

# Quarterly Report

## First quarter 2017



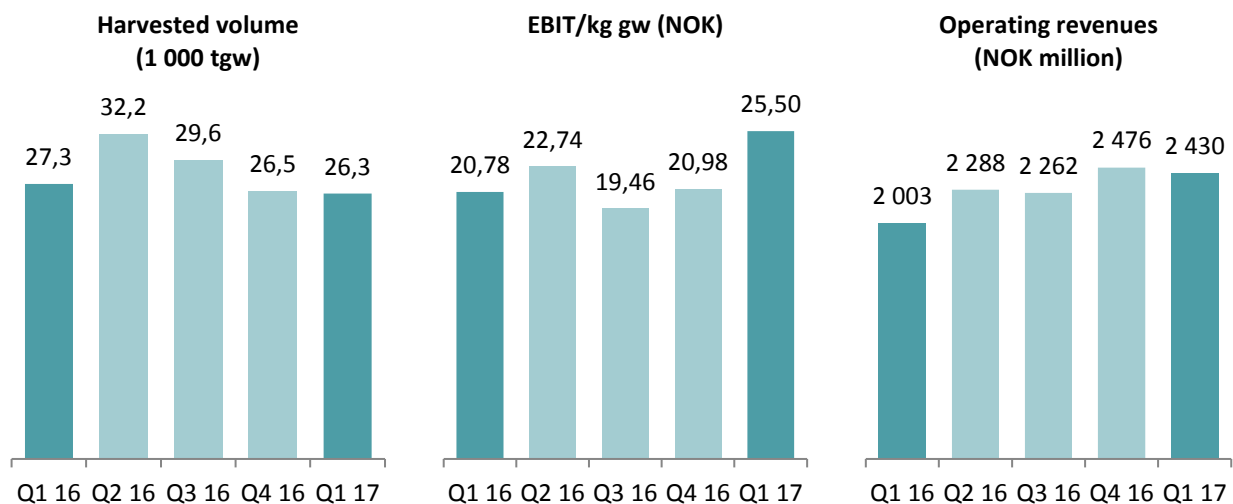
## RECORD OPERATIONAL EBIT PER KG DUE TO BETTER PERFORMANCE WITHIN FARMING AND SALES

### HIGHLIGHTS IN THE FIRST QUARTER 2017

- Record-high price achievement, despite contract sales accounting for 60 per cent of the harvested volume.
- Sales and Processing posts substantially better results than in the fourth quarter 2016.
- Harvested fish with better biological performance and lower underlying costs than in the fourth quarter.
- Reduced number of sea lice and better response capability compared with the same period in 2016.

### KEY FIGURES - GROUP

NOK million	Q1 17	Q1 16	2016
Operating revenues	2 430.1	2 003.3	9 029.8
Operational EBIT	670.7	566.5	2 431.6
Operational EBIT %	27.6 %	28.3 %	26.9 %
Fair value adjustments	-182.1	168.0	654.0
Profit/loss from associates	82.2	57.8	286.8
Profit/loss before tax	548.5	780.2	3 342.1
EPS (NOK)	3.86	5.24	23.43
NIBD	1 828.0	1 929.6	2 364.5
Equity ratio %	55.0%	52.1 %	49.9 %
Harvested volume (1 000 tgw)	26.3	27.3	115.6
EBIT/kg gw (NOK)	25.50	20.78	21.03





## FINANCIAL PERFORMANCE

### Revenues and results in the first quarter 2017

In the first quarter 2017, the SalMar Group harvested 26,300 tonnes of salmon, compared with 26,500 tonnes in the previous quarter and 27,300 tonnes in the first quarter 2016.

Norskott Havbruk (Scottish Sea Farms) harvested a total of 5,900 tonnes in the quarter. This is marginally more than in the previous quarter, but 1,100 tonnes less than in the first quarter 2016. SalMar owns 50 per cent of Norskott Havbruk.

The market for Atlantic salmon has been tight, with associated high prices, for a long time, and 2017 started with record-high prices of almost NOK 80 per kg. However, prices fell back during the period, such that the average price of salmon (Nasdaq Salmon Index) for the first quarter as a whole came to NOK 65.90 per kg, down NOK 1.27 per kg from the previous quarter. However, the average price is NOK 7.05 per kg higher than in the first quarter 2016.

SalMar generated gross operating revenues of NOK 2,430.1 million in the first quarter 2017, compared with NOK 2,476.3 million in the fourth quarter 2016 and NOK 2,003.3 million in the first quarter of that year.

The Group's Operational EBIT came to NOK 670.7 million in the period, up from NOK 557.0 million in the previous quarter and from NOK 566.5 million in the same period last year.

For the Group as a whole, this gave an Operational EBIT per kg of NOK 25.50. This is an increase of NOK 4.52 from the previous quarter and NOK 4.71 higher than in the first quarter last year. It is also the highest Operational EBIT per kg in the Group's history.

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 reduced the recognised operating profit by NOK 182.1 million in the quarter. The value of the standing biomass fell by NOK 543.6 million during the quarter, while changes in provisions for unrealised losses on contracts were positive in the amount of NOK 268.9 million. Changes in the value of financial Fish Pool contracts and currency positions boosted profits by NOK 92.5 million during the period. See Note 4 for further details.

