Quarterly Report
Second quarter 2017



SALMAR
Passion for Salmon

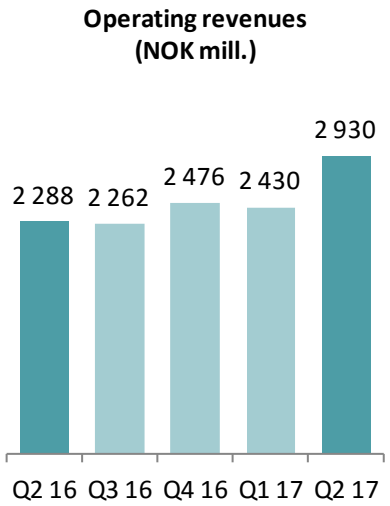
STRONG QUARTER FOR THE SALMAR GROUP

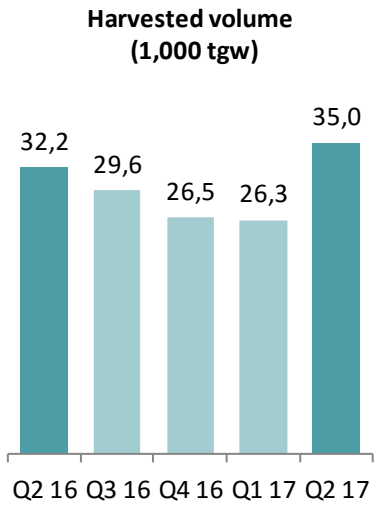
HIGHLIGHTS IN THE SECOND QUARTER 2017

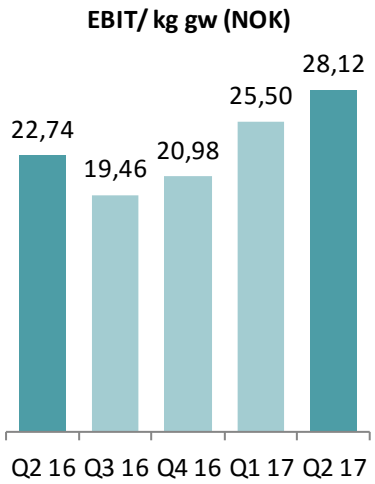
- Continued good operations combined with high salmon prices resulted in a strong quarter for the SalMar Group.
- Preparedness and capacity to handle biological challenges were further enhanced.
- Fish Farming Northern Norway's biological situation remained favourable, and the segment posted consistently good results.
- SalMar still expects to harvest 131,000 tonnes in Norway in 2017.

KEY FIGURES - GROUP

NOK million	Q2 2017	Q2 2016	1H 2017	1H 2016	2016
Operating revenue	2 929.9	2 288.1	5 360.0	4 291.5	9 029.8
Operational EBIT	983.0	731.8	1 653.7	1 298.4	2 431.6
Operational EBIT %	33.5 %	32.0 %	30.9 %	30.3 %	26.9 %
Fair value adjustments	-286.8	-223.7	-469.0	-55.7	654.0
Profit/loss from associates	74.9	34.2	157.1	92.0	286.8
Profit/loss before tax	717.6	527.2	1 266.2	1 307.4	3 342.1
EPS	4.97	3.64	8.82	8.88	23.43
NIBD	2 312.2	2 610.3	2 312.2	2 610.3	2 364.5
Equity ratio %	49.6 %	43.6 %	49.6 %	43.6 %	49.9 %
Harvested volume (1,000 tgw)	35.0	32.2	61.3	59.4	115.6
EBIT/kg gw (NOK)	28.12	22.74	26.99	21.84	21.03







FINANCIAL PERFORMANCE

Revenues and results in the second quarter 2017

The SalMar Group harvested 35,000 tonnes of salmon in the second quarter 2017, compared with 26,300 tonnes in the previous quarter and 32,200 tonnes in the second quarter 2016.

Norskott Havbruk (Scottish Sea Farms) harvested a total of 8,400 tonnes in the quarter, of which SalMar's share came to 4,200 tonnes. Arnarlax harvested 2,800 tonnes in the period, of which SalMar's share came to 950 tonnes.

The market for Atlantic salmon has been tight for a long time, with consequently high prices. However, price fluctuations in the past few quarters have been substantial, with prices ranging from NOK 60–75 per kg. Prices in the second quarter remained relatively stable, though they started the period at a slightly lower level.

The price of salmon (NASDAQ Salmon Index) averaged NOK 67.83 per kg for the second quarter as a whole. This is up from NOK 65.90 per kg in the previous quarter, and from NOK 64.22 per kg in the second quarter 2016.

SalMar generated gross operating revenues of NOK 2,929.9 million in the second quarter, compared with NOK 2,430.1 million in the first quarter 2017 and NOK 2,288.1 million in the second quarter 2016.

The Group's Operational EBIT came to NOK 983.0 million in the period, up from NOK 670.7 million in the previous quarter and from NOK 731.8 million in the same period last year. This is the highest quarterly Operational EBIT in the Group's history.

This gives a consolidated Operational EBIT of NOK 28.12 per kg, compared with NOK 25.50 per kg in the first quarter 2017, and NOK 22.74 per kg in the second quarter 2016.

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 286.8 million in the quarter. The value of the standing biomass fell by NOK 229.1 million in the quarter, while changes in unrealised losses on contracts, financial Fish Pool contracts and currency positions reduced profits by NOK 57.7 million. See Note 4 for further details.

As a result, operating profit for the second quarter 2017 came to NOK 696.1 million, compared with NOK 508.1 million in the same quarter last year, when operating profit was negatively affected by fair value adjustments totalling NOK 223.7 million.

SalMar's share of the profit/loss from associates totalled NOK 74.9 million in the period. The contribution derives from SalMar's share of the profit/loss from Norskott Havbruk and Arnarlax. Associates contributed NOK 34.2 million in the second quarter 2016. Arnarlax was included in SalMar's financial statements with effect from the first quarter 2017.

Net interest expenses totalled NOK 20.3 million in the period, while net other financial items came to NOK -33.1 million. Profit before tax in the second quarter 2017 totalled NOK 717.6 million.

The period's tax expense was calculated at NOK 154.0 million, such that the Group's net profit for the second quarter 2017 totalled NOK 563.6 million.

Revenues and results in the first half of 2017

The first six months of 2017 were a good period for the salmon industry, with high prices and strong earnings. However, the period was operationally challenging, primarily as a result of issues relating to sea lice. Over time, SalMar has made extensive investments in delousing equipment and this has helped make the Group's preparedness and capacity to deal with the lice problem substantially stronger. Moreover, the entire organisation is working constantly to improve its expertise, routines and practices with respect to lice management at all the Group's fish farms.

