

QUARTERLY REPORT

Second quarter 2020



Passion for Salmon

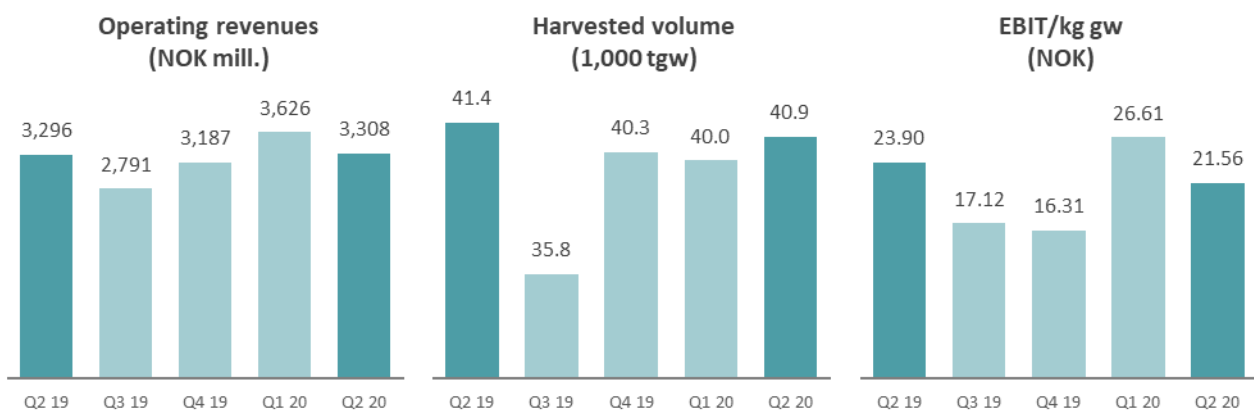


HIGHLIGHTS IN THE SECOND QUARTER

- The Group made an Operational EBIT of NOK 882 million, with an EBIT per kg of NOK 21.56.
- The segments Fish Farming Central Norway and Fish Farming Northern Norway both deliver good results on the back of strong biological performance and operational focus.
- The segment Sales & Processing delivered a good result in a challenging period, due to good allocation of spot sales, good capacity utilisation and a positive contribution from contract sales.
- As expected, Arnarlax in Iceland had a challenging quarter, characterised by high costs and weak price achievement.
- SalMar still expects to harvest 152,000 tonnes in Norway and 12,000 tonnes in Iceland in 2020 as a whole.

KEY FIGURES – GROUP

NOK million	Q2 2020	Q2 2019	1H 2020	1H 2019	FY 2019
Operating revenue	3,307.9	3,296.3	6,933.5	6,259.7	1, 237.6
Operational EBIT	881.9	989.8	1,946.9	1,795.9	3,067.6
Operational EBIT %	26.7 %	30.0 %	28.1 %	28.7 %	25.1 %
Fair value adjustments	698.8	175.8	218.8	2.9	-33.0
Profit/loss from associates	7.8	51.2	-14.7	79.9	118.7
Profit/loss before tax	1,578.2	1,152.5	1,972.8	2,003.9	3,158.4
EPS – diluted	10.44	7.95	14.01	14.31	22.03
NIBD	1,667.9	2,903.8	1,667.9	2,903.8	2,902.1
Equity ratio %	59.7 %	50.9 %	59.7 %	50.9 %	54.2 %
Harvested volume (1,000 tgw)	40.9	41.4	80.9	76.9	153.1
EBIT/kg gw (NOK)	21.56	23.90	24.06	23.35	20.04





FINANCIAL PERFORMANCE

Revenues and results in the second quarter 2020

SalMar achieved a good result in the second quarter 2020 on the back of strong biological performance and operational focus in the Group's Norwegian operations.

The segments Fish Farming Central Norway and Fish Farming Northern Norway posted strong results in the second quarter, reflecting the impressive efforts of employees in all areas of production. Good biological development through the second quarter resulted in lower costs for the harvested biomass and robust margins.

The result posted by the segment Sales and Processing was boosted by a positive contribution from fixed-price contracts during the quarter, as a consequence of falling spot prices. In Iceland, as expected, Arnarlax had a challenging quarter, with high costs for the harvested biomass as a result of biological challenges this winter.

The SalMar Group harvested 40,900 tonnes of salmon in the second quarter 2020, compared with 40,000 tonnes in the first quarter this year and 41,400 tonnes in the second quarter last year.

Norskott Havbruk (Scottish Sea Farms) harvested 6,500 tonnes in the quarter, up from 2,900 tonnes in the previous quarter and from 5,800 tonnes in the second quarter last year. SalMar owns 50 per cent of Norskott Havbruk.

The price of salmon (NASDAQ Salmon Index) in the second quarter 2020 averaged NOK 57.83, down from an average price of NOK 68.50 in the first quarter and NOK 62.68 in the second quarter 2019.

SalMar's consolidated operating revenues in the second quarter 2020 totalled NOK 3,307.9 million, compared with NOK 3,625.6 million in the first quarter this year and NOK 3,296.3 million in the second quarter 2019.

The Group made an Operational EBIT of NOK 881.9 million in the second quarter 2020, compared with NOK 1,065.0 million the quarter before and NOK 989.8 million in the second quarter last year. The decrease is largely attributable to lower salmon prices and a slightly lower volume than in the same period in 2019.

The SalMar Group achieved an Operational EBIT per kg of NOK 21.56 in the second quarter, down from NOK 26.61 in the first quarter this year and from NOK 23.90 in the second quarter 2019.

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 operating profit by NOK 698.8 million in the period. The fair value of the standing biomass rose by NOK 411.6 million in the quarter. This is almost entirely due to a higher estimated future harvested volume at the close of the quarter compared with the previous quarter. Unrealised changes in the value of contracts and financial contracts gave a NOK 16.8 million boost. Changes in unrealised currency and forward

currency contracts added NOK 270.4 million to the quarter's result, due to a strengthening of the Norwegian krone (NOK) during the period. See Note 4 for further details.

Thus, SalMar posted an operating profit (EBIT) of NOK 1,580.6 million in the second quarter 2020, up from NOK 585.0 million the quarter before and NOK 1,165.6 million in the corresponding period in 2019. EBIT in the second quarter 2019 was boosted by fair value adjustments totalling NOK 175.8 million.

Associates contributed NOK 7.8 million during the period, compared with NOK -22.5 million the quarter before and NOK 51.2 million in the second quarter 2019. The contribution this quarter stems largely from SalMar's share of the profit/loss from Norskott Havbruk.

Net interest expenses totalled NOK 35.8 million in the second quarter 2020, down from NOK 42.4 million the quarter before and in line with the NOK 35.0 million posted in the same period in 2019. Net other financial items came to NOK 25.5 million in the quarter, compared with NOK -125.4 million in the first quarter this year and NOK -29.3 million in the same period last year. The change is largely due to positive currency effects.

SalMar made a profit before tax of NOK 1,578.2 million in the second quarter 2020, up from NOK 394.6 million the quarter before and NOK 1,152.5 million in the same period in 2019.

A tax expense of NOK 343.7 million has been calculated for the second quarter 2020, such that the Group's net profit for the quarter totalled NOK 1,234.5 million. In the second quarter 2019, the Group reported a tax expense of NOK 235.9 million and a net profit of NOK 916.5 million.

As a result of the NOK strengthening towards the end of the quarter, NOK -148.9 million in translation differences arose with respect to associates and subsidiaries that are reported in foreign currencies. At the same time, cash flow hedging gave a NOK 61.8 million boost. This reduced the Group's total comprehensive income to NOK 1,147.5 million. The corresponding items came to NOK 303.1 million in the previous quarter and NOK -27.8 million in the second quarter last year.