As a result, SalMar made an operating profit of NOK 488.6 million in the first quarter 2017, compared with NOK 734.5 million in the first quarter 2016. Operating profit in the first quarter 2016 was boosted by fair value adjustments totalling NOK 168.0 million.

SalMar's share of the profit/loss in associates came to NOK 82.2 million in the period. The contribution derives almost entirely from the Group's share of the profits in Norskott Havbruk and Arnarlax Hf. Arnarlax's contribution was negative in the amount of NOK 13.2 million in the period, while Norskott Havbruk contributed NOK 94.7 million.

Associates contributed NOK 57.8 million in the first quarter 2016.

Net interest expenses totalled NOK 24.5 million in the period, while net other financial items were positive in the amount of NOK 2.2 million. As a result, profit before tax for the first quarter 2017 came to NOK 548.5 million.

In the first quarter 2016, net interest expenses of NOK 25.4 million were recognised in profit and loss, while net other financial items were positive in the amount of NOK 13.3 million. Profit before tax in the first quarter 2016 therefore came to NOK 780.2 million. See Note 7, Net financial items, for further details.

The tax expense for the period is calculated at NOK 105.3 million, such that the Group made a net profit of NOK 443.2 million in the first quarter 2017.

The calculated tax expense in the first quarter 2016 came to NOK 175.6 million, bringing the Group's net profit for the period to NOK 604.6 million.

### Cash flow

The SalMar Group's cash flow from operating activities in the first quarter 2017 was positive in the amount of NOK 733.3 million, largely as a result of strong operating earnings.

Net cash flow from investing activities was negative in the amount of NOK 168.1 million in the period. Payments were associated largely with investments in property, plant and equipment. NOK 76.4 million of this amount relates to the Group's offshore fish farm project (Ocean Farming), NOK 61.6 million relates to investments in hatcheries, while NOK 58.6 million was invested in other operating activities. A total of NOK 53.5 million in dividends received from associates was recognised in the period.

The Group's cash flow from financing activities was negative in the amount of NOK 621.6 million in the quarter. This is largely related to a reduction in interest-bearing debt of NOK 593.1 million. In addition, net interest of NOK 24.5 million was paid in the period.

This resulted in a net cash flow of NOK -56.3 million in the first quarter 2017. The Group's total holdings of cash and cash equivalents therefore stood at NOK 218.5 million at the close of the quarter.

### Financial position

As at 31 March 2017, SalMar's balance sheet totalled NOK 12,958.2 million, compared with NOK 13,401.7 million at the close of 2016, and NOK 11,118.0 million at the close of the first quarter last year.

The book value of the Group's property, plant and equipment rose by NOK 101.9 million during the period, to NOK 3,239.4 million. Investments are being made in line with previously adopted plans, largely associated with site investments, the expansion of hatchery and smolt production capacity, and the realisation of the offshore fish farm project. In addition, investments have been made in equipment to enhance the Group's preparedness and capacity to deal with salmon lice infestations.

At the close of the quarter, the Group had current assets totalling NOK 5,799.7 million, some NOK 593.6 million less than three months earlier as a result of a reduction in the value of inventory.

The value of inventory decreased by NOK 471.3 million to NOK 4,750.4 million in the quarter. The reduction is largely attributable to a fall in forward prices during the quarter.

Trade receivables decreased by NOK 42.8 million to NOK 553.0 million, while other current receivables decreased by NOK 24.2 million to NOK 277.9 million. At the close of the quarter, the SalMar Group had holdings of cash and cash equivalents totalling NOK 218.4 million, down NOK 55.3 million from three months earlier.

At the close of the quarter, the Group had total equity of NOK 7,132.1 million, which corresponds to an equity ratio of 55.0 percent. See the statement of movements in equity for further details.

Interest-bearing debt at the close of the quarter totalled NOK 2,046.5 million. Of this amount, debt to credit institutions accounted for NOK 1,527.9 million, ordinary leasing liabilities accounted for NOK 39.5 million and leasing liabilities relating to InnovaMar accounted for NOK 316.2 million. Short-term interest-bearing debt amounting to NOK 162.6 million comprises an overdraft of NOK 23.4 million, and the first year's instalments on long-term interest-bearing debt.

Corrected for cash holdings, this gives the Group a net interest-bearing debt of NOK 1,828.0 million as at 31 March 2017, NOK 536.4 million less than three months earlier.





## OPERATIONAL PERFORMANCE

### Fish Farming Central Norway

NOK million	Q1 17	Q1 16	2016
Operating revenue	1 043	844	4 343
Operational EBIT	412	351	1 770
Operational EBIT %	39.5%	41.6%	40.8%
Harvested volume (1 000 tgw)	16.2	14.4	70.5
EBIT/kg gw (NOK)	25.49	24.41	25.13

Fish Farming Central Norway harvested a total of 16,200 tonnes of salmon in the first quarter 2017, compared with 14,400 tonnes in the corresponding period last year. Combined with high salmon prices, this resulted in gross operating revenues of NOK 1,042.7 million in the period, up NOK 198.4 million on the same quarter in 2016. However, a harvesting profile somewhat out of step with price developments during the quarter led to prices slightly below the average spot price for the period.

On the production side, developments were positive during the period. Fish were harvested from sites with a better biological performance than was the case in the previous quarter. This led to a slightly higher average weight and lower production costs.

