

QUARTERLY REPORT

Third quarter 2019



Passion for Salmon

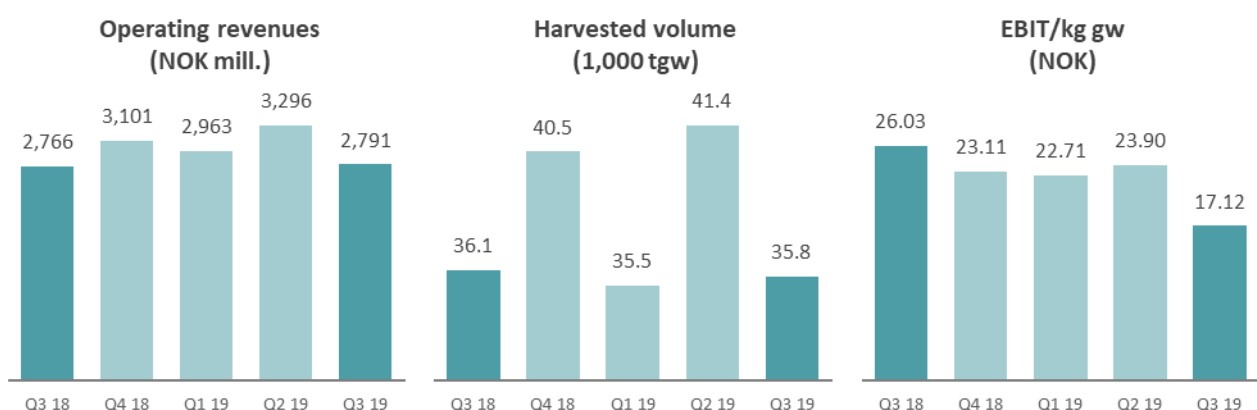


HIGHLIGHTS FOR THE THIRD QUARTER

- Operational EBIT for the Group of NOK 614 million, with an EBIT per kg of NOK 17.12
 - Satisfactory result for Fish Farming Central Norway, but somewhat higher costs due to the start-up of harvesting the autumn-2018 generation
 - As expected, Fish Farming Northern Norway had an operationally challenging quarter, with high costs and weak results
 - Sales and Processing's price achievement was good in a period of sharply declining prices, and the segment posted a strong result
- Forecast of 145,000 tonnes in Norway and 10,000 tonnes in Iceland for 2019 maintained.
- Expect a harvested volume of 152,000 tonnes in Norway and 10,000 tonnes in Iceland for 2020

KEY FINANCIALS – GROUP

NOK million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Operating revenue	2,791.2	2,766.4	9,050.9	8,241.5	11,342.6
Operational EBIT	613.5	939.1	2,409.5	2,525.9	3,460.8
Operational EBIT %	22.0%	33.9%	26.6%	30.6%	30.5%
Fair value adjustments	-254.3	255.0	-251.4	432.1	845.8
Profit/loss from associates	-39.0	34.4	40.9	170.7	252.9
Profit/loss before tax	263.1	1,205.3	2,267.0	3,086.2	4,452.6
EPS – diluted	1.79	8.17	16.10	21.27	31.60
NIBD	2,727.2	1,327.1	2,727.2	1,327.1	1,527.7
Equity ratio %	51.8%	55.3%	51.8%	55.3%	60.4%
Harvested volume (1 000 tgw)	35.8	36.1	112.8	102.0	142.5
EBIT/kg gw (NOK)	17.12	26.03	21.37	24.76	24.29



FINANCIAL PERFORMANCE

In the first quarter 2019, SalMar increased its shareholding in Arnarlax to more than 50 per cent, effective from 1 February 2019. As a result, Arnarlax was reported as an associate in January, and consolidated into the accounts from 1 February 2019. Comparable numbers for 2018 have not been restated accordingly.

A new accounting standard, IFRS 16 Leases, came into effect 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 numbers for 2018 have not been restated accordingly. See Note 9 to the financial statements for further details.

Results for the third quarter of 2019

The SalMar Group's results for the third quarter of 2019 were affected by the weak performance of Fish Farming Northern Norway. The Group's largest business segment, Fish Farming Central Norway, posted a satisfactory result. Its operations in Iceland, Arnarlax, also made a positive contribution and performed well. During a quarter in which prices fell sharply, SalMar's Sales and Processing segment achieved good prices, with good distribution of the harvested volume through the period and higher positive contribution from fixed-price contracts.

In the third quarter of 2019, the SalMar Group harvested 35,800 tonnes of salmon, compared with 41,400 tonnes in the second quarter of 2019 and 36,100 tonnes in the third quarter of 2018.

In addition, Norskott Havbruk (Scottish Sea Farms) harvested a total of 10,000 tonnes, compared with 5,800 tonnes in the previous quarter and 8,100 tonnes in the third quarter of 2018. SalMar owns 50 per cent of Norskott Havbruk.

The price of salmon (NASDAQ Salmon Index) for the third quarter 2019 averaged NOK 49.71 per kg, down from an average price of NOK 62.68 per kg in the second quarter and from NOK 54.80 per kg in the same period last year.

SalMar generated gross operating revenues of NOK 2,791.2 million for the third quarter of 2019, compared with NOK 3,296.3 million for the second quarter of this year and NOK 2,766.4 million for the third quarter of last year.

The Group's Operational EBIT came to NOK 613.5 million for the quarter, down from NOK 989.8 million for the previous quarter and from NOK 939.1 million for the same quarter last year. The decrease is attributable largely to the weak results posted by the segment Fish Farming Northern Norway, as well as the decline in prices during the quarter.

The SalMar Group achieved an Operational EBIT per kg of NOK 17.12 for the quarter, down from NOK 23.90 per kg for the second quarter and NOK 26.03 for the third quarter last year.

Please see the segment results for further details.

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

Fair value adjustments reduced the recognised operating profit by NOK 254.3 million in the quarter. The fair value of the standing biomass decreased by NOK 195.8 million in the quarter, while changes in unrealised losses on contracts,

financial contracts and currency positions reduced profits by a combined total of NOK 58.5 million. See Note 4 for further details.

