

# Quarterly Report

## Fourth quarter 2016



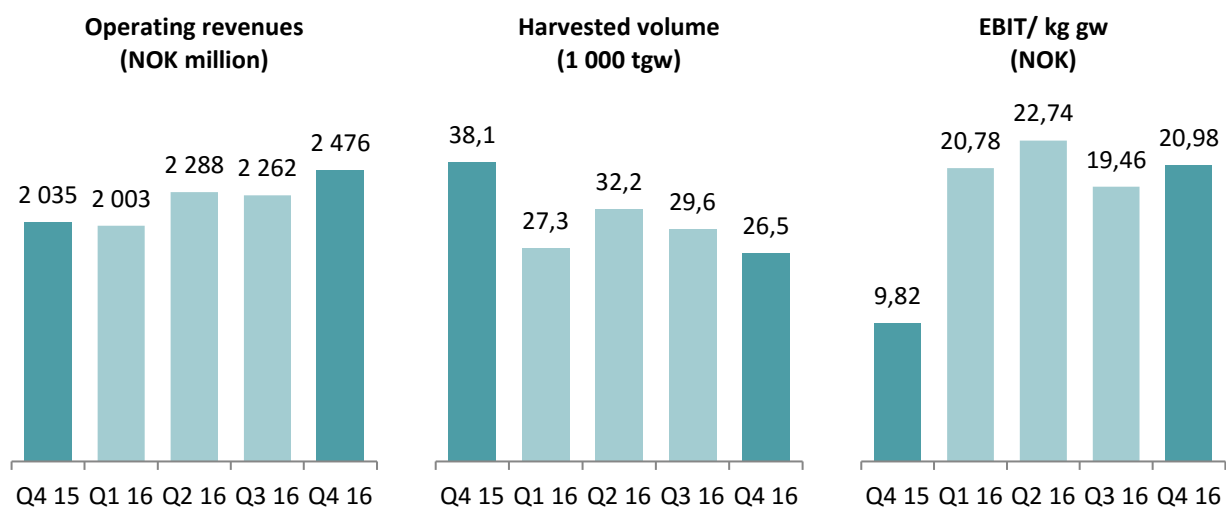
## SATISFACTORY RESULT DESPITE BIOLOGICAL CHALLENGES

### HIGHLIGHTS IN THE FOURTH QUARTER 2016

- Continued high salmon prices result in revenue and profit growth.
- High production costs for part of the volume harvested by Fish Farming Central Norway, improved through the quarter.
- Record earnings in the Fish Farming Northern Norway segment.
- 60% of the volume harvested was sold under contract at prices considerably below the spot price.
- Harvesting of 2,500 tonnes of salmon pushed back from 2016 until 2017. SalMar expects to harvest 131,000 tonnes in 2017.
- Board recommends a dividend for 2016 of NOK 12.00 per share.

### KEY FIGURES - GROUP

NOK million	Q4 2016	Q4 2015	2016	2015
Operating revenue	2 476.3	2 035.2	9 029.8	7 326.2
Operational EBIT	557.0	374.3	2 431.6	1 403.9
Operational EBIT %	22.5 %	18.4 %	26.9 %	19.2 %
Fair value adjustments	536.4	18.5	654.0	39.9
Profit/loss from associates	127.4	14.1	286.8	40.2
Profit/loss before tax	1 218.2	377.0	3 342.1	1 383.7
EPS	8.84	3.37	23.43	9.83
NIBD	2 364.2	2 628.1	2 364.2	2 628.1
Equity ratio %	49.8 %	47.8%	49.8 %	47.8 %
Harvested volume (1,000 t <sub>gw</sub> )	26.5	38.1	115.6	136.4
EBIT/kg gw (NOK)	20.98	9.82	21.03	10.29







## FINANCIAL PERFORMANCE

### Revenues and results in the fourth quarter 2016

The SalMar Group harvested 26,500 tonnes of salmon in the fourth quarter 2016, compared with 29,600 tonnes in the previous quarter, and 38,100 tonnes in the fourth quarter 2015.

In addition, Norskott Havbruk (Scottish Sea Farms) harvested 5,800 tonnes in the quarter, down from 8,100 tonnes in the previous quarter and 6,300 tonnes in the fourth quarter 2015. SalMar owns 50 per cent of Norskott Havbruk.

The market for Atlantic salmon has been tight for some time, and prices continued to rise through the fourth quarter, as they have in recent periods. At the start of the quarter, salmon was priced at NOK 58 per kg, while at its close, the price had risen to just under NOK 80 per kg.

The average price of salmon (NASDAQ Salmon Index) in the quarter ended at NOK 67.17 per kg, up from NOK 60.47 per kg in the previous quarter and NOK 45.28 per kg in the fourth quarter 2015.

SalMar's gross operating revenues in the fourth quarter totalled NOK 2,476.3 million, compared with NOK 2,262.1 million in the third quarter and NOK 2,035.2 million in the fourth quarter 2015.

The Group's Operational EBIT in the period totalled NOK 557.0 million, down from NOK 576.3 million in the previous quarter, but up from NOK 374.3 million in the same period last year.

For the Group as a whole, this corresponds to an Operational EBIT of NOK 20.98 per kg, compared with NOK 19.46 per kg in the third quarter and NOK 9.82 per kg in the fourth 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 have boosted the recognised operating profit by NOK 536.4 million in the quarter. The fair value of the standing biomass rose by NOK 645.3 million in the quarter, while changes in unrealised losses on contracts, financial Fish Pool contracts and foreign currency positions had a net negative effect in the amount of NOK 109.0 million. See Note 4 for further details.

SalMar therefore made an operating profit of NOK 1,093.3 million in the fourth quarter 2016, compared with NOK 392.7 million in the fourth quarter 2015. Operating profit in the fourth quarter 2015 was boosted by fair value adjustments totalling NOK 18.5 million.

