ANNUAL REPORT 2020

This is SalMar

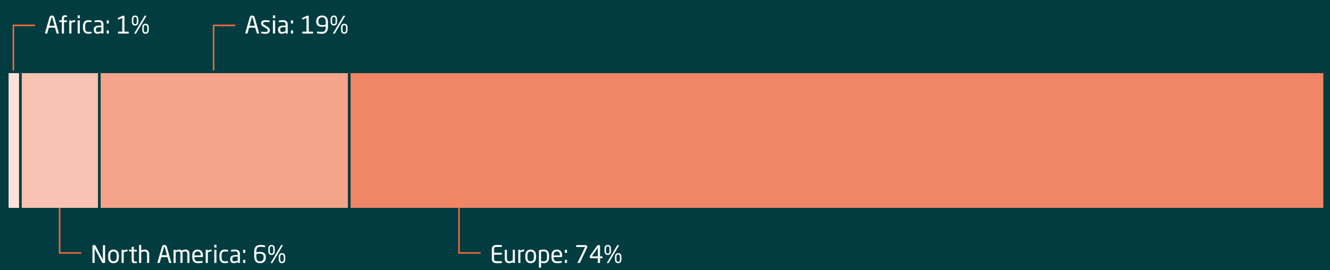
Sustainability and corporate social responsibility

Corporate governance

Financial statements and results

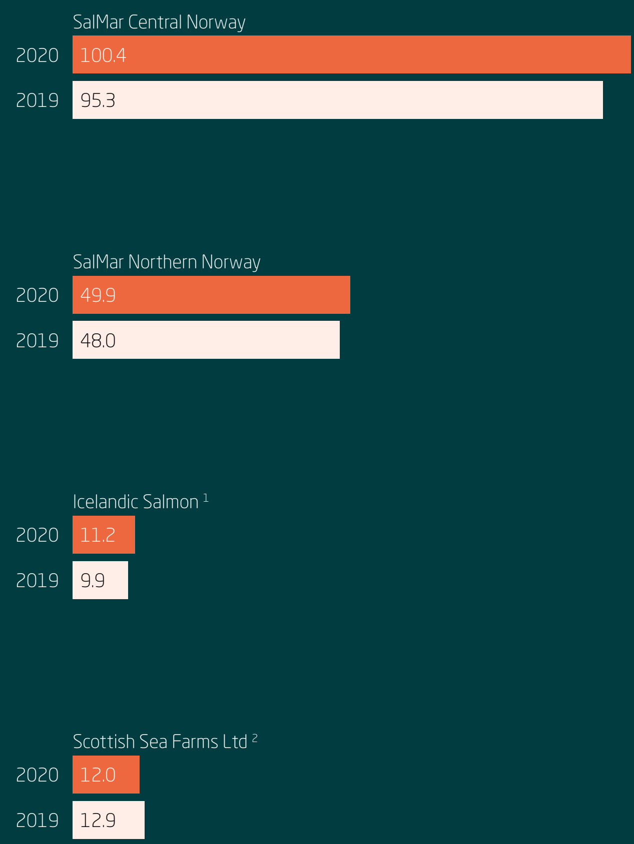
Our locations

Geographical distribution of sales volume



Harvest volume by geography

1,000 tonnes gutted weight



1 100% share
2 50% share

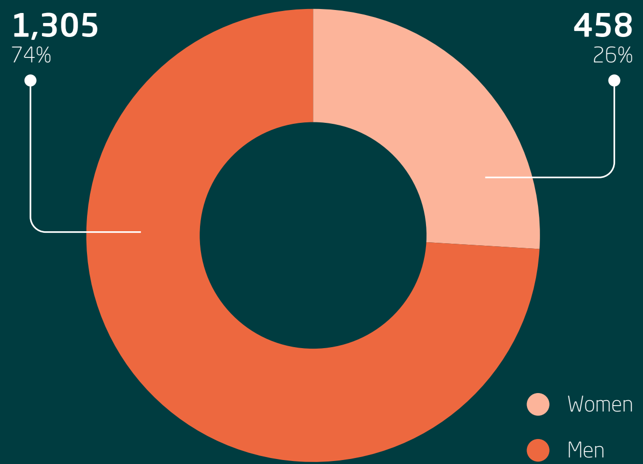
Financial key figures

NOK 1,000

	2020	2019
Revenue	12,912	12,238
Operational EBIT	3,007	3,068
Earnings per share	17,52	22,06
Dividend share of EPS	114%	59%
Equity Ratio	50%	54%
NIBD incl. Leasing/EBITDA	1,53	0,93

Number of FTEs

	2020	Women	Men
SalMar	1,653	26%	74%
Icelandic Salmon	110	24%	76%
SalMar Group	**1,763**	**26%**	**74%**



Sickness absence

SalMar

5.3%

Target < 4.5%

Icelandic Salmon

4.1%

Target < 4.5%

Economic feed conversion ratio

SalMar

1.16

Target < 1.13

H-factor

SalMar

9.1

Target < 6

Icelandic Salmon

34.6

Target < 6

Share of secondary processing

SalMar

42.0%

Target > 42.5%

Survival rate

SalMar

95.6%

Target > 97%

Icelandic Salmon

90.5%

Target > 95%

Greenhouse gas emission intensity

$kgCO_2e$ per tonne produced

SalMar

87

Target: 35% reduction from 2018 to 2030[1]

1 Subject to approval by the Science Based Targets Initiative

This is SalMar

Message from the CEO

An ocean of opportunities

Who could have imagined that SalMar would emerge from this year of pandemic with results almost as good as the previous year? When the pandemic swept across the globe, you did not need to be an incurable pessimist to see that problems were mounting. Some of the Norwegian salmon industry's most important customers – hotels and restaurants – were shut down over night. Conferences and seminars were cancelled, and large portions of the travel industry went into forced hibernation. With international borders practically sealed and the majority of planes grounded, we had to adapt to what was a challenging logistics exercise for an industry whose very existence rests on delivering fish to all corners of the world.

Nevertheless, SalMar came through the pandemic's first year far better than we feared. This was made possible because everyone at all levels and in all parts of the supply chain worked superbly. That and a little luck. Governments and importers worldwide have demonstrated their ability to keep essential food supplies from being interrupted. Consumers did not let restaurant closures get in the way of a healthy diet, but demonstrated their ability to adapt by preparing salmon at home in their own kitchens. And, somehow, the logistics challenges were also resolved through a constructive partnership between hauliers, importers and supermarket chains.

Last, but not least, our 1,700 employees demonstrated an outstanding willingness and capacity to adapt to the challenges and resolutely abide by the strict public health measures that the authorities and the company itself imposed. As leader of one of the country's largest food producers, I would also like, on SalMar's behalf, to pay tribute to the Norwegian authorities. The need to contain the spread of infection has prompted broad cross-party agreement on the majority of measures, and political point-scoring has been laid aside.

Our results for the year are as follows: SalMar harvested a total of 150,300 tonnes in Norway and 11,200 tonnes in Iceland in 2020, and the Group generated gross operating revenues of NOK 12.9 billion. We made an Operational EBIT of NOK 3 billion, a scant 2 per cent down on the year before. Our relative performance and position have therefore never been stronger. This is a result that reflects a solid biological and operational performance, triggered by a strong strategic and operational focus in all parts of the Group.

At the same time, the past year has proved that we did the right thing 30 year ago, when we founded SalMar with a few net pens, a workman's hut and a handful of employees. The sea and what grows in the sea offer an ocean of opportunities.

Never been more impressed

The figures also prove that in the extraordinary year that was 2020 SalMar delivered a world-leading performance, with corresponding financial results. Which does not mean that we can rest on our laurels. Nor shall we sit on our high horse and think ourselves better than everyone else. A combination of skill and luck, in addition to a level of demand that has kept salmon prices at an acceptable level, have all played a part. But in this combination, I am convinced that SalMar's fundamental corporate culture and competence has played a decisive role in producing our strong results. We have succeeded because we have backed each other up and ensured that the next link in the value chain has had the best possible foundation to succeed in doing its job. We have *focused on the solution*, with the knowledge that *the job we do is not done until the person we are doing it for is satisfied*. We have worked hard for our customers

President & CEO Gustav Witzøe

and secured reliable and stable deliveries of first-class food. At the same time, we have shown *we care* about each other – at work and in the community.

What characterises a good organisation is that its employees step up and take responsibility for the company, its operations and each other when the going gets tough. This strength of character – which has been so clearly evident this year – makes me proud to be a part of the SalMar family. Hand on heart, I can truly say that I have never been more impressed at any time in my 30 years at SalMar.

The journey has created the result

In February 2021, SalMar turned 30. From 11 employees in one municipality and a production volume of 800 tonnes to operations in eight countries, 1,700 employees and an expected production volume of 195,000 tonnes in 2021. We have distributed some 163,000 tonnes of that volume across 35 municipalities here in Norway – from Møre og Romsdal in the west to Finnmark in the north.

The performance we have achieved in 2020 is the result of an extraordinary journey, created by a group of extraordinary people. People whose steps have always been guided by the tenet "what we do today we do better than yesterday". Our philosophy has remained unchanged since 1991; to farm fish sustainably with respect for the salmon, the environment, people and profits. For SalMar, this means focusing on operational efficiency, local processing, optimal location and new technology, combined with a burning desire to develop a sustainable growth industry along the Norwegian coast. Step by step, this has led SalMar to take control of a steadily larger portion of the value chain and, not least, assume a steadily larger social responsibility – as an employer, a member of the local community, a user of the environment, a producer of healthy and sustainable food, and a driver for innovation and development. With a high proportion of our products being processed in Norway, and therefore the source of a great many jobs, I am delighted to see SalMar referred to as a "processing company".

Knowledge, complexity, technological development and environmental challenges are keywords which illustrate the industry's evolution over the past 30 years. SalMar has always been known for investing in its employees and for bringing all our collective expertise and operational experience to bear to drive the company and the industry onward. This can be seen in a number of examples, which also illustrate the company's industrial development. These include making use of more exposed locations; deploying floating collars with a diameter of 120m and 160m; building the fully integrated harvesting and processing plant, InnovaMar, in Frøya, Central Norway, and soon the InnovaNor plant in Senja, Northern Norway; building modern hatchery facilities which make extensive use of recirculated aquaculture systems (RAS); and using electric work boats and hybrid wellboats. There are plenty of such examples, and the willingness and ability to constantly adapt and improve has been substantial throughout the organisation. I would therefore like to take this opportunity to thank all SalMarians, partners and supporters who have helped to make this possible. A huge effort has been made over many years, both individually and in teams. This effort, as well as the passion and corporate culture we have at SalMar is unique, and has been the catalyst for transporting us where we are today. It has given us the ability to challenge the status quo and identify opportunities, and the resolve to seize them.

An ocean of opportunities

Over the past 30 years, SalMar's hallmark has been the sustainable production of food, and the company has spearheaded the development of a forward-looking Norwegian aquaculture industry. This work is being continued with undiminished strength. SalMar aims to be at the forefront of both traditional inshore aquaculture and fish farming in more exposed areas, both near the coast and in the open ocean. For SalMar, both are equally important. Above all, the continued sustainable development of coastal aquaculture is a prerequisite for success offshore. Both elements are part of a comprehensive and unified strategy to ensure SalMar's environmentally sustainable growth. All our operations – either far offshore or closer to land – build on a common foundation: the production of fish under the best conditions, and being a leader in all areas of the value chain from broodfish and smolt, to salmon stocks at sea farms, harvesting, processing and sales. We will seek sustainable growth and technological development at locations where we are today, at more exposed sites in existing production areas and at offshore fish farms operating far out in the open ocean. We also aim to strengthen our global position by farming fish in other countries whose waters are suitable for Atlantic salmon, such as Iceland and Scotland. Water covers 70 per cent of our planet, but only 3 per cent of the food we eat comes from the sea. It is hard to imagine that we can meet the world's future need for food without making use of the ocean's vast potential to produce more food. But we must do so on an environmentally sustainable basis.

Just as we ourselves stand on the shoulders of those who built this industry before us, so shall we help ensure the next generation has a secure platform on which to continue building the sector and our coastal communities. In my view, and that of SalMar, this exciting journey has only just started.

Sustainable development

An important strategic foundation for SalMar is to contribute to environmentally sustainable growth in the aquaculture industry. For us, environmental, social and economic sustainability are closely linked – a link which also lies at the heart of the United Nations' Sustainable Development Goals. Economic growth and growth in production are not sustainable in the long term unless they spring from environmentally sound roots. In this respect, cutting greenhouse gas emissions is one of the most important preconditions for sustainable growth.

SalMar's sustainability strategy will therefore be one of the most important "pillars" of the Group's business strategy going forward. Furthermore, we are closely monitoring the EU's work on a so-called "taxonomy", a classification system which will act as an important enabler for larger scale sustainable investment and implementation of the European Green Deal. We welcome the fact that these efforts are putting the green shift on a stronger footing with respect to company financing. Going forward, "green financing" will be an important element in the structure of corporate financing. I am therefore delighted that SalMar has now obtained an attractive "green" credit agreement, which will steer our operations in an even greener direction. A more detailed description of this important work may be found in our sustainability report, which is part of this year's Annual Report.

Investing for the future

Salmon that is produced in the most suitable areas of the sea and under the best biological conditions, that is harvested and processed locally. A better starting point for sustainable food production is hard to imagine.

We are therefore investing billions of Norwegian kroner in our value chain to secure sustainable operations and growth – on the salmon's terms.

We continue to attach considerable importance to the production of smolt, with major investments in the construction of new smolt facilities in Senja and Tjuin. We are investing in new closed-containment technology and new coastal infrastructure. Our flagship processing plant in Northern Norway – InnovaNor – is rapidly approaching completion. It will be a great moment for us, for Senja as a seafood region, and for the aquaculture industry in Northern Norway, when the first salmon are processed at the new facility in Finnsnes in 2021. We are continuing our groundbreaking work in the area of offshore fish farming through our subsidiary SalMar Ocean. This includes the Ocean Farm 1 installation and the design and engineering of the Smart Fish Farm, which is destined for operation in the open ocean. In addition, we are strengthening our international engagement, in Scotland and Iceland, for example. In Asia, we are moving even closer to our customers by reinforcing our sales offices, which are doing vital work as front-line ambassadors around the world.

The government must continue to see opportunities, not create barriers to innovation and development

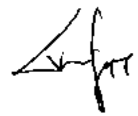
The Norwegian aquaculture industry has developed through a constructive dialogue with government and regulatory authorities. Neither SalMar nor the industry as a whole is always in complete accord with our political decision-makers or the way the aquaculture sector is administered. I am sure the feeling is entirely mutual. But Norwegian framework conditions, skilled and forward-looking enterprises, and good climatic and biological conditions have made it possible to develop a Norwegian food producing industry that can hold its own against fierce international competition – without subsidies. This is a sector which, in the years to come, will become increasingly important as a creator of jobs and export revenues, as the volume of oil and gas extracted from the Norwegian continental shelf gradually shrinks. Foreseeable framework conditions, which facilitate continued sustainable growth, are vital for the aquaculture industry.

One challenge for the Norwegian salmon industry going forward is that millions of dollars are being invested in onshore fish farming facilities in many parts of the world. Onshore fish farming is being promoted in Norway, too, partly through a lack of production licence pricing and a considerably greater permitted fish density at onshore facilities than is allowed in sea farms. This is a trend that will, over time, pose a real threat to Norway's position as the world's leading producer of farmed salmon. Salmon can be produced onshore anywhere in the world. This represents a considerable competitive advantage for the populous countries in which the majority of consumers live. Norwegian waters, with their favourable ocean currents and climatic conditions, have made it possible for our country to become the world's leading producer of an important food source. We have the opportunity to retain and reinforce this position. But only if we remain at the forefront of sea farming and use our competence for sustainable growth in Norway's vast and attractive territorial waters, in the salmon's own habitat – the ocean.

With intensifying competition from a steadily growing number of salmon-producing countries, it is more important than ever before that the Norwegian authorities grant the nation's aquaculture industry stable and foreseeable framework conditions. At the same time, SalMar is pleased to contribute to society as a major taxpayer. In both 2019 and 2020, SalMar and its employees together paid more than NOK 1.1 billion in tax to central and local government.

The people make the difference

I will end as I began. It is the people who make the difference. Nothing can replace people's skills and expertise, desire to create something new and unswerving determination to drive the world forward. It is the sum of all these skilled individuals that has created SalMar. Employees in all parts of our organisation have brought us where we are today, ably assisted by our supporters and partners – suppliers, hauliers, importers and, not least, the millions of salmon-loving consumers across the globe. It is they who decide the future of SalMar and the salmon farming industry. And Atlantic salmon belong in the future.



Gustav

The history of SalMar

1991

SalMar is founded in Frøya in Sør-Trøndelag following the acquisition of one licence for the production of farmed salmon and a harvesting/processing plant from a company that had gone into liquidation. The company's primary business was the processing of frozen salmon. This was the start of a major restructuring of the Norwegian aquaculture sector, which gradually led to a substantial increase in its level of industrialisation.

1992

Acquisition of two licences for the production of farmed salmon in Central Norway.

1995

Acquisition of Follasmolt AS in Verran, Nord-Trøndelag. Start of smolt production. Lease of Kjørsvik Settefisk's hatchery in Aure, Møre & Romsdal.

1997

Extension of the plant at Nordskaget in Frøya to increase processing capacity.

Kverva Holding AS becomes sole owner of SalMar.

2000

Total volume harvested: 11,000 tonnes gutted weight. Establishment of operations outside of Central Norway through the acquisition of 49% of the shares in Senja Sjøfarm AS in Troms. At that time Senja Sjøfarm had nine production licences and its own hatchery.

2001

Total volume harvested: 15,000 tonnes gutted weight. Establishment of operations outside Norway through Norskott Havbruk AS, a 50/50 joint venture with Lerøy Seafood Group. Norskott Havbruk AS is sole owner of Scottish Sea Farms Ltd, the UK's second -largest salmon producer.

2005

Total volume harvested: 35,000 tonnes gutted weight. Divestment of operations SalMar does not consider to be core businesses, including t he production of herring, herring oil and fish meal.

Greater focus on core business activities, farming, harvesting and processing of salmon.

2006

Total volume harvested: 44,000 tonnes gutted weight. Kverva Holding AS sells 42.5% of the company's shares to a limited number of Norwegian and international investors.

Acquisition of three new licenses in Nordmøre.

Acquisition of the remaining 51% of the shares in Senja Sjøfarm AS, making SalMar sole owner of the company.

2007

Total volume harvested: 64,000 tonnes gutted weight. SalMar shares floated on the Oslo Stock Exchange on 8 May 2007.

Acquisition of Halsa Fiskeoppdrett AS (two licences) and Henden Fiskeoppdrett AS (two licences) in Møre & Romsdal.

Acquisition of Arctic Salmon AS (four licences) in Nordreisa, Troms.

2008

Total volume harvested: 65,000 tonnes gutted weight. Acquisition of one licence in Central Norway (Møre & Romsdal) and one in Northern Norway (Troms).

Senja Sjøfarm AS is renamed SalMar Nord AS. The Company now includes all SalMar's operations in Troms.

Acquisition of 34% of the shares in Volstad Seafood AS.

2009

Total volume harvested: 77,000 tonnes gutted weight. Acquisition of the remaining 66% of the shares in Volstad Seafood AS, making SalMar sole owner of the company.

2010

Total volume harvested: 79,000 tonnes gutted weight. Acquisition of 75.54% of Rauma Gruppen AS. Broodfish, two hatcheries and eight fish farming licenses in Central Norway (Møre & Romsdal).

Acquisition of 23.29% of the shares in the listed Faeroe Islands company Bakkafrost P/f.

Acquisition of Settefisk AS.

2011

Total volume harvested: 104,000 tonnes gutted weight. Completion of the world's most innovative and efficient salmon harvesting and processing plant – InnovaMar.

Acquisition of Bringsvor Laks AS with two licences in Central Norway (Møre & Romsdal).

Acquisition of Krifo Havbruk AS with one licence in Central Norway (Trøndelag).

Leif Inge Nordhammer steps down as CEO and is replaced by Yngve Myhre on 6 June.

Acquisition of Villa Miljølaks AS with four licenses in Central Norway (Møre & Romsdal).

Acquisition of a further 1.5% of the shares in Bakkafrost P/f, bringing SalMar's total shareholding to 24.8%.

2012

Total volume harvested: 116,100 tonnes gutted weight.Acquisition of 10 licenses in Northern Norway (Finnmark) from Villa Artic AS.

Acquisition of additional shares in Bakkafrost P/f, bringing SalMar's total shareholding to 25.21%.

2013

Total volume harvested: 128,000 tonnes -gutted weight. Acquisition of minority shares in SalMar Rauma AS.

Acquisition of 50.4% of the shares in Villa Organic AS.

Divestment in Bakkafrost P/f. New share holding approximately 14.9%.

Divestment of remaining 14.9% of shares in Bakkafrost P/f.

Following the transaction SalMar has no shares in Bakkafrost P/f.

2014

Total volume harvested: 154,800 tonnes gutted weight. Yngve Myhre steps down as CEO and is replaced by Leif Inge Nordhammer on 20 January. Nordhammer previously served as SalMar's CEO for a period of 15 years until he stepped down in 2011.

Acquisition of 8 green licenses.

2015

Total volume harvested: 150,000 tonnes gutted weight. Principle approval of the ocean farming pilot.

Completion of acquisition that ensures an indirect stake of 22.91% of the shares in the Icelandic farming company Arnarlax Ehf.

2016

Total volume harvested: 129,600 tonnes gutted weight. On 28 February 2016, SalMar was awarded the first eight aquaculture development licences for Ocean Farming AS.

SalMar increased its indirect shareholding in the Icelandic aquaculture company Arnarlax Ehf to 34 per cent through a series of acquisitions.

On 11 May 2016, the board announced that Trond Williksen would be taking over as CEO from Leif Inge Nordhammer. Mr. Nordhammer had himself requested leave to step down, having held the position for more than 17 years, spread over two periods.

Mr. Williksen took up the position on 14 November 2016.

2017

Total volume harvested: 151,000 tonnes gutted weight. On 5 September 2017, Ocean Farm 1 arrived at its destination in Frohavet, off the Trøndelag coast

The new smolt production facility in Senja was completed – capacity 20 million smolt.

2018

Total volume harvested 159,000 tonnes gutted weight including share from Scotland and Iceland.

Harvesting from Ocean Farm 1 – the worlds first offshore fish farm – started in September 2018.

Olav-Andreas Ervik took over as new CEO in April 2018 after Trond Williksen's voluntary resignation.

2019

Harvest volume 166,200 tonnes gutted weight including contribution from Scotland. Increased ownership of Arnarlax, Iceland largest salmon farmer, to 59%. Gustav Witzøe new CEO from October 2019 following Olav-Andreas Ervik appointment as new CEO in the newly founded company SalMar Ocean which strengthens the focus on offshore fish farming.

Started construcion of InnovaNor, the new harvesting and processing plant on Senja in Northern Norway.

2020

Total volume harvested: 173,500 tonnes gutted weight.

Continuing construction of InnovaNor, the new harvesting and processing plant on Senja in Northern Norway

Started construction of the expansion of the smolt facility on Senja

Successful private placement and listing of Icelandic Salmon on Euronext Growth, SalMars ownership reduced to 51 per cent.

A new era in aquaculture

The establishment of salmon farming in the open ocean is an important part of SalMar's strategy for sustainable growth. Salmon farming is a climate-friendly and effective method of food production. If it takes place in the open ocean, it could enable increased output and value creation, encourage innovation and the development of new technology, and provide economic benefits for society as a whole.

In 2020, SalMar completed the second production cycle at the Ocean Farm 1 facility. This is SalMar's first offshore fish farm, and it is sited in the area of sea called Frohavet, off the coast of Frøya in Trøndelag County. At the same time, the company has developed and verified plans to expand offshore operations by building additional facilities. Development work has been undertaken in close consultation with research establishments, external partners and relevant authorities. In January 2021, the company submitted an application for permission to produce salmon at a site in the Norwegian Sea, further out in the open ocean than any other fish farm currently in operation.

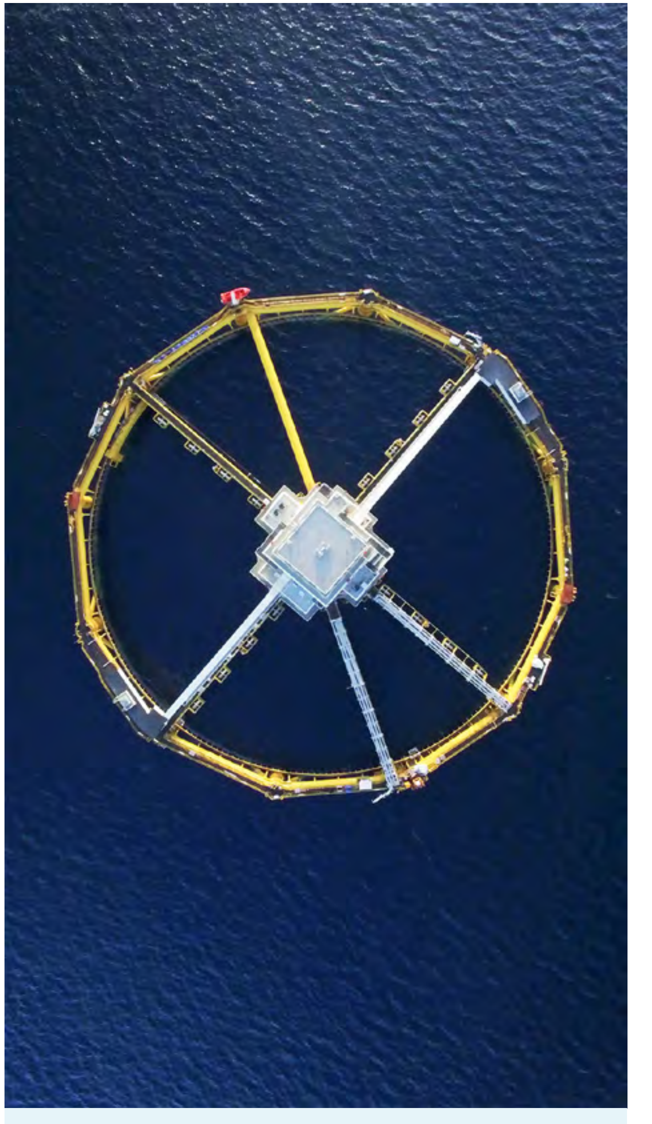
In 2019, the Group's offshore fish farming endeavours were brought together in the subsidiary SalMar Ocean. Since then, these efforts have intensified. The organisation has been strengthened through several rounds of staff recruitment and an expansion of its Board of Directors. Torger Rød, who has a background from the Norwegian energy company Equinor, joined SalMar Ocean's Board of Directors early in 2020. He has experience of complex projects within the oil & gas and renewable energy sectors. In 2021, it was announced that SalMar's CFO & COO Trine Sæther Romuld will take over as CFO and Strategy Director at SalMar Ocean. The company is led by the Group's former CEO Olav-Andreas Ervik.

Good biological results from Ocean Farm 1

Ocean Farm 1 started out as a pilot project, with particular emphasis on biological conditions and fish welfare. The first production cycle was completed early in 2019. The second production cycle commenced in August 2019 following implementation of a number of measures prompted by the lessons learned from the first transfer of fish. The second production cycle, which was completed in the autumn of 2020, also produced extremely good biological results, outstripping those achieved by the first generation. The outcome was strong growth, consistently low lice levels and low mortality.

In July 2020, the Norwegian Directorate of Fisheries approved the conversion into ordinary production licences of the eight development licences it had granted on 26 February 2016 for the realisation of the Ocean Farm 1 facility. As a result, these licences are now included in the company's overall output within the framework and rules for maximum allowable biomass (MAB). In its letter announcing this decision, the Directorate of Fisheries stated that Ocean Farming had provided good and comprehensive documentation showing that the project's target criteria, and thereby the conditions for conversion, had been met. The lessons learned from this project have been described and reported to the Directorate of Fisheries. These reports are publicly available. In this way, the knowledge derived from the project benefits the entire aquaculture industry, as is required in the statutory regulations governing the scheme.

SalMar is proud to have successfully completed a project which we believe breaks new ground in the push to develop an increasingly sustainable aquaculture sector. The project rests on a unique inter-disciplinary partnership between Norwegian and international organisations with leading expertise in the fields of aquaculture, offshore technology



The world's first offshore fish farm Ocean Farm 1 from its location in Frohavet outside Frøya and relevant scientific research. By realising this project, SalMar has helped fulfil the government's objectives for the development licence scheme – to resolve important environmental and spatial challenges that the industry is facing. To date, SalMar has invested approx. NOK 1 billion in the design and development of Ocean Farm 1, around half of which has been spent on the purchase of products and services from highly competent Norwegian companies. The Ocean Farm project would not have been possible without the development licence scheme which the government introduced in 2015, and which has broad political support in the Norwegian parliament (Storting). In this way, the Norwegian authorities and the aquaculture industry have together triggered a technological breakthrough that will reinforce Norway's position as a leading equipment technology provider, which can contribute to sustainable growth in the aquaculture industry.

Experience from Ocean Farm 1 underpins further developments

Continuous learning and improvement are important tenets for the entire SalMar Group. Everything we do today, we do better than we did yesterday. As the Group now prepares to build additional units for installation in exposed areas of the sea and in the open ocean, experience from the construction and operation of Ocean Farm 1 has made it possible to develop even better and more cost-effective solutions. Through systematic and thorough planning, the design has been further refined in a new version, Ocean Farm 2. Estimated construction time and costs have been reduced, and capacity increased.

The company has identified and initiated in discussions with shipyards in Norway and abroad, which could be potential construction sites. It has also identified areas along the Norwegian coast that could be suitable production sites. No final investment decision has yet been taken, but the company plans to build a series of such facilities. Given a decision in 2022, new units could go into operation with effect from 2024.

Next step - production in the open ocean

The next technological leap forward in SalMar's offshore fish farming strategy is the Smart Fish Farm, which is intended to operate in open waters in the Norwegian Sea. SalMar aims to build a series of such installations for fish farming in the open ocean, based on the experience we are now gaining, provided that the authorities are willing to grant licences and approve sites in these areas.

The award of eight development licences for the Smart Fish Farm project in 2019 was an important milestone on the road to establishing aquaculture in the open ocean. This project also marks the start of a new era in the seafood industry. Offshore fish farming opens the way for sustainable food production in vast new areas of the ocean, and could help to secure the world's food supply in a long-term perspective. At the heart of it all remains the farming of salmon on the fish's terms. In the open ocean off the Norwegian coast, the Gulf Stream delivers a constant supply of high-quality water of the correct temperature. No additional supplies of energy or fresh water are needed. The Gulf Stream draws its power from the sun, wind and other deep ocean currents.

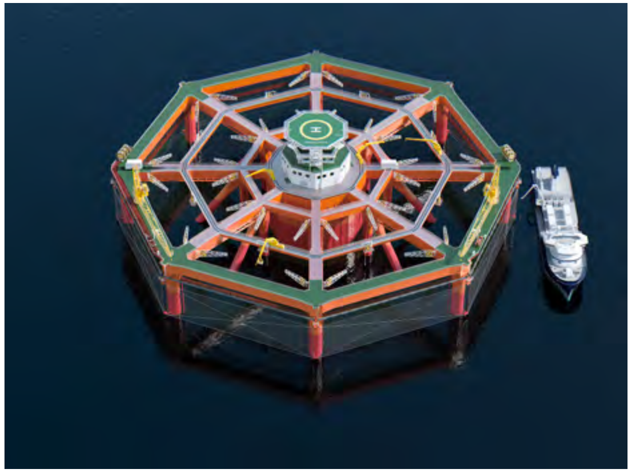
Throughout 2020, SaMar Ocean has further developed and specified its plans for the Smart Fish Farm. These were detailed in a comprehensive application to the Norwegian Directorate of Fisheries for approval of a site in the Norwegian Sea, which was submitted in January 2021. The application was published and distributed to a number of bodies for comment. Comments received are currently being considered by the Directorate. If the authorities approve the plans during the summer of 2021, SalMar will be in a position to make an investment decision this autumn, and the Smart Fish Farm could be operational in the second quarter of 2024.

The Smart Fish Farm is significantly larger than Ocean Farm 1. It has been specially designed for fish farming in the open ocean and can withstand a 100-year storm. The facility will have a production capacity of 23,000 tonnes round weight, and a production volume of 760,000 cubic metres.

Potential for considerable ripple effects and opportunities for international expansion

SalMar has performed analyses which show that offshore aquaculture will have considerable ripple effects in the form of value creation and employment opportunities, also onshore, in Norway. The Group's investment in offshore fish farming will form the basis for a new era in aquaculture, and offer considerable opportunities for associated supply industries. Players who are among the first to develop solutions and gain experience will secure a competitive advantage in a vast new national and international market.

The technology and solutions that have now been developed are not limited to Norwegian waters. The Norwegian coast is not alone in offering good natural conditions for the sustainable production of North Atlantic salmon.



The ABC of salmon farming

Broodstock

The broodstock are the parent fish which provide the eggs and sperm (milt) required to produce new generations. The fertilised eggs take 60 days to hatch when placed in an incubator kept at eight degrees Celsius.

Eyed salmon eggs

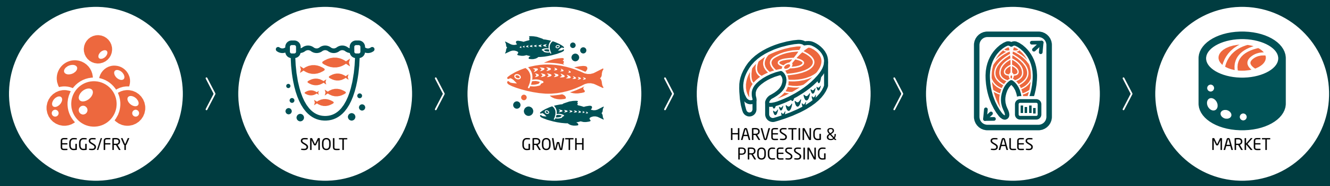
After 25–30 days in the incubator the eggs have developed to the stage where the eyes of the salmon are clearly visible as two black dots inside the egg.

Fry

The egg hatches when the eggshell cracks open, liberating the baby fish (fry) inside. When it hatches the fry is attached to a yolk sac, which provides it with the sustenance it needs during its first few weeks of life. From now on the fish's growth and development will all depend on temperature.

Initial feeding

When most of the yolk sac has been absorbed, the fry can be moved from the incubator into a fish tank. They are now ready for initial feeding. The water temperature is kept at 10-14 degrees Celsius, and the fry are exposed to dim lighting 24 hours a day. The initial feeding period lasts for six weeks. As they grow the fry are sorted and moved to larger tanks. Well ahead of their "smoltification" all the fish are vaccinated before being shipped by wellboat to the fish farm's marine net-pense.



Smoltification

The process whereby the juvenile fish transition from a life in freshwater to a sea-going existence is called smoltification. During this process the fish develop a silver sheen to their bellies, while their backs turn a blue-green colour. Their gills also change when the juvenile fish turns into a smolt.

On-growing

The farming of fish for human consumption takes place in net-pens, large enclosed nets suspended in the sea by flotation devices. In addition to a solid anchorage, net-pens require regular cleaning and adequate measures to prevent the farmed fish from escaping. Growth in the net-pens is affected by feeding, light and water quality. Here too the fish are sorted as they develop and grow.

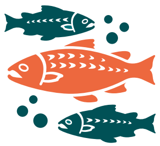
Harvesting & processing

A year after transfer to the marine net-pens, the first fish are ready for harvesting. The fish are transported live by wellboat to the processing plant. There the fish are kept in holding pens, before being carefully transferred to the plant itself. The fish are killed and bled out using high tech equipment, and always in accordance with applicable public regulations. After harvesting the salmon is subject to various degrees of processing.

Sales

The fish is sold either as whole gutted salmon (fresh or frozen), fillets, in individual portions or a wide range of other products, which are distributed to markets around the world.

SalMar’s operative segments



FISH FARMING CENTRAL NORWAY
(Møre og Romsdal & Trøndelag)

Sea-farm production

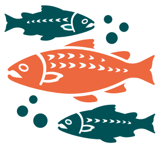
No. of licences:
64,038 tonnes MAB

Harvest volume 2020:
100,400 tonnes gutted weight

Smolt and lumpfish production

No. of facilities:
5 smolt hatcheries and 1 lumpfish facility

Production in 2020:
Approx. 27.8 million smolt
and 1.8 million lumpfish



FISH FARMING NORTHERN NORWAY
(Troms og Finnmark)

Sea-farm production

No. of licences:
38,251 tonnes MAB[1]

Harvest volume 2020:
49,900 tonnes gutted weight

Smolt production

No. of facilities:
1 smolt hatchery

Production in 2020:
Approx. 15.4 million smolt

SALES & INDUSTRY

Volume sold:
Approx. 140,000 tonnes product weight

No. of harvesting and processing plants:
2 in operation
1 under construction

Share of local processing:
42%

ICELANDIC SALMON

Sea-farm production

No. of licences:
25,200 tonnes MAB

Harvest volume 2020:
11,200 tonnes gutted weight

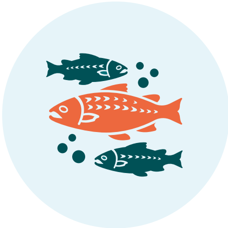
Smolt production

No. of facilities:
2 smolt hatcheries

Production in 2020:
Approx. 4.0 million smolt

1 Includes 1 time-limited licence

Fish Farming Central Norway (Møre og Romsdal & Trøndelag)



Fish Farming Central Norway is the region in which the SalMar Group first established its business. Initially this was based on assets acquired from a company which had gone into liquidation, and which had one licence for the production of farmed salmon and a harvesting and processing plant in Frøya that was designed to handle white fish. Since then, both the Group as a whole and the segment has experienced a fantastic growth journey.

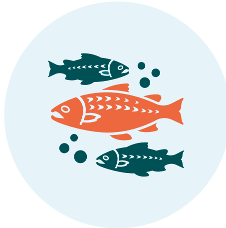
Central Norway has today 64,038 tonnes MAB, and also operates several R&D licences in collaboration with other companies. The segment has 5 smolt facilities and 1 facility for the production of lumpfish (cleaner fish).

The fish farming operations are located in Central Norway, stretching from Sunnmøre in the south to the Namdal coast in the north. Fish Farming Central Norway is divided into three regions, *south* (Møre & Romsdal), *central* (Frøya and Hitra) and *north* (Fosen and Namdalen). The environmental conditions for salmon farming in this region are very good, with favourable sea temperatures all year round thanks to the Gulf Stream, a high water replacement rate and several suitable locations.

SalMar's fish farms focus on cost-effective operation and maintain a high ethical standard with respect to animal husbandry. In order to contribute to SalMar reaching its goal of being the most cost-effective producer of farmed salmon, there is a continuous focus on sub-goals, such as achieving optimal growth with the lowest feed factor. The company was quick to introduce its own standards and 'best practices' in order to secure increased efficiency. This involves, among other things, concentrating marine-phase production at large, sustainable facilities stocked with the correct biomass volume and with a good environmental carrying capacity. SalMar is also working strategically to secure locations so that we can take our share of future production growth. In 2020 the first closed net pen for the company was constructed which was taken into operation in the beginning of 2021.

The segment has 5 smolt facilities and 1 lumpfish facility in Møre & Romsdal and Trøndelag counties. These units have a high level of expertise with respect to day-to-say operations as well as development/project management. The production of smolt is currently transitioning to the use of recirculating aquaculture systems (RAS) technology. The segment currently employs RAS technology at its largest smolt facility, Follafoss, located at the head of Trondheimsfjorden. A new RAS-based department at Follafoss was put into operation in the beginning of 2020, which provided additional capacity and flexibility with respect to the production of smolt. In the autumn of 2019, a parcel of land was purchased at Tjuin, not far from Follafoss. The company is considering the construction of a new RAS facility on this site, where final investment decision is expected in Q2 2021.

Fish Farming Northern Norway (Troms og Finnmark)



The segment has 38,251 MAB tonnes for the production of farmed salmon, of which 1 is a demonstration licence. In addition, SalMar co-operates several R&D licences. The segment has 1 smolt facility in Senja.

SalMar has the largest aquaculture operation in Troms og Finnmark County, with activities stretching from Harstad in southern Troms to Sør-Varanger in Finnmark. The business is divided into two regions: Region South and Region North, which are each led by a regional manager. The segment's head office and administration are located at Finnsnes in Senja.

Over many years, the segment has focused systematically on enhancing the expertise of its workforce and employs several apprentices. This is an important aspect of SalMar's recruitment and competence-building strategy.

Remote feeding has been an important focus area for the segment since 2012. This means joint surveillance and control of all SalMar's sea sites from South Troms to East Finnmark. The sea farms are monitored even when there is no one physically on site. Data collection is more structured in the remote feeding centre, which provides a better foundation for decision making forward in time.

The segment has 1 smolt facility in Senja, which is based on recirculating aquaculture systems (RAS) technology. Robust, high-quality smolt is a decisive factor for the success of the whole value chain and in May 2020 construction for the expansion of the facility started with expected first smolt delivery in 2022. The expansion will result not only in the capacity to produce a larger number of smolt, but also the flexibility to produce larger sized smolt.

It is possible to produce more salmon in Norway, and Northern Norway has a considerable potential for further growth. This region has excellent environmental conditions for sustainable production, which we nurture through expertise and systematic improvement efforts. The expansion of SalMar's smolt production, as well as the decision to build a local harvesting plant, underpin the importance to the Group of both Fish Farming Northern Norway and the region as a whole.

Sales & Industry

Sales & Industry handles the Group's sales activities and land-based industrial activities in Norway. The segment sold approx. 140,000 tonnes of salmon and other fish-based products in 2020. Sales activities concentrate on the markets of Europe, Asia and America. In all, the segment distributes salmon to around 53 different countries. Because SalMar attaches particular importance to market proximity, the segment has sales offices in Japan, South Korea, Vietnam, Taiwan and Singapore.

InnovaMar is SalMar's main industrial processing facility. It is located at Nordskaget in Frøya, in close proximity to Fish Farming Central Norway's sea farms. InnovaMar is a modern building covering 17,500m². It has an advanced equipment park for harvesting, fileting and portioning. It has the capacity to harvest 75,000 tonnes of salmon annually using a single shift. A significant portion of the volume harvested goes on to secondary processing before being sent to customers and consumers around the world. Innovative use of production technology increases the quality of the final product, reduces costs and improves the employees' working environment. Through SalMar's co-ownership of Vikenco AS, SalMar facilitates the harvesting of fish from the southern part of Central Norway and Møre & Romsdal County.

In 2020, construction of a new harvesting and processing facility continued in Northern Norway. The facility is called InnovaNor. This is an important move to strengthen the region as an important industrial engine in the Group's development and will contribute to local value creation and new employment opportunities. At the same time, InnovaNor will provide the same flexibility and immediate capacity, as the Group has at its InnovaMar facility in Central Norway, to harvest fish on the terms of the biology and contributing to optimising logistics. Construction work is proceeding on schedule, and the facility is expected to go into operation in the summer of 2021.

Icelandic Salmon

The company successfully completed a private placement in the autumn of 2020 with the following listing on Euronext Growth. At the same time the segment changed name from Arnarlax to Icelandic Salmon. At the end of 2020 SalMar owned 51% of the shares in the company.

Icelandic Salmon is Iceland's largest producer of farmed salmon. The company is fully integrated, with its own hatcheries, sea farms, harvesting plant and sales force. The natural conditions, with good quality seawater and temperatures on a par with Northern Norway, provide a sound basis for engaging in sustainable aquaculture in Iceland. The company has its headquarters and harvesting plant in Bildudalur in Iceland's Westfjords region, in close proximity to the sea farms located in the surrounding fjord systems. In addition, the company has two smolt facilities – 1 in Westfjords and 1 just south of Reykjavik, as well as a sales office in Reykjavik.

2020 has been a demanding year where biological challenges related to winter wounds at the beginning of the year have characterized the results in 2020. Biological status is significantly improved into 2021, which paves the way for improved results in 2021.

Farming in Iceland is still in an early phase, and during 2020 important measures have been implemented in the company that will provide better biological and economic results in the long term. SalMar together with Icelandic Salmon has a strong belief in sustainable aquaculture production in Iceland.

SalMar's cultural tenets

SalMar's corporate culture is constantly evolving, and builds on the success factors that have been cultivated within the company since its inception in 1991. Although the company's culture is affected by both external and internal framework conditions, it remains firmly anchored in a few overarching principles, in particular a strong focus on good husbandry, operational efficiency and safe food production.

What we do to day we do better than yesterday

To be the most cost-effective salmon producer demands continuous improvement at all stages of the production process. This tenet is about daring to step into the unknown and develop a culture of winning, where performance is both measured and celebrated.

The job is not done until the person you are doing it for is satisfied

This means that we will meet the expectations of others and demand high standards of each other, in accordance with our own SalMar standards. There are many 'suppliers' and 'customers' in the production chain, and it is only by treating each other with mutual respect that we will succeed.

Focus on the solution

Everyone who works for SalMar, regardless of position or place, has a duty to help come up with solutions and contribute to improvement processes. We will challenge existing practices and systems, we will jointly implement solutions, and we will talk to, not about, each other.

The job we do to day is vital to the success of us all

Although SalMar as a whole numbers more than 1.000 people, it is vital to develop personal attitudes and an understanding that what happens is up to me and my function. It is therefore vital that everyone is familiar with our vision, objectives and values, and that we support each other for our common passion for salmon, and on our way to being at all times the lowest-cost supplier of farmed salmon.

We care

To succeed as a team we must also develop the right attitudes towards, as well as respect and care for salmon, co-workers, customers, business associates and the environment. We must think for ourselves but act with loyalty, and always bear in mind that we are engaged in food production.

Sustainability in everything we do

High ethical and moral standards form the basis for developing an even stronger focus on safeguarding the environment that we work in day to day, and that we are the temporary custodians of. We shall not deplete the environment, but ensure that we pass it on unimpaired to the next generation. This is our shared social responsibility, and everything we do must stand up to public scrutiny both today and in the future.

Passion for Salmon

The aquaculture industry is developing rapidly, and the potential for further growth is enormous. However, at SalMar we are in no doubt that any growth must be sustainable: environmentally, socially and financially.

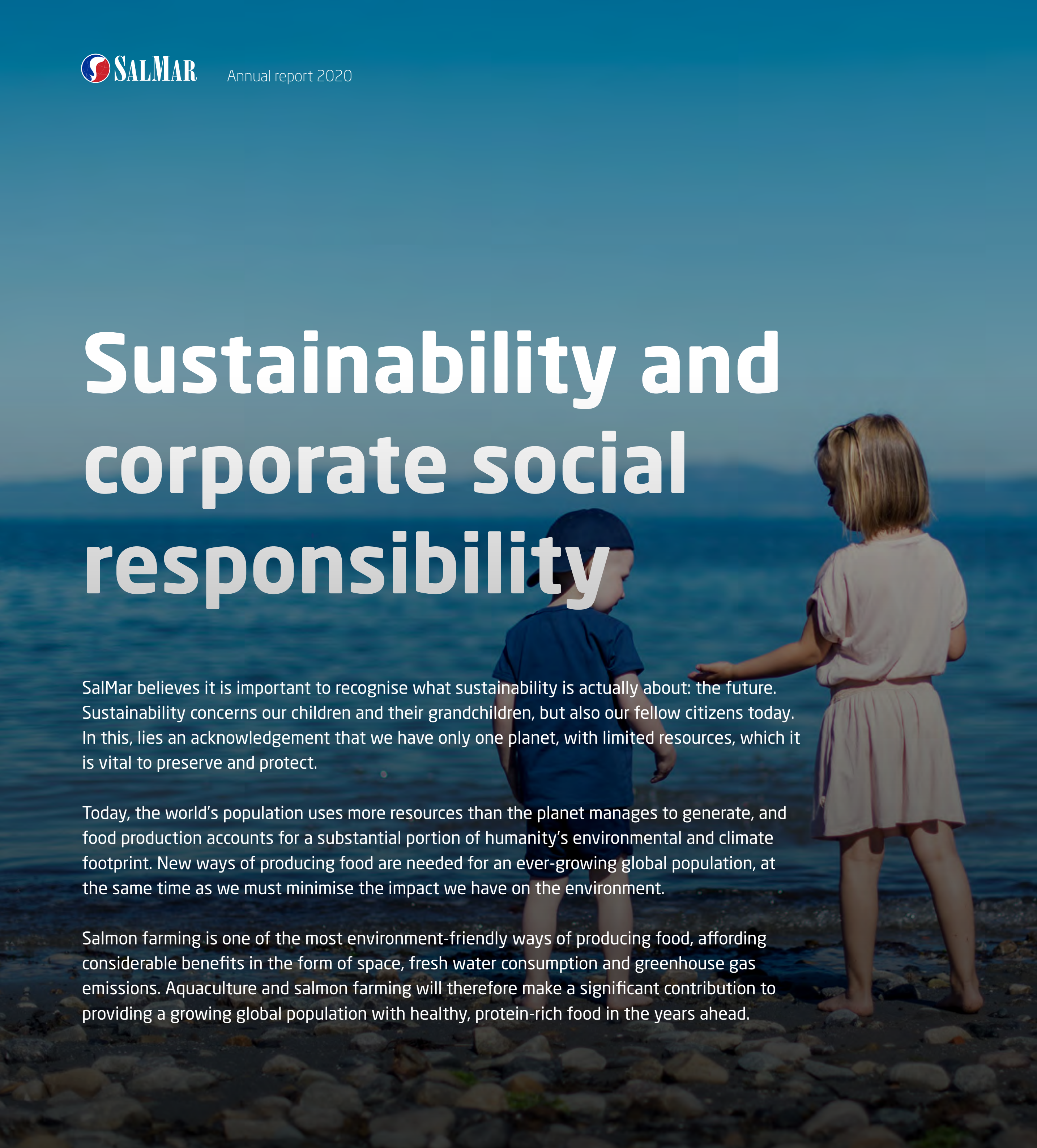
In 2014, to reinforce our focus on the elements that have made SalMar the company it is today, we adopted a new vision that will henceforth guide our steps:

"Passion for Salmon"

Although SalMar continues to pursue its stated aim of cost leadership, it is moving from a focus on outcomes to a focus on performance. We aim for excellence at all levels and in all aspects of our operation.

The new vision will underpin all activities and all actions within SalMar. All decisions relating to production will be made on the basis of our passion for salmon. The fish will be farmed in conditions most conducive to their well-being. We believe that the best biological results will pave the way for the best financial results, and thus safeguard our position as the most cost-effective producer of farmed salmon in the world.

This new vision and ambition depend on the existence of a winning culture throughout the organisation. The source of SalMar's corporate culture and the company's cultural tenets is our shared passion for salmon. These tenets underpin our vision and describe the attitudes and conduct expected of all employees.



Sustainability and corporate social responsibility

SalMar believes it is important to recognise what sustainability is actually about: the future. Sustainability concerns our children and their grandchildren, but also our fellow citizens today. In this, lies an acknowledgement that we have only one planet, with limited resources, which it is vital to preserve and protect.

Today, the world's population uses more resources than the planet manages to generate, and food production accounts for a substantial portion of humanity's environmental and climate footprint. New ways of producing food are needed for an ever-growing global population, at the same time as we must minimise the impact we have on the environment.

Salmon farming is one of the most environment-friendly ways of producing food, affording considerable benefits in the form of space, fresh water consumption and greenhouse gas emissions. Aquaculture and salmon farming will therefore make a significant contribution to providing a growing global population with healthy, protein-rich food in the years ahead.

Sustainability in everything we do

Sustainability in everything we do is one of SalMar's key tenets. For us, sustainability is about the way we operate as a company and how we behave in the areas surrounding our operations. This includes taking care of our employees, the salmon and the environment, while developing the industry and moving society in a more sustainable direction.

SalMar aims to safeguard the seas, while maximising our production at the terms of the salmon. This includes contributing to the development of new technology, so that we can continue to reduce the biological footprint of our production.

The Group recognises the diversity of its corporate social responsibility, as an employer, producer, supplier of healthy food, user of the natural environment and administrator of financial and intellectual capital. Social responsibility is important for us, and we want everything we do to stand the light of day. At the same time, we aim to minimise the impact our operations have on the natural environment.

Our holistic approach rests on awareness of there being the link between caring for people, economy and the environment, which determines whether something is sustainable. This is the core reason for why we think sustainability in everything we do.

In 2020, SalMar continued its efforts to report on sustainability, and this is the seventh report in succession. This year, the report has undergone third-party verification. The report encompasses those businesses in which SalMar held more than 50 per cent the shares and had operating responsibility in 2020. The report has been prepared on the basis of the principles required by the Global Reporting Initiative (GRI). The final chapter contains an overview of our reporting in relation to the GRI Index.

The bulk of this report is divided into the three central pillars on which SalMar rests its thinking about sustainability throughout the value chain.

