

# Quarterly Report

## Third quarter 2016



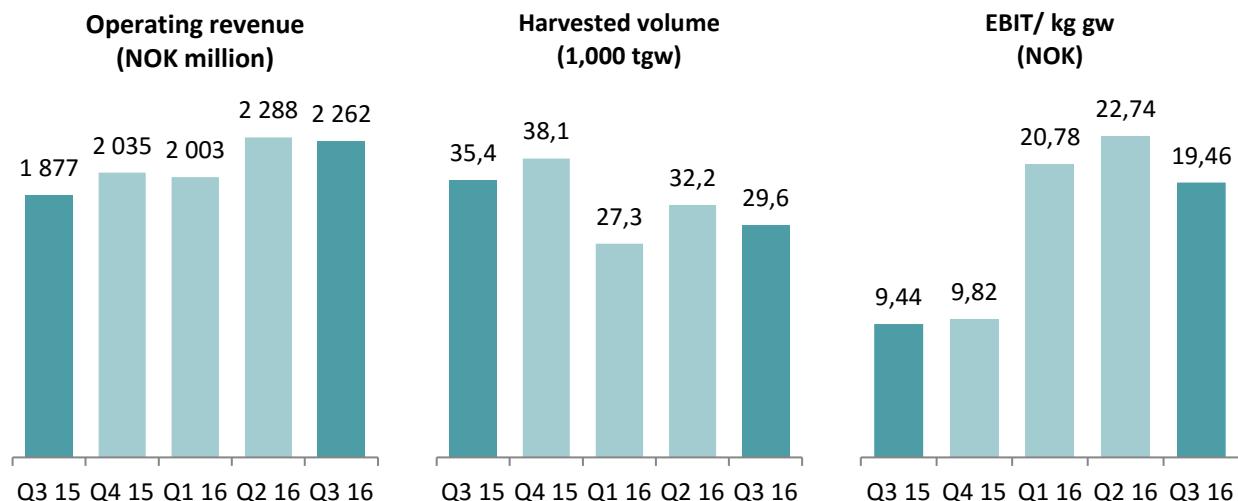
## SATISFACTORY RESULT DRIVEN BY STRONG PRICES

### HIGHLIGHTS IN THE THIRD QUARTER 2016

- Continued high salmon prices provide further revenue growth and a sharp improvement in profits
- Production costs in the quarter negatively affected by the biological situation
- 49% of the harvested volume sold on contract at substantially less than spot price
- The volume estimate for 2016 is cut by 8,000 tonnes to 118,000 tonnes. 50/50 actual decrease and postponement of harvesting until 2017
- SalMar expects to harvest 128,000 tonnes in 2017

### KEY FIGURES - GROUP

NOK million	Q3 2016	Q3 2015	9M 2016	9M 2015	2015
Operating revenue	2 262.1	1 876.6	6 553.5	5 291.0	7 326.2
Operational EBIT	576.3	333.7	1 874.7	1 029.6	1 403.9
Operational EBIT %	25.5%	17.8%	28.6%	19.5%	19.2%
Fair value adjustments	173.3	141.2	117.6	21.5	39.9
Profit/loss from associates	67.5	4.2	159.5	26.1	40.2
Profit/loss before tax	816.5	454.3	2 123.9	1 006.7	1 383.7
EPS	5,71	2,89	14,59	6,40	9,83
 NIBD	 1 951.2	 2 689.7	 1 951.2	 2 689.7	 2 628.1
Equity ratio %	45.5%	45.9%	45.5%	45.9%	47.8%
 Harvested volume (1,000 tgw)	 29.6	 35.4	 89.1	 98.3	 136.4
EBIT/kg gw (NOK)	19.46	9.44	21.05	10.48	10.29





## FINANCIAL PERFORMANCE

### Revenues and results in the third quarter 2016

The SalMar Group harvested a total of 29,600 tonnes of salmon in the third quarter 2016, compared with 32,200 tonnes in the previous quarter and 35,400 tonnes in the third quarter 2015.

Norskott Havbruk (Scottish Sea Farms) harvested a further 8,100 tonnes in the quarter, up 990 tonnes from the previous quarter, but down 440 tonnes from the third quarter 2015. SalMar owns 50 per cent of Norskott Havbruk.

The market for Atlantic salmon has been tight, with correspondingly high prices, over a long period of time. This contributed to a price record of approx. NOK 75 per kg in the first weeks of the quarter. However, prices have fallen steadily through the period, such that the price of salmon at the close of the quarter was around NOK 54 per kg.

The average price of salmon (NASDAQ Salmon Index) for the period as a whole came to NOK 60.47 per kg. This is down from NOK 64.22 per kg in the previous quarter and up from NOK 41.09 per kg in the third quarter 2015.

SalMar's gross operating revenues for the quarter totalled NOK 2,262.1 million, compared with NOK 2,288.1 million in the second quarter this year and NOK 1,876.6 million in the third quarter 2015.

Operational EBIT for the Group totalled NOK 576.3 million in the period, down from NOK 731.8 million in the previous quarter, but up from NOK 333.7 million in the corresponding period last year.

For the Group as a whole, this corresponds to an Operational EBIT per kg of NOK 19.46, compared with NOK 22.74 per kg in the second quarter 2016 and NOK 9.44 per kg in the third quarter 2015.

Please see the segment results for further details.

SalMar's most important key figure for measuring its performance under IFRS is Operational EBIT. This shows the result of the Group's underlying operations during the period. Specific items not associated with underlying operations are presented on separate lines.

Fair value adjustments boosted operating profits by NOK 173.3 million in the quarter. The fair value of the standing biomass rose by NOK 340.8 million, while changes in unrealised losses on contracts, financial Fish Pool contracts and foreign currency positions reduced profits by NOK 167.5 million net. See Note 4 for further details.

As a result, operating profit in the third quarter 2016 came to NOK 749.6 million, compared with NOK 474.9 million in the third quarter last year. Operating profit in the third quarter 2015 was boosted by fair value adjustments totalling NOK 141.2 million.

Associates contributed NOK 67.5 million in the period. The contribution derives primarily from SalMar's share of the profit in Norskott Havbruk. In the third quarter 2015, associates contributed NOK 4.2 million.

Net interest expenses totalled NOK 27.0 million in the period, while net other financial items was positive in the amount of NOK 26.4 million. Profit before tax in the third

quarter 2016 totalled NOK 816.5 million. Profit before tax in the third quarter last year totalled NOK 454.3 million.

The tax expense for the period is estimated at NOK 189.1 million, such that the Group made a net profit in the third quarter 2016 of NOK 627.3 million. The tax expense in the corresponding period last year came to NOK 118.1 million, while the net profit totalled NOK 336.2 million.

### Revenues and results in the year to date

The Group has generated gross operating revenues of NOK 6,553.5 million in the first nine months of the year, compared with NOK 5,291.0 million in the corresponding period in 2015.

Excluding Norskott Havbruk, the Group has harvested a total of 89,100 tonnes in the period, down from 98,300 tonnes in the corresponding period last year.