SalMar's share of the profit from associates in the quarter totalled NOK 127.4 million. This contribution derives primarily from SalMar's share of the profits from Norskott Havbruk and Arnarlax. In the fourth quarter 2015 associates contributed NOK 14.1 million.

Net interest expenses totalled NOK 26.5 million in the period, while net other financial items were positive in the amount of NOK 24.1 million. SalMar made a profit before tax of NOK 1,218.2 million in the period. In the fourth quarter 2015, SalMar's profit before tax came to NOK 377.0 million.

The period's tax expense is estimated at NOK 201.5 million, such that the Group's net profit for the fourth quarter 2016 totalled NOK 1,016.7 million. In the corresponding period last year, the tax expense came to NOK -9.9 million, such that SalMar's net profit totalled NOK 386.9 million.

### Revenues and results for 2016 as a whole

The Group generated gross operating revenues of NOK 9,029.8 million in 2016 as a whole, compared with NOK 7,326.2 million in 2015.

Excluding Norskott Havbruk, SalMar harvested a total of 115,600 tonnes during 2016, down from 136,400 tonnes the year before.

The average price of salmon (NASDAQ Salmon Index) for 2016 ended at NOK 62.68 per kg, compared with NOK 41.45 per kg in 2015.

Operational EBIT for the year totalled NOK 2,431.6 million, up from NOK 1,403.9 million in 2015. The increase is attributable to higher salmon prices.

Fair value adjustments boosted profits by NOK 654.0 million, bringing SalMar's operating profit for the year as a whole to NOK 3,085.6 million. In 2015, operating profit came to NOK 1,443.8 million, after positive fair value adjustments totalling NOK 39.9 million.

SalMar's share of the profit from associates totalled NOK 286.8 million in 2016, compared with NOK 40.2 million the year before. The year's net interest expenses totalled NOK 101.3 million, while net other financial items were positive in the amount of NOK 70.9 million. Consequently, SalMar made a profit before tax of NOK 3,342.1 million in 2016 as a whole. In 2015, net interest expenses came to NOK 95.3 million, while net other financial items were negative in the amount of NOK 5.1 million. Profit before tax in 2015 therefore totalled NOK 1,383.7 million.

The tax expense for 2016 as a whole is estimated at NOK 691.1 million, such that SalMar's net profit for the year comes to NOK 2,651.0 million. A tax expense of NOK 254.9 million was recognised in the 2015 financial statements, such that the year's net profit came to NOK 1,128.8 million.

### Cash flow

Despite strong earnings, the SalMar Group's cash flow from operating activities in the fourth quarter 2016 was negative in the amount of NOK 209.6 million. This is largely attributable to a NOK 491.4 million increase in working capital, as well as tax paid during the period.

Net cash flow from investing activities was negative in the amount of NOK 173.2 million in the period. The bulk of the payments relates to investments in property, plant and equipment, which together came to NOK 202.0 million in



the quarter. NOK 55.1 million of this relates to the company's offshore fish farming project (Ocean Farming), NOK 82.9 million relates to investments in new and existing smolt facilities, while NOK 64.0 million relates to other operational investments. A total of NOK 26.5 million in dividends was received from associates during the quarter.

The Group's net cash flow from financing activities in the quarter was positive in the amount of NOK 240.4 million. This amount relates primarily to interest-bearing debt, which rose by NOK 266.8 million during the quarter. Net interest payments of NOK 26.5 million were made during the period.

This gave SalMar a net cash flow of NOK -142.4 million in the fourth quarter 2016. Including negative foreign exchange effects of NOK 3.7 million, this reduced the Group's total holdings of cash and cash equivalents by NOK 146.0 million during the period. At the close of the quarter, therefore, SalMar had cash holdings totalling NOK 273.7 million.

For 2016 as a whole, the SalMar Group's net cash flow from operating activities was positive in the amount of NOK 2,755.8 million (NOK 1,622.3 million in 2015). Net cash flow from investing activities was negative in the amount of NOK 1,262.5 million (NOK -724.7 million in 2015), while its overall cash flow from financing activities was negative in the amount of NOK 1,491.2 million (NOK -795.5 million in 2015). The Group's net cash flow for the year as a whole was marginally positive in the amount of NOK 2.1 million (NOK 102.0 million in 2015).

### Financial position

At the close of 2016, SalMar's balance sheet totalled NOK 13,421.1 million, compared with NOK 12,416.9 million three months earlier, and NOK 10,943.5 million at the close of 2015.

The book value of the Group's property, plant and equipment rose by NOK 106.8 million through the quarter to NOK 3,156.9 million. Investments are being made in line with previously adopted plans, largely in the offshore fish farming project and the expansion of smolt production capacity, as well as in equipment to improve the Group's

ability to deal with salmon lice and general maintenance investments.

At the close of the period, the Group's current assets totalled NOK 6,393.4 million, up from NOK 5,597.9 million three months earlier.

The book value of inventory rose by NOK 935.2 million in the period. The volume of the standing biomass rose through the quarter. This explains why production costs have risen by NOK 284.2 million, while the value of finished goods fell by NOK 8.9 million. Fair value adjustments rose by NOK 645.3 million in the period, as a result of the increase in the standing biomass and higher forward prices compared with the close of the previous quarter.

Trade receivables rose by NOK 111.3 million to NOK 595.8 million in the period, while other current receivables fell by NOK 105.0 million to NOK 302.1 million. At the close of the quarter, the SalMar Group had total cash holdings of NOK 273.7 million.

As at 31 December 2016, the Group's total equity stood at NOK 6,680.8 million, which corresponds to an equity ratio of 49.8 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 2,637.9 million. Of this amount, debt to credit institutions accounted for NOK 2,079.0 million, ordinary leasing liabilities accounted for NOK 44.0 million and leasing liabilities associated with InnovaMar for NOK 316.2 million. Short-term interest-bearing debt, amounting to NOK 198.6 million, comprises drawdowns on overdraft totalling NOK 59.5 million, in addition to the first year's repayments of long-term interest-bearing debt.