Please address any queries about the report to SalMar's Head of IR Håkon Husby.

Fish

Good fish welfare is the foundation of SalMar's business. We work systematically to create an environment in which the salmon thrives and remains healthy.

Environment and technology

SalMar believes in preserving the seas for future generations. We minimise our footprint with measures and routines throughout the entire value chain.

People and society

SalMar acts as a responsible corporate citizen. We believe in creating local value and safe workplaces, and support the local communities where we operate.

Our principles

SalMar's facilities are situated in rural areas along the coast of Norway and Iceland, with clean water and good natural conditions for the salmon. Large and small coastal communities are important bases for SalMar's workforce and operations. The Group is conscious of the benefits it derives from the communities and environment along the coast. This recognition underpins SalMar's systematic efforts to fulfil its responsibilities as an employer, producer, supplier of healthy food, user of the natural environment and administrator of financial and intellectual capital.

Producing salmon under optimal environmental conditions is crucial for the fish's health and welfare. To protect the environment and facilitate long-term operations, extensive monitoring and R&D activities are undertaken. Every part of the operation is risk assessed in terms of sustainability, and appropriate measures are set out in procedures and instructions. To monitor compliance with the guidelines that have been drawn up for sound operations, measurements are taken and internal audits performed.

Leadership of SalMar's sustainability endeavours

The Group's CEO is ultimately responsible for SalMar's environmental footprint and for its efforts to increase its sustainability. SalMar has dedicated quality departments, which monitor and assess the work being done within this area. However, the activity is coordinated by management teams within the segments Fish Farming, and Processing and Sales with the support of qualified professionals. Systematic risk and opportunity assessments are carried out at the overarching level and in all departments to ensure that SalMar as a group takes a precautionary approach and is able to implement necessary measures. This also includes climate-related risk. The same applies to the Group's subsidiaries where SalMar's presence on the Board of Directors ensures that this is taken into account.

Management of each department is responsible for ensuring that monitoring activities are performed and reported, and the quality managers at the various companies follow up and support departmental and operative leaders in this area. Quality managers and other quality assurance staff take an active part in regular management meetings at all levels in these companies. Quality, safety, fish welfare and the environment/climate are regular issues discussed at these meetings.

Dialogue with stakeholders

SalMar has a number of different stakeholders, and is keen to maintain a good dialogue with all of them, for example, through face-to-face meetings, the media, interim and annual reports, stock market notices, GRI reports, adverts, R&D projects and our website www.salmar.no. Dialogue with stakeholders takes place both locally and at the corporate level. Understanding that we can only succeed if we work together and treat each other with candour and respect is an explicit part of SalMar's principles for all dialogue.

The stakeholders to be included in SalMar's future sustainability reporting efforts are determined by the extent of their influence over the organisation. We aim to engage our stakeholders in an effective manner, while ensuring that they experience their contact with SalMar as providing added value. Important steps in the process include winning acceptance for the issues selected, illuminating different perspectives with regard to impact, identifying challenges, accumulating external impressions and sharing knowledge.

The identification of stakeholders with whom SalMar will engage in dialogue results from several processes:

- Public authorities which administer the public interest in the area and grant licences to operate.
- Selection and approval of suppliers and engagement with local stakeholders and in R&D activities is determined by management teams in the various parts of the company.
- Identification of the NGOs with which SalMar will have direct contact is determined by Group Management.

The table below shows the various stakeholder groups that are included in SalMar's analyses.

SalMar's stakeholders			
Internal influence	Business associates	Customer groups	External influence
Employees	Partners	External customers	Government / regulatory authorities
Shareholders/investors	Suppliers	New customers	Industry associations
Board and Group Management	Service providers	International customers	Discussion partners
	R&D partners	National customers	NGOs
			Research establishments
			Local communities
			Media

Open and transparent reporting

Open and transparent reporting of our performance increases our stakeholders' trust in us. In 2020, we continued our efforts to report through a greater variety of channels. In furtherance of this, SalMar has also chosen to commission third-party verification of its sustainability KPIs and reporting in accordance with the Global Reporting Initiative (GRI). The table below shows the various ways SalMar reports on sustainability-related matters.

Reporting method	Comment
Annual report	Integrated report combining sustainability reporting with financial reporting.
Quarterly reports	Quarterly update of financial and operational results.
CDP report	Reporting of strategy, climate and energy accounts, with associated initiatives and improvements. SalMar reported to the CPD in 2019, and will do so again for 2020.
ASC reports	Audit reports from our ASC-certified sites are available on our website or at www.asc-aqua.org.
Green licences	A separate annual report is published on SalMar's experience and evaluation of its operations under green licences. This is available on our website.
www.salmar.no	Our website is updated regularly. Here you will find relevant information.

Materiality assessment

For SalMar, it is important to continue focusing on those areas where our operations have the greatest potential to affect fish, the environment or people. In connection with our 2020 report, we have elected to update our materiality assessment to reflect not only what is important for us as a company, but what is also important for our stakeholders.

The aspects identified as material underpin what we cover in this report. The colours indicate the part of the report in which the aspect is described in more detail.

Significance for stakeholders	Significance for SalMar: Important	Significance for SalMar: Material
Material	Interaction with wildlife Recycling and waste management	Fish welfare GHG emissions Site environment status Fish escapes Salmon lice Sustainable feed Safe and healthy food Safe and secure workplaces Human rights Regulatory compliance
Important	Collaboration with others Equality	Degree of secondary processing Local value creation Research & development

People and society · Fish · Environment and technology

SalMar supports the UN's 17 Sustainable Development Goals

In everything we do, our actions and initiatives support one or more of the UN's 17 Sustainable Development Goals (SDG). Nevertheless, we wish to focus on the entirety of our operations, since we believe that this explains our efforts better than individual SDGs seen in isolation. Some SDGs are nevertheless clearly more relevant than others as focus areas where the Group can make the greatest contribution.

2 Zero hunger and 3 Good health and well-being

SalMar shall contribute with sustainable food. Salmon is a healthy source of protein, an important source of omega-3 and a good source of vitamins and minerals. By exploiting the potential of the sea, we also contribute to security of food supply.

12 Responsible consumption and production

Sustainable and efficient exploitation of our natural resources is a precondition for our operations. We will contribute to responsible production by reducing our consumption of resources and minimising food waste.

13 Climate action

Food production accounts for a large part of the world's greenhouse gas emissions. Salmon has a low carbon and water footprint compared with other sources of protein. We will contribute to further reductions in our supply chain's carbon footprint. SalMar will take its share of the responsibility by ensuring that climate considerations become an integral part of our strategy and planning processes.

14 Life below water

We will utilize the sea areas we operate in a sustainable manner. We will contribute to the reduction of marine garbage and discharges, both by reducing and handling our own waste properly, but also through our engagement in all the local coastal communities of which we are a part of.

Fish

A "Passion for Salmon" is the foundation of SalMar's entire business. Our goal is to produce sustainable and healthy protein for a steadily growing global population. And we will do so with the salmon in focus.

Sustainable salmon farming therefore takes place on the fish's terms. This means that the salmon must come first in all aspects of our work.

SalMar is working systematically on initiatives and procedures relating to fish welfare. At the same time, we know that every single decision we make relating to the fish's health also has a financial, social and environmental impact throughout the value chain. Fish welfare is a good example of SalMar's holistic thinking, and shows why sustainable aquaculture must always begin with the salmon.

Our KPIs

			SalMar			Icelandic Salmon		
		Target	2020	2019	2018	2020	2019	2018
Survival	12-month rolling survival rate[1]	>97%	95.6%	95.3%	94.1%	90.5%	91.2%	
Antibiotics	Grams of active pharmaceutical ingredient (API) / tonne produced	0	0	0.07	0.05	0	0	
Lice	No. observations over the lice limit	0%	2.2%	3.3%	0.3%	NA	NA	
Interaction with wildlife	Birds – Accidental mortality	0	0.51	0.65	0.45	0.71	0.67	
	Birds – Euthanised	0	0.07	0	0	0.29	0	
	Marine mammals – Accidental mortality	0	0.01	0	0	0	0	
	Marine mammals – Euthanised	0	0	0	0	0	0	
Fish escapes	No. of incidents	0	11	6	7	0	1	
	No. of escaped fish	0	9,135[2]	5,907	15,903	0	185,885[3]	
Feed	Certification of marine ingredients in fish feed[4]	100%	99%	99%	99%	99%		
	Certification of soya ingredients in fish feed[5]	100%	100%	100%	100%	100%		
	FFDR (Fish meal)[6]	<1.2	0.49	0.41	0.51	0.63		
	FFDR (Fish oil)[6]	<2.52	1.68	2.24	1.66	1.98		
	Economic feed conversion ratio	< 1.13	1.16	1.19	1.18	1.43		
Certification	Share of active sites certified[7]	100%	100%	100%	100%	86%	100%	

1 12-month rolling mortality measured in accordance with the Global Salmon Initiative's methodology.
2 Final figures for one incident not yet available. Only incidents whose final figures are known are presented.
3 The incident occurred at the hatchery in Bæjarvik, where fry weighing approx. 2 g escaped.
4 Fish meal, certified in accordance with Marintrust, MSC or equivalent.
5 Certified in accordance with Proterra RS or equivalent.
6 Target in accordance with ASC certification requirements.
7 Sites certified in accordance with GlobalGap, Debio or ASC.

Fish welfare

SalMar's endeavours in the area of fish welfare build on the "Five Freedoms of Animal Welfare". Good fish welfare requires systematic efforts to ensure that the fish's welfare is safeguarded by providing them with optimal conditions throughout their lifecycle.

How we promote fish welfare

- SalMar has dedicated fish health personnel, who work locally, regionally and at the corporate level.
- Systematic efforts at the generational level and down to each individual batch of fish, with specifically tailored actions taken.
- Close follow-up and monitoring of fish welfare indicators.
- Use of sites affording optimal biological conditions.
- All smolt are vaccinated before being transferred to sea farms.
- Systematic efforts with regard to smolt quality at our hatcheries, through a focus on stable supplies of good quality water, a good tank environment for the fish, optimal oxygenation, good sorting and vaccination procedures, temperature control and general fish health.
- All delousing treatments are carried out by a dedicated team, with a risk assessment performed before each operation.
- Strict routines for transport between different zones and sites to prevent the spread of disease.
- Access to plentiful instant harvesting capacity at plants located near our sea farms, with associated plentiful wellboat capacity.
- Continuous improvement through employee training and R&D.

We strive to increase our fish's survival rate

In our opinion, the best indicator of fish welfare is their rate of survival from the time they are transferred to our sea farms until they are harvested. In this sustainability report, we use a 12-month rolling survival rate, measured in absolute numbers, in accordance with the Global Salmon Initiative's methodology.

Over the past two years, we have achieved a 95 per cent survival rate in Norway. As part of our endeavours to constantly improve, we have therefore raised our target survival rate in Norway to 97 per cent. Our previous target was 95 per cent. Our target in Iceland will remain at 95 per cent.

SalMar achieved a higher survival rate in Norway in 2020, but a somewhat lower rate in Iceland as a result of winter ulcers at the start of the year.

We know that smolt quality, infectious diseases and fish handling are the primary causes of mortality. In 2020, we made progress in our efforts to improve smolt quality and fish handling in connection with delousing treatments. We recognise that we still need to work on our management of diseases such as PD, HSMI and CMS, as well as gill health.

We prevent antibiotic resistance

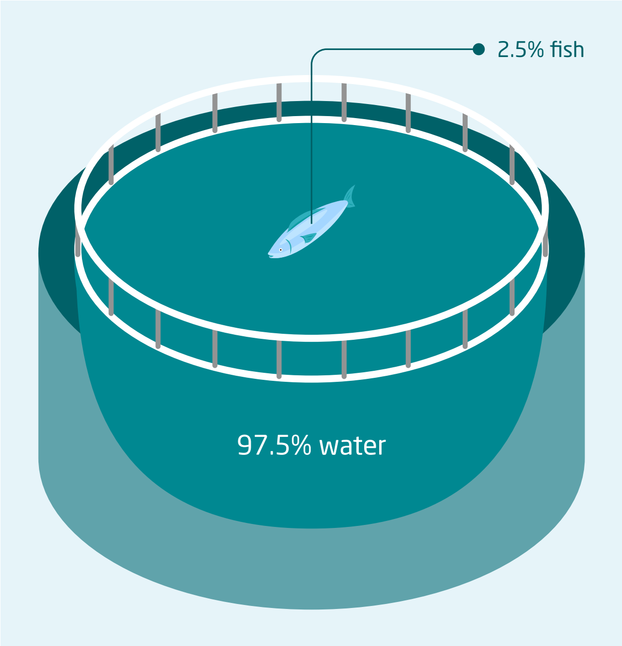
In 2020, no antibiotics were used at SalMar's fish farms in Norway or Iceland. This demonstrates that the trend towards extremely little or no use of antibiotics is continuing.

Important steps to keep down the use of antibiotics include the vaccination of fish, ensuring good day-to-day fish welfare and upholding the zoning boundaries between generations of fish to minimise the spread of bacterial infection.

Resistance to antibiotics is a growing problem worldwide. To prevent the development of resistance it is important that all food producers do what they can to keep the use of antibiotics as low as possible. The Norwegian monitoring programme for antibiotic resistance (NORM-VET[1]) concludes once again that the use of antibiotics in the production of Norwegian salmon is extremely low.

The fish have plenty of space

Maximum density is 25 kg/m^3 (2.5%) for conventional salmon and 10 kg/m^3 (1%) for organic salmon



1 Source: https://www.vetinst.no/overvaking/antibiotikaresistens-norm-vet

We keep the number of salmon lice down

Salmon lice are a natural seawater parasite. As a fish farmer, it is our task to make sure that the salmon can coexist with the lice. Salmon lice can impair the quality of the salmon's flesh and can, in the worst cases, lead to disease and death. We therefore work preventively to keep lice numbers down, and implement treatment regimes that are gentle on the fish and the wider environment.

Our goal of keeping within the thresholds laid down in the Norwegian Salmon Lice Regulations remains unchanged. In 2020, SalMar has worked systematically to keep control of salmon lice at our sites. On average, salmon lice numbers were slightly lower in 2020 than in 2019.

Our production licences in Norway stipulate a maximum permitted number of lice. As a rule, the number is capped at 0.5 adult female lice per fish. However, for certain types of licence and in certain areas, the lice threshold is 0.2. All fish farmers report lice numbers to the authorities weekly using the government's online portal Altinn. The updated status is freely available at barentswatch.no.

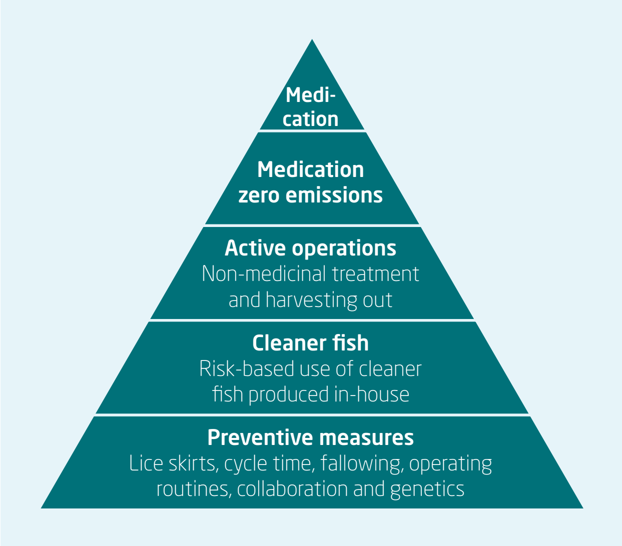
In 2020, 2.2 per cent of SalMar's observations showed numbers exceeded the lice threshold. Because there is no such lice threshold in Iceland, these sites have been omitted from the graph.

The main strategy for reducing the number of treatments is through preventive measures, such as lice skirts, reduced cycle time and fallowing, as well as risk-based use of cleaner fish produced in-house. In addition, SalMar has established its own internal capacity for non-medicinal delousing. The number of net-pen treatments increased in 2020 as a result of an increase in lice numbers, although we are pleased to note that the mortality associated with delousing treatments was materially lower.

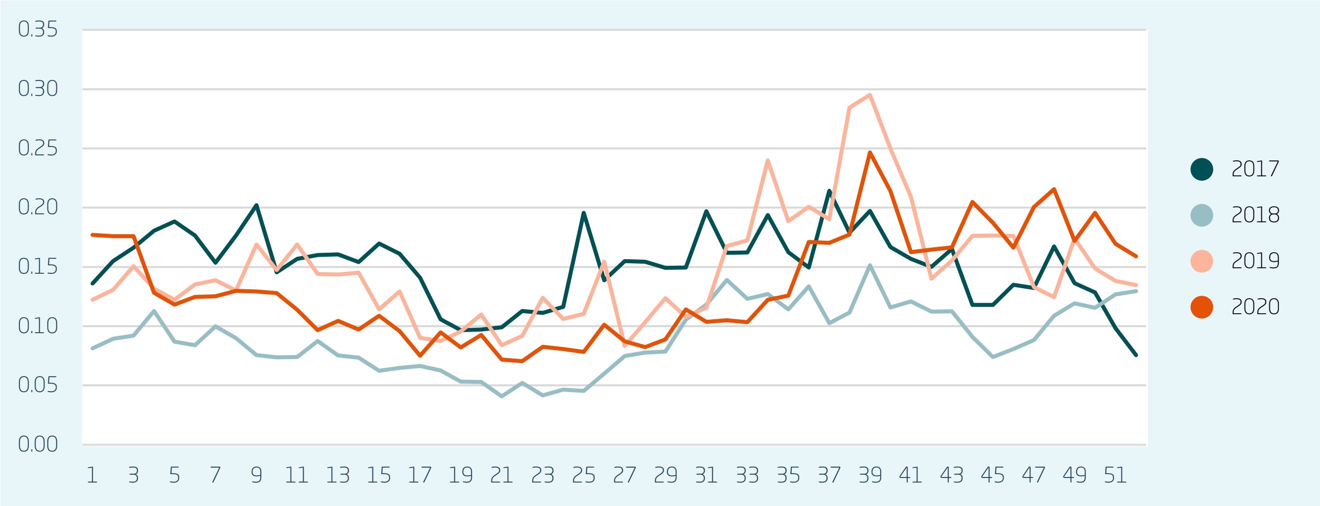
We are working systematically to reduce the mortality rate. This includes tightening up our risk assessments before and during treatment, and performing evaluations after treatment has been completed. Fish welfare is our main focus, and new tools are being developed to improve these work processes.

Efforts to improve our technical equipment to make it gentler and to develop effective tools (indicators) that can help us better predict the status of the fish's welfare, were ongoing in 2020, and will continue in 2021.

Visualisation of SalMar's anti-lice strategy



Average no. of adult female lice per week at SalMar



We prevent and limit fish escapes

SalMar has a zero-vision with respect to fish escapes, and takes all such incidents extremely seriously. In 2020, SalMar had 11 reported incidents in Norway and none in Iceland. Five of the reported incidents related to the escape of less than ten fish, while in three of these cases only one fish escaped. This shows that SalMar reports all incidents, irrespective of their scale. A total of 9,135 fish escaped from our facilities in Norway, which corresponds to less than 0.02 per cent of all the fish SalMar has at its sea farms.

The authorities were informed of the incidents at an early stage and non-conformance analyses have been performed. Relevant remedial measures were then implemented. SalMar continues to strive every day to prevent fish from escaping. This means focusing on day-to-day routines for monitoring and checking the technical equipment, as well as procedures for operations involving the handling of fish. In addition, we continue to collaborate with suppliers and research environments on the development of more secure equipment.

SalMar notes that damage to net pens was involved in several escape incidents. For the past two years, we have therefore been working with our net pen supplier to test several different types of pen. The objective is to find a type that provides better protection against fish escapes than the one used today. We believe that we have found a pen type that is more escape-proof, while also providing additional environmental benefits. SalMar has therefore embarked on an aggressive programme of investment to reduce the number of incidents relating to its net pens, despite the fact that our current pens are certified and subject to strict control routines. Over NOK 75 million will be spent on the purchase of new net pens in 2021.

Together with the aquaculture sector, the supply industry, the Norwegian Directorate of Fisheries and Standards Norway, SalMar has revised the technical standard for floating aquaculture facilities. The revised standard is currently being circulated for comment, and will go into effect by the end of 2021. Once in force, it will help make the facilities even more capable of preventing fish escapes.

Partnership for wild salmon

SalMar cares about wild salmon, too. And we are keen to ensure that aquaculture can coexist with those who make their living from wild salmon fishing in those areas in which we operate. SalMar is engaged in numerous projects whose objective is to monitor the situation for wild salmon, and record and trace any escaped farmed salmon.

Over several years, SalMar has been a partner in the Rivers around Trondheimsfjord (ERT) project.[1] Scale samples from all fish caught in the rivers are sent for analysis to the Norwegian Veterinary Institute, to determine whether there are farmed salmon in the wild breeding population. The project results show that a low level of farmed fish (0.4 per cent in 2019) has been found in the rivers examined.

In Troms, we are participating in the Wild Salmon Industry Collaboration Project. The project covers the following rivers and watercourses: Brøstadelva, Tennelva, Ånderelva, Grasmyrvassdraget and Salangsvassdraget. The purpose of the project is to monitor the status of the rivers and implement measures to increase the number of wild salmon in them. In addition, we work closely with Laukhelle Lakselv in Senja with respect to monitoring and emergency preparedness. The same applies to Målselv.

With regard to advice and practical initiatives relating to wild salmon, we also work closely with NINA, Ferskvannsbiologen and Skandinavisk Miljøundersøkelser AS.

1 The project: "Elvene Rundt Trondheimsfjorden og SalMar ASA". www.vetinst.no

Along with the Norwegian Seafood Federation and other industry players, SalMar is also running a project relating to the tracing of escaped farmed salmon. This will be achieved through a combination of geoelement markers (traces in fish scales) and DNA (tracing of the parent fish's DNA). This will make it possible to trace escaped farmed fish back to their owner. Efforts to achieve this capability have been underway for several years.

OURO[2] is a joint industry initiative which was set up in 2015 in response to statutory regulations requiring action to reduce the genetic impact of farmed salmon on wild fish stocks by culling all escaped farmed salmon in rivers in which their numbers are unacceptably high. The OURO initiative's activities are funded by the aquaculture industry.

We impact wildlife as little as possible

For SalMar, it is extremely important to have as little impact on wildlife as possible, and we are working actively to prevent this. However, our presence will sometimes affect other animals. In 2020, we experienced a small number of incidents in Norway, and slightly more in Iceland.

We seek to use equipment at our sites that minimises the risk of harm to wildlife. We will continue working to reduce the number of such incidents in 2021.

2 http://utfisking.no

Sustainable feed

Fish feed must have the correct nutritional content, consistency and taste. But for SalMar, it is equally important that the feed is gentle on the environment. We require our feed suppliers to ensure that the ingredients they use are certified, so we can confidently sell a product that has been sustainably produced. This means that the feed ingredients are not genetically modified, have not been produced in areas threatened by deforestation and do not depend on endangered fish stocks.

SalMar uses an all-round feed that optimises production and promotes good fish health. In other words, a high-value salmon feed that ensures good growth, a low feed factor and meets the fishes' nutritional needs. In 2020, around 220,000 tonnes of dry feed pellets were used in SalMar's salmon farming operations in Norway, and 17,000 tonnes in Iceland.

In addition to monitoring their ingredients, SalMar also checks the nutritional value of the feedstuffs used at its hatcheries and sea farms. This is verified through their fat, protein, phosphorous and fibre content. SalMar performs routine controls on the feeds' physical quality on receipt to identify non-conformances.

How we safeguard our fish feed

- All fish feed used by SalMar is certified.
- All the fish feed used is deforestation-free, not genetically modified and not dependant on endangered fish stocks.
- SalMar has dedicated personnel who work with fish feed and its nutritional content.
- Continuous improvement through employee training and R&D.
- SalMar has chosen to maintain a strategic partnership with our main feed suppliers (Cargill Aqua Nutrition Norge and Skretting), with whom we work to include sustainable ingredients in the feed we use.
- SalMar is involved in several R&D projects investigating the use of novel feed ingredients, such as algae, insect meal, kelp and salmon oil.

We use certified ingredients

Marine ingredients currently make up approx. 20–30 per cent of the fish feed. SalMar requires all its feed suppliers to purchase marine ingredients that are certified in accordance with the Marine Trust, MSC, or equivalent. This is to ensure that the fish stocks from which they are drawn are sustainable. In 2020, 99 per cent of the marine ingredients used by our main fish feed suppliers came from certified fish stocks.

Vegetable raw materials have become an important ingredient in fish feed. Vegetable-based proteins currently make up 35–45 per cent of the feed. At SalMar, we require our feed suppliers to purchase soya from sustainable sources that are certified in accordance with ProTerra, RTRS or an equivalent environmental standard. This means that the soya is not farmed in areas threatened with deforestation, and has not been genetically modified.

In 2020, our main feed suppliers used only ProTerra-certified soya. This is the strictest certification scheme used to promote the sustainable farming of soya.

We ensure low dependence on wild fish stocks

As a measure of feed sustainability, we use the Fish Forage Dependency Ratio (FFDR). This quantifies our dependence on wild fish stocks as raw materials in our feed. This is done by assessing the volume of live fish from small pelagic fisheries that is required to make the amount of fish meal or fish oil needed to produce one unit of farmed salmon. The lower the FFDR we can achieve, the more salmon we can produce on the basis of a globally limited supply of marine raw materials.

According to the ASC standard, feed is deemed to be sustainable if its FFDR (fish meal) is <1.2 and its FFDR (fish oil) is <2.52. In 2020, SalMar's Norwegian and Icelandic operations both achieved values are below this level.

By volume, the largest sources of marine ingredients in the feed produced by our main suppliers were herring and white-fish offcuts, blue whiting, bony fish and anchovy. See the feed suppliers' own sustainability reports for further details.

We ensure efficient feed utilisation

The nutritional value, consistency and taste of the feed are important. Equally important, however, is correct dosing to ensure that the feed is utilised as effectively as possible and keeps the fish healthy.

Effective feed utilisation is one of the key performance indicators that we follow up all the time. The benefits achieved through correct feeding include optimal growth, a low feed conversion ratio, reduced emissions into the environment, good fish welfare, increased resistance to disease, low mortality, less size variations, increased yield at harvest and better-quality fish.

For this reason, the feed conversion ratio is one of the most important KPIs in our sustainability efforts. For the fist time ever, SalMar is reporting its targets and results with respect to this KPI. In 2020, SalMar performed better than in previous years.

Feeding is tailored to the fish's appetite in each individual net pen. It is monitored using underwater CCTV cameras, up-to-date technology that shows where in the water column the fish are located, and weight checks. In this way, optimal feeding is achieved. In 2020, we continued to focus on the developing of feeding centres that remotely control the feeding of our fish stocks. By bringing skilled staff together in one place, we are further developing the "control room" and facilitating the implementation of new routines and continuous learning.

In 2020, we worked to optimise feeding at our production sites. We have continued to focus on optimising feeding during the fish's first 12 weeks at sea, and providing the greatest amount of feed availability during this period. This is important to raise a healthy and robust fish. In 2020, we continued our focus on feeding centres. By the close of the year, we had four such feeding centres each remotely feeding several sites from their control rooms. Our feeding centres are located at Finnsnes, Fosen and Smøla in Norway, with an additional one in Iceland.

The remote feeding scheme has increased our focus on feeding and is considered a good environmental measure in terms of providing strong growth, a fast turnover and effective MAB and site utilisation. It also provides opportunities for increased focus on the competence of those employees who perform one of the most important core tasks at SalMar. Facilitating their access to real-time data and customising optimal reporting and support tools are areas the company is continuing to work on. In partnership with Telenor, we boosted our data transfer capacity through the installation of 5G at several of our sites in 2020.

Safe and healthy food

SalMar produces healthy food, which is easy to prepare and tastes delicious. SalMar's products are based on first-class, sustainable raw materials, and their quality is maintained through the whole value chain until the salmon reaches the customer.

It is our responsibility to ensure our customers feel safe when they eat salmon from SalMar and know that it has a healthy nutritional content. For this reason, we are certified in accordance with the strictest requirements and guidelines for sustainable aquaculture, including the Aquaculture Stewardship Council (ASC) and Debio.

How we provide safe and healthy food to all our customers

- Local processing makes it possible for SalMar to offer a wide range of first-class, fresh, frozen and organic salmon products.
- We ensure good fish welfare and the correct nutritional content in the fish feed we use, which provides healthy food for human consumption.
- Our value chain is certified from roe to plate.
- Thorough training at all levels and training in routines and procedures are important to maintain the high quality of SalMar's products.
- We perform regular internal audits, and welcome audits and inspections by the regulatory authorities, certification agencies and customers.

SalMar's whole value chain is certified from roe to plate

We aim to operate in an honest, proper and trustworthy manner, and take pride in showing off what we do. We have therefore certified our operations in accordance with the strictest requirements and guidelines. Compliance with such third-party standards, as well as those set by our customers, is verified through the follow-up of our operations. This is in addition to the follow-up undertaken by government and regulatory authorities.

Global G.A.P.	Debio	ASC	Kosher	BRC	IFS	MSC
Whole value chain			Harvesting/processing			Sales

All our sea farms in Norway are certified in accordance with Global G.A.P., ASC or Debio. SalMar's goal is for all its sea farms to be either ASC or Debio-certified by 2025. In 2020, 48 per cent of our sites in Norway and 86 per cent of our sites in Iceland were ASC-certified.

The Aquaculture Stewardship Council (ASC) is an independent, international non-profit organisation, which established the world's most stringent sustainability standard in June 2012. The mission of the ASC Standard is to bring aquaculture one step closer to the sustainable, environmentally and socially responsible production of salmon. This is achieved through effective market mechanisms that create value along the entire value chain. By choosing ASC-certified salmon, consumers can be assured that they are buying salmon from a responsible farmer.

With more than 400 auditing criteria within seven main categories, the ASC Standard is difficult to reach and to retain. It demands substantial resources with respect to documentation and reporting, before, during and after certification. Furthermore, SalMar has been certified in accordance with the ASC's Chain of Custody scheme.

Openness regarding our performance is a key aspect of the standard. Further details can be found on our website www.salmar.no, and the ASC's website www.asc-aqua.org.

Salmon is a healthy and delicious food

Salmon contains a number of nutrients which make it an important part of a balanced diet. Salmon is a healthy and delicious food. It is one of the most rigorously investigated foodstuffs, and is perfectly safe to eat.

The World Health Organisation (WHO) has published a detailed report on both the risks and benefits of eating salmon. The report concludes that eating oily fish, like salmon, reduces the risk of cardiovascular disease. It is the products' fat composition, with a high content of the omega-3 fatty acids EPA and DHA, but also vitamin D, Selenium and easily digestible proteins, which contribute to this health benefit. The report warns of higher mortality rates if too little seafood is eaten. The biggest challenge with respect to seafood consumption remains the fact that people in general eat too little of the important nutrients provided by fish. One salmon meal a week (150g) has proved sufficient to cover the body's recommended intake of the healthy fatty acids EPA/DHA.

The Norwegian Scientific Committee for Food Safety (VKM) makes recommendations to the Norwegian Food Safety Authority. The VKM has concluded that it is well documented that oily fish protects against cardiovascular disease, and has a positive impact on the neural development of babies, both before and after birth. The positive effects of eating seafood far outweigh any potentially negative impact.

When you buy salmon from SalMar, you can be sure it is safe to eat

SalMar's production is subject to Norwegian and Icelandic regulations for food production, and our facilities are regularly inspected by the Norwegian Food Safety Authority (NFSA). In addition, the Group has its own sampling programme, under which feed and finished products are analysed and tested for a number of factors. The NFSA's monitoring, performed by the National Institute of Nutrition and Seafood Research (NIFES), shows very little foreign matter in farmed fish, and no samples were found to exceed threshold values in the most recently published reports. For further details regarding the nutritional content and status with respect to contaminants, etc, in Norwegian seafood, please visit the Seafood Data section on NIFES's website[1] or search the Food Composition Table[2].

SalMar produces healthy and tasty foods that are easy to prepare. SalMar's products are based on first-class raw materials, and the quality is maintained right through the value chain until the salmon reaches the consumer. Thorough training at all levels with regard to procedures is important to maintain the high quality of SalMar's products. Production is organised such that the demands of different standards and customers are met. We perform regular internal audits, and welcome the public authorities, certification agencies and customers to carry out external audits and inspections. Food safety and the regulations relating thereto are taken extremely seriously.

In 2020, there were no violations of the regulations governing food safety.

SalMar has defined routines for the follow-up of customer complaints, and the Group has informed its customers of how they should proceed if a product they have bought does not meet their expectations. All products can be traced back through the whole value chain, and a well-trained team is on hand to deal with any complaints from consumers. The complaints handling process is documented in a dedicated module in our quality system, and provides managers with an overview of the current status.

1 https://sjomatdata.hi.no/#search/
2 www.matvaretabellen.no

Pre-rigor filet

SalMar supplies both fresh and frozen pre-rigor fillets. SalMar's focus on pre-rigor filleting is an important strategy with respect to energy consumption, transport-related emissions, 100 per cent exploitation of the raw material and the creation of local jobs.

Pre-rigor filleting means that the fish is harvested and filleted the same day, before the fish goes into rigor mortis. This processing enables delivery to the market 2–6 days earlier than has been the norm. This way of handling fish has a number of advantages:

- Fresher fish to the customer
- Firmer muscle texture, better colour, less gaping and lower drip loss
- Longer shelf-life in the market
- No need to store and mature the fish before filleting and boning

Sashimi quality

Since 2011, SalMar has produced finely sliced, sashimi-quality fish. Every single salmon is handpicked, and only the best boneless pieces of salmon are used. After slicing, the fillets are packed within 1–4 hours to ensure maximum freshness and taste.

The objective is to offer a salmon product that maintains the same quality and taste as it had on the day it was caught right up until its use-by date. To maintain this level of quality, a unique packing, transport and refrigeration process is used. Our sashimi-quality products are transported in recycled cardboard boxes that are chilled using dry ice, which ensures optimal temperature control.

Organic salmon

SalMar is the world's largest producer of organically farmed salmon. Organic salmon is supplied all year round, and production is vertically integrated from the broodfish and roe down to the finished processed products. To be defined as organic, it must have been produced in compliance with the EU's directives and be approved by Debio. Local processing means that we can deliver a wide variety of first-class fresh and frozen organic salmon products. SalMar supplies both pre- and post-rigor organic salmon. A high content of marine oils means that this salmon is an exceptionally good source of EPA and DHA.

Environment & technology

SalMar's fundamental principle is to have a minimal footprint in the areas we operate. Although food production in general accounts for a large proportion of global greenhouse gas emissions, the farming of salmon is one of the most environment-friendly ways of producing food. It is SalMar's intention to be at the forefront in the development of a more sustainable aquaculture industry.

This means protecting the seas, reducing energy consumption and minimising greenhouse gas emissions from our operations. By using new technologies and innovations, we are constantly striving to minimise our biological footprint, in a way that allows us to produce as much salmon as possible on the salmon's terms.

Salmon is one of the most sustainable sources of animal protein. This is due to low carbon emissions, low water consumption and a small space requirement. Nevertheless, there is a lot we do not know today, which we may know tomorrow. New knowledge is the key to protecting natural resources for future generations, while still producing enough food for a growing global population. SalMar is working systematically to drive this development forward.

Our KPIs

			SalMar			Icelandic Salmon		
		Target	2020	2019	2018	2020	2019	2018
Greenhouse gas (GHG) emissions	Scope 1 + 2 (GHG tCO_2e)	35% reduction from 2018 to 2030[1]	16,306	15,141	16,173	392	1,549	
	Intensity Scope 1+2 ($kgCO_2e$/tonne produced)		87	90	96	29	113	
	Scope 3 (GHG tCO_2e)[2]	35% reduction from 2020 to 2030[1]	619,805	11,919	17,159	47,005	958	
	Intensity Scope 1+2+3 ($kgCO_2e$/tonne produced)[1]		3,382	161	197	3,488	182	
Onshore electrical power	Sites supplied by onshore electrical power (hybrid/el)	100%	47%	44%	40%	0%	0%	
Secondary processing	Share of secondary processing	>42.5%	42.0%	39.3%	37.6%	NA	NA	
Site environment	MOM-B score ≤ 2	100%	93%	97%	85%	100%	NA	
Consumption of fresh water	Consumption (1,000 m^3)		38,999	39,062	36,998	5,505	5,456	
	Intensity (litres per kg produced biomass)		207	232	219	405	397	
Smolt	Share of smolt from RAS facilities	100%	86%	82%	73%	NA	NA	

1 Subject to approval by the Science Based Targets Initiative
2 Before 2020, only wellboat transport and business-related travel were reported under Scope 3, since these are areas over which SalMar had operational control. With effect from 2020, fish feed, downstream transport, waste and packaging are also included.

Greenhouse gas emissions

A lifecycle study carried out by Sintef Fisheries and Aquaculture and the Institutet för Livsmedel och Bioteknik i Sverige (SIK), has shown that salmon production is materially more climate-friendly than the production of pork or beef. The study showed that the production of 1 kg of farmed salmon contributes half as much carbon equivalents (CO_2e) as production of 1 kg of pork, and are one-seventh the amount as 1 kg of beef.[1]

The graphs give a general view of the company's greenhouse gas emissions converted into CO_2e which includes the following greenhouse gases: CO_2, CH_4, N_2O, SF_6, HFC and PFC gases. For the first time, SalMar is also reporting fully on Scope 3. Previously only those elements over which SalMar had operational control were reported here.[2] This is important because it shows SalMar's overall greenhouse gas emissions; both those over which SalMar has operational control and those lying outside our own value chain.

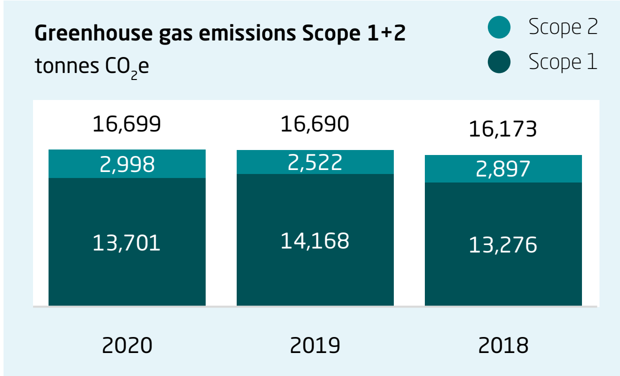
Scopes 1 and 2, areas over which SalMar has full operational control, account for a small proportion of overall emissions, just 2.4 per cent in 2020. The bulk of the emissions come from Scope 3, with feed and downstream transport representing the largest individual factors.

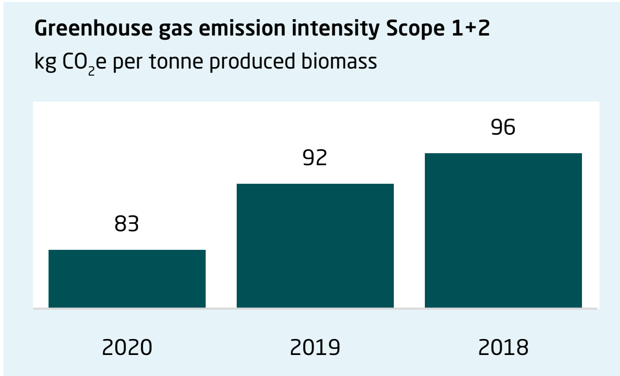
The following pages show examples of how SalMar is working along its entire value chain to reduce its greenhouse gas emissions.

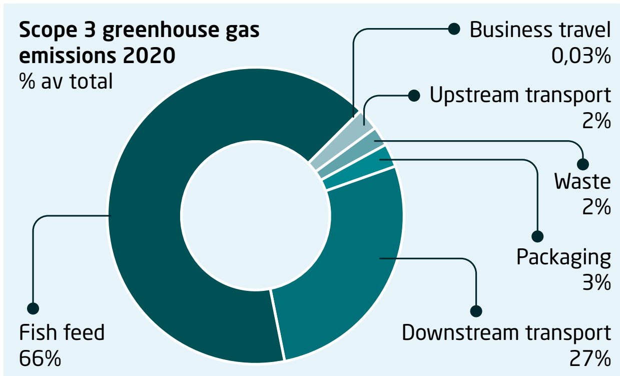
SalMar has pledged to reduce its greenhouse gas emissions

At the start of 2021, SalMar pledged to reduce its greenhouse gas emissions in accordance with the Science Based Targets Initiative. In this way, we ensure our emissions are reduced in accordance with global climate targets and at least within the "well below 2°C" scenario. This means a reduction of at least 35 per cent in our greenhouse gas emissions by 2030. An application to the Science Based Targets Initiative will be sent in 2021 for final approval.

Since 2018, our climate intensity from Scopes 1 and 2 in Norway has decreased by 9.4 per cent, while overall emissions increased by 0.8 per cent. This shows that despite an 11.3 per cent increase in production in the same period, we have kept our emissions steady and become more efficient.







1 Source: *Carbon footprint and energy use of Norwegian seafood products*
2 Before 2020, only wellboat transport and business-related travel were reported under Scope 3, since these are areas over which SalMar had operational control. With effect from 2020, fish feed, downstream transport, waste and packaging are also included.

Overview of energy and greenhouse gas emissions

SalMar's energy and climate balance sheet has been prepared by CEMAsys with assistance from BDO, and the analysis is based on the recognised GHG protocol[1]. Data is based on data reported from internal and external systems, where one uses different emission factors[2] for calculation of the greenhouse gas emissions.

SalMar consumed a total of 5,170,385 litres of fossil fuel (198 TJ) and 73,109 MWh of electricity (263 TJ) in Norway in 2020. In Norway, SalMar has agreements with its primary electricity provider, which guarantee that the power supplied comes from 100 per cent renewable sources. In addition, waste heat and local power sources are used by several of our facilities.

SalMar's operations in Iceland consumed 153,995 litres of fossil fuel (6 TJ) and 5,015 MWh of electricity (18 TJ) in 2020. All electricity in Iceland derives from geothermal sources. All the electricity used by SalMar's Icelandic operations is therefore from renewable sources.

	Group		SalMar							Icelandic Salmon	
	2020	2019	2020	2019	2018	2017	2016	2015	2014	2020	2019
Energy consumption (TJ)											
Direct (Scope 1) – fossil fuel	204	211	198	188	198	182	195	173	161	6	23
Indirect (Scope 2) – electricity	526	491	508	478	477	454	154	159	164	18	14
Scope 1 + 2	**730**	**703**	**706**	**666**	**674**	**636**	**349**	**333**	**325**	**24**	**37**
Greenhouse gas emissions (GHG tCO_2e)											
Direct (Scope 1) – fossil fuel	13,701	14,168	13,309	12,619	13,276	12,158	13,621	12,350	11,471	392	1,549
Indirect (Scope 2) – electricity[3]	2,998	2,522	2,998	2,522	2,897	3,019	2,399	2,835	4,137	0	0
Scope 1 + 2	16,699	16,690	16,306	15,141	16,173	15,177	16,020	15,184	15,608	392	1,549
Scope 3[4]	666,810	12,877	619,805	11,919	17,159	21,173	12,310	11,149	9,821	47,005	958
Total	**683,508**	**29,567**	**636,111**	**27,060**	**33,332**	**36,350**	**28,330**	**26,333**	**25,429**	**47,397**	**2,507**
Intensity[5]											
Energy intensity (GJ/tonnes produced)	3,6	3,9	3,8	4,0	4,0	3,9	2,7	2,1	2,0	1,8	2,7
Intensity of GHG emissions (kgCO_2e/tonne produced) – Scopes 1+2	83	92	87	90	96	92	122	98	97	29	113
Intensity of GHG emissions[20] (kgCO_2e/tonnes produced) – Scopes 1+2+3	3,390	162	3,382	161	197	220	215	169	158	3,488	182

1 The analysis is based on the international standard "A Corporate Accounting and Reporting Standard", which is developed by "the Greenhouse Gas Protocol Initiative" - GHG protocol.
2 Sources emission factors: DEFRA, IEA, IMO, Ecoinvent and information from suppliers in the value chain. The reference list is not complete, but contains the most important references to factors used by CEMAsys. In addition a range of local/national sources is relevant, dependet on which type of emission factor which is used.

3 Location based for Norway, for market based GHG emissions are 791 tonnes CO_2e in 2020. All electricity in Iceland is renewable and location based equals market based, 0 tonnes CO_2e.
4 Before 2020, only wellboat transport and business-related travel were reported under Scope 3, since these are areas over which SalMar had operational control. With effect from 2020, fish feed, downstream transport, waste and packaging are also included.
5 All intensities are calculated with tonnes produced bimass, gross growth in sea. Per tonnes produced biomass from 2017. Before 2017 per tonne live weight

We are electrifying the value chain

As part of our efforts to make the aquaculture sector more environment friendly, SalMar aims to be more energy efficient. Using electricity from onshore to power our sea farms and the electrification of the boats we use are among the areas we are actively working on. Electrifying our value chain will be the biggest contributor to a reduction in Scope 1 emissions.

In recent years, SalMar has been engaged in a project to lay power cables from onshore to several of our sea farms. A total of 31 sea farms have now been electrified in this way. In 2020, this represented 47 per cent of our active sea farms. Not only does electrification result in a significant reduction in diesel consumption, as well as fewer emissions to the environment, it also has an important occupational health impact through reduced noise from diesel generators.

Going forward, we will continue to connect additional pontoons to onshore electricity sources. At the same time, we will start using hybrid technology at sites located too far away from areas where this is feasible.

In 2016, SalMar started using the world's first fully electric aquaculture work boat. Named the *Elfrida*, the work boat is currently used at one of our sites in Møre & Romsdal County. In 2020, SalMar started using the world's first battery-hybrid wellboat, the *RoVision*.

While we will continue to put more electric and hybrid-propulsion boats into operation, we will also investigate alternative energy sources which can help to reduce our greenhouse gas emissions.

We use local energy and water resources

As part of its energy-efficiency efforts, the Group prefers to use local water-borne energy resources. We always seek to exploit such resources at our facilities.

Follafoss, our largest hatchery, uses heat exchangers to exploit the energy from the waste water produced by the cellulose plant located next door. Energy corresponding to around 20 million kWh is extracted in this way, which reduces SalMar's energy consumption. The hatchery's production water is obtained from the Follafoss Power Plant. A turbine has been installed in the supply pipe to the hatchery. As a result, up to 1.5 MW of electrical power is derived from the water supply before the water is used for fish production.

Our Kjørsvikbugen hatchery in Aure makes use of the water used to cool a methanol plant at Tjeldbergodden. Surplus heat from methanol production is used to heat SalMar's facility. This provides around 48 million kWH of energy per year.

Iceland has certain natural advantages deriving from geothermal energy sources. This is exploited by the hatcheries, which use geothermal heat exchangers to warm their intake water, thereby cutting their energy requirement.

We make effective use of our fish feed

Fish feed accounts for 66 per cent of our Scope 3 emissions. To reduce our overall greenhouse gas emissions, it is therefore crucial to increase the efficiency of our feed consumption and use novel feed ingredients in our feed.

In 2020, SalMar reduced its feed conversion ratio, which has helped to cut our greenhouse gas emissions. We are working actively to continue improving in this area. See the section on sustainable feed earlier in this report for further details.

We are cutting emissions by investing in local processing and new methods of transport

Local harvesting and processing is an important focus area for SalMar. The processing of salmon reduces both the weight and volume of the products to be transported, which cuts transport-related carbon emissions. By locating both harvesting and secondary processing in Norway, we are also contributing to local value creation and providing more employment opportunities.

In 2020, 42 per cent of our harvested volume was processed locally in Norway. This has reduced emissions by 46,000 tonnes CO_2e or 21 per cent, compared with the entire volume sent to markets as whole fish. The level of processing is greatest with respect to overseas markets, which is also where the greatest emission reductions are obtained.

Reduction in GHG emissions due to local processing

46,000
tonnes CO_2e

This clearly demonstrates that our focus on local secondary processing is an important factor in reducing greenhouse gas emissions. We will therefore expand our capacity with a new and larger facility in the time ahead. InnovaMar, our main harvesting and processing plant, is fully operational in Central Norway. The upgrading of our secondary processing plant Vikenco, in Møre & Romsdal County, was completed at the start of 2021, and InnovaNor, our new harvesting and processing plant in Northern Norway, will go into operation in the summer of 2021.

SalMar is also testing out new methods of transport to the market. We are working on several new transport projects that combine various methods of transport. New partnerships are being developed, and in the next few years the company expects to realise projects involving a combination of sea, rail and road transport. We already have a dedicated cargo ship service from Central Norway to the continent. A new cargo ship service from Iceland to North America will start up in 2021, and a separate project is underway to transport our products by rail from Northern Norway.

Site environment

Salmon thrive and grow best in their own natural habitat. At the same time, we have great respect for the fact that we use the local community's shared assets in our production. Coming generations must have the same opportunities as us to draw benefits from the sea, and SalMar has a duty to keep the sea in good condition. Our technology is therefore tailored to treat both the fish and the environment in a gentle fashion.

We protect the seas

93%

93% of our operational sites in Norway achieved the score "very good" or "good"

The seabed beneath all our sites is inspected regularly to see whether/to what extent the surroundings have been affected by our operations. We are working continuously to find the optimal locations for our farms, so that we can realise our objective of having all our operational sites with a condition designated as "very good" or "good" (MOM-B score of < 2[1]). In 2020, 93 per cent of our operational sites in Norway achieved this score, while 100 per cent of our sites in Iceland did so. All sites had a satisfactory MOM-B score prior to the transfer of new fish stocks.

In 2020, we have engaged in the relocation of certain sea farms, and we have established new ones. At the same time, we have continued working to develop methods to enable us to assess how to use our sites optimally.

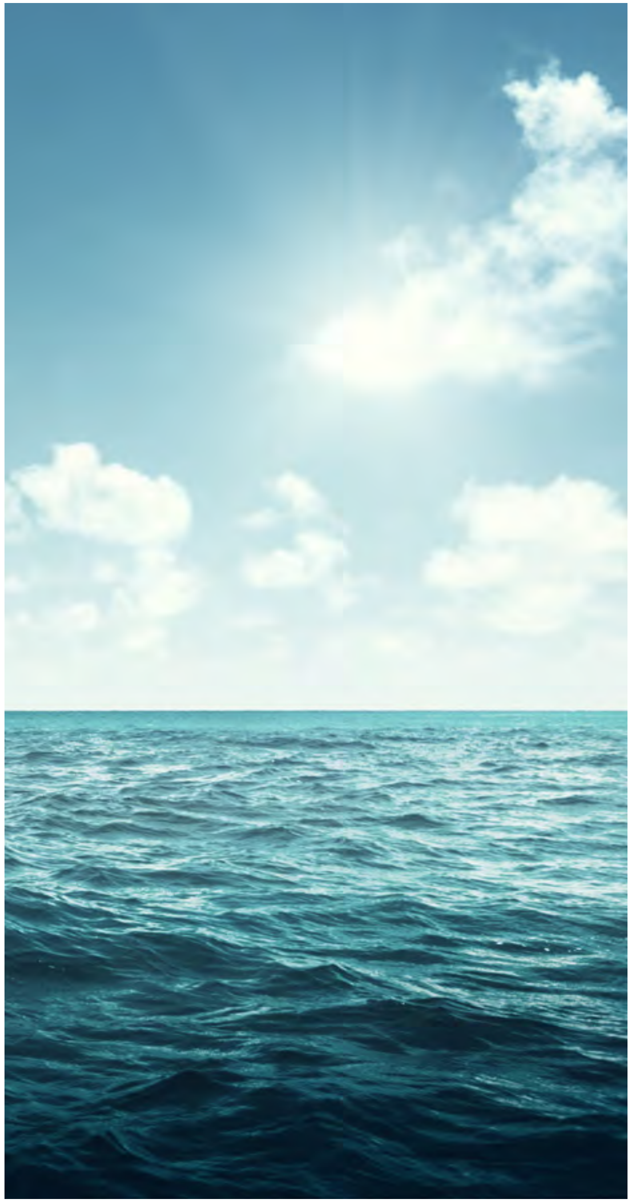
Together with the Norwegian Seafood Federation (Sjømat Norge), other fish farmers and research institutions, SalMar monitors large areas to see whether fish farming operations are having a regional impact. The latest Risk Assessment of Norwegian Aquaculture (2020) published by Institute of Marine Research[2] states that the risk of eutrophication deriving from emissions of nutrient salts is considered low in all production areas in Norway, and the risk of environmental impact on the seabed as a result of particulate organic emissions from fish farms is considered low at sites with a soft seabed and moderate at sites with a mixed or hard seabed.

SalMar has also decided not to use copper impregnation on our net-pens. The majority of net-pens are already not impregnated with copper, and all new net-pens will be copper-free.