Revenues and results in the first half of 2020

The SalMar Group generated gross operating revenues of NOK 6,933.5 million in the first six months of 2020, up from NOK 6,259.7 million in the first half of 2019.

Excluding Norskott Havbruk, the Group harvested 80,900 tonnes in the first six months of this year. In the same period last year, the Group harvested 76,900 tonnes.

The price of salmon (NASDAQ Salmon Index) in the first half of 2020 averaged NOK 63.16 per kg, compared with NOK 62.39 per kg in the same period last year.

Operational EBIT for the first six months of 2020 totalled NOK 1,946.9 million, up from NOK 1,795.9 million in the first half of 2019. This gives an Operational EBIT per kg of



NOK 24.06, compared with NOK 23.35 per kg in the first half of 2019.

Fair value adjustments boosted the half-year result by NOK 218.8 million, bringing operating profit for the first six months of 2020 to NOK 2,165.7 million. Operating profit for the first six months of 2019 totalled NOK 1,798.9 million, after a positive contribution from fair value adjustments of NOK 2.9 million in total.

In the first six months of 2020, associates contributed NOK -14,7 million. This stems largely from Norskott Havbruk, where fair value adjustment of the biomass had a negative impact on SalMar's share of profit/loss in the first quarter this year. For the same period last year, the Group received NOK 79.9 million in contributions from associates.

Net interest expenses totalled NOK 78.2 million in the first six months of 2020, compared with NOK 72.1 million in the same period last year. Net other financial items came to NOK -99,9 million in the period. The bulk of this derives from currency effects. In the corresponding period last year, other financial items contributed NOK 197.2 million, which largely comprised realised gains recognised in connection with Arnarlax's transition from associate to subsidiary on 1 February 2019. See Notes 5 and 9 for further details.

SalMar therefore made a profit before tax of NOK 1,972.8 million in the first six months of 2020, compared with NOK 2,003.9 million in the same period in 2019.

A tax expense of NOK 434.5 million has been calculated for the first six months of 2020, such that net profit for the year's first half totals NOK 1,538.3 million. A tax expense of NOK 375.1 million was recognised in the first half of 2019, resulting in a net profit for the period of NOK 1,628.9 million.

Cash flow

The SalMar Group generated a positive cash flow from operating activities in the amount of NOK 1,120.8 million in the second quarter 2020, compared with NOK 1,323.2 million in the same quarter the year before.

Cash flow from investing activities totalled NOK 520.0 million in the quarter, up from NOK 231.4 million in the same period last year.

Investments in the quarter comprise ongoing maintenance and investments in R&D relating to fish farming in the open ocean totalling NOK 85.9 million, and investments relating to maintenance and the expansion of hatchery capacity totalling NOK 135.9 million. This latter includes costs accruing in relation to Senja 2, construction of which got underway in May this year. In addition, NOK 236.5 million has been invested in the construction of InnovaNor, expansion at Vikenco and upgrades at InnovaMar. Capacity and ongoing maintenance investments in Iceland totalled NOK 62.9 million

The Group's cash flow from financing activities totalled NOK -600.5 million in the second quarter 2020, compared with NOK -868.2 million in the second quarter 2019. The Group's interest-bearing debt decreased by NOK 511.7 million during the quarter. Downpayment on lease payments totalled NOK 42.0 million, while net interest paid totalled NOK 35.9 million. In addition, dividend payments totalling NOK 10.9 million were received from the subsidiary Hitramat Farming during the quarter. In the

second quarter last year, interest-bearing debt rose by NOK 1,895.9 million, while a total of NOK 2,617.2 million was paid in dividends. Net interest paid totalled NOK 35 million. Furthermore, a payment of NOK 111.9 million was made to buy out non-controlling interests in Arnarlax.

This gave SalMar a net cash flow of NOK 0.3 million in the second quarter 2020, compared with NOK 223.6 million in the second quarter 2019. Adjusted for a NOK 5.6 million negative currency effect, this resulted in a decrease in the Group's holding of cash and cash equivalents of NOK 5.3 million in the period, such that cash and cash equivalents at the close of the quarter stood at NOK 192.2 million.

For the first six months of the year, the SalMar Group generated a cash flow from operating activities of NOK 2,413.9 million, compared with NOK 2,123.1 million in the first half of 2019. Net cash flow from investing activities came to NOK 953.8 million in the period, compared with NOK 603.0 million in the first six months of 2019. Cash flow from financing activities came to NOK -1,507.8 million, compared with NOK -1,392.3 million the year before. As a result, the Group's net cash flow in the first half of 2020 came to NOK -47.7 million, compared with NOK 127.8 million in the same period in 2019.

Financial position

At the close of the second quarter 2020, SalMar's balance sheet totalled NOK 19,258.7 million, up from NOK 17,986.1 million at the close of 2019 and from NOK 17,083.3 million at the close of the second quarter 2019.

The Group's intangible assets decreased by NOK 73.2 million in the period to end at NOK 5,014.8 million on 30 June 2020. The decrease relates to the strengthening of the NOK compared with the close of the previous quarter.

The book value of the Group's property, plant and equipment rose by NOK 337.8 million in the quarter to end at NOK 4,932.6 million. Investments continue to be made in accordance with previously adopted plans, including the expansion of hatchery capacity in Senja, the new harvesting plant in Northern Norway (InnovaNor) and general maintenance.

The value of the Group's right-to-use assets rose by NOK 208.2 million in the period to NOK 749.2 million. This follows the signing of a new leasing contract for the world's first battery-hybrid wellboat.

As at 30 June 2020, SalMar had current assets totalling NOK 7,745.2 million, up from NOK 7,490.3 million at the close of 2019 and NOK 7,258.7 million at the close of the second quarter 2019.

The book value of inventory at the close of the second quarter 2020 stood at NOK 6,453.3 million, a rise of NOK 442.4 million during the period. The fair value of the biomass increased by NOK 411.6 million during the period, due to a higher estimated future harvested volume at the close of the quarter compared with the close of the first quarter. As at 31 December 2019, the book value of inventory totalled NOK 6,189.5 million, while it came to NOK 5,865.3 million at 30 June 2019.

As at 30 June 2020, the Group had trade receivables of NOK 852.2 million, compared with NOK 739.4 million at the close of 2019 and NOK 735.6 million on the same date last year.

Other current receivables totalled NOK 247.4 million at the close of the quarter, compared with NOK 330.3 million as at

31 December 2019, and NOK 293.9 million as at 30 June 2019.

As at 30 June 2020, the SalMar Group had cash and cash equivalents of NOK 192.2 million, down from NOK 231.0 million at the close of 2019 and NOK 363.9 million at the close of the first-half last year.

As at 30 June 2020, the Group's total equity stood at NOK 11,505.8 million, corresponding to an equity ratio of 59.7 per cent. This is an increase of NOK 1,756.7 million since the close of 2019 and NOK 2,810.3 million since the same date last year. See the separate presentation of movements in equity for further details.

The SalMar Group had NOK 1,860.1 million in gross interest-bearing debt as at 30 June 2020. This is a decrease of NOK 568.9 million since the close of the first quarter this year. Of this amount, non-current liabilities accounted for NOK 1,489.8 million, while current liabilities accounted for NOK 370.2 million.

The Group's combined leasing liabilities totalled NOK 821.2 million at the close of the quarter, compared with NOK 629.6 million at the close of 2019 and NOK 656.0 million at the close of the second quarter last year.