Operating profit for the third quarter of 2019 therefore totalled NOK 359.2 million, down from NOK 1,165.6 million for the second quarter and from NOK 1,194.1 million for the third quarter of last year.

Operating profit for the third quarter of 2018 was boosted by fair value adjustments totalling NOK 225.0 million.

Associated companies made a negative contribution of NOK -39.0 million for the quarter, compared with a positive contribution of NOK 51.2 million for the previous quarter and NOK 34.4 million for the same quarter last year. The contribution is mainly from SalMar's share of the financial result of Norskott Havbruk, whose weak EBIT and negative fair value adjustments had a negative impact on operating profit.

Net interest expenses totalled NOK 42.8 million for the period, up from NOK 35.0 million for the previous quarter and from NOK 29.3 million for the third quarter last year. The increase from last year is largely attributable to the implementation of IFRS 16. Other financial items totalled NOK -14.3 million for the quarter, compared with NOK 6.1 million for the third quarter last year.

Profit before tax for the third quarter of 2019 came to NOK 263.1 million, down from NOK 1,152.5 million for the second quarter and from NOK 1,205.3 million for the third quarter of 2018.

A tax expense of NOK 70.6 million has been calculated for the period, such that the Group's net profit for the third quarter of 2019 totals NOK 192.4 million. The comparable numbers for the third quarter of 2018 were a tax expense of NOK 269.3 million and a net profit of NOK 936,0 million.

Results for the first nine months of 2019

The SalMar Group generated operating revenues of NOK 9,050.9 million for the first nine months of 2019, up from NOK 8,241.5 million for the corresponding period of 2018.

Excluding Norskott Havbruk, SalMar harvested 112,800 tonnes in the year's first nine months, compared with 102,000 tonnes over the same period last year (excluding Norskott Havbruk and Arnarlax).

The price of salmon (NASDAQ Salmon Index) for the first nine months of 2019 averaged NOK 58.17 per kg, compared with NOK 61.33 per kg for the same period last year.

Operational EBIT for the first three quarters of the year came to NOK 2,409.5 million, compared with NOK 2,525.9



million for the same period last year. This corresponds to an Operational EBIT per kg of NOK 21.37, compared with NOK 24.76 for the same period last year. Excluding Arnarlax, the Group had an operational EBIT of NOK 2,336.2 million for the first nine months of this year, corresponding to an operational EBIT per kg of NOK 22.14.

Fair value adjustments have reduced profits by NOK 251.4 million so far this year. As a result, SalMar's operating profit for the first three quarters of 2019 came to NOK 2,158.1 million. Operating profit for the same period last year totalled NOK 2,958.0 million, following a positive contribution from fair value adjustments of NOK 432.1 million.

SalMar's share of the profit/loss from associates totalled NOK 40.9 million for the period, compared with NOK 170.7 million for the corresponding period last year. The reduction is attributable largely to the weaker results posted by Norskott Havbruk this year compared to last.

Net interest expenses for the first nine months of 2019 totalled NOK 114.9 million, compared with NOK 77.4 million for the same period last year. Net other financial items for the period came to NOK 182.9 million. These largely comprise gains realised in connection with the recognition of Arnarlax as a subsidiary and not as an associated company. See Notes 5 and 8 for further details. For the corresponding period last year, net other financial items totalled NOK 35.0 million.

Profit before tax so far this year, totals NOK 2,267.0 million, compared with NOK 3,086.2 million for the first nine months of last year. A tax expense of NOK 445.7 million has been calculated for the year to date, which results in a net profit of NOK 1,821.3 million.

A tax expense of NOK 665.7 million was recognised for the first nine months of 2018, which resulted in a net profit of NOK 2,420.6 million.

Cash flow

For the third quarter of 2019, the SalMar Group's cash flow from operating activities was positive in the amount of NOK 595.1 million, compared with NOK 1,354.0 million for the third quarter last year.

Net cash flow from investing activities totalled NOK -331.8 million for the period, compared with NOK -134.8 million for the same quarter last year. During the third quarter this year, SalMar invested a total of NOK 402.4 million in property, plant and equipment, and received NOK 84.5 million in dividends from Norskott Havbruk.

Ongoing investments in the maintenance of fish farming facilities and upgrades to Ocean Farm 1 account for NOK 139.7 million on the amount invested. Investments relating to the expansion of SalMar's smolt production capacity came to NOK 146.3 million for the period. NOK 89.4 million of this amount was payment for the purchase of land at Kjörsvikbugen (for further details, see the section headed Transactions with Related Parties). Investments relating to the construction of InnovaNor, the expansion at Vikenco, and upgrades at InnovaMar came to NOK 85.1 million. Investments in R&D totalled NOK 13.4 million. Capacity and ongoing maintenance investments in Iceland came to NOK 32.2 million.

The Group's net cash flow from financing activities totalled NOK -429.9 million for the third quarter of 2019, compared

with NOK -886.0 million for the same quarter last year. The Group's interest-bearing debt was reduced by NOK 387.2 million in the third quarter, while net interest paid totalled NOK 42.8 million. In the same quarter last year, interest-bearing debt was reduced by NOK 856.6 million, while net interest paid totalled NOK 29.3 million.

This gave SalMar a net cash flow of NOK -166.6 million for the period, compared with a positive cash flow of NOK 333.2 million for the same period last year. Adjusted for foreign exchange effects amounting to NOK 0.5 million, this reduced the Group's total holding of cash and cash equivalents by NOK 166.1 million in the period, such that SalMar had a total cash holding of NOK 197.8 million at the close of the quarter.

For the first nine months of the year, the SalMar Group's net cash flow from operating activities totalled NOK 2,718.2 million, compared with NOK 2,818.8 million for the same period last year. Net cash flow from investing activities totalled NOK -934.8 million, compared with NOK -689.6 million for the same period last year, while the total cash flow from financing activities totalled NOK -1,822.2 million, compared with NOK -1,813.3 million last year.

Financial position

As at 30 September 2019, SalMar's balance sheet totalled NOK 17,367.6 million, compared with NOK 15,135.6 million at the close of 2018 and NOK 14,314.4 million at the same point of time in 2018.