We make use of new areas and new technologies

SalMar wishes to make use of the open ocean for food production. For this reason, we have developed the world's first offshore fish farm, in collaboration with partners in the aquaculture, offshore oil & gas industry, and relevant research establishments. In connection with our pilot project Ocean Farm 1, new and innovative equipment technology has been developed, which will benefit the entire aquaculture sector. Offshore fish farming moves the salmon out to its natural habitat, which lets us operate on the salmon's terms to a greater extent than today. See the separate section in the annual report for further details.

At the start of 2021, our first closed-containment production unit went into operation in Møre & Romsdal County. This is a new closed-containment unit, where water is pumped up from beneath the unit and is purified before being discharged back into the sea. This increases biosecurity and helps keep control of lice numbers inside the unit. The unit will be used for post-smolt production. The fish will grow from a standard smolt size to around 800–1,000 g before being transferred to conventional open net pens. SalMar aims to obtain operating experience from this first unit, with the emphasis on both fish welfare and the environment, before deciding whether to build any more.



1 The MOM-B study complies with Norwegian Standard NS9410. We use active sites in 2020, where samples at peak production were taken. The condition is graded on a scale of 1 to 4.

2 Source: Risk Assessment of Norwegian Aquaculture 2020, www.hi.no

Fresh water consumption

Aquaculture generally has a low freshwater requirement compared with other types of food production. The fish live a large part of their lives in the sea and do not depend on supplies of fresh water. SalMar's freshwater consumption derives largely from its onshore hatcheries and its harvesting and processing plants.

We use fresh water only from low-risk areas

In large parts of the world, access to fresh water is a challenge. SalMar uses fresh water only from areas where the risk of water shortages, or the risk of poor water quality, is low. The water risk map produced by the World Resource Institute[1] provides a good overview of the water risk in various areas. All the areas in which SalMar operates are defined as low risk, both in Norway and Iceland.

We use new technology to reduce water consumption

SalMar's consumption of fresh water relates largely to its onshore hatcheries. These facilities accounted for 98 per cent of freshwater consumption in 2020. The remaining consumption comes from our harvesting and processing activities.

The transition from throughput technology to facilities based on recirculating aquaculture systems (RAS) technology is an important part of our strategy to reduce the amount of fresh water used at our hatcheries. All our more recent hatcheries have been built using RAS technology, with 97 per cent of the production water being purified and reused. This means that an RAS facility with the capacity to produce around 15 million smolt uses as little water as a standard throughput facility capable of producing approx. 1 million smolt. Water consumption is therefore 20 times less than it was previously. In 2020, around 86 per cent of the biomass transferred to sea farms in Norway had been raised in RAS facilities. Since all new capacity is built with this technology, water consumption per unit produced will continue to fall in future.

86%

86% of the biomass transferred to sea farms in Norway had been raised in RAS facilities

1 https://www.wri.org/aqueduct

Waste management

Waste is a resource which we must take care of and which can be reused to make new products. All SalMar departments have a waste-management plan, which stipulates the receiving facilities approved for various types of waste. Packaging and used fish farming equipment, such as collars, nets and mooring devices are delivered to undertakings that reuse the materials.

We help to reduce marine pollution

Pollution of the seas, and plastic pollution in particular, is a major environmental problem. SalMar recognises this and wishes to help reduce the amount of plastic waste polluting the oceans. It is therefore striving for further improvements in its own waste handling and reductions in any microplastic emissions from its own operations, and is engaging in general clean-up efforts along the coast. SalMar is working on several initiatives to reduce the volume of its plastic waste:

- We ensure that obsolete plastic equipment is recycled by delivering it to established return schemes and collecting other waste for delivery to municipal waste handling systems.
- We contribute to more reuse and recycling, particularly of plastic materials. This is achieved by improving the material surrounding our end products and increasing our use of reusable boxes.
- We support measures that help to increase our knowledge of the presence and consequences of microplastics and nanoplastics in the sea.
- We contribute to beach cleaning/collection of plastic waste through funding, lending boats for use during clean-up operations, as well as participating ourselves.
- We work with the Norwegian Seafood Federation and other initiatives to reduce pollution of the seas, in particular by plastic waste.

We exploit every part of the salmon

By-products (head, spine, offcuts) are exploited to the full. All offcuts from the production of fillets at SalMar's InnovaMar and Vikenco facilities are sent for further processing at Nutrimar, resulting in 100 per cent of the raw materials being utilised. From InnovaMar, the raw materials go directly to Nutrimar via a system of conveyer belts/pipes, which ensures a high degree of freshness and usable volume when processing this raw material. It also means that there is practically no need for input factors relating to its transport and handling. For more information about Nutrimar and its products, see www.nutrimar.no.

All fish that die during production are sent to companies that use them as ingredients in the feed industry.

Utilisation of sludge as a resource

SalMar's hatcheries are required to treat their waste water before its discharge and have established a variety of processes to utilise the resultant sludge as a resource.

At the Senja hatchery, an ultramodern drying facility has been installed. As a result, all the sludge produced by the facility is dried to a 95 per cent solid, which is then delivered to a third party for use in the production of soil improvement agents that can be found on sale in the retail sector.

At the Follafoss hatchery, the sludge is sedimented out to form an 18 per cent solid. The bulk of the sludge is used for biogas production. Some is still also delivered to a third party, which sanitises it by adding it to livestock manure. The resulting product is spread on fields as a soil improvement agent/fertiliser.

At Rauma Eik in Møre & Romsdal County, the sludge is delivered to a waste treatment company, which uses it in the production of compost.

Research and development

Norway's aquaculture industry has experienced fantastic growth and development. SalMar is an important contributor to the development of the industry, and gives high priority to the advancement of knowledge within its areas of operation.

The company does this through close cooperation with the public authorities, educational and research establishments, and industry bodies. The extent of SalMar's R&D activities was substantial in 2020, within a wide range of fields. Through the year, SalMar continued to focus on fish welfare and lice control. Major R&D projects have been undertaken at our processing plant, while considerable emphasis has been placed on the optimisation of feeding and the control of feeding at our sea farms. As always, we remain committed to helping the industry gain as much sector-specific knowledge as possible and ensuring that it benefits the sector as a whole.

We support research establishments and academia

SalMar's contacts with the NTNU have been growing in scope in recent years, which the company considers to be only natural. The NTNU's Taskforce Salmon Lice research programme was set up in 2020, partly at the initiative of SalMar. The taskforce is a collaborative effort between the NTNU and many aquaculture industry organisations. The objective is to take a broad look at the problems caused by salmon lice. The programme is well underway, and SalMar is participating actively in several of its subprojects. The NTNU has created five doctoral research positions, with postgraduate and undergraduate students attached to each one.

SalMar is also in close contact with the University of Tromsø (UIT), and has signed a cooperation agreement involving the sharing of experience and the initiation of joint projects. One example is the work being done to establish an endowment professorship in the field of recirculating aquaculture systems (RAS) at the UIT. This is a cooperative venture involving several industry players. We are extremely keen to support the education of tomorrow's researchers, and ensure that students gain a good insight into the aquaculture sector, so they can contribute to its further development.

In collaboration with the NTNU, SalMar ASA has endowed a professorship within the field of aquaculture cybernetics. The professorship is intended to promote cross-functional research linking the areas technical cybernetics, biology and aquaculture. It will act as a knowledge base for and link between the aquaculture industry and the academic world. In addition to SalMar, Kongsberg Maritime is an important partner in this effort. The professorship will also contribute to the recruitment of more students to the field of aquaculture, thus securing the industry's access to highly qualified technological expertise. This professorship will strengthen the NTNU's position as one of the world's leading universities for aquaculture and aquaculture technology.

Active use of R&D licences and we have several green licenses

SalMar has been actively engaged in partnerships with R&D establishments for many years. This also includes collaboration on the operation of R&D licences. The scale and professionalism relating to important development tasks has increased, and continues to increase. SalMar sees itself as a professional, but demanding partner, whose aim is to ensure that the results of any trials are as relevant as possible, and that plans and protocols take account of the practical realities of fish farming. SalMar has dedicated personnel who organise and assist research establishments in their efforts, at the same time as operational staff gain more and more experience in how best to safeguard research results under busy day-to-day operating conditions. Proximity to the research, with opportunities to influence both its planning and areas of focus are important sources of motivation for SalMar. The development of vaccines, optimisation of medication, feeding and nutrition, and technological issues relating to large-scale operations are examples of important areas for further research.

Following the Norwegian authorities' 2013/2014 round of licence allocations, SalMar has a total of 16 "green" licences. Eight of these are purchased "Green-B" licences and eight are "Green Converted" licences. The terms of the green licences set stricter limitations on the number of salmon lice and the number of medicinal delousing treatments, as well as a stronger focus on escape prevention. In connection with its green licences, SalMar has focused particularly on the use of cleaner fish, in the form of farmed lumpfish, to control sea lice levels, and the use of a more secure net-pen construction. We have also emphasised participation in a salmon surveillance project in Trøndelag's salmon rivers, in order to assist in the development of methods and expertise related to the tracking and mapping of escaped farmed salmon in rivers. So far, experience from the operation of these sites has been good. A separate annual report is published detailing SalMar's experience and evaluating the operation of its green licences. This report is available on our website.

We are working long-term to develop a more genetically robust strain of salmon

Genetics and the development of a more robust salmon is one important preventive measure to reduce biological risk. SalMar has its own breeding programme based on the Rauma Broodstock. We use no form of genetic engineering in our breeding programme.

SalMar's focus on breeding and genetics includes a collaboration with Benchmark Holding PLC's entity SalmoBreed through our co-ownership of SalMar Genetics. SalMar is pleased to see that this model has provided a solid foundation for the further development of the Rauma Broodstock in the years ahead. In this effort, we will be focusing intensely on the development of robust qualities, in addition to general resistance to disease and good growth. The change in focus and intensity of our efforts in this area is a natural consequence of the Group's desire to control the value chain and safeguard the continued development of our products and the long-term future of our business.

We use new packaging solutions to reduce spoilage

SalMar leads the way by focusing intently on reducing food waste through the development of better packing and packaging solutions. We participate in national and international projects to develop and implement new solutions for effective, quality-preserving production, packaging and distribution. This is all part of our efforts to boost sustainability by reducing environmental impacts caused by food waste, materials consumption and transport through the value chain.

We are focusing on the further development of packaging solutions, including a switch to new more environment-friendly materials, the reuse of materials and the addition of other desirable properties.

SalMar is working hard to increase the percentage of its products that are transported in reusable boxes. A large proportion of SalMar's pre-rigor finished products are already packed in such boxes. This affords savings in the form of a reduced need for ice and avoids having to discard polystyrene boxes. Boxes do not have lids and are part of a circular system that sees them returned from the customer, washed/disinfected and brought back to the plant ready for reuse.

With respect to a large part of our fillet production, we have stopped using ordinary ice and have switched to dry ice made from gas deriving from fertiliser production. Dispensing with water ice reduces the consignments' weight and volume, and thereby the emissions generated in connection with their transport.

We have started using plastic packaging for some of our finished products. By using a thinner plastic film, we have reduced our consumption of plastic by over 30 tonnes. We continue to work on the development of new and better packaging materials and technologies. We are focusing particularly on reusable boxes, ice-free shipments and packaging technology that provides complete bacteriological security.

We have initiated several projects to extend the shelf-life of our salmon products, through the use of new freezing technology, new packaging solutions, etc. This is important if we are to make use of new methods of transport to the markets, while maintaining the high quality of the product.

In 2020, we continued to increase our use of the Keep-It® shelf-life indicator on our products. This is an indicator that shows the temperature and the product's remaining shelf-life. This is a device that really focuses the attention of all links in the value chain (from the factory to the customer), thereby helping to increase the shelf-life of the product and reduce food waste. We are currently working on new projects that aim to visualise the quality of the product in the package, using new technological solutions. The objective is to be able to document additional quality attributes through simple technological solutions.

People & society

We who work at SalMar care about our colleagues, our partners and the local communities in which we operate. For us, it is important to behave as a responsible corporate citizen because we believe that this has a positive impact on our own operations and society at large.

With over 1,700 employees, SalMar is a major employer and an important member of society. This position gives rise to multiple responsibilities to people, society and industry. We take these social obligations extremely seriously. Ethical business practice is a key value for SalMar. We aim to operate in an honest, proper and trustworthy manner, and take pride in showing off what we do.

Sustainable development is about local value creation, knowledge development and the ability of people to live a good life. These aspects are fundamental to SalMar, as an employer, producer, supplier of healthy food, user of nature and the environment and manager of intellectual and financial capital.

Our position makes it important for us to affect our surroundings in a positive and sustainable way, while giving back where we can.

Our KPIs

			SalMar			Icelandic Salmon		
		Target	2020	2019	2018	2020	2019	2018
Employees	No. of full-time equivalents (FTE)		1,653	1,593	1,479	110	110	
	ASA		35	34	31			
	Hatcheries		96	92	82			
	Fish Farming		630	605	565			
	Sales & Processing		893	862	800			
	No. of women		26%	26%		24%	22%	
	ASA		44%	45%				
	Hatcheries		18%	19%				
	Fish Farming		9%	9%				
	Sales & Processing		38%	38%				
Safety & sickness absence	No. of fatalities	0	0	0	0	0		
	LTIs	0	24	20	27	9		
	H-factor	<6	9.1	7.7	11.9	39.0		
	Sickness absence	< 4.5%	5.3%	5.3%	5.5%	4.3%	4.1%	
Regulatory compliance	No. of violations	0	0	1[1]	0	0	0	
	Fines (NOK million)	0	0	1.2	0	0	0	

1 The violation related to a fish escape incident.

The workforce

Good employees, irrespective of gender, age or background, are crucial if we are to succeed in reaching our strategic goals. At the same time, it is important that we provide an attractive and safe working environment which makes it possible to attract and retain the most talented people.

In 2020, SalMar employed a total of 1,763 full-time equivalents from 33 different countries. This is 60 full-time equivalents more than in 2019. The workforce was made up of 458 women and 1,305 men. The percentage of women is considerably higher at the Group's harvesting and processing facilities than at its hatcheries and fish farms. SalMar is working actively to increase the number of women in its workforce, particularly in those areas relating to biological production.

We have clear ethical guidelines

In its Code of Conduct, the Group makes its policy plain with respect to the promotion of diversity and equality. SalMar accepts no discrimination, abuse or harassment of our workers or partners, and we treat everyone with courtesy and respect no matter what their ethnicity, gender, national or social background, age, functional capacity, sexual orientation, religious faith, political convictions or other status. Respect for the individual is the cornerstone of the company's policy. Everyone shall be treated with dignity and respect, and shall not be unfairly prevented from carrying out their duties and responsibilities. This attitude springs from acknowledgement that diversity contributes to a better working environment, greater adaptability and better results in the long term.

SalMar's Code of Conduct is available on our website.

All employees can safely report wrongdoing

SalMar has a dedicated whistleblowing channel, through which all employees can report wrongdoing in the workplace. The whistleblowing channel is accessible via SalMar's intranet in both Norwegian and English. The service is operated by the investigatory unit at BDO AS, and all employees are free to use it either anonymously or under their full names.

All employees are given training in the whistleblowing procedure, and know that they are protected from reprisal if they do make a report. The whistleblowing procedure is also described in the management system that is available to all employees.

In 2020, four whistleblowing reports were recorded. All of these have been dealt with and closed in accordance with internal guidelines.

We empower our employees and encourage their active participation

If SalMar is going to develop and constantly forge ahead, it is vital that all employees contribute their views and suggestions for new ways of doing things. To facilitate this, the various departments hold regular planning and review meetings. Large parts of the Group make use of a scheduled meeting scheme, which focuses on individual action plans and close follow-up of the individual employee.

New recruits to SalMar receive HSE training through induction courses, operational seminars, the SalMar School and the Arnarlax Academy. Annual refresher courses are also held on important HSE topics and our Code of Conduct.

The SalMar School and Arnarlax Academy are our arenas for developing individual competence and our corporate culture. In addition to operational issues, these arenas also address matters relating to corporate culture and leadership, and involve both managers and employees in the process of creating the world's best aquaculture company. Underpinning all our activities in this area, are our shared management principles and tenets – which enable us to develop even more SalMarians.

The level of risk associated with the work being performed every single day at SalMar means that training and having the right competence is vital. Training is provided internally and in the form of external courses. Day-to-day follow-up and on-the-job learning are, nevertheless, the most important sources for individual growth.

SalMar is conscious of its role in helping to train skilled workers and employs numerous apprentices. We collaborate with "blue" courses of study at both upper secondary and university college level. In Norway, these include schemes such as Ungt Entrepenørskap, Blått Kompetansesenter, the Norwegian University of Science and Technology (NTNU), while in Iceland we collaborate with the Fisktekniskolí.

Incentive schemes for senior executives are linked to our sustainability KPIs

SalMar has a performance-based bonus scheme for its senior executives, based largely on the achievement of the Group's sustainability KPIs. Different individuals are measured against different KPIs, depending on where in the organisation they work and what their responsibilities are. This applies from members of Group Management down to fish farm technicians.

For example, each individual sea farm has clear KPIs linked to fish welfare, with both survival rate and feed factor being included in the assessment of the performance-based bonus.

We provide a safe and secure workplace

Working at SalMar shall be safe. We work systematically with risk management and training to protect our workforce.

In 2020, a total of 24 Lost Time Injuries (LTI) were recorded in Norway and 9 in Iceland. This is more than in 2019, but lower than in 2018. As a result of the higher number of incidents, the H-factor has also increased. (H1 = LTIs per million hours worked). LTIs does not include subcontractors, but this is something SalMar is working for to include in the future reporting.

This is development with which we are not satisfied, and we are working systematically in those areas where we see that the injury frequency rate and the potential for harm are greatest. Continued focus on our internal industrial safety capability is important to further reduce the number of personal injuries in 2021. All parts of the Group have an industrial safety representative, and two industrial safety inspections are carried out in each department every year. In 2020, these inspections uncovered important areas for improvement to further reinforce workplace safety.

All serious personal injuries are investigated to prevent similar incidents occurring in the future. In collaboration with DNV GL, our central technical staff department have developed company-specific tools to enable it to investigate such incidents. Nevertheless, prevention remains the most important factor. At SalMar, we place great emphasis on ensuring that hazardous operations are well planned. Operational plans are drawn up before any work commences, and associated safe work analyses (SWA) are performed for those taking part. The mapping of our overall risk picture is the most effective measure we can implement to reduce the probability of personal injuries occurring. Day to day, internal procedures, instructions and checklists are all drawn up on the basis the risk analyses performed.

HSE performance is followed up systematically through targets and action plans. On the basis of overarching targets, each individual division and department has defined its own local sub-targets. Management has an obligation to monitor performance and evaluate progress, as well as the need for new measures and focus areas. Safety is followed up through systematic weekly and monthly reviews by SalMar's management teams. Lessons learned and improvements are shared across all departments by means of quality-assured reports. All employees are covered by a company health service in the vicinity of their workplace. The Group ensures that everyone receives the training necessary to perform their tasks.

The Working Environment Committee also plays a key role in our HSE activities. The committee comprises selected management representatives and nominated employees. The committee reports to the Group's governing bodies and the employees' trade union organisations.

We are working actively to reduce the sickness absence rate

The sickness absence rate continued to be an area of intense focus in 2020, a year when Covid-19 created a great deal of uncertainty about how it might develop. We are therefore very pleased to note that the sickness absence rate in 2020 remained on a par with the year before even though we failed to reach our goal of <4.5 per cent, and ended at 5.3 per cent in Norway. Short-term absence in Norway came to 2.2 per cent in 2020, up from 2.0 per cent in 2019.

In Iceland, the operation achieved its goal of keeping the sickness absence rate below 4.5 per cent. At the close of the year, it stood at 4.3 per cent, though that was slightly up on the year before.

The sickness absence rate is slightly higher in SalMar's harvesting and processing operations. For this reason, the Group is working systematically to reduce sickness absence in this part of the value chain.

Society

SalMar endorses wholeheartedly the principles set out in the Universal Declaration of Human Rights. Those aspects which relate to our operations, eg protection against discrimination and the right to form a trade union, are included in the Group's Code of Conduct and several other governing documents.

SalMar has a presence in local communities up and down the Norwegian coast, and is attentive to developments in villages and local districts. At the close of 2020, we had operations along the entire coast of Central Norway, Northern Norway and the Westfjords region of Iceland. It is important for our employees that the local communities in which they live have the necessary infrastructures and opportunities for leisure activities. For SalMar, it is crucial that the Group is able to operate at locations offering good growing conditions for our fish stocks. It is also important for SalMar to participate in local arenas for the exchange of views and information, and to take part in planning processes.

Salmon farming is still considered a "young" industry, and it is important to ensure that local decision-makers and other local residents are informed about our operations and plans for development. Through active participation in business associations and the public debate, SalMar contributes to important sustainable development processes in Norway and Iceland.

We support and sponsor the local communities in which we operate

To give something tangible back to the local communities in which the Group operates, SalMar supports a number of local clubs and voluntary associations through the SalMar Fund. On the whole, the fund gives priority to sporting and cultural initiatives, particularly those targeting children and young people.

SalMar also supports several national charities and campaigns, such as the Norwegian Cancer Society and WWF's efforts to combat ocean plastic.

In a challenging year, when many enterprises and organisations faced extraordinary difficulties caused by the Covid-19 pandemic, SalMar chose to:

- Donate PPE to the local health service.
- Issue gift cards to all employees to spend at local businesses.
- Employed people furloughed from more severely affected business sectors.

In 2020, SalMar continued its collaboration with the Norwegian Labour and Welfare Administration (NAV) to recruit people with holes in their CVs to jobs at the InnovaMar harvesting and secondary processing plant in Frøya.

In 2013, SalMar became a sponsor of the football club Rosenborg Ballklubb (RBK). This partnership continued in 2020 and will remain in effect in 2021. In addition to profiling SalMar, the partnership includes a separate programme for children and teenagers, and the development of grassroots football clubs in Trøndelag. RBK has highlighted the partnership through the SalMar Sports Ground and the SalMar Academy. The objective is to help transfer competence from Rosenborg to grassroots clubs in Trøndelag County in the form of good training sessions to promote player and trainer development.

In collaboration with the NTNU, SalMar ASA has endowed a professorship within the field of aquaculture cybernetics. The professorship is intended to promote cross-functional research linking the areas technical cybernetics, biology and aquaculture. It will act as a knowledge base for and link between the aquaculture industry and the academic world. In addition to SalMar, Kongsberg Maritime is an important partner in this effort. The professorship will also contribute to the recruitment of more students to the field of aquaculture, thus securing the industry's access to highly qualified technological expertise. This professorship will strengthen the NTNU's position as one of the world's leading universities for aquaculture and aquaculture technology.

SalMar Salmon Centre

In the autumn of 2017, a new aquaculture experience centre, the SalMar Salmon Centre, opened in Finnsnes/Lysnes. SalMar wishes to increase the public's knowledge about the aquaculture industry and the centre's target groups include local people, tourists, schoolchildren and members of the business community. Through exciting experiences on shore and at sea, the public will gain greater insight into a modern and sustainable industry. A visit to the SalMar Salmon Centre includes an interactive exhibition about fish farming in Norway, and visitors can see the high-tech solutions used to remotely feed the salmon. In addition, the centre features an ultra-modern kitchen where visitors can learn how easy it is to prepare delicious salmon dishes. Visitors also have the opportunity take a trip out to an actual sea farm, to see with their own eyes how the salmon live.

We ensure safe road transport

At certain times every winter in Norway and Iceland, the weather makes the roads impassable and we experience hazardous situations due to heavy goods vehicles without the proper tyres/chains. SalMar cares deeply that the products we make and deliver from our facilities should be safe for the consumer. This applies not only to food safety but also to transport. We have therefore introduced control measures and routines.

As a buyer of transport services, SalMar demands that its suppliers meet certain standards. To haul salmon from our production facilities and harvesting plants, or from the facilities we work with, the transport services provider must sign a declaration stating that they know and comply with the Norwegian Public Roads Administration's technical requirements for vehicles in Norway. They also undertake to familiarise themselves with the prevailing driving conditions on the roads they will be using.

Together with the Norwegian Public Roads Administration, transport buyers and other partners, SalMar is a participant in the "Safe Trailer" project. This project is intended to help equip heavy vehicles to cope better with winter driving conditions in Norway, and will lead to increased safety for everyone who uses our road network. Specifically, the project involves Norwegian Public Roads Administration staff teaching our employees how to check that an HGV's tyres and chains are in order, as well as providing useful information material to the company's employees and drivers.

In addition, our staff make an assessment of whether an HGV seems to be in a technically acceptable condition and whether the driver is "competent" to drive it. In the event of any non-conformance, necessary measures are implemented. All this to ensure safer transport.

Our financing is linked to our sustainability endeavours

At the start of 2021, SalMar refinanced its credit facilities. This includes a sustainability linked drawing facility, with four sustainability KPIs included in the determination of margin. SalMar scores a lower margin if we succeed and a higher margin if we do not succeed. The four KPIs included are all ones which make the Group more sustainable.

- Survival rate
- Economic feed factor
- Secondary processing rate
- Greenhouse gas emission intensity in Scopes 1+2

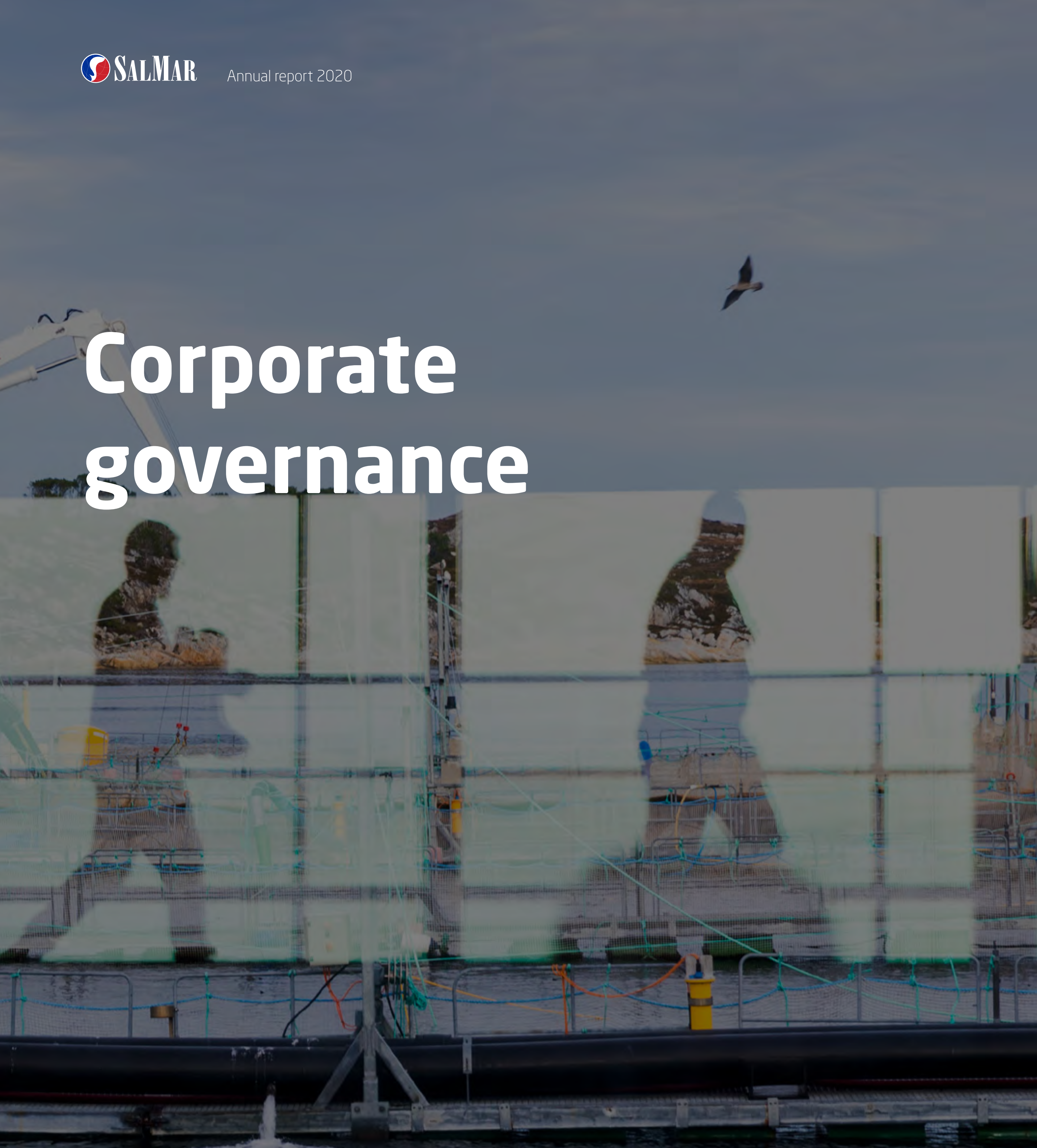
In addition, SalMar issued a green bond at the start of 2021, with the funds raised being used in accordance with a previously published green framework. The green bond's funds will be invested solely in areas that will contribute to the more sustainable development of the company and the industry at large. See SalMar's website for further details.

We comply with the regulations

The aquaculture industry is strictly regulated and companies must comply with applicable laws and regulations. Here we report the number of regulatory violations that have resulted in fines. This includes all violations relating to products and food safety, environmental and social regulations that resulted in monetary fines.

In 2020, SalMar remained fully in compliance with statutory regulations, both in Norway and Iceland.

Please see Note 4.8 to the annual financial statements for information concerning allegations of price fixing.



Corporate governance

Corporate governance at SalMar ASA

SalMar ASA aims to maintain a high standard of corporate governance. Good corporate governance strengthens public confidence in the company and contributes to long-term value creation by regulating the reciprocal roles and responsibilities of shareholders, the Board of Directors and the company's management, over and above that which is provided in laws and other regulations.

Corporate governance at SalMar shall be based on the following main principles:

- All shareholders shall be treated equally.
- SalMar shall maintain open, relevant and reliable communications with its stakeholders, including shareholders, public authorities and the general public, on matters relating to its business.
- SalMar's Board of Directors shall be autonomous and independent of company management.
- A majority of board members shall be independent of the company's majority shareholder.
- SalMar shall have a clear allocation of roles and responsibilities between shareholders, the Board and management.

1. Corporate governance

Compliance and regulations

SalMar's Board of Directors has overall responsibility for ensuring that the company has adequate corporate governance. The company's Board and management perform a thorough annual assessment of its principles for corporate governance.

SalMar is a Norwegian public limited company listed on the Oslo Stock Exchange. The company is subject to section 3-3b of the Norwegian Accounting Act, pursuant to which the company must annually disclose its principles and practices with respect to corporate governance. In addition, the company is subject to the Oslo Stock Exchange's requirements for an annual statement of its principles and practices with respect to corporate governance. This disclosure shall cover each chapter in the prevailing Norwegian Code of Practice for Corporate Governance (code of practice) issued by the Norwegian Corporate Governance Board (NUES). The Oslo Stock Exchange's Continuing Obligations provide an overview of the information that must be included in the disclosure. The Norwegian Accounting Act is available from www.lovdata.no, while the Continuing Obligations are available from www.oslobors.no.

SalMar complies with the current Code of Practice for Corporate Governance, published 17 October 2018. The code of practice may be found at www.nues.no.

Application of the code of practice is based on the 'comply or explain' principle, which means that the company must provide an explanation if it elects an approach different to that recommended in the code of practice.

SalMar issues a comprehensive statement of its principles for corporate governance in its annual report, and this information is also available from www.salmar.no. This present statement describes how SalMar has conducted itself with respect to the code of practice in 2020.

Deviations from the code of practice: None

2. Business and purpose

SalMar is one of the world's largest producers of farmed salmon. As at 31 December 2020, the company owned licences for marine production of 102,289 tonnes MAB Atlantic salmon in Norway. This includes a demonstration licence covering 780 tonnes MAB. In addition, the company has 8 development licences.

SalMar owns 50 per cent of Norskott Havbruk AS, which in turn owns 100 per cent of Scottish Sea Farms Ltd, the UK's second largest producer of salmon, with an annual capacity of around 40,000 tonnes of harvested fish. At the close of 2020, SalMar owned 51.02 per cent of the Icelandic aquaculture company Icelandic Salmon, which harvested around 11,200 tonnes of salmon in 2020. SalMar has substantial secondary processing and sales activities in Frøya and Aukra, as well as five sales offices in Asia.

SalMar ASA's objectives are defined in Article 2 of its articles of association:

> *"The objective of the company is fish farming, the processing and trading of all types of fish and shellfish, and other financial activities related thereto. The company may, in accordance with directives from the relevant authorities, undertake general investment activities, including participation in other companies with similar or related objectives."*

SalMar's Board of Directors has drawn up clear objectives and strategies for the Group to secure optimal value creation for its shareholders and other stakeholders. Each business area has developed its own goals in line with these, and strategic priorities have been defined. Within the framework of the above article, SalMar is currently engaged in broodfish and smolt production, marine-phase farming, harvesting, processing and sale of farmed salmon. The Board also defines risk profiles for the Group and ensures that these support value creation for its shareholders.

The company's objectives and main strategies are further discussed in the annual report and can be found on the company's website www.salmar.no.

Corporate values, code of conduct and social responsibility

SalMar's corporate culture is based on the success factors that have underpinned its development since its establishment in 1991. Although this culture is affected by both internal and external framework conditions, it is firmly embedded in certain overarching principles, such as equality, quality, care for the environment, focus on work tasks and continuous improvement.

Underpinning all of SalMar's actions and business operations is its vision: "Passion for Salmon". This means that all choices relating to the company's production shall be made on the basis of a passion for salmon. Salmon shall be produced on its own terms. SalMar considers that the best biological results will provide the basis for the best financial results, and will safeguard our position as the world's most cost-effect salmon producer.

SalMar has two main principles: to impact the commons we have on loan as little as possible, and to derive as much value as possible from the fish we produce. One of our most important tenets is "sustainability in everything we do". Sustainable food production is an issue that has gained increased significance and focus. SalMar is engaged in a number of initiatives which will help make our already sustainable food production even more sustainable. See our latest sustainability report for further details.

SalMar has a set of tenets that describe desired behaviours and a shared understanding of how employees should behave. Through the SalMar School and day-to-day exposure to SalMar's corporate and performance culture, all employees are given encouragement and opportunities for development. For more information on the SalMar culture, please see the annual report and the company's website www.salmar.no.

SalMar has drawn up a code of conduct and social responsibility, whose purpose is to safeguard and develop the company's values, create a healthy corporate culture and uphold the company's integrity. The code of conduct is also meant to be a tool for self-assessment and for the further development of the company's identity. All employees of the company are bound to comply with the ethical guidelines laid down in the code of conduct. The reporting of any wrongdoing or other causes for concern is covered by specific procedures, which also allow employees to report anonymously through an external channel. The code of conduct is available from the company's website www.salmar.no.

SalMar has a presence in many local communities. The Group is therefore extremely aware of the diverse nature of its social responsibilities: as an employer, an industrial processor, a producer of healthy food, as a custodian of financial and intellectual capital, and – not least- as a user of the natural environment. Increased biological control is one of the company's most important focus areas, and is a material prerequisite for long-term success. The company is, among other things, working actively to safeguard fish welfare and prevent salmon from escaping.

One of the company's most important tenets is 'We care'. This permeates the SalMar culture, and ensures a high degree of awareness among employees, both internally and externally, in the areas in which the company operates.

Deviations from the code of practice: None

3. Equity and dividend

Equity

As at 31 December 2020, the company's equity totalled NOK 10,986.9 million, which corresponds to an equity ratio of 49.9 per cent. The Board considers SalMar's capital structure to be adequate in relation to the company's objectives, strategy and risk profile.

Dividend policy

SalMar intends to provide shareholders with a competitive return on invested capital by creating value for shareholders in the form of dividends and share price appreciation over time.

SalMar's dividend policy takes as its starting point that the company shall at all times have a robust balance sheet and a liquidity reserve that is sufficient to meet future obligations.

The company has established long-term financial targets linked to gearing: NIBD[1] in relation to EBITDA in the interval 1.0–2.5. Provided that the company is within these limits, and taking account of future investments, the intention is to pay out surplus liquidity in the form of a dividend or the buyback of treasury shares. Provided the Annual General Meeting (AGM) approves, the aim is to make annual payments of dividend. The company will also consider the buyback of treasury shares within the authorisation limits granted to the Board by the AGM.

Based on the critical situation society found itself in as a result of the ongoing Covid-19 coronavirus pandemic, SalMar ASA's Board of Directors decided in February 2020 that no dividend would be paid out for 2019.

Although the pandemic continued to cause a national and global state of emergency, subsequent events prompted the Board to propose payment of a dividend of NOK 13.00 per share for the 2019 financial year. This proposal was approved by an EGM held in December 2020.

For the 2020 financial year, the Board proposes payment of a dividend corresponding to NOK 20.00 per share. This proposal is based on the company's established dividend policy, as well as the Board's assessment, which emphasises that SalMar has in recent quarters proved its ability to adapt to changing market conditions by posting strong results and maintaining a solid financial position.

1 NIBD includes liabilities in accordance with IFRS 16 and EBITDA is without fair value adjustment

Board authorisations

Authorisations granted to the Board are normally time limited, and are valid only up until the next AGM.

The AGM of 3 June 2020 granted the Board three authorisations: one to increase the company's share capital, one to issue convertible loans, and one to buy back SalMar's own (treasury) shares. These were extensions of authorisations granted by the AGM in 2019. In line with the Norwegian Code of Practice for Corporate Governance, each of the authorisations was considered separately.

An extraordinary general meeting of shareholders (EGM) was held on 4 December 2020, at which the authorisation to acquire treasury shares was replaced with an authorisation to acquire treasury shares for subsequent cancellation.

The first authorisation allowed the Board to increase the company's share capital by up to NOK 2,832,000, through the issue of up to 11,328,000 shares to finance investments and the acquisition of businesses through cash issues and contributions in kind.

The second authorisation allows the Board to issue convertible loans for up to NOK 2,000,000,000 for the purpose of enabling the company, at short notice, to use such financial instruments as part of its overall financing requirement. In connection with the conversion of loans raised pursuant to this authorisation, the company's share capital may be increased by up to NOK 2,832,000, though with account taken of any capital increases undertaken pursuant to the authorisation to increase the company's share capital, such that the total capital increase for both authorisations combined may not exceed 10 per cent of the share capital. It follows from the purpose of the authorisations that the Board may need to waive existing shareholders' preference rights, which is permitted under the terms of the authorisations concerned.

The third authorisation allows the Board acquire treasury shares for subsequent cancellation. In other words, 5,154,360 treasury shares with a total face value of NOK 1,288,590.00

All board authorisations are valid up until the next AGM, which will be held on 8 June 2021.

Deviations from the code of practice: None

4. Non-discrimination of shareholders and transactions with closely related parties

As at 31 December 2020, SalMar ASA owned 232,071 treasury shares, which accounts for 0.20 per cent of the company's registered share capital. Transactions involving treasury shares are undertaken on the stock exchange or otherwise at the listed price.

In the event of not immaterial transactions with related parties, the company shall make use of valuations and assessments provided by an independent third party.

In the event of capital increases based on an authorisation issued by a general meeting of shareholders, where the existing shareholders' rights are waived, the reason for this will be provided in a public announcement in connection with the capital increase.

SalMar's code of conduct and regulations regarding insider trading set out what is required of employees with respect to loyalty, conflicts of interest, confidentiality and guidelines for trading in the company's shares. The code of conduct states that all employees must notify the Board if they, directly or indirectly, have a material interest in any agreement entered into by the company. Board members also have a duty to comply with the company's code of conduct.

SalMar's CEO Gustav Witzøe is the company's founder. He indirectly owns 93.02 per cent of Kverva AS, which, through Kverva Industrier AS, owns 52.46 per cent of the shares in SalMar ASA. Witzøe is a member of the board of Kverva AS. The instructions regulating the Audit and Risk Committee contain a point relating to monitoring of the company's routines and follow-up of transactions between related parties.

Transactions with related parties are discussed in Note 4.7 to the 2020 consolidated financial statements.

Deviations from the code of practice: None

5. Free transferability

SalMar has only one class of shares and all shares have equal rights. Each share has a face value of NOK 0.25 and carries one vote.

The company's shares are freely transferable on the Oslo Stock Exchange, and its articles of association do not contain any restrictions on the right to own, trade or vote for shares in the company, as long as the regulations governing insider trading are complied with.

Deviations from the code of practice: None

6. General meeting of shareholders

The company's highest decision-making body is the General Meeting of Shareholders.

General meetings are open to participation by all shareholders. Pursuant to Article 7 of the company's articles of association, the Annual General Meeting must be held by the end of June each year in Oslo, Trondheim or Kverva in the municipality of Frøya.

The 2021 AGM will be held on 8 June 2021 at the company's head office in Frøya.

An invitation to attend the AGM or an EGM will be issued no later than 21 days prior to the date of the meeting.

In accordance with the company's articles of association, documents relating to matters to be addressed at a general meeting of shareholders may be made available on SalMar ASA's website. The same applies to documents which by law must be included in or attached to the invitation to attend the general meeting. If the documents are made available in this way, the statutory requirement with respect to distribution to shareholders is not applicable. A shareholder may nevertheless ask to be sent documents relating to matters to be discussed at a general meeting by post. Case documents must contain all the documentation necessary to enable shareholders to take a standpoint on all matters to be addressed. Pursuant to section 5-11 of the Public Limited Companies Act, shareholders are also entitled to table their own items for consideration by the general meeting.

The deadline for notification of shareholders' intention to attend a general meeting is stipulated by the Board of Directors in the invitation thereto, no less than five days prior to the date of the meeting. Shareholders may send notification of their attendance, using the form provided, by post or email to the company's account manager Nordea Bank Norge AS, or via the company's website www.salmar.no.

Shareholders are entitled to make proposals and cast their votes either in person or through a proxy, including a proxy appointed by the company. The proxy form also enables shareholders to grant a proxy vote for each individual agenda item and in connection with the election of each board member.

The Board determines the agenda for the meeting, and the main issues to be dealt with by the AGM are regulated by Article 9 of the company's articles of association and section 5-6 of the Public Limited Companies Act.

The Board of Directors, Nomination Committee and the company's auditor will be represented at general meetings, which will normally be chaired by the Board Chair. The present Board Chair, Atle Eide, is a member of the board of Kverva AS, SalMar's majority shareholder. Nevertheless, SalMar considers its Board Chair to be best suited to chair general meetings. In the event of any disagreement on individual agenda items where the Board Chair belongs to one of the factions, or for some other reason is not deemed to be impartial, a different person will be selected to chair the meeting in order to ensure independence with respect to the matters concerned.

The company will publish the minutes of general meetings of shareholders in accordance with stock exchange regulations.

Deviations from the code of practice: None

7. Nomination committee

Article 8 of the company's articles of association stipulates that the Nomination Committee shall comprise a total of three people, who shall be shareholders or shareholders' representatives. The Nomination Committee's composition shall be such that the interests of shareholders as a community are upheld, and the majority of committee members shall be independent of management and the Board. The members of the Nomination Committee, including its chair, are elected by the AGM for a term of two years. Members may be re-elected. To ensure continuity, members' terms of office shall not coincide. The remuneration payable to members of the Nomination Committee is determined by the AGM. A set of regulations governing the work of the Nomination Committee was adopted at the board meeting of 21 March 2007 and updated at the AGM in 2014.

As at 31 December 2020, the Nomination Committee comprised the following:

- Bjørn Wiggen, Chair (up for election in 2021)
- Endre Kolbjørnsen (up for election in 2022)
- Anne Kathrine Slungård (up for election in 2021)

The Nomination Committee shall make a recommendation to the AGM with respect to candidates for election to the Board of Directors and Nomination Committee, as well as propose the remuneration payable to the members of the Board and the Nomination Committee. In its work, the Nomination Committee shall take into consideration relevant statutory requirements with respect to the composition of the company's governing bodies, as well as principles for corporate governance laid down in the Norwegian Code of Practice for Corporate Governance drawn up by NUES. Proposals for members of the Board and Nomination Committee should safeguard the shareholder community's interests and the company's need for competence, capacity and diversity. To achieve this the Nomination Committee may contact shareholders and company directors.

The Nomination Committee draws up criteria for the selection of candidates for the Board and Nomination Committee, in which both sexes should be represented. The Nomination Committee should, over time, balance the requirements for continuity and renewal in the individual governing body. Relevant candidates must be asked whether they are willing to undertake the office of director or deputy director.

The committee should base its recommendations with respect to the remuneration payable on (a) information about the size of the remuneration paid to elected officers in other comparable companies, and (b) on the scope of work and the amount of effort the elected officers are expected to devote to the task on behalf of the company.

The Nomination Committee's recommendation to the AGM must be published in good time, so that it can be communicated to the shareholders before the meeting takes place. The recommendation shall accompany the invitation to attend the AGM, no later than 21 days before the meeting takes place. The committee's recommendation shall contain information about the candidates' independence and competence, including age, education and work experience. If relevant, notice shall also be given about how long the candidate has been an elected officer of the company, any assignments for the company, as well as material assignments for other group companies that may be of significance.

Proposals to the Nomination Committee

All shareholders are entitled to propose candidates for the Board or other elected offices to the Nomination Committee. Such proposals must be submitted to the Nomination Committee no less than six weeks prior to the company's AGM. All proposals shall be sent by email to the Nomination Committee's chair. Contact details are available from the company's website www.salmar.no.

Deviations from the code of practice: None

8. Board of Directors, composition and independence

Pursuant to Article 5 of SalMar's articles of association, the Board of Directors shall comprise five to nine members, to be elected by the AGM. The Board Chair is elected by the AGM. The company's current board is made up of seven members, including two employee representatives. Four of the company's directors are women, including one female employee representative. Women therefore comprise 57 per cent of the Board's membership.

The regulations governing the work of the Nomination Committee state that emphasis shall be placed on ensuring that board members have the necessary competence to carry out an independent assessment of the matters presented to it by management and of the company's business activities. Emphasis shall also be placed on ensuring that there is a reasonable gender balance and that directors are independent with respect to the company. The Nomination Committee's recommendation shall meet the requirements relating to board composition stipulated by applicable legislation and the regulations of the Oslo Stock Exchange. Board members are elected for a term of two years and may be re-elected. An overview of the individual directors' competence and background is available from the company's website www.salmar.no.

As at 31 December 2020, only one board member, Leif Inge Nordhammer, owned shares in SalMar. See Note 4.2 for further details.

Independence of the Board

SalMar's Board of Directors is composed such that it is able to act independently of any special interests. Board Chair Atle Eide is also a member of the board of Kverva AS, the company's majority shareholder, as is Leif Inge Nordhammer. These two are therefore not deemed to be independent. The remaining directors are deemed to be independent of senior executives, material business associates and the company's largest shareholders. In matters of material importance in which the Board Chair is, or has been, actively engaged, another director is appointed to chair the Board's deliberations. No such matters have been addressed in 2020.

Deviations from the code of practice: None.

9. The Board of Directors

The Board of Directors has overall responsibility for the management of the Group and the supervision of its day-to-day management and business activities. Furthermore, the Board determines the Group's overall objectives and strategy, including the overall composition of the Group's portfolio and the business strategies of the individual business unit. The work of the Board is governed by a set of regulations which describe the Board's responsibilities, tasks and administrative procedures. The Board has also prepared a set of instructions for the group management team that clarifies its duties, lines of authority and responsibilities.

The regulations governing the Board's working practices provide guidelines for how individual directors and the CEO should conduct themselves with respect to matters in which they may have a personal interest. Among them is the stipulation that each director must make a conscious assessment of his/her own impartiality, and inform the Board of any possible conflict of interest.

The Board shall approve the Group's plans and budgets, and shall. Proposals relating to targets, strategies and budgets are drawn up and presented by management. Strategy is normally discussed during the autumn, ahead of the Group's budget process. Within the area of strategy, the Board shall play an active role in setting management's course, particularly with regard to organisational restructuring and/or operational changes.

The Board meets as often as necessary to perform its duties. In 2020, the Board held 11 meetings, of which 9 were by video link or telephone. The overall attendance rate at board meetings was 98 per cent.

The Board makes an annual assessment of its own work and competence.

Audit and Risk Committee

Pursuant to the Public Limited Companies Act, SalMar has a board-appointed Audit and Risk Committee (previously called the Audit Committee). The committee's main tasks are to prepare the Board's follow-up of the financial reporting process, monitor the Group's internal control and risk management systems; monitor its routines and follow-up of transactions with related parties; and maintain an ongoing dialogue with the auditor. The committee held 5 meetings in 2020, with an overall attendance rate of 100 per cent.

With effect from 1 January 2021, the committee has been given broader responsibilities. This has been prompted by changes in the Norwegian Auditing Act and implementation of EU directives. The Board has updated the committee's instructions accordingly.

At least one committee member must be independent of the business. If the committee has more than two members, a majority must be independent of the business.

As at 31 December 2020, the Audit and Risk Committee comprised the following:

- Margrethe Hauge, chair
- Tonje Foss

Deviations from the code of practice: None

10. Risk management and internal control

The Board is responsible for ensuring that the company's risk management and internal control systems are adequate in relation to the regulations governing the business. The company's systems and procedures for risk management and internal control are intended to ensure efficient operations, timely and correct financial reporting, as well as compliance with the legislation and regulations to which the company is subject. The Board performs an annual review of the company's risk management/corporate governance.

The most important risk factors for the company are biological risk associated with the biological situation in its hatcheries and sea farms, as well as the risk of fish escaping therefrom, and financial risk (fluctuations in salmon prices, foreign exchange, credit and interest rate risk). In addition, greater emphasis has been placed on IT security and the development of technologies and solutions to secure continued sustainable growth in the field of sustainable food production. These risk factors are monitored and addressed by managers at all levels in the organisation. For further information, please see the Annual Report for 2020. It is the CEO's responsibility to ensure that the company operates in accordance with all relevant statutes and guidelines.

Internal control of financial reporting is achieved through day-to-day follow-up by management and process owners, and supervision by the Audit and Risk Committee. Non-conformances and improvement opportunities are followed up and corrective measures implemented. Financial risk is managed by a central unit at head office, and, where appropriate, consideration is given to the use of financial hedging instruments.

Follow-up and control of compliance with the company's values and code of conduct takes place in the line as part of day-to-day operations.

The largest risk facing SalMar relates to the biological development of its smolt and marine-phase fish stocks. The company has internal controls which encompass systematic planning, organisation, performance and evaluation of the Group's activities in accordance with both public regulations and its own ambitions for continuous improvement. The Group has, for example, drawn up shared objectives for its internal control activities relating to the working environment and personal safety, escape prevention, fish welfare, pollution, food safety and water resources. Please see the annual report for further details.

Deviations from the code of practice: None

11. Directors' fees

The Nomination Committee's proposal for the remuneration payable to the Board of Directors is approved or rejected by the company's AGM. Directors' fees shall reflect the Board's responsibilities, competence, time spent and the complexity of the business.

Directors' fees are not performance-related and contain no share option element. Additional information relating to directors' fees can be found in the notes to the financial statements included in the Annual Report for 2020.

Deviations from the code of practice: None

12. Remuneration to senior executives

Pursuant to Section 6-16a of the Public Limited Companies Act, the Board of Directors has prepared a statement relating to the determination of salaries and other benefits payable to senior executives. This statement will, in line with the said statutory provision, be laid before the company's AGM each year.

The company's senior executive remuneration policy is based primarily on the principle that executive pay should be competitive and motivating, in order to attract and retain key personnel with the necessary competence.

The statement refers to the fact that the Board of Directors shall determine the salary and other benefits payable to the CEO. The salary and benefits payable to other senior executives are determined by the CEO in accordance with the guidelines laid down in the statement. The existing compensation scheme is divided into three and comprises a fixed salary, a performance-related bonus and a share-based incentive scheme in line with the Board's authorisation.

At the 2020 AGM, the statement on executive remuneration was set forth as a separate case document, which is available from the company's website www.salmar.no. The AGM voted to approve the establishment of a new share-based incentive scheme for senior executives. In addition, the AGM held an advisory vote on the Board's proposed guidelines for the determination of salary and other benefits to senior executives for the 2020 financial year. The AGM approved separately the item relating to the remuneration of senior executives linked to shares or developments in the price of shares in SalMar or other group companies.

The Board's statement, as well as further details relating to the salary and benefits payable to the CEO and other senior executives, is included in the Annual Report for 2020.

Deviations from the code of practice: None

13. Information and communication

Investor relations

Communication with shareholders, investors and analysts is a high priority for SalMar. The objective is to ensure that the financial markets and shareholders receive correct and timely information, thus providing the soundest possible foundation for a valuation of the company. All market players shall have access to the same information, and all information is published in both Norwegian and English. All notices sent to the stock exchange are made available on the company's website and at www.newsweb.no.