Other current liabilities decreased by NOK 585.0 million to NOK 2,587.4 million in the period. The reduction is primarily attributable to lower trade payables, lower provisions for tax payable, as well as lower provisions for losses on contracts.

At the close of 2016, the SalMar Group had a net interest-bearing debt of NOK 2,364.2 million, up NOK 413.0 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.

### Fish Farming Central Norway

NOK million	Q4 16	Q4 15	2016	2015
Operating revenue	982	1 050	4 343	3 942
Operational EBIT	335	236	1 770	948
Operational EBIT%	34%	22%	41%	24%
Harvested volume (1 000 t <sub>gw</sub> )	15.0	24.0	70.5	96.9
EBIT/kg gw (NOK)	22.43	9.83	25.13	9.78

The Fish Farming Central Norway segment harvested a total of 15,000 tonnes of salmon in the fourth quarter 2016. In the corresponding period the year before, the segment harvested 24,000 tonnes. The low volume was, however, largely offset by the considerably higher prices achieved, such that its operating revenues came to NOK 981.7 million in the quarter, marginally less than the NOK 1,050.3 million generated in the fourth quarter 2015.

The volume harvested in the quarter was lower than previously communicated, partly because some of the biomass has been harvested earlier than planned due to biological issues and out of concern for fish welfare. This has afforded opportunities to optimise production in other parts of the biomass, which has resulted in the harvesting date being pushed back from 2016 until 2017.

Compared with price developments through the quarter, the harvested volume's distribution was unfavourable. As a result, the price achieved was slightly under the average (NASDAQ) for the quarter.

Although the lice situation in the region remains challenging, it is better than at the same point the year before. Recent quarters' investments in non-medicinal delousing equipment, and improved availability of lumpfish have boosted the segment's preparedness and response capacity.

SalMar is continuously building up its competence and capacity to manage the biological situation, and operational assessments are constantly being made to safeguard fish welfare. Overall, the challenging biological situation has been managed actively and effectively throughout the quarter.

The final portion of the generation transferred to the sea in the spring of 2015 (S15) was harvested out at the start of the quarter. These fish came from sites experiencing biological challenges, with correspondingly high production costs.

Organic salmon accounted for just less than 30 per cent of the segment's total volume in the quarter. In the same way as for some of the conventional salmon, this volume comes from sites experiencing particular challenges with regard to lice, with correspondingly high production costs.

Together with a lower price premium and more difficult market conditions, this has contributed to a substantial decrease in the profitability of organic salmon compared with conventional salmon during the period.

Recent signals indicating a possible political solution to the labelling issue, provide hope for improved market conditions going forward.

In the fourth quarter 2016, Fish Farming Central Norway made an operating profit per kg gutted weight of NOK 22.43. This is down from NOK 23.35 per kg in the previous quarter, but up from NOK 9.83 per kg in the fourth quarter 2015.

The segment expects somewhat lower costs for the fish being harvested in the first quarter 2017, compared with fish harvested in the fourth quarter 2016.

SalMar expects Fish Farming Central Norway to harvest around 85,000 tonnes of salmon in 2017 as a whole. This is an increase of almost 21 per cent compared with 2016.

### Fish Farming Northern Norway

NOK million	Q4 16	Q4 15	2016	2015
Operating revenue	790	671	2 799	1 647
Operational EBIT	444	252	1 480	506
Operational EBIT%	56%	38%	53%	31%
Harvested volume (1 000 t <sub>gw</sub> )	11.6	14.1	45.2	39.5
EBIT/kg gw (NOK)	38.28	17.84	32.78	12.81

The Fish Farming Northern Norway segment harvested around 11,600 tonnes of salmon in the fourth quarter 2016. This is approx. 5,400 tonnes more than in the previous quarter, but 2,500 tonnes less than in the corresponding period last year.

The segment generated gross operation revenues of NOK 790.1 million in the period, compared with NOK 670.5 million in the corresponding period in 2015. The increase in revenues is attributable primarily to higher salmon prices.

Fish Farming Northern Norway's biological situation is satisfactory, and production in the quarter has been strong. Costs have remained stable in the period, and are expected to remain so in the time ahead. This, combined with a favourable distribution of the harvested volume through the quarter (with the bulk being harvested towards the end), ensured the segment achieved good results in the period.

In the fourth quarter 2016, operating profit per kg totalled a record high NOK 38.28, up from NOK 29.12 per kg in the previous quarter and NOK 17.84 per kg in the fourth quarter 2015.



However, SalMar is experiencing a slight increase in lice numbers in the southern part of the segment (Troms). More frequent delousing treatments also increase costs. In the fourth quarter 2016, around 35 per cent of the Northern Norway segment's harvested volume came from this area.

SalMar's investment in delousing equipment has strengthened its ability to deal with any future increase in lice numbers. Furthermore, in conjunction with the other fish farmers in the southern part of the region, SalMar has implemented a new zone-based operating regime. Among other things, this involves the joint fallowing of large expanses, which will help to improve the lice situation in the area.

SalMar expects Fish Farming Northern Norway to harvest around 46,000 tonnes of salmon in 2017 as a whole.

## Sales and Processing

NOK million	Q4 16	Q4 15	2016	2015
Operating revenue	2 178	2 032	8 231	7 295
Operational EBIT	-180	-45	-686	73
Operational EBIT%	-8%	-2%	-8%	1%

The Sales and Processing segment generated gross operating revenues of NOK 2,178.1 million in the fourth quarter 2016, marginally up from the NOK 2,110.2 million generated in the previous quarter and the NOK 2,031.6 million in the corresponding period last year.

The segment sells the Group's entire harvested volume.

The segment made an operating loss of NOK 180.5 million in the period, down from a loss of NOK 118.8 million in the previous quarter. In the fourth quarter 2015, Sales and Processing made a loss of NOK 45.4 million.

