marineharvest

Integrated Annual Report

Leading The Blue Revolution

Part

01

2016 at a glance

The bottom line

In terms of profitability, 2016 was our best year ever. We are proud of our accomplishments, but also concerned about the biological challenges facing our industry, in particular with regards to sea lice.

Hard work to make a difference

We work hard every day to deliver good returns for our shareholders, but we also have a more important task, which is to constantly improve our operations and products, and give the planet a more sustainable alternative to land-based protein.

Integrated reporting

This integrated report sets out how we run our business, it describes our vision and ambition, our successes and our disappointments - all of them in an open and transparent way. At the end of the day, all of us working at Marine Harvest have a clear and simple goal; we wish to produce affordable, high quality products in a sustainable way, and this report tells the story of how we work to accomplish that target.

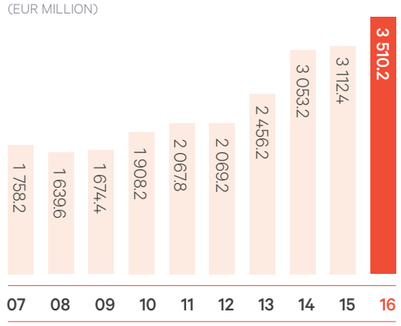
Key figures

(EUR MILLION)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenue and other income	3 510.2	3 112.4	3 053.2	2 456.2	2 069.2	2 067.8	1 908.2	1 674.4	1 639.6	1 758.2
Harvest volume of salmonids (tonnes GWE)	380 621	420 148	418 873	343 772	392 306	342 820	295 010	327 100	326 623	339 848
Operational EBITDA	842.7	486.6	624.3	508.5	176.7	433.7	480.0	253.3	157.9	184.2
Operational EBIT	700.2	346.8	508.7	411.0	86.1	348.3	398.5	174.5	74.6	85.4
EBIT [1]	991.2	345.3	434.5	596.4	129.6	155.0	557.1	154.4	-179.9	23.4
Operational EBIT (EUR per kg harvested salmonid)	1.84	0.83	1.21	1.20	0.22	1.02	1.35	0.53	0.23	0.25
Profit or loss for the year	539.3	158.3	112.4	321.8	54.7	143.0	384.3	149.1	-346.7	0.6
Cash flow from operations	693.2	233.3	471.5	258.8	207.8	358.6	320.8	270.3	182.2	121.4
Gross investments	211.6	215.8	210.6	251.7	98.1	135.2	123.2	73.7	96.2	87.1
Total assets	4 810.4	4 196.1	4 119.7	4 023.2	3 170.7	2 932.9	3 013.3	2 458.2	2 343.1	2 916.1
Net interest-bearing debt	890.0	999.7	1 032.6	929.3	731.7	832.3	668.3	611.8	797.7	848.2
Earnings per share (EUR) - basic	1.20	0.36	0.27	0.85	0.15	0.40	1.08	0.42	-1.00	0.01
Underlying earnings per share (EUR)	1.13	0.52	0.84	0.68	0.08	0.63	0.73	0.35	0.10	0.15
Net cash flow per share (EUR)	1.23	-0.02	0.80	-0.05	0.34	0.57	0.52	0.45	0.10	0.08
Dividend per share (NOK)	8.60	5.20	8.30	2.25	—	8.00	6.00	—	—	0.95
ROCE %	28.1%	13.1%	20.9%	18.5%	3.9%	16.7%	20.4%	5.9%	-7.4%	2.4%
Equity %	43.0%	45.2%	39.8%	48.5%	50.1%	47.6%	53.4%	56.1%	42.3%	53.8%
Equity (owners of Marine Harvest)	2 068.4	1 894.6	1 638.1	1 946.5	1 580.1	1 385.6	1 600.9	1 376.2	987.2	1 566.0
Total market value OSE (NOK million)	70 078.3	53 830.2	42 227.9	30 306.4	19 191.5	9 260.8	22 057.1	9 845.7	2 623.7	8 372.8
Number of shares (million)	450.1	450.1	410.4	410.4	374.8	358.1	357.5	357.5	347.9	347.9
Number of employees (FTE)	12 717	12 454	11 715	10 676	6 389	6 324	6 148	6 012	7 071	8 736
Cost in box (EUR/kg)	4.00	3.68	3.27	3.41	3.24	3.11	—	—	—	—
Market price of salmon (EUR/kg)	6.72	4.60	4.80	5.07	3.60	3.97	4.78	3.56	3.21	3.18
Market price of salmon (USD/kg)	7.31	5.01	6.27	6.61	4.50	5.39	6.19	4.87	4.57	4.23
EUR average	9.2797	8.9579	8.3622	7.8168	7.4733	7.8019	8.0083	8.7313	8.2257	8.0148
EUR end rate	9.0793	9.5946	8.9750	8.3833	7.3540	7.7700	7.8081	8.2950	9.7036	7.9500

1) including income from associated companies.

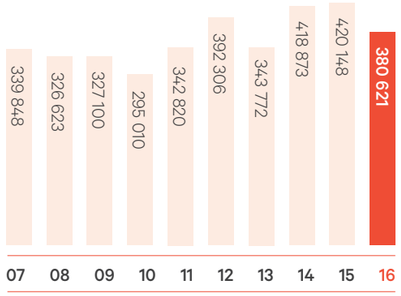
Revenue and other income

(EUR MILLION)



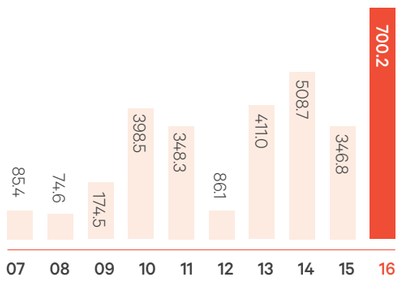
Harvest volume salmonids

(TONNES GWE)



Operational EBIT

(EUR MILLION)



Main achievements

We aim to capitalize on our integrated value chain in order to achieve our ambition to become a world leading, integrated producer of seafood protein.

EUR 700.2 million

Operational EBIT

Operational EBIT of EUR 700.2 million, up from EUR 346.8 million in 2015, mainly as a result of increased prices driven by strong demand and decline in supply.

NOK 8.60 ↑

Dividend and returns

Dividend of NOK 8.60 paid out to the shareholders in 2016, up from NOK 5.20 in 2015. Dividend per share includes NOK 1.10 related to divestment of shares in Grieg Seafood. Underlying earnings per share was NOK 10.51 (EUR 1.13), an increase from NOK 4.70 in 2015.

EUR 890.0 million

NIBD and ROCE

NIBD at year end of EUR 890.0 million, which was below target level at EUR 1 050 million. ROCE above the long-term target of 12.0% at 28.1%.

Escapes

11 escape incidents with 12 790 escaped fish in 2016, compared to 16 incidents with 94 450 in 2015.

ASC ✓

ASC certification

20 new sites certified in 2016, making Marine Harvest number one in the industry. At the end of 2016, our ASC certified sites represented 25% of our total sites.

Strategic initiatives

Establishment of DESS Aquaculture Shipping and acquisition of farming and processing facilities in Eastern Canada.

Dear shareholder

I started my career working on a fish farm in the mid 1980's, and the rapid pace of change since then has never ceased to amaze me. It's remarkable how much change we have seen in an industry that is only just over 50 years old. In the early years, time was spent on learning and developing ideas which shaped the industry we now see. We may be in a different league today, yet we continue to evolve. At Marine Harvest, we have a bold vision of continuous transformation in fish-feed production, farming, processing, product development, and sales and marketing, all of which are essential for continuous growth in this rapidly developing industry. We call it Leading the Blue Revolution.

SEAFOOD - A MARGINAL CONTRIBUTOR TO THE WORLD'S FOOD SUPPLY

Despite its remarkable growth, aquaculture remains a marginal contributor to the world's food supply. Even including wild-caught fish, the ocean contributes to just 2% of the world's food supply. Knowing that 70% of the planet's surface is water, this is remarkably low. We believe the future is in the ocean, and Leading the Blue Revolution offers us an enormous opportunity to utilize this potential, provided our operations are carried out sustainably. This integrated report sets out how we run our business, it describes our vision and ambition, our successes and our disappointments - all of them in an open and transparent way. At the end of the day, all of us working at Marine Harvest have a clear and simple goal; we wish to produce affordable, high quality products in a sustainable way, and this report tells the story of how we work to accomplish that target.

WHY SUSTAINABLE AQUACULTURE GROWTH IS NEEDED

In the years to come, the demand for food will increase more than we have ever seen before. The primary driver is, of course, population growth. The UN Population Division estimates that the global population will reach 9.4 billion by the year 2050. In addition, the calorie and protein intake per capita is steadily increasing. Our planet surpassed one billion people around the year 1800, so in 250 years the population will have grown almost tenfold. In the remaining 30 years to 2050, the global population is expected to grow by another two billion people. This, in combination with increased protein demand, mainly from a growing middle class, will put a serious strain on the planet's resources. It is a challenge that we believe increased aquaculture production can help to alleviate.

To put it simply, we are what we eat. For food production purposes, animals act primarily as converters of lower value raw materials to higher value protein (meat). For fish farmers like us, this means that sardines, anchovy, wheat and vegetables are converted into farmed salmon.

Meeting the increasing global demand for food and food security represents a huge challenge. We need to reduce the drain on scarce resources like freshwater and land, and significantly reduce emissions of greenhouse gases if we are to reverse global warming.

The various meat sources contribute differently to the utilization of scarce resources and emission of greenhouse gases. Given seafood's superior performance compared to land-based animal protein production when it comes to its carbon footprint, feed conversion ratio and use of scarce resources, I truly believe farming the ocean is the answer if we are to sustainably feed the world. The advantage of fish is that they are extremely efficient converters of feed to protein, and require significantly less feed and freshwater to live and grow than other protein sources produced on land. Fish have a body temperature equal to the water in which they swim, and they are neutrally buoyant. Compare this to a cow, which has a body temperature of 39^0 C and requires a large skeleton to walk on four legs, and it is easy to understand why fish have a better feed conversion ratio, lower greenhouse gas emission levels and lower freshwater consumption. At the same time, fish have a significantly higher ratio of edible protein to bone than their land-dwelling equivalents.

GOOD AT THE OUTSET - ROOM FOR IMPROVEMENT

Although our greenhouse gas emissions are lower than those of other protein providers, we take our responsibilities seriously and aim for continuous improvement. Our target is to reduce the greenhouse gas emissions from our processing plants by 10% by 2018. We have also increased our focus on recycling of old equipment such as nets, in order to reduce waste and better utilize our assets. We will continue to look for opportunities to improve our operations. You can read more about our initiatives in the Planet section.

The global benefits of aquaculture are clear, but fish farming also has its challenges. Poorly managed fish farming systems can lead to a high frequency of diseases and increased use of antibiotics or other medicines, including medication to combat sea lice, the industry's main challenge at present. We know that two important drivers in this regard are a too high density of fish farms and too rapid growth in a small area.

Animal welfare is at the very heart of what we do. This means ensuring the fish in our care are well looked after by our trained and experienced farmers, as well as health professionals, who apply good farming practices and high standards of biosecurity to optimize the health and welfare of our stocks. Our approach varies from country to country, depending on a number of factors. We have not used antibiotics in Norway for almost ten years, but in Chile we depend on antibiotics to combat significant bacteriological diseases. You can read more about our initiatives in the area of fish welfare and medicine use in the Planet section.

The salmon farming industry wants to do things right, but sometimes regulations are required to ensure a consistent approach. Marine Harvest not only advocates regulation, we strive continuously for the improvement of the regulatory regime. Salmon are for the most part raised in open water net pens, so for optimal growth, distance between farms matters, as does an understanding of ocean currents, temperature, algae blooms and other environmental factors. To be successful in the long run, the industry needs smart, fair and enforced regulations.

CONTINUOUS TRANSFORMATION

It is in everybody's interest - shareholders, employees and customers - that we produce our fish in a way that is sustainable in the long term. We work hard every day to deliver good returns for our shareholders, but we also have a more important task, which is to constantly improve our operations and products, and give the planet a more sustainable alternative to land based animal proteins. In doing so, the safety of our employees is our number one priority, and our ambition is zero injuries. Our Brainsafe health and safety program emphasizes the impact an accident can have not only on an employee, but also their families, the community and our customers, and focuses on what each individual can do to ensure that no injuries occur. Regrettably, we had one fatal accident in Chile in 2016. We have done our best in supporting and accompanying the family of the deceased.

Leading the Blue Revolution means continuous transformation. This includes the transformation of our farming practices. From the early days of salmon farming, when wood and polystyrene

were used to build pens, we are now developing a whole generation of new materials, pen designs and construction methods that will revolutionize the industry. Among these developments are closed-containment systems, which will enable us to improve our operational performance because they offer greater control of parameters like water quality and waste disposal, as well as greater protection against sea lice. Although we are developing and testing closed-containment solutions, we do not think that our existing facilities will become redundant in the future. On the contrary, we see opportunities to combine the present with the future and make the best of both, particularly with our new/expanded land-based smolt facilities. You can find an illustration of what we expect our future salmon production systems to look like in the Research and development section. To ensure we are successful in making this transition, it is essential that we work in partnership with the local communities in the areas where we operate. We will therefore continue to engage with and inform local communities about our current activities and future plans in order to find mutually beneficial solutions.

In terms of sustainability, our ambition is to have all our farming operations ASC certified by 2020. By the close of 2016, we had 25% accredited. ASC certification means that we must adhere to strict operational requirements which we believe contribute to transformational change.

Sea lice remain our number one challenge, and as such will continue to be our top R&D priority for the foreseeable future. Uncontrolled, sea lice impact fish welfare, survival and growth. However, it has become apparent that sea lice numbers can be brought under control through increased use of non-medicinal treatment methods. Although we still have a way to go, we increased our use of non-medicinal tools in 2016 and expect to reap the benefits of our efforts going forward. For an illustration of our non-medicinal treatment methods and their distribution in our operations, please see the Planet section.

We opened our first feed plant in 2014. We take pride in the feed we produce, and our bold ambition is to produce diets that are at the forefront of the industry and optimally suited to our salmon. Construction of our newest fish-feed plant, which will be located in Scotland, is on schedule for completion in 2018 as we have recently received the necessary planning permissions. In 2016, we produced approximately 60% of our global fish-feed requirement in-house.

Many salmon markets globally remain relatively immature, due to a limited product range and, in some cases, a lack of knowledge about how to prepare the fish. In response to this situation, we are constantly striving to improve our product portfolio and make high-quality seafood more accessible to the modern consumer. We believe the world needs consumer-friendly seafood of high quality that is easy to prepare, and we are working with major retailers to bring this about. For more information about our product and concept development efforts, please see the Product section.

OUR RESULTS IN 2016

In terms of profitability, 2016 was our best year ever. Contributions came from the Group's three Business Areas, Fish Feed, Fish Farming, and Sales and Marketing, supported by our other key business critical functions worldwide. I am proud of our accomplishments, and I am convinced that we are well positioned to lead growth and develop new, healthy and resource-friendly products through our integrated value chain. The world needs new solutions for food production, and Marine Harvest intends to be part of that solution.

Foto: Sondre Steen Holvik

Alf-Helge Aarskog
CEO

The Marine Harvest history

1964

Mowi starts working with salmon in Norway

1975

Mowi becomes a recognized brand

1985

Norsk Hydro takes 100% ownership of Mowi and registers the name Hydro Seafood in 1990

1999

Dutch company Nutreco acquires Hydro Seafood and reintroduces the Marine Harvest name, originating from the Group's Scottish operations from 1965

2006

Pan Fish acquires Marine Harvest – and the new Group takes the company name Marine Harvest in 2007

2012

Marine Harvest decides to expand into fish feed production

2013

Marine Harvest acquires Morpol

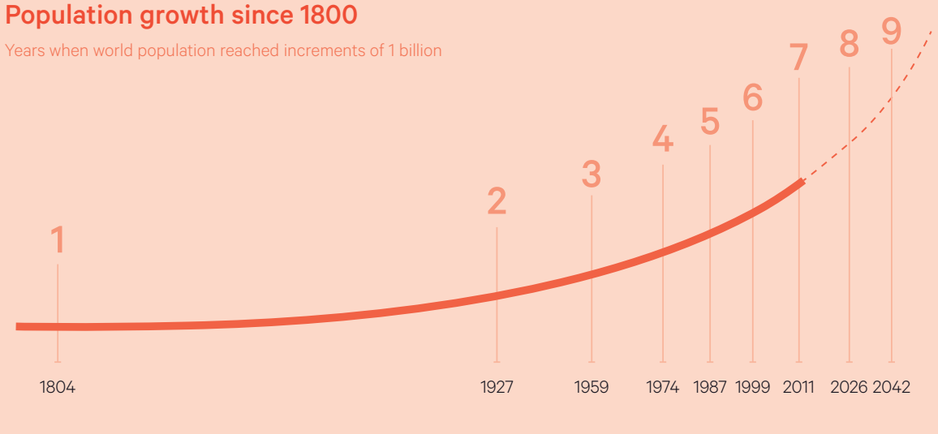
2016

Marine Harvest enters into JV with Deep Sea Supply PLC to build, own and operate aquaculture vessels

The Blue Revolution in numbers

Population growth since 1800

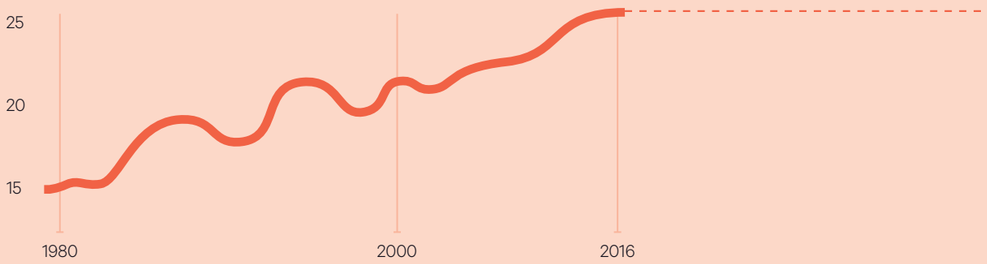
Years when world population reached increments of 1 billion



9.4 9.4 billion people on the planet by 2050 ...

2.0 ... growing by 2.0 billion people from 2016.

Seafood consumption kg per capita



23kg 23kg seafood per capita consumed in 2016 ...

45% ... an increase of 45% since 1980.

47.5

47.5 million additional tonnes of aquatic food required to maintain current consumption in 2050.

~100%

~100% has to come from aquaculture.

?

How many million tonnes will come from farmed Atlantic salmon?

We believe the "questionmark" depends on the actions taken today and going forward by the salmon farming industry and the authorities

We intend to play our part in securing sustainable development of the industry and delivering healthy and tasty products for a growing world population for many years to come

Part

02

Strategy and operational approach

Strategy

We aim to be an integrated provider of proteins from the ocean, taking the lead in all key areas, from the production of fish feed to meeting the needs of the market. By integrating the entire value chain, we can control our products from feed to fork, and be more proactive in addressing challenges related to sustainable feed, farming and value-added processing.

Change

The Blue Revolution will not happen by itself - we have to make it happen. Change is about challenging existing ways of doing things - over and over again. We encourage our staff to try new things, and sometimes we fail. The important thing is that we learn and grow from the experience.

People

Driving a revolution requires passionate people who share our vision and values. Marine Harvest is made up of 12 717 people in 24 different countries. We are committed to high ethical standards in our business conduct worldwide, and we expect our employees to make our Code of Conduct a personal commitment so that we can engender trust to all our stakeholders.

Leading the Blue Revolution

"One of the greatest challenges facing the world today is how to feed a growing global population, and provide them with healthy, nutritious and tasty food that is produced in a sustainable and efficient way. Seafood has the potential to meet this challenge. Seafood has a lower carbon footprint and a lower feed conversion ratio than land-based animal protein, so surely more has to be produced in the oceans if we are to sustainably feed the world?

Our current farming practices present their own challenges, and we are far from complacent about this. Through substantial investment in research and development, we intend to be at the forefront of technological advances and address current and future challenges, while growing seafood's share of global protein consumption. We call it the Blue Revolution."

Alf-Helge Aarskog, CEO

OUR CORPORATE FOUNDATION

Our foundation is based upon the belief that by farming the ocean, we can sustainably produce healthy, nutritious and affordable food for society at large. 70% of our planet is covered by water, yet the United Nations Food and Agriculture Organization (FAO) estimates that only around 2% of the world's food supply comes from the ocean This includes both farmed and wild-caught fish. We believe that global consumption of farmed seafood will increase in the future, both in terms of overall volumes and as a percentage of the global food supply, for the following reasons:

- *The global population is growing at an unprecedented speed.*
- *The middle class is growing in large emerging markets.*
- *The health benefits of seafood are increasingly being promoted by global health authorities.*
- *Aquaculture is more carbon efficient than agriculture.*
- *The supply of wild fish has limited growth potential.*
- *Soil erosion necessitates new ways of thinking about how to feed the world.*

OUR VISION

We have a challenging and ambitious vision - "Leading the Blue Revolution" - that sets our direction and outlines possibilities. The possibilities lie in the increased need for protein to supply a growing and increasingly prosperous world population with healthy, sustainably produced food products. We believe the most efficient way to produce more proteins is by farming the ocean. And it is toward this ultimate goal that we are steadily moving.

OUR VALUES

Closely linked to our vision are our global values. These values inspire us to act and behave the Marine Harvest Way.

- *Passion for the Company and the product: Passion is the key to our success and how we make a difference.*
- *Change is the new "normal": We are ready for change and work continuously to improve our operations.*
- *Trust is essential in everything we do: Our operations provide safe, delicious and healthy food, and we deliver on our promises.*
- *Share is the foundation for the performance of our close to 13 000 employees: We share knowledge and experience, we are open and transparent, and we cooperate with key stakeholders globally.*

LIVING OUR VALUES

Trust and Share

"Trust" and "Share" are vital in everything we do. These values go beyond ensuring that we provide safe, delicious and healthy seafood. They embody our commitment to all our stakeholders to seek an open and transparent dialog, to continuously develop our Company and to be a leader in the production of sustainably produced protein from the ocean.

In 2016, we were recognized for our openness by both the Carbon Disclosure Project (CDP) and the Farmand award jury. CDP is an international not-for-profit organization that provides a widely used global system for companies and cities to measure, disclose, manage and share vital environmental information. The Farmand award is a prestigious prize for the best annual report in Norway that has been awarded since 1955. In their feedback on our 2015 annual report, the Farmand jury wrote:

"The jury praises Marine Harvest for a courageous, honest and unvarnished description of all important areas, including those where performance has fallen short of the plan."

Passion

Our employees are passionate about and take personal pride in their work and the products we produce.

Passion for sustainable production

We take pride in developing new solutions that address challenges in salmon farming and processing, and take us a step forward. This includes our commitment to be 100% certified in accordance with the ASC Salmon standard by 2020, the testing of closed- containment systems for salmon farming, and further development of non-medicinal methods for sea lice mitigation.

Passion in Feed

We take pride in the feed we produce, and our bold ambition is to demonstrate that our own feeds are at the forefront of the industry. We measure our performance and progress compared to competitors at our feed trial units. We know that it will take time and research to develop the optimal diets, but we always have our ambition in mind when we make changes or try new solutions. We are proud of the results we have achieved and our contribution to the local communities in which we operate.

Passion in Farming

A healthy salmon is a high-performing salmon. We are dedicated to the health and welfare of our fish, and we are passionate about solving the challenges we face in our operations. We take pride in our operational performance and compete for improvement with regard to both salmon farming and processing. We continue our global, seawater performance benchmark process. The number one site in 2016 was Brudevik, Region West, Norway. Brudevik had the highest survival rate and the lowest cost of all the sites benchmarked, in addition to scoring well on all other elements tested, a strong indication that focusing on fish welfare before anything else, also produces the best financial results.

Passion in Sales and Marketing

We are passionate about our products and want to be close to our customers and consumers, so we can develop innovative products, solutions and brands that meet their needs and preferences. We truly believe the world needs our healthy, consumer friendly, high quality seafood products, and we are working with major retailers to drive the development of the salmon category.

Change
A revolution does not occur by itself - we have to make it happen. At Marine Harvest, change is about challenging existing ways of doing things - over and over again. We believe that change is an opportunity. We encourage our staff to try new things, and sometimes we fail. The important thing is that we learn and grow from the experience.

Change for sustainable production
To be a leader in sustainability requires that we manage our operations well and solve our operational challenges. As mentioned before, sea lice constitute our main challenge at present. We have therefore applied for development licenses to test the following closed concepts: the Egg, the Marine Donut and the Ship. In November 2016 and March 2017, we were informed by the Norwegian Directorate of Fisheries that the Egg and Marine Donut concepts qualify for the scheme and that we may be awarded licenses for their further development. We will continue to work with the authorities, and hope they will imminently reach a final conclusion, in order for the projects to commence.

Change in Feed
We believe that the fish feeds of the future must be different from today to ensure that our production is sustainable. Through the substitution of marine ingredients we have been able to reduce the use of scarce raw materials in our feed to a level where it now takes only 0.77 kg of wild fish to produce 1 kg of salmon. For us, feed production entails a constant search for sustainably produced and affordable ingredients. We are committed to producing feeds based on the best available raw materials that result in optimal fish health and welfare, as well as minimal environmental impact. For this reason, we continuously test alternative raw materials to enhance our feed recipes.

Change in Farming
Farming the ocean requires constant adaptation to changing circumstances. We aim to be a leader in the field, and to accomplish this we must take action when current industry practices are not good enough. Sea lice are the industry's greatest challenge at present. In 2015/2016 we implemented our new sea lice strategy and introduced new non-medicinal lice treatment methods including hydrolicers and thermolicers. However, new methods generate new challenges, as we experienced at our Greshornish site in Scotland. At Greshornish, we lost 115 283 fish during our first full-scale thermolicer treatment because we lacked experience and failed to fully anticipate the consequences of treating fish compromised by amoebic gill disease with water of up to 34° C. This incident highlights the importance of experience and the fine line in judging how and when we treat our fish stocks. We will do our utmost to prevent this from happening in the future.

Change in Sales and Marketing
Change is a prerequisite if we are to reach our goal of being a leading supplier of healthy and tasty, high-quality seafood. Product and process innovation is a risky business, and our experience is that market penetration normally takes longer than anticipated. Some of our branded products experienced slower than expected development in 2016. This was the case both for Mowi salmon in Asia (due to consumer price sensitivity) and Rebel Fish in the USA (due to our lack of attention and focus). On the other hand, the launch of our fresh prepacked salmon in the US retail sector proved to be a story of success, growing from a little more than 2 000 tonnes in 2015 to almost 6 000 tonnes sold in 2016.

OUR LEADERSHIP PRINCIPLES

Our leadership principles were put in place to strengthen the link between individual management actions and our vision. Our managers are selected to lead from the front, and we want all of them to know what is expected of them. We aim to achieve this by establishing and abiding by a shared set of leadership principles, which should:

- *Strengthen our position as a value-driven, leading and ambitious company.*
- *Enhance our ability to undertake sound and efficient decision-making.*
- *Develop a leadership trademark, with a strong focus on building corporate culture and identity.*
- *Improve the process of recruiting new leaders.*
- *Reinforce awareness of leadership as a competitive advantage.*

Our leadership principles are:

- *Inspire people: we recruit the very best and build talent for the future. We strive to create winning teams and challenge people to succeed.*
- *Make it happen: we challenge existing thinking and promote change and innovation. We encourage people to propose solutions and learn from mistakes.*

"Through substantial investment in research and development, we intend to be at the forefront of technological advances and address current and future challenges, while growing seafood's share of global protein consumption. We call it the Blue Revolution."

Alf-Helge Aarskog,
CEO

- *Live the values: we want our leaders to be role models and build our culture; leaders should show direction and engage with stakeholders.*
- *Think and act: we want our leaders to think and act as if the Company was their own. Leaders should do what is best for the Company, bearing in mind both the short and the long-term picture.*

In 2016 we started measuring our managers' compliance with our leadership principles as a part of our performance assessment.

OUR STRATEGY

We aim to be an integrated provider of proteins from the ocean, taking the lead in all key areas, from the production of fish feed to meeting the needs of the market. By integrating the entire value chain, we can control our products from feed to fork, and be more proactive in addressing challenges related to sustainable feed, farming and value-added processing. To deliver on our strategy, we must:

- *Secure long-term success by safeguarding our natural capital.*
- *Supply innovative quality products.*
- *Engage with stakeholders in partnerships for improved understanding and development.*
- *Continue to integrate vertically.*

SECURE LONG-TERM SUCCESS BY SAFEGUARDING OUR NATURAL CAPITAL

Sustainable production is a prerequisite for long-term value creation in salmon farming. For us, safeguarding our natural capital means that our operations should not adversely affect people and not leave a lasting footprint on the environment. Climate change poses a potential challenge to our industry. Fish farming depends on thriving aquatic ecosystems, which are particularly vulnerable to the effects of global warming. Rising ocean temperatures and ocean acidification are the two main environmental threats our business may face due to climate change. As climate change could potentially have a detrimental effect on our industry, it is important that we do our part to help reduce greenhouse gases in the atmosphere, both by providing a more climate-friendly protein alternative and by reducing our own emissions. Within the framework of our four guiding principles, we work to safeguard natural capital in many ways:

- *Planet - Feed: Our feeds should be produced using sustainably sourced raw materials as reflected in our sustainable feed policy. In 2016, 100% of our marine raw materials were sourced from suppliers who adhere to responsible fishery management practices. For vegetable proteins, all our soy was 100% ProTerra certified. Both measures were in line with our policy. We continue our search for alternative feed ingredients to reduce our dependency on scarce marine and vegetable resources. New protein sources are tested on a continuous basis.*

- *Planet - Farming: We are dedicated to the welfare and health of our fish, and our farming operations should not leave a lasting impact on the natural environment. We focus on good farm management in an effort to increase survival, manage disease, reduce medicine use and prevent escapes, all of which safeguards wild fish populations and biodiversity. We continuously monitor our benthic impact and document our results. Commitment to the ASC salmon standard and to the Global Salmon Initiative (GSI) are important drivers for bringing about change in the industry, and enablers for sustainable growth.*

- *Product: We sell and market seafood products that are documented to be from sustainable fisheries and production processes. Through audits and inspections, we continuously check and document that our products and processes comply with the relevant requirements. At year-end 2016, 25% of our seawater sites were ASC certified, while all our processing plants, were certified according to our policy requirements.*

- *People: To deliver on our strategy, the safety, self-respect and personal pride of our employees cannot be compromised. Our Code of Conduct, on which our employees are tested on a regular basis, outlines our behavioral standards. Employee safety is addressed through our BrainSafe program.*

SUPPLY INNOVATIVE QUALITY PRODUCTS

Without a continuous process to develop new, innovative products we will not maintain a leading position. Due to a limited product range and, in some cases, a lack of knowledge about how to prepare salmon, many salmon markets globally remain immature. We believe the world needs high-quality, consumer-friendly seafood that is easy to prepare, and we are working with major retailers to drive this development forward.

"I'm delighted with the positive decision from the local authority and the support from the Kyle and Kyleakin communities. We will do our utmost to ensure that this large feed plant construction project is managed in a sensitive way."

Ben Hadfield, Chief Operating Officer Feed

ENGAGE WITH STAKEHOLDERS

We actively engage in partnerships with key industry and stakeholder groups to exchange ideas and improve our performance. We engage with:

- *The authorities to facilitate the development and implementation of smart, fair and enforced industry regulations.*
- *Key retailers for product and process development and greater understanding in general.*
- *Key suppliers to ensure that we have a shared approach to the delivery of goods and services, sustainability, human rights and ethics in general.*
- *The industry for a unified approach to common challenges e.g. GSI for greater industry cooperation and continuous progress on industry sustainability challenges.*
- *WWF Norway and other environmental organizations for the mutual exchange of ideas and information.*
- *Investors through road shows, capital markets days and other presentations to share our ambitions and concerns.*
- *The local communities in which we operate to promote healthy cooperation and create win-win solutions.*
- *Our close to 13 000 employees, utilizing their potential for personal and company growth and progress.*

For more information about how we work with local communities and how our activities have contributed to economic and social development, please refer to the Planet and People sections of this report.

VERTICAL INTEGRATION

We believe there are benefits to vertical integration, due to the greater capacity it gives us to control the production process. We refer to activities which occur after farming (i.e. secondary processing) as downstream operations and activities occurring prior to farming (i.e. feed production) as upstream operations. Our integrated production helps us stabilize costs, control the quality of our products and improve efficiency. Over time, vertical integration is expected to result in more stable earnings and unlock future growth. We expect to be less exposed to the cyclical nature of salmon prices, and be better able to control the quality of our products.

Upstream

We maintain our ambition to grow our fish feed activities. The Board of Directors approved the development of a new feed plant in Scotland in 2015. The plant is expected to have a capacity of around 170 000 tonnes of feed, with the potential for further expansion. In February 2017, we received planning approval for the feed plant at Kyleakin, Isle of Skye from the local authority. Our construction started in March and targeted completion is the first half of 2018.

Recruiting the best requires us to be present in the arenas where the talent is found. The picture is from an education fair.

Further to our integrated marine protein provider strategy, we have entered into a 50/50 aquaculture shipping joint venture with Deep Sea Supply PLC to build, own and operate aquaculture vessels. We believe there is significant room for efficiency improvements across the value chain in aquaculture shipping, ranging from a reduction in new-building costs to more cost-efficient operations. In 2016 the JV contracted its first two newbuilds, one well boat and one harvest vessel.

Farming

We continue our screening for strategic initiatives that we believe will benefit our global operations, and in February 2017 the Court of Queen's Bench in New Brunswick approved our purchase of the assets formerly owned by the Gray Aqua Group of Companies on the East Coast of Canada. Among the benefits the acquisition will bring is expansion into what, for us, is a new region, as well as improved market access to the Eastern Canadian and US markets for seafood.

During 2016, we also continued to expand our freshwater facilities. We have initiated the building of new and larger smolt production facilities in Norway, Scotland and Canada. The new facilities are expected to result in higher quality, larger smolt, produced in a controlled environment, as well as cost reductions resulting from economies of scale. Transferring larger smolt will reduce the time taken to reach harvestable weight in the sea farms, and thereby the associated biological risk.

Downstream

As we are aiming for growth in sales of our new and existing products, production capacity must also increase. We have substantially increased our capacity and upgraded several of our Central European processing plants to serve our customers with new products including sushi. In addition, reflecting the success of our fresh prepacked products in the US market, we opened a new plant in Dallas, Texas, to facilitate further sales growth.

OUR GUIDING PRINCIPLES

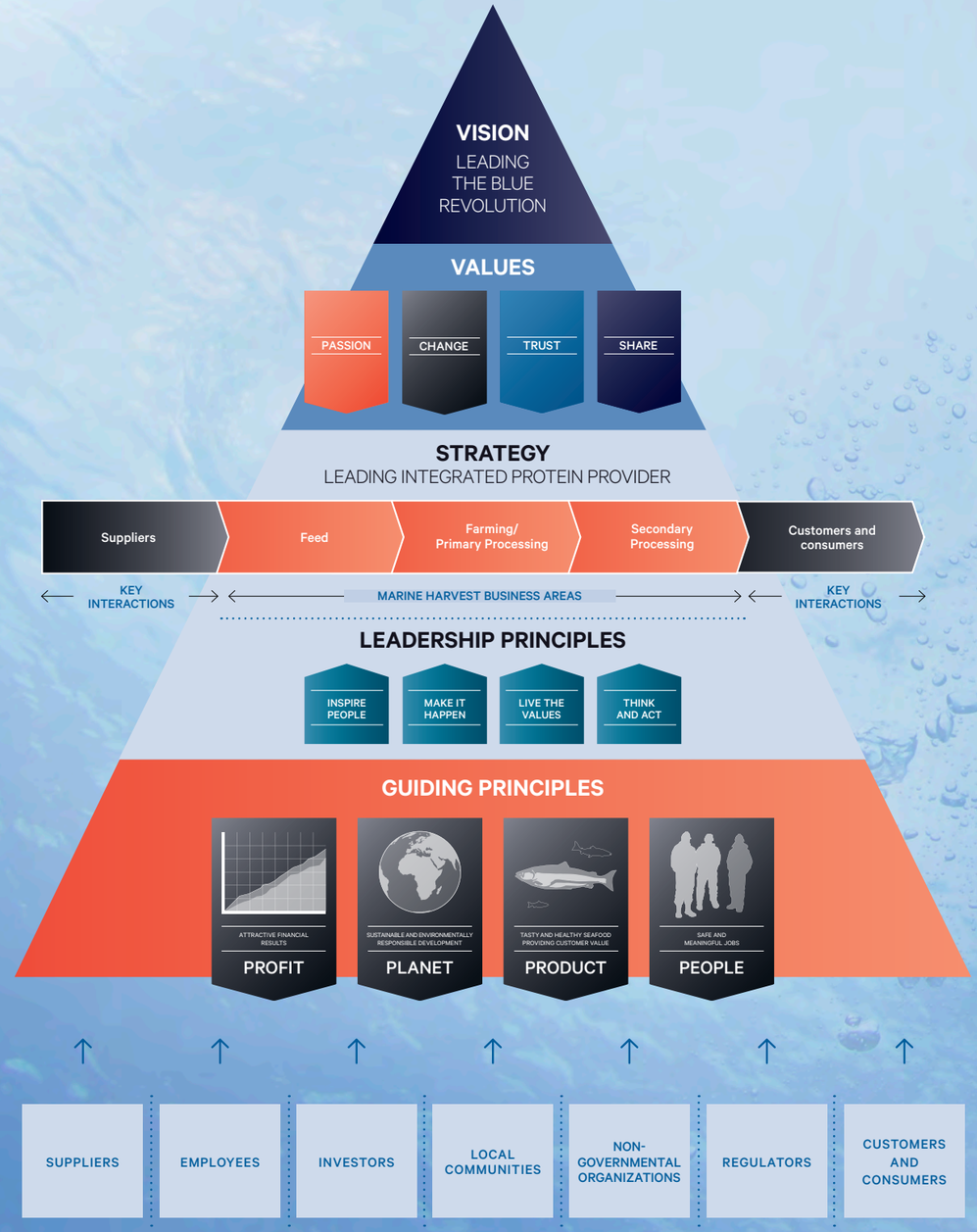
Our principles underpin our vision and guide our behavior. We need good financial results to drive the sustainable development of our operations and sustainable operations to safeguard our long-term financial results. This interdependency is the foundation for our four equally important guiding principles: “Profit”, “Planet”, “Product” and “People”. Balancing the four principles is a prerequisite for Leading the Blue Revolution.

- *Profit: Our financial success hinges on our ability to provide customer value from healthy, tasty and nutritious seafood, farmed both cost effectively and in an environmentally sustainable way.*
- *Planet: Our operational success and long-term profitability ultimately depend on sustainable and environmentally responsible interactions with the natural environment. We rely on qualified personnel to maintain fish health, avoid escapes and minimize the environmental impact of our operations.*
- *Product: We aim to continually deliver healthy, tasty and responsibly produced seafood to our customers to deliver long-term financial profitability.*
- *People: The safety, self-respect and personal pride of our employees cannot be compromised if Marine Harvest is to succeed as a company and maintain good relationships with local communities.*

TURNING CHALLENGES INTO OPPORTUNITIES

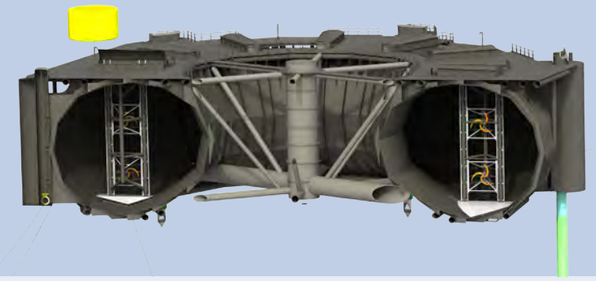
Aquaculture is changing the seafood industry. To lead the Blue Revolution, we must devise new solutions and continuously challenge our existing practices - over and over again. With our dedicated and knowledgeable people, we believe our efforts will deliver long-term financial results the Marine Harvest Way.

From Vision to Action



Research and development

The Marine Donut
is 3 000 m3 with high circulation.



"At Marine Harvest, our objective is to deliver tasty and healthy products, and meet our customers' demands every day. That is why we attach so much importance to R&D."

Ola Brattvoll,
Chief Operating Officer, Sales and Marketing

2016 at a glance

R&D spending

EUR 51.3 million spent on R&D in 2016, an increase of 95% compared to 2015 due to expanded activity in general and increased stocking at Centre for Aquaculture Competence.

Blue Revolution Centre

Marine Harvest, SINTEF Ocean AS (formerly MARINTEK) and the Norwegian University of Life Sciences (NMBU) joined forces to establish the Blue Revolution Centre (BRC).

Development licenses

Application for development licenses for the innovative closed-containment 'Egg' and 'Donut' concepts both qualified for further evaluation by the Norwegian Department of Fisheries.

LONG-TERM AMBITION	MAIN FOCUS WITHIN R&D AND TECHNICAL
New farming systems	Develop and test new closed containment technology
Reduce losses at sea and achieve 97% generation survival	Monitor diseases and loss factors. Identify risk-factors and develop best practices for prevention and mitigation
Sea lice control mainly by non-medicinal means	Develop non-medicinal methods and approaches for sea lice control, large-scale implementation and validation of zero adult female strategy, further develop cleaner fish farming
ASC certification of all sites by 2020	Develop necessary knowledge and practices to support ASC roll out
Feed raw materials no limit for sustainable growth	Identify and implement safe and sustainable alternative feed raw materials, support development of new sources for marine Omega-3 fatty acids, and ensure nutritional requirements
Maintain premium product quality and further reduce downgrading	Develop improved technological solutions for optimized processing, packaging and storage of our products
Maintain salmon's reputation, and further improve customer satisfaction	Secure and maintain good listeria control. Continue to ensure control of environmental contaminants in fish feed and end product

HOW WE WORK

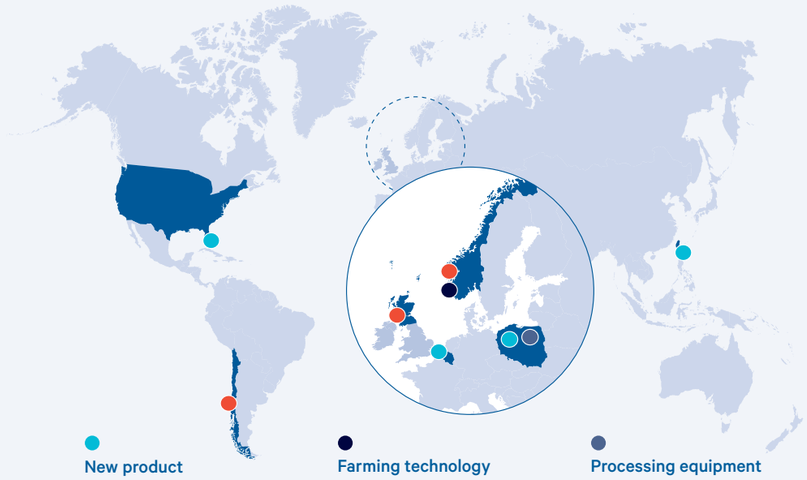
Research and Development (R&D) at Marine Harvest is an engine for sustainable growth, and is integral to our vision of Leading the Blue Revolution. We focus on creating sustainable value and competitive advantage by making improvements and breakthroughs in all our Business Areas.

Our Global R&D and Technical Department is central for research and technical development. The department consists of 16 technical experts (six holding a PhD) within the areas of biology, technology, nutrition, genetics and veterinary medicine. The department's mission is to "seek improvements and provide solutions", central to which is the development of better practices through knowledge sharing, research, innovation and technical development. The department helps our global operations to achieve goals related to commercial growth, operational performance and corporate reputation within the fields of fish health and welfare, feed and fish performance, food safety and product quality, environment and sustainability, and technology.

The specialists in the Global R&D and Technical Department work directly with technical staff at our operating units, through participation in global technical teams and collaborative projects. This ensures that our work constantly benefits from a culture of shared expertise and knowledge. Through collaboration and the allocation of defined responsibilities, we ensure knowledge sharing and continuous improvement throughout the organization.

Our commitment to R&D is reflected in the increased resources made available internally and for external project funding. Our gross R&D expenditure for 2016 totaled EUR 51.3 million, 95% more than in 2015. This was partly due to increased activity in general, but was mainly associated with the expansion of our activities at the Centre for Aquaculture Competence, where an uneven stocking pattern significantly affects the annual costs of our activities. Our reported expenditures are gross values, and exclude any related income from our R&D activities. In addition, an annual fee of 0.3% of Marine Harvest Norway's export value is paid to the Norwegian Seafood Research Fund. In 2016, this amounted to EUR 3.2 million, compared to EUR 2.9 million in 2015. To ensure that these resources are utilized in line with our R&D strategy and goals, staff both centrally and at our production facilities are directly involved in national and industry research strategy groups.

Our R&D facilities



Feed/farming
- Norway/MHFF Averøy
- Norway/CAC
- Scotland/Ardnish
- Chile/Huenquillahue

New product development

NPD departments in:
- USA
- Belgium
- Poland
- Taiwan.

Farming technology
- Norway/Neptun
- Norway/Blue Revolution Center*
- Norway/development licences*

Processing equipment
- Poland/Morpol Technology

( ) = Number of units. * Applications pending.

Projects to support our operational goals are undertaken in collaboration with external partners, through partnerships with leading institutions across the globe, and at our own dedicated R&D facilities throughout the Group (see map on previous page).

OUR FOCUS AREAS

The Global R&D and Technical Department is responsible for collecting and analyzing key performance indicators for fish health, the environment, feed and fish performance, and product quality and processing. Through systemization and analysis, this provides an overview of performance indicators and identifies key biological challenges. By quantifying these, the relative importance of the various factors is easily visualized at Business Unit and Group level.

OUR STRATEGY AND ROADMAP

In 2015 the Global R&D and Technical Department undertook a strategy process, identifying key focus areas and goals in a five-year perspective. The R&D strategy was updated during 2016 to align overall R&D requirements with the Group's updated long-term plan. Through the process, we identified five key focus areas for our R&D programs, with corresponding objectives. The five areas are: fish welfare and robustness, footprint, new growth, production efficiency, and product quality and safety. The purpose of the R&D strategy is to identify and plan the R&D activities needed to reach our ambitions and goals, to align priorities and expectations, and to ensure resources are prioritized accordingly. For each of the key focus areas we identified core programs with corresponding targets.

Fish welfare and robustness
Fulfilling our responsibility towards the health and welfare of our fish is vital. Furthermore, the industry will only be able to grow successfully within sustainable parameters if certain biological challenges are overcome. The following programs have been identified as key priorities within the area fish welfare and robustness:

- *Controlling infectious diseases*
- *Production-related disorders*
- *Optimizing smolt quality*

Greater attention must be paid to fish welfare during the development of new technological solutions in the aquaculture industry, including non-medicinal solutions for lice control, new harvesting methods to comply with pathogen-free transport and new production methods (in either

Research and Development in Marine Harvest is organized in three levels in order to optimize knowledge sharing and drive continuous improvement

1 BUSINESS UNITS
- Identify and exploit continuous improvement opportunities
- Implement best practices, R&D results, group policies, group requirements
- Analyze current situation in operations

2 GLOBAL TECHNICAL TEAMS (GTT)
- Ensure competency and knowledge sharing across all Business Units
- Represent the Business Unit in setting priorities and defining R&D needs
- Ensure implementation and communication of competence and results generated from the GTTs to own Business Unit

3 GLOBAL R&D AND TECHNICAL DEPARTMENT
- Develop best practices, group policies and minimum standards
- Run and coordinate research, development and innovation projects across all Business Units
- Support Business Units with technical know-how
- Lead and coordinate GTTs

Roadmap

Selected high priority R&D programs for the different key focus areas.

Fish welfare and robustness

Controlling infectious diseases	95% survival from sea transfer ✓
Production related disorders	Reduce prevalence and associated impacts
Smolt quality	Optimize smolt robustness and survival

Footprint

ASC implementation	100% of farms ASC certified ✓
Escape prevention	Zero escapes
Sea lice control	No dependency on and limited discharge of medicines
Antibiotic use	Minimal use of antibiotics

New growth

New feed raw materials	Raw materials no limit for further growth ✓
New farming systems	New on-growing farming technologies tested and documented ✓

Production efficiency

Feed efficiency and growth	Improved and more predictable bFCR and growth index
Biomass control	✓ Real time monitoring at accuracy <1%
Value chain optimization	Reduce supply chain cost
Net solutions and antifouling strategies	Identify/develop best solutions

Product quality and safety

Flesh colour/pigmentation	✓ Improve pigment efficiency
Melanin and bruises	Melanin spots in salmon fillets reduced by >50% ✓
Listeria and hygiene	Solutions for listeria free production developed ✓
Healthy and safe products	Ensure our products are documented healthy and safe

closed or semi-closed facilities, or in more exposed locations). Going forward, we will therefore increase our focus on the interaction between fish welfare and technology within our R&D priorities. Through successful establishment of the Blue Revolution Centre we will be able to increase our R&D focus and efforts to develop technological solutions which support the health and welfare of our salmon.

Footprint

Our vision is to Lead the Blue Revolution. This means that we aim to be at the forefront in growing food from the ocean in a socially and environmentally responsible way, and ensuring our operations do not leave a lasting footprint. We are convinced that to achieve long-term commercial and financial success, we must separate our business growth from our environmental impact.

The Footprint focus area aims to support this separation by working on the following programs:

- *Sea lice control*
- *Medicine use*
- *ASC implementation*
- *Escape management and control*

Sea lice control

Sea lice control remains the most challenging area within salmon farming globally. Our R&D efforts relating to this issue are broad and will continue to be so going forward. Our R&D focus areas include prevention as well as further development and optimization of non-medicinal treatments, cleaner-fish farming and the optimization of cleaner-fish use, as well as biotechnological solutions. Our zero-adult-female strategy, rolled out in the Group in 2015, remains in focus. In 2016, we decided to further increase our resources within this field and will therefore establish an internal "lice action team" which will run and coordinate all lice projects and activities in which we are involved. The team will also be strengthened through the addition of engineering competence.

ASC implementation

Our goal is to become 100% ASC certified by 2020. We contribute to the realization of this goal by:

- *Providing technical support to facilitate the global implementation of the ASC standard. This includes running global training sessions, sharing knowledge and experience through global networks, and through active participation in the standards taskforce of the Global Salmon Initiative (GSI).*
- *Undertaking R&D projects that will facilitate and make ASC implementation more effective. Examples of such projects are the development of new methods for faster and more environmentally friendly benthic monitoring and the development of new anti-fouling strategies.*

Escape management and control

Our goal is zero escape incidents and zero escaped fish. We constantly seek to improve our internal procedures and operations to minimize the risk of escape incidents. This includes refining our internal global standard and performing gap analysis between the standard and our current practices. Strengthening our global training programs will also play an important role in minimizing human error as a cause for escape incidents. The portfolio of R&D projects related to escapes also includes tracing projects aimed at validating techniques that will allow the industry to trace escaped fish back to their source.

New growth

By exploring and utilizing market opportunities, developing new production methods and establishing facilities in new locations, we aim to achieve "new growth". Further expansion of the salmon industry, both land-based and at sea, depends on new and innovative technological solutions. Use of cutting-edge Recirculating Aquaculture Systems (RAS) is crucial for future land-based farming of both salmon and marine cleaner-fish species. Furthermore, farming at more exposed sea sites opens up huge new potential production areas. Testing and documenting potential new farming systems in order to ensure further sustainable growth of our Company and industry is given high priority within the R&D and innovation focus.

The part of the production cycle that represents the highest biological risk (pathogens, sea lice) is the period when the fish grow to maturity in marine net pens. However, this period can be shortened by producing the fish larger on land. We are constantly extending our closed, land-based production, by building more capacity (please see the story "Investing in the future - the Steinsvik experience" for more information). We are also searching for opportunities to better protect the fish from becoming infected during this marine phase. We are currently testing the second batch of fish in our semi-closed floating facility, Neptun, which is helping us develop more sustainable production regimes. Since the floating semi-closed technology is still very new, we are focusing on testing several different concepts, to be sure we select the best one once the technology is taken to a larger scale.

We have therefore applied for development licenses to test the following concepts: the Egg, the Marine Donut and the Ship. A final new concept that we intend to test out, is to widen the area of fish farming, by enabling farming in rougher conditions in more open seas. The Beck-cage is a submersible sea-pen, which can be lowered during the roughest weather. If successful, it could potentially open up new areas for farming. The Beck-cage safeguards fish welfare and is also a more cost-effective solution than more rigid, platform-like constructions that are built to withstand the forces generated by severe weather conditions.

Production efficiency

Ensuring sustainably produced products at competitive prices is an important factor in enabling our business to grow. Through our R&D efforts, we focus on developing new knowledge and new and improved solutions to facilitate cost-effective production. Good living conditions and high-quality feeds are crucial for optimizing the performance of our stocks and maintaining the high quality of our salmon. As feed raw materials have changed considerably in recent decades, with a growing proportion of plant-based ingredients and lowered levels of marine Omega-3 fatty acids, we need to maintain our focus on this aspect. As a feed producer, we bear the responsibility, but we are also in the best position to secure the welfare and performance of our own stocks.

Our R&D focus related to feed and feed raw materials centers around the following aspects;

- *Maximization of produced volume per unit of feed through better feed conversion.*
- *Reduced dependence on marine ingredients - using them optimally and sustainably, but having the option not to use them if commercially necessary.*
- *Widening the raw materials basket to reduce our reliance on specific raw materials.*
- *Exploring and implementing new sources of long-chain Omega-3 fatty acids (EPA and DHA) to limit dependence on fish oil.*
- *Best characterization of raw material properties, features and benefits for optimum value extraction in formulation.*

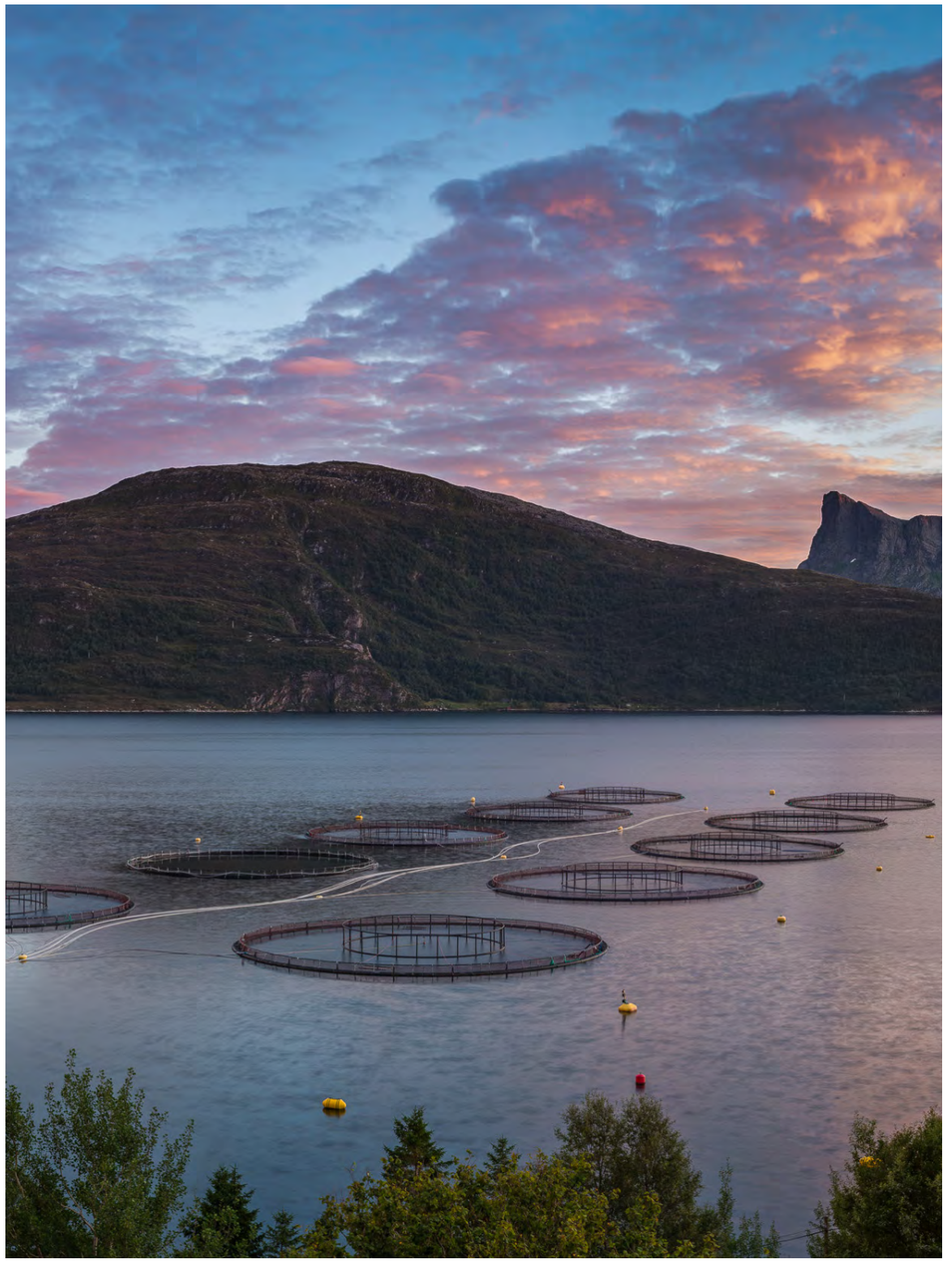
During the last decades, R&D efforts within the field of feed and feed composition have increased our ability to introduce more sustainable and cost effective feed raw materials, as well as utilize plant-based raw materials. These changes have underpinned the growth experienced in the industry. This effort will continue, and will enhance our industry's flexibility going forward. At the same time, we need to learn more about salmon nutrient requirements at different stages of the production cycle, in order to optimize fish robustness and survival, enhance feed utilization, reduce nutrient loss and ensure sustainability.

Our R&D projects grouped under value chain optimization encompass projects seeking to boost efficiency and reduce costs throughout the value chain, from farming and harvesting, to primary and secondary processing. The projects are looking into the best harvesting methods, fillet yield optimization and the most efficient transport and packaging solutions for moving fish more effectively and at a lower cost from our primary to our secondary processing units.

During the revision of the R&D strategy in 2016, net solutions and antifouling strategies were added as an area of priority within the Production efficiency program. Net solutions are key to providing the salmon with the best environmental conditions, enabling the free flow of water and oxygen to our stocks. Because they form the barrier to the external environment, they must also be strong and resilient to withstand wear and tear and prevent fish from escaping. Maintaining clean nets is also key to enable the cleaner-fish to keep lice numbers properly under control. However, the net cleaning process must be simple to perform, cause minimal disturbance to our salmon stocks and limit the use of chemically treated net coatings. This is therefore an area where several aspects need to be taken into consideration and where implementation of the various solutions can have a significant impact on the performance of our stocks as well as the efficiency of our operations.

Product quality and safety

Maintaining a high product quality and safeguarding the health benefits of our core product, farmed Atlantic salmon, are important to us. Our R&D priorities within the area of product quality and safety aim to ensure that we supply undisputedly safe products, with a consistent and expected quality. Preventing issues and impacts related to food safety within our primary and secondary processing units, while reducing downgrades and claims, will improve customer satisfaction. We strive continuously to develop better technological solutions for optimized processing, packaging and storage of our products. By collecting a number of well-defined key performance and quality indicators from our harvesting and processing plants, as well as keeping a customer claims database, we are able to closely monitor the quality of our products and take immediate action in response to any deviations or negative trends.



Brunsvik - Region West, Norway

Future production systems in salmon farming

Land-based

Expansions of existing and building of new landbased facilities to shorten production cycle in sea.

Closed tank in sea

The Neptune tank is a 21 000 m3 floating tank with water being pumped in from 30 m depth to prevent sea lice and stabilizing temperature.

Closed production in sea

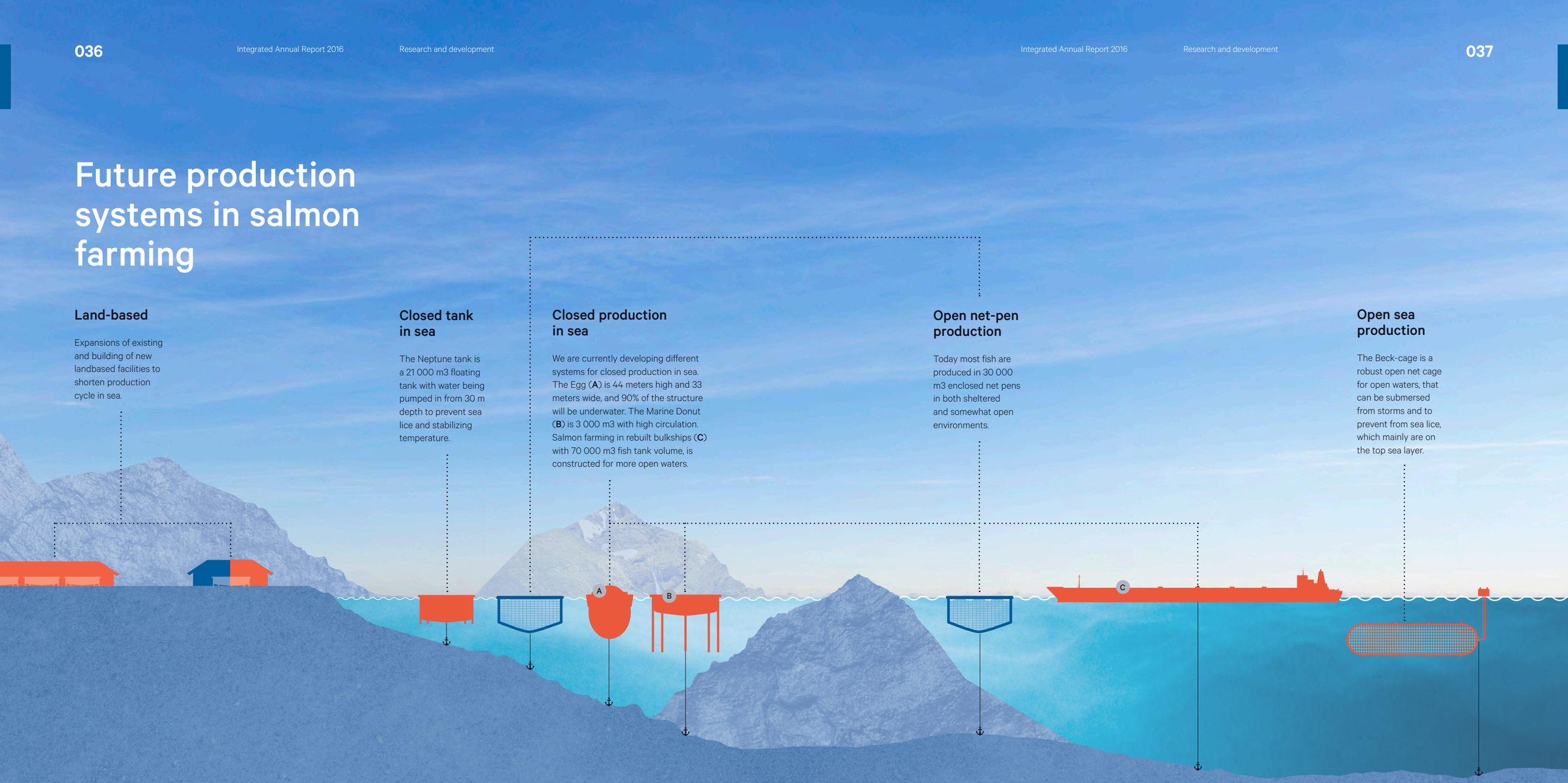
We are currently developing different systems for closed production in sea. The Egg (**A**) is 44 meters high and 33 meters wide, and 90% of the structure will be underwater. The Marine Donut (**B**) is 3 000 m3 with high circulation. Salmon farming in rebuilt bulkships (**C**) with 70 000 m3 fish tank volume, is constructed for more open waters.

Open net-pen production

Today most fish are produced in 30 000 m3 enclosed net pens in both sheltered and somewhat open environments.

Open sea production

The Beck-cage is a robust open net cage for open waters, that can be submersed from storms and to prevent from sea lice, which mainly are on the top sea layer.



Present salmon farming technology

1	Present smolt production	→	Open production as today or more exposed	

Future innovasions for salmon farming

1	Present smolt production	→	Closed on land or in sea	→ Open as today or more exposed
2	Present smolt production	→	Closed production on land or in sea	

0 - 150 g | 150 g - 1 kg | 1 kg - 5 kg

Illustration not to scale

PROFIT

Attractive financial results

Our financial success hinges on our ability to provide customer value from healthy, tasty and nutritious seafood, farmed both cost effectively and in an environmentally sustainable way.

2016 at a glance

EUR 700.2 million

NOK 8.60 ↑

EUR

EUR 890.0 million

Operational EBIT

Operational EBIT of EUR 700.2 million, up from EUR 346.8 million in 2015, mainly as a result of increased prices driven by strong demand and a decline in supply.

Dividend and returns

Dividend of NOK 8.60 paid out to shareholders in 2016, up from NOK 5.20 in 2015. Dividend per share includes NOK 1.10 related to divestment of shares in Grieg Seafood. Underlying earnings per share was NOK 10.51 (EUR 1.13), an increase from NOK 4.70 in 2015.

Reporting currency

EUR reporting from January 1, 2016. The change was made to reflect the fact that EUR is the predominant currency in the Group with respect to both cash flow and financing.

NIBD and ROCE

NIBD of EUR 890.0 million at year end, which was below target level of EUR 1 050.0 million. ROCE above the long-term target of 12.0% at 28.1%.

MATERIAL ASPECTS	LONG TERM AMBITIONS
Profitability	ROCE > 12% (per annum)
Solidity	NIBD target/kg harvested EUR 1.8. Total NIBD EUR 1 050 million

OVERALL GROUP PERFORMANCE IN 2016

Total revenues in 2016 amounted to EUR 3 510.2 million, an increase of 13% from 2015. This improvement was mainly due to higher prices. We harvested 380 621 tonnes of salmon gutted weight equivalent or gutted weight, compared to 420 148 tonnes for the year ended December 31, 2015. Our earnings before financial items (EBIT), totaled EUR 991.2 million compared to EUR 345.3 million in 2015. Our Operational EBIT was EUR 700.2 million in 2016, compared to EUR 346.8 million for the year ended December 31, 2015. We achieved a return on capital employed (ROCE) of 28.1% in 2016, well above our long-term target of 12.0%. The comparable figure for 2015 was 13.1%. At year-end 2016, the Group had a net interest bearing debt (NIBD) of EUR 890.0 million, which is below our long-term target of EUR 1 050 million. The comparable figure at year-end 2015 was EUR 999.7 million.

THE MARKET IN GENERAL

SUPPLY

The global harvest volume of Atlantic salmon was approximately 1 948 700 tonnes gutted weight in 2016. This was 137 300 tonnes (6.6%) less than in 2015. Chile accounted for the bulk of the reduction as the output from Chile fell by 84 400 tonnes, mainly as a result of an algal bloom in March 2016. Output from Norway decreased by 56 800 tonnes in 2016, while output from Scotland decreased by 5 600 tonnes. The reductions in Norway and Scotland were mainly related to biological challenges resulting in lower production levels and reduced survival. Supply from North America increased by 8 200 tonnes as a result of good biological performance, with increased growth and a higher average weight at harvest. The net output from other regions increased by 1 300 tonnes compared to 2015.

GLOBAL SUPPLY OF SALMON

(TONNES GWE)	2016	2015	CHANGE %
Norway	1 054 000	1 110 800	-5.1%
Scotland	144 100	149 700	-3.7%
Faroe Islands	69 600	68 000	2.4%
Ireland	13 400	14 100	-5.0%
Total Europe	**1 281 100**	**1 342 600**	**-4.6%**
Chile	454 000	538 400	-15.7%
North America	148 100	139 900	5.9%
Total Americas	**602 100**	**678 300**	**-11.2%**
Australia	48 600	49 500	-1.8%
Other	16 900	15 600	8.3%
Total	**1 948 700**	**2 086 000**	**-6.6%**

REFERENCE PRICES FOR SALMON

	2016	2015	CHANGE	2016	2015	CHANGE
	MARKET [4]	MARKET [4]	%	NOK	NOK	%
Norway [1]	6.72	4.60	46.0%	62.28	41.27	50.9%
Chile [2]	5.15	3.63	42.1%	43.29	29.27	47.9%
North America [3]	3.34	2.37	41.0%	28.08	19.13	46.8%

1) Average superior price per kg gutted weight (NOS/FHL FCA Oslo).
2) Average D trim price per pound (Urner Barry Miami 2-3 pound).
3) Average superior price per pound gutted weight (Urner Barry Seattle 10-12 pound).
4) Market price in EUR for Norway, and USD for Canada and Chile.

REFERENCE PRICES

Prices in 2016 were all-time high as a consequence of strong demand and reduced supply. The reference price for salmon of Norwegian origin increased by 46.0% in the market currency compared to 2015. The reference prices in Miami and Seattle increased by 42.1% and 41.0% respectively.

MARKET DISTRIBUTION AND DEMAND

(TONNES GWE)	2016	2015	CHANGE %
EU	949 200	979 100	-3.1%
Russia	67 500	95 700	-29.5%
Other Europe	71 100	81 300	-12.5%
Total Europe	**1 087 800**	**1 156 100**	**-5.9%**
USA	372 800	374 000	-0.3%
Brazil	83 700	99 500	-15.9%
Other Americas	101 000	107 600	-6.1%
Total Americas	**557 500**	**581 100**	**-4.1%**
China/Hong Kong	78 800	76 900	2.5%
Japan	58 400	54 500	7.2%
South Korea/ Taiwan	40 200	46 100	-12.8%
Other Asia	65 500	66 200	-1.1%
Total Asia	**242 900**	**243 700**	**-0.3%**
All other markets	106 300	99 400	6.9%
Total all markets	**1 994 500**	**2 080 300**	**-4.1%**

The growth in consumption exceeded the year's growth in supply as about 46 000 tonnes of salmon were released from inventory. The strength of the salmon market was tested at increasing price levels throughout 2016, and the demand response was impressive.

Consumption in the EU fell by 3.1% compared to 2015 due to reduced supply. Demand remained strong across the region and was led by Germany, the UK and the Southern European markets. The French market continued to lag other main markets due to low promotional activity. As a result of the Russian ban on imports of salmon from most European origins, consumption in this region continued to decline in 2016.

US consumption remained more or less flat in 2016, as reduced supply from Chile was compensated by increased North American output and imports from Europe. Taking the significant price increase into account, this was a good development. Salmon is increasingly being made available to consumers in more convenient formats and the accessibility of products has improved. In Brazil consumption declined by 15.9% compared to 2015, largely due to the lack of available Chilean salmon resulting from the algal bloom and its diversion to the higher paying US market.

Consumption in the Asian market remained stable in volume terms in 2016. The lack of large-sized salmon from Europe impacted availability in some markets. In value terms the Asian market continued to grow at a healthy rate due to the record high prices.

OUR MARKETS

GEOGRAPHIC MARKET PRESENCE

Our main source of revenues is the sale of Atlantic salmon, and Europe is by far the largest market for our salmon, representing 70.0% of our total revenues in 2016. Compared to 2015, the relative share of sales to the Russian and Asian markets increased. Salmon of Faroese origin still has access to the Russian market, and the rise in sales in 2016 is due to increased harvesting on the Faroe Islands as we had more sites with harvest size fish than in 2015. In terms of volume sales in the Asian market remained stable compared to 2015, but as our total harvest volume was reduced, the relative importance of this market increased due to strong demand and high achieved prices. We also experienced continued good sales in the German, UK and Southern European markets. In the French market, sales to traditional retail customers were negatively affected by high prices.The overall salmon consumption in France decreased in 2016. A compensating factor for us was an increase in sales to French discount retailers.

SALES BY PRODUCT

Sales of salmon products represented 89.8% and 90.0% of our revenues for the years ended December 31, 2016 and 2015 respectively. Fresh whole salmon (i.e. primary processed salmon) represented 41.7% of our total revenues in 2016 and 43.5% in 2015. Taken together, fresh smoked salmon and fresh and frozen elaborated salmon (i.e. secondary processed salmon) accounted for 46.3% and 45.4% of our revenues respectively, in the same periods. The share of fresh elaborated salmon increased from 28.2% in 2015 to 29.7% in 2016. We are actively pursuing strategies to reduce our dependence on spot market prices for salmon. This includes increasing our capacity to produce elaborated products, which generally command more stable consumer prices. In line with this strategy, we opened our new value-added plant in Dallas, USA in the fourth quarter of 2016. 2016 was also the first year with full-scale production at our new plant in Rosyth, Scotland.

PRICE ACHIEVEMENT

Reference prices rose significantly in 2016, due to strong demand and reduced supply as explained above.

Compared to 2015, the reference price for Atlantic salmon of Norwegian origin, measured in EUR, rose by 46.0% , while the reference price for salmon of Chilean and North American origin, measured in USD, rose by 42.1% and 41.0% respectively.

The cost of quality downgrading was within the normal range in both 2015 and 2016, with a 92% superior share in both years.

We achieved a combined global price that was 9% below the weighted reference price in 2016. The corresponding price achievement in 2015 was 5% above the weighted reference price. Relative to the reference price, contract sales made a positive contribution in 2015, but a negative contribution in 2016.

In 2016, the contract share ranged from 0% for salmon of Canadian origin to 49% for salmon of Norwegian origin and 66% for salmon of Scottish origin. The Group's overall contract share was 42% in 2016, compared to 34% in 2015.

CONTRACTS, QUALITY AND PRICE

2016	NORWEGIAN ORIGIN	SCOTTISH ORIGIN	CANADIAN ORIGIN	CHILEAN ORIGIN	IRISH ORIGIN	FAROESE ORIGIN	TOTAL
Contract share	49%	66%	—	14%	83%	4%	42%
Quality - superior share	93%	94%	88%	90%	91%	89%	92%
Price achievement	88%	88%	100%	99%	N/A	100%	91%

SEGMENT REPORTING

The following is a presentation of our operating performance by business segment, using Operational EBIT per kg of fish harvested as a key measure of performance. The table below shows Operational EBIT for each of our operating segments for the years ended December 31, 2016 and 2015:

SEGMENT RESULTS

(IN EUR MILLION)	2016	2015
Operational EBIT - Feed	28.1	21.5
Operational EBIT - Farming	585.9	238.5
Operational EBIT - Markets	77.9	65.5
Operational EBIT - Consumer Products	19.7	19.6
Operational EBIT - Other	-11.4	1.7
Group Operational EBIT [1)]	**700.2**	**346.8**
Group EBIT	**991.2**	**345.3**

1) Group Operational EBIT is a non-IFRS financial measure. See Note 4 Business segments for how we define and calculate Operational EBIT, and for a reconciliation of Group Operational EBIT to Group EBIT.

FEED

Our feed plant in Bjugn had its second full year in operation in 2016, and the operational performance for the year was very good both with regards to operational efficiency and profitability. Feed's Operational EBIT was EUR 28.1 million for the year ended December 31, 2016, compared to EUR 21.5 million in 2015. Favorable raw material purchases, as well as increased feed prices, contributed to good profitability.

The plant produced 310 242 tonnes of feed, ensuring that our Norwegian farming operations were 86.5% supplied by our own feed.

In 2016 we continued production of smolt and broodstock diets for our farming operations in line with our strategy to increase our rate of feed self-sufficiency. We also continued our efforts to substitute raw materials in order to develop optimal diets.

Raw material costs increased in 2016 compared to 2015, mainly due to unfavorable exchange rates. In addition, prices for fish meals and oils in the second and third quarters were negatively impacted by uncertainty regarding the Peruvian fishing quota. As a result, the search for alternative sources of marine ingredients remains a key priority.

In 2016, we secured the location of our new feed plant in Kyleakin, Scotland. The planning application for the plant has been approved, and it is scheduled for completion in 2018. The decision to invest EUR 110 million to build the plant in Scotland is based on the success of our feed plant in Norway, and the fact that our third-party European feed purchases remain significant. (Our Scottish, Faroese, and Irish farming operations remain 100% supplied by third-party feed.) The new plant will have an estimated capacity of 170 000 tonnes per year, and is expected to create 55 permanent full-time jobs.

FARMING

Farming's Operational EBIT was EUR 585.9 million in the year ended December 31, 2016, compared to EUR 238.5 million in the year ended December 31, 2015. The increase was primarily a result of higher achieved prices due to strong demand and reduced supply. The volume harvested decreased by 9.4% from 2015 to 2016, while the cost in box increased for salmon of all origins except Canadian and Faroese. For details of our farming entities' operational performance, please see the comments under Operational performance by country of origin.

SALES AND MARKETING

Our Sales and Marketing operations consist of the reporting segments Markets and Consumer Products.

Markets

Markets' Operational EBIT for the year ended December 31, 2016 was EUR 77.9 million, compared to EUR 65.5 million in 2015. The 2016 Operational EBIT comprised EUR 43.7 million from Markets Europe, EUR 11.9 million from Markets Asia and EUR 22.3 million from Markets Americas, compared to EUR 39.3 million, EUR 8.7 million and EUR 17.5 million, respectively, in 2015.

Global consumption in volume terms declined by 4.1% compared to 2015 as a consequence of reduced harvesting. However, this was more than offset by the significant increase in global salmon prices in 2016.

Consumption in the EU fell by 3.1% compared to 2015, which was in line with the reduction in supply. France, Germany and the UK are the main markets for our products. Demand remained strong in several regions, particularly Germany, the UK and Southern Europe. The French market was challenging in 2016, with reduced promotional activity among traditional retailers as a consequence of increased prices. The reference price in 2016 rose by 46.0% compared to 2015. Our price achievement in the European market was below the reference price due to negative contract contribution.

In Asia, the majority of volumes are sold at spot prices. Despite the price increases seen in 2016, consumption in the region remained flat while our earnings increased compared to 2015. Our premium brand in Japan, Mowi, continued to improve until the third quarter, when the effects of significantly increased market prices made it challenging to maintain the momentum.

Prices in the American market rose significantly in 2016 as a result of strong demand and shortages of salmon of Chilean origin. Consumption in the US, which is still low by European standards, remained flat compared to 2015. One of the main barriers to consumption has been access to fresh salmon in retail stores. The opening of our new Dallas processing facility in the fourth quarter improves our market access to the Midwest region of the US. We have also received a building permit for the construction of a value-added plant near Vancouver, which will serve customers in Northwestern USA as well as Western Canada. Price achievement for salmon of Canadian origin equaled the reference price in 2016. For salmon of Chilean origin, price achievement was 1% below the reference price, mainly due to biological issues in the first quarter, which adversely affected average harvest weight and quality.

Consumer Products

Marine Harvest Consumer Products is geographically organized, but managed as one unit in terms of reporting and profitability monitoring. Consumer Products' Operational EBIT for the year ended December 31, 2016 was EUR 19.7 million, compared to EUR 19.6 million in 2015. In 2016, our profitability remained influenced by startup costs at our Rosyth processing plant in Scotland, although this unit's losses were lower than in 2015. The improvements in Rosyth were offset by the significant increase in raw material prices for our Consumer Products operations. Sales price increases have lagged behind raw material price increases throughout the year, although the gap was reduced in the fourth quarter.

Salmon's share of total sales value was 80.7% in 2016 compared to 77.5% in 2015. In the French market, sales to traditional retail customers were increasingly difficult as a result of the high prices. However, our Consumer Products organization managed to partly offset this through increased sales to French discount retailers. We experienced strong growth in the UK, Benelux and Southern European markets in 2016, and Germany also remained a very important market for us. All in all, the volume sold rose by 14.2% compared to 2015, ending at 125 399 tonnes end-product weight. Improvements in yield and underlying efficiency were reported during the course of the year in both our Chilled and Fresh operations. Consequently, Consumer Products' overall processing costs per kilogram produced decreased from 2015 to 2016.

For our Chilled operations (mainly smoked products), record-high raw material prices heavily impacted the results in 2016. However, this was partly offset by operational improvements and increased sales prices. Operational EBIT for the Chilled operations therefore ended at EUR 20.3 million in 2016, compared to EUR 28.1 million in 2015.

In our Fresh operations, Operational EBIT was negative in the amount of EUR 0.6 million, which is an improvement from the EUR 8.6 million loss made in 2015. The operational turn-around of our Rosyth plant in Scotland and the positive development seen in the Benelux fresh products market due to strong growth and a favorable product mix, were the main drivers behind the improvement.