The average salmon price (NASDAQ Salmon Index) for the first nine months of the year came to NOK 61.18 per kg, compared with NOK 40.07 per kg in the same period in 2015.

Operational EBIT for the first nine months of 2016 totalled NOK 1,874.7 million, up from NOK 1,029.6 million in the same period last year. The bulk of the improvement is attributable to higher salmon prices.

Fair value adjustments boosted profits by NOK 117.6 million in the period, such that the Group made an operating profit of NOK 1,992.3 million in the first nine months of 2016. Operating profit in the same period last year ended at NOK 1,051.1 million, after a positive contribution from fair value adjustments of NOK 21.5 million.

SalMar's share of the profit in associates totalled NOK 159.5 million in the period, compared with NOK 26.1 million in the corresponding period last year. Net interest expenses totalled NOK 74.8 million in the period, while net other financial items was positive in the amount of NOK 46.9 million. As a result, profit before tax in the first nine months of the year came to NOK 2,123.9 million. In the corresponding period last year, net interest expenses totalled NOK 71.0 million, while net other financial items was positive in the amount of NOK 0.5 million. Profit before tax in the period January to September 2015 therefore came to NOK 1,006.7 million.

The tax expense for the first nine months of 2016 is estimated at NOK 489.6 million, such that the net profit for the period comes to NOK 1,634.3 million.

In the corresponding period last year, a tax expense of NOK 264.7 million was deducted, such that the Group's net profit totalled NOK 741.9 million.

### Cash flow

The SalMar Group's cash flow from operating activities in the quarter was positive in the amount of NOK 937.4 million. In addition to robust earnings from day-to-day operations, a total of NOK 302.6 million in working capital was released during the period.



Net cash flow from investing activities was negative in the amount of NOK 246.0 million in the period. The bulk of the payments relate to investments in property, plant and equipment, which together totalled NOK 272.8 million in the quarter. NOK 49.2 million of this relates to the Group's offshore fish farming project (Ocean Farming), NOK 122.5 million comprises investments in current and new smolt production facilities, while NOK 101.1 million relates to other investments in operating activities. The negative cash flow from investing activities was reduced by NOK 26.8 million as a result of dividends received from associates.

The Group's net cash flow from financing activities was negative in the amount of NOK 470.2 million in the period. This amount relates almost entirely to the repayment of interest-bearing debt, which was reduced by NOK 438.3 million in the period. Furthermore, net interest of NOK 27.2 million was paid in the quarter.

This gave SalMar a net cash flow of NOK 221.2 million in the period, such that the Group's total holdings of cash and cash equivalents at the close of the third quarter 2016 totalled NOK 419.8 million. This is up from NOK 198.9 million three months earlier.

For the first nine months of the year, the SalMar Group achieved a positive net cash flow from operating activities of NOK 2,965.5 million (NOK 1,205.7 million). Net cash flow from investing activities was negative in the amount of NOK 1,089.3 million (NOK -404.5 million), while the overall cash flow from financing activities was negative in the amount of NOK 1,731.7 million (NOK -873.3 million). Consequently, the Group's net cash flow in the first nine months of 2016 was positive in the amount of NOK 144.5 million (NOK -72.1 million).

## Financial position

As at 30 September 2016, SalMar's balance sheet totalled NOK 12,416.9 million, compared with NOK 11,570.0 million three months before, and NOK 10,515.2 million at the close of the third quarter last year.

The book value of the Group's property, plant and equipment rose by NOK 183.6 million through the period to NOK 3,050.1 million. Investments are being made in accordance with previously adopted plans, largely associated with fish farming sites, the expansion of smolt

production capacity and activities linked to the Group's offshore fish farming project, Ocean Farming.

Specific investments have been made in equipment to improve the Group's ability to deal with salmon lice, including improved non medicamental delousing capacity.

At the close of the quarter, the Group had current assets worth a total of NOK 5,597.9 million, up from NOK 4,939.3 million three months earlier.

The book value of inventory rose by NOK 648.8 million in the quarter. Production costs for the standing biomass rose by NOK 290.6 million in the quarter, while stocks of finished goods rose by NOK 1.8 million. Fair value adjustments added NOK 340.8 million in the period, due to a larger standing biomass and higher forward prices compared with the close of the previous quarter.

Trade receivables decreased by NOK 289.6 million to NOK 484.5 million, while short-term receivables rose by NOK 78.6 million to NOK 407.1 million. At the close of the quarter, SalMar had total cash holdings of NOK 419.8 million.

As at 30 September 2016, the Group had a total equity of NOK 5,644.6 million, which corresponds to an equity ratio of 45.5 per cent. See the statement of movements in equity for further details of changes during the quarter.

At the close of the period, interest-bearing debt totalled NOK 2,370.9 million. Of this amount, debt to credit institutions accounted for NOK 1,974.7 million, ordinary leasing liabilities accounted for NOK 71.8 million and leasing liabilities relating to InnovaMar accounted for NOK 315.9 million. Short-term interest-bearing debt totalling NOK 140.4 million comprises, in its entirety, the first year's instalments on long-term interest-bearing debt.

Other current liabilities rose by NOK 648.4 million to NOK 3,172.4 million in the period. The increase is largely attributable to higher trade payables, and larger provisions for tax payable and losses on contracts. On the other hand, public charges owing decreased during the period.

As at 30 September 2016, the SalMar Group had a net interest-bearing debt of NOK 1,951.2 million, a reduction of NOK 659.1 million from three months before.



## OPERATIONAL PERFORMANCE

With effect from the first quarter 2016, the Rauma segment has been incorporated into Fish Farming Central Norway, and the two operations will henceforth be reported as one. See Note 9 for historically comparable figures.

### Fish Farming Central Norway

NOK million	Q3 16	Q3 15	2015
Operating revenue	1 425	1 169	3 942
Operational EBIT	546	284	948
Operational EBIT%	38%	24%	24%
Harvested volume (1 000 tgw)	23.4	28.3	96.9
EBIT/kg gw (NOK)	23.35	10.05	9.78

The Fish Farming Central Norway segment harvested a total of 23,400 tonnes of salmon in the third quarter 2016, compared with 28,300 tonnes in the corresponding period last year. However, significantly higher salmon prices boosted operating revenues, which ended at NOK 1,424.9 million in the quarter, compared with NOK 1,168.8 million in the third quarter 2015.

At the start of the quarter, SalMar reported that it suspected the presence of ISA at two of its Central Norway sites. However, tests carried out by the Norwegian Food Safety Authority revealed no evidence of ISA, and the suspicion was declared unfounded. At the time of writing, fish from the area concerned are being harvested out in line with previous harvesting plans.

The salmon lice situation in the region remains challenging. The company focuses intently on managing the situation in a good way.

Direct costs associated with treatment, as well as indirect costs resulting from higher mortality and lower growth, have a negative impact on profitability. SalMar has also chosen to harvest some of the volume prematurely, out of consideration for fish welfare. This has resulted in a lower average weight for fish harvested by the segment during the period.

