

QUARTERLY REPORT

Second quarter 2019



Passion for Salmon

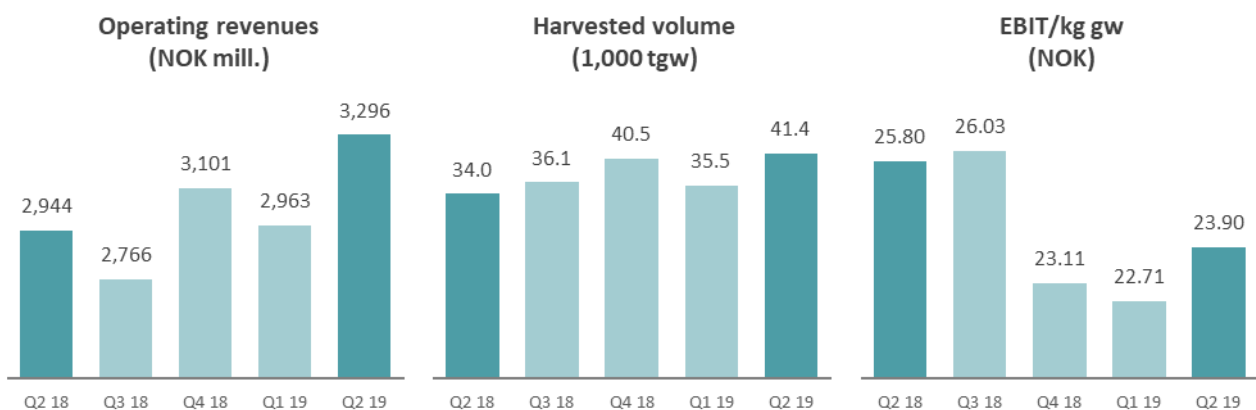


HIGHLIGHTS IN THE SECOND QUARTER

- Total Operational EBIT of NOK 990 million, with an EBIT per kg of NOK 23.90.
 - Good biological performance, lower costs and strong price achievement by Fish Farming Central Norway.
 - Operationally challenging quarter for Fish Farming Northern Norway resulted in a slightly weaker than expected performance.
 - Price achievement by Sales and Processing affected by premature harvesting in Northern Norway.
- Forecast for 2019 of 145,000 tonnes harvested in Norway and 10,000 in Iceland maintained.

KEY FIGURES – GROUP

NOK million	Q2 2019	Q2 2018	1H 2019	1H 2018	FY 2018
Operating revenue	3,296.3	2,944.0	6,259.7	5,475.0	11,342.6
Operational EBIT	989.8	878.6	1,795.9	1,586.8	3,460.8
Operational EBIT %	30.0 %	29.8 %	28.7%	29.0 %	30.5 %
Fair value adjustments	175.8	25.5	2.9	177.1	845.8
Profit/loss from associates	51.2	78.8	79.9	136.3	252.9
Profit/loss before tax	1,152.5	967.6	2,003.9	1,881.0	4,452.6
EPS – diluted	7.95	6.78	14.31	13.11	31.60
NIBD	2,903.8	2,516.0	2,903.8	2,516.0	1,527.7
Equity ratio %	50.9 %	51.8 %	50.9 %	51.8 %	60.4 %
Harvested volume (1,000 t _{gw})	41.4	34.0	76.9	65.9	142.5
EBIT/kg gw (NOK)	23.90	25.80	23.35	24.07	24.29





FINANCIAL PERFORMANCE

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

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

Revenues and results for the second quarter 2019

SalMar's biological performance in the quarter was strong, with consequently lower costs and good price achievement in its largest segment, Fish Farming Central Norway. However, Fish Farming Northern Norway had a more challenging quarter. As expected, a substantially higher volume was harvested in Central Norway than in the same period last year, while Northern Norway harvested a slightly lower volume than in the same period last year.

The SalMar Group harvested 41,400 tonnes of salmon in the second quarter 2019, compared with 35,500 tonnes in the first quarter this year and 34,000 tonnes in the second quarter 2018.

In addition, Norskott Havbruk (Scottish Sea Farms) harvested a total of 5,800 tonnes, compared with 4,800 tonnes in the previous quarter and 6,200 tonnes in the second quarter 2018. SalMar owns 50 per cent of Norskott Havbruk.

According to the NASDAQ Salmon Index, the price of salmon in the second quarter 2019 averaged NOK 62.68 per kg, up NOK 0.55 from the previous quarter, but down from the same period last year, when the price of salmon averaged NOK 68.81 per kg.

SalMar generated gross operating revenues of NOK 3,296.3 million in the second quarter 2019, compared with NOK 2,963.4 million in the first quarter this year and NOK 2,944.0 million in the second quarter 2018.

The Group made an Operational EBIT of NOK 989.8 million in the period, up from NOK 806.2 million in the previous quarter and from NOK 878.6 million in the second quarter 2018.

As a result, the SalMar Group achieved an Operational EBIT per kg of NOK 23.90 in the second quarter 2019, compared with NOK 22.71 per kg in the first quarter this year and NOK 25.80 in the second quarter 2018.

Please see the segment results for further details.

SalMar's most important key figure for measuring its performance under IFRS is Operational EBIT. This shows the result of the Group's underlying operations during the period. Specific items not associated with underlying operations are presented on separate lines.

Fair value adjustments boosted the quarter's recognised operating profit by NOK 175.8 million. The fair value of the standing biomass rose by NOK 149.6 million in the quarter, while changes in unrealised losses on contract, financial Fish Pool contracts and currency positions had a net

positive effect on profits of NOK 26.2 million. See Note 4 for further details.

Operating profit in the second quarter 2019 therefore came to NOK 1,165.6 million, up from NOK 633.3 million in the previous quarter and NOK 904.1 million in the second quarter last year. Operating profit in the second quarter 2018 was boosted by fair value adjustments totalling NOK 25.5 million.

Associates contributed with NOK 51.2 million in the period, compared with NOK 78.8 million in the same quarter last year. The contribution recognised in the quarter derives largely from SalMar's share of the profit/loss in Norskott Havbruk. The decrease compared with the same period last year is attributable to a lower harvested volume, combined with slightly lower prices and slightly higher costs.

Net interest expenses totalled NOK 35.0 million in the second quarter 2019, up from 25.1 million in the same period last year. The change is largely attributable to the implementation of IFRS 16 and consolidation of Arnarlax. Other financial items came to NOK -29.3 million in the quarter, compared with NOK 9.8 million in the second quarter last year.

SalMar made a profit before tax of NOK 1,152.5 million in the second quarter 2019, compared with NOK 967.6 million in the same period in 2018.

A tax expense of NOK 235.9 million has been calculated for the period, such that the Group's net profit for the second quarter 2019 totalled NOK 916.5 million. The tax expense in the corresponding period in 2018 came to NOK 204.6 million, with net profit for the period totalling NOK 763.0 million.