SalMar seeks to comply with the Oslo Stock Exchange's investor relations recommendations, which includes a recommendation to publish information to investors on companies' websites, last updated on 1 July 2019. The company has, in line with the Norwegian Code of Practice for Corporate Governance, also adopted an 'IR Policy', which is available from the company's website. The CEO, CFO and Investor Relations Manager are responsible for communications with shareholders in the period between general meetings.

Financial information

The company holds open investor presentations in association with the publication of its year-end and interim results. These presentations are open to all, and provide an overview of the Group's operational and financial performance in the previous quarter, as well as an overview of the general market outlook and company's own future prospects. These presentations are also made available on the company's website.

The company will continue to publish interim reports in line with the Oslo Stock Exchange's recommendation. Such interim results will be published no more than 60 days after the close of each quarter.

Quiet period

SalMar will minimise its contacts with analysts, investors and journalists in the final three weeks before publication of its results. During this period, the company will hold no meetings with investors or analysts, and will give no comments to the media or other parties about the Group's results and future outlook. This is to ensure that all interested parties in the market are treated equally.

Financial calendar

Each year SalMar publishes a financial calendar indicating the dates of publication of the Group's interim reports and annual report, as well as the date of its AGM. The calendar is available from the Group's website www.salmar.no. It is also distributed as a stock market notice and updated on the Oslo Stock Exchange's website www.newsweb.no. The calendar is published before 31 December each year.

Icelandic Salmon AS

The subsidiary Icelandic Salmon AS (previously named Arnarlax AS) was listed on the Euronext Growth trading system in 2020. Guidelines have been drawn up with respect to the disclosure of information to ensure that all shareholders in SalMar receive the same information (materiality) as shareholders in Icelandic Salmon.

Deviations from the code of practice: None

14. Acquisition

The Board of Directors has drawn up guidelines with respect to takeover bids, in line with the Norwegian Code of Practice for Corporate Governance. The guidelines were adopted by the Board at a meeting on 29 March 2011, and the Board undertakes to act in a professional manner and in accordance with applicable legislation and regulations.

The guidelines shall ensure that the interests of shareholders are safeguarded, and that all shareholders are treated equally. Furthermore, the guidelines shall help ensure that company operations are not unnecessarily disturbed. The Board will strive to provide shareholders with sufficient information to enable them to make up their minds with respect to the specific bid.

If a takeover bid has been made, the Board will make a statement and at the same time assess whether to obtain a valuation from an independent expert. The Board will obtain an independent valuation if a major shareholder, board member, member of the management team, related party or any collaborator of such a related party, or anyone who has recently held one or more of the above-mentioned positions, is either the bidder or has a particular interest in the takeover bid.

The Board will not seek to prevent any takeover bid, unless the Board is of the opinion that such action is justified out of consideration for the company and the company's shareholders. The Board will not exercise any authorisations or adopt other measures for the purpose of preventing the takeover bid. This stipulation may be waived only with the approval of a general meeting of shareholders after a bid has been announced.

Transactions which, in reality, involve the sale of the company's business shall be laid before a general meeting of shareholders for approval.

Deviations from the code of practice: None

15. Auditor

The company's auditor is appointed by the AGM. Each year, the Board of Directors shall receive written confirmation from the auditor that the requirements with respect to independence and objectivity have been met.

Each year, the auditor shall draw up a plan for the execution of their auditing activities, and the plan shall be laid before and discussed by the Audit and Risk Committee. The auditor shall meet with the Audit and Risk Committee annually to review and evaluate the company's internal control activities.

The auditor shall hold at least one meeting each year with the Board of Directors at which no representatives of the company's management are present. The auditor attends the board meeting at which the year-end financial statements are considered. The auditor attends the company's AGM.

The Board shall inform the AGM of the remuneration payable to the auditor, broken down into an auditing and other services component. The AGM shall approve the auditor's fees.

The company has drawn up guidelines to regulate the extent to which it is permitted to use the auditor to perform services other than audit-related services.

Deviations from the code of practice: None

Executive management

Gustav Witzøe

President & CEO

Mr. Witzøe is the co-founder of SalMar ASA. He holds a degree in engineering. After several years as an engineer he co-founded BEWI AS, a company producing styrofoam boxes for the fish farming industry. Mr. Witzøe held the position as managing director of BEWI AS until 1990. Since Mr. Witzøe founded SalMar ASA in 1991 he has gained extensive experience in fish farming and processing.

Born: 1953

Shares: Mr. Witzøe indirectly owns 93,02% of Kverva AS, which in turn through Kverva Industrier AS owns 52.46% of the shares in SalMar ASA. Mr. Witzøe is also a director of Kverva AS.

RSU-Rights: None

Trine Sæther Romuld

CFO & COO

Trine Sæther Romuld took over as CFO & COO on 1 July 2019. Romuld has extensive experience from a broad range of management positions within seafood, consulting and auditing, from both Norwegian and international companies. In addition, Romuld has significant experience as board member and leader of audit committee for listed companies. Romuld is a state authorized public accountant from Norwegian school of economics (NHH).

Born: 1968

Shares: 4,219

RSU-Rights: 5,086

Roger Bekken

COO Farming

Roger Bekken took over as COO Farming on 4 June 2018. Mr. Bekken has worked in the seafood sector since 1991. He has held a variety of executive positions in the industry. Before joining SalMar is 2014, he was COO of Farming at Norway Royal Salmon (NRS). From 2014 until June 2018, Mr. Bekken was managing director at SalMar Farming AS.

Born: 1967

Shares: 14,245

RSU-Rights: 4,778

Frode Arntsen

COO Industry and Sales

Frode Arntsen took the position as COO, Industry and Sales on 1 December 2017. He has a background from the Norwegian Military, and is educated as a lecturer within management. He has worked in the seafood industry since 2000, and has previously held senior/director positions at Lerøy Midnor, HitraMat and Lerøy Midt.

Born: 1970

Shares: 3,380

RSUs: 4,668

Photo: Hitra-Frøya

Ulrik Steinvik

Director Business Improvement

Steinvik has worked in SalMar since 2006. Mr. Steinvik holds the title as Norwegian state authorized public accountant. Berfore Steinvik joined SalMar in 2006 he served with Arthur Andersen Norway and Ernst & Young AS from 1998 to 2006. He graduated from the Norwegian School of Economics and Business Administration in 2002.

Born: 1974

Shares: 137,184. Owns 18,349 shares directly and indirectly through personal related parties. Also owns 100 per cent of the shares in Nordpilan AS. Nordpilan AS owns 0.2 per cent of the shares in Kverva AS, which in turn through Kverva Industrier AS owns 52.46 per cent of the shares in SalMar ASA.

RSU-Rights: 4,107

Board of Directors

Atle Eide

Chairman of the Board

Mr. Eide holds the position as senior partner in Kverva. From 2003 to 2007 he was the CEO of Marine Harvest ASA and one of its predecessors Pan Fish ASA. In addition he has many years of experience from HitecVision. Mr. Eide's previous work experience includes the CEO position of a number of listed and unlisted companies. Mr. Eide has also held a number of non-executive board positions in companies such as Fokus Bank, Acta, Cermaq and NRS. Mr. Eide has served as the Board Chair in SalMar ASA since 06.06.2017.

Nationality: Norwegian citizen, and resident in Norway

Independent: No

Margrethe Hauge

Member of the Board and Leader of the Audit and Risk Committee

Margrethe Hauge is CEO of Goodtech ASA and has held management positions within production, supply chain, service and sales in aqua, agriculture, maritime and oil & gas industries. She has held positions as CEO at Teknisk Bureau AS, Regional Managing Director - Nordic & Germany at MRC Global Inc. and Executive Vice President Services at TTS Group ASA. She has also held several management positions at Kverneland Group. Ms. Hauge started her career as trainee at Norsk Hydro ASA. She is member of the board of Borregaard ASA and GIEK. She holds a Master's degree in Economics & Business Administration, University of Mannheim, Germany.

Nationality: Norwegian citizen, and resident in Norway

Independent: Yes

Leif Inge Nordhammer

Member of the Board

Nordhammer was previously CEO in SalMar from 1996 to 2016, with a hiatus from 2011 to 2014. Today he works in his investment company LIN AS and is board member of Kverva AS. He has extensive experience from leadership positions from several companies within aquaculture and has been a part of the industry since 1985. Former companies include Sparebank 1 Midt-Norge, E. Boneng & Sønn, Frøya Holding AS and Hydro Seafood AS. Nordhammer has educational background for Norwegian Armed Forces, Trondheim Business School and University in Trondheim. Nordhammer joined the board of SalMar in June 2020.

Nordhammer owns both directly and indirectly 1,64% of the shares in SalMar ASA. He owns 99,1% of LIN AS which directly owns 1,12% of the shares in SalMar ASA and indirectly LIN AS owns 0,52% of the shares in SalMar ASA through its 1% ownershare in Kverva AS, which through through Kverva Industrier AS owns 52,46% of the shares in SalMar ASA.

Nationality: Norwegian citizen, and resident in Norway

Independent: No

Linda Litlekalsøy Aase

Member of the Board

Linda Litlekalsøy Aase is EVP Brownfield projects in Aker Solutions. The Norwegian joined Aker Solutions in April 2014 and has almost 20 years of industry experience, from technical management to a variety of leadership positions, including head of Aker Solutions' maintenance, modifications and operations business in Norway. She holds a MSc in material technology from NTNU, and has studied business economics and management accounting at NHH. Linda L. Aase joined the board of SalMar June 2020.

Nationality: Norwegian citizen, and resident in Norway

Independent: Yes

Tonje E. Foss

Member of the Board and Member of the Audit and Risk Committee

Tonje Foss is strategy director in Enova. From 2017 to 2020 she was regional-director in Atea for region North. She has 19 years of experience from the oil industry from various positions and companies, including Kvaerner, Schlumberger and Aker BP. Foss has previously been board member in Buestiftelsen and Det Norske Oljeselskap, and currently is a board member in Sparebank 1 SMN. Tonje Foss joined the board of SalMar in June 2020.

Nationality: Norwegian citizen, and resident in Norway

Independent: Yes

Brit Elin Soleng

Employee representative

Ms. Soleng has worked in SalMar since March 2013 when she joined SalMar in the finance department as an administrative employee. Soleng has previous experience from administrative positions from, among others, Marine Harvest and Nutreco.

Nationality: Norwegian citizen, and resident in Norway

Jon Erik Rosvoll

Employee Representative

Mr. Rosvoll has worked in SalMar since 2006 and is currently working as a feed operator at the feed center on Smøla, in addition he has been union representative since 2007.

Nationality: Norwegian citizen, and resident in Norway

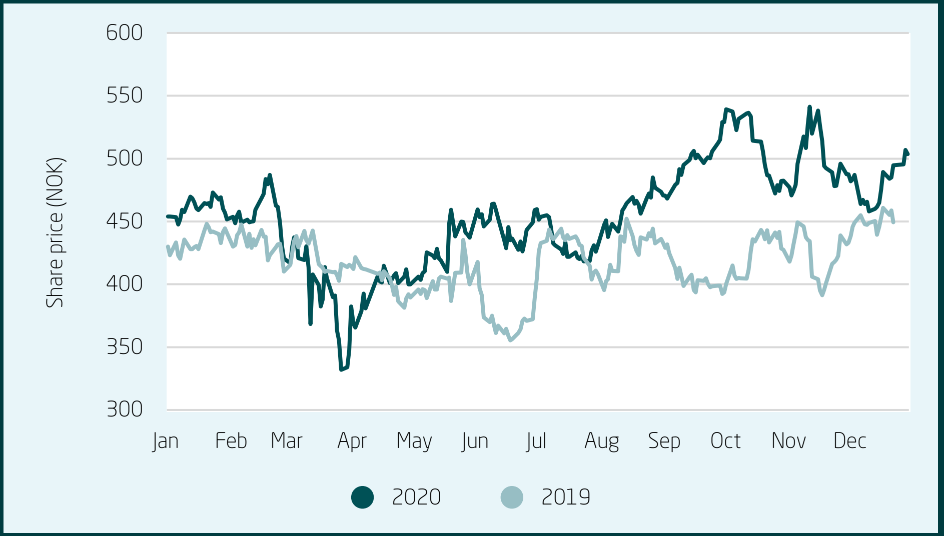
Shareholder information

SalMar's 20 largest shareholders

Name	Shareholding 31.12.2020	Shareholding (%)
KVERVA INDUSTRIER AS	59,436,137	52.46%
FOLKETRYGDFONDET	7,274,679	6.42%
State Street Bank and Trust Comp	2,597,378	2.29%
State Street Bank and Trust Comp	2,100,516	1.85%
BNP PARIBAS SECURITIES SERVICES	1,565,383	1.38%
LIN AS	1,274,620	1.12%
CACEIS Bank	1,110,813	0.98%
CACEIS Bank	1,095,276	0.97%
CLEARSTREAM BANKING S.A.	1,054,476	0.93%
JPMorgan Chase Bank, N.A., London	955,441	0.84%
JPMorgan Chase Bank, N.A., London	914,653	0.81%
The Bank of New York Mellon	842,542	0.74%
Brown Brothers Harriman (Lux.) SCA	837,005	0.74%
SIX SIS AG	661,037	0.58%
Pictet & Cie (Europe) S.A.	613,671	0.54%
VERDIPAPIRFONDET KLP AKSJENORGE IN	585,412	0.52%
State Street Bank and Trust Comp	568,054	0.50%
VPF DNB AM NORSKE AKSJER	563,132	0.50%
VERDIPAPIRFONDET ALFRED BERG GAMBA	546,802	0.48%
Euroclear Bank S.A./N.V.	508,703	0.45%
Total 20 largest shareholders	**85,105,730**	**75.12%**
Other shareholders	28,194,269	24.88%
Total	**113,299,999**	**100.00%**

Shareholders	9,849

Share price



Share price development

Share price at the start of 2020 was NOK 449.30 per share, valuing SalMar at NOK 50,906 million. At year-end the share price was NOK 503.60 valuing SalMar at NOK 57,058 million.

Technical information

As at 31 December 2020 SalMar ASA had 113,299,999 shares, with each share having a face value of NOK 0.25.
As at 31 December 2020 the company had 9,849 shareholders.
The company's VPS number is ISIN NO 001-0310956.
Account operator is Nordea Bank.
The company's ticker on the Oslo Stock Exchange is SALM.

IR contact in SalMar

Communication with shareholders, investors and analysts is a high priority for SalMar. The objective is to ensure that the financial market and shareholders receive correct and timely information, thus providing the soundest possible foundation for a valuation of the company. All notices sent to the stock exchange are made available on both the company's website, the Oslo Stock Exchange's www.newsweb.no site and through news agencies.

If you would like to subscribe to news from SalMar, please send an e-mail to ir@salmar.no so that we can include your e-mail in our news distribution list.

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Trine Sæther Romuld
CFO & COO
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Financial calendar 2021

Results 4th quarter 2020:	25 February 2021
Annual report 2020:	23 April 2021
Results 1st quarter 2021:	12 May 2021
Ordinary general meeting:	8 June 2021
Results 2nd quarter 2021:	26 August 2021
Results 3rd quarter 2021:	17 November 2021

SalMar holds quarterly presentations open to the public. The presentations will take place at 08:00 am CET at Hotel Continental in Stortingsgaten 24/26 in Oslo, Norway. The annual general meeting will be held at Frøya.

Annual report will be published through the company's homepage, www.salmar.no, Oslo Børs news site, www.newsweb.no and other newswires. Please note that the dates can be changed. Any changes will be communicated.

Report of the Board of Directors

At the start of 2021, SalMar turns 30 and can look back on three decades of fantastic results. The company has grown into one of the world's largest aquaculture enterprises, and is now strengthening its focus on offshore fish farming to secure sustainable growth on the salmon's terms. Despite a challenging market, characterised by global uncertainty and low salmon prices, the company has once again posted strong annual results.

In 2020, SalMar harvested a total of 150,300 tonnes of salmon in Norway and 11,200 tonnes in Iceland, and generated gross operating revenues of NOK 12.9 billion. Operational EBIT totalled NOK 3 billion in 2020, just 2 per cent down on the year before. The Group expects to harvest 163,000 tonnes in Norway and 14,000 tonnes in Iceland in 2021.

Business and strategy

SalMar ASA is a Norwegian public limited company, whose shares are quoted on the Oslo Stock Exchange under the ticker SALM.

The Group is one of the world's largest and most efficient producers of Atlantic salmon, and is vertically integrated along the entire value chain from broodfish, roe and smolt to harvesting, processing and sales. Through wholly owned businesses, subsidiaries and associates, SalMar has operations in Norway, Iceland and Scotland. The company sells its products to customers worldwide, with particular focus on markets in Europe, North America and Asia.

At the close of 2020, SalMar had licences to produce a maximum allowable biomass (MAB) of 101,509 tonnes of Atlantic salmon in Norway and a MAB of 25,200 tonnes in Iceland. In addition, SalMar has one time-limited demonstration licence in Troms. The Group also has partnership agreements relating to 11 licences.

In 2016, SalMar was the first company in Norway to be awarded so-called development licences by the Norwegian Directorate of Fisheries. The purpose of these licences is to promote increased investment in sustainable technology, desired changes in production methods, innovation and increased overall value creation in the industry. The threshold for being granted a development licence is extremely high. The fact that the first eight development licences ever awarded by the Directorate went to SalMar's offshore installation Ocean Farm 1 is therefore an important testament to the Group's research and development efforts. In July 2020, the Norwegian Directorate of Fisheries announced that it had approved the conversion of these development licences. As a result, they will now be included in the Group's ordinary production volume, which gives SalMar greater flexibility to optimise biological production in Central Norway. The second production cycle at Ocean Farm 1 came to an end in September 2020 and demonstrated, like the first production cycle, good biological results. This has strengthened SalMar's faith in offshore fish farming.

The design and development of the Smart Fish Farm project continues as planned. The Smart Fish Farm is an offshore installation designed to withstand location in considerably more exposed areas of the ocean and to have more than twice the production capacity of Ocean Farm 1. SalMar has been granted eight development licences in connection with this concept, and an investment decision is expected in 2021.

SalMar has also started designing an Ocean Farm 2 installation, which will be a further development of Ocean Farm 1 and will be adapted for use at exposed sites within today's production areas.

SalMar has a substantial harvesting and processing capacity at InnovaMar in Frøya and Vikenco in Aukra in Central Norway. The Group is currently building Northern Norway's largest and most up-to-date salmon harvesting plant in Senja. The facility will be called InnovaNor, and is expected to generate significantly more local value creation in the region when it goes into operation in the summer of 2021.

In October 2020, SalMar announced that Icelandic Salmon, the Group's operation in Iceland, had undertaken a successful private placement of 5,629,344 newly issued shares, priced at NOK 115 per share. The share issue generated proceeds of NOK 647 million. The Oslo Stock Exchanged authorised the company to list its shares on the Euronext Growth trading system. The share's first day of trading was 27 October 2020. Following the share issue, SalMar owns 51.02 per cent of Icelandic Salmon's shares. In addition, SalMar owns 50 per cent of Scottish Sea Farms Ltd (through Norskott Havbruk AS), the UK's second largest producer of farmed salmon.

SalMar is headquartered in Frøya, in Trøndelag County. The Group's registered address is 7266 Kverva.

Ambition and strategic position

It is SalMar's clearly expressed ambition to be the world's best aquaculture company, driven by our vision: a "Passion for Salmon".

SalMar wishes to be a driving force for sustainable growth in the global aquaculture industry, and is convinced that the establishment of salmon farming in the open ocean is an important and correct step towards this goal. For SalMar, offshore fish farming represents an important part of the solution to the industry's challenges relating to both production areas and biological performance. Not least because conditions offshore largely reflect the natural habitat of Atlantic salmon. In this way, salmon can be farmed on the fish's own terms, rather than the limitations of the equipment.

SalMar will therefore pursue two separate growth strategies going forward: one for coastal fish farming and one for offshore fish farming.

Coastal fish farming

The core of SalMar's strategic position in the area of coastal fish farming will continue to be cost leadership and operational efficiency. This will be achieved by operating a focused value chain, with significant emphasis on upstream activities. Furthermore, Sales and Industry will secure optimal exploitation of the harvested salmon to obtain the best possible price. In addition to cost leadership, the company focuses on performance, with the aim of achieving excellence at all levels and in all aspects of production.

SalMar's coastal fish farming will represent the core of the Group's production and earnings capacity for many years to come. The company wishes to maintain a leading role in further industrial development. It will also actively seek out attractive M&A opportunities and take part in the opportunities for growth that come along, provided they are on commercially acceptable terms.

Offshore fish farming

To strengthen and concentrate its efforts in the area of offshore fish farming, SalMar has established the subsidiary SalMar Ocean. The company will be a pioneer and lead the development of offshore salmon farming, which has the potential to become the Group's largest source of growth in the years ahead.

The promising results demonstrated by the first and second generations of salmon produced at the pilot Ocean Farm 1 facility, situated at an exposed site in the Frohavet area off the coast of Frøya, reinforce the Group's belief in this strategic direction.

Important events in 2020

Purchase of MAB

On 4 February 2020, the Norwegian Ministry of Trade, Industry and Fisheries announced that it had decided which colours to give the 13 different salmon farming zones under its "traffic lights scheme". Nine zones were given a green light, which means that production there can be increased. Two zones were given an amber light, which means that they cannot increase production, while two zones received a red light and must therefore reduce their production volume. One per cent of the growth in the green zones was allocated at a fixed price of NOK 156,000 per tonne, while the remaining 5 per cent was sold at auction. SalMar has licences in the green-light zones PO6–7 and PO11–13. The Group also has licences in the amber-light zone PO10 and the red-light zone PO5. In 2020, the Group purchased the volume available at the fixed price and took part in the auction, which took place on 18 August 2020. SalMar increased its MAB by a net total of 8,239 tonnes. See Note 3.1 for further details.

Conversion of development licences

On 7 July 2020, the Norwegian Directorate of Fisheries announced the conversion of the eight development licences granted to SalMar's subsidiary Ocean Farming AS into ordinary production licences. This means that the eight licences the company was granted in February 2016 for the realisation of the Ocean Farm 1 installation, are now included in the company's ordinary production volume within the framework and regulations covering maximum allowable biomass (MAB).

Change in SalMar's Board of Directors

At the AGM on 3 June 2020, Tonje E. Foss, Leif Inge Nordhammer and Linda L. Aase were elected as new members of the Board of Directors. These three replace Kjell Storeide, Helge Moen and Trine Danielsen.

On 25 February 2020, SalMar announced that Torger Rød (45) had joined SalMar Ocean's Board of Directors. Rød has a Master's degree in engineering from the Norwegian University of Science and Technology (NTNU), and has previously worked for Equinor, among others.

Successful share issue in Icelandic Salmon

On 15 October 2020, SalMar published a stock market notice announcing that Icelandic Salmon had successfully undertaken a private placement of 5,629,344 newly issued shares, priced at NOK 115 per share. The share issue generated proceeds of NOK 647 million. The share issue provided Icelandic Salmon with gross proceeds of approx. NOK 500 million through the sale of new shares, while Kjartan Olafsson, who chairs Icelandic Salmon's Board of Directors, received gross proceeds of NOK 147 million through the sale of existing shares. The private placement prompted a great deal of interest from high-quality institutional investors, and was considerably oversubscribed. The Oslo Stock Exchange authorised Icelandic Salmon to list its shares on the Euronext Growth trading system. The share's first day of trading was 27 October 2020.

Change of dividend for 2019

On 17 March 2020, SalMar announced the Board's decision to withdraw the dividend proposal published along with the company's fourth quarter results. The decision came after a thorough assessment by the company's board and management in light of the prevailing uncertainty about the spread of Covid-19 and the pandemic's potential consequences for the entire value chain and numerous local communities along Norway's coast.

At an EGM held on 4 December 2020, SalMar decided to pay a dividend for 2019 of NOK 13 per share. This decision was based on the Group's solid financial position and ability to adapt to the new market conditions.

Events after the reporting date

Acquisition of Lofoten Aqua AS

In February 2021, SalMar agreed the purchase of 100 per cent of the shares in Lofoten Aqua AS. See Note 4.10 for further details.

New borrowing agreement

With effect from 24 February 2021, SalMar ASA has entered into a sustainability linked credit facility in the amount of NOK 4,000 million. At the same time, it increased its overdraft from NOK 500 million to NOK 1,000 million. The new sustainability linked credit facility is a five-year agreement, with four sustainability KPIs included in the assessment of margins. An equity ratio covenant has been set to 30 per cent. The agreement replaces the CAPEX and RCF facilities and the overdraft discussed in Note 3.10. See Note 4.10 for further details.

Market conditions

Supply, exports and price of Atlantic salmon

The global supply of Atlantic salmon increased for the fourth year in succession, ending 5.2 per cent up in 2020. The world's two leading producer countries, Norway and Chile, increased their output by 3 per cent and 13 per cent, respectively.

Supply of Atlantic salmon in 1,000 tonnes WFE	2019	2020	Change
Norway	1,333	1,369	3%
Chile	690	778	13%
UK	191	181	-5%
North America	159	161	1%
Faeroes	87	81	-7%
Oher countries	122	145	18%
Total, global supply	2,582	2,715	5.2%

Norway exported around 1,309,000 tonnes round weight of Atlantic salmon in 2020, up 2 per cent on 2019. The value of Norway's salmon exports fell by 3 per cent, which reflects the fact that the average price of Atlantic salmon was lower in 2020 than the year before.

Norway exported 76 per cent of its volume to the EU in 2020. Overall, the EU increased its imports of salmon from Norway by 5 per cent, with the two largest markets (Poland and Denmark) increasing their imports by 17 per cent and 10 per cent, respectively.

SalMar sold directly to 53 different countries in 2020. Europe was the most important destination, with Sweden, Poland and the Netherlands as the largest single markets. The second most important destination was Asia, with Japan, South Korea and Taiwan as the largest single markets. Since sales to Russia were discontinued in 2014, North America has been the third largest export destination.

The price of Atlantic salmon (NASDAQ) was lower in 2020 than in 2019 as a result of the Covid-19 pandemic. The year's lowest price was recorded in week 49 at NOK 40.99 per kg, while the highest price came in week 2 at NOK 79.19 per kg. At the close of year, 1 kg of Atlantic salmon cost NOK 51.49. The average price of salmon (NASDAQ Salmon Index) for 2020 came to NOK 54.34 per kg, compared with NOK 57.98 per kg the year before.

From the close of 2019 until the close of 2020, the Norwegian currency (NOK) strengthened by 3 per cent against the USD. At the same time, it weakened by 6 per cent against the EUR and by 0.5 per cent against the GBP. Any weakening of the NOK against the respective trading currencies could lead to an increase in salmon prices measured in NOK and vice versa.

Framework conditions

Norway

SalMar's licences are located in the regions Central Norway and Northern Norway.

In 2017, the Norwegian government introduced a new system for regulating the growth of the aquaculture industry in order to safeguard its environmental sustainability and stability. Under this system, growth is controlled by means of variable growth cap, environmental indicators and division into production zones. The system is called the "traffic light system", since production zones are designated as being green, amber or red. Growth is permitted in green zones, growth is put on hold in amber zones, while production in red zones must be halted or reduced in scale. Growth is assessed every other year, and capacity adjusted by 6 per cent. In Norway, there are currently 13 production zones. In February 2020, the Ministry of Trade, Industry and Fisheries announced that nine of these were designated green, two amber and two red. See the section "Important events in 2020" for further details.

The Norwegian parliament (Storting) has introduced a new levy on the production of salmon and trout in Norway. The levy amounts to NOK 0.40 per kg harvested weight. The new production levy comes into effect from 1 January 2021, with the first payment required from 2022. The levy is expected to raise a total of NOK 500 million from all producers in Norway, which will be distributed to local councils and county councils hosting aquaculture operations through the Aquaculture Fund. The levy is the result of a political compromise after a majority of the publicly appointed Aquaculture Commission proposed a profit-based economic rent tax that would have constituted a far higher sector-specific tax on the production of salmon in Norwegian waters (NOU 2019:18). Such a sector-specific tax would have resulted in a substantial diversion of investment from Norway to other countries close to the major markets. Millions of NOK are currently being invested in land-based fish farming facilities in large parts of the world, which have neither sector-specific taxes nor high production licence fees. The production levy comes on top of other taxes and charges, and constitutes a competitive disadvantage for the Norwegian aquaculture industry. However, the effect is materially less severe than an economic rent tax would have been, and, furthermore, will strengthen coastal communities' ability to facilitate the development of this important export industry and regional economic driver.

Given the greater competition from a growing number of salmon-producing countries, it is even more important that the Norwegian government ensures Norway's aquaculture sector has stable and predictable framework conditions. The industry must therefore hope that the economic rent tax has now been permanently shelved. At the same time, SalMar is glad to contribute to society as a major taxpayer. In both 2019 and 2020, SalMar and its employees paid over NOK 1.1 billion in taxes and other charges to central and local government. The company alone paid NOK 584 million in corporation tax in Norway in 2020. This information will hopefully reassure those groups which may be tempted to send an even higher proportion of tomorrow's tax bill to companies in vulnerable coastal districts.

Iceland

Framework conditions for salmon farming in Iceland have improved somewhat in recent periods, after being rather unpredictable. Politicians and various special interest organisations continue to debate how much the sector should be allowed to grow and which coastal sites it should be given access to. The Icelandic authorities have also introduced a special tax on salmon farming, whose level is linked to the price of salmon. Icelandic Salmon is engaged in an active and constructive dialogue with the authorities with respect to these issues, primarily through its membership of the Icelandic fisheries organisation SFS. The company believes there is a positive mood with respect to giving sustainable salmon production in Iceland room to grow.

Scotland

Framework conditions for salmon farming in Scotland have remained relatively constant over several years. The growing influence of special interests (NGOs, organised anglers, etc) has led to more challenging regulations than in Norway, which has in turn contributed to a higher level of costs (lower efficiency, smaller economies of scale). The Scottish authorities have expressed the wish that the aquaculture sector will grow from its present output level of around 170,000 tonnes. However, Brexit is creating uncertainty about customs duties and tariffs for Scottish salmon in the European market.

Access to markets

China still accounts for only a small portion of the market for Norwegian salmon. This is largely due to the imposition in 2015 of restrictions on the importation of Norwegian salmon from selected regions. Over time, active efforts have been made to improve access to the Chinese market. In May 2019, China lifted its restrictions on the Norwegian counties to which they had applied. This move also encompassed SalMar's harvesting plant InnovaMar in Frøya.

Russia was previously an important market for SalMar and Norwegian salmon in general. However, trade restrictions introduced in the wake of the Crimean conflict in 2014 mean that the Russian market remains closed to Norwegian fish farmers.

See the "Outlook" section for comments relating to the spread of Covid-19.

Financial performance

Going concern

The annual financial statements for 2020 have been prepared on the assumption that SalMar is a going concern pursuant to section 3-3a of the Norwegian Accounting Act. With reference to the Group's results and financial position, as well as forecasts for the years ahead, the conditions required for continuation as a going concern are hereby confirmed to exist. In the opinion of the Board of Directors, the Group's financial position is good.

Consolidated Income Statement

The Group generated consolidated operating revenues of NOK 12,912 million in 2020, compared with NOK 12,238 million in 2019. This represents an increase of 5.5 per cent.

In 2020, SalMar harvested 161,500 tonnes overall: 150,300 tonnes in Norway and 11,200 tonnes in Iceland. In addition, Norskott Havbruk harvested 24,000 tonnes, of which SalMar's share comes to 12,000 tonnes (50 per cent).

The average price of salmon (NASDAQ) in 2020 came to NOK 54.34 per kg, down 6 per cent from the average in 2019, which came to NOK 57.98 per kg. The price of salmon was lower in 2020 due to the Covid-19 pandemic. The year's highest price was NOK 79.19 per kg in week 2, while its lowest recorded price, NOK 40.99 per kg, was recorded in week 49. The price closed the year at NOK 51.49 per kg.

Around 25 per cent of SalMar's total volume harvested in 2020 was sold under fixed-price contracts. The terms of these contracts vary, but do not normally last for more than 12 months. Overall, the price achieved under these fixed-price contracts was higher than the spot price (NASDAQ) for the year as a whole.

After a somewhat challenging year in biological terms in 2019, both operational and biological performance improved in 2020. The fish farming segments in Norway performed well both operationally and biologically throughout 2020. This is reflected in lower production costs per kg than in 2019.

The SalMar Group had payroll costs of NOK 1,320 million in 2020, compared with NOK 1,202 million in 2019. The number of full-time equivalents (FTEs) in the Group rose by 3.5 per cent in 2020, from 1,703 FTEs at the close of 2019 to 1,763 FTEs at the close of 2020.

Operational EBIT is SalMar's most important measure of its performance under IFRS, since it shows the results of underlying operations during the period. Specific items not associated with underlying operations are presented on separate lines in the consolidated financial statements.

The SalMar Group made an Operational EBIT of NOK 3,007million in 2020, compared with NOK 3,068 million in 2019. The decrease is largely attributable to lower price achievement as a result of lower salmon prices due to the Covid-19 pandemic.

Fair value adjustments reduced profits by NOK 180 million in 2020. The corresponding adjustments in 2019 reduced profits by NOK 33 million. Fair value adjustments comprise changes in the fair value of the biomass, unrealised effects of forward currency contracts relating to future contract deliveries and financial salmon price derivatives (Fish Pool), as well as provisions for contract-related losses. The change in the fair value of the biomass reduced profits by NOK 186 million, which is largely attributable to lower price expectations at the close of 2020 than at its start. Changes in provisions for contract-related losses and the fair value of financial salmon derivatives reduced profits by a combined NOK 25 million, while the unrealised effect of forward currency contracts boosted profits by a total of NOK 31 million.

SalMar made an operating profit of NOK 2,828 million in 2020, down from NOK 3,035 million in 2019.

SalMar's associates, ie companies over which SalMar's shareholding gives it a significant influence, contributed less in 2020. This is largely attributable to a weaker performance by Norskott Havbruk. SalMar's share of the profit from these investments totalled NOK 42 million in 2020, compared with NOK 119 million in 2019.

Net financial items in 2020 totalled NOK -299 million, compared with NOK 5 million in 2019. The change is largely due to a realised gain of NOK 226, which SalMar recognised in connection with Arnarlax's transition from associate to subsidiary in 2019. Arnarlax has subsequently been renamed Icelandic Salmon. SalMar's interest expenses for 2020 totalled NOK 150 million, a decreased from NOK 170 million in 2019. See Note 2.9 for further details.

SalMar's profit before tax in 2020 totalled NOK 2,572 million, down from NOK 3,158 million in 2019. A tax expense of NOK 563 million has been calculated for 2020, down from NOK 614 million in 2019.

SalMar's net profit for the year totalled NOK 2,008 million in 2020, compared with NOK 2,544 million in 2019.

Consolidated Statement of Cash Flows

SalMar achieved a positive cash flow from operating activities of NOK 3,179 million in 2020, compared with NOK 3,030 million in 2019. Through 2020, SalMar's working capital rose by NOK 55 million, compared with a decrease of 50 million in 2019. In addition, SalMar paid NOK 588 million in corporation tax in 2020, compared with NOK 691 million the year before.

Net expenditures with respect to investing activities totalled NOK 3,747 million in 2020, compared with net expenditures of NOK 1,317 million in 2019. The increase in investing activities relates largely to the purchase of licences, the bulk of which derive from the auction that was held on 18 August 2020. Otherwise, investment activity relates to maintenance work throughout the value chain and the expansion of the Group's smolt production capacity, the construction of InnovaNor, expansion at Vikenco and investments in R&D relating to offshore fish farming. See Notes 3.1 and 3.3 for further details.

Net cash flow from financing activities totalled NOK 554 million in 2020, compared with NOK -1,720 million in 2019. A dividend payment of NOK 1,493 million was made in 2020. Cash flow from interest-bearing debt came to NOK 1,902 million in 2020, while repayments relating to leasing liabilities totalled NOK 184 million. Net interest paid came to NOK 147 million. In 2020, SalMar had received a net capital injection of NOK 480 million relating to a share issue in Iceland.

In total, this gave SalMar a negative cash flow for 2020 of NOK 15 million, which has reduced the Group's cash and cash equivalents to NOK 223 million at the close of the year.

Consolidated Statement of Financial Position

As at 31 December 2020, SalMar's had a total balance of NOK 21,988 million, an increase of NOK 4,012 million since the close of 2019.

The book value of the Group's intangible assets rose by NOK 2,084 million in 2020. At the close of the year, the value of the Group capitalised intangible assets stood at NOK 6,826 million.

The book value of property, plant and equipment totalled NOK 6,403 million at the close of 2020, up from the NOK 4,940 million these assets were worth at the close of 2019. This includes right-to-use assets of NOK 849 million, compared with NOK 570 million in 2019.

The Group's financial assets totalled NOK 851 million at the close of 2020, up from NOK 814 million at the close of 2019. The increase is attributable largely to the contribution made by SalMar's share of the profit/loss in Norskott Havbruk in 2019.

The Group's biological assets were valued at NOK 5,989 million at the close of the year. This is NOK 268 million higher than at the close of 2019. Measured in tonnes, the biomass is 11 per cent larger at the close of 2020 than at the start of the year. See Note 3.6 for further details. The value of the Group's other inventory at the close of 2020 stood at NOK 681 million.

Trade receivables fell from NOK 739 million at the start of the year to NOK 589 million at its close. Other receivables increased by NOK 106 million during the period to NOK 436 million. At the close of the year, SalMar had cash and cash equivalents totalling NOK 223 million.

At the close of 2020, the Group's equity totalled NOK 10,987 million, up from NOK 9,740 million at the close of 2019. The equity ratio has decreased from 54.2 per cent at the close of 2019 to 49.9 per cent at the close of 2020.

Net interest-bearing debt (interest-bearing debt less cash and cash equivalents) totalled NOK 4,893 million at the close of the year, up from NOK 2,902 million at the close of 2019. See Note 3.11 for further details.

Based on its taxable profit for 2020, the Group expects to pay NOK 538 million in corporation tax.

The NOK 4,012 million increase in the Group's total capital in 2020 can be attributed to an increase in interest-bearing debt of NOK 1,983 million, an increase in leasing liabilities of NOK 304 million, an increase in other liabilities of NOK 478 million, as well as an increase in equity of NOK 1,247 million. The Group's solvency and financial position remain strong at the close of 2020.

Reporting segments

Fish Farming Central Norway

NOK million	2020	2019
Operating revenue	5,895	5,670
Operational EBIT	2,218	2,165
Per kg gutted weight		
Operational EBIT (NOK)	22.10	22.71

Fish Farming Central Norway, the Group's largest fish farming segment, posted good financial results in 2020 on the back of a solid biological and operational performance. The segment's operating revenues increased by NOK 225 million from 2019, to NOK 5,895 million in 2020. Operational EBIT rose by NOK 54 million to NOK 2,218 million.

Operational EBIT per kg gutted weight fell by just NOK 0.60 compared with 2019, despite lower spot prices in 2020. The slight decrease is attributable to better price achievement and a lower production cost at harvest. All the salmon produced by SalMar is sold internally at prices equivalent to market prices (NASDAQ). On average, the segment experienced a decrease in the price achieved for its harvested salmon of NOK 0.80 per kg. The production cost of the harvested biomass has, on average, decreased by NOK 0.20 per kg compared with 2019.

Operationally, 2020 was a good year for Fish Farming Central Norway. This is due to the fact that a solid strategic and operational performance resulted in a good biological performance for the year as a whole. SalMar harvested a large portion of its volume in the first half-year and early in the third quarter. This contributed to good price achievement, despite falling salmon prices through the year. Fish transferred to sea farms in 2019 accounted for the bulk of the harvested volume through 2020.

Fish Farming Central Norway harvested a total of 100,400 tonnes in 2020, compared with 95,300 tonnes in 2019. This represents an increase of 5.3 per cent. SalMar expects this segment to harvest 107,000 tonnes in 2021, up 6.6 per cent on the volume harvested in 2020. The increase compared with 2020 is due primarily to a higher MAB resulting from "traffic light" growth and the conversion of Ocean Farm 1's development licences into ordinary production licences.

Fish Farming Northern Norway

NOK million	2020	2019
Operating revenue	2,613	2,788
Operational EBIT	848	931
Per kg gutted weight		
Operational EBIT (NOK)	16.99	19.41

Fish Farming Northern Norway had a good year, with a better biological performance and lower costs compared with the more challenging 2019. However, profits were affected by low price achievement, due both to the lower spot price compared with 2019 and a high volume harvested in periods when prices were at their lowest.

Operational EBIT per kg gutted weight came to NOK 16.99 in 2020, compared with NOK 19.41 in 2019. The decrease was caused by a NOK 5.70 per kg reduction in average price achievement, which is largely offset by a NOK 3.30 per kg lower production cost at harvest.

Fish Farming Northern Norway harvested 49,900 tonnes in 2020, compared with 48,000 tonnes in 2019. SalMar expects the segment to harvest 56,000 tonnes in 2021, up 12.2 per cent on 2020. The increase compared with 2020 is due primarily to the purchase of additional MAB under the "traffic light" scheme in 2020.

Icelandic Salmon

NOK million	2020	2019[1]
Operating revenue	662	627
Operational EBIT	-50	100
Per kg gutted weight		
Operational EBIT (NOK)	-4.49	10.21

Icelandic Salmon is the largest producer of farmed salmon in Iceland. The company is a fully integrated aquaculture operation, with its own hatchery, sea farms, harvesting plant and sales force. The company carried out a successful share issue and was listed on the Euronext Growth trading system in October 2020. SalMar controlled 51 per cent of the company's shares at the close of 2020.

From 2019 to 2020, revenues rose by NOK 35 million to NOK 662 million. However, the company posted an Operational EBIT of NOK -50 million as a result of lower salmon prices and high production costs at harvest due to problems with winter ulcers at the start of the year.

Operational EBIT per kg gutted weight came to NOK -4.49 in 2020, compared with NOK 10.21 in 2019. During the first three months of 2020, Icelandic Salmon harvested the generation of fish transferred to sea farms in 2018. From a biological point of view, this generation performed poorly and suffered a high mortality rate as a result of winter ulcers. The 2019-generation, which accounted for the volume harvested in the fourth quarter, performed significantly better biologically, with a correspondingly lower cost at harvest. Harvesting of the 2019-generation will continue in 2021.

1 The 2019 result applies from February 2019, when Arnarlax (now Icelandic Salmon) was consolidated into the SalMar Group's financial statements.

The company harvested a total of 11,200 tonnes in 2020, and increase of 9,800 tonnes compared with the year before. Icelandic Salmon expects to harvest 14,000 tonnes in 2021. The biological status of the fish at its sea farms is materially better than it was last year, and Icelandic Salmon will apply the valuable experience it gained in 2020 going forward in 2021.

Sales and Industry

NOK million	2020	2019
Operating revenues	12,393	11,699
Operational EBIT	282	124

This segment is responsible for placing and selling the entire Group's harvested volume in Norway, which it buys from SalMar's in-house producers at market-deduced prices (NASDAQ).

The segment's revenues increased to NOK 12,393 million in 2020 from NOK 11,699 million in 2019. Operational EBIT came to NOK 282 million in 2020, an increase of NOK 158 million compared with the year before. At a time of heightened market uncertainty as a result of the Covid-19 pandemic, this improvement is due to a combination of factors: good capacity utilisation and efficient operations, judicious allocation of volumes at spot prices, and positive contributions from fixed-price contracts.

In 2020, around 25 per cent of the volume harvested was sold under fixed-price contracts. Overall, these fixed-price contracts have resulted in a higher price achievement than the spot price (NASDAQ) for the year as a whole. This was also the case in 2019. However, the contribution made by fixed-price contracts was greater in 2020 as a result of lower spot prices.

Around 124,900 tonnes of fish were harvested at InnovaMar in 2020, compared with 102,000 tonnes in 2019. Operations at InnovaMar depend on the biological production cycle, and substantial fluctuations in the volume harvested from one period to the next can make it difficult to achieve cost-optimal output from an industrial perspective. However, the plant's flexibility has created added value for SalMar as a whole, since it enables production at the sea farms to be optimised.

From a strategic point of view, SalMar believes it is correct to process a relatively large portion of the raw material in Norway. It increases the quality of the product that is sold to the customer, enables by-products to be dealt with efficiently, saves on freight charges and boosts local value creation. The Covid-19 pandemic and heightened market uncertainty have further reinforced our strategic focus on local secondary processing.

In 2020, construction of a new harvesting and processing plant in Senja, Northern Norway continued as planned. The plant, dubbed InnovaNor, is on schedule and is expected to go into operation in the summer of 2021. Modernisation of the Vikenco harvesting and processing plant in Aukra, Central Norway, was completed at the start of 2021.

Associates

Norskott Havbruk

Through its wholly owned subsidiary Scottish Sea Farms, Norskott Havbruk engages in the farming of salmon in mainland Scotland, Orkney and Shetland. SalMar controls 50 per cent of the business.

The company generated revenues of NOK 1,699 million in 2020, compared with NOK 1,834 million in 2019. The decrease in revenues derives primarily from a lower volume harvested in 2020 than in 2019.

Operational EBIT for the year as a whole came to NOK 308 million, up from NOK 292 million in 2019. Operational EBIT per kg gutted weight came to NOK 12.87 in 2020, compared with NOK 11.29 in 2019. Good fish growth and biological performance resulted in lower costs than the year before, which explains the improvement in margin.

The company harvested a total of 24,000 tonnes in 2020, down from 25,900 tonnes in 2019. Norskott Havbruk expects to harvest around 36,000 tonnes in 2021.

Norskott Havbruk is recognised as an associate, with SalMar's share of profit/loss after tax and fair value adjustment of the biomass (50.0 per cent) recognised as financial income. SalMar's share of the company's net profit in 2020 came to NOK 49 million, compared with NOK 106 million in 2019.

The parent company's financial statements and allocation of the profit for the year

The parent company, SalMar ASA, is a shareholding and administrative entity. Group management and administrative resources are employed by this company. In 2020, it employed a total of 34 full-time equivalents.

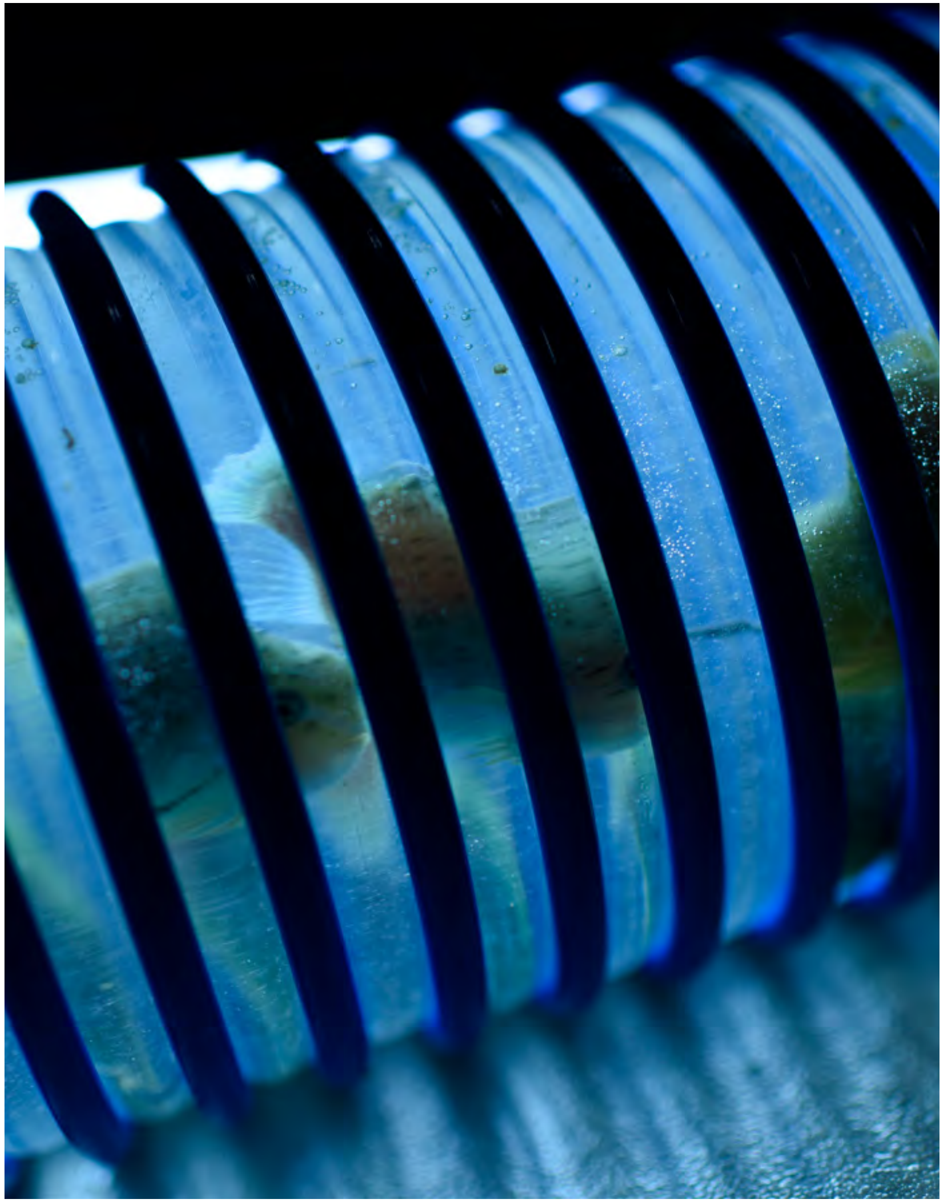
SalMar ASA made a net profit for the year of NOK 2,160 million in 2020, compared with NOK 2,239 million in 2019. The bulk of its revenues derive from investments in subsidiaries and associates. 2020 was a good year for the company's subsidiaries, and a total of NOK 2,183 million in dividends/group contributions was recognised. In addition, SalMar ASA manages the Group's primary financing arrangements and recognised NOK 86 million in interest income on loans to subsidiaries. Interest expenses amounting to NOK 60 million were incurred in association with the Group's financing arrangements.

SalMar ASA had recognised total assets of NOK 10,225 million at the close of 2020. Of this amount, non-current financial assets accounted for NOK 6,102 million, NOK 3,209 million of which comprised loans to subsidiaries. Current receivables totalled NOK 4,086 million and largely comprise receivables of dividend/group contributions from subsidiaries. The company had holdings of cash and cash equivalents of NOK 12 million at the close of 2020. Equity as at 31 December 2020 totalled NOK 3,318 million, which corresponds to an equity ratio of 32.5 per cent. Non-current liabilities totalled NOK 3,464 million and comprised interest-bearing debt. Current liabilities totalled NOK 3,443 million, of which debt to credit institutions accounted for NOK 1,046, while dividend provisions came to NOK 2,261 million.

The Board of Directors is proposing a dividend of NOK 20.00 per share for the 2020 financial year. The Board proposes the following allocation of the year's profit:

Dividend provision	NOK 2,261 million
Transferred from other equity	NOK 101 million
Total	**NOK 2,160 million**

At the close of the year, the company had a distributable reserve of NOK 3,290 million.



Risks and risk management

Risk management is a key function of the management team. The Group has systems and routines in place to monitor important risk factors in all business areas, and places particular emphasis on the control and follow up of production facilities in accordance with quality and certification standards.

It is the CEO's responsibility to ensure that the Group operates in compliance with all relevant legislation and operating guidelines for group entities. Follow-up and control of risk factors, as well as compliance with the Group's values and code of conduct, is carried out in the line organisation as part of day-to-day operations.

See the section "Outlook" for comments on the spread of the Covid-19 pandemic and Note 4.8 for details with respect to allegations of price fixing.

Operational risk

SalMar's most important operational risk relates to the biological development of its fish stocks, at both its hatcheries and sea farms. Even though SalMar develops and implements risk-reducing measures, the nature of the industry is such that the inherent biological risk will always be present. In recent years, the aquaculture industry has faced challenges associated with the increasingly widespread presence of salmon lice and greater prevalence of medicinally resistant lice. This has forced SalMar, along with the rest of the industry, to change the methods used and intensify its efforts to deal with the lice situation.

SalMar takes a holistic, strategic approach to biological risk, including lice, which encompasses preventive measures and activities designed to limit damage to its stocks. SalMar continuously makes operational assessments to protect the welfare of its fish.

Access to suitable production locations is a crucial preventive measure. For SalMar, it is important that production take place in areas that have the capacity needed to sustainably produce the volumes involved. SalMar's offshore fish farming strategy, managed via SalMar Ocean and operationalised through the Ocean Farm 1 and Smart Fish Farm projects, could lead to new and better locations being used. Selective breeding and the genetic development of a more robust salmon is another important preventive measure to reduce biological risk. Measures to reduce the length of time the fish spend at sea through the transfer of larger smolt and production in closed-containment facilities are ongoing strategic areas for SalMar.

SalMar's operating procedures are designed to reduce biological risk. Vaccination against various fish diseases is a key element in the company's operating procedures. The company takes a risk-based approach to the sea lice situation, which involves both preventive and corrective measures. SalMar has teams of employees working specifically in this area. For further details of SalMar's lice management procedures, please see the Sustainability Report.