Our global operations

Canada

43 349 tonnes GWE salmon harvested, 501 FTE in Farming

Faroe Islands

10 893 tonnes GWE salmon harvested, 42 FTE in Farming

Head office

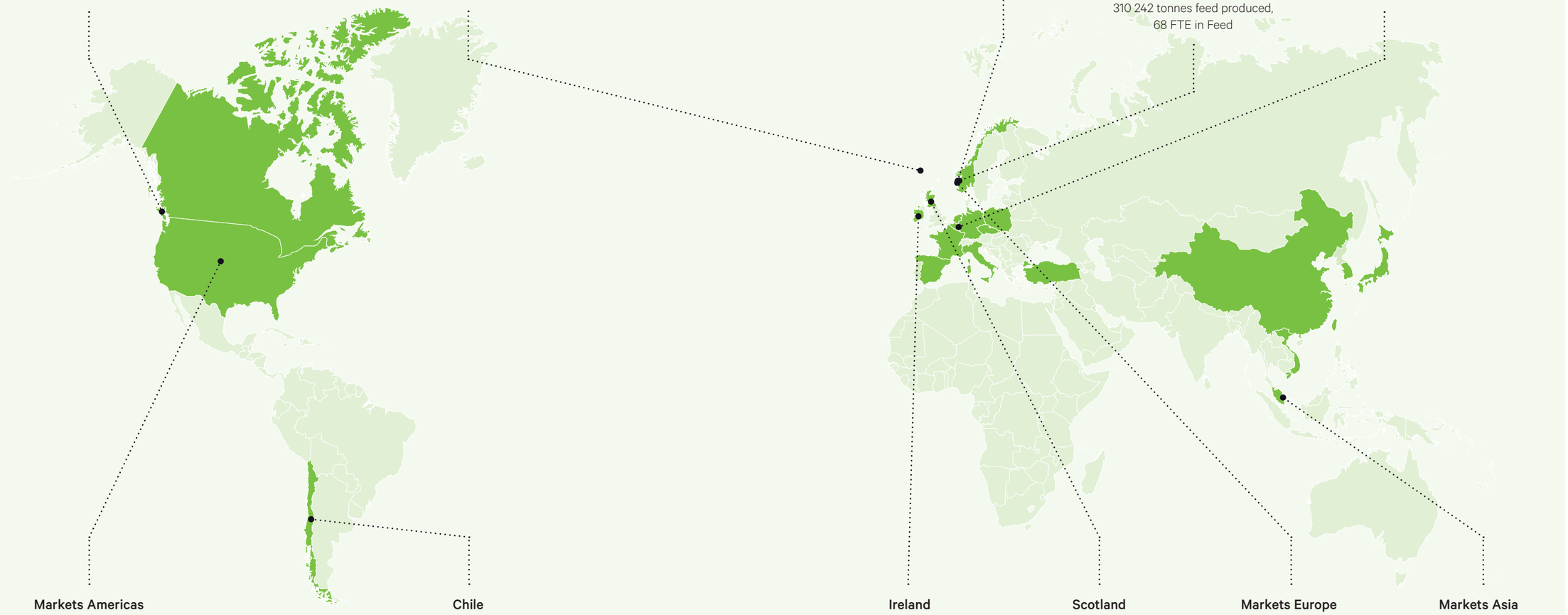
63 FTE in Norway

Norway

235 962 tonnes GWE salmon harvested, 1 561 FTE in Farming, 310 242 tonnes feed produced, 68 FTE in Feed

Consumer Products

125 399 tonnes end product weight, 6 917 FTE across Europe



Markets Americas

505 FTE across America

Chile

36 931 tonnes GWE salmon harvested, 843 FTE in Farming

Ireland

8 441 tonnes GWE salmon harvested, 262 FTE in Farming and Sales

Scotland

45 046 tonnes GWE salmon harvested, 656 FTE in Farming

Markets Europe

162 FTE across Europe

Markets Asia

1 137 FTE across Asia

FTE = Full time equivalent GWE = Gutted weight equivalent

OPERATIONAL PERFORMANCE BY COUNTRY OF ORIGIN

The table below shows a selection of operating metrics by country of origin for our harvested salmon for the years ended December 31, 2016 and 2015:

OPERATIONAL PERFORMANCE BY COUNTRY OF ORIGIN

	NORWEGIAN ORIGIN	SCOTTISH ORIGIN	CANADIAN ORIGIN	CHILEAN ORIGIN	IRISH ORIGIN	FAROESE ORIGIN	OTHER	TOTAL
2016								
Harvest volume of salmon [1)]	235 962	45 046	43 349	36 931	8 441	10 893		380 621
Average price achievement [2)]	88%	88%	100%	99%	—	100%		91%
Contract coverage [3)]	49%	66%	—	14%	83%	4%		42%
Quality - superior share [4)]	93%	94%	88%	90%	91%	89%		92%
Feed cost (EUR per kg) [5)]	—	—	—	—	—	—	—	1.71
Total cost (EUR per kg)[6)]	—	—	—	—	—	—	—	4.00
Operational EBIT (EUR per kg)	2.18	0.91	2.53	0.11	0.75	3.10	-0.03	1.84
EBIT (EUR per kg)	2.67	2.60	3.83	0.85	1.38	2.97	—	2.60
2015								
Harvest volume of salmon [1)]	254 751	50 144	40 112	62 482	9 736	2 923		420 148
Average price achievement [2)]	103%	113%	99%	109%	—	107%		105%
Contract coverage [3)]	40%	48%	—	12%	82%	—		34%
Quality - superior share[4)]	92%	93%	90%	89%	89%	90%		92%
Feed cost (EUR per kg) [5)]	—	—	—	—	—	—	—	1.63
Total cost (EUR per kg)[6)]	—	—	—	—	—	—	—	3.68
Operational EBIT (EUR per kg)	1.37	0.35	0.34	-0.82	0.96	1.74	0.01	0.83
EBIT (EUR per kg)	1.51	0.30	0.61	-1.24	0.89	4.13	-0.05	0.82

1) We measure our harvest volume in terms of tonnes of gutted weight of salmon. Harvest volume of salmon is a key measure of our success as, in the absence of trading, it corresponds to the volume of salmon available for sale. As trading volume generally achieves limited margin, harvested volume is the volume-related driver of our profit.
2) The average price achievement measures the prices that we are able to achieve on our products against a salmon price index. The achievement is measured against NASDAQ for salmon of Norwegian, Scottish and Faroese origin and Urner Barry for salmon of North American and Chilean origin. The market reference prices are spot prices for superior quality salmon, while our achieved price is a blend of spot and contract price for all qualities. Average price achievement measures our ability to sell our products at above market rates and is thus important for understanding our performance. In situations where contract prices deviate from spot prices, or the quality of our sold fish is low, our achieved price will deviate from the reference price.
3) The contract coverage measure represents the percentage of our products that was sold pursuant to contracts. A contract is for this purpose defined as a commitment to sell our salmon at a fixed price for a period of three months or longer. We have a sales contract policy aimed at limiting our exposure to short and medium-term fluctuations in salmon prices.
4) The superior share of salmon is the percentage of salmon harvested as superior salmon, divided by the total volume of harvested salmon. If salmon for some reason, e.g., pale color or scale loss, cannot be classified as a superior product, it is downgraded and sold as production or ordinary grade product at a lower price.
5) Feed cost per kg harvested is calculated by dividing our total cost of fish feed for harvested fish by tonnes of gutted weight of salmon harvested.
6) Total cost per kg harvested is calculated by dividing our total cost for harvested fish by tonnes of gutted weight of salmon harvested.

Salmon of Norwegian origin

Operational EBIT

Our Operational EBIT for salmon of Norwegian origin was EUR 514.8 million for the year ended December 31, 2016 compared to EUR 348.2 million in 2015. Operational EBIT per kg was EUR 2.18 compared to EUR 1.37 in 2015 due to significantly higher salmon prices, offset by increased costs mainly due to sea lice mitigation, increased feed cost, lower survival rates and reduced harvest volume. Our EBIT for salmon of Norwegian origin was EUR 630.9 million for the year ended December 31, 2016 compared to EUR 383.7 million in the same period in 2015. EBIT per kg was EUR 2.67 in 2016 compared to EUR 1.51 in 2015.

Price and volume developments

The reference price for salmon of Norwegian origin was record high in 2016, as a result of strong demand and a reduction in supply due to biological issues. Our price achievement for the year ended December 31, 2016 was 12% below the reference price, compared to 3% above in 2015. The change was primarily due to negative effects from fixed-price contracts in a market with significantly increased spot prices. Although contract prices improved somewhat towards the end of the year, the effect on price achievement was offset by the further rise in spot prices in the fourth quarter.
The contract share was 49% in 2016, compared to 40% in 2015. In 2015, contract sales had a positive effect on price achievement. The superior share of salmon harvested in 2016 was 93% compared to 92% in 2015.

The harvest volume for the year ended December 31, 2016 was 235 962 tonnes gutted weight, a reduction of 18 789 tonnes from 2015. The decrease in harvest volume is due to biological challenges, in particular related to sea lice (reduced survival, early harvest and reduced appetite due to lice treatments).

Costs and operations

The total cost per kg for salmon of Norwegian origin harvested in 2016 rose by 19.1% compared to 2015. The primary driver for the cost increase was a rise in the health cost (mainly sea lice mitigation) and increased feed costs, combined with reduced survival mainly due to losses during sea lice treatment.

The feed cost for the fish harvested in 2016 was 13.9% higher than in 2015. This was due to increased feed prices as a result of higher raw material prices, changes in exchange rates, and higher feed conversion rates. Other seawater costs per kg of fish harvested were 26.0% higher in 2016 than in 2015 due to higher sea lice pressure contributing to an increased number of treatments and the harvesting of fish at a lower average weight. As in previous years, sea lice mitigation costs for the fish harvested in 2016 were high. The exceptional cost related to sea lice mitigation amounted to EUR 78.5 million in 2016, compared to EUR 59.2 million in 2015, an increase of 32.5%. We are engaged in several ongoing projects related sea lice mitigation.

Incident-based mortality in the amount of EUR 18.2 million was recognized in 2016 compared to EUR 12.7 million in 2015.

Salmon of Norwegian origin by region

Our Norwegian Farming unit is divided into four regional Business Units for operational follow-up. The table below shows an overview of operating performance by region in 2016 compared to 2015.

KEY FIGURES BY REGION IN NORWAY

	SOUTH		WEST		MID		NORTH	
	2016	2015	2016	2015	2016	2015	2016	2015
Operational EBIT (EUR million)	**104.3**	**58.6**	**171.5**	**126.7**	**85.2**	**67.5**	**153.8**	**95.4**
Harvest volume (tonnes GWE)	49 495	47 557	72 356	79 342	47 932	62 261	66 179	65 591
Operational EBIT per kg (EUR)	**2.11**	**1.23**	**2.37**	**1.60**	**1.78**	**1.08**	**2.32**	**1.45**
Incident based mortality (EUR million)	1.9	2.5	4.5	3.5	6.1	4.1	5.7	2.6
Superior share	94%	93%	95%	95%	90%	90%	91%	90%

Region South
Operational EBIT in Region South amounted to EUR 104.3 million in 2016 compared to EUR 58.6 million in 2015. The volume harvested was 49 495 tonnes gutted weight compared to 47 557 tonnes in 2015. Operational EBIT per kg harvested was EUR 2.11 compared to EUR 1.23 in 2015. Higher prices more than offset the effects of increased feed and sea lice mitigation costs compared to 2015. A high number of poor-performing fish in the generation harvested in the first half of 2016 caused the share of discarded fish during harvest and the feed conversion rate to increase, which in turn raised the cost of the fish harvested. Sea lice levels were also higher in 2016 than in 2015 which further increased operational costs. Incident-based mortality in the amount of EUR 1.9 million was recognized in 2016 due to losses caused by strong sea currents at one site, as well as gill issues. In 2015, incident-based mortality amounted to EUR 2.5 million.

Region West
Operational EBIT in Region West amounted to EUR 171.5 million in 2016 compared to EUR 126.7 million in 2015. Region West was the most profitable region in Norway in both 2016 and 2015. The volume harvested was 72 356 tonnes gutted weight compared to 79 342 tonnes in 2015. Operational EBIT per kg harvested was EUR 2.37, compared to EUR 1.60 in 2015. Higher prices more than offset the effects of increased feed and sea lice mitigation costs compared to 2015. Incident-based mortality in the amount of EUR 4.5 million was recognized in 2016 due to lice treatment losses and gill issues. In 2015, incident-based mortality amounted to EUR 3.5 million.

Region Mid
Operational EBIT in Region Mid amounted to EUR 85.2 million in 2016 compared to EUR 67.5 million in 2015. The volume harvested was 47 932 tonnes gutted weight compared to 62 261 tonnes in 2015. The reduced volume was due to early harvesting and lower production. Region Mid experienced significant challenges related to sea lice in 2016, although the situation was somewhat improved in the fourth quarter, with stable lice levels compared to the end of 2015. Operational EBIT per kg harvested was EUR 1.78 compared to EUR 1.08 in 2015. The increase was due to higher prices partly off set by increased feed and sea lice mitigation costs combined with the harvesting of smaller fish due to biological challenges. Incident-based mortality in the amount of EUR 6.1 million was recognized in 2016, mainly due to lice treatment losses. In 2015, incident-based mortality amounted to EUR 4.1 million.

Region North
Operational EBIT in Region North amounted to EUR 153.8 million in 2016 compared to EUR 95.4 million in 2015. The ISA outbreak at one site in the third quarter negatively impacted Operational EBIT by approximately EUR 9.7 million in 2016. This was due to culling and harvesting of fish with a low average weight. The volume harvested was 66 179 tonnes gutted weight compared to 65 591 tonnes in 2015. Operational EBIT per kg harvested was EUR 2.32 compared to EUR 1.45 in 2015 as increased prices more than offset the effects of ISA, as well as increased feed and health costs. Incident-based mortality in the amount of EUR 5.7 million was recognized in 2016 . This was due to ISA and other biological challenges, as well as one incident caused by inclement weather. In 2015, incident-based mortality amounted to EUR 2.6 million.

Salmon of Scottish origin
Operational EBIT
Our Operational EBIT for salmon of Scottish origin was EUR 41.1 million for the year ended December 31, 2016 compared to EUR 17.5 million in 2015. Operational EBIT per kg was EUR 0.91 in 2016 compared to EUR 0.35 in 2015. Biological challenges, especially related to sea lice and gill issues, caused increased costs and reduced survival in both 2016 and in 2015. However, the effects of increased costs and reduced harvest volume were more than offset by significantly higher prices.

Our EBIT for salmon of Scottish origin was EUR 117.2 million for the year ended December 31, 2016 compared to EUR 15.2 million in 2015. EBIT per kg was EUR 2.60 in 2016 compared to EUR 0.30 in 2015.

Price and volume developments
The reference price in GBP increased significantly in 2016 compared to 2015 due to strong demand, reduced supply and the positive effect on the market for Scottish salmon of the weakening of the GBP. Our price achievement for salmon of Scottish origin for the year ended December 31, 2016 was 12% below the reference price, compared to 13% above in 2015. Price achievement in 2016 was negatively impacted by high contract coverage in a market with continuously increasing spot prices. The contract share was 66% in 2016 compared to 48% in 2015. With a superior share of 94% in 2016 and 93% in 2015, the effect of downgrading on the prices achieved was insignificant.

At 45 046 tonnes gutted weight, the harvest volume in the year ended December 31, 2016 was 5 099 tonnes lower than in 2015, when the harvest volume was 50 144 tonnes.

Costs and operations
The total cost per kg for salmon of Scottish origin harvested in the year ended December 31, 2016 increased by 22.9% compared to 2015, due to increased biological costs. The feed cost per kg of fish harvested rose by 11.2% in 2016 due to increased feed prices and higher feed conversion rates. Other seawater costs per kg harvested rose by 36.8% compared to 2015. The increase was mainly due to costs associated with biological challenges (increased sea lice treatment and mitigation costs). Towards the end of the year, we completed the harvesting of sites with a challenging biological history, and the cost level in the fourth quarter improved compared to previous quarters. Sea lice mitigation will remain a main focus area going forward.

Other non-seawater costs per kg harvested were stable compared to 2015. In 2016, we recognized incident-based mortality losses in the amount of EUR 6.5 million, mainly related to sea lice treatment losses and gill issues. Incident-based mortality amounted to EUR 8.1 million in 2015.

Salmon of Canadian origin
Operational EBIT
Our Operational EBIT for salmon of Canadian origin was EUR 109.8 million for the year ended December 31, 2016 compared to EUR 13.7 million in 2015. Operational EBIT per kg was EUR 2.53 in 2016 compared to EUR 0.34 in 2015. The increase in Operational EBIT compared to 2015 is mainly due to improved spot market prices resulting from strong demand and reduced supply of Chilean salmon into the North American market. Our EBIT for salmon of Canadian origin was EUR 166.2 million in the year ended December 31, 2016 compared to EUR 24.5 million in 2015. EBIT per kg was EUR 3.83 in 2016 compared to EUR 0.61 in 2015.

Price and volume developments
In addition to the positive development in the market balance, achieved prices for salmon of Canadian origin were positively influenced by higher average harvest weights. The prices achieved in 2016 equaled the reference price. This was a slight improvement from the level achieved in 2015, when it was 1% below the reference price. There were no contracts for salmon of Canadian origin in 2016 and 2015. The superior share was 88% in 2016, compared to 90% in 2015. Most of the downgrading was to ordinary grade, with limited price discount.

The harvest volume in the year ended December 31, 2016 was 43 349 tonnes gutted weight compared to 40 112 tonnes in 2015. The increase was mainly due to improved growth and higher average weight of the fish harvested.

Costs and operations
The total cost per kg for salmon of Canadian origin harvested in the year ended December 31, 2016 was unchanged from 2015. This is considered a good performance in a year when costs increased in almost all our other regions, except the Faroe Islands. With increased prices, good operational performance and stable costs, Operational EBIT per kg was record high in 2016. No incident-based mortality was recognized in 2016, compared to EUR 2.1 million in 2015.

In December 2016, Marine Harvest was nominated to purchase the assets owned by the Gray Aqua Group, which were in receivership. The transaction was closed in 2017. Gray Aqua is based on the Eastern coast of Canada. The acquisition of Gray Aqua is expected to create new jobs in the local area, and the Group plans to make significant investments to expand Marine Harvest Canada. The market for salmon in North-East America continues to develop very favorably, and the acquisition therefore opens up interesting market opportunities for Marine Harvest.

Salmon of Chilean origin
Operational EBIT
Our Operational EBIT for salmon of Chilean origin was EUR 4.2 million for the year ended December 31, 2016 compared to EUR -51.4 million in 2015. Operational EBIT per kg was EUR 0.11 in 2016 compared to EUR -0.82 in 2015. In 2016, our earnings in Chile were significantly affected by the algal bloom in Region X in the year's first quarter which reduced Operational EBIT by EUR 12.2 million. However, record high prices driven by strong demand and reduced harvest volumes following the algal bloom, more than offset the cost increase. In 2015, Operational EBIT was negatively impacted by losses related to a volcanic eruption and the culling of fish, as well as price pressure in the markets for salmon of Chilean origin due to increased supply and generally declining protein prices.

Our EBIT for salmon of Chilean origin was EUR 31.4 million in the year ended December 31, 2016 compared to EUR -77.2 million in 2015. EBIT per kg was EUR 0.85 in 2016 compared to EUR -1.24 in 2015. The 2016 EBIT was negatively affected by a EUR 18.8 million write down of assets resulting from a restructuring process initiated to secure the long-term profitability of the company.

Price and volume developments
The reference price was significantly higher in the year ended December 31, 2016 than in 2015. The shortage of Chilean salmon drove prices to record levels. Our price achievement for 2016 was 1% below the reference price, compared to 9% above in 2015. The contract share increased to 14% in 2016 compared to 12% in 2015. The contract contribution was positive both in 2016 and 2015. The superior share for salmon of Chilean origin was 90% in 2016 compared to 89% in 2015.

At 36 931 tonnes gutted weight, the harvest volume in the year ended December 31, 2016 was significantly lower than in 2015, when it totaled 62 482 tonnes gutted weight. This was a consequence of the algal bloom, and changes in the harvest pattern.

Costs and operations
The total cost per kg for Chilean salmon harvested in the year ended December 31, 2016 increased by 5.5% compared to 2015. Reduced harvest volumes and incident-based costs in the amount of EUR 12.2 million related to clean-up, insurance policy deductibles and other uncovered items following the algal bloom were recognized in 2016. The cost level improved in the fourth quarter of 2016 as a result of harvesting sites with good biological performance, as well as organizational and operational improvements.

Incident-based mortality in the amount of EUR 9.5 million was recognized in 2016, of which EUR 8.4 million was related to the algal bloom. Incident-based mortality in 2015 amounted to EUR 12.9 million, related to the volcanic eruption described above and the culling of fish.

Salmon of Irish origin
Operational EBIT
Our Operational EBIT for salmon of Irish origin was EUR 6.3 million for the year ended December 31, 2016 compared to EUR 9.3 million in the same period in 2015. Operational EBIT per kg amounted to EUR 0.75 in 2016 compared to EUR 0.96 in 2015. The reduction is due to cost increases and lower harvest volume.

Our EBIT for salmon of Irish origin was EUR 11.6 million in the year ended December 31, 2016 compared to EUR 8.7 million in the same period in 2015. EBIT per kg was EUR 1.38 in 2016 compared to EUR 0.89 in 2015.

Price and volume developments
As our Irish operation mainly produces organic salmon, there is no reference price available for benchmarking. Compared to 2015, prices achieved were up by 7.8% for the year ended December 31, 2016. Our contract share was stable at 83% compared to 82% in 2015. We experienced an increase in the superior share of salmon harvested from 89% in 2015 to 91% in 2016.

The harvest volume in the year ended December 31, 2016 was 8 441 tonnes gutted weight compared to 9 736 tonnes in 2015. Volumes harvested in 2016 were influenced by very challenging weather conditions and biological issues.

Costs and operations
The total cost per kg for salmon of Irish origin harvested in the year ended December 31, 2016 rose by 13.2% compared to 2015 due to increased health and feed costs, combined with reduced volumes. Incident-based mortality in the amount of EUR 3.5 million was recognized in 2016, mainly related to exterior damages to fish caused by inclement weather at the start of the year. Incident-based mortality in 2015 amounted to EUR 4.2 million, and was related to algal blooms and AGD.

Salmon of Faroese origin
Operational EBIT
Our Operational EBIT for salmon of Faroese origin was EUR 33.8 million for the year ended December 31, 2016 compared to EUR 5.1 million in 2015. Operational EBIT per kg was EUR 3.10 in 2016 compared to EUR 1.74 in 2015. Due to the limited number of sites in operation, we have extended periods without harvesting on the Faroe Islands. In 2015, we only harvested salmon in the fourth quarter. In 2016, there was harvesting in all quarters. Our EBIT for salmon of Faroese origin was EUR 32.3 million in the year ended December 31, 2016 compared to EUR 12.1 million in 2015. EBIT per kg was EUR 2.97 in 2016 compared to EUR 4.13 in 2015.

Price and volume developments
The reference price in the year ended December 31, 2016, was record high. The bulk of the salmon harvested was sold to Russia, the USA and China at favorable prices. The price premium deriving from selling to these markets rather than other markets, such as the EU, was gradually reduced during the year. The prices we achieved in 2016 were at the reference price level, while our price achievement was 7% above the reference price in 2015. The contract share in 2016 was 4%. There were no contract sales in 2015.

The harvest volume in the year ended December 31, 2016 was 10 893 tonnes gutted weight compared to 2 923 tonnes in 2015. The low volume in 2015 was due to the uneven smolt stocking pattern resulting from the limited number of sites in operations.

Costs and operations
In 2016, the cost level for salmon of Faroese origin was lower than in 2015, as a result of good biological performance and economies of scale deriving from a larger harvest volume.

In 2016, a 4.5% fee on harvesting revenue was applied by the authorities on the Faroe Islands. The fee negatively impacted Operational EBIT by EUR 3.3 million in 2016. Operational EBIT in 2016 was also impacted by incident-based mortality in the amount of EUR 2.5 million, resulting from heavy storms and subsequent losses of fish at one of our sites in December. There was no incident based mortality in 2015.

LIQUIDITY, CASH FLOW AND BORROWINGS

LIQUIDITY AND CAPITAL RESOURCES
Our principal sources of liquidity are cash on hand, revenues generated from our operations and, to a lesser extent, loans and other financings.

Our principal needs for liquidity have been, and will likely continue to be, costs of raw materials, including fish feed, other working capital items and capital expenditures, to service our debt, and to fund dividend payments and acquisitions. We believe that our liquidity is sufficient to cover our working capital needs in the ordinary course of business.

Our cash and cash equivalents as of December 31, 2016 was EUR 103.9 million compared to EUR 71.8 million as of December 31, 2015. Cash and cash equivalents comprise cash and bank deposits, including restricted funds. Restricted funds comprise employees' income tax withholdings as well as deposits to fulfill collateral requirements for financial instruments.

Our NIBD was EUR 890.0 million as of December 31, 2016 and EUR 999.7 million as of December 31, 2015. The decrease from December 31, 2015 to December 31, 2016 is attributable primarily to a significantly higher cash flow from operations. This is due to higher margins partly offset by higher dividend payments (EUR 418.1 million in 2016, compared to EUR 255.9 million in 2015.

CAPITAL EXPENDITURES
Our capital expenditures primarily relate to investments in our operating facilities and equipment used in our operations. Net capital expenditures were EUR 199.2 million for the year ended December 31, 2016, compared to EUR 210.3 million for the year ended December 31, 2015. For 2016 and 2015 respectively, EUR 97.8 million and EUR 77.5 million of the total net capital expenditure was attributable to our farming operations in Norway. In both 2016 and 2015, the bulk of the capital expenditure in Norway was related to expansions in our fresh water operations, expansion of our production capacity for cleaner fish and other investments related to mitigation of sea lice, and general maintenance investments at our seawater facilities. The main purpose of the expansions in our fresh water operations is to enable the production of larger smolt.

CASH FLOWS
Cash flows from operations
Cash flow from operations for the year ended December 31, 2016 was EUR 693.2 million, compared to EUR 233.3 million for 2015. The increased earnings in 2016 compared to 2015 were slightly offset by an increased amount of taxes paid as Marine Harvest Norway AS no longer had tax losses carried forward. In addition, working capital improvements due to supply chain financing and a reduced volume of feed produced for inventory had a positive impact on the cash flow from operations.

Cash flow from investments
Cash flow from investments for the year ended December 31, 2016 was EUR -132.6 million, compared to EUR -188.3 million for 2015. The change was primarily due to disposal of shares in Grieg Seafood ASA in 2016.

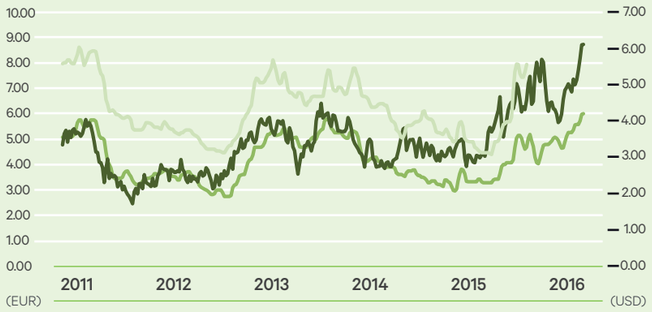
Cash flow from financing
Cash flow from financing for the year ended December 31, 2016 was EUR -533.0 million, compared to EUR -124.3 million for 2015. In line with the Group's dividend policy, repayment of paid-in capital amounted to EUR 418.1 million in 2016. In 2015, repayment of paid-in capital amounted to EUR 255.9 million.

BORROWINGS
As of December 31, 2016 our main outstanding borrowings consisted of a EUR 805 million syndicated borrowing facility, two convertible bonds of EUR 375 million and EUR 340 million and an unsecured bond of NOK 1 250 million.

For further details of our borrowing facilities and bonds, please see Note 11 to the Group financial statement. For further details of how to analyze our performance, please see Part IV - Analytical Information.

2016 financial performance

Record high market prices globally



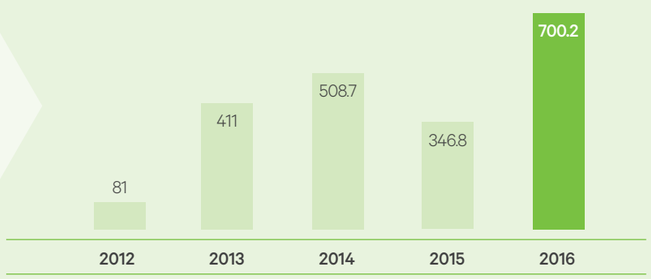
Supply of Atlantic salmon went down by **4%** in 2016, representing an unprecedented year-on-year supply decrease measured in volume.

The EU market decreased by **3%**, sparking a **46%** increase in the reference price for salmon of Norwegian origin (EUR)

Supply into the US market was stable, however, the reference price for salmon increased by **42%** and **41%** for salmon of Chilean and Canadian origins respectively (USD).

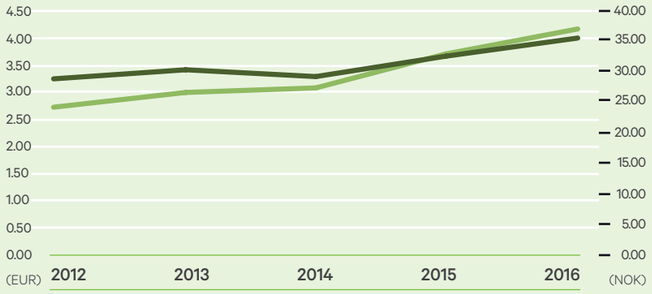
Norwegian Chilean Canadian

Record high Operational EBIT



Operational EBIT EUR **700.2 million**, two times the 2015 figure and an all time high for the Group.

Continuous cost increases in Farming

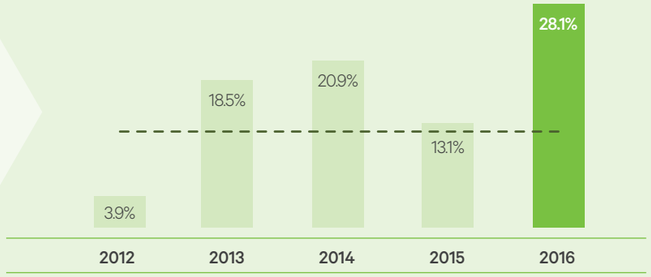


In EUR our cost per kg in Farming has increased by an average rate of **5.4%** per year between 2012 and 2016, mainly due to increased cost of feed and biological challenges.

In NOK the increase has been higher due to the weakening of the NOK towards the EUR in the period.

Farm cost EUR
Farm cost NOK

Return on Capital Employed significantly above target



ROCE significantly above the long-term target of 12% at **28.1%** in 2016 and also significantly above for the four to five year cycle.

ROCE %
Target

Another record year for profit in Feed and Markets, and record high prices contributing to all time high Operational EBIT in Farming

Another record year for Feed

28.1

Operational EBIT EUR **28.1 million**

All time high profit in Farming

585.9

Operational EBIT EUR **585.9 million**

Almost 20% profit increase in our Markets operations vs 2015

77.9

Operational EBIT EUR **77.9 million**

Dividend growth and NIBD below target

Dividend of NOK

8.60

paid out to the shareholders as repayment of paid in capital (NOK 5.20 in 2015)

NIBD of

890.0

million at year end, EUR **160 million** below target level (NIBD target EUR 1 050 million)

Sustainability and environmental responsibility

In October HRH The Prince of Wales visited the Loch Leven salmon farm, the first to be ASC accredited in Marine Harvest Scotland. The Prince requested the visit on behalf of his International Sustainability Unit which was set up five years ago to resolve some important environmental challenges. The visit for Prince Charles was to understand how cleaner fish are helping to deal with sea lice and how the link with the Aquaculture Stewardship Council is gaining prominence for Marine Harvest in its goal to achieve total compliance with the standard by 2020.

HRH seeks to identify examples of good practice in terms of sustainability and environmental responsibility and encourages the progress of further development under these terms.

Our operational success and long-term profitability ultimately depend on sustainable and environmentally responsible interactions with the natural environment. We rely on qualified personnel to maintain fish health, avoid escapes and minimize the environmental impact of our operations.

2016 at a glance

ASC certifications

20 new ASC certified sites in 2016. A total of 59 sites are ASC certified, representing 25% of all our farms and and 38% of all ASC certified sites producing Atlantic salmon globally.

Escapes

11 escape incidents with 7 856 escaped fish in 2016, compared to 16 incidents with 94 450 in 2015.

Sustainable feed

It takes 0.77 kg of wild fish to produce 1.0 kg of Atlantic Salmon. 100% of marine raw materials come from sustainable sources.

Medicine use and losses

Reduction in sea lice medicine use and marked reduction in losses to PD (Norway) and SRS (Chile).

MATERIAL ASPECTS	LONG TERM AMBITIONS
Climate friendly food production	10% reduction in energy use at all our processing plants by 2018
Escape prevention	Zero escapes
Fish health management	More than 99.5% monthly survival
Sea lice management	Based mainly on non-medicinal approaches and reduced medicine use
Medicine use	Implementation of non-medicinal methods and limit use of antibiotics in our operations
Biodiversity	100% ASC certified by 2020
Sustainable feed	Fully implement our global sustainable feed policy

THE GLOBAL PICTURE - CLIMATE FRIENDLY FOOD PRODUCTION

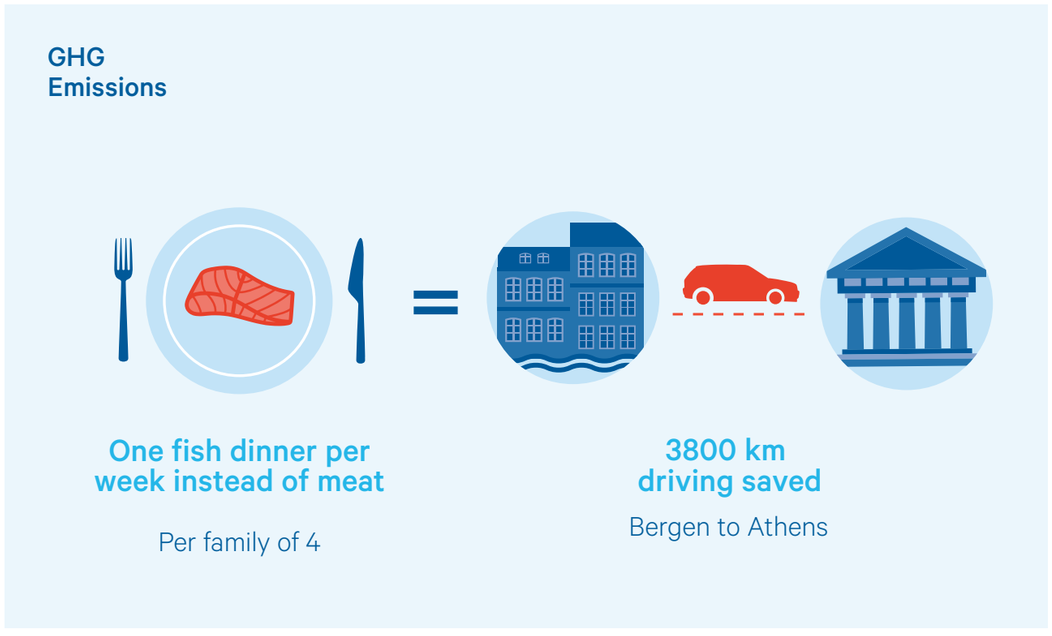
THE CHALLENGE AND THE OPPORTUNITY

Population density and standards of living are rising across the world. As a result, global protein demand is also rising. At the same time, the world is facing unprecedented environmental challenges in areas such as climate change and the depletion of natural resources. Fish farming has an essential part to play if we are to meet the global food demand of a troubled planet. Of all animal production systems, fish farming is among the most climate friendly. The carbon footprint of farmed salmon is only 2.9 kg of carbon equivalent per kg of edible product, compared to 5.9 and 30.0 kg of carbon equivalent per edible kg of pork and beef respectively (SINTEF, 2009). For a consumer, this means that increasing fish consumption in place of pork and beef, contributes significantly to a reduction in dietary greenhouse gas (GHG) emissions.

If a family of four were to replace just one meal where meat is the main source of protein with fish every week for a year, this would be the equivalent to an annual reduction of 3 800 km driven.

With work still underway to reach the agreed United Nations development goals, we strongly believe that our business can play an important role in contributing to a sustainable future. Out of the 17 development goals set by the UN, we can contribute significantly to at least seven: good health and well-being, decent work and economic growth, industry, innovation and infrastructures, responsible consumption and production, climate action, life below water and partnership for the goals.

We are committed to contributing to the UN sustainable development goals, including goal 14 "Conserve and sustainably use the oceans, seas and marine resources for sustainable development". One example of such commitment is the new international alliance for a global, sustainable seafood industry, called Seafood Business for Ocean Stewardship. This is an initiative that, for the first time, connects the global seafood business to science, wild-catch fisheries to aquaculture, and European and North American companies to their Asian counterparts. The organization's ambition is to lead a global transformation towards sustainable seafood production and a healthy ocean. For more information please go to keystonedialogues.earth.



Data based on Scarborough et al 2014. Dietary greenhouse gas emissions of meat-eaters, fish-eaters, vegetarians and vegans in the UK. Climate Change 125: 179 - 192. A high meat-eating consumer has, on average, a daily GHG of 7.19 Kg CO2 e/day while a fish-eating consumer 3.91 Kg CO2 e/day. Data on GHG emissions per km driven is based on UK Government GHG Conversion Factors for Company Reporting, DEFRA 2016.

"Since 2013, Marine Harvest has certified more than 50 farms in Norway, which shows that they are serious about responsible salmon farming. Marine Harvest has also made it clear that the industry shouldn't grow before the current challenges are resolved. This is an important message at a time when there is a huge pressure to expand the industry."

Karoline Andaur, Deputy CEO of WWF-Norway

OUR EFFORTS

Achieving a sustainable future will require concerted action and new forms of partnership. This is why we co-founded the Global Salmon Initiative (GSI) in partnership with 12 peer companies. GSI contributes to greater transparency in the aquaculture industry, and is a driver for implementing sustainability improvements on a wider scale and at an accelerated pace. During 2016, we contributed to GSI's sustainability report and to the ongoing work on the ASC standard, identifying alternative sources of sustainable fish oil and initiating actions to improve fish health. For more information on the key focus areas for GSI, go to globalsalmoninitiative.org. In addition to GSI we also continued with our partnership with WWF Norway.

The need to take further action on climate change is increasing. During 2016, therefore, we build on our long-term ambition to reduce GHG emissions by developing a policy on energy consumption and climate change, and establishing an energy reduction target: 10% reduction in energy consumption at our processing plants by 2018. We also launched a global internal standard (QMarine) for energy reduction, which defines the minimum requirements needed to achieve our energy reduction targets. By becoming more energy efficient at our processing plants, we expect to achieve a reduction in our GHG emissions over time.

Our policy on energy consumption and climate change encapsulates what we are doing to address climate change:

1. Measure and report energy use and GHG emissions

2. Promote R&D projects that lead to energy-saving

3. Act proactively to reduce GHG emissions in our:

A) Farming Business Area by:
- *reducing feed conversion ratios (less feed equals less raw materials and less energy);*
- *switching from diesel to onshore electrical power supply wherever possible;*
- *supporting research on the use of renewable energies at exposed sites;*
- *optimizing crew transportation to distant farming locations.*

B) Feed Business Area by:
- *developing more efficient feeds;*
- *promoting sustainable fishing for wild species as a source of fish meal and fish oil;*
- *building new feed plants powered by energy sources with lower GHG emissions, such as liquefied natural gas;*
- *prioritizing the use of energy friendly technologies such as heat recovery systems.*

C) Sales and Marketing Business Area by:
- *maximizing transportation efficiency;*
- *prioritizing the use of equipment that maximizes energy efficiency;*
- *maximizing fillet yield in production;*
- *improving our packaging solutions.*

2016 RESULTS

ASC certifications

We are committed to having all our seawater and freshwater sites certified for sustainability. By 2020, we aim to be 100% certified by the Aquaculture Stewardship Council (ASC), a standard developed in collaboration with WWF. At the end of 2016, Marine Harvest accounted for 38% of all the ASC certified Atlantic Salmon sites worldwide, reaffirming that we are the leading producer of ASC certified farmed salmon.

During 2016, we certified a total of 20 new sites, bringing the accumulated total to 59 sites. This represents 25% of all our farming facilities. Please see the table below for more information about the percentage of farms certified by Business Unit. In Regions West and Mid in Norway, more than 50% of our harvested volumes are now ASC certified. These positive results reflect the commitment of our ASC implementation teams, and their dedication to our ambition of being 100% ASC certified by 2020.

"ASC certification means that we take sustainability seriously, and that we focus on operating and producing in the most sustainable way possible. ASC has given us some extra work, but it is still better for everyone."

Knut Are Johansen, site manager at Djupevik, Region South, Marine Harvest Norway

Energy consumption and greenhouse gas emissions

In 2016, our actions and strategies in response to climate change were recognized by CDP (formerly Carbon Disclosure Project). Marine Harvest was the only salmon farming company in CDP's leadership category. Each year, we work with an independent third party to review our energy consumption and GHG inventory according to the GHG protocol. Total energy consumption and GHG emissions for 2016 came to 2 733 TJ and 173 533 tonnes CO2e respectively.

Electricity from nonrenewable sources and diesel remained stable at 65% of total energy use in 2016.

In order to show the GHG intensity per Business Area, we used an intensity ratio defined as kg CO2e (scope 1+2) per a relevant intensity ratio for each area. In the Farming Business Area, the intensity of our GHG emissions (i.e. kg CO2e per tonne produced in seawater) rose by 7% compared to 2015, from 210 kg CO2e per tonne in 2015 to 225 CO2e per tonne in 2016. This was mainly due to increases in Marine Harvest Norway as a consequence of a new fresh water recirculation aquaculture system (RAS) facility in Region West. Also in Region West, three seawater sites switched from diesel to onshore power generation, and in Region Mid, three large sites started an energy monitoring program supported by ENOVA (Norwegian Energy Agency). In Canada, we ran several energy-saving projects at the processing plant in Port Hardy, which included the replacement of old equipment with more energy-efficient alternatives.

The Feed Business Area reported a total of 69 kg CO2e per tonne feed produced in 2016, compared to 64 kg CO2e per tonne in 2015. This increase (8%) is mainly attributable to wider feed distribution, as we have provided feed to sites located further north and south in Norway during 2016. Moving forward, we will continue to focus on optimizing and fine-tuning processes and logistics at the feed plants in order to improve our performance. Our Scottish feed plant will use the same LNG model piloted by Bjugn, which will allow us to be among the feed producers with the lowest GHG emissions per tonne of feed produced.

The intensity of GHG emissions from the Sales and Marketing Business Area, which includes our processing units and sales offices across the globe, rose from 83 kg CO2e per tonne of end-product sold in 2015 to 114 kg CO2e per tonne in 2016. This increase (37%) is mainly due to the inclusion of a new processing plant in Dallas, USA, with limited output in 2016 due to its fourth-quarter start-up, and production of more value-added products in our secondary plants in Europe and Japan.

PRIORITIES GOING FORWARD

We work to help resolve challenges relating to climate change and the depletion of natural resources from two main angles: energy consumption and GHG emissions on the one hand, and the sustainable development of our operations on the other. Energy consumption and GHG emission disclosure and reduction are important goals for us. Going forward, we will keep working to improve our reporting systems and intensify our efforts to achieve our reduction targets. With regard to the sustainable development of our operations, we will continue with our ASC implementation strategy, aiming for a minimum of 15 new ASC sites in 2017. Our priority will be to further implement non-medicinal methods of managing sea lice, which will facilitate ASC certification in the years to come.

MARINE HARVEST ASC CERTIFIED SITES

	Number of sites certified			ASC certified sites in % of total sites		
	2016	2015	2014	2016	2015	2014
Norway	43	31	8	35%	26%	7%
Scotland	2	2	—	4%	4%	—
Canada	7	3	—	23%	10%	—
Chile	3	2	—	14%	9%	—
Ireland	3	1	—	38%	13%	—
Faroe Islands	1	—	—	33%	—	—
Group	**59**	**39**	**8**	**25%**	**17%**	**3%**

Public reporting information for our ASC sites is available at asc-aqua.org.
*The percentage of ASC certified sites in 2015 has been re-calculated based on the total number of sites to be certified and not the total number of active sites at the close of the year.

ENERGY AND GHG EMISSIONS

	2016	2015	2014
Energy consumption			
Direct energy consumption (Scope 1)	1 686	1 305	946
Indirect energy consumption (Scope 2)	1 047	1 039	594
Total energy consumption (TJ)	**2 733**	**2 344**	**1 540**
GHG emissions			
Direct energy consumption (Scope 1)	102 754	92 249	67 292
Indirect energy consumption (Scope 2)	70 779	68 120	33409
Total GHG emissions (tonne CO2e)	**173 533**	**160 369**	**100 701**

Indirect energy emissions refer to electricity consumption and district/indirect heating, while direct energy emissions refer to the use of fossil fuels, such as diesel, fuel oil, gasoline/petrol, heating oil, natural gas and propane/LPG. The methodology used for the carbon accounting is A Corporate Accounting and Reporting Standard (Revised Edition). The chosen consolidation approach for emissions was operational control. All figures are direct consumption reported by each Business Unit, multiplied by an energy conversion factor and carbon emission factor per unit consumed. No estimates have been made. All emission and conversion factors for direct emissions are from DEFRA 2015, while emission factors for indirect energy use are based on a three-year rolling average calculation (2011-2013) using International Energy Agency statistics. The emission factor for electricity consumption in Norway is the Nordic average production mix 2011-2013. The GWP reference is IPCCAR5 (IPCC Fifth Assessment Report). All six greenhouse gases are taken into account and converted into carbon equivalents (CO2e), although only CO2, CH4 and N2O are relevant for the 2014 carbon accounting report. All figures listed as CO2 in the report are metric carbon equivalents.

2014 and 2015 results were adjusted in accordance with the most recent data set. This is due to the fact the data from certain units are revised after the annual report is released. In addition, continuous data collection improvements, including verification of data relating to previous periods, may cause changes in the final results.

ESCAPE PREVENTION

THE CHALLENGE

Escaped farmed salmon may be detrimental to wild salmon populations, due to ecological interactions and the genetic impact of interbreeding. We recognize our responsibility to control our stocks and maintain our target of zero escapes.

OUR EFFORTS

In 2016, we re-launched our global training program on escape prevention and mitigation. This training aims to reaffirm our internal standard for seawater and freshwater management, including the sharing of experiences and learning points after escape events, and highlighting behavioral change as a tool to prevent human error. In 2016, we also identified best practices regarding the use of non-medicinal delousing tools, including the thermolicer. Please see the illustration, which shows our approach to escape prevention.

2016 RESULTS

In 2016, the number of escaped fish has been reduced to a total of 12 790 (11 escape incidents) as compared to 16 escape incidents and a total of 94 450 escaped fish in 2015. We achieved our target of zero escapes in Chile and on the Faroe Islands.

The two most serious escape incidents took place in Norway (Region South) and Ireland with 8 420 and 3 000 escaped fish, respectively. In Norway, the escape incident was related to net handling during delousing. After this incident, we revised our internal procedures on net handling. In Ireland, the escape incident occurred during harvesting and was caused by a propeller damaging the net during bad weather. Following this incident, we tightened the procedures for vessel skippers and crews to ensure that netting is kept taut during harvesting. We also improved our training of harvesting personnel.

PRIORITIES GOING FORWARD

We will continue our efforts to minimize the number of escape incidents to achieve our target of zero escapes at all our farming units. We intend to accomplish this through continual improvements in our training programs, ensuring that best practices for delousing operations are implemented and developing anti-fouling strategies that reduce the need for net cleaning.

NUMBER OF ESCAPE INCIDENTS AND FISH ESCAPED

	2016		2015		2014	
	Number of escape incidents	Number of escaped fish	Number of escape incidents	Number of escaped fish	Number of escape incidents	Number of escaped fish
Norway	7	9 738	12	70 447	2	48
Scotland	1	50	3	16 003	3	4
Canada	2	2	0	0	0	0
Chile	0	0	1	8 000	1	2 000
Ireland	1	3 000	0	0	0	0
Faroe Islands	0	0	0	0	0	0
Group	**11**	**12 790**	**16**	**94 450**	**6**	**2 052**

"Fish welfare has always been important to us. Being able to harvest over 97% of the fish transferred to sea pens at a satisfactory weight (i.e. 99.75% monthly survival), is an excellent outcome. My conclusion is that focusing on fish welfare before anything else also gives the best financial result."

Arne Stranden, site manager of Brudevik, Region West, Marine Harvest Norway

FISH HEALTH MANAGEMENT

THE CHALLENGE

Safeguarding the health and welfare of our fish stocks boosts survival rates, which is both financially beneficial and positive for the environment.

OUR EFFORTS

Our goal is to rear healthy fish and maximize the welfare of our stocks. We tend to our fish under conditions that satisfy their biological needs for food, clean water and space, and we ensure that our fish are provided with the necessary nutrients for good health throughout production. Our fish are stocked at densities that balance welfare and enhanced performance. Coordinated fallowing and synchronized production, which reduce biological risk, are integral components of our farming practices.

Under the supervision of our fish health professionals, we continuously apply good farming practices and high standards of biosecurity to optimize the health and welfare of our stocks. By adhering to our stringent veterinary health plans and recognized fish welfare standards, such as those issued by the RSPCA (Royal Society for the Prevention of Cruelty to Animals), as well as vaccinating 100% of our fish, we reduce biological and health risks.

2016 RESULTS

In 2016, the Group achieved >98% average monthly survival rate (% biomass) in seawater. Infectious and non-infectious losses accounted for 27% and 73% respectively of the total loss (numbers). The former reflects our focus on reducing infectious disease risk. The main causes of reduced survival in the Group (numbers and biomass) are presented on the following page.

Following the implementation of measures to alleviate Pancreas disease (PD) in previous years, we continue to see a marked reduction in losses in Norway (down 30% from 2015 to 2016). Losses for the Group as a whole in 2016 were comparable to 2015, due to the re-emergence of PD at a few sites in Scotland, New and more stringent approaches to managing Salmonid Rickettsial Septicaemia (SRS) in Chile have resulted in a marked reduction in losses. Relative to 2015, biomass and numbers lost to SRS were down by 57% and 64% respectively.

The incidence of Heart and Skeletal Muscle Inflammation (Norway), Cardiomyopathy Syndrome (Norway) and gill infections, including AGD (Norway and Scotland), for which there are no vaccines, increased in 2016. We continued to apply our strict risk management approach to Infectious Salmon Anemia, but still registered two cases in Norway Region North in 2016. Treatment losses increased further in 2016, and were predominately associated with the challenging lice situation encountered in Europe. An industry-wide algal bloom severely impacted survival at some of our sites in Chile in the first quarter of 2016, which affected overall Group performance.

PRIORITIES GOING FORWARD

Even though our survival rates fell significantly short of our ambitious target in 2016, we believe that with hard work and tireless effort it is possible to achieve this in future. As remarked by Arne Stranden, site manager of Brudevik, Region West, Norway, the winner of the 2016 seawater benchmark competition: "Fish welfare has always been important to us. Being able to harvest over 97% of the fish transferred to sea pens at a satisfactory weight (i.e. 99.75% monthly survival), is an excellent outcome. My conclusion is that focusing on fish welfare before anything else also gives the best financial result". Safeguarding the health and welfare of our stocks, and improving survival rates, will remain a primary focus in 2017. We will continue to closely monitor the causes of reduced survival, and set our R&D priorities accordingly. Greater vigilance and monitoring of plankton levels and algal blooms, the development of gentler delousing treatments, conclusions from several important R&D projects, and further ASC implementation are all expected to contribute toward the achievement of our long-term goal of >99.5% monthly survival. We will continue to support industry initiatives which will further improve fish health and welfare, and we will engage in developing better industry practices through the Global Salmon Initiative.

MAIN CAUSES OF REDUCED SURVIVAL

	INFECTIOUS		NON-INFECTIOUS	
	FISH NUMBERS	BIOMASS	FISH NUMBERS	BIOMASS
1	HSMI	Gill infections	Algal blooms	Treatments
2	Gill infections	CMS	Treatments	Algal blooms
3	CMS	HSMI	Poor performers	Poor performers
4	PD	PD	Handling	Handling

(HSMI, Heart and Skeletal Muscle Inflammation; CMS, Cardiomyopathy Syndrome; PD, Pancreas Disease)

SEA LICE MANAGEMENT

THE CHALLENGE

Effective sea lice management is important for fish welfare and to ensure lice on our farms do not negatively impact wild salmonid stocks. Sea lice also represent a significant cost to the industry.

OUR EFFORTS

We continuously strive to improve our approach to sea lice management and minimize the number of adult female lice at our sites, especially during the period when wild salmon smolt migrate out to sea. Our goal is to manage sea lice in an integrated manner and reduce the use of medicines, through the application of strategic, preventative and non-medicinal measures. We continue to develop and implement better management practices as well as share best practice in lice management throughout our operations.

Our R&D activities target innovative physical and biological methods to control lice. We continue to respect precautionary statutory limits, set by relevant authorities, on the maximum number of lice per fish.

2016 RESULTS

We continued to work diligently at the operational level, and have taken great strides towards our goal of managing sea lice in a more integrated and sustainable manner, while reducing the use of medicines.

In 2016, we reinforced the importance of our lice strategy (see illustration), significantly increased our R&D activities to find new and better solutions (see R&D section) and invested heavily in the use of alternative approaches to lice management. The latter included the more widespread application of preventative measures, use of cleaner fish and non-medicinal treatment systems.

Equipment to prevent infection (skirts and deep lights) was used more comprehensively in 2016. At operations with non-medicinal treatment systems, an average of 31% (range 17-58%) of all treated fish were treated using non-medicinal tools. We made further investments in cleaner fish production (Norway, Scotland and Ireland) and cleaner fish R&D globally, and installed dedicated cleaner fish coordinators at each of our European operations. For those operations with access to cleaner fish, an average of 76% of all sites used cleaner fish in 2016.

The average monthly percentage of sites above statutory sea lice limits for each Business Unit is shown in the graph at the end of this section. Good progress was achieved in Ireland, Canada and to some extent Chile. In Norway, the percentage of sites that exceeded lice limits (average monthly basis) was higher in 2016 than in 2015 (8% and 4% respectively) mainly because of increased lice pressure in specific areas. Disappointingly, several factors, including abnormally high water temperatures for extended periods, insufficient cleaner fish capacity, limited access to non-medicinal treatment systems and extraordinary lice pressure, singly or in combination, precluded optimal control and hampered full application of our strategy in in Scotland.

The increase in losses associated with delousing interventions highlights the need to strengthen our efforts to further develop integrated approaches and optimize non-medicinal treatment systems.

PRIORITIES GOING FORWARD

Maintaining low levels of sea lice at our sites will remain our first priority. We will increase our capacity with regard to non-medicinal systems, optimize existing solutions, develop new and cost-effective methods and increase our expertise with regard to cleaner fish use and welfare. In the longer term, our ambition is to ensure that sea lice control is based principally on integrated and non-medicinal approaches, allowing us to reduce the amount of medication needed.

How to crack the salmon sea lice challenge

The goal is to reduce infection pressure and medicine use

Provide your cleaner fish with a good workplace

- **Health** - feeding is necessary to ensure hardworking and healthy cleaner fish
- **Environment** - a clean environment in the pens ensures that the cleaner fish work optimally
- **Safety** - appropriate number of well designed hides provides a safe working environment

Count lice weekly in every pen

- To take action early, we must know the level of lice at all times

Protect your fish if there is high infection pressure

- Skirts, deep lights and deep feeding can help

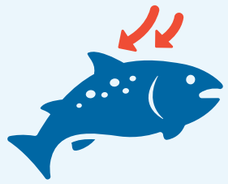
Intervene early, on a pen level

- Pens that approach 0.2 adult females should be treated
- Choose non-medical intervention as the first option
- Single pen intervention should always be in compliance with internal guidelines

Measure your progress

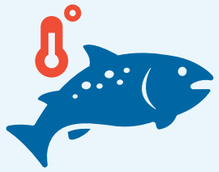
- Register the number of adult female lice on pen level
- Register the number of medical interventions
- Register the use of non-medical interventions

Non-medicinal tools



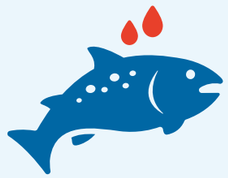
Flusher

Physical removal of lice using jets of seawater (FLS-flusher, Hydrolicer)



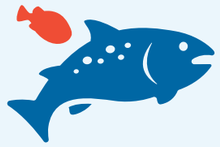
Thermal

Physical removal of lice using warm seawater (Thermolicer, Optilicer)



Freshwater

Removal of lice using freshwater bath



Cleaner fish

Biological control using cleaner fish (wrasse/lumpsuckers)

77%
(average) of all sites used cleaner fish in combatting sea lice

31%
(average) of all treated fish treated using non-medicinal tools

50%
reduction in total medicine use

Use in operations

(% of non-medicinal treatments)

MEDICINE USE

THE CHALLENGE

Licensed medicines may have potential environmental impacts if used too frequently. The risk of sea lice developing reduced sensitivity to medicines is also a concern for the industry.

OUR EFFORTS

With our strong focus on optimizing fish survival and preventing disease, licensed medicines are used only when absolutely necessary. Sea lice medicines are additional tools for managing infection and ensuring lice from farms do not impact wild salmonids. We use licensed antibiotic medicines only when fish health and welfare are at risk from bacterial infection. Such medicines are applied in a responsible manner, never prophylactically, and we make sure there are no residues at harvest.

2016 RESULTS

Lice management

Licensed medicines for lice control were prescribed and used only when required, under the supervision of authorized veterinarians and fish health professionals. As a consequence of the broader implementation of our sea lice strategy and use of non-medicinal treatment systems, our medicine use fell sharply in 2016. The use of oral medicines, topical medicines and hydrogen peroxide declined compared to 2015. From 2015 to 2016, our total medicine use and total active substance use (g/t biomass produced) were reduced by 49.6% and 44.4% respectively as a result of the success of our sea lice strategy and the increased use of non-medicinal methods.

Bacterial challenges

Licensed medicines for bacterial infections were prescribed and used only when required, and under the supervision of authorized veterinarians and fish health professionals. For information about withdrawal periods and medicine residues in our end products, please see the Product section.

As in previous years, no antibiotics were used in our operations in Norway or the Faroe Islands. This reflects minimal bacterial challenges and the success of current vaccines. Antibiotic use increased in Scotland, Ireland and partly in Canada because of increased gill health challenges, a case of furunculosis and continuing challenges with mouth rot, respectively. In total, our use of antibiotics (gram of active substance per tonne produced) to combat bacterial infections decreased from 82 g in 2015 to 53 g in 2016. Antibiotic use in Chile reflects the continuous challenge posed by Salmonid Rickettsial Septicemia (SRS) throughout the industry, and the ineffectiveness of today's vaccines. In 2016, we initiated several R&D projects for the prevention and mitigation of SRS, including the testing of a promising new vaccine. For an overview of our use of antibiotics, please see the graph at the end of this section.

The number of fish treated with antibiotics remained low and decreased to 0.2% in freshwater (0.4% in 2015) and 2.6% in seawater (4.8% in 2015) in 2016.

PRIORITIES GOING FORWARD

Reducing the application of antibiotics in our operations will remain an important priority. Results from several major R&D projects are expected to reduce biological risk and help to cut antibiotic use, particularly in Chile. Continuous implementation of our lice strategy, non-medicinal control methods and the ASC standard are expected to contribute to further reduction as well.

LICE MEDICINE USE: ACTIVE SUBSTANCE (GRAM OR LITER) PER TONNE BIOMASS PRODUCED

	ORAL (g/t)	TOPICAL (g/t)	PEROXIDE (ltr/t)[1]
2016	3.9	1.6	22.2
2015	4.8	2.5	42.3
2014	1.6	3.3	24.1
2013	4.1	2.8	17.7
2012	0.8	4.8	10.9

1) Hydrogen peroxide also used for the control of Amoebic Gill Disease (AGD).

Biological lice control using cleaner fish

Cleaner fish are fish that provide a service to other fish species by removing parasites that live on the outside of the host, like sea lice. In Marine Harvest we use cleaner fish (Lumpsuckers and Ballan Wrasse) for biological sea lice control.

Lumpsuckers or lumpfish are mostly small scorpaeniform marine fish of the family Cyclopteridae. They are found in the cold waters of the Arctic, North Atlantic, and North Pacific oceans.

The wrasses are small marine fish of the family Labridae. The wrasse family is large, with over 600 species, in Marine Harvest we use the specie ballan wrasse.

Cleaner fish are efficient for removing sea lice from salmon. In Marine Harvest we use wild caught and farmed cleaner fish. We farm lumpsuckers and ballan wrasse for own use and aim to become self-sufficient with farmed cleaner fish. In 2016, approximately 75% of all our sites used cleaner fish for sea lice control.

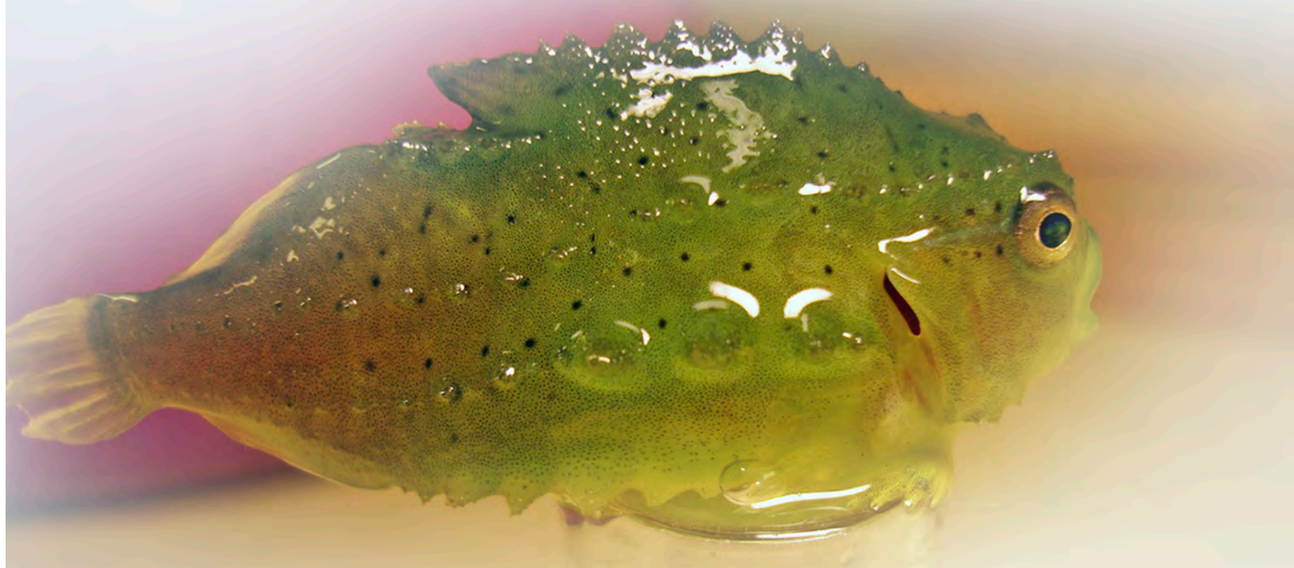


Image above is a Lumpsucker

How do we measure the potential impact of organic loading in the seabed?

Planning sea investigation

Firstly, we plan and schedule our investigation and analysis process

Sediment collection

Secondly, we collect sediment samples at different locations around the sea site. Sediment samples are taken at peak production when maximum organic loading occurs.

Sediment analyses

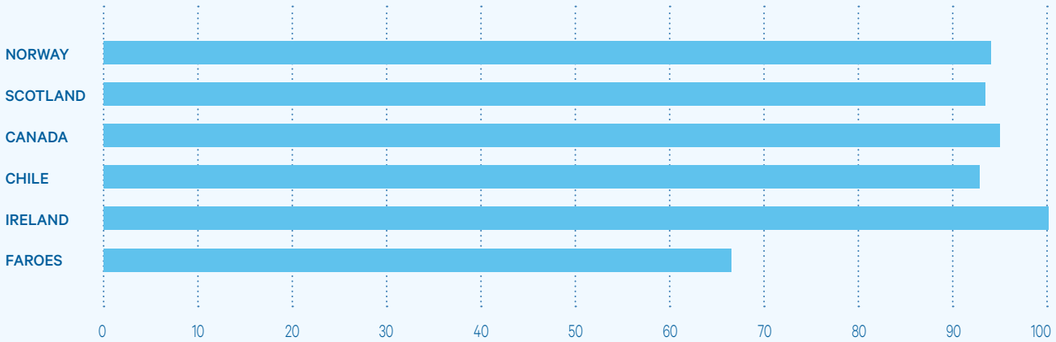
Thirdly, the sediment is analyzed for different parameters such as pH and redox potential, sensory parameters, free sulphide, and/or presence or absence and type of macrofauna.

Evaluation of impact &mitigation action in needed

Finally, the sediment analysis is reviewed and mitigation actions initiated, if necessary. National regulations define seabed quality standards and corrective actions

% OF SITES WITH MINIMUM IMPACT

ACCORDING TO NATIONAL SEABED QUALITY STANDARDS



Note: In Norway, seabed quality standards are defined by the Fisheries Directorate. In the figure above, data from Norway and the Faroes refer to sites classified as 1 or 2 in MOM-B surveys. (MOM, short for 'Matfiskanlegg Overvåking Modellering', is a Norwegian fish-farm monitoring and modeling scheme.). The MOM-B surveys are performed regularly by third-party companies under and in the closest vicinity of the net pens, and are based on indicators such as pH and redox, sensory parameters, and presence and/or absence of macrofauna. The performance of these indicators against predefined thresholds categorizes the farming location into different environmental conditions: 1. Low, 2. Medium, 3. High-organic loading and 4. Organic overloading. In Ireland, national compliance is based on positive redox potential. In Scotland, classification is based on SEPA's criteria for seabed quality standards. In Chile, classification is based on Sernapesca's criteria for seabed quality. In Canada, seabed quality standards are defined by the Department of Fisheries and Oceans Aquaculture Activities Regulation. Compliance is based on sediment free sulphides at soft bottom sites and the presence/absence of Beggiatoa sp. and Opportunistic Polychaete Complex (OPC) at hard bottom sites.

BIODIVERSITY

THE CHALLENGE

We recognize the importance of biodiversity and understand that our activities could, potentially, impact biodiversity as a result of sea lice, medicinal treatments, fish escapes and organic loading/nutrient release. It is our responsibility to preserve the pool of biological diversity available to future generations. For this reason, we strive to keep our impact to an absolute minimum.

OUR EFFORTS

In 2016, we once again paid due regard to critical, highly sensitive environmental areas, special areas of conservation (SAC) and/or special protected areas (SPA) in the vicinity of our sites.

Some of our sites are located close to protected areas or highly sensitive areas with respect to biodiversity. For example, in Norway, we operate three sites in a protected area and have additional sites located on the border of wildlife conservation areas. In Scotland, we operate two marine sites in SAC, five marine sites in areas classified as both SAC and Marine Protected Areas (MPA) and six marine sites in MPAs. The MPAs were set up in 2014, and all but one of the farms were already in place before the scheme was established. The designation of protected areas (SACs and MPAs) with existing fish farms reflects the minimal impact that farming has in these areas. In Canada we have 12 marine sites border the Broughton Archipelago Provincial Marine Park, which is home to several species of marine mammals. However, none of our sites operates near official High Conservation Value Areas (HCVA) or federal MPAs. In Chile, we operate two marine sites located in a nature sanctuary called Estero Quitralco. In Ireland, five of our marine sites are located within special areas of conservation. These sites have several habitats listed on Annex I of the EU Habitats Directive, such as reefs, large shallow inlets, bays, tidal mudflats and sand flats. A further two marine sites are located within five kilometers of SPAs designated under the EU Birds Directive. For all of these protected sites, we undertake annual monitoring of benthic populations, resulting in a comprehensive database of seabed animals under and adjacent to our sites. This, coupled with careful feed management and site fallowing, will continue to ensure that our production does not negatively affect such areas.

2016 RESULTS

Our farming operations are Global GAP, BAP and/or ASC certified. These standards include criteria to minimize impacts on the environment and preserve biodiversity. This is particularly the case in the ASC standard. As previously mentioned, we are committed to becoming 100% ASC certified by 2020. In addition, our responsible sourcing policy for feed ingredients is key to ensuring that both the marine and non-marine raw materials used in our fish feeds do not compromise biodiversity. Both our own feed plants and external feed suppliers must comply with this policy (see sustainable feed section).

In 2016, we continued to measure the potential impact of organic loading from our farming operations on seabed communities in accordance with mandatory national surveys. Results show that more than 90% of our sea farms have a minimum impact on faunal communities and /or sediment chemistry in the proximity of fish pens. When the impact on the seabed is considered unsatisfactory (one site in the Faroes, three in Scotland, two in Chile, two in Canada and five in Norway), we take corrective action. This may include reducing production and/or increasing the fallowing period, i.e. the time between production cycles, to allow seabed communities to recover from organic loading.

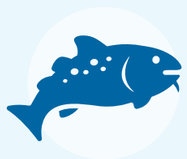
Preserving biodiversity: 18 projects

2 projects on benthic monitoring	Canada and Norway
6 projects on interaction with wild populations	Canada and Norway
2 projects on water quality	Norway
2 projects on removal of escapes from rivers	Norway
3 projects on re-stocking programs of wild salmonids	Canada and Scotland
3 projects on waste reduction by recycling of nets	Norway, Scotland and Ireland

Main projects

The promise of eDNA for benthic monitoring

Next-generation sequencing of environmental DNA (eDNA) is a promising tool for monitoring the benthic impact of salmon farming. We are working together with the University of Geneva (Switzerland) and Aarhus university (Denmark) to validate this technology in Norway and Canada.



Mapping spawning grounds of Atlantic cod

We are collaborating with the Institute of Marine Research (IMR) in Norway to obtain data on egg production and recruitment of Atlantic cod in the area of Smøla and Aure in Norway. The goal of this project is to evaluate the potential impact of salmon farming on local spawning ground of Atlantic cod.

Waste reduction by recycling of nets

In 2016, a total of 124 839 kg of our nets were recycled in Norway. In addition to preventing GHG emissions (449 420 kg CO2e) this recycling program represented 99 871 kg of waste that did not end up in landfills, incineration or ending up at sea. In Scotland and Ireland, 17 and 41 nets were recycled respectively.

"Next-generation sequencing of environmental DNA (eDNA) offers a new tool for cost and time-effectiveness and sensitive environmental monitoring of marine aquaculture. Right now eDNA analysis supplements the traditional method, but in the near future it will replace it for routine monitoring."

Professor Jan Pawlowski, University of Geneva and founder of ID-Gene ecodiagnostics, Switzerland

During 2016, we ran a total of 18 projects aimed at understanding our potential impact on biodiversity (three of these projects are highlighted in the illustration). In Norway Region West, we strengthened our collaboration with the local fishery associations in some areas (Ørsta and Sykkylven) to remove escaped fish from local rivers. In Norway Region South, we worked in collaboration with Marin Overvåkning in Rogaland and Hordaland to monitor the effect of the aquaculture industry on the county's water quality. In the same region in Norway, we also contributed to a wild salmon enhancement and cultivation program in the Vosso River.

In Scotland, we helped to operate a dedicated wild-fish hatchery, producing fry and smolt for restocking the local River Lochy and River Garry, in collaboration with Scottish & Southern Energy, Ness & Beauly Fisheries Trust, Ness District Salmon Fishery Board, Scottish Environment Protection Agency, and the Rivers and Lochs Institute. Also in Scotland, we worked with the Royal Society for the Protection of Birds, Forestry Commission, Wildfowl and Wetlands Trust, Ness & Beauly Fisheries Trust, Blue Energy, Scottish Natural Heritage and Scottish and Southern Energy to improve the breeding population of the common scoter (Melanitta nigra).

In Canada, we are running three projects to develop new strategies and implement new infrastructure to minimize interactions with marine mammals. Also in Canada, we are running a project to evaluate the transfer of lice between wild salmon and farmed salmon populations.

PRIORITIES GOING FORWARD

We will continue to refine our approach to biodiversity through internal and external engagement with key stakeholders including non-governmental organizations (NGOs). Our biodiversity-related projects will continue to focus on important areas, including interaction with wild populations, benthic biodiversity and the recycling of nets. As we move towards our goal of becoming 100% ASC certified, we will also ensure we continue to operate in a way that conserves our natural capital and biodiversity.

SUSTAINABLE FEED

THE CHALLENGE

Feed is decisive for optimal fish health and performance. When considering the Life Cycle Assessment[1] of salmon farming, feed also makes the largest contribution to its environmental footprint. To remain at the forefront with regard to environmental responsibility, we prioritize the sourcing of sustainable feed ingredients and work hard to utilize the feed as optimally as possible at our fish farms.

OUR EFFORTS

Sustainable Raw materials

Sourcing sustainable feed ingredients is crucial if we are to remain a front-runner with regard to environmental responsibility. Our policy for sustainable feed ingredients applies to all feed purchased externally as well as the feed we produce ourselves.

Our feed plant in Bjugn, Norway, is Global GAP certified. In 2016, the plant produced 310 000 tonnes of fish feed, which was distributed to all our farms in Norway, except our northernmost and southernmost farms. Our Bjugn feed plant produced 86.5% of the total feed volume used by our sea farms in Norway in 2016. In addition, the plant sold some volumes to third parties. The following section discusses the sustainable raw materials used in, and the assessments made with respect to, our in-house feeds.

All ingredients (marine and non-marine) used in the production of feed are fully traceable (for marine raw materials please see the illustration on the following pages). Marine raw materials are sourced from suppliers who adhere to responsible fishery management practices (according to MSC (Marine Stewardship Council) and/or IFFO RS scheme (IFFO: The Marine Ingredients Organization) and/or Fish Source scores ≥ 6 in all categories and ≥ 8 in the biomass category), and none originates from Illegal, Unregulated and Unreported (IUU) catches or from fish species classified as endangered on the International Union for the Conservation of Nature (IUCN) red list.

We support global efforts to increase purchases of sustainably sourced vegetable raw materials, and e.g. soya shall not originate from areas of deforestation. The producer shall also ensure land and water use is lawful, and respect the needs and rights of smallholders and indigenous peoples as well as protect workers' health and rights. Compliance with these prerequisites is verified through soya certifications, such as the Round Table for responsible Soy (RTRS), ProTerra and equivalent schemes. Soya used in our own feed production is non-GM (not genetically modified), and is 100% sourced from Brazilian producers with ProTerra certification.

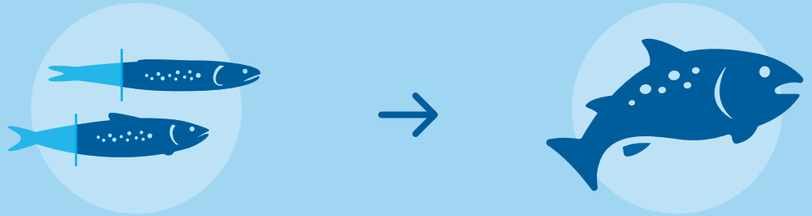
1) Life Cycle Assessment (LCA) determines the environmental impacts of products, processes or services, through production, usage, and disposal.

Salmon feed
What's in it?

We tailor our feeds to match the changing requirements of the fish through their life-cycle

* Where supplements includes vitamins and minerals

Does our salmon production deplete scarce marine resources?



0.77 kg
Wild fish

1 kg
Farmed Atlantic salmon

0.77
FIFO in 2016

Fish in- fish out (FIFO) express the number of kg of wild fish it takes to produce 1 kg of salmon (excluding trimmings). The species used in fish meal and fish oil production are from reduction fisheries and trimmings not used for human consumption. In 2016 0.77 kg of low consumer preference wild fish (like anchovy and sardina) produced 1 kg of atlantic salmon.

Where does our marine raw materials come from and are they from responsible and sustainable fisheries?

FISH MEAL	VOLUME (TONNES)	% OF TOTAL VOLUME
Herring, capelin, blue whiting, herring trimmings	6 878	19
Peruvian anchovy	12 161	34
Gulf menhaden	3 156	9
Moroccan sardine, round Sardinella, Moroccan sardine trimmings	11 100	31
Redeye round herring, European anchovy, South African pilchard	2 350	7
Total fish meal (tonnes)	**35 645**	

Country of origin
Peru, Mauritania, Panama, USA, Morocco, China, South Africa, Turkey, Chile, Denmark, Norway.

FISH OIL	VOLUME (TONNES)	% OF TOTAL VOLUME
Peruvian anchovy	4 754	15
Pacific anchovy	2 544	8
Moroccan sardine, round Sardinella, Moroccan sardine trimmings	5 206	16
Gulf menhaden	16 133	51
Baltic sprat, Atlantic herring, European pilchard, North Sea sprat, Sandeel, Norway pout, blue whiting, trimmings	400	1
Moroccan sardine, Japanese anchovy	535	2
European anchovy, Moroccan sardine, round Sardinella, Peruvian anchovy, flat Sardinella	1 850	6
Atlantic salmon (farmed)	450	1
Total fish oil (tonnes)	**31 872**	

Country of origin
Faroes, Iceland, Mauritania, Morocco, Peru, South Africa, USA and Norway.

100%
from responsible fisheries

Our policy: Our marine raw materials processed from whole fish shall be sourced from suppliers who adhere to responsible fishery management practices and that are certified as sustainable (e.g. IFFO-RS or similar)*.

* Marine Harvest Fish Feed Policy.

Does our vegetable proteins come from sustainable sources?

100%
ProTerra soy

We support efforts to increase purchases of sustainably sourced vegetable raw materials. The soy used by our own fish feed production is 100% sourced from Brazilian producers with ProTerra certification.

2016 RESULTS

1.14 kg of feed used to produce one kg of salmon

The lower the feed conversion rate (FCR)[1) 2)], the less feed we use to produce salmon fillets, and the more efficient our utilization of the feed raw materials is. In 2016, we used 1.14 kg of feed to produce 1 kg of salmon. In 2016, feed with a higher energy content, in Chile and Canada, and upgrades to the feed control systems used in Canada, gave a substantially reduced FCR compared to previous years. As a result, 100 g less feed was used to produce a 5 kg salmon in Canada, and 150 g less in Chile, in 2016 than in 2015. On average, however, in Norway, Scotland, and the Faroes, we used 100 g more feed per 5 kg salmon produced in 2016 than in 2015. A comprehensive survey to identify the main drivers and success factors for FCR and growth, which got underway in 2016, will continue in 2017. We work actively to improve feed efficiency and reduce the feed volume needed to produce salmon, while optimizing the use of sustainable feed for maximum growth.

Reduced dependence on wild fish for salmon farming: 0.77 kg of wild fish to produce 1 kg of salmon

Sustainable marine raw materials are finite and nutritionally valuable feed resources, which provide a range of essential nutrients for Atlantic salmon. Removing all marine raw materials from salmon feeds would not improve the sustainability of salmon farming per se. However, reducing our dependence on fish meal and fish oil is a sensible approach to ensure that the salmon farming industry can continue to grow sustainably in the future as well.

Dependence on marine raw materials for farmed salmon production can be expressed as Marine index [3)], Fish in-Fish out [4)], and Fish Meal and Fish Oil Forage Fish dependency.[5)]

Three main approaches have been taken to reduce dependence on wild fish in salmon farming. First, improved knowledge of salmon nutrient requirements has, over the last 15 years, made it possible to incorporate a higher proportion of other types of protein and lipid raw materials in the fish feed. As long as Atlantic salmon's dietary requirements are met, a range of vegetable, animal, fish and other raw materials can provide the necessary nutrients. Secondly, feeding and farming practices minimize feed loss and improve utilization of the feed, and thirdly, the use of fish trimmings to produce fish meal and fish oil significantly reduces dependence on wild-fish catches.

As a Group, we needed only 0.77 kg of wild fish to produce 1 kg of farmed salmon in 2016. This is a slight reduction from 2015 and a natural consequence of our development of feed and feeding techniques. Regional differences in customer preferences, such as the production of organic salmon in Ireland and Label Rouge in Scotland, reflect the higher MI, and the FIFO of zero in Ireland, where all marine ingredients are from trimmings. Canada and Chile have the highest replacement of FM and FO by other raw materials, which is reflected in the lowest MI, FIFO and FFDRo and FFDRm scores. We will continue our efforts to optimize feed formulations and feeding efficiency to further reduce dependence on wild fish.

Good source of EPA and DHA Omega-3 fatty acids

It is a well-known fact that the level of Omega-3 fatty acids EPA and DHA has decreased in our feeds and salmon fillets over the last 10-15 years. This is because fish oil is a limited resource that has been partly replaced with vegetable oils. This has been necessary to ensure the sustainable growth of Atlantic salmon production. Before the year 2000, salmon feed contained only fish oil as an energy source, resulting in Omega-3 levels far above those found in wild salmon. Today, the level of EPA+DHA in farmed salmon is comparable with levels found in wild Atlantic salmon.

We have a minimum standard for EPA and DHA per 100 g fillet which is the same regardless of which country our salmon is farmed in. The actual content of EPA and DHA in fillets from harvested fish is closely monitored to ensure that the minimum standards are met. In Norway alone, more than 1 400 samples of salmon fillets were analyzed in 2015 and 2016 to document that the EPA and DHA levels equaled 1.2 g per 100 g. One 140 g portion will therefore cover a week's recommended daily intake, and help protect consumers against cardiovascular disease and other forms of ill health. For more information, please see the Health Benefits of Salmon illustration in the Product section. Our Atlantic salmon farmed in Scotland contain higher levels of EPA and DHA as they are produced according to customer-specified standards.

1) Biological Feed Conversion Ratio (bFCR) expresses kg feed used to produce 1 kg salmon, including the biomass that does not survive to harvest.

2) Economic feed conversion ratio (eFCR) expresses kg feed used to produce 1 kg salmon, including only the sellable biomass at harvest.

3) Marine index (MI) is % (FM + FO) of total ingredients in the feed (g per 100g).

4) Fish in-Fish out (FIFO) expresses kg wild fish it takes to produce 1 kg of salmon excluding trimmings.

5) Forage Fish Dependency Ratio (FFDR) expresses kg wild fish needed to produce 1 kg salmon, calculated separately for fish oil (FFDRo) and fish meal (FFDRm). The ASC standard for salmon production sets limits on FFDRo and FFDRm.

PRIORITIES GOING FORWARD

Our global feed priority is to safeguard sustainable growth by ensuring that our feed is produced from sustainable raw materials, that the feed quality maximizes feed utilization, and that we apply sustainable feeding practices. Maximizing marine-phase survival will reduce feed wastage, and optimize feed utilization and sustainability. During each phase of the farming process, we therefore give priority to ensuring we meet the salmon's nutrient requirements. Only then will we be able to produce high-quality, robust salmon that are both healthy and tasty to eat.

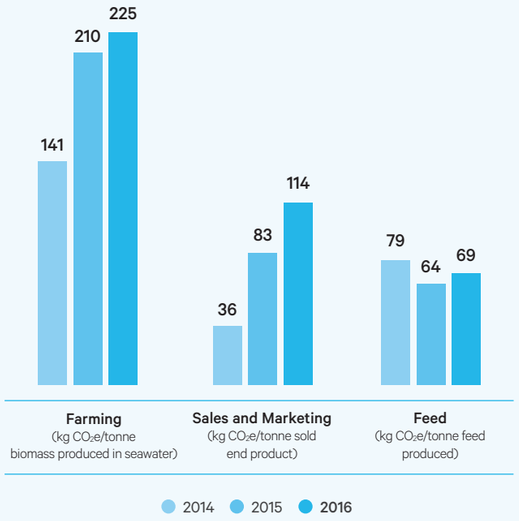
We work systematically to develop feeding practices that optimize and improve FCR and growth in a sustainable manner. Efforts to identify success factors and drivers for optimal feed utilization and growth were initiated in 2016. In 2017, we will continue to develop a best practice guide for feed and feeding, and share expertise throughout the Group. Our ambition is to maximize the volume produced per unit of feed through better feed conversion. Feed utilization is at its best when growth potential is maximized. In Chile and Canada, we have seen historically low bFCR results in 2016. This has been achieved through improved feed quality in both countries, a modified feeding strategy in Chile and the upgrading of feeding and monitoring systems in Canada.