Other current liabilities decreased by NOK 245.3 million in the quarter to NOK 3,223.0 million. This is largely attributable to lower public charges payable.

As at 30 June 2020, the SalMar Group had a net interest-bearing debt of NOK 1,667.9 million, down from NOK 2,902.1 million as at 31 December 2019 and NOK 2,903.8 million as at 30 June 2019.



OPERATIONAL PERFORMANCE

In the second quarter 2020, 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 2020	Q2 2019	H1 2020	H1 2019
Operating revenue	1,603	1,580	3,187	2,757
Operational EBIT	679	730	1 421	1 203
Operational EBIT%	42.4%	46.2%	44.6%	43.6%
Harvested volume (1 000 t _{gw})	27.2	24.6	49.4	42.8
EBIT/kg gw (NOK)	24.92	29.73	28.77	28.10

Fish Farming Central Norway harvested a total of 27,200 tonnes of salmon in the second quarter 2020, compared with 24,600 tonnes in the second quarter 2019.

The segment generated operating revenues of NOK 1,603 million in the quarter, up from NOK 1,580 million in the corresponding period last year. The increased volume harvested thereby offset a reduction in the average spot price for salmon (NASDAQ Salmon Index) of NOK 4.8 per kg compared with the second quarter 2019.

The segment posted a highly satisfactory result in the period, driven by efficient operations and strong biological performance. EBIT per kg gutted weight came to NOK 24.92, down from NOK 29.73 per kg in the same period last year.

The generation of fish that was transferred to the sea in the spring of 2019, whose biological performance has been strong, with correspondingly low costs, accounted for 80 per cent of the volume harvested in the second quarter. The remaining 20 per cent comprised the last portion of the autumn-2018 generation, whose performance has been consistent. In the third quarter 2020, the harvesting of the spring-2019 generation will be completed and the harvesting of the autumn-2019 generation will get underway. This latter generation has a slightly higher cost level compared with its spring-2019 counterpart.

In the third quarter 2020, the segment expects a slight increase in the volume harvested and production costs on a par with the previous quarter.

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

Fish Farming Northern Norway

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

NOK million	Q2 2020	Q2 2019	H1 2020	H1 2019
Operating revenue	645	867	1,541	1,767
Operational EBIT	242	307	631	655
Operational EBIT%	37.5%	35.4%	40.9%	37.1%
Harvested volume (1 000 t _{gw})	12.0	14.1	25.6	29.2
EBIT/kg gw (NOK)	20.16	21.80	24.68	22.45

Fish Farming Northern Norway harvested around 12,000 tonnes of salmon in the second quarter 2020, compared with 14,100 tonnes in the second quarter 2019.

The segment generated operating revenues of NOK 645 million in the quarter, compared with NOK 867 million in the second quarter 2019. The decrease in revenue is due to lower salmon prices combined with a lower volume harvested than in the same period last year.

The segment posted an extremely good result in the period, as a result of efficient operations and stable biological development, with correspondingly low production costs. However, its result was affected by low price achievement due to a high volume of fish harvested early in the period, when prices were at their lowest. EBIT per kg in the second quarter 2020 came to NOK 20.16, compared with NOK 21.80 per kg in the corresponding period last year.

The whole volume harvested in the quarter derived from the autumn-2018 generation. The sharp improvement in production costs compared with the previous quarter is attributable to the harvesting of fish primarily from sites that have demonstrated a better biological performance and lower level of costs than previous sites. The autumn-2018 generation has now been emptied out. Harvesting of the spring-2019 generation is planned to start in late August. This generation has performed slightly less well than the bulk of the autumn-2018 generation that was harvested in the second quarter this year.

In the third quarter 2020, the segment expects slightly higher costs compared with the previous quarter, as well as a low harvested volume.

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



Arnarlax

Arnarlax is Iceland's largest producer 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 2020	Q2 2019	H1 2020	H1 2019
Operating revenue	99	177	379	310
Operational EBIT	-30	26	-9	51
Operational EBIT%	-30.5%	14.8%	-2.4%	16.6%
Harvested volume (1 000 tgw)	1.7	2.8	6.0	4.9
EBIT/kg gw (NOK)	-18.10	9.43	-1.50	10.45

*The figures for 2019 apply from February 2019, after Arnarlax was consolidated into SalMar's accounts.

Arnarlax harvested 1,700 tonnes of salmon in the second quarter 2020, compared with 2,800 tonnes in the second quarter last year. The segment generated operating revenues of NOK 99 million in the quarter, compared with NOK 177 million in the same quarter in 2019.

As anticipated in the previous quarterly presentation, Arnarlax posted a very weak result, characterised by high costs and weak price achievement in the period. The volume harvested in the second quarter derives primarily from sites that have suffered a high rate of mortality due to winter wounds earlier in the year. At the same time, a low harvested volume has led to low capacity utilisation at the harvesting plant. In addition, the bulk of the volume was harvested and sold in April and May, when prices were at their lowest.

In the second quarter 2020, Arnarlax posted an Operational EBIT of NOK -30 million, compared with NOK 26 million in the same period last year. EBIT per kg gutted weight came to NOK -18.10 in the second quarter 2020, compared with NOK 9.43 in the same period in 2019.

The sites that had suffered from a high rate of mortality have now been harvested out. In the third quarter, the company will harvest fish from sites with a better biological performance and lower level of costs. Slightly lower costs and a somewhat higher volume are expected in the third quarter 2020, compared with the previous quarter.

Arnarlax still expects to harvest a total of 12,000 tonnes in 2020 as a whole.

Sales and Processing

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

NOK million	Q2 2020	Q2 2019	H1 2020	H1 2019
Operating revenue	3,284	3,152	6,633	5,972
Operational EBIT	70	0	53	15
Operational EBIT%	2.1%	0.0%	0.8%	0.2%

The Sales and Processing segment generated NOK 3,284 million in operating revenues in the second quarter 2020, up from NOK 3,152 million in the corresponding period last year.

The segment sells the Group's entire volume harvested in Norway. Operational EBIT totalled NOK 70 million in the period, compared with break even in the second quarter 2019.

The improvement in profits is due to a combination of factors: a positive contribution from fixed-price contracts as a result of lower salmon spot prices during the quarter; judicious allocation of spot sales in a challenging period of considerable market uncertainty due to the Covid-19 pandemic; and improved capacity utilisation as a result of higher volumes harvested, which produced higher margins from harvesting and secondary processing activities.

A total of 33,600 tonnes was harvested at InnovaMar during the period, compared with around 26,000 tonnes in the previous quarter and 27,200 tonnes in the second quarter last year. Fixed-price contracts accounted for 30 per cent of sales. The contract rate stands at around 25 per cent for the third quarter and for 2020 as a whole, with prices somewhat higher than the level for contracts in 2019.

Construction of InnovaNor, which will be Northern Norway's largest and most up-to-date harvesting and processing plant, is proceeding as planned. The facility is expected to go into operation in the summer of 2021.

Eliminations

Research and development (R&D) costs are included as eliminations in the segments' reported results. Of a total harvested volume of 40,900 tonnes in the second quarter 2020, R&D costs accounted for NOK 1.24 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 2020	Q2 2019	H1 2020	H1 2019
Operating revenues	465	407	729	813
Operational EBIT	89	106	131	216
Operational EBIT%	19.2 %	26.1 %	18.0 %	26.6%
Fair value adj. biomass	-65	21	-139	-32
Profit/loss before tax	17	124	-21	180
SalMar's share after tax	7.5	49	-19	74
Harvested volume (1 000 tgw)	6.5	5.8	9.4	10.6
EBIT/kg gw (NOK)	13.69	18.37	13.90	20.36

Norskott Havbruk generated operating revenues of NOK 465 million in the second quarter 2020, compared with NOK 407 million in the second quarter last year. The year-on-year increase is largely attributable to a higher volume harvested.