The book value of the Group's property, plant and equipment rose by NOK 275.1 million through the quarter to NOK 4,151.5 million, up from NOK 3,591.5 million at 31 December 2018 and from NOK 3,590.7 million at 30 September 2018. Investments are being made in line with previously approved plans. This includes the expansion of smolt production capacity, the new harvesting plant in Northern Norway, InnovaNor, as well as general maintenance.

At the close of the period, the Group's current assets were worth NOK 7,309.3 million, up from NOK 6,924.6 million at the end of 2018 and from NOK 6,249.0 million at the same point last year.

The book value of inventory increased by NOK 251.7 million in the quarter. The fair value of the biomass rose by NOK 224.7 million, as a result of an increase in the volume of the standing biomass compared with the previous quarter.

At the close of the third quarter of 2019, the Group had trade receivables of NOK 665.9 million, an increase from NOK 630.1 million at the close of 2018 and NOK 528.5 million at the same point last year. At the close of the third quarter of 2019, other current receivables totalled NOK 328.6 million, an increase from NOK 289.4 million at 31 December 2018 and NOK 203.7 million at the close of the third quarter last year.

At the close of the quarter, SalMar had a cash holding of NOK 197.8 million, down from NOK 239.6 million as at 31 December 2018 and from NOK 489.4 million as at 30 September 2018.

As at 30 September 2019, the Group had equity totalling NOK 9,000.6 million, equivalent to an equity ratio of 51.8 per cent. For further details, see the table showing movements in equity during the period.

At the close of the period, the SalMar Group's interest-bearing debt totalled NOK 2,925.0 million. Of this amount, long-term debt accounted for NOK 2,394.6 million, while short-term debt accounted for NOK 530.4 million.

Implementation of IFRS 16 Leases has resulted in the recognition of the Group's leasing liabilities as debt. In total, this amounts to NOK 622.5 million. Of this, long-term leasing liabilities account for NOK 499.2 million, while short-term leasing liabilities account for NOK 123.3 million.

Other current liabilities rose by NOK 399.5 million in the quarter to NOK 3,174.6 million. This is largely attributable to an increase in trade payables of NOK 317.6 million and an increase in tax provisions of NOK 115.6 million.

As at 30 September 2019, the SalMar Group's net interest bearing debt totalled NOK 2,727.2 million, up from NOK 1,527.7 million at 31 December 2018 and from NOK 1,327.1 million at the close of the third quarter of 2018.

OPERATIONAL PERFORMANCE

For the third quarter of 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 includes 68 wholly owned operating licences.

NOK million	Q3 19	Q3 18	YTD 19	YTD 18
Operating revenue	1,565	1,916	4,321	4,385
Operational EBIT	544.0	870.7	1,747.1	1,896.8
Operational EBIT%	34.8%	45.4%	40.4%	43.3%
Harvested volume (1 000 tgw)	28.1	32.9	70.9	71.9
EBIT/kg gw (NOK)	19.35	26.45	24.63	26.39

SalMar's Fish Farming Central Norway segment harvested 28,100 tonnes of salmon in the third quarter of 2019, compared with 32,900 tonnes in the same quarter last year.

As a result of the reduced volume harvested, as well as lower prices, operating revenue decreased from NOK 1,915.9 million for the third quarter of 2018 to NOK 1,564.5 million this year.

At the same time, the cost per kg rose in relation to the previous quarter. This was primarily due to the implementation of risk-reducing measures relating to salmon lice. In this connection, SalMar chose to start harvesting fish transferred to the sea in the autumn of 2018 earlier than planned. This had a negative impact on average weight and price achievement. This generation accounted for 18 per cent of the total volume harvested by the segment in the third quarter. The remaining volume was made up of fish transferred to the sea in the spring of 2018, a generation that has performed well biologically and made steady progress from the previous quarter.

EBIT per kg gutted weight for Fish Farming Central Norway came to NOK 19.35 for the third quarter this year. This is down from NOK 29.73 per kg for the second quarter this year and from NOK 26.45 for the third quarter last year.

SalMar will complete the harvesting of the spring-2018 generation in the fourth quarter this year. Fish from the autumn-2018 generation will account for a higher proportion of the overall volume harvested. This is expected to result in a slight reduction in tonnage and somewhat higher costs compared with the third quarter.

SalMar still expects the Fish Farming Central Norway segment to harvest around 97,000 tonnes of salmon in 2019 as a whole.

Fish Farming Northern Norway

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

NOK million	Q3 19	Q3 18	YTD 19	YTD 18
Operating revenue	275.4	175.0	2,042.3	1,944.5
Operational EBIT	5.9	51.1	661.0	862.6
Operational EBIT%	2.1%	29.2%	32.4%	44.4%
Harvested volume (1 000 tgw)	5.4	3.2	34.6	30.2
EBIT/kg gw (NOK)	1.08	16.18	19.10	28.61

SalMar's Fish Farming Northern Norway segment harvested around 5,400 tonnes of salmon in the third quarter 2019. This is 2,200 tonnes more than in the same period last year, but a sharp decrease compared with the previous quarter.

The segment generated operating revenues of NOK 275.4 million for the period, compared with NOK 175.0 million for the third quarter of 2018. The increase in revenues is attributable largely to the higher volume harvested. However, the positive effect of this was moderated by lower salmon prices.

The result from Fish Farming Northern Norway is very weak and is due to previously announced biological challenges with the generation of fish transferred to the sea in the spring of 2018. Illness and the risk of illness has led to fish being harvested earlier than planned. This has had a negative effect on both price achievement and costs. A low volume harvested in the quarter also resulted in higher fixed costs per kg.

EBIT per kg came to NOK 1.08 for the third quarter, down from NOK 16.18 for the same period last year.

As at the close of the third quarter, stocks at the sites with biological challenges are harvested out. A substantially lower per-kg cost level is expected for the fourth quarter, as a result of both a higher harvested volume from sites that have performed better biologically and had lower costs than those sites harvested out in the third quarter.