The SalMar Group generated gross operating revenues of NOK 5,360.0 million in the first six months of 2017, compared with NOK 4,291.5 million in the corresponding period in 2016.

Excluding Norskott Havbruk and Arnarlax, SalMar harvested a total of 61,300 tonnes in the period, compared with 59,400 tonnes in the corresponding period last year.

The price of salmon (NASDAQ Salmon Index) averaged NOK 66.86 per kg in the first half of 2017, compared with NOK 61.54 per kg in the same period last year.

Operational EBIT for the first half of 2017 came to NOK 1,653.7 million, compared with NOK 1,298.4 million in the same period last year. The improvement is attributable partly to higher salmon prices, as well as to more efficient underlying operations, with correspondingly lower costs per kg.

Fair value adjustments reduced the period's operating profit by NOK 469.0 million. As a result, operating profit for the first six months of the year totalled NOK 1,184.7 million. Operating profit for the first half of 2016 came to NOK 1,242.6 million, following downward fair value adjustments totalling NOK 55.7 million in the period.

Contributions from associates totalled NOK 157.1 million in the first half-year, compared with NOK 92.0 million in the corresponding period last year. Net interest expenses totalled NOK 44.8 million in the period, while net other financial items totalled NOK -30.8 million. As a result, profit before tax in the first six months of 2017 came to NOK 1,266.2 million. In the corresponding period last year, net interest expenses totalled NOK 47.7 million, while net other financial items totalled NOK 20.5 million. Profit before tax for the first half of 2016 therefore came to NOK 1,307.4 million.

The tax expense for the year's first six months is calculated at NOK 259.4 million, such that net profit for the first half of 2017 totalled NOK 1,006.8 million.

A tax expense of NOK 300.4 million was recognised in the first half of 2016, which brought net profit for the period to NOK 1,007.0 million.

Cash flow

The SalMar Group generated a positive cash flow of NOK 1,144.6 million from operating activities in the quarter. In addition to strong earnings, NOK 73.8 million in working capital was released.

Net cash flow from investing activities came to NOK -242.4 million in the period. The bulk of the payments relate to investments in operating assets, which together totalled NOK 315.6 million. NOK 159.5, million of this relates to the Group's offshore fish farm project (Ocean Farming), NOK 57.7 million to investments in smolt production facilities, while NOK 98.4 million are other investments in operational activities. During the period, NOK 53.5 million in dividends from associates was received. In addition, the sale of shares produced net proceeds of NOK 22.2 million.

The Group's net cash flow from financing activities in the period was negative in the amount of NOK 896.9 million. This amount relates to the payment of NOK 1,356.2 million in dividends for 2016, as well as an increase in interest-bearing debt of NOK 479.6 million. In addition, NOK 20.3 million in net interest payments were made.

This gave SalMar a net cash flow of NOK 5.3 million in the period, such that the Group's combined holdings of cash and cash equivalents at the close of the second quarter 2017 stood at NOK 224.2 million, up from NOK 218.5 million three months before.

For the first half-year as a whole, the SalMar Group achieved a positive cash flow from operating activities of NOK 1,877.9 million. Net cash flow from investing activities came to NOK -410.5 million, while the overall cash flow from financing activities was NOK -1,518.4 million. As a result, the Group's net cash flow in the first half of 2017 totalled NOK -51.0 million.

Financial position

As at 30 June 2017, SalMar's balance sheet totalled NOK 12,830.3 million, compared with NOK 12,958.2 million three months before and NOK 11,570.0 million at the close of the second quarter last year.

The book value of the Group's property, plant and equipment rose by NOK 181.3 million through the period to NOK 3 420,7 million. In keeping with previously adopted plans, funds are being invested primarily in specific production sites, the expansion of SalMar's hatchery capacity and activities relating to its offshore fish farm project. Investments in this project totalled NOK 159.5 million in the quarter.

At the close of the quarter, the Group had current assets totalling NOK 5,419.4 million, compared with NOK 5,799.7 million three months before.

The book value of inventory decreased by NOK 400.1 million in the quarter. The volume of fish held at sea was reduced, and the production cost of the standing biomass decreased by NOK 154.2 million. Stocks of finished goods were reduced by NOK 20.8 million. Despite increased market prices, the fair value of the biomass decreased by NOK 229.1 million as a result of its reduction in size compared with the close of the previous quarter.

Trade receivables fell by NOK 6.3 million to NOK 546.6 million, while other short-term receivables rose by NOK 20.4 million to NOK 298.2 million. At the close of the quarter, the SalMar Group has total cash holdings of NOK 224.2 million.

At the close of the quarter, the Group had a total capital of NOK 6,364.4 million, which corresponds to an equity ratio of 49.6 per cent. See the statement of movements in equity for further details of changes during the quarter.

Total interest-bearing debt at the close of the quarter stood at NOK 2,536.3 million. Debt to credit institutions accounted for NOK 2,088.4 million of this amount, ordinary leasing liabilities accounted for 54.9 million, while leasing liabilities relating to InnovaMar accounted for NOK 316.1 million. Short-term interest-bearing debt totalling NOK 216.1 million comprises an overdraft of NOK 76.9 million, as well as the first year's repayments on long-term interest-bearing debt amounting to NOK 139.1 million.

Other current liabilities rose by NOK 224.5 million in the period, largely as a result of a NOK 214.7 million increase in provisions for tax payable. Trade payables were reduced by NOK 80.6 million, while other current liabilities rose by NOK 71.3 million during the quarter. In addition, public charges payable rose by NOK 19.1 million during the period.

As at 30 June 2017, the Group's net interest-bearing debt totalled NOK 2,312.2 million, NOK 484.1 million more than three months before.

OPERATIONAL PERFORMANCE

With effect from the first quarter 2016, the Rauma segment has been incorporated into Fish Farming Central Norway, and the two operations will henceforth be reported as one.

Fish Farming Central Norway

NOK million	Q2 17	Q2 16	2016
Operating revenue	1 436	1 093	4 343
Operational EBIT	633	538	1 770
Operational EBIT%	44.1 %	49.2 %	40.8 %
Harvested volume (1 000 tgw)	21.2	17.7	70.5
EBIT/kg gw (NOK)	29.89	30.33	25.13

The Fish Farming Central Norway segment harvested a total of 21,200 tonnes of salmon in the second quarter 2017, compared with 17,700 tonnes in the corresponding period last year. Combined with higher salmon prices, this boosted operating revenues, which totalled NOK 1,435.6 million in the quarter, up from NOK 1,092.5 million in the second quarter 2016.

An unfavourable distribution of the volume harvested compared with price developments through the quarter resulted in the price achieved being less than the average (NASDAQ) for the period.

The cost per kg of the harvested biomass was lower than in the previous quarter. The segment's biological situation remains challenging, and SalMar's mortality rate was higher than previously experienced. Over time, SalMar has invested heavily in delousing equipment, and the company's preparedness and capacity in this area has been enhanced.