Revenues and results for the first half of 2019

The SalMar Group generated gross operating revenues of NOK 6,259.7 million in the first six months of 2019, up from NOK 5,475.0 in the corresponding period in 2018.

Excluding Norskott Havbruk, the Group harvested 76,900 tonnes in the first half-year. In the corresponding period last year, the Group harvested 65,900 tonnes, excluding both Norskott Havbruk and Arnarlax.

According to the NASDAQ Salmon Index, the price of salmon averaged NOK 62.40 per kg in the first six months of 2019, compared with NOK 64.59 per kg in the same period last year.



Operational EBIT for the first half of 2019 totalled NOK 1,795.9 million, up from NOK 1,586.8 million in the same period last year. This gives an Operational EBIT per kg of NOK 23.35, compared with NOK 24.07 per kg in the first six months of 2018. The improved result is attributable to a higher volume harvested.

Fair value adjustments boosted first-half profits by NOK 2.9 million. As a result, operating profit for the first six months of 2019 totalled NOK 1,798.9 million. Operating profit for the first half of 2018 totalled NOK 1,763.9 million, after a positive contribution from fair value adjustments of NOK 177.1 million.

Associates contributed NOK 79.9 million in the first half of 2019, compared with NOK 136.3 million in the corresponding period last year. The contribution derives largely from Norscott Havbruk, whose lower harvested volume in the second quarter, combined with lower prices and slightly higher costs explains the reduction compared with last year.

Net interest expenses totalled NOK 72.1 million in the first half of 2019, compared with NOK 48.1 million in the same period last year. Net other financial items totalled NOK 197.2 million in the period. This figure is largely composed of the realised gain recognised in connection with Arnarlax's change in status from associate to subsidiary. See Notes 5 and 8 for further details. In the corresponding period last year, net other financial items totalled NOK 28.9 million. As a result, profit before tax in the first six months of 2019 came to NOK 2,003.9 million. Profit before tax in the first half of 2018 totalled NOK 1,881.0 million.

Tax for the first six months of 2019 has been calculated at NOK 375.1 million, such that the Group's net profit for the period totals NOK 1,628.9 million.

The Group's net profit for the first six months of 2018 came to NOK 1,484.6 million, following a recognised tax expense of NOK 396.4 million.

Cash flow

(Figures in parentheses are for the same period last year)

The SalMar Group generated a cash flow from operating activities of NOK 1,323.2 million in the second quarter 2019 (NOK 832.6 million).

Net cash flow from investing activities totalled NOK -231.4 million in the period (NOK -441.21 million). This figure largely comprises NOK 261.6 million invested in property, plant and equipment and NOK 43.9 million in dividends received from the associates Norscott Havbruk and Yufish.

Investments in the upkeep of the Group's fish farming facilities accounted for NOK 93.3 million of the amount invested, the expansion of its smolt capacity accounted for NOK 26.7 million, while the construction of InnovaNor and upgrades at InnovaMar and Vikenco accounted for NOK 68.7 million. Investments in R&D and upgrades to the Ocean Farm 1 facility accounted for NOK 39.1 million. Capacity and day-to-day maintenance investments in Iceland totalled NOK 39.3 million.

The Group's net cash flow from financing activities in the quarter totalled NOK -868.2 million (NOK -724.1 million). During the period, a dividend of NOK 2,617.2 million (NOK 2,147.2 million) was paid. At the same time, SalMar's

interest-bearing debt rose by NOK 1,895.9 million (NOK 1,448.2 million). Net interest paid came to NOK 35.0 million in the quarter (NOK 25.1 million). During the quarter, SalMar's shareholding in Arnarlax rose as a result of a compulsory offer to non-controlling interests. The consideration paid, NOK 111.9 million, is included in financing activities.

This gave SalMar a positive net cash flow of NOK 223.6 million in the first quarter 2019 (NOK -332.6 million). Adjusted for foreign exchange effects, this boosted the Group's overall holding of cash and cash equivalents by NOK 221.5 million. At the close of the period, therefore, SalMar had a cash holding of NOK 363.9 million (NOK 157.1 million).

For the first six months of 2019, the SalMar Group generated a net cash flow from operating activities of NOK 2,123.1 million (NOK 1,464.8 million). Net cash flow from investing activities totalled NOK -603.0 million (NOK -559.8 million), while cash flow from financing activities totalled NOK -1,392.3 million (NOK -922.3 million). In consequence, the Group had a positive net cash flow of NOK 127.8 million in the first half of 2019 (NOK -17.3 million).

Financial position

At the close of the first six months of 2019, SalMar's balance sheet totalled NOK 17,083.3 million, compared with NOK 15,135.6 million at the close of 2018 and NOK 13,469.4 million at the close of the first half of 2018.

The book value of the Group's property, plant and equipment rose by NOK 143.6 million through the second quarter to NOK 3,876.4 million, up from NOK 3,591.5 million as at 31 December 2018 and NOK 3,596.0 million as at 30 June 2018. Investments are made in accordance with established plans, including the expansion of smolt production capacity and general maintenance, as well as development of the new harvesting plant in Northern Norway, InnovaNor.

At the close of the period, the Group had current assets totalling NOK 7,258.7 million, up from NOK 6,924.6 million at the close of 2018 and from NOK 5,448.7 million at the same point last year.

The book value of inventory rose by NOK 27.9 million in the quarter. The fair value of the biomass rose by NOK 149.6 million in the period, as a result of higher biomass than at the close of the previous quarter. The decrease in production costs is attributable to a slight reduction in the volume of the standing biomass in the quarter.

At the close of the second quarter 2019, the Group had trade receivables totalling NOK 735.6 million, up from NOK 630.1 million at the close of 2018 and NOK 649.8 million at the same point last year. Other short-term receivables came to NOK 293.9 million, up from NOK 289.4 million at the close of 2018 and NOK 243.1 million at the same point last year.

At the close of the quarter, the SalMar Group had a total cash holding of NOK 363.9 million, up from NOK 239.6 million as at 31 December 2018 and NOK 157.1 million as at 30 June 2018.

As at 30 June 2019, the Group had a total equity of NOK 8,695.5 million, which corresponds to an equity ratio of 50.9 per cent. For further details, see the table showing movements in equity during the period.



At the close of the period, the SalMar Group had an interest-bearing debt of NOK 3,267.7 million. Of this amount, long-term debt to credit institutions totalled NOK 3,108.6 million, while short-term interest-bearing debt totalled NOK 159.0 million.

Implementation of IFRS 16 Leases has resulted in the recognition of NOK 656.0 million in leasing liabilities. Long-term leasing liabilities relating to InnovaMar account for NOK 313.6 million of this amount. Other long-term leasing liabilities come to NOK 207.6 million, while short-term leasing liabilities total NOK 134.8 million.

