

# QUARTERLY REPORT

Fourth quarter 2019



*Passion for Salmon*

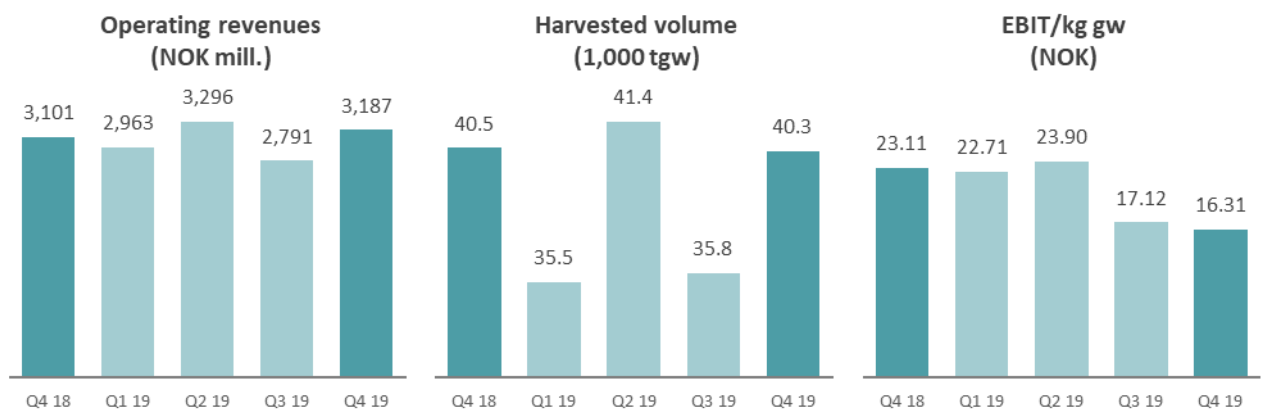


## HIGHLIGHTS IN THE FOURTH QUARTER

- Consolidated Operational EBIT of NOK 658 million, with an EBIT per kg of NOK 16.31.
  - Strong operational improvements in Fish Farming Northern Norway.
  - Weak price achievement in Fish Farming Central Norway, due to high volumes at the start of the period when prices were lowest.
  - Lower volume harvested resulted in lower capacity-utilization and sharply rising salmon prices through the quarter resulted in a lower contribution from fixed-price contracts from Sales and Processing.
- Forecast for harvested volume in 2020 remains unchanged at 152,000 tonnes in Norway and increases forecast to 12,000 tonnes in Iceland, up from 10,000 tonnes.
- The board of directors recommends a dividend of NOK 21.00 per share for 2019.

## KEY FIGURES GROUP

NOK million	Q4 2019	Q4 2018	FY 2019	FY 2018
Operating revenue	3,186.7	3,101.1	12,237.6	11,342.6
Operational EBIT	658.1	934.9	3,067.6	3,460.8
Operational EBIT %	20.7%	30.1%	25.1%	30.5%
Fair value adjustments	218.4	413.7	-33.0	845.8
Profit/loss from associates	77.8	82.3	118.7	252.9
Profit/loss before tax	891.4	1,366.3	3,158.4	4,452.6
EPS – diluted	5.92	10.34	22.03	31.60
NIBD	2,902.1	1,527.7	2,902.1	1,527.7
Equity ratio %	54.2%	60.4%	54.2%	60.4%
Harvested volume (1,000 t <sub>gw</sub> )	40.3	40.5	153.1	142.5
EBIT/kg gw (NOK)	16.31	23.11	20.04	24.29





## FINANCIAL PERFORMANCE

In the first quarter 2019, SalMar increased its shareholding in Arnarlax to over 50 per cent, with effect for accounting purposes from 1 February 2019. As a result, Arnarlax was reported as an associate in January, but has been consolidated into the accounts since 1 February 2019. Comparable figures for 2018 have not been restated accordingly.

A new accounting standard, IFRS 16 Leases, came into force on 1 January 2019. The standard has been implemented in SalMar's financial statements and has had a substantial impact on several items in the income statement and balance sheet. Comparable figures for 2018 have not been restated accordingly. See Note 9 to the financial statements for further details.

### Results for the fourth quarter 2019

In the fourth quarter 2019, SalMar's Fish Farming Northern Norway segment posted good results, achieving a strong operational improvement compared with the previous quarter. However, the Group's overall financial performance was somewhat negatively affected by large harvest volume in Fish Farming Central Norway when prices were the lowest, lower volume to the processing facilities resulting in lower capacity-utilisation and lower contribution from fixed price contracts caused by rising salmon prices.

In the fourth quarter 2019, the SalMar Group harvested a total of 40,300 tonnes of salmon, compared with 35,800 tonnes in the third quarter 2019 and 40,500 tonnes in the fourth quarter 2018.

In addition, Norscott Havbruk (Scottish Sea Farms) harvested a total of 5,300 tonnes, compared with 10,000 tonnes the quarter before and 6,700 tonnes in the fourth quarter 2018. SalMar owns 50 per cent of Norscott Havbruk.

The price of salmon in the fourth quarter 2019 (NASDAQ Salmon Index) averaged NOK 57.31 per kg, up from an average price of NOK 49.71 per kg in the third quarter and from NOK 55.89 in the fourth quarter 2018.

In the fourth quarter 2019, SalMar generated gross operating revenues of NOK 3,186.7 million, compared with NOK 2,791.2 million in the third quarter 2019 and NOK 3,101.1 million in the fourth quarter 2018.

The Group made an Operational EBIT of NOK 658.1 million in the fourth quarter, up from NOK 613.5 million the quarter before, but down from NOK 934.9 million in the fourth quarter 2018. The reduction is largely attributable to weaker results from Fish Farming Central Norway, due to a slightly lower volume harvested and lower price achievement, as well as lower profits from Sales and Processing.

The SalMar Group made an Operational EBIT per kg of NOK 16.31 in the fourth quarter 2019, down from NOK 17.12 in the third quarter and down from NOK 23.11 in the fourth quarter 2018.

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 positively affected the recognised operating profit by NOK 218,4 million in the quarter. The

fair value of the standing biomass rose by NOK 112.1 million in the quarter, while changes in unrealised losses on contracts, financial contracts and currencies positions gave a net positive effect of NOK 106.3 million. See Note 4 for further details.

SalMar therefore posted an operating profit of NOK 876.5 million in the fourth quarter 2019, up from NOK 359.2 million in the third quarter, but down from NOK 1,348.6 million in the fourth quarter 2018.

Operating profit in the fourth quarter 2018 was positively impacted by fair value adjustments totalling NOK 413.7 million.

Associates contributed NOK 77.8 million during the period, compared with NOK -39.0 million in the previous quarter and NOK 82.3 million in the fourth quarter 2018. The contribution in the quarter derives largely from SalMar's share of the profits from Norscott Havbruk.

Net interest expenses totalled NOK 42.9 million in the fourth quarter 2019. This compares with NOK 42.8 million in the previous quarter, and up from NOK 27.7 million in the fourth quarter 2018. The increase from the same period last year is largely attributable to the implementation of IFRS 16. Other financial items totalled NOK -20.0 million in the quarter, compared with NOK -14.3 million in the third quarter and NOK -36.8 million in the fourth quarter 2018.

Profit before tax in the fourth quarter came to NOK 891.4 million, up from NOK 263.1 million the quarter before, but down from NOK 1,366.3 million in the fourth quarter 2018.

The total tax expense for the period is estimated at NOK 168.2 million, such that the Group's net profit for the fourth quarter 2019 comes to NOK 723.2 million. In the fourth quarter 2018, the tax expense came to NOK 207.7 million and net profit to NOK 1,158.7 million.

### Results for 2019

The SalMar Group generated gross operating revenues of NOK 12,237.6 million in 2019, up 8 per cent from NOK 11,342.6 million in 2018.

Excluding Norscott Havbruk, the harvested volume in 2019 came to 153,100 tonnes, compared with 142,500 tonnes in 2018 (Norscott Havbruk and Arnarlax excluded).