Organic fish accounted for around 6 per cent of the overall volume harvested by the segment during the period. This is less than in the previous quarter. Organic fish have a higher production cost than conventional salmon.

The market situation for organic fish has returned to normal after labelling issues were resolved on 17 March this year. Organic salmon normally carries a price premium in relation to conventional salmon. However, record-high spot prices for conventional salmon have reduced this premium even further compared with previous periods.

Operating profit per kg gutted weight came to NOK 29.89 in the second quarter 2017, up from NOK 25.49 per kg in the previous quarter and marginally down from the NOK 30.33 per kg achieved in the second quarter 2016.

Fish Farming Central Norway's still challenging biological situation is expected to affect the segment's costs in the next quarters.

The segment expects to harvest around 83,000 tonnes of salmon in 2017 as a whole. A total of 70,500 tonnes was harvested in 2016.

Fish Farming Northern Norway

NOK million	Q2 17	Q2 16	2016
Operating revenue	932	901	2 799
Operational EBIT	492	484	1 480
Operational EBIT%	52.8 %	53.7 %	52.9 %
Harvested volume (1 000 tgw)	13.8	14.5	45.2
EBIT/kg gw (NOK)	35.73	33.46	32.78

The Fish Farming Northern Norway segment harvested around 13,800 tonnes of salmon in the second quarter 2017. This is 3,700 tonnes more than in the previous quarter, but 700 tonnes less than in the same period last year.

The segment generated gross operating revenues of NOK 932.1 million in the period, compared with NOK 901.0 million in the second quarter 2016. The increase is attributable to higher salmon prices.

ISA was identified at one of the company's sites in Troms. This had no direct impact on the site concerned, since its fish stocks had already been harvested out when the discovery was made. However, the discovery did have an impact on two neighbouring farms, which were ordered to undertake direct unloading during the assessment period. Seen in isolation, this led to higher logistics and handling costs for the sites in question. ISA was not found at any other sites in the area than the original location.

The segment therefore made an operating profit per kg of NOK 35.73 in the period, almost identical to the NOK 35.74 per kg achieved in the first quarter this year and up from NOK 33.46 per kg in the second quarter 2016.

The overall biological situation in Northern Norway is still considered to be good, and there was no need for delousing operations in connection with the quarter's spring delousing period. This positive trend is expected to last, with costs holding steady in coming quarters.

Fish Farming Northern Norway expects to harvest approx. 48,000 tonnes in 2017 as a whole. The total volume harvested in 2016 was 45,200 tonnes.

Sales and Processing

NOK million	Q2 17	Q2 16	2016
Operating revenue	2 996	2 140	8 231
Operational EBIT	-113	-253	-686
Operational EBIT%	-3.8 %	-11.8 %	-8.3 %

The Sales and Processing segment generated gross operating revenues of NOK 2,996.4 million in the second quarter 2017, up from NOK 2,398.3 million in the previous quarter and from NOK 2,140.1 million in the corresponding quarter last year.

The segment sells the entire Group's harvested volume. No volumes from the joint operation with Lerøy in Finnmark were harvested during the period.

The segment made an operating loss of NOK 112.5 million in the quarter, compared with losses of NOK 61.3 million in the previous quarter and of NOK 253.2 million in the second quarter 2016.

The negative result is primarily attributable to the fact that 40 per cent of the volume harvested was sold under contract at prices below the average spot price for the period. The farming segments are settled at market price (Nasdaq). The improvement compared with the corresponding period last year may be ascribed to renegotiated contracts at higher prices, which has reduced the difference between spot and contract prices.

Substantial volume and price variations through the quarter have also made it difficult to achieve optimal prices, and have therefore had a negative impact on earnings from spot sales compared with the previous quarter.

In all, some 29,130 tonnes were harvested at the InnovaMar plant in the quarter. This is on a par with the previous quarter and up from 24,720 tonnes in the same period last year. The biological situation for Fish Farming Central Norway remained challenging, and substantial fluctuations in volume from week to week affected plant efficiency.

The secondary processing business achieved a high level of capacity utilisation and good underlying operations in the quarter. A total of 11,800 tonnes was processed in the period, compared with 12,200 tonnes in the previous quarter. This positive trend is expected to continue moving forward, but persistently high raw materials prices had a negative impact on the business's profitability.

The contract rate for the second half of 2017 is expected to be around 50 per cent. The average price under the contract portfolio is on a par with that achieved in the first half-year.

Eliminations

With effect from the fourth quarter 2013 research and development (R&D) costs have been included as eliminations in the segments' reported results. Of a total harvested volume of 35,000 tonnes during the second quarter 2017, R&D costs accounted for NOK 0.55 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 17	Q2 16	2016
Operating revenues	599	433	1 721
Operational EBIT	227	101	474
Operational EBIT%	37.9 %	23.4 %	27.5 %
Fair value adj. biomass	27	-3	128
Profit before tax	253	89	582
SalMar's share after tax	98	35	237
Harvested volume (1 000 tgw)	8.4	7.2	28.0
EBIT/kg gw (NOK)	26.91	14.15	16.90

Norskott Havbruk generated gross operating revenues of NOK 598.7 million in the second quarter 2017, up from NOK 372.4 million in the first quarter this year and NOK 432.5 million in the second quarter 2016.

In total, Norskott Havbruk harvested around 8,400 tonnes of fish in the quarter, 2,500 tonnes more than in the previous quarter and 1,300 tonnes more than in the corresponding period last year.

SalMar's share of the harvested volume came to 4,200 tonnes.

The company's result in the quarter was positively affected by a 34 per cent contract rate. The biological situation in Shetland on the other hand has a negative effect. The company is increasing its preparedness with respect to sea lice, including investments in mechanical delousing equipment, lice skirts and cleaner fish. The biological situation in mainland Scotland and on the Orkneys is good.

The company's operating profit per kg gutted weight rose to NOK 26.91 in the quarter, up from NOK 24.22 per kg in the previous quarter and NOK 14.15 per kg in the second quarter 2016. This is the strongest result in the company's history.

Norskott Havbruk expects to harvest around 30,000 tonnes in 2017.

Arnarlax HF

Arnarlax HF is recognised as an associate, with SalMar's share (34 per cent) of the company's profit/loss after tax and fair value adjustment of biomass being recognised as financial income. The figures in the table below reflect the company's overall performance.