Over time, SalMar has built up an effective response capability to deal with biological challenges. Our harvesting capacity at InnovaMar enables us to respond effectively. This will be reinforced with the realisation of the InnovaNor project. Furthermore, SalMar has good access to wellboat capacity. In the past couple of years, a substantial delousing capacity has been built up in the form of mechanical delousing equipment that also collects the lice to prevent reproduction.

It will always be necessary to use medication in connection with any form of biological production. However, such medication must be applied prudently to prevent the development of resistance.

Financial risk

The follow-up of internal controls associated with financial reporting is carried out through management's day-to-day supervision, the process owners' follow-up and monitoring by the Board's Audit Committee. Non-conformances and improvement areas are followed up and remedial measures implemented. Financial risk is managed by a central unit at head office, and financial hedging instruments are employed where they are considered appropriate.

Foreign exchange risk

The bulk of the Group's output is sold internationally, with accounts settled largely in EUR, USD, GBP and JPY. Changes in exchange rates therefore represent both a direct and indirect financial risk for the Group. Foreign exchange exposure linked to the Group's costs is, however, more limited, since input factors and salaries are paid largely in NOK. The Group enters into forward currency contracts to reduce the risk associated with sales revenues denominated in foreign currencies that derive from contracts with customers. Use of forward currency contracts is described in Note 3.9.

Interest rate risk

The borrowing portfolio is currently at floating interest rates, which means that the Group is affected by changes in interest rates.

Price risk

SalMar's entire business is related to salmon, and is therefore directly and indirectly affected by developments in salmon prices. The Group's profitability and cash flows are strongly correlated with movements in the price of salmon. Historically, salmon prices have been highly volatile seen in an annual, quarterly and monthly perspective. In 2020, the spot price of Atlantic salmon fluctuated between NOK 79.19 and NOK 40.99 per kg, measured weekly.

The global salmon market is largely a fresh-fish market, where most of the fish harvested is sold immediately to processing companies or directly to the consumer. For several years, growth in demand has been relatively stable, while growth in supply has varied more substantially from year to year. In addition to planned output volumes defined by the number of smolt transferred to sea farms, supply is also affected by a number of external factors. Fluctuations in sea temperatures, the spread of salmon lice and outbreaks of disease are all factors which, directly or indirectly, affect fish growth and thus supply. As a consequence, relatively substantial variations in supply may occur within short periods of time. With relatively stable demand, this can result in considerable price instability.

SalMar sells a portion of its output through fixed-price contracts. The Group has drawn up guidelines for such contracts to limit exposure to salmon price volatility. It is the Sales and Industry segment which sells the entire Group's harvested volume. The impact of the Group's fixed-price contracts is therefore recognised in this segment's financial statements. Approximately 25 per cent of the Group's volume was sold under fixed-price contracts in 2020.

Credit risk

The risk of a counterparty not having the financial resources to meet its obligations has, historically, been considered low, and SalMar's losses resulting from bad debts have been small. The Group has guidelines to ensure that sales are made only to customers who have not previously had material payment problems, and that outstanding sums do not exceed defined credit limits. Credit insurance is taken out as a general rule.

The Group does not have any material credit risk associated with an individual counterparty or counterparties which may be considered a group due to similarities in the credit risk they represent.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

SalMar's objective is to have sufficient cash, cash equivalents or short and medium-term credit facilities to meet its day-to-day funding requirement. The Group prepares regular cash-flow forecasts to ensure that it has sufficient liquidity at all times. Furthermore, a flexible financing structure is maintained through established credit facilities. Unused credit facilities are described in the notes to the financial statements.

The Group's equity ratio, its prospects for future profits and current credit facilities mean that the Group's liquidity risk is considered to be low.

R&D

For many years, SalMar has engaged in active partnerships with various R&D environments, including partnerships relating to the operation of R&D licences. The scale and professionalism of important development activities has increased and continues to do so. For SalMar it is important to be a professional, but demanding partner, such that the outcomes of ongoing trials are as relevant as possible. SalMar has allocated personnel specifically to organising and assisting R&D environments involved in such collaborative efforts, while production staff are becoming increasingly experienced with regard to the best way to safeguard research results in a busy working day. Proximity to the research, and the opportunity to influence both its planning and its area of focus are important sources of motivation for SalMar.

The scale of SalMar's R&D activities in a wide range of fields was substantial in 2020. During the year, SalMar continued to focus on fish welfare and lice control. Development projects were conducted at the secondary processing plant, and great emphasis has been placed on feed optimisation and control at the sea farms. In addition, SalMar continuously assesses its own work processes and aims to establish more long-term projects and a closer cooperation with the supply industry and research institutions.

SalMar's efforts in the field of breeding and genetics include a collaboration with Benchmark Holding PLC's SalmoBreed subsidiary, through the joint venture, SalMar Genetics. SalMar is pleased to see that this model has created a solid foundation for the further development of the Rauma strain in the years ahead, and that this work may also offer synergies in other areas that SalMar is focusing on.

In 2020, SalMar expanded its R&D activities in the area of feed and feeding in collaboration with its main feed provider. SalMar sees a substantial need for greater focus on basic knowledge of how the fish are fed and how we can ensure the entire population enjoys optimal conditions throughout the production cycle. It is SalMar's clearly expressed goal to initiate better and more comprehensive research into these issues under large-scale conditions. To contribute to this, SalMar provides funds for a professorship in the field of aquaculture at the Norwegian University of Science and Technology (NTNU).

The establishment of fish farming in the open ocean is an important part of SalMar's strategy to ensure sustainable growth. To strengthen and concentrate its efforts in this area, SalMar created the subsidiary SalMar Ocean AS under the leadership of the Group's former CEO Olav-Andreas Ervik. The Group's ambition is to retain its leadership in this field, with respect to both technological advancements and biological production. In this way it aims to contribute to the environmentally sustainable development of the Norwegian aquaculture sector.

In 2016, the Ocean Farm project was the first to be awarded special development licences by the Norwegian authorities. The objective is to reduce the operation's environmental footprint, improve fish welfare and provide an answer to the aquaculture sector's shortage of suitable sites.

Engineering design work on the deepwater Smart Fish Farm installation continues as planned. This installation will be specially adapted to operate in the open ocean, and will have more than twice the capacity of the Group's Ocean Farm 1. SalMar has been granted eight development licences for its Smart Fish Farm project, and an investment decision is expected to be made in 2021. The Group has also started engineering design work on an Ocean Farm 2 installation, which will build on the technology developed in connection with Ocean Farm 1, and will be adapted for use at exposed sites within existing production areas.

Organisation, sustainability and social responsibility

It is SalMar's goal to secure long-term profitability and growth through sustainable aquaculture and processing activities, and by acting as a responsible corporate citizen. For SalMar, the important thing is what sustainability is actually about: the future. It concerns not only the future of our children and grandchildren, but the protection of our fellow citizens today. In this, lies an acknowledgement that we have only one planet, with limited resources, which it is vital to preserve and protect.

Today, the world's population uses more resources than the planet manages to generate, and food production accounts for a substantial portion of humanity's environmental and climate footprint. New ways of producing food are needed for an ever-growing global population, at the same time as we must minimise the impact we have on the environment.

Salmon farming is one of the most environment-friendly ways of producing food, affording considerable benefits in the form of space, fresh water consumption and greenhouse gas emissions. Aquaculture and salmon farming will therefore make a significant contribution to providing a growing global population with healthy, protein-rich food in the years ahead.

Sustainability in everything we do is one of SalMar's key tenets. For us, sustainability is about the way we operate as a company and how we behave in the areas surrounding our operations. This includes taking care of our employees, the salmon and the environment, while developing the industry and moving society in a more sustainable direction.

SalMar aims to safeguard the seas, while maximising our production at the terms of the salmon. This includes contributing to the development of new technology, so that we can continue to reduce the biological footprint of our production.

The Group recognises the diversity of its corporate social responsibility, as an employer, producer, supplier of healthy food, user of the natural environment and administrator of financial and intellectual capital. Social responsibility is important for us, and we want everything we do to stand the light of day. At the same time, we aim to minimise the impact our operations have on the natural environment.

Our holistic approach rests on awareness of there being the link between caring for people, economy and the environment, which determines whether something is sustainable. This is the core reason for why we think sustainability in everything we do.

As an employer, SalMar aims to provide a safe and developing workplace. The Group works continuously to enhance measures and processes associated with health, safety and the environment (HSE), as well as provide professional development opportunities for managers and employees. Good employees, irrespective of gender, age or background, are crucial if we are to succeed in reaching our strategic goals. At the same time, it is important that we provide an attractive and safe working environment which makes it possible to attract and retain the most talented people.

In 2020, SalMar employed a total of 1,763 full-time equivalents from 33 different countries. This is 60 full-time equivalents more than in 2019. The workforce was made up of 458 women and 1,305 men, giving a share of female of 26%. The percentage of women is considerably higher at the Group's harvesting and processing facilities than at its hatcheries and fish farms. SalMar is working actively to increase the number of women in its workforce, particularly in those areas relating to biological production.

In its Code of Conduct, the Group makes its policy plain with respect to the promotion of diversity and equality. SalMar accepts no discrimination, abuse or harassment of our workers or partners, and we treat everyone with courtesy and respect no matter what their ethnicity, gender, national or social background, age, functional capacity, sexual orientation, religious faith, political convictions or other status. Respect for the individual is the cornerstone of the company's policy. Everyone shall be treated with dignity and respect, and shall not be unfairly prevented from carrying out their duties and responsibilities. This attitude springs from acknowledgement that diversity contributes to a better working environment, greater adaptability and better results in the long term.

Pursuant to section 3-3c of the Norwegian Accounting Act, the Board of Directors has drawn up guidelines covering business ethics and corporate social responsibility. These are available from the Group's website www.salmar.no. SalMar's activities in the area of sustainability and corporate social responsibility, including human rights, labour rights, the working environment, equality, discrimination, anti-corruption and the external environment, are described in a separate section of this annual report.

Shares and shareholders

In 2020, SalMar's shares were traded at prices varying between NOK 321.00 and NOK 557.40 per share. The price on 30 December, the last day of trading in 2020, was NOK 503.60 per share.

At the AGM on 3 June 2020, the Board was granted three authorisations: one to increase the company's share capital, one to take out a convertible loan, and one to acquire treasury shares. These authorisations were extensions of those granted by the AGM in 2019. In line with the Norwegian Code of Practice for Corporate Governance, these authorisations were treated separately.

At an EGM held on 4 December 2020, the authorisation to acquire treasury shares was replaced by an authorisation to acquire treasury shares for subsequent cancellation.

The first authorisation allows the Board to increase the company's share capital by up to NOK 2,832,000 through the issue of up to 11,328,000 shares to finance investments and acquire businesses through cash issues and contributions-in-kind.

The second authorisation allows the Board to take out a convertible loan of up to NOK 2,000,000,000 to enable the company, at short notice, to use such financial instruments as part of its overall financing. In connection with the conversion of loans raised under this authorisation, the company's share capital may be increased by up to NOK 2,832,000. However, this must be seen in the context of the authorisation to increase the company's share capital, such that the total capital increase under both authorisations together may total up to 10 per cent of the share capital. It follows from the purpose of the authorisation that the Board may need to waive existing shareholders' preference rights, which the authorisation allows.

The third authorisation allows the Board to acquire the company's own (treasury) shares for subsequent cancellation. In other words, up to 5,154,360 treasury shares at a face value totalling NOK 1,288,590.

The Board's authorisation to continue the share-based incentive scheme for senior executives was also renewed. The programme entitles participating employees to receive shares free of charge. Entitlements are accrued over a three-year period. An employee may be awarded share entitlements equivalent to no more than half a year's salary, with the accrual of 2/3 of those entitlements dependent on the achievement of certain performance criteria. The value of the shares released under the programme in an individual year may not exceed one whole year's salary.

All authorisations granted to the Board remain valid until the 2021 AGM, which will be held on 8 June 2021.

At the close of 2020, SalMar had 113,299,299 shares outstanding, divided between 9,849 shareholders.

The company's main shareholder, Kverva AS, owns 52.46 per cent of the company's shares. Together, the company's 20 largest shareholders own a total of 75.12 per cent of the shares. SalMar ASA is the 44th largest shareholder, with a holding of 232,071 shares or 0.20 per cent of the total number of shares outstanding as at 31 December 2020.

The company's Articles of Association contain no stipulations limiting the transferability of the company's shares. Furthermore, the company is not aware of any agreements between shareholders that limit the possibility of trading in or exercising voting rights with respect to shares.

Corporate governance

SalMar complies with the legislation, regulations and recommendations to which a public limited company is subject, including Section 3-3b of the Norwegian Accounting Act on corporate governance, day-to-day obligations of a company listed on the Oslo Stock Exchange and the current version of the Norwegian Code of Practice for Corporate Governance. These principles are discussed in detail in a separate chapter of the annual report and are available from the company's website.

The Group's Board of Directors comprises five members elected by the shareholders and two employee representatives. Two of the board members are women, including one employee representative.

Changes in the Board's composition

At SalMar ASA's annual general meeting (AGM) on 3 June 2020, the seats on the Board held by Helge Moen and Kjell Storeide were up for election. On 7 February 2020, SalMar announced that Trine Danielsen had notified the Nomination Committee's chair that she was resigning her seat on the Board because she had been appointed State Secretary at the Ministry of Trade, Industry and Fisheries, with immediate effect.

At the AGM on 3 June, Tonje E. Foss, Leif Inge Nordhammer and Linda L. Aase were elected as new board members. These three replace Kjell Storeide, Helge Moen and Trine Danielsen.

Information relating to the competence and background of the various board members is available from SalMar's website www.salmar.no.

Outlook

Market outlook

At the close of 2020, according to Kontali, Norway had a standing biomass of 875,500 tonnes round weight, up 10.9 per cent on the level at the close of 2019. In the UK, the biomass at the close of the year stood at 113,200 tonnes, 10.8 per cent up on the year before. At 319,700 tonnes, Chile's biomass was 12.3 per cent lower than it was 12 months before. The overall biomass in the Faeroes was estimated at 50,600 tonnes at the close of the year, up 12.4 per cent year on year.

Provisional forecasts for 2021, provided by Kontali, indicate a global increase in supply of around 2 per cent. The largest contributor in absolute volume is Norway, which expects to increase its output by 98,600 tonnes. However, the largest relative growth is expected to come from the Faeroes and "Other countries", whose output is expected to rise by 19 per cent each.

Supply of Atlantic salmon in 1,000 tonnes WFE	2021E	Change
Norway	1,468	7%
Chile	683	-12%
North America	155	-3%
UK	204	12%
Faeroes	96	19%
Other countries	173	19%
Total, global supply	**2,779**	**2%**

Outlook for SalMar and its associates

SalMar expects to harvest a higher volume in 2021 than in 2020. In all, SalMar expects to harvest 163,000 tonnes in Norway and 14,000 tonnes in Iceland in 2021. In addition, SalMar expects its share of the volume harvested by Norskott Havbruk (50 per cent) to come to 18,000 tonnes in 2021.

It is expected that around 41 per cent of the volume will be harvested in the first half-year, with the remaining 59 per cent in the second half. At the time of writing, the contract rate for 2021 is around 25 per cent of the expected volume harvested. The contract portfolio's average price and volume is relatively stable through the whole of 2021, with the average price on a par with 2020.

Over time, SalMar has invested heavily to increase its competence and capacity to handle biological challenges in the best possible way. These efforts have paid off, and the biological situation for Fish Farming Central Norway and Fish Farming Northern Norway is good. The situation in Iceland has improved considerably compared with 2020, and the outlook for 2021 is good.

SalMar has a high level of preparedness at its harvesting facility, so that extraordinary events can be handled in compliance with the regulations. The completion of InnovaNor, Northern Norway's largest and most modern harvesting plant, in 2021 will further improve capacity and operational flexibility in this region. In addition, efforts are continuously being made to develop the most sustainable and best production sites. In this context, SalMar's offshore farming strategy is crucial.

SalMar wishes to reinforce its position as a leader with respect to aquaculture technology, and thereby make an important contribution to the sustainable development of salmon farming, both coastal and offshore.

Feed is the most important cost factor in salmon farming, accounting for around 50 per cent of total production costs. Given that recent months' changes in exchange rates hold firm through the year, this indicates that prices will be lower in 2021 than in 2020.

All in all, this means that SalMar expects the cost price of its harvested biomass in 2021 to be on a par with that achieved in 2020.

Investments

SalMar is continuing its ongoing investment programme. In 2021, SalMar expects to invest around NOK 1.6 billion in its Norwegian operations to further develop its already strong platform for growth. Construction of InnovaNor and Senja 2 represent the company's largest single investments. In addition, it is investing in co-owned subsidiaries, with around NOK 170 million expected to be invested in Iceland.

Despite market uncertainty deriving from the Covid-19 pandemic, SalMar has great confidence in the future of the aquaculture sector, and sustainable growth on the fish's terms remains the company's most important watchword. The company is also ready to take the next steps towards fish farming in the open ocean.

SalMar's subsidiary SalMar Ocean is working on plans to construct two new installations for offshore fish farming: Ocean Farm 2 and the Smart Fish Farm. Construction costs are provisionally estimated at NOK 600–800 million and NOK 2.3 billion, respectively. No final investment decision has been taken with respect to either project. Further progress will depend on the outcome of a dialogue with the authorities with respect to sites and the regulatory framework.

Covid-19

SalMar is prepared to take the steps necessary, operationally, strategically and financially, to safeguard the company going forward. The production and delivery of food is essential for society, and must be protected in every way possible. The Board and company have given the highest priority to implementing the measures necessary in an extremely uncertain situation, and will continue to do so going forward. Internally, measures have been implemented to reduce the spread of infection, all meetings, both internal and external, involving multiple participants have been discontinued, and business travel has been reduced to a minimum.

SalMar is monitoring the situation carefully and keeping abreast of all the instructions issued by the public health authorities. At the same time, the Group is engaged in a fruitful dialogue with our customers and distribution companies worldwide, so that our fantastic product can reach its intended destination. The company is well positioned, with a large and flexible local secondary processing capacity, which enables it to adapt its production processes to produce what the market is demanding.

SalMar realises that the pandemic's impact and consequences will last for a long time. The company expects moderate to low growth in supply in 2021, but is well positioned to handle a challenging market. Through 2020, SalMar has proved its ability to adapt to changing market conditions, by posting strong financial results and maintaining a strong financial position.

The company enjoys substantial financial and operational flexibility, and takes a fundamentally optimistic view of developments going forward, not least thanks to the extensive vaccination programme that is currently being rolled out.

The Board's assessment

By means of hard work and dedication over many years, SalMar has built up a strong position in a growing aquaculture industry. Both Norway and Iceland benefit from excellent natural conditions for the farming of salmon. SalMar will continue to manage these resources in the best possible way for its shareholders, employees, customers and affected local communities.

Based on its strong competitive and financial position, the SalMar Group aims to retain its standing as one of the world's leading aquaculture companies, with continued good profitability going forward. In the opinion of the Board, SalMar is well positioned to realise this ambition. SalMar produces healthy food in a sustainable way, and the world's population needs food. Salmon farming is one of the most environment-friendly ways of producing food, affording considerable benefits in the form of space, fresh water consumption and greenhouse gas emissions. Aquaculture and salmon farming will therefore make a significant contribution to providing a growing global population with healthy, protein-rich food in the years ahead. This is something SalMar will build on in its ongoing efforts to achieve sustainable growth on the salmon's terms.

2020 was a challenging year, characterised by great uncertainty not only for the aquaculture sector but for the whole world. When the pandemic hit with full force, few expected that SalMar would succeed in posting an Operational EBIT in line with 2019. Through the efforts and hard work of the entire organisation, however, the company proved in 2020 its ability to adapt to changing market conditions, by posting strong financial results and maintaining a solid financial position. On this basis, the Board is recommending a dividend of NOK 20 per share for the 2020 financial year.

The SalMar culture, expressed through our corporate tenets, is fundamental to the entire business, and our vision, a "Passion for Salmon", is the lodestone that guides us on our way towards realising our ambition of being the world's best aquaculture company. SalMar's employees are our most important resource in our quest for further success. Continuous development of the organisation is therefore a key focus area for the Group. The Board would like to thank all the company's employees for the amazing and dedicated efforts they have put in every single day. It is these efforts which have created the SalMar Group's excellent results year after year, and which will underpin our continued success in the years ahead.

Frøya, 9 April 2021

The Board of Directors of SalMar ASA

Atle Eide
Chairman of the Board

Margrethe Hauge
Deputy Chairman of the Board

Leif Inge Nordhammer
Member of the Board

Tonje E. Foss
Member of the Board

Linda L. Aase
Member of the Board

Brit Elin Soleng
Employee representative

Jon Erik Rosvoll
Employee representative

Gustav Witzøe
CEO

Statement on executive remuneration

The Board of Directors' guidelines for the determination of salaries and other benefits payable to senior company officers of SalMar.

1. Introduction

The purpose of these guidelines is to determine and describe the Group's remuneration of senior company officers, and the follow-up thereof, pursuant to section 6-16a of the Public Limited Companies Act and the statutory regulations concerning guidelines for and reports on the remuneration of senior company officers (FOR-2020-12-11-2730).

The term "senior company officers" includes members of the Board of Directors, whether elected by the shareholders or from among the employees (board members), the CEO and other members of Group Management.

SalMar ASA's general remuneration policy applies to all employees of the Group. The Group's guidelines for the remuneration of senior company officers build on the principles contained in its general remuneration policy.

2. Corporate governance

The guidelines relating to the remuneration of senior company officers, pursuant to section 6-16a of the Public Limited Companies Act and the statutory regulations concerning guidelines for and reports on the remuneration of senior company officers (FOR-2020-12-11-2730), must be approved by the Annual General Meeting of Shareholders (AGM). This will take place for the first time at the AGM to be held on 8 June 2021. When these guidelines have been approved, they will apply to the salaries and other benefits accruing from 1 January 2021. These guidelines shall apply until new guidelines are approved by the AGM. The Board of Directors shall draw up proposals for new guidelines at least every four years and submit these to the AGM for approval. The Board of SalMar ASA shall ensure that the Group always has and practises a remuneration model that complies with the guidelines approved by the AGM.

The Group's general remuneration model for all employees is revised and approved annually by the Board.

The Board shall determine the salary and other benefits payable to the Group's CEO. The Group's CEO determines the salaries and other benefits payable to other senior executives. The Board shall exercise general oversight of the remuneration paid to other senior executives, and may adopt more specific guidelines over and above those set out below. If the Group's CEO wishes to offer remuneration to senior executives that exceeds such more specific guidelines, a proposal therefor shall be submitted to the Board for its approval.

The external auditor shall verify that the remuneration arrangements provided to senior executives are practised in accordance with the guidelines approved by the AGM.

3. General remuneration policy

SalMar shall have an established remuneration policy applicable to all employees. It must be verified that all the arrangements established comply with prevailing statutory provisions.

The remuneration paid to employees may comprise the following elements:

- Fixed salary
- Variable salary in accordance with specific guidelines
- Pension scheme
- Other employee benefits

SalMar has the following objectives for its existing remuneration model:

- The model shall reinforce the Group's vision and strategy.
- The model shall incentivise effort, performance, development and achieved results.
- The model shall attract, motivate and retain skilled employees.
- The model shall ensure that employees have a remuneration model that is perceived to be fair, foreseeable and motivating.
- The model shall reinforce the Group's endeavours with respect to sustainability and HSE.
- The model shall reinforce the Group's objective of creating long-term value for our shareholders.

4. Guidelines for remuneration of the CEO and other members of Group management

The company's senior executive remuneration policy is based on the same principles as those set out in section 3.

On the basis of these principles, the Board has drawn up the following guidelines for the remuneration of senior executives:

Basic salary

Basic salary is the main element in the executive's compensation package. Basic salary shall correspond to the going rate in the market, and shall reflect the individual position's duties and level of responsibility.

Bonus

SalMar has a bonus scheme for senior executives. Each year, the Board determines the amount which may be allocated to annual bonuses. The amount is linked to the Group's level of earnings. This arrangement ensures that there is a correlation between what may be paid out as a bonus to the individual and the company's earnings, and thereby also the financial burden it is capable of bearing.

The Board carries out an annual assessment of the scheme and determines the bonus criteria for the coming year. Variable salary increments under the scheme may not exceed 33 per cent of the individual executive's basic salary. Within this framework, individual bonuses are determined on the basis of an overall assessment of contribution, performance, development and results achieved. The individual's goals are goals which support the company's strategy and sub-targets. No less than 30 per cent of this assessment shall be linked to realisation of goals relating to relevant KPIs for sustainability and HSE. This arrangement contributes directly to a focus on processes and actions which are important to the company's goal realisation. Furthermore, it highlights the importance of continuous improvement within all areas, including sustainability and HSE. A specific evaluation is performed at the close of the year to determine the level of realisation with respect to the various goals that have been defined for the executive concerned at the start of the year. The weighting of these goals and the extent of their realisation will, together with the "bonus pot" available in that particular year, based on the company's earnings, set the framework for the size of the bonus payable to the individual senior executive.

Share-based incentive schemes

SalMar has a share-based incentive scheme. The first such programme was approved by the AGM on 4 June 2014. The programme encompasses incumbents of senior positions and key individuals within the Group, including senior executives. The programme entitles the employee to receive shares free of charge. This entitlement accrues over a three-year period. The individual employee may be awarded share entitlements worth no more than 6 months' salary. Accrual of 2/3 of the entitlements depends on the achievement of predefined performance criteria based on value creation through the year, measured by developments in the share price compared with peer companies, as well as earnings through the year, measured against those achieved by peer companies. The value of the shares released under the various programmes in an individual year may not exceed one full year's salary. The intention of the incentive scheme is to motivate senior personnel to take a long-term approach as company employees, at the same time as it is directly linked to value creation and the company's cost-leadership strategy.

It is intended that the scheme be continued through annual programmes. The Board will adjust these annual programmes as it deems necessary, and each individual programme will be submitted to the AGM for approval. A total of three programmes are in effect in 2021.

Pension schemes

Senior executives participate in the Group's general pension scheme. The scheme is a defined-contribution plan and lies within the framework stipulated in the Mandatory Occupational Pensions Act.

Senior executives participate in a group defined-contribution pension scheme, the basis for which is restricted to 12G (where G is the Norwegian National Insurance Scheme's basic unit of calculation).

Notice and severance pay

In principle, senior executives must serve a 6-month period of notice. In selected cases, and depending on the position, severance pay of 6 to 12 months may be paid.

Other benefits

The company has established guidelines for employee benefits at different organisational levels in order to ensure foreseeability and fairness across the Group. The benefits paid to senior executives are: personal and travel insurance, mobile phone and, in some cases, a company car. Payment of a company car is based on an assessment of specific need.

Apart from those stipulated above, the Company shall not offer senior executives any variable elements in the remuneration they receive or special benefits in addition to their basic salary.

Directors' fees in subsidiaries/associates

Senior executives will not receive directors' fees for serving on the boards of other companies within the Group.

5. Guidelines for the remuneration of board members

The fees payable to board members are determined annually by the AGM at the recommendation of the company's Nomination Committee. Board members receive a fixed fee, and no board member shall participate in any incentive scheme or receive any performance-related remuneration.

In connection with its recommendation with respect to directors' fees, the Nomination Committee will look to developments in the market, as well as the scope of work and effort that the elected officer is expected to devote to the task.

Employee representatives serving on the Board of Directors receive 50 per cent of the directors' fee paid to the shareholder-elected board members, since they also receive a full salary from the company.

The amount of fees paid to the individual board member is presented in the Annual Report.

6. Deviation from the guidelines

In individual cases, the Board may, within prevailing statutory provisions, deviate from the Group's senior executive remuneration policy. Such deviations may occur only in exceptional circumstances, and the Board must be given a written explanation of the deviation's cause.

7. Application of the remuneration policy in the 2020 financial year

The company's senior executive remuneration policy for the 2020 financial year has been applied in accordance with the Board's statement for 2020, which was approved by the AGM on 3 June 2020.

InnovaMar

Financial statements and results

Financial Statements of SalMar Group

Consolidated Income Statement

NOK 1,000

	Note	2020	2019
Revenues from contracts with customers	2.2	12,856,778	12,202,197
Other operating revenues	2.2	55,563	35,392
Total operating revenues		**12,912,342**	**12,237,589**
Cost of goods sold		5,870,577	5,770,027
Payroll costs	2.3, 2.4, 2.5	1,319,961	1,202,494
Other operating expenses	2.6	1,902,210	1,479,023
Depreciation of PP&E and intangible assets	3.1, 3.3, 3.4	780,972	716,807
Write-downs of PP&E and intangible assets	3.1, 3.3	31,121	1,642
Total operating expenses		**9,904,842**	**9,169,993**
Operational EBIT		**3,007,500**	**3,067,597**
Fair value adjustments	2.8	-179,532	-32,995
Operating profit/loss		**2,827,968**	**3,034,601**
Income from investments in associates	3.5	**42,208**	**118,655**
Financial items			
Interest income	2.9	10,264	12,465
Financial income	2.9	1,321	236,926
Interest expenses	2.9	149,854	170,190
Financial expenses	2.9	160,261	74,093
Net financial items		**-298,531**	**5,108**
Profit/loss before tax		**2,571,645**	**3,158,365**
Tax	2.10	563,355	613,877
Net profit/loss for the year		**2,008,290**	**2,544,487**
Allocation of the year's net profit:			
Non-controlling interests	4.6	**29,272**	**56,452**
Shareholders in SalMar ASA		**1,979,018**	**2,488,035**
Earnings per share	4.3	17.52	22.06
Diluted earnings per share	4.3	17.49	22.03

Consolidated Statement of Other Comprehensive Income

NOK 1,000

	Note	2020	2019
Year's net profit		2,008,290	2,544,487
Other comprehensive income (OCI)			
Items which may subsequently be reclassified to profit & loss			
Translation differences and OCI in associates	3.5	-3,762	12,636
Translation differences in associates - reclassified to profit & loss	4.5	-	-4,395
Translation differences in subsidiaries		87,902	31,667
Translation differences, loans classed as net investments in subsidiaries		-8,131	-
Cash-flow hedging	3.9	174,455	-
Tax on OCI which may susequently be reclassified to profit & loss	2.10	-38,380	-
Total OCI which may subsequently be reclassified to profit & loss		212,083	39,908
Total OCI for the year		2,220,373	2,584,395
Allocation of the year's total OCI:			
Non-controlling interests	4.6	56,234	69,951
Shareholders in SalMar ASA		2,164,139	2,514,444

Consolidated Statement of Financial Position

NOK 1,000

Assets	Note	31.12.2020	31.12.2019
Non-current assets			
Intangible assets			
Licences, patents, etc	3.1, 3.12	6,385,101	4,295,467
Goodwill	3.1	441,130	446,465
Total intangible assets		**6,826,230**	**4,741,932**
Property, plant & equipment			
Land, buildings & other operating assets	3.3, 3.12	5,554,028	4,369,921
Right-to-use assets	3.4, 3.12	848,767	569,700
Total property, plant & equipment		**6,402,795**	**4,939,621**
Non-current financial assets			
Investments in associates	3.5	752,562	717,819
Investments in shares & other securities		472	472
Pension fund assets	2.5, 3.7	7,217	1,510
Other receivables	3.7	90,747	94,415
Total non-current financial assets		**850,998**	**814,216**
Total non-current assets		**14,080,022**	**10,495,768**
Current assets			
Biological assets	3.6, 3.12	5,988,790	5,720,810
Other inventory	3.6, 3.12	680,999	468,728
Total inventory		**6,669,789**	**6,189,538**
Receivables			
Trade receivables	3.7, 3.12	588,989	739,429
Other receivables	3.7, 3.9	435,947	330,332
Total receivables		**1,024,936**	**1,069,761**
Bank deposits, cash & cash equivalents	3.10	223,447	230,990
Total current assets		**7,918,172**	**7,490,289**
Total assets		**21,998,194**	**17,986,057**

Consolidated Statement of Financial Position continued

Equity and Liabilities	Note	31.12.2020	31.12.2019
Equity			
Paid-in equity			
Share capital	4.2	28,325	28,325
Treasury shares		-58	-94
Share premium fund		415,286	415,286
Other paid-in equity		248,394	201,508
Total paid-in equity		**691,947**	**645,025**
Retained earnings			
Other equity		9,159,069	8,362,685
Total retained earnings		**9,159,069**	**8,362,685**
Non-controlling interests	4.6	1,135,886	732,391
Total equity		**10,986,902**	**9,740,100**
Liabilities			
Non-current liabilities			
Deferred tax	2.10	1,828,109	1,757,557
Debt to credit institutions	3.11, 3.12	3,677,627	2,751,570
Long-term leasing liabilities	3.4, 3.11, 3.12	769,128	488,871
Total non-current liabilities		**6,274,865**	**4,997,999**
Current liabilities			
Debt to credit institutions	3.11, 3.12	1,438,435	381,539
Short-term leasing liabilities	3.4, 3.11, 3.12	164,567	140,733
Trade payables	3.11	2,056,323	1,305,050
Tax payable	2.10	537,833	588,455
Public charges payable		110,839	218,923
Other current liabilities	3.9, 3.13	428,430	613,258
Total current liabilities		**4,736,427**	**3,247,958**
Total liabilities		**11,011,292**	**8,245,956**
Total Equity and Liabilities		**21,998,194**	**17,986,057**

Frøya, 9 April 2021

Atle Eide
Chairman of the Board

Margrethe Hauge
Deputy Chairman of the Board

Leif Inge Nordhammer
Member of the Board

Tonje E. Foss
Member of the Board

Linda L. Aase
Member of the Board

Brit Elin Soleng
Employee representative

Jon Erik Rosvoll
Employee representative

Gustav Witzøe
CEO

Consolidated Statement of Cash Flows

NOK 1,000

	Note	2020	2019
Cash flow from operating activities			
Profit before tax		2,571,645	3,158,365
Tax paid in the period	2.10	-588,455	-690,717
Depreciation, amortisation and write-downs	3.1, 3.3, 3.4	812,093	718,448
Options charged to expenses	2.4	46,885	47,614
Share of profit/loss from associates	3.5	-42,208	-118,655
Gains/losses on exit of associates		-	-225,873
Gains/losses on sale of non-current assets	3.3	-1,904	-
Net interest relating to financing activities		146,643	157,725
Fair value adjustments	2.8	179,532	32,995
Change in inventory / biological assets at cost		-639,855	-110,688
Change in trade receivables		153,952	-89,095
Change in trade payables		547,940	41,329
Change in other time-limited items		-7,378	108,087
Net cash flow from operating activities		**3,178,890**	**3,029,535**
Cash flow from investing activities			
Receipts from sale of PP&E	3.3	6,206	-
Payments for purchase of PP&E and intangible assets	3.1, 3.3	-3,755,385	-1,347,398
Payments for purchase of shares and other securities	4.5	-13,929	-199,358
Dividends from associates	3.5	2,144	254,804
Lending to third parties		13,469	-25,475
Net cash flow from investing activities		**-3,747,495**	**-1,317,427**

Consolidated Statement of Cash Flows continued

	Note	2020	2019
Cash flow from financing activities			
New long-term debt to credit institutions	3.11	1,638,685	2,341,847
Repayment of long-term debt to credit institutions	3.11	-574,850	-1,061,284
Net change in overdraft	3.11	837,761	53,669
Payment of instalments on leasing liabilities	3.4, 3.11	-184,285	-160,738
Payment of interest on leasing liabilities	3.4, 3.11	-55,217	-52,784
Interest received on interest rate swaps	3.9	3,211	12,465
Interest paid on financing activities	3.11	-94,637	-117,406
Dividend paid	4.2	-1,493,002	-2,617,154
Net capital injection		479,955	-
Payment to acquire non-controlling interests	4.6	-3,990	-118,897
Net cash flow from financing activities		**553,631**	**-1,720,282**
Net change in cash & cash equivalents		-14,973	-8,175
Foreign exchange effects		7,429	-431
Cash & cash equivalents as at 1 Jan		230,990	239,596
Cash & cash equivalents as at 31 Dec	3.10	**223,447**	**230,990**
Unused drawing rights		1,571,739	2,771,410

See Note 3.11 for a breakdown of the Group's various credit facilities.

Consolidated Statement of Movements in Equity

NOK 1,000

2019	Note	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Translation differences	Other equity	Non-controlling interests	Total equity
Equity 1 Jan 2019		28,325	-140	415,286	153,895	46,858	8,403,890	91,729	9,139,842
Net profit for the year							**2,488,035**	**56,452**	**2,544,487**
Other comprehensive income (OCI)									
Translation differences in associates	3.5					12,636			12,636
Translation differences in subsidiaries						18,169		13,499	31,667
OCI, net after tax	4.5					-4,395			-4,395
Total OCI		0	0	0	0	26,409	0	13,499	39,908
Total OCI for the year		**0**	**0**	**0**	**0**	**26,409**	**2,488,035**	**69,951**	**2,584,395**
Transactions with shareholders									
Share-based remuneration - net capital injection	2.4				47,614				47,614
Share-based remuneration - deferred tax	2.10						-1,775		-1,775
Share-based remuneration - release	2.4		46				-46		0
Payment of dividend	4.2						-2,592,997	-24,157	-2,617,154
Addition of non-controlling interests	4.5						500	705,239	705,738
Exit of non-controlling interests	4.5						-8,527	-110,371	-118,897
Other changes							337		337
Total transactions with shareholders		0	46	0	47,614	0	-2,602,507	570,711	-1,984,137
Equity 31 Dec 2019		**28,325**	**-94**	**415,286**	**201,508**	**73,267**	**8,289,417**	**732,391**	**9,740,100**

Consolidated Statement of Movements in Equity continued

2020	Note	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Translation differences	Other equity	Non-controlling interests	Total equity
Equity 1 Jan 2020		28,325	-94	415,286	201,508	73,267	8,289,417	732,391	9,740,100
Net profit for the year							**1,979,018**	**29,272**	**2,008,290**
Other comprehensive income (OCI)									
Translation differences in associates	3.5					-3,762			-3,762
Translation differences in subsidiaries						60,939		26,962	87,902
OCI, net after tax							127,943		127,943
Total OCI		0	0	0	0	57,178	127,943	26,962	212,083
Total OCI for the year		**0**	**0**	**0**	**0**	**57,178**	**2,106,961**	**56,234**	**2,220,373**
Transactions with shareholders									
Share-based remuneration - net capital injection	2.4				46,885				46,885
Share-based remuneration - deferred tax	2.10						-1,707		-1,707
Share-based remuneration - release	2.4		36				-36		0
Payment of dividend	4.2						-1,469,874	-23,128	-1,493,002
Capital injection	4.6							500,931	500,931
Transaction costs re. capital injection								-20,976	-20,976
Change in non-controlling interests	4.6						109,778	-109,778	0
Other changes							-5,914	212	-5,702
Total transactions with shareholders		0	36	0	46,885	0	-1,367,754	347,261	-973,571
Equity 31 Dec 2020		**28,325**	**-58**	**415,286**	**248,394**	**130,445**	**9,028,625**	**1,135,886**	**10,986,902**

Notes to the Financial Statements of SalMar Group

NOTE 1.1 Reporting entity

SalMar ASA is a listed public limited liability company, registered and domiciled in Norway. The company's shares are listed on the Oslo Stock Exchange. The company's head office is located at Industriveien 51, 7266 Kverva, in the municipality of Frøya.

SalMar's consolidated financial statements as at 31 December 2020 and for the year as a whole comprise SalMar ASA and its subsidiaries, as well as the Group's share of associates. The Group operates in Norway, Iceland and Asia, and has operations in Scotland through an associate.

The annual financial statements were formally approved by the Board of Directors on 9 April 2021.

NOTE 1.2 Principles underlying preparation of the financial statements

SalMar's consolidated financial statements comprise an income statement, statement of other comprehensive income (OCI), statement of financial position (balance sheet), statement of cash flows and statement of movements in equity. The consolidated financial statements have been prepared in accordance with international reporting standards (IFRS) and interpretations thereof determined by the Internatinal Accounting Standards Board (IASB) approved by the EU as at 31 December 2020, as well as disclosure requirements pursuant to the Norwegian Acccounting Act at at 31 December 2020.

The consolidated financial statements are presented in Norwegian kroner (NOK). The financial statements have been prepared on the basis of the historic cost principle, with the exception of accounting items which the IFRS requires to be recognised at fair value. This relates primarily to biological assets (see Note 3.6) and financial derivatives (see Note 3.8). The consolidated financial statements have been prepared under the assumption that the enterprise is a going concern.

New standards applied

No new or amended standards that went into mandatory effect from 1 January 2020 have had a material impact on the Group's financial reporting for 2020.

New standards and interpretations not applied

New accounting standards and interpretations issued but not yet in force for the financial year ending 31 December 2020 are not expected to have a material impact on the Group in the present or future reporting periods. The amended definition of materiality in IAS 1 is relevant for the Group, but the statement of interpretation is not expected to affect the Group's financial reporting.

NOTE 1.3 Consolidation principles

SalMar's consolidated financial statements encompass SalMar ASA and its subsidiaries as at 31 December 2020.

The Group controls an entity in which it has invested if the Group has control over the entity, is exposed to or entitled to a variable return on its investment in the entity, and has the opportunity to exercise its power over the entity to influence that return. If the Group has a majority of the voting rights in an entity, the entity is presumed to be a subsidary of the Group. To substantiate this presumption, and where the Group does not hold a majority of the voting rights, the Group considers all relevant facts and circumstances to determine whether the Group has control over the entity in which it has invested. This includes assessing the size of its shareholding, its voting share, the shareholder structure and its relative strength therein, as well as options controlled by the Group, shareholder agreements or other agreements. This assessment is performed for each investment. A reassessment is performed when facts and circumstances indicate that changes have taken place in one or more of the factors determining control. As at 31 December, SalMar ASA had a majority of voting rights in all its subsidiaries.

The consolidated financial statements have been prepared on the basis of uniform accounting principles for similar transactions in all the companies included in the consolidated accounts. All material transactions and balances between group companies have been eliminated.

The acquisition method is used in connection with the recognition of business combinations. Subsidiaries are consolidated from the date on which the Group achieves control, and are excluded from consolidation when control is ceded. This means that the acquired company's assets and liabilities are reported at fair value on the date of acquisition, with any excess value being classified as goodwill. The entity perspective is applied in connection with acquisitions where control is established. The exception is goodwill, where for each acquisition it is optional whether to recognised only the controlling owners's share or 100 per cent. In those cases where the fair value of the acquired assets exceeds the amount paid, the difference is treated as income in profit and loss. Deferred tax is capitalised to the extent to which identifieable excess values ascribed to assets and liabilities lead to an increase or decrease in future tax payable when these differences are reversed in future periods. Deferred tax is calculated using a nominal, undiscounted tax rate.

When shares are acquired in stages, the value of the assets and liabilities on the group's establishment date was formed is utilised. Subsequent acquisitions of assets in existing subsidiaries will not affect the assessment of assets and liabilities.

When the Group no longer has control, any remaining shareholding is measured at fair value, with changes in value recognised through profit and loss. In connection with its future recognition as an investment, associate, jointly controlled entity or financial asset, fair value is deemed to equal acquisition cost. Amounts which were previously recognised in OCI with respect to this company are treated as if the Group had divested the underlying assets and liabilities. This may mean that amounts which have previously been recognised in OCI are reclassified to profit and loss.

The share of profit/loss after tax attributable to non-controlling interests is presented on a separate line after the Group's net profit/loss for the year. The share of equity attributable to non-controlling interests is presented on a separate line under the Group's equity.

Transactions with non-controlling interests in subsidiaries are treated as equity transactions. In connection with the purchase of shares from non-controlling interests, the difference between the consideration paid and the shares' relative share of the subsidiary's capitalised net assets is posted to shareholders' equity in the parent company. Gains and losses deriving from the sale of shares to non-controlling interests are similarly recognised in equity.

NOTE 1.4 Classification principles

Liquid assets consist of cash and bank deposits.

Other assets which form part of the ordinary production cycle, assets held primarily for sale or fall due within 12 months are classified as current assets. Other assets are classified as non-current assets. Correspondingly, liabilities which form part of the ordinary production cycle or fall due within 12 months are classified as current liabilities. Other liabilities are classified as non-current.

The next year's instalment on long-term debt is classified as a current liability.

Changes in the fair value of biological assets are presented on the line for fair value adjustments and are included in the Group's operating profit/loss. This line also includes changes in provisions for losses on physical sales contracts, changes in the unrealised value of Fish Pool contracts and changes in the unrealised value of foward currency contracts that have been entered into to hedge future deliveries. The unrealised value of forward currency contracts classified on this line are forward contracts which do not qualify for hedge accounting. Operating profit/loss is reported before fair value adjustment of the biomass in order to show the Group's underlying sales performance during the period.

Dividends from investments are recognised when SalMar has an unqualified right to receive the dividend. Proposed dividends are recognised as a liability from the date on which the General Meeting of Shareholders approves payment thereof.

NOTE 1.5 Functional currency and translation of foreign currencies

The consolidated financial statements are presented in Norwegian kroner (NOK), which is both the parent company's functional currency and the Group's presentation currency.

Transactions in foreign currencies are translated into NOK at the exchange rate in effect on the transaction date. At the close of each reporting period, monetary items denominated in foreign currencies are translated into NOK at the exchange rate in effect on the reporting date. Non-monetary items are measured at historic cost translated at the rate in effect on the transaction date. Changes in foreign exchange rates are recognised continuously through the accounting period.

Translation differences arising on monetary items that form part of a net investment in a foreign entity or currency positions deemed to constitute a cash flow hedge are recognised in OCI.

The income statements and statements of financial position for group companies whose functional currency differs from the presentation currency are translated as follows:

a. The statement of financial position is translated at the exchange rate in effect on the reporting date.
b. The income statement is translated at the average exchange rate for the period, unless the average rate does not on the whole give a reasonable estimate of the exchange rates used in connection with transactions, in which case the transaction rate is used.
c. Translation differences are recognised in OCI, and are specified as a separate item.

NOTE 1.6 Statement of Cash Flows

The Group's Statement of Cash Flows shows a breakdown of the Group's overall cash flow into operating, investing and financing activities. The statement shows the individual activity's impact on liquid assets. Cash flow deriving from the acquisition and sale of businesses is presented under investing activities.

NOTE 1.7 Use of estimates

Preparation of the financial statements in accordance with IFRS requires management to make evaluations, estimates and assumptions which affect the application of accounting principles and the value of assets and liabilities recognised in the Statement of Financial Position as well as income and expenses in the Income Statement for the financial year. Estimates and their underlying assumptions are based on past experience and other factors deemed relevant and probable at the time the evaluations are made. These evaluations affect the book value of the assets and liabilities whose valuation is not based on other sources. Estimates are reviewed continuously and final values and results may differ from these estimates. Changes in accounting estimates are included in the period in which the changes occur.

The evaluations and estimates deemed to be of greatest significance for the Group are as follows:

Fair value of the biomass

Biological assets held at the Group's sea farms are measured in accordance with IAS 41. The principles for calculating fair value are described in Note 3.6 "Inventory and biological assets".

The valuation is based on a number of assumptions that require considerable discretionary judgement. The key assumptions relate to volume, costs, price and the discount rate.

The estimated volume at harvest is based on the number of fish held at sea farms, adjusted for estimated growth and mortality from the time the fish were transferred to the sea until they have actually been harvested. The actual volume harvested may deviate from the estimated volume as a result of biological developments. Uncertainty with regard to biological developments may affect the date of harvest and therefore the discounting period in the model.

Expected market prices underpin the measurement of fish at fair value. The industry considers the Fish Pool forward price to be the best estimate of market prices. Historically, the market price for fish has proved susceptible to relatively large fluctuations from period to period and between seasons. The price achieved will, moreover, differ depending on the size and quality of the fish at harvest. At the same time, the date of harvest will depend on the fish's biological development.

Considerable uncertainty attaches to the estimated remaining production costs to harvest. Biological challenges, such as disease and sea lice infestations, will affect fish-related costs. In addition, uncertainty will attach to the price of other important input factors, such as fish feed.

Expected future cash flows for the individual site are discounted by a monthly discount factor. The discount factor comprises several elements (see Note 3.6 "Inventory and biological assets" for further details). As described in Note 3.6, a synthetic licence fee and site leasing cost is added to the discount factor in the model, instead of these elements being taken as a cost reducing factor in the calculation. In order to engage in the farming of salmon and trout, it is necessary to have access to infrastructure in the form of production licences and sites. The market price for a production licence in today's market is high, and it might be assumed that in a hypothetical market there would be a considerable cost attached to use of the infrastructure and licences necessary to operate an aquaculture business. This cost is reflected in the size of the discount rate and will be subject to considerable discretionary judgement.

Fair value at acquisition

In connection with an acquisition, the cost price of the acquired entity must be allocated such that the opening balance in the Group's accounts reflects the estimated fair value of the acquired assets and liabilities. To determine the fair value at acquisition, alternative methods are used to determine the fair value of assets for which there is no active market. Value in excess of that which can be attributed to identifiable asssets and liabilities is recognised in the Statement of Financial Position as goodwill. If the fair value of equity in the acquired entity exceeds the consideration paid, the excess amount is immediately recognsed as income. The allocation of cost price in connection with business combinations is updated if, no later than 12 months after the acquisition took place, new information is obtained with respect to fair value on the date of takeover and assumption of control.

NOTE 2.1 Segments

Accounting principles

Operating segments are reported in the same way as they are reported internally to company management.

The company's highest decision-making authority, which is responsible for the allocation of resources to and the assessment of the operating segments' earnings, is defined as group management. The Group's business areas comprise Fish Farming and Sales and Processing. In addition, the Group's operations in Iceland are reported as a separate unit and are defined as a separate segment.

Fish farming in Norway is divided into two regions, Fish Farming Central Norway and Fish Farming Northern Norway, which are defined as separate segments, and are reported and administered as such internally. The Group's hatchery operations are also included in these segments. The operating unit Icelandic Salmon, located in Iceland, is a fully integrated aquaculture company, with its own hatchery, sea farms, harvesting plant and sales force. This segment's combined results are reported through the business segment Icelandic Salmon.

Group management evaluates the segments' performance on the basis of Operational EBIT.

The column Other/Eliminations includes costs relating to options, R&D costs relating to jointly operated licences and other overheads not allocated to segments. In addition, a portion of the depreciation linked to the Ocean Farm 1 installation has been transferred from Fish Farming Central Norway to this column. Depreciation corresponding to normal depreciation of an installation with the same capacity is recognised in the fish farming segment's accounts. Depreciation and write-downs other than this is transferred to Other/Eliminations.

Sales between segments are carried out in accordance with the arm's length principle. When revenues from external parties are reported to group management, they are measured at the same amount recognised in profit and loss. Assets and liabilities allocated to segments are not reported to group management.

The Group is managed on the basis of figures reported in accordance with NGAAP. Deviations in profit and loss deriving from reporting in accordance with IFRS are presented in the column "GAAP difference".