However, the health status of portions of the biomass, in the first quarter 2017, was such that stocks were harvested prematurely out of consideration for fish welfare. This had an impact on the harvested weight and prices achieved, in addition to giving a higher cost per kg.

Over time, SalMar has invested heavily in delousing equipment. Together with steady improvements in its utilisation and application, this has materially enhanced the company's treatment capacity. Efforts continue throughout the organisation to improve routines and practices for dealing with the lice situation at all the company's sites.

Lice numbers at the close of the first quarter were lower than at the same point in 2016. This, together with the company's enhanced treatment capacity, means that the situation ahead of the spring season is considered better than at the same time last year.

Organic salmon accounted for 33 per cent of the 16,200 tonnes harvested during the period.

Compared with the previous quarter, underlying production costs for organic salmon have improved. However, production costs for organic salmon are higher than for conventionally farmed fish.

The obstacles preventing organic salmon being labelled as such in the EU market were cleared away on 17 March. Norwegian farmers are now once again able to sell organic salmon in the EU. However, it has taken some time to reverse the market adjustments made during the interruption in sales. Although this had a negative impact on performance in the first quarter, the situation is expected to gradually improve going forward.

Organic salmon normally carries a price premium with respect to conventional salmon. However, continued high spot prices for conventional salmon have reduced this premium compared with previous periods. Since organic production is more expensive than conventional production, the organic volume has a negative impact on the segment's margin.

Fish Farming Central Norway achieved an operating profit (EBIT) per kg gutted weight of NOK 25.49 in the period, NOK 3.06 more than in the fourth quarter 2016. The harvested biomass cost NOK 4.18 per kg less than in the previous quarter, but an unfavourable harvesting profile reduced the price achieved by NOK 1.12.

SalMar expects the cost price of the harvested biomass to fall in 2017.

The segment expects to harvest around 85,000 tonnes of salmon in 2017 as a whole, up 14,500 tonnes from 2016.

### Fish Farming Northern Norway

NOK million	Q1 17	Q1 16	2016
Operating revenue	681	739	2 799
Operational EBIT	362	372	1 480
Operational EBIT %	53.2%	50.3%	52.9%
Harvested volume (1 000 tgw)	10.1	12.9	45.2
EBIT/kg gw (NOK)	35.74	28.85	32.78

Fish Farming Northern Norway harvested around 10,100 tonnes of salmon in the first quarter 2017. This is 1,500 tonnes less than in the previous quarter and 2,700 tonnes less than in the same period last year. Much of the volume was harvested in the first part of the period, which was advantageous with regard to price developments during the quarter.

The segment generated gross operating revenues of NOK 681.0 million in the first quarter, compared with NOK 739.1 million in the corresponding period in 2016. The decrease is attributable to the lower volume harvested.

Operating profit (EBIT) per kg came to NOK 35.74 in the period, down from NOK 38.28 per kg in the fourth quarter 2016, but up from 28.85 per kg in the first quarter 2016.

The overall biological situation in the segment is considered good, with the harvested volume achieving a satisfactory average weight. However, seasonally lower sea temperatures have slightly affected the fishes' growth.

Southern parts of the segment continue to experience some problems with lice. However, like Fish Farming Central Norway, this segment has invested in measures to enhance its treatment capacity and improve its preparedness to respond, should lice numbers rise in the future. The higher level of preparedness has contributed to a slight increase in fixed costs, but the investments are



considered necessary to ensure healthy operations and good fish welfare in the future.

Production costs for the harvested biomass are expected to remain stable in the coming quarter.

During the quarter, SalMar was permitted to increase the MAB at 18 of its licences in Finnmark by up to 5 per cent. The increase will give SalMar increased operational flexibility, and could contribute to more efficient operations and a higher output in the future.

Some 1,413 tonnes of the 10,100 tonnes harvested in the period derive from joint operations with Lerøy in Finnmark.

The segment expects to harvest around 46,000 tonnes in 2017 as a whole. The total volume harvested in 2016 came to 45,200 tonnes.

## Sales and Processing

NOK million	Q1 17	Q1 16	2016
Operating revenue	2 398	1 803	8 231
Operational EBIT	-61	-133	-686
Operational EBIT %	-2.6%	-7.4%	-8.3%

The Sales and Processing segment generated gross operating revenues of NOK 2,398.3 million in the first quarter 2017, up from NOK 2,178.1 million in the previous quarter and from NOK 1,802.9 million in the first quarter 2016.

The segment sells the Group's entire harvested volume.

Operations made a loss of NOK 61.3 million, compared with a loss of NOK 180.5 million in the previous quarter and a loss of NOK 133.3 million in the first quarter 2016.

The segment's result was negatively affected by the fact that around 60 per cent of the volume harvested was sold under contract at prices below the spot level. However, contract losses were lower than in the previous quarter, thanks to a combination of lower spot prices and higher contract prices.

The contract rate for the second quarter 2017 is expected to be around 40 per cent.

The high volume harvested, particularly towards the end of the period, contributed to good capacity utilisation and efficient operations. A total of 29,140 tonnes was harvested at InnovaMar during the quarter, an increase of 10,400 tonnes from the previous quarter and of 7,400 tonnes from the first quarter 2016.

The high volume harvested also contributed to a high level of capacity utilisation in the secondary processing business. A total of 12,233 tonnes of salmon was processed in the period.