Our established feed sustainability policy and our practice of purchasing sustainably sourced marine and non-marine ingredients will continue and be further developed at our feed production plant in Norway and the new plant in Scotland.

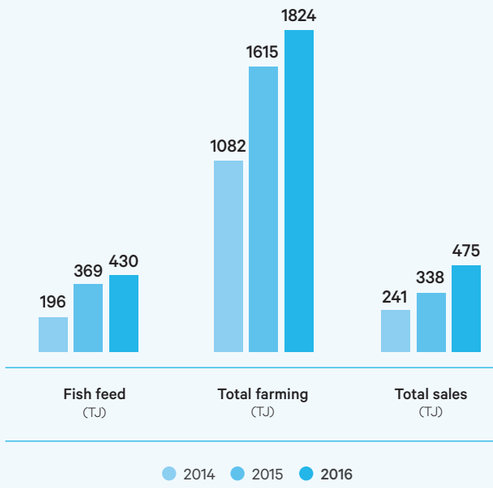
We will continue our efforts to identify novel sustainable and affordable raw materials for inclusion in future fish feeds. By understanding our salmon's nutrient requirements and widening the raw material basket, we will gain the necessary flexibility to supply the greater volumes of sustainable and affordable feed that will be needed in the future. Our ambition is to reduce our dependence on any single raw material, whether it be wheat, soy, fish or corn protein, and to increase flexibility in the choice of oil and EPA and DHA sources.

Sustainably sourced fish oil is an excellent raw material for salmon feed and a good source of the essential Omega-3 fatty acids EPA and DHA. However, it will not be possible to meet future growth in aquaculture with fish oil as the only source of EPA and DHA, because available global fish oil volumes are constant or declining. A key bottleneck for future growth in feed volumes is the development of new, affordable and sustainable sources of EPA and/or DHA. In addition to our own in-house research in this area, we are participating in a project to develop EPA and/or DHA for salmon feed from phototrophic algae by "trapping" carbon emissions from oil refineries, thereby utilizing carbon dioxide as a resource. The Norwegian project CO_2Bio and CO_2Food is therefore important for the development of sustainable and cost-effective sources of EPA and/or DHA. This project, along with ongoing developments of phototrophic algae, vegetable EPA and/or DHA oil sources, will ensure the creation of sustainable feeds with more flexibility in raw material choice. We aim to make sure that farmed Atlantic salmon remains a healthy food, providing essential minerals and vitamins and maintaining its position as one of the best sources of EPA and DHA in our diet.

INTENSITY OF GHG EMISSIONS PER BUSINESS AREA



ENERGY USE PER BUSINESS AREA



ASC CERTIFIED SITES - ACCUMULATED NUMBERS (% OF TOTAL NUMBER OF SITES TO BE CERTIFIED)

2016: 7 sites certified (23%)

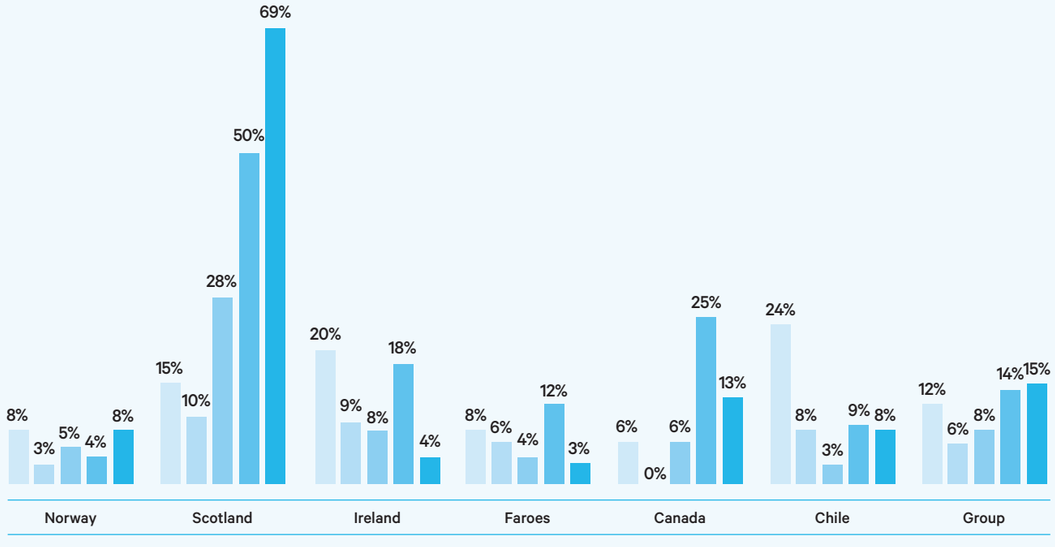
2016: 3 sites certified (14%)

2016: 3 site certified (38%)

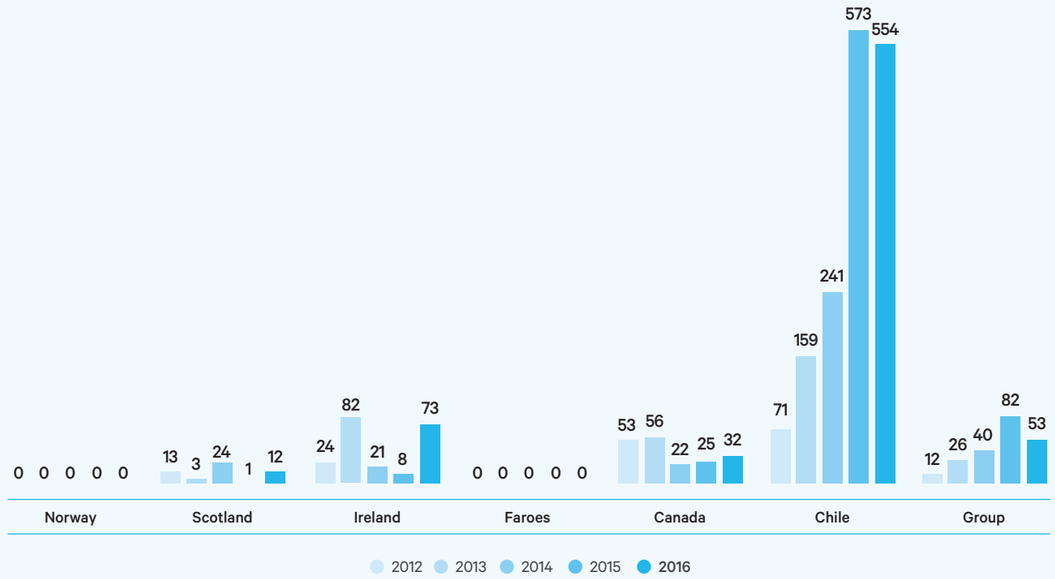
2016: 2 sites certified (4%)

2016: 43 sites certified (35%)

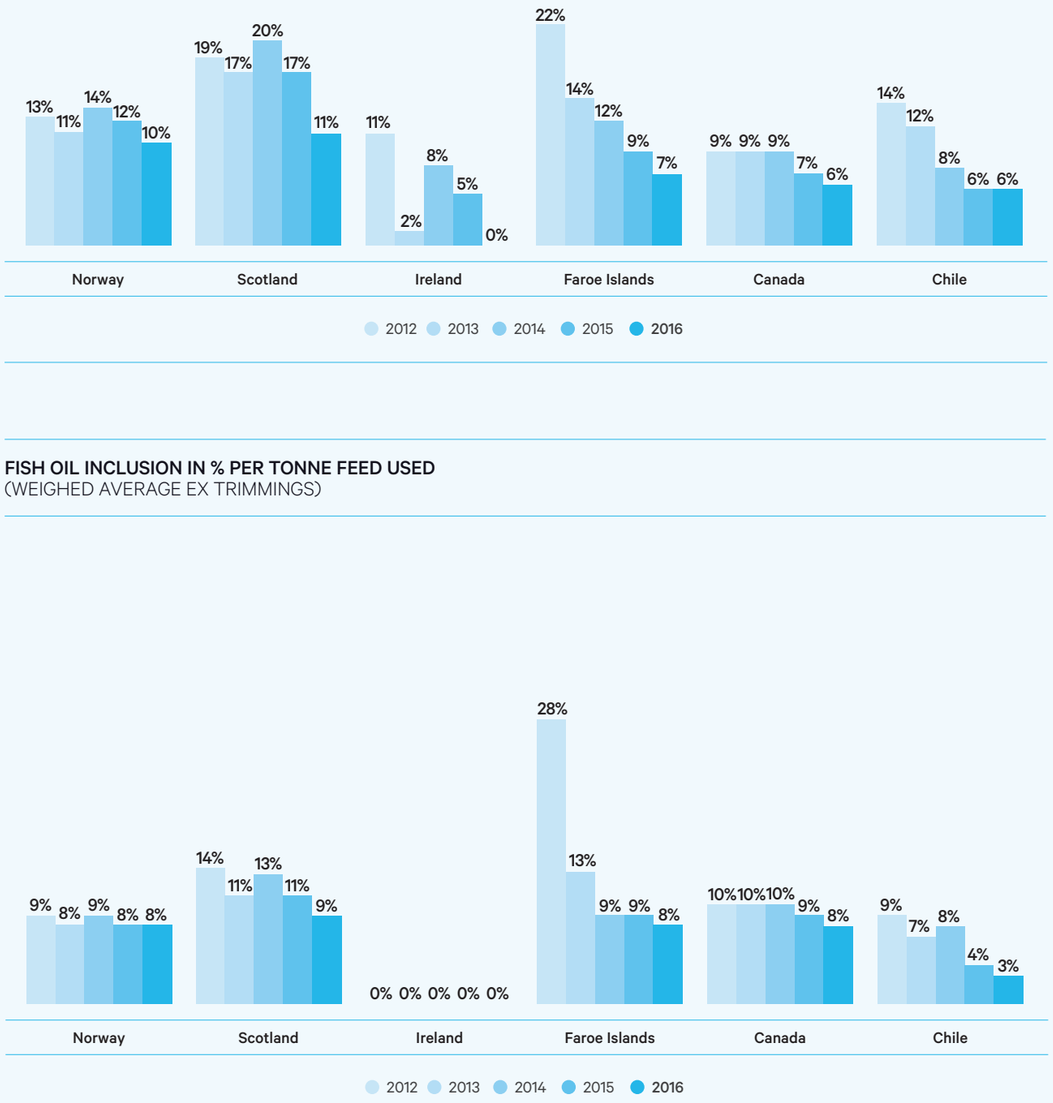
% OF SITES ABOVE NATIONAL SEA LICE TRIGGER LEVELS



ANTIBIOTIC USE - ACTIVE SUBSTANCE (GRAM) PER TONNE BIOMASS PRODUCED



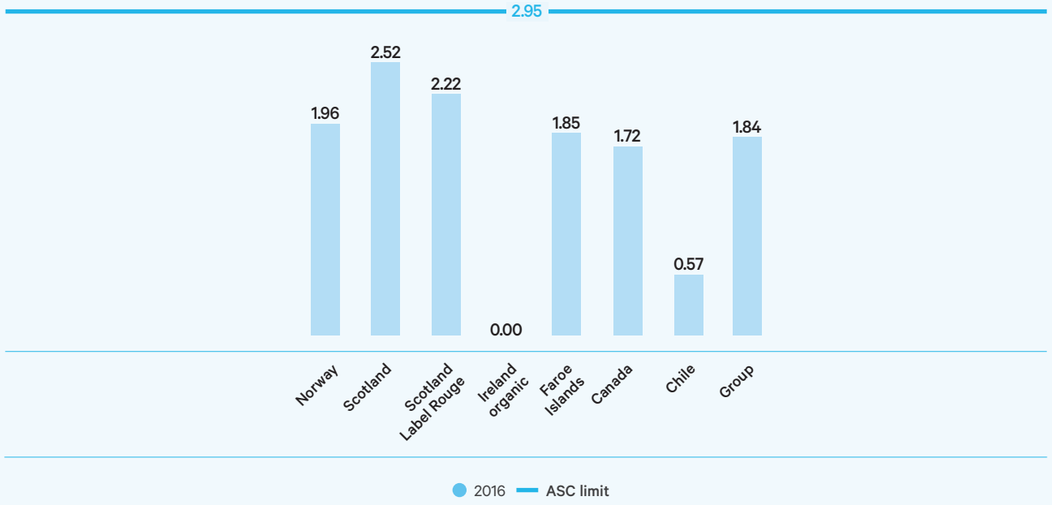
FISH MEAL INCLUSION IN % PER TONNE FEED USED
(WEIGHED AVERAGE EX TRIMMINGS)



FISH OIL INCLUSION IN % PER TONNE FEED USED
(WEIGHED AVERAGE EX TRIMMINGS)

FORAGE FISH DEPENDENCY RATIO - MEAL
(EX TRIMMINGS)

FORAGE FISH DEPENDENCY RATIO - OIL
(EX TRIMMINGS)



Investing in the future - the Steinsvik experience

Strong and healthy smolt have always been crucial for the quality and cost of our final products. Given the increasing intensity of rough weather and the biological challenges posed by sea lice, the quality of the smolt when they are transferred to the sea has never been more important.

For this reason, we believe that, in the future, our smolt must be larger and stronger. We have therefore placed additional emphasis on selective breeding and genetics to produce more robust individuals. We have also invested in several Recirculating Aquaculture Systems (RAS) to provide optimal freshwater growing conditions for the juvenile fish before they are ultimately transferred to our sea farms. In the words of Chief Operating Officer Farming Norway and Chile, Per-Roar Gjerde: "To remain at the forefront of the industry, and to safeguard the quality and cost-effectiveness of our final products, it is extremely important for us to be self-sufficient with regard to high quality smolt."

The recently completed Steinsvik smolt facility is one of our 23 freshwater facilities in Norway, and is fully equipped with RAS technology.

FROM SMALL TO LARGE

When the plan to expand and revitalize our smolt capacity in Region West Norway took shape, Steinsvik became the most obvious option.

Production manager farming, Region West Norway, John-Ivar Sætre, said: "At the time, Steinsvik was the smallest smolt facility in Marine Harvest Norway, but had the capacity for making the necessary expansion."

The location in Steinsvik had everything in place as regards regulations and permits, as well as having site and water agreements in order. Since the site is located in an area where we already have a lot of breeding activity, and the experienced personnel required to produce a top-quality smolt, it was decided that Steinsvik was a good investment for the future.

GIVING BACK

Steinsvik is located in Dalsfjorden in the municipality of Volda, which has a population of just over 9 000 people. The Steinsvik expansion brought several benefits to the local community including an increase in the number of employees from four to 15. Sætre said: "Steinsvik is a small village, and of the 15 employees at the facility, ten live locally, while the others live in neighboring villages. The facility makes it possible for people to work in the village instead of commuting to the municipal center in Volda, or even further away."

The expansion has also caused more people to settle in Steinsvik. The presence of the smolt facility has benefited the local store, suppliers and local services in general.

John-Ivar Sætre said: "The site has brought substantial benefits to this small village, and has received almost only positive comments. There was minimum disruption to the people living in the area during the 18-month building period."

INSPIRING THE COMMUNITY

In Steinsvik, we have a good dialogue with community associations and our neighbors, and meetings have been held to inform local people about the operation. These meetings have also been a good way for us to interact with and get feedback from the community, making it possible to implement additional measures where necessary.

When asked about the Steinsvik site, Volda's Mayor Jørgen Amdam said: "I was very proud to welcome Marine Harvest to Steinsvika. I have already visited the facility several times, and I find their passion for the local community very inspiring. The jobs that Marine Harvest are creating at this facility are obviously very important for Steinsvika and Volda."

RECYCLING

John-Ivar Sætre said: "We have established and upgraded our water intake installations, and taken steps to protect the wild fish in the river under all conditions. We have also installed high-tech solutions for effluent treatment."

Because the Steinsvik facility makes use of Recirculating Aquaculture System (RAS) technology, which involves recycling the water used in production, it also contains a large water treatment plant. The use of RAS technology offers the highest level of production control and reliability. Since the facility went into operation, the water temperature has been stable and growth rates have been good. Steinvik's capacity to produce larger and stronger smolt makes it an essential component in our efforts to resolve the biological challenges experienced at our sea farms.

INVESTING IN THE FUTURE

Per-Roar Gjerde, said: "We have invested a lot of money in developing our existing freshwater facilities and building new and modern facilities that satisfy today's tough environmental standards and bio-security requirements. In this way, we are moving towards even more sustainable production. Recirculation facilities have become more important, and today's modern facilities are very different to those built five to ten years ago."

The Steinsvik experience is an example of the interdependency of our guiding principles, "Profit", "Planet", "Product" and "People". Financial profitability will always be a prerequisite for an investment project, but long-term growth and profitability will only be achieved if the investment contributes to sustainable development. RAS technology is environmentally friendly, allows better control and predictability, and thus contributes to a higher quality final product. Attention to the needs of our employees and their local communities completes our guiding principles' cycle of interdependence. New freshwater investment projects are in progress, all of them opportunities for sustainable progress.

According to Gjerde: "Smolt production in Marine Harvest Norway is increasing through several major investments. Our goal is to increase smolt quality as a result of the investments we are making. This, in turn, will make our production more sustainable, and we believe that RAS facilities are the way to go."

John-Ivar Sætre added: "The key to success is a consistently high-quality output, produced in a way that meets our goals for fish welfare, escapes, water consumption and discharges, and resulting in the best possible environmental balance sheet."

Photo: Jørn-Arne Tomasgard

Delivering healthy and tasty food to customers and consumers

We aim to continually deliver healthy, tasty and responsibly produced seafood to our customers to deliver long-term financial profitability.

2016 at a glance

New product development

Opening sushi line in Ustka, Poland and continuous growth of value added sales as a share of volumes sold.

New processing plant in the USA

Opening Dallas plant in the USA to better serve the US market with high quality fresh pre-packed products.

Health benefits of salmon

Health benefits of eating seafood reem-phasized by health authorities around the world.

Enhanced food safety monitoring

As the first salmon producer to establish in-house laboratories able to type Listeria Monocytogenes, we are now able to quickly identify the source and take immediate corrective action if Listeria is found in our source products.

MATERIAL ASPECTS	LONG TERM AMBITIONS
Product innovation	We want to be a driving force in creating market growth for value added salmon products
Healthy seafood	We will ensure that our salmon remains a healthy eating option for consumers
Safe seafood	We will ensure that salmon remains a safe choice for consumers everywhere
Quality seafood	We will continue to deliver high-quality products that our customers can rely on

PRODUCT INNOVATION

THE OPPORTUNITY

Salmon continues to be a highly attractive food item and is one of the fish species most preferred by consumers in our markets.

Salmon and salmon products have a substantial growth potential as they meet the key consumer requirements for health, sustainability and taste. The health attribute is also recognized by health authorities worldwide in their official recommendations that a well-balanced diet should include two seafood meals per week.

OUR EFFORTS

Our main product is fresh whole salmon, which represented 54% of total salmon sales volumes in 2016, compared to 78% in 2012. Since the acquisition of Morpol in 2013 there has been a shift in our sales from whole salmon towards sales of elaborated salmon products. This trend continued in 2016. In our reporting elaborated products are value-added fresh and frozen products ranging from fillets to smoked, MAP, coated and specialty products, with the last four categories characterized as further elaborated products. Please see the graph section for more information about the development of value added salmon and seafood sales and their distribution.

Our ambition is to become a leading integrated provider of healthy, sustainable food from the ocean. We continue to be a leading force in the seafood category by building on our expertise in salmon farming, our efficient value adding processing and our unwavering focus on innovation and product development. In so doing, we meet the demands of our customers and consumers, who are looking for high-quality, tasty and convenient products. We are working hard to bring down the barriers to the at-home preparation of salmon, which many consumers mistakenly consider to be beyond their culinary skills. Through our wide range of products and convenient solutions, we aim to help consumers learn how easy it is to incorporate salmon into their everyday cooking. One of our ways to assist consumers in their cooking, is our webpage thesalmonkitchen.com where we present easy to cook recipes as well as nutritional facts and frequently asked questions.

Europe

Europe is the largest and most developed market for salmon globally. There are still large variations in the size, growth and development of the salmon market in each country, providing ample opportunity for growth both within retail and foodservice. The retail market is strong, and we have relationships with key customers in all major European countries. In 2016, retail represented 80 % of our sales in Europe.

Our efforts in European retail

With our value-added seafood processing plants strategically located around Europe, we are in a good position to supply quality products to Europe's substantial retail sector. Our largest value-added processing plant is located in Ustka, Poland, and its considerable size enables us to achieve economies of scale. Since the plant was upgraded in 2015, we are now able to produce fresh sushi. Sushi has grown significantly in popularity over the last decade, and is becoming more and more mainstream. As a result, you can now find sushi anywhere, and with a wide range of different combinations and flavors. With our focus on product development, high-quality ingredients and an attractive product presentation, we believe our sushi sales will continue to grow.

www.thesalmonkitchen.com

In our other value-added plants in Europe, we continue to provide sustainable, healthy and convenient products, with tastes adapted to the local markets. We produce a full range of products, including cold and hot-smoked salmon, gravadlax, fresh and frozen salmon portions, frozen salmon delicatessen, as well as ready-to-cook and ready-to-eat products. We also offer value-added products made from species such as cod, pangasius, Alaskan pollack, redfish, plaice, haddock and shrimp.

In France, we have recently redesigned our specialties plant Appeti' Marine in Dunkerque. As a result, we are now able to offer high quality, modern aperitifs and starters. From our Kritsen plant in Brittany, we have shaken up the mature market for spreadables with three new premium products under the Kritsen brand. We have also developed a more convenient format for our top quality smoked salmon "à la ficelle" (salmon on a string) produced in Brittany.

In Belgium and the Netherlands, we continue to innovate and renew our offering to the market. In 2016, we had successful launches with our poached salmon, premium smoked salmon loins, smoked organic salmon and infusions, all from our Ostend plant in Belgium. The burgers launched in 2015, continue to perform well both in terms of distribution and sales growth.

The German market has been a success story, with significant growth in fresh salmon consumption over the last couple of years. The pre-packed products, such as salmon fillet, oven-ready and BBQ salmon, have been a large part of this success, and we will continue to innovate our offering to the German market to support the growth in the market and meet consumer needs.

The development in our Rosyth plant moves from strength to strength. The UK has long been considered a trend setting market in terms of new flavors and new product innovation, and we continuously work to identify emerging consumer preferences. We therefore continue to expand our product range, innovating around traditional and added value smoked salmon, targeting year round products as well as special seasonal lines for Christmas.

Our efforts in European Food Service

Although our main focus has been growth in the retail sector, particularly with respect to the plant in Ustka, we are now also focusing heavily on utilizing our extensive sales and distribution network to grow sales in the foodservice sector. Tracking global food trends to ensure the delivery of new recipe innovations, combined with optimal packaging solutions, to our customers is important for us and our customers.

We continue to develop existing relationships through a wide range of products, and offer category management support to our customers. Furthermore, we are simplifying the way our foodservice customers shop with us through our new e-commerce channel, allowing customers to order directly via our website. Not only does our web shop provide us with an efficient ordering platform, we also take advantage of our website to improve communication with our customers and share our seafood expertise by providing news, seafood know-how, culinary inspiration and product proposals. This has proven a success so far, with a steady increase in the number of customers using the website

USA

Salmon consumption in the USA remains low in terms of market penetration (the percentage of population eating salmon in a year) and frequency (the number of times per year salmon is eaten). According to the United States Department of Agriculture (USDA), only one in ten Americans follow the USDA Dietary Guidelines for Americans (DGA) of eating seafood twice a week USDA. However, from 2014 to 2015 we saw seafood consumption in the US increase by 6.1%, which is the largest percentage increase in 25 years. This is also confirmed by Nielsen data showing a significant growth in the salmon category from 2014-2016, with a compounded annual growth of 15.5%. One of the main barriers to seafood and fish consumption has been access to fresh fish in the retail channel. Through our new processing plant in Dallas, Texas, and our

existing plants in Miami, Los Angeles and Maine and our upcoming plant in Vancouver, Canada, we are well positioned to supply the whole US market with fresh salmon and a vast variety of other species. We believe this will expand the US market for salmon and seafood, and positively impact the consumption of fish.

Our efforts in US retail

In the USA, we are leading the Blue Revolution by introducing fresh salmon and other seafood species to geographical areas where fresh fish has previously been unavailable or in very short supply. Our skin-pack products, introduced to the American market in 2015, showed a tremendous growth from 2 200 tonnes in 2015 to close to 6 000 tonnes in 2016. With the opening of our new Dallas plant, combined with sophisticated logistical solutions, we are able to serve the same high quality, fresh salmon to American retail customers all across the North American continent. We continue to offer category management and general support to stores in order to educate store employees on the skin-pack technology and its advantages, as well as on the health benefits of salmon.

Rebel Fish is a differentiated concept with the potential to grow. The product delivers on convenience, ease of use and taste; it offers six different seasonings. In 2016, our Rebel Fish brand underwent a packaging makeover to make more of the product visible. This was well received by customers and consumers. Although Rebel Fish has not had the expected development in sales during 2016, we still have great faith in the brand, and will strengthen our focus and efforts in this area during 2017. The feedback from both customers and consumers is positive, and we believe this concept is just what is needed for Americans to discover how simple it is to cook fish.

Ducktrap is our strongest brand in the US, and comprises premium quality smoked seafood. Ducktrap uses traditional smoking techniques and combines the natural flavor of custom brining recipes with the savory smoke from local produce. In 2016, Ducktrap sales rose by 9.3% compared to 2015. This was due partly to growth in sales of existing products and partly to the introduction of new items. The Ducktrap brand remains a trusted, well-recognized and preferred brand among discerning customers and chefs in the USA, with good growth in the fourth quarter and the holiday season.

ASIA

There is a great potential for salmon in Asia; the challenge remains how to capture this opportunity. Each country and each market is different with respect to business practices, culture and eating habits. We differentiate our marketing strategies within Asia in order to meet and respect the individuality of each country. Knowledge of the culture and consumer preferences is the key to introducing customized salmon products, and our focus on marketing is helping consumers realize salmon's true potential.

"They always say time changes things, but you actually have to change them yourself."

Andy Warhol, American artist (1928-1987)

Our efforts in Asia

Our premium brand in Japan, Mowi, is built on the unique Mowi strain and the heritage going back to the very beginning of Atlantic salmon farming in Norway. Together with a strong and reliably consistent color, our Mowi salmon is perceived as an exclusive, high-quality and healthy product. In 2016, despite difficult market conditions due to high raw materials prices, we not only managed to grow the sales volume by 8% from 2015, we also increased the brand's customer base.

In Taiwan, our Supreme Salmon brand, launched in 2013, continued to make headway. Originally sold through flagship stores and restaurants, we have now moved the brand into retail. In 2016, we launched our first range of frozen ready-to-cook products. Six different flavors were introduced: three for oven baking and three for steaming. Each pack contains vacuum-packed salmon along with a sachet of sauce for consumers to cook and serve in 15 minutes. The flavors are a mix of traditional European favorites, such as French garlic and Italian herb, and Asian inspired tastes, such as Thai sour and chili sauce with lemon and Si Chuang chop bell. The ready-to-cook line has been developed to increase salmon consumption by introducing new ways for consumers to cook it. Up to now, most domestic consumers have simply pan fried their salmon.

PRIORITIES GOING FORWARD

Our aim is to continue to grow the salmon and seafood category. We intend to achieve this by continuing to improve our market and consumer insight, innovation and product development. We will also strive to strengthen our relationships with key customers. Today, our own brands represent a small part of our business, but we have high ambitions to grow these further and will therefore increase our innovation and brand building efforts. We expect that some of these efforts will fail, while others will eventually result in profitable brands, concepts and products that consumers will love. Our intention is to be a driving force in the salmon category and for fish consumption as a whole.

Going forward, we also intend to work more closely with the foodservice sector to develop an in-depth understanding not only of their current requirements, but also of future trends, to ensure that our key customers are able to benefit as quickly as possible from emerging cuisines and formats. We will also continue to develop our e-commerce platform going forward, providing even better service to our customers and simplifying their processes.

SAFE SEAFOOD

THE CHALLENGE

Consuming farmed salmon is both safe and healthy, but some consumers remain concerned about the potential risks involved. This is a challenge for us. Like other food producers, we constantly monitor our salmon products to ensure that the levels of environmental contaminants, pathogen bacteria and medicine residues are well below the legal limits set by the authorities. Through our open and transparent reporting, we hope to help customers and consumers make informed and good choices, and give them confidence that our farmed salmon is safe and healthy for people of all ages.

OUR EFFORTS

The safety of our consumers is our top priority. There are three main areas for potential food safety hazards in salmon production, which must be monitored and controlled to ensure safe food and compliance with food safety standards. These are environmental contaminants, bacteria, medicine use and medicine residues.

Environmental contaminants

- *Traces of environmental pollutants like PCBs, dioxins and heavy metals.*
- *Widely distributed in nature.*
- *Salmon take in such contaminants mainly from wild-caught fish meal and fish oil used in salmon feed.*

We have developed comprehensive surveillance programs to monitor desired and undesired content in feed and fish and have devoted extensive resources to assess risk and evaluate and approve suppliers.

Bacteria

- *Salmonella, Campylobacter, Yersinia and E.coli are the most well-known food-borne bacteria, but rarely found in seafood.*
- *Listeria monocytogenes (LM) is the most likely food safety risk in salmon products. Listeria is not found naturally in salmon, but fish may become infected through contaminated water or inadequate processing hygiene.*

We work hard to prevent Listeria contamination in our products, both to ensure the safety of our own ready-to-eat products and to ensure that fish sold to commercial customers for onward processing is risk-free. Increased consumption of raw salmon has made it even more important to fully control this potential risk. Strict limits are also set by food safety authorities, e.g. in the USA, where the FDA limit for the presence of LM in a product is 0 ("zero"). To ensure compliance with these requirements is demanding for employees and our manufacturing facilities. We have a Hygiene Manual and hygienic design of buildings and equipment is crucial to enable proper and efficient cleaning, and to avoid growth of Listeria biofilms that can cause contamination of the product.

Medicine use and medicine residues

- *Medicines may be used in feed or bath treatments.*
- *To control sea lice or for treatment of infectious diseases if fish welfare is at risk of being compromised.*
- *Treated fish can only be harvested when the withdrawal period set by the relevant authorities has passed and testing has proven that the product is safe.*

Just like humans and other animals, our fish can become ill. We vaccinate young fish for bacterial and viral diseases. Vaccines have reduced the need for antibiotics to a minimum in most farming regions. In recent years, no antibiotics have been used in our operations in Norway or the Faroe Islands. Our fish health management procedures are designed with an emphasis on disease prevention and fish welfare, and to limit any potential spread if fish get sick. Our fish health professionals use medicines only when other measures are not sufficient, or when animal welfare may be compromised. The insufficient protection offered by today's vaccines against SRS has led to more use of antibiotics in the Chilean industry over the last few years (for more information, please see the chapter medicine use in the Planet section). Any prescription is signed by a certified veterinarian/fish health professional, and the approval process is strictly controlled by the relevant authorities. We comply with the medicine withdrawal periods set by the respective authorities at the end of any treatment. In addition to the statutory testing performed by the authorities, we do our own monitoring to verify and document to our customers that the end-product is safe. Applying medicine withdrawal periods and a comprehensive test program if medicines are used, ensures that all our products are safe.

2016 RESULTS

In 2016, we continued our rigorous testing program to screen our products for environmental contaminants, pathogen bacteria and medicine residues. In 2015, we started to clean all North Atlantic fish oils used in our salmon diets. The level of dioxins and dioxin-like PCBs in our products therefore remains low. Maintaining the trust of consumers and customers is crucial for our future success, particularly as consumers in a digital world enjoy access to a vast array of information from documented and undocumented sources alike.

In her keynote address at a celebration of the 10th anniversary of the University of Washington's Department of Global Health, Dr. Margaret Chan, Director-General of the World Health Organization, said the following: "Social media have become a new voice with considerable force, yet few safeguards governing the accuracy of its content. The proliferation of front groups and lobbies, protecting commodities that harm health, has created arguments that further muddle public thinking and challenge the authority of evidence. In a post-truth, post-fact world, views that appeal to emotions and personal beliefs are more influential than objective evidence-based facts. What does this mean for public trust in the evidence produced by science, medicine, and public health?"

No clear answer to Dr. Chan's question has as yet emerged. For now, we will continue to provide evidence-based facts from our own monitoring processes. In order to provide the security and transparency needed, we have built one of the industry's most comprehensive monitoring programs for environmental contaminants, pathogen bacteria and medicine residues.

With regard to environmental contaminants, our 2016 results show that the amounts found in our farmed salmon are well below the maximum level set for the various markets. We share this information with our customers and consumers on a continuous basis to maintain their trust in our products. The figures are available in the graphs at the end of the Product section.

The results of other contaminants tests were also good in 2016. For quite some time, however, concerns have been raised in different media and by various industry critics with regard to the presence of the antioxidant Ethoxyquin (E324) in the muscle tissue of farmed salmon. Ethoxyquin is approved as an antioxidant and feed additive in most markets, including the EU. It is added to the fish meal used in fish feed to prevent it from becoming rancid and self-heating during transport and storage. The WHO Codex Alimentarius has set a limit for the Acceptable Daily Intake (ADI) of Ethoxyquin, and results from the official Norwegian monitoring program and our own results show that a daily consumption of 300 g of salmon (more than twice a standard dinner portion) would lead to a consumer exposure of only 4-15% of the ADI. When trust in our farmed salmon is challenged, as in the Ethoxyquin case, we address the issue immediately and make sure we are aligned with the authorities' recommendations.

As mentioned under product innovation, the popularity of sushi has grown significantly over the last decade, and it is now consumed by people worldwide on a monthly or even weekly basis. As a sushi producer ourselves, we must have a strict hygiene regime and good pathogen control. Through our own Hygiene Manual, we have developed a uniform hygiene standard for the Group. In 2016, steps were taken to further enhance our food safety monitoring by setting up three in-house laboratories (Canada, Scotland and Norway) able to type Listeria Monocytogenes genes. As the first salmon producer to establish such facilities and competence in house, we will, if Listeria or Listeriosis is found in our products, be able to quickly identify the source and take immediate corrective actions. In 2016, we had one Listeria-related product recall, though no consumers were reported to have become ill or experienced any other effects in connection with this incident.

PRIORITIES GOING FORWARD

Maintaining the trust of consumers is a non-negotiable priority for our company. We will continue with our comprehensive program to monitor the raw materials and feed used in our farming operations, in order to document that the level of environmental contaminants is far below the safe limits set by the food safety authorities. At the same time, we will work to keep pathogen bacteria under control, so that consumers eating our farmed salmon products can remain confident that they are safe. Through openness and transparency, we aim to provide the evidence-based facts about our products which will help customers and consumers to make informed and good choices.

Salmon - a safe and healthy choice

"Women who are pregnant or breastfeeding should consume at least 8 and up to 12 ounces* of a variety of seafood per week, from choices that are lower in methyl mercury. Seafood varieties commonly consumed in the United States that are higher in EPA and DHA and lower in methyl mercury include salmon, anchovies, herring, shad, sardines ..."

Dietary Guidelines
for Americans 2015 - 2020

97.2% below

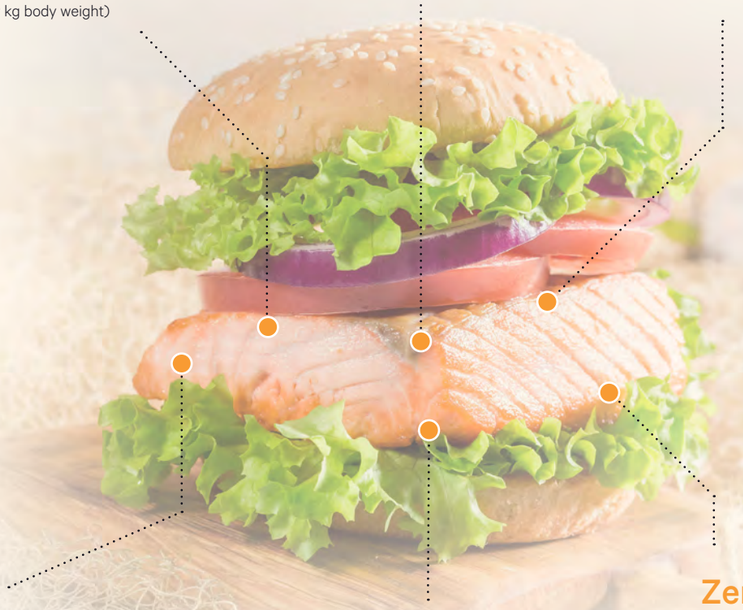
WHO limit for the Tolerable Weekly Intake of Mercury if eating one portion (140 g) salmon per week.
(TWI: 1.3 ug per kg body weight)

91.8% below

WHO limit for the Tolerable Weekly Intake of Dioxins and dioxin like PCBs if eating one portion (140 g) salmon per week.
(TWI: 14pg per kg body weight)

85-96% below

WHO limit for the Acceptable Daily Intake (ADI) of Ethoxyquin (E324) if eating 300g salmon per day.



Two

two detections, one Listeria-related product recall. No reported disease.

One and three

one detection of salmonella and three detections of E.coli. Products stopped in production.

Zero

all products below the strictest market limit for medicine residues.

* 8 ounce is 227 g and 12 ounce is 340 g.

"To ensure the quality of our harvested salmon, we test two fillets from every boatload arriving at our Port Hardy Processing Plant. The fresh fillets are taken to the lunch room and baked or poached with only a touch of salt and pepper so that employees may taste the flavor of the fish."

Julio Osorio, Quality Management Plan supervisor Marine Harvest Canada

QUALITY SEAFOOD

THE CHALLENGE AND OPPORTUNITY

Every day, we produce high-quality farmed salmon and value-added products. High quality is ensured through procedures, training, and best practice sharing across the Group. But salmon is a living being, with individual differences, raised in an environment that may impact its quality. Effort and competence are therefore required throughout the value chain to understand how to safeguard the quality of the end product.

OUR EFFORTS

We work hard to deliver high-quality seafood to our customers and consumers. To help us do that we have established the Group Quality System, Qmarine. Qmarine is Marine Harvest's global system for ensuring that we operate in a consistent way throughout the Group. All our operations must comply with a minimum set of third-party verified certification schemes addressing food safety, environmental responsibility, social responsibility and fish welfare. Chain of Custody certifications must be achieved, as required by Global GAP, GAA/BAP and ASC.

At Marine Harvest Fish Feed, a complete traceability system has been implemented. To make sure we constantly improve the quality of our products we have implemented a global key performance indicator (KPI) structure. In combination with monthly global quality network meetings, a monthly review of the KPIs helps direct resources to areas where additional attention is needed.

2016 RESULTS

Quality losses

Our harvested salmon is of high quality, and the superior share (i.e. the proportion of our salmon without damage or defect that provides a positive overall impression) has remained above 90% for the last three years. We pride ourselves on providing a high-quality product, so the number of quality claims and their causes are included among our key performance indicators. We work hard every day to maintain the trust of our customers and consumers by offering products and services that match their expectations. When we are unable to meet these expectations, we welcome feedback to help us continuously improve. Our claims-handling system directs our resources to areas where additional attention is needed.

More quality-related claims were submitted in 2016 than in 2015, mainly due to a higher number of Kudoa-related claims. In total, we received 10 193 claims in 2016, compared to 9 314 in 2015. In 2016, approximately 5 400 claims were linked to the effects of the parasite Kudoa thyrsites in salmon of Canadian origin. Kudoa causes a softening of the flesh to such an extent that the salmon may become unmarketable. The second most prevalent cause of customer claims in 2016 was melanization in salmon of Norwegian origin, representing approximately 2 100 claims. Melanization is dark colorization of fish flesh. Although the number of claims was significant in 2016, the volumes to which they related accounted for less than 1.5% of the salmon harvested by Marine Harvest Canada, and less than 0.5% of the total volume harvested by Marine Harvest Norway. Neither Kudoa thyrsites nor melanization pose a risk to human health, but the product's appearance and texture are negatively affected, and thereby our salmon's appeal and reputation.

PRIORITIES GOING FORWARD

We aim to ensure that our customers receive products that match their expectations. We also wish to reduce our quality losses. Since both Kudoa thyrsites and melanization have been the main causes for quality losses and downgrading in recent years, significant effort has been put into addressing these issues.

In Canada, we have initiated a variety of projects and activities to gain a better understanding of what is needed to reduce the quality losses associated with Kudoa thyrsites. Losses due to melanization have been prioritized in our research activities over the last few years. Different studies have been completed, but we are yet to identify the main causes for these dark spots. We firmly believe that the outcome of these research projects will help us to reduce our quality losses due to Kudoa thyrsites and melanization going forward.

AUDITS, REVIEWS AND CERTIFICATIONS

We conduct numerous external and internal audits and reviews to ensure our activities are conducted in accordance with stakeholder expectations. We arrange stakeholder visits to our freshwater, seawater and processing operations to improve understanding and exchange ideas. We have set minimum requirements for third-party certifications throughout the Group. The major new development in this area in recent years has been the certification of farms in accordance with the Aquaculture Stewardship Council (ASC) Standard. We will continue this development in 2017.

CERTIFICATION TABLE

BUSINESS UNIT	ACTIVITY	CERTIFICATION	PROPORTION OF PLANTS CERTIFIED TO EACH SCHEME
Ireland	Broodstock and juveniles	ISO 9001, ISO 14001, OHSAS 18001, GlobalGAP, Naturland Organic, BioSuisse Organic, EU Organic Aquaculture, Freedom Food, Irish Certified Quality Salmon Organic	100%
	On-growing	ISO 9001, ISO 14001, OHSAS 18001, Naturland Organic, BioSuisse Organic, EU Organic Aquaculture, Irish Certified Quality Salmon Organic, ASC	ISO 9001, ISO 14001, IOHSAS 18001 = 100% EU Organic Aquaculture, Naturland Organic, BioSuisse Organic = 91%, ASC 4 farms
	Primary processing	ISO 9001, ISO 14001, OHSAS 18001, BRC, Naturland Organic, BioSuisse Organic, MSC CoC, ASC CoC, EU Organic Aquaculture, Irish Certified Quality Salmon Organic	100%
Chile	Broodstock and juveniles	SalmonGAP/GlobalGAP	100%
	On-growing	GAA BAP, ASC	100%, ASC 2 farms
	Primary and secondary processing	GAA BAP, BRC (third party), ASC CoC	GAA BAP 67%, BRC 100% third party, ASC CoC 67%
Norway	Broodstock and juveniles	GlobalGAP	100%
	On-growing	GlobalGAP, ASC	100%, ASC 31 farms
	Primary and secondary processing	FSSC 22000, GlobalGAP, ASC CoC	100%
	Sales office	ISO 9001, ISO 14001, ISO 22000, GG COC og ASC COC.	100%
Canada	Broodstock and juveniles	GAA BAP	100% hatcheries and broodstock facilities
	On-growing	GAA BAP, ASC	100%, ASC 7 farms
	Primary processing	GAA BAP, ASC CoC	Port Hardy: 100%, Klemtu: ASC CoC
Scotland	Juveniles	Label Rouge, GlobalGAP, ISO 9001, ISO14001, COGP, RSPCA assured, Royal Warrant Holders	100% Label Rouge
	On-growing	Label Rouge, ASC, GlobalGAP, ISO 9001, ISO 14001, PGI, COGP, RSPCA assured, Royal Warrant Holders	Approx. 20% Label Rouge dedicated farms, ASC 2 farms
	Primary processing	Label Rouge, BRC, ASC CoC, GlobalGAP, ISO 9001, ISO 14001, PGI, COGP, RSPCA assured, Royal Warrant Holders	100%
The Faroe Islands	Broodstock and juveniles	GlobalGAP	100%
	On-growing	GlobalGAP	100%
	Primary processing	GlobalGAP	100%
Consumer products	Secondary processing	IFS, BRC, BIO, GlobalGAP, ISO 22000, ASC CoC (salmon, tilapia, pangasius), Icelandic Responsible Fisheries (IRF), Kosher, RSPCA assured, Label Rouge	Pieters: BRC, IFS, GlobalGAP, Organic, MSC , ASC, (IRF) Oostende: BRC, MSC, ASC, Organic, GlobalGAP (future IFS) Boulogne: IFS, GlobalGAP, Organic, MSC, ASC, Label Rouge Kritsen Landivisiau: IFS, Organic, Label Rouge Kritsen Chateaulin: IFS, Organic, Kosher Appeti Marine: IFS, BRC Sterk: BRC, IFS, GlobalGAP, MSC, ASC, RSPO, ETI* Lorient: IFS , Organic, MSC, ASC Ustka frozen (MH Poland): BRC, IFS, ASC, Organic, GlobalGAP, FDA, RSPO ß Ustka frozen (MORPOL S.A.): BRC, AEO, MSC, ASC, Organic, GlobalGAP, Kosher, IFS, FDA Rosyth: BRC Morpol specialities: BRC, IFS Germany Harsum: MSC, ASC, IFS, Organic, Global Gap Morpol France: no certificates Morpol Laurin: IFS
Americas	Secondary processing	SQF level 2, SQF level 3, ASC and MSC	Ducktrap: SQF Code Edition 7.2, Level 3, Kosher, MSC
			Miami and Los Angeles: SQF Level 2, Los Angeles: MSC, ASC
Asia	Secondary processing	SQF level 3, ISO 22000, BRC	Narita, Kansai, Incheon, Zhongli: SQF Level 3, Amanda Foods: BRC
			Zhongli: ISO 22000

* Ethical trade initiative.

"Eating fish is an important source of Omega-3 fatty acids (EPA and DHA). These essential nutrients keep our heart and brain healthy. Our bodies don't produce Omega-3 fatty acids, so we must get them through the food we eat. Omega-3 fatty acids are found in every kind of fish, but are especially high in fatty fish like salmon..."

Washington State Department of Health

HEALTHY SEAFOOD

THE OPPORTUNITY

Our farmed salmon is a high-quality product that has a taste and health profile that few other products can match. It is rich in Omega-3 fatty acids (EPA+DHA), vitamins (B12, E and D), and the minerals selenium and iodine. These are important nutrients for people of all ages.

OUR EFFORTS

Over the past few years, health authorities around the world have issued dietary guidelines and advice, recommending people to consume more seafood, particularly oily fish like salmon, due to its documented health benefits. In 2014, health authorities in Europe (EFSA), the USA (FDA) and Norway (Norwegian Scientific Committee for Food Safety, VKM) recommended that people of all ages increase their seafood intake, with particular focus on the intake of oily fish, such as salmon. In 2015, the US Department of Health and Human Services (HHS) and the US Department of Agriculture (USDA) published the new five year Dietary Guidelines for Americans (DGA), recommending an intake of at least 8oz (237 g) of seafood per week for Americans in general, and 8 to 12 oz (237 - 355 g) per week for pregnant and breastfeeding women.

And now in 2017, the US Food and Drug Administration and the US Environmental Protection Agency have updated their recommendations regarding fish consumption. The 2017 recommendation is geared toward helping women who are or may become pregnant - as well as breastfeeding mothers and parents of young children - to make informed choices when it comes to fish that are healthy and safe to eat. One of the species that was considered to be a "best choice" by the FDA was farmed salmon.

The National Institute of Nutrition and Seafood Research (NIFES) in Norway has also conducted research into the impact marine Omega-3 has on mother and child, and in 2016 their results were presented. The research proved that a high level of marine Omega-3 fatty acids in the blood during the latter part of pregnancy can reduce the risk of post-natal depression in mothers. The research findings also indicate that there may be a correlation between marine Omega-3-intake during pregnancy and the child's problem-solving abilities. The marine Omega-3 fatty acid DHA is an important structural component in the brain and nerve tissue and this could be one of the reasons for the research findings related to problem-solving abilities.

2016 RESULTS

Our farmed salmon is packed with proteins, vitamins, and nutrients that can lower blood pressure and help reduce the risk of a heart attack or stroke. It is also an important source of Omega-3 fatty acids, vitamin D and iodine. Omega-3 fatty acids are essential nutrients that keep the heart and brain healthy, while vitamin D is important for bones and teeth, and iodine is important for the body's energy consumption. Through a balanced diet, including the recommended intake of seafood, a consumer can be certain of getting enough of these vitamins and nutrients.

To ensure that our salmon is healthy, tasty and rich in essential nutrients, we track the raw materials used both in our own and third-party feed production. Results from our 2016 surveillance program show that our farmed salmon is rich in Omega-3 fatty acids (EPA+DHA), vitamins (B12, E and D), and the minerals selenium and iodine, and matches consumer expectations. In the table at the end of the chapter and the upcoming illustration you can find out more about the nutritional value of our farmed salmon.

PRIORITIES GOING FORWARD

In 2017, we will continue to monitor the level of important nutrients in our farmed salmon. There should be no doubt that our farmed salmon is both safe and significantly healthier than many other food products. Our salmon also has a nutritional profile that people of all ages benefits from (please see the illustration overleaf).

From time to time, publications or articles argue that farmed salmon has become less healthy because of reduced Omega-3 levels. The Omega-3 level in our farmed salmon decreased slightly in 2013, following a reduction in the proportion of marine ingredients contained in the fish feed. This reduction was prompted by a scarcity of wild-caught marine raw materials, which raised sustainability concerns as well as increased costs. Since that time, however, the level of Omega-3 in our fish has remained the same. Even after the 2013 reduction, our farmed salmon remains a rich source of Omega-3. Indeed, the level of Omega-3 in our salmon is similar to that found in wild Atlantic salmon and one portion (140 g) of our farmed salmon will meet your EPA+DHA requirement for a whole week.

Health benefits of salmon

Our farmed salmon is a high-quality product that has a taste and health profile that few other products can match. It is rich in Omega-3 fatty acids (EPA+DHA), vitamins (B12, E and D), and the minerals selenium and iodine. These are important nutrients for people of all ages.

ONE PORTION (140g) MARINE HARVEST SALMON

Selenium
(23% of RDI)

Selenium helps cognitive function and fertility for men and women. Lack of selenium leads to weakening of the heart muscles and increased risk of cardiovascular disease.

Iodine
(19% of RDI)

Iodine plays a vital role in our metabolism and a deficiency can lead to reduced growth and mental decline. It's particularly vital for pregnant women to aid the growing baby's development.

EPA and DHA
(700% of RDI)

EPA and DHA are in cell membranes and help cells function properly. Marine Omega-3 prevent development of cardio-vascular disease.

Protein
(50% of RDI)

Protein is a building block in muscles. At least nine amino acids are essential for humans, and all nine are present at balanced levels in our salmon.

Vitamin B12
(284% of RDI)

Helps red blood cells form and keeps the nervous system healthy. A lack of vitamin B12 can cause a form of anaemia.

Vitamin E
(65% of RDI)

Plays a role in our immune function and is an important anti-oxidant needed to protect cells.

Total fat
(24-39% of RDI)

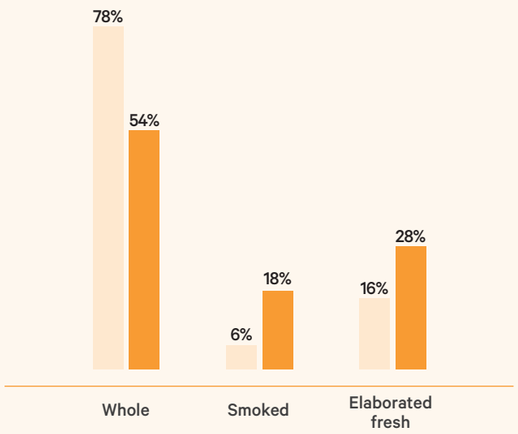
Salmon is rich in the very long chain fatty acids which are essential for our health and are needed to ensure cells function well.

Vitamin D
(78% of RDI)

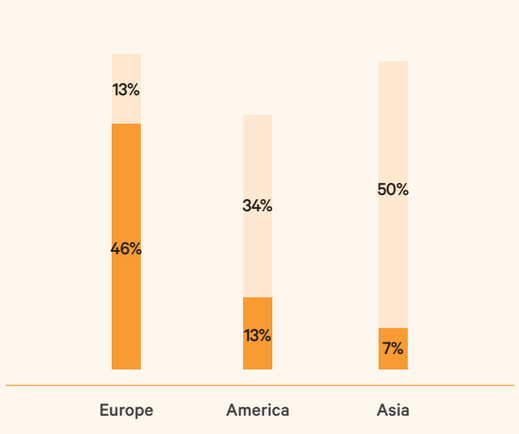
Helps the body absorb calcium. Lack of vitamin D is associated with rickets in children and soft bones in adults.

RDI = Recommended Daily Intake

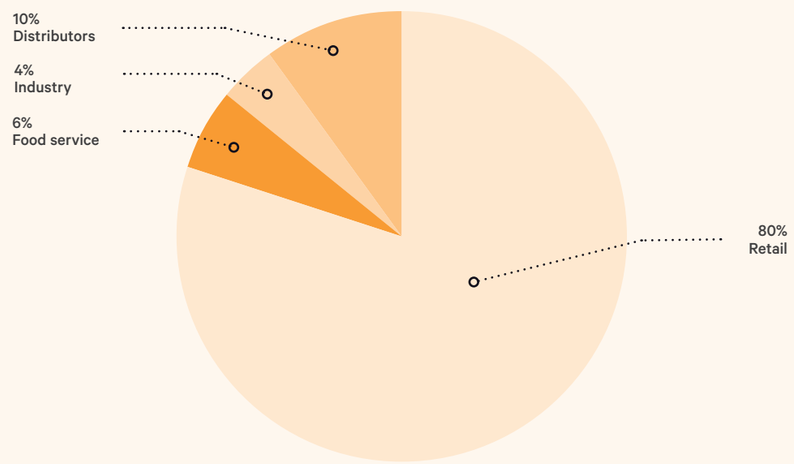
DEVELOPMENT VALUE ADDED SALES - ATLANTIC SALMON



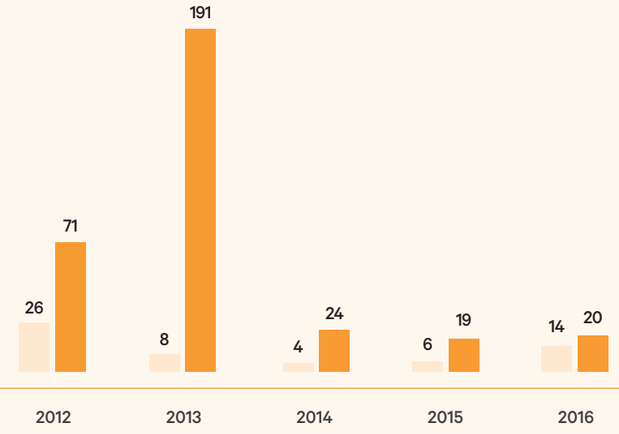
VALUE ADDED PRODUCT SALES % PER REGION 2016



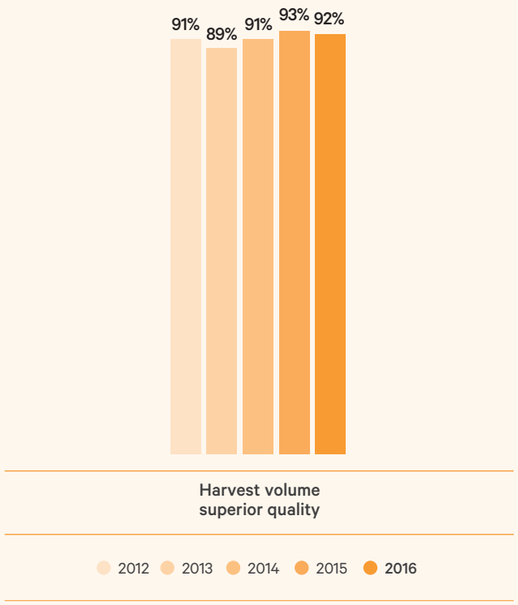
VALUE ADDED PRODUCT SALES BY MARKET CHANNEL 2016



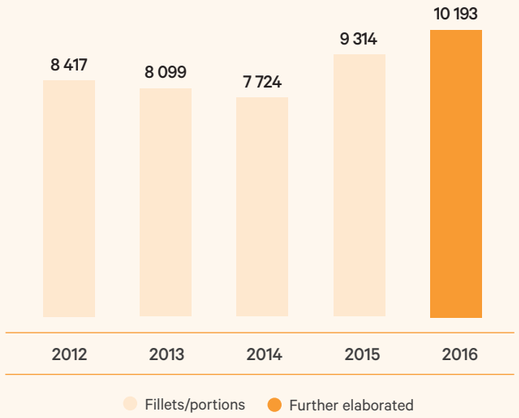
NUMBER OF FOOD SAFETY INCIDENTS AND CLAIMS



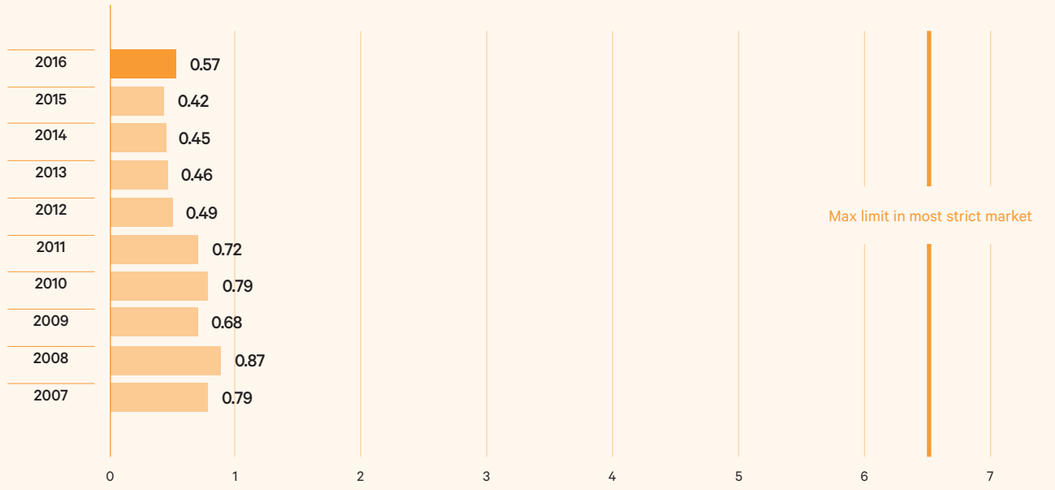
QUALITY OF HARVESTED SALMON



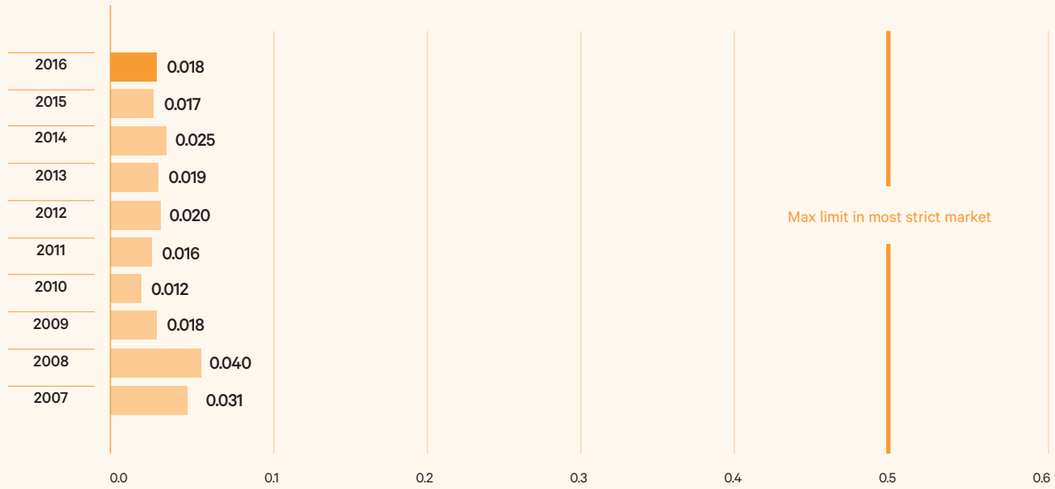
NUMBER OF QUALITY CLAIMS



LEVEL OF DIOXINS AND DIOXIN-LIKE PCBS (pg-WHO-TEQ/g)



LEVEL OF MERCURY (mg/kg)



NUTRITIONAL VALUES IN MARINE HARVEST SALMON 2016

NUTRITIONAL FACTORS	PARAMETER	VALUE MARINE HARVEST SALMON		% OF RECOMMENDED DAILY INTAKE	VALUE WILD ATLANTIC SALMON*	% OF RECOMMENDED DAILY INTAKE WILD SALMON	RECOMMENDED DAILY INTAKE (RDI)**	
Fat	Total fat	21,6	g/140 g	24-39%	11,2 g/140 g	12-19%	55-90	g/d****
Omega-3 fatty acids	Total EPA + DHA	1,8	g/140 g	700%	2,1 g/140 g	839%	0,25	g/d
Vitamins	Vitamin B12	5,7	ug/140 g	284%	n/a	n/a	2	ug/d
	Vitamin D	7,8	ug/140 g	78%	n/a	n/a	10	ug/d
	Vitamin E	5,9	mg/140 g	65%	2,2 mg/140 g	25%	9	mg/d
Minerals	Iodine	0,03	mg/140 g	19%	0,06mg/140 g	38%	0,15	mg/d
	Selenium	0,01	mg/140 g	23%	0,06mg/140 g	94%	0,06	mg/d
Protein	Protein	29,1	g/140 g	50%	29,2 g/140 g	51%	58	g/d***

*Source: National Institute of Nutrition and Seafood Research (NIFES) - nutritional value of 99 wild salmon in 2013.
**Nordic Nutrition Recommendations 2012 and EFSA.
*** Recommended daily intake of proteins for adults (70 kg) is 0.83 g protein/kg body weight/daily.
**** For an adult with a calorie requirement of 2000 kcal/day. It is recommended that fat account for 25-40% of daily energy intake.
One portion is defined as 140 g of salmon by the EU.

THREE MAIN FOCUS AREAS TO ENSURE SAFE SEAFOOD

ENVIRONMENTAL CONTAMINANTS	BACTERIA	MEDICINE USE AND RESIDUES
– Traces of environmental pollutants like PCBs, dioxins and heavy metals. – Widely distributed in nature. – Salmon take in such contaminants mainly from wild-caught fish meal and fish oil used in salmon feed.	– Salmonella, Campylobacter, Yersinia and E.coli are the most well-known food-borne bacteria, but rarely found in seafood. Listeria monocytogenes (LM) is the most likely food safety risk in salmon products. Listeria is not found naturally in salmon, but fish may become infected through contaminated water or inadequate processing hygiene.	– Medicines may be used in feed or bath treatments. – To control sea lice or for treatment of infectious diseases if fish welfare is at risk of being compromised. – Treated fish can only be harvested when the withdrawal period set by the relevant authorities has passed and testing has proven that the product is safe.
– We have developed comprehensive surveillance programs to monitor desired and undesired content in feed and fish and have devoted extensive resources to assess risk and evaluate and approve suppliers.	– We work hard to prevent Listeria contamination in our products. We have a Hygiene Manual and in 2016, steps were taken to further enhance our food safety monitoring by setting up three in-house laboratories (Canada, Scotland and Norway) able to type Listeria Mono-cytogenes genes.	– Just like humans and other animals, our fish can become ill, but our fish health professionals use medicines only when other measures are not sufficient, or when animal welfare may be compromised. – We comply with the medicine withdrawal periods. In addition to the statutory testing performed by the authorities, we do our own monitoring to verify and document to our customers that the end-product is safe.

Growing US consumption of seafood

Marine Harvest is aiming to increase seafood consumption in the US with its ambitious fresh-packed strategy.

The evidence is clear: America is experiencing a public health crisis. According to the Centers for Disease Control and Prevention (CDC), 69% of Americans are overweight or obese, which puts them at high risk of health problems, such as heart disease, type-2 diabetes and high blood pressure. The treatment of heart disease and strokes alone is estimated to cost USD 315 billion annually, while diabetes is estimated to cost USD 245 billion and obesity USD 147 billion.

According to a study recently published in The Journal of the American Medical Association, 318 656 cardiometabolic deaths were associated with dietary issues in 2012. Excess sodium intake, insufficient intake of nuts and seeds, a high intake of processed meats, and low intake of marine Omega-3 fatty acids were identified as the most significant dietary factors. In fact, 70% of premature deaths in the US are preventable with diet and lifestyle changes.

The Office of Disease Prevention and Health Promotion now recommends eating seafood twice a week, and including Omega-3 as part of a healthy diet. Yet only 1 in 10 Americans meet this dietary standard.

According to Linda Cornish, President of Seafood Nutrition Partnership, the biggest barriers to eating seafood are unfamiliarity, perceived cost obstacles, and a lack of confidence with how to select, buy, prepare and eat seafood. Seafood Nutrition Partnership is leading charitable organization in America building awareness of the health and nutrition benefits of seafood.

THE US MARKET

Although as many as 78% of Americans say they like the taste of salmon, they eat only 15.9 grams per week or 6% of the recommended intake of seafood. Despite its low per capita consumption, the USA is the biggest salmon market in the world, with a total consumption of 374 400 tonnes gutted weight in 2015.

Gianfranco Nattero, Managing Director for Marine Harvest Markets Americas, said: "The market for salmon in the USA is far less developed product-wise, compared to markets like Europe. Salmon in the USA is bought mainly from fish counters as bulk fillets. There is not much knowledge about how to prepare the fish, which has been an obstacle to growing consumption further."

Marine Harvest is now changing this. Our fresh, skin-packed seafood and innovative products that are easy to prepare are now on sale in major US retailers.

Nattero said: "The key to growing the seafood category in the US market is to grow its visibility and accessibility. Being present in the main retailers allows us to achieve that; the incremental business that we have achieved by growing with the big retailers has been fantastic and will continue to drive consumption of salmon and seafood".

CHANGING CONSUMER BEHAVIOR

In 2015, we proposed a multi-species skin-pack program to the biggest retailer in the USA. The program is in line with our strategy of growing the seafood and salmon category through new concepts and products that are more appealing to consumers and easier to prepare.

"It started with salmon and tilapia, but we soon added more species. In 2016, we offered the program to another major retailer, and we have concrete plans to expand to many other retailers across the USA. The development of this program has been fantastic, and we expect it to continue to grow further in 2017. We will be adding more stores, more species and more value-added products going forward", Nattero adds.

With a presence in more and more stores, Marine Harvest, along with the major retailers, is now changing consumer behavior in the USA by removing the main barrier to the consumption of seafood: accessibility. Volumes and consumption in the US market have slowly started to rise, and in light of the growth that our skin-pack program has achieved, it seems clear that consumers are starting to eat more salmon.

To increase the supply to US stores and consumers, we will open our fifth factory in North America in 2017. The new facility will serve the East Coast, the West Coast and the Midwest.

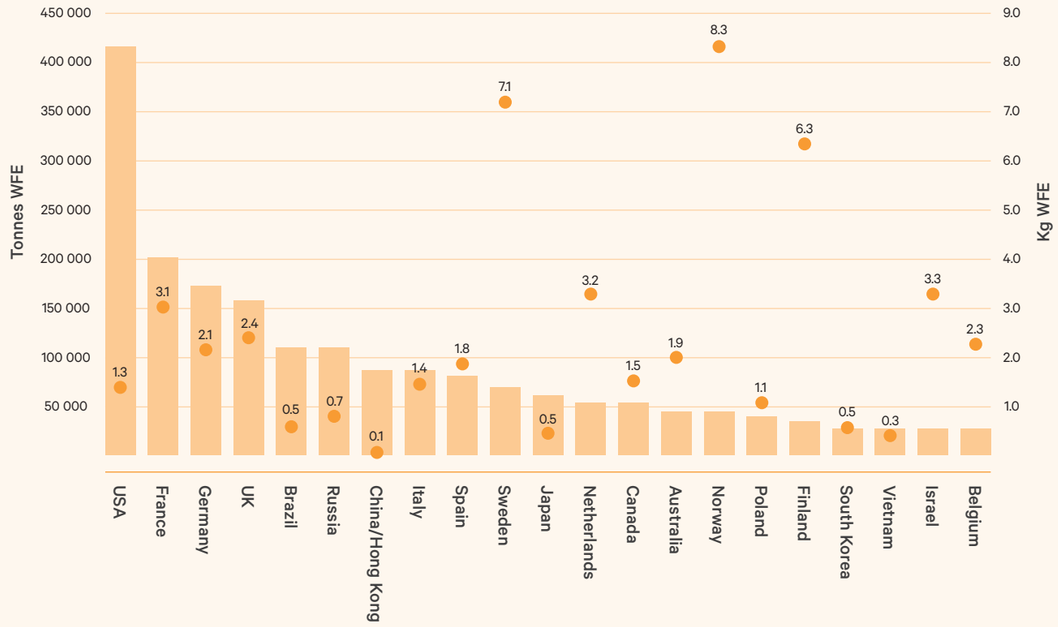
UNTAPPED POTENTIAL

In 2015, the US consumed 1.2 kg salmon per capita per year, or 374 400 tonnes gutted weight in total. By comparison, an average EU citizen eats 2.5 kg every year. Had US consumers eaten as much as their EU counterparts, the market would almost double to 625 700 tonnes. And if every American ate one single portion every month, a mere fifth of what every Norwegian consumes, the market size would stand at 760 700 tonnes per year.

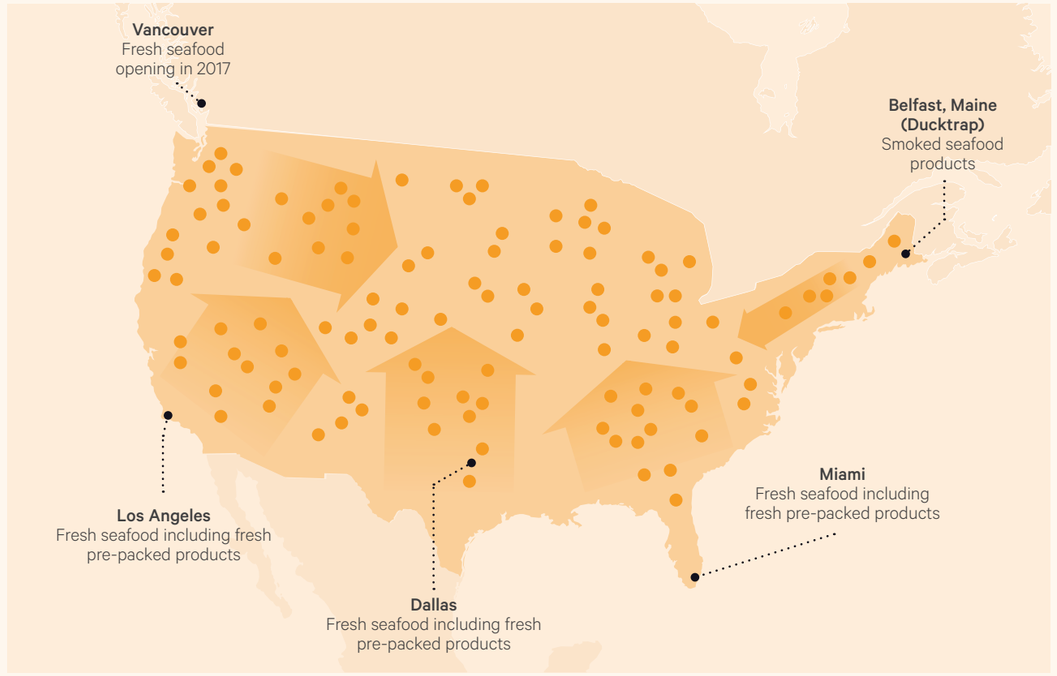
The potential of the US salmon and seafood market is undisputed. The country's ongoing health situation, changing consumer behavior and the growing accessibility of healthy and tasty seafood that is easy to prepare, make for an exciting future for the industry.

With its presence in North America and continuous product development, we are well positioned to benefit from the great opportunities that the US seafood market continues to afford.

MARKET SIZE AND CONSUMPTION PER CAPITA



MARINE HARVEST'S CONSUMER PRODUCT'S PRESENCE IN NORTH AMERICA



Providing safe and meaningful jobs

The safety, self-respect and personal pride of our employees cannot be compromised if Marine Harvest is to succeed as a company and maintain good relationships with local communities.

2016 at a glance

Corporate culture

The 2016 global employee survey indicates that our employees believe in our future prospects and are passionate about their jobs.

Employee health and safety

Regrettably, we had one fatal accident in 2016. We have done our best in assisting and accompanying the family of our deceased colleague.

Employee health and safety

Lost Time Incidents (LTI) per million hours worked fell from 11.4 in 2015 to 9.9 in 2016. Absentee rate of 5.7%, compared to a target of 4.0%.

Ethical business behaviur

We have one incident reported through our whistleblower channel in 2016. The incident is being investigated.

MATERIAL ASPECTS	LONG TERM AMBITIONS
Corporate culture and identity	Live our values and vision in our day-to-day work and share best practices - the Marine Harvest Way
Ethical business conduct	Compliance with our Code of Conduct across the Group
Employee health and safety	Safety consciousness and zero injuries across the Group. Absentee rate below 4%
Social responsibility	Develop and support the local communities in which we operate

"In September 2016, we launched our charter for dignity at work. We have a legal and moral responsibility to provide a safe place of work, free from all forms of bullying and harassment, and this charter is our commitment to providing such an environment."

Maurice Kelly, HR manager, Marine Harvest Ireland

THE GLOBAL COMPACT
WE SUPPORT

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human and labor rights, the environment and anti-corruption. By doing so, business, as a primary driver of globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

PROVIDING MEANINGFUL JOBS

THE OPPORTUNITY

Our employees are our most valued assets, and our success depends on our ability to attract new and retain existing employees.

OUR EFFORTS

We want to attract skilled employees who are passionate about establishing Marine Harvest as a leader of the Blue Revolution. To do so, we need to be seen as a trusted and professional employer that ensures our people are protected and rewarded. We believe one of our competitive advantages is our ability to offer meaningful and challenging tasks in a good working environment throughout the organization. We aim to be open and transparent, and we continue our efforts to integrate the Ten Principles of the United Nations Global Compact into our business strategy, culture and day-to-day operations.

Fair employment

We are committed to fair employment practices, a commitment embodied in our Code of Conduct and in our values. Our activities are conducted without discrimination and each employee is treated as an individual.

Fair compensation

Wherever we operate, we comply with that country's laws on compensation, and no employee is paid less than the official national minimum wage. Our personnel review system and the presence of labor unions ensure all employees are compensated fairly. Generally, our base starting salary is set above the national minimum wage in order to attract competent people to our organization. With respect to working hours and overtime, our policy is to comply with the employment protection legislation in the countries in which we operate.

Freedom of association

We recognize that all employees are entitled to freedom of association, including the right to engage in collective bargaining. The number of employees who are members of labor unions and participate in collective bargaining agreements varies from country to country, from zero in Ireland and Scotland to almost all employees at our processing units in continental Europe. Approximately 30% of our employees are covered by collective bargaining agreements (an exact figure is unavailable due to legal restrictions). Approximately 98% of our employees have employment contracts. The type of contract we use depends on the legal requirement in the country we operate in, but in most countries we use offer letters. In the USA, approximately 50% of our salaried employees have offer letters. Going forward, new employees in the USA will receive a written offer.

Diversity and equal rights

We strive to attract a diverse workforce and provide equal opportunities. We aim to conduct our activities without discrimination, and value everyone as an individual. Our recruitment efforts include offering apprenticeships to young employees, as well as training, promotion and development opportunities. We also aim to attract female employees to all levels in our organization. Within the Group, there are some differences with regard to the benefits to which permanent and temporary employees are entitled, due to the number of hours worked. As a minimum, we comply with each country's employment laws.

Develop and engage

As part of our efforts to be an attractive employer, build competence and share best practices, we offer exchange programs and opportunities to learn through our global database the "Marine Harvest Academy". We also sponsor several courses and postgraduate studies, including the Seafood Trainee Program, and the Executive MBA in Sustainable Innovation in Global Seafood. In Canada, we have an agreement with Vancouver Island University and have developed our own educational program called Management Skills for Supervisors. Through our global database "People@Marine Harvest", we share best practices and key figures between our entities. By ensuring consistent, transparent and efficient reporting, the database will help us align our people processes.

Global employee survey

In 2016, we performed a global employee survey to assess our working environment, employee commitment and empowerment. We have followed up the results of the survey by discussing measures to be taken and pursuing areas for improvement.

2016 RESULTS

At year-end 2016, we are 12 717 employees in 24 countries around the world. The number of employees increased by 263 during 2016 as a result of higher activity in our Consumer Product operations. At the end of 2016, women accounted for 42.2% of our 10 082 permanent employees. The Group also had 2 634 temporary employees of which 42.8% were female. See the table showing a breakdown of our workforce by type of employment, gender and region at the end of this section.

"Debas is a refugee from Eritrea with a bachelor`s degree in aquaculture. After arriving Norway, he was settled in Bjugn, where the refugee coordinator arranged for him to come and work with us. He is a full-time employee, has got his own apartment and will hopefully get permission to bring his wife to Norway. This is without doubt good for both Debas and for us."

Claes Jonermark, Operations Director Marine Harvest Fish Feed, Norway

No incidents of discrimination were reported during the year.

The global employee survey performed in 2016 provides a better understanding of our workforce and our working environment. The overall response rate was 82%, representing 8 353 employees in 21 countries. The survey showed that our employees strongly believe in our future prospects, are committed to delivering high quality products and services, and express a positive intention to stay with Marine Harvest.

PRIORITIES GOING FORWARD

Going forward, we will continue our efforts to keep our organization competitive by attracting, recruiting and developing talents, engaging and retaining our employees, and practicing fair employment and diversity in the workplace. Traineeships, the talent pipeline, international mobility programs and our global database, the "Marine Harvest Academy", will all be expanded in order to continue building competence and sharing best practices. We are implementing new procedures to safeguard our employees´ personal details, ensuring compliance with personal data and privacy regulations that will be fully enforced from 2018. We will continue to follow up the results of the 2016 global employee survey through a series of action plans. We intend to conduct new global surveys in the years to come.

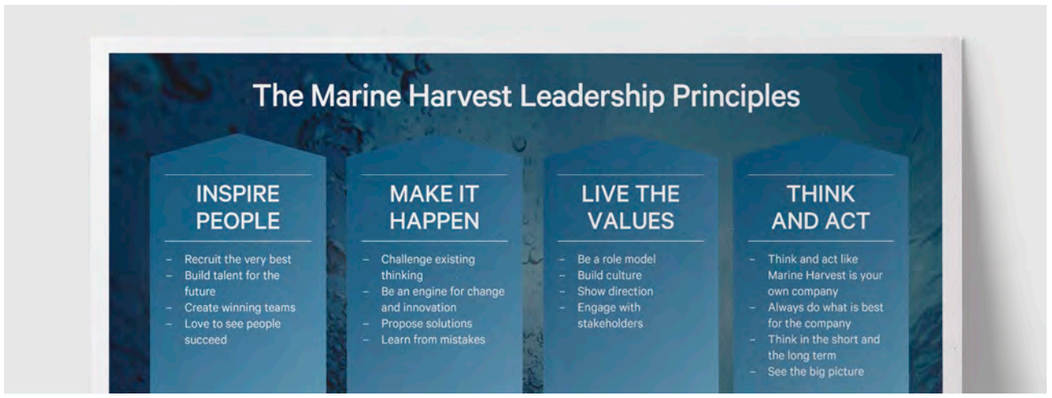
DRIVING A REVOLUTION

THE OPPORTUNITY

Driving a revolution requires passionate people who share our vision and values. We have a large workforce, from a variety of backgrounds, and this requires a shared corporate culture to unite our organization and inspire our people to reach common goals. An important element in this respect is our conviction that best practices should be applied everywhere. Our leaders must embrace change and dare to take bold steps necessary to remain at the forefront of developments in the industry.

OUR EFFORTS

Our vision, "Leading the Blue Revolution", gives direction and outlines possibilities. Our global values "Passion", "Change", "Trust" and "Share " inspire us to act in the right way, and they are key enablers for reaching our goals. Taking the lead is about setting a course and taking responsibility, and our leadership principles provide an important guide for managers' behavior. Success depends on all of us, but it depends even more on our leaders, and we want them to know what is expected of them. We encourage our employees to develop and increase their leadership abilities. To facilitate this, we have established a mobility program offering job exchange opportunities across Business Units, as well as complete leadership programs.
Building a strong corporate culture that encourages performance and mitigates risks by integrating our vision, values, leadership principles and Code of Conduct into our day-to-day work is "The Marine Harvest Way". This is the means by which we will achieve our "One Company" goal. We ask for personal engagement and commitment from all our employees, and by encouraging global cooperation between team members, we facilitate the exchange of ideas and new ways of thinking.



The Marine Harvest Way is integrated globally.

"I am proud to work for a company that is becoming more and more vertically and horizontally integrated. We have the strength and resources to grow. We will continue to be at the cutting edge of salmon farming technology, but it all starts with small initiatives in every part of the business to realize the Blue Revolution."

Anonymous comment in our global employee survey, 2016

Passionate people drive achievement. Passion is the key to our success.

2016 RESULTS

During 2016, we continued our efforts to integrate our vision, values and leadership principles into our day-to-day operations, implementing and reinforcing "The Marine Harvest Way" globally. Our vision, values and leadership principles are communicated through our Code of Conduct, highlighted during annual training, and posters are placed in prominent areas of the workplace as visible reminders for our employees.

We have reviewed and upgraded our entire performance management system to incorporate our vision, values and the leadership principles which guide our performance management process. These areas are also covered in each employee´s annual performance appraisal.

The global employee survey we carried out in 2016 indicated that our vision and values are contributing towards a stronger corporate culture, and people feel proud to work for Marine Harvest. Our employees understand our strategy and goals, and they are committed to delivering high quality products and services.

PRIORITIES GOING FORWARD

Our ambition is to maintain and strengthen our existing culture, support employee development and drive group-wide best practice - "The Marine Harvest Way". This is what defines us as a company and is our guide - in day to day decisions, in long-term planning and in creating a good working environment. We are continuing our initiatives in the areas of competence and leadership development, talent management and workforce planning. We will also strengthen our efforts to encourage international mobility as part of our "One Company" target, since employees working on different types of international assignments make a tremendous contribution to the sharing of knowledge and transfer of skills.

ETHICAL BUSINESS CONDUCT - A PERSONAL COMMITMENT

THE CHALLENGE AND THE OPPORTUNITY

Marine Harvest is made up of 12 717 people from 24 different countries, with different backgrounds, nationalities, cultures and customs. Marine Harvest is committed to high ethical standards in our business dealings worldwide, and we expect our employees to make our Code of Conduct a personal commitment. Abiding by the Code of Conduct is an important element in our ability to engender trust, and is an integral part of "The Marine Harvest Way".

