,837 RSUs in 2016. The award for 2018 was formally made on 21 January 2019. The RSUs vest over a period of 3 years, with 1/3 accruing each year. The fair value of the cost in SalMar ASA is calculated on the date of the award, and periodised over the accrual period. The periodised cost in 2018 is NOK 5,492,400 (2017: NOK 5,205,700). A provision has been made with respect to employers' national insurance contributions on the cost.

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

Auditor

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

NOK 1000	2018	2017
Statutory auditing services	275	207
Other certification services	30	5
Tax advisory services	13	7
Other services	137	0
Refunded expenditures	51	111
Total	**506**	**329**

Note 4 – Property, plant & equipment

NOK 1000	Real property	Operating equipment, fixtures, etc	TOTAL
Acquisition cost 1 Jan 2018	2,424	24,774	27,198
Additions	25	5,345	5,370
Acquisition cost 31 Dec 2018	2,450	30,119	32,569
Acc. depreciation & write-downs 1 Jan 2018	171	16,277	16,448
Year's depreciation	0	5,260	5,260
Acc. depreciation 31 Dec 2018	171	21,537	21,709
Book value 31 Dec 2018	**2,279**	**8,581**	**10,860**
Economic lifespan	No dep./3 years	5–10 years	
Depreciation plan	Straight line	Straight line	
Annual leasing of off-balance sheet operating assets	4,367	36	4,403

Note 5 – Subsidiaries

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

Company *NOK 1000*	Registered office	Voting share/ shareholding	Book value 2018	Book value 2017
SalMar Settefisk AS	Kverva	100.0%	229,898	236,125
SalMar Farming AS	Kverva	100.0%	519,638	69,729
SalMar Nord AS	Finnsnes	100.0%		480,447
SalMar AS	Kverva	100.0%	1,212,539	1,221,193
SalMar Tunet AS	Kverva	100.0%	7,400	7,400
Hitramat Farming AS	Hitra	51.0%	28,785	28,785
Ocean Farming AS	Kverva	93.4%	63,460	58,329
Mariculture AS	Stavanger	51.0%	2,000	0
TOTAL subsidiaries			**2,063,730**	**2,102,019**

With effect from 1 January 2018, SalMar Nord AS was merged into SalMar Farming AS.

	2018	2017
SalMar Farming AS	18,676	1,416,186
SalMar Nord AS	0	1,355,996
Total recognised group contributions from subsidiaries	**18,676**	**2,772,182**

	2018	2017
SalMar Farming AS	2,500,000	64,811
SalMar Nord AS	0	74,850
Hitramat Farming AS	9,180	8,721
Total recognised dividends from subsidiaries	**2,509,180**	**148,382**
Gains on the sale of shares in subsidiaries	0	30
Total recognised income from investments in subsidiaries	**2,527,856**	**2,920,565**

Note 6 – Associates

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

Company *NOK 1000*	Registered office	Voting share/ shareholding	Book value 2018	Book value 2017
Norskott Havbruk AS	Bergen	50%	162,787	162,787
Arnarlax AS (Salmus AS)	Leirfjord	41.95%	402,558	243,394
TOTAL associates			565,344	406,180

Company *NOK 1000*	Recognised dividend	Equity in last year-end finan. stat.	Profit/loss in last year-end finan. stat.
Norskott Havbruk AS	242,200	1,339,399	522,614
Arnarlax AS	0	628,279	-117,150

SalMar ASA owns Arnarlax AS through the wholly owned subsidiary Salmus AS. Salmus AS has no activity apart from its ownership of Arnarlax AS.

Note 7 – Receivables falling due more than one year hence

NOK 1000	2018	2017
Other receivables	88	46,857
Loans to employees	0	135
Loans to group companies	3,163,772	3,133,596

Note 8 – Share capital and shareholders

As at 31 December 2018, the company's share capital comprised:

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

Please see Note 16 to the consolidated financial statements for details of the largest shareholders and senior executives' holdings of company shares.