## Eliminations

Research and development (R&D) costs are included as eliminations in the segments' reported results. Of the 26,300 tonnes harvested by the Group in the first quarter 2017, R&D costs accounted for NOK 0.91 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	Q1 17	Q1 16	2016
Operating revenues	372	422	1 721
Operational EBIT	143	81	474
Operational EBIT %	38.5%	19.2%	27.5%
Fair value adj. biomass	94	54	128
Profit before tax	235	132	582
SalMar's share after tax	95	58	237
Harvested volume (1 000 tgv)	5.9	7.0	28.0
EBIT/kg gw (NOK)	24.22	11.57	16.90

Norskott Havbruk generated gross operating revenues of NOK 372.4 million in the first quarter 2017, up from NOK 354.6 million in the previous quarter, but down from NOK 421.6 million in the first quarter 2016.

Norskott Havbruk harvested approx. 5,900 tonnes of fish in the period, 100 tonnes more than in the previous period, but 1,100 tonnes less than in the corresponding period last year.

SalMar's share of the volume harvested came to just under 3,000 tonnes.

Biological developments were good during the period, both in mainland Scotland and the Orkneys.

Activity in Shetland remains negatively affected by the lice situation in the region. However, investments in increased treatment capacity and extensive use of cleaner fish is expected to improve the situation going forward. No fish were harvested in Shetland during the first quarter.

Operating profit (EBIT) per kg gutted weight came to NOK 24.22 in the first quarter. This is marginally down from the NOK 24.39 per kg achieved in the previous quarter, but up NOK 12.65 per kg from the first quarter last year.

The company's results were negatively affected by a relatively high contract rate, which accounted for 51 per cent of the volume harvested during the period.

The company expects to harvest around 30,000 tonnes in 2017 as a whole. The total volume harvested in 2016 came to 28,000 tonnes.



### Arnarlax HF

Arnarlax Hf is recognised as an associate, with SalMar's share (34.0 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	Q1 17	2016
Operating revenues	146	247
Operational EBIT	35	-2
Operational EBIT %	23.8%	-0.7%
Fair value adj. biomass	-73	184
Profit before tax	-40	205
SalMar's share after tax	-13	52
Harvested volume (1 000 tgw)	2.0	4.0
EBIT/kg gw (NOK)	16.95	-0.4

Arnarlax harvested 2,000 tonnes in the first quarter 2017. Gross operating revenues in the quarter totalled NOK 146.2 million, while Operational EBIT came to NOK 34.7 million, corresponding to an operating profit (EBIT) per kg of NOK 16.95.

The operational situation in the period was good, considering that the company is still in an initial build-up phase. The production cost of the biomass harvested was significantly lower than in the previous quarter. In addition, the company's results were boosted by good price achievement in a strong market.

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 516,900 tonnes in the first quarter 2017, 5 per cent less than in the first quarter 2016.

The decrease has been driven largely by lower output in Chile, which fell by 21 per cent compared with the same quarter last year. The total output of Atlantic salmon from the region came to 126,800 tonnes in the quarter, down from 160,200 tonnes in the same period in 2016. Although the first-quarter decrease continues last year's trend, this is expected to reverse. In the second half of this year, the harvested volume in this region is expected to be around 20 per cent higher than the year before.

Output from producers in North America and the Faeroe Islands also fell during the first quarter, though substantially less than the decrease in Chile. North American producers harvested a combined total of 35,100 tonnes in the quarter, down 5 per cent from the corresponding period last year. Output from Faeroe Island producers came to 16,600 tonnes, down 12 per cent on the first quarter 2016.

Following a 5 per cent decrease in output in 2016 as a whole, the supply of Atlantic salmon from Norwegian

producers rose slightly in the first quarter 2017. A combined total of 277,400 tonnes was harvested during the period, some 6,600 tonnes or 2 per cent more than in the first quarter 2016. Output in the coming quarters is expected to remain flat, with an increase coming towards the end of the year.

In the UK, output increased marginally during the quarter, ending at 37,700 tonnes, just 1 per cent up on the same period last year.

The supply of salmon from other producing countries rose by 9 per cent to 23,300 tonnes. This growth rate is expected to be maintained through the year.

Norway exported approx. 267,000 tonnes of Atlantic salmon in the first quarter 2017, an increase of 7,000 tonnes or 3 per cent compared with the first quarter 2016.

Combined with strong price growth, this significantly boosted the value of Norwegian salmon exports, measured in NOK. In the first quarter 2017, Norway's salmon exports were worth NOK 16.1 billion, up from NOK 13.3 billion in the same period last year. This corresponds to an increase of 21 per cent.

Exports of Norwegian salmon to the EU totalled 188,000 tonnes in the period, some 5 per cent less than in the same period in 2016. However, exports to the EU were worth 11 per cent more than in the same period last year.

Developments in the main markets for Norwegian salmon were mixed during the period.

Exports to the Polish market held relatively steady, at a total volume of 33,900 tonnes. Although this is 3 per cent less than in the same period last year, the country remains the largest single market for Norwegian salmon within the EU. The value of exports to Poland rose by 13 per cent compared with the first quarter last year.

Exports to the French market continued last year's falling trend. In the first quarter 2017, exports decreased by 16 per cent to 26,800 tonnes. The value of exports to France fell by 6 per cent.

Developments in the British market mirror those in France. The volume of Norwegian salmon exports fell by 4,200 tonnes to 15,200 tonnes in the period. This corresponds to a decrease of 22 per cent.