The price of salmon in 2019 (NASDAQ Salmon Index) averaged NOK 57.96 per kg, compared with NOK 59.97 per kg in 2018.

Operational EBIT for the year as a whole totalled NOK 3,067.6 million, down from NOK 3,460.8 million in 2018.





This gives an Operational EBIT per kg of NOK 20.04, compared with NOK 24.29 in 2018. Excluding Arnarlax, the SalMar Group made an Operational EBIT of NOK 2,967.5 million in 2019, which gives an Operational EBIT per kg for the Group excluding Arnarlax of NOK 20.71.

Fair value adjustments reduced the overall 2019 result by NOK 33.0 million, such that SalMar's operating profit came to NOK 3,034.6 million for the year as a whole. In 2018, operating profit came to NOK 4,306.6 million after a positive impact of NOK 845.8 million from fair value adjustments.

Associates contributed a total of NOK 118.7 million in 2019, compared with NOK 252.9 million in 2018. The decrease is attributable largely to the fact that Norskott Havbruk posted weaker results in 2019 than in 2018, and that Arnarlax is now consolidated into the Group's accounts.

Net interest expenses came to NOK 157.7 million in 2019, compared with NOK 105.1 million in 2018, in 2019 interest expense related to IFRS16 accounts for NOK 52.7 million. Net other financial items totalled NOK 162.8 million in 2019. These are largely made up of realised accounting gains following Arnarlax's transition from associate to subsidiary. See Notes 5 and 8 for further details. In 2018, net other financial items totalled NOK -1.9 million.

Profit before tax in 2019 came to NOK 3,158.4 million. A tax expense of NOK 613.9 million has been calculated, giving a net profit of NOK 2,544.5 million. In 2018, profit before tax came to NOK 4,452.6 million. Following a NOK 873.3 million tax expense, net profit totalled NOK 3,579.2 million.

## Cash flow

The SalMar Group generated a cash flow from operating activities of NOK 283.2 million in the fourth quarter 2019, compared with NOK -37.1 million in the fourth quarter 2018.

Net cash flow from investing activities came to NOK -354.5 million in the fourth quarter 2019, which reflects an increase in investments from NOK 144.2 million in the same quarter the year before. A total of NOK 399.0 million was invested in property, plant and equipment and R&D during the period, while a dividend of NOK 43.4 million was received from Norskott Havbruk.

During the period, ongoing maintenance investments relating to farming operations and upgrades at Ocean Farm 1 totalled NOK 98.1 million; investments relating to the expansion of smolt production capacity totalled NOK 67.0 million; investments related to the construction of InnovaNor, the expansion of Vikenco and upgrades at InnovaMar totalled NOK 193.2 million; investments in R&D totalled NOK 18.7 million; while capacity and ongoing maintenance investments in Iceland totalled NOK 17.6 million.

The Group's net cash flow from financing activities came to NOK 101.9 million in the fourth quarter 2019, compared with NOK -76.9 million in the fourth quarter 2018. The Group's interest-bearing debt rose by NOK 151.7 million in the fourth quarter 2019, and net interest paid came to NOK 42.9 million. In the same period in 2018, interest-bearing debt was reduced by NOK 49.2 million, while net interest paid totalled NOK 27.7 million.

This gave SalMar a net cash flow of NOK 30.5 million in the fourth quarter, compared with a cash flow of NOK -258.3 million in the same period in 2018. Adjusted for a NOK 2.7 million positive contribution from foreign exchange effects,

the Group's total holding of cash and cash equivalents rose by NOK 33.2 million in the period. At the close of the quarter, therefore, the Group had cash holdings of NOK 231.0 million.

For 2019 as a whole, the Group's cash flow from operating activities totalled NOK 3,029.5 million, compared with NOK 2,781.6 million for 2018 as a whole. Net cash flow from investing activities in 2019 came to NOK -1,317.4 million, compared with NOK -833.8 million in 2018, while cash flow from financing activities totalled NOK -1,720.3 million in 2019, compared with NOK -1,890.2 million in 2018.

## Financial position

At the close of 2019, SalMar's balance sheet totalled NOK 17,986.1 million, compared with NOK 15,135.6 million at the close of 2018.

The book value of the Group's property, plant and equipment increased by NOK 218.4 million in the quarter to NOK 4,369.9 million, up from NOK 3,591.5 million as at 31 December 2018. Investments are being made in line with approved plans. This includes the expansion of smolt capacity, the new harvesting plant, InnovaNor, in Northern Norway and general maintenance.

As at 31 December 2019, the Group had current assets totalling NOK 7,490.3 million, up from NOK 6,924.6 million at the same point in 2018.

At the close of the year, inventory was valued at NOK 6,189.5 million in the balance sheet, an increase of NOK 72.5 million during the quarter. The fair value of the biomass rose by NOK 141.7 million in the quarter, as a result of an increase in the volume of the biomass compared with the close of the third quarter 2019. At the close of 2018, inventory was valued at NOK 5,765.5 million in the balance sheet.

The Group had trade receivables totalling NOK 739.4 million as at 31 December 2019, up from NOK 630.1 million at the same point in 2018. Other current receivables totalled NOK 330.3 million, compared with NOK 289.4 million at the close of 2018. The SalMar Group had cash holdings of NOK 231.0 million at the close of 2019, compared with NOK 239.6 million at the close of 2018.

As at 31 December 2019, the Group's total equity stood at NOK 9,740.1 million, which corresponds to an equity ratio of 54.2 per cent. At the close of 2018, SalMar's equity totalled NOK 9,139.8 million, an equity ratio of 60.4 per cent. See the separate table showing movements in equity for further details.

As at 31 December 2019, the SalMar Group's interest-bearing debt totalled NOK 3,133.1 million. Non-current liabilities accounted for NOK 2,751.6 million of this amount, while current liabilities accounted for NOK 381.5 million.

Implementation of IFRS 16 Leases has resulted in the recognition of NOK 629.6 million in leasing liabilities at the close of 2019. Of this amount, long-term leasing liabilities account for NOK 488.9 million while short-term leasing liabilities account for NOK 140.7 million. Other current liabilities were reduced by NOK 448.9 million in the quarter to NOK 2,725.7 million. This is largely attributable to a NOK 579.2 million reduction in tax payable during the quarter.

As at 31 December 2019, the SalMar Group's net interest-bearing debt stood at NOK 2,902.1 million, up from NOK 1,527.7 million at the same point in 2018.

## OPERATIONAL PERFORMANCE

In the fourth quarter 2019, SalMar is reporting its operations in four segments: Fish Farming Central Norway, Fish Farming Northern Norway, Arnarlax, and Sales and Processing.

### Fish Farming Central Norway

Fish Farming Central Norway is SalMar's largest business segment. It covers the Group's operations in Møre & Romsdal and Trøndelag, and has 68 wholly owned operating licences.

NOK million	Q4 19	Q4 18	2019	2018
Operating revenue	1,349	1,577	5,670	5,962
Operational EBIT	418	636	2,165	2,533
Operational EBIT%	31.0%	40.3%	38.2%	42.5%
Harvested volume (1 000 tgw)	24.4	28.2	95.3	100.1
EBIT/kg gw (NOK)	17.13	22.53	22.71	25.31

The Fish Farming Central Norway segment harvested a total of 24,400 tonnes of salmon in the fourth quarter 2019, compared with 28,200 tonnes in the fourth quarter 2018. The segment harvested a total of 95,300 tonnes of salmon in 2019 as a whole.

Fish Farming Central Norway generated gross operating revenues of NOK 1,349 million in the fourth quarter 2019, compared with NOK 1,577 million in the corresponding period the year before. The average spot price for salmon (NASDAQ Salmon Index) in the fourth quarter 2019 was NOK 1.4 per kg higher than the year before, so the decrease in operating revenues is largely attributable to a combination of a lower volume harvested, higher production costs and low price achievement. This latter was due to unfavourable harvest distribution.