NOK Million	Q2 17	Q1 17	2016
Operating revenues	194	146	247
Operational EBIT	26	35	-2
Operational EBIT%	13.4 %	23.8 %	-0.7 %
Fair value adj. biomass	-53	-73	183
Profit before tax	-49	-40	205
SalMar's share after tax	-17	-13	52
Harvested volume (1 000 tgw)	2.8	2.0	4.0
EBIT/kg gw (NOK)	9.32	16.95	-0.41

Arnarlax harvested around 2,800 tonnes in the second quarter 2017, an increase of 800 tonnes on the previous quarter. The company generated gross operating revenues of NOK 193.8 million, up from NOK 146.2 million in the first quarter.

Production costs in the quarter were negatively affected by biological issues at one site. In addition, costs reflect the

fact that the company is still in a build-up phase, with a suboptimal operating structure.

Operational EBIT for the period came to NOK 26.0 million, which corresponds to an EBIT per kg of NOK 9.32. In the previous quarter, Arnarlax made an Operational EBIT of NOK 34.7 million, corresponding to an EBIT per kg of NOK 16.95.

Arnarlax expects to harvest around 10,000 tonnes of salmon in 2017 as a whole.

MARKETS

Supply and demand

The global supply of Atlantic salmon totalled approx. 525,400 tonnes in the second quarter 2017, up 4 per cent of the second quarter 2016.

The rise is attributable almost entirely to higher output from Chile, as well as a slight increase in output from the UK. The volume of fish supplied by Norwegian producers was lower than in the second quarter last year

Chile's fish farmers harvested a total of 130,300 tonnes in the quarter, a rise of 26,900 tonnes or 26 per cent compared with the same period last year. This strong growth is expected to continue in the second half of the year.

Around 261,300 tonnes of salmon were harvested in Norway during the period. This is 15,300 tonnes less than in the same period last year. In the second half-year, however, the volume is expected to rise compared with the corresponding period in 2016.

Some 43,600 tonnes of salmon were harvested in the UK in the second quarter. This is 4,600 tonnes or 12 per cent more than in the same period last year. In North America, 38,800 tonnes were harvested in the quarter, down 5,700 tonnes on the corresponding period last year. A total of 24,400 tonnes was harvested in the Faeroes, up 23 per cent on the second quarter 2016. Output from other fish farming regions came to around 27,000 tonnes in the quarter, a rise of 21 per cent compared with the same period last year.

Norway exported some 249,100 tonnes round weight of Atlantic salmon in the second quarter 2017, a reduction of approx. 16,000 tonnes or 6 per cent from the second quarter 2016.

However, higher salmon prices have boosted the value of exports, measured in NOK. In the second quarter 2017, salmon worth around NOK 15.4 billion was exported from Norway, up 6 per cent from the NOK 14.5 billion achieved in the same period last year.

Norway exported 180,000 tonnes of salmon to the EU during the period, a fall of 11 per cent on the corresponding period in 2016. At NOK 10.9 billion, however, the value of those exports was marginally up (plus 1 per cent) on the second quarter last year.

Measured in volume, exports to the main markets for Norwegian salmon were down. The exception is the US, where exports were 11 per cent higher than a year before, at 15,500 tonnes.

After several quarters of relatively stable activity, exports to the Polish market fell. Around 30,900 tonnes were exported to Poland during the quarter, a decrease of 10 per cent compared with the same quarter last year. However, due to the higher salmon prices, the drop in value was just 2 per cent.

In France, the downward trend from the past few quarters continued. Exports of Norwegian salmon in the period totalled 24,800 tonnes. This is 6,400 tonnes or 20 per cent less than in the second quarter 2016. In value terms, the decrease came to 13 per cent.

Exports to Denmark fell by 6 per cent to 18,300 tonnes.

However, the sharpest decline came in the UK, which cut its imports of Norwegian salmon to 13,000 tonnes in the period – a reduction of 33 per cent. Exports to the Spanish market decreased by 5 per cent to 15,200 tonnes in the quarter.

Exports to the Asian markets rose by 10 per cent to 11,500 tonnes, compared with 10,500 tonnes in the second quarter 2016.

Prices and exchange rates

Despite slightly lower prices at the start and close of the quarter, the average price for the period as a whole was higher than in both the previous quarter and the corresponding quarter last year.

The average price of salmon in the second quarter 2017 (NASDAQ Salmon Index) came to NOK 67.83 per kg, compared with NOK 65.90 per kg in the previous quarter and NOK 64.22 per kg in the second quarter last year.

For the first half-year as a whole, the average price came to NOK 66.86 per kg, up from NOK 61.54 per kg in the first half of 2016.

The rate of exchange between the NOK and the most important trading currencies fluctuated through the period.

From the close of the first quarter until the close of the second quarter 2017, the NOK weakened against the EUR and GBP by 4.4 per cent and 1.6 per cent respectively. During the same period, the NOK strengthened against the USD by 2.2 per cent.

Since the close of the second quarter last year, the NOK has weakened against the EUR by 2.9 per cent, but is 3.3 per cent stronger against the GBP. At the close of the first half-year, the NOK/USD exchange rate was the same as at the same point the year before.

Any weakening of the NOK against the respective currencies of its trading partners may lead to a slight increase in the price of salmon measured in NOK and vice versa.

Biomass

At the close of the second quarter 2017, Norway had a standing biomass of 635,900 tonnes round weight. This is 6.2 per cent higher than at the same point last year, when the biomass totalled 598,800 tonnes round weight. At the close of the first quarter 2017, Norway had a standing biomass of 647,800 tonnes round weight.

The biomass in Chile totalled 296,900 tonnes round weight at the close of the quarter, 20 per cent higher than at the same point last year. As at 30 June 2017, the UK's total biomass came to approx. 89,500 tonnes round weight, a rise of 15 per cent compared with the same point the year before.

The Faeroes' combined biomass at the close of the period aggregated to 44,600 tonnes round weight, 21 per cent more than a year earlier.

EVENTS AFTER THE BALANCE SHEET DATE

In connection with the delivery of fish for harvest at Rauma Stamfisk AS's Gjerset facility in Haram at 18 July, a hole in one of the nets was discovered. The facility's nets had been inspected by divers two days prior to delivery and were found to be in order. The damage was discovered during an inspection on 23 July. The fish at the site were healthy and weighed around 4.6 kg. The unit from which the fish are suspected of having escaped has been harvested out. Up to 2,100 fish may have escaped from the site.

The incident is seen as very regrettable. Rauma Stamfisk AS has carried out a review with the staff at the site, and has been in discussions with the Directorate of Fisheries to assess and limit any consequences the incident may have. Procedures will be reviewed to identify improvement measures and to prevent similar incidents occurring in the future.

SHARES AND SHAREHOLDERS

At the close of June 2017, SalMar had a total of 113,299,999 shares outstanding, divided between 4,841 shareholders.

The company's major shareholder, Kverva AS, owns 53.4 per cent of the shares. The 20 largest shareholders own a total of 76.13 per cent of the shares, with SalMar ASA being the eighth largest shareholder with 984,368 shares, corresponding to 0.87 per cent of the total number of shares outstanding as at 30 June 2017.

