

# QUARTERLY REPORT

Fourth quarter 2017



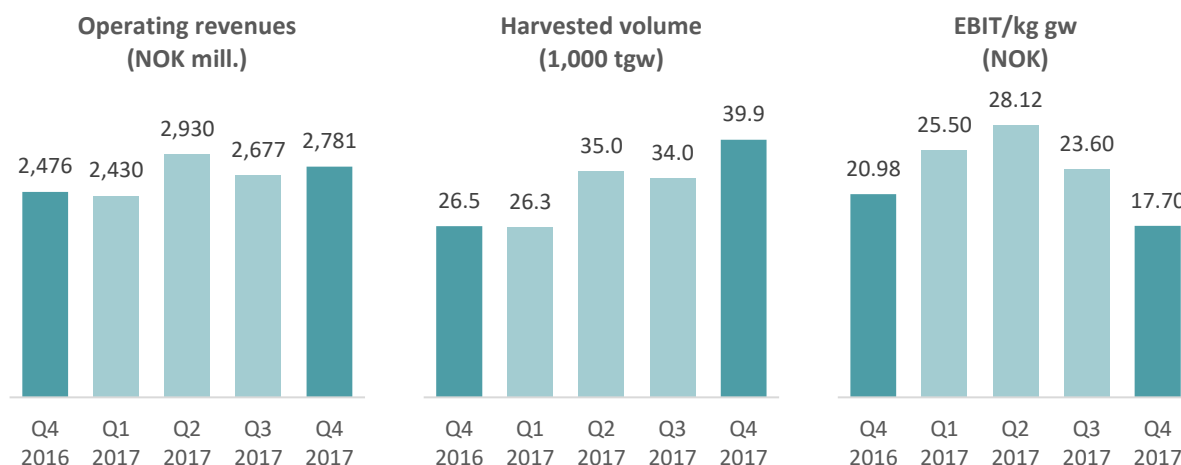
## OPERATIONAL PERFORMANCE IMPROVES FOR FOURTH SUCCESSIVE QUARTER

### HIGHLIGHTS IN THE FOURTH QUARTER 2017

- Underlying operational performance in all segments improved for the fourth quarter in a row
- Biological production in line with expectations – higher volume and lower costs
- EBIT per kg affected by lower salmon prices
- Ocean Farm with continued strong performance
- The board is recommending a dividend of NOK 19.00 per share for 2017

### KEY FIGURES - GROUP

NOK million	Q4 2017	Q4 2016	2017	2016
Operating revenue	2 780.6	2 476.3	10 817.2	9 029.8
Operational EBIT	707.2	557.0	3 162.2	2 431.6
Operational EBIT %	25.4 %	22.5 %	29.2 %	26.9 %
Fair value adjustments	-370.6	536.4	-370.0	654.0
Profit/loss from associates	19.0	127.4	208.9	286.8
Profit/loss before tax	294.7	1 218.2	2 856.2	3 342.1
EPS	2.66	8.84	20.18	23.43
NIBD	1 222.5	2 364.5	1 222.5	2 364.5
Equity ratio %	59.3 %	49.9 %	59.3 %	49.9 %
Harvested volume (1,000 tgw)	39.9	26.5	135.2	115.6
EBIT/kg gw (NOK)	17.70	20.98	23.40	21.03





## FINANCIAL PERFORMANCE

### Revenues and results in the fourth quarter 2017

Operationally, SalMar performed well in the fourth quarter, with all reporting segments posting satisfactory results.

In the fourth quarter 2017, the SalMar Group harvested 39,900 tonnes of salmon, compared with 34,000 tonnes in the previous quarter and 26,500 tonnes in the fourth quarter 2016.

In addition, Norskott Havbruk (Scottish Sea Farms) harvested a total of 7,200 tonnes in the quarter, down from 9,400 tonnes in the previous quarter, but up from 5,800 tonnes in the fourth quarter 2016. SalMar owns 50 per cent of Norskott Havbruk.

The price of Atlantic salmon has fallen substantially through 2017, from just under NOK 80 per kg at the start of the year to around NOK 50 per kg at its close. After a somewhat volatile first six months, prices in the second half have fallen steadily. In the fourth quarter itself, the trend was negative in the early part of the period, with salmon prices down around NOK 43 per kg, before picking up to around NOK 52 per kg at the close of the period.

The average price of salmon (NASDAQ Salmon Index) for the entire quarter came to NOK 49.42 per kg, compared with NOK 56.55 per kg in the previous quarter and NOK 67.17 per kg in the fourth quarter 2016.

SalMar generated a consolidated operating revenue of NOK 2,780.6 million in the fourth quarter, compared with NOK 2,676.6 million in the third quarter and NOK 2,476.3 million in the fourth quarter 2016.

The Group's Operational EBIT totalled NOK 707.2 million in the fourth quarter, down from NOK 801.3 million in the previous quarter, but up from NOK 557.0 million in the same period the year before.

For the Group as a whole, this gives an EBIT of NOK 17.70 per kg, compared with NOK 23.60 per kg in the third quarter 2017 and NOK 20.98 per kilo in the fourth quarter 2016.

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 recognised operating profits by NOK 370.6 million in the quarter. The fair value of the biomass decreased by NOK 471.8 million in the quarter, while changes in unrealised losses on contracts, financial Fish Pool contracts and currency positions increased profits by a net NOK 101.2 million. See Note 4 for further details.

As a result, operating profit in the fourth quarter 2017 came to NOK 336.6 million, compared with NOK 1,093.3 million in the fourth quarter 2016. Operating profit in the fourth quarter 2016 was increased by fair value adjustments totalling NOK 536.4 million.

Associates contributed NOK 19.0 million in the period. The contribution derives almost entirely from SalMar's share of the profit/loss from Norskott Havbruk and Arnarlax. In the

fourth quarter 2016, associates contributed NOK 127.4 million.

Net interest expenses in the quarter totalled NOK 26.6 million, while net other financial items were negative in the amount of NOK 34.2 million. Profit before tax for the period came to NOK 294.7 million. In the fourth quarter 2016, profit before tax totalled NOK 1,218.2 million.

A tax refund totalling NOK 6.5 million was recognised in the period, bringing the Group's net profit for the fourth quarter 2017 to NOK 301.3 million. In the fourth quarter 2016, a tax expense of NOK 201.5 million was recognised, while net profit totalled NOK 1,016.7 million.