SalMar expects the Fish Farming Northern Norway segment to harvest around 48,000 tonnes of salmon in 2019 as a whole. This is unchanged from the 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	Q3 19	Q3 18	YTD 19*	YTD 18
Operating revenue	152.3	68.8	462.5	286.8
Operational EBIT	21.9	-31.7	73.3	-69.4
Operational EBIT %	14.4%	-46.2%	15.9%	-24.2%
Harvested volume (1 000 t _{gw})	2.3	1.2	7.2	4.7
EBIT/kg gw (NOK)	9.54	-27.05	10.16	-14.77

* The numbers for YTD 2019 apply from 1 February 2019, the date from which Arnarlax was consolidated into SalMar's financial statements. The results for 2018 are unconsolidated.

In the first quarter of 2019, SalMar increased its holding of shares in Arnarlax to over 50 per cent, with effect for accounting purposes from 1 February. As a result, Arnarlax was reported as an associate in January, and consolidated into SalMar's financial statements and treated as a separate segment with effect from 1 February 2019. Comparable numbers for 2018 have not been restated. The effect of the transaction on the financial statements is presented in Note 5.

Arnarlax harvested around 2,300 tonnes of salmon in the third quarter 2019, compared with 1,200 tonnes in the third quarter last year. Operating revenues for the quarter totalled NOK 152.3 million, compared with NOK 68.8 million for the same quarter last year.

The volume harvested in the third quarter derived from the generation of fish transferred to the sea in 2017. A high average weight for the fish harvested resulted in good price achievement in the quarter. At the same time, costs held steady in relation to the previous quarter.

Arnarlax made an Operational EBIT of NOK 21.9 million for the third quarter of 2019, down from NOK 26.2 million for the previous quarter, but up from NOK -31.7 million for the same period last year. EBIT per kg gutted weight came to NOK 9.54 for the period, slightly up from the NOK 9.43 per kg achieved for the previous quarter, but a substantial improvement from the NOK -27.05 per kg posted for the third quarter of 2018.

Arnarlax will finish harvesting the 2017-generation in the fourth quarter and start harvesting fish from the 2018-generation at the end of December. The volume harvested in the fourth quarter is expected to be slightly lower, while costs are forecasted to remain at the same level.

This year's transfer of smolt has been better than last year, with a lower mortality rate, and the status of the next generations is good. Investment in new smolt capacity continues as planned.

The company expects to harvest around 10,000 tonnes in 2019 as a whole. This is unchanged from the forecast 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. InnoMar is SalMar's main facility for industrial processing. It is located at Frøya, in geographical close connection to Fish Farming Central Norway's operating area.

NOK million	Q3 19	Q3 18	YTD 19	YTD 18
Operating revenue	2,725	2,828	8,697	8,354
Operational EBIT	102.3	73.1	116.9	-92.2
Operational EBIT%	3.8%	2.6%	1.3%	-1.1%

SalMar's sales and processing activities generated total operating revenues of NOK 2,724.9 million for the third quarter, down from NOK 3,152.0 million for the previous quarter and from NOK 2,827.7 million for the corresponding period last year.

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

Sales and Processing posted an Operational EBIT of NOK 102.3 million for the period, up from NOK 0.4 million for the second quarter this year and from NOK 73.1 million for the third quarter last year.

During a period with falling prices, good operational performance for both the harvesting and processing, as well as favourable placement of sales in the market, has given a good result. In addition, realised gains on fixed-price contracts has made a positive contribution.

A total of 28,500 tonnes were harvested at InnoMar during the period, compared with 27,200 tonnes in the previous quarter and 44,400 tonnes in the third quarter last year. The contract rate for the third quarter was 25 per cent.

As at 13 November 2019, the contract rate for the fourth quarter of 2019 stands at around 20 per cent. This is a lower rate than at the same point last year, but the contracts have a somewhat higher price level.

Eliminations

Research and development (R&D) costs are included as eliminations in the segments' reported results. Of a total harvested volume of 35,800 tonnes in the third quarter of 2019, R&D costs accounted for NOK 1.11 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 numbers in the table below reflect the company's overall performance.

NOK million	Q3 19	Q3 18	YTD 19	YTD 18
Operating revenues	630	547	1,442	1,545
Operational EBIT	26.8	155.7	242.6	503.2
Operational EBIT%	4.3 %	28.4 %	16.8 %	32.6 %
Fair value adj. biomass	-125.4	-82.8	-157.4	-59.9
Profit before tax	-103.5	69.8	76.6	438.0
SalMar's share after tax	-40.1	29.9	33.9	182.3
Harvested volume (1 000 t _{gw})	10.0	8.1	20.5	20.8
EBIT/kg gw (NOK)	2.69	19.25	11.81	24.18

Norskott Havbruk generated operating revenues of NOK 629.5 million for the third quarter of 2019, compared with NOK 407.4 million for the second quarter this year and NOK 547.3 million for the third quarter of 2018. The year-on-year increase is attributable largely to a higher volume of fish harvested.

In total, Norskott Havbruk harvested around 10,000 tonnes in the quarter, compared with 5,800 tonnes in the second quarter this year and 8,100 tonnes in the third quarter of 2018. SalMar's share of the harvested volume came to 5,000 tonnes.

Norskott Havbruk posted a weak result for the third quarter of 2019. Operational performance from the activities at Shetland and Scotland has been affected by earlier than planned harvest of fish due to illness. This has reduced the average weight of the fish harvested and affected both costs and price achievement negatively.

The contract rate for the quarter stood at 30 per cent.

EBIT per kg gutted weight came to NOK 2.69 for the period, compared with NOK 18.37 per kg for the previous quarter and NOK 19.25 per kg for the same period last year.

Due to the biological challenges, the company expects to harvest some 27,000 tonnes in 2019 as a whole. This is a reduction of 3,000 tonnes since the forecast provided at the close of the previous quarter.

MARKETS

Supply and biomass

The global supply of Atlantic salmon for the third quarter for 2019 totalled approx. 687,400 tonnes, an increase of 13 per cent on the same period last year.

Output in Norway during the quarter rose by 11 per cent on the year before to end at 358,300 tonnes. In Chile, 184,300 tonnes were harvested in the quarter, 13 per cent more than in the corresponding period in 2018. In the UK, output rose by 27 per cent compared with the third quarter of 2018 to end at 50,400 tonnes, while the Faeroes harvested

20,100 tonnes, 62 per cent more than in the same period last year.