During the period, SalMar's share price varied between NOK 180.20 and NOK 234.00. The final price at the close of the quarter was NOK 207.10. At the close of the previous quarter, the share price stood at NOK 185.20. The share price therefore appreciated by 12 per cent during the period. The final price at the close of 2016 was NOK 258.10. This means that the share price has depreciated by 20 per cent in the first half of 2017.

A total of just under 17.8 million shares were traded in the quarter. This corresponds to around 16 per cent of the total number of shares outstanding. An average of 307,500 shares were traded daily during the period.

TRANSACTIONS WITH RELATED PARTIES

During the period, there occurred no changes or particular transactions with related parties that have had a material impact on the Group's financial position or results.

RISKS AND UNCERTAINTIES

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 SalMar's quality manual and defined standards at each site.

Internal control with respect to financial reporting occurs through day-to-day follow-up by management and process owners, as well as monitoring by the Audit Committee. Non-conformances and improvement areas are followed up, and corrective measures implemented. Financial risk is handled by a central unit at head office, and the use of financial hedging instruments is assessed as required.

The largest operational risk factors are associated with biological development during smolt production and marine-phase fish farming. Even though SalMar establishes and develops risk-reducing measures, biological risk is an inherent and inescapable aspect of the business.

In recent years the spread of sea lice and the emergence of drug-resistant lice has been a challenge to the aquaculture industry. To address this challenge, SalMar has invested heavily in non-medicinal delousing equipment, and the company's preparedness and treatment capacity are considered as good.

SalMar takes a holistic and strategic approach to biological risk, including lice, and implements measures to both prevent and limit any damage. SalMar constantly makes operational assessments to safeguard fish welfare.

The company's operating procedures are designed to reduce biological risk. With respect to the lice situation, biological delousing using cleaner fish farmed in-house is a vital countermeasure. Vaccination against a variety of fish diseases is also a key part of SalMar's operating procedures.

SalMar aims to have the capacity to delouse 80 per cent of its standing biomass within a period of 10–14 days in Central Norway. In any form of biological production, the use of some medication will always be necessary. However, such medication must be applied prudently in order to avoid the development of resistance.

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

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

OUTLOOK

The global supply of Atlantic salmon rose by 4 per cent in the second quarter 2017, compared with the second quarter 2016. A similar trend is expected through the rest of the year. For 2017 as a whole, the total supply of Atlantic salmon is expected to reach just under 2.3 million tonnes, which corresponds to a rise of around 5 per cent compared with last year.

Output from Norway in the second quarter was 6 per cent lower than in the same period last year. However, it is expected that this situation will reverse during the second half-year. Compared with the same periods in 2016, output in the third and fourth quarters this year is expected to rise by 5 and 7 per cent respectively. As a result, the combined output of Atlantic salmon from Norwegian producers is forecast to total some 1.2 million tonnes, up 3 per cent on 2016.

In Chile, the output of Atlantic salmon leaped by 26 per cent in the second quarter. This strong growth is expected to continue in the second half-year. For 2017 as a whole, output is expected to reach 547,400 tonnes, an increase of 9 per cent compared with last year.

In North America, output was 13 per cent lower in the second quarter than in the same quarter last year. The region's aggregate output totalled 38,800 tonnes. The volume produced in the second half-year is expected to hold relatively steady, with output for the year as a whole forecast at around 158,900 tonnes, down 3 per cent on the year before.

In the UK, total output is expected to rise by 16,600 tonnes to 174,000 tonnes in 2017 as a whole, while output from the Faeroes is expected to rise by 4,100 tonnes to 81,400 tonnes.

Output from other regions is forecast to total 98,100 tonnes in 2017 as a whole, an increase of 10,800 tonnes or 12 per cent compared with 2016.

Fish Pool forward prices as at 16 August indicate an average salmon price of NOK 56.80 and NOK 59.20 per kg in September and October. Average salmon price in the third and fourth quarter in 2017 is expected at NOK 57.93 and 62.40 respectively. The forward price for the first half of 2018 was quoted on 16 August at NOK 65.50 per kg, which indicates expectations of a price rise next year.

On 28 February 2016, SalMar was awarded the first eight aquaculture development licences for Ocean Farming AS's offshore fish farm concept. Construction of a full-scale pilot facility and the advanced equipment it requires has now been completed on time and within budget in China.

At the time of writing, the Ocean Farm facility is located off the west coast of Africa. SalMar aims to be in a position to release the first cohort of fish into the facility during the third quarter 2017. If successful, the project could have major potential for the entire industry.

Central Norway continues to face considerable biological challenges. SalMar has initiated a number of measures to tackle the lice situation in the region. This includes adjustments to operating plans, the release of fewer smolt into certain facilities, a focus on cleaner fish, mechanical delousing, increased wellboat capacity and active participation in framing the industry's shared operating conditions (zones and emergency response). Taken together, this is reducing lice numbers and increasing treatment capacity. Increased handling may have a negative impact on costs in the next quarters.

This positive trend is Northern-Norway is expected to last, with costs holding steady in the coming quarters.

SalMar continues its focus to reduce costs through the initiated cost program.

SalMar expects to harvest 131,000 tonnes in 2017. As in previous years, opportunities to optimise SalMar's overall production by delaying the harvest of some volumes until 2018 may arise at the close of the year.

The contract rate for the second half of 2017 is expected to be around 50 per cent. The average price under the contract portfolio is on a par with that achieved in the first half-year.

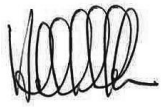
The supply of salmon in the second half of 2017 is expected to be higher than in the first six months of the year. Increased supply will normally ease the pressure in the salmon market. However, SalMar is still experiencing buoyant demand for salmon in the company's key markets, and the board expects results in the upcoming quarters of 2017 to remain strong.

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 2017 have been prepared in accordance with IAS 34 – Interim Reporting, and that the information contained therein provides a true and fair view of the Group's assets, liabilities, financial position and overall results.