2020 (NOK 1,000)	Fish Farming Central Norway	Fish Farming Northern Norway	Sales & Industry	Icelandic Salmon	GAAP difference	Other/ Eliminations	SalMar Group
External operating rev. - sale of goods and services	15,746	164,471	12,031,915	644,646	0	0	12,856,778
Internal operating rev. - sale of goods and services	5,854,366	2,432,669	340,232	17,691	0	-8,644,957	0
Total revenues from contracts with customers	**5,870,111**	**2,597,139**	**12,372,147**	**662,337**	**0**	**-8,644,957**	**12,856,778**
Compensation	0	10,900	0	0	0	0	10,900
Leasing income	270	2,835	0	0	0	0	3,105
Other operating revenues	24,937	1,979	20,708	0	0	-6,063	41,559
Total operating revenues	**5,895,318**	**2,612,852**	**12,392,855**	**662,337**	**0**	**-8,651,020**	**12,912,342**
Depreciation and amortisation	403,142	149,952	65,940	65,393	0	96,545	780,972
Write-downs	8,542	0	1,986	7,574	0	13,018	31,121
Operating expenses	3,265,243	1,615,147	12,042,580	639,860	0	-8,470,080	9,092,750
Operational EBIT	**2,218,390**	**847,754**	**282,349**	**-50,490**	**0**	**-290,503**	**3,007,500**
Fair value adjustments	0	0	0	0	-179,532	0	-179,532
Operating profit/loss	**2,218,390**	**847,754**	**282,349**	**-50,490**	**-179,532**	**-290,503**	**2,827,968**
Share of profit/loss from associates							42,208
Net financial items							-298,532
Profit before tax							**2,571,645**
Tax							563,355
Net profit for the year							**2,008,290**
Year's investments in PP&E	313,337	459,670	848,535	105,041	0	2,903	1,729,487
Year's investments in right-to-use assets	349,763	19,995	23,116	22,278	0	0	415,151
Year's investments in businesses	0	0	13,929	0	0	0	13,929
Year's investments in licences	1,166,876	798,148	0	0	0	0	1,965,024

2019 (NOK 1,000)	Fish Farming Central Norway	Fish Farming Northern Norway	Sales & Industry	Icelandic Salmon	GAAP difference	Other/ Eliminations	SalMar Group
External operating rev. - sale of goods and services	13,117	190,053	11,387,902	611,125	0	0	12,202,197
Internal operating rev. - sale of goods and services	5,633,891	2,596,040	294,040	15,968	0	-8,539,940	0
Total revenues from contracts with customers	**5,647,008**	**2,786,094**	**11,681,942**	**627,094**	**0**	**-8,539,940**	**12,202,197**
Compensation	3,446	0	419	0	0	0	3,865
Leasing income	2,890	998	0	0	0	0	3,888
Other operating revenues	17,057	1,612	16,257	0	0	-7,286	27,640
Total operating revenues	**5,670,400**	**2,788,703**	**11,698,617**	**627,094**	**0**	**-8,547,225**	**12,237,590**
Depreciation and amortisation	450,143	130,190	64,707	50,528	0	81,238	776,807
Write-downs	0	0	1,642	0	0	0	1,642
Operating expenses	3,055,639	1,727,155	11,507,829	476,439	0	-8,375,517	8,391,545
Operational EBIT	**2,164,618**	**931,358**	**124,440**	**100,126**	**0**	**-252,947**	**3,067,597**
Fair value adjustments	0	0	0	0	-32,995	0	-32,995
Operating profit/loss	**2,164,618**	**931,358**	**124,440**	**100,126**	**-32,995**	**-252,947**	**3,034,601**
Share of profit/loss from associates							118,655
Net financial items							5,108
Profit before tax							**3,158,365**
Tax							613,877
Net profit for the year							**2,544,487**
Year's investments in PP&E	586,070	199,322	390,003	108,844	0	2,029	1,286,268
Year's investments in right-to-use assets	17,455	0	6,710	0	0	0	24,165
Year's investments in businesses	0	0	0	179,777	0	0	179,777

NOTE 2.2 Operating revenues and material customers

Accounting principles

Operating revenues from the sale of goods relate to the sale of salmon and trout, either as whole fish or as a further processed product. Operating revenues from the sale of services relate primarily to the sale of harvesting services. Revenues are recognised when control over the good or service has been transferred to the customer and at the amount reflecting what the Group expects to receive for the good or service. Delivery takes place when control is ceded to the customer, typically when the goods are transferred to the carrier or at delivery to the customer. This depends on the delivery terms and varies from customer to customer. The normal credit period is 30 days net.

For further details, see Note 2.1 for the link between operating revenues relating to the Group's business segments.

Specification of revenues (NOK 1,000):	2020	2019
Sale of goods	12,674,010	12,107,998
Sale of services	182,768	94,198
Operating revenues from customer contracts	12,856,778	12,202,197

No invidual customers have accounted for more than 10 per cent of the Group's revenue in the past two years.

Specification of the Group's revenues by geographic market:	2020	%	2019	%
Asia	2,792,997	21.7%	2,802,436	23.0%
USA/ Canada	2,439,418	19.0%	2,123,275	17.4%
Europe, ex. Norway	5,269,216	41.0%	5,050,639	41.4%
Norway	2,218,055	17.3%	2,133,778	17.5%
Other	137,092	1.1%	92,070	0.8%
Total operating revenues from customer contracts	12,856,778	100.0%	12,202,197	100.0%

Specification of the Group's revenues by currency:	2020	%	2019	%
NOK	3,642,098	28.3%	3,409,175	27.9%
JPY	682,301	5.3%	616,775	5.1%
GBP	119,117	0.9%	217,385	1.8%
USD	4,043,816	31.5%	3,884,022	31.8%
EUR	3,852,666	30.0%	3,609,437	29.6%
SEK	240,164	1.9%	193,573	1.6%
KRW	77,943	0.6%	96,997	0.8%
CAD	189,947	1.5%	139,344	1.1%
ISK	8,728	0.1%	35,489	0.3%
Total operating revenues from customer contracts	12,856,778	100.0%	12,202,197	100.0%

NOTE 2.3 Payroll costs and remunerations

Payroll costs:

NOK 1,000	2020	2019
Salaries, incl. holiday pay and bonuses	1,097,051	990,890
Employers' national insurance contributions	72,056	71,845
Pension costs (see Note 2.5)	59,555	54,669
Options	46,885	47,119
Other benefits	44,415	37,971
Total	**1,319,961**	**1,202,494**
No. of full-time equivalents employed during the financial year.	1,763	1,702

Auditor:

The remuneration (excl. VAT) paid to the Group's auditor breaks down as follows:

2020 - NOK 1,000	EY	Others[1]
Statutory auditing services	1,695	3,442
Other certification services	40	0
Tax advisory services	580	17
Other services	1,687	604
Total 2020	**4,001**	**4,064**

2019 - NOK 1,000	EY	Others
Statutory auditing services	1,376	2,064
Other certification services	74	0
Tax advisory services	2,020	0
Other services	95	400
Total 2019	**3,565**	**2,465**

Loans and guarantees granted to employees	Loans	Guarantees
Employees	1,230	0

No loans have been granted to any of the Group's senior executives.

1 Some of the fees disclosed are inclusive of VAT.

Remuneration paid to senior executives and board members:

The SalMar Group has a management team comprising the CEO, CFO and the leaders of the largest business areas.

Reference is made to the Board of Directors' statement concerning the determination of salaries and other remunerations for SalMar ASA's senior executives adopted by the AGM on 3 June 2020.

2020 - NOK 1,000	Salary/ fees	Bonus	Benefits-in-kind	Periodised pension costs	RSUs exercised
Senior executives					
Gustav Witzøe, CEO	2,048	0	10	54	0
Trine Sæther Romuld, CFO & COO	2,729	650	10	126	348
Frode Arntsen, COO Industry & Sales	2,142	650	10	78	1,466
Ulrik Steinvik, Director Business Improvement	1,883	575	10	73	1,348
Roger Bekken, COO Farming	2,192	650	146	85	1,329

2019 - NOK 1,000	Salary/fees	Bonus	Benefits-in-kind	Periodised pension costs	RSUs exercised
Senior executives					
Gustav Witzøe, CEO [1]	1,066	0	8	52	0
Olav-Andreas Ervik, CEO [2]	3,027	750	44	75	1,864
Trine Sæther Romuld, CFO & COO [3]	1,273	807	3	83	0
Trond Tuvstein, CFO [4]	2,952	0	4	49	0
Frode Arntsen, COO Industry & Sales	2,132	650	8	72	940
Ulrik Steinvik, Director Business Improvement	1,846	550	8	68	1,404
Roger Bekken, COO Farming	2,048	650	141	81	1,276

1 Took up position 21 October 2019
2 Stood down 21 October 2019
3 Took up position 1 July 2019
4 Stood down 30 June 2019

Directors' fees - NOK 1,000	2020	2019
Board of Directors		
Atle Eide, Chair	435	410
Leif Inge Nordhammer	125	
Linda Litlekalsøy Aase	125	
Tonje Eskeland Foss [5]	160	
Margrethe Hauge [6]	288	220
Trine Danielsen	113	220
Kjell A. Storeide [7]	158	305
Helge Moen [8]	143	275
Brit Elin Soleng, employee representative	119	110
Jon Erik Rosvoll, employee representative	119	56

Directors' fees are not performance-related.

Directors' fees payable to employee representatives are stated above. Total remuneration from the Group to employee-elected members of the Board of Directors, including directors' fees, is as follows:

NOK 1,000	2020	2019
Brit Elin Soleng	868	805
Jon Erik Rosvoll	843	743

5 The fee includes NOK 35,000 in remuneration as a member of the Audit & Risk Committee.
6 The fee includes NOK 50,000 in remuneration as chair of the Audit & Risk Committee.
7 The fee includes NOK 45,000 in remuneration as chair of the Audit & Risk Committee. The corresponding figure for 2019 was NOK 85,000.
8 The fee includes NOK 30,000 in remuneration as a member of the Audit & Risk Committee. The corresponding figure for 2019 was NOK 55,000.

NOTE 2.4 Share-based incentive scheme

Accounting principles

The Group has a share-based incentive scheme, under which the companies receive services from the employees in return for Restricted Share Units (RSUs) in the Group. The fair value of the services received by the business units from the employees in return for the RSU entitlements awarded is recognised as an expense.

The fair value of RSU entitlements is established when they are awarded. The fair value of RSU entitlements that are not at market terms are valued at the share price in effect when the RSUs are awarded. The probability of the performance criteria being met is taken into account when assessing how many RSU entitlements will be redeemed. The fair value of RSU entitlements that are not at market terms is calculated using a Monte-Carlo simulation. The most important input data when calculating the value of RSU entitlements are the share price on the date they are awarded, volatility, risk-free interest, expected yield and accrual period.

The value is established when they are awarded and periodised in profit and loss over the options' accrual period, with a corresponding increase in paid-in equity. The accrual period is the period from the establishment of the scheme until the options are fully vested. Employers' national insurance contributions are recognised over the expected accrual period.

Restricted Share Unit Plan (RSU):

In accordance with the authorisation granted by the company's AGM, SalMar ASA's Board of Directors has implemented a share-based incentive scheme (Restricted Share Unit Plan) for senior executives and key personnel employed by the company and its subsidiaries. As at 31 December 2020, the scheme encompassed up to 265,311 shares and has a term of three years. The company's board members do not receive options, with the exception of those elected by the employees, who may take part in the programme in their capacity as employees. The company's liabilities under the scheme will be covered by its existing holding of treasury shares.

Participants of the plan are granted Restricted Share Units (RSUs) free of charge. These will be released and transferred as shares to participants after an accrual period subject to predefined performance criteria. The shares are then transferred to the employee free of charge. The plan comprises three accrual periods of, respectively, one, two and three calendar years. Each accrual period covers 1/3 of the total annual RSUs in the plan. One RSU affords a contingent entitlement to one share. The award of RSUs in each of the three accrual periods rests on the following performance criteria:

- ⅓ of the RSUs will vest irrespective of the performance criteria.
- ⅓ of the RSUs will vest provided that SalMar achieves a better EBIT/kg ratio than other aquaculture enterprises listed on the Oslo Stock Exchange during the accrual period.
- ⅓ of the RSUs will vest provided that SalMar's shares deliver a higher total shareholder return (TSR) than a defined group of comparable companies during the accrual period.

The plan stipulates that RSUs will vest only if the participant is still an employee of the Group. The total gains from released RSUs during the course of one calendar year may not exceed 100% of the participant's basic salary.

The fair value of the RSU entitlements is calculated on the date they are awarded. The total fair value of the entitlements as at 31 December 2020 is calculated to be NOK 134,008,500 (2019: NOK 74,840,800). The cost is periodised over the accrual period, and a total of NOK 45,171,000 was charged to expenses in connection with the scheme in 2020 (2019: NOK 47,613,600). Provisions for employers' national insurance contributions in respect of the scheme have also been made. The expense will become real to the extent that the performance criteria are met.

The fair value of RSU entitlements that are not at market terms is set as the share price on the date the award was made. The probability of the performance criteria being met is taken into account when assessing how many RSU entitlements will be redeemed. When the 2020 award was formally made on 17 December 2020, the share price was NOK 475.00. (2019: NOK 452.00).

The fair value of the RSU entitlements that are are at market terms is calculated using a Monte-Carlo simulation. The most important input data when calculating the value of these RSU entitlements is the share price on the date the award was made, volatility, risk-free interest, expected yield and the accrual period. Based on the Monte-Carlo simulation, each RSU entitlement is worth NOK 456.03 for for those awarded on 17 December 2020 and NOK 352.72 for those awarded on 30 January 2020 (2019: NOK 430.18).

In 2020, 145,070 RSUs were exercised. The market price per share at the time the RSUs were exercised was NOK 519.89. Correspondingly, 183,862 RSUs were exercised in 2019. The market price per share on the date these RSUs were exercised was NOK 404.82. The value of the RSUs exercised is treated as a salary payment to the individual employee.

Movements in the no. of outstanding RSUs:	2020	2019
1 Jan	166,572	216,538
Awarded during the year [1]	267,336	128,940
Vested during the year	-145,070	-183,862
Lapsed during the year	-12,779	-15,677
Lapsed during the year due to performance criteria not being met	-14,152	-
Yield adjustment	3,404	20,633
31 Dec	265,311	166,572

Calculation of the year's award was based on the following parameters :	2020	2020	2019
Date of award	17.12.2020	30.01.2020	21.1.2019
Plan	2020	2019	2018
Share price on date of award	475.40	457.00	448.00
Weighted average fair value on date of award	456.03	352.72	430.18
Expected yield (%)	0%	0%	0%
Expected volatility (%)	36.15%	31.42%	32.68%
Risk-free interest rate (%)	0.23%	1.32%	1.11%
Option's lifespan	1.92	1.78	1.81
Model employed	Monte Carlo & Black-Scholes	Monte Carlo & Black-Scholes	Monte Carlo & Black-Scholes

1 The award for 2019 was formally made on 30 January 2020, when a total of 132,281 RSUs were awarded. The award for 2020 was formally made on 17 December 2020, when a total of 135,055 RSUs were awarded.

Accrual period for the outstanding RSUs at the close of the year:

Date awarded	Accrual period	2020	2019
15.1.2018	2017-20		78,161
21.1.2019	2018-20		44,164
21.1.2019	2018-21	43,561	44,247
30.1.2020	2019-21	43,310	
30.1.2020	2019-22	43,385	
17.12.2020	2020-21	44,958	
17.12.2020	2020-22	45,038	
17.12.2020	2020-23	45,059	
Outstanding RSUs as at 31 Dec		265,311	166,572

Group management have the following holdings of RSU entitlements:	Holding 01.01	Awarded	Vested	Yield adjustment	Lapsed due to performance criteria not being met	Holding 31.12
Gustav Witzøe, CEO	0	0	0	0	0	0
Trine Sæther Romuld, CFO & COO	3,010	3,025	-669	54	-334	5,086
Ulrik Steinvik, Director Business Improvement	4,880	1,988	-2,598	57	-220	4,107
Frode Arntsen, COO Industry & Sales	5,419	2,259	-2,826	66	-250	4,668
Roger Bekken, COO Farming	5,215	2,314	-2,561	66	-256	4,778

Share option agreement at Icelandic Salmon AS:

Icelandic Salmon AS has a share option agreement with its CEO. A total of 165,000 share options in Icelandic Salmon AS have been awarded at a strike price of NOK 60 per share. Accrual takes place from 28 September 2018 until 28 September 2021. The fair value of the agreement has been calculated to be NOK 2,197,000. As at 31 December 2020, the vested portion, in the amount of NOK 1,714,000 has been recognised in consolidated profit and loss, with a contra entry against other paid-in equity.

NOTE 2.5 Pensions

Accounting principle

The Group has a defined-contribution pension scheme for its employees. Contributinos are recognised as a payroll cost as and when a liability to make a contribution accrues. Prepaid contributions are recognised as an asset to the extent that the contribution may be refunded or reduce future contributions. The Group has no further payment liabilities once the contributions have been paid in.

The company has a statutory duty to provide an occupational pension scheme under Norway's Mandatory Occupational Pensions Act, and has a pension scheme that meets the requirements of this legislation.

The total pension cost for the Group is divided into a defined-contribution portion and a defined-benefits portion. This breaks down as follows:

NOK 1,000	2020	2019
Premiums paid into the defined-contribution scheme	41,750	41,328
Costs relating to the defined-benefits plan (AFP)	17,641	12,527
Periodised employers' national insurance contributions	3,755	3,460
Year's pension costs, incl. employers' national insurance contributions	63,146	56,572

NOK 1,000	2020	2019
Prepaid pension contributions	7,217	1,510

Liabilities associated with the AFP retirement scheme are not included in the Group's pension calculations. For accounting purposes, the scheme is deemed to be a multi-employer occupational pension plan. The Group is unable to identify its share of the scheme's underlying financial position and results with sufficient reliability, and therefore recognises it as a defined-contribution scheme. This means that liabilities in respect of the AFP scheme are not capitalised. Premiums paid into the scheme are charged to expenses as they accrue.

NOTE 2.6 Operating expenses

Specification of other operating expenses (NOK 1,000):	2020	2019
Maintenance	257,741	266,840
Operating equipment and consumables	62,405	64,092
Direct input factors	199,600	220,865
Freight and delivery costs	1,054,178	720,056
Other operating expenses	328,286	207,170
Total	1,902,210	1,479,023

NOTE 2.7 Government grants

Accounting principles

Government grants are periodised and classified together with the revenue they are intended to augment or the expenses they are intended to reduce. Investment grants reduce the asset's book value and are taken to income through reduced future depreciation.

In 2020, Group companies took to income NOK 4.1 million in tax incentives under the SkatteFUNN scheme and derecognised NOK 4.7 million in SkatteFUNN-related amounts in respect of capitalised operating assets. (2019: NOK 5.2 million taken to income). No investment grants were received in 2020 or 2019.

NOTE 2.8 Fair value adjustments

Fair value adjustments are part of the Group's operating profit/loss, while changes in fair value are presented on a separate line to provide a better understanding of the Group's profit and loss with respect to goods sold. The item comprises:

NOK 1,000	2020	2019
Change in the fair value of the biomass	-186,136	-151,584
Change in provisions for losses on contracts	-16,030	-1,520
Change in unrealied Fish Pool contracts	-8,560	-270
Change in the unrealised value of forward currency contracts	31,194	120,378
Total fair value adjustments	-179,532	-32,995

NOTE 2.9 Net financial items

Financial items (NOK 1,000):	2020	2019
Interest income	10,264	12,465
Gains on the exit of associates	0	225,873
Change in the value of currency swaps	0	8,337
Other financial income	1,321	2,716
Total financial income	1,321	236,926
Interest expenses	149,854	170,190
Currency effects	139,491	74,093
Change in the value of currency swaps	13,418	0
Other financial expenses	7,352	0
Total financial expenses	160,261	74,093
Net financial items	-298,531	5,108

NOTE 2.10 Deferred tax and tax expense

Accounting priciples

The tax expense is matched against the recognised profit/loss before tax, and comprises tax payable (tax on the year's taxable income) and the change in net deferred tax. Tax is recognised in profit and loss, except when it relates to items posted to OCI or directly to equity. In those cases, tax is included in the net amount posted to OCI or directly to equity.

Tax payable for the period is calculated pursuant to the tax laws and regulations in effect, or those largely adopted by the tax authorities, on the reporting date.

Deferred tax recognised in the Statement of Financial Position (balance sheet) is a nominal amount, calculated on the basis of temporary differences between recognised and taxable values, as well as tax-loss carryforwards at the close of the financial year. Deferred tax assets are capitalised when it can be substantiated that a future taxable income will arise, thus enabling the asset to be utilised. Deferred tax liabilities and assets are presented net in the balance sheet.

Deferred tax has been calculated on the difference between the book value and taxable value of licences.

NOK 1,000

The year's tax expense breaks down as follows :	2020	2019
Tax payable	537,833	588,343
Change in deferred tax	15,594	24,059
Tax paid abroad	9,888	4,906
Surplus/shortfall in tax provisions in previous years	40	-3,431
Tax on ordinary profit/loss	**563,355**	**613,877**

Tax payable in the balance sheet	2020	2019
Tax payable for the year - Norway	534,818	583,978
Tax payable for the year - abroad	3,015	4,364
Tax payable on changes in previous years' tax assessments	0	113
Tax payable in the balance sheet	**537,833**	**588,455**

Breakdown of temporary differences	2020	2019
Intangible and operating assets	3,309,222	3,208,850
Leases	-71,799	-51,090
Inventory	5,462,957	5,284,741
Receivables	-7,600	-16,758
Other	-29,831	-176,729
Tax-loss carryforwards	-265,247	-182,148
Profit & loss account	10,986	13,039
TOTAL temporary differences	**8,408,688**	**8,079,905**
Total temporary differences in Norway	7,318,590	7,078,812
Total temporary differences abroad	1,090,099	1,001,092
Total temporary differences	**8,408,688**	**8,079,905**
Deferred tax liabilities (+) / tax assets (-)	**1,828,109**	**1,757,557**
Tax rate used to calculate deferred tax in Norway	22%	22%
Tax rate used to calculate deferred tax abroad	20%	20%

NOK 1,000

Change in deferred tax in the balance sheet:	2020	2019
Deferred tax 1 Jan	1,757,557	1,541,431
Deferred tax associated with acquisitions	3,341	190,520
Change in deferred tax	15,594	24,059
Deferred tax associated with equity transactions	1,707	1,775
Deferred tax on items recognised in OCI	38,380	0
Other changes	0	-4,949
Translation differences	11,530	4,721
Deferred tax 31 Dec	**1,828,109**	**1,757,557**

Reconciliation from nominal to actual tax rates	2020	2019
Profit before tax	2,571,645	3,158,365
Expected tax at nominal tax rate	565,762	694,840
Effect of different tax rates compared with nominal rates	211	-393
Permanent differences (22%)	-12,546	-82,046
Tax paid abroad	9,888	4,906
Surplus/shortfall in tax provisions in previous years	40	-3,431
Calculated tax expense	**563,355**	**613,877**
Effective tax rate	21.9%	19.4%

Permanent differences apply to the following:	2020	2019
Option expenses	10,185	10,475
Options redeemed	-16,495	-16,356
Skattefunn (Norwegian tax refund scheme for R&D expenses)	-899	-750
Share of profit/loss from associates	-9,420	-26,104
Gain from exit of subsidiaries	0	-49,692
Other	4,083	382
Total	**-12,546**	**-82,046**

NOTE 3.1 Intangible assets

Accounting principles

Intangible assets that are purchased individually are capitalised at acquisition cost. Intangible assets acquired in connection with the purchase of a business entity are capitalised at acquisition cost when the criteria for separate posting are met.

Intangible assets with a limited economic life are depreciated systematically. Intangible assets are written down to their recoverable value if the expected financial benefits do not cover their book value and any remaining production costs.

Costs relating to research and development are charged to expenses as they accrue. R&D costs are capitalised when specific criteria relating to future revenues are met. Capitalised R&D costs are recognised at acquisition cost, less accumulated depreciation and write-downs. With respect to major development projects, a specific assessment is made to determine when the project has changed from being a development project to being a construction project. Capitalised R&D costs are depreciated in a straight line over the asset's estimated period of use. Depreciation commences when the asset is put into operation.

Breeding nuclei are capitalised at acqusition cost, less accumulated depreciation and write downs.

Licences

Licences that the Group owns are capitalised at cost. Licences granted in Norway are deemed to have an indefinite usable life and are therefore not depreciated, but tested annnually for impairment. Any excess value identified in connection with the acquisition of licences is capitalised as an intangible asset. In connection with ordinary operations, there are no licence terms relating to reversion.

In Iceland, licences are granted for a period of 16 years and must then be renewed. Licences will be renewed if the applicant meets the prevailing statutory and regulatory requirements at the time the licence comes up for renewal. A small charge must be paid for the licence's renewal. Because licences have a 16-year lifespan, with the possibility of renewal, SalMar has elected to presume that these licences have an indeterminate usable life. They are therefore not depreciated, but tested annually for impairment.

Goodwill

When another business entity is taken over for a consideration that exceeds the value of the individual asset, the difference is recognised as goodwill in the balance sheet. Goodwill deriving from the acquisition of subsidiaries is included under intangible assets, while goodwill deriving from the acquisition of associates is included under shares in associates. Goodwill is recognised at historic cost.

NOK 1,000	Licences	Goodwill	Other intangible assets	TOTAL
Acquisition cost 1 Jan 2020	4,148,803	464,855	226,280	4,839,939
Additions	1,965,024	0	60,861	2,025,885
Translation differences	79,356	0	0	79,356
Acquisition cost 31 Dec 2020	6,193,183	464,855	287,142	6,945,180
Acc. dep. and write-downs 1 Jan 2020	21,000	18,390	58,615	98,005
Year's depreciation	0	0	15,608	15,608
Year's write-downs	0	5,335	0	5,335
Acc. dep. and write-downs 31 Dec 2020	21,000	23,725	74,223	118,948
Book value 31 Dec 2020	**6,172,183**	**441,130**	**212,918**	**6,826,230**
Economic life	Unlimited	Unlimited	5-50 years	
Depreciation plan			Straight-line	

NOK 1,000	Licences	Goodwill	Other intangible assets	TOTAL
Acquisition cost 1 Jan 2019	2,856,188	464,855	165,150	3,486,194
Additions upon business transfers	1,267,498	0	0	1,267,498
Additions	0	0	61,130	61,130
Translation differences	25,116	0	0	25,116
Acquisition cost 31 Dec 2019	4,148,803	464,855	226,280	4,839,939
Acc. dep. and write-downs 1 Jan 2019	21,000	18,390	42,852	82,242
Year's depreciation	0	0	15,763	15,763
Acc. dep. and write-downs 31 Dec 2019	21,000	18,390	58,615	98,005
Book value 31 Dec 2019	**4,127,803**	**446,465**	**167,665**	**4,741,932**
Economic life	Unlimited	Unlimited	5-50 years	
Depreciation plan			Straight-line	

Other intangible assets totalling NOK 212.9 million are made up almost entirely of capitalised R&D costs. NOK 24.4 million of this comprises capitalised R&D costs relating to the development of the Ocean Farm 1 installation. These costs are depreciated over 5 years. A further NOK 156.3 million relates to the development of the Group's new Smart Fish Farm concept. This project is still in the development phase and depreciation has not yet commmenced. In addition, the capitalised amount includes excess value relating to the purchase of breeding nuclei. Breeding nuclei are depreciated over 50 years, and their residual value as at 31 December 2020 was NOK 23.7 million.

Specification of fish farming licences 2020 NOK 1,000	MAB tonnes	Acqusition cost	Book value 31.12.2020
Fish Farming Northern Norway	37,471	2,011,062	2,006,062
Fish Farming Central Norway	64,038	2,810,149	2,794,149
Norway	101,509	4,821,211	4,800,211
Icelandic Salmon	25,200	1,267,498	1,371,972
Group	**126,709**	**6,088,710**	**6,172,183**

Specification of fish farming licences 2019 NOK 1,000	MAB tonnes	Acqusition cost	Book value 31.12.2019
Fish Farming Northern Norway	33,419	1,212,914	1,207,914
Fish Farming Central Norway	53,611	1,643,274	1,627,274
Norway	87,030	2,856,188	2,835,188
Icelandic Salmon	25,200	1,267,498	1,292,616
Group	**112,230**	**4,123,686**	**4,127,803**

Specification of goodwill 2020 NOK 1,000	Acquisition year	Acquisition cost	Book value 31.12.2020
Fish Farming Northern Norway	2006	95,114	95,114
Fish Farming Central Norway	1999-2014	357,818	346,016
		452,932	**441,130**

Specification of goodwill 2019 NOK 1,000	Acquisition year	Acquisition cost	Book value 31.12.2019
Fish Farming Northern Norway	2006	95,114	95,114
Fish Farming Central Norway	1999-2014	357,818	351,351
		452,932	**446,465**

In 2020, SalMar increased its production capacity through the purchase of volumes that were available at a fixed price. It also participated in an auction held during the year. The total consideration paid was NOK 1,876.7 million. This has led to a net increase in MAB of 8,239 tonnes.

I 2020, the Group converted 8 development licences to ordinary production licences for a consideration of NOK 88.4 million. The development licences were granted in 2016 for use in connection with the Group's Ocean Farm 1 installation. Ocean Farm 1 went into operation in the autumn of 2017, and the first generation of fish farmed there were fully harvested in January 2019.

In 2019, through the company Mariculture AS, SalMar was granted 8 development licences by the Norwegian Directorate of Fisheries to continue developing the Smart Fish Farm, a specially designed deepwater installation for the farming of fish in the open ocean.

Icelandic Salmon is licensed to produce 25,200 tonnes MAB in Iceland's Westfjords region. Licences in Iceland are granted for a period of 16 years before they must be renewed upon payment of a small fee. Of the total MAB, 3,000 tonnes must be renewed by the end of 2022, 10,000 tonnes by the end of 2026 and 12,200 tonnes by the end of 2029.

Apart from this, the Group has one time-limited licence and partnership agreements relating to 11 licences.

NOTE 3.2 Assessment of impairment on licences and goodwill

Accounting principles

Goodwill and licences that are defined as having an indefinite usable lifespan are not depreciated, but are tested annually for posssible impairment.

When assessing the need to write down the value of licences and goodwill, these are assigned to the relevant cash flow-generating entities or those groups which are expected to benefit from the acquisition. Write-downs are performed pursuant to an assessement of the recoverable value of each of the cash flow-generating entities to which the licences and good will are assigned. To identify the Group's cash flow-generating entities, the assets are grouped according to the lowest level to which separate and independent cash flows may be ascribed.

SalMar has identified the Group's segments as cash flow-generating entities. In connection with acquisitions, goodwill and intangible assets are allocated to the cash flow-generating entity within the Group to which they are associated The cash flow-generating entities are the lowest level in which independent cash flows can be identified, and no higher than the Group's segmentation based on the geographic distribution of its sea farming operations in Norway, the segments Fish Farming Central Norway and Fish Farming Northern Norway, Sales and Processing, as well as the Group's operations in Iceland.

It is the book value of the cash flow-generating entities that is tested for impairment annually, or more frequently if there are indications that a write-down may be needed. The book value of the assets in the cash flow-generating entity is compared with their recoverable amount. The recoverable amount is the higher of value in use and fair value less sales costs. When assessing the sales value of licences, reference is made to similar transactions that have been undertaken. Value in use is calculated by estimating future cash flows in the next five years, based on approved budgets and forecasts. Cash flows after five years are assumed to equal the expected rate of inflation. Cash flows are discounted by a rate of interest before tax which takes account of relevant market risk. If the calculated value in use is less than the book value of the cash flow-generating entity, goodwill is written down first and then other assets as required.

Book value of licences and goodwill allocated to cash flow-generating entities as at 31 December 2020:

NOK 1,000	Goodwill	Licences	Total 31.12.2020
Fish Farming Northern Norway	95,114	2,006,062	2,101,177
Fish Farming Central Norway	346,016	2,794,149	3,140,165
Icelandic Salmon	0	1,371,972	1,371,972
	441,130	6,172,183	6,613,313

Book value of licences and goodwill allocated to cash flow-generating entities as at 31 December 2019:

NOK 1,000	Goodwill	Licences	Total 31.12.2019
Fish Farming Northern Norway	95,114	1,207,914	1,303,028
Fish Farming Central Norway	351,351	1,627,274	1,978,625
Icelandic Salmon	0	1,292,616	1,292,616
	446,465	4,127,803	4,574,268

The impairment test is performed by calculating the present value of future cash flows (estimated value in use) for the cash flow-generationg entity, and comparing it with the book value of capital employed in the entity. A write-down is carried out if the book value exceeds the estimated value in use.

The estimates for future net cash flows are based on the Group's budgets and forcasts for the next five years. No real growth is assumed when calculating the final value. In other words, growth is set to the expected rate of inflation. As with all estimates, the cash flow forecasts are sensitive to changes in the underlying assumptions used.

Estimated value in use will be affected most powerfully by the following assumptions:

- Discount rate
- Rate of growth in the terminal phase
- EBIT margin per kg
    - Salmon price
    - Production costs
- Estimated future harvested volume
- Level of investment

Discount rate
The discount rate is stated before tax. It comprises a risk-free interest rate, a risk increment and a market-based element. The discount rate used reflects management's estimate of the risk specified for each cash flow-generating entity. The discount rate is set using the 10-year government bond rate in effect at the time of the assessment. The discount rate after tax is calculated at 5.36 per cent for the Group's Norwegian entities. For the operations in Iceland, the discount rate after tax is 5.86 per cent.

Growth rate in the terminal phase
The growth rate is set at 2 per cent. The same growth rate has been used for all cash flow-generating entities.

EBIT margin per kg
EBIT per kg is highly volatile with respect to changes in salmon prices. Salmon price estimates are based on the actual long-term price level in the market in which the fish is sold. Estimates for production cost are based on historic figures, adjusted for known changes.

Estimated future harvested volume
The estimated future harvested volume is baed on current production and harvesting plans, adjusted for expected increases in future output given current licences.

Based on the above assessments, there were no grounds for any write-down of the book values of fish farming licences or goodwill as at 31 December 2020 or 31 December 2019. All segments have a materially positive difference between the calcluated recoverable value and book value. However, based on a specific assessment, goodwill in the Fish Farming Central Norway segment was written down by NOK 5.3 million.

Sensitivity analysis
The assessment is based on a comparison of the present value of estimated future cash flows and the book value of each cash-flow generating entity. Sensitivity analyses are also carried out to assess estimated present values by looking at the change in salmon prices and production costs, and therefor net margins and discount rates.

The table below shows how much the assumptions underpinning the calculation must change for the calculations to result in break-even. The discount rates show how many percentage points this much change to result in break-even.

Cash flow-generating entity	Discount rate after tax	EBIT margin per kg (NOK)
Fish Farming Northern Norway	6.91%	-11.64
Fish Farming Central Norway	7.86%	-11.25
Icelandic Salmon	1.20%	-2.40

NOTE 3.3 Property, plant & equipment

Accounting principles

Poperty, plant & equipment is capitalised at acquisition cost, less a deduction for accumulated depreciation and write-downs. Interest on construction loans is included in the acquisition cost. When assets are sold or otherwise disposed of, their book value in the balance sheet is derecognised, and any losses or gains posted to profit and loss. Ordinary depreciation commences on the date on which the asset goes into ordinary operation, and is calculated on the basis of the asset's expected useful life. Depreciation is distributed in a straight line over the asset's expected useful life, with account taken of its estimated residual value. Where material portions of an operating asset have different depreciation periods, these are disaggregated and depreciated separately. The operating asset's scrap value, depreciation period and depreciation method are assessed annually.

Facilities under construction are not depreciated. Depreciation is charged to expenses when the facility is ready for use.

The need to write down the book value of property, plant & equipment is assessed whenever the situation or circumstnaces indicate that the value cannot be recovered. The recoverable amount is the higher of net sales value and value in use. Value in use is the present value of future cash flows which the asset will generate.

NOK 1,000	Land, buildings & other real property	Plant & equipment	Vessels & pontoons	Other operating assets	Facilities under construction	TOTAL
Acquisition cost 1 Jan 2020	1,207,279	3,665,394	1,185,230	260,647	596,236	6,914,786
Additions through business transfers	17,453	0	0	0	0	17,453
Additions	28,112	221,660	40,208	3,477	1,436,029	1,729,487
Transfer of facilities under construction	97,359	65,129	82,377	692	-245,557	0
Disposals	-846	-1,005	-4,028	-468	-92	-6,439
Reclassification between note groups	9,786	-17,681	20,816	-12,920	0	0
Translation differences	4,847	-294,121	312,999	3,072	5,443	32,240
Acquisition cost 31 Dec 2020	1,363,991	3,639,375	1,637,602	254,501	1,792,059	8,687,527
Acc. dep. & write-downs 1 Jan 2020	164,883	1,671,149	512,835	195,406	592	2,544,865
Year's depreciation	70,309	373,669	92,314	17,437	0	553,729
Year's write-downs	106	15,371	7,574	2,735	0	25,786
Reclassification between note groups	4,433	-11,662	19,673	-12,444	0	0
Translation differences	461	1,719	6,957	107	-125	9,120
Acc. dep. & write-downs 31 Dec 2020	240,193	2,050,246	639,354	203,241	466	3,133,499
Book value 31 Dec 2020	**1,123,798**	**1,589,129**	**998,248**	**51,260**	**1,791,593**	**5,554,028**
Economic life	5-33 years	5-25 years	3-15 years	3-20 years	N/A	
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line	N/A	
Gains/losses on the sale of PP&E	-2,450	188	429	-70	0	-1,904

As at 31 December 2020, the company had capitalised a total of NOK 1,791.6 million in connection with work on investment projects that had not been completed and put into operation, and where depreciation had not yet commenced. This breaks down into NOK 1,558 million for real property, NOK 229.6 million for plant and equipment. and NOK 88.2 million for vessels and other operating assets. As at 31 December 2019, the company had capitalised a total of NOK 597.4 million in work on investment projects that had not been completed and put into operation and for which depreciation had not commenced. This broke down into NOK 463.1 million for real property, NOK 86.7 million for plant and equipment, and NOK 47.6 million for vessels and other operating assets.

Write-downs in 2020 derive primarily from a NOK 7.6 million impairment in the value of obsolete equipment relating to Icelandic Salmon and equipment relating to the Ocean Farm 1 installation, worth NOK 12.8 milion, which is no longer in use. Some other entities also performed minor write-downs on equipment that is no longer in use.

The specification of property, plant & equipment has been amended with respect to the notes to the 2019 annual financial statements, in that other operating assets and facilities under construction are presented separately. Comparable figures for 2019 have been restated accordingly.

NOK 1,000	Land, buildings & other real property	Plant & equipment	Vessels & pontoons	Other operating assets	Facilities under construction	TOTAL
Acquisition cost 31 Dec 2018	1,350,319	4,150,860	606,610			6,107,789
Corrections and reclassification between groups	-130,334	-1,186,002	798,663	251,596	35,400	-230,678
Acquisition cost 1 Jan 2019 - leases reclassified to right-to-use assets, (Note 3.4)	-203,615	-49,052	-313,954	0	0	-566,621
Acquisition cost 1 Jan 2019	1,016,370	2,915,806	1,091,319	251,596	35,400	5,310,490
Additions through business transfers	67,148	193,836	0	0	50,736	311,720
Additions	123,761	551,038	92,318	9,051	510,100	1,286,268
Disposals, acquisition cost	0	-370	0	0	0	-370
Translation differences	0	5,084	1,594	0	0	6,677
Acquisition cost 31 Dec 2019	1,207,279	3,665,394	1,185,230	260,647	596,236	6,914,785
Acc. dep. & write-downs 31 Dec 2018	250,050	1,916,243	350,007			2,516,300
Corrections and reclassification between groups	-6,894	-567,832	170,510	173,538	0	-230,678
Acc. dep. 1 Jan 2019 - leases reclassified to right-to-use assets (Note 3.4)	-134,171	-40,672	-76,151	0	0	-250,994
Acc. dep. & write-downs 1 Jan 2019	108,986	1,307,738	444,366	173,538	0	2,034,628
Year's depreciation	55,898	363,709	68,416	20,868	0	508,890
Year's write-downs	0	50	0	1,000	592	1,642
Translation differences	0	-349	53	0	0	-295
Acc. dep. & write-downs 31 Dec 2019	164,883	1,671,149	512,835	195,406	592	2,544,865
Book value 31 Dec 2019	**1,042,396**	**1,994,245**	**672,395**	**65,241**	**595,644**	**4,369,920**
Economic life	5-33 years	5-25 years	3-15 years	3-20 years	N/A	
Depreciation plan	Straight-line	Straight-line	Straight-line	Straight-line	N/A	
Gains/losses on the sale of PP&E	0	0	0	0	0	0

NOTE 3.4 Leases

Accounting principles

The Group evaluates all material agreements to detemine whether all or part of thereof relates to right-to-use assets. IFRS 16 Leases sets out principles for the recognition, measurement presentation and disclosure of leasing agreements. Under IFRS 16, assets and liabilities covered by the majority of leasing agreements are recognised. An exception is made for short-term leases lasting less than 12 months and agreements relating to assets with a low underlying value. Leasing costs relating to agreements encompassed by these exceptions are recognised in profit and loss as and when they arise. When considering the non-terminable portion of an agreement, an assessment is made of whether there is reasonable certainty that options to extend will be exercised.

In those cases where the Group has entered into complex leasing agreements, the service element is hived off to calculate the value of the right-to-use asset. For the most part, this applies to leases relating to wellboats and service boats, where crewing and other service elements are included in the leasing cost and where the estimated market price of the service element is hived off.

On the date on which the lease goes into effect, the leasing liability is measured at the present value of the leasing payments, using the Group's marginal borrowing rate. The marginal borrowing rate is determined on the basis of the Group's borrowing terms on the date on which the lease was entered into and the length of the lease.

Leasing liabllities are adjusted in connection with any change in future payments resulting from adjustment of the the leasing payment or change in estimated residual payments. The leasing liability is also adjusted if there is any change in the estimate deriving from the exercise of an option to buy out the underlying asset, or if the expected leasing period is altered.

Right-to-use assets are depreciated from the date on which the contract goes into effect until the right-to-use asset comes to the end of its usable life or the leasing period comes to an end, whichever comes first.

NOK 1,000	Land, buildings & other real property	Plant & equipment	Vessels	TOTAL
Acquisition cost 1 Jan 2020	338,671	220,314	453,861	1,012,847
Adjustment following regulation of contracts	543	73,364	446	74,353
Additions	23,818	2,252	389,081	415,151
Translation differences	64	0	1,212	1,276
Acquisition cost 31 Dec 2020	363,096	295,931	844,601	1,503,628
Acc. dep. & write-downs 1 Jan 2020	91,072	124,738	227,337	443,147
Year's depreciation	18,840	53,179	139,615	211,635
Translation differences	4	0	75	78
Acc. dep. & write-downs 31 Dec 2020	109,916	177,917	367,027	654,860
Book value 31 Dec 2020	**253,180**	**118,014**	**477,574**	**848,767**
Economic life	2 - 20 years	1 - 5 years	1 - 9 years	
Depreciation plan	Straight-line	Straight-line	Straight-line	

Material leases relating to offices and production facilities have been entered into. This includes the InnovaMar facility in Frøya. Material leases have also been entered into with respect to wellboats, service boats, plant and equipment.

In 2013, the Group renegotiated InnovaMar's lease in connection with the sale of its shares in the company that owns the factory. Recognition in the balance sheet is based on an expectation that the lessor will demand that SalMar acquire the property after the lease expires. In connection with the renegotiation, the leasing period was extended from 15 to 20 years, with an option to extend after the expiry of the agreement in return for a reduced annual leasing cost. The lessor has, furthermore, the right but not the obligation to demand that SalMar, as tenant, acquire the property after the expiry of the agreement for the sum of NOK 70 million. The change in the terms of the lease means that the building and the leasing liability have been recognised in the balance sheet with effect from 1 October 2013. In total, the property was recognised in the balance sheet at a value of NOK 221.299 million as at 31 December 2020. The investment breaks down into the components building, technical installation and land. The portion allocated to buildings is depreciated over 30 years. Correspondingly, the portion allocated to technical installations is depreciated over 13 years. Land is not depreciated.

NOK 1,000	Land, buildings & other real property	Plant & equipment	Vessels	TOTAL
Reclassification - leases previously recognised in accordance with IAS 17 (Note 5)	309,913	87,903	168,804	566,621
Implementation - leases recognised in accordance with IFRS 16	27,167	120,336	237,051	384,553
Additions resulting from business transfers	1,591	0	30,153	31,745
Adjustment following regulation of contracts	0	0	6,487	6,487
Additions	0	12,075	12,090	24,165
Translation differences	0	0	-724	-724
Acquisition cost 31 Dec 2019	338,671	220,314	453,861	1,012,847
Reclassification - leases previously recognised in accordance with IAS 17 (Note 5)	73,019	71,630	106,345	250,994
Year's depreciation	18,053	53,108	120,992	192,153
Acc. dep. & write-downs 31 Dec 2019	91,072	124,738	227,337	443,147
Book value 31 Dec 2019	**247,600**	**95,576**	**226,524**	**569,700**
	2 - 20 years	1 - 5 years	1 - 9 years	
	Straight-line	Straight-line	Straight-line	

Other leasing costs recognised in profit and loss (NOK 1,000)	2020	2019
Costs relating to short-term leases (less than 12 months duration)	90,393	61,987
Costs relating to the lease of low-value assets	31,913	15,847
Total leasing costs included in other operating expenses	**122,306**	**77,834**

Costs relating to short-term leases largely concern the ad hoc leasing of service boats. Leases relating to low-value assets largely concern the rental of real preoperty, such as onshore bases, warehousing, quays and employee accommodation. Leases relating to various items of equipment are additional to this.

Specification of associated leasing liabilities (NOK 1,000)	2020	2019
Leasing liability 1 Jan	629,604	0
Leasing liaiblity 1 Jan 2019 - previously recognised in accordance with IAS 17	0	343,392
Implementation 1 Jan 2019 - leasing liability recognised in accordance with IFRS 16	0	384,553
Additions resulting from business transfers	0	31,745
New leasing liabilities recognised in the period	414,037	24,165
Adjustment of leasing liabilities	74,316	6,487
Interest accruing on the added leasing liability (profit and loss)	55,217	52,784
Instalments on leasing liabilities paid (cash flow)	-184,285	-160,738
Interest on leasing liabilities paid (cash flow)	-55,217	-52,784
Translation differences	23	0
Total leasing liabilities 31 Dec	933,695	629,604
Short-term leasing liabilities	164,567	140,733
Long-term leasing liabilities	769,128	488,871
Total leasing liabilities	933,695	629,604

Cash flow relating to leasing liabilities in the period (NOK 1,000)	2020	2019
Instalments paid on recognised leasing liabilties	184,285	160,738
Interest paid on recognised leasing liabilities	55,217	52,784
Payment of leasing liabilities recognised in expenses	122,306	77,834
Total cash flow relating to leasing liabilities	361,808	291,356

See Note 4.1 for further detials of the leasing liabilities' maturity profile.

NOTE 3.5 Associates

Accounting principles

The Group has investments in associates. Associates are entities over whose financial or operational management the Group has significant influence, but not control or joint control. Significant influence normally exists when the Group has 20-50 per cent of the voting rights.

Investments in associates are recognised in accordance with the equity method. The investment is recognised on the date of purchase at acquisition cost, and the Group's share of profit/loss in subsequent periods is taken to income or expenses. The capitalised amount includes any implicit goodwill identified on the date of purchase.

The Group's share of profit/loss from associates is recognised in the Group's profit and loss, and attributed to the book value of the investment. The Group's share of OCI in the associate is recognised in the Group's OCI and is also attributed to the investment's book value. Correspondingly, the Group's share of sums recognised directly in equity in underlying investments is presented in the Group's statement of equity. Unrealised gains on transactions with associates are eliminated in proportion to the Group's share of the business.

Should indications of impairment arise, the book value of the investment is written down. Any impairment in value is recognised in the share of profit/loss from associates in the financial statements. When the Group's share of losses exceeds the value of the investment in an associate, its book value is written down to zero, and no further losses are recognised unless the Group has an obligation to cover any such loss.

If an investment ceases to be an associate, such that the equity method no longer applies, the remaining shareholding is measured at fair value.

The Group had the following investments in associates as at 31 December 2020:

Company	Registered office	Sector	Shareholding 1 Jan	Shareholding 31 Dec
Norskott Havbruk AS	Bergen	Fish farming	50.00%	50.00%
SalMar Genetics AS	Rauma	Genetics/breeding	50.00%	50.00%
Kirkenes Processing AS	Kirkenes	Harvesting of farmed salmon	50.00%	50.00%
Romsdal Processing AS	Molde	Harvesting & processing	44.45%	44.45%
Yu Fish Ltd	Singapore	Sales	45.30%	45.30%
Eldisstødin Isthor EHF	Iceland	Smolt production	50.00%	50.00%

All associates are recognised in accordance with the equity method. Since none of the Group's associates is listed on a stock exchange, no observable market values are available.

Companies recognised in accordance with the equity method (NOK 1,000)	Norskott Havbruk AS	Others	TOTAL
Opening balance 1 Jan 2020	636,612	81,210	717,819
- of which undepreciated excess value	0	2,099	2,099
- of which undepreciated goodwill	0	3,010	3,010
Share of the year's profit/loss	48,985	-6,777	42,208
Items recognised in other comprehensive income (OCI)	-3,292	-471	-3,762
Other changes	0	-1,559	-1,559
Dividend received	0	-2,144	-2,144
Closing balance 31 Dec 2020	**682,305**	**70,260**	**752,562**

Companies recognised in accordance with the equity method (NOK 1,000)	Icelandic Salmon AS	Norskott Havbruk AS	Others	TOTAL
Opening balance 1 Jan 2019	402,684	761,141	25,149	1,188,971
– of which undepreciated excess value	0	0	2,689	2,689
– of which undepreciated goodwill	0	0	3,421	3,421
Additions of shares at cost	0	0	24,025	24,025
Additions of shares through acquisitions	0	0	20,491	20,491
Share of the year's profit/loss	636	106,492	11,527	118,655
Items recognised in other comprehensive income (OCI)	-10,001	21,878	758	12,636
Other changes	-855	0	1,164	309
Dividend received	0	-252,900	-1,904	-254,804
Disposal of shares	-392,463	0	0	-392,463
Closing balance 31 Dec 2019	**0**	**636,612**	**81,210**	**717,819**

Icelandic Salmon AS

Until 1 February 2019, SalMar had a significant influence over Icelandic Salmon AS (formerly Arnarlax AS), and the investement was treated for accounting purposes as an associate in accordance with the equity method. With effect from 1 February 2019, the Group's shareholding increased from 41.95 per cent to 54.23 per cent, thereby giving SalMar control of the company. On the date on which control was achieved, SalMar's shares in the associate were considered to have been realised and a gain recognised. Icelandic Salmon AS has been consolidated in SalMar's financial statements with effect from the date of group establishment.

Eldisstødin Isthor EHF

Through the acquisition of Icelandic Salmon AS, the Group acquired 50 per cent of Eldisstødin Isthor Hf. At the time of its acquisition by Icelandic Salmon AS, Eldisstødin Isthor was valued at NOK 20,491,000. Through the acquisition, the Group has a significant influencel over the company, and the investment is treated for accounting purposes as an associate in accordance with the equity method.

Yu Fish Ltd

In January 2019, the Group agreed to purchase 45.3 per cent of the shares in Yu Fish Ltd, thus obtaining a considerable influence over the company. A consideration of NOK 24,025,000 was paid for the shares. Yu Fish Ltd engages in the sale of seafood products and is located in Singapore. The investment is classified as an associate and is recognised in accordance with the equity method.

Material associates

Based on an overall assessment, in which size and complexity have been taken into account, Norskott Havbruk AS is considered to be a material associate. Further details relating to Norskott Havbruk AS are presented below.

The following table shows a summary of financial information relating to material associates, based on 100% figures:

Norskott Havbruk AS (NOK 1,000)	2020	2019
Operating revenues	1,698,652	1,834,449
Operating expenses	1,390,241	1,542,506
Fair value adjustments	-142,735	-48,015
Net profit/loss	97,970	212,984
Current assets	1,283,686	1,048,123
Non-current assets	1,664,679	1,598,027
Current liabilities	681,291	360,869
Non-current liabilities	902,069	1,011,663
Equity	1,365,005	1,273,618
The Group's share of equity	682,503	636,809
Book value 31 Dec	682,305	636,612

Norskott Havbruk AS

Located in Bergen, Norskott Havbruk AS is a holding company that owns 100 per cent of Scottish Sea Farms Ltd, which has operations in mainland Scotland and Shetland.

Norskott Havbruk is 50/50 owned by SalMar ASA and Lerøy Seafood AS. The Board of Directors has 4 members, with each shareholder represented by 2 directors. The shareholders alternate in having the board's chair. Since neither of the company's owners has overall control, it is considered to be an associate.

NOTE 3.6 Inventory and biological assets

Accounting principles

Inventory and biological assets

Inventory comprises feed, packaging, roe, fry, smolt, cleaner fish, live fish at sea farms and processed fish.

Stocks of feed, packaging, roe, fry, smolt, cleaner fish and processed fish are recognised at the lower of cost price and net realisation value. The cost price for goods produced in-house is the full production cost. Inventory is recognised according to the FIFO principle. Net realisation value is the estimated sales price less variable costs for completion and sale.

Live fish at sea farms are recognised at fair value less sales costs.

Biological assets

Live fish are accounted for in accordance with IAS 41 Agriculture. The general rule is that such assets are measured at fair value less sales costs. Fair value is measured in line with IFRS 13. Biological assets are valued in accordance with valuation level 3, ie based on factors not drawn from observable markets. Changes in value are recognised and classified under fair value adjustments in profit and loss. This is intended to provide a better understanding of the Group's profit/loss on the sale of goods.

Roe, fry, smolt and cleaner fish are valued at historic cost. Historic cost is deemed to be the best estimate of fair value for these assets, due to little biological conversion.

The fair value of biological assets held at the Group's sea farms is calculated using a cash-based present value model. The present value is caculated on the basis of estimated revenues, less estimated remaining production costs until the fish is harvestable at the individual site. 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 reporting date. Present value is estimated for the biolmass at each site.

Incoming cash flows are calculated as the estimated biomass at harvest multiplied by the price expected to be achieved at the same time. The estimated biomass (volume) at harvest is calculated on the basis of the number of individual fish held at sea farms on the reporting date, adjusted for expected mortality until harvest and multiplied by the estimated weight of the fish at harvest

The price is calculated using the Fish Pool forward price for the estimated harvesting date that was in effect on the reporting date. Forward prices are adjusted for an exporter supplement, as well as harvesting, sales and carriage costs. In addition, an adjustment is made to take account of expected differences in fish quality. Price adjustments are made at the site level.