The weak performance is attributable primarily to the fact that 60 per cent of the volume harvested was sold under contract at prices well below the average spot price for the period. A lower overall harvested volume than previously anticipated contributed to the exceptionally high contract rate for the period. The reduced volume also led to activity at the harvesting plant being somewhat low in the quarter. This results in lower capacity utilisation, with correspondingly higher unit costs.

The biological challenges facing the farming business have a knock-on effect through the value chain. Quality downgrades and a larger proportion of smaller fish affect the operating efficiency of the harvesting plant and contribute to lower prices being achieved on the sales side.

A total of 18,700 tonnes was harvested at InnovaMar in the fourth quarter 2016, down from 30,300 tonnes in the previous quarter and 30,200 tonnes in the fourth quarter 2015.

The secondary processing business maintained a relatively high level of activity through the quarter. Activity levels are expected to remain high going forward, with better capacity utilisation. The Group's processing plants continue to suffer from record high raw materials prices, a situation that is expected to persist.

For the first half of 2017, the contract rate is expected to come to around 47 per cent.

## 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 26,500 tonnes in the fourth quarter 2016, R&D costs accounted for NOK 0.85 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	Q4 16	Q4 15	2016	2015
Operating revenues	355	367	1 721	1 498
Operational EBIT	140	5	474	122
Operational EBIT%	40%	1%	28%	8%
Fair value adj. biomass	50	20	128	-24
Profit before tax	185	22	582	90
SalMar's share after tax	74	13	237	41
Harvested volume (1 000 tgv)	5.8	6.3	28.0	27.0
EBIT/kg gw (NOK)	24.39	0.82	16.90	4.50

Norskott Havbruk generated gross operating revenues of NOK 354.6 million in the fourth quarter 2016, compared with NOK 511.9 million in the third quarter and NOK 367.2 million in the fourth quarter 2015.

Norskott Havbruk harvested some 5,800 tonnes of fish in the quarter, 2,300 tonnes less than in the previous quarter and 500 tonnes less than the corresponding period in 2015.

SalMar's share of the volume harvested came to 2,900 tonnes.

The company's profit was negatively affected by a 60 per cent contract rate during the quarter.

The biological situation is good in all the company's operating areas. However, there is a slight rise in lice numbers in Shetland. As a result, the company has increased its level of salmon-lice preparedness, and non-medicinal delousing equipment has been installed in the region.

Norskott Havbruk made an operating profit per kg gutted weight of NOK 24.39 in the quarter, up from NOK 18.59 per kg in the previous quarter and from NOK 0.82 per kg in the fourth quarter 2015.

The company expects to harvest around 30,000 tonnes in 2017 as a whole.



### Arnarlax Hf

Arnarlax Hf is recognised as an associate, with SalMar's share (20.1 per cent in the first six months, 34.0 per cent in the second six months) 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	2016
Operating revenues	247.4
Operational EBIT	-1.7
Operational EBIT%	-0.7%
Fair value adj. biomass	183.5
Profit before tax	205.4
SalMar's share after tax	52.2
Harvested volume (1 000 tgw)	4.0
EBIT/kg gw (NOK)	-0.41

Arnarlax harvested its first salmon in 2016, and by the end of the year it had harvested a total of 4,000 tonnes. The company generated gross operating revenues of NOK 247.4 million in 2016 as a whole.

The company made an Operational EBIT of NOK -1.7 million in 2016, as a result of high costs on the first generation in production, a long production time, a relatively high mortality rate and high processing and logistics costs. To this must be added non-recurring costs linked to the acquisition of Fjardalax. Towards the end of 2016, the company started harvesting its second generation of salmon, i.e. fish transferred to the sea in 2015. This generation has a substantially lower production cost.

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

## MARKETS

### Supply and demand

The global supply of Atlantic salmon came to around 580,050 tonnes in the fourth quarter 2016, down 11 per cent on the same period in 2015.

Although the decrease has been driven largely by lower output in Norway and Chile, production in the UK and the Faeroes was also lower in the fourth quarter 2016 than in the corresponding period the year before.

Fish farmers in Chile harvested 128,500 tonnes of Atlantic salmon in the quarter, some 40,900 tonnes or 24 per cent less than in the same period the year before. Around 321,700 tonnes were harvested in Norway during the quarter. This is 22,600 tonnes or 7 per cent less than in the fourth quarter 2015.

During the quarter, British fish farmers produced 43,000 tonnes, while those in the Faeroes produced 21,300 tonnes. This is 2,300 tonnes and 3,700 tonnes respectively less than the year before. The reduction in output from Chilean fish farmers is expected to continue in 2017, while it is expected to tail off in Norway and the UK. Production in the Faeroes is expected to increase year on year, with a sharp rise forecast for the first half of 2017.

The other fish-farming regions saw only minor changes compared with the corresponding period the year before.

A total of 41,300 tonnes was harvested in North America during the quarter (up 400 tonnes), while output from the other fish-farming regions came to 24,250 tonnes (down 400 tonnes).

Norway exported approx. 310,000 tonnes round weight of Atlantic salmon during the fourth quarter 2016. This is around 22,000 tonnes or 7 per cent less than in the fourth quarter 2015.

However, significantly higher salmon prices have greatly boosted the value of these exports measured in NOK. In total during the period, salmon worth NOK 17.9 billion was exported from Norway. This is up from NOK 14.1 billion and corresponds to an increase of 27 per cent from the same period last year.

Exports of Norwegian salmon to the EU totalled 235,000 tonnes in the quarter, a decrease of 8 per cent on the corresponding period in 2015. However, the value of Norway's exports to the EU rose by 25 per cent compared with the fourth quarter 2015, to stand at NOK 13.1 billion.

The lower output in the quarter has led to reduced volumes in selected key markets, while other important EU markets for Norwegian salmon have held steady. The volume of exports to markets like Poland, Denmark and the UK has changed only marginally compared with 2015, while exports to France and Spain have fallen.