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

The Board of Directors and CEO of SalMar ASA
Frøya, 24 August 2017



Atle Eide
Chair



Helge Moen
Director



Kjell A. Storeide
Deputy Chair



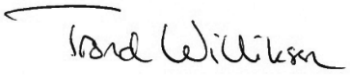
Margrethe Hauge
Director



Geir Berg
Director
(employee-elected)



Brit Elin Soleng
Director
(employee-elected)



Trond Williksen
CEO

INCOME STATEMENT

NOK million	2Q 2017	2Q 2016	YTD 2017	YTD 2016	FY 2016
Operating income	**2 929,9**	**2 288,1**	**5 360,0**	**4 291,5**	**9 029,8**
Cost of goods sold	1 223,4	910,8	2 303,6	1 757,3	4 000,8
Payroll expenses	238,2	211,3	468,3	404,8	861,5
Other operating expenses	384,1	345,8	739,0	657,6	1 377,8
EBITDA	1 084,3	820,2	1 849,1	1 471,8	2 789,7
Depreciations and write-downs	101,3	88,4	195,5	173,4	358,0
Operational EBIT	**983,0**	**731,8**	**1 653,7**	**1 298,4**	**2 431,6**
Fair value adjustment	-286,8	-223,7	-469,0	-55,7	654,0
Operational profit	**696,1**	**508,1**	**1 184,7**	**1 242,6**	**3 085,6**
Income from investments in associates	74,9	34,2	157,1	92,0	286,8
Net interest costs	-20,3	-22,3	-44,8	-47,7	-101,3
Other financial items	-33,1	7,2	-30,8	20,5	70,9
Profit before tax	**717,6**	**527,2**	**1 266,2**	**1 307,4**	**3 342,1**
Tax	154,0	124,8	259,4	300,4	691,1
Net profit for the period	**563,6**	**402,4**	**1 006,8**	**1 007,0**	**2 651,0**
Items to be reclassified to profit and loss in subsequent periods:					
Change in translation diff. associates	21,3	-26,6	22,8	-70,7	-105,3
Change in translation diff. subsidaries	0,4	1,9	1,4	1,9	-1,8
Cash flow hedge, net tax	-6,9	-	-9,4	-	11,5
Change in fair value of currency instruments	-	-	-	-	-0,3
Total comprehensive income	**578,4**	**377,6**	**1 021,6**	**938,2**	**2 555,1**
Allocation of the periods net profit:					
Non-controlling interests	4,1	-7,3	13,2	7,8	13,9
Shareholders in SalMar ASA	559,5	409,7	993,6	999,2	2 637,1
Earnings per share (NOK)	4,98	3,65	8,85	8,91	23,51
Earnings per share - diluted	4,97	3,64	8,82	8,88	23,43

BALANCE SHEET - GROUP

NOK million	30.06.2017	31.03.2017	31.12.2016	30.06.2016
ASSETS				
Intangible fixed assets	2 929,9	2 928,2	2 910,8	2 913,0
Tangible fixed assets	3 420,7	3 239,4	3 137,5	2 866,5
Financial fixed assets	1 060,3	990,9	960,0	851,3
Total fixed assets	**7 410,9**	**7 158,5**	**7 008,3**	**6 630,8**
Inventory	4 350,4	4 750,4	5 221,8	3 637,7
Accounts receivables	546,6	553,0	595,8	774,1
Other short-term receivables	298,2	277,9	302,1	328,5
Cash and cash equivalents	224,2	218,4	273,7	198,9
Total current assets	**5 419,4**	**5 799,7**	**6 393,4**	**4 939,3**
TOTAL ASSETS	**12 830,3**	**12 958,2**	**13 401,7**	**11 570,0**
EQUITY AND LIABILITIES				
Paid-in equity	551,2	541,1	529,0	515,7
Reserves	5 725,9	6 499,4	6 069,4	4 455,5
Minority interests	87,3	91,6	82,4	76,3
Total equity	**6 364,4**	**7 132,1**	**6 680,8**	**5 047,6**
Provisions for liabilities	1 332,2	1 406,7	1 495,3	1 189,3
Int. bearing long-term liabilities	2 320,3	1 883,9	2 439,6	2 488,6
Total long-term liabilities	**3 652,4**	**3 290,6**	**3 934,9**	**3 677,9**
Int. bearing short-term liabilities	216,1	162,6	198,6	320,6
Other short-term liabilities	2 597,4	2 372,9	2 587,4	2524,0
Total short-term liabilities	**2 813,5**	**2 535,5**	**2 786,0**	**2 844,6**
TOTAL EQUITY AND LIABILITIES	**12 830,3**	**12 958,2**	**13 401,7**	**11 570,0**
Net interest bearing debt	**2 312,2**	**1 828,0**	**2 364,5**	**2 610,3**
Equity share	**49,6 %**	**55,0 %**	**49,9 %**	**43,6 %**

STATEMENT OF CASH FLOW

NOK million	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Profit before tax	717,6	527,2	1 266,2	1 307,4	3 342,1
Tax paid in period	-5,7	-9,8	-19,8	-17,6	-291,0
Depreciation	101,3	88,4	195,5	173,4	358,0
Share of profit/loss from associates	-74,9	-34,2	-157,1	-92,0	-286,8
Gains exit subsidiaries	-11,0	-	-11,0	-28,4	-26,6
Change in fair value adjustments	286,8	223,7	469,0	55,7	-654,0
Change in working capital	73,8	197,7	38,0	552,9	364,2
Other changes	56,7	34,4	97,3	76,6	-81,2
Net cash flow from operating activities	1 144,6	1 027,5	1 877,9	2 028,1	2 724,6
Net cash flow from investing activities	-242,4	-566,6	-410,5	-843,4	-1 231,3
Change in interest-bearing debt	479,6	669,6	-113,4	-92,6	-264,0
Dividend paid out	-1 356,2	-1 121,2	-1 356,2	-1 121,2	-1 125,9
Interest paid	-20,3	-22,3	-44,8	-47,7	-101,3
Other changes	-	-	-4,0	-	-
Net cash flow from financing activities	-896,9	-473,9	-1 518,4	-1 261,5	-1 491,2
Net change in cash for the period	**5,3**	**-13,0**	**-51,0**	**-76,7**	**2,1**
Foreign exchange effects	0,4	1,8	1,4	2,0	-2,1
Cash in the beginning of the period	218,4	210,0	273,7	273,7	273,7
Cash at the end of the period	224,2	198,9	224,2	198,9	273,7

CHANGES IN EQUITY

2017	Share capital	Treasury shares	Share premium	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
Equity as at 01.01.17	**28,3**	**-0,2**	**415,3**	**85,7**	**7,1**	**6 062,2**	**82,4**	**6 680,8**
Net profit for the year						993,6	13,2	1 006,8
Comprehensive income					1,4	13,4	0,0	14,8
Total comprehensive income for the year	0,0	0,0	0,0	0,0	1,4	1 006,9	13,2	1 021,6
Transactions with shareholders								
Dividend paid						-1 347,8	-8,4	-1 356,2
Exit non-controlling interests						-4,0	0,0	-4,0
Options granted				22,2		0,0	0,0	22,2
Other changes						0,0		0,0
Sum transactions with shareholders	0,0	0,0	0,0	22,2	0,0	-1 351,8	-8,4	-1 338,0
Equity as at 30.06.2017	**28,3**	**-0,2**	**415,3**	**107,8**	**8,5**	**5 717,4**	**87,3**	**6 364,4**