OUR EFFORTS

Our Code of Conduct guides what we do and say each day, it provides direction and guidelines and clarifies where we draw the line. The Code of Conduct sets the standards of behavior which we can expect from one another, and which external parties can expect from us. Most of our employees are trained and tested annually in the Code of Conduct. The complete Code of Conduct is available at marineharvest.com.

The Code of Conduct also includes topics on whistleblowing, anti-fraud and anti-corruption, financial reporting as well as regulatory compliance. Our group-wide policies, including anti-fraud and anti-corruption policies, are discussed with local management teams as part of our risk management, internal control and governance processes. Our internal audit function, which is outsourced to PwC, also has a specific focus on fraudulent and unethical behavior.

We believe that openness and good communication promote a better culture. Our whistleblower channel facilitates the reporting of concerns about potential compliance issues, with regard to both laws and regulations and our own Code of Conduct, in the areas of environment, human and labor rights, equality and diversity, health and safety, business ethics and anti-corruption, conflict of interest and professional behavior. The whistleblower channel is managed by an independent third party, PwC, and all notifications are handled confidentially.

Marine Harvest Chile is using an Ethics Management System to identify, prevent and address any issues that may damage the image, reputation and sustainability of our Chilean organization. As part of this prevention model, we have a Corporate Integrity channel for our Chilean employees to seek advice and report situations related to ethical topics. Concerns are handled confidentially by an ethics advisor, who will investigate and report to an internal ethics committee.

2016 RESULTS

We perform annual tests on our Code of Conduct, with 100% participation rate for relevant personnel in 2016.

No instances of perpetrated or alleged fraud in our operations nor any major breaches of our Code of Conduct were reported in 2016. We received one case through our whistle blower channel, which is currently being investigated further in collaboration with Human Resources. In addition, seven cases were reported through our Corporate Integrity channel in Chile. 75% of those had relation with the ethical behavior of the company or employees, and 15% were contribution of information from the neighbor community regarding accusations made to one site after the algal bloom in April 2016. All cases were reviewed, investigated and resolved. The majority of the reported cases were made in a anonymous way.

We have not identified any instances of non-compliance with laws or regulations during 2016, but we have been fined and paid the amount of EUR 68 255 (USD 74 517) related to two escape incidents in Norway in 2015. In addition, we paid fines of EUR 15 694 (USD 17 133) related to sanitary and employment regulations in Chile. Please also see Note 27 to the Group financial statements for more information.

Subsequent to our risk assessment, internal audits have been carried out at several of our Business Units. The assessment was not directly linked to fraud risk and none of the audits uncovered any significant risk related to corruption.

PRIORITIES GOING FORWARD

We will continue our efforts to ensure that our standards of behavior comply with our Code of Conduct, and that all new employees commit to upholding its provisions. We will continue with annual tests of the Code of Conduct and encourage the reporting of concerns through our established whistleblowing channel. The importance of ethical behavior will continue to be communicated through our leadership workshops, to ensure strong ethical principles are exhibited by management. We are also constantly reassessing and strengthening internal controls whenever potential improvements have been identified.

EMPLOYEE HEALTH AND SAFETY

THE CHALLENGE

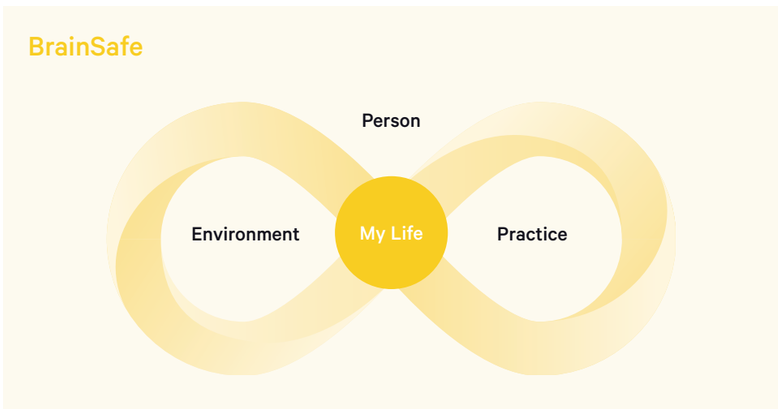
We aim to have zero workplace injuries. Health and safety is paramount in everything we do, and safety will never be compromised for any other business priority.

OUR EFFORTS

Experience shows that many incidents are caused by inattention. We foster a strong safety culture, in which our employees take responsibility for their own safety as well as the safety of their colleagues. Our global safety program, BrainSafe, is a psychologically based safety process designed to empower our employees to take control of their own safety. We believe the best results can be achieved through a holistic approach, encompassing all areas - person, environment and practice - but with the most crucial element being the employees and their safety mindset. Safety must be the top priority in the minds of all our employees, as we all want to go home safely at the end of the day.

New employees are required to attend BrainSafe training sessions, and training is also provided to selected contractors and suppliers. BrainSafe materials are made available to all employees, and refresher courses and workshops are held to reinforce and sustain the lessons learned during training. We incorporate BrainSafe principles into all of our safe-work practices and communications. BrainSafe posters are placed prominently in the workplace, visible to all employees. Incidents are reported as part of the regular HSE bulletin.

Trust is not something you do. It is something you earn by doing things right.



The BrainSafe model distinguishes between controllable and non-controllable elements. Our global training has focused on "my life" - the elements that every person can control and/or influence.

"With close to 13 000 people at work every day, many of them engaged in physically demanding jobs and operating a wide range of equipment, the potential risk of injury is always there. However, I know that Marine Harvest does everything it can to minimize the risk. The rest is up to us - our attitude and our behavior."

Vicky Ferguson, Human Resource manager in Marine Harvest Scotland

Marine Harvest Canada received both the Pinnacle Topaz Award and the Pinnacle Sapphire Award from the Manufacturing Safety Alliance of BC. As a result of a substantive reduction in our workplace injuries and completion of a very detailed audit process we were recognized as an OSSE Certified organization.

We work systematically through guidelines, procedures and processes to mitigate and respond to work-related injuries, occupational health issues, accidents and fatalities. Processes to ensure that we learn from mistakes and from reported deviations from our health and safety targets provide us with an increased awareness, and enable us to address the root causes of the challenges we face in our operations. We measure our progress in the area of safety through the key indicators lost-time incidents (LTI) per million hours worked, as well as the rate of absenteeism. LTIs are reported in three categories of seriousness - low, medium and high, and are reported both for own employees and for subcontractors. All incidents are analyzed for cause and for potential learning, and a report with action points to avoid similar incidents is shared through the HSE network. We take preventive measures where possible to counteract these risks. Safety targets are included in the bonus agreements for all senior managers.

The main categories of injuries in our operations are cuts, pinches, impacts, compression, slips, trips and falls. In our farming operations, diving represents the most serious hazard. To ensure diver safety, our divers must complete a diving project plan, detailing the purpose of the dive, evidence of employer liability insurance, a hazard/risk assessment and the suitability of the equipment to be used. They must also be suitably qualified and experienced and provide diving certification, log books, medical certificates and first aid certificates.

We have established a number of initiatives, including a stress-management program, in an effort to reduce the level absenteeism, in particular at our processing plants. Our efforts also include systematic competence development, job rotation and alternative work schemes where appropriate.

We depend on our Business Units for consistent reporting of HSE key figures. We share best practices through our global health and safety network. Meetings are held regularly to ensure a common understanding of key-figure reporting, and to benchmark and follow up on key indicators. Some of our Business Units have taken a step further. Marine Harvest Chile, for example, has certified its health and safety (H&S) management system through DNV. Marine Harvest Chile has also launched a development program co-funded by the government, with the goal of harmonizing its H&S management system with key suppliers.

2016 RESULTS

The majority of our employees have attended training in our global safety program, BrainSafe. Implementation of BrainSafe has been put on hold at Morpol, owing to the successful use of other safety programs. LTIs measured per million hours worked came to 9.9 for the Group in 2016, compared to 11.4 in 2015. It is difficult to say to what extent BrainSafe has affected LTIs and the rate of absenteeism, but it is pretty clear that it has led to more correct reporting and a proactive organization when it comes to incidents and injuries. We are convinced that BrainSafe, has and will continue to have, a positive effect on our key indicators.

Regrettably, we had one fatal incident in 2016. The accident happened at our Pichichanlelfu hatchery in Chile, where a worker suffered severe burns while undertaking tank maintenance work. Marine Harvest extends its sincerest condolences to the family of the deceased. We immediately followed up the accident and sent out a hazard alert globally to prevent similar situations.

We reported 247 LTIs for our own employees in 2016, compared to 280 in 2015. The decrease can be attributed to the inclusion of BrainSafe training at the former Acuinova organization in Chile and safety awareness at Morpol. Marine Harvest Chile reported 21 LTIs in 2016 compared to 47 in 2015. This decreased the total reported LTIs for Farming from 61 in 2015 to 32 in 2016. Morpol reduced its LTI from 167 in 2015 to 138 in 2016, while we had an increase in our VAP operations from 44 LTIs in 2015 to 70 in 2016. In 2016, 84% of LTIs occurred in our processing operations, compared to 75% in 2016. These LTIs were mainly caused by manual handling, impact from objects and equipment, slips, trips and falls. Our feed operations reported no LTIs in 2016. For subcontractors, we recorded 21 incidents compared to 25 last year, with the main causes of injuries being cuts, pinches, trips and falls.

Our rate of absenteeism has remained steady in recent years, but increased from 4.8% in 2015 to 5.7% in 2016. The increase is mainly related to long-term absenteeism in Morpol and our feed operation. In 2015, there was a 50/50 split between long-term and short-term absenteeism, while in 2016 long-term absenteeism accounted for approximately 55%. The rate of absenteeism is higher in value-added processing operations than in farming and feed, which is largely attributable to ergonomic issues and stress.

"We have a number of employees who have not taken sick leave for more than ten years, and we even have one employee, from the processing unit in Ulvan, who has worked for 19 years without any sick leave."

Anna Lorentzen-Osinga, Human Resource manager at Region Mid, Marine Harvest Norway

PRIORITIES GOING FORWARD

We will continue our efforts to build a strong health and safety culture, with BrainSafe as an integral part of the way we operate. New employees are required to participate in the BrainSafe training program, and refresher courses will be held for all employees.

Our ambition to achieve a rate of absenteeism of below 4% remains unchanged, as does the target of zero LTIs. We believe that our systematic approach to safety will contribute to a safer workplace and will reduce LTIs and absenteeism going forward. We were deeply saddened by the fatal incident that occurred in Chile. Increases in LTIs, as we have seen in VAP during 2016, are also unacceptable. We will therefor intensify our efforts to enhance our safety culture.

Key indicators

1	247	9.9	5.7%
Fata Regrettably, we had one fatal accident in 2016. We have done our best in assisting and accompanying the family of our deceased colleague. l accident in Chile	LTIs in 2016, compared to 280 last year	LTIs per million hours in 2016, compared to 11.4 last year	absence rate in 2016, compared to 4.8% last year

"Speaking on behalf of my community in Eyeries, Marine Harvest has had a very positive effect on our area. They sponsor our festival every year, and have been nothing but open about their operations allowing people to see exactly what they are doing at their farms. While Marine Harvest is an important part of our festival, they are also a vital part of everyday life in Eyeries."

Sue Swansborough of the Eyeries Family Festival, Ireland

COMMITMENT TO LOCAL COMMUNITIES

THE OPPORTUNITY

For Marine Harvest to thrive, the local communities in which we operate must thrive. By offering support in various areas,as well as employment opportunities, we hope to make a positive impact wherever we operate.

OUR EFFORTS

Social responsibility, ethical behavior and sustainability are at the heart of our corporate culture. In compliance with the ASC standard we are required to meet with local communities to share and discuss our local farming operations. In Canada, First Nation consultations are carried out to discuss changes to our operations, in line with legal requirements. We aim to maintain good relations with the local communities in which we operate, and we are committed to helping in their development by supporting local schools, sports and cultural initiatives. Our aim is to help young people become good citizens, who give back to their local communities and thereby build a circle of progress in the area. Our social contribution is broader in Chile, with a focus on community projects in which we work even more closely with communities to promote and improve the quality of life. The tables below summarize our support to local communities in which we operate, as well as corporate taxes paid in 2016.

2016 RESULTS

In 2016, we spent EUR 1.6 million in direct support of local initiatives. The bulk of our financial support is channeled through the Marine Harvest Fund in Norway. The purpose of the fund is to offer financial support to voluntary organizations and activities within sports and culture, and in particular to young people, who all contribute towards the vibrancy of our local communities.

One of our major sponsorships in Scotland is the Outward Bound scheme, which helps school children develop confidence and skills, and improve their relationships with others. Another is our support for one of Scotland's most iconic team sports - shinty. We have been supporting shinty for close to 30 years. This is one of Scotland's longest running sport sponsorships, and the largest single sponsorship investment in the sport to date.

In Canada, we were voted the "Best Community Minded Business" by the readers of the Campbell River Mirror newspaper, due to our support for local initiatives. Please read the story of our charity salmon barbeque, which has been held for the past six summers, on the following pages.

In Chile, we continued the Good Neighbor Program (GNP), to promote relationships of mutual respect and support for our neighbors, creating positive impacts and developing projects with shared value. As part of the GNP, we hold dialogues with community leaders, arrange workshops and training sessions in schools and social organizations, to extend our BrainSafe program and to increase awareness of good environmental practices with regard to domestic waste.

Some of the charities and community projects that we sponsor are illustrated on the following page. See also table summarizing our support to local communities at the end of this section.

PRIORITIES GOING FORWARD

We will continue our efforts to support local projects, both financially and socially, in those areas in which we operate.

Sharing is taking responsibility.

The Outward Bound Trust

"Without the generous support of Marine Harvest Scotland and their passion for engaging with their local communities, the Outward Bound experience for many young people would not have been possible. Thank you."

Martin Davidson, Director at Scotland and Innovation.

Marine Harvest Scotland has worked in partnership with The Outward Bound Trust since 2012, supporting over 250 young people in the communities local to Marine Harvest to have an Outward Bound experience. This partnership approach has created strong links with local schools and young people in the local community.

Through their Outward Bound experience, the young people have developed their confidence and acquired skills in teamwork and communication. At the same time, they have improved their emotional well-being so they are able to face challenges, and use the determination and perseverance they have developed to achieve their goals. Qualities which will enable them to thrive in education, work and life.

Kids enjoying the Outward Bound experience, jumping at Loch Eil, near Fort William, Scotland. Photo: Outward Bound.

Giving back to the society

For us to thrive, our local communities need to thrive. By offering job opportunities as well as other kinds of support, we hope to make a positive impact wherever we operate. In Canada, for example, we are a major contributor to local charities and engage in a variety of community projects, such as helping to clean up the local estuary trail near our Campbell River base. At the same time, we are a driving force for technology innovation in the region, and take pride in seeing local contractors benefit from the advances we implement.

LOCAL CONTRACTORS BENEFIT FROM LATEST TECHNOLOGY INVESTMENTS

In today's competitive world, local service companies in Canada are realizing the benefits that decades of pioneering spirit and technology investment are now providing. An ever increasing global population, with a growing appetite for healthy seafood, means local salmon farmers are well-positioned to continue to feed this need - literally and figuratively.

Director of Public Affairs for Marine Harvest Canada, Ian Roberts, said: "Discovery Harbour Marina hosted several multi-million dollar aquaculture barges in 2016. The most recent - a two-million dollar accommodation and feed storage barge - was built by Campbell River contractor Cory Handyside of Pacific Marine Construction."

LOCAL BUSINESSES

Another Campbell River business benefiting from the application of new technology, is Powerserve Energy, which installed the electrical and communications hardware for state-of-the-art feed delivery and underwater camera monitoring system upgrades at Marine Harvest's 30 active farms.

Powerserve Energy owner Stefan Schedler said his firm's experience in providing power generation and electrical support for the aquaculture industry continues to grow. He added: "We're very grateful for the business the industry generates. This is a challenging and highly specialized field, but we have a dedicated and skilled team of technicians here in Campbell River, who can successfully execute this often difficult type of work."

Further north on Vancouver Island, there has been much activity at two of our land-based farms. Local builders, tradespeople, and engineers have been busy constructing a CAD 40-million dollar project that features cutting edge recirculating aquaculture systems at the company's Big Tree Creek and Dalrymple facilities. Construction began in 2015 and continues into late 2017.

CONTRIBUTING TO A CYCLE OF INSPIRATION AND INGENUITY

Simply put, we grow healthy food: salmon. Yet the process behind raising fish rich in Omega-3 is anything but simple. It requires the dedication of trained experts and investment in state-of-the-art aquaculture technology. Fortunately for us, Vancouver Island in British Columbia, Canada, boasts a wealth of skills, and is the hub for many tech companies that understand the vital role aquaculture will play in our future.

OUR CHARITY CHARIOT HELPS RAISE CAD 123 000

Local contractors are not the only ones benefiting from our investments in Canada. Many charities and voluntary organizations were assisted during the company's 2016 barbeque season. After six years of operating the "Charity Chariot", more than CAD 123,000 has been raised.

Custom-built in 2010, the barbeque trailer unit was originally intended for use at our staff summer barbeques. It was built by our warehouse staff with the generous assistance of local suppliers. Once built, they knew they had something special when local groups began calling and asking to 'borrow it'.

GROWING DEMAND

"We designed it in-house to allow us to prepare, serve, and clean up, all in one place," said Owen Green, the Marine Harvest employee who originally conceptualized the "Charity Chariot". "It's a 'grab and go' unit that is much more convenient than our old set-up. It's one of a kind, that's for sure, and it's fun to see people's reaction when we arrive at events."

Demand for the barbeque unit's services - providing salmon lunches at local events for charities, community groups, and associations - grew exponentially, so we formalized a process of application, scheduling and staffing in 2011.

CHARITY FUNDS

All monies raised at each event go directly to the charity or group that we partnered with. A well-organized event, such as the Dragon Boat Festival that takes place annually in Campbell River, can take in nearly CAD 2 000 during a two-hour lunch window. The Dragon Boat organizations then donate 100% of the earnings to cancer research and local hospital equipment.

We provide all supplies and chefs, and the partnering charity is expected to assist in preparation, serving and money collection.

SUPPORTING GREAT CAUSES

Barbequed salmon is most commonly served in burger form, but the we also have offered Asian salmon salads and salmon tacos as well. Each meal is sold at the very reasonable price of CAD 5.

Director of Public Affairs for Marine Harvest Canada, Ian Roberts, said: "Our offer to assist local groups is open to anyone who can bring together a hungry mass of people, all wanting to support a great cause."

The Group management team

Alf-Helge Aarskog

(1967)
Chief Executive Officer

Mr. Aarskog has served as CEO of Marine Harvest since 2010.

Mr. Aarskog has broad experience in the seafood industry:

- *CEO of Lerøy Seafood Group ASA, 2009 - 2010*
- *Executive Vice President of Lerøy Seafood Group ASA, 2007 - 2009*
- *Managing Director of Lerøy Midnor AS, 2004 - 2007*
- *Head of Production at Fjord Seafood ASA, 2002 - 2004*
- *Various positions at Felleskjøpet Fiskefôr AS, Frøya Holding, Hydro Seafood and Atlantic Salmon of Maine, until 2002*

Mr. Aarskog holds a master degree in Aquaculture from the Norwegian University of Life Sciences.

Number of shares held at year end: 38 670
Number of options alloted at year end: 2 260 865

Ivan Vindheim

(1971)
Chief Financial Officer

Mr. Vindheim joined Marine Harvest as CFO in 2012.

Mr. Vindheim has experience from various executive positions:

- *CFO of Lerøy Seafood Group, 2008 - 2012*
- *Vice President of Finance at Rolls-Royce, 2005 - 2008*
- *Senior Manager within auditing and corporate finance at Deloitte, 1996 - 2005*

Mr. Vindheim has a Master of Science in Business and an MBA from the Norwegian School of Economics. He is also a licensed State Authorized Public Accountant and Certified European Financial Analyst.

Number of shares held at year end: 760
Number of options alloted at year end: 458 422

Marit Solberg

(1956)
COO Farming Canada, Ireland, Scotland and the Faroe Islands

Ms. Solberg has been the COO of Marine Harvest's Farming Business Area since 2011. In January 2017, the farming segment was divided into two areas and Ms. Solberg continues to lead the farming activities in Canada, Ireland, Scotland and the Faroe Islands.

Ms. Solberg has long experience in the seafood industry:

- *Member/Vice Chairman of the Board of Sparebanken Vest, 2008 - 2016*
- *Chairman of the Board of the Norwegian Seafood Council, 2013-2015*
- *Member of several governmental and seafood boards, 2000 - 2010*
- *Managing Director of Marine Harvest Norway AS, 2002 - 2011*
- *Regional Director at Hydro Seafood AS, 1996 - 2002*
- *Fish health manager and later Production Manager at Mowi AS, 1985 - 1996*

Ms. Solberg holds a degree in Microbiology from the University of Bergen.

Number of shares held at year end: 12 913
Number of options alloted at year end: 458 422

Per-Roar Gjerde

(1967)
COO Farming Norway and Chile

Mr. Gjerde has served as COO Farming for Norway and Chile since January 2017.

Mr. Gjerde has extensive experience within salmon farming and sales:

- *Managing Director of Marine Harvest Chile, since 2016*
- *Director of Region West in Marine Harvest Norway AS, 2007 - 2016*
- *Controller at Fjord Seafood Norway, 2002 - 2007*
- *Sales at Domstein Salmon, 1994 - 1996*
- *Corporate consultant at Sparebanken Vest, 1996 - 2002*

Mr. Gjerde is a graduate from the Norwegian School of Economics and Business Administration.

Number of shares held at year end: 423
Number of options alloted at year end: 0

Ola Brattvoll

(1967)
COO Sales & Marketing

Mr. Brattvoll has served as the COO of Marine Harvest´s Sales & Marketing Business Area since December 2010.

Mr. Brattvoll has comprehensive experience within marketing and sales:

- *Vice President at Hallvard Lerøy AS, 2010*
- *Market Director at Hallvard Lerøy AS, 2008 - 2010*
- *Market Director Japan at Hallvard Lerøy AS, 2006 - 2008*
- *Head of the Norwegian Seafood Export Council´s Tokyo office, 2002 - 2006*
- *Market manager at the Norwegian Seafood Export Council´s head office, 1995 - 2002*

Mr. Brattvoll holds a degree in Fisheries from the Norwegian College of Fishery Science, University of Tromsø.

Number of shares held at year end: 9 331
Number of options alloted at year end: 458 422

Ben Hadfield

(1976)
COO Fish Feed

Mr. Hadfield has been the COO of Marine Harvest's Fish Feed Business Area since February 2013.

Mr. Hadfield has considerable experience within farming:

- *Technical Chairman of the Scottish Salmon Producers' Organization, 2012 - 2013*
- *Production Manager at Marine Harvest Scotland, 2007 - 2013*
- *Technical & HSEQ Manager at Marine Harvest Scotland, 2004 - 2007*
- *Environmental Manager at Marine Harvest Scotland, 2000 - 2004*

Mr. Hadfield holds a BSc in Environmental Geoscience from the University of Sheffield and an MSc in Pollution Control and Environmental Management from the University of Manchester.

Number of shares held at year end: 6 970
Number of options alloted at year end: 380 540

Øyvind Oaland

(1970)
Global Director R&D

Mr. Oaland has served as Marine Harvest's Global Director for Research and Development since 2008.

Mr. Oaland has held various positions within fish health, food safety and quality within Marine Harvest and also holds various board positions in the industry:

- *Chairman of the Board of the Centre for Aquaculture Competence (CAC), since 2014*
- *Deputy Board Member of the Norwegian Seafood Research Fund (FHF), since 2014*
- *Vice President Food Safety & Quality at Marine Harvest ASA, 2005 - 2008*
- *Fish Health and Quality Manager at Marine Harvest Norway 2002 - 2005*
- *Fish Health Manager at Marine Harvest Norway, 2000 - 2002*

Mr. Oaland holds a degree in Veterinary Medicine from the Norwegian School of Veterinary Science.

Number of shares held at year end: 4 488
Number of options alloted at year end: 51 921

Glenn Flanders

(1970)
Chief Strategy Officer

Mr. Flanders joined Marine Harvest as Chief Strategy Officer in 2016.

Mr. Flanders has 20 years of business experience including consultancy, finance and executive management in aquaculture:

- *Co-Managing Partner of Cuna del Mar LP, 2010 - 2016*
- *President of Compass Consulting Inc., 2004 - 2010*
- *Manager of Finance in Fjord Seafood USA, 2001 - 2004*
- *Assistant Controller and Senior Financial Analyst at Atlantic Salmon of Maine and ContiSea LLC, 1998 - 2001*

Mr. Flanders holds a Bachelor of Science in Accounting from University of Southern Maine.

Number of shares held at year end: 100
Number of options alloted at year end: 0

Anne Lorgen Riise

(1971)
Group Director HR

Ms. Riise joined Marine Harvest as Group Director of Human Resources in 2012.

Ms. Riise has held various HR positions and also practiced as a lawyer:

- *VP HR Europe and General Counsel for Ceragon (Nera) Networks, 2007 - 2012*
- *Lawyer at Lawfirm Alfheim & Hansen, 2004 - 2007*
- *Advisor at the Norwegian Ministry of Foreign Affairs, 2000 - 2002*

Ms. Riise holds a master's degree in Law from the University of Bergen and Oxford Brookes University.

Number of shares held at year end: 458
Number of options alloted at year end: 51 921

Kristine Gramstad Wedler

(1978)
Chief Communications Officer

Ms. Gramstad joined Marine Harvest as Chief Communications Officer in August 2013.

Ms. Gramstad has various political experience:

- *State Secretary in the Norwegian Ministry of Fisheries and Coastal Affairs, 2011 - 2013*
- *Labor Party Group Leader on Rogaland County Council, 2007 - 2011*

Ms. Gramstad holds a master's degree in Change Management from the University of Stavanger and a bachelor's degree in European Studies from the University of Oslo.

Number of shares held at year end: 236
Number of options alloted at year end: 0

NUMBER OF EMPLOYEES

NUMBER OF EMPLOYEES (FTE)		2016			2015		2014	
		Permanent	Temporary	3rd party	Permanent	Temporary	Permanent	Temporary
Fish Feed	Male	46	2	—	57	4	52	—
	Female	18	1	—	21	1	16	—
Farming Norway	Male	1 116	19	82	1 094	77	1 186	77
	Female	294	14	36	274	60	288	95
Farming Scotland	Male	551	34	5	505	41	461	43
	Female	65	—	2	73	2	59	2
Farming Canada	Male	408	—	—	391	—	355	—
	Female	93	—	—	88	—	90	—
Farming Chile	Male	449	21	165	711	77	641	89
	Female	178	14	16	233	75	217	74
Farming Ireland	Male	135	84	—	116	71	125	89
	Female	19	24	—	15	24	15	25
Farming Faroe Islands	Male	34	2	—	27	2	26	2
	Female	5	1	—	4	1	—	—
Farming	Male	2 693	160	252	2 844	268	2 794	197
	Female	653	53	54	687	162	669	134
Consumer Products	Male	2 372	478	350	2 113	808	1 917	620
	Female	3 003	387	327	2 860	723	2 645	663
Markets Europe	Male	102	—	4	111	1	66	3
	Female	53	—	3	54	—	25	1
Markets America	Male	140	136	—	135	136	131	94
	Female	93	136	—	82	108	58	89
Markets Asia	Male	443	106	14	518	89	422	173
	Female	409	148	17	470	112	377	138
Sales & Marketing	Male	3 057	720	367	2 877	1 034	2 536	890
	Female	3 558	671	347	3 466	943	3 105	891
Corporate/other	Male	34	—	5	65	—	66	—
	Female	23	—	1	25	—	21	—
Marine Harvest Group	Male	5 829	882	625	5 843	1 306	5 448	940
	Female	4 253	726	402	4 199	1 106	3 811	1 036
Marine Harvest Group	Total	10 082	1 608	1 027	10 042	2 412	9 259	2 456

The percentage of self-employed workers is not significant.

KEY HEALTH AND SAFETY INDICATORS

Key indicators	2016	2015	2014	2013*	2012
LTI per million hours worked (own employees)	9.9	11.4	11.4	13.8	13.7
LTI own employees	247	280	250	180	172
LTI subcontractors	21	25	19	15	10
Absentee rate in % of total hours worked (own employees)	5.7%	4.8%	5.0%	4.8%	3.4%
Fatalities	1	0	0	0	1

*Morpol is included for three months only.

SUPPORT TO LOCAL COMMUNITIES

Direct support to local communities in 2016	EUR thousand
Norway	1 062.6
Canada	341.2
Scotland	129.1
Chile	43.3
USA	40.0
Ireland	26.8
Total support to local communities	**1 643.0**

The list covers the main countries or regions in which we operate. The figures include contributions to charities, various community projects and social programs.

Corporate taxes paid 2016	EUR thousand
Norway	62 920.9
Canada	9 838.7
Germany	5 817.8
Scotland	3 835.6
USA	2 537.1
Chile	2 168.3
Japan	1 254.9
Poland	1 062.5
Belgium	654.0
France	513.0
Ireland	475.0
Netherlands	395.0
Singapore	390.9
South Korea	360.9
Italy	201.0
The Faroe Islands	200.3
Sweden	23.5
Hong Kong	(87.4)
Total corporate taxes paid	**92 562.0**

The list excludes countries where we are not in a tax position due to historic losses. The figures include tax paid, withholding tax and tax refunds.

Part

03

Group results

The Board's outlook

The strength of the salmon market has been tested at increasing pricing levels throughout 2016, and the demand response has been impressive. Through product innovation and development of the salmon category, the consumer can choose fresh, pre-packed salmon or a wide range of elaborated products, and the Board is excited about the prospects for salmon and its many yet undeveloped opportunities.

Governance

We consider good corporate governance a prerequisite for generating shareholder value, as well as achieving a low cost of capital and merit investor confidence. We hold the view that our current policies for corporate governance are in line with the latest version of the Norwegian Code of Practice for Corporate Governance.

Board of Directors' report

2016 was a record year for revenues and profitability, as demand exceeded supply and resulted in exceptionally high prices globally. Operationally, biological challenges gave rise to increased costs in our farming operations, while high and steadily rising salmon prices negatively affected the profitability of elaborated products. With the establishment of the joint venture DESS Aquaculture Shipping, logistical improvements and cost reductions are expected going forward, while the acquisition of farming assets on Canada's East Coast will enable growth in the American market.

EUR **700.2** million

Operational EBIT

Operational EBIT of EUR 700.2 million, up from EUR 346.8 million in 2015, mainly as a result of increased prices driven by strong demand and decline in supply.

NOK **8.60** ↑

Dividend and returns

Dividend of NOK 8.60 paid out to the shareholders in 2016, up from NOK 5.20 in 2015. Dividend per share includes NOK 1.10 related to divestment of shares in Grieg Seafood. Underlying earnings per share was NOK 10.51 (EUR 1.13), an increase from NOK 4.70 in 2015.

EUR **890.0** million

NIBD and ROCE

NIBD at year end of EUR 890.0 million, which was below target level at EUR 1 050 million. ROCE above the long-term target of 12.0% at 28.1%.

Escapes

11 escape incidents with 12 790 escaped fish in 2016, compared to 16 incidents with 94 450 in 2015.

ASC ✓

ASC certification

20 new sites certified in 2016, making Marine Harvest number one in the industry. At the end of 2016, our ASC certified sites represented 25% of our total sites.

Strategic initiatives

Establishment of DESS Aquaculture Shipping and acquisition of farming and processing facilities in Eastern Canada.

2016 IN BRIEF

2016 was a record year for revenues and profitability. Once again a new record was set for the top line with total revenues amounting to EUR 3 510.2 million, which was 12.8% above the previous record from 2015. Demand for salmon exceeded supply throughout the year, resulting in record high prices in all markets. The benefit of high prices was, however, partially counterbalanced by increasing costs in our Farming operations. Higher feed prices and biological challenges contributed to cost increases in all Farming units except Canada and the Faroe Islands. High and steadily rising salmon prices negatively affected the profitability of our elaborated products as raw material prices increased faster than the prices for our end product. Our Feed operations continued to perform well with another exceptional year for both production and profitability. As a result of the above, our Operational EBIT for the year ended December 31, 2016, reached a record high at EUR 700.2 million, compared to EUR 346.8 million in 2015. At 28.1%, ROCE was significantly above our long-term target of 12%, while NIBD ended the year at EUR 890.0 million, EUR 160 million below the target level. A dividend of NOK 8.60 per share was paid to the shareholders in 2016.

THE MARINE HARVEST GROUP

At Marine Harvest, we believe the right way to supply a growing world population with healthy, nutritious protein products is by sustainably farming the ocean. Our vision is "Leading the Blue Revolution" and our ambition is to be a world-leading, integrated producer of seafood proteins. In order to achieve this, we aim to capitalize on our integrated value chain and be the leader in key areas from the production of fish feed to meeting the needs of the market.

We are the world's largest producer of farmed salmon, both by volume and revenue, offering fresh, whole salmon, processed salmon and other processed seafood products to customers in approximately 70 countries worldwide. We currently engage in three principal types of production activities:

- *Salmon feed production in Norway;*
- *Salmon farming and primary processing of salmon in Norway, Scotland, Canada, Chile, Ireland and the Faroe Islands; and*
- *Secondary processing of seafood in Norway, Chile, Ireland, the United States, Scotland, France, Belgium, the Netherlands, Poland, the Czech Republic, Germany, Japan, Vietnam, Taiwan, China and South Korea.*

To further support our farming activities, we established DESS Aquaculture Shipping in 2016. DESS Aquaculture Shipping is a joint venture with Deep Sea Supply PLC established for the purpose of building, owning and operating aquaculture vessels. In August 2016, the company contracted its first two new-builds, one well boat and one harvest vessel.

We continue the process of transforming ourselves from a production-driven fish farming company into an integrated marine protein provider, by expanding in fish feed and broadening our farming and secondary processing operations.

We opened our first feed plant in June 2014 to facilitate our control of the value chain, enable the rapid development of improved feed products and ensure quality throughout the process. Our feed plant in Bjugn, Norway, supplied 86.5% of our Norwegian fish feed requirements in 2016. Our second feed plant at Kyleakin on the Island of Skye, Scotland was given the go-ahead by the Highland Council in February 2017. The plant is scheduled for completion in the first half of 2018, when our existing third-party feed contracts expire. Through the gradual in-sourcing of feed, we expect to obtain lower feed costs as well as improved growth, lower feed conversion rates and higher end-product quality.

In our Farming operations, we continue screening for strategic initiatives that we believe will benefit our global operations. In February 2017 the Court of Queen's Bench in New Brunswick approved our purchase of the assets formerly owned by the Gray Aqua Group of Companies on the East Coast of Canada. Among the benefits the acquisition will bring is expansion into what, for us, is a new region, as well as improved market access to the Eastern Canadian and US markets for seafood.

As we are aiming for growth in sales of our new and existing products, production capacity must also increase. We have therefore substantially expanded and upgraded several of our Central European processing plants to provide customers with new products including sushi. In addition, reflecting the success of our fresh pre-packed products in the US market, we opened a new plant in Dallas, Texas, in December 2016 to facilitate further sales growth. We currently operate 30 secondary processing facilities, the largest of which are located in Ustka, Poland; Bruges, Belgium; Rosyth, Scotland; and Boulogne and Landivisiau, France.

Our commitment to the sustainable development of the industry was formalized in 2013 with the announcement of our intention to be 100% certified in accordance with the Aquaculture Stewardship Council (ASC) salmon standard by 2020. As of the end of 2016, 59 of our sites have been certified, representing 25% of the total number of sites we intend to certify, and 38% of all ASC certified Atlantic salmon sites worldwide. We are also continuing our commitment to the Global Salmon Initiative, an industry led sustainability initiative.

Sea lice constitute our main sustainability challenge at present. Recognizing that the sustainable development of our industry requires the development of new technology, we continue to search for solutions, including various closed-containment systems for fish farming that will not only mitigate, but also eradicate the sea lice challenge. Since the floating semi-closed technology is still very new, we intend to test several different concepts, to be sure we select the best one once the technology is taken to a larger scale. We have therefore applied for development licenses to test the following closed concepts: the Egg, the Marine Donut and the Ship. In November 2016 and March 2017, we were informed by the Norwegian Directorate of Fisheries that the Egg and Marine Donut concepts qualifies for the scheme and that we may be awarded licenses for their further development. We will continue to work with the authorities, and hope they will imminently reach a final conclusion, in order for the projects to commence. Although we are developing and testing closed-containment solutions, we do not think that our existing facilities will become redundant in the future. On the contrary, we see opportunities to combine the present with the future and make the best of both, particularly following the substantial upgrades of our land-based smolt facilities enabling production of larger smolt.

FINANCIAL RESULTS

Financial results are created through interaction between people, the natural environment and technology. Our goal is to find an optimal combination of these elements to create long-term success, whilst understanding that our growth must be environmentally, socially and financially sustainable. We use key performance indicators within our four interrelated guiding principles, Profit, Planet, Product and People to measure the Group' progress. This contributes to sustainable long-term results for all stakeholders. Developments with regard to key performance indicators within each guiding principle are discussed in detail in separate sections in this Integrated Annual Report (Profit, Planet, Product and People).

GROUP RESULTS

Set out below are our consolidated statements of operational data for the years ended December 31, 2016 and 2015.

CONSOLIDATED INCOME STATEMENT DATA

	IN EUR MILLION		AS % OF REVENUE	
	2016	2015	2016	2015
Revenue and other income	**3 510.2**	**3 112.4**	**100.0%**	**100.0%**
Cost of materials	-1 782.2	-1 770.3	-50.8%	-56.9%
Fair value uplift on harvested fish	-869.6	-457.6	-24.8%	-14.7%
Fair value adjustment on biological assets	1 255.8	467.7	35.8%	15.0%
Salary and personnel expenses	-440.0	-427.1	-12.5%	-13.7%
Other operating expenses	-472.5	-443.2	-13.5%	-14.2%
Depreciation and amortization	-142.5	-139.8	-4.1%	-4.5%
Onerous contracts provision	-108.7	-0.7	-3.1%	0.0%
Restructuring costs	-5.4	-15.2	-0.2%	-0.5%
Other non-operational items	1.3	2.4	0.0%	0.1%
Income/loss from associated companies	62.6	23.4	1.8%	0.8%
Impairment losses	-17.7	-6.8	-0.5%	-0.2%
Earnings before financial items (EBIT)	**991.2**	**345.3**	**28.2%**	**11.1%**
Interest expenses	-48.4	-46.5	-1.4%	-1.5%
Net currency effects	26.9	4.2	0.8%	0.1%
Other financial items	-210.5	-52.9	-6.0%	-1.7%
Earnings before taxes	**759.2**	**250.1**	**21.6%**	**8.0%**
Income taxes	-219.9	-91.6	-6.3%	-2.9%
Net earnings from continuing operations	**539.3**	**158.5**	**15.4%**	**5.1%**
Non-IFRS measures				
Operational EBIT	700.2	346.8	19.9%	11.1%
ROCE %	28.1%	13.1%		

The financial information includes certain APM non-IFRS measures used to evaluate our economic and financial performance. For further information, please see Part IV Analytical section.

Revenue and volume
Revenue and other income for the year ended December 31, 2016 was EUR 3 510.2 million, an increase of 12.8%, or EUR 397.8 million compared to the EUR 3 112.4 million achieved in 2015. Revenues achieved in 2016 were our highest ever, and the year-on-year increase from 2015 was driven by the global increase in prices. Compared to 2015, reference prices for Atlantic salmon measured in the market currencies (EUR and USD) were up by 46.0%, 42.1% and 41.0% for salmon of Norwegian, Chilean and North American origins respectively. The overall average price achieved was 9% below the reference price in 2016, compared to 5% above the reference price in 2015 due to a high contract share in a market with rapidly increasing prices.

The Group harvested a total of 380 621 tonnes gutted weight in the year ended December 31, 2016. this was 39 527 tonnes less than the year before. The volume harvested in 2015 was an all time high of 420 148 tonnes gutted weight. For salmon of Chilean origin our harvested volume was 25 551 tonnes lower in 2016 than in 2015 due to biological challenges and an algal bloom in March 2016. For salmon of Norwegian origin, volume harvested was reduced by 18 789 tonnes gutted weight as a result of biological challenges caused mainly by sea lice. Volumes harvested of salmon of Canadian and Faroese origins were higher in 2016 than in 2015.

Cost of materials
The cost of materials for the year ended December 31, 2016 was EUR 1 782.2 million, an increase of 0.7%, or EUR 11.9 million, compared to EUR 1 770.3 million in 2015. The increase was primarily driven by higher costs related to health and feed in Farming, and higher costs for finished products sourced for trading in Consumer Products. However, this was almost fully offset by lower volume harvested changes in cost categorization.

Salary and personnel expenses
Total salaries and personnel expenses for the year ended December 31, 2016 were EUR 440.0 million, an increase of 3.0%, or EUR 12.9 million, compared to EUR 427.1 million in 2015. The increase was primarily driven by more activity in Consumer Products where volumes sold rose by 14.2% compared to 2015, ending at 125 399 tonnes end-product weight. Increased overall volumes and the production of more elaborated products drove up the demand for labor and at year-end 2016, we had 413 more people employed in Consumer Products than at the same time in 2015. The corresponding increase in total salaries and personnel expenses was EUR 11.9 million.

Other operating expenses
Other operating expenses increased by EUR 29.3 million or 6.9% in the year ended December 31, 2016 compared to the same period in 2015. The increase was mainly caused by a change in the way our Norwegian farming operations categorize wellboat costs. These have now been moved from other purchases to other operating expenses resulting in a net move between cost categories of EUR 26.5 million. In addition, we reported an increase in rents and leases due to increased use of third party service boats to address challenges related to sea lice, ISA and other biological challenges. The cost increase includes the effect of reduced service boat utilization rates (service boat efficiency reduction) compared to 2015. For more information, please see Note 28 to the Group financial statements.

Net fair value uplift and onerous contacts provision
We recognized a fair value uplift on harvested fish and a fair value adjustment on biological assets of, respectively, EUR -869.6 million and EUR 1 255.8 million for the year ended December 31, 2016. In the year ended December 31, 2015, these amounts were EUR -457.6 million and EUR 467.7 million respectively. The net fair value adjustment on biological assets was EUR 386.2 million for the year ended December 31, 2016, compared to EUR 10.1 million in 2015. The increase is attributable to the rise in global market prices for Atlantic salmon. For more information, please refer to Note 6 to the Group financial statements. New provision for onerous contracts in 2016 amounted to EUR 108.7 million.

Restructuring costs
The majority of the restructuring cost in 2016 relates to the ongoing reorganization of Marine Harvest Scotland Farming, where a restructuring provision in the amount of EUR 2.4 million was recognized in 2016. In addition, we initiated a restructuring of our Chilean operations in the year's second quarter, in response to their weak performance in 2015/early 2016, and algal bloom losses in the first quarter of 2016. This resulted in the recognition of a provision of EUR 2.2 million. The remaining restructuring cost in 2016 relates to the reorganization of Consumer Products France, Netherlands and Belgium. In total, we recognized restructuring costs in the amount of EUR 5.4 million for the year ended December 31, 2016. The corresponding figure for 2015 was EUR 15.2 million. For more information, please see Note 30 to the Group financial statements.

Income/loss from associated companies
We recognized an income from associated companies of EUR 62.6 million for the year ended December 31, 2016 compared to EUR 23.4 million in 2015. The increase was primarily due to higher net income from Nova Sea AS. The income from Nova Sea includes fair value adjustment on biomass. For more information, please see Note 21 to the Group financial statements.

Earnings before financial items (EBIT)
As a result of the foregoing, our EBIT was EUR 991.2 million in the year ended December 31, 2016, compared to EUR 345.3 million in 2015.

Operational EBIT
Group Operational EBIT increased by 101.9%, from EUR 346.8 million in 2015 to EUR 700.2 million for the year ended December 31, 2016. The positive development is attributable primarily to record high prices for salmon.

Return on capital employed (ROCE)
ROCE was 28.1% for the year ended December 31, 2016, which is the highest we have ever achieved and significantly above the 2015 figure of 13.1%. The improvement reflects the increase in profit excluding the fair value adjustment on biological assets. Our long-term target is for ROCE to exceed 12%.

Financial items
In the year ended December 31, 2016, interest expenses rose by 4.1% to EUR 48.4 million, compared to EUR 46.5 million in the same period in 2015. The average interest-bearing debt for 2016 was EUR 944.9 million compared to EUR 1 016.2 million in 2015. Net interest-bearing debt at year-end totaled EUR 890.0 million.

Net currency effects for the year ended December 31, 2016 were positive in the amount of EUR 26.9 million, compared to positive EUR 4.2 million in 2015. The positive currency effect in 2016 was driven by realized gains on short and long-term transaction hedges, as well as positive net currency effects on interest-bearing debt. This was partially offset by negative net currency effects on cash, trade receivables and trade payables.

For the year ended December 31, 2016, other financial items were negative EUR 210.5 million compared to negative EUR 52.9 million in 2015. The negative change in the fair value of the conversion liability components of our convertible bonds amounted to EUR 230.0 million due to the increased share price. The negative value was partially offset by a EUR 16.4 million positive change in the fair value of other financial instruments . The negative value in 2015 was also a result of a negative change in the conversion liability components of our convertible bonds in the amount of EUR 65.6 million. In 2015, the negative value was partially offset by dividends received and gains/losses on the sale of other shares, as well as a positive change in the fair value of shares.

For more information about financial items, please see Note 12 to the Group financial statements.

Income taxes
For the year ended December 31, 2016, our tax expense was EUR 219.9 million, compared to EUR 91.6 million in 2015. The main driver for the increased tax expense was the increase in earnings before taxes and temporary differences. The negative change in the fair value of the conversion liability components of our convertible bonds influenced the calculated tax expense as this is not a deductible item. For more information, please see Note 15 to the Group financial statements.

Net earnings from continuing operations
As a result of the foregoing, our net earnings in 2016, increased by EUR 380.8 million, to EUR 539.3 million, up from EUR 158.3 million for the year ended December 31, 2015.

SEGMENTS AND BUSINESS AREAS

Feed
Feed's Operational EBIT was EUR 28.1 million for the year ended December 31, 2016, compared to EUR 21.5 million in 2015. Favorable margin development, contributed to good profitability. The plant produced 310 242 tonnes of feed, ensuring that our Norwegian farming operations were 86.5% supplied by our own feed.

In 2016 we continued production of smolt and broodstock diets for our farming operations in line with our strategy to increase our rate of feed self-sufficiency. We also continued our efforts to substitute raw materials in order to develop optimal diets.

Raw material costs increased in 2016 compared to 2015, mainly due to unfavorable exchange rates. In addition, prices for fish meals and oils in the second and third quarters were negatively impacted by uncertainty regarding the Peruvian fishing quota. As a result, the search for alternative sources of marine ingredients remains a key priority.

In 2016, we secured the location of our new feed plant in Kyleakin, Scotland. The planning application for the plant has been approved, and it is scheduled for completion in 2018. The plant will have an estimated capacity is 170 000 tonnes per year, and is expected to create 55 permanent full-time jobs.

Farming
Farming's Operational EBIT was EUR 585.9 million in the year ended December 31, 2016, compared to EUR 238.5 million in the year ended December 31, 2015. The increase was primarily a result of higher achieved prices due to strong demand and reduced supply. The volume harvested decreased by 9.4% from 2015 to 2016. The cost in box increased for salmon of all origins except Canadian and Faroese from 2015 to 2016. For salmon of all origins combined, the cost in box rose from EUR 3.68 per kg harvested in 2015 to EUR 4.00 per kg in 2016 when converted at the yearly average exchange rates for 2015 and 2016 respectively. This represents an increase of 8.7%. We continue our efforts to improve the efficiency of our operations, with particular focus on the marine-phase growth and feed conversion rates.

Sales and Marketing
Sales and Marketing consist of two segments, Markets and Consumer Products.

Markets
Markets' Operational EBIT for the year ended December 31, 2016 was EUR 77.9 million, compared to EUR 65.5 million in 2015. The 2016 Operational EBIT comprised EUR 43.7 million from Markets Europe, EUR 11.9 million from Markets Asia and EUR 22.3 million from Markets Americas, compared to EUR 39.3 million, EUR 8.7 million and EUR 17.5 million, respectively, in 2015.

Consumption in the EU decreased by 3.1% compared to 2015, which was in line with the reduction in supply. Demand remained strong in several regions, particularly in Germany, the UK and Southern Europe. France was a challenging market in 2016, with low promotional activity among traditional retailers as a consequence of increased prices. The reference price in 2016 increased by 46.0% compared to 2015. A high contract share negatively impacted our price achievement.

In Asia, the majority of volumes are sold at spot prices. Despite the price increases seen in 2016, earnings in Asia have improved, even though consumption remained flat compared to 2015. Our premium brand in Japan, Mowi, continued to improve until the third quarter in 2016, when the effects of significantly increased market prices made it challenging to maintain the momentum.

Prices in the American market increased significantly in 2016 as a result of strong demand and shortages of salmon of Chilean origin. However, by European standards, consumption in the USA remains low. One of the main barriers to consumption has been access to fresh salmon in retail stores. The opening of our new Dallas processing facility in the fourth quarter improves our market access to the American Midwest, and thus our ability to provide conveniently packaged retail products to customers in this region. We have also received a building permit for the construction of a value-added plant near Vancouver, which will serve customers in Northwestern USA as well as Western Canada.

Consumer Products
Consumer Product's Operational EBIT for the year ended December 31, 2016 was EUR 19.7 million, compared to EUR 19.6 million in 2015. In 2016, our profitability remained influenced by startup costs at our Rosyth processing plant in Scotland, although losses in this entity were lower than in 2015. However, the improvements in Rosyth were offset by the significant increase in raw material prices for our Consumer Products operations. Sales price increases lagged behind raw material price increases throughout the year, although the gap was reduced in the fourth quarter.

For our Chilled operations (mainly smoked products), record high raw material prices heavily impacted the results in 2016 compared to 2015. This was partly offset by operational improvements and increased sales prices. Operational EBIT for the Chilled operations in 2016 amounted to EUR 20.3 million, compared to EUR 28.1 million in 2015. In our Fresh operations, Operational EBIT amounted to a loss of EUR 0.6 million, which is an improvement from the EUR 8.6 million loss made in 2015. The operational turn-around of our Rosyth plant in Scotland and the positive development seen in the Benelux Fresh market due to strong growth and a favorable product mix, were the main drivers behind the improvement.

For more information about the performance of our Feed, Farming and Sales and Marketing operations, please see the Profit section and Note 4 to the Group financial statements.

LICENSES
The recognized value of our fish farming licenses in our Statement of Financial Position was EUR 764.3 million and EUR 746.6 million at December 31, 2016 and 2015 respectively. Measured in EUR per kg salmon harvested the figures were EUR 2.0 and EUR 1.8 respectively. The increase is mainly related to the severe algal bloom in the first quarter of 2016, causing mass mortality in several sites in Region X in Chile. This incident have affected the total harvest volume in Chile in 2016. In Chile we have significant unused license capacity and we estimate our production capacity to be in the area of 120 000 to 130 000 tonnes of salmon gutted weight, which is more than three times the volume harvested in 2016. In other Business Units, our current harvest volumes are closer to the capacity under the current operating regime. The size of the smolt put to sea influences the production capacity of our sea water operations in the jurisdictions where maximum allowed biomass (MAB) regulations are applied. Larger smolts will result in increased harvest per license in these regimes. We are currently in the process of increasing our smolt capacity to allow for production of bigger smolt.

LIQUIDITY AND CAPITAL RESOURCES
Our principal sources of liquidity are cash on hand, revenues generated from our operations and, to a lesser extent, loans and other financings. Our principal needs for liquidity have been, and will likely continue to be, costs of raw materials, including fish feed, other working capital items and capital expenditures, to service our debt, and to fund dividend payments and acquisitions. We believe that our liquidity is sufficient to cover our working capital needs in the ordinary course of business.

Our NIBD was EUR 890.0 million as of December 31, 2016 and EUR 999.7 million as of December 31, 2015. The decrease from December 31, 2015 to December 31, 2016 is attributable primarily to a significantly higher cash flow from operations. This is due to higher margins partly offset by higher dividend payments (EUR 418.1 million in 2016, compared to EUR 255.9 million in 2015).

CASH FLOW
Cash flow from operations
Cash flow from operations for the year ended December 31, 2016 was EUR 693.2 million, compared to EUR 233.3 million for 2015. The increased earnings in 2016 compared to 2015 were slightly offset by an increased amount of tax paid as Marine Harvest Norway AS no longer had tax losses carried forward. In addition, working capital improvements due to supply chain financing and a reduced volume of feed produced for inventory, had a positive impact on cash flow from operations.

Cash flow from investments
Cash flow from investments for the year ended December 31, 2016 was EUR -132.6 million, compared to cash flow from investments of EUR -188.3 million in 2015. The difference was primarily due to the disposal of shares in Grieg Seafood ASA in 2016.

Cash flow from financing
Cash flow from financing for the year ended December 31, 2016 was EUR -533.0 million, compared to EUR -124.3 million for 2015. In line with the dividend policy, repayment of paid-in capital amounted to EUR 418.1 million in 2016. In 2015, repayment of paid-in capital amounted to EUR 255.9 million.

MARINE HARVEST ASA PROFIT FOR THE YEAR
Marine Harvest ASA made a profit for the year ended December 31, 2016 of EUR 81.0 million, compared to EUR 136.4 million in 2015.

DIVIDEND
Marine Harvest ASA paid a dividend per share of NOK 8.60 in 2016. In 2015 the dividend per share was NOK 5.20.

ANNUAL RESULT ALLOCATION

At the forthcoming AGM, the Board will propose that Marine Harvest ASA's EUR 81.0 million net profit for the year should be allocated as follows: Transfer to other equity EUR 81.0 million.

GOING CONCERN

The Board confirms that the financial statements have been prepared on the assumption that the Company is a going concern, in accordance with section 3-3a of the Norwegian Accounting Act, and that such an assumption is justified. This confirmation is based on the reported results, the Group's business strategy, financial situation and established budgets.

RISK AND RISK MANAGEMENT

We categorize risk based on the COSO enterprise risk framework, which divides risk into four categories:

1. Operational risk
2. Strategic risk
3. Reporting risk
4. Compliance risk

We consider our operational risk to cover several individually important subcategories, and have therefore chosen to divide our operational risks into the following sub categories:

a. Risks related to the sale/supply of our products
b. Risks related to governmental regulations
c. Risks related to our fish farming operations
d. Risks related to our supply of fish feed and feed operations
e. Risks related to our industry
f. Risks related to our business
g. Risks related to our financial arrangements
h. Risks related to tax and legal matters
i. Risks related to climate change

All risk categories could, if not properly managed, have a material adverse effects on our business operations and financial results. Each risk category includes one or more identified risks factors that individually and/or in combination with others could significantly affect our performance. For a complete overview of our identified risks, please see the sections Risk and Risk Management and Corporate Governance - Chapter 10 in this Integrated Annual Report.

RISKS RELATED TO OUR FINANCIAL ARRANGEMENTS
Financial risk
The Group monitors and manages the financial risks arising from its operations. These include currency risks, interest rate risk, credit risk and price/liquidity risk.

Currency risk
In our Group, several Business Units carry out a large number of business transactions in currencies other than their domestic currency. For the Group, the relative importance of these transactions is substantially larger on the revenue side than on the cost side. To mitigate potential fluctuation effects on our cash flows, we maintain a foreign exchange strategy designated to manage these exposures both in the short and long term. The Group has defined a hedging strategy for each of Marine Harvest's units.

The Group's predominant currency is EUR which accounts for more than 50% of net cash flow. Since the establishment of the Group in 2006, Marine Harvest has managed its cash flow in EUR and has used EUR as its main financing currency. As of January 1, 2016 the Group's financial reporting currency was also changed from NOK to EUR which has made the reporting currency consistent with a significant portion of the Group's cash flow, cash flow management and financing. The change was considered an important step to reducing financial risk. The functional currency of the parent company Marine Harvest ASA was also changed from NOK to EUR.

Interest rate risk
With the exception of convertible bonds with a principal amount of EUR 715 million, we are generally financed using floating interest rates. Marine Harvest ASA shall hedge the Group's long-term interest-bearing debt by currency, including external interest-bearing debt and leasing in the parent company or subsidiaries, with fixed-interest or interest-rate derivatives. The interest-rate hedges shall cover 70-100% of the debt during the first four years and 0-60% of the debt in the subsequent five years. All interest-rate hedging shall be undertaken by the parent company. At year-end 2016 the Group had a portfolio of interest swaps with a net negative market value of EUR 86.3 million after a decrease in market value during 2016 of EUR 9.4 million, recognized through profit and loss.

Credit risk
We are exposed to the risk of losses if one or more contractual partners do not meet their obligations. To mitigate this risk the Group trades only with recognized, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms be subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and as a rule the Group's trade receivables are fully credit insured. The Group monitors its exposure to individual customers closely and is not substantially exposed in relation to any individual customer or contractual partner as of December 31, 2016. The maximum exposure is disclosed in Note 17 to the Group financial statements.

The Group enters into derivative transactions only with counterparties with whom it has an established business relationship.

Price/liquidity risk
The Group continuously monitors liquidity and estimates expected liquidity developments on the basis of budgets and monthly updated forecasts from the units. Marine Harvest's financial position depends heavily on developments in the spot price for salmon, and these prices have historically been volatile. As such we are exposed to movements in supply and demand for salmon. We have to some extent mitigated our exposure to spot prices by entering into bilateral fixed-price/volume contracts with our customers. The contract share has normally varied between 20% and 50% of our sold volume, however hedged volumes can increase up to 65% under special circumstances, and the duration of the contracts has typically been three to eighteen months. Furthermore, we reduce our exposure to spot price movements through value-added processing activities and the tailoring of products to specific customer requirements. Other key liquidity risks include fluctuations in production and harvest volumes, biological issues, and changes in the feed price, which is the most important individual factor on the cost side. Feed costs are correlated to the marine and agricultural commodity prices of the ingredients.

Leverage and capital access risk
Leverage and capital access i.e. capital management refers to the process of acquiring and utilizing capital in the most efficient manner given the available alternatives.

Capital access risk
Feed production, salmon farming and seafood processing are capital-intensive industries. Our future development and growth may depend on access to external capital in the form of debt and/or equity capital. Access to borrowed capital is continuously monitored and we maintain a continuous dialog with our lenders.

Leverage risk
We have significant indebtedness. Our current debt is on favorable terms including the syndicated loan facility. The syndicated loan facility sets forth an equity ratio as the only financial covenant. The remaining portfolio of interest-bearing debt does not include more restrictive financial covenants. Marine Harvest complied with the covenant in its loan agreements during and at the end of 2016. Details of the Group's main loan programs are described in Note 11 to the Group financial statements.

For further information about our financing arrangements, capital management and risk management, please see Notes 11 and 13 to the Group financial statements.

REPORTING RISK
On February 17, 2017, Marine Harvest ASA's Board of Directors resolved to delist Marine Harvest's American Depositary Shares ("ADSs"), from the New York Stock Exchange ("NYSE") and to terminate the registration of the ADSs and shares under the U.S. Securities Exchange Act of 1934 ("Exchange Act"). As of March 9, 2017, our shares are listed on the Oslo Stock Exchange only. Following the delisting and deregistration, Marine Harvest remains subject to the rules of the Oslo Stock Exchange and other Norwegian and European Union financial market regulations, but will no longer be subject to the Sarbanes-Oxley Act of 2002 section 404 - internal control over financial reporting.

For further information regarding the Group's internal control procedures, please refer to Corporate Governance, chapter 10.

SUSTAINABILITY

We live in a world that is facing major environmental challenges, including climate change and the depletion of natural resources, but also a world where future food production needs to match global demand. Fish farming can improve the world's standard of living by producing food that combines quality and healthy eating, while at the same time delivering a reduced carbon footprint. Of all farmed vertebrate production, fish farming is one of the most climate-friendly ways of producing protein, which is why eating salmon instead of land-based animal proteins would, by itself make a difference for climate change.

Delivering continuous excellence means tackling environmental challenges in a holistic way. Our commitment to becoming 100% Aquaculture Stewardship Council (ASC) certified by 2020 has helped us target improvements in key areas, including fish escapes, nutrient release, biodiversity, use of medicines and sustainable feed raw materials. In addition to environmental indicators, the ASC standard also included numerous social indicators to ensure that salmon farming is undertaken not only in an environmentally responsible manner, but also a socially acceptable one.

For a detailed review of how Marine Harvest works to secure sustainable operations, please see Part II of this Integrated Annual Report.

FACTORS THAT MIGHT INFLUENCE THE ENVIRONMENT
From a global perspective, the two most significant challenges related to food production are greenhouse gas emissions and the use of feed for animal protein production. We consider these challenges to represent opportunities for the salmon farming industry, as farmed salmon utilizes significantly less feed than competing agricultural protein sources, and causes lower emissions of greenhouse gases.

Salmon farming is climate friendly food production
When comparing the carbon foot print of farmed salmon with traditional meat production, the salmon footprint is 2.9 kg carbon equivalent per kg of edible product, whereas pork and beef produce 5.9 kg and 30 kg carbon equivalent per kg of edible product respectively. Farmed salmon is also an excellent protein and energy converter compared to alternative meat sources. Producing proteins by farming salmon with sustainably sourced feed is therefore good resource management.

The use of feed for animal protein production
Continuous access to sustainably managed feed raw materials is a prerequisite for the salmon farming industry. Over the past ten years the industry and we have been able to reduce our dependence on marine raw materials (fish meal and fish oil) in salmon feeds by 50%. In 2016 it only took 0.77 kg of wild fish to produce 1.0 kg of our farmed salmon. This is made possible by a significant replacement of marine raw materials by vegetable sources and the use of high-quality by-products from poultry in Chile and Canada. However, such an improvement brings new challenges, including the use of sustainably sourced vegetable ingredients and a continuous effort to source marine ingredients from responsibly managed fisheries.

We believe the coming years will be key to finding alternative EPA and DHA-rich sources that could further reduce our dependence on fish oil. Our efforts to source sustainable feed ingredients will always go hand-in-hand with the goal of ensuring that our salmon remain a rich source of Omega-3 fatty acids.

Farming activities that might have a negative impact on the environment
We are committed to developing our business in a way that safeguards the planet's natural capital, including its biodiversity. Our fish farming operations may impact the environment as a result of sea lice, medicinal treatments, fish escapes and nutrient release. All farming systems have an impact, but it is up to us to ensure that ours is kept to a minimum, and that all impacts are measured and controlled.

Sea lice
In 2015, we launched our new strategy for lice management. We have significantly increased our R&D activities to find new and better ways to manage lice. In 2016 we were able to reduce the total amount of sea lice medicine used as a result of our focus on non-medicinal treatment alternatives. We continuously track the average monthly percentage of sites above statutory sea lice limits in each Business Unit. Good progress was achieved in Ireland, Canada and to some extent Chile in 2016. In Norway, the percentage of sites that exceeded lice limits (average monthly basis) was higher in 2016 than in 2015 (8% and 4% respectively) mainly because of increased lice pressure in specific areas. Disappointingly, several factors, including abnormally high water temperatures for extended periods, insufficient cleaner fish capacity, limited access to non-medicinal treatment systems and extraordinary lice pressure, singly or in combination, precluded optimal control and hampered full application of our strategy in in Scotland.

We experienced an increase in losses associated with delousing interventions in 2016. This highlights the need to strengthen our efforts to further develop integrated approaches and optimize non-medicinal treatment systems. Our R&D activities will provide new knowledge and additional tools to further optimize sea lice management and increase our expertise with regard to cleaner fish use and welfare.

Medicinal treatments
Licensed medicines for lice control were prescribed and used only when required, and under the supervision of authorized veterinarians and fish health professionals. As a result of the broader implementation of our sea lice strategy and application of non-medicinal treatment systems, our medicine use fell sharply in 2016. The use of both oral medicines and hydrogen peroxide declined, while use of topical medicines remained relatively stable, compared to 2015. From 2015 to 2016, our total medicine use and total active substance use (g/t biomass produced) were reduced by 49.6% and 44.4% respectively as a result of the success of our sea lice strategy and the increased use of non-medicinal methods.

Licensed medicines for bacterial infections were prescribed and used only when required, and under the

supervision of authorized veterinarians and fish health professionals. As in previous years, no antibiotics were used in our operations in Norway or the Faroe Islands. This reflects minimal bacterial challenges and the success of current vaccines. Antibiotic use increased in Scotland, Ireland and partly in Canada. Antibiotic use in Chile reflects the continuous challenge posed by Salmonid Rickettsial Septicemia (SRS), and the ineffectiveness of today's vaccines. In 2016, we initiated several R&D projects for the prevention and mitigation of SRS, including the testing of a promising new vaccine. In total, our use of antibiotics (gram of active substance per tonne produced) to combat bacterial infections decreased from 82 g in 2015 to 53 g in 2016. The number of fish treated with antibiotics remained low and decreased to 0.2% in freshwater (0.4% in 2015) and 2.6% in seawater (4.8% in 2015) in 2016. The reduction was mainly a result of reduced production in Chile.

Fish escapes

It is our responsibility to have control of our stock and eliminate the potential impacts of escapes. In 2016, the number of escaped fish was reduced to 12 790 (11 escape incidents), compared to 16 escape incidents and a total of 94 450 escaped fish in 2015. We achieved our target of zero-escapes in Chile and on the Faroe Islands.

Our goal is zero escapes. There is, however, no simple solution to help us achieve this goal. Only an integrated approach that continuously assesses and improves our operations and equipment will bring effective results. We have therefore developed a comprehensive global standard on escape prevention and mitigation that has been rolled out in all our operations, both seawater and freshwater.

Nutrient release

For sites located in protected areas, we undertake annual monitoring of the benthic populations. In 2016, we continued to measure the potential impact of organic loading from our farming operations on seabed communities in accordance with mandatory national surveys. Results show that more than 90% of our sea farms have a minimum impact (i.e. the impact is kept within the carrying capacity of the environment) on faunal communities and /or sediment chemistry in the proximity of fish pens. When the impact on the seabed is considered unsatisfactory (one site in the Faroes, three in Scotland, two in Chile, two in Canada and five in Norway), we take corrective action. This may include reducing production and/or increasing the fallowing period, i.e. the time between production cycles, to allow seabed communities to recover from organic loading.

For more information about sustainability and the factors in our farming operations that might influence the environment, please see the relevant parts in the Planet section.

Other operating activities that might have a negative impact on the environment

The Group's other activities may also have environmental and community impacts. The continuous evaluation of potentially negative impacts is based on our experience as well as dialog with non-governmental organizations (NGOs), regulators, customers and the scientific community.

Being aware of the potentially negative effects our activities could have on the environment and local communities, we have incorporated measures to monitor and manage these in the Qmarine global quality program. We continue to work with regulators, industry partners and the scientific community to promote environmental responsibility in the industry. For more information on how the Group works to understand and address stakeholder concerns, please see the Leading the Blue Revolution section.

RESEARCH AND DEVELOPMENT

We believe that successful growth of the industry within a sustainable framework is only possible by overcoming biological challenges and controlling sea lice. Research and Development (R&D) at Marine Harvest is an engine for sustainable growth, and is integral to our vision of Leading the Blue Revolution. We focus on creating sustainable value and competitive advantage by making improvements and breakthroughs in our Feed and Farming, as well as Sales and Marketing Business Areas.

The specialists in the Global R&D and Technical Department work directly with technical staff in our operating units through participation in global technical teams and collaborative projects. This ensures that our work constantly benefits from a culture of shared expertise and knowledge. Through collaboration and the allocation of defined responsibilities, we ensure knowledge sharing and continuous improvement throughout the organization.

In 2015 the Global R&D and Technical Department undertook a strategy process, identifying key focus areas and goals in a five-year perspective. The R&D strategy was updated during 2016 to align overall R&D requirements with the Group's updated long-term plan. The purpose of the R&D strategy is to identify and plan the R&D activities needed to reach our ambitions and goals, to align priorities and expectations, and to ensure resources are prioritized accordingly.

Our commitment to R&D is reflected in the increased resources made available internally and for external project funding. We recognized a total gross R&D expenditure for 2016 of EUR 51.3 million, 95% more than in 2015. This was partly due to increased activity in general, but was mainly associated with the expansion of our activities at the Centre for Aquaculture Competence.

For more information about R&D in Marine Harvest, please see the Research and development section.

PEOPLE

HEALTH AND SAFETY

Regrettably, we had one fatal incident in 2016. The accident happened at one of our hatcheries in Chile, where a worker suffered severe burns while undertaking tank maintenance work. Marine Harvest extends its sincerest condolences to the family of the deceased. We have done our best in assisting and accompanying the family of our deceased colleague.

The Marine Harvest safety target is to have zero injuries. Employee safety and a healthy working environment are high on the Board's agenda, and safety will never be compromised for any other business priority. We foster a strong safety culture, in which our employees feel responsible for their own safety as well as the safety of their colleagues. In order to achieve our safety vision of zero injuries, we utilize a global safety program, BrainSafe. New employees are required to attend training in BrainSafe, and training is also provided to selected suppliers and contractors. We measure our progress in the area of safety through key indicators - lost time incidents (LTI) per million hours worked, as well as the rate of absenteeism. We reported 247 LTIs for our own employees in 2016, compared to 280 in 2015. The decrease was due to a reduction in LTIs in Chile from 47 to 21 following intensified HSE training. LTI per million hours worked in the Group was 9.9 in 2016, down from 11.4 in 2015.

Compared to the industry average, our rate of absenteeism has remained low for several years. Total absenteeism in 2016 was 5.7% with an slight overweight of long-term absenteeism. In 2015, the absenteeism rate was 4.8%, with a 50/50 split between longterm and short-term absenteeism. The increase in absenteeism compared to 2015 was driven by higher rates in Consumer Products. The absenteeism rate is higher in value-added processing operations than in farming and feed, largely as a result of ergonomic issues and stress. The Board continues to aim for an absentee rate of below 4%.

The Board will continue to emphasize the imperative of improved health and safety performance going forward. For more information about health and safety in Marine Harvest, please see the People section.

PEOPLE AND ORGANIZATION

At the end of 2016, the Group had 12 717 employees in 24 countries around the world of which 10 082 were permanent employees and 2 635 were temporary employees. Compared to 2015, the number of employees has increased by 263 as a result of increased activity in our Consumer Products operations.

DIVERSITY AND EQUAL RIGHTS

Marine Harvest is committed to ensuring diversity in the Group, in accordance with the Norwegian Anti-Discrimination Act.

We strive to attract a diverse workforce and provide equal opportunities. We do not discriminate and we value everyone as an individual. The Group works actively in the area of recruitment including offering apprenticeships to young employees, promotion and development opportunities. The Group also aims to attract female employees to all levels in our organization.

The fish farming industry has traditionally had a majority of male employees. At the close of 2015, the proportion of male and female employees was 57.7% and 42.3% respectively. The ratio of male to female

Marine Harvest is committed to equal opportunities and strives to attract a diverse workforce in management as well as in operations

employees remained relatively stable between 2015 and 2016. In 2016, the the senior management teams of most subsidiaries included one or more women. The Group continues to work actively to promote diversity in senior management positions globally. In 2016, Marine Harvest's Group management team consisted of eight people, of whom three were women. Of the ten members of Marine Harvest ASA's Board of Directors, four are women (40%).

FUTURE PROSPECTS

2016 was a great year for Marine Harvest with record earnings and cash flow generation. Earnings from Farming in Norway were very good in 2016. Notwithstanding a high contract share, the achieved salmon price was record high. Going forward, earnings from contract sales are expected to continue to gradually improve as contracts are rolled over on higher prices. Production costs in the Norwegian farming operations increased during the year and the Board expects further cost increases during the first half of 2017, due to a high cost of biomass in sea and seasonally low harvesting volumes.

Marine Harvest has invested considerable time and effort in recent years to improve the biological situation. However, the challenges associated with sea lice management and related biological issues in Norway continue. The Board acknowledges the tremendous work done by Marine Harvest's employees to mitigate issues with sea lice. Marine Harvest's increased capacity for non-medicinal treatment, including innovative equipment should facilitate these efforts and reduce the dependence on medicinal treatments. Fish that are subject to treatments typically lose some feeding days and show reduced feeding appetite. This in turn reduces growth and increases the feed conversion ratio and production cost. The Board is confident that Marine Harvest's Global R&D and Technical teams will continue to lead Marine Harvest through the industry's greatest challenge at the moment.

The Board is pleased that the Norwegian authorities have expressed support for the "Egg" and "Donut" concepts in relation to the development license scheme. The Board is confident that new farming technologies will bring the salmon industry forward and ensure its sustainable growth. Marine Harvest has applied for licenses for four different production concepts and the Board believes that all of the new production concepts will demonstrate lower production cost per kilo compared to conventional farming methods.

Scotland delivered better results in 2016 compared to 2015. The Scottish farming operation is actively implementing an improvement process, and operational costs are expected to drop going forward. The Scottish organization has recently experienced an improved biological situation and the Board is pleased to see that farmers across all regions and operating units are sharing best practices and knowledge.

The Faroe Islands Business Unit has delivered exceptional operational results throughout 2016 and the Board commends the organization for demonstrating such operational excellence.

The Canadian farming operation continues to deliver solid results. The Board is excited about the strategic implications of farming salmon on the East Coast of Canada. The acquisition of Gray Aqua Group will potentially lead to new local jobs, and significant local investments. The market for salmon in North-East America continues to develop very favorably, and the acquisition therefore represents a compelling value proposition.

The farming operation in Chile continues to improve. Significant organizational and operational improvements have recently been achieved, which should improve the competitiveness of Marine Harvest Chile going forward.

Although increased raw material prices made 2016 a challenging year for Consumer Products, the Business Unit delivered operational efficiency gains compared to 2015. The Board is pleased with the volume increase of 14% in 2016 compared to 2015. Sales of fresh salmon continue to rise, and Morpol is growing profitably. The continued enhancements at the Rosyth plant in Scotland are also positive. The new value-added production unit in Dallas creates new opportunities in the US market and makes seafood accessible in areas of the USA which currently experience limited availability of fresh fish. The planned expansion of the Ducktrap plant in the USA is progressing and its portfolio of smoked seafood products continues to grow.

Feed delivered a very good operational result. The Board is pleased with the plant's consistent operations and the fact that its capacity has been further increased to approximately 330 000 tonnes per annum. Construction of the new 170 000 tonnes feed plant in Scotland will commence shortly, and is expected to be completed in the second half of 2018.

Marine Harvest will continue to invest across the value chain to support organic growth. The capital expenditure budget for 2017 is approximately EUR 240 million and working capital investments are expected to be in the region of EUR 120 million. Marine Harvest is in the middle of a multi-year expansion strategy for its freshwater operations in Norway, Scotland, the Faroe Islands and Canada. Investments to produce larger, better-quality smolt will continue. Selected sea-water facilities will also be upgraded and expanded. In addition, new product processing lines and expansion initiatives will take place within Consumer Products. The new feed plant in Scotland will shortly break ground, and targeted investment is expected within the Markets segment.

Marine Harvest was listed on the New York Stock Exchange in 2014 through an American Depositary Share ("ADS") program. However, the liquidity of the ADSs on the NYSE has been low and maintaining a NYSE listing and a registration under the Exchange Act represents a significant cost. The Board has therefore decided that it is in the best interest of all Marine Harvest shareholders to discontinue the US listing and terminate its reporting obligations in the US. Marine Harvest has a significant US ownership and the company will continue to focus strongly on serving its US investor base. Marine Harvest expanded its investor relations team in 2016, and the company will be broadening its investor relations efforts to include the Asian capital market going forward.

The strength of the salmon market has been tested at increasing pricing levels throughout 2016, and the demand response has been impressive. The rapid growth of hard-discounters in established markets has, to some extent, changed the market dynamic. Salmon has been repositioned away from the traditional wet-seafood counter and over to more accessible fresh-seafood counters. Through product innovation and development of the salmon category, the consumer can choose fresh, pre-packed salmon or a wide range of elaborated products. Traditional retailers have also changed the store layouts, hence increasing the availability of salmon. In sum, the global market for salmon has shown tremendous strength and the Board is excited about the prospects for salmon and the many undeveloped opportunities.

BERGEN, APRIL 5, 2017

Ole-Eirik Lerøy *Chaiman of the Board*	Lisbet K. Nærø *Vice Chairman of the Board*	Cecilie Fredriksen	Ørjan Svanevik
Paul Mulligan	Jean-Pierre Bienfait	Birgitte Ringstad Vartdal	Lars Eirik Hestnes *Employee representative*
Stein Mathiesen *Employee representative*	Unni Sværen *Employee representative*	Alf-Helge Aarskog *Chief Executive Officer*	

2016 achievement on ambitions

		DESCRIPTION	2016 TARGET	ACTIONS	STATUS
Profit	Profitability	ROCE%	> 12%	Through achieving our ambitions in the below indicators, we believe that our return will remain above target.	●
	Solidity	NIBD (EUR million)	< EUR 1 050 million	Our access to borrowed capital is continuously monitored and the Group has a continuous dialog with its lenders.	●
Planet	Climate friendly food production	Number of ASC sites certified	100% by 2020	We continue with our ASC implementation strategy, aiming for a minimum of 15 new ASC sites in 2017.	●
		CO2e intensity total [1]	Reduce energy use in our processing plants by 10% from 2016 to 2018	We monitor our compliance with the policy on energy consumption and climate change, and our progress towards our energy reduction target for processing plants.	●
	Escape prevention	Number of escaped fish	0	Continual improvements in our training programs, ensuring that best practices are implemented and development of anti-fouling strategies that reduce the need for net cleaning.	●
	Fish health management	Survival rate in sea (avg mt)	99.5% by 2020	We closely monitor the causes of reduced survival, and set our R&D priorities accordingly. Our monitoring of plankton levels/ algal blooms, development of gentler delousing treatments, conclusions from several important R&D projects, and further ASC implementation are expected to contribute to target achievement.	●
	Lice management	% of sites above limit (avg mt)	0%	We have increased capacity for non-medicinal treatment alternatives, intend to optimize existing solutions, develop new and cost-effective methods and increase our expertise with regard to cleaner fish use/welfare.	●
	Medicine use	Antibiotics (g per tonne prod)	Reduction from 2015	Results from several major R&D projects are expected to reduce biological risk and help to cut antibiotic use, particularly in Chile.	●
	Feed sustainability	Sustainably sourced Marine raw materials [2]	100% from responsible fisheries (MH Policy)	We will continue our efforts to identify novel sustainable and affordable raw materials for inclusion in future fish feeds within the frame of our Sustainable Feed Policy.	●
Product	Innovation	Value added sales growth [3]	Value added sales in % of total sales vs 2015	We continuously work to improve our market and consumer insight to facilitate innovation and product development. We also strive to strengthen our relationships with key customers.	●
	Quality seafood	Superior share	> 92%	We have initiated a variety of projects and activities to gain a better understanding of the main causes of downgrading (Kudoa and melanization) and expect that our ongoing projects will contribute to improvement.	●
	Healthy seafood	Omega 3 content vs internal target	>1g per 100 g product	We monitor the level of important nutrients in our farmed salmon, to ensure that it is both safe and healthy.	●
	Safe seafood	Level of environmental pollutants, bacteria, viruses, pathogens and residues	Compliant with laws and regualtions	We have a comprehensive program to monitor the raw materials and feed used in our farming operations, in order to document that the level of environmental contaminants is far below the safe limits set by the food safety authorities.	●
People	Employee safety	LTI per million hrs worked	Reduction from 2015	We will continue to build a strong health and safety culture, with BrainSafe as an integral part of the way we operate. New employees are required to participate in the BrainSafe training program, and refresher courses will be held for all employees.	●
		Absenteeism %	< 4%	We believe that our systematic approach to safety will contribute to a safer workplace and reduce absenteeism going forward. Paricular focus in the near term is on VAP entities.	●

2016	2015	2014	2013	2012	2011	2010
28.1%	13.1%	20.9%	18.5%	3.9%	16.7%	20.4%
890.0	999.7	1 032.6	929.3	731.7	832.3	668.3
59 (25%)	39 (24%)	8	0	0	0	0
178	168	118	na	na	na	na
7 856	94 450	2 052	73 744	3 150	71 515	144 512
98.0%	98.6%	99.0%	99.2%	99.2%	99.3%	
15.0%	13.9%	7.7%	6.0%	12.2%	11.9%	8.2%
53	82	40	26	12	40	28
100%	100%	na	na	na	na	na
46.3%	45.4%	43.2%	35.8%	34.6%	na	na
92%	92%	93%	89%	91%	92%	89%
yes	yes	yes	yes	yes	yes	yes
yes	yes	yes	yes	yes	yes	yes
9.9	11.4	11.4	13.8	13.7		
5.7%	4.8%	5.0%	4.8%	3.4%	3.8%	3.8%

1) CO2e intensity total is a weighted average of the CO2e intensity in Feed, Farming and Sales and Marketing using absolute consumptions per Business Area as weights
2) We have in 2016 changed our sustainable feed indicator to focus on the sustainability of the marine raw materials used
3) We have in 2016 changed our innovation indicator to better fit the target of growing Value Added Sales

Corporate Governance

Marine Harvest ASA ("Marine Harvest" or the "Company") considers good corporate governance a prerequisite for generating shareholder value, as well as achieving a low cost of capital and merit investor confidence. Marine Harvest strives to ensure that its internal control mechanisms and management structures comply with generally accepted principles for good corporate governance.

Marine Harvest holds the view that its current policies for corporate governance are in line with the latest version of the Norwegian Code of Practice for Corporate Governance (the "Norwegian Code"). A full description of the Norwegian Code is available from the Oslo Stock Exchange's website (oslobors.no).

The following sections explain how Marine Harvest has addressed the various issues covered by the Norwegian Code.

1. IMPLEMENTATION AND REPORTING OF CORPORATE GOVERNANCE PRINCIPLES

The Board of Directors of Marine Harvest (the "Board") is aware of its responsibility for the development and implementation of internal procedures and regulations to ensure that the Company and its subsidiaries (together, the "Group") complies with applicable principles for good corporate governance. The Board reviews the overall position of the Group in relation to such principles annually, and reports thereon in the Company's annual report in accordance with the requirements for listed companies and the Norwegian Code. The Board has defined the Group's overall vision as "Leading the Blue Revolution". Closely linked to the vision are the Group's global values "Passion", "Change", "Trust" and "Share".