### Revenues and results in 2017 as a whole

In 2017 as a whole, the SalMar Group generated gross operating revenues of NOK 10,817.2 million, compared with NOK 9,029.8 million in 2016.

Excluding Norskott Havbruk, the harvested volume totalled 135,200 tonnes in the period, up from 115,600 tonnes in 2016.

The average price of salmon (NASDAQ Salmon Index) for 2017 as a whole came to NOK 59.93 per kg, compared with NOK 62.68 per kg the year before.

Operational EBIT for the year came to NOK 3,162.2 million, up from NOK 2,431.6 million the year before. The improvement is largely attributable to higher prices achieved and a higher harvested volume, combined with improved underlying operations and enhanced biological control.

Fair value adjustments for 2017 as a whole reduced profits by NOK 370.0 million, such that operating profit for the year totalled NOK 2,792.2 million. Operating profit for 2016 totalled NOK 3,085.6 million, after a boost from fair value adjustments of NOK 654.0 million.

In the year as a whole, associates contributed NOK 208.9 million, compared with NOK 286.8 million the year before. The year's net interest expenses totalled NOK 95.9 million, while net other financial items were negative in the amount of NOK 49.1 million. This resulted in a profit before tax NOK 2,856.2 million in 2017 as a whole. In 2016, net interest expenses totalled NOK 101.3 million, while net other financial items were positive in the amount of NOK 70.9 million. Profit before tax in 2016 came to NOK 3,342.1 million.

A tax expense of NOK 558.4 million has been calculated for 2017, bringing the Group's net profit for the year to NOK 2,297.8 million.

A tax expense of NOK 691.1 million was recognised in 2016, such that net profit for the year totalled NOK 2,651.0 million.



## Cash flow

The SalMar Group achieved a positive cash flow from operating activities totalling NOK 526.2 million in the fourth quarter 2017, largely as a result of good earnings. In addition, working capital amounting to NOK 132.0 million was released during the period.

Net cash flow from investing activities totalled NOK -112.9 million in the period. Payments relating to investments in property, plant and equipment accounted for a total of NOK 143.2 million in the quarter. Of this, NOK 24.1 million related to the company's experimental offshore fish farm project (Ocean Farming) and NOK 42.0 million to investments in new and existing smolt production facilities, while NOK 77.0 million related to other investments in operational activities. A total of NOK 27.5 million in dividends from associates was received during the period.

Net cash flow from financing activities totalled NOK -436.2 million in the fourth quarter 2017. This amount relates primarily to the repayment of debt, which was reduced by NOK 409.7 million during the period. Net interest paid in the quarter amounted to NOK 26.6 million.

This gave SalMar a net cash flow for the period of NOK -22.9 million. Including NOK 6.4 million in positive foreign exchange effects, this contributed to a reduction in the Group's total holdings of cash and cash equivalents of NOK 16.5 million in the period. As a result, total cash holdings at the close of the quarter stood at NOK 177.1 million.

For 2017 as a whole, the SalMar Group's net cash flow from operating activities came to NOK 3,374.4 (NOK 2,724.6 million). Net cash flow from investing activities came to NOK -758.0 million (NOK -1,231.3 million), while net cash flow from financing activities came to NOK -2,716.6 million (NOK -1,491.2 million). For the year as a whole, the Group's net cash flow totalled NOK -100.2 million (NOK 2.1 million).

## Financial position

At the close of 2017, SalMar's balance sheet totalled NOK 12,926.2 million, compared with NOK 13,438.0 million three months earlier and NOK 13,401.7 million at the close of 2016.

The book value of the Group's property, plant and equipment rose by NOK 25.8 million through the quarter to NOK 3,604.8 million. Investments are being made in line with established plans. These relate largely to investments in the Group's experimental offshore fish farm project and the expansion of smolt production capacity, as well as lice treatment capabilities and general maintenance activities.

At the close of the period, the Group's current assets totalled NOK 5,315.6 million, down from NOK 5,877.4 million three months earlier.

The book value of inventory decreased by NOK 510.3 million during the period. A modest decrease in the standing biomass during the quarter explains the period's lower production cost. Stocks of finished goods rose by NOK 7.2 million. Fair value of biomass was reduced by NOK 471.8 million as a result of lower forward prices compared with the close of the previous quarter.

Trade receivables were reduced by NOK 50.5 million to NOK 501.1 million in the period, while other short-term receivables increased by NOK 15.5 million to NOK 242.9 million. At the close of the quarter, the SalMar Group had cash holdings totalling NOK 177.1 million.

As at 31 December 2017, the Group had a total equity of NOK 7,668.1 million, corresponding to an equity ratio of 59.3 per cent. For further details, see the table showing movements in equity in the period.

Total interest-bearing debt at the close of the period came to NOK 1,399.6 million. Of this amount, debt to credit institutions accounted for NOK 811.0 million, ordinary leasing liabilities for NOK 28.5 million, and leasing liabilities relating to InnovaMar for NOK 316.1 million. Short-term interest-bearing debt totalled NOK 243.6 million and comprised an overdraft of NOK 108.7 million in addition to the first year's instalments on long-term interest-bearing debt amounting to NOK 134.9 million.

Other current liabilities decreased through the quarter by NOK 369.2 million to NOK 2,504.6 million. This decrease is primarily attributable to a NOK 344.0 million reduction in tax payable and a NOK 143.7 million reduction in other current liabilities, which are largely related to lower provisions for loss-making contracts amounting to NOK 145.7 million.

At the close of 2017, the SalMar Group had net interest-bearing debt of NOK 1,222.5 million, NOK 392.5 million less than three months earlier.





## OPERATIONAL PERFORMANCE

With effect from the first quarter 2016, the Rauma segment has been incorporated into Fish Farming Central Norway. Since then the two operations have been reported as one.

### Fish Farming Central Norway

NOK million	Q4 17	Q4 16	2017	2016
Operating revenue	1 362	982	5 198	4 343
Operational EBIT	358	335	1 891	1 770
Operational EBIT%	26 %	34 %	36 %	41 %
Harvested volume (1 000 t <sub>gw</sub> )	26.9	15.0	87.5	70.5
EBIT/kg gw (NOK)	13.30	22.43	21.63	25.13

The Fish Farming Central Norway segment harvested a total of 26,900 tonnes of salmon in the fourth quarter 2017, compared with 15,000 tonnes in the corresponding period the year before. The segment generated gross operating revenues of NOK 1,362.0 million in the quarter, compared with NOK 981.7 million in the fourth quarter 2016, with the higher volume harvested more than compensating for the decrease in prices.