Exports to Spain remained unchanged at 15,500 tonnes in the period.

The biggest improvement in sales to EU markets came in Denmark, where total exports came to 19,900 tonnes, up 19 per cent on the year before. Combined with higher prices, this boosted the value of exports to this market by a substantial 35 per cent.

Nevertheless, the USA accounted for the strongest surge in exports, which rose by 43 per cent to 18,900 tonnes. Measured in NOK, exports to the USA were worth 82 per cent more than in the same period last year. As a result, the USA has grown to be the fourth largest export market for Norwegian salmon.

Overall exports to Asian markets rose by 28 per cent to 12,100 tonnes. Improvements in the political climate between Norway and China are expected to translate into better framework conditions, providing good access for Norwegian seafood to this market going forward.



## Prices and exchange rates

The steady rise in prices seen in the fourth quarter 2016 continued on into the first quarter 2017, reaching an unprecedented peak at nearly NOK 80 per kg. However, prices fell back somewhat as the period progressed. At the close of the quarter, the price stood at just under NOK 63 per kg.

The average price of salmon (NASDAQ Salmon Index) for the quarter as a whole came to NOK 65.90 per kg, down from NOK 67.17 per kg in the previous quarter, but up from NOK 58.85 per kg in the first quarter 2016.

The Norwegian currency's exchange rate held relatively steady through the quarter, with a slight weakening against EUR and GBP. From the close of the fourth quarter 2016 to the close of the first quarter 2017, the NOK weakened with 0.9 per cent and 1.0 per cent respectively. The NOK strengthened by 0.5 per cent against the USD during the same period.

However, since the close of the first quarter last year, the NOK has strengthened by 2.6 per cent against the EUR and 9.9 per cent against the GBP. The NOK has been weakening by 3.7 per cent against the USD during the same period.

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

At the close of the first quarter 2017, Norway's standing biomass totalled 647,800 tonnes round weight. This is 1 per cent higher than at the same point last year, when the biomass totalled 640,200 tonnes round weight. At the close of the fourth quarter 2016, the biomass in Norway totalled 699,000 tonnes round weight.

The biomass in Chile totalled 270,900 tonnes round weight at the close of the quarter. This is a substantial 18 per cent more than at the same point last year. The total biomass in the UK as at 31 March came to around 92,200 tonnes round weight, up 16 per cent on the same point last year.

The total biomass in the Faeroe Islands at the close of the period is estimated at 51,200 tonnes round weight, an increase of 28 per cent year on year.

## EVENTS AFTER THE BALANCE SHEET DATE

Following a brief absence, CEO Trond Williksen resumed his post with effect from 18 April. At the same time, Gustav Witzøe, who had served as acting CEO in the interim, returned to his position as Director of Processing and Sales.

## SHARES AND SHAREHOLDERS

At the close of March 2017, SalMar had a total of 113,299,999 shares outstanding, divided between 4,548 shareholders.

The company's major shareholder, Kverva AS, owns 53.4 per cent of the shares. The 20 largest shareholders own a

total of 78.03 per cent of the shares, with SalMar ASA being the eighth largest shareholder with 984,368 shares, corresponding to 0.87 per cent of the total number of shares outstanding.

During the period, SalMar's share price fluctuated between NOK 258.10 and NOK 185.20. These were also the prices quoted at the start and close of the quarter. The share price therefore fell by 28 per cent during the period.

A total of 14.0 million shares, with a combined market value of approx. NOK 3.1 billion, were traded during the quarter. The volume traded corresponds to 12 per cent of the total number of company shares outstanding.

Communication with shareholders, investors and analysts is a high priority for SalMar. In order to further strengthen this work, SalMar will start issuing trading updates on harvest volume as of the second quarter of 2017. The update will come as a separate stock exchange notification and contain total harvest volume Norway, when known, for the quarter and the split between the Group's two farming segments.

## TRANSACTIONS WITH RELATED PARTIES

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

## OUTLOOK

The global supply of Atlantic salmon decreased by around 5 per cent in the first quarter 2017 compared with a year earlier. However, this trend is expected to reverse in coming quarters. As a result, for 2017 as a whole, the total supply of Atlantic salmon is expected to come to 2.2 million tonnes, corresponding to an increase of around 3 per cent compared with 2016.

Output from Norway in the first quarter was 2 per cent higher than in the same period last year. Developments in the coming quarters are expected to remain stable, with a rise towards the end of the year. For 2017 as a whole, the supply of Atlantic salmon from Norwegian producers is expected to increase by around 2 per cent to 1,194,600 tonnes.

In Chile, total output fell by 21 per cent in the first quarter, compared with the same period last year. However, this negative trend is expected to reverse, with a rise of 20 per cent expected in the second quarter. For the year as a whole, therefore, the supply of salmon from Chilean producers is expected to grow by 4 per cent to 524,800 tonnes.

In North America, output in the first quarter decreased by 5 per cent to 35,100 tonnes. The reduction is expected to continue in coming quarters. For the year as a whole, therefore, output is expected to fall by around 4 per cent to 157,300 tonnes.

After holding relatively steady during the first quarter, output of salmon from the UK is expected to grow by 8 per





cent in the year as a whole. This will give an overall harvested volume in the region of around 170,400 tonnes.

In the Faeroe Islands, around 83,400 tonnes are expected to be harvested in 2017, up 8 per cent on 2016.