Exports to Poland totalled 48,200 tonnes, while exports to Denmark came to 23,500 tonnes – unchanged from the year before. However, the value of these exports to these markets rose by 36 per cent and 42 per cent respectively. Exports to the UK in the quarter totalled 22,500 tonnes, down 1 per cent on the same period in 2015.

Exports to France continued their downward trend in the fourth quarter 2016. A total of 38,700 tonnes was exported to France during the period, a decrease of 11 per cent on the same period the year before. For 2016 as a whole, exports of Norwegian salmon to France fell by 7 per cent.

Developments in the Spanish market were similar to those in France. In the fourth quarter 2016, the export volume fell by 22 per cent compared with the same period in 2015, such that the total volume came to 16,700 tonnes.

Exports to the US market have been rising for several quarters. The trend in the fourth quarter was also positive, though at a slower rate. Exports to the region totalled 14,400 tonnes in the quarter, up 2 per cent from the same period the year before. For 2016 as a whole, the volume of Norwegian salmon exported to the US market rose by 8 per cent. Measured in NOK, however, the value of these exports rose by a substantial 35 per cent from 2015 to 2016.

Exports to Asian markets rose by 19 per cent to 10,500 tonnes in the fourth quarter 2016. For the year as a whole, however, the volume of exports to Asian markets fell by 5 per cent.

### Prices and exchange rates

With the further decline in the global supply of Atlantic salmon, prices continued to rise through the fourth quarter.





Indeed, towards the end of the period, prices upwards of NOK 80 per kg were being quoted.

The average price of salmon (NASDAQ Salmon Index) for the period as a whole came to NOK 67.17 per kg, up from NOK 60.47 per kg in the previous quarter. Compared with the same period in 2015, the price of salmon has risen by as much as NOK 21.88 per kg.

Through the fourth quarter, the Norwegian krone (NOK) has weakened against the country's most important trading currencies.

From the close of the third quarter 2016, the NOK has weakened against the EUR, GBP and USD by 1.1 per cent, 1.7 per cent and 7.1 per cent respectively.

Through the year as a whole, however, the NOK has strengthened against the same currencies. From the close of the fourth quarter 2015 until the close of the fourth quarter 2016, the NOK strengthened against the EUR by 5.5 per cent, against the GBP by 18.8 per cent and against the USD by 2.1 per cent.

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 had 699,000 tonnes of live farmed salmon (round weight, biomass) at the close of the fourth quarter 2016. This was marginally less (0.2 per cent) than at the same point the year before, when the biomass came to 700,300 tonnes. At the close of the third quarter 2016, Norway's total biomass stood at 695,800 tonnes round weight.

Chile's biomass totalled 251,800 tonnes round weight at the close of the quarter, a drop of 14 per cent from the same point a year before. At the close of the previous quarter, Chile's total biomass came to 246,200 tonnes.

As at 31 December 2016, the UK had a biomass of 95,100 tonnes round weight, 10 per cent more than at the same point a year before. As at 30 September, British salmon farmers had live fish stocks totalling 92,400 tonnes round weight.

At the close of the period, the overall biomass in the Faeroes is estimated at 52,000 tonnes round weight, 19 per cent more than at the same period a year before.

## EVENTS AFTER THE BALANCE SHEET DATE

On 26 January 2017, SalMar announced that Gustav Witzøe, the Group's Director of Processing and Sales, would be taking over as acting CEO of SalMar ASA while Trond Williksen is on sick leave. Mr Williksen is expected to return to work in mid-April.

In August 2016, Norwegian fish farmers were temporarily forbidden from labelling fish destined for the EU market as organic. A portion of SalMar's salmon output is organic, and it is important that this fish can be labelled and marketed as such in SalMar's most important markets.

In October, the Norwegian authorities announced that Norway would comply with the EU's regulations to enable

Norwegian organic salmon to continue being sold in the EU. Before the regulations can be included in the EEA Agreement, however, Iceland must also give its consent. In January 2017, the Icelandic authorities announced that they, too, would accede to the EU's organic farming regulations. These regulations must be ratified and implemented before organic salmon may be sold normally again. As at 15 February, the situation remains to be clarified.

## SHARES AND SHAREHOLDERS

At the close of 2016, SalMar had a total of 113,299,999 shares outstanding, divided between 3,828 shareholders.

The company's major shareholder, Kverva AS, owns 53.4 per cent of the shares. The 20 largest shareholders own a total of 78.3 per cent of the shares, with SalMar ASA being the sixth largest shareholder with 984,368 shares, corresponding to 0.87 per cent of the total number of shares outstanding as at 31 December 2016.

During the period, SalMar's share price varied between NOK 246.20 and NOK 275.90. The final price at the close of the quarter was NOK 258.10, compared with NOK 244.00 at the close of the previous quarter. This represents an increase of 5.8 per cent during the period.

In all, 11.1 million shares were traded during the period. This corresponds to around 10 per cent of the total number of shares outstanding. The average trading volume was just over 173,500 shares per day.

## 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 fell by 11 per cent in the fourth quarter 2016, compared with the year before. This trend is forecast to continue into the first quarter 2017, with output expected to be 9 per cent lower than in the corresponding period in 2016.

Norway's output in the fourth quarter 2016 was 7 per cent down on the same period the year before. In the first quarter 2017, output is expected to be 5 per cent lower than in the same period in 2016. However, developments through the year are likely to fluctuate. For the year as a whole, therefore, output from Norwegian salmon farmers is expected to remain unchanged from 2016. The overall volume harvested in 2017 is forecast to be 1.18 million tonnes.

After a year in which output levels fell sharply, the situation in Chile is expected to reverse in 2017. Output in the first quarter is expected to fall by 26 per cent compared with the first quarter 2016. However, output from Chilean fish farmers in 2017 is forecast to grow by around 3 per cent, bringing the expected volume harvested in 2017 to around 521,900 tonnes.