Estimated remaining production costs are estimated costs that a rational person would presume necessary for the farming of fish up until theiy reach a harvestable weight. In the model, instead of being a separate cost element in the calclulation, compensation for licence fees and site leasing costs is included in the discount factor, and thereby reduces the fair value of the biomass.

The fair value of the biomass is cacluated using a monthly discounting of the cash flow based on the second last harvesting month in the harvesting plan. The discount factor is intended to reflect three main components:

1. Risk of incidents that affect cash flow
2. Synthetic licence fees and site leasing costs
3. Time value of money

The discount factor is set on the basis of an average for all the Group's sites, which, in the Group's assessment, provides a sensible growth curve for the fish - from smolt to harvestable size.

The risk adjustment must take account of the risk involved in investing in live fish. A fish spends on average 18 months at a sea farm, and the risk will be higher the further forward in time the harvesting date is. Biological risk, the risk of increased costs and price risk will be the most important elements to be recognised. The present value model includes a theoretical compensation for licence fees and site leasing costs as an addition to the discount factor in the model, instead of being a cost-reducing factor in the calculation.

Partnership agreements

Biomass farmed under partnership agreements is recognised as the Group's own fish, since the Grup assumes the bulk of the financial risk relating to the fish.

Principles for recognition of incident-based mortality

Incident-based mortality is recognised at sites which have a 3 per cent mortality rate in one period as a result of a single incident, or where mortality exceeds 5 per cent aggregated over several periods as a result of the same incident. The assessment relates to the number of fish and is made at the site level. Incident-based mortality is recognised under cost of goods sold in profit and loss.

Book value of inventory (NOK 1,000)	31.12.2020	31.12.2019
Raw materials	246,943	160,712
Finished goods	434,056	308,017
Total other inventory	**680,999**	**468,729**
Biological assets	5,988,790	5,720,810
Total value of biological assets and other inventory	**6,669,789**	**6,189,539**

Book value of biological assets recognised at fair value	31.12.2020	31.12.2019
Biological assets held at sea farms at cost	3,924,036	3,489,040
Fair value adjustment of biological assets	1,766,852	1,954,022
Total biological assets held at sea farms at fair value	5,690,888	5,443,062
Roe, fry, smolt and cleaner fish at cost	297,901	277,748
Total biological assets	**5,988,790**	**5,720,810**

	Live weight of fish at sea (tonnes)		Book value (NOK 1,000)	
Change in biological assets:	2020	2019	2020	2019
Biological assets 1 Jan	**106,598**	**93,800**	**5,720,810**	**5,305,616**
Increase resulting from acquisitions	0	10,823	0	367,017
Increase resulting from production/purchase	201,330	191,130	5,692,874	4,931,051
Reduction resulting from sale/harvesting	-189,020	-189,395	-5,202,331	-4,801,568
Reduction resulting from incident-based mortality	-1,631	-250	-59,676	-9,349
Net change in the fair value of biological assets			-187,170	-81,655
Translation differences			24,284	9,698
Biological assets 31 Dec	**117,278**	**106,108**	**5,988,790**	**5,720,810**

Raw materials largely comprise feed for smolt and fish at sea farms. In addition, raw materials are used in connection with processing and packaging.

Stocks of biological assets relate to SalMar's fish farming operations on land and at sea, and comprise roe, fry, smolt, cleaner fish and fish at sea farms. Finished goods comprise whole fish (fresh and frozen), as well as processed salmon products.

Biological assets held at sea farms 31 Dec 2020 (NOK 1,000):	Biomass (tonnes)	Acquisition cost	Fair value adjustment	Book value
< 1 kg (LW)	11,910	674,310	492,009	1,166,319
1-4 kg	66,378	2,126,211	808,804	2,935,015
> 4 kg (GW)	38,990	1,123,516	466,039	1,589,555
Biological assets held at sea farms	117,278	3,924,037	1,766,852	5,690,888
Roe, fry, smolt and cleaner fish at cost		297,901	0	297,901
Biological assets		**4,221,939**	**1,766,852**	**5,988,790**

Biological assets held at sea farms 31 Dec 2019 (NOK 1,000):	Biomass (tonnes)	Acquisition cost	Fair value adjustment	Book value
< 1 kg (LW)	8,447	568,096	274,072	842,167
1-4 kg	70,828	2,226,834	1,230,085	3,456,919
> 4 kg (GW)	26,833	694,111	449,865	1,143,976
Biological assets held at sea farms	106,108	3,489,041	1,954,021	5,443,062
Roe, fry, smolt and cleaner fish at cost		277,748	0	277,748
Biological assets		**3,766,789**	**1,954,021**	**5,720,810**

Valuation of biological assets:

The way live fish are accounted for is regulated by IAS 41 Agriculture. The general rule is that such assets must be recognised at fair value in accordance with IFRS 13.

The valuation of biological assets is included in valuation level 3, ie based on factors not drawn from observable markets.

Roe, fry, smolt and cleaner fish are recognised at historic cost, since this is considered the best estimate of fair value.

The company's stocks of live fish held at sea farms are, in accordance with IAS 41, recognised at fair value.

Present value is calculated on the basis of estimated revenues less production costs remaining until the fish is harvestable at the individual site. 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 reporting date.

The expected biomass at harvest is calculated on the basis of the number of fish held at sea farms on the reporting date, adjusted for expected mortality up until the harvesting date and multiplied by the fish's estimated weight at harvest.

Fair value is calculated on the basis of Fish Pool forward prices for the estimated harvesting date that were in effect on the balance sheet date. The forward prices are adjusted for an exporter supplement, as well as harvesting, sales and carriage costs. In addition, an adjustment is made to take account of expected differences in fish quality.

A discount rate of 6 per cent per month has been used to calculate the fair value of biological assets for the Group's Norwegian operations. Correspondingly, a discount rate of 7 per cent per month was used in 2019. For the Group's operations in Iceland, a discount rate of 3 per cent per month was used in 2020, while the corresponding rate in 2019 was 5 per cent per month. The discount rate reflects the biomass's capital cost, risk and synthetic licence fees and site rental charges. The reduction in the discount rate in 2020 is based on lower expectations with respect to price achievement and thereby profitability, and the effect this has on hypothetical site rental charges. For further details of the various assumptions used in the model, please see Note 1.7 Use of estimates.

The calculation is based on following forward prices :

Expected harvesting period:	Forward price 31.12.2020	Expected harvesting period:	Forward price 31.12.2019
Q1-2021	50.33	Q1-2020	66.10
Q2-2021	56.77	Q2-2020	66.90
Q3-2021	53.67	Q3-2020	55.00
Q4-2021	55.83	Q4-2020	56.40
1st half 2022	61.85	1st half 2022	59.50
2nd half 2022	54.15	2nd half 2022	58.35

Sensitivity assessments:

The change in the estimated fair value of biological assets has been calculated by changing individual parameters in the calculation. The effect on the book value of biological assets is summarised below.

2020 (NOK 1,000)	Increase	Effect on estimated fair value at 31.12.2020	Decrease	Effect on estimated fair value at 31.12.2020
Change in forward price	+ NOK 5.00 per kg	736,883	NOK 5.00 per kg	-736,883
Change in discount factor	1%	-385,580	-1%	428,624
Change in harvesting date	1 month earlier	62,706	1 month later	-299,608
Change in number of fish held at sea farms	1%	76,255	-1%	-76,256

2019 (NOK 1,000)	Increase	Effect on estimated fair value at 31.12.2019	Decrease	Effect on estimated fair value at 31.12.2019
Change in forward price	+ NOK 5.00 per kg	565,767	NOK 5.00 per kg	-565,767
Change in discount factor	1%	-332,882	-1%	369,591
Change in harvesting date	1 month earlier	415,497	1 month later	-411,986
Change in number of fish held at sea farms	1%	69,316	-1%	69,316

NOTE 3.7 Trade and other receivables

Accounting principles

The Group's receivables are recognised at amortised cost. Receivables in foreign currencies are recognised at the daily foreign exchange rate. Book value equals fair value.

The Group uses a simplified method for calculating provisions for losses on trade receivables. In principle, the Group credit insures its trade receivables and makes a provision for expected bad debts on that portion which is not insured. The Group measures its provision for bad debts on the basis of expected credit losses over the span of each reporting period, and not based on a 12-month expected loss.

NOK 1,000	2020	2019
Trade receivables	598,699	760,523
Provisions for bad debts	-9,710	-21,094
Total trade receivables	588,989	739,429
Other current receivables	435,947	330,332
Other non-current receivables	97,964	95,925
Total receivables	1,122,900	1,165,686
Included in the item Other current receivables above are prepaid expenses in the amount of	66,132	80,849
Included in the item Other current receivables above are derivatives in the amount of	210,326	63,413
Included in the item Other current receivables above are VAT refunds due in the amount of	84,818	135,074
Included in the item Other non-current receivables above are the following, falling due in more than one year	90,747	94,415
Included in the item Other non-current receivables above are pension assets in the amount of	7,217	1,510

NOK 1,000	2020	2019
Provisions for bad debt 1 Jan	21,094	6,661
Additions resulting from acquisitions	0	11,697
Provisions for bad debts 31 Dec	9,710	21,094
Change in provisions for bad debts during the period	-11,384	2,737
Actual bad debts	14,625	5,298
Change in provisions for bad debts	-11,384	2,737
Bad debts charged to expenses during the period	3,241	8,034

In connection with the sale of a tranche of shares in Icelandic Salmon AS to Gyda EHF in 2019, a seller's credit agreement was entered into for the amount of the consideration payable for the shares. This totalled NOK 35.7 million. As at 31.12.2020, book value of is NOK 30.2 million. The loan, including accrued interest, must be paid off in full no later than 31 December 2025. In the financial statements, the loan is recognised under 'Other non-current receivables'. See Note 4.5 for further details.

Bad debts are classified as other operating expenses in profit and loss. Changes in provisions for bad debts and bad debts charged to expenses during the period are presented below.

Credit risk and foreign exchange risk relating to trade receivables are discussed in more detail in Note 4.1.

As at 31 December, the company's outstanding trade receivables had the following payment profile:

	Total	Not due	<30 d	30-45d	45-90d	>90d
31.12.2020	598,699	501,489	64,034	318	1,657	31,201
31.12.2019	760,523	548,819	143,784	12,226	1,361	54,333

Buyout of trade receivables

SalMar has entered into an agreement with a financial institution for the buyout of trade receivables that meet certain specified criteria. SalMar transfers trade receivables that meet these criteria as and when they arise and receives immediate settlement thereof. Normally, the customer's payment would have taken 30-45 days to arrive. The financial institution assumes all material risk with respect to the receivable from the time of its transfer. The transfer of such receivables is deemed to be a transaction and is derecognised from the balance sheet on the date it takes place. As at 31 December 2020, a total of NOK 391.9 million in outstanding receivables had been transferred and derecognised from the balance sheet (31 December 2019, a total of NOK 375.4 million). The change in trade receivables deriving from this derecognition is included under operating activities in the statement of cash flow.

NOTE 3.8 Financial instruments

Accounting principles
A financial instrument is any contract that gives rise to a financial asset on the part of one undertaking and a financial liability or equity instrument on the part of another.

Financial assets
The Group's financial assets comprise derivatives, unlisted equity investments, trade receivables and cash & cash equivalents.

The classification of financial assets at initial recognition depends on the nature of the asset's contractually determined cash flows and which business model the Group applies to the management of its financial assets. At initial recognition, financial assets are recognised at fair value. Transaction costs may be added if financial assets are measured at amortised cost.

The Group classifies its financial assets in three categories:
- Financial assets measured at amortised cost
- Financial assets measured at fair value with changes in value through profit and loss
- Financial assets measured at fair value in other comprehensive income (OCI)

Financial assets measured at amortised cost
The Group measures financial assets at amortised cost if the following conditions are met: the financial asset is being kept in a business model whose purpose is to receive contractually determined cash flows and the contractual terms and conditions for the financial asset give rise to cash flows solely comprising payments of interest and principal on certain dates.

The Group's financial assets at amortised cost comprise trade receivables, other receivables, cash & cash equivalents. Trade receivables which do not have a substantial financing element are measured at the transaction price in accordance with IFRS 15 Revenue from Contracts with Customers.

Financial instruments measured at fair value with changes in value through profit and loss
The Group makes use of forward currency contracts to hedge against fluctuations in exchange rates that arise during its operational activities. The contracts are initially recognised at fair value. Changes in fair value are recognised in profit and loss, with the exception of forward currency contracts that qualify for hedge accounting.

The Group uses Fish Pool contracts to hedge the price of future deliveries in connection with the sale of salmon. In addition, Fish Pool contracts are used to hedge margins in certain cases relating to salmon purchase agreements. The derivatives are recognised at fair value on the date they are entered into. Any subsequent changes in value are classified on the line for fair value adjustments in profit and loss.

This category includes the Group's unlisted equity instrument. Such instruments are recognised at fair value on the date the contract is entered into and are also subsequently measured at fair value.

Financial instruments mreasured at fair value in other comprehensive income (OCI)
The Group uses derivatives to hedge against fluctuations in foreign exchange rates that arise during its operational activities. When forward currency contracts meet the requirements for hedge accounting, changes in fair value are recognised in OCI.

Derecognition of financial assets
A financial asset or, if relevant, a portion of a financial asset or portion of a group of identical financial assets, is derecognised if:

- the contractual entitlement to receive cash flows from the financial asset expires, or
- the Group has transferred the contractual entitlement to receive cash flows from the financial asset or retains the right to receive the cash flows from a financial asset but at the same time pledges to transfer these to a counterparty, and either:
  a. the Group has transferred the bulk of the risk and benefits associated with the asset, or
  b. the Group has neither transferred nor retained the bulk of the risk and benefits associated with the asset, but has transferred control over the asset.

Provisions for losses on financial assets
The Group has made a provision for expected losses on all debt instruments that are not classified at fair value through profit and loss. The Group recognises expected credit losses on the basis of a specific assessment of each individual customer. The Group recognises its loss provision on the basis of expected credit losses over each reporting period, and not based on a 12-month expected loss.

Financial liabilities
Financial liabilities are, after initial recognition, classified as loans and liabilities, or derivatives earmarked as hedging instruments in an effective hedging arrangement. Derivaties are initially recognised at fair value. Loans and liabilities are recognised at fair value adjusted for directly attributable transaction costs. Derivatives are financial liabilities when their fair value is negative, and are treated for accounting purposes in the same way as derivatives that are assets.

Loans and liabilities

After initial recognition, interest-bearing loans will be measured at amortised cost. Gains and losses are recognised in profit and loss when the liability is derecognised.

Financial instruments by category

Financial instruments 31 Dec 2020 (NOK 1,000):	At amortised cost	At fair value through profit & loss	At fair value in OCI	TOTAL
Assets				
Derivatives				
Forward currency contracts	0	30,957	173,936	204,893
Financial contracts Fish Pool	0	6,607	0	6,607
Equity instruments				
Unlisted equity instruments	0	472	0	472
Debt instruments				
Trade receivables	588,989	0	0	588,989
Other receivables	225,284	23,778	0	249,062
Cash & cash equivalents	223,447	0	0	223,447
Total financial assets	**1,037,720**	**61,814**	**173,936**	**1,273,470**
Liabilities				
Interest-bearing debt				
Bank loans	5,116,062	0	0	5,116,062
Derivatives				
Forward currency contracts	0	0	0	0
Other financial liabilities				
Trade payables	2,056,323	0	0	2,056,323
Total financial liabilities	**7,172,385**	**0**	**0**	**7,172,385**

Financial instruments 31 Dec 2019 (NOK 1,000):	At amortised cost	At fair value through profit & loss	At fair value in OCI	TOTAL
Assets				
Derivatives				
Interest rate swap agreements	0	13,418	0	13,418
Forward currency contracts	0	34,343	0	34,343
Currency derivates built into customer contracts	0	15,652	0	15,652
Financial contracts Fish Pool	0	1,202	0	1,202
Equity instruments				
Unlisted equity instruments	0	472	0	472
Debt instruments				
Trade receivables	739,429	0	0	739,429
Other receivables	255,332	23,950	0	279,283
Cash & cash equivalents	230,990	0	0	230,990
Total financial assets	**1,225,751**	**89,037**	**0**	**1,314,788**
Liabilities				
Interest-bearing debt				
Bank loans	3,133,110	0	0	3,133,110
Derivatives				
Forward currency contracts	0	38,674	0	38,674
Other financial liabilities				
Trade payables	1,305,050	0	0	1,305,050
Total financial liabilities	**4,438,160**	**38,674**	**0**	**4,476,834**

Financial instruments - assessment of fair value

The table below shows financial instruments at fair value according to valuation method. The various levels are defined as follows:

- Level 1 - Price listed in an active market for identical assets or liabilities
- Level 2 - Valuation based on other observable factors either directly (price) or indirectly (deduced from prices) than listed price (used in level 1) for the asset or liability
- Level 3 - Valuation based on factors not derived from observable markets (non-observable assumptions)

The following table presents the Group's assets and liabilities measured at fair value. See Note 3.9 for details of derivatives measured at fair value under Level 2. See also Note 3.6 for details of biological assets measured at fair value under Level 3.

31 Dec 2020 (NOK 1,000)	Level 1	Level 2	Level 3	Total
Assets				
Derivatives				
Forward currency contracts	0	204,893	0	204,893
Financial contracts Fish Pool	0	6,607	0	6,607
Equity instruments				
Unlisted equity instruments	0	0	472	472
Debt instruments				
Other receivables	0	0	23,778	23,778
TOTAL assets	**0**	**211,500**	**24,250**	**235,750**

31 Dec 2019 (NOK 1,000)	Level 1	Level 2	Level 3	Total
Assets				
Derivatives				
Interest rate swap agreements	0	13,418	0	13,418
Currency derivatives built into customer contracts	0	0	15,652	15,652
Forward currency contracts	0	34,343	0	34,343
Financial contracts Fish Pool	0	1,202	0	1,202
Equity instruments				
Unlisted equity instruments	0	0	472	472
Debt instruments				
Other receivables	0	0	23,950	23,950
TOTAL assets	**0**	**48,962**	**40,074**	**89,036**
Liabilities				
Derivatives				
Forward currency contracts	0	38,674	0	38,674
TOTAL liabilities	**0**	**38,674**	**0**	**38,674**

The fair value of debt instruments, interest-bearing debt and other financial liasiblities is practically identical to book value (amortised cost). The Group has "current interest terms", which are deemed to equal the market rate on the reporting date. See Note 3.11 for further details.

NOTE 3.9 Derivatives

Accounting principles

Forward currency contracts

The Group enters into forward currency contracts to reduce the foreign exchange risk relating to future sales revenues deriving from customer contracts denominated in foreign currencies for the physical delivery of salmon. The Group's forward currency contracts fall due for payment between January 2021 and December 2022, and hedge trade receivables and cash flows from all sales contracts entered into in foreign currencies during this period.

Forward currency contracts are recognised at fair value in the balance sheet. The fair value of forward currency contracts is calculated on the basis of the calculated forward rate for the currencies concerned, the term of the contract, agreed currency amount as well as the spot rate on the reporting date. Recognition of gains and losses relating to the forward currency contracts depends on whether they qualify for hedge accounting.

For forward currency contracts that qualify for hedge accounting, the fair value of the effective portion is recognised in OCI. When time differences arise between receipts from sales contracts and the settlement of forward hedges, the currency account replaces the forward hedges as the hedging instrument. Drawdowns on the currency account, when this is deemed to be the hedging instrument, are recognised at the exchange rate in effect on the reporting date and the revaluation effect is recognised in OCI. Gains and losses recognised in OCI and accumulated equity are recycled to profit and loss in the same period as the hedged expected future cash flows affect profit and loss. Inefficiency in hedging factors arises when the hedged volume deviates from the delivered volume. The inefficiency is recognised as a financial item in profit and loss.

The Group complies with the criteria set out in IFRS 9 when assessing whether a forward currency contract meets the requirements for hedge accounting. This means that satisfactory documentation of the matter to be hedged must exist when the hedge is entered into, and there must be a high level of efficiency, in that the hedge reflects the expected cash flow from the underlying sales contract. There must also be a high degree of probability that the future cash flow will materialise and the efficiency of the hedge must be measurable. The efficiency of hedges is monitored continuously.

For forward currency contracts which do not qulaify for hedge accounting, any change in the fair value of the hedge's effective portion is recognised as a change in fair value through profit and loss.

The hedging rate is the spot rate adjusted for a forward increment. The forward increment is the difference between the spot rate and the forward rate, and reflects the difference in the rate of interest between NOK and the currency traded. When several forward hedges are linked to a sales contract, the hedging rate is calculated as the volume-weighted forward rate for the underlying hedges.

Financial contracts Fish Pool

The Group enters into financial contracts on Fish Pool to hedge prices relating to purchase and sales contracts for the physical delivery of salmon. The contracts fall due for settlement within one year. Realised gains or losses on these contracts are recognised in operating profit/loss. The contracts are measured at fair value. Unrealised gains and losses are included in fair value adjustments in profit and loss. The fair value of Fish Pool contracts is calculated on the basis of the contract's agreed settlement price, the market value of the fish on the reporting date, the contract's term and observable market prices for contracts with an equivalent term.

Derivatives	2020		2019	
Recognised at fair value at 31 Dec (1,000 NOK)	Other receivables	Other current liabilities	Other receivables	Other current liabilities
Forward currency contracts	204,893	0	34,343	-38,674
Currency derivatives built into customer contracts	0	0	15,652	0
Cross-currency interest rate swaps	0	0	13,418	0
Financial contracts Fish Pool	6,607	0	1,202	0
Total	**211,500**	**0**	**64,614**	**-38,674**

The market value of Fish Pool contracts is settled daily through drawdowns on the bank account included in the Group's drawing facility. The book value of the Fish Pool contracts in the table above is a periodisation of the market value not transferred to the bank account on the reporting date.

Forward currency contracts

Forward currency contracts with changes in value through profit and loss (NOK 1,000):	2021 Currency amount (1,000)	2021 Average volume-weighted hedging rate	2022 Currency amount (1,000)	2022 Average volume-weighted hedging rate	Book value
Forward Sale CAD	25,600	6.97	0	0	6,683
Forward Sale EUR	10,235	10.63	0	0	2,627
Forward Sale GBP	95	11.66	0	0	-0
Forward Sale JPY	743,308	0.084	0	0	1,646
Forward Sale SEK	2,810	1.05	0	0	11
Forward Sale USD	90,838	9.13	2,250	9.14	19,991
Total 31 Dec 2020					30,957
Forward currency contracts with changes in value through OCI (NOK 1,000):					
Forward Sale EUR	45,749	11.26	0	0	32,888
Forward Sale JPY	1,022,872	0.088	87,502	0.086	5,766
Forward Sale USD	77,423	9.60	32,460	9.05	135,282
Total as at 31 Dec 2020					173,936
Total market value 31 Dec 2020					**204,893**

Forward currency contracts with changes in value through profit and loss (NOK 1,000):	2020 Currency amount (1,000)	2020 Average volume-weighted hedging rate	2021 Currency amount (1,000)	2021 Average volume-weighted hedging rate	2022 Currency amount (1,000)	2022 Average volume-weighted hedging rate	Book value
Forward Sale CAD	1,000	6.49	0	0	0	0	-287
Forward Sale EUR	63,614	10.12	0	0	0	0	13,350
Forward Sale GBP	512	11.10	0	0	0	0	-260
Forward Sale JPY	2,423,248	0.082	188,603	0.086	0	0	2,147
Forward Sale USD	181,773	8.58	32,406	9.05	32,193	9.06	-19,282
Total market value 31 Dec 2019							**-4,331**

Specification of cash flow hedging through OCI:	Cash flow hedging at 1 Jan	Cash flow hedging at 31 Dec	Change in value of drawdowns on currency account	Change in fair value through OCI
2020	0	173,936	519	174,455

		2021		2022		
Financial contracts Fish Pool (1,000 NOK)	Type	Volume (1,000)	Average volume-weighted price per kg	Volume (1,000)	Average volume-weighted price per kg	Market value
Fish Pool contracts	Purchase	7,950	59.8	0	0	-46,958
Fish Pool contracts	Sale	10,291	58.1	240	58.4	39,190
Total market value 31 Dec 2020						-7,768

		2020		
1,000 NOK	Type	Volume (1,000)	Average volume-weighted price per kg	Market value
Fish Pool contracts	Purchase	4,800	60.9	792
Total market value 31 Dec 2019				792

In 2020, hedge accounting was established for a material portion of the Group's sales contracts with customers. Changes in the value of the derivatives up until the date of establishment were recognised through profit and loss. The hedging rate for existing contracts was re-established at the daily rate in effect on the date of transition. Changes in value after the implementation of hedge accounting were recognised through OCI. The fair value of the derivatives on the date hedge accounting was established was NOK 76.1 million.

In 2020, NOK 108.4 million was reclassified from the cash flow hedging reserve to profit and loss as a reclassification adjustment.

For forward currency contracts which qualify for hedge accounting, an inefficiency of NOK -1.3 million has been recognised in 2020. The effect is classified as a financial expense in profit and loss.

In 2020, there was a net realised loss on Fish Pool contracts of NOK 40.2 million. This figure is included in operating profit/loss. Unrealised changes in the value of Fish Pool contracts in 2020 came to a net loss of NOK 8.6 million, which is classified as a fair value adjustment in profit and loss. In 2019, the corresponding realised loss of NOK 6.8 million was recognised through profit and loss, while an unrealised loss of NOK 0.3 million was recognised as a fair value adjustment in profit and loss.

Cross-currency interest swaps

In 2018, the Group entered into a cross-currency interest rate swap agreement, under which the Group received EUR 43.0 million against a drawdown of USD 49.8 million. The agreement had a term of two years. The agreement is recognised at fair value on the reporting date. As at 31 December 2019, the agreement had a fair value of NOK 13.4 million. The agreement was settled in 2020.

Derivatives built into sales contracts

In 2019, a sales contract was entered into which, on behalf of the customer, hedged the sale of USD against the NOK by means of forward currency contracts. As at 31 December 2019, the forward currency contracts amounted to a combined total of USD 69 million and had a market value of NOK -15.7 million. For accounting purposes, the forward currency contracts are treated as a built-in derivative, where the receivable from the customer is identical to the market value of the derivative. Recognition of the derivative therefore has no effect on profit and loss. The market value of the derivative is recognised in the balance sheet items 'Other receivables' and 'Other current liabilities'. The contract expired in 2020.

NOTE 3.10 Cash & cash equivalents

(NOK 1,000)	31.12.2020	31.12.2019
Cash & cash equivalents, unrestricted funds	79,909	143,218
Cash & cash equivalents, restricted funds	143,538	87,772
Total	223,447	230,990

A total of NOK 101.9 million (2019: NOK 85.8 million) in restricted tax withholdings is included in the item cash & cash equivalents. This item also includes restricted funds relating to security pledges with respect to Nasdaq, which derive from the Group's trading in salmon derivatives on Fish Pool. As at 31 December 2020, such security pledges amounted to NOK 41.7 million (2019: NOK 1.9 million).

NOTE 3.11 Interest-bearing debt

Long-term interest-bearing debt (NOK 1,000)	2020	2019
Debt to credit institutions	3,999,980	2,901,563
Next year's instalment on long-term debt	-322,353	-149,992
Total long-term interest-bearing debt 31 Dec	3,677,627	2,751,570
Leasing liabilities	933,695	629,604
Next year's instalment on leasing liabilities	-164,567	-140,733
Long-term leasing liabilities 31 Dec	769,128	488,871
Total long-term interest-bearing debt 31 Dec	4,446,755	3,240,442

Short-term interest-bearing debt	2020	2019
Debt to credit institutions	1,116,082	231,547
Next year's instalment on debt to credit institutions	322,353	149,992
Total debt to credit institutions	1,438,435	381,539
Next year's instalment on leasing liabilities	164,567	140,733
Total short-term interest-bearing debt 31 Dec	1,603,002	522,272
Total interest-bearing debt	**6,049,757**	**3,762,714**
Cash & cash equivalents	223,447	230,990
Leasing liabilities	933,695	629,604
Net interest-bearing debt	**4,892,615**	**2,902,120**

The book value of long-term debt is practically the same as its fair value. Next year's instalments on bank loans and leasing agreements are classified as current liabilities in the balance sheet. See Note 4.1 for details of the maturity profile of the Group's liabilities.

	NOK	EUR	JPY	USD	GBP	Other	Total
Long-term debt to credit institution	3,999,980						3,999,980
Leasing liabilities	913,786	19,909					933,695
Short-term debt to credit institutions	736,745	458,418	-20,283	-26,661	-31,952	-186	1,116,082
Total interest-bearing debt	5,650,512	478,327	-20,283	-26,661	-31,952	-186	6,049,757
Cash & cash equivalents	182,568	0	11,336	8,732	60	20,751	223,447
Leasing liabilities	913,773	12,472				7,451	933,695
Net interest-bearing debt	4,554,171	465,855	-31,619	-35,393	-32,012	-28,388	4,892,615

Financing activities - changes in liability 31 Dec 2020:	31.12.2019	Cash flow from financing activities	Non-cash generating effects: Acquisitions	Currency effects	Change in next year's instalments on long-term debt	Other effects	31.12.2020
Long-term debt to credit institutions	2,751,570	1,063,835	0	34,584	-172,361	0	3,677,627
Short-term debt to credit institutions	381,539	837,761	0	46,774	172,361	0	1,438,435
Total debt to credit institutions	3,133,108	1,901,595	0	81,357	0	0	5,116,062
Long and short-term leasing liabilities	629,604	-184,285	0	23	0	488,353	933,695
Total interest-bearing debt	3,762,714	1,717,310	0	81,379	0	488,353	6,049,757

Financing activities - changes in liability 31 Dec 2019:	31.12.2018	Cash flow from financing activities	Non-cash generating effects: Implementation of IFRS 16	Acquisitions	Currency effects	Change in next year's instalments on long-term debt	Other effects	31.12.2019
Long-term debt to credit institutions	689,927	1,280,563	0	301,589	8,384	471,107	0	2,751,570
Short-term debt to credit institutions	748,188	53,669	0	64,396	997	-485,711	0	381,539
Total debt to credit institutions	1,438,114	1,334,232	0	365,986	9,380	-14,604	0	3,133,108
Long and short-term leasing liabilities	328,788	-160,738	384,553	31,745	0	14,604	30,653	629,604
Total interest-bearing debt	1,766,902	1,173,494	384,553	397,730	9,380	0	30,653	3,762,714

Interest-bearing debt in more detail

In 2019, SalMar renewed its instalment loan agreement. The loan comprises two tranches of NOK 500 million each: a commercial tranche, where the banks assume the credit risk; and an export credit agency (ECA) tranche, where the banks lend the money but are fully guaranteed by GIEK. Both tranches have an 8.5-year instalment profile and a term of 3+1+1 years. In addition, the Group has an investment and acquisition facility in the amount of NOK 2 billion and a revolving credit facility amounting to NOK 1.5 billion. These facilities were renewed in February 2018 for a term of 3+1+1 years. In June 2020, these two facilities were temporarily merged into an RCF. The change is scheduled to last for 12 months, up until June 2021. The faciltiies are currently due to mature in February 2022, with an option to extend to 2023. As at 31 December 2020, NOK 2,640 million had been drawn down on the revolving credit facility.

The Group also has a multicurrency group account scheme, with a credit ceiling of NOK 500 million as well as an agreed overdraft facility capped at an annually renewable NOK 500 million. In June 2020, the overdraft facilitiy was temporarily increased by a further 800 million. This temporary change is scheduled to last for 12 months, until June 2021. Interest terms are so-called "current terms". As at 31 December 2020, the Group had a net drawdown of NOK 1,046.1 million on this arrangement. Deposits and drawdowns in various currencies relating to the group account scheme are recognised net in the Group's financial statements. These facilities cover the Group's Norwegian companies with the exception of Vikenco AS.

For a description of a new financing agreement entered into by SalMar ASA with effect from 24 February 2021, see Note 4.9.

Vikenco AS has an overdraft facility in the amount of NOK 50 million. In addition, a construction loan capped at NOK 280 million has been taken out. The construction loan is divided in two: NOK 200 million relates to buildings and NOK 80 million to equipment. As at 31 December 2020, NOK 218.4 million had been drawn down on these credit facilities.

The Group's Icelandic operation has its own financing arragements, comprising an instalment loan in the amount of EUR 20.0 million, a revolving credit facility in the amount of EUR 35 million and an overdraft capped at EUR 5 million. The loan agreement has a term of 3 years from December 2018. The revolving credit facility is restricted to a borrowing base composed of specific assets. As at 31 December 2020, the borrowing base was valued at EUR 30.9 million. No drawdowns on this facility had been made as at 31 December 2020. The overdraft was drawn down by EUR 2.8 million at the close of 2020. The instalment loan is repaid quarterly by a factor of 1/40. The loan agreement runs until December 2021. Because the loan matures in less than 12 months time, it was reclassified as a short-term debt to credit institutions as at 31 December 2020.

Financial covenants

The most important financial covenants for the long-term financing of SalMar ASA are, respectively, a solvency requirement, which stipulates that the Group's recognised equity ratio shall exceed 35%, and a profitability requirement, which stipulates that the Group's interest coverage rate (EBITDA/net financial expenses) shall not fall below 4.0. The Group was in compliance with these covenants as at 31 December 2020. See also Note 4.9 "Events after the reporting date" for details of changes to covenant requirements in connection with SalMar's new financing agreement.

Correspondingly, the Group's Icelandic segment has a solvency requirement, which stipulates that the company's recognised equity ratio shall exceed 35 per cent, and a profitability requirement which stipulates that its interest coverage rate shall not fall below 3.5. In addition, the company's NIBD/12-month rolling EBITDA shall not exceed 4.0. As at 31 December 2020, a waiver had been obtained with respect to the covenant concerning the interest coverage rate. A waiver concerning the covenant relating to NIDB/EBITDA was granted after 31 December 2020. Icelandic Salmon's long-term financing matures in December 2021, as a consequence of which the liability has already be reclassified to short-term debt.

Financing of trade payables

The Group has entered into an agreement with the company's feed suppliers to extend the credit given on feed orders. The feed suppliers have agreed the discounting of the trade payable with the Group's bank. The liability springs from supply agreements containing provisions for variable credit times, and the terms obtained from the bank are not materially different from the terms which could have been obtained from the feed suppliers. As a result, the liability is classified as a trade payable, and the change is included under operating activities in the statement of cash flows. As at 31 December 2020, the Group owed its bank NOK 1,074.1 million in connection with this type of financing. The corresponding figure as at 31 December 2019 was NOK 695.3 million.

Buyout of trade receivables

SalMar has entered into an agreement with a financial institution for the buyout of trade receivables that meet certain predefined criteria. See Note 3.7 for further details of this arrangement.

Leasing liabilities

See Note 3.4 for further details of the Group's capitalised leasing liabilities.

NOTE 3.12 Liens and guarantees

Recognised liabilities secured by liens, etc (NOK 1,000):	2020	2019
Short-term debt to credit institutions	1,438,435	381,539
Long-term debt to credit institutions	3,677,627	2,751,570
Leasing and other non-current liabilities	933,695	629,604
Total interest-bearing debt	**6,049,757**	**3,762,714**

Book value of assets pledged with respect to secured liabilties (NOK 1,000):	2020	2019
Licences, PP&E and right-to-use assets	12,574,978	9,067,423
Inventory and biological assets	6,669,789	6,189,538
Trade receivables	588,989	739,429
Total book value of pledged assets	**19,833,756**	**15,996,390**

The Group had not issued guarantees with respect to third parties as at 31 December 2020.

NOTE 3.13 Current liabilities

Accounting principles

Fixed-price contracts

Sales contracts whose agreed fixed price is lower than the market price on the reporting date are recognised as a liability in the financial statements. The liability recognised is the difference between the price underpinning the calculation of the biomass's fair value less sales costs and the agreed contract price. Changes in the liability are recognised in profit and loss on the line for fair value adjustments.

Provisions

A provision is recognised when, and only when, the company has a constructive obligation (legal or self-imposed) deriving from an event which has occurred, and it is probable (more likely than not) that a financial settlement will take place as a result of that liability, and the amount in question may be reliably quantified Provisions are reviewed on each reporting date, and the level reflects a best estimate of the liability concerned.

Other current liabilities comprise (NOK 1,000):	31.12.2020	31.12.2019
Accrued holiday pay	112,579	100,930
Derivatives	0	38,674
Provisions for loss-making sales contracts	22,070	6,040
Provisions for future clean-up operations	119,336	115,696
Other accrued costs and provisions	174,445	351,918
TOTAL other current liabilities	**428,430**	**613,258**

NOTE 4.1 Financial risk management

Financial risk

Through its activities, the Group is exposed to various kinds of financial risk: market risk, credit risk and liquidity risk. The company's management assesses these risks on an ongoing basis and draws up guidelines for dealing with them. The Group makes use of financial derivatives to hedge against certain risks. The Board of Directors has defined a financial risk appetite that sets overarching limits.

The Group has drawing facilities on a syndicate of banks, which ensure it has sufficient flexibility both operationally and with resepct to the financing of investments in SalMar's operations. In addition, the company has financial instruments, such as trade receivables, trade payables, etc, which are directly related to day-to-day business operations. Forward currency contracts are used for hedging purposes.

The company does not use financial instruments, including financial derivatives, for the pupose of speculation.

Market risk

Interest rate risk

Since the Group has no material interest-bearing assets, its profit/loss and cash flow from operating activities are largely independent of changes in market rates.

The Group's interest rate risk derives from long-term borrowings. Borrowing at floating interest rates represents an interest rate risk for the Group's cash flow, which is partly reduced by the opposite effect on cash equivalents which earn floating interest. Fixed-rate loans expose the Group to fair value interest rate risk. The borrowing portfolio is currently at floating interest rates, which means that the Group is affected by changes in interest rates. Loans are capitalised at amortised cost.

Given the financial instruments in effect on 31 December 2020, a 0.5 per cent rise in the rate of interest would reduce the Group's profit by NOK 30.2 million (2019: NOK 18.8 million), all other variables remaining constant. See Note 3.11 for more information regarding interest-bearing debt.

Foreign exchange risk

The Group operates internationally, and is exposed to foreign exchange risk in several currencies. This risk is particularly relevant with respect to the USD, EUR, GBP and JPY. Foreign exchange risk arises from future trading transactions, capitalised assets and liabilities, and net investments in foreign business operations.

The foreign exchange risk associated with revenues and assets denominated in foreign currencies is partly hedged through the use of forward contracts and currency accounts. The use of forward currency contracts is described in Note 3.9.

Given the financial instruments in effect on 31 December 2020, a 10 per cent fall in the value of the NOK would increase the Group's profit before tax by NOK 284.8 million (2019: NOK 232.3 million). The Group's most important currencies are the USD, EUR, and JPY.

A 10 per cent reduction in the exchange rate for each of these currencies as at 31 December would have had the following effect on the Group's profit before tax:

(NOK 1,000)	31.12.2020	31.12.2019
EUR	16,644	97,247
JPY	-7,712	18,187
GBP	-2,453	-1,216
USD	-33,880	125,032

Credit risk

The risk that counterparties do not have the financial strength to meet their obligations is considered low. The Group's policy is to credit insure material trade receivables, and losses due to bad debts have historically been low. The Group has guidelines to ensure that sales are made only to customers that have not previously had material payment problems, and that outstanding balances do not exceed fixed credit limits. Credit risk relating to the Group's cash holding is deemed low.

Gross credit risk on the reporting date equals the Group's total receivables on the same date. See Note 3.7.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Cash flow forecasts are drawn up on a regular basis and the Finance Dept monitors rolling forecasts for the Group's liquidity requirements to ensure that the Group has sufficient cash equivalents to meet operational liabilities, as well as at all times having adequate flexibility in the form of unused credit facilities (see Statement of Cash Flows), such that the Group does not infringe borrowing limits or specific borrowing conditions. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirements in the short term. See Note 3.11 for details of the Group's available credit facilities.

The table below details the Group's non-derivative financial liabilities classified by maturity structure. The figures presented in the table are undiscounted contractual cash flows.

Maturity structure for financial liabilities as at 31 Dec 2020

Maturity	Total	2021	2022	2023	2024	2025	After 2025
Long-term debt	3,999,980	522,208	135,197	135,197	3,128,138	17,550	61,691
Interest on long-term debt	182,320	60,984	49,085	47,139	23,653	1,014	444
Leasing liabilities	933,695	167,160	133,318	106,289	83,424	81,123	362,380
Interest on leasing liabilities	422,853	53,055	50,195	47,253	44,235	42,359	185,755
Short-term credit facilities	1,116,082	1,116,082	0	0	0	0	0
Interest on short-term debt	5,525	5,525	0	0	0	0	0
Trade payables	2,056,323	2,056,323	0	0	0	0	0
Total liabilities	8,716,778	3,981,337	367,796	335,878	3,279,451	142,046	610,271

Maturity structure for financial liabilities as at 31 Dec 2019

Maturity	Total	2020	2021	2022	2023	2024	After 2024
Long-term debt	2,901,563	149,992	573,396	135,197	1,475,197	488,138	79,643
Interest on long-term debt	257,726	82,648	70,410	58,450	36,151	8,965	1,103
Leasing liabilities	629,604	140,733	93,540	62,858	36,787	17,799	277,887
Interest on leasing liabilities	417,622	49,102	44,899	41,841	39,549	37,801	204,430
Short-term credit facilities	231,547	231,547	0	0	0	0	0
Interest on short-term debt	2,709	2,709	0	0	0	0	0
Trade payables	1,305,050	1,305,050	0	0	0	0	0
Total liabilities	5,745,821	1,961,781	782,245	298,346	1,587,684	552,703	563,063

Maturity

The Group's trade payables are normally at net 30 payment terms, except for payables related to the purchase of feed , which has a longer credit time.

For a description of the maturity structure for the Group's long-term debt, see Note 3.11. See also Note 4.10 "Events after the reporting date" for a description of SalMar's new borrowing agreement.

Capital structure and equity

The objective of the Group's capital management is to safeguard the Group's continued operations in order to secure a return on investment for shareholders and other stakeholders, and maintain an optimal capital structure for reducing capital costs. By ensuring a good debt-to-equity ratio the Group will support its business operations, and thereby maximise the value of the Group's shares.

The Group manages and makes changes to its capital structure in response to an ongoing assessment of the financial conditions under which the business operates, and its short and medium-term outlook, including any adjustment in dividend payouts, buyback of treasury shares, capital reduction or issue of new shares. No changes were made in the guidelines covering this area in 2020.

The company monitors its capital management on the basis of the covenants stipulated. These are based on equity ratio and the ratio of net interest-bearing debt to EBITDA. See Note 3.11 for further details.

As at 31 December 2020, the Group had an equity ratio of 49.9 per cent (31 December 2019: 54.2 per cent). At the close of 2020, the Group's net interest-bearing debt stood at NOK 4,892.6 million (2019: NOK 2,902.1 million) See Note 3.11 for further details of the Group's net interest-bearing debt.

NOTE 4.2 Share capital and shareholders

As at 31 December 2020, the parent company's share capital comprised:

NOK 1,000	No.	Face value	Book value
Ordinary shares	113,299,999	0.25	28,325,000

There were no changes in share capital during the year. As at 31 December 2020, SalMar ASA owned 232,071 treasury shares.

Shareholders

As at 31 December 2020, the company's 20 largest shareholders were:	No.	Shareholding	Voting share
Kverva Industrier AS	59,436,137	52.46%	52.57%
Folketrygdfondet	7,274,679	6.42%	6.43%
State Street Bank and Trust Comp	2,597,378	2.29%	2.30%
State Street Bank and Trust Comp	2,100,516	1.85%	1.86%
BNP PARIBAS SECURITIES SERVICES	1,565,383	1.38%	1.38%
LIN AS	1,274,620	1.12%	1.13%
CACEIS Bank	1,110,813	0.98%	0.98%
CACEIS Bank	1,095,276	0.97%	0.97%
CLEARSTREAM BANKING S.A.	1,054,476	0.93%	0.93%
JPMorgan Chase Bank, N.A., London	955,441	0.84%	0.85%
JPMorgan Chase Bank, N.A., London	914,653	0.81%	0.81%
The Bank of New York Mellon	842,542	0.74%	0.75%
Brown Brothers Harriman (Lux.) SCA	837,005	0.74%	0.74%
SIX SIS AG	661,037	0.58%	0.58%
Pictet & Cie (Europe) S.A.	613,671	0.54%	0.54%
VERDIPAPIRFONDET KLP AKSJENORGE IN	585,412	0.52%	0.52%
State Street Bank and Trust Comp	568,054	0.50%	0.50%
VPF DNB AM NORSKE AKSJER	563,132	0.50%	0.50%
VERDIPAPIRFONDET ALFRED BERG GAMBA	546,802	0.48%	0.48%
Euroclear Bank S.A./N.V.	508,703	0.45%	0.45%
Total 20 largest shareholders	**85,105,730**	**75.12%**	**75.27%**
Total other shareholders	28,194,269	24.88%	24.73%
Total no. of shares	**113,299,999**	**100.00%**	**100.00%**

Shares owned by members of the Board and senior executives:

Name		No. of shares	Shareholding
Leif Inge Nordhammer [1]	Board member	[1]	
Gustav Witzøe [2]	CEO	[2]	
Ulrik Steinvik [3]	Director Business Improvement	137,184	0.12%
Trine Sæther Romuld	CFO & COO	4,219	0.00%
Frode Arntsen	COO Industry & Sales	3,380	0.00%
Roger Bekken	COO Farming	14,245	0.01%

Board authorisations

The Board has been authorised to raise the share capital by a maximum of NOK 2,832,000, through the issue of up to 11,328,000 shares. The authorisation is valid until the 2021 AGM or 30 June 2021 at the latest.

The Board has also been authorised to acquire treasury shares with a face value of NOK 1,288,600, a total of 5,154,360 shares. The authorisation is valid until the 2021 AGM or 30 June 2021 at the latest.

The Board has also been authorised to issue convertible loans to enable the company to use such financial instruments as part of its overall short-term financing. The Board's authorisation applies to a total loan amount of NOK 2 billion. The capital increase resulting from conversion may not exceed NOK 2,832,000. The authorisation must be seen in conjunction with the authorisation to increase share capital, such that the total increase in capital for both authorisations combined may not exceed 10 per cent of share capital. The authorisation permits existing shareholders' preference rights to be waived.

The Board's authorisation is valid until the 2021 AGM, or 30 June 2021 at the latest.

Dividend

The Board is proposing payment of a dividend of NOK 20 per share, totalling NOK 2,261.4 million, as at 31 December 2020. No dividend is paid on the company's treasury shares.

For the 2019 financial year, a dividend of NOK 13 per share, totalling NOK 1,469.9 million, was paid out by SalMar ASA. The dividend for the 2019 financial year was approved at an EGM held on 4 December 2020. In addition, a total of NOK 23.1 million in dividends was paid to non-controlling interests in 2020. See Note 4.6 for further details.

1 Owns, directly and indirectly, 1.64 per cent of the shares in SalMar ASA. Leif Inge Nordhammer owns 99.1 per cent of the shares in LIN AS. LIN AS directly owns 1.12 per cent of the shares in SalMar ASA. In addition, LIN AS owns 0.52 per cent of the shares in the company though a 1 per cent shareholding in Kverva AS, which, through Kverva Industrier AS, owns 52.46 per cent of the shares in SalMar ASA and has a corresponding 52.57 per cent voting share.
2 Owns shares indirectly through Kvarv AS, the parent company in the Kverva Group. Kvarv AS owns 93.02 per cent of the shares in Kverva AS, which owns 100 per cent of the shares in Kverva Industrier AS. Kverva Industrier AS owns 52.46 per cent of the shares in SalMar ASA and a voting share of 52.57 per cent. Gustav Witzøe has a voting share of 80 per cent and has a 1 per cent shareholding in Kvarv AS through his ownership of A-shares in the company.
3 Owns 18,349 shares directly and indirectly through personal related parties. Also owns 100 per cent of the shares in Nordpilan AS. Nordpilan AS owns 0.2 per cent of the shares in Kverva AS, which 100 owns per cent of the shares in Kverva Industrier AS. Kverva Industrier AS owns 52.46 per cent of the shares in SalMar ASA and has a corresponding 52.57 per cent voting share.

NOTE 4.3 Earnings per share

NOK 1,000	2020	2019
Year's profit allocated to SalMar ASA's shareholders	1,979,018	2,488,035
No. of shares outstanding 1 Jan	112,922,858	112,738,996
Effect of treasury shares awarded to employees (see Note 2.4)	145,070	183,862
Average no. of shares outstanding through the year	112,947,036	112,769,640
Diluting effect of RSU entitlements awarded	216,665	152,271
Average no. of diluted shares outstanding through the year	113,163,701	112,921,911
Earnings per share		
Basic	17.52	22.06
Diluted	17.49	22.03

NOTE 4.4 Group companies

The consolidated financial statements for 2020 encompass the following subsidiaries:

Company	Owner	Country	Registered office	Shareholding 31.12.2019	Shareholding 31.12.2020
SalMar Settefisk AS	SalMar ASA	Norway	Kverva	100.00%	100.00%
Straumsnes Settefisk AS	SalMar Settefisk AS	Norway	Kverva	100.00%	100.00%
Rauma Sætre AS	SalMar Settefisk AS	Norway	Ørskog	100.00%	100.00%
Rauma Eik AS	SalMar Settefisk AS	Norway	Ørskog	100.00%	100.00%
SalMar Smolt AS	SalMar Settefisk AS	Norway	Kverva	100.00%	100.00%
SalMar Farming AS	SalMar ASA	Norway	Kverva	100.00%	100.00%
SalMar Ocean AS	SalMar ASA	Norway	Kverva	100.00%	100.00%
Hitramat Farming AS	SalMar ASA	Norway	Kverva	51.00%	51.00%
Mariculture AS	SalMar ASA	Norway	Kverva	51.00%	51.00%
Ocean Farming AS	SalMar ASA	Norway	Kverva	100.00%	100.00%
SalMar AS	SalMar ASA	Norway	Kverva	100.00%	100.00%
Vikenco AS	SalMar AS	Norway	Aukra	51.00%	51.00%
SalMar Japan KK	SalMar AS	Japan	Japan	100.00%	100.00%
SalMar Singapore PTE Ltd. [1]	SalMar AS	Singapore	Singapore		100.00%
SalMar-Tunet AS	SalMar ASA	Norway	Kverva	100.00%	100.00%
Icelandic Salmon AS [2]	SalMar ASA	Norway	Kverva	59.36%	51.02%
Arnarlax Ehf	Icelandic Salmon AS	Iceland	Bildudalur	59.40%	51.02%
Bæjarvik Ehf [3]	Arnarlax Ehf	Iceland	Bildudalur	59.40%	
Fjardarlax Ehf [3]	Arnarlax Ehf	Iceland	Bildudalur	59.40%	
Icelandic Salmon Ehf	Arnarlax Ehf	Iceland	Bildudalur	59.40%	51.02%

1 The company was established on 1 January 2020
2 The company has changed its name from Arnarlax AS to Icelandic Salmon AS. See Note 4.6 for further details.
3 The companies merged with Arnarlax Ehf with effect from 1 January 2020

NOTE 4.5 Business combinations

Business acquisitions in 2020

Vikenco Eiendom AS

On 1 January 2020, the Group agreed the purchaes of 100 per cent of the shares in Vikenco Eiendom AS. For accounting purposes, the transaction has been treated as a business transfer. No material transactions costs have been incurred in connection with the acquisition. A consideration nof NOK 14.0 million was paid for the company. Vikenco Eiendom AS was merged into Vikenco AS with effect from 1 January 2020.

The acquisition's effect on the balance sheet (NOK 1,000):	Book value	Adjustment to fair value	Fair value
Property, plant & equipment	1,435	16,018	17,453
Cash & cash equivalents	71	0	71
Deferred tax assets/liabilities	183	-3,524	-3,341
Current liabilities	-183	0	-183
Net identifiable assets and liabilities	**1,506**	**12,494**	**14,000**
Goodwill			-
Cash consideration			14,000

Acquisitions in 2019

Icelandic Salmon AS (formerly Arnarlax AS)

On 14 February 2019, the Group acquired 3,268,670 shares in Arnarlax AS (now Icelandic Salmon), corresponding to 12.28 per cent of the company's shares. Prior to this transaction, SalMar owned 41.95 per cent of the company's shares and had a significant influence over it. The investment was classified as an associate in accordance with the equity method until the date on which control was achieved. On that date, the entire investment in Icelandic Salmon was deemed to have been realised and a new cost price established. The investment's fair value when control was achieved totalled NOK 614.0 million, and a gain of NOK 225.9 million was recognised in the period. NOK 4.4 million of this amount derives from translation differences which were reclassified to profit and loss in the period. The gain is classified as financial income in profit and loss.