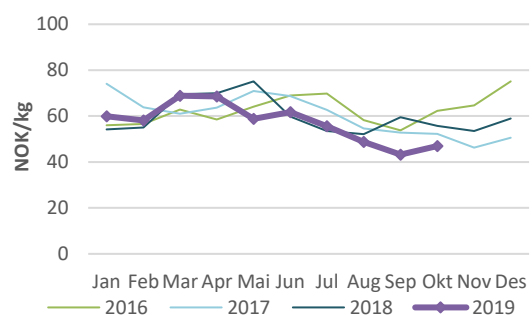
At the close of the third quarter 2019, the standing biomass in Norway is estimated to be 6.7 per cent larger than at the same point in 2018. Correspondingly, the biomass in Chile is up by 4.0 per cent, in the Faeroes by 0.4 per cent and in the UK by 8.8 per cent, according to data from Kontali.

Prices and exchange rates

The price of Atlantic salmon fell through large parts of the third quarter, from NOK 58.46 per kg (NASDAQ Salmon Index) at the start of the quarter to NOK 41.96 per kg at its close.

The price of salmon averaged NOK 49.71 per kg during the period, down from NOK 54.82 per kg in the third quarter 2018.

NASDAQ Salmon Index NOK/kg



During the quarter, the Norwegian currency (NOK) weakened against the most important trading currencies for salmon. The NOK weakened against the EUR, USD and GBP by 2.1 per cent, 6.7 per cent and 3.3 per cent, respectively, compared with the second quarter this year.

Norwegian exports

Norway exported around 342,000 tonnes of salmon (round weight) in the third quarter this year, up 10 per cent from 312,000 tonnes in the same period last year. However, because prices were lower, the value of Norway's exports measured in NOK rose by just 5 per cent.

A substantial processing industry has made Poland the largest individual market for Norwegian salmon. In the third quarter of 2019, approx. 50,900 tonnes of salmon were exported to this market, an increase of 9 per cent compared with the same quarter last year. Countries like Denmark and Spain also increased their purchases of Norwegian salmon during the period: by 8 per cent and 16 per cent, respectively. Denmark was once again the second largest market, with exports reaching 31,100 tonnes. Exports to France decreased by 12 per cent to 28 700 tonnes.



OTHER MATTERS

Offshore strategy

In October 2019, SalMar announced the establishment of its subsidiary SalMar Ocean AS, which will have responsibility of offshore fish farming. The new company, will be led by SalMar's former CEO Olav-Andreas Ervik (for further details, see the sections headed Organisation and Events After the Balance Sheet Date).

Through the creation of SalMar Ocean the Group aims to coordinate and strengthen its effort within offshore fish farming. The Group ambition is to maintain its leading position in this area both with relation to technological developments and biological production, thereby contributing to an environmentally sustainable development of Norwegian aquaculture.

SalMar transferred a new cohort of smolt to the offshore facility Ocean Farm 1 in August 2019. This second operating cycle is expected to culminate with the fish being harvested in the autumn of 2020.

At the same time, development work on the more technologically advanced Smart Fish Farm continues. The Smart Fish Farm is a deep-water facility specifically designed for operation in the open ocean. The company has been awarded eight development licences of 780 tonnes MAB each for this purpose. Smart Fish Farm is intended to operate in significantly more exposed locations and has twice the capacity of the Ocean Farm 1 installation. In addition, the Smart Fish Farm will be equipped with advanced technology and instrumentation – with Kongsberg Maritime as partner. This will lay the foundation for digital surveillance of both environment and fish health which can have great impact for the aquaculture industry going forward.

InnovaNor

The 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 company's position in Northern Norway and provide a substantial boost to its flexibility and capacity and at the same time fulfil the value chain in the north through establishment of one of the worlds largest and most advanced processing facilities.

At the same time, it will increase secondary processing capacity in Northern Norway and facilitate value creation and employment in the region. SalMar expects the facility to go into operation in 2021.

Expansion of smolt 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 smolt facility at Follafoss, which is expected to be completed towards the end of the year.

In October 2019, expansion of the smolt facility on Senja in Northern Norway was decided, creating a major competence centre for RAS technology and smolt production in the region. The project has an investment budget of NOK 850 million. Construction is expected to get

underway in the second quarter of 2020, with the first smolt being delivered in 2022.

The company is also considering the construction of a new smolt facility in Tjuin, Trøndelag, and has purchased a plot of land in the area. Proximity to the company's existing facility at Follafoss will create opportunities to build a strong competence centre for smolt production also in this region.

Resource rent tax

The Government appointed committee to examine taxation on production of Atlantic salmon in Norway – including a resource rent tax - submitted its report on 4.11.2019 (NOU 2019: 18). A majority of the members of the committee proposes introducing a so-called resource rent tax ("grunnrenteskatt") of 40 per cent of these food producers' surplus, in addition to the general corporate tax rate of 22 per cent. If the majority's proposal is adopted, this it will have far-reaching consequences for the Norwegian salmon industry, the supplier companies and for the other industrial spillover effects this industry represents in Norway. Although coastal Norwegian sea areas are well suited for the production of Atlantic salmon, competition from other countries is strongly increasing. It has never before been invested as much in both exposed ocean-based and land-based fish farming in many countries as it is now, and a significant proportion of salmon production, where Norway used to be dominant, now takes place in other countries' sea areas. With new aquaculture technology, salmon could be produced within the large markets for Norwegian salmon. This applies to The United States, where billions of NOK are now being invested in land-based farming.

Viewed against this background, there is no doubt that jobs and investments in salmon production will to a greater extent end up in other countries instead of in Norway, and in other industries, if we impose extra taxes on Norwegian food producing companies heavily exposed to competition globally. Norwegian aquaculture is one of the largest contributors to value creation and tax revenues on the Norwegian coast, and in 2018 additionally contributed approx. NOK 4 billion to coastal municipalities and the state on national level through the Aquaculture Fund as compensation for new growth (licenses). The fish farming licenses in Norway are mainly acquired at market prices at all times, to a considerable extent through purchases and sales in the market, as well as remuneration to the public sector. In 2018, SalMar contributed NOK 1,1 billion in taxes and fees from the company and its employees to the state and municipalities. SalMar still wants to be a major contributor to the community as a taxpayer, and as an industrial builder that creates jobs and employment along the Norwegian coast.