The segment harvested a large volume early in the period, when salmon prices were at their lowest in the quarter. The segment chose to harvest fish earlier than planned to safeguard fish welfare at a challenging period with respect to sea lice. This premature harvesting had a negative impact on both average weight and costs per kg. EBIT per kg gutted weight came to NOK 17.13 in the fourth quarter 2019, down from NOK 22.53 per kg in the same period last year.

SalMar finished harvesting the spring 2018 generation in the fourth quarter and also harvested from the autumn 18 generation which accounted for under 50 per cent of the volume in the fourth quarter 2019. In the first quarter 2020, it continues to harvest the autumn-2018 generation, and it will also start harvesting the spring-2019 generation which has shown good biological performance.

A lower volume due to seasonality and a stable cost level is expected in the first quarter 2020.

SalMar expects Fish Farming Central Norway to harvest around 103,000 tonnes of salmon in 2020 as a whole.

### Fish Farming Northern Norway

Fish Farming Northern Norway covers the Group's operations in Troms & Finnmark, and has 32 wholly owned operating licences.

NOK million	Q4 19	Q4 18	2019	2018
Operating revenue	746	701	2,789	2,645
Operational EBIT	270	291	931	1,154
Operational EBIT%	36.2%	41.6%	33.4%	43.6%
Harvested volume (1 000 tgw)	13.4	12.2	48.0	42.4
EBIT/kg gw (NOK)	20.21	23.86	19.41	27.24

The Fish Farming Northern Norway segment harvested around 13,400 tonnes of salmon in the fourth quarter 2019. This is an increase of 1,200 tonnes compared with the same period in 2018, and up from 5,400 tonnes in the third quarter 2019. The segment harvested a total of 48,000 tonnes in 2019 as a whole.

Fish Farming Northern Norway generated gross operating revenues of NOK 746 million in the fourth quarter 2019, compared with NOK 701 million in the fourth quarter 2018. The increase in revenues was driven largely by a higher volume of fish harvested.

As expected, the segment's results were significantly stronger than in the previous quarter, due to harvesting from sites with better biological performance and lower costs. EBIT per kg came to NOK 20.21 in the fourth quarter 2019, compared with NOK 1.08 in the third quarter and NOK 23.86 in the fourth quarter 2018.

The spring-2018 generation accounted for the bulk of the volume harvested during the quarter. The harvesting of this generation will be completed in the first quarter 2020. Harvesting of the autumn-2018 generation also began in the fourth quarter 2019, with good biological performance.

A similar volume is expected to be harvested in the first quarter 2020, and costs are expected to remain on a par with the quarter before.

SalMar expects Fish Farming Northern Norway to harvest around 49,000 tonnes of salmon in 2020 as a whole.



## Arnarlax

Arnarlax is Iceland's largest producer of farmed salmon. The company is fully vertically integrated, with its own hatchery, sea farms, harvesting plant and sales force.

NOK million	Q4 19	Q4 18	2019*	2018
Operating revenue	165	114	627	400
Operational EBIT	27	-10	100	-79
Operational EBIT%	16.3%	-8.4%	16.0%	-19.7%
Harvested volume (1 000 t <sub>gw</sub> )	2.6	2.0	9.8	6.7
EBIT/kg gw (NOK)	10.35	-4.82	10.21	-11.82

\*The figures for 2019 apply from February 2019, after Arnarlax was consolidated into SalMar's accounts. The figures for 2018 have not been consolidated.

In the first quarter 2019, SalMar increased its shareholding in Arnarlax to more than 50 per cent. For accounting purposes this had effect from 1 February 2019. As a result, Arnarlax was treated as an associate up to and including January 2019. With effect from 1 February, it has been recognised as a separate segment. Comparable figures for 2018 have not been restated accordingly. The impact of the transaction on the financial statements is presented in Note 5.

Arnarlax harvested 2,600 tonnes of salmon in the fourth quarter 2019, compared with 2,000 tonnes in the fourth quarter 2018. The company generated gross operating revenues of NOK 165 million in the quarter, compared with NOK 114 million in the fourth quarter 2018.

The fish harvested in the fourth quarter derived primarily from the 2017 generation and harvesting also began on the 2018 generation. These fish have demonstrated substantially better biological performance compared with previous years' stocks, which has resulted in lower costs and better price achievement. Combined with better capacity utilisation at the harvesting plant, this resulted in a sharp improvement in profits in 2019 compared with previous years. At the same time, there is still room for improvement throughout the value chain, particularly with respect to distribution costs.

Arnarlax made an Operational EBIT of 27 million, up from 21.9 million in the previous quarter and NOK -10 million in the same quarter in 2018. EBIT per kg gutted weight came to NOK 10.35 in the fourth quarter 2019, compared with NOK -4.82 in the fourth quarter 2018.

Arnarlax finished harvesting the 2017 generation in the fourth quarter 2019 and started harvesting the 2018 generation, with good results. In the first quarter 2020, Arnarlax expects a somewhat higher harvested volume and higher costs than in the previous quarter. This is due to the premature harvesting of the 2018 generation following increased mortality caused by winter wounds and fierce storms in January and February.

The autumn of 2019 has shown very strong growth on the fish at sea, which has resulted in revised harvest plans for the spring 2019 generation. Despite increased mortality at the start of 2020 harvest expectations for 2020 are increased to 12,000 tonnes up from 10,000 tonnes.

## Sales and Processing

The Sales and Processing segment sells all the fish that the Group harvests in Norway. The harvested volume is sold primarily to markets in Europe, Asia and America. InnovaMar is SalMar's main facility for industrial processing. It is located in Frøya, in close proximity to Fish Farming Central Norway's operations.

NOK million	Q4 19	Q4 18	2019	2018
Operating revenue	3,002	3,078	11,699	11,432
Operational EBIT	8	79	124	-13
Operational EBIT%	0.3%	2.6%	1.1%	-0.1%

The Sales and Processing business generated gross operating revenues of NOK 3,002 million in the fourth quarter 2019, down from NOK 3,078 million in the corresponding period the year before.

The segment sells the entire volume harvested by the Group in Norway.

The segment achieved a profit of NOK 8 million in the period, down from NOK 79 million in the fourth quarter 2018. The downturn is attributable partly to lower capacity utilisation at the harvesting plant, due to a lower volume. Profits were also affected by a lower contribution from fixed-price contracts due to sharply rising spot prices through the quarter.

A total of 22,400 tonnes was harvested at InnovaMar during the period, compared with 28,500 tonnes in the previous quarter and 38,700 tonnes in the fourth quarter 2018. The contract rate in the fourth quarter was 20 per cent. For the first quarter 2020, the contract rate stands at 30 per cent, while for 2020 as a whole it stands at 20 per cent.

Construction of InnovaNor, which will be Northern Norway's largest and most modern salmon harvesting- and processing facility, is on schedule. It is expected to go into operation in 2021.

## Eliminations

Research and development (R&D) costs are included as eliminations in the segments' reported results. Of a total harvested volume of 40,300 tonnes in the fourth quarter 2019, R&D costs accounted for NOK 1,16 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 19	Q4 18	2019	2018
Operating revenues	392	512	1,834	2,057
Operational EBIT	49	158	292	661
Operational EBIT%	12.6%	30.8%	15.9%	32.1%
Fair value adj. biomass	109	50	-48	-10
Profit before tax	152	202	229	640
SalMar's share after tax	73	83	107	265
Harvested volume (1 000 t <sub>gw</sub> )	5.3	6.7	25.9	27.5
EBIT/kg gw (NOK)	9.28	23.70	11.29	24.06

Norskott Havbruk generated gross operating revenues of NOK 392.3 million in the fourth quarter 2019, compared with NOK 629.5 million in the previous quarter 2019 and NOK 511.8 million in the fourth quarter 2018. The decrease compared with the same period the year before is largely attributable to a lower volume harvested.

Norskott Havbruk harvested a total of 5,300 tonnes in the quarter, compared with 10,000 tonnes in the third quarter 2019 and 6,700 tonnes in the fourth quarter 2018. SalMar's share of the harvested volume came to 2,700 tonnes. In 2019 as a whole, Norskott Havbruk harvested 25,900 tonnes. This is lower than the expectation of 27,000 tonnes for the year and is attributable to biological challenges in Shetland and Scotland earlier in 2019.