Other current liabilities rose by NOK 318.2 million in the second quarter 2019 to NOK 2,775.1 million. This is largely attributable to a NOK 235.3 million increase in trade payables and a NOK 199.1 million increase in tax provisions.

At the close of the second quarter 2019, the SalMar Group had a net interest-bearing debt of NOK 2,903.8 million, an increase of NOK 1,376.1 million compared with the figure at the close of 2018 and up from NOK 2,516.0 million as at 30 June 2018.

OPERATIONAL PERFORMANCE

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

Fish Farming Central Norway

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

NOK million	Q2 19	Q2 18	1H 19	1H 18
Operating revenue	1,580	1,092	2,757	2,469
Operational EBIT	730	496	1,203	1,026
Operational EBIT%	46.2%	45.4%	43.6%	41.6%
Harvested volume (1 000 t _{gw})	24.6	16.7	42.8	38.9
EBIT/kg gw (NOK)	29.73	29.74	28.10	26.35

Fish Farming Central Norway harvested 24,600 tonnes of salmon in the second quarter 2019, compared with 16,700 tonnes in the same quarter last year.

Although prices were lower than in the second quarter last year, the increase in volume helped to boost operating revenues from NOK 1,092.4 million to NOK 1,580.3 million.

The bulk of the fish harvested by the segment in the second quarter were transferred to sea farms in the spring of 2018. This generation has performed well biologically and achieved good growth, which resulted in lower costs than in the previous quarter and the corresponding quarter last year. At the same time, price achievement was strong, due to a higher average weight than in the previous quarter.

Operational EBIT per kg gutted weight came to NOK 29.73 in the second quarter this year. This is up from NOK 25.91 per kg in the first quarter and on a par with the second quarter 2018.

SalMar will continue to harvest the spring-2018 generation in the third quarter, and expects a slightly higher volume and costs at the same level.

In 2019 as a whole Fish Farming Central Norway expects to harvest 97,000 tonnes an increase of 2,000 tonnes from the forecast issued at the close of the previous quarter.

Fish Farming Northern Norway

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

NOK million	Q2 19	Q2 18	1H 19	1H 18
Operating revenue	867	1,208	1,767	1,770
Operational EBIT	307	581	655	812
Operational EBIT%	35.4%	48.1%	37.1%	45.9%
Harvested volume (1 000 t _{gw})	14.1	17.4	29.2	27.0
EBIT/kg gw (NOK)	21.80	33.40	22.45	30.06

Fish Farming Northern Norway harvested some 14,100 tonnes of salmon in the second quarter 2019. This is 3,300 tonnes less than in the same period last year.

The segment generated operating revenues of NOK 866.7 million in the quarter, compared with NOK 1,208.5 million in the second quarter 2018. The decrease in revenues is linked to the decrease in the volume harvested, as well as lower price achievement which was primarily due to a lower average weight.

The segment performed weaker than expected. The bulk of the fish harvested in the second quarter were transferred to sea farms in the autumn of 2017. These fish were harvested earlier than planned due to the risk posed by an algae bloom at the end of May. In addition, some fish from the spring-2018 generation were harvested earlier than planned due to illness and the risk of illness. Premature harvesting resulted in the fish having a lower average weight and therefore achieving a lower price at a higher cost. Price achievement was also affected by the fact that the algae situation in Northern Norway forced several fish farmers to harvest their stocks, causing a higher volume of salmon in the market.

Operational EBIT per kg came to NOK 21.80 in the second quarter 2019, down from NOK 33.40 per kg in the same period last year.

SalMar expects the continuing harvest of the spring-2018 generation to result in a substantially lower volume in the third quarter, with correspondingly higher costs. However, the company expects improvements in both volume and costs in the fourth quarter this year.

In 2019 as a whole Fish Farming Northern Norway expects to harvest 48,000 tonnes a decrease of 2,000 tonnes from the previous forecast issued at the close of the previous quarter.



Arnarlax

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

NOK million	Q2 19	Q2 18	1H 19*	1H 18
Operating revenue	177	78	310	218
Operational EBIT	26	3	51	-38
Operational EBIT %	14.8%	3.3%	16.6%	-17.2%
Harvested volume (1 000 tgw)	2.8	1.0	4.9	3.5
EBIT/kg gw (NOK)	9.43	2.70	10.45	-10.65

* Figures for the first half of 2019 apply to the period from February 2019 following Arnarlax's consolidation into SalMar's financial statements. The figures for 2018 are unconsolidated

SalMar increased its shareholding in Arnarlax from 41.95 per cent to 54.23 per cent by means of a share purchase in February 2019. Following the compulsory offer this triggered, SalMar further increased its shareholding to 61.77 per cent in April 2019. See also events after the balance sheet date. Arnarlax was treated as an associate up to and including January 2019. With effect from February this year, it has been recognised as a separate segment. The impact of the transaction on the financial statements is discussed in Note 5.

Arnarlax harvested around 2,800 tonnes of salmon in the second quarter this year, compared with 1,000 tonnes in the same period in 2018.

The company generated gross revenues of NOK 177.2 million in the quarter, up from NOK 78.2 million in the same period last year.

The fish harvested in the period were transferred to sea farms in 2017. The segment made good progress during the period, but the result was negatively affected by the fact that no fish were harvested in June, which led to higher fixed costs per kilo.

Arnarlax's Operational EBIT came to NOK 26.2 million in the quarter. This is a significant improvement on the NOK 2.6 million achieved in the same period last year. A high mortality rate and high costs for the biomass harvested negatively affected last year's second quarter result.

Operational EBIT per kg gutted weight therefore came to NOK 9.43 in the second quarter 2019, compared with NOK 11.77 per kg in the previous quarter and NOK 2.70 per kg in the second quarter last year.

Arnarlax will continue to harvest the 2017 generation in the third quarter. The company expects the volume harvested to be slightly lower, with costs at about the same level.

The company expects to harvest some 10,000 tonnes in 2019 as a whole. This forecast is unchanged from that issued at the close of the previous quarter.

Sales and Processing

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

NOK million	Q2 19	Q2 18	H1 19	H1 18
Operating revenue	3,152	3,002	5,972	5,526
Operational EBIT	0.4	-150	15	-165
Operational EBIT%	0.0%	-5.0%	0.2%	-3.0%

The Sales and Processing segment generated a total of NOK 3,152.0 million in gross operating revenues in the second quarter 2019, up from NOK 3,001.9 million in the corresponding period last year.

The segment sells the Group's entire harvested volume in Norway.

The segment's Operational EBIT showed a profit of NOK 0.4 million in the second quarter 2019, compared with a loss of NOK 150.1 million in the second quarter last year. The segment's Operational EBIT in the first quarter this year showed a profit of NOK 14.3 million.

The decrease from the previous quarter is largely attributable to lower price achievement, primarily as a result of the premature harvesting of volumes in Northern Norway which resulted in low average weights.