2016	Share capital	Treasury shares	Share premium	Other paid-in equity	Translation differences	Retained earnings	Non-controlling interests	Total equity
Equity as at 01.01.16	**28,3**	**-0,3**	**415,3**	**57,8**	**9,2**	**4 637,1**	**79,7**	**5 227,0**
Net profit for the year						2 637,1	13,9	2 651,0
Comprehensive income					-2,1	-93,8	0,0	-95,9
Total comprehensive income for the year	0,0	0,0	0,0	0,0	-2,1	2 543,3	13,9	2 555,1
Transactions with shareholders								
Dividend paid						-1 121,2	-4,7	-1 125,9
Exit non-controlling interests						0,0	-6,5	-6,5
Options granted				27,9		0,0	0,0	27,9
Redeemed options treasury shares		0,0				0,0		0,0
Deferred tax options						4,1		4,1
Other changes						-1,0		-1,0
Sum transactions with shareholders	0,0	0,0	0,0	27,9	0,0	-1 118,1	-11,2	-1 101,3
Equity as at 31.12.16	**28,3**	**-0,2**	**415,3**	**85,7**	**7,1**	**6 062,2**	**82,4**	**6 680,8**

SEGMENT INFORMATION

	Farming Central-Norway	Farming Northern-Norway	Sales and Processing	Elim.	Group
2Q 2017					
Operating income (NOK mill.)	1 435,6	932,1	2 996,4	-2 434,1	2 929,9
Operational EBIT (NOK mill.)	633,3	492,1	-112,5	-29,9	983,0
Operational EBIT %	44,1 %	52,8 %	-3,8 %		33,5 %
Harvested volume (1,000 tgw)	21,2	13,8			35,0
EBIT/ kg gw (NOK)	29,89	35,73			28,12
2Q 2016					
Operating income (NOK mill.)	1 092,5	901,0	2 140,1	-1 845,5	2 288,1
Operational EBIT (NOK mill.)	537,8	483,8	-253,2	-36,6	731,8
Operational EBIT %	49,2 %	53,7 %	-11,8 %		32,0 %
Harvested volume (1,000 tgw)	17,7	14,5			32,2
EBIT/ kg gw (NOK)	30,33	33,46			22,74
YTD 2017					
Operating income (NOK mill.)	2 478,3	1 613,0	5 394,7	-4 126,0	5 360,0
Operational EBIT (NOK mill.)	1 045,3	854,4	-173,9	-72,2	1 653,7
Operational EBIT %	42,2 %	53,0 %	-3,2 %		30,9 %
Harvested volume (1,000 tgw)	37,4	23,9			61,3
EBIT/ kg gw (NOK)	27,98	35,73			26,99
YTD 2016					
Operating income (mill.)	1 936,9	1 640,1	3 943,0	-3 228,5	4 291,5
Operational EBIT (mill.)	888,8	855,4	-386,5	-59,3	1 298,4
Operational EBIT %	45,9 %	52,2 %	-9,8 %		30,3 %
Harvested volume (1,000 tgw)	32,1	27,3			59,4
EBIT/ kg gw (NOK)	27,68	31,29			21,84
FY 2016					
Operating income (mill.)	4 343,5	2 799,2	8 231,4	-6 344,3	9 029,8
Operational EBIT (mill.)	1 770,2	1 480,3	-685,8	-133,1	2 431,6
Operational EBIT %	40,8 %	52,9 %	-8,3 %		26,9 %
Harvested volume (1,000 tgw)	70,5	45,2			115,6
EBIT/ kg gw (NOK)	25,13	32,78			21,03

KEY FIGURES - GROUP

	2Q 2017	2Q 2016	YTD 2017	YTD 2016	FY 2016
Number of shares (diluted) - end of period (mill.)	112,6	112,5	112,6	112,5	112,6
Earnings per share (NOK)	4,98	3,65	8,85	8,91	23,51
Earnings per share - diluted (NOK)	4,97	3,64	8,82	8,88	23,43
EBITDA %	37,0 %	35,8 %	34,5 %	34,3 %	30,9 %
Operational EBIT %	33,5 %	32,0 %	30,9 %	30,3 %	26,9 %
EBIT %	23,8 %	22,2 %	22,1 %	29,0 %	34,2 %
Profit before tax %	24,5 %	23,0 %	23,6 %	30,5 %	37,0 %
Cash flow per share - diluted (NOK)	10,2	9,1	16,7	18,0	24,21
Net interest bearing debt (mill.)	2 312,2	2 610,3	2 312,2	2 610,3	2 364,5
Equity ratio %	49,6 %	43,6 %	49,6 %	43,6 %	49,9 %

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. 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.

In this interim report the Group has used the same accounting principles as in the year-end financial statements for 2016. No new or amended accounting standards or interpretations went into force in 2Q 2017.

Note 2 - The company's 20 largest shareholders

Shareholder	Shares	%
KVERVA AS	60 500 000	53,40 %
FOLKETRYGDFONDET	7 774 510	6,86 %
JPMORGAN CHASE BANK, N.A., LONDON	2 776 768	2,45 %
STATE STREET BANK AND TRUST COMP	2 528 982	2,23 %
LIN AS	1 754 498	1,55 %
SOCIÉTÉ GÉNÉRALE	1 205 309	1,06 %
CLEARSTREAM BANKING S.A.	1 039 427	0,92 %
SALMAR ASA	984 368	0,87 %
JPMORGAN CHASE BANK, N.A., LONDON	847 574	0,75 %
J.P. MORGAN BANK LUXEMBOURG S.A.	813 181	0,72 %
PARETO AKSJE NORGE	774 335	0,68 %
STATE STREET BANK AND TRUST COMP	758 948	0,67 %
JPMORGAN EUROPEAN SMALLERCOMPANIES	727 795	0,64 %
JPMORGAN CHASE BANK, N.A., LONDON	670 811	0,59 %
STATE STREET BANK AND TRUST COMP	613 881	0,54 %
STATE STREET BANK AND TRUST COMP	592 621	0,52 %
KLP AKSJENORGE INDEKS	553 428	0,49 %
STATE STREET BANK AND TRUST COMP	485 626	0,43 %
SCHRODER INTERNATIONAL SELEC TION	439 235	0,39 %
CREDIT SUISSE SECURITIES (EUROPE)	409 961	0,36 %
Top 20	**86 251 258**	**76,13 %**
Others	27 048 741	23,87 %
Total	**113 299 999**	**100,00 %**

Note 3 - Inventory and Biological Assets (biomass)

Book value of inventory	30.06.2017	31.03.2017	31.12.2016	30.06.2016
Raw materials	100,3	96,3	132,1	101,9
Biological assets	4 123,1	4 506,4	4 997,0	3 436,0
Finished goods	126,9	147,8	92,7	99,9
Total	4 350,4	4 750,4	5 221,8	3 637,7

Fair value adjustment of biological assets	30.06.2017	31.03.2017	31.12.2016	30.06.2016
Historic cost	2 867,1	3 021,3	2 968,3	2 393,5
Fair value adjustment of the biomass	1 256,0	1 485,1	2 028,7	1 042,5
Book value	4 123,1	4 506,4	4 997,0	3 436,0

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 best estimate for the fair value of fish with a live weight of less than 1 kg is accumulated cost, while the fair value of harvestable fish with a harvested weight of more than 4 kg is adjusted to its expected net profit/loss. For fish with a harvested weight of between 1 kg and 4 kg the fair value adjustment of the biomass is set to its pro-rata share of expected net profit/loss at harvest. As a consequence, this can lead to a downward adjustment in the fair value of biological assets.