- *Passion for the Company and the product: passion is the key to our success and how we make a difference.*
- *Change is the new "normal": we are ready for change and work continuously to improve our operations.*
- *Trust is essential in everything we do: our operations provide safe, delicious and healthy food, and we deliver on our promises.*
- *Share is the foundation for the performance of our close to 13 000 employees: We share knowledge and experience, we are open and transparent, and we cooperate with key stakeholders globally.*

Marine Harvest's leadership principles were put in place to strengthen the link between individual management actions and our vision. Our leadership principles are:

- *Inspire people: we recruit the very best and build talent for the future. We strive to create winning teams and challenge people to succeed.*
- *Make it happen: we challenge existing thinking and promote change and innovation. We encourage people to propose solutions and learn from mistakes.*
- *Live the values: we want our leaders to be role models and build our culture; leaders should show direction and engage with stakeholders.*
- *Think and act: we want our leaders to think and act as if the company was their own. Leaders should do what is best for the Company, bearing in mind both the short and the long-term picture.*

The Group is made up of individuals with different backgrounds, nationalities, cultures and customs. Their conduct - what each and every employee does and says each day - determines the Group's ability to succeed as an organization. The Code of Conduct sets standards for behavior that can be expected between colleagues, and that external parties can expect from employees of the Group. The Code of Conduct was updated in 2016. It has been communicated to employees, and it is expected that all employees make a personal commitment to abide by the Code of Conduct. Testing of each employee's understanding has been, and will continue to be, carried out regularly.

The most recent test was performed in December 2016. The Code of Conduct is available at marineharvest.com.

Our four guiding principles underpin our vision and guide our behavior in a balanced way. Growth must be sustainable from an environmental, social and financial perspective. We need good financial results to drive the sustainable development of our operations. This interdependency is the foundation for our four equally important guiding principles: "Profit", "Planet", "Product" and "People".

- *Profit: our profits hinge on our ability to provide customer value from healthy, tasty and nutritious seafood, farmed both cost-effectively and in an environmentally sustainable way that maintains the aquatic environment and respects the needs of the wider society.*
- *Planet: our operations and long-term profitability ultimately depend on sustainable and environmentally responsible interactions with the natural environment. We rely on qualified personnel to maintain fish health, avoid escapes and minimize the environmental impact of our operations.*
- *Product: we aim to continually deliver healthy, tasty and responsibly produced seafood to our customers to deliver long-term financial profitability.*
- *People: the safety, self-respect and personal pride of our employees cannot be compromised if Marine Harvest is to succeed as a company and maintain good relationships with local communities.*

Marine Harvest has defined specific ambitions for each principle, with corresponding key performance indicators. Defining targets is an integrated part of the budget and long-term planning processes, and achievements are reported in operational review meetings with the Business Units, and in business review meetings with the three Business Areas; Feed, Farming and Sales and Marketing. Development and implementation of best practice is achieved through the global quality system, Qmarine, which contains our standard operating procedures. In addition, a global set of policies has been drawn up to guide decisions, manage risk and achieve results. Marine Harvest's governance and management structure is further described on the website at marineharvest.com.

2. BUSINESS

Marine Harvest's objective is defined in the Company's articles of association: "The objective of the Company is production, refinement, sale and distribution of seafood and goods used in seafood production, either directly or through participation in other companies and hereto-related activities."

The articles of association are available from the Group's website at marineharvest.com. To achieve the objective set forth in the articles of association, the Board has adopted a corporate strategy whose ambitions and priorities lie within the framework of the Group's vision and four guiding principles. The vision "Leading the Blue Revolution" provides direction and shows possibilities. The Group's overall ambition is to grow organically as well as through acquisitions. At present, growth is focused on the salmon value chain, from feed to fork.

In line with this strategy, the Group's first feed plant was opened in Norway in July 2014, and it has proven to be a success. In December 2015 the Board of Directors approved the development of a new feed plant in Scotland and in February 2017 we were granted planning permission on Kyleakin on the Island of Skye. Construction started in March 2017 and is expected to be completed during 2018. In February 2017, Marine Harvest was approved as the purchaser of the assets owned by the Gray Aqua Group of Companies on the East Coast of Canada. The acquisition is important from a strategic point of view, as the market for salmon in North-East America continues to develop very favorably. The ambition of Consumer Products is to become a seafood category leader, with strong focus on quality, innovation, brand building and excellent customer service. As we are aiming for growth in sales of value-added products, production capacity must also increase. Our Rosyth plant, near Edinburgh, opened in 2015. It offers capacity and scope for a wide range of innovative products in the seafood category. In 2016 we completed the expansion of the processing plant in Ustka, Poland, to extend the product assortments and improve production efficiency. Further to our integrated marine protein provider strategy, we have entered into a Heads of Agreement with Deep Sea Supply PLC to establish a 50/50 aquaculture shipping joint venture, whose object is to build, own and operate aquaculture vessels. The first newbuilds will be delivered in the third quarter of 2017. These are all important steps to becoming a leading integrated provider of proteins from the ocean.

The material aspects of the four guiding principles were systematically assessed for the first time in 2012. Based on this assessment, our key performance indicators were realigned to the different material aspects of the operations. In 2016 the assessment was reviewed and the material risks/ challenges and opportunities were found to be largely unchanged. The process of defining material aspects is thoroughly discussed in the appendix to this Integrated Annual Report. The ambitions and the priorities set to achieve them are regularly reviewed and revised by the Board. Through its discussion of the long-term plan, the

Board sets the targets for the Group for the following five years. Many of the targets are discussed in the relevant sections of this Integrated Annual Report (R&D, Profit, Planet, Product and People).

3. EQUITY AND DIVIDENDS

The shareholders' equity as of December 31, 2016 was EUR 2 062.4 million, which represents 42.9% of the Group's total assets. Marine Harvest ASA's objective is to maintain an equity level that is appropriate for the Company's strategy and risk profile. The Board's ambition is that Marine Harvest ASA's shareholders will achieve a competitive return on their investment over time, through a combination of dividends and an appreciation of the value of the Company's shares. The Board has defined the following long-term dividend policy:

- *The quarterly dividend level shall reflect the Company's present and expected future cash flow generation.*
- *To this end, a target level for net interest-bearing debt is determined, reviewed and updated on a regular basis.*
- *When the target is met, at least 75% of the annual free cash flow after operational and financial commitments will be distributed as dividends.*

To facilitate quarterly distribution of dividends in an efficient and cost effective manner, the Board seeks a general authorization from the General Meeting to distribute dividends. Such authorizations shall, however, be limited to a maximum aggregate amount, and limited in time to the next Annual General Meeting ("AGM"). At the 2016 AGM, the Board was granted the following authorizations:

- *To approve the distribution of dividends based on the Company's annual accounts for 2015. The authority also includes distribution in the form of repayment of paid-in capital.*
- *The authority may be used to approve the distribution of dividends up to an aggregate amount of NOK 5 000 000 000.*
- *The authority is valid for dividends from and including the second quarter of 2016 until the AGM in 2017, though no later than June 30, 2017.*
- *To purchase up to 45 008 565 shares in the Company (representing 10% of the shares in issue at the time) during the period up until the AGM in 2017, though no later than June 30, 2017.*
- *To increase the Company's share capital by up to 45 008 565 shares (representing 10% of the shares in issue at the time). The authority did not define the purpose(s) of such a capital increase.The authority expires at the AGM in 2017, though no later than June 30, 2017.*

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

Marine Harvest ASA has one class of shares.

Any purchase or sale by the Company of its own shares will be carried out either through the Oslo Stock Exchange or at prices quoted on the Oslo Stock Exchange.

Marine Harvest also has American Depositary Shares (ADSs) represented by American Depositary Receipts (ADRs), traded in the USA over-the-counter.

Any transaction between the Company and a related party will be on arm's length terms or, if relevant, will rest on a valuation obtained from an independent third party. Marine Harvest ASA will make sure that major transactions with related parties are approved by the AGM in accordance with the Norwegian Public Limited Liability Companies Act.

The Board is currently authorized to set aside the pre-emption rights of existing shareholders in capital increases if it exercises its authority to issue new shares, cf. above. This is to simplify the procedure in connection with capital increases to finance further growth and/or the offering of shares as consideration in acquisitions where this is deemed a favorable form of settlement. Members of the Board and the Global Management Team have an obligation, pursuant to the Company's Code of Conduct, to disclose to the Board any material interest in transactions to which the Group is a party. The Code of Conduct is available at marineharvest.com.

5. FREELY NEGOTIABLE SHARES

All shares in the Company have equal rights and may be traded freely. Marine Harvest also has American Depositary Shares (ADSs) represented by American Depositary Receipts (ADRs), traded in the USA over-the-counter.

6. GENERAL MEETINGS

The interests of the Company's shareholders are primarily exercised at the Company's general meetings. It is the Company's goal that as many shareholders as possible are given the opportunity to participate in its general meetings and that the general meetings are organized so as to ensure that they represent an effective forum for the Company's shareholders to express their views.

Notices of general meetings are made available on the Company's website, marineharvest.com, and through a separate notice to the Oslo Stock Exchange at least 21 days in advance of the general meeting.

All shareholders with a known address are notified of general meetings a minimum of two weeks in advance. The notice contains detailed information on the resolutions proposed and matters to be considered at the general meeting. It includes the deadline for shareholders to register their intention to attend the general meeting, as well as instructions on how they can cast their votes by proxy. The deadline for registration is set as close to the date of the general meeting as possible.

When documents concerning matters that are to be dealt with at a general meeting have been made accessible to the shareholders on the Company's website, the requirement stipulated by the Norwegian Public Companies Act that the documents shall be sent to shareholders by ordinary mail does not apply. This also applies to documents which, according to law, shall be included in or enclosed with the notice of a general meeting. A shareholder can, however, demand that documents concerning matters that are to be dealt with at a general meeting be sent to him or her by ordinary mail.

The notice of a general meeting shall contain a reference to the Company's website, where shareholders can access relevant documents and, if appropriate, any other information that shareholders may need to gain access to such documents. The Chairman of the Board, the CEO and the external auditor shall all be present at the AGM. Marine Harvest does not have a policy that requires the other directors of the Board to attend the AGM.

The AGM elects a chair to preside over the meeting and one person to sign the minutes of the meeting together with the elected chair. The minutes are published on the Company's website.

The AGM approves the annual financial statements and annual report, the Board of Directors' report and any proposed dividend. The AGM also approves the remuneration to be paid to the members of the Board, the Nomination Committee (as defined below) and the external auditor.

Other items on the agenda for the AGM may include authorization for the Board to acquire the Company's shares and to increase the Company's share capital, to take up loans convertible into shares, and the election of the members of the Board and the Nomination Committee (please refer to section 3 Equity and Dividend).

Pursuant to Section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board has implemented guidelines for the determination of the remuneration payable to the Company's CEO and other senior executives. These guidelines are tabled for resolution at the AGM.

All shares carry an equal right to vote at general meetings. Resolutions at AGMs are normally passed by simple majority unless otherwise required by Norwegian law.

The Annual General Meeting was held on June 9, 2016. Relevant documents relating to the 2016 AGM are available on the Company's website marineharvest.com.

7. NOMINATION COMMITTEE

The AGM elects the Company's nomination committee (the "Nomination Committee"). The Nomination Committee consists of three members, all of whom are independent of the Board and the Company's executive management. The current members of the Nomination Committee are: Robin Bakken (Chairman), Nils Bastiansen and Merete Haugli. The Nomination Committee submits its recommendations to the AGM regarding the election of members to the Board and the Nomination Committee and their respective remuneration.

The general meeting has approved a set of instructions defining the responsibilities of the Nomination Committee. These instructions are available from marineharvest.com. All shareholders are invited to propose candidates to the Board and the Nomination Committee through the Company's website.

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

The Company does not have a corporate assembly.

According to the Company's articles of association, the Company shall have a Board consisting of a minimum of six and a maximum of 12 members. The Chairman of the Board and the Deputy Chairman of the Board are both elected by the general meeting based on a proposal from the Nomination Committee, as are the other members representing the shareholders. Board members are elected for a period of one or two years at a time. In order to ensure continuity, not all seats on the Board come up for election in the same year.

At present, the Board consists of ten members, of which seven are elected by the general meeting and three are representatives of the employees in Norway. All Board members are considered independent of the Company's executive management and material business partners. More than the minimum required of two Board members elected by the shareholders are independent of the Company's largest shareholder. No executives are members of the Board.

The members of the Board, including their CVs, are presented in this Integrated Annual Report. The shareholdings of Board members are listed in Note 24. The Board is of the opinion that it has sufficient expertise and capacity to perform its duties in a satisfactory manner.

9. THE WORK OF THE BOARD OF DIRECTORS

According to the Norwegian Public Limited Liability Companies Act, the Board has overall responsibility to oversee the management of the Company, while the CEO is responsible for day-to-day management. The Board is responsible for ensuring that the Group's activities are soundly organized, and for approving all plans and budgets for the activities of the Group. The Board approves a statement of the CEO's duties, responsibilities and authorizations.

The Board keeps itself informed about the Group's activities and financial situation, and is under an obligation to ensure that its activities, financial statements and asset management are subject to adequate control through the review and approval of the Group's monthly and quarterly reports and financial statements. The Board shall also ensure that the Group has satisfactory internal control systems.

The CEO is in charge of the day-to-day management of the Group, and is responsible for ensuring that the Group is organized in accordance with applicable laws, the Company's articles of association and the decisions adopted by the Board and the Company's general meeting. The CEO has particular responsibility for ensuring that the Board receives accurate, relevant and timely information in order to enable it to carry out its duties. The CEO shall also ensure that the Group's financial statements comply with Norwegian legislation and regulations and that the assets of the company are soundly managed.

The Board has formally assessed its performance and expertise in 2016 as recommended by the Norwegian Code.

The Board conducted 13 meetings during 2016, of which seven were held in person. The attendance rate at the physical meetings was 100%. In 2016 the Board continued to spend significant time on the strategic positioning of the company following the decision to transform the Group from a production- driven farming company into an integrated producer of protein from the ocean.

The Board has chosen not to appoint a remuneration committee. Matters relating to the remuneration of executive personnel are discussed by the Board without presence of the CEO or other management representatives.

The Board has one subcommittee: The Audit Committee.

THE BOARD'S AUDIT COMMITTEE

The Board's Audit Committee consists of three directors: Birgitte Ringstad Vartdal (Chairman), Cecilie Fredriksen and Lisbet K. Nærø (the "Audit Committee").

The responsibility of the Audit Committee is to monitor the Company's financial reporting process and the effectiveness of its systems for internal control and risk management. The Audit Committee shall also keep in regular contact with the Company's auditor regarding the auditing of the annual accounts, and shall evaluate and oversee the auditor's independence. The Audit Committee reviews ethical and compliance issues. All three members of the Audit Committee are deemed to be independent of the Company's management. The Audit Committee reports to the Board. The Audit Committee conducted six meetings during 2016.

The Audit Committee has formally assessed its performance and expertise in 2016 as part of the Board's assessment.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board and management attach great importance to the quality of the Group's risk management and internal control systems. Risk management and internal control systems are important to enable the Group to meet its strategic goals. These systems form an integrated part of management's decision-making processes and are central elements in the organization of the Group and the development of routines.

By means of a materiality assessment we have identified areas of opportunity and risk that could influence our ability to achieve our goals and deliver on our strategy.

Risk management is what the Company does to manage risk in order to provide reasonable assurance to stakeholders that it will achieve its goals. The COSO enterprise risk framework, dividing risk into four categories is applied:

1. Operational risk
2. Strategic risk
3. Reporting risk
4. Compliance risk

As the Company considers its operational risk to cover several individually important sub categories of risk, a more detailed risk categorization has been chosen. The operational risk category therefore includes the following sub categories:

a. Risks related to the sale/supply of our products
b. Risks related to governmental regulations
c. Risks related to our fish farming operations
d. Risks related to our supply of fish feed and feed operations
e. Risks related to our industry
f. Risks related to our business
g. Risks related to our financial arrangements
h. Risks related to tax and legal matters
i. Risks related to climate change

The Company believes that this risk categorization addresses the main risk areas that could influence the ability to deliver on the strategy. The Company works continuously to mitigate identified risks and capitalize on opportunities by tracking and following up key performance indicators within the framework of our the guiding principles. The Company believes that the long-term success depends on its ability to manage the risks associated with its operations, strategy, reporting and compliance.

For more detailed descriptions of the risks associated with the Company's operations, please see the section Risk Management and the sections Profit, Planet, Product and People. For a more detailed description of the risks related to the financing arrangements, please refer to the Board of Directors report and Note 13 to the Group financial statements.

A continuous risk management process, including analysis, management and follow-up of significant risks, is performed to ensure that the Group is managed in accordance with the risk profile and strategies approved by the Board. This process encompasses the Group's guiding principles and ethical guidelines. The Board reviews the Group's overall risk profile in relation to strategic, operational and transaction-related issues at least once every year. The status of the overall risk situation is reported and discussed with the Board in connection with the annual budget process. The Audit Committee assists the Board and functions as a preparatory body with regards to surveillance of the Company's systems for internal control, internal audit and risk management.

INTERNAL CONTROL OVER FINANCIAL REPORTING

The Board and Group management are responsible for establishing and maintaining adequate internal control over financial reporting. The process for internal control is developed under the supervision of the Chief Financial Officer. The process is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Group's Financial Statements for external reporting purposes in accordance with International Financial Reporting Standards and the interpretations issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU IFRS) and the Norwegian Accounting Act.

The Audit Committee monitors financial reporting and its related internal controls, including application of accounting principles and informed judgments. Group management and the Audit Committee have regular meetings with the external auditor present to discuss issues related to financial reporting.

Financial reporting in Marine Harvest is an integrated part of the Group's corporate governance. Distinct roles, responsibilities and duties have been established. Requirements with regard to content and deadlines, including accounting policies, checks and validations, have been clearly defined. A key element in the financial reporting process is risk assessment. A risk assessment is performed at least annually, and key controls and control procedures are established to mitigate identified risks. Compliance is reported to the Audit Committee. The Group's applied accounting principles are described in an online accounting manual.

All Business Units periodically upload their financial statements into a common consolidation system, based on a common chart of accounts. All subsidiaries are responsible for the accuracy of their reported figures, and for ensuring that their financial reporting is in compliance with the Group's accounting principles. In addition, general and analytical controls of the reported figures are performed at corporate level.

Additional information is disclosed in connection with quarterly and annual reporting. Extended controls are carried out as part of the quarterly and the year-end reporting processes.

The Group has sufficient expertise to complete proper and efficient financial reporting in accordance with IFRS and the Norwegian Accounting Act.

CODE OF CONDUCT AND ETHICAL GUIDELINES

The Code of Conduct describes Marine Harvest ASA's commitment and requirements in connection with ethical issues relevant to business practice and personal conduct. Marine Harvest ASA will, in its business activities, comply with applicable laws and regulations, and act in an ethical, sustainable and socially responsible manner. The Code of Conduct has been communicated to employees, and each employee is expected to make a personal commitment to abide by the Code of Conduct. The third-party-operated whistleblower channel facilitates the reporting of concerns about potential violations of the law and breaches of Marine Harvest's Code of Conduct in all areas. In 2016 one incident was reported through this channel, and the reported incident is being followed up.

Marine Harvest has also established a group-wide policy to combat fraud and corruption as part of its risk management, internal control and corporate governance process. The internal audit function, which is outsourced to PwC, also has a specific focus on fraudulent and unethical behavior.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Remuneration for the members of the Board is determined by the AGM based on a proposal from the Nomination Committee. The remuneration reflects the Board's responsibility, expertise, time, commitment and the complexity of the Company's activities. Remuneration is not linked to the Company's performance. All members of the Board, with the exception of the Chairman, the Deputy Chairman and Paul Mulligan, receive the same remuneration. The members of the Audit Committee receive separate, additional remuneration. The fee paid to the members of the Board is fixed for each 12-month period (from AGM to AGM). The remuneration paid to members of the Board is disclosed in Note 15 to the Marine Harvest ASA financial statements.

12. REMUNERATION OF EXECUTIVE MANAGEMENT

The Board of Marine Harvest ASA determines the principles applicable to the Group's policy for compensation of senior executives. The Board is directly responsible for determining the CEO's salary and other benefits. The CEO is, in consultation with the Chairman of the Board, responsible for determining the salary and other benefits for the Group's other senior executives. The Group's senior executives include the management team of each Business Area as well as the senior members of the corporate staff.

The following guidelines underpin the determination of compensation payable to the Group's senior executives:

- *The total compensation offered to senior executives shall be competitive, both nationally and internationally.*
- *The compensation shall contain elements providing necessary financial security following termination of the employment relationship, both before and after retirement.*
- *The compensation shall be motivating, both for the individual and for the senior executives as a group.*
- *Variable elements in the overall compensation package shall be linked to the value generated by the Group for Marine Harvest ASA's shareholders.*
- *The system of compensation shall be understandable and meet general acceptance internally in the Group, among the Company's shareholders and with the public.*
- *The system of compensation shall be flexible and contain mechanisms that make it possible to carry out individual adjustments based on the results achieved and contributions made towards the development of the Group.*

Remuneration of the Company's CEO and the executive management team is disclosed in Note 15 to the Marine Harvest ASA financial statements. In compliance with the Norwegian Public Limited Liability Companies Act, the Board prepares a statement regarding the remuneration of the executive management team for consideration by the AGM. The remuneration package for corporate executive staff consists of the following main elements:

- *Fixed salary*
- *Benefits-in-kind*
- *Pension*
- *Termination payment*
- *Bonus*

In addition, the Group has a Share Option Scheme ("Scheme") for key employees. The Scheme is limited to two years' salary for each individual. The details of the Scheme are described in Note 14 to the Marine Harvest Group Financial Statements, and in Note 15 to the Marine Harvest ASA financial statements.

13. INFORMATION AND COMMUNICATIONS

The Company publishes its financial calendar every year, identifying the dates on which it will present its quarterly reports and when the AGM will be held.

All information concerning major events and acquisitions is publicly disclosed in line with the requirements of the Oslo Stock Exchange, and posted on the Company's website (marineharvest.com). All financial reports and other information are prepared and disclosed in such a way as to ensure that shareholders, investors and others receive correct, clear, relevant and up-to-date information equally and in a timely manner.

The Company holds public presentations of its results quarterly.

The Board has formalized guidelines for dialog with the Company's shareholders outside the AGM. Marine Harvest ASA is entitled by the Norwegian Securities Trading Act to publish all information (including its annual financial statements) in English only.

14. TAKEOVERS

The Board will not seek to hinder or obstruct any public bid for the Company's activities or shares unless there are particular reasons for doing so. In the event of a takeover bid for the Company's shares, the Board will not exercise mandates or pass any resolutions with the intention of obstructing the takeover bid, unless this is approved by the Company's general meeting following the announcement of such a bid.

The Board acknowledges that it has a particular responsibility to ensure that the Company's shareholders are given sufficient information and time to form a view of any public offer for the Company's shares. If an offer is made for a significant and controlling stake of the shares, the Board will issue a statement evaluating the offer and will make a recommendation as to whether or not shareholders should accept it.

The Board has not established explicit guiding principles for dealing with takeover bids as recommended by the Norwegian code.

15. AUDITOR

The Company's elected external auditor is EY. The auditor is independent of Marine Harvest ASA and is appointed by the AGM. The auditor's fee is approved by the AGM.

The auditor presents a plan to the Audit Committee for the audit, and is present at Board meetings dealing with the preparation of the annual accounts where the audited financial statements are reviewed and approved. The auditor is also present at all meetings with the Audit Committee.

When evaluating the independent auditor, emphasis is placed on the firm's competence, capacity, local and international availability and the level of the fee expected.

The auditor submits a management letter to the Audit Committee and the Board following its audit of the Group's and the Company's annual financial statements. The management letter, in addition to describing the audit review, includes an evaluation of the Group's internal control systems.

The Board and the Audit Committee hold regular meetings with the auditor without the presence of management. The auditor also participates in the AGM. Information about the fee paid to the auditor is stated in Note 32 to the Group financial statements. The independent auditor's remuneration is split between the audit fee, other authorization services, tax advisory services and other non-audit related services. To the extent that the auditor provides services over and above the audit, this is discussed separately on a case-by case basis prior to engagement, to ensure that there are no conflicts of interest. All engagements other than audit-related services are approved by the Chairman of the Audit Committee prior to start-up.

Special note

Regarding forward - looking statements

This annual report contains forward-looking statements that reflect our current expectations and views of future events. Some of these forward-looking statements can be identified by terms and phrases such as “anticipate,” “should,” “likely,” “foresee,” “believe,” “estimate,” “expect,” “intend,” “continue,” “could,” “may,” “plan,” “project,” “predict,” “will” and similar expressions. These forward-looking statements include statements relating to:

- *our goals and strategies;*
- *our plans with respect to construction and opening of new production facilities, such as the feed plant in Scotland and the expected cost, capacity and timing for such projects;*
- *our plans with respect to Marine Harvest Shipping;*
- *our ability to increase or otherwise vary our harvest volume in the short or long term and our expected investments in working capital;*
- *the expected trends in global demand for seafood;*
- *our expected sales of fish feed;*
- *the expected trends in consumer preferences;*
- *capacity to expand salmon production in Norway or elsewhere;*
- *the expected trends in the seafood industry, globally and regionally;*
- *the expected trends in human population growth;*
- *the expected trends in income growth in emerging markets;*
- *our ability to control or mitigate biological risks, including fish diseases and sea lice, through the use of vaccines, treatment or otherwise, and other risks to our fish stocks;*
- *expected developments in the cost and availability of fish feed raw materials;*
- *climate change;*
- *our dividend policy;*
- *updates with respect to our legal proceedings;*
- *our expected capital expenditures and commitments;*
- *our ability to maintain access to and produce quality fish feed;*
- *future movements in the price of salmon and other seafood;*
- *our ability to effectively manage the impact of escapes and predation on our stock;*
- *our ability to continue to develop new and attractive high quality products;*
- *our ability to overcome any interruptions to the operations of our farms, our feed plant or our primary or secondary processing facilities;*
- *our expected biological costs;*
- *our expected investments, including our project pipeline and other expansion efforts;*
- *competition in our industry and from other protein sources, such as beef, pork and chicken;*
- *the prospects of the Chilean and North American salmon industry;*
- *our restructuring efforts;*
- *our research and development plans and expectations; and*
- *developments in, or changes to, the laws, regulations and governmental policies governing our business and industry, including the developments with respect to licenses.*

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, such factors are described in the relevant sections in this Integrated Annual Report.

These forward-looking statements speak only as of the date of this annual report. Except as required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The factors set forth in Risk and Risk Management could cause our actual results to differ materially from those contemplated in any forward-looking.

Board of Directors

Ole-Eirik Lerøy

(1959)
Chairman of the board

Mr. Lerøy has been a Director of Marine Harvest ASA since 2009. He is the Managing Director of the investment company Framar AS and holds various board positions in connection with Framar's investments.

Mr. Lerøy has broad experience in the seafood industry:

- *CEO of Lerøy Seafood Group ASA, a seafood production and distribution company based in Bergen, Norway, 1991 - 2008*
- *Chairman of the Norwegian Seafood Federation (FHL), a body representing companies within the fisheries and aquaculture sectors in Norway, 2000 - 2006*
- *Chairman of the Board of the Norwegian Seafood Export Council (NSEC), a body that promotes Norwegian seafood outside Norway, 1994 - 2000*
- *Vice Chairman of DNB Supervisory Board, 2006 - 2008*
- *Member of the Board of the International Groundfish Forum, 2000 - 2015*

Mr. Lerøy is educated at the Norwegian School of Management.

Number of shares held at year end: 2 100 000
Number of options alloted at year end: 1 000 000

Lisbet K. Nærø

(1963)
Vice Chairman of the Board

Ms. Nærø has been a Director of Marine Harvest ASA since 2015. She is CEO at Fana Sparebank, and holds various board positions in connection with the banks investments.

Ms. Nærø has comprehensive experience from banking and financial services:

- *Member of the Board of Bergen Næringsråd, since 2013*
- *Member of the Board of the Holberg Funds, since 2012*
- *CEO of Tide ASA, 2011 - 2014*
- *CEO of BN Bank ASA, 2009 - 2011*
- *CFO of SpareBank 1 SR-Bank, 2006 - 2009*
- *CFO of Sparebanken Vest, 2003 - 2006*
- *CFO of BNR/Fjordline ASA, 2001 - 2003*

Ms. Nærø has a Master of Science of Business from the Norwegian School of Economics, a Bachelor of Law from the University of Bergen, MBA from the University of Central Florida and the Advanced Management Program from Harvard Business School.

Number of shares held at year end: 0

Ørjan Svanevik

(1966)

Mr. Svanevik has been a Director of Marine Harvest ASA since 2014. He is Director of the Seatankers Group.

Mr Svanevik has worked for nearly a decade in corporate advisory and investment banking:

- *Member of the Boards of North Atlantic Drilling, Archer and Norgesgruppen, since 2015*
- *Member of various Boards, including Seadrill and Mesta, since 2014*
- *Managing Director for the investment advisory Oavik Capital, 2008 - 2014*
- *Partner and Head of M&A at Aker ASA, 2005 - 2008*
- *COO and Executive Vice President of Kværner ASA, 2004 - 2005*
- *Head of business development at Aker Solutions ASA, 2001 - 2004*
- *Director of Arkwrigth Consulting, 1994 - 2001*
- *Controller at Schlumberger, 1991 - 1994*

Mr. Svanevik has a Master of Business and Economics from Norwegian School of Management, MBA from Thunderbird and the Advanced Management Program from Harvard Business School.

Number of shares held at year end: 0

Cecilie Fredriksen

(1983)

Ms. Fredriksen has been a Director of Marine Harvest ASA since 2008. She is an Executive Officer at Frontline Corporate Services Ltd.

Ms. Fredriksen has served on several boards:

- *Member of the Board of Norwegian Property ASA, since 2015*
- *Member of the Board of Ship Finance International Ltd., since 2008*
- *Member of the Board of Archer Ltd., 2008 - 2015*
- *Member of the Board of Northern Offshore Ltd., 2008 - 2015*
- *Member of the Board of Aktiv Kapital ASA, 2006 - 2015*

Ms. Fredriksen holds a degree in Business and Science from London Metropolitan University.

Number of shares held at year end: 0

Paul Mulligan

(1969)

Mr. Mulligan has been a Director of Marine Harvest ASA since 2016. He is the President of Coca-Cola Refreshments, North America.

Mr. Mulligan has more than 20 years of experience in the Coca-Cola Company:

- *Member of the Board of the Retail Industry Leaders Association, 2014*
- *Member of the Board of the Skate Foundation, since 2013*
- *Member of the Boards of Tokyo Coca-Cola Bottling Company, the Tone Coca-Cola Bottling Company, Japan, and Solar Coca-Cola Bottling Company, Brazi, 2012 - 2013*
- *Region Director responsible for the Coca-Cola Company Bottling Investments Group`s operations in Japan and Latin America, 2011 - 2013*
- *Several general management position in the Coca-Cola Hellenic Company, 1994 - 2008*
- *Chartered Accountant at KPMG, Ireland and USA, 1990 -1994*

Mr. Mulligan has a degree in Economics from the University of Dublin and a Master of Science in Accounting and Finance from the Dublin City University.

Number of shares held at year end: 0

Birgitte Ringstad Vartdal

(1977)

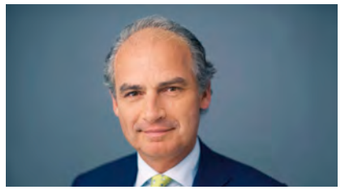
Mrs. Vartdal has been a Director of Marine Harvest ASA since 2016 and is also the Chairman of the Audit Committee. She is the CEO of Golden Ocean Management.

Mrs. Vartdal has held various positions:

- *Member of the Corporate Assembly of Statoil ASA, since 2016*
- *Chairman of the Board of Sevan Drilling Ltd, 2015 - 2016*
- *Member of the Board of Sevan Drilling ASA, 2013 - 2015*
- *CFO of Golden Ocean Management, 2010 - 2016*
- *Various positions, including Vice President Head of Commercial Controlling, Risk Manager and Financial Analyst, at Torvald Klaveness Group, 2004 - 2010*
- *Structuring Analyst at Hydro Energy, 2001 - 2004*

Mrs. Vartdal has a Master of Science in Physics and Mathematics from the Norwegian University of Science and Technology, and a Master of Science in Financial Mathematics from Heriot-Watt University.

Number of shares held at year end: 0



Jean-Pierre Bienfait

(1963)

Mr. Bienfait has been a Director of Marine Harvest ASA since 2016. He is the COO International of Makro Thailand, responsible for Asian expansion. He holds a variety of board positions related to his role.

Mr. Bienfait has over 25 years of experience in the global retail and food service industries:

- International Expansion Director at Unilever, 2015 - 2016
- CEO at Estro Group 2014 - 2015
- CEO of Metro Egypt and the Netherlands, 2008 - 2013
- Vice President Operations Metro China, 2004 - 2008
- CEO of Makro China, 2001 - 2004
- Operations Director at Makro Indonesia, 1998 - 2001

Mr. Bienfait has a Master of Law from Utrecht University, a Master of Business Administration from Columbia University and attended the Advanced Management Program at Harvard Business School.

Number of shares held at year end: 0

Stein Mathiesen

(1973)
Employee representative

Mr. Mathiesen was elected to the Board of Directors as a representative of the employees in 2012. He is a Factory Scheduler at Marine Harvest Norway Region West.

Mr. Mathiesen has been in the seafood industry since 1989:

- *Factory Scheduler at Marine Harvest Norway Region West, since 2007*
- *Section Leader at Olsten Engineering/ISS, 1998 - 2007*
- *Section Leader at Rex Star Seafood, 1995 - 1998*
- *Manufacturer at Domstein, 1989 - 1995*

Mr. Mathiesen is a trained food technician from Norconserv in Stavanger.

Number of shares held at year end: 0

Unni Sværen

(1971)
Employee representative

Mrs. Sværen was elected to the Board of Directors as a representative of the employees in 2016. She is a Long-term Planner at Marine Harvest Markets Norway.

Mrs. Sværen has been with the Company since 1996:

- *Long-term Planner at Marine Harvest (Markets) Norway, since 2005*
- *Value Chain Manager at Marine Harvest Norway, 2001 - 2004*
- *Logistic and Planning Coordinator at Hydro Seafood, the company that that was acquired by Nutreco and later changed name to Marine Harvest, 1996 - 2000*

Mrs. Sværen has a Master of Science in Business from Bodø Graduate School of Business.

Number of shares held at year end: 247

Lars Eirik Hestnes

(1969)
Employee representative

Mr. Hestnes was elected to the Board of Directors as a representative of the employees in 2014. He is a Health, Safety and Environment (HSE) coordinator and BrainSafe instructor in Marine Harvest Region Mid.

Mr Hestnes has been in the seafood industry since 1988:

- *HSE coordinator at Marine Harvest Region Mid, since 2012*
- *Sea site Manager at Marine Harvest Region Mid, 1994 - 2012*
- *Farm Technician at Marine Harvest Region Mid, 1993 - 1994*
- *Freshwater Farm Technician, 1988 - 1990*

Mr. Hestnes has a certificate of completion as farm technician and management courses organized by Addisco/FLT at Bergen University College.

Number of shares held at year end: 236

Marine Harvest Group
Financial statements and notes

STATEMENT OF COMPREHENSIVE INCOME

MARINE HARVEST GROUP (EUR MILLION)	NOTE	2016	2015	2014
Revenue		3 502.8	3 093.4	3 025.6
Other income		7.4	19.0	27.6
Revenue and other income	4	**3 510.2**	**3 112.4**	**3 053.2**
Cost of materials	7/33	-1 782.2	-1 770.3	-1 635.6
Fair value uplift on harvested fish	6	-869.6	-457.6	-659.9
Fair value adjustment on biological assets	6	1 255.8	467.7	598.9
Salary and personnel expenses	14	-440.0	-427.1	-397.1
Other operating expenses	28	-472.5	-443.2	-400.6
Depreciation and amortization	9/10	-142.5	-139.8	-115.6
Onerous contracts provision	2/6/30	-108.7	-0.7	2.8
Restructuring costs	30	-5.4	-15.2	-6.3
Other non-operational items	27	1.3	2.4	-20.1
Income/loss from associated companies	21	62.6	23.4	17.9
Impairment losses	9/10	-17.7	-6.8	-2.9
Earnings before financial items (EBIT)		**991.2**	**345.3**	**434.5**
Interest expenses	12	-48.4	-46.5	-65.1
Net currency effects	12	26.9	4.2	-46.4
Other financial items	12	-210.5	-52.9	-145.1
Earnings before taxes		**759.2**	**250.1**	**177.8**
Income taxes	15	**-219.9**	**-91.6**	**-89.9**
Net earnings from continuing operations		**539.3**	**158.5**	**87.9**
Profit after tax from discontinued operations		**—**	**-0.2**	**24.5**
Profit or loss for the year		**539.3**	**158.3**	**112.4**
Other comprehensive income				
Change in fair value of cash flow hedges including tax	12/15	—	-2.7	-4.1
Currency translation differences		49.0	44.7	82.6
Currency translation associated companies		6.9	—	—
Total items to be reclassified to profit or loss in subsequent periods		**55.9**	**42.1**	**78.5**
Actuarial gains (losses) on defined benefit plans net of tax		-3.4	-0.9	2.6
Other gains and losses in comprehensive income		0.9	2.1	—
Total items not to be reclassified to profit or loss		**-2.5**	**1.2**	**2.6**
Total other comprehensive income		**53.4**	**43.3**	**81.1**
Comprehensive income for the year		**592.7**	**201.6**	**193.5**
Profit or loss for the year attributable to				
Non-controlling interests		-0.3	0.1	0.5
Owners of Marine Harvest ASA		539.6	158.2	111.9
Comprehensive income for the year attributable to				
Non-controlling interests		-0.3	—	12.3
Owners of Marine Harvest ASA		593.0	201.6	181.2
Earnings per share - basic and diluted (EUR)	25	**1.20**	**0.36**	**0.27**
Earnings per share for continuing operations - basic and diluted (EUR)	25	**1.20**	**0.36**	**0.21**

STATEMENT OF FINANCIAL POSITION

MARINE HARVEST GROUP (EUR MILLION)	NOTE	2016	2015	2014
ASSETS				
Non-current assets				
Licenses	8/9	764.3	746.6	725.9
Goodwill	8/9	268.0	259.0	269.3
Deferred tax assets	15	2.6	11.5	16.4
Other intangible assets	9	32.4	27.6	18.6
Total intangible assets		**1 067.4**	**1 044.7**	**1 030.2**
Property, plant and equipment	10	1 008.1	963.7	920.0
Investments in associated companies	21	175.0	123.9	109.0
Other non-current financial assets	12/22	0.4	0.4	18.5
Other non-current assets		5.0	2.1	1.6
Total non-current assets		**2 255.8**	**2 134.9**	**2 079.3**
Current assets				
Inventory	7	248.2	277.7	267.5
Biological assets	6	1 573.8	1 140.2	1 115.8
Trade receivables	17	498.0	409.2	374.4
Other receivables	17	112.8	131.4	98.4
Other current financial assets	12	14.2	29.2	25.3
Restricted cash	16	15.9	11.6	23.7
Cash in bank	16	88.0	60.1	133.2
Total current assets		**2 551.0**	**2 059.4**	**2 038.3**
Assets held for sale	5	3.5	1.8	2.1
Total assets		**4 810.4**	**4 196.1**	**4 119.7**

MARINE HARVEST GROUP (EUR MILLION)	NOTE	2016	2015	2014
EQUITY AND LIABILITIES				
Equity				
Share capital and reserves attributable to owners of Marine Harvest ASA	24	2 068.4	1 894.6	1 638.1
Non-controlling interests	23	0.9	0.9	1.8
Total equity		**2 069.3**	**1 895.6**	**1 639.9**
Non-current liabilities				
Deferred tax liabilities	15	453.5	391.8	397.6
Non-current interest-bearing debt	11	993.4	1 071.4	1 188.8
Other non-current financial liabilities	12	439.6	209.5	247.2
Other non-current liabilities	20	11.5	12.0	12.9
Total non-current liabilities		**1 898.0**	**1 684.7**	**1 846.5**
Current liabilities				
Current tax liabilities	15	142.6	72.6	58.5
Current interest-bearing debt	11/18	0.1	0.2	0.8
Trade payables	18	275.5	248.0	227.2
Other current financial liabilities	12	91.4	98.0	90.3
Provisions	30	153.7	45.9	56.6
Other current liabilities	18	179.8	151.2	199.9
Total current liabilities		**843.1**	**615.9**	**633.3**
Total equity and liabilities		**4 810.4**	**4 196.1**	**4 119.7**

BERGEN, APRIL 5, 2017

Ole-Eirik Lerøy
Chaiman of the Board

Lisbet K. Nærø
Vice Chairman of the Board

Cecilie Fredriksen

Ørjan Svanevik

Paul Mulligan

Jean-Pierre Bienfait

Birgitte Ringstad Vartdal

Lars Eirik Hestnes
Employee representative

Stein Mathiesen
Employee representative

Unni Sværen
Employee representative

Alf-Helge Aarskog
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

MARINE HARVEST GROUP (EUR MILLION) 2016	ATTRIBUTABLE TO OWNERS OF MARINE HARVEST ASA							NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	OTHER PAID-IN CAPITAL	SHARE BASED PAYMENT	FOREIGN CURRENCY TRANSLATION RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE ASSOCIATED COMPANIES	OTHER EQUITY	TOTAL		
Equity 01.01.16	**351.8**	**1 075.6**	**6.1**	**160.4**	**—**	**300.6**	**1 894.6**	**0.9**	**1 895.6**
Comprehensive income									
Profit	—	—	—	—	—	539.6	539.6	-0.3	539.3
Other comprehensive income	—	—	—	49.4	6.9	-2.9	53.4	—	53.4
Transactions with owners									
Share-based payment	—	—	-1.5	—	—	-2.7	-4.2	—	-4.2
Repayment of paid-in capital	—	-418.1	—	—	—	—	-418.1	—	-418.1
Business combinations	—	—	—	—	—	1.4	1.4	0.3	1.7
Other changes	—	—	—	—	—	1.7	1.7	—	1.7
Total equity 31.12.16	**351.8**	**657.5**	**4.6**	**209.8**	**6.9**	**837.7**	**2 068.4**	**0.9**	**2 069.3**

Dividend declared and paid of NOK 8.60 per share in 2016.

MARINE HARVEST GROUP (EUR MILLION) 2015	ATTRIBUTABLE TO OWNERS OF MARINE HARVEST ASA							NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	OTHER PAID-IN CAPITAL	CASH FLOW HEDGE RESERVE	SHARE BASED PAYMENT	FOREIGN CURRENCY TRANSLATION RESERVE	OTHER EQUITY	TOTAL		
Equity 01.01.15	**342.9**	**1 032.6**	**2.7**	**3.4**	**73.6**	**182.9**	**1 638.1**	**1.8**	**1 639.9**
Comprehensive income									
Profit	—	—	—	—	—	158.2	158.2	0.1	158.3
Other comprehensive income	—	—	-2.7	—	86.8	-41.0	43.1	0.1	43.2
Translation effect[1)]	-24.4	-74.5		-0.2			-99.1		-99.1
Transactions with owners									
Bond conversion	33.3	373.4					406.7		406.7
Share-based payment	—	—	—	2.9	—	—	2.9	—	2.9
Repayment of paid-in capital	—	-255.9	—	—	—		-255.9	—	-255.9
Sale of non-controlling interests	—	—	—	—	—	—	—	-1.0	—
Other changes						0.5	0.5		0.5
Total equity 31.12.15	**351.8**	**1 075.6**	**—**	**6.1**	**160.4**	**300.6**	**1 894.6**	**0.9**	**1 895.6**

Dividend declared and paid NOK 5.20 per share in 2015.

MARINE HARVEST GROUP (EUR MILLION) 2014	ATTRIBUTABLE TO OWNERS OF MARINE HARVEST ASA							NON-CONTROLLING INTERESTS	TOTAL EQUITY
	SHARE CAPITAL	OTHER PAID-IN CAPITAL	CASH FLOW HEDGE RESERVE	SHARE BASED PAYMENT	FOREIGN CURRENCY TRANSLATION RESERVE	OTHER EQUITY	TOTAL		
Equity 01.01.14	**367.1**	**1 159.3**	**7.0**	**1.0**	**-18.0**	**430.1**	**1 946.5**	**3.3**	**1 949.8**
Comprehensive income									
Profit	—	—	—	—	—	111.9	111.9	0.5	112.4
Other comprehensive income	—	—	-4.1	—	91.6	-5.9	81.6	-0.5	81.1
Translation effect[1)]	-24.2	-72.7	-0.2				-97.1		-97.1
Transactions with owners									
Share-based payment	—	—	—	2.5	—	—	2.5	—	2.5
Repayment of paid-in capital	—	-54.0	—	—	—		-54.0	—	-54.0
Dividend	—	—	—	—	—	-353.3	-353.3	—	-353.3
Sale of non-controlling interests	—	—	—	—	—	—	—	-1.4	-1.4
Total equity 31.12.14	**342.9**	**1 032.6**	**2.7**	**3.4**	**73.6**	**182.9**	**1 638.1**	**1.8**	**1 639.9**

1) As described in Note 36, presentation currency for the Group has been changed to EUR from January 1. 2016, with retrospective effect on comparative figures. Equity per January 1 2014 and 2015 has been translated to EUR using the EUR/NOK closing rate applicable for the same date. As a result, a translation effect occurs for each component of equity. The translation effect related to share capital, other paid in capital, cash flow hedge reserve and share based payment is shown as a separate item in the statement of change in equity for 2014 and 2015.

Dividend declared and paid of NOK 8.30 per share in 2014.

STATEMENT OF CASH FLOW

MARINE HARVEST GROUP (EUR MILLION)	NOTE	2016	2015	2014
Cash flow from operations				
Earnings before taxes		759.2	250.1	177.8
Interest expense	12	48.4	46.5	65.1
Currency effects	12	-26.9	-4.2	46.4
Other financial items	12	210.5	52.9	145.1
Impairment losses and depreciation	9/10	160.2	146.6	118.5
Net fair value adjustment on biological assets and onerous contracts	6	-277.5	-9.3	58.2
Gain/loss on disposal of assets		4.7	0.7	-1.1
Income from associated companies	21	-62.6	-23.4	-17.9
Taxes paid	15	-92.6	-68.3	-35.3
Change in inventory, trade payables and trade receivables		-14.9	-146.2	-86.2
Restructuring and other non-operational items		-4.8	-9.8	2.2
Other adjustments		-10.6	-2.2	-1.3
Cash flow from operations		**693.2**	**233.3**	**471.5**
Cash flow from investments				
Sale of fixed assets		12.4	5.5	5.9
Purchase of fixed assets	4	-211.6	-215.8	-210.6
Proceeds and dividend from associates and other investments		17.1	44.0	7.4
Proceeds from sale of shares		52.3		
Purchase of shares and other investments		-2.7	-22.0	-93.0
Proceeds from disposals of held for sale assets		—	—	141.3
Cash flow from investments		**-132.6**	**-188.3**	**-149.0**
Cash flow from financing				
Proceeds from convertible bond	11	—	318.2	369.7
Proceeds from new interest-bearing debt (current and non-current)	11	45.0	93.0	668.3
Down payment of interest-bearing debt (current and non-current)	11	-151.8	-224.7	-784.2
Interest received		1.8	1.2	5.5
Interest paid		-24.7	-40.7	-54.8
Realized currency effects		14.8	-15.9	-39.5
Dividends paid to owners of Marine Harvest ASA		-418.1	-255.9	-407.3
Cash flow from financing		**-533.0**	**-124.3**	**-242.3**
Currency effects on cash		0.3	6.1	0.4
Net change in cash in period		**27.9**	**-73.2**	**80.6**
Cash - opening balance		60.1	133.2	52.4
Net change in cash in period		27.9	-73.2	80.6
Cash - closing balance total	16	**88.0**	**60.1**	**133.0**

NOTE 1 - GENERAL INFORMATION

Marine Harvest ASA is a Norwegian company headquartered at Sandviksboder 77A/B, 5035 Bergen. Marine Harvest ASA is a publicly listed company on the Oslo Stock Exchange, with the ticker symbol MHG. Until March 9, 2017, Marine Harvest was also secondary listed on the New York Stock Exchange (American Depositary Shares).

The Group's operations are described in Note 4. Marine Harvest has operations in 24 countries and has structured its operations in three Business Areas: Feed, Farming and Sales and Marketing. The Feed factory is located in Norway. The Group's farming activities are located in Norway, Scotland, Canada, Chile, Ireland and the Faroe Islands. Sales and Marketing comprises the global market organization, in addition to Consumer Products.

Comparable figures for two years are presented.

The financial statements were authorized by the Board of Directors on April 5, 2017.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are described below. These policies have been consistently applied to all periods presented.

STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

As of December 31, 2016, the consolidated financial statements of Marine Harvest ASA and its subsidiaries ("the Group" or "Marine Harvest") have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU. In compliance with the Norwegian Accounting Act, additional disclosures are included in the notes to the financial statements of Marine Harvest ASA.

New standards and amendments adopted by the Group in 2016 are described in Note 34. At the end of 2016, new standards and changes to existing standards and interpretations have been enacted but are not yet effective. Relevant effects for Marine Harvest are further described in Note 34.

The consolidated financial statements have been prepared on the historical cost basis, except when IFRS requires recognition at fair value. This relates to the measurement of certain financial instruments and valuation of the biomass as further described below. The reporting period follows the calendar year.

CONSOLIDATION

Consolidated financial statements present the Group's financial position, comprehensive income, changes in equity and cash flow. All intragroup transactions, receivables and liabilities are eliminated. Unrealized gains from intragroup transactions are eliminated. Unrealized losses from intragroup transactions are also eliminated, but are considered an indicator of impairment with respect to the asset transferred.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

Subsidiaries

The Group's consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at December 31, 2016.

Control is achieved when the Group is exposed, or is entitled, to variable returns from its involvement with the investee and has the ability to affect those returns though its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- *Power over the investee (i.e., existing rights that enable the Group to direct the relevant activities of the investee).*
- *Exposure, or rights, to variable returns from its involvement with the investee.*
- *The ability to use its power over the investee to affect its returns.*

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights in an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES

Associated companies are companies in which the Group has a significant non-controlling interest (normally ownership of 20-50%). Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not to exercise control or joint control over those policies.

A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights with respect to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in its associated companies and joint ventures are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of the associate or joint venture's net assets since the acquisition date. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring their accounting policies in line with those of the Group.

The statement of profit or loss reflects the Group's share of the results deriving from the associate or joint venture's operations.

The financial statements for the Group are presented in EUR, which is the functional currency of the parent company. The functional currency of the subsidiaries is their local currency, with the exception of the holding companies in Norway and Marine Harvest Markets Norway AS, which use EUR as their functional currency, subsidiaries in Chile, Singapore and Vietnam, which use USD as their functional currency and Waynor Trading which use EUR as functional currency.

The presentation currency of the Group has changed from NOK to EUR in 2016, for further information, please see Note 36.

FOREIGN CURRENCY TRANSLATION
On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Translation of transactions in foreign subsidiaries
Profit or loss transactions in foreign subsidiaries are translated to the presentation currency using the average exchange rate for the reporting period, unless exchange rates in the period have fluctuated significantly, in which case the exchange rates in effect on the transaction dates are applied. Assets and liabilities of foreign subsidiaries are translated at the exchange rate at the end of the reporting period.

Transactions in foreign currencies
Foreign currency transactions are translated using the exchange rate at the time of the transaction. Receivables, debt and other monetary items in foreign currency are measured at the exchange rate at the end of the reporting period, and the translation differences are recognized in profit or loss. Other assets in foreign currencies are translated at the exchange rate in effect on the transaction date.

FINANCIAL INSTRUMENTS - INITIAL AND SUBSEQUENT MEASUREMENT
Financial assets are classified into the following categories:

- *Loans and receivables.*
- *Financial instruments at fair value through profit or loss.*
- *Financial derivatives designated as hedging instruments that qualify for hedge accounting (only applicable for part of the year ended 2014).*

The classification depends on the nature and purpose of the financial instrument and is determined at the time of initial recognition. Subsequent measurement of financial instruments depends on their classification in the specified categories.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment.

Fair value through profit or loss
Financial instruments at fair value through profit or loss include:

- *Financial instruments held for trading.*
- *Financial instruments designated upon initial recognition at fair value through profit or loss.*

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments that are not designated as hedging instruments that qualify for hedge accounting.

Financial instruments at "fair value through profit or loss" are recognized in the statement of financial position at fair value, with changes in fair value recognized in profit or loss as financial items. Marine Harvest has assigned investments in financial derivatives and other shares listed on the stock exchange to this category.

Impairment of financial assets
Financial assets, other than those subsequently measured at fair value, are assessed for indicators of impairment. Financial assets are considered to be impaired when there is objective evidence that the estimated future cash flow of the investment will be less than previously anticipated.

FINANCIAL LIABILITIES - INITIAL AND SUBSEQUENT MEASUREMENT
Financial liabilities are classified as follows:

- *Loans and borrowings*

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. EIR amortization is presented under finance costs in the statement of comprehensive income.

All financial instruments are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. At initial recognition, an assessment is made as to whether a financial instrument shall be accounted for as a financial liability, a financial asset or an equity instrument, based on the substance of the contractual instrument. The terms of a non-derivative financial instrument are evaluated to determine whether the instrument contains a liability and an equity component, and such components are classified separately as financial liabilities, financial assets or equity instruments as appropriate. When a non-derivative financial instrument contains an embedded derivative that would have met the definition of a derivative instrument had it been a separate instrument, that embedded derivative

is separated from the host contract and is accounted for as a freestanding derivative instrument, if the economic characteristics and risk of the embedded derivative are not closely related to that of the host contract. Multiple embedded derivatives in a single instrument are treated as a single compound instrument if the embedded derivatives relate to the same risk exposures and are not readily separable and independent of each other.

The equity conversion rights of the EUR 340 million and EUR 375 million bonds are separated from the debt instruments and accounted for as derivative liabilities due to cash settlement options (option of the issuer to settle the fair value of the conversion rights in cash instead of own equity instruments), in accordance with IAS 32.26.

FAIR VALUE OF FINANCIAL INSTRUMENTS
The fair value of the financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques.

OFFSETTING FINANCIAL INSTRUMENTS
Financial assets and liabilities are offset and the net amount recognized in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING
The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks. The Group trades in salmon derivatives, both as an operational hedging activity and a financial activity. Operational trading of salmon derivatives is presented as other operating income, while financial trading of salmon derivatives is presented as other financial items. Derivative financial instruments are recognized at fair value. Derivatives are presented as financial assets when the fair value is positive, and as financial liabilities when the fair value is negative. Gains or losses at expiration, as well as unrealized changes in fair value on derivatives, are recognized in profit or loss, except for cash flow hedges.

Cash flow hedges
The Group discontinued hedge accounting of both interest rate swaps and currency cash flow hedges during 2014, as they no longer qualified for hedge accounting. The cumulative gain on the hedged interest rate swaps that had been recognized in other comprehensive income was reclassified from equity to profit or loss in 2014, as it was no longer highly probable that the forecast transactions would occur. The cumulative gain on the currency cash flow hedges that had been recognized in other comprehensive income was reclassified from equity to profit or loss, when the forecast transactions occurred.

REVENUE RECOGNITION
Sale of fish products
Revenue for the Group derives from the sale of fish and elaborated fish products. Sales of fish and elaborated fish products are recognized when the significant risk and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Biomass
Changes in the estimated fair value of the biomass are recognized in profit or loss. The fair value adjustment is presented on two separate lines in the statement of comprehensive income: "fair value uplift on harvested fish" and "fair value adjustment on biological assets". The fair value adjustment represents the change in fair value of the biomass less the change in accumulated cost of production for the biomass. The fair value uplift on harvested fish is the release from stock of the fair value adjustment related to the fish harvested in the period.

Interest income
For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in other financial items in the statement of comprehensive income.

Dividends
Revenue is recognized when the Group's right to receive the payment is established, which is generally when the dividend is approved.

GOVERNMENT GRANTS
Government grants are recognized where there is reasonable assurance that the grant will be received and where the Company will be in compliance with all conditions attached thereto. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs that it is intended to compensate are expensed. When the grant relates to an asset, it is deducted from the carrying amount of the asset. The grant is then recognized in profit or loss over the useful life of a depreciable asset by way of a reduced depreciation charge.

GOODWILL AND LICENSES
Goodwill
Goodwill is initially measured at cost, and is the excess of the aggregate of the consideration transferred and the amount recognized for a non-controlling interest in the net identifiable assets acquired and liabilities assumed through a business combination.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in such circumstance is measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit retained. Goodwill is tested for impairment annually as at December 31, and when circumstances otherwise indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Other intangible assets (licenses)
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization

and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite. The value of licenses acquired by Marine Harvest (mainly licenses for salmon farming) in Norway, Chile, Ireland, the Faroe Islands, Scotland and Canada are considered indefinite. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually or when circumstances otherwise indicate that the carrying value may be impaired, either individually or at the cash-generating unit level. The indefinite life classification is reviewed annually to determine whether it continues to be appropriate. If not, the change in useful life from indefinite to finite is made on a prospective basis.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at acquisition cost less accumulated depreciation and any impairment. Costs associated with normal maintenance and repairs are expensed as incurred. Costs of major replacements and renewals that substantially extend the economic life and functionality of the asset are capitalized. Assets are normally considered property, plant and equipment if the useful economic life exceeds one year. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. Straight-line depreciation is applied over the useful life of property, plant and equipment, based on the asset's historical cost and estimated residual value at disposal. If a substantial part of an asset has an individual and different useful life, this part is depreciated separately. The asset's residual value and useful life are evaluated annually. The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

At the end of the reporting period, the carrying amounts of the Group's assets are reviewed to determine whether there are indications that specific assets have suffered an impairment loss. If such indications exist, the recoverable amount of the asset is estimated in order to determine the extent of net present value of discounted cash flows (value in use).

IMPAIRMENT OF NON-CURRENT ASSETS (cash generating units - CGU's)

Annually or upon indication, each CGU is tested for impairment. If the recoverable amount of a cash-generating unit is estimated to be less than the carrying amount of the net assets of the cash-generating unit, impairment to the recoverable amount is recognized. If impairment is required, goodwill is written down first, thereafter other intangible assets. If further impairment is required, other assets will be written down on a pro-rata basis.

Impairment losses recognized in previous periods are reversed if the recoverable amount in a later period exceeds the carrying amount. The reversal will not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

LEASING

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group, are capitalized at the commencement of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are presented as finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating expense in the statement of comprehensive income on a straight-line basis over the lease term.

INVENTORY

Inventories mainly comprise feed, goods in progress, packaging materials and finished goods. Inventories of goods are measured at the lower of cost and net realizable value.

The cost of finished goods includes direct material costs, direct personnel expenses and indirect processing costs (full production cost). Interest costs are not included in the inventory value. The cost price of purchased goods is the actual purchase price. The cost is based on the principle of first-in first-out, except for feed and value-added-products, where a weighted average is used.

If fish farmed by the Group is included in inventory as a raw material for further processing in one of the Groups processing entities, such fish is included in inventory at fair value at harvest.

BIOLOGICAL ASSETS

Biological assets comprise eggs, juveniles, smolt and fish in the sea. Biological assets are, in accordance with IAS 41 and IFRS 13, measured at fair value less cost to sell, unless the fair value cannot be measured reliably. Broodstock and smolt are measured at cost less impairment losses. For live fish below one kg, cost is considered to be an approximation to fair value. Biomass between one and four kg is measured at fair value less cost to sell, including a proportionate expected net profit at harvest. Live fish above four kg are measured at fair value.

Effective markets and transactions for the sale of live fish are rare, so the valuation of live fish under IAS 41 implies the establishment of an estimated fair value of the fish in a hypothetical market. The calculation of the estimated fair value is based on market prices for harvested fish and adjusted for estimated differences in accordance with IFRS 13. The prices are reduced for harvesting costs and freight costs to market, to arrive at a net value back to farm. The valuation reflects the expected quality grading and size distribution. The valuation is completed for each Business Unit and is based on the biomass in sea for each seawater site and the estimated market price in each market derived from the development in recent contracts as well as spot prices. Where reliable forward prices are available, those have been used. The change in estimated fair value is recognized in profit or loss on a continuous basis, and is classified separately. At harvest, the fair value adjustment is classified as fair value uplift on harvested fish.

Historically, the price used in fair value calculation in Norway was based on a combination of publicly available spot prices, forward prices and fixed-price contracts. In the Faroe Islands the price used was based on historically achieved prices. Prices used to calculate fair value in Norway and the Faroe Islands are based on quoted forward prices (Nasdaq). An average forward price per quarter is calculated. Based on expected time of harvest per site, the corresponding forward price is used. E.g. if the expected month of harvest is May 2017, the forward price for Q2 2017 is used. For more information about the forward prices used, see Note 6. This change to the prices applied in the valuation model is a result of the process initiated to align financial reporting in the industry as described below.

In the autumn of 2014, The Financial Supervisory Authority of Norway (Finanstilsynet) initiated an evaluation of certain aspects of the financial reporting prepared by fish farming companies listed on the Oslo Stock Exchange. The purpose of this process was to evaluate whether or not the industry companies reported in a uniform and consistent manner in accordance with IFRS. Finanstilsynet published a final report November 17, 2015 on their website (finanstilsynet.no). In response to Finanstilsynets evaluation process, affected fish farming companies established a financial reporting industry group, as an arena for discussions and improvement work. The group has had several meetings during 2015 and 2016. The main purpose of the group has been as follows:

1. Identify possible improvements of disclosures as well as accounting practices to promote comparability, and

2. Develop a common model for measurement of fair value of biomass according to IAS 41.

With respect to item 1 above, the participating companies identified certain areas of improvement, and certain updates to the fair value model and information included in disclosures were made with effect from December 31, 2015.

With respect to item 2 above, the participating companies have agreed on the main principles for a common model for measurement of fair value of biomass according to IAS 41. The refined common model is based on a present value methodology, while the previous models used by the different companies were based on a growth methodology with proportionate allocation of expected net profit based on size of the fish. As a result of this work, Marine Harvest plans to implement the common model in 2017, after finalization of discussions in the financial reporting industry group. A benefit from a common model will be increased comparability and consistency in the industry.

The participating companies in the financial reporting industry group are Lerøy Seafood Group ASA, Grieg Seafood ASA, Salmar ASA, P/F Bakkafrost and Marine Harvest ASA.

ONEROUS CONTRACTS

At each reporting date, management assesses if there are contracts in which the unavoidable costs of meeting the Group's obligations under the contract exceed the economic benefits expected to be received in accordance with IAS 37. Fair value adjustment of biological assets is included in the unavoidable cost. This implies that the contract may be considered onerous even though the actual production cost of the products sold is lower than the contract price. Volumes used in the calculation is based on estimated remaining volumes for the contracts. Onerous contracts are classified as provisions in the statement of financial position.

NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The Group classifies non-current assets and disposal groups as held for sale or for distribution parent company shareholders if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value, less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to distribution, excluding finance costs and income tax expenses.

The criteria for classification as held for sale are regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be canceled. Management must be committed to the sale taking place within one year from the date of classification. Similar considerations apply to assets or a disposal group held for distribution.

Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale or as held for distribution. Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is:

- *A component of the Group that is a CGU or a group of CGUs.*
- *Classified as held for sale or distribution or already disposed in such a way.*
- *A major line of business or major geographical area.*

Discontinued operations are excluded from the results of continuing operations and are presented separately as a single amount under profit or loss after tax from discontinued operations in the statement of comprehensive income.

TAXES

Income taxes comprise taxes on the taxable profit for the year, changes in deferred taxes and any adjustments in prior years' taxes. Taxes on transactions that are recorded in other comprehensive income or directly in equity do not form part of the tax expense in profit or loss.

Tax payable is calculated using the nominal tax rate for the relevant tax jurisdiction at the end of the reporting period.

Deferred tax is calculated on the basis of temporary differences between accounting and taxation values at the close of the accounting year. Deferred tax assets arise from temporary differences that give rise to future tax deductions. Deferred tax assets are recognized to the extent that it is probable that a taxable profit will arise, against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses, can be utilized.

Tax increasing and tax decreasing temporary differences are offset against each other to the extent that the taxes can be netted within one tax regime.

PROVISIONS
A provision is recognized if the Company has a legal or constructive obligation related to a past event, and it is likely that the obligation will lead to a financial outflow for the Company. Long-term provisions are valued on the basis of discounted expected cash flows.

RESTRUCTURING COSTS
Provisions for restructuring costs will be recognized if the Company has, within the reporting period, published or initiated a restructuring plan, which identifies which parts of the Company and approximately how many employees will be affected, the actions that will be taken and when the plan will be implemented. Provisions are recognized only for costs that cannot be associated with future earnings. Costs related to restructuring are presented on a separate line in the statement of profit or loss.

SHARE-BASED BONUS SCHEME AND SHARE OPTION SCHEMES
The Group has share option schemes from 2014, 2015 and 2016, which will be settled in shares (equity settlement). The cost of equity- settled transactions is recognized as a payroll expense over the vesting period. The cumulative expense is recognized in other equity reserves within equity.

CASH FLOW STATEMENT AND CASH
The cash flow statement is prepared in accordance with the indirect method. Cash comprises cash and bank deposits, except restricted funds.

NOTE 3 - ESTIMATES AND JUDGMENTS

ESTIMATES
The preparation of financial statements in accordance with IFRS requires management to make accounting estimates and judgments that affect the recognized amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on past experience and information perceived to be relevant and probable when the judgments are made. Estimates are reviewed on an on-going basis and actual values and results may deviate from these estimates. Adjustments to accounting estimates are recognized in the period in which the estimates are revised.

Marine Harvest is exposed to a number of underlying economic factors which affect the overall results, such as salmon prices, foreign exchange rates and interest rates, as well as financial instruments with fair values derived from changes in these factors.

The matters described below are considered to be the most important in understanding the key sources of estimation uncertainty that are involved in preparing these consolidated financial statements and the uncertainties that could most significantly impact the amounts reported on the result of operations, financial position and cash flows.

INTANGIBLE ASSETS - GOODWILL AND FARMING LICENSES
The annual impairment test on intangible assets is based on a discounted cash flow model per cash-generating unit (CGU). The cash flows used in the calculations represent management's best estimate at the time of reporting. The assumptions used rest on uncertainty with regard to product prices, input prices, biological performance and future regulatory frameworks. Costs can normally be estimated with a higher degree of accuracy than income.

As profitability in the salmon farming industry historically has been very volatile, depending on developments in the price of salmon, Marine Harvest uses budgets and long-term plans for the first four years of the analysis, but returns to long-term historic averages for growth in the fifth year and terminal value, except for the Marine Harvest Chile CGU in Note 8.

The WACC model is used for estimating the discount rate. The input data for the model is updated every year for the annual impairment test. The choice of input data for the model significantly influences the outcome of the model, and to ensure that there is as little uncertainty as possible with regards to the calculation of the WACC, third-party sources are used where available (interest, inflation, beta). The WACC is calculated separately for the different CGUs. Indications of impairment that initiate testing beyond the year-end test include a significant reduction in the profitability of the CGU compared to previous periods, negative deviations from budgets, changes in the use of assets, market changes and regulatory changes.

For further information about uncertainty in the valuation of intangible assets and impairment testing, please see Note 8, Impairment testing. Note 9, Intangible assets, illustrates the specification of intangible assets in the Group.

BIOLOGICAL ASSETS
Biological assets comprise eggs, juveniles, smolt and fish in the sea. These assets are measured at fair value less cost to sell, unless the fair value cannot be measured reliably. The estimation of the fair value relies on a series of uncertain assumptions, e.g., biomass volume, biomass quality, size distribution, market prices and costs.

Marine Harvest measures all deviations in biomass volume compared to estimates when a site is harvested out. Except for situations where there has been an incident causing mass mortality, particularly early in the cycle, combined with an inability to count and weigh fish after the event in fear of further stressing the fish, volume deviations are normally minor. Similarly, excluding the effects of soft flesh and melanin, the quality of the fish can normally be estimated with a relatively high degree of accuracy. Categorization of quality is normally set per country based on averages, but can be set individually per site when needed. The size distribution shows some degree of variation but normally not to an extent that significantly changes the estimated value of the biomass (the value of two fish at five kg is very similar to the value of two fish weighing four and six kg, respectively).

The accumulated cost of the fish per kg will only deviate from the estimate if the volume is different than the estimate. For the estimation of future costs, there is uncertainty with regard to feed prices, other input costs and biological development. Marine Harvest measures cost deviations vs. budget as part of the follow up of Business Units. Excluding special situations (incidents etc.), the deviations in costs vs budgets are normally limited for a group of sites, although individual sites might show deviations. The estimation of costs influences the biomass value through the recognized fair value adjustment in the statements of comprehensive income and financial position (calculated as fair value less accumulated biological costs).

The key element in the estimation of fair value is the assumed market price. The assumed market price is the price that we expect to receive on the future date when the live fish is harvested. We derive these prices from a variety of sources, normally a combination of the prices achieved in the previous month and the contracts most recently entered into. For salmon of Norwegian and Faroese origin, quoted forward prices (Nasdaq) are used in the estimation, see Note 2. The use of third-party forward prices improves the reliability and comparability of the price estimation. For the other farming entities the basis for the price estimate is historical price achievements, which may not be a good proxy for the future price.

For further information about biological asset values please see Note 6, Biological assets.

JUDGMENTS
The matters described below are considered to be the most important in understanding the key sources of judgments that are involved in preparing these consolidated financial statements and the uncertainties that could most significantly impact the amounts reported on the result of operations, financial position and cash flows.

LICENSES
The Group has assessed that all fish farming licenses have indefinite lives and, as such, are not amortized. Most of the jurisdictions in which the Group operates require us to obtain a license for each fish farm owned and operated in that jurisdiction. The Group has obtained and currently holds a license to own and operate each of our fish farms where a license is required. These licenses have indefinite lives or require renewal after a specific time period, but normally with automatic renewal and, as such, we have assessed that they have indefinite lives. However, the Group's licenses in each country are subject to certain requirements, and we risk penalties (including, in some cases, criminal charges), sanctions or even license revocation if we fail to comply with license requirements or related regulations. Also, local government may change the way licenses are renewed.

SUPPLY CHAIN FINANCING
One company in the Group holds a Supply Chain Finance (SCF) agreement meaning that some vendors will indirectly offer extended credit terms to the company through a separate agreement with a financial institution. The vendors sell their trade receivables to the financial institution in order to receive payment immediately. Payment terms under the SCF agreement are in line with industry standard. The transaction is still between the company and its suppliers, and the company does not waive the right to claim any refund on quality issues, return goods etc. towards the supplier.

The refinancing by vendors has no cash-flow impact on the company, and only when the trade payable is settled with the bank will the cash flow statement be impacted, with a operating cash flow charge. Liabilities under the SCF agreement are presented as trade payables.

NOTE 4 - BUSINESS SEGMENTS

For management purposes, Marine Harvest is organized into three Business Areas: Feed, Farming and Sales and Marketing.

Operating segments are components of a business that are regularly reviewed by its chief operating decision-makers for the purpose of assessing performance and allocating resources. The Group Management Team is the Group's chief operating decision-maker.

In Marine Harvest the production of fish feed is considered to be a separate reportable segment, due to the nature of the business (different economic characteristics compared to other segments in the Group and separate management follow up).

The Farming Business Area consists of the farming and primary processing operations in Norway (four regions), Scotland, Canada, Chile, Ireland and the Faroe Islands. The Farming operations are, due to similar production processes, a global market for both salmon feed and sales of salmon, in addition to similar biological risk factors, considered to have similar economic characteristics. The farming units are therefore aggregated into one reportable segment.

The Sales and Marketing Business Area consists of the Markets operations in the Americas, Asia- and Europe, as well as Consumer Products. As the Markets operations are considered to have similar economic characteristics, due to similar production processes and operational risk factors, and a common set of key performance indicators, the Markets operations are presented as one reportable segment.

In June 2014, we announced the launch of Consumer Products, which comprises the combined operations of VAP Europe and Morpol. Consumer Products is presented as a single separate reportable segment, due to similar production processes and operational risk factors, and a common set of key performance indicators. Consumer Products was reported as one segment from January 1, 2015, and the comparative figures have been restated.

The reportable segment "Other" consists of corporate functions and holding companies, in addition to the Halibut-farming until the disposal of Sterling White Halibut in 2016.

The segments' performance is monitored in order to achieve the overall objective of maximizing the operational EBIT per kg and margins. Consequently, reporting focuses on measuring and illustrating the overall profitability of the harvested volume, based on source of origin (operational EBIT per kg) and operational EBIT margin for the reportable segments Markets and Consumer Products. Legal entities with activities in both Farming and Sales and Marketing do not split their financial items or their statement of financial position. The net effects of Investments in these entities are recognized in the reportable segment Farming.

The pricing principle between Feed and Farming is set at market terms and benchmarked against third parties. The pricing principle between Farming and Sales and Marketing is based on market reference prices for spot sales, while contracts are at market terms, with the target for Sales and Marketing to maximize profit beyond these terms.

The same accounting principles as described for the consolidated financial statements have been applied to segment reporting. Inter-segment transfers or transactions are entered into under normal commercial terms and conditions, and the measurements used in segment reporting are the same as those used for the third-party transactions.

In segment reporting, internal profit related to unrealized gains from intra-group transactions are included in Operational EBIT for the relevant reportable segments, but eliminated in EBIT.

Operational EBIT and Operational EBITDA are non-IFRS financial measures. Operational EBIT is calculated by excluding certain items, according to the reconciliation below, from earnings before financial items and taxes (EBIT). Operational EBITDA is calculated by adding depreciation and amortization to Operational EBIT. For further explanations, see section Analytical information in this report.

KEY SEGMENT FIGURES (EUR MILLION)			SALES AND MARKETING				
BUSINESS SEGMENTS 2016	**FEED**	**FARMING**	**MARKETS**	**CONSUMER PRODUCTS**	**OTHER**	**ELIMINATIONS**	**TOTAL**
External revenue	16.6	50.0	2 068.4	1 371.9	2.8	—	3 509.8
Internal revenue	364.9	2 173.9	666.1	29.5	19.9	-3 254.3	—
Operational revenue	**381.6**	**2 223.9**	**2 734.5**	**1 401.4**	**22.7**	**-3 254.3**	**3 509.8**
Gain/loss from derivatives	—	-43.9	-5.7	—	4.1	45.9	0.4
Revenue in profit and loss	**381.6**	**2 180.0**	**2 728.8**	**1 401.4**	**26.9**	**-3 208.4**	**3 510.2**
Operational EBITDA	**35.4**	**690.7**	**82.1**	**42.0**	**-7.4**	**—**	**842.7**
Operational EBIT	**28.1**	**585.9**	**77.9**	**19.7**	**-11.4**	**—**	**700.2**
Change in unrealized internal margin	—	—	—	—	—	-22.1	-22.1
Gain/loss from derivatives	—	-42.4	-5.7	44.3	12.1	—	8.3
Fair value uplift on harvested fish	-0.2	-869.3	—	—	-0.2	—	-869.6
Fair value adjustment on biological assets	-1.2	1 258.3	—	—	-1.4	—	1 255.8
Onerous contract provisions	—	-108.7	—	—	—	—	-108.7
Restructuring cost	—	-4.6	—	-0.9	—	—	-5.4
Other non-operational items	—	1.3	—	—	—	—	1.3
Income from associated companies	—	62.8	—	—	-0.2	—	62.6
Impairment losses and write-downs[1)]	-13.5	-17.9	-0.2	0.4	—	—	-31.2
EBIT	**13.3**	**865.5**	**72.0**	**63.5**	**-1.0**	**-22.1**	**991.2**
Gross investments	10.8	175.8	5.5	16.3	3.1	—	211.6
Number of employees 31.12 (FTE)	68	3 865	1 804	6 917	63	—	12 717

1) Amount of EUR 13.5 million for Feed relates to write-down of cost value on raw materials and finished goods.

KEY SEGMENT FIGURES (EUR MILLION)			SALES AND MARKETING				
BUSINESS SEGMENTS 2015	**FEED**	**FARMING**	**MARKETS**	**CONSUMER PRODUCTS**	**OTHER**	**ELIMINATIONS**	**TOTAL**
External revenue	3.1	88.3	1 894.8	1 128.4	6.5	—	3 121.1
Internal revenue	317.0	1 822.7	379.7	35.8	39.9	-2 595.2	—
Operational revenue	**320.1**	**1 911.0**	**2 274.5**	**1 164.2**	**46.4**	**-2 595.2**	**3 121.1**
Gain/loss from derivatives	—	-10.2	-0.7	—	-8.0	10.2	-8.7
Revenue in profit and loss	**320.1**	**1 900.8**	**2 273.8**	**1 164.2**	**38.4**	**-2 584.9**	**3 112.4**
Operational EBITDA	**30.5**	**339.1**	**68.9**	**42.9**	**5.1**	**—**	**486.6**
Operational EBIT	**21.5**	**238.5**	**65.5**	**19.6**	**1.7**	**—**	**346.8**
Change in unrealized internal margin	—	—	—	—	—	-2.2	-2.2
Gain/loss from derivatives	—	-10.2	-0.7	10.2	-11.8	—	-12.5
Fair value uplift on harvested fish	—	-457.1	—	—	-0.4	—	-457.6
Fair value adjustment on biological assets	—	480.4	—	—	-12.7	—	467.7
Onerous contract provisions	—	-0.7	—	—	—	—	-0.7
Restructuring cost	—	-9.3	—	-4.7	-1.2	—	-15.2
Other non-operational items	—	2.4	—	—	—	—	2.4
Income from associated companies	—	23.6	—	-0.2	—	—	23.4
Impairment losses	—	-4.4	—	-1.3	-1.1	—	-6.8
EBIT	**21.5**	**263.0**	**64.8**	**23.7**	**-25.5**	**-2.2**	**345.3**
Gross investments	9.5	169.0	5.9	25.9	6.5	-0.9	215.8
Number of employees 31.12 (FTE)	83	3 961	1 816	6 504	90	—	12 454

KEY SEGMENT FIGURES (EUR MILLION)			SALES AND MARKETING				
BUSINESS SEGMENTS 2014	**FEED**	**FARMING**	**MARKETS**	**CONSUMER PRODUCTS**	**OTHER**	**ELIMINATIONS**	**TOTAL**
External revenue	0.5	78.9	1 898.9	1 062.9	7.8	—	3 048.9
Internal revenue	144.8	1 864.2	356.2	41.5	27.4	-2 434.2	—
Operational revenue	145.3	1 943.1	2 255.1	1 104.4	35.2	-2 434.2	3 048.9
Gain/loss from derivatives	—	—	—	—	4.2	—	4.2
Revenue in profit and loss	**145.3**	**1 943.1**	**2 255.1**	**1 104.4**	**39.5**	**-2 434.2**	**3 053.2**
Operational EBITDA	**10.1**	**521.3**	**64.8**	**35.8**	**-7.7**	**—**	**624.3**
Operational EBIT	**5.6**	**436.6**	**62.0**	**14.2**	**-9.7**	**—**	**508.7**
Change in unrealized internal margin	—	—	—	—	—	-11.0	-11.0
Gain/loss from derivatives	—	—	—	—	6.5	—	6.5
Fair value uplift on harvested fish	—	-659.9	—	—	—	—	-659.9
Fair value adjustment on biological assets	—	598.5	—	—	0.4	—	598.9
Onerous contract provisions	—	2.8	—	—	—	—	2.8
Restructuring cost	—	-0.2	-1.0	-5.1	—	—	-6.3
Other non-operational items	—	—	—	—	-20.1	—	-20.1
Income from associated companies	—	17.9	—	—	—	—	17.9
Impairment losses	—	-0.8	-0.2	-1.9	—	—	-2.9
EBIT	**5.6**	**394.8**	**60.8**	**7.2**	**-23.0**	**-11.0**	**434.5**
Gross investments	42.7	128.4	2.6	56.3	7.0	-26.5	210.6
Number of employees 31.12 (FTE)	68	4 138	1 577	5 845	87	—	11 715

REVENUE BY CUSTOMER LOCATION (EUR MILLION)	2016	2015	2014
Norway	201.7	168.9	156.0
Europe, excluding Norway and Russia	2 233.6	2 024.4	1 921.7
Russia	60.5	24.1	79.3
Americas	594.4	536.0	479.2
Asia	355.9	272.5	290.3
Rest of the world	31.7	35.4	30.1
External gross revenue	**3 477.9**	**3 061.3**	**2 956.6**
Other income	31.9	59.8	92.3
Operational revenue	**3 509.8**	**3 121.1**	**3 048.9**

We have no customers accounting for 10% or more of our revenues.

REVENUE BY PRODUCT (EUR MILLION)	2016	2015	2014
Fresh whole salmon	1 449.2	1 331.3	1 407.3
Fresh smoked salmon	358.7	329.3	364.0
Fresh elaborated salmon	1 034.5	863.5	647.9
Frozen whole salmon	65.1	33.1	25.7
Frozen smoked salmon	28.5	15.4	31.5
Frozen elaborated salmon	188.1	183.0	235.0
Other products	353.7	305.8	245.1
External gross revenue	**3 477.9**	**3 061.3**	**2 956.6**

NON-CURRENT ASSETS BY COUNTRY LOCATION (EUR MILLION)	2016	2015	2014
Norway	1 219.7	1 087.1	1 117.3
Poland	106.5	111.6	90.7
Scotland	202.3	211.4	177.7
Belgium	81.2	83.7	86.5
France	44.2	48.2	53.7
Rest of Europe	68.5	57.5	56.9
Chile	335.1	366.1	319.0
Canada/USA	177.9	146.0	133.5
Asia	10.5	11.2	9.0
Non-current assets	**2 245.9**	**2 123.0**	**2 044.4**
Other non-current assets [1)]	**3.0**	**11.9**	**34.9**
Total non-current assets	**2 248.9**	**2 134.9**	**2 079.3**

1) Deferred tax assets and other non-current financial assets

NOTE 5 - BUSINESS COMBINATIONS, ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

BUSINESS COMBINATIONS

Anglesey Aquaculture Ltd

During the fall of 2016, Marine Harvest Scotland Ltd entered into an agreement to purchase all the shares of Anglesey Aquaculture Ltd in North Wales. On December 19, 2016, the acquisition was completed and the agreed purchase price for the shares was set at GBP 0.8 million. The purchase price is payable in two tranches. The acquisition was accounted for as a business combination. At the date of completion, Marine Harvest Scotland Ltd could exercise rights over the assets, and hence had obtained control. December 19, 2016 is the acquisition date and Anglesey Aquaculture Ltd has been consolidated into Marine Harvest Group as of this date.