Output from the other regions in 2017 is estimated at 96,000 tonnes, up 13 per cent on the year before.

Fish Pool forward prices as at 26 April indicate an average salmon price for May and June of NOK 63.50 per kg and NOK 63.60 per kg respectively. The forward prices indicate that the market will remain strong going forward, with NOK 58.25 per kg and NOK 60.13 per kg being quoted for the third and fourth quarters respectively. As at 26 April, Fish Pool's forward price for the second half of 2017 as a whole was NOK 59.19 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. The installation is expected to be completed and ready for transport to Norway by the close of the second quarter 2017.

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 lice situation in Central Norway remains challenging. The regulatory regime with respect to lice management

requires the industry to ensure that the number of lice per fish does not exceed 0.2 during the spring of 2017. This is to ensure that wild salmon can migrate safely out to sea. Intensive delousing treatments make farmed salmon less robust and increase the risk of mortality. The organisation's response capability has therefore been put on the highest alert.

This response capability is costly, but necessary. SalMar is working continuously to position itself to deal successfully with biological challenges. It does this through investments in important tools, like the capacity to produce larger smolt in order to reduce the time needed for ongrowing at sea, the use of wrasse for delousing, wellboats and mechanical equipment to ensure adequate capacity for delousing and, if necessary, sanitary harvesting.

SalMar expects to harvest 131,000 tonnes of salmon in 2017. It is expected that around 45 per cent of the volume will be harvested in the first half of the year, with the remaining 55 per cent in the second-half.

Approx. 45 per cent of the volume harvested is expected to be sold under contract in 2017.

SalMar expects the cost price of the harvested biomass to fall in 2017. The prospect of lower feed prices, lower mortality and higher growth rates will drive the reduction in production cost per kg.

A lower cost price, along with salmon prices forecast to remain at historically high levels, means that the board expects the company to post strong quarterly results for the remainder of 2017.



## INCOME STATEMENT

NOK million	Q1 2017	1Q 2016	FY 2016
<b>Operating income</b>	<b>2 430,1</b>	<b>2 003,3</b>	<b>9 029,8</b>
Cost of goods sold	1 080,3	846,6	4 000,8
Payroll expenses	230,1	193,4	861,5
Other operating expenses	354,9	311,8	1 377,8
EBITDA	764,8	651,5	2 789,7
Depreciations and write-downs	94,1	85,0	358,0
<b>Operational EBIT</b>	<b>670,7</b>	<b>566,5</b>	<b>2 431,6</b>
Fair value adjustment	-182,1	168,0	654,0
<b>Operational profit</b>	<b>488,6</b>	<b>734,5</b>	<b>3 085,6</b>
Income from investments in associates	82,2	57,8	286,8
Net interest costs	-24,5	-25,4	-101,3
Other financial items	2,2	13,3	70,9
<b>Profit before tax</b>	<b>548,5</b>	<b>780,2</b>	<b>3 342,1</b>
Tax	105,3	175,6	691,1
<b>Net profit for the period</b>	<b>443,2</b>	<b>604,6</b>	<b>2 651,0</b>
<i>Items to be reclassified to profit and loss in subsequent periods:</i>			
Change in translation diff. associates	1,4	-44,1	-105,3
Change in translation diff. subsidiaries	1,1	0,1	-1,8
Cash flow hedge, net tax	-2,5	-	11,5
Change in fair value of currency instruments	-	-	-0,3
<b>Total comprehensive income</b>	<b>443,2</b>	<b>560,6</b>	<b>2 555,1</b>
<i>Allocation of the periods net profit:</i>			
Non-controlling interests	9,1	15,1	13,9
Shareholders in SalMar ASA	434,0	589,5	2 637,1
Earnings per share (NOK)	3,86	5,26	23,51
Earnings per share - diluted	3,86	5,24	23,43

## BALANCE SHEET - GROUP

NOK million	31.03.2017	31.03.2016	31.12.2016
<b>ASSETS</b>			
Intangible fixed assets	2 928,2	2 911,5	2 910,8
Tangible fixed assets	3 239,4	2 584,3	3 137,5
Financial fixed assets	990,9	650,1	960,0
<b>Total fixed assets</b>	<b>7 158,5</b>	<b>6 145,9</b>	<b>7 008,3</b>
Inventory	4 750,4	3 714,1	5 221,8
Accounts receivables	553,0	734,0	595,8
Other short-term receivables	277,9	314,0	302,1
Cash and cash equivalents	218,4	210,0	273,7
<b>Total current assets</b>	<b>5 799,7</b>	<b>4 972,1</b>	<b>6 393,4</b>
<b>TOTAL ASSETS</b>	<b>12 958,2</b>	<b>11 118,0</b>	<b>13 401,7</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in equity	541,1	509,4	529,0
Reserves	6 499,4	5 191,7	6 069,4
Minority interests	91,6	88,4	82,4
<b>Total equity</b>	<b>7 132,1</b>	<b>5 789,5</b>	<b>6 680,8</b>
Provisions for liabilities	1 406,7	1 241,0	1 495,3
Int. bearing long-term liabilities	1 883,9	1 999,2	2 439,6
<b>Total long-term liabilities</b>	<b>3 290,6</b>	<b>3 240,2</b>	<b>3 934,9</b>
Int. bearing short-term liabilities	162,6	140,4	198,6
Other short-term liabilities	2 372,9	1 947,9	2 587,4
<b>Total short-term liabilities</b>	<b>2 535,5</b>	<b>2 088,3</b>	<b>2 786,0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12 958,2</b>	<b>11 118,0</b>	<b>13 401,7</b>
<b>Net interest bearing debt</b>	<b>1 828,0</b>	<b>1 929,6</b>	<b>2 364,5</b>
<b>Equity share</b>	<b>55,0 %</b>	<b>52,1 %</b>	<b>49,9 %</b>