The Board of SalMar welcomes the fact that members of the aquaculture tax committee representing LO (Norwegian Confederation of Trade Unions), NHO (Confederation of Norwegian Enterprises) and KS (Norwegian Association of Local and Regional Authorities) jointly are opposed to introducing a resource rent on salmon production. The board is hopeful that this can provide a basis for a broad majority among policymakers so that the aquaculture industry can have stable, reasonable and predictable framework for taxation, as the tax code grants to other industries and businesses in Norway.

ORGANISATION

On 21 October 2019, SalMar announced that Gustav Witzøe became CEO. At the same time, Olav-Andreas Ervik, who had been the Group's CEO up until that point, became managing director of the newly created subsidiary SalMar Ocean AS, with primary responsibility for the Group's development of offshore fish farming.

SHARES AND SHAREHOLDERS

At the close of the third quarter 2019, SalMar had a total of 113,299,299 shares outstanding, divided between 5,657 shareholders.

The company's major shareholder, Kverva Industrier AS, owns 52.46 per cent of its shares. The 20 largest shareholders own a total of 73.73 per cent of the shares. SalMar ASA is now the 19th largest shareholder with 561,003 shares, corresponding to 0.50 per cent of the total number of shares outstanding as at 30 September 2019.

SalMar's share price fluctuated between NOK 372.20 and NOK 452.10 in the third quarter 2019. The final price at the close of the quarter was NOK 399.00, compared with NOK 370.90 at the close of the previous quarter. This corresponds to an 8 per cent increase in the share price during the period.

A total of 15.1 million shares were traded during the quarter, slightly more than 13 per cent of the total number of shares outstanding. The average volume traded daily was just over 228,100 shares.

TRANSACTIONS WITH RELATED PARTIES

During the period, a plot of land was purchased from Wessel Invest AS, near to where SalMar's Kjørsvikbugen smolt facility in Aure is located. NOK 89.4 million was paid in connection with the purchase transaction.

EVENTS AFTER THE BALANCE SHEET DATE

On 21 October 2019, SalMar announced that it was creating a separate subsidiary, SalMar Ocean AS, to handle its engagement in the development of offshore fish farming. In connection with this move, Gustav Witzøe took over as SalMar's Group CEO, while the previous incumbent, Olav-Andreas Ervik, became managing director at SalMar Ocean.

SalMar has strong ambitions to maintain its leading position in the development of offshore fish farming.

OUTLOOK

Markets

Developments in the global supply of Atlantic salmon are expected to be steady, with Kontali estimating 3 per cent growth for the fourth quarter of 2019.

Growth in Norway in the fourth quarter is estimated to be 2 per cent, while Chile is expected to be steady. Output is expected to grow by 6 per cent in the UK and 7 per cent in North America, while output in the Faeroes is expected to fall by 2 per cent in the fourth quarter of 2019.

It is expected that the total supply of Atlantic salmon will grow by 4 per cent from 2019 to 2020, equivalent to an increase of 97,100 tonnes. Around 57 per cent of the total growth is expected to come from Norway.

The outlook for 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's forward prices, which, as at 13 November 2019, indicate an average salmon price for November of NOK 53.50 and for December of NOK 58.50. For the first half of 2020, the price forecast stands at NOK 63.25 per kg. For 2020 as a whole it is NOK 59.75 per kg.

Company

SalMar has a contract rate of around 20 per cent for the fourth quarter 2019.

SalMar expects costs to be at the same level for the fourth quarter compared with the third quarter, where one expects a slight increase in Central Norway, a significant decrease in Northern Norway and at the same level on Iceland/ Arnarlax. The company expects a slightly higher volume in the fourth quarter than this quarter and maintains its forecast to harvest 145,000 tonnes in Norway and 10,000 tonnes in Iceland in 2019.

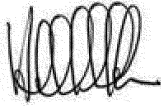
For 2020, SalMar expects a harvested volume of 152,000 tonnes in Norway and 10,000 tonnes in Iceland.

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

In addition, SalMar strengthens its focus on offshore fish farming further through the creation of the subsidiary SalMar Ocean. Fish farming in the open ocean provides excellent opportunities to farm fish on nature's terms, with minimal environmental impact. The board considers that SalMar is well equipped to continue its positive development, both within offshore and traditional farming operations.

The Board of Directors and CEO of SalMar ASA
Frøya, 13 November 2019


Atle Eide
Chair



Margrethe Hauge
Director



Jon Erik Rosvoll
Director (Employee Rep)



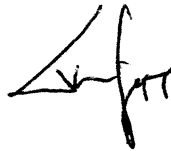
Helge Moen
Director



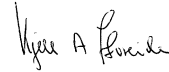
Trine L. Danielsen
Director



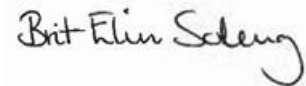
Gustav Witzøe
CEO



Kjell A. Storeide
Director



Brit Elin Soleng
Director (Employee Rep)