Operationally, both the harvesting and processing plants performed satisfactorily. Increased volumes have helped boost capacity utilisation and improved operating efficiency.

Around 27,200 tonnes were harvested at InnovaMar during the period, compared with 23,600 tonnes in the previous quarter and 31,600 tonnes in the second quarter last year.

As at 22 August, around 27 per cent of the volume to be harvested in the third quarter will be sold under contract. The contract rate for the remaining volume in 2019 is around 20 per cent. This is a lower rate than at the same point last year, though the contract prices are slightly higher.

Eliminations

Research and development (R&D) costs are included as eliminations in the segments' reported results. Of a total harvested volume of 41,400 tonnes in the second quarter 2019, R&D costs accounted for NOK 1.18 per kg.



Associates

Norskott Havbruk

Norskott Havbruk is recognised as an associate, with SalMar's share (50 per cent) of the company's profit/loss after tax (and fair value adjustment of the biomass) being recognised as financial income. The figures in the table below reflect the company's overall performance.

NOK million	Q2 19	Q2 18	1H 19	1H 18
Operating revenues	407	479	813	998
Operational EBIT	106	174	216	348
Operational EBIT%	26.1%	36.3%	26.6%	34.8%
Fair value adj. biomass	21	16	-32	23
Profit before tax	124	190	180	368
SalMar's share after tax	49	76	74	152
Harvested volume (1 000 tgw)	5.8	6.2	10.6	12.7
EBIT/kg gw (NOK)	18.37	27.98	20.36	27.31

Norskott Havbruk generated gross operating revenues of NOK 407.4 million in the second quarter 2019, compared with NOK 405.2 million in the first quarter this year and NOK 479.3 million in the second quarter last year. The year-on-year decrease is attributable largely to lower volumes and prices.

Norskott Havbruk harvested around 5,800 tonnes of fish in the quarter, compared with 4,800 tonnes in the first quarter this year and 6,200 tonnes in the second quarter last year. SalMar's share of the volume harvested came to 2,900 tonnes.

Norskott Havbruk posted slightly weaker results in the second quarter 2019. Operations during the quarter were affected by the earlier-than-planned harvesting of fish to reduce the risk of biological issues. This resulted in a lower average weight for the fish harvested, which affected both costs and price achievement.

Contract sales accounted for 47 per cent of the company's volume.

Operational EBIT per kg gutted weight came to NOK 18.37 in the second quarter, compared with NOK 22.78 per kg in the previous quarter and NOK 27.98 per kg in the same period last year.

The company expects to harvest around 30,000 tonnes in 2019 as a whole. This forecast is unchanged from that issued at the close of the previous quarter.

MARKETS

Supply and biomass

In the second quarter 2019, the global supply of Atlantic salmon totalled approx. 600,700 tonnes, an increase of 8 per cent on the same period last year.

At 308,000 tonnes, Norway's output in the quarter was 9 per cent higher than in the same period last year. Some 161,800 tonnes were harvested in Chile during the quarter, 6 per cent more than in the same period in 2018. The

largest percentage increase came in the UK, where production in the second quarter rose by 7,200 tonnes or 20 per cent compared with the year before. Producers in the Faeroes harvested 18,400 tonnes, up 5 per cent on the same period last year.

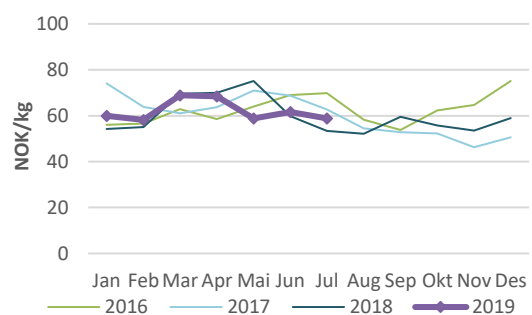
At the close of the second quarter 2019, the standing biomass in Norway is estimated to be 5.6 per cent larger than at the same point in 2018. Chile's biomass is estimated to have grown by 3.9 per cent, the Faeroes' by 9.5 per cent and the UK's by 19.9 per cent, according to data from Kontali.

Prices and exchange rates

The price of Atlantic salmon fell sharply in May, before picking up again slightly in June.

According to the NASDAQ Salmon Index, the price of salmon averaged NOK 62.68 per kg in the second quarter, down from NOK 68.81 per kg in the second quarter 2018.

NASDAQ Salmon Index NOK/kg



The rate of exchange for the Norwegian currency (NOK) fluctuated against the most important trading currencies for salmon during the second quarter 2019. It strengthened against the USD and GBP by 0.9 per cent and 3.9 per cent, respectively. However, it weakened against the EUR by 0.4 per cent.

Norwegian exports

Norway exported around 296,300 tonnes (round weight) of salmon in the second quarter this year. This is an increase of 9 per cent on the 272,300 tonnes exported in the second quarter 2018. Since prices were slightly lower, the value of these exports in NOK rose by just 7 per cent.

A substantial processing industry makes Poland the largest individual market for Norwegian salmon. Around 38,800 tonnes were exported to this market in the second quarter, up 9 per cent on the same quarter last year. Countries like Denmark and Spain also increased their purchases of Norwegian salmon during the period, by 23 per cent and 15 per cent, respectively. Denmark is now the second-largest export market at 27,500 tonnes. Exports to France fell by 13 per cent compared with the same period last year, to 26,100 tonnes.



OTHER MATTERS

Offshore strategy

In January 2019, pilot production at the Ocean Farm 1 installation was concluded. The project has produced promising results, despite unwanted incidents. The fish grew to a good size and were of uniformly good quality. Few salmon lice were observed and no delousing treatments were necessary. SalMar incorporated the lessons learned from the pilot phase in its preparations for the transfer of a new generation of smolt, which took place in August 2019. The company expects to harvest these fish in the autumn of 2020.

In February 2019, SalMar, through its interest in MariCulture AS, was granted eight development licences by the Norwegian Directorate of Fisheries for the further development of the Smart Fish Farm concept. This is a deepwater installation, designed specifically for the farming of fish in the open ocean. Each of the development licences is for 780 tonnes MAB.

The Smart Fish Farm is intended to operate in significantly more exposed locations and has twice the capacity of the Ocean Farm 1 installation. Furthermore, the unit will be equipped with advanced technology which, in addition to being more eco-friendly, will contribute to better fish health. Development of the Smart Fish Farm is proceeding as planned.

InnovaNor

Construction of the new harvesting and processing plant in Northern Norway, InnovaNor, is proceeding as planned. The facility is an important strategic investment for SalMar. It will strengthen the Group's position in Northern Norway and will substantially boost its flexibility and capacity to harvest fish at the terms of the biology.

At the same time, this will increase the Group's secondary processing capacity in Northern Norway, and facilitate increased value creation in the region.

In the second quarter 2019, expenses totalling NOK 38.7 million accrued in connection with the facility's construction. Expenditure so far this year totals NOK 59.7 million. Groundwork was completed in August, with construction scheduled to commence at the start of September this year. InnovaNor is expected to go into operation in 2021.