The fair value of the biomass is set on the basis of the market price of the weight category concerned, corrected for sales costs, including harvesting costs and gutting waste, on the balance sheet date. The market price is adjusted for quality differences. The sales prices used are based on external forward prices for the period in which the fish is due to be harvested.

Smolt are valued 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:

	2Q 2017	2Q 2016	YTD 2017	YTD 2016	FY 2016
Change in fair value of the biomass	-229,1	-84,3	-772,7	66,3	1 052,5
Change in provisions for onerous contracts	-58,4	-140,9	210,5	-274,1	-316,0
Unrealised change in value of Fish Pool contracts	-15,7	-2,8	76,4	28,2	-144,3
Unrealised changes in the value of currency and forward currency contracts	16,4	4,2	16,8	123,8	61,7
Fair value adjustments recognised in profit and loss	-286,8	-223,7	-469,0	-55,7	654,0

Note 5 - Business combinations

Business acquisitions in 2017

On 13 February 2017, the Group agreed the acquisition of 100 per cent of the shares in Sunnfjord Rensefisk AS. For accounting purposes, the transaction will be treated as a business transfer. Sunnfjord Rensefisk AS produces a type of cleaner fish (ballan wrasse), and the object of the acquisition is to increase the Group's cleaner fish production capacity. In connection with the transaction, the shareholders' receivable from the company was transferred to SalMar. SalMar paid NOK 8.3 million for the receivable, which was recognised in the accounts in the amount of NOK 25.75 million. The company's shares were transferred free of charge.

The acquisition's effect on the balance sheet:	Book value	Fair value adjustments	Fair value
Deferred tax asset	6,6	0,8	7,4
Fixed assets	1,5	-1,5	0,1
Current assets	7,7	-1,8	5,9
Liquidity	0,2	-	0,2
Liabilities	-31,0	17,5	-13,5
Net identifiable assets and liabilities	**-14,9**	**14,9**	**0,0**
Goodwill			0,0
Cash Consideration			**0,0**

Business acquisitions in 2016

The Group has made no business combinations in 2016.

Note 6 - Exit of subsidiaries and non-controlling interests

Exit of subsidiaries 2017

Villa Smolt AS

With effect from 31 May 2017, the Group has sold 100 per cent of its shares in the subsidiary Villa Smolt AS. The fair value of the consideration, NOK 16.0 million, has been paid in cash. The subsidiary's exit produced a net gain for the Group of NOK 1.2 million, which is classified as an operating revenue in the second quarter financial statements.

SalMar Genetics AS

With effect from 31 May 2017, the Group has reduced its shareholding in the subsidiary SalMar Genetics AS from 100 per cent to 50 per cent. The reduction is a consequence of dilution combined with the sale of shares.

Following the transaction, the Group no longer has a controlling influence over the company. The entire investment is deemed to have been realised and a new cost price, based on the fair value of the investment in the shares, has been set. The fair value of the remaining investment in the company, NOK 25.9 million, is recognised as a financial asset in the balance sheet. The realisation of the subsidiary generated a gain for the Group of NOK 9.7 million, which is classified as an operating revenue in the second quarter financial statements.

Changes in non-controlling interests 2017

During the period, the Group paid NOK 4.0 million to acquire a further tranche of shares in the subsidiary Ocean Farming AS. The transaction increases the Group's shareholding in the company from 91 per cent to 93.4 per cent.

Exit of subsidiaries and non-controlling interests 2016

With effect from 31 March 2016, the Group has sold its shareholding in the subsidiary Frøyas AS. The Group had a shareholding of 66 per cent, and this has been transferred in its entirety to Insula AS. Kverva AS owns 91.76 per cent of Insula AS. Kverva AS owns 53.4 per cent of the shares in SalMar ASA and is a related party to the Group.

Consideration for the shares in Frøyas AS is based on an earn-out model. Fair value of the consideration is estimated at NOK 39.1 million. The book value of equity in Frøyas AS on the date of the transaction totalled NOK 19.0 million, NOK 6.5 million of which is allocated to non-controlling interests. This gives a gain on the exit of subsidiaries for the Group of NOK 26.6 million in total. The controlling interest's share of the gain has been recognised in Q1 2016 and is classified as an operating revenue in profit and loss.

The non-controlling interests' share of equity in the period in which the gain was recognised has been reduced by NOK 6.5 million.

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

	Norskott	*Arnarlax*	*Others*	*TOTAL*
Opening balance 01.01.2017	609,5	290,8	8,1	908,4
Addtions costs	-	-	25,9	25,9
Share of year's profit/loss	193,0	-29,9	-6,0	157,1
Other items in comprehensive income	12,1	10,6	-	22,8
Dividend received	-107,0	-	-	-107,0
Closing balance 30.06.2017	**707,7**	**271,5**	**28,0**	**1 007,2**

2017

The Group reduced its shareholding in SalMar Genetics AS to 50 per cent during the period, and no longer has a controlling influence over the company. The Group's 50 per cent shareholding has been recognised in accordance with the equity method, with effect from the date of realisation. See Note 6 for further details.

2016

In 2016, loans totalling NOK 242 million have been granted in connection with the financing of a share issue in Arnarlax HF. The loan has been granted to Salmus AS and other shareholders of this company. SalMar ASA has also received subscription rights in Salmus AS which, from the date on which they are exercised, will give it a shareholding of 69.4 per cent of the latter company. Following the share issue, Salmus AS's indirect shareholding in Arnarlax HF will total 49.07 per cent. The loan to Salmus AS of NOK 200 million is considered as a part of the investment in the company.

Note 8 - Other financial items

	2Q 2017	2Q 2016	YTD 2017	YTD 2016	FY 2016
Net interest expenses	-20,3	-22,3	-44,8	-47,7	-101,3
Other net financial items	-33,1	7,2	-30,8	20,5	70,9
Net financial items	-53,4	-15,1	-75,6	-27,2	-30,4