During the quarter, the segment finished harvesting the fish transferred to the sea farms in the spring of 2016. These fish accounted for around 1/3 of the entire volume harvested in the period. A significant portion of these fish came from sites with a relatively high underlying cost, due to long-standing biological challenges. This volume had a negative impact on costs during the quarter.

Organic salmon accounted for 6 per cent of the segment's overall volume in the quarter. Market conditions for organic salmon, as well as price levels, have improved compared with previous periods.

The remaining volume harvested in the quarter derived from fish transferred to sea farms in the autumn of 2016. This generation has had a better biological development, with a lower underlying cost. Fish Farming Central Norway therefore achieved a reduction in its underlying costs for the fourth quarter in succession.

SalMar has, over time, invested heavily to enhance its capacity to deal with salmon lice. Despite an improvement in the segment's lice situation, the company will continue to maintain this capacity, with associated costs.

Fish Farming Central Norway achieved an EBIT per kg gutted weight of NOK 13.30 in the fourth quarter 2017. This is down from NOK 21.05 per kg in the previous quarter and from NOK 22.43 per kg in the fourth quarter 2016. The lower margin in the fourth quarter 2017 is attributable to lower prices achieved than in the comparable periods.

SalMar expects the segment to incur slightly lower costs in the first quarter 2018 than in the fourth quarter 2017.

However, some of the fish transferred to the segment's sea farms in the autumn of 2017 have been somewhat affected by CMS and gill health issues. This could affect mortality rates and costs in coming quarters.

Fish Farming Central Norway expects to harvest around 96,000 tonnes of salmon in 2018 as a whole. This is an increase of 10 per cent compared with 2017.

### Fish Farming Northern Norway

NOK million	Q4 17	Q4 16	2017	2016
Operating revenue	629	790	2 865	2 799
Operational EBIT	228	444	1 376	1 480
Operational EBIT%	36 %	56 %	48 %	53 %
Harvested volume (1 000 t <sub>gw</sub> )	13.1	11.6	47.7	45.2
EBIT/kg gw (NOK)	17.50	38.28	28.84	32.78

The Fish Farming Northern Norway segment harvested around 13,100 tonnes of salmon in the fourth quarter 2017. This is some 2,300 tonnes more than in the previous quarter and 1,500 tonnes more than the corresponding period the year before.

The segment generated gross operating revenues of NOK 628.7 million in the quarter, compared with NOK 790.1 million in the corresponding period in 2016. The decrease in revenues is attributable to lower salmon prices.

The bulk of the volume harvested during the quarter were fish that had been transferred to the segment's sea farms in the spring of 2016. These stocks have had a good biological development with low underlying costs.

The harvested weight was somewhat lower in the fourth quarter than in the third. This was primarily due to fish being harvested prematurely in order to adjust the biomass to MAB requirements.

Increased lice numbers in certain areas of the region had a negative impact on the segment's costs. This applies particularly to fish transferred to sea farms in the autumn of 2016, where increased delousing activity has increased costs and will continue to do so in coming quarters.

SalMar is well equipped to manage the lice situation in the segment in the time ahead.

Fish Farming Northern Norway achieved an EBIT per kg gutted weight of NOK 17.50 in the fourth quarter 2017. This is down from NOK 27.29 last quarter, and down from NOK 38.28 per kg in the fourth quarter 2016. The lower margin in the fourth quarter last year is attributable to lower prices achieved than in the comparable periods.

SalMar expects the segment's costs to be slightly higher in the first quarter 2018 than in the fourth quarter 2017.

Fish Farming Northern Norway expects to harvest around 47,000 tonnes in 2018 as a whole.



## Sales and Processing

NOK million	Q4 17	Q4 16	2017	2016
Operating revenue	2 767	2 396	10 925	9 036
Operational EBIT	176	-180	48	-686
Operational EBIT%	6 %	-8 %	0.4 %	-8 %

The Sales and Processing segment generated gross operating revenues of NOK 2,766.7 million in the fourth quarter 2017. This was in line with the previous quarter, but up from NOK 2,395.7 million in the corresponding period the year before.

The segment sells the entire Group's harvested volume, with the exception of the volume deriving from joint operations with Lerøy in Finnmark, which totalled 2,190 tonnes in the fourth quarter.

The segment achieved an Operational EBIT of NOK 175.5 million in the quarter, up from NOK 46.2 million in the previous quarter. In the fourth quarter 2016, Sales and Processing made an Operational EBIT of NOK -180.5 million.

The increase in profit is due to efficient performance in all the segment's operating units.

A total of 32,700 tonnes was harvested at InnovaMar during the fourth quarter 2017, compared with 30,016 tonnes in the previous quarter and 18,700 tonnes in the fourth quarter 2016. Both the harvesting and secondary processing units achieved a high level of capacity utilisation and sound underlying operations during the quarter.

A slightly lower level of activity on the processing side is expected in coming quarters, due to seasonal variations in the availability of raw materials.

Around 44 per cent of the volume harvested was sold under fixed-price contracts in the quarter. The average price of the contracts was higher than the spot price in the period, such that the contract portfolio has made a positive contribution to the segment's financial result.

As at the middle of February, the contract rate for the first quarter 2018 comes to around 48 per cent. For 2018 as a whole, it comes to around 26 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 39,900 tonnes in the fourth quarter 2017, R&D costs accounted for NOK 0.70 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 17	Q4 16	2017	2016
Operating revenues	485	355	2 088	1 721
Operational EBIT	115	140	669	474
Operational EBIT%	24 %	40 %	32 %	28 %
Fair value adj. biomass	-26	50	9	128
Profit before tax	87	185	670	582
SalMar's share after tax	38	74	273	237
Harvested volume (1 000 t <sub>gw</sub> )	7.2	5.8	31.0	28.0
EBIT/kg gw (NOK)	16.00	24.39	21.59	16.90

Norskott Havbruk generated gross operating revenues of NOK 485.0 million in the fourth quarter 2017, down from NOK 631.9 million in the third quarter, but up from NOK 354.6 million in the fourth quarter 2016.

Overall, Norskott Havbruk harvested around 7,200 tonnes of fish in the quarter, 2,200 tonnes less than in the previous quarter, but 1,400 tonnes more than in the corresponding period the year before.

SalMar's share of the harvested volume came to 3,600 tonnes.