Expansion of hatchery capacity

In the salmon farming business, access to good-quality smolt of an optimal size is vital to achieve high performance throughout the value chain.

The Group currently has a number of projects underway to expand capacity at several of its facilities, including the expansion of the hatchery at Follafooss, which is expected to go into operation in the autumn of 2019. The Group is also planning to increase output at its hatchery in Senja. The projects are progressing well and are on schedule.

Arnarlax

SalMar has increased its shareholding in Arnarlax through the first half of 2019. First from 41.95 per cent to 54.23 per cent by means of a share purchase in February. This triggered a compulsory offer to buy out non-controlling interests, which resulted in a further increase to 61.77 per cent in April. See also events after the balance sheet date.

Financing

In June 2019, SalMar successfully renegotiated a term loan which had fallen due for payment that month. The new term loan is for NOK 1 billion, with an instalment profile of 8.5 years and a term of 3+1+1 years. Financial covenants are unchanged from the previous term loan. See the 2018 annual report for details of the financial covenants.

ORGANISATION

In January this year, SalMar announced that Trine Sæther Romuld (50) had been appointed CFO & COO. Ms Romuld took up her appointment on 1 July 2019.

SHARES AND SHAREHOLDERS

At the close of the first quarter 2019, SalMar had a total of 113,299,299 shares outstanding, divided between 5,735 shareholders.

The company's major shareholder, Kverva Industrier AS, owns 52.46 per cent of the shares. The 20 largest shareholders own a total of 74.92 per cent of the shares. SalMar ASA is now the 20th largest shareholder with 561,003 shares, corresponding to 0.50 per cent of the total number of shares outstanding as at 30 June 2019.

SalMar's share price fluctuated between NOK 355.50 and NOK 435.30 in the second quarter 2019. The final price at the close of the quarter was NOK 370.90, compared with NOK 413.80 at the close of the previous quarter. This corresponds to a 10 per cent decrease in the share price during the period.

A total of 17.5 million share were traded during the quarter, just over 15 per cent of the total number of shares outstanding. The average volume traded daily was just over 302,200 shares.

SalMar held its annual general meeting for 2019 on 5 June. All the board's proposals and the nomination committee's recommendations were adopted. The AGM approved payment of a dividend of NOK 23.00 per share. SalMar ASA's shares were quoted ex-dividend from and including 6 June 2019.

TRANSACTIONS WITH RELATED PARTIES

During the period, no changes or transactions involving related parties were undertaken, over and above ordinary operations, that have had a material impact on the Group's financial position or results.



MATERIAL RISK FACTORS AND UNCERTAINTIES IN THE COMING HALF-YEAR

Managing risk is a key part of the management team's day-to-day responsibilities. The Group has systems and routines in place to monitor key risk factors in all business areas, and great emphasis is placed on the control and follow-up of facilities in accordance with quality and certification standards.

The follow-up and control of risk factors, as well as compliance with the Group's values and code of conduct, take place in the line as part of day-to-day operations.

For a general description of SalMar's most important risk factors, please see the company's 2018 annual report.

Operational risk

The largest operational risk factors are associated with biological development during smolt production and marine-phase fish farming.

SalMar has, over time, built up a good response capacity to enable it to successfully handle biological challenges. In Central Norway, InnovaMar puts us in a strong position to harvest fish at the terms of the biology. InnovaNor, SalMar's new harvesting and processing plant, which is under construction in Northern Norway, will give the company increased flexibility and reserve capacity in this region, thus reducing the risk.

Through the first six months of 2019, SalMar has harvested fish in Northern Norway earlier than planned. The company has taken this proactive step to reduce the risks posed by algae blooms and disease. In the short term, measures of this type have a negative impact on the financial results, but reduce the risk of greater biological challenges further ahead. The premature harvesting of the spring-2018 generation in this region will continue on into the third quarter this year, and is therefore expected to impair the segment's performance in that period as well.

Price risk

The price of salmon has remained at a consistently high level over the past few quarters. Moderate growth in the supply of Atlantic salmon in the time ahead continues to be expected, and the outlook for continued high salmon prices is considered good. However, salmon prices have, historically, proved highly volatile, with major fluctuations occurring within relatively short intervals. The global salmon market is primarily a fresh-fish market, where the bulk of the fish harvested is immediately sold on to processing companies or consumers. Demand has been growing steadily for several years, while the growth in supply has been more varied from year to year.

In addition to the planned production volume, defined by the transfer of smolt to seagoing fish farms, supply is also affected by a number of external factors. Fluctuations in sea temperatures, salmon lice numbers and outbreaks of disease are all factors which directly or indirectly affect the fish's growth and thereby the overall supply. As a result, relatively large variations in supply may arise within short periods of time. With demand relatively stable, this can cause prices to swing substantially. Since a high proportion of the output is aimed at the spot market, any movements in price will have an immediate impact on the company's earnings. SalMar continually assesses how to balance the proportion of spot and contract sales. The contract rate for the last six months of 2019 currently stands at around 20 per cent.

EVENTS AFTER THE BALANCE SHEET DATE

On 14 August 2019, SalMar sold a small tranche of its shares in Arnarlax, equivalent to 2.4 per cent, to Icelandic interests.



OUTLOOK

Markets

Developments in the global supply of Atlantic salmon are expected to hold steady, with Kontali forecasting growth of 6 per cent in the third quarter 2019 and 5 per cent in the fourth.

Growth in Norway is estimated to be 3 per cent, while output from Chile and the UK is expected to grow by 7 per cent and 16 per cent, respectively. Output from North America is predicted to remain largely unchanged.

For 2019 as a whole, the supply of Atlantic salmon is expected to grow by 6 per cent or around 143,000 tonnes. Some 38 per cent of this increase will come from Norway.

The prospect of continued strong demand, combined with moderate growth in supply is expected to result in good market prices for Norwegian salmon going forward. This is supported by Fish Pool forward prices indicating, as at 20 August 2019, an average salmon price for September and October of NOK 54.80 and NOK 54.25 per kg, respectively. The price for the fourth quarter of 2019 is forecast to average NOK 56.00 per kg.

Company

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

The contract rate stands at approx. 27 per cent for the third quarter and 20 per cent for the second half-year as a whole.

SalMar expects a slightly higher level of costs and a slightly lower harvested volume in the third quarter, compared with the second quarter. The company still expects to harvest 145,000 tonnes in Norway and 10,000 tonnes in Iceland in 2019 as a whole, but increases their expectations from Central Norway to 97,000 tonnes and decreases expectations to 48,000 tonnes from Northern-Norway.