Dividend

As at 31 December 2018, a provision has been made with respect to a dividend payout of NOK 23.00 per share, or NOK 2,592,997,000 in total. No dividend provision has been made with respect to treasury shares.

Note 9 – Equity

NOK 1000	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Other equity	Total equity
Equity 31 Dec 2017	28,325	-189	415,285	107,136	1,812,693	2,363,250
Year's change in equity:						
Profit/loss in the period	0	0	0	0	2,747,562	2,747,562
Dividend provision	0	0	0	0	-2,592,997	-2,592,997
Redeemed options	0	48	0	-48	0	0
Option cost recognised in equity	0	0	0	39,707	0	39,707
Deferred tax on option cost	0	0	0	518	0	518
Equity 31 Dec 2018	28,325	-140	415,285	147,312	1,967,257	2,558,040

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 discussed in Note 8.

Note 10 – Pension costs

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

The company has no defined-benefits pension schemes.

Premiums under the defined-contribution scheme are charged to expenses as they fall due. In 2018, the gross amount of NOK 1,447,000 was charged to expenses. The corresponding figure in 2017 was NOK 1,110,800.

Note 11 – Intra-group balances, etc

	Non-current receivables		Other short-term receivables	
NOK 1000	2018	2017	2018	2017
Group companies	3,163,772	3,133,596	2,758,955	2,891,002
Sum	3,163,772	3,133,596	2,758,955	2,891,002

	Long-term debt		Other short-term payables	
NOK 1000	2018	2017	2018	2017
Group companies	0	0	2,023,597	2,550,856
Sum	0	0	2,023,597	2,550,856

Other short-term receivables from group companies, which totalled NOK 2,758,955,000 as at 31 December 2018, includes group contributions receivable in the amount of NOK 18,676,000 (2017: NOK 2,772,182,000). Other short-term receivables as at 31 December 2018 also includes NOK 2,500,000,000 in dividend receivable from subsidiaries. Other short-term receivables over and above this are ordinary trade receivables.

The NOK 2,023,597,000 in other short-term payables to group companies as at 31 December 2018 includes NOK 2,003,701,000 in payables to group companies participating in the group account scheme (2017: NOK 2,521,856,000). As at 31 December 2018 group contributions payable amounted to NOK 79,000. The remaining short-term payables to group companies were ordinary trade payables.

Note 12 – Tax

NOK 1000

Breakdown of the year's tax expense	2018	2017
Tax payable	0	657,548
Change in deferred tax	-463	-424
Tax provisions (shortfall/excess) in previous years	171	-5,760
Effect of change in tax rate from 23% to 22%	35	15
Tax on ordinary profit/loss	-257	651,379

Breakdown of the year's taxable income	2018	2017
Profit/loss before tax	2,747,304	3,046,553
Permanent differences	-2,749,317	-308,538
Change in temporary differences	2,012	1,766
Group contributions paid	0	-79
Year's taxable income	0	2,739,703

Tax payable in the balance sheet	2018	2017
Tax payable on the year's profit/loss	0	657,548
Tax on group contributions paid	0	-19
Tax payable in the balance sheet	0	657,529

Breakdown of temporary differences	2018	2017
Operating assets, incl. goodwill	-345	1,254
Non-current financial assets	69	125
Profit & loss account	70	88
Other differences	-7,405	-4,633
TOTAL temporary differences	-7,612	-3,166
Deferred tax liabilities (+) / deferred tax assets (-)	-1,675	-728
Deferred tax recognised in equity	518	-397

Reconciliation from nominal to actual tax rate	2018	2017
Profit/loss before tax	2,747,304	3,046,553
Expected tax on income at nominal tax rate	631,880	731,173
Permanent differences (23% / 24%)	-632,343	-74,049
Tax provisions (shortfall/excess)	206	-5,745
Estimated tax expense	-257	651,379
Effective tax rate	0.0%	21.4%

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 and a NOK 1.5 billion revolving credit facility. These facilities were renewed in February 2018 with a term of 3+1+1 years. The facilities currently mature in February 2022, with an option to mature in 2023. As at 31 December 2018, NOK 500 million had been drawn down on the revolving credit facility.