The company posted satisfactory results in the fourth quarter 2017. Although underlying operations were good in the quarter, Scottish Seafarms was once again obliged to deal with biological challenges relating to gill health at certain sites in mainland Scotland and Shetland.

These gill health issues had a negative impact on the quarterly results, since it was necessary to harvest fish prematurely at a low weight. All the fish affected by these issues were harvested out during the quarter.

The company had a contract rate of 44 per cent in the quarter.

EBIT per kg gutted weight came to NOK 16.00 in the fourth quarter 2017, compared with NOK 19.46 per kg in the previous quarter and NOK 24.39 per kg in the fourth quarter 2016.

The company expects to harvest around 26,000 tonnes in 2018.



### Arnarlax HF

Arnarlax HF is recognised as an associate, with SalMar's share 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 17	Q3 17	2017	2016
Operating revenues	172	114	625	247
Operational EBIT	4	-5	60	-2
Operational EBIT%	2 %	-4 %	10 %	-1 %
Fair value adj. biomass	-53	-7	-186	183
Profit before tax	-58	-18	-165	205
SalMar's share after tax	-16	-10	-56	52
Harvested volume (1 000 tgw)	3.2	1.7	9.7	4.0
EBIT/kg gw (NOK)	1.35	-2.91	6.23	-0.41

Arnarlax harvested around 3,200 tonnes in the fourth quarter 2017, compared with 1,700 tonnes in the previous quarter. Gross operating revenues in the quarter totalled NOK 171.7 million, up from NOK 113.8 million in the third quarter.

Production costs in the quarter were negatively affected by biological challenges at one site. In addition, the fourth-quarter result was negatively affected by non-recurring costs during the period.

As in previous quarters, Arnarlax's results continue to be affected by the fact that the company is in a build-up phase, with a suboptimal operating structure.

Operational EBIT for the quarter came to NOK 4.3 million, which corresponds to an EBIT per kg of NOK 1.35. In the previous quarter, Arnarlax achieved an Operational EBIT of NOK -4.8 million, corresponding to an EBIT per kg of NOK -2.91.

The company expects to harvest around 11,000 tonnes of salmon in 2018 as a whole.

## MARKETS

### Supply and demand

The global supply of Atlantic salmon in the fourth quarter 2017 is estimated at around 670,400 tonnes, up a substantial 16 per cent on the same period the year before.

The increase is primarily the result of higher production levels in Norway and Chile, although production in the UK in the fourth quarter was also higher than in the same period in 2016.

Chilean farmers harvested a total of 175,600 tonnes, up 47,100 tonnes or 37 per cent on the same period in 2016. Around 357,600 tonnes were harvested in Norway during the quarter, which is 11 per cent more than in the fourth quarter 2016.

British salmon farmers produced a combined 44,800 tonnes in the period, an increase of 4,100 tonnes or 10 per cent on the year before.

In North America, the harvested volume rose by 4 per cent to 44,200 tonnes in the fourth quarter 2017, while the volume harvested in the Faeroe Islands fell by 9 per cent to 20,200 tonnes.

The volume harvested in other salmon-producing countries rose by a substantial 28 per cent in the fourth quarter 2017. In all, these countries harvested around 28,000 tonnes in the period.

The increase in output from Chilean salmon farmers is expected to continue through the first half of 2018, although at a slightly lower growth rate than has been the case in recent quarters. In Norway, a quarterly growth of 5–10 per cent is expected through 2018.

Some 338,000 tonnes round weight of Norwegian-produced Atlantic salmon was exported during the fourth quarter 2017, up approx. 29,000 tonnes or 9 per cent from the fourth quarter 2016.

However, lower salmon prices have reduced the value of exports measured in NOK. As a result, salmon exports in the quarter were worth around NOK 16.9 billion, compared with NOK 17.8 billion in the same period the year before. This corresponds to a decrease of 5 per cent.

Overall, Norway exported 249,000 tonnes of salmon to the EU in the fourth quarter 2017, an increase of 6 per cent on the same period the year before. However, compared with the fourth quarter 2016, the value of exports to the EU fell by 7 per cent to NOK 12.1 billion.

Despite higher output, the volumes sold to the largest markets for Norwegian salmon fell back slightly compared with the same period the year before. In the fourth quarter 2017, around 43,300 tonnes of salmon were exported to the Polish market, a decrease of 10 per cent on 2016. Exports to France totalled approx. 37,400 tonnes, down 3 per cent. For the year as a whole, the export volume to Poland fell by 7 per cent and to France by 10 per cent. Nevertheless, these markets retain their position as the two largest single markets for Norwegian salmon exports.

Exports to the UK fell by 10 per cent to 20,300 tonnes in the fourth quarter 2017.

Exports to the USA continued the positive trend seen in recent quarters, with the overall volume in the fourth quarter up by 5,000 tonnes or 33 per cent on the same period the year before. A total of 68,100 tonnes of Norwegian salmon was exported to the US market in 2017 as a whole. This corresponds to a 23 per cent increase in volume and a 31 per cent increase in value.

Developments in Denmark and Spain are the same as in the USA. Imports of Norwegian salmon to both these markets rose by 5,000 tonnes in the fourth quarter 2017. This corresponds to an increase of, respectively, 20 per cent and 28 per cent compared with the fourth quarter 2016. For 2017 as a whole, exports to these markets rose by 14 per cent and 8 per cent respectively.

Exports to markets in Asia rose by 19 per cent to 12,300 tonnes in the fourth quarter 2017. For the year as a whole, the volume of exports to Asian markets rose by 20 per cent.

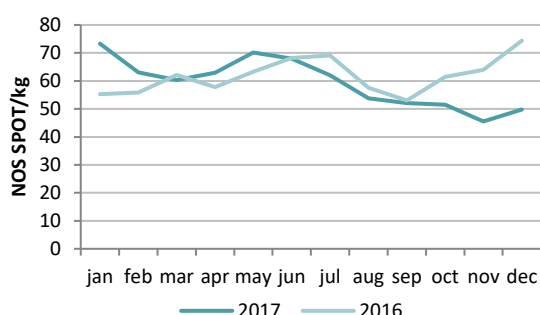


## Prices and exchange rates

The continuing increase in the global supply of Atlantic salmon was matched by a corresponding decrease in prices through the fourth quarter, with prices down towards NOK 43 per kg being quoted at the end of November. As a result of seasonally higher levels of activity in December, prices picked up slightly during the last month of the year to stand at just over NOK 50 per kg at the close of 2017.