Operational performance during the quarter has been impacted lower harvest volume which has affected the capacity-utilization and mortality costs has affected the results negatively.

The contract rate in the quarter stood at 60 per cent.

EBIT per kg gutted weight came to NOK 9.28 in the fourth quarter 2019. This is an improvement from NOK 2.69 per kg in the previous quarter, but down from NOK 23.70 per kg in the fourth quarter 2018.

Norskott Havbruk expects to harvest 26 000 tonnes in 2020 as a whole.

## MARKETS

### Supply and biomass

In the fourth quarter 2019, the global supply of Atlantic salmon totalled some 709,500 tonnes, up 3 per cent on the same period in 2018.

In Norway, output totalled 372,600 tonnes, 4 per cent higher in the fourth quarter 2019 than in the same period the year before. In Chile, 180,800 tonnes were harvested in the fourth quarter 2019, down 3 per cent on the corresponding period in 2018. In the UK, output totalled 45,900 tonnes, up 2 per cent on the fourth quarter 2018. In

the Faeroes, 26,200 tonnes were harvested, up 10 per cent on the same period in 2018.

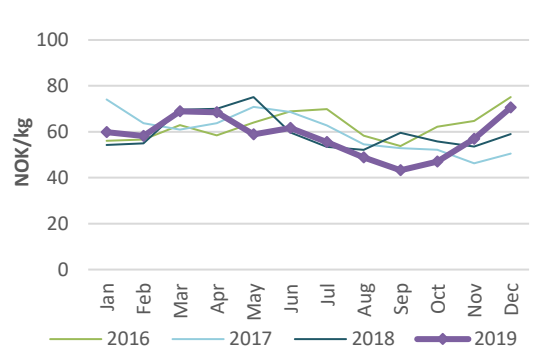
According to data from Kontali, the standing biomass in Norway at the close of the fourth quarter 2019 was estimated to be practically the same as at the close of 2018, while it was estimated to have risen by 8.3 per cent in Chile, 9.3 per cent in the Faeroes and 5.1 per cent in the UK.

### Prices and exchange rates

The price of Atlantic salmon rose through large parts of the fourth quarter, from a level of NOK 40.50 kroner per kg (NASDAQ Salmon Index) at the start of the quarter to NOK 77.82 kroner per kg at its close.

During the period, the salmon price averaged NOK 57.31 per kg, up from NOK 55.89 per kg in the fourth quarter 2018.

#### Salmon price NASDAQ Salmon Index NOK/kg



The rate of exchange between the Norwegian currency (NOK) and the most important trading currencies for salmon did not change uniformly through the period. Compared with the third quarter 2019, the NOK strengthened against the USD by 3 per cent, weakened against the GBP by 4 per cent and remained unchanged against the EUR.

### Norwegian exports

Norway exported around 361,000 tonnes of salmon (round weight) in the fourth quarter 2019, up 6 per cent from 340,000 tonnes in the same quarter in 2018. The value of Norway's exports totalled NOK 20.1 billion, up 9 per cent on the 2018 level, when exports were worth NOK 18.5 billion.

A substantial secondary processing industry makes Poland the largest single market for Norwegian salmon. In the fourth quarter 2019, around 50,900 tonnes were exported to this market, some 200 tonnes less than in the same quarter the year before. Denmark and Spain increased their purchases of Norwegian salmon in the period, by 8 per cent and 9 per cent respectively. The, exports to France, the second largest single market, decreased by 1,300 tonnes to 35,500 tonnes. Vietnam/China/Hong Kong and USA has shown a good increase with 39 per cent and 10 per cent respectively.





## OTHER MATTERS

### Offshore strategy

The establishment of salmon farming in the open ocean is an important part of SalMar's strategy for sustainable growth. To strengthen and concentrate its activities in the field of offshore aquaculture, SalMar has created the subsidiary SalMar Ocean AS, under the leadership of the Group's former CEO Olav-Andreas Ervik. SalMar's ambition is to retain its leading position in this field, with respect to both technological development and biological production, and thereby contribute to the environmentally sustainable development of Norwegian aquaculture.

SalMar transferred a new cohort of smolt to the Ocean Farm 1 facility in August 2019. This is the facility's second production cycle, and so far the biological performance has been very good, with strong growth and low lice numbers. These fish are expected to become harvestable in the autumn of 2020.

At the same time, development of the deepwater Smart Fish Farm continues apace. The facility is even more technologically advanced than the Ocean Farm 1 concept, and has been specially designed to withstand substantially more exposed locations. Smart Fish Farm has twice the capacity of Ocean Farm and the company has, in this connection, been granted 8 development licences of 780 tonnes MAB each.

### InnovaNor

Construction of InnovaNor, SalMar's new harvesting and processing facility in Northern Norway, is on schedule. This investment is an important step for SalMar – both strategically and industrially – since it will strengthen the company's position in Northern Norway and pave the way for increased value creation and employment in the region.

InnovaNor will be one of the world's largest and most advanced harvesting- and processing plants. The facility will give SalMar much greater flexibility and secondary processing capacity and will complete the value chain in an important region.

SalMar expects the facility to go into operation in 2021.

### Expansion of smolt production capacity

Access to high quality smolt of an optimal size is crucial to secure good performance throughout the salmon production process.

The SalMar Group currently has projects underway to expand capacity at several of its facilities. Expansion of the Follafooss facility was, as previously announced, completed at the start of the year. This gives SalMar greater smolt capacity in Central Norway. The first roe are currently on their way through the facility, with the first smolt expected to be delivered in the autumn of 2020.

In October 2019, it was decided to expand the Senja smolt facility, which will create a major competence centre for RAS technology and smolt production in the region. The project has an investment budget of NOK 850 million, and construction is expected to get underway in the second quarter of 2020. The first smolt are expected to be delivered in 2022.

The company is also considering the construction of a new facility in Tjuin, Trøndelag. In the fourth quarter 2019, SalMar purchased a plot of land in the area. Proximity to the company's existing facility at Follafooss will enable it to create a powerful competence centre in this region as well.

### Resource rent tax

In September 2018, the Norwegian government appointed a commission to assess how the aquaculture sector should be taxed to ensure that society receives a share of the any resource rent. The commission published its recommendation (NOU 2019:18) in November 2019. The commission's majority proposed the introduction of an resource rent tax (*grunnrenteskatt*) at the rate of 40 per cent of the fish farmer's profits, in addition to corporation tax at the rate of 22 per cent. The deadline for comments on the commission's proposals expired on 4 February 2020.

SalMar is an industrial producer that creates jobs and employment along the Norwegian coast. The company generates considerable value and invests heavily in technology to safeguard sustainable growth in one of Norway's most important business sectors. SalMar is keen for the sector to enjoy stable, acceptable and foreseeable framework conditions, in the same way as all other Norwegian business sectors.

### Allegations of price fixing

In November 2019, SalMar announced that the company had been notified by the US Department of Justice's Antitrust Division that it was launching an investigation into allegations of price fixing between Norwegian producers of farmed Atlantic salmon.

SalMar has previously disclosed that the European Commission have started investigation and that there are class action complaints in USA and Canada, with respect to similar matters.

SalMar is one of several Norwegian aquaculture companies implicated in these proceedings. However, SalMar considers that there are no grounds for the EU's inquiries and that the class-action suits and proposed investigation in the USA lack merit and are entirely unsubstantiated. SalMar will cooperate fully with relevant authorities and will supply any relevant information requested.

## SHARES AND SHAREHOLDERS

At the close of 2019, SalMar had a total of 113,299,299 shares outstanding, divided between 6,237 shareholders.

The company's major shareholder, Kverva Industrier AS, owns 52.46 per cent of the shares. The 20 largest shareholders own a total of 74.37 per cent of the shares. SalMar ASA is now the 26th largest shareholder with 377,141 shares, corresponding to 0.33 per cent of the total number of shares outstanding as at 31 December 2019.