The outlook in the UK is similar to that in Norway and Chile. The negative trend with reduced harvested volumes in





2016 will probably continue into the first quarter 2017, and then reverse through the rest of the year. Output in the first quarter 2017 is expected to be 4 per cent down on the first quarter 2016, corresponding to the trend in 2016 as a whole. However, for 2017 as a whole, the volume harvested is forecast to increase by 8 per cent to 173,100 tonnes.

In North America, output in the fourth quarter was 1 per cent higher than in the fourth quarter the year before. Total output from the region came to approx. 41,300 tonnes. While the situation in the first quarter 2017 is predicted to remain stable, a decrease through the year is expected to result in an overall reduction from North American producers of around 4 per cent. For the year as a whole, therefore, total output is expected to be in the region of 158,500 tonnes.

For 2017 as a whole, output from the Faeroes is expected to be around 81,700 tonnes, up 8 per cent on 2016.

Output from the other regions is estimated at 97,400 tonnes for 2017, up 7,650 tonnes or 9 per cent from 2016.

Fish Pool forward prices as at 8 February indicate an average salmon price for March and April of NOK 68.90 per kg and NOK 70.10 per kg respectively. Forward prices indicate that prices will remain high through the first half year, with quotes for the second quarter of NOK 69.45 per kg. Slightly lower prices are forecast in the second half of the year, such that Fish Pool's forward price for 2017 as a whole is NOK 66.42 per kg, as at 8 February.

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 a major potential for the entire aquaculture sector.

The biological situation for the Fish Farming Central Norway segment remains challenging, particularly with regard to salmon 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 is continuously developing its competence and capacity to deal with the situation in better ways.

SalMar expects to harvest 131,000 tonnes in 2017, with around 45 per cent of this volume coming in the first half-year. This estimate is 3,000 tonnes higher than that given at the close of the third quarter 2016. The increase is due primarily to the biological situation for the Central Norway segment and the postponement of harvesting volumes until 2017. Costs in the first quarter 2017 are expected to be lower than in the fourth quarter 2016.

The contract rate for the first half of 2017 stands at 47 per cent. A reduction in the volume of fish sold under contract is expected in the second half of the year. As at 15 February, the contract rate for the second half is expected to be around 38 per cent. The contract portfolio's average price and volume is relatively stable throughout 2017. Overall, the average price for 2017 is lower than Fish Pool's forward price.

SalMar will continue its ongoing investment programme, and expects to invest around NOK 275 million in maintenance activities in 2017, primarily in connection with its sea-going facilities. The Group is also investing in expansions to its smolt capacity in both fish farming segments. The new facility in Northern Norway is due for completion by the end of the first quarter 2017. In Central Norway the facility is due for completion in the third quarter 2017. Investment in greater cleaner fish capacity has also got underway. In total, these investments come to approx. NOK 260 million. Investments in the offshore fish farm concept will amount to NOK 270 million in 2017. Further investments in mechanical delousing equipment are also planned. The Group expects to invest a total of NOK 850 million in 2017.

With respect to its financial performance, 2016 was a satisfactory year for SalMar. The board considers the Group's financial position to be very good, and is therefore recommending a dividend of NOK 12 per share. In the board's assessment, SalMar has a strong financial capacity for further growth.



## INCOME STATEMENT

NOK million	Q4 2016	4Q 2015	FY 2016	FY 2015
<b>Operating income</b>	<b>2 476,3</b>	<b>2 035,2</b>	<b>9 029,8</b>	<b>7 326,2</b>
Cost of goods sold	1 220,6	1 017,0	4 000,8	3 562,8
Payroll expenses	238,9	201,2	861,5	765,9
Other operating expenses	365,4	348,2	1 377,8	1 272,2
EBITDA	651,4	468,9	2 789,7	1 725,3
Depreciations	94,4	94,7	358,0	321,4
<b>Operational EBIT</b>	<b>557,0</b>	<b>374,3</b>	<b>2 431,6</b>	<b>1 403,9</b>
Fair value adjustment	536,4	18,5	654,0	39,9
<b>Operational profit</b>	<b>1 093,3</b>	<b>392,7</b>	<b>3 085,6</b>	<b>1 443,8</b>
Income from investments in associates	127,4	14,1	286,8	40,2
Net interest costs	-26,5	-24,3	-101,3	-95,3
Other financial items	24,1	-5,5	70,9	-5,1
<b>Profit before tax</b>	<b>1 218,2</b>	<b>377,0</b>	<b>3 342,1</b>	<b>1 383,7</b>
Tax	201,5	-9,9	691,1	254,9
<b>Net profit for the period</b>	<b>1 016,7</b>	<b>386,9</b>	<b>2 651,0</b>	<b>1 128,8</b>
<i>Items to be reclassified to profit and loss in subsequent periods:</i>				
Change in translation diff. associates	2,3	6,7	-105,3	58,5
Change in translation diff. subsidiaries	-3,3	0,4	-1,8	1,9
Cash flow hedge, net tax	12,1	-	11,5	-
Change in fair value of currency instruments	-0,3	-	-0,3	2,8
<b>Total comprehensive income</b>	<b>1 027,4</b>	<b>396,8</b>	<b>2 555,1</b>	<b>1 192,0</b>
Non-controlling interests share of result	21,7	8,6	13,9	25,5
Controlling interests share of result	995,0	378,2	2 637,1	1 103,3
Earnings per share (NOK)	8,86	3,37	23,51	9,85
Earnings per share - diluted	8,84	3,37	23,43	9,83