Norskott Havbruk harvested some 6,500 tonnes in the quarter, up from 5,800 tonnes in the second quarter 2019. Good growth and biological performance in all regions resulted in lower costs compared with the previous quarter. EBIT per kg gutted weight came to NOK 13.69, compared with NOK 18.37 per kg in the same period last year.

59 per cent of the total volume harvested was sold in the spot market, where price achievement was negatively affected by market turbulence caused by the Covid-19 pandemic. The remaining volume was sold under contract with price achievement above spot.

SalMar's share of the profit/loss before tax from Norskott Havbruk came to NOK 7.5 million in the second quarter.

The status of the standing biomass in all regions is good, with lower costs than at the same point a year ago. During the quarter, the company transferred 1.4 million smolt to its sea farms, with a higher average weight than in previous years.

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

MARKETS

Supply and biomass

In the second quarter 2020, the global supply of Atlantic salmon totalled approx. 622,370 tonnes, up 4 per cent on the same period in 2019.

The volume harvested in Norway was 2 per cent lower than in the same period last year, coming in at 301,200 tonnes. In Chile, a total of 174,800 tonnes was harvested, 10 per cent more than in the corresponding period in 2019. In the UK this quarter, 45,500 tonnes were harvested, an increase of 1 per cent, while in the Faeroes, 22,800 tonnes were

harvested, up 23 per cent on the same period the year before.

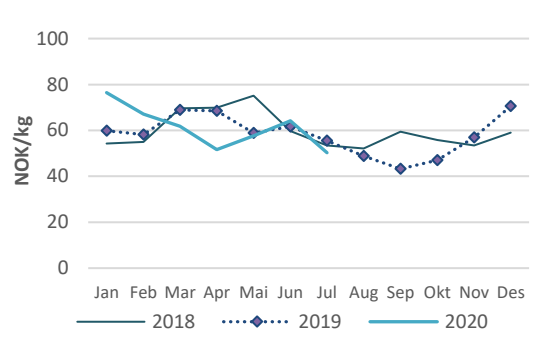
At the close of the second quarter 2020, it is estimated that Norway's standing biomass was 4 per cent larger than at the same point in 2019. The corresponding increase in Chile was 2 per cent, in the Faeroes it was 3 per cent, while in the UK it was 7 per cent, according to data from Kontali.

Prices and exchange rates

Atlantic salmon was traded at NOK 52.04 per kg at the start of the second quarter 2020 (NASDAQ Salmon Index). Prices then fell steadily to a low of NOK 48.61 per kg in early May, before bouncing back to NOK 71.17 in mid-June. Prices then dipped once again to close the quarter at NOK 58.82 per kg.

The average salmon price in the period came to NOK 57.83 per kg, down from an average of NOK 62.68 per kg in the second quarter 2019.

NASDAQ Salmon Index NOK/kg



The NOK strengthened against the most important trading currencies for salmon during the quarter, and thereby clawed back some of the sharp fall seen in the previous quarter. The NOK strengthened by 7 per cent against the USD, by 8 per cent against the GBP and by 5 per cent against the EUR, compared with the first quarter 2020. Compared with the second quarter 2019, the NOK was 10–14 per cent weaker against the same currencies.

Norwegian exports

Norway exported around 286,500 tonnes of salmon (round weight) in the second quarter 2020. This is 2 per cent less than the 293,100 tonnes exported in the same period last year. The value of Norway's salmon exports totalled NOK 16.5 billion, down 7 per cent on same period in 2019, when exports were worth NOK 17.7 billion.

A substantial secondary processing industry makes Poland the largest individual market for Norwegian salmon. In the second quarter 2020, around 45,600 tonnes of salmon were exported to this market, an increase of 18 per cent compared with the same quarter last year. The USA and UK reduced their purchases of Norwegian salmon by 8 and 16 per cent respectively during the quarter. Exports to France, the second largest individual market, decreased by 1 per cent.

Vietnam/China/Hong Kong increased their purchases by 6 per cent to 12,300 tonnes in the second quarter.



OTHER MATTERS

Coronavirus pandemic (Covid-19)

The spread of Covid-19 and the measures that have been implemented worldwide to reduce transmission of the disease have caused heightened market uncertainty and complicated the logistics of shipping to overseas markets.

SalMar is well positioned to deal with such crises because it has good financial flexibility and ample capacity to process products locally before they are shipped to countries around the globe. At the same time, the company's fantastic workforce demonstrates a unique capacity to roll up its sleeves and come up with good solutions in a challenging situation.

SalMar is very aware of its social responsibility as a generator of local value creation and, not least, as a responsible employer that cares about its employees and the local communities in which it operates. During this challenging period, the company has donated PPE to the local health service and given gift cards to all employees, who were strongly encouraged to use them to support local businesses.

Even though Covid-19 has created increased market uncertainty, SalMar continues to have great faith in the future of the aquaculture industry. In early May, therefore, it started building a new hatchery in Senja and is continuing construction of the new InnovaNor harvesting plant in Senja as planned.

Ocean strategy

The establishment of salmon farming in the open ocean is an important part of SalMar's growth strategy. The open ocean provides unique opportunities to farm fish in harmony with nature and with minimal environmental impact – in keeping with SalMar's "passion for salmon" vision and its goal of farming salmon on the salmon's own terms.

In 2019, SalMar strengthened its activities in the field of offshore aquaculture by establishing the subsidiary SalMar Ocean AS.

SalMar's ambition is to retain its leading position in this field, with respect to both technology development and biological production, and thereby contribute to the environmentally sustainable development of Norwegian aquaculture.

The first production cycle at SalMar's first offshore installation, Ocean Farm 1 (OF1), produced good results and strengthened the company's belief in the viability of offshore fish farming. The second production cycle started in August 2019, with the transfer of a new generation of smolt to OF1. Observations so far in this cycle show good biological status, with good growth, few lice and low mortality. The harvesting of these fish commenced in August 2020.

Development of the deepwater Smart Fish Farm installation continues as planned. SalMar has been granted eight development licences, each of 780 tonnes MAB, in connection with this project.

InnovaNor

SalMar's construction of a new harvesting and processing facility in Northern Norway, called InnovaNor, is proceeding as planned. This is an important strategic and industrial investment for SalMar. It will strengthen the company's position in Northern Norway, pave the way for increased value creation and employment in the region and provide SalMar with considerably more flexibility and secondary processing capacity in this part of the country.

The challenges posed by Covid-19 also demonstrate the importance of good harvesting and processing capacity, which gives the company the flexibility to produce the items that the various markets are demanding.

SalMar expects the plant to go into operation in 2021.

Expansion of smolt production capacity

Access to high quality smolt of an optimal size is crucial to secure good performance throughout the salmon production process. The SalMar Group currently has projects underway to expand capacity at several of its facilities.

Expansion of the Follafoss hatchery was, as previously announced, completed at the start of the year. This gives SalMar greater smolt capacity in Central Norway.

In October 2019, it was decided to expand the Senja hatchery, and construction got underway on 4th of May this year. The new building is situated adjacent to the existing facility and will create a major competence centre for RAS technology and smolt production in the region. The first smolt are expected to be delivered in the summer of 2022.