Overall, the challenging biological situation has been handled actively and effectively during the quarter. This has resulted in a satisfactory operational performance in a demanding area.

Recent quarters' extensive investments in delousing equipment, along with more effective treatments, have strengthened the segment's capacity to manage the lice situation. SalMar builds continuous expertise and capacity to better deal with the situation. SalMar makes ongoing operational evaluations in order to safeguard the fish welfare.

Organic salmon accounted for some 15 per cent of the total volume harvested during the period. Normally, organic salmon commands a price premium compared with conventional salmon. However, record high spot prices for conventional salmon have reduced this premium to a minimum. In addition, challenges associated with the labelling of organic salmon from Norway made the market situation more difficult.

Production costs in the quarter were considerably higher for organic salmon than for conventional salmon. Together

with a reduced price premium and difficult market conditions, this led to substantially lower profitability for organic salmon compared with conventional salmon during the period.

The Central Norway segment achieved an operating profit per kg gutted weight of NOK 23.35 in the third quarter 2016, down from NOK 30.33 per kg in the previous quarter, but up from NOK 10.05 per kg in the third quarter 2015.

Large parts of the volume harvested in the fourth quarter will come from sites located in a biologically challenging area. It is therefore expected that production costs in the fourth quarter 2016 will be higher than in the third quarter this year.

SalMar expects Fish Farming Central Norway to harvest around 73,000 tonnes in 2016 as a whole. This is a reduction of 4,000 tonnes compared with the estimate given at the close of the previous quarter. The reduction can largely be attributed to reduced fish growth and increased mortality as a result of the region's biological situation.

### Fish Farming Northern Norway

NOK million	Q3 16	Q3 15	2015
Operating revenue	369	283	1 647
Operational EBIT	181	69	506
Operational EBIT%	49%	24%	31%
Harvested volume (1 000 tgw)	6.2	7.1	39.5
EBIT/kg gw (NOK)	29.12	9.71	12.81

The Fish Farming Northern Norway segment harvested around 6,200 tonnes in the period. This is around 8,200 tonnes less than in the previous quarter and 800 tonnes less than in the corresponding period last year.

The segment generated gross operating revenues of NOK 369.0 million in the quarter, compared with NOK 282.8 million in the corresponding period in 2015. The increase in operating revenues is attributable to substantially higher salmon prices.

The biological situation in Northern Norway is satisfactory. SalMar has experienced slightly higher lice numbers in the southern part of the segment (Troms), while the biological situation in the northern part of the segment (Finnmark) is good. The organisation has increased its capacity to handle any rise in lice numbers in coming periods, including the acquisition of non medicamental delousing equipment and increased well-boat capacity.

The segment's fish farming activities are governed by the applicable zoning structure, which in turn influences its operational and harvesting plans, and has resulted in some premature harvesting at lower weights in order to meet the limits for sites' maximum allowable biomass (MAB). SalMar is working constantly to acquire new sites in the segment in order to farm the salmon sustainably and effectively.



An unfavourable distribution of the volume harvested, in relation to price developments through the quarter and slightly lower average weights, negatively affected prices achieved and production costs in the period.

The Northern Norway segment achieved an operating profit per kg gutted weight of NOK 29.12 in the third quarter, down from NOK 33.46 per kg in the previous quarter, but up from NOK 9.71 per kg in the third quarter 2015.

The segment expects to see a levelling off of costs from the third to the fourth quarter 2016.

SalMar expects the Northern Norway segment to harvest around 45,000 tonnes of salmon in 2016 as a whole. This is 4,000 tonnes less than the estimate provided at the close of the previous quarter. The decrease is due to the postponement of harvesting volumes from 2016 to 2017 as part of SalMar's efforts to optimise production in the region.

## Sales and Processing

NOK million	Q3 16	Q3 15	2015
Operating revenue	2 110	1 925	7 295
Operational EBIT	-119	0	73
Operational EBIT %	-6%	0%	1%

The Sales and Processing segment generated gross operating revenues of NOK 2,110.2 million in the third quarter 2016, marginally down from NOK 2,140.1 million in the previous quarter, and up from NOK 1,925.0 million in the corresponding period last year.

The segment sells the entire Group's harvested volume. No volumes from the joint operation with Lerøy in Finnmark were harvested during the period.

The segment made an operating loss of NOK 118.8 million in the period, an improvement from a loss of NOK 253.2 million in the previous quarter. In the third quarter 2015, Sales and Processing made an operating profit of NOK 0.5 million.

The weak financial performance is largely due to the fact that 49 per cent of the harvested volume was sold on contract at less than the average spot price for the period. The improvement from the previous quarter is, however, attributable to a larger proportion of the contracts being entered into at higher prices than previously.

The biological challenges affecting the fish farming business have had a knock-on effect along the value chain.

A larger proportion of smaller fish and occasional quality issues have made it difficult to obtain margins in the sales operation.

The harvesting operation's profitability has, moreover, been negatively affected. Special handling requirements (direct unloading from well-boats), combined with non-standard fish sizes and quality downgrades have affected operating efficiency and increased costs.

A total of 30,300 tonnes was harvested at InnovaMar in the third quarter, up from 24,720 tonnes in the previous quarter, but down from 37,200 tonnes in the third quarter 2015. Around 10,000 tonnes of third-party fish was harvested in the period.

Activity levels in the secondary processing business were relatively high in the quarter, and a consistently high level

of activity is expected moving forward. Low average weights and raw materials of varying quality affect operational efficiency and yield.

Around 55 per cent of the volume harvested in the fourth quarter is expected to be sold under contract. The reason for the relatively high contract rate is a reduction in the anticipated volume harvested in the year as a whole. The average price in the contract portfolio in the fourth quarter is expected to be higher than in the first three quarters of the year.

## Eliminations

With effect from the fourth quarter 2013 research and development (R&D) costs have been included as eliminations in the segments' reported results. Of a total harvested volume of 29,600 tonnes in the third quarter 2016, R&D costs accounted for NOK 0.30 per kg.

## Associates

### Norskott Havbruk

Norskott Havbruk is recognised as an associate, with SalMar's share (50 per cent) of the company's profit/loss after tax (and fair value adjustment of the biomass) being recognised as financial income. The figures in the table below reflect the company's overall performance.

NOK million	Q3 16	Q3 15	2015
Operating revenues	512	463	1 498
Operational EBIT	152	36	122
Operational EBIT%	30%	8%	8%
Fair value adj. biomass	26	-24	-24
Profit before tax	175	12	90
SalMar's share after tax	69	6	41
Harvested volume (1 000 tgw)	8,1	8,6	27,0
EBIT/kg gw (NOK)	18,59	4,21	4,50

Norskott Havbruk generated gross operating revenues of NOK 511.9 million in the third quarter 2016, up from NOK 432.5 million in the second quarter and from NOK 462.8 million in the third quarter 2015.

In total, Norskott Havbruk harvested around 8,100 tonnes of fish in the quarter, up 1,000 tonnes from the previous quarter, but down 400 tonnes from the corresponding period last year.