## BALANCE SHEET - GROUP

NOK million	31.12.2016	30.09.2016	31.12.2015
<b>ASSETS</b>			
Intangible fixed assets	2 910,8	2 911,9	2 913,5
Tangible fixed assets	3 156,9	3 050,1	2 412,0
Financial fixed assets	960,0	857,0	636,2
<b>Total fixed assets</b>	<b>7 027,7</b>	<b>6 819,0</b>	<b>5 961,7</b>
Inventory	5 221,8	4 286,6	3 634,3
Accounts receivables	595,8	484,5	815,5
Other short-term receivables	302,1	407,1	258,3
Cash and cash equivalents	273,7	419,8	273,7
<b>Total current assets</b>	<b>6 393,4</b>	<b>5 597,9</b>	<b>4 981,8</b>
<b>TOTAL ASSETS</b>	<b>13 421,1</b>	<b>12 416,9</b>	<b>10 943,5</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in equity	529,0	523,3	501,1
Reserves	6 069,4	5 060,6	4 646,3
Minority interests	82,4	60,7	79,7
<b>Total equity</b>	<b>6 680,8</b>	<b>5 644,6</b>	<b>5 227,0</b>
Provisions for liabilities	1 515,0	1 228,9	1 230,8
Int. bearing long-term liabilities	2 439,3	2 230,5	2 761,4
<b>Total long-term liabilities</b>	<b>3 954,3</b>	<b>3 459,5</b>	<b>3 992,5</b>
Int. bearing short-term liabilities	198,6	140,4	140,4
Other short-term liabilities	2 587,4	3 172,4	1 583,9
<b>Total short-term liabilities</b>	<b>2 786,0</b>	<b>3 312,8</b>	<b>1 723,9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>13 421,1</b>	<b>12 416,9</b>	<b>10 943,5</b>
<b>Net interest bearing debt</b>	<b>2 364,2</b>	<b>1 951,2</b>	<b>2 628,1</b>
<b>Equity share</b>	<b>49,8 %</b>	<b>45,5 %</b>	<b>47,8 %</b>





## CASH FLOW

NOK million	Q4 2016	Q4 2015	FY 2016	FY 2015
Profit before tax	1 218,2	377,0	3 342,1	1 383,7
Tax paid in period	-273,5	-309,3	-291,0	-315,1
Depreciation	94,4	94,7	358,0	321,4
Share of profit/loss from associates	-127,4	-14,1	-286,8	-40,2
Gains exit subsidiaries	-	-	-26,6	-
Change in fair value adjustments	-536,4	-18,5	-654,0	-39,9
Change in working capital	-491,4	284,0	364,2	279,2
Other changes	-93,6	2,8	-50,0	33,3
Net cash flow from operating activities	-209,6	416,6	2 755,8	1 622,3
Net cash flow from investing activities	-173,2	-320,2	-1 262,5	-724,7
Change in interest-bearing debt	266,8	107,0	-264,0	424,8
Dividend paid out	-	-4,9	-1 125,9	-1 124,9
Interest paid	-26,5	-24,3	-101,3	-95,3
Other changes	-	-0,0	-	-0,1
Net cash flow from financing activities	240,4	77,8	-1 491,2	-795,5
<b>Net change in cash for the period</b>	<b>-142,4</b>	<b>174,2</b>	<b>2,1</b>	<b>102,0</b>
Foreign exchange effects	-3,7	3,2	-2,1	4,7
Cash in the beginning of the period	419,8	96,3	273,7	167,0
<b>Cash at the end of the period</b>	<b>273,7</b>	<b>273,7</b>	<b>273,7</b>	<b>273,7</b>



## CHANGES IN EQUITY

2016	Share capital	Treasury shares	Share premium	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
Equity as at 01.01.16	28,3	-0,3	415,3	57,8	9,2	4 637,1	79,7	5 227,0
Net profit for the year						2 637,1	13,9	2 651,0
Comprehensive income					-2,1	-93,8	0,0	-95,9
Total comprehensive income for the year	0,0	0,0	0,0	0,0	-2,1	2 543,3	13,9	2 555,1
<i>Transactions with shareholders</i>								
Dividend paid						-1 121,2	-4,7	-1 125,9
Exit non-controlling interests						0,0	-6,5	-6,5
Options granted				27,9		0,0	0,0	27,9
Redeemed options treasury shares		0,0				0,0		0,0
Deferred tax options						4,1		4,1
Other changes						-1,0		-1,0
Sum transactions with shareholders	0,0	0,0	0,0	27,9	0,0	-1 118,1	-11,2	-1 101,3
Equity as at 31.12.2016	28,3	-0,2	415,3	85,7	7,1	6 062,2	82,4	6 680,8

2015	Share capital	Treasury shares	Share premium	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
Equity as at 01.01.15	28,3	-0,3	415,3	34,8	4,5	4 594,1	60,6	5 137,3
Net profit for the year						1 103,3	25,5	1 128,8
Comprehensive income					4,7	58,5	0,0	63,2
Total comprehensive income for the year	0,0	0,0	0,0	0,0	4,7	1 161,8	25,5	1 192,0
<i>Transactions with shareholders</i>								
Dividend paid						-1 120,0	-6,4	-1 126,4
Options granted				22,9				22,9
Redeemed options treasury shares		0,0				0,0		0,0
Deferred tax options						1,4		1,4
Other changes						-0,1		-0,1
Sum transactions with shareholders	0,0	0,0	0,0	22,9	0,0	-1 118,7	-6,4	-1 102,2
Equity as at 31.12.15	28,3	-0,3	415,3	57,8	9,2	4 637,1	79,7	5 227,0



## SEGMENT INFORMATION

	Farming Central-Norway	Farming Northern-Norway	Sales and Processing	Elim.	Group
<b>Q4 2016</b>					
Operating income (mill.)	981,7	790,1	2 178,1	-1 473,7	2 476,3
Operational EBIT (mill.)	335,5	443,6	-180,5	-41,7	557,0
Operational EBIT %	34,2 %	56,1 %	-8,3 %		22,5 %
Harvested volume (1,000 t <sub>gw</sub> )	15,0	11,6			26,5
EBIT/ kg gw (NOK)	22,43	38,28			20,98
<b>4Q 2015</b>					
Operating income (mill.)	1 050,3	670,5	2 031,6	-1 717,2	2 035,2
Operational EBIT (mill.)	235,8	252,1	-45,4	-68,2	374,3
Operational EBIT %	22,4 %	37,6 %	-2,2 %		18,4 %
Harvested volume (1,000 t <sub>gw</sub> )	24,0	14,1			38,1
EBIT/ kg gw (NOK)	9,83	17,84			9,82
<b>FY 2016</b>					
Operating income (mill.)	4 343,5	2 799,2	8 231,4	-6 344,3	9 029,8
Operational EBIT (mill.)	1 770,2	1 480,3	-685,8	-133,1	2 431,6
Operational EBIT %	40,8 %	52,9 %	-8,3 %		26,9 %
Harvested volume (1,000 t <sub>gw</sub> )	70,5	45,2			115,6
EBIT/ kg gw (NOK)	25,13	32,78			21,03
<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 t <sub>gw</sub> )	96,9	39,5			136,4
EBIT/ kg gw (NOK)	9,78	12,81			10,29