The company is also considering the construction of a new hatchery in Tjuin, Trøndelag. In the fourth quarter 2019, SalMar purchased a plot of land in the area. Investigations and pre-project design work are underway, and an investment decision is expected in the second half of 2020. Proximity to the company's existing facility at Follafoss will enable the creation of a powerful smolt competence centre in this region as well.

SalMar is also in the process of constructing a new closed-containment sea cage, which will go into operation towards the end of the third quarter 2020.

Traffic-light system

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

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

On 4 February 2020, the Norwegian Ministry of Trade, Industry and Fisheries announced that it had decided on the colour designations for the country's 13 different



salmon-producing regions. A green light went to 9 regions, an amber light to 2, while 2 regions were given a red light.

SalMar has existing production licences in the green regions PO6-7 and PO11-13, in the amber region PO10, and in the red region PO5.

SalMar purchased its relative share of growth relating to existing licences, which totalled 746 tonnes, for a fixed price of NOK 156,000 per tonne. The total cost came to NOK 116.4 million.

The company also participated in the auction that was held on 18 August 2020. For further details, see the chapter: "Events after the balance sheet date".

SHARES AND SHAREHOLDERS

At the close of the second quarter 2020, SalMar had a total of 113,299,299 shares outstanding, divided between 8,096 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 74.20 per cent of the shares. SalMar ASA is now the 31st largest shareholder with 377,141 shares, corresponding to 0.33 per cent of the total number of shares outstanding as at 30 June 2020.

SalMar's share price fluctuated between NOK 365.70 and NOK 464.10 in the second quarter 2020. The final price at the close of the quarter was NOK 459.10, compared with NOK 347.40 at the start of the quarter. This corresponds to an increase in value of 32 per cent during the period.

A total of 16.0 million shares were traded in the quarter, just over 14 per cent of the total number of shares outstanding. The daily volume of shares traded averaged 271,175.

Cancellation of dividend

In March, SalMar announced that its board of directors had decided to cancel the dividend that had been proposed in connection with the publication of the company's results for the fourth quarter 2019. This decision was taken after a thorough assessment by the company's board and management, on the basis of the uncertainty prevailing at that time with respect to the spread of Covid-19 and its potential consequences for the entire value chain and for numerous local communities along the Norwegian coast.

Annual General Meeting

SalMar held its 2020 annual general meeting (AGM) on 3 June. All resolutions were adopted in accordance with the recommendations of the board and nomination committee. This includes the election of Tonje E. Foss, Leif Inge Nordhammer and Linda L. Aase to replace Kjell Storeide, Helge Moen and Trine Danielsen on SalMar's board of directors.

TRANSACTIONS WITH RELATED PARTIES

In August, a share purchase agreement was entered into with a related party, giving SalMar access to ownership of a production licence for 796 tonnes MAB. Completion of the transaction is planned for January 2021 with a

consideration on similar level as in the traffic light auction held in August 2020.

EVENTS AFTER THE BALANCE SHEET DATE

Conversion of development licences

On 7 July 2020, the Norwegian Directorate of Fisheries announced that SalMar's subsidiary Ocean Farming AS had had its eight development licences converted into ordinary fish production licences. This means that the eight licences that the company was awarded in February 2016 for the realisation of its offshore fish farm (Ocean Farm 1) can now be included in the company's ordinary production volume within the rules and framework for maximum allowable biomass (MAB).

In the letter announcing its decision, the Norwegian Directorate of Fisheries pointed out that Ocean Farming AS has provided extensive documentation showing that the performance criteria, and therefore the conditions for conversion, have been met. SalMar is proud that we have thereby completed a project that we believe is a groundbreaking step in the development of an increasingly sustainable aquaculture industry.

By realising this project, SalMar has helped to fulfil the official objectives of the development licence scheme – to resolve the important environmental and spatial challenges that the industry is facing. To date, SalMar has invested almost NOK 1 billion on the design and development of Ocean Farm 1, of which purchases of services and equipment from high-competence Norwegian companies have accounted for 50 per cent.

Growth in production volume

As mentioned in the section on the traffic-light system, SalMar has purchased its relative share of permitted growth with respect to its existing production licences, for which it paid the stipulated fixed price. It paid NOK 10 million to purchase a further 64 tonnes in July.

In addition, the company participated in the auction that was held on 18 August 2020. At the auction, SalMar purchased 8,057 tonnes for a total of NOK 1,760.3 million. This gives SalMar increased MAB capacity in both Central Norway and Northern Norway. It also gives the company the flexibility to optimise its biological production going forward. SalMar will perform regular assessments to ensure optimal exploitation of this increased production capacity.

MATERIAL RISKS 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 2019 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 biologically appropriate time, irrespective of when that might be. 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. SalMar has also invested heavily in the expansion of its hatchery capacity. This includes the new facility at Follafoss, which was completed at the start of 2020, and Senja 2, the new facility that is currently under construction in Senja. This will also help to reduce the company's risk exposure in the area of smolt production.

SalMar farms salmon on the salmon's own terms. This means that the company gives priority to optimising fish health and welfare, and is constantly assessing measures to reduce the risk of intensified biological challenges.

Price risk

In recent years, the price of salmon has remained at a consistently high level, though with a high level of volatility and substantial fluctuations within relatively short time spans.

Moderate growth in the supply of Atlantic salmon continues to be expected in the time ahead, and the outlook for continued high salmon prices is considered good. Growth in demand has held relatively stable over several years, while growth in supply has fluctuated more strongly 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 2020 currently stands at around 25 per cent.

During the first half of 2020, the Covid-19 pandemic has caused considerably more market uncertainty. For further details, see the chapter "Other Matters".

OUTLOOK

Markets

The global supply of Atlantic salmon is expected to remain stable in 2020, with an expected growth of 4 per cent in

both the third and fourth quarters, according to estimates from Kontali.

In the third quarter, output is expected to increase by 5 per cent in Norway and 2 per cent in Chile. Output is expected to grow by 8 per cent in the UK, while a 2 per cent decrease in output is expected in North America and a 3 per cent decrease in the Faeroes.

From 2019 to 2020, the global supply of Atlantic salmon is expected to grow by 4 per cent, corresponding to an increase of approx. 95,000 tonnes. Around 35 per cent of this growth is expected to come from Norway.

The Covid-19 pandemic has caused a significant increase in market uncertainty. A decrease in the HORECA market due to infection-limitation restrictions in several markets has led to a decline in demand. At the same time, demand in the supermarket segment has increased. This has to some extent cushioned the decrease in demand.

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 2020, an average salmon price for September and October of NOK 45.90 and NOK 49.20 per kg, respectively. The forecast price for the fourth quarter is NOK 53.65 per kg, while for 2021 as a whole it stands at NOK 59.50 per kg.

Company

SalMar has sales contracts covering approx. 25 per cent of its output in the third quarter and around the same for 2020 as a whole. The contract prices are somewhat higher than in 2019.

SalMar expects costs to remain at the same level in the third quarter. It forecasts a slightly higher volume and stable costs in Central Norway, a lower volume and somewhat higher costs in Northern Norway, and a slightly higher volume and somewhat lower costs in Iceland.

SalMar still expects to harvest 152,000 tonnes in Norway and 12,000 tonnes in Iceland in 2020 as a whole.

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.

SalMar is monitoring how the various markets are being affected by the Covid-19 pandemic. It makes continuous assessments of how best to allocate volumes to the various markets and segments. The company is well positioned, with a large and flexible local secondary processing capacity, which enables it to adapt its production to make the items that the market demands.