SalMar's share of the harvested volume came to 4,100 tonnes.

The company's performance was negatively affected by a 50 per cent contract rate in the quarter, in addition to the biological situation in Shetland.

The company has increased its capacity to deal with salmon lice infestations, and non medicamental delousing equipment is on hand in the region.

Norskott Havbruk achieved an operating profit per kg gutted weight of NOK 18.59 in the quarter, up from NOK 14.15 per kg in the previous quarter and from NOK 4.21 per kg in the third quarter last year. The company expects to harvest around 26,000 tonnes in 2016 as a whole.



## MARKETS

### Supply and demand

The global supply of Atlantic salmon totalled approx. 535,800 tonnes in the third quarter 2016, down 8 per cent on the same period in 2015.

The downturn has been driven largely by lower output in Chile, as well as a slight decrease in output in the UK.

Fish farmers in Chile harvested a total of 111,500 tonnes in the quarter, a decrease of 34,600 tonnes or 24 per cent on the same period in 2015. Around 40,700 tonnes was harvested in the UK, some 7,800 tonnes less than the year before.

Norwegian fish farmers produced around 301,500 tonnes in the quarter, a decrease of 2,800 tonnes or 1 per cent on the same period last year.

The reduction in output from Norwegian and Chilean producers is expected to intensify in the fourth quarter, while output in the UK is expected to remain stable.

There were only marginal changes in the other fish farming regions compared with the corresponding period last year.

In North America, 41,100 tonnes was harvested in the quarter (up 2,200 tonnes). In the Faeroes, 16,300 tonnes was harvested (down 2,200 tonnes), while output from the other fish farming regions came to a combined 24,700 tonnes in the quarter (up 700 tonnes).

Approx. 289,000 tonnes round weight of Norwegian-produced Atlantic salmon was exported in the quarter, down around 4,000 tonnes or 1 per cent on the third quarter 2015.

However, significantly higher salmon prices boosted the value of Norwegian exports measured in NOK to approx. NOK 15.6 billion, up from NOK 11.7 billion in the same period last year. This corresponds to an increase of 33 per cent.

Overall exports of Norwegian salmon to the EU totalled 223,000 tonnes in the period, a decrease of 2 per cent on the same period in 2015. However, compared with the third quarter 2015, the value of exports to the EU rose by 33 per cent to NOK 11.5 billion.

The volume of salmon exported to Norway's main markets varied in the quarter.

Exports to Poland rose by 10 per cent compared with the same period last year, and totalled 42,800 tonnes in the quarter. Measured in value, sales to the Norwegian salmon exporters' largest single market within the EU rose by 50 per cent, to NOK 2.1 billion.

Growth in exports to the US market continued in the third quarter. Total exports to the region came to 13,700 tonnes, up 8 per cent on the same period last year. Compared with the previous quarter, however, the volume was slightly lower.

Exports to France fell by 2 per cent to 32,400 tonnes in the quarter. However, the value of these exports was 34 per cent higher in the third quarter 2016 than in the third quarter 2015. Exports to the French market in the second quarter 2016 came to 31,300 tonnes.

Exports to Denmark grew by 1 per cent to 24,500 tonnes and to the UK by 4 per cent to 19,900 tonnes in the quarter.

Exports to Spain fell by 12 per cent compared with the same quarter last year. Exports totalled 16,600 tonnes in the period. However, the value of the exports rose by 26 per cent to just over NOK 920 million.

Exports to the Asian markets rose by 1 per cent to 8,400 tonnes in the quarter.

### Prices and exchange rates

The decrease in the supply of Atlantic salmon in the second quarter continued in the third, and contributed to record high prices of around NOK 75 per kg at the start of the quarter. However, prices fell slightly as the quarter progressed, with prices of between NOK 52 and NOK 59 per kg being quoted in the second half of the quarter. At the close of the period the spot price was NOK 54.51 per kg.

The average price of salmon (NASDAQ Salmon Index) for the period as a whole ended at NOK 60.47 per kg. This is down from NOK 64.22 per kg in the previous quarter, but up from NOK 41.09 per kg in the third quarter 2015.

The Norwegian krone (NOK) has strengthened against the country's most important trading currencies.

From the close of the second quarter 2016 the NOK has strengthened against the GBP, EUR and USD by 7.3 per cent, 3.4 per cent and 3.9 per cent respectively.

From the close of the third quarter 2015 until the close of the third quarter this year, the NOK has strengthened by as much as 19.1 per cent against the GBP. The value of the NOK against the EUR and the USD has strengthened by 5.6 per cent and 5.3 per cent respectively.

Any weakening of the NOK against the respective currencies of its trading partners may lead to a slight increase in the price of salmon measured in NOK and vice versa.

### Biomass

Norway's standing biomass totalled 695,800 tonnes at the close of the third quarter 2016. This is marginally more (up 0.4 per cent) than the same point a year ago, when the standing biomass totalled 692,700 tonnes. At the close of the second quarter this year, Norway's total biomass came to 615,200 tonnes round weight.

Chile had a biomass of 246,200 tonnes round weight at the close of the quarter, a decrease of 24 per cent on the year before. At the close of the previous quarter, Chile's combined biomass totalled some 232,700 tonnes round weight.

As at 30 September 2016, the overall biomass in the UK came to 92,400 tonnes round weight, 3 per cent more than at the same point a year before. As at 30 June 2016, the UK had a total biomass of 83,400 tonnes round weight.

The Faeroes had an estimated total biomass at the close of the quarter of 49,200 tonnes round weight, 4 per cent more than the volume a year before.



## EVENTS AFTER THE BALANCE SHEET DATE

On 3 November, the company announced that Trond Williksen would be taking over as CEO on 14 November 2016 instead of the previously announced 1 January 2017.

In August, Norwegian producers were prohibited from labelling fish destined for the EU market as organic. Part of SalMar's salmon production is organic, and it is important for the company that this fish is able to be labelled and marketed as organic in its most important markets. SalMar is therefore extremely pleased that the Norwegian authorities announced on 7 October 2016 that Norway will comply with the EU's regulations for organic production in order to pave the way for Norwegian organic salmon to continue being sold in the EU. In order for the regulations to be included in the EEA Agreement, Iceland must also consent to them. As at 16 November, the situation has yet to be clarified.

## SHARES AND SHAREHOLDERS

At the close of September 2016, SalMar had a total of 113,299,999 shares outstanding, divided between 3,997 shareholders.

The company's major shareholder, Kverva AS, owns 53.4 per cent of the shares. The 20 largest shareholders own a total of 77.91 per cent of the shares, with SalMar ASA being the seventh largest shareholder with 1.18 million shares, corresponding to 1.04 per cent of the total number of shares outstanding as at 30 September 2016.

During the period, SalMar's share price varied between NOK 215.40 and NOK 270.00. The final price at the close of the quarter was NOK 244.00, compared with NOK 247.10 at the close of the previous quarter. This represents a decrease of 1.3 per cent during the period.