There is, in addition, an overdraft agreement capped at 500 million, with annual renewal. 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 coverage rate (EBITDA/net financial expenses) shall not exceed 4.0.

Note 14 – Liens, guarantees, etc

NOK 1000

Recognised debt secured through liens, etc	2018	2017
Short-term debt to credit institutions	81,675	93,679
Long-term debt to credit institutions	1,100,000	700,000
Total	1,181,675	793,679

Book value of assets pledged as security for recognised debt	2018	2017
Operating assets	10,860	10,750
Shares	2,063,730	2,102,019
Trade receivables	426	38
Receivables	5,937,375	6,034,444
Total	8,012,390	8,147,252

Under the agreement with its bank, SalMar has assumed a joint and several liability in connection with a group account overdraft scheme, limited upwards to NOK 500 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 2018, the remaining amount guaranteed totalled NOK 1,250,000.

SalMar ASA has issued a guarantee to Nordskag Næringspark AS for any and all amounts which SalMar AS owes Nordskag Næringspark AS under the leasing agreement between SalMar AS and Nordskag Næringspark AS. The guarantee is valid during the leasing period, as stipulated in the leasing agreement, plus a further three months.

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

SalMar ASA has issued a guarantee totalling NOK 22,728,000 to Kruger Kaldnes AS. The guarantee has been issued as security for SalMar Settefisk's liabilities to its creditor in respect of a prime contract for the construction of a new smolt facility.

Note 15 – Financial risk

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

Note 16 – Bank deposits

The item bank deposits, cash and cash equivalents as at 31 December 2018 includes a total of NOK 10,551,000 in restricted funds, all of which relate to employees' PAYE tax deductions. The corresponding figure for 2017 was NOK 7,211,000.

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 2018 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 2018 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.

Trondheim, 10 April 2019

Atle S. Eide *Chair*	Kjell A. Storeide *Vice-Chair*	Helge K. Moen *Board member*	Margrethe Hauge *Board member*
Trine L. Danielsen *Board member*	Brit Elin Soleng *Employee representative*	Geir Berg *Employee representative*	Olav-Andreas Ervik *CEO*


AUDITOR'S report
2018

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of SalMar ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SalMar ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, the income statement and statement 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 2018, 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 2018, 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 2018 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 2018. 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

The Group evaluates biological assets at fair value in accordance with IAS 41 and IFRS 13. At December 31, 2018 the biological assets amounted to NOK 5 305.6 million and 35 % 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 2018, the recognised fair value adjustment amounted to NOK 934.8 million. The fair value adjustment included in the carrying amount was NOK 2 035.7 million.

For fish in sea the fair value was calculated using a new model based on a net present value methodology aligned with industry practice in Norway. The fair value is calculated based on estimated volumes, quality, the size of the biomass and market prices at the harvest dates, remaining expenses to produce, harvest and sell the biomass and time in sea until harvest mature. Expected net profit is discounted based on monthly discount rate. The market prices are based on observable forward prices at the expected harvesting dates. The fair value of biological assets was a key audit matter due to the extent, the level of judgements related to the choice of valuation model and the assumptions used in the calculation.

We evaluated the valuation and the new model including the applied discount rate against the requirements in IAS 41, IFRS 13 and industry practice. We observed the routines and tested controls related to the calculation of the fair value adjustment of the biomass. We compared the prices applied against observable market prices at the expected harvesting dates. In addition, we evaluated expected manufacturing costs, size distribution of the biomass, time in sea until harvest mature, 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, biomass and discount rate. 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 included in note 1, note 13 and note 14 with respect to the Group's principles, significant estimates and assumptions.

Other information

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

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

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Trondheim, 10 April 2019
ERNST & YOUNG AS

Christian Ronæss
State Authorised Public Accountant (Norway)

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

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