INCOME STATEMENT

<i>NOK million</i>	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Operating income	2,791.2	2,766.4	9,050.9	8,241.5	11,342.6
Cost of goods sold	1,326.4	1,004.5	4,099.9	3,328.5	4,585.5
Payroll expenses	289.2	256.3	877.0	761.4	1,040.4
Other operating expenses	377.6	443.7	1,151.8	1,260.2	1,768.0
EBITDA	798.1	1,061.9	2,922.2	2,891.4	3,948.6
Depreciations and write-downs	184.5	122.8	512.7	365.5	487.8
Operational EBIT	613.5	939.1	2,409.5	2,525.9	3,460.8
Fair value adjustment	-254.3	255.0	-251.4	432.1	845.8
Operational profit	359.2	1,194.1	2,158.1	2,958.0	4,306.6
Income from investments in associates	-39.0	34.4	40.9	170.7	252.9
Net interest costs	-42.8	-29.3	-114.9	-77.4	-105.1
Other financial items	-14.3	6.1	182.9	35.0	-1.9
Profit before tax	263.1	1,205.3	2,267.0	3,086.2	4,452.6
Tax	70.6	269.3	445.7	665.7	873.3
Net profit for the period	192.4	936.0	1,821.3	2,420.6	3,579.2
<i>Items to be reclassified to profit and loss in subsequent periods:</i>					
Change in translation diff. associates	22.2	-3.7	-7.0	-47.2	-5.6
Change in translation diff. associates - reclassified to result	-	-	-4.4	-	-
Change in translation diff. subsidiaries	40.3	-0.9	36.8	-3.6	4.9
Total comprehensive income	254.9	931.4	1,846.6	2,369.7	3,578.5
<i>Allocation of the periods net profit:</i>					
Non-controlling interests	-10.4	13.8	2.2	19.6	10.8
Shareholders in SalMar ASA	202.8	922.2	1,819.1	2,400.9	3,568.4
Earnings per share (NOK)	1.80	8.19	16.14	21.33	31.70
Earnings per share - diluted	1.79	8.17	16.10	21.27	31.60



BALANCE SHEET – GROUP

<i>NOK million</i>	30.09.2019	30.06.2019	31.12.2018	30.09.2018
ASSETS				
Intangible fixed assets	4,581.5	4,546.3	3,404.0	3,388.9
Tangible fixed assets	4,151.5	3,876.4	3,591.5	3,590.7
Right-of-use assets	570.2	611.4		
Financial fixed assets	755.1	790.5	1,215.5	1,085.9
Total fixed assets	10,058.3	9,824.6	8,210.9	8,065.5
Inventory	6,117.0	5,865.3	5,765.5	5,027.3
Accounts receivables	665.9	735.6	630.1	528.5
Other short-term receivables	328.6	293.9	289.4	203.7
Cash and cash equivalents	197.8	363.9	239.6	489.4
Total current assets	7,309.3	7,258.7	6,924.6	6,249.0
TOTAL ASSETS	17,367.6	17,083.3	15,135.6	14,314.4
EQUITY AND LIABILITIES				
Paid-in equity	634.9	620.7	597.4	589.1
Reserves	7,687.3	7,434.6	8,450.7	7,230.1
Minority interests	678.4	640.2	91.7	100.5
Total equity	9,000.6	8,695.5	9,139.8	7,919.7
Provisions for liabilities	1,644.9	1,689.1	1,533.3	1,460.1
Int. bearing long-term liabilities	2,394.6	3,108.6	1,019.1	1,081.6
Long-term leasing liabilities	499.2	521.2		
Total long-term liabilities	4,538.7	5,318.9	2,552.4	2,541.7
Int. bearing short-term liabilities	530.4	159.0	748.2	734.9
Short-term leasing liabilities	123.3	134.8		
Other short-term liabilities	3,174.6	2,775.1	2,695.1	3,118.1
Total short-term liabilities	3,828.3	3,069.0	3,443.3	3,853.0
TOTAL EQUITY AND LIABILITIES	17,367.6	17,083.3	15,135.6	14,314.4
Net interest bearing debt	2,727.2	2,903.8	1,527.7	1,327.1
Equity share	51.8 %	50.9 %	60.4 %	55.3 %

CASH FLOW

NOK million	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Profit before tax	263.1	1,205.3	2,267.0	3,086.2	4,452.6
Tax paid in period	-	-	-22.6	-14.1	-672.8
Depreciation	184.5	122.8	512.7	365.5	487.8
Share of profit/loss from associates	39.0	-34.4	-40.9	-170.7	-252.9
Realized gains on exit associate	-	-	-225.9	-	-
Change in fair value adjustments	254.3	-255.0	251.4	-432.1	-845.8
Change in working capital	-203.6	291.2	-175.9	-96.9	-500.5
Other changes	57.8	24.1	152.4	80.8	113.4
Net cash flow from operating activities	595.1	1,354.0	2,718.2	2,818.8	2,781.6
Net cash flow from investing activities	-331.8	-134.8	-934.8	-689.6	-833.8
Change in interest-bearing debt	-387.2	-856.6	1,021.8	416.3	367.1
Dividend paid out	-	-	-2,617.2	-2,147.2	-2,147.2
Interest paid	-42.8	-29.3	-114.9	-77.4	-105.1
Aquisition of non-controlling interests	-	-	-111.9	-5.0	-5.0
Net cash flow from financing activities	-429.9	-886.0	-1,822.2	-1,813.3	-1,890.2
Net change in cash for the period	-166.6	333.2	-38.8	316.0	57.7
Foreign exchange effects	0.5	-0.9	-3.0	-3.6	4.8
Cash in the beginning of the period	363.9	157.1	239.6	177.1	177.1
Cash at the end of the period	197.8	489.4	197.8	489.4	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						1,819.1	2.2	1,821.3
Comprehensive income					11.5		13.8	25.3
Total comprehensive income for the year	0.0	0.0	0.0	0.0	11.5	1,819.1	16.0	1,846.6
<i>Transactions with shareholders</i>								
Dividend						-2,593.0	-24.2	-2,617.2
Additions non-controlling interests							705.2	705.7
Exit of non-controlling interests						-1.6	-110.4	-111.9
Options granted				37.5				37.5
Other changes						0.0	0.0	0.0
Sum transactions with shareholders	0.0	0.0	0.0	37.5	0.0	-2,594.1	570.7	-1,985.8
Equity as at 30.09.19	28.3	-0.1	415.3	191.4	58.4	7,629.0	678.4	9,000.6
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
Q3 2019						
Operating income (NOK mill.)	1,564.5	275.4	2,724.9	152.3	-1,926.0	2,791.2
Operational EBIT (NOK mill.)	544.0	5.9	102.3	21.9	-60.5	613.5
Operational EBIT %	34.8 %	2.1 %	3.8 %	14.4 %		22.0 %
Harvested volume (1,000 t _{gw})	28.1	5.4		2.3		35.8
EBIT/ kg gw (NOK)	19.35	1.08		9.54		17.12
Q3 2018						
Operating income (NOK mill.)	1,915.9	175.0	2,827.7		-2,152.1	2,766.4
Operational EBIT (NOK mill.)	870.7	51.1	73.1		-55.9	939.1
Operational EBIT %	45.4 %	29.2 %	2.6 %			33.9 %
Harvested volume (1,000 t _{gw})	32.9	3.2				36.1
EBIT/ kg gw (NOK)	26.45	16.18				26.03
YTD 2019						
Operating income (NOK mill.)	4,321.4	2,042.3	8,696.6	462.5	-6,471.9	9,050.9
Operational EBIT (NOK mill.)	1,747.1	661.0	116.9	73.3	-188.8	2,409.5
Operational EBIT %	40.4 %	32.4 %	1.3 %	15.9 %		26.6 %
Harvested volume (1,000 t _{gw})	70.9	34.6		7.2		112.8
EBIT/ kg gw (NOK)	24.63	19.10		10.16		21.37
YTD 2018						
Operating income (mill.)	4,384.5	1,944.5	8,354.1		-6,441.7	8,241.5
Operational EBIT (mill.)	1,896.8	862.6	-92.2		-141.4	2,525.9
Operational EBIT %	43.3 %	44.4 %	-1.1 %			30.6 %
Harvested volume (1,000 t _{gw})	71.9	30.2				102.0
EBIT/ kg gw (NOK)	26.39	28.61				24.76
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 FINANCIALS – GROUP