Board of Directors of SalMar ASA,

Frøya, 22 August 2019



STATEMENT FROM THE BOARD OF DIRECTORS

We declare that, to the best of our knowledge, the half-year financial statements for the period 1 January to 30 June 2019 have been prepared in accordance with IAS 34 – Interim Reporting, and that the information contained therein provides a true and fair view of the Group’s assets, liabilities, financial position and overall results.

We further declare that, to the best of our knowledge, the half-year report provides a true and fair view of important events that have taken place during the accounting period and their impact on the half-year financial statements, as well as the most important risks and uncertainties facing the business in the forthcoming accounting period.

The Board of Directors and CEO of SalMar ASA
Frøya, 22 August 2019

Atle Eide
Chair

Margrethe Hauge
Director

Helge Moen
Director

Trine L. Danielsen
Director

Kjell A. Storeide
Director

Brit Elin Soleng
Director (employee-elected)

Jon Erik Rosvoll
Director (employee-elected)

Olav-Andreas Ervik
CEO

INCOME STATEMENT

<i>NOK million</i>	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Operating income	3,296.3	2,944.0	6,259.7	5,475.0	11,342.6
Cost of goods sold	1,442.2	1,270.8	2,773.5	2,324.0	4,585.5
Payroll expenses	301.7	265.2	587.8	505.0	1,040.4
Other operating expenses	398.5	408.0	774.3	816.5	1,768.0
EBITDA	1,153.9	1,000.0	2,124.1	1,829.4	3,948.6
Depreciations and write-downs	164.2	121.4	328.2	242.7	487.8
Operational EBIT	989.8	878.6	1,795.9	1,586.8	3,460.8
Fair value adjustment	175.8	25.5	2.9	177.1	845.8
Operational profit	1,165.6	904.1	1,798.9	1,763.9	4,306.6
Income from investments in associates	51.2	78.8	79.9	136.3	252.9
Net interest costs	-35.0	-25.1	-72.1	-48.1	-105.1
Other financial items	-29.3	9.8	197.2	28.9	-1.9
Profit before tax	1,152.5	967.6	2,003.9	1,881.0	4,452.6
Tax	235.9	204.6	375.1	396.4	873.3
Net profit for the period	916.5	763.0	1,628.9	1,484.6	3,579.2
<i>Items to be reclassified to profit and loss in subsequent periods:</i>					
Change in translation diff. associates	-25.8	-24.2	-29.2	-43.6	-5.6
Change in translation diff. associates - reclassified to result	-	-	-4.4	-	-
Change in translation diff. subsidiaries	-2.0	0.6	-3.6	-2.7	4.9
Total comprehensive income	888.7	739.5	1,591.7	1,438.3	3,578.5
<i>Allocation of the periods net profit:</i>					
Non-controlling interests	19.1	-2.4	12.5	5.8	10.8
Shareholders in SalMar ASA	897.5	765.5	1,616.3	1,478.8	3,568.4
Earnings per share (NOK)	7.96	6.80	14.34	13.14	31.70
Earnings per share - diluted	7.95	6.78	14.31	13.11	31.60



BALANCE SHEET – GROUP

NOK million	30.06.2019	31.03.2019	31.12.2018	30.06.2018
ASSETS				
Intangible fixed assets	4,546.3	4,544.0	3,404.0	3,383.0
Tangible fixed assets	3,876.4	3,732.7	3,591.5	3,596.0
Right-of-use assets	611.4	641.7		
Financial fixed assets	790.5	809.8	1,215.5	1,041.8
Total fixed assets	9,824.6	9,728.2	8,210.9	8,020.8
Inventory	5,865.3	5,837.4	5,765.5	4,398.6
Accounts receivables	735.6	622.3	630.1	649.8
Other short-term receivables	293.9	319.5	289.4	243.1
Cash and cash equivalents	363.9	142.3	239.6	157.1
Total current assets	7,258.7	6,921.5	6,924.6	5,448.7
TOTAL ASSETS	17,083.3	16,649.7	15,135.6	13,469.4
EQUITY AND LIABILITIES				
Paid-in equity	620.7	607.8	597.4	577.9
Reserves	7,434.6	9,159.1	8,450.7	6,311.6
Minority interests	640.2	756.0	91.7	87.0
Total equity	8,695.5	10,522.9	9,139.8	6,976.5
Provisions for liabilities	1,689.1	1,654.3	1,533.3	1,402.3
Int. bearing long-term liabilities	3,108.6	738.7	1,019.1	2,337.5
Long-term leasing liabilities	521.2	545.9		
Total long-term liabilities	5,318.9	2,938.9	2,552.4	3,739.9
Int. bearing short-term liabilities	159.0	598.0	748.2	335.6
Short-term leasing liabilities	134.8	133.0		
Other short-term liabilities	2,775.1	2,456.9	2,695.1	2,417.5
Total short-term liabilities	3,069.0	3,188.0	3,443.3	2,753.1
TOTAL EQUITY AND LIABILITIES	17,083.3	16,649.7	15,135.6	13,469.4

The Board of Directors and CEO of SalMar ASA
Frøya, 22 August 2019

Atle Eide
Chair

Helge Moen
Director

Kjell A. Storeide
Director

Margrethe Hauge
Director

Trine L. Danielsen
Director

Brit Elin Soleng
Director (employee-elected)

Jon Erik Rosvoll
Director (employee-elected)

Olav-Andreas Ervik
CEO

CASH FLOW

NOK million	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Profit before tax	1,152.5	967.6	2,003.9	1,881.0	4,452.6
Tax paid in period	-3.3	-2.7	-22.6	-14.1	-672.8
Depreciation	164.2	121.4	328.2	242.7	487.8
Share of profit/loss from associates	-51.2	-78.8	-79.9	-136.3	-252.9
Realized gains on exit associate	-	-	-225.9	-	-
Change in fair value adjustments	-175.8	-25.5	-2.9	-177.1	-845.8
Change in working capital	182.1	-161.1	27.8	-388.1	-500.5
Other changes	54.7	11.8	94.6	56.7	113.4
Net cash flow from operating activities	1,323.2	832.6	2,123.1	1,464.8	2,781.6
Net cash flow from investing activities	-231.4	-441.1	-603.0	-559.8	-833.8
Change in interest-bearing debt	1,895.9	1,448.2	1,408.9	1,272.9	367.1
Dividend paid out	-2,617.2	-2,147.2	-2,617.2	-2,147.2	-2,147.2
Interest paid	-35.0	-25.1	-72.1	-48.1	-105.1
Aquisition of non-controlling interests	-111.9	-	-111.9	-	-5.0
Net cash flow from financing activities	-868.2	-724.1	-1,392.3	-922.3	-1,890.2
Net change in cash for the period	223.6	-332.6	127.8	-17.3	57.7
Foreign exchange effects	-2.0	0.6	-3.6	-2.7	4.8
Cash in the beginning of the period	142.3	489.1	239.6	177.1	177.1
Cash at the end of the period	363.9	157.1	363.9	157.1	239.6