SalMar's board of directors considers that the company is well equipped for continued positive development, both within traditional coastal and offshore-based aquaculture.

SalMar is maintaining its ongoing investment programmes. As previously announced, it expects to invest around NOK 1.4 billion in its Norwegian operations in 2020, to further develop its already strong platform for growth. The construction of InnovaNor and Senja 2 make up the largest individual investments. In addition, NOK 2.0 billion is being invested in increased MAB capacity as well as investments in partly owned subsidiaries.



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 2020 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.

Board of Directors and CEO of SalMar ASA
Frøya, 26 August 2020

Atle Eide
Chair

Tonje E. Foss
Director

Jon Erik Rosvoll
Director (employee-elected)

Margrethe Hauge
Director

Linda L. Aase
Director

Gustav Witzøe
CEO

Leif Inge Nordhammer
Director

Brit Elin Soleng
Director (employee-elected)



INCOME STATEMENT

<i>NOK million</i>	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Operating revenue	3,307.9	3,296.3	6,933.5	6,259.7	12,237.6
Cost of goods sold	1,371.7	1,442.2	2,971.9	2,773.5	5,770.0
Payroll expenses	335.7	301.7	658.3	587.8	1,202.5
Other operating expenses	525.1	398.5	977.9	774.3	1,479.0
EBITDA	1,075.4	1,153.9	2,325.5	2,124.1	3,786.0
Depreciation and write-downs	193.6	164.2	378.6	328.2	718.4
Operational EBIT	881.9	989.8	1,946.9	1,795.9	3,067.6
Fair value adjustment	698.8	175.8	218.8	2.9	-33.0
Operating profit	1,580.6	1,165.6	2,165.7	1,798.9	3,034.6
Income from investments in associates	7.8	51.2	-14.7	79.9	118.7
Net interest expenses	-35.8	-35.0	-78.2	-72.1	-157.7
Other financial items	25.5	-29.3	-99.9	197.2	162.8
Profit before tax	1,578.2	1,152.5	1,972.8	2,003.9	3,158.4
Tax	343.7	235.9	434.5	375.1	613.9
Net profit for the period	1,234.5	916.5	1,538.3	1,628.9	2,544.5
<i>Items to be reclassified to profit and loss in subsequent periods:</i>					
Change in translation diff. associates	-47.5	-25.8	14.9	-29.2	12.6
Change in translation diff. associates - reclassified to P&L	-	-	-	-4.4	-4.4
Change in translation diff. subsidiaries	-101.4	-2.0	151.4	-3.6	31.7
Cash flow hedge, net after tax	61.8	-	49.8	-	-
Total comprehensive income	1,147.5	888.7	1,754.4	1,591.7	2,584.4
<i>Allocation of net profit for the period:</i>					
Non-controlling interests	54.1	19.1	-46.1	12.5	56.5
Shareholders in SalMar ASA	1,180.4	897.5	1,584.4	1,616.3	2,488.0
Earnings per share (NOK)	10.45	7.96	14.03	14.34	22.06
Earnings per share - diluted	10.44	7.95	14.01	14.31	22.03



BALANCE SHEET – GROUP

NOK million	30.06.2020	31.03.2020	31.12.2019	30.06.2019
ASSETS				
Non-current intangible assets	5,014.8	5,088.1	4,741.9	4,546.3
Non-current tangible assets	4,932.6	4,594.8	4,369.9	3,876.4
Right-of-use assets	749.2	541.0	569.7	611.4
Non-current financial assets	816.9	857.2	814.2	790.5
Total non-current assets	11,513.5	11,081.0	10,495.8	9,824.6
Inventory	6,453.3	6,010.9	6,189.5	5,865.3
Trade receivables	852.2	943.5	739.4	735.6
Other short-term receivables	247.4	375.1	330.3	293.9
Cash and cash equivalents	192.2	197.6	231.0	363.9
Total current assets	7,745.2	7,527.1	7,490.3	7,258.7
TOTAL ASSETS	19,258.7	18,608.1	17,986.1	17,083.3
EQUITY AND LIABILITIES				
Paid-in equity	665.4	652.8	643.3	620.7
Other equity	10,110.0	8,978.8	8,364.5	7,434.6
Minority interests	730.3	725.0	732.4	640.2
Total equity	11,505.8	10,356.7	9,740.1	8,695.5
Provisions	1,848.5	1,747.2	1,757.6	1,689.1
Non-current interest-bearing liabilities	1,489.8	2,045.0	2,751.6	3,108.6
Long-term leasing liabilities	668.0	469.7	488.9	521.2
Total non-current liabilities	4,006.3	4,261.9	4,998.0	5,318.9
Current interest-bearing liabilities	370.2	384.0	381.5	159.0
Short-term leasing liabilities	153.3	137.1	140.7	134.8
Other current liabilities	3,223.0	3,468.3	2,725.7	2,775.1
Total current liabilities	3,746.6	3,989.5	3,248.0	3,069.0
TOTAL EQUITY AND LIABILITIES	19,258.7	18,608.1	17,986.1	17,083.3
Net interest-bearing liabilities	1,667.9	2,231.5	2,902.1	2,903.8
Equity share	59.7 %	55.7 %	54.2 %	50.9 %



STATEMENT OF CASH FLOW

<i>NOK million</i>	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Profit before tax	1,578.2	1,152.5	1,972.8	2,003.9	3,158.4
Tax paid in the period	-	-3.3	-23.2	-22.6	-690.7
Depreciation	193.6	164.2	378.6	328.2	718.4
Share of profit/loss from associates	-7.8	-51.2	14.7	-79.9	-118.7
Realised gains on exit of associate	-	-	-	-225.9	-225.9
Change in fair value adjustments	-698.8	-175.8	-218.8	-2.9	33.0
Change in working capital	35.8	182.1	146.3	27.8	-50.4
Other changes	19.8	54.7	143.6	94.6	205.3
Net cash flow from operating activities	1,120.8	1,323.2	2,413.9	2,123.1	3,029.5
Net cash flow from investing activities	-520.0	-231.4	-953.8	-603.0	-1,317.4
Change in interest-bearing liabilities	-511.7	1,895.9	-1,336.3	1,408.9	1,387.0
Lease payments	-42.0	-	-82.3	-	-213.5
Dividend paid out	-10.9	-2,617.2	-10.9	-2,617.2	-2,617.2
Interest paid	-35.9	-35.0	-78.2	-72.1	-157.7
Aquisition of non-controlling interests	-	-111.9	-	-111.9	-118.9
Net cash flow from financing activities	-600.5	-868.2	-1,507.8	-1,392.3	-1,720.3
Net change in cash for the period	0.3	223.6	-47.7	127.8	-8.2
Foreign exchange effects	-5.6	-2.0	8.9	-3.6	-0.4
Cash at the start of the period	197.6	142.3	231.0	239.6	239.6
Cash at the close of the period	192.2	363.9	192.2	363.9	231.0