SalMar's share price fluctuated between NOK 391.20 and NOK 460.90 in the fourth quarter 2019. The final price at the close of the quarter was NOK 449.30, compared with NOK 399.00 at the close of the third quarter. This corresponds to an increase of 13 per cent during the period.



In all, 15.3 million shares were traded during the quarter. This is just over 13 per cent of the total number of shares outstanding. Approx. 246,700 shares on average were traded daily.

## EVENTS AFTER THE BALANCE SHEET DATE

### Traffic-light system

Norway introduced a traffic-light system for aquaculture production in 2017. The Norwegian government launched the new scheme to regulate the aquaculture sector's growth and safeguard environmental sustainability and foreseeability.

It is called a "traffic-light system" because the country is divided into 13 production regions, which are assessed and accorded a green, yellow or red designation. Expansion is permitted in green regions, producers in yellow regions must wait, while production must be halted or reduced in red regions. Conditions are assessed every two years, with any permitted increase in a region's capacity capped at 6 per cent. Growth is divided between new production licences and capacity increases under existing licences.

On 4 February 2020, the Norwegian Ministry of Trade, Industry and Fisheries announced that it had decided on the colour designation for the country's 13 different salmon-producing regions. A green light went to 9 regions, a yellow light to 2, while 2 regions were given a red light. Of the 6 per cent permitted growth in capacity in green-lit regions, 1 per cent will be allocated at a fixed price of NOK 156 000 per tonne, while the remaining 5 per cent will be sold at auction, which is expected to take place before the summer of 2020.

SalMar has existing production licences in the green regions PO6-7 and PO11-13, in the yellow region PO10, and in the red region PO5. The company is prepared to take part in the capacity allocation as long as this takes place at commercially acceptable terms.

### Change in the board's composition

On 7 February 2020, SalMar announced that Trine Danielsen had notified the Nomination Committee's chair that she was relinquishing her seat on SalMar ASA's board of directors. Ms Danielsen is stepping down because she has been appointed State Secretary at the Norwegian Ministry of Trade, Industry and Fisheries.

Ms Danielsen has relinquished her seat on SalMar's board of directors with immediate effect, and her replacement will be elected at the company's forthcoming AGM in June 2020.

## OUTLOOK

### Markets

The global supply of Atlantic salmon is expected to hold steady, with an expected growth of 1 per cent in the first quarter 2020, according to estimates from Kontali.

In the first quarter 2020, output from Norway is expected to fall by 2 per cent, while output from Chile is expected to grow by 6 per cent. Output is expected to decrease by 2 per cent in the UK, and by 21 per cent in the Faeroes. Output in North America is expected to increase by 11 per cent.

Overall, the supply of Atlantic salmon is forecast to grow by 4 per cent from 2019 to 2020, which corresponds to an increase of approx. 100,000 tonnes. Around 37 per cent of this growth is expected to come from Norway.

SalMar is monitoring the outbreak of the Corona virus as a potential market reduction in one area, may have impact in other markets.

The prospect of continued strong demand combined with moderate growth in supply is expected to result in good market prices for Norwegian salmon going forward. This is supported by Fish Pool forward prices indicating, as at 24 February 2020, an average salmon price for February and March of NOK 68.25 and NOK 70.50 per kg, respectively. The price estimate for the first half of 2020 is NOK 68.97 per kg, while for 2020 as a whole it is NOK 63.68 per kg.

### Company

SalMar has fixed-price contracts covering around 30 per cent of its volume in the first quarter 2020, and around 20 per cent for 2020 as a whole. The prices are slightly higher than in 2019.

SalMar expects stable costs in the first quarter and a lower volume. Lower volume and stable costs in Central Norway, stable volume and costs in Northern-Norway and higher volume and higher costs in Iceland.

SalMar is still forecasting a harvested volume of 152,000 tonnes in Norway and increases 12,000 tonnes in Iceland in 2020. The company expects to harvest around 45 per cent of this in the first six months of the year.

SalMar remains committed to its overall goal of being the lowest-cost producer in the industry. However, it is switching its focus from results to performance – aiming to be outstanding at all stages and in all aspects of production.

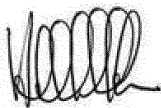
In part through the creation of SalMar Ocean AS, SalMar has strengthened its focus on offshore fish farming in 2019. Aquaculture in the open ocean affords great opportunities to farm fish on nature's terms, with minimal impact on the environment. The board believes that SalMar is well placed to continue developing within both offshore and traditional inshore aquaculture.

SalMar is continuing its ongoing programme of investments to maintain and upgrade its existing infrastructure. Investments in this area are expected to total around NOK 283 million in 2020. Overall, SalMar plans to invest a total of NOK 1,421 million in its Norwegian operations in 2020 to build a strong platform for further growth. The construction of the InnovaNor and Senja 2 facilities are the largest individual investments included in this figure.

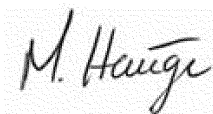
2019 was yet another successful and profitable year for SalMar. The board considers the company's financial position to be sound and is recommending a dividend of NOK 21 per share. In the board's view, SalMar's financial capacity for further growth is strong.

The Board of Directors and CEO of SalMar ASA  
Frøya, 25 February 2020

Atle Eide  
Chair



Margrethe Hauge  
Director



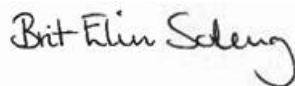
Gustav Witzøe  
CEO



Helge Moen  
Director



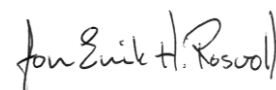
Brit Elin Soleng  
Director (employee-elected)



Kjell A. Storeide  
Director



Jon Erik Rosvoll  
Director (employee-elected)



## INCOME STATEMENT

<i>NOK million</i>	Q4 2019	Q4 2018	FY 2019	FY 2018
<b>Operating income</b>	<b>3,186.7</b>	<b>3,101.1</b>	<b>12,237.6</b>	<b>11,342.6</b>
Cost of goods sold	1,670.2	1,257.0	5,770.0	4,585.5
Payroll expenses	325.5	279.1	1,202.5	1,040.4
Other operating expenses	327.2	507.8	1,479.0	1,768.0
EBITDA	863.9	1,057.2	3,786.0	3,948.6
Depreciations and write-downs	205.7	122.3	718.4	487.8
<b>Operational EBIT</b>	<b>658.1</b>	<b>934.9</b>	<b>3,067.6</b>	<b>3,460.8</b>
Fair value adjustment	218.4	413.7	-33.0	845.8
<b>Operational profit</b>	<b>876.5</b>	<b>1,348.6</b>	<b>3,034.6</b>	<b>4,306.6</b>
Income from investments in associates	77.8	82.3	118.7	252.9
Net interest costs	-42.9	-27.7	-157.7	-105.1
Other financial items	-20.0	-36.8	162.8	-1.9
<b>Profit before tax</b>	<b>891.4</b>	<b>1,366.3</b>	<b>3,158.4</b>	<b>4,452.6</b>
Tax	168.2	207.7	613.9	873.3
<b>Net profit for the period</b>	<b>723.2</b>	<b>1,158.7</b>	<b>2,544.5</b>	<b>3,579.2</b>
<i>Items to be reclassified to profit and loss in subsequent periods:</i>				
Change in translation diff. associates	19.7	41.6	12.6	-5.6
Change in translation diff. associates - reclassified to result	-	8.5	-4.4	4.9
Change in translation diff. subsidiaries	-5.1	-	31.7	-
<b>Total comprehensive income</b>	<b>737.8</b>	<b>1,208.8</b>	<b>2,584.4</b>	<b>3,578.5</b>
<i>Allocation of the periods net profit:</i>				
Non-controlling interests	54.3	-8.8	56.5	10.8
Shareholders in SalMar ASA	668.9	1,167.5	2,488.0	3,568.4
Earnings per share (NOK)	5.93	10.36	22.06	31.70
Earnings per share - diluted	5.92	10.34	22.03	31.60