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

Icelandic Salmon AS owns 100 per cent of the shares in Arnarlax EHF. Arnarlax EHF is Iceland's largest salmon farmer, and is located in the country's Westfjords region. The company was established in Iceland in 2009, and harvested its first fish in 2016. It is a fully integrated salmon farming operation, with its own hatchery, sea farms, wellboat, harvesting plant and sales force. Strategically, the transaction represents a natural next step for SalMar, since the Group wishes to further develop Icelandic Salmon and salmon farming in Iceland going forward. SalMar paid NOK 179.8 million for the shares, corresponding to NOK 55.00 per share. Allocation of the consideration paid is presented in the table below and must be deemed to be final.

(NOK 1,000)	No. of shares	Shareholding	Cost price of shares at group establishment
Fair value of existing shareholding in Icelandic Salmon before control achieved	11,163,611	41.95%	613,999
Cash consideration paid for shares at transaction of 14 Feb 2019	3,268,670	12.28%	179,777
Fair value of the Group's shareholding in Icelandic Salmon when control achieved	14,432,281	54.23%	793,775

Transaction costs totalling NOK 2.4 million have accrued in connection with the acquisition. The transaction costs are recognised in profit and loss in the year of acquisition.

The acquisition's effect on the balance sheet (NOK 1,000):	Book value	Adjustment to fair value	Fair value
Licences	221,267	1,046,231	1,267,498
Property, plant & equipment	331,946	-20,147	311,799
Right-to-use assets	31,745	-	31,745
Other non-current assets	20,491	-	20,491
Biological assets	525,279	-88,922	436,357
Other current assets	53,707	-632	53,075
Cash & cash equivalents	4,594	-	4,594
Deferred tax assets/liabilities	24,869	-215,389	-190,520
Other non-current liabilities	-301,589	-	-301,589
Leasing liabilities	-31,745	-	-31,745
Current liabilities	-137,932	-	-137,932
Net identifiable assets and liabilities	**742,631**	**721,141**	**1,463,772**
Fair value of shareholding before control acheived			-613,999
Non-controlling interests			-669,997
Cash consideration			**179,777**

Subsequent changes in non-controlling interests

In accordance with a shareholders' agreement, the acquisition triggered a compulsory offer to the remaining non-controlling shareholders in Icelandic Salmon AS. The shareholders were offered a price per share of NOK 55.78. The offer period expired on 10 April 2019, at which time SalMar acquired a further 2,006,630 shares in Icelandic Salmon AS, corresponding to 7.54 per cent of the shares. Following this transaction, SalMar owned 61.77 per cent of the shares in Icelandic Salmon AS. The non-controlling interests were thereby reduced and a consideration of NOK 111.9 million was recognised in equity.

In August 2019, SalMar sold 2.41 per cent of its shares in Icelandic Salmon AS to Gyda EHF for NOK 55.78 per share. The transaction resulted in an increase in non-controlling interests, and a total consideration of NOK 35.7 million has been recognised in equity. The consideration was settled in the form of a seller's credit to Gyda EHF (see Note 3.7 for further details). The company is owned by Kjartan Olafsson who chairs Icelandic Salmon AS's Board of Directors. Following the transaction, SalMar owns 59.36 per cent of the shares in Icelandic Salmon AS.

NOTE 4.6 Non-controlling interests

Non-controlling interests relating to subsidiaries

31 Dec 2020	Non-controlling interests' voting share/ shareholding	Non-controlling interests' accumulated share of equity 1 Jan	Share of profit allocated to non-controlling interests	OCI allocated to non-controlling interests	Equity transactions allocated to non-controlling interests	Other changes in non-controlling interests	Non-controlling interests' accumulated share of equity 31 Dec
Hitramat Farming AS	49.00%	39,300	10,294	0	-10,878	0	38,715
Vikenco AS	49.00%	76,866	29,393	0	-12,250	0	94,009
Mariculture AS	49.00%	2,042	0	0	931	0	2,972
Icelandic Salmon AS	48.98%	614,183	-10,415	26,962	479,024	-109,564	1,000,190
		732,391	29,272	26,962	456,827	-109,564	1,135,886

Icelandic Salmon AS

In October 2020, 4,347,826 new shares, priced at NOK 115 per share, were issued in Icelandic Salmon AS. The share issue raised net proceeds of NOK 500 million. Costs relating to the transaction have been recognised as a reduction in equity amounting to NOK 21 million. Through the transaction SalMar reduced its shareholding in the company from 59.36 per cent to 51.02 per cent. For accounting purposes, the reduction has been recognised as a change in non-controlling interests, with the NOK 109.8 million effect posted directly to equity in the period.

31 Dec 2019	Non-controlling interests' voting share/ shareholding	Non-controlling interests' accumulated share of equity 1 Jan	Share of profit allocated to non-controlling interests	OCI allocated to non-controlling interests	Equity transactions allocated to non-controlling interests	Other changes in non-controlling interests	Non-controlling interests' accumulated share of equity 31 Dec
Hitramat Farming AS	49.00%	40,326	10,881	0	-11,907	0	39,300
Vikenco AS	49.00%	49,463	39,653	0	-12,250	0	76,866
Mariculture AS	49.00%	1,940	-663	0	765	0	2,042
Icelandic Salmon AS	40.64%	0	6,581	13,499	-765	594,868	614,183
		91,729	56,452	13,499	-24,157	594,868	732,391

Icelandic Salmon AS

See Note 4.5 "Business combinations" for further details of non-controlling interests in Icelandic Salmon AS with effect from 2019.

Ocean Farming AS

In December 2019, SalMar ASA purchased 3.7 per cent of the shares held by non-controlling interestes in Ocean Farming AS. Following this transaction, SalMar ASA owns 100 per cent of the shares in Ocean Farming AS. A consideration of NOK 7.0 million was paid for the shareholding, which has been recognised in the Group's equity.

Subsidiaries with material non-controlling interests:

The Group considers non-controlling interests in Icelandic Salmon AS to be material. Further details relating to Icelandic Salmon AS are disclosed below. The figures for 2019 are for the period 1 February 2019 to 31 December 2019. See Note 4.5 "Business combinations" for further details.

Icelandic Salmon AS (NOK 1,000)	2020	2019
Income statement		
Operating revenues	662,337	627,093
Net profit/loss	-20,740	-100,327
OCI	73,029	33,128
Total OCI	52,288	-67,199
Total OCI allocated to non-controlling interests	16,547	20,080
Dividend paid to non-controlling interests	0	0
Statement of financial position as at 31 Dec		
Non-current assets	789,108	709,161
Current assets	725,394	569,455
Equity	1,136,154	657,703
Non-current liabilities	15,188	440,178
Current liabilities	363,160	180,735
Recognised excess value of licences - net after tax	906,068	853,583
Share of equity allocated to shareholders of SalMar ASA	1,042,031	897,103
Share of equity allocated to non-controlling interests	1,000,190	614,183
Cash flows		
From operating activities	-12,202	43,123
From investing activities	-112,409	-139,208
From financing activities	138,559	108,373
Net increase/decrease in cash & cash equivalents	**13,948**	**12,288**

Included in the Total OCI allocated to non-controlling interests in 2019 is NOK 47.4 million relating to minority interests' share of excess value and value shortfalls.

NOTE 4.7 Related parties/individual transactions

The Group's parent company is SalMar ASA. The overall parent company is Kverva AS, which owns 52.46% of the shares in SalMar ASA. The ultimate parent company is Kvarv AS, which prepares its own consolidated accounts in accordance with NGAAP. See Note 4.2 for further details.

Transactions with related parties in 2020 (NOK 1,000):	Sales	Purchases	Receivables	Liabilities
Associates of the SalMar Group	190,096	115,075	15,938	9,059
Companies controlled by the parent company Kverva AS	1,802,574	294,577	120,834	6,916
Associates of the parent company Kverva AS	1,965	54,632	0	0

Transactions with related parties in 2019 (NOK 1,000):	Sales	Purchases	Receivables	Liabilities
Associates of the SalMar Group	29,304	44,610	2,678	8,859
Companies controlled by the parent company Kverva AS	1,590,113	270,066	177,480	5,042
Associates of the parent company Kverva AS	39	0	0	710
Companies controlled by Gustav Witzøe and related parties	0	3,812	0	0

In addition to the above, the Group acquired the Kjørsvikbugen hatchery from Wessel Invest AS in 2019. A total of NOK 89.4 million was paid for the facility. Wessel Invest AS is controlled by Gustav Witzøe and related parties.

Transactions between the Group and related parties are undertaken at market terms and conditions. In addition, dividends have been received from associates (see Note 3.5), while benefits have been paid to members of the Board and senior executives (see Note 2.3).

NOTE 4.8 Allegations of price fixing

On 6 February 2019, the European Commission decided to launch an inquiry into SalMar ASA and a number of other Norwegian acquaculture companies to discover whether any illegal price fixing had taken place. The company remains under investigation by the European Commission.

The European Commission's investigation has resulted in civil litigation and investigative steps in the USA, and civil litigation in Canada.

As one of several Norwegian aquaculture companies, SalMar became the subject of civil litigation in the USA through complaints filed on 23 April, 25 April (subsequently dropped), 29 April, 9 May, 15 May, 17 May, 20 May, 28 May and 11 June 2019 (susequently dropped). The cases, which were later combined into two separate case complexes, are framed as class action suits, with compensation being claimed for losses deriving from illegal price fixing between the defendant aquaculture companies.

Complaints were filed against SalMar ASA, as one of several Norwegian aquaculture companies, in the Federal Court of Canada in Toronto on 11 October 2019 and 3 January 2020. The cases, which were later combined into a single case, are framed as a class action suit and relate to the same matters as the EU's investigation and the class action suits in the USA. In addition, a complaint has been filed in the Court of Quebec, which also relates to allegations of illegal price fixing. However, SalMar has not yet been officially notified of this legal action.

On 8 November 2019, the US Department of Justice Antirtrust Division announced that it was launching an investigation into the acquculture industry, including SalMar. SalMar was subpoenaed with respect to this matter on 14 November 2019.

SalMar is of the opinion that the company has not participated in any form of illegal price fixing. The outcome of the case is highly uncertain, and no provisions have been made in respect of these matters as at 31 December 2020.

NOTE 4.9 Covid-19

Throughout 2020, the Covid-19 pandemic has caused increased market uncertainty. However, this has not materially affected the Group's results or recognised assets during the period. See the Group's annual report for further details.

NOTE 4.10 Events after the reporting date

New information concerning the company's financial position on the reporting date is disclosed in the annual financial statements. Events after the reporting date that do not affect the company's financial position on the reporting date, but which will affect it in the future, are disclosed where material.

New borrowing agreement

With effect from 24 February 2021, SalMar ASA has entered into a new sustainability linked credit facility in the amount of NOK 4,000 million, and, at the same time, increased its overdraft cap from NOK 500 million to NOK 1,000 million. The new sustainability linked credit facility is a five-year agreement, with four sustainability KPIs included in the assessment of margin. The equity-related covenant requirement is set at 30 per cent. This agreement replaces the CAPEX and RCF facilities and the overdraft described in Note 3.10.

Business acqusition

In February 2021, the Group agreed the purchase of 100 per cent of the shares in Lofoten Aqua AS. This company owns a licence to farm harvestable salmon. A consideration of NOK 200 million was paid for the company. No material transaction costs accrued in relation to the acquisition.

The shares in Lofoten Aqua AS were acquired from Insula AS. Kverva Industrier AS has a 96 per cent shareholding in Insula AS. Kverva Industrier AS also owns 52.46 per cent of the shares in SalMar ASA.

NOTE 4.11 Alternative performance measures

The SalMar Group prepares its financial statements in accordance with international accounting standards (IFRS). In addition, management has established alternative performance parameters to provide useful and relevant information to users of its financial statements. Alternative performance parameters have been established to provide greater understanding of the company's underlying performance, and do not replace the consolidated financial statements preopared in accordance with international accounting standards (IFRS): The performance parameters have been reviewed and approved by the Group's management and Board of Directors. Alternative performance parameters may be defined and used in other ways by other companies.

The alterntive performance measures are deduced from the performance measures defined in IFRS. The figures are defined below and calculated in a consistent manner. They are presented in addition to other performance measures, in keeping with the Guidelines on Alternative Performance Measures issued by the European Securities and Markets Authority (ESMA).

Operational EBIT

Operational EBIT is an alternative performance measure used by the Group. The relationship between Operational EBIT and operating profit/loss is presented in the table below. The difference between Operational EBIT and operating profit/loss relates to items which are classified in the financial statements on the line for fair value adjustments. These items are market value and fair value assessments linked to assumptions about the future. Operational EBIT shows the underlying operation and the results of transactions undertaken in the period.

Operational EBIT per kg gutted weight

Operational EBIT per kg gutted weight is defined as a key performance parameter for SalMar. The performance paramater is used to assess the profitability of the goods sold and the Group's operations. The performance parameter is expressed per kg of harvested volume.

Net interest-bearing debt (NIBD)

Net interest-bearing debt is an alternative performance measure used by the Group. The performance measure is used to express the Group's working capital, and is an important performance measure for investors and other users, because it the shows net borrowed capital used to finance the Group. Net interest-bearning debt is defined as long-term and short-term debt to credit institutions, less cash & cash equivalents. Leasing liabilities under IFRS 16 are not included in the calculation of net interest-bearing debt.

NOK 1,000	2020	2019
Operating profit/loss	2,827,968	3,034,601
Change in fair value of the biomass	186,136	151,584
Change in provisions for loss-making contracts	16,030	1,520
Change in unrealised Fish Pool contracts	8,560	270
Change in unrealised value of forward currency contracts	-31,194	-120,378
Operational EBIT	3,007,500	3,067,597

2020	Fish Farming Central Norway	Fish Farming Northern Norway	Icelandic Salmon	SalMar Group
Operational EBIT (NOK 1,000)	2,218,390	847,754	-50,490	3,007,500
Volume harvested (tonnes)	100,394	49,903	11,239	161,535
Operational EBIT per kg gutted weight (NOK)	22.10	16.99	-4.49	18.62

2019	Fish Farming Central Norway	Fish Farming Northern Norway	Icelandic Salmon	SalMar Group
Operational EBIT (NOK 1,000)	2,164,618	931,358	100,126	3,067,597
Volume harvested (tonnes)	95,296	47,993	9,807	153,097
Operational EBIT per kg gutted weight (NOK)	22.71	19.41	10.21	20.04

NOK 1,000	2020	2019
Long-term debt to credit institutions	3,677,627	2,751,570
Short-term debt to credit institutions	1,438,435	381,539
Cash & cash equivalents	-223,447	-230,990
Net interest-bearing debt	4,892,615	2,902,120

Financial Statements of SalMar ASA

Income Statement

NOK 1,000

Operating revenue and expenses	Note	2020	2019
Sales revenues	2	87,228	87,081
Total operating revenues		**87,228**	**87,081**
Payroll costs	3	57,180	62,056
Depreciation of PP&E	4	3,150	4,165
Other operating expenses	3	61,382	58,642
Total operating expenses		**121,712**	**124,863**
Operating profit/loss		**-34,484**	**-37,782**
Financial income and expenses			
Income from investments in subsidiaries	5	2,182,644	2,559,232
Income from investments in associates	6	0	252,900
Interest received from group companies		86,420	140,377
Interest income		2,589	1,043
Financial income		340	0
Interest paid to group companies		17,560	51,444
Interest expenses		59,990	66,367
Financial expenses		0	94
Net financial items		**2,194,443**	**2,835,647**
Ordinary profit/loss before tax		**2,159,959**	**2,797,866**
Tax	12	-57	558,772
Net profit/loss for the year		**2,160,017**	**2,239,094**
Allocated to:			
Dividend provisions	8, 9	2,261,359	0
Transferred to/from other equity	9	-101,342	2,239,094
Total allocated		**2,160,017**	**2,239,094**

Statement of Financial Position as at 31 December

Assets

NOK 1,000

Non-current assets	Note	31.12.2020	31.12.2019
Intangible assets			
Deferred tax assets	12	1,372	1,574
Total intangible assets		**1,372**	**1,574**
Property, plant & equipment			
Land, buildings & other real property	4	2,713	2,652
Plant, equipment & operating movables	4	5,657	6,073
Total property, plant & equipment	14	**8,370**	**8,725**
Non-current financial assets			
Investments in subsidiaries	5, 14	2,699,784	2,708,901
Loans to group companies	7, 11, 14	3,209,088	3,209,088
Investments in associates	6	162,787	162,787
Investments in shares & securities		103	103
Pension fund assets		20	1
Other receivables	7	30,168	36,566
Total non-current financial assets		**6,101,950**	**6,117,444**
Total non-current assets		**6,111,692**	**6,127,744**
Current assets			
Receivables			
Trade receivables	14	1,565	504
Current receivables from group companies	11, 14	4,085,647	2,732,165
Other receivables	14	14,158	16,235
Total receivables		**4,101,370**	**2,748,903**
Cash & cash equivalents	16	11,614	9,772
Total current assets		**4,112,984**	**2,758,675**
Total assets		**10,224,676**	**8,886,419**

Statement of Financial Position as at 31 December

Equity and Liabilities

NOK 1,000

Equity	Note	31.12.2020	31.12.2019
Paid-in equity			
Share capital	8, 9	28,325	28,325
Treasury shares	9	-58	-94
Share premium fund	9	415,285	415,285
Other paid-in equity	9	239,392	194,517
Total paid-in equity		**682,944**	**638,033**
Retained earnings			
Other equity	9	2,635,135	4,206,351
Total retained earnings		**2,635,135**	**4,206,351**
Total equity	9	**3,318,079**	**4,844,384**
Liabilities			
Non-current liabilities			
Debt to credit institutions	13, 14	3,463,529	2,281,176
Total non-current liabilities		**3,463,529**	**2,281,176**
Current liabilities			
Debt to credit institutions	13, 14	1,046,134	171,299
Trade payables		2,656	3,625
Tax payable	12	0	558,790
Dividend	8, 9	2,261,359	0
Public charges payable		77,638	152,518
Current liabilities to group companies	11	39,347	863,660
Other current liabilities		15,933	10,967
Total current liabilities		**3,443,067**	**1,760,858**
Total liabilities		**6,906,597**	**4,042,035**
Total Equity and Liabilities		**10,224,676**	**8,886,419**

Frøya, 9 April 2021

Atle Eide
Chairman of the Board

Margrethe Hauge
Deputy Chairman of the Board

Leif Inge Nordhammer
Member of the Board

Tonje E. Foss
Member of the Board

Linda L. Aase
Member of the Board

Brit Elin Soleng
Employee representative

Jon Erik Rosvoll
Employee representative

Gustav Witzøe
CEO

Statement of Cash Flows

NOK 1,000

Cash flow from operating activities	Note	2020	2019
Ordinary profit/loss before tax		2,159,959	2,797,866
Tax paid in the period	12	-558,790	-245
Depreciation and amortisation	4	3,150	4,165
Income from investments in subsidiaries	5	-2,182,644	-2,559,232
Income from investments in associates	6	0	-252,900
Options charged to expenses	3	6,276	6,609
Change in trade receivables		66,291	54,876
Change in trade payables		10,565	9,701
Change in other time-limited items		-69,875	-72,674
Net cash flow from operating activities		**-565,067**	**-11,835**
Cash flow from investing activities			
Payments for puchase of property, plant & equipment	4	-2,795	-2,029
Change in intra-group balances	11	-2,568,429	-1,149,388
Net receipts of group contributions and dividends from subsidiaries	5, 11	2,558,161	2,531,069
Receipts of dividends from associates and other investments	6	0	252,900
Net payments for investments in subsidiaries and associates	6	-15,759	-301,141
Receipts on loans to third parties		8,416	0
Net cash flow from investing activities		**-20,406**	**1,331,410**
Net cash flow from financing activities			
Repayments on long-term debt		-117,647	-658,824
Proceeds from new long-term borrowings		1,300,000	1,840,000
Net change in overdraft		874,836	89,624
Dividend (paid)		-1,469,874	-2,592,997
Net cash flow from financing activities		**587,314**	**-1,322,197**
Net change in cash & cash equivalents		1,842	-8
Cash & cash equivalents 1 Jan		9,772	12,393
Cash & cash equivalents 31 Dec		**11,614**	**12,385**
Unused drawing rights		1,113,866	2,488,701

Notes to the Financial Statements of SalMar ASA

NOTE 1 Accounting principles

The annual financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting practice in Norway (NGAAP). The accounting principles described below are applied only to the parent company SalMar ASA. Notes relating to the SalMar Group are presented in conjunction with SalMar's consolidated financial statements.

Use of estimates

Preparation of the financial statements in accordance with GAAP requires management to make evaluations, estimates and assumptions which affect the application of accounting principles and the value of assets and liabilities recognised in the Statement of Financial Position as well as income and expenses in the Income Statement for the financial year. Estimates and their underlying assumptions are based on past experience and other factors deemed relevant and probable at the time the evaluations are made. These evaluations affect the book value of the assets and liabilities whose valuation is not based on other sources. Estimates are reviewed continuously and final values and results may differ from these estimates. Changes in accounting estimates are included in the period in which the changes occur.

Classification and valuation of balance sheet items

Liquid assets consist of cash and bank deposits.

Assets intended for permanent owership or use are classified as non-current assets. Other assets are classified as current assets and normally encompase items that fall due for payment in less than one year, as well as items relating to the production cycle. The same criteria apply to the classificaiton of current and non-current liabilities.

Non-current assets are recognised at acquisition cost. If the recoverable value of a non-current assets is less than its book value, and the impairment is not expected to be temporary, the asset is written down to the recoverable amount. Non-current assets with a limited economic life are depreciated systematically.

Current assets are recognised at the lower of acquisition cost and fair value. Other non-current and current liabilities are recognised at the nominal amount.

Revenues

Services are recognised in revenue as they are performed. Operating revenues are recognised less charges, discounts, bonuses and other sales costs.

Receivables

Trade and other receivables are recognised at their nominal value, less a provision for expected bad debts. Provisions for bad debts are made on the basis of an individual assessment of the receivable concerned.

Property, plant & equipment

Property plant & equipment are capitalised at historic cost and depreciated over the asset's expected economic life. Direct maintenance costs are recognised in operating expenses as they arise, while upgrades or improvements are added to the asset's cost price and depreciated in line with the asset concerned. If the recoverable value of an operating asset is lower than its book value, it is written down to the recoverable amount. The recoverable amount is the higher of net sales value and value in use. Value in use is the present value of the future cash flows the asset will generate.

Shares

Subsidiaries, associates and other shares classified as non-current assets are measured in accordance with the cost method. Subsidiaries are companies in which SalMar ASA has a determining influence as a result of legal or actual control. A determining influence is deemed to exist when SalMar, directly or indirectly, owns more than 50 per cent of the voting capital. Associates are companies in which SalMar has a significant influence. A significant influence is deemed to exist when SalMar owns 20-50 per cent of the voting capital. These investments are recognised at the shares' acquisition cost, unless a write-down has been necessary. Write-downs to fair value are performed when an impairment in value is due to reasons that cannot be assumed to be temporary and a write-down must be deemed necessary in accordance with good accounting practice. Write-downs are reversed when the reason therefor no longer exists.

Dividends and other distributions are recognised in revenue as other financial income. If the dividend exceeds the share of retained earnings after acquisition, the excess portion represents a repayment of invested capital, and the distributions are deducted from the book value of the investment.

Pensions

The company has a defined-contribution occupational pension scheme. The pension premium is recognised in expenses as and when it accrues. The Group has no liability over and above the annual pension contribution.

Restricted Share Unit Plan (RSU)

The company has a share-based incentive scheme, under which the company receives services from employees in return for Restricted Share Units (RSUs). The fair value of the services received by the company from the employees in return for the RSU entitlements awarded is recognised as an expense, with a corresponding increase in paid-in equity. The total amount expensed over the accrual period is determined on the basis of fair value on the date the RSUs are awarded and the number of RSUs that are expected to vest.

Fair value includes the effect of any market conditions, but does not take account of any vesting terms which are not market terms. However, vesting terms which are not market terms affect the number of RSUs expected to accrue.

The total cost is periodised over the accrual period. On the reporting date, the company revises its estimate of the number of options that are expected to vest.The effect of the change from the original estimate is recognised by means of a corresponding adjustment in equity. The value of the options relating to employees in subsidiaries is recognised as an investment in subsidiaries.

Tax

The tax expense is matched against the recognised profit/loss before tax. Tax relating to equity transactions is recognised directly in equity. The tax expense comprises tax payable (tax on the year's taxable income) and any change in net deferred tax. Deferred tax is calculated at the rate of 22 per cent on the basis of the temporary differences between accounting and taxable values, as well as tax loss carryforwards at the close of the financial year. Deferred tax liabilities and deferred tax assets are presented net in the balance sheet (Statement of Financial Position).

Statement of Cash Flows

The company's Statement of Cash Flows shows the company's total cash flow divided between operational, investing and financing activities. The statement shows the individual activity's impact on cash holdings. The Statement of Cash Flows has been prepared using the indirect method.

NOTE 2 Sales revenues

The parent company SalMar ASA is a holding company, which primarily provides administrative services to the Group's subsidiaries. The parent company's sales revenues therefore derive from only one business area. Revenue from intra-group services and other revenues are specified below.

NOK 1,000	2020	2019
Revenues from admin. services provided to group companies	86,533	86,539
Other revenues	695	542
Total	87,228	87,081

NOTE 3 Payroll costs, no. of employees, remunerations, employee loans, etc

Payroll costs (NOK 1,000):	2020	2019
Salaries, incl. holiday pay and bonuses	42,910	42,544
Employers' national insurance contributions	5,324	5,461
Pension costs	1,457	1,507
Options/RSUs	6,276	6,609
Other benefits	1,213	5,936
Total	**57,180**	**62,056**
No. of full-time equivalents employed during the financial year.	34	33

Benefits paid to senior executives and the auditor

See Note 2.3 to the consolidated financial statements for details of the remuneration paid to senior company executives.

Auditor

Specification of the remuneration (ex. VAT) paid to the auditor (NOK 1,000):	2020	2019
Statutory auditing services	727	288
Other attestation services	0	4
Tax advisory services	456	1,748
Other services	194	107
Total	**1,377**	**2,147**

Restricted Share Unit Plan (RSU)

The award for 2020 was made on 18 December 2020. In connection with this, 13 employees were awarded 19,030 RSUs with respect to company shares. The corresponding award in 2019 took place on 31 January 2020, when 13 employees were awarded a total of 21,451 RSUs. The RSUs accrue over a period of three years, with 1/3 vesting annually. The fair value of the cost to SalMar ASA is calculated on the date the award is made and periodised over the accrual period. The periodised cost in 2020 came to NOK 6.3 million (2019: NOK 6.6 million). A provision for employers' national insurance contributions has been made with respect to this cost.

See Note 2.4 to the consolidated financial statements for further details of SalMar's share-based incentive scheme.

NOTE 4 Property, plant & equipment

NOK 1,000	Real property	Operating equipment, fixtures & fittings	TOTAL
Acquisition cost 1 Jan 2020	2,823	31,775	34,598
Additions	61	2,733	2,795
Disposals	0	0	0
Acquisition cost 31 Dec 2020	2,885	34,508	37,393
Acc. dep. & write-downs 1 Jan 2020	171	25,702	25,873
Year’s depreciation	0	3,150	3,150
Acc. dep. & write-downs 31 Dec 2020	171	28,852	29,023
Book value 31 Dec 2020	**2,713**	**5,657**	**8,370**
Economic life	Zero dep./3 years	5-10 years	
Depreciation plan	Straight-line	Straight-line	
Annual lease of uncapitalised operating assets	3,423	0	3,423

NOTE 5 Subsidiaries

Investments in subsidiaries are recognised in accordance with the cost method.

Company (NOK 1,000)	Registered office	Voting share	Book value 2020	Book value 2019
SalMar Settefisk AS	Kverva	100.0%	224,680	226,884
SalMar Farming AS	Kverva	100.0%	488,672	506,326
SalMar Ocean AS	Kverva	100.0%	12,044	36
SalMar AS	Kverva	100.0%	1,201,822	1,206,941
SalMar Tunet AS	Kverva	100.0%	7,400	7,400
Hitramat Farming AS	Hitra	51.0%	28,785	28,785
Ocean Farming AS	Kverva	100.0%	73,031	69,759
Mariculture AS	Stavanger	51.0%	2,969	2,000
Icelandic Salmon AS	Kverva	59.4%	660,381	660,769
TOTAL subsidiaries			**2,699,784**	**2,708,901**

SalMar ASA has recognised group contributions from the following subsidiaries (NOK 1,000):	2020	2019
SalMar Farming AS	21,322	2,546,839
Total recognised group contributions from subsidiaries	21,322	2,546,839

SalMar ASA has recognised dividends from the following subsidiaries (NOK 1,000):	2020	2019
SalMar Farming AS	2,150,000	0
Hitramat Farming AS	11,322	12,393
Total recognised dividends from subsidiaries	2,161,322	12,393
Total recognised income from investments in subsidiaries	2,182,644	2,559,232

NOTE 6 Associates

Investments in associates are recognised in accordance with the cost method.

Company (NOK 1,000):	Registered office	Voting share	Book value 2020	Book value 2019
Norskott Havbruk AS	Bergen	50%	162,787	162,787
TOTAL associates			162,787	162,787

Company (NOK 1,000):	Recognised dividend	Equity in latest annual financial statements	Year's net profit/loss in latest annual financial statements
Norskott Havbruk AS	0	1,312,427	197,611

NOTE 7 Receivables maturing in more than one year

NOK 1,000	2020	2019
Other receivables	30,189	36,567
Loans to group companies	3,209,088	3,209,088

In connection with the sale of a tranche of shares in Icelandic Salmon AS to Gyda EHF in 2019, a seller's credit was granted to the purchaser in the amount of NOK 35.7 million, the same amount as the consideration paid for the shares. The loan, including interest accrued, will be repaid in full no later than 31 December 2025. Earlier settlement may take place if specific conditions set out in the credit agreement are met. As at 31 December 2020, a total of NOK 30.2 million remained outstanding. Gyda EHF is controlled by Kjartan Olafsson, who chairs the board of Icelandic Salmon AS. For accounting purposes, the loan is classified under other non-current receivables.

NOTE 8 Share capital and shareholders

As at 31 Dec 2020, the share capital comprised (NOK 1,000):	No.	Face value	Book value
Ordinary shares	113,299,999	0.25	28,325

See Note 4.2 to the consolidated financials statements for a list of the company's largest shareholders and the shareholdings of senior company executives.

Dividend

Provision has been made for a dividend payment of NOK 20.00 per share, totalling NOK 2,261.4 million, as at 31 December 2020. No provision is made with respect to treasury shares.

NOTE 9 Equity

NOK 1,000	Share capital	Treasury shares	Share premium	Other paid-in equity	Other equity	Total equity
Equity 31 Dec 2019	**28,325**	**-94**	**415,285**	**194,517**	**4,206,351**	**4,844,384**
Year's change in equity:						
Year's net profit/loss	0	0	0	0	2,160,017	2,160,017
Dividend provision	0	0	0	0	-2,261,359	-2,261,359
Dividend paid for the 2019 financial year	0	0	0	0	-1,469,874	-1,469,874
Share-based remuneration - release	0	36	0	-36	0	0
Share-based remun. - capital injection	0	0	0	45,171	0	45,171
Tax effect of share-based remuneration	0	0	0	-260	0	-260
	0	0	0	0	0	0
Equity 31 Dec 2020	**28,325**	**-58**	**415,285**	**239,392**	**2,635,135**	**3,318,079**

A share-based remuneration scheme has been established for senior company executives. See Note 3 for further details.

At an EGM held on 4 December 2020, it was decided to pay a dividend of NOK 13.00 per share, totalling NOK 1,469.9 million, for the 2019 financial year.

NOTE 10 Pension costs

The company has a duty to provide an occupational pension scheme pursuant to the Norwegian Mandatory Occupational Pensions Act, and has a pension scheme which meets the statutory requirements of this legislation.

The company does not have any defined-benefits plans.

Premiums paid with respect to the defined-contribution scheme are charged to expenses as and when they accrue. In 2020, NOK 1.5 million in pension contributions were recognised in expenses encompassing 34 people. In 2019, NOK 1.5 million in pension contributions were recognised in expenses encompassing 33 people.

NOTE 11 Intra-group balances

	Non-current receivables		Other current receivables	
NOK 1,000	2020	2019	2020	2019
Group companies	3,209,088	3,209,088	4,085,647	2,732,165
Total	**3,209,088**	**3,209,088**	**4,085,647**	**2,732,165**

	Non-current liabilities		Other current liabilities	
NOK 1,000	2020	2019	2020	2019
Group companies	0	0	39,347	863,660
Total	**0**	**0**	**39,347**	**863,660**

Included in other current receivables from group companies, amounting to NOK 4,085.6 million as at 31 December 2020, are group contributions of NOK 21.3 million (2019: NOK 2,546.8 million) and dividend owed by subsidiaries totalling NOK 2,150.0 million. In addition, NOK 1,796.3 million was receivable from group companies as at 31 December 2020 with respect to the group account scheme. Other current receivables apart from this are ordinary trade receivables.

Other current liabilities to group companies, amounting to NOK 39.3 million as at 31 December 2020, were entirely trade payables. Other current liabilities to group companies as at 31 December 2019 included liabilities of NOK 835.7 million with respect to the group account scheme. Other current liabilities to group companies apart from this were ordinary trade payables.

NOTE 12 Tax

NOK 1,000

The year's tax expense breaks down as follows:	2020	2019
Tax payable	0	558,677
Change in deferred tax	-57	-263
Surplus/shortfall in tax provisions in previous years	0	358
Tax on ordinary profit/loss	**-57**	**558,772**

Calculation of the year's tax base	2020	2019
Ordinary profit/loss before tax	2,159,959	2,797,866
Permanent differences	-2,160,220	-259,621
Change in temporary differences	260	1,196
Year's tax base	**0**	**2,539,441**

Tax payable in the balance sheet	2020	2019
Year's tax payable on profit/loss	0	558,677
Tax payable from previous years, assessed	0	113
Tax payable in the balance sheet	**0**	**558,790**

Breakdown of temporary differences	2020	2019
Operating assets	-1,614	-1,449
Other differences	-4,621	-5,707
TOTAL temporary differences	**-6,235**	**-7,156**
Deferred tax liabilities (+) / tax assets (-)	**-1,372**	**-1,574**
Deferred tax recognised directly in equity	-260	-363

Reconciliation from nominal to actual tax rates	2020	2019
Ordinary profit/loss before tax	2,159,959	2,797,866
Expected tax at nominal tax rate	475,191	615,530
Permanent differences	-475,248	-57,117
Surplus/shortfall in tax provisions/effect of changed tax rate	0	358
Calculated tax expense	**-57**	**558,772**
Effective tax rate	-0.0%	20.0%

The company's tax expense is largely dependent on whether distributions from subsidiaries are received in the form of dividends or group contributions. Dividends from subsidiaries are deemed to be tax-free income, while group contributions are deemed to be taxable income. See Note 5 for further details.

NOTE 13 Debt

Loan instalment profile

In 2019, SalMar renewed its instalment loan agreement. The loan comprises two tranches of NOK 500 million each: a commercial tranche, where the banks assume the credit risk; and an export credit agency (ECA) tranche, where the banks lend the money but are fully guaranteed by GIEK. Both tranches have an 8.5-year instalment profile and a term of 3+1+1 years. In addition, the Group has an investment and acquisition facility in the amount of NOK 2 billion and a revolving credit facility amounting to NOK 1.5 billion. These facilities were renewed in February 2018 for a term of 3+1+1 years. In June 2020, these two facilities were temporarily merged into an RCF. The change is scheduled to last for 12 months, up until June 2021. The faciltiies are currently due to mature in February 2022, with an option to extend to 2023. As at 31 December 2020, NOK 1,140 million had been drawn down on the investment and acquisition facility and NOK 1,500 million had been drawn down on the revolving credit facility.

The Group also has an agreed overdraft capped at an annually renewable NOK 500 million. This was temporarily increased by a further NOK 800 million in June 2020. The temporary change is scheduled to last for 12 months, until June 2021. Interest is at so-called "current terms".

Financial covenants

The most important financial covenants for the long-term financing of SalMar ASA are, respectively, a solvency requirement, which stipulates that the Group's recognised equity ratio shall exceed 35 per cent, and a profitability requirements which stipulates that the interest coverage rate (EBITDA/net financial expenses) shall not exceed 4.0.

See Note 17 for further details of the company's financing.

NOTE 14 Liens and guarantees, etc

Recognised liabilities secured by liens, etc (NOK 1,000):	2020	2019
Short-term debt to credit institutions	1,046,134	171,299
Long-term debt to credit institutions	3,463,529	2,281,176
Total	4,509,664	2,452,475

Book value of assets pledged with respect to secured liabilties (NOK 1,000):	2020	2019
Operating assets	8,370	8,725
Shares	2,699,784	2,708,901
Inventory	0	0
Trade receivables	1,565	504
Receivables	7,324,903	5,977,818
Total	10,036,187	8,712,183

Through a bank agreement, SalMar ASA has joint and several liability with respect to the group account scheme, capped at NOK 500 million, In connection with the temporary adjustment of the framework in 2020, joint and several liability rose to NOK 1,300 million as at 31 December 2020. See Note 13 for further details.

SalMar ASA has issued a guarantee in the amount of NOK 95 million with respect to a long-term loan to SalMar AS and a guarantee in the amount of NOK 175 millon with respect to a long-term loan to Ocean Farming AS. Both loans have been granted by Innovation Norway.

SalMar ASA has issued a guarantee to Nord-Trøndelag E-verk in the amount of NOK 5 million on behalf of SalMar Settefisk AS. The guarantee was issued on 1 January 2004, and is reduced stepwise by NOK 250,000 per year. As at 31 December 2020, the outstanding amount guaranteed totalled NOK 750 million.

SalMar ASA has issued a guarantee to Frøya Industrieiendom AS with respect to any and all amounts which SalMar AS has an obligation to pay Frøya Industrieiendom AS under the terms of a lease, with supplementary agreement, between SalMar AS and Frøya Industrieiendom AS. The guarantee is valid during the leasing period, as specified in the lease, plus three months.

SalMar ASA has issued a guarantee to HENT AS in the amount of NOK 544.1 million. The guarantee has been issued as security for SalMar AS's liabilities to the creditor in respect of an engineering, procurement and construction contract for a new harvesting and processing plant - InnovaNor.

SalMar ASA has issued a guarantee to Bjørn Bygg AS in the amount of NOK 96.1 million. The guarantee has been issued as security for SalMar Settefisk AS's liabilities to the creditor in respect of a contract to project design and construct a new hatchery in Senja.

NOTE 15 Financial risk

See Note 4.1 to the consolidated financial statements for further details concerning the management of the company and the Group's financial market risk.

NOTE 16 Bank deposits

As at 31 Decembe 2020, the item bank deposits, cash & cash equivalents included restricted funds amounting to NOK 9.1 million, which were entirely composed of employee tax withholdings. The corresponding figure in 2019 was NOK 7.5 million.

NOTE 17 Covid-19

Throughout 2020, the Covid-19 pandemic has caused increased market uncertainty. However, this has had no material impact on the company's financial results or the book value of assets in the period. See the Group's annual report for further details.

NOTE 18 Events after the reporting date

With effect from 24 February 2021, SalMar ASA has entered into a new sustainability linked credit facility in the amount of NOK 4,000 million, and, at the same time, increased its overdraft cap from NOK 500 million to NOK 1,000 million. The new sustainability linked credit facility is a five-year agreement, with four sustainability KPIs included in the assessment of margin. This agreement replaces the CAPEX and RCF facilities and the overdraft described in Note 13.

Statement by the Board of Directors and CEO

We confirm, to the best of our knowledge, that:

The Group financial statements for the period from 1 January to 31 December 2020 have been prepared in accordance with IFRS, as adopted by the EU.

The financial statements of SalMar ASA for the period from 1 January to 31 December 2020 have been prepared in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

The financial statements give a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations.

The Report of Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company, together with a description of the key risks and uncertainty factors that the Group and the Company is facing.

Frøya, 9 April 2021

Atle Eide
Chairman of the Board

Margrethe Hauge
Deputy Chairman of the Board

Leif Inge Nordhammer
Member of the Board

Tonje E. Foss
Member of the Board

Linda L. Aase
Member of the Board

Brit Elin Soleng
Employee representative

Jon Erik Rosvoll
Employee representative

Gustav Witzøe
CEO

Auditor's report

To the Annual Shareholders' Meeting of SalMar ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SalMar ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2020, the income statement, statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2020, the statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Fair value of biological assets

The Group measures biological assets at fair value less costs to sell in accordance with IAS 41 and IFRS 13. At December 31, 2020 the biological assets amounted to NOK 5,988.8 million. The difference between the fair value of the biological assets and the related cost is recognized as a fair value adjustment. In 2020, the recognized fair value adjustment amounted to NOK -186.1 million. The fair value adjustment included in the carrying amount was NOK 1,766.9 million.

For fish in sea the fair value less costs to sell was calculated using a model based on a net present value methodology. This is calculated based on assumptions of biomass volumes, quality, market prices at the harvest dates, remaining expenses to produce, harvest and sell the biomass and time in sea until harvest mature. The market prices are based on observable forward prices for the period when harvesting is expected. The fair value of biological assets was a key audit matter due to the significant amount, the level of judgements involved in the valuation and the assumptions used in the calculation.

We evaluated the valuation and the model against the requirements in IAS 41, IFRS 13 and industry practice. We observed the routines and tested controls related to the calculation of the fair value adjustment of the biomass. We compared the prices applied against observable market prices at the expected harvesting dates. In addition, we evaluated the estimated remaining expenses to produce the harvest mature fish, including assumptions on size distribution of the biomass, time in sea until harvest mature, mortality and quality of the live fish in sea. Furthermore, we evaluated the historical accuracy in prior periods' estimates and the sensitivity analysis of changes in expected prices, biomass and discount rate. We recalculated the model used to calculate fair value for the relevant weight classes.

We refer to note 1.7, note 3.6 and note 3.12 to the consolidated financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

EY
Building a better working world

Trondheim, 9 April 2021
Ernst & Young AS

Christian Ronæss
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

GRI Index and third-party verification

Each year, SalMar reports on its activities in the field of corporate social responsibility and sustainability on the basis of the guidelines issued by the international organisation, the Global Reporting Initiative (GRI). Reporting takes place via this report, SalMar's annual report and other information published on our website.

The sustainability reporting for 2020 includes data for a number of disclosures drawn from GRI's guidelines. An overview of which indicators the report covers is presented in the table below.

EY has carried out a limited third-party verification of the 2020 report. The KPIs in the report that have been verified, along with accompanying comments, are presented below.

GRI Index

General Disclosures (GRI 102)

Organizational profile		
102-1	Name of the organization	Salmar ASA
102-2	Activities, brands, products and services	Farming of Atlantic salmon, conventional and organic, as well as rainbow trout.
102-3	Location of headquarters	Industriveien 51, 7266 Kverva, Norway
102-4	Locations of operations	Eight countries, the most important of which for sustainability reporting purposes are Norway and Iceland
102-5	Ownership and legal form	Salmar ASA is a public limited company that is listed on the Oslo Stock Exchange.
102-6	Markets served	Page 64-78
102-7	Scale of the organization	Page 64-78
102-8	Information on employees and other workers	Page 45
102-9	Supply chain	Page 64-78 and 13
102-10	Significant changes to the organization and its supply chain	There has been no significant changes in 2020, see page 64-78 and note 4.5 for further information.
102-11	Precautionary principle or approach	Page 21
102-12	External initiatives	Page 33 and 48-49
102-13	Membership of assocations	Norwegian Seafood Federation, Confederation of Norwegian Enterprise (NHO), OrAqua – Organic Aquaculture, Federation of European Aquaculture Producers (FEAP)

Strategy		
102-14	Statement from senior decision-maker	Page 6-8 and page 64-78
102-15	Key impacts, risks and opportunities	Page 64-78

Ethics and integrity		
102-16	Values, principles, standards and norms of behaviour	Page 17, page 46, page 51-58 and www.salmar.no
102-17	Mechanisms for advice and concerns bout ethics	Page 46

Governance		
102-18	Governance structure	Page 21
102-19	Delegating authority	Page 21
102-20	Executive-level responsibility for economic, environmental and social topics	Page 21
102-21	Consulting stakeholders on economic, environmental and social topics	Page 22-23
102-22	Composition of the highest governance body and its committees	Page 51-58
102-23	Chair of the highest governance body	Page 51-58
102-24	Nominating and selecting the highest governance body	Page 51-58
102-25	Conflicts of interest	Page 51-58

102-26	Role of highest governance body in setting purpose, values and strategy	Page 51-58
102-27	Collective knowledge of highest governance body	Page 51-58
102-28	Evaluating the highest governance body's performance	Page 51-58
102-29	Identifying and managing economic, environmental and social impacts	Page 20 and 51-58
102-30	Effectiveness of risk management processes	Page 51-58
102-31	Review of economic, environmental and social topics	Page 51-58
102-32	Highest governance body's role in sustainability reporting	Page 20, 51-58 and 64-78
102-33	Communicating critical concerns	Page 51-58
102-34	Nature and total number of critical concerns	Page 46 and 51-58
102-35	Renumeration policies	Page 79
102-36	Process for determining remuneration	Page 79
102-37	Stakeholders involvement in remuneration	Page 79

Stakeholder engagement

102-40	List of stakeholder groups	Page 22
102-41	Collective bargaining agreements	85.5% of the workforce
102-42	Identifying and selecting stakeholders	Page 22
102-43	Approach to stakeholder engagement	Page 22
102-44	Key topics and concerns raised	Page 22-23

Reporing practice

102-45	Entities included in the consolidated financial statements	Page 64-78 and note 4.4
102-46	Defining report content and topic boundaries	Page 20-23
102-47	List of material topics	Page 23
102-48	Restatement of information	N/A
102-49	Changes in reporting	Structure of report is changed from previous years to better reflect the sustainability work in SalMar. From 2020 GHG emissions from Scope 3 is reported and target for GHG-emissions are set. New KPI's, eFCR and share of secondary processing. Several targets have been upgraded.
102-50	Reporting period	2020
102-51	Date of most recent report	23 April 2020
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	Head of IR Håkon Husby
102-54	Claims of reporting in accordance with the GRI standards	Page 173
102-55	GRI content index	Page 173-175
102-56	External assurance	Page 176-178

Management approach (GRI 103)

103-1	Explanation of the material topics and its boundary	Page 20-23
103-2	The management approach and its components	Page 20-23
103-3	Evaluation of the management approach	Page 20-23 and 51-57

Economic topics (GRI 200)

201-1	Direct economic value generated and distributed	Page 64-78 and 83-149
201-3	Defined benefit plan obligations and other retirement plans	See note 2.5
205-2	Communication and training about anti-corruption policies and procedures	Page 51-58
205-3	Confirmed incidents of corruption and actions taken	Page 49
206-1	Legal actions for anti-competitive behaviour, anti-trus, and monopoly practices	Page 49

Environmental topics (GRI 300)		
301	Materials used by weight or volume	Page 30
302-1	Energy consumption within the organization	Page 37-39
302-3	Energy intensity	Page 36-39
302-4	Reduction of energy consumption	Page 36-39
303-1	Interactions with water as a shared resource	Page 41
303-3	Water withdrawal	Page 41
304-1	Operational sites	Page 40
304-2	Significant impact on biodiversity	Page 40
305-1	Direct (Scope 1) GHG emissions	Page 36-39
305-2	Energy indirect (Scope 2) GHG emissions	Page 36-39
305-3	Other indirect (Scope 3) GHG emissions	Page 36-39
305-4	GHG emission intensity	Page 36-39
305-5	Reduction of GHG emissions	Page 36-39
306-1	Waste generation and significant waste-related impacts	Page 29
306-2	Management of significant waste-related impacts	Page 29
307-1	Non-compliance with environmental laws and regulations	Page 49

Social topics (GRI 400)		
403-1	Occupational health and safety management system	Page 45-49
403-2	Hazard identification, risk assessment, and incident investigation	Page 45-49
403-3	Occupational health services	Page 45-49
403-4	Worker participation, consultation, and communication on occupational health and safety	Page 45-49
403-5	Worker training on occupational health and safety	Page 45-49
403-6	Promotion of worker health	Page 45-49
403-8	Workers covered by an occupational health and safety management system	Page 45-49
403-9	Work-related injuries	Page 45-49
403-10	Work-related ill health	Page 45-49
404-2	Programs for upgrading employee skills and transition assistance programs	Page 45-49
405-1	Diversity of governance bodies and employees	Page 45-49
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Page 32-35

Third-party verification

The following shows the KPIs that have been the subject of third-party verification by EY.

Fish

KPI		Indicator
Survival rate	12-month rolling survival rate	GSI
Interaction with wildlife	Birds – Accidental mortality	GSI
	Birds – Euthanised	GSI
	Marine mammals – Accidental mortality	GSI
	Marine mammals – Euthanised	GSI
Fish escapes	No. of incidents	GSI
	No. of escaped fish	GSI
Fish feed	FFDR (Fish meal)	Own KPI
	FFDR (Fish oil)	Own KPI
	Economic feed factor	Own KPI
Certification	Share of certified active sites	GSI

Environment & technology

KPI		Indicator
Greenhouse gas (GHG) emissions	Scopes 1 + 2 (GHG tCO_2e)	305-1+2
	Intensity Scopes 1+2 ($kgCO_2e$/tonne produced)	305-4
	Scope 3 (GHG tCO_2e)	305-3
	Intensity Scopes 1+2+3 ($kgCO_2e$/tonne produced)	305-4
Secondary processing	Secondary processing rate	Own KPI
Site environment	MOM-B-Score ≤ 2	Own KPI
Consumption of fresh water	Consumption (1,000 m^3)	Own KPI

People & society

KPI		Indicator
Safety & sickness absence	LTI	403-9
	H-factor	403-9
	Sickness absence	403-10

To the Board of Directors of SalMar ASA

Independent accountant's assurance report on SalMar ASA's greenhouse gas emissions and sustainability reporting 2020

We have undertaken a limited assurance engagement of the SalMar ASA's reporting on greenhouse gas emissions and selected key performance indicators for the sustainability work of SalMar ASA for the period from 1 January 2020 to 31 December 2020. This comprises a review of the reporting on SalMar ASA's sustainability work as presented in the annual report of the company (referred to as the "Sustainability reporting").

Reporting criteria applied by SalMar ASA

In preparing the Sustainability reporting, SalMar ASA applied relevant criteria from the Global Reporting Initiative (GRI) sustainability reporting standards, "Core" option. The Criteria can be accessed at globalreporting.org and are available to the public. Such Criteria were specifically designed for companies and other organizations that want to report their sustainability impacts in a consistent and credible way. As a result, the subject matter information may not be suitable for another purpose. We consider these reporting criteria to be relevant and appropriate to review the Sustainability reporting.

SalMar ASA has also applied relevant criteria from the reporting standards of the Global Salmon Initiative. These Criteria are publicly available at globalsalmoninitiative.org. Such Criteria were specifically designed for companies and other organizations that want to report their sustainability impacts in a consistent and credible way. As a result, the subject matter information may not be suitable for another purpose. We consider these reporting criteria to be relevant and appropriate to review the Sustainability reporting.

SalMar ASA's responsibility

The Board of Directors and Group Chief Executive Officer (management) are responsible for the selecting the Criteria, and for presenting the Sustainability reporting in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the of Reporting on corporate responsibility, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Reporting on corporate responsibility based on the evidence we have obtained.

Our engagement was conducted in accordance with the *International Standard for Assurance Engagements on Assurance Engagements Other than Audits or Reviews of Historical Financial Information ('ISAE 3000')*. This standard requires that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Reporting on corporate responsibility is presented in accordance with the Criteria, and to issue a limited assurance report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Our Independence and Quality Control

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants. EY also applies *International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

The engagement consists of making enquiries, primarily of persons responsible for preparing the Reporting on corporate responsibility and related information and applying analytical and other relevant procedures.

Our procedures included:

- Review of SalMar ASA's process for preparation and presentation of the Sustainability reporting to develop an understanding of how sustainability is ensured in practice within the business
- Interviewed those in charge of Sustainability reporting to develop an understanding of the process for the preparation of the Sustainability reporting
- Verified on a sample basis the information in the Sustainability reporting against source data and other information prepared by SalMar ASA

We have performed these procedures on the following indicators, that also form the scope of our conclusion: GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 403-9, GRI 403-10, GSI Fish Mortality, GSI Wildlife Interactions, GSI Fish Escapes, GSI Certifications, and SalMar's own indicators for feed (FFDR and use of marine raw materials), degree of processing, site-specific environment and freshwater consumption.

We believe that our procedures provide us with an adequate basis for our conclusion.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to Sustainability reporting for 2020, in order for the Sustainability reporting to be in accordance with the Criteria.

EY Building a better working world

Trondheim, 9 April 2021
Ernst & Young AS

Christian Ronæss
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

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