The average price of salmon (NASDAQ Salmon Index) for the quarter as a whole came to NOK 49.42 per kg, a decrease of NOK 7.13 per kg from the third quarter. Compared with the same period in 2016, the price of salmon was NOK 17.74 per kg lower. The average price for 2017 as a whole came to NOK 59.93 per kg, down NOK 2.75 per kg from 2016.

Salmon price NOS spot NOK/kg 2016-2017



The Norwegian krone (NOK) weakened against the most important trading currencies through the fourth quarter 2017.

Since the close of the third quarter 2017, the NOK has weakened against the EUR, GBP and USD by 4.5 per cent, 3.9 per cent and 2.9 per cent respectively.

From the close of 2016 until the close of 2017, the NOK weakened against the EUR and GBP by 8.3 per cent and 4.5 per cent respectively, but strengthened against the USD by 4.8 per cent.

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

## Biomass

The standing biomass in Norway totalled 769,700 tonnes round weight at the close of the fourth quarter 2017. This is an increase of 10.1 per cent compared with the same point the year before, when the total biomass came to 699,100 tonnes. At the close of the third quarter 2017, the standing biomass in Norway totalled 746,600 tonnes round weight.

The biomass in Chile came to 295,400 tonnes round weight at the close of the quarter, up 15 per cent on the same point in 2016. At the close of the previous quarter, Chile's total biomass was estimated at approx. 301,000 tonnes round weight.

The UK's total biomass as at 31 December 2017 came to 89,900 tonnes round weight, 3 per cent less than the volume at the same point the year before. As at 30 September 2017, British salmon farmers had a combined standing biomass of 93,700 tonnes.

The standing biomass in the Faeroes at the close of the period is estimated at 50,200 tonnes round weight, down 2 per cent on the level one year before.

## EVENTS AFTER THE BALANCE SHEET DATE

In a press release dated 30 October 2017, the Ministry of Trade, Industry and Fisheries announced which colours have been given to the various production zones. Eight out of a total of 13 production zones have been given a green light, which opens the way for an expansion in production levels.

This also applies to zones in which SalMar has fish farms in northern parts of the Central Norway region and in the Northern Norway region. SalMar has a total of 40 production licences in areas that have been given the green light, corresponding to a total MAB of 37,344 tonnes.

On 6 November 2017, the Ministry of Trade, Industry and Fisheries published its proposed conditions for capacity growth under the new scheme. The conditions mean that owners of licences in green production zones will be offered the chance to increase the MAB under existing licences by 2 per cent. SalMar has applied for a 2 per cent increase on all the licences where this is permitted, a total MAB of 754 tonnes. In addition, a total increase in MAB of 212 tonnes has been reapplied for under the scheme's exception provisions.

On 14 February 2018, SalMar accepted a new loan agreement with DNB, Nordea and Danske Bank, which extends the Group's existing credit facilities. The agreement has a term of three years, with an option to extend for a further two years.

These credit facilities have a total ceiling of NOK 4.65 billion, and comprise a term loan worth NOK 0.65 billion, and investment/acquisition facilities worth NOK 2 billion and a revolving credit facility worth NOK 1.5 billion. In addition, the Group has been granted an operating credit facility of up to NOK 0.5 billion, renewable annually.

## SHARES AND SHAREHOLDERS

At the close of 2017, SalMar had a total of 113,299,999 shares outstanding, divided between 4,759 shareholders.

The company's major shareholder, Kverva AS, owns 53.4 per cent of its shares. The 20 largest shareholders own a total of 74.70 per cent of the shares. SalMar ASA is the 10th largest shareholder, with a holding of 754,922 shares, corresponding to 0.67 per cent of the total number of shares outstanding as at 31 December 2017.

SalMar's share price fluctuated between NOK 226.80 and NOK 263.00 during the fourth quarter 2017. The final price at the close of the quarter was NOK 246.80, compared with NOK 225.00 at the close of the previous quarter. This means the share price rose by 9.7 per cent during the period. For 2017 as a whole, the share price fell by 4.4 per cent. A dividend of NOK 12 per share was paid out in 2017.

A total of 18.1 million shares were traded during the quarter, just under 16 per cent of the total number of





shares outstanding. The daily volume of shares traded averaged just less than 288,000 shares.

## TRANSACTIONS WITH RELATED PARTIES

During the period, there occurred no changes or particular transactions with related parties that have had a material impact on the Group's financial position or results.

## OUTLOOK

The global supply of Atlantic salmon rose by 6 per cent in 2017, compared with the year before. This trend is expected to continue into 2018, with output in the first quarter forecast to be 8 per cent higher than in the same period in 2017.

Output from Norway in the fourth quarter rose by 11 per cent, and is expected to be 5 per cent higher in the first quarter 2018 than in the same period the year before. However, the rate of growth is expected to accelerate as the year progresses, such that – for 2018 as a whole – the volume harvested in Norway is forecast to rise by around 8 per cent to just over 1.3 million tonnes.

Growth in the Chilean market is expected to continue through the first half of 2018, though at a slightly lower rate than has been seen in recent quarters. Output from Chile is expected to increase by 14 per cent to 149,600 tonnes in the first quarter 2018. Output from Chilean salmon farmers in the second half is expected to flatten out, so that for 2018 as a whole, the volume harvested in Chile is expected to rise by 6 per cent to 615,600 tonnes.

Following several quarters of steady growth, developments in the UK are expected to reverse in 2018. In the first quarter, for example, the harvested volume is expected to be 6 per cent lower than in the first quarter 2017. A further decline in the second half is forecast to cause the total output of Atlantic salmon from British farmers to fall by around 9 per cent to 159,100 tonnes in 2018.

Major quarter-to-quarter variations in output from North America are expected in 2018. While a substantial 19 per cent growth in output is expected in the first three months of the year, the rest of 2018 is forecast to remain more or less flat. As a result, the overall volume harvested by North American producers is expected to grow by around 5 per cent to 170,400 tonnes in 2018.

In the Faeroes, total output is expected to reach approx. 86,100 tonnes in 2018 as a whole, an increase of 11 per cent on 2017.

Output from the other regions is forecast to total 111,100 tonnes in 2018, up 8,100 tonnes or 8 per cent on the year before.

SalMar's overarching objectives for growth and lower costs remain unchanged.

Secure access to smolt is key to SalMar's growth strategy, and the company has invested heavily over time to ensure it has access to high-quality smolt of the right size. It will continue to invest in this area in future, too.