## KEY FIGURES - GROUP

	Q4 2016	4Q 2015	FY 2016	FY 2015
Number of shares (diluted) - end of period (mill.)	112,6	112,3	112,6	112,3
Earnings per share (NOK)	8,86	3,37	23,51	9,85
Earnings per share - diluted (NOK)	8,84	3,37	23,43	9,83
EBITDA %	26,3 %	23,0 %	30,9 %	23,6 %
Operational EBIT %	22,5 %	18,4 %	26,9 %	19,2 %
EBIT %	44,2 %	19,3 %	34,2 %	19,7 %
Profit before tax %	49,2 %	18,5 %	37,0 %	18,9 %
Cash flow per share - diluted (NOK)	-1,9	3,7	24,5	14,5
Net interest bearing debt (mill.)	2 364,2	2 628,1	2 364,2	2 628,1
Equity ratio %	49,8 %	47,8 %	49,8 %	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 Q4 2016.

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

Shareholder	Shares	%
KVERVA AS	60 500 000	53,40 %
FOLKETRYGDFONDET	8 304 705	7,33 %
STATE STREET BANK AND TRUST COMP	4 879 763	4,31 %
JPMORGAN CHASE BANK, N.A., LONDON	3 299 928	2,91 %
LIN AS	2 005 200	1,77 %
SALMAR ASA	984 368	0,87 %
J.P. MORGAN BANK LUXEMBOURG S.A.	973 664	0,86 %
CLEARSTREAM BANKING S.A.	885 909	0,78 %
STATE STREET BANK AND TRUST COMP	836 144	0,74 %
STATE STREET BANK AND TRUST COMP	643 581	0,57 %
JPMORGAN CHASE BANK, N.A., LONDON	613 622	0,54 %
PARETO AKSJE NORGE	611 744	0,54 %
JPMORGAN CHASE BANK, N.A., LONDON	592 728	0,52 %
RBC INVESTOR SERVICES BANK S.A.	578 242	0,51 %
EUROCLEAR BANK N.V.	567 940	0,50 %
STATE STREET BANK AND TRUST COMP	531 114	0,47 %
COPPER ROCK INT SMALL CAP FUND	516 992	0,46 %
KLP AKSJENORGE INDEKS	464 154	0,41 %
JPMORGAN CHASE BANK, N.A., LONDON	463 638	0,41 %
STATE STREET BANK AND TRUST COMP	461 106	0,41 %
<b>Top 20</b>	<b>88 714 542</b>	<b>78,30 %</b>
Others	24 585 457	21,70 %
<b>Total</b>	<b>113 299 999</b>	<b>100,00 %</b>

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

<b>Book value of inventory</b>	<b>31.12.2016</b>	<b>30.09.2016</b>	<b>31.12.2015</b>
Raw materials	132,1	117,5	101,0
Biological assets	4 997,0	4 067,4	3 306,1
Finished goods	92,7	101,6	227,2
<b>Total</b>	<b>5 221,8</b>	<b>4 286,6</b>	<b>3 634,3</b>

<b>Fair value adjustment of biological assets</b>	<b>31.12.2016</b>	<b>30.09.2016</b>	<b>31.12.2015</b>
Historic cost	2 968,3	2 684,1	2 329,9
Fair value adjustment of the biomass	2 028,7	1 383,3	976,1
<b>Book value</b>	<b>4 997,0</b>	<b>4 067,4</b>	<b>3 306,1</b>

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:

	<b>4Q 2016</b>	<b>4Q 2015</b>	<b>FY 2016</b>	<b>FY 2015</b>
Change in fair value of the biomass	645,3	107,7	1 052,5	147,3
Change in provisions for onerous contracts	141,2	-120,8	-316,0	-91,9
Unrealised change in value of Fish Pool contracts	-120,6	24,1	-144,3	56,1
Unrealised changes in the value of currency and forward currency contracts	-129,6	7,5	61,7	-71,5
<b>Fair value adjustments recognised in profit and loss</b>	<b>536,4</b>	<b>18,5</b>	<b>654,0</b>	<b>39,9</b>

**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>Arnarlax</i>	<i>Others</i>	<i>TOTAL</i>
Opening balance 31.12.2015	574,2	43,4	10,1	627,7
Acquisition of shares/contribution	-	200,0	-	200,0
Share of year's profit/loss	236,6	52,2	-2,0	286,8
Other items in comprehensive income	-100,5	-4,8	-	-105,3
Dividend received	-100,8	-	-	-100,8
<b>Closing balance 31.12.2016</b>	<b>609,5</b>	<b>290,8</b>	<b>8,1</b>	<b>908,4</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. The loan to Salmus AS of NOK 200 million is considered as a part of the investment in the company.

**Note 7 - Other financial items**

	<b>4Q 2016</b>	<b>4Q 2015</b>	<b>FY 2016</b>	<b>FY 2015</b>
Net interest expenses	-26,5	-24,3	-101,3	-95,3
Other net financial items	24,1	-5,5	70,9	-5,1
<b>Net financial items</b>	<b>-2,5</b>	<b>-29,8</b>	<b>-30,4</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 estimated fair value of the consideration is updated as at Q4 2016. The reduced estimated gain of NOK 1.8 million is recognized in Q4.

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