CHANGES IN EQUITY

2020	Share capital	Treasury shares	Share premium	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
Equity as at 01.01.20	28.3	-0.1	415.3	199.7	73.3	8,291.2	732.4	9,740.1
Net profit for the year						1,584.4	-46.1	1,538.3
Comprehensive income					111.4	49.8	54.9	216.1
Total comprehensive income for the year	0.0	0.0	0.0	0.0	111.4	1,634.2	8.8	1,754.4
<i>Transactions with shareholders</i>								
Dividen paid							-10.9	-10.9
Options granted				22.1				22.1
Other changes						0.0	0.0	0.0
Sum transactions with shareholders	0.0	0.0	0.0	22.1	0.0	0.0	-10.8	11.3
Equity as at 30.06.20	28.3	-0.1	415.3	221.9	184.6	9,925.4	730.3	11,505.8
<i>2019</i>								
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						2,488.0	56.5	2,544.5
Comprehensive income					26.4		13.5	39.9
Total comprehensive income for the year	0.0	0.0	0.0	0.0	26.4	2,488.0	70.0	2,584.4
<i>Transactions with shareholders</i>								
Dividend paid						-2,593.0	-24.2	-2,617.2
Additions non-controlling interests						0.5	705.2	705.7
Exit of non-controlling interests						-8.5	-110.4	-118.9
Options granted				47.6				47.6
Deferred tax options				-1.8		0.0		-1.8
Redeemed options treasury shares		0.0				0.0		0.0
Other changes						0.3		0.3
Sum transactions with shareholders	0.0	0.0	0.0	45.8	0.0	-2,600.7	570.7	-1,984.1
Equity as at 31.12.19	28.3	-0.1	415.3	199.7	73.3	8,291.2	732.4	9,740.1



SEGMENT INFORMATION

<i>NOK million</i>	Farming Central Norway	Farming Northern Norway	Sales and Processing	Arnarlax (Iceland)	Eliminations	Group
Q2 2020						
Operating revenue (NOK mill.)	1,602.5	645.2	3,283.7	98.8	-2,322.4	3,307.9
Operational EBIT (NOK mill.)	678.8	241.8	70.0	-30.1	-78.6	881.9
Operational EBIT %	42.4 %	37.5 %	2.1 %	-30.5 %		26.7 %
Harvested volume (1,000 t _{gw})	27.2	12.0		1.7		40.9
EBIT/ kg gw (NOK)	24.92	20.16		-18.10		21.56
Q2 2019						
Operating revenue (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				41.4
EBIT/ kg gw (NOK)	29.73	21.80				23.90
YTD 2020						
Operating revenue (NOK mill.)	3,186.6	1,540.9	6,633.4	378.8	-4,806.2	6,933.5
Operational EBIT (NOK mill.)	1,420.8	630.9	53.3	-8.9	-149.2	1,946.9
Operational EBIT %	44.6 %	40.9 %	0.8 %	-2.4 %		28.1 %
Harvested volume (1,000 t _{gw})	49.4	25.6		6.0		80.9
EBIT/ kg gw (NOK)	28.77	24.68		-1.50		24.06
YTD 2019						
Operating revenue (mill.)	2,756.8	1,766.9	5,971.7	310.1	-4,545.9	6,259.7
Operational EBIT (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				76.9
EBIT/ kg gw (NOK)	28.10	22.45				23.35
FY 2019						
Operating revenue (mill.)	5,670.4	2,788.7	11,698.6	627.1	-8,547.2	12,237.6
Operational EBIT (mill.)	2,164.6	931.4	124.4	100.1	-252.9	3,067.6
Operational EBIT %	38.2 %	33.4 %	1.1 %	16.0 %		25.1 %
Harvested volume (1,000 t _{gw})	95.3	48.0				153.1
EBIT/ kg gw (NOK)	22.71	19.41				20.04



KEY FIGURES – GROUP

	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
No. of shares (diluted) - end of period (mill.)	113.093	112.946	113.090	112.951	112.922
Earnings per share (NOK)	10.45	7.96	14.03	14.34	22.06
Earnings per share - diluted (NOK)	10.44	7.95	14.01	14.31	22.03
EBITDA %	32.5 %	35.0 %	33.5 %	33.9 %	30.9 %
Operational EBIT %	26.7 %	30.0 %	28.1 %	28.7 %	25.1 %
EBIT %	47.8 %	35.4 %	31.2 %	28.7 %	24.8 %
Profit before tax %	47.7 %	35.0 %	28.5 %	32.0 %	25.8 %
Cash flow per share - diluted (NOK)	9.9	11.7	21.3	18.8	26.8
Net interest bearing debt (mill.)	1,667.9	2,903.8	1,667.9	2,903.8	2,902.1
Equity ratio %	59.7 %	50.9 %	59.7 %	50.9 %	54.2 %

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

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

Earnings before tax % = Earnings before tax / operating revenue

Cash flow per share - diluted = Cash flow from operating activities / average no. 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). A full account of all material accounting principles and methods of calculation used in the most recent annual financial statements is given in the Group's 2019 annual report, which is available from www.salmar.no.

With effect from 1 June 2020, the Group has utilised the rules governing hedge accounting for cash-flow hedging relating to a large proportion of the Group's sales of goods in foreign currencies. For some individual contracts, the change was implemented with effect from March 2020. From the dates specified, sales of goods in foreign currencies have been recognised at the forward hedged rate. Changes in the fair value of forward currency contracts relating to the hedging of goods deliveries will, from the same point in time, be recognised in Total Comprehensive Income. Such changes were previously recognised on the line for fair value adjustments. Hedging inefficiencies will be recognised in profit and loss on the line for other financial items as and when they arise.

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	7,274,679	6.42 %
State Street Bank and Trust Comp	2,249,802	1.99 %
State Street Bank and Trust Comp	1,774,051	1.57 %
LIN AS	1,274,620	1.12 %
CLEARSTREAM BANKING S.A.	1,237,135	1.09 %
BNP PARIBAS SECURITIES SERVICES	1,073,946	0.95 %
JPMorgan Chase Bank, N.A., London	1,069,652	0.94 %
Brown Brothers Harriman (Lux.) SCA	1,051,340	0.93 %
JPMorgan Chase Bank, N.A., London	921,853	0.81 %
State Street Bank and Trust Comp	843,738	0.74 %
Euroclear Bank S.A./N.V.	772,136	0.68 %
State Street Bank and Trust Comp	731,770	0.65 %
JPMorgan Chase Bank, N.A., London	702,858	0.62 %
Pictet & Cie (Europe) S.A.	679,777	0.60 %
SIX SIS AG	654,136	0.58 %
Morgan Stanley & Co. Int. Plc.	632,048	0.56 %
KLP AKSJENORGE INDEKS	580,145	0.51 %
J.P. Morgan Bank Luxembourg S.A.	565,770	0.50 %
The Bank of New York Mellon	544,338	0.48 %
Top 20	84,069,931	74.20 %
Others	29,230,068	25.80 %
Total	113,299,999	100.00 %

As at 30 June 2020, SalMar ASA owned 377,141 treasury shares.

**Note 3 - Inventory and biological assets (biomass)**

Book value of inventory	30.06.2020	31.03.2020	31.12.2019	30.06.2019
Raw materials	205.2	181.0	160.7	145.5
Biological assets	5,907.3	5,534.7	5,720.8	5,354.5
Finished goods	340.8	295.2	308.0	365.3
Total	6,453.3	6,010.9	6,189.5	5,865.3

Fair value adjustment of the biomass	30.06.2020	31.03.2020	31.12.2019	30.06.2019
Historic cost	3,548.6	3,592.3	3,766.8	3,227.5
Fair value adjustment of the biomass	2,358.7	1,942.4	1,954.0	2,126.9
Book value	5,907.3	5,534.7	5,720.8	5,354.5

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.

Incident-based mortality

The Group has recognised expenses totalling NOK 13.3 million in respect of incident-based mortality in the period. The accumulated figure for the year to date is NOK 43.7 million. The incidents relate to the Group's operation in Iceland, where fish died as a result of winter sores. This expense is recognised in the income statement under COGS and reduces the Arnarlux segment's EBIT.