## BALANCE SHEET – GROUP

<i>NOK million</i>	31.12.2019	30.09.2019	31.12.2018	30.09.2018
<b>ASSETS</b>				
Intangible fixed assets	4,741.9	4,581.5	3,404.0	3,388.9
Tangible fixed assets	4,369.9	4,151.5	3,591.5	3,590.7
Right-of-use assets	569.7	570.2		
Financial fixed assets	814.2	755.1	1,215.5	1,085.9
<b>Total fixed assets</b>	<b>10,495.8</b>	<b>10,058.3</b>	<b>8,210.9</b>	<b>8,065.5</b>
Inventory	6,189.5	6,117.0	5,765.5	5,027.3
Accounts receivables	739.4	665.9	630.1	528.5
Other short-term receivables	330.3	328.6	289.4	203.7
Cash and cash equivalents	231.0	197.8	239.6	489.4
<b>Total current assets</b>	<b>7,490.3</b>	<b>7,309.3</b>	<b>6,924.6</b>	<b>6,249.0</b>
<b>TOTAL ASSETS</b>	<b>17,986.1</b>	<b>17,367.6</b>	<b>15,135.6</b>	<b>14,314.4</b>
<b>EQUITY AND LIABILITIES</b>				
Paid-in equity	643.3	634.9	597.4	589.1
Reserves	8,364.5	7,687.3	8,450.7	7,230.1
Minority interests	732.4	678.4	91.7	100.5
<b>Total equity</b>	<b>9,740.1</b>	<b>9,000.6</b>	<b>9,139.8</b>	<b>7,919.7</b>
Provisions for liabilities	1,757.6	1,644.9	1,533.3	1,460.1
Int. bearing long-term liabilities	2,751.6	2,394.6	1,019.1	1,081.6
Long-term leasing liabilities	488.9	499.2		
<b>Total long-term liabilities</b>	<b>4,998.0</b>	<b>4,538.7</b>	<b>2,552.4</b>	<b>2,541.7</b>
Int. bearing short-term liabilities	381.5	530.4	748.2	734.9
Short-term leasing liabilities	140.7	123.3		
Other short-term liabilities	2,725.7	3,174.6	2,695.1	3,118.1
<b>Total short-term liabilities</b>	<b>3,248.0</b>	<b>3,828.3</b>	<b>3,443.3</b>	<b>3,853.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>17,986.1</b>	<b>17,367.6</b>	<b>15,135.6</b>	<b>14,314.4</b>
<b>Net interest bearing debt</b>	<b>2,902.1</b>	<b>2,727.2</b>	<b>1,527.7</b>	<b>1,327.1</b>
<b>Equity share</b>	<b>54.2 %</b>	<b>51.8 %</b>	<b>60.4 %</b>	<b>55.3 %</b>





## CASH FLOW

NOK million	Q4 2019	Q4 2018	FY 2019	FY 2018
Profit before tax	891.4	1,366.3	3,158.4	4,452.6
Tax paid in period	-668.1	-658.7	-690.7	-672.8
Depreciation	205.7	122.3	718.4	487.8
Share of profit/loss from associates	-77.8	-82.3	-118.7	-252.9
Realized gains on exit associate	-	-	-225.9	-
Change in fair value adjustments	-218.4	-413.7	33.0	-845.8
Change in working capital	97.4	-403.6	-50.4	-500.5
Other changes	53.0	32.5	205.3	113.4
<b>Net cash flow from operating activities</b>	<b>283.2</b>	<b>-37.1</b>	<b>3,029.5</b>	<b>2,781.6</b>
<b>Net cash flow from investing activities</b>	<b>-354.5</b>	<b>-144.2</b>	<b>-1,317.4</b>	<b>-833.8</b>
Change in interest-bearing debt	151.7	-49.2	1,173.4	367.1
Dividend paid out	-	-	-2,617.2	-2,147.2
Interest paid	-42.9	-27.7	-157.7	-105.1
Aquisition of non-controlling interests	-7.0	-	-118.9	-5.0
<b>Net cash flow from financing activities</b>	<b>101.9</b>	<b>-76.9</b>	<b>-1,720.3</b>	<b>-1,890.2</b>
<b>Net change in cash for the period</b>	<b>30.5</b>	<b>-258.3</b>	<b>-8.2</b>	<b>57.7</b>
Foreign exchange effects	2.7	8.5	-0.4	4.8
Cash in the beginning of the period	197.8	489.4	239.6	177.1
<b>Cash at the end of the period</b>	<b>231.0</b>	<b>239.6</b>	<b>231.0</b>	<b>239.6</b>

## CHANGES IN EQUITY

2019	Share capital	Treasury shares	Share premium	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
<b>Equity as at 01.01.19</b>	<b>28.3</b>	<b>-0.1</b>	<b>415.3</b>	<b>153.9</b>	<b>46.9</b>	<b>8,403.9</b>	<b>91.7</b>	<b>9,139.8</b>
Net profit for the year						2,488.0	56.5	2,544.5
Comprehensive income					26.4		13.5	39.9
Total comprehensive income for the year	0.0	0.0	0.0	0.0	26.4	2,488.0	70.0	2,584.4
<i>Transactions with shareholders</i>								
Dividend						-2,593.0	-24.2	-2,617.2
Additions non-controlling interests						0.5	705.2	705.7
Exit of non-controlling interests						-8.5	-110.4	-118.9
Options granted				47.6				47.6
Deferred tax options				-1.8		0.0		-1.8
Redeemed options treasury shares		0.0				0.0		0.0
Other changes						0.3		0.3
Sum transactions with shareholders	0.0	0.0	0.0	45.8	0.0	-2,600.7	570.7	-1,984.1
<b>Equity as at 31.12.19</b>	<b>28.3</b>	<b>-0.1</b>	<b>415.3</b>	<b>199.7</b>	<b>73.3</b>	<b>8,291.2</b>	<b>732.4</b>	<b>9,740.1</b>

2018	Share capital	Treasury shares	Share premium	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
<b>Equity as at 01.01.18</b>	<b>28.3</b>	<b>-0.2</b>	<b>415.3</b>	<b>114.2</b>	<b>47.6</b>	<b>6,974.9</b>	<b>88.1</b>	<b>7,668.1</b>
Net profit for the year						3,568.4	10.8	3,579.2
Comprehensive income					-0.7			-0.7
Total comprehensive income for the year	0.0	0.0	0.0	0.0	-0.7	3,568.4	10.8	3,578.5
<i>Transactions with shareholders</i>								
Dividend paid						-2,138.4	-8.8	-2,147.2
Options granted				39.7				39.7
Deferred tax options						3.2		3.2
Redeemed options treasury shares		0.0				0.0		0.0
Other changes						-4.1	1.7	-2.5
Sum transactions with shareholders	0.0	0.0	0.0	39.7	0.0	-2,139.4	-7.2	-2,106.8
<b>Equity as at 31.12.18</b>	<b>28.3</b>	<b>-0.1</b>	<b>415.3</b>	<b>153.9</b>	<b>46.9</b>	<b>8,403.9</b>	<b>91.7</b>	<b>9,139.8</b>