## TRANSACTIONS WITH RELATED PARTIES

During the period no changes or transactions occurred that involved related parties and which could materially affect the Group's financial position or result.



## OUTLOOK

The global supply of Atlantic salmon was 8 per cent lower in the third quarter 2016 than a year before. The fourth quarter is expected to see an 11 per cent reduction. The total supply of Atlantic salmon for 2016 as a whole is therefore expected to come to just over 2.16 million tonnes, a reduction of around 7 per cent compared with 2015.

Output of salmon from Norway in the third quarter was down by just 1 per cent compared with the same period last year. Output is expected to be 3 per cent lower in the fourth quarter 2016 than in the same quarter in 2015. For the year as a whole, therefore, the output of Atlantic salmon from Norwegian producers is expected to total around 1.18 million tonnes, a decrease of 4 per cent from the year before.

Long-lasting operational challenges and fewer smolt transferred to the sea in Chile resulted in a 24 per cent reduction in output in the third quarter 2016, compared with the third quarter 2015. It is expected that this trend will continue moving forward, with output from the region in the last quarter of the year forecast to drop by 36 per cent compared with the same quarter in 2015. This is attributable to particularly high mortality resulting from an algal bloom at the start of 2016. As a result, the overall output of Atlantic salmon from Chilean producers in 2016 as a whole is expected to come to 483,000 tonnes, a decrease of 115,200 tonnes or 19 per cent compared with 2015.

Output in North America in the third quarter was 6 per cent higher than in the same quarter last year, and totalled 41,100 tonnes in all. It is expected that the output will rise by 4 per cent in the fourth quarter compared with the same quarter last year, bringing output for the year as a whole to around 165,000 tonnes, up 6 per cent on 2015.

For 2016 as a whole, output from the UK is expected to fall by around 3,300 tonnes, while output from the Faeroes is expected to increase by 3,100 tonnes. Consequently, output in these regions is estimated to end at 163,000 tonnes and 80,000 tonnes, respectively, in 2016.

Output from the other regions is estimated at 91,500 tonnes for 2016, up 700 tonnes from the year before.

Fish Pool forward prices as at 26 October indicate an average salmon price for November and December of NOK 69.75 per kg and NOK 75,25 per kg respectively. The forward prices indicate that the price levels will remain high in 2017, with quotes for the first and second quarter 2017 of NOK 71.57 per kg and NOK 69.03 per kg respectively. Fish Pool's forward price for 2017 as a whole was, as at 26 October, NOK 66.00 per kg.

On 28 February 2016, SalMar was awarded the first eight aquaculture development licences for Ocean Farming AS's offshore fish farm concept. Construction of the full-scale pilot facility and the advanced equipment it requires has now got underway and is progressing as planned.

SalMar aims to be in a position to release the first cohort of fish into the offshore fish farm in the third quarter 2017. If it succeeds, the project has major potential for the entire aquaculture sector.

The biological situation for the Fish Farming Central Norway segment remains challenging, particularly with regard to sea lice. SalMar is working hard to handle this situation effectively, and has made extensive investments in delousing equipment which, in addition to offering more effective treatment, has strengthened the organisation's response capacity. SalMar builds continuous expertise and capacity to better deal with the situation.

SalMar expects to harvest 118,000 tonnes in 2016. This is 8,000 tonnes less than the estimate given at the close of the first half-year, and is due primarily to the biological situation in Central Norway and the decision to postpone the harvesting of volumes in Northern Norway until 2017. Costs in the fourth quarter of 2016 is expected to go up compared to the third quarter. This trend is expected to be reversed in 2017.

As a result of the reduction in the overall harvested volume, the proportion of fish sold under contract will increase. For the fourth quarter 2016 the contract rate is expected to be around 55 per cent. Contract prices for the fourth quarter are higher than the average contract prices for the first nine months of the year.

For 2017 as a whole, SalMar expects to harvest around 128,000 tonnes of Atlantic salmon. The contract rate for this volume is currently just under 30 per cent.

A tight salmon market combined with a high willingness to pay for salmon means that the board expects strong results in the coming quarters as well.



## INCOME STATEMENT

NOK million	3Q 16	3Q 15	YTD 2016	YTD 2015	FY 2015
<b>Operating income</b>	<b>2 262,1</b>	<b>1 876,6</b>	<b>6 553,5</b>	<b>5 291,0</b>	<b>7 326,2</b>
Cost of goods sold	1 022,9	931,9	2 780,3	2 545,9	3 562,8
Payroll expenses	217,9	197,0	622,6	564,7	765,9
Other operating expenses	354,7	338,3	1 012,3	924,0	1 272,2
EBITDA	666,5	409,5	2 138,3	1 256,4	1 725,3
Depreciations	90,2	75,8	263,6	226,8	321,4
<b>Operational EBIT</b>	<b>576,3</b>	<b>333,7</b>	<b>1 874,7</b>	<b>1 029,6</b>	<b>1 403,9</b>
Fair value adjustment	173,3	141,2	117,6	21,5	39,9
<b>Operational profit</b>	<b>749,6</b>	<b>474,9</b>	<b>1 992,3</b>	<b>1 051,1</b>	<b>1 443,8</b>
Income from investments in associates	67,5	4,2	159,5	26,1	40,2
Net interest costs	-27,0	-25,6	-74,8	-71,0	-95,3
Other financial items	26,4	0,8	46,9	0,5	-5,1
<b>Profit before tax</b>	<b>816,5</b>	<b>454,3</b>	<b>2 123,9</b>	<b>1 006,7</b>	<b>1 383,7</b>
Tax	189,1	118,1	489,6	264,7	254,9
<b>Net profit for the period</b>	<b>627,3</b>	<b>336,2</b>	<b>1 634,3</b>	<b>741,9</b>	<b>1 128,8</b>
<i>Items to be reclassified to profit and loss in subsequent periods:</i>					
Change in translation diff. associates, net tax	-36,9	17,4	-107,6	51,7	58,5
Change in translation diff. Subsidiaries, net tax	-0,4	1,2	1,6	1,5	1,9
Cash flow hedge	-0,6	-	-0,6	-	-
Change in fair value of currency instruments	-	-	-	-	2,8
<b>Total comprehensive income</b>	<b>589,5</b>	<b>354,8</b>	<b>1 527,7</b>	<b>795,2</b>	<b>1 192,0</b>
Non-controlling interests share of result	-15,6	9,0	-7,8	16,9	25,5
Controlling interests share of result	642,9	327,1	1 642,1	725,1	1 103,3
Earnings per share (NOK)	5,73	2,89	14,65	6,40	9,85
Earnings per share - diluted	5,71	2,89	14,59	6,40	9,83