Anglesey Aquaculture Ltd owns assets and leases a recirculation unit that will be redeveloped for the cultivation and production of farmed wrasse as part of the sea lice mitigation strategy for Marine Harvest Scotland Ltd.

The assets were acquired from a company with limited operational activity during 2016. Accordingly, proforma financial information has been omitted based on materiality. The acquisition has not had any effects on the Group's profit and loss for the year 2016.

A preliminary purchase price allocation (PPA) was carried out per year-end 2016. The table below summarizes the consideration paid for Anglesey Aquaculture Ltd, and the preliminary identified fair values of the assets acquired, as recognized at the acquisition date December 19, 2016.

RECOGNIZED AMOUNTS OF IDENTIFIABLE ASSETS ACQUIRED AS OF DECEMBER 19, 2016 (EUR MILLION)	EUR	GBP
Fair value		
Property, plant and equipment	0.7	0.8
Total identifiable fair value of net assets per acquisition date for owners of Marine Harvest ASA	**0.7**	**0.8**

Centre for Aquaculture Competence AS

Marine Harvest Norway AS holds one third of the shares in Centre for Aquaculture Competence AS (CAC). CAC was established in 2001 as a partnership between Marine Harvest and two other shareholders. CAC performs research and development activities related to aquaculture, and has R&D licenses for fish farming. Most of the research and development activities are performed during normal operations at CAC's fish farms. In accordance with shareholders' agreements, Marine Harvest operates CAC's fish farms, and purchases the fish which has been produced. Prior to 2016, Marine Harvest treated CAC as an associated company. Based on an overall assessment of materiality, current shareholders' agreements and the regulations set forth in IFRS 3 Business Combinations, CAC is consolidated in the Marine Harvest Group accounts from 2016. The consolidation has no cash effect. As Marine Harvest purchases the fish which has been produced by CAC, the entire net fair value adjustment of biomass for CAC is allocated to Marine Harvest in the Group accounts from 2016. Before 2016, one third of the profit and loss for CAC (and thus one third of the net fair value adjustment of biomass) was recognized in the group accounts as income from associated company.

An assessment of fair value of assets and liabilities in CAC at the time of consolidation of CAC in the Group accounts has been performed. The main effect of the consolidation per December 2016 is that the line item "Biological assets" in the Consolidated statement of financial position was increased by EUR 20.2 million. Furthermore the consolidation increases the profit and equity in the group with approximately EUR 2.9 million compared to what would be the effects without the consolidation.

ASSETS HELD FOR SALE

Asset held for sale as of December 31, 2016, in the amount of EUR 3.5 million, relate to a factory and land in Germany (EUR 0.7 million) and a processing plant and office buildings in Chile (EUR 2.8 million).

DISCONTINUED OPERATIONS

Marine Harvest Group had no results from discontinued operations in 2016.

NOTE 6 - BIOLOGICAL ASSETS

VALUATION OF BIOLOGICAL ASSETS
Biological assets are, in accordance with IAS 41, measured at fair value, unless the fair value cannot be measured reliably. Broodstock, smolt and live fish below one kg are measured at cost less impairment losses, as an approximation of fair value.

Biomass beyond this is measured at fair value in accordance with IFRS 13, and the measurement is categorized at Level 3 in the fair value hierarchy, as the input is primarily unobservable. Live fish over four kg are measured at full net value, while a proportionate expected net profit at harvest is incorporated for live fish between one and four kg. The valuation is completed for each Business Unit based on a model and basis for assumptions supplied by head office. All assumptions are subject to monthly quality assurance and analysis at the group level.

The valuation is based on an income approach and takes into consideration unobservable input based on biomass in the sea for each seawater site, the estimated growth rate on site level, mortality in the Business Unit, quality of the fish going forward, costs and market price. A special assessment is performed for sites with high/low performance due to disease or other deviating factors. The market prices are set for each Business Unit, and are derived from observable market prices where available.

ASSUMPTIONS USED FOR DETERMINING FAIR VALUE OF LIVE FISH
The estimated fair value of the biomass will always be based on uncertain assumptions, even though the Group has built substantial expertise in assessing these factors. Estimates are applied to the following factors: biomass volume, the quality of the biomass, size distribution and market prices.

Biomass volume: The biomass volume is in itself an estimate based on the number of smolt released into the sea, the estimated growth from the time of stocking, estimated mortality based on observed mortality in the period, etc. There is normally little uncertainty with regard to biomass volume.

The level of uncertainty will, however, be higher if an incident has resulted in mass mortality, especially early in the cycle, or if the fish's health status restricts handling. If the total biomass at sea was 1% higher than our estimates, this would result in an increase in value of EUR 11.7 million.

The quality of the biomass: The quality of the biomass can be difficult to assess prior to harvesting, if the reason for downgrading is related to muscle quality (e.g. the effect of Kudoa in Canada). In Norway downgraded fish is normally priced according to standard rates of deduction compared to a Superior quality fish. For fish classified as Ordinary grade, the standard rate of reduction is NOK 1.50 to NOK 2.00 per kg gutted weight. For fish classified as Production grade, the standard rate of reduction is NOK 5.00 to NOK 15.00 per kg gutted weight, depending on the reason for downgrading. In our fair value model for salmon of Norwegian origin, we have used NOK 2.00 and NOK 6.00 as deductions from Superior grade for Ordinary and Production grade quality respectively. In other countries the price deductions related to quality are not as standardized. The quality of harvested fish has been good in 2016. For the Group as a whole, 92% of the fish were graded as Superior quality. A 1% change from Production grade to Superior quality would result in a change in value of EUR 3.0 million.

The size distribution: Fish in sea grow at different rates, and even in a situation with good estimates for the average weight of the fish there can be a considerable spread in the quality and weight of the fish. The size distribution affects the price achieved for the fish, as each size category of fish is priced separately in the market. When estimating the biomass value, a normal size distribution is applied.

Market price: The market price assumption is very important for the valuation and even minor changes in the market price will result in significant changes in the valuation. The methodology used for establishing the market price is explained in Note 2. A EUR 0.1 increase in the market price would result in an increase in value of EUR 18.1 million.

The market price risk is reduced through fixed price/volume customer contracts and financial contracts, as well as our downstream integration as explained in Note 13.

See Note 2 regarding the work of the financial reporting industry group and expected future changes in calculating the fair value of live fish.

WRITE-DOWN OF BIOMASS AND INCIDENT-BASED MORTALITY
Incident-based mortality is accounted for when a site either experiences elevated mortality over time or substantial mortality due to an incident at the farm (outbreak of disease, lack of oxygen etc). In 2016, all units except Marine Harvest Canada and Marine Harvest Fish Feed, recorded incident-based mortality losses.

ONEROUS CONTRACTS
In accordance with IAS 41.16, a provision for onerous contracts is recorded by assessing if there are contracts in which the unavoidable cost of meeting the Group's obligations under the contract (where fair value adjustment of biological assets is included in the unavoidable costs) exceed the economic benefits expected to be received. This implies that the contract may be considered onerous even though the actual production cost of the products sold is lower than the contract price. Volumes used in the calculation is based on estimated remaining volumes for the contracts. Onerous contracts are classified as provisions in the statement of financial position, see Note 30.

RECONCILIATION OF CHANGES IN THE CARRYING AMOUNT OF BIOLOGICAL ASSETS (EUR MILLION)	2016	2015	2014
Carrying amount as of 01.01	1 140.2	1 115.8	1 137.6
Cost to stock	1 340.2	1 384.5	1 229.1
Fair value adjustment on biological assets	1 255.8	467.7	598.9
Fair value uplift on harvested fish	-869.6	-457.6	-659.9
Mortality for fish in sea	-59.5	-45.2	-37.2
Cost of harvested fish	-1 268.5	-1 287.0	-1 152.3
Effects of deconsolidations	-9.0	—	—
Effects of business combinations	11.6	—	20.1
Currency translation differences	32.5	-38.0	-20.5
Total carrying amount of biological assets as of 31.12	**1 573.8**	**1 140.2**	**1 115.8**

FAIR VALUE ADJUSTMENT ON BIOLOGICAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION (EUR MILLION)	2016	2015	2014
Marine Harvest Norway	432.9	236.5	229.7
Marine Harvest Chile	19.0	-29.5	-12.9
Marine Harvest Canada	78.7	19.0	9.6
Marine Harvest Scotland	116.0	17.9	18.9
Marine Harvest Faroe Islands	5.6	7.1	0.1
Marine Harvest Ireland	9.6	4.3	5.0
Sterling White Halibut	—	-11.1	1.2
Marine Harvest Fish Feed	-1.4	—	—
Total fair value adjustment included in carrying amount in the statement of financial position	**660.5**	**244.2**	**251.6**
Biomass at cost	913.3	896.0	864.2
Total biological assets	**1 573.8**	**1 140.2**	**1 115.8**

FAIR VALUE ADJUSTMENT ON BIOLOGICAL ASSETS IN THE STATEMENT OF COMPREHENSIVE INCOME (EUR MILLION)	2016	2015	2014
Marine Harvest Norway	836.9	375.3	462.7
Marine Harvest Chile	32.0	0.9	30.8
Marine Harvest Canada	156.9	36.6	28.1
Marine Harvest Scotland	183.4	41.5	55.7
Marine Harvest Faroe Islands	30.5	9.5	10.3
Marine Harvest Ireland	18.7	16.5	10.9
Sterling White Halibut	-1.4	-12.7	0.4
Marine Harvest Fish Feed	-1.2	—	—
Total fair value adjustment in the statement of comprehensive income	**1 255.8**	**467.7**	**598.9**

FAIR VALUE UPLIFT ON HARVESTED FISH IN THE STATEMENT OF COMPREHENSIVE INCOME (EUR MILLION)	2016	2015	2014
Marine Harvest Norway	-661.1	-352.2	-438.9
Marine Harvest Chile	15.0	-15.7	-57.6
Marine Harvest Canada	-100.6	-25.9	-45.0
Marine Harvest Scotland	-77.3	-43.7	-86.0
Marine Harvest Faroe Islands	-32.0	-2.4	-23.1
Marine Harvest Ireland	-13.4	-17.2	-9.2
Sterling White Halibut	-0.2	-0.4	—
Marine Harvest Fish Feed	-0.2	—	—
Total fair value uplift in the statement of comprehensive income	**-869.6**	**-457.6**	**-659.9**

VOLUMES OF BIOMASS (TONNES)	2016	2015	2014
Volume of biomass harvested during the year (gutted weight)	380 621	420 617	419 423
Volume of biomass in the sea at year-end (live weight)	253 449	275 360	284 227

SENSITIVITIY EFFECT ON FAIR VALUE (SALMON ONLY) AT YEAR-END (EUR MILLION)	PRICE +0.1 EUR	BIOMASS +1% LWT	QUALITY +1% SUP
Marine Harvest Norway	12.0	7.6	0.7
Marine Harvest Chile	1.0	0.5	0.2
Marine Harvest Canada	2.1	1.4	0.8
Marine Harvest Scotland	2.5	1.9	1.2
Marine Harvest Faroe Islands	0.2	0.1	—
Marine Harvest Ireland	0.4	0.2	0.1
Marine Harvest Fish Feed	—	—	—
Total sensitivity effect on fair value	**18.1**	**11.7**	**3.0**

INCIDENT-BASED MORTALITY (SALMON ONLY) (EUR MILLION)	INCIDENT-BASED MORTALITY IN THE STATEMENT OF COMPREHENSIVE INCOME	INCIDENT-BASED MORTALITY (1000 TONNES)	INCIDENT-BASED MORTALITY IN % OF TOTAL MORTALITY (VOLUME)
Marine Harvest Norway	20.3	7.1	22.5%
Marine Harvest Chile	24.9	5.7	66.7%
Marine Harvest Canada	—	—	—
Marine Harvest Scotland	8.1	2.5	30.4%
Marine Harvest Faroe Islands	2.7	0.3	45.5%
Marine Harvest Ireland	3.5	0.8	40.9%
Marine Harvest Fish Feed	—	—	—
Marine Harvest Group	**59.5**	**16.4**	**30.2%**

FORWARD PRICES USED IN FAIR VALUE CALCULATION [1] QUARTER	NOK/KG
Q1 2017	74.0
Q2 2017	71.8
Q3 2017	64.7
Q4 2017	64.5
Q1 2018	64.1
Q2 2018	64.1

1) Norway and Faroe Islands only. Before reduction of export costs and clearing costs.

NOTE 7 - INVENTORY

INVENTORY (EUR MILLION)	2016	2015	2014
Raw materials and goods in process	111.7	135.8	117.9
Finished goods	136.6	141.9	149.6
Total inventory	**248.2**	**277.7**	**267.5**

The amounts above are net after provision for obsolete goods, EUR 8.1 million (2015: EUR 7.8 million, 2014: EUR 7.2 million). The amount of inventory recognized as an expense during the period totaled EUR 1 446.2 million.

NOTE 8 - IMPAIRMENT TESTING OF INTANGIBLE ASSETS

At year-end 2016, the market value of the Group's equity was significantly higher than the carrying amount of equity, which is an indication that the market considers the value of the Group's assets to exceed the carrying amount. For all cash generating units (CGUs), the recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on approved budgets for the first year. The three next years are based on the approved long-term plan. The cash flow projections beyond the fourth year are estimated by extrapolating the projections reflecting steady-state operations. The net present value of the cash flow is compared to the carrying amount in the CGU. If the carrying amount is higher than the calculated value in use, an impairment loss is recognized in profit or loss, reducing the asset value to the calculated value in use. The estimated cash flows are based on the assumption of continued operation as part of the Marine Harvest Group.

There has been no changes in the identified CGUs for the year 2016.

KEY ASSUMPTIONS

The key assumptions used in the calculation of value in use are harvested volume, EBIT(DA)/margins, capital expenditure, discount rates and the terminal growth rates. Please see the table below for a summary of the key assumptions for each CGU.

Harvest volume

Harvested volume is based on the fish currently being held at sea, stocking plans for each unit and forecasted figures for sea water growth and mortality.

EBIT(DA)/Margins

The key profit target for salmon farming and sales is EBIT per kg, while value-added operations are measured in terms of EBIT/EBITDA in % of sales. EBIT per kg is highly volatile due to fluctuations in the price of salmon. Costs can under normal circumstances be forecast with a relatively high level of accuracy. As Marine Harvest has entered into long-term sales contracts for a proportion of the volume to be harvested in 2017, the margin for 2017 can be forecast with a higher level of accuracy than the margin for the years beyond (2018-2021). For the terminal value in the Farming entities the EBIT pr kg has been set at EUR 0.59 (NOK 5.50 equivalent).

Capital expenditure

In the five-year forecast period, the capital expenditure necessary to meet the expected growth in revenue and profit is taken into consideration. Consistent with the Group's plan, the capital expenditure level for 2017 is high to further grow the operations. Beyond 2017, capital expenditures are aligned with growth and replacement plans. Capital expenditure to comply with current laws and regulations has been included. Capital expenditure related to committed and approved efficiency improvement programs has also been included to support the inclusion of the benefits in the applied margin.

Changes in applicable laws and regulations may affect future estimated capital expenditure needs; this is not reflected in the figures used in the impairment test. Beyond the forecast period, capital expenditure will in general equal depreciation and relate to maintenance investments.

Discount rate

The discount rates are based on the Weighted Average Cost of Capital (WACC) methodology. The cost of equity is based on Capital Asset Pricing Model (CAPM). The cost of debt is based on the risk-free rate in the applicable country. In the model, a five-year average of the ten-year risk-free rate has been used. Calculation of the final discount rates (WACC) also takes into account market risk premium, debt risk premium, gearing and beta value. In the calculations, the Group has applied estimated cash flows before tax and the corresponding discount rates before tax.

Terminal growth rates

Growth after the five-year forecast period has in general been set independently for each cash-generating unit based on the five year average historic inflation rate. The maximum growth rate applied beyond the forecast period is 1.4%. This is lower than the expected growth rates in the first five years and lower than the historic growth rate in salmon demand.

Farming Chile

For the Farming Chile CGU, the recoverable amount exceeds the carrying amount by EUR 47 million. With regards to sensitivity of the calculation of Farming Chile, a 0.5% percentage point change in the WACC would bring the recoverable amount in line with the carrying value, whilst a 1.0% percentage point change in the WACC would bring the recoverable amount lower than the carrying value of the CGU.

In addition, we have performed sensitivity of the EBIT and harvest volume in the terminal value of the model. A 10% decrease of the volume or the EBIT on the terminal value would bring the recoverable amount in line with the carrying value.

Sensitivity

With regard to the assessment of recoverable amount, the Group is of the view that no reasonably likely change in any of the above key assumptions would cause the carrying value to materially exceed the recoverable amount for any of the CGUs except for CGU Farming Chile as explained above.

ASSUMPTIONS				WACC			TERMINAL		
				BEFORE TAX			VALUE GROWTH%		
CASH GENERATING UNITS	HARVEST TONNES GWE	CAGR [1] VOLUME 2016-2021	CAGR [1] VOLUME 2017-2021	2016	2015	2014	2016	2015	2014
Marine Harvest Norway Farming	235 962	7.9%	8.2%	10.4%	10.3%	10.2%	1.3%	1.6%	1.6%
Marine Harvest Chile Farming	36 931	24.4%	24.8%	11.6%	11.6%	8.9%	1.3%	1.4%	1.6%
Marine Harvest Canada Farming	43 349	5.3%	7.8%	10.3%	10.0%	9.5%	1.4%	1.6%	1.7%
Marine Harvest Scotland Farming	45 046	16.6%	15.7%	9.3%	9.6%	9.3%	1.2%	1.6%	1.6%
Marine Harvest Ireland Farming	8 441	10.3%	11.3%	9.7%	11.3%	11.4%	0.2%	1.6%	1.6%
Marine Harvest Faroe Islands Farming	10 893	3.2%	32.5%	9.8%	9.7%	8.1%	1.3%	1.4%	1.6%
Marine Harvest Consumer Products	—	—	—	10.3%	10.8%	11.8%	0.6%	0.9%	1.0%
Marine Harvest Asia	—	—	—	9.6%	9.8%	9.3%	1.3%	1.6%	1.6%
Marine Harvest USA sale and smoked	—	—	—	12.5%	11.3%	10.4%	1.3%	1.4%	1.6%
Marine Harvest Fish Feed	—	—	—	9.6%	9.8%	9.7%	1.3%	1.6%	1.6%
Total	**380 621**	**10.8%**	**11.8%**						

1) CAGR: Compound Annual Growth Rate; The year-on-year growth rate over a specified period of time.

Please see table below for an overview of the CGU's with allocated intangible assets as of December 31, 2016, 2015, and 2014.

CASH GENERATING UNITS (EUR MILLION)	GOODWILL			LICENSES		
	2016	2015	2014	2016	2015	2014
Marine Harvest Norway Farming	175.0	165.5	179.1	399.6	377.9	406.2
Marine Harvest Scotland Farming	—	—	—	60.8	70.4	60.4
Marine Harvest Canada Farming	2.8	2.7	2.9	56.4	53.0	56.8
Marine Harvest Chile Farming	—	—	—	238.8	236.6	193.7
Marine Harvest Ireland Farming	—	—	—	2.2	2.2	2.2
Marine Harvest Faroe Islands Farming	—	—	—	6.6	6.5	6.6
Marine Harvest Consumer Products	90.2	90.8	87.3	—	—	—
Total	**268.0**	**259.0**	**269.3**	**764.3**	**746.6**	**725.9**

NOTE 9 - INTANGIBLE ASSETS

SPECIFICATION OF INTANGIBLE ASSETS 2016 (EUR MILLION)	GOODWILL	LICENSES	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost as of 01.01	531.8	819.5	53.8	1 405.0
Additions in the year	—	—	4.1	4.1
Reclassification	0.2	1.1	1.6	2.9
Disposals / scrapping in the year	—	-5.6	—	-5.6
Foreign currency adjustments	21.6	26.6	1.0	49.2
Total acquisition cost as of 31.12	**553.5**	**841.6**	**60.5**	**1 455.6**
Accumulated amortization and impairment losses as of 01.01	272.8	72.8	26.2	371.8
Amortization in the year	—	0.3	1.5	1.8
Foreign currency adjustments	12.7	4.1	0.4	17.2
Total accumulated amortization and impairment losses as of 31.12	**285.5**	**77.2**	**28.0**	**390.8**
Total carrying amount as of 31.12	**268.0**	**764.3**	**32.4**	**1 064.8**
Estimated lifetime			3 - 25 years	
Depreciation method			Linear	

SPECIFICATION OF INTANGIBLE ASSETS 2015 (EUR MILLION)	GOODWILL	LICENSES	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost as of 01.01	546.4	803.5	40.9	1 390.8
Additions in the year as a result of acquisitions	—	20.9	—	20.9
Additions in the year	—	2.8	5.0	7.8
Reclassification	—	0.6	8.2	8.8
Disposals / scrapping in the year	—	-0.6	—	-0.6
Foreign currency adjustments	-14.6	-7.8	-0.3	-22.7
Total acquisition cost as of 31.12	**531.8**	**819.5**	**53.8**	**1 405.0**
Accumulated amortization and impairment losses as of 01.01	277.1	77.6	22.4	377.1
Amortization in the year	—	—	3.4	3.4
Impairment losses in the year	—	—	0.2	0.2
Reclassification	0.3	—	-0.3	—
Foreign currency adjustments	-4.6	-4.8	0.5	-8.9
Total accumulated amortization and impairment losses as of 31.12	**272.8**	**72.8**	**26.2**	**371.8**
Total carrying amount as of 31.12	**259.0**	**746.6**	**27.6**	**1 033.2**

SPECIFICATION OF INTANGIBLE ASSETS 2014 (EUR MILLION)	GOODWILL	LICENSES	OTHER INTANGIBLE ASSETS	TOTAL
Acquisition cost as of 01.01	560.5	802.7	43.2	1 406.4
Additions in the year as a result of acquisitions	0.1	2.8	—	2.9
Additions in the year	—	—	0.1	0.1
Reclassification	—	2.2	-2.2	—
Disposals / scrapping in the year	—	—	-0.1	-0.1
Divestments	-0.7	—	-1.3	-2.0
Foreign currency adjustments	-13.5	-4.1	1.2	-16.4
Total acquisition cost as of 31.12	**546.4**	**803.5**	**40.9**	**1 390.8**
Accumulated amortization and impairment losses as of 01.01	277.2	82.7	20.8	380.6
Amortization in the year	—	—	1.4	1.4
Impairment losses in the year	—	—	0.1	0.1
Reclassification	0.2	0.2	-0.3	—
Accumulated amortization and impairment losses on disposals	—	—	-0.1	-0.1
Divestment	-0.5	—	—	-0.5
Foreign currency adjustments	0.2	-5.2	0.5	-4.5
Total accumulated amortization and impairment losses as of 31.12	**277.1**	**77.6**	**22.4**	**377.1**
Total carrying amount as of 31.12	**269.3**	**725.9**	**18.6**	**1 013.7**

SPECIFICATION OF SEAWATER LICENSES	NUMBER OF LICENSES/ TENURES (SEAWATER ONLY)	NUMBER OF LICENSES/ TENURES IN USE (SEAWATER ONLY)	DURATION	TOTAL CURRENT PRODUCTION CAPACITY HOG, FULL UTILIZATION (T TONNES)	OTHER LIMITATIONS
Marine Harvest Norway [1)]	225.3	225.3	Perpetual	225-280	MAB limitation per license.
Marine Harvest Chile	186	30-40	Perpetual/25 years	120-130	
Marine Harvest Scotland	66	46	Perpetual	68	MAB limitation per license
Marine Harvest Canada	50	41	Perpetual	50	MAB limitation per license
Marine Harvest Ireland	26	26	License regime under review	10	In December 2016, the Minister of Agriculture, Food and Marine announced the establishment of an independent Aquaculture Licensing Review Group to review the process of licensing for aquaculture and its associated legal framework. This review Group are expected to report its findings to the Minister by June 2017.
Marine Harvest Faroe Islands	3	3	12 years	14	Total capacity is 14 T tonnes over a two year cycle. Production in 2015 and 2016 combined was at full capacity.

1) CAC Licenses not included.

UNIT	TOTAL CURRENT PRODUCTION CAPACITY HOG, FULL UTILIZATION (T TONNES)	HARVEST VOLUME 2016 (SALMON ONLY)	UTILIZATION BASED ON PRODUCTION CAPACITY	BOOK VALUE (MEUR)[1)]	BOOK VALUE PER PRODUCTION VOLUME (2016)
Marine Harvest Norway	225-280	236.0	84% - 100 %	399.6	1.7
Marine Harvest Chile	120-130	36.9	28% - 31 %	238.8	6.5
Marine Harvest Scotland	68	45.0	66%	60.8	1.3
Marine Harvest Canada	50	43.3	87%	56.4	1.3
Marine Harvest Ireland	10	8.4	84%	2.2	0.3
Marine Harvest Faroe Islands	14	10.9	78%	6.6	0.6
Total		**380.6**		**764.3**	**2.0**

1) Book value includes freshwater licenses in addition to seawater licenses.

The recognized value of our fish farming licenses in our Statement of Financial Position was EUR 764.3 million and EUR 746.6 million at December 31, 2016 and 2015 respectively. Measured in EUR per kg salmon harvested the values were EUR 2.0 and EUR 1.8 respectively. The increase is mainly related to the severe algal bloom in the first quarter of 2016, causing mass mortality in several sites in Region X in Chile. This incident have affected the total harvest volume in Chile in 2016. In Chile we have significant unused license capacity and we estimate our production capacity to be in the area of 120 000 to 130 000 tonnes of salmon gutted weight, which is more than three times the volume harvested in 2016. In other Business Units, our current harvest volumes are closer to the capacity under the current operating regime. The size of the smolt put to sea influences the production capacity of our sea water operations in the jurisdictions where maximum allowed biomass (MAB) regulations are applied. Larger smolt will result in increased harvest per license in these regimes. We are currently in the process of increasing our smolt capacity to allow for production of larger smolt.

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

SPECIFICATION OF PPE 2016 (EUR MILLION)	LAND & BUILDINGS	MACHINERY & EQUIPMENT	TRANSPORT	NETS, PENS & MOORINGS	OTHER TANGIBLE [1)]	TOTAL
Acquisition cost as of 01.01	560.1	959.5	167.3	325.7	147.8	2 160.3
Additions in the year	11.9	8.4	1.3	—	178.4	200.2
Reclassification	32.6	49.0	17.3	29.3	-132.0	-3.8
Transfer of assets held for sale	-2.4	-0.3	—	—	—	-2.7
Disposals / scrapping in the year	-5.9	-27.2	-6.0	-10.3	-1.8	-51.1
Divestments	-1.5	-7.9	-0.5	-1.6	-0.3	-11.8
Foreign currency adjustments	10.6	17.1	6.1	5.1	2.3	41.2
Total acquisition cost as of 31.12	**605.4**	**998.7**	**185.5**	**348.2**	**194.4**	**2 332.2**
Accumulated depreciation and impairment losses as of 01.01	227.8	656.3	86.8	172.9	52.9	1 196.7
Depreciation in the year	23.3	70.1	7.5	36.4	3.3	140.7
Impairment losses and reversal of previous write-downs in the year	2.8	3.5	0.2	11.3	-0.1	17.6
Reclassification	3.7	-5.4	0.2	0.9	-0.2	-0.8
Accumulated depreciation and impairment losses on disposals	-5.8	-26.5	-5.8	-10.2	-1.6	-49.9
Divestments	-1.1	-8.0	-0.5	-1.6	-0.3	-11.5
Foreign currency adjustments	8.2	14.7	2.6	4.6	1.4	31.4
Total accumulated depreciation and impairment losses as of 31.12	**258.8**	**704.7**	**91.0**	**214.2**	**55.5**	**1 324.2**
Total carrying amount as of 31.12	**346.6**	**294.0**	**94.5**	**133.9**	**139.0**	**1 008.1**
Estimated lifetime	Land; infinite Buildings; 0-20 years	5-20 years	3-10 years	5-10 years	3-10 years	
Depreciation method	Linear	Linear	Linear	Linear	Linear	

1) Other tangible includes prepayments regarding property, plant and equipment of EUR 128.5 million at year-end 2016.

SPECIFICATION OF PPE 2015 (EUR MILLION)	LAND & BUILDINGS	MACHINERY & EQUIPMENT	TRANSPORT	NETS, PENS & MOORINGS	OTHER TANGIBLE [1]	TOTAL
Acquisition cost as of 01.01	512.9	930.9	147.9	314.8	166.6	2 073.1
Additions in the year	1.3	8.0	0.2	—	201.7	211.2
Capitalized interest	—	—	—	—	—	—
Reclassification	69.9	65.3	31.7	42.3	-216.6	-7.4
Transfer of assets held for sale	-0.9	—	—	—	—	-0.9
Disposals / scrapping in the year	-16.2	-41.5	-3.2	-32.5	-4.2	-97.7
Divestments	-1.4	-2.3	—	—	-0.5	-4.2
Foreign currency adjustments	-5.5	-0.9	-9.3	1.1	0.8	-13.8
Total acquisition cost as of 31.12	**560.1**	**959.5**	**167.3**	**325.7**	**147.8**	**2 160.3**
Accumulated depreciation and impairment losses as of 01.01	221.7	638.8	72.8	167.1	52.7	1 153.1
Depreciation in the year	21.4	63.0	11.9	36.3	3.7	136.4
Impairment losses and reversal of previous write-downs in the year	2.6	2.9	0.1	0.5	0.4	6.6
Reclassification	0.5	-10.6	9.5	2.7	-1.8	0.3
Accumulated depreciation and impairment losses on disposals	-15.0	-40.6	-3.0	-32.3	-3.2	-94.1
Divestments	-0.5	-1.6	—	—	-0.3	-2.4
Foreign currency adjustments	-3.0	4.4	-4.4	-1.5	1.5	-3.1
Total accumulated depreciation and impairment losses as of 31.12	**227.8**	**656.3**	**86.8**	**172.9**	**52.9**	**1 196.7**
Total carrying amount as of 31.12	**332.3**	**303.3**	**80.5**	**152.8**	**94.9**	**963.7**

SPECIFICATION OF PPE 2014 (EUR MILLION)	LAND & BUILDINGS	MACHINERY & EQUIPMENT	TRANSPORT	NETS, PENS & MOORINGS	OTHER TANGIBLE [1]	TOTAL
Acquisition cost as of 01.01	433.5	849.8	151.9	259.6	200.9	1 895.8
Acquisitions through business combinations	24.7	12.0	0.4	14.6	0.5	52.2
Additions in the year	2.7	11.4	1.3	0.3	193.1	208.8
Capitalized interest	—	—	—	—	0.5	0.5
Reclassification	72.2	88.9	10.2	49.5	-226.3	-5.5
Disposals / scrapping in the year	-5.0	-17.9	-2.7	-3.2	-2.1	-30.9
Divestments	-13.1	-25.5	-5.9	-12.6	-0.1	-57.3
Foreign currency adjustments	-2.1	12.3	-7.3	6.5	0.1	9.4
Total acquisition cost as of 31.12	**512.9**	**930.9**	**147.9**	**314.8**	**166.6**	**2 073.1**
Accumulated depreciation and impairment losses as of 01.01	214.9	609.1	73.9	152.4	49.0	1 099.3
Depreciation in the year	17.3	55.6	9.8	26.9	4.6	114.2
Impairment losses and reversal of previous write-downs in the year	1.3	1.1	0.1	0.1	0.2	2.8
Reclassification	-0.7	-8.5	-0.1	0.7	3.0	-5.5
Accumulated depreciation and impairment losses on disposals	-3.2	-16.5	-2.4	-2.9	-2.1	-27.1
Divestments	-6.6	-18.5	-5.9	-12.6	-0.1	-43.7
Foreign currency adjustments	-1.3	16.4	-2.7	2.5	-2.0	12.9
Total accumulated depreciation and impairment losses as of 31.12	**221.7**	**638.8**	**72.8**	**167.1**	**52.7**	**1 153.1**
Total carrying amount as of 31.12	**291.2**	**292.1**	**75.1**	**147.6**	**113.9**	**920.0**

Sale of non-current assets
Non-current tangible assets have been sold during the year, and the net gain on the sale of assets (included in the line item Other operating expenses in the consolidated statement of comprehensive income) amounts to EUR 4.7 million in 2016. The corresponding figure for 2015 is EUR 0.7 million and EUR 1.1 million for 2014.

Impairment testing of non-current assets
Impairment tests for specific non-current assets are performed when there are indications of impairment. In 2016, a net loss of EUR 17.9 million was booked in Chile for fixed assets that became idle as a result of algal bloom in the first quarter of 2016 which affected the operations in Region X.

Contractual commitments
Marine Harvest has entered into significant contractual commitments for the acquisition of property, plant and equipment at year-end 2016. The commitments have been entered into in Marine Harvest Norway (EUR 26.2 million), Marine Harvest Faroes (EUR 8.3 million), Marine Harvest Canada (EUR 9.4 million), Marine Harvest Scotland (EUR 19.3 million) and Marine Harvest Fish Feed (EUR 36.1 million).

NOTE 11 - INTEREST-BEARING DEBT

INTEREST-BEARING DEBT (EUR MILLION)	2016	2015	2014
Non-current interest-bearing debt	218.2	327.3	420.4
Bond	137.4	129.7	138.4
Convertible bonds	637.8	614.4	630.0
Total non-current interest-bearing debt	**993.4**	**1 071.4**	**1 188.8**
Current interest-bearing debt	**0.1**	**0.2**	**0.8**
Total interest-bearing debt	**993.5**	**1 071.5**	**1 189.5**

Financing of the Marine Harvest Group is mainly carried out through the parent company Marine Harvest ASA. External financing is obtained by subsidiaries only if this is optimal for the Group. Marine Harvest complied with its covenants at the end of 2016.

The following programs are the main sources of financing for the Marine Harvest Group as of December 31, 2016:

EUR 805 MILLION SYNDICATED CREDIT FACILITY
The Group has a syndicated revolving credit facility with an original limit of EUR 555 million. In 2015 the Group decided to exercise an accordion option to increase the facility by EUR 250 million to EUR 805 million. The terms of the increased facility are the same as for the original facility. The remaining amount of the accordion option is EUR 45 million. The facility has final maturity in November 2019.

The facility is available to Marine Harvest ASA and selected subsidiaries. In addition, part of the revolving credit facility may be allocated as bilateral credits (including overdraft facilities and facilities for the issuance of guarantees) between syndicate banks and group companies.

The syndicated loan agreement sets forth a covenant on solidity (equity ratio), which must remain above 35% at all times. Furthermore, the ability of the Group to take on new debt is regulated by the loan agreement.

Draw at year end 2016 on the syndicated credit facility amounts to EUR 220.5 million.

EUR 340 MILLION CONVERTIBLE BOND
In November 2015, Marine Harvest issued a convertible bond loan with a EUR 340 million principal. The loan carries a fixed coupon of 0.125% p.a., payable semi-annually. In the absence of prior conversion, the loan will mature in November 2020. There are no installments. The conversion share price at the end of 2016 was EUR 15.0765, representing an adjustment of the original conversion share price (EUR 16.2877) for dividends paid. The conversion share price is subject to standard adjustment mechanisms for convertible bonds. From December 2018, Marine Harvest can, under certain market conditions, call the bond at par plus accrued interest. After receiving notice of such a call, bondholders may elect to exercise their conversion rights.

EUR 375 MILLION CONVERTIBLE BOND
In May 2014, Marine Harvest issued a convertible bond loan with a principal amount of EUR 375 million. The bonds have a fixed coupon of 0.875% p.a., payable semi-annually. In the absence of prior conversion, the loan will mature in May 2019. There are no installments. The conversion share price at the end of 2016 was EUR 9.5273, representing an adjustment of the original conversion share price (EUR 11.7476) for dividends paid. The conversion share price is subject to standard adjustment mechanisms for convertible bonds. From June 2017, Marine Harvest can, under certain market conditions, call the bond at par plus accrued interest. After receiving notice of such a call, bondholders may elect to exercise their conversion rights.

NOK 1 250 MILLION BOND
In March 2013, Marine Harvest issued an unsecured bond with a principal amount of NOK 1 250 million. The bond issue carries a coupon of three month NIBOR plus 3.5% p.a., payable quarterly. The bond is repayable in 2018 with no interim installments. The bond is listed on the Oslo Stock Exchange.

CONVERTIBLE BONDS (EUR MILLION)	STATEMENT OF FINANCIAL POSITION				STATEMENT OF COMPREHENSIVE INCOME		
	NON-CURRENT INTEREST-BEARING DEBT	CONVERSION LIABILITY COMPONENT 2013-BOND	CONVERSION LIABILITY COMPONENT 2014-BOND	CONVERSION LIABILITY COMPONENT 2015-BOND	NET INTEREST EXPENSES	NET CURRENCY EFFECTS	OTHER FINANCIAL ITEMS
Initial recognition							
EUR 350 mill 2013-bond	296.7	49.5					
EUR 375 mill 2014-bond [1]	309.8		59.0				
EUR 340 mill 2015-bond	283.1			51.6			
Subsequent measurement 2014							
Interest and currency	67.3				11.1	-26.5	
Change in fair value of conversion liability component		76.5	63.6				140.1
Subsequent measurement 2015							
Interest and currency [2]	32.1				-26.3	-49.7	
Change in fair value of conversion liability components		8.8	42.9	13.9			-65.6
Converted/Redeemed	-301.9	-142.8					
Translation effect	-72.6	8.0	-19.3	-2.1			
Subsequent measurement 2016							
Interest and amortization	23.4				27.1		
Change in fair value of conversion liability components			176.2	53.9			230.0
Net recognized end of 2016	**637.8**	**0.0**	**322.3**	**117.3**			

1) During the month of February 2017 bondholders representing 211 bond units requested conversion.
2) In 2015 and 2014 this amount includes both interest and a translation effect from EUR to NOK. In 2016 only interest.

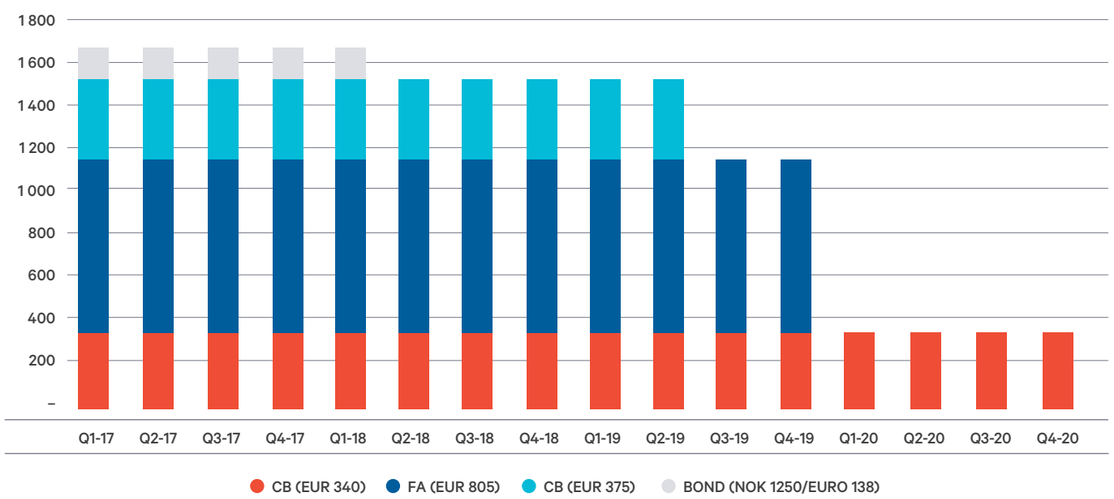
At initial recognition, the nominal value of the convertible bond was split into a liability component and a conversion liability component. The value of the liability component, classified as non-current interest-bearing debt, was calculated using a market interest rate for an equivalent, non-convertible bond. The residual amount, representing the value of the conversion liability component, was classified under other non-current financial liabilities.

Conversion of the convertible bonds will have an effect on the share capital. During February 2017 and March, 211 bond units representing EUR 21.1 million of the EUR 375 million bond was converted to equity, resulting in 2 214 887 new shares and a new share count of 452.3 million. Following adjustment to conversion price on February 24, 2017 the new conversion price amounted to EUR 9.3458 on the EUR 375 bond and EUR 14.7892 on the EUR 340 bond.

A conversion of the remaining part of the EUR 375 Bond will give 37.9 million new shares and a conversion of the EUR 340 will give 23.0 million new shares.

On subsequent measurements the amortized interest is recognized as an interest expense and increases the carrying amount of the convertible bond. The conversion liability component is recognized at fair value using a valuation technique based on observable data.

FINANCING LINES AVAILABLE (COMMITTED) AND MATURITY



Marine Harvest has a NIBD target of EUR 1 050 million and an expected interest payment of EUR 25 million, i.e. an effective interest rate of 2.38%.

NOTE 12 - FINANCIAL INSTRUMENTS

FINANCIAL INSTRUMENTS IMPACT ON COMPREHENSIVE INCOME (EUR MILLION)	2016	2015	2014
Interest expenses	-23.2	-29.0	-46.9
Amortized interest cost	-25.3	-17.5	-18.3
Interest expenses	**-48.4**	**-46.5**	**-65.1**
Net currency effects on interest-bearing debt	11.6	8.7	-30.2
Net currency effects on cash, trade receivables and trade payables	-15.5	7.1	16.2
Gain/loss on short-term currency hedges	5.6	-1.1	-27.9
Gain/loss on long-term currency hedges	25.2	-10.6	-4.6
Net currency effects	**26.9**	**4.2**	**-46.4**
Interest income	1.8	1.2	3.6
Gain/loss on salmon derivatives non-operational	-0.6	0.2	0.3
Change in fair value other financial instruments	16.4	-0.5	-13.0
Change in fair value conversion liability component of convertible bonds	-230.0	-65.6	-140.1
Change in fair value other shares	—	11.3	4.0
Dividends and gain/loss on sales of other shares	0.3	2.5	1.1
Net other financial items	1.6	-1.9	-1.1
Other financial items	**-210.5**	**-52.9**	**-145.1**
Total financial items	**-232.0**	**-95.2**	**-256.7**
Other comprehensive income			
Cash flow hedges qualified for hedge accounting	—	-2.7	-4.1

The Group discontinued hedge accounting of both interest rate swaps and currency cash flow hedges in 2014, as they no longer qualified for hedge accounting.

CATEGORIES OF FINANCIAL INSTRUMENTS IN THE STATEMENT OF FINANCIAL POSITION (EUR MILLION)	FINANCIAL ASSETS AND LIABILITIES				
DECEMBER 31, 2016	LOANS AND RECEIVABLES, AND LIABILITIES, AT AMORTIZED COST	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	COST	NON-FINANCIAL ASSETS AND LIABILITIES	TOTAL
Non-current assets					
Other non-current financial assets	—	—	0.4	—	0.4
Current assets					
Trade receivables	498.0	—	—	—	498.0
Other receivables	78.4	—	—	34.4	112.8
Other current financial assets	—	14.2	—	—	14.2
Cash	103.9	—	—	—	103.9
Non-current liabilities					
Non-current interest-bearing debt	-993.4	—	—	—	-993.4
Other non-current financial liabilities	—	-439.6	—	—	-439.6
Current liabilities					
Current interest-bearing debt	-0.1	—	—	—	-0.1
Trade payables	-275.5	—	—	—	-275.5
Other current financial liabilities	—	-91.4	—	—	-91.4
Other current liabilities	-69.1	—	—	-112.6	-181.8
Total	**-657.8**	**-516.8**	**0.4**		
Fair value	**-682.1**	**-516.8**	**4.0**		

CATEGORIES OF FINANCIAL INSTRUMENTS IN THE STATEMENT OF FINANCIAL POSITION (EUR MILLION)	FINANCIAL ASSETS AND LIABILITIES				
DECEMBER 31, 2015	LOANS AND RECEIVABLES, AND LIABILITIES, AT AMORTIZED COST	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	COST	NON-FINANCIAL ASSETS AND LIABILITIES	TOTAL
Non-current assets					
Other non-current financial assets	—	—	0.4	—	0.4
Current assets					
Trade receivables	409.2	—	—	—	409.2
Other receivables	86.9	—	—	44.5	131.4
Other current financial assets	—	29.2	—	—	29.2
Cash	71.8	—	—	—	71.8
Non-current liabilities					
Non-current interest-bearing debt	-1 071.4	—	—	—	-1 071.4
Other non-current financial liabilities	—	-209.5	—	—	-209.5
Current liabilities					
Current interest-bearing debt	-0.2	—	—	—	-0.2
Trade payables	-248.0	—	—	—	-248.0
Other current financial liabilities	—	-98.0	—	—	-98.0
Other current liabilities	-60.0	—	—	-91.2	-151.2
Total	**-811.7**	**-278.3**	**0.4**		
Fair value	**-836.0**	**-278.3**	**0.4**		

CATEGORIES OF FINANCIAL INSTRUMENTS IN THE STATEMENT OF FINANCIAL POSITION (EUR MILLION)	FINANCIAL ASSETS AND LIABILITIES				
DECEMBER 31, 2014	LOANS AND RECEIVABLES, AND LIABILITIES, AT AMORTIZED COST	FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	COST	NON-FINANCIAL ASSETS AND LIABILITIES	TOTAL
Non-current assets					
Other non-current financial assets	—	17.7	0.8	—	18.5
Current assets					
Trade receivables	374.4	—	—	—	374.4
Other receivables	69.9	—	—	28.5	98.4
Other current financial assets	—	25.3	—	—	25.3
Cash	156.9	—	—	—	156.9
Non-current liabilities					
Non-current interest-bearing debt	-1 188.8	—	—	—	-1 188.8
Other non-current financial liabilities	—	-247.2	—	—	-247.2
Current liabilities					
Current interest-bearing debt	-0.8	—	—	—	-0.8
Trade payables	-227.2	—	—	—	-227.2
Other current financial liabilities	—	-90.3	—	—	-90.3
Other current liabilities	-85.6	—	—	-114.5	-199.9
Total	**-901.2**	**-294.5**	**0.8**		
Fair value	**-975.5**	**-294.5**	**0.8**		

There has not been any reclassification between the categories of financial assets or liabilities in 2016, 2015 or 2014 except for financial instruments qualified for hedge accounting in 2014. Details regarding the criteria for recognition and the basis for measurement of each class of financial instrument are disclosed in Note 2 Significant accounting principles.

OTHER CURRENT FINANCIAL ASSETS (EUR MILLION)	2016	2015	2014
Market value of financial instruments	—	27.0	20.9
Currency hedges	14.2	2.2	4.4
Other current financial assets as of 31.12	**14.2**	**29.2**	**25.3**

OTHER CURRENT FINANCIAL LIABILITIES (EUR MILLION)	2016	2015	2014
Currency hedges	5.1	21.1	16.3
Interest rate swaps	86.3	76.9	74.0
Other current financial liabilities as of 31.12	**91.4**	**98.0**	**90.3**

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments carried at amortized cost

With the exception of the EUR 340 million and EUR 375 million convertible bonds, the Group considers that the carrying amount of financial assets and liabilities recognized at amortized cost in the financial statements approximates their fair value. See Note 11 for further information regarding convertible bonds.

Fair value measurements recognized in the statement of financial position

Financial instruments that are measured at fair value subsequent to initial recognition are grouped into a hierarchy of three different levels, based on the degree to which the fair value is observable:

Level 1:
Fair value determined directly by reference to published quotations.

Level 2:
Fair value estimated using a valuation technique based on observable data.

Level 3:
Fair value estimated using a valuation technique based on unobservable data.

ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (EUR MILLION)	NOTE	2016			2015			2014		
		LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3	LEVEL 1	LEVEL 2	LEVEL 3
ASSETS MEASURED AT FAIR VALUE										
Financial assets to fair value through profit or loss:										
Other non-current financial assets	22	—	—	—	—	—	—	17.7	—	—
Other financial instruments		—	—	—	27.0	—	—	20.9	—	—
Current currency hedges		—	14.2	—	—	2.2	—	—	4.4	—
LIABILITIES MEASURED AT FAIR VALUE										
Financial liabilities to fair value through profit or loss:										
Conversion liability component of convertible bond	11	—	-439.6	—	—	-209.5	—	—	-247.2	—
Interest swaps		—	-86.3	—	—	-76.9	—	—	-74	—
Current currency hedges		—	-5.1	—	—	-21.1	—	—	-16.3	—
BONDS AT AMORTIZED COST, FAIR VALUE		—	**-682.1**	**—**	—	**-836.0**	**—**	—	**-975.5**	**—**

The fair value of the conversion liability component of the EUR 340 million and EUR 375 million convertible bonds is determined as the difference between a) the market value of the convertible bond, and b) the DCF-value of the convertible bond using a market interest rate for an equivalent, non-convertible bond. The own nonperformance risk as at December 31, 2016 was assessed to be insignificant. There were no transfers between the levels in 2016 or 2015.

NOTE 13 - CAPITAL MANAGEMENT AND RISK MANAGEMENT

LEVERAGE AND CAPITAL ACCESS

Leverage and Capital access (i.e. Capital management) refers to the process of acquiring and utilizing capital in the most efficient manner compared to the available alternatives. The primary objective of the Group's capital management is to ensure access to capital contributing to satisfactory operations and maximum generation of shareholder values. The Group manages its capital structure and makes adjustments in light of changes in the underlying economic conditions. Access to borrowed capital is continuously monitored and the Group has a continuous dialog with its lenders. The syndicated loan facility sets forth an equity ratio as the only financial covenant. The remaining portfolio of interest bearing debt does not include more restrictive financial covenants. Marine Harvest complied with the covenant in its loan agreements during and at the end of 2016. Details relating to the main loan programs in the Group are described in Note 11.

Marine Harvest intends to maintain an equity base suitable to the characteristics of the operations, taking into consideration that fish farming is a cyclical business. Capital not deemed necessary for further growth will be returned to shareholders as dividends or repurchase of shares. At year-end 2016, the equity of Marine Harvest amounted to EUR 2 069.3 million. The equity share, defined by equity/total assets, was at the same time 43.0%. Net interest bearing debt, defined as total interest-bearing debt less cash was EUR 890.0 million at year-end below long term target of EUR 1 050 million. The Board of Directors of Marine Harvest ASA considers the equity in the Group appropriate for the scale of the operation.

A dividend policy has been resolved by the Board of Directors. The policy states that:

- *The quarterly dividend level shall reflect the present and expected future cash flow generation of the Company.*
- *To this end, a target level for net interest bearing debt is determined, reviewed and updated on a regular basis.*
- *When the target is met, at least 75% of the annual free cash flow after operational and financial commitments will be distributed as dividends.*

The Board of Directors has further adopted guidelines targeting quarterly dividend distribution, whereby each dividend proposal shall be dimensioned with a view to manage net interest bearing debt around a target level. The target level is dimensioned relative to the scope of the Group's operations and was at year end 2016 equaling a NIBD target of EUR 1 050 million.

The Board of Directors of Marine Harvest ASA has been given proxies from the Annual General Meeting in June 2016 to:

- *Purchase shares in the Company up to a maximum total nominal value of NOK 337 564 239 which equals approximately 10% of the share capital.*
- *Increase the Company's share capital through issuance of new shares with an aggregate nominal value of up to NOK 337 564 239.*
- *Distribute dividends, up to an aggregate amount of NOK 5 billion based on the Company's annual accounts for 2015 including distribution in the form of repayment of paid-in capital.*

The Group's principal financial liabilities, other than loans, consist of convertible and non-convertible bonds, derivatives and trade payables. These financial liabilities constitute the majority of the Group's third party financing. The Group holds financial assets such as trade receivables, cash and shares.

The Group uses financial derivatives, mainly currency forward contracts, interest rate swaps and financial salmon futures. The purpose of these derivatives is to manage the interest rate, currency and salmon price risks arising from the operations of the Group. With the exception of financial salmon futures, no trading activities in financial instruments are undertaken. On a selective basis, the Group also enters into other financial derivatives such as equity forward contracts.

Details regarding significant accounting policies for financial assets and liabilities are disclosed in Note 2 Significant accounting policies.

FINANCIAL RISK MANAGEMENT

The Group monitors and manages the financial risks arising from the operations. These include currency risks, interest rate risk, credit risk and price/liquidity risk.

The Group seeks to manage these risks through operational measures or (where such measures are not available) through the use of financial derivatives.

A policy on the management of these risks has been approved by the Board of Directors. The policy includes principles on currency risk, interest rate risk, price risk, the use of financial instruments and other operational means as well as limits on the maximum and minimum levels of these exposures.

CURRENCY RISK

In the Marine Harvest Group, several Business Units carry out a large number of business transactions in currencies different from the domestic currency. For the Group, the relative importance of these transactions is substantially larger on the revenue side than on the cost side. To mitigate the potential fluctuation effects on its cash flows, the Group maintains a foreign exchange strategy designated to manage these exposures both in the short and long term. For each of Marine Harvest's units, the Group has defined a hedging strategy. According to the hedging strategy, units located in the following regions generate cash flow in currencies (main hedging currencies) according to the below table.

REGION	HEDGING CURRENCY
Norway	EUR
Chile	USD
Canada	USD
Scotland	GBP
Ireland	EUR
The Faroe Islands	EUR
Consumer Products	EUR
Asia	USD
Feed	EUR

For some units the main hedging currency is different from the functional currency.

Transaction exposures arise from firm commitments made to transact in a currency different from the main currency. The transaction exposure depends on the duration of the commitment, but will normally be of relatively short duration. Hedging transactions designated to manage transaction exposures are referred to as transaction hedges.

Through hedging of transaction exposures, each Business Unit aims to ensure that its net cash flows in currencies other than its main hedging currency are hedged towards this currency. Further exposures arise from structural imbalances between the main currencies on the revenue side versus the expense side. These imbalances are predominantly a result of production taking place in a country different from where the product is sold. Due to their structural nature, the exposures are of a longer horizon than for transaction exposures and are therefore quantified on the basis of estimates for future revenues and expenses. In this estimation, focus is kept on the underlying currency structure of the individual revenue and cost item and the actual currency in which transactions are invoiced is of lesser importance.

The Marine Harvest Group normally has a net positive cash flow exposure towards EUR, GBP, USD and JPY and a net negative cash flow exposure towards NOK, CAD and CLP. To hedge Group cash flows against exchange rate fluctuations Marine Harvest has a policy for long-term hedging of the most predominant net exposures. The Group currently hedges up to 30% of its' underlying exposure between EUR/ NOK and USD/CAD with a horizon of two years.

As of December 31, 2016 the Group held a portfolio of hedging instruments designated to mitigate transaction and cash flow exposure with a total contract value of EUR 660.6 million. Instruments equivalent to 65% of the contract value mature in 2017 and no instrument matures beyond December 2018. The portfolio had a net positive market value of EUR 9.0 million at year-end.

Currency exposure in the statement of financial position

As a consequence of the Group's net cash flows being generated in EUR, GBP and USD, the interest-bearing debt should reflect this currency structure. On December 31, 2016, the portfolio was in line with policy.

CURRENCY STRUCTURE OF NET INTEREST-BEARING DEBT (EUR MILLION)	NOK	USD	EUR	GBP	JPY	DKK	CAD	PLN	OTHER	TOTAL
Cash and cash equivalents	48.6	2.5	31.5	-7.7	11.6	3.8	6.0	2.8	4.7	103.9
Current interest-bearing debt	—	—	—	0.1	—	—	—	—	—	0.1
Non-current interest-bearing debt	135.0	178.2	637.8	42.4	—	—	—	—	—	993.4
Financial instruments	0.5									0.5
Net interest-bearing debt	**86.9**	**175.7**	**606.3**	**50.1**	**-11.6**	**-3.8**	**-6.0**	**-2.8**	**-4.6**	**890.1**

The carrying amount of interest-bearing debt has been reduced by EUR 3.4 million in transaction costs. With the exception of the EUR 375 million and EUR 340 million convertible bonds, there are no significant differences between the carrying amount and the fair value of non-current interest-bearing debt and leasing. Details related to the EUR 375 million and EUR 340 million convertible bonds and a significant part of the non-current debt are described in Note 11.

SENSITIVITY ANALYSIS - CHANGE IN EXCHANGE RATES

On the basis of financial positions and currency hedges in existence as of December 31, 2016. The effect of a 10% change in exchange rate of the following relevant currency pairs has been estimated:

CURRENCY PAIR (EUR MILLION)	EUR/NOK	EUR/USD	EUR/GBP	EUR/JPY	USD/CAD
Effect in EUR from a 10% increase in the value of	EUR	EUR	EUR	EUR	CAD
Financial items	-43.9	-30.1	-0.5	-2.4	4.0

INTEREST RATE RISK

Marine Harvest ASA shall hedge the Group's long term interest bearing debt by currency, including external interest bearing debt and leasing in the parent company or subsidiaries, with fixed interest or interest rate derivatives. The interest rate hedges shall cover 70-100% of the debt the first four years and 0-60% of the debt the subsequent five years. All interest rate hedging shall be executed from the parent company. At year-end 2016 the Group had a portfolio of interest swaps with a net negative market value of EUR 86.3 million after a decrease in market value during 2016 of EUR 9.4 million, recognized through profit and loss.

The portfolio held at the end of 2016, will ensure the payment of the following weighted fixed rates against receipt of three month EURIBOR/LIBOR for each of the below currencies and periods:

NOMINAL AMOUNT OF INTEREST RATE SWAPS AND WEIGHTED AVERAGE FIXED RATE (MILLION)	EUR		USD		GBP	
	NOMINAL VALUE	WEIGHTED FIXED RATE	NOMINAL VALUE	WEIGHTED FIXED RATE	NOMINAL VALUE	WEIGHTED FIXED RATE
UNTIL MARCH 2017	797.4	0.94%	151.0	2.91%	34.0	3.04%
MARCH 2017 - MARCH 2018	938.0	1.21%	138.5	3.12%	34.0	3.13%
MARCH 2018- MARCH 2019	1 226.1	1.80%	138.5	3.21%	34.0	3.13%
MARCH 2019- MARCH 2020	1 296.5	2.50%	167.5	2.93%	34.0	3.13%
MARCH 2020- MARCH 2021	716.6	1.24%	78.3	2.31%	23.5	2.83%
MARCH 2021- MARCH 2022	380.0	2.20%	78.3	2.31%	23.5	2.83%
MARCH 2022- MARCH 2023	—	—	60.0	4.13%	—	—

MARKET VALUE 31.12.2016 (EUR MILLION)	
EUR	-75.6
USD	-6.5
GBP	-4.2
TOTAL	-86.3

A 0.50% point parallel increase in all relevant yield curves will cause a EUR 17.8 million increase in the market value. This change would be recognized through profit and loss. In addition, the fixed rate coupon on the convertible bonds as described in Note 11 is part of the hedging of interest rate risk in the Group.

CREDIT RISK

The Group trades only with recognized, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and as a main rule the Group's trade receivables are fully credit insured. The Group is monitoring exposure towards individual customers closely and is not substantially exposed in relation to any individual customer or contractual partner as of December 31, 2016. The maximum exposure is disclosed in Note 17.

The Group only enters into derivative transactions with counterparties with an established business relationship to the Group.

PRICE/LIQUIDITY RISK

The Group is continuously monitoring liquidity and estimates expected liquidity development on the basis of budgets and monthly updated forecasts from the units. Marine Harvest's financial position and development depend significantly on the spot price developments for salmon, and these prices have historically been volatile. As such Marine Harvest is exposed to movements in supply and demand for salmon. Marine Harvest has to some extent mitigated its exposure to spot prices by entering into bilateral fixed price/volume contracts with its' customers. The contract share has normally varied between 20% and 50% of our sold volume, however hedged volumes can increase up to 65% under special circumstances, and the duration of the contracts has typically been three to eighteen months. Furthermore Marine Harvest is reducing the exposure to spot price movements through the value added processing activities and tailoring of products for its customers. Other key liquidity risks are fluctuations in production and harvest volumes, biological issues, and changes in the feed price, which is the most important individual factor on the cost side. Feed costs are correlated to the marine and agricultural commodity prices of the ingredients.

Marine Harvest's aim is to maintain a balance between long-term financing and flexibility by using credit facilities, new borrowings and bonds.

MATURITY PROFILE OF THE FINANCIAL LIABILITIES AND DERIVATIVES BASED ON CONTRACTUAL UNDISCOUNTED PAYMENTS, INCLUDING INTEREST (EUR MILLION)	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	WITHIN 1 YEAR	1 -2 YEARS	2 - 5 YEARS	MORE THAN 5 YEARS
Non-derivative financial liabilities						
Syndicated loan	-217.5	-229.7	-3.2	-3.2	-223.3	—
Convertible bonds	-638.4	-724.9	-3.7	-3.7	-717.5	—
Unsecured bond	-137.7	-145.9	-6.3	-139.6	—	—
Leasing debt	-0.7	-0.7	-0.3	-0.3	-0.1	—
Trade payables and other liabilities	-275.7	-275.7	-275.6	-0.1	-0.1	—
Derivative financial liabilities						
Conversion liability component	-439.6	—	—	—	—	—
Interest rate swaps	-86.3	-100.4	-11.0	-20.7	-64.2	-4.6
Cash flow hedges	-3.3	-2.2	-2.2	-0.1	—	—
Transaction hedges	-1.3	0.4	0.5	—	—	—
Total financial liabilities	**-1 800.5**	**-1 479.2**	**-301.8**	**-167.7**	**-1 005.1**	**-4.6**

NOTE 14 - REMUNERATION

SALARY AND PERSONNEL EXPENSES (EUR MILLION)	2016	2015	2014
Salaries	-307.8	-302.9	-283.1
Cash bonuses	-19.7	-18.0	-16.9
Social security taxes	-45.4	-42.2	-41.6
Pension expenses	-10.6	-10.4	-9.1
Share price based bonus	-2.4	-3.4	-1.5
Temporary labor	-35.5	-33.7	-32.4
Other benefits	-18.6	-16.4	-12.4
Total salary and personnel expenses	**-440.0**	**-427.1**	**-397.1**
Average number of employees	**12 585.1**	**12 084.1**	**11 195.0**

At year-end 2016 there were 12 717 full-time employees in the Group.

REMUNERATION TO KEY MANAGEMENT PERSONNEL (EUR MILLION)	2016	2015	2014
Salaries and other short-term employee benefits	3.4	3.4	3.4
Post-employment benefits	0.3	0.3	0.3
Share-based payments	3.0	—	0.9
Total remuneration to key management	**6.6**	**3.7**	**4.7**

SHARE-PRICE BASED BONUS SCHEME AND SHARE OPTION SCHEME FOR SENIOR EXECUTIVES

Marine Harvest Group has a share-price based bonus scheme for senior executives.

OUTSTANDING OPTIONS PER ALLOTMENT	2016-ALLOTMENT OF CALL OPTIONS	2015-ALLOTMENT OF CALL OPTIONS	2014-ALLOTMENT OF CALL OPTIONS	2013-ALLOTMENT OF CALL OPTIONS
Distributed options	1 499 993	1 475 000	1 500 000	1 520 000
Forfeited options	—	-150 000	-200 000	-320 000
Dividend adjustment	62 269	124 654	195 778	357 638
Total options outstanding at year end	**1 562 262**	**1 449 654**	**1 495 778**	**1 557 638**
Strike price December 31, 2016 (NOK)	**146.9374**	**91.7842**	**77.4532**	**43.4504**
Number of employees in the scheme at year end	**18**	**14**	**14**	**14**

SHARE OPTION SCHEME - SENIOR EXECUTIVES

The Share-Price-Based Bonus Scheme comprises annual allocations by the Board of Directors of a number of European call options with a strike price of 107.5% of the share price of Marine Harvest's shares at the date of the annual general meeting authorizing allocations under the scheme. The options have a term of four years but will become exercisable immediately if a mandatory bid is made for all of the shares in Marine Harvest or if Marine Harvest is the non-surviving entity in a merger with another company. If the holder of the options exercises the options, the company may settle its obligation through the issue of new shares or, alternatively, by selling treasury shares to the option holder. There will be no lock-up obligation on the shares the option holder receives through the exercise of the option. The exercise of the option is conditional upon the option holder being employed in a non-terminated position in the Group on the date of exercise.

The number of shares and the strike price will be adjusted for dividends and changes in equity capital during the term of the option in accordance with Oslo Stock Exchange derivative rules (A.2.2.8(1)b). Total profit through the exercise of the option in a year is capped at two years' salary for the option holder. If the profit exceeds this limit, the number of shares to be issued will be reduced accordingly. Following the 2016 annual general meeting (the "AGM"), the Board of Directors allocated 1 499 993 options with a strike price corresponding to 107.5% of the volume-weighted average share price on the OSE on the day of the AGM (NOK 153.0371) to a total of 18 individuals.

Eligibility to the senior executive share option scheme is limited to: Group CEO, other Group Executives and management and key experts of Business Areas, subsidiaries and group functions, based on the following criteria:

- *the position and individual is important in realizing the Marine Harvest Group ambitions;*
- *the individual is considered critical for the Business Unit(s);*
- *the individual is expected to continue in a role covered by the scheme;*
- *the individual will not retire during the first year of the scheme*

SHARE PURCHASE PROGRAM

All permanent employees in Marine Harvest ASA and its Norwegian subsidiaries have the opportunity to acquire shares in the Company within the scope of the Norwegian Tax Act Section 5-14. These provisions entitle this group of employees to receive a tax-free benefit of NOK 1 500 in connection with their participation in such a scheme.

Permanent employees in Marine Harvest Scotland and Marine Harvest Canada have also been offered the opportunity to buy shares, though without any element of tax-free discount.
No loans or guaranties have been granted to key management personnel.

PENSION PLANS

Pension plans in the Group are mainly defined contribution plans. There are a few defined benefits plans, which are considered to be immaterial for the Groups financial statements.

PENSION PLANS (EUR MILLION)	PENSION COST	PENSION NET LIABILITY (FUND) 31.12
Marine Harvest Norway [1]	5.1	—
Marine Harvest Scotland	1.6	-2.8
Marine Harvest Canada	1.5	—
Marine Harvest Consumer Products	0.5	3.3
Corporate	0.6	6.5
Other entities	1.3	0.2
Total 2016	**10.6**	**7.2**
Total 2015	**10.4**	**3.4**
Total 2014	**9.1**	**2.9**

1) The term Marine Harvest Norway includes both of the legal entities Marine Harvest Norway AS and Marine Harvest Markets Norway AS.

NOTE 15 - TAXES

INCOME TAXES FOR THE YEAR IN THE STATEMENT OF COMPREHENSIVE INCOME (EUR MILLION)	2016	2015	2014
Norway	-115.1	-66.3	-41.4
Foreign units	-51.6	-7.3	-33.5
Tax on profits (current tax)	**-166.6**	**-73.5**	**-74.8**
Norway	-14.6	5.8	-29.0
Foreign units	-38.6	-23.9	13.9
Change in deferred tax	**-53.3**	**-18.1**	**-15.1**
Total income taxes related to profit for the year	**-219.9**	**-91.6**	**-89.9**

RECONCILIATION BETWEEN NOMINAL AND EFFECTIVE TAX RATES (EUR MILLION)	2016	2015	2014
Profit before tax	759.2	250.1	177.8
Nominal tax rate	25%	27%	27%
Tax calculated with nominal tax rate	**-189.8**	**-67.5**	**-48.0**
Non-taxable income/loss on sale of shares	1.1	—	—
Change in value of conversion liability component	-58.8	-17.7	-37.8
Non-taxable income/loss from associated companies	18.3	6.0	4.8
Non-taxable income/loss on change in market value on financial instruments	1.0	-1.7	-0.6
Non-taxable income/loss on change in market value on other shares	—	3.1	1.1
Effect of changed tax rate on deferred tax positions	13.5	23.3	2.2
Effect of adjustment of income tax from previous years	-1.6	-7.5	9.8
Effect of recognition of previously non-recognized tax assets	0.2	0.6	1.0
Effect of non-recognition of losses and tax assets	-1.6	-27.8	-15.1
Withholding tax	-3.8	-1.7	-3.4
Other permanent differences	-5.0	-5.6	-7.5
Effect of different tax rates compared to nominal rate	6.6	4.9	3.6
Total income taxes	**-219.9**	**-91.6**	**-89.9**

TAX FOR THE YEAR RECOGNIZED IN OTHER COMPREHENSIVE INCOME (EUR MILLION)	2016	2015	2014
Deferred tax related to income/cost recognized as other comprehensive income	—	1.0	1.5
Deferred tax related to actuarial gains/losses in other comprehensive income	0.1	-1.6	-0.7
Total tax for the year recognized in other comprehensive income	**0.1**	**-0.7**	**0.8**

TAX PREPAID/RECEIVABLE IN THE STATEMENT OF FINANCIAL POSITION (EUR MILLION)	2016	2015	2014
Tax prepaid/receivable in Norway	—	—	—
Tax prepaid/receivable in foreign units	14.7	20.4	7.1
Total tax prepaid/receivable in the statement of financial position	**14.7**	**20.4**	**7.1**

TAX PAYABLE IN THE STATEMENT OF FINANCIAL POSITION (EUR MILLION)	2016	2015	2014
Tax payable in Norway	112.6	59.4	40.3
Tax payable in foreign units	29.9	13.2	18.2
Total tax payable in the statement of financial position	**142.6**	**72.6**	**58.5**

SPECIFICATION OF DEFERRED TAX AND BASIS FOR DEFERRED TAX/TAX ASSETS TAX INCREASING/REDUCING TEMPORARY DIFFERENCES (EUR MILLION)	2016	2015	2014
Non-current assets	964.9	857.9	748.9
Current assets	1 099.0	754.1	798.4
Debt	-95.7	-37.9	-32.2
Pension obligation	-7.9	-6.7	-0.7
Tax losses carried forward	-32.6	-30.6	-40.8
Other differences	19.5	-30.6	-6.1
Total temporary differences	**1 947.2**	**1 506.2**	**1 467.5**
Tax losses carried forward in Norway	-13.2	—	—
Other temporary differences in Norway	1 259.6	1 058.6	1 075.9
Tax losses carried forward abroad	-19.4	-30.6	-40.8
Other temporary differences abroad	720.2	478.2	432.4
Total temporary differences	**1 947.2**	**1 506.2**	**1 467.5**

TOTAL DEFERRED TAX ASSET/LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION (EUR MILLION)	2016	2015	2014
Deferred tax assets	2.6	11.5	16.4
Deferred tax liabilities	-453.5	-391.8	-397.6
Net deferred tax in the statement of financial position	**-450.9**	**-380.3**	**-381.2**

The Group has recognized deferred tax assets related to tax losses carried forward. This is based on the expectation of probable sufficient earnings in the future, mainly in Poland and in the USA where the majority of tax losses carried forward are located. The expectations are based on current earnings and approved budgets. In addition, substantial deferred tax liabilities linked to non-current assets and current assets are recorded. Deferred tax assets related to tax losses carried forward at a total of EUR 210.9 million have not been recognized due to uncertain utilization.

Deferred tax assets linked to tax losses are offset against deferred tax liabilities in the tax jurisdictions, where acceptable.

MATURITY OF TAX LOSSES WHERE DEFERRED TAX LOSS IS RECOGNIZED TO YEAR (EUR MILLION)	NORWAY	ABROAD	TOTAL
2017	—	0.1	0.1
2018	—	—	—
2019	—	7.3	7.3
2020	—	—	—
2021	—	0.7	0.7
2022	—	—	—
2023	—	—	—
2024	—	—	—
2025	—	—	—
2026+	—	—	—
Unlimited	13.2	11.3	24.5
Total 2016	**13.2**	**19.4**	**32.6**
Total 2015	—	30.6	30.6
Total 2014	—	40.8	40.8

MATURITY OF TAX LOSSES FOR WHICH NO DEFERRED TAX ASSET IS RECOGNIZED TO YEAR (EUR MILLION)	NORWAY	ABROAD
2017	—	0.5
2018	—	2.5
2019	—	—
2020	—	—
2021	—	4.3
2022	—	—
2023	—	7.0
2024	—	20.6
2025	—	0.2
2026+	—	—
Unlimited	—	175.8
Total 2016	**—**	**210.9**
Total 2015	—	119.9
Total 2014	—	71.4

TAX RATES APPLIED (SELECTED COUNTRIES) COUNTRIES	2016	2015	2014
Japan	33.0%	35.3%	40.0%
USA	35.0%	35.0%	35.0%
Belgium	34.0%	34.0%	34.0%
Germany	29.6%	31.0%	30.1%
France	33.3%	33.3%	33.3%
Norway	25.0%	27.0%	27.0%
China	25.0%	25.0%	25.0%
Netherlands	25.0%	25.0%	25.0%
Scotland	20.0%	20.3%	21.5%
Canada	26.0%	26.0%	26.0%
Faroe Islands	18.0%	22.5%	22.5%
Chile	24.0%	22.5%	21.0%
Poland	19.0%	19.0%	19.0%
Ireland	12.5%	12.5%	12.5%

NOTE 16 - CASH

CASH (EUR MILLION)	2016	2015	2014
Cash in bank	88.0	60.1	133.2
Employees' tax deduction	5.8	5.6	4.8
Other restricted cash[1)]	10.2	6.0	18.9
Total cash	**103.9**	**71.8**	**156.9**

1) Other restricted cash is mainly composed of deposits to fulfill collateral requirements for financial instruments.

NOTE 17 - TRADE RECEIVABLES AND OTHER RECEIVABLES

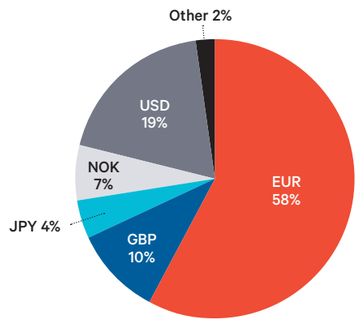
SPECIFICATION OF RECEIVABLES (EUR MILLION)	2016	2015	2014
Trade receivables	500.4	411.0	377.8
Provisions for bad debts	-2.4	-1.8	-3.4
Net trade receivables	**498.0**	**409.2**	**374.4**
Prepayments	16.9	18.6	14.8
Pension fund	2.8	5.5	6.4
Tax prepaid/receivable	14.7	20.4	7.1
Other	78.4	86.9	70.1
Other receivables	**112.8**	**131.4**	**98.4**
Total trade receivables and other receivables	**610.8**	**540.6**	**472.8**

AGE DISTRIBUTION OF TRADE RECEIVABLES (EUR MILLION)	2016	2015	2014
Receivables not overdue	426.9	333.4	309.9
Overdue 0-6 months	68.9	74.8	63.2
Overdue more than 6 months	4.5	2.8	4.7
Total trade receivables	**500.4**	**411.0**	**377.8**

MOVEMENT IN PROVISIONS FOR BAD DEBT (TRADE RECEIVABLES)
At the beginning of 2016, provisions for bad debt amounted to EUR 1.8 million. During 2016, provisions amounting to EUR 0.2 million were considered lost. Adjusted for additional provisions for losses of EUR 0.8 million the provision for bad debt amounted to EUR 2.4 million at year-end 2016.

CURRENCY EXPOSURE TO TRADE RECEIVABLES
The Business Units generally complete their sales in the main trading currency in the country of destination. The carrying amount of trade receivables per currency is presented below.

CURRENCY SPLIT ACCOUNTS RECEIVABLES



NOTE 18 - TRADE PAYABLES AND OTHER CURRENT LIABILITIES

CURRENT LIABILITIES (EUR MILLION)	2016	2015	2014
Trade payables [1)]	**275.5**	**248.0**	**227.2**
Other current liabilities			
Salaries and vacation pay due	33.1	29.3	28.9
Social security and other taxes	23.0	22.6	22.3
Accrued expenses	67.9	58.6	107.4
Other liabilities	55.8	40.7	41.3
Total other current liabilities	**179.8**	**151.2**	**199.9**

1) As of year-end 2016 the payable related to the Supply Chain Financing was 44.0 million EUR (14.1 million EUR at year-end 2015).

CURRENT INTEREST-BEARING DEBT TO FINANCIAL INSTITUTIONS (EUR MILLION)	2016	2015	2014
First year's installment on debt	—	—	0.6
Other current interest-bearing debt	0.1	0.1	0.1
Current part (first year) financial leases	—	0.1	0.1
Total current interest-bearing debt	**0.1**	**0.2**	**0.8**

UNUSED DRAWING RIGHTS (EUR MILLION)	2016	2015	2014
Unused part of bank overdraft facility (to be renewed within one year)	7.0	7.0	7.0
Unused part of bank overdraft facility (to be renewed in more than one year)	47.6	47.6	41.0
Unused part of other drawing rights (to be renewed in more than one year)	502.5	392.6	60.3
Total unused drawing rights	**557.1**	**447.2**	**108.3**

NOTE 19 - SECURED LIABILITIES AND GUARANTEES

DEBT SECURED BY MORTGAGES AND PLEDGES (EUR MILLION)	2016	2015	2014
Debt to financial institutions	261.5	340.1	418.9
Leasing debt	0.7	1.2	1.9
Total debt secured by mortgages and pledges	**262.2**	**341.3**	**420.8**
Guarantee liabilities [1]	28.2	23.5	18.2

1) In addition the Group have provided guarantees to unrelated parties for commitments that may arise for a joint venture regarding the purchase contracts of two new vessels.

The Group syndicated loan facility has been established with security in current assets, licenses (where applicable), fixed assets and guarantees from some of the entities in the Group. In addition the shares in larger subsidiaries have been pledged in favor of the bank syndicate.

ASSETS PLEDGED AS SECURITY FOR DEBT (EUR MILLION)	2016	2015	2014
Tangible non-current assets and licenses	1 058.8	1 036.1	1 002.7
Inventory and biological assets	1 669.5	1 211.0	1 189.0
Trade receivables	287.5	240.1	228.9
Other assets	160.3	135.2	51.1
Total assets pledged as security	**3 176.0**	**2 622.5**	**2 471.7**

NOTE 20 - OTHER NON-CURRENT LIABILITIES

OTHER NON-CURRENT LIABILITIES (EUR MILLION)	2016	2015	2014
Net pension obligations	10.0	8.9	9.3
Other non-current liabilities	1.5	3.1	3.6
Total other non-current liabilities	**11.5**	**12.0**	**12.9**

NOTE 21 - INVESTMENTS IN ASSOCIATED COMPANIES

Associated companies are companies where the Group has a significant ownership interest, ranging from 20-50%, and where the Group is able to exercise significant influence.

Associated companies are recorded in the Group statements in accordance with the equity method. None of the associated companies are listed.

ASSOCIATED COMPANIES (EUR MILLION)	HEAD OFFICE	OWNER-SHIP	OWNED BY	AQUISITION COST	CARRYING AMOUNT 01.01.16	SHARE OF PROFIT 2016	DIVIDENDS RECEIVED 2016	OTHER CHANGES 2016	CARRYING AMOUNT 31.12.16
Nova Sea AS [1]	Lovund	48%	Marine Harvest Holding AS	28.2	102.8	59.3	-10.1	7.6	159.6
Finnøy Fisk AS	Finnøy	45%	Marine Harvest Norway AS	2.4	6.6	3.3	-0.5	1.9	11.3
Vågafossen Settefisk AS	Vikedal	48%	Marine Harvest Norway AS	0.1	0.8	0.1	—	0.1	1.0
Center for Aquaculture Competence AS [2]	Hjelmeland	33%	Marine Harvest Norway AS	—	11.7	—	—	-11.7	—
Migdale Transport [3]	Inverness, Scotland			1.0	1.5	—	—	-1.5	—
Others [4]				0.3	0.5	-0.1	—	2.7	3.1
Total				**32.1**	**123.9**	**62.6**	**-10.6**	**-1.0**	**175.0**

1) Other changes relates to foreign currency adjustments.
2) See note 5.
3) Marine Harvest owned 35 % of the shares in Migdale Transport pr 01.01.2016. All shares were sold during 2016.
4) Includes investments in joint ventures which are not significant pr 31.12.2016.

ASSOCIATED COMPANIES 100 % BASIS (EUR MILLION)	DIVIDEND RECEIVED	FAIR VALUE ADJUST-MENT BIOMASS [1]	TOTAL REVENUE	TOTAL PROFIT AND LOSS	TOTAL NON-CURRENT ASSETS	TOTAL BIOLOGICAL ASSETS	TOTAL OTHER CURRENT ASSETS	TOTAL NON-CURRENT LIABILITIES	TOTAL CURRENT LIABILITIES
2016									
Nova Sea AS	10.1	26.1	276.3	83.5	169.0	66.1	120.8	79.3	104.2
Finnøy Fisk AS	0.5	2.1	4.7	2.2	2.8	2.0	5.5	1.1	5.3
Vågafossen Settefisk AS	—	—	2.8	0.5	3.8	0.7	1.3	2.9	0.4
2015									
Nova Sea AS	7.7	9.0	201.9	47.5	140.4	56.5	65.6	81.6	47.7
Finnøy Fisk AS	0.9	0.6	3.5	1.1	3.8	1.1	3.6	1.4	2.9
Center for Aquaculture Competence AS	—	0.7	3.0	0.3	0.2	8.1	4.8	—	12.4
Vågafossen Settefisk AS	—	—	2.5	0.1	3.7	0.6	1.0	2.9	0.4
Migdale Transport	—	—	5.3	0.9	7.9	—	1.5	0.1	5.1
2014									
Nova Sea AS	8.2	8.8	199.7	40.3	143.4	48.4	52.1	84.8	42.0
Finnøy Fisk AS	0.7	0.8	5.3	2.7	4.5	1.3	5.1	2.1	4.4
Center for Aquaculture Competence AS	—	—	5.8	—	0.3	1.8	1.1	—	2.7
Vågafossen Settefisk AS	—	—	1.8	0.2	3.8	0.6	0.5	2.5	0.4
Migdale Transport	—	—	5.6	0.4	0.3	—	3.6	—	0.8

1) Effect of adjusting Marine Harvest`s share of total biological assets pr 31.12 presented above to fair value. The effect is shown after tax.

NOTE 22 - INVESTMENTS IN OTHER SHARES

Shares and holdings where the Group does not have significant influence.

SHAREHOLDINGS BY COMPANY (EUR MILLION)	NUMBER OF SHARES	OWNER-SHIP %	ACQUISITION COST	CHANGES IN MARKET VALUE 2016	CARRYING AMOUNT 31.12.16	CARRYING AMOUNT 31.12.15	CARRYING AMOUNT 31.12.14
Havfisk ASA [1]	—	—	—	—	—		17.1
Norway Seafoods AS [1]	—	—	—	—	—		0.6
Other shares	—	—	0.1	—	0.4	0.4	0.8
Total other shares			**0.1**	**—**	**0.4**	**0.4**	**18.5**

1) All the shares in Havfisk ASA and Norway Seafoods AS were sold during 2015.