## SEGMENT INFORMATION

<i>NOK million</i>	Farming Central Norway	Farming Northern Norway	Sales and Processing	Arnarlax (Iceland)	Eliminations	Group
<b>Q4 2019</b>						
Operating income (NOK mill.)	1,349.0	746.4	3,002.0	164.6	-2,075.3	3,186.7
Operational EBIT (NOK mill.)	417.6	270.4	7.5	26.8	-64.1	658.1
Operational EBIT %	31.0 %	36.2 %	0.3 %	16.3 %		20.7 %
Harvested volume (1,000 t <sub>gw</sub> )	24.4	13.4		2.6		40.3
EBIT/ kg gw (NOK)	17.13	20.21		10.35		16.31
<b>Q4 2018</b>						
Operating income (NOK mill.)	1,577.4	700.5	3,077.9		-2,254.8	3,101.1
Operational EBIT (NOK mill.)	636.5	291.3	79.4		-72.2	934.9
Operational EBIT %	40.3 %	41.6 %	2.6 %			30.1 %
Harvested volume (1,000 t <sub>gw</sub> )	28.2	12.2				40.5
EBIT/ kg gw (NOK)	22.53	23.86				23.11
<b>FY 2019</b>						
Operating income (NOK mill.)	5,670.4	2,788.7	11,698.6	627.1	-8,547.2	12,237.6
Operational EBIT (NOK mill.)	2,164.6	931.4	124.4	100.1	-252.9	3,067.6
Operational EBIT %	38.2 %	33.4 %	1.1 %	16.0 %		25.1 %
Harvested volume (1,000 t <sub>gw</sub> )	95.3	48.0		9.8		153.1
EBIT/ kg gw (NOK)	22.71	19.41		10.21		20.04
<b>FY 2018</b>						
Operating income (mill.)	5,962.0	2,645.0	11,432.0		-8,696.5	11,342.6
Operational EBIT (mill.)	2,533.3	1,153.9	-12.8		-213.6	3,460.8
Operational EBIT %	42.5 %	43.6 %	-0.1 %			30.5 %
Harvested volume (1,000 t <sub>gw</sub> )	100.1	42.4				142.5
EBIT/ kg gw (NOK)	25.31	27.24				24.29

## KEY FIGURES – GROUP

	Q4 2019	Q4 2018	FY 2019	FY 2018
Number of shares (diluted) - end of period (mill.)	113.031	112.946	112.922	112.935
Earnings per share (NOK)	5.93	10.36	22.06	31.70
Earnings per share - diluted (NOK)	5.92	10.34	22.03	31.60
EBITDA %	27.1 %	34.1 %	30.9 %	34.8 %
Operational EBIT %	20.7 %	30.1 %	25.1 %	30.5 %
EBIT %	27.5 %	43.5 %	24.8 %	38.0 %
Profit before tax %	28.0 %	44.1 %	25.8 %	39.3 %
Cash flow per share - diluted (NOK)	2.5	-0.3	26.8	24.6
Net interest bearing debt (mill.)	2,902.1	1,527.7	2,902.1	1,527.7
Equity ratio %	54.2 %	60.4 %	54.2 %	60.4 %

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. With effect from 1 January 2019, the Group has implemented IFRS 16 Leases (see Note 9 for further details). Apart from this, no accounting principles have been altered or other standards implemented during the period. 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.

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

Shareholder	Shares	%
KVERVA INDUSTRIER AS	59,436,137	52.46 %
FOLKETRYGDFONDET	6,555,764	5.79 %
State Street Bank and Trust Comp	2,336,703	2.06 %
State Street Bank and Trust Comp	1,967,732	1.74 %
LIN AS	1,274,620	1.12 %
CLEARSTREAM BANKING S.A.	1,245,941	1.10 %
VERDIPAPIRFONDET DNB NORGE	1,238,495	1.09 %
State Street Bank and Trust Comp	1,074,633	0.95 %
JPMorgan Chase Bank, N.A., London	958,175	0.85 %
AB SIC I LOW VOL EQU PORTF	893,366	0.79 %
JPMorgan Chase Bank, N.A., London	864,254	0.76 %
BNP PARIBAS SECURITIES SERVICES	852,477	0.75 %
JPMorgan Chase Bank, N.A., London	837,631	0.74 %
Euroclear Bank S.A./N.V.	787,793	0.70 %
State Street Bank and Trust Comp	740,945	0.65 %
Pictet & Cie (Europe) S.A.	729,497	0.64 %
JPMorgan Chase Bank, N.A., London	691,578	0.61 %
SIX SIS AG	660,490	0.58 %
HANDELSBANKEN NORDEN	556,900	0.49 %
State Street Bank and Trust Comp	556,112	0.49 %
<b>Top 20</b>	<b>84,259,243</b>	<b>74.37 %</b>
Others	29,040,756	25.63 %
<b>Total</b>	<b>113,299,999</b>	<b>100.00 %</b>

As at 31 December 2019 SalMar ASA owns 377,141 treasury shares.

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

<b>Book value of inventory</b>	<b>31.12.2019</b>	<b>30.09.2019</b>	<b>31.12.2018</b>
Raw materials	160.7	173.2	135.5
Biological assets	5,720.8	5,579.1	5,305.6
Finished goods	308.0	364.7	324.3
<b>Total</b>	<b>6,189.5</b>	<b>6,117.0</b>	<b>5,765.5</b>

<b>Fair value adjustment of biological assets</b>	<b>31.12.2019</b>	<b>30.09.2019</b>	<b>31.12.2018</b>
Historic cost	3,766.8	3,647.3	3,269.9
Fair value adjustment of the biomass	1,954.0	1,931.8	2,035.7
<b>Book value</b>	<b>5,720.8</b>	<b>5,579.1</b>	<b>5,305.6</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 company's stocks of live fish are recognised at fair value in accordance with IAS 41. Present value is calculated on the basis of estimated revenues less production costs remaining until the fish at the individual sites are harvestable. A fish is harvestable when it has reached the estimated weight required for harvesting specified in the company's budgets and plans. The estimated value is discounted to present value on the balance sheet date.

Estimated future revenues are calculated on the basis of Fish Pool forward prices on the balance sheet date. A quarterly price average is calculated, since the fish are harvested over several periods. Forward prices are adjusted for export supplements, shipping, sales and harvesting costs. An adjustment is also made for expected variations in fish quality.

The Group applies a monthly discount rate of 7 per cent for operations in Norway and 5 per cent for the operation in Iceland. The discount rate reflects the biomass's capital cost, risk and a synthetic licencing fee and site rental cost. The discount rates in the two regions are not the same because of the difference in the areas' natural preconditions for biological production, which therefore requires differentiation in the recognised synthetic licence fee and site rental cost.

Smolt are recognised 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>Q4 2019</b>	<b>Q4 2018</b>	<b>FY 2019</b>	<b>FY 2018</b>
Change in fair value of the biomass	112.1	478.2	-151.6	934.8
Change in provisions for onerous contracts	-6.0	53.1	-1.5	30.0
Unrealised change in value of Fish Pool contracts	13.4	2.3	-0.3	-31.4
Unrealised changes in the value of currency and forward currency contracts	99.0	-119.9	120.4	-87.6
<b>Fair value adjustments recognised in profit and loss</b>	<b>218.4</b>	<b>413.7</b>	<b>-33.0</b>	<b>845.8</b>





## Note 5 - Business combinations

### Business acquisitions in 2019

On 14 February 2019, the Group agreed the acquisition of 3,268,670 shares in Arnarlax AS. This corresponds to 12.28 per cent of the company's shares. Before this transaction, SalMar owned 41.95 per cent of the shares in Arnarlax and had a significant influence over the company, which was classified as an associate. Once a controlling influence was obtained the entire investment in Arnarlax's shares was deemed to have been realised and a new cost price established. The fair value of the investment at the time a controlling influence was obtained was NOK 614.0 million, and a gain of NOK 225.9 million has been recognised during the period. NOK 4.4 million of this amount comprised translation differences, which have been reclassified to profit and loss in the period. The gain is classified as financial income in the income statement, see Note 8.

Following the transaction, SalMar owns 54.23 per cent of the shares in the company. For accounting purposes, the transaction will be treated as a business transfer with effect from 1 February 2019. The company's functional currency is the EUR.

Arnarlax AS owns 100 per cent of the shares in Arnarlax Hf. Located in the Westfjords of Iceland, Arnarlax Hf is the country's largest salmon farmer. It was established in 2009 and harvested its first fish in 2016. The company is a fully integrated salmon farming enterprise, with its own smolt production facilities, sea farms, wellboat, harvesting plant and sales force. Strategically, the transaction represents a natural step forward for SalMar, which aims to further develop Arnarlax and salmon farming in Iceland in the time ahead. SalMar paid NOK 179,777,000 for the shares, which corresponds to NOK 55 per share. The allocation of this consideration was amended during the period and must now be deemed final.