## BALANCE SHEET – GROUP

NOK million	30.09.2016	30.06.2016	31.12.2015	30.09.2015
<b>ASSETS</b>				
Intangible fixed assets	2 911,9	2 913,0	2 913,5	2 929,7
Tangible fixed assets	3 050,1	2 866,5	2 412,0	2 210,3
Financial fixed assets	857,0	851,3	636,2	571,0
<b>Total fixed assets</b>	<b>6 819,0</b>	<b>6 630,8</b>	<b>5 961,7</b>	<b>5 711,0</b>
Inventory	4 286,6	3 637,7	3 634,3	3 581,7
Accounts receivables	484,5	774,1	815,5	890,8
Other short-term receivables	407,1	328,5	258,3	235,3
Cash and cash equivalents	419,8	198,9	273,7	96,3
<b>Total current assets</b>	<b>5 597,9</b>	<b>4 939,3</b>	<b>4 981,8</b>	<b>4 804,2</b>
<b>TOTAL ASSETS</b>	<b>12 416,9</b>	<b>11 570,0</b>	<b>10 943,5</b>	<b>10 515,2</b>
<b>EQUITY AND LIABILITIES</b>				
Paid-in equity	523,3	515,7	501,1	476,6
Reserves	5 060,6	4 455,5	4 646,3	4 275,1
Minority interests	60,7	76,3	79,7	77,5
<b>Total equity</b>	<b>5 644,6</b>	<b>5 047,6</b>	<b>5 227,0</b>	<b>4 829,2</b>
Provisions for liabilities	1 228,9	1 189,3	1 230,8	1 281,0
Int. bearing long-term liabilities	2 230,5	2 488,6	2 761,4	2 452,6
<b>Total long-term liabilities</b>	<b>3 459,5</b>	<b>3 677,9</b>	<b>3 992,5</b>	<b>3 733,6</b>
Int. bearing short-term liabilities	140,4	320,6	140,4	333,4
Other short-term liabilities	3 172,4	2 524,0	1 583,9	1 619,0
<b>Total short-term liabilities</b>	<b>3 312,8</b>	<b>2 844,6</b>	<b>1 723,9</b>	<b>1 952,4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12 416,9</b>	<b>11 570,0</b>	<b>10 943,5</b>	<b>10 515,2</b>
<b>Net interest bearing debt</b>	<b>1 951,2</b>	<b>2 610,3</b>	<b>2 628,1</b>	<b>2 689,7</b>
<b>Equity share</b>	<b>45,5 %</b>	<b>43,6 %</b>	<b>47,8 %</b>	<b>45,9 %</b>



## CASH FLOWS

NOK million	3Q 16	3Q 15	YTD 2016	YTD 2015	FY 2015
Profit before tax	816,5	454,3	2 123,9	1 006,7	1 383,7
Tax paid in period	-	-0,6	-17,6	-5,9	-315,1
Depreciation	90,2	75,8	263,6	226,8	321,4
Share of profit/loss from associates	-67,5	-4,2	-159,5	-26,1	-40,2
Gains exit subsidiaries	-	-	-28,4	-	-
Change in fair value adjustments	-173,3	-141,2	-117,6	-21,5	-39,9
Change in working capital	302,6	-214,9	855,5	-4,8	279,2
Other changes	-31,1	1,6	45,5	30,4	33,3
<b>Net cash flow from operating activities</b>	<b>937,4</b>	<b>170,8</b>	<b>2 965,5</b>	<b>1 205,7</b>	<b>1 622,3</b>
				-	-
<b>Net cash flow from investing activities</b>	<b>-246,0</b>	<b>-104,0</b>	<b>-1 089,3</b>	<b>-404,5</b>	<b>-724,7</b>
				-	-
Change in interest-bearing debt	-438,3	-55,1	-530,9	317,8	424,8
Dividend paid out	-4,7	-	-1 125,9	-1 120,0	-1 124,9
Interest paid	-27,2	-25,6	-75,0	-71,0	-95,3
Other changes	-	-0,2	-	-0,1	-0,1
<b>Net cash flow from financing activities</b>	<b>-470,2</b>	<b>-81,0</b>	<b>-1 731,7</b>	<b>-873,3</b>	<b>-795,5</b>
<b>Net change in cash for the period</b>	<b>221,2</b>	<b>-14,2</b>	<b>144,5</b>	<b>-72,1</b>	<b>102,0</b>
Foreign exchange effects	-0,4	1,5	1,6	1,5	4,7
Cash in the beginning of the period	198,9	109,0	273,7	167,0	167,0
<b>Cash at the end of the period</b>	<b>419,8</b>	<b>96,3</b>	<b>419,8</b>	<b>96,3</b>	<b>273,7</b>

## CHANGES IN EQUITY

2016	Share capital	Treasury shares	Share premium fond	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
<b>Equity as at 01.01.16</b>	<b>28,3</b>	<b>-0,3</b>	<b>415,3</b>	<b>57,8</b>	<b>9,2</b>	<b>4 637,1</b>	<b>79,7</b>	<b>5 227,0</b>
Net profit for the year						1 642,1	-7,8	1 634,3
Comprehensive income					1,6	-108,2	0,0	-106,6
<b>Total comprehensive income for the year</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>1,6</b>	<b>1 533,9</b>	<b>-7,8</b>	<b>1 527,7</b>
<i>Transactions with shareholders</i>								
Dividend paid						-1 121,2	-4,7	-1 125,9
Options granted					22,2	0,0	0,0	22,2
Exit non-controlling interests						0,0	-6,5	-6,5
Sum transactions with shareholders	0,0	0,0	0,0	22,2	0,0	-1 121,2	-11,2	-1 110,1
<b>Equity as at 30.09.2016</b>	<b>28,3</b>	<b>-0,3</b>	<b>415,3</b>	<b>80,0</b>	<b>10,7</b>	<b>5 049,8</b>	<b>60,7</b>	<b>5 644,6</b>
2015	Share capital	Treasury shares	Share premium fond	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
<b>Equity as at 01.01.15</b>	<b>28,3</b>	<b>-0,3</b>	<b>415,3</b>	<b>34,8</b>	<b>4,5</b>	<b>4 594,1</b>	<b>60,6</b>	<b>5 137,3</b>
Net profit for the year						1 103,3	25,5	1 128,8
Comprehensive income					4,7	58,5	0,0	63,2
<b>Total comprehensive income for the year</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>4,7</b>	<b>1 161,8</b>	<b>25,5</b>	<b>1 192,0</b>
<i>Transactions with shareholders</i>								
Dividend paid						-1 120,0	-6,4	-1 126,4
Options granted					22,9	0,0	0,0	22,9
Redeemed options treasury shares						1,4	1,4	
Deferred tax options						-0,1	-0,1	
Other changes						-1 118,7	-6,4	-1 102,2
Sum transactions with shareholders	0,0	0,0	0,0	22,9	0,0	-1 118,7	-6,4	-1 102,2
<b>Equity as at 31.12.15</b>	<b>28,3</b>	<b>-0,3</b>	<b>415,3</b>	<b>57,8</b>	<b>9,2</b>	<b>4 637,1</b>	<b>79,7</b>	<b>5 227,0</b>