Investment in new technology constitutes another element in the Group's quest for growth. So far, SalMar has invested approx. NOK 700 million in its offshore fish farm concept, dubbed Ocean Farm. The first full-scale Ocean Farm facility is currently undergoing 12 months of pilot testing. So far, the offshore fish farm has produced good biological results, with high growth rates and low mortality.

Efforts are constantly being made to research and develop new concepts that will contribute to continued sustainable growth in the future.

In addition, SalMar regularly assesses investments in new regions. Through its shareholding in the Icelandic company Arnarlax, SalMar is taking an active role in the development of salmon farming in Iceland, a region with substantial growth potential. Furthermore, the continuous optimisation of existing operations contributes to increased production, and the company is constantly evaluating opportunities to expand its capacity. SalMar considers that the authorities have put a high price on this additional capacity, but has nevertheless elected to avail itself of the opportunities offered, primarily to further optimise its existing operations.

Over time, SalMar has invested heavily to increase its competence and capacity to deal with biological challenges in the best possible way. This has produced good results, and the biological situation in Central Norway shows visible signs of improvement, with an associated reduction in costs. However, maintaining a high level of preparedness will affect the level of costs in the future as well.

SalMar expects to harvest 143,000 tonnes in 2018, just over 40 per cent of which is expected to come in the first half-year. Costs in the first quarter of 2018 are expected to be in line with the fourth quarter 2017.

As at mid-February, contract sales are expected to cover around 48 per cent of the volume in the first quarter 2018 and 26 per cent of the volume in 2018 as a whole. The average price in the contract portfolio is relatively stable for the whole of 2018. Overall, the average price for 2018 is higher than the Fish Pool forward price.

SalMar will continue to pursue its ongoing investment programme, and expects to make around NOK 276 million in maintenance investments in 2018, largely in connection with its sea farms. This does not include investments in increased smolt capacity in Central Norway totalling around NOK 150 million, of which NOK 80 million are due in 2018. SalMar expects to invest some NOK 356 million in 2018.

Financially, 2017 was a good year for SalMar. The board of directors considers SalMar's financial position to be strong, and is therefore recommending a dividend of NOK 19 per share. In the opinion of the board, SalMar's capacity for future growth is strong.



## INCOME STATEMENT

NOK million	4Q 2017	Q4 2016	FY 2017	FY 2016
<b>Operating income</b>	<b>2 780,6</b>	<b>2 476,3</b>	<b>10 817,2</b>	<b>9 029,8</b>
Cost of goods sold	1 263,0	1 220,6	4 722,5	4 000,8
Payroll expenses	241,6	238,9	929,1	861,5
Other operating expenses	447,7	365,4	1 584,8	1 377,8
EBITDA	828,2	651,4	3 580,8	2 789,7
Depreciations and write-downs	121,0	94,4	418,6	358,0
<b>Operational EBIT</b>	<b>707,2</b>	<b>557,0</b>	<b>3 162,2</b>	<b>2 431,6</b>
Fair value adjustment	-370,6	536,4	-370,0	654,0
<b>Operational profit</b>	<b>336,6</b>	<b>1 093,3</b>	<b>2 792,2</b>	<b>3 085,6</b>
Income from investments in associates	19,0	127,4	208,9	286,8
Net interest costs	-26,6	-26,5	-95,9	-101,3
Other financial items	-34,2	24,1	-49,1	70,9
<b>Profit before tax</b>	<b>294,7</b>	<b>1 218,2</b>	<b>2 856,2</b>	<b>3 342,1</b>
Tax	-6,5	201,5	558,4	691,1
<b>Net profit for the period</b>	<b>301,3</b>	<b>1 016,7</b>	<b>2 297,8</b>	<b>2 651,0</b>
<i>Items to be reclassified to profit and loss in subsequent periods:</i>				
Change in translation diff. associates	33,7	2,3	41,7	-105,3
Change in translation diff. subsidiaries	2,6	-3,3	-0,3	-1,8
Cash flow hedge, net tax	-	12,1	-11,5	11,5
Change in fair value of currency instruments	3,9	-0,3	3,9	-0,3
<b>Total comprehensive income</b>	<b>341,4</b>	<b>1 027,4</b>	<b>2 331,6</b>	<b>2 555,1</b>
<i>Allocation of the periods net profit:</i>				
Non-controlling interests	2,2	21,7	23,8	13,9
Shareholders in SalMar ASA	299,1	995,0	2 274,0	2 637,1
Earnings per share (NOK)	2,66	8,86	20,24	23,51
Earnings per share - diluted	2,66	8,84	20,18	23,43

## BALANCE SHEET - GROUP

NOK million	31.12.2017	30.09.2017	31.12.2016
<b>ASSETS</b>			
Intangible fixed assets	2 925,0	2 929,2	2 910,8
Tangible fixed assets	3 604,8	3 578,9	3 137,5
Financial fixed assets	1 080,9	1 052,5	960,0
<b>Total fixed assets</b>	<b>7 610,6</b>	<b>7 560,6</b>	<b>7 008,3</b>
Inventory	4 394,6	4 904,8	5 221,8
Accounts receivables	501,1	551,6	595,8
Other short-term receivables	242,9	227,4	302,1
Cash and cash equivalents	177,1	193,6	273,7
<b>Total current assets</b>	<b>5 315,6</b>	<b>5 877,4</b>	<b>6 393,4</b>
<b>TOTAL ASSETS</b>	<b>12 926,2</b>	<b>13 438,0</b>	<b>13 401,7</b>
<b>EQUITY AND LIABILITIES</b>			
Paid-in equity	557,6	561,9	529,0
Reserves	7 022,4	6 686,0	6 069,4
Minority interests	88,1	85,9	82,4
<b>Total equity</b>	<b>7 668,1</b>	<b>7 333,8</b>	<b>6 680,8</b>
Provisions for liabilities	1 353,9	1 421,9	1 495,3
Int. bearing long-term liabilities	1 156,0	1 463,8	2 439,6
<b>Total long-term liabilities</b>	<b>2 509,9</b>	<b>2 885,7</b>	<b>3 934,9</b>
Int. bearing short-term liabilities	243,6	344,8	198,6
Other short-term liabilities	2 504,6	2 873,7	2 587,4
<b>Total short-term liabilities</b>	<b>2 748,2</b>	<b>3 218,5</b>	<b>2 786,0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12 926,2</b>	<b>13 438,0</b>	<b>13 401,7</b>
<b>Net interest bearing debt</b>	<b>1 222,5</b>	<b>1 615,0</b>	<b>2 364,5</b>
<b>Equity share</b>	<b>59,3 %</b>	<b>54,6 %</b>	<b>49,9 %</b>