	No. shares	Shareholding	Shares' cost price at group formation
Fair value of shares in Arnarlax before controlling interest obtained	11,163,611	41.95 %	614.0
Cash consideration paid for shares in transaction completed 14 Feb 2019	3,268,670	12.28 %	179.8
Fair value of Group's shares in Arnarlax when controlling interest obtained	14,432,281	54.23 %	793.8

Effect of acquisition on the consolidated balance sheet:	Book value	Adjustment to fair value	Fair value
Licences	221.5	1,046.2	1,267.7
Property, plant & equipment	332.0	-20.1	311.8
Right-of-use assets	31.7	-	31.7
Other non-current assets	20.5	-	20.5
Biological assets	525.3	-88.9	436.4
Other current assets	64.4	-0.6	63.8
Cash & cash equivalents	4.6	-	4.6
Deferred tax assets/liabilities	22.5	-215.4	-192.9
Other non-current liabilities	-301.6	-	-301.6
Leasing liabilities	-31.7	-	-31.7
Current liabilities	-146.5	-	-146.5
<b>Net identifiable assets and liabilities</b>	<b>742.6</b>	<b>721.1</b>	<b>1,463.8</b>
Fair value of shares before controlling interest obtained			-614.0
Non-controlling interests			-670.0
<b>Cash consideration</b>			<b>179.8</b>

#### Subsequent change in non-controlling interests

In accordance with a shareholders' agreement, the acquisition triggered a compulsory bid for the shares of all outstanding non-controlling interests in Arnarlax AS. Shareholders were offered a price of NOK 55.78 per share. The offer period expired on 10 April 2019, at which point SalMar acquired a further 2,006,630 shares in the company, corresponding to 7.54 per cent. Following this transaction, SalMar owns 61.77 per cent of the shares in Arnarlax AS. Non-controlling interests are thereby reduced and the consideration, amounting to NOK 111,935,000, has been recognised in equity.

During Q3 2019, SalMar sold 2.41 per cent of the shares in Arnarlax AS for NOK 55.78 per share. The transaction has resulted in an increase in non-controlling interests, and a total consideration of NOK 35,742,000 has been recognised in equity. The consideration is to be settled in the form of a seller's credit to the buyer of the shares. Following the transaction, the Group owns 59.36 per cent of the company's shares.

### Business acquisitions in 2018

On 11 April 2018, the Group agreed the acquisition of 51 per cent of the shares in Mariculture AS. For accounting purposes, the transaction is being treated as a business transfer. The shares were purchased to secure access to technology developed by Mariculture AS, which operates in the aquaculture sector and has applied for development licences for its "Smart Fishfarm" concept. This is a deepwater installation that will make it possible to establish fish farming operations offshore in the open ocean. The consideration paid for the shareholding has been allocated as follows.

The acquisition's effect on the balance sheet:	Book value	Fair value adjustments	Fair value
Intangible fixed assets	-	7.2	7.2
Liquidity	0.0	-	0.0
Deferred tax	-	-1.2	-1.2
Liabilities	-2.1	-	-2.1
<b>Net identifiable assets and liabilities</b>	<b>-2.1</b>	<b>6.0</b>	<b>3.9</b>
Non-controlling interests			1.9
<b>Cash Consideration</b>			<b>2.0</b>

## Note 6 - Changes in non-controlling interests

In 2018, SalMar increased its shareholding in Ocean Farming AS by 2.9 per cent from 93.4 per cent to 96.3 per cent for a cash consideration of NOK 5.0 million. For accounting purposes, the effect was recognised in the Group's equity, with payment to non-controlling interests in the Group.

In December 2019, SalMar ASA acquired the remaining 3.7 per cent from non-controlling interests in Ocean Farming AS. The consideration paid for this shareholding came to NOK 7.0 million. For accounting purposes, the effect is recognised in group equity.

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

	<i>Norskott Havbruk</i>	<i>Arnarlax</i>	<i>Others</i>	<i>TOTAL</i>
<b>Opening balance 01.01.2019</b>	<b>761.0</b>	<b>401.8</b>	<b>25.2</b>	<b>1,188.0</b>
Additions costs	-	-	24.0	24.0
Additions through acquisitions	-	-	20.5	20.5
Share of year's profit/loss	106.5	0.6	11.5	118.7
Other items in comprehensive income	21.9	-10.0	0.8	12.6
Dividend received	-252.9	-	-1.9	-254.8
Exit	-	-392.5	-	-392.5
Other changes	-	-	0.7	0.7
<b>Closing balance 31.12.2019</b>	<b>636.5</b>	<b>0.0</b>	<b>80.8</b>	<b>717.2</b>

**2019**

In January 2019, the Group agreed the acquisition of 45.3 per cent of the shares in Yu Fish Ltd, by which it obtained a significant influence over the company. Yu Fish Ltd is located in Singapore and engages in the sale of seafood products.

SalMar paid a consideration of NOK 24.0 million for the shares, at which time the company's equity totalled NOK 46.4 million. The investment is classified as an associate and is recognised in accordance with the equity method. The investment is included in the item "Others" in the presentation above.

Up until 1 February 2019, SalMar had a significant influence over Arnarlax, which was recognised as an associate in accordance with the equity method. During the period, SalMar increased its shareholding in the company from 41.95 per cent to 54.23 and further 61.77 per cent in April, which gave it a controlling influence. On the date SalMar obtained a controlling influence, its shareholding in the associate was deemed to have been realised. See Note 5 for further details of this transaction.

Through its acquisition of Arnarlax, SalMar acquired 50 per cent of Eldisstøðin Isthor Hf. The company was valued at NOK 20.5 million at the time of its acquisition. The Group has thereby obtained a significant influence over the company and the investment is recognised as an associate in accordance with the equity method. The investment is included under "Other" in the table above.

**Note 8 - Interest and other financial items**

	<b>Q4 2019</b>	<b>Q4 2018</b>	<b>FY 2019</b>	<b>FY 2018</b>
Net interest expenses, ex. interest on leasing liabilities	-28.9	-17.3	-105.0	-63.4
Interest expenses relating to leasing liabilities*	-13.9	-10.4	-52.7	-41.7
Gain on sale of shares TS share realised	-	-	225.9	-
Other net financial items	-20.0	-36.8	-63.0	-1.9
<b>Net interest and other financial items</b>	<b>-62.9</b>	<b>-64.6</b>	<b>5.1</b>	<b>-107.0</b>

\* Interest relating to leasing liabilities which, with effect from 1 Jan 2019, are recognised in accordance with IFRS 16. The comparable figures for 2018 contain interest relating to leasing liabilities that were previously capitalised in accordance with IAS 17.

**Note 9 - IFRS 16 Leases**

With effect from 1 January 2019, the Group has implemented IFRS 16 Leases. IFRS 16 sets out principles for the recognition, measurement, presentation and disclosure of leasing agreements. The standard requires that discounted right-to-use leasing agreements be recognised as assets in the balance sheet along with associated payment liabilities. The new standard requires the lessee to recognise assets and liabilities for the majority of leasing agreements, apart from leasing agreements considered immaterial or those with a leasing period of less than 12 months. Previously, only financial leasing agreements were capitalised.

SalMar has elected to make use of the modified retrospective method and opportunity for simplification, in which the value of the right-to-use asset is set as equal to the estimated leasing liability on the date of implementation. Comparable figures have not been restated. Leasing agreements which have previously been recognised in accordance with IAS 17 have been reclassified in the balance sheet as right-to-use assets with effect from 1 January 2019. Under IFRS 16, the expensed leasing amount is replaced by a depreciation in the value of the right-to-use asset and amortisation of interest expenses relating to the leasing liability.

Payments relating to leasing liabilities were previously recorded as deductions in cash flow from operating activities. Under IFRS 16, these payments will, from 1 January 2019, be included in cash flow from financing activities.

Leasing liabilities recognised in accordance with IAS 17 have previously been included in the Group's calculation of net interest-bearing debt. Since its implementation of IFRS 16 with effect from 1 January 2019, leasing liability is no longer included in the Group's calculation of interest-bearing debt.

On the date of implementation, 1 January 2019, the Group's capitalised leasing liabilities increased by NOK 384.6 million, with a corresponding increase in the Group's right-to-use assets of NOK 384.6 million.