CHANGES IN EQUITY

2019	Share capital	Treasury shares	Share premium	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
Equity as at 01.01.19	28.3	-0.1	415.3	153.9	46.9	8,403.9	91.7	9,139.8
Net profit for the year						1,616.3	12.5	1,628.9
Comprehensive income					-37.2		0.0	-37.2
Total comprehensive income for the year	0.0	0.0	0.0	0.0	-37.2	1,616.3	12.5	1,591.7
<i>Transactions with shareholders</i>								
Dividend						-2,593.0	-24.2	-2,617.2
Additions non-controlling interests							670.0	670.0
Aquisition of non-controlling interests						-1.6	-110.4	-111.9
Options granted				23.3				23.3
Other changes						-0.8	0.5	-0.3
Sum transactions with shareholders	0.0	0.0	0.0	23.3	0.0	-2,595.3	535.9	-2,036.1
Equity as at 30.06.19	28.3	-0.1	415.3	177.2	9.7	7,424.9	640.2	8,695.5
2018	Share capital	Treasury shares	Share premium	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
Equity as at 01.01.18	28.3	-0.2	415.3	114.2	47.6	6,974.9	88.1	7,668.1
Net profit for the year						3,568.4	10.8	3,579.2
Comprehensive income					-0.7			-0.7
Total comprehensive income for the year	0.0	0.0	0.0	0.0	-0.7	3,568.4	10.8	3,578.5
<i>Transactions with shareholders</i>								
Dividend paid						-2,138.4	-8.8	-2,147.2
Options granted				39.7				39.7
Deferred tax options						3.2		3.2
Redeemed options treasury shares		0.0				0.0		0.0
Other changes						-4.1	1.7	-2.5
Sum transactions with shareholders	0.0	0.0	0.0	39.7	0.0	-2,139.4	-7.2	-2,106.8
Equity as at 31.12.18	28.3	-0.1	415.3	153.9	46.9	8,403.9	91.7	9,139.8



SEGMENT INFORMATION

NOK million	Farming Central Norway	Farming Northern Norway	Sales and Processing	Arnarlax (Iceland)	Eliminations	Group
Q2 2019						
Operating income (NOK mill.)	1,580.3	866.7	3,152.0	177.2	-2,479.8	3,296.3
Operational EBIT (NOK mill.)	730.4	306.6	0.4	26.2	-73.8	989.8
Operational EBIT %	46.2 %	35.4 %	0.0 %	14.8 %		30.0 %
Harvested volume (1,000 t _{gw})	24.6	14.1		2.8		41.4
EBIT/ kg gw (NOK)	29.73	21.80		9.43		23.90
Q2 2018						
Operating income (NOK mill.)	1,092.4	1,208.5	3,001.9		-2,358.8	2,944.0
Operational EBIT (NOK mill.)	495.5	580.7	-150.1		-47.5	878.6
Operational EBIT %	45.4 %	48.1 %	-5.0 %			29.8 %
Harvested volume (1,000 t _{gw})	16.7	17.4				34.0
EBIT/ kg gw (NOK)	29.74	33.40				25.80
YTD 2019						
Operating income (NOK mill.)	2,756.8	1,766.9	5,971.7	310.1	-4,545.9	6,259.7
Operational EBIT (NOK mill.)	1,203.1	655.1	14.7	51.4	-128.3	1,795.9
Operational EBIT %	43.6 %	37.1 %	0.2 %	16.6 %		28.7 %
Harvested volume (1,000 t _{gw})	42.8	29.2		4.9		76.9
EBIT/ kg gw (NOK)	28.10	22.45		10.45		23.35
YTD 2018						
Operating income (mill.)	2,468.6	1,769.5	5,526.4		-4,289.6	5,475.0
Operational EBIT (mill.)	1,026.1	811.5	-165.3		-85.5	1,586.8
Operational EBIT %	41.6 %	45.9 %	-3.0 %			29.0 %
Harvested volume (1,000 t _{gw})	38.9	27.0				65.9
EBIT/ kg gw (NOK)	26.35	30.06				24.07
FY 2018						
Operating income (mill.)	5,962.0	2,645.0	11,432.0		-8,696.5	11,342.6
Operational EBIT (mill.)	2,533.3	1,153.9	-12.8		-213.6	3,460.8
Operational EBIT %	42.5 %	43.6 %	-0.1 %			30.5 %
Harvested volume (1,000 t _{gw})	100.1	42.4				142.5
EBIT/ kg gw (NOK)	25.31	27.24				24.29

KEY FIGURES – GROUP

	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Number of shares (diluted) - end of period (mill.)	112.946	112.844	112.951	112.826	112.935
Earnings per share (NOK)	7.96	6.80	14.34	13.14	31.70
Earnings per share - diluted (NOK)	7.95	6.78	14.31	13.11	31.60
EBITDA %	35.0 %	34.0 %	33.9 %	33.4 %	34.8 %
Operational EBIT %	30.0 %	29.8 %	28.7 %	29.0 %	30.5 %
EBIT %	35.4 %	30.7 %	28.7 %	32.2 %	38.0 %
Profit before tax %	35.0 %	32.9 %	32.0 %	34.4 %	39.3 %
Cash flow per share - diluted (NOK)	11.7	7.4	18.8	13.0	24.6
Net interest bearing debt (mill.)	2,903.8	2,516.0	2,903.8	2,516.0	1,527.7
Equity ratio %	50.9 %	51.8 %	50.9 %	51.8 %	60.4 %

Earnings per share = Earnings after tax/ average numbers of shares

Earnings per share - diluted = Earnings after tax/ average number of shares - diluted

Earnings before tax % = Earnings before tax/ operating income

Cash flow per share - diluted = Cash flow from operating activities/ average number of shares - diluted

Equity ratio = Equity/ total assets



NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Accounting principles

This report has been prepared in accordance with International Financial Reporting Standards (IFRS), including the standard for interim reporting (IAS 34). The same accounting principles and calculation methods used in the last year-end financial statements have been used here. With effect from 1 January 2019, the Group has implemented IFRS 16 Leases (see Note 9 for further details). Apart from this, no accounting principles have been altered or other standards implemented during the period. Please refer to the Group's latest IFRS year-end financial statements, which are published on the Group's website under Investor Relations (www.salmar.no), for a complete description of the accounting principles.

This interim report has not been subject to external audit.