## CASH FLOW

NOK million	Q4 2017	Q4 2016	FY 2017	FY 2016
Profit before tax	294,7	1 218,2	2 856,2	3 342,1
Tax paid in period	-403,4	-273,5	-423,2	-291,0
Depreciation	121,0	94,4	418,6	358,0
Share of profit/loss from associates	-19,0	-127,4	-208,9	-286,8
Gains exit subsidiaries	0,7	-	-10,2	-26,6
Change in fair value adjustments	370,6	-536,4	370,0	-654,0
Change in working capital	132,0	-491,4	196,6	364,2
Other changes	29,5	-93,6	175,4	-81,2
<b>Net cash flow from operating activities</b>	<b>526,2</b>	<b>-209,6</b>	<b>3 374,4</b>	<b>2 724,6</b>
<b>Net cash flow from investing activities</b>	<b>-112,9</b>	<b>-173,2</b>	<b>-758,0</b>	<b>-1 231,3</b>
Change in interest-bearing debt	-409,7	266,8	-1 250,9	-264,0
Dividend paid out	-	-	-1 366,0	-1 125,9
Interest paid	-26,6	-26,5	-95,9	-101,3
Other changes	0,2	-	-3,8	-
<b>Net cash flow from financing activities</b>	<b>-436,2</b>	<b>240,4</b>	<b>-2 716,6</b>	<b>-1 491,2</b>
<b>Net change in cash for the period</b>	<b>-22,9</b>	<b>-142,4</b>	<b>-100,2</b>	<b>2,1</b>
Foreign exchange effects	6,4	-3,7	3,5	-2,1
Cash in the beginning of the period	193,6	419,8	273,7	273,7
<b>Cash at the end of the period</b>	<b>177,1</b>	<b>273,7</b>	<b>177,1</b>	<b>273,7</b>



## MOVEMENTS IN EQUITY

2017	Share capital	Treasury shares	Share premium	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
<b>Equity as at 01.01.17</b>	<b>28,3</b>	<b>-0,2</b>	<b>415,3</b>	<b>85,7</b>	<b>7,1</b>	<b>6 062,2</b>	<b>82,4</b>	<b>6 680,8</b>
Net profit for the year						2 274,0	23,8	2 297,8
Comprehensive income					3,5	30,2		33,8
<b>Total comprehensive income for the year</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>3,5</b>	<b>2 304,2</b>	<b>23,8</b>	<b>2 331,6</b>
<i>Transactions with shareholders</i>								
Dividend paid						-1 347,8	-18,2	-1 366,0
Exit non-controlling interests						-4,0		-4,0
Options granted				28,5				28,5
Deferred tax options						-3,0		-3,0
Redeemed options treasury shares		0,1				-0,1		0,0
Other changes						0,2		0,2
<b>Sum transactions with shareholders</b>	<b>0,0</b>	<b>0,1</b>	<b>0,0</b>	<b>28,5</b>	<b>0,0</b>	<b>-1 354,7</b>	<b>-18,2</b>	<b>-1 344,3</b>
<b>Equity as at 31.12.2017</b>	<b>28,3</b>	<b>-0,2</b>	<b>415,3</b>	<b>114,2</b>	<b>10,6</b>	<b>7 011,8</b>	<b>88,1</b>	<b>7 668,1</b>

2016	Share capital	Treasury shares	Share premium	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
<b>Equity as at 01.01.16</b>	<b>28,3</b>	<b>-0,3</b>	<b>415,3</b>	<b>57,8</b>	<b>9,2</b>	<b>4 637,1</b>	<b>79,7</b>	<b>5 227,0</b>
Net profit for the year						2 637,1	13,9	2 651,0
Comprehensive income					-2,1	-93,8		-95,9
<b>Total comprehensive income for the year</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>-2,1</b>	<b>2 543,3</b>	<b>13,9</b>	<b>2 555,1</b>
<i>Transactions with shareholders</i>								
Dividend paid						-1 121,2	-4,7	-1 125,9
Exit non-controlling interests							-6,5	-6,5
Options granted				27,9				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
<b>Sum transactions with shareholders</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>27,9</b>	<b>0,0</b>	<b>-1 118,1</b>	<b>-11,2</b>	<b>-1 101,3</b>
<b>Equity as at 31.12.16</b>	<b>28,3</b>	<b>-0,2</b>	<b>415,3</b>	<b>85,7</b>	<b>7,1</b>	<b>6 062,2</b>	<b>82,4</b>	<b>6 680,8</b>

## SEGMENT INFORMATION

	Farming Central-Norway	Farming Northern-Norway	Sales and Processing	Elim.	Group
<b>4Q 2017</b>					
Operating income (NOK mill.)	1 362,0	628,7	2 766,7	-1 976,7	2 780,6
Operational EBIT (NOK mill.)	357,7	228,4	175,5	-54,4	707,2
Operational EBIT %	26,3 %	36,3 %	6,3 %		25,4 %
Harvested volume (1,000 tgrw)	26,9	13,1			39,9
EBIT/ kg gw (NOK)	13,30	17,50			17,70
<b>Q4 2016</b>					
Operating income (NOK mill.)	981,7	790,1	2 395,7	-1 691,2	2 476,3
Operational EBIT (NOK mill.)	335,5	443,6	-180,5	-41,7	557,0
Operational EBIT %	34,2 %	56,1 %	-7,5 %		22,5 %
Harvested volume (1,000 tgrw)	15,0	11,6			26,5
EBIT/ kg gw (NOK)	22,43	38,28			20,98
<b>FY 2017</b>					
Operating income (NOK mill.)	5 198,5	2 864,8	10 924,8	-8 170,8	10 817,2
Operational EBIT (NOK mill.)	1 891,5	1 376,1	47,8	-153,2	3 162,2
Operational EBIT %	36,4 %	48,0 %	0,4 %		29,2 %
Harvested volume (1,000 tgrw)	87,5	47,7			135,2
EBIT/ kg gw (NOK)	21,63	28,84			23,40
<b>FY 2016</b>					
Operating income (mill.)	4 343,5	2 799,2	9 035,8	-7 148,7	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 %	-7,6 %		26,9 %
Harvested volume (1,000 tgrw)	70,5	45,2			115,6
EBIT/ kg gw (NOK)	25,13	32,78			21,03