A similar incident occurred at the Group's operation in Iceland in the early part of 2019. The net cost of this incident came to NOK 5.1 million.

Biological assets in further detail

Live fish are recognised in the financial statements in accordance with 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.

Smolt are recognised at cost.

Forward price underpinning the calculation of fair value (NOK):

	Period of expected harvest:	30.06.2020	Period of expected harvest:	31.03.2020	Period of expected harvest:	31.12.2019	Period of expected harvest:	30.06.2019
	Q3-2020	49.72	Q2 2020	54.00	Q1-2020	66.10	Q3-2019	57.88
	Q4-2020	53.08	Q3 2020	53.50	Q2-2020	66.90	Q4-2019	57.62
	Q1-2021	63.20	Q4 2020	54.70	Q3-2020	55.00	Q1-2020	63.55
	Q2-2021	63.80	Q1 2021	64.80	Q4-2020	56.40	Q2-2020	64.85
	Q3-2021	55.65	Q2 2021	64.60	1st half 2021	59.50	Q3-2020	57.80
	Q4-2021	57.35	2nd half 2021	59.50	2nd half 2021	58.35	Q4-2020	57.80
Discount rate Norway		6 %		6 %		7 %		7 %
Discount rate Iceland		3 %		3 %		5 %		5 %

The Group applies different discount rates for its operations in Norway and 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 their natural preconditions for biological production, which therefore requires differentiation in the recognised synthetic licence fee and site rental 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 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Change in fair value of the biomass	411.6	149.6	404.3	-67.8	-151.6
Change in provisions for onerous contracts	8.4	0.7	2.5	3.9	-1.5
Unrealised change in value of Fish Pool contracts	8.4	-2.4	-5.6	-4.0	-0.3
Unrealised changes in the value of currency and forward currency contracts	270.4	27.9	-182.4	70.8	120.4
Fair value adjustments recognised in profit and loss	698.8	175.8	218.8	2.9	-33.0



Note 5 - Business combinations

Business acquisitions in 2020

The Group has acquired no businesses to date in 2020.

Business acquisitions in 2019

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

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

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

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

Effect of acquisition on the consolidated balance sheet:	Book value	Adjustment to fair value	Fair value
Licences	221.5	1,046.2	1,267.7
Property, plant & equipment	332.0	-20.1	311.8
Right-of-use assets	31.7	-	31.7
Other non-current assets	20.5	-	20.5
Biological assets	525.3	-88.9	436.4
Other current assets	64.4	-0.6	63.8
Cash & cash equivalents	4.6	-	4.6
Deferred tax assets/liabilities	22.5	-215.4	-192.9
Other non-current liabilities	-301.6	-	-301.6
Leasing liabilities	-31.7	-	-31.7
Current liabilities	-146.5	-	-146.5
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 Q3 2019, SalMar sold 2.41 per cent of the shares in Arnarlax AS for NOK 55.78 per share. The transaction has resulted in an increase in non-controlling interests, and a total consideration of NOK 35,742,000 has been recognised in equity. The consideration is to be settled in the form of a seller's credit to the buyer of the shares. Following the transaction, the Group owns 59.36 per cent of the company's shares.

Note 6 - Changes in non-controlling interests

Changes in non-controlling interests 2019

In December 2019, SalMar ASA bought 3.7 per cent of the shares in Ocean Farming AS from non-controlling interests. NOK 7.0 million was paid in consideration for this shareholding, with the effect recognised in group equity. Following the transaction, SalMar ASA owns 100 per cent of the shares in Ocean Farming AS.



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

	Norskott Havbruk	Others	TOTAL
Opening balance 1 Jan 2020	636.6	81.2	717.8
Share of year's profit/loss	-19.1	4.4	-14.7
Other items in comprehensive income	12.9	2.0	14.9
Dividend received	-	-2.1	-2.1
Other changes	-	-0.8	-0.8
Closing balance 30 Jun 2020	630.4	84.8	715.2

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 Arnarlux, which was recognised as an associate in accordance with the equity method. During the period, SalMar increased its shareholding in the company from 41.95 per cent to 54.23 per cent, 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 Arnarlux, 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. The investment is included under "Other" in the table above.

Note 8 - Interest-bearing liabilities

Non-current interest-bearing liabilities	30.06.2020	31.03.2020	31.12.2019	30.06.2019
Debt to credit institutions	1,641.4	2,197.6	2,901.6	3,258.3
Next year's instalment on debt to credit institutions	-151.6	-152.6	-150.0	-149.6
Long-term debt to credit institutions	1,489.8	2,045.0	2,751.6	3,108.6
Leasing liabilities	821.2	606.9	629.6	656.0
Next year's lease payments	-153.3	-137.1	-140.7	-134.8
Long-term leasing liabilities	668.0	469.7	488.9	521.2
Total non-current interest-bearing liabilities	2,157.8	2,514.7	3,240.4	3,629.8
Current interest-bearing liabilities				
Short-term debt to credit institutions	218.7	231.5	231.5	9.4
Next year's instalment on debt to credit institutions	151.6	152.6	150.0	149.6
Total debt to credit institutions	370.2	384.0	381.5	159.0
Next year's lease payments	153.3	137.1	140.7	134.8
Total current interest-bearing liabilities	523.5	521.2	522.3	293.8
Total interest-bearing liabilities	2,681.3	3,035.9	3,762.7	3,923.6
Cash & cash equivalents	192.2	197.6	231.0	363.9
Leasing liabilities	821.2	606.9	629.6	656.0
Net interest-bearing liabilities	1,667.9	2,231.5	2,902.1	2,903.8

Breakdown of net interest-bearing liabilities by currency:

	NOK	EUR	JPY	USD	GBP	Other	Total
Long-term debt to credit institutions	1,161.9	479.6					1,641.4
Leasing liabilities	811.2	10.0					821.2
Short-term debt to credit institutions	-209.7	454.8	-41.4	35.8	-17.1	-3.8	218.7
Total interest-bearing liabilities	1,763.5	944.4	-41.4	35.8	-17.1	-3.8	2,681.3
Cash & cash equivalents	112.0	0.3	21.0	12.0	5.2	41.7	192.2
Leasing liabilities	811.2	10.0	0.0	0.0	0.0	0.0	821.2
Net interest-bearing liabilities	840.2	934.1	-62.4	23.9	-22.4	-45.5	1,667.9

Financing activities - change in liabilities as at Q2 2020:

	31.12.2019	Cash flow	Not cash-generating effects		30.06.2020
			Currency effects	Other effects	
Long-term interest-bearing debt to credit institutions	2,901.6	-1,308.3	48.1	0.0	1,641.4
Leasing liabilities	629.6	-82.4	1.7	272.4	821.2
Total non-current liabilities	3,531.2	-1,390.7	49.8	272.4	2,462.6
Short-term interest-bearing debt to credit institutions	231.5	-28.0	15.1	0.0	218.7
Total liabilities	3,762.7	-1,418.7	64.9	272.4	2,681.3

Note 9 - Interest and other financial items

	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Net interest expenses, ex. interest on leasing liabilities	-21.5	-22.1	-51.2	-46.0	-105.0
Interest expenses relating to leasing liabilities	-14.3	-12.9	-27.0	-26.1	-52.7
Gain on sale of shares associate share realised	-	-	-	225.9	225.9
Net currency effects	24.3	-20.0	-100.0	-17.0	-65.8
Other net financial items	1.2	-9.3	0.1	-11.7	2.7
Net interest and other financial items	-10.3	-64.4	-178.2	125.1	5.1