## STATEMENT OF CASH FLOW

NOK million	Q1 2017	Q1 2016	FY 2016
Profit before tax	548,5	780,2	3 342,1
Tax paid in period	-14,1	-7,7	-291,0
Depreciation	94,1	85,0	358,0
Share of profit/loss from associates	-82,2	-57,8	-286,8
Gains exit subsidiaries	-	-28,4	-26,6
Change in fair value adjustments	182,1	-168,0	-654,0
Change in working capital	-35,8	355,2	364,2
Other changes	40,6	42,2	-81,2
<b>Net cash flow from operating activities</b>	<b>733,3</b>	<b>1 000,7</b>	<b>2 724,6</b>
<b>Net cash flow from investing activities</b>	<b>-168,1</b>	<b>-276,8</b>	<b>-1 231,3</b>
Change in interest-bearing debt	-593,1	-762,2	-264,0
Dividend paid out	-	-	-1 125,9
Interest paid	-24,5	-25,4	-101,3
Other changes	-4,0	-	-
<b>Net cash flow from financing activities</b>	<b>-621,6</b>	<b>-787,6</b>	<b>-1 491,2</b>
<b>Net change in cash for the period</b>	<b>-56,3</b>	<b>-63,7</b>	<b>2,1</b>
Foreign exchange effects	1,1	-0,1	-2,1
Cash in the beginning of the period	273,7	273,7	273,7
<b>Cash at the end of the period</b>	<b>218,5</b>	<b>210,0</b>	<b>273,7</b>

## CHANGES IN EQUITY

2017	Share capital	Treasury shares	Share premium	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
Equity as at 01.01.17	28,3	-0,2	415,3	85,7	7,1	6 062,2	82,4	6 680,8
Net profit for the year						434,0	9,1	443,2
Comprehensive income					1,1	-1,0	0,0	0,0
Total comprehensive income for the year	0,0	0,0	0,0	0,0	1,1	433,0	9,1	443,2
Transactions with shareholders								
Exit non-controlling interests						-4,0	0,0	-4,0
Options granted				12,0		0,0	0,0	12,0
Other changes						0,0		0,0
Sum transactions with shareholders	0,0	0,0	0,0	12,0	0,0	-4,0	0,0	8,0
Equity as at 31.03.2017	28,3	-0,2	415,3	97,7	8,2	6 491,2	91,6	7 132,1

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						0,0	0,0	0,0
Comprehensive income					-2,1	2 637,1	13,9	2 651,0
Total comprehensive income for the year	0,0	0,0	0,0	0,0	-2,1	-93,8	0,0	-95,9
Transactions with shareholders								
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 31.12.16	28,3	-0,2	415,3	85,7	7,1	6 062,2	82,4	6 680,8





## SEGMENT INFORMATION

	Farming Central-Norway	Farming Northern-Norway	Sales and Processing	Elim.	Group
<b>Q1 2017</b>					
Operating income (NOK mill.)	1 042,7	681,0	2 398,3	-1 691,9	2 430,1
Operational EBIT (NOK mill.)	412,0	362,3	-61,3	-42,3	670,7
Operational EBIT %	39,5 %	53,2 %	-2,6 %		27,6 %
Harvested volume (1,000 tgv)	16,2	10,1			26,3
EBIT/ kg gw (NOK)	25,49	35,74			25,50
<b>1Q 2016</b>					
Operating income (NOK mill.)	844,3	739,1	1 802,9	-1 383,0	2 003,3
Operational EBIT (NOK mill.)	351,1	371,5	-133,3	-22,7	566,5
Operational EBIT %	41,6 %	50,3 %	-7,4 %		28,3 %
Harvested volume (1,000 tgv)	14,4	12,9			27,3
EBIT/ kg gw (NOK)	24,41	28,85			20,78
<b>FY 2016</b>					
Operating income (NOK mill.)	4 343,5	2 799,2	8 231,4	-6 344,3	9 029,8
Operational EBIT (NOK 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 tgv)	70,5	45,2			115,6
EBIT/ kg gw (NOK)	25,13	32,78			21,03

## KEY FIGURES - GROUP

	Q1 2017	1Q 2016	FY 2016
Number of shares (diluted) - end of period (mill.)	112,6	112,4	112,6
Earnings per share (NOK)	3,86	5,26	23,51
Earnings per share - diluted (NOK)	3,86	5,24	23,43
EBITDA %	31,5 %	32,5 %	30,9 %
Operational EBIT %	27,6 %	28,3 %	26,9 %
EBIT %	20,1 %	36,7 %	34,2 %
Profit before tax %	22,6 %	38,9 %	37,0 %
Cash flow per share - diluted (NOK)	6,5	8,9	24,2
Net interest bearing debt (mill.)	1 828,0	1 929,6	2 364,5
Equity ratio %	55,0 %	52,1 %	49,9 %

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 2016. No new or amended accounting standards or interpretations went into force in 1Q 2017.