## KEY FIGURES - GROUP

	4Q 2017	Q4 2016	FY 2017	FY 2016
Number of shares (diluted) - end of period (mill.)	112,6	112,6	112,7	112,6
Earnings per share (NOK)	2,66	8,86	20,24	23,51
Earnings per share - diluted (NOK)	2,66	8,84	20,18	23,43
EBITDA %	29,8 %	26,3 %	33,1 %	30,9 %
Operational EBIT %	25,4 %	22,5 %	29,2 %	26,9 %
EBIT %	12,1 %	44,2 %	25,8 %	34,2 %
Profit before tax %	10,6 %	49,2 %	26,4 %	37,0 %
Cash flow per share - diluted (NOK)	4,67	-1,86	29,95	24,21
Net interest bearing debt (mill.)	1 222,5	2 364,5	1 222,5	2 364,5
Equity ratio %	59,3 %	49,9 %	59,3 %	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 4Q 2017.

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

Shareholder	Shares	%
KVERVA AS	60 500 000	53,40 %
FOLKETRYGDFONDET	7 449 510	6,58 %
STATE STREET BANK AND TRUST COMP	2 485 075	2,19 %
LIN AS	1 754 498	1,55 %
STATE STREET BANK AND TRUST COMP	1 433 702	1,27 %
CLEARSTREAM BANKING S.A.	1 209 614	1,07 %
JPMORGAN CHASE BANK, N.A., LONDON	923 023	0,81 %
MORGAN STANLEY AND CO INTL PLC	909 263	0,80 %
STATE STREET BANK AND TRUST COMP	777 568	0,69 %
SALMAR ASA	754 922	0,67 %
PARETO AKSJIE NORGE	703 935	0,62 %
STATE STREET BANK AND TRUST COMP	688 562	0,61 %
JPMORGAN CHASE BANK, N.A., LONDON	688 526	0,61 %
AB SIC I LOW VOL EQU PORTF	672 714	0,59 %
STATE STREET BANK AND TRUST COMP	653 006	0,58 %
JPMORGAN CHASE BANK, N.A., LONDON	640 886	0,57 %
STATE STREET BANK AND TRUST COMP	639 511	0,56 %
EUROCLEAR BANK S.A./N.V.	600 355	0,53 %
JPMORGAN CHASE BANK, N.A., LONDON	599 638	0,53 %
J.P. MORGAN BANK LUXEMBOURG S.A.	554 001	0,49 %
<b>Top 20</b>	<b>84 638 309</b>	<b>74,70 %</b>
Others	28 661 690	25,30 %
<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>31.12.2017</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
Raw materials	121,0	110,2	132,1
Biological assets	4 135,5	4 663,7	4 997,0
Finished goods	138,1	130,9	92,7
<b>Total</b>	<b>4 394,6</b>	<b>4 904,8</b>	<b>5 221,8</b>
<b>Fair value adjustment of biological assets</b>	<b>31.12.2017</b>	<b>30.09.2017</b>	<b>31.12.2016</b>
Historic cost	3 034,6	3 091,0	2 968,3
Fair value adjustment of the biomass	1 100,9	1 572,7	2 028,7
<b>Book value</b>	<b>4 135,5</b>	<b>4 663,7</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>4Q 2017</b>	<b>4Q 2016</b>	<b>FY 2017</b>	<b>FY 2016</b>
Change in fair value of the biomass	-471,8	645,3	-927,8	1 052,5
Change in provisions for onerous contracts	145,7	141,2	407,6	-316,0
Unrealised change in value of Fish Pool contracts	44,5	-120,6	143,6	-144,3
Unrealised changes in the value of currency and forward currency contracts	-88,9	-129,6	6,6	61,7
<b>Fair value adjustments recognised in profit and loss</b>	<b>-370,6</b>	<b>536,4</b>	<b>-370,0</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 - Exit of subsidiaries and non-controlling interests

### Exit of subsidiaries 2017

#### Villa Smolt AS

With effect from 31 May 2017, the Group has sold 100 per cent of its shares in the subsidiary Villa Smolt AS. The fair value of the consideration, NOK 16.0 million, has been paid in cash. The subsidiary's exit produced a net gain for the Group of NOK 0.5 million, which is classified as an operating revenue in the financial statements.

#### SalMar Genetics AS

With effect from 31 May 2017, the Group has reduced its shareholding in the subsidiary SalMar Genetics AS from 100 per cent to 50 per cent. The reduction is a consequence of dilution combined with the sale of shares.

Following the transaction, the Group no longer has a controlling influence over the company. The entire investment is deemed to have been realised and a new cost price, based on the fair value of the investment in the shares, has been set. The fair value of the remaining investment in the company, NOK 25.9 million, is recognised as a financial asset in the balance sheet. The realisation of the subsidiary generated a gain for the Group of NOK 9.7 million, which is classified as an operating revenue in the second quarter financial statements.

### Changes in non-controlling interests 2017

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.

### 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.



**Note 7 - Financial assets – investments where the equity method is applied**

	<i>Norskott Havbruk</i>	<i>Arnarlax</i>	<i>Others</i>	<i>TOTAL</i>
Opening balance 01.01.2017	609,5	290,8	8,1	908,4
Additions costs	-	-	25,9	25,9
Share of year's profit/loss	272,8	-55,7	-8,2	208,9
Other items in comprehensive income	25,3	16,4	-	41,7
Other changes	-	-	-0,1	-0,1
Dividend received	-161,0	-	-	-161,0
<b>Closing balance 31.12.2017</b>	<b>746,6</b>	<b>251,5</b>	<b>25,6</b>	<b>1 023,8</b>

**2017**

The Group reduced its shareholding in SalMar Genetics AS to 50 per cent during the period, and no longer has a controlling influence over the company. The Group's 50 per cent shareholding has been recognised in accordance with the equity method, with effect from the date of realisation. See Note 6 for further details.

**2016**

In 2016, 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 8 - Other financial items**

	<b>4Q 2017</b>	<b>4Q 2016</b>	<b>FY 2017</b>	<b>FY 2016</b>
Net interest expenses	-26,6	-26,5	-95,9	-101,3
Other net financial items	-34,2	24,1	-49,1	70,9
<b>Net financial items</b>	<b>-60,9</b>	<b>-2,4</b>	<b>-145,0</b>	<b>-30,4</b>