## SEGMENT INFORMATION

	Farming Central-Norway	Farming Northern-Norway	Sales and Processing	Elim.	Group
<b>3Q 16</b>					
Operating income (mill.)	1 424,9	369,0	2 110,2	-1 642,1	2 262,1
Operational EBIT (mill.)	545,8	181,4	-118,8	-32,1	576,3
Operational EBIT %	38,3 %	49,2 %	-5,6 %		25,5 %
Harvested volume (1,000 tgw)	23,4	6,2			29,6
EBIT/ kg gw (NOK)	23,35	29,12			19,46
<b>3Q 15</b>					
Operating income (mill.)	1 168,8	282,8	1 925,0	-1 500,0	1 876,6
Operational EBIT (mill.)	284,4	68,6	0,5	-19,7	333,7
Operational EBIT %	24,3 %	24,2 %	0,0 %		17,8 %
Harvested volume (1,000 tgw)	28,3	7,1			35,4
EBIT/ kg gw (NOK)	10,05	9,71			9,44
<b>YTD 2016</b>					
Operating income (mill.)	3 361,8	2 009,1	6 053,2	-4 870,6	6 553,5
Operational EBIT (mill.)	1 434,7	1 036,7	-505,3	-91,4	1 874,7
Operational EBIT %	42,7 %	51,6 %	-8,3 %		28,6 %
Harvested volume (1,000 tgw)	55,5	33,6			89,1
EBIT/ kg gw (NOK)	25,85	30,89			21,05
<b>YTD 2015</b>					
Operating income (mill.)	2 891,4	976,4	5 263,4	-3 840,2	5 291,0
Operational EBIT (mill.)	711,9	253,6	118,0	-53,9	1 029,6
Operational EBIT %	24,6 %	26,0 %	2,2 %		19,5 %
Harvested volume (1,000 tgw)	72,9	25,3			98,3
EBIT/ kg gw (NOK)	9,76	10,01			10,48
<b>FY 2015</b>					
Operating income (mill.)	3 941,7	1 646,9	7 295,0	-5 557,4	7 326,2
Operational EBIT (mill.)	947,7	505,8	72,6	-122,1	1 403,9
Operational EBIT %	24,0 %	30,7 %	1,0 %		19,2 %
Harvested volume (1,000 tgw)	96,9	39,5			136,4
EBIT/ kg gw (NOK)	9,78	12,81			10,29

## KEY FIGURES - GROUP

	3Q 16	3Q 15	YTD 2016	YTD 2015	FY 2015
Number of shares (diluted) - end of period (mill.)	112,5	113,3	112,5	113,3	112,3
Earnings per share (NOK)	5,73	2,89	14,65	6,40	9,85
Earnings per share - diluted (NOK)	5,71	2,89	14,59	6,40	9,83
EBITDA %	29,5 %	21,8 %	32,6 %	23,7 %	23,6 %
Operational EBIT %	25,5 %	17,8 %	28,6 %	19,5 %	19,2 %
EBIT %	33,1 %	25,3 %	30,4 %	19,9 %	19,7 %
Profit before tax %	36,1 %	24,2 %	32,4 %	19,0 %	18,9 %
Cash flow per share - diluted (NOK)	8,33	1,51	26,36	10,64	14,45
Net interest bearing debt (mill.)	1 951,2	2 689,7	1 951,2	2 689,7	2 628,1
Equity ratio %	45,5 %	45,9 %	45,5 %	45,9 %	47,8 %

Earnings per share = Earnings after tax/ average numbers of shares

Earnings per share - diluted = Earnings after tax/ average number of shares - diluted

Earnings before tax % = Earnings before tax/ operating income

Cash flow per share - diluted = Cash flow from operating activities/ average number of shares - diluted

Equity ratio = Equity/ total assets

## NOTES TO THE FINANCIAL STATEMENTS

### Note 1 - Accounting principles

This report has been prepared in accordance with International Financial Reporting Standards (IFRS), including the standard for interim reporting (IAS 34). The same accounting principles and calculation methods used in the last year-end financial statements have been used here. Please refer to the Group's latest IFRS year-end financial statements, which are published on the Group's website under Investor Relations ([www.salmar.no](http://www.salmar.no)), for a complete description of the accounting principles.

This interim report has not been subject to external audit.

In this interim report the Group has used the same accounting principles as in the year-end financial statements for 2015. No new or amended accounting standards or interpretations went into force in Q3 2016.

### Note 2 - The company's 20 largest shareholders

Shareholder	Shares	%
KVERVA AS	60 500 000	53,40 %
FOLKETRYGDFONDET	8 254 705	7,29 %
STATE STREET BANK AND TRUST CO.	4 635 339	4,09 %
J.P. MORGAN CHASE BANK N.A. LONDON	3 341 648	2,95 %
LIN AS	2 005 200	1,77 %
CLEARSTREAM BANKING S.A.	1 180 789	1,04 %
SALMAR ASA	1 180 081	1,04 %
STATE STREET BANK & TRUST CO.	930 111	0,82 %
JP MORGAN BANK LUXEMBOURG S.A	819 028	0,72 %
STATE STREET BANK AND TRUST CO.	628 449	0,55 %
RBC INVESTOR SERVICES BANK S.A.	620 108	0,55 %
PARETO AKSJE NORGE	594 494	0,52 %
J.P. MORGAN CHASE BANK N.A. LONDON	576 762	0,51 %
COPPER ROCK INT SMALL CAP FUND	483 591	0,43 %
KLP AKSJENORGE INDEKS	478 464	0,42 %
STATE STREET BANK AND TRUST CO	477 942	0,42 %
JPMORGAN CHASE BANK, N.A., LONDON	403 853	0,36 %
THE BANK OF NEW YORK MELLON	391 336	0,35 %
STATE STREET BANK & TRUST COMPANY	387 626	0,34 %
EUROCLEAR BANK N.V.	383 120	0,34 %
<b>Top 20</b>	<b>88 272 646</b>	<b>77,91 %</b>
Others	25 027 353	22,09 %
<b>Total</b>	<b>113 299 999</b>	<b>100,00 %</b>



### Note 3 - Inventory and Biological Assets (biomass)

Book value of inventory	30.09.2016	30.06.2016	31.12.2015	30.09.2015
Raw materials	117,5	101,9	101,0	101,5
Biological assets	4 067,4	3 436,0	3 306,1	3 277,2
Finished goods	101,6	99,9	227,2	203,0
Total	4 286,6	3 637,7	3 634,3	3 581,7
 Fair value adjustment of biological assets	 30.09.2016	 30.06.2016	 31.12.2015	 30.09.2015
Historic cost	2 684,1	2 393,5	2 329,9	2 408,8
Fair value adjustment of the biomass	1 383,3	1 042,5	976,1	868,4
Book value	4 067,4	3 436,0	3 306,1	3 277,2

Raw materials largely comprise feed for smolt and marine-phase fish production. Raw materials used in secondary processing, as well as packaging materials, are also included. Stocks of biological assets are associated with SalMar's fish farming operations on land and at sea.

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

### Biological assets in further detail

The treatment for accounting purposes of live fish is regulated by IAS 41 Agriculture. IAS 41 contains a methodological hierarchy for the measurement of biological assets for accounting purposes. The main rule is that such assets must be measured at fair value.