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

Shareholder	Shares	%
KVERVA AS	60 500 000	53,40 %
FOLKETRYGDFONDET	6 902 510	6,09 %
STATE STREET BANK AND TRUST COMP	4 133 192	3,65 %
JPMORGAN CHASE BANK, N.A., LONDON	3 067 762	2,71 %
JPMORGAN CHASE BANK, N.A., LONDON	2 488 082	2,20 %
LIN AS	2 005 200	1,77 %
EUROCLEAR BANK S.A./N.V.	1 225 924	1,08 %
SALMAR ASA	984 368	0,87 %
CLEARSTREAM BANKING S.A.	890 283	0,79 %
STATE STREET BANK AND TRUST COMP	817 797	0,72 %
PARETO AKSJE NORGE	770 035	0,68 %
JPMORGAN CHASE BANK, N.A., LONDON	628 134	0,55 %
STATE STREET BANK AND TRUST COMP	579 206	0,51 %
J.P. MORGAN BANK LUXEMBOURG S.A.	561 305	0,50 %
THE BANK OF NEW YORK MELLON SA/NV	531 833	0,47 %
STATE STREET BANK AND TRUST COMP	518 829	0,46 %
RBC INVESTOR SERVICES BANK S.A.	507 025	0,45 %
KLP AKSJENORGE INDEKS	473 974	0,42 %
THE BANK OF NEW YORK MELLON SA/NV	412 403	0,36 %
JPMORGAN CHASE BANK, N.A., LONDON	412 318	0,36 %
<b>Top 20</b>	<b>88 410 180</b>	<b>78,03 %</b>
Others	24 889 819	21,97 %
<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>31.03.2017</b>	<b>31.03.2016</b>	<b>31.12.2016</b>
Raw materials	96,3	92,5	132,1
Biological assets	4 506,4	3 474,3	4 997,0
Finished goods	147,8	147,3	92,7
<b>Total</b>	<b>4 750,4</b>	<b>3 714,1</b>	<b>5 221,8</b>

<b>Fair value adjustment of biological assets</b>	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>31.12.2016</b>
Historic cost	3 021,3	2 347,5	2 968,3
Fair value adjustment of the biomass	1 485,1	1 126,8	2 028,7
<b>Book value</b>	<b>4 506,4</b>	<b>3 474,3</b>	<b>4 997,0</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>1Q 2017</b>	<b>1Q 2016</b>	<b>FY 2016</b>
Change in fair value of the biomass	-543,6	150,6	1 052,5
Change in provisions for onerous contracts	268,9	-133,3	-316,0
Unrealised change in value of Fish Pool contracts	92,1	31,1	-144,3
Unrealised changes in the value of currency and forward currency contracts	0,4	119,6	61,7
<b>Fair value adjustments recognised in profit and loss</b>	<b>-182,1</b>	<b>168,0</b>	<b>654,0</b>

## Note 5 - Business combinations

### Business acquisitions in 2017

On 13 February 2017, the Group agreed the acquisition of 100 per cent of the shares in Sunnfjord Rensefisk AS. For accounting purposes, the transaction will be treated as a business transfer. Sunnfjord Rensefisk AS produces a type of cleaner fish (ballan wrasse), and the object of the acquisition is to increase the Group's cleaner fish production capacity. In connection with the transaction, the shareholders' receivable from the company was transferred to SalMar. SalMar paid NOK 8.3 million for the receivable, which was recognised in the accounts in the amount of NOK 25.75 million. The company's shares were transferred free of charge.

*The acquisition's effect on the balance sheet:*

	Book value	Fair value adjustments	Fair value
Deferred tax asset	6,6	0,8	7,4
Fixed assets	1,5	-1,5	0,1
Current assets	7,7	-1,8	5,9
Liquidity	0,2	-	0,2
Liabilities	-31,0	17,5	-13,5
<b>Net identifiable assets and liabilities</b>	<b>-14,9</b>	<b>14,9</b>	<b>0,0</b>
Goodwill			0,0
<b>Cash Consideration</b>			<b>0,0</b>

### Business acquisitions in 2016

The Group has made no business combinations in 2016.

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

	Norskott Havbruk	Arnarlax	Others	TOTAL
Opening balance 01.01.2017	609,5	290,8	8,1	908,4
Share of year's profit/loss	94,7	-13,2	0,6	82,2
Other items in comprehensive income	2,4	-0,9	-	1,4
Dividend received	-53,5	-	-	-53,5
<b>Closing balance 31.03.2017</b>	<b>653,1</b>	<b>276,7</b>	<b>8,7</b>	<b>938,5</b>

### 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

	1Q 2017	1Q 2016	FY 2016
Net interest expenses	-24,5	-25,4	-101,3
Other net financial items	2,2	13,3	70,9
<b>Net financial items</b>	<b>-22,2</b>	<b>-12,1</b>	<b>-30,4</b>

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

### 2017 – Changes in non-controlling interests

During the period, the Group paid NOK 4.0 million to acquire a further tranche of shares in the subsidiary Ocean Farming AS. The transaction increases the Group's shareholding in the company from 91 per cent to 93.4 per cent.

### 2016 - 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 39.1 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 26.6 million in total. The controlling interest's share of the gain has been recognised in Q1 2016 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.