Note 2 - The company's 20 largest shareholders

Shareholder	Shares	%
KVERVA INDUSTRIER AS	59,436,137	52.46 %
FOLKETRYGDFONDET	6,828,764	6.03 %
State Street Bank and Trust Comp	2,627,404	2.32 %
MORGAN STANLEY AND CO INT PLC	1,902,470	1.68 %
State Street Bank and Trust Comp	1,701,618	1.50 %
LIN AS	1,274,620	1.12 %
VERDIPAPIRFONDET DNB NORGE (IV)	1,113,495	0.98 %
CLEARSTREAM BANKING S.A.	1,111,607	0.98 %
State Street Bank and Trust Comp	1,022,483	0.90 %
Livforsakringsbolaget Skandia Omse	909,263	0.80 %
JPMorgan Chase Bank, N.A., London	836,122	0.74 %
JPMorgan Chase Bank, N.A., London	828,411	0.73 %
JPMorgan Chase Bank, N.A., London	797,890	0.70 %
AB SIC I LOW VOL EQU PORTF	741,535	0.65 %
HANDELSBANKEN Nordiska Smabolag	710,000	0.63 %
Pictet & Cie (Europe) S.A.	645,194	0.57 %
JPMorgan Chase Bank, N.A., London	635,738	0.56 %
State Street Bank and Trust Comp	621,273	0.55 %
J.P. Morgan Bank Luxembourg S.A.	578,119	0.51 %
SALMAR ASA	561,003	0.50 %
Top 20	84,883,146	74.92 %
Others	28,416,853	25.08 %
Total	113,299,999	100.00 %

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

Book value of inventory	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Raw materials	145.5	120.0	135.5	121.2
Biological assets	5,354.5	5,361.6	5,305.6	4,113.3
Finished goods	365.3	355.8	324.3	164.1
Total	5,865.3	5,837.4	5,765.5	4,398.6

Fair value adjustment of biological assets	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Historic cost	3,227.5	3,384.3	3,269.9	2,831.3
Fair value adjustment of the biomass	2,126.9	1,977.3	2,035.7	1,282.0
Book value	5,354.5	5,361.6	5,305.6	4,113.3

Raw materials largely comprise feed for smolt and marine-phase fish production. Raw materials used in secondary processing, as well as packaging materials, are also included. Stocks of biological assets are associated with SalMar's fish farming operations on land and at sea.

Finished goods comprise whole salmon, fresh and frozen, as well as processed salmon products.

Biological assets in further detail

The treatment for accounting purposes of live fish is regulated by IAS 41 Agriculture. IAS 41 contains a methodological hierarchy for the measurement of biological assets for accounting purposes. The main rule is that such assets must be measured at fair value.

The company's stocks of live fish are recognised at fair value in accordance with IAS 41. Present value is calculated on the basis of estimated revenues less production costs remaining until the fish at the individual sites are harvestable. A fish is harvestable when it has reached the estimated weight required for harvesting specified in the company's budgets and plans. The estimated value is discounted to present value on the balance sheet date.

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

The Group applies a monthly discount rate of 7 per cent for operations in Norway and 6 per cent for the operation in Iceland. The discount rate reflects the biomass's capital cost, risk and a synthetic licencing fee and site rental cost. The discount rates in the two regions are not the same because of the difference in the areas' natural preconditions for biological production, which therefore requires differentiation in the recognised synthetic licence fee and site rental cost.

Smolt are recognised at cost.

Note 4 - Fair Value Adjustments

Fair value adjustments are part of the Group's operating profit/loss, but changes in fair value are presented on a separate line to provide a better understanding of the Group's profit/loss on the sale of goods. The item Fair Value Adjustments comprises:

	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Change in fair value of the biomass	149.6	9.6	-67.8	181.1	934.8
Change in provisions for onerous contracts	0.7	50.0	3.9	3.4	30.0
Unrealised change in value of Fish Pool contracts	-2.4	-8.5	-4.0	-35.9	-31.4
Unrealised changes in the value of currency and forward currency contracts	27.9	-25.6	70.8	28.5	-87.6
Fair value adjustments recognised in profit and loss	175.8	25.5	2.9	177.1	845.8



Note 5 - Business combinations

Business acquisitions in 2019

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

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

Located in the Westfjords of Iceland, Arnarlax is the country's largest salmon farmer. It was established in 2009 and harvested its first fish in 2016. The company is a fully integrated salmon farming enterprise, with its own smolt production facilities, sea farms, wellboat, harvesting plant and sales force. Strategically, the transaction represents a natural step forward for SalMar, which aims to further develop Arnarlax and salmon farming in Iceland in the time ahead. SalMar paid NOK 179,777,000 for the shares, which corresponds to NOK 55 per share. The allocation of this consideration is presented below, but cannot be deemed final.

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

Effect of acquisition on the consolidated balance sheet:	Book value	Adjustment to fair value	Fair value
Licences	221.5	901.4	1,122.9
Property, plant & equipment	332.0	-	332.0
Other non-current assets	20.5	-	20.5
Biological assets	525.3	-	525.3
Other current assets	64.4	-	64.4
Cash & cash equivalents	4.6	-	4.6
Deferred tax assets/liabilities	22.5	-180.3	-157.8
Other non-current liabilities	-301.6	-	-301.6
Current liabilities	-146.5	-	-146.5
Net identifiable assets and liabilities	742.6	721.1	1,463.8
Fair value of shares before controlling interest obtained			-614.0
Non-controlling interests			-670.0
Cash consideration			179.8

Subsequent change in non-controlling interests

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

Business acquisitions in 2018

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

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

Note 6 - Changes in non-controlling interests

Changes in non-controlling interests 2018

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

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

	<i>Norskott Havbruk</i>	<i>Arnarlax</i>	<i>Others</i>	<i>TOTAL</i>
Opening balance 01.01.2019	761.0	401.8	25.2	1,188.0
Additions costs	-	-	24.0	24.0
Additions through acquisitions	-	-	20.5	20.5
Share of year's profit/loss	74.0	0.6	5.3	79.9
Other items in comprehensive income	-19.0	-10.0	-0.2	-29.2
Dividend received	-125.0	-	-1.9	-126.9
Exit	-	-392.5	-	-392.5
Closing balance 30.06.2019	691.0	0.0	72.8	763.8

2019

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

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

Up until 1 February 2019, SalMar had a significant influence over Arnarlax, which was recognised as an associate in accordance with the equity method. During the period, SalMar increased its shareholding in the company from 41.49 per cent to 54.23 and further 61.77 per cent in April, which gave it a controlling influence. On the date SalMar obtained a controlling influence, its shareholding in the associate was deemed to have been realised. See Note 5 for further details of this transaction.

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

Note 8 - Interest and other financial items

	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Net interest expenses, ex. interest on leasing liabilities	-22.1	-14.7	-46.0	-27.2	-63.4
Interest expenses relating to leasing liabilities*	-12.9	-10.4	-26.1	-20.9	-41.7
Gain on sale of shares TS share realised	-	-	225.9	-	-
Other net financial items	-29.3	9.8	-28.7	28.9	-1.9
Net interest and other financial items	-64.4	-15.3	125.1	-19.2	-107.0

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

Note 9 - IFRS 16 Leases

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

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

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

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

On the date of implementation, 1 January 2019, the Group's capitalised leasing liabilities increased by NOK 369.3 million, with a corresponding increase in the Group's right-to-use assets of NOK 369.3 million.