The best estimate for the fair value of fish with a live weight of less than 1 kg is accumulated cost, while the fair value of harvestable fish with a harvested weight of more than 4 kg is adjusted to its expected net profit/loss. For fish with a harvested weight of between 1 kg and 4 kg the fair value adjustment of the biomass is set to its pro-rata share of expected net profit/loss at harvest. As a consequence, this can lead to a downward adjustment in the fair value of biological assets.

The fair value of the biomass is set on the basis of the market price of the weight category concerned, corrected for sales costs, including harvesting costs and gutting waste, on the balance sheet date. The market price is adjusted for quality differences. The sales prices used are based on external forward prices for the period in which the fish is due to be harvested.

Smolt are valued at cost.

### Note 4 - Fair Value Adjustments

Fair value adjustments are part of the Group's operating profit/loss, but changes in fair value are presented on a separate line to provide a better understanding of the Group's profit/loss on the sale of goods. The item Fair Value Adjustments comprises:

	3Q 2016	3Q 2015	YTD 2016	YTD 2015	FY 2015
Change in fair value of the biomass	340,8	288,5	407,2	39,6	147,3
Change in provisions for onerous contracts	-183,1	-4,4	-457,2	28,9	-91,9
Unrealised change in value of Fish Pool contracts	-52,0	-0,2	-23,7	32,0	56,1
Unrealised changes in the value of currency and forward currency contracts	67,5	-142,7	191,3	-79,0	-71,5
Fair value adjustments recognised in profit and loss	173,3	141,2	117,6	21,5	39,9

**Note 5 - Business combinations**

**Business acquisitions in 2015 and 2016**

The Group has made no business combinations in 2015 or 2016.

**Note 6 - Financial assets – investments where the equity method is applied**

	<i>Norskott</i>	<i>Others</i>	<i>TOTAL</i>
Opening balance 31.12.2015	574,2	53,4	627,6
Acquisition of shares/contribution	-	-	-
Share of year's profit/loss	162,7	-3,3	159,5
Other items in comprehensive income	-107,6	-	-107,6
Dividend received	-74,3	-	-74,3
<b>Closing balance 30.09.2016</b>	<b>555,0</b>	<b>50,1</b>	<b>605,1</b>

**2015 - Investments in associates**

On 11 December 2015 the Group agreed to purchase 50 per cent of the shares in Salmus AS. Salmus AS owns 53.05 per cent of the shares in Kvitholmen AS, which, in turn, owns 86.38 per cent of the shares in Arnarlax Hf. Both Salmus AS and Kvitholmen AS are shareholding companies. Arnarlax Hf is an aquaculture company located in Iceland. Salmus AS is owned 50/50 by SalMar and Edinborg AS, and the investment is treated for accounting purposes in accordance with the equity method. At the time the investment was made, the book value of the equity in Salmus AS was NOK 47.1 million. The cash consideration paid for SalMar's investment was NOK 43.4 million. Fish farming licences held by Arnarlax Hf account for the entirety of the excess value recognised by the Group.

**2016**

During Q2, loans totalling NOK 242 million have been granted in connection with the financing of a share issue in Arnarlax HF. The loan has been granted to Salmus AS and other shareholders of this company. SalMar ASA has also received subscription rights in Salmus AS which, from the date on which they are exercised, will give it a shareholding of 69.4 per cent of the latter company. Following the share issue, Salmus AS's indirect shareholding in Arnarlax HF will total 49.07 per cent.

**Note 7 - Other financial items**

	<b>3Q 2016</b>	<b>3Q 2015</b>	<b>YTD 2016</b>	<b>YTD 2015</b>	<b>FY 2015</b>
Net interest expenses	-27,0	-25,6	-74,8	-71,0	-95,3
Other net financial items	26,4	0,8	46,9	0,5	-5,1
<b>Net financial items</b>	<b>-0,7</b>	<b>-24,9</b>	<b>-27,9</b>	<b>-70,5</b>	<b>-100,4</b>

With effect from 1 January 2016 the Group has changed its classification of the effect of foreign exchange rates on sales in foreign currencies. Sales transactions are, from this point forward, recognised at the exchange rate in effect on the transaction date. Realised foreign exchange gains or losses upon settlement of the receivable, as well as the translation of monetary items denominated in foreign currencies at exchange rates in effect on the balance sheet date, are recognised in the financial statements as a financial item. An exception is made for changes in the fair value of forward currency contracts that have been entered into to hedge future deliveries. The effect of these is recognised as before on the line for fair value adjustments in profit and loss. Foreign exchange effects are recognised as an item in other net financial items in 2016.

**Note 8 - Exit of subsidiaries and non-controlling interests**

**Exit of subsidiaries and non-controlling interests 2016**

With effect from 31 March 2016, the Group has sold its shareholding in the subsidiary Frøyas AS. The Group had a shareholding of 66 per cent, and this has been transferred in its entirety to Insula AS. Kverva AS owns 91.76 per cent of Insula AS. Kverva AS owns 53.4 per cent of the shares in SalMar ASA and is a related party to the Group.

Consideration for the shares in Frøyas AS is based on an earn-out model. Fair value of the consideration is estimated at NOK 40.9 million. The book value of equity in Frøyas AS on the date of the transaction totalled NOK 19.0 million, NOK 6.5 million of which is allocated to non-controlling interests. This gives a gain on the exit of subsidiaries for the Group of NOK 28.4 million in total. The controlling interest's share of the gain has been recognised in Q1 and is classified as an operating revenue in profit and loss.

The non-controlling interests' share of equity in the period in which the gain was recognised has been reduced by NOK 6.5 million.

**Note 9 - Changed segment reporting**

As a result of an internal reorganisation, SalMar has, with effect from Q1 2016, changed the way it reports its segments' performance. Historical figures have been restated to provide comparability. The restated figures are presented below.

<b>Farming Central-Norway</b>	<b>Q4 2015</b>
Operating income (mill.)	1 050,3
Operational EBIT (mill.)	235,8
Operational EBIT %	22,4%
Harvested volume (1,000 tgw)	24,0
EBIT/ kg gw (NOK)	9,83

<b>Farming Northern-Norway</b>	<b>Q4 2015</b>
Operating income (mill.)	670,5
Operational EBIT (mill.)	252,1
Operational EBIT %	37,6%
Harvested volume (1,000 tgw)	14,1
EBIT/ kg gw (NOK)	17,84

<b>Sales and Processing</b>	<b>Q4 2015</b>
Operating income (mill.)	2 031,6
Operational EBIT (mill.)	-45,4
Operational EBIT %	-2,2%

<b>Elim.</b>	<b>Q4 2015</b>
Operating income (mill.)	-1 717,2
Operational EBIT (mill.)	-68,2

<b>Group</b>	<b>Q4 2015</b>
Operating income (mill.)	2 035,2
Operational EBIT (mill.)	374,3
Operational EBIT %	18,4%
Harvested volume (1,000 tgw)	38,1
EBIT/ kg gw (NOK)	9,82