NOTE 23 - CONSOLIDATED ENTITIES

The consolidated financial statements include the following companies:

PARENT COMPANY	COUNTRY	
Marine Harvest ASA	Norway	

SUBSIDIARIES - NORWAY	COUNTRY	OWNERSHIP %
Marine Harvest Fish Feed AS	Norway	100.00%
Marine Harvest Holding AS	Norway	100.00%
Marine Harvest Minority Holding AS	Norway	100.00%
Marine Harvest Norway AS	Norway	100.00%
Marine Harvest Markets Norway AS	Norway	100.00%
Morpol ASA	Norway	100.00%
Waynor Trading AS	Norway	100.00%
Center for Aquaculture Competence AS	Norway	33.30%

SUBSIDIARIES - AMERICAS	COUNTRY	OWNERSHIP %
Marine Harvest North America Inc.	Canada	100.00%
Marine Harvest Canada Inc.	Canada	100.00%
Englewood Packing Company Ltd.	Canada	100.00%
Marine Harvest Chile S.A	Chile	100.00%
Salmones Tecmar S.A	Chile	100.00%
Processadora De Productos Marinos Delifish S.A	Chile	100.00%
Aquamerica International Holdings S.A	Panama	100.00%
Panamerica International Holdings S.A	Panama	100.00%
Salmoamerica Corp.	Panama	100.00%
Ducktrap River of Maine LLC	USA	100.00%
Marine Harvest USA Holding LLC	USA	100.00%
Marine Harvest USA LLC	USA	100.00%

SUBSIDIARIES - ASIA	COUNTRY	OWNERSHIP %
Marine Harvest China Co. Ltd.	China	100.00%
Marine Harvest Hong Kong Cy Ltd	Hong Kong	100.00%
Marine Harvest Japan Inc	Japan	100.00%
Marine Harvest Food Service Inc	Japan	100.00%
Marine Harvest Korea Co. Ltd	Korea	100.00%
Marine Harvest Singapore Pte Ltd	Singapore	100.00%
Morpol Holdings Singapore Pte Ltd	Singapore	100.00%
Marine Harvest Taiwan Co. Ltd	Taiwan	100.00%
Amanda Foods Vietnam Ltd	Vietnam	100.00%

SUBSIDIARIES - EUROPE	COUNTRY	OWNERSHIP %
Marine Harvest Pieters NV	Belgium	100.00%
Marine Harvest Central and Eastern Europe s.r.o.	Czech Republic	100.00%
Marine Harvest Faroes P/F	Faroes	100.00%
Marine Harvest VAP France SAS	France	100.00%
Marine Harvest Appéti' Marine SAS	France	100.00%
Marine Harvest Boulogne SAS	France	100.00%
Marine Harvest Lorient SAS	France	100.00%
Marine Harvest Kritsen SAS	France	100.00%
Marine Harvest Rennes SAS	France	100.00%
Morpol France SAS	France	100.00%
Laschinger Seafood GmbH	Germany	100.00%
Laschinger Produktions GmbH	Germany	100.00%
Belisco Ehf	Iceland	100.00%
Comhlucht Iascaireachta Fanad Teoranta	Ireland	100.00%
Bradan (Maoil Rua) Teoranta	Ireland	100.00%
Bradan Fanad Teoranta	Ireland	100.00%
Fanad Pettigo Teoranta	Ireland	100.00%
Feirm Farraige Oilean Chliara Teoranta	Ireland	92.03%
Silverking Seafoods Ltd	Ireland	100.00%
Marine Harvest Italia S.R.L.	Italy	100.00%
Morpol Italia S.R.L	Italy	100.00%
Marine Harvest NV	Netherlands	100.00%
Marine Harvest International BV	Netherlands	100.00%
Marine Harvest Holland BV	Netherlands	100.00%
Marine Harvest Sterk Holding BV	Netherlands	100.00%
Marine Harvest Sterk BV	Netherlands	100.00%
Marine Harvest Poland Sp. z.o.o	Poland	100.00%
Morpol S.A.	Poland	100.00%
Morpol Laurin Sp. z.o.o.	Poland	100.00%
Morpol VAP Sp z.o.o.	Poland	100.00%
Morpol Technology Sp. z.o.o.	Poland	100.00%
Morpol Specialities Sp. z.o.o.	Poland	100.00%
Epigon S.A	Poland	100.00%
Morpol Developments Sp. z.o.o.	Poland	100.00%
Marine Harvest Turkiye su Ürünleri Ticaret A.Ş.	Turkey	100.00%
Marine Harvest (Scotland) Ltd	UK	100.00%

SUBSIDIARIES - EUROPE	COUNTRY	OWNERSHIP %
Meridian Salmon Group Ltd	UK	100.00%
Meridian Salmon Processing Ltd	UK	100.00%
Meridian Salmon Farms (Argyll) Ltd	UK	100.00%
Lakeland Smolt Ltd	UK	100.00%
Marine Harvest VAP UK Ltd	UK	100.00%
Lakeland Cairndow Ltd.	UK	100.00%
Anglesey Aquaculture Ltd.	UK	100.00%
Marine Harvest Spain, S.L.	Spain	100.00%
Marine Harvest Sweden AB	Sweden	100.00%

The Group has no material partly-owned subsidiaries, and the non-controlling interests are immaterial. Additional financial information is therefore not disclosed. Please see note 21 for further information regarding consolidation of Center for Aquaculture Competence AS.

NOTE 24 - SHARE CAPITAL

SHARE CAPITAL	2016	2015	2014
Total number of shares as of 01.01	450 085 652	410 377 759	410 377 759
Shares issued during the year	—	39 707 893	—
Total number of shares as of 31.12	**450 085 652**	**450 085 652**	**410 377 759**
Treasury shares as of 01.01	—	40 970	40 970
Treasury shares purchased during the year	594 621	—	—
Treasury shares sold during the year	-594 621	-40 970	—
Treasury shares as of 31.12	**—**	**—**	**40 970**
Nominal value as of 31.12 (NOK)	**7.50**	**7.50**	**7.50**
Share capital (total number of shares at nominal value) (EUR million)	351.8	351.8	342.9
Other paid-in capital (EUR million)	657.5	1 075.6	1 032.6

OVERVIEW OF THE LARGEST SHAREHOLDERS 31.12.16	NUMBER OF SHARES	SHAREHOLDING %
Geveran Trading Co Ltd	79 551 603	17.67%
Folketrygdfondet	36 918 504	8.20%
Clearstream Banking S.A.	21 333 029	4.74%
State Street Bank & Trust Comp.	10 227 961	2.27%
State Street Bank & Trust Comp.	9 992 980	2.22%
J.P. Morgan Bank Luxembourg S.A.	8 846 312	1.97%
Citibank N.A.	7 969 441	1.77%
State Street Bank & Trust Comp.	7 817 262	1.74%
State Street Bank & Trust Comp.	6 900 343	1.53%
J.P. Morgan Chase Bank N.A, London	5 349 242	1.19%
Jupiter European Fund	5 345 670	1.19%
J.P. Morgan Chase Bank N.A, London	4 366 173	0.97%
Invesco Funds	4 255 073	0.95%
State Street Bank & Trust Comp.	4 196 982	0.93%
Periscopus AS	4 000 000	0.89%
State Street Bank & Trust Comp.	3 662 033	0.81%
KLP Aksjenorge Indeks	3 522 947	0.78%

OVERVIEW OF THE LARGEST SHAREHOLDERS 31.12.16	NUMBER OF SHARES	SHAREHOLDING %
Verdipapirfondet DNB Norge (IV)	3 501 279	0.78%
J.P. Morgan Chase Bank N.A, London	3 426 840	0.76%
The Northern Trust Comp, London Br	2 450 685	0.54%
Total 20 largest shareholders	**233 634 359**	**51.91%**
Total other shareholders	**216 451 293**	**48.09%**
Total number of shares 31.12.16	**450 085 652**	**100.00%**

SHAREHOLDERS PER COUNTRY	NUMBER OF SHARES	SHARE %
Norway	136 467 610	30.32%
Cyprus	78 229 603	17.38%
USA	84 552 477	18.79%
Great Britain	47 332 989	10.52%
Other countries	103 502 973	23.00%
Total number of shares 31.12.16	**450 085 652**	**100.00%**

SHARES OWNED BY BOARD MEMBERS, GROUP MANAGEMENT AND THEIR RELATED PARTIES AS OF 31.12.16	NUMBER OF SHARES
Board of Directors	
Ole-Eirik Lerøy (Chairman of the Board) [1]	2 100 000
Lisbet K. Nærø	—
Ørjan Svanevik	—
Cecilie Fredriksen [2]	—
Paul Mulligan	—
Jean-Pierre Bienfait	—
Birgitte Ringstad Vartdal	—
Stein Mathiesen	—
Lars Erik Hestnes	236
Unni Sværen	247
Total number of shares held by Board members	**2 100 483**
Group Management	
Alf-Helge Aarskog CEO	38 670
Ivan Vindheim CFO	760
Marit Solberg COO Farming	12 913
Per-Roar Gjerde COO Farming [3]	423
Ola Brattvoll COO Sales and Marketing	9 331
Ben Hadfield COO Fish Feed	6 970
Øyvind Oaland R&D Global Director	4 488
Glenn Flanders CSO	100
Anne Lorgen Riise HR Global Director	458
Kristine Gramstad Wedler, Communication Director	236
Total number of shares held by Group management	**74 349**
Total number of shares held by Board members and Group management	**2 174 832**
Total number of shares held by Board members and Group management in % of total outstanding shares	**0.48%**

1) Geveran Trading Co. Ltd. (Geveran), which is indirectly controlled by trusts established by John Fredriksen for the benefit of his immediate family, has entered into a commercial two year marine sector consultancy agreement with Framar AS (Framar), a company owned by Ole-Eirik Lerøy. In connection with the consultancy agreement, Geveran and Framar have entered into a separate dividend adjusted option agreement whereby Geveran has granted Framar an option to acquire 1 000 000 shares in Marine Harvest. The premium paid by Framar for the option is NOK 1 000 000. The option may be exercised by Framar once, and only for the full number of shares, between April 24, 2017 and October 24, 2018. The strike price is set at NOK 163.94 per share, reflecting the last closing price of the Marine Harvest share on the date of the agreement plus a 5 % annual interest component till maturity.
2) Cecilie Fredriksen is a member of the class of Beneficiaries of the Trusts which indirectly control Geveran Trading Co Limited.
3) COO Farming for Norway and Chile from January 1, 2017.

SHAREHOLDERS RIGHTS
There are no current limitations on voting rights or trade limitations related to the Marine Harvest share.

AUTHORIZATION TO INCREASE THE SHARE CAPITAL
The Board of Directors is granted an authorization to increase the Company's share capital by up to 45 008 565 shares (representing 10% of shares in issue at the time). The authority does not define the purpose(s) of such capital increase. The authority expires at the AGM in 2017.

POWER OF ATTORNEY TO REPURCHASE OWN SHARES
The Board has been granted a power of attorney to purchase shares in the Company up to 45 008 565 shares (representing 10% of shares in issue at the time) during the period up until the AGM in 2017.

NOTE 25 - EARNINGS PER SHARE

BASIC AND DILUTED EARNINGS PER SHARE	2016	2015	2014
Profit from continuing operations attributable to the owners of the parent (EUR million)	539.6	158.4	87.4
Profit from discontinued operations attributable to the owners of the parent (EUR million)	—	-0.2	24.5
Profit for the year attributable to owners of Marine Harvest ASA (EUR million)	**539.6**	**158.2**	**111.9**
Number of shares as of 31.12 (million)	450.1	450.1	410.4
Time-weighted average of shares issued and outstanding (million)	450.1	440.9	410.4
Average number of shares (million) adjusted for the effect of dilution	513.3	479.3	486.5
Basic and diluted earnings per share attributable to the owners of Marine Harvest ASA			
Earnings per share from continuing operations (EUR)	1.20	0.36	0.21
Earnings per share from discontinued operations (EUR)	—	—	0.06
Earnings per share (EUR)	**1.20**	**0.36**	**0.27**

Basic EPS is calculated on the weighted average number of shares outstanding during the period.

Convertible bonds that are "in the money" are considered to have a dilutive effect if EPS is reduced when assuming a full conversion into shares at the beginning of the period and reversing all its effects on earnings for the period. The adjustments to earnings are interest expenses, currency gains/losses, changes in fair value of the equity conversion option and estimated taxes.
On the other hand, if the effect of the above increases EPS, the bond is considered anti-dilutive, and is then not included in diluted EPS.

The conversion liability components of the 2015 and 2014 convertible bonds were "in the money" at the end of the reporting period, but the effect on EPS was antidilutive, and the convertible bonds are therefore not included in diluted EPS.

Average diluted number of shares is also affected by the share price based bonus call options.

All figures are presented after the effect of the reversed split of shares (10:1) in January 2014.

NOTE 26 - RELATED PARTY TRANSACTIONS

SHAREHOLDERS
Geveran Trading Co Ltd is indirectly controlled by trusts established by John Fredriksen for the benefit of his immediate family.

TRANSACTIONS WITH ASSOCIATED COMPANIES
The figures presented below are with associated companies, mainly Nova Sea AS, Finnøy Fisk AS, Migdale Transport(owned 35 % by January 1, 2016, the remainder of the shares was sold during 2016) and Vågafossen Settefisk AS.

At year-end 2016, Geveran Trading's affiliated ownership in Marine Harvest was 79 551 603 shares, constituting 17.67% of the total share capital.

RELATED PARTY TRANSACTIONS (EUR MILLION)	2016	2015	2014
Revenue	10.2	7.3	4.6
Purchase	-8.7	-7.6	-12.8
Trade receivables	4.0	2.0	1.9
Trade payables	4.7	6.5	5.1

All significant transaction are mainly related to the sale or purchase of fish or smolt and related services.

NOTE 27 - CONTINGENT LIABILITIES AND PROVISIONS

NOTICE FROM EU COMMISSION - ALLEGED BREACH OF THE PROVISIONS OF EU MERGER REGULATIONS
After having approved the takeover of Morpol ASA by Marine Harvest ASA on September 30, 2013, the European Commission informed Marine Harvest ASA that it was investigating whether Marine Harvest ASA has committed an infringement of the suspension obligation and of the notification requirement under the EU Merger Regulation by acquiring an initial shareholding in Morpol ASA, before the related acquisition was notified to and approved by the European Commission.

On March 31, 2014 the European Commission issued a statement of objections, informing Marine Harvest ASA of the objections that have been raised.

On July 23, Marine Harvest ASA was advised that the Commission had decided to impose a fine in the amount of EUR 20 million as a consequence of an alleged breach of the provisions of the EU Merger Regulations.

Marine Harvest ASA has decided to appeal the European Commission's decision to fine the Company. The oral hearing on EU General Court was completed in September 2016. Marine Harvest ASA expects a judgment within six to eight months after the hearing.

The judgment of the General Court can be appealed to the EU Court of Justice, which issues a final non-appealable judgment/decision. A final judgment from the EU Court of Justice is expected at the end of 2018.

Marine Harvest ASA has made a provision in the amount of EUR 20 million in connection with this matter.

OTHER CASES
We are routinely involved in various legal matters arising from the normal course of business, for which no material provisions are made in the financial statements. While the outcome of these proceedings cannot be predicted with certainty, we believe that, when resolved, they will not have any material adverse effect on our operating results, financial position or liquidity.

NOTE 28 - OTHER OPERATING EXPENSES

SPECIFICATION OF OTHER OPERATING EXPENSES (EUR MILLION)	2016	2015	2014
Maintenance	125.2	120.3	106.0
Electricity and fuel	58.3	54.3	50.8
Rent and leases	75.0	62.8	50.1
Third-party services	39.1	43.4	41.3
Insurance	19.3	22.0	20.1
Consultancy and audit fees	27.1	24.8	25.8
IT costs	22.1	21.0	19.5
Travel cost	15.3	16.4	15.8
Sales and marketing costs	7.2	10.1	11.9
Other operating costs	83.8	68.0	59.4
Total other operating expenses	**472.5**	**443.2**	**400.6**

NOTE 29 - OPERATING LEASES

FUTURE PAYMENTS FOR OPERATING LEASES (EUR MILLION)	2016	2015	2014
Gross amount payable within 1 year	106.5	81.8	58.5
Gross amount payable within 1-5 years	308.0	234.2	83.1
Gross amount payable after 5 years	32.6	13.7	6.5
Total gross amount payable	**447.1**	**329.7**	**148.0**

SIGNIFICANT LEASE AGREEMENTS (EUR MILLION)	2016	2015	2014
Gross amount payable within 1 year			
WELLBOAT			
Marine Harvest Norway	31.0	31.7	28.6
Marine Harvest Scotland	15.1	10.4	2.6
Marine Harvest Canada	2.7	2.3	2.5
OTHER MACHINERY AND TRANSPORT			
Marine Harvest Norway	21.4	16.3	5.8
Marine Harvest Fish Feed	12.3	10.4	10.0
Gross amount payable within 1-5 years			
WELLBOAT			
Marine Harvest Norway	102.3	118.5	27.5
Marine Harvest Scotland	38.3	39.9	1.3
Marine Harvest Canada	3.9	5.9	8.8
OTHER MACHINERY AND TRANSPORT			
Marine Harvest Norway	54.3	38.6	11.9
Marine Harvest Fish Feed	53.9	10.4	17.5

FUTURE INCOME FOR OPERATING SUBLEASES (EUR MILLION)	2016	2015	2014
Total future income for operating subleases	**—**	**0.4**	**0.2**

OPERATING LEASES AND SUBLEASES (EUR MILLION)	2016	2015	2014
Operating leases expensed	-81.4	-55.4	-48.3
Income from operating subleases	5.0	3.6	2.2
Total net operating leases	**-76.4**	**-51.8**	**-46.1**

NOTE 30 - PROVISIONS

SPECIFICATION OF PROVISIONS (EUR MILLION)	RESTRUCTURING	ONEROUS CONTRACTS	OTHER	TOTAL PROVISIONS
Provisions as of 01.01	11.5	14.4	20.0	45.9
New provisions in the year	5.4	108.7	0.4	114.5
Utilized provisions	-10.8	—	—	-10.8
Other changes	—	—	2.5	2.5
Currency adjustment	-0.1	1.5	0.1	1.6
Provisions as of 31.12	**6.1**	**124.6**	**23.0**	**153.7**

The majority of restructuring cost in 2016 is related to the ongoing reorganization process in Marine Harvest Scotland Farming, with the amount of EUR 2.4 million. In addition a restructuring costs of EUR 2.2 million was recognized in Marine Harvest Chile Farming as a result of the significant setback due to the algal bloom incident in the first quarter of 2016. The remaining restructuring cost in 2016 relates to the reorganization of Consumer Products France, Netherlands and Belgium.

For information about onerous contracts, see note 2 and 6.

The majority of other provisions is related to an accrual made to cover the EUR 20 million fine imposed by the European Commission. The fine is a consequence of an alleged breach of the European Merger Regulations. See Note 27 for more information. The rest of the amount is mainly related to various ongoing legal cases in Marine Harvest Norway.

NOTE 31 - RESEARCH AND DEVELOPMENT

RESEARCH AND DEVELOPMENT EXPENSES (EUR MILLION)	2016	2015	2014
R&D expenses	51.3	26.3	15.6

Our reported expenditures are gross values, and exclude any related income from our R&D activities. In addition, a fee of 0.3% of Marine Harvest Norway's export value is paid to the Norwegian Seafood Research Fund (EUR 3.2 million for 2016). This fee is not included in the R&D expenses. The Group has not capitalized any R&D expenditures during 2016.

NOTE 32 - AUDITOR'S FEES

FEES TO AUDITORS 2016 (EUR MILLION)	EY	OTHER APPOINTED AUDITORS
Audit services[1)]	2.5	—
Tax advisory services	0.6	—
Other non-audit fees	—	—
Total fees for 2016	**3.1**	**—**

1) The audit fee is estimated cost for 2016, not recognized audit cost in 2016. Audit costs include costs for audit work related to SOX and other audit costs related to the listing on the New York Stock Exchange.

FEES TO AUDITORS 2015 (EUR MILLION)	EY	OTHER APPOINTED AUDITORS
Audit services [2)]	2.1	0.1
Tax advisory services	0.6	—
Other non-audit fees	0.2	—
Total fees for 2015	**2.9**	**0.1**

2) The audit fee is estimated cost for 2015, not recognized audit cost in 2015. Audit costs include costs for audit work related to SOX implementation and internal control design improvements, as well as other audit costs related to the listing on the New York Stock Exchange

FEES TO AUDITORS 2014 (EUR MILLION)	EY	OTHER APPOINTED AUDITORS
Audit services [3]	2.5	0.1
Tax advisory services	0.5	0.1
Other non-audit fees	0.5	—
Total fees for 2014	**3.5**	**0.2**

3) The audit fee is estimated cost for 2014, not recognized audit cost in 2014. The increase in audit fee is mainly related to audit of internal controls under SOX and include costs for audit work related to SOX implementation and control design improvements, as well as other audit costs related to the listing on the New York Stock Exchange.

Auditor's fees is stated exclusive value added tax.

NOTE 33 - EXCEPTIONAL ITEMS

The 2016 financial statements contain several items that are considered exceptional relative to the normal business operations. The total effect of exceptional items included in operational EBIT was EUR 122.5 million for the year. Exceptional items is included in the line item Cost of materials in the consolidated statement of comprehensive income.

Marine Harvest Norway suffered increased costs as a consequence of sea lice mitigating actions in the amount of EUR 78.5 million. In addition, the unit experienced incident-based mortality totaling EUR 18.2 million including treatment losses.

Marine Harvest Scotland saw exceptional costs of EUR 6.5 million in 2016 related to incident-based mortality. In Marine Harvest Ireland incident-based mortality costs amounted to EUR 3.5 million.

Incident-based mortality in Chile amounted to EUR 13.3 million in 2016, predominately due to algal bloom.

Marine Harvest Faroe Islands recorded incident-based mortality costs of EUR 2.5 million.

NOTE 34 - NEW IFRS STANDARDS

NEW STANDARDS - NOT YET IMPLEMENTED
At the end of 2016, there are new standards/interpretations and amendments to existing standards/interpretations that are not yet effective, but will be relevant for the Group at implementation. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments
IFRS 9 will replace the classification and measurement rules in IAS 39 Financial Instruments - Recognition and measurement of financial instruments. The standard was initially effective for annual periods beginning on or after January 1, 2013, but the mandatory effective date has been postponed to 2018. The Group has not finalized its deliberations on the effects of the implementation of IFRS 9, but does not expect that the new standard will have any material impact on the measurement of financial assets and liabilities.

IFRS 15 revenue from Contracts with Customers
IFRS 15 replaces existing IFRS revenue requirements. The core principle of IFRS 15 is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard applies to all revenue contracts and provides a model for the recognition and measurement of sales of some non-financial assets. The effective date is 2018, but is not expected to give material effects for revenue recognition for the Group.

IFRS 16 Leases
IFRS 16 Leases replaces existing IFRS leases requirements in IAS 17. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new leases standard requires lessees to recognize assets and liabilities for leases with longer than 12 months duration. The asset and liability to be recognized is the present value of the lease payments to be made over the lease term. Lease payments for low value assets may be recognized as they accrue.

The standard will affect primarily the accounting for the group's operational leases. As at the reporting date, the group has non-cancellable operating lease commitments of EUR 447.1 million, see ote 29. However, the group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low value leases.

The standard is mandatory for financial years commencing on or after January 1, 2019. At this stage, the group does not intend to adopt the standard before its effective date.

NOTE 35 - SUBSEQUENT EVENTS

Marine Harvest purchases farming assets on the East Coast of Canada
In December, Marine Harvest was nominated by the Receiver of the assets owned by the Gray Aqua Group of Companies, to purchase the assets owned by the Gray Aqua Group, which were in receivership. The company is based on the East Coast of Canada. The acquisition price on a cash and debt free basis is CAD 17 million(EUR 12.1m). The acquisition was accounted for as a business combination.

At the date of completion, Marine Harvest could exercise rights over the assets, and hence had obtained control. March 31, 2017 is the acquisition date and the assets of the former Gray Aqua Group has been consolidated into Marine Harvest Group as of this date.

The acquisition is important from a strategic point of view, as it further broadens Marine Harvest's global farming footprint in a country where we are already present on the West Coast. The market for salmon in North-East America continues to develop very favorably, and the acquisition represents as such a compelling value proposition.

The assets purchased include one hatchery in New Brunswick, two farming licenses in New Brunswick, seven farming licenses in Newfoundland, and one processing plant in Newfoundland. Currently no fish has been stocked in the above mentioned licenses. In addition, the Company has applied for 17 farming licenses in Newfoundland which are yet to be approved. Marine Harvest will shortly start to detail a production plan and investment framework for the East Coast of Canada.

The acquisition related cost amounted to EUR 0.3m.

A preliminary purchase price allocation (PPA) was carried out per March 2017. The values was preliminary allocated to licenses (EUR 6.8m) and fixed assets (EUR 5.3 m).

Marine Harvest to terminate NYSE listing
The Board of Directors resolved on 14 February 2017 to delist Marine Harvest's American Depositary Shares ("ADSs") from the New York Stock Exchange ("NYSE") and to terminate the registration of the ADSs and shares under the U.S. Securities Exchange Act of 1934. Marine Harvest was delisted from New York Stock Exchange on March 9, 2017. Only about 3 percent of the worldwide trading volume in Marine Harvest's shares (in the form of shares or ADSs) in the past 12 months occurred in the United States while the costs of maintaining a NYSE listing and a registration under the Exchange Act are significant. The Board of Marine Harvest has therefore concluded that it is in the best interest of the shareholders to discontinue the US listing and terminate its reporting obligations in the US.

Issue of shares through partial conversion of bond
In February and March 2017, Marine Harvest ASA issued 2 214 887 new shares, as bondholders representing EUR 21.1 million of the EUR 375 million convertible bond loan issued by Marine Harvest ASA exercised the option to convert bonds to equity. The option is in accordance with the bond agreement. The conversion price was EUR 9.5273 per share for EUR 21million and EUR 9.3458 for EUR 0.1 million, and each new share was issued with a nominal value of NOK 7.50. Following the completion of the conversion, Marine Harvest ASA's share capital is NOK 3 392 254 042,50, divided into 452 300 539 total shares, each with a nominal value of NOK 7.50.

NOTE 36 - PRESENTATION CURRENCY

The Group changed its presentation currency from NOK to EUR from January 1, 2016, with retrospective application on comparative figures according to IAS 8 and IAS 21. The change was made to reflect that EUR is the predominant currency in the Group, accounting for more than 50% of net cash flow.

Comparison figures in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows have been re-presented to reflect the currency rates of transactions in foreign currencies at the date of the transactions. The re-presentation of the statement of cash flow impacts the classification between currency translation adjustments and other components of cash flow.

The different components of assets and liabilities in EUR correspond to the amount published in NOK translated at the EUR/NOK closing rate applicable at the end of each reporting period. The same relates to the equity as a whole. As such, the change in presentation currency has not impacted the measurement of assets, liabilities, equity or any ratios between these components, such as debt to equity ratios. However, ratios that combine elements of profit and loss and the statement of financial position, may change when recalculated in EUR as a result of different currency rates being applied to elements of profit and loss (currency rates at the date of the transactions) and the statement of financial position (closing rates) respectively.

Translation adjustments and cumulative translation adjustments have been presented as if the Group had used EUR as the presentation currency also for the comparative figures. The Group has no material effects relating to reclassification of accumulated currency translation adjustments from equity to profit and loss in the comparative figures.

For Marine Harvest ASA, Euro (EUR) is the functional currency of the company from 1 January 2016. The change was made to reflect that EUR has become the predominant currency in the company, counting for a significant part of the company's cash flow, cash flow management and financing. The change has been implemented with prospective effect. The change of presentation currency is applied retrospectively for comparative figures for 2014 and 2015. Currency translation effects for the comparative figures from functional currency to presentation currency EUR in 2014 and 2015 are booked as translation differences towards equity.

Marine Harvest ASA
Financial statements and notes

STATEMENT OF PROFIT AND LOSS

MARINE HARVEST ASA (EUR MILLION)	NOTE	2016	2015	2014
Other income	1	20.0	14.6	13.9
Salary and personnel expenses	15	-15.1	-15.5	-15.0
Other operating expenses	16	-16.1	-18.5	-19.2
Depreciation and amortization	11,12	-3.9	-3.1	-1.9
Other non-operational items		—	-1.2	-20.1
Earnings before financial items		**-15.1**	**-23.7**	**-42.2**
Interest expenses	3	-47.8	-45.7	-65.2
Net currency effects	3	10.1	14.7	-18.3
Other financial items	3	-145.5	-8.4	-13.5
Group contribution	8	383.1	268.1	283.0
Earnings before taxes (EBT)		**184.8**	**205.0**	**143.8**
Income taxes	7	-103.9	-68.6	-64.2
Profit or loss for the year		**81.0**	**136.4**	**79.6**
Allocation of profit				
To other equity	2	81.0	136.4	79.6
Profit or loss for the year		**81.0**	**136.4**	**79.6**

STATEMENT OF FINANCIAL POSITION

MARINE HARVEST ASA (EUR MILLION)	NOTE	2016	2015	2014
ASSETS				
Non-current assets				
Other intangible assets	11	9.5	9.6	—
Total intangible assets		**9.5**	**9.6**	**—**
Property, plant and equipment	12	1.7	2.4	10.1
Total tangible assets		**1.7**	**2.4**	**10.1**
Investments in subsidiaries	9	2 432.6	2 432.5	2 568.3
Intercompany non-current receivables	8	470.2	465.8	571.0
Investments in other shares	10	—	—	17.7
Total financial assets		**2 902.8**	**2 898.3**	**3 157.0**
Total non-current assets		**2 914.1**	**2 910.3**	**3 167.1**
Current assets				
Intercompany current receivables	8	856.2	832.3	699.0
Other current receivables		16.0	30.1	25.8
Total receivables		**872.2**	**862.4**	**724.8**
Restricted cash	13	10.5	5.3	18.9
Cash in bank	13	35.9	12.9	53.1
Total current assets		**918.5**	**880.6**	**796.8**
Total assets		**3 832.6**	**3 791.0**	**3 964.0**

MARINE HARVEST ASA (EUR MILLION)	NOTE	2016	2015	2014
EQUITY AND LIABILITES				
Equity				
Share capital	2	351.8	351.8	342.9
Other paid-in capital	2	657.5	1 075.6	1 032.6
Total paid-in capital		**1 009.3**	**1 427.4**	**1 375.6**
Other equity	2	708.9	632.2	536.1
Total equity		**1 718.2**	**2 059.7**	**1 911.6**
Non-current liabilities				
Deferred tax liabilities	7	9.1	6.5	1.5
Non-current interest-bearing debt	5	992.6	1 070.0	1 186.7
Other non-current liabilities	14	443.5	212.9	250.7
Total non-current liabilities		**1 445.2**	**1 289.5**	**1 438.9**
Current liabilities				
Intercompany current liabilities	8	449.3	260.3	459.5
Other current liabilities	14	219.9	181.5	153.9
Total current liabilities		**669.2**	**441.8**	**613.4**
Total liabilities		**2 114.3**	**1 731.3**	**2 052.3**
Total equity and liabilities		**3 832.6**	**3 791.0**	**3 964.0**

BERGEN, APRIL 5, 2017

Ole-Eirik Lerøy *Chaiman of the Board*	Lisbet K. Nærø *Vice Chairman of the Board*	Cecilie Fredriksen	Ørjan Svanevik
Paul Mulligan	Jean-Pierre Bienfait	Birgitte Ringstad Vartdal	Lars Eirik Hestnes *Employee representative*
Stein Mathiesen *Employee representative*	Unni Sværen *Employee representative*	Alf-Helge Aarskog *Chief Executive Officer*	

STATEMENT OF CASH FLOW

MARINE HARVEST ASA (EUR MILLION)	NOTE	2016	2015	2014
Cash flow from operations				
Earnings before taxes		184.8	205.0	143.8
Interest	3	47.8	45.7	65.2
Currency effects	3	-10.1	-14.7	18.3
Other financial items	3	145.5	8.4	13.5
Group contribution	8	-383.1	-268.1	-283.0
Impairment losses and depreciation	11,12	3.9	3.1	1.9
Taxes paid	7	-57.7	-39.3	-12.1
Change in inventory, acc. payables and acc. receivables		-1.1	-1.5	1.1
Change in restricted cash	13	-5.1	13.6	-4.6
Restructuring and other non-operational issues		-1.1	3.8	20.1
Other adjustments		0.5	0.2	0.2
Cash flow from operations		**-75.8**	**-43.7**	**-35.8**
Cash flow from investments				
Payments made for purchase of fixed assets	11,12	-3.1	-5.9	-6.6
Proceeds from sale of shares and other investments		52.3	29.3	—
Purchase of shares and other investments		-2.8	-32.2	-155.9
Cash flow from investments		**46.4**	**-8.8**	**-162.5**
Cash flow from financing				
Proceeds from convertible bond		—	318.2	369.7
Proceeds from new interest-bearing debt (current and non-current)		45.0	93.0	501.7
Down payment of interest-bearing debt (current and non-current)		-142.6	-223.3	-703.9
Paid interest (net)		-36.0	-41.8	-55.0
Received interest group internal (net)	8	28.0	26.5	31.3
Net change in intercompany balances		510.1	64.2	399.4
Realized currency effects		11.2	7.8	15.4
Dividends received	3	54.7	23.2	100.9
Dividend paid		-418.1	-255.9	-407.2
Transactions with treasury shares		—	0.5	—
Cash flow from financing		**52.4**	**12.2**	**252.4**
Net change in cash in period		**23.0**	**-40.6**	**54.1**
Cash - opening balance		12.9	53.1	—
Net change in cash in period		23.0	-40.6	54.1
Cash - closing balance total	**13**	**35.9**	**12.5**	**54.1**

NOTE 1 - GENERAL INFORMATION AND ACCOUTNING POLICIES

Marine Harvest ASA is the parent company in the Marine Harvest Group and consists of corporate management.

The separate financial statements of Marine Harvest ASA have been prepared in accordance with the Norwegian Accounting Act from 1988 and Generally Accepted Accounting Principles in Norway. The financial statements for the Group have been prepared in accordance with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board (IASB) as adopted by the EU (EU-IFRS). As applied by the company, there are no differences between IFRS as endorsed by the EU and IFRS as issued by the IASB.

For accounting policies used reference is made to Note 2 in the Group financial statements. The accounting principles used in the financial statements for Marine Harvest ASA are similar to the accounting principles used for the Group's financial statements, except for:

- *Acquisition costs in Business Combinations are in the Group financial statements recognized as expenses in profit and loss in the periods in which the cost are incurred and the services are received. In the separate financial statements for Marine Harvest ASA these expenses are included as a part of the acquisition price.*

Investment in subsidiaries and intercompany loans are measured to the lowest of fair value and cost. Financial derivatives within the Group are measured to fair value. The statements of profit and loss and changes in equity in the separate financial statement divert from the statements for the Group as other comprehensive income still is treated as equity transactions in the separate financial statements.

Other income consists mainly of management fee charged to the Business Units.

Marine Harvest ASA is responsible for external financing of the Group.

As of January 1, 2016, the Company's functional and presentation currency changed from NOK to EUR. Please see Note 19 for further information.

NOTE 2 - EQUITY

SPECIFICATIONS OF CHANGES IN EQUITY IN 2016 (EUR MILLION)	ISSUED CAPITAL	OTHER PAID-IN CAPITAL	CASH FLOW HEDGE RESERVE	SHARE BASED PAYMENT	OTHER EQUITY	TOTAL EQUITY
Equity 01.01.16	**351.8**	**1 075.6**	**—**	**6.1**	**626.2**	**2 059.7**
Share based payment	—	—	—	-1.5	-2.7	-4.2
Dividend	—	-418.1	—	—	—	-418.1
Actuarial gains/losses (net of tax)	—	—	—	—	-0.1	-0.1
Profit or loss for the year	—	—	—	—	81.0	81.0
Total Equity 31.12.16	**351.8**	**657.5**	**—**	**4.6**	**704.3**	**1 718.2**
SPECIFICATION OF CHANGES IN EQUITY IN 2015						
Equity 01.01.15	**342.9**	**1 032.6**	**—**	**3.4**	**532.6**	**1 911.6**
Issue of shares	33.2	373.4				406.6
Share based payment	—	—	—	2.9	—	2.9
Purchase of treasury shares	—	—	—	—	0.5	0.5
Dividend	—	-255.9	—	—	—	-255.9
Actuarial gains/losses (net of tax)	—	—	—	—	0.1	0.1
Profit or loss for the year	—	—	—	—	136.4	136.4
Translation effect [1)]	-24.4	-74.5		-0.2	-43.4	-142.5
Total Equity 31.12.15	**351.8**	**1 075.6**	**—**	**6.1**	**626.2**	**2 059.7**
SPECIFICATION OF CHANGES IN EQUITY IN 2014						
Equity 01.01.14	**367.1**	**1 159.3**	**11.2**	**1.0**	**843.4**	**2 381.9**
Share based payment				2.5		2.5
Dividend		-54.0			-353.3	-407.2
Actuarial gains/losses (net of tax)					-0.1	-0.1
Interest rate swap movements			-11.3			-11.3
Profit or loss for the year	—	—	—	—	79.6	79.6
Translation effect[1)]	-24.2	-72.7	0.1	-0.1	-36.8	-133.8
Total Equity 31.12.14	**342.9**	**1 032.6**	**—**	**3.4**	**532.6**	**1 911.6**

1) As described in Note 19, the functional currency has been changed to EUR from January 1st 2016. The presentation currency has also been changed, with retrospective effect on 2015 and 2014. Equity per January 1 2014 and 2015 has been translated to EUR using the EUR/NOK closing rate applicable for the same date. As a result, a translation effect occurs for each component of equity. The translation effect related to share capital, other paid in capital, cash flow hedge reserve and share based payment is shown as a separate item in the tables above for 2014 and 2015.

SHARE CAPITAL

For information related to shareholders and share capital reference is made to Note 24 in the Group financial statements.

NOTE 3 - FINANCIAL ITEMS

FINANCIAL ITEMS (EUR MILLION)	2016	2015	2014
Interest expense	**-47.8**	**-45.7**	**-65.2**
Net currency effects	**10.1**	**14.7**	**-18.3**
Dividend from subsidiaries	54.7	20.7	100.9
Interest income from subsidiaries	28.2	27.0	32.9
Loss on sale - other shares	—	-2.5	—
Dividend - other shares	—	2.5	—
Change in fair value - other shares	—	14.1	4.0
Change in fair value - other financial instruments	15.8	-0.5	-13.0
Change in fair value - conversion liability component convertible bond	-230.0	-65.6	-140.1
Other financial items	-14.1	-4.2	1.6
Net other financial items	**-145.5**	**-8.4**	**-13.5**

NOTE 4 - FINANCIAL INSTRUMENTS

FOREIGN EXCHANGE RISK

At the end of 2016 Marine Harvest ASA had a portfolio of currency hedging instruments against third party counterparts with a total contract value of EUR 660.6 million. The portfolio had a net positive market value of EUR 9.0 million. The portfolio is described in further detail in Note 13 to the Group financial statements.

The subsidiaries are required to do all their currency hedging with Marine Harvest ASA as their counterparty. In addition to the portfolio of external hedges, Marine Harvest ASA also holds a portfolio of foreign exchange hedges with its subsidiaries as counterparty. This portfolio to a large extent offsets the external portfolio with respect to amounts, maturities and market values.

The forward contracts are recognized at fair value in the statement of financial position.

INTEREST RATE RISK

Marine Harvest ASA hedges all interest rate risk on behalf of the Group. For positions held in interest rate derivatives and their value, reference is made to Note 12 and Note 13 of the Group financial statements.

SALMON PRICE RISK

At the end of 2016, Marine Harvest ASA held a portfolio of financial forward contracts for purchase and sale of salmon with third parties. The portfolio had a positive market value of EUR 4.0 million. The subsidiaries are required to do their financial hedging of salmon prices with Marine Harvest ASA as their counterparty. The third party portfolio is therefore largely offset by an internal portfolio of forward contracts largely offsetting the external portfolio with respect to amounts, maturities and market values.

NOTE 5 - INTEREST-BEARING DEBT

INTEREST-BEARING DEBT (EUR MILLION)	2016	2015	2014
Non-current interest-bearing debt	217.4	326.0	418.3
Bonds	137.3	129.7	138.3
Convertible bond	637.8	614.4	630.0
Total non-current interest-bearing debt	**992.6**	**1 070.0**	**1 186.7**
Current interest-bearing debt	—	—	—
Total interest-bearing debt	**992.6**	**1 070.0**	**1 186.7**

The conversion liability component on the convertible bond, amounting to EUR 439.6 million, is classified as other non current liabilities. For specification of interest-bearing debt and convertible bond reference is made to Note 11 to the Group financial statements.

NOTE 6 - ASSETS PLEDGED AS SECURITY AND GUARANTEE LIABILITIES

ASSETS PLEDGED AS SECURITY AND GUARANTEE LIABILITIES

The syndicated loan facility in Marine Harvest is secured by guarantees from, as well as certain assets pledged by, the larger subsidiaries in the Group. The pledges are set up partly as a pledge in favor of a third party and partly as security for the fulfillment of the guarantee obligations. In addition Marine Harvest ASA has pledged the ownership in its subsidiaries, as well as certain assets.

ASSETS PLEDGED AS SECURITY AND GUARANTEE LIABILITIES (EUR MILLION)	2016	2015	2014
Secured Group debt	**217.4**	**326.0**	**418.3**
Carrying amount of assets pledged as security			
Receivables	1 263.8	1 178.0	865.0
Other (shares in subsidiaries)	2 432.6	2 432.5	2 568.3
Total carrying amount of assets pledged as security	**3 696.4**	**3 610.5**	**3 433.3**
Guarantee liabilities	16.5	14.5	11.5
Nominal value of guarantee liabilities	**16.5**	**14.5**	**11.5**

NOTE 7 - TAXES

TAXES (EUR MILLION)	2016	2015	2014
Specification of this year´s tax expense			
Withholding tax	-1.9	-1.3	-3.4
Payable tax	-99.7	-61.2	-40.2
Changes in deferred taxes	-2.3	-6.0	-20.5
Total income tax expense	**-103.9**	**-68.6**	**-64.2**
Specification of temporary differences and losses carried forward			
Financial instruments	-25.6	-15.6	-3.3
Non-current assets and liabilities in foreign currencies	3.3	3.4	2.9
Long term debt/loans to subsidiaries	57.7	33.0	—
Pension obligation	-3.9	-3.4	-3.6
Other differences	6.5	8.5	9.5
Total basis for deferred tax	**38.0**	**26.0**	**5.5**
Nominal tax rate	24%	25%	27%
Deferred taxes asset/deferred tax liability	-9.1	-6.5	-1.5
Total recognized deferred tax asset/deferred tax liability (-)	**-9.1**	**-6.5**	**-1.5**
Reconciliation between nominal and effective tax rate			
Profit before tax	184.8	205.0	143.8
Nominal tax rate	25%	27%	27%
Tax calculated with nominal tax rate	**-46.2**	**-55.3**	**-38.8**
Withholding tax	-1.9	-1.3	-3.4
Correction of earlier year 's taxes	-1.3	-1.1	-5.7
Dividends	13.7	6.2	27.3
Effect of change in tax rate	0.4	0.6	—
Effect of conversion to NOK	-6.9	—	—
Conversion liability component of convertible bond - change in fair value	-58.8	-17.7	-37.8
Financial instruments	1.0	-1.7	-0.6
Changes in market value of other shares	—	3.1	1.1
Other differences	-3.8	-1.4	-6.2
Total income tax expense in the statement of profit and loss	**-103.9**	**-68.6**	**-64.2**

NOTE 8 - INTERCOMPANY TRANSACTIONS

INTERCOMPANY TRANSACTIONS (EUR MILLION)	2016	2015	2014
Intercompany receivables and liabilities			
Intercompany non-current receivables	470.2	465.8	571.0
Net intercompany non-current receivables	**470.2**	**465.8**	**571.0**
Intercompany current receivables	856.2	832.3	699.0
Intercompany current liabilities	-449.3	-260.3	-459.5
Net intercompany current receivables	**406.8**	**572.0**	**239.5**
Total net intercompany balances	**877.1**	**1 037.8**	**810.5**
Management fee, net invoiced subsidiaries	**18.1**	**12.9**	**12.3**
Group internal financial income and expense			
Dividend from subsidiaries	54.7	20.7	100.9
Interest income group companies	28.2	27.0	32.9
Interest expense group companies	-0.3	-0.6	-1.6
Group contribution [1]	383.1	268.1	283.0

1) The Group contribution mainly comes from Marine Harvest Norway AS.

NOTE 9 - SHARES IN SUBSIDIARIES

COMPANY (EUR MILLION)	BUSINESS ADDRESS	DATE OF PURCHASE	OWNER-SHIP %	NUMBER OF SHARES	EQUITY AS OF 31.12.16	PROFIT THIS YEAR	CARRYING AMOUNT 31.12.16
Marine Harvest NV	Amersfoort, Netherlands	29.12.2006	100%	225 000	219.2	—	562.1
Marine Harvest Holding AS	Oslo, Norway	07.04.2006	100%	590 452 360	717.1	10.9	1 586.6
Marine Harvest Faroes	Kollafjordur, Faroes	01.11.1999	100%	10	65.9	28.2	31.9
Morpol ASA	Oslo, Norway	30.09.2013	100%	168 009 099	197.4	-5.0	204.3
Marine Harvest Kritsen SAS	Pollaouen, France	11.04.1997	100%	7 005 366	14.4	-1.7	47.8
Marine Harvest Poland SP ZOO	Ustka, Poland	13.12.2016	100%	50	-6.2	-4.7	—
Total					**1 207.9**	**27.7**	**2 432.6**

Shares in subsidiaries are recognized according to the cost method and yearly tested for impairment.
The owners share listed above are equal to the voting rights for each company.

NOTE 10 - INVESTMENTS IN OTHER SHARES

Other shares include investments where Marine Harvest ASA does not have any or only very limited influence on operations and management.

INVESTMENTS IN OTHER SHARES (EUR MILLION)	ACQUISITION COST	CHANGES IN MARKET VALUE	CARRYING AMOUNT
Other shares	0.1	—	—
Total carrying amount of investments in other shares		**—**	**—**

NOTE 11 - INTANGIBLE ASSETS

SPECIFICATION OF INTANGIBLE ASSETS (EUR MILLION)	2016	2015	2014
Acquisition cost as of 01.01	11.9	—	—
Additions in the year	3.0	4.9	—
Reclassification	—	7.8	—
Translation effect	—	-0.8	—
Total acquisition cost as of 31.12	**14.9**	**11.9**	**—**
Accumulated amortization and impairment losses as of 01.01	2.3	—	—
Amortization in the year	3.1	2.4	—
Translation effect	—	-0.2	—
Total accumulated amortization and impairment losses as of 31.12	**5.4**	**2.3**	**—**
Total carrying amount as of 31.12	**9.5**	**9.6**	**—**
Estimated useful life	3-5 years	3-5 years	—
Depreciation method	Linear	Linear	—

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

SPECIFICATION OF PROPERTY, PLANT AND EQUIPMENT (EUR MILLION)	2016	2015	2014
Acquisition cost as of 01.01	7.1	14.5	8.9
Additions in the year	0.1	1.0	6.6
Reclassification	—	-7.8	—
Translation effect	—	-0.5	-1.0
Total acquisition cost as of 31.12	**7.2**	**7.1**	**14.5**
Accumulated depreciation and impairment losses as of 01.01	4.7	4.3	2.8
Depreciation in the year	0.8	0.7	1.9
Translation effect	—	-0.3	-0.3
Total accumulated depreciation and impairment losses as of 31.12	**5.5**	**4.7**	**4.3**
Total net carrying amount as of 31.12	**1.7**	**2.4**	**10.1**
Estimated useful life	3-5 years	3-6 years	3-6 years
Depreciation method	Linear	Linear	Linear

NOTE 13 - CASH

CASH (EUR MILLION)	2016	2015	2014
Cash at bank	35.9	12.9	53.1
Restricted cash / withheld taxes	0.6	0.5	0.4
Other restricted cash	9.9	4.9	18.5
Cash	**46.4**	**18.2**	**72.0**

NOTE 14 - OTHER LIABILITIES

OTHER LIABILITIES (EUR MILLION)	2016	2015	2014
Conversion liability components of convertible bond	439.6	209.5	247.2
Pension liability	3.9	3.4	3.5
Total other non-current liabilities	**443.5**	**212.9**	**250.7**
Currency hedges	90.9	97.7	90.3
Tax liabilities	100.3	55.4	36.3
Other accruals	28.6	28.5	27.3
Total other current liabilities	**219.9**	**181.5**	**153.9**

NOTE 15 - REMUNERATION

SALARY AND PERSONNEL EXPENSES (EUR MILLION)	2016	2015	2014
Salaries and other short-term employee benefits	-9.4	-10.1	-10.2
Social security taxes	-1.6	-1.5	-1.6
Pension expenses	-0.6	-0.6	-0.6
Share option scheme including social security taxes	-2.1	-2.3	-1.6
Other benefits	-1.6	-1.0	-1.0
Total salary and personnel expenses	**-15.1**	**-15.5**	**-15.0**
Loans to employees	—	—	—
Average number of full-time employees	**59**	**54**	**47**
Full time employees at year-end	**63**	**55**	**52**

REMUNERATION TO KEY MANAGEMENT PERSONNEL[2] (EUR THOUSAND)		SALARY	CASH BONUS	EXECUTED SHARE PRICE BASED BONUS	PENSION COST	OTHER	TOTAL 2016	TOTAL 2015	TOTAL 2014
Alf-Helge Aarskog	CEO	563	286	1 147	7	20	2 024	890	1 465
Ivan Vindheim	CFO	333	296	694	7	20	1 350	707	720
Marit Solberg	COO Farming	302	42	618	218	20	1 201	655	846
Ola Brattvoll	COO Sales & Marketing	258	71	509	7	2	847	377	520
Ben Hadfield	COO Fish Feed	237	56	—	—	—	293	357	368
Øyvind Oaland	Global Director R&D	181	48	—	7	19	255	249	316
Anne Lorgen Riise	Group Director HR	152	56	—	8	2	218	233	225
Kristine Gramstad Wedler	Group Communication Director	145	37	—	7	16	205	206	196
Glenn Flanders[1)]	Chief Strategy Officer	234	10	—	—	—	244	—	—
Total		**2 405**	**902**	**2 969**	**262**	**98**	**6 637**	**3 674**	**4 655**

1) Glenn Flanders entered the position February 10, 2016.

2) Key management personnel in Marine Harvest ASA are remunerated in the local currency NOK, except Ben Hadfield and Glenn Flanders who are remunerated in GBP and USD respectively. The amounts in this note have been converted to EUR using yearly average rates for 2016, 2015 and 2014.

SHARE OPTION SCHEME - OPTIONS TO KEY MANAGEMENT PERSONNEL		2016-ALLOTMENT OF CALL OPTIONS	2015-ALLOTMENT OF CALL OPTIONS	2014-ALLOTMENT OF CALL OPTIONS	2013-ALLOTMENT OF CALL OPTIONS
Alf-Helge Aarskog	CEO	489 511	547 039	575 299	649 016
Ivan Vindheim	CFO	104 151	109 408	115 060	129 803
Marit Solberg	COO Farming	104 151	109 408	115 060	129 803
Ola Brattvoll	COO Sales & Marketing	104 151	109 408	115 060	129 803
Ben Hadfield	COO Fish Feed	104 151	109 408	115 060	51 921
Øyvind Oaland	Global Director R&D	—	—	—	51 921
Anne Lorgen Riise	Group Director HR	—	—	—	51 921
Total options		**906 115**	**984 671**	**1 035 539**	**1 194 188**
Strike price as of December 31, 2016 (NOK)		146.9374	91.7842	77.4532	43.4504

Pension plans

Marine Harvest ASA has a defined contribution plan where the contribution is limited to 8% of salaries up to 12G. There were 57 members in the plan as of December 31, 2016. The pension plan is in accordance with the legal requirements in Norway. Marine Harvest ASA has a defined benefit plan for one employee.

DEFINED BENEFIT PLAN (EUR MILLION)	2016	2015	2014
Current service cost	0.1	0.1	0.1
Interest cost on benefit obligation	0.1	0.1	0.1
Social security taxes	—	—	—
Net pension expense	**0.2**	**0.2**	**0.2**
Benefit liability	**3.9**	**3.4**	**3.5**
The assumptions used in determining the pension liability			
Discount rate	2.60%	2.60%	3.00%
Expected rate of future salary increase	2.50%	2.50%	3.25%
Future rate of pension increases	2.25%	2.25%	3.00%
Members in the plan	1	1	1

REMUNERATION TO BOARD OF DIRECTORS (EUR THOUSAND)		BOARD FEE	AUDIT COMMITTEE FEE	TOTAL 2016	TOTAL 2015	TOTAL 2014
Ole-Eirik Lerøy	Chairman of the Board	110	—	110	106	135
Leif Frode Onarheim	Vice chairman of the Board and Chairman of the audit committee (AC) [2]	27	8	35	73	90
Birgitte Ringstad Vartdal	Member of the Board and Chairman of the audit committee (AC) [3]	22	8	30	—	—
Heléne Vibbleus	Member of the Board and member of the audit committee (AC) [2]	19	5	24	50	27
Lisbet K. Nærø	Vice chairman of the Board [4] and member of the audit committee (AC)	50	11	61	25	—
Cecilie Fredriksen	Member of the Board and member of the audit committee (AC) [1]	40	5	45	39	46
Ørjan Svanevik	Member of the Board	35	—	35	39	—
Paul Mulligan	Member of the Board [3]	68	—	68	—	—
Jean-Pierre Bienfait	Member of the Board [3]	22	—	22	—	—
Unni Sværen	Member of the Board - employee representative [3]	22	—	22	—	—
Stein Mathiesen	Member of the Board - employee representative	40	—	40	39	46
Lars Erik Hestnes	Member of the Board - employee representative	40	—	40	36	21
Kjellaug Hoås Samland	Member of the Board - employee representative [2]	19	—	19	39	21
Nils O Klevjer	Deputy member of the Board - employee representative	—	—	—	3	—
Solveig Strand	Member of the Board and member of AC	—	—	—	25	60
Michael Parker	Member of the Board	—	—	—	10	46
Hege Sjo	Member of the Board and member of AC	—	—	—	—	33
Tor Olav Trøim	Member of the Board	—	—	—	—	46
Turid Lande Solheim	Member of the Board - employee representative	—	—	—	—	25
Geir-Elling Nygård	Member of the Board - employee representative	—	—	—	—	25
		514	**37**	**551**	**484**	**621**

1) The fees has not yet been disbursed to the member of the Board. Member of the board since 2007. Member of the audit committee since June 2016.
2) Until June 2016
3) From June 2016
4) Board member until June 2016, Vice chairman from June 2016

None of the members of the Board received compensation from any other Group companies, except for the employee representatives. Their remuneration as employees is not included above.

THE BOARD OF DIRECTORS' STATEMENT ON THE PRINCIPLES APPLICABLE TO THE DETERMINATION OF SALARIES AND OTHER COMPENSATION FOR SENIOR EXECUTIVES

Pursuant to section 6-16a of the Public Limited Companies Act the Board of Directors of Marine Harvest ASA is required to prepare a statement on the principles applicable to the determination of salaries and other compensation for senior executives.

1. Responsibility
The Board of Marine Harvest ASA determines the principles applicable to the Group's policy for senior executive compensation.

The Board is directly responsible for the determination of the CEO's salary and other benefits. The CEO is, in consultation with the chairman of the Board, responsible for the determination of the salary and other benefits for the Group's other senior executives. The Group's senior executives include the management team of each Business Area as well as the senior members of the corporate staff.

2. Goal
The purpose of Marine Harvest's compensation principles for senior executives is to attract employees with the competence required by the Group, retain employees with important competence and motivate employees to contribute in the long-term in order to reach the Group's business goals.

The Group's most important competitive advantage shall be the ability to offer each employee meaningful and challenging responsibilities in a good working environment.

3. Guidelines
The following guidelines shall form the basis of the determination of compensation to the Group's senior executives:

The total compensation offered to senior executives shall be competitive, both nationally and internationally.

The compensation shall contain elements providing necessary financial security following termination of the employment, both before the age of retirement and in connection with this.

The compensation shall be motivating, both for the individual and for the Group's senior executives as a group.

Variable elements in the total compensation to the Group's senior executives shall be linked to the values generated by the Group for the benefit of Marine Harvest ASA's shareholders.

The system of compensation shall be understandable and meet general acceptance internally in the Group, among the Company's shareholders and with the public.

The system of compensation shall be flexible and contain mechanisms which make it possible to carry out individual adjustments based on the results achieved and contributions made towards the development of the Group.

4. Principles applicable to the determination of salary and other remuneration in 2016

4.1 Fixed salary
The fixed salary which each individual senior executive in the Group will receive in 2016 is a consequence of existing employment agreements. When recruiting, the salary level offered will reflect this. Adjustments of individual fixed salaries will be carried out in accordance with trends in local labor markets, the results achieved, and individual contributions to the development of the Group.

4.2 Benefits in kind
The Group's compensation schemes include only a limited number of benefits in kind. These benefits correspond to common practice in local labor markets and typically include personal communication equipment, access to media, and in some cases car and parking arrangements. These schemes will be continued in 2017 according to existing agreements. Such schemes will be included in the terms for new employees in accordance with established practice.

4.3 Pension
The Group currently operates a number of pension schemes for its employees. These are further described in Note 14 to the Group financial statements.

The pension schemes comply with such local statutory requirements as the individual companies in the Group are obliged to comply with. Schemes which go beyond what is required by law are mainly contribution based. These schemes will be continued in 2017. New employees will be included in the schemes in accordance with local practice.

4.4 Termination payments
The Group has individual agreements on termination payments upon dismissal with several of its senior executives. The right to receive a termination payment is linked to a waiver of the general protection against termination under applicable employment laws. The period of termination payment is normally up to 24 months from resignation. There are no plans to change existing agreements for senior executives in this area in 2017. The current practice on the use of termination payments will be continued in 2017 in relation to new recruits.

4.5 Bonus
The Group's senior executives have, as a part of their employment terms, a right to receive an annual bonus. The scheme is cash-based and is normally triggered for each individual if set goals for the Group, and for the individual entitled to bonus, are met. 70 % of the bonus is linked to the target achievement of the Group and a Business Area, while 30 % is linked to individual goal achievement. The size of the bonus is, for each individual, limited to a share of the person's fixed salary. Such bonus shall normally not exceed 50% of the fixed salary. Bonus for the CEO and the CFO is capped at 75% and 100% respectively of the fixed salary. There are no plans to change the current bonus scheme. New permanent employees in 2017 will be included in this scheme.

4.6 Share option scheme - senior executives
The Group has a share option scheme for senior executives, pursuant to which allocations were made in 2013, 2014, 2015 and in 2016.
The scheme is based on annual allocations by the Board of Directors of a number of European call options with a strike price of 107.5% of the share price at the date of the annual general meeting authorizing allocations under the scheme. The options have a term of four years but will become exercisable immediately if a mandatory bid is made for all of the shares in Marine Harvest or if Marine Harvest is the non-surviving entity in a merger with another company.

If the holder of the options exercises the options, the Company may settle its obligation through the issue of new shares or, alternatively, by selling treasury shares to the option holder. There will be no lock-up obligation on the shares the option holder receives through the exercise of the option. The exercise of the option is conditional upon the option holder being employed in a non-terminated position in the Group at the date of exercise. The number of shares and the strike price will be adjusted for dividends and changes in the equity capital during the term of the option according to the Oslo Stock Exchange's derivative rules. Total profit through the exercise of the option in a year is capped at two years' salary for the option holder. If the profit exceeds this limit, the number of shares to be issued will be reduced accordingly.

Following the 2016 annual general meeting (the "2016 AGM"), the Board of directors allocated 1.5 million options with a strike price corresponding to 107.5% of the volume weighted average share price on OSE the day of the 2016 AGM, being NOK 153.0371 to a total of 18 individuals.

The Board of Directors will propose a continuation of the scheme to the 2017 annual general meeting (the "2017 AGM"). A total allotment of up to 1.5 million options will be proposed based on a strike price corresponding to 107.5% of the volume weighted average share price on OSE the day of the 2017 AGM.

Eligibility to the senior executive share option scheme is limited to: Group CEO, other Group Executives and management and key experts of business areas, subsidiaries and group functions, based on the following criteria:
- *the position and individual is important in realizing the Marine Harvest Group ambitions;*
- *the individual is considered critical for the Business Unit(s);*
- *the individual is expected to continue in a role covered by the scheme;*
- *the individual will not retire during the first year of the scheme.*

4.7 Share purchase program - employees in Norway
The board will, annually, consider giving all permanent employees in Marine Harvest ASA and its Norwegian, Scottish and Canadian subsidiaries the opportunity to acquire shares in the Company at a gross amount of up to NOK 15 000 at a discount of 20%.

5. Remuneration of senior executives in 2016
In the course of 2016 and the first quarter of 2017, the Group has complied with the policy for remuneration of senior executives that was presented at last year's general meeting.

NOTE 16 - OTHER OPERATING EXPENSES

SPECIFICATION OF OTHER OPERATING EXPENSES (EUR MILLION)	2016	2015	2014
Sales and marketing costs	0.7	0.8	0.8
IT costs	5.9	4.4	4.3
Consultancy and audit fees	6.5	10.1	10.7
Travel expenses	1.4	1.6	1.4
Rent and leases	0.9	1.0	1.0
Other operating costs	0.7	0.7	0.9
Total other operating expenses	**16.1**	**18.5**	**19.2**

NOTE 17 - AUDITORS FEES

FEES TO AUDITORS (EUR MILLION)	2016	2015	2014
Audit services	1.1	0.6	0.4
Tax advisory services	0.1	0.1	0.1
Other non-audit fees	—	0.1	0.3
Total fees	**1.2**	**0.8**	**0.8**

Auditor 's fee is stated exclusive value added tax.

NOTE 18 - SUBSEQUENT EVENTS

In February 2017, Marine Harvest ASA issued 2 204 188 new shares, as bondholders representing EUR 21.0 million of the EUR 375 million convertible bond loan issued by Marine Harvest ASA exercised the option to convert bonds to equity. The option is in accordance with the bond agreement. The conversion price was EUR 9.5273 per share, and each new share was issued with a nominal value of NOK 7.50. Following the completion of the conversion, Marine Harvest ASA's share capital is NOK 3 392 173 800, divided into 452 289 840 total shares, each with a nominal value of NOK 7.50.

NOTE 19 - CHANGE OF FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Euro (EUR), which is the functional currency of the company from January 1, 2016. The change was made to reflect that EUR has become the predominant currency in the company, counting for a significant part of the company's cash flow, cash flow management and financing. The change has been implemented with prospective effect. The change of presentation currency is applied retrospectively for comparative figures for 2014 and 2015. Currency translation effects for the comparative figures from functional currency to presentation currency EUR in 2014 and 2015 are booked as translation differences towards equity.

Comparison figures in the statement of profit and loss, statement of changes in equity and statement of cash flows have been re-presented to reflect the currency rates of transactions in foreign currencies at the date of the transactions. The re-presentation of the statement of cash flow impacts the classification between currency translation adjustments and other components of cash flow.

DIRECTORS RESPONSIBILITY STATEMENT

Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Director's report and the consolidated and separate annual financial statements for Marine Harvest ASA, for the year ended December 31, 2016 (Annual report 2016).

Marine Harvest ASA's consolidated financial statements have been prepared in accordance with IFRSs and IFRICs as adopted by the EU and applicable additional disclosure requirements in the Norwegian Accounting Act. The separate financial statements for Marine Harvest ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards as of December 31, 2016. The Board of Directors' report for the Group and the parent company is in accordance with the requirements in the Norwegian Accounting Act and Norwegian accounting standard no 16, as of December 31, 2016.

To the best of our knowledge:

- *The consolidated and separate annual financial statements for 2016 have been prepared in accordance with applicable financial reporting standards*
- *The consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position and profit as a whole as of December 31, 2016 for the Group and the parent company*
- *The Board of Directors' report for the Group and the parent company includes a fair review of:*
- *The development and performance of the business and the position of the Group and the parent company*
- *The principal risks and uncertainties the Group and parent company face.*

BERGEN, APRIL 5, 2017

Ole-Eirik Lerøy *Chaiman of the Board*	Lisbet K. Nærø *Vice Chairman of the Board*	Cecilie Fredriksen	Ørjan Svanevik
Paul Mulligan	Jean-Pierre Bienfait	Birgitte Ringstad Vartdal	Lars Eirik Hestnes *Employee representative*
Stein Mathiesen *Employee representative*	Unni Sværen *Employee representative*	Alf-Helge Aarskog *Chief Executive Officer*	

AUDITORS REPORT

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Marine Harvest ASA

Report on the audit of the financial statements

Opinion

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

In our opinion,

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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.

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Impairment evaluation of licenses in Chile

The book value of the Company's licenses in Chile amounted to EUR 238.8 million of a total license balance of EUR 764.3 million as of 31 December 2016. The Company prepared an impairment assessment based on a value in use calculation using budget cash flows for 2017 and forecasted cash flows for the subsequent years. These cash flows are based on key assumptions such as expected harvested volume, margins, capital expenditure, discount rates and the growth rates in the terminal value. The forecasts require considerable insight and judgment from management. The impairment evaluation was a key audit matter to our audit due to the current harvesting volume, margin and the historical challenging market conditions for the Chilean salmon industry and significant judgments involved in the forecasts.

We evaluated key controls and performed test of supporting documentation for the evaluation of the impairment. We evaluated management's estimates relating to the future cash flows. Our audit procedures included inquiries of and discussion with both group and local management. We compared assumptions with external information such as expected marked conditions and market development. Our audit procedures also included analysis and evaluation of historical accuracy of prior year's forecasts. We also tested the mathematical accuracy of the value in use calculation. Furthermore, we involved an internal valuation specialist in the evaluation of the methodology, growth rate and the discount rate applied in the value in use model. We also performed a sensitivity analysis of the critical assumptions.

We assessed the Company's disclosures regarding assumptions to which the outcome of the impairment test is most sensitive as disclosed in note 8 of the consolidated financial statements.

Valuation of biological assets – biomass (live fish) and onerous contracts

The biomass (live fish) is according to IAS 41 valued at fair value in accordance with IFRS 13. The Company's biomass amounted to EUR 1 573.8 million of a total group balance of EUR 4 810.4 million as of December 31 2016. The fair value adjustment included in the carrying amount was EUR 660.5 million. The fair value of biomass is included in the unavoidable cost when evaluating if fixed price contracts are onerous according to IAS 37. The provision for onerous contracts at year-end amounted to EUR 124.6 million.

The estimation of fair value of live fish is complex and requires significant judgment from the management. The fair value is calculated based on estimated volume, quality, size distribution of the biomass and market prices, less expenses to produce, harvest and sell the biomass. The estimation of onerous contracts also require significant judgment for the assumptions relating the estimated unavoidable cost and remaining volume, in addition to completeness of contracts. The valuation of live fish and onerous contracts evaluation was a key audit matter due to the total value and judgments involved in the estimates.

We evaluated the accounting principles and industry practice and assessed the model. We also evaluated and tested the Company's key controls related to the calculation and input to the fair value of the biomass. We compared the estimated future market prices applied with observable available market prices, achieved prices or contract prices for the period when harvesting of the biomass is expected. Further, we evaluated the estimated expenses to produce the fish, including assumptions applied such as harvesting plans, estimated growth rate and estimates for mortality and quality. Furthermore, we analysed and evaluated the historical accuracy of prior periods' forecasts and consistency of the models. We also performed a sensitivity analysis of the critical assumptions in the model. We involved an internal valuation specialist in the evaluation and testing of the mathematical accuracy of the calculation in the model. We further evaluated and tested the inputs in the calculation of onerous contracts through a sample of contracts focusing on the unavoidable cost from the biomass fair value, any additional processing cost and margins and estimated remaining volume, which we compared with the contracts. We tested the completeness of onerous contracts by discussions with management, obtaining and reading significant contracts and as part of our audit procedures for revenues.

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We also assessed the Company's disclosures regarding biomass and onerous contracts. We refer to note 2, 6 and 30 in the consolidated financial statements.

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 Director (management) is 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.

Building a better working world

- 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 in 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 concerning the financial statements and in the statements on corporate governance and corporate social responsibility, 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.

Bergen, April 5th 2017
Ernst & Young AS

Øyvind Nore
State Authorised Public Accountant (Norway)

04

Risk, analysis, APM and shares

Analyzing Marine Harvest

We want to contribute to the correct pricing of our share by giving the market in-depth, relevant and accurate information about the salmon farming industry in general and our activities in particular. This is why we include an extensive overview of our industry, its key drivers and alternative performance measures (APM) in a separate section of the integrated annual report. We use APMs in our operational follow up as we believe these describes our Group's development better than the consolidated financial statements. For more information see also our industry handbook at marineharvest.com.

Risk and risk management

Risk relates to the uncertainty and the factors that may prevent us from generating the expected returns, reaching our goals and deliver on our strategy. In Marine Harvest, we split our defined risks into subcategories within our four guiding principles - Profit, Planet, Product and People to ensure that they are addressed by our most capable people within each area.

Share price and market value

At year-end 2016, the market value of Marine Harvest was NOK 70.1 billion, an increase of 30% compared to year-end 2015. The price per share price at year-end 2016 was NOK 155.7 (USD 18.13), compared to NOK 119.6 (USD 13.18) per share at year-end 2015.

Analytical information and alternative performance measures

We want to contribute to the correct pricing of our share by giving the market in-depth, relevant and accurate information about the salmon farming industry in general and our activities in particular.

FARMED SALMON - A HEALTHY SOURCE OF PROTEIN

We engage in aquaculture, which involves cultivating aquatic organisms under controlled conditions. Aquaculture is a fast-growing food producing sector. 70% of our planet is covered with water, yet the United Nations Food and Agriculture Organization (FAO) estimates that only approximately 2% of the world's food supply comes from the ocean. In 2014, the aquaculture industry contributed 44% of the fish destined for human consumption. The aquaculture industry's output has soared since the mid-1990s, while the wild fish harvest in the same period has been stable.

It is estimated that the global population will grow from 7.4 billion in 2016 to almost 9.4 billion by 2050, resulting in increased demand for protein- rich food. According to the FAO, an additional 47.5 million tonnes of aquatic food will be required by 2050.

Our main product is farmed Atlantic salmon. Consumption of Atlantic salmon is considered to be healthy because of its high content of protein, Omega-3 fatty acids, vitamins and minerals. Atlantic salmon farming started on an experimental level in the 1960s, and became an industry in Norway in the 1980s. Salmon farming consists of raising juvenile salmon, or smolt, to fully grown salmon in large pens located in the sea, fjords and bays. Salmon farming also includes raising smolt from salmon eggs, which takes place in freshwater, typically in lakes or tanks on land. Almost all commercially available Atlantic salmon is farmed. Due to biological constraints, seawater temperature requirements and other natural limitations, farmed salmon is produced in Norway, Chile, Scotland, North America, Faroe Islands, Ireland and New Zealand/Tasmania.

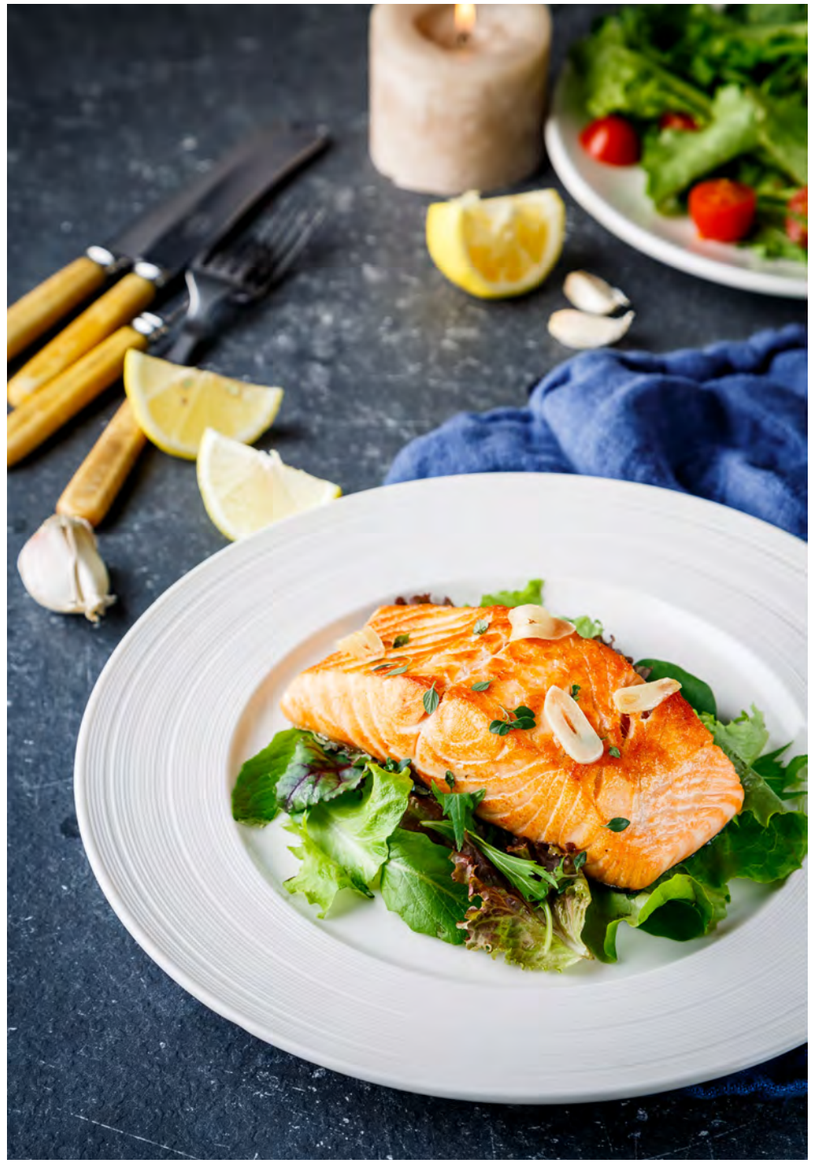
Atlantic salmon is a small but growing part of the global protein supply. Despite an increase in production of Atlantic salmon of more than 900% since 1990 (according to the FAO), the total global supply of salmon is still marginal compared to most other major seafood categories. This is because the industry has reached a production level where biological boundaries are being pushed.

Future growth requires the implementation of measures to reduce the industry's biological footprint. This will necessitate progress in technology, non-pharmaceutical techniques, industry regulations and intercompany cooperation.

OUR APPROACH - AN INTEGRATED PROTEIN PROVIDER

We are the world's largest producer of farmed salmon, both by volume and revenue, offering fresh, whole salmon, processed salmon and other processed seafood products to customers in approximately 70 countries worldwide. We currently engage in three principal types of production activities:

- *salmon feed production in Norway;*
- *salmon farming and primary processing of salmon in Norway, Scotland, Canada, Chile, Ireland and the Faroe Islands; and*
- *secondary processing of seafood in Norway, Chile, Ireland, the United States, Scotland, France, Belgium, the Netherlands, Poland, the Czech Republic, Germany, Japan, Vietnam, Taiwan, China and South Korea.*



To further support our farming activities, we established DESS Aquaculture Shipping in 2016. DESS Aquaculture Shipping is a joint venture with Deep Sea Supply PLC established for the purpose of building, owning and operating aquaculture vessels. In August 2016, the company contracted its first two newbuilds, one well boat and one harvest vessel.

We continue the process of transforming ourselves from a production-driven fish farming company into an integrated marine protein provider, by expanding in fish feed and broadening our farming and secondary processing operations.

We opened our first feed factory in June 2014 to facilitate our control of the value chain, enable the rapid development of improved feed products and ensure quality throughout the process. Our feed plant in Bjugn, Norway, supplied 86.5% of our Norwegian fish feed requirements in 2016. Our second feed plant at Kyleakin on the Island of Skye, Scotland was given the go-ahead by the Highland Council in February 2017. The plant is scheduled for completion in the first half of 2018, when our existing third-party feed contracts expire. Through the gradual in-sourcing of feed, we expect to obtain lower feed costs as well as improved growth, lower feed conversion rates and higher end-product quality.

Our fish farming operations cover the salmon's entire lifecycle, from egg to harvestable size. We also have facilities for harvesting and primary processing of our fish. We have our own breeding and genetics department and our strategy is to produce our own eggs to secure the selection of the best genetic properties. We keep our own broodstock and invest significant efforts and resources to improve the performance, disease resistance, quality and welfare of the fish. Juvenile fish (smolt) are transferred to the sea at different weights depending on the requirements of the sites to be stocked and our smolt production capacity. The average weight of smolt put to sea in 2016 was 140 grams. The fish are then nurtured in the sea for a period of 12-22 months depending on the size of the smolt stocked, the temperature of the seawater, our farming practices and the biological situation. At harvestable weight, approximately five to six kg live weight equivalent, or LWE, the salmon undergoes primary processing into gutted weight equivalent, or GWE, which is the main commodity sold to the markets and used in most reference prices. The customers of our primary processed salmon are retailers, secondary processors, including our own operations, and distributors. In February 2017 the Court of Queen's Bench in New Brunswick approved our purchase of the assets formerly owned by the Gray Aqua Group of Companies on the East Coast of Canada. Among the benefits the acquisition will bring is expansion into what, for us, is a new region, as well as improved market access to the eastern Canadian and US markets for seafood.

Our secondary processing operations turn the gutted fish into products such as fillets, steaks and other portions of fish - smoked, fresh and frozen. The broadening of our secondary processing operations started with the acquisition of Morpol, a world leading secondary processor of salmon in 2012/2013. Reflecting the success of our sales of fresh prepacked products in the US market, we opened a new plant in Dallas, Texas in December 2016. We currently operate 30 secondary processing facilities, the largest of which are located in Ustka, Poland; Bruges, Belgium; Rosyth, Scotland; and Boulogne and Landivisiau, France. Secondary processing activities include further preparation to create ready-to-heat or ready-to-eat products and packaging the products. Purchasers of secondary processed salmon include retailers, such as grocery stores, food service providers such as hotels and other service and catering entities, as well as industry customers including meal and salad producers.

BUSINESS AREAS AND SEGMENTS

We are organized into three Business Areas: Feed, Farming and Sales and Marketing.

1. Feed comprises our first feed plant, located in Norway.
2. Farming comprises a single operating segment composed of our farming operations in Norway (four regions), Scotland, Canada, Chile, Ireland and the Faroe Islands. This segment also includes primary processing activities and some filleting activities (a secondary processing activity). The Business Area was for follow up purposes split into two sub areas from January 1, 2017 with the four regions in Norway and Chile organized as one sub area, and Canada, Scotland, Ireland and the Faroe Islands organized as a separate sub area.
3. Sales and Marketing is composed of two operating segments:

- *Markets: the segment comprises activities relating to sales of our primary processed products obtained from the Farming business and, to a lesser extent, purchased from third parties. It also includes logistics and delivery of our products to third-party customers, as well as to our internal secondary processing operations (including Consumer Products) and some secondary processing activities; and*
- *Consumer Products: the segment includes our European secondary processing and value added operations, as well as end-product sales, including logistics.*

THE MARINE HARVEST VALUE CHAIN

Activities conducted by our Business Areas, interacting with suppliers and customers.

In addition to our principal operating segments, we have a group of "Other" activities, consisting of corporate functions. Our Sterling White Halibut farming operations were sold in 2016.

The following illustration demonstrates activities conducted by our Business Areas. In 2016, we entered into a Heads of Agreement with Deep Sea Supply PLC to establish a 50/50 owned aquaculture shipping joint venture that is to build, own and operate aquaculture vessels in 2016. The joint venture is not considered a Business Area in Marine Harvest and is therefore not included in the illustration below.

VALUE CREATION MEASURED BY COUNTRY OF ORIGIN

Our Farming business is engaged in the production, harvesting and primary (and some secondary) processing of fish. For reporting purposes, Farming sells its main products (i.e., salmon gutted weight) to the Markets segment at prices quoted by Nasdaq OMX (Nasdaq price) or similar salmon pricing indices. Where Markets enter into medium or short-term contracts with third parties, salmon is sold from Farming to Markets at prices reflected in such contracts. The Markets segment resells the primary processed salmon to (i) third parties or (ii) Consumer Products for further processing. Markets also include some secondary processing activities. Consumer Products secondary process salmon purchased from Markets, together with salmon and other seafood purchased from third parties, and sells these products to third parties. Third-party purchases comprised approximately 39% of Consumer Products total fish purchases by value in 2016.

We assess the overall value creation of our operations based on the salmon's source of origin, using Operational EBIT per kg of fish harvested as a key measure of performance. For this reason Operational EBIT related to our Feed and Sales and Marketing operations is allocated back to the country of origin. There was a change in the allocation principle in 2016 to also include Operational EBIT from Feed and third party fish in Sales and Marketing in the allocated Operational EBIT.

The relationship between our functional segments and our operational reporting per country of origin is illustrated on the following page.

OUR MOST IMPORTANT VALUE DRIVERS

KEY FACTORS AFFECTING REVENUE

Our primary source of revenue is the sale of primary and secondary processed seafood (including value added products), mainly salmon. Revenue generated by our products is the factor of volumes sold and the price that we achieve for our products. Our products are shipped long distances by road, air and water. Our revenues therefore include a substantial freight element, since the freight cost generally is paid by customers.

Sales of salmon and salmon-derived products represented 89.8% and 90.0% of our revenue for the years ended December 31, 2016 and 2015, respectively. Fresh whole (i.e., primary processed) salmon represented 43.6% and 43.5% of our total revenues for the years ended December 31, 2016 and 2015, respectively, while the sale of secondary processed salmon accounted for 46.3% and 43.2% respectively of our revenue for the same periods.

We sell salmon and other seafood directly to retailers, hotels, restaurants as well as to third party processors and distributors in approximately 70 countries worldwide.

Volume

Primary processed products (harvested volume)

Harvested volume primarily depends on the quantities of smolt introduced into our operations, which are determined by us one-to-two years prior to harvesting, fish growth rates and our harvesting schedule.

The quantities of smolt introduced into our operations are based on our expectations for the demand for finished product at harvest time, anticipated product prices and our organic growth ambitions in light of regulatory constraints (e.g., maximum standing biomass in production established by our farming licenses).