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Number of shares (diluted) - end of period (mill.)	113.008	112.900	112.995	112.890	112.935
Earnings per share (NOK)	1.80	8.19	16.14	21.33	31.70
Earnings per share - diluted (NOK)	1.79	8.17	16.10	21.27	31.60
EBITDA %	28.6 %	38.4 %	32.3 %	35.1 %	34.8 %
Operational EBIT %	22.0 %	33.9 %	26.6 %	30.6 %	30.5 %
EBIT %	12.9 %	43.2 %	23.8 %	35.9 %	38.0 %
Profit before tax %	9.4 %	43.6 %	25.0 %	37.4 %	39.3 %
Cash flow per share - diluted (NOK)	5.3	12.0	24.1	25.0	24.6
Net interest bearing debt (mill.)	2,727.2	1,327.1	2,727.2	1,327.1	1,527.7
Equity ratio %	51.8 %	55.3 %	51.8 %	55.3 %	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	6,733,764	5.94 %
State Street Bank and Trust Comp	2,165,671	1.91 %
State Street Bank and Trust Comp	1,676,849	1.48 %
LIN AS	1,274,620	1.12 %
VERDIPAPIRFONDET DNB NORGE (IV)	1,208,495	1.07 %
CLEARSTREAM BANKING S.A.	1,098,895	0.97 %
The Bank of New York Mellon SA/NV	1,036,271	0.91 %
JPMorgan Chase Bank, N.A., London	906,011	0.80 %
Livforsakringsbolaget Skandia Omse	896,163	0.79 %
JPMorgan Chase Bank, N.A., London	858,797	0.76 %
State Street Bank and Trust Comp	844,710	0.75 %
JPMorgan Chase Bank, N.A., London	834,361	0.74 %
AB SIC I LOW VOL EQU PORTF	801,144	0.71 %
MORGAN STANLEY AND CO INTL PLC	760,635	0.67 %
Pictet & Cie (Europe) S.A.	646,047	0.57 %
State Street Bank and Trust Comp	626,985	0.55 %
JPMorgan Chase Bank, N.A., London	614,986	0.54 %
SALMAR ASA	561,003	0.50 %
HANDELSBANKEN NORDEN	556,900	0.49 %
Top 20	83,538,444	73.73 %
Others	29,761,555	26.27 %
Total	113,299,999	100.00 %

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

Book value of inventory	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Raw materials	173.2	145.5	135.5	120.7
Biological assets	5,579.1	5,354.5	5,305.6	4,706.6
Finished goods	364.7	365.3	324.3	200.0
Total	6,117.0	5,865.3	5,765.5	5,027.3

Fair value adjustment of biological assets	30.09.2019	30.06.2019	31.12.2018	30.09.2018
Historic cost	3,647.3	3,227.5	3,269.9	3,149.1
Fair value adjustment of the biomass	1,931.8	2,126.9	2,035.7	1,557.5
Book value	5,579.1	5,354.5	5,305.6	4,706.6

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:

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Change in fair value of the biomass	-195.8	275.5	-263.6	456.6	934.8
Change in provisions for onerous contracts	0.6	-26.5	4.5	-23.1	30.0
Unrealised change in value of Fish Pool contracts	-9.7	2.2	-13.7	-33.7	-31.4
Unrealised changes in the value of currency and forward currency contracts	-49.4	3.8	21.4	32.3	-87.6
Fair value adjustments recognised in profit and loss	-254.3	255.0	-251.4	432.1	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.

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

Business acquisitions in 2018

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

The acquisition's effect on the balance sheet:	Book value	Fair value adjustments	Fair value
Intangible fixed assets	-	7.2	7.2
Liquidity	0.0	-	0.0
Deferred tax	-	-1.2	-1.2
Liabilities	-2.1	-	-2.1
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

	Norskott Havbruk	Arnarlax	Others	TOTAL
Opening balance 01.01.2019	761.0	401.8	25.2	1,188.0
Additions costs	-	-	24.0	24.0
Additions through acquisitions	-	-	21.4	21.4
Share of year's profit/loss	33.9	0.6	6.4	40.9
Other items in comprehensive income	2.3	-10.0	0.8	-7.0
Dividend received	-209.5	-	-1.9	-211.4
Exit	-	-392.5	-	-392.5
Closing balance 30.06.2019	587.6	0.0	75.8	663.4

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 first quarter 2019, SalMar increased its shareholding in the company from 41.95 per cent to 54.23, 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 Eldisstødin 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

	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Net interest expenses, ex. interest on leasing liabilities	-30.1	-18.9	-83.6	-46.1	-63.4
Interest expenses relating to leasing liabilities*	-12.7	-10.4	-31.3	-31.3	-41.7
Gain on sale of shares TS share realised	-	-	225.9	-	-
Other net financial items	-14.3	6.1	-43.0	35.0	-1.9
Net interest and other financial items	-57.1	-23.2	68.0	-42.4	-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.