Fish growth rates are affected by water temperature, disease and other biological issues. As salmon is a cold-blooded animal, seawater temperature plays an important role for its growth rate. With high seawater temperatures, disease risk increases, while temperatures below freezing cause mass mortality. Similarly, biological factors, disease, sea lice and stress of fish each negatively impact the rate of growth of our fish and may result in reduced fish survival.

Volumes in a period are also affected by our harvest schedule, i.e., when we decide to harvest fish from a particular location. Our harvest window is effectively limited by fish age, as fish must be harvested prior to maturation. Nevertheless, we do have a limited ability to accelerate or delay harvest (typically, by a matter of weeks) to optimize price achievement.

Secondary processed products

The majority of our secondary processing occurs in our Consumer Products segment, while some secondary processing also occurs in our Markets segment in the Americas, Asia and Europe. Some filleting activities are also carried out by our Farming operations. The volume of secondary processed salmon, including value added products that we produce depends on market demand for our secondary processed seafood and the production capacities of our operations.

In 2016, 61% of the fish used in our secondary processing business in Consumer Products, as measured by value, was produced by our fish farms. We have a constant supply of raw materials used in production and can vary our volume of secondary processed seafood based on projected customer demand. Sales of salmon-based products to third party customers accounted for 81% of Consumer Products total sales in 2016, with the remaining representing sales of products based on other fish species, such as cod, pangasius, saithe, Alaska pollock, Sockeye, and haddock.

Prices

The price received for our products is determined by the relevant market prices. Our achieved prices may deviate from market prices due to differences in the quality of our product, sales contracts, which typically fix the sales price for a period of three to 12 months, but sometimes longer, and our ability to place our products efficiently in the market. We aim to sell our products at or above market prices, and we measure our ability to do so through price achievement, which measures the prices at which we sell our products against the relevant salmon price index or reference price.

We have been actively pursuing strategies to reduce our dependence on market prices for salmon by increasing our capacity to produce more value-added products, which are generally associated with more stable consumer prices. In line with this strategy, we acquired Morpol, and continue to open secondary processing facilities. Towards the end of 2016 we opened a new processing facility in Dallas, USA to improve our ability to service the market fish fresh, pre-packed products. In Canada, we have received a building permit for the construction of a value added plant in Surrey, near Vancouver. The plant is expected to start operations towards the end of the second quarter of 2017. The expansion of the Ustka plant in 2015, has made it possible for us to produce fresh sushi at this plant and we started production in 2016. The processing plant in Ustka is by far our largest secondary processing plant, converting more than 83 307 tonnes of gutted weight equivalent salmon into value added products in 2016.

Reference prices for salmon

Several price indices for salmon are publicly available. The two most important indices for Norwegian salmon are Nasdaq/Fish Pool provided by NOS Clearing ASA, a subsidiary of Nasdaq OMX Group Inc., and the official statistics of Norway by Statistics Norway, or SSB, a Norwegian governmental entity. Urner Barry in the United States provides a reference price for Chilean salmon in Miami and North American salmon in Seattle. Price correlation across regional markets is generally strong for Atlantic salmon, but we have recently seen a tendency of reduced correlation between prices in America and Europe.

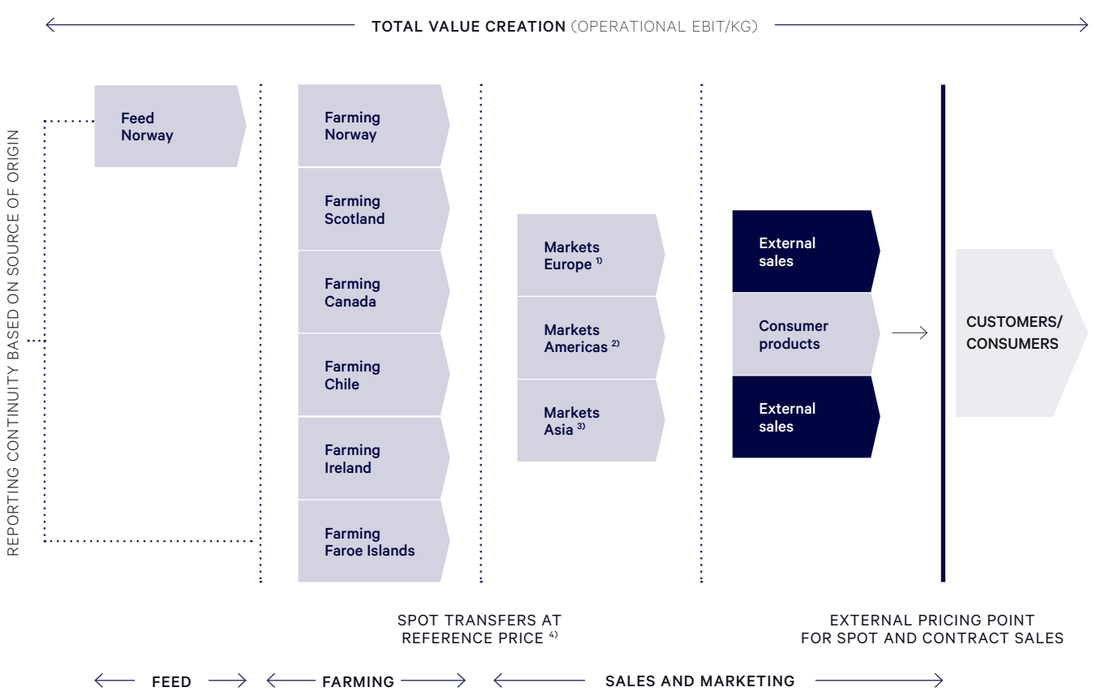
Historically, reference prices for salmon have been subject to significant fluctuations, as demand for salmon has been growing steadily, whereas supply has fluctuated strongly due to variations in factors such as smolt release and biological status, including disease.

Although the market price of salmon is established through supply and demand for the product, in the short term, salmon producers are expected to be price takers. The long production cycle and a short time window available for harvesting leave salmon farmers with limited flexibility to manage their short-term supply. In addition, salmon is generally sold as a fresh commodity with a limited product lifespan, further restricting producers' ability to control short-term supply.

As our Irish operation produces mainly organic salmon, there is no reference price available for benchmarking our salmon of Irish origin. Salmon from our Irish operations is sold mainly on contracts.

Prices for the products produced by Consumer Products are primarily driven by customer demand and the cost of the raw materials used in their production. Because secondary processed/elaborated products, including value added products, are to some extent considered to be premium products, demand fluctuates with the state of regional and global economies and the consumers' general wealth. In addition, global trends in consumer tastes affect demand for such products. The cost of raw materials is largely dependent on reference prices, especially Atlantic salmon prices, most of which we supply internally from our Farming operations. In 2016, raw material prices increased significantly compared to 2015 in all markets. Prices in the North American market started out significantly below the average of the last 10 years, but increased to record levels by year end.

VALUE CREATION BY COUNTRY OF ORIGIN



1 Includes secondary processing operations in the Czech Republic.

2 Includes secondary processing operations in the USA and Chile.

3 Includes secondary processing operations in Japan, China, Taiwan, South Korea and Vietnam.

4 Where Markets enters into medium or short term sales contracts with third parties, salmon is sold from Farming to Markets at prices reflected in such contracts.

In the European market prices were at record level throughout the year with the peak price (Nasdaq Oslo) reached in week 52 at EUR 8,72 (NOK 79,22) per kg gutted weight equivalent.

Quality

The quality of our fish may greatly affect the price we are able to achieve in comparison to the reference price. Diseases, sea lice, biological issues (such as Kudoa) and stress may all impact the quality of our fish, resulting in downgrading and lower achieved prices. In addition, when salmon reach reproductive maturity, or maturation, the flesh color and meat quality changes, resulting in lower product quality.

Fish may be classified as superior, ordinary or production quality. Superior quality fish is a product without damage or defect that provides a positive overall impression. Ordinary quality fish is a product with limited external or internal faults, damage or defects. Production quality fish is a product that does not satisfy the requirements of either superior or ordinary quality due to product faults, damage or defects. In Norway, downgraded fish are normally priced according to standard rates of deduction compared to a superior quality fish. For fish classified as ordinary the standard rate of reduction is NOK 1.50 to NOK 2.00 per kg gutted weight. For fish classified as production grade the standard rate of reduction is NOK 5.00 to NOK 15.00 per kg gutted weight, depending on the reason for downgrading. In other countries, price deductions related to quality are not as standardized, but the same general principles apply.

Contracts and derivative Instruments

To limit our exposure to short and medium-term fluctuations in salmon prices, we enter into sales contracts for future deliveries of our products. Our sales contracts generally have a duration of three to 18 months, but sometimes longer, and in the past have covered between 20% and 50% of our global harvested volume for the upcoming quarter. Our target is to optimize the contract portfolio to attain the best possible mix of contract share and spot price, with an average contract coverage ratio typically between 20% and 50%.

Contracts mitigate our exposure to fluctuations in salmon prices, but can also result in us selling our products at prices that are lower than reference price.

We also utilize salmon derivatives to hedge our exposure to fluctuations in reference prices. Salmon derivatives provide the same hedge against exposure to spot price fluctuations as contracts for future sales of salmon to customers, so we use hedging instruments as well as contracts to achieve our contract coverage goals described above.

Price achievement

The average price achievement measures the prices that we are able to achieve on our products against a salmon price index. The achievement is measured against Nasdaq for salmon of Norwegian, Scottish and Faroese origin, and Urner Barry for salmon of Canadian and Chilean origin.

The average price achievement measure demonstrates our ability to sell our products at above market rates and is thus an important measure of our success. Price achievement is primarily affected by contract coverage, fish quality and our ability to place our products efficiently in the market.

KEY FACTORS AFFECTING COSTS

Our costs are primarily affected by the cost of our fish feed, other purchases (including third-party raw material sourcing), salaries, other operational costs and biological factors. We use these cost categories to track our costs at consolidated level.

Costs in our Farming segment are categorized into feed costs, other seawater cost and non-seawater costs and we track these costs per kg of fish harvested, where:

- *fish feed costs measure the cost of fish feed;*
- *other seawater costs measure costs relating to smolt, salaries, insurance, medication and other direct and indirect costs attributable to fish production at sea; and*
- *non-seawater costs are the cost of bringing the fish from the seawater site to the primary processing facility, primary processing costs, administration costs, exceptional mortality costs and other non-seawater costs incurred by the respective farming operations.*

These costs (fish feed, other seawater costs and non-seawater costs) represent the total cost for one kg gutted salmon packed in a standard box for shipping (“cost in box”). The term “cost in box” is widely used by the industry and analyst community as an indicator of operational efficiency in fish farming operations. These costs are included in the following line items in our consolidated statement of operations: cost of materials, salary and personnel expenses, other operating expenses and depreciation. The total of feed cost and other seawater costs is the cost of harvested fish in seawater, before transportation to the processing plant. We refer to these costs as biomass costs or biological costs.

Costs in our Feed operations are primarily composed of raw material costs (e.g. fish meal, fish oil, vegetable meals and oils) and costs associated with running feed operations, such as salaries and utilities.

Costs in our Sales and Marketing Business Area are primarily composed of raw material costs (e.g., primary processed salmon), which we to a large extent produce internally for our Consumer Products operations, and costs associated with running secondary processing operations, such as salaries and utilities. We measure our secondary processing operational efficiency through yield and throughput. Yield measures the number of kgs of end product we are able to produce from one kg of raw materials. Throughput measures our secondary processing cost per kg produced.

Because it takes two to three years to bring a salmon to harvestable size, fish feed prices and prices for other costs associated with the farming of fish accumulate over multiple periods (i.e., the entire life of the fish), and affect the cost of materials recognized in the period when our fish is harvested and sold. Costs associated with secondary processing are expensed in the period in which the product is sold, unless goods are produced for stock to be sold in a later period.

The table below shows the estimated effect on our Operational EBIT of a change in market price, harvest volume and cost of fish feed.

Fish feed

Fish feed is our largest expense category, and it accounted for approximately 43% of our “cost in box” per kg in 2016.

In addition to own production of feed, we procure our fish feed from a limited number of suppliers globally, primarily Skretting and BioMar. Our arrangements with the suppliers generally provide that we acquire the fish feed at prices tied to the market prices for the raw materials used in producing the feed, such as fish meal, fish oil, vegetable oils and meals. The arrangements are subject to a minimum fee per kg of fish feed, structured to cover the suppliers’ operational costs and margins. Our arrangements generally do not contain minimum or maximum fish feed purchase quantities. The feed cost accumulate over multiple periods (i.e., the entire life of the fish) and is recognized in the period when our fish is harvested and sold.

The yield generated from our fish feed is affected by the feed conversion rates, which is the number of kgs of fish feed needed to increase a fish’fs bodyweight by one kg. Our feed conversion rate is typically between 1.1 and 1.2 kgs of feed per kg of fish produced.

ESTIMATED SENSITIVITIES ON ANNUAL RESULTS 2016

CHANGE FACTOR	CHANGE	EFFECT ON OPERATIONAL EBIT	FIXED CONTRACT SHARE
Change in global average sales price with contracts [1]	0.10 EUR per kg GWE	23.0	40.0%
	0.20 EUR per kg GWE	46.0	40.0%
	0.30 EUR per kg GWE	69.0	40.0%
Change in global average sales price without contracts [2]	0.10 EUR per kg GWE	38.0	0%
	0.20 EUR per kg GWE	76.0	0%
	0.30 EUR per kg GWE	114.0	0%
Change in total harvest volume [3]	10000 tonnes GWE	20.0	
Change in global feed price [4]	-0.05 EUR per kg feed	26.0	
	-0.10 EUR per kg feed	52.0	
	-0.20 EUR per kg feed	103.0	

1) Assuming 40% of sales on fixed price contracts and 60% in the spot market
2) Assuming all sales in the spot market
3) Assuming margin per kg harvested of EUR 2
4) Annual harvest volume converted to live weight multiplied with the feed conversion rate
Note that the effect in Operational EBIT will be recognized when the fish is harvested and sold

Other seawater costs in Farming
Other seawater costs in Farming represent costs associated with smolt purchases, employee salaries, insurance, medication and other direct and indirect costs attributable to fish production at sea. These costs accumulate over multiple periods (i.e., the entire life of the fish) and are recognized in the period when our fish is harvested and sold.

Non-seawater costs in Farming
In Farming, non-seawater costs represent the cost of bringing the fish from seawater sites to primary processing facilities, primary processing costs, administration costs, exceptional mortality costs and other relevant costs for the fish harvested in the period. Non-seawater costs are generally incurred and expensed in the same period. As the majority of these costs are fixed, this category is subject to substantial scale effects based on the volumes of salmon harvested.

Biological factors
Biological factors, such as fish mortality, fish diseases and sea lice affect our harvest volumes and therefore our revenue, but also our costs. We may be required to expend resources to mitigate the effects of the foregoing factors (e.g., costs of vaccines) and the cost per kg harvested increases if fish die or growth is impaired.

Fish survival
Farmed salmon is exposed to various infectious and non-infectious diseases. An outbreak of a disease represents a cost for us through direct loss of fish. In addition, disease can result in lost growth of fish, accelerated harvesting and reduced quality of harvested fish, which would affect our revenues. In some cases, a disease outbreak may be followed by a subsequent period of reduced production resulting in lower revenues and increased cost per kg fish harvested. Fish survival rates are affected by a number of factors, including infectious and non-infectious diseases, wounds, predators and fish handling. We expense incident-based mortality in the period when incidents occur. The cost associated with normal mortality is included in the value of the remaining inventory, contributing to the increased cost of the fish when harvested and sold.

Sea lice management
Sea lice, of which there are several species, are naturally occurring seawater parasites. They infect the salmon's skin and, if not controlled, they can cause lesions, secondary infections and mortality. Sea lice can be controlled through good husbandry and management practices, the use of pharmaceutical products, cleaner fish (wrasse and lumpsuckers that eat sea lice off the salmon's skin), other non-medicinal tools (e.g. skirts around pens), thermolizers, hydrolizers, FLS flushers and freshwater baths. Effective sea lice management is important for fish welfare and ensuring lice on our farms do not negatively impact wild salmonid stocks. Sea lice also represent a cost to the industry.

KEY PERFORMANCE INDICATORS AND ALTERNATIVE PERFORMANCE MEASURES (NON-IFRS MEASURES)
As we believe the financial figures set forth in our consolidated statement of income and financial position do not always reflect the underlying performance of our operations, we continuously work to develop key operational performance indicators and alternative performance measures (non-IFRS measures) that we think better describes the Group's development.

Operational EBIT and Operational EBIT per kg harvested
Operational EBIT is a non-IFRS financial measure, calculated by excluding each of the following items from earnings before financial items and taxes, or EBIT, as set forth in our consolidated statement of income prepared in accordance with IFRS:

- *change in unrealized internal margin*
- *gain/loss from derivatives*
- *fair value uplift on harvested fish*
- *fair value adjustment on biological assets*
- *provision for onerous contracts*
- *restructuring costs*
- *income/loss from associated companies*
- *impairment losses and write-downs*
- *other non-operational items (accrual for contingent liabilities and provisions)*

We exclude these items from our EBIT as we believe they affect the comparability of our operational performance from period to period, given their non-operational or non-recurring nature. Operational EBIT is used by management, analysts, rating agencies and investors in assessing our performance. Accordingly, we believe that the presentation of Operational EBIT provides useful information to investors. Our use of Operational EBIT should not be viewed as an alternative to EBIT or to profit or loss for the year, which are measures calculated in accordance with IFRS. Operational EBIT has limitations as an analytical tool in comparison to EBIT or other profit and loss measures prepared in accordance with IFRS. Some of these limitations are:

1. it does not reflect the impact of earnings or charges that we consider not to be indicative of our on-going operations,
2. it does not reflect financial items and income tax expense; and
3. other companies, including other companies in our industry, may calculate Operational EBIT differently than we do, limiting its usefulness as a comparative measure.

We present Operational EBIT at Group level, by country of origin and by segment. For a reconciliation of our Operational EBIT by segment to EBIT, see Note 4 to the Group financial statements.

Operational EBIT % (Margin)
Operational EBIT % is a non-IFRS financial measure. We calculate Operational EBIT % by dividing Operational EBIT by Operational Revenue, each a non-IFRS financial measure. Management employs Operational EBIT % to assess operational performance of some of our segments, disregarding certain non-recurring and non-operational items, excluded from Operational EBIT and Operational Revenue. The usefulness of Operational EBIT % is inherently limited as further described in Operational EBIT and Operational Revenue paragraphs above. A table setting forth our calculation of Operational EBIT % is set forth below.

Operational Revenue
Operational Revenue is a non-IFRS financial measure, calculated by including realized gain/loss from currency derivatives related to contract sales of Norwegian origin and excluding change in unrealized salmon derivatives from revenue and other income as set forth in our consolidated statement of comprehensive income prepared in accordance with IFRS. We exclude change in unrealized salmon derivatives from our revenue and other income as we believe it affects the comparability of our operational performance from period to period, given its non-operational nature. Our use of Operational Revenue should not be viewed as an alternative to revenue and other income, which is a measure calculated in accordance with IFRS. Operational Revenue has limitations as an analytical tool in comparison to revenue. Some of these limitations include the fact that changes in unrealized salmon derivatives may need to be cash settled at a future date. Our Operational Revenue is reconciled to revenue and other income in footnotes to our interim financial statements included in documents incorporated herein by reference.

Return on capital employed - ROCE
ROCE is a non-IFRS financial measure, calculated by dividing Adjusted EBIT by average capital employed. Adjusted EBIT is calculated as EBIT, as set forth in our consolidated statement of income prepared in accordance with IFRS, adjusted for:

- *fair value uplift on harvested fish*
- *fair value adjustment on biological assets*
- *provision for onerous contracts*
- *other non-operational items (accrual for contingent liabilities and provisions)*

Average capital employed is calculated as the average of the beginning of the period and end of the period capital employed except when there are material transactions during the year. Capital employed is the sum of net interest bearing debt, or NIBD, as of the end of the period plus equity as of the end of the period adjusted for:

- *fair value adjustment on biological assets*
- *provision for onerous contracts*

net assets held for sale

Our NIBD as of the end of a period (for purposes of calculating average NIBD) is equal to our non-current interest-bearing debt minus our total cash, plus our current interest-bearing debt, plus the net effect of currency derivatives on interest-berating debt.

We use ROCE to measure the return on capital employed, regardless of whether the financing is through equity or debt. In our view, this measure provides useful information for both management and our investors about our performance during periods under evaluation. We believe that the presentation of ROCE provides useful information to investors because ROCE can be used to determine whether capital invested in us yields competitive returns.

Our use of ROCE should not be viewed as an alternative to EBIT or to profit or loss for the year, which are measures calculated in accordance with IFRS or ratios based on these figures.

The usefulness of ROCE is also inherently limited by the fact that it is a ratio and thus does not provide information as to the absolute amount of our income, debt or equity. It also excludes certain items from the calculation and other companies may use a similar measure but calculate it differently.

Underlying EPS

Underlying Earnings per Share, or Underlying EPS, is a non-IFRS financial measure. We calculate Underlying EPS by dividing Adjusted Operational EBIT, calculated as Operational EBIT net of accrued payable interest (net), minority share of profit and tax expense calculated based on estimated tax rates, divided by the weighted average number of shares outstanding during the period.

Management employs Underlying EPS to assess our operational performance, disregarding non-operational items like amortized interest, net currency effects and net other financial items with the exception of cash costs, and not reflecting permanent and temporary differences in the computation of taxes.

We view Underlying EPS as a useful tool reflecting our operational performance per ordinary share outstanding. The usefulness of Underlying EPS is inherently limited. Some of these limitations are that Underlying EPS does not reflect the impact of earnings or charges that we consider not to be indicative of our on-going operations and Underlying EPS. A table setting forth our calculation of Underlying EPS is set forth below.

For further details about our financial performance, please see the Profit section and Statements and Notes.

Alternative performance measures (APM) - Non-IFRS measures

The following tables reconciles our Operational EBIT to EBIT in EUR million and EUR per kg for the Group and for our Farming units for the years ended December 31, 2016, 2015 and 2014:

RECONCILIATION GROUP (EUR MILLION)	2016	2015	2014
Group Operational EBIT	**700.2**	**346.8**	**508.7**
Change in unrealized internal margin	-22.1	-2.2	-11.0
Gain/loss from derivatives	8.3	-12.5	6.5
Fair value uplift on harvested fish	-869.6	-457.6	-659.9
Fair value adjustment on biological assets	1 255.8	467.7	598.9
Onerous contracts provision	-108.7	-0.7	2.8
Restructuring costs	-5.4	-15.2	-6.3
Income/loss from associated companies	62.6	23.4	17.9
Impairment losses	-31.2	-6.8	-2.9
Other non-operational items	1.3	2.4	-20.1
Group EBIT	**991.2**	**345.3**	**434.5**

RECONCILIATION GROUP (EUR per kg)	2016	2015	2014
Group Operational EBIT	**1.84**	**0.83**	**1.21**
Change in unrealized internal margin	-0.06	-0.01	-0.03
Change in unrealized salmon derivatives	0.02	-0.03	0.02
Fair value uplift on harvested fish	-2.28	-1.09	-1.58
Fair value adjustment on biological assets	3.30	1.11	1.43
Onerous contracts provision	-0.29	—	0.01
Restructuring costs	-0.01	-0.04	-0.02
Income/loss from associated companies	0.16	0.06	0.04
Impairment losses	-0.09	-0.02	-0.01
Other non-operational items	—	0.01	-0.05
Group EBIT	**2.60**	**0.82**	**1.04**

RECONCILIATION NORWEGIAN ORIGIN (EUR MILLION)	2016	2015	2014
Operational EBIT—Salmon of Norwegian Origin	**514.8**	**348.2**	**370.0**
Change in unrealized internal margin	-42.4	-10.2	—
Fair value uplift on harvested fish	-661.1	-352.2	-438.9
Fair value adjustment on biological assets	836.9	375.3	462.7
Onerous contracts provision	-81.0	-0.4	-2.4
Income/loss from associated companies	62.7	23.3	17.8
Impairment losses	-0.2	-0.3	-0.8
Other non-operational items	1.3	—	—
EBIT—Salmon of Norwegian Origin	**630.9**	**383.7**	**408.3**

RECONCILIATION NORWEGIAN ORIGIN (EUR per kg)	2016	2015	2014
Operational EBIT—Salmon of Norwegian Origin	**2.18**	**1.37**	**1.43**
Change in unrealized internal margin	-0.18	-0.04	—
Fair value uplift on harvested fish	-2.80	-1.38	-1.70
Fair value adjustment on biological assets	3.55	1.47	1.79
Onerous contracts provision	-0.34	—	-0.01
Income/loss from associated companies	0.27	0.09	0.07
Impairment losses	—	—	—
Other non-operational items	0.01	—	—
EBIT—Salmon of Norwegian Origin	**2.67**	**1.51**	**1.58**

RECONCILIATION SCOTTISH ORIGIN (EUR MILLION)	2016	2015	2014
Operational EBIT—Salmon of Scottish Origin	**41.1**	**17.5**	**56.2**
Fair value uplift on harvested fish	-77.3	-43.7	-86.0
Fair value adjustment on biological assets	183.4	41.5	55.7
Onerous contracts provision	-27.7	-0.4	5.2
Restructuring costs	-2.4	—	—
Income/loss from associated companies	0.1	0.3	0.1
EBIT—Salmon of Scottish Origin	**117.2**	**15.2**	**31.2**

RECONCILIATION SCOTTISH ORIGIN (EUR per kg)	2016	2015	2014
Operational EBIT—Salmon of Scottish Origin	**0.91**	**0.35**	**1.15**
Fair value uplift on harvested fish	-1.72	-0.87	-1.76
Fair value adjustment on biological assets	4.07	0.83	1.14
Onerous contracts provision	-0.61	-0.01	0.11
Restructuring costs	-0.05	—	—
Income/loss from associated companies	—	0.01	—
EBIT—Salmon of Scottish Origin	**2.60**	**0.30**	**0.64**

RECONCILIATION CANADIAN ORIGIN (EUR MILLION)	2016	2015	2014
Operational EBIT—Salmon of Canadian Origin	**109.8**	**13.7**	**30.0**
Fair value uplift on harvested fish	-100.6	-25.9	-45.0
Fair value adjustment on biological assets	156.9	36.6	28.1
Restructuring costs	—	0.1	—
Impairment losses	—	-0.1	—
EBIT—Salmon of Canadian Origin	**166.2**	**24.5**	**13.1**

RECONCILIATION CANADIAN ORIGIN (EUR per kg)	2016	2015	2014
Operational EBIT—Salmon of Canadian Origin	**2.53**	**0.34**	**1.12**
Fair value uplift on harvested fish	-2.32	-0.65	-1.69
Fair value adjustment on biological assets	3.62	0.91	1.05
Restructuring costs	—	—	—
Impairment losses	—	—	—
EBIT—Salmon of Canadian Origin	**3.83**	**0.61**	**0.49**

RECONCILIATION CHILEAN ORIGIN (EUR MILLION)	2016	2015	2014
Operational EBIT—Salmon of Chilean Origin	**4.2**	**-51.4**	**37.9**
Fair value uplift on harvested fish	15.0	-15.7	-57.6
Fair value adjustment on biological assets	32.0	0.9	30.8
Restructuring costs	-2.2	-9.4	-0.2
Impairment losses	-17.7	-4.0	—
Other non-operational items	—	2.4	—
EBIT—Salmon of Chilean Origin	**31.4**	**-77.2**	**10.9**

RECONCILIATION CHILEAN ORIGIN (EUR per kg)	2016	2015	2014
Operational EBIT—Salmon of Chilean Origin	**0.11**	**-0.82**	**0.56**
Fair value uplift on harvested fish	0.41	-0.25	-0.85
Fair value adjustment on biological assets	0.87	0.01	0.46
Restructuring costs	-0.06	-0.15	—
Impairment losses	-0.48	-0.06	—
Other non-operational items	—	0.04	—
EBIT—Salmon of Chilean Origin	**0.85**	**-1.24**	**0.16**

RECONCILIATION IRISH ORIGIN (EUR MILLION)	2016	2015	2014
Operational EBIT—Salmon of Irish Origin	**6.3**	**9.3**	**3.9**
Fair value uplift on harvested fish	-13.4	-17.2	-9.2
Fair value adjustment on biological assets	18.7	16.5	10.9
EBIT—Salmon of Irish Origin	**11.6**	**8.7**	**5.6**

RECONCILIATION IRISH ORIGIN (EUR per kg)	2016	2015	2014
Operational EBIT—Salmon of Irish Origin	**0.75**	**0.96**	**0.62**
Fair value uplift on harvested fish	-1.58	-1.76	-1.47
Fair value adjusted on biological assets	2.21	1.70	1.74
EBIT—Salmon of Irish Origin	**1.38**	**0.89**	**0.89**

RECONCILIATION FAROESE ORIGIN (EUR MILLION)	2016	2015	2014
Operational EBIT—Salmon of Faroese Origin	**33.8**	**5.1**	**19.7**
Fair value uplift on harvested fish	-32.0	-2.4	-23.1
Fair value adjustment on biological assets	30.5	9.5	10.3
EBIT—Salmon of Faroese Origin	**32.3**	**12.1**	**6.9**

RECONCILIATION FAROESE ORIGIN (EUR per kg)	2016	2015	2014
Operational EBIT—Salmon of Faroese Origin	**3.10**	**1.74**	**1.71**
Fair value uplift on harvested fish	-2.94	-0.84	-2.01
Fair value adjustment on biological assets	2.80	3.24	0.89
EBIT—Salmon of Faroese Origin	**2.97**	**4.13**	**0.60**

The following tables set forth our calculation of ROCE, requiring reconciliation of Adjusted EBIT to EBIT and NIBD to non-current interest-bearing debt, for the years ended December 31, 2016, 2015 and 2014:

CALCULATION OF ROCE, RECONCILIATION OF ADJUSTED EBIT AND NET INTEREST BEARING DEBT (EUR MILLION, EXCEPT ROCE)	2016	2015	2014
Adjusted EBIT	713.7	333.5	512.9
Fair value uplift on harvested fish	-869.6	-457.6	-659.9
Fair value adjustment on biological assets	1 255.8	467.7	598.9
Onerous contracts provision	-108.7	-0.7	2.8
Other non-operational items	—	2.4	-20.1
EBIT	**991.2**	**345.3**	**434.5**
Net interest-bearing debt (NIBD)	890.0	999.7	1 032.6
Cash	103.9	71.8	156.9
Current interest-bearing debt	-0.1	-0.2	-0.8
Gain/loss financial instruments	-0.5	—	—
Non-current interest-bearing debt	**993.4**	**1 071.4**	**1 188.8**
NIBD	890.0	999.7	1 032.6
Assets held for sale	-3.5	-1.8	-2.1
Total equity	2 069.3	1 895.6	1 639.9
Fair value adjustment on biological assets	-660.5	-244.5	-251.6
Onerous contracts provision	124.6	14.4	14.6
Capital employed as of the end of the period	**2 420.0**	**2 663.4**	**2 433.4**
Average capital employed[1)]	2 541.7	2 548.4	2 450.1
Adjusted EBIT	713.7	333.5	512.9
ROCE	**28.1%**	**13.1%**	**20.9%**

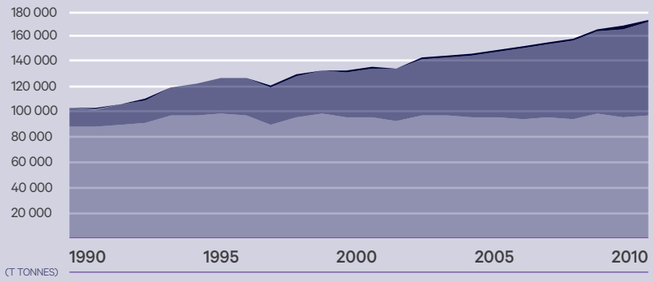
1) Calculated as the average capital employed as of the beginning and the end of the period, except when there are material transactions during the year.

The following table set forth our calculation of Underlying EPS for the year ended December 31, 2016 and 2015:

UNDERLYING EARNINGS PER SHARE (EUR MILLION)	2016	2015	2014
Operational EBIT	**700.2**	**346.8**	**508.7**
Accrued payable interest (net)	-22.7	-29.7	-44.8
Calculated tax expense	-168.2	-85.8	-119.8
Minority share of profit	0.3	-0.1	-0.5
Operational EBIT adjusted for above items	**509.5**	**231.2**	**343.6**
Shares outstanding (average)	450 085 652	440 906 427	410 336 788
Underlying EPS (EUR per share)	**1.13**	**0.52**	**0.84**

Farmed Atlantic salmon analysis

The aquaculture industry has shown steady growth since 1990

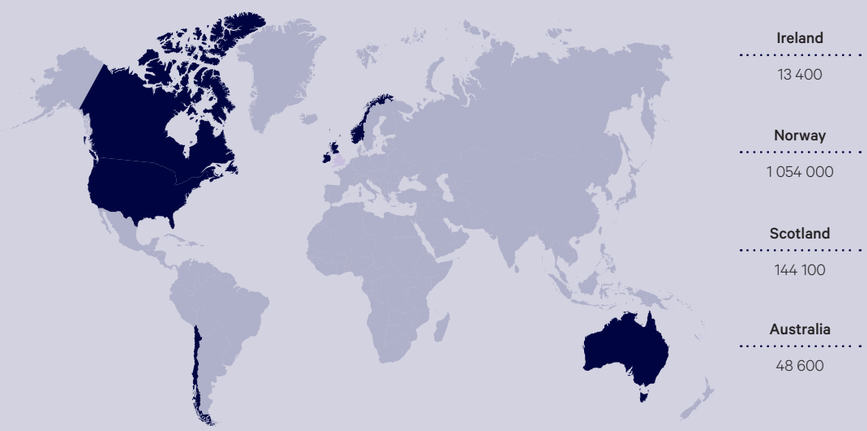


Aquaculture is a fast-growing food producing sector. In 2014, the aquaculture industry contributed **44%** of the fish destined for human consumption.

The aquaculture industry's output has soared since the mid-1990s, while the wild fish harvest in the same period has been stable.

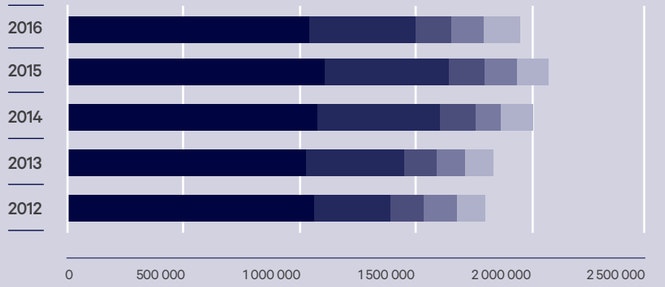
- Farmed Atlantic salmon
- Aquaculture
- Wild capture

Global suppliers of Atlantic salmon in 2016 in tonnes GWE



Due to biological constraints, seawater temperature requirements and other natural limitations, farmed salmon is produced in Norway, Chile, Scotland, North America, Faroe Islands, Ireland and New Zealand/Tasmania, with **Norway** being the dominant supplier.

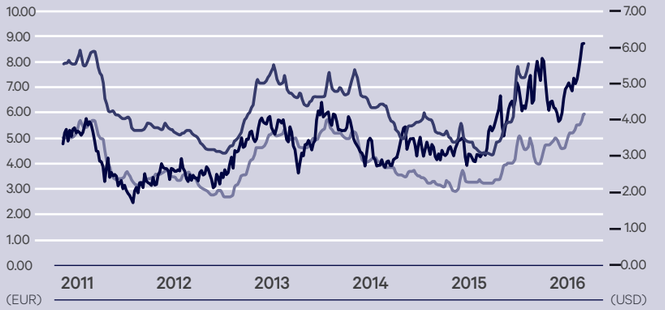
Development in supply of Atlantic salmon in tonnes GWE



Atlantic salmon is a small, but growing part of the global protein supply. Despite an increase in production of Atlantic salmon of more than **800%** since 1990, the total supply of salmon is still marginal compared to most other major seafood categories. This is because the industry has reached a production level where biological boudaries are being pushed under the current production regime.

- Norway
- Chile
- Scotland
- North America
- Other

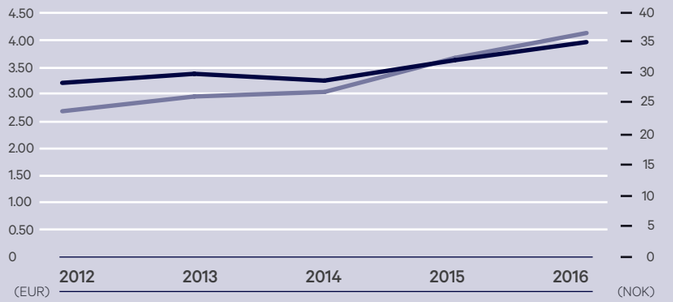
Development in reference price



Salmon prices are volatile. The reference price for salmon of Norwegian origin increased by **46.0%** in EUR (per kg gutted weight FCA Oslo - superior quality), while the reference prices for salmon of Chilean origin (per lb, Urner Barry 3-4 lb, Miami) and North American origin (per lb gutted weight, Urner Barry 10-12 lb, Seattle - superior quality) increased by **42.1%** and **41.0%** respectively from 2015 to 2016.

- Norwegian
- Chilean
- North American

Development in "cost in box" per kg



The cost in Atlantic salmon farming have increased steadily over the last five years.

The CAGR between 2012 and 2016 was **5.4%** in EUR and **11.3%** in NOK due to increasing lice mitigation and feed costs.

- Cost per kg EUR
- Cost per kg NOK

Risk and risk management

Risk relates to uncertainty and the factors that may prevent us from generating the expected returns, reaching our goals and deliver on our strategy. Through our risk management processes we identify, quantify, and define actions to manage the risks we are facing. We split our defined risks into subcategories within our four guiding principles - Profit, Planet, Product and People to ensure that they are addressed by our most capable people within each area.

RISK AND HOW WE WORK TO MANAGE IT

Our ambition is to be a leading, integrated provider of proteins from the ocean. We aim to be a leader in all key areas from production of fish feed to meeting the needs of the market:

- *Manufacturing high-quality salmon feed.*
- *Farming healthy and safe salmon for own value added processing and third-party whole fish sales.*
- *Processing and selling healthy, delicious and innovative value added seafood products.*

"The Marine Harvest Way".

Through our materiality assessment we have identified areas of opportunity and risk that could influence our ability to achieve our goals and deliver on our strategy. Risk management is what we do to manage our risk in order to provide reasonable assurance to our stakeholders that we will achieve our goals. Different risk management frameworks are in use globally, the most widely used being the COSO [2] enterprise risk framework, which divides risk into four categories:

1. Operational risk
2. Strategic risk
3. Reporting risk
4. Compliance risk

We consider our operational risk to cover several individually important subcategories, and have therefore chosen to divide our operational risks into the following sub categories:

a. Risks related to the sale/supply of our products
b. Risks related to governmental regulations
c. Risks related to our fish farming operations
d. Risks related to our supply of fish feed and feed operations
e. Risks related to our industry
f. Risks related to our business
g. Risks related to our financial arrangements
h. Risks related to tax and legal matters
i. Risks related to climate change

All risk categories could, if not properly managed, have a material adverse effects on our business operations and financial results. Each risk category includes one or more identified risks factors that individually and/or in combination with others could significantly affect our performance. We are continuously working to mitigate identified risks and capitalize on opportunities by tracking and following up key performance indicators within the framework of our four guiding principles. We believe that our long-term success depends on our ability to manage the relevant risks associated with our operations, strategy, reporting and compliance.

An overview of our identified risk factors, along with our mitigation efforts and what we do to manage our risk, is outlined in the table below. For more detailed descriptions of the risks/ challenges and opportunities associated with our operations, please see the referenced sections in this Integrated Annual Report. We apply the precautionary approach to risk management through our materiality assessment. Marine Harvest reports in accordance with the Global Reporting Initiative (GRI) G4 core requirements. The appendix found on our website marineharvest.com provides the required additional disclosures including the GRI disclosure index.

2) Committee of Sponsoring Organizations

RISK AND RISK MANAGEMENT

	RISK	SHORT DESCRIPTION	MITIGATION ACTION	REFERENCE	PAGE
1a	**Risks related to the sale and supply of our products**				
I	Our results depend on salmon prices	Our results are substantially dependent on salmon prices, and salmon prices are subject to large short and long-term fluctuations due to variations in supply and demand caused by factors such as smolt transfer, biological factors, quality, shifts in consumption and license changes. Short or long-term decreases in the price of farmed salmon may have a materially adverse effect on our financial figures	– *Sales contract policy to reduce exposure to fluctuations* – *Downstream integration to reduce dependence on spot whole-fish prices* – *Product innovation to grow overall salmon sales* – *Commitment to sustainable development of the industry and information exchange with authorities to ensure a sustainable operational framework for steady growth*	– *Profit* – *Note 13 Group* – *Leading the Blue Revolution* – *Product* – *Planet* – *R&D* – *Analytical information*	– *p 42* – *p 194* – *p 24-26* – *p 88-91* – *p 56-85* – *p 245-246*
II	A reduction in the price of salmon may trigger substantial reduction in the value of our biological assets	A reduction in the price of salmon may trigger substantial reduction in the value of our biological assets, as the price of salmon is a significant factor in the valuation of these assets	– *Ref Salmon prices above*	– *Ref Salmon prices above* – *Note 6 Group*	– *Ref above* – *p 176- 179*
III	We may be unable to effectively hedge our exposure to short- and medium-term fluctuations in salmon prices	We seek to manage our exposure to short and medium-term fluctuations in salmon reference prices through sales contracts and Fish Pool financial futures, as well as through our secondary processing activities. An inability to effectively hedge our exposure to short and mediumterm fluctuations in salmon prices may have a materially adverse effect on our financial figures.	– *Sales contract policy to reduce exposure to fluctuations* – *Downstream integration to reduce dependence on spot whole-fish prices*	– *Profit* – *Note 13 Group* – *Analytical information* – *Leading the Blue Revolution*	– *p 42* – *p 194* – *p 245-246* – *p 24-26*
IV	Market demand for our products may decrease	Increased competition, consolidation and overcapacity may lead to reductions in the price of competing products that could curtail demand for our products. This may have a materially adverse effect on our financial figures.	– *Focus on health benefits of salmon consumption* – *Continuous effort to find sustainable, more affordable raw materials for feed production and focus on best operational practices to reduce operational costs*	– *Product* – *Planet* – *R&D*	– *p 97-99* – *p 75-79* – *p 28-37*
V	Changes in consumer preferences/lack of product innovation may have an adverse effect on our business	Our continued success will depend in part on our ability to anticipate, identify and respond quickly to changing consumer preferences for fish, especially secondary processed seafood. If we are unable to do so, this may have a materially adverse effect on our financial figures	– *Focus on health benefits of salmon consumption* – *Product innovation to grow overall salmon sales* – *Continue to strengthen our market and new product development*	– *Product* – *R&D*	– *p 97-99* – *p 88-91* – *p 30*
VI	Disruptions to our supply chain may impair our ability to bring our products to market	We source and transport our salmon over long distances. As most of our products are perishable and can be stored only for a limited time, disruptions to our supply chain due to weather, earthquakes, natural disaster, fire or explosion, terrorism, pandemics, strikes, government action, environmental incidents or other matters beyond our control could impair our ability to bring our products to the market (timely or at all).	– *Emergency plans to mitigate consequences* – *Global footprint for farming and processing enabling cross-production*	– *Analytical information*	– *p 240*
VII	Natural disasters, catastrophes, fire or other unexpected events could cause significant losses of operational capacity.	Our facilities could be materially damaged by natural disasters, and we could incur uninsured losses and liabilities arising from such events, including damage to our reputation and/or suffer material losses in operational capacity.	– *Risk-based insurance coverage* – *Emergency plans to mitigate consequences* – *Strict standards for construction of operating units* – *Global footprint for farming and processing enabling cross-production*	– *Analytical information*	– *p 240*
1b	**Risks related to governmental regulations**				
I	Governmental regulations affect our business	The fish farming and processing industries are subject to local, regional and national government regulations relating to the farming, processing, packaging, storage, distribution, advertising, labeling, quality and safety of food products.Our operations are also subject to extensive and increasingly stringent regulations administered by environmental agencies in the jurisdictions in which we operate.	– *Continuous dialog with the authorities in the countries in which we operate to secure a sustainable operational framework* – *Active participation, alone or through joint industry groups, in consultative processes for new or updated regulatory frameworks* – *Rigorous testing to ensure that our products are safe and healthy* – *Third-party certification*	– *Leading the Blue Revolution* – *R&D* – *Product*	– *p 25-26* – *p 30-31* – *p 92-99*

II	Trade restrictions could have a negative impact on price in some countries	Trade restrictions resulting in suboptimal distribution of salmon may be intensified, creating a negative impact on price in some countries. Many of our production sites are located outside our principal markets, leaving us exposed to trade restrictions. The effects of trade restrictions may have a significant negative impact on our ability to sell in certain regions or our ability to charge competitive prices for our products in such regions.	– *Dialog with authorities to ensure access to markets globally* – *Sales contract policy to reduce exposure to fluctuations* – *Global farming and processing footprint to mitigate the effects of trade restrictions with regional reach*	– *Leading the Blue Revolution* – *Profit* – *Note 13 Group* – *Analytical information*	– *p 25-26* – *p 42* – *p 194* – *p 240*
III	The new administration in the USA has signaled changes in the regulations regarding international trade	We sell the majority of our salmon of Canadian and Chilean origins in the US market. Trade restrictions could impact our ability to sell our products in this market and/or reduce our products competitiveness compared to beef, pork and poultry produced in the US.	– *Dialog with authorities* – *Promotion of health benefits of salmon*	– *Leading the Blue Revolution* – *Product*	– *p 25-26* – *p97-99*
IV	We may face restrictions with regard to operating sites located close to protected or highly sensitive areas.	Some of our sites are located close to or within sensitive areas with respect to biodiversity. The effect of salmon farming on the environment and biodiversity is being intensively discussed and new regulations in this area could result in the closure of sites or require the implementation of costly measures. In addition, new regulations could result in restrictions to certain additives used in fish feed and in medication becoming prohibited at these sites if they are believed to have an adverse impact on the environment. Compliance with such laws, rules and regulations, or a breach of them, may have a materially adverse effect on our business and financial figures.	– *Continuous dialog with the authorities in the countries in which we operate to document that biodiversity is not adversely affected by our operations* – *Cooperation agreement with WWF* – *Norway for mutual exchange of ideas and information* – *Environmental testing and documentation to ensure that our operations do not leave a lasting footprint*	– *Leading the Blue Revolution* – *R&D* – *Planet* – *BoD report*	– *p 25-26* – *p 28-37* – *p 72-75* – *p 136-138*
V	Our fish farming operations are dependent on fish farming licenses	In the jurisdictions in which we operate, we are required to obtain licenses in order to farm fish. We have obtained and currently hold such licenses for our operations. Governments may, however, change the way licenses are distributed, or otherwise dilute or invalidate our licenses. If we are unable to maintain existing or obtain new fish farming licenses, or if a new licensing regulation dilutes the value of our licenses, this may have a materially adverse effect on our business.	– *Continuous dialog with the authorities in the countries in which we operate to discuss our and their role in securing the sustainable development of the industry*	– *Dear shareholders* – *Leading the Blue Revolution* – *R&D* – *Note 9 Group*	– *p 11-12* – *p 25-26* – *p 28-37* – *p 102*
VI	Antitrust and competition regulations may restrict further growth in some of the jurisdictions in which we operate	Our business and operations are subject to regulation by antitrust or competition authorities, particularly due to our significant market shares in the jurisdictions in which we operate. The risks of infringing competition laws and regulations are higher in markets in which we hold a leading position. In an acquisition setting, we may be forced to divest certain parts of the acquisition, which may have a materially adverse effect on our business and financial figures.	– *Continuous dialog with the authorities in the countries in which we operate to discuss the potential benefits of industry consolidation from a sustainability point of view*	– *Dear shareholders* – *Leading the Blue Revolution*	– *p 11-12* – *p 25-26*
VII	We could be adversely affected by violations of the acceptable anti-corruption laws.	Applicable anti-corruption laws, including the US Foreign Corrupt Practices Act and the UK Bribery Act of 2010, generally prohibit companies and their intermediaries from making improper payments, and require companies to keep accurate books and records as well as appropriate internal controls. We operate in some parts of the world that have experienced governmental corruption, and if we were found liable for violations of anti-corruption laws, we may incur civil and criminal penalties which could have a materially adverse effect on our business, financial figures and reputation.	– *Code of Conduct* – *Leadership Principles*	– *Leading the Blue Revolution* – *People* – *Corporate governance*	– *p 21-24* – *p 112-113* – *p 150*

1c	**Risks related to our fish farming operations**				
I	Fish are adversely affected by sea lice, and we may incur significant costs and be exposed to regulatory actions if the challenge is not addressed.	The authorities in all countries with an aquaculture industry have set limits for the acceptable number of sea lice per fish. A failure to control sea lice levels may result in an increased number of treatments, compromised fish welfare, higher costs and the possibility of regulatory actions.	– *Implementation of our sea lice strategy.* – *Continuous R&D efforts on most effective lice strategy, as well as new tools to control sea lice in a sustainable manner*	– *R&D* – *Planet*	– *p 33* – *p 66-69*
II	We may be exposed to criticism and regulatory actions arising from our farming of and use of wild caught cleaner fish for sea lice control.	Our sea lice control strategy is primarily based on using non-medicinal tools and includes the use of cleaner fish. Cleaner fish are predominantly caught from the wild. However, due to regulations which have limited the availability of cleaner fish and seasonal variations, we have begun cleaner fish farming. Catch, farming and use of cleaner fish have raised concerns with regards to protection of wild stocks, husbandry practices, fish welfare and survival. Therefore, the use of cleaner fish could result in negative publicity, reputational harm and possibly regulatory actions.	– *R&D in key areas including fish health, fish nutrition and husbandry* – *Good farming practices (identification and implementation of best practices during farming of cleaner fish, as well as at the salmon farms)*	– *R&D* – *Planet*	– *p 33* – *p 66-69*
III	Our fish stocks, operations and reputation can be adversely affected by various diseases	Our fish are affected by diseases caused by viruses, bacteria and parasites which may have an adverse effect on fish survival, health, growth and welfare and result in reduced harvest weight and volume, downgrading of products, claims from customers and increased costs. Continued disease problems may also attract negative media attention and public concerns.	– *Disease registration and tracking of reasons for reduced survival to monitor development and prioritize R&D* – *Applying best farming practices for disease control* – *R&D efforts within disease management and control, including more knowledge of best farming practices, vaccine testing and use, breeding program which includes selection of best genetics related to fish robustness and resistance to diseases*	– *R&D* – *Planet*	– *p 33* – *p 64-71*
IV	Our stock may be infected with Kudoa thyrsites, causing soft flesh.	Our salmon has, at times, been infected by the parasite Kudoa thyrsites, or Kudoa, commonly called "soft flesh" syndrome. Kudoa is more common in British Columbia, Canada, although there have also been sporadic cases in Ireland. Kudoa may be difficult to detect during harvesting and processing, as the effect materializes in flesh quality post mortem and takes some time to develop. Even though most of the Kudoa-affected fish can be detected before the product reaches the customer, it must be substantially downgraded or discarded, leading to a reduction in its commercial value.	– *Continue to follow the Kudoa mitigation plan, which focuses on stocking only fish above one kg in areas with a high prevalence of Kudoa (R&D has shown lower susceptibility after one kg)* – *Continuous R&D effort to better understand and eradicate the Kudoa challenge*	– *Product*	– *p 95-96*
V	Our fish stocks can be depleted by environmental factors such as plankton, low oxygen levels and fluctuating seawater temperatures.	Our salmon farming operations are subject to a number of environmental risks which may impact profitability and cash flows through adverse effects on growth, harvest weight, harvest volume, mortality, downgrading and claims.	– *Continuous R&D effort to manage the challenges including the use of skirts around the pens and continuous oxygen monitoring systems at the bottom of the pens* – *Plankton (including algae) surveillance systems*	– *Planet*	– *p 64-65*
VI	Our fish stocks are subject to risks associated with fish escapes and predation	Salmon escapes are most commonly caused by human error, severe weather and structural issues at our farming sites. In addition to affecting our salmon count, escaped farmed salmon may impact wild salmonid stocks by genetic interaction and the risk of transferring disease. This may result in negative publicity and penalties or other sanctions from governmental authorities. Our salmon is also subject to predation by other animals which can affect our salmon count and adversely impact our results of operations.	– *Escape prevention and mitigation plans* – *Tracking of all escape incidents and investigation for cause of incident for information sharing and learning* – *Applying best practices for escape prevention* – *Continuous R&D effort to test farming equipment for severe weather conditions*	– *R&D* – *Planet* – *BoD report*	– *p 33* – *p 62-63* – *p 138*

VII	Intensive production may result in physical deformities, leading to downgrading and/or losses of biomass as well as to reputational harm.	Intensified production may push the boundaries for how fast fish can grow, and cause production-related disorders relating to physical deformities and cataracts. High water temperatures of more than 14 degrees Celsius early in the freshwater stage, water quality and diet composition may all be contributing factors. Deformities and cataracts may lead to financial losses and damage to the industry and our reputation.	– *R&D - feed research trials to document that the diets used in commercial salmon farming are not compromising fish health and welfare* – *R&D salmon growth trials to develop best farming practices for growth*	– *R&D* – *Planet*	– *p 30-34* – *p 75-79*
VIII	Our fish stocks might be exposed to contaminants, leading to product recalls, product liability, negative publicity and governmental sanctions.	Farmed salmon may be exposed to contamination by undesirable substances through raw materials and ingredients in the fish feed, polluted waters, poor processing hygiene and cross-contamination during handling. Contamination may affect food safety, fish health and the environment, and reduce the publics confidence in eating salmon.	– *Vigorous product testing to document that our products are safe* – *Requirements to suppliers and certification of raw materials used in our fish feed* – *Testing of raw materials and feed used in our farming operations*	– *R&D* – *Planet* – *Product*	– *p 30-34* – *p 75-79* – *p 95-96*
IX	Our fish may be exposed to pollutants from open seas resulting in mortality and poor end-product quality	Fish farming is conducted using open net pen systems located in marine environments. Operations are therefore exposed to pollution from the open sea, including potential oil leaks or spills. Oil products floating into a farm will severely affect the fish's normal oxygen uptake, reduce fish survival and leave an unpleasant taste on surviving fish, making it inedible.	– *Testing of end-products to document that they are safe and of high quality* – *Locating farms in areas with clean waters and a low risk of pollution*	– *R&D* – *Product*	– *p 30-34* – *p 95-96*
X	Inclement weather could hurt our stocks negatively affect our operations and damage our facilities	Unusually warm or cold temperatures, altered oxygen levels in the sea resulting from annual variations, as well as extreme weather in the regions where we operate could cause impairment of the health and growth of our fish or result in fish escapes, loss of biomass, lost feeding days, repair costs, damage to infrastructure, etc.	– *Ref Fish Escapes above* – *New technology* – *Evaluation of environmental conditions and use of equipment fit for the conditions in the area*	– *Ref Fish Escapes above* – *R&D*	– *Ref above* – *p 30-37*
XI	Our operations are exposed to risks related to biological events or natural phenomena for which insurance coverage is expensive, limited and potentially inadequate.	Our business operations are subject to a number of adverse biological risks, including risks relating to sea lice, fish mortality, disease, predation and other biological risks. There will always be a risk that certain biological events or natural phenomena may occur for which no or only partial insurance coverage is payable.	– *Ref Sea lice above* – *Ref Disease above* – *Risk-based insurance coverage*	– *Ref Sea lice above* – *Ref Disease above*	– *Ref above*
1d	**Risks related to our supply of fish feed and our feed operations**				
I	Reduced availability of the main ingredients used in fish feed production could result in higher costs for fish feed.	Fish feed accounted for approximately 43% of our "cost in box" in 2016. Global inventories, currency fluctuations and seawater temperatures all affect the supply of feed ingredients. Fish oil and fish meal are produced using wild caught fish such as anchovies. The extensive use of fish oil combined with a growing fish farming industry presents a sustainability challenge for the industry. Other key ingredients such as canola oil, soy bean protein and wheat are subject to unpredictable price changes caused by supply and demand fluctuations, weather, size of harvest, transportation and storage cost, global policies, etc.	– *Continuously working in-house and with feed suppliers to ensure that the feed recipes are altered based on relative prices to secure the lowest possible cost without compromising fish health* – *Efforts to test and document feeds with lower levels of marine ingredients without compromising fish health/performance*	– *R&D* – *Profit* – *Planet* – *Analytical information*	– *p 33-34* – *p 44* – *p 75-79* – *p 246-247*
II	Termination of one or more of our feed contracts at short notice could result in material additional costs.	We still depend on third-party feed suppliers in most of the regions in which we operate. The fish feed industry is dominated by three large, global suppliers, which normally adapt their production volumes to prevailing supply commitments. If one or more of our feed contracts were terminated at short notice prior to their respective expiration dates, we may be forced to find alternative suppliers at short notice, incurring additional costs.	– *Long-term supply contracts with termination clauses* – *Own feed production*	– *Leading the Blue Revolution*	– *p 25-26*

III	Production issues in our own feed operations could cause us to incur material additional costs.	If our feed operation were to encounter production challenges, including those related to contaminated fish feed/feed ingredients, labor stoppages, disruptions in the supply chain and environmental and regulatory issues, we may be forced to find alternative suppliers in the market at short notice, incurring additional costs and potential disruptions to our farming operations. We could also be liable for losses incurred by third party feed customers.	– *Certification of raw materials used* – *Testing of feed raw materials* – *Employee HSE surveys* – *Use of numerous suppliers of feed raw materials*	– *Planet* – *People*	– *p 75-79* – *p 110-111*
IV	A reduction in the quality of our fish feed could have a materially adverse effect on our production	Fish feed is essential to our fish production, as its quality affects the quality and volume of our harvests. Our feed conversion rate may increase due to lower quality or a suboptimal mix of ingredients used.	– *Testing to document that our feed is of high quality, contributing to good growth and favorable feed conversion rates*	– *R&D* – *Planet*	– *p 33-34* – *p 75-79*
V	Inferior or contaminated fish feed could result in product liability or other serious adverse consequences for us	Harmful substances may be found in feed ingredients, and although we have implemented risk analysis and screening protocols to prevent the contamination of our feed, undetected contamination could cause severe damage to the salmon, potentially causing health issues for consumers and resulting in liability claims.	– *Certification of raw materials used* – *Testing of feed raw materials* – *Testing of end products* – *Risk analysis and screening protocols*	– *R&D* – *Planet* – *Product*	– *p 33-34* – *p 75-79* – *p 92-94*
1e	**Risks related to our industry**				
I	Our facilities may be the target of sabotage by environmental organizations.	Some environmental organizations have the eradication of salmon farming as one of their stated aims. A risk of sabotage can therefore not be ruled out.	– *Stakeholder dialog for the exchange of information and ideas*	– *Leading the Blue Revolution*	– *p 25*
II	The farmed-salmon industry may be subject to negative media coverage.	Farmed salmon has in some instances been subject to criticism from various research communities and NGOs, which may affect consumer attitudes towards farmed salmon. Such negative consumer attitudes may result in a lower demand for our products.	– *Stakeholder dialog for the exchange of information and ideas* – *Documentation of our farming practices and third-party certification*	– *Leading the Blue Revolution* – *Planet* – *Product*	– *p 25* – *p 56-85*
1f	**Risks related to our business**				
I	We derive nearly all our revenues from sales of Atlantic salmon and are heavily dependent on the market for Atlantic salmon.	Our business consists primarily of raising and selling Atlantic salmon, and we expect this to continue for the foreseeable future. Accordingly, our business is heavily dependent on the market for Atlantic salmon.	– *Ref Market demand for our products above* – *Ref Change in consumer preferences above*	– *Ref Market demand for our products above* – *Ref Change in consumer preferences above*	– *Ref above* – *Ref above*
II	We rely heavily on the services of key personnel	We depend substantially on the leadership of a small number of executive officers and other key employees. The loss of the services provided by these individuals could have a materially adverse effect on our business. We may also find it difficult to attract the necessary employee resources in the remote areas in which we operate.	– *Roll out our leadership principles and continue to build a winning culture that supports employee development and attracts new employees* – *Remuneration of key management personnel*	– *Leading the Blue Revolution* – *People* – *Note 14 Group* – *Note 15 ASA*	– *p 22-24*
III	We are subject to risks associated with our international operations and our expansion into emerging markets.	Our global operational footprint means we are subject to various risks and uncertainties relating to our international operations. These include the imposition of trade protection measures, corruption, the impact of exchange rate fluctuations, political, social and economic conditions, compliance with domestic and international laws, different regulatory structures, differing tax regimes and distribution. Negative consequences in these regards could limit our ability to transact business in current or future markets.	– *Identification of risk and risk mitigating actions prior to entering new markets* – *Risk mapping on a continuous basis*	– *Risk an Risk Management*	– *p 258* – *appendix to report*

IV	Political instability may have a material adverse effect on our business, results of operation and financial condition.	Political instability has in the past, and may in the future, adversely affect our operational results. The Russian ban on imports of salmon products from certain countries, the sudden reduction in Russian purchasing power due to the depreciation of the Russian Ruble, and the Chinese ban on imports of Norwegian salmon are recent examples in this regard.	– *Global farming, processing and supply footprint expanding the opportunities if political actions target a specific place of origin only*	– *Analytical information*	– *p 245-246*
V	We depend on the availability of and good relations with our employees	Our operations depend on the availability, retention and relative cost of labor, and on maintaining satisfactory relations with employees and labor unions. Labor relation issues may arise from time to time, which could result in strikes or other labor disputes.	– *Roll out our leadership principles and continue to build a winning culture that supports employee development and attracts new employees* – *Fair compensation*	– *Leading the Blue Revolution* – *People*	– *p 22-24* – *p 110-111*
VI	We depend on a small number of contractors for key industry supplies, such as fish feed and well boats	We depend on major industry suppliers of well boats and fish feed. We currently hire most of our well boats, and we purchase a significant share of our fish feed from third parties. There is a limited number of key suppliers of these items to our industry, and failure to maintain good business relationships with these suppliers may have a significantly adverse effect on us.	– *Commitment to expand own feed production* – *JV with Deep Sea Supply forming DESS Aquaculture* – *Stakeholder dialog*	– *Leading the Blue Revolution*	– *p 24-26*
VII	Some steps of the production process are outside our control.	We purchase seafood from third parties as an input factor in some of our secondary processing activities. We do not control the production process for the seafood we purchase, and it may contain foreign elements that are harmful or prohibited under the laws of the countries in which we distribute the product. Furthermore, substantial sales of generic and private label products mean that we do not always control the brand under which our products are sold. This may have a negative impact on our reputation in addition to making it difficult for us to build brand loyalty.	– *Brand building to differentiate our products* – *Product testing* – *Supplier commitment to our code of conduct*	– *Product* – *People*	– *p 88-93* – *p 112-113*
1g	**Risks related to our financing arrangements**				
I	If we are unable to access capital, we may be unable to grow or implement our strategy as designed.	Feed production, salmon farming and seafood processing are capital intensive industries. Our future development and growth may depend on access to external capital in the form of debt and/ or equity capital. A lack of access to such capital, or material changes in the terms and conditions of our external financing could limit our future growth and strategy.	– *Ref all actions to safeguard profit and reduce/manage costs* – *Ref Salmon price, market demand, sea lice, disease, kudoa above*	– *Ref salmon price, market demand, sea lice, disease, kudoa, contractors for key industry supplies above* – *Note 13 Group* – *BoD report*	– *Ref above* – *p 194* – *p 135-136*
II	We are highly leveraged and subject to restrictions in our financing agreements that impose constraints on our operating and financing flexibility.	We have substantial debts outstanding. We may need to refinance some or all of our borrowings, and may not be able to do so at attractive terms or at all. We may incur additional debt in the future, subject to limitations under our credit facilities and bond terms.	– *Ref all actions to safeguard profit and reduce/manage costs* – *Ref salmon price, market demand, sea lice, disease, kudoa above* – *Using a portfolio of financing options to reduce dependence on our syndicated credit facility*	– *Ref salmon price, market demand, sea lice, disease, kudoa, contractors for key industry supplies above* – *Note 11 Group* – *Note 13 Group* – *BoD report*	– *Ref above* – *p 187* – *p 194* – *p 135-136*
III	Fluctuations in the value of the derivatives used to hedge our exposure to salmon prices may adversely impact our operating results	Our business is exposed to fluctuating salmon prices, and we use contracts and derivative financial instruments to reduce such exposure. The use of derivative financial instruments reduces our exposure to changes in prices, but may also limit our ability to benefit from favorable trends in salmon prices, while our contracts can adversely affect our profitability when spot prices are rising.	– *Ref salmon price above*	– *Ref salmon price above* – *Note 13 Group* – *BoD report*	– *Ref above* – *p 194* – *p 135-136*

IV	Fluctuations in foreign exchange rates may adversely impact our operating results.	We are exposed to changes in foreign exchange rates as a part of our business operations. Although we seek to hedge our exposure to currency risk, such hedging arrangements may not be effective, which may ultimately have a materially adverse effect on our business and financial figures.	– *Converted the holding company and the Norwegian Markets unit into EUR-denominated companies to better match financing and reporting currency from January 1, 2016* – *Foreign Exchange Strategy* – *Hedging Policy*	– *Note 13 Group* – *BoD report*	– *p 194* – *p 135-136*
V	We are subject to fluctuations in interest rates due to the prevalence of floating interest rates in our debt.	We are partly financed at floating interest rates, and our hedges against interest rate fluctuations in the main currencies related to our interest-bearing debt may be ineffective in protecting us from the effects of interest rate increases.	– *Hedging policy - interest rate swaps*	– *Note 13 Group* – *BoD report*	– *p 194* – *p 135-136*
VI	If our customers fail to fulfill their contractual obligations we may suffer losses.	We are exposed to the risk of losses if one or more contractual partners do not meet their obligations. We cannot guarantee that we will be able to recover losses from trade receivables from credit insurance companies or that our credit evaluations of trading partners will be effective.	– *Insurance policy* – *Credit ratings of all customers* – *Close follow up of customers*	– *Note 13 Group* – *BoD report*	– *p 194* – *p 135-136*
1h	**Risks related to tax and legal matters**				
I	We are exposed to potentially adverse changes in the tax regimes of the jurisdictions in which we operate.	Significant changes in the tax regimes in the countries in which we operate may have a materially adverse effect on our financial figures.	– *Tax optimization within the laws of the countries in which we operate*	– *Note 15 Group*	– *p 199*
II	We may become involved in legal disputes	We may from time to time become involved in legal disputes. We could be involved in criminal or civil proceedings relating to product liability, environmental, food safety, competition or anti-bribery regulations, and other types of dispute which may have a materially adverse effect.	– *Contract negotiations* – *Use of expert advisers in complex matters*	– *Note 27 Group*	– *p 211*
1 i	**Risks related to climate change**				
I	The tangible effect of climate change have the potential to damage fish farming facilities, disrupt production activities and could cause us to incur significant costs	Climate change could affect the severity of weather, sea levels and temperatures, and the availability of the raw materials for our fish feeds. If any such effects were to occur, they may have a materially adverse effect on our business and financial figures.	– *Doing our part: endorsing global sustainability issues and addressing climate change* – *Testing of alternative raw materials in feed*	– *R&D* – *Planet*	– *p 33* – *p 58-61* – *p 75-79*
II	Climate change rules and regulations could increase the costs of operating our facilities or transporting our products.	Climate change and its link to the emission of greenhouse gases is receiving more and more attention. Certain countries and regions have adopted, or are considering, legislation or regulations imposing overall caps or taxes on greenhouse gas emissions, or mandating the increased use of electricity from renewable energy sources. These actions could increase our operating costs.	– *Doing our part: endorsing global sustainability issues and addressing climate change*	– *Dear shareholders* – *Planet*	– *p 10-13* – *p 58-61* – *p 75-79*
2	**Risks related to our strategy - acquisitions and expansions**				
I	The expected benefits of our expansion on the Canadian East Coast is subject to risks and uncertainties	We expect benefits from our acquisition of the assets acquired on the East Coast of Canada. Whether we will actually realize these anticipated benefits depends on future events and circumstances, some of which are beyond our control. Also the potential synergies we currently anticipate may not be realized.	– *Build on Group wide know how and skills and existing customer relations to sell our products*	– *Leading the Blue Revolution*	– *p 26*

II	The construction and potential benefits of our new fish feed facility is subject to risks and uncertainties	In 2015 the Board of Directors approved the development of a new feed plant in Scotland. The construction of the plant will commence in 2017, and it is expected to be completed during the first half of 2018. Our ability to complete construction work on a timely basis and within budget is subject to a number of risks, including our ability to construct the plant as planned and start commercial feed production. As the capacity of the plant is higher than our own current needs, we also depend on third party deliveries to fully utilize the plant.	– *Utilize key staff from the planning and construction of the feed plant in Norway in 2012-2014* – *Utilize local expertise with regard to working with authorities*	– *Leading the Blue Revolution*	– *p 25-26*
III	The construction and potential benefits of our fresh water expansion projects are subject to risks and uncertainties.	We have initiated the building of new and larger facilities for production of smolt in Norway, Scotland and Canada. The expected benefits are higher quality and larger smolt, produced in a controlled environment and at a lower cost. The anticipated benefits may not be achieved or if achieved, may not be achieved in the expected time frame.	– *Build on group wide know how and skills in the construction and production processes.*	– *Leading the Blue Revolution*	– *p 26*
IV	We would be adversely affected if we expanded our business through acquisitions or greenfield projects but failed to successfully integrate them or run them efficiently or retain the associated fish farming licenses.	We regularly evaluate expansion opportunities,- such as acquiring other businesses, or building new processing plants and expanding our fish farming operations, or expanding into new related areas of operations. Significant expansion involves risks, and if we are unable to integrate acquired businesses or newly formed operations, expansion may have a materially adverse effect on our business and financial figures.	– *Draw on internal key resources* – *Recruitment of experienced staff* – *Use of expert advisers in complex matters*	– *People*	– *p 110-112*
3	**Risks related to reporting**				
I	A failure to run an effective risk assessment process and update our internal control system accordingly, could imply that there is a risk of material mistakes in our financial figures.	As of December 31, 2016 we consider our internal control system to be effective, but there can be no assurance that, going forward, our efforts will effectively prevent material misstatements in our consolidated statements. If we are unable to maintain effective internal control, this could have a materially adverse effect on our business.	– *Global risk and risk management focus*	– *BoD report* – *Corporate Governance*	– *p 136* – *p 148-150*
4					
I	Developments related to anti-trust investigations could have a materially adverse effect.	We are subject to a variety of laws and regulations that govern our business, including those relating to competition (antitrust). If we are found to have violated the competition laws in a jurisdiction, we may be fined, which could have a materially adverse effect on our financial figures.	– *Use of expert advisers in complex matters*	– *Note 27 Group*	– *p 211*
II	Failure to ensure food safety and compliance with food safety standards could result in serious adverse consequences for us.	The food industry in general experiences high levels of customer awareness with respect to food safety and product quality, information and traceability. We may fail to meet new and exacting customer requirements, which could reduce demand for our products.	– *Applying best practices related to food safety at all stages of the production chain* – *Vigorous product testing to document that our products are safe* – *Third-party certification with respect to best practices in hygiene and food safety*	– *R&D* – *Product*	– *p 30-34* – *p 92-96*
III	Any failure to comply with laws and regulations in the countries in which we operate could result in serious adverse consequences for us.	Our global operational footprint makes us subject to various risks and uncertainties relating to our international operations, including compliance with domestic and international laws. Any failure to comply with the laws and regulations in the countries in which we operate could result in fines, withdrawal of operating rights and other serious adverse consequences for us.	– *Use of expert advisers in complex matters* – *Recruitment of highly skilled employees* – *Code of Conduct*	– *People*	– *p 110-112*

Share and shareholder information

We aim to be open and transparent in our communications with the market in order to develop and retain investor confidence, and to deliver an attractive return to our shareholders.

The history of our shares

Marine Harvest was incorporated in Norway on May 18, 1992, under the name Pan Fish AS. Its legal and commercial name is Marine Harvest ASA, a public limited liability company (allmennaksjesel-skap) under Norwegian law.

Marine Harvest N.V. was founded in Lochailort, Scotland in 1965, changing names and owners several times before being acquired by Pan Fish ASA in 2006. Pan Fish AS was founded in 1992 and listed on the Oslo Stock Exchange in 1997. Pan Fish also acquired Fjord Seafood ASA in 2006, a company founded in 1996 as Torgnes Invest AS and listed on the Oslo Stock Exchange in 2000. Pan Fish ASA changed its name to Marine Harvest ASA in 2007.

Marine Harvest ASA's shares are listed on the Oslo Stock Exchange under the ticker MHG. On January 28, 2014 Marine Harvest ASA listed and commenced trading of its American Depositary Shares (ADS), each representing one ordinary share, represented by American Depositary Receipts (ADR) on the New York Stock Exchange (NYSE). On February 14, 2017, the Board of Directors resolved to delist the Marine Harvest `s ADS and to terminate the registration of the ADSs due to the low trading volume and the significant cost of maintaining the listing and registration. We will maintain the ADR program as a Sponsored Level I program and the ADSs are tradable over-the-counter.

As at year end 2016, we had 450 085 652 shares, traded at NOK 155.7 (USD 18.13), valuing our company at NOK 70.1 billion. Please see charts at the end of this section for further information of our share performance over the last ten years. For additional information about our shares, please see Note 24 to the Group financial statements.

Share capital

As of December 31, 2016, Marine Harvest had 450 085 652 ordinary shares with a nominal value of NOK 7.50.

Shareholders

As of December 31, 2016, we had 20 460 shareholders, with our 20 largest shareholders holding 51.1% of our shares. The majority of our shares are held in Norway, USA and Cyprus. The two main shareholders of Marine Harvest are Geveran Trading Co Ltd and affiliates (17.7%) and Folketrygdfondet (10.0%). For additional information on share ownership, please see Note 24 to the Group financial statements. Our senior executives hold shares in the Company, please see Marine Harvest ASA Note 15 Remuneration for further details.

As of December 31, 2016 Marine Harvest ASA had 7 969 441 ADR's outstanding, representing 1.8% of total shares outstanding. In term of total volume of Marine Harvest shares traded in Norway and in the USA, the ADR's represented 3.1% of volumes in 2016.

Payment of dividends

Our policy is to maintain a dividend level that reflects the present and future cash generation potential of Marine Harvest. To this end, our target level for net interest-bearing debt is reviewed and updated on a regular basis. We are currently aiming for a net interest-bearing debt of EUR 1 050 million. When this target level is met, at least 75% of the annual free cash flow after operational and financial commitments will be distributed as dividends.

Dividend declared and paid in 2016 was NOK 8.60 per share as a repayment of paid in capital. See charts at the end this section displaying dividend paid per share and total dividend paid for the last ten years.

Communication - financial calendar

We expect to present our results in 2017 as follows:

- *Annual General Meeting 2017 - June 1, 2017*
- *Presentation Q1 2017 - May 10, 2017*
- *Presentation Q2 2017 - August 24, 2017*
- *Presentation Q3 2017 - November 1, 2017*

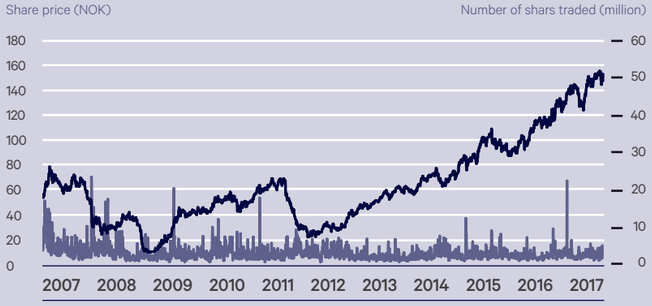
Our presentations will be webcast at 8:00 a.m. CET, and presentation material will be available on our website at 06:30 a.m. CET on the day of release. Please see our website for further details.

SHAREHOLDERS BY COUNTRY [1]	NUMBER OF SHARES	SHAREHOLDING IN %
Norway	136 467 610	30.3%
USA	78 229 603	17.4%
Cyprus	84 552 477	18.8%
Great Britain	47 332 989	10.5%
Other countries	103 502 973	23.0%
Total number of shares	**450 085 652**	**100.0%**

1) Shareholder by country, based on actual ownership behind the nominee accounts.

Market capitalization and multiples

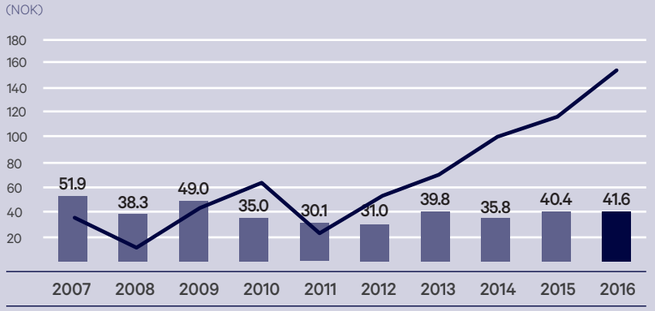
Share price and number of shares traded



At year end 2016, our share was traded at NOK 155.7. The share price increased by **30.2%** in 2016, or **37.4%** including dividend.

- Share price
- Traded volume (OSE + NYSE)

Equity per share and share price



The recognized value of equity per share reflects the historic investment in assets including licenses, whereas the share price implicitly is incorporating the future cash flow from the use of these assets. This explains the increasing difference between the values in recent years.

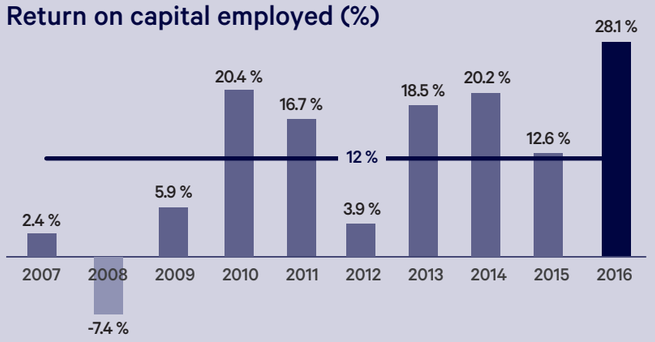
- Equity per share
- Share price

Relative performance of our share

The performance of our share and the Seafood Index has exceeded Oslo Stock Exchange (OSEBX) in recent years.

- MHG, dividend adjusted
- Oslo Børs (OSEBX)
- Seafood index Oslo Børs

Return on capital employed (%)



Return on capital employed (ROCE) measures if capital invested in our Company yields competitive returns.

Our ROCE% target is 12% per annum. In recent years we have exceeded our target.

- ROCE %
- ROCE % target

Market capitalization

As at year end 2016, we had 450 085 652 shares, traded at NOK 155.7 per share, valuing our Company at NOK 70.1 billion. At year-end 2015, our share was traded at NOK 119.6, valuing our Company at NOK 53.8 billion.

- Market capitalization

Enterprise value and multiples

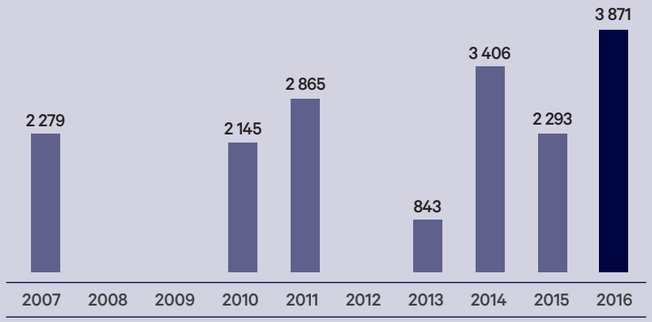
Enterprise value to capital employed indicates how the market values Marine Harvest based on expected future cash flows compared to the capital that is invested in our assets. The value of a large portion of our assets (i.e. the majority of our licenses and buildings) were assigned in 2006/2007. Since then these assets have multiplied in value, but as they are not subject to fair value adjustment, the recognized values have remained unchanged and in the case of buildings been depreciated, which explains the increasing difference between capital employed and the enterprise value.

Enterprise value to EBIT or Operational EBIT measures the markets valuation of Marine Harvest based on expected future cash flows compared to the past year's EBIT. As EBIT includes the change in fair value of biological assets, we recommend using the Operational EBIT in the calculation. Looking back on recent history, 2012 was a very challenging year for us, while 2015 was a year of mixed results, which explains the fluctuation in our EV/Op EBIT ratio.

NOK	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
EV/CE	0.8	0.6	0.9	1.7	0.9	1.6	1.8	2.4	2.5	3.2
EV/EBIT	78.7	-7.0	11.1	6.1	13.0	25.4	8.2	14.1	20.5	12.0
EV/Op EBIT	22.1	16.9	9.8	8.5	5.8	38.2	11.9	12.1	20.4	12.0

Dividend and underlying earnings

Total dividend paid



Our total dividend paid in 2016 was NOK 3 871 million.

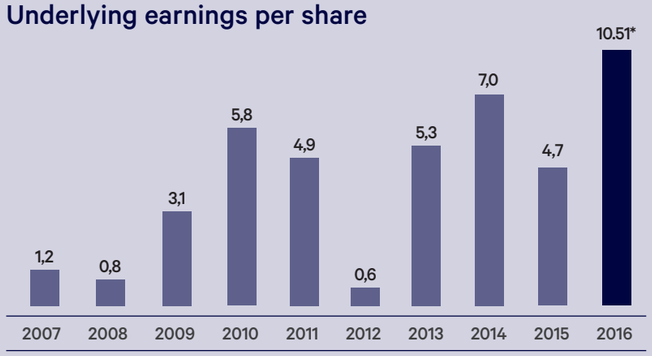
Dividend is declared and paid quarterly based on the dividend policy, reflecting the present and future cash generation potential in the Company.

Dividend paid per share

Dividend declared and paid in 2016 was NOK 8.60 per share as a repayment of paid in capital.

Dividend is adjusted for the reverse share split, implemented January 21, 2014 (10 shares converted to 1). Total dividend paid is not adjusted for withholding taxes, reflecting cash paid.

Underlying earnings per share



Underlying earnings per share reflects an estimate of underlying earnings, pre fair value adjustments of biomass, attributable to our equity holders.

In 2016 underlying earnings per share was NOK 10.49 compared to dividend declared and paid of NOK 8.60 per share.

* 2016 calculated as
EUR 1.13 * 9.3 = NOK 10.51